
TRANSACTION FORMS

Relating To The

VISTA RIDGE REGIONAL SUPPLY PROJECT
WATER TRANSMISSION AND PURCHASE AGREEMENT

between

THE CITY OF SAN ANTONIO, TEXAS
ACTING BY AND THROUGH
THE SAN ANTONIO WATER SYSTEM BOARD OF TRUSTEES

and

ABENGOA VISTA RIDGE, LLC

Dated

_____, 2014



ABENGOA
VISTA RIDGE, LLC

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TRANSACTION FORM A
ABENGOA GUARANTY AGREEMENT

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ABENGOA
VISTA RIDGE, LLC

GUARANTY AGREEMENT

from

ABENGOA, S.A.

to

**THE CITY OF SAN ANTONIO, TEXAS
ACTING BY AND THROUGH
THE SAN ANTONIO WATER SYSTEM BOARD OF TRUSTEES**

Dated as of

_____, 2014

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ABENGOA
VISTA RIDGE, LLC

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GUARANTY AGREEMENT

THIS GUARANTY AGREEMENT is made and dated as of _____, 2014, between Abengoa, S.A., a company organized and existing under the laws of the Kingdom of Spain (together with any permitted successors and assigns hereunder, the "Guarantor"), and the City of San Antonio, Texas (the "City") acting by and through the San Antonio Water System Board of Trustees, established pursuant to the provisions of City Ordinance Number 75686, Texas Local Government Code Sections 552.141 et seq. and Chapter 1502, as amended, Texas Government Code ("SAWS").

RECITALS

The City acting by and through SAWS and Abengoa Vista Ridge, LLC, a limited liability company organized and existing under the laws of the State of Delaware (the "Project Company"), have entered into the Vista Ridge Regional Supply Project Water Transmission and Purchase Agreement, dated as of _____, 2014, as amended from time to time (the "Water Transmission and Purchase Agreement"), whereby the Project Company has agreed to produce, treat, make available and sell to SAWS potable water on a long term basis, all as more particularly described therein.

The Project Company is an indirect subsidiary of the Guarantor.

Performance by SAWS and the Project Company of their obligations under the Water Transmission and Purchase Agreement will result in a direct and substantial benefit to the Guarantor.

The City acting by and through SAWS will enter into the Water Transmission and Purchase Agreement only if, concurrently with its execution and delivery by the Project Company, the Guarantor guarantees the performance by the Project Company of certain of the Project Company's Obligations under the Water Transmission and Purchase Agreement as set forth in this Guaranty Agreement.

In order to induce the execution and delivery of the Water Transmission and Purchase Agreement by the City acting by and through SAWS and in consideration thereof, the Guarantor agrees as follows:



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ARTICLE I

DEFINITIONS AND INTERPRETATION

SECTION 1.1. DEFINITIONS. For the purposes of this Guaranty, the following words and terms shall have the respective meanings set forth as follows. Any other capitalized word or term used but not defined herein is used as defined in the Water Transmission and Purchase Agreement.

"Obligations" means the obligation of the Project Company to pay SAWS Reimbursable Costs, as set forth in Sections 4.5 (Project Company Convenience Termination Option During the Development and Financing Period) and 4.7 (SAWS Reimbursable Costs) of the Water Transmission and Purchase Agreement. No other payment or performance obligations of the Project Company under or in any manner related to the Water Transmission and Purchase Agreement are guaranteed hereby.

"Transaction Agreement" means any agreement entered into by the Project Company in connection with the transactions contemplated by the Water Transmission and Purchase Agreement, including the Water Transmission and Purchase Agreement, and any supplements thereto.

SECTION 1.2. INTERPRETATION. In this Guaranty, unless the context otherwise requires:

(A) References Hereto. The terms "hereby," "hereof," "herein," "hereunder" and any similar terms refer to this Guaranty, and the term "hereafter" means after, and the term "heretofore" means before, the date of execution and delivery of this Guaranty.

(B) Plurality. Words importing the singular number mean and include the plural number and vice versa.

(C) Persons. Words importing persons include firms, companies, associations, general partnerships, limited partnerships, trusts, business trusts, corporations and other legal entities, including public bodies, as well as individuals.

(D) Headings. The table of contents and any headings preceding the text of the Articles, Sections and subsections of this Guaranty shall be solely for convenience of reference and shall not constitute a part of this Guaranty, nor shall they affect its meaning, construction or effect.

(E) Entire Agreement. This Guaranty constitutes the entire agreement between the parties hereto with respect to the transactions contemplated by this Guaranty. Nothing in this Guaranty is intended to confer on any person other than the Guarantor, SAWS and their permitted successors and assigns hereunder any rights or remedies under or by reason of this Guaranty.

(F) Counterparts. This Guaranty may be executed in any number of original counterparts. All such counterparts shall constitute but one and the same Guaranty.

(G) Applicable Law. This Guaranty shall be governed by and construed in accordance with the applicable laws of the State of Texas.

(H) Severability. If any clause, provision, subsection, Section or Article of this Guaranty shall be ruled invalid by any court of competent jurisdiction, the invalidity of any



such clause, provision, subsection, Section or Article shall not affect any of the remaining provisions hereof, and this Guaranty shall be construed and enforced as if such invalid portion did not exist provided that such construction and enforcement shall not increase the Guarantor's liability beyond that expressly set forth herein.

(I) Approvals. All approvals, consents and acceptances required to be given or made by any party hereto shall be at the sole discretion of the party whose approval, consent or acceptance is required.

(J) Payments. All payments required to be made by the Guarantor hereunder shall be made in lawful money of the United States of America.



ARTICLE II

REPRESENTATIONS AND WARRANTIES OF THE GUARANTOR

SECTION 2.1. REPRESENTATIONS AND WARRANTIES OF THE GUARANTOR.

The Guarantor hereby represents and warrants that:

(1) Existence and Powers. The Guarantor is a company duly organized, validly existing and in good standing under the laws of the Kingdom of Spain, with the full legal right, power and authority to enter into and perform its obligations under this Guaranty.

(2) Due Authorization and Binding Obligation. This Guaranty has been duly authorized, executed and delivered by all necessary corporate action of the Guarantor and constitutes the legal, valid and binding obligation of the Guarantor, enforceable against the Guarantor in accordance with its terms, except to the extent that its enforceability may be limited by bankruptcy, insolvency or other similar laws affecting creditors' rights from time to time in effect and equitable principles of general application.

(3) No Conflict. To the best of its knowledge, neither the execution nor delivery by the Guarantor of this Guaranty nor the performance by the Guarantor of its obligations in connection with the transaction contemplated hereby or the fulfillment by the Guarantor of the terms and conditions hereof: (a) conflicts with, violates or results in a breach of any law or governmental regulation applicable to the Guarantor; (b) conflicts with, violates or results in a breach of any term or condition of the Guarantor's corporate charter or by-laws or any order, judgment or decree, or any contract, agreement or instrument to which the Guarantor is a party or by which the Guarantor or any of its properties or assets are bound, or constitutes a default under any of the foregoing; or (c) will result in the creation or imposition of any material encumbrance of any nature whatsoever upon any of the properties or assets of the Guarantor except as permitted hereby.

(4) No Approvals Required. No approval, authorization, order or consent of, or declaration, registration or filing with, any Governmental Body is required for the valid execution and delivery of this Guaranty by the Guarantor or the performance of its payment or other obligations hereunder, except as such shall have been duly obtained or made.

(5) No Litigation. Except as disclosed in writing to SAWS, there is no Legal Proceeding, at law or in equity, before or by any Governmental Body pending or, to the best of the Guarantor's knowledge, overtly threatened or publicly announced against the Guarantor, in which an unfavorable decision, ruling or finding could reasonably be expected to have a material and adverse effect on the validity, legality or enforceability of this Guaranty against the Guarantor, or on the ability of the Guarantor to perform its obligations hereunder.

(6) No Legal Prohibition. The Guarantor has no knowledge of any Applicable Law in effect on the date as of which this representation is being made which would prohibit the performance by the Guarantor of this Guaranty and the transactions contemplated by this Guaranty.

(7) Consent to Agreements. The Guarantor is fully aware of and consents to the terms and conditions of the Water Transmission and Purchase Agreement.

(8) Consideration. This Guaranty is made in furtherance of the purposes for which the Guarantor has been organized, and the assumption by the Guarantor of its obligations hereunder will result in a material benefit to the Guarantor.



ARTICLE III

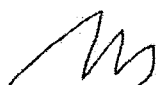
GUARANTY COVENANTS

SECTION 3.1. GUARANTY TO SAWS. The Guarantor hereby absolutely, presently, irrevocably and unconditionally guarantees to SAWS for the benefit of SAWS the full and prompt payment of the Obligations when due from the Project Company under the Water Transmission and Purchase Agreement (including all amendments and supplements thereto) to, or for the account of, SAWS, when the same shall become due and payable pursuant to this Guaranty. Notwithstanding the unconditional nature of the Guarantor's obligations as set forth herein, the Guarantor shall have the right to assert the defenses provided in Section 3.3 and Section 3.4 hereof against claims made under this Guaranty.

SECTION 3.2. RIGHT OF SAWS TO PROCEED AGAINST GUARANTOR. This Guaranty shall constitute a guaranty of payment and not of collection, and the Guarantor specifically agrees that in the event of a failure by the Project Company to pay or perform any Obligation guaranteed hereunder, SAWS shall have the right to proceed first and directly against the Guarantor under this Guaranty and without proceeding against the Project Company or exhausting any other remedies against the Project Company which SAWS may have. Without limiting the foregoing, the Guarantor agrees that it shall not be necessary, and that the Guarantor shall not be entitled to require, as a condition of enforcing the liability of the Guarantor hereunder, that SAWS: (1) file suit or proceed to obtain a personal judgment against the Project Company or any other person that may be liable for the Obligations or any part of the Obligations; (2) make any other effort to obtain payment or performance of the Obligations from the Project Company other than providing the Project Company with any notice of such payment or performance as may be required by the terms of the Water Transmission and Purchase Agreement or required to be given to the Project Company under Applicable Law; (3) foreclose against or seek to realize upon any security for the Obligations; or (4) exercise any other right or remedy to which SAWS is or may be entitled in connection with the Obligations or any security therefor or any other guarantee thereof, except to the extent that any such exercise of such other right or remedy may be a condition to the Obligations of the Project Company or to the enforcement of remedies under the Water Transmission and Purchase Agreement. Upon any unexcused failure by the Project Company in the payment of any Obligation and the giving of such notice or demand, if any, to the Project Company and the Guarantor as may be required in connection with such Obligation and this Guaranty, the liability of the Guarantor shall be effective and shall immediately be paid or performed. Notwithstanding SAWS' right to proceed directly against the Guarantor, SAWS (or any successor) shall not be entitled to more than a single full payment in respect of the Obligations in regard to any breach or non-performance thereof.

SECTION 3.3. GUARANTY ABSOLUTE AND UNCONDITIONAL. Subject to Section 3.9, the obligations of the Guarantor hereunder are absolute, present, irrevocable and unconditional and shall remain in full force and effect until the Project Company shall have fully discharged the Obligations in accordance with their respective terms and conditions, and, except as provided in this Section 3.3 or Section 3.4, shall not be subject to any counterclaim, set-off, deduction or defense (other than full and strict compliance with, or release, discharge or satisfaction of, such Obligations) based on any claim that the Guarantor may have against the Project Company, SAWS or any other person. Without limiting the foregoing, the obligations of the Guarantor hereunder shall not be released, discharged or in any way modified by reason of any of the following (whether with or without notice to, knowledge by, or further consent of the Guarantor):

- (1) the extension or renewal of this Guaranty or the Water Transmission and Purchase Agreement up to the specified Terms of each agreement;



(2) any exercise or failure, omission or delay by SAWS in the exercise of any right, power or remedy conferred on SAWS with respect to this Guaranty or the Water Transmission and Purchase Agreement except to the extent such failure, omission or delay gives rise to an applicable statute of limitations defense with respect to a specific claim;

(3) any permitted transfer or assignment of rights or obligations under the Water Transmission and Purchase Agreement or under any other Transaction Agreement by any party thereto, or any permitted assignment, conveyance or other transfer of any of their respective interests in the Project or in, to or under any of the Transaction Agreements;

(4) any permitted assignment for the purpose of creating a security interest or mortgage of all or any part of the respective interests of SAWS or any other person in any Transaction Agreement or in the Project;

(5) any renewal, amendment, change or modification in respect of any of the Obligations or terms or conditions of any Transaction Agreement in accordance therewith;

(6) any failure of title with respect to all or any part of the respective interests of any person in the Project Sites or the Project;

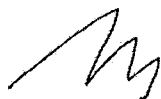
(7) the voluntary or involuntary liquidation, dissolution, sale or other disposition of all or substantially all the assets, marshalling of assets and liabilities, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, moratorium, arrangement, composition with creditors or readjustment of, or other similar proceedings against the Project Company or the Guarantor, or any of the property of either of them, or any allegation or contest of the validity of this Guaranty or any other Transaction Agreement in any such proceeding (it is specifically understood, consented and agreed to that, to the extent permitted by law, this Guaranty shall remain and continue in full force and effect and shall be enforceable against the Guarantor to the same extent and with the same force and effect as if any such proceeding had not been instituted and as if no rejection, stay, termination, assumption or modification has occurred as a result thereof, it being the intent and purpose of this Guaranty that the Guarantor shall and does hereby waive all rights and benefits which might accrue to it by reason of any such proceeding);

(8) except as permitted by Section 4.1 or 4.2 hereof, any sale or other transfer by the Guarantor or any Affiliate of any of the capital stock or other interest of the Guarantor or any Affiliate in the Project Company now or hereafter owned, directly or indirectly, by the Guarantor or any Affiliate, or any change in composition of the interests in the Project Company;

(9) any failure on the part of the Project Company for any reason to perform or comply with any agreement with the Guarantor;

(10) the failure on the part of SAWS to provide any notice to the Guarantor which is not required to be given to the Guarantor pursuant to this Guaranty and to the Project Company as a condition to the enforcement of Obligations pursuant to the Water Transmission and Purchase Agreement;

(11) any failure of any party to the Transaction Agreements to mitigate damages resulting from any default by the Project Company or the Guarantor under any Transaction Agreement;



(12) the merger or consolidation of any party to the Transaction Agreements into or with any other person, or any sale, lease, transfer, abandonment or other disposition of any or all of the property of any of the foregoing to any person;

(13) any legal disability or incapacity of any party to the Transaction Agreements; or

(14) the fact that entering into any Transaction Agreement by the Project Company or the Guarantor was invalid or in excess of the powers of such party.

Should any money due or owing under this Guaranty not be recoverable from the Guarantor due to any of the matters specified in subparagraphs (1) through (14) above, then, in any such case, such money, together with all additional sums due hereunder, shall nevertheless be recoverable from the Guarantor as though the Guarantor were principal obligor in place of the Project Company pursuant to the terms of the Water Transmission and Purchase Agreement and not merely a guarantor and shall be paid by the Guarantor forthwith subject to the terms of this Guaranty. Notwithstanding anything to the contrary expressed in this Guaranty, nothing in this Guaranty shall be deemed to amend, modify, clarify, expand or reduce the Project Company's rights, benefits, duties or obligations under the Water Transmission and Purchase Agreement. To the extent that any of the matters specified in subparagraphs (1) through (6) and (8) through (14) would provide a defense to, release, discharge or otherwise affect the Project Company's Obligations, the Guarantor's obligations under this Guaranty shall be treated the same.

SECTION 3.4. DEFENSES, SET-OFFS AND COUNTERCLAIMS. Notwithstanding any provision contained herein to the contrary, the Guarantor shall be entitled to exercise or assert any and all legal or equitable rights or defenses which the Project Company may have under the Water Transmission and Purchase Agreement or under Applicable Law (other than bankruptcy or insolvency of the Project Company and other than any defense which the Project Company has expressly waived in the Water Transmission and Purchase Agreement or the Guarantor has expressly waived in Section 3.5 hereof), and the obligations of the Guarantor hereunder are subject to such counterclaims, set-offs or deductions which the Project Company is permitted to assert pursuant to the Water Transmission and Purchase Agreement, if any.

SECTION 3.5. WAIVERS BY THE GUARANTOR. The Guarantor hereby unconditionally and irrevocably waives:

(1) notice from SAWS of its acceptance of this Guaranty;

(2) notice of any of the events referred to in Section 3.3 hereof, except to the extent that notice is required to be given pursuant to the Water Transmission and Purchase Agreement or Applicable Law as a condition to the enforcement of the Obligations;

(3) to the fullest extent lawfully possible, all notices which may be required by statute, rule of law or otherwise to preserve intact any rights against the Guarantor, except any notice to the Project Company required pursuant to the Water Transmission and Purchase Agreement or Applicable Law as a condition to the payment of any Obligation;

(4) to the fullest extent lawfully possible, any statute of limitations defense based on a statute of limitations period which may be applicable to guarantors (or parties in similar relationships) which would be shorter than the applicable statute of limitations period for the underlying claim;

(5) any right to require a proceeding first against the Project Company;

(6) any right to require a proceeding first against any person or the security provided by or under any Transaction Agreement except to the extent such Transaction Agreement specifically requires a proceeding first against any person (except the Project Company) or security;

(7) any requirement that the Project Company be joined as a party to any proceeding for the enforcement of any term of any Transaction Agreement;

(8) the requirement of, or the notice of, the filing of claims by SAWS in the event of the receivership or bankruptcy of the Project Company; and

(9) all demands upon the Project Company or any other person and all other formalities the omission of any of which, or delay in performance of which, might, but for the provisions of this Section 3.5 and not in limitation of Section 3.3 or Section 3.4, by rule of law or otherwise, constitute grounds for relieving or discharging the Guarantor in whole or in part from its absolute, present, irrevocable, unconditional and continuing obligations hereunder.

SECTION 3.6. PAYMENT OF COSTS AND EXPENSES. The Guarantor agrees to pay SAWS on demand all Fees and Costs, incurred by or on behalf of SAWS in successfully enforcing by Legal Proceeding observance of the covenants, agreements and obligations contained in this Guaranty against the Guarantor, other than the Fees and Costs that SAWS incurs in performing any of its obligations under the Water Transmission and Purchase Agreement, or other applicable Transaction Agreement where such obligations are a condition to performance by the Project Company of its Obligations.

SECTION 3.7. SUBORDINATION OF RIGHTS. The Guarantor agrees that any right of subrogation or contribution which it may have against the Project Company as a result of any payment or performance hereunder is hereby fully subordinated to the rights of SAWS hereunder and under the Transaction Agreements and that the Guarantor shall not recover or seek to recover any payment made by it hereunder from the Project Company until the Project Company and the Guarantor shall have fully and satisfactorily paid or performed and discharged the Obligations giving rise to a claim under this Guaranty.

SECTION 3.8. SEPARATE OBLIGATIONS; REINSTATEMENT. The obligations of the Guarantor to make any payment or to perform and discharge any other duties, agreements, covenants, undertakings or obligations hereunder shall: (1) to the extent permitted by applicable law, constitute separate and independent obligations of the Guarantor from its other obligations under this Guaranty; (2) give rise to separate and independent causes of action against the Guarantor; and (3) apply irrespective of any indulgence granted from time to time by SAWS. The Guarantor agrees that this Guaranty shall be automatically reinstated if and to the extent that for any reason any payment or performance by or on behalf of the Project Company is rescinded or must be otherwise restored by SAWS, whether as a result of any proceedings in bankruptcy, reorganization or similar proceeding, unless such rescission or restoration is pursuant to the terms of the Water Transmission and Purchase Agreement, or any applicable Transaction Agreement or the Project Company's enforcement of such terms under Applicable Law.

SECTION 3.9. TERM. This Guaranty shall remain in full force and effect from the date of execution and delivery hereof until the earlier to occur of (1) the Financial Closing Date and (2) the date that all of the Obligations of the Project Company have been fully paid and performed and the Water Transmission and Purchase Agreement has otherwise terminated in accordance with its terms, and upon the earlier to occur of (1) and (2), this Guaranty shall terminate and be of no further force or effect.

ARTICLE IV

GENERAL COVENANTS

SECTION 4.1. MAINTENANCE OF CORPORATE EXISTENCE. (A) Consolidation, Merger, Sale or Transfer. The Guarantor covenants that during the term of this Guaranty it will maintain its corporate existence, will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another entity or permit one or more other entities to consolidate with or merge into it unless the successor is the Guarantor and the conditions contained in clause (2) below are satisfied; provided, however, that the Guarantor may consolidate with or merge into another entity, or permit one or more other entities to consolidate with or merge into it, or sell or otherwise transfer to another entity all or substantially all of its assets as an entirety and thereafter dissolve if: (1) the successor entity (if other than the Guarantor) (a) assumes in writing all the Obligations of the Guarantor hereunder and, if required by law, is duly qualified to do business in the State of Texas, and (b) delivers to SAWS an opinion of counsel to the effect that its obligations under this Guaranty are legal, valid, binding and enforceable subject to applicable bankruptcy and similar insolvency or moratorium laws; and (2) any such transaction does not result in a change in the Guarantor's financial condition that would materially and adversely affect the ability of the Guarantor to perform its obligations under this Guaranty Agreement.

(B) Continuance of Obligations. If a consolidation, merger or sale or other transfer is made as permitted by this Section, the provisions of this Section shall continue in full force and effect and no further consolidation, merger or sale or other transfer shall be made except in compliance with the provisions of this Section. No such consolidation, merger or sale or other transfer shall have the effect of releasing the initial Guarantor from its liability hereunder unless a successor entity has assumed responsibility for this Guaranty as provided in this Section.

SECTION 4.2. ASSIGNMENT. Except as provided in Section 4.1, this Guaranty may not be assigned by the Guarantor without the prior written consent of SAWS.

SECTION 4.3. QUALIFICATION IN TEXAS. The Guarantor agrees that, so long as this Guaranty is in effect, if required by law, the Guarantor will be duly qualified to do business in the State of Texas.

SECTION 4.4. CONSENT TO JURISDICTION. The Guarantor irrevocably: (1) agrees that any Legal Proceeding related to this Guaranty or to any rights or relationship between the parties arising therefrom shall be solely and exclusively initiated and maintained in State or federal courts located in Bexar County, Texas, having appropriate jurisdiction therefor; (2) consents to the jurisdiction of such courts in any such Legal Proceeding; and (3) waives any objection which it may have to the laying of the jurisdiction of any such Legal Proceeding in any such court, including without limitation any objection to the assertion by such court of personal jurisdiction over the Guarantor.

SECTION 4.5. BINDING EFFECT. This Guaranty shall inure to the benefit of SAWS and its permitted successors and assigns and shall be binding upon the Guarantor and its successors and assigns.

SECTION 4.6. AMENDMENTS, CHANGES AND MODIFICATIONS. This Guaranty may not be amended, changed or modified or terminated and none of its provisions may be waived, except with the prior written consent of SAWS and the Guarantor.

SECTION 4.7. LIABILITY. It is understood and agreed to by SAWS that nothing contained herein shall create any obligation of, or right to look to, any director, officer, employee



or stockholder of the Guarantor (or any Affiliate of the Guarantor) for the satisfaction of any obligations hereunder, and no judgment, order or execution with respect to or in connection with this Guaranty shall be taken against any such director, officer, employee or stockholder.

SECTION 4.8. NOTICES. (A) Procedure. All notices, demands or written communications given pursuant to the terms of this Guaranty shall be: (1) in writing and delivered in person; (2) transmitted by certified mail, return, receipt requested, postage prepaid or by overnight courier utilizing the services of a nationally-recognized overnight courier service with signed verification of delivery; or (3) given by facsimile transmission, if a signed original is deposited in the United States mail within two days after transmission. Notices shall be deemed given only when actually received at the address first given below with respect to each party. Either party may, by like notice, designate further or different addresses to which subsequent notices shall be sent.

(B) SAWS Notice Address. Notices required to be given to SAWS shall be addressed as follows:

San Antonio Water System
2800 US Highway 281 North
San Antonio, TX 78212
Attention: President/CEO
Fax No.: (210) 233-5268

with a copy to:

San Antonio Water System
2800 US Hwy 281 North
San Antonio, TX 78212
Attention: Vice President/General Counsel
Fax No.: (210) 233-4587
Email: nbelinsky@saws.org

(C) Guarantor Notice Address. Notices required to be given to the Guarantor shall be addressed as follows:

Abengoa, S.A.
c/o Energía Solar, 1
Palmas Altas
41014 Sevilla (España)
Telephone No.: (34) 95 493 70 00
Fax No.: (34) 95 493 33 71

with a copy to:

Abengoa Water USA, LLC
2600 Via Fortuna, Suite 220
Austin, TX 78746
Attention: CEO
Fax No.: (512) 732-2252

[SIGNATURE PAGE FOLLOWS]

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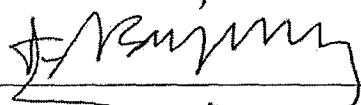
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ABENGOA
VISTA RIDGE, LLC

IN WITNESS WHEREOF, the Guarantor has caused this Guaranty to be executed in its name and on its behalf by its duly authorized officer as of the date first above written.

Abengoa, S.A., as Guarantor

By:  _____

u

Name: Mr. Felipe Benjumea Llorente

Title: Executive Chairman

ACCEPTED AND AGREED TO BY:

THE CITY OF SAN ANTONIO ACTING BY
AND THROUGH THE SAN ANTONIO
WATER SYSTEM BOARD OF TRUSTEES

By: _____

Name: Robert R. Puente

Title: President/CEO

TRANSACTION FORM B
EPC CONTRACTOR SUBSTITUTION AGREEMENT

ABENGOA
VISTA RIDGE, LLC

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EPC CONTRACTOR
SUBSTITUTION AGREEMENT

between

THE CITY OF SAN ANTONIO, TEXAS
ACTING BY AND THROUGH
THE SAN ANTONIO WATER SYSTEM

and

ABENGOA VISTA RIDGE, LLC

and

[CONTRACTOR]

relating to the

VISTA RIDGE REGIONAL SUPPLY PROJECT

Dated _____, 2014

ABENGOA
VISTA RIDGE, LLC

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ARTICLE 3

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EPC CONTRACTOR SUBSTITUTION AGREEMENT

THIS EPC CONTRACTOR SUBSTITUTION AGREEMENT is made and entered into _____, 2014, between the City of San Antonio, Texas (the "City") acting by and through the San Antonio Water System Board of Trustees, established pursuant to the provisions of City Ordinance Number 75686, Texas Local Government Code Sections 552.141 et seq. and Chapter 1502, as amended, Texas Government Code ("SAWS"), Abengoa Vista Ridge, LLC, a limited liability company organized and existing under the laws of the State of Delaware (the "Project Company"), and [Name of Contractor], a [corporation organized and existing under the laws of the State of _____] (the "Contractor").

RECITALS

The City acting by and through SAWS and the Project Company have entered into the Vista Ridge Regional Supply Project, dated as of _____, 2014, as amended from time to time (the "Water Transmission and Purchase Agreement"), whereby the Project Company has agreed to produce, treat, make available and sell to SAWS potable water on a long term basis based on the acquisition of water rights and design, construct, finance, operate and maintain production wells, groundwater storage tanks, pumping stations and raw water collection and transmission pipelines and appurtenant facilities, all as more particularly described therein (the "Project");

The Project Company and the Contractor have entered into an agreement dated _____, 2014 (the "EPC Agreement"), whereby the Project Company has engaged the Contractor to carry out and complete substantially a portion of the Project Company's obligations under the Water Transmission and Purchase Agreement; and

It is a condition of SAWS' continuing obligations under the Water Transmission and Purchase Agreement that the Contractor enter into this Agreement with the Project Company and the City acting by and through SAWS.

NOW, THEREFORE, in consideration of the mutual promises and agreements of the parties herein expressed and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties covenant and agree as follows:

ARTICLE 1

DEFINITIONS AND INTERPRETATION

SECTION 1.1. DEFINITIONS. Unless otherwise specified or the context otherwise requires, capitalized but otherwise undefined terms in this Agreement shall have the respective meaning given to such terms in the Water Transmission and Purchase Agreement.

SECTION 1.2. INTERPRETATION.

This Agreement shall be interpreted according to the following provisions, except to the extent that the context or the express provisions of this Agreement otherwise require.

(1) Plurality. Words importing the singular number mean and include the plural number and vice versa.

(2) Persons. Words importing persons include individuals, legal personal representatives, firms, companies, associations, joint ventures, general partnerships, limited partnerships, limited liability partnerships, limited liability companies, trusts, business trusts, corporations, governmental bodies, and other legal entities.

(3) Headings. The table of contents and any headings preceding the text of the Articles, Sections and subsections of this Agreement shall be solely for convenience of reference and shall not affect its meaning, construction or effect.

(4) References Hereto. The terms “hereby,” “hereof,” “herein,” “hereunder” and any similar terms refer to this Agreement.

(5) References to Days and Time of Day. All references to days herein are references to calendar days, unless otherwise indicated, such as by reference to Business Days. Each reference to time of day is a reference to Central Standard time or Central Daylight Saving time, as the case may be.

(6) References to Business Days. If the time for doing an act falls or expires on a day that is not a Business Day, the time for doing such act shall be extended to the next Business Day.

(7) References to Including. The words “include,” “includes” and “including” are to be construed as meaning “include without limitation,” “includes without limitation” and “including without limitation,” respectively.

(8) References to Statutes. Each reference to a statute or statutory provision includes any statute or statutory provision which amends, extends, consolidates or replaces the statute or statutory provision or which has been amended, extended, consolidated or replaced by the statute or statutory provision and includes any orders, regulations, by-laws, ordinances, orders, codes of practice or instruments made under the relevant statute.

(9) References to Governmental Bodies. Each reference to a Governmental Body is deemed to include a reference to any successor to such Governmental Body or any organization or entity or organizations or entities which has or have taken over the functions or responsibilities of such Governmental Body.

(10) References to Documents and Standards. Each reference to an agreement, document, standard, principle or other instrument includes (subject to all relevant

approvals and any other provision of this Agreement expressly concerning such agreement, document, standard, principle or other instrument) a reference to that agreement, document, standard, principle or instrument as amended, supplemented, substituted, novated or assigned.

(11) References to All Reasonable Efforts. The expression “all reasonable efforts” and expressions of like import, when used in connection with an obligation of the Project Company or the Contractor, means taking in good faith and with due diligence all commercially reasonable steps to achieve the objective and to perform the obligation, including doing all that can reasonably be done in the circumstances taking into account each party’s obligations hereunder to mitigate delays and additional costs to the other party, and in any event taking no less steps and efforts than those that would be taken by a commercially reasonable and prudent person in comparable circumstances but where the whole of the benefit of the obligation and where all the results of taking such steps and efforts accrued solely to that person’s own benefit.

(12) Entire Agreement. This Agreement contains the entire agreement between the City and the other parties hereto with respect to the transactions contemplated by this Agreement. Without limiting the generality of the foregoing, this Agreement shall completely and fully supersede all other understandings and agreements between the City and the other parties with respect to such transactions.

(13) Counterparts. This Agreement may be executed in any number of original counterparts. All such counterparts shall constitute but one and the same Agreement.

(14) Severability. Each provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law. If any provision of this Agreement is held to be invalid, unenforceable or illegal to any extent, such provision may be severed and such invalidity, unenforceability or illegality shall not prejudice or affect the validity, enforceability and legality of the remaining provisions of this Agreement. If any such provision of this Agreement is held to be invalid, unenforceable or illegal, the parties will promptly endeavor in good faith to negotiate new provisions to eliminate such invalidity, unenforceability or illegality and to restore this Agreement as nearly as possible to its original intent and effect.

(15) Drafting Responsibility. The parties waive the application of any rule of law which otherwise would be applicable in connection with the construction of this Agreement that ambiguous or conflicting terms or provisions should be construed against the party who (or whose counsel) prepared the executed agreement or any earlier draft of the same.

(16) Accounting and Financial Terms. All accounting and financial terms used herein are, unless otherwise indicated, to be interpreted and applied in accordance with generally accepted accounting principles, consistently applied, in the United States.

(17) Consents. Any consent required to be given under this Agreement must be in writing.

SECTION 1.3. GOVERNING LAW. This Agreement will be deemed to be made pursuant to the laws of the State of Texas and will be governed by and construed in accordance with such laws.

ARTICLE 2

SUBSTITUTION PROVISIONS

SECTION 2.1. NOTICE TO SAWS OF INTENT TO TERMINATE. Except as a result of a termination by the Project Company pursuant to the terms of the EPC Agreement, the Contractor shall not terminate or treat as terminated its engagement under the EPC Agreement or discontinue its services with respect to the Project, without first giving to SAWS and the Senior Debt Creditors not less than 10 Business Days' prior written notice of the Contractor's intention to do so, specifying the grounds for so doing.

SECTION 2.2. SUSPENSION OF TERMINATION. If SAWS serves on the Contractor a Substitution Notice in accordance with Section 2.3, the Contractor shall not terminate or treat as terminated its engagement, or discontinue the performance of any of its obligations, under the EPC Agreement, but service of such notice shall not prejudice any other right or remedy the Contractor may have under or in connection with the EPC Agreement.

SECTION 2.3. SUBSTITUTION NOTICE. Unless the engagement of the Contractor under the EPC Agreement has been terminated previously (and whether or not the Contractor has served notice on SAWS pursuant to Section 2.1), and if the Water Transmission and Purchase Agreement has been properly terminated in accordance with its terms and SAWS is acquiring the Project, SAWS will be entitled at any time to serve upon the Contractor a notice ("Substitution Notice") requiring the Contractor to thereafter accept the instructions of SAWS or its appointee to the exclusion of the Project Company under and in connection with the EPC Agreement and the Contractor shall comply with such notice, all subject to and in accordance with the terms and conditions of Section 2.4.

SECTION 2.4. SUBSTITUTION OF SAWS. From and after the effective date indicated in the Substitution Notice served under and in compliance with Section 2.3, provided that the Contractor has received notice from either SAWS or the Project Company that the Water Transmission and Purchase Agreement has been terminated, the Project Company shall be deemed to have assigned all the rights, and SAWS or its appointee shall be deemed to have accepted the assignment and assumed and agreed to perform all the obligations, of the Project Company under the EPC Agreement outstanding as of the date of service of such notice by SAWS under Section 2.3, arising from or attributable to the period after the effective date indicated in the Substitution Notice, provided that this shall not affect or derogate from any right of action the Project Company may have against the Contractor in respect of any breach by the Contractor of its obligations under the EPC Agreement occurring prior to the date of service of notice by SAWS under Section 2.3.

SECTION 2.5. REPLACEMENT PROJECT EPC AGREEMENT. If the engagement of the Contractor under the EPC Agreement is terminated as a result of a default by the Project Company before service of any notice under Section 2.3, the Contractor shall, if required to do so by notice served by SAWS not later than 20 Business Days after the date the Contractor serves notice pursuant to Section 2.1, enter into a new EPC Agreement with SAWS or its appointee on the same terms as the EPC Agreement but with such revisions to terms and price as SAWS and the Contractor may reasonably and mutually agree to reflect altered circumstances. In such event, references in this Agreement to "EPC Agreement" shall be deemed to include such a new EPC Agreement and SAWS has elected to acquire the Project. The rights of SAWS under this Section will be applicable only after the Water Transmission and Purchase Agreement has been properly terminated in accordance with its terms.

SECTION 2.6. NOTICE TO PREVAIL. As against the Project Company and SAWS, the Contractor shall be entitled and obligated to rely upon and to comply with any notice served by SAWS under Section 2.3 or Section 2.5, and shall not make, nor be required

to make, any inquiry into the entitlement of SAWS as against the Project Company to serve such notice.

SECTION 2.7. SENIOR DEBT CREDITORS' RIGHTS PARAMOUNT.
Notwithstanding the above, SAWS rights under this Agreement are subject and subordinate to the rights of the Senior Debt Creditor (as defined in the Water Transmission and Purchase Agreement) to exercise similar rights of substitution under the Creditors' Remedies Agreement.

SECTION 2.8. PROJECT COMPANY BOUND. The Project Company shall be bound to the provisions of this Article.

ARTICLE 3

CONFIDENTIALITY

SECTION 3.1. CONFIDENTIAL INFORMATION. The Contractor represents and warrants that it has and shall hold in confidence any information marked by SAWS as "CONFIDENTIAL" (hereinafter referred to as "Confidential Information"), provided that the provisions of this Section shall not restrict the Contractor from passing such information to its professional advisors, affiliates and subcontractors, to the extent necessary, to enable the Contractor to perform (or cause to be performed) or to enforce its rights or obligations under the EPC Agreement or to such other persons as may be expressly required by the EPC Agreement.

SECTION 3.2. EXCEPTIONS. The obligation to maintain the confidentiality of the Confidential Information does not apply to Confidential Information:

- (1) which SAWS confirms in writing is not required to be treated as Confidential Information;
- (2) which is or comes into the public domain otherwise than through any disclosure prohibited by this Agreement;
- (3) to the extent the Contractor is required to disclose such Confidential Information by Applicable Law or any Governmental Body (but only to that extent); or
- (4) to the extent consistent with any SAWS policy the details of which have been provided to the Contractor in writing prior to the disclosure.

SECTION 3.3. ANNOUNCEMENTS. Unless otherwise required by any Applicable Law, by any Governmental Body or by the rules, orders or regulations of any stock exchange (but only to that extent), the Contractor shall not make or permit to be made any public announcement or disclosure (whether for publication in the press, radio, television or any other medium) of any Confidential Information or the Contractor's interest in the Project or any matters relating thereto, without the prior written consent of SAWS, which will not be unreasonably withheld or delayed.

ARTICLE 4

GENERAL

SECTION 4.1. ASSIGNMENT. Other than in conjunction with a permitted assignment of the EPC Agreement in accordance with its terms, the Contractor may assign this Agreement only with the prior written consent of SAWS, which consent may be given in SAWS' sole discretion.

SECTION 4.2. INUREMENT. This Agreement inures to the benefit of and binds the parties and their respective successors and permitted assigns.

SECTION 4.3. NOTICE. Each notice to a party must be given in writing. A notice may be given by delivery in person; by certified mail, return receipt requested, postage prepaid; by overnight courier utilizing the services of a nationally-recognized overnight courier service with signed verification of delivery; or by fax, and will be validly given if delivered on a Business Day to an individual at the following address, or, if transmitted on a Business Day by fax addressed to the following party:

if to SAWS:

San Antonio Water System
2800 U.S. Highway 281 North
San Antonio, TX 78212
Attention: President/CEO
Fax No.: (210) 233-5268

With a copy to:

San Antonio Water System
2800 U.S. Highway 281 North
San Antonio, TX 78212
Attention: Vice President/General Counsel
Fax No.: (210) 233-4587
Email: nbelinsky@saws.org

if to the Project Company:

Abengoa Vista Ridge, LLC
2600 Via Fortuna, Suite 220
Austin, TX 78746
Attention: CEO
Fax No.: (512) 732-2252

if to the Contractor:

[Name of Contractor]
[Address]
Attention:
Fax No.:
Email:

with a copy to:

Abengoa Vista Ridge, LLC
2600 Via Fortuna, Suite 220
Austin, TX 78746
Attention: CEO
Fax No.: (512) 732-2252

or to such other address as any party may, from time to time, designate in the manner set forth above.

SECTION 4.4. WAIVERS. No waiver of any provision of this Agreement is binding unless it is in writing and signed by all the parties to this Agreement except that any provision which does not give rights or benefits to particular parties may be waived in writing, signed only by those parties who have rights under, or hold the benefit of, the provision being waived if those parties promptly send a copy of the executed waiver to all other parties. No failure to exercise, and no delay in exercising, any right or remedy under this Agreement will be deemed to be a waiver of that right or remedy. No waiver of any breach of any provision of this Agreement will be deemed to be a waiver of any subsequent breach of that provision or of any similar provision.

SECTION 4.5. NO PARTNERSHIP OR AGENCY. Nothing in this Agreement will be construed as creating a partnership or as constituting the Contractor as an agent of SAWS. The Contractor shall not hold itself out as having any power to bind SAWS in any way.

SECTION 4.6. CONFLICTING AGREEMENT. If there is any conflict or inconsistency between the provisions of this Agreement and the Water Transmission and Purchase Agreement, the provisions of the Water Transmission and Purchase Agreement will prevail.

SECTION 4.7. REMEDIES CUMULATIVE. The rights and remedies under this Agreement are cumulative and are in addition to and not in substitution for any other rights and remedies available at law or in equity or otherwise. No single or partial exercise by a party of any right or remedy precludes or otherwise affects the exercise of any other right or remedy to which that party may be entitled.

SECTION 4.8. NO SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES. In no event shall either party hereto be liable to the other or obligated in any manner to pay to the other party any special, incidental, consequential, punitive or similar losses or damages based upon claims arising out of or in connection with the performance or non-performance of its obligations or otherwise under this Agreement, or any representation made in this Agreement being materially incorrect, whether such claims are based upon contract, tort, negligence, warranty or any other legal theory.

SECTION 4.9. COUNTERPARTS. This Agreement and all documents contemplated by or delivered under or in connection with this Agreement may be executed and delivered in any number of counterparts with the same effect as if all parties had all signed and delivered the same document and all counterparts will be construed together to be an original and will constitute one and the same agreement.

SECTION 4.10. CONSENT TO JURISDICTION. Each party hereto irrevocably: (1) agrees that any Legal Proceeding related to this Agreement or to any rights or relationship among the parties arising therefrom shall be solely and exclusively initiated and maintained in State or federal courts located in Bexar County, Texas, having appropriate jurisdiction therefor; (2) consents to the jurisdiction of such courts in any such Legal Proceeding; and (3) waives any objection which it may have to the laying of the jurisdiction of any such Legal Proceeding in any such court.

SECTION 4.11. DELIVERY BY FAX. Any party may deliver an executed copy of this Agreement by fax but that party will immediately dispatch by delivery in person; by certified mail, return receipt requested, postage prepaid; or by overnight courier utilizing the services of a nationally-recognized overnight courier service with signed verification of delivery to the other parties an originally executed copy of this Agreement.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF the parties have executed this Agreement on the day and year first above written.

THE CITY OF SAN ANTONIO, TEXAS
ACTING BY AND THROUGH THE
SAN ANTONIO WATER SYSTEM
BOARD OF TRUSTEES

By: _____

Name: Robert R. Puente

Title: President/CEO

Date: _____

ABENGOA VISTA RIDGE, LLC

By: _____

Name: _____

Title: _____

Date: _____

[NAME OF CONTRACTOR]

By: _____

Name: _____

Title: _____

Date: _____

TRANSACTION FORM C
OPERATING SERVICE PROVIDER SUBSTITUTION AGREEMENT

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OPERATING SERVICE PROVIDER
SUBSTITUTION AGREEMENT

between

THE CITY OF SAN ANTONIO, TEXAS
ACTING BY AND THROUGH
THE SAN ANTONIO WATER SYSTEM BOARD OF TRUSTEES

and

ABENGOA VISTA RIDGE, LLC

and

[NAME OF CONTRACTOR]

relating to the

VISTA RIDGE REGIONAL SUPPLY PROJECT

Dated _____, 2014

ABENGOA
VISTA RIDGE, LLC

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OPERATING SERVICE PROVIDER SUBSTITUTION AGREEMENT

THIS OPERATING SERVICE PROVIDER SUBSTITUTION AGREEMENT is made and entered into _____, 2014, between the City of San Antonio, Texas (the "City") acting by and through the San Antonio Water System Board of Trustees, established pursuant to the provisions of City Ordinance Number 75686, Texas Local Government Code Sections 552.141 et seq. and Chapter 1502, as amended, Texas Government Code ("SAWS"), Abengoa Vista Ridge, LLC, a limited liability company organized and existing under the laws of the State of Delaware (the "Project Company"), and [Name of Contractor], [a corporation organized and existing under the laws of the State of _____] (the "Contractor").

RECITALS

The City acting by and through SAWS and the Project Company have entered into the Vista Ridge Regional Supply Project, dated as of _____, 2014, as amended from time to time (the "Water Transmission and Purchase Agreement"), whereby the Project Company has agreed to produce, treat, make available and sell to SAWS potable water on a long term basis based on the acquisition of water rights and design, construct, finance, operate and maintain production wells, groundwater storage tanks, pumping stations and raw water collection and transmission pipelines and appurtenant facilities, all as more particularly described therein (the "Project");

The Project Company and the Contractor have entered into an agreement dated _____, 2014 (the "Operating Service Agreement"), whereby the Project Company has engaged the Contractor to carry out and complete that part of the Project Company's obligations under the Water Transmission and Purchase Agreement consisting of the operation of the Project, all as more particularly described in the Operating Service Agreement; and

It is a condition of SAWS' continuing obligations under the Water Transmission and Purchase Agreement that the Contractor enter into this Agreement with the Project Company and the City acting by and through SAWS.

NOW, THEREFORE, in consideration of the mutual promises and agreements of the parties herein expressed and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties covenant and agree as follows:

ARTICLE 1

DEFINITIONS AND INTERPRETATION

SECTION 1.1. DEFINITIONS. Unless otherwise specified or the context otherwise requires, capitalized but otherwise undefined terms in this Agreement shall have the respective meaning given to such terms in the Water Transmission and Purchase Agreement.

SECTION 1.2. INTERPRETATION.

This Agreement shall be interpreted according to the following provisions, except to the extent that the context or the express provisions of this Agreement otherwise require.

(1) Plurality. Words importing the singular number mean and include the plural number and vice versa.

(2) Persons. Words importing persons include individuals, legal personal representatives, firms, companies, associations, joint ventures, general partnerships, limited partnerships, limited liability partnerships, limited liability companies, trusts, business trusts, corporations, governmental bodies, and other legal entities.

(3) Headings. The table of contents and any headings preceding the text of the Articles, Sections and subsections of this Agreement shall be solely for convenience of reference and shall not affect its meaning, construction or effect.

(4) References Hereto. The terms “hereby,” “hereof,” “herein,” “hereunder” and any similar terms refer to this Agreement.

(5) References to Days and Time of Day. All references to days herein are references to calendar days, unless otherwise indicated, such as by reference to Business Days. Each reference to time of day is a reference to Central Standard time or Central Daylight Saving time, as the case may be.

(6) References to Business Days. If the time for doing an act falls or expires on a day that is not a Business Day, the time for doing such act shall be extended to the next Business Day.

(7) References to Including. The words “include,” “includes” and “including” are to be construed as meaning “include without limitation,” “includes without limitation” and “including without limitation,” respectively.

(8) References to Statutes. Each reference to a statute or statutory provision includes any statute or statutory provision which amends, extends, consolidates or replaces the statute or statutory provision or which has been amended, extended, consolidated or replaced by the statute or statutory provision and includes any orders, regulations, by-laws, ordinances, orders, codes of practice or instruments made under the relevant statute.

(9) References to Governmental Bodies. Each reference to a Governmental Body is deemed to include a reference to any successor to such Governmental Body or any organization or entity or organizations or entities which has or have taken over the functions or responsibilities of such Governmental Body.

(10) References to Documents and Standards. Each reference to an agreement, document, standard, principle or other instrument includes (subject to all relevant

approvals and any other provision of this Agreement expressly concerning such agreement, document, standard, principle or other instrument) a reference to that agreement, document, standard, principle or instrument as amended, supplemented, substituted, novated or assigned.

(11) References to All Reasonable Efforts. The expression “all reasonable efforts” and expressions of like import, when used in connection with an obligation of the Project Company or the Contractor, means taking in good faith and with due diligence all commercially reasonable steps to achieve the objective and to perform the obligation, including doing all that can reasonably be done in the circumstances taking into account each party’s obligations hereunder to mitigate delays and additional costs to the other party, and in any event taking no less steps and efforts than those that would be taken by a commercially reasonable and prudent person in comparable circumstances but where the whole of the benefit of the obligation and where all the results of taking such steps and efforts accrued solely to that person’s own benefit.

(12) Entire Agreement. This Agreement contains the entire agreement between the City and the other parties hereto with respect to the transactions contemplated by this Agreement. Without limiting the generality of the foregoing, this Agreement shall completely and fully supersede all other understandings and agreements between the City and the other parties with respect to such transactions.

(13) Counterparts. This Agreement may be executed in any number of original counterparts. All such counterparts shall constitute but one and the same Agreement.

(14) Severability. Each provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law. If any provision of this Agreement is held to be invalid, unenforceable or illegal to any extent, such provision may be severed and such invalidity, unenforceability or illegality shall not prejudice or affect the validity, enforceability and legality of the remaining provisions of this Agreement. If any such provision of this Agreement is held to be invalid, unenforceable or illegal, the parties will promptly endeavor in good faith to negotiate new provisions to eliminate such invalidity, unenforceability or illegality and to restore this Agreement as nearly as possible to its original intent and effect.

(15) Drafting Responsibility. The parties waive the application of any rule of law which otherwise would be applicable in connection with the construction of this Agreement that ambiguous or conflicting terms or provisions should be construed against the party who (or whose counsel) prepared the executed agreement or any earlier draft of the same.

(16) Accounting and Financial Terms. All accounting and financial terms used herein are, unless otherwise indicated, to be interpreted and applied in accordance with generally accepted accounting principles, consistently applied, in the United States.

(17) Consents. Any consent required to be given under this Agreement must be in writing.

SECTION 1.3. GOVERNING LAW. This Agreement will be deemed to be made pursuant to the laws of the State of Texas and will be governed by and construed in accordance with such laws.

ARTICLE 2

SUBSTITUTION PROVISIONS

SECTION 2.1. NOTICE TO SAWS OF INTENT TO TERMINATE. Except in the event of termination by the Project Company pursuant to the terms of the Operating Service Agreement, the Contractor shall not terminate or treat as terminated its engagement under the Operating Service Agreement or discontinue its services with respect to the Project, without first giving to SAWS and the Senior Debt Creditors not less than 10 Business Days' prior written notice of the Contractor's intention to do so, specifying the grounds for so doing.

SECTION 2.2. SUSPENSION OF TERMINATION. If SAWS serves on the Contractor a Substitution Notice in accordance with Section 2.3, the Contractor shall not terminate or treat as terminated its engagement, or discontinue the performance of any of its obligations, under the Operating Service Agreement, but service of such notice shall not prejudice any other right or remedy the Contractor may have under or in connection with the Operating Service Agreement.

SECTION 2.3. SUBSTITUTION NOTICE. Unless the engagement of the Contractor under the Operating Service Agreement has been terminated previously (and whether or not the Contractor has served notice on SAWS pursuant to Section 2.1), and if the Water Transmission and Purchase Agreement has been properly terminated in accordance with its terms and SAWS is acquiring the Project, SAWS will be entitled at any time to serve upon the Contractor a notice ("Substitution Notice") requiring the Contractor to thereafter accept the instructions of SAWS or its appointee to the exclusion of the Project Company under and in connection with the Operating Service Agreement and the Contractor shall comply with such notice, all subject to and in accordance with the terms and conditions of Section 2.4.

SECTION 2.4. SUBSTITUTION OF SAWS. From and after the effective date indicated in the Substitution Notice served under and in compliance with Section 2.3, provided that the Contractor has received notice from either SAWS or the Project Company that the Water Transmission and Purchase Agreement has been terminated and SAWS has acquired the Project, the Project Company shall be deemed to have assigned all the rights, and SAWS or its appointee shall be deemed to have accepted the assignment and assumed and agreed to perform all of the payment and other obligations, of the Project Company under the Operating Service Agreement outstanding as of the date of service of such notice by SAWS under Section 2.3, arising from or attributable to the period after the effective date indicated in the Substitution Notice, provided that this shall not affect or derogate from any right of action the Project Company may have against the Contractor in respect of any breach by the Contractor of its obligations under the Operating Service Agreement occurring prior to the date of service of notice by SAWS under Section 2.3.

SECTION 2.5. REPLACEMENT OPERATING SERVICE AGREEMENT. If the engagement of the Contractor under the Operating Service Agreement is terminated as a result of a default by the Project Company before service of any notice under Section 2.3, the Contractor shall, if required to do so by notice served by SAWS not later than 20 Business Days after the date the Contractor serves notice pursuant to Section 2.1, negotiate in good faith with SAWS with respect to entering into a new Operating Service Agreement with SAWS or its appointee on the same terms as the Operating Service Agreement but with such revisions to terms and price as SAWS and the Contractor may reasonably and mutually agree to reflect altered circumstances. In the event the parties agree to enter into such a new Operating Service Agreement, references in this Agreement to "Operating Service Agreement" shall be deemed to include such a new Operating Service Agreement. The rights of SAWS under this Section will be applicable only after the Water Transmission and Purchase Agreement has been properly terminated in accordance with its terms and SAWS has acquired the Project.

SECTION 2.6. NOTICE TO PREVAIL. As against the Project Company and SAWS, the Contractor shall be entitled and obligated to rely upon and to comply with any notice served by SAWS under Section 2.3 or Section 2.5, and shall not make, nor be required to make, any inquiry into the entitlement of SAWS as against the Project Company to serve such notice.

SECTION 2.7. SENIOR DEBT CREDITORS' RIGHTS PARAMOUNT. Notwithstanding the above, SAWS' rights under this Agreement are subject and subordinate to the rights of the Senior Debt Creditor (as defined in the Water Transmission and Purchase Agreement) to exercise similar rights of substitution under the Creditors' Remedies Agreement.

SECTION 2.8. PROJECT COMPANY BOUND. The Project Company shall be bound to the provisions of this Article.

ARTICLE 3

CONFIDENTIALITY

SECTION 3.1. CONFIDENTIAL INFORMATION. The Contractor represents and warrants that it has and shall hold in confidence any information marked by SAWS as "CONFIDENTIAL" (hereinafter referred to as "Confidential Information"), provided that the provisions of this Section shall not restrict the Contractor from passing such information to its professional advisors, affiliates and subcontractors, to the extent necessary, to enable the Contractor to perform (or cause to be performed) or to enforce its rights or obligations under the Operating Service Agreement or to such other persons as may be expressly required by the Operating Service Agreement.

SECTION 3.2. EXCEPTIONS. The obligation to maintain the confidentiality of the Confidential Information does not apply to Confidential Information:

(A) which SAWS confirms in writing is not required to be treated as Confidential Information;

(B) which is or comes into the public domain otherwise than through any disclosure prohibited by this Agreement;

(C) to the extent the Contractor is required to disclose such Confidential Information by Applicable Law or any Governmental Body (but only to that extent); or

(D) to the extent consistent with any SAWS policy the details of which have been provided to the Contractor in writing prior to the disclosure.

SECTION 3.3. ANNOUNCEMENTS. Unless otherwise required by any Applicable Law, by any Governmental Body or by the rules, orders or regulations of any stock exchange (but only to that extent), the Contractor shall not make or permit to be made any public announcement or disclosure (whether for publication in the press, radio, television or any other medium) of any Confidential Information or the Contractor's interest in the Project or any matters relating thereto, without the prior written consent of SAWS, which will not be unreasonably withheld or delayed.

ARTICLE 4

GENERAL

SECTION 4.1. ASSIGNMENT. Other than in conjunction with a permitted assignment of the Operating Service Agreement in accordance with its terms, the Contractor may assign this Agreement only with the prior written consent of SAWS, which consent may be given in SAWS' sole discretion.

SECTION 4.2. INUREMENT. This Agreement inures to the benefit of and binds the parties and their respective successors and permitted assigns.

SECTION 4.3. NOTICE. Each notice to a party must be given in writing. A notice may be given by delivery in person; by certified mail, return receipt requested, postage prepaid; by overnight courier utilizing the services of a nationally-recognized overnight courier service with signed verification of delivery; or by fax, and will be validly given if delivered on a Business Day to an individual at the following address, or, if transmitted on a Business Day by fax addressed to the following party:

if to SAWS:

San Antonio Water System
2800 U.S. Highway 281 North
San Antonio, TX 78212
Attention: President/CEO
Fax No.: (210) 233-5268

With a copy to:

San Antonio Water System
2800 U.S. Highway 281 North
San Antonio, TX 78212
Attention: Vice President/General Counsel
Fax No.: (210) 233-4587
Email: nbelinsky@saws.org

if to the Project Company:

Abengoa Vista Ridge, LLC
2600 Via Fortuna, Suite 220
Austin, TX 78746
Attention: CEO
Fax No.: (512) 732-2252

if to the Contractor:

[Name of Contractor]
[Address]
Attention: _____
Fax No.: _____
Email: _____

with a copy to:

Abengoa Vista Ridge, LLC
2600 Via Fortuna, Suite 220
Austin, TX 78746
Attention: CEO
Fax No.: (512) 732-2252

or to such other address as any party may, from time to time, designate in the manner set forth above.

SECTION 4.4. WAIVERS. No waiver of any provision of this Agreement is binding unless it is in writing and signed by all the parties to this Agreement except that any provision which does not give rights or benefits to particular parties may be waived in writing, signed only by those parties who have rights under, or hold the benefit of, the provision being waived if those parties promptly send a copy of the executed waiver to all other parties. No failure to exercise, and no delay in exercising, any right or remedy under this Agreement will be deemed to be a waiver of that right or remedy. No waiver of any breach of any provision of this Agreement will be deemed to be a waiver of any subsequent breach of that provision or of any similar provision.

SECTION 4.5. NO PARTNERSHIP OR AGENCY. Nothing in this Agreement will be construed as creating a partnership or as constituting the Contractor as an agent of SAWS. The Contractor shall not hold itself out as having any power to bind SAWS in any way.

SECTION 4.6. CONFLICTING AGREEMENT. If there is any conflict or inconsistency between the provisions of this Agreement and the Water Transmission and Purchase Agreement, the provisions of the Water Transmission and Purchase Agreement will prevail.

SECTION 4.7. REMEDIES CUMULATIVE. The rights and remedies under this Agreement are cumulative and are in addition to and not in substitution for any other rights and remedies available at law or in equity or otherwise. No single or partial exercise by a party of any right or remedy precludes or otherwise affects the exercise of any other right or remedy to which that party may be entitled.

SECTION 4.8. NO SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES. In no event shall either party hereto be liable to the other or obligated in any manner to pay to the other party any special, incidental, consequential, punitive or similar losses or damages based upon claims arising out of or in connection with the performance or non-performance of its obligations or otherwise under this Agreement, or any representation made in this Agreement being materially incorrect, whether such claims are based upon contract, tort, negligence, warranty or any other legal theory.

SECTION 4.9. COUNTERPARTS. This Agreement and all documents contemplated by or delivered under or in connection with this Agreement may be executed and delivered in any number of counterparts with the same effect as if all parties had all signed and delivered the same document and all counterparts will be construed together to be an original and will constitute one and the same agreement.

SECTION 4.10. CONSENT TO JURISDICTION. Each party hereto irrevocably: (1) agrees that any Legal Proceeding related to this Agreement or to any rights or relationship among the parties arising therefrom shall be solely and exclusively initiated and maintained in State or federal courts located in Bexar County, Texas, having appropriate jurisdiction therefor; (2) consents to the jurisdiction of such courts in any such Legal Proceeding; and (3) waives any objection which it may have to the laying of the jurisdiction of any such Legal Proceeding in any such court.

SECTION 4.11. DELIVERY BY FAX. Any party may deliver an executed copy of this Agreement by fax but that party will immediately dispatch by delivery in person; by certified mail, return receipt requested, postage prepaid; or by overnight courier utilizing the services of a nationally-recognized overnight courier service with signed verification of delivery to the other parties an originally executed copy of this Agreement.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF the parties have executed this Agreement on the day and year first above written.

THE CITY OF SAN ANTONIO, TEXAS ACTING BY
AND THROUGH THE SAN ANTONIO WATER
SYSTEM BOARD OF TRUSTEES

By: _____

Name: Robert R. Puente

Title: President/CEO

Date: _____

ABENGOA VISTA RIDGE, LLC

By: _____

Name: _____

Title: _____

Date: _____

[NAME OF CONTRACTOR]

By: _____

Name: _____

Title: _____

Date: _____

TRANSACTION FORM D
RIGHT-OF-WAY EASEMENT FORM

[This Page Intentionally Left Blank]

Project:
Parcel:

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

PERMANENT EASEMENT – WATER

STATE OF TEXAS §
 § KNOW ALL MEN BY THESE PRESENTS
COUNTY OF _____ §

THAT, _____, a [Describe the entity, such as, a Texas limited partnership or a Delaware corporation...], hereinafter referred to as "Grantor", whether one or more, for and in consideration in the amount of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, to Grantor in hand paid by the _____, _____ County, Texas, has given, granted, sold, conveyed, and dedicated, and by these presents, does give, grant, sell, convey, and dedicate unto _____ an easement to construct, reconstruct, realign, inspect, patrol, maintain, operate, repair, add, remove and replace water lines and facilities, and appurtenances thereto, in, on, over and through the lands located in _____ County, Texas as follows:

[ADD LEGAL DESCRIPTION – SUCH AS:]
Being 0.119 of one acre (5,205 sq. ft.) of land in Bexar County, Texas, being out of and part of a 4.333 acre tract of land described in the instrument recorded in Volume 8534, Page 2004, Official Public Records of Real Property of Bexar County Texas, and being more particularly described and depicted in Exhibits "A" and "B" attached hereto and made a part hereof (the "Easement Area");

For the purpose of using said Easement Area for any and all things necessary for the construction, reconstruction, realignment, inspection, patrol, maintenance, operation, repair, addition, removal and/or replacement of the lines, facilities and appurtenances to be placed within the above described permanent Easement Area from time-to-time. The Grantee expressly agrees that it will remove from said land all surplus material and will, except for the presence of any at-grade and above-ground facilities and appurtenances constructed by Grantee, cause said land to be left as nearly as possible in the condition as it existed prior to the construction of said improvements.

Together with the right of ingress and egress over said Easement Area for the purpose of constructing, reconstructing, realigning, inspecting, patrolling, maintaining, operating, repairing, adding and removing said lines, facilities and appurtenances; the right to relocate said lines, facilities and appurtenances within said Easement Area; the right to remove from said lands all trees and parts thereof, or other obstructions, which may interfere with the exercise of the rights granted hereunder; and the right of exercise of all other rights hereby granted; and Grantor expressly covenants and agrees for itself, its legal representatives, successors and/or assigns, that no building or structure of any kind will be placed on said Easement Area and that removal of any building or structure placed on said Easement Area shall be at Grantor expense. The consideration paid for this easement expressly includes installation of multiple water lines in the future.

TO HAVE AND TO HOLD the above described easement and rights unto the said Grantee, its successors and assigns, until the use of said easement shall be abandoned.

Project:
Parcel:

And Grantor does hereby bind itself, its legal representatives, successors and/or assigns to warrant and forever defend all and singular the above described easement and rights unto the said Grantee, its successors and assigns, against every person whomsoever lawfully claiming or to claim the same or any part thereof.

This Easement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

[IF APPLICABLE, ADD:

This Easement is granted and accepted subject to the Special Terms and Provisions set out on Exhibit "C" attached hereto and made a part hereof.]

EXECUTED effective this _____ day of _____, 20__.

[ADD PROPER SIGNATURE BLOCK – SUCH AS:]

_____, a Texas limited partnership

By: _____, a Texas Corporation, its
general partner

By: _____

Name: _____

Title: _____

[ADD PROPER NOTARY, SUCH AS:]

STATE OF TEXAS §

COUNTY OF _____ §

This instrument was acknowledged before me on this ____ day of _____, 20__, by _____, the President of _____, a Texas Corporation, the general partner of _____, a Texas limited partnership, on behalf of said limited partnership.

Notary Public

Project:
Parcel:

[IF APPLICABLE]

Consent, Joinder and Subordination by Lender

The undersigned, [add holder of the lien – such as WELLS FARGO BANK, National Association], hereby joins in the execution of this water easement to evidence its consent and agreement to the terms and provisions hereof, and to confirm and agree that any and all liens held by the undersigned, whether by Deed of Trust, reservation in a deed, constitutional, contractual or otherwise, are subject and subordinate to the terms and provisions of this water easement, as the same may be amended or modified from time-to-time. Without limiting the preceding general statement, it is agreed that the following liens are hereby subordinated to the terms of this Easement: [ADD LIST OF LIENS FROM TITLE COMMITMENT SUCH AS (i) “Deed of Trust, Security Agreement and Financing Statement”, dated April 27, 2006, filed of record in Volume 12100, Page 685, of the Official Public Records of Bexar County, Texas, and (ii) “Second Lien Deed of Trust, Security Agreement and Financing Statement”, signed on November 3, 2006, filed of record in Volume 12497, Page 1664, of the Official Public Records of Bexar County, Texas.]

[ADD SIGNATURE BLOCK FOR LIENHOLDER]
_____, National Association

By: _____
[NAME, TITLE]

STATE OF TEXAS §
COUNTY OF _____ §

This instrument was acknowledged before me on this ____ day of _____, 20____, by _____, the _____ of _____, National Association, on behalf of said bank.

Notary Public

Project:
Parcel:

**[IF APPLICABLE]
EXHIBIT C
SPECIAL TERMS AND PROVISIONS**

[ADD FROM APPROVED LIST, IF APPLICABLE]

TRANSACTION FORM E
GROUNDWATER SUPPLY AGREEMENT

ABENGOA
VISTA RIDGE, LLC

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Groundwater Supply Agreement

This Groundwater Supply Agreement (the “*Agreement*”) is entered into effective as of the execution by both parties hereto (the “*Effective Date*”) between Blue Water Vista Ridge LLC (“*Blue Water*”), a Texas limited liability company, and the City of San Antonio, Texas, acting by and through its San Antonio Water System Board of Trustees (“*SAWS*”), (each also referred to individually herein as “*Party*”, or in the plural, the “*Parties*”).

RECITALS

Approximately contemporaneously with this execution of this Agreement by the Parties, SAWS and Abengoa Vista Ridge, LLC (“*Abengoa Vista Ridge*”) have entered into that certain Vista Ridge Regional Supply Project Water Transmission and Purchase Agreement dated effective of even date herewith (the “*WTPA*”). The WTPA provides that Abengoa Vista Ridge will deliver potable groundwater to SAWS during the term thereof through a system of groundwater wells, pumping stations, storage tanks, transmission lines and related facilities (the “*Project*”, as defined in the WTPA) during the term thereof.

In order to provide potable groundwater to SAWS under the WTPA, contemporaneously with the execution of the WTPA, Abengoa Vista Ridge and Blue Water, among other parties, have entered into that certain “Groundwater Lease Conveyance Agreement” (the “*Lease Conveyance Agreement*”) whereby Blue Water has agreed to sublease to Abengoa Vista Ridge the Leases (as hereafter defined) and convey to Abengoa Vista Ridge the Permits (as hereafter defined) so that Abengoa Vista Ridge may withdraw, treat, store and transmit the groundwater to SAWS as potable water in compliance with the terms of the WTPA.

The terms of the WTPA and the Lease Conveyance Agreement collectively provide that at the termination or expiration of the term of the WTPA, (i) the Lease Conveyance Agreement will simultaneously terminate or expire, subject to certain conditions relating to payment of “Senior Debt” (as defined therein), (ii) SAWS will acquire the Project from Abengoa Vista Ridge, (iii) ownership of the Leases and the Permits will revert to Blue Water and (iv) this Agreement will thereafter govern the terms for Blue Water to make available for and provide raw, non-potable groundwater from the Leases and the Permits (“*Groundwater*”) to SAWS for the Project.

The Parties hereby find and determine that this Agreement is agreed to as the result of, and constitutes, fair and adequate consideration exchanged between the Parties.

NOW, THEREFORE, it is hereby agreed between the Parties as follows:

AGREEMENT

1. Blue Water has acquired groundwater resources by leases from private landowners (the "**Leases**") and has the right to acquire and will acquire rights in (i) a Drilling and Operating Permit ("**Operating Permit**") to withdraw up to 50,993 acre feet of groundwater per year, from the Carrizo Aquifer and the Simsboro Aquifer (collectively, the "**Aquifers**"), in Burleson and Milam Counties, Texas (the "**Groundwater Area**") from the Post Oak Savannah Groundwater Conservation District of the State of Texas ("**POSGCD**") and (ii) a "Permit to Transport Groundwater" to transport up to 50,993 acre feet per year from the POSGCD to the Counties of Bastrop, Bell, Bexar, Burleson, Burnet, Caldwell, Comal, Guadalupe, Hays, Lee, Milam, Travis and Williamson Counties, Texas (the "**Transportation Permit**") (collectively, the "**Permits**", which are attached hereto as **Exhibits A and B**). The Parties understand and agree that the Permits will be replaced, and Blue Water shall cause the Permits to be replaced, with successor Permits to be issued by POSGCD to Blue Water, and then transferred to Abengoa Vista Ridge, pursuant to the terms of the Lease Conveyance Agreement and the term "**Permits**" as used in this Agreement shall thereafter refer to such replacement Permits. Blue Water agrees to make available for, and sell to, SAWS raw, non-potable groundwater from the Aquifers, under this Agreement and pursuant to the authority and rights contained in the Leases and the Permits, for a term commencing on the "**Commencement Date**" (as defined in Section 2 below) and ending thirty (30) years after the Expiration Date (as defined in the WTPA) (such period hereafter referred to as the "**Term**").

2. The Commencement Date of this Agreement shall occur upon the first to occur of (i) the Expiration Date of the WTPA or (ii) a termination of the WTPA in which, in connection therewith, SAWS acquires all or substantially all of the physical infrastructure of the Project necessary to produce and transport the Groundwater to Bexar County. A condition precedent to the Commencement Date shall be the reversion of the Permits and Leases into Blue Water. In the event of a termination of the WTPA in which, in connection therewith, SAWS does not acquire all or substantially all of the physical infrastructure of the Project necessary to produce and transport the Groundwater to Bexar County, this Agreement shall terminate and be of no force and effect.

3. If the Commencement Date is prior to the date that is thirty (30) years after Commercial Operations Date as defined in the WTPA (to wit, without early termination by either party to the WTPA), then from the Commencement Date until the date that is thirty (30) years after Commercial Operations Date as defined in the WTPA (to wit, without early termination by either party to the WTPA) (the "**Full WTPA Term**"), Blue Water shall make available for, and sell to, SAWS raw groundwater from the Groundwater Area from the Aquifers (the "**Groundwater**"), in the amount of 50,000 acre-feet per year (the "**Annual Supply Amount**").

During the Full WTPA Term, SAWS shall pay quarterly an amount equal to the product of multiplying (a) the Annual Supply Amount divided by four (the "**Quarterly Supply Amount**"), whether taken or not by SAWS or whether SAWS, as provided hereinbelow, takes in excess of

the Quarterly Supply Amount, times (b) \$460 per acre-foot (the foregoing amount being the “*Full WTPA Term Quarterly Water Payment*”).

Notwithstanding the foregoing, the Full WTPA Term Quarterly Water Payment will be reduced on a pro rata basis (pro rata both as to amount and time duration) if and to the extent that the Annual Supply Amount is not available to SAWS during such calendar year due to one or more of the following: (i) reduction or cut-backs to the Operating Permit or Transportation Permit, (ii) other order from POSGCD or other governmental entity with jurisdiction over groundwater production, (iii) full or partial expiration or termination of the Leases or Permits that results in a reduction of the Annual Supply Amount available under the Permits, (iv) SAWS inability, without requiring SAWS to drill deeper wells (provided, however, it shall be SAWS obligation to lower pumps as necessary at SAWS sole expense) to produce up to the Quarterly Supply Amount due hydro-geological unavailability of Groundwater and (v) contamination of the Groundwater that cannot be remedied by SAWS using conventional treatment methods common in the municipal water industry without requiring SAWS to construct new treatment facilities or implement new treatment processes (the above reasons in (i) through (v) being “*Uncontrollable Circumstances*”). Notwithstanding the foregoing, in the event that SAWS produces more Groundwater than is “available” to SAWS under the provisions of this paragraph SAWS shall make payment to Blue Water on the basis of actual production and not such “available” Groundwater (for example, notwithstanding an Uncontrollable Circumstance that acted to limit available Groundwater to 30,000 acre feet per annum, if SAWS in such calendar year produced 32,000 acre feet, SAWS shall pay Blue Water on the basis of such 32,000 acre feet multiplied by \$460 per acre foot).

In the event that SAWS was prevented from producing at least $\frac{1}{4}$ of the Annual Supply Amount in a given quarter due to one or a combination of Uncontrollable Circumstances (the difference between $\frac{1}{4}$ of the Annual Supply Amount and such SAWS actual production being a “Quarterly Production Deficit”), and SAWS in other quarters in such calendar year produces in excess of $\frac{1}{4}$ of the Annual Supply Amount, then to the extent the Quarterly Production Deficit was offset by such other excess production, there shall be a reconciliation within thirty (30) days after the end of such calendar year in which SAWS shall make payment, at the rate of \$460 per acre-foot, of such amount of the Quarterly Production Deficit that SAWS was able to offset with excess production. By way of example, if SAWS in a calendar year produces, by quarter, 12,000 acre feet (Q1), 12,500 acre feet (Q2), 13,000 acre feet (Q3) and 12,500 acre feet (Q4), and in Q1 SAWS was prevented from producing 12,500 acre feet due to cutbacks from POSGCD, then SAWS Full WTPA Term Quarterly Water Payment for Q1 shall be reduced pro rata by such 500 acre foot Quarterly Production Deficit, but as SAWS made up such Quarterly Production Deficit in Q3, SAWS shall make a reconciliation payment as provided hereinabove for such 500 acre feet.

Subject to the terms of the Permits and the rules and regulations of the POSGCD, SAWS shall be permitted to spread its Groundwater production throughout a calendar year on an uneven

basis, so that SAWS may produce less in some months and more in others, provided the total annual amount in any calendar year does not exceed the Annual Supply Amount.

If the Permits and the Leases so provide, SAWS may, at its option but without obligation, produce up to 50,993 acre feet per annum and shall pay for such additional water above the Annual Supply Amount at the rate of \$460 per acre foot, provided, however, it is understood that Blue Water is not obligated to make Groundwater available above the Annual Supply Amount. SAWS shall not take more than 50,993 acre feet of Groundwater in any calendar year unless Blue Water has obtained, at its sole expense, amendments to the Permits or other supplies of comparable quality to that of the Groundwater and available to the Project. In the event that SAWS does take more than 50,993 acre-feet of Groundwater per year pursuant to this section, then SAWS shall pay a rate for such additional amount of water which is two (2) times the rate otherwise charged under this Agreement.

All references herein to Groundwater "produced" shall mean as metered at the wellhead.

4. During that portion of the Term beginning on or after the occurrence of both (i) the Commencement Date and (ii) the date that is thirty (30) years after Commercial Operations Date as defined in the WTPA (to wit, without early termination by either party) (the "**Regular Term**"), Blue Water shall make annually available to SAWS the Groundwater in the Annual Supply Amount.

During the Regular Term, SAWS shall pay only for the amount of water actually produced and metered at the wellheads in a quarterly period (such amount being referred to as the "**Regular Term Payment Quantity**") by paying a quarterly amount equal to the product of multiplying (a) the amount of water metered at the wellhead by (b) the product of multiplying 1/4 times the average annual per acre-foot lease rate for two-year term Edwards Aquifer groundwater leases for the five calendar years preceding such payment (the foregoing amount being the "**Regular Term Quarterly Water Payment**").

During the Regular Term, if SAWS produces less than ten thousand (10,000) acre feet of Groundwater in any consecutive six (6) month period, and SAWS was not prevented due to one or more Uncontrollable Circumstances from producing at least ten thousand (10,000) acre feet of Groundwater over such consecutive six (6) month period, then Blue Water may terminate this Agreement by written Notice to SAWS effective upon the expiration of ninety (90) days after such Notice; provided, however, such Notice of termination will not be effective if during said ninety (90) day period SAWS produces an amount of Groundwater which, when added to the amount of Groundwater produced in such prior consecutive six (6) month period (e.g. over the prior nine (9) months), would be equal to or greater than fifteen thousand (15,000) acre feet of Groundwater. In the event that the Permits are reduced below the Annual Supply Amount or production and transportation of the Groundwater is otherwise reduced by order of Governmental Body with jurisdiction over groundwater production, then during such period, the ten thousand (10,000) and fifteen thousand (15,000) acre foot minimums set forth herein shall be

proportionally reduced in the same proportion by which such permissible Groundwater production has been reduced below the Annual Supply Amount.

5. Blue Water agrees to hold and maintain 50,000 acres of the Leases in the Groundwater Area to make available for, and sell to, SAWS each year the Annual Supply Amount from the Groundwater Area during the Term of this Agreement. The 50,000 acres of Leases held by Blue Water to support the Annual Supply Amount that Blue Water is making available to SAWS during the Term of this Agreement is hereafter referred to as the “*Leased Acres*.” Blue Water may from time to time release or add additional leases in the Groundwater Area so long as Blue Water maintains 50,000 acres of Leases to support the Annual Supply Amount to SAWS in accordance with the Permits and this Agreement.

6. Blue Water does hereby agree, at all times during the Term of this Agreement, to cause the Permits providing the right to withdraw and transport the Annual Supply Amount to Bastrop, Bell, Bexar, Burleson, Burnet, Caldwell, Comal, Guadalupe, Hays, Lee, Milam, Travis and Williamson Counties, Texas, to remain issued and in good standing with the POSGCD, all at Blue Water’s sole cost and expense, in a manner sufficient to allow, and that in fact does allow, SAWS to withdraw and transport the Annual Supply Amount from the Groundwater Area. Blue Water shall file all necessary paperwork with POSGCD relating to the Permits to comply with the Permits and POSGCD rules, and the Parties agree to cooperate to provide information necessary for filings with POSGCD. Blue Water shall be responsible, at no additional cost to SAWS, for payment of those fees required to be paid to POSGCD for the purpose of maintaining the Permits (the “*POSGCD Fees*”) and all other costs of the Permits such as fines, penalties, etc., that may be owed to POSGCD, except to the extent resulting from SAWS’s failure to comply with the Permits or other POSGCD regulations, except to the extent that such failure was due to SAWS not being a named party on the Permits and such action or inaction leading to such failure to comply would have been permitted under the Permits or POSGCD regulations if performed by Blue Water.

7. Notwithstanding the foregoing, the Parties understand and acknowledge the following:

- a. that the Operating Permit, by its terms, expires on September 11, 2044 and that Blue Water will cause the Transportation Permit to expire contemporaneously therewith (the “Permit Expiration Dates”);
- b. that the withdrawal and transportation of the Groundwater is subject to the terms and conditions of the Permits and the rules of POSGCD and any other governing authority;
- c. that Blue Water cannot guarantee the renewal or extension of the Permits after the Permit Expiration Dates, but will use diligent and commercially reasonable efforts to obtain such renewal or

extension for the full Annual Supply Amount for the Term of this Agreement; and

- d. that the rights and obligations of the Parties under this Agreement after each of the Permit Expiration Dates, respectively, are in all respects subject to the renewal or extension of the Permits, and, if renewed or extended, the obligation of Blue Water to make available Groundwater after each Permit Extension Date through the remainder of the Term of this Agreement, and the obligation of SAWS during the Term of this Agreement to pay for Groundwater in the Annual Supply Amount shall be adjusted on a pro-rata basis by the amount of any reduction in the Groundwater which is authorized to be produced and transported by and for SAWS from the Groundwater Area by the POSGCD to the extent it is less than the Annual Supply Amount pursuant to the renewal or extension, and such adjustment amount shall become the new Annual Supply Amount, subject to SAWS rights under Section 19 of this Agreement.

8. Blue Water and SAWS agree to cooperate and take any further necessary actions that may be required by POSGCD or other governmental entity with regulatory authority over the production, transportation and use of the Groundwater that will allow SAWS, under the Permits, to produce and transport the Groundwater through the Project to the terminus in San Antonio, Texas, including but not limited to, at SAWS's request: (i) leasing the Permits to SAWS, under the terms and conditions of this Agreement, for no additional consideration to Blue Water and (ii) naming SAWS as an "operator" for purposes of the Permits and/or (iii) accepting title to the production wells (and such other elements of the Project that SAWS may designate in order to comply with any rules of POSGCD or any other Governmental Body) that comprise the Project provided SAWS would retain the exclusive right and obligation to operate and pay for such wells and other infrastructure. Blue Water and SAWS agree to execute any reasonable instruments for purposes of effectuating the foregoing. Any such Permits lease, operating designation or title acceptance shall be subject to automatic rights of reversion to the Party granting such lease, agreeing to such operating designation or making such title conveyance, however, and the Party may retain a security interest in any such Permits or production wells to secure such rights of reversion.

9. During the Regular Term, Blue Water shall, notwithstanding any term of the Leases to the contrary, agree to compensate the lessors under such Leases in an amount equal to fifty (50) percent of the sums paid by SAWS under Section 4 hereinabove after deductions for any fees charged by the POSGCD under the Permits and paid by Blue Water during the Regular Term.

10. The Parties acknowledge that SAWS will be the owner of the physical infrastructure of the Project and the perpetual real estate interests, consisting of fee simple interests to well sites and easements for pipelines, roads and other Project facilities and SAWS shall be solely responsible, at its sole expense, for the construction, operation, maintenance, repair, replacement, improvement and modification thereof. Blue Water shall not be responsible for constructing, operating, maintaining, repairing, replacing, improving or otherwise modifying the physical infrastructure of the Project. Title to, possession of and control of the raw groundwater shall remain with Blue Water until it enters the Project at the bottom of the wellbore, at which time title to, and possession and control of, the raw groundwater shall pass to SAWS. The Groundwater produced under this Agreement shall be measured at the wellheads of any SAWS wells that are part of the Project.

11. SAWS will own, operate and maintain the meters located at the wellheads. The meters shall be read at least quarterly and a copy of the readings shall be provided to Blue Water by SAWS within ten (10) days of the reading. The meters shall be tested for accuracy by a third party, and at the expense of, SAWS, at least once each calendar year at intervals of approximately every twelve (12) months, and a report of such test shall be furnished to Blue Water within thirty (30) days after completion of the test. The meters shall also be calibrated by, and at the expense of SAWS, at any time a meter is not found to be operating within five (5) percent high or low of accuracy. SAWS shall give Blue Water at least two (2) weeks notice, in advance, to allow Blue Water to witness the test. If a meter is found to be operating more than five (5) percent high or low of accuracy, SAWS shall increase testing of such meter to once every six months until such time as the meter has registered less than five (5) percent high or low of accuracy for two consecutive testings. Nothing in this Agreement shall prevent Blue Water from installing a meter or meters at or in the vicinity of the SAWS meters to check the accuracy of SAWS' meters. Additionally, Blue Water may, at its expense, engage a third party to test the SAWS meters, and a report of such test shall be furnished to SAWS within thirty (30) days after completion of the test.

12. The amounts owed by SAWS hereunder shall be due and payable thirty (30) days after receipt by SAWS of a quarterly invoice from Blue Water. Blue Water must submit its invoices to SAWS not later than thirty (30) days following the end of each quarterly period during the Term. Any amounts unpaid thirty (30) days after receipt by SAWS of written invoice of the amounts due shall bear interest at the lower of the maximum rate of interest permitted by the laws of the State, if applicable, or 7.5 percent annually. SAWS agrees that all payments to be made hereunder by SAWS will constitute reasonable and necessary operating expenses of the SAWS' waterworks and sanitary sewer systems, within the meaning of Section 1502.056, Texas Government Code. The source of payment in satisfaction of any and all obligations of SAWS assumed or imposed by it or arising under this Agreement shall be limited to the revenues derived by SAWS from ownership and operation of the SAWS distribution system. As a result, Blue Water (including its successors in legal interest, assigns, or affiliates) shall have no recourse

to the general fund or general credit of the City of San Antonio (“City”), including the right to require the levy and collection of any tax, whether ad valorem or otherwise, or any other fund (including other enterprise funds), source of revenue, asset, instrument or property of the City, in satisfaction of the payment of any amount due Blue Water hereunder, whether on account of the Full WTPA Term Quarterly Payment, Normal Term Quarterly Water Payment, or for any payment or claim of any nature arising from the performance or non-performance of SAWS’ obligations hereunder. The sole recourse of Blue Water for the payment of all such amounts shall be to the revenues of SAWS derived from the ownership and operation of the SAWS distribution system pursuant to City Ordinance 75686, under which SAWS is established and pursuant to which revenue bonds are issued from time to time to finance SAWS’s capital improvements. The payment of all such amounts is subject to the terms and conditions of City Ordinance 75686. No such amount shall be payable from any ad valorem or other taxes. In furtherance of the foregoing, the Blue Water hereby acknowledges and agrees it is not entitled to demand payment of the obligations of SAWS hereunder out of any money raised by taxation.

13. Blue Water covenants and agrees that, from and after the Commencement Date until termination or expiration of this Agreement, (i) SAWS shall have the exclusive right to produce and transport all available water from the Leases and the Permits, subject to the terms and conditions of the Leases and the Permits, through the Project, (ii) Blue Water shall maintain the Leases such that the Groundwater Area is one contiguous area of land for the purpose of the Operating Permit to allow the Groundwater in the Annual Supply Amount to be produced from the Groundwater Area, (iii) Blue Water shall maintain the Leases in good standing and in a fully enforceable condition, (iv) except for the Permitted Encumbrances (as defined in the Lease Conveyance Agreement), excluding any SAWS/Lender Non-Permitted Encumbrances (as defined in the Lease Conveyance Agreement), and disclosures in the Lease Conveyance Agreement or those matters which are otherwise subordinated to rights of SAWS under this Agreement, during the Term of this Agreement, Blue Water shall not assign for security purposes, hypothecate, mortgage, pledge or grant a security interest in the Leases, the Permits or its interest in this Agreement and the Leases and Permits shall be free and clear of all liens, security interests and pledges.

14. Blue Water warrants and represents as follows:

(a) Each of the persons executing this Agreement on behalf of Blue Water is duly authorized to do so. Blue Water has full right and authority to enter into this Agreement and to consummate the transaction described in this Agreement. This Agreement constitutes the valid and legally binding obligations of Blue Water and is enforceable against Blue Water in accordance with its terms; and neither the execution or delivery of this Agreement nor the performance of Blue Water's obligations under this Agreement violates, or will violate, any contract or agreement to which Blue Water is a party or by which Blue Water is otherwise bound.

(b) The Permits are in full and force and effect and authorize the drilling, operation, production and transport of 50,993 acre-feet of Groundwater per year utilizing the Leases, and the transfer of the Groundwater from the District to Bastrop, Bell, Bexar, Burleson, Burnet, Caldwell, Comal, Guadalupe, Hays, Lee, Milam, Travis and Williamson Counties.

(c) The Permits constitute legal authority sufficient for the pumping and withdrawal of the Groundwater in quantities not less than the Annual Supply Amount, and no other legal authority is required for such pumping and withdrawal from the POSGCD or any other Governmental Body (hereinafter defined). To the best of Blue Water's knowledge and belief, the application of the Modeled Available Groundwater for Burleson County by POSGCD or other Governmental Body will not result in reductions to the Permits to an amount below the Annual Supply Amount.

(d) The Permits are in full force and effect and there are no defaults under the Permits; No person or entity, including POSGCD, is currently asserting a claim, defense or right to terminate any of the Permits; Blue Water is not in default of payment of Permit fees; no person other than BWS, Blue Water and Vista Ridge has any rights to the Permits, and the Permits are free and clear of all liens, claims and encumbrances; Blue Water has received no notice that any of the Permits are in violation of any laws, or subject to any existing investigation or inquiry by, any governmental authority, which violation has not been cured or investigation has not been satisfactorily completed confirming that no violation has occurred.

(e) Except for the Permitted Encumbrances, excluding any SAWS/Lender Non-Permitted Encumbrances, and any disclosures in the Lease Conveyance Agreement, the Leases are valid and in full force and effect and are binding on the Parties thereto; Blue Water has an ownership interest in the development rights in, and will maintain, the Leases in the Groundwater Area; and such Leases are, and Blue Water shall ensure that such Leases remain valid and binding on the parties thereto and in full force and effect; Blue Water is entitled to all of the production rights as Lessee under the Leases; no other party has any option rights, rights of first refusal, rights of first offer or other rights relating to the Leases.

(f) Blue Water is financially capable of performing its obligations under this Agreement.

(g) Blue Water is, and shall remain during the term of this Agreement, a bankruptcy remote, single-purpose entity.

(h) Neither Blue Water nor any parent or affiliated company (collectively, the "*Blue Water Entities*") has filed or is currently the subject of, any filing, voluntary or

involuntary, as a debtor, for bankruptcy or reorganization under any applicable bankruptcy or creditors' rights laws.

(i) Blue Water has received no notice that any of the Leases are in violation of any laws, or subject to any existing investigation or inquiry by, any governmental authority, which violation has not been cured or investigation has not been satisfactorily completed confirming that no violation has occurred.

(j) No approval, authorization, order or consent of, or declaration, registration or filing with, any federal, state or local governmental body (a "**Governmental Body**") is required for the valid execution and delivery of this Agreement by Blue Water except such as have been duly obtained or made.

(k) To the best of Blue Water's knowledge, there is no legal proceeding, at law or in equity, before or by any court or Governmental Body pending or, to the best of Blue Water's knowledge, overtly threatened or publicly announced against any of the Blue Water Entities, in which an unfavorable decision, ruling or finding could reasonably be expected to have a material and adverse effect on the execution and delivery of this Agreement by Blue Water or the validity, legality or enforceability of this Agreement against Blue Water, or any other agreement or instrument entered into by Blue Water in connection with the transactions contemplated hereby, or on the ability of Blue Water to perform its obligations hereunder or under any such other agreement or instrument.

(l) Neither Blue Water nor any "**Project Company Person**" (as defined in the WTPA) has directly or indirectly offered or given any gratuities (in the form of entertainment, gifts, campaign contributions, or otherwise) to SAWS, the City or any of their respective elected officials, employees, trustees or executives with a view toward securing this Agreement or the WTPA or securing favorable treatment with respect to any determinations concerning the performance of this Agreement or the WTPA.

(m) Blue Water is in compliance in all material respects with applicable law pertaining to its business and services.

(n) Blue Water is not, and will not by reason of this Agreement or otherwise, be a "retail public utility" within the meaning of Chapter 13 of the Texas Water Code, and are not, and will not be, subject to jurisdiction of the TCEQ or Public Utility Commission of Texas in with respect to utility rates.

(o) If Blue Water discovers that any of its warranties and representations shall be, or become, materially untrue, then Blue Water shall (a) notify SAWS in writing as soon as possible but no later than ten (10) days after Blue Water becomes aware of such condition, and Blue Water shall specify the nature of the materially untrue warranty or representation and (b) shall immediately remedy such materially untrue warranty or

representation, and (c) Blue Water shall be responsible for any additional costs incurred by Blue Water and/or SAWS to remedy such materially untrue warranty or representation. If Blue Water fails to remedy such materially untrue warranty or representation as soon as reasonably possible but not more than sixty (60) days from the date of Blue Water's notice hereinabove, SAWS may, in addition to all rights and remedies for a breach of this Agreement under Section 17, after providing written notice to Blue Water, take actions reasonably required to remedy such materially untrue warranty or representation, and Blue Water shall reimburse SAWS an amount equal to two times all costs incurred by SAWS in connection with remedying such material, untrue warranty or representation, or SAWS may offset amounts owed to Blue Water under this Agreement by two times all such costs.

15. SAWS warrants and represents as follows:

- (a) Subject to the provisions of this Agreement, each of the persons executing this Agreement on behalf of SAWS is duly authorized to do so;
- (b) Subject to the provisions of this Agreement, SAWS has full right and authority to enter into this Agreement and to consummate the transaction described in this Agreement;
- (c) This Agreement constitutes the valid and legally binding obligation of SAWS and is enforceable against SAWS in accordance with its terms;
- (d) Neither the execution or delivery of this Agreement nor the performance of SAWS's obligations under this Agreement violates, or will violate, any contract or agreement to which SAWS is a party or by which SAWS is otherwise bound;

16. Blue Water will use best efforts to obtain from the lessors under the terms of the Leases, at its sole cost and expense, an amendment to each of the Leases (where this does not yet exist in the Leases) to provide for a form of notice to SAWS and SAWS right to cure on a lessee default, in a form acceptable to SAWS, at the same time that Blue Water makes best efforts to obtain such notice and cure rights for Abengoa Vista Ridge. If SAWS receives notice of lessee default, SAWS may, at Blue Water's expense, take any reasonable action and pay any sums necessary under the Leases to cure such defaults. All such costs of SAWS may be deducted by SAWS from amounts owed by SAWS under this Agreement.

17. If (i) SAWS fails to materially comply with the provisions of this Agreement and such default continues for a period of thirty (30) days after receiving Notice of such default from Blue Water, then Blue Water may exercise all rights which may be available to it at law or in equity, including but not limited to termination of this Agreement, and (ii) if Blue Water fails to comply with any of the material provisions of this Agreement and such default continues for a period of thirty (30) days after receiving Notice of such default from SAWS, then SAWS may exercise all rights which may be available to it at law or in equity. The above notwithstanding, in the case of a default that cannot reasonably be cured within such thirty (30) day period, no

such default shall be deemed to exist if the Party responsible to address such default is using due diligence to cure such default, continues to do so until the matter is cured and the matter is cured within ninety (90) days from the receipt of the Notice by such allegedly defaulting Party.

18. Notwithstanding any other provisions of this Agreement, SAWS may terminate this Agreement by thirty (30) days prior written Notice to Blue Water in the event SAWS is unable to produce greater than 37,500 acre feet of Groundwater per annum in any calendar year due to one or more Uncontrollable Circumstance. Additionally, notwithstanding any other provisions of this Agreement, SAWS may freely terminate this Agreement during the Regular Term by giving Blue Water eighteen (18) months prior written Notice.

19. Any notices, consents, approvals or written communications ("**Notice**") given pursuant to this Agreement shall be in writing and shall be given or served by depositing the same in the United States mail, postage prepaid and registered or certified and addressed to the party to be notified, with return receipt requested, by delivering the same in person to the party to be notified, by depositing the same with a nationally recognized overnight courier service, charges prepaid, addressed to the party to be notified, or by electronic facsimile or email transmission.

Notice deposited with an overnight courier in the manner hereinabove described shall be effective from and after one (1) day (exclusive of Saturdays and Sundays) after such deposit. Notice deposited in the United States mail, postage prepaid and registered or certified shall be effective from and after two (2) days (exclusive of Saturdays and Sundays) after such deposit. Notice by electronic facsimile or email transmission shall be effective upon sending if delivered by 5:00 p.m. (San Antonio, Texas time) on the date transmitted, and if after 5:00 p.m. (San Antonio, Texas time), shall be effective on the following business day. Notice given in any other manner shall be effective only if and when received by the party to be notified. For purpose of Notice, the addresses for the parties shall, until changed as hereinafter provided, be as follows:

SAWS:

San Antonio Water System
2800 US Hwy 281 N
San Antonio, Texas 78212
Attn: President/CEO
Facsimile: (210) 233-5268
Email: Robert.puente@saws.org

cc to:

San Antonio Water System
2800 US Hwy 281 N
San Antonio, Texas 78212
Attn: General Counsel
Facsimile: (210) 233-4587
Email: Nancy.Belinsky@saws.org

Blue Water:

Blue Water Vista Ridge LLC
Stonebridge Plaza One
9606 North Mopac, Suite 125
Austin, Texas 78759
Attn: Ross M. Cummings
Facsimile:
Email:

cc to: The Terrill Firm P.C.
810 W. 10th St.
Austin, Texas 78701
Attn: Paul M. Terrill
Facsimile: (512) 474-9888
Email: pterrill@terrill-law.com

20. The provisions of this Agreement are severable, and if any provision or part of this Agreement or the application thereof to any person or circumstance shall ever be held by any agency or court of competent jurisdiction to be unenforceable, invalid or unlawful for any reason, the remainder of this Agreement and the application of such provision or part of this Agreement to other persons or circumstances shall not be affected thereby; provided, however, in such event the Parties mutually covenant and agree to attempt to implement the unenforceable, invalid or unlawful provision in a manner which is enforceable, valid or lawful.

21. There are no oral agreements between the Parties hereto with respect to the subject matter hereof. This Agreement made be changed or modification only with the mutual written consent of SAWS and Blue Water.

22. This Agreement may be assigned by either Party to any other entity with notice to and subject to the prior, written approval of, the other Party, provided, however such assignee of Blue Water shall be required to be a Single Purpose Entity. The assignor shall remain liable hereunder, unless released in writing by the other Party.

23. Whenever this Agreement requires a Party to give an approval or consent or to take an action, unless otherwise provided, the Parties agree that such consent, approval or action will not be unreasonably withheld, delayed or conditioned.

24. The recitals are incorporated herein and made a part of this Agreement as if incorporated verbatim.

25. The Parties agree that the venue for any legal proceedings between the parties shall lie in Bexar County, Texas.

26. SAWS represents that SAWS does, and will, maintain other sources of water than the Groundwater provided by the Project.

27. This Agreement is subject to (i) the full execution of the WTPA, (ii) the full execution of the Lease Conveyance Agreement and (iii) approval of the WTPA and this Agreement by the City Council of the City of San Antonio.

28. In lieu of filing this Agreement for record in the Office of the County Clerks in the counties in which the Groundwater Area is located, the Parties agree to execute a form of memorandum of this Agreement provided by SAWS, and subject to the reasonable approval of Blue Water, to provide public notice of this Agreement.

29. This Agreement shall run with the Permits and all those holdings rights as "lessees" under the Leases and shall be binding upon the successors and assigns to the Permits (and all successor permits) and Leases.

30. If the rule against perpetuities or any other rule of law would invalidate this Agreement or any portion or provision hereof, or would limit the time during which this Agreement or any portion or provision hereof shall be effective due to the potential failure of an interest in property created herein to vest within a particular time, then each such interest in property, if any, shall be effective only from the date hereof until the passing of twenty one (21) years after the death of the last survivor of the now-living descendants of the members of Congress of the United States of America (including the House of Representatives and the Senate) who are serving on the date hereof, but each such interest in property, if any, shall be extinguished after such time, and all other interests in property created herein and all other provisions hereof shall remain valid and effective without modification.

Signatures on following page

EXECUTED TO BE EFFECTIVE THE ___ DAY OF _____, 2014.

CITY OF SAN ANTONIO ACTING BY AND THROUGH ITS
SAN ANTONIO WATER SYSTEM BOARD OF TRUSTEES

By: _____
Name: _____
Title: _____
Date: _____

APPROVED BY THE CITY OF SAN ANTONIO, TEXAS, PURSUANT TO CITY ORDINANCE
NUMBER _____

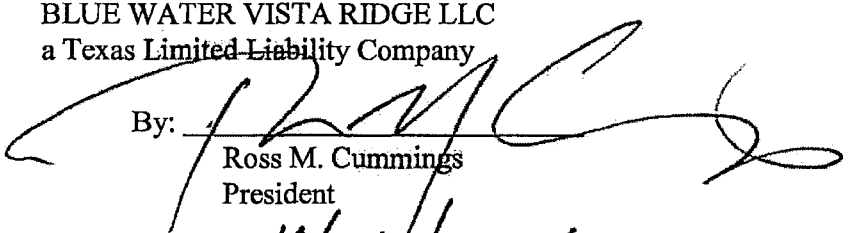
By: _____

Name: Ivy R. Taylor

Title: Mayor

Date: _____

BLUE WATER VISTA RIDGE LLC
a Texas ~~Limited Liability~~ Company

By: 
Ross M. Cummings
President

Date: 10/14/2014

Exhibit A

BLUE WATER SYSTEMS RAW GROUNDWATER PERMITS

DRILLING AND OPERATING PERMIT

Attached hereto is the Amended and Restated Drilling & Operating Permit Issued by Direction of the Board of Directors of the Post Oak Savannah Groundwater Conservation District, dated January 13, 2009, and granted to Blue Water Systems, LP.

**Amended and Restated Drilling & Operating Permit
Issued By Direction of the Board of Directors of the
Post Oak Savannah Groundwater Conservation District**

This Amended and Restated Drilling and Operating Permit ("Permit") is granted to Blue Water Systems, L.P., ("Permittee"), successor to Layne Water Development of Texas, LLC ("Layne"), to authorize Permittee to drill and operate forty-one (41) water wells within the Post Oak Savannah Groundwater Conservation District ("District"), for the purpose of producing water for Municipal Use. The name, location, maximum annual production and maximum gallons of production permitted per minute for each of the forty-one wells is listed in Exhibit "A". The individual wells listed in Exhibit "A" are referred to herein as the "Well" or "Wells" and the forty-one Wells are collectively referred to as the "Well System". This Permit is conditioned upon and subject to Permittee complying with the Rules of the District ("Rules"), the orders of the Board, the Management Plan of the District, as amended, and the laws, rules and regulations of the State of Texas, as amended, applicable to drilling, operating and maintaining water wells within the District. This Permit confers only the right to drill and operate the Wells and Well System in compliance with and subject to the Rules and requirements of this Permit. The terms, conditions and authorizations of this Permit may be modified or amended under the Rules.

The Wells are registered with the District and the State of Texas. The Wells are approved for production in the aggregate as a Well System. The Permittee is authorized to drill and operate the Wells at the locations and maximum GPM production set forth in Exhibit "A", and the maximum annual production of the Well System shall not exceed 70,993 acre feet per year.

The Rules are incorporated herein in their entirety by reference, as if set forth herein verbatim, including but not limited to the Rules providing for reducing permitted production. The Permittee shall comply with the Rules and each requirement thereof in operating, maintaining, repairing and altering each of the Wells and the Well System. All application(s) pursuant to which the related original permits and prior amended permits, and this Permit, have been issued, and all written agreements and acknowledgments executed by the Permittee, and/or by Layne, are incorporated into this Permit. This Permit is granted on the basis of, and contingent upon, the accuracy of the information supplied in the application(s), agreements and acknowledgments on file with the District. A finding that false information was supplied to the District in the permitting process for the Wells is grounds for revocation of this Permit.

The issuance of this Permit does not grant Permittee the right to use any public or private property, interfere with any personal or property rights, or violate any federal, state, or local law, rule or regulation. The District makes no representations and has no responsibility with respect to the availability or quality of the water authorized to be produced under this permit.

The term of the Permit, both the Drilling and the Operating Permit, is for a period of forty years from the original issuance date of September 11, 2004, subject to review every fifth year and modification during any such review to conform this Permit with intervening changes in the Management Plan or state law. Unless waived by the Board of the District for a specific review period, applications for review shall be submitted to the District 90 days prior to the fifth anniversary of the issuance date and each subsequent scheduled review date following the fifth anniversary date, until the date of expiration of this Permit. The Board may waive any review if no material change has been made to the Management Plan, or if the changes made do not require modification of this Permit.

The Permit is issued and effective as of January 13, 2009.

Post Oak Savannah Groundwater Conservation District

By: 

Name: Gary West

Title: General Manager

Permit No. POS-D&O/A & M-0001

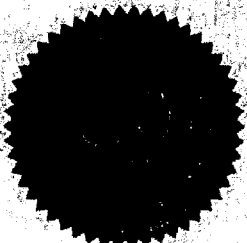


Exhibit "A"
 Blue Water, L.P. Permitted Water Wells
 List for Permit issued January 13, 2009

<u>Well Designation</u>	<u>Location</u>	<u>Max. GPM</u>
CW-1	30.44108N 96.81247W	1200gpm
CW-2	30.43564N 96.80366W	1200gpm
CW-3	30.42803N 96.80739W	1200gpm
CW-4	30.43169N 96.81623W	1200gpm
CW-5	30.43037N 96.82592W	1200gpm
CW-6	30.42724N 96.83412W	1200gpm
CW-7	30.41233N 96.81705W	1200gpm
CW-8	30.42325N 96.81969W	1200gpm
CW-9	30.42052N 96.81123W	975gpm
CW-10	30.41916N 96.80507W	750gpm
CW-11	30.41392N 96.7928W	750gpm
CW-12	30.41116N 96.79682W	750gpm
CW-13	30.44583N 96.76865W	1200gpm
CW-14	30.40421N 96.7786W	750gpm
CW-15	30.41001N 96.78026W	750gpm
CW-16	30.40794N 96.77606W	750gpm
CW-17	30.41709N 96.77139W	750gpm
CW-18	30.42121N 96.77545W	975gpm
CW-19	30.41838N 96.7668W	750gpm
CW-20	30.43605N 96.76393W	1200gpm
CW-21	30.43899N 96.77173W	1200gpm
PW-1	30.5069N 96.82059W	2800gpm
PW-2	30.5032N 96.8128W	2800gpm
PW-3	30.51464N 96.81067W	2800gpm
PW-4	30.49953N 96.80459W	2800gpm
PW-5	30.508N 96.8054W	2800gpm
PW-6	30.49522N 96.79645W	2900gpm
PW-7	30.51578 N 96.79897W	3000gpm
PW-8	30.50739N 96.79584W	3000gpm
PW-9	30.44138N 96.801233W	3000gpm
PW-10	30.43638N 96.80358W	3000gpm
PW-11	30.42851N 96.80668W	3000gpm
PW-12	30.42113N 96.811W	3000gpm
PW-13	30.42394N 96.82004W	3000gpm
PW-14	30.41266N 96.81705W	2500gpm
PW-15	30.42723N 96.83449W	3000gpm
PW-16	30.43059N 96.82576W	3000gpm
PW-17	30.43181n 96.981632w	3000gpm
PW-18	30.41998N 96.7752W	3000gpm
PW-19	30.41001N 96.77979W	3000gpm
PW-20	30.41145N 96.79644W	1800gpm

Exhibit B

PERMIT TO TRANSPORT GROUNDWATER

Attached hereto is the Amended Permit to Transport Groundwater from within the Post Oak Savannah Groundwater Conservation District of the State of Texas by Direction of the Board of Directors of the Post Oak Savannah Groundwater Conservation District, dated September 14, 2004, amended effective September 14, 2010, and granted to Blue Water Systems, LP.



Amended Permit to Transport Groundwater From within the
Post Oak Savannah Groundwater Conservation District
Of the State of Texas

By Direction of the Board of Directors of the
Post Oak Savannah Groundwater Conservation District

This amended permit is granted to: Blue Water Systems, L.P. (Permittee), c/o Bass Cummings, Stonebridge Plaza I, 2606 N. Meape, Suite 125, Austin, Travis County, Texas 78759, successor to Layne Water Development of Texas, LLC ("Layne"), for the purpose of transporting groundwater from a system of water wells (wells) within the Post Oak Savannah Groundwater Conservation District (District), to locations outside the District for the non-wasteful purposes of Municipal Use in the counties of Bastrop, Bell, Burnet, Caldwell, Hays, Lee, Travis, Williamson, Comal, Guadalupe, and Bexar, in the State of Texas ("Amended Permit"). The groundwater permitted herein must be put to beneficial use at all times.

The location of each well from which water is authorized to be transported under this Amended Permit is listed in Exhibit "A". The Permittee has leased the water rights that will be produced. In addition, the names and mailing addresses of the owners of the land from which the wells are authorized to produce water are set forth in the application filed by Permittee for this Amended Permit, and otherwise in the records of the District.

Upon issuance of this Amended Permit, the Permittee agrees to abide by the Rules, orders of the Board and Management Plan of the District, as amended, and the Laws and Rules of the State of Texas, as amended, in transporting groundwater from the water wells to locations outside the District. This permit confers only the right to use the permit under the provisions of the District rules and according to its terms. The permit terms may be modified or amended as provided in the District rules.

These wells are registered with the District and the State of Texas. The amount of groundwater to be transported from the District shall not exceed 63,374,148 million gallons during any 24 hour period. The total amount of groundwater to be transported from the District on an annual basis shall not exceed 20,993 acre feet.

This Amended Permit confers only the right to transport groundwater and its terms may be modified or amended. The operation of the wells for the authorized withdrawal must be conducted in a non-wasteful manner.

All transport and storage facilities must be accessible to District representatives for inspection, and the Permittee agrees to cooperate fully in any reasonable inspection of these facilities by the District representatives.

All application(s) pursuant to which the related original permits and the prior amended permits, and this Amended Permit, have been issued, and all written agreements and acknowledgments executed by the Permittee, and/or by Layne, are incorporated into this Amended Permit, which is granted on the basis of, and contingent upon, the accuracy of the information supplied in the application(s). A finding that false information as been supplied is grounds for revocation of the Amended Permit.

Violation of the terms, conditions, requirements, or special provisions of this Amended Permit is punishable by civil penalties as provided by the District Rules and by law.

On or before February 15 of each year, the owner of this Amended Permit must submit an annual report to the District describing the amount of groundwater transported under this Amended Permit. This report shall be filed on a form provided by the District, stating the following: (1) the name of the Permittee; (2) the well numbers of each well for which the Permittee holds a transport permit; (3) the total amount of groundwater transported from each well and well system during the immediately preceding calendar year; (4) the total amount of groundwater transported from each well and well system during each month of the immediately preceding calendar year; (5) the purpose for which the water was transported; (6) any other information related to the operation and production of the wells or transport of water requested by the District.

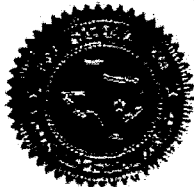
The issuance of this Amended Permit does not grant to the Permittee the right to use private property, or public property, for the production or conveyance of water. Neither does this Amended Permit authorize the invasion of any personal rights nor the violation of federal, state, or local laws, or any regulations.

The District makes no representations and shall have no responsibility with respect to the availability or quality of water authorized to be transported under this Amended Permit.

Special Terms:

This Amended Permit expires on September 15, 2034. This Amended Permit is subject to review every fifth year, and during any such review may be modified to conform with intervening changes in the Management Plan of the District or state law. Permittee shall submit to the District 90 days prior to the fifth anniversary of the issuance and each subsequent review, and the date of expiration of the operating permit a full and complete report describing its groundwater transportation system, volumes of water delivered by customer, and the delivery points of groundwater transported, together with such other information that will assist the District's review. The Board may waive any five year review if no material change has been made to the Management Plan, or if the changes made do not require modification of such permits. Despite the term of duration listed in this Amended Permit, the Permittee is authorized to transport groundwater under this Amended Permit only as long as the Permittee holds a valid operating permit issued by the District for the wells listed in this Amended Permit.

*This amended permit issued September 18, 2004 is hereby amended effective September 18, 2010.
This permit expires September 15, 2034.*



Barry Westwood
Barry Westwood - General Manager

APPENDIX 1

DESCRIPTION OF THE PROJECT

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ACRONYMS

CCWSC: Cross Country Water Supply Corporation

HSPS: High Service Pump Station

IPS #1: Intermediate Pump Station, number 1

IPS #2: Intermediate Pump Station, number 2

POSGCD: Post Oak Savannah Groundwater Conservation District

SAWS: San Antonio Water System

TCEQ: Texas Commission on Environmental Quality

MG: Million US Gallons

APPENDIX 1

DESCRIPTION OF THE PROJECT

1. Introduction

1.1. Purpose

The purpose of this Appendix is to provide a general overview of the Project. To the extent any provision of this Appendix is addressed differently or more specifically by a provision in any other Appendix or this Water Transmission and Purchase Agreement, such other provision shall take precedence.

1.2. Prologue

This Appendix presents the feasibility, conceptual plans, design criteria and the implementation plan for the Project. This Appendix covers the Project Improvements to produce, treat, store, and deliver 50,000 ac-ft/yr water from Well Field Facilities in Burleson County, Texas, to a delivery point in north Bexar County, Texas. The plan includes sizing and location of the required facilities and a conceptual level plan for implementation. Water quality and integration studies associated with combining the Project source water with SAWS' Edwards aquifer water sources are also analyzed and discussed.

This Appendix has been prepared to be used in the context of a performance-based contract to deliver water to SAWS. This Appendix is not intended to be a final design and construction report. All assumptions are subject to change based on the future detailed engineering design.

1.3. Project Overview

The Project will deliver up to 50,000 ac-ft/yr of potable water. Basic facilities include Wells, Collection Pipelines, treatment facilities, tanks, pump stations, ground storage tanks, and the Transmission Pipeline.

The Well Field Facilities Site will include Wells in the Carrizo-Wilcox Aquifer and Simsboro Aquifer. The Collection Pipelines will convey the Raw Groundwater to the High Service Pump Station (**HSPS**) where the water may be cooled, disinfected and may receive some stabilization treatment. The water will then be pumped through the Transmission Pipeline approximately 140 miles to the Transmission Pipeline Terminus Site in northern Bexar County. The Transmission Pipeline diameters include 54 and 60 inches. The Transmission Pipeline System includes two intermediate pump stations with storage and a Project Company Storage Tank at the Transmission Pipeline Terminus Site.

The Project overview is shown in Figure 1-1.

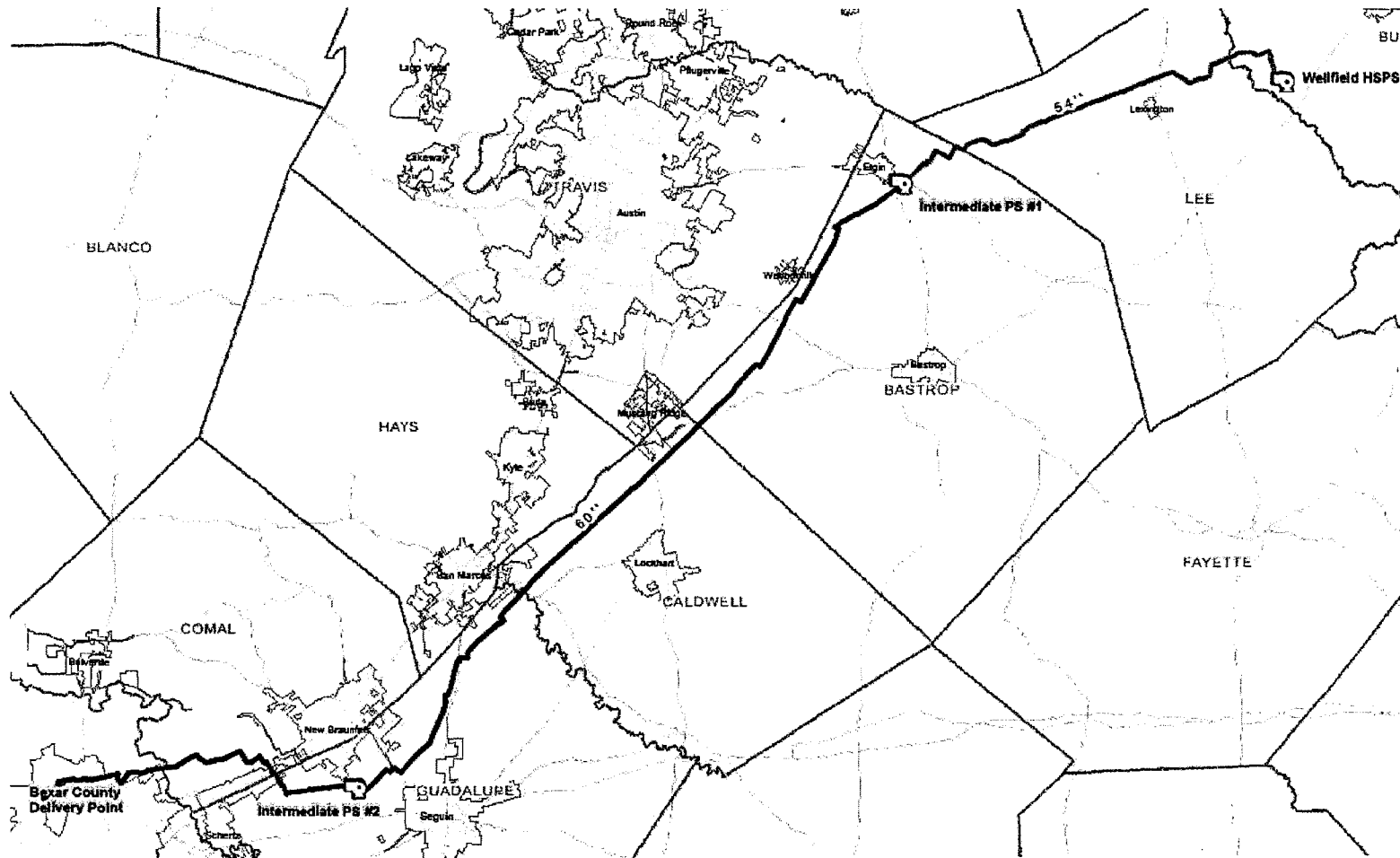


Figure 1-1 Project Overview

1.4. Planning Factors

Several factors were taken into consideration in the formulation of the conceptual plans:

- Utilizing fully permitted and vested groundwater rights in Burleson County to meet SAWS water demands
- Location and capacity of the Well Field Facilities
- Engineering design and construction considerations
- Environmental issues (including antiquities)
- Location of the Transmission Pipeline Terminus Site
- Ease of right-of-way acquisition
- Pipeline corridor
- Costs (capital, operation and maintenance)
- Flexibility of integrating additional sources of water

2. Project Description

2.1. Well Field Facilities

At full capacity, the Project water production facilities will incorporate a Well field with eighteen (18) Wells, an expandable HSPS and approximately 7.5 miles of Collection Pipelines. These Project Improvements are located in Burleson County near the intersection of State Highway (SH) 21 and Farm-to-Market Road (FM) 696, approximately eight miles west of the City of Caldwell, Texas. These facilities and all of their key components, structures and access roads will be constructed on properties for which the Project Company has secured access and appropriate easements.

The Well Field Facilities and individual Wells for the Project were located based on the following:

- Extensive mapping using geophysical logs, geology logs and other tools available defining the character and extent of the aquifer units throughout the central portion of the Carrizo-Wilcox Aquifer
- Known hydraulic characteristics of the aquifer units
- Mapped hydraulic boundaries in the aquifer

- Regional and local groundwater use
- Groundwater conservation district regulations
- Locations of Groundwater Lease property
- Test drilling and production testing

The Simsboro Aquifer and Carrizo-Wilcox Aquifer within Burleson County were selected based on water quality and aquifer hydraulic characteristics. Local groundwater demands are negligible because there is limited irrigation production from these aquifers and municipal usage is low. In Burleson County, most groundwater users obtain their drinking water supplies from shallower aquifers.

Well Locations

The distribution of Wells and production distribution between the Simsboro and Carrizo members of the Carrizo-Wilcox Aquifer are shown below. Note that the Project includes a total of 18 Wells, with one Well per aquifer included as a backup (16 + 2 configuration).

Figure 2-1 shows the location of the Well Field Facilities Site and individual Wells at the full delivered 50,000 ac-ft/yr capacity, including standby Wells. All drilling sites shown on Figure 2-1 are permitted for drilling and completion by the Post Oak Savannah Groundwater Conservation District (**POSGCD**). The Well locations are based on meeting specific POSGCD rules and regulations governing the spacing and locating of Wells.

Per the POSGCD rules, two criteria must be met for locating and spacing of Wells. These criteria are:

- Location and spacing of Simsboro Wells:
 - The spacing of a new Simsboro Well from any Well existing in the Simsboro shall be a minimum distance of 1 foot per gpm of production capacity.
 - The location of a new Simsboro Well shall be a minimum of 1/2 foot per gpm from the property line of a different groundwater right holder.
- Location and spacing of Carrizo Wells:
 - The spacing of a new Carrizo Well from any other Carrizo Well shall be a minimum distance of 2 feet per gpm of production capacity.
 - The location of a new Carrizo Well shall be a minimum of 1 foot per gpm from the property line of a different groundwater right holder.

The Well locations shown on Figure 2-1 meet these criteria. Drilling permits have been approved and all rights to construct Wells at these sites are fully vested for the term of the existing production permits. Figure 2-1 also shows the permitted maximum production for each Well in gallons per minute.

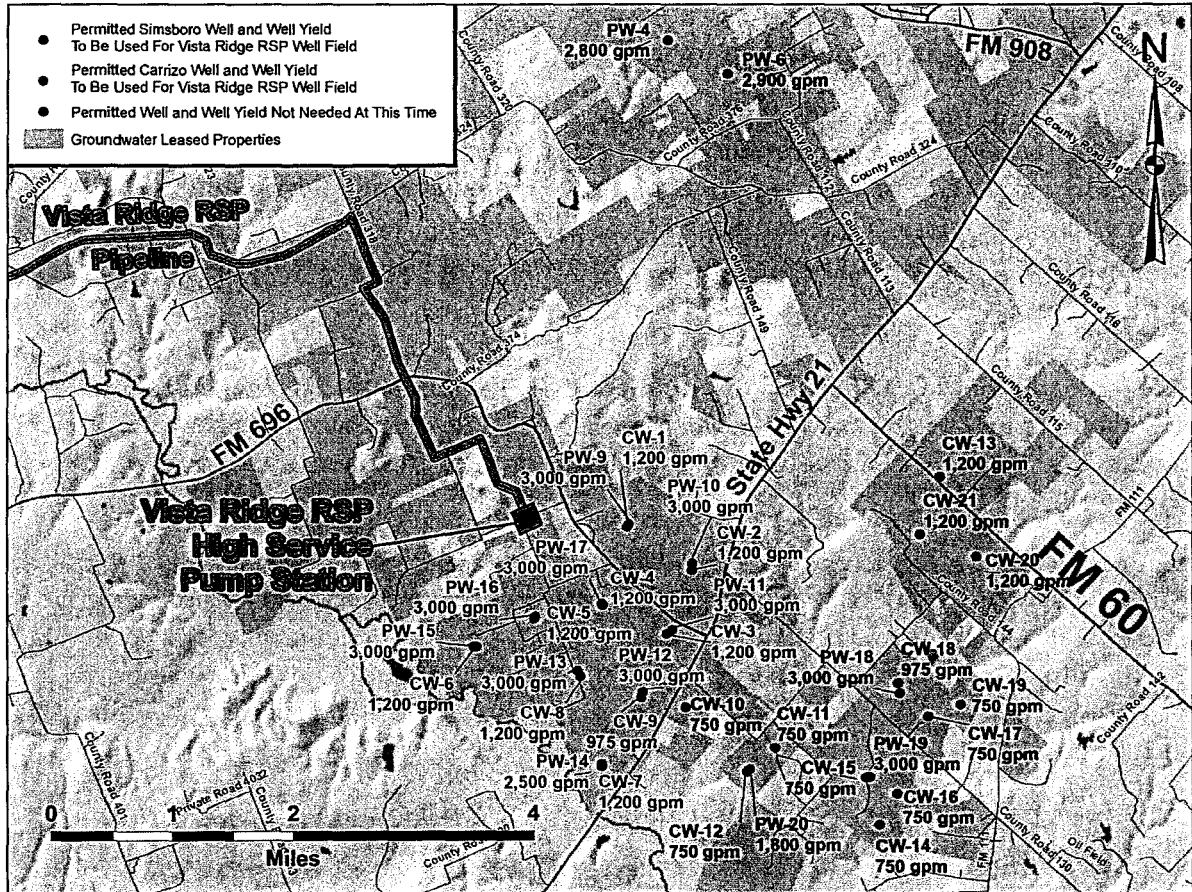


Figure 2-1 Well Field Location

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Table 2-1 Project Well Field

Description	Total Number of Wells	Typical Yield per Well (gpm)	Total Production Capacity (ac-ft/yr)	Total Capacity by Permit (ac-ft/yr)
Simsboro Wells	9	3,000 (a)	42,745	39,745
Carrizo Wells	9	1,200 (b)	17,057	14,857
Total	18	NA	59,802	54,602

(a) 8 Wells permitted at 3,000 gpm, 1 Well permitted at 2,500 gpm due to Well spacing and property off-set requirements

(b) 8 Wells permitted at 1,200 gpm, 1 Well permitted at 975 gpm due to Well spacing and property off-set requirements

Simsboro Wells

Based on modeling efforts and testing of a pilot production Well, the Simsboro Aquifer is fully capable of producing 3,000 gpm, or higher, long-term Well yields. As shown on Figure 2-1, one of the Simsboro Wells is permitted for a slightly different amount. This reduced permitted Well yield is necessary to comply with the POSGCD Well spacing and property off-set requirements, not due to aquifer production characteristics.

Figure 2-2 shows the preliminary Well design for Simsboro Wells in the Well Field Facilities Site. The Wells will be constructed using standard underreamed, gravel packed, municipal Well construction procedures.

Nominal depth of the Simsboro Wells will be 2,700 feet, with approximately 300 feet of screen.

Actual screen settings, Well depths and screen intervals and lengths will vary based on ground level elevation at each site and site specific hydrogeological conditions.

At this time, water quality data indicates carbon steel casing, liner and column pipe are suitable, with an estimated design life of approximately 50 years

Screens will be carbon steel pipe based, with underbar and stainless steel wire-wrap.

Each Well will be constructed using methods and materials that comply with Texas Commission on Environmental Quality (TCEQ) public water supply system requirements. The Well construction specifications will include the drilling and logging of an initial test hole and test Well to determine water quality, and to provide site-specific information needed for proper selection of material settings, such as casing seat, screen interval, screen slot size and gravel pack grade. In addition, the Well specifications will include appropriate warranties and guarantees from the EPC Contractor governing work completion schedules, finished Well efficiency and sand production.

Well pumps will be vertical line-shaft turbine pumps. Pump settings, total dynamic heads, and the resulting number of pump bowls and electric motor horsepower (HP) will vary depending on site specific conditions, Well characteristics and groundwater levels.

Initially, horsepower requirements for the Simsboro Wells will be about 600 HP each.

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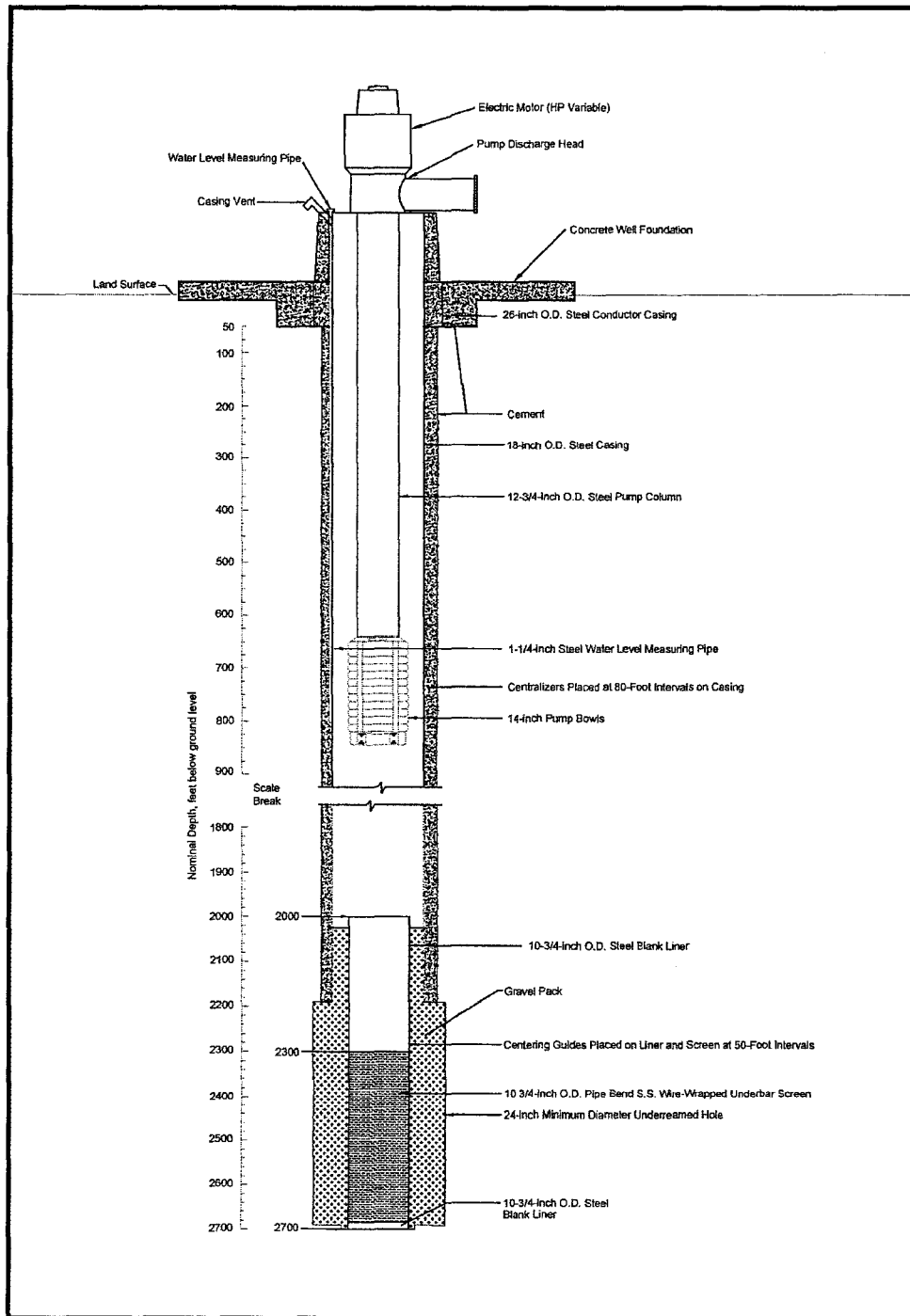


Figure 2-2 Simsboro Well Design

Carrizo Wells

Carrizo Well yields will be approximately 1,200 gpm. Carrizo Wells in the Well Field Facilities Site are generally permitted to produce up to 1,200 gpm. As shown on Figure 2-3, one of the Carrizo Wells is permitted for a slightly different amount. This lower permitted Well yield is necessary to comply with the POSGCD Well spacing and property off-set requirements, not due to aquifer production characteristics.

Figure 2-3 shows the preliminary Well design for the Carrizo Wells. The Wells will be constructed using generally accepted underreamed and gravel packed municipal Well construction techniques.

Nominal depth of the Carrizo Wells will be 1,200 feet deep with approximately 150 feet of screen. Actual materials, Well depths and screen setting and lengths will vary based on ground level elevation at each site and site specific hydrogeological conditions encountered during construction.

Available water quality data indicates carbon steel materials for casing, liner and column pipe are suitable, with an estimated design life of approximately 50 years. Screens will be carbon steel pipe based, with underbar and stainless steel wire wrap.

All Well construction methods and materials will meet TCEQ's public water supply requirements. The specifications will include the drilling and logging of an initial test hole and construction of a test Well to determine water quality, and to provide site-specific information needed for the selection of proper material setting such as casing depth, screen interval, screen slot size and gravel pack grade. In addition, the Well specifications will include appropriate warranties and guarantees governing work completion schedules, and finished Well efficiency and sand production.

Pumps used will be vertical line shaft turbine pumps. Pump settings, total dynamic heads and resulting number of pump bowls and electric motor horsepower will vary based on site specific conditions, Well characteristics and aquifer levels. Initial horsepower requirements for the Carrizo Wells are estimated to be about 200 HP each.

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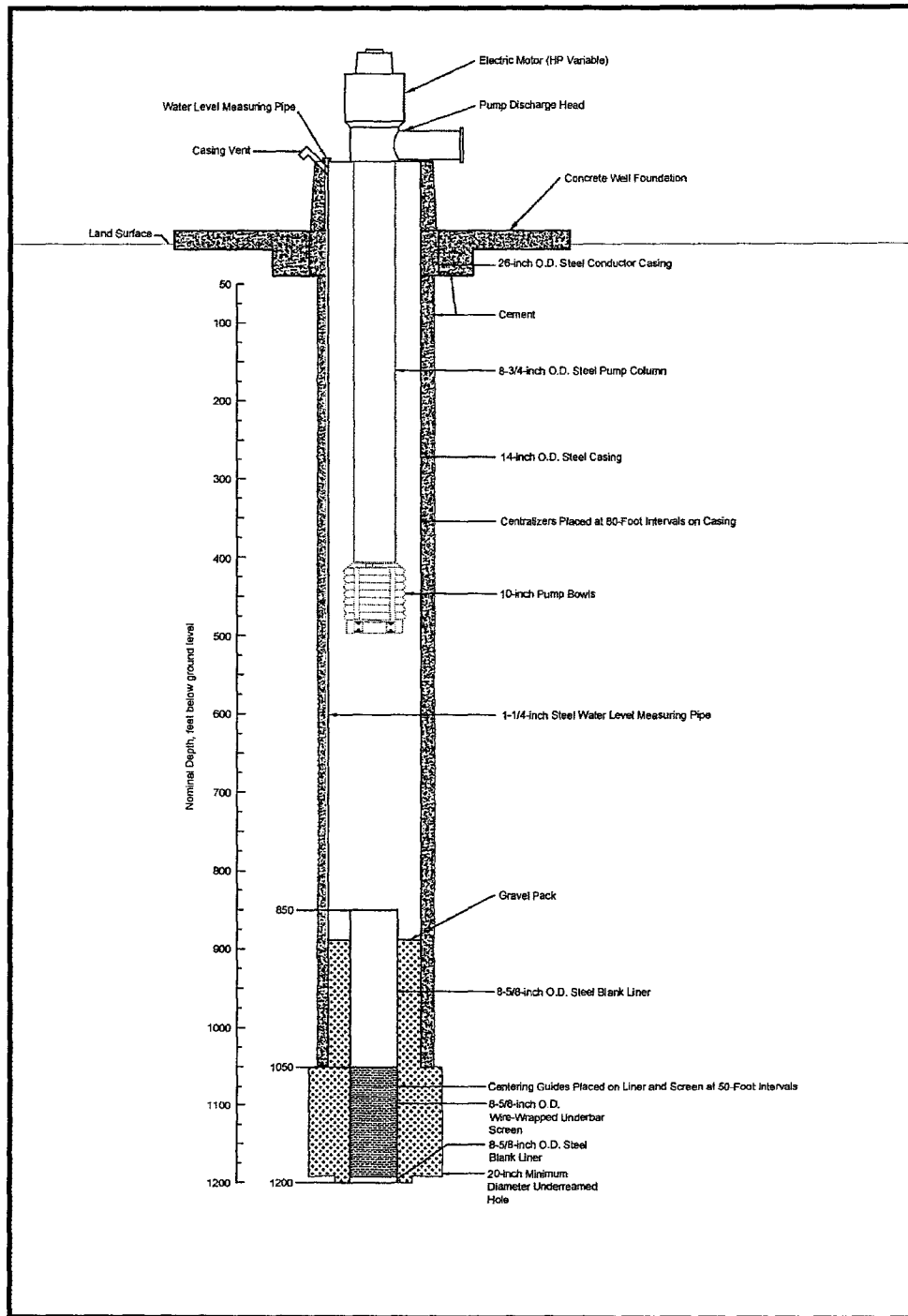


Figure 2-3 Carrizo Well Design

Well Head Design

Each Well will include an airline, a water level measurement pipe, a dedicated water level pressure transducer, isolation valves, check valves, and interactive SCADA capabilities.

Isolation valves, check valves and flowmeters will be incorporated on the discharge piping of each Well and at appropriate locations in the Well field piping to measure the flow and isolate the downstream piping for maintenance. See Figure 2-4 for a typical detail of the Well pump discharge piping.

Collection Pipelines

A series of 24-inch through 48-inch water mains will be constructed as part of the Collection Pipelines to deliver water from the various Wells to the HSPS. Figure 2-5 illustrates the planned infrastructure piping network. The mains are sized considering peak flows and friction head losses, and providing the most efficient Well motor operations.

The piping network avoids crossing large streams or creeks. Several piping network segments will cross small branch tributaries of an existing unnamed creek north of State Highway (SH) 21. These tributaries have small drainage areas that provide intermittent flows only after localized rainfall events. Preliminary review of available maps and aerial topography suggest that the potential for impacts to waters of the United States is negligible.

Well Field Facilities Site

The Well Field Facilities will be designed and constructed in accordance with current TCEQ rules and guidelines and recommendations of the American Water Works Association (AWWA). Security provisions recommended under AWWA Guidelines for Physical Security for Water Facilities, December 2006, will be included in all facilities. Those recommendations will include, at a minimum, the following items:

- 8-ft tall security fence with barbwire – intruder strands at the top of the fence of each production Well site and pump station facility
- Separate structures for each Well site hosting a SCADA system
- An all-weather road for access by required vehicles, trucks and repair equipment to each Well site
- One mobile emergency/back-up generator at the Well Field Facilities Site, adequately sized to operate two Well pumps at one of the sites during electrical service interruptions of the primary electrical service, and to maintain SCADA controls

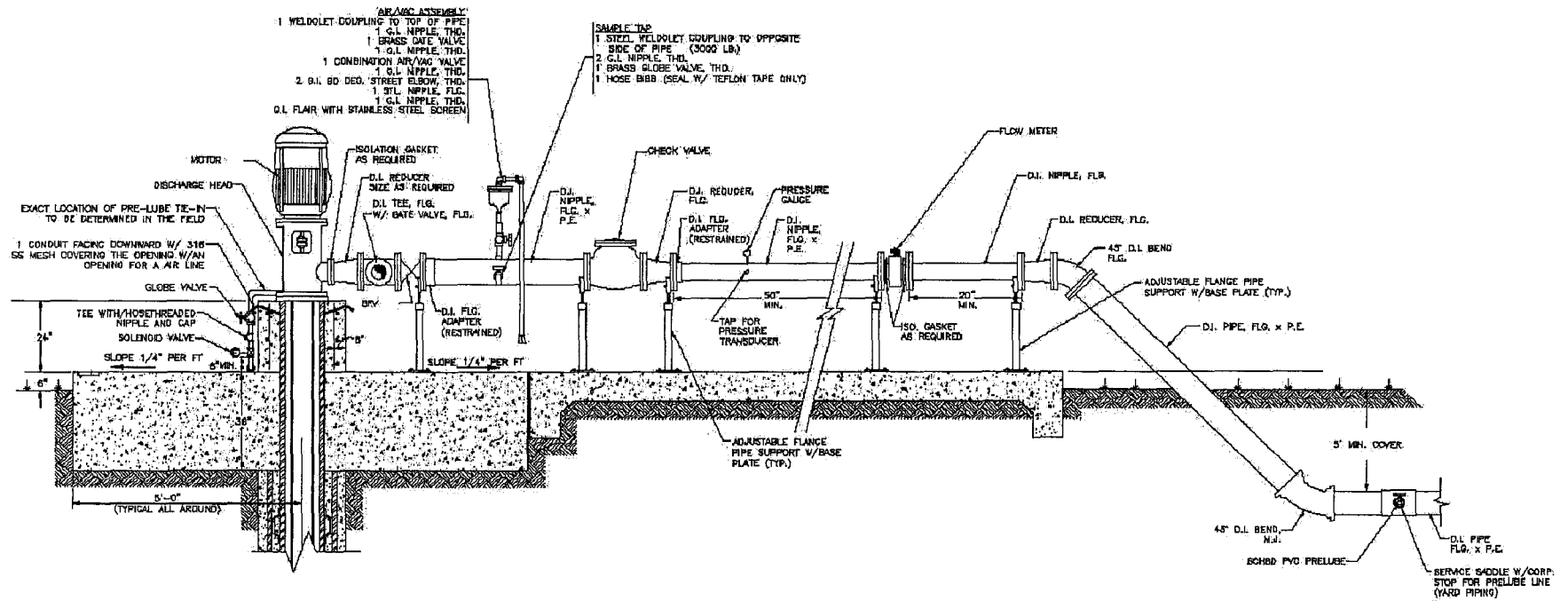


Figure 2-4 Well Pump Discharge Piping

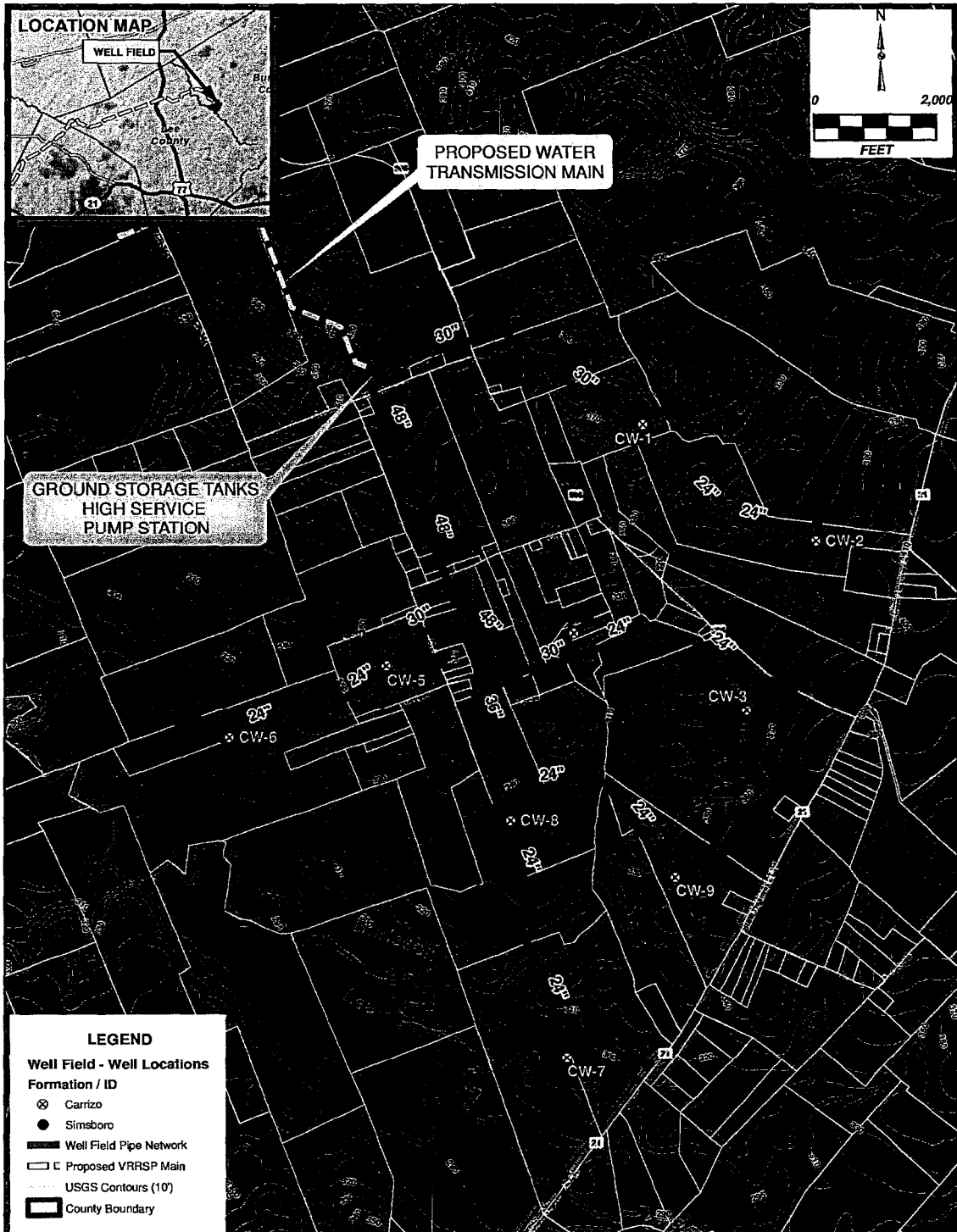


Figure 2-5 Collection Pipelines

2.2. Transmission Pipeline System - Description

The Transmission Pipeline System route was developed using many criteria, with a focus on minimizing potential impacts to landowners and businesses along the route, the terrain, and overall length of the route.

Additional parameters considered in developing the Transmission Pipeline Alignment included environmental concerns, endangered species, cultural sites, historical sites, and easement acquisition costs.

The Transmission Pipeline is composed of approximately 140 miles long pipeline and three Transmission Pipeline Pumping Stations:

- HSPS
- Intermediate PS #1 (IPS #1)
- Intermediate PS #2 (IPS #2)

The Transmission Pipeline System includes the Transmission Pipeline and the Project Company Storage Tank. The Transmission Pipeline System begins at the HSPS located at the proximity of the Well Field Facilities Site in Burleson County and terminates at the Transmission Pipeline Terminus Site in Bexar County (Refer to Figure 1-1).

Initial construction standards reflect the depth of cover over the top of pipe will be a minimum of 5 feet below natural ground surface and approximately 10 feet under local, county and state roadways. Potential river crossings include the Cibolo River, Guadalupe River, San Marcos River, and the Colorado River. The Transmission Pipeline Alignment will cross railroad and road rights-of-way at several locations.

Pipeline materials will be evaluated during preliminary studies and when design calculations are completed. The selected materials will comply with the applicable codes and standards such as those by the American Water Works Association (AWWA)

High Service Pump Station (HSPS)

The HSPS will receive the water from the Collection Pipelines and after some temperature, preventive disinfection and stability adjustments, pump it to the IPS #1.

The land needed for the HSPS will be covered under an existing Groundwater Lease. The planned layout for the pump station site is in a grassy field that is mostly clear of trees.

Water arriving from the Well Field Facilities Site will first be chemically treated with sodium hypochlorite before entering the variable frequency drive (VFD) operated

cooling towers. The flow from the cooling towers will be routed to a ground storage tank.

The vertical turbine pumps will be fed from the ground storage tank into the Transmission Pipeline where it will receive further chemical treatment for Langelier saturation index (**LSI**) adjustment before leaving the HSPS to go to the IPS #1.

As is shown on the site layout in Figure 2-6, the HSPS will initially consist of:

Table 2-2 HSPS Scope

Cooling System	Four (4) VFD-operated 10,500 gpm cooling towers
Storage	One (1) Pre-stressed concrete 4MG ground storage pump-feeding tank
Treatment	One (1) Dosing system: Sodium Hypochlorite One (1) Dosing system: Caustic Soda One (1) Chemical Storage facility
Electrical Services	One (1) Electrical connection facility
Pump Pad	Four (4) 11,300 gpm @ 495' TH high service pumps
Other	Access road and the necessary security items at the site

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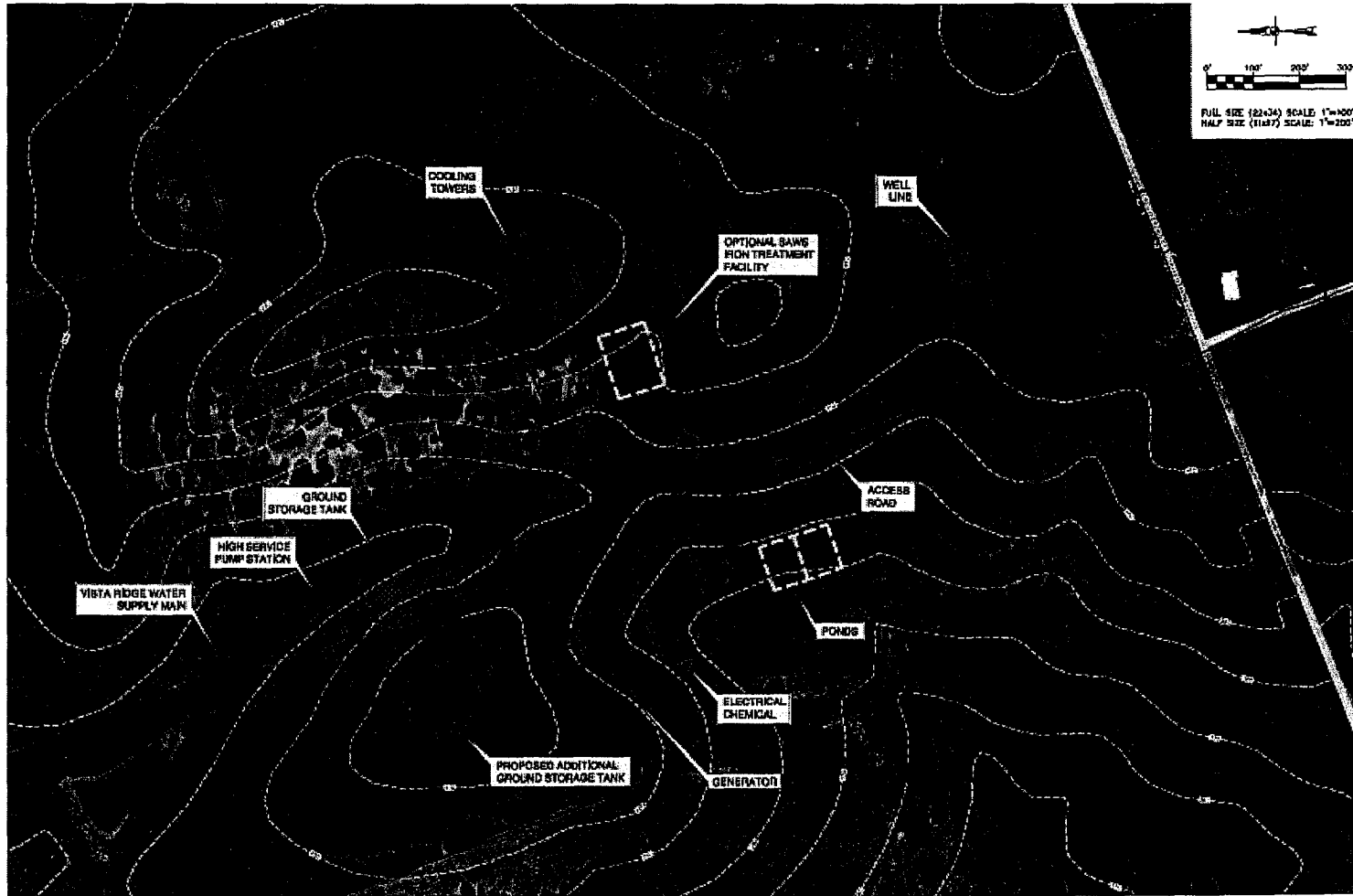


Figure 2-6 High Service Pump Station Site Layout

Pipe Section 1: HSPS to IPS #1

The Transmission Pipeline from the HSPS to the Intermediate Pump Station (**IPS**) #1 is approximately 39 miles long and extends across rural properties. The pipe size for this portion of the alignment is planned to be 54-inch diameter pipe capable of delivering the necessary flow rate to IPS #1. The Transmission Pipeline extends from the HSPS, in a northerly direction and subsequently parallels the existing Cross County Water Supply Corporation Project 130 (**CCWSC 130**) pipeline which was completed in 2011. The Transmission Pipeline is planned to parallel the Project 130 pipeline in a westerly direction toward the IPS #1, for a distance of approximately 27 miles.

IPS #1

Based on the current design, IPS #1 will be located in Bastrop County, TX on an approximately 8 acre site.

The IPS #1 will receive water from the HSPS and pump it to the IPS #2.

The conceptual site layout is presented in Figure 2-7

The IPS #1 will ultimately consist of:

Table 2-3. IPS #1 Scope

Storage	One (1) Pre-stressed concrete 4MG ground storage pump-feeding tank
Treatment	One (1) Dosing system: Sodium Hypochlorite One (1) Chemical Storage facility
Electrical Services	One (1) Electrical connection facility
Pump Pad	Four (4) 11,300 gpm @ 445' TH pumps
Other	Access road and the necessary security items at the site

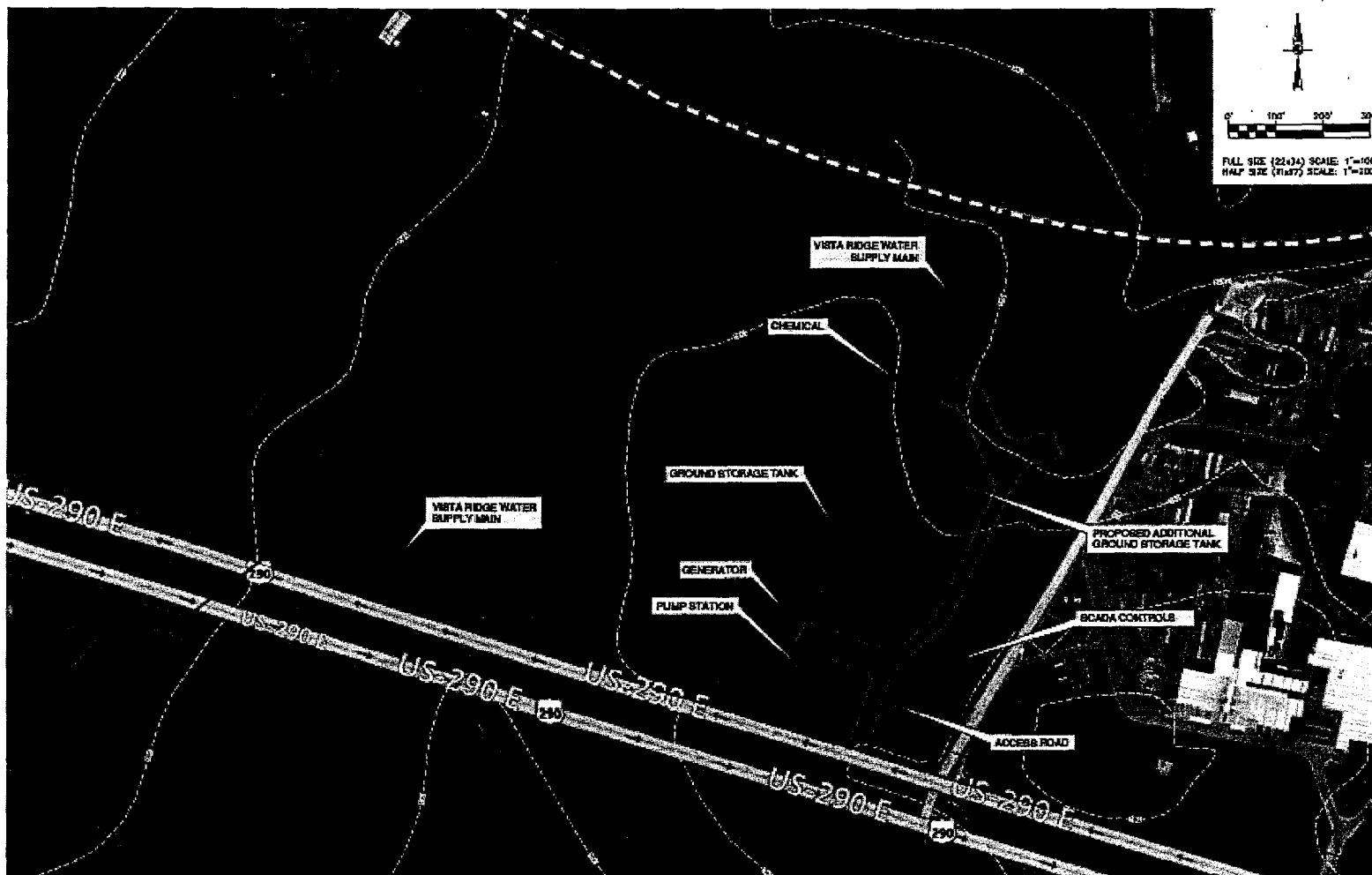


Figure 2-7 Intermediate Pump Station #1 Site Layout

Pipe section 2: IPS #1 to IPS #2

The Transmission Pipeline from the IPS #1 to the IPS #2 is planned to be approximately 72 miles long and extends through predominately rural properties. A 60-inch diameter pipeline capable of delivering the necessary flow to the IPS #2 is planned for this segment.

The Transmission Pipeline extends from the IPS #1 in a southwesterly direction toward the IPS #2. The Transmission Pipeline is planned to be constructed within a 100-foot wide permanent easement that parallels an existing Lower Colorado River Authority (LCRA) electrical transmission easement. In several instances, the Transmission Pipeline Alignment shifts away from the LCRA easement in order to avoid residential neighborhoods, stock ponds, trees, and existing infrastructure.

IPS #2

Based in the current design, IPS #2 will be located in Guadalupe County, TX on an approximately 8 acre site.

IPS #2 will receive water from IPS #1 and pump the water to the Transmission Pipeline Terminus Site.

The conceptual site layout is presented in Figure 2-8

The IPS #2 will ultimately consist of:

Table 2-4 IPS #2 Scope

Storage	One (1) Pre-stressed concrete 4MG ground storage pump-feeding tank
Treatment	One (1) Dosing system: Sodium Hypochlorite One (1) Chemical Storage facility
Electrical Services	One (1) Electrical connection facility
Pump Pad	Four (4) 11,300 gpm @ 562' TH pumps
Other	Access road and the necessary security items at the site



Figure 2-8 Intermediate Pump Station #2 Site Layout

Pipe Section 3: IPS #2 to Transmission Pipeline Terminus Site

The Transmission Pipeline from the IPS #2 to the Transmission Pipeline Terminus Site is approximately 29 miles long and extends through mostly semi-rural properties. The pipe size for this portion of the Transmission Pipeline System is planned to be a 60-inch diameter pipe. The Transmission Pipeline extends from the IPS #2 in a southwesterly direction toward the Transmission Pipeline Terminus Site. The Transmission Pipeline is planned to be constructed within a 100-foot wide permanent easement that parallels the existing LCRA easement until the Transmission Pipeline Alignment reaches Green Valley Road in Guadalupe County. The Transmission Pipeline Alignment from that point shifts away from the LCRA easement and extends towards the Transmission Pipeline Terminus Site. Multiple roadways under county and State jurisdiction will also be crossed perpendicularly as typically required by local and State regulations.

Transmission Pipeline Terminus Site

The Transmission Pipeline Terminus Site is located in north Bexar County.

The Project Company Storage Tank will receive Product Water from the Transmission Pipeline. The Project Company Storage Tank is located on a high point within the Project. The Transmission Pipeline Terminus Site is located within 12,000 feet of the intersection of Blanco Road and Texas State Highway Loop 1604 (the 1604) in Northern Bexar County, in San Antonio. The conceptual site layout for this facility is presented in Figure 2-9.

The Transmission Pipeline Terminus Site will have the following major facilities:

Table 2-5 Transmission Pipeline Terminus Site Scope

Storage	One (1) Pre-stressed concrete ground storage tank. Capacity 10 MG
Treatment	One (1) Dosing system: Sodium Hypochlorite One (1) Chemical Storage facility
Electrical Services	One (1) Electrical connection facility
Other	Access road and the necessary security items at the site

The Transmission Pipeline Terminus Site will be sited large enough to accommodate the SAWS Interconnection Improvements, including a SAWS 10-million gallon tank, pump station and additional treatment facilities.

The Product Water Delivery Point is assumed to be a 48" flange downstream of a 10 MG Project Company Storage Tank. This 10MG storage tank may be the one included in the current design scope or an additional one provided by SAWS. Water is expected

to be delivered at the pressure granted by the height of the water surface inside the tank.

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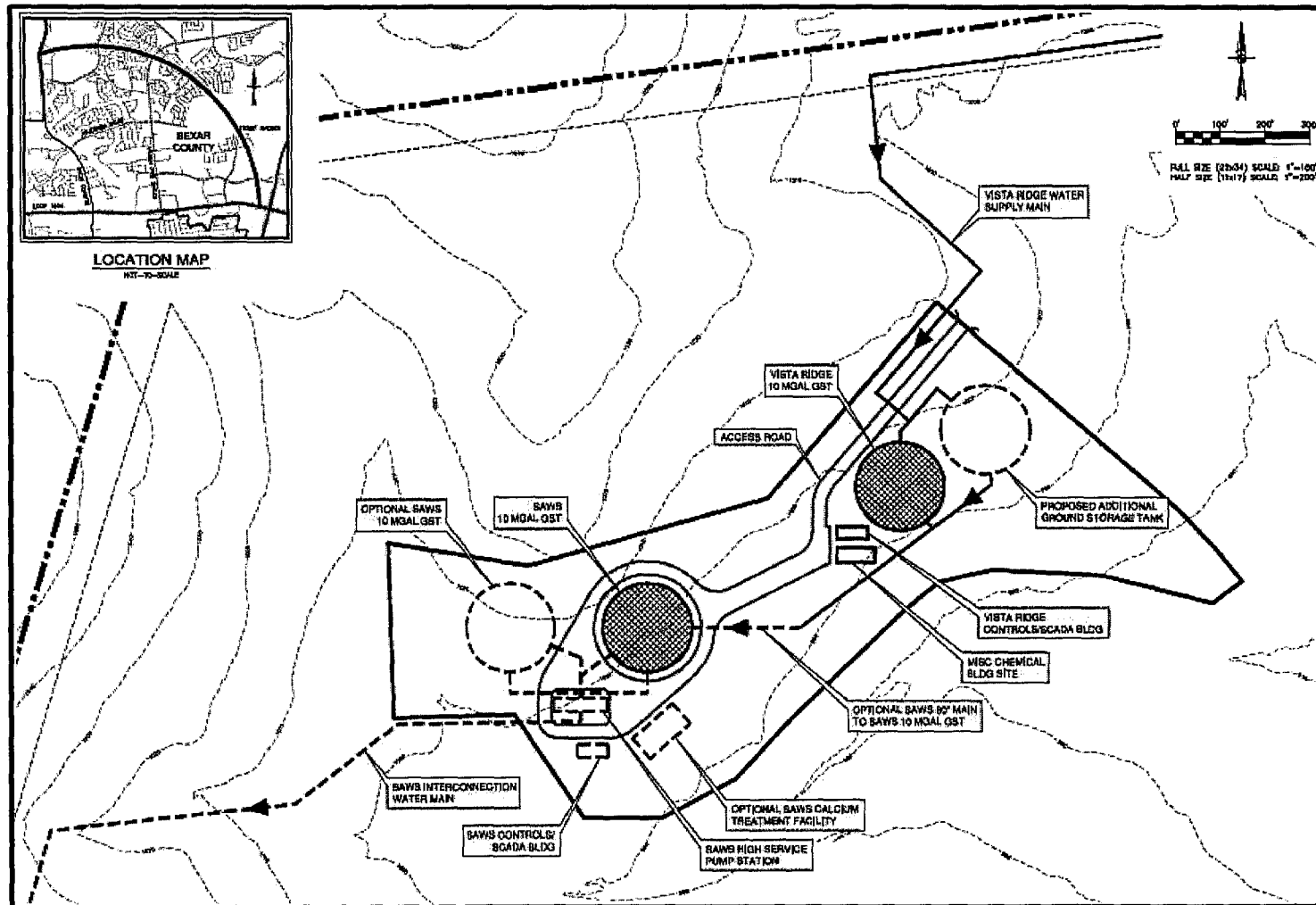


Figure 2-9 Transmission Pipeline Terminus Site Layout

3. Design Intent and Project Requirements

3.1. Transmission Pipeline System

Transmission Pipeline Hydraulics

Planning stage hydraulic calculations have been performed for the sizing of the pipelines and selecting pumps for the Transmission Pipeline Alignment. The calculations in Table 3-1 are based on the final delivery flow of 50,000 ac-ft/yr. Water losses in the Transmission Pipeline are assumed to be 4%. Friction losses in the Transmission Pipeline are based on a Hazen Williams' Coefficient (C) equal to 120 for the aged pipe. Based on the above assumptions, the total head at each pump station is calculated. Table 3-1 shows pipeline size, pipeline length, static head, friction losses and total head.

Table 3-1 Hydraulic Calculations

	High Service Pump Station	Intermediate Pump Station #1	Intermediate Pump Station #2
Pipe Diameter (in)	54	60	60
Static Lift (ft)	209	131	424
C Factor	120	120	120
Head Loss (ft/1,000')	1.32	0.79	0.79
Segment Length (ft)	205,131	378,141	155,331
Friction Losses (ft) ¹	286	314	138
Total Head (ft)	495	445	562

¹ Friction losses include frictional losses from the pipe as well as 15' losses from elbows and valves.

Note that frictional losses are expected to increase throughout the life of the pipelines. Since this Project will be in operation for at least 30 years, the Transmission Pipeline efficiency and capacity are expected to decrease from year to year despite regular maintenance, which will maintain frictional losses within acceptable levels. The maximum theoretical peak flow rate for the Transmission Pipeline System is estimated to be between 34,880 gpm (new pipe) and 32,548 gpm (30 year pipe).

In order to provide a conservative estimate for the pressure class for each section of the Transmission Pipeline, all pressure losses from valves and elbows are accounted for along each section of pipeline. Figure 3-1 shows the hydraulic profile of the Transmission Pipeline System.

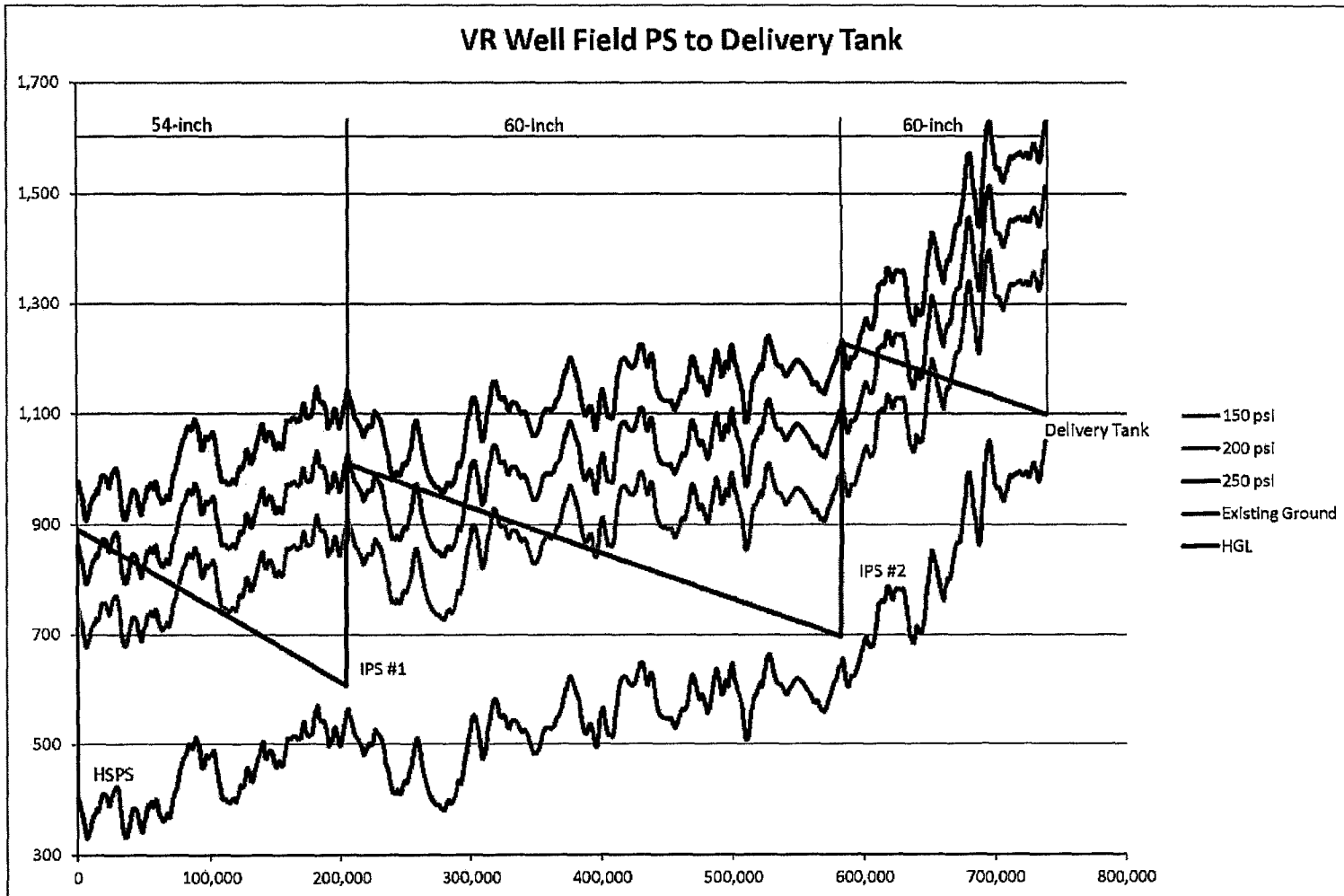


Figure 3-1 Hydraulic Grade Line

Delivery Variability

The Project is designed to provide some variations in the delivery of 50,000 ac-ft/year to SAWS. The Project includes allowances for losses due to evaporation (cooling towers) and unavoidable or non-economically repairable leakage on pipes. Table 3-2 provides the design capacities of the major components (and potential losses).

Table 3-2 Design Capacity of Components

	Wellfield		Evaporation (2%)		HSPS		Pipe		Losses (4%)		Delivery	
	Acft /yr	gpm	Acft /yr	gpm	Acft /yr	gpm	Acft /yr	gpm	Acft /yr	gpm	Acft /yr	gpm
New Pipe with Losses (C=140)												
Peak	59800	37075	1196	742	58606	36334	58606	36334	2344	1453	56262	34880
Operation	53028	32875	1061	658	52261	32400	52261	32400	2090	1296	50171	31104
Margin	6775	4200			6345	3934	6345	3934			6091	3776
Margin %	13%	13%			12%	12%	12%	12%			12%	12%
Old Pipe with Losses (C=120)												
Peak	59800	37075	1196	742	58606	36334	54687	33904	2187	1356	52500	32548
Operation	53028	32875	1061	658	52261	32400	52261	32400	2090	1296	50171	31104
Margin	6775	4200			6345	3934	2426	1504			2329	1444
Margin %	13%	13%			12%	12%	5%	5%			5%	5%

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 VISTA RIDGE, LLC

Based on the difference between peak and normal operation, Table 3-3 and Table 3-4 illustrate the anticipated recovery time following a down time within the Project for the initial installation and the 30-year old pipe scenario.

Table 3-3 Project Recovery (Initial Installation; C factor = 140)

Stop Time (minutes)	Base Load (gpm)	Unsold Volume (kgallons)	Excess Capacity (gpm)	Recovery Time (minutes)	Recovery Time (hours)	Recovery Time (days)
15	31,104	467	3,776	124	2	-
30	31,104	933	3,776	247	4	-
60	31,104	1,866	3,776	494	8	-
Stop Time (hours)	Base Load (gpm)	Unsold Volume (kgallons)	Excess Capacity (gpm)	Recovery Time (minutes)	Recovery Time (hours)	Recovery Time (days)
2	31,104	3,733	3,776	988	17	0.7
4	31,104	7,465	3,776	1,977	33	1.4
8	31,104	14,930	3,776	3,954	66	2.7
24	31,104	44,790	3,776	11,861	198	8.2

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Table 3-4 Project Recovery (30-Year Old Pipe; C factor = 120)

Stop Time (minutes)	Base Load (gpm)	Unsold Volume (kgallons)	Excess Capacity (gpm)	Recovery Time (minutes)	Recovery Time (hours)	Recovery Time (days)
15	31,104	467	1,444	323	5	-
30	31,104	933	1,444	646	11	-
60	31,104	1,866	1,444	1,293	22	1
Stop Time (hours)	Base Load (gpm)	Unsold Volume (kgallons)	Excess Capacity (gpm)	Recovery Time (minutes)	Recovery Time (hours)	Recovery Time (days)
2	31,104	3,733	1,444	2,585	43	2
4	31,104	7,465	1,444	5,170	86	4
8	31,104	14,930	1,444	10,340	172	7
24	31,104	44,790	1,444	31,021	517	22

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Surge Control

During the detailed design phase of the Project, two potential surge events will be evaluated:

- 1) A pump shutdown due to power failure at the Project and
- 2) A sudden valve closing at the Project.

Various surge scenarios will be used to evaluate the impacts of either surge event in the Transmission Pipeline System. The simulation results will be used to evaluate and recommend surge protection devices to provide sufficient surge protection for the Transmission Pipeline System.

The effectiveness of installing air/vacuum valves along the Transmission Pipeline in addition to those at high points and/or installing surge tanks will be studied to control surge pressures. Combination air valves will be installed on each of the pump discharges as well as the common header at each pump station. These extra surge protection devices will be adequately sized during final design.

Also, at each pump station, a surge anticipator/relief line with surge anticipator valve will be installed off of the discharge header and tied into the suction header to relieve surge waves. The surge anticipating valve will activate on the low pressure wave and remain in the open position to dissipate the anticipated return high pressure wave in order to protect the Transmission Pipeline and the equipment at the pump station from any damage caused by unexpected surge pressures. It will also function as a pressure relief valve, and will open when the pressure in the pipe exceeds a preset high pressure limit to protect the equipment from damage caused by unexpected high non-surge pressures.

Final design of surge control equipment will be performed after a thorough transient analysis is completed and will include detailed modeling of all aspects of the Transmission Pipeline under multiple operating scenarios. The Project analysis includes costing for industry standard surge mitigation devices.

Transmission Pipeline Easements

The Transmission Pipeline traverses numerous parcels that generally consist of farmland, with lesser lengths located in residential sites and mixed-use developments.

The Project Company shall acquire access (which are broadly described in this section as "easements") to approximately 450 land parcels for the construction, operation and maintenance of the Transmission Pipeline. This will be accomplished by means of easements, rights-of-way, or fee interests, which will be acquired by negotiation with the relevant landowners or, if necessary, by means of eminent domain proceedings.

Typically, permanent easements are of sufficient width to allow installation of the pipeline, access for construction equipment, stockpiles of excavated material and staging areas for pipe and bedding material. In evaluating the recommended easement width, it was determined that if the easement is wide enough to construct the Project pipeline, it will be wide enough to provide for operations and maintenance.

With respect to the Well Field Facilities Site and HSPS in Burleson County to the Burleson/Lee County line, Groundwater Leases are in place on the traversed parcels which allow for the construction of the Well pump station, the HSPS and Transmission Pipeline within those properties.

Additional easements will be required at several locations from the Burleson/Lee County line to IPS #1 in Lee County, where the existing easement width is not adequate to install the pipeline. Temporary construction easement may also be obtained to construct this segment of the pipeline.

Between IPS #1, IPS #2 and the Transmission Pipeline Terminus Site, the planned 100-foot easement will mainly parallel an existing LCRA electrical transmission line easement.

The following is a summary of the course of action to acquire easements for the Project once the route of the Transmission Pipeline has been decided:

- a. Identify property owners
- b. Develop Right of Entry and Easement forms
- c. Obtain Rights of Entry
- d. Determine the approximate value of land within the pipeline route
- e. Develop a schedule easement acquisition
- f. Process title commitments or title runs to reveal the current land owner and any encumbrances
- g. Contract with property appraisers to determine the value of the easement
- h. Complete surveys and appraisals of the properties
- i. Acquire the easement. Task includes negotiating with the landowners
- j. Pay easement and recording fees to finalize transactions

An experienced local appraiser was consulted in developing a preliminary estimate of easement acquisition costs for property values on a per acre basis by county.

Soil Corrosion Control and Cathodic Protection

The Transmission Pipeline extends west and southwest across a series of Eocene sedimentary deposits to a location near the Bastrop - Caldwell County Line. At that point, and continuing to its terminus at the Transmission Pipeline Terminus Site, bedrock consists of Cretaceous-age marl and shale sedimentary deposits. Formations that will be crossed along the northeastern half of the pipeline include the Sparta Sand, Weches Formation, Queen City Sand, Wellborn Formation, and the Wilcox and Midway Groups. These formations are predominantly comprised of fine- to medium-grained sands, clayey sands and clay. Interbeds of clay, mudstone and sandstone are fairly common.

The southwestern half of the Transmission Pipeline will traverse Cretaceous-age formations identified as the Austin Chalk, Navarro Group and Marlbrook Marl and Pecan Gap Chalk ("upper Taylor Marl"). The Austin Chalk is comprised primarily of chalk and marl and locally may contain bentonitic seams. The Navarro Group and Marlbrook Marl is a mixture of marl, clay, sandstone and siltstone. The Pecan Gap Formation consists of chalk and chalky marl. Stream and river valleys will feature alluvial deposits of sand, clay and gravel to varying depths and horizontal extent.

It is anticipated that the Austin Chalk is likely to contain some beds of relatively hard limestone, requiring special methods of trenching.

The corrosive nature of the soil surrounding pipelines is based on characteristics including electric resistivity, pH, chloride content, sulfate/sulfide content, redox potential and moisture condition.

The soil for the Project will be studied by taking soil bores along the Transmission Pipeline Alignment and testing it for resistivity and pH. The wet chemistry of the soil will also be studied to determine the chloride content, the sulfate concentration and to verify the pH.

If corrosion protection is warranted, there are common installation methods for each pipe material to combat the corrosive soils. Bar wrapped cylinder concrete pipe can be installed in polyethylene encasement, but more typical is a mortar coating that acts as a barrier between the corrosive soils and the pipe. Steel pipe also commonly uses a urethane or mortar coating as corrosion protection. Due to its corrosion resistant properties, fiberglass pipe could also be considered as a suitable material for the pipe.

Cathodic corrosion protection offers an optimum of safety and efficiency. Corrosion evaluation and mitigation measures will be considered during design and development of the Transmission Pipeline System and dependent on the results of the onsite specific corrosion evaluation.

For preliminary study purposes, soil surveys conducted by National Resources Conservation Service indicate that soil is mild to moderately corrosive for concrete and high or moderately high corrosive for uncoated steel. Cathodic protection has been included because it would be beneficial and economical for the life of the pipeline.

Installation of galvanic anode system is one of the options planned for the Project for corrosion protection of the pipeline; active cathodic protection will be studied too.

Suitable measures as per applicable standards will be taken to mitigate any interference current and cross currents from any source. Special protection will be provided at cased-crossing (road crossing/rail crossing etc.). Additional permanent sacrificial anodes for casings/ carrier pipes within casings will be provided if needed. The final cathodic protection system will be decided after the field studies and detailed design is performed.

3.2. Instrumentation and Controls

The Project will utilize a supervisory control and data acquisition (**SCADA**) system to monitor and control the facilities along the Transmission Pipeline. In general, there are three major components for the SCADA system; the human machine interface (**HMI**), the programmable logic controller (**PLC**), and the communication system.

The top-end HMI consists of operators' workstations, a communication server and a historical server. This will be located at the main control center. The HMI provides the operator with an operator's interface, alarms, and trending functionality.

PLCs are installed with major equipment or at locations along the Transmission Pipeline where it has direct control of the equipment. The user-defined function block provided by the PLC, together with the classes and objects provided by the HMI, promote consistency throughout the SCADA system.

Fiber optics will be used for the communication between the Well Field Facilities Site and the HSPS, whereas reliable wireless communication system may be used for the communication between the Transmission Pipeline Pumping Stations. The primary/main control center will be located either at the HSPS or at the Transmission Pipeline Terminus Site.

3.3. Fire Protection

The fire protection system includes all material, design, fabrication, installation and testing per National Fire Protection Association (NFPA) and local code requirements. The fire protection system includes open head deluge sprinklers with dry pilot activation in the chemical buildings for HSPS and Intermediate Pump Stations. The open head deluge sprinklers will be designed to meet extra hazard per NFPA with a density of 0.30 over the entire area of protection. The ground storage tanks will be

protected with two levels of protection and will be designed to meet a density of 0.30 over the surface area of the tank. The valves will be located within a conditioned area of each building. The cooling towers' fire protection system includes open head deluge sprinklers with dry pilot activation. The cooling towers' fire protection system will be designed to meet a density of 0.50 over the entire area. Each electrical room will contain dry closed head system or a double interlock pre-action tied to the smoke detection system. Each electrical room's fire protection packages also include fire alarms, monitoring systems, smoke detection, heat detection, and two 20 pound (lb.) CO₂ and six 20 lb. ABC fire extinguishers.

3.4. Water Treatment

General water quality data was reviewed and evaluated for Edwards, Carrizo, and Simsboro water. The evaluation results indicate that no water quality parameters exceeded the current PMCLs and SMCLs in any one of these three sources. In addition, the Project water sources are of high quality and have a total dissolved solids content similar to the SAWS' Edwards supply.

Stability

Generally speaking, the water is typically considered in a stable state when a LSI is greater than -0.4 and lower than 0.4. The evaluation results indicate the Carrizo water is under stable conditions with a LSI of 0.15 while the water from Wells in the Simsboro Aquifer has a slight corrosive tendency based on the calculated LSIs. The Additional Product Water Quality Standards require Product Water with a LSI greater than 0.1. The stability was then evaluated for the water mixture blended from these two sources. Under the current plan, a blending ratio between 20-40% of Carrizo water is considered with a design ratio of 30%. The resulting LSI from this mixed Carrizo-Simsboro blending ratio range is between -0.66 and -0.75 at a temperature of 77°F. The Project Company will treat the Raw Groundwater so that the delivered Product Water falls within the LSI range preferred by SAWS. Treatment to bring the delivered Product Water to within SAWS-preferred LSI range was evaluated. The planned treatment is the addition of caustic (NaOH) solution for adjustment of the pH of the delivered Product Water. The results of the treatment evaluations are summarized in Table 3-5 for a Carrizo/Simsboro blend of 20 percent and 40 percent.

Table 3-5 Water Stability for Blended Source Water after pH Adjustment

Parameter	Unit	Value
		20%-40% Carrizo Water
Caustic Data		
Dosage	mg/L as NaOH	11.0-13.9
	mg/L as solution at 50%	22.0-27.8
Water Quality		
Temperature ¹	°F	77
Total Alkalinity	mg/L as CaCO ₃	174-190
TDS	mg/L	263-269
Calcium	mg/L as Ca	9.71-10.2
pH	standard unit	8.57-8.59
Water Stability		
pH at CaCO ₃ Saturation (pHs)	standard unit	8.27-8.28
Langelier Saturation Index (LSI)		0.30

¹ It is assumed a temperature of 77°F is reached in the distribution system after cooling and treatment on the well site.

The evaluation results indicate a resulting LSI after treatment of 0.3 can be reached in the blended source water at a caustic dosages range from 11.0 to 13.9 mg/L as NaOH. The water mixture is under safe and stable conditions after pH adjustment and within the range preferred by SAWS. No stability concern is associated with integration of the Product Water into the SAWS Distribution System.

Disinfection

Free chlorine residual is planned for primary disinfection of the source water at the Project treatment facility. It is also used as secondary disinfectant in the Transmission Pipeline System. Since free chlorine is used by SAWS in the SAWS Distribution System, waters from both water supplies are compatible in terms of disinfection mechanism and are not anticipated to create and concerns from blending.

A minimum free chlorine residual of 0.5 mg/L is recommended for design to provide the secondary disinfection as well as prevent bacteria regrowth in the Transmission Pipeline System. It is anticipated that the free chlorine residual should also meet the minimum residual disinfectant concentration of 0.2 mg/L by the TCEQ for free chlorine in any blending scenarios.

Cooling

Based on SAWS requirements the delivered Product Water must not exceed 83° F. The Simsboro water will enter the Well pump at 101° F and the Carrizo water enters at 81° F. These waters will mix in the Well header lines, and will have an estimated temperature of 95.3° after blending. However, this is higher than the 83° SAWS stipulated water temperature. To meet the SAWS temperature requirement, the water will be fed through cooling towers, at the HSPS, before entering the Transmission Pipeline.

Water losses due to evaporation are considered to be 2% of the incoming volume.

The cooling towers are designed to accept incoming water and cool it down to 84° F, using the wet bulb temperature of 78°. This is 1° higher than the SAWS requirement but additional cooling will take place as the Product Water travels approximately 140 miles through the Transmission Pipeline before being delivered to the SAWS Distribution System. The transient time spent in cooler subsurface conditions will provide additional aid in the cooling of the Product Water to the SAWS stipulated 83°.

Additional Treatment

Additional Product Water Quality Standards are set forth in Appendix 8 (Performance Guarantees). This includes modifications to the calcium and iron levels. The HSPS site has adequate acreage to accommodate these types of advanced treatment processes, if required by the Project.

A treatment concept for reducing the iron content from the 0.3 mg/L secondary standard in the Product Water delivered to SAWS to an iron concentration of 0.2 mg/L has been evaluated. The HSPS site is currently sized to accommodate the iron removal process if required by SAWS.

In the evaluated process, the existing cooling and chlorination systems may be used for oxidation of iron. Partial flow may be diverted to a filtration system where iron precipitates to be removed. The filtered effluent would be lifted by pumps and blended with unfiltered flow in an in-line mixer prior to the ground storage tanks. The filters may need to be washed periodically and the backwash wastes be sent to a pond. A pilot study is recommended once iron concentrations are actually known to verify the treatment processes and validate the design parameters.

4. Environmental Considerations

This section will identify potential Federal and State requirements that may impact planning, design, construction and operational requirements for the Project.

Jurisdictional Waters of the US

According to the National Hydrography Dataset, the Project would potentially cross numerous streams, tributaries and ponds. The Project will require a jurisdictional waters determination and delineation investigation along the Transmission Pipeline Alignment to identify potential waters of the United States, including wetlands. The Project would likely be permitted under Nationwide Permit (NWP) 12 for Utility Line Activities pursuant to Section 404 of the Clean Water Act (CWA).

If there are impacts to wetlands or if impacts to waters of the U.S. exceed 0.10 acres, the U.S. Army Corps of Engineers (USACE) must be notified prior to initiating any activity and a Pre-Construction Notification (PCN) must be prepared and submitted to the USACE-Fort Worth District for approval. Other conditions that could require preparation of a PCN include the presence of federally-listed threatened or endangered species habitat in the vicinity of the Project. If impacts to jurisdictional wetlands and/or waters of the U.S. exceed a half acre or the proposed activity does not meet the general conditions of the NWP 12, an Individual Permit (IP) may be required, which usually requires public notice. Generally, the typical agency review and approval period is 45 to 60 days for NWPs and 270 days for IPs.

Threatened and Endangered Species

Prior to final design, a review of technical databases, technical literature, governmental publications, databases, and field surveys will be performed to identify federally threatened, endangered, and candidate plant and animal species in the vicinity of the Project Sites. The habitat assessment will determine whether suitable habitat exists within and adjacent to the Project Sites, taking representative photographs of the Project Sites, and reporting all findings. Protocols for determining required habitat will be performed for the federally threatened, endangered, and candidate species listed in Table 4-1, which lists federally-designated threatened, endangered, and candidate species within the counties where the Project is located. However, according to the Natural Diversity Database, only two federally-listed species occur within five miles of the Transmission Pipeline Alignment. The Houston Toad (*Anaxyrus houstonensis*) is a federally-designated endangered species and occurs within five miles of the Transmission Pipeline Alignment in Lee County. The Houston toad and bald eagle (*Haliaeetus leucocephalus*), the latter of which is a federally delisted species (currently in recovery), has been observed within five miles of the Transmission Pipeline Alignment in Bastrop County.

Table 4-1 Federally-Listed Threatened/Endangered Species Potentially Present

Species/Sub-Species		Scientific Name	Species Group	Federal Status ¹
Common Name				
Bexar County				
[unnamed] ground beetle		Rhadine exilis	Insects	E
[unnamed] ground beetle		Rhadine infernalis	Insects	E
Black-Capped Vireo		Vireo atricapilla	Birds	E
Braken Bat Cave Meshweaver		Cicurina venii	Arachnids	E
Cokendolpher Cave Harvestman		Texella cokendolpheri	Arachnids	E
Comal Springs Dryopid Beetle		Stygoparnus comalensis	Insects	E
Comal Springs Riffle Beetle		Heterelmis comalensis	Insects	E
Fountain Darter		Etheostoma fonticola	Fishes	E
Golden-Cheeked Warbler		Dendroica chrysoparia	Birds	E
Government Canyon Bat Cave Meshweaver		Cicurina vespera	Arachnids	E
Government Canyon Bat Cave Spider		Neoleptoneta microps	Arachnids	E
Helotes Mold Beetle		Batrisodes venyivi	Insects	E
Madla's Cave Meshweaver		Cicurina madla	Arachnids	E
Peck's Cave Amphipod		Stygobromus pecki	Crustaceans	E
Robber Baron Cave Meshweaver		Cicurina baronia	Arachnids	E
San Marcos Gambusia		Gambusia georgei	Fishes	E
San Marcos Salamander		Eurycea nana	Amphibians	T
Texas Blind Salamander		Typhlomolge rathbuni	Amphibians	E
Texas Wild-Rice		Zizania texana	Flowering Plants	E
Whooping Crane		Grus Americana	Birds	E
Guadalupe County				
Bald Eagle		Haliaeetus leucocephalus	Birds	DM
Whooping Crane		Grus Americana	Birds	E
Caldwell County				
Bald Eagle		Haliaeetus	Birds	DM

Species/Sub-Species		Species Group	Federal Status ¹
Common Name	Scientific Name		
	leucocephalus		
Whooping Crane	Grus Americana	Birds	E
Bastrop County			
Bald Eagle	Haliaeetus leucocephalus	Birds	DM
Houston Toad	Bufo houstonensis	Amphibians	E
Navasota Ladies'-Tresses	Spiranthes parksii	Flowering Plants	E
Whooping Crane	Grus Americana	Birds	E
Lee County			
Bald Eagle	Haliaeetus leucocephalus	Birds	DM
Houston Toad	Bufo houstonensis	Amphibians	E
Whooping Crane	Grus Americana	Birds	E
Burleson County			
Bald Eagle	Haliaeetus leucocephalus	Birds	DM
Houston Toad	Bufo houstonensis	Amphibians	E
Navasota Ladies'-Tresses	Spiranthes parksii	Flowering Plants	E
Sharpnose Shiner	Notropis oxyrhynchus	Fishes	C
Smalleye Shiner	Notropis buccula	Fishes	C
Whooping Crane	Grus Americana	Birds	E
Navasota Ladies'-Tresses	Spiranthes parksii	Flowering Plants	E
Sharpnose Shiner	Notropis oxyrhynchus	Fishes	C
Smalleye Shiner	Notropis buccula	Fishes	C
Whooping Crane	Grus Americana	Birds	E

Sources: U.S. Fish and Wildlife Service, 2011

Notes: ¹ C = candidate species, DM = delisted species (in recovery), E = endangered, T = threatened

Both the Houston toad and the bald eagle were identified during the CCWSC 130 Project and both were addressed successfully from a regulatory standpoint without significant loss of time or additional expenditures. Accordingly, currently neither of these issues is believed to constitute a potential concern or unknown with regard to the feasibility of the Project or potential significant delay in the delivery of water. As a part of this Project, a Habitat Assessment Report is expected to be prepared for review and approval.

If habitat for federally listed species is identified, coordination with the U.S. Fish and Wildlife Service would be conducted under a supplemental agreement.

Archeological

A Texas Antiquities permit is anticipated to be required to cover any archeological field reconnaissance and survey investigations per the requirements of the Antiquities Code of Texas. An Antiquities permit also allows monitoring of construction and recovery/recording of resources during construction.

A cursory review of the planned Transmission Pipeline Alignment was performed utilizing the Texas Historical Commission Site Atlas (Atlas). This Atlas illustrates previously recorded cultural resources and conducted surveys across the State. Generally, archeological surveys were conducted for the CCWSC 130 Project which shares part of the Transmission Pipeline Alignment with the Project. The historical data indicates that of the remaining Transmission Pipeline Alignment the majority of the Transmission Pipeline properties have never been formally surveyed for archaeological resources. A records research of the properties that have not been surveyed needs to be conducted to determine potential areas along the Transmission Pipeline Alignment that may contain significant archaeological sites. A survey plan would then be developed and the properties would be field assessed to confirm the location of any potential archaeological sites. Below is a list from the Atlas by county of the potential archaeological sites as well as high probability areas (mainly large waterways) traversed by the Transmission Pipeline Alignment which may contain significant archaeological sites:

1. **Burleson County** –None
2. **Lee County** – None anticipated but further study will be done on the short portion of the Transmission Pipeline Alignment that deviates from the CCWSC 130 Project.
3. **Bastrop County** – Colorado River crossing - several previously recorded sites including 41BP75 and 41BP306 near the Transmission Pipeline Alignment are considered significant and the Project Company will have to evaluate these areas during the design of the Transmission Pipeline in order to ensure there are no impacts to the previously recorded sites.
4. **Caldwell County** – San Marcos River crossing near Martindale, high probability of containing significant archaeological sites near the Transmission Pipeline Alignment. The Project Company will evaluate these areas during the design of the Transmission Pipeline in order to ensure there are no impacts to these areas.
5. **Guadalupe County** – Guadalupe River crossing contains numerous significant, previously recorded significant sites near the Transmission Pipeline Alignment.

The Project Company will evaluate these areas during the design of the Transmission Pipeline in order to ensure there are no impacts to these areas.

6. **Bexar County** – Cibolo Creek crossing contains numerous previously recorded significant sites near the Transmission Pipeline Alignment. The Project Company will evaluate these areas during the design of the Transmission Pipeline in order to ensure there are no impacts to these areas.

Note that a majority of the Transmission Pipeline Alignment south and west of the IPS #1 parallels an existing LCRA power line. Therefore, significant issues with archeological sites are currently considered to be unlikely.

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APPENDIX 2
GOVERNMENTAL APPROVALS

APPENDIX 2

GOVERNMENTAL APPROVALS

2.1. PURPOSE

The purpose of this Appendix is to provide an outline of the Governmental Approvals that are expected to be required for the construction and operation of the Project. As required by this Water Transmission and Purchase Agreement, the Project Company shall obtain and maintain all required Governmental Approvals necessary to construct and operate the Project, irrespective of whether such Governmental Approval is identified in this Appendix.

2.2. GOVERNMENTAL APPROVALS

The following tables set forth the Governmental Approvals that are expected to be required for the construction and operation of the Project. The Project Company will be responsible for complying with the terms and conditions contained in the applicable Construction Governmental Approvals and Operating Governmental Approvals, in accordance with this Appendix and Section 5.5 (Construction Governmental Approvals) and Section 9.8 (Operating Governmental Approvals) of this Water Transmission and Purchase Agreement.

Federal		
Granting Agency	Name	Description
Federal Emergency Management Agency (FEMA)	Conditional Letter of Map Revision (CLOMR) / Letter of Map Revision (LOMR)	CLOMR- provides FEMA's comment on a proposed project that would, upon construction, affect the hydrologic or hydraulic characteristics of a flooding source and modify the existing regulatory floodway. LOMR-provides FEMA's modification of an effective Flood Insurance Rate Map, or Flood Boundary and Floodway Map, or both.
U.S. Fish and Wildlife Service (USFWS)	Federal Endangered or Threatened Species (Section 7 or 10 Review)	Section 7- provides interagency cooperation to ensure a federal action does not jeopardize the existence of any listed species. Section 10- obtained when non-federal activities cause harm to animals designated as endangered or threatened by the USFWS.
Natural Resources Conservation Service	Prime Farmlands	Minimizes the impact programs have on the unnecessary and irreversible conversion of prime farmland to nonagricultural uses.
United States Army Corps of Engineers	Section 404 Permit	Regulates the discharge of dredged or fill material into waters of the United States, including wetlands.
United States Army Corps of Engineers	Section 10 Permit	Regulates the placement of any structure below, within, or over navigable waters of the United States, or would involve excavation/dredging or deposition of material or any obstruction or alteration in navigable waters of the United States.

State		
Granting Agency	Name	Description
Texas Department of Transportation	Right-of-Way and Utility Permits	Provides for the placement of utilities within the right-of-way of State roads and provides for the longer term use
Texas Historical Commission	Texas Antiquities Permit	Must be obtained by a registered archeologist for studies at archeological sites and historic buildings on public land
Lower Colorado River Authority	Creek Crossing Permits/River Crossing Permit	Regulates design and construction of pipeline infrastructure projects with minimal disruption to the bed and banks of the stream, the public and the environment during construction as well as the long-term operation.
San Antonio River Authority	Creek Crossing Permits	Regulates design and construction of pipeline infrastructure projects with minimal disruption to the bed and banks of the stream, the public and the environment during construction as well as the long-term operation
Guadalupe-Blanco River Authority	Creek Crossing Permits/River Crossing permit	Regulates design and construction of pipeline infrastructure projects with minimal disruption to the bed and banks of the stream, the public and the environment during construction as well as the long-term operation
Texas Commission on Environmental Quality	Texas Pollutant Discharge Elimination Permit Storm Water Permits	Regulates discharge of pollutants to surface water of the State of Texas
Post Oak Savannah Groundwater Conservation District	Operations permit/Transportation Permit	Regulates the rights to produce and transport groundwater out of the boundaries of the District
Texas Commission on Environmental Quality	Public Water System Plans Review	Provides for the determination that the proposed public water system is financially stable and technically sound and can supply adequate quantities of safe drinking water.

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County		
Granting Agency	Name	Description
Bexar County Infrastructure Services Department	Floodplain Development Permit	Verifies that development does not have a negative impact on the 100 – Year Flood Plain
Bexar County Public Works	Roadway Permit	Controls all construction activities in County-maintained rights-of-way; including driveways to access County roads
Bastrop County	Utility Installation Request	Provides for the monitoring and approval of utilization of County right-of-way
Burleson County	Commissioners Court Approval	Administers all the business of the County, including the building and maintenance of county roads and bridges.
Lee County	Utility Installation Request	Provides for the monitoring and approval of utilization of County right-of-way
Lee County	Commissioners Court Approval	Administers all the business of the County, including the building and maintenance of county roads and bridges.
Caldwell County (Unit Road Administrator)	Work in the Public Right-of-Way Permit	Regulates all construction or activity of any kind within the County's right-of-way, including installation of overhead or underground utilities
Guadalupe County Environmental Health	Floodplain Development Permit	Regulates for all development in the 100-year floodplain, as part of the National Flood Insurance Program
Guadalupe County Road and Bridge Department	Roadway/Excavation Permit	Regulates all construction or activity of any kind within the County's right-of-way, including installation of overhead or underground utilities

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City		
Granting Agency	Name	Description
City of San Antonio	Tree Permit(s)	Maintain, to the greatest extent possible, existing trees within the city and the extraterritorial jurisdiction (ETJ), and to add to the tree population within the city and the ETJ to promote a high tree canopy goal.
City of San Antonio	Building Permit	Ensures that all construction activities associated with potentially occupied structures are well coordinated and protect the health, safety, and quality of life of the citizens of San Antonio.
City of San Antonio	Site Plan Permit	Ensures understanding and compliance with the City's development codes associated with commercial site work, utility work, drainage structures, sidewalks, driveways and grading.
City of San Antonio	Stormwater Permit	Ensures future construction projects do not adversely impact current drainage systems.
City of San Antonio	Floodplain Development Permit	Regulates proposed development located on a site within the regulatory 100 year FEMA Flood Plain
City of San Antonio Public Works Right-of-Way Management	Roadway Permit	Ensures that all construction activities are well coordinated and impacts are mitigated to reduce public inconvenience, guarantee proper street repair and ensure all regulations are enforced appropriately.
City of Schertz	Roadway Crossing – Public Works Permit	Regulates construction of improvements within City street rights-of-way.
City of Schertz	Tree Removal Permit	Maintain, to the greatest extent possible, existing trees within the city and the extraterritorial jurisdiction (ETJ)

Railroad		
Granting Agency	Name	Description
Union Pacific	Permit for New Pipeline Crossings	Regulates the crossing of Union Pacific railway lines with utility pipelines.

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APPENDIX 3
TECHNICAL SPECIFICATIONS

APPENDIX 3

TECHNICAL SPECIFICATIONS

3.1. PURPOSE

The purpose of this Appendix is to specify certain Design Requirements and minimum procedures and requirements to be followed by the Project Company in performing the Construction Work, which together with Appendix 1 (Description of the Project), shall collectively constitute the “Technical Specifications” hereunder. The Technical Specifications are intended to result in a Project that achieves the following objectives:

- Efficient and cost-effective design, construction and operation;
- Limiting noise, dust, odors, traffic and lighting impacts to adjacent properties;
- A high degree of coordination between the design, construction and operation elements;
- Design of structures, piping, equipment, and other elements such that they can be maintained while continuing to meet the Performance Guarantees;
- Selection of equipment such that the Project Company’s implementation of the Maintenance, Repair and Replacement Plan, including the Maintenance, Repair and Replacement Schedule, will result in equipment that, at a minimum, meets the End of Term Performance Evaluation Requirements;
- Selection of materials that assure a low incidence of failure, high probability of continued manufacturer support and service, and compatibility with the SAWS Distribution System;
- Construction of an aesthetically-pleasing Project;
- A safe construction and operating environment;
- Mitigation of environmental impacts;
- A safe, adequate and uninterrupted water supply;
- Completion of a Project that produces the Baseline Daily Volume and Baseline Annual Volume of Product Water by the Commercial Operation Longstop Date;
- Include the necessary unit processes, process control, monitoring and control, systems and system redundancy to achieve Acceptance, to continuously meet the Performance Guarantees and to pass the Exit Performance Test;
- A high degree of security for the Project and the Project Sites; and
- Efficient and effective management of Project By-Products

The parties agree to further develop and complete this Appendix, including the preparation of detailed descriptions of all Project Improvements to be designed and constructed by the Project Company, prior to the Financial Closing Date in order to fulfill such purpose and intent. The Project shall be designed and constructed to meet the Performance Guarantees. Nothing in these Technical Specifications shall relieve the Project Company of its obligation to meet the Performance Guarantees.

3.2. APPLICABLE CODES, POLICIES AND INDUSTRY STANDARDS

The Project shall be designed in accordance with the current applicable codes, policies, and industry standards as referenced in this Appendix and the other Appendices of this Water Transmission and Purchase Agreement. Reference Standards applicable to the Project include, but are not limited to, the following:

International/National Codes and Regulations	
Organization	
International Building Code (IBC)	
International Fire Prevention Code (IFC)	
International Energy Conservation Code	
National Electrical Code (NEC)	
International Mechanical Code (IMC)	
International Plumbing Code (IPC)	
American National Standards Institute (ANSI)	
Occupational Safety and Health Administration (OSHA)	
American Association of State Highway and Transportation Officials (AASHTO)	
American Gear Manufacturers Association (AGMA)	
American Institute of Steel Construction (AISC)	
American Iron and Steel Institute (AISI)	
American Petroleum Institute (API)	
American Society of Civil Engineers (ASCE)	
American Society of Heating, Refrigerating and Air Conditioning Engineers (ASHRAE)	
American Society of Mechanical Engineers (ASME)	
American Welding Society (AWS)	
Americans with Disabilities Act (ADA)	
Concrete Reinforcing Steel Institute (CRSI)	
Factory Mutual (FM)	
Institute of Electrical and Electronics Engineers (IEEE)	
National Electric Code (NEC)	
National Electrical Manufacturer's Association (NEMA)	
National Fire Protection Association (NFPA)	
Precast/Prestressed Concrete Institute (PCI)	
Underwriters' Laboratories, Inc. (UL)	
NSF International (f/k/a National Sanitation Foundation) (NSF)	
American Concrete Institute (ACI)	
American Society for Testing and Materials (ASTM)	
American Water Works Association (AWWA)	

State (Texas) and Regional Authority Codes and Regulations	
Organization	
Architectural Barriers Act with Texas Accessibility Standards	
Texas Department of Transportation (TxDOT)	
Texas Department of Transportation Crossing and Driveway Standards	
Lower Colorado River Authority Creek Crossing/River Crossing Standards	
San Antonio River Authority Creek Crossing Standards	
Guadalupe- Blanco Authority Creek Crossing/River Crossing Standards	
Texas Commission on Environmental Quality- Chapter 290	

County Codes and Regulations	
Organization	
Bexar County Infrastructure Services- Floodplain Development standards	
Bexar County Public Works Roadway Crossing Standards	
Bastrop County Roadway Crossing Standards	
Burleson County Roadway Crossing Standards	

Lee County Utility Installation standards
Lee County Roadway Crossing Standards
Caldwell County (Unit Road Administrator) Work in the Public Way Standards
Guadalupe County Environmental Health Floodplain Development standards
Guadalupe County Road and Bridge Department Roadway/Excavation standards

City Codes and Regulations	
Organization	
	City of San Antonio Unified Development Code
	City of San Antonio Tree Mitigation standards
	City of San Antonio Floodplain Development Standards
	City of San Antonio Public Works Right-of-Way Management Roadway Crossing Standards
	City of Schertz Tree Removal standards
	City of Schertz Roadway Crossing Standards

3.3. TECHNICAL SPECIFICATIONS – PRODUCTION WELL INSTALLATION

The Production Wells for the Project shall be designed in accordance with the AWWA guidelines and the TCEQ regulations pertaining to public supply wells. The Technical Specifications presented below provide an outline of the specifications required to meet these guidelines and regulations.

- (A) Technical Specifications: Test Drilling
 - (1) General
 - (2) Depth and Diameter
 - (3) Driller's Log
 - (4) Surface Conductor Casing
 - (5) Drill Cutting Sample Flow Line
 - (6) Drill Cutting Samples
 - (7) Sieve Analyses of Drill Cuttings
 - (8) Geophysical Logging
 - (9) Unattended Holes
 - (10) Interval Plugs
 - (11) Plugging of Hole
 - (12) Lost Materials or Abandonment of Hole

- (B) Technical Specifications: Temporary Well
 - (1) General
 - (2) Backfilling and Reaming
 - (3) Base Material Amounts
 - (4) Schedule
 - (5) Construction
 - (6) Centralizers
 - (7) Development
 - (8) Pumping Equipment
 - (9) Measurement Assembly
 - (10) Testing Procedure
 - (11) Water Samples and Chemical Analyses
 - (12) Lost Materials or Abandonment of Hole
 - (13) Plugging

- (C) Technical Specifications: Production Well

- (1) General
- (2) Surface Conductor Casing
- (3) Welding
- (4) Pilot Hole
 - (i) Depth and Diameter
 - (ii) Pilot Hole Alignment
 - (iii) Driller's Log
 - (iv) Drill Cuttings Sample Flow Line
 - (v) Drill Cutting Samples
 - (vi) Sieve Analyses of Drill Cuttings
 - (vii) Geophysical Logging
 - (viii) Lost Materials or Abandonment of Hole
- (5) Production Casing
 - (i) Reaming
 - (ii) Alignment Survey
 - (iii) Schedule
 - (iv) Description
 - (v) Depths
 - (vi) Centralizers
 - (vii) Cementing
 - (viii) Samples
- (6) Aquifer Production Zone (Screened Interval)
 - (i) Method of Reaming and Diameter
 - (ii) Depths
 - (iii) Caliper Log
- (7) Bottom of Well
 - (i) Reaming
 - (ii) Plugging
- (8) Blank Liner Above Screen
 - (i) Description
 - (ii) Depths
 - (iii) Centralizers
- (9) Screen
 - (i) Description
 - (ii) Depths
 - (iii) Centralizers
- (10) Blank Liner Below Screen
- (11) Gravel Pack
 - (i) Description
 - (ii) Graveling Operation
 - (iii) Depths
 - (iv) Sterilizing Gravel
- (12) Well Development
 - (i) Overview of Process
 - (ii) Sterilization
 - (iii) Development Tests
 - (iv) Cleaning Bottom of Well
- (13) Pumping Tests
 - (i) Testing Rates and Pumping Levels
 - (ii) Discharge and Flow Measurement Assembly
 - (iii) Pumping Test Schedule
 - (iv) Testing Procedure
- (14) Water Samples and Chemical Analyses
- (15) Microbiological Testing
- (16) Guarantees

- (i) Well Efficiency Guarantee
- (ii) Settleable Solids Guarantee
- (iii) Materials and Workmanship Guarantee
- (17) Lost Materials or Abandonment of Hole
- (18) Production Well Completion
 - (i) Capping
 - (ii) Completed Well
 - (iii) Completion Report

- (D) Technical Specifications: Pump Foundation
 - (1) General
 - (2) Concrete
 - (3) Proportions
 - (4) Compressive Strength
 - (5) Mixing and Placing
 - (6) Forms
 - (7) Curing
 - (8) Finishing
 - (9) Rubbing
 - (10) Concrete Foundations
 - (11) Concrete Reinforcement
 - (12) Placing of Reinforcement
 - (13) Electrical Conduit
 - (14) Casing Vent

- (E) Technical Specifications: Pumping Equipment
 - (1) General
 - (2) Base Bid
 - (3) Motor
 - (4) Electrical Components
 - (i) Subsurface Electrical Components
 - (ii) Electrical Controls and Panel
 - (5) Pump
 - (6) Subsurface Pumping Equipment
 - (7) Discharge Head Completion
 - (8) Pre-Testing of Equipment
 - (9) Pump Column Pipe
 - (10) Airline
 - (11) Measuring Pipe
 - (12) Disinfection
 - (13) Acceptance Testing
 - (14) Microbiological Testing
 - (15) Materials and Workmanship Guarantee
 - (16) Discharge Elbow Flange Plate
 - (17) Painting

- (F) Figures

3.4. TECHNICAL SPECIFICATIONS – WELL FIELD PIPING AND HIGH SERVICE PUMP STATION

The following Technical Specifications have been developed using the Construction Specifications Institute (CSI) format (2003) Master Format. The CSI format provides the standardization of construction language specifications. The general requirements in the

current applicable codes, policies, and industry standards provided previously in this Appendix and the specific requirements presented below must be read together for a comprehensive set of the construction requirements of the Project.

- DIVISION 1 - GENERAL PROVISIONS
 - 01010 - Summary of Work
 - 01045 - Demolition, Cutting and Patching
 - 01051 - Grades, Lines and Levels
 - 01070 - Reference Standards
 - 01300 - Submittals
 - 01305 - Spare Parts
 - 01310 - Construction Schedules
 - 01350 - Operation and Maintenance Data
 - 01360 - Quality Control
 - 01400 - International Building Code Special Inspections
 - 01410 - Testing Laboratory Services
 - 01500 - Temporary Facilities and Controls
 - 01520 - Security
 - 01600 - Material and Equipment
 - 01640 - Manufacturers' Services
 - 01710 - Cleaning and Adjusting
 - 01750 - Extended Warranties (greater than 23 months) and Bonds

- DIVISION 2 - SITE WORK
 - 02010 - Subsurface Investigation
 - 02200 - Earthwork
 - 02223 - Trench and Excavation Safety Systems
 - 02225 - Trenching, Backfilling, Embedment and Encasement
 - 02227 - Waste Material Disposal
 - 02290 - Erosion Control During Construction
 - 02373 - Drilled Piers
 - 02510 - Buried Steel Pipe and Fittings Mortar Lined and Polyurethane Coated
 - 02515 - PVC Pressure Pipe-Gasketed Joints
 - 02530 - Dewatering and Drainage
 - 02630 - Concrete Manholes
 - 02640 - Ductile Iron Pipe
 - 02675 - Disinfection of Potable Water Facilities
 - 02751 - Concrete Pavement and Sidewalks
 - 02831 - Chain Link Fences and Gates
 - 02910 - Surface Restoration

- DIVISION 3 - CONCRETE
 - 03100 - Concrete Formwork
 - 03200 - Concrete Reinforcement
 - 03250 - Concrete Joints and Embedded Items
 - 03300 - Cast-in-Place Concrete
 - 03400 - Flowable Fill
 - 03600 - Grout

- DIVISION 4 - MASONRY
 - 04200 - Building Masonry

DIVISION 5	-	METALS
05120	-	Structural Steel
05500	-	Miscellaneous Metal Fabrications
05501	-	Anchor Bolts, Expansion Anchors and Concrete Inserts
05520	-	Handrails and Railing
05530	-	Metal Gratings and Cover Plates
DIVISION 6	-	WOOD AND PLASTICS (NOT USED)
DIVISION 7	-	THERMAL AND MOISTURE PROTECTION
07200	-	Building Insulation
07222	-	Polyisocyanurate Roof Insulation
07920	-	Joint Sealants
DIVISION 8	-	DOORS AND WINDOWS
08110	-	Steel Doors and Frames
08711	-	Door Hardware
08800	-	Glass and Glazing
DIVISION 9	-	FINISHES
09820	-	Prestressed Concrete Tank Coating
09900	-	Painting
09940	-	Protective Coatings
DIVISION 10	-	SPECIALTIES
10431	-	Signs
10520	-	Fire-Protection Specialties
DIVISION 11	-	EQUIPMENT
11000	-	Equipment General Provisions
11030	-	Noise Requirements and Control
11100	-	Pumps, General
11100	-	Horizontal Split Case Pumps
11149	-	Submersible Sump Pumps
11215	-	Vertical Turbine Pumps
11218	-	Metering Pumps
11219	-	Chemical Transfer Pumps
11300	-	Control Valves
11313	-	Pumping Unit Testing
11400	-	Flow Meters
DIVISION 12	-	FURNISHINGS (NOT USED)
DIVISION 13	-	SPECIAL CONSTRUCTION
13000	-	Wire or Strand Wound, Prestressed Concrete Tank
13110	-	Cathodic Protection – Galvanic Anode
13120	-	Pre-Cast Concrete Building Prefabricated

- 13122 - Chemical Tank Cover Structure
- 13675 - Polyethylene Tanks

- DIVISION 14 - CONVEYING SYSTEMS (NOT USED)

- DIVISION 15 - MECHANICAL
 - 15000 - Special Conditions for Mechanical Work
 - 15001 - Plant Piping - General
 - 15002 - Field Testing of Piping Systems
 - 15043 - Leakage Test of Hydraulic Structures
 - 15047 - Identification
 - 15061 - PVC Pressure Pipe- Solvent Weld
 - 15063 - Copper Piping
 - 15064 - Steel Pipe and Fittings
 - 15065 - CPVC Pressure Pipe
 - 15070 - Fiberglass Reinforced Plastic Pipe
 - 15072 - Ductile Iron Pipe and Fittings
 - 15073 - Concrete Bar-Wrapped Cylinder Pipe (AWWA C303-Type Pipe)
 - 15100 - Miscellaneous Valves
 - 15101 - Valve Appurtenances
 - 15102 - Butterfly Valves
 - 15103 - Check Valves
 - 15104 - Gate Valves
 - 15107 - Pressure Relief Valve
 - 15108 - Pump Control Valves
 - 15120 - Piping Specialties
 - 15139 - Electric Motor Operator
 - 15140 - Supports and Hangers
 - 15256 - Insulation and Heat Tracing
 - 15500 - HVAC - General (Small Project Specs)
 - 15625 - Cooling Tower

- DIVISION 16 - ELECTRICAL
 - 16010 - Electrical General Provisions
 - 16012 - Identification
 - 16020 - Utilities
 - 16040 - Electrical Motors (150 HP and LESS)
 - 16044 - Large Electric Motors
 - 16055 - Power System Studies
 - 16060 - Acceptance Testing and Calibration
 - 16073 - Hangers and Supports for Electrical Systems
 - 16110 - Raceways
 - 16120 - Conductors
 - 16121 - Medium Voltage Cables
 - 16130 - Boxes
 - 16140 - Wiring Devices
 - 16191 - Miscellaneous Equipment
 - 16231 - Packaged Engine Generator Systems
 - 16289 - Surge Protective Devices
 - 16345 - Medium Voltage Metal-Enclosed Vacuum Switchgear
 - 16360 - Underground Duct Banks
 - 16362 - Electrical Manholes
 - 16370 - Variable Frequency Drive

- 16373 - Stand Alone Low Voltage Solid State Starters
- 16438 - Dry - Type Transformers
- 16441 - Switchboard
- 16442 - Mini-Power Centers
- 16445 - Panelboards - Distribution and Branch Circuits
- 16450 - Grounding
- 16600 - Lighting
- 16610 - Lightning Protection
- 16700 - Common Control Panel Requirements for Equipment

DIVISION 17 - INSTRUMENTATION

- 17000 - Instrumentation General Provisions
- 17100 - Human Machine Interface (HMI) Requirements
- 17200 - Top End Equipment Requirements
- 17300 - Programmable Logic Controllers (PLC) Requirements
- 17315 - PLC Network Requirements
- 17325 - Uninterruptible Power Supply
- 17400 - Instrument Panels
- 17520 - Instruments
- 17530 - Instrumentation Accessories
- 17540 - Instrument Commissioning
- 17600 - System Configuration
- 17910 - Input/Output List
- 17920 - Control Narrative

3.5. TECHNICAL SPECIFICATIONS – INTERMEDIATE PUMP STATIONS AND PRODUCT WATER DELIVERY POINT

The following Technical Specifications have been developed using the Construction Specifications Institute (CSI) format (2003) Master Format. The CSI format provides the standardization of construction language specifications. The general requirements in the current applicable codes, policies, and industry standards provided previously in this Appendix and the specific requirements presented below must be read together for a comprehensive set of the construction requirements of the Project.

DIVISION 1 - GENERAL PROVISIONS

- 01010 - Summary of Work
- 01045 - Demolition, Cutting and Patching
- 01051 - Grades, Lines and Levels
- 01070 - Reference Standards
- 01300 - Submittals
- 01305 - Spare Parts
- 01310 - Construction Schedules
- 01350 - Operation and Maintenance Data
- 01360 - Quality Control
- 01400 - International Building Code Special Inspections
- 01410 - Testing Laboratory Services
- 01500 - Temporary Facilities and Controls
- 01520 - Security
- 01600 - Material and Equipment
- 01640 - Manufacturers' Services
- 01710 - Cleaning and Adjusting
- 01750 - Extended Warranties (greater than 12 months) and Bonds

- DIVISION 2 - SITE WORK
 - 02010 - Subsurface Investigation
 - 02200 - Earthwork
 - 02220 - Structural Excavation, Fill, and Backfill
 - 02223 - Trench and Excavation Safety Systems
 - 02225 - Trenching, Backfilling, Embedment and Encasement
 - 02227 - Waste Material Disposal
 - 02290 - Erosion Control During Construction
 - 02373 - Drilled Piers
 - 02510 - Buried Steel Pipe and Fittings Mortar Lined and Polyurethane Coated
 - 02515 - PVC Pressure Pipe-Gasketed Joints
 - 02530 - Dewatering and Drainage
 - 02630 - Concrete Manholes
 - 02675 - Disinfection of Potable Water Facilities
 - 02751 - Concrete Pavement and Sidewalks
 - 02831 - Chain Link Fences and Gates

- DIVISION 3 - CONCRETE
 - 03100 - Concrete Formwork
 - 03200 - Concrete Reinforcement
 - 03250 - Concrete Joints and Embedded Items
 - 03300 - Cast-in-Place Concrete
 - 03400 - Flowable Fill
 - 03600 - Grout

- DIVISION 4 - MASONRY
 - 04200 - Building Masonry

- DIVISION 5 - METALS
 - 05120 - Structural Steel
 - 05500 - Miscellaneous Metal Fabrications
 - 05501 - Anchor Bolts, Expansion Anchors and Concrete Inserts
 - 05520 - Handrails and Railing
 - 05530 - Metal Gratings and Cover Plates

- DIVISION 6 - WOOD AND PLASTICS (NOT USED)

- DIVISION 7 - THERMAL AND MOISTURE PROTECTION
 - 07200 - Building Insulation
 - 07222 - Polyisocyanurate Roof Insulation
 - 07920 - Joint Sealants

- DIVISION 8 - DOORS AND WINDOWS
 - 08110 - Steel Doors and Frames
 - 08711 - Door Hardware
 - 08800 - Glass and Glazing

DIVISION 9	-	FINISHES
09820	-	Prestressed Concrete Tank Coating
09900	-	Painting
09940	-	Protective Coatings
DIVISION 10	-	SPECIALTIES
10431	-	Signs
10520	-	Fire-Protection Specialties
DIVISION 11	-	EQUIPMENT
11000	-	Equipment General Provisions
11030	-	Noise Requirements and Control
11100	-	Pumps, General
11100	-	Horizontal Split Case Pumps
11149	-	Submersible Sump Pumps
11215	-	Vertical Turbine Pumps
11218	-	Metering Pumps
11219	-	Chemical Transfer Pumps
11300	-	Control Valves
11313	-	Pumping Unit Testing
11400	-	Flow Meters
DIVISION 12	-	FURNISHINGS (NOT USED)
DIVISION 13	-	SPECIAL CONSTRUCTION
13000	-	Wire or Strand Wound, Prestressed Concrete Tank
13110	-	Cathodic Protection – Galvanic Anode
13120	-	Pre-Cast Concrete Building Prefabricated
13122	-	Chemical Tank Cover Structure
13675	-	Polyethylene Tanks
DIVISION 14	-	CONVEYING SYSTEMS (NOT USED)
DIVISION 15	-	MECHANICAL
15000	-	Special Conditions for Mechanical Work
15001	-	Plant Piping - General
15002	-	Field Testing of Piping Systems
15043	-	Leakage Test of Hydraulic Structures
15047	-	Identification
15061	-	PVC Pressure Pipe- Solvent weld
15063	-	Copper Piping
15064	-	Steel Pipe and Fittings
15065	-	CPVC Pressure Pipe
15070	-	Fiberglass Reinforced Plastic Pipe
15072	-	Ductile Iron Pipe and Fittings
15073	-	Concrete Bar-Wrapped Cylinder Pipe (AWWA C303-Type Pipe)
15100	-	Miscellaneous Valves
15101	-	Valve Appurtenances
15102	-	Butterfly Valves
15103	-	Check Valves

- 15104 - Gate Valves
- 15107 - Pressure Relief Valve
- 15108 - Pump Control Valves
- 15120 - Piping Specialties
- 15139 - Electric Motor Operator
- 15140 - Supports and Hangers
- 15256 - Insulation and Heat Tracing
- 15500 - HVAC - General (Small Project Specs)

- DIVISION 16 - ELECTRICAL
 - 16010 - Electrical General Provisions
 - 16012 - Identification
 - 16020 - Utilities
 - 16040 - Electrical Motor
 - 16044 - Large Electric Motors
 - 16055 - Power System Studies
 - 16060 - Acceptance Testing and Calibration
 - 16073 - Hangers and Supports for Electrical Systems
 - 16110 - Raceways
 - 16120 - Conductors
 - 16121 - Medium Voltage Cables
 - 16130 - Boxes
 - 16140 - Wiring Devices
 - 16191 - Miscellaneous Equipment
 - 16231 - Packaged Engine Generator Systems
 - 16289 - Surge Protective Devices
 - 16345 - Medium Voltage Metal-Enclosed Vacuum Switchgear
 - 16360 - Underground Duct Banks
 - 16362 - Electrical Manholes
 - 16370 - Variable Frequency Drive
 - 16373 - Stand Alone Low Voltage Solid State Starters
 - 16438 - Dry - Type Transformers
 - 16441 - Switchboard
 - 16442 - Mini-Power Centers
 - 16445 - Panelboards - Distribution and Branch Circuits
 - 16450 - Grounding
 - 16600 - Lighting
 - 16610 - Lightning Protection
 - 16700 - Common Control Panel Requirements for Equipment

- DIVISION 17 - INSTRUMENTATION
 - 17000 - Instrumentation General Provisions
 - 17100 - Human Machine Interface (HMI) Requirements
 - 17200 - Top End Equipment Requirements
 - 17300 - Programmable Logic Controllers (PLC) Requirements
 - 17315 - PLC Network Requirements
 - 17325 - Uninterruptible Power Supply
 - 17400 - Instrument Panels
 - 17520 - Instruments
 - 17530 - Instrumentation Accessories
 - 17540 - Instrument Commissioning
 - 17600 - System Configuration
 - 17910 - Input/Output List

17920 - Control Narrative

3.6. TECHNICAL SPECIFICATIONS – TRANSMISSION PIPELINES

The following Technical Specifications have been developed using the Construction Specifications Institute (CSI) format (2003) Master Format. The CSI format provides the standardization of construction language specifications. The general requirements in the current applicable codes, policies, and industry standards provided previously in this Appendix and the specific requirements presented below must be read together for a comprehensive set of the construction requirements of the Project.

DIVISION 1 - GENERAL PROVISIONS

- 01010 - Summary of Work
- 01045 - Demolition, Cutting and Patching
- 01051 - Grades, Lines and Levels
- 01070 - Reference Standards
- 01300 - Submittals
- 01310 - Construction Schedules
- 01350 - Operation and Maintenance Data
- 01360 - Quality Control
- 01410 - Testing Laboratory Services
- 01500 - Temporary Facilities and Controls
- 01600 - Material and Equipment
- 01710 - Cleaning and Adjusting
- 01750 - Extended Warranties (greater than 12 months) and Bonds

DIVISION 2 - SITE WORK

- 02010 - Subsurface Investigation
- 02100 - Site Preparation
- 02223 - Trench and Excavation Safety Systems
- 02225 - Trenching, Backfilling, Embedment and Encasement
- 02227 - Waste Material Disposal
- 02235 - Riprap
- 02290 - Erosion Control During Construction
- 02314 - Jacking, Boring or Tunneling Pipe
- 02510 - Buried Steel Pipe and Fittings Mortar Lined and Polyurethane Coated
- 02515 - PVC Pressure Pipe-Gasketed Joints
- 02530 - Dewatering and Drainage
- 02630 - Concrete Manholes
- 02675 - Disinfection of Potable Water Facilities
- 02710 - Roadways and Paving
- 02720 - Flexible Base
- 02730 - Prime Coat
- 02740 - Hot Mix Asphaltic Concrete Pavement
- 02755 - Asphalt Treated Base
- 02900 - Fencing
- 02910 - Surface Restoration
- 02950 - Wire Fence and Gates

DIVISION 3 - CONCRETE

- 03100 - Concrete Formwork
- 03200 - Concrete Reinforcement

- 03250 - Concrete Joints and Embedded Items
- 03300 - Cast-in-Place Concrete
- 03400 - Flowable Fill
- 03600 - Grout

- DIVISION 4 - MASONRY (NOT USED)

- DIVISION 5 - METALS
 - 05500 - Miscellaneous Metal Fabrications
 - 05501 - Anchor Bolts, Expansion Anchors and Concrete Inserts
 - 05530 - Metal Gratings and Cover Plates

- DIVISION 6 - WOOD AND PLASTICS (NOT USED)

- DIVISION 7 - THERMAL AND MOISTURE PROTECTION (NOT USED)

- DIVISION 8 - DOORS AND WINDOWS (NOT USED)

- DIVISION 9 - FINISHES (NOT USED)
 - 09900 - Painting

- DIVISION 10 - SPECIALTIES (NOT USED)

- DIVISION 11 - EQUIPMENT (NOT USED)

- DIVISION 12 - FURNISHINGS (NOT USED)

- DIVISION 13 - SPECIAL CONSTRUCTION
 - 13110 - Cathodic Protection – Galvanic Anode

- DIVISION 14 - CONVEYING SYSTEMS (NOT USED)

- DIVISION 15 - MECHANICAL
 - 15002 - Field Testing of Piping Systems
 - 15064 - Steel Pipe and Fittings
 - 15070 - Fiberglass Reinforced Plastic Pipe
 - 15072 - Ductile Iron Pipe
 - 15073 - Bar-Wrapped Concrete Cylinder Pipe
 - 15100 - Miscellaneous Valves
 - 15101 - Valve Appurtenances
 - 15102 - Butterfly Valves
 - 15104 - Gate Valves
 - 15670 - Water Pipeline Testing
 - 15680 - Disinfection of Water Systems

- DIVISION 16 - ELECTRICAL (NOT USED)

- DIVISION 17 - INSTRUMENTATION (NOT USED)

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APPENDIX 4

**DESIGN AND CONSTRUCTION REVIEW PROCEDURES,
COMMISSIONING AND SUBSTANTIAL COMPLETION**

APPENDIX 4

DESIGN AND CONSTRUCTION REVIEW PROCEDURES, COMMISSIONING AND SUBSTANTIAL COMPLETION

PART A: DESIGN AND CONSTRUCTION REVIEW PROCEDURES

4.1. OVERVIEW

4.1.1 Purpose. The purpose of this Appendix is to set forth the procedures for SAWS' review of the Construction Work to verify that the Project has been designed and constructed in accordance with the Contract Standards, and to provide a process to review Design Requirements Changes.

4.1.2 SAWS Review and Comment on Design Documents. The Project Company shall have the obligation to make available to SAWS Design Documents in accordance with this Appendix. SAWS will have the right to provide comments on Design Documents which identify any issues: (a) of material non-compliance with the Design Requirements; (b) that may reasonably and adversely affect the ability of the Project Company to achieve Acceptance or meet the Performance Guarantees; or (c) which may have a material impact on the SAWS Distribution System ("Material Issue Comments"). The Project Company shall provide written responses to any Material Issue Comments delivered by SAWS indicating if proposed measures will be taken to correct any such material issues. Neither compliance by the Project Company with the Design Requirements, nor review and comment by SAWS of the Design Documents, nor any failure or delay by SAWS in commenting on any design submittals shall in any way relieve the Project Company of full responsibility for the design, construction, performance, operation, maintenance and management of the Project in accordance with the Contract Standards. During the review process set forth in Section 4.4 (SAWS Design Review) of this Appendix, the Project Company may proceed with the Construction Work based on a particular design package, provided that all Material Issue Comments related to that design package are responded to within 30 days of receipt.

4.1.3 Document Ownership

All design and construction information shall remain property of the Project Company until the ownership of such information is transferred to SAWS in accordance with the terms and conditions of this Water Transmission and Purchase Agreement. Any information provided or made available to SAWS with regards to this Section may be defined as confidential by the Project Company and SAWS agrees not to disclose such information as and to the extent provided under Section 26.13 (SAWS Confidentiality Obligations) of this Water Transmission and Purchase Agreement.

4.1.4 Document Review Protocol. No later than 30 days following the Financial Closing Date, the Project Company shall submit to SAWS a document review protocol (the "Document Review Protocol") which shall identify the key document review packages to be prepared by the Project Company, the expected information availability dates to SAWS and the expected dates for SAWS comments, which shall be reasonable and be based on and consistent with the Project Schedule. The Document Review Protocol shall stipulate that SAWS shall have at least 10 Business Days for review of each document package and provide related Material Issue Comments. The Document Review Protocol shall also require the Project Company to submit to SAWS for review and comment (but not approval) five hardcopies and one electronic copy of the final versions of the record drawings and specifications set forth in: (i) Section 4.6.2(a) (Record Drawings and Specifications) of this Appendix; and (ii) and the maintenance manuals and other information set forth in Section 4.6.2(b) (Maintenance Manuals) of this

Appendix. All other project records required pursuant to Section 4.6.2 (Project Records) of this Appendix, and all other reports, plans, drawings, submittals, and draft and final versions of documentation required to be provided or made available to SAWS may be submitted for review and comment (but not approval) electronically in an agreed upon format and in accordance with Section 1.2(X) (Delivery of Documents in Digital Format) of this Water Transmission and Purchase Agreement. The Document Review Protocol shall also require the Project Company to distribute the document submittals in the manner directed by SAWS.

4.2. PROJECT SCHEDULE

4.2.1 Initial Project Schedule. Attachment 4A (Preliminary Project Schedule) to this Appendix is the initial project schedule (the "Project Schedule"), which the parties have relied upon when entering into this Water Transmission and Purchase Agreement.

4.2.2 Baseline CPM Schedule. Within 45 days following the Financial Closing Date, the Project Company shall prepare a critical path method ("CPM") Project Schedule that is an accurate representation of the proposed means and methods for accomplishing the Construction Work and reflects the entire scope of the Construction Work as included in this Water Transmission and Purchase Agreement. This updated Project Schedule shall show the breakdown of Construction Work into activities and relationships to the extent required to effectively plan the Project, report work progress and analyze time impacts.

4.2.3 Project Schedule Updates. The Project Company shall, as required from time to time until the Commercial Operation Date, but no less than once per calendar month, update the Project Schedule so that it is at all times an accurate, reasonable and realistic representation of the Project Company's plans for the completion of the Construction Work in accordance with the requirements of this Water Transmission and Purchase Agreement. The updates shall include:

- (a) Adjustments resulting from Design Requirements Changes;
- (b) Property acquisition timeline;
- (c) As the design progresses, best estimates of:
 - (i) The start and completion dates for the major design phases; and
 - (ii) The commencement of construction of each heading;
- (d) The planned start and completion dates of the major activities of construction;
- (e) The planned start and completion dates for fabrication, testing and delivery of the Project and major equipment items; and
- (f) The estimated date on which Project construction completion is expected to occur.

The Project Company shall deliver to SAWS for review and comment (but not approval) an updated Project Schedule on a monthly basis to SAWS. Upon delivery, the updated Project Schedule shall replace the previously issued Project Schedule as the "Project Schedule" under this Water Transmission and Purchase Agreement.

4.3. PROJECT COMPANY DESIGN PROCESS

4.3.1 Phases Generally. The Project Company shall cause the EPC Contractor to undertake the design in progressive phases, with each phase capturing the information and detail provided in a previous phase.

4.3.2 Construction Drawings Phase. The construction drawings phase shall include construction documents consisting of drawings and specifications describing in detail the requirements for the construction of elements of the Project delivered to SAWS when the design of the Project is:

- (a) Approximately 50% complete or better ("Ready for Construction"); and
- (b) Final Documents (as defined below).

These construction documents shall be delivered to SAWS for review and comment (but not approval) in a timely way in advance of construction with sufficient detail as to permit SAWS to monitor compliance and to assess the design of that portion of the Project. At such time as all or a portion of the construction documents are finally complete (the "Final Documents"), the Project Company shall deliver the Final Documents to SAWS and the SAWS Engineer. SAWS and the SAWS Engineer shall review and comment on (but not approve) the Final Documents in accordance with the Document Review Protocol and this Appendix.

4.3.3 Documentation Generally. In each phase, the Project Company shall provide to SAWS the level of detail and documentation as required by Good Design and Construction Practice.

4.3.4 Conditions to Issuance of Construction Drawings. The Project Company shall only issue drawings and specifications for construction purposes which have been submitted to SAWS in accordance with the Document Review Protocol. Should SAWS provide comments at a time later than that set forth in the Document Review Protocol, the Project Company's obligation to respond to such SAWS comments shall be deemed to have been waived.

4.3.5 Document Control and Coordination. The Project Company shall ensure that all documentation made available to SAWS as part of the design process:

- (a) indicates the design phase to which it relates, and if it is a document from the construction drawings phase pursuant to Section 4.3.2 (Construction Drawings Phase) of this Appendix, whether such document is part of the Ready for Construction documents or the Final Documents; and
- (b) is provided in accordance with the Document Review Protocol.

4.4. SAWS DESIGN REVIEW

4.4.1 Identification of Design Requirements Changes. Any Design Requirements Change shall be submitted in accordance with Sections 5.7 (Project Company-Requested Design Requirements Changes) and 5.8 (SAWS-Requested Design Requirements Changes) of this Water Transmission and Purchase Agreement.

4.4.2 Time for Project Company Response. When necessary, SAWS may provide written Material Issue Comments in accordance with Section 4.1.2 (SAWS Review and Comment on Design Documents) of this Appendix. The Project Company shall provide a

written response to such Material Issue Comments within the time periods set forth in the Document Review Protocol.

4.4.3 Design Submittals During Construction. It is anticipated that there could be some redesign or design clarifications needed during construction and after the Final Documents are completed. This continuing design effort shall be subject to SAWS' review for compliance and consistency with the applicable Design Requirements in the same manner as set forth in this Appendix with respect to the Design Documents. Material design changes to a particular Final Document performed following the issuance of the Design Document for construction shall be issued under a Design Change Notice ("DCN") process that accurately tracks and documents changes to the design. Copies of all DCNs will be submitted to SAWS in a timely manner to allow review by SAWS and the ability to make Material Issue Comments in the same manner as set forth with respect to the Design Documents. If a DCN requires a material change from what was reflected in the applications for Governmental Approvals, the DCN must be approved by the appropriate Governmental Body if required by Applicable Law.

4.4.4 Role of SAWS Engineer. The Project Company shall fully cooperate with the SAWS Engineer in connection with the administration of the construction of the Project. The Project Company agrees that SAWS Engineer may: review and monitor construction progress and procedures; determine the completion of specified portions of the Project; review proposed changes to the Design Requirements; review plans, drawings and specifications of the Project for compliance with the Design Requirements; monitor the Performance Test undertaken by the Project Company and review the Project Company's certified test reports to determine whether the Acceptance Conditions have been satisfied; and perform in-plant observation of fabrication for all pipeline, valves, equipment, and appurtenances.

4.5. SAWS REVIEW DURING CONSTRUCTION

4.5.1 Construction Review Intent. In accordance with the terms and conditions of this Water Transmission and Purchase Agreement, SAWS will review construction activities and participate in construction progress meetings to verify compliance with this Water Transmission and Purchase Agreement, including the construction-related requirements specified in Appendix 3 (Technical Specifications). SAWS' review and involvement in construction activities is not intended to be a part of the Project Company's independent quality assurance process and shall not be viewed as an additional layer or integral part of the Construction Quality Management Plan.

4.6. CONSTRUCTION MEETINGS AND REPORTS

4.6.1 Construction Progress Meetings. From the time mobilization for construction commences through the Commercial Operation Date, for the purpose of facilitating the construction process, the Project Company shall schedule, hold, and facilitate construction progress meetings. SAWS shall have the right, but not the obligation, to attend such meetings.

4.6.2 Project Records. Notwithstanding any other provision of this Water Transmission and Purchase Agreement, the Project Company shall meet the following obligations:

- (a) Record Drawings and Specifications. The Project Company shall:
 - (i) throughout the Construction Period, update the Design Documents (with respect to the drawings, such update shall be in electronic format), including approved shop drawings that are available from the EPC

Contractor and Subcontractors, so as to produce accurate and complete record documents for the Project;

- (ii) as requested from time to time during the Construction Period, make available such record drawings and specifications to SAWS or the SAWS Engineer for review to permit SAWS to monitor the Project Company's compliance with the requirements of this Water Transmission and Purchase Agreement;
 - (iii) provide an electronic copy of the conformed, approved shop drawings; and
 - (iv) provide an electronic version and one hard copy of the completed, as-built record drawings and specifications to SAWS as a condition to Final Completion in accordance with Attachment 4B (SAWS Drawing Requirements) of this Appendix. All as-built information shall remain property of the Project Company until the ownership of such information is transferred to SAWS in accordance with the terms and conditions of this Water Transmission and Purchase Agreement. Any as-built information provided or made available to SAWS may be defined as confidential by the Project Company and SAWS agrees not to disclose such information as and to the extent provided under Section 26.13 (SAWS Confidentiality Obligations) of this Water Transmission and Purchase Agreement.
- (b) Maintenance Manuals. The Project Company shall make available all maintenance manuals, specifications, warranties and related information, in both written and electronic form, for all the equipment and systems that have been included in the Construction Work for review by SAWS.
 - (c) Design Records. The Project Company shall retain electronic records of the design development consistent with the record retention requirements of this Water Transmission and Purchase Agreement.
 - (d) Minutes of Meetings. The Project Company shall promulgate minutes of meetings between SAWS and the Project Company relating to the Construction Work, and shall make available such minutes to SAWS Representative for review and comment.
 - (e) Inspection Reports and Tests Results. The Project Company shall retain official reports and certified test records of all inspections and tests which were undertaken as part of the construction.
 - (f) Utility Plans. The Project Company shall retain utility plans for the Project.
 - (g) Copies of all Governmental Approvals. The Project Company shall retain copies of all Governmental Approvals for the construction and occupation of the Project.
 - (h) Signed Construction Quality Management Plan. The Project Company shall retain a signed copy of the Construction Quality Management Plan (as defined in Section 4.7 of this Appendix) for the construction and all records of the quality assurance program implemented as required by this Water Transmission and Purchase Agreement.

4.7. QUALITY MANAGEMENT

4.7.1 Quality of the Construction Work. The Project Company is solely responsible for the quality of the Construction Work and acknowledges that a comprehensive quality management system is critical for the proper and timely completion of the Construction Work. At all times during the Construction Period, the Project Company shall comply with the requirements set forth in the Construction Quality Management Plan and this Water Transmission and Purchase Agreement.

4.7.2 Construction Quality Management Plan. The development and implementation of the Construction Quality Management Plan shall be the responsibility of the Project Company. Within 45 days following the Financial Closing Date, the Project Company shall submit for SAWS review and comment (but not approval) its Construction Quality Management Plan that describes how QA/QC will be provided and managed for all design, permitting and construction activities and which shall include, but not be limited to, the following:

- (a) Design integration;
- (b) Interdisciplinary coordination;
- (c) Constructability reviews;
- (d) Cost impact analyses;
- (e) On-site equipment/materials protection; and
- (f) Quality assurance procedures, inspections and testing.

Revisions and updates to the Project Company's Construction Quality Management Plan may be proposed by the Project Company as the Construction Work progresses. Any such changes shall be provided to SAWS for review and comment (but not approval) prior to the start of the element of the Construction Work to which the revision applies.

4.7.3 Construction Quality Management Plan Objectives. The Construction Quality Management Plan, including QA and QC, shall be consistent with and support the following overall quality objectives:

- (a) Ensure that the permitting, design, and construction of the Project are consistent with this Water Transmission and Purchase Agreement and the Contract Standards.
- (b) Provide for high-quality workmanship.
- (c) Integrate and coordinate permit specialists, environmental scientists, designers, engineers, construction contractors, and operators into all review phases of the Construction Work.
- (d) Develop systems to ensure that problems are discovered early, resolved in a timely manner, and do not recur.
- (e) Provide independent (non-production) oversight equipped with adequate resources to ensure that quality is not compromised by production goals. During the permitting and design phase, independent oversight is defined as having QA/QC personnel separate from and independent of the design

production team on whose work QA/QC functions are being performed. During the construction phase, the lead engineering personnel involved in making design decisions shall remain involved (including receiving periodic updates on the progress of the construction and making site visits during key points in the construction related to their respective design expertise) to ensure quality assurance.

- (f) Ensure implementation of the QA/QC functions by the use of specified procedures and audit functions.

4.7.4 Quality Review by SAWS. SAWS may, at its discretion, perform its own audits of the Construction Quality Management Plan and for that purpose the Project Company shall make available for review by SAWS, upon request from SAWS, all material records relating to the Construction Quality Management Plan.

4.8. ENVIRONMENTAL REVIEW AND PROTECTION

4.8.1 Compliance With Governmental Approvals. The Project Company shall be solely responsible for developing and complying with all applicable environmental mitigation and management measures required by the Governmental Approvals during the performance of the Construction Work.

4.8.2 Hazardous Substances Management Program. The Project Company shall develop and maintain a written Hazardous Substances management program that includes as a minimum, but is not limited to, the requirements specified in this Section 4.8 (Environmental Review and Protection) (the "Hazardous Substance Management Program"). A copy of the Hazardous Substance Management Program shall be submitted to SAWS. Accidental spills, site contamination, and injury of personnel shall be avoided. SAWS shall notify the Project Company of suspected violations. Any fines that may be levied against SAWS for violations relating to Hazardous Substances connected to the Project shall be reimbursed immediately by the Project Company. All documents required by the Hazardous Substances Management Program shall be made available to SAWS immediately upon request.

4.8.3 Project Company Hazardous Substances. Any Hazardous Substances related to the Project shall be the responsibility of the Project Company. To the extent required by Applicable Law, the Project Company shall ensure that an EPA identification number is obtained for all Project Company Hazardous Substances, listing the Project Company's name and Project construction office address as the generator of the Project Company Hazardous Substance. To the extent required by Applicable Law, the Project Company shall be responsible for the identification, analysis, profiling, documentation, reporting, transport and disposal of such Hazardous Substances.

4.8.4 Emergency/Spill Response Plan. The Project Company shall develop an Emergency/Spill Response Plan ("Response Plan"), for each Hazardous Substance or class/group of Hazardous Substances either known to be on the Project Sites or intended to be brought to the Project Sites by the Project Company. As a minimum, the Response Plan must address the following:

- (a) Provide a description of on-site equipment used to segregate and contain Hazardous Substances and available to respond to an emergency/spill of the Hazardous Substance;
- (b) Notification procedures, including notification to potentially impacted residents and businesses adjacent to the Project;

- (c) Response coordination procedures between the Project Company and SAWS;
- (d) Provide a Project Sites plan identifying the location of stored Hazardous Substances and location spill containment/response equipment;
- (e) Provide a description of the Hazardous Substances handling and spill response training provided to employees of the Project Company, the EPC Contractor and Subcontractors; and
- (f) Provide a description of arrangements with Hazardous Substance and spill response contractors and their response times.

PART B: COMMISSIONING

4.9. PROJECT COMMISSIONING

4.9.1 General Commissioning Plan Requirements. The Project Company shall prepare a commissioning plan which shall provide a protocol for the conduct of all Project start-up and commissioning activities consistent with this Section (the "Commissioning Plan"). As set forth in Section 8.1(B) (Commissioning Plan) of this Water Transmission and Purchase Agreement, the Project Company shall prepare and submit to SAWS for its approval the Commissioning Plan no later than 60 days prior to the anticipated commencement of commissioning of the Project for review and comment by SAWS. Within 30 days after SAWS' receipt of the Commissioning Plan, SAWS shall provide written notice to the Project Company either acknowledging that the Commissioning Plan is acceptable to SAWS or specifying the deficiencies therein. The content of the Commissioning Plan shall be consistent with the terms and provisions of this Water Transmission and Purchase Agreement. All commissioning activities shall be performed in compliance with all Applicable Laws, Governmental Approvals, equipment manufacturer warranties and guidelines, the Electronic Operation and Maintenance Manual, Good Design and Construction Practice, and Good Management Practice.

4.9.2 Commissioning Plan Content. The Commissioning Plan shall be a comprehensive plan organized into separate sections addressing overall Project start-up and commissioning procedures and practices, all equipment and each unit operation, all auxiliary Project equipment and systems, and the Project Company's management, documentation, and oversight of the start-up and commissioning process. At a minimum, the Project Company's Commissioning Plan shall include the following:

- (a) A start-up and commissioning overview with a complete description of start-up and commissioning activities.
- (b) The list of prerequisites required for commencing commissioning.
- (c) A critical path method ("CPM") commissioning schedule that sequences all commissioning activities required to achieve Substantial Completion. The commissioning schedule shall incorporate logic to properly sequence activities with precedents and constraints including, but not limited to, Governmental Approvals such that the schedule addresses dry and wet testing, verification of equipment readiness for service, instrumentation and controls calibration, local control and SCADA functionality, and all other steps consistent with Good Design and Construction Practice, Good Management Practice, and all equipment manufacturers' guidelines and equipment warranty provisions. The commissioning schedule shall also indicate any activities on the critical path that require SAWS actions.

- (d) A description of the Project Company's process for assuring orderly transitions between its construction, start-up, commissioning activities and the Performance Test, and the Operating Period.
- (e) An organizational chart for the Project Company's start-up and commissioning team and a description stating the responsibilities and the level of authority of each Project Company representative in the organizational chart.
- (f) The QA/QC procedures for oversight by the EPC Contractor's QA/QC staff to assure adherence to the requirements of the Commissioning Plan and the procedures for deficiency correction and tracking/documentation of such corrections.
- (g) A description of the procedures the Project Company proposes for inspecting equipment prior to and during functional testing and for developing the Punch List.
- (h) The procedures and staffing planned that Project Company intends to use for disinfecting the Project and obtaining all regulatory clearances necessary for starting-up the Project and producing Product Water;
- (i) A description of the systems or components of the Project that will be started up as unit processes or sub-process and the sequence in which they will be started up.
- (j) A description of the sequence of start-up and commissioning activities the Project Company intends to conduct including the functional testing of individual control loops and unit processes, equipment, generator systems, SCADA demonstrations, and CMMS demonstrations.
- (k) A description of the dry testing of the Project, which shall include ensuring proper electrical installation, mechanical installation, valve operation, pump operational readiness, instrumentation calibration and performance, complete and calibrated electronic signals, and control hardware installation. Initial performance during dry testing shall be logged on data sheets maintained by the Project Company and available for review by SAWS.
- (l) A description of the wet testing of the Project, which shall include ensuring proper air venting, flushing of all lines and pressure vessels, chlorinating lines and tanks (as appropriate), running water through all systems, control loop check, adjustment and tuning, ensuring proper communications between systems and SCADA, ensuring SCADA system coordinates all systems according to Operating and Maintenance Standards, testing SCADA alarms, starting and testing chemical feed systems, loading cartridge filters.
- (m) A description of the approach for coordination with SAWS to facilitate necessary testing, adjustment and calibration of SAWS' chemical feed and flow control systems at the SAWS Portion of the Transmission Pipeline Terminus Site.
- (n) A list of all Governmental Approvals required for functional testing and for Performance Testing and the tracking mechanism the Project Company proposes to use to confirm that the Project Company has obtained all such Governmental Approvals prior to commencing the functional testing and Performance Testing activities for which such Governmental Approvals are required.

- (o) A description of the approach for management of Project generated wastewaters confirming that all wastewater created during start-up and commissioning activities can be disposed of in a manner consistent with the provisions of all Governmental Approvals.
- (p) A list of all controls system set points and alarms required for operating the Project and for equipment protection. The Project Company shall maintain the list as a controlled document throughout the Construction Period.
- (q) A description of the procedure the company will follow for making corrections to its Electronic Operation and Maintenance Manual.
- (r) A Flushing Plan, as further described in Section 4.9.3 (Flushing Plan) of this Appendix.

4.9.3 Flushing Plan. The Project Company shall prepare a flushing plan which shall provide a protocol for the conduct of all Project flushing, including flushing points, volumes to be flushed, drainage ways, identification of potentially affected parties and mitigation plans and procedures (the "Flushing Plan"). The Project Company shall prepare and submit to SAWS for its approval the Flushing Plan as part of the Commissioning Plan. The content of the Flushing Plan shall be consistent with the terms and provisions of this Water Transmission and Purchase Agreement. All flushing activities shall be performed in compliance with all Applicable Laws, Governmental Approvals, equipment manufacturer warranties and guidelines, the Electronic Operation and Maintenance Manual, Good Design and Construction Practice, and Good Management Practice.

4.9.4 Start-up Prerequisites. The Project Company shall complete the following prerequisites prior to commencing start-up:

- (a) Commissioning Plan. The Project Company has prepared and forwarded a copy of the Commissioning Plan to SAWS and received SAWS' approval for the plan in accordance with Section 8.1(B) (Commissioning Plan) of this Water Transmission and Purchase Agreement.
- (b) Flushing Plan. The Project Company has prepared and forwarded a copy of the Flushing Plan to SAWS and received SAWS' approval for the plan in accordance with subsection 4.9.3 (Flushing Plan) of this Appendix.
- (c) Instrument Calibration. The Project Company has completed instrument calibration activities required to assure Project instrumentation provides readings accurate within manufacturer's tolerances only as applicable to the systems and subsystems commissioned. Upon request by SAWS, the Project Company shall produce documentation verifying the completion of such activities.
- (d) SCADA. The Project Company has completed SCADA programming and testing necessary for operating the Project in both automatic mode and manual mode and a fully functional fiber optic link to SAWS' SCADA system has been established. Upon request, the Project Company shall deliver to SAWS verification that SCADA testing has been completed.
- (e) Operation and Maintenance Staff Training. The Project Company completed all operation and maintenance staff training on equipment operations and maintenance provided on-site by the equipment manufacturers or suppliers

sufficient to start-up the Project in accordance with Good Industry Practices and provided documentation to SAWS, if requested, certifying all such training has been completed.

- (f) Electronic Operation and Maintenance Manual. The Project Company completed the draft Electronic Operation and Maintenance Manual and obtained SAWS' comments in accordance with Section 9.5 (Electronic Operation and Maintenance Manual) of this Water Transmission and Purchase Agreement.
- (g) Operating Protocol. The Project Company and SAWS have jointly developed the Operating Protocol in accordance with this Water Transmission and Purchase Agreement.
- (h) Governmental Approvals. The Project Company obtained all Governmental Approvals required for commencing Performance Testing.

4.9.5 Coordination Meetings. The Project Company shall meet with SAWS and the SAWS Engineer on a regularly scheduled basis to review status of its commissioning activities; to coordinate with SAWS for activities related to system walk-downs with the EPC Contractor and the development of a Punch List; witnessing equipment functional and operability demonstrations; and to address any other relevant issues. The Commissioning Plan shall define the frequency of all commissioning activity coordination meetings.

4.9.6 Documentation. All documentation verifying start-up and commissioning activities shall incorporate checklists which are signed and dated by an authorized representative of the EPC Contractor's staff confirming the accuracy of the information on each checklist. An authorized representative of the EPC Contractor's staff shall also review and sign and date all such documentation prior to its review by SAWS, or if required, prior to transmittal to SAWS, thus indicating that the information in the checklist has been incorporated into the commissioning records. The Project Company shall submit an electronic copy of such documentation to SAWS. The electronic copies shall be searchable documents supplied in Adobe Acrobat electronic format or other format acceptable to SAWS.

4.9.7 Commissioning Manager. The Project Company shall designate a manager who shall be responsible for directing all Substantial Completion Procedures and who shall attend all Project meetings related to construction completion or Substantial Completion Procedures (the "Commissioning Manager"). The direction of all start-up, Substantial Completion Procedures, and Performance Tests shall be the Commissioning Manager's primary duty. The Project Company shall assure that the Commissioning Manager has sufficient authority to direct start-up and the Substantial Completion Procedures. The Commissioning Manager shall be a Key Individual and the Project Company's sole representative responsible to schedule Substantial Completion Procedures with SAWS.

4.9.8 Project Company Responsibilities. The Project Company shall be responsible for all items that pertain to start-up, commissioning and testing. Overall, the start-up, commissioning and testing decision-making shall be based on the following key objectives:

- (a) Protection of the health and welfare of the public;
- (b) Protection of the health and safety of the Operating Service Provider staff;
- (c) Preservation of the long-term reliability of the Project for supplying potable water;

- (d) Protection and preservation of all Project facilities;
- (e) Protection of the environment;
- (f) Compliance with Applicable Law;
- (g) Maximizing the efficiency of commissioning activities of the Project Company and SAWS staff and representatives;
- (h) Achieving Acceptance by the Commercial Operation Date; and
- (i) Assure that the staff of the Operating Service Provider is competent to perform the operation and maintenance requirements for the Project before Performance Testing commences.

PART C: SUBSTANTIAL COMPLETION

4.10. SUBSTANTIAL COMPLETION PROCEDURES

4.10.1 Substantial Completion Procedures Generally. The intent of the Substantial Completion Procedures (as defined below) are to demonstrate that the installed facilities, systems, subsystems, related equipment, and the Project as a whole are ready to perform in accordance with the requirements of this Water Transmission and Purchase Agreement and Design Requirements. The procedures described in this Appendix for determining when the Project Company has achieved Substantial Completion (the "Substantial Completion Procedures") include pre-commissioning, verification of start-up readiness, Governmental Approval compliance, functionality of individual Project subsystems, testing the back-up power capabilities of the Project and Project commissioning. During the implementation of the Substantial Completion Procedures, the Project Company shall carry out various inspections and pre-performance test activities, the scope and extent of which tests are outlined in this Appendix. Each system, subsystem or facility identified in this Section shall be successfully demonstrated to have the capability to operate both individually, and as a part of the integrated Project.

4.10.2 Performance Testing. The purpose of Performance Testing is to demonstrate that the Project meets all performance requirements set forth in this Water Transmission and Purchase Agreement. This Appendix and Appendix 5 (Performance Test Procedures and Standards) set forth the requirements for the Performance Test of the Project required pursuant to Section 8.3 (Performance Testing) of this Water Transmission and Purchase Agreement.

4.10.3 Construction Testing. To confirm compliance with the Technical Specifications, the Project Company shall submit certified reports. The certified reports shall be from the appropriate certifying entity demonstrating that construction meets the Technical Specifications and has satisfactorily passed relevant testing. For general construction, the reports will be submitted by a professional engineer. For valves and pumps and similar equipment, the certifications shall be factory certifications. Specifically the tests listed in Sections 4.10.4, 4.10.5 and 4.10.6 of this Appendix, and others as required by selection of material, will be conducted and certified reports submitted by the Project Company to SAWS.

4.10.4 Water Main Testing and Documentation Requirements.

- (a) PIPE LEAK TEST RECORD, i.e. Hydrostatic Test (FN027-4) (Form 10).

- (b) PIPE COATING TESTS for Steel Pipes – Provide reports from testing agency that demonstrate no holidays and repair of holidays.
- (c) CATHODIC PROTECTION TESTS – Provide reports signed by Cathodic Protection Engineer.
- (d) WELD TESTS – Provide reports signed by Certified Welder for full penetration exterior welds.
- (e) DENSITY TESTS – Sand Cone Tests for Gravel & Density test on secondary backfill confirming 95% compaction level. Provide geotechnical lab test reports.
- (f) DEFLECTION TESTS – Provide test reports signed by the construction observer/inspector and contractor or televising reports and approval and signed by an engineer if used in lieu of deflection tests.
- (g) VERIFY JOINT RESTRAINT SYSTEM – Follow manufacturer’s recommendation – consider valves to be closed.
- (h) VERIFY ALL VALVES OPERATE PROPERLY – either through operation and visual operation after installation or factory certification.
- (i) RIVER CROSSING – Provide scour analysis report and certification that the pipe was installed at the appropriate depth.

4.10.5 Production Well Testing and Documentation Requirements. Where appropriate, certification can be made by a professional geologist for well testing.

(a) General Information:

- Copy of Sanitary Control Easements filed w/County Courthouse
- Construction Data –
 - Well location information per TCEQ requirements
 - casing information (diameter, thickness, length, material type)
 - casing alignment information & surveys
 - screen type, length, slot size, and location of screened intervals
 - cementing information & class of cement
 - gravel pack size, length of gravel pack & location, under ream information
 - geophysical logs (hardcopies & electronic format)
 - color video of final completed well (from surface to total depth)
 - copy of drillers log
- Copy of State of Texas Water Well Report

(b) Hydrologic Testing:

- 36 Hour Pump Test - TCEQ 290.41 (c)(3)(A) & (G) (Aquifer parameters)
- Storativity
- Drawdown
- Specific Capacity of each well

4.10.6 Facilities Testing and Documentation Requirements.

(a) GENERAL:

- Site Environmental and Archaeological/Historical Assessments
- Reports of Explorations & Tests of Subsurface Conditions at the Project Sites
- Manifests for the Removal of Hazardous Materials (where applicable)
- Signed and sealed Vendors Certificates, Test Reports & Shop Drawings
- Backflow Prevention Reports (where applicable)

(b) DIVISION 1 – GENERAL PROVISIONS:

Section 01400 International Building Code Special Inspections:

- Certificate of Structural Statement of Special Inspections for buildings signed by Structural Engineer of Record and/or Design Professional in Responsible Charge
- Steel Construction Special Inspection Reports for miscellaneous structural steel, steel joist and metal deck
- Concrete Construction Special Inspection Report for cast-in-place concrete
- Masonry Construction Special Inspection Report for load bearing and reinforced concrete masonry construction
- Soils Special Inspection Report for structural and compacted fill for shallow footings and slabs-on-grade

Section 01640 Manufacturer Field Services:

- Manufacturer's Certificate of Proper Installation Form signed by an authorized representative
- Certificate of Successful Equipment Testing signed by an authorized Manufacturer's representative and Contractor's representative witnessing the test
- System Start Up Testing Form

(c) DIVISION 2 – SITE WORK:

Section 02200 Excavation, Backfill and Compaction:

- Subgrade soil compaction test
- Compaction tests under proposed structures

Section 02220 Structural Excavation Fill and Backfill:

- Test results of materials reused onsite
- Test results for "select materials" brought onsite

Section 02510 Buried Steel Pipe and Fittings epoxy lined and polyurethane coated:

- Welder's certificates
- Field Weld Test results
- Coatings system test results
- Lining system factory test results

Section 02675 Disinfection of Potable Water Facilities:

- Test results for bacteriological samples
- Test results for disinfection

(d) DIVISION 3 – CONCRETE:

Section 03200 - Concrete Reinforcement:

- Rebar Mill Test certificates

Section 03300 - Cast-in-Place Concrete:

- Slump tests
- Air content tests
- Temperature tests
- Strength test results

Section 03400 Flowable Fill:

- Permeability test
- Subsidence test
- Strength test
- Fluidity test

Section 03600 – Grout:

- Strength test results
- Field Control Test Results (when required)

(e) DIVISION 4 – MASONRY:

Section 04200 Building Masonry:

- Mortar Test Results
- Grout Strength Tests
- Field Control Test Results (when required)

(f) DIVISION 5 – METALS:

Section 05120 - Structural Steel

- Nondestructive test results

Section 05500 – Structural and Misc. Metals:

- Bolts & Washers Test Ratings
- Stainless Steel 24 hour Water Test Results

Section 05501 - Anchor Bolts, Expansion Anchors and Concrete Inserts:

- Certificates.

(g) DIVISION 7 - THERMAL AND MOISTURE PROTECTION (not used)

(h) DIVISION 9 – FINISHES:

Section 9820 Pre-stressed Concrete Tanking Coating:

- Coating Samples

Section 09900 – Painting:

- Coating Test Results

Section 09940 – Protective Coatings:

- Coating Test Results

(i) DIVISION 10 – SPECIALTIES:

Section 10520 - Fire-Protection Specialties

- Performance Test Results

- Witnessed Test Results
- Flow Test Results
- Test Certificates

(j) DIVISION 11 – EQUIPMENT:

Section 11100 Horizontal Split Case Pumps:

- Pump Submittal Data Sheet
- Motor Submittal Data Sheet
- Witnessed/Unwitnessed Factory test results
 - Test results shall show no minus tolerance or margin with respect to capacity, total head or guaranteed efficiency at the specified conditions. Pumps shall have a continuous down slope in the head-capacity curve. Pumps shall be within the following plus tolerance:
 - 1) At rated head: +10% of rated capacity
 - 2) At rated capacity: +5% of rated head
 - 3) Provide certified copy of all test data and test curves for the pump
 - CERTIFIED TEST REPORTS – Submit the following certified test reports for the pump:
 - 1) Provide CTR for pump factory performance tests
 - 2) Provide CTR for metallurgical analysis of castings
 - 3) Provide CTR for stress relieving of components
 - 4) Provide CTR for pump casing hydrostatic tests
 - 5) Provide CTR (with EIR) for pump field tests
- Field test results.
 1. Mounting and Alignment. The pump and motor shall be aligned using laser alignment
 2. Vibration Test
 3. Noise Test
- Testing Log
- Functional test results
- Performance test results
- Operational test results
- O&M Manuals

Section 11200 Vertical Sump Pumps:

- Pump Submittal Data Sheet
- Motor Submittal Data Sheet
- Witnessed/Unwitnessed Factory test results
- Field test results
- Testing Log
- Functional test results
- Performance test results
- Operational test results
- O&M Manuals

Section 11220 Vertical Turbine Pumps:

- Pump Submittal Data Sheet
- Motor Submittal Data Sheet
- Witnessed/Unwitnessed Factory test results
- Field test results

- Testing Log
- Functional test results
- Performance test results
- Operational test results
- O&M Manuals

Section 11300 Control Valves:

- Manufacturer's Certificate of Proper Installation
- Certificate of Successful Equipment Testing
- Start Up Testing Form

Section 11400 Flow Meters:

- Manufacturer's Certificate of Proper Installation
- Certificate of Successful Equipment Testing
- Start Up Testing Form

(k) DIVISION 13 – SPECIAL CONSTRUCTION:

Section 13122 Chemical Tank Cover Structures:

- Manufacturer test results
- Certifications
- Test of Wind-Uplift Resistance of Roof Assembly Results
- Canopy Leak - Field Test Results

Section 13000 Wrapped Pre-stressed Concrete Tank:

- Leak Test Results
- Disinfection Test Results

Section 13110 – Cathodic Protection System:

- System testing results

(l) DIVISION 14 – CONVEYING SYSTEMS (not used)

(m) DIVISION 15 – MECHANICAL:

Section 15002 - Field Testing of Piping Systems:

- Hydrostatic Test Results for pressure line
- Leak test results

Section 15064 - Steel Pipe and Fittings:

- Hydrostatic Test Results
- Factory Test Results for steel
- Weld Test Results demonstrating full penetration weld
- Welder's Certifications

Section 15102, 15103, 15104, 15107, 15108 – Valves:

- Factory Test Results
- Leak Test Results

Section 15500 - HVAC – General Provisions:

- Shop Test Results for AC Units, Heating Equipment, Refrigeration Systems, DX Air Handling Units, Fans, Ductwork and Accessories, and Controls

- Field Test Results for AC Units, Heating Equipment, Refrigeration Systems, DX Air Handling Units, Fans, Ductwork and Accessories, and Controls
- Indoor / Outdoor Coil Pressure Test Results
- HVAC Balancing Report

(n) DIVISION 16 – ELECTRICAL:

Section 16060 – Electrical Testing:

- Independent Third Party Testing Reports
- In accordance with National Electrical Testing Association – Standard for Acceptance Testing Specifications (NETA-ATS) for *Electrical Power Equipment and Systems*, ANSI/NFPA 70, NFPA70E, ANSI C2, IEEE 1584 and Manufacturer’s recommendations
- Power System Study Report

(o) DIVISION 17 – INSTRUMENTATION:

Section 17000 - Instrumentation – General Provisions:

- System Test Results for Field Instruments, Panel Mounted Equipment, Control Loops, Input/Outputs, Programmable Logic Controllers, Communications Interface Equipment, etc.
- Unwitnessed Factory Test (UFT) Results
- System Integration Test (SIT) Results
- Factory Acceptance Test (FAT) Results
- Operational Readiness Test (ORT) Results
- Functional Demonstration Test (FDT) Results
- 30-Day Site Acceptance Test (SAT) Results
- Radio Path Study Results for Communications

4.10.7 Observation of Substantial Completion Procedures. SAWS reserves the right to observe and inspect the Substantial Completion Procedures. The Project Company shall provide at least five days’ notice to SAWS prior to commencement of any Substantial Completion Procedure. The Project Company shall also ensure that each equipment manufacturer representative that is required to witness such Substantial Completion Procedures is present.

4.10.8 Subcontractors Required During Substantial Completion Procedures. Prior to the commencement of any Substantial Completion Procedure, the Project Company will identify all Subcontractors needed during such Substantial Completion Procedure, and define their roles.

4.10.9 Substantial Completion Protocol. As part of the Commissioning Plan required to be prepared and submitted by the Project Company pursuant to subsection 4.9.1 (General Commissioning Plan Requirements) of this Appendix and subsection 8.1(B) (Commissioning Plan) of this Water Transmission and Purchase Agreement, the Project Company shall also prepare and submit a protocol for the conduct of the Substantial Completion Procedures pursuant to this Appendix (the “Substantial Completion Protocol”). The Substantial Completion Protocol shall identify the key Substantial Completion Procedures to be performed and the expected date of such performance as well as expected submittal dates to SAWS related to the Substantial Completion Procedures and the expected dates for SAWS responses, which shall be reasonable and be based on and consistent with the Project Schedule. The content of the Substantial Completion Protocol shall be consistent with the terms and provisions of this Water Transmission and Purchase Agreement. All Substantial Completion

Procedures shall be performed in compliance with all Applicable Laws, Governmental Approvals, equipment manufacturer warranties and guidelines, the Electronic Operation and Maintenance Manual, Good Design and Construction Practice, and Good Management Practice.

4.11. SUBSTANTIAL COMPLETION PROCEDURE REQUIREMENTS AND COMPONENTS

4.11.1 General Information. To meet the requirements of Substantial Completion, the Project Company is required to demonstrate that all key Project equipment, processes, systems, subsystems and the Project as a whole function in accordance with the Contract Standards, equipment warranty provisions, all Applicable Laws and Governmental Approvals.

4.11.2 Process and Equipment Performance Requirements. During the Substantial Completion Procedures, the following, at a minimum, shall be demonstrated with respect to all of the tested Project systems and subsystems:

- (a) All pumps operate through their specified design range, and are verified for proper rotation, speed, flow rate, pressure and design point;
- (b) Project systems and subsystems meet the requirements of the Contract Standards and are installed as designed;
- (c) All required automatic, manual control and remote control features are provided and operable;
- (d) All required valves, water quality sensors and analyzers, pressure and flow sensors, liquid level sensors, indicators, alarms, signals, leak detectors, monitors, controls, field devices and panel devices, are provided, correctly installed, calibrated and operable over their full range;
- (e) All required inlet, outlet, sensor taps, and drain connections are included and operable;
- (f) All required liquid dosing metering pumps, accessories, appurtenances, and injection systems, are provided, installed and operable over the full turn down range, for each chemical;
- (g) The Project functions as designed upon loss of power, loss of control system, manual start-up and shutdown, and automatic shutdown;
- (h) Software and hardware operational interlocks and startup, shutdown, control loop functions, and proper sequencing within all programmable logic controllers, HMIs, SCADA and other control locations are fully functional; and
- (i) All equipment manufacturer's equipment warranty, start-up and operating instructions draft standard operating procedures for system or subsystem start-up, operation and shut down are available on-site.

In addition, the Project Company shall demonstrate a complete Project start-up and shutdown cycle.

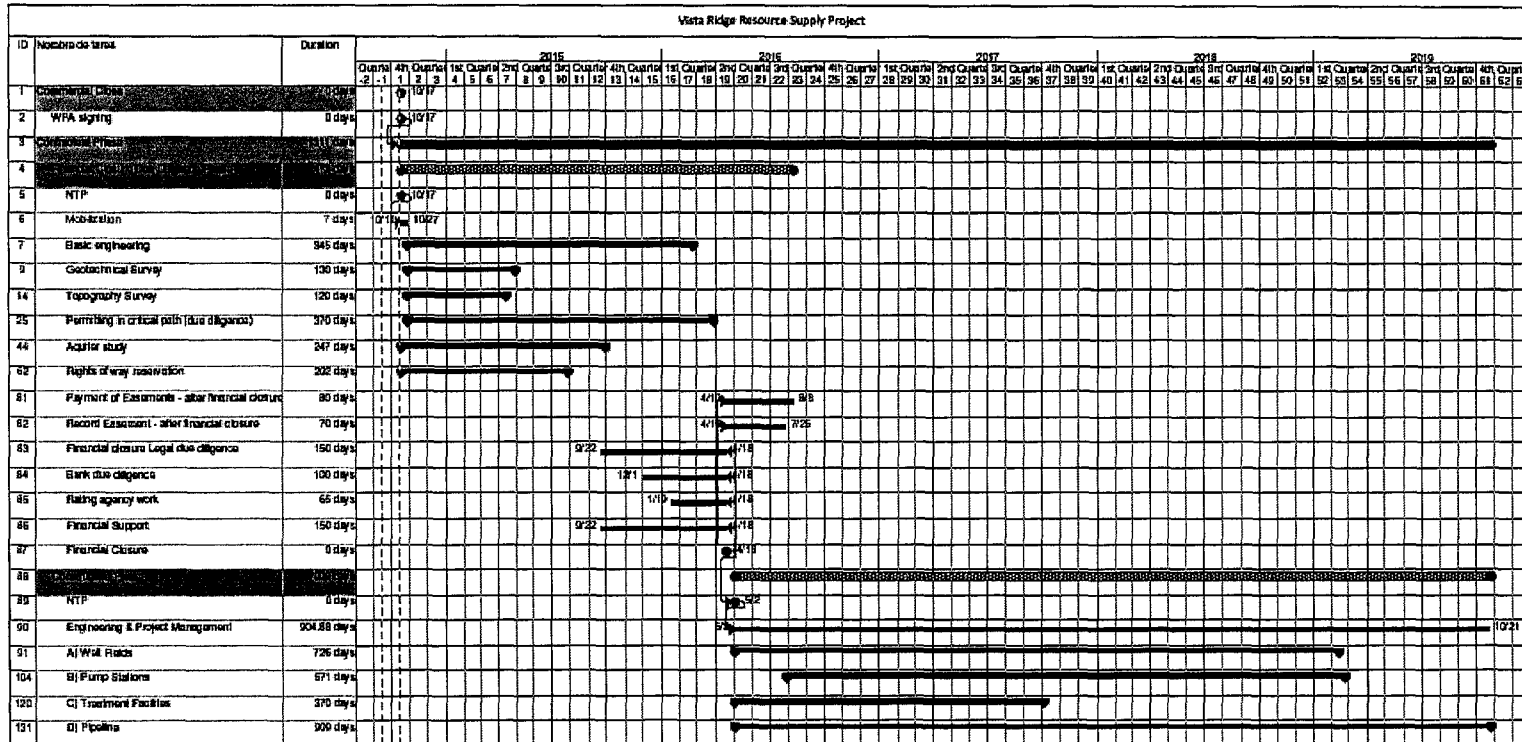
4.12. SUBSTANTIAL COMPLETION PROCEDURES REPORT

4.12.1 Substantial Completion Procedures Report Requirements. Upon completion of operational preparedness, and as a condition of Substantial Completion, the Project Company

will prepare and submit five copies of the Substantial Completion Procedures report which shall comply with the requirements set forth in this Section and Section 8.1(C) (Substantial Completion Procedures Report) of this Water Transmission and Purchase Agreement (the "Substantial Completion Procedures Report").

4.12.2 Substantial Completion Procedures Report Contents. The Substantial Completion Procedures Report will include a signed and sealed certification by a State registered professional engineer with thorough and appropriate knowledge of the Project Company's start-up and commissioning activities and signed by a duly authorized officer of the EPC Contractor attesting to the facts that the Project has achieved Substantial Completion including that: (i) all equipment has been properly installed correctly and the applicable equipment manufacturers' post-installation inspection certifications for major equipment are available; (ii) all dry, wet, and functional testing has been satisfactorily completed; (iii) all pre-operational checks are complete, including, but not limited to, flushing and pressure testing piping, tanks, and other such components; (iv) checking automated valve operations, rotating equipment has been properly balanced and vibrations are within manufacturer's Good Design and Construction Practice; (v) motor rotational direction has been confirmed; (vi) electrical insulation integrity has been confirmed; (vii) all electric over/under voltage or amperage protective equipment is appropriately programmed, calibrated or set; (viii) all instrumentation, valves, metering pumps, and chemical dosing systems have been calibrated (as applicable); (ix) local and remote instrumentation and SCADA readings are consistent; (x) appropriate instrumentation and control set points have been established and hard-wired; (xi) SCADA equipment protective devices function properly; (xii) local and manual equipment controls are fully functional; (xiii) SCADA control system logic functions have been tested, and are fail safe, and function as intended; (xiv) an alarm and set point register has been established documenting all alarm and controls set points; (xv) all equipment is ready for service in accordance with Good Design and Construction Practice, Good Management Practice, and all equipment manufacturer's guidelines and no equipment warranty provisions have been voided; (xvi) all wet testing of the Project has been completed successfully; (xvii) the Operating Service Provider staff have available to them, on-site, all required equipment manufacturers' documentation, including but not limited to operation and maintenance manuals, equipment manufacturers' equipment manuals and copies of applicable equipment warranties; (xviii) all orientation, classroom and field training necessary to be provided to the Operating Service Provider has been conducted and such staff is competent to operate the Project; and (xix) all Governmental Approvals necessary for subsequent commissioning activities have been received prior to conducting such commissioning steps.

**ATTACHMENT 4A
 PRELIMINARY PROJECT SCHEDULE**



ATTACHMENT 4B
SAWS DRAWING REQUIREMENTS

This Attachment sets forth the requirements with which the as-built construction record drawings delivered by the Project Company shall comply as noted in Section 4.6.2(a)(iv) of this Appendix.

4B.1 RECORD DRAWINGS PREPARATION

4B.1.3 Discussion. Record drawings are a complete set of drawings for a facility reflecting the best understanding of what was constructed or modified. During construction or modification of a facility, a record of the construction of the facility is marked in red on a set of the construction drawing blueprints (that is, a master set of contract redline drawings). Following construction, the master set of contract redline drawings is incorporated into the construction drawings and finalized as record drawings. The record drawings will then be forwarded to SAWS and, to the extent permitted under Applicable Law based on the ownership of such record drawings by the Project Company prior to transfer of their ownership to SAWS in accordance with the terms and conditions of this Water Transmission and Purchase Agreement, SAWS will incorporate such record drawings into SAWS' archive construction drawing inventory. Any record drawings provided or made available to SAWS may be defined as confidential by the Project Company and SAWS agrees not to disclose such information as and to the extent provided under Section 26.13 (SAWS Confidentiality Obligations) of this Water Transmission and Purchase Agreement.

4B.1.4 Procedure. Procedures for preparation and future updates of record drawings are as follows:

- (a) *Record Drawing Preparation*. The record drawings shall be prepared as follows:
 - (i) Original AutoCAD addendum/conformed CAD drawing files shall be updated to prepare record drawings.
 - (ii) Before preparation of the record drawings, the master set of contract redline drawings shall be reviewed by the Project Company to ensure the master set of contract redline drawings represent accurately what was constructed.
 - (iii) Line work for profiles, plans, details, and other elements that require modifications shall be erased on the original CAD drawing files and drafted according to the master redline drawings developed during construction. All lettering, line patterns, and weights required to revise the original CAD drawings shall match those shown on the existing original CAD drawings. Revisions to the drawings shall be bubble outlined to highlight the revised areas on each drawing. The bubbled outline shall also contain a small triangle with a corresponding revision number as shown in the revision block.
 - (iv) Notes shall be added on the plan and profile sheets identifying the stations and the type of materials (for example, sand, concrete, or gravel) used for backfill in the pipe zone. Additional information to be noted on the record drawings includes, but is not limited to:

- (a) locations of over excavation; give approximate dimensions and materials;
 - (b) dewatering well heads/casing left in place;
 - (c) zones where groundwater was encountered; estimate seepage rate and elevation;
 - (d) trench conditions that deviate from the originally assumed conditions; give trench width, failures, approximate dimensions of backfill, and type of material;
 - (e) soil description of trench sidewalls;
 - (f) soil stabilization treatments left in place, such as piles and bracing;
 - (g) location of any shoring left in place, such as soldier beams and tunnel supports; and
 - (h) utility relocations.
- (v) The information in item (iv) and any other unusual conditions are to be recorded in the construction daily reports and transferred to the drawings during the preparation of the record drawings.
- (vi) The Project Company is responsible for ensuring all revised CAD drawing files have the appropriate signatures and registered professional engineer's seal as provided on the original CAD drawings to the extent required pursuant to Applicable Law.
- (vii) SAWS has the right to review and approve the record drawings for consistency with the Contract Standards.
- (viii) If construction management services are not performed by the Project Company's Design Engineer, then the Construction Manager's registered professional engineer's stamp is required on the record drawings for construction revisions/record drawing purposes only.
- (ix) The Project Company shall include GPS coordinates for all installed improvements in the Record Drawings. GPS coordinates must be listed using the NAD 83 Texas South Central FIPS Zone: 4204 Feet coordinate system.
- (b) *Annual Update of Record Drawings.* In accordance with subsection 9.10(D) (Annual Update of Record Drawings and Documents) of this Water Transmission and Purchase Agreement, the Project Company shall deliver to SAWS an annual update of record drawing in accordance with the Contract Standards. SAWS shall review and approve all updates for consistency with the Contract Standards. Revisions to the drawing shall be bubble outlined to highlight the revised areas on each drawing. The bubbled outline shall also contain a small triangle with the next succeeding revision number as shown on the revision block. Each revised drawing shall have a description of the change filled in the

revision block adjacent to the corresponding revision number with the date drawn, checked, and approved boxed filled in.

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APPENDIX 5

PERFORMANCE TEST PROCEDURES AND STANDARDS

APPENDIX 5

PERFORMANCE TEST PROCEDURES AND STANDARDS

5.1. PURPOSE

The purpose of the Performance Test is to demonstrate that the Project has achieved the Minimum Performance Criteria (as defined in Section 5.4 of this Appendix), applicable Contract Standards, and is in compliance with all Applicable Laws (the "**Performance Test**"). The Performance Test is intended to verify the performance of the Project, including in terms of operability, Product Water quality, Product Water quantity, total power consumption and total chemical consumption. The parties agree to further develop and complete this Appendix, including Performance Test Protocol requirements, data collection, testing and reporting requirements, and any additional minimum performance criteria, by the Financial Closing Date to fulfill such purpose and intent.

5.2. PERFORMANCE TESTING PREREQUISITES

The Project Company shall not commence the Performance Test until the events in Section 8.3(D) (Conditions to Commencement of the Performance Test) of this Water Transmission and Purchase Agreement have occurred.

The Project Company shall submit a detailed Performance Test Protocol to SAWS for its approval no later than 145 days prior to the date upon which the Project Company plans to commence the Performance Test. SAWS will have the right to observe the testing as it occurs. The Project Company shall provide SAWS with at least three Business Days written notice prior to any Performance Test and the reasonable opportunity to observe the test. SAWS cannot request a retest to observe performance if SAWS failed to attend the original test as scheduled.

Prior to the Performance Test, the Project Company shall provide evidence of (i) pressure testing of all pipelines, including the Well Field Facilities and the Transmission Pipeline and their appurtenances, and (ii) testing each of the Project Equipment at the Asset Registry level as identified in Appendix 6 (Operating and Maintenance Standards), including testing of the Transmission Pipeline cathodic protection system, pumps, motors, fiber optic cable communication system, electrical system components, instrumentation system components, and SCADA control system components following the completion of the PLC programming performed by the SAWS systems integrator in accordance with the Design Requirements. SAWS shall make available its SCADA system integrator to verify proper integration of the Project components into SAWS' SCADA system as required, no later than 30 days prior to the performance of the Performance Test. Testing procedures for each of these tests will be described in the Design Documents, and test reports will be delivered promptly upon completion throughout the Performance Test period. The Commercial Operation Date and Acceptance shall not be deemed to have occurred until all Performance Test-related reports have been properly prepared and delivered to SAWS in accordance with this Appendix and Section 8.3(F) (Test Report) of this Water Transmission and Purchase Agreement.

Prior to commencement of the Performance Test, the Project Company shall have received written notice from SAWS that the SAWS Interconnection Improvements have been completed and SAWS is ready to receive Product Water.

5.3. PERFORMANCE TESTING REQUIREMENTS

The Performance Test shall be conducted in compliance with the Contract Standards, including all Applicable Laws and Governmental Approvals.

To meet the requirements of the Performance Test, the Project Company must demonstrate that the Project meets the following criteria at all times during the Performance Test:

1. The Project performs in a manner that is consistent with Appendix 3 (Technical Specifications), Sections 4.10 (Substantial Completion Procedures) and 4.11 (Substantial Completion Procedure Requirements and Components) of Appendix 4 (Design and Construction Review Procedures), Governmental Approvals, Applicable Law, and all other Contract Standards;
2. The Project has been operated and maintained pursuant to the requirements of the draft preliminary Electronic Operation and Maintenance Manual for the entire duration of the Performance Test;
3. All Project Equipment functions properly as per the manufacturers specifications and recommendations for such operations and there is no need for any material temporary repairs or material overrides of any equipment protective devices to keep the Project Equipment functioning properly during the Performance Test;
4. The Project operates properly with automated and computerized systems in full operation (allowing for periodic manual operation consistent with Good Management Practice) and with only the normal complement of employees included in the Project Company's staffing plan for the Project, with the exception of additional Project Company staffing related to collection and analysis of samples and other test data;
5. The Residuals handling system operates as intended and all solids are removed from the Project Sites in accordance with the draft preliminary Electronic Operation and Maintenance Manual and Applicable Law;
6. Any Off-Specification Product Water and Unacceptable Product Water produced by the Project shall constitute a failure of the Performance Test, and the Performance Test shall immediately terminate;
7. The Project has been operated and maintained in a manner consistent with all Applicable Law and Governmental Approvals;
8. Procedures are in place to prevent Unacceptable Water and Off-Specification Product Water not accepted by SAWS from being introduced into the SAWS Distribution System, and for the disposal of such water; and
9. The Project has achieved the performance specified in Section 5.4 (Minimum Performance Criteria) of this Appendix.

5.4. MINIMUM PERFORMANCE CRITERIA

The minimum performance criteria which must be met in order for the Project Company to achieve Acceptance are the flow ranges identified in Sections 5.5.1, 5.5.2 and 5.5.3 of this Appendix and Product Water Quality Guarantee requirements provided in Section 10.2 (Product Water Quality Guarantee) of this Water Transmission and Purchase Agreement and Appendix 8 (Performance Guarantee Requirements) (the "**Minimum Performance Criteria**"). The Minimum Performance Criteria will be measured at the Product Water Delivery Point (for flow ranges) and Product Water Quality Sampling Locations (for Product Water Quality

Guarantee). Failure to comply with any of the Minimum Performance Criteria shall result in the Project Company failing the Performance Test.

5.5. PERFORMANCE TEST SEQUENCE OF EVENTS

The performance test may be divided into three independent events, the successful completion of which results in the Project as a whole being rated for a capacity and in SAWS taking delivery of Product Water in the amount of the accepted capacity.

Upon agreement of both parties, the Performance Test may be shortened into a single event, or restructured into two events. The parties will coordinate in advance to determine the best course of action overall.

Each event is described below.

5.5.1 Event 1 - Whole Project Partial Flow Performance Test (16,700 Acre Feet per Contract Year)

Event 1 will be preceded by the testing described in Section 5.2 (Performance Testing Prerequisites) of this Appendix. The purpose of the Performance Test tied to Event 1 is to obtain Acceptance in accordance with Article 8 (Completion and Acceptance of the Project) of this Water Transmission and Purchase Agreement for operation of the Project as a whole to deliver 16,700 Acre Feet per Contract Year of Product Water to the Product Water Delivery Point with the water quality described in Section 10.2 (Product Water Quality Guarantee) of this Water Transmission and Purchase Agreement and Section 8.2.1 (Product Water Quality Guarantee) of Appendix 8 (Performance Guarantee Requirements).

It should be noted that only a portion of the Wells and their associated mechanical equipment will need to be released for successful completion of Event 1. That is, as long as sufficient Wells are available to provide a firm capacity of 16,700 Acre Feet per Contract Year (delivered) within the water quality parameters that SAWS has set forth in Section 10.2 (Product Water Quality Guarantee) of this Water Transmission and Purchase Agreement and Section 8.2.1 (Product Water Quality Guarantee) of Appendix 8 (Performance Guarantee Requirements), then the Project as a whole will be released for production and delivery of 16,700 Acre Feet per Contract Year. Likewise, only a portion of the pumps at the pump stations will need to be released for successful completion of Event 1. Any component that cannot demonstrate performance as outlined in Section 5.3 (Performance Testing Requirements) of this Appendix may be substituted for another identical and available Project component. Each piece of equipment at the Asset Registry level that cannot successfully demonstrate performance as outlined in Section 5.3 (Performance Testing Requirements) of this Appendix will need to be successfully demonstrated before final acceptance of Event 3 described in Section 5.5.3 of this Appendix.

5.5.2 Event 2 - Whole Project Partial Flow Performance Test (33,400 Acre Feet per Contract Year)

Event 2 will be preceded by Event 1, as well as any additional testing needed, including mechanical testing of additional Wells and pumps, to complete Event 2. The purpose of the Performance Test tied to Event 2 is to obtain Acceptance in accordance with Article 8 (Completion and Acceptance of the Project) of this Water Transmission and Purchase Agreement for operation of the Project as a whole to deliver 33,400 Acre Feet per Contract Year of Product Water to the Product Water Delivery Point.

It should be noted that in addition to the Wells and pumps released during Event 1, additional Wells and pumps will need to be released for successful completion of Event 2. Once the Performance Test for these components is demonstrated, then the Project as a whole will be released for production and delivery of 33,400 Acre Feet per Contract Year. Any component that cannot demonstrate performance as outlined in Section 5.3 (Performance Testing Requirements) of this Appendix may be substituted for another identical and available Project component. Each piece of equipment at the Asset Registry level that cannot successfully demonstrate performance as outlined in Section 5.3 (Performance Testing Requirements) of this Appendix will need to be successfully demonstrated before final acceptance of Event 3 described in Section 5.5.3 of this Appendix.

5.5.3 Event 3 - Whole Project Performance (50,000 Acre Feet per Contract Year)

Event 3 may be preceded by Events 1 or 2, as well as any additional testing needed, including mechanical testing of additional Wells and pumps, to complete Event 3. The purpose of the Performance Test tied to Event 3 is to obtain Acceptance in accordance with Article 8 (Completion and Acceptance of the Project) of this Water Transmission and Purchase Agreement for operation of the Project as a whole to deliver 50,000 Acre Feet per Contract Year of Product Water to the Product Water Delivery Point with the water quality described in Section 10.2 (Product Water Quality Guarantee) of this Water Transmission and Purchase Agreement and Appendix 8 (Performance Guarantee Requirements).

It should be noted that in addition to the Wells and pumps released during Events 1 and 2, additional Wells and pumps will need to be released for successful completion of Event 3. Once the Performance Test for all Asset Registry level components is successfully demonstrated, then the Project as a whole will be released for production and delivery of 50,000 Acre Feet per Contract Year. To successfully pass Event 3, all Project components at the Asset Registry level will need to successfully demonstrate performance as outlined in Section 5.3 (Performance Testing Requirements) of this Appendix.

5.6. DURATION OF PERFORMANCE TESTING

The combined duration of Events 1 and 2 will be a minimum of 7 days. The duration of Event 3 will be for a minimum of 21 days, for a total of 28 days using the three-step performance testing described. In the event that the performance testing schedule is modified by agreement of both parties to a single test for the full 50,000 acre foot delivery, then the minimum test period can be reduced to 15 days.

Should a failure occur after the fifth day of a test of the whole Project for the full 50,000 acre foot delivery, then any retest to demonstrate performance will be reduced to 10 days. If additional failures occur during the 10-day retest, then the 10-day demonstration will repeat until the Project as a whole passes the Performance Test.

Any failures, stoppages or interruption of the Project that occurs during a Performance Test shall not excuse the Project Company from complying with the Performance Test requirements set forth in this Appendix, except for an hour-for-hour extension of the duration of the Performance Test for the duration of an Uncontrollable Circumstance for which performance or schedule relief is provided in accordance with this Water Transmission and Purchase Agreement.

5.7. VERIFICATION OF PERFORMANCE

The quality of water delivered during the Performance Test will be certified by an independent laboratory certified in accordance with Section 5.6(B) (Sampling, Testing and Laboratory Work) Water quality testing will be performed in accordance with this Section and Section 5.6(B)

(Sampling, Testing and Laboratory Work) and Section 10.10(A) (Testing) of this Water Transmission and Purchase Agreement. All water quality analytical methods used to demonstrate compliance with the Product Water Quality Guarantee shall be performed according to methods approved by TCEQ or EPA, or otherwise approved in advance by SAWS. For routine process control analysis or routine Product Water analysis, the Project Company may use the SAWS Analytical Laboratory to perform the water quality testing. An independent third-party laboratory should be used if the Project Company reasonably believes that water quality may become noncompliant with any Product Water Quality Guarantee or for any reanalysis of Product Water.

APPENDIX 6

OPERATING AND MAINTENANCE STANDARDS

APPENDIX 6

OPERATING AND MAINTENANCE STANDARDS

6.1. OPERATING AND MAINTENANCE STANDARDS

6.1.1 Purpose. The purpose of this Appendix is to supplement the requirements for the Operating Work set forth in Articles 9 (Operation and Management of the Project), 10 (Performance) and 11 (Maintenance, Repair and Replacement) of this Water Transmission and Purchase Agreement.

6.2. OPERATIONS REQUIREMENTS

6.2.1 Objectives. The Project Company shall operate and maintain the Project in accordance with this Water Transmission and Purchase Agreement and the Contract Standards. Operational decision-making shall always be based on the following operating objectives:

- (a) Protection of the health, safety, and welfare of the public and operating staff;
- (b) Compliance with the Performance Guarantees;
- (c) Protection of the environment;
- (d) Protection and preservation of the Project;
- (e) Protection of the SAWS Distribution System; and
- (f) Producing a reliable supply of Product Water consistent with this Water Transmission and Purchase Agreement.

6.2.2 Operations Generally. The Project Company shall operate the Project under all conditions in accordance with the Contract Standards and as described below in this Appendix.

6.2.3 Wastewater Facilities and Disposal. The Project Company shall operate and maintain wastewater facilities to service the sanitary wastewater produced at the Project and the Project Sites. The Project Company shall arrange for servicing of holding tanks on a regular basis. The Project Company shall manage and operate the wastewater facilities such that no leaks or overflows occur.

6.2.4 Electric Service Equipment. The Project Company shall operate and maintain all electric service equipment owned by the Project Company in accordance with the requirements of the electric service provider. The Project Company shall provide the electric service provider with access to all electric service equipment owned by the electric service provider.

6.2.5 Operations During Power Outage. Following a primary electrical power outage from any cause, the Project Company shall maintain uninterrupted supply by gravity of Product Water from the Project Company Storage Tank at the Transmission Pipeline Terminus Site in compliance with the Contract Standards for a period of not less than 120 minutes. Further, the Project Company shall assure that the flush pumps and any other components required for equipment protection during such a loss of power event remain functional upon loss of power to the Project.

6.2.6 Minimum Staffing. The Project Company shall staff the Project consistent with the Operating Protocol and Applicable Law; provided, however, that (1) in no event shall the Project be staffed less than eight hours per day, and (2) the Project shall be monitored by an operator 24 hours per day. All individuals who are proposed to operate or supervise the operation and maintenance of the Project must possess valid operator certifications that meet the requirements of Applicable Law. The Chief Operator shall have the overall responsibility for the day-to-day, hands-on operation of the Project. During off hours (including vacation and sick leave), an operator or shift operator (with a minimum certification meeting the requirements of Applicable Law), in either case with a demonstrated familiarity with the Project, shall be accessible to the on-site staff and SAWS by phone within one hour notice.

6.2.7 Environmental Compliance. The Project Company shall assure compliance with Applicable Law and Governmental Approvals. The Project Company shall provide on-going training and environmental education of staff and operators for long-term environmental sensitivity, awareness, and compliance. Annually, the Project Company shall perform an environmental review of the Project Sites that will include confirming compliance with Applicable Law and Governmental Approvals. The review shall also include all reports (e.g., quarterly and annual) and monitoring data, as necessary to demonstrate compliance therewith. Any non-compliance and reporting issues shall be reported to the Chief Operator and SAWS immediately.

6.2.8 Regulated Substances Management. The Project Company shall maintain and comply with a current Regulated Substances management program and emergency/spill response plan meeting the requirements of Applicable Law and this Water Transmission and Purchase Agreement. All water treatment chemicals and corrosion inhibitors used at the Project Sites shall comply with the American Water Works Association standards and shall be approved by the National Science Foundation for potable water treatment. Chemicals that could be discharged into the environment shall be stored and used in compliance with Applicable Law. Each chemical load shall be certified by the manufacturer and shall be randomly tested for product quality at least once per month in accordance with the Project Company's standard operating procedures. Records of such test results shall, at all times, be maintained and available for SAWS review.

6.2.9 Buildings and Grounds. The Project Company shall at a minimum perform the following activities relevant to the buildings and grounds:

- (a) Maintain the buildings, grounds, and landscaping in an aesthetically attractive and clean condition.
- (b) Repair all roof leaks promptly upon discovery.
- (c) Implement regularly scheduled pest control measures.
- (d) Apply paint as necessary to all painted surfaces, as appropriate. All painted surfaces shall be painted to maintain a clean aspect, except for such surfaces that have maintained their original condition and would be adversely affected by frequent painting. The Transmission Pipeline is excluded from this obligation.
- (e) Repair cracks, erosions, depressions, and potholes, and slab shifts on paved areas, sidewalls, and other areas, as necessary.
- (f) Periodically resurface paved areas, if and as necessary.

- (g) Mow all Transmission Pipeline Easements at least once every three years, or more frequently if necessary, to provide for ease of inspection of the Transmission Pipeline System.

6.2.10 Pipeline Maintenance Requirements. All Project pipelines shall be maintained by the Project Company in accordance with the Contract Standards. If any such pipelines develop a leak or otherwise fail, the Project Company shall repair and restore the affected pipeline as soon as possible. Prior to placing the pipeline back into service, the Project Company shall perform proper blow-off and as pertinent, sanitation procedures shall be followed in accordance with Applicable Law. If a leak or rupture occurs, barricades shall be placed around the problem area and at all times the safety of the public shall be paramount. The Project Company shall follow all requirements of Applicable Law such as proper backfill and compaction, erosion and sediment control and traffic control. Utility locations, traffic control plans, and other information required by applicable Governmental Bodies prior to digging shall be provided before any such work begins. The Project Company shall comply with all applicable local requirements for construction at all times. After repair of any pipelines, sod or pavement shall be replaced and the area shall be restored to at least its original condition. Where metallic piping is used, the Project Company shall incorporate appropriate measures into the corrosion protection plan to protect the integrity of the pipelines and monitor the rate of corrosion. If requested by SAWS, the Project Company shall utilize a closed-circuit televising or other survey equipment approved in writing by SAWS to determine the condition of all pipelines operated by the Project Company every 10 years, or earlier if necessary, during the Term and prior to the expiration of the Term and the Project Company's turnover of the Project to SAWS pursuant to Article 23 (SAWS Project Assets Purchase Options) of this Water Transmission and Purchase Agreement.

6.2.11 Project Flow Meter and Well Field Meters.

- (a) On a monthly basis, the Project Company shall provide routine servicing and maintenance of the Project Flow Meter and Well Field Meters, and their respective appurtenant field mounted instruments. Routine maintenance activities generally include, but are not limited to: (i) inspection and cleaning of all ports; (ii) visual inspection to detect leaks, and (iii) confirming properly functioning differential pressure transducers. Twice yearly, the Project Company shall calibrate and service, as required, the Project Flow Meter and Well Field Meters, and their respective appurtenant field mounted instruments at the Project Sites. The Project Company shall provide SAWS with copies of its maintenance reports and also enter such reports in the CMMS.
- (b) At any time other than during the twice yearly calibration by the Project Company, SAWS can request, at its own expense, to have the Project Flow Meter and Well Field Meters, and their respective appurtenant field mounted instruments calibrated, provided that such calibration shall be performed by the Project Company at the Project Sites within 10 business days of the Project Company's receipt of written notification of such request.
- (c) In the event any such calibration test discloses an error exceeding two percent, an adjustment shall be made in charges incurred during the known or estimated period of such error, but in no event exceeding six months prior.

6.2.12 Ordinary and Preventive Maintenance Generally. The Project Company's preventive maintenance plan within the Maintenance, Repair and Replacement Plan (as defined below) shall reflect procedures and standards consistent with Good Management Practice. The preventive maintenance plan shall reflect that in no event shall maintenance be less frequent and less comprehensive than that specified in manufacturers' warranties and manuals, unless

otherwise approved in writing by SAWS. The preventive maintenance plan shall also address the inspection, leak testing, maintenance, and repair procedures for all water-bearing structures in accordance with Good Management Practice.

6.2.13 Preventive Maintenance Activities. All equipment preventive maintenance activities shall, at a minimum, meet the maintenance requirements of the Project Equipment suppliers. As such, all equipment usage shall be logged through the SCADA system or otherwise entered into the CMMS to provide the necessary input to the CMMS. The CMMS shall generate work orders that are specific to the item of equipment. These work orders shall outline the required preventive maintenance, describing the work to be undertaken. These work orders shall be undertaken and completed promptly. The resultant preventive maintenance work shall be logged as to when the work order was issued, when completed, by whom, duration of work, and listing of consumables and spare parts used in providing the required work. This information shall be continuously maintained for all equipment and summarized on an annual basis to SAWS, as part of the annual operations report required by Section 9.11 (Periodic Reports) of this Water Transmission and Purchase Agreement, to confirm the work is being undertaken as required so as to protect the investment in the infrastructure. SAWS, however, may request to review records more frequently. The Project Company, in addition, shall:

- (a) Maintain and replace the Project Equipment in accordance with manufacturer's recommended maintenance procedures and Good Management Practice;
- (b) Maintain accurate records and all other data required for the proper supervision and administration of the maintenance of the Project Equipment;
- (c) Provide continuous inspection of Project Equipment to detect any significant variance from the manufacturer's recommended operating tolerances and specifications of the Project when new. Corrective action shall be taken to prevent damage to the equipment, as well as protect warranties on new equipment;
- (d) Conduct all maintenance, repair, and replacements in a manner that does not endanger the safety of Project Company or SAWS staff and visitors and residents in the vicinity of the Project Sites;
- (e) Maintain and replace any cathodic protection systems at the Project, if installed, at the optimum operating condition at all times to ensure effective corrosion prevention of all underground piping and other Project components installed in corrosive environments;
- (f) Provide the services of factory-trained technicians, tools, and equipment to field-calibrate, test, inspect and adjust all instruments to their specified performance requirements in accordance with the manufacturer's specifications and instructions;
- (g) Maintain and implement a regular gate and valve exercising program. The Project Company shall maintain a log of its gate and valve exercising activities in its CMMS; and
- (h) Perform predictive maintenance on all pumps and motors having over 250 horsepower at least two times per Contract Year. Such predictive maintenance shall include, at a minimum, thermal evaluations and diagnostics of the electrical systems and vibration analysis of the mechanical systems.

6.2.14 CMMS. The Project Company shall maintain and update the CMMS. If the Project Company changes or upgrades its CMMS, it shall provide 60 days prior notice to SAWS about the changes or upgrades to its CMMS.

- (a) Asset Registry. The CMMS program shall be configured to produce an Asset Registry which shall include a complete listing of all assets having an installed cost, defined as the estimated cost to install that asset, that exceeds \$25,000 (Index Linked) that constitute the Project, with Project Equipment grouped separately from Project Structures, including for each such asset:
- (i) a unique CMMS asset identifier (with each system separately identified, e.g., pump, motor, meter, motor control center, etc.);
 - (ii) an asset descriptor;
 - (iii) the asset's manufacturer and model number;
 - (iv) photographs and video (to the extent reasonably accessible);
 - (v) the asset's service life;
 - (vi) the asset's estimated installed cost, including material, equipment and labor costs;
 - (vii) date of installation; and
 - (viii) service status (i.e., in service or removed from service).

The CMMS program shall be able to prepare an Asset Registry report (hardcopy and exportable in digital spreadsheet or database form) and shall be provided to SAWS in both hardcopy and digital formats within six months following the Commercial Operation Date.

- (b) Updates. The CMMS shall be updated as necessary to reflect all newly added assets, including populating fields with the information identified in clause (a) of this subsection. Assets that are removed from the Project shall be deleted from the CMMS, and assets that are removed from service but left in place shall remain in the CMMS, but be flagged to indicate service status as removed from service. Any asset removed from service but left in place with no defined schedule for returning the asset to service shall be deemed to be abandoned in place. The Project Company shall provide an updated Asset Registry report annually to SAWS in digital format.

At the end of every fifth year, the Project Company shall update the CMMS to reflect the condition, functionality, structural integrity, and accompanying condition status of the existing assets. The Project Company shall consider the updated asset condition information in its evaluation of subsequent updates of the Maintenance, Repair and Replacement Schedule (as defined below).

6.2.15 Maintenance, Repair and Replacement Plan. Within 60 days after the Commercial Operation Date, the Project Company shall prepare and submit for SAWS' review a Maintenance, Repair and Replacement Plan (as defined below). After addressing SAWS' comments, the Project Company shall submit a final Maintenance, Repair and Replacement Plan to SAWS. This plan shall be periodically updated when equipment is replaced, and submitted to SAWS annually with a summary of new equipment in place. If any component

identified in the Asset Registry fails prior to its anticipated replacement date, the updated plan shall include a detailed report outlining the cause for the failure and the corrective action undertaken by the Project Company to allow the replacement component to meet the replacement date specified in the plan. Any such component that fails during the warranty period shall be replaced at no cost to SAWS. The Project Company shall comply with the Maintenance, Repair and Replacement Plan throughout the Operating Period except where it can demonstrate to SAWS that changes are in accordance with Good Management Practice.

6.2.16 Minimum Plan Requirements. The Maintenance, Repair and Replacement Plan shall define how the Project Company will achieve the Contract Standards objective of quality performance, including but not limited to the following components of quality performance: (1) availability of spare parts for critical operating systems; (2) energy efficiency; (3) ongoing maintenance and repair; (4) appropriate and timely renewal and replacement of equipment; (5) cost-effective upgrades of obsolete equipment and systems; (6) the minimum standards for performance of its ongoing maintenance, repair and replacement obligations; and (7) an equipment inventory, schedule for shift and preventive maintenance, and related operator training (the "Maintenance, Repair and Replacement Plan"). The Maintenance, Repair and Replacement Plan shall also address how the Project Company shall: (i) maintain and repair the Project, including without limitation, repair or replacement of components, including all maintenance, repair and component replacement which may be characterized as "major" or "capital" in nature; (ii) maintain the Project Equipment substantially in accordance with applicable manufacturer's instructions, the applicable operation and maintenance manuals, and Good Management Practice and using the CMMS; (iii) perform all maintenance, repairs and replacements reasonably necessary to the continued operation of the Project at all times; (iv) maintain the Project Structures in accordance with Good Management Practice; and (v) keep accurate records and all other data required for the purposes of proper administration and review of the maintenance of the Project Equipment and Project Structures. The Maintenance, Repair and Replacement Schedule shall be provided as part of the Maintenance, Repair and Replacement Plan. The Maintenance, Repair and Replacement Plan shall comply with the requirements set forth in Section 11.2(A) (Maintenance, Repair and Replacement Plan) of this Water Transmission and Purchase Agreement.

6.2.17 Maintenance, Repair and Replacement Schedule. For individual items of equipment with an installed repair or replacement value exceeding \$25,000 (Index Linked) (which includes the estimated total cost to repair or replace such equipment, but excludes any on-site labor), the Project Company shall prepare and deliver to SAWS a maintenance, repair and replacement schedule which identifies the projected timing and costs of such major repairs and replacements in defined intervals over the Term (the "Maintenance, Repair and Replacement Schedule"). The Project Company shall not be required to repair or replace a particular piece of equipment in a particular year solely because the projected Maintenance, Repair and Replacement Schedule indicates that timing is the appropriate repair or replacement interval.

6.2.18 One-Year Maintenance, Repair and Replacement Schedule Update. Annually, concurrently with the budgeting performed in accordance with Section 17.3 (Operating and Maintenance Costs) of this Water Transmission and Purchase Agreement, the Project Company shall have prepared an update of the projected Maintenance, Repair and Replacement Schedule for the next Contract Year for individual items of equipment with an installed repair or replacement value exceeding \$25,000 (Index Linked) (a "One-Year Maintenance, Repair and Replacement Schedule Update"). The One-Year Maintenance, Repair and Replacement Schedule Update shall include the proposed schedule for each such major repairs and replacements projected for the Contract Year by the Project Company. The Project Company and SAWS shall hold a meeting to review each annual One-Year Maintenance, Repair and Replacement Schedule Update. The initial Maintenance, Repair and Replacement Schedule and each One-Year Maintenance, Repair and Replacement Schedule Update thereof shall detail

the proposed schedule of major repairs and replacements for the immediately following Contract Year (year one of the update), an updated schedule for the next Contract Year (year two of the update), and updated schedule for each of the following three Contract Years (years three through five of the update).

6.2.19 Changes Proposed by One-Year Maintenance, Repair and Replacement Schedule Update. For all changes to the Maintenance, Repair and Replacement Schedule proposed in a One-Year Maintenance, Repair and Replacement Schedule Update, the Project Company shall indicate to SAWS the reason for the change and provide supporting information including at a minimum the following:

- (a) Operating or test results used by the Project Company to determine the differing repair or replacement need, demonstrating the actual performance of the asset in comparison to that which would be expected by the same asset performing as was anticipated by the current Maintenance, Repair and Replacement Schedule.
- (b) Complete detailed history of the assets in question from the CMMS, indicating actual scheduled and unscheduled maintenance events.
- (c) In the case of Project Equipment or manufactured Project Structures, manufacturer's data indicating recommended maintenance schedules.

In the interest of maintaining the expected reliability level of operation of the Project, SAWS will review the recommended One-Year Maintenance, Repair and Replacement Schedule Updates and supporting information. For Maintenance, Repair and Replacement Schedule changes that would delay previously anticipated repairs or replacements, should SAWS determine (acting reasonably) that the delay could adversely impact the public health and safety, SAWS shall have the right to reject the delay and require that the repair or replacement be performed as previously scheduled. In making such a determination, SAWS will consider whether or not the asset's condition and performance was continuously monitored as required by this Appendix, and whether or not the Project Company performed appropriate levels of ordinary and preventive maintenance on the asset.

6.2.20 Five-Year Capital Plan. Prior to the commencement of the third Contract Year following the Commercial Operation Date, the Project Company shall prepare and provide to SAWS a report that recommends the anticipated major equipment repair and replacement projects at the Project over the course of the next five Contract Years (the "Five-Year Capital Plan"). The Five-Year Capital Plan shall be used as a planning tool by SAWS and the Project Company to consider future proposed major equipment repair and replacement projects at the Project and other long-term work, and to make certain that the Project facilities are being adequately maintained and will be available. The Five-Year Capital Plan shall set forth a description of each project, the rationale for performing each project, the impact or effect of each project on the Project, a preliminary cost estimate or cost allowance for each project, the approximate period of time when each project would be performed and the proposed method or procedure for delivery of each project. The Five-Year Capital Plan shall be updated on an annual basis by the anniversary of each Contract Year concurrent with the budgeting performed in accordance with Section 17.3 (Operating and Maintenance Costs) of this Water Transmission and Purchase Agreement. Each year, the Five-Year Capital Plan shall be updated by the Project Company and a copy shall be delivered to SAWS. SAWS and the Project Company shall meet and confer regarding each update to the Five-Year Capital Plan and its implementation.

6.2.21 Project Company Obligation to Repair and Replace Not Limited. Notwithstanding the Project Company's performance of its obligations pursuant to Sections 6.2.15 (Maintenance, Repair, and Replacement Plan), 6.2.17 (Maintenance, Repair and

Replacement Schedule), 6.2.18 (One-Year Maintenance, Repair and Replacement Schedule), and 6.2.20 (Five-Year Capital Plan) of this Appendix, the Project Company shall repair and replace equipment and structures as needed over the Term, and such obligation shall not be limited in any way.

6.3. GENERAL OPERATING PERIOD REQUIREMENTS

6.3.1 Monthly Operations Reports. No later than 60 days prior to initiating the Performance Test, the Project Company shall submit for SAWS' review and approval, the proposed format of the monthly operations report required to be submitted by the Project Company pursuant to Section 9.11 (Periodic Reports) of this Water Transmission and Purchase Agreement. In addition to the information and data required to be included pursuant to Section 9.11 (Periodic Reports) of this Water Transmission and Purchase Agreement, the monthly operations report shall include all other data or information required to be furnished under the Operating Protocol.

6.3.2 Identification Badges. The Project Company shall cause the Operating Service Provider to provide standardized identification badges to all of its on-site employees and all on-site employees of the Project Company and Subcontractors throughout the Operating Period. Such employees shall wear these badges at all times when on the Project Sites. Identification badges shall also be issued to all visitors at the time of arrival with records retained of the name and affiliation of the visitor, purpose of the visit, time of arrival and time of departure. The identification badge shall be surrendered at each time of departure.

6.3.3 SAWS Office Space. The Project Company shall cause the Operating Service Provider to designate and reserve an office at or adjacent to the permanent Operating Service Provider offices if located outside of Bexar County (and related reasonable ingress and egress rights) for SAWS' exclusive use, as provided in Section 9.1(C) (SAWS Administrative Space) of this Water Transmission and Purchase Agreement. The Project Company, Operating Service Provider or Subcontractors shall not enter or inhabit such SAWS-designated office without SAWS' prior approval. At a minimum, the office reserved for SAWS shall have the following features:

- (a) 170 square feet (similar in character to that provided for the Operating Service Provider's management personnel).
- (b) three electric duplex receptacle wall outlets.
- (c) Broad band high-speed internet access.
- (d) Three telephone lines and one speakerphone. One of the telephone lines shall be dedicated to a facsimile machine (to be provided by SAWS). If the Operating Service Provider provides wireless internet services for its own use, such service shall also be provided to SAWS.
- (e) Secure, lockable, and uniquely keyed.

The Project Company shall also provide SAWS with access to the multipurpose room, conference room, and administrative areas at the permanent Project Company offices. The parties will coordinate so that SAWS has reasonable access to these facilities.

6.3.4 SAWS Interface Cabinet. SAWS has provided and installed the SAWS Interface Cabinet. SAWS shall own and be responsible for the maintenance, repair and replacement of the SAWS Interface Cabinet and its contents after the Performance Test. The Project Company

shall provide a power supply to operate the SAWS Interface Cabinet's equipment consistent with its design. Further, the Project Company shall be responsible to continuously provide the signals from the Project in a format that is compatible with SAWS' SCADA system. SAWS will be responsible to provide the PLC programming and human machine interface ("HMI") integration for these signals into its control system. The Project Company shall provide adequate means of ingress and egress to SAWS for the operations, maintenance, repair and replacement of the SAWS Interface Cabinet.

6.3.5 Risk Management and Safety. To the extent required by Applicable Law, the Project Company shall prepare and maintain a risk management prevention program and a process safety and management plan.

6.3.6 SAWS Communication with Project Contractors. The Project Company shall provide SAWS with access to the Project Contractors and Subcontractors pursuant to Section 13.1(E) (SAWS Access to and Communications with Project Contractors and Subcontractors) of this Water Transmission and Purchase Agreement.

6.4. SAWS REVIEW

6.4.1 General. SAWS will review the Project Company's operation, maintenance, repair and replacement of the Project throughout the Term. SAWS may assign one or more persons to observe the operation and maintenance of the Project, to review repair and replacement records, and to provide coordination assistance to the Project Company to assure that the operation of the Project is fully integrated into the operation of the SAWS Distribution System.

6.4.2 Monthly Coordination Meetings. As required by Section 9.2 (Service Coordination) of this Water Transmission and Purchase Agreement, monthly coordination meetings between the Project Company and SAWS shall be held at the Transmission Pipeline Terminus Site or other location designated by SAWS. The Chief Operator (or other senior representative of the Operating Services Provider acceptable to SAWS) and, if requested by SAWS, a senior management representative of the Project Company who is at a management level above the Chief Operator shall attend these meetings. The purpose of these meetings is to review management, operational, performance, and planning matters for the Project, maintenance issues, the monthly operations reports, condition of the Project, safety, housekeeping of the Project Sites, compliance with Applicable Law, Governmental Approvals and the Performance Guarantees, staffing issues, invoicing issues, public relations, and other relevant issues. The Project Company shall be responsible for producing meeting minutes. The Project Company shall distribute copies of documentation of these meetings to all attendees and shall maintain a chronological file of such documentation, which upon request, will be made available to SAWS.

6.4.3 Governmental Body Submittals. The Project Company shall submit draft copies of all Governmental Approvals and other regulatory submittals required for the Operating Work to SAWS for review and comment at least 14 days prior to submittal to any Governmental Body. The Project Company shall address SAWS' comments prior to submitting the documents to the Governmental Body and shall strictly comply with SAWS comments identifying areas where a statement made in a submittal would be contrary to SAWS policies or would otherwise impose an unreasonable cost or burden on SAWS.

6.4.4 Periodic Maintenance Inspections and Testing. SAWS may perform annual maintenance inspections of the Project as provided in Section 11.4 (Periodic Maintenance Inspections) of this Water Transmission and Purchase Agreement.

6.4.5 Review at End of Term. Requirements for the review of the Project related to the Expiration Date are provided in Sections 11.6 (End of Term Performance Evaluation Requirements) and 11.7 (Project Assets Transfer Condition) of this Water Transmission and Purchase Agreement and Appendix 11 (End of Term Project Condition Requirements).

6.5. SECURITY PLAN

6.5.1 Security Plan. At least 180 days before the initiation of the Performance Test, the Project Company shall prepare and submit for SAWS' review and comment, a Security Plan as required by Section 9.7 (Security) of this Water Transmission and Purchase Agreement. The Security Plan shall address security for the Project Sites and all improvements thereon. After receipt and consideration of SAWS' comments, the Project Company shall submit a final Security Plan to SAWS prior to the initiation of the Operating Period. The Security Plan shall be periodically updated to address changing threat conditions and when security equipment or systems are added or modified. If the Security Plan is changed in any Contract Year, then the updated Security Plan shall be submitted to SAWS with a summary of the new or modified equipment or systems within 60 days of the end of that Contract Year. The Project Company shall comply with the Security Plan throughout the Operating Period. SAWS intends, except as may be required by Applicable Law, to keep confidential all information and materials relating to security at the Project Sites, including the Security Plan, irrespective of whether the Project Company has requested SAWS to keep any such information and materials confidential.

6.5.2 Minimum Requirements for the Security Plan. The Project Company's Security Plan shall include at a minimum, the following information:

- (a) A general description of the Project Company's security threats including (i) security measures and procedures for prevention, detection, and response to terrorism, (ii) vandalism, (iii) sabotage, (iv) natural disasters, (v) theft, (vi) accident, (vii) assault on employees, and (viii) cross-connection contamination.
- (b) A risk analysis of critical areas on the Project Sites and measures to secure them. Critical areas include, but are not limited to, chemical storage and feed facilities, control room and systems, electrical systems (including transformers), clearwells, laboratory, pump stations, and flow control systems.
- (c) A description of the Project Company's zoning or subzoning of the Project Sites into multiple levels of security.
- (d) A description of the intrusion detection and surveillance systems.
- (e) A description of all security alarms and how and where they will be monitored to ensure a rapid and effective response.
- (f) A description of means to track Project Company's staff, vendors, visitors, SAWS staff, and all other persons on the Project Sites.
- (g) A vulnerability assessment of the Project which shall include, but not be limited to, a review of pipes and constructed conveyances, operationally critical long lead time equipment or spare parts, physical barriers, water collection, pretreatment, treatment, storage and distribution facilities, electronic, computer or other automated systems which are utilized by the SAWS Distribution System, the use, storage, or handling of various chemicals and the operation and maintenance of such system, as consistent with all Applicable Law.

- (h) An emergency response plan for the Project which shall also include actions, procedures, and identification of equipment which can obviate or significantly lessen the impact of terrorist attacks or other intentional actions on the public health and the safety and supply of drinking water provided to communities and individuals, as consistent with Applicable Law.
- (i) A description of the Project Company's plan for notifying nearby residents of emergencies at the Project Sites.
- (j) Coordination with SAWS during periods of elevated risk.
- (k) Immediate notification procedures to SAWS of security intrusions and events at the Project, including requirements for a monthly report to be provided to SAWS addressing all security-related events during the preceding month and proposed mitigation strategies.

6.6. OPERATING PROTOCOL

6.6.1 Minimum Requirements for the Operating Protocol. The Project Company shall prepare the Operating Protocol in cooperation with SAWS. The Project Company shall be responsible for the preparation of the Operation Protocol, which shall be subject to SAWS' approval. The Operating Protocol shall include at a minimum, the following information:

- (a) A general description of how the Project will be operated in conjunction with the SAWS Distribution System;
- (b) A description of the Project Company's QA/QC procedures during the Operating Period;
- (c) A description of any operational procedures to be implemented in order to comply with the Performance Guarantees;
- (d) Procedures to be verified before routine start-up or shut-down of flow of Product Water from the Project;
- (e) Procedures for emergency start-up or shut-down of flow of Product Water from the Project;
- (f) Procedures for the Project Company to communicate weekly forecast of Product Water production for consideration in SAWS' weekly operating plan development meeting;
- (g) Operations and maintenance communications procedures and requirements;
- (h) Operational procedures including Product Water pump operations to avoid creating material hydraulic transients in accordance with the final hydraulic transient analysis compliant with Appendix 3 (Technical Specifications);
- (i) Procedures for the Project Company's scheduling of planned maintenance outages to provide adequate schedule for warranty inspections and any requisite warranty repairs of the Project and the SAWS Interconnection Improvements after the Commercial Operation Date;

- (j) A list and description of the chemicals to be used at the Project Sites, methods of delivery, on-site storage volume, and procedures for safe storage and use of the chemicals;
- (k) A description of the intended method of Residuals handling and disposal (identifying the approximate amount and type of Residuals that will be generated); and
- (l) Alternative operations procedures reflecting all reasonable SAWS Distribution System operating scenarios.

As required by Section 10.9 (Service Coordination) of this Water Transmission and Purchase Agreement, the Project Company shall update at least 60 days prior to the commencement of each Contract Year following the Commercial Operation Date, the Operating Protocol for the forthcoming Contract Year. In addition, the Project Company shall update the Operating Protocol as directed by SAWS from time to time in order for the document to remain current.

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APPENDIX 7
INSURANCE REQUIREMENTS

APPENDIX 7

INSURANCE REQUIREMENTS¹

7.1. INSURANCE DURING THE CONSTRUCTION PERIOD

The Project Company shall obtain and keep in force, or cause to be obtained and kept in force, the following policies of insurance during the Construction Period, in accordance with the terms of this Section. Copies of these policies shall be delivered to SAWS promptly if requested from the Project Company. Each policy shall be obtained and be in force prior to the performance of any work or commencement of any activity intended to be insured by each policy. At the Project Company's option, the Project Company may provide any or all of the following insurance policies by means of a Contractor Controlled Insurance Program ("CCIP"). In such case, (a) the limits for Commercial General Liability insurance shall equal or exceed the limits set forth in subsection 7.1.3 (Commercial General Liability) of this Appendix for on-site activities and (b) the limits for Commercial General Liability insurance may be less than the limits set forth in subsection 7.1.3 (Commercial General Liability) of this Appendix for off-site operations, but in no event less than \$1 million per occurrence/aggregate.

7.1.1 Builder's Risk. A builder's insurance policy obtained on an "all risks" coverage basis, covering all Construction Work, other than design (including testing and commissioning), at the Project Sites. Coverage shall include risks while in transit and at any temporary off-site location; all materials, supplies, machinery, fixtures and equipment intended to become a permanent part of the Project or for permanent use in the Project or incidental to the construction; all temporary structures at the Project Sites that are to be used in or incidental to the fabrication, erection, testing, or completion of the Project to the extent the cost thereof is included in the Construction Work upon which the Monthly Water Purchase Payments are based; and risks while on or about the Project Sites awaiting or during construction. The builder's risk policy:

- (a) shall be maintained until the Commercial Operation Date;
- (b) shall be in an amount not less than \$___ million;
- (c) shall be written on an all risk basis, including coverage for flood, water damage and terrorism (excluding loss from a non-certified act of terrorism that involves nuclear, biological or chemical materials, and subject to a \$20 million aggregate sublimit for flood coverage);
- (d) shall include coverage for delay costs, including the loss of revenue, loss of investment income, continued payment of debt service and a covered loss ensuing as a result of design error, all subject to a \$___ million sublimit;
- (e) shall include loss arising from earthquake and earth movement, subject to a \$20 million aggregate sublimit;
- (f) shall provide that equipment in transit or stored at off-site locations shall be subject to a \$20 million sublimit; and
- (g) may include deductibles or self-insured retentions of five percent of the loss or \$250,000, whichever is less, but such deductible or self-insured retention shall

¹ In accordance with Section 14.1 (Insurance) of this Water Transmission and Purchase Agreement, the parties shall amend this Appendix by the Financial Closing Date, based on applicable requirements set forth in the Senior Debt Financing Agreements.

not be a recoverable cost under this Water Transmission and Purchase Agreement, except as provided in subsection 7.7.3 (Earthquake Insurance Deductibles) of this Appendix with respect to loss from earthquakes and earth movement.

Named Insureds: Project Company and EPC Contractor

First Loss Payee: Project Bondholders, as their interests may appear

7.1.2 Professional Liability Insurance. A professional liability errors and omissions insurance policy, which policy shall:

- (a) be in an amount not less than \$10 million per claim and in the aggregate;
- (b) be on a “claims-made” basis; and
- (c) have an extended reporting or discovery “tail” period, or be renewed for a period, of not less than ten years after the Contract Date.

Such policy shall have a retroactive date effective before the commencement of any design.

The practice professional liability policy of the primary design professional shall be specifically in excess of any project-specific professional liability errors and omissions policy. However, should the Project professional liability insurance limit be reduced by claims or losses, the design professional’s practice policy shall become excess to any remaining (reduced) portion of the Project professional liability policy. The primary design professional shall maintain its practice policy until the statute of repose expires in an amount not less than \$20 million. Such practice policy shall not include any exclusionary language relating to construction joint ventures or partnerships or both.

Named Insureds: All entities providing professional design services

Indemnified Parties: Project Company and EPC Contractor

7.1.3 Commercial General Liability. A commercial general liability insurance policy, written on an occurrence basis and covering liabilities arising out of the construction of the Project, including independent contractors, products and completed operations, personal and advertising liability, and liability assumed under an insured contract, and (unless covered under separate professional liability insurance) professional services provided in connection with the construction of the Project. The policy shall not contain exclusions for property damage from explosion, collapse or underground hazard, or inadvertent construction defects. The products and completed operations liability coverage shall be maintained for a period of not less than 10 years following the Commercial Operation Date or the Termination Date, whichever occurs first. The insurance shall apply separately for each insured against whom a claim is made or a lawsuit is brought, subject only to the insurance policy limits of liability. This insurance policy shall:

- (a) have coverage for any one occurrence or claim of not less than \$50 million per occurrence and a \$50 million aggregate limit applicable solely to the construction of the Project, which requirement may be met with any combination of primary and excess coverage so long as the excess coverage is written on a “follow form” or umbrella basis;

- (b) be maintained from the Commencement Date until the Commercial Operation Date; and
- (c) have a ten years completed operations coverage tail.

Named Insureds: Project Company and EPC Contractor

Additional Insureds: SAWS, Project Bondholders and Operating Service Provider

7.1.4 Commercial Automobile Liability. A commercial automobile liability insurance policy with limits of liability of not less than \$5 million per accident, which requirement may be met by any combination of primary and excess coverage so long as the excess is written on a "follow form" basis. The insurance must cover liability arising from any motor vehicle, including owned, hired or non-owned vehicles, assigned to or used in connection with the construction of the Project. If transporting Hazardous Substances, the commercial automobile liability insurance shall either be endorsed to provide coverage under the TE9948 endorsement, or the EPC Contractor's pollution liability insurance policy shall be endorsed to provide transportation coverage beyond the boundaries of the Project Sites.

Named Insureds: The vehicle owner

Additional Insureds: Project Company, EPC Contractor, SAWS, Project Bondholders and Operating Service Provider

7.1.5 Worker's Compensation and Employer's Liability. A worker's compensation insurance policy as required by Applicable Law, and employer's liability insurance having coverage limits of \$1 million for each accident, \$1 million for disease (each employee), and \$1 million for disease (policy limit).

7.1.6 Contractor Pollution Liability. A contractor pollution liability insurance policy, supplied by the EPC Contractor, written on an occurrence form with limits of not less than \$5 million and a \$5 million project aggregate limit, covering liability due to pollution caused by or exacerbated by construction activities. If the policy is provided on a "claims-made" form, the Project Company shall cause the EPC Contractor to continue such coverage, either through policy renewals or purchase of an extended discovery period, if such coverage is available, for not less than three years following the Commercial Operation Date. The policy shall provide either a "claims made" or an "occurrence based" coverage for all claims, liabilities, damages, costs, fees, and expenses of any kind or character arising out of any pollution condition that is in any way related to the EPC Contractor's operations, actions or inactions, and completed operations associated with any work performed by the EPC Contractor, its Subcontractors, or any of their respective employees, agents, representatives, or officers under this Water Transmission and Purchase Agreement.

Named Insured: Project Company, SAWS, EPC Contractor and Subcontractors

7.1.7 Pollution Legal Liability. A pollution legal liability insurance policy, supplied by the Project Company, provided on a "claims-made" form with limits of not less than \$5 million and a \$5 million project aggregate limit, covering third party bodily injury and property damage, remediation costs for known and unknown pollution conditions, and first party property damage. The Project Company shall continue such coverage, either through policy renewals or purchase of an extended discovery period, if such coverage is available, for not less than three years following the Commercial Operation Date.

Named Insured: Project Company, SAWS, EPC Contractor and Subcontractors

7.2. INSURANCE DURING THE OPERATING PERIOD

The Project Company shall obtain and keep in force, or cause to be obtained and kept in force, throughout the Operating Period the following insurance coverage:

7.2.1 Property. An all risk property insurance policy (excluding earthquake) on a stated amount basis for the Full Insurable Value insuring all buildings, improvements and equipment that are built or placed on the Project Sites, and including coverage for business interruption, extra expense and expediting expense, subject to a \$20 million aggregate sublimit for flood coverage (\$20 million flood sublimit excluded from Boiler and Machinery coverage as set forth in subsection 7.2.2 (Boiler and Machinery) of this Appendix).

Name Insureds: Project Company, EPC Contractor, Operating Service Provider and SAWS

First Loss Payee: Project Bondholders, as their interests may appear

7.2.2 Boiler and Machinery. A boiler and machinery insurance policy with limits of liability of not less than \$100 million per loss, insuring those objects as defined in the comprehensive object definition that are in use or connected and ready for use and are located on the Project Sites, and including coverage for business interruption, extra expense and expediting expense.

Named Insureds: Project Company, EPC Contractor, Operating Service Provider and SAWS

First Loss Payee: Project Bondholders, as their interests may appear

7.2.3 Business Interruption. The business interruption insurance policies required by subsections 7.2.1 (Property) and 7.2.2 (Boiler and Machinery) of this Appendix shall be provided with limits of liability in such amounts as are necessary to compensate the Project Company for direct loss of income and earnings resulting from or attributable to any of the perils required to be insured against under the policies referred to in subsections 7.2.1 (Property) and 7.2.2 (Boiler and Machinery) of this Appendix, including losses resulting from interference with or prevention of access to the Project Sites or the Project, in each case in whole or in part, as a result of such perils or for any other reason.

Named Insured: Project Company, EPC Contractor and Operating Service Provider

First Loss Payee: Project Bondholders, as their interests may appear

7.2.4 Commercial General Liability. A commercial general liability insurance policy insuring against liability of the Project Company and the Operating Service Provider with respect to the Project or arising out of the Contract Services, written on an occurrence basis and covering liabilities arising out of premises, operations, independent contractors, products and completed operations, personal and advertising liability, and liability assumed under an insured contract (including the tort liability of another assumed in a business contract). The insurance shall (a) apply separately for each insured against whom a claim is made or a lawsuit is brought, subject only to the insurance policy limits of liability and (b) have coverage for any one occurrence or claim of not less than \$25 million, which requirement may be met by any combination of primary and excess coverage so long as the excess coverage is written on a "follow form" basis.

Named Insured: Project Company, EPC Contractor and Operating Service Provider

Additional Insureds: SAWS and Project Bondholders

7.2.5 Commercial Automobile Liability. A commercial automobile liability insurance policy with limits of liability of not less than \$2 million per accident, which requirement may be met by any combination of primary and excess coverage so long as the excess coverage is written on a “follow form” basis. The insurance must cover liability arising from any motor vehicle, including owned, hired or non-owned vehicles, assigned to or used in connection with the operation and maintenance of the Project. If transporting Hazardous Substances, the commercial automobile liability insurance shall either be endorsed to provide coverage under the TE9948 endorsement, or the Operating Service Provider’s pollution liability insurance policy shall be endorsed to provide transportation coverage beyond the boundaries of the Project Sites.

Named Insured: The vehicle owner

Additional Insureds: Project Company, SAWS, Project Bondholders and Operating Service Provider

7.2.6 Worker’s Compensation and Employer’s Liability. A worker’s compensation insurance policy as required by Applicable Law, and employer’s liability insurance having coverage limits of \$1 million for each accident, \$1 million for disease (each employee), and \$1 million for disease (policy limit).

7.2.7 Pollution Legal Liability. A pollution legal liability insurance policy having coverage for any one occurrence or claim of not less than \$5 million and a \$5 million project aggregate limit, covering third party bodily injury and property damage, remediation costs for known and unknown pollution conditions, and first party property damage.

Named Insured: Project Company, SAWS, the EPC Contractor and the Operating Service Provider

7.2.8 Operating Service Provider Pollution Liability. During the Operating Period, the Operating Service Provider shall maintain in full force and effect an accidental pollution liability insurance policy written on an occurrence form with limits of not less than \$5 million and a \$5 million project aggregate limit. The policy shall provide either a “claims made” or an “occurrence based” coverage for all claims, liabilities, damages, costs, fees, and expenses of any kind or character arising out of any pollution condition that is in any way related to the Operating Service Provider’s operations, actions or inactions, and completed operations associated with any work performed by the Operating Service Provider, its Subcontractors, or any of their respective employees, agents, representatives, or officers under this Water Transmission and Purchase Agreement.

Named Insured: Operating Service Provider, SAWS

Additional Insured: Project Company

7.2.9 Earthquake and Earth Movement. An earthquake and earth movement insurance policy, including land movement, landslide, settlement, subsidence, lateral support, and mudslide, having coverage for any one occurrence or claim of not less than \$20 million and a \$20 million project aggregate limit.

Named Insureds: Project Company and EPC Contractor

7.2.10 Other. Any other form of insurance and with such limits, in such form, in amounts and for risks as SAWS, acting reasonably, may require from time to time. The

Monthly Water Purchase Payment shall be adjusted (through a Direct Payment) to reflect the cost of any such additionally required insurance.

7.3. FULL INSURABLE VALUE

7.3.1 Determining Full Insurable Value. For the purposes of this Appendix, "Full Insurable Value" of any building, improvement, equipment or other property shall be determined by the Project Company, acting reasonably, at the time the insurance is initially taken out and thereafter at least once every 12 months, and the Project Company shall promptly notify SAWS in writing of each such determination, provided that SAWS may at any time (but not more frequently than once in any 12 month period), by written notice to the Project Company, require the Full Insurable Value of any building, improvement, equipment or other property to be redetermined by an independent qualified appraiser designated by the Project Company's insurance agent/broker and approved by the property insurance company. The Project Company shall cause such redetermination to be made promptly and the results of such redetermination communicated in writing to SAWS.

7.3.2 Adequacy of Contemplated Insurance. In addition to the determination of Full Insurable Value, as part of the periodic review contemplated in subsection 7.3.1 (Determining Full Insurable Value) of this Appendix, the Project Company shall determine whether the policies set out in Section 7.2 (Insurance During the Operating Period) of this Appendix and the limits of such policies are adequate for the Project, and the Project Company shall promptly notify SAWS in writing of each such determination, provided that SAWS may at any time (but not more frequently than once in any 12 month period), by written notice to the Project Company, require the policies or the limits of such policies be redetermined, in the manner described in the preceding paragraph. The Project Company shall cause such redetermination to be made promptly and the results of such redetermination communicated in writing to SAWS. The Operation and Maintenance Charge shall be adjusted to reflect any reduced or increased cost of any SAWS-directed insurance redetermination.

7.4. WAIVER OF SUBROGATION RIGHTS, AND OTHER POLICY REQUIREMENTS

7.4.1 EPC Contractor Waiver of Subrogation. The EPC Contractor and its insurers providing the insurance required under subsections 7.1.1 (Builder's Risk), 7.1.2 (Professional Liability Insurance), 7.1.3 (Commercial General Liability), 7.1.4 (Commercial Automobile Liability), 7.1.5 (Worker's Compensation and Employer's Liability), 7.1.6 (Contractor Pollution Liability), and 7.1.7 (Pollution Legal Liability) of this Appendix shall waive any right of subrogation they may have against SAWS, SAWS Indemnitees and those for whom SAWS is in law responsible, whether or not the damage is caused by its act, omission or negligence.

7.4.2 Project Company Waiver of Subrogation. The Project Company and its insurers providing the insurance required under subsections 7.2.1 (Property), 7.2.2 (Boiler and Machinery), 7.2.3 (Business Interruption), 7.2.4 (Commercial General Liability), 7.2.5 (Commercial Automobile Liability), 7.2.6 (Worker's Compensation and Employer's Liability), 7.2.7 (Pollution Legal Liability), and 7.2.9 (Earthquake and Earth Movement) of this Appendix shall waive any rights of subrogation they may have against any SAWS Indemnitee, whether or not the damage is caused by its act, omission or negligence.

7.4.3 Non-Recourse to SAWS. All insurance policies shall provide that the insurers shall have no recourse against SAWS for payment of any premium or assessment and shall contain a severability of interest provision in regard to mutual coverage liability policies. The coverages provided by mutual coverage liability insurance policies required pursuant to this Water Transmission and Purchase Agreement shall be the primary source of any restitution or other recovery for any injuries to or death of persons or loss or damage to property incurred as a result of an action or inaction of the Project Company, of its respective suppliers, employees,

agents, representatives, or invitees, that fall within these coverages and within the coverages of any liability insurance or self-insurance program maintained by SAWS.

7.5. GENERAL POLICY REQUIREMENTS

Each policy of insurance required under this Appendix shall:

- (a) be written on a project or location specific basis with project or site specific dedicated limits;
- (b) be issued by a Qualified Insurer;
- (c) be in a form approved by SAWS, such approval not to be unreasonably withheld;
- (d) be non-contributing with and shall apply only as primary insurance and not excess to any other insurance, self-insurance, or other risk financing program available to SAWS;
- (e) contain an undertaking by the insurers to notify SAWS and the Project Bondholders in writing not less than 30 days before any material change, cancellation or termination;
- (f) where SAWS is an additional insured, insure SAWS Indemnitees; and
- (g) where SAWS is an additional insured, use Insurance Services Office (ISO) endorsement CG 20 10 and CG 20 37 or equivalent substitutions.

7.6. EVIDENCE OF INSURANCE

Upon the issue of a policy of insurance, and otherwise upon request by SAWS, the Project Company shall deliver to the Operating Service Provider (to the extent of coverage under which it is an additional insured) and SAWS a copy of policy endorsements and certificates. The Project Company, acting reasonably, may redact proprietary information from the copy of the policies delivered to SAWS. Upon request by SAWS, the Project Company shall deliver proof of payment of premiums for insurance required to be effected pursuant to this Appendix. No review or approval of any insurance certificate or insurance policy by SAWS shall derogate from or diminish SAWS's rights under this Water Transmission and Purchase Agreement.

7.7. DEDUCTIBLES

7.7.1 Deductibles During the Construction Period. Except as provided in subsection 7.7.3 (Earthquake Insurance Deductibles) of this Appendix, any of the policies of insurance required under Section 7.1 (Insurance During the Construction Period) of this Appendix during the Construction Period may provide that the amount payable in the event of any loss shall be reduced by a deductible amount designated by the Project Company and approved by SAWS, such approval not to be unreasonably withheld. During the Construction Period, the Project Company shall pay the amount deducted from the insurance moneys payable in the event of any loss, and the amount shall be included as Insurance Proceeds or Insurance Receivables.

7.7.2 Deductibles During the Operating Period. Except as provided in subsection 7.7.3 (Earthquake Insurance Deductibles) of this Appendix, any of the policies of insurance required under Section 7.2 (Insurance During the Operating Period) of this Appendix during the Operating Period may provide that the amount payable in the event of any loss shall be reduced by a deductible amount designated by the Project Company and approved by SAWS,

such approval not to be unreasonably withheld. The Project Company shall pay the amount deducted from the insurance moneys payable in the event of any loss, and the amount shall be included as Insurance Proceeds or Insurance Receivables.

7.7.3 Earthquake Insurance Deductibles. The policy of insurance required under subsections 7.1.1 (Builder's Risk) and 7.2.9 (Earthquake and Earth Movement) of this Appendix may, with respect to loss arising from earthquakes and earth movement, provide that the amount payable in the event of such loss shall be reduced by a deductible amount of five percent of the loss or \$250,000, whichever is less, of the \$20 million sublimit insurance requirement.

7.8. SUBCONTRACTORS

The Project Company shall be responsible for ensuring that all Subcontractors performing the Construction Work and the Operating Work secure and maintain all insurance coverages (including workers' compensation insurance) and other financial sureties required by the laws of the State in connection with their presence at the Project Sites and the performance of their duties pursuant to their respective Subcontracts.

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APPENDIX 8

PERFORMANCE GUARANTEE REQUIREMENTS

APPENDIX 8

PERFORMANCE GUARANTEE REQUIREMENTS

8.1. PURPOSE

This Appendix sets forth the requirements for certain Performance Guarantees in this Water Transmission and Purchase Agreement and the noncompliant Product Water deductions for failure of the Project Company to meet such Performance Guarantees throughout the Operating Period.

The Product Water Quality Sampling Locations for Product Water quality compliance monitoring shall be at the point of delivery which will be a designated sample tap downstream of the Project Company Storage Tank, somewhere between the tank and the Product Water Delivery Point flange. All sampling methodology, holding times and analytical methods used shall be compliant with the latest edition of *Standard Methods for the Examination of Water and Wastewater* unless otherwise approved in advance by SAWS.

8.2. PERFORMANCE GUARANTEES

8.2.1 Product Water Quality Guarantee.

The Product Water that the Project Company delivers to SAWS at the Product Water Delivery Point shall be treated water suitable for immediate distribution as public water supply and shall meet:

- (1) the quality criteria prescribed by the TCEQ Drinking Water Standards Governing Drinking Water Quality and Reporting Requirement for Public Water System, 30 Texas Administrative Code, Chapter 290, subchapter F;
- (2) all federal drinking water regulations (e.g. primary and secondary maximum contaminant levels) promulgated by the EPA and enforceable in Texas; and
- (3) the Additional Product Water Quality Standards specified in Table 8-1 of this Appendix.

The Project Company shall be responsible for compliance with all then-current drinking water quality regulatory requirements in items (1) or (2) above throughout the Operating Period.

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Table 8-1. Additional Product Water Quality Standards

Product Water Quality Parameter	Unit	Concentration at Product Water Delivery Point	Minimum Sampling Frequency
Total Iron	mg/L	≤0.3	Weekly
pH	Standard units	7.5 - 9.0	Continuous
Temperature	° F	≤83	Continuous
Langeliers Saturation Index ¹	Standard units	>0.1	Weekly
Free Chlorine	mg/L	≥0.5 but ≤ 3	Continuous
Turbidity	NTU	≤2	Continuous

¹ LSI calculation as specified in Faust, Samuel D. and Aly, Osman M., *Chemistry of Water Treatment*, 2nd ed. (1998), page 459.

8.2.2 Changes in Applicable Law.

The Project Company, as provided in Section 10.2 (Product Water Quality Guarantee) of this Water Transmission and Purchase Agreement, shall comply with Applicable Law with regard to Product Water quality as it may be in effect from time to time throughout the Term. SAWS and the Project Company will coordinate in the development of any new treatment processes and methodologies necessary to meet future regulatory requirements.

8.2.3 Product Water Quality Sampling.

Sampling and monitoring will be performed following TCEQ regulation requirements or as directed by SAWS.

Continuous monitoring shall be conducted by on-line meters, located at a Product Water Quality Sampling Location that is capable of transmitting real-time information to SAWS' SCADA system. Any parameter not requiring continuous monitoring shall be collected at the minimum frequency specified by the TCEQ and EPA by a grab sample at a Product Water Quality Sampling Location.

If it is determined through routine or SAWS-requested monitoring that delivered water does not comply with one or more of the Additional Product Water Quality Standards listed in Table 8-1, or with items (1) and (2) in subsection 8.2.1 of this Appendix, the Product Water shall be considered Off-Specification Product Water or Unacceptable Product Water as listed in Table 8-2.

Demonstrated noncompliance of any Product Water Quality Guarantee at the Product Water Delivery Point shall give SAWS the right to instruct the Project Company to sample at any point(s) from the Well Field Facilities to the Product Water Delivery Point. The results of all such sampling shall be provided to SAWS within two Business Days following receipt by the Project Company.

All water quality analytical methods used to demonstrate compliance with the Product Water Quality Guarantee shall be performed according to methods approved by TCEQ or EPA, or otherwise approved in advance by SAWS. For routine process control analysis or routine Product Water analysis, SAWS may require the Project Company to use the SAWS Analytical Laboratory to perform the water quality testing. An independent third-party laboratory should be used if the Project Company reasonably believes that water quality may become noncompliant with any Product Water Quality Guarantee or for any reanalysis of Product Water. Any external laboratory analyzing Product Water samples must be a certified, independent, third-party laboratory preapproved in writing for use by SAWS. Approvals of laboratories for Product Water quality analysis shall not be unreasonably delayed by SAWS.

8.2.4 Raw Groundwater Sampling from Wells.

The Project Company shall sample all Wells during each Contract Year at least once for total coliforms. Each Well that returns a positive detection of coliforms shall require a resampling for coliforms from that Well within one month. If any of the Wells show coliforms on the resampling results, the following minimum safety protocol will be undertaken by the Project Company:

- (1) If coliforms are deemed migrating from the Well, the Well will be temporarily put out of service or the Raw Groundwater coming out of it shall be treated in a manner to protect from transfer downstream.
- (2) The Project Company will investigate the possible causes, define the need and the type of mitigation, and conduct the mitigation work.
- (3) If the resampling results show coliforms presence after mitigation is complete, a plan will be developed by the Project Company in coordination with the prior investigation results in order to define the most cost-effective solution to such issue. Proper resolution steps to be taken may include, but are not limited to, flushing the Well three or more times, chemical disinfection of the Well, shutting down the Well and drilling new Wells, and installing a water treatment system guaranteeing coliform-free water downstream. Repeated failures of the mitigation efforts will require the Project Company to develop new plans to progressively move toward more significant or costly efforts to eliminate the presence of coliforms coming from a Well. Any such plan to move towards more costly mitigation efforts shall be submitted to SAWS for review and comment prior to implementation.
- (4) Once the coliform presence in the Raw Groundwater has been mitigated, the Project will return to normal operation ending the current mitigation efforts and returning to annual Raw Groundwater sampling efforts.

8.2.5 Off-Specification Product Water Deductions.

Pursuant to Section 10.2 (Product Water Quality Guarantee) of this Water Transmission and Purchase Agreement, SAWS shall have the right to impose Deductions in the amounts specified in Table 8-2 of this Appendix in the event SAWS takes delivery of any Off-Specification Product Water.

This Appendix provides for Deductions, which are intended as liquidated damages for the relevant circumstances herein described. The parties agree that actual damages in each

such circumstance would be difficult or impossible to ascertain, and that the liquidated damages provided for herein with respect to each such circumstance are intended to place the damaged party in the same economic position as it would have been in had the circumstance not occurred. Such Deductions shall constitute the only damages payable by the obligated party in such circumstances of non-performance, breach or default, regardless of legal theory. This limitation, however, is not intended to and shall not limit any party's right to exercise its remedies herein provided, including remedies associated with a Project Company Event of Default or a SAWS Event of Default under Section 20.1 (Project Company Events of Default) and Section 21.1 (SAWS Events of Default) of this Water Transmission and Purchase Agreement, respectively. The parties acknowledge and agree that the additional remedies specifically provided for in this Water Transmission and Purchase Agreement are intended to address harms and damages which are separate and distinct from those which the liquidated damages are meant to remedy. In addition, the parties agree as follows:

- (1) that the Deductions are not a penalty, and are fair and reasonable and such Deductions represents a reasonable estimate of fair compensation for the losses that may reasonably be anticipated from the specific circumstances of non-performance or breach; and
- (2) that, in recognition of the acknowledgments above, the Project Company is expressly estopped from arguing, and waives any rights it may have to argue, that the liquidated damages provided for herein are a penalty and that they are not enforceable.

Any parameters requiring continuous measurement shall be noncompliant for a minimum of 4 hours before any Off-Specification Product Water Deductions are to be assessed by SAWS at SAWS sole discretion, or the water is determined to be Unacceptable Product Water. If the Project Company can demonstrate to SAWS' satisfaction that the period of noncompliance was the result of a faulty meter or detector, or any other cause that SAWS believes adequately demonstrates that the reported value was not indicative of the actual Product Water quality delivered, then SAWS shall have the right to waive any Off-Specification Product Water Deductions.

Water that remains in an off-specification condition will be assessed a Deduction for each 24-hour period that the off-specification condition exists.

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Table 8-2. Deductions for Product Water that is Not Compliant with Additional Product Water Quality Standards

Parameter	Table 8-1 Compliance Standards	Off-Specification Product Water		Unacceptable Product Water
	limits	limits	Deduction per day	limits
Total Iron	≤0.3 mg/L	NA	NA	>0.3 mg/L
pH	7.5 - 9.0 units	NA	NA	<7.5 or >9.0 units
Temperature	≤83 °F	≥ 84 but ≤ 89 °F	\$5000	>89 °F
Langeliers Saturation Index	>0.1 units	≤0.1 units	\$8000	<-0.1 units
Free Chlorine	≥0.5 but ≤ 3 mg/L	< 0.4 or >3 mg/L	\$1000	>4 mg/L
Turbidity	≤2 NTU	> 2 but < 4 NTU	\$5000	≥4 NTU

APPENDIX 9
GUARANTEED MAXIMUM ELECTRICITY UTILIZATION AND DEMAND

APPENDIX 9

GUARANTEED MAXIMUM ELECTRICITY UTILIZATION AND DEMAND

9.1 INTRODUCTION

This Appendix cannot be completed until the engineering of the Project is further developed. This draft is being included in this Water Transmission and Purchase Agreement to outline the current understanding of the electrical requirements of the Project and the performance requirements on power consumption that will be required of the Project Company. The parties agree to further develop and complete this Appendix prior to the Financial Closing Date.

9.2 PURPOSE

The purpose of this Appendix is to define the electric power needs of the Project to be fulfilled by the power supply providers based on the power supply contracts to be secured by SAWS and to define the procedure that will allow the Project Company to provide SAWS with a Guaranteed Maximum Electricity Demand and Guaranteed Maximum Electricity Utilization prior to the Financial Closing Date.

9.3 POWER SUPPLY

SAWS will establish electrical service agreements with the electrical service providers to provide the electrical supply to the Project as needed. The electrical service providers will bill SAWS directly for all electrical costs.

The Project Company will be responsible to work directly with the electrical service providers and to supply all technical information necessary to establish the specific power delivery requirements and the interconnection points between the service providers and the Project Company. SAWS will be responsible for ensuring that electrical service is constructed and adequate to meet the Commercial Operation Date.

The Project Company will be responsible to design and operate the Project in the most efficient manner possible which minimizes electrical demand, minimizes the total electrical consumption and minimizes the total electrical costs to operate the Project. This Appendix assumes that electrical service will be provided by power utilities or direct generators at a wholesale rate. This Appendix also assumes that the Project Company will not provide back-up generators as alternate power supplies for the Well Field Facilities and pump stations after the Commercial Operation Date. In the event that back-up generators are included, the period of use of the generators will be excluded from the calculation of the guarantees.

SAWS will be responsible for ensuring that electrical service is constructed and adequate to allow the Performance Tests to be performed in accordance with the Performance Test Protocol.

In the event that SAWS develops other customers on the Transmission Pipeline, this Appendix will be updated in accordance with the electrical demand and use of those other projects.

9.4 POWER NEEDS

The Project will require power supply from the grid at several locations. Power supply availability and stability must be at any time sufficient so as to not limit the Project normal operations (start-up, base load production and transportation, peaking production, transportation, operation and maintenance and others required for the Project Company to be able to supply Product Water under the terms of this Water Transmission and Purchase Agreement).

Power supply quality will be determined through the final engineering design process and established through negotiations with the power service providers.

The power supply quality anticipated at this moment is:

Power supply will not produce power shortages. SAWS will work with the Project Company and the power providers to provide a high quality service with the minimum number of micro interruptions. The Project anticipates using a single power source with no double ended switchgear or dual service drops intended.

All power quality and quantity information is draft in this version of this Appendix.

		Separate Acceptable Deviations	Combined Acceptable Deviations
Phases	3	-	-
Frequency (Hz)	60Hz	±2%	±2%
Voltage (V)	4160	±5%	±3%

Separate deviations means that only one of the parameters is deviating and combined means that two or more parameters are deviating from the requirement.

If required, the Project Company will assist SAWS on its power supply negotiations providing the most accurate power needs and power quality data available so far.

Connection points will be required at every location as follows:

Well Field Facilities Site

At each wellhead site, one connection point will be located at the service connection terminals inside the electric cabinet and after a power meter provided by the electrical service provider. Table 1 includes the electrical requirements for each of the nine wellhead sites. Each wellhead site will have two pumps, one 250 hp pump and one 1,250 hp pump. Both pumps will be on variable frequency drives for startup and operation.

Power supply provided at those connectors must be as follows:

Table 1 - Individual Well head power requirements

Parameter	Required Value
Power (KW)	1119
Active power (KVA)	1317

Pump Stations

At each pump station site, one connection point will be located at the service connection terminals inside the electric cabinet and after a power meter provided by the electrical service provider.

Power supply provided at those connectors must be as follows:

Table 2 - HSPS Power Requirements

Parameter	Required Value
Power (KW)	6869
Active power (KVA)	8081

Table 3 - IPS #1 Power Requirements

Parameter	Required value
Power (KW)	5377
Active power (KVA)	6326

Table 4 - IPS #2 Power Requirements

Parameter	Required value
Power (KW)	6869
Active power (KVA)	8081

Product Water Delivery Point

At the Product Water Delivery Point site, one connection point will be located at the service connection terminals inside the electric cabinet and after a power meter provided by the electrical service provider. The power requirements shown in Table 5 only account for Project Company delivery infrastructure. Power required for SAWS pumping and distribution will be additional to the power listed.

Power supply provided at those connectors must be as follows:

Table 5 - Delivery Point Site Power Requirements

Parameter	Required value
Phases	3
Frequency (Hz)	60Hz
Voltage (V)	208/120
Power (KW)	39
Active power (KVA)	46

9.5 GUARANTEED POWER USAGE

This section sets forth the calculation methodology for determination of the Guaranteed Maximum Electricity Demand and Guaranteed Maximum Electricity Utilization throughout the Term. Major components for this section cannot be established until the design of the Project is near completion and the electrical demands and actual loads are known. Therefore, this section will remain in draft form and will be finalized before the Financial Closing Date. The information included at this time is intended to outline the basics of electrical service and some of the guarantee obligations that will be established in the final version of this Appendix.

Overview

An Annual Power Usage Balance will be performed at the end of every Contract Year during the Term to ascertain the deviations between the Guaranteed Maximum Electricity Demand and Guaranteed Maximum Electricity Utilization (defined year by year) and the actual annual electricity demand and utilization.

Two types of parameters will be used in the power usage balance at the end of every Contract Year:

- Guaranteed Parameters (in KWh/task and in KWh/acrefit)
- And Measurable Parameters (number of stop/start operations, volumes produced under base load regimes, actual metered usage and volumes produced)

Annual Power Usage Balance quantifies the difference between the Guaranteed Maximum Electricity Demand and Guaranteed Maximum Electricity Utilization and the actual annual electricity demand and utilization:

$$\Delta = \Sigma_{\text{guaranteed}} - \Sigma_{\text{measured}}$$

Where:

Δ : is the deviation (positive or negative) in power usage per year in KWh. Also understood as power usage excess (if negative) or power usage savings (if positive)

$\Sigma_{\text{guaranteed}}$: is a calculated value (defined further on in this document) in KWh, represents the guaranteed power consumption in a year.

Σ_{measured} : is the sum of the actual annual power usage read at every site power meters, expressed in KWh.

Deviations from the guaranteed power consumption will result in the following consequences:

If $\Delta \leq 0$ then, SAWS shall be entitled to a water payment Deduction equal to:

$\Delta \times$ Average Power cost during the Contract Year

Average Power cost during the Contract Year is calculated as the total power cost in US dollars paid by SAWS for the electricity supplied to the Project divided by Σ_{measured}

Calculation of $\Sigma_{\text{guaranteed}}$

First, a list of power users in the system (equipment using electricity) is defined along with the corresponding guaranteed power consumption for every working regime (start-up, base load production, peaking production).

Since power consumption varies from Contract Year to Contract Year due to aquifer level fluctuations, the calculation matrix below (Table 6) will need to be updated on an annual basis:

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Table 6 – Power Consumption Calculation Matrix

Power users in the system	Start-Up event usage (Guaranteed KWh/event)	Actual # of startup events	Base Load Production, P≤50,000 acreft/year (Guaranteed KWh/acreft)	Actual Base load production (Acreft)	Peaking Production, P>50,000 acreft/year (Guaranteed KWh/acreft)	Actual Peaking production (Acreft)	Year N, equipment guaranteed usage (KWh)
Wellfield							
Pump Carrizo.1	X1	N1	Y1	P1	Z1	P'1	$S1=X1*N1+Y1*P1+Z1*P'1$
Pump Simsboro.1	X2	N2	Y2	P2	Z2	P'2
...							
Pump Carrizo 9							
Pump Simsboro 9							
Other users							
HSPS							
Cooling							
Chem. Dosing							
Pump#1							
Pump#2	Xj	Nj	Yj	Pj	Zj	P'j	$Sj=Xj*Nj+Yj*Pj+Zj*P'j$
Pump#3							
Other users							
IPS#1....							
....							
							The sum of this column is Σguaranteed

Calculation of X

Electrical motors draw substantial additional power when starting up. The calculation of the cumulative net effect of startup will be calculated using the number of actual stop/starts and the startup power consumption provided by the manufacturer. The startup consumption (X) for a given component j is calculated based on Equation 1:

$$X_j = D_j \times t \quad (1)$$

where D_j is the power draw, in kW, during the startup event according to manufacturer specification and guarantees. The duration of the startup event, converted to hours (t), is also provided by the manufacturer.

Depending on the equipment, the draw during startup (D_j) can be several times greater than the draw during normal operations. This event can last from a few seconds up to a minute. Optimization of startup sequences and schedules can play a significant role in reducing power consumption.

Calculation of Y and Z

To calculate the consumption for each component, the following equation is used for the theoretical hydraulic horsepower required at base load conditions. They must be calculated for the actual working point of the equipment under the corresponding operation regime:

$$hp(\text{hydraulic}) = \frac{Q \times H \times S}{3,960} \quad (2)$$

Where Q is the flow rate in gallons per minute (gpm), H is the hydraulic head differential across the component and S is the specific gravity of the fluid (water). This allows for the calculation of the hydraulic head necessary for the pumps. The theoretical mechanical and electrical horsepower (hp) requirements are calculated with the following:

$$hp(\text{mech}) = \frac{hp(\text{hydraulic})}{\eta(\text{mech})} \quad (3)$$

$$hp(\text{motor}) = \frac{hp(\text{mech})}{\eta(\text{motor})} \quad (4)$$

Where η represents efficiencies (mechanical or motor) obtained from the manufacturer. By converting the horsepower of the motor to kilowatts, the baseload production consumption rate (Y) can be calculated. When frequency variators are present, their efficiency will also need to be taken into account.

It should be noted that the efficiency of the pumps can (and often do) vary depending on the flow rate. Sufficient flexibility will be needed in the base load production consumption rate to allow for operation across the full range of flow rates necessary. In addition, other equipment (not pumps) such as mixers, blowers, etc. will have a different means for calculating their corresponding base load production consumption rates.

The peaking production consumption factor (Z) is calculated in the same way as the baseload production consumption factor (Y).

Additional Design Guarantees

In order to provide SAWS with additional guarantees for energy efficiency, the Project Company commits to the following:

- At Project commissioning, the pipe will have physical properties resulting in an average Hazen-Williams coefficient (C) of no less than 130.
- When selecting equipment, for functionally equivalent equipment (matches the functional needs of the Project), the Project Company will select those providing the best efficiency average at an annual theoretical operation regime. If the price difference between the most efficient and the second most efficient is higher than 5%, then the selected item will be the second most efficient.

APPENDIX 10

**ADJUSTMENT OF THE CAPITAL AND RAW GROUNDWATER UNIT PRICE ON THE
FINANCIAL CLOSING DATE**

APPENDIX 10

ADJUSTMENT OF THE CAPITAL AND RAW GROUNDWATER UNIT PRICE ON THE FINANCIAL CLOSING DATE

10.1 DEFINITIONS

Capitalized terms in this Appendix 10 shall have the meanings set forth below. Unless otherwise specified or the context otherwise requires, all other capitalized terms used herein shall have the meanings set forth in this Water Transmission and Purchase Agreement.

“AAA MMD” means the AAA MMD General Obligation scale, published by Thomson Reuters through the TM3 system.

“BAA MMD” means the BAA MMD General Obligation scale, published by Thomson Reuters through the TM3 system.

“Capped Interest Rate” means the Proposal Rate plus the Rate Cap.

“Credit Spread over AAA MMD” means the credit risk, as measured in basis points mutually agreed upon by SAWS and the Project Company on the Contract Date, that is added to the AAA MMD to determine the Initial Rate Scale. The agreed upon Credit Spread over AAA MMD will be documented by the parties in a Contract Administration Memorandum executed on or promptly following the Contract Date.

“Credit Spread over Initial BAA MMD” means the Initial Rate Scale less the Initial BAA MMD.

“Determined Rate” has the meaning set forth in Section 10.4 of this Appendix 10.

“Final Benchmark Rate” means the True Interest Cost calculated based on the Final Benchmark Rate Scale on the Final Rate Set Date as set forth herein.

“Final Benchmark Rate Scale” means the scale of interest rates from 1 to 30 years of the Municipal Market Data (MMD) Revenue Bond Baa Index, published by Thomson Reuters, plus the Credit Spread over Initial BAA MMD.

“Final Rate Set Date” means the earlier of (1) the SAWS Rate Set Date or (2) the Financial Closing Date.

“Initial BAA MMD” means the BAA MMD on the Contract Date.

“Initial Rate Scale” means the AAA MMD, published by Thomson Reuters, on the Contract Date plus the Credit Spread over AAA MMD.

“Initial Development Period” means the period of 18 months commencing on the Contract Date.

“Non-Qualifying Financing” means any financing that is not a Qualifying Financing.

“Proposal Rate” means 5.54%.

“Qualifying Financing” means a long term fixed rate level debt fully amortizing tax-exempt bond financing assigned an investment grade credit rating by at least two of the Rating Services.

“Qualifying Financing Financial Closing Rate” means the True Interest Cost at which the Qualifying Financing is issued at the Financial Closing Date.

“Rate Cap” means 50 basis points.

“SAWS Adjusted Determined Rate” has the meaning set forth in Section 10.4 of this Appendix 10.

“SAWS Decision Period” means the period commencing at the end of the Initial Development Period and ending at the expiry of the Total Development Period.

“SAWS Rate Set Date” means any date during the SAWS Decision Period determined by SAWS in its discretion, upon not less than seven Business Days' prior written notice to the Project Company, to determine the Final Benchmark Rate.

“Total Development Period” means the period of 30 months commencing on the Contract Date.

“True Interest Cost” means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the new issue of bonds. Interest is assumed to be compounded semi-annually.

10.2 DESCRIPTION OF RATES

Any reference to the price of a bond in this Appendix 10 means the yield to maturity of such bond, notwithstanding the actual price yield that is offered to investors.

10.3 SAWS INTEREST RATE PROTECTION CALCULATION FOR A NON-QUALIFYING FINANCING

On the Final Rate Set Date for a Non-Qualifying Financing, and in any event on a SAWS Rate Set Date, the Capital and Raw Groundwater Unit Price shall be adjusted, in accordance with the Capital and Raw Groundwater Unit Price adjustment protocol set forth in Section 10.4 of this Appendix, to reflect the lower of:

- (1) the Final Benchmark Rate, and

- (2) the Capped Interest Rate.

10.3.1 SAWS INTEREST RATE PROTECTION CALCULATION FOR A QUALIFYING FINANCING DURING INITIAL DEVELOPMENT PERIOD

On the Final Rate Set Date for a Qualifying Financing prior to the SAWS Rate Set Date, the Capital and Raw Groundwater Unit Price shall be adjusted in accordance with the Capital and Raw Groundwater Unit Price adjustment protocol set forth in Section 10.4 of this Appendix, to reflect the lower of:

- (1) the Qualifying Financing Financial Closing Rate, and
- (2) the Capped Interest Rate.

10.4 CAPITAL AND RAW GROUNDWATER UNIT PRICE ADJUSTMENT PROTOCOL

(1) On the Final Rate Set Date, other than in respect of a Qualifying Financing prior to the SAWS Rate Set Date, columns F, G and H in Schedule 1 of this Appendix will be completed, so that the rate determined will equal the lower of (1) the Final Benchmark Rate, and (2) the Capped Interest Rate (such resulting rate being the "Determined Rate").

(2) In the case of a Qualifying Financing prior to SAWS Rate Set Date, the "Determined Rate" shall be the lower of (a) the Qualifying Financing Financial Closing Rate, and (b) the Capped Interest Rate.

(3) In the event SAWS exercises its rights under Section 7.1(H) (SAWS' Option to Purchase Senior Debt at Issuance) of this Water Transmission and Purchase Agreement to purchase some or all of the Initial Senior Debt, the "SAWS Adjusted Determined Rate" shall be the weighted average of (a) the Determined Rate calculated in paragraph (1) or (2) above, as applicable, and (b) the True Interest Cost of the SAWS direct recourse financing contemplated in Section 7.1(H) (SAWS' Option to Purchase Senior Debt at Issuance) of this Water Transmission and Purchase Agreement.

(4) In no event shall the Determined Rate or the SAWS Adjusted Determined Rate, as applicable, be greater than the Capped Interest Rate.

(5) In any case, then, the adjusted Capital and Raw Groundwater Unit Price shall be the Capital and Raw Groundwater Unit Price set out in Schedule 2 of this Appendix that corresponds to the Determined Rate or the SAWS Adjusted Determined Rate, as applicable, determined above.

(6) The calculation of the adjusted Capital and Raw Groundwater Unit Price shall be made on the basis of linear interpolation between the values specified in Schedule 2 of this Appendix.

SCHEDULE 1
Calculation of Determined Rate
Rates as of September 2, 2014
Illustrative Numbers Only - To be Adjusted at the Contract Date and Financial Closing Date

Proposal Rate	5.54%
Rate Cap	0.50%
Capped Interest Rate	6.04%

AT THE CONTRACT DATE							FINAL RATE SET DATE		
Maturity Date	Par Tranches	A AAA MMD	B Credit Spread over AAA MMD	C Initial Rate Scale	D Initial BAA MMD	E Credit Spread over Initial BAA MMD	F Final BAA MMD	G Credit Spread over Initial BAA MMD	H=F+G Final Benchmark Rate Scale
1/1/2015	\$ -	0.13%		-	0.66%	-			
1/1/2016	-	0.34%		-	1.09%	-			
1/1/2017	-	0.60%		-	1.43%	-			
1/1/2018	-	0.88%		-	1.74%	-			
1/1/2019	1,501,000	1.17%	1.675%	2.845%	2.07%	0.775%		0.775%	
1/1/2020	2,271,000	1.46%	1.725%	3.185%	2.42%	0.765%		0.765%	
1/1/2021	3,137,000	1.71%	1.775%	3.485%	2.76%	0.725%		0.725%	
1/1/2022	3,918,000	1.96%	1.825%	3.785%	3.07%	0.715%		0.715%	
1/1/2023	4,911,000	2.13%	1.825%	3.955%	3.29%	0.665%		0.665%	
1/1/2024	5,911,000	2.21%	1.825%	4.035%	3.38%	0.655%		0.655%	
1/1/2025	7,024,000	2.29%	1.875%	4.165%	3.45%	0.715%		0.715%	
1/1/2026	8,052,000	2.37%	1.905%	4.275%	3.53%	0.745%		0.745%	
1/1/2027	9,320,000	2.45%	1.925%	4.375%	3.61%	0.765%		0.765%	
1/1/2028	-	2.53%	1.925%	4.915%	3.69%	-		-	
1/1/2029	-	2.60%	1.925%	4.915%	3.76%	-		-	
1/1/2030	-	2.67%	1.925%	4.915%	3.83%	-		-	
1/1/2031	-	2.73%	1.925%	4.915%	3.88%	-		-	
1/1/2032	-	2.79%	1.925%	4.915%	3.91%	-		-	
1/1/2033	-	2.84%	1.925%	4.915%	3.94%	-		-	
1/1/2034	-	2.89%	1.925%	4.915%	3.99%	-		-	

ABENGOA
 VISTA RIDGE, LLC

Vista Ridge Regional Supply Project
 Water Transmission and Purchase Agreement

Appendix 10
 Adjustment of the Capital and Raw Groundwater
 Unit Price on the Financial Closing Date

1/1/2035	-	2.94%	1.925%	4.915%	4.03%	-	-
1/1/2036	140,336,000	2.99%	1.925%	4.915%	4.06%	0.855%	0.855%
1/1/2037	-	3.01%	1.825%	4.935%	4.08%	-	-
1/1/2038	-	3.03%	1.825%	4.935%	4.08%	-	-
1/1/2039	-	3.05%	1.825%	4.935%	4.09%	-	-
1/1/2040	-	3.07%	1.825%	4.935%	4.09%	-	-
1/1/2041	-	3.09%	1.825%	4.935%	4.10%	-	-
1/1/2042	190,760,000	3.11%	1.825%	4.935%	4.11%	0.825%	0.825%
1/1/2043	-	3.12%	2.075%	5.205%	4.12%	-	-
1/1/2044	-	3.13%	2.075%	5.205%	4.13%	-	-
1/1/2045	-	3.13%	2.075%	5.205%	4.13%	-	-
1/1/2046	-	3.13%	2.075%	5.205%	4.13%	-	-
1/1/2047	-	3.13%	2.075%	5.205%	4.13%	-	-
1/1/2048	<u>270,859,000</u>	3.13%	2.075%	5.205%	4.13%	1.075%	1.075%
	\$ 648,000,000						

All-in TIC of Final Benchmark Rate Scale: *To be determined at the Financial Closing Date*

Determined Rate: *To be determined at the Financial Closing Date*

(Lesser of Capped Interest Rate or All-in TIC of Final Benchmark Rate Scale)

Note: The Capital and Raw Groundwater Unit Price will be determined at the Financial Closing Date using a Determined Rate of the lesser of the Capped Interest Rate or the All-in Total Interest Cost (TIC) of the Final Benchmark Rate Scale, and the corresponding unit price listed in Schedule 2. The table above will be revised at the Contract Date and Financial Closing Date and is for illustrative purposes only.

SCHEDULE 2

Capital and Raw Groundwater Unit Price
To be Determined at the Financial Closing Date

Determined Rate	Capital and Raw Groundwater Unit Price
4.54%	\$1,694.00
4.59	1,702.00
4.64	1,709.00
4.69	1,717.00
4.74	1,724.00
4.79	1,732.00
4.84	1,740.00
4.89	1,748.00
4.94	1,755.00
4.99	1,763.00
5.04	1,771.00
5.09	1,779.00
5.14	1,787.00
5.19	1,795.00
5.24	1,803.00
5.29	1,811.00
5.34	1,819.00
5.39	1,827.00
5.44	1,835.00
5.49	1,844.00
5.54	1,852.00
5.59	1,863.00
5.64	1,873.00
5.69	1,884.00
5.74	1,895.00
5.79	1,905.00
5.84	1,916.00
5.89	1,927.00
5.94	1,937.00
5.99	1,948.00
6.04	1,959.00

Note: The Capital and Raw Groundwater Unit Price will be the amount that corresponds to the Determined Rate calculated in Schedule 1. The maximum Capital and Raw Groundwater Unit Price is \$1,959 based upon the Capped Interest Rate of 6.04%.

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APPENDIX 11

END OF TERM PROJECT CONDITION REQUIREMENTS

APPENDIX 11

END OF TERM PROJECT CONDITION REQUIREMENTS

11.1. PURPOSE

The purpose of this Appendix, along with Sections 11.3 (Project Evaluations), 11.6 (End of Term Performance Evaluation Requirements) and 11.7 (Project Assets Transfer Condition) of this Water Transmission and Purchase Agreement, is to detail the protocol and procedures to be followed (1) upon the assignment and conveyance of the Project Assets on the Expiration Date pursuant to Section 3.2 (Assignment and Conveyance of the Project Assets Effective on the Expiration Date) of this Water Transmission and Purchase Agreement, or (2) if SAWS exercises its right to purchase the Project Assets pursuant to Article 23 (SAWS Project Assets Purchase Options) of this Water Transmission and Purchase Agreement.

The Project Company and SAWS shall jointly retain the services of the Independent Evaluator to perform the assessments set forth in this Appendix to determine whether (i) the Project operationally meets the Minimum Performance Criteria, and (ii) the Project has been maintained in accordance with the terms and conditions of this Water Transmission and Purchase Agreement. The Independent Evaluator will assess the Project's performance and condition in accordance with Section 11.3(B) (Final Evaluation of the Project) of this Water Transmission and Purchase Agreement, Section 11.6 (End of Term Performance Evaluation Requirements) of this Water Transmission and Purchase Agreement, and Section 11.7 (Project Assets Transfer Condition) of this Water Transmission and Purchase Agreement.

All costs and expenses with respect to the tests, reports, audits and any other testing or assessment services, including the services of the Independent Evaluator, performed pursuant to this Appendix shall be borne equally by the parties. The Project Company shall remain responsible for the costs and expenses for all repairs and replacements necessary for the Project to achieve the Minimum Performance Criteria, in the event the Exit Performance Test does not demonstrate that the Minimum Performance Criteria were achieved, in accordance with Section 11.6(C) (Non-Compliance with End of Term Performance Evaluation Requirements) of this Water Transmission and Purchase Agreement. SAWS shall have the right to hold back and retain the Transfer Condition Retainage as set forth in Section 11.7 (Project Assets Transfer Condition) of this Water Transmission and Purchase Agreement.

11.2. INDEPENDENT EVALUATOR RESPONSIBILITIES

The Independent Evaluator shall have the following responsibilities in connection with the final evaluation of the Project in accordance with Section 11.3(B) (Final Evaluation of the Project) of this Water Transmission and Purchase Agreement and Section 11.6 (End of Term Performance Evaluation Requirements) of this Water Transmission and Purchase Agreement:

- (a) Conduct the final evaluation of the Project using the listing of Project Structures created by the Project Company in the Asset Registry.
- (b) Perform the functional evaluation of the Project Structures and include in the Final Project Structure Evaluation Report (as defined in Section 11.4 of this Appendix).
- (c) Perform the structural integrity evaluation of the Project Structures and include in the Final Project Structure Evaluation Report.

- (d) Perform an evaluation of whether the Project met the End of Term Performance Evaluation Requirements (as defined below) during the End of Term Performance Evaluation Period.
- (e) Conduct a Joint Inspection and Survey (as defined below).

11.3. FINAL EVALUATION OF THE PROJECT STRUCTURES

Project Structures are required to be transferred to SAWS in the condition and state of repair in accordance with this Appendix. The Independent Evaluator shall conduct the final evaluation of the Project Structures using the listing created by the Project Company in the Asset Registry in accordance with this Appendix and Section 11.3(B) (Final Evaluation of the Project) of this Water Transmission and Purchase Agreement.

11.3.1 Functionality Evaluation. As part of the final evaluation of the Project at the end of the Term, the Independent Evaluator shall determine the functionality of the Project Structures. The functionality evaluation shall determine if the Project Structures operate properly and perform the function for which they were intended. The Project Structures to be evaluated as part of the functionality evaluation are the following (excluding Project Structures that have been abandoned in place, as determined pursuant to Section 6.2.14(b) of Appendix 6 (Operating and Maintenance Standards)):

- (a) All buildings (including HVAC ducts and louvers, and architectural features), and concrete tanks.
- (b) All piping with an original service life greater than 20 years, both underground and exposed, including the Transmission Pipeline System.
- (c) All valves, gates and weirs with an original service life greater than 20 years together with hydraulic systems.

Pipes must pass the Performance Test pursuant to Appendix 5 (Performance Test Procedures and Standards) during the Independent Evaluator's evaluation.

As part of the functionality evaluation of the Project Structures, the Independent Evaluator will assign a functionality rating of Level 1 to 5. The rating shall utilize the following criteria:

- (i) 5 - Excellent Overall Condition. Asset or structure fully functional as designed with no visible defects or wear.
- (ii) 4 - Good Overall Condition. Asset or structure functions as needed for current operating conditions, visible signs of minor defects and wear are less than expected.
- (iii) 3 - Fair Overall Condition. Asset or structure functions as needed for current operating conditions, visible sign of moderate defects and expected wear.
- (iv) 2 - Poor Overall Condition. Asset or structure operable, but does not function as needed for current operating conditions. Visible signs of major defects and wear are more than expected. There may be personnel safety issues.

- (v) 1- Inoperable. Asset or structure is non-functional, requires major repair or replacement to restore operation.

The Independent Evaluator shall review the CMMS to ensure that the reports are functioning and the historical records are in place and accessible to SAWS.

The Independent Evaluator shall note its field observations on SAWS-approved functional evaluation data collection forms. The findings of the functionality evaluation shall be tabulated on a spreadsheet such as in the Asset Registry. An example tabulation is presented in Table 11-1 of this Appendix.

For purposes of this Water Transmission and Purchase Agreement, Level 3 (Fair Overall Condition) of a Project Structure shall be characterized by normal wear and tear related to the damage that naturally and inevitably occurs as a result of normal use or aging. This is a form of wear that occurs when a Project Structure is used according to manufacturer’s instructions and is properly maintained. Examples of Level 3 (Fair Overall Condition), Level 2 (Poor Overall Condition), and Level 1 (Inoperable) (each also referred to as an “Unacceptable Condition”) are characterized in the following table:

Table 11-1		
EXAMPLES OF UNACCEPTABLE CONDITIONS		
<u>Project Element</u>	<u>Level 3</u> <u>Fair Overall Condition</u>	<u>Level 1 or 2</u> <u>Poor Overall Condition or</u> <u>Inoperable</u>
Concrete	Abrasion, minor hairline cracks, small chips, and isolated small stains	Exposed rebar; spalling; water leakage; compromised structural integrity; chipping and peeling of coatings or paint on coated or painted concrete
Steel	Faded paint, discoloration, minor nicks	Compromised structural integrity; visible bending; corrosion that adversely affects function; chipping and peeling of coatings or paint on coated or painted steel; rust
Architectural	Faded paint or discoloration on surfaces	Cracked windows; chipping and peeling of coatings or paint on coated or painted surfaces; broken or missing tiles
HVAC ducts and louvers	Minor bending or nicking on ducts and louvers	Corroded or cut ducts, non-connected duct sections; clogged or non-functional louvers; missing pieces of insulation on insulated ducts

11.3.2 Structural Integrity Evaluation. As part of the final evaluation of the Project, the Independent Evaluator shall determine the structural integrity of the Project Structures. The structural integrity evaluation shall include visual inspection with photographic and video recording of all Project Structures, including, but not limited to:

- (a) Buildings and concrete structures, both above and below ground, including doors, hatches, stairways, and windows;
- (b) All piping with an original service life greater than 20 years, both underground and exposed, including the Transmission Pipeline System; and
- (c) All valves, gates and weirs with an original service life greater than 20 years together with hydraulic systems.
- (d) Walkways, roads and other paved areas;
- (e) Fencing and screens;
- (f) Finish system – paint, sealants and other liquid applied finishes; and
- (g) Floor, ceiling, roofs and wall system – tiles, carpeting, raised floors and drop ceilings.

Structures and paved areas shall be checked for structural defects and damage, such as cracks and concrete deterioration that could reduce their remaining life. Finished systems shall be visually inspected to assure that they provide adequate coverage and afford the desired protection. Occurrence of flaking, corrosion, rot and inadequate coverage should be noted. Floor, ceiling, roofs and wall systems shall be visually inspected for excess wear and damages.

As part of the structural integrity evaluation of each Project Structure, the Independent Evaluator will assign a structural integrity rating of Level 1 to 5. The rating shall utilize the following criteria:

- (a) 5 – Excellent Overall Condition. No visible defects, cracking or wear.
- (b) 4 – Good Overall Condition. Visible signs of minor defects and wear are less than expected.
- (c) 3 – Fair Overall Condition. Visible sign of moderate defects and expected wear.
- (d) 2 – Poor Overall Condition. Visible signs of major defects and wear are more than expected.
- (e) 1 – Imminent Failure. Extremely poor overall condition; may be significant structural concerns.

The Independent Evaluator shall note its field observations on SAWS-approved structural integrity evaluation data collection forms. The Independent Evaluator's findings of the structural integrity evaluation shall be tabulated on a spreadsheet derived from the Asset Registry. An example tabulation is presented in Table 11-2 of this Appendix. Digital photographs and videotape records made of the condition of assets, whether or not structural or other physical defects are revealed, shall be included as part of the final evaluation. The location on the digital photograph or videotape corresponding to any listed defect shall be entered in the spreadsheet with each listing. The spreadsheet shall include a repair or

replacement estimate for each asset that is assigned a structural integrity rating of Level 1, 2 or 3 to return the asset to a structural integrity rating of Level 4 or 5.

Table 11-2				
STRUCTURAL INTEGRITY EVALUATION				
(Hypothetical Example for Final Evaluation)				
Asset Number *	Asset Name (& Manufacturer)	Structural Integrity Defect(s)	Structural Integrity Rating**	Video Location
ABOVEGROUND SYSTEMS				
S4	Building A	Cracked and leaking foundation	1	B-RO tape, index 310
S5	Building B	Broken concrete steps	2	B-J tape 1, index 130
S6	Building B	Collapsed building wall	1	B-J tape 2, index 100
UNDERGROUND STRUCTURES				
S17	Building A	Foundation wall (east) cracked	2	B-OP tape, index 1340
S13	Pump Station	Concrete dry well in pumping station is cracked and seeping	2	RPS tape, index 560
WALKWAYS, ROADWAYS, FENCING AND OTHER PAVED STRUCTURES				
S14	Fencing	Numerous holes and broken gate.	2	RWPS tape, index 25
S15	Driveway	Numerous cracks and heaving	2	D1 tape, index 1300
S17	Concrete sidewalk	Numerous cracks, heaving and broken curbing	2	RWPS tape, index 670
FINISH SYSTEMS (INCLUDING PAINTS AND COATING)				
S17	Building A	Interior structures need paint	3	RES tape, index 2500

Table 11-2				
STRUCTURAL INTEGRITY EVALUATION				
(Hypothetical Example for Final Evaluation)				
Asset Number *	Asset Name (& Manufacturer)	Structural Integrity Defect(s)	Structural Integrity Rating**	Video Location
S18	Building B	Inadequate coating of walkways	2	OP tape, index 1100
S19	Building B	Exterior paint flaking	2	B-B tape, index 1400
WALL, ROOFS AND FLOORING SYSTEMS				
S20	Building C ceiling	Flaking ceiling in building C	3	B-C tape, index 250
S21	Building A office floor	Tile severely cracked in numerous locations. Significant overall wear.	2	B-A tape 2, index 450
S22	Building B	Plywood walls buckling and cracking	1	B-C tape, index 190

*Asset numbers shall be assigned in accordance with the Project Company's CMMS identification system and SAWS' standards.

11.4. PROJECT STRUCTURE EVALUATION REPORT

The procedures followed to perform the evaluation set forth in Section 11.3 (Final Evaluation of the Project Structures) of this Appendix, together with the findings and results of the formal Project Structure evaluation process, shall be presented in a final evaluation report (the "Final Project Structure Evaluation Report"). Text, spreadsheets and databases shall all be prepared using a computer software program mutually agreed to by SAWS and the Project Company. The Independent Evaluator shall provide SAWS and the Project Company with preliminary drafts of all evaluation documents for review and comment.

Both SAWS and the Project Company shall sign final documents on each page for authentication and shall receive an authenticated copy of all final reports, databases, spreadsheets, video documentation and handwritten notes.

The Final Project Structures Evaluation Report shall consist of at least the following clearly delineated sections:

- (a) Functionality and structural integrity of the Project Structures; and
- (b) Supplemental information as may be determined by the Independent Evaluator.

11.4.1 Functionality Evaluation and Structural Integrity Evaluation. The Final Project Structure Evaluation Report shall provide the results of the functionality evaluation and the structural integrity evaluation of the Project Structures as set forth in Section 11.3 (Final

Evaluation of the Project Structures) of this Appendix. Those assets that do not exhibit physical or structural defects, and are therefore rated Level 4 or above, shall be noted as such in the Final Project Structure Evaluation Report with a statement regarding the overall condition. The findings of the functionality evaluation shall be tabulated on a spreadsheet. The Independent Evaluator shall, for structures with a functionality or structural integrity rating of Level 1, 2 or 3, indicate in each instance what repairs would be needed to bring both functionality and structural integrity ratings to a minimum Level of 4, or as may be required pursuant to applicable Transfer Condition Requirements.

11.4.2 Supplemental Information. This section of the Final Project Structures Evaluation Report shall include all supplemental information used by the Independent Evaluator, including, but not limited to, results of diagnostic testing, Inflation Index values used, equipment supplier information, and notes and calculations to support its findings and conclusions. This supplemental information may be included as appendices or attachments to the Final Project Structure Evaluation Report.

11.5. END OF TERM PROJECT PERFORMANCE EVALUATION

The Independent Evaluator shall conduct an evaluation of the Project's performance to verify whether the End of Term Performance Evaluation Requirements (as defined below) have been met pursuant to this Appendix and Section 11.6 (End of Term Performance Evaluation Requirements) of this Water Transmission and Purchase Agreement.

11.5.1 Evaluation of Six Months of Project Performance. During the End of Term Performance Evaluation Period, the Project Company shall deliver to the Independent Evaluator relevant Project performance information on a monthly basis or as otherwise requested by SAWS or the Independent Evaluator. This performance information will include sufficient information regarding Product Water delivery capacity, Product Water quality production capability, energy consumption, and chemical usage. Using such data, the Independent Evaluator will assist in determining whether the Project met the End of Term Performance Evaluation Requirements. The Independent Evaluator shall validate the adequacy of the Project performance information provided by the Project Company. If at any point during the End of Term Performance Evaluation Period the Project Company or the Independent Evaluator determines that the Project will not be able to meet the End of Term Performance Evaluation Requirements, the Project Company shall promptly notify SAWS and promptly begin conducting the Exit Performance Test.

11.5.2 End of Term Performance Evaluation Requirements. The following shall constitute the requirements the Project must meet during the End of Term Performance Evaluation Period (the "End of Term Performance Evaluation Requirements"):

- (a) No Monthly Unexcused Supply Shortfall Units were recorded.
- (b) The Project's total energy demand and utilization did not exceed 110%, as determined pursuant to Appendix 9 (Guaranteed Maximum Electricity Utilization and Demand).
- (c) The Product Water Quality Guarantee was never violated, except upon the occurrence of an Uncontrollable Circumstance.
- (d) Each pump and motor combination shall function within 85% of their original performance capacity and shall pass an electrical and mechanical predictive maintenance evaluation in accordance with Section 11.8.2 (Predictive Testing) of this Appendix.

- (e) Each Well will have a minimum 2-hour pump test demonstrating at least 75% of the rated capacity of the Well established on the Commercial Operation Date.
- (f) The Project met the requirements set forth in items (a) through (d) of this Section without needing extraordinary operational or maintenance requirements.

11.6. FAILURE TO MEET THE END OF TERM PERFORMANCE EVALUATION REQUIREMENTS

If the Project fails to meet each of the End of Term Performance Evaluation Requirements, the Project Company shall be required to promptly correct any Project deficiencies and demonstrate, by conducting a Performance Test in accordance with Appendix 5 (Performance Test Procedures and Standards) and taking into account the actual aquifer drawdown, that the corrections are adequate to restore the Project capability to meet the Minimum Performance Criteria (the "Exit Performance Test"). The Exit Performance Test shall be conducted over a duration agreed upon by both parties and in accordance with all other applicable terms and conditions of this Water Transmission and Purchase Agreement and Appendix 5 (Performance Test Procedures and Standards) and taking into account the actual aquifer drawdown. Any amounts of Product Water produced by the Project in excess of that established by the firm daily demand orders during the Exit Performance Test (i) shall be the responsibility of the Project Company, (ii) shall not be delivered to SAWS without SAWS prior agreement, and (iii) if not delivered, shall not be included in the calculation of Monthly Water Purchase Payments. At SAWS option, if during the Exit Performance Test, the Product Water produced in excess of the maximum allowable volume for delivery in place at that time meets all quality requirements, can be integrated into the SAWS system and is delivered, then SAWS may accept and pay for the excess water delivered. If the Project fails to meet the requirements of the Exit Performance Test, the Project Company shall be required to repeat the test as many times as needed until the Termination Date. SAWS may retain from Monthly Water Purchase Payments the Transfer Condition Retainage as set forth in Section 11.7(D) (Determination of Transfer Condition Retainage) and Section 11.7(E) (Establishment and Use of Transfer Condition Retainage Account) of this Water Transmission and Purchase Agreement for any uncompleted repair work.

11.7. PROJECT TRANSFER CONDITION REQUIREMENTS

11.7.1 General. The Project is required to be transferred to SAWS in the condition and state of repair that would be in accordance with the performance of the Contract Services if the Project was customarily maintained by an operator for similar equipment, and operated under an operation, maintenance, repair and replacement contract with similar operations, maintenance, repair, and replacement requirements as detailed below:

- (a) To have maintained appropriate staff who have the training, experience and proficiency in the management, maintenance, repair and replacement of water treatment and conveyance systems which shall be sufficient to maintain the Project in accordance with the Contract Standards, and at appropriate staffing levels.
- (b) To have operated, maintained and repaired the Project, including without limitation, repair or replacement of components, including all maintenance, repair and component replacement which may be characterized as "major" or "capital" in nature.
- (c) To have operated and maintained the Project in accordance with the Contract Standards, the manufacturer's recommended maintenance procedures, the Electronic Operation and Maintenance Manual and the CMMS.

- (d) To have arranged and paid for the procurement, delivery and storage of all materials, machinery, equipment, filters, any applicable manufacturer's specialty tools, an adequate supply of spare parts, tools and other consumables and supplies associated with operating, maintaining and repairing the Project.
- (e) Each pump and motor combination shall function within 85% of their original performance capacity and shall pass an electrical and mechanical predictive maintenance evaluation in accordance with Section 11.8.2 (Predictive Testing) of this Appendix.

11.7.2 Transfer Condition Requirements. The Independent Evaluator shall determine if the Project Company has maintained the Project in accordance with the operations, maintenance, repair, and replacement requirements established in this Water Transmission and Purchase Agreement and that it meets the Transfer Condition Requirements. The Independent Evaluator shall also identify the costs necessary to complete any additional work required to meet the Transfer Condition Requirements to assist SAWS in determining the Transfer Condition Retainage pursuant to Section 11.7(D) (Determination of Transfer Condition Retainage) of this Water Transmission and Purchase Agreement.

11.8. TRANSFER CONDITION JOINT INSPECTION AND SURVEY

11.8.1 General.

SAWS and the Project Company shall jointly cause the Independent Evaluator to conduct the Joint Inspection and Survey in accordance with Section 11.7(C) (Transfer Condition Survey and Work Plan) in this Water Transmission and Purchase Agreement.

SAWS shall have the right, but not the obligation, to attend or participate in any inspection and survey activities conducted by the Independent Evaluator, the Project Company or the Operating Service Provider and to any communications or meetings between the Project Company and the Operating Service Provider held on the subject of the Joint Inspection and Survey. Further, SAWS shall be provided access to and a copy, upon request, of all relevant information, data, material or reports prepared to document and support the Joint Inspection and Survey.

The Joint Inspection and Survey for any piece of Project Equipment shall be based upon its ability to perform its intended function, taking into consideration its performance history, renewals and replacements, time of utilization, physical condition, availability for service, service life, replacement costs and maintenance costs. The Project Company shall facilitate and allow the Independent Evaluator to conduct the following activities to establish the asset condition of the Project Equipment at the end of the Term:

- (a) Visually inspect the Project Equipment while it is in operation for:
 - (i) Appearance of Project Equipment components;
 - (a) Appearance of Project Equipment surfaces;
 - (b) Excessive wear of components;
 - (c) Excessive corrosion;
 - (d) Excessive temperature of the Project Equipment or its components;

- (e) Condition of coatings and paint; and
- (f) Presence of leaking fluids.
- (b) Inspect the Project Equipment while it is in operation for excessive vibration by computer analysis,
- (c) Inspect the electrical system and motor control centers by thermal analysis and motor diagnostic evaluations;
- (d) Have the original manufacturers evaluate the generators for performance and functional reliability;
- (e) Document the condition of the Project Equipment with photographs;
- (f) Observe the SCADA and other instrumentation for condition of the Project Equipment and its operating characteristics;
- (g) Monitor related instrumentation to determine the assets' physical condition and operation characteristics;
- (h) Collect any measurements, amperage draw or other readings, or other pertinent information which the Independent Evaluator deems appropriate;
- (i) Review CMMS records on applicable Project Equipment assets including, but not limited to the following;
 - (i) Complete up-to-date spare parts and consumable maintenance equipment and materials inventory;
 - (ii) Data available from any interface with energy management and control systems that provides condition based monitoring and component energy use profiles;
 - (iii) Project Equipment repair tracking by Asset Registry and its components;
 - (iv) Historical tracking of all work orders generated and sortable by equipment, date, and other equipment maintenance historic data;
 - (v) CMMS statistical data and query reports available.
- (j) Review relevant Project Equipment repair, rebuild and replacement records, and consult with manufacturers' maintenance manual and technical guidance documents;
- (k) Determine the degree of repair, replacement and renewals each applicable piece of Project Equipment has received during the Term;
- (l) Determine the utilization of the equipment (i.e. did the equipment operate for 24 hours per day or 6 hours per day); and
- (m) Inspect all readily accessible parts and surfaces for any material fit and alignment problems; excessive vibration, noise or temperature; the condition of

coatings; signs of wear or excessive corrosion; and excessive leakage of any fluids.

The Joint Inspection and Survey shall also take into consideration the following:

- (a) The appropriate level of spare parts and maintenance consumables for continued reliable operation.
- (b) Obsolete and unused assets.
- (c) Normal wear and tear given the age of the Project Equipment and expected useful life.

The Independent Evaluator shall review the Project Company's Project Equipment maintenance, repair and replacement performance and compare that performance with the then-current Good Management Practices ensuring a Level 4 or 5 condition for the maintenance, repair and replacement of comparable water treatment and conveyance Project Equipment.

11.8.2 Predictive Testing

The Independent Evaluator shall perform predictive testing to better assess the compliance with the Transfer Condition Requirements of all items in the Asset Registry. Such diagnostic testing could include, but is not limited to, vibration analysis, thermography, oil sampling, power systems assessments, and motor circuit analysis. The diagnostic testing shall be conducted by manufacturer-approved personnel or other appropriate qualified service technicians. The Independent Evaluator shall independently test each well pump and motor combination, each high service pump and motor combination, and all major electrical switchgear to ensure end of Term performance. Each pump and motor combination shall function within 85% of their original performance capacity and shall pass an electrical and mechanical predictive maintenance evaluation. The Project Company and Independent Evaluator shall, to the maximum extent possible, test equipment in a manner that does not impact the Project Company's ability to deliver water at the maximum allowable quantities in effect at that time. ally affect Project operations.

11.9. INDEPENDENT EVALUATOR'S JOINT INSPECTION AND SURVEY REPORT

The Independent Evaluator shall produce and deliver to SAWS and the Project Company within 45 days after the completion of the Joint Inspection and Survey a report of its findings and conclusions regarding the Project Equipment conditions in a Joint Inspection and Survey report, which shall contain: (i) an opinion as to whether the condition of any component of Project Equipment has not been maintained in accordance with the Transfer Condition Requirements; (ii) a detailed description of the basis upon which any component of Project Equipment has been determined not to have been maintained in accordance with the Transfer Condition Requirements; and (iii) an estimate of the cost for the work required, for any component of Project Equipment determined not to have been maintained in accordance with the Transfer Condition Requirements, to meet the Transfer Condition Requirements (the "Joint Inspection and Survey Report").

11.10. PROJECT EQUIPMENT TRANSFER CONDITION PLAN

If the Joint Inspection and Survey Report indicates that the Project will not be in a condition in accordance with the Transfer Condition Requirements or the Final Project Structures Evaluation Report indicates deficiencies that need to be corrected by the

Termination Date, then within 60 days of completion of the Joint Inspection and Survey Report, the Project Company shall deliver to SAWS the plan that details the work the Independent Evaluator has determined is necessary to meet the Transfer Condition Requirements, and that details the work to correct any deficiencies identified in the Final Project Structures Evaluation Report together with a cost estimate and schedule for performing the proposed work (the "Transfer Condition Plan"). SAWS shall have the opportunity to review, comment on and amend the Transfer Condition Plan in accordance with Section 11.7(D) (Determination of Transfer Condition Retainage) of this Water Transmission and Purchase Agreement. The Project Company shall cause the implementation of the Transfer Condition Plan in accordance with Section 11.7(F) (Performance of the Transfer Condition Work and Further Inspection) of this Water Transmission and Purchase Agreement.

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APPENDIX 12

PROJECT ASSETS AND LIABILITIES

APPENDIX 12

PROJECT ASSETS AND LIABILITIES

12.1. DEFINITIONS

In addition to the definitions set forth in Section 1.1 (Definitions) of this Water Transmission and Purchase Agreement, the following definitions have the meaning set forth below in this Appendix:

12.1.1 "Indebtedness" means all (1) indebtedness of the Project Company for borrowed money, including purchase money indebtedness, bonds, debentures, capital or financing leases, equipment operating leases, non-trade payables and credit facilities, or obligations for or in respect of the deferred purchase price of goods or services, (2) obligations of the Project Company under any guaranty, letter of credit, performance credit or other contract having the effect of assuring a creditor against loss, (3) obligations of the Project Company under any interest rate, currency or other hedging contract, and (4) any prepayment penalties, premiums or fees under any of the foregoing items described under clause (1), (2) or (3).

12.1.2 "Liability" means any and all direct or indirect Indebtedness, liability, assessment, claim, loss, damage, deficiency, obligation or responsibility, expense (including, without limitation, reasonable attorneys' fees, court costs, accountants' fees, environmental consultants' fees, laboratory costs and other professionals' fees), Order, settlement payments, Taxes, fines and penalties, fixed or unfixed, choate or inchoate, liquidated or unliquidated, secured or unsecured, accrued, absolute, actual or potential, contingent or otherwise (including any Liability under any guaranties or letters of credit, or with respect to insurance loss accruals).

12.1.3 "Litigation" means any action, arbitration, mediation, audit, hearing, investigation, litigation or suit (whether civil, criminal, administrative, investigative or informal) commenced, brought, conducted or heard by or before or otherwise involving any Governmental Body, arbitrator or mediator.

12.1.4 "Order" means any order, judgment, preliminary or permanent injunction, temporary restraining order, award, citation, decree, consent decree or writ.

12.2. PROJECT ASSETS

The Project Assets consist of the Project Real Property and the Other Project Assets.

12.3. PROJECT REAL PROPERTY

"Project Real Property" has the meaning set forth in this Water Transmission and Purchase Agreement.

12.4. OTHER PROJECT ASSETS

"Other Project Assets" consist of the following assets, rights, claims, properties and interests other than the Project Real Property that the Project Company or the Water Supply Corporation owns or in which the Project Company or the Water Supply Corporation has any right, title or interest (other than the Excluded Assets):

12.4.1 Assumed Project Contracts. To the extent SAWS so elects, all right, title and interest of the Project Company to and under the Project Contracts (and any related contracts which govern the obligations between the Project Company and a Project Contractor or Subcontractor whose obligations have been assumed (such as a confirmation or interface agreement)) (the “Assumed Project Contracts”).

12.4.2 Governmental Approvals. To the extent permitted by Applicable Law, all right, title and interest of the Project Company to and under all Governmental Approvals issued, granted, given, applied for on and before the Project Assets Transfer Date or otherwise made available by or under the authority of any Governmental Body for the ownership or operation of the Project, including those Governmental Approvals specified in Appendix 2 (Governmental Approvals) of this Water Transmission and Purchase Agreement to the extent such Governmental Approvals are assignable.

12.4.3 Books and Records. Subject to Section 26.13 (SAWS Confidentiality Obligations) of this Water Transmission and Purchase Agreement, copies of the Project Company’s books, records, data, ledgers, files, documents, and correspondence, lists, plats, architectural plans, drawings, specifications, studies, reports, maintenance records, and other printed or written materials (in either hardcopy or electronic form) required to be kept by the Project Company pursuant to this Water Transmission and Purchase Agreement, unless such documents are:

- (a) income statements showing profit or loss;
- (b) financial information regarding the Project Contractors and Subcontractors; or
- (c) privileged from production pending resolution of any outstanding dispute, in which case copies of such records will be delivered forthwith upon resolution of such dispute, provided that any records that are necessary for the performance of the Contract Obligations will be delivered to SAWS no later than the Termination Date.

All of such information delivered to SAWS will be delivered only to the extent there is no duty owed by the Project Company to an unrelated third party as of the Contract Date to not disclose such information.

12.4.4 Set of Construction Drawings Showing Alterations. Subject to Section 26.13 (SAWS Confidentiality Obligations) of this Water Transmission and Purchase Agreement, all right, title and interest of the Project Company in and to one complete set of existing construction drawings accurately showing the current configuration of the Project and depicting and identifying all alterations made to the Project since the Commercial Operation Date.

12.4.5 Maintenance, Operation and Training Manuals. Subject to Section 26.13 (SAWS Confidentiality Obligations) of this Water Transmission and Purchase Agreement, all right, title and interest of the Project Company in and to one complete set of existing, up-to-date maintenance, operation and training manuals for the Project.

12.4.6 Intangible Assets and Goodwill. All right, title and interest of the Project Company in and to all of the Project Company’s intangible assets which are necessary for the use and operation of the Project Assets, and the Project Company’s goodwill directly related to the Project.

12.4.7 Pre-Purchase Claims - Project Assets Purchase Options Before the Expiration Date. If SAWS exercises its right to purchase the Project Assets pursuant to Section 23.1 (Project Assets Purchase and Convenience Termination Option During the Term) of this Water Transmission and Purchase Agreement or Section 23.2 (Project Assets Purchase Option Upon a Project Company Event of Default) of this Water Transmission and Purchase Agreement, all right, title and interest of the Project Company in and to all of the Project Company's claims, prepayments, refunds, causes of action, choses in action, rights of recovery, rights of set-off, and rights of recoupment of the Project Company, for a recovery of physical damage to the tangible Project Assets ("Pre-Purchase Claims"), including Pre-Purchase Claims under any insurance policies or otherwise existing at law or equity. The amount of the Pre-Purchase Claims shall be reduced by an amount equal to the reasonable costs incurred by the Project Company prior to the Project Assets Transfer Date in pursuing such claims.

12.4.8 Post-Purchase Claims - All Project Assets Purchase Options. All right, title and interest of the Project Company in and to all of the Project Company's claims, prepayments, refunds, causes of action, choses in action, rights of recovery, rights of set-off, and rights of recoupment of the Project Company in each case relating to the Project Assets to the extent attributable to the period from and after the Project Assets Transfer Date.

12.4.9 Computer Hardware and Software. All right, title and interest of the Project Company in and to all computer hardware and software, in each case, used solely in the Contract Services, and all user's manuals, training manuals, sales programs, literature and other system and operations documentation relating to such hardware and software in the possession of the Project Company.

12.4.10 Domain Names. All right, title and interest of the Project Company in and to all internet domain names used in any Project website implemented by the Project Company to communicate the details of the Project with the public pursuant to Appendix 15 (Public Communications).

12.5. EXCLUDED ASSETS

Notwithstanding anything to the contrary contained in Section 12.2 (Project Assets) of this Appendix or elsewhere in this Water Transmission and Purchase Agreement, the assets identified below shall not be part of the sale and purchase contemplated by this Water Transmission and Purchase Agreement, are excluded from the Project Assets, and shall remain the property of the Project Company immediately after the Project Assets Transfer Date (collectively, the "Excluded Assets"):

12.5.1 All credit balances on any bank or trust accounts held by or on behalf of the Project Company on the Project Assets Transfer Date and the value of any amounts due and payable from third parties (but only when received from third parties) that would be deposited in such bank accounts.

12.5.2 Any rights to Raw Groundwater, the Groundwater Leases, the Groundwater Drilling and Operating Permit, and the Groundwater Transportation Permit or rights with respect to the Groundwater Leases.

12.6. ASSUMED LIABILITIES

On the Project Assets Transfer Date, SAWS shall assume liability for and agree to pay, perform and discharge, in a timely manner and in accordance with the terms thereof, all of the following (collectively, the "Assumed Liabilities"):

- (a) the Assumed Project Contracts with respect to all periods from and after the Project Assets Transfer Date, except any Liability arising from the Project Company's performance or non-performance under any Assumed Project Contract at any time prior to the Project Assets Transfer Date, whether asserted before or after such date;
- (b) all Liabilities arising out of the ownership and operation of the Project Assets subsequent to the Project Assets Transfer Date; and
- (c) all Liabilities arising out of the ownership and operation of the Project Assets on or after the Project Assets Transfer Date for materials or goods to be delivered to be used in the operations of the Project after the Project Assets Transfer Date.

12.7. EXCLUDED LIABILITIES

Except for the Assumed Liabilities, SAWS shall not assume, and shall not be deemed to have assumed by anything contained in this Appendix or this Water Transmission and Purchase Agreement or otherwise, any Liability of the Project Company whatsoever (the "Excluded Liabilities"). Without limiting the generality of the foregoing, SAWS shall not assume, and shall not be deemed by anything contained in this Water Transmission and Purchase Agreement or otherwise to have assumed any of the following Excluded Liabilities:

- (a) all Liabilities and obligations of the Project Company under this Water Transmission and Purchase Agreement;
- (b) all Liabilities arising out of the operation and ownership of the Project Assets prior to the Project Assets Transfer Date;
- (c) all Liabilities or demands for any Taxes in respect of the Project Assets that are due and payable for periods at or prior to the Project Assets Transfer Date, regardless of when assessed;
- (d) all Liabilities or demands arising out of any Liability or demand (whether or not asserted) or threatened or pending Litigation relating to the Project Assets for any period ending at or prior to the Project Assets Transfer Date to the extent such liability or demand relates to actions or omissions of the Project Company occurring prior to the Project Assets Transfer Date;
- (e) all Liabilities or demands arising out of any work or Contract Obligations that were to be performed by the Project Company at or prior to the Project Assets Transfer Date, including any warranty claims relating thereto;
- (f) all Liabilities or demands, including for any interest, penalties, late charges, prepayment charges or termination fees relating to any Indebtedness outstanding as of the Project Assets Transfer Date, or Taxes resulting from cancellation of such Indebtedness, and all Liabilities relating to any arbitrage rebate Liability, audit, examination or other enforcement action by the Internal Revenue Service or other Governmental Body with respect to any Indebtedness of the Project Company;
- (g) all Liabilities or demands for fees, costs or expenses incurred by the Project Company in connection with the preparation and negotiation of the transfer of the Project Assets and the consummation of the purchase and sale of the Project

Assets, including without limitation, attorneys', accountants' and consultants' fees, finder's fees, costs and expenses, regardless of when incurred;

- (h) all Liabilities or demands (contingent or otherwise) arising out of any Applicable Law with respect to the Project Assets attributable to events occurring at any time before the Project Assets Transfer Date, including Liabilities arising under the Governmental Approvals relating to the Project and under Applicable Law relating to Regulated Substances;
- (i) all other Liens, Liabilities or demands of the Project Company arising out of or relating to the ownership, use or operation of the Project that are not Assumed Liabilities;
- (j) any Liabilities arising out of or otherwise in respect of any employee benefit plan, any programs or arrangements that pay bonus, severance, change of control or similar payments, health care continuation coverage and any employment action or practice of the Project Company in connection with persons previously employed, employed or seeking to be employed by the Project Company, whether incurred prior to, on or after the Project Assets Transfer Date; and
- (k) all sales and use, transfer-related taxes, stamp, real property recordation fees or taxes and all other fees and costs associated with the transfer of title of the Project Assets from the Project Company to SAWS.

12.8. WATER SUPPLY CORPORATION

12.8.1 Water Supply Corporation Assets. "Other Project Assets" also include any of the assets, rights, claims, properties and interests of type or kind described in Section 12.4 (Other Project Assets) of this Appendix 12 (Project Assets and Liabilities) as assets, rights, claims, properties and interests of the Water Supply Corporation.

12.8.2 Excluded Assets, Assumed Liabilities and Excluded Liabilities. Excluded Assets, Assumed Liabilities and Excluded Liabilities also include, respectively, assets and liabilities of the type or kind described in Section 12.5 (Excluded Assets), Section 12.6 (Assumed Liabilities) and Section 12.7 (Excluded Liabilities) of this Appendix 12 (Project Assets and Liabilities) or excluded assets, assumed liabilities and excluded liabilities of the Project Company, as applicable to the assets, rights, claims, properties, interests and liabilities of the Water Supply Corporation.

APPENDIX 13

SAWS INTERCONNECTION IMPROVEMENTS

APPENDIX 13

SAWS INTERCONNECTION IMPROVEMENTS

13.1. PROJECT COMPANY RESPONSIBILITIES REGARDING TRANSMISSION PIPELINE TERMINUS SITE

13.1.1 The Project Company shall construct the Product Water Delivery Point as a connection to the SAWS Distribution System at a point immediately after the terminal Project Company Storage Tank at the Transmission Pipeline Terminus Site.

13.1.2 The Project Company shall provide sufficient land and legal access thereto, within an approximately 20-acre parcel, within 12,000 feet of the intersection of Blanco Road and Texas State Highway Loop 1604, for SAWS to construct additional ground storage, pumping facilities, SCADA communication facilities and other necessary treatment facilities at the SAWS Portion of the Transmission Pipeline Terminus Site.

13.1.3 Such land must have a shape necessary to adequately house all facilities and provide delivery truck drive-through access to delivery or maintenance points throughout the SAWS Portion of the Transmission Pipeline Terminus Site. Sufficient space shall also be provided to include fluoride, chlorine and calcium treatment systems and to allow SAWS to add an additional storage tank if SAWS determines such a tank is necessary.

13.1.4 The Project Company shall plat the SAWS Portion of the Transmission Pipeline Terminus Site and the Project Company Portion of the Transmission Pipeline Terminus Site (each separately as its own lot); construct necessary improvements, including off-site drainage, on-site stormwater detention and roads; and pay all fees required as a condition of platting.

13.1.5 The Project Company shall acquire tree preservation, flood plain, stormwater and other permits and acquire other land that may be necessary to satisfy drainage, tree, endangered species or other mitigation requirements, or may be necessary for construction of the SAWS Interconnection Improvements, at the Transmission Pipeline Terminus Site.

13.1.6 The Project Company shall consider off-site impacts and potential easements for flushing of the SAWS Storage Tanks and Project Company Storage Tank, including providing an adequate drainage way to flush the SAWS Storage Tanks as necessary.

13.1.7 The Product Water Delivery Point will be the discharge point from the Project Company Storage Tank. The Product Water Delivery Point will mark the transition of ownership from the Project Company to SAWS. The Product Water Delivery Point will remain accessible to both the Project Company and SAWS.

13.1.8 Immediately prior to the Product Water Delivery Point, the Project Company shall provide sampling ports for testing Product Water quality in accordance with Appendix 8 (Performance Guarantee Requirements). The Project Company shall provide necessary facilities for treating or discharging Product Water that fails to meet the Product Water Quality Guarantee.

13.1.9 The Project Company shall construct necessary roads to access the Transmission Pipeline Terminus Site, provide perimeter fencing around the Transmission Pipeline Terminus Site, and make any necessary drainage improvements.

13.1.10 SAWS and the Project Company shall agree upon an internal layout of the SAWS Interconnection Improvements and Project Improvements on the Transmission Pipeline

Terminus Site and will jointly construct joint use facilities such as security gates, lighting and internal service roads.

13.1.11 SCADA information will be transmitted by the Project Company from IPS2 and the Transmission Pipeline Terminus Site to SAWS. SAWS shall provide the Project Company with SCADA information from relevant points within the SAWS Distribution System to facilitate good system operation for both parties.

13.1.12 The Project Company shall provide all site beautification or facility visual improvements as required by the City of San Antonio building codes or other Applicable Law.

13.2. SAWS INTERCONNECTION IMPROVEMENTS

13.2.1 SAWS shall design and build the SAWS Interconnection Improvements necessary to be able to take delivery of Product Water and introduce the delivered Product Water into the SAWS Distribution System.

13.2.2 SAWS currently plans to build at least one 10 million gallon storage tank and facilities to add calcium at the SAWS Portion of the Transmission Pipeline Terminus Site. It is anticipated that other tanks and possibly other treatment facilities may be needed at this location.

13.2.3 SAWS shall construct pumping facilities at the SAWS Portion of the Transmission Pipeline Terminus Site.

13.2.4 SAWS shall install surveillance equipment necessary to monitor the SAWS Portion of the Transmission Pipeline Terminus Site.

13.2.5 SAWS shall construct necessary water mains to convey the Product Water from the SAWS Portion of the Transmission Pipeline Terminus Site to SAWS Pump Station 63. SAWS will construct other necessary mains within the SAWS Distribution System to ensure the capacity to take delivery of Product Water in volumes and in a manner consistent with SAWS' Product Water purchase obligations under this Water Transmission and Purchase Agreement. This may entail water mains being constructed from the Product Water Delivery Point to SAWS Pump Station 63 and other water mains necessary to convey it on further to Bitters Pump Station, Maltsberger Pump Station, Basin Pump Station and further as hydraulic analysis indicates may be necessary to distribute delivered Product Water. Some existing mains within the SAWS Distribution System may be "repurposed" to be used as a part of the transmission system needed to convey the Product Water into the SAWS Distribution System.

13.2.6 SAWS will construct domestic sewer service mains to the Transmission Pipeline Terminus Site capable of providing service to both SAWS and the Project Company.

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APPENDIX 14

**PROJECT COMPANY AND
PROJECT CONTRACTORS INFORMATION**

APPENDIX 14

**PROJECT COMPANY AND
PROJECT CONTRACTORS INFORMATION**

14.1. PURPOSE

14.1.1 Purpose. The purpose of this Appendix is to identify: (1) the Project Company's formation and other relevant entity-related information; (2) those Project Contractors that SAWS has approved for use by the Project Company in performing the Contract Services; and (3) the key management and supervisory personnel proposed to be used by the Project Company in performing the Construction Work.

14.2. PROJECT COMPANY INFORMATION

14.2.1 Project Company Information. Project Company represents and warrants that the following information regarding Project Company is true and complete as of the Contract Date:

1.	Name:	Abengoa Vista Ridge, LLC
2.	Date of Formation:	September 15, 2014
3.	State of Formation:	Delaware
4.	Registration/File Number:	5603609
5.	Managers:	
	<u>Name</u>	<u>Address</u>
	Santiago Martínez Mansilla	2600 Via Fortuna, Ste. 220, Austin, TX 78746
	Rodrigo Segovia Yuste	2600 Via Fortuna, Ste. 220, Austin, TX 78746
	Pedro Almagro Gavilán	2600 Via Fortuna, Ste. 220, Austin, TX 78746
	Santos Mauleón Lozano	2600 Via Fortuna, Ste. 220, Austin, TX 78746
6.	Subsidiaries at the Contract Date:	None

14.3. PROJECT CONTRACTORS

14.3.1 Project Contractors Generally. As provided in Article 13 (Contracting and Labor Practices) of this Water Transmission and Purchase Agreement, the Project Contractors shall be used by the Project Company in connection with the performance of the Contract Services. At any time during the Construction Period or the Operating Period, as applicable, the Project Company may request SAWS to update the list of approved Project Contractors. SAWS will review any suggested changes to such list in accordance with the provisions of Article 13 (Contracting and Labor Practices) of this Water Transmission and Purchase Agreement. SAWS

will have the right at any time to review and revise the then-current list of approved Project Contractors consistent with Article 13 (Contracting and Labor Practices) of this Water Transmission and Purchase Agreement.

14.3.2 Approved Project Contractors. The Project Contractors that SAWS has approved as of the Contract Date, and the Project Company is permitted to engage for the roles set forth below, are the following:

	Project Contractor	Role
1.	Abeinsa	EPC Contractor
2.	Abengoa Water USA	Operating Service Provider
3.	Central Texas Regional Water Supply Corporation	Water Supply Corporation

14.4. KEY INDIVIDUALS

14.4.1 Generally. As referenced in subsection 13.1(C) (Use of Project Contractors, Subcontractors and Key Individuals) of this Water Transmission and Purchase Agreement, certain key management and supervisory personnel will be used by the Project Company in connection with the performance of the Construction Work and the Operating Work (the “Key Individuals”). The Project Company shall provide SAWS with written notice in advance of the selection of (and any change in) the Key Individuals holding the positions listed in the table below, subject to review and approval (such approval not to be unreasonably withheld or delayed) of SAWS in accordance with subsection 13.1(C) (Use of Project Contractors, Subcontractors and Key Individuals) of this Water Transmission and Purchase Agreement. Resumes for the Key Individuals are included in Attachment 14A (Key Individuals Resumes) of this Appendix and establish the general level of qualifications for the role identified. To the extent not identified prior to the Financial Closing Date, within 60 days after the Financial Closing Date, the Project Company shall provide the names of the Key Individuals and their resumes for the positions set forth in subsection 14.4.2 (Key Individuals) of this Appendix. Such Key Individuals shall be subject to review and approval (such approval not to be unreasonably withheld or delayed) of SAWS in accordance with subsection 13.1(C) (Use of Project Contractors, Subcontractors and Key Individuals) of this Water Transmission and Purchase Agreement. At a minimum, all Key Individuals shall meet the registration, licensing, and certification requirements of Section 5.6(C) (Registration, Licensing and Certification Requirements) of this Water Transmission and Purchase Agreement. Further, the Chief Operator shall meet the registration, licensing, and certification requirements of Section 9.2(A) (Project Company’s Chief Operator) of this Water Transmission and Purchase Agreement, and all key operations staff shall meet the minimum qualification requirements of Section 9.3 (Staffing and Personnel) of this Water Transmission and Purchase Agreement and Appendix 6 (Operating and Maintenance Standards) of this Water Transmission and Purchase Agreement.

14.4.2 Key Individuals. The Key Individuals and the positions that the Project Company intends them to hold are the following:

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Project Company

	Project Company Party	Position	Name
1.	Project Company	Project Company Representative	Pedro Almagro Gavilán
2.		Chief Operator	Gonzalo Gómez-Rodulfo
3.		Chief Engineering Officer	Rodrigo Segovia Yuste
4.		Deputy Chief Engineering Officer	Marcos Barrera Parrilla
5.		Commissioning Manager	

Project Subcontractors

	Project Company Party	Position	Name
1.	Pape-Dawson Engineers, Inc.	Professional Engineer	Gene Dawson Jr.
2.	BlueWater Systems, LP	Water Developer	Ross Cummings
3.	CP&Y	Professional Engineers	
4.	R.W. Harden & Associates	Professional Engineers	
5.	Garney Construction	Project Construction Firm	

14.5. SPECIFIED PERSONNEL

14.5.1 Additional Specified Personnel. The Project Company shall provide SAWS with written notice in advance of the selection of (or any change in) the personnel positions listed in the table below ("Specified Personnel"). SAWS shall deliver written notice to the Project Company promptly (but in no event later than 14 days from receipt of such notice) describing any reasonable concerns regarding the qualifications of individuals proposed to hold such positions (or to replace the current Specified Personal). Within seven days of the delivery of SAWS's notice, the parties shall meet to resolve SAWS's concerns.

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	Position
1.	Construction Manager
2.	Construction Superintendent
3.	All Operations Supervisors
4.	Chief of Security

14.5.2 Unnamed Specified Personnel as of the Contract Date. To the extent not identified prior to the Financial Closing Date, within 60 days after the Financial Closing Date, the Project Company shall provide the names of the individuals proposed to hold the positions set forth in subsection 14.5.1 (Additional Specified Personnel) of this Appendix and shall provide resumes for each such individual. SAWS shall have the same approval rights set forth in subsection 14.5.1 of this Appendix as for a change in Specified Personnel.

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ATTACHMENT 14A

KEY INDIVIDUALS RESUMES

See attached.

Curriculum Vitae

Personal details:

Full name: Pedro Almagro Gavilán
Date of birth: 22/06/73
ID: 28.916.583 V
Address: C/ Bustos Tavera, 11. 41002 Sevilla.
Telephone: 954 93 71 11 / 650 71 37 20 / +86 137 011 304 57
E-mail: pedro.almagro@water.abengoa.com

Education:

- Industrial engineer, chemical specialty (University of Seville). Year 1998. Award for best transcript by “Real Maestranza de Caballería de Sevilla”.

Languages:

- English: high level
- French: high level
- Chinese: basic level

Work Experience:

- In May 1998, started/entered/got into Abengoa Urban Services, as technical studies of the Division of waste management up to February 2000.
- In February 2000, moved to Abensur Medio Ambiente/ Environment offers department. in which implemented the role of tenders responsible for the construction and operation of treatment facilities and urban/municipal, industrial, livestock waste management.
- In September 2003, became tenders/deals/offers Responsible for water treatment plants (E.D.A.R., E.T.A.P., I.D.A.M. and mud treatments) in Abensur Urban Services, plc.
- In February 2014, became head of the department of international deals of Befesa Construction and Environmental Technology, SA until December 2006.
- From January 2007 up to December 2010 head of the representative office “Befesa Agua” in China and General Manager of Quindao BCTA Desalination CO., Joint Venture owned by Befesa development project of IDAM Quindao.
- From January 2011 to December 2013 General Manager of Abengoa Water in China combining this with the responsibility of counselor of Quindao BCTA Desalination CO.,. And President of Dalian Xizhong Island Seawater Desalination Co.
- Nowadays has global responsibility as Director of Trading and financial Closure of Abengoa Water Projects.

Personal Publications:

- Euromed 2008: Desalination Cooperation among Mediterranean Countries of Europe and the MENA Region (Jordania Noviembre 2008)

- EDS Congress: Membrane in drinking Water production and Wastewater Treatment. Toulouse Octobre 2008.
- IDA World Congress on Desalination and Water Reuse 2009. Dubai.
- Desalination and Water Treatment Volume 6. 2010

Enero de 2014



GONZALO GOMEZ-RODULFO MARTINEZ

Personal Information:

Date of Birth: 20th of May of 1973
Address: Avda. Santuario de Valverde, 86 Portal B Atico A
28049 Madrid
Telephone: +34 610 57 97 97
Email: gonzalo.gomez-rodulfo@water.abengoa.com

Specialized Background:

2005 Master in Business Administration, by I.E.S.E.

Professional Experience:

Jan 11 – Present M.D. Services Division, in the multinational company "Abengoa Water",

As main responsible of the Bussines Unit, and reporting to the CEO of Abengoa Water, my main functions:

- Developing and implementing the strategy of the BU
- Managing the three departments of the BU: Industrial, Municipal and Domestic business
- Increasing profitability of the BU.
- Managing all human resources, with over 200 people involved.
- Guaranty compromised requirements with our clients in terms of availability, quantity and quality of Water.

Apr 08 – Dic 10 Contract Manager, in the multinational company "Befesa"

As main responsible of exploitation of the O&M department, and reporting to the Director of the department, my main functions:

- Elaborating the budget of each plant
- Designing de O&M plan for each exploitation
- Assuring profitability of each exploitation
- Recruiting personnel
- Dealing with Clients to assure technical & economical specifications during exploitation period
- Managing all Plant Directors

May 05 – Apr 08 **Division Manager**, in the multinational company “*Veolia Water Systems*”

As responsible of a Division focused to Water Treatment Equipment & Services business, with three big departments (Large Accounts, Engineering and Distribution), reporting to the CEO, my main functions:

- Profit & Loss account management, with a budget over 9 M€, ensuring the achievement of the designed objectives (Sales & Profitability).
- Business Developer.
- Closing deals with Clients
- Establishing Division Budget, in collaboration with the CEO
- Defining short and mid term strategies
- Defining Operating procedures
- Contracting Suppliers
- Coordinating human (over 30 persons) & technical resources,

Jan 04 – May 05 **Large Accounts Manager**, in the multinational company “*Veolia Water Systems*”

As responsible of the Large Accounts of the Division, selling equipment & Services, and reporting to the Division Manager, my main functions:

- Defining selling and profitability objectives of the year, with a budget over 5 M€ / year
- Defining operating procedures
- Personnel management, assuring fulfilling all service contracts coverage
- Defining and controlling economic and operating indicators
- Personal management, over 15 persons.

Dec 01 – Dec 04 **Plants Management Responsible** (Industrial Outsourcing), in the multinational company *Vivendi Water Systems*

As plants management responsible, in a new creation department focus to industrial customer, and reporting the Division Manager, my main functions:

- Identifying Potential Clients
- Business Developer
- Designing Exploitation Plan.
- Elaborating Cost Studies
- Commercial presentations
- Exploitation Management, including involved personnel.

Apr 98 – Dic 01 **Plant Manager**, in the company *Sociedad Anonima Industrias Celulosas Aragonesas (SAICA)*

With a first training stage through all different parts of the factory and, later, as Plant Manager of a wastewater plant, reporting to the Environmental Manager, my main functions:

- Designing the O&M plan of the plant.
- Executing the O&M plan, including maintenance, with 7 persons involved
- Relationship with official organisms (DGA y CHE).
- Elaborating the cost budget
- Designing, contracting and executing different revamping of the plant
- Responsible of dangerous wastes

Education

1991-1996 Bs Degree in Industrial Chemistry, at the Complutense University of Madrid.
1996-1998 Bs Degree in Applied Organic Chemistry, at the University of Texas, at Austin (USA).

Languages

English: High Level, oral and written, due to two years living in USA (Austin, TX).
Spanish: Native Language

Other Information

Drivers License, B1 type
Availability to travel

Name: Rodrigo Segovia Yuste

Mechanical Engineer

Professional Background

SEPTEMBER 2013 TILL NOW: ABENGOA WATER.

- Chief Technical Director and General Manager of AW Processes & Systems
 - Responsible for monitoring and progress of the construction works underway by Abeinsa
 - Responsibility in the Process and engineering side of the offers that are tendered by AW
 - General Manager of AW Processes & Systems, industrial BU of AW.

JANUARY 2011 – SEPTEMBER 2013: ABENGOA WATER.

- Chief Technical Director
 - Responsible for monitoring and progress of the construction works underway by Abeinsa
 - Responsibility in the Process and engineering side of the offers that are tendered by AW

NOVEMBER 2005 – DECEMBER 2010. BEFESA CONSTRUCCIÓN Y TECNOLOGÍA AMBIENTAL

- INTERNATIONAL WATER PROJECTS D&B DIRECTOR:
 - Responsible for all personnel assigned to works.
 - Responsible for economic results, deadlines and quality of works.
 - Customer relationships.
 - SWDP, WTP, Pipe Systems in Perú, Nicaragua, Argelia, China, India, Ghana, Marroco

FEBRUARY 1997 – NOVEMBER 2005. VEOLIA WATER SYSTEMS IBÉRICA

- Desalination Division Manager and Engineering Manager
- Operations and Manufacturing Manager
- Desalination Manager:
 - Responsible for the profit and loss account of the Desalination Division, which depends on the reverse osmosis market in Spain and global export market

- Technically responsible for proposals and execution of the division's projects
- Coordination of the division's commercial activity
- Engineering Manager:
 - Management of the electrical, mechanical, technical drawing and start-up support units that provide services to all of Veolia Water Systems Ibérica's divisions
- Operations and Manufacturing Manager
 - Preparation and management of the department's budget
 - Technical and commercial support in national and international sales
 - Preparation of proposals
 - Product development
 - Participation in the Steering Committee
 - Representation of the company in international corporate meetings
 - Unit management: electrical, mechanical, technical drawing and production

September 1993 – January 1997 Sulzer España (subsidiary of the Swiss multinational Sulzer, technology firm dedicated to the production of capital goods).

- Technical Sales in the Pumps Department:
 - Preparation, presentation and follow-up of engineering pump proposals. Maintenance of client relations. Project execution.

September 1992 – August 1993. Empresarios Agrupados.

- Mechanical Analysis Department Engineer

1994-1998. I.C.A.I. University - Industrial Engineering

- Part-time Fluid Machine Laboratory Professor

Main projects in which he has intervened:

- Chennai Desalination Plant (India). €80M
- Skikda Desalination Plant (Algeria). €84M
- Honaine Desalination Plant (Algeria). €158M
- Supply and sewage of Ciudad Sandino. €10M
- Extension of the seawater pumping facilities of Jorf Lasfar (Morocco). €10M

Education

- I.C.A.I. University - Industrial Engineering. Comillas Pontifica University (Spain).

Languages:

- English: Advanced level

Marcos Barrera Parrilla
Deputy Chief Engineering Officer
Hydraulic Engineer

Education

- Hydraulic Engineer Degree. Master Degree. Water Sciences and Technology. *Polytech' Montpellier - ISIM. University of Montpellier, France.* June 2002
- Industrial Technical Engineer. Industrial Chemistry. *Escuela Politécnica de Sevilla. University of Seville, Spain.* June 1999
- University Expert in Design and Calculation of Municipal Water Infrastructures. *International University of Andalusia (Universidad Internacional de Andalucía).* April 2003
- General Management Certificate. *The University of Texas at Austin. McCombs School of Business.* Degree expected by December 2014.

Additional Training

- Processes and key factors in project management - ESIC Business & Marketing School, 2005
- Evaluation and control of losses in water distribution networks – Polytechnic University of Valencia (*Universidad Politécnica de Valencia*). Water Technology Institute, 2004
- Project risk analysis – Campus Abengoa, 2007
- Management skills, leadership and team management - Campus Abengoa, 2010
- Structured project finance – Campus Abengoa, 2010
- Occupational risk prevention – Campus Abengoa, 2010

Languages

English
Spanish
French

Information Technology

Very high level

Professional Experience

- Abengoa – Befesa Waterbuild Ltd – Abengoa Water USA (September 2011 – to date)

Proposals Director and local manager (projects from \$50 to \$800 million)

Building and training of an interdisciplinary team ready to elaborate proposals that respond to the company's commercial needs guaranteeing at the same time full corporate compliance.

Promotion and development of Abengoa's Oil & Gas produced water recycling pilot plant in Texas.

Proposals and negotiations of water supply contracts in Texas for: City of Odessa, San Antonio Water System, Colorado River Water Municipal District and others.

▪ **Abengoa - Befesa Agua - Befesa Water (February 2007 – September 2011)**

Project Manager for International Bids and Business Development Project Manager, Maghreb (projects from €10 to €100 million):

Coordination of the team that prepares the bids, from acquiring the tender conditions for the project through to the submission of bids, and in the event of winning, active participation in the negotiation of the contracts through to their signing or the start of works, including the management of licenses, authorizations and pre-engineering studies.

Specialization in bidding strategy, team coordination (engineering, cost estimates, subcontracts, financing, legal advice, etc.), risk analysis, cash flow estimates, sales closings.

Identification of business opportunities.

Design of alliances with subcontractors and partners.

▪ **Detectar, S.A. (March 2004 – February 2007)**

Technical Manager

Leak control projects in water supply networks.

Drafting sanitation master plans

Preparing international bids for supply network optimization projects

▪ **CENTA – New Water Technologies Centre (January 2003 – March 2004)**

Project Engineer.

Construction of supply infrastructure for drinking water in rural areas of northern Morocco, in the Loukkos hydrographic basin.

Evaluation of the status of the waste water treatment system in Andalusia. Visit and inspection of at least 100 treatment plants. Analysis of the technical, social and financial factors of the waste water treatment process in Andalusia.

- **Terra Sol S.A.R.L. France. (February 2002 – June 2002)**

Project Engineer. Intern.

Responsible for land studies, sludge recycling from water treatment processes, project manager for an experimental sludge composting plant from water treatment processes.

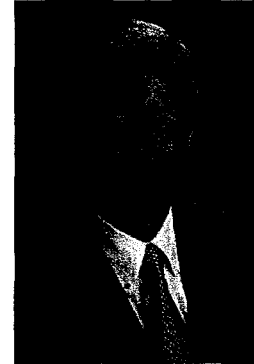
NAME: Gene Dawson, Jr., P.E.

EDUCATION: Bachelor of Science in Civil Engineering, Texas A&M Kingsville, 1982

PROFESSIONAL REGISTRATION: Professional Engineer, Texas No. 64280

PROFESSIONAL ACHIEVEMENTS:

Mr. Dawson is President of Pape-Dawson Engineers, Inc., which was established in 1965. His current responsibilities include the firm's management, allocation of resources, strategic planning, and operations of the firm. As President, he is responsible for the firm's overall performance and provides oversight for major projects.



PROFESSIONAL EXPERIENCE:

Mr. Dawson's experience includes over 30 years of progressive civil and environmental engineering in the execution of land development, transportation, public works and infrastructure projects.

HONORS AND AWARDS:

- Greater San Antonio Builders Association Associate Legend of Year, 2013
- Inducted as a Distinguished Alumni at Texas A&M University-Kingsville, 2012
- "The Dawson Family" Inducted into the San Antonio Business Hall of Fame by Junior Achievement, 2009
- Bexar Land Trust Honoree, 2005
- American Society of Landscape Architect, Environmental Stewardship Award, 2002
- National Association of Homebuilders, Member Award, 2002
- YMCA of San Antonio, Volunteer of the Year, 2000
- YMCA of San Antonio, Red Triangle Recipient, 1999
- Real Estate Council of Texas, Philip M. Barshop Founder's Award, 1999
- Selected Texas Society of Professional Engineers, Bexar Chapter, Engineer of the Year, 1999
- Selected Texas Society of Professional Engineers, Bexar Chapter, Young Engineer of the Year, 1991

CIVIC AND OTHER ORGANIZATION MEMBERSHIPS:

- San Antonio Water System, TMDL Committee Co-Chair, 2013-Present
- Texas A&M Kingsville, President's Leadership Council, 2011-Present
- University of Texas at San Antonio, Roadrunner Foundation Board, 2011-Present
- Greater San Antonio Builders Association, Board of Directors, 2010-Present
- Cancer Therapy and Research Center, Board of Directors, 2010-Present
- San Antonio Christian Schools, Philanthropy Committee, 2008-Present
- Bank of San Antonio, Board of Directors, 2007-Present
- Alamo Bowl, Chairman, 2009, Board of Directors, 2002-Present
- Real Estate Council of Texas, President, 2000, Executive Council, 2000-Present

MAJOR WORKS:

As President, Mr. Dawson's responsibilities include a vast array of technical and managerial functions for a diverse range of civil engineering projects. Types of projects include:

- Federal/State Highways
- Master development planning of residential, commercial and industrial developments

- Corporate campus expansions
- Golf course developments
- Major single and multi-family subdivisions
- Retirement villages
- Sport facilities
- Elementary, junior and high school projects
- Floodplain modeling and floodplain reclamation
- Municipal and private wastewater collection systems, water distribution systems, streets and drainage projects
- Feasibility studies
- City and school district capital improvement projects
- Water pollution abatement plans

Ross Cummings

President and General Partner

Ross Cummings formed BlueWater in 2004 to acquire control of the initial groundwater leases and a producing well from Layne Christensen Company (NASDQ-LAYN). He has served the President and General Partner of BlueWater Systems and BlueWater 130 and also serves as Secretary/Treasurer and a member of the Board of Directors of the Cross County Water Supply Corporation. Prior to 2004, Mr. Cummings was the President of Austin, Texas based Cummings-Baccus Interests, Inc., a respected and highly successful commercial real estate investment firm. He earned a BA in Petroleum Land Management from the University of Texas at Austin.

APPENDIX 15
PUBLIC COMMUNICATIONS

APPENDIX 15

PUBLIC COMMUNICATIONS

15.1. PURPOSE

The purpose of this Appendix is to set forth the procedures and methods to be implemented by the Project Company to proactively communicate the details of the Project during all phases of work (the "Public Communications Program"). The primary function of the Public Communications Program is to inform elected officials, stakeholders, businesses and residents near the Project Sites of the construction activities, the anticipated impacts to the community, and the measures taken to minimize those impacts. Elements of the Public Communications Program will be implemented systematically over the course of the Project design and construction, based on analysis of the current needs and in response to overall Project goals.

15.2. PROJECT COMPANY RESPONSIBILITY

The Project Company shall design, staff and implement the Public Communications Program during design and construction and into commercial operations. The Project Company will regularly keep SAWS informed of Public Communications Program activities and of community inquiries, concerns and complaints. The Project Company will consult with SAWS on specific outreach instruments.

15.3. OBJECTIVES

The Project Company shall use a variety of methods for the Public Communications Program. These may include neighborhood open houses, letters, postcards and doorhangers, Project website, a toll-free hotline number, Project tours, video/slide presentations for the public, and other community involvement activities, including social media. The Project Company shall maintain updated project status fact sheets and frequently asked questions and provide updates to SAWS on a regular basis and as requested by SAWS.

15.4. LIMITATIONS

As set forth in Section 26.12 (Project Company's Confidentiality Obligations) of this Water Transmission and Purchase Agreement, without prior written authorization from SAWS, the Project Company will not disclose Confidential SAWS Information, whether for public announcement, publication in the press, radio, television or any other medium. The Project Company will obtain advance approval from SAWS of any quotes attributed to any representative of SAWS or the City of San Antonio and any facts about and descriptions of SAWS, its mission and activities used by or on behalf of the Project Company in the Project Company's press releases, advertisements, promotional materials, informational written or electronic presentations (e.g., PowerPoint), websites, social media, or other written communications to or with the public generally. The Project Company will promptly correct or remove SAWS information that has not received advance approval or has become obsolete or inaccurate.

15.5. PUBLIC COMMUNICATIONS PROGRAM GOALS

The Public Communications Program shall address four key elements:

- a) **Identify in advance the foreseeable construction disruptions to the communities along the alignment and develop plans to minimize these whenever possible.** Disruptions may include construction noise; loss of street parking; restricted access to sidewalks, homes or driveways, businesses and facilities; traffic delays and detours; and traffic lane closures.

- b) Maintain ongoing communications with the impacted communities to provide information about upcoming construction activities and impacts.** These can include traffic control measures; lane closures; restricted access to homes or driveways, businesses and facilities; traffic delays; and detours.
- c) Facilitate two-way communication between members of the community and Project officials with regard to Project issues.** The Project Company will supply residents and businesses with convenient methods of making inquiries and forwarding concerns or complaints regarding the Project during construction.
- d) Maintain public knowledge of the Project's progress.** Citizens of affected communities proximate to the Project Sites, and other stakeholders identified during the Development and Financing Period and Construction Period, will receive at least quarterly Project updates, or more frequently as conditions and project schedules warrant, through multiple channels as appropriate for the condition and timelines (e.g., direct mail, doorhangers, news media, e-mail, website, speakers' bureau and face-to-face interaction). All community communications will provide the public convenient methods of making inquiries and requesting more information, including a telephone hotline and email address.

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APPENDIX 16

**PLAN OF DEVELOPMENT AND FINANCING
AND ABENGOA LETTER OF SUPPORT**

APPENDIX 16

PLAN OF DEVELOPMENT AND FINANCING AND ABENGOA LETTER OF SUPPORT

Part A: Plan of Development and Financing

1. Project Company Parent Company

Abengoa is a 70-year old multinational company that applies innovative technology solutions for sustainability in the energy and environment sectors. Globally, Abengoa has successfully completed more than 100 infrastructure projects in renewable energy using the project finance model. Total investment in these projects is in excess of \$21 billion and has involved more than 70 banks and financial institutions. Abengoa operates in more than 50 countries on various renewable technology infrastructure projects. The company employs over 26,000 people. Abengoa is listed on the NASDAQ.

Abengoa specializes in carrying out complex turnkey infrastructure projects including water supply projects, large-scale desalination plants, solar-thermal plants, solar-gas hybrid plants, conventional generation plants and biofuels plants. Abengoa has an extensive portfolio of proprietary concession assets that generate revenues governed by long term sales agreements through take-or-pay contracts, tariff contracts or power purchase agreements (PPAs). Abengoa is recognized as a global leader in the water, solar and bioenergy sectors.

2. Plan of Development

Abengoa will, before the Contract Date, create and control a Project Company to execute the Water Transmission and Purchase Agreement with SAWS.

The Central Texas Regional Water Supply Corporation (the "Water Supply Corporation"), a not-for-profit water supply corporation authorized to exercise the power of eminent domain, will be created prior to the Contract Date for the purpose of acquiring easements, rights of way and other interests necessary for the Project. The Water Supply Corporation will provide for the management of the construction of the Project Improvements and transportation of treated water to the Project Company Water Storage Tank through the Transmission Pipeline. A loan will be provided from the Project Company to the Water Supply Corporation to finance the design and construction of the Project.

The Project Company, through this Water Transmission and Purchase Agreement, intends to develop a water treatment and transmission system to extract underground water from the Carrizo-Wilcox Aquifer and Simsboro Aquifer, located in Burleson County and convey it to San Antonio Water System through a 142-mile pipeline.

Prior to hard construction, the Project Company will perform the early construction needed to obtain limited-recourse project financing. During the Development and Financing Period, this work shall include:

- (a) Preliminary Studies: These studies address topography, geotechnical issues, aquifer field surveys and studies that will be needed for development and construction of the Project, including permitting applications and detailed final engineering plans for the period prior to construction. The aquifer surveys include test holes and pilot production wells.

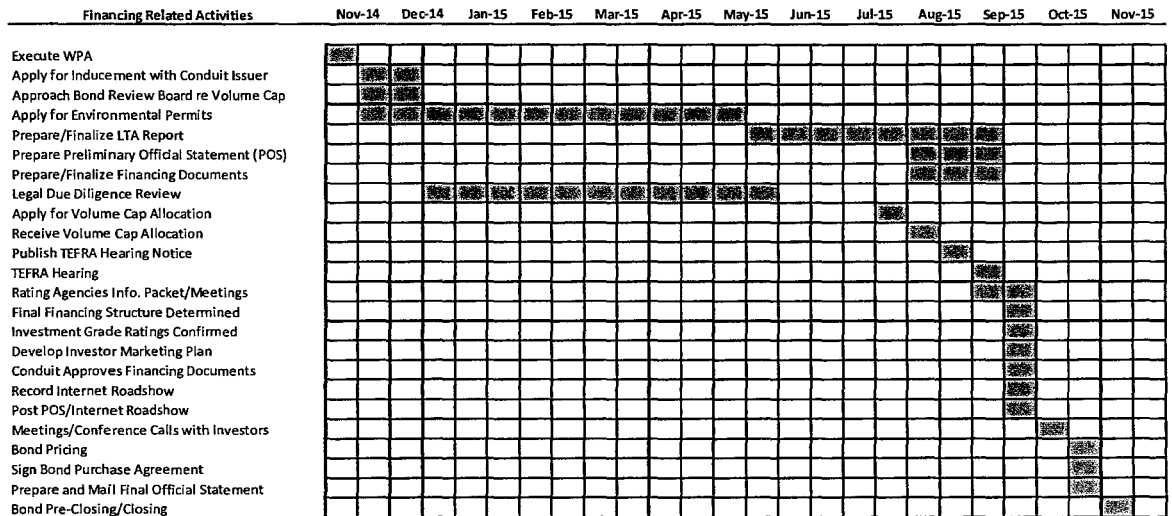
- (b) **Permitting:** Before construction, appropriate federal and state permits need to be applied for and obtained. These early phase permits include among others, the USFWS endangered species permit, the USACE 404 section permit, the Texas Historical Commission permit, and environmental assessment permits necessary to avoid the modification of the Transmission Pipeline Alignment. This task also includes permits and authorizations from the Texas Department of Transportation related to road and railroad crossings and local county construction permits.
- (c) **Rights of way acquisition:** This task will be a negotiated process by which the Project Company's right of way agent will negotiate the easements and rights of way needed with each land owner along the Transmission Pipeline Alignment (142 miles) and for the Well Field Facilities. This task includes project management, appraisals, land payments and condemnation of eminent domain procedures.
- (d) **Water rights maintenance fee:** In order to maintain the leases and permits needed for the Project, the Project Company will pay a water rights maintenance fee.
- (e) **Due diligence:** Banks and financial entities will require their independent experts, including independent engineers and lawyers to review Project details and verify the Project's capacity to maintain its financial obligations.

3. Primary Plan of Financing

Abengoa's primary intention is to finance the early construction work with a bridge loan financing, which will be replaced at Financial Close with long term tax-exempt bond financing. In addition to the bond issuance, a portion of the necessary funding will be made through an equity contribution by Abengoa or one of its subsidiaries.

Upon execution of this Water Transmission and Purchase Agreement, the Project Company will work toward achieving Financial Close. This process will include three main phases:

- (a) **Preliminary steps to achieve tax-exempt Private Activity Bonds ("PABs") financing:** The Project Company will take steps to preserve the ability to issue PABs, including the selection of a conduit issuer, filing an inducement resolution, and approaching the Texas Bond Review Board to discuss the ability to secure a 2015 volume cap allocation. This process can be completed within one month of the execution of this Water Transmission and Purchase Agreement.
- (b) **Permitting and due diligence process:** The Project Company will begin the permitting and due diligence process immediately following the execution of this Water Transmission and Purchase Agreement. The due diligence process will include the review of all permits, leases, and contract documents. The permitting process is partially outside of the Project Company's control, and may take 6 months or longer.
- (c) **Bond issuance process:** The process to issue tax-exempt financing will begin once the permitting and due diligence process has reached a sufficient state of completion. This process includes the drafting of bond documents, obtaining ratings and marketing bonds to investors. It is the Project Company's first intention to obtain Investment Grade ratings from two Rating Services, to the extent that such attainment optimizes the overall cost of financing. The tax-exempt financing issuance process is expected to take up to 12 weeks.



* Timeline based on 12-month estimate PAB Structure. Financial close may take 12-18 months and the schedule is subject to change.

4. Alternative sources of Financing

While the Project Company’s primary intention is to issue long term tax-exempt bonds, there are circumstances where an initial alternative financing will be contemplated to ensure that financing for the entire project is available on a timely and affordable basis. These circumstances include unavailability of PAB volume cap, changes in Rating Service methodology, unavailability of the tax-exempt bond market, or material increase in the relative cost of tax-exempt bonds vis a vis other potential debt alternatives.

Alternative debt strategies to the issuance of long term private activity bonds include the following:

(a) Taxable bonds.

The project will appeal to the taxable bond market, whether executed in 144a format or as a section 4 (a2) private placements. In the current market environment, a taxable bond issue is more expensive than a tax-exempt issue, but there would be sufficient market appetite available, provided credit ratings are obtained from at least two Rating Services in the case of a 144a, and at least one Rating Service in the case of a private placement. As well as the rating requirement, another key feature is that there is typically no 10-year call feature, and prices over US Treasuries.

(b) Bank miniperm

In the event that the tax-exempt financing market is unavailable, this project would also attract interest to the bank market. The appetite for bank lending is strongest in the 5-7 year tenor range, although it has rapidly lengthened the last

year. At the end of the approximately 7-year tenor, the borrower will have to arrange refinancing of the bank miniperm.

(c) Long term bank

While tenors in the bank market are lengthening, the availability of long term bank debt is only now slowly coming back. The Project Company does not believe the entire debt can be placed with banks on a long term basis, but a portion of the debt may be able to be provided by the long term bank market.

(d) Infrastructure Debt Funds

As well as bond investors and banks, we also anticipate there may be appetite from the relatively new class of infrastructure lender, known as infrastructure debt funds. These funds again may not be suitable for providing the entire debt, but some of these funds have strong short term appetite, while others are seeking long term loans.

(e) A combination of the above

As well as the individual alternatives above, some combination of these funding sources may also be considered. For example, a shorter term bank facility along with a longer term taxable bond, potentially mitigating capitalized interest, can be considered and has been used in other project finance transactions.

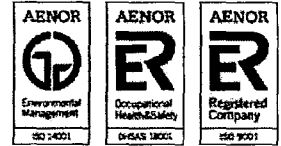
As explained in Appendix 10 (Adjustment of the Capital and Raw Groundwater Unit Price on the Financial Closing Date), revision of the Unit Price will be based on a long term tax-exempt financing, independent of the alternative source of financing that the Project Company may pursue, providing SAWS certainty on the maximum price to be paid.

Given the complex nature of the due diligence and permitting process, the Project Company expects the Financial Closing Date to occur in approximately 12-18 months following the Contract Date, however this schedule is preliminary and subject to change.

Part B: Abengoa Letter of Support

Abengoa, S.A.
c/ Energía Solar, 1
Palmas Altas
41014 Sevilla (España)
Tel. +(34) 95 493 70 00
Fax +(34) 95 493 33 71
abengoa@abengoa.com
www.abengoa.com

ABENGOA



San Antonio Water System Board of Trustees
2800 U.S. Hwy 281 North
San Antonio, TX 78212

_____, 2014

Subject: Letter of Support, Vista Ridge Regional Supply Project Water Transmission and Purchase Agreement

Ladies and Gentlemen,

Reference is made to that certain Vista Ridge Regional Supply Project Water Transmission and Purchase Agreement (the “**WTPA**”) to be entered into by and between the City of San Antonio (the “**City**”), acting by and through the San Antonio Water System Board of Trustees, an agency of the City (“**SAWS**”) and Abengoa Vista Ridge, LLC, a Delaware limited liability company (the “**Project Company**”).

Abengoa, S.A., a company organized and existing under the laws of Spain (“**Abengoa**”) and the ultimate parent company of the Project Company, hereby provides this Letter of Support to evidence as follows:

1. Abengoa has received and reviewed a substantially final draft of the WTPA as of _____, 2014 and hereby acknowledges and agrees that Abengoa is fully aware of the terms and conditions of

the WTPA and the transactions associated therewith including, without limitation, the Project Company's obligations thereunder.

2. It is the general policy of Abengoa to provide sufficient cash or other liquid assets to its subsidiaries, including the Project Company, by means of debt or equity contributions, so that such subsidiaries can meet their respective payment obligations under their contractual agreements in full as and when they become due.
3. Abengoa hereby represents and warrants to SAWS that, as of the date hereof, the Plan of Development and Financing attached to this Letter of Support has been prepared in good faith and in accordance with generally accepted standards prevailing in the international project finance industry for major public works projects of a similar size.
4. By acceptance of this Letter of Support, SAWS acknowledges and agrees that, except as set forth in **Paragraph 3**, this Letter of Support does not evidence or create an enforceable contract or binding obligation on the part of Abengoa.

Yours faithfully,

Abengoa, S.A.
Mr. Felipe Benjumea Llorente
Executive Chairman

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ABENGOA

Paseo de la Castellana, 43
28046 Madrid (España)

San Antonio Water System Board of Trustees
2800 U.S. Hwy 281 North
San Antonio, TX 78212

Seville, October 20th, 2014

Subject: Letter of Support, Vista Ridge Regional Supply Project Water Transmission and Purchase Agreement

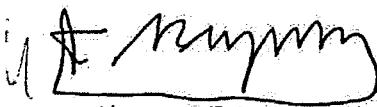
Ladies and Gentlemen,

Reference is made to that certain Vista Ridge Regional Supply Project Water Transmission and Purchase Agreement (the "WTPA") to be entered into by and between the City of San Antonio (the "City"), acting by and through the San Antonio Water System Board of Trustees, an agency of the City ("SAWS") and Abengoa Vista Ridge, LLC, a Delaware limited liability company (the "Project Company").

Abengoa, S.A., a company organized and existing under the laws of Spain ("Abengoa") and the ultimate parent company of the Project Company, hereby provides this Letter of Support to evidence as follows:

1. Abengoa has received and reviewed a substantially final draft of the WTPA as of October 15th, 2014 and hereby acknowledges and agrees that Abengoa is fully aware of the terms and conditions of the WTPA and the transactions associated therewith including, without limitation, the Project Company's obligations thereunder.
2. It is the general policy of Abengoa to provide sufficient cash or other liquid assets to its subsidiaries, including the Project Company, by means of debt or equity contributions, so that such subsidiaries can meet their respective payment obligations under their contractual agreements in full as and when they become due.
3. Abengoa hereby represents and warrants to SAWS that, as of the date hereof, the Plan of Development and Financing attached to this Letter of Support has been prepared in good faith and in accordance with generally accepted standards prevailing in the international project finance industry for major public works projects of a similar size.
4. By acceptance of this Letter of Support, SAWS acknowledges and agrees that, except as set forth in Paragraph 3, this Letter of Support does not evidence or create an enforceable contract or binding obligation on the part of Abengoa.

Yours faithfully,



Abengoa, S.A.
Mr. Felipe Benjumea Llorente
Executive Chairman



ABENGOA
VISTA RIDGE, LLC

APPENDIX 17

SAMPLE MONTHLY WATER PURCHASE PAYMENT CALCULATIONS

APPENDIX 17

SAMPLE MONTHLY WATER PURCHASE PAYMENT CALCULATIONS

Section 1

Water Unit Price

The Tables in this section present a hypothetical example of the Unit Price. The Unit Price will be adjusted on the Financial Closing Date and annually based on the budgeted level of Operating and Maintenance Costs. Section 1 is for illustrative purposes only.

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Preliminary Figures – To be Adjusted at Financial Close

Table 1.1
Capital and Raw Groundwater Unit Price

Contract Year Ending	Debt Principal (\$)	Debt Interest (\$)	Debt Service (\$)	Equity Return (\$)	Capital Charge (\$)	Water Payment (\$)	Capital and Raw Groundwater Charge (\$)	Baseline Annual Volume (AF)	Capital and Raw Groundwater Unit Price (\$/AF)
12/31/2019	5,345,000	20,849,000	26,194,000	8,615,000	34,809,000	11,500,000	46,309,000	25,000	1,852
12/31/2020	11,094,000	41,294,000	52,388,000	17,230,000	69,618,000	23,000,000	92,618,000	50,000	1,852
12/31/2021	11,655,000	40,733,000	52,388,000	17,230,000	69,618,000	23,000,000	92,618,000	50,000	1,852
12/31/2022	12,245,000	40,142,000	52,387,000	17,230,000	69,617,000	23,000,000	92,617,000	50,000	1,852
12/31/2023	12,865,000	39,523,000	52,388,000	17,230,000	69,618,000	23,000,000	92,618,000	50,000	1,852
12/31/2024	13,517,000	38,871,000	52,388,000	17,230,000	69,618,000	23,000,000	92,618,000	50,000	1,852
12/31/2025	14,201,000	38,187,000	52,388,000	17,230,000	69,618,000	23,000,000	92,618,000	50,000	1,852
12/31/2026	14,947,000	37,441,000	52,388,000	17,230,000	69,618,000	23,000,000	92,618,000	50,000	1,852
12/31/2027	15,742,000	36,646,000	52,388,000	17,230,000	69,618,000	23,000,000	92,618,000	50,000	1,852
12/31/2028	16,640,000	35,747,000	52,387,000	17,230,000	69,617,000	23,000,000	92,617,000	50,000	1,852
12/31/2029	17,611,000	34,777,000	52,388,000	17,230,000	69,618,000	23,000,000	92,618,000	50,000	1,852
12/31/2030	18,638,000	33,750,000	52,388,000	17,230,000	69,618,000	23,000,000	92,618,000	50,000	1,852
12/31/2031	19,725,000	32,663,000	52,388,000	17,230,000	69,618,000	23,000,000	92,618,000	50,000	1,852
12/31/2032	20,876,000	31,512,000	52,388,000	17,230,000	69,618,000	23,000,000	92,618,000	50,000	1,852
12/31/2033	22,093,000	30,294,000	52,387,000	17,230,000	69,617,000	23,000,000	92,617,000	50,000	1,852
12/31/2034	23,382,000	29,006,000	52,388,000	17,230,000	69,618,000	23,000,000	92,618,000	50,000	1,852
12/31/2035	24,746,000	27,642,000	52,388,000	17,230,000	69,618,000	23,000,000	92,618,000	50,000	1,852
12/31/2036	26,189,000	26,199,000	52,388,000	17,230,000	69,618,000	23,000,000	92,618,000	50,000	1,852
12/31/2037	27,717,000	24,671,000	52,388,000	17,230,000	69,618,000	23,000,000	92,618,000	50,000	1,852
12/31/2038	29,333,000	23,055,000	52,388,000	17,230,000	69,618,000	23,000,000	92,618,000	50,000	1,852
12/31/2039	31,044,000	21,344,000	52,388,000	17,230,000	69,618,000	23,000,000	92,618,000	50,000	1,852
12/31/2040	32,855,000	19,533,000	52,388,000	17,230,000	69,618,000	23,000,000	92,618,000	50,000	1,852
12/31/2041	34,771,000	17,617,000	52,388,000	17,230,000	69,618,000	23,000,000	92,618,000	50,000	1,852
12/31/2042	36,799,000	15,589,000	52,388,000	17,230,000	69,618,000	23,000,000	92,618,000	50,000	1,852
12/31/2043	38,946,000	13,442,000	52,388,000	17,230,000	69,618,000	23,000,000	92,618,000	50,000	1,852
12/31/2044	41,217,000	11,171,000	52,388,000	17,230,000	69,618,000	23,000,000	92,618,000	50,000	1,852
12/31/2045	43,621,000	8,767,000	52,388,000	17,230,000	69,618,000	23,000,000	92,618,000	50,000	1,852
12/31/2046	46,166,000	6,222,000	52,388,000	17,230,000	69,618,000	23,000,000	92,618,000	50,000	1,852
12/31/2047	48,858,000	3,530,000	52,388,000	17,230,000	69,618,000	23,000,000	92,618,000	50,000	1,852
12/31/2048	24,567,000	706,000	25,273,000	44,345,000	69,618,000	23,000,000	92,618,000	50,000	1,852
12/31/2049	-	-	-	34,809,000	34,809,000	11,500,000	46,309,000	25,000	1,852

Note: This table 1.1 sets forth the various components of the Capital and Raw Groundwater Unit Price in accordance with Section 17.2 (A) (Capital and Raw Groundwater Unit Price Defined) of this Water Transmission and Purchase Agreement. This table will be revised at the Financial Closing Date in accordance with Section 17.2 (B) (Adjustment at Financial Closing Date) of this Water Transmission and Purchase Agreement, as further detailed in Appendix 10 (Adjustment of the Capital and Raw Groundwater Unit Price on the Financial Closing Date).

ABENGOA
VISTA RIDGE, LLC

Table 1.2
Fixed and Variable Compensable Costs

Illustrative Numbers Only

Fixed Compensable Costs (\$/AF)	135.25
Variable Compensable Costs (\$/AF)	36.39

Note: This Table 1.2 provides an example of the Fixed Compensable Costs and the Variable Compensable Costs in accordance with Section 17.3 (Operating and Maintenance Costs) of this Water Transmission and Purchase Agreement. The figures presented in this table are purely illustrative and will be revised based on the determinations of the O&M Budget Panel as more fully discussed in Section 17.3 (Operating and Maintenance Costs) of this Water Transmission and Purchase Agreement and Appendix 19 (Compensable Costs and O&M Budget Panel). In accordance with Section 19.2(12) (Fixed Compensable Costs) of Appendix 19, a component of the Fixed Compensable Costs is a management fee equal to 11.1% of total Compensable Costs for each Billing Period.

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Table 1.3
Unit Price for Product Water

Preliminary and/or Illustrative Numbers

Capital and Raw Groundwater Unit Price	Variable Compensable Costs Unit Price	Unit Price for Product Water
\$1,852.00	\$36.39	\$1,888.39

Note: This Table 1.3 sets forth the calculation of the Unit Price for Product Water delivered in volumes up to the Baseline Annual Volume in accordance with Section 17.4 (Unit Price) of this Water Transmission and Purchase Agreement. As noted in Tables 1.1 and 1.2, the amounts detailed are either preliminary and/or purely illustrative and will be revised in the future.

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Section 2

Water Units, Monthly Payments, and Annual Payment Summary

The Tables in this section present a hypothetical example of water deliveries for a sample Contract Year. The Tables present an example of a Contract Year in which Excused Supply Shortfall Units, Unexcused Supply Shortfall Units, Demand Shortfall Units, and Make-Up Units are produced during a Billing Period. The Tables also present an example calculation of the Monthly Water Purchase Payments and Annual Payment Summary. There is no expectation that the water production illustrated in Section 2 will be experienced. Section 2 is for illustrative purposes only.

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Table 2.1
Illustrative Scheduling of Baseline Annual Volume and Daily Maximum Volume
During First Two Years of Commercial Operations

Example A - First Full Year of Commercial Operations

(Units are Acre Feet of Raw Groundwater)

Baseline Annual Volume	50,000
Maximum Annual Volume	52,250

Month	Baseline Daily Volume	Daily Maximum Volume	Baseline Monthly Volume	Maximum Monthly Volume
January	137.0	137.0	4,247.0	4,247.0
February	137.0	137.0	3,836.0	3,836.0
March	137.0	137.0	4,247.0	4,247.0
April	137.0	137.0	4,110.0	4,110.0
May	137.0	149.2	4,247.0	4,625.2
June	137.0	149.2	4,110.0	4,476.0
July	137.0	149.2	4,247.0	4,625.2
August	137.0	149.2	4,247.0	4,625.2
September	137.0	149.2	4,110.0	4,476.0
October	137.0	149.2	4,247.0	4,625.2
November	137.0	137.0	4,110.0	4,110.0
December	137.0	137.0	4,242.0	4,247.0
Total			50,000.0	52,249.8

Note: The illustrative Baseline Monthly Volume shown in this Table 2.1 is scheduled in accordance with Section 10.3(A)(3) (Baseline Daily Volume) of this Water Transmission and Purchase Agreement. The illustrative Maximum Monthly Volume shown in this Table 2.1 is scheduled in accordance with Sections 10.3(A)(5) (Daily Maximum Volume) and 10.3(A)(6) (Demand Shortfall Units) of this Water Transmission and Purchase Agreement. As this example is deemed to take place during the first full year of Commercial Operations, the Daily Maximum Volumes for March and April have been adjusted in accordance with Section 10.4(B)(1) (Supply Following Commercial Operation Date) of this Water Transmission and Purchase Agreement. In years beginning with the third year of Commercial Operations, the Daily Maximum Volume shall increase for these months to 149.2 with corresponding adjustments to the Maximum Monthly and Maximum Annual Volume.

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Table 2.2
Illustrative Example of Daily Tracking
Daily Delivered Water Units, Excused Supply Shortfall Units, Unexcused Supply Shortfall Units, Demand Shortfall Units & Make-Up Units

Example A Continued - August 2020

Day of the Month	Baseline Daily Volume	Daily Maximum Volume	Daily Delivered Water Units	Amount Over/(Under) Baseline Daily Volume	Excused Supply Shortfall Units	Unexcused Supply Shortfall Units	Demand Shortfall Units	Make-Up Units
1	137.0	149.2	125.0	(12.0)	-	(12.0)		
2	137.0	149.2	110.2	(26.8)	(26.8)			
3	137.0	149.2	115.9	(21.1)	(21.1)			
4	137.0	149.2	117.8	(19.2)	(19.2)			
5	137.0	149.2	116.3	(20.7)	(20.7)			
6	137.0	149.2	119.4	(17.6)	(17.6)			
7	137.0	149.2	120.4	(16.6)	(16.6)			
8	137.0	149.2	133.3	(3.7)	(3.7)			
9	137.0	149.2	137.6	0.6				0.6
10	137.0	149.2	145.4	8.4				8.4
11	137.0	149.2	144.0	7.0				7.0
12	137.0	149.2	144.6	7.6				7.6
13	137.0	149.2	146.2	9.2				9.2
14	137.0	149.2	145.5	8.5				8.5
15	137.0	149.2	146.0	9.0				9.0
16	137.0	149.2	146.3	9.3				9.3
17	137.0	149.2	147.2	10.2				10.2
18	137.0	149.2	147.5	10.5				10.5
19	137.0	149.2	148.1	11.1				11.1
20	137.0	149.2	146.4	9.4				9.4
21	137.0	149.2	147.4	10.4				10.4
22	137.0	149.2	140.0	3.0			(9.2)	3.0
23	137.0	149.2	138.9	1.9			(10.3)	1.9
24	137.0	149.2	142.5	5.5			(6.7)	5.5
25	137.0	149.2	143.0	6.0			(6.2)	6.0
26	137.0	149.2	147.2	10.2				10.2
27	137.0	149.2	148.1	11.1				11.1
28	137.0	149.2	148.2	11.2				11.2
29	137.0	149.2	148.9	11.9				11.9
30	137.0	149.2	148.7	11.7				11.7
31	137.0	149.2	147.6	10.6				10.6
	4,247.0	4,625.2	4,303.6	56.6	(125.7)	(12.0)	(32.4)	194.3

Note: This Table 2.2 presents illustrative example daily tracking accounts for each day within a particular month in accordance with Section 10.3 (B) (Records and Tracking Accounts) of this Water Transmission and Purchase Agreement.

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Table 2.3
Illustrative Example of Application of Make-Up Units

Example A Continued - August 2020

(Units are Acre Feet of Raw Groundwater)

Day of the Month	Total Make-Up Units	Applied Project Company Make-Up Units	Applied SAWS Make-Up Units	Advance Project Company Make-Up Units
1	-			
2	-			
3	-			
4	-			
5	-			
6	-			
7	-			
8	-			
9	0.6	0.6	-	
10	8.4	8.4	-	
11	7.0	7.0	-	
12	7.6	7.6	-	
13	9.2	9.2	-	
14	8.5	8.5	-	
15	9.0	9.0	-	
16	9.3	9.3	-	
17	10.2	10.2	-	
18	10.5	10.5	-	
19	11.1	11.1	-	
20	9.4	9.4	-	
21	10.4	10.4	-	
22	3.0	3.0	-	
23	1.9	1.9	-	
24	5.5	5.5	-	
25	6.0	4.1	1.9	
26	10.2	-	10.2	
27	11.1	-	11.1	
28	11.2	-	9.2	2.0
29	11.9	-	-	11.9
30	11.7	-	-	11.7
31	10.6	-	-	10.6
Total	194.3	125.7	32.4	36.2

Note: This Table 2.3 provides an illustrative example of the application of Make-Up Units in accordance with Section 10.6 (Make-Up Units) of this Water Transmission and Purchase Agreement. For purposes of this example, it has been assumed that all previously accrued Excused Supply Shortfall Units and Demand Shortfall Units have been eliminated with previously generated Make-Up Units. It has further been assumed that the Project Company has not reached the 3,000 AF maximum allowable level of Advance Project Company Make-Up Units as outlined in Section 10.4(B)(3) (Supply Following Commercial Operation Date) of this Water Transmission and Purchase Agreement.

Table 2.4
Illustrative Example of Monthly Water Purchase Payments

Example A Continued - August 2020

Daily Delivered Water Units – AF	4,303.6
Less SAWS Make-Up Units Previously Paid as Demand	-
Shortfall Units – AF	-
Subtotal	4,303.6
Unit Price for Product Water	\$1,888.39
Subtotal	\$8,126,875.20
Demand Shortfall Units that have not been made up by SAWS Make-Up Units – AF	
Unit Price for Product Water	\$1,888.39
Subtotal	\$
One-Twelfth of Budgeted Fixed Compensable Costs	\$563,541.67
Direct Payments	\$23,672.48
TOTAL	\$8,714,089.35

Note: This Table 2.4 sets forth the calculation of the Monthly Water Purchase Payment in accordance with Section 17.5 (Monthly Water Purchase Payments) of this Water Transmission and Purchase Agreement. For purposes of this example, it has been assumed that SAWS needs to make a Direct Payment to the Project Company as outlined in Section 17.8(C) (Direct Payments by the Parties) of this Water Transmission and Purchase Agreement.

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Table 2.5
Annual Summary of Product Water Deliveries

Example A Continued – 2020

Month	Baseline Monthly Volume	Maximum Monthly Volume	Delivered Water Units	Amount Over/(Under) Baseline Monthly Volume	Excused Supply Shortfall Units	Unexcused Supply Shortfall Units	Demand Shortfall Units	Make-Up Units
January	4,247.0	4,247.0	4,100.0	(147.0)		(53.0)	(94.0)	
February	3,836.0	3,836.0	3,708.4	(127.6)		(72.0)	(55.6)	
March	4,247.0	4,247.0	4,156.8	(90.2)		(90.2)		-
April	4,110.0	4,110.0	4,268.3	158.3				158.3
May	4,247.0	4,625.2	4,509.1	262.1				262.1
June	4,110.0	4,476.0	4,325.9	215.9				215.9
July	4,247.0	4,625.2	4,503.4	256.4				256.4
August	4,247.0	4,625.2	4,303.6	56.6	(125.7)	(12.0)	(32.4)	194.3
September	4,110.0	4,476.0	4,200.7	90.7				90.7
October	4,247.0	4,625.2	4,284.5	37.5				37.5
November	4,110.0	4,110.0	3,800.0	(310.0)	(310.0)	-		
December	4,242.0	4,247.0	3,790.2	(451.8)	(451.8)	-		
Total	50,000.0	52,249.8	49,950.9	(49.1)	(887.5)	(227.2)	(182.0)	1,215.2

Note: This Table 2.5 provides an example summary of monthly Product Water deliveries for calendar year 2020.

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Table 2.6
Illustrative Example of Roll-Forward of Supply Shortfall Units, Demand Shortfall Units and Advance Project Company Make-Up Units

Example A Continued – 2020
(Units are Acre Feet of Raw Groundwater)

	Unexcuse , Supply Shortfall Units				Excuse , Supply Shortfall Units			
	Beginning Balance	Units Created	Make-Up Units Applied	Ending Balance	Beginning Balance	Units Created	Make-Up Units Applied	Ending Balance
January	-	(53.0)	-	(53.0)	-	-	-	-
February	(53.0)	(72.0)	-	(125.0)	-	-	-	-
March	(125.0)	(90.2)	-	(215.2)	-	-	-	-
April	(215.2)	-	-	(215.2)	-	-	-	-
May	(56.9)	-	-	(215.2)	-	-	-	-
June	0.0	-	-	(215.2)	-	-	-	-
July	0.0	-	-	(215.2)	-	-	-	-
August	0.0	(12.0)	-	(227.2)	-	(125.7)	125.7	-
September	0.0	-	-	(227.2)	-	-	-	-
October	0.0	-	-	(227.2)	-	-	-	-
November	0.0	-	-	(227.2)	-	(310.0)	310.0	-
December	0.0	-	-	(227.2)	-	(451.8)	451.8	-

	Demand , Shortfall Units				Advance Project Company Make-Up Units			
	Beginning Balance	Units Created	Make-Up Units Applied	Ending Balance	Beginning Balance	Make-Up Units Created	Make-Up Units Applied	Ending Balance
January	-	(94.0)	-	(94.0)	-	-	-	-
February	(94.0)	(55.6)	-	(149.6)	-	-	-	-
March	(149.6)	-	-	(149.6)	-	-	-	-
April	(149.6)	-	149.6	-	-	158.3	(149.6)	8.7
May	-	-	-	-	-	262.1	-	270.8
June	-	-	-	-	55.6	215.9	-	486.7
July	-	-	-	-	271.5	256.4	-	743.1
August	-	(32.4)	32.4	-	527.9	194.3	(158.1)	779.3
September	-	-	-	-	552.1	90.7	-	870.0
October	-	-	-	-	642.8	37.5	-	907.5
November	-	-	-	-	680.3	-	(310.0)	597.5
December	-	-	-	-	370.3	-	(451.8)	145.7

Note: This Table 2.6 provides example roll-forwards of the Supply and Demand Shortfall Units as well as the Advance Project Company Make-Up Units. For purposes of these examples, all Tracking Accounts were assumed to begin the year with a "0" balance. Based on the information contained in Table 2.5 (Annual Summary of Water Deliveries) of this Appendix, the Project Company would end 2020 with 227.2 AF of Unexcused

Supply Shortfall Units. In accordance with Section 10.6(A) (Project Company Make-Up Units) of this Water Transmission and Purchase Agreement, the Project Company will not have any opportunity to make up these Unexcused Supply Shortfall Units and therefore the balance in this tracking account would not carry forward to the next subsequent year. The balances in each of the other tracking accounts would carry forward to the next subsequent year. In accordance with Section 10.4(B)(3) (Supply Following Commercial Operation Date) of this Water Transmission and Purchase Agreement, the maximum balance of Advance Project Company Make-Up Units at any time outstanding shall not exceed 3,000.

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**Table 2.7
 Annual Payment Summary**

	Delivered Water Units	Demand Shortfall Units	SAWS M_uke- Up Units Included in Delivered Water Units	Adjusted Delivered Water Units	Unit Price of Product Water	Unit Price Paid for Product Water	One-Twelfth of Budgeted Fixed Compensable Costs	Direct Payments	Total Payment
January	4,100.0	94.0	-	4,194.0	\$1,888.39	\$7,919,907.66	\$563,541.67	\$(2,201.22)	\$8,481,248.11
February	3,708.4	55.6	-	3,764.0	1,888.39	7,107,899.96	563,541.67	13,596.00	7,685,037.63
March	4,156.8	-	-	4,156.8	1,888.39	7,849,659.55	563,541.67	-	8,413,201.22
April	4,268.3	-	(149.6)	4,118.7	1,888.39	7,777,711.89	563,541.67	-	8,341,253.56
May	4,509.1	-	-	4,509.1	1,888.39	8,514,939.35	563,541.67	-	9,078,481.02
June	4,325.9	-	-	4,325.9	1,888.39	8,168,986.30	563,541.67	-	8,732,527.97
July	4,503.4	-	-	4,503.4	1,888.39	8,504,175.53	563,541.67	-	9,067,717.19
August	4,303.6	32.4	(32.4)	4,303.6	1,888.39	8,126,875.20	563,541.67	23,672.48	8,714,089.35
September	4,200.7	-	-	4,200.7	1,888.39	7,932,559.87	563,541.67	-	8,496,101.54
October	4,284.5	-	-	4,284.5	1,888.39	8,090,806.96	563,541.67	-	8,654,348.62
November	3,800.0	-	-	3,800.0	1,888.39	7,175,882.00	563,541.67	(14,381.79)	7,725,041.88
December	3,790.2	-	-	3,790.2	1,888.39	7,157,375.78	563,541.67	-	7,720,917.44
Total	49,950.9	182.0	(182.0)	49,950.9		\$94,326,780.05	\$6,762,500.00	\$20,685.47	\$101,109,965.52

Note: This Table 2.7 provides a summary of the Delivered Water Units and the payments made with respect to these Delivered Water Units. Such schedule could be utilized as the basis for the Annual Settlement Statement contemplated in Section 17.11(A) (Annual Settlement Statement) of this Water Transmission and Purchase Agreement. Consistent with Section 17.3(G) (Actual Compensable Costs) of this Water Transmission and Purchase Agreement, as part of the Annual Settlement process, the O&M Budget Panel will compare Actual Compensable Costs with Budgeted Compensable Costs with any differences to be made via a Direct Payment in the ensuing Contract Year. In addition, there is to be an Annual Settlement of Electricity Costs in accordance with Section 17.11(B) (Annual Settlement of Electricity Costs) of this Water Transmission and Purchase Agreement.

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APPENDIX 18

**REIMBURSABLE COSTS PAYABLE ON CONVENIENCE TERMINATION DURING THE
DEVELOPMENT AND FINANCING PERIOD**

APPENDIX 18

REIMBURSABLE COSTS PAYABLE ON CONVENIENCE TERMINATION DURING THE DEVELOPMENT AND FINANCING PERIOD

18.1. PROJECT COMPANY REIMBURSABLE COSTS

SAWS shall reimburse the Project Company in accordance with Section 4.6 (Project Company Reimbursable Costs) of this Water Transmission and Purchase Agreement and this Appendix for the reasonable and necessary costs and expenses incurred by the Project Company directly and solely in connection with the proper performance of the Development and Financing Work from the Contract Date through the Termination Date or the Financial Closing Longstop Date (whichever is earlier), without double counting, in the categories specified in Section 18.1.1 of this Appendix. Such reimbursements shall not include any costs or expenses specifically excluded pursuant to Section 18.1.2 of this Appendix.

18.1.1 Allowable Project Company Reimbursable Costs

Project Company Reimbursable Costs include the following:

- (a) *Labor Costs:*
 - (i) Wages or salaries of employees of Abengoa's Affiliates, including the Project Company, performing the Development and Financing Work; but only for that portion of their time required for the Development and Financing Work.
 - (ii) The cost of travel, accommodations and meals for employees of Abengoa's Affiliates, including the Project Company, directly incurred for travel in connection with the performance of the Development and Financing Work.
 - (iii) Expenses incurred by the Project Company for employee benefits, premiums, taxes, insurance, contributions and assessments required by law, collective bargaining agreements and, for personnel not covered by such agreements, customary benefits such as sick leave, medical and health benefits, holidays, vacations and pensions, paid by the Project Company, excluding bonuses, to the extent such expenses are based on wages and salaries paid to employees of the Project Company included in the Project Company Reimbursable Costs under Section 18.1.1(a)(i) above.
- (b) *Aquifer Study:* Costs and expenses directly related to the design, procurement, and oversight of the test well drilling program necessary to evaluate the Carrizo-Wilcox Aquifer and Simsboro Aquifer.
- (c) *Professional Fees:* Fees and expenses related to professional services (including legal, accounting and tax advisory services) incurred in connection with the performance of the Development and Financing Work.
- (d) *Basic Engineering:* Costs and expenses directly related to the basic engineering plan and design of the Project Improvements.

- (e) *Eminent Domain*: Legal fees and expenses incurred in connection with condemnation or other eminent domain actions as required for the Project.
- (f) *Financial Costs*: The amount of interest accrued and paid or owed under the financing arrangements in place during the Development and Financing Period, if any.
- (g) *Financing-Related Costs*: Expenses directly related to preparing and securing the Senior Debt, including those associated with organizing the trustee, working with the rating agencies, and their associated costs.
- (h) *Geotechnical Survey*: Costs and expenses directly related to developing detailed data and information of the below-ground conditions in the vicinity of the Project Improvements.
- (i) *Lenders Technical Advisors*: Expenses directly related to any technical studies and assessments required by the Senior Debt Creditors.
- (j) *Lease Maintenance Costs*: Groundwater Drilling and Operating Permit fees, Groundwater Transportation Permit fees and Groundwater Lease expenses directly related to maintaining the Groundwater Leases to the extent arising from and attributable to periods from and after the Contract Date.
- (k) *Permitting*: Expenses directly related to the preparation and submission of various permit and other Governmental Approvals and applications therefor.
- (l) *Rating Service Fee*: Fees charged by the Rating Service for the Project.
- (m) *Right of Way Acquisition*: Payments made to the Transmission Pipeline Easement Grantors for the Transmission Pipeline Easements.
- (n) *Rights of Way Reservation and Acquisition*: Expenses directly related to the negotiation and acquisition of the Transmission Pipeline Easements, Well Field Facilities Site Real Property Interests or other right of entry and right of way options.
- (o) *Project Company Overhead*: Costs and expenses directly related to the Project Company operation, administration and overhead, including office lease space and supplies, communications equipment and services, vehicle leases, and insurance premiums.
- (p) *Topography Survey*: Costs and expenses directly related to developing detailed topographical data and information for the Project Improvements.
- (q) *Other Costs*: Any other costs and expenses meeting the requirements of Section 18.1 (Project Company Reimbursable Costs) of this Appendix.

18.1.2 Unallowable Project Company Costs

SAWS shall have no obligation to pay the Project Company for any Unallowable Project Company Costs. "Unallowable Project Company Costs" include the following:

- (a) Costs and expenses related to the construction of the Project Improvements.

- (b) Fees or expenses incurred in handling disputes or litigation with SAWS or the City or the Project Contractors, the Subcontractors or any other third party, or in connection with the Project Company's obligations in Article 25 (Indemnification) of this Water Transmission and Purchase Agreement.
- (c) Overhead and general expenses, except as provided for in Section 18.1.1(o) (Project Company Overhead) of this Appendix.
- (d) Costs and expenses incurred as a result of the negligence or willful misconduct of the Project Company, any Affiliate or any other party performing any aspect of the Development and Financing Work, including any fines, penalties or other charges resulting therefrom.
- (e) Costs and expenses not specifically and expressly identified as a Project Company Reimbursable Cost.
- (f) Any mark-up by the Project Company for risk, profit or otherwise, except as provided in Section 18.1.1(o) (Project Company Overhead) of this Appendix.
- (g) Sales, use or other Taxes, which are required to be paid by the Project Company pursuant to Section 17.12 (Taxes) of this Water Transmission and Purchase Agreement.

18.2. SAWS REIMBURSABLE COSTS

The Project Company shall reimburse SAWS in accordance with Section 4.7 (SAWS Reimbursable Costs) of this Water Transmission and Purchase Agreement and this Appendix for the reasonable and necessary costs and expenses incurred by SAWS directly and solely in connection with the Project from the Contract Date through the Termination Date or the Financial Closing Longstop Date (whichever is earlier), without double counting, in the categories specified in Section 18.2.1 of this Appendix. Such reimbursements shall not include any costs or expenses specifically excluded pursuant to Section 18.2.2 of this Appendix.

18.2.1 Allowable SAWS Reimbursable Costs

SAWS Reimbursable Costs include the following:

- (a) *Labor Costs:*
 - (i) Wages or salaries of employees of SAWS performing work related to the Project; but only for that portion of their time required for the Project.
 - (ii) The cost of travel, accommodations and meals for employees of SAWS directly incurred for travel in connection with the performance of work related to the Project.
 - (iii) Expenses incurred by SAWS for employee benefits, premiums, taxes, insurance, contributions and assessments required by law, collective bargaining agreements and, for personnel not covered by such agreements, customary benefits such as sick leave, medical and health benefits, holidays, vacations and pensions, paid by SAWS, excluding bonuses, to the extent such expenses are based on wages and salaries

paid to employees of SAWS included in the SAWS Reimbursable Costs under Section 18.2.1(a)(i) above.

- (b) *Professional Fees:* Fees and expenses related to professional services (including legal, accounting, tax, insurance and technical advisory services) incurred in connection with the Project.
- (c) *Basic Engineering:* Costs and expenses directly related to the basic engineering plan and design of the SAWS Interconnection Improvements.
- (d) *Financial Advisory:* Fees and expenses related to financial advisors and revenue consultants incurred in connection with the Project, and any related technical studies and assessments.
- (e) *Planning:* Fees and expenses related to complete integration planning for the Project.
- (f) *Geotechnical Survey:* Costs and expenses directly related to developing detailed data and information of the below-ground conditions in the vicinity of the SAWS Interconnection Improvements.
- (g) *SAWS Overhead:* Costs and expenses directly related to SAWS operation, administration and overhead, including office lease space and supplies, communications equipment and services, vehicle leases, and insurance premiums as directly related to the Project.
- (h) *Topography Survey:* Costs and expenses directly related to developing detailed topographical data and information for the SAWS Interconnection Improvements.
- (i) *Financial Costs:* The amount of interest accrued and paid or owed under the financing arrangements in place during the Development and Financing Period, if any, as related to the SAWS Interconnection Improvements.
- (j) *Financing-Related Costs:* Expenses directly related to preparing and securing financing, including those associated with organizing the trustee, working with the rating agencies, and their associated costs, as related to the SAWS Interconnection Improvements.
- (k) *Other Costs:* Any other costs and expenses meeting the requirements of Section 18.2 (SAWS Reimbursable Costs) of this Appendix.

18.2.2 Unallowable SAWS Costs

The Project Company shall have no obligation to pay SAWS for any Unallowable SAWS Costs. "Unallowable SAWS Costs" include the following:

- (a) Costs and expenses related to the construction of the SAWS Interconnection Improvements.
- (b) Fees or expenses incurred in handling disputes or litigation with the Project Company or any third party.

- (c) Overhead and general expenses, except as provided for in Section 18.2.1(g) (SAWS Overhead) of this Appendix.
- (d) Costs and expenses incurred as a result of the negligence or willful misconduct of SAWS or a SAWS Indemnitee performing any aspect of work related to the Project.
- (e) Costs and expenses not specifically and expressly identified as a SAWS Reimbursable Cost.
- (f) Any mark-up by SAWS for risk, profit or otherwise, except as provided in Section 18.2.1(g) (SAWS Overhead) of this Appendix.

APPENDIX 19

COMPENSABLE COSTS AND O&M BUDGET PANEL

APPENDIX 19

COMPENSABLE COSTS AND O&M BUDGET PANEL

19.1. COMPENSABLE COSTS

19.1.1 General Principle. Compensable Costs consist of the reasonable and necessary costs that would be incurred by a qualified and experienced private sector operator to operate, maintain, repair and replace the Project Improvements in accordance with the Contract Standards. Compensable Costs do not include Non-Compensable Costs.

19.1.2 Process. As provided in Sections 17.3 (Operating and Maintenance Costs) of this Water Transmission and Purchase Agreement, the O&M Budget Panel shall determine for each Contract Year: (1) Fixed Compensable Costs; (2) Variable Compensable Costs; (3) Major Repair and Replacement Compensable Costs; (4) Budgeted Compensable Costs; and (5) Actual Compensable Costs.

19.2. FIXED COMPENSABLE COSTS

Fixed Costs include the following, as paid by the Project Company and the Operating Service Provider:

- (1) Wages and salaries of supervisory, administrative, security operating and maintenance employees (except that, Project Company employees are to be limited to no more than five (5) employees, and those employees are to be located and working on the Project full time in San Antonio, Texas);
- (2) Costs for employee benefits, premiums, taxes, insurance, contributions and assessments required by law, collective bargaining agreements and, for personnel not covered by such agreements, customary benefits such as sick leave, medical and health benefits, holidays, vacations and pensions, excluding bonuses;
- (3) Costs associated with telecommunication services, including telephone, internet and other information technology services;
- (4) The cost of leased office and workshop space in San Antonio, Texas;
- (5) Amounts paid to third parties for water analyses and laboratory tests;
- (6) Amounts paid to third parties for (a) subcontracted labor; and (b) fees and expenses related to professional services (including legal, accounting, tax, insurance and technical advisory services), except as specified in Sections 19.5(5) and 19.5(6);
- (7) The purchase price (including transportation and handling costs) paid to third parties for materials, supplies and similar consumables, which may include fuel oil, diesel fuel, natural gas, lubricants, shop rags, water treatment chemicals, laboratory supplies and office supplies;
- (8) The purchase price (including transportation and handling costs) paid to third parties for replacement parts and equipment;
- (9) The purchase price or rental charges (including transportation and handling costs) paid to third parties for machinery and equipment, which may include

field equipment and tools, safety devices, copy machines, fax machines, printers, scanners, paper shredders, computers and their associated software, networking infrastructure, telephones;

(10) The purchase price or rental charges, as well as associated maintenance costs, paid to third parties in connection with vehicles that are purchased or leased;

(11) Premiums for the Required Operating Period Insurance; and

(12) A management fee equal to 11.1% of total Compensable Costs. The management fee shall not be applied for costs relating to maintaining insurance or for performance bonds, for each Billing Period.

19.3. VARIABLE COMPENSABLE COSTS

Variable Costs include:

(1) Chemicals including, but not limited to Hypochlorite, Sodium Hydroxide and Sodium Hexametaphosphate;

(2) Unscheduled maintenance; and

(3) Unscheduled pipeline repairs and Project leak repairs.

19.4. MAJOR REPAIR AND REPLACEMENT COMPENSABLE COSTS

Major Repair and Replacement Compensable Costs include the costs paid or incurred by the Operating Service Provider to make major repairs to and replacements of the Project Improvements. Major Repair and Replacement Compensable Costs do not include the costs of operations or the costs of ordinary maintenance and predictive and preventive maintenance, which shall be included in Fixed Compensable Costs and Variable Compensable Costs.

19.5. NON-COMPENSABLE COSTS

Non-Compensable Costs include the following:

(1) Costs that do not qualify as Compensable Costs under the standard set forth in Section 19.1.1 (General Principle) of this Appendix 19;

(2) Any costs paid or incurred by the Water Supply Corporation (except that, costs paid or incurred by the Water Supply Corporation that would otherwise be Compensable Costs if incurred by the Project Company or the Operating Service Provider under and subject to the limitations set forth in items 19.2(1) and 19.2(2)) shall be, without duplication of any Compensable Costs otherwise incurred by the Project Company or the Operating Service Provider, Compensable Costs);

(3) Any costs paid or incurred by Abengoa or any Affiliate other than the Project Company and the Operating Service Provider;

(4) Any costs paid by or incurred by any party other than the Project Company and the Operating Service Provider;

(5) Any legal fees related to the acquisition of, or any contest or dispute relating to, the Project Real Property;

- (6) Any legal fees related to litigation of any kind;
- (7) Costs for travel;
- (8) Costs covered by warranties or by Insurance Proceeds;
- (9) Any Variable Compensable Costs reasonably attributable to the production and delivery of Excess Product Water, subject to Section 10.4(B)(2) (Supply Following Commercial Operation Date);
- (10) Any Taxes, except as provided in Section 19.6 (Taxes) of this Appendix 19; and
- (11) Any costs that are paid or incurred by any party due to:
 - (a) Any failure to design or construct the Project Improvements in accordance with Good Engineering and Construction Practice, the Technical Specifications, or this Water Transmission and Purchase Agreement generally;
 - (b) Any failure to operate, maintain, repair or replace the Project Improvements in accordance with Good Management Practice, the Operating and Maintenance Standards, or this Water Transmission and Purchase Agreement generally;
 - (c) Any other failure by the Project Company to perform the Contract Obligations in accordance with the Contract Standards; and
 - (d) Any breach of this Water Transmission and Purchase Agreement by the Project Company, or the occurrence of a Project Company Event of Default.

19.6. TAXES

Non-Compensable Costs shall include Taxes, as provided in Section 17.12 (Taxes) of this Water Transmission and Purchase Agreement, except that sales taxes on materials, supplies and chemicals used or consumed in the performance of the Operating Work shall constitute Compensable Costs if the Operating Service Provider is unable to secure an exemption thereon based on Applicable Law. No Taxes imposed by any taxing jurisdiction outside the United States are Compensable Costs.

19.7. MITIGATION

In order to mitigate Compensable Costs incurred in the operation of the Project, at the direction of SAWS and when applicable, the Project Company shall use materials, chemicals or services provided by or through SAWS. Examples of this type of arrangement include use of SAWS professional services contracts for surveying or analyzing water quality samples in the SAWS analytical laboratory, or utilizing SAWS purchasing arrangements for chemicals, parts or materials.

19.8. COSTS OF NEW FACILITIES

19.8.1 Capital Costs of New Facilities. The capital costs of making any Capital Modifications, or building any new facilities or new capital improvements of any kind for any reason (including changes in Applicable Law) are Non-Compensable Costs (except to the extent

any such Capital Modifications are SAWS-Requested Capital Modifications, which shall be paid for as provided in Section 12.3 (Capital Modifications at SAWS Request) of this Water Transmission and Purchase Agreement). The costs of operating, maintaining, repairing and replacing any Capital Modifications, new facilities or new capital improvements, however, are Compensable Costs.

19.8.2 Leasing Costs. If any additional treatment to meet the Performance Guarantee Requirements requires construction of new treatment processes, the Project Company will be responsible for the equipment and construction costs without reimbursement by SAWS. If the Project Company leases equipment to meet Performance Guarantee requirements on a temporary or permanent basis, the lease costs will also be the responsibility of the Project Company without reimbursement by SAWS.

19.9. O&M BUDGET PANEL ADMINISTRATION

19.9.1 Composition. The O&M Budget Panel shall consist of five panelists (the "O&M Budget Panelists") selected as follows: (1) two panelists, one appointed by SAWS and one appointed by the Project Company; (2) third and fourth panelists, one selected by the panelist appointed by SAWS and one selected by the panelist appointed by the Project Company; and (3) a fifth panelist chosen by the two panelists selected pursuant to item (2) of this paragraph. The panelist selected pursuant to item (3) of this paragraph shall be the chair of the O&M Budget Panel, responsible for scheduling and directing its business.

19.9.2 Qualifications. Each panelist shall be a senior industry expert qualified and experienced in the field of municipal water system operations, maintenance, repair and replacement and in budgeting and cost matters relating thereto. The selected panelists shall not be a past or present employee of SAWS or Abengoa or its affiliates. No individual who has, within the three years preceding his or her appointment, been an agent of, or a consultant or counsel to, SAWS, the Project Company, a Project Contractor, any Subcontractor or any Affiliate thereof shall be eligible to serve on the Panel unless such restriction is waived by the other party.

19.9.3 Duration. The O&M Budget Panel shall be formed and the panelists selected by the responsible parties not later than 180 days prior to the estimated Commercial Operation Date, and shall continue in existence for the balance of the Term. The panel members shall serve for annual terms at the pleasure of both SAWS and the Project Company. Any resigning panelist shall be promptly replaced by the responsible party so as to permit the continuous performance of the O&M Budget Panel's duties.

19.9.4 Expenses. The cost of conducting the O&M Budget Panel's business shall be paid by SAWS.

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