

WATER DELIVERY AGREEMENT

This WATER DELIVERY AGREEMENT ("**Agreement**") is made as of March 16, 2011, ("**Effective Date**") by and between the City of La Habra, a municipal corporation organized and existing under the laws of the State of California ("**City**") and Pacific Coast Homes ("**PCH**") a California corporation organized and existing under the laws of the State of California, as follows:

RECITALS

A. La Floresta, LLC, a Delaware limited liability company ("**La Floresta**") has caused three hundred sixty (360) shares ("**Water Shares**") of California Domestic Water Company ("**Cal Domestic**") stock to be sold to City, for the purpose of increasing the supply of water available to City by the volume of water to which the holder of the Water Shares is entitled ("**Water Entitlement**"), pursuant to that certain Water Shares Purchase and Sale Agreement dated as of March 16, 2011 (the "**Sale Agreement**"), a true and correct copy of which is attached as Exhibit A);

B. As a condition precedent to the sale of the Water Shares to City, City has agreed to deliver water to or at the direction of PCH to offset water used solely by the West Coyote Hills Project (the "**Development Project**") in the City of Fullerton, provided that the volume of water delivered pursuant to this Agreement does not exceed the Water Entitlement;

C. PCH has agreed to purchase water for the Development Project in the amounts and at the costs set forth in this Agreement.

WHEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the City and PCH agree as follows:

AGREEMENT

ARTICLE 1

Water Delivery

1.1 Purchase Agreement. PCH hereby agrees to purchase from City and City hereby agrees to sell to PCH a volume of residential use water equal to the Water Entitlement for the Water Year in which the purchase occurs. City agrees that the water sold by City to PCH will be from a source of water that may lawfully be delivered to or within another jurisdiction, including a jurisdiction located primarily or entirely outside the San Gabriel Basin.

1.2 Term.

1.2.1 The Term of this Agreement shall be for forty (40) years commencing on the Effective Date.

1.2.2 Initiation. PCH may initiate delivery of water under this Agreement ("**Initiation**") by giving written notice ("**Notice of Initiation**") to City at any time during the term of this Agreement.

1.2.3 Termination. After Initiation, PCH may continue to receive water from City under this Agreement for a period of up to thirty (30) years from the date of the Initiation of water delivery under this Agreement or until the end of the Term of this Agreement, whichever occurs first.

1.3 Price and Payment.

1.3.1 Price. The price ("**Price**") PCH shall pay for water deliveries from the City under this Agreement shall be the rate calculated by combining, (a) the then-current total rate charged by Cal Domestic, or successor company, to the City for water received pursuant to the Water Entitlement, which is currently referred to as Lift 1E on Exhibit B (as defined below) and (b) the then-current rate for Tier 1 full service treated supplemental water provided to retail customers available from Metropolitan Water District ("**MWD**"), or successor district or water provider, (and which are currently the only two imported sources of domestic water available to City) the sum of which shall then be divided by two (2). By way of example, as of 10/01/2010, the current price for Cal Domestic Lift 1E water was \$324.08/acre-foot and the current rate for MWD Tier 1 water was \$707.75/acre-foot. The sum of these two rates was \$1,031.83 and, after dividing by two, resulted in a current Price of \$515.92/acre-foot. The Price shall be calculated on April 1st of each year to be placed into effect on the first day of the Water Year (as defined below; i.e., July 1st) for the term of this Agreement. A document entitled California Domestic Water Company Calculation (dated 10/1/2010) is attached hereto as Exhibit B to provide an illustration of the present basis for identifying the costs associated with the water pricing. For purposes of this Agreement, the MWD Tier 1 rate is the Treated Domestic invoiced rate to City for MWD Tier 1 domestic water deliveries provided to City thru the Municipal Water District of Orange County ("**MWDOC**"), or successor district or water provider, (an example of which is attached as Exhibit C) and which is the sum of the then-current MWD Tier 1 Full Service Treated Volumetric Cost currently available thru MWD's Finance Division published Water Rate Table, which is attached hereto as Exhibit D and the then-current MWDOC administrative fee generally applicable to retail customers or so-called Increment Rate currently published in MWDOC's Annual Budget - Fiscal Master Plan Projection and which is attached hereto as Exhibit E.

1.3.2 Charges Only for Delivered Water. PCH will be charged only for water actually demanded and delivered under this Agreement, in the increments and on the schedule typically charged for residential water.

1.3.3 Billing and Payment. City will present invoices for payment to PCH on at least a monthly schedule detailing PCH's actual water usage under this Agreement and the Price for each increment of water usage. PCH will pay all invoices within thirty (30) days of receipt.

1.3.4 Exclusion from Price. The Price will not include the cost of constructing the Delivery Facilities, as defined below.

1.4 Delivery and Volume.

1.4.1 Water Delivery. Delivery will commence on July 1 of the first Water Year (as defined in Section 1.4.3 below) after the Notice of Initiation, provided that the Delivery Facilities described in Section 1.5 below are available for use.

1.4.2 Request for Water Delivery. PCH will notify City in writing of the total amount of its annual water request no later than thirty (30) days prior to commencement of the Water Year to which the request applies, or fifteen (15) days after receipt of the Notice of Water Availability described below, whichever is later.

1.4.3 Supply. City will deliver water to PCH in the amounts requested by PCH to offset the water used by the Development Project, provided that the total volume shall not exceed the Water Entitlement specified by the San Gabriel Basin Watermaster ("**Watermaster**") for the Water Year in which purchase occurs. For instance, assuming the Water Entitlement from Cal Domestic specified by the Watermaster for the 360 shares held by City is 504 acre-feet ("**AFY**") in Water Year 2011 (for purposes of this Agreement, a "**Water Year**" is defined as the period from July 1 of a year through June 30 of the succeeding year), PCH may request delivery of no more than 504 "**AFY**" in Water Year 2011. The Parties expect and acknowledge that the volume of water available for delivery under this Agreement will vary from year to year, and may be more or less than is actually used by the Development Project.

1.4.4 Notice of Water Availability. City will notify PCH in writing of the amount of its annual Water Entitlement within thirty (30) days after receipt of the allocation from the Watermaster but, in any event, prior to commencement of the Water Year.

1.5 Facilities.

1.5.1 Direct Delivery. City will deliver water directly from its conveyance system to PCH, provided that all pipelines and other infrastructure reasonably required to transport and deliver water to the PCH development project ("**Delivery Facilities**") are installed.

1.5.2 Cost of Facilities. City shall cooperate, as necessary, with PCH and any other interested parties to construct the Delivery Facilities, provided that the City shall have no obligation to pay for the Facilities, including the cost of design, land acquisition and construction.

1.6 Water Supply Assurances.

1.6.1 Assurances to PCH. PCH shall be entitled to receive water equal to the amount of the Water Entitlement from City during the term of this Agreement without regard to statutory or regulatory reductions, other than reductions that would affect the volume of the Water Entitlement provided to City as the owner of 360 shares of Cal Domestic. City shall include the Water Entitlement and all demand associated with the Development Project in its water planning documents including, but subject to future restriction either identified in future

Urban Water Management Plans and/or included in any state legislation or regulation adopted during the term of this Agreement.

1.6.2 Assurances to City. City shall not be required to deliver water to PCH under this Agreement in excess of the Water Entitlement or in any increments or other manner that would adversely affect the amount of the Water Entitlement.

ARTICLE 2

Representations and Warranties

2.1 City Representations. The City, acknowledging that each provision in this Section 2.1 is material and is being relied on by PCH, hereby represents and warrants the following to PCH for the purpose of inducing PCH to enter into this Agreement and to consummate the transactions contemplated hereby, all of which shall be true as of the date hereof:

2.1.1 The City has the legal power, right and authority to enter into this Agreement and the instruments and documents referenced herein to which the City is a party, to consummate the transactions contemplated hereby, to take any steps or actions contemplated hereby, and to perform its obligations hereunder.

2.1.2 All requisite action, including without limitation, any required analysis pursuant to the California Environmental Quality Act (“CEQA”), has been taken by the City and all requisite consents have been obtained in connection with entering into this Agreement and the instruments and documents referenced herein to which the City is a party, and the consummation of the transaction contemplated hereby, and, to the best knowledge of the City, the same comply with all applicable laws. There are no writs, injunctions, orders or decrees of any court or governmental body that would be violated by the City’s entering into or performing its obligations under this Agreement.

2.1.3 This Agreement is duly executed by the City, and all agreements, instruments and documents to be executed by the City pursuant to this Agreement shall, at such time as they are required to be executed hereunder, be duly executed by the City, and each such agreement is, or shall be at such time as it is required to be executed hereunder, valid and legally binding upon the City and enforceable in accordance with its terms, and the execution and delivery thereof shall not, with due notice or the passage of time, constitute a default under or violate the terms of any indenture, agreement or other instrument to which the City is a party.

2.2 PCH Representations. PCH, acknowledging that each provision in this Section 2.2 is material and is being relied upon by the City, represents and warrants the following to the City for the purpose of inducing the City to enter into this Agreement and to consummate the transactions contemplated hereby:

2.2.1 PCH is a California corporation organized and existing under the laws of the State of California and in good standing under the laws of the California, is duly qualified to do business and in good standing under the laws of each other jurisdiction where the operation of

its business or its Ownership of property make such qualification necessary, and has all requisite power and authority to own and operate its properties, and to carry on its business as now and whenever conducted.

2.2.2 PCH has the legal power, right and authority to enter into this Agreement and the instruments and documents referenced herein, to consummate the transactions contemplated hereby, to take any steps or actions contemplated hereby, and to perform its obligations hereunder.

2.2.3 All requisite action has been taken by PCH and all requisite consents have been obtained by PCH in connection with entering into this Agreement and the instruments and documents referenced herein, and the consummation of the transactions contemplated hereby.

2.2.4 To the best actual knowledge of PCH, the execution, delivery and performance by PCH of this Agreement will not violate any provision of law, or any indenture, agreement or other instrument to which PCH is a party or by which PCH or any of its properties is bound.

2.2.5 This Agreement is, and all agreements, instruments and documents to be executed by PCH pursuant to this Agreement shall be, duly executed by and are, or shall be, valid and legally binding upon PCH and enforceable in accordance with their respective terms, except to the extent that such enforceability may be limited by the laws regarding bankruptcy, insolvency reorganization, and other similar laws affecting the rights of creditors and general principles of equity and the execution and delivery thereof shall not, with due notice or the passage of time, constitute a default under or violate the terms of any indenture, agreement or other instrument to which PCH is a party.

2.3 CEQA Compliance by City. Prior to entry into this Agreement, City has taken all actions necessary to be in full compliance with the California Environmental Quality Act (“CEQA”) and made the necessary findings required to enter into and to perform under the terms of this Agreement. City covenants to take any additional action which may become required under CEQA to commence delivery of the water contemplated by this Agreement in a timely fashion so as to meet the timing requirements for such delivery of water.

2.4 Indemnity by City.

2.4.1 City shall indemnify and defend PCH against and hold PCH harmless from all claims, demands, liabilities, losses, damages, costs and expenses, including reasonable attorneys’ fees and disbursements, that may be suffered or incurred by PCH if any representation or warranty made by City was untrue or incorrect in any respect when made, or that may be caused by any breach by City of any such representation or warranty.

2.4.2 City shall indemnify and defend PCH against and hold PCH harmless from all claims, demands, liabilities, losses, damages, costs and expenses, including reasonable attorneys’ fees and disbursements, arising from or based on any failure by City to perform all obligations of City under this Agreement, the Sales Agreement for the Water Shares or any breach, default, or violation by City (or any event by City or condition which, after notice or the passage of time, or both, would constitute a breach, default or violation by City) under the Water

Shares including, but not limited to, action or inaction that has the effect of reducing the Water Entitlement.

2.5 Indemnity by PCH. PCH covenants and agrees with City as follows:

2.5.1 PCH shall indemnify and defend City against and hold City harmless from all claims, demands, liabilities, losses, damages, costs and expenses, including reasonable attorneys' fees and disbursements, that may be suffered or incurred by City if any representation or warranty made by PCH was untrue or incorrect in any respect when made, or that may be caused by any breach by PCH of any such representation or warranty.

2.5.2 PCH shall indemnify and defend City against and hold City harmless from all claims, demands, liabilities, losses, damages, costs and expenses, including reasonable attorneys' fees and disbursements, arising from or based on any failure by PCH to perform all obligations of PCH in accordance with this Agreement after the Effective Date or any breach, default or violation by PCH (or any event by PCH or condition which, after notice or the passage of time, or both, would constitute a breach, default or violation by PCH) under the Water Shares after the Effective Date.

ARTICLE 3
Remedies

3.1 Judicial Reference for Disputes. All disputes and claims arising under this Agreement, whether relating to its interpretation, application, enforcement or breach, shall be heard by a reference of the Orange County Superior Court pursuant to California Code of Civil Procedure Section 638 *et seq.* The parties shall have the rights of discovery and appeal provided by California Code of Civil Procedure Section 638 *et seq.* For all judicial reference proceedings under this Agreement, City and PCH shall agree upon a single referee who shall try all issues, whether of fact or law, and report a finding and judgment thereon and issue all legal and equitable relief appropriate under the circumstances before him or her. If the City and PCH are unable to agree on referee within ten (10) days of a written request to do so by either Party hereto, either Party may seek to have one appointed pursuant to California Code of Civil Procedure Section 640. The cost of such proceeding shall initially be borne equally by the Parties, but shall ultimately be borne by the Party who does not prevail. In addition, the prevailing Party in the judicial reference and in any subsequent legal proceeding shall be entitled to have its reasonable attorneys' fees and out-of-pocket costs paid by the non-prevailing Party. Any referee selected pursuant to this section shall be considered a temporary judge appointed pursuant to Article 6, Section 21 of the California Constitution.

NOTICE: BY INITIALING IN THE SPACE BELOW, YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED WITHIN THE SCOPE OF THE JUDICIAL REFERENCE PROVISION ABOVE DECIDED BY NEUTRAL REFEREE AS PROVIDED BY CALIFORNIA LAW, AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OF JURY TRIAL. BY INITIALING IN THE SPACE BELOW, YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL WITH RESPECT TO THE MATTERS SUBJECT TO JUDICIAL REFERENCE, UNLESS THOSE RIGHTS ARE SPECIFICALLY

INCLUDED IN THE JUDICIAL REFERENCE PROVISION. IF YOU REFUSE TO SUBMIT TO JUDICIAL REFERENCE AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO SUBMIT UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS JUDICIAL REFERENCE PROVISION IS VOLUNTARY. BY SIGNING BELOW EACH PARTY ACKNOWLEDGES THEY HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE JUDICIAL REFERENCE PROVISION TO A NEUTRAL REFEREE.

PCH's Initials

City's Initials

3.2 Applicable Law and Attorneys' Fees. The laws of the State of California shall govern the interpretation and enforcement of this Agreement. Should legal action be brought by either Party for breach of this Agreement to enforce any provision, the prevailing Party in such action shall be entitled to actual attorneys' fees, court costs, and other litigation expenses including, without limitation, expenses incurred for preparation and discovery, and on appeal. The entitlement to recover such fees, costs and expenses shall accrue upon the commencement of the action regardless of whether the action is prosecuted to final judgment.

ARTICLE 4 **General Provisions**

4.1 Notices, Demands and Communications Between the Parties. All notices or other communications required or permitted hereunder shall be in writing, and shall be personally delivered or sent by registered or certified mail, postage pre-paid, return receipt requested, or by a nationally recognized courier service which provides a written receipt of delivery, or facsimile, to the addresses set forth in this Section 21.1, with a copy to designated legal counsel. The notices or other communications shall be deemed received and effective upon: (i) if personally delivered, the date of delivery to the address of the person to receive such notice; (ii) if mailed, the date of delivery or refusal to accept delivery indicated in the certified or registered mail receipt; (iii) if given by courier service, on the date of delivery evidenced by the receipt for delivery provided by the courier service; or (iv) if faxed, when sent. Any notice, request, demand, direction or other communication sent by fax must be confirmed within forty-eight (48) hours by letter mailed or delivered in accordance with the foregoing.

For City

City of La Habra
Don Hannah, City Manager
201 E. La Habra Blvd.
La Habra, CA 90631

For PCH

PCH
Pacific Coast Homes
c/o Chevron Land and Development Company
6001 Bollinger Canyon Road, V1340B
San Ramon, CA 94583
Attention: Don Means

with a copy to:

Chevron Corporation
6001 Bollinger Canyon Road, V1340A
San Ramon, California 94583
Attention: Mary Parish, Esq.

Such written notices, demands, correspondence and communications may be sent in the same manner to such other persons and addresses as either Party may from time to time designate in writing as provided in this Section. Notice shall be effective upon the date of personal delivery or, in the case of mailing, on the date of delivery or attempted delivery as shown on the U.S. Postal Service certified mail return receipt.

4.2 Successors and Assigns. This Agreement shall bind and inure to the benefit of the Parties to this Agreement and their respective successors and assigns. PCH intends to transfer and assign its rights under this Agreement to the City of Fullerton ("Fullerton") or another entity in conjunction with the Development Project. City agrees to and accepts such assignment, or any other assignment desirable to serve the Development Project. As successors and assigns, the City of Fullerton and any other entity succeeding to PCH's interest shall have all the rights and obligations of PCH under this Agreement, in addition to all rights granted and obligations imposed by law.

4.3 Relationship of the Parties. The terms and provisions of this Agreement shall not cause the Parties hereto to be construed in any manner whatsoever as partners, joint venturers or agents of each other in the performance of their respective duties and obligations under this Agreement, or subject either Party to this Agreement to any obligations, loss, charge or expense of the other Party unless the Party to be held responsible has independently contracted with the claimant so as to make it directly responsible for the performance and/or payment, as appropriate, of the pertinent obligation, loss, charge or expense.

4.4 Text to Control; Interpretation.

4.4.1 The headings in this Agreement are included solely for convenience, and if there shall be any conflict between such headings and the text of this Agreement, the text shall control.

4.4.2 Should any provisions of this Agreement require interpretation, it is agreed that the person or persons interpreting or construing the same shall not apply a presumption that the terms of this Agreement shall be more strictly construed against one Party by reason of the rule of construction that a document is to be construed more strictly against the Party thereto who itself or through its agent or counsel prepared the same or caused the same to

be prepared; it being agreed that the agents and counsel of both of the Parties hereto have participated equally in the negotiation and preparation of this Agreement.

4.5 Time of the Essence. Time is of the essence of this Agreement and the performance of all obligations hereunder.

4.6 Computation of Time. Unless otherwise required by a specific provision of this Agreement, time hereunder is to be computed by excluding the first day and including the last day. If the date for performance falls on a Saturday, Sunday, or legal holiday, the date for performance shall be extended to the next business day.

4.7 Approvals. Approvals required of a party shall not be unreasonably withheld or delayed, and approval or disapproval shall be given within the time set forth in this Agreement, or, if no time is given, within a reasonable time. Time shall be of the essence of approvals required of either Party.

4.8 Severability. To the best knowledge and belief of the Parties to this Agreement, this Agreement contains no provision that is contrary to any federal, state or local law or to any regulatory requirement or other ruling or regulation of a federal, state or local agency or that would be in breach of the obligations of either or both of the Parties hereto under the terms and provision of any legally binding agreement. However, if any provision of this Agreement, or any part thereof, shall at any time be held to be invalid, in whole or in part, under any applicable federal, state or local law by a court of competent jurisdiction, or by arbitrators or an administrative agency of the federal, state or local government with proper jurisdiction, then such provision or a portion thereof, as appropriate, shall be curtailed and limited only to the extent necessary to bring it within the requirements of the law and the validity and enforceability of the remaining provisions of this Agreement shall remain in effect and shall in no way be affected, impaired or invalidated, unless the invalidated provision(s) shall uniquely, materially and adversely affect the rights and obligations of a Party to this Agreement.

4.9 Further Assurances. Each of the Parties hereto shall execute and deliver any and all additional papers, documents, instruments and other assurances and shall do any and all other acts and things reasonably necessary to carry out the purposes of this Agreement and the intent of the Parties hereto.

4.10 Entire Agreement. This Agreement integrates all of the terms and conditions mentioned herein or incidental hereto and supersedes all negotiations or previous agreements between the Parties regarding all or any part of the subject matter hereof. All modifications, additions or amendments to this Agreement shall be in writing and signed by the Parties hereto.

4.11 Authority of City Manager to Act. Any consent, approval or other instrument described in this Agreement may be granted, given or executed by the City Manager or designee on behalf of the City and the City Manager or designee shall be authorized to take action on behalf of the City consistent with the terms of the agreement without the need for further authorization from the City Council; provided, however that, notwithstanding the foregoing, the City Manager or designee may, in his or her sole discretion, refer to the City Council any item for which the City Manager or designee has authority to act hereunder.

4.12 **Counterparts.** This Agreement may be executed in counterparts, each of which shall constitute an original and all of which together shall constitute one and the same agreement.

This Agreement is executed in three (3) duplicate originals, each of which is deemed to be an original. This Agreement includes ten pages of text and five Exhibits, which are incorporated herein by reference, as follows:

- | | |
|-----------|--|
| Exhibit A | Water Shares Purchase and Sale Agreement |
| Exhibit B | California Domestic Water Company Calculation (dated 10/1/2010) |
| Exhibit C | Municipal Water District of Orange County Invoice, dated 01/14/2011 |
| Exhibit D | Metropolitan Water District of Southern California Water Rate Table |
| Exhibit E | Municipal Water District of Orange County Annual Report Fiscal Master Plan Projections |

WHEREFORE, the Parties have entered into this Agreement effective as of the date first set forth above.

“City”

The City of La Habra,
A municipal corporation

By: Don Hannah
Don Hannah, City Manager

ATTEST: Yamara D. Dawson
City Clerk

APPROVED AS TO FORM:

Richard Adams
Richard Adams, Deputy City Attorney

“PCH”

Pacific Coast Homes,
A California corporation

By: Don Mathis
Name: Don Mathis

Title: VICE PRESIDENT

EXHIBIT A
WATER SHARES PURCHASE AND SALE AGREEMENT

**EXHIBIT C
MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
INVOICE**



**City of La Habra
ATT: Steve Castellanos
621 West Lambert Rd
La Habra, CA 90831**

INVOICE

**Invoice No.: 7034
Control No.: 2010121
Agency No.: 220
Mailing Date: 01/14/2011**

Final Due Date: 02/15/2011

ATTENTION: Payment shall be due on receipt and shall be delinquent if payment is not received in such form that the funds are immediately available for investment or use otherwise by MWD of Orange County by the 15th day of the month following the mailing of the billing or within 30 days of mailing of such billing, whichever date is later. Interest equals to two (2) percent for each month, or fraction thereof, of delinquency shall be assessed, provided that if such delinquency is paid within five (5) days, the interest assessed shall be one (1) percent.

WATER DELIVERIES DURING THE MONTH OF: December 2010

Conn No.	Date	Description	Acre Feet	Rate	Amount
OC-04	12/2010	Treated Domestic	0.1		\$70.78
	12/2010	Capacity Charge	0.0	\$0.00	\$7,164.93
	12/2010	Readiness To Serve	0.0	\$0.00	\$9,188.30

**Customer Copy
RBInvoices**

**TOTAL AF
0.1**

**TOTAL DUE
\$16,424.01**

EXHIBIT D
METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
WATER RATE TABLE



▶ HOME ▶ FINANCE ▶ WATER RATES

Site Index

Share |

Water Rates and Charges

Historical Water Rates

	Effective 1/1/2010	Effective 1/1/2011	Effective 1/1/2012
<u>Tier 1 Supply Rate</u> (dollars per acre-foot)	\$101	\$104	\$106
<u>Delta Supply Surcharge</u> (dollars per acre-foot)	\$69	\$51	\$58
<u>Tier 2 Supply Rate</u> (dollars per acre-foot)	\$280	\$280	\$290
<u>System Access Rate</u> (dollars per acre-foot)	\$154	\$204	\$217
<u>Water Stewardship Rate</u> (dollars per acre-foot)	\$41	\$41	\$43
<u>System Power Rate</u> (dollars per acre-foot)	\$119	\$127	\$136
Full Service Untreated Volumetric Cost (\$/AF)			
Tier 1	\$484	\$527	\$560
Tier 2	\$594	\$652	\$686
<u>Replenishment Water Rate: untreated</u> (dollars per acre-foot)	\$366	\$409	\$442
<u>Interim Agricultural Water Program: untreated</u> (dollars per acre-foot)	\$416	\$482	\$537
<u>Treatment Surcharge</u> (dollars per acre-foot)	\$217	\$217	\$234
Full Service Treated Volumetric Cost (\$/AF)			
Tier 1	\$701	\$744	\$794
Tier 2	\$811	\$869	\$920
<u>Treated Replenishment Water Rate</u> (treated dollars per acre-foot)	\$558	\$601	\$651
<u>Treated Interim Agricultural Water Program</u> (dollars per acre-foot)	\$615	\$687	\$765
<u>Readiness-to-Serve Charge</u> (millions of dollars)	\$114	\$125	\$146
<u>Capacity Charge</u> (dollars per cubic foot second)	\$7,200	\$7,200	\$7,400

EXHIBIT E MUNICIPAL WATER DISTRICT OF ORANGE COUNTY ANNUAL REPORT FISCAL MASTER PLAN PROJECTIONS

Exhibit C

Municipal Water District of Orange County 2010-2011 FISCAL MASTER PLAN PROJECTIONS ¹ (in thousands)

	Projected ACTUALS FY09-10	BUDGET FY10-11	FY11-12	FISCAL MASTER PLAN PROJECTIONS ¹			
			FY12-13	FY13-14	FY14-15	FY15-16	
Beginning Reserve Balance - MWDOC:	\$4,657	\$ 4,189	\$ 3,648	\$ 3,736	\$ 3,634	\$ 3,622	\$ 3,501
Adjusted Reserve Balance	4,657	4,189	3,648	3,736	3,634	3,622	3,501
Revenues							
Water Rate Revenues:							
Retail Meter Fees	3,333	3,494	3,664	3,662	3,854	3,898	4,092
Water Rate Increment	1,795	1,816	1,902	1,827	1,842	1,810	1,828
Subtotal	5,128	5,310	5,566	5,489	5,696	5,708	5,920
Other Revenues:							
Inter Fund In	-	-	-	-	-	-	-
Interest Earnings	230	115	91	115	137	160	181
Misc./Reimbursements	117	63	58	58	58	58	58
Subtotal	347	178	149	173	195	218	230
Total Revenues	5,475	5,488	5,715	5,662	5,891	5,926	6,159
Expenses							
General Expenses	5,794	5,315	5,447	5,584	5,723	5,866	6,013
Capital Acquisitions	24	14	30	30	30	30	30
Election Expense	125	150	150	150	150	150	150
Total Expenses	5,943	5,479	5,627	5,764	5,903	6,046	6,193
Effects on Reserves							
Reserves Contribution (Draw)	(468)	9	87	(102)	(12)	(121)	(34)
New Telephone System		(50)					
MWDOC's Contribution to OPEB Trust Fund		(500)					
Ending Reserve Balance - MWDOC	\$ 4,189	\$ 3,648	\$ 3,736	\$ 3,634	\$ 3,622	\$ 3,501	\$ 3,467
Beginning Fund Balance - Coastal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reserve draw to fund Coastal PERS liability	-	-	-	-	-	-	-
Ending Fund Balance - Coastal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
MWDOC Water Rates							
Water Sales in Acre Feet	276,198	268,069	271,735	261,008	254,012	249,640	243,680
Total Retail Meters	605,984	607,572	610,610	610,270	616,700	623,620	629,540
OCWD BPP %	62%	62%	62%	62%	62%	62%	62%
Increment Rate	\$ 6.50	\$ 6.76	\$ 7.00	\$ 7.00	\$ 7.25	\$ 7.25	\$ 7.50
Connection Charge	\$ 5.50	\$ 6.76	\$ 6.00	\$ 6.00	\$ 6.25	\$ 6.25	\$ 6.50
Rate Increase Proposal:							
Increment Rate		\$ 0.25	\$ 0.25	\$ -	\$ 0.25	\$ -	\$ 0.25
Connection Charge		\$ 0.25	\$ 0.25	\$ -	\$ 0.25	\$ -	\$ 0.25

¹ Assumptions for FMP:

Inflation factor: 2.50% per year
Rate of return on investment of portfolio: 1.00% per year

Working Capital and Interest Revenue Projections

	FISCAL MASTER PLAN PROJECTIONS				
	FY11-12	FY12-13	FY13-14	FY14-15	FY15-16
Working Capital:					
Reserve Fund	3,648	3,736	3,634	3,622	3,501
General Fund Float	800	800	800	800	800
Conservation use of fund	(200)	(200)	(200)	(200)	(200)
Water Payment Float	4,850	4,875	4,900	4,825	4,850
Average Working Capital	9,098	9,211	9,134	9,147	9,051
Interest rate	1.00%	1.25%	1.50%	1.75%	2.00%
Interest Revenue Projections:					
Interest income - General	91	115	137	160	181
Interest income - SAC Lease	-	-	-	-	-
Total Interest Revenue Projections	91	115	137	160	181

Re: Bldg FY10-11
Re: FY10-FMP Exh C

5/6/2010
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