

SOUTHERN NEVADA WATER SYSTEM

AMENDED FACILITIES AND OPERATIONS AGREEMENT

EFFECTIVE JUNE 20, 2002

TABLE OF CONTENTS

	<u>Page</u>
RECITALS	1
AGREEMENT	7
ARTICLE 1 EFFECTIVENESS	7
ARTICLE 2 CAPITAL PLANS	8
Section 2.1 <u>Maintenance of Capital Plans</u>	8
Section 2.1.2 <u>Boulder City</u>	8
Section 2.2 <u>Capital Improvements Plan (“CIP”)</u>	8
Section 2.2.1 <u>Capacity Related Facilities (Treated Water)</u>	8
Section 2.2.2 <u>Accommodation of Competing Objectives</u>	9
Section 2.3 <u>Major Construction and Capital Plan</u>	10
Section 2.3.1 <u>In General</u>	10
Section 2.3.2 <u>Water Quality Related Facilities</u>	10
Section 2.3.3 <u>Raw Water Facilities</u>	11
Section 2.3.3.1 <u>Inclusion in MCCP</u>	11
Section 2.3.3.2 <u>Determination to Construct Raw</u> <u>Water Facilities</u>	11
Section 2.3.4 <u>Candidate Facilities</u>	11
Section 2.3.5 <u>General Information Respecting Specific Facilities</u>	12
Section 2.3.6 <u>SNWS Water Supplies</u>	12
Section 2.3.7 <u>Capacity</u>	12
Section 2.4 <u>Review of and Revisions to CIP and MCCP.</u>	13
Section 2.4.1 <u>Plans Effective Until Revised</u>	13
Section 2.4.2 <u>Revisions to Plans</u>	13
Section 2.4.3 <u>Reduction in Capacity</u>	13
ARTICLE 3 OPERATING PLAN	13
Section 3.1 <u>Operating Plan Required</u>	13
Section 3.2 <u>Deliveries to SNWS Purveyor Members</u>	14
Section 3.3 <u>Specifications Respecting Deliveries</u>	14
Section 3.4 <u>Accommodation of Competing Objectives</u>	14
Section 3.5 <u>Prioritization of Deliveries Due to Capacity Constraints</u>	15
Section 3.5.1 <u>Priority Schedule</u>	15
Section 3.5.2 <u>Lower Priority Deliveries</u>	16
Section 3.5.3 <u>Allocation of Capacity within a Priority</u>	16
Section 3.5.4 <u>Notice to Authority</u>	17
Section 3.6 <u>Apportionment of Reductions</u>	17

TABLE OF CONTENTS

	<u>Page</u>
Section 3.7 <u>Revisions to Operating Plan</u>	18
Section 3.7.1 <u>Operating Plan Effective Until Revised</u>	18
Section 3.7.2 <u>Annual Review of Operating Plan</u>	18
ARTICLE 4 CONSTRUCTION AND FUNDING OF FACILITIES	18
Section 4.1 <u>Requirement to Construct and Fund</u>	18
Section 4.2 <u>Raw Water Facilities</u>	19
Section 4.2.1 <u>Raw Water Facility Funding</u>	19
Section 4.2.2 <u>Raw Water Facilities Agreement</u>	19
Section 4.2.3 <u>Charges Relating to Raw Water</u>	20
ARTICLE 5 ACQUISITION OF SNWS WATER SUPPLIES	20
Section 5.1 <u>Acquisition of Water Supplies for SNWS Purveyor Members</u>	20
Section 5.2 <u>Allocation of SNWS Water Supplies</u>	21
Section 5.2.1 <u>Allocation among SNWS Purveyor Members</u>	21
Section 5.2.2 <u>Water reserved from Allocation</u>	21
Section 5.3 <u>Participation by Boulder City</u>	21
Section 5.3.1 <u>Initial Election Not to Participate</u>	21
Section 5.3.2 <u>Rescission of Election</u>	22
Section 5.3.2.1 <u>Notice of Rescission: Future Water Supplies</u>	22
Section 5.3.2.2 <u>Previously Acquired SNWS Water Supplies</u>	22
Section 5.4 <u>Reversion of SNWS Water Supplies to the Cooperative Agreement</u>	22
ARTICLE 6 DELIVERY AND TREATMENT OF WATER	23
Section 6.1 <u>Delivery Requirement</u>	23
Section 6.2 <u>Applicable Law; Contract</u>	23
Section 6.3 <u>Approval by Secretary of the Interior</u>	23
Section 6.4 <u>Water Quality</u>	23
ARTICLE 7 CHARGES AND PAYMENTS	24
Section 7.1 <u>In General</u>	24
Section 7.2 <u>Connection Charge; Commodity Charge</u>	24
Section 7.2.1 <u>Establishment of Charges</u>	24
Section 7.2.2 <u>Purpose of Charges</u>	24
Section 7.2.3 <u>Level of Charges</u>	25
Section 7.2.4 <u>Consideration of Benefit Conferred</u>	26
Section 7.2.5 <u>Service Equivalency for Connection Charge</u>	27
Section 7.2.6 <u>Assessments for Revenue Deficiencies</u>	27

TABLE OF CONTENTS

	<u>Page</u>
Section 7.3	27
<u>Raw Water Facilities Charge</u>	27
Section 7.3.1	27
<u>Establishment of Charge</u>	27
Section 7.3.2	28
<u>Purpose of Raw Water Facilities Charge</u>	28
Section 7.4	29
<u>Separate Charge for Boulder City</u>	29
Section 7.5	29
<u>Wholesale Delivery Charge</u>	29
Section 7.5.1	29
<u>Purpose and Level of Charge</u>	29
Section 7.5.2	30
<u>Considerations in Setting Charge</u>	30
Section 7.6	31
<u>Allocation of Other SNWS Revenues</u>	31
Section 7.7	31
<u>Procedure to Establish Charges</u>	31
Section 7.8	32
<u>Uniform Application</u>	32
Section 7.9	32
<u>Delinquencies by SNWS Purveyor Members</u>	32
Section 7.9.1	32
<u>Step-Up Charge</u>	32
Section 7.9.2	33
<u>Refund of Step-Up Payments</u>	33
Section 7.9.3	33
<u>Loss of Voting Rights</u>	33
Section 7.9.4	34
<u>Withholding of Water Deliveries</u>	34
Section 7.9.5	34
<u>Late Charges</u>	34
Section 7.9.6	34
<u>Automatic Assignment of Connection Charges</u>	34
Section 7.9.7	35
<u>Crediting of Payments</u>	35
Section 7.10	35
<u>Billing and Payment</u>	35
Section 7.10.1	35
<u>Connection and Commodity Charges</u>	35
Section 7.10.2	36
<u>Wholesale Delivery Charge</u>	36
Section 7.10.3	36
<u>Raw Water Facilities Charge</u>	36
Section 7.10.4	37
<u>Boulder City</u>	37
Section 7.10.5	37
<u>Assessments</u>	37
Section 7.10.6	37
<u>Late Charges; Interest</u>	37
Section 7.10.7	38
<u>Place of Payment</u>	38
Section 7.10.8	38
<u>Interest</u>	38
Section 7.11	38
<u>Investment of Funds</u>	38
Section 7.12	38
<u>Interaccount Loans</u>	38
ARTICLE 8	39
<u>OBLIGATIONS OF SNWS PURVEYOR MEMBERS</u>	39
Section 8.1	39
<u>Operation of SNWS Purveyor Member Systems</u>	39
Section 8.2	39
<u>Payment of Charges; Obligation Absolute</u>	39
Section 8.3	39
<u>SNWS Purveyor Member Rates</u>	39
Section 8.4	40
<u>Special Obligation</u>	40
Section 8.5	40
<u>Source of Payments</u>	40
Section 8.6	40
<u>Payments as Operating Expenses</u>	40
ARTICLE 9	41
<u>CONTRACT USERS</u>	41
Section 9.1	41
<u>Contract Users</u>	41

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE 10 DISPOSITION OF REVENUES	41
Section 10.1 <u>Compliance with Law</u>	41
ARTICLE 11 RESERVE FUNDS	41
Section 11.1 <u>In General</u>	41
Section 11.2 <u>New Expansion Debt Reserve Fund</u>	42
Section 11.3 <u>MCCP Debt Reserve Fund</u>	42
Section 11.4 <u>O&M Reserve Fund</u>	43
Section 11.5 <u>Conditions Governing Reserve Funds</u>	43
ARTICLE 12 BONDS AND OTHER OBLIGATIONS	44
Section 12.1 <u>Tax Covenant</u>	44
Section 12.2 <u>Further Assurances</u>	44
ARTICLE 13 EXCHANGE OF INFORMATION	45
Section 13.1 <u>Information Regarding Plans, Charges</u>	45
Section 13.2 <u>Progress of Construction; Deliveries</u>	45
Section 13.3 <u>Books and Records</u>	45
ARTICLE 14 SNWS WORK GROUP	45
Section 14.1 <u>Work Group Established</u>	45
ARTICLE 15 APPROVALS; EFFECTIVENESS OF ACTION BY AUTHORITY	46
Section 15.1 <u>In General</u>	46
Section 15.2 <u>Actions Requiring Approval by SNWS Purveyor Members</u>	46
Section 15.3 <u>Actions Requiring Approval by the Authority Board</u>	47
Section 15.3.1 <u>Approval with Affirmative Vote of All SNWS Purveyor Member Directors</u>	47
Section 15.3.2 <u>Approval with Affirmative Vote of Directors of Henderson, North Las Vegas, and the District</u>	48
Section 15.4 <u>Response to Notice of Claims</u>	48
Section 15.5 <u>Other Actions</u>	48
ARTICLE 16 ENFORCEMENT BY SNWA	49
Section 16.1 <u>Remedies Not Limited By Agreement</u>	49
Section 16.2 <u>Attorneys Fees; Costs</u>	49

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE 17 CLAIMS BY SNWS PURVEYOR MEMBERS; DISPUTE RESOLUTION	49
Section 17.1 <u>Claims Seeking Performance by Authority</u>	49
Section 17.1.1 <u>Maintainable Claims Against Authority</u>	49
Section 17.1.2 <u>Notice to the Authority of Claim</u>	50
Section 17.1.2.1 <u>Requirement for Notice</u>	50
Section 17.1.2.2 <u>Authority Response to SNWS Purveyor Member Notice</u>	51
Section 17.1.3 <u>Mediation</u>	52
Section 17.1.3.1 <u>Mediation Notice</u>	52
Section 17.1.3.2 <u>Selection of Mediator</u>	52
Section 17.1.4 <u>Litigation</u>	53
Section 17.1.4.1 <u>Conditions Precedent to Litigation</u>	53
Section 17.1.4.2 <u>Burden of Proof</u>	53
Section 17.1.4.3 <u>Remedies</u>	53
Section 17.1.4.4 <u>No Effect on Final Court Order</u>	53
Section 17.2 <u>Claims for Erroneous Statements</u>	54
Section 17.2.1 <u>Nature of Maintainable Claim</u>	54
Section 17.2.2 <u>Conditions Precedent to Litigation</u>	54
Section 17.2.3 <u>Interest</u>	55
Section 17.3 <u>Court</u>	55
ARTICLE 18 UNCONTROLLABLE FORCES	55
Section 18.1 <u>Excuse from Performance</u>	55
ARTICLE 19 CONSERVATION	56
Section 19.1 <u>Conservation Plans Required</u>	56
Section 19.1.1 <u>SNWS Purveyor Member Plans</u>	56
Section 19.1.2 <u>Submission by Authority</u>	57
ARTICLE 20 EQUAL OPPORTUNITY	57
ARTICLE 21 CIVIL RIGHTS	59
ARTICLE 22 MISCELLANEOUS PROVISIONS	60
Section 22.1 <u>Third Party Beneficiaries</u>	60
Section 22.1.1 <u>SNWS Purveyor Members</u>	60
Section 22.1.2 <u>No Other Third Party Beneficiaries</u>	61
Section 22.2 <u>Assignment; Successors</u>	61
Section 22.2.1 <u>Assignments Prohibited</u>	61

TABLE OF CONTENTS

	<u>Page</u>
Section 22.2.2 <u>Certain Assignments by Authority</u>	61
Section 22.2.3 <u>Binding Effect</u>	61
Section 22.3 <u>Integration; Amendment</u>	61
Section 22.4 <u>Governing Law</u>	62
Section 22.5 <u>Captions</u>	62
Section 22.6 <u>Drafting Considerations</u>	62
Section 22.7 <u>Severability</u>	62
ARTICLE 23 NOTICES	62
Section 23.1 <u>Notices</u>	62
Section 23.1.1 <u>Method of Giving</u>	62
Section 23.1.2 <u>Addresses for Notices</u>	63
ARTICLE 24 DEFINITIONS	64
Section 24.1 <u>Defined Terms</u>	64

SOUTHERN NEVADA WATER SYSTEM

AMENDED FACILITIES AND OPERATIONS AGREEMENT

THIS AGREEMENT, the amendment of which is effective as of June 20, 2002, is entered into pursuant to the provisions of Nevada Revised Statutes 277.060 and the provisions of article 24 of the Cooperative Agreement and is among the following parties:

1. Southern Nevada Water Authority, a Joint Powers Authority established pursuant to Chapter 277 of the Nevada Revised Statutes by the Southern Nevada Water Authority Cooperative Agreement, originally effective July 25, 1991;
2. The following Purveyor Members of the Authority:
 - a. City of Boulder City, a municipal corporation and political subdivision of the State of Nevada;
 - b. City of Henderson, a municipal corporation and political subdivision of the State of Nevada;
 - c. Las Vegas Valley Water District, a water district created by a special act of the Legislature and a political subdivision of the State of Nevada; and
 - d. City of North Las Vegas, a municipal corporation and political subdivision of the State of Nevada.

RECITALS

A. The Southern Nevada Water System is a facility consisting of diversion, treatment, conveyance, turnout, power transmission, and related facilities, by which Colorado

River water is conveyed into the water systems of the SNWS Purveyor Members and a Contract User, the United States Air Force at Nellis Air Force Base.

B. The original diversion facilities and certain conveyance and related facilities of the SNWS were authorized by Act of Congress as the Southern Nevada Water Project, were constructed by the United States Bureau of Reclamation, were transferred by the United States to the Authority on July 3, 2001, and generally are now known as the Robert B. Griffith Water Project.

C. The original treatment facilities and the remaining conveyance and other facilities of the SNWS were authorized by the Nevada Legislature, were constructed and originally owned by the State of Nevada through the Colorado River Commission of Nevada, and generally are now known as the Alfred Merritt Smith Water Treatment Facility. The State, on behalf of the Commission, had issued the following revenue supported general obligation bonds with respect to such facilities as of January 1, 1996:

<u>Date of Issue</u>	<u>Principal Amount of Issue</u>	<u>Amount Outstanding As of January 1, 1996</u>
August 14, 1986	\$ 11,000,000	\$ 605,000
September 12, 1990	6,550,000	1,645,000
November 15, 1992	9,815,000	8,730,000
November 1, 1993	46,805,000	43,680,000

D. Prior to 1996, the Commission and the Authority each separately began construction of additional facilities to expand the operational capacity and flexibility of the SNWS. The State, on behalf of the Commission, issued the following revenue supported general obligation bonds to fund the expansion facilities being constructed by the Commission and to

refund certain bonds previously issued by the Commission with respect to the Alfred Merritt Smith Water Treatment Facility:

<u>Date of Issue</u>	<u>Principal Amount of Issue</u>	<u>Amount Outstanding As of January 1, 1996</u>
November 21, 1994	\$ 170,380,000	\$ 169,860,000

The District, on behalf of the Authority, issued to the State bond bank, and as of January 1, 1996 there remained outstanding, the following revenue supported general obligation bonds with respect to the expansion facilities being constructed by the Authority:

<u>Date of Issue</u>	<u>Principal Amount of Issue</u>
March 2, 1995	\$20,000,000
July 18, 1995	\$30,000,000

E. In 1995, the Nevada Legislature enacted the Transfer Act, section 1 of which provided for the transfer to the Authority of the State's and Commission's entire interest in the SNWS, subject to (i) a continuation of the irrevocable pledge of the faith and credit of the State as provided in section 2(2)(a) of the Transfer Act, and (ii) the authority of the Commission to hold in trust for the State waters as specified in section 2(2)(b) of the Transfer Act. Pursuant to the Transfer Act, the transfer was completed effective January 1, 1996.

F. In 2000, Congress enacted the Griffith Project Prepayment and Conveyance Act, which provided for the conveyance and assignment to the Authority of the United States' interest in the improvements and facilities and certain lands of the Robert B. Griffith Water Project. The conveyance and assignment was completed effective July 3, 2001.

G. The Authority and the SNWS Purveyor Members intend that the SNWS will continue to be expanded and improved over time so that it will have the operational capacity and flexibility to supply water at locations and at rates that will meet the following demands for Treated Water:

- (1) 19.4 MGD by Boulder City, which is equivalent to the 30 CFS maximum capacity, as of January 1, 1996, of the Boulder City lateral;
- (2) 3.9 MGD by the United States for Nellis Air Force Base, which is equivalent to the 6 CFS maximum delivery right under the Nellis AFB Contract; and
- (3) the first 900 MGD of aggregate demand by Henderson, North Las Vegas, and the District for water conveyed through the SNWS, where and when it actually occurs, such demand being determined without regard to any demand that can be satisfied by any water production, treatment, or delivery systems then owned or operated separately by Henderson, North Las Vegas, and the District and being referred to in this agreement as "First 900 MGD of Demand."

H. The Authority and the SNWS Purveyor Members also anticipate that, over time, one or more SNWS Purveyor Members may request that facilities be added to the SNWS for the provision of Raw Water to the requesting SNWS Purveyor Member. The Authority and the SNWS Purveyor Members acknowledge that the decision whether to so expand the SNWS will be made on a case-by-case basis and that the Authority will be under no obligation to approve any such request. On January 21, 1999, the Authority and Boulder City entered into a Raw Water Facilities Interlocal Agreement providing for the construction by the Authority and the

addition to the SNWS of raw water facilities to serve Boulder City having a capacity of at least 10 MGD.

I. As of January 1, 1996, the Authority revised the existing capital improvements plans for the SNWS and consolidated them into a single Capital Improvements Plan (“CIP”), the “December 1995 CIP,” which included those facilities the construction of which started prior to January 1, 1996.

J. Expansion of the SNWS as provided in the CIP, in particular to meet the demand referenced in recital G and to improve the SNWS for water quality and other purposes, is a single project that the Authority and the SNWS Purveyor Members collectively have determined is necessary to (i) meet customer demand in the Las Vegas Valley and Boulder City, and (ii) provide operational flexibility and reliability within the SNWS and improved water quality for the benefit of the SNWS Purveyor Members and their existing as well as future customers. The Authority and the SNWS Purveyor Members collectively have determined that this project can be constructed most economically, and at the least cost to existing and future customers, if it is built in a phased manner such as provided in the CIP.

K. The focus of the CIP has been, and will continue to be, expansion of the SNWS as required by section 2.2.1.

L. The Authority and the SNWS Purveyor Members also intend that facilities and assets of a capital nature unrelated to expansion of the capacity of the SNWS will be acquired or constructed by or for the Authority, including without limitation SNWS Water Supplies from multiple sources, some interstate; long-distance conveyance for new SNWS Water Supplies; facilities affecting water quality beyond water treatment; electric generation, transmission, and

distribution facilities; and support facilities. In addition, the Authority will need to upgrade, replace, and repair all SNWS facilities.

M. Given the considerations specified in Recital L, the Authority has determined that it should have two capital plans: (i) the Capital Improvements Plan, the primary focus of which will continue to be expansion of the SNWS to meet the demand specified in section 2.2.1, and which will terminate when facilities to meet that demand have been constructed and are operational, and (ii) a new capital plan, the Major Construction and Capital Plan, which will endure and govern the acquisition and construction of all other facilities and assets of a capital nature that are a part of, or used in connection with or for the benefit of, the SNWS.

N. The SNWS Purveyor Members are the only members of the Authority that receive water through the SNWS. The purpose of this agreement is to memorialize certain of the understandings and agreements of the Authority and the SNWS Purveyor Members respecting, among other matters, (i) acquisition, construction, replacement, improvement, and repair of facilities or other assets of a capital nature relating or incidental to the development, conveyance, and treatment of water by or for the Authority or its Members through the SNWS, (ii) operation of the SNWS, (iii) construction of dedicated facilities for the delivery of Raw Water to SNWS Purveyor Members, (iv) acquisition and allocation of SNWS Water Supplies, (v) delivery through the SNWS of water to which each of the SNWS Purveyor Members has a right, (vi) payment of the Authority's costs (including Finance Costs) respecting the SNWS, and (vii) application of Other SNWS Revenues. It is the intention and expectation of the parties, however, that issues and disputes among the parties, or any of them, respecting the SNWS generally will be resolved through the Authority and that the SNWS Purveyor Members shall have judicially

enforceable rights under this agreement only to the extent and in the manner provided in article 17.

O. This agreement constitutes the SNWS Operations Agreement referenced in article 24 of the Cooperative Agreement.

P. This agreement was originally made effective as of January 1, 1996. It was amended effective as of May 1, 1998, further amended effective January 1, 1999, and is being further amended effective June 20, 2002, to provide the Authority sufficient flexibility to adequately meet the evolving requirements of the SNWA Purveyor Members.

AGREEMENT

IN CONSIDERATION of the mutual promises, covenants, and agreements contained herein, the parties hereto agree as follows:

ARTICLE 1

EFFECTIVENESS

Section 1.1 This agreement originally became effective as of January 1, 1996, and this agreement as now amended shall be effective as of June 20, 2002, upon its execution by all parties and shall remain in full force and effect until terminated by a written agreement executed by all parties.

ARTICLE 2

CAPITAL PLANS

Section 2.1 Maintenance of Capital Plans.

Section 2.1.1 In General. The Authority shall maintain in effect and revise as provided in this article a Capital Improvements Plan and a Major Construction and Capital Plan (“MCCP”) which, when considered together, shall provide for the expansion and improvement of the SNWS and shall govern the acquisition or construction of all facilities (including related infrastructure) and other assets of a capital nature that are to be a part of, or used in connection with or for the benefit of, the SNWS, including SNWS Water Supplies.

Section 2.1.2 Boulder City. The CIP and the MCCP, taken together, shall not provide capacity for the delivery of Treated Water to Boulder City greater than that provided in the December 1995 CIP, namely 19.4 MGD, which is equivalent to the 30 CFS capacity as of January 1, 1996 of the Boulder City Lateral.

Section 2.2 Capital Improvements Plan (“CIP”).

Section 2.2.1 Capacity Related Facilities (Treated Water). The CIP shall provide for and govern the phased construction of diversion, treatment, conveyance, turnout, and related facilities, located and sized, and the construction of which is timed, to provide the SNWS with the operational capacity and flexibility to deliver water to meet the following aggregate demands for Treated Water:

- (1) 19.4 MGD by Boulder City, which is equivalent to the 30 CFS maximum capacity as of January 1, 1996 of the Boulder City lateral;

- (2) 3.9 MGD by the United States for Nellis Air Force Base, which is equivalent to the 6 CFS maximum delivery right under the Nellis AFB Contract; and
- (3) the First 900 MGD of Demand.

Section 2.2.2 Accommodation of Competing Objectives. Subject to the provisions of section 2.2.1, the diversion, treatment, conveyance, turnout, and related facilities for Treated Water provided for in the CIP shall be located and sized, and the construction of such facilities shall be timed, so as to achieve a balance among the following objectives:

- (1) Enable the Authority to maximize utilization of the SNWS operational capacity and flexibility for the benefit of all SNWS Purveyor Members;
- (2) Enable each SNWS Purveyor Member to maximize utilization of its delivery system for the benefit of its customers;
- (3) Minimize the necessity for construction of additional SNWS facilities so as to reduce the construction costs of the SNWS as a whole and to minimize the Authority's charges to all SNWS Purveyor Members; and
- (4) Minimize the necessity for construction of additions to SNWS Purveyor Member systems, or changes in such systems, for purposes of connecting to the SNWS.

Section 2.2.3 Other Facilities Covered by November 15, 2001 Amendment. The CIP shall continue to govern each of the following to the extent they are provided for in the November 15, 2001 Amendment to the CIP until transferred to and made a part of the MCCP by the Authority:

- (1) the construction of those facilities of a capital nature which section 2.2.1 does not obligate the Authority to construct, and

- (2) the acquisition of those SNWS Water Supplies that are reflected in the November 15, 2001 Amendment to the CIP.

Section 2.2.4 Additions to CIP; Termination. No facilities shall be added to the CIP except as may be necessary to comply with section 2.2.1. When all facilities provided for in the CIP, as it may be amended, have been constructed and are operational, the CIP shall terminate.

Section 2.3 Major Construction and Capital Plan.

Section 2.3.1 In General. Except to the extent such are provided for in the CIP, the MCCP shall provide for and govern (i) the acquisition of all SNWS Water Supplies, and (ii) the acquisition, construction, replacement, and improvement of all facilities (including related infrastructure) and other assets of a capital nature relating or incidental to (1) the development, conveyance, and treatment of water by or for the Authority, irrespective of whether such facilities are to be owned by the Authority, and (2) the Authority's performance of any other Conferred Function, as that term is used in the Cooperative Agreement, with respect to the SNWS Purveyor Members. Without limiting the generality of the preceding sentence, such facilities and assets may include wells and well fields; dams and diversion works; water storage facilities; water conveyance facilities; electric generation, transmission, and distribution facilities; facilities for the maintenance or improvement of water quality; laboratories, office, and other buildings; and long-term water, energy resource, and other supply contracts, payments under which properly should be treated as capital outlays.

Section 2.3.2 Water Quality Related Facilities. The MCCP shall provide for the acquisition and construction of all facilities, in addition to those specified in the CIP, that may

become necessary to enable the Authority, in its operation of the SNWS, to comply with all requirements of law pertaining to water quality. The MCCP may, but is not required to, provide for the acquisition and construction of other facilities for the maintenance or improvement of the quality of SNWS water supplies or of water which is a source of SNWS Water Supplies.

Section 2.3.3 Raw Water Facilities.

Section 2.3.3.1 Inclusion in MCCP. The MCCP shall provide for the acquisition and construction of any Raw Water Facilities which the Authority, after June 20, 2002 [the effective date of this amendment] determines pursuant to section 2.3.3.2 to construct. All Raw Water Facilities constructed by the Authority, whether prior to or after June 20, 2002, shall be owned by the Authority and shall be a part of the SNWS.

Section 2.3.3.2 Determination to Construct Raw Water Facilities. Any SNWS Purveyor Member desiring construction of Raw Water Facilities shall make a written request therefor to the Authority, the Authority being under no obligation to agree to such request. If, however, in response to such request the Authority determines to construct Raw Water Facilities for the SNWS Purveyor Member, the Authority shall revise the MCCP accordingly and the SNWS Purveyor Member and the Authority shall enter into a Raw Water Facilities Agreement pursuant to section 4.2.2.

Section 2.3.4 Candidate Facilities. The MCCP may, but is not required to, reflect facilities of a capital nature that are under consideration and are identified in the plan as candidates for construction by the Authority (“Candidate Facilities”). No Candidate Facility shall be constructed by the Authority until the MCCP is revised to include such facility as one to

be constructed. No Candidate Facility shall be considered for purposes of determining the Total Cost of the MCCP.

Section 2.3.5 General Information Respecting Specific Facilities. The MCCP shall include at least the following elements with respect to each asset to be acquired or facility to be constructed:

- (1) A general description of the asset or facility, including the size of any diversion, treatment, conveyance, turnout, and related facility;
- (2) A map showing the general location of the asset or facility;
- (3) The date the asset is to be acquired or schedule on which construction of each facility is to be started and completed;
- (4) The estimated cost of the asset or facility;
- (5) The estimated capital cost of the asset or facility and the anticipated revenue sources that will be used to pay the capital cost directly or any MCCP Debt issued to fund that cost; and
- (6) The Total Cost of the MCCP.

Any change in any of the foregoing elements shall constitute a revision to the MCCP.

Section 2.3.6 SNWS Water Supplies. The MCCP shall provide for the acquisition by the Authority of SNWS Water Supplies as needed to meet anticipated demand of the SNWS Purveyor Members.

Section 2.3.7 Capacity. The MCCP may, but shall not be required to, provide that any facility have a capacity greater than that required to meet the aggregate demand then

projected to be served by the facility in question if such greater capacity will reasonably provide greater flexibility and reliability in the SNWS.

Section 2.4 Review of and Revisions to CIP and MCCP.

Section 2.4.1 Plans Effective Until Revised. Each revision to the CIP and the MCCP shall remain in effect until revised as provided in this agreement.

Section 2.4.2 Revisions to Plans. The Authority shall review, and reaffirm or revise, the CIP and the MCCP at least annually (i) so that the plans, considered together, will continue to meet the requirements of this article, and (ii) otherwise as the Authority deems appropriate to serve the SNWS Purveyor Members and any Contract Users. In aid of such review, the Authority shall regularly consult with the SNWS Purveyor Members concerning, among other things, (i) the then-existing and projected demand of each SNWS Purveyor Member for deliveries of Treated Water by turnout, and (ii) any revisions proposed in writing by a SNWS Purveyor Member.

Section 2.4.3 Reduction in Capacity. The Authority may, but shall not be required to, reduce the capacity of any facility included in the CIP or the MCCP on account of subsequent decreases in the demand projected to be served by such facility.

ARTICLE 3

OPERATING PLAN

Section 3.1 Operating Plan Required. The Authority shall maintain in effect, and revise at least annually, the Operating Plan which shall govern operation of the SNWS and the delivery of water to SNWS Purveyor Members and Contract Users.

Section 3.2 Deliveries to SNWS Purveyor Members. Subject to the provisions of sections 3.5 and 3.6, the Operating Plan shall provide for the SNWS to be operated to the maximum extent possible to meet the requirements of each SNWS Purveyor Member (i) for water which has been allocated to the SNWS Purveyor Member by or pursuant to the Cooperative Agreement, (ii) for any water which has been allocated to the SNWS Purveyor Member pursuant to section 5.2 of this agreement, and (iii) for water to which the SNWS Purveyor Member has a right pursuant to an individual contract with the United States.

Section 3.3 Specifications Respecting Deliveries. The Operating Plan and each annual revision to the Operating Plan shall cover at least a three year period and shall specify at least the following with respect to the period covered by the Plan, distinguishing between Treated Water and Raw Water where appropriate:

- (1) Each turnout from the SNWS into the system of each SNWS Purveyor Member and Contract User;
- (2) Maximum daily rates at which water could be delivered at each turnout;
- (3) Delivery schedules showing the average daily rate by month at which water will be delivered at each turnout for the period covered by the Operating Plan;
- (4) Target hydraulic grade lines at each point of delivery;
- (5) Target chlorine concentrations at each point of delivery; and
- (6) Other matters pertinent to the operation of the SNWS.

Section 3.4 Accommodation of Competing Objectives. Subject to the requirements of sections 3.2. and 8.1, the points and rates of delivery specified in the Operating Plan for Treated

Water shall be chosen, and modified as appropriate, so as to achieve a balance among the following objectives:

- (1) Enable the Authority to maximize utilization of the SNWS operational capacity and flexibility for the benefit of all SNWS Purveyor Members;
- (2) Enable each SNWS Purveyor Member to maximize utilization of its delivery system for the benefit of its customers;
- (3) Minimize the operating costs of the SNWS;
- (4) Minimize the operating costs of each SNWS Purveyor Member;
- (5) Minimize the necessity for construction of additional SNWS facilities so as to reduce the construction costs of the SNWS as a whole and to minimize the Authority's charges to all SNWS Purveyor Members; and
- (6) Minimize the necessity for construction of additions to SNWS Purveyor Member systems, or changes in such systems, for purposes of connecting to the SNWS.

Section 3.5 Prioritization of Deliveries Due to Capacity Constraints.

Section 3.5.1 Priority Schedule. Whenever the aggregate SNWS Purveyor Member demand to be served from any particular treatment, conveyance, or turnout facility is greater than can be physically met by such facility, the SNWS will be operated to deliver water from such facility according to the following priorities:

- (1) The first priority is delivery for direct redelivery to customers, with deliveries for redelivery to customers whose demand requires potable water having priority for all purposes under this agreement over deliveries for redelivery to customers whose demand can be satisfied with non-potable water;

- (2) The second priority is delivery for ground water recharge where such recharge will be used or replaces ground water which has been used for redelivery to customers within that calendar year;
- (3) The third priority is delivery for ground water recharge where such recharge will not be used and does not replace ground water which has been used for redelivery to customers within that calendar year; and
- (4) The fourth priority is delivery of water temporarily allocated by the Authority to a SNWS Purveyor Member for ground water recharge or other uses.

Section 3.5.2 Lower Priority Deliveries. Deliveries with a lower priority shall be permitted only to the extent they do not affect deliveries with a higher priority.

Section 3.5.3 Allocation of Capacity within a Priority. Whenever the capacity of one or more treatment, conveyance, or turnout facilities is, for any reason, insufficient to allow all deliveries under a given priority to be achieved from those facilities, then the following actions shall be taken in the following order of priority:

- (1) First, the operations of the SNWS shall be modified to the maximum extent practicable to provide for the full delivery of such priority water through alternate SNWS facilities;
- (2) Second, each SNWS Purveyor Member shall modify to the maximum extent practicable operation of its delivery system and increase use of any water production and treatment systems that it owns or operates if such will allow the SNWS to increase deliveries of such priority water; and

- (3) Third, the capacity of the insufficient facilities shall be allocated by the Authority to the maximum extent practicable in such a manner so as to equitably apportion the available water and capacity among all SNWS Purveyor Members taking into account customer needs.

Section 3.5.4 Notice to Authority. Whenever the procedures of section 3.5.3 are in effect, each SNWS Purveyor Member shall notify the Authority whenever such Purveyor Member takes delivery of water under any priority other than the first priority.

Section 3.6 Apportionment of Reductions. Should deliveries of SNWS Water Supplies to the Authority or of Colorado River water or other water supplies to any SNWS Purveyor Member be suspended or reduced by the supplier thereof for any reason, the reduction to each SNWS Purveyor Member as a consequence shall be in accordance with a shortage sharing plan adopted by the SNWS Purveyor Members. In the absence of such a plan, SNWS Water Supplies shall be delivered by the Authority to SNWS Purveyor Members consistent with the following principles, which are consistent with the principles first adopted by the governing bodies of the Big Bend Water District, Henderson, North Las Vegas, and the District in May 1990 in their "Joint Resolution Establishing a Joint Position on Shared Reductions in Deliveries of Colorado River Water":

In times of such shortages or reductions, SNWS Water Supplies shall be delivered to the SNWS Purveyor Members as if, among themselves and the Big Bend Water District, all such entities shared a common priority, without regard to contrary provisions of the specific contracts pursuant to which the water is delivered.

Under the principle of a shared common priority, each such entity shall bear a

reduction in the delivery of SNWS Water Supplies appropriately taking into account the entity's then existing demand and the quantity of water then being used or reliably available to the entity from all sources. No such entity whose deliveries are reduced more than they otherwise would have been shall be entitled to compensation from any other such entity, the United States, or the Authority on account thereof.

Section 3.7 Revisions to Operating Plan.

Section 3.7.1 Operating Plan Effective Until Revised. Once adopted, the Operating Plan shall remain in effect until revised as provided in this agreement, and each revision of the Operating Plan similarly shall remain in effect until further revised.

Section 3.7.2 Annual Review of Operating Plan. The Operating Plan shall be reviewed and revised at least annually and more frequently if necessary so that it will conform to the requirements of sections 3.2, 3.3, and 3.4. During each such review, the Authority shall consider any revisions proposed in writing by a SNWS Purveyor Member.

ARTICLE 4

CONSTRUCTION AND FUNDING OF FACILITIES

Section 4.1 Requirement to Construct and Fund. The Authority shall use, and continue to use, every reasonable effort to (i) construct all facilities provided for in, and in accordance with, the CIP then in effect, (ii) acquire or construct all facilities and other assets, including SNWS Water Supplies, provided for in, and in accordance with, the MCCP then in effect, (iii) issue New Expansion Debt in amounts and at frequencies necessary to fund the construction of facilities in accordance with the CIP then in effect to the extent such construction

is not funded from other sources, and (iv) issue M CCP Debt in amounts and at frequencies necessary to fund the acquisition and construction of facilities and other assets of a capital nature in accordance with the M CCP then in effect to the extent such construction or acquisition is not funded from other sources.

Section 4.2 Raw Water Facilities.

Section 4.2.1 Raw Water Facility Funding. Any SNWS Purveyor Member for which Raw Water Facilities are to be constructed by the Authority shall be responsible for the following: (i) the Capital Cost of the Raw Water Facilities to be constructed for it, (ii) a proportionate share of the Capital Cost of any other SNWS facilities that will be utilized in the delivery of Raw Water to such SNWS Purveyor Member, and (iii) the Capital Costs incurred by the Authority relating to the acquisition of any SNWS Water Supplies delivered, or to be delivered, as Raw Water to such SNWS Purveyor Member. The Authority may, but shall not be required to, finance any or all of such Capital Costs using any funds available to it for such purpose, including the proceeds of Authority Debt, except to the extent such use is otherwise prohibited by this agreement or is specifically prohibited by a bond instrument, statute, or other legal requirement applicable to such funds.

Section 4.2.2 Raw Water Facilities Agreement. The Authority and any SNWS Purveyor Member for which Raw Water Facilities are to be constructed by the Authority shall enter into a separate Raw Water Facilities Agreement which shall, among other things, (i) specify the facilities that are to be constructed by the Authority, (ii) specify the water supply that will be delivered through the Raw Water Facilities, (iii) specify the extent to which the Authority's costs described in section 4.2.1 will be financed initially by the Authority and the extent to which such

costs will be funded directly by the SNWS Purveyor Member, (iv) specify the terms and conditions for payments by the SNWS Purveyor Member of those costs to be funded directly by it, and (v) obligate the SNWS Purveyor Member to pay a Raw Water Facilities Charge with respect to any section 4.2.1 costs of the Authority initially funded by the Authority.

Section 4.2.3 Charges Relating to Raw Water. Each SNWS Purveyor Member for which Raw Water Facilities are to be constructed by the Authority shall pay a Raw Water Facilities Charge pursuant to section 7.3 for all section 4.2.1 costs of the Authority not directly funded by such SNWS Purveyor Member. Each SNWS Purveyor Member to which the Authority delivers Raw Water shall pay the Raw Water component of the Wholesale Delivery Charge pursuant to section 7.5.1.

ARTICLE 5

ACQUISITION OF SNWS WATER SUPPLIES

Section 5.1 Acquisition of Water Supplies for SNWS Purveyor Members. If and for so long as all Purveyor Member(s) that are not SNWS Purveyor Members have elected by agreement with the Authority not to participate in, and for the period of such election to be ineligible for allocation of, Water Rights and Water Supplies acquired by the Authority, then as provided in article 24 of the Cooperative Agreement, any Water Supply or Water Right, or any interest therein, may be acquired by the Authority pursuant to this agreement and allocated as provided in this article 5. Water Supplies and Water Rights, or any interest therein, so acquired are herein called "SNWS Water Supplies."

Section 5.2 Allocation of SNWS Water Supplies.

Section 5.2.1 Allocation among SNWS Purveyor Members. All SNWS Water Supplies to which the Authority obtains a right shall be allocated among the SNWS Purveyor Members according to the principles stated in article 8 (g) of the Cooperative Agreement.

Section 5.2.2 Water reserved from Allocation. To the extent SNWS Water Supplies acquired by the Authority are subject to the reservation requirements of subarticle 8 (e) of the Cooperative Agreement, such SNWS Water Supplies shall be reserved and allocated as provided in the Cooperative Agreement and not as provided in this agreement, except that any Purveyor Member that is not a SNWS Purveyor Member shall not be entitled to participate in any such allocation. Any SNWS Water Supplies which have been allocated by or pursuant to subarticle 8 (e) of the Cooperative Agreement to a SNWS Purveyor Member, but which will not be used by such SNWS Purveyor Member in a given year, shall be made available in such year to any other SNWS Purveyor Member requesting such SNWS Water Supplies.

Section 5.3 Participation by Boulder City.

Section 5.3.1 Initial Election Not to Participate. Boulder City has elected, as of May 1, 1998, not to participate in any Water Supplies or Water Rights thereafter acquired by the Authority and, for the period of such election, to be ineligible for allocation under the Cooperative Agreement of any portion thereof. As a consequence of this election, Boulder City shall have no right to, no interest in, and no obligation respecting any such Water Supply or Water Right, including a SNWS Water Supply, until Boulder City rescinds this election pursuant to section 5.3.2.

Section 5.3.2 Rescission of Election.

Section 5.3.2.1 Notice of Rescission; Future Water Supplies. Boulder City may rescind the election referenced in section 5.3.1 by giving notice of such rescission to the Authority and to all other SNWS Purveyor Members. Upon giving such notice Boulder City shall again be eligible to participate in, and be eligible for allocation of, all Water Rights and Water Supplies (including SNWS Water Supplies) thereafter acquired by the Authority.

Section 5.3.2.2 Previously Acquired SNWS Water Supplies. Upon a notice of rescission given pursuant to section 5.3.2.1, Boulder City shall also be eligible for allocation of any Water Rights and Water Supplies (including any SNWS Water Supplies) acquired by the Authority prior to such notice to the extent such have not been allocated to other Purveyor Members and subject to Boulder City's obligation to reimburse the other Purveyor Members for an appropriate share of their payments to the Authority (including Connection Charges and Commodity Charges) allocable to the acquisition of such Water Rights and Water Supplies. Within 90 days of the notice of rescission, Boulder City and the Authority shall meet to jointly determine the amount of such reimbursement, which determination shall be incorporated into a separate agreement between Boulder City and the Authority. Boulder City shall become eligible for an allocation of such Water Rights and Water Supplies effective upon approval of the separate agreement by the governing boards of Boulder City and the Authority.

Section 5.4 Reversion of SNWS Water Supplies to the Cooperative Agreement. If a Purveyor Member that is not a SNWS Purveyor Member rescinds an election made by agreement with the Authority not to participate in new Water Rights and Water Supplies acquired by the Authority, any SNWS Water Supplies that have not been allocated to a SNWS Purveyor Member

as of the date such notice of rescission is given shall no longer be considered SNWS Water Supplies and shall be subject to allocation pursuant to the Cooperative Agreement.

ARTICLE 6

DELIVERY AND TREATMENT OF WATER

Section 6.1 Delivery Requirement. The Authority shall operate the SNWS and deliver water to each SNWS Purveyor Member in accordance with the Operating Plan then in effect.

Section 6.2 Applicable Law; Contract. This agreement and all rights of the SNWS Purveyor Members to the delivery of water hereunder are subject to all provisions of (i) applicable federal and State law, including federal reclamation law, (ii) the Contract for the Delivery of Water and Repayment of Project Works, originally entered into as of August 25, 1967, and most recently amended as of March 2, 1992, between the United States and the State acting through the Commission (Contract No. 7-07-30-W0004, Amendment No. 1) as it may be amended, and (iii) Contract No. 7-07-W0004, Assignment No. 1, the assignment by the Commission of the foregoing contract to the Authority.

Section 6.3 Approval by Secretary of the Interior. The provisions of sections 6.1 and 6.2 became effective on January 1, 1996 by virtue of the written approval thereto given by the Secretary of the Interior on December 29, 1995.

Section 6.4 Water Quality. The Authority shall treat all Raw Water and all Treated Water delivered hereunder to the SNWS Purveyor Members to at least the extent required by applicable law.

ARTICLE 7

CHARGES AND PAYMENTS

Section 7.1 In General. The Authority shall establish, revise as necessary, and use every reasonable effort to collect the charges provided for in this article. Such charges, in the aggregate, shall have the purpose of funding and shall be set at levels sufficient to fund (i) reserves authorized or required by this agreement or required by any bond or other debt instrument for which the Authority is responsible, directly or indirectly, relating to the SNWS, and (ii) the payment when due of all costs, expenses, Capital Costs not otherwise funded, and liabilities, including Finance Costs, of the Authority relating to the SNWS and to the acquisition of SNWS Water Supplies as provided in this agreement.

Section 7.2 Connection Charge; Commodity Charge.

Section 7.2.1 Establishment of Charges. There shall be (i) a charge for each new connection within the service areas of Henderson, North Las Vegas, and the District ("Connection Charge"), and (ii) a charge for each 1,000 gallons of potable water, from any source whatever, delivered and metered by Henderson, North Las Vegas, and the District to their customers ("Commodity Charge").

Section 7.2.2 Purpose of Charges. The Connection Charge, the Commodity Charge, the payments due from Boulder City under section 7.4, any Raw Water Facilities Charges, and any Other SNWS Revenues that have been allocated for the purposes of this section 7.2.2, taken together shall have the purpose of providing funds for:

- (1) Payment when due of Finance Costs on New Expansion Debt and MCCP Debt to the extent provided in the MCCP;

- (2) Payment of the Capital Cost of facilities identified on the CIP and the Capital Cost of assets and facilities (other than Candidate Facilities) identified on the MCCP to the extent provided in the MCCP, to the extent such assets and facilities are not funded by New Expansion Debt or MCCP Debt;
- (3) Payment of the Capital Cost of Raw Water Facilities identified on the CIP and the MCCP to the extent provided in the MCCP, to the extent such are not funded by New Expansion Debt or MCCP Debt or funded by the SNWS Purveyor Member for which they are constructed pursuant to a Raw Water Facilities Agreement; and
- (4) Maintenance of any the New Expansion Debt Reserve Fund and the MCCP Debt Reserve Fund at the levels specified in sections 11.2 and 11.3 respectively.

The Connection Charge and the Commodity Charge shall have the additional purpose of providing funds for payment of Capital Costs related to the acquisition of SNWS Water Supplies.

Section 7.2.3 Level of Charges. The Authority shall set the Connection Charge, the Commodity Charge, and the Raw Water Facilities Charge at levels at least sufficient to ensure that the Authority will at all times have available for the purposes specified in section 7.2.2 sufficient funds derived from the sources identified in that section. In setting the Connection Charge and the Commodity Charge, the Authority shall consider and appropriately take into account, among any other factors the Authority considers relevant, (i) shortfalls and surpluses in revenues derived from the Connection Charge and Commodity Charge in the prior fiscal year, (ii) existing New Expansion Debt and Debt Service thereon, (iii) existing MCCP Debt and Debt Service thereon to the extent provided in the MCCP, (iv) the factors specified in section 7.2.4, and (v) the then-most current projections of:

- (1) Planned New Expansion Debt and Finance Costs thereon;
- (2) Planed MCCC Debt and Finance Costs thereon;
- (3) The capital required to improve or expand SNWS facilities related to Treated Water which are not funded by New Expansion Debt;
- (4) New Treated Water connections within SNWS Purveyor Member service areas;
- (5) Future deliveries of Treated Water by SNWS Purveyor Members to customers;
- (6) Capital improvements required to meet existing and anticipated water quality standards or to provide enhanced water treatment;
- (7) The capital required to acquire SNWS Water Supplies;
- (8) The capital required for any other purposes specified in section 7.2.2; and
- (9) Any Other SNWS Revenues projected to be available to the Authority for the purpose of paying Finance Costs on New Expansion Debt, funding facilities to improve or expand the SNWS, and acquiring SNWS Water Supplies.

Section 7.2.4 Consideration of Benefit Conferred. With respect to assets and facilities provided for in the CIP and in the MCCC that relate to expansion of the capacity of the SNWS, in establishing the Connection Charge and the Commodity Charge, the Authority shall also consider, and appropriately take into account, the following factors: (i) the New Service Benefit and the Reliability Benefit of those facilities and assets the capital cost of which is to be paid (either directly or through payment of Debt Service on New Expansion Debt or MCCC Debt) by the revenues resulting from such charges, (ii) projected Raw Water Facilities Charges, payments due from Boulder City under section 7.4, and Other SNWS Revenues available for the purposes specified in section 7.2.2, and (iii) the general principle that, as between themselves,

Connection Charges relate to capital costs of additional capacity, including Finance Costs, attributable to the New Service Benefit and Commodity Charges relate to capital costs, including Finance Costs, attributable to the Reliability Benefit.

Section 7.2.5 Service Equivalency for Connection Charge. The Connection Charge shall be separately determined for connections of different types and shall be set on such basis as will, in the Authority's judgment, equitably apportion such charges among all connections.

Section 7.2.6 Assessments for Revenue Deficiencies. The Authority shall equitably make assessments to Henderson, North Las Vegas, and the District for payment of Finance Costs on New Expansion Debt and Finance Costs on MCCP Debt whenever revenues from the following (to the extent authorized to be used to pay those Finance Costs) are insufficient for such purpose: (i) Connection Charges, (ii) Commodity Charges, (iii) Wholesale Delivery Charges, (iv) any Raw Water Facilities Charges, (v) payments due from Boulder City under section 7.4, (vi) any Other SNWS Revenues allocated for the purposes specified in section 7.2.2, (vii) funds in the New Expansion Debt Reserve Fund to the extent such funds are not required to be maintained at a specified level by any debt instrument, and (viii) funds in the MCCP Debt Reserve Fund to the extent such funds are not required to be maintained at a specified level by any debt instrument.

Section 7.3 Raw Water Facilities Charge.

Section 7.3.1 Establishment of Charge. For each SNWS Purveyor Member for which Raw Water Facilities are to be constructed, there shall be an annual Raw Water Facilities

Charge with respect to all section 4.2.1 costs of the Authority not directly funded by such SNWS Purveyor Member.

Section 7.3.2 Purpose of Raw Water Facilities Charge. The Raw Water Facilities Charge for a SNWS Purveyor Member shall have the purpose of providing, and shall be set at levels sufficient to provide, funds for:

- (1) Payment when due of Finance Costs on New Expansion Debt and MCCP Debt allocable to the Raw Water Facilities constructed or to be constructed for such SNWS Purveyor Member;
- (2) Payment of any part of the Capital Cost of Raw Water Facilities constructed or to be constructed for such SNWS Purveyor Member which is not funded by New Expansion Debt, MCCP Debt, or directly by such SNWS Purveyor Member;
- (3) With respect to any other SNWS facilities that will be utilized in the delivery of Raw Water to such SNWS Purveyor Member, payment of a proportionate share of
 - (i) when due, the Finance Costs on New Expansion Debt and MCCP Debt, and
 - (ii) that part of the Capital Cost which is not funded by New Expansion Debt, MCCP Debt, or directly by such SNWS Purveyor Member;
- (4) Providing funds for payment of Capital Costs related to the acquisition of SNWS Water Supplies delivered, or to be delivered, to such SNWS Purveyor Member as Raw Water; and
- (5) Maintenance of that portion of the New Expansion Debt Reserve Fund and any MCCP Debt Reserve Fund that is allocable to the Raw Water Facilities

constructed or to be constructed for such SNWS Purveyor Member in order to maintain the fund at the levels required under section 11.2.

Section 7.4 Separate Charge for Boulder City. Each fiscal year Boulder City shall pay 3.24 percent of (i) the Authority's Finance Costs for that fiscal year on that portion of total New Expansion Debt and MCCP Debt which is attributable to the following, and (ii) the Authority's Capital Costs for that fiscal year which are not funded by New Expansion Debt or MCCP Debt and which are attributable to the following:

- (1) the improvement or expansion of those facilities, existing on January 1, 1996, from and including the Lake Mead diversion intake to and including the clear well of the Alfred Merritt Smith Water Treatment Facility; and
- (2) any other improvements to or expansion of the SNWS that benefits Boulder City, including power delivery facilities and facilities for ozone and other enhanced treatment of water.

In addition, each fiscal year Boulder City shall also pay that portion of the total amount to be contributed by all SNWS Purveyor Members to the New Expansion Debt Reserve Fund and any MCCP Debt Reserve Funds which is proportionate to Boulder City's responsibility for Finance Costs and Capital Costs under this section 7.4.

Section 7.5 Wholesale Delivery Charge.

Section 7.5.1 Purpose and Level of Charge. There shall be a delivery charge which shall be paid by each SNWS Purveyor Member for each unit of water delivered to it by the Authority ("Wholesale Delivery Charge"). The Wholesale Delivery Charge shall have separate components for Treated Water and for Raw Water. The Wholesale Delivery Charge shall be for

the purpose of providing, and shall be set at levels to ensure that the Authority at all times will have available sufficient funds to pay, for the following:

- (1) Operation, maintenance, and replacement costs of facilities and other assets of a capital nature that are to be a part of, or used in connection with or for the benefit of the SNWS, including water delivery and other charges relating to the delivery of SNWS Water Supplies;
- (2) Capital Costs to the extent provided in the MCCP;
- (3) The Authority's administrative expense relating to the SNWS;
- (4) An appropriate part of the Authority's contribution to the Commission's water administrative and operating budget;
- (5) Maintenance of the O&M Reserve Fund at required levels;
- (6) Debt Service on Original SNWS Bond Indebtedness;
- (7) Finance Costs of any MCCP Debt to the extent provided in the MCCP Debt and maintenance of the MCCP Debt Reserve Fund;
- (8) Any other Capital Cost, expenditure, or liability of the Authority with respect to the SNWS, including liabilities of the Commission assumed by the Authority pursuant to the Transfer Act, other than New Expansion Debt; and
- (9) General administrative expense of the Authority whether or not related to the SNWS.

Section 7.5.2 Considerations in Setting Charge. In setting the Wholesale Delivery Charge, the Authority shall consider and appropriately take into account, among any other factors the Authority considers relevant, (i) differences between Treated Water and Raw

Water with respect to the cost and expense elements listed in section 7.5.1, (ii) surpluses and shortfalls in revenue derived from the Wholesale Delivery Charge in the prior fiscal year, and (iii) then most current projections of:

- (1) Future deliveries by the Authority of Treated Water and Raw Water to SNWS Purveyor Members; and
- (2) Any revenues available to the Authority for payment of the items set forth in section 7.5.1 from sources other than charges under this agreement.

Section 7.6 Allocation of Other SNWS Revenues. The Authority may, but except to the extent specified by law shall not be required to, allocate Other SNWS Revenues between section 7.2.2 purposes generally and section 7.5.1 purposes generally and may, but shall not be required to, sub-allocate such Other SNWS Revenues among the various purposes specified in such sections. All such allocations shall be made on such basis as the Authority determines appropriate.

Section 7.7 Procedure to Establish Charges. The Authority shall periodically review and make a five-year projection for the Connection Charge, the Commodity Charge, each Raw Water Facilities Charge, and the Wholesale Delivery Charge. Upon each review, the Authority shall affirm or revise the rates for each such charge. To the maximum extent practicable, the rates for the Connection Charge, the Commodity Charge, and each component of the Wholesale Delivery Charge shall be set at constant levels for such periods as the Authority may determine from time to time. Notwithstanding the foregoing, the Authority shall review and readjust the rates for such charges whenever shortfalls in collections of Connection Charges, Commodity Charges, Raw Water Facilities Charges, payments from Boulder City under section 7.4, or

Wholesale Delivery Charges have caused or are reasonably expected to cause the reserves available under article 11 to cover such shortfalls to be unduly depleted.

Section 7.8 Uniform Application. The Connection Charge and the Commodity Charge shall be applied uniformly to Henderson, North Las Vegas, and the District; the Treated Water component of the Wholesale Delivery Charge shall be applied uniformly to all SNWS Purveyor Members; and the Raw Water component of the Wholesale Delivery Charge shall be applied uniformly to all SNWS Purveyor Members receiving delivery of Raw Water.

Section 7.9 Delinquencies by SNWS Purveyor Members.

Section 7.9.1 Step-Up Charge. If (i) any SNWS Purveyor Member is delinquent for more than 60 days in making payment to the Authority of any amount due as Connection Charge, Commodity Charge, Raw Water Facilities Charge, or Wholesale Delivery Charge, or Boulder City is delinquent for more than 60 days in making payment to the Authority of any amount due pursuant to section 7.4, and (ii) the Authority has determined that, as a result of such delinquency, either default in the payment of any Finance Costs will occur within the next 90 days or reserve funds required to be maintained under any debt instrument will be depleted below the required level within the next 90 days, then the Authority shall have the right, but not the obligation, to immediately require the payment of such delinquency by the other SNWS Purveyor Members. Such delinquency shall be apportioned proportionate to the liability of such SNWS Purveyor Members for such charge during the preceding month. In no event, however, shall the delinquency apportioned to a SNWS Purveyor Member with respect to any of the Connection Charge, Commodity Charge, Raw Water Facilities Charge, or Wholesale Delivery Charge for any period of delinquency be greater in amount than 100 percent of the amount of such charge the

SNWS Purveyor Member is otherwise required to pay with respect to such period. The Authority shall send a statement to each SNWS Purveyor Member to which the delinquency is apportioned immediately upon exercising its rights pursuant to this section 7.9.1, and each such SNWS Purveyor Member shall pay the amount of any delinquency apportioned to it within 45 days after the date on which, pursuant to article 24, the SNWS Purveyor Member is deemed to have received the statement. The Authority may continue to apportion delinquencies to SNWS Purveyor Members pursuant to this section 7.9.1 for so long as a delinquency by a SNWS Purveyor Member of more than 60 days continues to exist. Any SNWS Purveyor Member making a payment pursuant to this section 7.9.1 shall, to such extent, be subrogated to all rights of the Authority, and shall have a direct right of reimbursement, against the delinquent SNWS Purveyor Member.

Section 7.9.2 Refund of Step-Up Payments. Any payment of delinquencies by SNWS Purveyor Members pursuant to section 7.9.1 shall be refunded proportionately to the SNWS Purveyor Members at the time, and to the extent, the delinquent SNWS Purveyor Member pays all or a portion of its delinquency attributable to such payments, and an appropriate share of any interest paid by the delinquent SNWS Purveyor Member and credited pursuant to section 7.9.7 similarly shall be paid to the SNWS Purveyor Member.

Section 7.9.3 Loss of Voting Rights. If a SNWS Purveyor Member is delinquent for more than 60 days in making payment to the Authority of any amount due under this agreement, during the period of such delinquency (i) the director appointed by such SNWS Purveyor Member shall not be entitled to vote on any matter coming before the Authority Board, (ii) the governing board of the SNWS Purveyor Member shall have no right of approval pursuant

to the provisions of section 15.2, and (iii) whether approval has been given for any matter requiring the affirmative vote of the director appointed by each SNWS Purveyor Member pursuant to sections 15.3.1 and 15.4 or the affirmative vote of the director appointed by each of Henderson, North Las Vegas, and the District pursuant to section 15.3.2 shall be determined without reference to such delinquent SNWS Purveyor Member.

Section 7.9.4 Withholding of Water Deliveries. The Authority may, but shall not be required to, withhold in whole or in part delivery of water to any SNWS Purveyor Member that is delinquent in the payment of any charges or other amounts payable to the Authority under this agreement for more than 90 days after such payment was due.

Section 7.9.5 Late Charges. The Authority shall have the right to establish late charges to be paid by any SNWS Purveyor Member which is delinquent by more than 60 days in any charge or other payment due under this agreement.

Section 7.9.6 Automatic Assignment of Connection Charges. If any of Henderson, North Las Vegas, or the District is delinquent for more than 60 days in making payment to the Authority of any Connection Charges due under this agreement, such delinquent SNWS Purveyor Member, without any further notice or demand by the Authority, hereby assigns and transfers to the Authority all connection fees and charges, tap fees, and similar fees and charges (the "Assigned Fees"), if any, payable to the delinquent SNWS Purveyor Member by each customer whose connection gives rise to a Connection Charge under this agreement, together with the right, power, and authority to collect all such Assigned Fees directly from such customer. The Authority shall be entitled to retain all such Assigned Fees and shall credit them, in the order specified in section 7.9.7, to the delinquent Connection Charge, any late charge

assessed pursuant to section 7.9.5, interest due on the delinquent Connection Charge, and all of the costs and expenses incurred by the Authority in collecting the Assigned Fees. In the event collections of Assigned Fees are insufficient to pay such amounts, the delinquent SNWS Purveyor Member shall remain obligated to pay such unpaid amounts to the Authority. Any assignment of Assigned Fees shall cease to have effect only if and when collection of Assigned Fees are sufficient to pay such amounts in full or the delinquent SNWS Purveyor Member otherwise pays such amounts in full. The assignment of the Assigned Fees in itself shall not cure or waive any default by the delinquent SNWS Purveyor Member with respect to such Connection Charges.

Section 7.9.7 Crediting of Payments. Payments by any SNWS Purveyor Member which is delinquent in any charge or other payment due under this agreement shall be credited (i) first to interest and late charges then owing, (ii) second to the charges and other payments then due and owing as to which the Authority has not received payments from other SNWS Purveyor Members pursuant to section 7.9.1, applying such payments first to the most recent amounts then due and owing, and (iii) third to the charges and other payments then due and owing as to which, pursuant to section 7.9.1, other SNWS Purveyor Members have made payments and as to which such SNWS Purveyor Members are entitled to a refund pursuant to section 7.9.2, applying such payments first to the most recent amounts than due and owing.

Section 7.10 Billing and Payment.

Section 7.10.1 Connection and Commodity Charges. Henderson, North Las Vegas, and the District each shall pay to the Authority (i) the Connection Charge then in effect for all new connections made within its service area during each month, and (ii) the Commodity

Charge then in effect for all metered deliveries of potable water to customers from any source whatever. Such payment shall be due by the first day of the second month after such connections and deliveries were made and shall be accompanied by a statement from the SNWS Purveyor Member reflecting the number and size of such connections and the amount of such deliveries made by the SNWS Purveyor during the month to which the statement relates. By way of example, payment is due on March 1 for all connections and deliveries made during the preceding January. For purposes of this section 7.10.1, a connection shall be deemed to have been made at the earlier of (i) the date on which payment of a fee or similar charge with respect to the connection is due from the customer pursuant to the SNWS Purveyor Member's service rules, or (ii) the date on which water is first delivered to the connection by the SNWS Purveyor Member.

Section 7.10.2 Wholesale Delivery Charge. Once each month the Authority shall determine the amount of Treated Water and Raw Water delivered through the SNWS to each SNWS Purveyor Member for the preceding one month period. Within 20 days after such determination, the Authority shall send a statement to each SNWS Purveyor Member for the Wholesale Delivery Charge due to the Authority with respect to such deliveries. Payment shall be due from each SNWS Purveyor Member within 30 days after the date the SNWS Purveyor Member is deemed pursuant to article 24 to have received the statement.

Section 7.10.3 Raw Water Facilities Charge. Within 30 days prior to the beginning of each fiscal year, the Authority shall send to each SNWS Purveyor Member to which a Raw Water Facilities Charge is applicable a statement for the Raw Water Facilities Charge due from that SNWS Purveyor Member for that fiscal year, the payments to be made monthly or

quarterly as specified on the statement. Payment shall be due from the SNWS Purveyor Member as specified on the statement. The Authority shall promptly revise the statement to take into account any changes during the fiscal year in (i) the Authority's Finance Costs on New Expansion Debt, (ii) Capital Costs of the Authority as to which the SNWS Purveyor Member has a responsibility pursuant to section 4.2.1, and (iii) contributions to the New Expansion Debt Reserve Fund.

Section 7.10.4 Boulder City. Within 30 days prior to the beginning of each fiscal year, the Authority shall send to Boulder City a statement for the amounts due from Boulder City pursuant to section 7.4 for that fiscal year, the payments to be made monthly or quarterly as specified on the statement. Payment shall be due from Boulder City as specified on the statement. The Authority shall promptly revise the statement to take into account any changes during the fiscal year in (i) the Authority's Finance Costs on New Expansion Debt, (ii) Capital Costs of the Authority as to which Boulder City has a responsibility pursuant to section 7.4, and (iii) contributions to the New Expansion Debt Reserve Fund.

Section 7.10.5 Assessments. Whenever the Authority makes an assessment to Henderson, North Las Vegas, and the District pursuant to section 7.2.6, the Authority immediately shall send a statement for the assessment to each such SNWS Purveyor Member. Payment shall be due from the SNWS Purveyor Member within 45 days after the date on which the SNWS Purveyor Member is deemed, pursuant to article 24, to have received the statement.

Section 7.10.6 Late Charges; Interest. Each month the Authority shall send a statement to delinquent SNWS Purveyor Members for late charges which have been assessed pursuant to section 7.9.5 and interest owed with respect to delinquent charges and other

payments due under this agreement. Payment shall be due from the SNWS Purveyor Member within 45 days after the date on which the SNWS Purveyor Member is deemed, pursuant to article 24, to have received the statement.

Section 7.10.7 Place of Payment. SNWS Purveyor Members shall transmit their payments under this agreement to such banks and such accounts, and by such means, as specified in a notice given by the Treasurer of the Authority.

Section 7.10.8 Interest. All delinquent payments shall bear interest from the date the payment was due at the prime rate most recently published in the Western Edition of the Wall Street Journal plus 2 two percent per annum.

Section 7.11 Investment of Funds. The Authority may invest all monies received pursuant to this article.

Section 7.12 Interaccount Loans. Any moneys collected hereunder including, without limitation, Connection Charges, Commodity Charges, Wholesale Delivery Charges, Raw Water Facility Charges, and Other SNWS Revenues (each a "Collected Charge") may be temporarily loaned for use on a purpose on which SNWA is authorized to expend moneys hereunder (a "Loan Purpose") other than the purpose for which the particular Collected Charge was collected. No such loan (an "Interaccount Loan") shall be made unless the Interaccount Loan has been approved by the Board. Any Interaccount Loan must be repaid within 10 years after the date it is made. The repayment must also include interest in such an amount as the Board or the chief financial officer of SNWA determines is sufficient to make whole the account from which the Interaccount Loan was made. In order to make repayment, the Board shall set and collect

sufficient charges of a type that can be expended on the Loan Purpose to repay the Interaccount Loan and interest within such 10 year period.

ARTICLE 8

OBLIGATIONS OF SNWS PURVEYOR MEMBERS

Section 8.1 Operation of SNWS Purveyor Member Systems. Subject to the provisions of section 18.1, each SNWS Purveyor Member shall use every reasonable effort to maintain and operate to the fullest extent its delivery system and any water production and treatment systems that it owns or operates so as to (i) allow the SNWS to deliver the maximum amount of water to all SNWS Purveyor Members in a manner that provides optimum benefit to each SNWS Purveyor Member, and (ii) avoid the necessity for the Authority to construct additions to the SNWS.

Section 8.2 Payment of Charges; Obligation Absolute. Each SNWS Purveyor Member shall pay when due all charges and other amounts provided for in this agreement. The obligation of each SNWS Purveyor Member to make such payments is absolute and unconditional. No SNWS Purveyor Member is entitled to any right of set-off of any amounts due under this agreement against any other obligations, to delay making any payments due under this agreement for any reason, or to withhold any payment to the Authority under this agreement on account of any breach or alleged breach of this or any other agreement by the Authority or any other SNWS Purveyor Member or for any other reason whatever.

Section 8.3 SNWS Purveyor Member Rates. The Connection Charge, Commodity Charge, Raw Water Facilities Charge, Wholesale Delivery Charge, and payment to be made by Boulder City pursuant to section 7.4 are charges by the Authority to be paid by the SNWS

Purveyor Member to which they apply. Each SNWS Purveyor Member shall be solely responsible for setting rates and charges to its customers. Subject to section 8.5, nothing in this agreement shall be construed as governing or affecting how any Purveyor Member sets such rates and charges.

Section 8.4 Special Obligation. The obligation of each of the SNWS Purveyor Members to make payments under this agreement shall be a special obligation of that SNWS Purveyor Member, payable from and secured by a lien on (i) the gross revenues of the water system of that SNWS Purveyor Member, which for purposes of this agreement shall be deemed to include connection fees and charges, tap fees, flat fees, metered charges, and all other fees and charges made for services, water, or other commodities furnished by or through the SNWS Purveyor Member's water system; and (ii) revenues from other sources that are legally available and specifically designated and authorized to be used for such purpose.

Section 8.5 Source of Payments. Each SNWS Purveyor Member shall maintain sufficient gross revenues from its water system, or from a combination of its water system and other legally available sources that are specifically designated or authorized to be used for such purpose, such that there will be available in each fiscal year from such sources adequate monies to make all payments to be paid from such sources, including all payments due under this agreement.

Section 8.6 Payments as Operating Expenses. Each SNWS Purveyor Member represents and covenants that all payments to be made by it under this agreement shall constitute operating expenses of its water system and that all such payments shall constitute operating expenses under any and all bond issues of the SNWS Purveyor Member payable from pledged

revenues derived from the operation of its water system, with the effect that each SNWS Purveyor Member's obligation to make payments under this agreement from its gross revenues described in section 8.4(i) has priority over its obligation to make payments of the principal of and interest on any and all of such outstanding bonds.

ARTICLE 9

CONTRACT USERS

Section 9.1 Contract Users. The Authority shall have the right to enter into or renew a contract, on such terms as it shall deem reasonable, with any person other than the SNWS Purveyor Members ("Contract User"), including the United States on behalf of Nellis Air Force Base, for the delivery through the SNWS of (i) water to which the Authority has a right under a contract with the United States or otherwise, or (ii) water to which the Contract User has a right under a contract with the United States.

ARTICLE 10

DISPOSITION OF REVENUES

Section 10.1 Compliance with Law. All revenues received by the Authority, pursuant to this agreement and otherwise, shall be applied as required by the applicable provisions of the Transfer Act.

ARTICLE 11

RESERVE FUNDS

Section 11.1 In General. To the extent required by debt instruments for Authority Debt, the Authority shall, and otherwise the Authority may, establish and maintain in connection with the SNWS the reserve funds specified in this article and such other reserve funds as the Authority

may deem appropriate. In the event monies in any reserve fund exceed the levels specified in this article, the Authority shall retain the excess monies in such reserve fund and consider such excess when subsequently adjusting the Connection Charge, Commodity Charge, or Wholesale Delivery Charge, as applicable.

Section 11.2 New Expansion Debt Reserve Fund. One or more New Expansion Debt Reserve Funds shall be for the purpose of providing, and in amounts reasonably necessary to provide, sufficient funds (i) for the payment of Finance Costs on existing and planned New Expansion Debt to the extent revenues from Connection Charges, Commodity Charges, any Raw Water Facilities Charges, payments from Boulder City under section 7.4, and any Other SNWS Revenues allocated for the purposes specified in section 7.2.2 are insufficient for such purpose, (ii) for the purpose of maintaining, to the extent practicable, the Connection Charge and Commodity Charge at a constant level for such periods as the Authority may determine from time to time, and (iii) for such other purposes related to New Expansion Debt as the Authority determines appropriate (collectively, "New Expansion Debt Reserve Fund"). In no event shall the level of the New Expansion Debt Reserve Fund be less than required to satisfy reserve requirements under the debt instruments for New Expansion Debt.

Section 11.3 MCCP Debt Reserve Fund. One or more MCCP Debt Reserve Funds shall be for the purpose of providing, and in amounts reasonably necessary to provide, sufficient funds (i) for the payment of Finance Costs on existing and planned MCCP Debt to the extent revenues from Connection Charges, Commodity Charges, Wholesale Delivery Charges, any Raw Water Facilities Charges, payments from Boulder City under section 7.4, and any Other SNWS Revenues allocated for the purposes specified in section 7.2.2 are insufficient for such purpose,

(ii) for the purpose of maintaining, to the extent practicable, the Connection Charge and Commodity Charge at a constant level for such periods as the Authority may determine from time to time, and (iii) for such other purposes related to MCCP Debt as the Authority determines appropriate (collectively, "MCCP Debt Reserve Fund"). In no event shall the level of the MCCP Debt Reserve Fund be less than required to satisfy reserve requirements under the debt instruments for MCCP Debt.

Section 11.4 O&M Reserve Fund. One or more reserve funds shall be established and maintained for the purpose of providing, and in amounts reasonably necessary to provide, sufficient funds (i) to make in any fiscal year the payments specified in section 7.5.1 if revenues from the Wholesale Delivery Charge in such fiscal year are insufficient for such purpose, (ii) for the purpose of maintaining, to the extent practicable, each component of the Wholesale Delivery Charge at a constant level for such periods as the Authority may determine from time to time, and (iii) for such other purposes related to the SNWS, other than New Expansion Debt, as the Authority determines appropriate (collectively, "O&M Reserve Fund"). In no event shall the level of the O&M Reserve Fund be less than required to satisfy reserve requirements under the debt instruments for Original SNWS Bond Indebtedness.

Section 11.5 Conditions Governing Reserve Funds. The Authority shall periodically establish levels at which each of the reserve funds established under this article is to be maintained and other requirements respecting the investment and expenditure of such reserve funds.

ARTICLE 12

BONDS AND OTHER OBLIGATIONS

Section 12.1 Tax Covenant. It is anticipated that Authority Debt will be issued as tax-exempt governmental bonds under the provisions of the Tax Code. Each of the parties hereto agrees that it will not take any action or omit to take any action with respect to such Authority Debt, the proceeds thereof, any of the funds belonging to or controlled by any party, or the facilities financed with the proceeds of such Authority Debt, if the act or omission (i) would cause interest on such Authority Debt to lose its exclusion from gross income for federal income tax purposes under section 103 of the Tax Code, or any successor provision thereof, or (ii) would cause interest on such Authority Debt to lose its exclusion from alternative minimum taxable income as defined in section 55(b)(2) of the Tax Code, or any successor provision thereof, except to the extent such interest is required to be included in the adjusted earnings adjustment applicable to corporations under section 56 of the Tax Code, or any successor provision thereof, in calculating corporate alternative minimum taxable income.

Section 12.2 Further Assurances. The parties to this agreement agree to do such further acts, take such action, and to execute and deliver to each other such additional agreement, certificates, documents, and instruments as may reasonably be required or deemed advisable to effect the purposes of this agreement. The SNWS Purveyor Members shall execute all agreements, consents, certificates, and other documents, including any instruments reasonably requested in order that any Authority Debt be issued in compliance with the applicable rules and regulations of the Internal Revenue Service and the Securities Exchange Commission, and shall

provide whatever additional information is reasonably requested by the Authority in connection with complying with those rules and regulations.

ARTICLE 13

EXCHANGE OF INFORMATION

Section 13.1 Information Regarding Plans, Charges. The Authority shall make available to each SNWS Purveyor Member all reports, studies, and other information used by the Authority in connection with adoption of (i) the MCCP, (ii) revisions to the CIP, the MCCP, and the Operating Plan, and (iii) Connection Charges, Commodity Charges, Raw Water Facilities Charges, and Wholesale Delivery Charges.

Section 13.2 Progress of Construction; Deliveries. The Authority shall keep the SNWS Purveyor Members currently informed of (i) the status of construction of facilities provided for in the CIP and the MCCP, and (ii) any matters respecting operation of the SNWS that would affect the ability of the Authority to deliver water in accordance with the Operating Plan.

Section 13.3 Books and Records. The Authority shall make available to the SNWS Purveyor Members, and the SNWS Purveyor Members shall make available to the Authority, all books and other records maintained by such party with respect to matters pertaining to this agreement.

ARTICLE 14

SNWS WORK GROUP

Section 14.1 Work Group Established. There is hereby established the Southern Nevada Water System Work Group ("SNWS Work Group"), consisting of one representative designated by the Authority and each SNWS Purveyor Member and Contract User. The SNWS

Work Group at its election may consider, consult with the Authority about, and provide advice respecting any matter pertaining to the administration, operation, maintenance, and construction of the SNWS. Each SNWS Purveyor Member shall notify the Authority whenever it designates a representative to the SNWS Work Group.

ARTICLE 15

APPROVALS; EFFECTIVENESS OF ACTION BY AUTHORITY

Section 15.1 In General. Actions taken by the Authority pursuant to this agreement shall become effective when approved as provided in this article, but subject to section 7.9.3, and not otherwise.

Section 15.2 Actions Requiring Approval by SNWS Purveyor Members. The following action shall require approval by the majority vote of the Authority Board with the affirmative vote of the director appointed by each SNWS Purveyor Member and by the governing board of each SNWS Purveyor Member:

- (1) Any revision to the CIP which would increase the Total Cost of the CIP over the Total Cost of the CIP as last approved by the governing boards of the SNWS Purveyor Members; and
- (2) Any revision to the MCCP which would increase the Total Cost of the MCCP over the Total Cost of the MCCP as last approved by the governing boards of the SNWS Purveyor Members, other than transfers of assets, facilities, and SNWS Water Supplies from the CIP.

Section 15.3 Actions Requiring Approval by the Authority Board.

Section 15.3.1 Approval with Affirmative Vote of All SNWS Purveyor Member

Directors. The following actions shall require approval by the majority vote of the Authority Board with the affirmative vote of the director appointed by each SNWS Purveyor Member:

- (1) Any reaffirmation of or revision to the CIP or the M CCP;
- (2) Adoption of each revision of the Operating Plan;
- (3) Issuance, re-funding, or early payment of Authority Debt and contracts relating to Authority Debt pursuant to which the Authority commits to establish and maintain charges at levels sufficient to pay Finance Costs on Authority Debt;
- (4) Approval of a Raw Water Facilities Agreement pursuant to section 4.2.2;
- (5) Actions taken with respect to SNWS Water Supplies pursuant to article 5, provided that during the time the section 5.3.1 election of Boulder City not to participate in new SNWS Water Supplies is in effect, the affirmative vote of the director appointed by Boulder City shall not be required;
- (6) Establishment and revisions of Raw Water Facilities Charges pursuant to section 7.3;
- (7) Establishment and revisions of Wholesale Delivery Charges pursuant to section 7.5;
- (8) Allocation of Other SNWS Revenues pursuant to section 7.6;
- (9) Approval of step-up charges pursuant to section 7.9.1;
- (10) Withholding of delivery of water pursuant to section 7.9.4;
- (11) Establishment of late charges pursuant to section 7.9.5;

- (12) Any contract or renewal of a contract with a Contract User pursuant to section 9.1;
- (13) Determinations respecting the levels at which reserve funds are to be maintained and other requirements respecting the investment and expenditure of such funds;
- (14) Transfers of assets, facilities and SNWS Water Supplies from the CIP to the MCCP pursuant to section 2.2.3; and
- (15) Approval of an Interaccount Loan pursuant to section 7.12.

Section 15.3.2 Approval with Affirmative Vote of Directors of Henderson, North Las Vegas, and the District. The following actions shall require approval by the majority vote of the Authority Board with the affirmative vote of the director appointed by each of Henderson, North Las Vegas, and the District:

- (1) Establishment and revisions of Connection Charges and Commodity Charges pursuant to section 7.2;
- (2) Service equivalency determinations pursuant to section 7.2.5; and
- (3) Imposition of an assessment pursuant to section 7.2.6.

Section 15.4 Response to Notice of Claims. A response to a claim submitted by a SNWS Purveyor Member pursuant to section 17.1.2 shall require approval by a majority vote of the Authority Board with the affirmative vote of the director appointed by each SNWS Purveyor Member other than the claimant SNWS Purveyor Member.

Section 15.5 Other Actions. All other actions of the Authority shall be subject to approval as provided in the Cooperative Agreement or in any delegation of authority made by the Authority Board pursuant to the Cooperative Agreement.

ARTICLE 16

ENFORCEMENT BY SNWA

Section 16.1 Remedies Not Limited By Agreement. Nothing in this agreement is intended to limit, or shall be construed as limiting, any right or remedy available to the Authority against a SNWS Purveyor Member under this agreement or at law or in equity, and all such rights and remedies shall be cumulative. No failure of the Authority to exercise, and no delay by the Authority in exercising, any right shall operate as a waiver of that right or of any other right provided under this agreement or otherwise available at law or in equity. No single or partial exercise of any right by the Authority shall preclude any further exercise of such right or any other right available to the Authority under this agreement or at law or in equity.

Section 16.2 Attorneys Fees; Costs. The prevailing party in any action by the Authority under this agreement shall be entitled to its costs of litigation, and appeal, including the fees of attorneys, expert witnesses, and other consultants, in such amount as the court determines is reasonable.

ARTICLE 17

CLAIMS BY SNWS PURVEYOR MEMBERS; DISPUTE RESOLUTION

Section 17.1 Claims Seeking Performance by Authority.

Section 17.1.1 Maintainable Claims Against Authority. Except as provided in section 17.2, the following claims by a SNWS Purveyor Member under this agreement, and no others, may be maintained against the Authority:

- (1) A claim that the Authority has not revised the Operating Plan as required by section 3.1;

- (2) A claim that the Authority is not using every reasonable effort to construct or fund facilities as required by section 4.1;
- (3) A claim that the Authority has not revised the CIP or the MCCP then in effect as required by section 2.4.2 to serve the demand of the SNWS Purveyor Member asserting the claim;
- (4) A claim that the Authority is not delivering water to that SNWS Purveyor Member as required by article 6;
- (5) A claim that the Authority has failed to meet to review charges as required by section 7.7; and
- (6) A claim that the Authority is not constructing Raw Water Facilities as required by a Raw Water Facilities Agreement.

A SNWS Purveyor Member may maintain, or seek redress respecting, such a claim only by instituting the procedures specified in this section 17.1, instituted in the order in which they are set forth and within the periods specified, subject to extension pursuant to section 18.1.

Section 17.1.2 Notice to the Authority of Claim.

Section 17.1.2.1 Requirement for Notice. Any SNWS Purveyor Member asserting a claim against the Authority under section 17.1 must first give the Authority notice of its claim. Such notice must be adopted by vote of the governing board of the SNWS Purveyor Member and specify the action the SNWS Purveyor Member claims the Authority is required to take, the schedule for taking such action, and the provisions of this agreement, the CIP, the MCCP, or the Operating Plan that require such action. If the claim relates to revisions in the CIP

sought by the SNWS Purveyor Member, the notice must contain or be accompanied by the following information:

- (1) Data supporting the SNWS Purveyor Member's claim that, even if all facilities are constructed in accordance with the CIP, the SNWS would not have the operational capacity, or would not have the operational capacity in sufficient time, to enable the Authority to meet demand within a particular part of the SNWS Purveyor Member's service area and that such demand will be within the First 900 MGD of Demand;
- (2) Data supporting the SNWS Purveyor Member's claim that demand in the parts of the SNWS Purveyor Member's service area to be served by the facility the SNWS Purveyor seeks to have added to the CIP, or the construction of which the SNWS Purveyor Member seeks to have begun on an accelerated schedule, cannot otherwise be served by the SNWS Purveyor Member consistent with an appropriate balance among the objectives set forth in section 2.3.1;
- (3) Population and demand studies, conducted reasonably contemporaneously with the notice, and, if relevant, engineering and other studies; and
- (4) Other information to enable the Authority to reach an informed judgment about the merits of the claim.

Section 17.1.2.2 Authority Response to SNWS Purveyor Member Notice.

The Authority shall respond in writing to a notice given pursuant to section 17.1.2.1 within the following periods:

- (1) For notices of a claim that the CIP must be revised, 6 months; and

- (1) For notices of all other claims, 60 days.

Section 17.1.3 Mediation.

Section 17.1.3.1 Mediation Notice. No SNWS Purveyor Member may institute litigation on any claim pursuant to section 17.1 without first giving written notice to the Authority demanding mediation. Any notice demanding mediation must be given within the earlier of (i) 30 days after the date of the Authority's response to the claim under section 17.1.2.2 or (ii) in the absence of a timely response by the Authority, sixty days after the date by which such response is due pursuant to section 17.1.2.2.

Section 17.1.3.2 Selection of Mediator. If a SNWS Purveyor Member gives a timely mediation notice pursuant to section 17.1.3.1, the Authority and the SNWS Purveyor Member shall select a single independent mediator experienced in the subject matter of the claim within 20 days after the mediation notice. The initial mediation session shall be held within 40 days after the mediation notice. The specific format of the mediation shall be left to the discretion of the mediator and may include the preparation of agreed upon statements of fact or the preparation of written statements of position furnished to the mediator and all other parties to the mediation. If a single mediator is not selected within 20 days after the mediation notice or the claim is not resolved within 90 days after the mediation notice, the SNWS Purveyor Member may, but is not obligated to, institute litigation pursuant to section 17.1.4. Each party shall bring to any mediation session, unless excused from doing so by the mediator, its chief executive officer or designee. In addition, each party may bring counsel and such other persons as needed to contribute to a resolution of the dispute. The mediation process is to be considered a settlement negotiation for the purpose of all state rules protecting disclosures made or documents prepared

during such a negotiation from later discovery or use in evidence; provided that evidence otherwise subject to discovery is not excluded from discovery or use in evidence by virtue of having been used in mediation. The costs of the mediator shall be shared equally by the parties to the mediation, except as provided otherwise in section 17.1.4.3 in the event litigation ensues.

Section 17.1.4 Litigation.

Section 17.1.4.1 Conditions Precedent to Litigation. No action may be brought against the Authority by any SNWS Purveyor Member pursuant to section 17.1 unless each of the procedures specified in sections 17.1.2 and 17.1.3 has been timely instituted, and such action is brought within 120 days after the mediation notice given pursuant to section 17.1.3.1, subject to extension pursuant to section 18.1 or agreement by the Authority.

Section 17.1.4.2 Burden of Proof. The parties agree that, in any action brought by a SNWS Purveyor Member against the Authority pursuant to section 17.1, the SNWS Purveyor Member shall have the burden of proving its claim or claims against the Authority by clear and convincing evidence.

Section 17.1.4.3 Remedies. The only remedy that a SNWS Purveyor Member shall be entitled to in any action brought against the Authority pursuant to section 17.1 is an order of the court requiring the Authority to perform an action which is required by this agreement to be performed by the Authority. The prevailing party in any such action shall be entitled to its costs of mediation, litigation, and appeal, including the fees of attorneys, expert witnesses, and other consultants, in such amount as the court determines is reasonable.

Section 17.1.4.4 No Effect on Final Court Order. The fact that an approval described in article 15 has not been obtained shall not be a defense in an action brought pursuant

to section 17.1 or to the enforcement of any final order of a court of competent jurisdiction in such action.

Section 17.2 Claims for Erroneous Statements.

Section 17.2.1 Nature of Maintainable Claim. Notwithstanding the provisions of section 17.1, a SNWS Purveyor Member may maintain a claim against the Authority for the refund of:

- (1) Wholesale Delivery Charges paid by such SNWS Purveyor Member on either of the following grounds and no other: (i) the deliveries to which such charges relate were less than reflected on the Authority statement for the period to which such payments relate, or (ii) the rate of the applicable Wholesale Delivery Charge is other than the then-effective rate approved pursuant to section 15.3.1(7) or provided for in a final order of a court of competent jurisdiction in an action brought pursuant to section 17.1; and
- (2) Late charges and interest which the SNWS Purveyor Member claims were assessed incorrectly against it.

Section 17.2.2 Conditions Precedent to Litigation. No action may be brought against the Authority pursuant to section 17.2 unless (i) the SNWS Purveyor Member has paid all charges and interest in dispute, (ii) within 18 months after the date such payment was due the SNWS Purveyor Member has given the Authority notice, adopted by vote of the governing board of the SNWS Purveyor Member, of the claim stating the amount of and reasons for the claim, and (iii) the action is brought within 120 days after such notice, subject to extension pursuant to section 18.1 or agreement by the Authority. The prevailing party in any action by a SNWS

Purveyor Member pursuant to section 17.2 shall be entitled to its costs of litigation, and appeal, including the fees of attorneys, expert witnesses, and other consultants, in such amount as the court determines is reasonable.

Section 17.2.3 Interest. All payments recovered by a SNWS Purveyor Member pursuant to section 17.2 shall bear interest from the date the payment was made at the prime rate most recently published in the Western Edition of the Wall Street Journal plus two (2) percent per annum.

Section 17.3 Court. Any action arising out of this agreement must be brought in the Nevada State District Court situated in Las Vegas, Nevada, the jurisdiction of which court is hereby agreed to by each party hereto.

ARTICLE 18

UNCONTROLLABLE FORCES

Section 18.1 Excuse from Performance. Except as provided otherwise in section 8.2, no party shall be considered to be in default with respect to any obligation herein and no party shall forfeit any right provided herein, if, and for the period of no default, the defaulting party was prevented from fulfilling such obligation or exercising such right by reason of Uncontrollable Forces. A party rendered unable to fulfill any obligation or exercise any right by reason of Uncontrollable Forces shall use every reasonable effort to remove such inability with all reasonable dispatch.

ARTICLE 19
CONSERVATION

Section 19.1 Conservation Plans Required.

Section 19.1.1 SNWS Purveyor Member Plans. Within one year after January 1, 1996, if it already has not done so, each SNWS Purveyor Member shall submit in writing to Reclamation an effective water conservation program acceptable to Reclamation. The water conservation program shall contain definite water conservation objectives, appropriate economically feasible water conservation measures, time schedules for meeting those objectives, and other pertinent information requested by Reclamation. At subsequent five-year intervals, or at such other interval as Reclamation may specify by regulation or pursuant to a water delivery contract with the Authority or the Purveyor Member, each SNWS Purveyor Member shall update its water conservation program by submitting to Reclamation for review information regarding the effectiveness and status of the program. The information shall include (i) an evaluation of water conservation accomplishments in the previous five years, (ii) a discussion of future water conservation opportunities, and (iii) revised or new water conservation objectives, measures, and time schedules. Based on the conclusions from the review and pursuant to consultation with Reclamation, the SNWS Purveyor Member shall continue or revise the existing water conservation program as determined by Reclamation. All submissions made to Reclamation under this section 19.1.1 shall be made at the same time to the Authority. Reclamation shall have the right to enforce the requirements of this section 19.1.1 directly against any SNWS Purveyor Member defaulting in its obligation under this section 19.1.1.

Section 19.1.2 Submission by Authority. Submission by the Authority of a water conservation program which is applicable to the service area of a SNWS Purveyor Member and which takes into account delivery of water pursuant to this agreement, and acceptance thereof by Reclamation, shall constitute compliance by the SNWS Purveyor Member with the requirements of this article.

ARTICLE 20

EQUAL OPPORTUNITY

Section 20.1 During the performance of this agreement, the SNWS Purveyor Members agree as follows:

Section 20.1.1 The SNWS Purveyor Members will not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin. The SNWS Purveyor Members will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex, or national origin. Such action shall include, but not be limited to the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The SNWS Purveyor Members agree to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the Secretary of the Interior setting forth the provisions of this nondiscrimination clause.

Section 20.1.2 The SNWS Purveyor Members will, in all solicitations or advertisements for employees placed by or on behalf of the SNWS Purveyor Members, state that

all qualified applicants will receive consideration for employment without discrimination because of race, color, religion, sex, or national origin.

Section 20.1.3 The SNWS Purveyor Members will send to each labor union or representative of workers with which they have a collective bargaining agreement or other contract or understanding, a notice, to be provided by the Secretary of the Interior, advising said labor union or workers' representative of the SNWS Purveyor Member's commitments under section 202 of Executive Order 11246 of September 24, 1965, as amended, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

Section 20.1.4 The SNWS Purveyor Members will comply with all provisions of Executive Order No. 11246 of September 24, 1965, as amended, and of the rules, regulations, and relevant orders of the Secretary of Labor.

Section 20.1.5 The SNWS Purveyor Members will furnish all information and reports required by said amended Executive Order and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to their respective books, records, and accounts by the Secretary of the Interior and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

Section 20.1.6 In the event of any SNWS Purveyor Member's noncompliance with the nondiscrimination clauses of this agreement or with any of such rules, regulations, or orders, water deliveries to such SNWS Purveyor Member may be canceled, terminated, or suspended, in whole or in part, and such SNWS Purveyor Member may be declared ineligible for further Government contracts in accordance with procedures authorized in said amended Executive Order, and such other sanctions may be imposed and remedies invoked as provided in said

amended Executive Order, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.

Section 20.1.7. The SNWS Purveyor Members will include the provisions of sections 20.1.1 through 20.1.6 in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to section 204 of said amended Executive Order, so that such provisions will be binding upon each subcontractor or vendor. The SNWS Purveyor Member will take such action with respect to any subcontract or purchase order as may be directed by the Secretary of Labor as a means of enforcing such provisions, including sanctions for noncompliance; provided, however, that in the event any SNWS Purveyor Member becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction, such SNWS Purveyor Member may request the United States to enter into such litigation to protect the interests of the United States.

ARTICLE 21

CIVIL RIGHTS

Section 21.1 The SNWS Purveyor Members shall comply with Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d), section 504 of the Rehabilitation Act of 1975 (Public Law 93-122, as amended), the Age Discrimination Act of 1975 (42 U.S.C. 6101 et seq.) and any other applicable civil rights laws, as well as with their respective implementing regulations and guidelines imposed by the Department of the Interior or the Bureau of Reclamation.

Section 21.2 These statutes require that no person in the United States shall, on the grounds of race, color, national origin, handicap, or age, be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination under any program or activity

receiving financial assistance from Reclamation. By executing this agreement, the SNWS Purveyor Members agree to immediately take any measures necessary to implement this obligation, including permitting officials of the United States to inspect premises, programs, and documents.

Section 21.3 The SNWS Purveyor Members make this agreement in consideration of and for the purpose of obtaining any and all Federal grants, loans, contracts, property discounts or other Federal financial assistance extended after the date hereof to SNWS Purveyor Members by the Secretary of the Interior, including installment payments after such date on account of arrangements for federal financial assistance which were approved before such date. The SNWS Purveyor Members recognize and agree that such Federal assistance will be extended in reliance on the representations and agreements made in this article, and that the United States reserves the right to seek judicial enforcement thereof.

ARTICLE 22

MISCELLANEOUS PROVISIONS

Section 22.1 Third Party Beneficiaries.

Section 22.1.1 SNWS Purveyor Members. The provisions of this agreement which obligate SNWS Purveyor Members to make payments of Connection Charges, Commodity Charges, Raw Water Facilities Charges, and Wholesale Delivery Charges to the Authority are made for the express benefit of each of the other SNWS Purveyor Members, in addition to the Authority, and to that extent each of the SNWS Purveyor Members shall be a third party beneficiary of such provisions of this agreement and entitled to enforce them.

Section 22.1.2 No Other Third Party Beneficiaries. This agreement is not intended to confer any rights on any person or entity other than the Authority and the SNWS Purveyor Members and, with respect to section 19.1.1, Reclamation. Except as expressly provided in section 19.1.1 and section 23.1.1, this agreement shall not be construed as a third party beneficiary contract or as conferring third party beneficiary status on any person or entity.

Section 22.2 Assignment; Successors.

Section 22.2.1 Assignments Prohibited. Except as expressly authorized by section 23.2.2, neither the Authority nor any SNWS Purveyor Member may assign or otherwise transfer any of its rights or obligations under this agreement, and any such purported assignment or other transfer shall be void.

Section 22.2.2 Certain Assignments by Authority. Notwithstanding the provisions of section 23.2.1, the Authority may assign any of its rights and obligations under this agreement in connection with Authority Debt.

Section 22.2.3 Binding Effect. Subject to the limitations specified in section 23.2.1, this agreement shall bind and benefit the respective successors and assigns of the parties hereto.

Section 22.3 Integration; Amendment. This agreement contains the entire agreement of the parties hereto regarding the subject matter hereof and supersedes any prior written or oral agreements, representations, conditions, or understandings between them regarding the subject matter hereof. This agreement may be amended only by a written instrument executed by each of the parties hereto.

Section 22.4 Governing Law. This agreement is entered into and is to be performed within the State of Nevada and shall be governed by the laws of the State of Nevada.

Section 22.5 Captions. All captions are for reference only and shall not be considered in interpreting or enforcing the provisions of this agreement.

Section 22.6 Drafting Considerations. This agreement has been drafted, negotiated, and revised by each of the parties hereto, each of whom is sophisticated in the matters to which this agreement pertains, and no specific party shall be considered to have drafted this agreement.

Section 22.7 Severability. If any provision of this agreement should be deemed invalid or unenforceable by a final decision of any court of competent jurisdiction, then the remaining provisions of this agreement shall remain in effect and shall not be affected by any such decision.

ARTICLE 23

NOTICES

Section 23.1 Notices.

Section 23.1.1 Method of Giving. All notices and other communications required by this agreement ("notices") shall be in writing and shall be given by one of the following methods:

- (1) By personal delivery, the notice being effective on delivery;
- (2) By first class mail, the notice being effective four mail delivery days after deposit, postage pre-paid, in a United States Postal Service office or mailbox;
- (3) By certified mail, the notice being effective on delivery if confirmed by a return receipt;

- (4) By overnight delivery by Federal Express or similar service, the notice being effective on delivery if delivery is confirmed by the delivery service; or
- (5) By facsimile transmission, the notice being effective on receipt, provided that
 - (i) either (A) a duplicate notice is promptly given by one of the other methods permitted by this article, or (B) the receiving party delivers a written confirmation of receipt, and
 - (ii) any notice given by facsimile transmission shall be deemed received on the next business day if it is received after 4:30 p.m. pacific time or on a nonbusiness day.

Section 23.1.2 Addresses for Notices. Notices shall be given to the following addresses and facsimile numbers:

Southern Nevada Water Authority
1001 South Valley View Boulevard
Las Vegas, NV 89153
Attention: General Manager
Facsimile number: 702/258-3268

City of Boulder City
401 California Avenue
Post Office Box 61350
Boulder City, NV 89006
Attention: City Manager
Facsimile number: 702/293-9402

City of Henderson
240 Water Street
Henderson, NV 89015
Attention: City Manager
Facsimile number: 702/564-2530

City of North Las Vegas
2200 Civic Center Drive
Post Office Box 4086
North Las Vegas, NV 89036
Attention: City Manager
Facsimile number: 702/649-1302

Las Vegas Valley Water District
1001 South Valley View Boulevard
Las Vegas, NV 89153
Attention: General Manager
Facsimile number: 702/258-3268

Any party may change its address or facsimile number by giving the other parties notice of the change in any manner permitted by this article.

ARTICLE 24

DEFINITIONS

Section 24.1 Defined Terms. As used in this agreement, the following terms have the following meanings:

- (1) "AFY" means acre-feet per year;
- (2) "Assigned Fees" has the meaning set forth in section 7.9.6;
- (3) "Authority" means the Southern Nevada Water Authority;
- (4) "Authority Debt" means any bonds or other obligations issued at any time by, on behalf of, or at the request of the Authority or for which the Authority is otherwise responsible, directly or indirectly;
- (5) "Boulder City" means the City of Boulder City, Nevada;
- (6) "Capital Cost" means all direct and indirect costs incurred by the Authority that are properly allocable to the acquisition, construction, replacement, or improvement of any facility or other asset of a capital nature provided for in the CIP or the MCCP,

including without limitation the acquisition of specific Water Supplies and costs for construction, materials, engineering and design, permitting, environmental compliance, administration, personnel, rent, and legal and consulting services;

- (7) "Candidate Facilities" has the meaning set forth in section 2.2.6;
- (8) "Capital Improvements Plan" or "CIP" means the "Southern Nevada Water Authority Capital Improvements Plan, November 15, 2001 Amendment" as it may be revised pursuant to this agreement and, to the extent required by context, its predecessors;
- (9) "CFS" means cubic feet per second;
- (10) "Commission" means the Colorado River Commission of Nevada;
- (11) "Commodity Charge" has the meaning set forth in section 7.2.1;
- (12) "Connection Charge" has the meaning set forth in section 7.2.1;
- (13) "Contract User" has the meaning set forth in section 9.1;
- (14) "Cooperative Agreement" means the Southern Nevada Water Authority Cooperative Agreement by which the Authority was established, originally effective July 25, 1991, amended as of November 17, 1994, and further amended as of January 1, 1996;
- (15) "Debt Service" means the payment of principal, interest, and other charges and costs in connection with Authority Debt, including without limitation costs of credit enhancement and liquidity and interest rate exchange agreements entered into in connection with Authority Debt;
- (16) "December 1995 Capital Improvements Plan" has the meaning set forth in recital I;

- (17) "District" means the Las Vegas Valley Water District;
- (18) "Extraordinary Maintenance Reserve Fund" has the meaning set forth in section 11.5;
- (19) "Federal Facilities" has the meaning set forth in recital B;
- (20) "Federal Facilities Reserve Fund" has the meaning set forth in section 11.4;
- (21) "Finance Costs" means Debt Service and all other costs incurred by the Authority in connection with the issuance of Authority Debt;
- (22) "First 900 MGD of Demand" has the meaning set forth in recital G(3);
- (23) "Henderson" means the City of Henderson, Nevada;
- (24) "Major Construction and Capital Plan" or "MCCP" means the plan described in section 2.3.1 which provides for and governs (A) the acquisition of all SNWS Water Supplies and (B) the acquisition, construction, replacement, and improvement of all facilities and other assets of a capital nature by the Authority pursuant to this agreement other than those provided for in the CIP;
- (25) "MCCP Debt" means bonds and other obligations issued by, on behalf of, or at the direction of the Authority to finance the acquisition, planning, design, construction, replacement or improvement of any facility or other asset of a capital nature provided for in the MCCP then in effect, including the acquisition of SNWS Water Supplies;
- (26) "MCCP Debt Reserve Fund" has the meaning set forth in section 11.3;
- (27) "MGD" means million gallons per day;

- (28) "Nellis AFB Contract" means the Negotiated Water Service Contract, entered into as of January 23, 1978, between the State acting through the Commission and the United States on behalf of Nellis Air Force Base;
- (29) "New Expansion Debt" means (i) 85.4 percent of the 1994 CRC Bonds, (ii) bonds, if any, issued by the Commission before January 1, 1996 to refund the New Expansion Debt portion of the 1994 CRC Bonds, (iii) the following bonds issued by the District on behalf of the Authority with respect to expansion of the SNWS:

<u>Date of Issue</u>	<u>Principal Amount of Issue</u>
March 2, 1995	\$20,000,000
July 18, 1995	\$30,000,000

- (iv) bonds and other obligations issued after January 1, 1996 by, on behalf of, or at the direction of the Authority to finance (A) the acquisition, planning, design, and construction, or improvement of any diversion, treatment, conveyance, turnout, or other facility provided for in the CIP then in effect, and (B) the acquisition of SNWS Water Supplies, and (v) bonds and other obligations issued after January 1, 1996 by, on behalf of, or at the direction of the Authority to refund any of the foregoing bonds or other obligations;
- (30) "New Expansion Debt Reserve Fund" has the meaning set forth in section 11.2;
- (31) "New Service Benefit" means the percentage of the benefits to be derived from the total capacity to be added and other capital improvements to be made to the SNWS by the facilities provided for in the CIP and the MCCP that properly should be

allocated to service to new connections within the service areas of the SNWS
Purveyor Members;

- (32) "1992 Water Delivery Contract" means the Contract for the Delivery of Water through the Southern Nevada Water System, entered into as of March 2, 1992, between the State acting through the Commission and the SNWS Purveyor Members, which contract amended and restated individual contracts dated August 4, 1977 between the State acting through the Commission and each SNWS Purveyor Member;
- (33) "1994 CRC Bonds" means those bonds issued by the Commission on November 21, 1994, in the principal amount of \$170,380,000, and each payment of Debt Service on the 1994 CRC Bonds shall be deemed to be 85.4 percent New Expansion Debt and 14.6 percent Original SNWS Bond Indebtedness;
- (34) "North Las Vegas" means the City of North Las Vegas, Nevada;
- (35) "Notices" has the meaning set forth in section 24.1.1;
- (36) "O&M Reserve Fund" has the meaning set forth in section 11.3;
- (37) "Other SNWS Revenues" means any revenues which are available to the Authority from any source whatever, other than charges under this agreement, and which have been designated for purposes of the SNWS by a budget of the Authority adopted pursuant to the Cooperative Agreement;
- (38) "Purveyor Member" means the following: the Big Bend Water District, Boulder City, Henderson, the District, North Las Vegas, and any other public entity which is engaged in the retail delivery of potable water in Clark County and which is

admitted to the Authority as a Purveyor Member pursuant to the provisions of article 12 and subarticle 18 (b) of the Cooperative Agreement;

- (39) "Original SNWS Bond Indebtedness" means (i) the following bonds issued by the Commission, and any bonds or other obligations issued by the Commission before January 1, 1996 to refund such bonds:

<u>Date of Issue</u>	<u>Principal Amount of Issue</u>	<u>Amount Outstanding As of January 1, 1996</u>
August 14, 1986	\$ 11,000,000	\$ 605,000
September 12, 1990	6,500,000	1,645,000
November 15, 1992	9,815,000	8,730,000
November 1, 1993	46,805,000	43,680,000

(ii) 14.6 percent of the 1994 CRC Bonds, (iii) bonds, if any, issued by the Commission before January 1, 1996 to refund the Original SNWS Bond Indebtedness portion of the 1994 CRC Bonds, and (iv) bonds and other obligations issued after January 1, 1996 by, on behalf of, or at the direction of the Authority to refund any of the foregoing bonds or other obligations;

- (40) "Raw Water" means water that has not been treated for purposes of making it potable;
- (41) "Raw Water Facilities" means dedicated facilities for the delivery of Raw Water to a SNWS Purveyor Member that are constructed, or to be constructed, by the Authority pursuant to a Raw Water Facilities Agreement;
- (42) "Raw Water Facilities Agreement" has the meaning set forth in section 4.2.2;
- (43) "Raw Water Facilities Charge" has the meaning set forth in section 7.3;
- (44) "Reclamation" means the United States Bureau of Reclamation;

- (45) "Reliability Benefit" means the percentage of the benefits to be derived from the total capacity to be added and other capital improvements to be made to the SNWS by the facilities provided for in the CIP and the MCCP that properly should be allocated to increased system reliability within the SNWS and improved quality of water delivered by the SNWS;
- (46) "Southern Nevada Water System" or "SNWS" means all diversion, treatment, conveyance, turnout, power transmission, and related facilities (i) constructed by the United States prior to January 1, 1996 pursuant to the Act of October 22, 1965 (70 Stat. 1068), as amended on July 19, 1966 (80 Stat. 312), which facilities generally are known as the Robert B. Griffith Water Project, (ii) constructed by the Commission before January 1, 1996 pursuant to 1967 Nev. Stat., ch. 268, as amended by 1975 Nev. Stat., ch. 482, and other acts supplemental thereto, which facilities generally are known as the Alfred Merritt Smith Water Treatment Facility, and (iii) constructed, or an interest in which is acquired, by the Authority at any time and designated by the Authority as a part of the SNWS in the CIP or MCCP;
- (47) "SNWS Purveyor Member" means the following Purveyor Members of the Authority: Boulder City, Henderson, North Las Vegas, and the District;
- (48) "SNWS Water Supplies" has the meaning set forth in section 5.1;
- (49) "SNWS Work Group" has the meaning set forth in section 14.1;
- (50) "State" means the State of Nevada;
- (51) "Tax Code" means the Internal Revenue code of 1986, as amended;

- (52) "Total Cost of the CIP" means the sum of the following: (i) the actual Capital Cost of all facilities constructed pursuant to the December 1995 CIP and any revisions thereto, plus (ii) the estimated Capital Cost, including contingencies, of all facilities remaining to be constructed pursuant to the CIP, as such estimated Capital Cost is projected to the year in which construction is scheduled to occur;
- (53) "Total Cost of the MCCC" means the sum of the following: (i) the actual Capital Cost of all facilities constructed pursuant to the MCCC and any revisions thereto, plus (ii) the estimated Capital Cost, including contingencies, of all facilities remaining to be constructed pursuant to the MCCC, as such estimated Capital Cost is projected to the year in which construction is scheduled to occur;
- (54) "Transfer Act" means 1995 Nev. Stat., ch. 393;
- (55) "Treated Water" means water that has been treated for the purpose of rendering it potable;
- (56) "Uncontrollable Forces" means (i) any cause beyond the reasonable control of the party affected, including but not limited to inadequacy of water, failure of facilities, flood, earthquake, storm, lightning, fire, epidemic, war, riot, civil disturbance, labor disturbance, sabotage, accident, unlawful actions or omissions by others, and restraint by court or public authority, which, by exercise of due diligence and foresight, the party could not reasonably have been expected to avoid, and (ii) with respect to the Authority, the inability to acquire for any particular facility the necessary (A) financing, (B) environmental permits, (C) land use and other

required authorizations from the United States, or (D) other permits or authorizations;

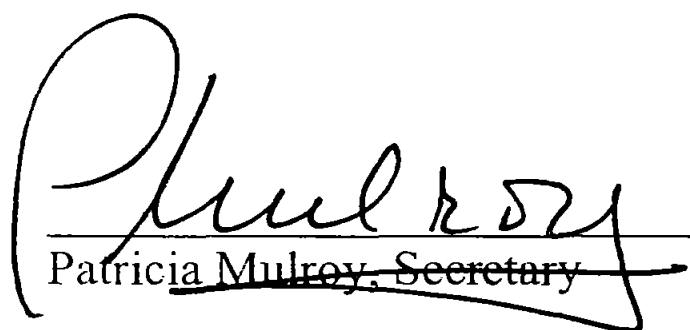
(57) "Water Right" means any entitlement to the beneficial use of Water Supplies, whether such entitlement exists by contract, by interest in real property, or by rights granted by the State of Nevada or other governmental agency;

(58) "Water Supplies" means surface water, groundwater, Reuse Water as defined in the Cooperative Agreement, and any other water capable of being put to beneficial use; and

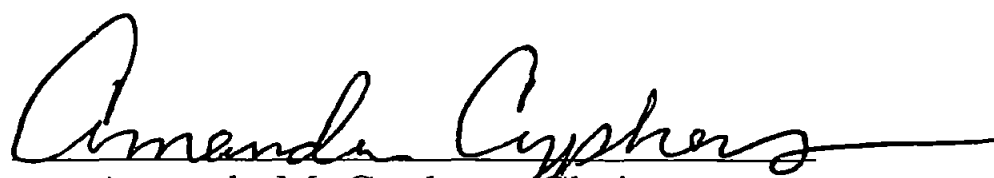
(59) "Wholesale Delivery Charge" has the meaning set forth in section 7.5.1.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the date first above written.

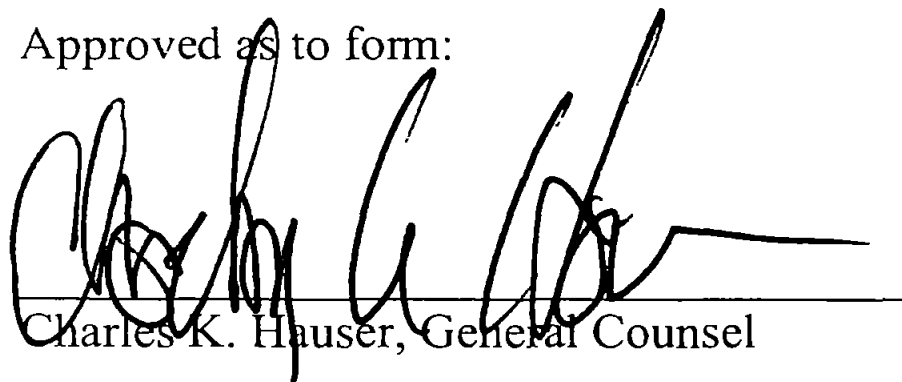
Attest:


Patricia Mulroy, Secretary

SOUTHERN NEVADA WATER AUTHORITY

By 
Amanda M. Cyphers, Chair

Approved as to form:


Charles K. Hauser, General Counsel

Attest:

THE CITY OF BOULDER CITY

Vicki G. Mayes, City Clerk

By _____
Robert S. Ferraro, Mayor

required authorizations from the United States, or (D) other permits or authorizations;

(57) "Water Right" means any entitlement to the beneficial use of Water Supplies, whether such entitlement exists by contract, by interest in real property, or by rights granted by the State of Nevada or other governmental agency;

(58) "Water Supplies" means surface water, groundwater, Reuse Water as defined in the Cooperative Agreement, and any other water capable of being put to beneficial use; and

(59) "Wholesale Delivery Charge" has the meaning set forth in section 7.5.1.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the date first above written.

Attest:

SOUTHERN NEVADA WATER
AUTHORITY

Patricia Mulroy, Secretary

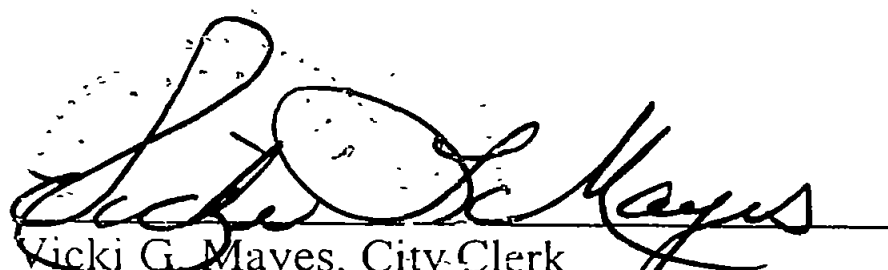
By _____
Amanda M. Cyphers, Chair

Approved as to form:

Charles K. Hauser, General Counsel

Attest.

THE CITY OF BOULDER CITY

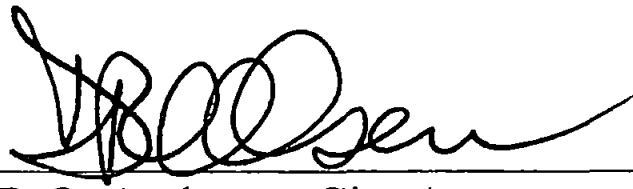


Vicki G. Mayes, City Clerk
4-9-02

By 

Robert S. Ferraro, Mayor

Approved as to form:



~~B.G. Andrews~~, City Attorney
Dave Olsen,

Attest:

Monica Simmons, City Clerk

Approved as to form:

Shauna Hughes, City Attorney

Attest:

Eileen M. Sevigny, CMC, City Clerk

Approved as to form:

Richard C. Maurer, City Attorney

THE CITY OF HENDERSON

By _____
James B. Gibson, Mayor

THE CITY OF NORTH LAS VEGAS

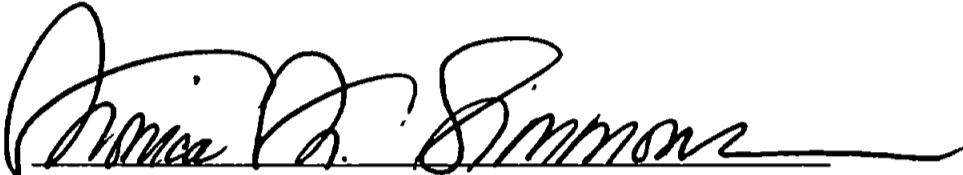
By _____
Michael L. Montandon, Mayor

Approved as to form:


B.G. Andrews, City Attorney

Attest:

THE CITY OF HENDERSON



Monica Simmons, City Clerk

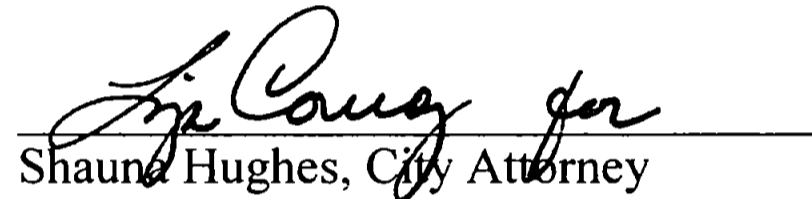
By 

James B. Gibson, Mayor

COUNCIL ACTION

JUL 2 2002

Approved as to form:



Shaun Hughes, City Attorney

Attest:

THE CITY OF NORTH LAS VEGAS

Eileen M. Sevigny, CMC, City Clerk

By _____
Michael L. Montandon, Mayor

Approved as to form:

Sean T. McGowan, City Attorney

Approved as to form:

B.G. Andrews, City Attorney

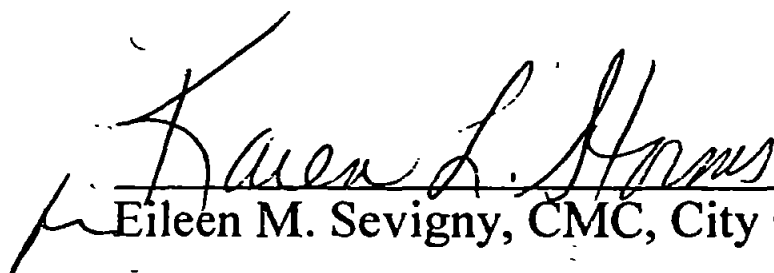
Attest:

Monica Simmons, City Clerk

Approved as to form:

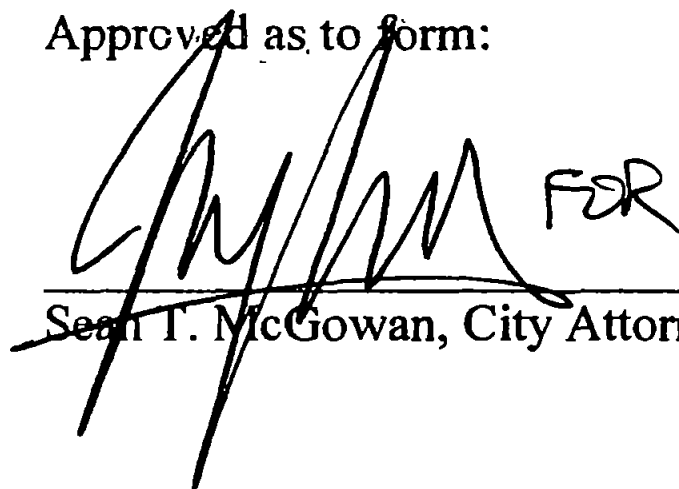
Shauna Hughes, City Attorney

Attest:



Eileen M. Sevigny, CMC, City Clerk

Approved as to form:

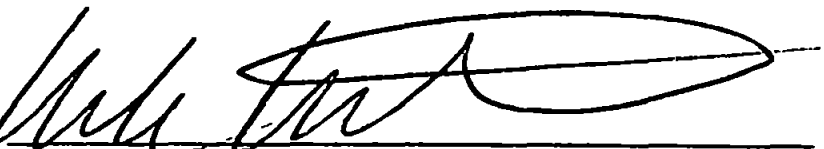


Sean T. McGowan, City Attorney

THE CITY OF HENDERSON

By _____
James B. Gibson, Mayor

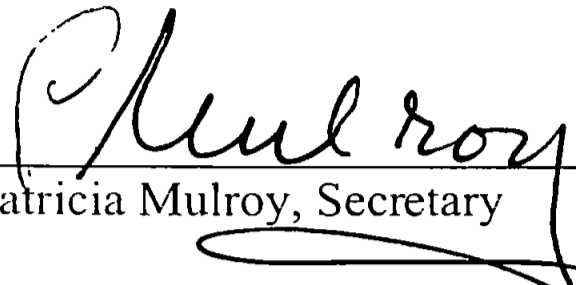
THE CITY OF NORTH LAS VEGAS

By 

Michael L. Montandon, Mayor

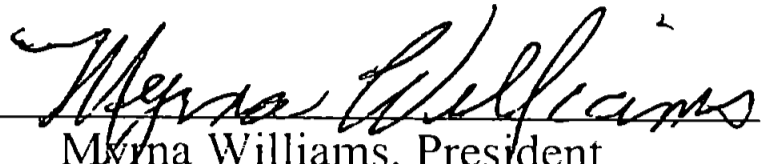
AUG 7 2002

Attest:



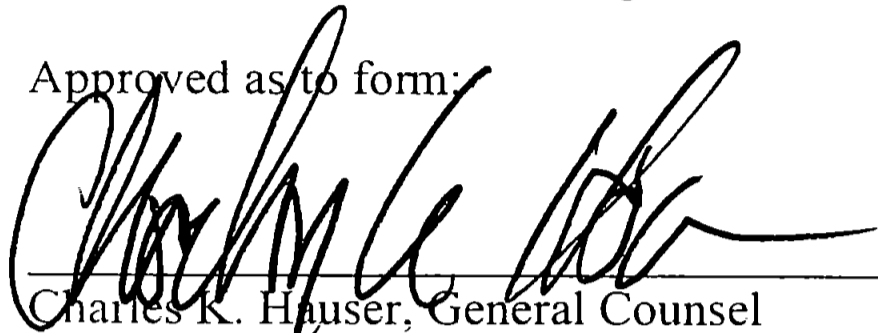
Patricia Mulroy, Secretary

LAS VEGAS VALLEY WATER
DISTRICT

By 

Myrna Williams, President

Approved as to form:



Charles K. Hauser, General Counsel