# Appendix J: Purchase Agreement

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# FIRST AMENDMENT
# TO
# PURCHASE AGREEMENT FOR IMPORTED WATER TO BE PROVIDED BY CENTRAL BASIN MUNICIPAL WATER DISTRICT FOR CUSTOMERS REGULATED BY THE CALIFORNIA PUBLIC UTILITIES COMMISSION

**PURCHASER:** California Water Service Co. – East Los Angeles

**BASE ALLOCATION:** 19,533 acre-feet

**TIER 1 ANNUAL MAXIMUM (90% of Base Allocation):** 17,580 acre-feet

**PURCHASE COMMITMENT (60% of Base Allocation x 5):** 58,599 acre-feet

**TERM:** 5 years from January 1, 2003

**EFFECTIVE DATE:** May 1, 2003

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THIS AMENDMENT TO THE PURCHASE AGREEMENT FOR IMPORTED WATER TO BE PROVIDED BY CENTRAL BASIN MUNICIPAL WATER DISTRICT FOR CUSTOMERS REGULATED BY THE CALIFORNIA PUBLIC UTILITIES COMMISSION, dated as of May 1, 2003, is entered into on _____, 2003 between Central Basin Municipal Water District and California Water Service Company – East Los Angeles.

It is mutually agreed that the following changes and additions are hereby made to the Agreement:

A. Base Allocation is increased from 19,231 acre-feet to 19,533 acre-feet, as shown above under "BASE ALLOCATION"

B. Tier 1 Annual Maximum is increased from 17,308 acre-feet to 17,580 acre-feet, as shown above under TIER 1 ANNUAL MAXIMUM (90% of Base Allocation)"

C. Purchase Commitment is increased from 57,693 acre-feet to 58,599 acre-feet, as shown above under "PURCHASE COMMITMENT (60% of Base Allocation x 5)"

D. Term is five (5) years from January 1, 2003, as shown above under "TERM" to clarify that the term of the original agreement has not changed.

E. Although the original agreement states the effective date for base allocation Tier 1 Annual Maximum and Purchase Commitment exchanges would be the first day of the calendar year, both parties acknowledge the change to take effect May 1, 2003, as shown above under "EFFECTIVE DATE".

CENTRAL BASIN MINICIPAL WATER DISTRICT

By: _____
Darryl G. Miller
General Manager

Date: 9/29/03

CALIFORNIA WATER SERVICE CO. - EAST LOS ANGELES

By: _____

Title: Vice President, Engineering and Water Quality

By: _____

Title: Corporate Secretary

Date: 9/15/03

## Exhibit 1
## Imported Water Purchase Agreement
## DEFINITIONS

**"Base Allocation"** means the Purchaser's share of the District's base amount with Metropolitan (defined as the "Initial Base Demand" in the District's purchase order with Metropolitan). The Purchaser's Base Allocation is used to calculate both the Tier 1 Annual Maximum (90% of Base Allocation) and the Purchase Commitment (60% of Base Allocation times five). Initially, the Base Allocation is determined as the five-year average of Purchaser's non-surplus imported water purchases from District, from fiscal years ending 1997 through 2001, plus a prorated adjustment to account for the District's Initial Base Demand. As described in the Adjustments and Renewals section above, Base Allocation may be increased or decreased if the District can accommodate a Purchaser's request.

**"Imported Water"** means imported water supplied by Metropolitan and sold by the District to Purchaser. Imported Water does not include Long-Term Seasonal Storage Service and other surplus categories of supplies.

**"Purchaser"** means a customer of the District that has entered into a Purchase Agreement with the District.

**"Purchase Commitment"** means the amount of Imported Water that Purchaser agrees to purchase from District. Purchase Commitment must be at least 60% of the Base Allocation times five. Deliveries of surplus imported water supplies, including but not limited to Long-Term Seasonal Storage Service, will not count towards the Purchase Commitment.

**"Term"** means the term of this Purchase Agreement as specified above.

**"Tier 1 Annual Maximum"** means an amount equal to 90% of the Base Allocation.

**"Tier 1 Rate"** means the price charged by the District for deliveries of Imported Water to Purchaser in an amount up to the Tier 1 Annual Maximum. The initial Tier 1 Rate is $457 per acre-foot.

**"Tier 2 Rate"** means the price charged by the District for deliveries of Imported Water to Purchaser in an amount greater than the Tier 1 Annual Maximum. The initial Tier 2 Rate is $538 per acre-foot.

**"Tier 1 Supply Rate"** means Metropolitan's per acre-foot Tier 1 Supply Rate, as determined from time to time by Metropolitan's Board of Directors. The initial Tier 1 Supply Rate is $73 per acre-foot.

**"Tier 2 Supply Rate"** means Metropolitan's per acre-foot Tier 2 Supply Rate, as determined from time to time by Metropolitan's Board of Directors. The initial Tier 2 Supply Rate is $154 per acre-foot.

## Exhibit 2
## Imported Water Purchase Agreement
## BASE REALLOCATION PROCESS

Background

In order to receive a greater amount of Tier 1 water for its customers, the District will commit to purchasing supply from Metropolitan. It is the District's goal that the sum of Purchase Commitments of the District's customer agencies must always equal the District's commitment to Metropolitan.

The Base Allocations and the Reallocation process are intended to maintain a full allocation of the District's Tier 1-priced water to all Purchasers (customer agencies that have entered into Purchase Agreements with the District) in an objective manner.

The Base Allocation determines the Purchase Commitment (60% of Base Allocation times five) and Tier 1 Annual Maximum (90% of Base Allocation) for the Purchaser.

Reallocation Process Outline

- District considers Purchasers' requests for adjustment annually and must receive requests by August 1.
- After August 1, District will compare any request(s) for increase in Base Allocation to any request(s) for decrease. The District will accommodate requests to the extent that the total of base allocation increases does not exceed the total of base allocated decreases (see General Notes 1,2 above). If more than one Purchaser requests an increase or decrease, adjustments will be made on pro-rata basis according to each Purchaser's relative share of the total request (see Reallocation Example below).
- District will respond in writing to a Purchaser's request by October 31. The Purchaser could receive less as an adjustment than what was requested.

Reallocation Example

| | Initial Base (AF) | Request (AF) | Rel. Share | Adjustment (AF) | New Base (AF) |
|---|---|---|---|---|---|
| Purchaser A | 3,000 | -500 | 58.8% | -382 | 2,618 |
| Purchaser B | 1,700 | -350 | 41.2% | -268 | 1,432 |
| **Total of Requests for Decrease = -850** | | | 100% | **-650** | |
| Purchaser C | 500 | +100 | 15.4% | +100 | 600 |
| Purchaser D | 650 | +250 | 38.5% | +250 | 900 |
| Purchaser E | 420 | +300 | 46.1% | +300 | 720 |
| **Total of Requests for Increase = +650** | | | 100% | **+650** | |
| **Total Base** | **6,270** | | | | **6,270** |

# PURCHASE AGREEMENT FOR IMPORTED WATER TO BE PROVIDED BY CENTRAL BASIN MUNICIPAL WATER DISTRICT FOR CUSTOMERS REGULATED BY THE CALIFORNIA PUBLIC UTILITIES COMMISSION

**PURCHASER:** California Water Service Co. – East Los Angeles

**BASE ALLOCATION:** 19,321 acre-feet

**TIER 1 ANNUAL MAXIMUM (90% of Base Allocation):** 17,308 acre-feet

**PURCHASE COMMITMENT (60% of Base Allocation x 5):** 57,693 acre-feet

**TERM:** 5 years

**EFFECTIVE DATE:** January 1, 2003

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Definitions of capitalized terms used in this Purchase Agreement are provided in Exhibit 1.

## COMMITMENTS

1. Central Basin Municipal Water District (District) agrees to sell Imported Water to Purchaser up to the Tier 1 Annual Maximum amount at the then current Tier 1 Rate. Imported Water sold to Purchaser in an amount greater than the Tier 1 Annual Maximum shall be sold at the Tier 2 Rate. Imported Water that is not sold pursuant to this Purchase Agreement shall be sold at the Tier 2 Rate.

2. Purchaser agrees to purchase no less than the Purchase Commitment of Imported Water from District during the Term.

3. If Purchaser's actual Imported Water purchases during the Term are less than the Purchase Commitment, Purchaser agrees to pay District the undelivered balance of the Purchase Commitment at the average of the Tier 1 Supply Rate in effect during the Term. Purchaser agrees to pay such amount to District no later than six months after billing.

4. The rates applicable to Imported Water under this Purchase Agreement could change from time to time as determined by the District's Board of Directors. District is a municipal water district formed pursuant to the Municipal Water District Act of 1911, California Water Code section 71000 et seq, and is not subject to the jurisdiction of the California Public Utilities Commission. District establishes its water rates by resolution. The rates as of the effective date of this Purchase Agreement are shown in Exhibit 1.

## AMENDMENTS AND RENEWALS

1. Not later than August 1 of each year during the Term, Purchaser may provide a written request to District to change the Base Allocation for the following calendar year. The process for making the change is described in Exhibit 2. District shall determine whether such request, and any similar requests from

other purchasers, can be accommodated. District shall notify Purchaser in writing no later than October 31 of that year as to its determination regarding the request. An adjustment to a Purchaser's base allocation will be reflected in an amendment to the Purchase Agreement, to be effective the first day of the calendar year following the request.

2. Not later than December 31, 2007, Purchaser may provide written notice to District of its determination to extend this Purchase Agreement.

**WATER SERVICE**

1. The Metropolitan Water District of Southern California (Metropolitan) supplies Imported Water sold by the District under this Purchase Agreement. Metropolitan shall use its reasonable best efforts to deliver water when needed by the Purchaser during the Term. There shall be no default by the District under this Purchase Agreement if Metropolitan fails to deliver water to the Purchaser.

2. Purchase Agreement does not convey any right or confer any entitlement to Purchaser to receive Imported Water through Metropolitan's distribution system.

3. Imported Water delivered to the Purchaser under this Purchase Agreement shall be subject to reduction in accordance with the policies and principles governing the allocation of water by Metropolitan to its member agencies. In the event Metropolitan's board determines to reduce, interrupt or suspend deliveries of Imported Water, any outstanding balance of the Purchase Commitment at the end of the Term shall be reduced by the reduction in Imported Water made available to the Purchaser under this Purchase Agreement.

**MISCELLANEOUS**

1. This Purchase Agreement will apply to and bind the successors and assigns of the Purchaser and District.

2. This Purchase Agreement shall at all times be subject to such changes or modifications by the Public Utilities Commission of the State of California as said Commission may, from time to time, direct in the exercise of its jurisdiction.

3. This Purchase Agreement is executed by the duly authorized officers of the Central Basin Municipal Water District and California Water Service Co. – East Los Angeles, to be effective January 1, 2003.

CENTRAL BASIN MUNICIPAL
WATER DISTRICT

By: _____
Darryl G. Miller
General Manager

CALIFORNIA WATER SERVICE CO. –
EAST LOS ANGELES

By: _____

Title: Vice President

By: _____
Paul G. Ekstrom

Title: Corporate Secretary

## Exhibit 1
## Imported Water Purchase Agreement
## DEFINITIONS

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**"Tier 2 Supply Rate"** means Metropolitan's per acre-foot Tier 2 Supply Rate, as determined from time to time by Metropolitan's Board of Directors. The initial Tier 2 Supply Rate is $154 per acre-foot.

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## BASE REALLOCATION PROCESS

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| Purchaser D | 650 | +250 | 38.5% | +250 | 900 |
| Purchaser E | 420 | +300 | 46.1% | +300 | 720 |
| **Total of Requests for Increase = +650** | | | 100% | **+650** | |
| **Total Base** | **6,270** | | | | **6,270** |