

This Agreement made for purposes of identification this 1<sup>st</sup> day of December, 2003, by and between the CITY OF CHARLOTTESVILLE, Virginia, a municipal corporation (the "City"), the ALBEMARLE COUNTY SERVICE AUTHORITY, a public body politic and corporate (the "ACSA") and the RIVANNA WATER and SEWER AUTHORITY, a public body politic and corporate (the "RWSA").

WITNESSETH:

Background and Intent.

A. RWSA owns and/or operates facilities for the receipt and treatment of potable water pursuant to the terms of a Four Party Agreement dated June 12, 1973, among the City, the RWSA, the ACSA, and the Board of Supervisors of Albemarle County (the "Four Party Agreement") and several supplementary agreements.

B. Pursuant to Section 4.3 of the Four Party Agreement, the City and the ACSA have agreed upon a project, not contemplated by their previous agreements, for the expansion of the South Rivanna Reservoir to increase safe yield of RWSA's urban water system (the "Urban Water System"). The Urban Water System consists of all water related facilities within or serving the City of Charlottesville and the urban growth area of Albemarle County surrounding the City of Charlottesville, including water plants and all reservoirs, pipelines, pumping stations, storage tanks and other appurtenances connected to water plants and operated by RWSA.

C. The ACSA and the City also have reached an agreement concerning the allocation of existing water plant capacity and sharing of costs thereof for the existing Observatory Water Treatment Plant, South Rivanna Water Treatment Plant, and North Rivanna Water Treatment Plant (the "Urban Water System Plants"), including the 1999 expansion of the South Rivanna Water Treatment Plant, and future improvements of these water plants.

D. These agreements are based on the terms of a Comprehensive Review of Costs Allocation Methodology Re: Water System Facilities – Final Report August 18, 2003 – Vincent J. Bryne, Utility Consultant, a copy of which is attached hereto as Exhibit A.

NOW THEREFORE, for and in consideration of the premises and other good and valuable consideration, the receipt of all of which is hereby acknowledged, the City, ACSA and RWSA agree as follows:

Urban Water System Plants' Capacity Allocation.

1. Prior to 1999, RWSA's Urban Water System Plants had a capacity of 17.7 million gallons per day ("mgd") of potable water. In 1999, RWSA, at the request of the City and the ACSA, increased capacity at the South Rivanna Water Treatment Plant by 4.0 mgd, increasing total plant capacity in the Urban Water System Plants to 21.7 mgd.

2. At that time, RWSA used the then existing cost sharing provisions of the Four Party Agreement to collect the cost of the 4.0 mgd expansion from the City and the ACSA. Based on current projections, the City can meet its maximum day

demand through the year 2020 without acquiring any of the 4.0 mgd capacity added to the South Rivanna plant. ACSA and the City have therefore agreed that the additional 4.0 mgd capacity is required by ACSA, and that the entire cost for that expansion of capacity should be allocated to ACSA.

3. ACSA agrees to pay all of the 1999 4.0 mgd South Rivanna Water Treatment Plant expansion cost. As a result, the ACSA will be entitled to all of the 4.0 mgd plant capacity expansion. Concurrently with the expansion of the treatment capacity at the South Rivanna Water Treatment Plant, RWSA made operational improvements and changes to this plant. The total cost of the plant capacity expansion and operational improvements and changes was \$7,869,251.00. RWSA, ACSA, and the City agree that \$2,718,660.00 of this cost was for capacity expansion and \$5,150,591.00 was for operational improvements and changes. ACSA and the City have been paying the annual debt service on the bonds sold by RWSA to fund this project through RWSA's urban water rate. ACSA agrees to reimburse the City for debt service the City has paid on the capacity expansion component of the total debt service. This amount will be calculated by RWSA as of December 31, 2003 and will be paid by January 31, 2004. From January 1, 2004 forward ACSA will pay 100% of the debt service on the capacity expansion component for the 1999 4.0 mgd plant capacity expansion of the South Rivanna Water Treatment Plant.

4. ACSA and the City agree that RWSA's current Urban Water System Plants' capacity of 21.7 mgd will be allocated 48% to the City (10.4 mgd) and

52% to ACSA (11.3 mgd); and each shall pay these respective percentages of all non-capacity expansion related charges imposed by RWSA, including future non-capacity related projects for the Urban Water System.

5. If any improvements increase capacity in the Urban Water System Plants, the City and ACSA will negotiate a new cost sharing and capacity allocation agreement as a result of the increased capacity. If the current 21.7 mgd capacity in the Urban Water System Plants decreases, the ACSA and the City shall continue to own plant capacity proportionally according to the 48/52% allocation set forth herein.

Safe Yield Allocation and South Rivanna Reservoir Safe Yield Expansion.

6. Based on the amount contributed by the City and ACSA for total facilities in RWSA's Urban Water System over the twenty-year period 1983-2002, the City has contributed 65% of the total costs and the ACSA has contributed 35% of the total costs of the Urban Water System. Applying the above methodology, the City is allocated 7.80 mgd and the ACSA is allocated 4.20 mgd of the existing 12.0 mgd of safe yield supply in RWSA's Urban Water System.

7. The City, ACSA, and RWSA have agreed to increase the safe yield provided by RWSA's Urban Water System supply reservoirs by raising the elevation of the South Rivanna Reservoir. The parties propose to increase elevation at the South Rivanna Reservoir to raise the Urban Water System's safe yield at least 7.0 mgd to 19.0 mgd. This 19.0 mgd shall be allocated as follows:



(a). Based on current projections, both the City and ACSA will require a portion of the 7.0 mgd increase in safe yield to ensure an adequate potable water supply to meet future needs. ACSA and the City hereby agree that of the additional 7.0 mgd safe yield achieved from the proposed South Rivanna Reservoir expansion, the City will acquire and be entitled to 1.89 mgd, and the ACSA will acquire and be entitled to 5.11 mgd.

(b). After the expansion of the South Rivanna Reservoir, RWSA's Urban Water System should have a safe yield of 19.0 mgd. Of this safe yield, the City will own 9.69 mgd. ACSA will own 9.31 mgd.

(c). If the work undertaken to raise the elevation of the South Rivanna Reservoir provides an expansion of the safe yield of the South Rivanna Reservoir less than 7.0 mgd, the City's and the ACSA's share of the safe yield of RWSA's urban water system will decrease proportionally. If the safe yield increases the City and ACSA will negotiate the allocation of the increased amount and cost.

8. The cost of the expansion of the South Rivanna Reservoir, including engineering, legal, permitting, and construction costs, shall be allocated to and paid by the City and the ACSA as follows: 27% to the City and 73% to ACSA.

Other Matters.

9. RWSA shall be responsible for all aspects of the design, right-of-way acquisition and construction of the South Rivanna Reservoir expansion.

10. The City and ACSA will continue to pay for routine labor, chemicals, supplies, power, and other operational costs associated with water production in

the Urban Water System on the basis of their respective percentage volume use as set out in the Four Party Agreement, as supplemented by (i) Joint Resolution adopted in January 1983 (as such resolution was clarified by Resolution of the Albemarle County Service Authority dated March 17, 1983, and by Resolution of the Charlottesville City Council dated May 2, 1983, and modified by Joint Resolution adopted in December, 1983), (ii) Working Agreement on Urban Area Wholesale Flow Allocations and Billing Methodology dated January 24, 1983; and (iii) Agreement dated October 26, 1987, relating to the operation of the RWSA's Urban Water System and the division of RWSA's operational costs between the City and the ACSA.

Witness the following duly authorized signatures and seals:

CITY OF CHARLOTTESVILLE

By:  \_\_\_\_\_

Mayor

ALBEMARLE COUNTY SERVICE  
AUTHORITY

By:  \_\_\_\_\_

Chairman

RIVANNA WATER AND SEWER  
AUTHORITY

By:  \_\_\_\_\_

Chairman

STATE OF VIRGINIA

CITY/COUNTY OF Charlottesville

The foregoing instrument was acknowledged before me this 10<sup>th</sup> day of December, 2003, by Maurice D. Cox, Mayor.

Barbara K. Ronan  
Notary Public

My commission expires: 4-30-06

STATE OF VIRGINIA

CITY/COUNTY OF Albemarle

The foregoing instrument was acknowledged before me this 10<sup>th</sup> day of December, 2003, by J. Randolph Parker.

Susan L. Rohm-Biggs  
Notary Public

My commission expires: 08/10/06

STATE OF VIRGINIA

CITY/COUNTY OF ALBEMARLE

The foregoing instrument was acknowledged before me this 15 day of DECEMBER, 2003, by MICHAEL GAFFNEY.

Mary J. Knowles  
Notary Public

My commission expires: 7-31-06

acsa.city.agree(rv#56)