

San. Dist.

**AGREEMENT FOR THE ACCEPTANCE OF EFFLUENT
FROM
THE CLEARLAKE OAKS COUNTY WATER DISTRICT**

THIS AGREEMENT is made and entered into this 21st day of July, 1998, between the Lake County Sanitation District, hereinafter referred to as "LACOSAN," and the Clearlake Oaks County Water District, hereinafter referred to as "District."

RECITALS

Whereas, on July 9, 1996 the Lake County Sanitation District and the Clearlake Oaks County Water District entered into an Agreement-in-Principle for Effluent Disposal; and

Whereas, the Lake County Sanitation District, Calpine Corporation, NCPA, and UNOCAL jointly own and operate the Geysers Pipeline; and

Whereas, the Lake County Sanitation District has entered into an Operations Agreement with Calpine Corporation, NCPA, and UNOCAL to accept effluent from LACOSAN's Southeast Reservoir; and

Whereas, the Clearlake Oaks County Water District desires to export their effluent to the Southeast Reservoir for inclusion in the Geysers Pipeline disposal.

NOW, THEREFORE, in consideration of the mutual promises, covenants, terms, and conditions; it is agreed between the parties as follows:

1. DEFINITIONS

- 1.1 "Effluent" shall mean that liquid waste material discharged from the Clearlake Oaks County Water District's Wastewater Treatment Facility or the Northwest Regional Wastewater Treatment Facility.
- 1.2 "Operation and Maintenance Work" shall mean all labor, services, and material required to operate Project facilities in compliance with their design specifications and prudent industry practices, to maintain Project facilities in good working order.
- 1.3 "Pipeline" shall mean the sixteen-inch nominal diameter pipeline originating at the District's Wastewater Treatment Facility and extending to the north finger of LACOSAN's Southeast Reservoir.
- 1.4 "Project" shall mean the Pipeline, Pumping Station(s), outfall, and associated equipment to transport Effluent from the District's Wastewater Treatment Facility to the Southeast Reservoir.
- 1.5 "Pumping Station" shall mean the pumping facility located at or near the District's Treatment Facility.
- 1.6 "Steam Suppliers" shall mean Calpine Geysers Company (CGC), Northern California Power Agency (NCPA) and Unocal and their successors or assigns as owners of portions of the Geysers Pipeline and various geothermal facilities including the injection wells which are used for disposal of the Effluent.

2. CONDITIONS

The District shall design and construct the Project, including but not limited to the Pipeline, Pumping station(s), and outfall at the Southeast Reservoir, all associated equipment, and any environmental work.

The District shall obtain all necessary permits, licenses, certificates or any other approvals required by federal, state, or local agencies having jurisdiction over the Project for the construction and operation of the Project. The District shall also modify its Waste Discharge Requirements to comply with the new method of disposal.

LACOSAN shall provide a no cost easement for the construction and operation of the Pipeline and outfall constructed on LACOSAN'S property.

The District shall comply with all the requirements of the Operating Agreement between LACOSAN and Calpine Corporation, NCPA, and UNOCAL or their successors.

LACOSAN reserves the right to participate in the Project.

The District shall provide an easement at the District's Treatment Facility for a pump station and associated equipment should LACOSAN desire to build a pump station. This will be a no cost easement.

3. TERM

3.1 The term of this Agreement shall be for a period of twenty (20) years from the effective date of this Agreement, unless this Agreement is sooner terminated pursuant to Sections 8 & 9. If upon expiration of this Agreement or any extension thereof, LACOSAN elects to continue the Project, the Parties agree to extend this Agreement for an agreed upon term of not less than five years.

3.2 Upon final termination of this Agreement, each Party shall be responsible at its sole cost and expense to remove or otherwise decommission those Project facilities for which it is responsible pursuant to Sections 2 & 4 as may be required by any government agency or private party with authority thereover, or pursuant to any other agreement between the Parties.

4. OPERATION AND MAINTENANCE

4.1 Responsibilities of District

4.1.1 District shall own and be responsible for the Operation and Maintenance Work for the Project facilities to the Southeast Reservoir, which include the pump station, pipeline, meter, control system, outfall, and associated equipment.

4.2 Responsibilities of LACOSAN

4.2.1 LACOSAN shall not have any responsibilities for the Operation and Maintenance Work for the Project facilities unless LACOSAN elects to participate in the Project at a future date.

5. OPERATION & MAINTENANCE EXPENSES

5.1 Operation and maintenance expenses for the District's access to and use of the Geysers Pipeline for the disposal of Effluent shall be a reasonable portion of the total costs to operate and maintain the Geysers Pipeline. That amount is shown on Exhibit "A", which is attached hereto.

5.2 The District shall not receive any compensation from LACOSAN or the Geysers Pipeline participants for the District's Effluent or any operation and maintenance expenses.

6. DELIVERY AND ACCEPTANCE OF EFFLUENT

6.1 District shall commence delivery and LACOSAN shall receive and accept the Effluent transported by the Project on a date to be agreed upon by the Parties following completion of Project construction.

6.2 District's flow shall not exceed a nominal flow rate of 1500 gpm without consent of LACOSAN.

6.3 District shall operate and maintain in accurate working order metering devices properly equipped and located for the measurement of the Effluent delivered to LACOSAN. LACOSAN shall have access to inspect and test such equipment at all reasonable times, but readings, calibrations, adjustments, repair and other maintenance thereof shall be conducted by District.

6.4 All Effluent to be delivered to LACOSAN shall comply with all waste discharge requirements, effluent limitations, or other requirements related to water quality established by the Regional Water Quality Control Board, State Water Resources Control Board, U.S. Environmental Protection Agency, California Division of Oil and Gas and Geothermal Resources, LACOSAN and/or any other federal, state, or local agencies with jurisdiction with respect to the quality of water accepted by LACOSAN and/or Steam Suppliers, such that no additional holding and/or treatment of such delivered Effluent, or processing, by Steam Suppliers or LACOSAN is necessary in order to comply with such requirements. Without limiting the generality of the foregoing, Effluent to be delivered to LACOSAN shall comply with the wastewater discharge requirements for secondary treated water as defined by the California Regional Water Quality Control Board-Central Valley Region, and shall always be of a quality that meets the specific waste discharge requirements of LACOSAN's Southeast Regional Wastewater Treatment Plant that are in effect for disposal of LACOSAN Effluent into the Geysers Pipeline.

6.5 District shall be responsible up to the outfall for all testing, monitoring, and reporting with respect to water quality that may be established by LACOSAN, any federal or state agency in waste discharge requirements, permits, or any other jurisdictional entity authorized by law. District shall provide such information to LACOSAN at the same frequency required by any federal or state agency. Without limiting the generality of the foregoing, District shall be responsible for all testing pursuant to the protocols and procedures required for secondary treated water by the California Regional Water Quality Control Board - Central Valley Region, and shall provide LACOSAN with documentation on a quarterly basis demonstrating that all water delivered to LACOSAN complies with the wastewater discharge requirements as defined by the California Regional Water Quality Control Board - Central Valley Region.

6.6 The Geysers Pipeline Project owners, including LACOSAN, shall be entitled, but not obligated, to conduct, at their own expense, their own testing of the Effluent at any point along the Project as a means of additional water quality examination.

6.7 LACOSAN shall not be required to receive, accept or otherwise take care, custody or control of any of District's Effluent transported by the Pipeline if the testing conducted pursuant to Section 6.4 through 6.5 demonstrates that the Effluent is not in compliance with all applicable water quality standards.

6.8 District represents and warrants that its obligations under this Agreement do not conflict or otherwise circumvent any obligation of District to deliver Effluent to a legal user of such Effluent, and that there are no prior uses that have created a legal right to the Effluent which will be superior to the rights created under this Agreement.

7. OPERATING EMERGENCIES AND REPAIR AND RECONSTRUCTION

7.1 In the event of an operating emergency, the Parties shall take any and all steps reasonably necessary and required to terminate the operating emergency, subject to the provisions set forth in this Section.

7.2 In the event of an operating emergency, it shall be the obligation of the Party with ownership of that portion of the Project facility to repair, restore or reconstruct the damaged or destroyed facility, and to conduct other necessary work as soon as practical and in such a manner as to restore the facility to operation. The responding Party shall report to the other Party as promptly as possible the nature of the emergency and the action taken.

7.3 The cost of all repairs, restoration or reconstruction work, whether caused by an operation emergency or otherwise, shall be the responsibility of the owning Party.

8. SUSPENSION OF OPERATIONS

The District acknowledges that LACOSAN is disposing the District's Effluent via the Geysers Pipeline for injection into The Geysers geothermal reservoir. The District's rights, granted in this agreement, to dispose of its Effluent using the Geysers Pipeline may be suspended at any time by LACOSAN acting on behalf of itself or the Steam Suppliers for the following reasons.

1.) If at any time during the term of the Agreement a Federal, State, or local government agency concludes that the injection of Effluent is causing significant adverse health, safety or environmental effects.

2.) If Steam Suppliers conclude that the operations are causing interference with their steam production or adverse effects upon steam quality or their geothermal facilities

3.) If contractual conditions preclude continued operations or in the event of an operating emergency.

4.) Failure to comply with the delivery and acceptance criteria in Section 6 herein.

LACOSAN may continue to suspend operations hereunder until such time as the cause can be remedied.

9. TERMINATION

If a suspension of operations for the reasons listed under Section 7 or Section 8 would be protracted, or the cause cannot be practically remedied, or if economic conditions make continued operations impractical, either Party may terminate this Agreement at any time during the term hereof

9.1 Upon termination, the share of the costs to satisfy any outstanding obligations of the Parties under this Agreement shall be the sole responsibility of the Party creating the obligation.

10. INSURANCE

10.1 District shall not commence work under this Agreement until it has obtained all the insurance required herein, certificates of insurance have been submitted to LACOSAN and said insurance has been approved by LACOSAN. The certificates of insurance shall contain a provision that coverage afforded under the policies will not be canceled until at least twenty (20) days prior written notice has been given to LACOSAN.

District shall not allow any subcontractor to commence work on their subcontract until the insurance required of the subcontractor has been obtained. Any failure of District to maintain the insurance required by this paragraph, or to comply with any of the requirements of this paragraph, shall constitute a material breach of the entire Agreement. Certificates evidencing the issuance of the following insurance shall be filed with LACOSAN within ten (10) days after the date of execution of this Agreement by District:

10.1(a) Compensation Insurance. District shall procure and maintain, at District's own expense during the term hereof, Workers' Compensation Insurance for all of its employees to be engaged in work. In case of any such work sublet, District shall require subcontractor similarly to provide Workers' Compensation Insurance for all of the latter's employees to be engaged in such work unless such employees are covered by the protection afforded by District's Workers' Compensation Insurance.

10.1(b) Public Liability and Property Damage Insurance. District shall procure and maintain, at District's own expense during the term hereof, Comprehensive Public Liability Insurance, both bodily injury and property damage, in an amount of not less than (One million dollars (\$1,000,000) combined single limit coverage per occurrence, including but not limited to endorsements for the following coverages: personal injury, premises-operations, products and completed operations, blanket contractual, and independent contractor's liability.

District shall not commence work under this Agreement until it has had delivered to LACOSAN an "Additional Insured Endorsement" naming LACOSAN, its officers, employees and agents as additional insured under each of the aforesaid policies in this sub-paragraph.

10.1(c) Automobile Liability Insurance. District shall procure and maintain, at District's own expense during the term hereof, comprehensive Automobile Liability Insurance, both bodily injury and property damage, on owned, hired, leased and non-owned vehicles used in connection with District's business in an amount of not less than (One million dollars (\$1,000,000) combined single limit coverage per occurrence.

10.1(d) District shall require each subcontractor to procure and maintain, during the life of his contract, similar Public Liability and Automobile Liability Insurance as specified in sub-paragraphs (b) and (c) hereinabove, with minimum limits equal to one-half the amount required of District and containing the "Additional Insured Endorsement" as required of District in sub-paragraphs (b) and (c) hereinabove.

10.2 The Parties recognize that this Agreement contains provisions for a twenty-year period. During the life of this Agreement inflationary coverages for insurance may need to be considered and invoked. Increases in coverages will be by mutual consent.

11. ACCESS TO PROJECT INFORMATION AND RECORDS RETENTION

11.1 LACOSAN shall be entitled to obtain, in a timely manner, current information concerning Project Operation and Maintenance Work and disposal information as specified in Section 5. This shall be accomplished through reasonable access to all Project facilities and the vicinities thereof, including facilities under construction, and to all data and documents describing current Operation and Maintenance Work affecting any Project facilities.

11.2 All books, records, reports and accounts maintained pursuant to this Agreement, related to District activities under this Agreement, shall be open to inspection and audit by LACOSAN upon demand during the life of this Agreement and for a period of four (4) years thereafter.

12. PARTICIPATION OF LACOSAN

12.1 LACOSAN is currently developing plans for its Northwest Wastewater Treatment Facility. The plans include utilization of the Pipeline and/or Project.

12.2 LACOSAN recognizes that the District's Project may need to proceed prior to LACOSAN's determination of participation. LACOSAN reserves the right to participate in District's Project/Pipeline in stages, phases, or in the entire project.

12.3 LACOSAN may at any time in the future transport Effluent via the District's Pipeline. LACOSAN's percent of participation will be determined at the time LACOSAN elects to join the Project. District will provide a no cost easement for LACOSAN's pump station and associated equipment at the District's Treatment Facility.

12.4 If LACOSAN joins the Project with the District, this participation will be by separate Agreement.

13. INDEMNIFICATION-HOLD HARMLESS

District shall indemnify and defend LACOSAN and its officers, employees, and agents against and hold them harmless from any and all claims losses, damages, and liability for damages, including attorney's fees and other costs of defense incurred by LACOSAN, whether for damage to or loss of property, or injury to or death of person, including properties of LACOSAN and injury to or death of LACOSAN officials, employees or agents, arising out of, or connected with District's operations hereunder or the performance of the work described herein, unless such damages, loss, injury or death is caused solely by the negligence of LACOSAN.

14. ASSIGNMENT

District shall not assign any interest in this Agreement and shall not transfer any interest in the same without the prior written consent of LACOSAN, except that claims for money due or to become due District from LACOSAN under this Agreement may be assigned by District to a bank, trust company, or other financial institution without such approval, written notice of any such transfer shall be furnished promptly to LACOSAN. Any attempt at assignment of right under this Agreement except for those specifically consented to by both parties or as stated above shall be void.

15. INDEPENDENT DISTRICT

It is specifically understood and agreed that in the making and performance of this Agreement, District is an independent and separate District and is not an employee, agent, or servant of LACOSAN.

16. MODIFICATION

This Agreement may only be modified by a written amendment hereto, executed by both parties, however, matters concerning operation and maintenance may be modified by mutual written consent of District and LACOSAN executed by Special Districts Administrator.

17. NON-DISCRIMINATION IN EMPLOYMENT

No Party to this Agreement shall unlawfully discriminate against any qualified worker or firm because of race, religious creed, color, sex, national origin, ancestry, physical disability, mental disability, medical condition, marital status or age (over 40).

18. ATTORNEY'S FEES AND COSTS

If any action at law or in equity is necessary to enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to reasonable attorney's fees, costs, and necessary disbursements in addition to any other relief to which such party may be entitled.

19. COPIES OF PLANS TO LACOSAN

Copies of all non-proprietary reports, drawings, renderings, or other documents or material prepared by District for the Project hereunder shall be provided to LACOSAN. District shall consult with LACOSAN prior to District's final approval of plans and specifications for Project.

20. SEVERABILITY

If any provision of this Agreement is held to be unenforceable, the remainder of this Agreement shall be severable and not affected thereby.

21. NOTICES

All notices that are required to be given by one party to the other under this Agreement shall be in writing and shall be deemed to have been given if delivered personally or enclosed in a properly addressed envelope and deposited with a United States Post Office for delivery by registered or certified mail addressed to the parties at the following addresses, unless such addresses are changed by notice, in writing, to the other party:

Steve Brodnansky, Special Districts Administrator
LAKE COUNTY SANITATION DISTRICT
230 A Main Street
Lakeport, California 95453

BOARD OF DIRECTORS
CLEARLAKE COUNTY WATER DISTRICT
P.O. Box 709
Clearlake Oaks, California 95423

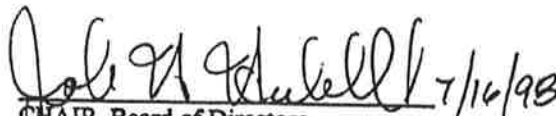
22. ADDITIONAL PROVISIONS

This Agreement shall be governed by the laws of the State of California. It constitutes the entire agreement between the parties regarding its subject matter. This Agreement supercedes all proposals, oral and written, and all negotiations, conversations or discussions heretofore and between the parties related to the subject matter of this Agreement.

LAKE COUNTY SANITATION DISTRICT

CLEARLAKE OAKS COUNTY WATER
DISTRICT


CHAIR, Board of Directors

 7/16/98
CHAIR, Board of Directors

ATTEST: Kelly F. Cox

Clerk of the Board of Supervisors



ATTEST: Ellen Pierson
Auditor/Secretary

By: Gorgio Hunt

RISK MANAGEMENT:

By: _____

Ellen Pearson

APPROVED AS TO FORM:
Cameron L. Reeves, County Counsel

Cameron L. Reeves

Exhibit "A"

SE Geysers Effluent Pipeline Operations and Maintenance Budgeted costs- FY 1998/1999

Administration	40,355
Debt Service	49,832
Operations	311,005
Inspections & Maintenance	283,176
Insurance	14,300
Miscellaneous	10,000
Subtotal (Non-Electricity)	\$ 708,468
Electricity	
Lake Intake	195,000
SERWTP	674,500
Bear Canyon	705,500
Total	\$ 2,283,468

Geysers Pipeline's projected average total flow: 6,000

CALCULATION OF DISTRICT'S CONTRIBUTION TO O&M COSTS

Geysers Pipeline's Non-Electricity Annual O&M Budget:	\$ 708,468
District's projected average flow:	652 gpm
District's flow as a percent of projected total flow:	10.9 %
District's 10.9% equivalent contribution to Geysers Pipeline's Non-Electricity Annual O&M costs:	\$ 77,223
Projected Lake Intake Electricity Savings	(38,500)
District's Annual O&M contribution	\$ 38,723

The district's projected annual O&M contribution for Effluent disposal is agreed to be \$38,723 for the fiscal year beginning the first day of July, 1998, with that amount to be proportionately reduced to compensate for the delay until the District commences Effluent delivery to LACOSAN. The District's annual O&M contribution is to be determined for each budget year thereafter by re-calculation the District's projected average flow as a percent of the Geysers Pipeline's projected total flow (minimum 5,000 gpm), multiplied by the amount of the Geysers Pipeline's Non-Electricity Annual O&M Budget for that fiscal year, less the projected Lake Intake electricity savings that are attributable to the District's projected Effluent disposal for that fiscal year.

avg 422.3 y7 Data

223,000,000 annual waste
 342,000,000 LACOSAN Avg for
 120,000,000 overbilled