

JOINT EXERCISE OF POWERS AGREEMENT FOR THE  
MIDDLE FORK PROJECT FINANCE AUTHORITY

THIS AGREEMENT (this "Joint Exercise of Powers Agreement") is dated as of January 10, 2006, by and between the County of Placer, a political subdivision duly organized and existing under the laws of the State of California (the "County"), and the Placer County Water Agency, a public agency duly organized and existing pursuant to the Placer County Water Agency Act (California Statutes 1957, Chapter 1234 as amended) (the "Agency"):

WITNESSETH:

WHEREAS, the Agency and the County through the Placer County Water Agency Act are responsible for approving new contracts for the sale of electrical energy from the Middle Fork American River Hydroelectric Project (MFP) and the spending of revenue there from for the benefit of the people of Placer County. Section 7.3 of the Agency Act provides in part: "No contract for the sale of electrical energy shall be executed, nor shall any revenues received pursuant to any contract for the sale of electrical energy entered into after January 1, 1975, be spent, unless previously approved by the board of supervisors of the county."; and,

WHEREAS, the Agency and the County each serve all of the people of Placer County exclusively, and the jurisdictional boundaries of the Agency and the County are coterminous, and as such the Agency and the County desire to pursue opportunities related to the MFP for the benefit of their common constituents; and,

WHEREAS, the Agency owns and operates the MFP pursuant to license no. 2079 issued by the Federal Energy Regulatory Commission (FERC) on March 13, 1963. This license is due to expire on February 28, 2013. It is in the interests of both the County and the Agency, as well as the landowners and inhabitants of Placer County, that the Agency acquire and be granted a new FERC license when the current license expires so that the Agency can continue to own and operate the Project to provide water, hydroelectric power, recreation and other benefits for the people of Placer County. In order to obtain such a new license, the Agency needs to conduct a variety of procedures, studies and negotiations with interested stakeholders and make improvements and modifications to its power generation system; and,

WHEREAS, the Agency operates the MFP pursuant to the provisions of an existing Power Purchase Contract with Pacific Gas and Electric Company (PG&E) which is due to expire on February 28, 2013; and,

WHEREAS, the County and the Agency have incurred costs and will continue to incur costs in the pursuit of the purposes set forth herein and desire to have these costs financed through this Middle Fork Project Finance Authority; and,

WHEREAS, the County and the Agency from time to time undertake the financing and refinancing of such public purposes of the County and the Agency as are set forth herein, and the County and the Agency wish to form a joint powers authority under the Joint Exercise of Powers

Law of the State of California (constituting Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California) for the purpose of establishing a vehicle which may reduce local borrowing costs and promote the greater use of financial instruments and mechanisms.

NOW, THEREFORE, in consideration of the above premises and of the mutual promises herein contained, the County and the Agency do hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01 Definitions: Unless the context otherwise requires, the words and terms defined in this Article shall, for the purpose hereof, have the meanings herein specified.

“Act” means Articles 1 through 4 (commencing with section 6500) of Chapter 5, Division 7, Title 1 of the California Government Code of the State of California.

“Agreement” means this Joint Exercise of Powers Agreement, as originally entered into or as amended from time to time.

“Agency” means the Placer County Water Agency.

“Agency Act” means the Placer County Water Agency Act, Stats. 1957, c. 1234, as amended.

“Agency Board of Directors” means the Board of Directors of the Placer County Water Agency.

“Annual Budget” means a plan of financial operations reported through a system and structure of accounts, which detail the planned and expected expenditures and revenues for a given fiscal year.

“Annual Expenditure Draw Schedule” means a schedule outlining the expected amounts and dates of expenditures for the fiscal year reflecting cash requirements for the Annual Budget.

“Authority” means the Middle Fork Project Finance Authority established pursuant to Section 2.02 of the Agreement.

“Bond Law” means the Marks-Roos Local Bond Pooling Act of 1985, being Article 4 of the Act (commencing with section 6584), as now or hereafter amended.

“Board of Directors” or “Board” means the Board of Directors of the Middle Fork Project Finance Authority referred to in Section 2.03, which shall be the governing body of the Authority.

“Board of Supervisors” means the Board of Supervisors of the County of Placer.

“Bonds”, means bonds, notes or other obligations of the Authority issued pursuant to the Bond Law or pursuant to any other provision of law which may be used by the Authority for the authorization and issuance of bonds, notes or other obligations to finance or refinance costs, including but not limited to studies, procedures, improvements and modifications to the Agency’s Middle Fork Project.

“Directors” mean the representatives of the County and the Agency constituting the Board of Directors pursuant to Section 2.03.

“Executive Director” means the Executive Director of the Authority appointed pursuant to Section 3.02.

“Fiscal Year” shall be the same as the calendar year, the period from January 1 to and including December 31.

“Future Electrical Energy Sales” means any sale of electrical energy or related services entered into by the Agency after the approval of the Authority.

“Middle Fork Project” or “MFP” means the Agency’s Middle Fork American River Hydroelectric Project, which presently is and will continue to be owned and operated by the Agency pursuant to FERC Project No. 2079 and any new license granted to the Agency by FERC.

“Parties” means the Agency and the County collectively.

“Secretary” means the Secretary of the Authority appointed pursuant to Section 3.03.

“Treasurer” means the Treasurer of the Authority appointed pursuant to Section 3.04.

## ARTICLE II

### GENERAL PROVISIONS

Section 2.01 Purpose: The purpose of this Agreement is to establish an Authority to serve the mutual interests of the County and the Agency, exclusively, to provide for the financing of studies, programs, procedures, projects, services, improvements, modifications, and other costs that may be required to obtain a new FERC license or which may be completed under the current or subsequent FERC license of the MFP by the Agency, to approve Future Electrical Energy Sales, and to distribute the revenues from Future Electrical Energy Sales.

Section 2.02 Creation of Authority: Pursuant to the Act, there is hereby created a public entity to be known as the “Middle Fork Project Finance Authority”. The Authority shall

be a public entity separate and apart from the County and the Agency, and shall administer this Agreement.

Section 2.03 Board of Directors: A Board of Directors consisting of four (4) Directors shall administer the Authority, unless and until such number is changed by amendment of this Agreement. The Board shall be known as the "Board of Directors of the Middle Fork Project Finance Authority". The persons duly elected or appointed from time to time (or the designee, if applicable) to the following positions shall be the members of and shall constitute the Board:

- (a) Two members of the Placer County Board of Supervisors selected by the Board of Supervisors; and,
- (b) Two members of the Board of Directors of the Placer County Water Agency selected by the Agency Board of Directors.
- (c) The Agency Board of Directors and the County Board of Supervisors may each designate an alternate from their respective Boards who shall have the full authority to act in the absence of a designated representative to the Authority Board.

Section 2.04 Meetings of the Board:

- (a) Regular Meetings: The Board shall provide for its regular meetings; provided, however, that at least one regular meeting shall be held each year. The date, hour and place of the holding of regular meetings shall be fixed by resolution of the Board and a copy of such resolution shall be filed with the County and the Agency.
- (b) Special Meetings: Special meetings of the Board may be called in accordance with the provisions of section 54956 of the Government Code of the State of California.
- (c) Call, Notice and Conduct of Meetings: All meetings of the Board, including without limitation, regular, adjourned regular and special meetings, shall be called, noticed, held and conducted in accordance with the provisions of the Ralph M. Brown Act of the Government Code of the State of California.

Section 2.05 Minutes: The Secretary shall cause minutes to be kept of the meetings of the Board and shall, as soon as possible after each meeting, cause a copy of the minutes to be forwarded to each Director, the Executive Director, and to the County, and to the Agency.

Section 2.06 Voting: All voting power of the Authority shall reside in the Board and each Board member shall have one vote.

Section 2.07 Quorum; Required Votes; Approvals: Directors holding a majority of the votes shall constitute a quorum for the transaction of business (3 Directors constitute a quorum so long as there are only 4 total), except that less than a quorum may adjourn from time to time. The affirmative votes of at least three of the Directors present at any meeting at which a quorum is present shall be required to take any action by the Board.

Section 2.08 Bylaws: The Board may adopt, from time to time, such bylaws, rules and regulations for the conduct of its meetings as are necessary for the purposes hereof.

Section 2.09 Dispute Resolution: In the event that the Board is deadlocked on any issue, including approval of the Authority's budgets, the issue will be referred to both full Boards of the Agency and the County for resolution. Those Boards shall mutually select a third party arbitrator, funded in equal portions by the Parties to conduct an advisory arbitration. The arbitrator shall make a recommendation to each Board on the disputed issue. If either Board rejects the recommended resolution, it shall do so during a public hearing, and shall, at the conclusion of that hearing, make written findings of fact as to why the recommended resolution was not accepted. Any dispute not resolved by the two Boards shall be referred by the two Boards for binding arbitration pursuant to the provisions of Title 9 of Part 3 of the California Code of Civil Procedure (Section 1280 et. seq.). If a final decision determines that too much money was allocated to the Agency under the first priority in Section 6.04(a), the Agency shall refund that amount to the Authority out of the funds subsequently allocated to the Agency under the third priority in Section 6.04(a).

Section 2.10 MFP System: The Agency shall continue to own, manage, operate and maintain the MFP. The MFP shall be operated in conformance with the FERC license, all other regulatory requirements and any power sale contract requirements. The first priority in the operation of the MFP shall be to provide a reliable supply of water from the MFP to the lands and inhabitants of Placer County while generating revenues from the sale of electrical energy sufficient to pay debt service on Bonds. The second priority shall be to maximize the revenues from the sale of electrical energy. The third priority shall be the sale of water, to water customers outside of Placer County. It is understood by the Parties that revenue from the sale of water from the MFP by the Agency shall not be used to support the operations and maintenance costs of the MFP. It is further understood by the Parties that as provided for in the Agency Act, the Agency, with the prior approval of the Authority, shall enter into contracts for the sale of future electrical energy and related services. The revenue from the sale of future electrical energy contracts and related services shall be payable directly to the Authority for deposit into the Authority's bank account and the Authority shall distribute those revenues as provided in Article VI of this Agreement.

### ARTICLE III

#### OFFICERS AND EMPLOYEES

Section 3.01 Chair, Vice-Chair: The Board shall elect a Chair and Vice-Chair from among the Directors. These officers shall perform the duties normal to said offices. Unless

otherwise provided by the Board, the Chair shall sign all contracts on behalf of the Authority, and shall perform such other duties as may be imposed by the Board. The Vice-Chair shall sign contracts and perform all of the Chair's duties in the absence of the Chair.

Section 3.02 Executive Director: The Agency General Manager, or the General Manager's designee, shall serve as the Executive Director. The Executive Director shall administer the day-to-day affairs of the Authority and shall execute the policies and directives of the Board.

Section 3.03 Secretary: The County Executive Officer, or the County Executive Officer's designee, shall serve as the Secretary. The Secretary shall countersign all contracts signed by the Chair or Vice-Chair on behalf of the Authority, shall have the duties and obligations set forth in Section 2.05 of this Agreement, and perform such other duties as may be imposed by the Board, cause a copy of this Agreement to be filed with the Secretary of State pursuant to the Act and the Secretary shall have charge of, handle and have access to all other records of the Authority.

Section 3.04 Treasurer: Pursuant to section 6505.6 of the Act, the Placer County Water Agency Director of Finance is hereby designated as the Treasurer of the Authority. The Treasurer shall be the depository, shall have custody of all of the accounts, funds and money of the Authority from whatever source, shall have the duties and obligations set forth in sections 6505 and 6505.5 of the Act and shall assure accountability of all funds and reporting of all receipts and disbursements of the Authority. As provided in section 6505 and section 6505.6 of the Act, the Treasurer shall make arrangements with a certified public accountant or firm of certified public accountants for the annual audit of accounts and records of the Authority. Pursuant to section 6505.1 of the Act, the Treasurer shall have charge of, handle and have access to any property of the Authority.

Section 3.05 Bonding Persons Having Access to Records: From time to time, the Board may designate persons, in addition to the Executive Director, the Secretary and the Treasurer, having charge of, handling or having access to any records, funds or accounts of the Authority, and the respective amounts of the official bonds of the Executive Director, the Secretary and the Treasurer and such other persons pursuant to section 6505.1 of the Act.

Section 3.06 Legal Advisor: The Counsel for the Agency shall act as the legal advisor of the Authority, and shall perform such duties as may be prescribed by the Board.

Section 3.07 Employees, Consultants and Contractors: The Board shall have the power by resolution to appoint and employ such other employees, consultants and independent contractors as may be necessary for the purposes of this Agreement.

All of the privileges and immunities from liability, exemption from laws, ordinances and rules, all pension, relief, disability, workers' compensation and other benefits which apply to the activities of officers, agents, or employees of a public agency when performing their respective functions shall apply to the officers, agents or employees of the Authority to the same degree and

extent while engaged in the performance of any of the functions and other duties of such officers, agents or employees under this Agreement.

None of the officers, agents, or employees directly employed by the Board shall be deemed, by reason of their employment by the Board to be employed by the County or the Agency or, by reason of their employment by the Board, to be subject to any of the requirements of the County or the Agency. The Board may adopt and implement such personnel rules and compensation plans, as it deems appropriate for its direct employees, consultants and contractors.

Section 3.08 Assistant Officers: The Board may by resolution provide for the appointment of additional officers of the Authority who may or may not be Directors, as the Board shall from time to time deem appropriate.

## ARTICLE IV

### POWERS

Section 4.01 General Powers: The Authority shall exercise in the manner herein provided the powers of each of the County and the Agency as necessary to the accomplishment of the purposes of this Agreement, subject to the restrictions set forth in Section 4.04. As provided in the Act, the Authority shall be a public entity separate from the County and the Agency.

Section 4.02 Power to Issue Bonds: The Authority shall have all of the powers provided in the Act and in the Bond Law, including the power to issue Bonds thereunder.

Section 4.03 Specific Powers: The Authority is hereby authorized, in its own name, to do all acts necessary for the exercise of the foregoing powers, including but not limited to, any or all of the following:

- (a) To make and enter into contracts and agreements;
- (b) To employ agents, employees, consultants or contractors;
- (c) To sue and be sued in its own name;
- (d) To issue Bonds and otherwise to incur debts, liabilities or obligations and to provide for repayment thereof;
- (e) To review and approve the Annual Budget submitted by the Agency, and to make appropriations and expenditures for the purposes hereof;
- (f) To transfer money consistent with the Annual Budget to the County or the Agency for the purposes hereof;

- (g) To review and approve contracts for the sale of electrical energy or related services from the MFP prior to Agency execution of those contracts.
- (h) To apply for, accept, receive and disburse grants, loans and other aids from any agency of the United States of America or of the State of California;
- (i) To invest any money held by the Treasurer on behalf of the Authority pursuant to section 6505.5 of the Act which is not required for the immediate necessities of the Authority, as the Authority determines is advisable, in the same manner and upon the same conditions as local agencies, pursuant to section 53601 of the Government Code of the State of California;
- (j) To carry out and enforce all the provisions of this Agreement;
- (k) To make and enter into agreements, assignments and other documents of any nature whatsoever as may be necessary or convenient in the exercise of its powers hereunder or under the Act or the Bond Law;
- (l) To exercise any and all other powers as may be provided in the Act or in the Bond Law.
- (m) To distribute the revenues from the sale of Future Electrical Energy Sales pursuant to Article VI of this Agreement.

Section 4.04 Restrictions on Exercise of Powers: The powers of the Authority shall be exercised in the manner provided in the Act and in the Bond Law; and, except for those powers set forth in the Bond Law, shall be subject (in accordance with section 6509 of the Act) to the restrictions upon the manner of exercising such powers that are imposed upon the Agency in the exercise of similar powers.

Section 4.05 Obligations of Authority: The debts, liabilities and obligations of the Authority shall not be the debts, liabilities and obligations of the County or the Agency.

## ARTICLE V

### METHODS OF PROCEDURE

Section 5.01 Assumption of Responsibilities by the Authority: As soon as practicable after the date of execution of this Agreement, the Directors shall give notice (in the manner required by Section 2.04) of the organizational meeting of the Board. At said meeting the Board



shall provide for its regular meetings as required by Section 2.04 and elect a Chair and Vice-Chair.

Section 5.02 Delegation of Powers: The County and the Agency hereby delegate to the Authority the power and the duty necessary to carryout the purposes hereof.

## ARTICLE VI

### CONTRIBUTION; EXPENDITURES; ACCOUNTS AND REPORTS; FUNDS

Section 6.01 General: This agreement is intended to apply to two distinct time periods: prior to the termination of the existing Power Purchase Contract with PG&E in 2013; and after the termination of the existing Power Purchase Contract with PG&E. Prior to 2013 PG&E is responsible to fund the cost of the operation and maintenance and debt service of the MFP and there will be no net revenue from the sale of electrical energy available to the Authority. Therefore, the parties will be looking to the Authority primarily to provide sufficient funds through the issuance of public debt for the Agency's relicensing effort, including reimbursement of Agency and County relicensing expenses incurred prior to the formation of the Authority, and potentially for betterment projects that are determined to be necessary for the Agency to accept a new license for the MFP in 2013. The security for this debt will be future revenues from the sale of energy, or alternatively, the power generation assets of the MFP, which are expected to begin providing revenue to the Authority sufficient to cover the cost of operations, maintenance and debt service after new agreements for the sale of the electrical energy are entered into by the Agency after the termination of the existing Power Purchase Contract with PG&E.

After the expiration of the existing Power Purchase Contract with PG&E in 2013 the Authority will assume an additional role which is to fulfill the obligations of the Agency and the County under the Agency Act to jointly approve any Future Electrical Energy Sales or Contracts and to jointly approve the expenditure of funds received from the sale of electrical energy from the MFP. The Authority is thus charged with the responsibility to allocate the revenue received from the sale of electrical energy from the MFP to assure that there is sufficient funding made available to the Agency to meet its responsibilities to operate and maintain the MFP in a manner that assures the continuation of the benefits of the MFP to the residents of Placer County in perpetuity, to repay any debts that the Authority may owe, and then to distribute any net revenues to the County and the Agency in the manner provided herein.

Section 6.02 Contributions: With the approval of this Agreement, the County and the Agency commit to the Authority, in trust, all future revenues from the sale of energy from the MFP received subsequent to the termination of the existing Power Purchase Contract with PG&E or should the Agency not be granted a new license by FERC, the Agency commits to the Authority, in trust, all future revenues from the sale or lease of any of the MFP facilities for generation of electrical energy up to the amount needed to retire any debt incurred by the Authority for financing the efforts of the County and the Agency to relicense the MFP.

The County and the Agency may also in the appropriate circumstance when required hereunder: (a) make contributions from their own funds for the purposes set forth herein, (b) make payments of public funds to defray the cost of such purposes, (c) make advances of public funds for such purposes, such advances to be repaid as provided herein, or (d) use their personnel, equipment or property in lieu of other contributions or advances. The provisions of Government Code section 6513 are hereby incorporated into this Agreement by reference.

Section 6.03 Expenditures – Prior to the expiration of the existing Power Purchase Contract with PG&E in 2013:

(a) Pre-2013 Annual Budget: The Agency, in consultation with the County, shall annually prepare/update and submit to the Authority for its review and approval a budget for relicensing activities and for reimbursements and betterment projects, if any. The budget shall include funding necessary for current-year planned expenses and estimates of future year expenditures through the completion of the license process. The budget shall identify amounts for consulting or construction contracts which span more than one fiscal year. Each annually submitted budget shall include an actual vs. budgeted comparison for the prior fiscal year.

Once the Annual Budget is approved by the Authority, funds for the so approved current year expenses and multi-year contracts shall be appropriated and encumbered for those designated purposes and the expenditure of those funds shall be deemed authorized and the Authority shall distribute those funds as expenses are incurred for the purposes indicated. The Authority is authorized and directed to raise the funds necessary to fund approved projects through the issuance of Bonds payable from revenue from Future Electrical Energy Sales or revenue from the sale or lease of any of the MFP facilities.

Section 6.04 Expenditures – After the expiration of the existing Power Purchase Contract with PG&E in 2013:

(a) Expenditure Priorities: Expenditures of revenue from the sale of electrical energy by the Authority shall be consistent with the following ordered list of spending priorities:

First: Basic operation and maintenance of the MFP. This shall include all activities necessary to keep the MFP in operation consistent with prudent utility practices, including compliance with all contract and regulatory requirements, the maintenance of prudent operating reserves, and the repayment of any debt incurred by the Authority.

Second: Additions and betterments. This shall include MFP major improvement projects, and the funding of emergency reserves and project sinking fund accounts for future replacements. This shall include expenditures and projects necessary for the long term operational and financial stability of the MFP but which in any given year could be postponed if necessary due to insufficient funds.

Third: Equal distribution to the County and the Agency of all remaining power revenues after funding of the priorities listed above.

(b) Annual Budget: The Agency, in consultation with the County, shall annually, on or before October 1 each year, prepare and submit to the Authority for its review a budget for the operation and maintenance of the Middle Fork Project. The budget shall include funding necessary for current-year planned expenses, estimates of future year expenditures for four years into the future and a forecast of electrical energy revenues for each year. The budget shall distinguish between planned expenditures for the basic operation and maintenance of the MFP, and for additions and betterment projects. The budget shall identify amounts for consulting or construction contracts which span more than one fiscal year.

Once a budget is approved by the Authority, funds for the so approved current year expenses and multi-year contracts shall be appropriated and encumbered for those designated purposes and the expenditure of those funds shall be deemed authorized and the Agency/County may request those funds as expenses are incurred for the purposes indicated and the Authority Treasurer may draw on such appropriated funds for payment to the Agency/County and for payment of obligations of the Authority that become due.

(c) Failure to Approve the Annual Budget: If the Authority fails to approve the Annual Budget by November 30 each year the matter shall be referred for dispute resolution as provided in Section 2.09.

While the dispute is pending resolution the Authority shall continue to fully appropriate and encumber funds for the basic operation and maintenance of the MFP, debt service, and to ensure the completion of any authorized consulting or construction contracts that will extend beyond the end of the current fiscal year as submitted as if the budget had been approved. However, if there is any dispute concerning any amount in the Annual Budget for additions and betterments, the amount in dispute shall be sequestered and shall not be distributed to the parties until the dispute has been resolved.

(d) Retained Funds: The Authority shall not retain any funds received from the sale of electrical energy longer than one year except as provided in this section. Those funds which the Authority receives that are not appropriated or encumbered under the Annual Budget, debt service, or sequestered pending resolution of a dispute, shall be distributed equally to the County and to the Agency.

Section 6.05 Annual Expenditure Draw Schedule: To facilitate the timely availability of funds to pay for MFP costs, the Agency, in consultation with the County, shall annually submit to the Board along with the Annual Budget an Annual Expenditure Draw Schedule noting the approximate dates and estimated amounts of expenditures for the coming fiscal year. The Annual Expenditure Draw Schedule shall be updated from time-to-time and provided to pertinent financial individuals to ensure that approved and encumbered funds can be made available as needed to pay project costs as needed.

Section 6.06 Accounts and Reports: To the extent not covered by the duties assigned to a trustee or agent chosen by the Authority, the Treasurer shall establish and maintain such funds and accounts as may be required by generally accepted accounting practices or by any provision of any resolution, indenture or trust agreement or other related documents entered into with respect to the proceeds of any Bonds issued by the Authority. The books and records of the Authority in the hands of a trustee or agent or the Treasurer shall be open to inspection at all reasonable times by representatives of the County and the Agency. The Treasurer, within 180 days after the close of each Fiscal Year, shall give a complete written report of all financial activities, including a copy of the annual audit as specified in Section 3.04 above, for such fiscal year to the County and the Agency to the extent such activities are not covered by the report of such trustee or agent. The trustee or agent appointed under any resolution, indenture or trust agreement or other related documents shall establish suitable funds, furnish financial reports and provide suitable accounting procedures to carry out the provision of sale resolution, indenture or trust agreement or other related documents entered into with respect to the proceeds of any Bonds issued by the Authority. Said trustee or agent may be given such duties in said resolution, indenture or trust agreement as may be desirable to carry out this Agreement.

Section 6.07 Funds: Subject to the applicable provisions of any instrument or agreement which the Authority may enter into, which may provide for a trustee to receive, have custody of and disburse Authority funds, the Treasurer of the Authority shall receive, have custody of and disburse Authority funds in accordance with generally accepted accounting practices, and shall make the disbursements required by this Agreement or to carry out any of the provisions or purposes of this Agreement.

## ARTICLE VII

### TERM

Section 7.01 Term: This Agreement shall become effective, and the Authority shall come into existence, as of the date first set forth above, and this Agreement and the Authority shall thereafter continue in full force and effect at least so long as any Bonds or other debt remain outstanding.

Section 7.02 Termination of the Authority: Either party may terminate the Authority after the full retirement of the Authority's debt, upon 6 months notice. Either party may fund the retirement of the Authority's debt for the purpose of terminating the Authority. However, the parties recognize that beyond the financing of the MFP re-licensing, this agreement provides an orderly mechanism for meeting requirements of the Agency Act, as stated under the first WHEREAS of this Agreement, and this Agreement may also provide an efficient mechanism for accomplishing other matters of common importance throughout the duration of the FERC license.

Section 7.03 Disposition of Assets: Upon termination of this Agreement, all property of the Authority, both real and personal, shall be divided among the parties hereto in such manner as shall be agreed upon by the parties.

ARTICLE VIII

MISCELLANEOUS PROVISION

Section 8.01 Notices: Notices hereunder shall be in writing and shall be sufficient if delivered to:

Placer County  
175 Fulweiler Avenue, Room 206  
Auburn, CA 95603  
Attention: County Executive Officer

Placer County Water Agency  
144 Ferguson Road  
P.O. Box 6570  
Auburn, CA 95604  
Attention: Agency General Manager

Section 8.02 Section Headings: All section headings in this Agreement are for convenience of reference only and are not to be construed as modifying or governing this language in the section referred to or to define or limit the scope of any provision of this Agreement.

Section 8.03 Consent: Wherever in this Agreement any consent or approval is required, the same shall not be unreasonably withheld.

Section 8.04 Law Governing: This Agreement is made in the State of California under the constitution and laws of the State of California, and is to be so construed.

Section 8.05 Amendments: This Agreement may be amended at any time, or from time to time, except as limited by contract with the owners of Bonds issued by the Authority or by applicable regulations or laws of any jurisdiction having authority, by one or more supplemental agreements executed by both of the parties to this Agreement either as required in order to carry out any of the provisions of this Agreement or for any other purpose in pursuance or extension of the purposes of this Agreement.

Section 8.06 Enforcement by Authority: The Authority is hereby authorized to take any or all legal or equitable actions, including but not limited to injunction and specific performance, necessary or permitted by law to enforce this Agreement.

Section 8.07 Severability: Should any part, term or provision of this Agreement be decided by any court of competent jurisdiction to be illegal or in conflict with any law of the State of California, or otherwise be rendered unenforceable or ineffectual, the validity of the remaining portions or provisions shall not be affected thereby.

Section 8.08 Successors: This Agreement shall be binding upon and shall inure to the benefit of the successors of the County or the Agency, respectively. Neither the County nor the Agency may assign any right or obligation hereunder without the written consent of the other.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and attested by their proper officers thereunto duly authorized and their official seals to be hereto affixed, on the day and year set opposite the name of each of the parties.

PLACER COUNTY

  
Chairman

ATTEST;

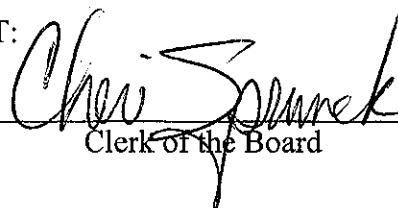
  
Clerk of the Board

(SEAL)

PLACER COUNTY WATER AGENCY

  
Chair

ATTEST:

  
Clerk of the Board

(SEAL)