

EXHIBIT A

DuPAGE WATER COMMISSION

**WATER PURCHASE AND SALE CONTRACT
Between
The DuPage Water Commission
and
Citizens Utilities Company of Illinois
FOR THE LIBERTY RIDGE EAST SYSTEM**

DATED: April 12, 2001

DuPAGE WATER COMMISSION
WATER PURCHASE AND SALE CONTRACT WITH
CITIZENS UTILITIES COMPANY OF ILLINOIS

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DuPAGE WATER COMMISSION
WATER PURCHASE AND SALE CONTRACT WITH
CITIZENS UTILITIES COMPANY OF ILLINOIS
FOR THE LIBERTY RIDGE EAST SYSTEM

This Water Purchase and Sale Contract, dated as of April 12, 2001, by and between the **DuPAGE WATER COMMISSION**, DuPage, Cook, and Will Counties, State of Illinois (the "Commission"), a county water commission and public corporation under Division 135 of Article 11 of the Illinois Municipal Code, 65 ILCS 5/11-135-1 et seq., and the Water Commission Act of 1985, 70 ILCS 3720/1 et seq. (collectively, the "Act"), and **CITIZENS UTILITIES COMPANY OF ILLINOIS**, a corporation duly organized and existing under the laws of the State of Illinois and a public utility within the meaning of Section 3-105 of the Public Utilities Act, 220 ILCS 5/1-101 et seq. ("Citizens Utilities"),

WITNESSETH:

WHEREAS, the Commission has been organized under the Act to supply water within its territorial limits; and

WHEREAS, Citizens Utilities owns and operates the waterworks system described in Exhibit A attached to this Contract (the "Liberty Ridge East System") which it desires to be served with water from the Commission; and

WHEREAS, Citizens Utilities has received from the State of Illinois Department of Natural Resources, Office of Water Resources, the successor to the responsibilities of the State of Illinois Department of Transportation, Division of Water Resources, a water allocation for the Liberty Ridge East System; and

WHEREAS, the Commission has entered into a contract with the City of Chicago to purchase Lake Michigan water sufficient to meet the water supply needs of the Commission and its customers (the "Chicago Contract"); and

WHEREAS, the Commission has issued and sold and further proposes to issue and sell Bonds (as defined in Section 2 below) from time to time during the term of this Contract in sufficient amounts for the payment of the costs of its project of acquiring, designing, constructing, and maintaining its Waterworks System (as defined in Section 2 below); and

WHEREAS, such Bonds have been and will be issued from time to time by the Commission pursuant to Bond Ordinances (as defined in Section 2 below) adopted by the Commission; and

WHEREAS, pursuant to the Act and Article VII, Section 10 of the Illinois Constitution of 1970, the Commission and Citizens Utilities are authorized to enter into this Contract; and

WHEREAS, Citizens Utilities recognizes that the Commission will incur certain additional costs in adding the Liberty Ridge East System to the Waterworks System; and

WHEREAS, by the execution of this Contract, Citizens Utilities is surrendering none of its rights to the ownership and operation of the Liberty Ridge East System, except as expressly provided for, and only to the limited extent so provided for, in this Contract, and the Commission is surrendering none of its rights to the ownership and operation of its Waterworks System, but each expressly asserts its continued right to operate such systems; and

WHEREAS, Citizens Utilities recognizes that the Commission may use this Contract as the basis, in part, for obtaining loans from time to time to be evidenced by the issuance of its Bonds; and for payment of the principal of and the premium, if any, and interest on such Bonds; and as the means for the payment of its maintenance and

operating expenses; and for such purposes as may be authorized by applicable statutes or required in any Bond Ordinance adopted by the Commission authorizing issuance of Bonds; and

WHEREAS, Citizens Utilities recognizes that the Commission may in the future enter into contracts with other customers; and

WHEREAS, Citizens Utilities recognizes that the Commission has represented and covenanted that its Bonds are not and will not become an issue of private activity bonds and that Citizens Utilities may therefore be restricted in its use of the Waterworks System;

NOW, THEREFORE, in consideration of the foregoing recitals and of the mutual covenants and agreements herein contained, the Commission and Citizens Utilities hereby agree as follows:

SECTION 1. PREAMBLES.

The preambles hereto are hereby incorporated herein by this reference and are made fully a part of this Contract.

SECTION 2. DEFINITIONS.

The following words and phrases shall have the following meanings when used in this Contract.

A. "Act" means Article 11, Division 135 of the Illinois Municipal Code, 65 ILCS 5/11-135-1 et seq., and the Water Commission Act of 1985, 70 ILCS 3720/1 et seq.

B. "Aggregate Costs" means Operation and Maintenance Costs, Fixed Costs, and Underconsumption Costs, collectively, as defined herein.

C. "Average Charter Customer Rate Per 1,000 Gallons" means Total Charter Customer Revenue divided by Total Charter Customer Use.

D. "Bond Ordinances" means all of the Commission's ordinances and resolutions under which the Commission has or will authorize the issuance of, or issue, Bonds.

E. "Bonds" means Revenue Bonds and Other Bonds.

F. "Capital Risk Factor Rate" means a water rate stated as dollars or cents per 1,000 gallons that is equal to 0.15 times the Average Charter Customer Rate Per 1,000 Gallons.

G. "Charter Customer Contract" means the Water Purchase and Sale Contract between the Commission and the Charter Customers dated as of June 11, 1986.

H. "Charter Customer Facilities" means all of the feeder mains, metering stations, and pressure adjusting stations constructed as of May 1, 1992, solely for the purpose of initially connecting the Charter Customers to the Waterworks System.

I. "Charter Customer Facilities Credit" means a credit intended to compensate Citizens Utilities for the portion of Fixed Costs that is attributable solely to the Charter Customer Facilities and in lieu of which Citizens Utilities pays its Connection Facilities Cost. For purposes of this Contract, and for so long as Citizens Utilities is entitled to receive its monthly Charter Customer Facilities Credit pursuant to this Contract, Citizens Utilities' monthly Charter Customer Facilities Credit shall be calculated by multiplying the portion of Citizens Utilities' monthly Fixed Costs payment due pursuant to Subsection 7B of this Contract for the Liberty Ridge East System that is attributable to the payment of debt service (principal, premium, if any, and interest) on

the Original Revenue Bonds times the factor of .4332, which approximates the portion of Fixed Costs attributable to the Charter Customer Facilities (See Exhibit F, Schedule 2).

J. "Charter Customers" means the units of local government (not including the Commission) that are parties to the Charter Customer Contract, excluding, however, any such unit of local government whose rights and obligations under such Contract have been terminated.

K. "Chicago Contract" means the Water Supply Contract, dated March 19, 1984, between the Commission and the City of Chicago, Illinois, as amended or supplemented from time to time.

L. "Citizens Utilities" means Citizens Utilities Company of Illinois.

M. "Citizens Utilities System" means the seven Unit Systems of Citizens Utilities described in the Illinois Commerce Commission Certificates of Public Convenience and Necessity listed in Exhibit C attached to this Contract as well as any extensions or improvements of those systems as may be approved by additional or amended Illinois Commerce Commission Certificates of Public Convenience and Necessity; provided, however, that no such Unit System shall be considered part of the "Citizens Utilities System" for purposes of this Contract unless and until, and then only to the extent that, it has been approved for delivery of Lake Water by the Illinois Commerce Commission.

N. "Commission" means the DuPage Water Commission, DuPage, Cook, and Will Counties, State of Illinois.

O. "Commission Connection Facilities" means the portions of the Waterworks System constructed by the Commission to initially connect the Liberty Ridge East

System to the existing Waterworks System, which facilities are depicted in the preliminary plans attached as Exhibit B-2 to this Contract, as such facilities may be relocated, replaced, extended, or improved from time to time. The Commission Connection Facilities include, among other items, a metering station, including pipelines and equipment appurtenant thereto, and SCADA System facilities attributable to the Liberty Ridge East System, including equipment appurtenant thereto.

P. "Connection Facilities" means the Liberty Ridge East System Connection Facilities and the Commission Connection Facilities.

Q. "Connection Facilities Cost" means the full actual cost incurred by the Commission in connection with (i) the design, bidding, contracting, managing, and actual construction, installation, removal, relocation, replacement, extension, or improvement of the Connection Facilities, including without limitation equipment required for the operation of the Connection Facilities and all administrative, financing, supervisory, inspection, engineering, surveying, and legal fees, costs, and expenses associated therewith; (ii) the acquisition and divestment of lands, easements, and rights of way over land and waters necessary for the construction, installation, removal, relocation, replacement, extension, and improvement of the Connection Facilities, and all administrative, title, surveying, and legal fees, costs, and expenses associated therewith; and (iii) the review and processing of plans and agreements for the construction, installation, removal, relocation, replacement, extension, and improvement of the Connection Facilities and in connection with the negotiation, preparation, consideration, and review of this Contract, including without limitation all legal, engineering, consulting, and administrative fees, costs, and expenses associated therewith.

R. "Contract" means this Water Purchase and Sale Contract!

S. "Contract Customers" means the Charter Customers, Citizens Utilities, and every other entity with whom the Commission has entered into, or may in the future enter into, a contract or agreement for the sale by the Commission of Lake Water to that entity, except only contracts and agreements providing for the delivery of Lake Water during times of emergency only.

T. "Fiscal Year" means the fiscal year of the Commission.

U. "Fixed Costs" means an amount sufficient at all times to pay the principal of and the premium, if any, and interest on any Revenue Bonds, to provide reserves required therefor, to provide an adequate depreciation fund for the Waterworks System, to comply with the covenants of all Revenue Bond Ordinances, and to pay reasonable capital costs necessary to carry out the corporate purposes and powers of the Commission; except as any of the above are included in Operation and Maintenance Costs.

V. "Full Water Requirements" means, as it applies to the Liberty Ridge East System, the amount of water necessary from time to time to meet the potable water requirements of all then current customers served by the Liberty Ridge East System, and, as it applies to other Contract Customers of the Commission, such Contract Customers' full water requirements as defined in their respective contracts with the Commission.

W. "Lake Water" means potable, filtered water drawn from Lake Michigan.

X. "Liberty Ridge East System" means the waterworks system described in the Illinois Commerce Commission Certificates of Public Convenience and Necessity listed in Exhibit A attached to this Contract as well as any extensions or improvements

of that system as may be approved by additional or amended Illinois Commerce Commission Certificates of Public Convenience and Necessity.

Y. "Liberty Ridge East System Connection Facilities" means those portions of the Liberty Ridge East System, lying downstream from the Point of Delivery, to be constructed pursuant to this Contract by Citizens Utilities at its expense to initially connect the existing Liberty Ridge East System to the Waterworks System, which facilities are depicted in the preliminary plans attached as Exhibit B-1 to this Contract, as such facilities may be relocated, replaced, extended, or improved from time to time. The Liberty Ridge East System Connection Facilities include, among other items, the pressure adjusting station described in Subsection 4A of this Contract and pipeline and equipment appurtenant thereto.

Z. "Minimum Take or Pay Requirement" means a requirement that a certain minimum amount of Lake Water from the Waterworks System will be taken or, if not taken, will be paid for by the customer on the same basis as if taken.

AA. "Missed Fixed Costs" means the total of the share of the Fixed Costs that would have been payable by Citizens Utilities at all times prior to the month in which Citizens Utilities first becomes obligated to make payments under Subsection 7B of this Contract if the Liberty Ridge East System had been a Charter Customer.

BB. "Operation and Maintenance Costs" means amounts payable by the Commission under the Chicago Contract, except Underconsumption Costs, and all expenses incurred in the administration, operation, and maintenance of the Waterworks System and the accumulation of reserves related to payment of said costs. Operation and Maintenance Costs in any month shall be at least equal to the amount required to

be deposited by the Commission in that month into the operation and maintenance funds or accounts created under all Revenue Bond Ordinances.

CC. "Original Revenue Bonds" means the Series 1987 Revenue Bonds, originally issued in the amount of \$200,000,000 pursuant to Ordinance No. O-1-87 adopted January 15, 1987, and the Series 1993 Water Refunding Revenue Bonds, originally issued in the amount of \$182,755,000 pursuant to Ordinance No. O-8-93 adopted April 8, 1993, and any other Revenue Bonds that may in the future be issued to refund or refinance all or any portion of the indebtedness represented by said Series 1987 and 1993 Revenue Bonds.

DD. "Other Bond Ordinances" means all of the Commissions ordinances and resolutions under which the Commission has or will authorize the issuance of, or issue, Other Bonds.

EE. "Other Bonds" means all of the Commission's debt obligations that are not Revenue Bonds, whether in the form of bonds, notes, or other evidences of indebtedness, in whatever original principal amount, together with any such additional non-revenue obligations authorized by statute to be issued by the Commission from time to time and refunding obligations issued to refund other such obligations.

FF. "Point of Delivery" means the point at which the Lake Water delivered to Citizens Utilities pursuant to this Contract leaves the Commission's Waterworks System and enters the Liberty Ridge East System. The Point of Delivery shall be a point in the water main connecting the Commission's metering station to Citizen Utilities' pressure adjusting station located downstream from the inside face of the outside wall or foundation of the Commission's metering station a distance of 10 feet or where such

be deposited by the Commission in that month into the operation and maintenance funds or accounts created under all Revenue Bond Ordinances.

CC. "Original Revenue Bonds" means the Series 1987 Revenue Bonds, originally issued in the amount of \$200,000,000 pursuant to Ordinance No. O-1-87 adopted January 15, 1987, and the Series 1993 Water Refunding Revenue Bonds, originally issued in the amount of \$182,755,000 pursuant to Ordinance No. O-8-93 adopted April 8, 1993, and any other Revenue Bonds that may in the future be issued to refund or refinance all or any portion of the indebtedness represented by said Series 1987 and 1993 Revenue Bonds.

DD. "Other Bond Ordinances" means all of the Commissions ordinances and resolutions under which the Commission has or will authorize the issuance of, or issue, Other Bonds.

EE. "Other Bonds" means all of the Commission's debt obligations that are not Revenue Bonds, whether in the form of bonds, notes, or other evidences of indebtedness, in whatever original principal amount, together with any such additional non-revenue obligations authorized by statute to be issued by the Commission from time to time and refunding obligations issued to refund other such obligations.

FF. "Point of Delivery" means the point at which the Lake Water delivered to Citizens Utilities pursuant to this Contract leaves the Commission's Waterworks System and enters the Liberty Ridge East System. The Point of Delivery shall be a point in the water main connecting the Commission's metering station to Citizen Utilities' pressure adjusting station located downstream from the inside face of the outside wall or foundation of the Commission's metering station a distance of 10 feet or where such

water main enters the outside face of the outside wall or foundation of Citizens Utilities' pressure adjusting station, whichever is closer to the Commission's metering station.

GG. "Prime Rate" means the base corporate rate of interest then most recently announced by the largest commercial bank, measured in terms of total assets, located and doing banking business in the State of Illinois, which rate may or may not be said bank's lowest rate of interest charged by said bank for extensions of credit to debtors. The effective date of any change in the Prime Rate shall, for purposes hereof, be the effective date stated in the public announcement of said bank.

HH. "Project" means any acquisition or construction for the provision of Lake Water related to the Waterworks System including initial acquisition and construction thereof and all future improvements or extensions, acquisition, construction, repair, or replacement thereof.

II. "Revenue Bond Ordinances" means all of the Commissions ordinances and resolutions under which the Commission has or will authorize the issuance of, or issue, Revenue Bonds.

JJ. "Revenue Bonds" means all of the Commission's debt obligations, including the Original Revenue Bonds, that are payable from the revenues of the Waterworks System, whether in the form of bonds, notes, or other evidences of indebtedness, in whatever original principal amount, together with any such additional revenue obligations authorized by statute to be issued by the Commission from time to time and refunding obligations issued to refund other such obligations.

KK. "SCADA System" means the Supervisory Control and Data Acquisition System of the Commission that provides an integrated control, communication, and security system for the Waterworks System, including data processing, management,

transfer, and exchange; central operation; system control and monitoring; and operator-machine interfacing.

LL. "Section 12(c)(iii) Amount" means the amount necessary, pursuant to Section 12(c)(iii) of the Charter Customer Contract, to recover the Missed Fixed Costs plus interest thereon from the time they would have been paid until the date Citizens Utilities first becomes obligated to make payments under Subsection 7B of this Contract, calculated at an annual interest rate equal to the greater of (i) the Prime Rate as of the effective date of this Contract plus one percent or (ii) 10 percent. The method of calculating such amount is illustrated in Exhibit F attached to this Contract.

MM. "Total Charter Customer Revenue" means all Fixed Costs payments and all Operation and Maintenance Costs payments, as those terms are defined in the Charter Customer Contract, made by the Charter Customers pursuant to the Charter Customer Contract for the Fiscal Year immediately prior to the year for which Citizens Utilities' Capital Risk Factor Rate pursuant to this Contract is being calculated.

NN. "Total Charter Customer Use" means the total amount of water, stated in thousands of gallons, actually delivered through the Waterworks System to the Charter Customers or the Full Water Requirements, as that term is defined in the Charter Customer Contract, of all Charter Customers, whichever is greater, for the Fiscal Year immediately prior to the year for which Citizens Utilities' Capital Risk Factor Rate pursuant to this Contract is being calculated.

OO. "Trustee" means a trustee provided in a Bond Ordinance.

PP. "Underconsumer" means, for any given year, a Contract Customer of the Commission that takes less Lake Water in such year than such Contract Customer's Water Allocation times 365 times the Underconsumption Ratio for such year.

QQ. "Underconsumption" means the amount by which the amount of Lake Water actually, taken by a Contract Customer of the Commission is less than the Underconsumption Ratio times such Contract Customer's Water Allocation times 365.

RR. "Underconsumption Costs" means any amount that the Commission is obligated to pay under the Chicago Contract solely by reason of failure to accept delivery of the minimum quantity of Lake Water that the Commission is obligated to purchase under the Chicago Contract.

SS. "Underconsumption Ratio" means, for any given year, (i) the minimum amount of Lake Water required to be taken by the Commission under the Chicago Contract divided by (ii) the sum of the Water Allocations of all Contract Customers of the Commission times 365.

TT. "Unit System" means any one of the seven waterworks systems, or combined waterworks and sewerage systems if any such system is combined for financing and accounting purposes, composing the Citizens Utilities System. The Unit Systems are shown on Exhibit C attached to this Contract.

UU. "Unit System Contracts" means this Contract and all similar contracts entered into by and between the Commission and Citizens Utilities for the purchase and sale of Lake Water to serve any Unit System.

VV. "Water Allocation" means, as it applies to other Contract Customers of the Commission, such Contract Customers' water allocation as defined in their respective contracts with the Commission, and, as it applies to Citizens Utilities for the Liberty Ridge East System, the sum of Citizens Utilities' allocations and allowable excesses from time to time of Lake Water for the Liberty Ridge East System pursuant to the Level of Lake Michigan Act, as amended from time to time (See the State of Illinois

Department of Transportation, Division of Water Resources Decision on 1989 Allocation Review, Order No. LMO 89-2 and subsequent orders of the State of Illinois Department of Transportation, Division of Water Resources, or the successor to its responsibilities, the State of Illinois Department of Natural Resources, Office of Water Resources); and such other amounts of Lake Water as Citizens Utilities may lawfully take for the Liberty Ridge East System. At any time when the Full Water Requirements of the Liberty Ridge East System shall exceed the Water Allocation for the Liberty Ridge East System, then "Water Allocation" shall mean the Full Water Requirements of the Liberty Ridge East System for all purposes of this Contract.

WW. "Waterworks System" means all the Commission's facilities, including land; easements; rights-of-way over lands and waters; pumping facilities, storage facilities, metering stations, and other facilities; mains; and pipelines acquired and used for the purposes of providing and transmitting Lake Water from the City of Chicago's water supply system to the Commission's customers. The Liberty Ridge East System Connection Facilities are not part of the Waterworks System.

SECTION 3. WATER SUPPLY.

A. Agreement to Sell and Purchase. Subject to Section 17 and all other provisions of this Contract, the Commission shall sell to Citizens Utilities and Citizens Utilities shall purchase from the Commission an amount of Lake Water necessary from time to time to serve the Liberty Ridge East System's Full Water Requirements. The Commission's obligation to Citizens Utilities to deliver Lake Water hereunder shall be limited, however, to:

1. A maximum annual amount equal to the Liberty Ridge East System's then current Water Allocation times 365; and

2. A maximum rate of Lake Water to the Liberty Ridge East System in any one hour equal to 1.7 times the Liberty Ridge East System's then current Water Allocation divided by 24.

B. Beginning of Obligations to Deliver and Receive Lake Water. The Commission shall be obligated to deliver Lake Water to the Liberty Ridge East System and Citizens Utilities shall be obligated to receive at the Liberty Ridge East System Lake Water delivered by the Commission immediately after completion of construction of the Connection Facilities and the water storage capacity required pursuant to Subsection 4C of this Contract; provided, however, that Citizens Utilities shall have the right to receive Lake Water pursuant to this Contract prior to the completion of construction of the aforesaid water storage capacity if (i) Citizens Utilities has entered into, and the Commission has approved, a valid and binding contract for construction of such required water storage capacity; and (ii) actual construction of such required water storage capacity pursuant to such contract has begun and is proceeding in the regular course to completion; and (iii) Citizens Utilities is maintaining and operating the wells of the Liberty Ridge East System as an alternate to such required storage capacity pursuant to procedures approved by the Commission.

C. Limits on Supply. The Commission shall use its best efforts to furnish Lake Water to Citizens Utilities as hereinabove provided, but Citizens Utilities acknowledges and agrees that the Commission's obligation hereunder is limited by:

1. The amount of Lake Water from time to time available to the Commission;
and

2. Provisions in contracts between the Commission and its Charter Customers and other customers related to curtailment and other limits on supply of Lake Water; and

3. The capacity of the Waterworks System; and

4. Ordinary transmission loss, including standard metering error, between the Commission's source of supply and the Point of Delivery to the Liberty Ridge East System; and

5. The provisions of Section 17 of this Contract.

D. Additional Subsequent Customers. Citizens Utilities acknowledges that the Commission may enter into contracts for the sale by the Commission of Lake Water to Contract Customers other than the Charter Customers and Citizens Utilities. In the event that the Commission is required to limit its delivery of Lake Water to certain Contract Customers pursuant to the provisions of Section 17 of this Contract or any similar provision of any other water purchase or sale contract, then such curtailment shall be accomplished first by limiting the supply of Lake Water to the last such Contract Customer to have entered into a contract with the Commission, as determined by the date of execution of such contract, and then by limiting the supply of Lake Water to the penultimate such Contract Customer, and so on until the provisions of said Section 17 or any similar provision of any other water purchase or sale contract are fulfilled. It is the intent of this Subsection 3D that the longest-term Contract Customers of the Commission shall be the last to be curtailed under the circumstances stated in this Subsection 3D, in order of seniority of such Contract Customers' contracts. For purposes of this Contract, the Commission and Citizens Utilities acknowledge that Citizens Utilities, in its role as owner and operator of the Liberty Ridge East System, is

the sixth non-Charter Customer with whom the Commission has entered into a water purchase and sale contract.

E. Emergency or Maintenance Turn-Off. The Commission undertakes to use reasonable care and diligence to provide a constant supply of Lake Water as herein provided for, but reserves the right at any time to turn off the flow of Lake Water in its mains for emergency and maintenance purposes. The Commission shall give notice not less than 48 hours in advance of any turn-off for maintenance purposes and it shall give such notice as is reasonable under the particular circumstances of any turn-off for emergency purposes.

F. Curtailment; Emergency Use of Other Sources. Except as provided in Subsection 3D above, if it becomes necessary for the Commission to limit its delivery of Lake Water to its customers for any reason, Citizens Utilities shall be entitled, to the extent possible, to receive during such period of curtailment a pro rata share of available Lake Water as determined by the ratio of the Liberty Ridge East System's total Lake Water use during the prior Fiscal Year to the sum of Lake Water use during the prior Fiscal Year of all of the Commission's customers entitled to Lake Water during such period of curtailment. Prior to the Commission's delivery of Lake Water to the Liberty Ridge East System for one Fiscal Year, Citizens Utilities shall be entitled, to the extent possible, to receive during such period of curtailment a pro rata share of available Lake Water as determined by the ratio of the Liberty Ridge East System's Full Water Requirements during the prior Fiscal Year to the sum of (i) Lake Water use during the prior Fiscal Year of all of the Commission's other customers entitled to Lake Water during such period of curtailment and (ii) the Liberty Ridge East System's Full Water Requirements during the prior Fiscal Year. Citizens Utilities, in cases of

emergency or when the Commission for whatever reason is unable to meet the Liberty Ridge East System's Full Water Requirements, may, subject to the terms, conditions, and limitations set forth in Subsection 90 of this Contract, serve its customers from any source; provided, however, that Citizens Utilities shall continue to pay all amounts due to the Commission hereunder during such period as if the Liberty Ridge East System were receiving its Full Water Requirements from the Commission.

G. Water Quality. The Commission shall supply Citizens Utilities with Lake Water of a quality commensurate to that furnished to the Commission's other Contract Customers, and meeting the requirements of any federal, State of Illinois, or local agency as shall have jurisdiction from time to time for the operation of public water supplies such as the Waterworks System. The Commission bears no responsibility for the contamination of Lake Water or deterioration of water quality occurring beyond the Point of Delivery to the Liberty Ridge East System.

SECTION 4. DELIVERY; STORAGE; DISTRIBUTION; CONSERVATION.

A. Liberty Ridge East System Connection Facilities. Citizens Utilities shall receive its supply of Lake Water at the Liberty Ridge East System Point of Delivery at pressures that will vary from time to time. Citizens Utilities, at its own expense and pursuant to the schedule established in Section 10 of this Contract, shall site, design, construct, operate, maintain, and when necessary replace the Liberty Ridge East System Connection Facilities, including a pressure adjusting station immediately downstream from the Point of Delivery. Initial design and construction plans and specifications for the Liberty Ridge East System Connection Facilities, and any future modifications thereof, shall be submitted in advance of construction or modification to

the Commission for review and approval, which approval shall not be unreasonably withheld.

B. Alternate Delivery Through Contract Customer Facilities. The Commission and Citizens Utilities acknowledge that Citizens Utilities may negotiate, within the time period provided in this Subsection 4B, with one or more Contract Customers for delivery of Lake Water purchased from the Commission through facilities owned by such Contract Customer to the Liberty Ridge East System ("Alternate Delivery"). Citizens Utilities shall not enter into any agreement for Alternate Delivery, and no such agreement shall affect the terms of this Contract, except after such agreement has been approved in writing by the Commission. Citizens Utilities' right to enter into an agreement for Alternate Delivery pursuant to this Subsection 4B shall terminate immediately upon approval of this Contract, or any part of this Contract affecting construction of the Connection Facilities, by the Illinois Commerce Commission, unless the Commission, in its sole discretion, waives this termination provision in writing, either in whole or in part.

Such Alternate Delivery of Lake Water, should it become feasible for Citizens Utilities through its negotiations with Contract Customers, may affect Citizens Utilities' obligations under this Contract to provide a site for the metering station pursuant to Subsection 5A of this Contract, to provide a pressure adjusting station pursuant to Subsection 4A above, and to provide storage capacity pursuant to the terms of Subsection 4C below, among other possible effects. In addition, such Alternate Delivery of Lake Water may affect certain cost provisions under Section 7 of this Contract. The Commission and Citizens Utilities agree that, if Citizens Utilities reaches an agreement with a Contract Customer in a form acceptable to and approved by the

Commission for Alternate Delivery of Lake Water consistent with Commission Resolution No. R-13-90, entitled "A Resolution Expressing the Policy of the DuPage Water Commission Regarding Subsequent Customers," as clarified by Commission Resolution No. R-29-95, entitled "A Resolution Clarifying Resolution No. R-13-90, being "A Resolution Expressing the Policy of the DuPage Water Commission Regarding Subsequent Customers," as it may, from time to time, be amended ("Resolution No. R-13-90"), then the Commission and Citizens Utilities, by separate written contract, which may include amendments to this Contract, shall establish mutually agreeable terms between them for such Alternate Delivery of Lake Water.

C. Storage. Citizens Utilities shall provide sufficient storage capacity within the Liberty Ridge East System to store not less than two times the annual average daily water demand of the Liberty Ridge East System; provided, however, that said requirement shall be reduced by (i) the amount of operable shallow well capacity (stated in gallons per hour) maintained by Citizens Utilities in the Liberty Ridge East System up to a maximum of 10 percent of said requirement plus (ii) an amount equal to the storage capacity maintained by the Commission in its Waterworks System multiplied by a fraction, the numerator of which is the annual average daily water demand of the Liberty Ridge East System and the denominator of which is the total annual average daily water demands of all Contract Customers. The calculation of said water storage capacity requirement for the Liberty Ridge East System is provided in Exhibit D attached to this Contract. In accordance with said requirement, Citizens Utilities, at its own expense and pursuant to the schedule established in Section 10 of this Contract, shall construct for the Liberty Ridge East System at least the amount of water storage capacity shown on Exhibit D to this Contract as the "Minimum Additional Required Storage." Such

water storage capacity shall be in addition to the amount of water storage capacity shown on Exhibit D to this Contract as the "Existing Storage" in the Liberty Ridge East System. Citizens Utilities shall properly maintain all such water storage capacity, including operable shallow well capacity, in a good and serviceable condition. If at any time Citizens Utilities' water storage capacity in the Liberty Ridge East System, including its allowances for operable shallow well capacity and Commission storage capacity as provided above, falls below 1.9 times the annual average daily water demand of the Liberty Ridge East System, then Citizens Utilities, within 24 months after such level of deficiency is reached, shall construct additional water storage capacity within the Liberty Ridge East System of sufficient quantity to restore the total storage capacity of the Liberty Ridge East System, including its allowances for operable shallow well capacity and Commission storage capacity as provided above, to not less than two times the annual average daily water demand of the Liberty Ridge East System.

D. Metering of Shallow Wells. Citizens Utilities shall furnish, install, and maintain a meter on each of its operable shallow wells. All such meters shall be of standard make and shall be subject to inspection and examination by any employee or agent of the Commission at all reasonable times. Citizens Utilities shall calibrate all such meters at least once in each Fiscal Year. Citizens Utilities shall notify the Commission of the time, date, and place of each calibration at least five days in advance thereof, and a representative of the Commission shall have the right to observe any adjustments made to such meters in case any adjustments shall be necessary. The Commission shall have the right to place any or all of such meters under seal at any time.

E. Surges and Back-Flows. Citizens Utilities' operation of its pressure adjusting station shall not cause surges or back-flows into the Waterworks System, nor shall the operation of the Citizens Utilities' pressure adjusting station cause the Waterworks System pressure to drop below 20 pounds per square inch. The Commission shall not be responsible for any damage to the Liberty Ridge East System or the Liberty Ridge East System Connection Facilities caused by the design, operation, or maintenance of the Connection Facilities.

F. Maintenance of System; Water Quality; Prevention of Waste. Citizens Utilities shall operate the Liberty Ridge East System and the Liberty Ridge East System Connection Facilities in such a manner as at no time to place the Commission and the Waterworks System in jeopardy of failing to meet the regulations of any agency or governmental authority having jurisdiction over the Commission's operation of its Waterworks System. The Commission and Citizens Utilities shall notify each other immediately of all emergency and other conditions which may directly or indirectly affect the Waterworks System, the Liberty Ridge East System, the Connection Facilities or the quantity or quality of the Lake Water received pursuant to this Contract.

SECTION 5. MEASURING EQUIPMENT.

A. Metering Station and Instrumentation. The Commission shall, pursuant to the timetable established in Section 10 of this Contract, furnish and install at the Point of Delivery a metering station containing the necessary equipment and devices of a type meeting the standards of the American Water Works Association for measuring properly the quantity of Lake Water delivered under this Contract, including all structures as the Commission shall deem necessary to house such equipment and devices. Such furnishing and installing of the metering station shall be done in substantial

conformance with the preliminary plans therefor attached as Exhibit B-2 to this Contract, as such preliminary plans may be revised by mutual agreement of the Commission and Citizens Utilities. The Commission shall own, operate, maintain, and replace such metering station and all equipment and structures related thereto.

The metering station shall be located at a site selected, acquired, owned, and provided to the Commission by Citizens Utilities, free and clear of all liens, claims, encumbrances, and restrictions unless otherwise approved by the Commission in writing. Such site shall be subject to review and approval of the Commission. Citizens Utilities, without charge to the Commission and pursuant to the timetable established in Section 10 of this Contract, shall grant to the Commission all necessary and insured easements for such site in a form similar to that attached as Exhibit E to this Contract and satisfactory to the Commission's attorneys. Citizens Utilities also shall grant to the Commission all necessary and insured easements for the appropriate location and installation of antennas and appurtenant facilities for the Commission's SCADA System attributable to the Liberty Ridge East System, free and clear of all liens, claims, encumbrances, and restrictions unless otherwise approved by the Commission in writing. Such SCADA System antennas or facilities shall be installed on such easements in a manner that will reduce so far as reasonably possible any interference with the telemetry of the Citizens Utilities System.

Citizens Utilities shall have access to the metering station for examination and inspection at reasonable times, but the reading for billing purposes, calibration, and adjustment of the equipment therein shall be done only by the employees or agents of the Commission.

B. Records. For the purpose of this Contract, the official record of readings of each meter at the metering station shall be the journal or other record book of the Commission in its office in which the records of the employees or agents of the Commission who take the readings are or may be transcribed. Upon written request of Citizens Utilities, the Commission will give Citizens Utilities a copy of such journal or record book, or permit Citizens Utilities to have access thereto in the office of the Commission during regular business hours.

C. Calibration. At least once in each Fiscal Year, the Commission shall calibrate its meters measuring the Lake Water delivered to the Liberty Ridge East System if requested in writing by Citizens Utilities to do so, in the presence of a representative of Citizens Utilities, and the Commission and Citizens Utilities shall jointly observe any adjustments that are made to the meters in case any adjustments shall be necessary. If any check meters have been installed, then such check meters shall be calibrated at least once in each Fiscal Year by Citizens Utilities in the presence of a representative of the Commission, and the Commission and Citizens Utilities shall jointly observe any adjustments that are made to the meters in case any adjustments shall be necessary.

D. Check Meters. Citizens Utilities, at its option and its own expense, may install and operate a check meter to check each meter installed by the Commission, but the measurement of Lake Water for purposes of this Contract shall be solely by the Commission's meters, except in the cases hereinafter specifically provided to the contrary. All check meters shall be of standard make and shall be subject to inspection and examination by any employee or agent of the Commission at all reasonable times. The calibration and adjustment of check meters shall be made only by Citizens Utilities,

except during any period when a check meter may be used under the provisions hereunder for measuring the amount of Lake Water delivered to Citizens Utilities, in which case the calibration and adjustment of such check meter shall be made by the Commission with like effects as if such check meter had been furnished and installed by the Commission.

E. Meter Malfunctions. If the Commission or Citizens Utilities at any time observes a variation between a meter and a check meter or any evidence of meter malfunction, such party shall promptly notify the other party, and the Commission and Citizens Utilities shall then cooperate to procure an immediate calibration test and such adjustment, replacement, or other work necessary to return such meter to accuracy. The party who discovers such variation or malfunction shall give the other party notice not less than 48 hours prior to the time of any test of any meter (which tests shall be conducted during normal working hours) so that the other party may conveniently have a representative present. If such representative is not present after the required notification at the time set in such notice, calibration and adjustment may proceed in the absence of said representative notwithstanding any other provision of this Subsection 5E. If the percentage of inaccuracy of any meter is found to be in excess of two percent, registration thereof shall be corrected by agreement of the Commission and Citizens Utilities based upon the best data available, for a period extending back to the time when such inaccuracy began if such time is ascertainable, or for a period extending back one-half of the time elapsed since the last date of calibration (but in no event further back than a period of six months) if such time is not ascertainable.

If for any reason any meter is out of service or out of repair so that the amount of Lake Water delivered cannot be ascertained or computed from the reading thereof, then

the Lake Water delivered during the period such meter is out of service or out of repair shall be deemed to be the registration of the check meter if one has been installed and is registering accurately, or, in the event that no check meter has been installed or the check meter is registering inaccurately, shall be estimated:

1. By correcting the error if the percentage of the error is ascertainable by calibration tests or mathematical calculations; or

2. If the error is not ascertainable by calibration tests or mathematical calculation, by estimating the quantity of delivery by considering deliveries during preceding periods under similar conditions when the meter or meters were registering accurately, adjusted for the addition of new customers to the Liberty Ridge East System.

F. Removal of Metering Station and SCADA System Facilities. Within 90 days after the termination of this Contract without renewal, the Commission, at its own expense and in its discretion, may remove the metering station, including equipment, and the SCADA System antennas and appurtenant facilities from the property of Citizens Utilities to which such termination without renewal applies and release the perpetual easements therein. If the Commission fails to remove such station, equipment, and facilities, as aforesaid, Citizens Utilities may take title to such station, equipment, and facilities.

SECTION 6. UNIT OF MEASUREMENT.

The unit of measurement for Lake Water delivered hereunder shall be gallons of water, U.S. Standard Liquid Measure, and all measuring devices shall be so calibrated unless the Commission and Citizens Utilities otherwise agree. Should it become

necessary or desirable to use other units of measurement, the basis of conversion shall be that 7.48 gallons is equivalent to one cubic foot.

SECTION 7. PRICES AND TERMS OF PAYMENT.

A. Operation and Maintenance Costs Payment. Citizens Utilities shall pay monthly to the Commission, at the time specified in Subsections 7I and 7N below, a share of the Commission's Operation and Maintenance Costs for each month, which shall be an amount equal to the then current price per 1,000 gallons for Operation and Maintenance Costs times the quantity of Lake Water divided by 1,000 delivered by the Waterworks System to the Liberty Ridge East System for such month. At any time no Lake Water is being supplied through the Waterworks System to any Contract Customer, Citizens Utilities' share of monthly Operation and Maintenance Costs for the Liberty Ridge East System shall be that proportion of those costs which the Liberty Ridge East System's Water Allocation bears to the total Water Allocations of all of the Commission's customers required to make Operation and Maintenance Costs payments during the same period.

B. Fixed Costs Payment. Subject to the single limitation on its obligation to pay Fixed Costs set forth in this Subsection 7B, Citizens Utilities shall pay monthly to the Commission, at the time specified in Subsections 7I and 7N below, one-twelfth of the Liberty Ridge East System's share of Fixed Costs for each Fiscal Year. For the purposes of this Contract, the Liberty Ridge East System's share of Fixed Costs for each Fiscal Year shall be that proportion of Fixed Costs which the Liberty Ridge East System's Full Water Requirements for the two preceding calendar years prior to such Fiscal Year bears to the sum of the Full Water Requirements or Minimum Take or Pay Requirements, as applicable, of all of the Commission's Contract Customers for such

two preceding calendar years who are not relieved from Fixed Costs payments pursuant to the terms of their contracts. Prior to the Commission's delivery of Lake Water to the Liberty Ridge East System for two calendar years, the Liberty Ridge East System's share of Fixed Costs shall be that portion of Fixed Costs which the Liberty Ridge East System's Water Allocation bears to the total Water Allocations or the Full Water Requirements or Minimum Take or Pay Requirements, whichever is then applicable, of all of the Commission's Contract Customers who are not relieved from Fixed Costs payments pursuant to the terms of their contracts. Subject to the following single limitation, Citizens Utilities' obligation to make all payments of Fixed Costs as required hereunder is unconditional and irrevocable, payable without setoff or counterclaim, and irrespective of whether Lake Water is ever furnished, made available, or delivered to the Liberty Ridge East System, or whether the Waterworks System is completed, operable, or operating, and notwithstanding suspension, interruption, interference, reduction, or curtailment of the supply of Lake Water. Citizens Utilities' obligation to pay Fixed Costs hereunder is subject to the single limitation that, if for any period of time, and only during such period of time, the Commission is in fact supplying the Full Water Requirements or Minimum Take or Pay Requirements, as applicable, to Contract Customers of the Commission, other than Citizens Utilities, whose Full Water Requirements and Minimum Take or Pay Requirements are more than 85 percent of the sum of the Full Water Requirements or Minimum Take or Pay Requirements, as applicable, of all Contract Customers of the Commission, and during such time the Commission is unable to supply any Lake Water to the Liberty Ridge East System, then Citizens Utilities shall have no obligation to pay Fixed Costs for the Liberty Ridge East System.

C. Connection Facilities Cost Payment. Citizens Utilities shall pay monthly to the Commission, at the time specified in Subsections 7I and 7N below, an amount calculated by amortizing the Connection Facilities Cost, in equal monthly installments of principal and interest, at an annual interest rate equal to the greater of (i) the Prime Rate as of the effective date of this Contract plus one percent or (ii) 10 percent, over the life of the Charter Customer Contract remaining as of the month in which Citizens Utilities first becomes obligated to make such payment; provided, however, that such monthly installment may be adjusted by the Commission, on May 1 of each year thereafter, to ensure amortization of the then current amount of the Connection Facilities Cost remaining unpaid, as of each such May 1, over the life of the Charter Customer Contract then remaining. Citizens Utilities' obligation to make the Connection Facilities Cost payments as required hereunder is unconditional and irrevocable, payable without setoff or counterclaim, and irrespective of whether Lake Water is ever furnished, made available, or delivered to Citizens Utilities, or whether the Waterworks System is completed, operable, or operating, and notwithstanding suspension, interruption, interference, reduction, or curtailment of the supply of Lake Water.

D. Section 12(c)(iii) Payment. Citizens Utilities shall pay monthly to the Commission, at the time specified in Subsections 7I and 7N below, an amount calculated by amortizing the Section 12(c)(iii) Amount, in equal monthly installments of principal and interest, at an annual interest rate equal to the greater of (i) the Prime Rate as of the effective date of this Contract plus one percent or (ii) 10 percent, over the life of the Charter Customer Contract remaining as of the month in which Citizens Utilities first becomes obligated to make such payment. The method of calculating such payments is illustrated in Exhibit F attached to this Contract. Citizens Utilities' obligation

to make all Section 12(c)(iii) payments as required hereunder is unconditional and irrevocable, payable without setoff or counterclaim, and irrespective of whether Lake Water is ever furnished, made available, or delivered to Citizens Utilities, or whether the Waterworks System is completed, operable, or operating, and notwithstanding suspension, interruption, interference, reduction, or curtailment of the supply of Lake Water.

E. Capital Risk Factor Payment. Citizens Utilities shall pay monthly to the Commission, at the time specified in Subsections 7I and 7N below, an amount equal to the Capital Risk Factor Rate times the Liberty Ridge East System's Full Water Requirements for such month stated in thousands of gallons, subject to the single limitation that if, for any month, the Commission is unable to deliver to Citizens Utilities the Liberty Ridge East System's Full Water Requirements for that month, then Citizens Utilities shall pay for that month an amount equal to the Capital Risk Factor Rate times the amount of water, stated in thousands of gallons, actually received from the Commission by the Liberty Ridge East System.

F. Underconsumption Costs Payment. If Citizens Utilities is an Underconsumer at the Liberty Ridge East System, then Citizens Utilities shall pay, at the time specified in Subsections 7I and 7N below, its share of Underconsumption Costs as determined and assessed by the Commission after notification of such costs by the City of Chicago. In such event, Citizens Utilities' share of Underconsumption Costs for the Liberty Ridge East System for a year shall be equal to the ratio of its Underconsumption to the aggregate Underconsumption of all Underconsumers for such year.

G. Default Shares. Subject to the limitations of Section 17 of this Contract, if any of the Commission's Contract Customers shall default in any payment to the Commission, or any part of any payment, including default shares, Citizens Utilities agrees to pay to the Commission a share of the amount so in default, which share shall be in the same proportion as the Liberty Ridge East System's share of Aggregate Costs, before applying any Charter Customer Facilities Credit pursuant to Subsection 7H below, for the month prior to the month of the default bears to the sum of the shares of Aggregate Costs in that month of all of the Commission's Contract Customers not in default and obligated to make payments with respect to the amount so in default.

Subject to Subsection 7N below, Citizens Utilities' share of the amount so in default shall be due and payable 21 days after the Commission's written demand therefor. The demand shall include the Commission's calculations of the amount due by Citizens Utilities hereunder. If and when the defaulting Contract Customer makes a payment to the Commission of a defaulted amount or interest thereon for which Citizens Utilities made a payment to the Commission under this Subsection 7G, then the Commission will pay to Citizens Utilities its proportionate share of such amount, including such interest.

H. Charter Customer Facilities Credit. Beginning in the month in which Citizens Utilities first becomes obligated to make payments of Fixed Costs pursuant to Subsection 7B above, and for so long as such Fixed Costs include any amount attributable to payment of the principal of, premium, if any, and interest on the Original Revenue Bonds, Citizens Utilities shall be entitled to its monthly Charter Customer Facilities Credit, which amount shall be credited against the total amount that would

otherwise be due under this Contract for the month in which the Charter Customer Facilities Credit pursuant to this Contract is being calculated.

I. Bills and Due Date. Except with respect to the payment of default shares pursuant to Subsection 7G above, the Commission shall notify Citizens Utilities of the total amount due under this Contract for each month on or before the 10th day of the following month. Citizens Utilities' costs for each month shall be due and payable, and must be received at the offices of the Commission, on or before the 10th day of the month following the month of the Commission's notification or within 28 days after the date of notification, whichever is later.

J. Disputed Payments. If Citizens Utilities desires to dispute any payment, or part thereof, due or claimed to be due under this Contract, Citizens Utilities shall nevertheless pay the full amount of any such payment when due and include with such payment written notification to the Commission that charges are disputed, the grounds for dispute, and the amount in dispute. No adjustment or relief on account of any disputed charges shall be made unless disputed charges are the subject of such notice within the time herein specified, or within a reasonable period from the time Citizens Utilities knew or should have known of the facts giving rise to the dispute. It is expressly understood and agreed that no dispute over payments due or claimed to be due under this Contract shall be referred to arbitration for review or settlement.

Upon receipt of a notification of dispute, representatives of the Commission shall meet promptly with representatives of Citizens Utilities to resolve such dispute.

If the Commission and Citizens Utilities determine that all or a portion of the disputed payment should be refunded to Citizens Utilities, then such sum shall be

refunded with interest thereon at the rate established in Subsection 7K below from the date such disputed payment was made.

K. Interest on Overdue Payments. If Citizens Utilities shall fail to make any payment required under this Contract or any other Unit System Contract on or before its due date, Citizens Utilities shall be in default, and interest on the amount of such payment shall accrue, and be compounded on a monthly basis, during the period of non-payment at the maximum legal rate payable, not to exceed the higher of:

1. the weighted average effective interest rate on all series of Bonds of the Commission any of which are then outstanding plus two percent; or
2. the Prime Rate plus five percent.

Such interest shall accrue from the date such payment becomes due until paid in full with interest as herein specified. If such payment is not made by Citizens Utilities within 30 days after the date such payment becomes due, then the Commission, at its option and in its discretion, may reduce or discontinue delivery of Lake Water to the Liberty Ridge East System and to the other Unit Systems until the amount due the Commission is paid in full with interest as herein specified. The Commission shall give notice to Citizens Utilities not less than 20 days prior to the event of its intention to reduce or discontinue delivery of Lake Water in accordance with this Subsection 7K and shall provide Citizens Utilities an opportunity for a hearing before the Commission prior to any reduction or discontinuance. If the Commission reduces or discontinues the delivery of Lake Water under such circumstances, Citizens Utilities shall nevertheless continue to be liable to pay all charges provided for herein as if the Liberty Ridge East System were receiving its Full Water Requirements from the Commission. The rights specified in this Subsection 7K shall be in addition to all other rights and remedies

available to the Commission under this Contract, at law, or in equity for breach of any of the provisions of this Contract.

L. Security Deposit. If Citizens Utilities is at any time in default on any payment due under this Contract or any other Unit System Contract and the default is not cured within 30 days after the due date of the defaulted payment, then the Commission, at its option and in its discretion, may require Citizens Utilities, as a further obligation under this Contract, to deposit in a separate account in the Commission's name a sum of money, as security for the payment of Citizens Utilities' obligations hereunder and under the other Unit System Contracts, of a reasonable amount determined by the Commission. Citizens Utilities' compliance with the Commission's demand for such a security deposit shall be a condition precedent to the curing of such Citizens Utilities' default and the restoration of the Lake Water service to the Liberty Ridge East System and the other Unit Systems, if such Lake Water service has been reduced or discontinued by reason of such default. The security deposit or any part thereof may be applied, at the Commission's option and in its discretion, to any subsequent default by Citizens Utilities in any payments due under this Contract or any other Unit System Contract. If so applied, Citizens Utilities shall provide funds immediately to restore the security deposit to the amount required by the Commission. At the earliest of the end of the term of this Contract, or a term of two years after the curing of the most recent default by Citizens Utilities, or such earlier time that the Commission at its option and in its discretion may determine, any security deposit shall be returned to Citizens Utilities if Citizens Utilities has performed all its obligations under this Contract and the other Unit System Contracts. Citizens Utilities shall not be entitled to receive any interest on any security deposit.

M. Enforcement of Provisions Hereof By Other Customers. Citizens Utilities acknowledges that its obligation to make payments pursuant to the terms of this Section 7 is of benefit to the Commission's Charter Customers. Accordingly, Citizens Utilities agrees that, in addition to the Commission, Bondholders, a Trustee, or other parties by law entitled to enforce the provisions of this Contract, any three or more of the Commission's Charter Customers acting together may enforce the provisions of this Section 7, but only if the Commission has not acted to enforce such provisions within 90 days after any failure by Citizens Utilities to make a payment hereunder.

N. Beginning of Obligation to Pay. Notwithstanding any other provision of this Contract, the obligation to make any and all payments under this Contract, except only payments of Operation and Maintenance Costs pursuant to Subsection 7A above, shall begin on the Commission's first regular billing cycle after the earlier to occur of (i) the first delivery of Lake Water to the Liberty Ridge East System or any portion thereof or (ii) 12 months following completion of construction of the Commission Connection Facilities, other than the SCADA System facilities, to the point where they are capable of serving their intended function or would be capable of serving their intended function except for the fact that the Liberty Ridge East System Connection Facilities are not complete. The obligation to make payments of Operation and Maintenance Costs pursuant to Subsection 7A above shall begin on the Commission's first regular billing cycle after the earlier to occur of (i) the first delivery of Lake Water to the Liberty Ridge East System or any portion thereof or (ii) completion of construction of the Commission Connection Facilities, other than the SCADA System Facilities, to the point where they are capable of serving their intended function or would be capable of serving their intended function except for the fact that the Liberty Ridge East System Connection

Facilities are not complete. At any time prior to the first delivery of Lake Water to the Liberty Ridge East System when Citizens Utilities is obligated to make payments pursuant to this Subsection 7N, such payments shall be based on the Full Water Requirements of the Liberty Ridge East System.

O. Provisions in Lieu of Water Allocation. At any time no Water Allocation is in effect for the Liberty Ridge East System and reference to a Water Allocation is necessary to give meaning to any term of this Contract, the Water Allocation for the Liberty Ridge East System shall be deemed to be the Liberty Ridge East System's Full Water Requirements for the then most recently completed calendar year divided by 365.

SECTION 8. SPECIAL CONDITIONS AND COVENANTS.

A. Construction of Commission Connection Facilities; No Delay Damages; Supply of Lake Water. The Commission will make a diligent effort to have the Commission Connection Facilities completed to the Point of Delivery so as to furnish Lake Water to the Liberty Ridge East System by the date specified in Subsection 10H of this Contract, but the Commission does not in any way guaranty delivery by such date.

Citizens Utilities acknowledges and agrees that the Commission shall not be liable to Citizens Utilities for any damages occasioned by or in any way related to delay in the delivery of Lake Water to the Liberty Ridge East System, and all payments from Citizens Utilities provided for under this Contract shall remain due and payable in accordance with the terms of this Contract notwithstanding any such delay.

After Lake Water is first tendered for delivery to the Liberty Ridge East System at the Point of Delivery, the Commission, subject to the other terms and conditions of this Contract, shall use its best efforts to continually hold itself ready, willing, and able to supply Lake Water to the Liberty Ridge East System at such Point of Delivery. The

Commission also shall use its best efforts, consistent with its prior obligations and legal obligations to its Charter Customers and its other customers and consistent with the fair and equitable treatment of all of its Contract Customers, to supply the Liberty Ridge East System with such additional amounts of Lake Water as from time to time may be allocated to the Liberty Ridge East System over and above the Liberty Ridge East System's present Water Allocation; provided, however, that the Commission does not in any way guaranty a supply of such additional amounts.

B. Lake Water Only; Costs. Except with the prior approval of Citizens Utilities, the Commission shall not deliver any water to the Liberty Ridge East System other than Lake Water. Costs for Lake Water charged to Citizens Utilities by the Commission pursuant to this Contract shall include only the costs set forth in Section 7 of this Contract.

C. Title to Lake Water. Title to all Lake Water supplied hereunder shall remain in the Commission to the Point of Delivery and thereupon shall pass to Citizens Utilities.

D. Emergency Supply. Subject to the terms, conditions, and limitations set forth in Subsection 90 below, Citizens Utilities may contract for a temporary supply of water in case of an emergency from any unit of local government or any other entity. Citizens Utilities shall notify the Commission and shall promptly provide the Commission with copies of all such contracts.

E. Covenants to Be Set Out in Bond Ordinance. Citizens Utilities acknowledges the existence, and its understanding of the provisions, of certain Bond Ordinances pursuant to which the Commission has previously issued its Bonds. Citizens Utilities further acknowledges and agrees that said Bond Ordinances grant to

Bondholders certain rights to enforce certain duties of the Commission and its customers, including those with respect to the making of rates and charges and the collection of revenues, and that such Bondholder rights may be included in any subsequent Bond Ordinances.

F. Payments Hereunder an Operation Expense of Citizens Utilities System.

Citizens Utilities agrees that, to the fullest extent permitted by law or contract, all payments to be made by Citizens Utilities pursuant to this Contract and the other Unit System Contracts shall constitute operating expenses of the Citizens Utilities System as to any and all revenue bonds of Citizens Utilities which are supported in whole or in part by a pledge of the revenues of the Unit Systems, with the effect that Citizens Utilities' obligation to make payments from its water revenues under this Contract and the other Unit System Contracts has priority over its obligation to make payments of the principal and of the premium, if any, and interest on any such bonds which are or will be supported in whole or in part by a pledge of any Unit System revenues. Citizens Utilities shall make all budgetary, emergency, and other provisions and appropriations necessary to provide for and authorize the prompt payment to the Commission of all rates and charges under this Contract and the other Unit System Contracts. The obligations of Citizens Utilities under this Contract and the other Unit System Contracts are further payable from all other accounts of the Citizens Utilities System in which there are lawful available funds. In any revenue bond or indenture hereafter issued by Citizens Utilities, the priority of lien established pursuant to this Contract and the other Unit System Contracts shall be expressly provided and set forth in said bond ordinances or resolutions.