

MANASQUAN RESERVOIR WATER SUPPLY SYSTEM
WATER PURCHASE CONTRACT

NEW JERSEY WATER SUPPLY AUTHORITY

AND

BOROUGH OF BELMAR

AND

NEW JERSEY AMERICAN WATER COMPANY

Dated _____, 2015

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THIS WATER PURCHASE CONTRACT made and entered into as of this _____ day of _____, 2015, by and between the NEW JERSEY WATER SUPPLY AUTHORITY, a public body corporate and politic, with corporate succession, with a mailing address of Post Office Box 5196, Clinton, New Jersey 08809 (the "Authority"), and THE BOROUGH OF BELMAR, a municipal corporation existing under the laws of the State of New Jersey having its principal office at 601 Main Street, Belmar, New Jersey 07719 ("Purchaser"), and NEW JERSEY AMERICAN WATER COMPANY, a corporation existing under the laws of the State of New Jersey, having its principal office at 310 Swimming River Road, Colts Neck, New Jersey 07722 ("New Jersey American");

WITNESSETH THAT:

WHEREAS the Authority, on July 1, 1990, commenced operation of the System (as defined in Section 1 hereof, all capitalized terms used in the Agreement having, unless the context otherwise requires, the meanings set forth in said Section) as a source of surface water supply, derived from the Manasquan River, for the Authority's supply area; and

WHEREAS the Division had determined that there was a serious threat to ground water resources in Water Supply Critical Area No. 1, which includes the Authority's supply area, and issued the July 30, 1985 Order requiring Water Purveyors in Water Supply Critical Area No. 1 to undertake conservation measures and/or secure alternative surface water sources in order to restore and protect ground water supplies; and

WHEREAS, prior to the System Operation Date, the Authority and various Water Purveyors entered into Initial Water

Purchase Contracts which in the aggregate represent 16.097 MGD of Uninterruptible Service; and

WHEREAS, after the System Operation Date, the Authority and Water Purveyors entered into Delayed Water Purchase Contracts which in the aggregate represent 4.435 MGD of Uninterruptible Service; and

WHEREAS, after the System Operation Date, the Authority and a Water Purveyor entered into a Water Purchase Contract which represents .028 MGD of Uninterruptible Service where the Water Purveyor prepaid the net present value of the difference in the debt service schedules between initial water purchase contracts and delayed water purchase contracts in order for its customers to be assessed the base contract rate; and

WHEREAS the Department continues to study the impact of withdrawals on ground water flows and water levels in the New Jersey Coastal Plain and concludes that conservation measures continue to be necessary; and

WHEREAS the Purchaser is entering into this Contract renewal in order to continue using an alternative water supply in compliance with the requirements of the Order; and

WHEREAS the Division has approved the Purchaser's water supply plan as required by the Order and by the terms of the Division's approval of the Purchaser's water supply plan heretofore granted, the Purchaser is authorized through the Division's corresponding apportionment of System water (a copy of which is attached as Schedule 1 hereto) to obtain from the Authority the water supply provided for in this Contract; and

WHEREAS the water to be supplied to Purchaser pursuant to this Contract is to be delivered to New Jersey American Water for treatment and, after treatment by New Jersey

American, is to be delivered to Purchaser through New Jersey American's transmission system; and

WHEREAS, Purchaser entered a Water Purchase Contract with the Authority, effective April 30, 1987, wherein a supply of .650 MGD was delivered to New Jersey American for treatment and after treatment by New Jersey American, was delivered to Purchaser through New Jersey American's transmission system; and

WHEREAS, Purchaser entered into a First Amendment to the Water Purchase Contract on March 1, 1988 wherein a supply of .750 MGD was delivered to New Jersey American for treatment in contemplation that .100 MGD of Purchaser's supply would be delivered to the Borough Of South Belmar, now the Borough of Lake Como through the Purchaser's transmission system; and

WHEREAS, the Borough of South Belmar, now the Borough of Lake Como, entered into a direct Water Purchase Contract effective June 14, 1991, reducing the Purchaser's Water Purchase Contract to .650 MGD; and

WHEREAS, any Water Purchase Contract for Uninterruptible Service between the Authority and a Water Purveyor entered into on or after the System Operation Date shall be a Delayed Water Purchase Contract or Consolidated Contract containing certain provisions affecting only Delayed Water Purchases; and

WHEREAS the Authority and the State have entered into the State Loan Agreement pursuant to which the State has made State Loans to the Authority.

NOW, THEREFORE, for and in consideration of the premises and mutual covenants and agreements herein set forth, the Authority and Purchaser and New Jersey American agree as follows:

Section 1. **DEFINITIONS.** The following terms as used in this Contract shall, unless the context clearly establishes otherwise, have the following meanings:

"Advisory Committee" means the Advisory Committee established pursuant to Section 3 of this Agreement.

"Adjusted Annual Payment" means the Annual Payment for any Annual Payment Period, as adjusted in accordance with any revision of the Rate Schedule(s) in effect for such Annual Payment Period.

"Annual Overdraft Rate" means the Rate for Annual Overdraft Service of 115 percent as may be amended from time to time by the System Rules and Regulations.

"Annual Overdraft Service" means the average daily supply of raw water withdrawals from the System diverted during any calendar year, to the extent and from time to time available, in excess of aggregate uninterruptible service, for certain seasonal, non-emergent, interim, interruptible, non-guaranteed uses.

"Annual Payment" means the aggregate amount projected by the Authority to be payable to the Authority by the Purchaser during each Annual Payment Period for Uninterruptible Service hereunder, derived by multiplying the applicable rates and charges in the Rate Schedule(s) in effect for the relevant Annual Payment Period by the number of MG available to Purchaser on an annual Uninterruptible Service basis (as provided in Section 2.A.(i) of this Agreement, subject to the provisions of Section 5.B. hereof) and subject to adjustment to reflect (i) any Delayed Water Purchaser Surcharges as applicable to Purchaser, (ii) any credits to allocate benefits of any Delayed Water Purchase Surcharges to Purchaser, and (iii) other charges,

credits or adjustments provided for in the proviso to clause (ii) of paragraph (a) of the definition of Rate Schedule, in Section 5.F., Section 6.F. or Section 6.G. or elsewhere herein.

"Annual Payment Period" means the Fiscal Year, during which Uninterruptible Service is to be provided to the Purchaser hereunder.

"Annual Requirements" means the aggregate amount required during each Annual Payment Period to pay all Operation and Maintenance Expenses, Debt Service Cost, Source Water Protection Fund Requirements, and Special or Reserve Fund Requirements of the System; provided, however, that the amount to be included for Debt Service Costs with respect to each Annual Payment Period, or portion thereof, shall be that accruing in the Bond Year, or corresponding portion thereof, commencing during the Fiscal Year within which such Annual Payment Period or portion thereof falls.

"Authority" means the New Jersey Water Supply Authority established pursuant to the Authority Act.

"Authority Act" means the "New Jersey Water Supply Authority Act", P.L. 1981, c.293, as amended (N.J.S.A. 58:1B-1 et. seq.).

"Bonds" means (i) all bonds or notes issued and outstanding under the Resolution and (ii) all other bonds, notes and other evidences of indebtedness or obligations issued or incurred by the Authority to finance or refinance any cost, expense or liability paid or incurred or to be paid or incurred by the Authority in connection with the financing, planning, designing, constructing, acquiring, operating or maintaining of any part of the System including but not limited to the 2005 Resolution.

"Bond Year" means the period commencing on August 1 of each calendar year ending on the next following July 31.

"Consolidated Contract" means an agreement wherein Purchaser's Uninterruptible Service contracts including Initial Water Purchase Contracts, any amendments thereto and Delayed Water Purchase Contracts have been merged into a single agreement.

"Contract" means this Water Purchase Contract.

"Converted Unsold System Capacity Interest Accretion Bonds" means, as of any date of computation, the aggregate of all Delayed Water Purchasers' Shares of Converted Unsold System Capacity Interest Accretion Bonds.

"Coverage Charge" has the meaning given to such term in Section 713.4 of the Resolution.

"Current Debt Service Portion" means that portion of the State Loan Bonds composed of (i) that principal amount of the State Loan Bonds the proceeds of which are applied to redeem the 1985 Bonds or to complete the System which bears the same relationship to the total principal amount of such Bonds as the number of MGD which on the date of issuance of such Bonds has been contracted for under Water Purchase Contracts on an Uninterruptible Service basis bears to thirty (30) MGD, (ii) that principal amount of the State Loan Bonds the proceeds of which are deposited in the debt service reserve fund with respect to the Current Debt Service Portion of the State Loan Bonds upon the entry into additional Water Purchase Contracts; and (iii) the amount of Deferred Debt Service Portion which is converted into the Current Debt Service Portion upon entry into additional Water Purchase Contracts; and (iv) interest on the

Current Debt Service Portion of the State Loan Bonds, payment of which is to be deferred and added to principal.

"Daily Overdraft Rate" means the Rate for Daily Overdraft Service of 120 percent as may from time to time be amended by the System Rules and Regulations.

"Daily Overdraft Service" means the daily supply of water withdrawn from the System to the extent and from time to time available, in excess of uninterruptible service or if an optional water use schedule has been authorized, diversions established in an optional water use schedule for certain, seasonal, non-emergent, interim, interruptible, non-guaranteed uses.

"Daily Period" means the period from midnight to midnight of any day.

"Debt Service Costs" means the aggregate amounts payable during any specified period:

(a) for (i) interest accruing during such period on the Bonds, but not including any interest accruing on the State Loan Bonds which is to be deferred and added to principal, until payment in respect of such deferred interest is to commence, (ii) that portion of each required principal payment or mandatory redemption or sinking fund payment on the Bonds (together, "Principal Installment") which would accrue during such period if such Principal Installment were deemed to accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the next preceding Principal Installment due date (or, if there shall be no such preceding Principal Installment due date, from a date one year preceding the due date of such Principal Installment or from the date of issuance of the indebtedness involved, whichever date is later),

with such interest and Principal Installments to be calculated on the assumption that no Bonds outstanding at the date of calculation will cease to be outstanding except by reason of the payment of each Principal Installment on the due date thereof and (iii) such additional amount as may be required to provide any debt service coverage required by the terms of the State Loan Agreement (with excess funds generated by such coverage requirement to be applied as provided in the State Loan Agreement, the Resolution and in Section 6.G. hereof) or any other agreement entered into with respect to other Bonds; and

(b) into any debt service reserve fund established for any Bonds, other than the State Loan Bonds (the reserve fund for which is to be funded as described in the State Loan Agreement); provided, however, that there shall be excluded from any of the foregoing any amounts which are to be paid (i) from Bond proceeds, either directly or after deposit thereof in any fund securing Bonds, (ii) from investment income derived from any fund securing Bonds, (iii) from proceeds of Delayed Water Purchase Surcharges or other charges levied upon Delayed Water Purchasers, or (iv) upon optional redemption of or acceleration of the maturity of any Bonds.

"Deferred Debt Service Portion" means that portion of the State Loan Bonds which is not included within the Current Debt Service portion of the State Loan Bonds and interest accrued thereon, payment of which was deferred and added to principal.

"Delayed Water Purchase Contract" means any Water Purchase Contract, which provides for Uninterruptible Service commencing subsequent to the System Operation Date, including any amendment to any Initial Water Purchase Contract which

provides for an increase in the amount of Uninterruptible Service effective subsequent to the System Operation Date to the extent of the amount of such increase.

"Delayed Water Purchase Surcharge" means the amounts calculated in accordance with Section 6.E. and 6.F. hereof, which amounts represent the Debt Service Cost rate component of payments to be made under any Delayed Water Purchase Contract or Delayed Water Purchase Provisions of a Consolidated Contract, for Uninterruptible Service that exceeds the Debt Service Costs rate component payable by Initial Water Purchasers by reason of:

(a) Charges imposed to cover Debt Service Costs attributable to interest accruing during the extra three year deferral period applicable to the Deferred Debt Service Portion of the State Loan Bonds on that portion of the State Loan Bonds attributable to the portion of the originally unsold System capacity covered by Uninterruptible Service to be provided under such Delayed Water Purchase Contract or Delayed Water Purchase Provisions of a Consolidated Contract;

(b) Charges imposed otherwise to assure that other System Water Purchasers will not be required to contribute by way of Debt Service Costs included in Annual Requirements more than they would otherwise have been required to bear by reason of the delay in entry into the Delayed Water Purchase Contract or Delayed Water Purchase Provisions of a Consolidated Contract, or will be reimbursed for such excess Costs previously borne by them; and

(c) Any other charges imposed to provide equitable treatment as between System Water Purchasers entering into Water Purchase Contracts on different dates (including but not limited to charges, and corresponding credits), designed appropriately

to distribute the benefits of disproportionate contributions to reserve funds; Provided however, that in lieu of the imposition upon any one or more Delayed Water Purchasers of Delayed Water Purchase Surcharges with respect to any one or more items, such Delayed Water Purchaser(s) may, at the time of entry into such Delayed Water Purchase Contracts or Consolidated Contract, make a single lump sum payment in respect of such item(s) in a manner to be agreed upon between the Authority and such Delayed Water Purchaser(s).

"Delayed Water Purchase" means the Uninterruptible Service provided to Purchaser pursuant to a Delayed Water Purchase Contract or the Delayed Water Purchase Provisions of a Consolidated Water Purchase Contract.

"Delayed Water Purchase Provisions" means provisions of this Consolidated Contract pertaining to Uninterruptible Service commencing subsequent to the System Operation Date, including any amendment to any Initial Water Purchase Contract which provides for an increase in the amount of Uninterruptible Service effective subsequent to the System Operation Date to the extent of the amount of such increase.

"Delayed Water Purchase Share of Converted Unsold System Capacity Interest Accretion Bonds" means an amount equal to the product obtained by multiplying the ratio that the MG of Purchaser's Delayed Water Purchases on an Uninterruptible Service basis bears to Unsold System Capacity (in MGD) by the principal amount of Unsold System Capacity Interest Accretion Bonds.

"Delayed Water Purchaser" means any System Water Purchaser entering into a Delayed Water Purchase Contract or

Consolidated Water Purchase Contract containing Delayed Water Purchase Provisions.

"Department" means the New Jersey Department of Environmental Protection.

"Division" means the Division of Water Supply and Geo Science and its predecessor agencies, the Division of Water Supply Administration and the Division of Water Resources in the Department.

"Fiscal Year" means the twelve-month period commencing on July 1 of each year and ending at midnight on the following June 30.

"Force Majeure" means acts of God, strikes, lockouts or other industrial disturbances, orders of the Government of the United States or the State or any agency or instrumentality thereof or any civil or military authority, acts of terrorism, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, hurricanes, storms, floods, washouts, droughts, explosions, breakage or accidents to machinery, pipelines, dams or canals, partial or entire failure of water supply, arrests, civil disturbances, acts of any public enemy, and any other causes not reasonably within the control of the party claiming inability to comply timely with its obligations.

"GPM" means gallons of water per minute.

"Initial Water Purchase Contract" means a Water Purchase Contract providing for Uninterruptible Service commencing on the System Operation Date.

"Initial Water Purchaser" means a Water Purveyor party to an Initial Water Purchase Contract.

"MG" means million gallons of water.

"MGD" means million gallons of water per day.

"MGY" means million gallons of water per year.

"Minimum Dependable or Safe Yield" means that amount of water which the System is capable of supplying continuously throughout a repetition of the most severe drought of record, after compliance with any minimum passing flow requirements of the Manasquan River established by the System's water diversion permit as from time to time in effect. The Minimum Dependable or Safe Yield initially is 30 MGD, which amount may be increased as the Authority may determine based upon appropriate documentation received from the Authority's Consulting Engineers.

"New Jersey American" means New Jersey American Water Company a New Jersey corporation.

"1985 Bonds" means the \$66,200,000 principal amount of the New Jersey Water Supply Authority Bonds (Manasquan Reservoir Project), 1985 Series.

"Operation and Maintenance Expenses" for any period means the amount (as set forth in the Fiscal Year budget of the Authority, as from time to time amended) of all current costs, obligations and expenses of, or arising in connection with, operation, maintenance and administration of the System, and minor additions or improvements thereof or thereto, or of performance of any Water Purchase Contract, including, but not limited to, all of the following, to the extent the same are appropriately allocable to the System and are to be incurred consistently with Prudent Water Supply Practices all as determined on the cash basis of accounting and in accordance with generally accepted accounting and cost allocation principles:

(a) all repairs and ordinary replacements and reconstruction of the System; all wages, salaries and other personnel costs, including costs of pension, retirement, health and other employee benefit programs; all fuel, utilities, supplies and equipment; and all supervisory, engineering, accounting, auditing, legal and financial advisory services;

(b) all taxes and payments in-lieu of taxes;

(c) all claims not covered by the Authority's insurance;

(d) all fees and expenses incurred in connection with any credit facility or the issuance of any Bonds, and fees and expenses of counsel, fiduciaries and others in connection with any such credit facility or Bonds to the extent not capitalized pursuant to the requirements of the Resolution or other documents pursuant to which Bonds are issued; and

(e) any other current costs, expenses or obligations required to be paid by the Authority under the provisions of any agreement or instrument relating to Bonds or by law; provided, however, that Operation and Maintenance Expenses shall not include (i) any of the foregoing to the extent they are to be paid from any Special or Reserve Fund, (ii) any costs, obligations or expenses for major new construction or (iii) any allowance for depreciation of the System.

"Optional Water Use Schedule" means the Criteria for Optional Water Use Schedule set forth in Appendix A hereto. Said Schedule is based upon a hypothetical assumption that there is available unsold System capacity of 5.0 MGD in excess of the amount (the "Contracted Uninterruptible Amount") of water which the Authority is obligated to provide to its System Water Purchasers during the year for which a water use plan (a "Plan")

is submitted pursuant to said Schedule. To the extent that such excess capacity is greater, the permissible maximum and minimum monthly and daily volumes of water, which may be selected by the Purchaser in any Plan may be appropriately adjusted. At no time shall the Authority approve Plans, which in the aggregate would require it to deliver, on a daily, monthly, annual or other basis, water service in excess of the Minimum Dependable or Safe Yield of the System.

"Order" means the Administrative Order issued by the Division on July 30, 1985 which designates Water Supply Critical Area No. 1, and any subsequent amendments thereto.

"Point of Delivery" means the location where the System's delivery equipment interconnects with New Jersey American's interconnection system. Specifically, Hospital Road, Wall Township.

"Projected Annual Requirement" means the aggregate amount projected by the Authority in its Fiscal Year budget, as from time to time amended, to be required during each Annual Payment Period to pay all Annual Requirements.

"Prudent Water Supply Practices" means, as of any particular time, any practices, methods and acts, engaged in or approved by a significant portion of the water supply industry operating in areas having comparable characteristics to those of the System and the Supply Area, or any of the practices, methods and acts which, in the exercise of reasonable judgment in the light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good practices, reliability, safety and expedition. Prudent Water Supply Practices are not intended to be limited to the optimum practice, method or act,

to the exclusion of all others, but rather are intended to be a spectrum of possible practices, methods or acts expected to accomplish the desired results.

"Purchaser" means the Water Purveyor party to this Contract.

"Quarterly Water Payments" means either (i) the amount obtained by dividing the amount of the Purchaser's Annual Payment or Adjusted Annual Payment for any Fiscal Year by four, or (ii) such other or different required quarterly payments of which the Authority gives notice to the Purchaser pursuant to Section 5.B. hereof.

"Rate Schedule" means the "Schedule of Rates, Charges and Debt Service Assessments for the Sale of Water from the Manasquan Reservoir Water Supply System" to be promulgated by the Authority in accordance with applicable laws and regulations, as the same may from time to time be amended in accordance with provisions of the System Rules and Regulations with respect to procedures to be followed in connection with proposed rate changes, which establishes the rates, charges and debt service assessments (herein together called the "Rates") by the Authority for Uninterruptible, Daily Overdraft, Annual Overdraft, Standby and Short-Term Service for System water in accordance with the following:

(a) **Uninterruptible Service.** The Rates per MG set forth in such Rate Schedule for Uninterruptible Service under the Initial Water Purchase Contracts, and this Delayed Water Purchase Contract shall be established for each Fiscal Year on the basis of:

(i) the Projected Annual Requirements for such Fiscal Year, after deducting therefrom projected net revenues in

connection with the ownership or operation of the System from sources other than payment for Uninterruptible Service except to the extent that such other revenues are to be applied to obligations not included in such Projected Annual Requirements such as payments, credits or rebates to System Water Purchasers (1) to effect the adjustments for the purposes of which Delayed Water Purchase Surcharges may be levied, and (2) to compensate for any amounts charged to System Water Purchasers in Prior Fiscal Years by reason of default in payment of any obligation under any Water Purchase Contract which obligation is subsequently collected by the Authority or (3) to distribute proceeds of surplus water sold as provided in Section 5.I hereof.

(ii) divided by the number of MGD of System water which are required by the terms of all Water Supply Contracts for Uninterruptible Service during the Fiscal Year involved multiplied by 365, provided, however, that the Authority may exclude for any period, for purposes of computation hereunder, the Uninterruptible Service called for under any Water Purchase Contract or Consolidated Contract if an Event of Default has occurred thereunder, without affecting the Authority's rights to enforce the provisions of such Contract against the Water Purveyor party thereto, but any payment received from such Water Purveyor for such Uninterruptible Service with respect to such period shall be rebated or credited to the non-defaulting System Water Purchasers; provided, however, that Rates so established for any Annual Payment Period may be changed prospectively as provided in Section 5.G. hereof;

(b) Daily Overdraft Service. The Rates set forth in such Rate Schedule for Daily Overdraft Service established for

each Fiscal Year shall apply to Purchaser's diversions in excess of its contractual Uninterruptible Service or the diversions set forth in the Optional Water Use Schedule for each day during any calendar month; Daily Overdraft Service shall be the product of the diversions in excess of Uninterruptible Service or the Optional Water Use Schedule as the case may be during any Daily Period, the Operations and Maintenance Expense rate component, the Debt Service Costs rate component for Initial Water Purchase Contracts, the Source Water Protection Fund rate component and one hundred and twenty percent (120%) as may from time to time be amended by the System rules and regulations. Payment received in any Fiscal Year with respect to Daily Overdraft Service during such Year shall not be included in actual or projected revenues for such Year for purposes of determining the Rates applicable to such year but shall be included in revenues for the Fiscal Year succeeding that in which payment is received for purposes of determination of the Rates for Uninterruptible Service in such succeeding Fiscal Year;

(c) **Annual Overdraft Service.** The Rates set forth in such Rate Schedule for Annual Overdraft Service established for each Fiscal Year shall apply each day a Purchaser's average daily diversion exceeds its daily uninterruptible supply during any calendar year; the Annual Overdraft Service Rate shall be equal to the product of: the number of days in such calendar year, the Annual Overdraft Rate, the Operations and Maintenance Expense rate component, the Debt Service Costs rate component for Initial Water Purchase Contracts, and the Source Water Protection Fund rate component. Payments received in any Fiscal Year for Annual Overdraft Service shall be applied in the manner described in the second sentence of Paragraph (b) above;

(d) **Short-Term Service.** The Rates set forth in such Rate Schedule for Short-Term Service established for each Fiscal Year shall be an amount per MG equal to the sum of the amounts per MG charged for such Fiscal Year as the Debt Service Costs rate component for Initial Water Purchase Contracts, the Operation and Maintenance Expense rate component, and the Source Water Protection Fund rate component. The Purchaser's Rate for Short-Term Service will be prorated from the rates for Initial and Delayed Purchase Water based on the volume of water contracted for Uninterruptible Service under each. Payments received in any Fiscal Year for Short-Term Service shall be applied in the manner described in the second sentence of Paragraph (b) above;

(e) **Standby Service.** The Rates set forth in such Rate Schedule for Standby Service shall be established for each Fiscal Year on the basis of (i) a standby charge for each month during Standby Service is available equal to the capacity, in MGD, of the Purchaser's withdrawal facilities to be served by such Standby Service multiplied by the rate per MG established by the Rates for such month for Uninterruptible Service plus (ii) a charge for water actually consumed in any month at the rate per MG established by the Rates for Short-Term Service at the time of such consumption, net of the standby charge for such month. Payments received in any Fiscal Year for Standby Service shall be applied in the manner described in the second sentence of Paragraph (b) above; and

(f) **Point of Delivery.** The Operation and Maintenance Expense component of all Rates is to be based upon the Point of Delivery being located at the Authority's Manasquan River intake facility known as Hospital Road, Wall Township, New Jersey and

any System Water Purchaser taking delivery of System water at a different Point of Delivery will be assessed an additional charge to cover additional operation and maintenance expense associated with establishment of and making delivery at such Point of Delivery, including, but not limited to, in the case of any Water Purchaser establishing a Point of Delivery on the transmission line between the Manasquan River intake facility and the Reservoir, an additional charge to cover the Authority's cost of pumping water to the Reservoir to replace water delivered from the Reservoir to such Purchaser, after appropriate allowance in case of Reservoir water also being utilized to satisfy the requirements of other System Water Purchasers.

"Resolution" means the Manasquan Reservoir Water Supply System Bond Resolution adopted by the Authority on April 16, 1987 as the same may be amended from time to time. "2005 Resolution" means the New Jersey Water Supply Authority Manasquan Reservoir Water Supply System Bond Resolution adopted on June 6, 2005 as the same may be amended from time to time.

"Short-Term Service" means the supply of System water for certain interim interruptible, non-guaranteed or short-term uses, such as growing agricultural or horticultural products, meeting extraordinary requirements in consumer demand for potable or industrial water as a result of transfers arising from a declaration of drought by the Department or Monmouth County Office of Emergency Management, meeting non-seasonal extraordinary requirements in consumer demand for potable or industrial water or emergent maintenance or temporary failure of a critical component of a System Water Purchaser's or New Jersey

American's infrastructure provided on a non-guaranteed or interruptible basis.

"Source Water Protection Fund" means a special reserve fund for acquisitions and watershed planning activities within the Manasquan Basin, for those properties critical to the long-term protection of water quality and quantity in the System.

"Special or Reserve Fund" means any special or reserve fund (i) established under the Resolution or any other resolution or agreement pursuant to which any Bonds are issued, other than a debt service reserve or similar fund, or (ii) established by the Authority with respect to the System as a renewal or replacement reserve, pumping reserve, major rehabilitation reserve, self-insurance reserve, State pooled risk insurance reserve, general reserve or other reserve determined by the Authority to be necessary or desirable in accordance with Prudent Water Supply Practices.

"Special or Reserve Fund Requirements" means payments required or proposed to be made to any Special or Reserve Fund, appropriately reduced to reflect application to such Requirements of surplus revenues generated by debt service coverage requirements pursuant to Section 6.G hereof.

"Standby Service" means the supply of System water, for certain occasional uses, such as fire protection or other emergencies, natural or otherwise.

"State" means the State of New Jersey.

"State Loans" means loans made by the State to the Authority under the State Loan Agreement.

"State Loan Agreement" means the agreement entered into between the Authority and the State, acting on behalf of

the Department, dated as of April 16, 1987, as the same may be amended from time to time.

"State Loan Bonds" means all Bonds issued pursuant to the Resolution and the State Loan Agreement.

"Supply Area" means, initially, those regions of Monmouth County identified as Demand Centers 1, 2, 3 and 5 in the Order, as the same may hereafter be modified, to which there may be added in the future all or portion of those regions in northern Ocean County identified as Demand Centers 4 and 7.

"Supply Area" means, initially, those regions of Monmouth County identified as Demand Centers 1, 2, 3 and 5 in the Order, as the same may hereafter be modified, to which there may be added in the future all or portion of those regions in northern Ocean County identified as Demand Centers 4 and 7.

"System" means the water supply system constructed by the Authority in Monmouth County, the major components of which are a 770 acre, four-billion, seven hundred million gallon reservoir facility in Howell Township, a raw water intake facility and pump station located adjacent to the Manasquan River off of Hospital Road in Wall Township, and a five and one-quarter mile transmission pipeline connecting the reservoir and the intake facility, together with all component plants, structures and other real or personal property, and additions and improvements thereto, necessary or useful and convenient for the accumulation, supply or transmission of water including but not limited to: reservoir facilities, settling and sediment storage basins, dam, dikes, intake structures. The System shall not be deemed to include any System Water Purchaser's interconnection system or any water treatment facilities whether or not located on the System property.

"System Operation Date" means July 1, 1990, the date upon which the Authority commenced operation of the System and began to make Uninterruptible Service available to the System Water Purchasers.

"System Rules and Regulations" means those rules and regulations applicable to water supply service from the System to be promulgated by the Authority in accordance with applicable laws and regulations, as from time to time amended, which shall include provisions with respect to procedures to be followed in connection with proposed rate changes similar to those currently in effect for this water supply system, the current form of which is attached hereto as Appendix B, which provisions shall also refer to the State Board of Public Utilities as an additional party entitled to notice and to participate in such procedures wherever reference is made in Appendix B to the Department of the Public Advocate, Division of Rate Counsel.

"System Water Purchaser" means any Water Purveyor which is party to a Water Purchase Contract with the Authority for the procurement of Uninterruptible Service.

"2005 Bonds" means the Manasquan Reservoir Water Supply System Revenue Bonds, Series 2005, used to prepay \$49,293,438 in Current State Loan Notes and Completion Notes.

"Uninterruptible Service" means the supply of System water which the Purchaser is authorized continuously to withdraw without interruption for public water supply purposes.

"Unsold System Capacity" means the difference between the Minimum Dependable or Safe Yield, currently calculated to be thirty (30) MGD and the total MGD of Uninterruptible Service System Water Purchase Contracts for all Water Purchasers.

"Water Act" means the "Water Supply Management Act", P.L. 1981, c. 262, as amended (N.J.S.A. 58:1A-1 et. seq.) and the "Water Supply Management Act Rules" (N.J.A.C. 7:19-1 et. seq.) promulgated thereunder.

"Water Purchase Contracts" means the contracts providing for Uninterruptible Service to one or more System Water Purchasers.

"Water Purveyor" means any person or entity, public or private, including, but not limited to, a corporation, partnership, municipality or county, or a political subdivision thereof, which owns, operates and maintains a public water system.

"Water Supply Plan Approval" means any approval by the Division of the purchase of System water by a Water Purveyor whether in the form of a water supply allocation permit, an interim approval of a water supply plan submitted by a Water Purveyor as required by the Order pending issuance by the Division of water supply allocation permit, or otherwise.

Section 2. **WATER SERVICE TO BE PROVIDED.**

A. The Authority shall supply and make available for delivery to the Purchaser, through New Jersey American's interconnection system, and the Purchaser shall be entitled to utilize, the following water services:

- (i) Uninterruptible Service of .288 MGD which number of MG is also the maximum amount to be withdrawn in any twenty-four (24) hour period except as otherwise permissible under the Optional Water Use Schedule; and

(ii) Overdraft Service of that number of MGD and/or MGY necessary to meet Purchaser's diversionary needs in excess of Uninterruptible Service; and

(iii) Short-Term Service of that number of MGD and/or MGY which shall be established by separate agreement supplemental hereto between the Authority and the Purchaser entered into on an annual basis, with the number of MGD so established to be the maximum amount which may be withdrawn in any twenty-four (24) hour period during the year covered by such supplemental agreement;

all subject to the other terms and conditions of this Contract and, to the extent not inconsistent, herewith, the System Rules and Regulations.

B. Purchaser shall not, without the consent of the Authority, withdraw any water under the Short-Term Service hereunder without first giving notice to the Authority of its proposed utilization of the Short-Term Service, and receiving approval thereof from the Authority, in accordance with the procedures established in the System Rules and Regulations.

C. Purchaser shall not, without the consent of the Authority, withdraw water at rates greater, in the aggregate for all Services provided hereunder, than 288,000 gallons in any Daily Period (105,000 MGY), which amount shall be appropriately adjusted to reflect fluctuations in water use permissible under the Optional Water Use Schedule as applicable.

D. When required by the Authority, the Purchaser shall submit in writing to the Authority a schedule of normal withdrawal of water from the System, presented in terms of instantaneous withdrawals of water at specified gallons per minute and gallons per Daily Period. If Purchaser elects to utilize the Optional Water Use Schedule, it shall submit to the Authority the water use plan required by Paragraph 3(a) of that Schedule. The Purchaser agrees to notify the Authority forty-eight (48) hours in advance of any proposed departure from said schedule or plan. If an unanticipated emergency, natural or otherwise, necessitates the withdrawal of more water than contemplated by said schedule or plan, Purchaser agrees promptly to (i) notify, and to the extent feasible secure prior approval of the Authority and (ii) notify the Authority of its proposed time of resumption of normal consumption. If the Purchaser fails to notify the Authority, Purchaser agrees to reimburse the Authority for any loss or expense occasioned thereby.

E. If the Authority determines that rationing of System water is necessary, by reason of drought conditions (the existence of which shall be determined in compliance with all applicable provisions of law) or a System emergency, it shall allocate all available water first to providing Uninterruptible Service under all Water Purchase Contracts, without any preference or priority based on date of entry into the Water Purchase Contract or commencement of service thereunder, at the Authority's election, either (i) pro rata in accordance with the volume of water available to each System Water Purchaser under the Uninterruptible Service provided for in the relevant Water Purchase Contract; or (ii) pro rata in accordance with the volume of water actually provided each System Water Purchaser

during the last preceding Annual Payment Period in which rationing of water was not necessary; or (iii) upon such other basis as shall be, in the judgment of the Authority, appropriate to distribute equitably among all System Water Purchasers the burden of such rationing. In the event that rationing is to be imposed by reason of a System emergency for more than a seven day period, the Authority shall consult with and give appropriate effect to recommendations of the Department. If such rationing is instituted, or if in fact the Authority does not provide the amount of water called for hereunder, or advises the Purchaser that it will be unable to do so, the Purchaser may procure replacement water from other sources but shall nevertheless at all times be required to pay for all water available for delivery to the Purchaser from the System on an Uninterruptible Service basis, except to the extent that Purchaser is required, in order to obtain replacement water, to contract for more replacement water than the amount of the curtailment imposed by the Authority. Purchaser shall notify the Authority of the terms upon which it arranges for such alternate supply of water.

F. After execution of this contract, Purchaser shall have the option to increase its maximum amount under this section with consent of the Authority. Purchaser may not decrease the maximum amount under this section or any negotiated incremental increase, at any time during the term of this contract subject to the provision of Section 9.B.

Section 3. **ADVISORY COMMITTEE.**

The Purchaser and the other System Water Purchasers may establish the Advisory Committee upon such terms as they shall determine, for the purpose of, among other things, reviewing (i) the proposed budget of the Authority with respect to the System and the proposed Rate Schedule for any Fiscal, and (ii) any other matters affecting the System or the Water Supply Contracts. The Advisory Committee shall appoint one or more representatives, not to exceed six (the "Representatives") who shall be the sole representatives of the Committee in all of its dealings with the Authority and who shall be selected on a basis such that they shall represent the varying interests of the Water Purchasers as nearly as may be. The Representatives shall communicate to the Authority any recommendations which the Advisory Committee shall determine appropriate. The Authority will give appropriate consideration to all recommendations of the Advisory Committee but the Authority shall not be obligated to comply with any recommendation and the manner or extent of its consideration and evaluation of each recommendation shall be such as the Authority in its sole discretion shall determine to be appropriate under all of the circumstances. The Authority agrees to provide to the Advisory Committee such information relating to the System as may be reasonably requested by the Committee, including information with respect to the allocation of costs as between the supply of untreated water under Water Purchase Contracts and other services or activities of the Authority.

Section 4. **SYSTEM WATER QUALITY.**

A. The water to be supplied by the Authority hereunder shall be raw, untreated water, which the Authority shall supply to all System Water Purchasers without distinction as to source or quality of the water supplied. The Authority does not represent that such water will have been stored in the System reservoir or held in the System settling basin for any period of time.

B. The Authority agrees to establish and maintain a system, of such design as the Authority shall, in its sole discretion, deem appropriate, to monitor the water quality of ground water and surface water from which System water is derived and to provide the information derived from such system to the Purchaser. The Authority and the Purchaser agree that in the event that, at the request of the Purchaser, they shall jointly conclude on the basis of such information that there is any trend towards degradation as a result of contamination in the quality of the waters monitored by the system which threatens adversely to affect the treatment of System water, they, together with other System Water Purchasers concerned, will jointly request appropriate action by the Department to require that corrective measures be taken with respect to such contamination. Nothing in this paragraph B shall prevent the Purchaser from taking action independently of the Authority with respect to water quality problems before the Department or otherwise.

Section 5. **PAYMENT FOR WATER SERVICES.**

A. **General.** Purchaser agrees to make all payments for each of the respective water services available hereunder in the amounts, at the time and place and in the manner provided herein or in the Rate Schedule. Such Rates which are set forth in the Rate Schedule shall be established by the Authority in an amount at least sufficient so that all payments in the aggregate received by the Authority in respect of the System will provide for all Annual Requirements.

B. **Uninterruptible Service.** Purchaser agrees to make Quarterly Water Payments for the Uninterruptible Service referenced herein not later than the 10th day of January, April, July and October in each year with respect to the calendar quarter ending on the last day of the immediately preceding month.

C. **Daily Overdraft Service.** Purchaser shall pay the Authority monthly, the Daily Overdraft Rate pursuant to N.J.A.C. 7:11-4.9, consisting of one hundred and twenty (120) percent of the product of the Operations and Maintenance Expense rate component (N.J.A.C. 7:11-4.3), the Debt Service Costs rate component (N.J.A.C. 7:11-4.4(b)), the Source Water Protection Fund rate component (N.J.A.C. 7:11-4.5), the New Jersey Environmental Infrastructure Financing Program debt component (N.J.A.C. 7:11-4.6), and any rate components and such modifications to the Daily Overdraft Rate adopted by the Authority, for Purchaser's diversions each day during any calendar month in which Purchaser's diversions exceed (i) the diversions set forth in an authorized Optional Water Use

Schedule or (ii) in the absence of an authorized Optional Water Use Schedule, the amount identified in Section 2.A.(i) of this Contract. Purchaser agrees to make monthly water payments for the Daily Overdraft Service referenced herein not later than 30 days of receipt of an Authority invoice for said month.

D. **Annual Overdraft Service.** Purchaser shall pay the Authority on February 1st of each year the Annual Overdraft Rate (N.J.A.C. 7:11-4.10) for each day during each calendar year in which Purchaser's average daily diversion exceeds the amount identified in Section 2.A.(i) of this Contract. The Annual Overdraft Rate shall equal one hundred and fifteen (115) percent of the product of: the Operations and Maintenance Expense rate component (N.J.A.C. 7:11-4.3), the Debt Service Costs rate component (N.J.A.C. 7:11-4.4(b)), the Source Water Protection Fund rate component (N.J.A.C. 7:11-4.5), the New Jersey Environmental Infrastructure Financing Program debt component (N.J.A.C. 7:11-4.6), and any rate components and such modifications to the Annual Overdraft Rate adopted by the Authority. Purchaser agrees to make annual water payments for Annual Overdraft Service referenced herein not later than the 10th day of February each year with respect to the calendar year ending on the last day of the immediately preceding December.

E. Except as hereinafter provided, payments for Uninterruptible Service made with respect to all quarters of the same Fiscal Year shall be equal whether or not (i) the Purchaser shall have elected to utilize the Optional Water Use Schedule or (ii) the Purchaser actually withdraws the full amount of water available pursuant to the Uninterruptible Service hereunder; provided, however, that Purchaser shall not be required to make

payment to the extent that the Authority does not make water available under such Uninterruptible Service (whether by reason of rationing as provided in Section 2.E hereof or otherwise) except as provided in Section 11.A hereof. Otherwise, Purchaser's obligations hereunder shall be absolute and unconditional, and shall not, except as expressly provided herein, be affected by fluctuations in consumptive use by Purchaser's customers or by any failure by the Authority to perform its obligations hereunder or be subject to any other defense or to any reduction, whether by offset, counterclaim or otherwise, except for any reductions or credits provided for herein, in any Rate Schedule or in the System Rules and Regulations. The Authority shall notify the Purchaser not later than thirty days prior to the beginning of each Annual Payment Period of the amount of the Purchaser's Annual Payment for Uninterruptible Service hereunder and, if the Authority determines that the Quarterly Water Payments under this Contract and other Water Purchase Contracts should be made on a basis other than in equal installments, in order to permit the Authority to meet its Annual Requirements as they become due, it shall, concurrently with such notice, provide the Purchaser with a schedule of the amounts of each of the Quarterly Water Payments to be made by the Purchaser.

F. **Other Service.** Payment for water provided to Purchaser pursuant to either the Short-Term Service or the Standby Service hereunder, as well as for any other charges payable by reason of excessive withdrawals or otherwise, shall be made within thirty (30) days following receipt of the Authority's invoice therefore and shall be based upon System water actually consumed, or in the case of Standby Service, the

demand charge referred to in Paragraph (e) of the definition of "Rate Schedule."

G. **Rate Adjustments and Procedures.** The Authority reserves the right from time to time to adopt adjustments to the Rate Schedule in accordance with applicable laws and regulations, including the six months prior public notice and hearing requirements and other requirements set forth in the System Rules and Regulations at N.J.A.C. 7:11-4.17, Procedures for rate adjustments, or as amended from time to time. If as a result of any such adjustments the Annual Payment for Uninterruptible Service hereunder is adjusted by the Authority subsequent to the notice given as provided in Paragraph E above, the Authority shall notify the Purchaser of the adjustment and of any revised schedule of Quarterly Water Payments required to reflect such adjustment.

H. **Other Payment Provisions.** Payments hereunder shall be made at the address of the Authority listed in Section 12 below. All amounts not paid when due shall be subject to a late payment charge at two (2) percent above the prime rate of the bank holding short-term deposits of the Authority, prevailing on the due date, but not to exceed eighteen (18) percent per annum, from the date when due until paid.

I. **Sale of Excess Water.** The Purchaser may notify the Authority that for a period of not less than 60 days nor more than one year (the "Surplus Period") specified amounts of water available to it under the Uninterruptible Service provided for in this Agreement (the "Surplus Water") will be surplus to the needs of the Purchaser, which notice shall be given not less

than 30 days nor more than 90 days prior to commencement of the Surplus Period. Following receipt of such notice, the Authority shall notify each other System Water Purchaser of the availability for purchase of the Surplus Water (and any Surplus Water under any other Water Purchase Contract) on the same basis as provided for Short-Term Service in the Rate Schedule currently in force. To the extent that the Authority shall receive purchase requests from System Water Purchasers for Surplus Water (which are in addition to and not in substitution for purchases of water on a Short-Term Service or Standby Service basis under existing Water Purchase Contracts) it will use its best commercially reasonable efforts to provide such Surplus Water (on a pro-rated basis if other Surplus Water is also available) to such System Water Purchasers. The Authority shall pay over to the Purchaser, or credit against the amounts due or to become due from the Purchaser, under this Agreement, the amounts received from the sale of the Surplus Water arising under this Agreement after first deducting therefrom all costs and expenses (pro-rated as appropriate) incurred by the Authority in carrying out the provisions of this Paragraph I. Nothing in this Paragraph I shall prevent the Purchaser from disposing of Surplus Water in any other manner.

Section 6. **CERTAIN COVENANTS.**

A. The Authority agrees that it will not make any material addition to the presently planned scope of the System's facilities for the purpose of increasing the System's raw water supply capacity or creating facilities other than raw water supply facilities unless, in the reasonable judgment of the Authority at the time such addition or other facilities are

authorized (including reasonable projections of demand), such addition or other facilities will not increase the costs to be borne by the Initial Water Purchasers.

B. The Authority shall continuously operate and maintain the System in an efficient manner in accordance with Prudent Water Supply Practices. The Authority shall have no liability in the event that the water that is actually available to the System from the Manasquan River is insufficient to permit the Authority to comply with its obligations hereunder or is environmentally deficient.

C. The Authority shall not enter into any Water Purchase Contract which would result in (i) Uninterruptible Service called for under all Water Purchase Contracts exceeding the then Minimum Dependable or Safe Yield of the System or (ii) the water supply called for under all contracts or commitments for System water exceeding the then maximum output capacity of the System.

D. The Authority agrees that it will borrow the amount available to it under the State Loan Agreement and apply the proceeds as provided therein. The Authority agrees that it will not refinance the State Loan Bonds on any basis which will increase the amount of the Debt Service Costs per MG required to be borne by the Initial Water Purchasers in any Fiscal Year during which the Bonds being refinanced were to have been outstanding.

E. Delayed Water Purchase Contracts and Consolidated Water Purchase Contracts containing Delayed Water Purchase Surcharges shall contain provisions requiring the payment of

Delayed Water Purchase Surcharges by Water Purveyors parties to such contracts in amounts and on such terms as shall be determined by the Authority as hereinafter set forth. The Authority agrees that it will impose Delayed Water Purchase Surcharges with respect to the matters described in paragraph (a) of the definition of Delayed Water Purchase Surcharge and by Section 6.F hereof, unless other methods of affecting the adjustments involved are adopted by the Authority, but the methods, periodic amounts and timing of such charges and allocation of benefits shall be as reasonably determined by the Authority. Such payments shall be made in a lump sum on or before contract commencement or on the same basis as Quarterly Water Payments under Section 5.B hereof.

Delayed Water Purchase Surcharges shall include the payment when due of the principal and sinking fund installments of and interest on the Delayed Water Purchaser's Share of Converted Unsold System Capacity Interest Accretion Bonds. Delayed Water Purchase Surcharges shall also include, as a component of the Coverage Charge allocable to this Delayed Water Purchase Contract, an amount equal to 20% of the principal and sinking fund installments of and interest on the Delayed Water Purchaser's Share of Converted Unsold System Capacity Interest Accretion Bonds. The Authority shall, in computing the Applicable Debt Service Schedule pursuant to Section 719 of the Resolution for the Delayed Water Purchaser party to this Delayed Water Purchase Contract, provide for the amortization of the Delayed Water Purchaser's Share of Converted Unsold System Capacity Interest Accretion Bonds.

F. The Authority agrees that it will apply to the prepayment of State Loan Bonds surplus revenues generated by debt service coverage requirements imposed pursuant to the State Loan Agreement and the Resolution, to the extent they exceed the amounts required to be deposited in the debt service fund for the State Loan Bonds or in any Special or Reserve Fund, with the benefits from the resulting reduction in Debt Service Costs to be allocated among System Water Purchasers in proportion to their respective contributions to the surplus revenues which were so applied to prepayment of State Loan Bonds, either by way of appropriate Delayed Water Purchase Surcharges and related credits, or any other appropriate method.

G. The Authority agrees that, if the State shall determine to require a debt service reserve fund for State Loan Bonds in addition to the 50% of maximum annual debt service which is to be funded from water charges levied to provide debt service coverage as described in the State Loan Agreement, the Authority will permit any System Water Purchaser to provide the additional debt service reserve fund deposit allocable to such System Water Purchaser's Water Supply Contract (in cash, or in the form of a letter of credit or insurance contract meeting the requirements of the Resolution and acceptable to the Trustee under the Resolution), in which event the Authority will impose appropriate charges and effect related credits, so as to restrict the imposition of additional Debt Service Costs arising from any State Loan made to fund such additional reserve requirements, and limit the benefit of investment income from the debt service reserve fund, to those System Water Purchasers not providing such funding for the portion of such requirements attributable to their Water Purchase Contracts.

Section 7. **DELIVERY AND WITHDRAWAL OF WATER.**

A. Purchaser and New Jersey American agree with each other to negotiate in good faith, and utilize their best efforts, to enter into a separate agreement pursuant to which New Jersey American will receive, for the account of the Purchaser, water to be delivered pursuant to this Agreement at the Point of Delivery, will transport such water to New Jersey American's treatment plant and, following treatment, will deliver the treated water to the Purchaser at one or more points of interconnection between New Jersey American's water system and Purchaser's water system, but neither this Contract nor any other Water Purchase Contract shall be affected by a failure of the Purchaser and New Jersey American to enter into such other agreements. If such other agreement shall not have been entered into, New Jersey American shall not by the terms of this Contract be required to receive water for the account of the Purchaser at New Jersey American's interconnection System on Hospital Road, Wall Township, New Jersey. Neither the failure of New Jersey American to accept such water for the account of the Purchaser at New Jersey American's interconnection system, nor the inability of the Purchaser to make alternate arrangements for wheeling such water to it and/or treatment of water, shall affect Purchaser's obligation to make payment for such water otherwise available for delivery to Purchaser by the Authority. The Authority shall have no responsibility with respect to any failure of Purchaser and New Jersey American to enter into any such agreement or to make other arrangements for delivery or treatment of water available under this Contract, or with respect to any contract entered into between New Jersey American under any such contract of any of the foregoing

services and the obligation of the Purchaser to make payment hereunder shall not be affected by any failure by New Jersey American to perform any of the foregoing services or by any other action or inaction of New Jersey American, any of its employees, agents, officers, directors or controlling persons.

B. Water shall be withdrawn from the System at Purchaser's sole cost and expense. Title to all water supplied from the System shall be in the Authority up to the Point of Delivery, at which point title shall pass to the Purchaser upon withdrawal of such water.

C. In the event of meter malfunction involving variances greater than two percent from actual, the Authority may estimate the amounts of water actually withdrawn and base charges upon such estimates rather than meter readings, without prejudice to the right of the Purchaser to dispute such estimate and to pursue any legal remedy in connection therewith. Such estimates shall be on the Purchaser's average daily withdrawals, with due consideration of the scale of plant operation before and during the breakdown period, or on such other method consistent with Prudent Water Supply Practice as the Authority shall determine.

D. The Purchaser agrees to indemnify, defend and hold harmless the Authority from and against all claims, damages or losses suffered, sustained or required to be paid by the Authority, arising from any act or omission of the Purchaser, its officers, agents, representatives or employees, in connection with New Jersey American's interconnection system, the operation thereof, or any activities carried out by the

Purchaser, its officers, employees, agents or representatives, on the premises of, or with respect to, the System, or with respect to any of the services which are the subject of this Contract.

E. The Authority, to the fullest extent permitted by the New Jersey Tort Claims Act, shall be responsible and shall at its own expense, defend itself against any and all suits, claims, losses, demands or damages of whatsoever kind or nature, arising out of or in connection with any act or omission of the Authority, its employees, agents or contractors, in performance of the obligations assumed by the Authority pursuant to this Agreement. The Authority hereby releases the Purchaser from any and all liabilities, claims, losses, costs, expenses and demands of any kind or nature whatsoever, arising under the state or federal law, solely out of or in connection with the Authority's performance of the obligations assumed by the Authority pursuant to this Agreement.

Section 8. **FORCE MAJEURE.**

If by reason of Force Majeure either the Authority or Purchaser shall be rendered unable wholly or in part to satisfy its obligations under this Contract and shall give notice and full particulars of such Force Majeure in writing to the other such party hereto within a reasonable time after occurrence of the event or cause relied on, then the obligation of the party giving such notice, to the extent affected by such Force Majeure, shall be suspended during the continuance of the inability then claimed; provided, however, that the existence of an element of Force Majeure shall in no event affect the obligation of the Purchaser to make the Quarterly Water Payments

and other payments required under this Contract (subject to the provisions of Section 5.E hereof), but nothing in this Section 8 shall require the Purchaser to make any payment for water which the Authority does not make available to the Purchaser. Either party so affected shall use its best efforts to remove or overcome such Force Majeure with all reasonable dispatch.

Section 9. **TERM OF CONTRACT.**

A. This Contract shall become effective on July 1, 2015 and expire on June 30, 2040, unless previously terminated herein.

B. The Authority shall have the right to terminate this Contract without penalty as provided in Section 11 hereof. The Purchaser shall have the right to terminate or amend this contract if the Division approves an alternate source of supply within the Supply Area or Manasquan River Basin and issues or renews an allocation permit to the Purchaser.

C. In the event of an emergency, natural or otherwise, and, where practicable, after public notice and hearing in accordance with the "Administrative Procedure Act," P.L. 1968, c.410, as amended (N.J.S.A. 52:14B-1 et. seq.), the Authority reserves the right temporarily to curtail or suspend the Purchaser's withdrawal of water from the System, in which event Purchaser's payment obligation shall be reduced as provided in Section 5.E hereof.

D. Within ninety (90) days after termination of this Contract or such longer period as may be reasonably required, the Purchaser agrees to remove or have removed from System

property any facilities installed by Purchaser or on behalf of Purchaser, on System property, and to restore said property to its former condition as nearly as may be and in a manner satisfactory in the reasonable judgment of the Authority. On Purchaser's failure to do so, the Authority may make such removal and restoration at the sole cost and expense of the Purchaser, which cost and expense Purchaser agrees to pay on demand. The Authority also reserves the option to sell such facilities to assist in defraying the cost and expense of removal and restoration. Purchaser may within thirty (30) days after termination submit a written offer to sell or donate such facilities to the Authority, which the Authority shall accept or reject in writing within sixty (60) days.

E. In the event that the Department shall approve an apportionment of System water to the Purchaser for an additional period beyond the term of this Agreement, the Authority agrees that if the Purchaser shall give notice to the Authority promptly after such approval of its desire to extend the term of this Contract to cover the additional period, not exceeding 25 years, for which such apportionment has been approved, the Authority will negotiate with the Purchaser in good faith with a view to agreeing to such an extension on fair and reasonable terms.

Section 10. **INSURANCE.**

A. **AUTHORITY INSURANCE.** The Authority shall exercise reasonable commercial efforts to purchase and carry fire, casualty, public liability and other insurance on the System, or otherwise establish and fund its own self-insurance program or

participate in any State-administered pooled risk or self-insurance program or participate in any State-administered pooled risk or self-insurance program, for purposes and in amounts which ordinarily would be carried or funded by a person or entity owning and maintaining similar facilities, except that the Authority shall not be required to carry liability insurance except to insure itself against risk of loss due to claims for which it can, in the opinion of the Authority's legal counsel, be liable under the New Jersey Tort Claims Act, or any similar law or judicial decision. All premiums for such insurance shall constitute an Operation and Maintenance Expense of the System.

B. **PURCHASER INSURANCE.** The Purchaser shall exercise reasonable commercial efforts to purchase and carry fire, casualty, public liability and other insurance on any facilities located by the Purchaser on System property, for purposes and in amounts which ordinarily would be carried by a person or entity owning, operating and maintaining such facilities, except that if the Purchaser is a municipality, or instrumentality thereof, it shall not be required to carry liability insurance except to insure itself against risk of loss due to claims for which it can, in the opinion of the Purchaser's legal counsel, be liable under the New Jersey Tort Claims Act or any similar law or judicial decision. The Authority shall be named as an "additional insured" on all public liability insurance policies purchased by the Purchaser for facilities located by the Purchaser on System property.

Section 11. EVENTS OF DEFAULT.

If the Purchaser shall (i) fail to make any payment due under this Contract for more than 30 days after any such payment is due or (ii) be unable to perform, or shall default in the performance of, any of its obligations under this Contract, and such default is willful or remains uncured more than 60 days after notice thereof is given by the Authority to Purchaser, then the Authority may without further notice take any one or more of the following actions:

A. discontinue the supply and delivery of water under this Contract during the period of such default, without altering of the obligation of the Purchaser to make Quarterly Water Payments or any other payment required by the terms of this Contract;

B. bring any suit, action or proceeding at law or in equity necessary or appropriate to enforce any covenant, agreement or obligation against the Purchaser;

C. take any other action permitted by law to enforce its rights under this Contract to recover damages for breach thereof, or;

D. unless all existing defaults shall theretofore have been cured, terminate this Contract.

Section 12. PAYMENTS AND NOTICE.

Unless otherwise provided herein, any payment, notice, communication, request, reply or advice herein provided or permitted to be given, made or accepted by the Authority or

Purchaser to each other shall be given or be served either by depositing the same in the United States mail postpaid and registered or certified and addressed to the party to be notified, with return receipt requested, or by delivering the same to an officer of such party, or by prepaid telegram when appropriate, addressed to the party to be notified. Notice deposited in the mail in the manner hereinabove described shall be conclusively deemed to be effective, unless otherwise stated herein, from and after the expiration of three days after it is so deposited. Notice given in any other manner shall be effective only if and when received by the party to be notified. For the purposes of notice, the addresses of the Authority and Purchaser shall, until changed as hereinafter provided, be as follows:

If to the Authority, to:

New Jersey Water Supply Authority
1851 Route 31
P. O. Box 5196
Clinton, NJ 08809

If to the Purchaser, as follows:

Borough of Belmar
601 Main Street
Belmar, New Jersey 07719

If to New Jersey American, as follows

New Jersey American Water Company
310 Swimming River Road
Colts Neck, NJ 07722

The parties hereto shall have the right from time to time and at any time to change their respective addresses by at least fifteen (15) days' written notice to the other parties hereto.

Section 13. **SEVERABILITY.**

In the event that one or more of the provisions of this Contract shall for any reason be held to be illegal or invalid by a court of competent jurisdiction, it is the intention of each of the parties hereto that such illegality or invalidity shall not affect any other provision hereof, but this Contract shall be construed and enforced as if such illegal or invalid provision had not been contained herein unless a court of competent jurisdiction holds that such provisions are not separable from all other provisions of this Contract or that their deletion materially alters the substance of such Contract.

Section 14. **BINDING EFFECT.**

This Contract, when executed and delivered by the parties hereto, shall be a valid and binding agreement which shall be governed by and construed in accordance with the laws of the State of New Jersey. No party hereto may assign its rights or obligations hereunder without the consent of the other party or parties entitled to the benefit of such rights or obligations, which consent shall not be unreasonable withheld.

IN WITNESS, WHEREOF, the Authority, the Purchaser and New Jersey American have caused this Contract to be duly executed in several counterparts, each of which shall constitute an original, all as of _____, 20____.

(Authority Seal)

NEW JERSEY WATER SUPPLY AUTHORITY

ATTEST:

By _____
Henry Patterson
Executive Director

(Authorized Authority Notary)

ATTEST:

BOROUGH OF BELMAR

By _____
Authorized Officer

(Authorized Purchaser Notary)

ATTEST:

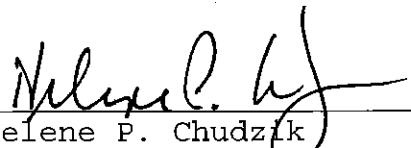
NEW JERSEY AMERICAN WATER COMPANY

By: _____
Authorized Officer

(Authorized Notary)

Reviewed and Approved As to Form:

John Jay Hoffman
Acting Attorney General for the State of New Jersey

By: 
Helene P. Chudzik
Senior Deputy Attorney General

APPENDIX A

Criteria for Optional Water Use Schedule

1. On any given day, total delivery to all customers will not exceed the safe yield of the System.
2. The uninterruptible contract amount in million gallons per day is the maximum amount (in million gallons), which is to be withdrawn in any 24 hour period, except as indicated below under the option water use schedule.

Optional Water Use Schedule

3. a) When the total of all uninterruptible contract amounts is equal to or less than 25 mgd, the Purchaser shall have the option of using up to 20 percent more of the total amount for any given month determined by the product of the Purchaser's uninterruptible contract amount in mgd times the number of days in that month. No less than 80 percent of the total amount is to be used in any month during the calendar year. The total use in any 24 hour period, when this option is exercised, shall not exceed 120 percent of the Purchaser's uninterruptible contract amount. The total amount of water delivered to each Purchaser exercising this option in any one calendar year period shall not exceed the product of the uninterruptible contract amount in mgd times the number of days in the calendar year.

b) Any Purchaser exercising this option shall submit a water use plan to the Authority by December 15 for the next calendar year, indicating the proposed water use in each and every month during the calendar year. The Authority shall review the water use plan to assure compliance with the terms of the uninterruptible contract so that the total annual amount will not be exceeded for the calendar year. If for any reason the Purchaser requires a change to the water use plan, the Purchaser shall notify the Authority, in writing, not later than fifteen days prior to the beginning of the month required to institute a change in the water use plan.

c) The Annual Payment payable to the Authority by the Purchaser shall be paid in equal quarterly payments.

d) The use of this option by a Purchaser may at times require the release of stored water from the Manasquan Reservoir, when it would not otherwise be required to satisfy the sustained daily delivery of the total uninterruptible amounts under contract at the time. All Purchasers exercising this option will be assessed an additional charge to cover the increased operating costs associated with such extraordinary releases of stored water from the Reservoir.

e) When the total amount of uninterruptible water supply contracts exceeds 25 mgd, the optional water use schedule as defined above will not be available, and all Purchasers will then be limited to the use of not more than the uninterruptible contract amount in any 24 hour period.

APPENDIX B

7:11-4.17 Procedures for rate adjustments

(a) Prior to amending the schedule of rates, charges and debt service Assessments established by this subchapter, the Authority shall:

1. Provide notice and an explanation outlining the need for the proposed rate adjustment to all purchasers; the Department of the Treasury, Division of Ratepayer Advocate; the Board of Public Utilities and other interested persons at least six months prior to the proposed effective date. This notice and explanation shall be deemed to be part of the record of the proceedings.

2. Provide supporting documents and financial records of the Authority, at the Authority's cost, in support of the proposed adjustment to all purchasers; the Department of the Treasury, Division of Ratepayer Advocate; the Board of Public Utilities and other interested persons upon request, and make such documents and records available for review at the Authority's offices in Clinton, New Jersey at the time notice of the proposed amendment to the rates is given. These supporting documents and financial records shall be deemed to be part of the record of the proceedings for purposes of preparing the hearing officer's report required under (a)9 below;

3. Afford purchasers, the Department of the Treasury, Division of Ratepayer Advocate and the Board of Public Utilities and other interested persons the opportunity to submit written questions and requests for additional data prior to the time of the meeting required under (a)4 below. The Authority staff shall provide written answers to the questions and supply the additional data requested prior to the meeting;

4. Schedule a meeting with the purchasers, the Department of the Treasury, Division of Ratepayer Advocate and the Board of Public Utilities and other interested persons within 45 days after sending them notice of the proposed amendments to the rate schedule regarding the proposed amendments;

i. At the meeting the purchasers, the Department of the Treasury, Division of Ratepayer Advocate, Counsel and the Board of Public Utilities and other interested persons will be invited to submit written questions which will be put into the hearing record and which will be answered by the Authority at the public hearing;

ii. In order to be answered at the public hearing, questions must be received by the Authority no later than 15 days prior to the public hearing. The Authority will make every reasonable effort to answer those questions received less than 15 days prior to the public hearing at the time of the hearing. All questions will be answered as part of the record and the comments and responses will be included in the hearing report prepared pursuant to (a)9 below;

5. Hold a public hearing on the proposed rate adjustment. One or more members of the Authority will serve as the hearing officer. The public hearing agenda shall include, but not be limited to:

i. An opening statement by the hearing officer;

ii. The Authority's answers to the questions raised prior to the hearing by the purchasers, the Department of the Treasury, Division of Ratepayer Advocate, the Board of Public Utilities and other interested persons;

iii. Oral statements, written statements and any supporting evidence presented by interested persons; and

iv. Questions of the Authority by the purchasers, the Department of the Treasury, Division of Ratepayer Advocate, the Board of Public Utilities, and any interested persons on any aspect of the need for, the basis of, or any provision of the proposed rate adjustment. Follow up questions relative to the answers of the Authority may also be directed to the Authority during the public hearing;

6. Attempt to answer all questions raised at the public hearing. In the event that a response cannot be immediately given at the public hearing, then a written response shall be prepared within 10 working days after the public hearing, and a copy of that written response will be provided to all contractual water purchasers, the Department of the Treasury, Division of Ratepayer Advocate, Board of Public Utilities and attendees at the hearing and made a part of the hearing record;

7. Permit, within 10 working days after receipt of the answer, contractual water purchasers, the Department of the Treasury, Division of Ratepayer Advocate, the Board of Public Utilities and attendees to respond in writing to the answers of the staff for the record;

8. Hold the public comment period open for at least 25 working days after the public hearing in order to allow additional written comments to be submitted; and

9. After the public comment period is closed, require a hearing officer's report, which is to include findings of fact and specific responses to all issues and questions raised during the public hearing proceedings, to be prepared and submitted to the Authority prior to the Authority taking final action on the proposal.

(b) In addition to the above requirements, the Authority will follow all the requirements for rule making established pursuant to the Administrative Procedure Act, N.J.S.A. 52:14B-1 et seq.

SCHEDULE 1



State of New Jersey

DEPARTMENT OF ENVIRONMENTAL PROTECTION

Mail Code 401-04Q

Division of Water Supply & Geoscience

New Jersey Geological and Water Survey Element

Bureau of Water Allocation & Well Permitting

401 E. State Street - P.O. Box 420

Trenton, New Jersey 08625-0420

Tel #: (609) 984-6831 - Fax #: (609) 633-1231

<http://www.nj.gov/dep/watersupply/>

CHRIS CHRISTIE
GOVERNOR

KIM GUADAGNO
LT. GOVERNOR

BOB MARTIN
COMMISSIONER

May 20, 2015

Mr. Henry S. Patterson
Executive Director
New Jersey Water Supply Authority
1851 State Highway 31
P.O. Box 5196
Clinton, NJ 08809

The Honorable Matthew J. Doherty
Belmar Borough Mayor
601 Main Street
Belmar, NJ 07719

Re: Manasquan Reservoir Apportionment
Program Interest ID 1352005
Water Supply Contract Review, CTR150012

Dear Sirs:

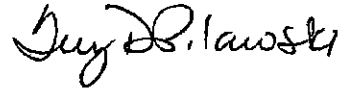
The Department of Environmental Protection has reviewed the New Jersey Water Supply Authority's (NJWSA) and the Borough of Belmar's contract approval application dated May 14, 2015, and request for an apportionment of water to the Borough of Belmar from the NJWSA's Manasquan Reservoir system.

The Borough of Belmar is hereby granted an apportionment of 0.288 million gallons per day (mgd), a requested reduction from the previously approved 0.650 mgd, from the Manasquan Reservoir system which is operated by the NJWSA. Receipt of this apportionment letter allows the Borough of Belmar a guaranteed non-critical source of water supply until June 30, 2040.

Enclosed for your records is a copy of the Contract Review Worksheet prepared in accordance with N.J.A.C. 7:19-7 et seq. for the agreement between the NJWSA and the Borough of Belmar.

If you have any questions concerning this matter, please contact Chelsea Du Brul, of my staff, at (609) 984-6831 or by email at chelsea.dubrul@dep.nj.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "Terry Pilawski".

Terry Pilawski, Chief
Bureau of Water Allocation and Well Permitting

Enclosure

c: Diane Zalaskus, Chief, Bureau of Water System Engineering
Colleen Connolly, Belmar Borough Administrator

Certified Mail No.:

Contract No. 1352005-1306001

CONTRACT REVIEW
WORKSHEET

Contracting Parties

(Seller): New Jersey Water Supply Authority
1851 Highway 31
P.O. Box 5196
Clinton, NJ 08809

(Buyer): Belmar Borough
601 Main Street
Belmar, NJ 07719

Date of Request: May 14, 2015

Type of Contract: Renewal and Modification of existing contract

Terms of Contract: 25 Years

Effective Date: July 1, 2015 Expiration Date: June 30, 2040

Current Contract Amounts: 0.650 MGD, 20.15 MGM*, 237.25 MGY*

*No monthly or annual specified, daily multiplied by 31 and 365

Proposed Contract Amounts: 0.288 MGD, 8.928 MGM*, 105.000 MGY

*No monthly specified, daily multiplied by 31

PARTY RECEIVING – BELMAR BOROUGH

Allocation Permit Nos.: 5138

Storage: 0.85 mg

Belmar Boroughs' Assets		
Sources	Allocation	
	MGM	MGY
CA 1 – Englishtown	-	175.525
Overall Allocation	50.000	175.525

Belmar Boroughs' Interconnections			
Interconnection with	No.	Size (in)	Use
Lake Como	1	8	Emergency
Wall Township	1	6	Emergency
New Jersey American Water Coastal North	1	12-6	Resale*

*This is for the treatment and transfer of NJ Water Supply Authority water

The Borough of Belmar has no contracts for sale.

Belmar Boroughs' Contracts for Purchase			
System Name	Contract Amount	Effective-Expiration Date	Status
New Jersey American Water – Coastal North	*0.288 MGD 8.928 MGM 105.000 MGY	7/1/1990 – 6/30/2015	In renewal process
NJ Water Supply Authority	*0.288 MGD 8.928 MGM 105.000 MGY	7/1/1990 – 6/30/2015	In renewal process
Total Contract Purchase	0.288 MGD 8.928 MGM 105.000 MGY		

*Revising from previous contracts of 0.650 MGD, 20.15 MGM, and 237.25 MGY

Systems Own Water Needs (Normal Day Demand): 0.678 MGD (Annual Average Daily Demand for the last three non-drought years, 2012 to 2014), equivalent to 247.642 MGY.

Systems Own Water Needs (Peak Demands): 1.284 MGD (peak daily 7/2011); 39.790 MGM (peak monthly 7/2011); 253.954 MGY (Peak annual 2014 (equivalent to 0.696 MGD))

PARTY DELIVERING – NEW JERSEY WATER SUPPLY AUTHORITY

Allocation Permit No.: 4034PSX (Permits 4034PS* & 4036PS)

Water Assets:

Sources	Allocation	
	MGD	MGM
Manasquan River (4036PS)	150	4,650
Total	150	4,650

*Permit 4034PS does not contain allocation

Storage: 4.7 BG

New Jersey Water Supply Authority's Interconnections			
Interconnection with	No.	Size (in)	Use
Brielle	1	8	Bulk Sale
Sea Girt	1	8-12	Bulk Sale
Spring Lake Borough	1	8-12	Bulk Sale
Spring Lake Heights	1	10	Bulk Sale
Wall Township	2	20-12	Bulk Sale
Southeast Monmouth MUA	1	18	Bulk Sale
NJAWC - Glendola	1	36	Bulk Sale
NJAWC - Oak Glen	1	36	Bulk Sale

New Jersey Water Supply Authority's Contracts for Sale					
System Name	Contract Amount (MGD)	Proposed Contract Amount (MGD)	Effective-Expiration Date	Treated Manasquan Water Received From	Status
Avon-by-the-Sea Borough	0.142	0.126	7/1/1990-6/30/2015	NJAWC	In renewal process
Belmar Borough	0.650	0.288	7/1/1990-6/30/2015	NJAWC	In renewal process
Brielle Borough	0.450	0.450	7/1/1990-6/30/2015 Amended 2004	SMMUA	In renewal process
Keyport Borough	0.458	0.356	7/1/1990-6/30/2015	Shorelands	In renewal process
Lake Como Borough	0.100	0.100	7/1/1990-6/30/2015	NJAWC	In renewal process
Matawan Borough	0.469	0.332	7/1/1990-6/30/2015	NJAWC	In renewal process
Red Bank Borough	0.778	0.548	7/1/1990-6/30/2015	NJAWC	In renewal process
Sea Girt Borough	0.075	0.040	7/1/1990-6/30/2015	SMMUA	In renewal process
Shorelands Water	1.928	2.007	7/1/1990-6/30/2015 Amended 2006	NJAWC	In renewal process

New Jersey Water Supply Authority's Contracts for Sale					
System Name	Contract Amount (MGD)	Proposed Contract Amount (MGD)	Effective-Expiration Date	Treated Manasquan Water Received From	Status
Spring Lake Borough	0.310	0.310	7/1/1990-6/30/2015	SMMUA	In renewal process
Spring Lake Heights	0.425	0.386	7/1/1990-6/30/2015 Amended 2004	SMMUA	In renewal process
Wall Township	2.275	2.000	7/1/1990-6/30/2015 Amended 2004	SMMUA	In renewal process
New Jersey American Water	12.500	12.500*	1/1/2005-6/30/2031	Receives raw water	Amendment in process
Total	20.560	19.443			

*Jun-Aug peak 15.0 MGD, annual limit based on 12.5 MGD

NJAWC – New Jersey American Water Company

SMMUA – Southeast Monmouth Municipal Utilities Authority

Safe Yield: 30 MGD

The New Jersey Water Supply Authority does not have their own customer base, they are strictly bulk sellers.

New Jersey Water Supply Authority's Unique Permit Conditions	
4036PS	Diversion from the Manasquan River shall be reduced as necessary so that river flow immediately downstream of the intake shall be \geq 12 cubic feet per second.
4034PS	Releases from the Manasquan Reservoir shall be maintained at the flow of \geq 0.3 cubic feet per second immediately below the dam on Timber Swamp Brook.


ANALYSIS:

New Jersey Water Supply Authority's Total Water Availability	
Based on the following:	MGD
Approved Safe Yield	30.000
Purchases	0.000
Guaranteed Contract Sales	19.443
Committed Peak Demands	0.000
= Total Water Available	10.557

RECOMMENDATIONS:

The Manasquan River and Reservoir System (PWSID 1352005) will continue to have a surplus of 10.557 MGD after the revised contract sales. Therefore, it is the Bureau's decision that the New Jersey Water Supply Authority could continue to safely provide the Borough of Belmar with a maximum of 0.288 MGD, while still supplying their other contractual obligations. In addition, it appears that the contract amount of 0.288 MGD, when combined with the Borough of Belmar's existing base allocation, is sufficient to meet their demands.

Therefore, this contract should be approved at the suggested rates.

 5/20/15
Prepared by Chelsea Du Brul

Approval 

Date 5/20/15