

REVOCABLE ENCROACHMENT PERMITS

The COUNTY OF SAN MATEO, a political subdivision of the State of California, hereinafter referred to as "County", hereby grants to CITIZENS UTILITIES COMPANY OF CALIFORNIA and its successors and assigns, hereinafter referred to as "Citizens" or "Permittee", a non-exclusive Revocable Encroachment Permit for the purpose of operating and maintaining three existing wells and other appurtenant improvements on a portion of the lands shown on the map contained in Exhibit "B" attached hereto and by this reference incorporated herein.

For the consideration set forth below, County acting only in its capacity as a property owner, grants to Permittee a Revocable Encroachment Permit authorizing Permittee to extract water from said airport wells for a period of ten (10) years from date of approval by Board of Supervisors unless terminated as hereinafter provided. This Permit may be extended for an additional ten (10) year term upon mutual agreement in writing of the Director of Public Works and the Manager of Citizens.

As consideration for this Permit, Permittee shall pay County the initial fee of \$1,000 and further Permittee shall pay County, as compensation for the water extracted, the rates as shown below:

August 1, 2001 - July 31, 2002 - \$154.00 per acre foot
August 1, 2002 - July 31, 2003 - \$268.00 per acre foot
August 1, 2003 - July 31, 2006 - \$382.00 per acre foot

The above rates will be reviewed between August 1, 2005 and July 31, 2006 and recommendations will be made to the Board of Supervisors to adjust said rates as of August 1, 2006. The adjusted rates will be based upon, inter alia, certified production meter readings obtained by the Permittee and submitted to the County with the quarterly payments, effective August 1, 2003. Payments for the water pumped shall be paid by the Permittee to the County on a quarterly basis and delivered to the Director of Public Works at the hereinafter address.

This Permit is to be strictly construed and no work other than the work specifically set forth herein is authorized hereby.

This Permit is subject to all of the terms, conditions and restrictions set forth in the Special Provisions attached hereto in Exhibit "A" and by this reference incorporated herein.

The work authorized herein will be hereinafter known as the Encroachment".

The approximate location of the Encroachment is shown on Exhibit "B" attached hereto and made a part hereof. Exhibit B may be updated from time to time by Citizens with the approval of the County's Director of Public Works, provided that Citizens complies with the procedures set forth in Exhibit "A".

All approvals required of County by the terms of this Permit shall be subject to the


approval of the Local Office of the Federal Aviation Administration.

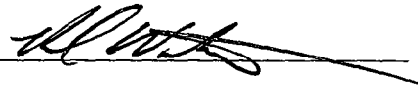
This Permit shall be subject to such approval of the California Public Utilities Commission as may be required by law and to all other local applicable procedures and/or permits.

Terms Accepted

CITIZENS UTILITIES COMPANY OF CALIFORNIA

Date

By: 
Vice-President

Witness:
Attest: 

Secretary

Approved:

COUNTY OF SAN MATEO

Date

By: _____
President, Board of Supervisors

Attest: _____

Clerk of said Board

COUNTY OF SAN MATEO
COUNTY GOVERNMENT CENTER
Redwood City, California

Special Provisions

"Exhibit A"

1. **ACCEPTANCE OF SPECIAL PROVISIONS.** It is understood and agreed by the Permittee that doing of any work under this Permit shall constitute an acceptance of these Special Provisions.
2. **NO PRECEDENT ESTABLISHED.** This Permit is granted with the understanding that the action is not to be considered as establishing any precedent on the question of the expediency of permitting any certain kind of encroachment to be erected within County property. It is understood that this is a non-exclusive Permit.
3. **MAINTENANCE:** Permittee agrees to exercise reasonable care to maintain properly any encroachment placed on County property and to exercise reasonable care in inspecting for and immediately repairing and making good any injury to any portion of the property which occurs as a result of the maintenance of encroachment on the property, or as a result of the work done under this Permit, including any and all injury to the property which would not have occurred had such work not been done or such encroachment not placed therein.
4. **REFURBISHING ELECTED TO BE DONE BY PERMITTEE.** In the event major refurbishing of any or all of the three wells is required, Permittee shall notify County of the nature and extent of the work required and Permittee shall obtain written approval of County before commencing said work. All work shall be done at sole expense of Permittee. County shall not unreasonably withhold or delay approval of said proposed work. However, emergency work required to maintain water production may be authorized by the airport manager via telephone with written confirmation to follow.
5. **REPLACEMENT WELLS.** In the event water production from the existing three wells should decrease more than twenty-five percent (25%) from their rated pumping capacity, which is 100 gallons per minute, and the wells cannot be reasonably refurbished, Permittee may, at its expense and with the permission of the County and in compliance with all applicable permit requirements, drill replacement wells for existing three wells as required. The existing wells, with the Permission of the County, may continue to be pumped. Such replacement wells shall be located within the encroachment shown on Exhibit "B". Prior to commencement of work Permittee shall comply with all other applicable terms of this Permit.
6. **ADDITIONAL WELLS.** Permittee may, upon obtaining the written approval of County and in accordance with provisions contained herein, drill additional wells.
7. **NOTICE PRIOR TO STARTING WORK.** In addition to obtaining all other necessary permits before starting work, Permittee shall notify the County Director of Public Works. Such notice shall be given at least three weeks in advance of

the date work is to begin. Any work begun prior to said notification will be subject to rejection. County reserves the right to approve of qualifications of the Contractor who proposes to do the work under this Permit. Emergency work required to maintain water production shall be authorized as provided in paragraph 4 hereof.

8. **PERMIT FROM OTHER AGENCIES.** Permittee shall, whenever the same is required by law, secure the written order or consent for any work hereunder from any public body having jurisdiction including the County, and this Permit shall be suspended in operation unless and until such order or consent is obtained.
9. **PROTECTION OF THE PUBLIC.** Adequate provision shall be made for the protection of the Public.
10. **STORAGE OF MATERIALS.** No materials shall be stored in any location not approved by the County.
11. **GENERAL CLEAN UP.** All debris shall be entirely removed and the area shall be left in a presentable condition and to the satisfaction of the Director of Public Works.
12. **SUPERVISION BY THE COUNTY.** All the work shall be done to the reasonable satisfaction of the Director of Public Works.
13. **LIABILITY FOR DAMAGES.** Permittee is responsible for all liability for personal injury or property damage which may arise out of work herein permitted or which may arise out of failure on Permittee's part to perform his obligations under this Permit in respect to maintenance. In the event any claim of such liability is made against the County of San Mateo or any Department, officer or employee thereof, Permittee shall defend, indemnify and hold them and each of them harmless from such claim.

Permittee shall provide at its sole expense, and furnish evidence to County prior to commencement of this Permit, combined public liability and property damage insurance in the amount of one million dollars (\$1,000,000) per occurrence in a form satisfactory to the Director to be kept in force during the term of this Permit or any extension hereof.

County shall be named as "Additional Insured" on said policy which shall contain a provision that the insurance afforded thereby to County, its officers, agents, servants and employees, shall be primary insurance to the full limits of liability of the policy and that if County, or its officers, agents, servants, or employees have other insurance against a loss covered by such policy, such other insurance shall be excess insurance only. Said policy shall also provide that County shall be furnished thirty (30) days' notice of cancellation.

14. **MAKING REPAIRS.** If the Director of Public Works shall so elect, repairs to

wells and other appurtenant facilities which have been disturbed shall be made by employees or contractors of the County and the expenses therefore, shall be borne by Permittee. County shall require a deposit before starting repairs in an amount sufficient to cover the estimated cost thereof. County will give reasonable notice of its election to make such repairs. If County does not so elect, the Permittee shall make repairs in accordance with County's construction standards and shall provide County with plans and specifications for approval prior to initiating repairs. In every case the Permittee shall restore any portion of any street, road or other areas which have been excavated or otherwise disturbed to its former condition, except where County elects to make repairs as above provided in this Permit. Permittee shall contact the Airports Manager prior to excavating or disturbing any portion of the airport and shall coordinate all work and contractor access onto the airport with the Airports Manager, in advance.

15. **CARE OF DRAINAGE.** If the work herein contemplated shall interfere with the established drainage, ample provision shall be made by Permittee to provide for Drainage as may be directed by County.
16. **FUTURE REMOVAL OF INSTALLATION.** It is understood by Permittee that whenever construction, maintenance or any work on the property may be required, the installation provided herein including appurtenances shall, upon request of County, be immediately moved by and at the sole expense of Permittee. Upon expiration or revocation of this Permit, Permittee as directed by the Director of Public Works shall remove its above-ground facilities and cap the wells in a manner satisfactory to County.
17. **REVOCAION.** County shall have the right to revoke this Permit immediately upon the failure by Permittee to perform, keep and observe any or all terms and conditions on the part of Permittee to be performed, kept or observed after the expiration of thirty (30) days from the date of written notice has been given by County to Permittee to correct such default or breach and such default or breach has not been cured or corrected. County shall have the right to revoke this Permit for any reason by delivering six (6) months' written notice to Permittee.
18. **NON-DISCRIMINATION.** Permittee contractor, etc., for himself, his personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree that (1) no person on the grounds of race, color, or national origin shall be excluded from participation, denied the benefits of, or be otherwise subjected to discrimination in the use of said facilities, (2) that in the construction of any improvements, on, over, or under such land and the furnishing of services thereon, no person on the grounds of race, color, or national origin shall be excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination, (3) that Permittee shall use the premises in compliance with all other requirements imposed by or pursuant to Title 49, Code of Federal Regulations, Department of Transportation, Subtitle A, Office of the Secretary, Part 21, Nondiscrimination in Federally-assisted programs of the Department of Transportation-Effectuation of Title VI of

the Civil Rights Act of 1964, and as said Regulations may be amended.

19. **RIGHT TO DEVELOP OR IMPROVE.** County reserves the right to further develop or improve the airport as it sees fit, regardless of the desires or view of Permittee, and without interference or hindrance by Permittee. Permittee shall move or relocate at its sole expense any of its wells or other appurtenant improvements that may need to be relocated as a result of County improvements or development on the airport.
20. **COUNTY'S RIGHT TO MAINTAIN.** County reserves the right, but shall not be obligated to Permittee, to maintain and keep in repair the airport and all publicly-owned facilities of the airport, together with the right to direct and control all activities of Permittee in this regard. Permittee shall move or relocate at its sole expense any of its wells or other appurtenant improvements that may need to be relocated as a result of County maintenance or repairs on the airport.
21. **AGREEMENTS WITH UNITED STATES.** Permittee shall be subordinate to the provisions and requirements of any existing or future agreement between County and the United States, relative to the development, operation or maintenance of airport.
22. **COMPLIANCE WITH PART 77 OF FAA REGULATIONS.** Permittee agrees to comply with the notification and review requirements covered in part 77 of the Federal Aviation Regulations in the event a future structure or building is planned for the encroachment area, or in the event of any planned modification or alteration of any present or future building or structure situated on the premises.
23. **PERMIT DOES NOT GRANT EXCLUSIVE RIGHT.** It is understood and agreed that nothing herein contained shall be construed to grant or authorize the granting of an exclusive right within the meaning of Section 308 of the Federal Aviation Act.
24. **RESERVATION OF RIGHT OF FLIGHT.** There is hereby reserved to County, its successors and assigns, for the use and benefits of the public, a right of flight for the passage of aircraft in the airspace above the surface of the encroachment area. This public right of flight includes the right to cause any noise inherent in the operation of any aircraft used for navigation or flight through the airspace or while landing at, taking off from or other operation on the Half Moon Bay Airport.
25. **HEIGHT LIMITATIONS.** Permittee, by accepting this Permit expressly agrees for itself, its successors and assigns that it will not erect nor permit the erection of any permanent structure or object nor permit the growth of any tree on the land leased hereunder above a mean sea level elevation of 75 feet. In the event the aforesaid covenants are breached, County reserves the right to enter upon the encroachment area hereunder and to remove the offending structure or object and cut the offending tree, all of which shall be at the expense of Permittee.
26. **NON-INTERFERENCE WITH AIRCRAFT.** Permittee by accepting this Permit

agrees for itself, its successors and assigns that it will not make use of the encroachment area in any manner which might interfere with the landing and taking off of aircraft from Half Moon Bay Airport or otherwise constitute a hazard. In the event, the aforesaid covenant is breached, County reserves the right to enter upon the premises and cause the abatement of such interference at the expense of Permittee. This Permit and all the provisions hereof shall be subject to whatever right the United States Government now has or in the future may have or acquire affecting the control, operation, regulation and taking over of said airport or the exclusive or non-exclusive use of the airport by the United States during the time of war or national emergency.

27. **ASSIGNMENT OF RIGHTS.** The parties acknowledge the pending sale of the assets of Citizens to California-American Water Company ("Cal -Am"). Citizens may assign its rights and obligations under this Permit to Cal-Am on ten (10) days notice without the County's consent upon closing of the asset sale. In this event, Cal-Am shall be bound by the terms of this Permit from and after the effective date of the assignment and Citizens shall be discharged from any further duty or responsibility under the permit relating to the period from and after the effective date of the assignment. Citizens shall remain responsible for all obligations and liabilities under this Permit arising from events or circumstances occurring prior to the closing of the sale of assets by Citizens to Cal-Am. Permittee may assign its rights and obligations under this agreement to a third party only with the County's prior written consent, which consent will not be unreasonably withheld.

28. **COMMUNICATIONS.** Communications hereunder shall be sent to County addressed as follows:

Director of Public Works
County of San Mateo
555 County Center, 5th Floor
Redwood City, CA 94063

Or to such other address as County may advise Citizens in writing, and to Citizens at:

Citizens Utilities Company of California
P.O. Box 15468
Sacramento, CA 95813

With a copy to:

Citizens Utilities Company of California
High Ridge Park
Stanford, CT 06905

Or to such other address as Citizens may advise County in writing.