

**AGREEMENT NO. WR-15-1060
BETWEEN THE CITY OF LOS ANGELES ACTING BY AND
THROUGH THE DEPARTMENT OF WATER AND POWER AND
ULTRAMAR INC. (A SUBSIDIARY OF VALERO ENERGY CORPORATION)
REGARDING
REIMBURSEMENT OF DESIGN COSTS FOR ON-SITE IMPROVEMENTS
REQUIRED FOR ADVANCED TREATED RECYCLED WATER SERVICE
AT VALERO WILMINGTON REFINERY**

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THIS AGREEMENT NO. WR-15-1060, hereinafter referred to as "Agreement", is entered into by and between the City of Los Angeles acting by and through the Department of Water and Power, hereinafter referred to in this Agreement as "LADWP", and Ultramar Inc. (a subsidiary of Valero Energy Corporation), hereinafter referred to in this Agreement as "Ultramar". Each of LADWP and Ultramar are hereinafter referred to individually in this Agreement as a "Party", and together they are referred to as "The Parties".

RECITALS

WHEREAS, the City of Los Angeles, hereinafter referred to in this Agreement as the "City", faces challenges providing water supply for the businesses and residents within the City; and

WHEREAS, Ultramar requires a reliable supply of water for the continued operation of the Valero Wilmington Refinery located at 2402 East Anaheim Street, Wilmington, California, hereinafter referred to as "Refinery", and depicted partially on Exhibit A, which is attached hereto and incorporated herein for all purposes; and

WHEREAS, the Refinery presently uses approximately one thousand (1,000) acre-feet per year of potable water for cooling within its refining operations but could use advanced treated recycled water if capital improvements are made to convey advanced treated recycled water to its cooling towers; and

WHEREAS, State of California Water Code, hereinafter referred to in this Agreement as "Water Code", Section 13550 provides that, "(t)he Legislature hereby finds and declares that the use of potable domestic water for nonpotable uses, including but not limited to, cemeteries, golf courses, parks, highway landscaped areas, and industrial and irrigation uses, is a waste or an unreasonable use of the water within the meaning of Section 2 of Article X of the California Constitution if recycled water is available..."; and

WHEREAS, Section 13551 of the Water Code provides that no person or public agency shall use potable domestic water for nonpotable uses if suitable recycled water is available as provided in Section 13550; and

WHEREAS, LADWP desires to conserve potable water supplies by providing recycled water where it is available and prudent to do so, thereby increasing the availability of potable water for domestic purposes; and

WHEREAS, recycled water is not currently available to Ultramar; and

WHEREAS, LADWP is planning expansion of its recycled water system, which would make high-quality advanced treated recycled water available to users in the Los Angeles Harbor area, including Ultramar; and

WHEREAS, advanced treated recycled water exceeds the requirements as established by the State of California Department of Health Services as found in Title 22 of the California Code of Regulations (hereinafter referred to in this Agreement as "Title 22") for industrial uses, is suitable for cooling tower uses and is in the range of quality set forth in Exhibit B attached hereto and incorporated herein for all purposes; and

WHEREAS, Ultramar desires to conserve potable water supplies and will benefit by being provided with an available and reliable source of high-quality recycled water that will not be restricted in times of drought; and

WHEREAS, LADWP and Ultramar seek to make advanced treated recycled water available to the Refinery in a manner which minimizes financial burdens to both LADWP and Ultramar; and

WHEREAS, the cost of on-site capital improvements at the Refinery that are necessary to use advanced treated recycled water must be determined for LADWP to evaluate the feasibility of expanding the recycled water system to the Refinery and financing these on-site capital improvements; and

WHEREAS, the first component of the capital cost of improvements to convert the Refinery's cooling towers to advanced treated recycled water is the Front End Engineering Design (hereinafter referred to in this Agreement as "FEED"), which produces a high level construction cost estimate and schedule; and

WHEREAS, LADWP proposes to timely evaluate the feasibility of expanding the recycled water supplies to the Refinery and financing the full cost of on-site capital improvements, based on the construction cost estimate and schedule from the FEED, and set forth, for discussion purposes, general business terms for a potential advanced treated recycled water service agreement with Ultramar.

NOW, THEREFORE, in consideration of the foregoing Recitals, which are hereby incorporated herein as part of the agreement between The Parties, and the benefits which will accrue to The Parties, the following is understood and agreed to by and between The Parties:

SECTION 1: REFINERY ON-SITE CAPITAL IMPROVEMENTS ESTIMATE, DELIVERABLES, AND REIMBURSEMENT

- 1.1 Exhibit A generally describes the facilities proposed to be constructed specifically for the delivery of advanced treated recycled water to Ultramar. LADWP proposes to design, construct, own, and operate facilities to deliver advanced treated recycled water to a mutually agreed upon point of delivery at the Refinery at or near the point of delivery depicted in Exhibit A (hereinafter referred to in this Agreement as "Delivery Point"). Ultramar proposes to design facilities downstream of the Delivery Point to deliver advanced treated recycled water to the cooling towers at the Refinery, as generally described in Exhibit A.
- 1.2 LADWP shall reimburse Ultramar up to a maximum of one million dollars (\$1,000,000) total to complete a FEED for the design of facilities to deliver advanced treated recycled water from the Delivery Point by LADWP to the cooling towers at the Refinery, as generally described in Exhibit A. The deliverables, reimbursement procedures, and responsibilities of The Parties are:
- a. Within six months after the Effective Date described in Section 3.1, Ultramar shall provide LADWP with an estimate of the cost and schedule for Ultramar to contract with an engineering firm (hereinafter referred to in this Agreement as "Engineering Estimate") to develop a FEED, and the cost for Ultramar's staff time to administer and manage the FEED as a percentage thereof not to exceed five percent (5%) (hereinafter referred to in this Agreement as "FEED Administration Costs").
 - b. The completed FEED shall include a detailed cost estimate (including contingency) and schedule to construct the on-site capital improvements necessary to deliver advanced treated recycled water from the Delivery Point to the cooling towers (hereinafter referred to in this Agreement as "Construction Cost Estimate").
 - c. Within thirty (30) calendar days of LADWP receiving the Engineering Estimate from Ultramar, LADWP's Authorized Representative (as hereinafter defined) shall review such Engineering Estimate, and if it is acceptable to LADWP in its reasonable discretion, LADWP shall give written notice to Ultramar that LADWP authorizes Ultramar to proceed under this Agreement with the FEED contract (hereinafter referred to in this Agreement as "Engineering Authorization"), or, if the Engineering Estimate is unacceptable to LADWP in its reasonable discretion, LADWP shall give notice to Ultramar of LADWP's request for clarification or amendment. Ultramar shall provide any reasonably requested clarification or amendment, as applicable, to the

Engineering Estimate within thirty (30) calendar days of the respective notice from LADWP. Within thirty (30) calendar days of receiving any such clarification or amendment, LADWP's Authorized Representative shall review such submission, and, if the Engineering Estimate is then acceptable to LADWP in its reasonable discretion, LADWP shall give Engineering Authorization to Ultramar, or, if the Engineering Estimate is still unacceptable to LADWP in its reasonable discretion, LADWP shall give notice to Ultramar of LADWP's request for further clarification or amendment following the procedure described herein. In the event Ultramar does not receive the Engineering Authorization after providing to LADWP responses to three (3) requests for clarification or amendment, then Ultramar may elect in its sole discretion to either (x) continue to provide amendments or clarifications to LADWP as reasonably requested by LADWP until LADWP provides the Engineering Authorization, or (y) elect to terminate this Agreement upon notice to LADWP. In the event of such early termination, LADWP shall not be required to reimburse Ultramar for expenses incurred under this Agreement, and Ultramar would not be obligated to continue progress toward the FEED. If such Engineering Estimate exceeds one million dollars (\$1,000,000), LADWP may terminate this Agreement. In the event of such early termination, LADWP would not be obligated to reimburse Ultramar's costs associated with the Engineering Estimate, and Ultramar would not be obligated to continue progress toward the FEED.

- d. Upon Ultramar's receipt of the Engineering Authorization, Ultramar shall proceed with hiring an engineering firm of its choice to develop the FEED, which cost shall not exceed and schedule shall be substantially based upon the Engineering Estimate accepted by the Engineering Authorization.
- e. Ultramar shall provide printed and electronic copies of the FEED to LADWP every three (3) months during the development of the FEED until such time as The Parties have developed and agreed to milestones for the FEED, after which the completion of such milestones shall be promptly communicated to LADWP.
- f. Ultramar shall submit invoices to LADWP in accordance with the notice provisions of Section 4.3.a, which include the invoices from the engineering firm under contract to develop the FEED and FEED Administration Costs.
- g. LADWP shall reimburse Ultramar for the commercially reasonable costs contained in the invoices submitted by Ultramar pursuant to Section 1.2.f. Such reimbursement payment for costs approved in invoices by LADWP shall occur within forty-five (45) calendar days

after such invoice is submitted to LADWP. If LADWP's Authorized Representative determines that any such costs are not commercially reasonable, LADWP shall provide to Ultramar a reasonably detailed explanation within forth-five (45) calendar days of having received the related invoice as to such determination.

- h. Ultramar shall complete the FEED by no later than fifteen months after the Effective Date described in Section 3.1.
- i. During the development of the Engineering Estimate and FEED and prior to the FEED Approval Deadline (as defined in Section 2.1 below), The Parties shall endeavor to negotiate in good faith the terms and conditions of an advanced treated recycled water service agreement between The Parties with consideration of the items described in Section 2.1.b of this Agreement and at a minimum meet in person at mutually agreeable times and locations on at least three (3) different days for such negotiations.
- j. If The Parties comply with Section 1.2.i but fail to agree on the terms and conditions of the advanced treated recycled water service agreement prior to the FEED Approval Deadline, then either of The Parties may terminate this Agreement upon notice to the other without any further liability to either of The Parties hereunder. If either Party fails to comply with Section 1.2.i, such failing Party forfeits its termination right described in this Section 1.2.j until an additional ninety (90) day period of good faith negotiations between The Parties has passed without agreement to the terms and conditions of the advanced treated recycled water service agreement.

SECTION 2: GENERAL TERMS FOR A FUTURE ADVANCED TREATED RECYCLED WATER SERVICE AGREEMENT

- 2.1 Upon LADWP's receipt of the FEED, LADWP's Authorized Representative shall determine within one hundred eighty (180) days (the "FEED Approval Deadline") whether it is economically feasible at that time to provide recycled water service to the Refinery and shall notify Ultramar of such decision. If LADWP's Authorized Representative determines, based upon the FEED, that it is not economically feasible to provide recycled water service to the Refinery, then neither of The Parties shall have any further obligation to the other under this Agreement with respect to the FEED or the advanced treated recycled water service agreement, aside from existing payment obligations from LADWP to Ultramar for any outstanding invoices related to the FEED under Section 1.2 of this Agreement. Subject to Section 1.2.j of this Agreement, if LADWP's Authorized Representative determines, based upon the FEED, that it is economically feasible to provide recycled water service to the Refinery, The Parties shall proceed

with the advanced treated recycled water service agreement agreed upon as set forth under Section 1.2.i. above, which Agreement may be based upon the following general terms and conditions:

- a. Such advanced treated recycled water service agreement will supersede this Agreement upon execution of such advanced treated recycled water service agreement.
- b. The following conditions shall be for discussion purposes and generally considered in negotiations under Section 1.2.i above:
 1. LADWP is currently receiving treated recycled water from the City of Los Angeles Bureau of Sanitation Terminal Island Water Reclamation Plant (hereinafter referred to in this Agreement as "TIWRP") Advanced Water Purification Facility (hereinafter referred to in this Agreement as "AWPF"). The AWPF is contemplated for expansion and shall constitute a substantial portion of future recycled water supplies for Ultramar. Additional sources of recycled water shall be added in the future. Each of these existing sources and potential future sources of water shall employ Reverse Osmosis treatment as a means of removing dissolved impurities including organic and inorganic materials. Moreover, the treatment systems shall include use of chemical addition to add minerals to the product water to stabilize the corrosion potential of the water. These processes demonstrate an ability to produce water that is of suitable quality for a wide range of potential uses, including cooling tower uses.
 2. The recycled system shall employ potable water backup as a means of stabilizing the delivery system during temporary periods where system-wide recycled water demands exceed the available recycled water supply. Thus, water delivered at any time from the recycled water system may be recycled or potable water of differing water quality.
 3. The Parties shall endeavor in good faith to develop operating protocols, including communications protocols, to ensure that recycled water delivered to Ultramar is at all times of appropriate quality and that, to the extent feasible, Ultramar is informed of changes in sources of water on LADWP's delivery system so that Ultramar is aware of cost-saving opportunities and has notification of any need to cease use of recycled water and return to use of potable water at the Refinery to avoid delivery of water that does not comply with Title 22.

4. On-site facilities which presently deliver potable water for cooling tower makeup at the Refinery shall be maintained by Ultramar to ensure a backup supply of water for the cooling towers during potential outages of the advanced treated recycled water system, but advanced treated recycled water shall be the primary supply source for cooling tower uses, and potable water shall not be used when sufficient advanced treated recycled water of appropriate quality is available for use.
5. LADWP shall be the sole provider of all sources of water to Ultramar; Ultramar shall not use its own wells or other suppliers to obtain water.
6. Construction of facilities at the Refinery to deliver recycled water from LADWP's point of delivery to the cooling towers shall be completed near the same time as advanced treated recycled water is available to the Refinery. There might be a period of delay needed from the time of completion of the FEED before construction commences to ensure system capacity and construction by LADWP of facilities upstream from point of delivery to the Refinery.
7. LADWP shall reimburse Ultramar up to a maximum amount specified in the advanced treated recycled water service agreement for costs Ultramar incurs to design and construct facilities to deliver advanced treated recycled water from the point of delivery by LADWP to the cooling towers at the Refinery. The one million dollars (\$1,000,000) provided for in this Agreement for the FEED shall be applied toward said maximum amount. Specifically, LADWP shall reimburse Ultramar for commercially reasonable construction contract costs to construct facilities at the Refinery to deliver recycled water from LADWP's point of delivery to the cooling towers and staff time costs to administer and manage the construction, after Ultramar submits invoices to LADWP, which include the invoices from the contractor to Ultramar and those for the agreed upon mark-up percentage of such contract to cover Ultramar's staff time to administer and manage the contract. Costs reimbursed by LADWP to Ultramar, together with costs of financing, shall be recovered from Ultramar through the difference between the price applicable to potable water and the applicable recycled water price according to LADWP's water rate ordinance.
8. Ultramar shall, in good faith, seek feasible means (which are non-monetary) to make capital improvements in accordance with the FEED to use recycled water.

9. Ultramar shall repay LADWP for the cost of capital improvements at the Refinery and financing by paying for advanced treated recycled water at the then-applicable first tier commercial rate for potable water for a period of time that is the shorter of (i) ten (10) years, or (ii) the time period when on-site capital costs reimbursed by LADWP are considered by LADWP to be fully amortized; after such time, Ultramar shall pay for advanced treated recycled water in accordance with the applicable rate schedule of LADWP for recycled water without any surcharges associated with cost recovery for capital improvements at the Refinery. For the avoidance of doubt, prior to the period of time that such on-site capital costs reimbursed by LADWP are considered to be fully amortized, the total cost of Ultramar to purchase advanced treated recycled water would be capped at the total cost that Ultramar would have paid for the purchase of potable water at First Tier Usage pricing.
10. The Parties may mutually agree to alternative mechanisms to ensure repayment by Ultramar to LADWP for the costs of capital improvements at the Refinery. Moreover, Ultramar may elect at any time to repay the cost of capital improvements and pay the applicable retail rate for advanced treated recycled water and/or take advantage of standard financing options offered by LADWP for on-site capital costs.
11. For pricing purposes, water delivered from the recycled water system shall be deemed recycled water delivered at the applicable recycled water rate, and any water used from the LADWP potable water system is deemed potable water delivered at the applicable potable rate.
12. If Ultramar uses recycled water during the period of the future advanced treated recycled water service agreement in accordance with terms of that agreement, Ultramar's cost obligation ends upon conclusion of that period, and Ultramar will own the on-site facilities free and clear of any lien.
13. If during the period of amortization of the on-site capital improvements at the Refinery, as calculated by LADWP, Ultramar voluntarily ceases operations of the Refinery for an indefinite period of time (specifically excluding any period of time due to force majeure/uncontrollable event, planned or unplanned maintenance or turnaround of the Refinery), all remaining unamortized costs shall be repaid to LADWP in full within thirty (30) days.

- 2.2 Notwithstanding anything contained in this Agreement to the contrary and for the avoidance of doubt, no provision contained in Section 2.1.b (or any condition, requirement or any obligation contained therein) shall be binding upon The Parties, and each of The Parties retains sole discretion with respect to the approval of any final advanced treated recycled water service agreement. Further, the acceptance or rejection, in whole or in part, by either of The Parties of any provision contained in Section 2.1.b for the advanced treated recycled water service agreement shall not be considered in determining whether either of The Parties negotiated in good faith under Section 1.2.i of this Agreement.

SECTION 3: TERM OF AGREEMENT AND DEFAULT

- 3.1 This Agreement shall be effective on the date that The Parties have both executed this Agreement, which is hereinafter in this Agreement referred to as the "Effective Date".
- 3.2 This Agreement shall have a term of three (3) years commencing on the Effective Date and ending on the third (3rd) anniversary thereof, which is hereinafter in this Agreement referred to as the "Term", unless terminated sooner in accordance with the terms of the Agreement.
- 3.3 This Agreement may be terminated at any time by mutual written agreement of the Authorized Representatives of The Parties.
- 3.4 Failure by Ultramar to substantially observe and perform any provision of this Agreement (other than in the section described in Section 3.6) where such failure continues for thirty (30) calendar days after receipt by Ultramar of written notice from LADWP shall constitute a material breach and default of this Agreement by Ultramar, provided, however, that if the nature of such default is curable, but that the same cannot with due diligence be cured within the thirty (30) calendar day period, Ultramar shall not be deemed to be in default if it shall within the thirty (30) calendar day period commence to cure the default and, thereafter, diligently prosecute the same to completion.
- 3.5 Failure by LADWP to substantially observe and perform any provision required by this Agreement (other than in the section described in Section 3.6) where such failure continues for thirty (30) calendar days after receipt of written notice from Ultramar shall constitute a material breach and default by LADWP of this Agreement, provided, however, that if the nature of such default is curable, but that the same cannot with due diligence be cured within the thirty (30) calendar day period, LADWP shall not be deemed to be in default if it shall within the thirty (30) calendar day period commence to cure the default and, thereafter, diligently prosecute the same to completion.
- 3.6 Failure by the applicable Party to substantially and timely perform any duty

described in Section 1.2.a-h shall constitute a material breach and default by such Party if the following timing failure dispute resolution procedure has concluded without agreement that the Authorized Representatives will update any or all of the timing requirements contained in those sections:

- a. In the event that either Party appears to have failed to substantially satisfy any of the timing requirements described in Section 1.2.a-h either Party, hereinafter in this Agreement referred to as the "Notifying Party", shall deliver to the other Party, hereinafter referred to in this Agreement as the "Recipient Party", notice of the failure, hereinafter in this Agreement referred to as the "Timing Failure Notice". The Timing Failure Notice shall state the applicable section of this Agreement that the Notifying Party claims the Recipient Party has failed to timely satisfy and include a schedule of the availability of the Notifying Party's senior officers (having a title of refinery vice president (or its equivalent) or higher for Ultramar and a managing engineer or higher for LADWP) duly authorized to settle any dispute regarding revised scheduling of timing requirements in Section 1.2.a-h during the thirty (30) calendar day period following the delivery of the Timing Failure Notice.
 - b. The Recipient Party shall within five (5) calendar days following receipt of the Timing Failure Notice provide to the Notifying Party a parallel schedule of availability of the Recipient Party's senior officers (having a title of refinery vice president or general manager (or its equivalent) or higher for Ultramar and a managing engineer or higher for LADWP) duly authorized to settle a dispute regarding the section of this Agreement stated in the Timing Failure Notice. Following delivery of the respective senior officers' schedules of availability, the senior officers of The Parties shall meet and confer as often as they deem reasonably necessary during the remainder of the thirty (30) calendar day period in good faith negotiations to reach an agreement that the Authorized Representatives will mutually update any or all of the timing requirements contained in Section 1.2.a-h.
- 3.7 Except as expressly limited by the Agreement, if a material breach and default according to Sections 3.4, 3.5, or 3.6 has occurred, the affected Party may without further notice exercise any rights and remedies provided herein or otherwise available in law or in equity, including the right to terminate this Agreement.
- 3.8 In no event shall either Party be liable to the other party for any special, consequential or indirect damages (including by way of illustration, lost revenues and lost profits (whether direct or indirect)) arising out of this

Agreement or any obligation arising hereunder, whether in action for or arising out of breach of contract, tort, indemnity or otherwise.

- 3.9 Material breach or default by Ultramar shall require payment by Ultramar to LADWP, within ten (10) days of notice from LADWP describing the material breach or default, in the amount of all costs already reimbursed by LADWP under Section 1.2.g of this Agreement.

SECTION 4: OTHER TERMS

- 4.1 In this Agreement, unless a clear contrary intention appears:
- a. the singular number includes the plural number and vice versa; and
 - b. reference to any person includes such person's successors and assigns but, in case of a Party, only if such successors and assigns are permitted by this Agreement, and reference to a person in a particular capacity excludes such person in any other capacity or individually; and
 - c. reference to any gender includes the other; and
 - d. reference to any agreement (including this Agreement), document, instrument or tariff means such agreement, document, instrument or tariff as amended or modified and in effect from time to time in accordance with the terms thereof and, if applicable, the terms hereof; and
 - e. reference to any Section means such Section of this Agreement and references in any Section to any clause means such clause of such Section; and
 - f. "hereunder", "hereof", "hereto" and words of similar import shall be deemed references to this Agreement as a whole and not to any particular Article or Section or other provision hereof or thereof; and
 - g. "including" (and with correlative meaning "include") means including without limiting the generality of any description preceding such term; and
 - h. relative to the determination of any period of time, "from" means "from and including", "to" means "to but excluding" and "through" means "through and including".
- 4.2 Each Party hereto shall designate an authorized representative who shall be authorized to act on its behalf with respect to those matters contained herein, each hereinafter referred to in the Agreement as an "Authorized Representative", which shall be the functions and responsibilities of such

Authorized Representatives. Each Party may also designate an alternate who may act for the Authorized Representative. Within thirty (30) calendar days after execution of this Agreement, each Party shall notify the other Party of the identity of its Authorized Representative, and alternate if designated, and shall promptly notify the other Party of any subsequent changes in such designation. The Authorized Representatives shall have no authority to alter, modify, or delete any of the provisions of this Agreement.

4.3 Any written notice, statement, invoice, receipt or other document to be delivered to a Party under this Agreement shall be deemed properly given if delivered in person or sent by registered or certified mail, postage prepaid, to the person specified below unless otherwise provided for in this Agreement:

a. If to LADWP:
Department of Water and Power
of the City of Los Angeles
111 North Hope Street
Los Angeles, California 90012
Attention: Director of Water Engineering and Technical
Services Division, Room 1336
Email: Susan.Rowghani@LADWP.com
Telephone Number: (213) 367-0866
Facsimile Number: (213) 367-3775

b. If to Customer:
Valero Wilmington Refinery
2402 E. Anaheim St.
Wilmington CA, 90744
Attention: Erik Myers
Email: erik.myers@valero.com
Telephone: (562) 491-6645
Facsimile: (562) 491-6700

4.4 Either Party may, by written notice to the other Party, change the name or address of the person to receive notices pursuant to this Agreement.

4.5 Any undertaking by one Party hereto to the other Party under any provisions of this Agreement shall not constitute the dedication of the system or any portion thereof of either Party to the public or to the other Party or any other person, and it is understood and agreed that any such undertaking by either Party shall cease upon the termination of such Party's obligations under this Agreement.

- 4.6 Neither Party shall be considered to be in default or material breach in the performance of any of its obligations under this Agreement (other than obligations of said Party to make payments due) if failure of performance shall be due to an uncontrollable force. The term "uncontrollable force" shall mean any cause beyond the control of the Party affected, including, but not limited to, flood, earthquake, storm, fire, lightning, epidemic, war, civil disturbance or disobedience, labor dispute, labor or material shortage, sabotage, and restraint by court order or public authority. Nothing contained herein shall be construed so as to require a Party to settle any strike or labor dispute in which it may be involved. Either Party rendered unable to fulfill any obligation under this agreement by reason of uncontrollable force shall give prompt notice of such fact to the other Party and shall exercise due diligence to remove any inability with all reasonable dispatch.
- 4.7 The Parties agree that in any action to enforce the terms of this Agreement that each Party shall be responsible for its own attorney fees and costs. Each of The Parties was represented by its respective legal counsel during the negotiation and execution of this Agreement.
- 4.8 The Parties acknowledge that they have read and fully understand the content and effect of this Agreement and that the provisions of this Agreement have been reviewed and approved by their respective counsel. The Parties further acknowledge that they have executed this Agreement voluntarily, subject only to the advice of their own counsel, and do not rely on any promise, inducement, representation or warranty that is not expressly stated herein.
- 4.9 This Agreement (including Exhibit A and Exhibit B) contains the entire understanding concerning the subject matter herein and supersedes and replaces any prior negotiations, discussions or agreements between The Parties, or any of them, concerning that subject matter, whether written or oral, except as expressly provided for herein. This is a fully integrated document. Each Party acknowledges that no other party, representative or agent, has made any promise, representation or warranty, express or implied, that is not expressly contained in this Agreement that induced the other Party to sign this document. This Agreement may be amended or modified only by an instrument in writing signed by each Party.
- 4.10 This Agreement was made and entered into in the City of Los Angeles and shall be governed by, interpreted and enforced in accordance with the laws of the State of California and the City of Los Angeles, without regard to conflict of law principles.
- 4.11 All litigation arising out of, or relating to this Agreement, shall be brought in a state or federal court in the County of Los Angeles in the State of California. The Parties irrevocably agree to submit to the exclusive

jurisdiction of such courts in the State of California and waive any defense of forum non conveniens.

- 4.12 The Parties must comply with California law governing claims against public entities and presentment of such claims.
- 4.13 This Agreement may be executed in counterparts, and, upon execution by each signatory, each executed counterpart shall have the same force and effect as an original instrument and as if all signatories had signed the same instrument. Any signature page of this Agreement may be detached from any counterpart of this Agreement without impairing the legal effect of any signature thereon, and may be attached to another counterpart of this Agreement identical in form hereto by having attached to it one or more signature pages.
- 4.14 Section headings appearing in this Agreement are inserted for convenience only and shall not be construed as interpretations of text.
- 4.15 The failure of either Party to this Agreement to enforce or insist upon compliance with or strict performance of any of the terms or conditions hereof, or to take advantage of any of its rights hereunder, shall not constitute a waiver or relinquishment of any such terms, conditions or rights, but the same shall be and remain at all times in full force and effect. Ultramar acknowledges that money damages may not be an adequate remedy for violations of this Agreement and that LADWP may, in its sole discretion, seek and obtain from a court of competent jurisdiction specific performance or injunctive or such other relief as such court may deem just and proper to enforce this Agreement or to prevent any violation hereof. Ultramar hereby waives any objection to specific performance or injunctive relief. The rights granted herein are cumulative.
- 4.16 This Agreement shall not be interpreted to create an association, joint venture or partnership between The Parties or to impose any partnership obligation or liability upon either such Party. Neither Party shall have any right, power or authority to enter into any agreement or undertaking for, or act on behalf of, or to act as an agent or representative of, the other Party.
- 4.17 This Agreement shall not be construed to create rights in, or to grant remedies to, any third party as a beneficiary of this Agreement or any duty, obligation or undertaking established herein.
- 4.18 In the event any of the terms, covenants or conditions of this Agreement, or the application of any such terms, covenants or conditions, shall be held invalid, illegal or unenforceable by any court having jurisdiction, all other terms, covenants and conditions of this Agreement and their application not adversely affected thereby shall remain in force and effect,

provided that the remaining valid and enforceable provisions materially retain the essence of The Parties' original bargain.

- 4.19 This Agreement is binding on and shall inure to the benefit of successors and assigns of The Parties, but neither Party may assign or transfer this Agreement, in whole or in part, without the prior written consent of the other Party, such consent not to be unreasonably withheld.
- 4.20 Ultramar hereby undertakes to indemnify and hold harmless the City of Los Angeles, the Department of Water and Power, the Board of Water and Power Commissioners, and all of their officers, employees, agents, and assigns (hereinafter referred to in this Agreement as the "Indemnitees") and, at the option of LADWP, to defend the Indemnitees from and against any and all suits and causes of action, claims, charges, damages, demands, judgments, civil fines and penalties, or losses of any kind or nature whatsoever, for death, bodily injury, or personal injury to any person, including Ultramar's employees or agents, or damage or destruction to any property of either Party hereto or to any third person, in any manner arising by reason of development of the FEED, whether the harm occurs to Ultramar, its officers, agents, employees, or patrons or to third parties regardless of their status on the Refinery property and regardless of whether Ultramar knew or in the exercise of due diligence could have known or foreseen the likelihood of the particular harm, except to the extent caused by the sole negligence or willful misconduct of any such Indemnitee.

[Signature Pages to Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on their respective behalves by their duly authorized representatives.

CITY OF LOS ANGELES ACTING BY AND THROUGH
THE DEPARTMENT OF WATER AND POWER

By BOARD OF WATER AND POWER
COMMISSIONERS OF THE CITY OF
LOS ANGELES

Date: _____

By: _____
MARCIE L. EDWARDS
General Manager

Date: _____

And: Barbara E. Moschos
BARBARA E. MOSCHOS
Secretary

APPROVED AS TO FORM AND LEGALITY
MICHAEL N. FEUER, CITY ATTORNEY

MAY 08 2015

BY Brian E. Stewart
BRIAN E. STEWART
DEPUTY CITY ATTORNEY

AUTHORIZED BY RES. 016 165
FEB 02 2016

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on their respective behalves by their duly authorized representatives.

ULTRAMAR INC. (A SUBSIDIARY OF VALERO ENERGY CORPORATION)

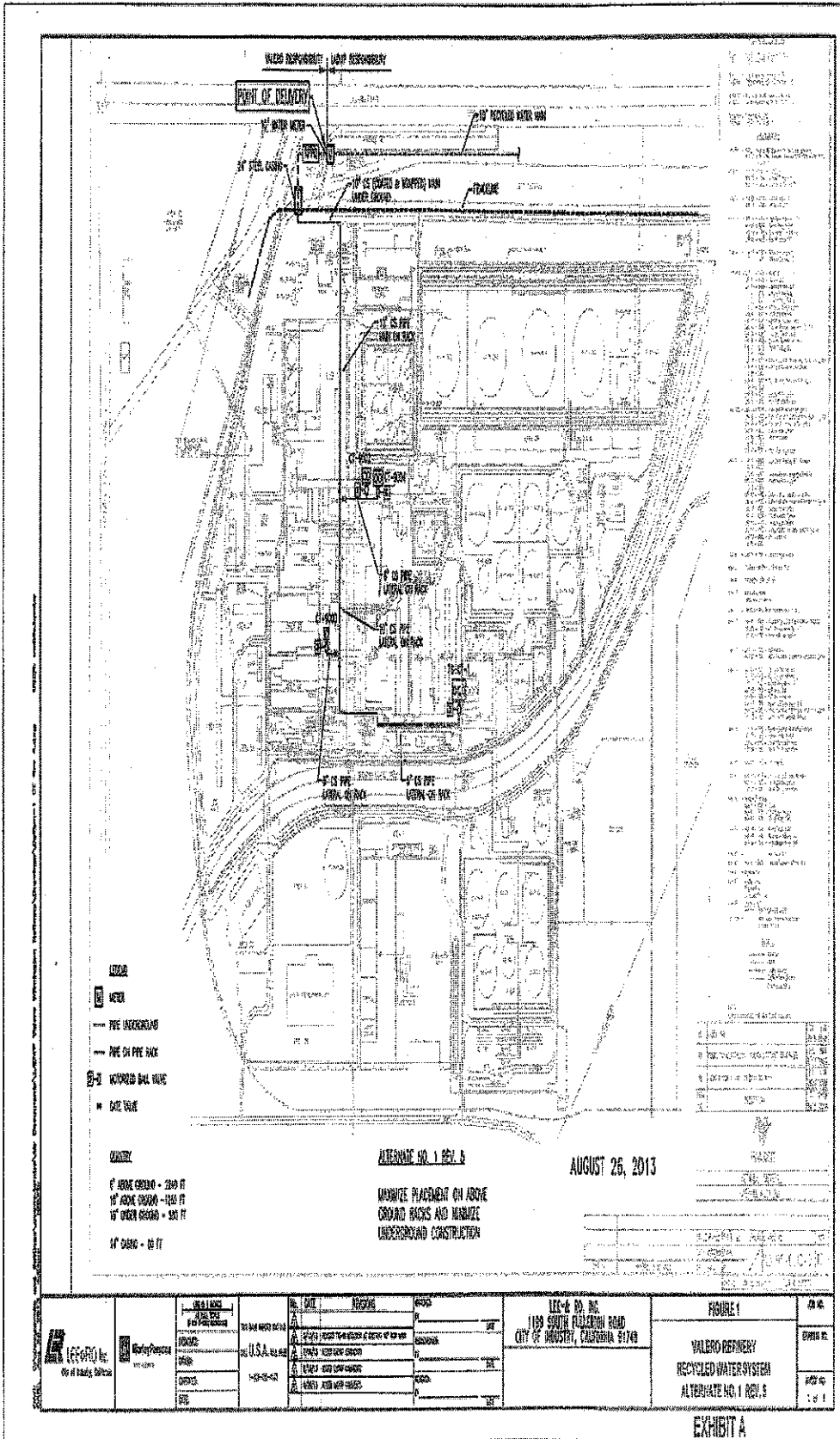
Date: 5/8/15

By: 
MARK PHAIR

Title: Vice President and General Manager
Valero Wilmington Refinery

Exhibit A
to
AGREEMENT NO. WR-15-1060
BETWEEN THE CITY OF LOS ANGELES ACTING BY AND
THROUGH THE DEPARTMENT OF WATER AND POWER AND
ULTRAMAR INC. (A SUBSIDIARY OF VALERO ENERGY CORPORATION)
REGARDING
REIMBURSEMENT OF DESIGN COSTS FOR ON-SITE IMPROVEMENTS
REQUIRED FOR ADVANCED TREATED RECYCLED WATER SERVICE
AT VALERO WILMINGTON REFINERY

[SEE ATTACHED]



LEGEND
 --- PIPE UNDERGROUND
 --- PIPE ON PIPE RACK
 --- RECYCLED BALL VALVE
 * DATE VALUE

ELEVATION
 1' ABOVE GRADE - 2840 FT
 1' ABOVE GRADE - 2840 FT
 1' UNDER GRADE - 300 FT
 1' DRAIN - 00 FT

ALTERNATE NO. 1 REV. 3
 AUGUST 26, 2013
 MONITOR PLACEMENT ON ABOVE
 GROUND BASINS AND MANHOLE
 UNDERGROUND CONSTRUCTION

NO.	DESCRIPTION	DATE
1	ISSUED FOR PERMITTING	08/26/13
2	REVISIONS	
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		SHEET NO. 101-100-001-001	DATE: 08/26/13	PROJECT: VALERO REFINERY RECYCLED WATER SYSTEM	1100 SOUTH FULBRIGHT ROAD CITY OF INDUSTRY, CALIFORNIA 91748	FIGURE 1	101-100-001-001
		U.S.A. 301.658	101-100-001-001	VALERO REFINERY RECYCLED WATER SYSTEM	VALERO REFINERY RECYCLED WATER SYSTEM ALTERNATE NO. 1 REV. 3	101-100-001-001	

EXHIBIT A

Exhibit B
to
AGREEMENT NO. WR-15-1060
BETWEEN THE CITY OF LOS ANGELES ACTING BY AND
THROUGH THE DEPARTMENT OF WATER AND POWER AND
ULTRAMAR INC. (A SUBSIDIARY OF VALERO ENERGY CORPORATION)
REGARDING
REIMBURSEMENT OF DESIGN COSTS FOR ON-SITE IMPROVEMENTS
REQUIRED FOR ADVANCED TREATED RECYCLED WATER SERVICE
AT VALERO WILMINGTON REFINERY

[SEE ATTACHED]

EXHIBIT B
Comparison of Water Qualities in Los Angeles Harbor Area

Constituent	Units	Potable Water Average ¹	Terminal Island Water Reclamation Plant (TIWRP) Advanced Water Purification Facility (AWPF) Recycled Water Average ²
Ammonia	mg/L	0.43	<0.1
Conductivity	uS/cm	N/A	186
pH	Std. Units	8	8.03
Calcium	mg/L	42	35
Magnesium	mg/L	17	0.184 (DNQ)
Total hardness	mg/L	157	73.4
Bicarbonate alkalinity	mg/L	86	40
Carbonate alkalinity	mg/L	0	0
Total Alkalinity	mg/L	86	40
Chloride	mg/L	69	114
Sulfate	mg/L	122	4
Silica	mg/L	17	22
Iron	mg/L	<0.1	<0.0052
Copper	mg/L	0.576	0.0162
Sodium	mg/L	65	43.3
Potassium	mg/L	4	3.58
TDS	mg/L	397	333
Free Chlorine	mg/L	1.7	0.55
TSS	mg/L	N/A	<1
Nitrate (as N)	mg/L	<2	1.425
O-Phosphate	mg/L	N/A	N/A
Boron	mg/L	0.15	0.51
Bicarbonate	mg/L	N/A	N/A
TOC	mg/L	2.2	0.2
Manganese	mg/L	<0.02	0.003 (DNQ)
Arsenic	mg/L	<0.002	<0.0027
Cadium	mg/L	N/A	<0.0002
Chromium (total)	mg/L	<1	<0.00026
Lead	mg/L	0.0056	<0.0037
Nickel	mg/L	N/A	0.0032 (DNQ)
Silver	mg/L	N/A	<0.00056
Zinc	mg/L	<0.005	0.0138 (DNQ)
Cyanide (Total)	mg/L	N/A	<0.000004
Selenium	mg/L	N/A	<0.0028

¹ 2012 LADWP Drinking Water Quality Report

² Provided Sep. 2013 by LASAN to LADWP of TIWRP AWPf Monthly and Quarterly Monitoring Reports

*N/A = Not Available

*DNQ = Detected, Not Quantified. Below the lowest calibration standard.

*Constituents with < XX denote values below the detection level

