

**MEMORANDUM OF UNDERSTANDING
REGARDING
A WATER PURCHASE AGREEMENT**

This Memorandum of Understanding is entered into this ____ day of 2004 by and between the Joint Water Commission ("JWC") and the City of Minneapolis ("City").

RECITALS

WHEREAS, the Cities of Golden Valley, New Hope, and Crystal have established the JWC as a wholesale water purchasing partnership to store treated water for distribution and resale to each of its member cities.

WHEREAS, the City has sufficient capacity in its water treatment and transmission facilities to meet the wholesale water demands of the JWC.

WHEREAS, the City is planning to upgrade its treatment facilities using advanced membrane technology to meet water quality regulations and the JWC will directly benefit from these capital improvements.

WHEREAS, the JWC has previously purchased water from the City under the terms of a 1963 agreement and both parties are desirous of renewing it under mutually agreeable terms.

WHEREAS, both parties recognize that obtaining the necessary reviews and approvals of a long-term treated water purchase agreement may take several months.

WHEREAS, both parties have agreed to interim terms and conditions until such an agreement is finalized.

MEMORANDUM OF UNDERSTANDING

NOW, THEREFORE, to provide for the continued purchase of treated water from the City by the JWC during an interim period until a final Water Purchase Agreement is executed, the parties agree as follows:

1. Term. The term of this Memorandum of Understanding shall commence as of the date set forth above and terminate on the earlier of December 31, 2004 or on the date upon which a final Water Purchase Agreement is executed, or the JWC connection is discontinued.
2. Rate. The JWC agrees to pay \$1.851164 per hundred cubic feet ("HCF"), equivalent to \$2.474818 per thousand gallons, for water delivered by the City to JWC storage reservoirs on or after January 1, 2004. Payments will be made monthly in accordance with past practices. The rate will be adjusted each year and will reflect 77.78% of the Minneapolis in-city rate. In the event the JWC does not enter into a long-term Agreement for purchase of water, the interim rate from that point will be negotiated to cover the period until termination of service.
3. Diligence. The parties agree to work diligently to execute a Long-Term Water Purchase Agreement under mutually agreeable terms.

IN WITNESS WHEREOF, the parties have executed this Memorandum of Understanding as of the day and year written above.

JOINT WATER COMMISSION

CITY OF MINNEAPOLIS

By _____

By _____

Title _____

Title _____

