

## **Second Amended and Restated Memorandum of Agreement**

### **Regarding the**

### **Sonoma County Water Agency**

### **Internal Service Fund for Electrical Generation and Supply**

This Second Amended and Restated Memorandum of Agreement (Second Amended MOA or MOA) is entered into by and among the Sonoma County Water Agency (Sonoma Water) (for itself and on behalf of the Airport-Larkfield Wikiup Sanitation Zone (ALW), the Geyserville Sanitation Zone, the Penngrove Sanitation Zone, and the Sea Ranch Sanitation Zones [Zones]), the Sonoma Valley County Sanitation District (SVCSD), the Russian River County Sanitation District; the Occidental County Sanitation District, and the South Park County Sanitation District (CSDs).

### **Recitals**

- A. Sonoma Water owns, operates, and manages each of the Zones and operates and manages each of the CSDs listed above. Sonoma Water also operates a water transmission system and owns, operates, and maintains flood protection projects and provides flood protection services.
- B. Sonoma Water has developed, for itself and on behalf of SVCSD and ALW, renewable photovoltaic (PV) electrical energy projects at Sonoma Water's headquarters and at the SVCSD and ALW treatment facilities. Sonoma Water contracted for renewable electrical power from the County of Sonoma's central landfill facility through the Power and Water Resource Pooling Authority (PWRPA). Sonoma Water began using power from its Warm Springs Dam hydroelectric facility after the Standard Offer 4 (SO4) agreement with Pacific Gas & Electric Company (PG&E) expired in December 2009. Sonoma Water anticipates that it will develop additional renewable electrical facilities such as the Geyserville Sanitation Zone solar PV system.
- C. Sonoma Water wishes to pool these renewable electrical power assets along with electrical power Sonoma Water receives from PG&E and other sources, in order to create a "blended" electrical energy cost to be charged with respect to all of Sonoma Water's activities, including the Zones and the CSDs operated by Sonoma Water, Sonoma Water's water transmission system, and Sonoma Water's other operations, and to provide a broader base for financing future renewable energy projects.
- D. Pooling Sonoma Water's electrical energy supplies and charging a blended rate is in the interest of Sonoma Water; the transmission system; the Zones Sonoma Water owns, operates, and manages; and the CSDs Sonoma Water operates and manages, because it will

permit Sonoma Water to develop more renewable self-generation, reduce greenhouse gas emissions, provide electrical power at a cost that is less susceptible to severe market fluctuations, and increase the reliability of the system.

- E. Sonoma Water and CSDs first entered into this MOA on July 15, 2008.
- F. The First Amended MOA added a provision to permit SVCSD to allow Sonoma Water to License the land area occupied by the SVCSD photovoltaic facility to PWRPA. Sonoma Water's Board of Directors authorized the First Amended MOA on May 14, 2019. This action was necessary as part of execution of the Renewable Electricity Generating Facility Agreement (Facility Agreement) with PWRPA. The Facility Agreement allowed Sonoma Water to capture the value of SVCSD photovoltaic facility. The Facility Agreement saved approximately \$25,000 annually.
- G. In addition, the First Amended MOA changed occurrences of "Water Agency" to "Sonoma Water."
- H. This Second Amended MOA adds a provision to permit SVCSD to allow Sonoma Water to License the land area occupied by the SVCSD photovoltaic facility to another entity.
- I. This Second Amended MOA supersedes all previous MOAs, agreements, and amendments between the parties.

## **Agreement**

### **1. Definitions**

- a. "Electrical Power Asset" means 1) any facility or device owned by any party to this MOA that produces electrical energy (excluding the Warm Springs Dam hydroelectric facility, unless that facility is transferred to the Power Internal Service Fund pursuant to Section 11 of this MOA); and 2) any right or contract under which any party to this MOA is entitled to a supply of electrical power, including the right to receive electrical power supplied by PG&E.
- b. "Debt" means any liability of any party to this MOA to any third party arising out of an Electrical Power Asset.
- c. "Power Internal Service Fund" means the accounting fund created pursuant to Section 2 of this MOA.

- 2. Sonoma Water shall create the Power Internal Service Fund. Sonoma Water shall hold all Electrical Power Assets and Debts in the Power Internal Service Fund and shall collect and account for actual or imputed payments from or to the parties for electrical power from Electrical Power Assets through the Power Internal Service Fund, and shall pay all Debts from the Power Internal Service Fund.

- 3. Effective July 1, 2007, each party shall transfer to Sonoma Water all Electrical Power Assets and Debts, to be accounted for by Sonoma Water in the Power Internal Service Fund. Sonoma Water shall hold all Electrical Power Assets and Debts for the benefit of all parties to this MOA. For purposes of this MOA, references to actions of the Power Internal Service

Fund shall mean actions of Sonoma Water taken on behalf of the Power Internal Service Fund for the benefit of the parties to this MOA.

4. In connection with the transfer of the SVCSD photovoltaic facility to Sonoma Water's Power Internal Service Fund, the following terms apply:
  - a. The Power Internal Service Fund shall pay SVCSD a total of \$5,237,240 for the photovoltaic facility, representing the net depreciated book value of the facility. Sonoma Water shall make payments to SVCSD as follows:

The Power Internal Service Fund shall pay the amount owed to SVCSD over twelve years, in annual installments, at an interest rate of 4.198 percent.

    - i. The Power Internal Service Fund shall also pay SVCSD a Base Rent of \$11,000 per year, representing the fair rental value of the SVCSD property upon which the facility is located.
    - ii. SVCSD hereby irrevocably licenses the land to Sonoma Water and expressly allows Sonoma Water to sublicense the land area occupied by the SVCSD photovoltaic facility to another entity. The term of this license and sublicense shall not exceed thirty-four (34) years and three hundred sixty-four (364) days.
5. In connection with the transfer of the ALW photovoltaic facility to the Power Internal Service Fund, the following terms shall apply:
  - a. The Power Internal Service Fund shall assume all obligations of ALW under the financing for the facility with Banc of America, LLC.
  - b. The principal amount of ALW's obligation to Banc of America, LLC is less than the net depreciated book value of the facility, therefore, the Power Internal Service Fund shall pay the current book value less the current equipment lease value, which is \$108,912 to ALW over three years, in annual installments, at an interest rate of 4.198 percent.
  - c. The Power Internal Service Fund shall also pay ALW a Base Rent of \$50,000 per year, representing the fair rental value of the ALW property upon which the facility is located.
6. In connection with the transfer of the 404 Aviation photovoltaic facility to the Power Internal Service Fund, the following terms shall apply:
  - a. The Power Internal Service Fund shall assume all obligations of Sonoma Water under the financing for the facility with Banc of America, LLC.
  - b. The principal amount of Sonoma Water's obligation to Banc of America, LLC is less than the net depreciated book value of the facility, therefore, the Power Internal Service Fund shall pay the current book value less the current equipment lease value which is \$417,184 to the Internal Service Fund for Facilities over three years, in annual installments, at an interest rate of 4.198 percent.
  - c. The Power Internal Service Fund shall also pay Sonoma Water a Base Rent of \$1,000 per year, representing the fair rental value of Sonoma Water property upon which the facility is located.

7. Rent for all power facilities in Articles 4, 5, and 6 shall be adjusted as follows: Beginning on January 1, 2020 (Commencement Date) and on each successive anniversary thereafter during the term of this MOA (Adjustment Date), Base Rent shall be increased by one-hundred percent (100%) of the percentage of increase, if any, shown by the Consumer Price Index for All Urban Consumers (CPI-U), All Items (base years 1982-1984 =100) (Index) for San Francisco-Oakland Berkeley California Metropolitan Statistical Area (CBSA) published by the United States Department of Labor, Bureau of Labor Statistics, for the month immediately preceding the Adjustment Date as compared with the Index for the same month in the immediately preceding calendar year. Landlord shall calculate the amount of this increase in Base Rent after the United States Department of Labor, Bureau of Labor Statistics, publishes the statistics on which the amount of the increase, multiplied by the number of installments of rent due under this MOA since the Adjustment Date. If the index is changed so that the base year differs from that in effect on the Commencement Date, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term of this MOA, the government index or computation with which it is replaced shall be used to obtain substantially the same result as if the Index had not been discontinued or revised. Notwithstanding anything stated to the contrary herein, in no event shall the Base Rent as so adjusted be increased by more than four percent (4%) in any year of the term of this MOA.
8. All Electric Power Assets constructed or acquired after the date of this MOA for the benefit or use of any party to this MOA shall be financed and held in the Power Internal Service Fund, which shall also pay all Debts related to any Electric Power Asset.
9. Sonoma Water may make from its General Fund such loans to the Power Internal Service Fund as are necessary to allow the Power Internal Service Fund to acquire and pay for Electrical Power Assets and to pay Debts. The General Fund shall make an initial loan in the amount of \$1,000,000, and then may make additional loans up to \$1,000,000 annually for eight years as necessary for meeting these purposes which shall bear interest at the rate of the County Treasurer's cost of funds and shall be amortized and repaid to the General Fund over a period of twenty-five years with the first annual payment to begin in the ninth year.
10. Annually in connection with its budget preparation, Sonoma Water shall calculate an imputed electrical power rate to be charged by the Power Internal Service Fund to all parties to this MOA, including Sonoma Water. The imputed rate shall be calculated by taking the total estimated expenses of the Power Internal Service Fund for the next fiscal year and dividing by the total estimated power use of all parties to this MOA during the next fiscal year. Estimated expenses may include, but are not limited to:
  - a. Payments on Debt, including payments on notes or other obligations relating to the construction of Electrical Power Assets, and payments to Pacific Gas & Electric Company, the Power and Water Resources Pooling Authority, or other power provider for delivered power.

- b. Administrative costs incurred by Sonoma Water in connection with the operation of the Power Internal Service Fund, including, but not limited to, Sonoma Water overhead charges, insurance, accounting, legal, and other reasonable, necessary costs.
  - c. Costs incurred by Sonoma Water in connection with the development of potential future Electrical Power Assets, including, but not limited to, the costs of feasibility studies, engineering analyses, and environmental review.
  - d. Charges to maintain a prudent reserve in the Power Internal Service Fund, and, at Sonoma Water's option, charges to build a fund balance in order to pay for the capital cost of potential future Electrical Power Assets.
11. Regardless of the actual cost of power from its specific source(s) of electrical power, each party to this MOA, including Sonoma Water, shall pay to the Power Internal Service Fund an amount equal to the imputed rate calculated according to Section 10 of this MOA times the amount of power used.
12. The Power Internal Service Fund may construct, acquire, or contract for Electric Power Assets for the use of the parties to this MOA. With respect to the Warm Springs Dam hydroelectric facility, Sonoma Water may transfer that facility to the Power Internal Service Fund upon receiving the consent of Sonoma Water's water contractors to such transfer.

IN WITNESS WHEREOF, the parties hereto have executed this MOA as of the date last signed by the parties to the MOA.

Reviewed as to funds:

By: \_\_\_\_\_  
Sonoma County Water Agency  
Division Manager - Administrative  
Services

Approved as to form:

By: \_\_\_\_\_  
Adam Brand, Assistant County  
Counsel

**Sonoma County Water Agency  
Occidental County Sanitation District  
Russian River County Sanitation District  
Sonoma Valley County Sanitation District  
South Park County Sanitation District**

By: \_\_\_\_\_  
Grant Davis  
General Manager  
Authorized per Boards of Directors  
Action on June 03, 2025

Date: \_\_\_\_\_