

CONTRACT FOR MANASQUAN RIVER RESERVOIR
WATER AND EMERGENCY/BACK-UP BULK RATE SALES

7/26/90
This Contract for Manasquan River Reservoir Water and Emergency Back-Up Bulk Rate Sales (hereinafter called the "Agreement") is made and entered into as of this 26th day of JULY, 1990, by and between Shorelands Water Company, Inc. (hereinafter "SWC") having its principal place of business at 1709 Union Avenue, P.O. Box 158, Hazlet, New Jersey, 07730 and the Borough of Union Beach (hereinafter "Union Beach").

A. INTRODUCTION

WHEREAS, as of April 30, 1987, SWC and Union Beach entered into a three-party agreement called the "Manasquan Reservoir Supply System Water Purchase Contract (Demand Center 3N), New Jersey Water Supply Authority and Shorelands Water Company, Inc. and Borough of Union Beach dated April 30, 1987" (said agreement is hereinafter the "Manasquan Contract" and the water furnished thereunder is hereinafter "Manasquan Water"); and

WHEREAS, by the terms of the Manasquan Contract, Union Beach is obligated to purchase a total of 182.5 million gallons of water in each Fiscal Year (hereinafter "MGY") during the term of the Manasquan Contract ("Fiscal Year" meaning the twelve-month period commencing on July 1 of each year and ending at midnight on the following June 30) (hereinafter "Fiscal Year" or "Year") from the New Jersey Water Supply Authority (hereinafter called the "Authority") for delivery

through SWC's system (calculated at .5 million gallons per day (hereinafter "MGD")); and

WHEREAS, SWC will be taking water from the Authority through New Jersey American Water Co. (hereinafter "N.J. American") on behalf of Union Beach, the Borough of Keyport (hereinafter "Keyport") and SWC; and

WHEREAS, Union Beach was offered a choice between two plans, the first being to take the 182.5 MGY in even daily volumes throughout the twelve months of the Year, and the second plan being to take water most heavily within a seven-month period with lesser volume within the remaining five months; and

WHEREAS, Union Beach having chosen the 7/5 plan by letter dated January 23, 1990 to SWC; and

WHEREAS, N.J. American, Union Beach and SWC have now agreed upon maximum monthly, daily and hourly rates of flow of water within which Union Beach will be allowed to take the water from SWC.

NOW, THEREFORE, IT IS HEREBY AGREED BY AND BETWEEN UNION BEACH AND SWC AS FOLLOWS:

1. Union Beach will pay SWC for 182.5 million gallons (hereinafter "MG") of water per Fiscal Year, even if Union Beach actually takes less than 182.5 MG during the Fiscal Year. Union Beach will pay for 182.5 MG at the then current water rates specified in SWC's applicable tariff approved by

the New Jersey Board of Public Utilities (hereinafter "BPU") as amended from time-to-time (Said tariff is presently designated "Rate Schedule No. 6, Sales for Resale - Manasquan" and hereinafter referred to as "Rate Schedule No. 6").

2. Union Beach may draw maximum rates of flow of Manasquan Water under Rate Schedule No. 6 as follows:

	MAX. (MONTHLY) MG	MAX. (DAILY) MG	PEAK HOUR Gallons Per Minute (GPM)
JAN	24.00	1.10	900
FEB	24.00	1.10	900
MAR	24.00	1.10	900
APR	24.00	1.10	900
MAY	8.00	0.40	350
JUN	8.00	0.40	350
JUL	8.00	0.40	350
AUG	8.00	0.40	350
SEP	8.00	0.40	350
OCT	27.00	1.10	900
NOV	27.00	1.10	900
DEC	27.00	1.10	900

3. ^{201 MG} ^{182.5 MG} ¹⁰⁹ excess of the monthly, daily or hourly maximum (except in emergencies as provided for) and any water in excess of 182.5 MGY will be supplied by Union Beach under the then current water rates specified in SWC's applicable tariff approved by the BPU, as amended from time-to-time (Said tariff is presently designated Revised Rate Schedule No. 5, Emergency/Back-Up Bulk Rate Sales to Municipalities and hereinafter referred to as "Rate Schedule No. 5").

4. Union Beach will continue to be assessed applicable Fixed Service Charges set forth in the then applicable Rate Schedules No. 5 and 6 as approved by the BPU, as amended from time-to-time.

5. On or before May 30 of each Year, Union Beach will provide SWC with a schedule of its proposed draw of water on a monthly basis for SWC's approval. Upon approval, SWC will set its rate-of-flow controllers each month so that the scheduled volume of water during the month will be available on a steady flow basis during the month to Union Beach. It will be Union Beach's responsibility to operate its own system in a manner which will enable Union Beach to take the scheduled volume of water. Union Beach may request to amend its schedule of monthly draws twice during the Year by furnishing a new schedule to SWC, in writing, at least five (5) days before the month in which the draw is requested to be changed.

6. In emergency situations, Union Beach may request, by telephone, a change in the rates of flow. Emergency situations include unforeseeable conditions which increase Union Beach's demand for a short period of time up to seven days. If conditions permit, SWC will reset the rate of flow controllers to satisfy the emergency demand. On the next business day after the emergency has begun, Union Beach must confirm the telephonic instructions in writing. If the emergency condition requires SWC to purchase water under the

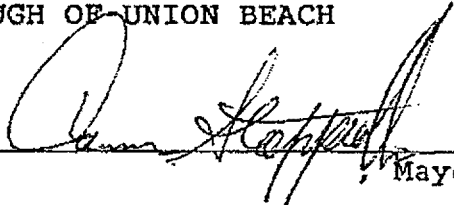
higher rates from N.J. American or to supply the extra water itself, then Union Beach will pay for that water at the Bulk Rate as set forth on Rate Schedule No. 5. If the increased volume taken by Union Beach because of an emergency or otherwise in any particular hour, day or month can be obtained by SWC from N.J. American, within SWC's maximum limits without requiring SWC to purchase water under the higher rates from N.J. American, the rate for that emergency water shall remain at the uninterruptible rate. In any case, only the first 182.5 M.G.Y. will be provided by SWC to Union Beach at the uninterruptible rate as set forth on Rate Schedule No. 6 and any excess during any Fiscal Year shall still be paid for by Union Beach under Rate Schedule No. 5. Any provision of the above paragraph notwithstanding, Union Beach shall operate its system, in non-emergency situations, in such a manner as not to require SWC to adjust the rate-of-flow controllers more than once in any seven calendar day period. If non-emergency adjustments are required more frequently, Union Beach shall be charged under Rate Schedule No. 5 (with appropriate credit to Union Beach for its payments to the Authority for raw water), for all water used between the date of the extra adjustment and the date on which Union Beach would have been entitled to adjust by waiting seven days. (For example: If the rate-of-flow controllers were adjusted at 8:01 a.m. on June 1, Union Beach could adjust them again at 8:01 a.m. on June 8. If

Union Beach adjusted them on June 6, then Union Beach would pay SWC at the higher rate for all water Union Beach used from the time of adjustment on June 6 through 8:00 a.m. on June 8).

7. If Union Beach develops an alternate source of water satisfactory to the State of New Jersey and determines that it is in Union Beach's best interest to discontinue use of Manasquan Water, Union Beach shall be allowed to terminate this Contract on two year's notice given in writing on or before June 30 so long as SWC is able to amend, without penalty, that portion of the SWC/N.J. American Contract whereby SWC obtains the Union Beach portion of the Manasquan Water and SWC is released by the Authority from the Manasquan Contract without penalty. If Union Beach should terminate this Contract in accordance with the above, Union Beach will pay SWC the depreciated value, as determined by SWC's BPU approved depreciation schedule, of all improvements installed by SWC to service Union Beach now or in the future.

8. This Agreement shall have a term of the same duration as set forth in the Manasquan Contract.

BOROUGH OF UNION BEACH

By:  Mayor

Dated: JULY. 26 , 1990

By:  Municipal Clerk

Dated: JULY.26 , 1990

SHORELANDS WATER COMPANY, INC.

By: Michael P. Walsh
Michael P. Walsh, President

Dated: July 30, 1990

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