GENERAL CAPACITY AGREEMENT FOR PARTICIPATION IN SOUTHERN NEVADA WATER AUTHORITY'S GROUNDWATER PROJECT

BE IT RESOLVED by the Lincoln County Water District (the "District") and the Southern Nevada Water Authority (the "Authority") Boards of Directors that the following Agreement between the District and the Authority is hereby adopted:

This Agreement concerns water rights and a capacity interest in certain water conveyance infrastructure by and between the Lincoln County Water District, a political subdivision of the State of Nevada created pursuant to Chapter 474, Statutes of Nevada 2003 and the Southern Nevada Water Authority, a Joint Powers Authority established pursuant to NRS Chapter 277.

Recitals:

WHEREAS, on November 30, 2004 the United States Congress enacted the Lincoln County Conservation, Recreation and Development Act of 2004 ("2004 Lincoln County Act");

WHEREAS, §301(b)(1) of the 2004 Lincoln County Act directs the Secretary of the Interior to grant the District and the Authority rights-of-way to federal land for the construction and operation of a water conveyance system and other public utilities;

WHEREAS, the Authority, the District and the Las Vegas Valley Water District ("LVVWD") have previously agreed to cooperate in the planning and development of water treatment and conveyance infrastructure by Agreement dated April 17, 2003 ("2003 Agreement");

WHEREAS, on August 19, 2004, the Authority filed an application with the Bureau of Land Management ("BLM") for rights-of-way ("Authority's Application") on federal lands necessary for constructing and operating the Authority's proposed Clark, Lincoln and White Pine Counties Groundwater Development Project ("Groundwater Project");

WHEREAS, the Groundwater Project is composed of rights-of-way and other interests in real property, roads, wells, well fields, pipes, pipelines, pump stations, water treatment facilities, storage

facilities, electrical generation and transmission facilities and other appurtenant facilities necessary for the construction and operation of the water conveyance system running generally from the Las Vegas Valley in Clark County, through Lincoln County, to Spring and Snake Valleys in White Pine County.

WHEREAS, on June 6, 2005, the District filed an application with the BLM for rights-of-way to federal lands necessary for the construction of a water supply system intended to collect water from six hydrographic basins within Lincoln County and transport the collected water to the Coyote Springs planned community in Southern Lincoln County ("Lincoln Applications");

WHEREAS, Lincoln County is in the process of updating its County master plan relating to the growth, development and future needs of the residents throughout Lincoln County;

WHEREAS, the Ely District Field Office of the BLM is in the process of updating the Resource Management Plan ("RMP") for the Ely District which will determine the location of the land disposal sites for the 90,000 acres of land to be disposed of under the provisions of the 2004 Lincoln County Act and the National Environmental Policy Act ("NEPA") compliance that such processing would require;

WHEREAS, the District believes that at this time it is premature to proceed with the processing of the Lincoln Applications;

WHEREAS, the District and Authority have the authority to enter into this Agreement pursuant to NRS 277.045.

NOW, THEREFORE, in consideration of the recitals set forth above and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Authority and the District mutually agree as follows:

1. The District supports the planned development within the Coyote Spring Valley and desires to support the Authority's Application and the Groundwater Project in order to obtain capacity rights within the Groundwater Project to facilitate conveyance of water resources available to the District.

2. The District agrees to withdraw the Lincoln Applications and to execute such documents and correspondence with BLM as necessary to effectuate such withdrawal.

3. The District agrees not to apply to the BLM for any grant of rights-of-ways that would be required under the National Environmental Policy Act (NEPA) to be analyzed in combination with the requisite NEPA review of the Groundwater Project prior to the issuance of a Record of Decision by BLM on the Groundwater Project. However, the Authority will, to the extent necessary, amend the Authority's Applications to accommodate the District's projected capacity needs. Notwithstanding anything contained in this agreement to the contrary, the District may proceed with any rights-of-way applications with BLM in areas within Lincoln County other than the Groundwater Project area at the District's sole discretion, so long as BLM does not require that such rights-of-way application be analyzed in combination with the requisite NEPA review of the Groundwater Project deems appropriate. In the event that the Groundwater Project should be delayed either by administrative or legal restraint or denial for a consecutive period longer than ten years from the date of execution of this Agreement, the District may, but is not obligated to, proceed with any rights-of-way applications with BLM that the District deems necessary in the best interests of Lincoln County and/or the District.

4. Should the District pursue development of the water resources identified in the Lincoln Applications following the issuance of a Record of Decision on the Groundwater Project and file rights-of-way applications with the BLM for the construction and operation of infrastructure necessary to utilize such developed water resources throughout the District's service territory, the District shall be solely responsible for any future NEPA compliance required by such application.

5. The District shall pay 10% of the total costs charged by BLM to the Authority for completing compliance with NEPA with respect to the Authority's Application, including the preparation of an Environmental Impact Statement. Additionally, should NEPA compliance for the Authority's

Application include identification, consideration, or analysis of the potential impacts associated with the District's capacity rights being utilized to convey water via the Groundwater Project to the proposed development in the Coyote Spring Valley, or any other development proposed to be served by the District within Lincoln County, the District shall pay all costs charged by BLM to the Authority for such consideration of such impacts. The Authority shall prepare quarterly invoices of such charges and the District shall pay such invoices within 60 days of the receipt of each invoice. If the District believes that any charge included in the quarterly invoice is inaccurate or inappropriate then the District and the Authority will work cooperatively to resolve the disputed charge with BLM.

6. If and when the Authority elects to proceed with the design and construction of the Groundwater Project, the Parties recognize that a detailed agreement regarding the design and construction of the those components of the Groundwater Project in which the District desires to acquire capacity rights ("Design and Construction Agreement") will need to be negotiated. While as of the execution of this Agreement the details of the Design and Construction Agreement are not fully known, the Parties agree that in general the Design and Construction Agreement, should the Parties ultimately elect to proceed with such, will be governed by the following principles:

A. The Authority shall be responsible for the design and construction of the Groundwater Project and will coordinate with the District the inclusion of such additional capacity and infrastructure as is necessary to convey water resources available to the District in the design and construction of the Groundwater Project.

B. The Authority shall be the sole owner of every component of the Groundwater Project.

C. The District shall be granted an access license to utilize the capacity rights reserved for the District under the principles outlined in paragraph 6(A) of this Agreement and as further defined in the Design and Construction Agreement.

D. The Parties shall share all costs associated with the routing, design and construction of those portions of the Groundwater Project in which each Party ultimately has capacity rights according to the following formula: the actual cost for the routing, design and construction of those portions of the Groundwater Project depending upon the location of the facilities, wherein the Parties each have capacity rights, multiplied by the percentage of capacity rights that each Party is ultimately entitled to in those portions of the Groundwater Project.

E. The Authority shall issue all bonds necessary to finance the planning, design and construction of the Groundwater Project. The District shall be obligated to pay the Authority for any capacity rights licensed to the District pursuant to the principles in paragraphs 6(C) and 6(D) of this Agreement on the same terms and conditions as the Authority's bonds.

7. The Parties recognize that an agreement regarding the operation, maintenance and replacement ("OM&R Agreement") of the Groundwater Project will need to be negotiated prior to the construction of the Groundwater Project. While as of the Execution Date the details of the OM&R Agreement are not fully known, the Parties agree that in general the OM&R Agreement will be governed by the following principles:

A. The Parties shall share in the costs of operation, maintenance and replacement of the Groundwater Projects based upon each Party's respective deliveries through the Groundwater Project.

B. The Authority shall be responsible for the all operation, replacement and maintenance activities associated with the Groundwater Project.

C. The Parties will cooperatively develop operation and management strategies designed to maximize the efficient use of the infrastructure comprising the Groundwater Project and the water resources conveyed through the Groundwater Project. Such operation and management strategies may include the temporary exchange of capacity rights within the Groundwater Project, lease or exchange of treated effluent and other water resources and the temporary use by one Party of water resources owned by the other Party.

8. For any and all real property acquired by the Authority within Lincoln County, the Authority will pay an annual fee that compensates Lincoln County for the actual amount of tax revenue that would have been assessed on the real property if the real property were not owned by a tax exempt entity.

9. The Authority expressly acknowledges and understands that the District has entered or will concurrently enter into an Assignment and Assumption Agreement with the Coyote Springs General Improvement District relating to the provisions of this Agreement.

10. Nothing contained in this Agreement is intended to modify or revoke any provision of the 2003 Agreement nor the operation thereof.

IN WITNESS WHEREOF, the Authority and the District have executed this Agreement effective as of the 6th day of ~~January~~ February 2006.

AUTHORITY:

SOUTHERN NEVADA WATER AUTHORITY

Amanda Cyphers, Chair

Attest:

Patricia Mulroy, Secretary

Approved as to Legality

John J. Entsminger, Deputy Counsel

DISTRICT:

LINCOLN COUNTY WATER DISTRICT

Ronda Hornbeck, Chair

Attest:

Wade Poulsen, Vice-Chair

Approved as to Legality

Philip Dunlevy, District Attorney,
by Dylan Frehner, Deputy District Attorney