

Agreement No. W2184
Memorandum of Understanding
Among
El Segundo Energy Center LLC
and
West Basin Municipal Water District
for
Procurement of Pipeline Design Services as Part of the ESEC Project

This Memorandum of Understanding ("MOU") is entered into as of August ____, 2010, by West Basin Municipal Water District, a California Municipal Water District (hereinafter "WEST BASIN"), and El Segundo Energy Center LLC, a Delaware limited liability company ("ESEC") to initiate procurement of engineering services and perform necessary project management services relating to the El Segundo Energy Center Pipeline Project ("Pipeline Project") which is expected to meet the planned water needs for ESEC's new generating facilities (the "ESEC Project") approved by the California Energy Commission in its proceeding AFC-0014C on June 30, 2010 (the "CEC Permit"). ESEC and West Basin may be referred to individually as "Party" and collectively as "Parties."

RECITALS

WHEREAS, recent developments concerning water supplies to Southern California suggest a future reduction in imported potable water, potentially making the region more susceptible to drought and more likely to experience rationing;

WHEREAS, water recycling is an important strategy to help reduce the region's water demand by using recycled water for appropriate non-potable uses, thereby reducing the likelihood of drought or rationing;

WHEREAS, WEST BASIN is an established recycled water producer which distributes recycled water for a variety of approved uses, including industrial applications;

WHEREAS, ESEC has been issued a permit from the California Energy Commission ("CEC") to re-power a power plant in the City of El Segundo (CITY), California (the "Power Plant");

WHEREAS, the CEC Permit authorizes ESEC to use recycled water from West Basin for all process needs;

WHEREAS, the CEC Permit authorizes provision of an emergency source of potable water for fire protection for ESEC via a pipeline from the City of El Segundo;

WHEREAS, the initial start-up and testing operation of the ESEC Project is scheduled for 2013; and

WHEREAS, ESEC desires West Basin provide management services to solicit and support required design and construction engineering services to implement capital facilities necessary for recycled water service to ESEC, including supporting the expeditious execution of agreements for recycled water and potable water service from the CITY for emergency fire protection as identified in the CEC Permit.

NOW, THEREFORE, it is hereby agreed to by and among the parties hereto as follows:

WEST BASIN agrees to perform management services for the procurement of design services necessary for the Pipeline Project.

1. WEST BASIN will, in furtherance of the Pipeline Project, perform the following:
 - a. Develop a Request-for-Proposal (RFP) as part of the design engineering services procurement process, advertise the RFP, and select a qualified engineering consultant team for predesign, design, and construction engineering services necessary for furtherance of Pipeline Project implementation; and
 - b. Coordinate with the City of El Segundo, City of Los Angeles, ESEC, and other stakeholders as necessary to facilitate consensus on design approach and delivery.
 - c. Fund all costs related to managing procurement activities, including WEST BASIN staff time (in accordance with agreed to billing rates) associated with the Pipeline Project. If ESEC agrees to proceed with capital implementation of the Pipeline Project, these costs will be included in the capital costs in a future agreement to provide recycled water service to the Power Plant.
2. WEST BASIN will coordinate activities to allow review by ESEC of certain engineering deliverables by ESEC including design services scope, RFP package, and listing of required permits.
3. ESEC will provide timely information to WEST BASIN or its designees to facilitate WEST BASIN's pursuit of its duties.
4. If ESEC cancels the Pipeline Project, or an agreement to provide recycled water service to the Power Plant is not established with WEST BASIN by October 31, 2010, ESEC agrees to reimburse WEST BASIN as provided herein, for all agreed upon and documented WEST BASIN staff time associated with this project in accordance with agreed to billing rates, up to a not to exceed cost amount of \$50,000 retroactive to July 20, 2010.
5. During the course of performance of this MOU, the Parties may become aware of certain confidential information concerning the business and operations of the other Parties ("Information"), including such information not otherwise generally

available from other sources or already known to a Party, or independently developed by a Party and not provided in furtherance of this MOU. To the extent permitted by law, the Parties, their employees, contractors and affiliates agree to keep such Information confidential, and to guard it with the at least as stringent methods and concerns as they guard their own confidential information. Further, the Parties agree to use such Information within their and affiliated organizations only for the purposes of performing this MOU.

6. ESEC and WEST BASIN shall each have the right to terminate this agreement with 30 days written notice. The party receiving the termination notice shall have 30 days to put files in order, and collect all documents for disposition prior to actual termination. If either WEST BASIN or ESEC sends written notice of termination, ESEC shall be responsible for all costs incurred by WEST BASIN up to the termination of the agreement.
7. WEST BASIN shall defend, indemnify and hold ESEC, its respective officers, employees and agents, harmless from and against any and all liability, loss, expense (including reasonable attorney's fees), or claims for injuries or damages arising out of the performance of any obligations under this MOU, but only in proportion to and to the extent such liability, loss, expense, attorney's fees, or claims for injuries or damages are caused by or result from the negligent or intentional acts or omissions of WEST BASIN, its officers, agents, or employees.

ESEC shall defend, indemnify and hold WEST BASIN, its respective officers, employees and agents, harmless from and against any and all liability, loss, expense (including reasonable attorney's fees) or claims for injuries or damages arising out of the performance of any obligations under this MOU, but only in proportion to and to the extent such liability, loss, expense, attorney's fees, or claims for injuries or damages are caused by or result from the negligent or intentional acts or omissions of ESEC, its officers, agents, or employees.

8. If any action is instituted to enforce this MOU; the prevailing party shall be reimbursed all reasonable attorneys' fees, costs of collection, costs, and expenses incurred in connection with the enforcement effort.
9. This MOU shall be construed, interpreted and enforced in accordance with and governed by the laws of the State of California. DISTRICT and ESEC submit to the jurisdiction of state courts in California in connection with the interpretation or enforcement of this MOU.
10. This MOU represents the entire understanding of the Parties. No prior oral or written understanding shall be of any force or affect with respect to those matters covered by this MOU.

Effective as of the date first written above.

ESEC

West Basin Municipal Water District

Richard Nagel, General Manager

Steven O'Neill, District Counsel