

EXHIBIT

TMWA 1-3

**Cooperative Agreement Among
City of Reno, City of Sparks and
Washoe County Creating TMWA,
and Amendment Thereto**

TRUCKEE MEADOWS WATER AUTHORITY

COOPERATIVE AGREEMENT

AMONG

**CITY OF RENO
CITY OF SPARKS
COUNTY OF WASHOE**

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TRUCKEE MEADOWS WATER AUTHORITY
COOPERATIVE AGREEMENT

This Agreement originally made and entered into is by and among the following parties:

1. City of Reno, a municipal corporation within the State of Nevada
(hereinafter "Reno");
2. City of Sparks, a municipal corporation within the State of Nevada
(hereinafter "Sparks");
3. County of Washoe, a political subdivision of the state of Nevada
(hereinafter "Washoe").

RECITALS

A. The parties share a common interest in assuring that water resources be developed and managed to fulfill the present and future water needs of the greater Truckee Meadows community;

B. The current water supplier and provider to a large part of the Reno and Sparks communities and, to a lesser degree, the unincorporated area of Washoe County is Sierra Pacific Power Company;

C. Sierra Pacific Power Company has made a decision to sell its water assets and operations and the parties believe it in the interest of the Truckee Meadows community to acquire and manage those water assets for the benefit of said community;

D. There is a need for the Members to act together with respect to such matters as water supply, allocation of water supply, water quality, treatment, and wheeling;

E. There is a need for the Members to act together to assure sufficient water supply to meet the needs of existing and future development within the service area of the current Sierra Pacific water utility service area;

F. The securing of additional supplies of water and the effective management of existing supplies can best be achieved through the cooperative action of the Members, operating through a separate legal entity which will undertake the Conferred Functions as hereinafter defined and described for the benefit of the Members;

G. The parties desire hereby to establish a separate legal entity to exercise power, privilege and authority, in common and to develop and maintain supplies of water for the benefit of the Retail Service Area as set forth herein;

H. Each of the parties is authorized to contract with each other for the joint exercise of any Member's power, privilege or authority under chapter 277 of the Nevada Revised Statutes ("NRS");

I. On October 20, 2000, the parties submitted a joint "Proposal to Purchase the Water Utility Assets of Sierra Pacific Resources" in which the parties indicated an intent to form a Joint Powers Authority, and specifically to have the Joint Powers Authority in effect upon selection as the successful bidder.

AGREEMENT

NOW, THEREFORE, the parties agree as follows:

1. Effectiveness. This Agreement becomes effective upon its execution by each party and its approval, given or deemed to be given, by the Attorney General of Nevada pursuant to NRS 277.140.

2. Definitions. For the purposes of this Agreement, the following terms shall have the following meanings:

- a. "Authority" means the Truckee Meadows Water Authority ("TMWA"), the legal entity established by this agreement;
- b. "Board" means the Board of Directors of the Authority;
- c. "Director" means a member of the Board of Directors of the Authority;
- d. "Conferred Function" means any function which the Authority is empowered to perform by article 5 of this Agreement;
- e. "Cost Sharing Plan" means a plan to assure sufficient funds to (i) maintain required operating reserves or reserves required by any bond or other debt instrument for which the Authority is responsible, directly or indirectly relating to the TMWS and (ii) the

payment when due of all costs, expenses, capital cost not otherwise funded, and liabilities, including finance costs, of the Authority relating to the TMWS and to the acquisition of TMWS Water Supplies;

- f. "Facilities" means any property or works acquired by the Authority from Sierra Pacific Power Company or otherwise owned, leased, operated, constructed or used by the Authority in connection with the performance of any Conferred Function, including without limitation, the former Sierra Pacific Resources water utility assets, water storage facilities, water conveyance and treatment facilities, electric generation and transmission facilities, buildings, and other structures, irrespective of the location of such facilities;
- g. "Member" means each of the public entities that is a signatory to this Agreement;
- h. "Purveyor Member" means a Member who chooses pursuant to article 24 to engage in the retail delivery of potable water within its respective jurisdiction and within the retail service area of the Authority;
- i. "Retail Service Area" means the former Sierra Pacific Power Company retail water service area as described in the agreement between Sierra Pacific Power Company and Washoe County dated June 25, 1996, as amended, or as said retail service area may be modified from time to time pursuant to such agreement;
- j. "Truckee Meadows Water System" or "TMWS" means all diversion, treatment, conveyance, turnout, water transmission,

wells and distribution related facilities acquired from Sierra Pacific Power Company and all such other facilities that may be constructed or acquired by the Authority;

- k. "Water Right" means any entitlement to the beneficial use of Water Supplies, whether such entitlement exists by contract, by interest in real property, decree, or by rights granted by the State of Nevada, State of California or other governmental agency;
- l. "Water Supplies" means surface water, groundwater, and any other water capable of being put to beneficial use;
- m. "Wholesale Water" means potable water provided by the Authority to a Purveyor Member or other party by agreement for retail service delivery by said Purveyor Member or other party.

3. Authority Created. There is hereby established a legal entity to be known as the "Truckee Meadows Water Authority". The Authority is established by this Agreement pursuant to the provisions of Chapter 277 of NRS. The Authority shall be a political subdivision of the State of Nevada and shall be separate from the Members, pursuant to NRS 277.074 and 277.120.

4. Boundaries of the Authority. The geographic boundaries of the Authority shall coincide with the boundaries of the Regional Water Planning Commission established pursuant to NRS Chapter 540A, except that lands located within any Indian reservation or Indian colony held in trust by the United States shall be included. The boundary as established herein encompasses the geographical area within which either retail or wholesale water service may be provided by the Authority or a Purveyor Member but does not mandate the delivery of water outside the Authority's retail service area.

5. Conferred Functions of the Authority. Subject to the provisions of article 7, the Conferred Functions of the Authority are as follows:

- a. To acquire, use and dispose of Water Rights and Water Supplies;
- b. To develop and implement projects with respect to the acquisition, development, treatment, storage and transportation of Water Supplies as the Board determines;
- c. To acquire any interest in, finance, operate, maintain, replace, acquire and construct additions and improvements to the TMWS and to dispose of any or all of the TMWS;
- d. To acquire, finance, construct, operate, maintain, replace, acquire and construct additions and improvements to other Facilities and to dispose of such Facilities;
- e. To provide retail water service to customers within the Authority retail service area, except to the extent that a Member may exercise the option to become a Purveyor Member pursuant to article 24;
- f. As applicable, to provide wholesale Water Supplies to Purveyor Members;
- g. To contract with water users, within the Authority's boundaries to deliver water on a wholesale basis;
- h. To establish a water budget and a water resource plan for the Authority which shall reflect, among other things, (i) Water Supplies available to the Authority and separately to each Member from all sources, (ii) demand within each Member's jurisdiction within the Authority's retail service area, and (iii) the peaking capacity required for delivery of Water Supplies by the Authority

to each Purveyor Member, if applicable, and the means by which such requirements shall be met. Except as provided in article 24, such water budget and such water resource plan shall not confer on the Authority the right to regulate or control the use of Water Supplies by any Purveyor Member within its own retail service area;

- i. To prepare, update, and implement capital improvement plans for TMWA and, to the extent applicable, Authority facilities;
- j. To establish rates, tolls and other charges for the delivery of retail water service within its retail service area in general accordance with the procedures and authorities established in NRS Chapter 318 or as otherwise adopted by the Board;
- k. To establish rates, tolls and other charges for the delivery of wholesale water service both within and without its retail service area in accordance with procedures established and adopted by the Board;
- l. To prepare, update and oversee the implementation of a water conservation plan for the use of municipal, industrial, and domestic Water Supplies within the retail service area of the Authority and to carry out the former Sierra Pacific Power Company role with regard to the Water Conservation Agreements with Members;
- m. To participate with relevant agencies of the United States, the State of Nevada, and other government agencies on issues, including but not limited to, the Truckee River Operating Agreement (TROA)

and assume the role of Sierra Pacific Power Company in said negotiations;

- n. To succeed to all rights, powers, duties and obligations of Sierra Pacific Power Company with respect to the TMWS and any assets acquired from Sierra Pacific Power Company.
- o. To perform such activities as are consistent with ownership and operation of a water system;
- p. To perform such other functions as may be conferred on the Authority by amendment to this Agreement or by statute.

6. Powers. In furtherance of the Conferred Functions set forth in article 5 of this Agreement, and subject to the limitations of that article; the Authority shall have the power in its own name to do any of the following:

- a. To purchase, sell, exchange, perfect, or otherwise acquire or dispose of any interest in Water Supplies and Water Rights within or without the State of Nevada;
- b. To develop, store, transport, and treat water;
- c. To deliver water to retail customers, wholesale customers and Purveyor Members;
- d. To hold in the Authority's own name and exercise in the Authority's own right all TMWA rights, interests, functions, and powers, to perform all duties and responsibilities and assume all liabilities pursuant to the Truckee River Agreement, the Orr Ditch Decree, Public Law 101-618 and TROA relating to the TMWS;

- e. To acquire an interest of any nature in, and to construct, operate, and maintain, all Facilities, including the TMWS, necessary or convenient for the performance of any Conferred Function, and to dispose of such Facilities;
- f. To acquire, possess, lease, encumber, and dispose of personal and real property;
- g. To have and to exercise the power of eminent domain provided that no property or Water Right of a Member may be taken without the consent of that Member;
- h. To contract with Members or any other public entity for the provision of services to the Authority;
- i. To contract for the professional services of engineers, attorneys, planners, and financial and other consultants;
- j. To enter into other contracts, including interlocal agreements and contracts of indemnity, necessary to the full exercise of its powers;
- k. To employ such persons as it deems necessary;
- l. To issue revenue and other bonds, notes, and other obligations and incur liabilities (i) for the purposes and in accordance with the procedure and requirements set forth in NRS 277.0705 through 277.0755, and (ii) as otherwise permitted by law, including the authority of the board to include such covenants and agreements as the board determines, it being the intent of the parties to hereto make a non-exclusive delegation to the Authority of each of the parties powers to issue revenue bonds in furtherance of the

Authority's functions, in the manner provided in NRS Chapter 350;

- m. To execute leases, installment sale contracts, and installment purchase contracts, and engage in such other transactions as a Member may be authorized to engage in and subject to any procedures or limitations thereon;
- n. To sue and be sued in its own name;
- o. To obtain state, federal, or local licenses, permits, grants, loans, or aid from any agency of the United States, the State of Nevada, State of California or any other public or private entity necessary or convenient for the performance of any Conferred Function or the exercise of any of its powers;
- p. To fix rates, charges and other fees for water and other commodities including connection charges, hook-up fees, standby charges and availability of service charges; and
- q. To perform all other acts necessary or convenient for the performance of any Conferred Function or the exercise of any of its powers.

7. Prohibited Functions and Powers.

- a. Nothing in this Agreement shall be construed as authorizing the Authority to perform any function or to exercise any power that is not performable or exercisable by at least one of the Members.
- b. The Authority shall not acquire, construct, or operate Facilities associated with the treatment of municipal sewage or for the purpose of flood control, storm drainage or groundwater

remediation except as necessary to own and operate a water system.

- c. The Authority shall not render services to a Member except with the agreement of said Member.
- d. The Authority shall not dispose of or encumber property belonging to a Member except with the consent of the Member.

8. Retail Water Service: Continuation of Rates and Tolls. The Authority shall provide retail water service to users within the Authority's retail service area pursuant to the Sierra Pacific Power Company rate and fee schedule in effect at the time of acquisition of the TMWS. Such rates and fees shall continue until a new rate or fee schedule is adopted by the Board, Member or Purveyor Member, as applicable.

9. Prohibited Unilateral Actions.

- a. No Member shall take any action independently with regard to rights or liabilities assumed by the Authority under TROA.
- b. No Member shall take any action independently or to enter into any contracts with the United States for storage of water for municipal or industrial purposes.

10. Conservation. The Authority and each Purveyor Member shall take all actions within their respective authority and as set forth in various water conservation agreements to encourage and implement programs for the conservation of water within such Member's geographic area.

11. Membership. The Members of the Authority and Authority Board shall be City of Reno, City of Sparks and County of Washoe.

12. Governing Body of the Authority.

- a. The business and affairs of the Authority shall be conducted by a

Board consisting of (i) three Directors appointed by the City of Reno, (ii) two Directors appointed by the City of Sparks, (iii) one Director appointed by Washoe County, and (iv) one at-large Director, who shall be an elected official from the governing body of a Member, nominated by the appointed Directors and approved by the governing body of each of the Members.

- b. The Directors, other than the at-large Director, shall be appointed by the governing body of the appointing Member and may, but need not, be a member of that body. Each governing body may also appoint an alternate Director for the Director appointed by such board, who shall serve as Director in the absence thereof. There shall be no alternate at-large Director.
- c. Each Director shall hold office from the first meeting of the Board after his or her appointment by the governing body of the Member he or she represents until a successor is selected by the Member and the Member so notifies the Authority. A Director who is not an elected official and the at-large Director shall be appointed for a term of two years. No Director who is an elected official may serve beyond his or her term of office.
- d. A Director shall not receive compensation from the Authority for services as Director. A Director may be reimbursed for reasonable expenses incurred by such Director in the conduct of the Authority's business.

- 13. Fiscal Year. The fiscal year of the Authority shall be July 1 through June

14. Principal Office. The principal office of the Authority shall be within Washoe County in a place established by the Board.

15. Meetings. The Board shall meet at the Authority's principal office or at such other place as may be designated by the Board. The time and place of regular meetings of the Board shall be determined by the Board. The meetings of the Board and its advisory committees shall be held in accordance with the provisions of NRS Chapter 241.

16. Quorum: Voting. For purposes of transacting the Authority's business, a quorum shall exist if the Directors present (i) represent a majority of the Purveyor Members, if any, and (ii) constitute a majority of all Directors then in office. The vote of a majority of the Directors present shall be required for the Authority to take action, except as provided in article 17 or as may be otherwise provided by law.

17. Special Approval Provisions.

- a. All actions by the Authority with respect to the matters specified in this article shall be taken only as provided in this article.
- b. Approval by the governing body of each Member shall be required for (i) amendment of this Agreement, (ii) the contracting out of the basic functions and operations or the sale of any assets of the Authority to a third party, except for any initial contracts with Sierra Pacific Power Company and except for the sale of assets (a) in the ordinary course of business and (b) that are replaced or that are not needed for the operation of TMWS or the Authority's other functions (iii) termination of the Authority pursuant to article

37(a), and (iv) special assessments to Members pursuant to article 23(a).

- c. Approval by the governing body of each Purveyor Member, if any, shall be required for (i) adoption of capital improvement plans affecting that Member to implement actions taken pursuant to article 5 and (ii) adoption of capital improvement assessments required for such capital improvement plans.
- d. A vote of two-thirds of the Directors then in office shall be required for (i) a new water supply option; (ii) Authority service territory expansion taken in accordance with the provisions of the agreement between Sierra Pacific Power Company and Washoe County dated June 25, 1996; (iii) approval of any new wholesale agreement to a non-Member; (iv) the issuance of bonds or other securities, and (v) approval of a facilities and water resources plan, water allocation plan, cost sharing plan and equity allocation plan referenced in article 20(b).
- e. A vote by the governing body of a Member shall be required for the sale or disposal of water rights or other property owned by a Member.
- f. A Purveyor Member has sole authority to establish retail water rates within its retail service area as may be defined in any agreement entered into pursuant to article 24 except that such rates must be sufficient to meet the Member's share of the Authority's obligations to its bondholders and purchasers of other obligations.

- g. Unless otherwise provided in this section, all other actions shall be by a majority vote.

18. Rules. The Board may adopt from time to time such procedures, bylaws, rules and regulations for the conduct of the affairs of the Authority or of the Board as the Board may deem necessary or desirable. Such rules shall include a requirement that all Members submit information necessary for the preparation of a water budget at such times as the rules provide.

19. Officers.

- a. The Board shall appoint the following officers: a chairman and a vice chairman from its membership.
- b. The officers shall hold office for a period of one year commencing the first day of each fiscal year, subject, however, to being removed for cause at an earlier time by action of the Board and to automatic removal of any Director Officer at such time as that person ceases being a Director. The first officers appointed shall hold office from the date of their appointment to the last day of the fiscal year in which they were appointed.
- c. The officers and all other persons who have charge of any funds or securities of the Authority may be bonded, in such amount as determined by the Board.
- d. None of the officers, agents, or employees of the Authority shall be deemed, by reason of their employment by the Authority, to be employed by any of the Members.

20. Advisory Committees.

- a. The Board may establish such advisory committees as it

determines necessary to assist it in the carrying out of its Conferred Functions.

- b. The Board shall establish a Technical Advisory Committee consisting of City/County Managers or their designees, the Finance Directors of each Member, and the Public Works Director of the City of Reno, City Engineer of the City of Sparks and Water Resource Director of Washoe County, or their successors by whatever titles known. The Technical Advisory committee shall provide recommendations on all matters relating to the operation of the Authority, including budgets. The Technical Advisory Committee shall undertake as an initial task the development of recommendations for (i) a water resource and facilities plan, (ii) a water allocation plan among the Member jurisdictions; (iii) a cost sharing plan; and (iv) an equity allocation plan. The parties agree, as a goal, that the initial tasks and recommendations as defined herein are to be provided to the board as soon as possible and no later than 24 months after the effective date of this agreement.

21. General Manager. The general manager of the Authority shall be the chief administrative officer of the Authority, shall be appointed by and serve at will and at the pleasure of the Board, and shall be responsible to the Board for the proper and efficient administration of the Authority. Subject to policy direction by the Board, and such requirements as the Board may from time to time impose, the general manager shall have the power:

- a. To plan, organize, and direct all Authority activities;
- b. To appoint employees to such positions as the Board shall

determine necessary to perform its Conferred Functions and, subject to the requirements of applicable law, remove all Authority employees;

- c. To authorize expenditures within the approved budget;
- d. To enter into contracts on behalf of the Authority as authorized by the Board; and
- e. To take actions authorized from time to time by the Board.

22. Budgets. An annual budget shall be prepared and adopted for each fiscal year in accordance with NRS Chapter 354. The Authority shall not, during any fiscal year, expend or contract to expend any money or incur any liability, or enter into any contract which by its terms involves the expenditure of money, in excess of the amounts appropriated for that function, other than bond repayments, short-term financing repayments, construction contracts for which funds are to be provided by a bond issue or other borrowing and any other long-term contracts as to which such expenditures are expressly authorized by law.

23. Assessments and Contributions for Operating Expenses.

- a. The Board shall have, to the extent not included in a Purveyor Member's wholesale rate, the power to periodically assess the Members directly for budgets and for the satisfaction of any liabilities imposed against the Authority in accordance with the provisions of article 18 and 17(b). Such assessments shall be apportioned among the Members on such basis as the Board determines proper, and each Member shall pay when due all assessments made against it.

- b. Any Member may make contributions or advances of public funds and of personnel, supplies, equipment, or property to the Authority for any of the purposes of this Agreement, with the consent of the Board. Any such advance may be made subject to repayment as agreed to by the Member and the Authority.

24. Option to Become a Purveyor Member; Exercise of Option.

- a. After the Authority has adopted a water resource and facilities plan, a water allocation plan, a cost sharing plan and an equity allocation plan a Member may give notice to the Authority that it desires to become a Purveyor Member.
- b. A notice pursuant to this section must be in writing and contain a description of the Authority's retail service area the Member intends to serve and a general description of the manner in which it intends to provide the service.
- c. The noticing Member and Authority shall enter into an agreement providing for the assumption of retail water service and operations by the Purveyor Member. The agreement shall contain, but not be limited to, provisions dealing with description of TMWS assets being acquired, cost sharing as described in article 2, assumption and transfer of Authority employees, wheeling, and coordination between Authority and Purveyor Member on maintenance of facilities and capital improvement plans.
- d. Any agreement entered into pursuant to this article must, to the extent the agreement transfers TMWS transmission facilities, reserve to the Authority the right to use, maintain and upgrade said

transferred facilities.

- e. Any agreement pursuant to this article is conditioned upon the compliance with all bond covenants and approval of bondholders to the extent that the transfer of assets involves assets subject of Authority debt or which generates revenues pledged to secure bonds.
- f. Any agreement pursuant to this article must provide that the Purveyor Member comply, to the extent applicable, with all agreements binding the Authority, including but not limited to, any TROA commitments.
- g. Nothing in this article is intended to authorize a Member as a Purveyor Member to act inconsistently with other provisions of this agreement.
- h. Nothing in this article prevents a Member from contracting with the Authority to provide, within its respective jurisdiction and the Authority's retail service area, maintenance and replacement of distribution facilities, billing of customers and the setting of retail rates. In the case of any such contract providing for the setting of retail rates, the Authority shall retain the right to specify a minimum revenue requirement, sufficient to meet the appropriate share of the Authority's obligations, coverage requirements for its bondholders and its expenses and the Member must transfer to the Authority monthly 1/12 of the minimum revenue requirement. The Member may fix rates and charges that produce revenues in excess of the minimum revenue requirement, but may not establish rates

and charges that produce revenues that are less than such minimum revenue requirement.

25. Accounting Procedures. Complete books and accounts shall be maintained for the Authority in accordance with generally accepted accounting principles and standards and shall comply with all applicable statutes and regulations. Unless otherwise provided by law, the Authority may, in accordance with its needs, maintain funds and account groups pursuant to NRS Chapter 354.

26. Audit. The Authority shall provide for an annual audit of all funds and accounts. The audit must cover the business of the Authority during the full fiscal year. The audit shall be made by a public accountant certified or registered or by a partnership or professional corporation registered under the provisions of NRS chapter 628. Such financial audit shall be conducted in accordance with generally accepted auditing standards, including comment on compliance with all applicable statutes and regulations, recommendations for improvements, and any other comments deemed pertinent by the auditor, including the auditor's expression of opinion on any financial statements. The audit shall be completed and copies of the audit report provided to the Members not later than five (5) months after the close of the fiscal year for which the audit is conducted. The Authority shall act upon any recommendations of the report within six (6) months after receipt of the report, unless prompter action is required.

27. Liabilities of the Authority. The debts, liabilities, and obligations of the Authority shall be the debts, liabilities, and obligations of the Authority alone and not of the Members.

28. Service Commitments by Purveyor Members. If a Member becomes a Purveyor Member pursuant to article 24, service and other commitments made by the Purveyor Member respecting the delivery of the water to users within its defined retail

service area shall be the obligation of the Purveyor Member making the commitment and not of the Authority. Each Purveyor Member shall indemnify the Authority and hold the Authority harmless from all claims that, by reason of such Purveyor Member's action or failure to act, the Authority is obligated to deliver water other than in conformity with this Agreement.

29. Liabilities of Board. The funds of the Authority shall be used to defend, indemnify, and hold harmless the Authority, its Directors, officers, and employees, and any Member for actions taken within the scope of the authority of the Authority. Nothing herein shall limit the right of the Authority to purchase insurance to provide coverage for any of the foregoing.

30. Compliance with Applicable Laws: Relocation: Permits.

- a. The Authority shall operate in a manner to comply with all federal, state and local laws and regulations applicable to its operations.
- b. Except as otherwise may be agreed between the Authority and a Member, the Authority shall, upon notice of a Member, relocate at its own expense Authority facilities as may be necessary in coordination with the construction of a Member's capital project.
- c. The Authority shall obtain such permits as may be necessary for the conduct of its operations, such as encroachment permits, and, to the extent applicable, pay such fees as may be prescribed therefor.

31. PUC Regulation/Transfer. It is the parties intent to confer on the Authority their respective right to exemption from regulation by the Public Utilities Commission of the State of Nevada ("PUC") and that the Authority and all business conducted by it be and remain forever free and exempt from regulation by the PUC. In

the event that the PUC attempts to exercise jurisdiction over the rates and charges established by the Authority for the provision of water to wholesale and retail customers within its boundary, the Authority shall vigorously oppose such attempted exercise of jurisdiction in courts of the State of Nevada. If a final decision is rendered to provide for PUC jurisdiction over the Authority's rates, the Authority shall, within thirty days of the final decision being rendered, establish a process for the selection of and the transfer of the Authority's business (including assets and employees related thereto) to a Member who would be exempt from and able to conduct business without regulation by the PUC. Each Member agrees to assume the responsibility for the continuation of the Authority's business pursuant to the governance set forth in article 12 if it is so selected.

32. Rights-of-Way Toll. The Authority shall, as applicable, compensate each Member a rights-of-way toll, to be charged to the water customer, at a rate not to exceed 5% of gross receipts of the water customer's bill and collected in the Member's jurisdiction. Each Member for their respective jurisdiction shall set the rights-of-way toll and provide notice to the Authority of any modifications to the amount of the rights-of-way toll at least 45 days prior to the effective date of the new rate.

33. Term. The Authority shall continue in existence until this Agreement is rescinded and the Authority terminated as provided in article 37.

34. Wholesale Agreements: Grandfathered. All wholesale water agreements in existence on the effective date of this agreement shall continue in effect and any request by a wholesale customer for an extension shall be granted as long as consistent with the regional water plan.

35. Other Cooperative Agreements. Nothing in this Agreement shall prevent the Members from entering into other cooperative agreements.

36. Withdrawal of Member. A member may withdraw from the Authority on terms and conditions specified in an agreement of withdrawal executed by all Members except during the term of indebtedness or other obligation incurred by or on behalf of the Authority the terms of which preclude the withdrawal.

37. Termination.

- a. This Agreement may be rescinded and the Authority terminated by a written agreement of termination executed by the governing body of each Member, except during the outstanding term of any indebtedness or other obligations incurred by, on behalf of, or at the request of the Authority, or for which the Authority is otherwise responsible, the terms of which preclude such termination.
- b. Upon termination of the Authority (i) the obligations of the Authority shall be paid, (ii) any Water Right or Facility contributed by a Member shall be returned to that Member, unless the member agrees to a different distribution, and (iii) all other assets shall be distributed as provided in the termination agreement.
- c. This agreement shall be automatically terminated in the event TMWA is not successful in its bid to acquire the Sierra Pacific Power Company water utility assets.

38. Amendment.

- a. This Agreement may be amended by action taken by the governing body of each Member and upon any required approval given, or deemed to be given, by the Attorney General of Nevada
- b. A presumption exists that an amendment is appropriate in the event of any subsequent state law change affecting the relative positions

of the Members with regard to the matters covered under this agreement.

39. Assignment: Binding on Successors. Except as otherwise provided in this Agreement, the rights and duties of the Members may not be assigned or delegated without the written consent of all Members. Any attempt to assign or delegate such rights or duties in contravention of this Agreement shall be null and void *ab initio*. Any approved assignment or delegation shall be consistent with the terms of any contracts, resolutions, indemnities, and other obligations of the Authority then in effect. Subject to the foregoing, this Agreement shall inure to the benefit of, and be binding upon, the successors and assigns of the Members.

40. Choice of Law. This Agreement shall be governed by the laws of the State of Nevada.

41. Severability. If any provision of this Agreement should be held to be invalid or unenforceable by a final decision of a court of competent jurisdiction, then this Agreement shall terminate unless the remaining provisions are reaffirmed by action of the governing board of each Member within 120 days from the date on which such decision of invalidity or unenforceability becomes final.

IN WITNESS WHEREOF, the Members have caused this Agreement to be executed as of the date written above.

Attest:

County Clerk

COUNTY OF WASHOE

TED SHORT, Chairman

Board of County Commissioners

Approved as to form:

MADELYN SHIPMAN
Assistant District Attorney

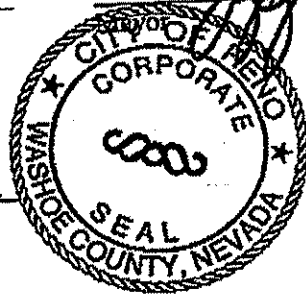
Attest:

City Clerk

CITY OF RENO

Approved as to form:

Reno City Attorney



Attest:

City Clerk (DEPUTY)

CITY OF SPARKS

Mayor

Approved as to form:

Sparks City Attorney

OFFICE OF ATTORNEY GENERAL

Approved as to form and legality:

Deputy Attorney General

First Assistant

**FIRST AMENDMENT
TO
TRUCKEE MEADOWS WATER AUTHORITY
COOPERATIVE AGREEMENT
AMONG
CITY OF RENO
CITY OF SPARKS
COUNTY OF WASHOE**

This amendment ("First Amendment") to the Truckee Meadows Water Authority Cooperative Agreement Among City of Reno, City of Sparks, County of Washoe, entered on or about January 26, 2001 ("Cooperative Agreement") is made by and among the City of Reno, the City of Sparks, and the County of Washoe (collectively the "Members").

RECITALS

Whereas, the Board of Directors of Truckee Meadows Water Authority (the "Authority") has determined it to be in the best interest for the governance of the Authority to modify the procedures for selection of the "at-large" Director provided for in Article 12 of the Cooperative Agreement; and

Whereas, the Board of Directors of the Authority has requested the Members to amend the Cooperative Agreement, as set forth in this First Amendment, to provide for such modification;

Whereas, pursuant to Article 38, the Cooperative Agreement may be amended by action taken by the governing body of each Member and upon any required approval given, or deemed to be given, by the Attorney General of Nevada:

Now therefore, the Members agree as follows:

1. Article 12 of the Cooperative Agreement shall be amended by substituting the following language for Article 12(a), in its entirety:

12. Governing Body of the Authority.

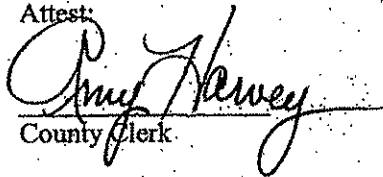
a. The business and affairs of the Authority shall be conducted by a Board consisting of (i) three Directors appointed by the City of Reno, (ii) two Directors appointed by the City of Sparks, (iii) one Director appointed by Washoe County, and (iv) one at-large Director. The at-large Director shall be appointed by one of the three Members on a rotating schedule and shall be an elected official from the governing board of such Member. The order of rotation among the three Members will be determined by a one-time drawing.

The remaining subsections of Article 12 are unchanged.

2. This First Amendment is subject to the approval of each Member and of the Attorney General of Nevada pursuant to Article 38 of the Cooperative Agreement, and shall become effective only upon its execution by each party and its approval, given or deemed to be given, by the Attorney General of Nevada pursuant to NRS 277.140.

IN WITNESS WHEREOF, the Members have caused this First Amendment to be executed as follows:

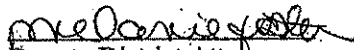
Attest:


County Clerk

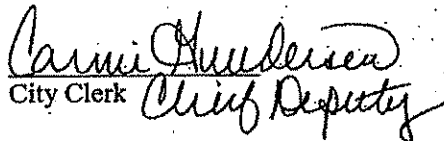
COUNTY OF WASHOE


Chairman,
Board of County Commissioner

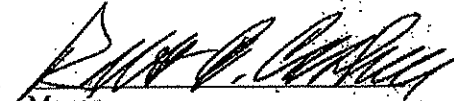
Approved as to Form:


Deputy District Attorney

Attest:

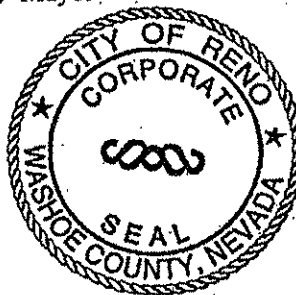

City Clerk *Chief Deputy*

CITY OF RENO


Mayor

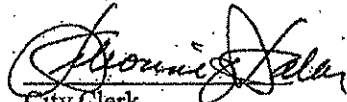
Approved as to Form:


Reno City Attorney

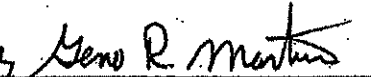


Attest:

CITY OF SPARKS


City Clerk



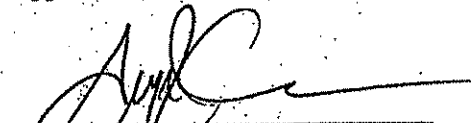

Mayor

Approved as to Form:


Sparks City Attorney

OFFICE OF ATTORNEY GENERAL

Approved as to Form and Legality:


Deputy Attorney General