

FORM NO. 17

INCOME TAX COMPONENT OF CONTRIBUTION AGREEMENT

This AGREEMENT is entered into this _____ day of _____, 20____, by and between _____, ("Government Agency") and Southern California Water Company ("Utility"), in accordance with the terms and conditions of the Utility's filed tariffs and California Public Utilities Commission Decision No. 87-09-026, dated September 10, 1987, as modified by Decision 88-07-020, dated July 8, 1988.

1. Government Agency declares that it is a federal, state, county or local government agency which has made a payment to Utility for the purpose of having Utility install water system facilities (the "Project") described as follows _____

2. Government Agency understands that, except for payments for water system facilities installed for the reasons set forth in paragraph 3, payments made to Utility for installation of water system facilities similar to the Project are taxable to Utility and for that reasons are subject to the Income Tax Component ("ITC") set forth in the Utility's Preliminary Statements of its tariffs, entitled Income Tax Component of Contribution Provision, a copy is available upon request.

3. Government Agency declares that:

(a) The project, for which Government Agency makes the payment referred to above, primarily benefits the public as a whole, and, or

(b) The payment for the Project results from condemnation of Utility's property, or the threat of imminence thereof, as supported by evidence furnished by Government Agency which is acceptable to Utility.

4. In Consideration of Utility not requiring as of the date of this Agreement payment by Government Agency of the ITC which is, or may be, attributable to the Project, Government Agency hereby promises and agrees to indemnify and defend Utility and hold it harmless from and against any and all claims, costs, liabilities and expenses relating to any federal income tax liability, including, but not limited to, the full amount of any income tax, penalty, and interest, which utility pays or is required to pay to the Internal Revenue Service ("IRS"), and any attorneys' fees, litigation costs or fees, associated therewith, arising from any payment for the Project received by Utility from Government Agency. Government Agency further promises and agrees, upon demand by Utility, to pay to Utility the amount of any expense incurred by Utility in collecting any sum due Utility hereunder, including attorneys' fees, litigation costs or fees, and interest, at the highest rate permitted by law, on any monies advanced or expended by Utility pursuant to this Agreement.

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(Continued)

- 5. Government Agency and Utility agree that if the IRS issues a determination acceptable to Utility that the payment for the Project is not taxable, this agreement shall terminate. If the IRS makes a determination that the payment for the Project (or a payment of that type) is taxable, Government Agency shall forthwith pay Utility the applicable taxes and other costs determined as set forth in paragraph 4 above, upon demand by Utility.
- 6. This agreement shall at all times be subject to such changes or modifications by the Public Utilities Commission of the State of California as said Commission may, from time to time, direct in the exercise of its jurisdiction.
- 7. This Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties hereto.
- 8. The following paragraph will be added to each Main Extension Contract:

The utility shall inform Applicant of the final cost of the installation of all service laterals and the resulting tax paid thereon. (N)
(N)

In the event that the Utility collects a gross-up using an incremental tax rate that is more than its incremental tax rate as determined on a taxable year basis, without consideration of a tax credit or tax loss carry forward, the difference between what was and what should have been collected will be refunded to the Applicant.

IN WITNESS WHEREOF, Government Agency and Utility have executed this Agreement by their duly authorized officers or agents as of the date first set forth above.

GOVERNMENT AGENCY

SOUTHERN CALIFORNIA WATER COMPANY

Name _____

By: _____

By _____
Title

_____ Title

_____ Address

_____ Address

_____ Telephone Number

_____ Telephone Number

ISSUED BY

Date Filed June 22, 2001

Advice Letter No. 1098-W

F. E. WICKS

Effective Date August 3, 2001

Decision No. _____

President

Resolution No. W-4263