

361

WATER SUPPLY CONTRACT

BETWEEN

SASKATCHEWAN WATER CORPORATION

- AND -

CITY OF MELFORT

WATER SUPPLY CONTRACT

THIS CONTRACT made as of the 10th day of Sept, A.D., 1991.

BETWEEN

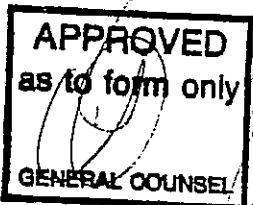
SASKATCHEWAN WATER CORPORATION, a Corporation, incorporated under The Water Corporation Act of Saskatchewan, (hereinafter referred to as "Sask Water")

- AND -

CITY OF MELFORT, in the Province of Saskatchewan, (hereinafter called "the Consumer")

WHEREAS Sask Water owns and operates water supply systems in the Province of Saskatchewan and has obtained authority under The Water Corporation Act to supply water from the source marked "Source of Supply" on the plan annexed hereto and marked as Exhibit "A" to this Contract; and

WHEREAS the Consumer wishes to supply water to its residents in the Province of Saskatchewan at the location marked "Location of City" on Exhibit "A" to this Contract and requires water for its residents at the said City; and



WHEREAS Sask Water agrees to transport and supply water and the Consumer agrees to take and pay for the transportation and supply of all potable water required by its residents upon and subject to the following terms and conditions.

THE PARTIES AGREE HERETO AS FOLLOWS:

ARTICLE I - DEFINITIONS

Words and terms used in this Contract shall have the following meanings

1. DAY

The word "day" shall mean a period of twenty-four (24) consecutive hours, beginning and ending at 9:00 A.M. Central Standard Time.

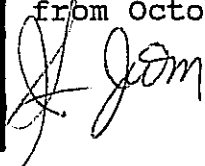
2. MONTH

The word "month" shall mean a period beginning at 9:00 A.M. on the first day of a calendar month and ending at 9:00 A.M. on the first day of the succeeding calendar month.

3. CONTRACT YEAR

The term "contract year" shall mean a period of twelve (12) consecutive months beginning at 9:00 A.M. on the first day of January. The first contract year shall be deemed to extend from October 1, 1993 to December 31, 1994.

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4. GALLON

The word "gallon" shall mean one (1) gallon containing ten (10) Canadian standard pounds weight of distilled water weighed in dry air against brass weights of density 0.30346 of a pound per cubic inch with the water and air at sixty-two (62) degrees of Fahrenheit's thermometer and the barometer at thirty (30) inches and shall be the basic unit volume for purposes of measurement hereunder with the following conversion relationships to apply:

- (a) one (1) acre foot shall contain 271,291 gallons; and
- (b) one (1) cubic foot shall contain 6.228 gallons; and
- (c) one (1) litre shall contain 0.21997 gallons; and
- (d) one (1) cubic metre shall contain 219.969 gallons; and
- (e) one (1) cubic decametre shall contain 219,969 gallons.

5. UNIT

The term "unit" shall mean one thousand (1,000) gallons.

6. SASK WATER'S FACILITIES

The term "Sask Water's facilities" shall mean such facilities as are provided by Sask Water to supply water to the Consumer in accordance with terms and conditions of this Contract.

7. CONSUMER'S FACILITIES

The term "Consumer's facilities" shall mean such facilities as are provided by the Consumer to take water from Sask Water in accordance with the terms and conditions of this Contract.

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8. POINT(S) OF DELIVERY

The term "points of delivery" shall mean the point where Sask Water's facilities connect with the Consumer's facilities as shown on Exhibit "A" hereto and marked "Point(s) of Delivery".

9. MEASURING EQUIPMENT

The term "measuring equipment" shall mean a meter or meters and such other necessary equipment for accurately measuring the water supplied and taken hereunder.

10. MEASURING STATION

The term "measuring station" shall mean the location of the measuring equipment used by Sask Water to determine the quantity of water supplied to the Consumer hereunder, as shown as Exhibit "A" hereto and marked "Measuring Station".

11. CONSUMER PRICE INDEX

The term "Consumer Price Index" shall mean the average of the Consumer Price Index measured at the Cities of Regina and Saskatoon by Statistics Canada published monthly by Statistics Canada in the "Consumer Price Indexes for Regional Cities". If Statistics Canada discontinues either of these measurements it will be replaced by an equivalent measurement as determined by Statistics Canada. If Statistics Canada will not identify an equivalent measurement and the parties cannot agree to a new Index, the matter may be submitted to Arbitration in accordance with Article XV.

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12. POTABLE WATER

The term "Potable Water" shall be water that meets the objectives established by Saskatchewan Environment and Public Safety for domestic drinking water.

ARTICLE II - TERM OF CONTRACT

Subject as hereinafter provided, this Contract shall be effective from the 1st day of October, 1993 and shall continue in force and effect for an initial term of ten (10) contract years. The Consumer shall have the option to renew this Contract for a subsequent ten (10) year period and additional five (5) year periods thereafter. If the Consumer does not renew this contract for the first two additional terms the Consumer shall pay as a termination cost to Sask Water \$21,700,000 with respect to the first renewal and \$10,125,000 with respect to the second renewal.

ARTICLE III - QUANTITY OF WATER

The parties hereto agree that:

1. Sask Water agrees to provide all water which the Consumer may require, provided, however, that the Consumer will provide reasonable notice if sustained additional flows above Fifty (50) gallons per minute are required.



K. J. M.

2. The initial rate of flow at which Sask Water may be required to supply water to the Consumer hereunder shall be at an average rate of Three Hundred and Seventy (370) gallons per minute, with a maximum daily rate of Eight Hundred and Thirty-five (835) gallons per minute, provided that Sask Water agrees that if requested by the Consumer it will, having regard to the capacity of the water system and the demands of other consumers supplied from the water system, use its best efforts to supply water to the Consumer from time to time at a greater rate of flow than aforementioned.

3. Subject to the foregoing, the water to be supplied hereunder shall be available without interruption except interruptions due to any of the events set forth in Article XII or interruptions for periods not to exceed forty-eight (48) hours in duration for maintenance of Sask Water's facilities, and Sask Water shall use its best efforts to minimize the number and duration of such interruptions and shall be obligated to give to the Consumer prompt notice of any scheduled, known or anticipated interruptions.



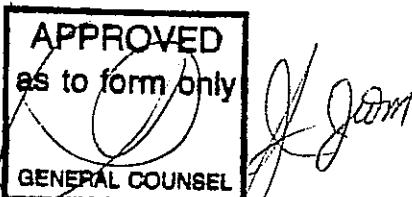
ARTICLE IV - STORAGE REQUIREMENTS

1. The Consumer shall provide storage equal to twice the Consumer's average daily consumption requirement. The said storage is to be addition to that required for fire protection. This storage requirement is presently satisfied by the Consumer's two concrete treated storage reservoirs.

2. The concrete treated storage reservoirs at the treatment plant will be available for use by Sask Water during normal operations, but will be reserved for the exclusive use of the Consumer during interruptions of supply. Sask Water will be responsible for operating these storage reservoirs including cleaning and monitoring. The Consumer will be responsible for major repairs or maintenance and expansion of the storage reservoirs at the treatment plant. The Consumer will also be responsible for construction and operation of storage reservoirs at other locations in the City of Melfort.

ARTICLE V - BACKFLOW PREVENTION

The Consumer shall provide adequate backflow prevention equipment to eliminate the possibility of contamination or pollution resulting from the backflow of objectionable compounds from the Consumer's facilities to Sask Water's facilities.

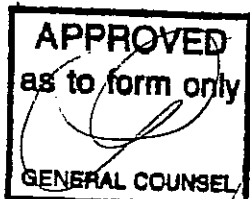


ARTICLE VI - QUALITY OF WATER

The parties hereto agree that the quality of water to be supplied by Sask Water to the Consumer shall be of a treated or potable quality as defined in Article I, 12. The parties further agree to jointly develop a water quality testing program. Sask Water will be responsible for the costs of testing water under its control and the Consumer will be responsible for the costs of testing water under the Consumer's control.

ARTICLE VII - MEASUREMENT OF WATER

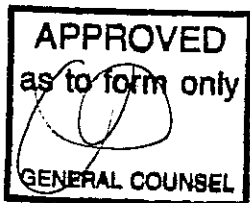
1. Sask Water shall provide, maintain and operate at its own expense the measuring equipment for measuring water supplied and taken hereunder.
2. In the event that the measuring equipment is out of service or registering inaccurately, the quantity of water supplied and taken hereunder shall be determined by the parties hereto negotiating the quantity of water deemed to have been supplied on the basis of previous periods when, under similar conditions, the measuring equipment was registering accurately, and, if the parties hereto fail to agree, the matter may be referred to arbitration by either party in accordance with the provisions of Article XV hereof.



3. Sask Water shall be required to maintain the accuracy of its measuring equipment and shall be required to carry out tests to verify the accuracy of its measuring equipment at reasonable intervals, although not more frequently than once per year.
4. The Consumer may request and observe a special test of the accuracy of Sask Water's measuring equipment, and the parties hereto co-operate to promptly facilitate such test.

If, upon a test employing a rate of flow equivalent to the average rate of consumption of the Consumer during the preceding twelve (12) months, Sask Water's measuring equipment is found to be in error by less than two (2) per cent, no adjustment shall be made to previous metering records and the cost of such special test shall be borne by the Consumer.

If, upon a test employing the aforesaid rate of flow, Sask Water's measuring equipment is found to be in error by more than two (2) per cent, previous metering records will be adjusted to zero error for the elapsed period since the last previous test or twelve (12) months, whichever is the shorter period, and the cost of such special test shall be borne by Sask Water.



5. Sask Water shall take and record readings from the measuring equipment at the measuring station on the first day of each month, excluding Saturdays, Sundays, and statutory and Sask Water designated holidays.

6. Sask Water shall maintain and preserve the records of such readings for a period of at least six (6) contract years and such records shall be available to the Consumer upon request.


ARTICLE VIII - CONTROL, RESPONSIBILITY AND RIGHT OF ENTRY

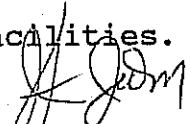
1. **CONTROL**

Control of the water supplied and taken under this Contract shall pass from Sask Water to the Consumer at the point of delivery. Until such passage, Sask Water shall be deemed to be in control of and be responsible for such water and, after such passage, the Consumer shall be deemed to be in control of and be responsible for such water.

2. **RESPONSIBILITY**

Sask Water shall be responsible for the maintenance of Sask Water's facilities and for losses of water from Sask Water's facilities due to bursting, seepage or any other defect in Sask Water's facilities. The Consumer shall be responsible for the maintenance of the Consumer's facilities and for losses of water from the Consumer's facilities due to bursting, seepage or any other defect in the Consumer's facilities.

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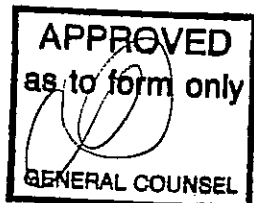
3. RIGHT OF ENTRY

If applicable, the Consumer hereby grants to Sask Water, its servants and agents a right of entry upon the Consumer's property for the purpose of reading, testing, calibrating, adjusting, maintaining and repairing the measuring equipment at the measuring station and for the purpose of inspecting, repairing and maintaining the pipeline of Sask Water in and about the area where Sask Water's facilities connect with the Consumer's facilities.

Except in the case of emergency, such right of entry shall be exercised in accordance with any regulations for the time being in force as to entry on the Consumer's property by persons other than employees of the Consumer. Sask Water shall, at its own expense, make good any damage to the Consumer's facilities caused by the operations of Sask Water, its servants or agents, in the exercise of the licence hereby granted.

ARTICLE IX - CHARGES1. CONNECTION CHARGE

The Consumer shall not be required to pay to Sask Water a connection charge.



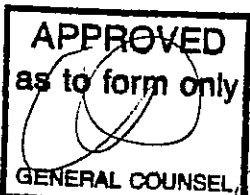
2. MONTHLY CONSUMPTION CHARGES

This Agreement contemplates Sask Water obtaining and using water from the Saskatchewan River ("river water") to supply the Consumer. In the event that Sask Water is not able to supply river water to the Consumer by October 1, 1993, the price for water supplied to the Consumer shall be that set under the Water Treatment Facilities Transfer Agreement. That price shall apply until such time as river water is supplied to the Consumer. When Sask Water is able to supply river water to the Consumer, the Consumer shall pay Sask Water for water supplied and taken hereunder as measured at the measuring station(s) from the effective date hereof at rates up to but not greater than the following rates per unit for all units supplied in each month.

- (a) (i) \$4.80 from October 1, 1993 to December 31, 1994
- (ii) \$4.96 from January 1, 1995 to December 31, 1995
- (iii) \$5.13 from January 1, 1996 to December 31, 1996
- (iv) \$5.31 from January 1, 1997 to December 31, 1997
- (v) \$5.49 from January 1, 1998 to December 31, 1998
- (vi) \$5.67 from January 1, 1999 to December 31, 1999



- (vii) from January 1 to December 31 in the year 2000 and in each succeeding year in the initial term of this Agreement and in the renewal term of ten (10) and the first renewal term five (5) years, the rate will be the rate in the previous year plus 75% of the first 5% of the increase in the Consumer Price Index in that previous year, plus 20% of any increase in the Consumer Price Index in excess of 5% in that previous year. The price will be established for each period by Sask Water within these guidelines. The price will be calculated to allow Sask Water to operate the water treatment facilities on a break-even basis, including a reasonable return on capital investment.
- (b) The rates for any renewal periods after the first twenty-five (25) years of this Agreement will be established by Sask Water and will be subject to approval by the Consumer. If the Consumer does not approve the rates, they will be established by an arbitrator under The Arbitration Act of Saskatchewan. The principle in establishing the rate which the parties and the arbitrator shall follow is that the rates will be such as to allow Sask Water to operate on a break-even basis,



including a reasonable return on capital investment. The arbitrator shall allow Sask Water a reasonable rate of return on capital investments. Capital investment in this respect shall not include the capital costs incurred by Sask Water for the initial raw water supply system and treatment plant, nor will it include capital costs incurred for the expansion of the facilities needed to supply water to other consumers; but will include all capital repairs or expansion to those facilities required to supply the Consumer. Sask Water will not be allowed to recover past deficits or losses with future rate increases.

3. FINANCIAL INFORMATION

Sask Water will provide the Consumer with annual financial information respecting the operation of the regional water distribution system.

4. Sask Water will supply potable water to the Consumer at a rate not greater than rates to other users of the regional system.

ARTICLE X - BILLINGS AND PAYMENTS

1. MONTHLY ACCOUNTS

Sask Water shall calculate and render to the Consumer on or before the fifteenth day of each month an invoice setting forth the particulars of the water supplied and taken during the preceding month, as measured at the measuring station, and

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the charges due and payable therefor. The Consumer shall make payment in full to the Sask Water for each monthly account billed within thirty (30) days after receipt thereof.

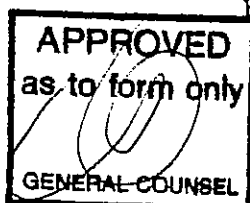
2. FAILURE TO PAY

Should the Consumer fail to pay any amount due to Sask Water by the due date, interest thereon shall accrue at the then prevailing minimum lending rate of Sask Water's banker plus one (1) per cent per annum from such date until paid; and if such failure to pay continues for thirty (30) days after the due date, Sask Water thereafter may, in addition to all other remedies available to it by law, suspend the supply of water and terminate this Contract; provided, however, in order for Sask Water to have the right to suspend the supply of water and to terminate this Contract, Sask Water must first have notified the Consumer fifteen (15) days prior to exercising either or both of such rights of its intent to do so and give the Consumer the right to pay the amount claimed within the said fifteen (15) days.

The right to notify the Consumer under this paragraph shall not apply so as to entitle Sask Water to terminate the supply to the Consumer if

a) the price for water is subject to arbitration under the terms of this contract, and

b) the Consumer pays an amount per unit of water based on the price due to Sask Water for a unit of water during the previous period.

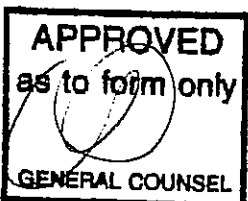


In event that the price of water determined by arbitration exceeds the price of water paid by the Consumer immediately prior to arbitration the Consumer agrees to pay interest to Sask Water on the amount of the excess from the due date to the date of payment at the rate of interest determined in Article X Paragraph 2. In event that the price of water determined by arbitration is less than the price of water paid by the Consumer immediately prior to arbitration Sask Water agrees to pay interest to the Consumer on the amount of the deficiency from the due date to the date of payment at the rate of interest determined in Article X Paragraph 2.

ARTICLE XI - USE OF WATER

1. Except for the tank loading facility at the treatment plant, the Consumer shall have the exclusive right to supply water within its corporate boundaries and to all users supplied by the Consumer at December 31, 1991.

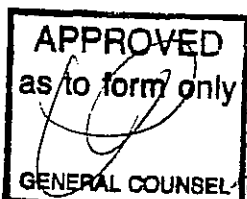
2. The Consumer shall not supply any of the water supplied to it hereunder to any person outside of the corporate boundaries of the City of Melfort without the prior written consent of Sask Water. *JOM*



3. The Consumer shall not extend its water supply system beyond the boundaries of the City of Melfort as they may exist from time to time without the prior written consent of Sask Water.
4. The Consumer shall make it a condition of the supply of water by it to each of the said residents that such residents shall not supply any water so supplied to said residents to any other person.

ARTICLE XII - FORCE MAJEURE

If either party to this Contract shall fail to perform any obligation hereby imposed upon it and such failure shall be caused, or materially contributed to, by acts of God, strikes, lockouts, or other industrial disturbances, war, insurrection, riots, epidemics, landslides, lightning, earthquakes, floods, storms, fires, washouts, nuclear and radiation activity or fallout, restrictive governmental laws or regulations, explosions, breakage of or accident to machinery or lines of pipe, temporary failure of water supply, freezing of Sask Water's or Consumer's facilities, bursting of reservoirs, inability to obtain pipe, materials or equipment, the order of any court or governmental authority which has been resisted in good faith by all reasonable legal means, or by any act or omission, including failure to deliver water, of a

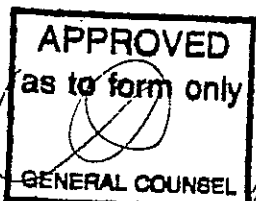


supplier or transporter of water to or for Sask Water, which is occasioned by any event or occurrence of the character described in this Article XII as constituting force majeure, or by any other cause, whether of the kind herein enumerated or otherwise, all such causes referred to in this Article XII being beyond the control of the party invoking this Article XII and being such that by the exercise of due diligence such party could not have prevented, such failure shall not give rise to any cause of action based on breach of the obligations hereunder, but such party shall use reasonable diligence to put itself again in a position to carry out its obligations hereunder.

Nothing contained in this Article XII shall be construed to require either party to settle a strike or lockout by acceding against its judgement to the demands of opposing parties.

ARTICLE XIII - WAIVER AND FUTURE DEFAULT

No waiver by either Sask Water or the Consumer of any one or more defaults by the other party in the performance of any provisions of this Contract shall operate or be construed as a waiver of any continuing or future default or defaults, whether of a like or different nature. *Jem*

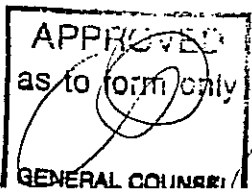


ARTICLE XIV - INDEMNITY

The Consumer hereby indemnifies and saves harmless Sask Water and the Government of Saskatchewan, its employees or agents, from and against all loss, damage, injury, compensation, expenses, charges, assessments, taxes and costs arising in respect of injury to the public, or to employees or agents of Sask Water and the Government of Saskatchewan, or which Sask Water and the Government of Saskatchewan may suffer or incur by reason of, or attributable to, in whole or in part, this agreement or any work done pursuant thereto, as contemplated by this Contract, except to the extent that such loss, damage, injury, compensation, expenses, assessments, taxes, charges and costs are caused by the deliberate acts or negligence of Sask Water and the Government of Saskatchewan, or its employees or agents.

ARTICLE XV - ARBITRATION

In the event that any dispute arises during the term of this Contract, and the parties are unable to resolve the dispute, the matter will be resolved by arbitration, such arbitration to be in accordance with The Arbitration Act of Saskatchewan.

ARTICLE XVI - NOTICES AND COMMUNICATIONS

Each and every notice and communication from the Consumer to Sask Water under this Contract shall be in writing and addressed to it at:

Saskatchewan Water Corporation
P.O. Box 310, 403 Main Street
Watrous, Saskatchewan
SOK 4T0

Each and every notice and communication from Sask Water to the Consumer under this Contract shall be in writing and addressed to it at:

City of Melfort
P.O. Box 2230
Melfort, Saskatchewan
SOE 1A0

Any notice shall be deemed to have been given three (3) days following the posting of the same or upon the date of personal delivery to the above addresses, whichever date occurs first. *JOM*

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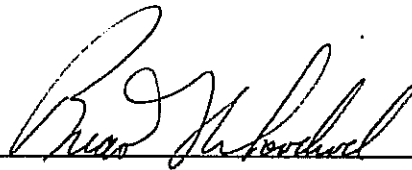
ARTICLE XVII - TRANSFER AND ASSIGNMENT

Any person, company, municipality, governmental agency, or other entity which shall succeed by purchase, merger or consolidation to the undertaking, substantially as an entirety of Sask Water shall be subject to the rights and be subject to the obligations of Sask Water under this Contract. This Contract shall not be assignable by the Consumer without the prior written consent of Sask Water.

IN WITNESS WHEREOF the parties hereto have caused their corporate seals to be affixed, attested by their proper officers duly authorized in that behalf the day and year first above written.

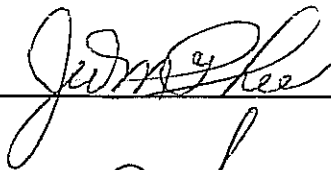
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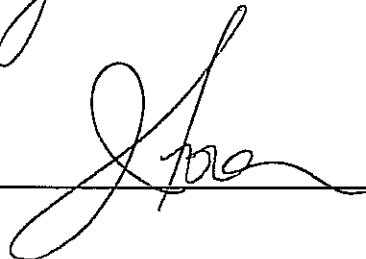
SASKATCHEWAN WATER CORPORATION

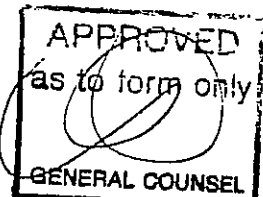


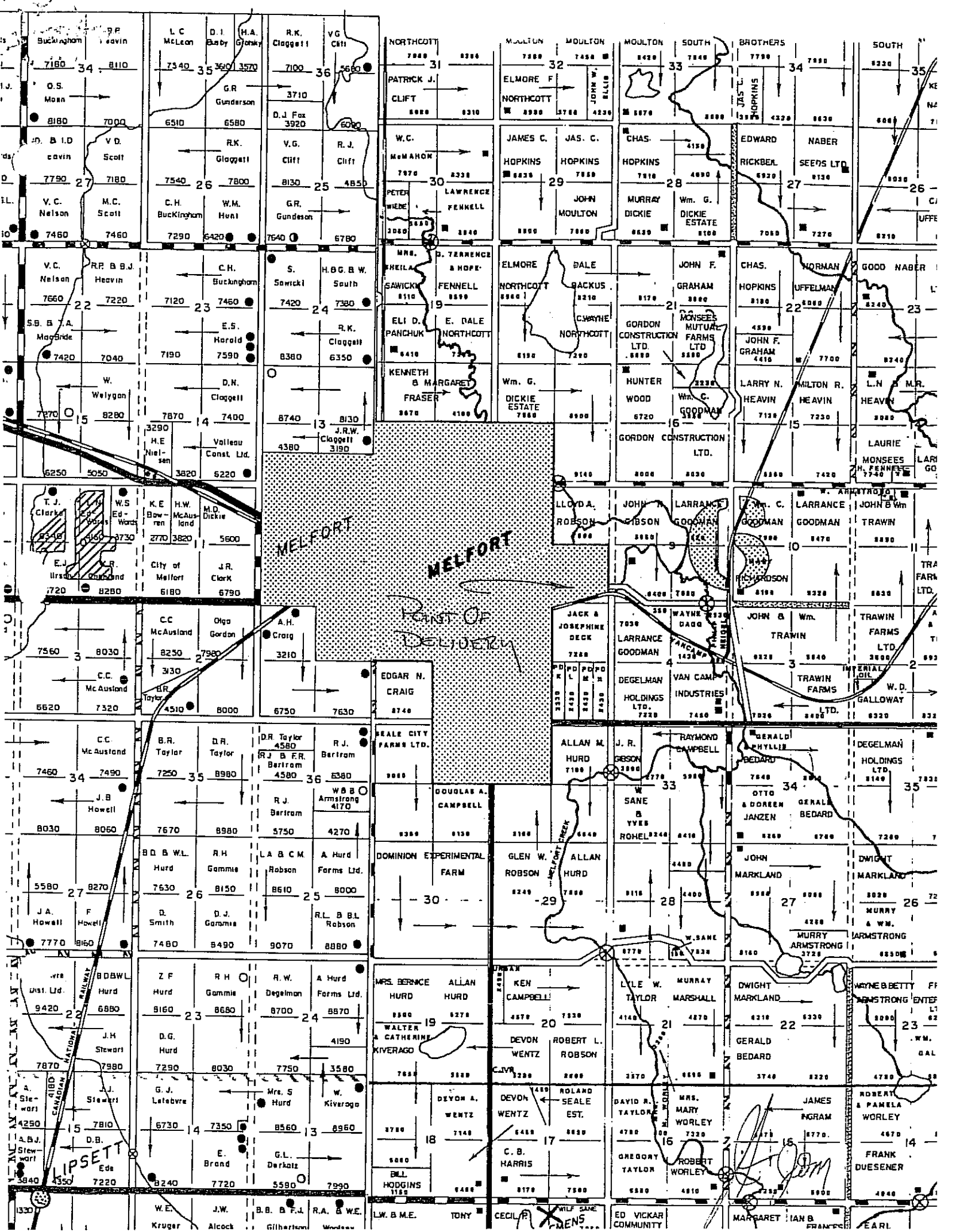
Seal:

CITY OF MELFORT









Buckingham 7180 34 8110
 O.S. Mean 8180 7000
 V.D. Scott 7790 27 7180
 V.C. Nelson 7460 7460

V.C. Nelson 7660 22 7220
 S.B. B. A. Maguire 7420 7040
 W. Welygan 7770 8280
 H.E. Nielsen 3290 3820 6250 5050

T.J. Clark 7518
 W.S. Ed. Ward 7370
 E.J. Irlson 7720 8280
 K.E. Bowen 2770 3820
 H.W. McAusland 3820
 M.D. Dickie 5600
 City of Melfort
 J.R. Clark 6790

CC. McAusland 7560 3 8030
 C.C. McAusland 5520 7320
 CC. McAusland 7460 34 7490
 B.R. Taylor 7250 35 8980
 D.R. Taylor 8980
 R.J. Bartram 5380
 W.B. Armstrong 4170
 R.J. Bartram 8750 4270

CC. McAusland 7460 34 7490
 B.R. Taylor 7250 35 8980
 D.R. Taylor 8980
 R.J. Bartram 5380
 W.B. Armstrong 4170
 R.J. Bartram 8750 4270

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 R.J. Bartram 5380
 W.B. Armstrong 4170
 R.J. Bartram 8750 4270

NORTHCOTT 7880 31 8280
 PATRICK J. CLIFT 8880 8310
 W.C. McMAHON 7970 8230
 PETER WIENE 3080 3840
 MRS. D. TERRENCE & HOPE FENNEL 8110 8890
 ELI D. PANCHUK 8410 7340
 KENNETH & MARGARET FRASER 8870 4180

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MOULTON 7880 32 7450
 ELMORE F. NORTHCOTT 8880 3788 4238
 JOHN W. ELLIS 4238
 MOULTON 8420 33 7845
 CHAS. HOPKINS 8880 8630
 SOUTH 8220 35
 BROTHERS 7790 34 7880
 JAS. C. HOPKINS 4328 8630
 SOUTH 8220 35

ELMORE NORTHCOTT 8880 1
 DALE BACKUS 8210
 JOHN F. GRAHAM 8170 8880
 CHAS. HOPKINS 8180 8220
 JOHN F. GRAHAM 4580 4415
 LARRY N. HEAVIN 7138 7230
 MILTON R. HEAVIN 7420
 L.N. M.R. HEAVIN 8880
 LAURIE MONSEES H. FENNEL 7740

LLOYD A. ROBSON 8880
 JOHN T. LARRANCE 8880
 JOHN B. Wm. TRAWIN 8880
 JOHN & Wm. TRAWIN 8880
 TRAWIN FARMS LTD. 3880
 W.D. GALLOWAY 8320

JACK & JOSEPHINE DECK 7288
 LARRANCE GOODMAN 7888
 DEGELMAN HOLDINGS LTD. 7228
 VAN CAMP INDUSTRIES 7460
 WAYNE DAGO 8120
 JOHN & Wm. TRAWIN 8880
 TRAWIN FARMS LTD. 3880
 W.D. GALLOWAY 8320

ALLAN M. HURD 7188
 J. R. GIBSON 4778 5888
 W. SANE & YVES ROHEL 8248 8418
 RAYMOND CAMPBELL 4778 5888
 GERALD PHYLLIS BEDARD 7848 8248
 OTTO & DOREEN JANZEN 8288 8788
 JOHN MARKLAND 8888
 DWIGHT MARKLAND 8028 8228
 MURRY & Wm. ARMSTRONG 4288 4888
 MURRY ARMSTRONG 3728 4888