

D E E D

For and in consideration of the performance of the covenants set forth in that certain agreement dated July 20, 1993, by, between, and among the United States Department of Veterans Affairs and the Sheridan Area Water Supply Joint Powers Board and the City of Sheridan, Wyoming, a true and correct copy of which is attached hereto, the Sheridan Area Water Supply Joint Powers Board and the City of Sheridan, Wyoming, grant and convey to the United States Department of Veterans Affairs an undivided 16.22% interest in and to that certain 30" raw water transmission pipeline, together with all appurtenances, which pipeline is located within those certain rights of way and easements in Sheridan County, Wyoming, as described in those instruments recorded in the office of the County Clerk for Sheridan County, Wyoming at:

1. Book 364, page 588 on March 23, 1994 as rerecorded at Book 365, page 299 on April 12, 1994, as to lands in SW/4 NE/4, E/2 NE/4, NE/4 NE/4 of S35 and N/2 NW/4 of S36, and SE/4 SW/4 and W/2 SE/4 of S25 all in T55 N, R86 W

and

2. Book 372, page 278 on February 17, 1995, as to lands in NW/4 SE/4 and SE/4 NE/4 of S19 and W/2 NW/4 of S20, all in T55 N R85 W

and

3. Book 372, page 284 on February 17, 1995, as to lands in NW/4 SE/4 of S19 in T55 N R85 W

and

4. Book 372, page 272 on February 17, 1995, as to lands in SE/4 NE/4 of S25 in T55 N R86 W

and

5. Book 370, page 490 on December 6, 1994, as to lands in NE/4 SE/4 of \$25 in T55 N R86 W, and Lot 1, Lot 2 and NE/4 NW/4 of \$30, and SE/4 SW/4, and SW/4 SE/4 of \$19 in T55 N R85 W,

and

6. Book 369, page 15 on September 21, 1994, as to lands in W/2 SE/4 of \$17 all in T55 N R 85 W

and

7. Book 369, page 20 on September 21, 1994, as to lands in SE/4 SW/4 and W/2 SE/4 and NE/4 SE/4 of \$17, and NE/4 NW/4 of \$20, all in T55 N R85 W

and

8. Book 367, page 445 on July 19, 1994, as to lands in W/2 NW/4 of \$16 and SE/4 NE/4 of \$17, all in T55 N R85 W

and

9. Book 370, page 158 on November 18, 1994, as to lands in NE/4 NW/4 of \$16 and SE/4 SW/4 of \$9, all in T55 N R85 W

and

10. Book 369, page 529 on November 1, 1994, as to lands in SW/4 SE/4 of \$9 in T55 N R85 W

and

11. Book 369, page 533 on November 1, 1994, as to lands in SW/4 SE/4 of \$9 in T55 N R85 W

and

12. Book 366, page 540 on June 3, 1994, as to lands in S/2 SE/4 of \$9 in T55 N R85 W

and

13. Book 366, page 544 on June 3, 1994, as to lands in E/2 SE/4 of \$9 in T55 N R85 W

and

14. Book 364, page 77 on February 3, 1994, as to lands in NW/4 SW/4 of \$10 in T55 N R85 W

and

15. Book 371, page 474 on January 10, 1995, as to lands in N/2 N/2 SE/4 of \$10 in T55 N R85 W

and

16. Book 366, page 217 on May 16, 1994, as to lands in SE/4 NE/4 of \$10 in T55 N R85 W

and

17. Book 364, page 314 on March 1, 1994, as to lands in SE/4 NE/4 of \$10 in T55 N R85 W

and

18. Book 364, page 318 on March 1, 1994, as to lands in SE/4 NE/4 of \$10 in T55 N R85 W

and

19. Book 367, page 124 on June 21, 1994, as to lands in SE/4 NE/4 of \$10 in T55 N R85 W

and

20. Book 364, page 89 on February 3, 1994, as to lands in W/2 NW/4 of \$11 in T55 N R85 W

and

21. Book 366, page 345 on May 20, 1994, as to lands in W/2 NW/4 of \$11 in T55 N R85 W

and

22. Book 368, page 229 on August 17, 1994, as to lands in SW/4 SE/4, S/2 SW/4, of \$2 and NW/4 NW/4 of \$11 all in T55 N R85 W

and

23. Book 364, page 310 on March 1, 1994, as to lands in S/2 SE/4 of \$2 in T55 N R85 W

and

24. Book 364, page 85 on February 3, 1994, as to lands in SE/4 SE/4 of \$2 in T55 N R85 W

and

25. Book 364, page 306 on March 1, 1994, as to lands in E/2 SE/4 of \$2 in T55 N R85 W

and

26. Book 364, page 592 on March 23, 1994, as to lands in NE/4 SE/4 of §2 in T55 N R85 W

and

27. Book 365, page 46 on March 29, 1994, as to lands in NE/4 SE/4 of §2 in T55 N R85 W

and

28. Book 368, page 657 on September 19, 1994, as to lands in NW/4 SW/4 of §1 in T55 N R85 W

and

29. Book 369, page 95 on September 26, 1994, as to lands in NW/4 SW/4 of §1, SE/4 SW/4, and SE/4 SW/4 of §2 all in T55 N R85 W

and

30. Book 367, page 111 on June 21, 1994, as to lands in N/2 SW/4 and SE/4 NW/4 of §1 all in T55 N R85 W

and

31. Book 369, page 282 on October 10, 1994, as to lands in E/2 SE/4 NW/4 and the SW/4 NE/4 of §1 all in T55 N R85 W

and

32. Book 366, page 213 on May 16, 1994, as to lands in SW/4 NE/4 and N/2 NE/4 of §1 in T55 N R85 W

and

33. Book 371, page 6 on December 14, 1994, as to lands in NE/4 NE/4 of §1 in T55 N R85 W and SE/4 SE/4 of §36 in T56 N R85 W and SW/4 SW/4, N/2 SW/4, NW/4 SE/4 and SW/4 NE/4 of §31 all in T56 N R84 W

and

34. Book 367, page 115 on June 21, 1994, as to lands in SW/4 NE/4, Lot "Y" (SE/4 NE/4), Guy Wood Ranch Subdivision to Sheridan County and NE/4 NE/4 of §31 in T56 N R84 W

and

35. Book 373, page 241 on April 19, 1995, as to lands in NE/4 SE/4, SE/4 SE/4 of §30 and NE/4 NE/4 of §31 all in T56 N R84 W

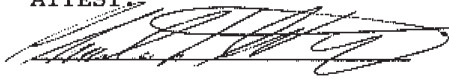
and

36. Book 373, page 640 on May 24, 1995, as to lands in W/2 SW/4 and SW/4 NW/4 of §29 all in T56 N R84 W.

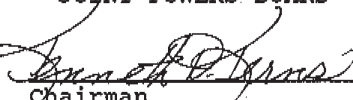
DATED this 19th day of October, 1998.

SHERIDAN AREA WATER SUPPLY
JOINT POWERS BOARD

ATTEST:



By:

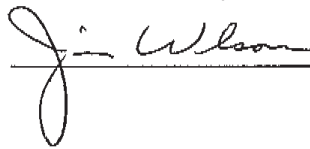

Chairman

CITY OF SHERIDAN, WYOMING

ATTEST:



By:



STATE OF WYOMING)
) ss.
County of Sheridan)

Before me this 13 day of October, 1998,
appeared Kenneth D. Kerns, personally
known to me and being sworn and represented that he was the
chairman of the Sheridan Area Water Supply Joint Powers Board and
that the foregoing was executed on behalf of said Joint Powers
Board by the authority of its board members as the free act and
deed of said joint powers board.

Witness my hand and official seal.

Digil G. Kuvick
Notary Public

My Commission Expires: February 3, 2002



STATE OF WYOMING)
) ss.
County of Sheridan)

Before me this 19th day of October, 1998,
appeared Jim Wilson, personally
known to me and being sworn and represented that he was the Mayor
of the City of Sheridan, Wyoming and that the foregoing was
executed on behalf of said City by the authority of its city
council and its council members as the free act and deed of said
city.

Witness my hand and official seal.

Dennis L. Hayes
Notary Public

My Commission Expires: 10/17/2002

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AGREEMENT

THIS AGREEMENT made this 20th day of July, 1993, by and among the UNITED STATES DEPARTMENT OF VETERANS AFFAIRS, hereinafter referred to as "the VA", the SHERIDAN AREA WATER SUPPLY JOINT POWERS BOARD, hereinafter referred to as "the JOINT POWERS BOARD", and the CITY OF SHERIDAN, WYOMING, hereinafter referred to as "the CITY".

WITNESSETH:

WHEREAS, the VA currently owns, operates and maintains a water transmission line in Sheridan County, Wyoming for the purpose of conveying raw water diverted from Big Goose Creek via its diversion facilities located in Section 35, T 55 N, R 86 W, to its water treatment plant located in Section 20, T 56 N, R 84 W; and

WHEREAS, the CITY currently owns, operates and maintains several water transmission lines in Sheridan County, Wyoming, including water transmission lines of 16" diameter and 20" diameter, for the purpose of conveying raw water diverted from Big Goose Creek via its diversion facilities located in Section 35, T 55 N, R 86 W, to its water treatment plant located in Section 29, T 56 N, R 84 W and the Kendrick Golf Course located in Sections 30 and 31, T 56 N, R 84 W; and

WHEREAS, the JOINT POWERS BOARD is currently constructing a water treatment plant located in Section 25, T 55 N, R 86 W; and

WHEREAS, due to the age and deteriorated condition of its raw water transmission line, the VA has replaced sections of this raw water transmission line and anticipates the need to either replace the remaining sections of this raw water transmission line in the immediate future, or be provided raw water via other pipelines within the Big Goose Creek valley; and

WHEREAS, due to the age and deteriorated condition of several of its raw water transmission lines, the CITY anticipates the need to abandon all but the 16" diameter and 20" diameter raw water transmission lines in the immediate future; and

WHEREAS, via the Ownership Agreement dated May 15, 1990 between the CITY and the JOINT POWERS BOARD, 1) the CITY shall lease 71.3% of the CITY'S share of the 16" diameter water transmission line for the purpose of converting it to use as a treated water transmission line downstream of the JOINT POWERS BOARD'S new water treatment plant currently being constructed, and 2) the JOINT POWERS BOARD will construct a new raw water transmission line, to be owned by the JOINT POWERS BOARD until repayment is made by the JOINT POWERS BOARD of any loans associated with the design and construction of the new raw water transmission line, after which ownership will be transferred to the CITY; and

WHEREAS, the JOINT POWERS BOARD has completed a study to determine the size, location, need and timing of said new raw water transmission line, and

WHEREAS, upon completion of this study, the JOINT POWERS BOARD has requested the necessary funding from the State of Wyoming to allow for the design and construction of said new raw water transmission line; and

WHEREAS, all parties to this Agreement recognize the mutual benefits of cooperating for the purpose of designing, constructing, operating, maintaining, and replacing a new raw water transmission line to jointly convey raw water from the CITY'S diversion facilities to their respective water treatment plants and the Kendrick Golf Course.

NOW, THEREFORE, BE IT HEREBY AGREED AS FOLLOWS:

1. Upon receipt of the necessary funding by the JOINT POWERS BOARD from the State of Wyoming and by the VA from the federal budget, the JOINT POWERS BOARD will proceed with design and construction of a new raw water transmission line extending from the CITY'S diversion facilities to the CITY'S water treatment plant. The CITY and VA will participate in the selection of the JOINT POWERS BOARD'S choice of engineer to design the new raw water transmission line before commencing with design, and the capacity and location of the new raw water transmission line designed and to be constructed is subject to the approval by the CITY. Upon completion of design, the JOINT POWERS BOARD shall commence with construction of the new raw water transmission line, and it shall be responsible for all right-of-way acquisition and construction administration.

The construction shall include installation of a meter vault and associated appurtenances acceptable to the CITY and the VA at the point of connection to the VA'S existing raw water transmission line within Section 30, T 56 N, R 84 W.

2. The VA shall provide an amount of \$140,000.00 for the design and \$1,430,000.00 for the construction of said new raw water transmission line, including all right-of-way acquisition and construction administration costs, but excluding all administrative costs of the JOINT POWERS BOARD'S own employees. The VA shall make payment for its share of design costs upon commencement of design by the JOINT POWERS BOARD'S engineer, and shall make payment for its share of construction costs upon commencement of construction by the JOINT POWERS BOARD'S contractor.

3. Upon completion of construction, and the payment by the VA of \$1,570,000, the VA shall own a percentage of the new raw water transmission line constructed by the JOINT POWERS BOARD, the

percentage of ownership being equal to the percentage of the VA'S financial contribution to the total design and construction costs of the raw water transmission line. The JOINT POWERS BOARD shall convey the ownership of the raw water transmission line to the VA, as a tenant in common of an undivided interest equal to the VA'S percentage of ownership, and thereafter, the JOINT POWERS BOARD shall record the VA'S ownership interest in the land records of the county within which the raw water transmission line has been constructed.

4. Upon completion of construction of the new raw water transmission line, the VA shall have the right to convey up to three cubic feet per second (3 cfs) of its water at any time through the new raw water transmission line, as measured at the aforementioned meter vault in Section 30, T 56 N, R 84 W, less the VA's prorata share of unaccounted-for water lost as a result of this conveyance. Water for the VA shall be diverted through use of the CITY'S existing diversion facilities located in Section 35, T 55 N, R 86 W. Upon approval by the CITY, the VA shall have the right to convey additional amounts of water through the new raw water transmission line. Additionally, upon approval by the CITY, or at such time that the new raw water transmission line has been installed but for whatever reason is unavailable to convey water, raw water may be conveyed by the VA via the CITY'S 20" diameter raw water transmission line in an amount not to exceed one cubic feet per second (1 CFS), or such other greater amount as approved by the CITY.

5. Upon completion of construction of the new raw water transmission line, the JOINT POWERS BOARD shall have the right to convey up to seven cubic feet per second (7 cfs) of its water to its proposed Big Goose water treatment plant to be constructed in Section 25, T 55 N, R 86 W, via the new raw water transmission line, as measured at the new plant, less the JOINT POWERS BOARD'S prorata share of unaccounted-for water lost as a result of this conveyance. The JOINT POWERS BOARD shall install such water meters as necessary at the site of the Big Goose water treatment plant in order to determine its usage.

The VA'S and JOINT POWERS BOARD'S prorata shares of unaccounted-for water shall be individually determined by the formulas depicted in Exhibit A to this agreement.

6. Upon completion of construction of the new raw water transmission line, the CITY shall have the right to convey up to forty-six cubic feet per second (46 CFS) of its water to its water treatment plant located in Section 29, T 56 N, R 84 W and the Kendrick Golf Course located in Sections 30 and 31, T 56 N, R 84 W, via the proposed new raw water transmission line and the existing 20" raw water transmission line of the CITY. This amount represents the 50-year plan for the total treatment plant capacity necessary for the Sheridan area plus the Kendrick Golf Course, less

an amount of 7 CFS allocated to the Big Goose Water Treatment Plant, as defined in the October 1992 Level II Study entitled Sheridan Area Raw Water Supply Pipeline by Centennial Engineering and Research, Inc.

7. Water normally available to but not being used by the VA shall be made available to the CITY by the VA.

8. Upon commencement of use of the new raw water transmission line, the CITY shall operate and maintain the new raw water transmission line for the benefit of all parties, and in accordance with the May 15, 1990 Operating Agreement between the CITY and the JOINT POWERS BOARD. The VA shall pay to the CITY on a quarterly basis its respective prorata share of all operation and maintenance costs for the new raw water transmission line and the CITY'S diversion facilities, based upon: 1) its metered usage of the new raw water transmission line as this metered usage bears to the sum of all of the individually metered usage of the new line, and 2) the length of the new raw water transmission line being used for its benefit.

The formula used to calculate the VA'S prorata share of operation and maintenance costs in accordance with the above is depicted in Exhibit B to this agreement.

The JOINT POWERS BOARD shall pay to the CITY such amounts as determined in the May 15, 1990 Operating Agreement.

The CITY, the VA and the JOINT POWERS BOARD shall jointly prepare an annual audit of costs to assure equity with respect to these prorata costs, and shall maintain the right to adjust the prorata shares accordingly if there is inequity.

9. Should the CITY at some future date install hydropower generating equipment for the purpose of utilizing the potential energy which is available from the new raw water transmission line, the VA shall receive revenues from the CITY due to the use of this hydropower by the CITY or the sale of hydropower to the affected electrical power utility by the CITY. The amount of such revenues shall be based upon the formula as depicted in Exhibit C to this agreement. If such revenues are less than the VA'S share of operation and maintenance costs as discussed in paragraph 8 of this agreement, the VA shall receive a credit on these operation and maintenance costs in lieu of a cash payment from the CITY.

10. At such time that all or portions of the new raw water transmission line require partial or entire replacement, the parties to this Agreement shall bear a percentage share of the replacement costs based upon their respective ownership interests.

11. This Agreement is strictly conditioned upon the JOINT POWERS BOARD receiving funding in such amounts from the State of

Wyoming to provide for its share of design and construction costs of the new raw water transmission line of a capacity approved by the CITY. Similarly, this Agreement is also contingent upon the VA receiving funding in such amounts from the federal budget as to provide for its share of design and construction costs.

12. No connections to or use of the proposed new raw water transmission line by parties other than those of this Agreement shall be made without the express written approval of all parties to this Agreement. Furthermore, no party to this Agreement shall convey water for the benefit of others who are not a party to this Agreement or who are not within the service area of the parties to this Agreement without the express written approval of all parties to this Agreement.

13. At such times that disputes arise regarding interpretation of the stipulations in this Agreement, a committee comprised of a representative from each of the parties to this Agreement shall meet to make recommendations regarding dispute resolution.

14. Any permits or approvals required by the Wyoming State Engineer or Wyoming State Board of Control to allow use of the new raw water transmission line in accordance with this Agreement shall be obtained and paid for individually by the respective parties.

15. The JOINT POWERS BOARD and the CITY shall retain ownership of the new raw water transmission line in accordance with the May 15, 1990 Ownership Agreement, subject to the interests that the VA will own upon completion of construction in accord with Paragraph 3 of this Agreement.

IN WITNESS WHEREOF, THE VA, THE JOINT POWERS BOARD, AND THE CITY have executed this Agreement as of the date first above written.

DEPARTMENT OF VETERANS AFFAIRS

By: Francis E. Sullivan

Attest:

SHERIDAN AREA WATER SUPPLY
JOINT POWERS BOARD

By: Francis E. Sullivan

Attest:

Paul D. Bullock

CITY OF SHERIDAN, WYOMING

By: Della Herbst

Attest:

Arthur W. Ellis

Francis E. Sullivan did on this date appear before me, Dennis W. Calkin, a Notary Public for the District of Columbia and did so execute this document on behalf of the VA. July 20, 1993

DENNIS W. CALKIN
NOTARY PUBLIC DISTRICT OF COLUMBIA
MY COMMISSION EXPIRES FEB 14, 1996

Dennis W. Calkin
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EXHIBIT A

FORMULAS TO COMPUTE VA'S AND JOINT POWERS BOARD'S PRORATA
SHARES OF UNACCOUNTED-FOR WATER.

VA'S PRORATA
SHARE OF
UNACCOUNTED-FOR
WATER

$$= [A - (B + C + D + E)] \times [B / (B + C + D + E)]$$

JOINT POWERS
BOARD'S PRORATA
SHARE OF
UNACCOUNTED-FOR
WATER

$$= [A - (B + C + D + E)] \times [E / (B + C + D + E)]$$

WHERE,

- A = TOTAL METERED AMOUNT OF WATER DIVERTED AT CITY'S
DIVERSION FACILITIES.
- B = METERED AMOUNT OF WATER BY VA AS DETERMINED AT POINT OF
CONNECTION TO VA RAW WATER TRANSMISSION LINE.
- C = METERED AMOUNT OF WATER BY CITY AS DETERMINED AT SHERIDAN
WATER TREATMENT PLANT.
- D = METERED AMOUNT OF WATER BY CITY AS DETERMINED AT KENDRICK
GOLF COURSE.
- E = METERED AMOUNT OF WATER BY JOINT POWERS BOARD AS
DETERMINED AT BIG GOOSE WATER TREATMENT PLANT.

EXHIBIT B

FORMULA TO COMPUTE VA'S PRORATA SHARE OF OPERATION AND
MAINTENANCE COSTS

$$\text{VA'S PRORATA SHARE} = 1.20 \times [B / (B + C + D + E)] \times (F + G + H) \times (I / J)$$

WHERE,

1.20 = ADMINISTRATIVE OVERHEAD FEE OF CITY.

B = METERED AMOUNT OF WATER BY VA AS DETERMINED AT POINT OF CONNECTION TO VA RAW WATER TRANSMISSION LINE.

C = METERED AMOUNT OF WATER BY CITY AS DETERMINED AT SHERIDAN WATER TREATMENT PLANT.

D = METERED AMOUNT OF WATER BY CITY AS DETERMINED AT KENDRICK GOLF COURSE.

E = METERED AMOUNT OF WATER BY JOINT POWERS BOARD AS DETERMINED AT BIG GOOSE WATER TREATMENT PLANT.

F = ALL UTILITY COSTS ASSOCIATED WITH THE NEW RAW WATER TRANSMISSION LINE AND DIVERSION FACILITIES, INCLUDING ANY AND ALL POWER, TELEPHONE, TELEMETRY AND HEATING COSTS.

G = PERSONNEL COSTS FOR THOSE CITY EMPLOYEES PERFORMING WORK ON OR IN CONJUNCTION WITH THE NEW RAW WATER TRANSMISSION LINE AND DIVERSION FACILITIES, EXCLUDING ADMINISTRATIVE PERSONNEL. THESE PERSONNEL COSTS SHALL BE DETERMINED USING RAW SALARIES PLUS APPROPRIATE AMOUNTS FOR USUAL AND CUSTOMARY FRINGE BENEFITS.

H = ANY AND ALL INVOICED COSTS FOR MATERIALS AND EQUIPMENT USED FOR OPERATION AND MAINTENANCE OF THE RAW WATER TRANSMISSION LINE AND DIVERSION FACILITIES. IF CITY EQUIPMENT IS EMPLOYED FOR THESE PURPOSES, HOURLY RATES CUSTOMARILY USED BY THE CITY FOR BILLING PURPOSES IN OTHER ASPECTS OF ITS OPERATION SHALL BE USED.

I = LENGTH OF PROPOSED NEW RAW WATER TRANSMISSION LINE FROM DIVERSION FACILITY TO VA CONNECTION POINT.

J = TOTAL LENGTH OF PROPOSED NEW RAW WATER TRANSMISSION LINE FROM DIVERSION FACILITY TO SHERIDAN WATER TREATMENT PLANT.

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EXHIBIT C

FORMULA TO COMPUTE REVENUES TO BE OBTAINED BY VA FROM CITY
SHOULD HYDROPOWER BE GENERATED BY CITY

$$\text{VA REVENUES} = [B / (B + C + D + E)] \times R \times P$$

WHERE,

- B = METERED AMOUNT OF WATER BY VA AS DETERMINED AT POINT OF CONNECTION TO VA RAW WATER TRANSMISSION LINE.
- C = METERED AMOUNT OF WATER BY CITY AS DETERMINED AT SHERIDAN WATER TREATMENT PLANT.
- D = METERED AMOUNT OF WATER BY CITY AS DETERMINED AT KENDRICK GOLF COURSE.
- E = METERED AMOUNT OF WATER BY JOINT POWERS BOARD AS DETERMINED AT BIG GOOSE WATER TREATMENT PLANT.
- R = RATE AT WHICH CITY SELLS POWER TO THE AFFECTED POWER UTILITY IF HYDROPOWER GENERATING EQUIPMENT IS INSTALLED, IN DOLLARS PER KILOWATT-HOUR.
- P = AMOUNT OF HYDROPOWER GENERATED BY CITY'S HYDROPOWER EQUIPMENT THAT IS EITHER UTILIZED BY CITY OR SOLD TO THE AFFECTED POWER UTILITY, IN KILOWATT-HOURS.