

THE INFORMATION IN THIS BOX IS NOT A PART OF THE CONTRACT AND IS FOR COUNTY USE ONLY

Contract Number

24-539

SAP Number

Public Works – Special Districts

Department Contract Representative	Noel Castillo, Director
Telephone Number	(909) 387-7906
Agency/Contractor	Golden State Water Company
Contractor Representative	Paul Rowley, Senior Vice President
Telephone Number	(916) 717-9375
Contract Term	360 days
Original Contract Amount	N/A
Amendment Amount	N/A
Total Contract Amount	N/A
Cost Center	N/A

Briefly describe the general nature of the contract:

Letter of Intent (LOI) between Golden State Water Company and San Bernardino County on behalf of County Service Area 70 F – Little Morongo (CSA 70 F) and County Service Area 70 W-3 – Hacienda Heights (CSA 70 W-3) water systems to formally establish certain terms and conditions for the negotiation of a purchase agreement for the potential acquisition of these water systems. In order to facilitate the exchange of information necessary or convenient to further the transaction, the LOI stipulates that the parties agree to treat certain information as confidential and that the County will not solicit proposals from, or engage in discussions or negotiations with, any other entity related to the transfer or consolidation of these water systems with Golden State Water Company.

FOR COUNTY USE ONLY

Approved as to Legal Form


Aaron Gest, Deputy County Counsel

Date 06/17/24

Reviewed for Contract Compliance



Date _____

Reviewed/Approved by Department



Date _____



June 25, 2024

Noel Castillo, Director
San Bernardino County
Department of Public Works
Special Districts Water and Sanitation Division
825 East Third Street
San Bernardino, CA 92415-0450

Dear Mr. Castillo:

We are delighted to present this letter of intent ("LOI") regarding the potential acquisition by Golden State Water Company ("GSWC") of the County Service Area 70 F Morongo and County Service Area 70 W3 Hacienda ("District") water systems ("Systems"), as managed by San Bernardino County Department of Public Works – Special Districts Department ("Department") (the "Transaction"). The Systems are subject to compliance orders from the County of San Bernardino, Department of Public Health, due to wells producing water over the maximum contaminant level ("MCL") for uranium. A state-funded Proposition 1 Technical Assistance consolidation feasibility study recommended the Systems be consolidated with GSWC.

We understand the challenges associated with owning and operating small water systems and look forward to acquiring the Systems and upgrading them to bring safe, reliable drinking water to those residents of San Bernardino County served by the Systems, pending the successful outcome of the due diligence process. GSWC is a Class A public utility regulated by the California Public Utilities Commission (CPUC), with 39 systems and almost 200 licensed operators across California. Since 1929, GSWC has successfully owned and operated water systems in both urban and rural areas of California, many of which require treatment for groundwater contaminants such as uranium. We maintain positive relationships with regulatory authorities at the state and local levels and in recent years have actively participated in the SAFER Drinking Water initiative in its efforts to provide quality water to disadvantaged communities.

Pursuant to the closing of the Transaction and subsequent CPUC approval both Systems are contemplated to be integrated into GSWC's Region 3 ratemaking area, which serves approximately 100,000 customers.

Transaction. In the proposed Transaction, the District will sell, and GSWC will purchase, the public water systems owned by District, including but not limited to: water rights; interests in land, including easements, rights of way, franchises and licenses; infrastructure, including diversion works, wells, pumps, storage reservoirs and tanks, water treatment facilities, pipelines, mains, conduits, service connections, vaults, valves, meter boxes, meters and electrical works; equipment used and useful for operation of the water system, including vehicles, tools, spare parts, control systems, computers and software; and governmental permits and approvals, to the extent assignable.

1. **Purchase Price.** The price will be determined based on the condition of the water systems owned by District as discovered in due diligence, and will be agreed upon between GSWC and District. The price will be paid to District at the closing of the Transaction.
2. **Definitive Agreement.** The terms and conditions of the Transaction will be incorporated into a definitive asset purchase agreement, to be negotiated by and between GSWC and District. In addition to the terms set forth in this LOI, the agreement will contain standard terms for a transaction of this type. Except for Paragraphs 5 and 6, no provisions of this LOI will be binding on either GSWC or District until execution of a definitive agreement.
3. **Conditions.** The Transaction is subject to due diligence to be conducted by GSWC. Effectiveness of the definitive agreement will also be conditioned upon the following: approval by the governing bodies of both District and GSWC; approval by the CPUC; and approval by San Bernardino County, Department of Public Health.
4. **Post-Closing Operations.** After Closing of the Transaction, GSWC will own and operate the water systems subject to regulation by the CPUC. Neither District nor any owners of real property on which water system assets are located shall retain any liability for the water system for occurrences following the closing.
5. **Cooperation and Exclusivity.** During the term of this LOI, GSWC and District will discuss the potential Transaction. During the term of this LOI, District will not solicit a proposal from, or engage in discussions or negotiations with, any other entity related to a transaction similar to the Transaction or that would make the Transaction impossible or that would frustrate the purpose of the Transaction, and GSWC and District will furnish such information to each other as necessary to further their discussions.
6. **Confidentiality and Non-Disclosure.** In order to facilitate the exchange of information necessary or convenient to further the Transaction, the parties agree to treat certain information as confidential.
 - 6.1 **Definition of Confidential Information.** For purposes of this LOI, "Confidential Information" shall mean any information that one party ("Receiving Party") receives from the other party ("Disclosing Party"), or others acting on behalf of the Disclosing Party, either directly or indirectly, in writing, verbally, electronically or by inspection, including without limitation, documents, business or marketing plans or strategies, financial statements, books of accounts, other financial analyses, customer names, lists or data, strategic plans, products, services, inventions and innovations, processes, designs, drawings, analyses, compilations, surveys, studies, tests, results, trade secrets and any other proprietary information of the Disclosing Party, which information is marked "Confidential" or, for verbal communications, indicated verbally as being confidential.
 - 6.2 **Use and Disclosure.** The Confidential Information disclosed by the Disclosing Party shall be used by the Receiving Party solely and exclusively for the purposes of evaluating and furthering the Transaction. The Receiving Party shall keep all Confidential Information received hereunder in the strictest confidence. The Receiving Party further agrees that it will

not disclose the Confidential Information disclosed to it hereunder to any person, except to its employees, consultants and agents on a need-to-know basis.

- 6.3 Non-Applicability.** The restrictions on disclosure of Confidential Information shall not apply to: information which a Receiving Party may be required to disclose by applicable law or regulation, provided that the Receiving Party shall give the Disclosing Party prompt written notice and sufficient opportunity to object to such use or disclosure; information that was in the public domain at the time of this LOI; information that has entered the public domain through the Disclosing Party or through any third party not bound to secrecy by the Disclosing Party; information that a Receiving Party had in its possession prior to such disclosures by the Disclosing Party, as evidenced by written records; information that a Receiving Party has acquired from a third party bona fide source other than the Disclosing Party, which third party is not under an obligation with either the Receiving Party or Disclosing Party to maintain the confidentiality of such disclosed information; or information that has been independently developed by a Receiving Party.
- 6.4 Enforcement.** The parties acknowledge that a Disclosing Party may be irreparably harmed if a Receiving Party breaches its obligation of confidentiality under this LOI and such obligation is not specifically enforced, and the Disclosing Party may not have an adequate remedy at law in the event of an actual or threatened violation of any such material obligation hereunder. In the event that any Receiving Party breaches or threatens to breach any material obligation under this LOI, the Disclosing Party shall, in addition to any and all other forms of relief to which it may be entitled, be entitled to seek an injunction restraining any further disclosure or use of Confidential Information.
- 6.5 Disclaimer.** The Receiving Party's evaluation of the Confidential Information of the Disclosing Party shall be at its own risk.
- 6.6 Return of Documents.** Upon request of the Disclosing Party, the Receiving Party shall immediately return all Confidential Information and all records, notes and other written, printed or tangible materials in its possession relating to Confidential Information of the Disclosing Party.
- 7. Term.** Paragraph 5 of this LOI shall be effective for a period of 360 days, commencing on the date first executed by both GSWC and District, unless extended by mutual written agreement of the parties. Paragraph 6 of this LOI shall be effective until the Confidential Information no longer qualifies as Confidential Information, or the Disclosing Party sends the Receiving Party written notice releasing the Receiving Party from this LOI, or two (2) years have passed since the expiration of the effectiveness of Paragraph 5, whichever occurs first.
- 8. Expenses.** Each party will be responsible for its own costs and expenses incurred with respect to the activities to be undertaken pursuant to this LOI, including fees and expenses of attorneys, accountants, consultants and other third parties for which such party has contracted.

If the foregoing proposal is acceptable to District, we request that District indicate its approval by signing this letter where indicated below and returning it to GSWC. This LOI may be executed in any number of

counterparts, each of which so executed shall be deemed to be an original, and such counterparts shall together constitute one and the same LOI. The parties shall be entitled to sign and transmit an electronic signature of this LOI (whether by facsimile, PDF or other email transmission), which signature shall be binding on the party whose name is contained therein. Each party providing an electronic signature agrees to promptly execute and deliver to the other party an original signed LOI upon request. Thank you.

Sincerely yours,

Golden State Water Company

By: **Paul J. Rowley** Digitally signed by Paul J. Rowley
Date: 2024.06.13 14:22:44 -07'00'
Paul Rowley, Senior Vice President — Regulated Water Utility

ACCEPTED and AGREED to this June 13, 2024

County Service Area 70 F Morongo & County Service Area 70 W3 Hacienda

By: *Dawn Rowe*
Dawn Rowe, Chair, Board of Supervisors

ACCEPTED and AGREED to this June 25, 2024

SIGNED AND CERTIFIED THAT A COPY OF THIS DOCUMENT HAS BEEN DELIVERED TO THE CHAIRMAN OF THE BOARD LYNNA MONELL, Clerk of the Board of Supervisors of the County of San Bernardino.
By: *[Signature]* Deputy