

**SECOND AMENDMENT TO  
WATER AND SANITARY SEWER SERVICE AGREEMENT**

between the

**CITY OF GRAND RAPIDS  
(the "City")**

and

**CASCADE CHARTER TOWNSHIP,  
GRAND RAPIDS CHARTER TOWNSHIP,  
CITY OF KENTWOOD,  
TALLMADGE CHARTER TOWNSHIP,  
CITY OF WALKER and  
WRIGHT TOWNSHIP  
(individually a "Customer Community" and  
collectively the "Customer Communities")**

**SECOND AMENDMENT TO WATER AND  
SANITARY SEWER SERVICE AGREEMENT**

**THIS SECOND AMENDMENT TO WATER AND SANITARY SEWER SERVICE AGREEMENT** made and executed as of this 1st day of July, 2002 (hereinafter referred to as the "Second Amendment"), by and between the **CITY OF GRAND RAPIDS**, Kent County, Michigan, a Michigan municipal corporation (hereinafter referred to as the "City"), and **CASCADE CHARTER TOWNSHIP**, Kent County, Michigan, a Michigan charter township, **GRAND RAPIDS CHARTER TOWNSHIP**, Kent County, Michigan, a Michigan charter township, the **CITY OF KENTWOOD**, Kent County, Michigan, a Michigan municipal corporation, **TALLMADGE CHARTER TOWNSHIP**, Ottawa County, Michigan, a Michigan charter township, the **CITY OF WALKER**, Kent County, Michigan, a Michigan municipal corporation, and **WRIGHT TOWNSHIP**, Ottawa County, Michigan, a Michigan general law township (hereinafter referred to individually as a "Customer Community" and collectively as the "Customer Communities").

**RECITALS**

A. The City and the Customer Communities have entered into a Water and Sanitary Sewer Service Agreement dated as of January 1, 1999 (the "Agreement"), for the provision of public water and/or sanitary sewer service to Users within certain designated service areas on a retail basis.

B. The City and the Customer Communities who have executed this Second Amendment have determined to (a) amend (i) Section 5.C of the Agreement related to the application of integrated connection fees and calculation of square footage of parcels for purpose of determining integrated connection fees, and (ii) Section 6 of the Agreement related to the

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determination and application of integrated system cost and (b) replace in its entirety Exhibit D referenced in said Section 6.

**NOW, THEREFORE**, in consideration of the respective representations and agreements contained herein, the parties hereto agree as follows:

**Section 1. Amendment to Section 5.C of Agreement.** Subsection C of Section 5 of the Agreement is amended in its entirety to read as follows:

**C. Integrated Connection Fees.** Persons in the Utility Services District in each of the Customer Communities connecting to the Water System and the Sewer System shall pay integrated connection fees established and determined in accordance with Exhibit C attached hereto and incorporated herein.

Integrated connection fees required to be paid pursuant to this subsection shall be due and payable at the time a User receives a permit to connect to the Water System or Sewer System. A permit issued by the City to connect to the Water System or Sewer System shall expire one hundred and eighty (180) days from the date the permit was issued. Integrated connection fees collected pursuant to this subsection shall promptly be forwarded to the City and be applied to integrated system costs of the Water System or Sewer System, respectively, so as to reduce such costs in connection with the preparation of the applicable annual Rate study for water and sanitary sewer service for those Users in Customer Communities where integrated connection fees are collected. Provided, however, in no event shall the amounts collected from integrated connection fees be assigned to the operation, maintenance and replacement cost components of the integrated system revenue requirement in the annual Rate Study.

A User of the Water System or Sewer System who has previously paid an integrated connection fee for water or sewer service and who subsequently applies for a larger meter than the one presently in service, shall pay an integrated connection fee which is the difference in the current integrated connection fee for the meter size in service and the one applied for. No credit or rebate shall be given in the case of application for a smaller sized meter.

Except as otherwise provided in the immediately succeeding paragraph, the integrated water service and sanitary sewer service connection fee for single-family and multi-family residential dwelling units shall be determined as follows: A single-family residential dwelling unit located on a parcel containing 30,000 square feet in calendar year 2000; 28,000 square feet in calendar year 2001; 26,000 square feet in calendar year 2002; 24,000 square feet in calendar year 2003; 22,000 square feet in calendar year 2004; and 20,000 square feet in calendar year 2005 and each year thereafter shall pay the applicable integrated

connection fee in accordance with the schedule in the attached Exhibit C. When determining the actual square footage of a residential parcel for purposes of determining the appropriate integrated connection fee, parcel size may be adjusted downward to take into consideration such things as wetlands, lakes, streams and other unusual characteristics of the parcel in accordance with policies approved from time to time by the Utility Advisory Board. To the extent the size of a parcel, as adjusted, is greater than or less than the applicable square footage, one-half the applicable integrated connection fee will increase or decrease by the same percentage increase or decrease in the size of the parcel, as adjusted, above or below the applicable square footage. In the case of multi-family residential dwellings, in order to determine the size of the parcel assigned to each dwelling unit for purposes of calculating the integrated connection fee to be paid by each multi-family residential dwelling unit, the total square footage of the parcel, as adjusted, on which the multi-family residential dwelling unit is located shall be divided by the total number of residential units. Notwithstanding any other provision in this subsection, the integrated connection fee for a single-family residential dwelling unit or multi-family residential dwelling unit shall not exceed four and one-half times the applicable base integrated connection fee set forth in the attached Exhibit C.

There shall be no upward adjustment in the water service and sanitary sewer service integrated connection fees payable for a single-family residential dwelling unit connecting to the Water System or Sewer System if (a) each of the following conditions are met (i) a building permit shall have been obtained, (ii) the dwelling unit shall have been constructed, and (iii) a certificate of occupancy shall have been issued prior to January 1, 2000, or (b) the local building permit fees had been paid to the local governmental unit prior to January 1, 2000, for a single-family residential dwelling unit to be constructed on or after January 1, 2000. When connecting to the Water System or Sewer System, Users living in or owning such single-family residential dwelling units shall pay the applicable base integrated connection fee set forth in the attached Exhibit C adjusted downward, if applicable, in accordance with the immediately preceding paragraph.

**Section 2. Amendment to Section 6 of Agreement.** Section 6 of the Agreement is amended in its entirety to read as follows:

**Section 6. Integrated System Revenue Requirements.** The Rate Setting Methodology is modified to provide that integrated system revenue requirements of the Sewer System shall be allocated among Customer Communities in proportion to the amount of annual plant flow assigned to Users in each Customer Community, Users in other customer communities receiving wholesale sanitary sewer service and Users in the City, which collectively shall constitute total annual plant flow of the sewer system and shall be allocated as described, set forth and demonstrated in the attached Exhibit D. A Customer Community's and the City's respective share of annual plant flow shall be equal to

its annual billed flow plus an additional 42.8% of such total annual billed flow (or such other appropriate percent as determined by a study conducted from time to time by an independent engineering firm approved by the Utility Advisory Board) to account for inflow, infiltration and other unassigned flow in such Customer Community's or the City's local collector sanitary sewer system. Other customer communities receiving wholesale sanitary sewer service share of annual plant flow shall be equal to its annual billed flow.

The Rate Setting Methodology shall be further modified to provide that beginning with the Rate Study applicable to rates effective beginning in 2003 and thereafter, each Customer Community's share of the integrated system revenue requirements of the Water System (excluding those integrated system revenue requirements allocated to Ottawa County pursuant to a Water Supply Agreement between the City and Ottawa County dated November 1, 1989, so long as such Agreement remains in effect) and the Sewer System (excluding those integrated system revenue requirements allocated to the North Kent Sewage District pursuant to a Sewage Disposal Agreement between the City and Kent County dated January 10, 1968, and to Gaines Charter Township pursuant to a Sanitary Sewer Service Agreement between the City and Gaines Charter Township dated June 7, 1988, respectively, so long as such Agreements, respectively, remain in effect), shall, for purposes of the annual Rate Study, be determined (a) in part, (i) in the case of the Water System by its share of annual billed flow and (ii) in the case of the Sewer System by its share of plant flow (determined in accordance with the preceding paragraph) and (b) in part, by its share of total land area within the applicable Utility Service District within such Customer Community as a percentage of total land area of Utility Service Districts of all Customer Communities, service areas of other customer communities and within the boundaries of the City (excluding, in the case of the Water System, those areas served with water service pursuant to a Water Supply Agreement between the City and Ottawa County dated November 1, 1989, and excluding in the case of the Sewer System, those areas served with sanitary sewer service pursuant to a Sewage Disposal Agreement between the City and Kent County dated January 10, 1968, and a Sanitary Sewer Service Agreement between the City and Gaines Charter Township dated June 7, 1988) as set forth and demonstrated in the attached Exhibit D. Provided, however, in no event shall the total amount of integrated system revenue requirements allocated to (x) Users of Customer Communities, (y) Users of other customer communities receiving wholesale sanitary sewer service, and (z) Users within the City based on relative land area in an annual Rate Study exceed the total of the integrated system revenue requirements for depreciation and return on investment.

The Rate Setting Methodology shall also be modified to provide that costs of any non-integrated system improvements incurred after the date of this Agreement to the Water System or Sewer System that (a) result in an increase in the capacity of the integrated system of the Water System or Sewer System or (b) defers or delays an expansion of the integrated system of the Water System or

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Sewer System may be included as an integrated system cost of the Water System or Sewer System to the extent of the benefit to all Users of the Water System or Sewer System from such improvements. Nothing in this section or this Agreement shall be construed to permit the inclusion of the cost of storm sewers or the cost of eliminating storm water from the sewer system (y) within the City in any costs allocated to Customer Communities under the Rate Setting Methodology or (z) within a Customer Community in any costs allocated to any other Customer Community or the City under the Rate Setting Methodology.

**Section 3. Replacement of Exhibit D.** Exhibit D to the Agreement is replaced in its entirety with Exhibit D attached hereto.

**Section 4. Definitions.** All terms not specifically defined in this Second Amendment shall have those meanings as defined in the Agreement.

**Section 5. Ratification of Agreement.** Except as amended by this Second Amendment and a First Amendment to Water and Sanitary Sewer Service Agreement dated as of March 28, 2000, between the City and the Customer Communities, the Agreement is in all other respects hereby ratified and confirmed.

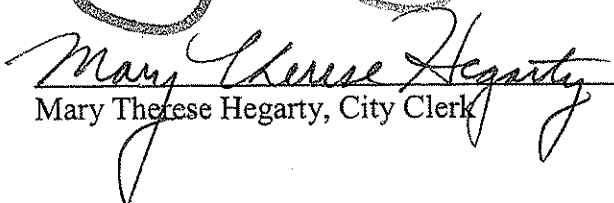
**Section 6. Effective Date.** This Second Amendment shall be effective as of the date set forth in the first paragraph hereof.

IN WITNESS WHEREOF, the City and the Customer Communities have caused these presents to be signed by their respective duly authorized officers all as of the day and year first written above.

CITY OF GRAND RAPIDS  
"City"

Executed: Aug. 27, 2002

  
\_\_\_\_\_  
John H. Logie, Mayor

  
\_\_\_\_\_  
Mary Therese Hegarty, City Clerk

AFFIX  
Mayor's Signature

SB 8/27/02

**CASCADE CHARTER TOWNSHIP**  
**"Customer Community"**

Executed: 12/24, 2002

Michael Julin  
Michael Julin, Supervisor

Marlene Kleinheksel  
Marlene Kleinheksel, Township Clerk

**GRAND RAPIDS CHARTER TOWNSHIP**  
**"Customer Community"**

Executed: Sept 17, 2002

Michael DeVries  
Michael DeVries, Supervisor

Janice K. Hulbert  
Janice Hulbert, Township Clerk

**CITY OF KENTWOOD**  
**"Customer Community"**

Executed: Dec. 20, 2002

Bill Hardiman  
Bill Hardiman, Mayor

Dan Kasunic  
Dan Kasunic, City Clerk

**TALLMADGE CHARTER TOWNSHIP**  
**"Customer Community"**

Executed: February 10, 2003

William E. Wiersma  
William Wiersma, Supervisor

Lenore Cook  
Lenore Cook, Township Clerk

**CITY OF WALKER**  
**"Customer Community"**

Executed: Feb. 17, 200~~2~~<sup>3</sup>

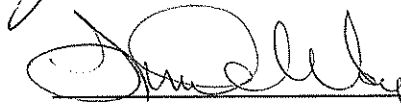
  
\_\_\_\_\_  
Robert VerHeulen, Mayor

  
\_\_\_\_\_  
Sandra Wisniewski, City Clerk

**WRIGHT TOWNSHIP**  
**"Customer Community"**

Executed: Feb. 3, 200~~2~~<sup>3</sup>

  
\_\_\_\_\_  
JoAnn Becker, Supervisor

  
\_\_\_\_\_  
Linda Way, Township Clerk



**EXHIBIT D- (Page 1 of 2)**

**ALLOCATION OF INTEGRATED SYSTEM IN  
RATE SETTING METHODOLOGY**

**WATER SUPPLY SYSTEM**

|   |                          |
|---|--------------------------|
| Integrated System Revenue Requirements (Including Operation & Maintenance,<br>Depreciation and Return on System Investment) | \$ 19,656,899 (1)        |
| Less Integrated Connection Fee Credit   | <u>(1,688,655) (1)</u>   |
| Total Integrated System Allocation  | <u>\$ 17,968,244 (1)</u> |

| RATE<br>STUDY<br>YEAR     | RATES<br>EFFECTIVE<br>ON OR AFTER | ALLOCATION FACTORS |             |
|---------------------------|-----------------------------------|--------------------|-------------|
|                           |                                   | BILLED             | LAND        |
|                           |                                   | FLOW               | AREA        |
| 2001                      | 1/1/02                            | 98%                | 2%          |
| 2002                      | 1/1/03                            | 96%                | 4%          |
| 2003                      | 1/1/04                            | 94%                | 6%          |
| 2004                      | 1/1/05                            | 92%                | 8%          |
| 2005                      | 1/1/06                            | 90%                | 10%         |
| 2006-2015                 | 1/1/07-16                         | (1%) ea. yr.       | +1% ea. yr. |
| 2016 & subsequent studies |                                   | 80%                | 20%         |

**PRO FORMA 2016 RATE STUDY (1)**

| CITY/CUSTOMER COMMUNITY | REVISED 2001 ALLOCATIONS (Based On) |                    |                                    |                                    | TOTAL (1)         | ORIGINAL 2001<br>INTEGRATED<br>REQUIREMENT |
|-------------------------|-------------------------------------|--------------------|------------------------------------|------------------------------------|-------------------|--|
|                         | BILLED<br>FLOW (80%)                | LAND<br>AREA (20%) | ADD INTEGRATED<br>REV REQUIREMENTS | LESS INTEGRATED<br>CONNECTION FEES |                   |  |
| Grand Rapids            | 68.153%                             | 31.833%            | \$ 11,467,070                      | \$ (1,028,206)                     | \$ 10,438,864     | \$ 11,559,677                              |
| Walker                  | 7.151%                              | 17.869%            | 1,750,429                          | (156,954)                          | 1,593,475         | 1,262,723                                  |
| Kentwood                | 9.982%                              | 9.838%             | 1,874,462                          | (168,075)                          | 1,706,387         | 1,710,830                                  |
| Cascade Township        | 4.824%                              | 18.094%            | 1,408,312                          | (126,278)                          | 1,282,034         | 872,531                                    |
| Grand Rapids Township   | 3.243%                              | 9.528%             | 847,474                            | (75,989)                           | 771,485           | 577,533                                    |
| Tallmadge               | 0.101%                              | 5.446%             | 220,342                            | (19,757)                           | 200,585           | 35,643                                     |
| East Grand Rapids       | 3.812%                              | 2.368%             | 663,516                            | (59,494)                           | 604,022           | 648,582                                    |
| Ada                     | 2.734%                              | 5.024%             | 601,141                            | (53,902)                           | 547,239           | 476,572                                    |
| Ottawa (2)              | NA                                  | NA                 | 824,153                            | -                                  | 824,153           | 824,153                                    |
|                         | <u>100.000%</u>                     | <u>100.000%</u>    | <u>\$ 19,656,899</u>               | <u>\$ (1,688,655)</u>              | <u>17,968,244</u> | <u>17,968,244</u>                          |

(1) Pro forma 2016 allocation of integrated system revenue requirements, based on 2001 Final Water-Sewer Rate Study.

(2) Excluding any cost allocation of Integrated System-Coldbrook Pumping to Ottawa Co. (See Water Section of 2001 Final Water-Sewer Rate Study, pg W-47)

EXHIBIT D- (Page 2 of 2)

ALLOCATION OF INTEGRATED SYSTEM IN RATE SETTING METHODOLOGY

SEWAGE DISPOSAL SYSTEM

|  |                          |
|--|--------------------------|
| Integrated System Revenue Requirements (Including Operation & Maintenance, Depreciation and Return on System Investment) | \$ 16,326,627 (1)        |
| Less Integrated Connection Fee Credit  | <u>(529,512) (1)</u>     |
| Total Integrated System Allocation   | <u>\$ 15,797,115 (1)</u> |

| RATE STUDY YEAR           | RATES EFFECTIVE ON OR AFTER | ALLOCATION FACTORS |             |
|---------------------------|-----------------------------|--------------------|-------------|
|                           |                             | PLANT FLOW (2)     | LAND AREA   |
|                           |                             | 2001               | 1/1/02      |
| 2002                      | 1/1/03                      | 96%                | 4%          |
| 2003                      | 1/1/04                      | 94%                | 6%          |
| 2004                      | 1/1/05                      | 92%                | 8%          |
| 2005                      | 1/1/06                      | 90%                | 10%         |
| 2006-2015                 | 1/1/07-16                   | (1%) ea. yr.       | +1% ea. yr. |
| 2016 & subsequent studies |                             | 80%                | 20%         |

PRO FORMA 2016 RATE STUDY (1)

| CITY/CUSTOMER COMMUNITY | REVISED 2001 ALLOCATIONS (Based On) |                 |                                 |                                 |                      | ORIGINAL 2001 INTEGRATED REQUIREMENT |
|-------------------------|-------------------------------------|-----------------|---------------------------------|---------------------------------|----------------------|--------------------------------------|
|                         | PLANT FLOW (80%)                    | LAND AREA (20%) | ADD INTEGRATED REV REQUIREMENTS | LESS INTEGRATED CONNECTION FEES | TOTAL (1)            |                                      |
| Grand Rapids            | 69.267%                             | 33.398%         | \$ 9,285,620                    | \$ (328,791)                    | \$ 8,956,829         | \$ 10,031,764                        |
| Walker                  | 6.939%                              | 14.199%         | 1,254,818                       | (44,431)                        | 1,210,387            | 1,036,530                            |
| Kentwood                | 10.828%                             | 10.321%         | 1,604,091                       | (56,798)                        | 1,547,293            | 1,582,991                            |
| Cascade Township        | 3.446%                              | 18.984%         | 980,047                         | (34,702)                        | 945,345              | 549,434                              |
| Grand Rapids Township   | 2.839%                              | 8.972%          | 607,983                         | (21,528)                        | 586,455              | 433,241                              |
| Tallmadge               | 0.085%                              | 5.714%          | 181,067                         | (6,411)                         | 174,656              | 28,847                               |
| Wright Township (3)     | 1.438%                              | 0.656%          | 191,655                         | (6,787)                         | 184,868              | -                                    |
| East Grand Rapids       | 3.234%                              | 2.485%          | 461,221                         | (16,332)                        | 444,889              | 470,872                              |
| North Kent (4)          | NA                                  | NA              | 1,300,041                       | -                               | 1,300,041            | 1,300,041                            |
| Ada                     | 1.924%                              | 5.271%          | 387,825                         | (13,732)                        | 374,093              | 291,136                              |
| Gaines                  | NA                                  | NA              | 72,259                          | -                               | 72,259               | 72,259                               |
|                         | <u>100.000%</u>                     | <u>100.000%</u> | <u>\$ 16,326,627</u>            | <u>\$ (529,512)</u>             | <u>\$ 15,797,115</u> | <u>\$ 15,797,115</u>                 |

(1) Pro forma 2016 allocation of integrated system revenue requirements, based on 2001 Final Water-Sewer Rate Study.

(2) Plant flow assignment to wholesale customer communities is equal to billed volume. Plant flow for the City and retail customer communities reflects billed volume, increased by a factor of 1.428, to account for inflow and infiltration and other flow from their local collector systems.

(3) Wright Township: See Final Consideration Section of the 2001 Final Water-Sewer Rate Study, pages 75 & 78, for basis on billed flow & USD land area. (2016 flow @ 20 Year Projection)

(4) For comparative and illustrative purposes only, integrated system allocation to NKSD unchanged.