THIRD AMENDMENT TO AGREEMENT TO OPERATE CITY WATER SYSTEM

This Amendment No. 3 to the Agreement to Operate City Water System is made and entered into this 22nd day of August, 2008, between the City of Bellflower, a general law city (hereinafter referred to as "City") and Bellflower-Somerset Mutual Water Company, a California corporation operated as a mutual water company under California law (hereinafter referred to as "Operator"). City and Operator are each a "Party" and are collectively, the "Parties."

RECITALS

A. City and Operator have previously entered into the Agreement to Operate City Water System (Agreement File No. 320.4, the "Operating Agreement") pursuant to which Operator operates the City’s municipal water system.

B. The Operating Agreement was amended by the first amendment to the Operating Agreement dated June 25, 2007 (the "Amendment No. 1").

C. The Operating Agreement was amended by the second amendment to the Operating Agreement dated February 20, 2008 (the "Amendment No. 2").

D. The Operating Agreement and Amendments Nos. 1 and 2 are hereinafter referred to as the "Amended Operating Agreement").

E. Paragraph 5.A and Attachment C identified anticipated improvements to the physical plant used to provide water within the Water Service Area, such information to be used in the preparation and execution of Implementation Agreements as provided in paragraph 5.B of the Amended Operating Agreement.

F. Said Paragraph 5.A and Attachment C have been superseded by the Bellflower Municipal Water System 2008 Water Master Plan dated April 2008, and the anticipated improvements identified in the Water Master Plan accomplish the purpose Paragraph 5A and Attachment C.

NOW, THEREFORE, it is agreed by and between City and the Operator the Amended Operating Agreement is further amended as provided below:

1. The definition of "Improvements" set forth in Section 1 of the Amended Operating Agreement, entitled "DEFINITIONS" is deleted and replaced in its entirety by the following:

"Improvements" means those improvements to and alterations of the physical plant used to provide water within the Water Service Area which, as of the date of this Agreement, the City anticipates funding, as described more fully in the Bellflower Municipal Water System 2008 Water Master Plan dated April 2008 and its subsequent
periodic updates and successors. The description of Improvements is subject to change as set forth in Section 5, below."

2. Section 5.A. of the Amended Operating Agreement is deleted in its entirety and is replaced with the following:

"5.A. Improvements Defined. The Parties understand and agree that the public health, safety, and welfare would be benefited by improvements to and alterations of the physical plant used to provide water within the Water Service Area. The Improvements anticipated to be funded by the City as of the date of this Agreement are set forth in the Bellflower Municipal Water System 2008 Water Master Plan dated April 2008 and its subsequent periodic updates and successors, provided; however, that the City may in its sole discretion, but after consultation with Operator, add or remove items listed in the Water Master Plan, and the inclusion of any Improvement in the Water Master Plan shall not be deemed to obligate either the City or the Operator to construct or install such Improvement unless and until an Implementation Agreement is first approved pursuant to the provisions of Subsection B of this Section 5."

3. Attachment C is deleted in its entirety and replaced with a page reading as follows:

"ATTACHMENT C

Intentionally Left Blank"

4. Authority. Each person executing this Agreement represents that he/she has full power and authority to do so and that the respective governing body of each party has approved this Agreement and authorized its execution. The parties each represent that they have the power and authority to enter into this Agreement, and that, to the best of their respective knowledge, entering into this Agreement does not violate any agreement to which either is a party.

5. Continuation of Amended Operating Agreement. Except as expressly provided or the context requires otherwise, all terms and conditions of the Amended Operating Agreement shall remain in full force and effect.

6. Effective Date. The effective date of this Amendment No. 3 shall be the date first stated above.
IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the
day and year first set forth above.

CITY OF BELLFLOWER
A general law city

Michael J. Egan, City Manager

ATTEST:

Debra D. Bauchop, City Clerk

Bellflower-Somerset Mutual Water Company, a
California mutual water company

Leo Struiksma, President

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