

# James River Water Authority

Fluvanna County Office Building  
132 Main Street  
Palmyra, Virginia 22963

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September 16, 2009

Mr. Christopher P. Luning  
Aqua Virginia, Inc.  
2414 Granite Ridge Rd.  
Rockville, VA 23146

**Re: Aqua Virginia Proposal of August 6, 2009**

Dear Mr. Luning:

We would like to thank you for your recent proposal dated August 6, 2009 and for the time of Cliff Parker and Keith Smith to meet with Cabell Lawton, Dale Mullen and the Timmons Group on Thursday, August 27. We appreciate the willingness of Aqua Virginia to work with the James River Water Authority ("Authority") to come up with an interim and long-term water solution for Fluvanna and Louisa Counties.

The Authority has reviewed your proposal of August 6, 2009 and has taken into consideration your options for 0.5 MGD short term water use and 1 MGD interim upgrade. In consideration of what appears to be in the long-term best interest of the citizens of Fluvanna County and Louisa County, we would like for Aqua Virginia to provide the Authority with a draft contract to provide a short-term water solution with the following terms and conditions:

1. Provide water at the intersection of Rte 600 (Boston Road) and Rte 618 (Monticello Road) for interconnection to the proposed JRWA waterline (near the Rivanna River bridge) up to 500,000 gpd starting sometime in 2010.
2. Provide a rate schedule for purchase of water by the JRWA for up to 500,000 gpd with no required connection fees or monthly minimums. Rates shall be all inclusive based upon actual consumption per 1,000 gallons used and shall not include any capital costs built into the rate. Our assumption is this will be consistent with the rates proposed in your August 6, 2009 proposal less the estimated annual minimum. See table below:

<b>Year</b>	<b>Rate per 1,000</b>	<b>Year</b>	<b>Rate per 1,000</b>
2010	\$2.75	2015	\$2.96
2011	\$2.79	2016	\$3.01
2012	\$2.83	2017	\$3.05
2013	\$2.88	2018	\$3.10
2014	\$2.92	2019	\$3.14

3. Provide an outline of any regulatory approvals (SCC, DEQ, VDH or otherwise) required for the approval of this contract and estimated timelines.
4. Agreement shall be not be transferable nor assignable to another entity (i.e. if the system is sold, Aqua Virginia or Aqua America is sold or there is a change in control within Aqua Virginia or Aqua America) without express written consent of the Authority.
5. Contract shall be for a minimum of 3 years from connection date, with annual renewal options, with right of the Authority to terminate on 6 months written notice.
6. The agreement is not dependent upon any long-term agreement to purchase water from Aqua Virginia.
7. JRWA needs a draft agreement within 30 days from date of this letter.

This letter is for purposes of determining the terms which may be available to the Authority in a definitive agreement and this letter shall not bind the Authority to enter into such agreement.

We look forward to continuing our discussions with Aqua Virginia on this very important project and appreciate your willingness to date to assist the Counties and the JRWA.

Sincerely,

Thomas E. Payne, Chairman  
James River Water Authority