



MARK PESTRELLA, Director

COUNTY OF LOS ANGELES DEPARTMENT OF PUBLIC WORKS

"To Enrich Lives Through Effective and Caring Service"

900 SOUTH FREMONT AVENUE
ALHAMBRA, CALIFORNIA 91803-1331
Telephone (626) 458-5100
<http://dpw.lacounty.gov>

ADDRESS ALL CORRESPONDENCE TO:
P.O. BOX 1460
ALHAMBRA, CALIFORNIA 91802-1460

IN REPLY PLEASE
REFER TO FILE

November 18, 2025

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

**TRANSPORTATION CORE SERVICE AREA
REPEAL OF AN ORDINANCE GRANTED
TO VALENCIA HEIGHTS WATER COMPANY
AND RESOLUTION OF INTENTION AND INTRODUCTION OF
AN ORDINANCE TO GRANT A WATER PIPELINE FRANCHISE
TO COVINA VALLEY WATER COMPANY
(SUPERVISORIAL DISTRICTS 1 AND 5)
(3-VOTES)**

SUBJECT

Public Works is seeking Board approval to repeal an ordinance granted to Valencia Heights Water Company and grant a water pipeline franchise to Covina Valley Water Company.

IT IS RECOMMENDED THAT THE BOARD:

1. Find that the proposed projects are exempt from the California Environmental Quality Act for the reasons stated in this Board letter and in the record of the project.
2. Introduce, waive reading, and place on the Board's agenda for adoption on December 2, 2025, an ordinance to repeal Ordinance No. 2010-0061F, which granted a water pipeline franchise to Valencia Heights Water Company.
3. Approve the resolution of intention to grant a 15-year water pipeline franchise to Covina Valley Water Company.

4. Introduce, waive reading, and place on the Board's agenda for adoption an ordinance to grant a 15-year water pipeline franchise to Covina Valley Water Company; set the matter for a public hearing on December 16, 2025, or on the next available hearing date within 60 days from the date of adoption of the resolution of intention; and instruct the Executive Officer of the Board to publish a Notice of Public Hearing pursuant to Section 6232 of the California Public Utilities Code.

AFTER THE PUBLIC HEARING, IT IS RECOMMENDED THAT THE BOARD:

Adopt the ordinance to grant a 15-year water pipeline franchise to Covina Valley Water Company.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The purpose of the recommended actions is to find that the projects are exempt from the California Environmental Quality Act (CEQA) and allow the Board to approve the enclosed ordinance to repeal Ordinance No. 2010-0061F (Enclosure A), which granted a water pipeline franchise granted to Valencia Heights Water Company, approve the enclosed resolution of intention (Enclosure B), schedule a public hearing, and publish a Notice of Public Hearing, as needed, to adopt the enclosed franchise ordinance (Enclosure C) to grant a 15-year water pipeline franchise to Covina Valley Water Company.

On April 20, 2010, the Board adopted Ordinance No. 2010-0020F granting Covina Irrigating Company a 15-year water pipeline franchise, which expired on June 20, 2025. On November 30, 2010, the Board adopted Ordinance No. 2010-0061F granting Valencia Heights Water Company a 15-year water pipeline franchise. Valencia Heights Water Company merged with Covina Irrigating Company under a new company name, Covina Valley Water Company, the new owner and operator of the existing water pipelines in the County highway. Adopting the new franchise ordinance will allow Covina Valley Water Company to operate and maintain its pipes and pipelines existing, and in the same manner, as of the operative date of the franchise in the County's right of way and will obligate Covina Valley Water Company to comply with the terms of the new franchise.

The recommended actions will benefit Covina Valley Water Company and County residents by allowing for the continued provision of potable water services within Covina Valley Water Company's service area in the County.

Implementation of Strategic Plan Goals

These recommendations support the County Strategic Plan: North Star 3, Realize Tomorrow's Government Today, Focus Area Goal G, Internal Controls and Processes, Strategy ii, Manage and Maximize County Assets, by allowing the County to receive revenues from this transaction, which will help promote fiscal responsibility while providing continuous water utility services to County residents.

FISCAL IMPACT/FINANCING

Covina Valley Water Company will pay the County a granting fee of \$10,000 within 30 days of the adoption of the ordinance. For the franchise area within Part A per the franchise ordinance, Covina Valley Water Company will pay an annual franchise fee of 2 percent of the gross annual receipts arising from the use, operation, or possession of the franchise but not less than 1 percent of the gross annual receipts from the sale of water in the service area of the County. For the franchise areas within Parts B, C, and D per the franchise ordinance, Covina Valley Water Company will pay

annual franchise fees based on pipeline diameter at a rate of 12 cents per linear foot for pipelines up to 8 inches plus 2 cents per linear foot for each diameter inch over 8 inches. The base annual fee will be adjusted annually using the Producer Price Index but the fee will not be less than \$5,000 for the franchise areas within Parts B, C, and D per the franchise ordinance. These amounts will be deposited into the County General Fund-Nondepartmental Revenue.

Covina Valley Water Company is a consolidation of Valencia Heights Water Company and Covina Irrigating Company.

For the 2024 calendar year, Valencia Heights Water Company reported and paid the County a total annual franchise fee of \$10,200.26, which was deposited into the County General Fund-Nondepartmental Revenue.

For the 2024 calendar year, Covina Irrigating Company reported and paid the County a total annual franchise fee of \$9,621.36, which was deposited into the County General Fund Fund-Nondepartmental Revenue.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Covina Valley Water Company owns and operates existing water pipelines in the franchise areas to distribute potable water. The proposed franchise ordinance will allow Covina Valley Water Company, for a period of 15 years beginning on January 15, 2026, to operate and maintain its pipes and pipelines existing, and in the same manner, as of the operative date of the franchise.

Division 3 of the California Public Utilities Code authorizes the Board to grant a franchise associated with a water pipeline. County Counsel approved the accompanying resolution of intention as to form and the ordinances.

Pursuant to Section 6232 of the California Public Utilities Code, the Executive Officer of the Board shall arrange for the publishing of the Notice of Public Hearing in a newspaper of general circulation in the County at least once within 15 days but no later than December 2, 2025, after the Board's adoption of the resolution of intention.

ENVIRONMENTAL DOCUMENTATION

The proposed projects, which are to repeal an ordinance granted to Valecia Heights Water Company and to grant a water pipeline franchise to Covina Valley Water Company, are exempt from CEQA. The granting of the franchise will allow for the continued operation and maintenance of utility systems and is within a class of projects that have been determined not to have a significant effect on the environment in that it meets the criteria set forth in Sections 15301 (b), 15302 (c), and 15303 (d) of the CEQA Guidelines and Classes 1(e), 2(b), 3(a), and 4(j) of the County's Environmental Document Reporting Procedures and Guidelines, Appendix G. In addition, based on the project records, it will comply with all applicable regulations and there are no cumulative impacts, unusual circumstances, damage to scenic highways, or listings on hazardous waste site lists compiled pursuant to Government Code, Section 65962.5, or indications that it may cause a substantial adverse change in the significance of a historical resource that would make the exemption inapplicable.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

There will be no significant impact or adverse effect on any current services or future County projects.

CONCLUSION

Please return adopted copies of this Board letter, ordinances, and resolution of intention to the attention of Mr. P. David Michalko, President, Covina Valley Water Company, 146 East Collage Street, Covina, CA 91723; and Public Works, Survey/Mapping & Property Management Division.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mark Pestrella". The signature is fluid and cursive, with the first name "Mark" and last name "Pestrella" clearly distinguishable.

MARK PESTRELLA, PE

Director

MP:GE:jh

Enclosures

c: Auditor-Controller (Accounting Division–Asset
Management)
Chief Executive Office (Christine Frias, Joyce
Chang)
County Counsel
Executive Office, Board of Supervisors

ANALYSIS

This ordinance repeals Ordinance No. 2010-0061F, which granted a water pipeline franchise to Valencia Heights Water Company (VHWC). VHWC has merged with Covina Irrigating Company (CIC) to form a new company, Covina Valley Water Company, a California corporation (Covina Valley). Covina Valley will be the new owner and operator of existing water pipelines in the County highway previously owned by VHWC and, in view of this repeal of the subject franchise ordinance to VHWC, Covina Valley is separately and simultaneously seeking the grant of a superseding water pipeline franchise for the same purposes under its own name.

DAWYN R. HARRISON
County Counsel

By 
GRACE V. CHANG
Principal Deputy County Counsel
Public Works Division

GVC:le

Requested: 06/17/2025
Revised: 11/14/2025

ORDINANCE NO. _____

An ordinance repealing Ordinance No. 2010-0061F, which granted a water pipeline franchise to Valencia Heights Water Company, a California corporation.

The Board of Supervisors of the County of Los Angeles ordains as follows:

Section 1. Ordinance 2010-0061F, adopted on November 30, 2010, which granted a water pipeline franchise to Valencia Heights Water Company, a California corporation is hereby repealed.

[VALHGTSWATCOMPPIPEFRNGCCC]

**RESOLUTION OF INTENTION
TO GRANT A 15-YEAR WATER PIPELINE FRANCHISE
TO COVINA VALLEY WATER COMPANY**

BE IT RESOLVED by the Board of Supervisors of the County of Los Angeles, State of California:

- A. Covina Valley Water Company, a California corporation, hereinafter referred to as Franchisee, has applied to the Board of Supervisors of the County of Los Angeles, State of California, for a franchise for a period of fifteen (15) years beginning on January 15, 2026, the operative day of the franchise, and terminating on January 14, 2041, to lay, construct, reconstruct, operate, maintain, renew, repair, change the size of, remove, or abandon in place, pipes and pipelines existing, and in the same manner, as of the operative date for the collection, transportation, or distribution of water, mud, steam, wastewater, and other liquid substances, excluding any hazardous substances or hazardous waste within the meaning of the "Comprehensive Environmental Response Compensation and Liability Act of 1980" (42 U.S.C. Section 9601 et seq.), as may be hereafter amended, and the "Federal Water Pollution Control Act" (33 U.S.C. Section 1251 et seq.), as may be hereafter amended, together with all manholes, valves, cathodic protection systems, appurtenances, and connections necessary or appropriate for the operation of said pipes or pipelines, including poles, conduits, wires, cables, including adjunct communications lines, and other appurtenances and equipment for telegraph or telephone lines, or both, necessary or appropriate solely for the Franchisee's operations in, on, along, upon, under, or across any and all highways, as defined in Los Angeles County Code Section 16.36.080, now or hereafter dedicated to public use within the franchise area of the unincorporated territory of the County of Los Angeles, State of California, as depicted on the Exhibit Maps of the proposed ordinance attached hereto.
- B. It is the intention of the Board of Supervisors to grant the franchise applied for upon the terms and conditions of said ordinance. Franchisee and its successors and assigns will, during the life of the franchise, pay annually to the County of Los Angeles, State of California, the amount specified in the proposed ordinance from the operative date of the franchise and in the event such payment is not made, the franchise will be forfeited.
- C. The franchise described in the ordinance is a franchise for water pipeline purposes.
- D. That on December 16, 2025, or at the next available hearing date, on a day not less than twenty (20) days or more than sixty (60) days after the date of the passage of this Resolution of Intention, in the hearing room of the Board of Supervisors, Board Hearing Room 381B, Kenneth Hahn Hall of Administration,

Street, Los Angeles, CA 90012, all persons having any objection to the granting of the franchise hereinabove described may appear before the Board of Supervisors and be heard thereon.

- E. The Executive Officer of the Board shall cause notice of said hearing to be published in accordance with California Public Utilities Code Section 6232 at least once within fifteen (15) days after adoption of this Resolution of Intention in a newspaper of general circulation published in the County of Los Angeles, State of California.

[illegible]

The foregoing resolution was adopted on the ____ day of _____, 2025, by the Board of Supervisors of the County of Los Angeles, State of California, and ex officio the governing body of all other special assessment and taxing districts, agencies, and authorities for which said Board so acts.

EDWARD YEN
Executive Officer of the
Board of Supervisors of
the County of Los Angeles

By _____
Deputy

APPROVED AS TO FORM:

DAWYN R. HARRISON
County Counsel

By  _____
Deputy

ANALYSIS

This ordinance grants a water pipeline franchise to Covina Valley Water Company, a California corporation ("Franchisee"), to collect, transport, and distribute water for a period of fifteen years, beginning on November 27, 2025, and expiring on November 26, 2040. The base annual fee payable to the County of Los Angeles by Franchisee will be determined according to a formula contained in Section 2 of this ordinance. Franchisee will also pay a granting fee of ten thousand dollars (\$10,000).

DAWYN R. HARRISON
County Counsel

By 

GRACE V. CHANG
Principal Deputy County Counsel
Public Works Division

GVC:le

Requested: 06/17/2025
Revised: 11/12/2025

ORDINANCE NO. _____

An ordinance granting a water pipeline franchise to Covina Valley Water Company, a California corporation, for a period of fifteen years, beginning on November 27, 2025, and expiring on November 26, 2040.

The Board of Supervisors of the County of Los Angeles ordains as follows:

Section 1. Franchise Term; Grant.

The right, privilege, and franchise is granted to Covina Valley Water Company, a California corporation ("Franchisee"), and its successors and assigns, for a period of fifteen (15) years, beginning on November 27, 2025, and expiring on November 26, 2040, to lay, construct, reconstruct, operate, maintain, renew, repair, change the size of, remove, or abandon in place, pipes and pipelines existing, and in the same manner, as of the operative date of this franchise for the collection, transportation, or distribution of water, mud, steam, wastewater, and other liquid substances, excluding any hazardous substances or hazardous waste within the meaning of the "Comprehensive Environmental Response Compensation and Liability Act of 1980" (42 U.S.C. § 9601 et seq.), as it may hereafter be amended, and the "Federal Water Pollution Control Act," commonly referred to as the "Clean Water Act" (33 U.S.C. § 1251 et seq.), as may be hereafter amended, together with all manholes, valves, cathodic protection systems, appurtenances, and connections necessary or appropriate for the operation of said pipes or pipelines, including poles, conduits, wires, cables, including adjunct communications lines, and other appurtenances and equipment for telegraph or telephone lines, or both, necessary or appropriate solely for Franchisee's operations in,

on, along, upon, under, or across any and all highways, as defined in Los Angeles County Code ("County Code") Section 16.36.080 ("County Highway"), now or hereafter dedicated to public use within the franchise area of the County of Los Angeles ("County"), State of California, as described below and as depicted on the map attached hereto and made a part hereof.

Part A. Charter Oaks Islands Area:

Those unincorporated areas of the County lying within the following described boundaries:

Beginning at the intersection of the centerline of the San Bernardino (10) Freeway with the centerline of Grand Avenue, located in the City of West Covina, California; thence south along the centerline of Grand Avenue to the intersection with the easterly prolongation of the centerline of Virginia Avenue; thence west along the centerline of Virginia Avenue, and its easterly prolongation, to the intersection of the northerly prolongation of the centerline of Charvers Avenue; thence generally south along the centerline of Charvers Avenue and its northerly and southerly prolongations to the intersection with the centerline of Whitebirch Drive; thence generally south along the centerline of Whitebirch Drive, to the northerly boundary line of Cameron Avenue; thence west along the northerly boundary line of Cameron Avenue to the intersection with the northerly prolongation of the centerline of East Hills Drive; thence generally south along the centerline of East Hills Drive, and its northerly prolongation, to the intersection with the westerly prolongation of the centerline of Heritage Drive; thence

generally southeast along the centerline of Heritage Drive, and its westerly and southerly prolongations, to the intersection with the centerline of Hillside Drive; thence generally east along the centerline of Hillside Drive, and its easterly prolongation, to the intersection with the centerline of Grand Avenue; thence southeast along the centerline of Grand Avenue to the intersection with that certain northwesterly boundary line of the City of Walnut, California, being also the southwesterly prolongation of the northwesterly boundary line of Lot 54 of Tract No. 27483, recorded in Book 700, Pages 51 through 55, inclusive, of Tract Maps in the office of the Registrar-Recorder/County Clerk of the County of Los Angeles, California (hereinafter, the "Recorder"); thence departing from the centerline of Grand Avenue North 33 02' 42" East 574.95 feet along said boundary lines of the City of Walnut and Lot 54, and its southwesterly and northeasterly prolongations, to the intersection with the centerline of San Gabriel Valley Drive; thence North 87° 12' 27" East 355.20 feet along that certain northerly boundary line of the City of Walnut, being also the northerly boundary line of Lot 55 of said Tract No. 27483, and its southwesterly and northeasterly prolongations, to the most northerly corner of Lot 56 of said Tract No. 27483; thence continuing North 87° 12' 27" East 2,489.96 feet along said northerly boundary line of the City of Walnut, being also the southerly boundary line of Tract No. 2371, recorded in Book 23, Pages 98 and 99, of Tract Maps in the office of the Recorder, said distance to be lengthened or shortened to terminate in the westerly boundary line of Tract 44018, recorded in Book 1050, Pages 56 through 64, inclusive, of Tract Maps in the office of the Recorder; thence northwest along that certain westerly

boundary line of the City of Walnut, being also the westerly boundary line of said Tract No. 44018, North 20° 30' 20" West a distance to terminate at the northwest corner of said Tract No. 44018; thence departing from said westerly boundary line of the City of Walnut, North 79° 28' 00" East 1,090.52 feet along the northerly boundary line of said Tract No. 44018, to the northeast corner thereon; thence continuing along the northeasterly prolongation of said northerly boundary line of Tract No. 44018, North 79° 28' 00" East a distance to terminate at the intersection with that certain southerly boundary line of Tract Map No. 41504, recorded in Book 1052, Pages 43 through 49, inclusive, of Tract Maps in the office of the Recorder, said southerly boundary line bearing North 26° 50' 12" East 995.15 feet on said Tract Map No. 41504; thence along said aforementioned southerly boundary line, North 26° 50' 12" East a distance to terminate at the intersection with the westerly terminus of that certain southerly boundary line of said Tract No. 41504, bearing North 77° 07' 33" East 105.46 feet on said Tract Map No. 41504; thence along said aforementioned southerly boundary line, North 77° 07' 33" East 105.46 feet; thence North 73° 51' 33" East 1,018.08 feet along the southerly boundary of said Tract No. 41504; thence North 06° 59' 52" East 73.77 feet along the southerly boundary of said Tract No. 41504; thence South 83° 05' 56" East 228.95 feet along the southerly boundary of said Tract No. 41504 to the most easterly southeast corner thereon; thence North 33° 44' 08" West 1,450.00 feet along the easterly boundary of said Tract No. 41504; thence North 29° 16' 08" West 791.00 feet along the easterly boundary of said Tract No. 41504

to the southeast corner of Lot 1 of Amending Tract Map No. 41504, recorded in Book 1222, Pages 1 through 7, inclusive, of Tract Maps in the office of the Recorder; thence North 33° 44' 08" West 832.34 feet along the easterly boundary line of said Amending Tract Map No. 41504; thence North 29° 16' 08" West 791.00 feet along the easterly boundary line of said Amending Tract Map No. 41504, to the intersection with the southerly terminus of that certain easterly boundary line of the real property described in the Grant Deed from Bridlewood South Hills, Inc., a California corporation, to Bridlevast, Inc., a California corporation, recorded December 30, 1998, as Instrument No. 98-2371130, in the office of the Recorder, said real property being a portion of Lot 2 of the Shouse and Chapman Tract, recorded in Book 2, Pages 5 and 6, of Tract Maps, in the office of the Recorder, said easterly boundary line bearing South 00° 36' 19" East 1,075.00 feet; thence North 00° 36' 19" West along said aforementioned easterly boundary line, and its northerly prolongation, to the intersection with the centerline of the San Bernardino (10) Freeway; thence west along said centerline of the San Bernardino (10) Freeway to the point of beginning, as the boundary lines on said tract maps and the centerlines and boundary lines of said highways existed on August 15, 2010.

Part B. Azusa Islands/ Glendora Islands:

Those unincorporated areas of the County lying within the following described boundaries:

Beginning at the intersection of the centerline of Sierra Madre Avenue with the northerly prolongation of the centerline of Vernon Avenue in the City of Azusa, California; thence southerly along the centerline of Vernon Avenue and its northerly prolongation to the centerline of Foothill Boulevard; thence easterly along the centerline of Foothill Boulevard to the northerly prolongation of the centerline of Orange Avenue; thence southerly along the centerline of Orange Avenue, and its northerly prolongation, to the centerline of 6th Street; thence westerly along the centerline of 6th Street to the centerline of Vernon Avenue; thence southerly along the centerline of Vernon Avenue to the northerly boundary line of Gladstone Street; thence westerly along the northerly boundary line of Gladstone Street to the westerly boundary line of Vincent Avenue; thence southerly along the westerly boundary line of Vincent Avenue to the southerly boundary line of Arrow Highway; thence easterly along the southerly boundary line of Arrow Highway to the centerline of Glendora Avenue; thence northerly along the centerline of Glendora Avenue to the centerline of Sierra Madre Avenue; thence westerly along the centerline of Sierra Madre Avenue to the point of beginning, as the centerlines and boundary lines of said streets, roads, avenues, boulevards and highways existed on March 1, 2010.

Part C. Charter Oaks Islands / Covina Islands:

Those unincorporated areas of the County lying within the following described boundaries:

Beginning at the intersection of the centerline of Barranca Avenue and the centerline of the San Bernardino (10) Freeway in the City of West Covina, California; thence easterly along the centerline of the San Bernardino (10) Freeway to the southerly prolongation of the centerline of the Route (210) Freeway; thence northerly along the centerline of the Route (210) Freeway, and its southerly prolongation to the northerly boundary line of Arrow Highway; thence westerly along the northerly boundary line of Arrow Highway to the centerline of Barranca Avenue; thence southerly along the centerline of Barranca Avenue to the point of beginning, as the centerlines and boundary lines of said streets, roads, avenues, highways and freeways existed on March 1, 2010.

Part D. Covina Islands:

Those unincorporated areas of the County lying within the following described boundaries:

Beginning at the intersection of the centerline of Barranca Avenue and the centerline of the San Bernardino (10) Freeway in the City of West Covina, California; thence northerly along the centerline of Barranca Avenue to the northerly boundary line of Arrow Highway; thence westerly along the northerly boundary line of Arrow Highway to the centerline of Azusa Canyon Road; thence southerly along the centerline of Azusa

Canyon Road to the centerline of the Big Dalton Wash flood control channel; thence southwesterly along the centerline of the Big Dalton Wash flood control channel to the centerline of Pacific Avenue; thence southeasterly along the centerline of Pacific Avenue, and its southwesterly prolongation, to the centerline of the San Bernardino (10) Freeway; thence easterly along the centerline of the San Bernardino (10) Freeway to the point of beginning, as the centerlines and boundary lines of said streets, roads, avenues, flood control channels, and freeways existed on March 1, 2010.

Section 2. Consideration; Payment of Fees.

During such times as Franchisee's operations and rates for transportation are subject to the provisions of section 6231 of the California Public Utilities Code, the consideration shall be calculated pursuant to said section or other maximum amount permitted by law.

A. Granting Fee. As consideration for the franchise granted, transferred, extended, or otherwise amended, Franchisee shall pay to the County a fee of ten thousand dollars (\$10,000) within thirty (30) days after the adoption of this ordinance.

B. Annual Franchise Fee. As additional consideration for the franchise granted or extended, Franchisee shall pay annually in arrears, on or before April 15 following the end of each calendar year ("Fee Payment Date"), for each year during the life of the franchise, to the County, in lawful money of the United States, a franchise fee computed annually ("Annual Franchise Fee"), as set forth below:

1. Part A annual franchise fee: Two percent (2%) of the gross annual receipts of Franchisee arising from the use, operation, or possession of the franchise; provided, however, that such payment shall in no event be less than one percent (1%) of the gross annual receipts of Franchisee derived from the sale within the franchise area of the commodity or service for which the franchise is awarded. Such percentage shall be paid annually during the life of the franchise, including the year of granting of the franchise. In the event this amount is increased by federal or State law or the County is empowered to increase the rate, the County reserves the right to increase the rate to the maximum amount permitted by federal, State, or local law.

2. Part B, C, and D annual franchise fee: The "base annual fee" shall be calculated according to the applicable base rate for each lineal foot of pipeline as follows: The length of pipe expressed in feet located within the service area(s) described in Section 1 shall be multiplied by the applicable base rate, derived in accordance with the following formula:

a. For pipes eight (8) inches or less in nominal internal diameter, the base annual fee shall be twelve (12) cents per lineal foot for main lines in highways as of December 31 of the calendar year preceding the applicable fee payment date; and

b. For pipes greater than eight (8) inches in nominal internal diameter, the base annual fee shall be twelve (12) cents per lineal foot for main lines in highways as of December 31 of the calendar year preceding the applicable fee payment

date, for the first eight (8) inches of nominal internal diameter, plus two (2) cents per nominal internal diameter inch or fraction thereof over eight (8) inches.

c. The base annual fee shall be calculated as set forth in Section 2.B.2. above and adjusted each calendar year, including the year of granting of this franchise, on the applicable fee payment date in accordance with the following formula to derive the annual franchise fee; provided, however, notwithstanding any prior rights, in no event shall the annual franchise fee be less than five thousand dollars (\$5,000).

1) The "Producer Price Index ("PPI") for all Commodities (1982 = 100)," as published by the United States Department of Labor, Bureau of Labor Statistics/Office of Information ("Bureau"), shall be defined as the "index," and such index as it stands on January 1, 2008 (i.e., 181.0 shall be defined as the "base index," which is declared to be 100), and the index for the month of September immediately preceding the fee payment date shall be defined as the "current index";

2) If the current index differs from the base index, then the base annual fee shall increase or decrease by the percentage increase or decrease between the current index and the base index, provided that, if the current index drops below the base index, no adjustment shall be made. The base annual fee shall be multiplied by an adjustment factor determined by dividing the current index by the base index. For example, if the base index is 181.0 and the current index is 210, the annual

franchise fee shall be one hundred and sixteen percent (i.e., $210 / 181.0 = 1.160 = 116\%$), times the base annual fee; provided, however, under no circumstances shall the multiplying factor be less than one, nor shall the annual franchise fee calculated using said factor, be less than the base annual fee. If the Bureau shall revise the index, the parties hereto shall accept the method of revision for conversion recommended by the Bureau; and

3) If the Bureau discontinues the preparation or publication of the PPI for all commodities (1982 = 100), and if no transposition table prepared by the Bureau is available applicable to the year of 1982, then the amount of each annual franchise fee shall be computed by reference to such other price index as may be chosen by the County, and the County shall be the sole judge of comparability of successive indices and its determination on this point shall be final and conclusive. In no event shall the annual franchise fee adjusted by reference to such other price index be less than the base annual fee as set forth in Section 2.B above.

C. In addition to the foregoing Annual Franchise Fees, Franchisee shall also pay to:

1. County Department of Public Works ("Public Works"), on or before the Fee Payment Date, for each year of the life of the franchise, an initial construction charge calculated at a rate of one hundred dollars (\$100) per mile or fraction thereof for all new main lines laid during the preceding calendar year.

2. County Auditor-Controller ("Auditor-Controller"), on or before the Fee Payment Date, for each year during the life of the franchise, an Annual Franchise Fee, described in subsection 2.B., above, for the preceding calendar year.

3. County, any application fees, administrative fees, processing fees, late charges, accrued interest, and penalties required in connection with this franchise, all of which may be charged at the then-current applicable rates.

Section 3. Reports.

Franchisee shall during the life of the franchise:

A. File with the Auditor-Controller, within sixty (60) days after the expiration of each calendar year and for the initial year of the franchise, within sixty (60) days after the expiration of that fractional calendar year, two copies of a report verified under oath by a duly authorized representative of Franchisee as follows:

1. Part A annual franchise fee report showing the total gross receipts of Franchisee for the immediately preceding franchise payment period, received or accrued in connection with the furnishing of the commodity or service arising from the use or operation of the franchise, together with such data as is necessary in the opinion of the Auditor-Controller to calculate or verify the calculation of the annual payment required by Section 2.B., above (or the pro rata amount thereof for the first period if the first period is less than one year).

2. Part B, C, and D annual franchise fee report showing the length of the Franchisee's main lines in highways, the nominal internal diameter of such main lines, the "rate per foot per year," defined as the amount payable per lineal foot per year under Section 2.B.2., and the computation of the total amount of the annual franchise fee due to the County, together with such data as is necessary in the opinion of the Auditor-Controller and or/Public Works, to calculate or verify the calculation of the annual franchise fee as required by Section 2.B.2.

B. Show in the report prepared pursuant to subsection 3.A., above, any change in franchise footage since the end of the most recent Franchise Report Period, segregating such footage as to new main lines laid; old main lines removed; old main lines abandoned in place, including the internal diameter of such main lines laid, removed, or abandoned in place; the footage of new conduits laid for wires, cables, telegraph lines or telephone lines, old conduits removed, old conduits abandoned in place; the diameter of such conduits laid, removed, or abandoned in place; and the footage and internal diameter of main lines and conduits in territories annexed or incorporated since the last day of the most recent Franchise Report Period.

C. File with Public Works, on or before each Fee Payment Date, a report showing the permit number for each permit obtained for the installation of new main lines and conduits during the most recently completed Franchise Report Period, together with the length and size of such main lines and conduits.

Section 4. Late Payments.

A. In the event Franchisee fails to make full payment of any of the payments provided for herein on or before the dates they are due, Franchisee shall pay a late charge of ten percent (10%) of the amount due, said ten percent (10%) being due on the sixty-first (61st) day after the original due date.

B. In the event full payment of any rate, payment, or fee, including the ten percent (10%) late charge, is not received within ninety (90) days after the original due date, an assessment of interest shall accrue on the unpaid balance at ten percent (10%) per month, beginning on the ninety-first (91st) day after the original due date until full payment is received. Should the franchise payment not be provided to the County, County reserves the right to terminate the franchise. Upon termination of the franchise, operation of the facilities covered by the franchise will no longer be authorized, and Franchisee will be liable for costs associated with such termination, including, but not limited to, the costs of abandonment and/or removal of Franchisee's facilities. This term shall survive the termination or expiration of this franchise.

Section 5. Indemnification, Insurance, and Bonding.

Franchisee shall meet the following indemnification, insurance, and bonding requirements:

A. Franchisee shall indemnify, defend, and hold harmless the County and its special districts, elected and appointed officers, employees, and agents ("County's Agents") from and against any and all expenses, costs, fees, damages, claims,

liabilities, and lawsuits of any nature, including, without limitation, those involving, relating to, or asserting bodily injury, personal injury, death, property damage, encroachment or encumbrance upon property rights or interests, infringement of property rights or interests, loss of property value, defense costs, attorneys' fees, and workers' compensation benefits (collectively "Claims"), that relate to or arise from:

(1) County's grant and/or extension of the franchise; (2) Franchisee's use or exercise of the franchise and/or the operations or services provided by Franchisee, its employees, agents, servants, receivers, contractors, subcontractors, successors, or assignees ("Franchisee's Agents") in connection with the franchise; and/or (3) any acts or omissions of Franchisee, Franchisee's Agents, or any person in connection with activities or work conducted or performed pursuant to the franchise and/or arising out of such activities or work. In furtherance of, and in no way limiting the foregoing, Franchisee shall indemnify, defend, and hold harmless the County and the County's Agents from and against any and all Claims that relate to, arise from, or involve pollution, contamination, degradation, and/or environmental compliance, relating to, arising from, or involving the franchise, or Franchisee's use or exercise thereof, including, but not limited to, any Claims arising from or relating to any threatened, actual, or alleged discharge, dispersal, release, or escape of any substance, including, but not limited to, any pollutant or contaminant of any kind, into or upon any person, thing, or place, including the land, soil, atmosphere, man-made structure, and/or any above or below ground watercourse or body of water.

B. Public Works shall be immediately notified by Franchisee of any discharge, dispersal, release, or escape of any water, steam, wastewater, mud, or other substances from Franchisee's pipelines or appurtenances within the franchise area. All actions to investigate, remove, or remediate any substance reasonably demonstrated to be discharged, dispersed, released, or escaped from Franchisee's pipelines or appurtenances, and actions to repair or restore Franchisee's pipelines and appurtenances, shall be the sole responsibility of Franchisee and shall be conducted by Franchisee or Franchisee's Agents, in conformance with any and all laws, ordinances, rules, regulations, requirements, and orders whatsoever, present or future, of the federal, State, County, or other applicable local government at Franchisee's sole cost and expense, and shall be immediately undertaken by Franchisee or Franchisee's Agents. If Franchisee fails to take any action required pursuant to this Section, the County may, but shall not be obligated to, take all actions it deems appropriate at Franchisee's sole expense. Upon written demand by the County, Franchisee shall reimburse the County for all County expenses reasonably incurred in connection with the County's actions, including, but not limited to, all direct and indirect costs relating to investigation, remediation, and removal.

C. Without limiting Franchisee's indemnification of the County or the County's Agents, Franchisee shall provide and maintain at its own expense, during the term of this franchise, the following programs of insurance. Such programs and evidence of insurance are required to be satisfactory to the County, and shall be primary to, and not

contributing with, any other insurance or self-insurance programs maintained by the County.

1. Certificate(s) or other evidence of coverage satisfactory to the County shall be delivered to Public Works on or before the operative date of this franchise ordinance, and on or before the expiration date of each term of insurance.

Such certificates or other evidence of coverage shall:

- a. Specifically identify this franchise ordinance;
- b. Clearly evidence all insurance required in this franchise ordinance;
- c. Contain the express condition that the County is to be given written notice by registered mail at least thirty (30) days in advance of any modification, non-renewal, cancellation, or termination of any program of liability insurance, and at least thirty (30) days in advance of any modification, non-renewal, cancellation, or termination of any program of Workers' Compensation or other insurance required by subsection 5.C.;
- d. Include a copy of the additional insured endorsement to the commercial general liability policy, adding the County and County's Agents as additional insureds for all activities arising from or related to this franchise; and

e. Show Franchisee's insurance as primary to the County's insurance and self-insurance programs. This may be evidenced by adding a statement to the additional insured endorsement required in subsection 5.C.1.d., above, stating:

"It is further agreed that the insurance afforded by this policy is primary to any insurance or self-insurance programs maintained by the additional insureds, and the additional insureds' insurance and self-insurance programs are excess and non-contributing to Named Insureds' insurance."

2. The County reserves the right to require copies of Franchisee's insurance policies at the County's request.

3. Insurance is to be provided by an insurance company with an A. M. Best rating of not less than A:VII, unless otherwise approved by Public Works in writing.

4. Franchisee shall release the County and the County's Agents and waive its rights of recovery against them under the insurance policies specified in this franchise unless injury, death, loss, damage, or destruction is caused by either willful misconduct or sole negligence of the County.

5. Such insurance shall be endorsed naming the County and the County's Agents as additional insureds, and shall include, but not be limited to:

a. Commercial General Liability insurance written on a commercial general liability form (ISO policy form CG 00 01, or its equivalent, unless otherwise approved by Public Works in writing), with a combined single limit of not less than five million dollars (\$5,000,000) per occurrence.

i. If written on a claims-made form, such insurance shall be endorsed to provide an extended reporting period of not less than two (2) years following expiration, termination, suspension, or cancellation of this franchise.

b. Comprehensive Auto Liability insurance (written on ISO policy form CA 00 01, or its equivalent, unless otherwise approved by Public Works in writing), endorsed for all owned, non-owned, and hired vehicles with a limit of not less than one million dollars (\$1,000,000) per occurrence.

c. Professional Liability/Errors and Omissions Insurance covering Franchisee's liability arising from or related to this franchise, with limits of not less than three million dollars (\$3,000,000) per claim and five million dollars (\$5,000,000) aggregate. Further, Franchisee understands and agrees it shall maintain such coverage for a period of not less than three (3) years following the expiration, termination, suspension, or cancellation of this franchise.

6. A program of Workers' Compensation insurance in an amount and form to meet all applicable requirements of the California Labor Code and the "Longshore and Harbor Workers' Compensation Act," (33 U.S.C. § 901 et seq.), as may be hereafter amended, including Employer's Liability with not less than a one million

dollar (\$1,000,000) limit, covering all persons providing services on behalf of Franchisee and all persons Franchisee is legally required to cover.

D. Franchisee shall furnish Public Works, within thirty (30) days of the operative date of this ordinance, and within thirty (30) days of the expiration date of each term of insurance, either certified copies of each of the policies required by subsection 5.C., above, or a certificate of insurance for each of said policies, executed by Franchisee's insurance agent, or by the company issuing the policy, certifying that the policy is in force.

E. Within thirty (30) days following the operative date of this ordinance, Franchisee shall provide to Public Works a faithful performance bond in the sum of not less than fifty thousand dollars (\$50,000), payable to the County of Los Angeles and executed by a corporate surety acceptable to the County and licensed to transact business as a surety in the State of California. Such bond shall be conditioned upon the faithful performance by Franchisee of the terms and conditions of this franchise and shall provide that, in the case of a breach of any condition of this franchise, the whole amount of the penal sum of fifty thousand dollars (\$50,000), or any portion thereof, shall be immediately payable to the County by the principal and surety(ies) of the bond.

1. Throughout the term of this franchise, Franchisee shall maintain the faithful performance bond in the amount specified herein. Within ten (10) business days after receipt of notice from the County that any amount has been withdrawn from the

bond as provided in subsection 5.F., Franchisee shall immediately restore the bond to the full amount specified herein.

2. Franchisee shall maintain or cause to be maintained the faithful performance bond for one year following the County's approval of any sale, transfer, assignment, or other change of ownership of the franchise, or following the expiration or termination of this franchise. Public Works, in its sole discretion, may release said bond prior to the end of the one-year period upon satisfaction by Franchisee of all its obligations under the franchise.

3. At its sole option, the County may accept Certificates of Deposit, Cash Deposits, irrevocable letters of credit, or U.S. Government Securities in lieu of, or in addition to, commercial bonds to meet the above bonding requirements. Such alternative instruments shall be made payable to the County and shall be deposited with the Auditor-Controller and/or the County Treasurer and Tax Collector, as applicable.

F. The types and amounts of said insurance coverage and bonding shall be subject to review and reasonable adjustment by the County, in its sole discretion, at any time during the term of the franchise. In the event of such adjustment, Franchisee agrees to obtain said adjusted insurance coverage and bonding, in type(s) and amount(s) determined by the County, within thirty (30) days after written notice from the County.

G. Failure on the part of Franchisee to procure or maintain the required insurance and bonding, or to provide evidence of current insurance and bonding, shall constitute a material breach of the terms of this franchise upon which the County may immediately terminate or suspend this franchise.

H. It is the obligation of Franchisee to provide evidence of current insurance policies and bonding. No franchise operations shall commence until Franchisee has complied with the provisions of this Section 5, and any operations shall be suspended during any period that Franchisee fails to obtain or maintain the insurance and bonding required hereunder.

Section 6. Transfers and Assignments.

A. Franchisee shall not sell, transfer, exchange, assign, lease, or divest itself of the franchise or any part thereof (each of which is hereinafter referred to as an "Assignment"), to any other person or entity ("Transferee"), except as provided in this Section and after payment of a transfer fee as detailed in subsection 6.G., below.

B. Franchisee shall inform Public Works of any pending Assignment, except as excluded in subsection 6.E., below, and shall provide all documents requested by the County, as set forth in subsection 6.F., below. Consent to any such Assignment shall only be refused if the County finds that Franchisee is not in compliance with the terms and conditions of the franchise and/or that the proposed Transferee, as applicable, lacks sufficient experience and/or financial ability to meet the franchise obligations. Consent shall be conditioned upon the terms and conditions set forth in the Assignment

documents, which shall be delivered to Public Works, the assumption by the proposed Transferee, as applicable, of all Franchisee's covenants and obligations under the franchise, and all information provided to the County being true and correct as of completion of the Assignment. Upon receipt of such consent from the County, Franchisee may proceed to consummate the Assignment.

C. Franchisee shall file with Public Works, within thirty (30) days after the effective date of any Assignment, a certified copy of the duly executed instrument(s) that officially evidence(s) such Assignment. If any such duly executed instrument(s) is not filed with Public Works within thirty (30) days after the effective date of such proposed Assignment, or if any condition to consent by the County has not been met, then the County may determine, and then notify Franchisee and the proposed Transferee, that the Assignment has no force or effect and/or that the franchise is forfeited.

D. As a condition to granting consent to such Assignment, the County may impose such additional terms and conditions upon Franchisee and/or the proposed Transferee as the Board of Supervisors deems to be in the public interest. Nothing contained herein shall be construed to grant Franchisee the right to complete an Assignment except in the manner aforesaid, whether by operation of law, by voluntary act of Franchisee, or otherwise.

E. Notwithstanding the foregoing, shareholders, partners, and/or any other persons or entities owning an interest in Franchisee may transfer, sell, exchange, assign, or divest themselves of any interest they may have therein without the consent of the County so long as such sale, transfer, exchange, Assignment, divestment, or other change, including a merger, does not result in giving majority control of Franchisee to any person or persons, corporation, partnership, or legal entity other than the person or entity with the controlling interest in Franchisee on the operative date of the franchise or the effective date of the last approved Assignment. Otherwise, consent thereof shall be required as otherwise provided in this Section 6.

F. Except for any Assignments made pursuant to subsection 6.E., above, upon notice by Franchisee of any proposed Assignment, the proposed Transferee shall submit an application to Public Works, which shall contain, at a minimum:

1. Identification of the proposed Transferee, which indicates the corporate or business entity organization, including the submission of copies of the corporate or business formation papers (e.g., articles of incorporation and by-laws, limited partnership agreements, and/or operating agreements), and the names and addresses of any parent or subsidiary of the proposed Transferee, or any other business entity owning or controlling the proposed Transferee in part or in whole.

2. A current financial statement, which has been audited by a certified public accountant, demonstrating conclusively to the satisfaction of the County that the proposed Transferee has all the financial resources necessary to carry out all of the

terms and conditions of the franchise. The financial statement shall include a balance sheet, a profit and loss statement for at least the three (3) most recent years, and a statement of changes in financial position; however, if the proposed Transferee has been in existence for less than three (3) years, then for such period of existence.

3. A copy of the proposed agreement of sale, letter of understanding, or other documentation, which details the proposed Assignment ("Assignment Documents").

4. Other information that may be required by the County to assess the capability of the proposed Transferee to operate and maintain the franchise.

G. A transfer fee of ten thousand dollars (\$10,000) shall be submitted with Franchisee's request for the County's consent to any Assignment. If the County's actual costs to process the proposed Assignment application, including any consultant fees incurred by the County to assist in evaluating the application, exceed the transfer fee amount of ten thousand dollars (\$10,000), Franchisee and the proposed Transferee, or either, shall pay any additional costs incurred by the County in processing the Assignment application. Such additional costs shall be paid by Franchisee and the proposed Transferee, or either, prior to final consideration of the request for Assignment by Public Works or the Board of Supervisors, as applicable.

Section 7. Removal or Abandonment of Facilities.

A. At the time of expiration, revocation, or termination of this franchise or of the permanent discontinuance of the use of Franchisee's pipes and appurtenances, Franchisee shall, within sixty (60) days thereafter, make a written application to Public Works for permission to engage in one of the following in accordance with applicable federal, State, and local laws and regulations: (1) abandon all, or a portion, of such pipes and appurtenances in place; or (2) remove all, or a portion, of such pipes and appurtenances. Such application will describe the pipes and appurtenances desired to be abandoned by reference to the map or maps attached to this franchise and will describe with reasonable accuracy the relative physical condition and location of the pipes and appurtenances. Upon receipt of written application, Public Works will determine within ninety (90) days whether any abandonment or removal that is proposed may be effected without detriment to the public interest, or under what conditions the proposed abandonment or removal may be safely effected, and will promptly notify Franchisee of any such requirements. If, for any reason, Franchisee suspends operations of any of the pipes and appurtenances contained in this franchise for a period more than ninety (90) days, Franchisee will notify Public Works. During this period of suspended operations, Franchisee will maintain said pipes and appurtenances in accordance with all applicable federal, State, and local laws.

B. If any pipes and appurtenances to be abandoned in place subject to prescribed conditions are not abandoned in accordance with all such conditions, then Public Works may impose additional requirements at its sole discretion, including, but not limited to, requiring that Franchisee remove all such pipes and appurtenances in accordance with applicable requirements. In the event Franchisee fails to remove any pipes and appurtenances that it is obligated to remove in accordance with applicable requirements within such reasonable time as may be prescribed by Public Works, then the County may remove such pipes and appurtenances at Franchisee's expense, and Franchisee will pay to the County within sixty (60) days after delivery of an itemized bill the cost of removal including, but not limited to, reasonable overhead expenses in the sum no greater than an additional thirty percent (30%) of the actual cost of such work.

C. Abandoned pipes and appurtenances on County highways remain the property of Franchisee. Should the abandoned pipes or appurtenances interfere with other uses in the right-of-way, including future utilities or underground facilities, said pipes or appurtenances shall be removed by Franchisee, as necessary, at Franchisee's sole cost and expense. Alternatively, the County may remove or cause to be removed said pipes or appurtenances at Franchisee's sole cost and expense. For the purposes of the payment of fees provisions in Section 2 of this franchise, such facilities shall continue to be included in the calculation of fees until inspection reports prepared by Public Works indicate the work of removal or abandonment has been completed to the County's satisfaction.

D. This Section 7 will survive the termination or expiration of this franchise.

Section 8. Relocation of Pipelines.

In the event the County provides Franchisee notice to relocate its pipelines, facilities, and appurtenances, should Franchisee, after receipt of any such notice, neglect or fail to relocate its pipelines, facilities, and appurtenances in a timely manner and in accordance with applicable federal, State, and local laws and regulations, Franchisee shall be solely responsible for, and shall reimburse the County for any and all costs or expenses incurred by the County due to, or resulting from, such neglect or failure with respect to relocation of the same. Such costs and expenses shall include, but not be limited to, those due to, or resulting from, the County relocating, or causing to be relocated, Franchisee's pipelines, facilities, and appurtenances.

Section 9. Compliance with All Applicable Law.

Franchisee acknowledges that it must comply with all applicable federal, State, and local laws and regulations, including the County Code, as may be hereafter amended, to the extent Franchisee continues to conduct activities within the County's right-of-way, and/or Franchisee's facilities continue to occupy the County's right-of-way, following the termination, cancellation, suspension, or expiration of this franchise.

Section 10. County Addresses.

All fee payments and reports required hereunder, except those expressly directed to be sent to Public Works, shall be sent to the County and addressed as follows:

Franchise/Concessions Section
County of Los Angeles
Office of the Auditor-Controller
Administrative Services, Room 515
500 West Temple Street
Los Angeles, California 90012-2713

Applications, reports, notices, and other documents and information referenced in this franchise shall be sent to the County, at the same address referenced above, with a copy to:

Los Angeles County Public Works
Attn: Survey/Mapping & Property Management Division
900 South Fremont Avenue
Alhambra, California 91803

Any notice, request, instruction, or other document to be given to Franchisee shall be addressed as follows:

Covina Valley Water Company
146 E College Street.
Covina, California 91723
Attn: P. David Michalko, President

Section 11. Franchise Ordinance Operative Date.

The operative date of this franchise ordinance shall be November 27, 2025.

Section 12. Termination.

If Franchisee fails to comply with any of the requirements of the franchise, the County may, in its sole discretion, terminate the franchise and/or seek any and all available remedies at law or in equity.

[COVVALLEYWATCOMPFRANGCCC]

EXHIBIT 1

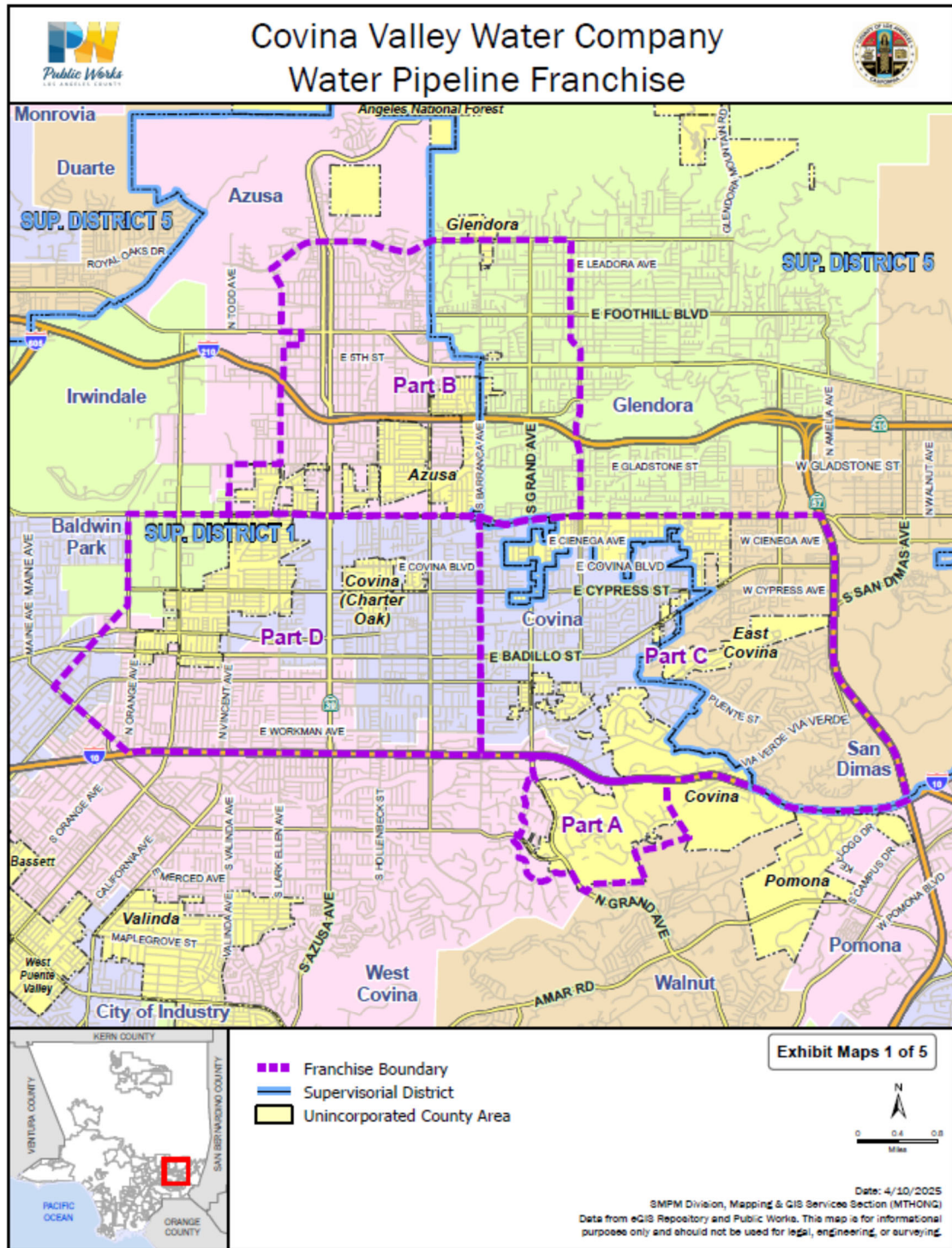


EXHIBIT 2

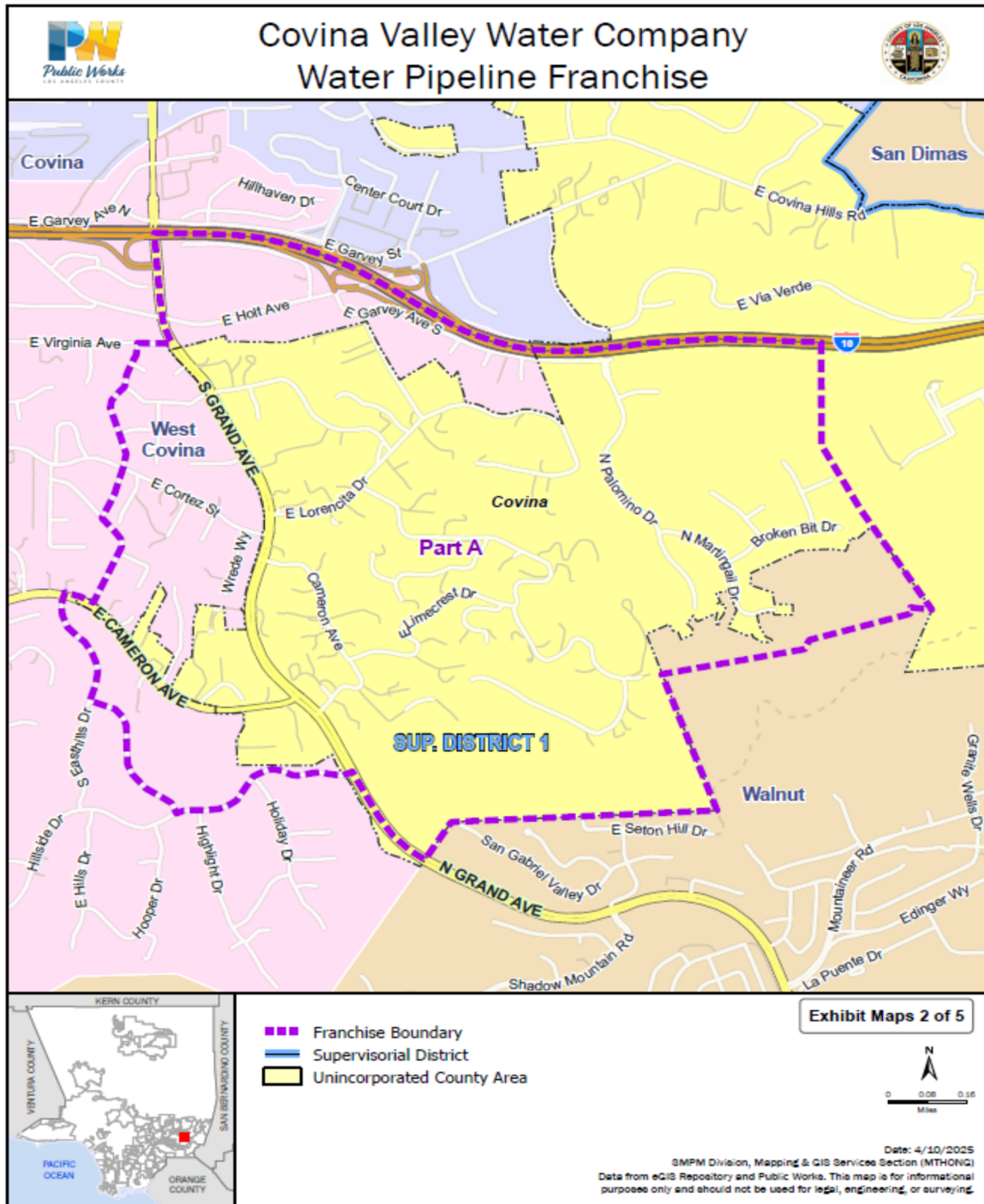


EXHIBIT 3



EXHIBIT 4

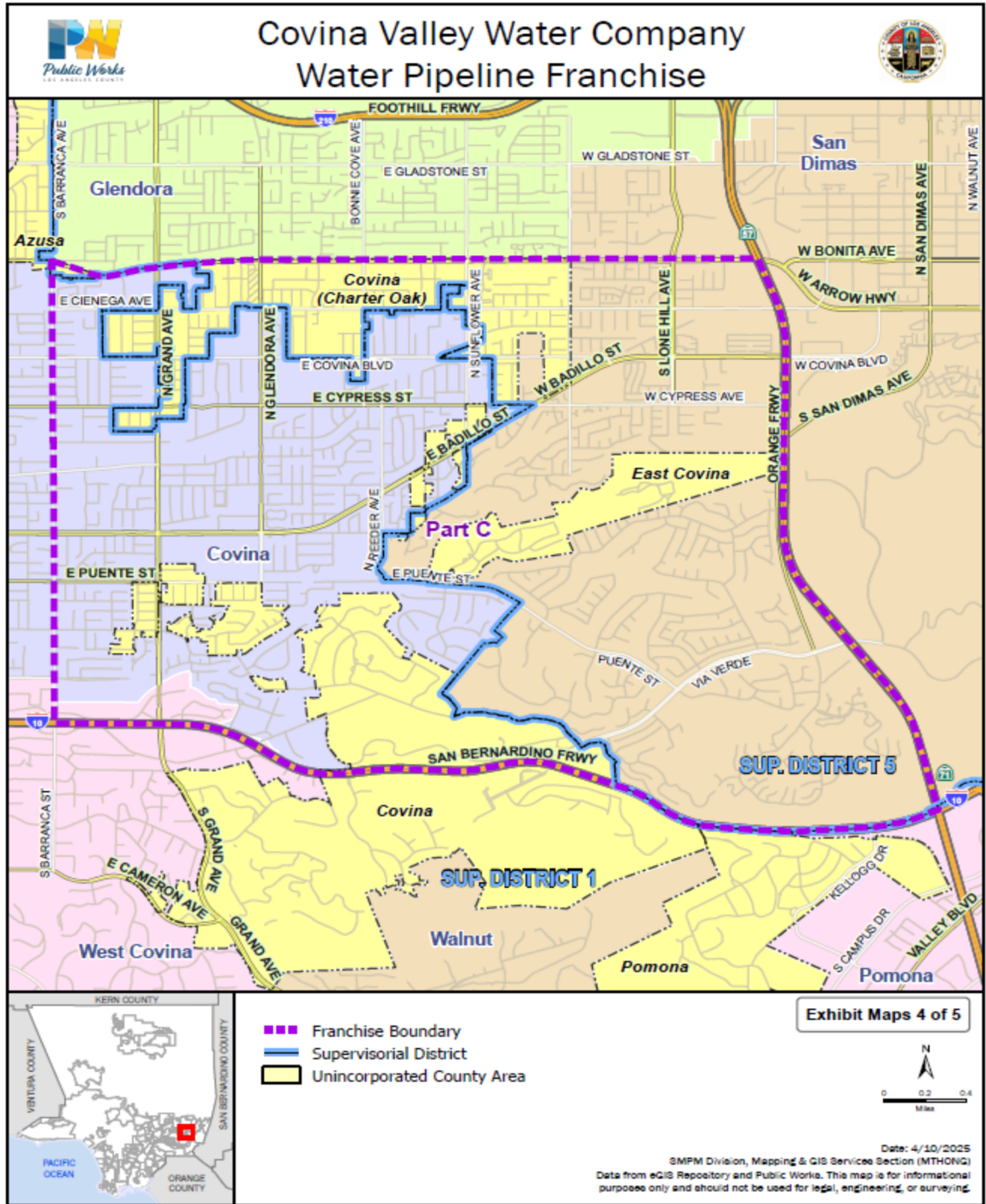


EXHIBIT 5

