

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

between the

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

and

**ADA TOWNSHIP, and
CITY OF EAST GRAND RAPIDS
(individually a "Customer Community" and
collectively the "Customer Communities")**

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

THIS THIRD AMENDMENT TO WATER AND SANITARY SEWER SERVICE AGREEMENT made and executed as of this 1st day of December, 2006 (hereinafter referred to as the "Third Amendment"), by and between the **CITY OF GRAND RAPIDS**, Kent County, Michigan, a Michigan municipal corporation (hereinafter referred to as the "City"), and **ADA TOWNSHIP**, Kent County, Michigan, a Michigan general law township, and the **CITY OF EAST GRAND RAPIDS**, Kent County, Michigan, a Michigan municipal corporation (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 wholesale basis.

B. The City and the Customer Communities who have executed this Third Amendment have determined to (i) amend Section 2 of the Agreement to permit public water and/or sanitary sewer service to be provided within an Urban Utility Boundary of a Customer Community by another provider if there are good engineering reasons to do so, (ii) amend Section 6 of the Agreement or provide for individual retail and retail customer community circuit breaker rates and amend Section 19 of the Agreement permitting the extension of the limits of the boundary of the Utility Services District of a Customer Community beyond the limits of the Urban Utility Boundary of the Customer Community into an adjoining municipality if there are good engineering reasons to do so.

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

Section 1. Amendment to Section 2 of Agreement. The first sentence of the first paragraph of Section 2 of the Agreement is amended to read as follows:

Subject to the right of the City and a Customer Community or the right of Customer Communities to enter into a "border-line street" agreement to serve an area along a common border line from one municipality or the other, the City and Customer Communities agree that the City shall be the exclusive provider of public water and sanitary sewer service within the Urban Utility Boundary within each of their boundaries and that such water and sanitary sewer service shall be supplied to each Customer Community on a wholesale basis, provided, however, at the request of a Customer Community and approval of the Utility Advisory Board and the City Manager, service may be provided by a provider other than the City upon demonstration that there are good engineering reasons for doing so.

Section 2. Amendment to Section 6 of Agreement. Section 6 of the Agreement is amended by the addition of the following subsections D and E:

D. Individual Circuit Breaker. Beginning with the Rate Study for rates and charges to be effective for the 2007 calendar year, the Rate Setting Methodology used to annually establish rates and charges of Users of both the Water System and Sewer System is amended to permit an amount not to exceed 12.5% of the estimated penalty fees to be collected in a Rate Study year for the Water System and Sewer System, respectively, to be used to support a program aimed at addressing those Users of the Water System or Sewer System within the City and retail customer communities requiring assistance in paying such rates and charges. Any amount set aside for such program shall not be applied as a credit against the revenue requirement of such Water System and Sewer System in that Rate Study year.

The program to be utilized along with the agency(ies) administering it shall be approved by the Utility Advisory Board. The Utility Advisory Board shall also annually approve the amount of penalty fees of the Water System and Sewer System, respectively, to be made available for the program in a Rate Study year subject to the limitation set forth in the first paragraph of this Section 5.F.

Any penalty fees allocated to the program for a Rate Study year and not utilized shall be applied as a credit against the Water System and Sewer System revenue requirements, respectively, for the immediately succeeding Rate Study year.

E. City and Customer Community Circuit Breaker. Beginning with the Rate Study for rates and charges to be effective for the 2007 calendar year, the Rate Study Methodology used to annually establish rates and charges of Users of both the Water System and Sewer System is amended to permit an amount not to exceed 87.5% of the estimated penalty fees to be collected in a Rate Study year for the Water System and Sewer System, respectively, to be used to reduce the projected rate increase in such Rate Study year of the City and retail customer communities (collectively, the "Retail Communities") who in any given Rate Study year exceed the average projected percentage increase (or decrease) in rates for all customer communities (wholesale and retail) in such Rate Study year for the Water System and Sewer System, respectively. Any amount so utilized shall not be applied as a credit against the revenue requirement of such Water System and Sewer System in that Rate Study year.

To the extent penalty fees are available in a Rate Study year, such funds shall be applied as a credit against the revenue requirement of those Retail Communities whose projected percentage increase of Water System rates or Sewer System rates in a Rate Study year exceed the average projected percentage increase (or decrease) in rates of the Water System or Sewer System, respectively, of all customer communities (wholesale and retail) so that the projected percentage rate increase of such affected Retail Communities does not exceed the average projected percentage increase (or decrease) of Water System and Sewer System rates, respectively, of all customer communities (wholesale and retail) in such Rate Study year.

If there are not sufficient penalty fees available in a Rate Study year to reduce the projected percentage increase in rates of all affected Retail Communities of the Water System and Sewer System, respectively, to the average projected percentage rate increase (or decrease) of all customer communities (wholesale and retail) in such year, the credit to be applied to the revenue requirements of the affected Retail Communities shall be on an equal pro rata basis (Example: If \$100,000 is available to credit and there are 3 Retail Communities above the average projected percentage increase – one requiring \$100,000, one requiring \$75,000 and one requiring \$50,000 to get down to the average projected rate increase of all Retail Communities; each would be assigned 44.44% of available funds to credit against their respective revenue requirement, i.e., the first Retail Community is credited with \$44,444, the second Retail Community is credited with \$33,383 and the third Retail Community is credited with \$22,222).

Any penalty fees available for a Rate Study year to reduce projected percentage rate increases and not utilized shall be applied as a credit against the Water System and Sewer System revenue requirement, respectively, for the immediately succeeding Rate Study year.

Section 3. Amendment to Section 19 of Agreement. Section 19 of the Agreement is amended by adding the following paragraph to the end of such Section:

Upon request of a Customer Community and approval of the Utility Advisory Board and the City Manager, the boundaries of the Utility Services District of such Customer Community may extend beyond the limits of the Urban Utility Boundary of the Customer Community and into an adjoining municipality who may or may not be a Customer Community provided the requesting Customer Community demonstrates that there are good engineering reasons for doing so. For purposes of applying the other provisions of this Agreement such area once approved shall be deemed to be a part of such Customer Community's Utility Services District.

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

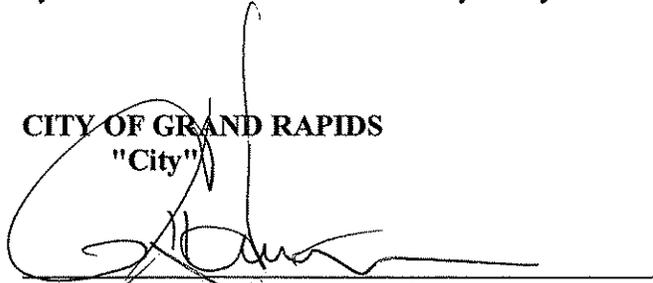
Section 5. Ratification of Agreement. Except as amended by this Third Amendment and a First Amendment to Water and Sewer Service Agreement dated as of March 28, 2000, and a Second Amendment to Water and Sewer Service Agreement dated as of July 1, 2002, both between the City and the Customer Communities, the Agreement is in all other respects hereby ratified and confirmed.

Section 6. Effective Date. This Third 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 as of the day and year first written above.

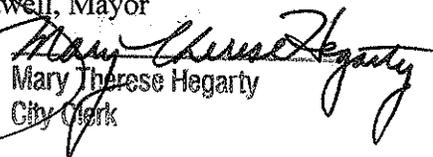
Executed: 2/3, 2006

CITY OF GRAND RAPIDS
"City"



George K. Heartwell, Mayor

ATTEST


Mary Therese Hegarty
City Clerk

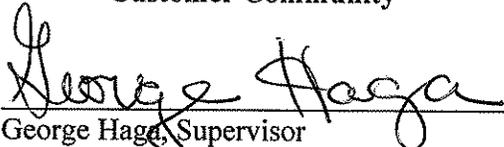
APPROVED FOR MAYOR'S SIGNATURE

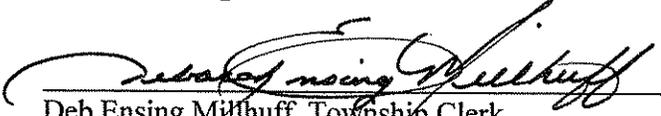

DEPARTMENT OF LAW

Attest: _____
Mary Therese Hegarty, City Clerk

ADA TOWNSHIP
"Customer Community"

Executed: _____, 2006

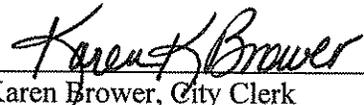

George Haga, Supervisor


Deb Ensing Milthuff, Township Clerk

CITY OF EAST GRAND RAPIDS
"Customer Community"

Executed: Jan 29, ²⁰⁰⁷~~2006~~


Cindy Bartman, Mayor


Karen Brower, City Clerk