

**EL DORADO – SMUD COOPERATION AGREEMENT**  
**September 13, 2005**

**ARTICLE IV**  
**PAYMENTS BY SMUD**

**4.1 SMUD Initial Payment.** SMUD will pay to the County the sum of \$2,600,000 in two separate installments: (i) \$1,000,000 within ten (10) days after the Effective Date of this Agreement; and (ii) \$1,600,000 within ten (10) days after the New License becomes final and non-appealable but no later than August 1, 2012.

**4.2 SMUD Annual Payments.** SMUD will pay to the County, for the Term of this Agreement, an annual amount of \$590,000 in accordance with this Section 4.2. The first payment under this Section 4.2 will be due and payable on the later of thirty (30) days after the date on which the New License issued by FERC becomes final and is no longer subject to judicial review or July 1 of such year. Payments for all subsequent years will be due and payable on each July 1.

**4.3 Iowa Hill Development.** Should SMUD determine to construct the Iowa Hill Development, it will make payments to the County as described in this Section 4.3.

**4.3.1 Payment Upon Notice of Intention to Proceed.** Within ten (10) days after SMUD’s Board of Directors authorizes initiation of final design of the Iowa Hill Development, SMUD will give the County a “Notice of Intention to Proceed” and will pay to the County a one-time payment of \$250,000.

**4.3.2 Iowa Hill Annual Payments Upon Notice of Commencement of Construction.** Within ten (10) days after awarding the first construction contract for the actual construction of the Iowa Hill development, SMUD will give the County a “Notice of Commencement of Construction” and will make an initial Iowa Hill Annual Payment to the County in the amount of \$50,000. SMUD will make additional Iowa Hill Annual Payments of \$50,000 by July 1<sup>st</sup> of each subsequent calendar year for the Term of this Agreement.

**4.3.3 Iowa Hill Socioeconomic Impacts Payments**

**4.3.3.1 Assessment Panel.** Within ninety (90) days of the completion of construction for the Iowa Hill Development, SMUD and the County will form the Iowa Hill Socioeconomic Impacts Assessment Panel (“Panel”) to conduct the socioeconomic assessments described in Section 4.3.3.2. SMUD and the County will each nominate a representative to serve on the Panel, and the two representatives will select a third Panel member. Each panelist will have the requisite experience and qualifications to competently study, measure, and place a monetary value on socioeconomic impacts of construction projects. SMUD and the El Dorado Parties will each bear the cost of their selected panelist. SMUD and the El Dorado Parties collectively will share equally all charges and expenses of the neutral panelist.

**4.3.3.2 Socioeconomic Impact Assessment.** The Panel will conduct a two-phased assessment of negative socioeconomic impacts attributable to the construction of the Iowa Hill Development following the analytical methodology specified in Exhibit “I” attached hereto and make Iowa Hill Measured Impacts Payments accordingly.

**4.4 Use of Payment Funds.** SMUD’s payments as described in Section 4.1 are to be utilized by the County for capital improvements to Ice House Road and other miscellaneous capital projects related to the UARP and its impacts on facilities owned or services provided by, or any resource or other interest within the jurisdiction of, the County. SMUD’s payments as described in Section 4.2 are to be utilized by

the County for purposes of road maintenance, watershed management, and other miscellaneous activities related to the UARP and its impacts on facilities owned or services provided by, or any resource or other interest within the jurisdiction of, the County. SMUD's payments as described in Section 4.3 are to be utilized by the County in order to minimize, avoid, or mitigate socioeconomic impacts attributable to the construction of the Iowa Hill Development within those areas of the County affected by such construction. The determination of which specific uses of payments by SMUD under this Article IV are consistent with the limitations of this Section are to be made by the County in its sole discretion.

**4.5 Adjustment of Payments.** The amount of the installment payments specified in Section 4.1, the annual payments specified in Section 4.2, and the Iowa Hill Annual Payments specified in Section 4.3.2 will be adjusted annually by the All Urban Consumer's Price Index, All Items (Base Period 1982-84 = 100). The inflation adjustment for the installment payments specified in Section 4.1 will commence September 1, 2004 and will continue annually for the Term of this Agreement. Such adjustment for the annual payments, as specified in Sections 4.2 and 4.3.2, respectively, will commence upon the Effective Date and continue for the Term of this Agreement. Should said index either cease to exist or be modified so that it no longer performs its prior function, the Parties will meet and confer in order to determine a replacement index that most closely approximates said index.