

Key Terms	Existing Amended Lease Section Number	Comments
1. “As-is.” Convey system as-is	1	
2. Term/Renewal. 12-year term, with 8-year renewal option. (Option: Invite alternative pricing for a single 20-year term without option to renew)	2	
3. Use. Furnish potable water to all Cupertino customers (including customers permitted to pull water from fire hydrants upon City approval); fire protection service	3	Lease would reserve rights for City use.
4. Capital Improvements. Needed to ensure reliable and efficient long-term operation and maintenance per recommendations of 2019 System Asset Management Plan. All improvements completed on the system become the property of the City. Lessee responsible for all project delivery costs (environmental, design, project management).	4, 7(A)	<p>Capital funding to be received by City two ways:</p> <ol style="list-style-type: none"> 1) Up front concession fee from the lessee to be used only for capital improvements to the System; and 2) Receipt of annual investment rent subject to the following: <ul style="list-style-type: none"> • If the annual rent is less than the annual expenditure recommended by the asset management plan, all investment rent would be solely used for capital investment into the System. • If the annual rent is greater than the annual expenditure recommended by the asset management plan, the surplus could be used outside the System, at the discretion of City Council.
5. Payment. Up front one-time concession fee, and annual investment rent at beginning of each year, including a renewal term, to be applied towards capital improvements to System (up to the amount	5, 6, 28	Proposal scoring will include determining the greatest monetary value to the City.

recommended in the asset management plan). Annual investment rent to include annual escalator.		
6. Operations. Lessee responsible for all maintenance, operation, customer service (including billing), water quality and reporting at lessee's cost. Repair and emergency service obligations exceeding a specified amount may use capital funding from either concession fee or annual rent.	7, 11	The terms "maintenance," "repair," and "emergency service obligations" and "capital improvements" will be defined in the lease.
7. Rates. Setting of water rates and charges to be capped at the lowest CPUC-approved rates for other water customers within Cupertino	8	Similar to current amended/restated lease In practice, lower than CPUC rates due to regulatory fee paid not being applicable (currently 1.43%)
8. City Access. Ability of City to perform detailed City evaluation of System	9	City will require more access into current operation records.
9. Water Supply. City authorization required for changes to water supply wells; and lessee must honor current water supply contract with Valley Water	10	
10. Risk. Indemnify City and hold harmless; provide insurance	12, 19	
11. Maintenance. Benchmarks to be included in lease for required system maintenance	N/A	
12. Reporting. Lessee to provide quarterly and annual reports on system operations, including expenses and revenues.	throughout	Emphasis on maintenance and repair activities
13. Drought. Provide drought education/enforcement to customers; (if viable, provide preferential supply of water to customers in times of severe drought)	N/A	
14. Fire Suppression. System must have ability to meet fire suppression requirements for volume and pressure	N/A	
15. Administrative Fee. Lessee to pay City 2% of gross revenues	28	Will replace the current franchise fee of the same amount. Revenue will offset City cost to manage the new long-term lease agreement.
16. Periodic Reviews. Either the City or the Lessee shall have the option to request a meeting at least 180 days prior to the expiration of each five-year period of the lease to evaluate the performance of the Lessee		