**Appendices to Water Management Contract 3**

**Appendix 1**

**SPECIAL CONDITIONS OF CONTRACT**

The following Special Conditions of Contract shall supplement the General Conditions. Whenever there is a conflict, the provisions herein shall prevail over those in the General Conditions. The corresponding section numbers of the General Conditions are indicated in parentheses.

**1. Definitions (GC Section 1.1)**

Adjudicator:
The Adjudicator is ***[Name of Adjudicator]***.

PMU Director:
The PMU Director is ***[Insert name]*** as changed from time to time in accordance with GC Section 7.3.

Operator’s Representative:
The Operator’s Representative is ***[Insert name]***, as changed from time to time in accordance with GC Section 8.1.2.

**2. Shareholder’s Representative (GC Section 1.3.10(1))**

The Shareholder’s Representative is:
***[Name, address, telephone and facsimile numbers]***

**3. Survival of Obligations (GC Section 1.3.13)**

Upon termination or expiration of the Contract, the following rights and obligations of the Parties survive:

(a) Such rights and obligations as may have accrued or to which the Parties may be entitled on the date of termination, and any rights which a Party may have under Applicable Law;

(b) The Operator’s obligations with respect to Contract Records, Accounting and Auditing set out in GC Section 1.8;

(c) The Operator’s obligations with respect to Transition Assistance set out in GC Section 2.2.4;

(d) The Parties’ rights and obligations with respect to Copyright set out in GC Section 6.1;

(e) The Operator’s obligations of confidentiality as set out in GC Section 6.2;

(f) The Parties’ rights and obligations with respect to Defect Liability set out in GC Section 9.1; and

(g) The Parties’ rights and obligations with respect to Indemnification set out in GC Section 9.4.

**4. Notice (GC Section 1.4(1))**

The Utility’s address for notice is:

***[Name, address, telephone and facsimile numbers]***

The Operator’s address for notice is:

***[Name, address, telephone and facsimile numbers]***

**5. Adjudicator’s Fee (GC Section 1.6.1(4))**

The Adjudicator will be paid an hourly fee of **[*Insert hourly fee in the appropriate currency.*]**

**6. Appointing Authority for New Adjudicator (GC Section 1.6.1(5)), for third member of Review Panel (GC Section 12.2.2(3)), for Independent Assessor (GC Section 12.2.4(2))**

The Appointing Authority is:

International Chamber of Commerce

**7. Rules of Procedure for Arbitration Proceedings (GC Section 1.6.2(3))**

All disputes arising in connection with the Contract shall be finally settled under the Rules of Conciliation and Arbitration of the International Chamber of Commerce by one or more arbitrators appointed in accordance with the Rules.

**8. Starting Date (GC Section 2.2.3)**

The Starting Date shall be no later than ***[Insert number of days]*** after the Effective Date

**9. Terms of Payment – Interest (GC Section 5.2(2))**

The interest rate for the purposes of GC Section 5.2(2) and the Compensation and Payment Appendix is 7% per month for period of delay until payment has been made in full.

**10. Performance Security (GC Section 5.3.1(2)(b))**

The Operator shall provide a performance security in the amount of **$500,000U.S.**

**11. Restrictions on PMU’s Authority (GC Section 7.1(5))**

The PMU is required to obtain the approval of the Utility before exercising its authority in the following circumstances:

(1) any amendment or change to the Contract; and

(2) exercising any of the Utility’s rights in connection with further extension(s).

**12. Operator’s Superintendence – Language of Communication (GC Section 8.2(2))**

The language of communication shall be as follows:

(1) All reports prepared by the Operator shall be in English.

(2) All day to day communications of the Operator shall be in Arabic and the Operator shall be competent in Arabic for the purpose of day to day interaction.

**13. Insurance (GC Section 9.5(1))**

The Operator shall take out and maintain the following insurance policies in the specified sums and with the specified deductibles as set out below:

(a) Third Party Liability Insurance: Third Party liability insurance, with a minimum coverage of $1,000,000U.S.

(b) Professional Liability Insurance: Professional liability insurance, with a minimum coverage of $1,000,000U.S.

(c) Automobile Liability Insurance: Third Party motor vehicle liability insurance in respect of motor vehicles operated in the [] by the Operator or the Management Staff or any Subcontractors or their Personnel, with a minimum coverage of $1,000,000U.S.

(d) Employer’s Liability and Employer’s liability and workers compensation

 Worker’s Compensation Insurance: insurance in respect of the Management Staff and of any Subcontractors, in accordance with the relevant provisions of the Applicable Law, as well as, with respect to such Management Staff, any such like health, accident, travel or other insurance as may be appropriate.

(e) Other Insurance: Insurance against loss of or damage to (i) equipment purchased in whole or in part with funds provided under this contract, (ii) the Operator’s property used in the performance of the Services, and (iii) any documents prepared by the Operator in the performance of the Services.

**Appendix 3**

**Services Appendix**

**TABLE OF CONTENTS**

ARTICLE 1 – INTERPRETATION 45

1.1 Definitions 45

1.2 Supplementing the General Conditions 46

1.3 “Existing” Conditions 46

ARTICLE 2 – OVERALL DESCRIPTION OF SERVICES AND

REQUIREMENTS FOR PLANS, PROGRAMS AND REPORTS 46

* 1. Overall Description of Services to be Provided

by the Operator 46

* 1. General Provisions Applicable to Plans, Programs,

Reports, Surveys and Guidelines 47

 2.2.1 List of Plans, Programs, Reports, Surveys and Guidelines 47

 2.2.2 General Requirements for all Plans, Programs, Reports,

 Surveys and Guidelines 48

* + 1. Utility Review and Approval of Plans, Programs, Reports

and Guidelines 49

2.2.4 Consistency Among Plans, Reports and Guidelines 49

ARTICLE 3 – GENERAL UTILITY PROGRAMS 49

3.1 Initial Transition Plan 49

3.2 Bases Year Data Report 51

3.3 Management Information Systems Plan 51

3.4 Geographic Information Systems Evaluation Report and Plan 51

3.5 Emergency Response Plan 52

3.6 Staff Training and Development Program 52

3.7 Water and Wastewater Sampling and Monitoring Program 52

3.8 Equitable Distribution Plan 53

3.9 Safety Plan and Report 53

3.10 Industrial Discharge Program 54

3.11 Maintenance Management Program 54

3.12 Financial Management and Customer Services Information

Systems Plan 55

3.13 Commercial Management Plan 55

3.14 Public Education and Consultation 56

3.15 Energy Management Plan 56

3.16 Customer Service Plan 56

3.17 Customer Service Training Program 56

3.18 Standard Operating Procedures 57

3.19 Operations and Maintenance Manuals 57

3.20 Hydraulic Model 57

ARTICLE 4 – GENERAL UTILITY SERVICES 58

* 1. Procurement – Capital and Operating Investment Fund 58
	2. Expert Advice and Assistance 58
	3. Financial, Administrative and Regulatory Management 58
	4. Annual Operations and Maintenance Budgets 59

ARTICLE 5 – WATER AND WASTEWATER OPERATIONS 60

5.1 General Water Operations Services 60

 5.1.1 Management of Water Sources 60

 5.1.2 Pumping and Treatment of Water 60

 5.1.3 Storage, Supply and distribution of Water to Customers 61

5.2 General Wastewater and Storm Water Operations Services 61

ARTICLE 6 – MAINTENANCE OF THE FACILITIES, VEHICLES AND

EQUIPMENT 62

6.1 General Maintenance Services 62

ARTICLE 7 – ASSET AND CAPITAL INVESTMENT PROGRAM

SERVICES 63

7.1 Asset Management Improvement Programs 63

 7.1.1 Facilities Data Base and Initial Condition Survey 63

 7.1.2 Final Condition Survey 63

7.2 Final Condition Plan 63

7.3 Capital and Operating Investment Fund 64

7.4 Capital Investment Program – Operator’s Role 64

ARTICLE 8 – FINANCIAL MANAGEMENT AND CUSTOMER SERVICE 64

8.1 Customer Service and Financial Management Services 64

 8.1.1 Billings and Collection 64

 8.1.2 Meters 65

 8.1.3 Customer Service Program 66

 8.1.4 Administrative Offices and Depots 67

ARTICLE 9 – QUARTERLY AND ANNUAL REPORTS 67

9.1 Quarterly Reports 67

9.2 Annual Report 67

SERVICES APPENDIX

APPENDIX 3 TO THE GENERAL CONDITIONS

ARTICLE 1 - INTERPRETATION

1.1 Definitions

“Annual Operations and Maintenance Budgets” is defined in SA Section 4.4(1);

“Annual Report” is defined in SA Section 9.2;

“Base Year” means the one year period immediately preceding the Starting Date;

“Base Year Data Report” is defined in SA Section 3.2;

“Commercial Management Plan” is defined in SA Section 3.13(1);

“Customer” means a person who is served by the Facilities or the Services, as either the Facilities or Services may change from time to time in accordance with the Contract;

“Customer Service Plan” is defined in SA Section 3.16(1);

“Customer Service Program” is defined in SA Section 8.1.3;

“Customer Service Training Program” is defined in SA Section 3.17;

“Energy Management Plan” is defined in SA Section 3.15(1);

“Emergency Response Plan” is defined in SA Section 3.5(1);

“Equitable Distribution Plan” is defined in SA Section 3.8;

“Facilities Data Base” is defined in SA Section 7.1.1(a);

“Final Condition Survey” is defined in SA Section 7.1.2(1);

“Final Transition Plan” is defined in SA Section 7.2(1);

“Financial Management and Customer Services Information Systems Plan” is defined in SA Section 3.12;

“GIS Evaluation Report and Plan” is defined in SA Section 3.4(1);

“Hydraulic Model” is defined in SA Section 3.20;

“Industrial Discharge Program” is defined in SA Section 3.11(1);

“Initial Condition Survey” is defined in SA Section 7.1.1(b);

“Initial Transition Plan” is defined in SA Section 3.1(2)(a);

“Maintenance Management Program” is defined in SA Section 3.11(1);

“Management Information Systems Plan” is defined in SA Section 3.3(1);

“Occupational Health and Safety Program” is defined in SA Section 3.9(5);

“Operations and Maintenance Manuals” is defined in SA Section 3.19(1);

“Public Education Program” is defined in SA Section 3.14(1);

“Quarterly Report” is defined in SA Section 9.1(1);

“Safety Plan and Report” is defined in SA Section 3.9(2);

“Staff Training and Development Program” is defined in SA Section 3.6(1)(b);

“Standard Operating Procedures” is defined in SA Section 3.18(1); and

“Water and Wastewater Sampling and Monitoring Program” is defined in SA Section 3.7(1).

1.2 Supplementing the General Conditions

The provisions contained in this Service Appendix are intended to supplement the General Conditions for the purpose of providing greater specificity of the Services that the Operator shall perform.

## 1.3 “Existing” Conditions

If the Operator is required in this Services Appendix to review an existing situation of the Utility, the word “existing” shall mean existing as of the Starting Date.

ARTICLE 2 – OVERALL DESCRIPTION OF SERVICES AND REQUIREMENTS FOR PLANS, PROGRAMS AND REPORTS

## 2.1 Overall Description of Services to be Provided by the Operator

The Operator shall,

##### operate the water Facilities;

##### operate the wastewater and storm water Facilities;

##### maintain the Facilities and develop a comprehensive maintenance management program for the Facilities;

##### develop and manage programs to train and advance the skills of persons supervisedby the Operator;

##### carry out all billings, collections and Customer relations and service functions related to the Customers in the Service Area;

##### except as provided otherwise in this Contract, carry out all management, financial and administrative responsibilities related to the Utility;

##### plan and manage the implementation of programs carried out under the Capital and Operating Investment Fund;

##### manage the process of transition from a collection of separate municipal water and wastewater systems in the Service Area to a single water and wastewater utility; and

##### provide ongoing assistance and advice to the Utility on all matters related to the Utility, the Services, and any requests for information or advice from the [ ] or citizen committees with respect to the Utility, the Facilities or the Services,

as set out in this Services Appendix.

## 2.2 General Provisions Applicable to Plans, Programs, Reports, Surveys and Guidelines

2.2.1 List of Plans, Programs, Reports, Surveys and Guidelines

In accordance with this Services Appendix, the Operator shall, in addition to its other responsibilities, develop the following documents:

##### Category “A” Documents

###### Initial Transition Plan;

###### Base Year Data Report;

###### Management Information Systems Plan;

###### GIS Evaluation Report and Plan;

###### Emergency Response Plan;

###### Staff Training and Development Program;

###### Water and Wastewater Sampling and Monitoring Program;

###### Equitable Distributions Plan;

###### Safety Plan;

###### Occupational Health and Safety Plan;

###### Industrial Discharge Program;

###### Maintenance Management Program;

###### Initial Condition Survey;

###### Financial Management and Customer Services Information System Plan;

###### Commercial Management Plan; and

###### Public Education Program;

##### Category “B” Documents

###### Energy Management Plan;

###### Customer Service Plan;

###### Customer Service Training Program; and

###### Customer Service Program; and

##### Category “C” Documents

###### Standard Operating Procedures;

###### Operations and Maintenance Manuals; and

###### Facilities Data Base.

#### 2.2.2 General Requirements for all Plans, Programs, Reports, Surveys and Guidelines

#### (1) With respect to each of the documents listed in SA Section 2.2.1, the Operator shall meet the requirements of this SA Section 2.2.2.

##### The Operator shall submit the documents listed in SA Section 2.2.1(a) (the “Category A Documents”) to the Utility for review and approval of the substance and recommendations of the documents. Except as provided in SA Sections 3.18(6) and 3.19(7), in respect of the documents listed in SA Section 2.2.1(b) (the “Category B Documents”) and SA Section 2.2.1(c) (the “Category C Documents”), the Operator shall submit the documents for Utility comment but not approval.

##### In its preparation of the documents, the Operator shall consult with the Utility as the documents are being developed.

##### The Operator shall ensure that, in addition to any other requirements specified in this Services Appendix, each of the documents contains,

#####  (a) detailed recommendations and cost analysis;

###### an action plan or action plans for the implementation of the recommendations;

###### an analysis of all staff training and development that will be required prior to and during implementation of the recommendations contained in the document;

###### an action plan for the implementation of the recommended staff training and development; and

###### an analysis of the information systems implications of the recommendations.

##### Except as provided in SA Section 2.2.2(6), immediately after the Utility has reviewed, and, in the case of the Category A Documents, approved a document listed in SA Section 2.2.1(a), the Operator shall begin the implementation of the recommendations of that approved document.

##### The Operator shall implement the recommendations of the Category A and Category B Documents under the Capital and Operating Investment Fund.

##### Except as provided otherwise in this Services Appendix, the Operator shall review and update each of the documents annually and submit any appropriate revisions to the Utility for review and, in the case of Category A Documents, for approval. Summaries of the Operator’s reviews, updates and suggested revisions shall be included in the Annual Reports.

##### The Operator shall,

##### (a) monitor the implementation of all approved recommendations in the documents;

##### (b) ensure, where applicable, ongoing compliance with procedures set out in the approved documents; and

##### (c) provide a status report on the implementation as part of the Quarterly Reports and Annual Reports.

2.2.3 Utility Review and Approval of Plans, Programs, Reports and Guidelines

#### (1) In respect of the Category A and B Documents, the Utility shall, in writing,

##### (a) review and provide comments; or

##### (b) review and approve, if applicable,

each document no later than 30 days after the Utility receives the document.

#### (2) If the Utility fails to meet the deadline set out in SA Section 2.2.3(1) the Operator shall notify the Utility of such failure.

#### (3) If the Utility does not respond to the Operator’s notice under SA Section 2.2.3(2) prior to the expiration of 14 days after the notice is received by the Utility, the applicable document shall be considered to be approved.

#### (4) The provisions of this SA Section 2.2.3 shall apply to the first and all subsequent drafts of a document submitted by the Operator.

2.2.4 Consistency Among Plans, Programs, Reports and Guidelines

The Operator shall ensure that all documents listed in SA Section 2.2.1 and all recommendations contained in them are consistent with one another and in compliance with the Applicable Law.

**ARTICLE 3 – GENERAL UTILITY PROGRAMS**

CATEGORY A DOCUMENTS

3.1 Initial Transition Plan

#### 3.1.1 The Operator acknowledges that:

##### (1) the Utility is at the beginning of a process of restructuring and transition from a collection of separate municipal water and wastewater systems to a single water and wastewater utility;

##### (2) the process of restructuring and transition will not be completed prior to the Starting Date; and

##### (3) the Operator shall be responsible for the management of the process of transition to a single water and wastewater utility.

#### 3.1.2 The Operator shall,

##### (1) review the status of the transition and restructuring process as of the Starting Date and prepare an action plan with respect to any transition activities that are not complete as of the Starting Date (the “Initial Transition Plan”);

##### (2) manage the ongoing transition and restructuring process;

##### (3) assist the Utility in all liaison between the Utility and municipal authorities with respect to transition and restructuring issues;

##### (4) ensure that during the transition and restructuring process,

###### (a) all of the Utility’s revenues are appropriately allocated to the Utility’s accounts and that all Operations Staff are paid appropriately; and

###### (b) the existing continuity of water and wastewater services to Customers is maintained; and

##### the Initial Transition Plan shall deal with all aspects of the transition from multiple municipal systems to a single water and wastewater utility, including,

###### (a) the development of a human resources plan for the integration of the municipal workforces including,

the harmonisation of all job descriptions;

recommendations as to salary and benefits scales; and

investigation of pension issues and recommendations for a consolidated pension program;

###### the consolidation and rationalisation of all stores, equipment, materials and supplies;

###### the consolidation and rationalisation of all operations, maintenance, and repair, replacement and rehabilitation functions;

###### the consolidation and rationalisation of all mobile plant;

###### rationalisation of all administrative and financial services;

###### establishment of a set of initial accounts for the Utility; and

###### the consolidation and rationalization of existing administrative offices and depots in the various municipalities.

* 1. Base Year Data Report

The Operator shall carry out a comprehensive review of the operations, maintenance, administrative and commercial performance of the Utility in the Base Year (the “Base Year Data Report”) and shall report to the Utility on its findings.

**3.3 Management Information Systems Plan**

#### 3.3.1 The Operator shall carry out a comprehensive review of the Utility’s existing information systems and shall prepare a management information systems plan for the Utility (the “Management Information Systems Plan”).

#### 3.3.2 The Management Information Systems Plan prepared by the Operator shall include,

##### (1) a description of all types of information that must be managed in respect of the activities of the Utility;

##### (2) an information management strategy for the Utility;

##### (3) a detailed design of an information system to develop, maintain and update comprehensive records of the Utility’s assets; and

##### (4) an updated and improved computerised inventory management program for the management and monitoring of all vehicles, equipment and supplies, which shall include,

###### (a) a record of the cost of vehicles, equipment, materials and supplies used subdivided by profit centres according to a chart of account codes;

###### (b) a comprehensive analysis of equipment, materials and supplies kept in storage as well as an analysis of acceptable minimum levels of equipment, materials and supplies kept in storage and appropriate reorder levels;

###### (c) an ability to carry out a stocktaking and inventory reconciliation process;

###### (d) review procedures and forms;

###### (e) an internal system control method, including audit trails; and

###### (f) an analysis of the existing state of information systems with respect to inventory management functions.

3.4 Geographic Information Systems Evaluation Report and Plan

#### 3.4.1 The Operator shall carry out a comprehensive review of any existing geographic information systems of the Utility and prepare a plan to improve and develop the geographic information systems of the Utility (the “GIS Evaluation Report and Plan”).

#### 3.4.2 The Operator shall not be responsible for costs associated with the purchase of GIS-related hardware and software but shall be responsible for day to day GIS operational costs, including all data inputting.

3.5 Emergency Response Plan

#### 3.5.1 The Operator shall develop an emergency response plan or, where applicable, review and update existing emergency response plans currently in place at the Utility in respect of responses to pollution, contamination, spills, accidents, power outages, natural disasters, acts of war or terrorism or other similar emergencies (the “Emergency Response Plan”).

#### 3.5.2 The Operator, in developing the Emergency Response Plan, shall,

##### (1) assess and advise the Utility on the legal requirements of the plan; and

##### (2) conduct a program in conjunction with the Utility of periodic exercises to test the procedures in the plan.

3.6 Staff Training and Development Program

#### 3.6.1 The Operator shall,

##### (1) carry out a skills assessment of the Operations Staff; and

##### (2) develop a comprehensive training and development program for the Operations Staff (the “Staff Training and Development Program”) based on the skills assessment carried out by the Operator.

#### 3.6.2 The Staff Training and Development Program shall include,

##### (1) a review of existing in-house and external training capacity and facilities; and

##### (2) recommendations for the future development of in-house and external training capacity and facilities.

3.7 Water and Wastewater Sampling and Monitoring Program

#### 3.71 The Operator shall review the Utility’s existing water and wastewater sampling and monitoring programs and develop an improved water quality sampling and monitoring program (the “Water and Wastewater Sampling and Monitoring Program”). The Water and Wastewater Sampling and Monitoring Program shall include,

##### (1) detailed methodologies and locations for all sampling and testing processes carried out under the Water and Wastewater Sampling and Monitoring Program;

##### (2) a program to monitor the quality of raw water and the bulk water supply received from [ ];

##### (3) a monitoring program for water quality throughout the water distribution system;

##### (4) a program to monitor the disinfection process in the water supply and distribution system;

##### (5) a program to monitor the quality of drinking water received by Customers at the Customers’ water taps;

##### (6) a wastewater influent and effluent monitoring program;

##### (7) a program to monitor all water and wastewater standards that are prescribed under the Applicable Law and to monitor whether the Facilities are meeting those standards;

##### (8) a protocol for immediate notification by the Operator to the Utility of any failure to meet water quality or wastewater effluent quality standards;

##### (9) a pressure testing and monitoring program;

##### (10) a protocol for reporting to the Utility and all regulators under the Applicable Law; and

##### (11) a system for random cross check split sampling.

#### 3.7.2 The Utility may, in its sole discretion, require the Operator to take samples on the Utility’s behalf for the purpose of allowing the Utility to review the testing and laboratory analysis program of the Operator.

#### 3.7.3 The Operator shall assist and advise the Utility in all matters related to water and wastewater quality including, but not limited to, providing advice and assistance during the Utility’s discussions with the [ ] on water and wastewater quality matters.

#### **3.8 Equitable Distribution Plan**

#### 3.8.1 The Operator shall prepare a plan to improve the equitable distribution of the supply of available treated water to Customers within the Service Area (the “Equitable Distribution Plan”). The purpose of the Equitable Distribution Plan is to improve, to the extent possible given the existing Facilities, the equity in the distribution of available treated water throughout each of the former municipal systems.

#### 3.8.2 The Operator shall prepare the Equitable Distribution Plan based on the Utility’s existing monitoring points in the water distribution system and any new monitoring points determined in accordance with SA Section 3.8(3).

#### 3.8.3 If the Operator proposes to use new monitoring points as part of the Equitable Distribution Plan, the Utility may, in addition to its right to review and approve the Equitable Distribution Plan under Section SA 2.2.2(2), choose the location of up to 20 percent of all new monitoring points for the Equitable Distribution Plan.

3.9 Safety Plan and Report

#### 3.9.1 The Operator shall conduct a physical inspection and review of the Facilities and equipment used at the Facilitiesto identify any deficiencies related to the safety of the Facilities.

#### 3.9.2 The Operator shall prepare a comprehensive report to the Utility outlining any safety deficiencies at the Facilities and setting out a plan to correct the safety deficiencies (the “Safety Plan and Report”).

#### 3.9.3 The Operator shall regularly inspect the Facilities for safety deficiencies.

#### 3.9.4 The Operator shall ensure that the Facilities are protected from trespassers, vandals or other parties which do not have the Utility’s or Operator’s permission to enter onto the Facilities by providing security for the Facilities. Such security measures must be in place at all times, 24 hours a day, 7 days a week.

#### 3.9.5 The Operator shall review existing occupational health and safety practices, programs and manuals and develop a comprehensive occupational health and safety program for the protection of Management Staff, Operations Staff and all other persons who may attend at the Facilities (the “Occupational Health and Safety Program”).

#### 3.9.6 The Occupational Health and Safety Program of the Operator shall include a description of how the Operator will,

##### (1) carry out all occupational health and safety responsibilities of the Utility as required under the Applicable Law;

##### (2) provide ongoing occupational health and safety training for the Management Staff and Operations Staff;

##### (3) develop and manage all required occupational health and safety reporting procedures; and

##### (4) manage all occupational health and safety claims and assist and advise the Utility on the settlement of all such claims.

3.10 Industrial Discharge Program

#### 3.10.1 The Operator shall review existing practices, policies and procedures with respect to industrial discharges into the Facilities and shall develop revised policies and procedures with respect to industrial discharges (the “Industrial Discharge Program”).

#### 3.10.2 The Industrial Discharge Program prepared by the Operator shall include:

##### (1) industrial discharge and heavy metals monitoring procedures;

##### (2) an enforcement and compliance program, in cooperation with the Utility, for industrial discharges;

##### (3) a program for charging for the discharge of heavy metals;

##### a program to measure and monitor trade effluent discharges; and

##### (5) a prescribed process for administering the inspection and approval of industrial connections to the wastewater collection system.

3.11 Maintenance Management Program

#### 3.11.1 The Operator shall review the existing maintenance practices of the Utility and existing maintenance management systems of the various municipalities comprising the Utility and shall develop a single, comprehensive maintenance program for the Facilities, the sites on which the Facilities are located, and the vehicles and equipment (the “Maintenance Management Program”).

#### 3.11.2 The Maintenance Management Program developed by the Operator shall include,

##### (1) a corrective maintenance program;

##### a preventive maintenance program; and

##### (3) a detailed review of all existing computerised maintenance management programs used by the Utility, and recommendations and a plan for the integration, development and updating of those computerised programs and the introduction of new programs if required;

##### (4) a program for all maintenance activities required to maintain any warranties related to the Facilities;

##### (5) a vehicle and equipment maintenance program;

##### (6) a system of planning, scheduling and recording all maintenance activities; and

##### (7) a site and grounds maintenance program in respect of the sites on which the Facilities are located.

3.12 Financial Management and Customer Services Information Systems Plan

The Operator shall, either as part of the Management Information Systems Plan or as an independent plan, carry out a comprehensive review of and develop plans respecting the existing information systems used by the Utility including,

##### (1) improving financial management, including the development of and implementation of accounting procedures and computerised financial and accounting systems and project financial and accounting management systems;

##### (2) improving the billings and collection systems including developing and implementing a computerised system for billings and tracking receivables;

(3) implementing a process of Customer identification and Customer surveys; and

(4) preparing financial statements for the Utility

(5) (the “Financial Management and Customer Services Information Systems Plan”).

**3.13 Commercial Management Plan**

#### 3.13.1 The Operator shall review the existing billings, collection and revenue management practices and develop a plan for the improvement of these practices (the “Commercial Management Plan”).

#### 3.13.2 The Commercial Management Plan shall include,

##### (1) an analysis of the effectiveness of the existing water and wastewater billing practices;

##### (2) a strategy to either improve the existing billing practices and systems or, where applicable, replace them;

##### (3) an analysis of the effectiveness of the existing water and wastewater collection practices and procedures;

##### (4) a strategy to either improve the existing collection practices, procedures and systems or, where applicable, replace them;

##### (5) a new or revised water disconnection procedure for the Utility; and

##### (6) procedures for the identification and removal of illegal connections.

##### **3.14 Public Education and Consultation**

##### 3.14.1 The Operator shall develop a public education program for the Customers of the Utility (the “Public Education Program”).

##### 3.14.2 The Public Education Program developed by the Operator shall include, but not be limited to, a water conservation education program.

##### 3.14.3 The Operator shall consult and liaise with other organisations and government agencies carrying out public education programs related to water and wastewater before the development of the Public Education Program and during the implementation of the program.

##### 3.14.4 The Operator shall, at the Utility’s request, prepare responses to requests from various Customer committees and other water and wastewater stakeholders.

CATEGORY B DOCUMENTS

3.15 Energy Management Plan

#### 3.15.1 The Operator shall develop energy management plans designed to reduce the energy costs for operating and maintaining the Facilities (the “Energy Management Plan”).

#### 3.15.2 The Energy Management Plan prepared by the Operator shall include,

##### (1) the identification of possible energy cost savings and the quantification of those potential cost savings;

##### (2) a report on the investigation and identification of alternative energy sources;

##### (3) a report on the investigation of the potential for energy tariff reductions with existing or new energy providers; and

##### (4) advice as to new work practices to reduce energy costs.

3.16 Customer Service Plan

#### 3.16.1 The Operator shall carry out a comprehensive review of existing Customer service practices and develop a Customer management strategy with a view to improving the quality of Customer service (the “Customer Service Plan”).

#### 3.16.2 The Customer Service Plan prepared by the Operator shall include a comprehensive strategy to establish a Customer call centre and the development and implementation of a computerised system for tracking Customer complaints.

3.17 Customer Service Training Program

The Operator shall, either as part of the Staff Training and Development Program or as an independent program, develop a Customer service training program (the “Customer Service Training Program”) for the applicable Operations Staff.

CATEGORY C DOCUMENTS

3.18 Standard Operating Procedures

#### 3.18.1 The Operator shall prepare or, where applicable, update existing Standard Operating Procedures for the Facilities (the “Standard Operating Procedures”).

#### 3.18.2 The Operator shall update the Standard Operating Procedures on an ongoing basisto reflect any changes to the Facilities.

#### 3.18.3 The Operator shall, at all times, keep a copy of the updated Standard Operating Procedures at each of the Facilities readily accessible to the Operations Staff and the Utility.

#### 3.18.4 The Operator shall provide training to the Management Staff and Operations Staff on an on‑going basis about the Standard Operating Procedures.

#### 3.18.5 The Standard Operating Procedures shall be developed in Arabic.

#### 3.18.6 No later than six months prior to the End Date, the Operator shall submit, for the Utility’s approval, the existing Standard Operating Procedures.

3.19 Operations and Maintenance Manuals

#### 3.19.1 The Operator shall prepare or, where applicable, review and update, Operations and Maintenance Manuals for the Facilities (the “Operations and Maintenance Manuals”).

#### 3.19.2 The Operator shall ensure that the Operations and Maintenance Manuals are developed with respect to all Facilities in the Service Area and all equipment, materials and supplies under the Operator’s control.

#### 3.19.3 The Operator shall update the Operations and Maintenance Manuals on an ongoing basis to reflect any changes to the Facilities.

#### 3.19.4 The Operator shall, at all times, keep a copy of the updated Operations and Maintenance Manuals at each of the Facilities readily accessible to the Operations Staff and the Utility.

#### 3.19.5 The Operator shall provide training to the Management Staff and Operations Staff on an on‑going basis about the Operations and Maintenance Manuals.

#### 3.19.6 The Operations and Maintenance Manuals shall be developed in Arabic.

#### 3.19.7 No later than six months prior to the End Date, the Operator shall submit, for the Utility’s approval, the existing Operations and Maintenance Manual.

3.20 Hydraulic Model

The Operator shall develop a hydraulic model for the water supply network and, where applicable, update and calibrate the existing hydraulic model (the “Hydraulic Model”), which shall include extending the existing hydraulic model to cover all areas of the water supply network.

**ARTICLE 4 – GENERAL UTILITY SERVICES**

**4.1 Procurement – Capital and Operating Investment Fund**

#### 4.1.1 The Operator shall procure goods, works and services with respect to the programs under the Capital and Operating Investment Fund in accordance with SA Section 7.3(2).

#### 4.1.2 In the case of goods, works and services that are paid for out of the Capital Operating and Investment Fund, and have been approved pursuant to SA Section 7.3, the Operator shall adopt and follow the procurement policies of the Bank as set out in the Capital and Operating Investment Fund Appendix.

4.2 Expert Advice and Assistance

#### 4.2.1 At the request of the Utility, the Operator shall provide ongoing technical expertise and advice and assistance to the Utility in respect of all matters related to the water and wastewater systems.

#### 4.2.2 The Operator’s advice and assistance pursuant to SA Section 4.2(1) shall include,

##### (1) providing assistance to the Utility in all negotiations with and applications for changes to the tariffs to the [ ];

##### (2) providing financial modelling;

##### (3) providing expert advice with respect to tariff setting, including advice on international trends and approaches in respect of tariffs;

##### (4) conducting research and investigations on various tariff related issues;

##### (5) providing advice and assistance in respect of public consultation;

##### (6) providing expertise to support the Utility’s strategic planning;

##### (7) providing expertise to support the Utility’s development planning process;

##### (8) advising in respect of new technologies available in the marketplace in respect of the Utility’s activities and responsibilities;

##### (9) advising in respect of new legal requirements proposed by the [ ] or other regulators of the Utility;

##### (10) evaluating proposals for changes to existing regulatory requirements;

##### (11) managing media relations and issues; and

##### (12) developing a corporate identity for the Utility.

##### **4.3 Financial, Administrative and Regulatory Management**

The Operator shall manage all general day to day financial, administrative and regulatory matters including,

##### keeping proper accounts in compliance with International Accounting Standards, including activity-based cost accounting, on behalf of the Utility, including all costs related to the Utility of its Board of Directors and its own staff;

##### day to day information systems management;

##### day to day procurement management in respect of the Services;

##### preparation of reports required by water and wastewater regulators and discussions and communications with regulators;

##### management of all permits and licences required by the Utility;

##### providing assistance and advice to the Utility with respect to cash management, cash flow, external financing, sources of external financing, methods to reduce financing charges and the negotiation of loans, overdrafts and other similar financing instruments;

##### providing assistance and advice to the Utility in its negotiations with the [ ];

##### investigating and, on approval by the Utility, procuring insurance on behalf of the Utility; and

##### responding to audit requests or financial reviews by Third Parties mandated by the Applicable Law.

4.4 Annual Operations and Maintenance Budgets

#### 4.4.1 Each year, the Operator shall prepare budgets with respect to the Utility’s water and wastewater operations and maintenance costs for the subsequent fiscal year for review and approval by the PMU (the “Annual Operations and Maintenance Budgets”).

#### 4.4.2 The PMU shall determine, in its sole discretion, the preparation and submission schedule and the format of the Annual Operations and Maintenance Budgets.

#### 4.4.3 The Annual Operations and Maintenance Budgets prepared by the Operator shall,

##### (1) include both reductions and increases that arise as a result of the implementation of the Annual Capital and Operating Investment Fund Plans and the Capital Investment Program, if any; and

##### (2) be prepared with regards to the amount of funds available in the Capital and Operating Investment Fund and the procedures set out in the Capital and Operating Investment Fund Appendix.

#### 4.4.4 The Operator shall,

##### (1) monitor expenditures under the approved Annual Operations and Maintenance Budgets;

##### (2) as necessary, develop action plans to bring expenditures to within the approved budget; and

##### report on the status of expenditures under the approved Annual Operations and Maintenance Budgets in the Quarterly Reports and Annual Reports.

ARTICLE 5 – WATER AND WASTEWATER OPERATIONS

* 1. General Water Operations Services

5.1.1 Management of Water Sources

####  Except for the sources of water received in bulk supply from [ ], the Operator shall have primary responsibility for the operation and management of all water sources, including wells and desalination facilities. The Operator’s operation and management of water sources pursuant to this SA Section 5.1.1 shall include wellhead and wellfield protection, and, where applicable, entering into agreements on behalf of the Utility with owners of water wells.

####  The Operator shall provide ongoing advice and assistance to the Utility in respect of,

##### (1) all interactions with the bulk water supplier, including ongoing assistance and advice in respect of the [ ] bulk water supply contract; and

##### (2) the management and protection of water sources, including the development of new raw water supply sources.

5.1.2 Pumping and Treatment of Water

Without limiting the generality of SA Section 2.1, the Operator shall,

##### (1) ensure pump functionality;

##### (2) ensure the functionality of all booster stations;

##### (3) ensure main water pipe functionality of all water line valves;

##### (4) ensure that all meters associated with the pumping and transportation of water are accurate and fully functional;

##### (5) engage in leak detection monitoring of the pumping and transportation of water;

##### (6) chlorinate water to ensure all water quality standards and Performance Standards are met;

##### (7) conduct a water quality testing program in accordance with the Water and Wastewater Sampling and Monitoring Program;

##### (8) advise the Utility as to new technologies which may be available to improve the disinfection, desalination, denitrification and other forms of treatment process and implement new technologies that have been approved for use by the Utility;

##### (9) manage and abstract water from any raw water sources managed by the Utility as of the Starting Date in accordance with all regulatory and licensing requirements under the Applicable Law and with any other quantity limits imposed by the Utility; and

##### (10) manage desalination processes as well as the disposal of the associated brine water.

5.1.3 Storage, Supply and Distribution of Water to Customers

Without limiting the generality of SA Section 2.1, the Operator shall,

##### (1) supply, store and distribute treated water to existing and new Customers in the Service Area;

##### (2) develop and implement a comprehensive field inspection program to monitor the supply and distribution of water to Customers;

##### (3) monitor all water supply and distribution systems for the purpose of leak detection and water pressure measurement;

##### (4) monitor and maintain the availability of the supply of water;

##### (5) carry out all new and replacement of water service connections to the water distribution system as follows:

##### (6) carry out all new service connections, including water meter installation; and

##### (7) replace existing water service connections in accordance with the Capital and Operating Investment Fund;

##### (8) manage and maintain all fire hydrants and cooperate with the local fire fighting authorities in all aspects of fire protection;

##### (9) manage and maintain all Utility owned permanent and portable multi-user standpipes in the Service Area;

##### (10) provide potable water to informal settlements in the Service Area as directed by the Utility;

##### (11) manage all reservoirs, including all cleaning processes;

##### (12) carry out all flushing and swabbing of water mains;

##### (13) conduct field inspections and collect data to demonstrate, to the satisfaction of the Utility, that Performance Standards are being met;

##### (14) manage all laboratories and laboratory functions; and

##### (15) carry out the trucking of water using the existing fleet of tankers owned by the Utility,

###### from the desalination facility to standpipes; and

###### to informal settlements, as directed by the Utility.

5.2 General Wastewater and Storm Water Operations Services

Without limiting the generality of SA Section 2.1 the Operator shall in respect of the wastewater and storm water Facilities,

##### carry out all new and replacement of wastewater service connections and extensions to the wastewater distribution Facilities as follows:

###### carry out all new service connections;

###### carry out all extensions to the wastewater collection Facilities; and

###### replace existing wastewater service connections;

##### regularly inspect surcharged sewers, identify causes of surcharging, recommend and take corrective measures;

##### monitor for and respond to reports of flow blockages;

##### administer the inspection and approval process for industrial connections to the wastewater collection system;

##### monitor the quality of industrial discharges into the wastewater collection system and Facilities;

##### manage, operate and maintain all wastewater collector sewers and storm water sewers;

##### manage, operate and maintain all wastewater treatment facilities identified in the Facilities Appendix;

##### carry out the pumping and transportation of untreated wastewater to the treatment plant;

##### carry out the transport and discharge of raw sewage from septic tank evacuations to disposal lagoons that are on land leased by the Utility;

##### carry out all sewage sludge disposal at landfills;

##### manage, operate and maintain all wastewater force mains;

##### carry out close-circuit inspections of the storm water and wastewater collection Facilities;

##### manage, operate and maintain all pumps and other electromechanical equipment to ensure their operability and functionality; and

##### manage, operate and maintain all wastewater and storm water reservoirs.

ARTICLE 6 – MAINTENANCE OF THE FACILITIES, VEHICLES AND EQUIPMENT

6.1 General Maintenance Services

The Operator shall carry out all corrective and preventive maintenance programs for the Facilities and the vehicles and equipment in accordance with the Maintenance Management Program.

**ARTICLE 7 – ASSET AND CAPITAL INVESTMENT PROGRAM SERVICES**

* 1. **Asset Management Improvement Programs**

7.1.1 Facilities Data Base and Initial Condition Survey

The Operator shall, using the existing survey reports as a basis,

##### prepare and update the existing computerised data base and asset inventory of all components and major equipment of the Facilities which shall include, among other things, a digitised mapping of the water distribution and wastewater collection networks, an independent revaluation of the Facilities, and the age and capacities of the Facilities (the “Facilities Data Base”);

##### assess the condition of the Facilities in the Facilities Data Base to an internationally accepted condition grading system and identify any major deficiencies in the Facilities and prepare a report (the “Initial Condition Survey”) outlining the Operator’s findings and recommendations for the repair of major deficiencies; and

##### carry out any physical inspection of the Facilities as may be required to prepare the Facilities Data Base and the Initial Condition Survey.

7.1.2 Final Condition Survey

##### (1) Prior to the End Date, the Operator shall conduct a condition survey of the Facilities using the Initial Condition Survey as a guide (the “Final Condition Survey”).

##### (2) Based on the results of the Final Condition Survey, the Operator shall prepare and submit to the Utility for the approval of the Utility, a remediation plan to correct any remaining deficiencies, excluding normal wear and tear, in the Facilities.

##### (3) The Operator shall complete the implementation of the remediation plan prior to the End Date.

7.2 Final Transition Plan

#### 7.2.1 At least six months prior to the End Date, the Operator shall develop a plan to hand over the Facilities to the Subsequent Operator at the end of the term of the Contract (the “Final Transition Plan”).

#### 7.2.2 The Final Transition Plan shall include,

##### (1) plans to transfer the management and operations of the Facilities to the Subsequent Operator;

##### (2) transition plans with respect to the Operations Staff;

##### (3) a proposed process for the transfer of all Contract Records to the Utility;

##### (4) plans to transfer operations and maintenance functions to the Subsequent Operator; and

##### (5) a proposed budget for the Operator’s transition services after the End Date if the Utility requests such services pursuant to GC Section 2.2.4**.**

7.3 Capital and Operating Investment Fund

#### 7.3.1 The Utility shall establish a fund for the payment of all costs, except Operations Staff costs where applicable, in respect of the matters identified in the Capital and Operating Investment Fund.

#### 7.3.2 The Operator shall implement the Capital and Operating Investment Fund and procure all items from the Capital and Operating Investment Fund in accordance with the Capital and Operating Investment Fund Appendix on behalf of the Utility.

7.4 Capital Investment Program – Operator’s Role

#### 7.4.1 The Operator shall not be responsible for carrying out any Capital Investment Programs which are being carried out in parallel by the Utility or [ ].

#### 7.4.2 The Operator shall cooperate with the Utility, or its designates, at no cost to the Utility and at the Utility’s request, in the implementation by the Utility, or its designates, of the Capital Investment Program. The Utility will endeavour to cooperate with the Operator to minimise the impact on the water and wastewater operations caused by the Capital Investment Program.

#### 7.4.3 The Operator’s cooperation pursuant to SA Section 7.4.1.2 shall be limited to,

##### (1) the provision of existing available information on the Facilities;

##### (2) consultation on matters of integrating New Facilities with Existing Facilities ;

##### (3) attendance at meetings for the purpose of liaison with capital programs;

##### (4) provision of operations and maintenance advice;

##### (5) provision of general Facilities advice; and

##### (6) reviewing and commenting on shop drawings.

#### 7.4.4 The Operator shall nominate an individual to act as a liaison between the Operator and the Utility, or the Utility designates, with respect to cooperating with the Utility in the carrying out of the Capital Investment Program.

ARTICLE 8 – FINANCIAL MANAGEMENT AND CUSTOMER SERVICE

* 1. Customer Service and Financial Management Services

8.1.1 Billings and Collection

The Operator shall have full responsibility with respect to billings and collections of the Utility.

####  The Operator shall,

##### deliver all bills to Customers;

##### collect all types of amounts due to the Utility related to the Services,

###### through the Utility billing offices;

###### through banks, post offices or cashiers in billing offices; or

###### by other means as may be agreed to by the Utility;

##### develop collection procedures for approval by the Utility;

##### identify and record all outstanding accounts and take all necessary measures to collect outstanding accounts;

##### submit to the Utility as part of the Quarterly Reports a summary and analysis of unpaid accounts; and

##### review the existence or absence of subscriber contracts in the various municipalities constituting the Utility to develop a recommended approach for the Utility as a whole, for review and approval by the Utility.

8.1.2 Meters

The Operator shall,

##### install, seal and, where appropriate, secure meters for Customers;

##### develop and implement a program to monitor and read all Customer meters, district meters, well meters and any other meters related to the Facilities;

##### register all meter readings in the appropriate computer data base;

##### develop a plan for the calibration of the Customer meter stock during the term of the Contract;

##### develop a monitoring program of random spot-checks to ensure the accuracy of the meter calibration and the meter reading process and provide written reports to the Utility on the results of the monitoring program;

##### develop and implement a plan with the following objectives:

###### all meters are accurate;

###### all meters are in suitable locations;

###### problems related to unprotected and unsealed Customer meters are resolved; and

###### all Customers are registered;

##### develop and implement a program to estimate consumption in circumstances where metering problems exist;

##### implement methods to improve the meter reading process to ensure greater accuracy;

##### convert all meter readings to billings to Customers;

##### identify meters which have not been read;

##### respond to reports of malfunctioning meters from Customers; and

##### carry out routine replacements of meters for Customers.

8.1.3 Customer Service Program

The Operator shall review, consolidate and update the existing customer service programs (the “Customer Service Program”), including a review and update of the customer programs dealing with,

##### carrying out all customer service related to new water and wastewater connections;

##### receiving and handling all customer queries and complaints, including, queries and complaints related to,

###### water and wastewater bills;

###### malfunctioning or inaccurate meters;

###### meter readings;

###### water quality;

###### water pressure;

###### blockage or flooding of wastewater pipes;

###### leakage and damaged pipes;

###### odour; and

###### any matter related to the Facilities;

##### receiving and responding to all requests related to,

###### a change in meter location;

###### a change in Customer names; and

###### cancellation by Customers; and

##### conducting Customer satisfaction surveys;

##### dealing with illegal connections;

##### methods to inform Customers about the aspects of the Customer Service Program and services of the Utility; and

##### developing procedures by which the Operator may enter upon land or into the buildings of Customers.

8.1.4 Administrative Offices and Depots

The Operator shall supervise the design and construction of any new administrative offices and depots in accordance with the Capital and Operating Investment Fund Appendix.

ARTICLE 9 – QUARTERLY AND ANNUAL REPORTS

9.1 Quarterly Reports

#### 9.1.1 In addition to any other reports required by the Contract, the Operator shall prepare and deliver to the Utility, once every 3 months, a report (the “Quarterly Report”) in English that includes the following:

##### a progress report on each of the documents listed in SA Section 2.2.1;

##### a report on the implementation of the recommendations of the documents listed in SA Section 2.2.1;

##### a water quality and environmental quality monitoring report;

##### a financial report in respect of operations and maintenance and repair and rehabilitation expenditures;

##### a Customer service report;

##### an Operations Staff report;

##### a revenue, billings and collection report including a monthly summary of unpaid accounts; and

##### any matter on which the Utility requests specific information.

#### 9.1.2 The Quarterly Reports shall be delivered no later than 15 days after the end of the three month period to which the Quarterly Report applies.

#### 9.1.3 Each Quarterly Report shall include an executive summary in English and Arabic.

#### **9.2 Annual Report**

#### The Operator shall, no later than 30 days after the last business day of each Contract Year, submit to the Utility an annual report (the “Annual Report”) in English, with an executive summary in both Arabic and English,summarising the activities of the Operator in the previous Contract Year in the areas described in SA Section 9.1(1), and any other information that may reasonablybe required by the Utility.

**APPENDIX 8** **INCENTIVE COMPENSATION APPENDIX PROVISIONS**

**GENERAL**

Documents Comprising the Incentive Compensation Appendix

The Incentive Compensation Appendix consists of:

the Incentive Compensation Provisions;

Attachment 1 Incentive Compensation Calculation Procedure Notes; and

Attachment 2 Incentive Compensation Charts 1 to 8.

**THE INCENTIVE COMPENSATION**

Incentive Compensation Limits

The Incentive Compensation paid to the Operator shall not exceed the equivalent of $2,400,000 U.S. over the term of the Contract.

The Incentive Compensation paid to the Operator in any Contract Year shall not exceed the equivalent of $800,000 U.S.(the “Maximum Annual Incentive Compensation”).

The actual amount paid to the Operator as Incentive Compensation shall be determined by the extent to which the Operator achieves the performance criteria set out in the Incentive Compensation Charts and by the application of the calculations set out in the Incentive Calculation Procedure Notes for the applicable Contract Year.

If the amount of Incentive Compensation calculated pursuant to Section 2.1(3) of this Incentive Compensation Appendix for any Contract Year is less than zero, the Operator shall neither receive nor pay any amount to the CMWU for the applicable Contract Year.

If the Operator fails to meet the “Excellent” rating set out in the Incentive Compensation Chart, in any Contract Year, the Operator will be obliged to make up the shortfall in the subsequent Contract Year, as well as meet the performance targets for that Contract Year.

Except as the CMWU may, in its sole discretion, otherwise determine based on exceptional circumstances, if the Operator fails to attain the Maximum Annual Incentive Compensation in any Contract Year, the shortfall will not be available to the Operator in the subsequent Contract Years and the equivalent of $800,000 U.S. per Contract Year maximum will not be increased.

For the purpose of calculating the equivalency of $2,400,000 U.S. and $800,000 U.S. pursuant to Sections 2.1(1) and 2.1(2) of this Incentive Compensation Appendix, the equivalency shall be calculated as of the date of payment of the Incentive Compensation.

11670664

**Attachment 1**

**to the Incentive Compensation Appendix**

**Incentive Compensation Calculation Procedure Notes**

 **ATTACHMENT 1**

 **INCENTIVE COMPENSATION CALCULATION PROCEDURE NOTES**

**PART A - THE METHOD FOR CALCULATING INCENTIVE COMPENSATION IN EACH CONTRACT YEAR**

1. The Incentive Compensation for each Contract Year shall be calculated as follows:

**Compensation = 3.5 - Composite Score x Maximum Annual Incentive Compensation
 2.5**

Where:

(i) The Maximum Annual Incentive Compensation is calculated as set out in Section 2.1 of the Incentive Compensation Appendix;

1. The Composite Score is calculated in accordance with “Part B-The Method for Calculating the Composite Score” of these Incentive Compensation Calculation Procedure Notes; and
2. If the Composite Score for a Contract Year is 3.5 or greater and the result of this calculation is zero or negative, the Incentive Compensation for that Contract Year shall be equal to zero.

**PART B - THE METHOD FOR CALCULATING THE INCENTIVE COMPENSATION**

1. The Composite Score for each Contract Year shall be as follows:

**Composite Score = Total of All Weighted Scores for the Performance Criteria**

Where:

(i) The Weighted Score for each Performance Criterion equals Criterion Weight x Criterion Value;

(ii) The Criterion Value is measured from “Excellent” to “Poor” with corresponding values, as set out in Section 2 of Part B of this Attachment 1 to the Incentive Compensation Appendix, of 1 (for “Excellent” performance) to 5 (for “Poor” performance) as set out in the Incentive Compensation Charts and evaluated based on the performance of the Operator;

(iii) The Criterion Value which the Operator receives for any Performance Criterion is based upon the performance standards set out in the Incentive Compensation Charts under the headings, “Excellent”, “Very Good”, “Good”, “Fair”, and “Poor” as compared against the Operator’s actual performance standards in each Contract Year; and

(iv) If the Operator’s actual performance in a Contract Year,

 (a) exceeds the performance standards for an “Excellent” Criterion Value, then the Criterion Value shall be 1;

 (b) is less than the performance standards for a “Fair” Criterion Value, then the Criterion Value shall be 5; or

 (c) is in between the performance standards for two Criterion Values, then the score for that performance standard shall be rounded down to the nearest whole number or 0.5 decimal point.

2. For the purpose of clarity, it is noted that there are only eight scores to be used as follows: 1, 1.5, 2, 2.5, 3, 3.5, 4 and 5.

3. For ease of reference, the following calculation represents the calculation of the Composite Score for a hypothetical Operator for four performance criteria in one Contract Year.

**Sample Incentive Compensation Chart**

|  |  |  |  |
| --- | --- | --- | --- |
| **Performance Criterion** | **Units** | **Weight** | **Criterion Values** |
| **1****Excellent** | **2****Very Good** | **3****Good** | **4****Fair** | **5****Poor** |
| 1. Consistancy of Water Supplied | % of the year where water was supplied for 24 hrs. each day | 0.30 | 65 | 55 | 50 | 40 | 30 |
| 2. Electricity Use | % Reduction in kwhr/mcm consumed from the year prior to the starting date | 0.25 | 20 | 19 | 17 | 16 | 15 |
| 3. Domestic Meter Installation (Apartment Blocks) | % of apartment blocks with operating meters | 0.15 | 30 | 25 | 20 | 15 | 10 |
| 4. Reduction of Unregistered Connections | % reduction of unregistered connections from the year prior to the starting date | 0.30 | 90 | 85 | 80 | 75 | 70 |

The following table demonstrates the procedure for the calculation of the “Composite Score”, if at the end of the year the achievements of the Operator are as follows:

i) Constancy of water supplied 57%

ii) Electricity use reduction 22%

iii) Domestic Meter Installation

 (Apartment Blocks) 29%

iv) Reduction of Unregistered

Connections 74%

 **Sample Calculation of Composite Score**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Performance Criterion** | **Units** | **Weight** | **Operator’s Achievement** | **Raw Score** | **Weighted Score** |
| 1. Consistancy of water supply | % of all hours in a year where water was supplied for 24 hours each day | 0.30 | 57% | 2 | 0.6 |
| 2. Electricity Use | % reduction in kwhr/mcm of electricity consumed in applicable Contract Year from the year prior to the starting date | 0.25 | 22% | 1 | 0.25 |
| 3. Domestic Meter Installation (Apartment Blocks) | % of apartment blocks with operating meters | 0.15 | 29% | 1.5 | 0.225 |
| 4. Reduction of Unregistered Connections | % reduction of unregistered connections from the year prior to the starting date | 0.30 | 74% | 5 | 1.5 |
|  **Composite Score** | 2.575 |

If, for the purpose of this sample calculation, the Maximum Annual Incentive Compensation is $800,000 U.S., then the Incentive Compensation payable to the Operator in respect of the sample year is calculated as:

Incentive Compensation = 3.5 – 2.575 x $800,000 U.S.
 2.5

 = 0.925 x $800,000 U.S.

 2.5

 = 0.37 x $800,000 U.S.

 = $296,000 U.S.

 Merit Payment Program (pursuant to Section 2.4 of the Operations Staff Appendix)

 =0.25 x $296,000 U.S.

 = $74,000 U.S.

 Net Remaining Incentive Compensation to the Operator = $296,000 U.S. - $74,000 U.S.

 = $222,000 U.S.

**Attachment 2**

**to the Incentive Compensation Appendix**

**The Incentive Compensation Charts**

**Chart 1**

**Incentive Obligations**

**Year 1**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  |  | **Criterion Values** |
| **SA Section References** | **Performance Criterion** | **Units** | **Weight** | **1****Excellent** | **2****Very Good** | **3****Good** | **4****Fair** | **5****Poor** |
| SA 5.1.1 | Water wells operation | • The percentage of working time. | 0.10 | 90% | 88% | 85% | 80**%** | 75% |
| SA 5.1.2(f) | Water Chlorination | The percentage of water samples, taken in accordance with the Water and Wastewater Sampling and Monitoring Program, that have a minimum chlorine residual of 0.02mg/L and a maximum chlorine residual of 0.5mg/L | 0.15 | 99.8% | 97.5% | 96% | 94% | 90% |
| SA 5.1.3(c) | Efficiency | The total volume of water billed to Customers as a percentage of the total volume of water where the total volume of water equals water produced at water sources, as measured by the meters at the well heads, plus water received in bulk supply from Mekeroth, as measured by the CMWU’s bulk water meter, plus water supplied from the desalination plant, as measured by the desalination plant’s bulk meter | 0.20 | 72% | 71% | 70.5% | 70% | Less than 70% |
| SA 5.1.3(d) | Supply of Water | The average number of hours in each day in a Contract Year when all Customers receive water at a minimum pressure of at least 200 kPa and a maximum pressure of 600 kPa as measured at measuring points determined by the Equitable Distribution | 0.10 | 8 | 7.5 | 7 | 6 | Less than 6 |
| SA 5.2(g) | Wastewater Effluent Quality | The percentage for measuring wastewater effluent quality as calculated by the formula set out in Attachment 2 – Wastewater Effluent Quality to the Performance Standards Chart | 0.15 | 100% | 99% | 98% | 97% | Less than 97% |
| SA 8.1.1(2)(a) | Collection Ratio | Percentage of gross collected revenues, as calculated by the formula set out in Attachment 3 – Revenue Collection Efficiency to the Performance Standards Chart, measured from the percentage of Excellent Score gross collected revenues in the immediately previous Contract Year (the “Base Amount”). For the purposes of the calculation in the first Contract Year, the Base Amount shall equal 40% | 0.30 | Base +0.25\*(100- Base Amount) | Base Amount + 0.20\*(100 -Base Amount) | Base Amount + 0.15\*(100 - Base Amount) | Base Amount + 0.1\*(100 - Base Amount) | < Base Amount + 0.1\*(100 - Base Amount) |

**Chart 2**

**Incentive Obligations**

**Year 2**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  |  | **Criterion Values** |
| **SA Section References** | **Performance Criterion** | **Units** | **Weight** | **1****Excellent** | **2****Very Good** | **3****Good** | **4****Fair** | **5****Poor** |
| SA 5.1.1 | Water wells operation | • The percentage of working time. | 0.10 | 90% | 88% | 85% | 80**%** | 75% |
| SA 5.1.2(f) | Water Chlorination | The percentage of water samples, taken in accordance with the Water and Wastewater Sampling and Monitoring Program, that have a minimum chlorine residual of 0.02mg/L and a maximum chlorine residual of 0.5mg/L | 0.15 | 99.8% | 97.5% | 96% | 94% | 90% |
| SA 5.1.3(c) | Efficiency | The total volume of water billed to Customers as a percentage of the total volume of water where the total volume of water equals water produced at water sources, as measured by the meters at the well heads, plus water received in bulk supply from Mekeroth, as measured by the CMWU’s bulk water meter, plus water supplied from the desalination plant, as measured by the desalination plant’s bulk meter | 0.20 | 74% | 73% | 72.5% | 72% | Less than 72% |
| SA 5.1.3(d) | Supply of Water | The average number of hours in each day that all Customers receive water at a minimum pressure of at least 200 kPa and a maximum pressure of 600 kPa as measured at measuring points determined by the Equitable Distribution | 0.10 | 10 | 9.5 | 9 | 8 | Less than 8 |
| SA 5.2(g) | Wastewater Effluent Quality | The percentage for measuring wastewater effluent quality as calculated by the formula set out in Attachment 2 – Wastewater Effluent Quality to the Performance Standards Chart | 0.15 | 100% | 99% | 98% | 97% | Less than 97% |
| SA 8.1.1(2)(a) | Collection Ratio | Percentage of gross collected revenues, as calculated by the formula set out in Attachment 3 – Revenue Collection Efficiency to the Performance Standards Chart, measured from the percentage of Excellent Score gross collected revenues in the immediately previous Contract Year (the “Base Amount”). | 0.30 | Base +0.25\*(100- Base Amount) | Base Amount + 0.20\*(100 -Base Amount) | Base Amount + 0.15\*(100 - Base Amount) | Base Amount + 0.1\*(100 - Base Amount) | < Base Amount + 0.1\*(100 - Base Amount) |

**Chart 3**

**Incentive Obligations**

**Year 3**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  |  | **Criterion Values** |
| **SA Section References** | **Performance Criterion** | **Units** | **Weight** | **Excellent** | **2****Very Good** | **3****Good** | **4****Fair** | **5****Poor** |
| SA 5.1.1 | Water wells operation | • The percentage of working time. | 0.10 | 90% | 88% | 85% | 80**%** | 75% |
| SA 5.1.2(f) | Water Chlorination | The percentage of water samples, taken in accordance with the Water and Wastewater Sampling and Monitoring Program, that have a minimum chlorine residual of 0.02mg/L and a maximum chlorine residual of 0.5mg/L | 0.15 | 99.8% | 97.5% | 96% | 94% | 90% |
| SA 5.1.3(c) | Efficiency | The total volume of water billed to Customers as a percentage of the total volume of water where the total volume of water equals water produced at water sources, as measured by the meters at the well heads, plus water received in bulk supply from Mekeroth, as measured by the CMWU’s bulk water meter, plus water supplied from the desalination plant, as measured by the desalination plant’s bulk meter | 0.20 | 76% | 75% | 74.5% | 74% | Less than 74% |
| SA 5.1.3(d) | Supply of Water | The average number of hours in each day that all Customers receive water at a minimum pressure of at least 200 kPa and a maximum pressure of 6 kPa as measured at measuring points determined by the Equitable Distribution | 0.10 | 12 | 11.5 | 11 | 10 | Less than 10 |
| SA 5.2(g) | Wastewater Effluent Quality | The percentage for measuring wastewater effluent quality as calculated by the formula set out in Attachment 2 – Wastewater Effluent Quality to the Performance Standards Chart | 0.15 | 100% | 99% | 98% | 97% | Less than 97% |
| SA 8.1.1(2)(a) | Collection Ratio | Percentage of gross collected revenues, as calculated by the formula set out in Attachment 3 – Revenue Collection Efficiency to the Performance Standards Chart, measured from the percentage of Excellent Score gross collected revenues in the immediately previous Contract Year (the “Base Amount”). | 0.30 | Base +0.25\*(100- Base Amount) | Base Amount + 0.20\*(100 -Base Amount) | Base Amount + 0.15\*(100 - Base Amount) | Base Amount + 0.1\*(100 - Base Amount) | < Base Amount + 0.1\*(100 - Base Amount) |