



June 22, 2007

Janet Schneider
Administrative Chief
City of Richmond
1401 Marina Way South
Richmond, CA 94804

Re: THIRD AMENDMENT TO AGREEMENT: Relocation of Sunset Pointe Sewage Pump Station Generator

Dear Ms. Schneider:

This letter confirms the agreement between Veolia and the City of Richmond regarding the placement of the generator for the Sunset Pointe Sewage Pump Station (the "Sunset Pointe Station"). The Sunset Pointe Home Owner's Association (the "HOA") complains that the placement of the generator detracts from the view of HOA homeowners. The HOA has requested that the generator be relocated. The City and Veolia have agreed to work with the HOA to find an acceptable place to locate the generator.

The improvement of the Sunset Pointe Station is provided for in the Second Amendment to the City of Richmond Wastewater Treatment Facility Capital Improvements, Operations, Maintenance and Management Agreement by and between the City of Richmond, California and Veolia Water North America Operating Services, LLC (f/k/a U.S. Filter Operating Services, Inc. and Veolia Water North America Operating Services, Inc. (the "Second Amendment") for a fixed price and its completion is a part of Milestone 1. The City and Veolia agree to address the issue of the generator as follows:

1. The completion of the Sunset Pointe Sewage Pump Station is hereby removed from the list of improvements to be completed no later than July 20, 2007 (the "Milestone 1 Improvements").
2. Liquidated damages will not be assessed against Veolia for any delay in the completion of the Sunset Pointe Sewage Pump Station. The City reserves the right to seek actual damages for completion delays, if incurred.
3. Veolia will, at its own expense, forthwith remove the generator from its present location and store the generator until it can be reinstalled at an agreed location.
4. The City and Veolia will, by August 1, 2007, develop plans and specifications for the relocation of the generator and will negotiate a Fourth Amendment to the Agreement that addresses the reasonable cost to be paid to Veolia by the City, if any, for the marginal additional design and construction work to be performed by Veolia

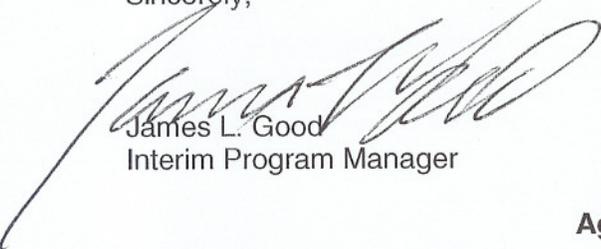
in moving the generator to the new site and installing the generator at the new site. City staff will present the Fourth Amendment to the City Council for approval.

5. Nothing in this letter will delay the payment of the amount due Veolia upon its completion of the Milestone 1 Improvements pursuant to Section 8(1) of the Second Amendment. The City reserves the right to withhold from the second one-million-dollar payment to be made upon completion of all Pump Station Improvements a good-faith estimate of amounts in dispute at the time that payment becomes due.

6. In the event that the City and Veolia are unable to agree upon the amount to be paid to Veolia by the City for the design and construction work to be performed, the parties will engage in dispute resolution in accordance with the terms of Section 8.8 of the Agreement. The City reserves the right to offer the exclusion of the completion of the Sunset Pointe Pump Station from Veolia's scope of work as an alternative in the dispute resolution process.

Your signature at the foot of this letter will confirm the City's agreement to the terms set forth in items 1 through 6, above. Your signature further confirms that this letter constitutes an administrative amendment to the parties' Agreement dated as of May 15, 2002, as amended September 7, 2004 and April 17, 2007 (the "Third Amendment") and that your signature below binds the City as provided herein.

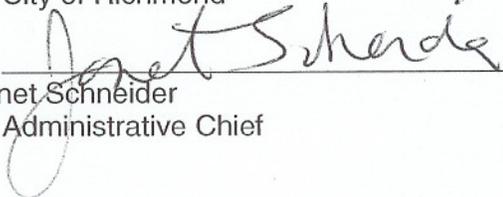
Sincerely,


James L. Good
Interim Program Manager

Agreement of City

The City agrees to the terms set forth above. The undersigned serves as the designee of the City Manager:

Dated: 6/22/07

City of Richmond

By: Janet Schneider
Administrative Chief

