



A Meeting of the
**BOARD OF DIRECTORS
OF THE
CENTRAL COAST WATER AUTHORITY**

will be held at 9:00 a.m., on Thursday, February 22, 2018
at 255 Industrial Way, Buellton, California

Jack Boysen
Chairman

Richard Shaikewitz
Vice Chairman

Ray A. Stokes
Executive Director

Brownstein Hyatt
Farber Schreck
General Counsel

Member Agencies

City of Buellton

Carpinteria Valley
Water District

City of Guadalupe

City of Santa Barbara

City of Santa Maria

Goleta Water District

Montecito Water District

Santa Ynez River Water
Conservation District,
Improvement District #1

Associate Member

La Cumbre Mutual
Water Company

- I. Call to Order and Roll Call**
- II. Public Comment – (Any member of the public may address the Board relating to any matter within the Board’s jurisdiction. Individual Speakers may be limited to five minutes; all speakers to a total of fifteen minutes.)**
- III. Consent Calendar**
 - * A. Approve Minutes of the January 25, 2018 Regular Meeting
 - * B. Approve Bills
 - * C. Controller’s Report
 - * D. Operations Report
- IV. Executive Director’s Report**
 - A. CCWA Water Supply Situation Report
 - B. 2018 Supplemental Water Program Update
 - * C. Agreement to Deliver Semitropic Water Storage Program Water for Montecito Water District
 - * D. State Water Project Contract Amendments Update
 - * E. California WaterFix Update
 - F. State Water Project Contract Assignment Update
- V. Closed Session**
 - A. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION
Initiation of litigation pursuant to paragraph (4) of subdivision (d) of Section 54956.9 (one potential case)
- VI. Reports from Board Members for Information Only**
- VII. Items for Next Regular Meeting Agenda**
 - A. CCWA FY 18/19 Preliminary Budget
- VIII. Date of Next Regular Meeting: March 22, 2018**
- IX. Adjournment**

255 Industrial Way
Buellton, CA 93427-9565
(805) 688-2292
FAX: (805) 686-4700

* Indicates attachment of document to original agenda packet.

#44712.1



**MINUTES OF THE
CENTRAL COAST WATER AUTHORITY
BOARD OF DIRECTORS**

January 25, 2018

I. Call to Order and Roll Call

Chairman Boysen called the January 25, 2018, Central Coast Water Authority (CCWA) Board of Directors meeting held at 255 Industrial Way, Buellton, California, to order at 9:01 a.m. Attachment No. 1 is a list of those in attendance.

CCWA member agencies with voting privileges were represented by:

<u>Representative</u>	<u>Agency/City</u>	<u>Voting %</u>
Jack Boysen	City of Santa Maria	43.19%
Harlan Burchardi	Santa Ynez River Water Conservation District, ID #1	7.64%
Eric Friedman	City of Santa Barbara	9.18%
Shirley Johnson	Carpinteria Valley Water District	7.64%
Richard Merrifield	Goleta Water District	17.20%
Richard Shaikewitz	Montecito Water District	9.50%

II. Public Comment

There was no public comment.

III. Consent Calendar

- A. Approve Minutes of the October 26, 2017 Regular Meeting
- B. Approve Bills
- C. Controller's Report
- D. Operations Report

Following discussion, a motion to approve the Consent Calendar was made by Director Shaikewitz, seconded by Director Merrifield, and carried with all in favor, Mr. Friedman abstaining, and none opposed.

IV. Executive Director's Report

- A. Water Supply Situation Report

Ray Stokes, CCWA Executive Director, addressed the Board to provide information related to water availability to CCWA, including weather related supply. The 8 station index measuring precipitation in the Northern Sierra was presented, indicating that 2017 was the wettest year on record, and the current year is trending below average, but above the lowest year of record. The San Joaquin index shows similar results, however the more southern Tulare index results show the current year's precipitation is barely above the lowest year of record, and well below average. Snow water content is very low, currently tracking with the lowest year of record.

Lake Oroville is at 30% capacity. The lake level is being kept low as repairs are ongoing on the spillway damaged last year, and Mr. Stokes explained the work and projected hydrology that is being used to determine future releases from the lake. The low storage level at Oroville is creating downward pressure on the allocation percentages for the State Water Project; however, other reservoirs within the state have better storage conditions, including San Luis Reservoir which is currently above historical average storage level.

Long term weather predictions from National Oceanic and Atmospheric Administration (NOAA) indicate above average temperatures and below average precipitation for the next several weeks, with an increasing chance of normal temperature and precipitation for the upcoming months. Most of California is still considered to be in extreme drought.

Currently DWR has announced a 15% allocation for 2018, and there is a probability based on the latest model runs that the allocation will be increased to 20% in the near future. There is also a 20% - 30% chance that San Luis Reservoir will fill this year, and it is currently unknown if DWR will allow carryover of water within the reservoir. CCWA is currently using carryover water first, and then Table A. CCWA water that was not used during the CCWA Winter Maintenance period is being reclassified as 14b water, so that it will not be subject to spill losses. The 14b carryover water has been allocated in proportion to Table A up to the carryover balance of CCWA project participants.

B. Calendar Year 2018 Water Delivery Schedules

John Brady, CCWA Deputy Director, reported CCWA staff prepared draft Five-Year Delivery Schedules for each Project Participant covering the time frame of 2018 through 2022. After receiving input from Project Participants, CCWA staff reviewed and aggregated the schedules. The current allocation was subsequently incorporated into the overall CCWA Delivery Schedule that was submitted to DWR prior to October 1, 2017.

Once final modifications are made and confirmed by each CCWA Project Participant, the Delivery Schedule will be considered final for the purposes of determining delivery priority during events where conveyance capacity is constrained and for establishing the CCWA budget for FY 2018/2019.

There is some extra capacity for the South Coast participants due to the Santa Ynez Exchange, which will be reallocated, and once complete, the final 2018 Delivery Schedules for each participant will be distributed.

C. 2018 Supplemental Water Purchase Program

Mr. Stokes reviewed the background of the Supplemental Water Purchase Program (SWPP), which was initiated in 2014, and has been able to provide about 27,000 AF of water to CCWA project participants. Montecito Water District, the City of Santa Barbara and City of Solvang have requested the program be re-established for this calendar year, and Mr. Stokes stated that all three have requested water with no return component. Therefore, the desired water will need to be acquired from farmers north of the Delta, and a water broker will be retained to negotiate the transactions.

The State Water Contractors organization has instituted the Dry Year Transfer Program (DYTP) for 2018, but since the program is based on Table A allocation, as a smaller contractor in the State Water Project CCWA would not be able to secure the water needed by its project participants through the DYTP.

Upon a motion by Director Shaikewitz, seconded by Director Merrifield and carried with all in favor and none opposed, the Board authorized the CCWA Executive Director to reinstitute the CCWA Supplemental Water Purchase Program for calendar year 2018 and authorized the CCWA Executive Director to enter into all required contracts on behalf of those CCWA project participants participating in the 2018 CCWA Supplemental Water Purchase Program.

D. State Water Contract Assignment Update

The 1963 contract under which water from the State Water Project (SWP) is delivered to Santa Barbara County is referred to as the "State Water Contract." The parties to the State Water Contract are the State of California, Department of Water Resources (DWR) and the Santa Barbara County Flood Control and Water Conservation District (County).

Since 1991, there have been periodic efforts to secure DWR's approval of assignment of the State Water Contract, as envisioned by the Transfer of Financial Responsibility Agreement between CCWA and the County. Prior to 2015, there had been some uncertainty as to whether CCWA, a joint powers authority, could satisfy the requirements of Article 34 of the State Water Contract obligating the contracting party to levy a property tax in the event of its failure to make the required payments to DWR under the contract, and therefore whether the State Water Contract could be assigned to CCWA. That uncertainty was removed when Government Code section 6502 was amended in 2015 to clarify that a joint powers authority has all powers common to the contracting parties, including but not limited to the authority to levy a fee, assessment or tax. It is now clear that CCWA is eligible to accept assignment of the State Water Contract.

Since the CCWA Board approval to pursue the contract assignment on June 22, 2017, CCWA staff have been actively meeting with the various representatives and agencies which will be required to approve the contract assignment. Primarily, staff's efforts have been focused on three simultaneous efforts with CCWA and its member agencies, DWR and the County.

At the time of the October 26, 2017 CCWA Board meeting, all eight Members approved the agreements necessary for assignment of the contract to CCWA. DWR hired a financial consultant to perform an independent credit analysis of CCWA, which was completed at the beginning of the year, and is currently under review by DWR.

CCWA staff's goal is to obtain DWR's informal approval of assignment and of the applicable transaction documents (i.e., the Assignment Agreement) by late 2017. DWR will not execute the Assignment Agreement until both CCWA and the County have done so.

CCWA staff have also met with personnel from Santa Barbara County to provide information and answer questions. Upon receipt of DWR's determination that it will approve assignment of the State Water Contract from the County to the CCWA, CCWA staff will request that the County staff present the assignment to the County Board of Supervisors for their consideration as soon as possible. At that time CCWA

project participants will be requested to assist in communication with the Board of Supervisors.

Chairman Boysen thanked all the member agencies for their timely responses to the requests for documentation related to the assignment.

E. State Water Contract Amendment

The existing State Water Contract (Contract) contains certain restrictions on the use of water from the State Water Project, including the ability to transfer water during severe drought without a future return of the water, which became apparent in recent years. Currently contractors are not allowed to sell their State water allocation to another SWP contractor, but can only perform short term transfers of water. DWR has been working with the contractors and has proposed some changes to the Contract to allow greater flexibility, most of which DWR believes are already provided for in the existing Contract.

Mr. Stokes explained Notice 17-11 issued by DWR on December 18, 2017 and included in the meeting materials, in which DWR is proposing that the return period for exchanges will be extended from 10 years to allow for an additional 10 years, and would permit that additional period to be applied to existing exchanges. The return ratio would also be changed from a maximum of 2:1 to a tabulated amount based on the system allocation percentage, ranging from 2:1 to 4:1, to create incentive for sellers. Storage carryover into the next calendar year of water in exchanges would also be allowable. The proposal states that payment for exchanges would be capped at Transportation Capital charges, but DWR has stated this proposal was made in error, and the other fixed cost components will be added.

Section B of the Notice allows for codification of multiyear transfers, which would address the issues related to the California WaterFix and contractors who wish to opt out of the California WaterFix project.

Negotiations between the contractors and DWR will be beginning soon, and Mr. Stokes stated that elimination of the existing turnback pool program is one item that he expects will be proposed in the Contractors' response to the Notice from DWR. DWR has an aggressive negotiation schedule, and hopes to have a completed agreement by year end.

The Board noted that approval of the Contract Amendment currently would be dependent on the Santa Barbara County Board of Supervisors, as the County is the contractor.

F. California WaterFix Status Update

Mr. Stokes updated the current status of the California WaterFix project, noting that the Federal contractors, particularly agricultural contractors, have voted to not participate. Several contractors have voted a limited approval, which has led to the potential for a re-sized project. A staged project is being evaluated, and the amount of water that would be available to the State contractors is being determined.

CCWA is not requesting project participants to make a decision on participation at this time. Mr. Stokes will continue to report to the Board as the project discussions continue throughout the state, and in the future will provide an updated cost to each of CCWA member agencies and participants.

DWR is also proposing a special Joint Powers Authority (JPA) for financing the project, and Mr. Stokes explained the rationale for establishing the JPA, and stated CCWA will not be taking a position on membership in the JPA until other matters are resolved, including a cost benefit analysis of the project as it is changed.

G. Finance Committee Report

1. FY 2017/18 Second Quarter Investment Report

As of December 31, 2017 the investment portfolio totaled \$41.6 million and had an effective rate of return of 1.24% on an average daily balance for the month of December 2017 of about \$42.1 million. The investments were comprised of the State of California Local Agency Investment Fund (LAIF), (\$36.6 million) and Montecito Bank & Trust money market account (\$5.0 million).

All investments during the quarter complied with the CCWA investment policy provisions and current pro forma projections indicate that the Authority will have sufficient cash with which to operate for the next six months.

Upon a motion by Director Burchardi, seconded by Director Shaikewitz and carried with all in favor, and none opposed, the Board approved the FY 2017/18 Second Quarter Investment Report.

2. FY 2016/17 Comprehensive Annual Financial Report

Mr. Stokes noted the audit firm Nasif Hicks had no comments on the FY 2016/17 Comprehensive Annual Financial Report (CAFR) and the Finance Committee recommended Board approval of the report. The auditors have expressed an unqualified opinion of the report. Mr. Stokes commended Laura Matthews, CCWA Controller, and Lisa Long, CCWA Deputy Controller for their work on the CAFR.

Upon a motion by Director Burchardi, seconded by Director Merrifield and carried with all in favor and none opposed, the Board approved the FY 2016/17 Comprehensive Annual Financial Report.

H. FY 2018/19 Budget Preparation Schedule

A schedule for CCWA budget preparation was provided in the meeting materials. The preliminary FY 18/19 budget will be presented to the Operating and Finance Committees in early March, with the final budget expected to be presented to the Board at its April meeting.

I. JPIA Low Loss Report

JPIA informed CCWA that it's loss ratio of 20% or less in the Worker's Compensation, Property and Liability programs entitles CCWA to the "President's Special Recognition Award" for those programs. JPIA commended CCWA on its efforts in reducing insurance claims.

V. Reports from Board Members for Information Only

- A. City of Buellton Appointment of Ed Andrisek as CCWA Board Member and Art Mercado as Board Alternate

There were no other reports from Board members.

VI. Items for Next Regular Meeting Agenda

VII. Date of Next Regular Meeting: February 22, 2018

Mr. Dahlstrom of Santa Ynez River WCDID#1 expressed the condolences of all CCWA member agencies to Montecito Water District and commended MWD staff on their actions during the recent flood crisis.

VIII. Adjournment

The meeting was adjourned at 10:53 a.m.

Respectfully submitted,

Elizabeth Watkins
Secretary to the Board



CENTRAL COAST WATER AUTHORITY

Agenda Item III.B
Board of Directors
February 22, 2018

Normal and Recurring Costs

Bills for Ratification - January 2018

VENDOR	INVOICE AMOUNT	DESCRIPTION
GENERAL & ADMINISTRATIVE EXPENSES		
Bank of America Business Card	140.30	Advertising - Distribution Tech
Bank of America Business Card	141.66	Publications, subscriptions, postage
Bank of America Business Card	245.27	Training Meals
Bank of America Business Card	319.42	Staff meetings
Bank of America Business Card	320.99	SWC/DWR - Travel and meetings
California Special Districts Association	1,299.00	Membership Dues 2018
Cardmember Service	4,298.55	State Water Contractors - Travel and meetings
Cline, Ron	90.00	Reimbursable expenses - Certification renewal
Co. of Santa Barbara Water Agency	4,766.00	IRWM Program expense
Federal Express	55.47	Express shipping
FLIR Commercial Systems, Inc.	1,995.00	Thermography Training
Kieding, Eric	105.00	Reimbursable expenses - Certification Renewal
Ladd, Brandon	105.00	Reimbursable expenses - Travel expenses
Total Funds	399.83	Postage - postage machine
United Parcel Service	201.14	Shipping expenses
	\$ 14,482.63	Total General & Administrative
MONITORING EXPENSES		
AmeriPride Services, Inc.	186.04	Lab supplies
Bank of America Business Card	30.20	Lab supplies
BIOVIR Laboratories	395.00	Water Analysis Tests
Culligan Industries Water Systems	85.00	Carbon Tank Rentals, Tri-Bed Tank Rentals
Eurofins Eaton Analytical	40.00	Lab testing
Hach Company	2,759.84	Lab supplies
IDEXX Distribution Corp.	2,092.47	Lab supplies
VWR International	258.32	Lab supplies
	\$ 5,846.87	Total Monitoring Expenses
OFFICE EXPENSES		
Bank of America Business Card	494.76	Office and Kitchen Supplies
Office Depot	691.27	Office, janitorial & kitchen supplies
Staples Inc.	179.29	Office, janitorial & kitchen supplies
Toshiba Business Solutions	61.31	Printer toner
	\$ 1,426.63	Total Office Expenses
OTHER EXPENSES		
American Marborg	288.36	Equipment Rental - trailer
Bazzell, David	175.00	DSL reimbursement
Brownstein Hyatt Farber	342.00	Legal Services: Reacquisition of Relinquished Entitlement
Comcast	191.01	Internet Service
CompuVision	8,390.00	Managed Service Agreement
Environmental Systems Research	7,692.58	Geographical Information Systems
HDR Engineering, Inc.	6,514.85	Engineering Review of Electrical Switchgear System WTP
Impulse Internet Services	2,855.84	T-1 System and Internet Service (Buellton and Shandon)
Mail Finance	898.43	Postage Machine Lease
Marborg Industries	144.37	Tank 5/Tank 7 Rental
Thompson, James	112.50	DSL reimbursement
Toshiba Financial Services	249.98	Copier lease - BAO
Xerox Financial Services	188.62	Copier Lease - WTP
	\$ 28,043.54	Total Other Expenses



CENTRAL COAST WATER AUTHORITY

Normal and Recurring Costs

Bills for Ratification - January 2018

VENDOR	INVOICE AMOUNT	DESCRIPTION
OTHER MISCELLANEOUS EXPENSES		
Comb-Warren Act Trust Fund	116,014.00	Trust Fund Quarterly payment
Department of Water Resources	12,697,390.00	Variable OMP&R, Delta Water & Transport Charge
	\$ 12,813,404.00	Total Other Miscellaneous Expenses
PERSONNEL EXPENSES		
ACWA/JPIA	16,793.07	Workman's Compensation Insurance
Bank of America Business Card	100.00	Employee Achievement Awards Program
CADA-SAVE/EAP	687.15	SAVE Employee Assistance Program
CalPERS Health	41,092.09	Health Insurance
CalPERS Retirement	36,218.35	Pension Contributions
CCWA Payroll Wages/Taxes	240,977.18	Gross Payroll Wages/Taxes
Dental/Vision Payments	3,583.95	Dental/Vision Benefits
ICMA-RC	48,657.55	OPEB Investment Fund
Medworks Medical Center, Inc.	150.00	Employee Respirator Exam
MetLife SBC Insurance	1,011.15	Life Insurance
Other Misc Employee Benefits	2,835.56	Vehicle, Uniform and Cafeteria Plan Benefits
Standard Insurance Company	1,264.76	Disability Insurance
	\$ 393,370.81	Total Personnel Expenses
PROFESSIONAL SERVICES		
Air Pollution Control District	430.44	Equipment permit renewals
Brownstein Hyatt Farber	212.50	Legal Services-Bidding Requirements/Construction Contra
Brownstein Hyatt Farber	652.00	Legal Services-Audit File
Brownstein Hyatt Farber	850.00	Legal Services-Relations State Water Contractors
Brownstein Hyatt Farber	1,299.24	Legal Services-DWR/SBCFCWCD Contract
Brownstein Hyatt Farber	1,360.00	Legal Services-Monterey II Litigation
CADA-SAVE/EAP	490.85	Annual Employee Assistance Program
Chemtrac Inc.	860.00	Laser replacement
Nasif Hicks & Company	22,000.00	Audit Year End 2016-17
Quinn Company	889.50	Fuel sampling kits
Samba Holdings, Inc.	65.00	DMV driver reports
Stradling Yocca Carlson Rauth	237.00	Legal - Employee Matters
Underground Service Alert	39.80	New tickets
	\$ 29,386.33	Total Professional Services
CIP PROJECTS - MATERIALS & OVERHEAD		
Applied Industrial Technologies	7,539.27	Distribution Instruments and Tools
Bank of America Business Card	327.83	Distribution Instruments and Tools
Ferguson Enterprises, Inc	2,956.55	Distribution Instruments and Tools
Norcast Telecom Networks	4,050.00	New Phone Server
Prime Technologies Inc	2,775.00	Distribution Instruments and Tools
Surface Pumps Inc.	12,095.25	Decant Station Pumps
Velosio	393.75	MS Dynamics SL 2015 Accounting Software Upgrade
	\$ 30,137.65	Total CIP Project - Materials and Overhead



CENTRAL COAST WATER AUTHORITY

Normal and Recurring Costs

Bills for Ratification - January 2018

VENDOR	INVOICE AMOUNT	DESCRIPTION
REPAIRS & MAINTENANCE		
Airgas USA, LLC	93.31	Equipment repairs and maintenance
AmeriPride Services, Inc.	483.28	Building maintenance supplies
Analytical Technology Inc.	337.68	Equipment repairs and maintenance
Applied Industrial Technologies	641.87	Equipment repairs and maintenance
Automationdirect.com Inc	489.00	Parts, repair and maintenance
Bank of America Business Card	16.15	Vehicles repairs and maintenance
Bank of America Business Card	127.21	Parts, repair and maintenance
Big Brand Tire & Service	884.00	Vehicle maintenance
City of Buellton	89.66	Landscape maintenance - water
Coverall North America, Inc	1,892.77	Janitorial service - BAO/SYPS
Gary Brown Service & Repair	475.00	HVAC service and repairs
Harrington Industrial Plastics	534.70	Parts, repair and maintenance
Home Depot	1,006.04	Parts, repair and maintenance
IFM Efactor Inc.	777.72	Equipment Repair
Noble Saw, Inc.	64.15	Equipment repairs and maintenance
Progressive Greenery	330.00	Landscape maintenance - WTP
PRW Steel Supply, Inc.	739.87	Equipment repairs and maintenance
Rio Vista Chevrolet	935.30	Vehicle maintenance
San Luis Personnel Service	1,222.40	Janitorial Service - WTP
Todd Pipe & Supply	21.92	Maintenance supplies
Toshiba Business Solutions	844.05	Copier maintenance
Western Exterminator Co	200.00	Pest control spraying - BAO and SYPS
Zoom Imaging Solutions, Inc	27.48	Copier Maintenance
	\$ 12,233.56	Total Repairs & Maintenance
SUPPLIES & EQUIPMENT		
Airgas USA, LLC	436.88	Safety supplies
AmeriPride Services, Inc.	813.35	Uniform expenses
Automationdirect.com Inc	77.00	Maintenance supplies and hardware
Bank of America Business Card	68.56	Safety supplies
Bank of America Business Card	321.74	Equipment & maintenance supplies
Bank of America Business Card	756.59	Minor tools
Burt Industrial Supply, Inc	17.15	Maintenance supplies and hardware
Chemtrade Chemicals US, LLC	35,173.38	Chemicals - WTP
Corix Water Products, Inc.	73.26	Bradbury Dam Pipeline Bypass materials
Farm Supply	53.86	Repairs & maintenance
Fastenal Company	66.29	Maintenance supplies and hardware, safety supplies
Ferguson Enterprise, Inc.	267.01	Maintenance supplies and hardware
Grainger Inc.	326.32	Minor tools, equipment & maintenance supplies, safety supplies
Harrison Hardware	111.51	Maintenance supplies and hardware
Hill Brothers Chemical Company	5,577.08	Chemicals - WTP
Home Depot	98.97	Minor tools, equipment & maintenance supplies
Independent Electric Supply	28.86	Safety supplies
JB Dewar	1,336.07	Fuel - equipment
JCI Jones Chemical	52,141.83	Chemicals - WTP
Kin-tek Laboratories, Inc.	277.00	Maintenance supplies and hardware
Univar USA, Inc.	7,506.69	Chemicals - WTP
WEX Bank - Wright Express	3,161.32	Fuel - Autos
	\$ 108,690.72	Total Supplies & Equipment



CENTRAL COAST WATER AUTHORITY

Normal and Recurring Costs

Bills for Ratification - January 2018

VENDOR	INVOICE AMOUNT	DESCRIPTION
UTILITIES		
Bank of America Business Card	43.70	Telephone conference charge
City of Buellton	173.31	Water - BAO
Delta Liquid Energy	1,825.03	Propane gas
First Choice Technology	12.48	Phone - Long distance carrier, 800#
Frontier	263.33	Telephone charges
Health Sanitation Services	193.97	Waste Disposal - SYPS
Marborg Industries	221.71	Waste Disposal - BAO
Pacific Gas & Electric	96,467.56	Utilities - BAO/SYPS/WTP
San Miguel Garbage Company	210.25	Waste Disposal - WTP
Santa Ynez River Water Conservation	159.44	Water - SYPS
The Gas Company	188.89	Natural Gas - BAO
Verizon Wireless	144.63	Network Extender
Verizon Wireless	532.06	Cell phone charges
	<u>\$ 100,436.36</u>	Total Utilities
 Subtotal - Bills for Ratification	 <u><u>\$13,537,459.10</u></u>	

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CENTRAL COAST WATER AUTHORITY

Bills for Approval

VENDOR	INVOICE AMOUNT	DESCRIPTION
State of California DWR	\$ 1,000,671.00	Capital Cost and Minimum OMP&R Charges - Feb'18
Subtotal - Bills for Approval	\$ 1,000,671.00	
Total Ratification and Approval Bills	\$ <u>14,538,130.10</u>	

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Statements of Net Position

ASSETS

	<u>January 31, 2018</u>	<u>December 31, 2017</u>
<u>Current Assets</u>		
Cash and investments	\$ 6,733,402	\$ 7,330,171
Accrued interest receivable	41,140	127,222
Other assets	1,589,329	1,609,277
Total Current Assets	8,363,872	9,066,670
<u>Restricted Assets</u>		
Cash and investments with fiscal agents	903	972
<u>Investment Accounts</u>		
Operations and Maintenance Reserve Fund (Note 2)	2,115,136	2,108,804
Rate Coverage Reserve Fund (Note 3)	9,268,892	9,241,141
Debt Service Payments (Note 4)	997,215	994,236
Department of Water Resources (Note 5a)	10,013,505	22,114,692
Credits Payable (Note 6)	1,145,207	1,085,188
Escrow Deposits (Note 7)	409,275	408,050
Total Restricted Assets	23,950,133	35,953,084
<u>Property, Plant and Equipment</u>		
Construction in progress (Note 8)	1,094,516	1,064,378
Fixed assets (net of accumulated depreciation)	93,989,985	94,181,371
Total Property, Plant and Equipment	95,084,500	95,245,749
<u>Other Assets</u>		
Unamortized bond issuance costs (Note 9)	1,241,104	1,289,218
Long term receivable (Note 10)	4,729,923	4,729,923
Total Other Assets	5,971,027	6,019,141
Total Assets	\$ 133,369,532	\$ 146,284,644

Central Coast Water Authority



Statements of Net Position

LIABILITIES AND FUND EQUITY

	<u>January 31, 2018</u>	<u>December 31, 2017</u>
<u>Current Liabilities</u>		
Accounts payable	\$ 204,245	\$ 206,262
DWR and Warren Act Charge Deposits (Note 5a)	10,013,505	22,114,692
CCWA Variable Charge Deposits (Note 5b)	7,059	193,555
Accrued interest payable	626,501	469,876
Other liabilities	1,432,164	1,534,081
Rate Coverage Reserve Fund	9,188,614	9,188,614
Unearned Revenue	13,114	13,114
Credits Payable to Project Participants	1,434,392	1,313,233
Total Current Liabilities	<u>22,919,594</u>	<u>35,033,426</u>
<u>Long-Term Liabilities</u>		
Bonds payable (Note 11)	37,590,000	37,590,000
Bond Original Issue Premium, net	3,331,742	3,461,640
Net Pension Liability	3,318,324	3,318,324
Total Long-Term Liabilities	<u>44,240,066</u>	<u>44,369,964</u>
<u>Commitments and Uncertainties</u>		
<u>Net Assets</u>		
Contributed capital, net (Note 12)	22,562,433	22,562,433
Retained earnings	43,647,439	44,318,821
Total Net Assets	<u>66,209,872</u>	<u>66,881,254</u>
Total Liabilities and Net Assets	<u>\$ 133,369,532</u>	<u>\$ 146,284,644</u>



Statements of Revenues, Expenses and Changes in Net Position

	<u>January 31, 2018</u>	<u>December 31, 2017</u>
<u>Operating Revenues</u>		
Operating reimbursements from project participants	\$ 20,760,304	\$ 20,447,090
Other revenues	3,400	3,400
Total Operating Revenues	<u>20,763,704</u>	<u>20,450,489</u>
<u>Operating Expenses</u>		
Personnel expenses	2,779,595	2,444,958
Office expenses	10,614	9,188
General and administrative	139,039	116,394
Professional services	231,153	201,520
Supplies and equipment	689,878	581,188
Monitoring expenses	46,277	40,430
Repairs and maintenance	174,210	161,977
Utilities	667,777	567,341
Depreciation and amortization	622,528	536,719
Other expenses	312,606	272,075
Total Operating Expenses	<u>5,673,679</u>	<u>4,931,789</u>
Operating Income	<u>15,090,025</u>	<u>15,518,700</u>
<u>Non-Operating Revenues</u>		
Investment income	346,982	300,670
Total Non-Operating Revenues	<u>346,982</u>	<u>300,670</u>
<u>Non-Operating Expenses</u>		
Interest	1,194,875	1,038,250
Current year credits payable	305,842	173,449
Total Non-Operating Expenses	<u>1,500,717</u>	<u>1,211,699</u>
Net Income	<u>13,936,291</u>	<u>14,607,672</u>
<u>Retained Earnings</u>		
Retained earnings at beginning of period	<u>29,711,148</u>	<u>29,711,148</u>
Retained earnings at end of period	\$ <u>43,647,439</u>	\$ <u>44,318,821</u>

Central Coast Water Authority
Notes to Financial Statements
 January 31, 2018

Note 1: Accounts Receivable

Accounts receivable consists of amounts payable by the State Water Project contractors and other miscellaneous receivables.

Note 2: O&M Reserve Fund

The O&M reserve fund represents cash reserves for emergency uses. The funding requirement is \$2,000,000 allocated on an entitlement basis for the Santa Barbara County project participants. Investment earnings on O&M reserve fund balances are credited against CCWA O&M assessments.

Project Participant	Amount
City of Guadalupe	\$ 28,425
City of Santa Maria	837,231
Golden State Water Company	25,840
Vandenberg AFB	379,800
City of Buellton	29,872
Santa Ynez ID #1 (Solvang)	77,521
Santa Ynez ID #1	25,840
Goleta Water District	232,564
Morehart Land Co.	10,336
La Cumbre Mutual Water Company	51,675
Raytheon Systems Company	2,584
City of Santa Barbara	155,043
Montecito Water District	155,043
Carpinteria Valley Water District	103,362
TOTAL:	<u>\$ 2,115,136</u>

Note 3: Rate Coverage Reserve Fund Cash Deposits

The rate coverage reserve fund was established to provide CCWA project participants a mechanism to satisfy a portion of their obligation under Section 20(a) of the Water Supply Agreement to impose rates and charges sufficient to collect 125% of their contract payments. The following schedule shows the current balances plus accrued interest receivable in the rate coverage reserve fund.

Project Participant	Amount
City of Guadalupe	\$ 189,451
City of Santa Maria	5,050,260
City of Buellton	277,553
Santa Ynez ID #1 (Solvang)	615,396
Santa Ynez ID #1	463,598
La Cumbre Mutual Water Company	397,080
Montecito Water District	1,431,408
Carpinteria Valley Water District	828,502
Shandon	15,645
TOTAL:	<u>\$ 9,268,892</u>

Central Coast Water Authority
Notes to Financial Statements
 January 31, 2018

Note 4: Debt Service Payments

The following table shows the financing participant cash balances available to pay CCWA Series 2016-A revenue bond principal and interest payments.

Participant	Amount
Avila Beach	\$ 1,151
California Men's Colony	10,072
County of SLO	10,729
Cuesta College	5,036
Morro Bay	64,987
Oceano	8,419
Pismo Beach	13,915
Shandon	1,140
Guadalupe	14,310
Buellton	25,505
Santa Ynez (Solvang)	77,213
Santa Ynez	28,998
Goleta	243,185
Morehart Land	11,253
La Cumbre	53,454
Raytheon	2,371
Santa Barbara	149,418
Montecito	175,632
Carpinteria	100,427
TOTAL:	\$ 997,215

Note 5a: Cash and Investments Payment to DWR and Warren Act and Trust Fund Charges

Cash deposits for payments to DWR and Warren Act and Trust Fund payments.

Project Participant	Amount
City of Guadalupe	\$ 99,774
City of Santa Maria	2,915,966
Golden State Water Company	106,557
Vandenberg AFB	2,372,640
City of Buellton	129,872
Santa Ynez ID #1 (Solvang)	283,612
Santa Ynez ID #1	137,466
Goleta Water District	1,451,790
Morehart Land Co.	45,565
La Cumbre Mutual Water Company	248,369
Raytheon Systems Co.	15,895
City of Santa Barbara	821,932
Montecito Water District	829,071
Carpinteria Valley Water District	554,996
TOTAL:	\$ 10,013,505

Central Coast Water Authority
Notes to Financial Statements
 January 31, 2018

Note 5b: Cash Payments for CCWA Variable Charges

Cash deposits for payments to CCWA for Variable Assessment Deposits.

Project Participant	Amount
City of Guadalupe	\$ -
City of Santa Maria	-
Golden State Water Company	-
Vandenberg AFB	-
City of Buellton	-
Santa Ynez ID #1 (Solvang)	-
Santa Ynez ID #1	-
Goleta Water District	-
Morehart Land Co.	-
La Cumbre Mutual Water Company	-
Raytheon Systems Co.	7,059
City of Santa Barbara	-
Montecito Water District	-
Carpinteria Valley Water District	-
Shandon	-
Lopez Turnout	-
Chorro Turnout	-
TOTAL:	<u>\$ 7,059</u>

Note 6: Credits Payable

Credits payable to CCWA project participants for investment earnings and O&M assessment credits.

Project Participant	Amount
City of Guadalupe	\$ 2,049
City of Santa Maria	259,935
Golden State Water Company	9,415
Vandenberg AFB	201,863
City of Buellton	8,819
Santa Ynez ID #1 (Solvang)	28,718
Santa Ynez ID #1	445,984
Goleta Water District	(252)
Morehart Land Co.	204
La Cumbre Mutual Water Company	1,588
Raytheon Systems Co.	111
City of Santa Barbara	(141)
Montecito Water District	137,423
Carpinteria Valley Water District	(105)
Shandon	(83)
Lopez Turnout	24,505
Chorro Turnout	25,174
TOTAL:	<u>\$ 1,145,207</u>

Central Coast Water Authority
Notes to Financial Statements
January 31, 2018

Note 7: Escrow Deposits

Cash deposits from certain project participants as required under the Water Supply Agreements.

Project Participant	Amount
Morehart Land Company	\$ 333,484
Raytheon Systems Company	75,792
TOTAL:	<u>\$ 409,275</u>

Note 8: Construction in Progress

Amounts in construction in progress represent expenditures incurred during FY 2017/18 and amounts retained in construction in progress at June 30, 2017. The following schedule shows the CIP expenditures for CCWA projects.

Financial Reach	Amount
Labor	\$ 77,571
Materials	697,365
Overhead	319,579
Project CIP Total:	<u>\$ 1,094,516</u>

Note 9: Unamortized Bond Issuance Costs

Unamortized bond issuance costs for the 2016 revenue bonds include bond insurance and the 1992, 1996 and 2006 revenue bond deferred costs.

Central Coast Water Authority
Notes to Financial Statements
 January 31, 2018

Note 10: Long-Term Receivable

The long-term receivable represents CCWA revenue bond expenditures for project participant local facilities which are owned by the individual project participants. The costs associated with the construction of these local facilities are financed with proceeds from the CCWA revenue bonds. Project participant revenue bond principal payments are proportionally divided between the long-term receivable and the CCWA owned facilities over the term of the bond issue.

Financing Participant	Long-Term Receivable
Avila Beach	\$ 10,815
California Men's Colony	241,566
County of SLO	257,617
Cuesta College	120,795
Morro Bay	1,847,882
Oceano	73,680
Pismo Beach	121,648
Shandon	8,753
Guadalupe	314,170
Buellton	51,136
Santa Ynez (Solvang)	169,344
Santa Ynez	27,507
Goleta	776,591
Morehart Land	3,575
La Cumbre	17,876
Raytheon	4,721
Santa Barbara	169,537
Montecito	269,710
Carpinteria	242,999
TOTAL:	\$ 4,729,923

Note 11: Bonds Payable

Bonds payable represents outstanding Series 2016-A revenue bonds outstanding. The next Series 2016-A principal payment is due on October 1, 2018 in the amount of \$8,720,000.

Note 12: Contributed Capital

Certain project participants elected to pay their share of CCWA project construction costs in cash. The amounts listed below show the capital contributions by project participant less the cost of local facilities and refunds to the project participants.

Project Participant	Amount
Avila Valley Water Company	\$ 15,979
City of Guadalupe	81,119
San Luis Schools	5,608
San Miguelito Water Company	233,605
Golden State Water Company	866,277
City of Santa Maria	13,498,802
Vandenberg AFB	7,861,043
TOTAL:	\$ 22,562,433



Budget and Actual All Reaches

January 31, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Percent Expended ⁽¹⁾</u>
<u>Operating Revenues</u>			
Fixed operating assessments ⁽²⁾	\$ 9,155,482	9,155,482	100.00%
Variable operating assessments	2,831,388	2,650,961	93.63%
Other revenues	-	-	N/A
Non-annual recurring revenues	-	-	N/A
Total Operating Revenues	<u>11,986,870</u>	<u>11,806,443</u>	<u>98.49%</u>
<u>Operating Expenses ⁽²⁾</u>			
Personnel expenses	4,858,221	2,779,595	57.21%
Office expenses	20,500	10,614	51.78%
General and administrative	267,836	139,039	51.91%
Professional services	392,580	231,153	58.88%
Supplies and equipment	1,926,747	689,878	35.81%
Monitoring expenses	107,144	46,277	43.19%
Repairs and maintenance	266,380	174,210	65.40%
Utilities	1,259,193	667,777	53.03%
Depreciation and amortization	-	-	N/A
Other expenses	1,733,417	312,606	18.03%
Total Operating Expenses	<u>10,832,017</u>	<u>5,051,151</u>	<u>46.63%</u>
Operating Income	<u>1,154,853</u>	<u>6,755,292</u>	
<u>Non-Operating Revenues</u>			
Interest income	-	-	
Total Non-Operating Revenues	<u>-</u>	<u>-</u>	
<u>Non-Operating Expenses</u>			
Total Non-Operating Expenses	<u>-</u>	<u>-</u>	
Net Income (Loss)	<u>\$ 1,154,853</u>	<u>6,755,292</u>	

(1) Percent of year expended: 58.3%

(2) Includes revenues and expenses for Turnouts and adjusted for carryover revenues transferred to FY 2017/18.



Budget and Actual Administration

	January 31, 2018		
	Budget	Actual	Percent Expended ⁽¹⁾
Operating Revenues			
Fixed operating assessments ⁽²⁾	\$ 1,690,698	\$ 1,690,698	100.00%
Variable operating assessments	-	-	N/A
Other revenues	-	-	N/A
Non-annual recurring revenues	-	-	N/A
Total Operating Revenues	<u>1,690,698</u>	<u>1,690,698</u>	<u>100.00%</u>
Operating Expenses ⁽²⁾			
Personnel expenses	895,394	554,249	61.90%
Office expenses	10,500	6,819	64.94%
General and administrative	185,636	100,214	53.98%
Professional services	236,448	190,800	80.69%
Supplies and equipment	-	-	N/A
Monitoring expenses	-	-	N/A
Repairs and maintenance	31,695	15,418	48.65%
Utilities	16,243	7,491	46.12%
Depreciation and amortization	-	-	N/A
Other expenses	190,735	86,267	45.23%
Total Operating Expenses	<u>1,566,651</u>	<u>961,259</u>	<u>61.36%</u>
Operating Income	<u>124,047</u>	<u>729,438</u>	
Non-Operating Revenues			
Investment Income	-	-	
Total Non-Operating Revenues	<u>-</u>	<u>-</u>	
Non-Operating Expenses			
Current Year credits payable	-	-	
Total Non-Operating Expenses	<u>-</u>	<u>-</u>	
Net Income (Loss)	<u>\$ 124,047</u>	<u>729,438</u>	

(1) Percent of year expended: 58.3%

(2) Includes revenues and expenses for Turnouts and adjusted for carryover revenues transferred to FY 2017/18.



Budget and Actual Water Treatment Plant

	January 31, 2018		
	Budget	Actual	Percent Expended ⁽¹⁾
<u>Operating Revenues</u>			
Fixed operating assessments ⁽²⁾	\$ 4,404,404	4,404,404	100.00%
Variable operating assessments	1,831,856	1,614,337	88.13%
Other revenues	-	-	N/A
Non-annual recurring revenues	-	-	N/A
Total Operating Revenues	6,236,260	6,018,741	96.51%
<u>Operating Expenses</u> ⁽²⁾			
Personnel expenses	2,321,959	1,306,352	56.26%
Office expenses	6,000	2,358	39.30%
General and administrative	50,900	26,561	52.18%
Professional services	55,099	31,796	57.71%
Supplies and equipment	1,818,446	651,889	35.85%
Monitoring expenses	107,144	46,277	43.19%
Repairs and maintenance	156,485	109,529	69.99%
Utilities	188,171	94,061	49.99%
Depreciation and amortization	-	-	N/A
Other expenses	842,879	146,556	17.39%
Total Operating Expenses	5,547,082	2,415,379	43.54%
Operating Income	689,178	3,603,362	
<u>Non-Operating Revenues</u>			
Interest income	-	-	
Total Non-Operating Revenues	-	-	
<u>Non-Operating Expenses</u>			
Interest	-	-	
Total Non-Operating Expenses	-	-	
Net Income (Loss)	\$ 689,178	3,603,362	

(1) Percent of year expended: 58.3%

(2) Includes revenues and expenses for Turnouts and adjusted for carryover revenues transferred to FY 2017/18.

Central Coast Water Authority
Polonio Pass Water Treatment Plant
Fixed and Variable Cost per Acre-Foot
 January 31, 2018

WTP Fixed O&M Costs	July 2017	Aug. 2017	Sept. 2017	Oct. 2017	Nov. 2017	Dec. 2017	Jan. 2018	Total for Year
Fixed O&M Expenses	\$ 366,942	\$ 208,961	\$ 232,982	\$ 223,522	\$ 226,030	\$ 309,057	\$ 192,607	\$ 1,760,101
Annual Table A Amount ⁽¹⁾	43,908	43,908	43,908	43,908	43,908	43,908	43,908	43,908
Fixed WTP Cost per AF	<u>\$ 8.36</u>	<u>\$ 4.76</u>	<u>\$ 5.31</u>	<u>\$ 5.09</u>	<u>\$ 5.15</u>	<u>\$ 7.04</u>	<u>\$ 4.39</u>	<u>\$ 40.09</u>
WTP Variable O&M Costs								
Variable O&M Expenses	\$ 113,489	\$ 96,450	\$ 122,342	\$ 92,340	\$ 19,971	\$ 105,387	\$ 105,300	\$ 655,278
Actual Water Treated	3,367	3,569	3,237	2,774	694	2,618	2,372	18,631
Variable WTP Cost per AF	<u>\$ 33.71</u>	<u>\$ 27.02</u>	<u>\$ 37.79</u>	<u>\$ 33.29</u>	<u>\$ 28.78</u>	<u>\$ 40.25</u>	<u>\$ 44.39</u>	<u>\$ 35.17</u>

(1) Includes Santa Barbara County and San Luis Obispo County Table A amounts and excludes Goleta 2,500 AF drought buffer and Santa Barbara County 3,908 AF drought buffer.



Budget and Actual Mission Hills II

	January 31, 2018		
	Budget	Actual	Percent Expended ⁽¹⁾
Operating Revenues			
Fixed operating assessments ⁽²⁾	\$ 329,186	329,186	100.00%
Variable operating assessments	-	-	N/A
Other revenues	-	-	N/A
Total Operating Revenues	329,186	329,186	100.00%
Operating Expenses ⁽²⁾			
Personnel expenses	205,415	114,910	55.94%
Office expenses	501	180	35.93%
General and administrative	3,918	1,490	38.01%
Professional services	12,648	921	7.29%
Supplies and equipment	13,558	4,664	34.40%
Monitoring expenses	-	-	N/A
Repairs and maintenance	9,790	6,958	71.08%
Utilities	6,916	1,470	21.25%
Depreciation and amortization	-	-	N/A
Other expenses	23,495	8,581	36.52%
Total Operating Expenses	276,242	139,174	50.38%
Operating Income	52,945	190,012	
Non-Operating Revenues			
Interest income	-	-	
Total Non-Operating Revenues	-	-	
Non-Operating Expenses			
Interest	-	-	
Total Non-Operating Expenses	-	-	
Net Income (Loss)	\$ 52,945	190,012	

(1) Percent of year expended: 58.3%

(2) Includes revenues and expenses for Turnouts and adjusted for carryover revenues transferred to FY 2017/18.



Budget and Actual Santa Ynez I

	January 31, 2018		
	Budget	Actual	Percent Expended ⁽¹⁾
<u>Operating Revenues</u>			
Fixed operating assessments ⁽²⁾	\$ 573,420	573,420	100.00%
Variable operating assessments	-	-	N/A
Other revenues	-	-	N/A
Total Operating Revenues	573,420	573,420	100.00%
<u>Operating Expenses</u> ⁽²⁾			
Personnel expenses	286,084	157,112	54.92%
Office expenses	697	251	35.92%
General and administrative	5,457	2,074	38.00%
Professional services	17,615	1,283	7.28%
Supplies and equipment	18,882	6,474	34.29%
Monitoring expenses	-	-	N/A
Repairs and maintenance	13,634	4,573	33.54%
Utilities	9,632	3,116	32.35%
Depreciation and amortization	-	-	N/A
Other expenses	116,202	11,485	9.88%
Total Operating Expenses	468,205	186,368	39.80%
Operating Income	105,215	387,052	
<u>Non-Operating Revenues</u>			
Interest income	-	-	
Total Non-Operating Revenues	-	-	
<u>Non-Operating Expenses</u>			
Interest	-	-	
Total Non-Operating Expenses	-	-	
Net Income (Loss)	\$ 105,215	387,052	

(1) Percent of year expended: 58.3%

(2) Includes revenues and expenses for Turnouts and adjusted for carryover revenues transferred to FY 2017/18.



Budget and Actual Santa Ynez II

	January 31, 2018		
	Budget	Actual	Percent Expended ⁽¹⁾
<u>Operating Revenues</u>			
Fixed operating assessments ⁽²⁾	\$ 827,968	827,968	100.00%
Variable operating assessments	999,532	1,036,624	103.71%
Other revenues	-	-	N/A
Total Operating Revenues	1,827,500	1,864,592	102.03%
<u>Operating Expenses</u> ⁽²⁾			
Personnel expenses	396,700	232,214	58.54%
Office expenses	967	348	35.94%
General and administrative	7,567	3,243	42.86%
Professional services	24,426	2,976	12.18%
Supplies and equipment	26,183	9,432	36.02%
Monitoring expenses	-	-	N/A
Repairs and maintenance	18,906	13,753	72.74%
Utilities	1,012,888	549,029	54.20%
Depreciation and amortization	-	-	N/A
Other expenses	199,621	29,434	14.74%
Total Operating Expenses	1,687,259	840,429	49.81%
Operating Income	140,241	1,024,163	
<u>Non-Operating Revenues</u>			
Interest income	-	-	
Total Non-Operating Revenues	-	-	
<u>Non-Operating Expenses</u>			
Interest	-	-	
Total Non-Operating Expenses	-	-	
Net Income (Loss)	\$ 140,241	1,024,163	

(1) Percent of year expended: 58.3%

(2) Includes revenues and expenses for Turnouts and adjusted for carryover revenues transferred to FY 2017/18.



Budget and Actual Reach 33B

	January 31, 2018		
	Budget	Actual	Percent Expended ⁽¹⁾
<u>Operating Revenues</u>			
Fixed operating assessments ⁽²⁾	\$ 619,066	619,067	100.00%
Variable operating assessments	-	-	N/A
Other revenues	-	-	N/A
Total Operating Revenues	619,066	619,067	100.00%
<u>Operating Expenses</u> ⁽²⁾			
Personnel expenses	349,679	180,956	51.75%
Office expenses	852	306	35.93%
General and administrative	6,670	2,535	38.01%
Professional services	21,531	1,568	7.28%
Supplies and equipment	23,080	8,027	34.78%
Monitoring expenses	-	-	N/A
Repairs and maintenance	16,665	10,847	65.09%
Utilities	11,773	5,317	45.16%
Depreciation and amortization	-	-	N/A
Other expenses	49,996	14,117	28.24%
Total Operating Expenses	480,246	223,673	46.57%
Operating Income	138,820	395,393	
<u>Non-Operating Revenues</u>			
Interest income	-	-	
Total Non-Operating Revenues	-	-	
<u>Non-Operating Expenses</u>			
Interest	-	-	
Total Non-Operating Expenses	-	-	
Net Income (Loss)	\$ 138,820	395,393	

(1) Percent of year expended: 58.3%

(2) Includes revenues and expenses for Turnouts and adjusted for carryover revenues transferred to FY 2017/18.



Budget and Actual Reach 34

	January 31, 2018		
	Budget	Actual	Percent Expended ⁽¹⁾
<u>Operating Revenues</u>			
Fixed operating assessments ⁽²⁾	\$ 271,013	271,013	100.00%
Variable operating assessments	-	-	N/A
Other revenues	-	-	N/A
Total Operating Revenues	271,013	271,013	100.00%
<u>Operating Expenses</u> ⁽²⁾			
Personnel expenses	166,057	87,201	52.51%
Office expenses	405	145	35.93%
General and administrative	3,168	1,204	38.01%
Professional services	10,225	745	7.28%
Supplies and equipment	10,960	4,082	37.24%
Monitoring expenses	-	-	N/A
Repairs and maintenance	7,914	1,793	22.66%
Utilities	5,591	3,030	54.19%
Depreciation and amortization	-	-	N/A
Other expenses	35,552	6,925	19.48%
Total Operating Expenses	239,871	105,125	43.83%
Operating Income	31,142	165,888	
<u>Non-Operating Revenues</u>			
Interest income	-	-	
Total Non-Operating Revenues	-	-	
<u>Non-Operating Expenses</u>			
Interest	-	-	
Total Non-Operating Expenses	-	-	
Net Income (Loss)	\$ 31,142	165,888	

(1) Percent of year expended: 58.3%

(2) Includes revenues and expenses for Turnouts and adjusted for carryover revenues transferred to FY 2017/18.



Budget and Actual Reach 35

	January 31, 2018		
	Budget	Actual	Percent Expended ⁽¹⁾
Operating Revenues			
Fixed operating assessments ⁽²⁾	\$ 176,224	176,224	100.00%
Variable operating assessments	-	-	N/A
Non-annual recurring revenues	-	-	N/A
Other revenues	-	-	N/A
Total Operating Revenues	176,224	176,224	100.00%
Operating Expenses ⁽²⁾			
Personnel expenses	120,033	58,297	48.57%
Office expenses	293	105	35.96%
General and administrative	2,290	871	38.04%
Professional services	7,391	539	7.29%
Supplies and equipment	7,922	2,690	33.96%
Monitoring expenses	-	-	N/A
Repairs and maintenance	5,720	908	15.88%
Utilities	4,041	1,099	27.20%
Depreciation and amortization	-	-	N/A
Other expenses	13,729	4,632	33.74%
Total Operating Expenses	161,419	69,142	42.83%
Operating Income	14,805	107,083	
Non-Operating Revenues			
Interest income	-	-	
Total Non-Operating Revenues	-	-	
Non-Operating Expenses			
Interest	-	-	
Total Non-Operating Expenses	-	-	
Net Income (Loss)	\$ 14,805	107,083	

(1) Percent of year expended; 58.3%

(2) Includes revenues and expenses for Turnouts and adjusted for carryover revenues transferred to FY 2017/18.



Budget and Actual Reach 37

	January 31, 2018		
	Budget	Actual	Percent Expended ⁽¹⁾
<u>Operating Revenues</u>			
Fixed operating assessments ⁽²⁾	\$ 69,267	69,267	100.00%
Variable operating assessments	-	-	N/A
Non-annual recurring revenues	-	-	N/A
Other revenues	-	-	N/A
Total Operating Revenues	69,267	69,267	100.00%
<u>Operating Expenses</u> ⁽²⁾			
Personnel expenses	45,683	24,017	52.57%
Office expenses	111	40	35.86%
General and administrative	871	331	37.95%
Professional services	2,813	205	7.27%
Supplies and equipment	3,015	1,022	33.89%
Monitoring expenses	-	-	N/A
Repairs and maintenance	2,177	4,372	200.81%
Utilities	1,538	300	19.50%
Depreciation and amortization	-	-	N/A
Other expenses	5,225	1,864	35.67%
Total Operating Expenses	61,434	32,150	52.33%
Operating Income	7,833	37,117	
<u>Non-Operating Revenues</u>			
Interest income	-	-	
Total Non-Operating Revenues	-	-	
<u>Non-Operating Expenses</u>			
Interest	-	-	
Total Non-Operating Expenses	-	-	
Net Income (Loss)	\$ 7,833	37,117	

(1) Percent of year expended: 58.3%

(2) Includes revenues and expenses for Turnouts and adjusted for carryover revenues transferred to FY 2017/18.



Budget and Actual Reach 38

	January 31, 2018		
	Budget	Actual	Percent Expended ⁽¹⁾
Operating Revenues			
Fixed operating assessments ⁽²⁾	\$ 108,227	108,227	100.00%
Variable operating assessments	-	-	N/A
Non-annual recurring revenues	-	-	N/A
Other revenues	-	-	N/A
Total Operating Revenues	108,227	108,227	100.00%
Operating Expenses ⁽²⁾			
Personnel expenses	71,216	43,383	60.92%
Office expenses	174	62	35.95%
General and administrative	1,358	516	38.01%
Professional services	4,385	319	7.28%
Supplies and equipment	4,700	1,595	33.94%
Monitoring expenses	-	-	N/A
Repairs and maintenance	3,394	3,938	116.02%
Utilities	2,398	468	19.53%
Depreciation and amortization	-	-	N/A
Other expenses	8,146	2,746	33.71%
Total Operating Expenses	95,772	53,028	55.37%
Operating Income	12,455	55,199	
Non-Operating Revenues			
Interest income	-	-	
Total Non-Operating Revenues	-	-	
Non-Operating Expenses			
Interest	-	-	
Total Non-Operating Expenses	-	-	
Net Income (Loss)	\$ 12,455	55,199	

(1) Percent of year expended: 58.3%

(2) Includes revenues and expenses for Turnouts and adjusted for carryover revenues transferred to FY 2017/18.



CENTRAL COAST WATER AUTHORITY

MEMORANDUM

February 14, 2018

TO: CCWA Board of Directors

FROM: John Brady
Deputy Director, Operations and Engineering

SUBJECT: Operations Report, January 2018

The Polonio Pass Water Treatment Plant's production and chemical costs, as well as the Santa Ynez Pumping Plant production for January 2018 are presented below:

Month	Plant Production (AF)	Chemical Costs (\$/AF)	SYPP Pumping (AF)
January, 2018	2500.36	\$25.39	1,275.04

WATER TREATMENT PLANT (WTP)

- WTP staff completed research of the water treatment chemical market prior to negotiating extensions of the existing chemical supply and delivery contracts. Each CCWA chemical supply and delivery contract has a term of one year, but may be extended by an additional year for a maximum of two times. One contract will go out to competitive bid this year and a second contract may also go out to competitive bid if the existing vendor does not reduce pricing.
- WTP staff completed a number of tasks on the Clarifier unit. Due to high torque alarms, the sludge rakes of the WTP Clarifier were inspected for mechanical issues. It was determined that the cause of the high torque was due to higher than usual sludge density, which was addressed through increased sludge removal frequencies. Also, the Clarifier's rectifier reference probe of the impressed current cathodic protection system was replaced. Finally, a new chlorine injector was installed at the Clarifier.
- WTP staff completed a number of tasks within the Chlorine Room. The chlorine switchover valve received a warranty repair by the manufacturer representative to address an issue identified by staff, all of the chlorine process piping was labeled and the chlorine scale and trunion systems were serviced.
- WTP supervisors developed three year training plans for staff in conjunction with preparation of the FY 18/19 budget. This is part of an effort to improve the staff development. A database has also been developed to track supervisor progress in scheduling training as well as to collect documentation of completed training. The database information will be made available to staff during their respective license renewals.
- The Maintenance staff completed the following items: (1) replaced the lagoon decant vertical centrifugal pumps, (2) repaired three dysfunctional filter air scour valves and actuators through complete rewiring, (3) completed the quarterly equalization basin cleaning, (4) completed sample pump repair and related work, (5) replaced emergency defective lighting throughout the WTP, (6) completed the quarterly hoist safety inspections, (7) replaced bearings in one of the utility water pump motors, (8) completed space heater maintenance, (9) the instrument air drier was serviced, (10) the pulsation dampeners of the aqua-ammonia dosing pumps were repaired and other related chemical pump services, (11) containment sump pump inspections were completed.

DISTRIBUTION

- Recruitment for the vacant Distribution Technician position continued. CCWA received 19 applications and found one viable candidate meeting the minimum requirements. An interview with the candidate will be scheduled shortly.
- The annual hydrostatic testing data was reviewed and for the reaches of pipe that were tested, no leakage was identified. Hydrostatic pressure readings are collected during winter shutdown, readings are collected immediately after shutdown and immediately before start up.
- Distribution supervisors developed three year training plans for staff in conjunction with preparation of the FY 18/19 budget. This is part of an effort to improve the staff development. A database has also been developed to track supervisor progress in scheduling training as well as to collect documentation of completed training. The database information will be made available to staff during their respective license renewals.
- Several property/encroachment actions were taken including (1) the County of Santa Barbara requested authorization to install bird netting on the Guadalupe Major Blow-off Structure, which discharges to a County Flood Control Channel – CCWA approved due to temporary nature, (2) property owners along Mesa Verde Road, near the pumping plant, are considering planting trees in the easement – staff is informing the property owners of the encroachment permit requirements, (3) staff responded to several property owner inquiries regarding the pipeline easement through their property.
- Work continues on the development of the CCWA Geographical Information System (GIS). Additional staff resources has been assigned to this project to bring the GIS to a more developed stage and will match DWR's current effort to fully develop their GIS System.
- Distribution staff continued work on valve exercising, vault cleaning, vegetation control around vaults, seismic joint inspection, re-chloramination treatment at Tank 5 and 7, monitoring of the cathodic protection systems and other duties.

LABORATORY

- Laboratory staff continued water quality instrumentation calibration work throughout the plant. Staff also continued routine analysis of compliance and process samples to support operations and completed the quarterly quality assurance/quality control (QA/QC) testing of staff's chemical analytical skills.
- Laboratory staff is currently preparing the water quality tables for the annual Consumer Confidence Reports. The due date for wholesale water purveyors in providing water quality tables to their participants is March 31.

INSTRUMENTATION/NETWORK

- Instrumentation staff continues work with the new Computerized Maintenance Management System (MicroWest CMMS). The software has been installed on CCWA servers and data migration from the old CMMS program to the new CMMS program was completed. Training of CCWA supervisors were trained on the basics of the program in January and work continued start-up configuration and trouble shooting. Full rollout will proceed in February.
- Instrumentation Staff worked a number of tasks at the Santa Ynez Pumping Plant. These tasks included: (1) completing work on the installation of the new fire alarm system, (2) installation of the new emergency lighting system, (3) updating the control logic and associated SCADA screen and (4) repairing the sodium bisulfite analyzer.
- Instrumentation staff installed or repaired some critical WTP equipment that included: (1) worked with the CCWA managed network service provider within the installation of a critical upgraded network switch and (2) installation of the repaired particle counter at the combined filter effluent location.

- Instrumentation staff completed research and specification preparation for a new online ammonia analyzer. Staff solicited competitive bids for online ammonia analyzers and procured two units for the distribution system.
- The quarterly employee Phishing Testing Program was deployed and only one staff followed the testing link. This employee received additional cyber security training to ensure they will comply with CCWA cyber security policies.
- Work continues on the electromagnetic flow meter project. Meters are stored at the WTP and are installed as time allows.

GENERAL

- Work continues on a major Property Record Audit Project in conjunction with DWR. The main goal of the project is to ensure that CCWA's official property records, the County Recorder's property records and DWR property records are the same. CCWA staff reviewed the current status of the project and updated DWR staff. Staff also increased the level of effort to bring the project to conclusion on schedule.
- CCWA staff and its engineering consultant, HDR Engineering, held its annual Capital Improvement Program Meeting on January 24, 2018. All projects proposed for FY 2018/2019 were discussed and scheduled according to priority and staffs ability to complete the project workload. The ten year outlook for CIP Projects was also updated.
- The Deputy Director attended DWR's presentation to the SWC Operations Maintenance and Engineering Committee on their B-132 Budget Review on January 11, 2018.
- Comments from the Bradbury Penstock Evaluation Report were gathered and forwarded to HDR Engineering. The comments will be logged and specifically addressed. A Workshop will be scheduled once the comments have been assembled and addressed.
- The 2017 CCWA Water Delivery Schedules was updated and submitted to DWR. In addition, efforts to reconcile small differences between CCWA records and DWR's records were initiated and continues. Resolution is anticipated in February.
- CCWA staff submitted a formal request to DWR to reclassify some of the Article 56c carryover water to Article 14b carryover water, which is protected from spill.
- The conveyance capacity evaluation of the Santa Ynez Pumping Plant and Santa Ynez Turnout was revised to consider the use of Santa Ynez Exchange Water. The results of the revised analysis were distributed to the South Coast Agencies for review and comment.
- The Deputy Director participated on an interview panel for the City of Santa Maria in their efforts to recruit a supervisor of their wastewater operation.
- An ad-hoc committee consisting of CCWA staff was organized to review the CCWA personnel policy related to overtime in order to address recurring issues in interpretation of the policy. A memorandum was prepared with a list of suggested changes to clarify and resolve issues that have been encountered in the past. The memo was submitted to the Executive Director for consideration.
- CCWA staff contacted the US Bureau of Reclamation to start the process of renewing the Warren Act Contract that allows CCWA to utilize excess capacity of the Bradbury Dam facilities to convey State Project Water to the South Coast water agencies.
- All CCWA fire extinguishers received annual service and employees were trained in the use of the fire extinguishers.

JLB

Attachments

**MONTHLY SUMMARY OF MINERAL AND PHYSICAL ANALYSIS
RAW WATER (RW) AND SETTLED WATER (SW)**

System Name: Central Coast Water Authority

System Number: 4210030

Treatment Plant Name: Polonio Pass Water Treatment Plant

January 2018

Date:	RW pH (SU)	RW Turbidity (NTU)	SW Turbidity (NTU)	RW Odor (TON)	RW Total Coliform	RW E. Coli (MPN)	RW Cl- (mg/L)	RW Alkalinity (mg/L)		RW Hardness (mg/L)		RW E.C. (uS/cm)	RW TOC (mg/L)
								Total	Phenol	Total	Ca		
1	8.82	1.00	1.18	5.0	57	21	71	65	5	94	49		
2	8.98	0.97	1.10	3.5			73	63	6	101	51	472	3.2
3	9.07	0.96	1.10	3.0			78	66	7	115	49		
4	9.00	1.15	1.13	2.5			83	66	6	105	51		
5	8.90	1.82	1.53	2.0			81	67	8	110	51		
6	8.97	1.32	1.27	2.0			83	68	8	105	51		
7	8.98	1.08	1.10	1.0			85	68	7	107	51		
8	9.09	0.89	0.99	2.0	60	27	87	67	7	107	50	503	
9	9.12	0.79	0.74	1.0			84	69	15	106	49		
10	8.90	5.83	1.63	1.5			84	69	6	104	52		
11	8.66	3.57	1.37	1.0			85	69	2	107	51		
12	8.46	2.48	1.15	1.0			88	69	0	106	52		
13	8.38	2.70	1.30	1.5			85	68	1	108	51		
14	8.55	1.55	0.89	1.0			89	65	2	101	48		
15	8.58	1.04	0.77	1.0	43	20	87	68	3	109	50		
16	8.78	0.79	0.74	1.0			92	64	4	100	47	495	
17	8.83	0.73	0.77	1.0			91	66	6	105	47		
18	8.85	0.64	0.77	1.0			91	66	7	103	47		
19	8.91	0.68	0.77	1.0			94	68	7	101	46		
20	8.88	0.60	0.67	1.0			91	65	6	103	47		
21	8.93	0.64	0.74	1.0			89	65	7	109	51		
22	8.94	0.61	0.76	1.0	43	11	90	65	8	103	50	530	
23	9.08	0.69	0.88	1.0			92	69	11	106	49		
24	9.10	0.65	0.91	1.0			96	70	12	111	51		
25	9.07	0.63	0.85	1.0			94	70	12	104	48		
26	9.04	0.66	0.88	1.0			94	70	14	106	52		
27	9.01	0.82	0.94	1.0			94	72	13	105	51		
28	8.92	0.93	0.95	1.0			94	71	11	103	52		
29	9.03	0.78	0.83	1.5	39	6	94	75	14	108	53	566	
30	9.06	0.70	0.80	1.0			98	70	11	119	52		
31	9.17	0.61	0.85	1.0			100	71	12	120	57		
Avg	8.91	1.24	0.98	1.5	48	17	88	68	8	106	50	513	3.2

**MONTHLY SUMMARY OF MINERAL AND PHYSICAL ANALYSIS
TREATED WATER (TW) & CLEARWELL (CW)**

System Name: Central Coast Water Authority

System Number: 4210030

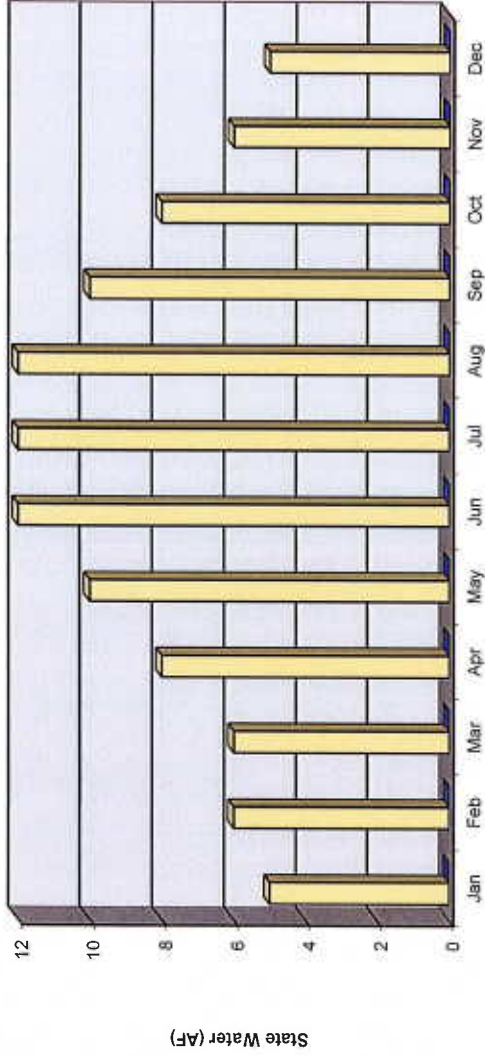
Treatment Plant Name: Polonio Pass Water Treatment Plant

January 2018

Date:	TW pH (SU)	TW Turbidity (NTU)	Filter Rate (gpm/ft ²)	CW Odor (TON)	TW Total Coliform	CW Cl- (mg/L)	CW Total Alk (mg/L)	CW Hardness (mg/L)		TW Chlorine (mg/L)		CCB3 Chlorine Free (mg/L)	TW NH3-N (mg/L)		(CCB3 Cl2 Free) / (TW NH3-N Total)	CW E.C. (uS/cm)	TW TOC (mg/L)
								Total	Ca	Total	Free		Total	Free			
1	8.37	0.05	4.62	0.0	ABSENT	75	59	94	45	2.83	0.00	2.68	0.55	0.00	4.9		
2	8.40	0.06	4.37	0.0	ABSENT	76	59	105	50	2.85	0.00	2.80	0.53	0.00	5.3	496	2.3
3	8.48	0.06	4.37	0.0	ABSENT	77	59	105	51	2.87	0.00	2.78	0.52	0.00	5.3		
4	8.31	0.06	4.31	0.0	ABSENT	86	58	107	48	2.88	0.00	2.77	0.53	0.00	5.2		
5	8.42	0.07	4.08	0.0	ABSENT	85	61	105	49	2.86	0.00	2.77	0.53	0.00	5.2		
6	8.36	0.06	4.21	0.0	ABSENT	86	61	105	51	2.89	0.00	2.77	0.55	0.00	5.0		
7	8.33	0.06	4.21	0.0	ABSENT	88	59	104	54	2.91	0.00	2.77	0.57	0.00	4.9		
8	8.37	0.06	4.14	0.0	ABSENT	89	57	105	49	2.88	0.00	2.70	0.56	0.00	4.8	550	
9	8.33	0.05	4.14	0.0	ABSENT	88	62	107	52	2.87	0.00	2.74	0.56	0.00	4.9		
10	8.37	0.06	4.05	0.0	ABSENT	89	65	102	51	2.88	0.00	2.84	0.57	0.00	5.0		
11	8.33	0.05	4.25	0.0	ABSENT	91	67	105	51	2.96	0.00	2.86	0.55	0.00	5.2		
12	8.35	0.05	4.23	0.0	ABSENT	91	67	108	53	3.05	0.00	2.96	0.59	0.00	5.0		
13	8.34	0.05	4.29	0.0	ABSENT	89	66	104	50	2.92	0.00	2.78	0.56	0.00	5.0		
14	8.33	0.05	4.17	0.0	ABSENT	93	65	101	45	2.90	0.00	2.80	0.56	0.00	5.0		
15	8.31	0.04	4.21	0.0	ABSENT	92	66	103	42	2.84	0.00	2.73	0.57	0.00	4.8		
16	8.43	0.05	4.29	0.0	ABSENT	93	63	105	48	2.88	0.00	2.71	0.55	0.00	4.9	530	
17	8.39	0.05	4.12	0.0	ABSENT	93	62	104	49	2.86	0.00	2.68	0.56	0.00	4.8		
18	8.38	0.05	4.26	0.0	ABSENT	94	61	106	50	2.85	0.00	2.69	0.55	0.00	4.9		
19	8.41	0.05	4.25	0.0	ABSENT	96	61	100	44	2.90	0.00	2.71	0.57	0.00	4.8		
20	8.35	0.05	4.08	0.0	ABSENT	93	59	103	47	2.97	0.00	2.70	0.58	0.00	4.7		
21	8.43	0.05	4.00	0.0	ABSENT	91	60	104	48	2.85	0.00	2.76	0.56	0.00	4.9		
22	8.39	0.05	4.08	0.0	ABSENT	91	61	104	50	2.88	0.00	2.74	0.56	0.00	4.9	522	
23	8.44	0.05	4.22	0.0	ABSENT	93	62	109	48	2.88	0.00	2.75	0.56	0.00	4.9		
24	8.40	0.05	4.21	0.0	ABSENT	96	63	115	51	2.87	0.00	2.68	0.55	0.00	4.9		
25	8.33	0.05	4.09	0.0	ABSENT	96	64	110	50	2.84	0.00	2.64	0.55	0.00	4.8		
26	8.37	0.05	4.00	0.0	ABSENT	96	64	110	50	2.84	0.00	2.63	0.56	0.00	4.7		
27	8.28	0.05	4.17	0.0	ABSENT	97	66	104	52	2.84	0.00	2.70	0.55	0.00	4.9		
28	8.22	0.05	4.12	0.0	ABSENT	97	67	103	53	2.89	0.00	2.78	0.54	0.00	5.1		
29	8.41	0.05	3.92	0.0	ABSENT	97	69	108	52	2.82	0.00	2.67	0.56	0.00	4.8	577	
30	8.29	0.05	4.18	0.0	ABSENT	101	64	118	55	2.84	0.00	2.69	0.55	0.00	4.9		
31	8.37	0.06	4.29	0.0	ABSENT	103	63	117	57	2.87	0.00	2.70	0.53	0.00	5.1		
Avg	8.36	0.05	4.19	0.00		91	63	106	50	2.88	0.00	2.74	0.55	0.00	4.9	535	2.30

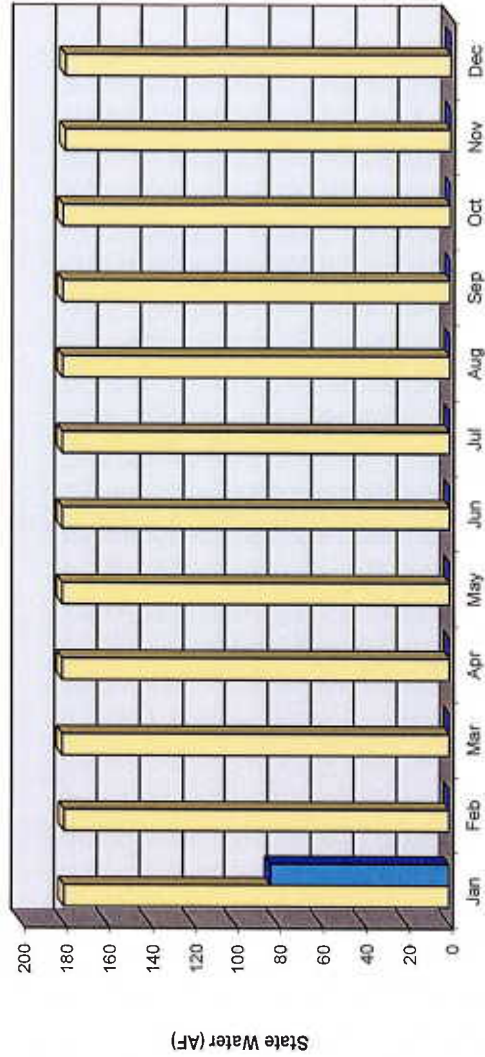
Shandon T.O. - SWP Deliveries in Year 2018

Month	Requested Delivery	Actual Delivery	Allocation Available
Jan	5	0	
Feb	6	0	
Mar	6	0	
Apr	8	0	
May	10	0	
Jun	12	0	
Jul	12	0	
Aug	12	0	
Sep	10	0	
Oct	8	0	
Nov	6	0	
Dec	5	0	
Total	100	0	



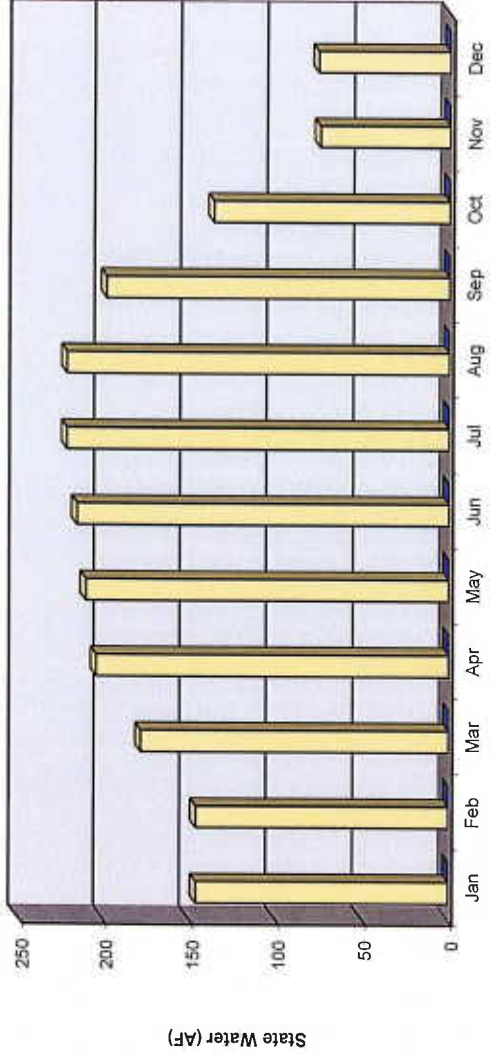
Chorro Valley T.O. - SWP Deliveries in Year 2018

Month	Requested Delivery	Actual Delivery	Allocation Available
Jan	180	83	
Feb	180	0	
Mar	181	0	
Apr	181	0	
May	181	0	
Jun	181	0	
Jul	181	0	
Aug	181	0	
Sep	181	0	
Oct	181	0	
Nov	180	0	
Dec	180	0	
Total	2165	83	



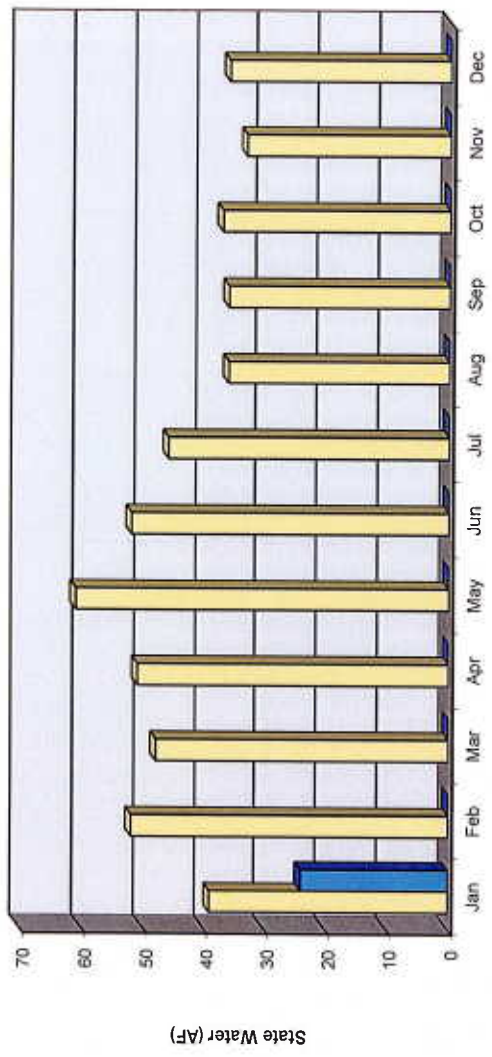
Lopez T.O. - SWP Deliveries in Year 2018

Month	Requested Delivery	Actual Delivery	Allocation Available
Jan	146	0	
Feb	146	0	
Mar	178	0	
Apr	204	0	
May	210	0	
Jun	215	0	
Jul	221	0	
Aug	221	0	
Sep	198	0	
Oct	136	0	
Nov	75	0	
Dec	76	0	
Total	2027	0	



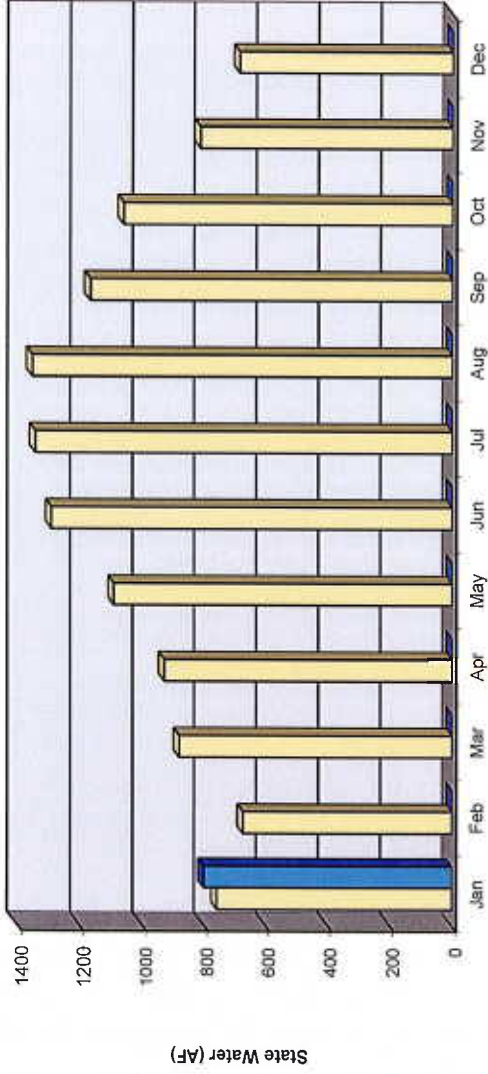
Guadalupe - SWP Deliveries in Year 2018

Month	Requested Delivery	Actual Delivery	Allocation Available
Jan	39	24	
Feb	52	0	
Mar	48	0	
Apr	51	0	
May	61	0	
Jun	52	0	
Jul	46	0	
Aug	36	0	
Sep	36	0	
Oct	37	0	
Nov	33	0	
Dec	36	0	
Total	527	24	



Santa Maria - SWP Deliveries in Year 2018

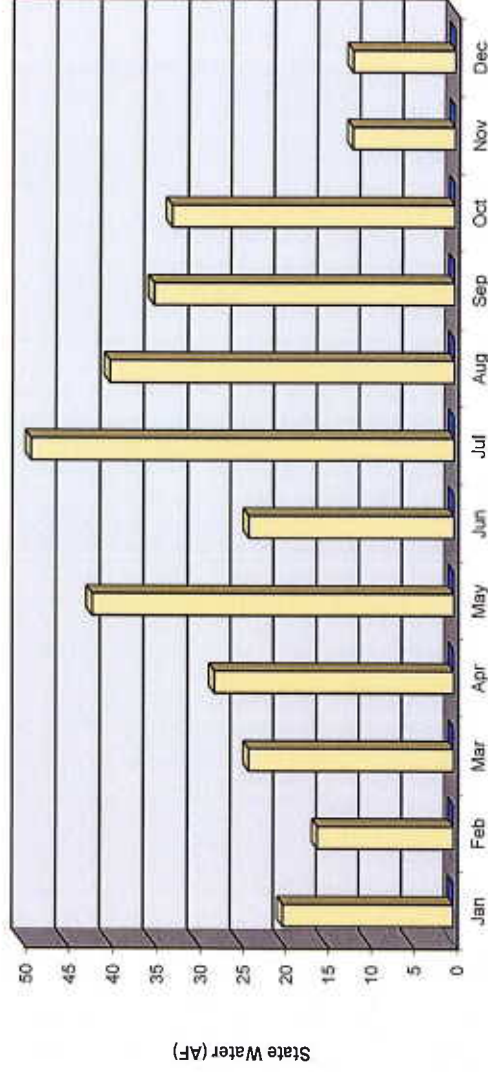
Month	Requested Delivery	Actual Delivery	Allocation Available
Jan	758	800	
Feb	673		
Mar	881		
Apr	928		
May	1091		
Jun	1293		
Jul	1344		
Aug	1353		
Sep	1166		
Oct	1058		
Nov	811		
Dec	685		
Total	12041	800	



Requested Delivery
Actual Delivery

Golden State - SWP Deliveries in Year 2018

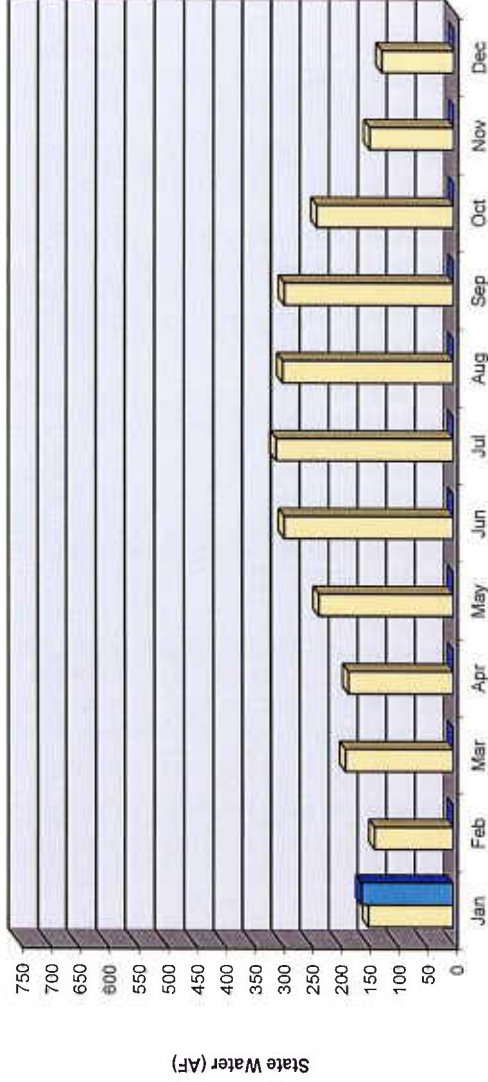
Month	Requested Delivery	Actual Delivery	Allocation Available
Jan	20	0	
Feb	16		
Mar	24		
Apr	28		
May	42		
Jun	24		
Jul	49		
Aug	40		
Sep	35		
Oct	33		
Nov	12		
Dec	12		
Total	335	0	



Requested Delivery
Actual Delivery

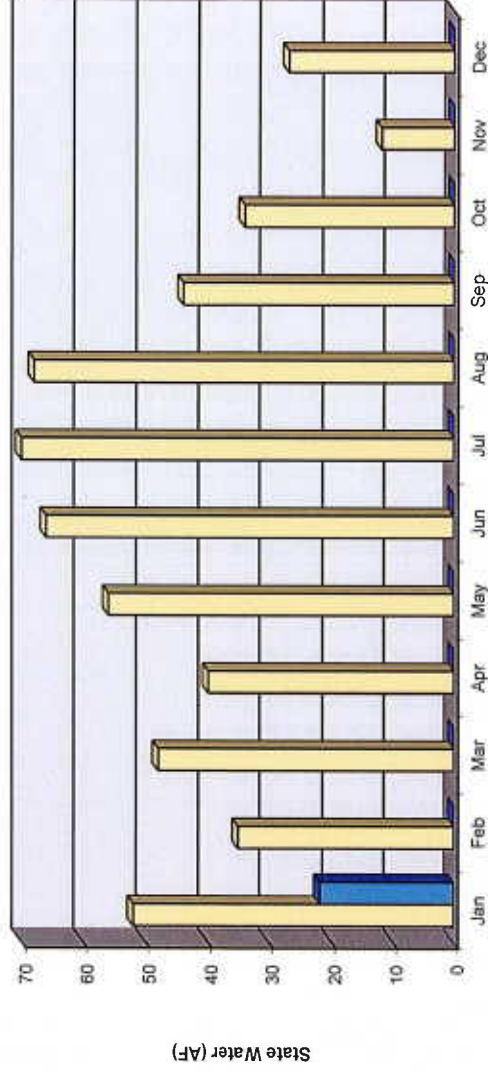
VAFB - SWP Deliveries in Year 2018

Month	Requested Delivery	Actual Delivery	Allocation Available
Jan	148	160	
Feb	137		
Mar	188		
Apr	183		
May	234		
Jun	294		
Jul	308		
Aug	297		
Sep	294		
Oct	238		
Nov	147		
Dec	126		
Total	2594	160	



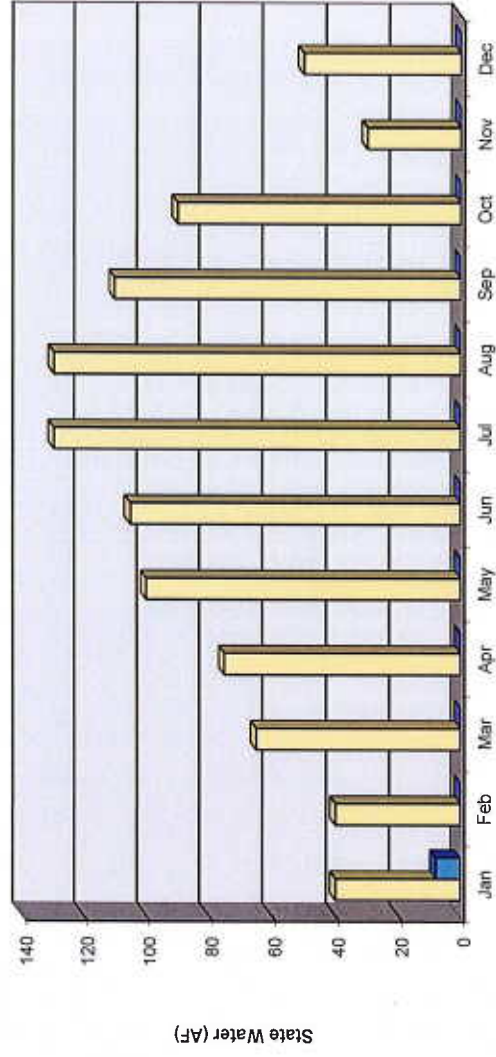
Buelton - SWP Deliveries in Year 2018

Month	Requested Delivery	Actual Delivery	Allocation Available
Jan	52	22	
Feb	35		
Mar	48		
Apr	40		
May	56		
Jun	66		
Jul	70		
Aug	68		
Sep	44		
Oct	34		
Nov	12		
Dec	27		
Total	552	22	



Santa Ynez - Solvang Only - SWP Deliveries in Year 2018

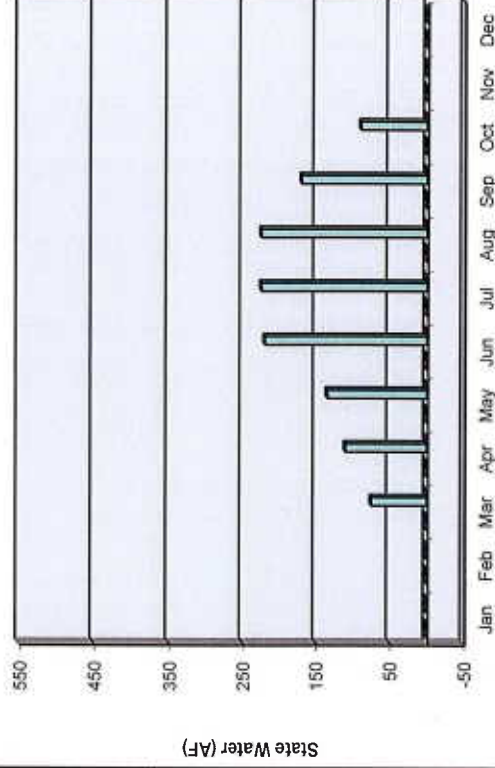
Month	Requested Delivery	Actual Delivery	Allocation Available
Jan	40	8	
Feb	40		
Mar	65		
Apr	75		
May	100		
Jun	105		
Jul	130		
Aug	130		
Sep	110		
Oct	90		
Nov	30		
Dec	50		
Total	965	8	



Requested Delivery
Actual Delivery

Santa Ynez (Without Solvang) - SWP Deliveries in Year 2018

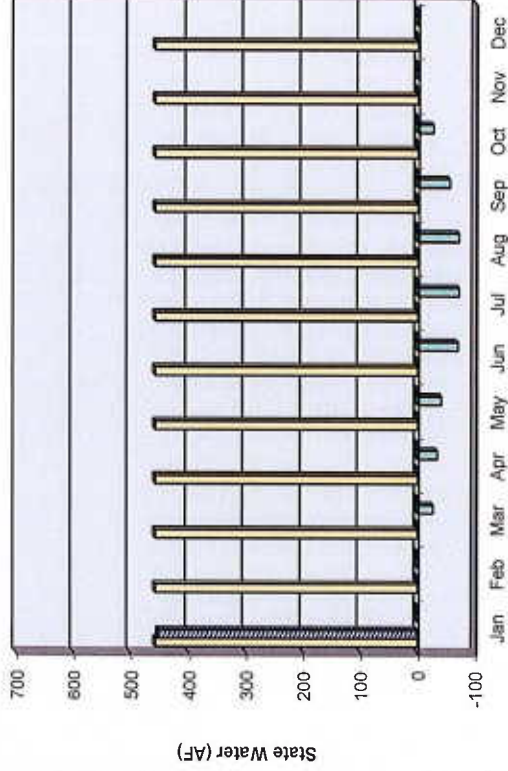
Month	Scheduled State Water Delivery	Scheduled Exchange Water	Total Sch'd Water	Total Sch'd State & Exch. Water Delivery	Actual State Water Delivery	Actual Exchange Water Delivery	Total Actual State & Exch. Water Delivery	Allocation Available
Jan	0	0	0	0	0	0	0	
Feb	0	0	0	0	0	0	0	
Mar	0	75	75	75	0	0	0	
Apr	0	110	110	135	0	0	0	
May	0	135	135	220	0	0	0	
Jun	0	220	220	225	0	0	0	
Jul	0	225	225	225	0	0	0	
Aug	0	170	170	90	0	0	0	
Sep	0	90	90	0	0	0	0	
Oct	0	0	0	0	0	0	0	
Nov	0	0	0	0	0	0	0	
Dec	0	0	0	0	0	0	0	
Total	0	1250	1250	1250	0	0	0	



Scheduled State Water Delivery
Actual State Water Delivery
Scheduled Exchange Water
Actual Exchange Water Delivery

Goleta - SWP Deliveries in Year 2018

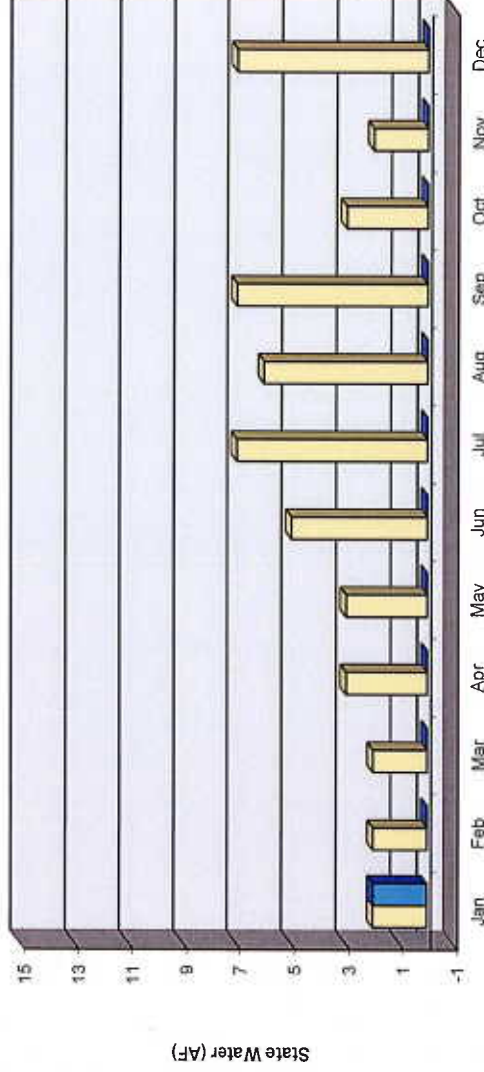
Month	Scheduled State Water Delivery	Scheduled Exchange Water	Total Sched. State & Exch. Water Delivery	Actual State Water Delivery	Actual Exchange Water Delivery	Total Actual State & Exch. Water Delivery	Allocation Available
Jan	457	0	457	452	0	452	
Feb	457	0	457	452	0	452	
Mar	457	-27	430	452	0	452	
Apr	457	-34	423	452	0	452	
May	457	-41	416	452	0	452	
Jun	457	-70	387	452	0	452	
Jul	457	-72	385	452	0	452	
Aug	457	-72	385	452	0	452	
Sep	457	-56	401	452	0	452	
Oct	457	-27	430	452	0	452	
Nov	457	0	457	452	0	452	
Dec	457	0	457	452	0	452	
Total	5484	-400	5084	452	0	452	



Scheduled State Water Delivery
 Actual State Water Delivery
 Scheduled Exchange Water
 Actual Exchange Water Delivery

Morehart Land - SWP Deliveries in Year 2018

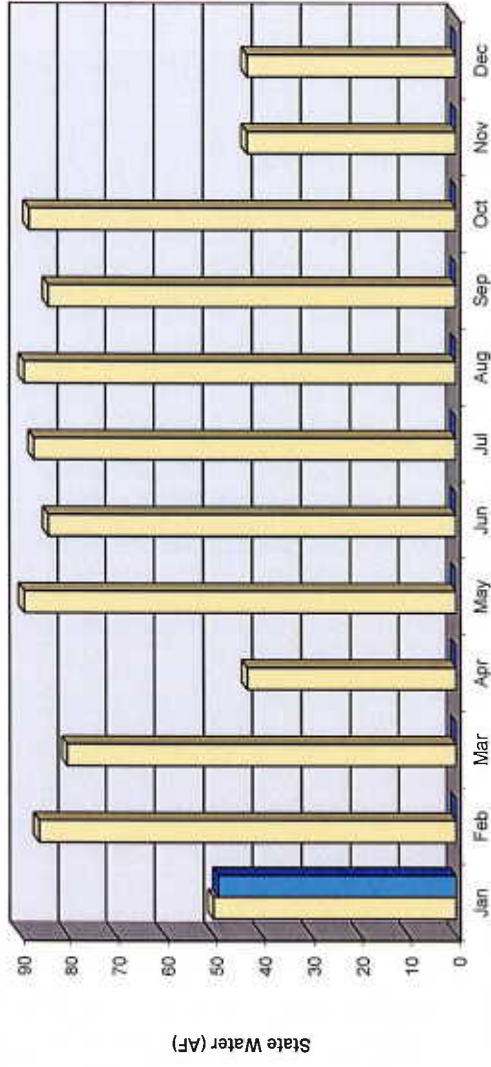
Month	Requested Delivery	Actual Delivery	Allocation Available
Jan	2	2	
Feb	2	2	
Mar	2	2	
Apr	3	3	
May	3	3	
Jun	5	5	
Jul	7	7	
Aug	6	6	
Sep	7	7	
Oct	3	3	
Nov	2	2	
Dec	7	7	
Total	49	2	



Requested Delivery
 Actual Delivery

La Cumbre - SWP Deliveries in Year 2018

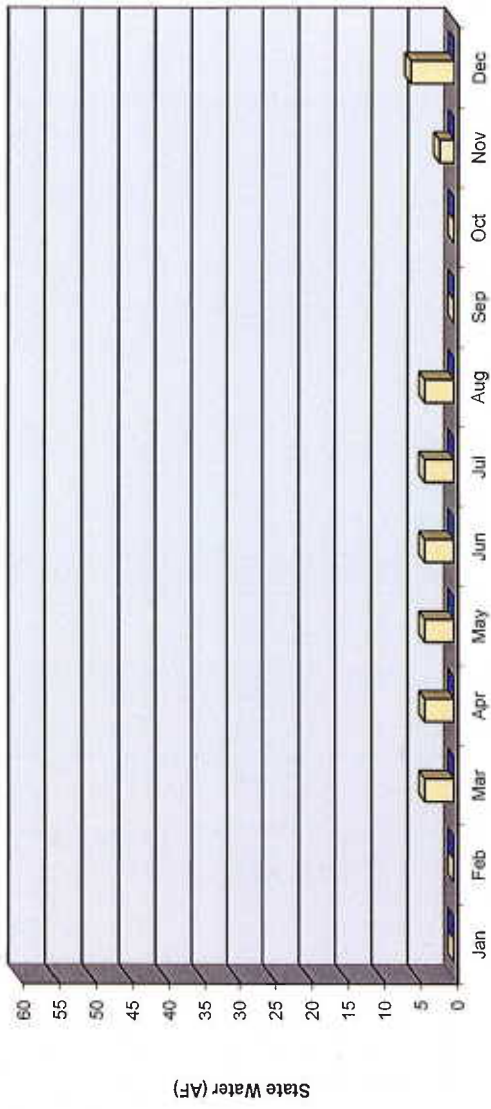
Month	Requested Delivery	Actual Delivery	Allocation Available
Jan	50	49	
Feb	86		
Mar	80		
Apr	43		
May	89		
Jun	84		
Jul	87		
Aug	89		
Sep	84		
Oct	88		
Nov	43		
Dec	43		
Total	866	49	



Requested Delivery
Actual Delivery

Raytheon (SBRC) - SWP Deliveries in Year 2018

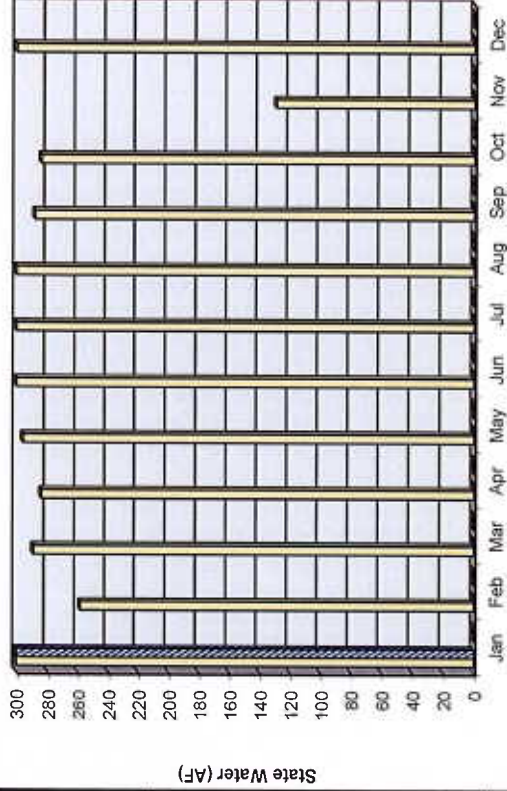
Month	Requested Delivery	Actual Delivery	Allocation Available
Jan	0	0	
Feb	0		
Mar	4		
Apr	4		
May	4		
Jun	4		
Jul	4		
Aug	4		
Sep	0		
Oct	0		
Nov	2		
Dec	6		
Total	32	0	



Requested Delivery
Actual Delivery

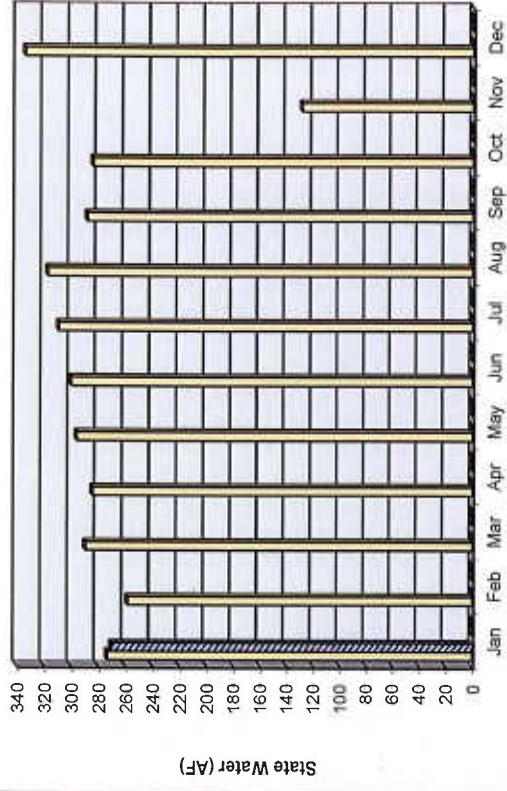
Santa Barbara - SWP Deliveries in Year 2018

Month	Scheduled State Water Delivery	Scheduled Exchange Water	Total Sched. State & Exch. Water Delivery	Actual State Water Delivery	Actual Exchange Water Delivery	Total Actual State & Exch. Water Delivery	Allocation Available
Jan	304	0	304	301	0	301	
Feb	258	0	258				
Mar	289	-18	271				
Apr	284	-23	261				
May	296	-28	268				
Jun	300	-47	253				
Jul	309	-48	261				
Aug	317	-48	269				
Sep	288	-37	251				
Oct	284	-18	266				
Nov	129	0	129				
Dec	334	0	334				
Total	3391	-266	3125	301	0	301	



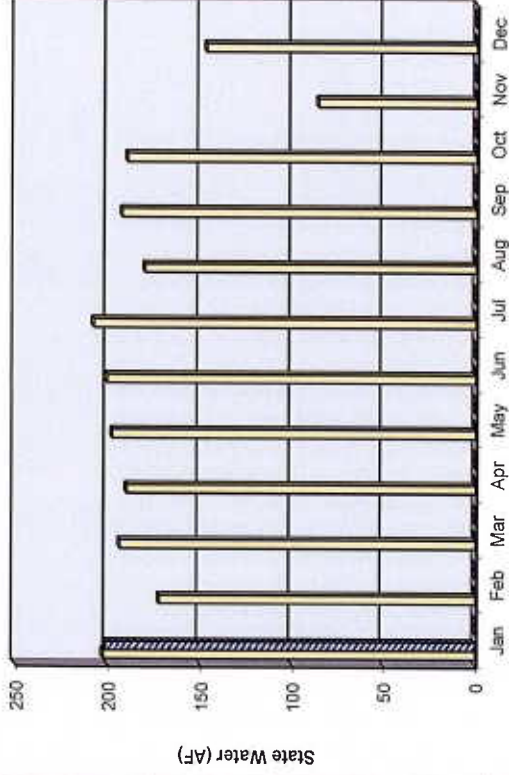
Montecito - SWP Deliveries in Year 2018

Month	Scheduled State Water Delivery	Scheduled Exchange Water	Total Sched. State & Exch. Water Delivery	Actual State Water Delivery	Actual Exchange Water Delivery	Total Actual State & Exch. Water Delivery	Allocation Available
Jan	273	0	273	270	0	270	
Feb	258	0	258				
Mar	289	-18	271				
Apr	284	-23	261				
May	296	-28	268				
Jun	300	-47	253				
Jul	309	-48	261				
Aug	317	-48	269				
Sep	288	-37	251				
Oct	284	-18	266				
Nov	129	0	129				
Dec	334	0	334				
Total	3360	-266	3094	270	0	270	



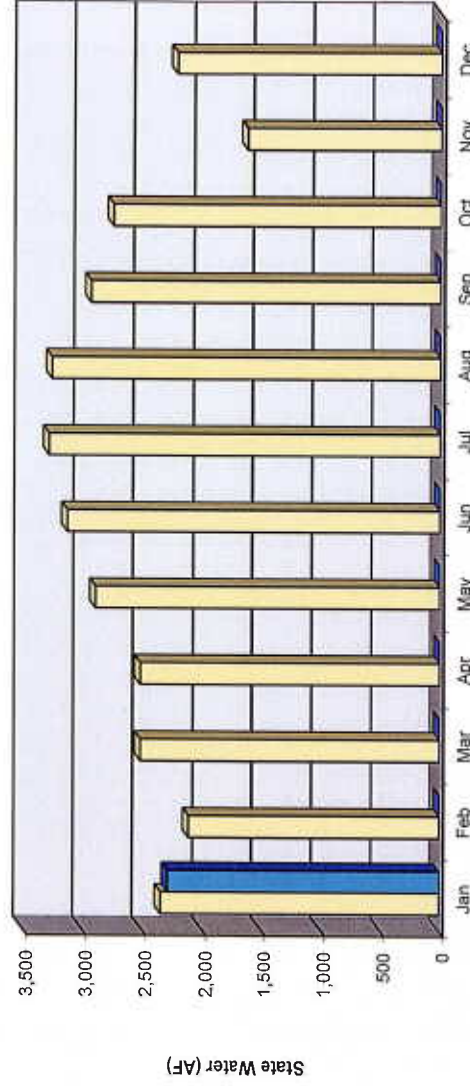
Carpinteria - SWP Deliveries in Year 2018

Month	Scheduled State Water Delivery	Scheduled Exchange Water	Total Sched. State & Exch. Water Delivery	Actual State Water Delivery	Actual Exchange Water Delivery	Total Actual State & Exch. Water Delivery	Allocation Available
Jan	202	0	202	201	0	201	
Feb	172	0	172				
Mar	193	-12	181				
Apr	189	-15	174				
May	197	-18	179				
Jun	200	-31	169				
Jul	207	-32	175				
Aug	180	-32	148				
Sep	192	-25	167				
Oct	189	-12	177				
Nov	86	0	86				
Dec	147	0	147				
Total	2155	-178	1977	201	0	201	



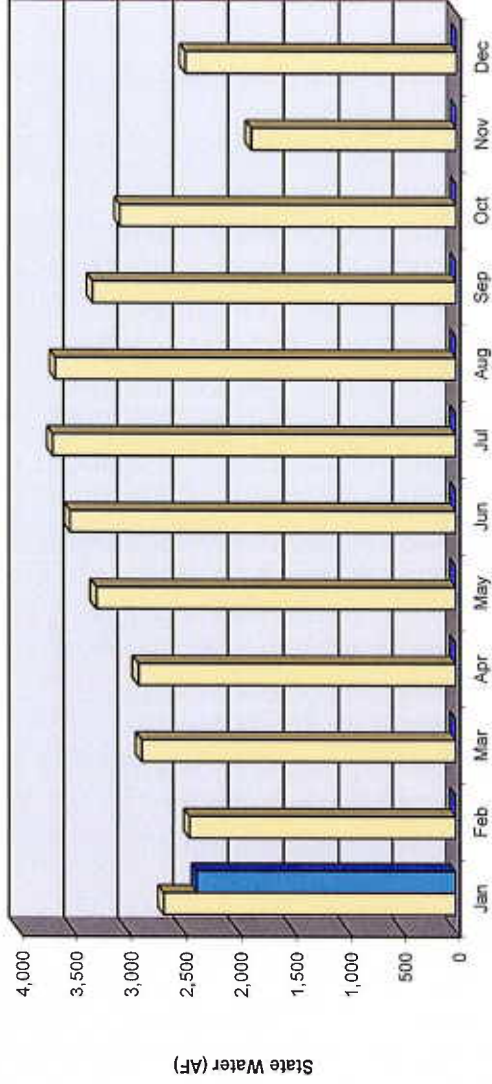
Total SB County - SWP Deliveries in Year 2018

Month	Requested Delivery	Actual Delivery
Jan	2,345	2,289
Feb	2,116	
Mar	2,517	
Apr	2,518	
May	2,892	
Jun	3,131	
Jul	3,287	
Aug	3,264	
Sep	2,936	
Oct	2,751	
Nov	1,628	
Dec	2,225	
Total	31,609	2,289



Total SB and SLO County - SWP Deliveries in Year 2018

Month	Requested Delivery	Actual Delivery
Jan	2,671	2,372
Feb	2,442	
Mar	2,876	
Apr	2,903	
May	3,282	
Jun	3,527	
Jul	3,689	
Aug	3,666	
Sep	3,315	
Oct	3,068	
Nov	1,883	
Dec	2,481	
Total	35,801	2,372



Requested Delivery
Actual Delivery




CENTRAL COAST WATER AUTHORITY

MEMORANDUM

February 8, 2018

TO: CCWA Board of Directors

FROM: Ray A. Stokes
Executive Director 

SUBJECT: Agreement to Deliver Semitropic Water Storage Program Water for Montecito Water District

DISCUSSION

The Montecito Water District has elected to participate in the Semitropic Water Storage Program. Because Montecito is the only CCWA project participant participating in the water storage program, the contracts for the 2017 CCWA Water Storage Program are not sufficient to fully address the various issues associated with Montecito's participation in the Semitropic water bank. Therefore, a new agreement must be executed between CCWA and Montecito to fully protect CCWA and the other project participants from any harm associated with Montecito's participation in the water bank.

The attached "Agreement to Deliver Semitropic Water Storage Program Water" was prepared by CCWA legal counsel to outline the issues unique to CCWA's facilitation of transferring Montecito's State water into the Semitropic water bank and to fully indemnify and protect the other CCWA project participants from any harm which may arise due to Montecito's participation in the water bank.

RECOMMENDATION

That the CCWA Board of Directors approve the attached "Agreement to Deliver Semitropic Water Storage Program Water" between CCWA and the Montecito Water District.

RAS

Attachment

**AGREEMENT TO DELIVER
SEMITROPIC WATER STORAGE PROGRAM WATER**

This Agreement To Deliver Semitropic Water Storage Program Water ("**Agreement**") is made and effective as of January 1, 2018, by and between the Central Coast Water Authority ("**CCWA**") and Montecito Water District ("**Montecito**") (each a "**Party**" and collectively, the "**Parties**") with reference to the following facts and intentions:

RECITALS

- A. Santa Barbara County Flood Control and Water Conservation District ("**Santa Barbara**") has a long-term water supply contract with the Department of Water Resources of the State of California ("**DWR**") ("**Water Supply Contract**") that permits Santa Barbara to receive water supply, storage and conveyance services from the State Water Project ("**SWP**").
- B. CCWA is a joint powers agency, members of which are individual water purveyors located in the County of Santa Barbara. In 1991, Santa Barbara and CCWA entered into the Transfer of Financial Responsibility Agreement, which, among other things, obligates CCWA to pay for all Water Supply Contract related costs. Also in 1991, CCWA entered into a series of water supply agreements with CCWA's members and other parties (each a "**CCWA Participant**" and collectively, "**CCWA Participants**") whereby CCWA agreed to deliver SWP water, when available, to each of the CCWA Participants in return for payment sufficient to cover all Water Supply Contract related costs.
- C. Montecito is a member of CCWA. Pursuant to the Water Supply Agreement, dated August 1, 1991, and as amended, between CCWA and Montecito ("**Water Supply Agreement**"), Montecito is entitled to purchase up to 3,000 acre-feet per year ("**AFY**") of SWP water, when available, from CCWA.
- D. On January 25, 2017, CCWA and Montecito entered into the "Water Storage Program Participation Agreement (for 2017)" ("**Participation Agreement**"), pursuant to which CCWA agreed to identify certain water storage opportunities and Montecito agreed to reimburse CCWA for any and all costs associated with the program.
- E. On November 15, 2017, Montecito entered into an agreement with the Semitropic Water Storage District and its Improvement Districts (collectively, "**Semitropic**") for "Participation in the Stored Water Recovery Unit of the Semitropic Water Banking and Exchange Program" ("**Semitropic Agreement**"). The Semitropic Agreement provides for Montecito's participation in a long-term water storage and banking program ("**Semitropic Water Bank**") whereby Montecito purchased an interest in the Semitropic Water Bank which entitles Montecito to store up to 4,500 AFY in the Semitropic Water Bank and to have up

to 1,500 AFY returned to Montecito. It is anticipated that at least a portion of the water that Montecito may elect to store in the Semitropic Water Bank will be SWP water that otherwise would be delivered to Montecito pursuant to the Water Supply Agreement. A copy of the executed Semitropic Agreement is attached hereto as **Exhibit A**.

- F. To permit the above-referenced water storage arrangement, two additional agreements are required. First, DWR must approve an exchange of SWP water between the Kern County Water Agency ("**KCWA**"), which contracts with Semitropic for the delivery of SWP water, and Santa Barbara. DWR's approval, and the terms and conditions of this exchange, are set forth in the proposed Long-Term Change in Point of Delivery Agreement for the Semitropic Water Banking and Exchange Program, SWPAO # 17022 ("**DWR Agreement**") between Santa Barbara, KCWA and DWR. Second, Santa Barbara must agree to assign its rights under the DWR Agreement to CCWA and CCWA must agree to assume all of Santa Barbara's obligations under the DWR Agreement. The terms and conditions of this assignment, assumption and release are set forth in the proposed Release, Assumption And Indemnification Agreement between Santa Barbara and CCWA ("**Santa Barbara Agreement**") which is attached hereto as **Exhibit B**. The DWR Agreement is attached to the Santa Barbara Agreement as Exhibit A.
- G. In compliance with the California Environmental Quality Act ("**CEQA**"), Montecito, as lead agency, prepared an Initial Study – Negative Declaration and filed a Notice of Determination ("**NOD**") with the State Office of Planning and Research on November 27, 2017 (SCH # 2017101021).
- H. CCWA and Montecito now desire to enter into this Agreement for the purposes of (i) setting forth terms and conditions relating to CCWA's storage and delivery of return water obligations described herein and Montecito's payment and reimbursement obligations described herein, and (ii) clarifying the Parties' rights and obligations under this Agreement and the effect, if any, of the Water Supply Agreement, the Santa Barbara Agreement, the DWR Agreement, and the Semitropic Agreement on the Parties' rights and obligations.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing recitals which are incorporated into the operative provisions of this Agreement by this reference, and for other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. CCWA Performance of DWR Agreement

1.1 Agreement to Assume Santa Barbara's Obligations. On behalf of Montecito, to permit implementation of the Semitropic Agreement for the benefit of Montecito, CCWA agrees to execute the Santa Barbara Agreement in substantially the same form as set forth in Exhibit B and thereby to accept assignment of all of Santa Barbara's rights, and to assume all of Santa Barbara's liabilities and obligations, arising from or under the DWR Agreement, including performing all of the obligations of Santa Barbara therein, subject to the terms and conditions provided in this Agreement.

1.2 Limitations on Performance and Liability

(a) Return of Water Limited to Available Capacity. CCWA will exercise reasonable best efforts to accommodate Montecito's requests to store water in the Semitropic Water Bank and for delivery of return water from the Semitropic Water Bank to Montecito. However, the delivery of return water to Montecito under this Agreement shall be subject to CCWA's approval which is dependent upon the times and amounts of the delivery requested and the overall delivery capability of CCWA's facilities. Notwithstanding any other provision of this Agreement, Montecito acknowledges that CCWA facilities used to deliver water to CCWA Participants have limited capacity which, depending on the availability and timing of all other supplies scheduled to be delivered to CCWA, may limit the return of water from the Semitropic Water Bank to Montecito. Water that is deliverable to Montecito under the terms of this Agreement (and not any other agreement such as the Water Supply Agreement) may only be delivered when unused capacity exists. Montecito agrees that in the event Montecito's request for the return of water pursuant to this Agreement exceeds Montecito's capacity rights in CCWA's facilities, CCWA may deny or condition the request.

(b) No Liability For Determinations By Other Parties. Notwithstanding any other provision of this Agreement, Montecito acknowledges that the DWR Agreement provides for certain approvals and discretionary decisions to be made solely by DWR and KCWA. Montecito agrees that CCWA is not liable to Montecito, and hereby releases CCWA, for (i) the determinations that either DWR or KCWA makes pursuant to the DWR Agreement, and (ii) any actions or inactions resulting from such determinations, including, but not limited to, DWR's and KCWA's respective rights to withhold approval of, or propose modifications to, deliveries of water to or from the Semitropic Water Bank requested by CCWA on behalf of Montecito.

(c) CCWA Not A Party To The Semitropic Agreement. Montecito acknowledges that CCWA is not a party to the Semitropic Agreement, is not a beneficiary of the Semitropic Agreement, and has no rights, obligations or liabilities pursuant to the Semitropic Agreement. Montecito agrees that Montecito alone, and not CCWA, is responsible for all obligations and liabilities arising out of or relating to the Semitropic Agreement, including, but not limited to, Montecito's obligation to make payments directly to Semitropic pursuant to the Semitropic Agreement.

(d) No Adverse Impact On CCWA Or CCWA Participants. Nothing in this Agreement shall obligate CCWA to deliver water to Montecito at times when such delivery would adversely impact CCWA operations or facilities, or any CCWA Participant not a Party. This Agreement shall not be administered or interpreted in any way that would cause adverse impacts on CCWA operations or facilities or on the allocations or deliveries of water to any CCWA Participant not a Party.

(e) No Obligation Of CCWA Participant Not A Party to "Step Up." Notwithstanding any other provision of this Agreement, Montecito agrees that under no circumstances shall a CCWA Participant not a Party have any obligation under this Agreement, the Santa Barbara Agreement, the DWR Agreement or the Semitropic Agreement, including, but not limited to, any obligation to increase payments to CCWA or otherwise to assume any liability or obligation of Montecito pursuant to this Agreement or the Semitropic Agreement, whether pursuant to the so-called "step-up" provisions that are contained in each CCWA Participant's water supply agreement with CCWA or otherwise.

2. Montecito's Payment Obligations

2.1 CCWA's Costs Pursuant to DWR Agreement. In addition to any costs for which Montecito may be obligated pursuant to the Semitropic Agreement, Montecito shall pay, or reimburse, as provided herein, CCWA for all costs incurred by CCWA pursuant to this Agreement, including: (a) all costs incurred by CCWA pursuant to the Santa Barbara Agreement (including any reimbursement of Santa Barbara for its costs) and the DWR Agreement; (b) all administrative and legal fees incurred in preparing documents, obtaining necessary approvals and undertaking compliance with CEQA; and (c) any litigation costs; as further provided in this Section.

2.2 Election to Store. At any time, in the event Montecito desires to store water in the Semitropic Water Bank pursuant to the Semitropic Agreement, Montecito shall provide written notice to CCWA of its intention to do so in the form and manner that CCWA prescribes ("**Election to Store**"). Within 10 days of receipt of Montecito's Election to Store, CCWA shall estimate all costs related to the matters described in the Election to Store and deliver an invoice for the estimated costs to Montecito. Within 10 days of the invoice date, Montecito shall make payment to CCWA for the invoiced amount in the manner that CCWA prescribes. Montecito may, but shall not be required to, maintain a deposit with CCWA sufficient to cover all or a portion of the estimated costs. Within 3 days of CCWA's receipt of the full amount of the invoiced estimated costs, CCWA shall submit the Election to Store to DWR and KCWA and coordinate the delivery schedule for the water to be stored pursuant to Section 5 of the DWR Agreement.

2.3 Election to Receive Return Water. At any time, in the event Montecito desires to receive water in return from the Semitropic Water Bank pursuant to the Semitropic Agreement, Montecito shall provide written notice to CCWA of its intention to do so in the form and manner that CCWA prescribes ("**Election to Return**"). Within 10

days of receipt of Montecito's Election to Return, CCWA shall estimate all costs related to the matters described in the Election to Return and deliver an invoice for the estimated costs to Montecito. Within 10 days of the invoice date, Montecito shall make payment to CCWA for the invoiced amount in the manner that CCWA prescribes. Montecito may, but shall not be required to, maintain a deposit with CCWA sufficient to cover all or a portion of the estimated costs. Within 3 days of CCWA's receipt of the full amount of the invoiced estimated costs, CCWA shall submit the Election to Return to DWR and KCWA and coordinate the delivery schedule for the water to be returned pursuant to Section 6 of the DWR Agreement.

2.4 Litigation Costs. If litigation is commenced regarding this Agreement, the Santa Barbara Agreement or the DWR Agreement, CCWA and Montecito shall meet and confer regarding the litigation. The Parties shall exercise reasonable efforts to cooperate with each other with respect to the litigation. If CCWA and Montecito decide to contest such litigation, to the extent permitted by law, Montecito will take all necessary and appropriate actions to defend the action on behalf of both CCWA and Montecito. Additionally, Montecito shall reimburse CCWA for all of CCWA's costs, including legal, environmental, attorneys' and engineering consultants' fees and expenses, incurred in defending the action and in complying with any judicial order or remedy ordered therein ("**Litigation Costs**"). At least monthly, CCWA shall itemize any Litigation Costs and invoice Montecito. Within 10 days of the invoice date, Montecito shall make payment to CCWA for the invoiced Litigation Costs in the manner that CCWA prescribes. Montecito may, but shall not be required to, maintain a deposit with CCWA sufficient to cover all or a portion of the invoiced Litigation Costs.

2.5 Additional Costs. In addition to the charges identified above, Montecito shall reimburse CCWA for all of any additional demonstrable increase in cost that would not have otherwise been borne by CCWA or by any CCWA Participant not a Party if CCWA did not provide service to Montecito under this Agreement (collectively, "**Additional Costs**"). CCWA shall itemize any Additional Costs and invoice Montecito. Within 10 days of the invoice date, Montecito shall make payment to CCWA for the invoiced Additional Costs in the manner that CCWA prescribes.

2.6 Reconciliation. At least annually, CCWA shall provide to Montecito an accounting of the amounts Montecito is obligated to pay hereunder. Any overpayment by Montecito shall be promptly refunded by CCWA and any underpayment by Montecito shall be promptly paid to CCWA.

3. No Effect On Water Supply Agreement. CCWA and Montecito acknowledge and agree that their respective rights and obligations pursuant to this Agreement are separate and independent of their rights and obligations pursuant to the Water Supply Agreement, and that nothing herein is intended to modify, amend, alter, supersede or otherwise affect the Parties' rights and obligations under the Water Supply Agreement. For example, if Montecito requests delivery of 1,500 AFY pursuant to the Water Supply Agreement and the return of 1,500 AFY of water pursuant to this Agreement in the same year, CCWA shall undertake such deliveries and return deliveries in accordance

with the terms and conditions of the applicable agreement. Notwithstanding the foregoing, CCWA may elect, in its sole and absolute discretion, to account for the delivery of all water to Montecito on a single, consolidated statement of charges. However, any such election shall be for administrative purposes only and shall have no legal effect.

4. Obligations in the Event of Default

4.1 Events of Default. Each of the following shall be an "**Event of Default**" under this Agreement:

(a) Failure of Montecito to make any payment in full when due under this Agreement, and such failure is not remedied within 30 days of CCWA making a written demand for payment;

(b) Breach by Montecito of any agreement, condition, covenant or term herein, and such breach is not remedied within 30 days of CCWA making a written demand for cure of the breach;

(c) If Montecito shall file any petition or institute any proceedings under any act or acts, state or federal, dealing with or relating to the subject of bankruptcy or insolvency or under any amendment of such act or acts, either as a bankrupt or as an insolvent or as a debtor or in any similar capacity, wherein or whereby Montecito asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of its debts or obligations, or offers to its creditors to effect a composition or extension or time to pay its debts, or asks, seeks or prays for a reorganization or to effect a plan of reorganization or for a readjustment of its debts or for any other similar relief, or if Montecito shall make a general or any assignment for the benefit of its creditors; and

(d) Any act or failure to act on the part of Montecito, which act or failure causes CCWA to be in default under either the Santa Barbara Agreement or the DWR Agreement.

4.2 Remedy In The Event Of Default; Continuing Obligations. Upon an Event of Default, CCWA's performance pursuant to this Agreement shall be excused for the duration of the default. Notwithstanding the foregoing, the obligations of Montecito to CCWA to pay the full amount of costs incurred by CCWA pursuant to this Agreement shall continue in full force and effect.

5. Term and Termination

5.1 Term. The term of this Agreement shall commence on the date first written above and shall continue until terminated in accordance with Section 5.2 below.

5.2 Termination. This Agreement shall terminate and shall be of no further force or effect as follows:

(a) If the DWR Agreement is executed by the parties thereto, then upon the termination or expiration of the DWR Agreement in accordance with its terms;

(b) If both of the following do not occur by April 1, 2018: (1) DWR consents to the water storage arrangement contemplated by the Semitropic Agreement and DWR, Santa Barbara and KCWA execute the DWR Agreement in a form substantially similar to Exhibit A to the Santa Barbara Agreement, and (2) Santa Barbara and CCWA execute the Santa Barbara Agreement in a form substantially similar to Exhibit B.

5.3 **Survival.** Notwithstanding the termination or expiration of this Agreement, Section 6 of this Agreement shall remain in full force and effect until any claim or litigation involving this Agreement asserted against CCWA, Montecito or any CCWA Participant not a Party is finally resolved. Further, Montecito shall remain liable to, and shall pay, CCWA for the costs described in Section 2 hereof and incurred by CCWA up to and including the date of termination or expiration.

6. **Indemnification and Release of CCWA and Other CCWA Participants.** Montecito releases and forever acquits, discharges and holds harmless, defends and protects, and shall indemnify: (1) CCWA and its officers, directors, employees and agents, and (2) each and all CCWA Participants not Parties and their respective officers, directors, employees and agents, from and against any and all liabilities (at law or in equity), obligations, liens, claims, orders, rulings, losses, damages, assessments, fines, penalties, injuries, demands, actions, judgments, suits, costs, expenses or disbursements of any kind (including attorneys' fees and costs) which may at any time be imposed on, incurred by or asserted against CCWA or any CCWA Participant not a Party by Montecito, any of its affiliates or any third party, based on, resulting from, in any way relating to, in connection with or arising out of this Agreement. Further, neither CCWA nor any CCWA Participant not a Party, nor any of their respective officers, directors, employees or agents shall be liable to Montecito, any of its affiliates, or any third party based on, resulting from, in any way relating to, in connection with or arising out of the Semitropic Agreement or Montecito's participation in the Semitropic Water Bank.

7. **Third Party Beneficiary; Enforcement.** The Parties agree that this Agreement is for the benefit of (i) CCWA, (ii) Montecito, and (iii) each CCWA Participant not a Party, and all of the aforementioned entities and persons shall be entitled to enforce the provisions of this Agreement.

8. **General Provisions**

8.1 **Governing Law and Jurisdiction.** The validity and interpretation of this Agreement shall be governed by the laws of the State of California. Any litigation regarding this Agreement or its contents shall be filed in the County of Santa Barbara, if in state court, or in the federal district court nearest to Santa Barbara County, if in federal court.

8.2 **Waiver.** Any waiver or failure to declare a breach as a result of the violation of any term of this Agreement shall not constitute a waiver of that term or condition and shall not provide the basis for a claim of estoppel or waiver by any Party to that term or condition.

8.3 **Counterparts.** The Parties may execute this Agreement in counterpart. The Parties agree to accept facsimile or PDF signatures as original signatures.

8.4 **Notices.** All communications or notices in connection with this Agreement shall be in writing and either hand-delivered or sent by U.S. first class mails, postage prepaid, or electronic mail followed by written notice sent by U.S. mails and addressed to the Parties as follows:

Montecito Water District
Nicholas Turner, General Manager
583 San Ysidro Road
Montecito, CA 93108
Tel: (805) 969-2271
nturner@montecitowater.com

Central Coast Water Authority
Ray Stokes, Executive Director
255 Industrial Way
Buellton, CA 93427-9565
Tel: (805) 697-5214
ras@ccwa.com

8.5 **Construction and Interpretation.** The Parties agree and acknowledge that the terms of this Agreement have been negotiated by the Parties and the language used in this Agreement shall be deemed to be the language chosen by the Parties to express their mutual intent. The Agreement shall be construed without regard to any presumption or rule requiring construction against the Party causing such instrument to be drafted, or in favor of the Party receiving a particular benefit under this Agreement. As used in this Agreement, the word "including" means without limitation, the word "or" is not exclusive and the words "herein," "hereof," "hereto" and "hereunder" refer to this Agreement as a whole. Unless the context otherwise requires, references herein: (i) to Articles, Sections and Exhibits mean the Articles and Sections of and the Exhibits attached to this Agreement, and (ii) to an agreement, instrument or other document means such agreement, instrument or other document as amended, supplemented and modified from time to time to the extent permitted by the provisions thereof and by this Agreement. The Exhibits referred to herein are, for purposes of this Agreement, for reference purposes only and except as otherwise provided for in this Agreement or other agreement, nothing herein is intended to modify or amend any such Exhibit. Titles to Articles and headings of Sections are inserted for convenience of reference only and shall not be deemed a part of or affect meaning or interpretation of this Agreement.

8.6 **Entire Agreement.** This Agreement is the entire understanding of the Parties in respect of the subject matter hereof. There are no other promises, representations, agreements or warranties by any of the Parties. This Agreement may only be amended by a writing signed by all of the Parties. Each Party waives its right to assert that this Agreement was affected by oral agreement, course of conduct, waiver or estoppel.

8.7 **Authorization.** The individuals executing this Agreement represent and warrant that they have authority to enter into this Agreement and to perform all acts required by this Agreement, and that the consent, approval, or execution of or by any third party is not required to legally bind either Party to the terms and conditions of this Agreement.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed the day and year first above written.

MONTECITO WATER DISTRICT

APPROVED AS TO FORM:

Cohen & Burge, LLP

President, Board of Directors

By: _____
Robert M. Cohen, Esq.

CENTRAL COAST WATER AUTHORITY

APPROVED AS TO FORM:

Brownstein Hyatt Farber Schreck, LLP

President, Board of Directors

By: _____
Stephanie Osler Hastings, Esq.

EXHIBIT A

Agreement Between Montecito Water District and
Semitropic Water Storage District and its Improvement Districts
for Participation in the Stored Water Recovery Unit
of the Semitropic Water Banking and Exchange Program
(November 15, 2017)

Exhibit B

Release, Assumption And Indemnification Agreement By And Between
Santa Barbara County Flood Control And Water Conservation District And
The Central Coast Water Authority

**AGREEMENT BETWEEN
MONTECITO WATER DISTRICT AND
SEMITROPIC WATER STORAGE DISTRICT AND ITS
IMPROVEMENT DISTRICTS FOR PARTICIPATION IN THE
STORED WATER RECOVERY UNIT OF THE
SEMITROPIC WATER BANKING AND EXCHANGE PROGRAM**

THIS AGREEMENT (this “Agreement”), dated as of November 15, 2017, (Effective Date) is entered into by and between **MONTECITO WATER DISTRICT** (“Participant”) and the **SEMITROPIC WATER STORAGE DISTRICT** and **SEMITROPIC IMPROVEMENT DISTRICT**, **BUTTONWILLOW IMPROVEMENT DISTRICT** and **POND-POSO IMPROVEMENT DISTRICT** of the **SEMITROPIC WATER STORAGE DISTRICT** (collectively called “Semitropic”). Participant and Semitropic may be referred to individually as Party or collectively as Parties.

RECITALS

A. Participant is a County Water District, organized pursuant to Water Code 30000 et seq and is authorized to do any act necessary to furnish sufficient water in the District for any present or future beneficial use, to store water for the benefit of the District, and to make contracts to carry out the purposes of the District.

B. Semitropic Water Storage District and its improvement districts are organized under the laws of the State of California under the Water Storage District Law at Division 14 of the California Water Code. As more particularly described below, Semitropic, among other things, supplies imported supplemental surface water to certain of its landowners and water users and has ongoing groundwater banking programs with other entities.

C. Semitropic obtains water from the SWP through its contracts with the Kern County Water Agency (“Agency”) under the Agency’s master contract with DWR, executed on November 15, 1963, and presently providing for a total contract entitlement of 998,730 AF. Semitropic’s contracts with the Agency were originally executed December 9, 1976 (Buttonwillow Improvement District), December 9, 1976 (Pond-Poso Improvement District), and

January 9, 1969 (Semitropic Water Storage District) and provided for a combined contract entitlement of 158,000 AFY. This later amount was reduced to 155,000 AF by the contract amendments required to implement the Kern Water Bank exchange under the Monterey Agreement. Semitropic Improvement District was formed in 1991, and its boundaries are coterminous with the boundaries of Buttonwillow Improvement District and Pond Poso Improvement District and, among other things, it serves as agent for Buttonwillow Improvement District and Pond-Poso Improvement District. A total of approximately 149,200 acres of land within Semitropic are irrigated with a total annual demand of approximately 522,000 AF based on current cropping patterns and irrigation practices. Semitropic has entered into contracts with individual landowners comprising 42,328 acres of land, which is designated as the Surface Water Service Area ("SWSA"). Semitropic has commitments to deliver 145,240 AFY to the SWSA. Additional lands outside the SWSA, in the amount of approximately 24,500 acres, have also been connected to Semitropic's distribution system so such lands may receive surface water when available. These additional lands are designated as the Temporary Water Service Area ("TWSA"), and may sometimes be referred to as the Non-Contract Service Area. Total landowner demand within the SWSA and TWSA for surface water supplies is greater than water available under Semitropic's entitlement for Agency SWP water and other surface water supplies.

D. Consistent with the California Environmental Quality Act ("CEQA"), Semitropic, acting as lead agency completed an environmental impact report (the "EIR") concerning a water banking and exchange program (the "**Original Banking Program**"). Semitropic's Board of Directors, on July 13, 1994, certified the EIR as being in compliance with CEQA. Semitropic is also responsible for implementing and monitoring the mitigation measures defined in "Findings and Mitigation Monitoring Plan" dated July 1994, adopted as part of the EIR.

E. Semitropic also entered into a Memorandum of Understanding ("MOU") with neighboring districts, dated September 14, 1994, to implement in part said monitoring and mitigation measures, which this Agreement is subject to. The MOU is on file with Semitropic and is available to Participant upon request.

F. The Original Banking Program has a defined total storage capacity of 1,000,000 AF. As part of the Original Banking Program, Semitropic entered into water banking and exchange Agreements with certain parties (the “**Original Banking Partners**”) as amended, under which, when and if fully vested, the Original Banking Partners shall have the amounts as reflected in Recital K.

G. After the implementation of the Original Banking Program, certain of the Original Banking Partners requested that Semitropic investigate the possibility of increasing the recovery or withdrawal capacity of the Original Banking Program. Following review of various alternatives, Semitropic concluded that the withdrawal capacity increase could best be accomplished in a reliable and efficient manner by pumping Stored Water (as defined below) directly from groundwater storage into the California Aqueduct. After considering various pumping locations, pipeline alignments, and the need to minimize pumping impacts on existing groundwater users, the area in the northwest part of Semitropic was selected as a potential well field. The identified project, known as the Stored Water Recovery Unit (“**SWRU**”) and described further below, is based on additional pumpback capacity of up to 200,000 AFY, 150,000 AF of which is to be pumped from the Well Field (as defined below), known as Area B, and 50,000 AFY from other parts of the Semitropic Improvement District, known as Area A, both as shown on Exhibit A.

H. Semitropic prepared a Draft Supplemental Environmental Impact Report (DEIR) on the SWRU. The Final Supplemental EIR was certified on January 19, 2000. Semitropic also prepared Addenda to the Final Supplemental EIR, a *first* dated February 2002, (clarifying the overall storage capacity of the Original Banking Program with the SWRU to be 1,650,000 AF) a *second* dated July 2004 (regarding the size and configuration of certain SWRU facilities), a *third* dated March 2005 (concerning the delivery point of water delivered for banking), a *fourth* dated October 2008 (regarding size and configuration of certain SWRU facilities), a *fifth* dated February 2015 (making further modifications to the north-south conveyance system and changing electrical service to SWRU facilities), and a *sixth*, dated March 2016 (relocating up to 30 of 65 wells in the Well Field easterly to property primarily owned by the Semitropic). Semitropic initially offered the additional recovery capacity of the SWRU to the Original

Banking Partners, but they declined to participate, except for Zone 7 Water Agency and Vidler Water Company whose contractual rights were acquired by San Diego Co. Water Authority in July 2008. As a result of Semitropic's proposal to undertake the SWRU, Semitropic and the Original Banking Partners did enter into an amendment to the Original Banking Partner agreements to confirm and clarify the rights of the Original Banking Partners established under the Original Banking Partner Agreements. The Original Banking Partner Agreements, as amended, among other provisions, provide that Semitropic shall operate the SWRU in a manner designed so that its operation does not cause the Original Banking Program to be impaired in its ability to meet DWR water quality standards for return of Stored Water to the California Aqueduct (*First Amendment, Section 14.2.3*); provided that the Original Banking Partners shall have no responsibility and/or obligation to compensate or otherwise provide mitigation to Semitropic or SWRU participants as a result of any adverse impacts of the Original Banking Program or the SWRU, including but not limited to the "15 foot/3 year Rule" contained in the MOU referenced in Recital E above (*First Amendment, Section 14.3.1*) and also otherwise provide the Original Banking Partners specified rights in regard to the unused capacities of SWRU facilities.

I. The facilities planned to be constructed for the SWRU ("**SWRU Facilities**") generally include a well field with approximately 65 wells with a planned capacity to pump 150,000 AFY ("**Well Field**") as revised by the Sixth Addendum cited in Recital H (in which Participant will only have secondary rights, as herein provided), a collection system for transporting Stored Water to a reservoir and pumping plant, a 96" diameter pipeline to a second reservoir that will be constructed adjacent to the Pond Poso Canal (with appropriate interconnections), and a second pumping plant and 720 cfs in a two-way conveyance capacity in a 120 inch diameter pipeline of which 420 cfs is dedicated to SWRU, to the California Aqueduct. These facilities provide a dual-purpose, bi-directional, connection from the Well Field and from landowner wells within Area B shown on Exhibit A serving each well site, to the California Aqueduct. The SWRU Facilities also include well connections and conveyance facility improvements to increase the existing Semitropic pumpback capacity to the Aqueduct by an additional 50,000 AFY (which, as described below, will be the principal source of recovery for Participant). The SWRU will also require auxiliary features including power distribution lines

and operation and maintenance roads. Costs to mitigate impacts may be included with the SWRU Facilities as herein provided. The parties recognize that water quality standards may result in a requirement that water from the SWRU, and in particular the Well Field, be treated before being returned to the California Aqueduct. The general location of SWRU Facilities is shown as Area B on Exhibit A hereto.

J. Semitropic as part of the Original Banking Program has constructed facilities to provide Program Delivery Capacity consisting of 23,000 acres of In-Lieu Service Area providing, in combination with delivering capabilities in the SWSA and TWSA, approximately 90,500 AFY of delivery capacity within a portion of Area A on Exhibit A. Since initiating, the Original Banking Program Semitropic has also increased its recharge capabilities beyond that required by the Original Banking Program through construction of additional In-Lieu Service areas, participation in the Kern Water Bank and additional direct recharge facilities within the District. These additional facilities including proposed future improvements are generally shown on Exhibit A. An additional In-Lieu Service Area as generally shown within Area B of Exhibit A (shown as "In-Lieu Recharge and Recovery Area") will also be constructed as part of the SWRU Facilities. This In-Lieu Service Area and additional facilities within Area B will increase the "put" capacity of the SWRU and may also be used to mitigate potential pumping impacts on landowners adjoining the Well Field.

K. The respective Banking Partners in the Original Banking Program and the SWRU and a summary of their respective interests are as follows:

Original Banking Partners (OBP)	Effective Date Of Agreement/Amendment	Amount of Storage (AF)	Recovery ⁽¹⁾ AF/Yr
Metropolitan Water District of Southern California	December 12, 1994 May 6, 2003	350,000	48,213
Santa Clara Valley Water District	June 1, 1997 April 24, 2003	350,000	48,213
Alameda County Water District	July 1, 1997 Sept. 28, 2001 April 24, 2003	50,000 100,000	20,662

Zone 7 Water Agency	January 28, 1998 February 26, 2003 January 12, 2005	65,000	12,204 ⁽¹⁾ (3250-SWRU)
San Diego Co. Water Authority	October 8, 1998; May 21, 2001; Sept. 28, 2001 February 26, 2003 July 1, 2005 July 1, 2008	30,000	5,632 ⁽¹⁾ (1500-SWRU)
The Newhall Land and Farming Company	May 21, 2001 February 26, 2003	55,000	7,576
TOTAL (Original Program)		1,000,000	142,500⁽¹⁾
Stored Water Recovery Unit (SWRU) Banking Partners	Effective Date of Agreement/Amendment	Amount of Storage AF⁽⁵⁾	Recovery AF/Yr (Shares)
Poso Creek Water Company, LLC	April 23, 2007	60,000 ^(A)	20,000 ^(A)
⁽²⁾ San Diego Co. Water Authority	August 20, 2008	15,000 ^{(B)(2)}	5,000 ^{(B)(2)}
⁽³⁾ City of Tracy	November 16, 2010	10,500 ^(A)	3,500 ^(A)
Homer, LLC	October 1, 2012	15,000 ^(A)	5,000 ^(A)
Harris Farms, Inc.	November 15, 2013	10,500 ^(A)	3,500 ^(A)
Shows Family Farms, LP	Sept. 10, 2014	300 ^(A)	100 ^(A)
⁽⁷⁾ Mid Valley Ranch, LLC	April 30, 2015	3,600 ^(A)	1,200 ^(A)
Castaic Lake Water Agency	May 13, 2015	15,000 ^(A)	5,000 ^(A)
Montecito Water District	November 15, 2017	4,500 ^(A)	1,500 ^(A)
⁽⁸⁾ Metropolitan Water District (Ref. Section O)	Interim Recovery Agreement-Dec 18, 2014	-0-	<6700> ^{(A)(8)}
COMMITTED CAPACITY-Area A	As of November 15, 2017	134,400 ⁽²⁾	51,250 ⁽²⁾

Uncommitted Capacity	Fall 2017	-0- 435,000^(B)	-0-^{(A)(4)(2)} 145,000^(B)
TOTAL (SWRU)-(Excl.Orig.Prog)		600,000	200,000
Unallocated Storage		63,250⁽⁶⁾	---0---
TOTAL (Program)		1,650,000	342,500⁽¹⁾

Note: This chart is only a summary of the Banking Partners' respective interests and does not in any manner supersede or modify the respective contracts. Superscripts (A) & (B) are areas shown on Exhibit "A" where primary facilities to serve this agreement are located. With respect to the Original Banking Partners, all first priority capacity is within Area A.

⁽¹⁾ Includes (i) 90,000 AFY of Program Pumpback Capacity (ii) Program Entitlement Exchange Rights assuming a reasonably reliable SWP average allocation of 45% and (iii) additional pumpback capacity of 4,750 AFY acquired by Zone 7 (3,250 AFY) and SDCWA (1,500 AFY) from the 50,000 AFY of SWRU Pumpback Capacity but did not include additional storage capacity. (Ref. Footnote ⁽⁶⁾)

⁽²⁾This Agreement was executed under the Semitropic-Rosamond Water Bank Authority (for 5,000 acre feet of the 150,000 AFY of SWRU Pumpback Capacity from Area B) but is administered, managed, and operated under Semitropic's SWRU temporarily within Area "A" and ultimately to be within Area "B" shown on Exhibit A.

⁽³⁾ Per Section 1.14 of Tracy Agreement, ½ storage is in Area "A" and ½ in Area "B" shown on Exhibit A. This provision in the Tracy Agreement is to be amended to show all capacity is to be in Area A.

⁽⁴⁾ Of the 50,000 AFY SWRU Pumpback Capacity that is originating from Area "A" (170 cfs for 5 months) as noted by footnote (1) above, 4,750 AFY has been contracted for by certain Original Banking Partners and 38,300 AFY has been contracted for by SWRU Participants, including

Participant's share but excluding 5,000 AFY temporarily included in the Area "A" (Ref. footnote ⁽²⁾), leaving 6,950 AFY currently available.

⁽⁵⁾ Except for the interim agreement referenced in footnote ⁽⁸⁾, are all based on a 3:1 ratio of storage to recovery capacity.

⁽⁶⁾ This includes 50,000 AF in excess of the 3:1 ratio cited in footnote ⁽⁵⁾ above plus, the 14,250 AF of storage not included in the pumpback capacity cited in footnote ⁽¹⁾ above.

⁽⁷⁾ Mid Valley Ranch, LLC represents itself for 1000 shares and Lazy Dog Orchards, LLC for 200 Shares.

⁽⁸⁾ This Third Amendment to Metropolitan Water District's agreement dated December 18, 2014 provides for interim recovery capacity of 13,200 AF prior to February 1, 2016 thereafter as a result of Castaic's and this Agreement, Metropolitan's interim recovery capacity within Area A is reduced to 6,700 AFY of which 5,450 AFY (i.e. Shares) all or some of which could be committed to another long-term Banking Partner within Area A when San Diego's capacity ⁽²⁾ is served under Area B.

L. Participant and Semitropic find that it will be mutually advantageous to enter into a groundwater banking and exchange program utilizing the SWRU whereby Semitropic will hold for Participant the water deposited by Participant hereunder. This Agreement will provide groundwater storage for Participant resulting in better utilization of its water supplies, and will provide improved reliability of supplies and overall higher groundwater levels for Semitropic.

M. This Agreement is consistent with the goal of making optimum use of water and facilities and is consistent with conservation objectives of Participant, Semitropic, Agency and DWR.

N. Semitropic will provide such water resource management services as are necessary to implement and operate the Program, including the construction of facilities, securing agreements and entering into operational arrangements, as are necessary to receive from

Participant water delivered by Participant for storage hereunder and to return equivalent water to Participant in accordance with the terms of the Agreement. The Program, as implemented with respect to Participant by this Agreement, when combined with other necessary actions undertaken by Participant will thus allow the delivery of Stored Water to Participant. These actions will include obtaining any necessary agreements between agencies responsible for transferring water to and from Semitropic California Aqueduct Turnouts (Delivery Agreement as provided in Article 9). When such services are provided by Semitropic, Participant will make payments to Semitropic, as provided for in this Agreement, to compensate Semitropic for its services and expenses.

O. Semitropic has entered into an agreement with the Metropolitan Water District of Southern California (MWD), dated December 12, 2014 whereby MWD will pay for the costs associated with completing the construction of the Area A recovery facilities as necessary to increase the recovery capacity by 13,200 AF. The construction of the Area A recovery facilities was completed in 2015. Pursuant to such agreement, MWD will have the right to use such Area A recovery facilities until the end of January of 2016. After January 31, 2016, MWD's recovery rights of 13,200 AF by virtue of a Castaic Lake Water Agency agreement were reduced by 5,000 AFY, and by virtue of this agreement will be reduced by 1,500 AFY leaving MWD 6,700 AFY of recovery rights until which time Semitropic commits additional Shares to other Participants under Area A or Semitropic acquires the remaining recovery right from MWD. Ultimately, MWD will no longer have the right to use such Area A recovery facilities, except by virtue of its status as an Original Banking Partner, and Participant will have access to such facilities sufficient to recover under a first priority basis 1,500 AFY.

ARTICLE 1.
DEFINITIONS

As used in this Agreement, each of the following terms shall have the respective meaning given to it in this Article 1 unless expressly stated to the contrary where such term is used. Further, each provision in this Article or in the Recitals which is stated in declarative form (for example, "will be adjusted") or is otherwise stated as an agreement between the Parties, rather than as a statement of their intent or purpose, shall be construed to be an operative part of this Agreement and shall be enforceable.

1.1 **"Agreement"** means, as of any particular time, this Agreement as amended or supplemented by the Parties through that time.

1.2 **"Banking Partner"** means, as of any particular time, Participant and any other entity which is then a party to a water banking and exchange agreement with Semitropic and shall include Original Banking Partners and SWRU Banking Partners. The term "Banking Partner" does not include a Lower Priority Banking Partner.

1.3 **"In-Lieu Service Area"** means lands which have at least a five year history of cultivation and continuous use of groundwater, the owners of which have executed surface water service contracts with Semitropic acknowledging and agreeing to cooperate with Semitropic in fulfilling its obligation to carry out the Program, that provide for the reasonable and beneficial use of water made available to Semitropic for banking and other purposes on that land in lieu of pumping groundwater, and whose on-farm systems have been connected to Semitropic's surface water distribution system to receive water delivered to Semitropic for storage purposes. These lands also have a contractual responsibility to use existing wells to recover Stored Water.

1.4 **"Lower Priority Banking Partner"** means an entity which enters into an agreement with Semitropic to utilize all or part of the capacity during such time period when not required to be available for use by Semitropic or Banking Partners.

1.5 **“Original Banking Partners”** means the parties to the Original Banking Program that are those listed in Recital F, and which may change from time to time in event of assignments in accordance with Section 14.1 (Successors and Assigns).

1.6 **“Original Banking Program”** means the original one million AF (MAF) banking program developed by Semitropic within the Semitropic Bank, referred to as “Program” in Section 1.8 of the Original Banking Program Agreements.

1.7 **“Original Banking Program Agreements”** means the agreement (or agreements) that each Original Banking Partner has entered into with Semitropic containing rights and obligations related to the Original Banking Program.

1.8 **“Original Banking Program Facilities”** means the water facilities, consisting of canals, pipelines, associated pumping plants and recovery wells all as required to recharge a minimum of 90,500 AFY, to recover a minimum of 90,000 AFY at a maximum instantaneous flow rate of 300 cfs (Program Pumpback Capacity), and to recover up to 133,000 AFY to return water under Program Entitlement Exchange Rights provisions, the locations and description of which are shown on Exhibit A within Area A.

1.9 **“Participant’s Delivery Capacity”** means the capability granted to Participant under this Agreement to deliver water for storage, consistent with Article 7 hereof. Participant’s Delivery Capacity shall be provided to Participant from the following facilities, as Semitropic shall determine: (a) in-lieu delivery recharge not part of the Original Banking Program in Area A, (b) direct recharge facilities within Semitropic not part of the Original Banking Program, (c) unused recharge capacity on the Kern Water Bank, (d) unused SWRU Delivery Capacity, and (e) unused capacity of the Original Banking Program. Participant’s Delivery Capacity shall annually be any unused Delivery Capacity within the Facilities referenced above. In the event that total requests for use of unused Delivery Capacity exceeds the available Delivery Capacity as determined by Semitropic, then the available Delivery Capacity will be allocated proportionately on the basis of Shares of the SWRU on the basis of requests among other participants that also have rights to unused capacity, which in Participant’s case is 1500 AFY upon being fully vested

as provided at Section 6.2.1, and prior to being fully vested the percentage of Capital Payments that have been made times 1500 AFY, which is not a delivery limitation but only used for allocation purposes and therefore the actual delivery for that year could be more or less than 1500 AFY.

1.10 **“Program” or “Semitropic Bank”** means the entire groundwater-banking program developed, operated, and maintained by Semitropic, including both the Original Banking Program and the SWRU. The Semitropic Bank is to be expanded to a 1.65 million AF (MAF) banking program, consisting of the existing 1.0 MAF Original Banking Program and the additional 650,000 AF Stored Water Recovery Unit. Current capacities are as shown in Recital K.

1.11 **“Program Entitlement Exchange Rights”** means the rights of Banking Partners to exchange an amount of Stored Water through entitlement exchange for an equal amount of Semitropic’s allocation of Agency’s SWP Entitlement Water (also referred to as Table A Amounts) from the California Aqueduct pursuant to this Agreement or other similar agreements between Semitropic and other Banking Partners, which right shall be first available to the Original Banking Partners as provided further in Article 7. The total amount of Program Entitlement Exchange Rights available to Banking Partners each year will be equal to Semitropic’s SWP Entitlement allocation less the first 22,000 AF (was 25,000 AF prior to the implementation of Monterey Amendments). If the nature or description of Semitropic’s allocation of the Agency’s SWP Entitlement Water is modified, such alternative supply from the SWP shall to such extent be substituted for Semitropic’s allocation of Agency’s SWP Entitlement Water. Alternative supplies shall include water purchases by the SWP or from sources generally available to State water contractors, as well as water from facilities in which participation is generally made available to State water contractors. Nothing in the preceding sentence shall obligate Semitropic to participate in such programs. The maximum Program Entitlement Exchange Rights of all the Banking Partners at any time will be 133,000 AFY (derived from 158,000 AF minus 25,000 AF or after implementation of the Monterey Amendments derived from 155,000 AF minus 22,000 AF).

1.12 **“Original Program Pumpback Capacity”** means the capacity, measured in AFY and CFS, to return Stored Water to the California Aqueduct via the 78” pumpback pipeline constructed for the Original Banking Program, which capacity is first available to the Original Banking Partners as provided further in Article 7. The minimum annual Original Program Pumpback Capacity shall be 90,000 AFY at a maximum instantaneous flow rate of 300 CFS.

1.13 **“Share of SWRU”** means the percentage of the annual SWRU Pumpback Capacity assigned to a SWRU Banking Partner. Semitropic shall assign a percentage of SWRU to each SWRU Banking Partner. Participant is acquiring 1,500 AF of annual SWRU Pumpback Capacity (as part of the 50,000 AF SWRU Pumpback Capacity), and Participant therefore has a 0.02 % of annual SWRU Pumpback Capacity provided in Article 1.21, upon being fully vested as provided at Section 6.2.1, and prior to being fully vested the percentage of Capital Payments that have been made times 1500 AFY

1.14 **“Storage Account Balance”** means, with respect to a particular Banking Partner, that Banking Partner’s accumulated total Stored Water less the accumulated withdrawals of Stored Water by that Banking Partner. Records of these accounts shall be maintained by Semitropic and they shall be subject to audit, review and approval by the Banking Partners, at the expense of the auditing or reviewing Banking Partner, on an annual basis.

1.15 **“Stored Water”** means, with respect to any particular Banking Partner, water delivered for storage by that Banking Partner as measured at Semitropic’s turnouts in Reach 10A of the California Aqueduct or at other locations approved by the Delivery Agreement referred to in Article 9, less losses deducted in accordance with Article 4, which losses shall be accounted for concurrently with the delivery of water to Semitropic for storage. Participant acknowledges that Participant’s Stored Water may be commingled with other water. At all times during the term of this Agreement, an amount of water available to Semitropic in the Semitropic Basin equal to the amount of the Participant’s Storage Account Balance shall be deemed to be Participant’s Stored Water. So long as water in the amount of Participant’s Storage Account Balance remains in the Semitropic Basin, Semitropic shall be deemed to remove Participant’s Stored Water from storage only as and when

requested by Participant pursuant to the terms of this Agreement and any other removal of water by Semitropic from the Semitropic Basin shall be deemed to be the removal of water that is not Participant's Stored Water. If at any time the amount of water in the Semitropic Basin is less than the sum of the Storage Account Balances of the Banking Partners (an event which the parties believe is extremely unlikely), any additional water subsequently available to Semitropic from the Semitropic Basin without interfering with the rights of landowners or other public agencies, shall be shared by the Banking Partners in proportion to their respective Storage Account Balances, until such time as the amount of water so available to Semitropic from the Semitropic Basin equals or exceeds the total of the Storage Account Balances of the Banking Partners.

1.16 **"Stored Water Recovery Unit"** (or "SWRU") means the program within the Semitropic Bank, developed by Semitropic to create, in addition to the Original Banking Program, an additional 650,000 AF of storage as further described at Recital I and elsewhere in this Agreement.

1.17 **"Stored Water Recovery Unit Facilities"** (or "SWRU Facilities") means the proposed recovery facilities for up to 150,000 AFY shown and described on Exhibit A within Area B and recovery facilities for up to 50,000 AFY within Area A and additional well connections and conveyance facility improvements not part of the Original Banking Program Facilities.

1.18 **"SWP Entitlement Water"** means entitlement water (also known as Table A Amounts) as provided for in the state water contracts, as well as the alternative supplies provided for in the definition of Program Entitlement Exchange Rights.

1.19 **"SWRU Banking Partners"** means, as of any particular time, Participant and any other entity, which is party to a water banking and exchange agreement with Semitropic to participate in the Stored Water Recovery Unit.

1.20 **“SWRU Delivery Capacity”** means the capability to deliver water for storage made available as a result of the construction of SWRU Facilities. The program delivery capability of the proposed In-Lieu Service Area within Area B is estimated to be 47,000 AFY plus an estimated 100,000 AFY from Area A, based on current cropping patterns and irrigation efficiencies on an irrigation schedule plus direct recharge facilities all as generally shown on Exhibits B and A. Additional delivery capacity may be available from time to time, consistent with Article 7 hereof.

1.21 **“SWRU Pumpback Capacity”** means the annual, first priority capacity, measured in AFY and CFS, to return Stored Water to the California Aqueduct under the SWRU element of the Program. Upon completion of all necessary SWRU Facilities, the annual SWRU Pumpback Capacity shall be 200,000 AFY, comprised of (i) 150,000 AFY at an instantaneous flow rate of approximately 250 CFS for a period of approximately 10 months from the Well Field and from within the additional in-lieu service area described in Recital J shall be available to other SWRU Banking Partners on a first priority basis (**“150,000 AF SWRU Pumpback Capacity”**) and (ii) 50,000 AFY at an instantaneous flow rate of 170 CFS for a period of approximately 5 months during the off-peak irrigation season from recovery facilities within Area A shown on the attached Exhibit A and utilizing additional well connections and conveyance facility improvements not part of the Original Banking Program Facilities (**“50,000 AF SWRU Pumpback Capacity”**). The 50,000 AF SWRU Pumpback Capacity is distinct from and over and above the 90,000 AF of pumpback capacity allocated to the Original Banking Partners through the Original Banking Program. As described in Section 2.1 1,500 AFY of the 50,000 AFY of SWRU Pumpback Capacity shall be available to Participant on a first priority basis as of the effective date of this Agreement provided at least 1,500 acre-feet of Stored Water is in Participant’s account, upon being fully vested as provided at Section 6.2.1, and prior to being fully vested the percentage of Capital Payments that have been made times 1500 AFY. Semitropic shall not commit more than 50,000 AF of the

50,000 AF portion of the SWRU Pumpback Capacity to Banking Partners on a first priority basis.

1.22 **“SWRU Storage Capacity”** means the storage capability of the Program, which has been allocated, to the SWRU, totaling 650,000 AF.

1.23 **“Technical Advisory Committee”** means the Committee established pursuant to Section 7.4 hereof.

1.24 **“Unused Program Entitlement Exchange Rights”** means those exchange rights referenced at Section 1.10 of this Agreement that are not used by the Original Banking Partners.

1.25 **“Unused Original Program Pumpback Capacity”** refers to that minimum pumpback capacity referenced at Section 1.11 that is not used by Semitropic or by the Original Banking Partners.

1.26 **“Unused Semitropic Delivery Capacity”** means in any year, Semitropic total in District delivery capability, currently about 400,000 AFY (which ultimately could be equal to its total irrigation demand of about 475,000 AFY) plus direct recharge capability which is not used for delivery of Semitropic’s SWP Entitlement Water, Agency Pool Water, Shafter-Wasco Irrigation District deliveries pursuant to Section 5.8 or other water available to be used by Semitropic for non-banking purposes and the Original Banking Partners and SWRU Banking Partners under their respective first priority delivery capabilities.

ARTICLE 2.

ALLOCATION AMONG BANKING PARTNERS

2.1 Under terms and conditions of this Agreement, subject to provisions of Sections 1.21, 5.2.1 and 5.3, Participant shall have second priority to

Participant's Delivery Capacity, 1,500 AFY of the 50,000 AF SWRU Pumpback Capacity commencing on the effective date of this agreement, 4,500 AF of SWRU Storage Capacity and any available unused capacities as herein provided, upon being fully vested as provided at Section 6.2.1, and prior to being fully vested the percentage of Capital Payments that have been made times 1500 AFY (herein collectively called "Participant's Rights"). SWRU Banking Partners, including Participant, in all cases shall also have the first priority to use any SWRU Pumpback Capacity not used by other SWRU Banking Partners as provided in Sections 3.3 and 5.2.2.1. Semitropic shall notify each SWRU Banking Partner not using its respective share of said SWRU capability, capacity or right, when other entities including Banking Partners desire to utilize it and of any use made of it.

2.2 Semitropic shall not enter into any other water banking programs or other agreements, which would interfere with the Program benefits and rights of Participant or the other SWRU Banking Partners.

2.3 Then existing SWRU Banking Partners will be given an opportunity to review the terms and conditions of proposed agreements with potential Banking Partners and Lower Priority Banking Partners and to review Semitropic's records regarding administration of the Program. Such Lower Priority Banking Partners' agreements and activities shall not adversely impact any Banking Partners' ability to utilize any benefits under their respective agreements with Semitropic. If Semitropic or one or more then existing SWRU Banking Partners believe that other potential Banking Partners' proposed agreements or potential Lower Priority Banking Partners' proposed agreements violate any of the provisions of this Agreement or other such Agreement, any Party may seek dispute resolution pursuant to Article 10 concerning such matter. In this event, Semitropic shall only enter into agreements in conformity with the result of the dispute resolution.

ARTICLE 3.

**DELIVERY OF WATER BY BANKING PARTNERS
TO SEMITROPIC**

3.1 Under the terms of the Delivery Agreement referred to in Article 9, Participant, at its sole cost and expense, may deliver water to Semitropic at the location in the California Aqueduct specified in the Delivery Agreement or to other agreed upon locations provided, however, such water shall not place institutional burdens on Semitropic beyond that applicable under Delivery Agreements and Point of Delivery Agreements with other Banking Partners. Participant shall notify Semitropic of its intent as early in the year as possible, preferably no later than April 15. Such water will be scheduled and delivered to Semitropic at times and rates of delivery reasonably acceptable to Semitropic, the Agency and Participant, and shall be delivered only at times when Semitropic determines there is unused Semitropic Delivery Capacity available to Participant (to the extent available consistent with Article 7), nor shall it exceed the available capacity of Semitropic's distribution system. To the extent practical Participant shall schedule such water at a time to coincide with Semitropic's in-lieu delivery demands.

3.2 Semitropic will take control and possession of water delivered to Semitropic by any Banking Partner for storage from the State Water Project or from the Friant Kern Canal, at the locations specified in their respective Delivery Agreements, which will define any applicable wheeling fees and will credit the Storage Account Balance of that Banking Partner with Stored Water in an amount equal to the water so delivered less the deduction for losses provided for in Article 4 with respect to such water. Participant may also convey water to storage from the end of the Friant Kern Canal to the Kern Water Bank, where Semitropic as Member Entity has vested storage rights, at the sole discretion of Semitropic.

At the time Semitropic takes control and possession of water delivered by Participant, legal title to Participant's water, together with the right to withdraw from the Semitropic Basin an amount sufficient to return to Participant the Stored

Water, shall vest in Semitropic for the benefit of Participant. Upon taking control and possession of water delivered hereunder for storage by Participant, Semitropic, at its sole cost and expense, will do either of the following: (i) transport and store such water by direct percolation; or (ii) exchange that water for an interest in and right to withdraw from the Semitropic Basin an amount of water sufficient to return to Participant the Stored Water. In either case, Semitropic shall thereafter hold and return or otherwise dispose of the Stored Water as provided for in this Agreement. Upon crediting Participant's Storage Account Balance for the amount of any water exchanged as described in clause (ii) above, Semitropic may deliver the exchanged water to water users for surface water service in lieu of pumping groundwater. Semitropic shall retain the right to use its facilities to deliver water supplies made available to it by Banking Partners and acquired by Semitropic by exchange pursuant to clause (ii) above, as it deems appropriate.

3.3 Each SWRU Banking Partner shall have a right to any then existing SWRU Delivery Capacity not used by other SWRU Banking Partners. If requests by SWRU Banking Partners for unused SWRU Delivery Capacity exceed such unused SWRU Delivery Capacity, then the unused SWRU Delivery Capacity shall be allocated to each SWRU Banking Partner according to the ratio of its Share of SWRU, divided by the sum of the Share of SWRU of all SWRU Banking Partners wishing to use unused Capacity, times the amount of unused SWRU Delivery Capacity.

3.4 If, due to hydrologic conditions, changes in cropping patterns or other reasons, Participant's Delivery Capacity is reduced, Participant may request, and Semitropic shall provide, information accounting for such reduction. If such reduction is not due to temporary conditions, Semitropic shall take all actions necessary to provide Participant's Delivery Capacity.

3.5 Unused Semitropic Delivery Capacity, which may be available to SWRU Banking Partners consistent with Article 7 (including Section 7.1.4), shall

be allocated among the SWRU Banking Partners requesting the use of such Unused Semitropic Delivery Capacity according to their Share of SWRU.

3.6 If, after reasonable efforts by Semitropic to accommodate the Banking Partners' storage scheduling requests, such requests nevertheless exceed the instantaneously available SWRU Delivery Capacity and available Unused Semitropic Delivery Capacity, Semitropic shall allocate available capacities in proportion to the total of each SWRU Banking Partner's Share of SWRU.

3.7 Participant shall have the responsibility to obtain water supplies that it elects to store pursuant to this Agreement and to deliver same to the Point(s) of Delivery identified pursuant to Delivery Agreements; provided, however, Semitropic shall use reasonable good faith efforts to assist in securing such arrangements.

ARTICLE 4

LOSSES AND STORED WATER

Semitropic's distribution system, evaporative and aquifer losses, for purposes of this Agreement and similar agreements between Semitropic and other Banking Partners, are collectively assumed to be ten percent (10%) of the amount of water furnished by Banking Partners for storage as measured at Semitropic's turnout in Reach 10 A of the California Aqueduct and at other turnouts as provided in the Delivery Agreement referred to in Article 9. However, this amount and the Storage Account Balance shall be modified in the future, if the results of studies to be conducted jointly by Participant, other Banking Partners and Semitropic under a mutually agreeable procedure establish the actual loss to be different than the assumed ten percent (10%) losses. The Storage Account Balance shall be adjusted accordingly and resulting adjustments in compensation payments shall be in accordance with Section 6.8.

ARTICLE 5

RETURN OF WATER BY SEMITROPIC TO PARTICIPANT

5.1 In any year, upon request by Participant, Semitropic shall return Stored Water to Participant by the method set forth in Section 5.1.1 or the method set forth in Section 5.1.2 or both. If both methods are available to Semitropic without adversely affecting Semitropic or its water users, it shall utilize the method that results in the lowest cost to Participant.

5.1.1 To the extent there are Unused Program Entitlement Exchange Rights available, Semitropic may exchange an amount of Participant's Stored Water for an equal amount of Semitropic's SWP Entitlement Water. Participant hereby consents to such an exchange and Semitropic will be deemed to have affected such an exchange by delivering a portion of its SWP Entitlement Water to Participant in compliance with the Delivery Agreement(s). Upon completion of such an exchange, Participant's beneficial interest in the Stored Water that was the subject of the exchange and the right to withdraw such water shall be vested in Semitropic in its individual capacity, and Semitropic may thereafter deliver such water to its water users who would otherwise have received the portion of Semitropic's SWP Entitlement Water that was delivered to Participant as a result of the exchange.

5.1.2 Semitropic may return Participant's Stored Water to Participant by pumping water from the groundwater basin back to the California Aqueduct for delivery to Participant as specified in the Delivery Agreement referenced Article 9. Semitropic may in its discretion, in addition to utilizing pumpback pipelines within Semitropic, utilize capacity available to it in the Kern Water Bank and operational exchanges with third parties to return Participant's Stored Water.

5.2 The return of Stored Water by Semitropic to Participant shall be subject to the following terms and conditions:

5.2.1 Subject to the provisions of this Agreement, for each acre-foot of Stored Water held by Semitropic for Participant, Semitropic shall ultimately return one acre-foot of water to Participant.

5.2.2 Subject to the provisions of this Agreement, when Participant requests the return of Stored Water, Semitropic shall return at a minimum the quantities of water calculated in accordance with the following, using its reasonable efforts to accommodate Participant's delivery schedule:

5.2.2.1 1,500 AFY of the 50,000 AF of SWRU Pumpback Capacity (through the 170 cfs described at Section 1.21, not utilizing the Well Field). Participant shall also have a right to any other then existing SWRU Pumpback Capacity (the 150,000 AFY and 50,000 AF SWRU Pumpback Capacities) not used by other SWRU Banking Partners if Participant elects to utilize same, subject to mitigation of impacts to other Banking Partners pursuant to Section 5.6 and if originating from the Well Field payment of additional water treatment costs paid by other SWRU Banking Partners for use of same. If requests by SWRU Banking Partners for unused SWRU Pumpback Capacity exceed such capacity, then the unused SWRU Pumpback Capacity shall be allocated to each SWRU Banking Partner according to the ratio of its Share of SWRU, divided by the sum of the Share of SWRU of all SWRU Banking Partners wishing to use the unused capacity times the amount of unused SWRU Pumpback Capacity.

5.2.2.2 Semitropic may also elect to return Stored Water which Participant requests return of through available Unused Original Program Pumpback Capacity, which shall be subject to first being available for use by the Original Banking Partners, as provided by Article 7.

5.2.2.3 Any available Unused Program Entitlement Exchange Rights shall be allocated to each SWRU Banking Partner according to its Share of SWRU. Each SWRU Banking Partner shall have a right to any Unused Program Entitlement Exchange Rights not required for use by other

SWRU Banking Partners, subject to mitigation of impacts to other Banking Partners pursuant to Section 5.6. If requests by SWRU Banking Partners for Unused Program Entitlement Exchange Rights exceed such rights, then the Unused Program Entitlement Exchange Rights shall be allocated to each SWRU Banking Partner according to the ratio of its Share of SWRU divided by the sum of the combined Share of SWRU of all SWRU Banking Partners wishing to use the Unused Program Entitlement Exchange Rights times available Unused Program Entitlement Exchange Rights.

5.3 Participant shall notify Semitropic of its intent to take delivery of Stored Water as early in the year as possible, but no later than May 1 of the same year. If such notification is provided after May 1, Semitropic, at its sole discretion, may make reasonable efforts to comply with Participant's request. In the event of an emergency need for water by Participant, Semitropic shall endeavor to return Stored Water to Participant to the maximum extent feasible considering the capacity rights of other Banking Partners.

5.4 Semitropic will obtain approval from DWR to deliver Stored Water by pumpback to the California Aqueduct. In addition, it shall be Semitropic's responsibility to notify the Agency, each Banking Partner, and DWR, as to the amount of Original Program Entitlement Exchange Rights and SWRU and Original Pumpback Capacities for that year. When Stored Water is returned by pumpback, it shall be returned to the best of Semitropic's ability, on a schedule acceptable to the respective SWRU Banking Partner, Agency and DWR and at varying rates of delivery. If Stored Water is returned by use of 50,000 AFY, i.e. Area A of SWRU Pumpback Capacity, generally it will be returned over a 5-month period during the off-peak irrigation season. SWRU Banking Partner shall be responsible for all necessary approvals and costs to transport such water in the California Aqueduct once the Stored Water is returned to Participant by either pumpback or entitlement exchange.

5.5 Notwithstanding any other provision of this Agreement, Semitropic will temporarily reduce or terminate Stored Water pumping from Storage for the purpose of returning Stored Water to Banking Partners to the extent required pursuant to the MOU referenced above in Recital E. However, to the extent possible, Semitropic shall change the timing and location of pumping to avoid reduction or termination in the return of Stored Water pursuant to the MOU. Semitropic shall construct adequate facilities and/or secure agreements and/or operational arrangements to obtain the long-term levels of service provided for in this Agreement. Such long-term levels of service may only be reduced to the extent required by the MOU referenced above in Recital E.

5.6 Subject to Article 7, if the use by other Banking Partners, Lower Priority Banking Partners or Semitropic of Participant's Rights to 1,500 AF annually of the 50,000 AF SWRU Pumpback Capacity (when not being used by Participant) referenced in Section 5.2.2.1 interferes with the recovery of Participant's Stored Water by causing a reduction or termination of pumping pursuant to the MOU, the Party or Parties responsible for the action(s) which impacts Participant shall reduce its withdrawal of Stored Water to make up Participant's loss and, to the extent reductions in the withdrawal of Stored Water are insufficient, shall provide, at the election of the Participant, an equivalent water supply in that year or cash in the amount of the replacement cost of such water, such water or cash to be for the benefit of and to be immediately distributed to the Participant. Semitropic shall adjust the Banking Partners', Lower Priority Banking Partners', or Semitropic's accounts to reflect any such water exchange.

Participant recognizes that it may also be required to reduce its withdrawal of Stored Water or furnish equivalent water or cash to another Banking Partner under circumstances similar to those described above, if its own use of another SWRU Banking Partner's share of SWRU Pumpback Capacity, Unused Program Pumpback Capacity or Unused Original Program Entitlement Exchange rights,

interferes with other Banking Partner's recovery of Stored Water, all as described in Article 7. Semitropic shall ensure that each Banking Partner is subject to the restrictions substantially similar to those set forth in this Section 5.6.

5.7 Wells within Semitropic can produce water that will meet DWR's water quality standards to return water to the California Aqueduct in effect in December, 2005. DWR is currently establishing long-term criteria for introducing non-Project Water into the California Aqueduct and Semitropic will operate the pumpback facilities in accordance with such long-term criteria. Semitropic shall take no direct action, which would knowingly cause the quality of recovered Stored Water to not meet such water quality standards in effect. The preceding sentence shall not apply to delivery of water under non-banking programs or otherwise operating under this Program.

In the event that future water quality standards change, or the quality of groundwater from Semitropic wells is such that Semitropic cannot meet acceptable DWR water quality requirements for pumping into the California Aqueduct, Stored Water shall be returned to SWRU Banking Partners by Program Entitlement Exchange or alternative methods satisfactory to the affected SWRU Banking Partners. Such alternative methods may include, but are not necessarily limited to: purchases, exchanges with others, and/or by improving Stored Water quality to acceptable standards for direct pumpback, with the additional costs of any such methods being paid by SWRU Banking Partners accepting such alternative methods. Semitropic's operations and financial situation shall not be adversely impacted as a result of these alternative methods. Notwithstanding the foregoing, it is recognized that if Participant's Stored Water is returned to the California Aqueduct from the Area B Well Field, treatment may be required and additional costs shall be applicable as provided at Section 6.5.3 for operation of same.

5.8 Participant also recognizes that Semitropic has entered into an "Agreement between Shafter-Wasco Irrigation District and Semitropic

Improvement District of Semitropic Water Storage District Providing for Construction and Operation of an Intertie Pipeline,” dated December 6, 1993, and a subsequent agreement dated December 12, 2006, pursuant to which Semitropic has committed to return Stored Water to Shafter-Wasco by delivery of either surface water in excess of its needs from any available source or by pumping Stored Water. The agreement with Shafter-Wasco is based on the use of Semitropic pre-Original Banking Program facilities for the delivery of water to storage and for the withdrawal or return of water. Shafter-Wasco, therefore, has priority over all Banking Partners in the use of existing facilities. Semitropic’s obligation under said agreement does not require commitment of Program Entitlement Exchange Rights nor the use of pumpback facilities required for the return of Banking Partners’ Stored Water.

5.9 Participant further recognizes that return of Stored Water is subject to certain priorities and conditions for the benefit of the Original Banking Partners, as hereinafter provided.

5.10 Semitropic shall have the responsibility to return water which has been stored pursuant to this Agreement to Participant at the Point(s) of Delivery in a manner consistent with the Delivery Agreement(s) and this Agreement, and Participant shall have the responsibility to provide for the return of Stored Water from the Point(s) of Delivery to Participant; provided, however, Semitropic shall use reasonable good faith efforts to assist in securing such arrangements.

ARTICLE 6. COMPENSATION

Participant shall make the payments set forth below to compensate Semitropic for (i) its services under this Agreement, (ii) costs and expenses incurred by Semitropic in connection with its obligations under this Agreement.

6.1 General. Semitropic commits to utilize Participant's payments and other Semitropic funds, and to maintain such adequate financial flexibility, as it reasonably determines to be necessary to construct facilities needed to provide Participant with capacities herein provided.

Participant shall pay the following for services provided by Semitropic for storage and withdrawal of water: Semitropic shall pay all other costs not specified herein, and Semitropic shall not create and impose any other charges or fees upon Participant.

6.2 Capital Payments.

6.2.1 Participant shall pay to Semitropic \$1,890,000 for Participant's Rights for recharge, storage and recovery rights being acquired under this Agreement ("Capital Payment") for 1500 Shares of SWRU at \$1,260 per share according to the following payment schedule: \$630,000, which at \$1,260 per Share of SWRU translates to 500 Shares of SWRU fully vested, due and payable within 45 days of the effective date of this Agreement. Semitropic will reserve the remaining 1,000 shares for Participant which then becomes vested incrementally in whatever amount Participant has water available and Semitropic has capacity available to receive it, elects to vest additional Shares of SWRU, until all 1500 Shares of SWRU are vested and paid for; provided Participant's option of vesting all or a portion of the currently non vested Shares of SWRU, shall terminate on July 1, 2019 at which time all remaining unpaid payments for vesting are due within 30 days. Payments for the 1,000 shares are made on the basis of shares vested at the rate of \$1,260 per share, escalated on the same CPI that all other payments under this Agreement are escalated per Section 6.4.1.

6.2.2 Participant shall pay Semitropic for a one-time Setup and Handling fee per transfer document known as a TRF, required by the Kern County Water Agency which, per policy adopted by the Agency in January 26, 2017, requires a one-time payment of \$7,000 per set up and \$0.25 per acre foot each for water conveyed to and recovered from storage.

6.3 Annual Payments. Participants shall pay annually to Semitropic the following sums:

6.3.1 A Management Fee of \$9,540 per year (i.e. \$6.36 per share in 2017 dollars).

6.3.2 A Maintenance Fee of \$12,000 per year (i.e. \$8.00 per share in 2017 dollars).

6.4 Usage Fees. Participant shall pay (i) a one-time fee of \$12.70 per acre-foot for each acre-foot of Stored Water credited to its Storage Account and (ii) a one-time fee \$88.92 per acre-foot for each acre-foot withdrawn from its Storage Account after the date of this Agreement. All fees are in 2017 dollars.

6.4.1 The amounts provided for in Sections 6.3.1 and 6.4 are in 2017 dollars which shall be adjusted at the beginning of each year, and the adjusted amount shall apply to all Stored Water credited to or withdrawn from Participant's Storage Account Balance for that year. The adjusted amount for any particular calendar year shall be the amount equal to the amount provided in Section 6.3.1 and 6.4 (i.e. \$9,540/YR, \$12.70 or \$88.92/AF whichever is applicable) multiplied by a fraction, the numerator of which is the Consumer Price Index, All Urban Consumers, All Items Index, Western Cities with populations between 50,000 and 1,500,000 (the "CPI-U") for November of the calendar year immediately preceding the calendar year with respect to which the adjusted amount is being determined (that is, for November 2015 with respect to the adjusted amount for 2016; November 2016 for 2017; and so on), and the denominator of which shall be the CPI-U for November 2016 (which, the Parties agree, is 146.004). If publication of this index herein referred ceases or if the basis for such index is substantially modified, the Parties shall negotiate and mutually agree on an alternative but equivalent index or, in the absence of agreement, the matter shall be resolved pursuant to Article 10.

6.4.2 The amount provided for in Section 6.3.2 shall be adjusted annually based upon a maintenance plan and budget developed by Semitropic in consultation with the SWRU Banking Partners, which plan and budget shall include a reasonable reserve for maintenance, repair and replacement of SWRU facilities. SWRU Facilities shall be maintained consistent with SWRU "Project Facilities Maintenance Guidelines" attached as Exhibit C.

6.5 Pumping and Treatment Costs

6.5.1 In addition to payment under Section 6.4, when water is returned, Participant shall pay the average unit power costs then actually incurred by Semitropic to pump such Stored Water from the groundwater basin for either direct delivery to the California Aqueduct or for entitlement exchange. In the case of direct delivery to the California Aqueduct, Participant also shall pay the average unit power cost then actually incurred by Semitropic to convey the returned water through the distribution system and to pump such water into the California Aqueduct at the Semitropic turnout(s) in Reach 10A. (In the event Stored Water is returned by exchange from the Kern Water Bank, the power costs shall be deemed to be same as pumping to Semitropic turnouts in Reach 10A.) Said power costs shall be computed based on the amount of energy consumed to withdraw and when applicable to convey to the California Aqueduct Participant's Stored Water in a given month times Semitropic's average actual unit power cost for the same pumping period. For ease in billing, Semitropic shall establish an estimated power rate for each calendar year with respect to which Participant requests such information and shall provide Participant with such estimate, including back-up documentation to justify the rate, within fourteen (14) days of the request. Such estimated rate shall be used for billing purposes for the following year and then the billing will be adjusted to actual by March 1 of the year following the estimated rate year, or as soon as possible thereafter. Once the variance amount has been agreed to by the Parties, any amount due by either Party shall be billed immediately and paid in accordance with Section 6.7. Semitropic has its own power production and distribution facilities and the unit cost of power shall be based upon the cost of Semitropic's energy project including, but not limited to, debt service for the energy project, fuel, operation and maintenance for the energy project, replacements, reserve deposit for the energy project, utility billings, and the cost of production and distribution of such power. The Parties agree that the initial calculation shall be consistent with the calculation in Exhibit D.

6.5.2 Exhibit D may be revised from time to time by written consent of the Parties, which consent shall not be unreasonably withheld. The intent of Exhibit D is to provide Semitropic with sufficient revenue to recover the power costs incurred by Semitropic for

Participant's withdrawal of Stored Water and to allow Semitropic flexibility to change the calculation based on experience and the changing electric utility industry.

6.5.3 If and when Stored Water from the Well Field must be treated to meet applicable DWR water quality requirements for pumping into the California Aqueduct (if Participant elects to utilize unused 150,000 AF SWRU Pumpback Capacity as provided at Section 5.2.2.1), there shall be an additional cost for operation and maintenance of such facility. Semitropic shall annually estimate such cost and bill the applicable SWRU Banking Partners such amount to the extent the withdrawal Stored Water and such treatment facility is utilized. The actual costs shall be computed after the end of each Year and the billings for treatment costs adjusted accordingly.

6.5.4 In furtherance of Section 5.7, DWR's water quality standards have changed from that in effect in December 2005, including the threshold for arsenic being lowered, and as a result often Stored Water returned to the California Aqueduct does not meet current DWR water quality standards absent arsenic reduction. Accordingly Semitropic has constructed an arsenic reduction facility and implemented additional measures to if necessary, reduce arsenic levels for all Stored Water being returned to the California Aqueduct, and Banking Partners have jointly entered into a letter agreement dated February 4, 2016 , under which the process, procedures and costs to be reimbursed by the Banking Partners to Semitropic for such arsenic remediation has been confirmed. For Stored Water returned to the California Aqueduct for Participant, Participant shall reimburse Semitropic in the same manner and same cost as applicable to other Banking Partners, which the most recent charge in 2016 ,was \$21.82 per acre-foot.

6.6 If Semitropic or other Banking Partners use SWRU Facilities, Participant may be entitled to payment based on Participant's Share of SWRU as more particularly described in Article 7.

If Participant uses an Original Banking Partner's Unused Program Delivery Capacity, Unused Original Program Pumpback Capacity or Unused Program Entitlement Exchange Rights,

Participant shall pay the share of the other Banking Partner's O&M Fee as further provided at Section 7.1.5.

6.7 In addition to payments under Section 6.2, Semitropic may bill Participant no more than monthly for payments under Sections 6.4 and 6.5 hereof and annually for payments under Section 6.3, which payments shall be due Semitropic and shall become delinquent forty-five (45) days after Participant receives the invoice under the terms of this Agreement under Section 14.9. In addition to other remedies available, delinquent payments shall bear interest at the rate of one percent (1%) per month. Data supporting the amounts invoiced shall be provided upon the reasonable request of Participant. Semitropic shall correct any erroneous billing promptly upon discovery of the error. If Participant has been under-billed, payment of the under-billed amount shall be due and become delinquent forty-five (45) days after Participant receives the corrective invoice and data justifying the change. Overpayments by Participant shall be refunded to Participant within forty-five days of discovery, together with interest thereon at the prime interest rate published by the Wall Street Journal as of the date of discovery.

6.8 In the event there is an adjustment in Participant's Storage Account Balance as provided at Article 4, applying the first-in-first-out method of accounting for water in the Storage Account Balance, previous payments shall be adjusted based on the payment charged in the year the quantity of water to be adjusted was delivered with no further adjustments using the applicable indexes cited in Section 6.4.1. In addition no interest shall be payable on the amount of money required for said adjustment. Financial obligations shall occur as follows:

6.8.1 To the extent the Storage Account Balance is reduced (i.e., losses are determined to exceed ten percent (10%)), Semitropic shall reimburse Participant for the charges paid under 6.4 within one year of such determination.

6.8.2 To the extent the Storage Account Balance is increased (i.e., losses are determined to be less than ten percent (10%)), Participant shall pay Semitropic for charges that would have been paid under 6.4 for such additional water determined to be in the Participant Storage Account Balance within one year of such determination.

6.9 It is recognized that changes in Semitropic's actual costs of operating the SWRU may occur on or after the date this Agreement is executed as a result of enactments, amendments, changes in implementation or interpretation, or repeal of any federal, state or local law, rule, regulation or ordinance (each, a "Regulatory Change"). If either Party determines that a Regulatory Change has occurred that would result in a material change (upward or downward) in Semitropic's costs for storing, recovering or transporting water pursuant to the terms of this Agreement, which change in Semitropic's costs is not reflected in the adjustments in the payments due from Participant to Semitropic pursuant to Article 6 or other provision of this Agreement (including, but not limited to, this Section 6.9), such Party shall promptly inform the other Party of the nature and extent of such alleged Regulatory Change and of the reason why that party believes an adjustment pursuant to this Section 6.9 is warranted in the payments due from Participant to Semitropic. Promptly thereafter, Semitropic shall provide Participant with its calculation of the costs or cost savings associated with such Regulatory Change and the facts and assumptions underlying that calculation. Upon agreement by the parties hereto (i) that a charge or credit affecting any payment due from Participant to Semitropic should be made as a result of a Regulatory Change, (ii) of the amount of such charge or credit, (iii) as to whether such charge or credit is to affect the basic payment amount or is to be separately accounted for (and, if so, in what manner), and (iv) as to the period during which such charge or credit is to apply, such charge or credit shall be incorporated into an amendment to this Agreement setting forth the foregoing and other particulars necessary to implement that adjustment. If such agreement cannot be reached within forty-five (45) days after Semitropic has provided the required notice and information to Participant, the matter shall be resolved pursuant to Article 10, the qualified third party or arbitration panel being charged with determining (v) whether a Regulatory Change has occurred (if that is in dispute), (vi) the amount of change, if any, in Semitropic's costs resulting from the Regulatory Change, and (vii) the manner in which the payments due from Participant to Semitropic are to be adjusted to fairly and equitably reflect that change in Semitropic's costs (it being the intent of the parties that no windfall or unwarranted compensation or benefit should result to any party as a result of any adjustment made pursuant to this Section 6.9). Any adjustment to the payments due from Participant to Semitropic made pursuant to this Section 6.9 shall be effective as of the first day such Regulatory Change affects

Semitropic's operations hereunder unless the parties otherwise agree and may be reconsidered thereafter at any time, at the request of any party, if the adjustment is unjustly under-compensating or over-compensating any party.

ARTICLE 7.
INTERRELATIONSHIP OF ORIGINAL BANKING PROGRAM
AND STORED WATER RECOVERY UNIT (SWRU)

7.1 General Provisions

7.1.1 Semitropic shall use, on a first priority basis, Original Banking Program Facilities and any additional capacity available in those facilities annually, to meet its obligations under the Original Banking Program Agreements to convey water to storage and to recover stored water on behalf of the Original Banking Partners. Any unused capacity in Original Banking Program Facilities shall be available to Participant and other SWRU Banking Partners as herein provided.

In addition, Semitropic shall make Program Entitlement Exchange Rights available first to the Original Banking Partners. The Original Banking Partners also have priority to SWP Entitlement Water or non-project water needed for exchange to accomplish the delivery of up to 90,000 AF annually using the Original Program Pumpback Capacity. Semitropic shall not operate the SWRU pumpback facility in a manner that adversely impacts the return of Original Banking Partner's Stored Water using the Original Program Pumpback Capacity.

7.1.2 The SWRU Facilities are planned to provide SWRU Delivery Capacity and SWRU Pumpback Capacity to recharge, recover, and convey to the California Aqueduct, up to 150,000 AFY of Stored Water from Area B as shown in Exhibit A. In addition, the SWRU may recover up to 50,000 AFY of Stored Water from Area A as shown in Exhibit A, which capability is being enhanced through the SWRU with additional well connections and conveyance facility improvements not part of the Original Banking Program Facility, and convey it to the California Aqueduct for the benefit of the SWRU. The Original Banking Partners will

have access to such recovery Capacity in Area A on a first priority basis, to the extent required to satisfy the Program Pumpback Capacity and Program Entitlement Exchange Rights of the respective Original Banking Program Agreements. Whenever Original Program Pumpback Capacity is available from the Original Banking Program Facilities during Semitropic's off-peak irrigation season and other times Semitropic determines to be operationally feasible (as provided at Section 5.4), it shall be offered to the Original Banking Partners (on a first priority basis) and the SWRU (on a second priority basis). Semitropic shall be entitled in its discretion to allow Lower Priority Banking Partners use any Program capacity as long as such use (i) is at all times subordinate to the use thereof by Banking Partners and (ii) does not result in any expense to Original Banking Partners or SWRU Banking Partners.

7.1.3 Subject to Section 7.1.5, the Original Banking Partners shall have second priority use of SWRU facilities, provided that (i) the rights of Participant and other SWRU Banking Partners to use unused capacities within the SWRU have been met and (ii) such Original Banking Partner's use shall not reduce the SWRU's expected returns or cause water quality to be unacceptable for return to the California Aqueduct.

7.1.4 Subject to Sections 5.6 and 7.1.5, the SWRU will have second priority use of Original Banking Program facilities provided that: (i) all rights of the Original Banking Partners to use unused capacity have been met, and (ii) such SWRU use shall not reduce the Original Banking Partners' expected returns or cause water quality to be unacceptable for return to the California Aqueduct.

7.1.5 If Semitropic utilizes the SWRU facilities in accordance with Section 7.1.3, on behalf of and with the consent of, an Original Banking Partner, then the Original Banking Partner shall pay a share of the fee determined pursuant to Section 14.1.5 of the Original Banking Partner's Agreement. If a SWRU Banking Partner utilizes Original Banking Program Facilities, the Operations and Maintenance fee shall be paid in accordance with Section 6.7.2 or 6.5.2 as applicable, of the Original Banking Program Agreements. The Original Banking Partners shall not be obligated to pay any additional fees for usage of the SWRU, nor shall

SWRU Banking Partners be obligated to pay any additional fees for usage of Original Program Banking Facilities, other than as detailed in this section.

7.1.6 The Original Banking Partners' second priority rights specified in Sections 7.1.2 through 7.1.5 and Participant's right to use unused SWRU Pumpback Capacity of recovered stored water originating from the Well Field as specified in Section 5.2.2.1, shall not apply to water treatment facilities which may be constructed.

7.1.7 There shall be no increase in costs to the Original Banking Partners for modeling, monitoring, and any other activities resulting from the SWRU or any future expansion of the Semitropic Bank.

7.1.8 Nothing in this Agreement affects, acknowledges or establishes (i) rights as to use of any facilities other than the Original Banking Program Facilities and the Stored Water Recovery Unit Facilities, or (ii) rights as to the manner in which Stored Water, once recovered, is to be utilized; provided, however, that such use is consistent with the terms and conditions of and the Original Banking Program Agreements.

7.2 Water Quality

7.2.1 Semitropic shall not operate the SWRU to cause Stored Water recovered for the benefit of the Original Banking Partners, which would otherwise meet applicable water quality standards for delivery into the California Aqueduct, to exceed such standards. Semitropic shall design and construct all Stored Water recovery components of the SWRU to allow the SWRU Well Field and operations of the Original Banking Program (including the facilities for recovery of 50,000 AF annually from Area A as described in attached Exhibit A) to be operated in complete physical isolation from each other.

7.2.2 Inasmuch as the SWRU will also rely on Unused Program Entitlement Exchange Rights, the Original Banking Partners shall have a first priority to (i) exchange up to 133,000 AFY of Semitropic's Table A entitlement allocations from DWR (i.e., to exercise the

Program Entitlement Exchange Rights), and (ii) to exercise other options that may be available as provided in Section 5.7 of their respective Original Banking Program Agreements. Such options may include, but are not necessarily limited to, blending or substituting water that Semitropic purchases, exchanges with others, and/or by treating and improving Stored Water quality to acceptable standards for direct pumpback.

7.2.3 Semitropic shall provide DWR and downstream users of the California Aqueduct, which are Original Banking Partners and SWRU Banking Partners water quality information applicable to each Semitropic SWP turn-in facility, including but not limited to turn-in facilities utilized by the SWRU and Original Banking Program. Additionally, Semitropic shall provide the Technical Advisory Committee ("TAC") information regarding the quantity and quality of water measured at locations sufficient to determine the water quality within each major Semitropic system.

7.2.4 The Original Banking Partners shall have no responsibility and/or obligation to compensate or otherwise provide mitigation to Semitropic or SWRU Banking Partners as a result of any adverse impacts of the Original Banking Program on water quality that affects the SWRU.

7.3 15-Foot/3 Year Rule

7.3.1 The Original Banking Partners shall have no responsibility and/or obligation to compensate or otherwise provide mitigation to Semitropic or SWRU Banking Partners as a result of any adverse impacts of the Original Banking Program on the SWRU, including but not limited to the "15 Foot/3 Year Rule" contained in the September 14, 1994 Memorandum of Understanding referred to in Section 5.5 ("MOU").

7.3.2 Semitropic shall endeavor to operate the SWRU to ensure that it has no adverse impacts to the Original Banking Program including, but not limited to, capability of the Original Banking Program to avoid reduction in or termination of Stored Water pumping, in current and future years.

In this regard, the Original Banking Program Agreements provide that if SWRU pumping directly or indirectly causes such an adverse impact, Semitropic shall assume all obligations to provide mitigation to the impacted Original Banking Partner(s), consisting of a like amount of water to be provided by Semitropic, which is of quality acceptable for delivery into the California Aqueduct, on a schedule acceptable to the affected Original Banking Partner(s) and in Reach 10 of the California Aqueduct, all as would have been available to the Original Banking Partner(s) absent the SWRU operations. In the event the SWRU causes a violation of the 15-foot/3-year rule, such that Stored Water cannot be returned to the California Aqueduct and, if resolution of impacts is delayed, Semitropic shall provide mitigation. If resolution of impacts caused by SWRU operations is untimely, then mitigation shall be as selected by each affected Original Banking Partner, from the following:

(a) Semitropic shall, if directed by an Original Banking Partner, and at such Original Banking Partner's sole discretion, by whatever means and facilities are available at that time, credit an equivalent amount of water to the Original Banking Partner's Storage Account and shall not charge the Original Banking Partner the storage payment provided for by Section 6.2 (Storage Payments), with the result that the Original Banking Partner's Storage Account is credited with the amount of the "put"; without being debited the ten percent (10%) loss in Article IV; or

(b) Semitropic shall reimburse the affected Original Banking Partner(s) for all costs associated with acquiring an equivalent amount of water; or

(c) Other remedy mutually agreeable to the affected Banking Partner and Semitropic.

If Semitropic notifies Participant that this second paragraph of Section 7.3.2 may become operative, and the Participant notifies Semitropic that it nonetheless requests that Semitropic continue the return of Stored Water, Participant shall provide the mitigation on behalf of Semitropic which is herein required.

7.3.3 For purposes of determining whether reduction or termination of Stored Water pumping is required, Original Banking Program and SWRU groundwater level impacts,

both for current conditions and forecasted conditions, shall be determined by Semitropic through groundwater modeling using the following methodology:

- (a) Groundwater levels shall be estimated based on no Semitropic banking operations occurring (i.e. without Original Banking Program or SWRU);
- (b) Groundwater levels shall be estimated based on only the Original Banking Program operations and without the SWRU operations; and
- (c) Groundwater levels shall be estimated based on combined operations of the Original Banking Program and SWRU operations (i.e., actual conditions).

The groundwater level impacts due to the Original Banking Program at any given location as prescribed by the September 14, 1994 MOU shall be the difference between groundwater levels in Paragraphs (a) and (b) above. The groundwater level impacts due to the SWRU at any given location as prescribed by the MOU shall be the difference between groundwater levels in Paragraphs (b) and (c) above. Groundwater level impacts due to the difference between groundwater levels in Paragraphs (a) and (c) shall be determined consistent with the process prescribed by the MOU.

Semitropic shall periodically provide the Technical Advisory Committee information regarding the change in groundwater elevation measured at locations needed to identify any impacts of the SWRU on the 15-foot/3 year rule.

7.4 Technical Advisory Committee

A Technical Advisory Committee ("TAC") shall monitor implementation of Original Banking Program Agreements, as amended and the agreements governing the rights of SWRU Banking Partners. The Committee shall consist of one representative from each of the Original Banking Partners so long as each is a participant in the Program, one representative from the SWRU and one representative from Semitropic. The SWRU representative shall be annually selected by the SWRU Banking Partners based on their respective Shares. Semitropic shall chair such Committee and provide for periodic communication with Committee members. The TAC

shall meet at least annually to discuss implementation and operation of the SWRU and any future programs. Any two members of the TAC may call a meeting of the TAC. Meetings of the TAC shall be held at the District's headquarters, unless its members agree otherwise.

ARTICLE 8.

DIVISION OF RISK RESPONSIBILITIES

Semitropic and Participant agree to cooperate, and Semitropic shall require other Banking Partners to cooperate, in reducing, to the greatest extent practicable, the risk from claims arising against any of the Parties from implementation of this Agreement. In the event of claims by third parties relating to this Agreement, the responsibilities of Semitropic, Participant and the other Banking Partners shall be divided as follows:

8.1 Semitropic shall defend, indemnify and hold harmless Participant and the other Banking Partners, and their respective directors, officers, agents and employees against any and all losses, claims, demands and causes of action (herein collectively referred to as "**claims**") and shall assume responsibility for payment of any settlements, judgments, costs and attorneys' fees arising from claims concerning the following:

- (a) Control, carriage, handling, use, disposal, or distribution of water in Semitropic's facilities;
- (b) Any contest or dispute by any landowner or water user within the service area of, or otherwise served by, Semitropic concerning the allocation of benefits among or the assessment of charges to Semitropic landowners or water users;
- (c) Construction, repair, modification, or replacement of any Semitropic facilities;
- (d) Semitropic's operation of the Program or Semitropic facilities or the actions of its officers, employees or agents; and

- (e) Any other activities under Semitropic's exclusive control.

If Participant is named in any such action, it may submit its defense to Semitropic, which shall bear the full cost of defense, except to the extent that Participant utilizes its own counsel for such defense. Notwithstanding the foregoing, the responsibility for any claims challenging the validity, underlying authority or enforceability of the Program under this Agreement shall be as provided at Section 8.3.

8.2 Each Banking Partner (including Participant) shall defend, indemnify and hold harmless Semitropic and the other Banking Partners, and their respective directors, officers, agents and employees, against any and all claims and shall assume responsibility for payment of any settlements, judgments, costs or attorneys' fees arising from claims concerning the following:

- (a) Control, carriage, handling, use, disposal or distribution of Stored Water in facilities of that Banking Partner or in SWP facilities, to the extent that the claim relates to use of SWP facilities to implement this Agreement with respect to that Banking Partner;

- (b) Any claim challenging the appropriateness of that Banking Partner entering into this Agreement;

- (c) Construction, repair, modification or replacement of any of the facilities of that Banking Partner;

- (d) Operation of the facilities of or the actions of the officers, employees or agents (other than Semitropic) of that Banking Partner; and

- (e) Any other activities under the exclusive control of that Banking Partner.

If Semitropic is named in any such action, it may submit its defense to the Banking Partner involved, which Banking Partner shall bear the full cost of defense, except to the extent Semitropic utilizes its own counsel for such defense. Notwithstanding the foregoing, the responsibility for any claims challenging the validity, underlying authority or enforceability of the Program under this Agreement shall be as provided at Section 8.3. Semitropic shall not be entitled to any indemnification from Participant except as set forth in this Section 8.

8.3 As for any claims by a third party with respect to the SWRU which are not otherwise provided for at Sections 8.1 or 8.2, including any claims challenging the underlying authority for or the validity or enforceability of the SWRU under this Agreement, each SWRU Banking Partner shall be responsible for payment of its allocable share of any settlements or judgments to which it is a party with respect to such claims. If Semitropic is named in any action with respect to such a claim, it may submit its defense to the SWRU Banking Partners, which are parties to that action with respect to that claim, and those SWRU Banking Partners shall bear the full cost of defense, except to the extent Semitropic utilizes its own counsel for such defense.

8.4 At the request of Participant and/or other SWRU Banking Partners, Semitropic shall join in the defense of any claim which is not adverse to Semitropic's water supply or financial interests in which case the requesting Party shall reimburse Semitropic for all of its costs of defense. However, and notwithstanding Section 8.3, with respect to claims in which one or more of the plaintiffs resides or does business in Kern County challenging the recovery of groundwater under this Agreement and with respect to any third party claim challenging this Agreement or the right of Participant to the return of its Stored Water in accordance with the terms of this Agreement, Participant may demand that Semitropic join in the defense of claims. In such case, Semitropic must comply with any such demand, the Parties shall jointly manage the litigation, and Participant and other SWRU Banking Partners who are parties to such litigation shall pay one-half of Semitropic's defense costs, if one or more of the plaintiff resides or does business in Kern County; and in other such cases, shall reimburse Semitropic for all of its costs of defense.

8.5 In all other water banking and exchange agreements involving Semitropic and any SWRU Banking Partner, the division of risk and indemnification responsibilities between and among Semitropic and the SWRU Banking Partner(s) shall be identical to the responsibilities provided in Sections 8.1, 8.2, 8.3, 8.4 and 8.6. In particular:

8.5.1 Each SWRU Banking Partner shall be required to assume the duty to defend, indemnify and hold harmless Semitropic and the other SWRU Banking Partners from claims arising from or otherwise concerning the activities described in Section 8.2 of that SWRU Banking Partner.

8.5.2 Each Banking Partner shall be required to assume the duty to pay its allocable share of any claims of the type described in Section 8.3. Unless otherwise provided in the settlement or judgment, each SWRU Banking Partner's share of such settlements, judgments, or attorney fees as provided at Section 8.3 shall be determined according to the ratio of that SWRU Banking Partner's Share of SWRU divided by the sum of all involved SWRU Banking Partners' Share of SWRU.

8.6 In the event that payments are made in settlement of a claim, in satisfaction of a judgment or for defense costs where the claim arises from issues applying to both Semitropic and one or more SWRU Banking Partners, payments shall be divided in proportion to the relative liability of each arising from the common claim. If the Parties cannot agree on the proportion, then the share to be paid by each of Semitropic and the SWRU Banking Partners shall be submitted to binding arbitration as provided at Article 10 hereof.

ARTICLE 9.
REQUIRED FOR IMPLEMENTATION

Implementation of this Agreement is contingent upon:

9.1 Execution of appropriate Delivery Agreement(s) or other documentation allowing for water transfer and delivery which is acceptable to Semitropic, between Participant and all affected parties such as DWR, Central Coast Water Authority, the Agency, etc.

9.2 Make initial payment required under Section 6.2

The Parties will keep each other informed concerning the satisfaction of Article 9 Conditions.

ARTICLE 10.
DISPUTE RESOLUTION

10.1 In the event of a dispute regarding interpretation or implementation of this Agreement, or if the parties are unable to agree upon a matter as to which their agreement is provided for hereunder, the Parties will endeavor to resolve the dispute by using the service of a mutually acceptable consultant. The fees and expenses of the consultant shall be shared equally by the Parties.

10.2 If a consultant cannot be agreed upon, or if the consultant's recommendations are not acceptable to the Parties, and unless the Parties otherwise agree, the matter shall be resolved by arbitration as provided in this Article 10 and in the California Arbitration Act (Part 3 [commencing with § 1280], Tit. 9, Calif. Code Civ. Proc.), including Section 1283.05. The Parties agree to be bound by the majority decision of a three-member panel to be selected as follows:

(a) One member shall be selected by Participant (or if the dispute is between various Banking Partners and Semitropic, the Banking Partners involved shall collectively agree on the member).

(b) One member shall be selected by Semitropic; and

(c) The third member shall be selected by the other two (2) members.

If the two (2) members selected by the Banking Partner(s) and Semitropic are unable to agree on the selection of a third member or if Banking Partners are unable to agree on a member among themselves, either Party may petition a court to appoint such member pursuant to Code of Civil Procedure Section 1281.6. The fees and expenses of the panel members shall be paid as follows: Semitropic pays for its member, Participant pays for its member (or if the dispute involves more than one Banking Partner, the participating Banking Partners share the fees and expenses of the member according to the ratio of each participating Original Banking Partner's Permanent Storage Allocation and each participating SWRU Banking Partner's SWRU Storage Capacity divided by the sum of all participating Original Banking Partner's Permanent Storage Allocation and the sum of all participating SWRU Banking Partner's SWRU Storage Capacity), and the fees and expenses of the third member of the panel shall be shared fifty percent (50%) by Semitropic with the remainder to be shared among the other Banking Partners participating in the dispute resolution process according to the same formula immediately referenced above. Alternatively, if the dispute is between Banking Partners and Semitropic has no direct interest in the outcome, the total costs of arbitration shall be paid by the Banking Partners according to the ratio of each participating Original Banking Partner's Permanent Storage Allocation and each participating SWRU Banking Partner's SWRU Storage Capacity divided by the sum of all participating Original Banking Partner's Permanent Storage Allocation and the sum of all participating Original Banking Partner's SWRU Storage Capacity. (As an example if (i) all Banking Partners are involved in a dispute, (ii) a Participant has 20,000 Shares (thus having SWRU Storage Capacity of 60,000 AF), (iii) all Original Banking Partners have fully vested Permanent Storage Allocations and (iv) 100,000 SWRU Shares have been acquired (represents SWRU Storage Capacity of 300,000 AF) then the Participant's share of such costs allocated among the Banking Partners would be $60,000 / (1,000,000 + 300,000) = 4.62\%$.)

If a Party asserts that another Party has breached obligations under this Agreement, it may request that the arbitration panel order the other Party to comply with this Agreement. Upon the panel finding that a Party has in fact breached this Agreement, the panel shall order

compliance. The panel may order any other equitable relief permitted by California law, including declaratory or injunctive relief, applicable to the matter before the panel for resolution. If termination is sought by a party pursuant to the terms hereof, the panel may determine the issues of whether a default has occurred or other condition precedent to the termination alleged has been satisfied and, if so, may issue orders implementing that termination. The orders of the panel shall be judicially enforceable. The panel may order that the effective date of its order be the date of the breach, if appropriate.

ARTICLE 11. TERM OF AGREEMENT

11.1 The initial term of this Agreement shall terminate on December 31, 2035, the date of termination of the Agency's Long-Term Water Supply Contract.

11.2 At the election of Participant, this Agreement may be renewed by Participant for an additional term of 10 years on the terms and conditions set forth herein by providing notice of renewal to Semitropic not later than six months prior to the expiration of the initial term of this Agreement; provided, that Semitropic may reject such notice of renewal and terminate this Agreement at the end of the initial term if, at the end of the initial term, Semitropic will no longer be engaged in water banking for any party other than water banking for the direct benefit of its landowners. Further, if Semitropic's water supply contract with the Agency governing Semitropic's State Water Project water supply is not renewed, or if it is renewed with terms materially different from Semitropic's water supply contract in effect as of the effective date of this Agreement and such different terms materially and adversely affect (i) the economic consequences of this Agreement to Semitropic or (ii) Semitropic's ability to perform under this Agreement, then after Participant delivers its notice of renewal the parties shall negotiate equitable amendments to this Agreement to mitigate those adverse effects.

11.3 After that first renewal term, Participant shall have the right to renew this Agreement for an additional term of 10 years on the terms and conditions applicable during the first renewal period (provided Semitropic is continuing banking programs with third parties as provided in Section 11.2) by providing notice of renewal to Semitropic not later than six months prior to the expiration of the then current term of this Agreement; provided, that Semitropic may reject any such notice of renewal and terminate this Agreement at the end of the then current term. However, if Semitropic rejects such a notice and then offers water banking services to any other party utilizing the same capacities as provided under this Agreement, such services shall be offered first to Participant at the same level and on the same terms offered to such other party.

ARTICLE 12

REMEDIES

12.1 Remedies in Event of Semitropic's Voluntary Failure to Perform

12.1.1 If Participant alleges that Semitropic has not substantially performed according to the terms of this Agreement (including, but not limited to, by failing to construct adequate SWRU Facilities and/or securing agreements or operational arrangements, all as necessary to provide those levels of capabilities, capacities and rights described in this Agreement, or by causing (or, if within Semitropic's jurisdiction, permitting) other entities or persons to interfere with the SWRU operation, or by failing to accept or return water as and when required by this Agreement), or if Semitropic has otherwise breached its obligations under this Agreement, and notice has been provided to Semitropic pursuant to Section 13.4 and Semitropic has failed to cure the alleged breach within the time provided in Section 13.4, Participant may, at any time thereafter while the default is continuing, advise Semitropic of the remedy or remedies provided in Article 10 (Dispute Resolution), and Sections 12.1.2 below which Participant intends to pursue with respect to such default. Semitropic may challenge at any time, through Article 10, whether in fact there has been a breach of or default under this Agreement by Semitropic.

12.1.2 In the event of an alleged breach as to which Participant has given notice to Semitropic pursuant to Section 12.1.1, Participant may elect to suspend any payment obligations it may have under Article 6 of this Agreement until Semitropic complies with the terms of this Agreement and cures such breach or default or is determined, pursuant to Article 10, not to have violated the Agreement. Notwithstanding such suspension of Participant's payment obligations, this Agreement shall remain in effect. Notwithstanding an election by Participant under this Section 12.1.2 to suspend payment obligations, Participant or Semitropic may thereafter also seek relief under Article 10.

12.2 Remedies in the Event of Participant's Voluntary Failure to Perform

If Participant has not substantially performed according to the terms of this Agreement, and notice has been provided to Participant pursuant to Section 13.4 and Participant has failed to cure the alleged breach within the time provided in Section 13.4, Semitropic may at its election, at any time thereafter while the default is continuing, either (1) suspend further performance and thereafter seek relief under Article 10, and shall recommence performance once Participant complies with the Agreement, or (2) pursue other remedies available as provided by law. Participant may challenge at any time, through Article 10, whether in fact there has been a breach of this Agreement by Participant.

ARTICLE 13

MISCELLANEOUS PROVISIONS

13.1 **Successors and Assigns.** This Agreement shall bind and inure to the benefit of the successors and assigns of the Parties; provided, however, neither Party shall assign any of their rights or obligations under this Agreement without the prior written consent of the other, which consent shall not unreasonably be withheld. Provided, further, that Participant may subcontract with other entities to receive benefits under this Agreement, provided that Participant

shall remain responsible for performing all duties under this Agreement, notwithstanding such subcontracts. Further, Semitropic acknowledges that Participant will be delivering and recovering water under this Agreement for the benefit of its affiliates, all of which are consented to by Semitropic, provided that Participant shall remain responsible for performing all duties under this Agreement. Nothing in this Agreement is intended to confer any right or remedy under this Agreement on any person other than the Parties to this Agreement and their respective successors and permitted assigns, or to relieve or discharge any obligation or liability of any person to any Party to this Agreement, or to give any person any right of subrogation or action over or against any Party to this Agreement.

13.2 Allocation Among Semitropic Improvement Districts. Semitropic shall allocate the rights and obligations under this Agreement between the water users and landowners of Semitropic Water Storage District, Semitropic Improvement District, Buttonwillow Improvement District and Pond-Poso Improvement District as it deems appropriate, so long as Participant's and the other Banking Partners right to obtain the return of Stored Water is not adversely impacted.

13.3 No Modification of Existing Contracts. Except as provided in section 3.8 regarding the Interim Agreements, this Agreement shall not be interpreted to modify the terms or conditions of any of (a) the water supply contracts between the DWR and the Agency or Participant (b) the water supply agreements between the Agency and Semitropic and (c) any agreements (and amendments thereto) with any of the Original Banking Partners as they exist as of the date of this Agreement.

13.4 Waiver/Cure of Defaults. The failure of any Party to enforce against the other a provision of this Agreement shall not constitute a waiver of that Party's right to enforce such a provision at a later time. No Party shall be deemed to be in default of any provision of this Agreement unless the other Party has given written notice specifically stating the alleged default and the Party in default fails to cure the default within thirty (30) days of receipt of such written notice.

13.5 **Construction of Agreement.** The language in all parts of this Agreement shall be in all cases construed simply according to its fair meaning and not strictly for or against any of the parties hereto and Section 1654 of the Civil Code has no application to interpretation of this Agreement. Headings at the beginning of Sections, paragraphs and subparagraphs of this Agreement are solely for the convenience of the parties, are not a part of this Agreement and shall not be used in construing it. The preamble, recitals and all exhibits and schedules to this Agreement are part of this Agreement and are incorporated herein by this reference. When required by the context: whenever the singular number is used in this Agreement, the same shall include the plural, and the plural shall include the singular; and the masculine gender shall include the feminine and neuter genders and vice versa. Unless otherwise required by the context (or otherwise provided herein): the words “**herein**,” “**hereof**” and “**hereunder**” and similar words shall refer to the Agreement generally and not merely to the provision in which such term is used; the word “**person**” shall include individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, governmental authority and other entity of whatever nature; each of the words “**Participant**” and “**Semitropic**” shall include the respective representatives, successors and permitted assigns, if any, of such person; the words “**including**,” “**include**” or “**includes**” shall be interpreted in a non-exclusive manner as though the words “but [is] not limited to” or “but without limiting the generality of the foregoing” immediately followed the same; the word “**month**” shall mean calendar month; and the term “**business day**” shall mean any day other than a Saturday, Sunday or legal holiday. If the day on which performance of any act or the occurrence of any event hereunder is due is not a business day, the time when such performance or occurrence shall be due shall be the first business day occurring after the day on which performance or occurrence would otherwise be due hereunder. All times provided in this Agreement for the performance of any act will be strictly construed, time being of the essence of this Agreement. Unless otherwise required by Contract (or otherwise provided herein), references to capacity in AF shall refer to annual capacities (except as to a Storage Account Balance or stored water, which shall be a cumulative value).

13.6 **Entire Agreement.** This Agreement and other documents expressly referenced herein constitute the entire agreement between the Parties pertaining to the matters provided for herein and, except as herein provided, supersedes all prior and/or contemporaneous agreements and understanding, whether written or oral pertaining between the Parties relating to the matters provided for herein.

13.7 **Severability.** In the event that a court of competent jurisdiction or an arbitration panel as provided at Article 9 determines that a provision included in this Agreement is legally invalid or unenforceable and such decision becomes final, the Parties to this Agreement shall use their best efforts to (i) within thirty (30) days of the date of such final decision identify by mutual agreement the provisions of this Agreement which must be revised, and (ii) within three (3) months thereafter promptly agree on the appropriate revision(s). The time periods specified above may be extended by mutual agreement of the Parties. Pending the completion of the actions designated above, to the extent it is reasonably practical and can be done without violating any applicable provisions of law, the provisions of this Agreement which were not found to be legally invalid or unenforceable in the final decision shall continue in effect. If the Parties cannot agree on appropriate revisions, this Agreement shall be involuntarily terminated in accordance with Section 13.2.

13.8 **Force Majeure.** All obligations of the Parties other than monetary or payment obligations shall be suspended for so long as and to the extent the performance thereof is prevented, directly or indirectly, not to exceed one year, by earthquakes, fires, tornadoes, facility failures, floods, drownings, strikes, other casualties, acts of God, orders of court or governmental agencies having competent jurisdiction, or other events or causes beyond the control of the Parties. In no event shall any liability accrue against a Party, to its officers, agents or employees, for any damage arising out of or connected with a suspension of performance pursuant to this Section 13.8.

13.9 **Notices.** All notices, requests and demands hereunder ("Notices") shall be in writing and shall be deemed to have been duly given when delivered (or, if mailed, postage prepaid, on the third business day after mailing, if that date is earlier than actual delivery).

Notices shall be sent to a Party at the address of that Party set forth below or, if such Party has furnished notice of a change of that address as herein provided, to the address of that Party most recently so furnished. *Notices if mailed, for Semitropic shall be sent to the General Manager of Semitropic at Post Office Box 8043, Wasco, California 93280, or to the General Manager at 1101 Central Avenue, Wasco, California 93280, if mailed. Notices hereunder for Participant shall be sent to Montecito Water District, Address: Attention General Manager, .* Each Party hereto (a “**Recipient**”) who receives from another Party hereto (a “**Sender**”) by electronic facsimile transmission (telecopier) any writing which appears to be signed by that Sender is authorized to rely and act upon that writing in the same manner as if the original signed writing was in the possession of the Recipient upon oral confirmation of that Sender to the Recipient that the writing was signed by that Sender and is intended by that Sender to be relied upon by the Recipient. Each Party transmitting any writing to any other Party by electronic facsimile transmission agrees to forward immediately to that Recipient, by expedited means (for next day delivery, if possible), or by first class mail if the Recipient so agrees, the signed hard copy of that writing, unless the Recipient expressly agrees to some other disposition of the original by the Sender.

13.10 Further Assurances. Each party hereto, upon the request of the other, agrees to perform such further acts and to execute and deliver such other documents as are reasonably necessary to carry out the provisions of this instrument.

13.11 Counterparts. This Agreement, and any document or instrument entered into, given or made pursuant to this Agreement or authorized hereby, and any amendment or supplement thereto may be executed in two or more counterparts, and by each party on a separate counterpart, each of which, when executed and delivered, shall be an original and all of which together shall constitute one instrument, with the same force and effect as though all signatures appeared on a single document. Any signature page of this Agreement or of such an amendment, supplement, document or instrument may be detached from any counterpart without impairing the legal effect of any signatures thereon, and may be attached to another counterpart identical in form thereto but having attached to it one or more additional signature pages. In

proving this Agreement or any such amendment, supplement, document or instrument, it shall not be necessary to produce or account for more than one counterpart thereof signed by the party against whom enforcement is sought.

Executed the day and year first hereinabove written.

MONTECITO WATER DISTRICT


By: _____
Dick Shaikewitz, Board President


By: _____
Nicholas Turner, Secretary

APPROVED AS TO FORM

By: _____
Legal Counsel for Montecito Water District


SEMITROPIC WATER STORAGE DISTRICT

By: 
Fredrick A. Wegis, President


By: 
Jason Gianquinto, Assistant Secretary

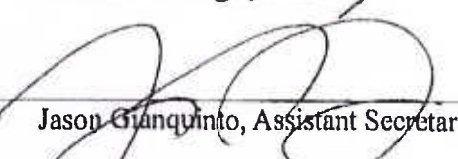
**SEMITROPIC IMPROVEMENT DISTRICT
OF SEMITROPIC WATER STORAGE DISTRICT**

By: 
Fredrick A. Wegis, President

By: 
Jason Gianquinto, Assistant Secretary

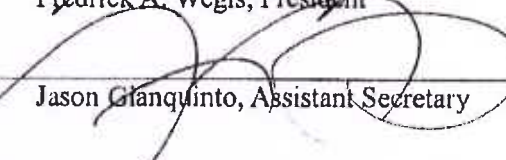
**BUTTONWILLOW IMPROVEMENT DISTRICT
OF SEMITROPIC WATER STORAGE DISTRICT**

By: 
Fredrick A. Wegis, President

By: 
Jason Gianquinto, Assistant Secretary

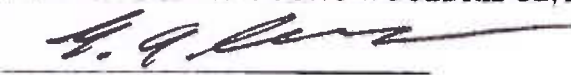
**POND-POSO IMPROVEMENT DISTRICT
OF SEMITROPIC WATER STORAGE DISTRICT**

By: 
Fredrick A. Wegis, President

By: 
Jason Gianquinto, Assistant Secretary

APPROVED AS TO FORM

THE LAW OFFICES OF YOUNG WOOLDRIDGE, LLP

BY: 
Ernest A Conant
Attorneys for Semitropic Water Storage District

**STORED WATER RECOVERY UNIT
PROGRAM DELIVERY CAPABILITY**

INTRODUCTION:

The In-Lieu Service Area authorized in the Stored Water Recovery Unit (SWRU) Environmental Impact Report (EIR) consists of 14,300 acres of actively farmed land. Semitropic's commitment to the SWRU Banking Partners is that at full development there will be in excess of 14,300 acres of In-Lieu Service Area or its equivalent in direct recharge capability. This amount of acreage on behalf of all SWRU Participants will ultimately be located to the maximum extent possible within Area B and the balance of the acreage required from within Area A of Exhibit A. The required recharge facilities may be a combination of In-Lieu recharge and direct recharge facilities.

In the event cropping patterns or irrigation practices change within any In Lieu recharge area the assumed average annual quantity of water each acre of land requires for irrigation, Semitropic shall not be obligated to increase its commitment to develop 14,300 acres of in-lieu land at full program development.

I. Maximum Annual Estimated Program Delivery Capability:

- | | |
|---|------------------------------|
| 1. Firm Recharge Capability by
In-Lieu and/or Direct Recharge Facilities
(Note: In-Lieu Capability is based
on 3.5AF/AC) | 100,000 AF/YR |
| 2. Potential Unused Semitropic Delivery Capability
On a When Available Basis | 475,000 AF/YR ⁽¹⁾ |

II Participant's Share of Maximum Annual Estimated Program Delivery Capability:

- | | |
|--|-------------------|
| 1. Firm Recharge Capability By In Lieu and/or
Direct Recharge | 5,000 AF/YR |
| 2. Share of Unused Recharge Capability | 0 – 475,000 AF/YR |

⁽¹⁾ This does not include potential Recharge on the Kern Water Bank (KWB) of about 30,000 AF/YR. Other capacity in the KWB that is not used by other KWB participants may also be available from time to time.

Expected Monthly Distribution of Participant's Share of Maximum Estimated Program Delivery Capability If Recharged By In Lieu Means:

	Historical Deliveries on 66,800 Acres+ Average of '84, '89 and '93		Estimated Monthly Distribution of SWRU Delivery Capacity Acre-Foot Per Month If By In-Lieu Means
	Acre-Foot	Percent	
JANUARY	* 2,444	1.0	1,000
FEBRUARY	* 22,185	9.8	9,800
MARCH	21,185	9.6	9,600
APRIL	17,984	7.9	7,900
MAY	24,373	10.6	10,600
JUNE	36,138	15.9	15,900
JULY	41,123	18.1	18,100
AUGUST	34,084	15.1	15,100
SEPTEMBER	12,310	5.4	5,400
OCTOBER	6,373	2.8	2,800
NOVEMBER	4,015	1.9	1,900
DECEMBER	4,206	1.9	1,900
TOTAL	226,420 AF	100.0	100,000/AF

* Average of 1984 and 1989 only

STORED WATER RECOVERY UNIT

Project Facilities Maintenance Guidelines

Per Sections 6.4.2

In order to provide continued operational reliability of facilities under this agreement, Stored Water Recovery Unit (SWRU) Participants and Semitropic agree that the following guidelines will be followed by Semitropic or other party (mutually selected by SWRU Participants and Semitropic), in maintaining the SWRU facilities over the life of the agreement.

<u>Facility</u>	<u>Maintenance Activity</u>
Buried Pipelines	Per pipeline manufacturer's recommendations.
Above ground features (Piping, Farm Turnouts, Buildings, etc.)	Painting on a regular basis as required to minimize corrosion and maintain aesthetic appearance. Must meet or exceed Semitropic's current maintenance procedure of existing facilities.
Electrical System	Annually clean and check all features, including cabinetry breakers, transmission lines, substations(s), transformers, etc.
Productions Wells	
A. Standby Mode	
• Exercise pumps for at least 15 minutes	Semi-Annual
• Record rate of flow, check for unusual noise or Vibration, and proper lubrication	Semi-Annual
• Observe and record water levels prior to, during And after the operating period by sounding	Semi-Annual
• Inspection of all well sites; clean and Repair as needed	Monthly
• Inspect fencing, locks and motor control panels And repair as needed	Monthly
• Inspect and maintain all pumping units in Accordance with manufacturers specifications	Annual
• Collect and analyze water samples for Constituents of concern	Annual (One third of wells)
• Drinking water standards (Title 22)	5 years (or as otherwise req'd)

- Pump base, motor and exposed piping cleaned And painted (as needed) Annual
- Fill completely and maintain oil level in pump Annual
- Motor reservoir sump to prevent moisture Annual (during periods of Operation)
- Add anti-corrosion and anti-calcification Chemicals into wells As required by well and chemical experts

B. Operating Mode

- Check lubrication system Startup
- Obtain static water levels by sounding Startup
- Check and record discharge meter totalizer reading Startup
- Check pump and motor for excessive vibration, Noise or heating Startup
- After 5 min. of operation, check and record Discharge flow rate Startup
- Obtain pumping water levels by sounding Startup
- Check and maintain lubricating system Daily
- Read flow meter totalizer and report flow rate and report flow rate and acre-feet pumped Daily
- If temperature is expected to be below 40 deg. F, enable winding heaters Shut down
- Cover or remove motors from each well site Shut down
- Inspect discharge piping, valves and vents for Operation, and then close Shut down

This policy should be reviewed and updated periodically by SWRU Participants and Semitropic.

SEMITROPIC WATER STORAGE DISTRICT
CALCULATION OF POWER PAYMENTS UNDER SECTION 6.5.1
Agreement for the Semitropic Water Banking and Exchange Program

BASIC FORMULA

(ENERGY CONSUMED to WITHDRAW WATER from STORAGE) x $\frac{(\text{TOTAL SEMITROPIC ENERGY COSTS})}{(\text{TOTAL ENERGY CONSUMED BY SEMITROPIC})}$ = (WITHDRAWAL PAYMENTS)

Summary of components

ENERGY CONSUMED to WITHDRAW WATER from STORAGE (Water Banking activity to return stored water)

1. Energy used to extract ground water for Banking Partners, including:
 - a) Actual electric meter readings from Semitropic operated wells
 - b) Actual PG&E meter readings from bills submitted for payment under pumping agreements for operation of Semitropic landowner wells
 - c) Energy use under pumping agreements with Semitropic landowners for operation of wells where the actual KWH is unavailable (as in engine driven wells) use the formula:
 $KWH = 1.707 \times (\text{PUMPING LIFT in feet}) \times (\text{ACRE-FEET EXTRACTED})$
 Where 1.707 is the conversion factor assuming 60% wire to water efficiency
 Where the PUMPING LIFT is determined from the previous year's "Lines of Equal Pumping Lifts" by Bookman-Edmonston Engineering, Inc
 Where the ACRE-FEET EXTRACTED is from actual Semitropic water meter readings
 - d) Estimated use for released Contract Water (on-farm ground water pumping) use the same formula as above
2. Energy used to reverse the flow of Semitropic canals
 - a) From the actual electric meter readings at reverse flow pumping structures
 The use shall be proportional to the water pumped for WITHDRAWAL for Banking Partners to the total water pumped by Semitropic
3. Energy used at the Semitropic's Pump-Back Pumping Plant to return water to the California Aqueduct
 - a) From the actual electric meter readings at the Pump-Back Pumping Plant
 The use shall be proportional to the water pumped for WITHDRAWAL for Banking Partners to the total water pumped by Semitropic
4. Estimated energy use for other facilities as may be required by Semitropic

TOTAL ENERGY COSTS (Costs to secure energy required for all Semitropic activities)

5. Costs to feed energy into the Semitropic Grid
 - a) PG&E billing at Semitropic Substation (single point of service with Semitropic power grid)
 - b) All costs for other electrical feeds into Semitropic Grid (i.e. external cogeneration facilities)
 - c) All costs for power generated by Semitropic's Energy Project including:
 (currently 4 MW of natural gas engine generation and 850 KW of hydroelectric generation)
 Fuel
 Operation & Maintenance
 Replacement Reserve deposits
 Debt Service
6. Costs for energy not fed into Semitropic Grid
 - a) All PG&E billings for Semitropic facilities not on Semitropic Grid
 - b) Engine/generator rental and diesel to operate temporary Semitropic facilities
 - c) All payments to Semitropic landowners under ground water pumping agreements for operation of Semitropic landowner wells
 - d) All payments to Contract Water Users for release of Contract Water (on-farm ground water pumping) for energy use identified in 1. d) above
 - e) Costs of other facilities as may be required by Semitropic

TOTAL ENERGY CONSUMED (Energy required for all Semitropic activities)

7. Energy fed into the Semitropic Grid
 - a) PG&E meter readings at Semitropic Substation (single point of service with Semitropic power grid)
 - b) Any other electrical service metered into Semitropic Grid (i.e. external cogeneration facilities)
 - c) Energy metered at each Semitropic operated natural gas engine-generator
 - d) Energy metered at each Semitropic operated hydroelectric generator
8. Energy not fed into the Semitropic Grid
 - a) All PG&E meter readings for Semitropic facilities not on Semitropic Grid
 - b) Actual PG&E meter readings from bills submitted for payment under pumping agreements for operation of Semitropic landowner wells
 - c) Energy use under pumping agreements with Semitropic landowners for operation of wells where the actual KWH is unavailable (as in engine driven wells) use the formula:
 $KWH = 1.707 \times (\text{PUMPING LIFT in feet}) \times (\text{ACRE-FEET EXTRACTED})$
 Where 1.707 is the conversion factor assuming 60% wire to water efficiency
 Where the PUMPING LIFT is determined from the previous year's "Lines of Equal Pumping Lifts" by Bookman-Edmonston Engineering, Inc.
 Where the ACRE-FEET EXTRACTED is from actual Semitropic water meter readings
 - d) Estimated use for released Contract Water (on-farm ground water pumping) use the same formula as above
 - e) Estimated energy use for other facilities as may be required by Semitropic

**MONTECITO WATER DISTRICT
MEMORANDUM**

SECTION: 4-A
DATE: APRIL 18, 2017
TO: BOARD OF DIRECTORS
FROM: GENERAL MANAGER & STRATEGIC PLANNING COMMITTEE
**SUBJECT: PARTICIPATION IN THE CCWA 2017 WATER STORAGE PROGRAM
SEMITROPIC WATER STORAGE DISTRICT'S GROUNDWATER
BANKING PROGRAM**

COPY

RECOMMENDED ACTION:

1. Strategic Planning Committee recommends participating in the Semitropic Water Storage District Groundwater Banking Program by purchasing 1,500 shares (1,500 acre feet of groundwater storage capacity) at a cost of \$1,260/share;
2. Appropriation of funding in the amount of \$1,890,000 from unrestricted reserves for the purchase of 1,500 shares in Semitropic Water Storage District Groundwater Banking Program;

DISCUSSION:

The Strategic Planning Committee and staff are bringing to the Board a proposal to participate in a long-term water banking program with Semitropic Water Storage District.

The current drought has brought to the forefront the fact that the District's water supplies are vulnerable, and that imported and local surface water supplies may not be available when needed most, such as during future drought conditions or catastrophic events that prevent deliveries of our major water supplies. Therefore, the District must take the necessary steps to improve the reliability and security of its supplies, both regionally and locally to help avoid future water shortages.

Groundwater banking is an effective water management tool designed to increase water supply reliability and security – and result in better utilization of the existing supplies. Staff has identified the need for regional groundwater storage to: 1) Bank surplus water typically stored in San Luis Reservoir that may otherwise be lost to a potential future spill; and 2) Improve the reliability and security of the District's regional water supplies that it has relied on so heavily during the current drought, specifically State Water Project Table A deliveries, which historically have been less than 60% reliable.

Semitropic Water Storage District offers a unique groundwater banking opportunity that address both the immediate need for regional groundwater storage, and, more important,

would improve the reliability and security of State Water Project deliveries including the use of its facilities.

Background

Established in 1958, Semitropic Water Storage District (Semitropic) is one of eight water storage districts in California and is the largest in Kern County. Semitropic delivers water to nearly 300 customers for purposes of irrigating approximately 140,000 acres of agriculture; and provides groundwater banking and storage services.

The Semitropic Groundwater Storage Bank, which began operations in the early 1990s, is one of, if not the largest, groundwater banking programs in the world. The program has fourteen banking partners who have collectively delivered approximately 700,000 acre-feet of water for storage in the bank. The total storage capacity of the bank is 1,650,000 acre-feet of which approximately 8,000 acre-feet of storage capacity remains unallocated and available for purchase.

Semitropic offers a unique opportunity whereby purchasing "shares" in the Semitropic Groundwater Storage Bank earns a guaranteed delivery of an equivalent amount of water in acre-feet per year (1 share is equivalent to 1 acre-foot of water). This opportunity does not include the purchase of water, but rather the capacity to store water, SWP Table A or supplemental water, that historically has been stored as carryover water in San Luis Reservoir. Unlike other groundwater banking opportunities which are essentially short-term rent or lease programs, the purchase of shares within Semitropic's Groundwater Storage Program involves the acquisition of an asset. This asset could be sold in the future should the District determine that regional storage is no longer necessary. It is difficult to determine the value of the asset in the future should the District choose to sell its shares but it is anticipated that the value would likely increase as the remaining shares become fully allocated.

Benefits of Participating in the Semitropic Groundwater Banking Program

Acquiring regional groundwater storage capacity would enable the District to move water out of San Luis Reservoir into a secure facility where it's not exposed to risks of loss. It can then be recovered when needed. All water stored in San Luis Reservoir excluding current year SWP Table A water is at risk of spill. It is in the District's best interest to minimize this risk by moving surplus water into a secure groundwater storage bank and maintaining only sufficient water in San Luis Reservoir to meet the District's immediate needs.

In addition, recent DWR policy changes prevent any State Water Contractor from storing or carrying over exchange water in San Luis Reservoir. Future supplemental water purchases, similar to the 2016 supplemental water purchase from AVEK of 5,000 acre-feet, can no longer be carried over in the reservoir. This water must now be either delivered to

Lake Cachuma within the same year its acquired or removed from San Luis Reservoir and put, for example, in a groundwater bank such as Semitropic, to avoid loss.

More important, placing surplus supplies in a regional groundwater storage bank enables the District to improve the reliability and security of the SWP and its facility. Banked water would be used to supplement annual deliveries from the SWP, which historically have averaged 60% (1,980 acre-feet). The District could deliver up to 1,500 acre-feet of addition water from a groundwater storage bank, bringing the District's utilization of the SWP facilities to nearly 100% (3,500 acre-feet). This would maximize the District's deliveries through the Coastal Branch Pipeline to Lake Cachuma. In wet years, additional SWP Table A water could be utilized with less banked supplies. Conversely, in dry years, additional banked supplies could be used to supplement the reduction in SWP Table A allocation, while maintaining full utilization of the SWP facilities if desired.

Based on the District's 3-year water supply projections, Staff anticipates the need to move between 2,000AF and 3,000AF of surplus water out of San Luis Reservoir before the end of 2017 to avoid the potential increased risk of spill during the winter of 2017/18. In wet years, it will likely be necessary to move additional SWP Table A water to the storage bank. In dry year, purchased supplemental water could be stored in the groundwater bank and recovered as needed.

Groundwater banking is identified in the District's Draft *Urban Water Management Plan 2015 Update* as a necessary and recommended way of increasing the reliability of the District's water supply portfolio. This particular water banking opportunity increases the reliability of the District's regional supplies.

Alternatives

Other regional groundwater storage banking programs currently available to the District through the Central Coast Water Authority's (CCWA) 2017 Water Storage Program were evaluating including Irvin Ranch Water Storage District (IRWD) and Antelope Valley-East Kern Water District (AVEK). Recovery of water stored in both IRWD and AVEK groundwater banks is completely dependent upon there being available capacity in their respective banking facilities, making recovery unreliable. These same programs proved to be unreliable when, during the current extraordinary drought, bank supplies from these programs were unavailable. Because of this, these programs do not meet the District's need for reliability.

Terms of Participation in Semitropic's Groundwater Banking Program

Below is a summary of the terms of participating in Semitropic's Water Banking Program, assuming 1,500 shares are purchased. The more detailed preliminary term sheet is attached for reference.

- A. Purchase of "shares" or storage capacity in Groundwater Banking Program (District Asset)
- B. 1 Share = 1 Acre-Foot
- C. Recharge Capacity = 1,500 AFY "non-firm" recharge (recharge dependent upon availability capacity)
- D. Storage Capacity = 4,500 AFY
- E. Recovery Capacity = 1,500 AFY "firm" recovery (guaranteed return of 1,500AFY)
- F. Additional recharge, storage and/or recovery capacity may be available each year depending on available excess capacity in Semitropic's facilities.
- G. Water Loss = 10% of total
- H. Term = 18 years with possible extensions
- I. Costs
 - i. Capital \$1,260/Share
 - ii. Annual Management Fee \$6.33/Share
 - iii. Annual Maintenance Fee \$8.00/Share
 - iv. Usage Fee for Recharge \$12.49/AF Recharged
 - v. Usage Fee for Recovery \$87.45/AF Recovered
 - vi. Usage Fee for Recovery (Energy Component) = \$100/AF Recovered
 - vii. KCWA One-time setup charge \$7,500
KCWA Handling Charge \$0.25/Recharge & Recovery
 - viii. Treatment (if applicable) = \$50/AF Recovered
- J. Financing of Capital Cost through Semitropic is not available. Semitropic is considering the option to spread the upfront costs over several years.
- K. The purchase of shares is the purchase of an asset that could be sold in future if it's determined that the asset is no longer needed.

The calculated unit cost to store water in the Semitropic's Groundwater Storage Bank is \$490/acre-feet, assuming i) 3,000 AF initial recharge with 1,000 AFY recovery, ii) lost water costs \$600/AF to replace, and iii) sale of shares at 75% of costs.

A more detailed cost analysis is included on the next page.

Semitropic WSD

Summary of Banking Opportunity:

- A. Purchase of storage capacity in groundwater basin
- B. Includes 1 AF of "non-firm" recharge
- C. Includes 3 AF of Storage
- D. Includes 1 AF of "firm" recovery per year
- E. 1:1 Exchange with additional 10% loss
- F. Example AF
 - i. 1,500
 - ii. 4,500
 - iii. 1,500
- G. 18 year term with possible extensions
- H. Initial Capital Cost = \$1,260/AF
- I. Costs Example Purchase 1,000 Shares and bank 3,000AF

1500 shares = 1000 AF

Shares purchased or
 AF of "non-firm" recharge
 AF of storage (possibly more if capacity is available)
 AF of guaranteed recovery per year (possibly more if capacity is available)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6-18	Total
Recharge AF to Bank	3000	0	0	0	0	0	3000
Annual Recovery	0	1000	1000	700	0	0	2700
AF balance in Bank	2700	1700	700	0	0	0	
Unit Cost* (\$\$/AF)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6-18	Total
i. Upfront Capital Cost (Asset)***	\$ 1,260	-	-	-	-	(1,417,500)	472,500
ii. Annual Management Fee	\$ 6.33	\$ 9,495	\$ 9,495	\$ 9,495	\$ 9,495	9,495	56,970
iii. Annual Maintenance Fee	\$ 8.00	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	12,000	72,000
iv. Usage Fee (Recharge)	\$ 12.49	-	-	-	-	-	37,470
v. Usage Fee (Recovery)	\$ 87.45	\$ 87,450	\$ 87,450	\$ 61,215	-	-	236,115
vi. Usage Fee (Recovery - Energy Component)	\$ 100.0	\$ 100,000	\$ 100,000	\$ 70,000	-	-	270,000
vii. KCWA One-Time Setup Charge	\$ 7,500	-	-	-	-	-	7,500
viii. Treatment, if applicable (-\$\$)	\$ 0.25	\$ 425	\$ 175	-	-	-	1,275
	\$ 50.0	\$ 50,000	\$ 50,000	\$ 35,000	-	-	135,000
Subtotal Estimated Cost	\$ \$1,957,140	\$ \$259,370	\$ \$259,320	\$ \$187,710	\$ \$21,495	\$ \$1,396,005	\$ \$1,288,830
Cost of lost water		\$ \$60,000	\$ \$60,000	\$ \$60,000			\$ \$180,000
Total Cost for 3,000 AF	\$ \$1,957,140	\$ \$319,370	\$ \$319,320	\$ \$247,710	\$ \$21,495	\$ \$1,396,005	\$ \$1,468,830
Total Cost per AF		\$ \$290	\$ \$290	\$ \$310			\$ \$490

- * Does not include annual CPI increase
- ** Does not include the cost of the water
- *** Assumes sale of asset in Year 6 at 75% of cost

Next Steps

Participation in the Semitropic Water Storage District Groundwater Banking Program requires a series of agreements between agencies including Central Coast Water Authority (CCWA), Santa Barbara County Flood Control and Water Conservation District, SemiTropic Water Storage District, Kern County Water Agency and the Montecito Water District.

The District's participation in a regional groundwater banking program requiring the use of State Water Project facilities is coordinated through CCWA's 2017 Water Storage Program. Before CCWA's work on the contracts continues, CCWA is requiring the District to execute a *Binding Agreement to Store Water* in the Semitropic Water Storage Program and provide payment in an amount to cover the upfront costs and Year 1 annual costs.

ATTACHMENTS:

Preliminary Term Sheet for a Storage Agreement

Binding Agreement to Store Water in Semitropic Water Storage Program

RELEASE, ASSUMPTION AND INDEMNIFICATION AGREEMENT

This **RELEASE, ASSUMPTION AND INDEMNIFICATION AGREEMENT** (the "**Agreement**") is made and effective as of _____, 2018, by and between Santa Barbara County Flood Control and Water Conservation District ("**Santa Barbara**") and the Central Coast Water Authority ("**CCWA**") (each, a "**Party**" and collectively, the "**Parties**"), with reference to the following facts and intentions.

RECITALS

- A. Santa Barbara has a long-term water supply contract with the Department of Water Resources of the State of California ("**DWR**") ("**Water Supply Contract**") that permits Santa Barbara to receive water supply, storage and conveyance services from the State Water Project ("**SWP**"), subject to DWR's approval.
- B. CCWA is a joint powers agency, members of which are individual water purveyors located in the County of Santa Barbara. In 1991, Santa Barbara and CCWA entered into the Transfer of Financial Responsibility Agreement ("**TFRA**"), which, among other things, obligates CCWA to pay for all Water Supply Contract related costs.
- C. Montecito Water District ("**Montecito**") is a member of CCWA. Pursuant to the Water Supply Agreement, dated August 1, 1991, and as amended, between CCWA and Montecito, Montecito is entitled to purchase from CCWA a portion of the SWP supply delivered to Santa Barbara.
- D. Montecito entered into an agreement dated November 15, 2017 with the Semitropic Water Storage District and its Improvement Districts (collectively, "**Semitropic**") for Participation in the Stored Water Recovery Unit of the Semitropic Water Banking and Exchange Program ("**Semitropic Agreement**"). A copy of the Semitropic Agreement is attached hereto as **Exhibit A**. Semitropic obtains water from the SWP through its contracts with the Kern County Water Agency ("**KCWA**"). Like Santa Barbara, KCWA has a long-term water supply contract with DWR that permits KCWA to receive water supply, storage and conveyance services from the SWP. The Semitropic Agreement provides for Montecito's participation in a long-term water storage and banking program ("**Semitropic Water Bank**") whereby Montecito's SWP supplies may be delivered to Semitropic, stored in the Semitropic Water Bank, and later returned to Montecito.
- E. The terms and conditions of the above-referenced SWP exchange are described in the Long-Term Change in Point of DWR Agreement for the Semitropic Water

Banking and Exchange Program, SWPAO #17022 ("**DWR Agreement**") between Santa Barbara, KCWA and DWR, attached hereto as **Exhibit B**.

- F. CCWA has requested that Santa Barbara enter into the DWR Agreement, it being the intent of the Parties that Santa Barbara's rights and obligations under the DWR Agreement are entered into on behalf of CCWA.
- G. On or about _____, CCWA and Montecito entered into the Agreement to Deliver Semitropic Water Storage Program Water whereby CCWA agreed to accept assignment of Santa Barbara's rights and obligations pursuant to the DWR Agreement on behalf of Montecito.
- H. In compliance with the California Environmental Quality Act, Montecito, as lead agency, prepared an Initial Study – Negative Declaration and filed a Notice of Determination ("**NOD**") with the State Office of Planning and Research on November 27, 2017 (SCH # 2017101021.)
- I. The Parties desire to enter into this Agreement to set forth the rights, responsibilities and obligations of the Parties as it relates to the DWR Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing recitals which are incorporated into the operative provisions of this Agreement by this reference, and for other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

1. **Assignment.** Effective as of the effective date of the DWR Agreement, Santa Barbara does hereby assign, transfer, and set over to CCWA, without recourse and without representation or warranty of any kind, all of Santa Barbara's right, title and interest in, to and under the DWR Agreement and all liabilities and obligations of Santa Barbara arising from or under the DWR Agreement.

2. **Assumption.** Effective as of the effective date of the DWR Agreement, CCWA accepts such assignment without recourse and without representation or warranty of any kind, and assumes all of the liabilities and obligations of Santa Barbara arising from or under the DWR Agreement, including any and all obligations to make payments, indemnifications or reimbursements thereunder, and agrees to be bound by and to keep, perform and observe the terms, covenants and conditions of Santa Barbara under the DWR Agreement. CCWA agrees to be bound by said DWR Agreement to the same extent as if it had been an original party to said instruments and accepts and agrees to perform all of the obligations of Santa Barbara therein.

3. **Indemnification and Release.** CCWA hereby releases and forever acquits, discharges and holds harmless and shall indemnify Santa Barbara from and against any and all liabilities (at law or in equity), obligations, liens, claims, orders, rulings, losses, damages, assessments, fines, penalties, injuries, demands, actions, judgments, suits, costs, expenses or disbursements of any kind (including attorneys' fees and costs) which may at any time be imposed on, incurred by or asserted against Santa Barbara by CCWA, any of its affiliates or any third party, based on, resulting from, in any way relating to, in connection with or arising out of the DWR Agreement.

4. **Governing Law and Jurisdiction.** The validity and interpretation of this Agreement shall be governed by the laws of the State of California. Any litigation regarding this Agreement or its contents shall be filed in the County of Santa Barbara, if in state court, or in the federal district court nearest to Santa Barbara County, if in federal court.

5. **Waiver.** Any waiver or failure to declare a breach as a result of the violation of any term of this Agreement shall not constitute a waiver of that term or condition and shall not provide the basis for a claim of estoppel or waiver by any Party to that term or condition.

6. **Counterparts.** The Parties may execute this Agreement in counterpart. The Parties agree to accept facsimile or PDF signatures as original signatures.

7. **Authorization.** Each signatory represents and warrants that he or she has the appropriate authorization to enter into this Agreement on behalf of the Party for whom he or she signs.

8. **Notices.** All communications or notices in connection with this Agreement shall be in writing and either hand-delivered or sent by U.S. first class mails, postage prepaid, or electronic mail followed by written notice sent by U.S. mails and addressed to the Parties as follows:

Santa Barbara County Flood Control and Water Conservation District
Fray Crease, Water Agency Manager
130 East Victoria Street, Suite 200
Santa Barbara, CA 93101-2019
Tel: (805) 568-3542
fcrease@cosbpw.net

Central Coast Water Authority
Ray Stokes, Executive Director
255 Industrial Way
Buellton, CA 93427-9565
Tel: (805) 697-5214
ras@ccwa.com

9. **Construction and Interpretation.** The Parties agree and acknowledge that the terms of this Agreement have been negotiated by the Parties and the language used in this Agreement shall be deemed to be the language chosen by the Parties to express their mutual intent. The Agreement shall be construed without regard to any presumption or rule requiring construction against the party causing such instrument to be drafted, or in favor of the party receiving a particular benefit under this Agreement.

10. **Entire Agreement and Amendment.** This Agreement is the entire understanding of the Parties in respect of the subject matter hereof. There are no other promises, representations, agreements or warranties by any of the Parties. This Agreement may only be amended by a writing signed by all of the Parties. Each Party waives its right to assert that this Agreement was affected by oral agreement, course of conduct, waiver or estoppel.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed the day and year first above written.

**SANTA BARBARA COUNTY FLOOD
CONTROL AND WATER CONSERVATION
DISTRICT**

APPROVED AS TO FORM:

Michael C. Ghizzoni
County Counsel

Director of Public Works

By: _____
Deputy County Counsel

CENTRAL COAST WATER AUTHORITY

APPROVED AS TO FORM:

Brownstein Hyatt Farber Schreck, LLP

Executive Director

By: _____
Stephanie Osler Hastings, Esq.

EXHIBIT A

Agreement Between Montecito Water District and
Semitropic Water Storage District and its Improvement Districts
for Participation in the Stored Water Recovery Unit
of the Semitropic Water Banking and Exchange Program
(November 15, 2017)

EXHIBIT B

Delivery Agreement

Among the Department of Water Resources of the State of California, Santa Barbara Flood Control and Water Conservation District and Kern County Water Agency for the Semitropic Water Banking and Exchange Program (SWPAO # 17022)

**AGREEMENT TO DELIVER
SEMITROPIC WATER STORAGE PROGRAM WATER**

This Agreement To Deliver Semitropic Water Storage Program Water ("**Agreement**") is made and effective as of January 1, 2018, by and between the Central Coast Water Authority ("**CCWA**") and Montecito Water District ("**Montecito**") (each a "**Party**" and collectively, the "**Parties**") with reference to the following facts and intentions:

RECITALS

- A. Santa Barbara County Flood Control and Water Conservation District ("**Santa Barbara**") has a long-term water supply contract with the Department of Water Resources of the State of California ("**DWR**") ("**Water Supply Contract**") that permits Santa Barbara to receive water supply, storage and conveyance services from the State Water Project ("**SWP**").
- B. CCWA is a joint powers agency, members of which are individual water purveyors located in the County of Santa Barbara. In 1991, Santa Barbara and CCWA entered into the Transfer of Financial Responsibility Agreement, which, among other things, obligates CCWA to pay for all Water Supply Contract related costs. Also in 1991, CCWA entered into a series of water supply agreements with CCWA's members and other parties (each a "**CCWA Participant**" and collectively, "**CCWA Participants**") whereby CCWA agreed to deliver SWP water, when available, to each of the CCWA Participants in return for payment sufficient to cover all Water Supply Contract related costs.
- C. Montecito is a member of CCWA. Pursuant to the Water Supply Agreement, dated August 1, 1991, and as amended, between CCWA and Montecito ("**Water Supply Agreement**"), Montecito is entitled to purchase up to 3,000 acre-feet per year ("**AFY**") of SWP water, when available, from CCWA.
- D. On January 25, 2017, CCWA and Montecito entered into the "Water Storage Program Participation Agreement (for 2017)" ("**Participation Agreement**"), pursuant to which CCWA agreed to identify certain water storage opportunities and Montecito agreed to reimburse CCWA for any and all costs associated with the program.
- E. On November 15, 2017, Montecito entered into an agreement with the Semitropic Water Storage District and its Improvement Districts (collectively, "**Semitropic**") for "Participation in the Stored Water Recovery Unit of the Semitropic Water Banking and Exchange Program" ("**Semitropic Agreement**"). The Semitropic Agreement provides for Montecito's participation in a long-term water storage and banking program ("**Semitropic Water Bank**") whereby Montecito purchased an interest in the Semitropic Water Bank which entitles Montecito to store up to 4,500 AFY in the Semitropic Water Bank and to have up

to 1,500 AFY returned to Montecito. It is anticipated that at least a portion of the water that Montecito may elect to store in the Semitropic Water Bank will be SWP water that otherwise would be delivered to Montecito pursuant to the Water Supply Agreement. A copy of the executed Semitropic Agreement is attached hereto as **Exhibit A**.

- F. To permit the above-referenced water storage arrangement, two additional agreements are required. First, DWR must approve an exchange of SWP water between the Kern County Water Agency ("**KCWA**"), which contracts with Semitropic for the delivery of SWP water, and Santa Barbara. DWR's approval, and the terms and conditions of this exchange, are set forth in the proposed Long-Term Change in Point of Delivery Agreement for the Semitropic Water Banking and Exchange Program, SWPAO # 17022 ("**DWR Agreement**") between Santa Barbara, KCWA and DWR. Second, Santa Barbara must agree to assign its rights under the DWR Agreement to CCWA and CCWA must agree to assume all of Santa Barbara's obligations under the DWR Agreement. The terms and conditions of this assignment, assumption and release are set forth in the proposed Release, Assumption And Indemnification Agreement between Santa Barbara and CCWA ("**Santa Barbara Agreement**") which is attached hereto as **Exhibit B**. The DWR Agreement is attached to the Santa Barbara Agreement as Exhibit A.
- G. In compliance with the California Environmental Quality Act ("**CEQA**"), Montecito, as lead agency, prepared an Initial Study – Negative Declaration and filed a Notice of Determination ("**NOD**") with the State Office of Planning and Research on November 27, 2017 (SCH # 2017101021).
- H. CCWA and Montecito now desire to enter into this Agreement for the purposes of (i) setting forth terms and conditions relating to CCWA's storage and delivery of return water obligations described herein and Montecito's payment and reimbursement obligations described herein, and (ii) clarifying the Parties' rights and obligations under this Agreement and the effect, if any, of the Water Supply Agreement, the Santa Barbara Agreement, the DWR Agreement, and the Semitropic Agreement on the Parties' rights and obligations.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing recitals which are incorporated into the operative provisions of this Agreement by this reference, and for other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. CCWA Performance of DWR Agreement

1.1 Agreement to Assume Santa Barbara's Obligations. On behalf of Montecito, to permit implementation of the Semitropic Agreement for the benefit of Montecito, CCWA agrees to execute the Santa Barbara Agreement in substantially the same form as set forth in Exhibit B and thereby to accept assignment of all of Santa Barbara's rights, and to assume all of Santa Barbara's liabilities and obligations, arising from or under the DWR Agreement, including performing all of the obligations of Santa Barbara therein, subject to the terms and conditions provided in this Agreement.

1.2 Limitations on Performance and Liability

(a) Return of Water Limited to Available Capacity. CCWA will exercise reasonable best efforts to accommodate Montecito's requests to store water in the Semitropic Water Bank and for delivery of return water from the Semitropic Water Bank to Montecito. However, the delivery of return water to Montecito under this Agreement shall be subject to CCWA's approval which is dependent upon the times and amounts of the delivery requested and the overall delivery capability of CCWA's facilities. Notwithstanding any other provision of this Agreement, Montecito acknowledges that CCWA facilities used to deliver water to CCWA Participants have limited capacity which, depending on the availability and timing of all other supplies scheduled to be delivered to CCWA, may limit the return of water from the Semitropic Water Bank to Montecito. Water that is deliverable to Montecito under the terms of this Agreement (and not any other agreement such as the Water Supply Agreement) may only be delivered when unused capacity exists. Montecito agrees that in the event Montecito's request for the return of water pursuant to this Agreement exceeds Montecito's capacity rights in CCWA's facilities, CCWA may deny or condition the request.

(b) No Liability For Determinations By Other Parties. Notwithstanding any other provision of this Agreement, Montecito acknowledges that the DWR Agreement provides for certain approvals and discretionary decisions to be made solely by DWR and KCWA. Montecito agrees that CCWA is not liable to Montecito, and hereby releases CCWA, for (i) the determinations that either DWR or KCWA makes pursuant to the DWR Agreement, and (ii) any actions or inactions resulting from such determinations, including, but not limited to, DWR's and KCWA's respective rights to withhold approval of, or propose modifications to, deliveries of water to or from the Semitropic Water Bank requested by CCWA on behalf of Montecito.

(c) CCWA Not A Party To The Semitropic Agreement. Montecito acknowledges that CCWA is not a party to the Semitropic Agreement, is not a beneficiary of the Semitropic Agreement, and has no rights, obligations or liabilities pursuant to the Semitropic Agreement. Montecito agrees that Montecito alone, and not CCWA, is responsible for all obligations and liabilities arising out of or relating to the Semitropic Agreement, including, but not limited to, Montecito's obligation to make payments directly to Semitropic pursuant to the Semitropic Agreement.

(d) No Adverse Impact On CCWA Or CCWA Participants. Nothing in this Agreement shall obligate CCWA to deliver water to Montecito at times when such delivery would adversely impact CCWA operations or facilities, or any CCWA Participant not a Party. This Agreement shall not be administered or interpreted in any way that would cause adverse impacts on CCWA operations or facilities or on the allocations or deliveries of water to any CCWA Participant not a Party.

(e) No Obligation Of CCWA Participant Not A Party to "Step Up." Notwithstanding any other provision of this Agreement, Montecito agrees that under no circumstances shall a CCWA Participant not a Party have any obligation under this Agreement, the Santa Barbara Agreement, the DWR Agreement or the Semitropic Agreement, including, but not limited to, any obligation to increase payments to CCWA or otherwise to assume any liability or obligation of Montecito pursuant to this Agreement or the Semitropic Agreement, whether pursuant to the so-called "step-up" provisions that are contained in each CCWA Participant's water supply agreement with CCWA or otherwise.

2. Montecito's Payment Obligations

2.1 CCWA's Costs Pursuant to DWR Agreement. In addition to any costs for which Montecito may be obligated pursuant to the Semitropic Agreement, Montecito shall pay, or reimburse, as provided herein, CCWA for all costs incurred by CCWA pursuant to this Agreement, including: (a) all costs incurred by CCWA pursuant to the Santa Barbara Agreement (including any reimbursement of Santa Barbara for its costs) and the DWR Agreement; (b) all administrative and legal fees incurred in preparing documents, obtaining necessary approvals and undertaking compliance with CEQA; and (c) any litigation costs; as further provided in this Section.

2.2 Election to Store. At any time, in the event Montecito desires to store water in the Semitropic Water Bank pursuant to the Semitropic Agreement, Montecito shall provide written notice to CCWA of its intention to do so in the form and manner that CCWA prescribes ("**Election to Store**"). Within 10 days of receipt of Montecito's Election to Store, CCWA shall estimate all costs related to the matters described in the Election to Store and deliver an invoice for the estimated costs to Montecito. Within 10 days of the invoice date, Montecito shall make payment to CCWA for the invoiced amount in the manner that CCWA prescribes. Montecito may, but shall not be required to, maintain a deposit with CCWA sufficient to cover all or a portion of the estimated costs. Within 3 days of CCWA's receipt of the full amount of the invoiced estimated costs, CCWA shall submit the Election to Store to DWR and KCWA and coordinate the delivery schedule for the water to be stored pursuant to Section 5 of the DWR Agreement.

2.3 Election to Receive Return Water. At any time, in the event Montecito desires to receive water in return from the Semitropic Water Bank pursuant to the Semitropic Agreement, Montecito shall provide written notice to CCWA of its intention to do so in the form and manner that CCWA prescribes ("**Election to Return**"). Within 10

days of receipt of Montecito's Election to Return, CCWA shall estimate all costs related to the matters described in the Election to Return and deliver an invoice for the estimated costs to Montecito. Within 10 days of the invoice date, Montecito shall make payment to CCWA for the invoiced amount in the manner that CCWA prescribes. Montecito may, but shall not be required to, maintain a deposit with CCWA sufficient to cover all or a portion of the estimated costs. Within 3 days of CCWA's receipt of the full amount of the invoiced estimated costs, CCWA shall submit the Election to Return to DWR and KCWA and coordinate the delivery schedule for the water to be returned pursuant to Section 6 of the DWR Agreement.

2.4 Litigation Costs. If litigation is commenced regarding this Agreement, the Santa Barbara Agreement or the DWR Agreement, CCWA and Montecito shall meet and confer regarding the litigation. The Parties shall exercise reasonable efforts to cooperate with each other with respect to the litigation. If CCWA and Montecito decide to contest such litigation, to the extent permitted by law, Montecito will take all necessary and appropriate actions to defend the action on behalf of both CCWA and Montecito. Additionally, Montecito shall reimburse CCWA for all of CCWA's costs, including legal, environmental, attorneys' and engineering consultants' fees and expenses, incurred in defending the action and in complying with any judicial order or remedy ordered therein ("**Litigation Costs**"). At least monthly, CCWA shall itemize any Litigation Costs and invoice Montecito. Within 10 days of the invoice date, Montecito shall make payment to CCWA for the invoiced Litigation Costs in the manner that CCWA prescribes. Montecito may, but shall not be required to, maintain a deposit with CCWA sufficient to cover all or a portion of the invoiced Litigation Costs.

2.5 Additional Costs. In addition to the charges identified above, Montecito shall reimburse CCWA for all of any additional demonstrable increase in cost that would not have otherwise been borne by CCWA or by any CCWA Participant not a Party if CCWA did not provide service to Montecito under this Agreement (collectively, "**Additional Costs**"). CCWA shall itemize any Additional Costs and invoice Montecito. Within 10 days of the invoice date, Montecito shall make payment to CCWA for the invoiced Additional Costs in the manner that CCWA prescribes.

2.6 Reconciliation. At least annually, CCWA shall provide to Montecito an accounting of the amounts Montecito is obligated to pay hereunder. Any overpayment by Montecito shall be promptly refunded by CCWA and any underpayment by Montecito shall be promptly paid to CCWA.

3. **No Effect On Water Supply Agreement**. CCWA and Montecito acknowledge and agree that their respective rights and obligations pursuant to this Agreement are separate and independent of their rights and obligations pursuant to the Water Supply Agreement, and that nothing herein is intended to modify, amend, alter, supersede or otherwise affect the Parties' rights and obligations under the Water Supply Agreement. For example, if Montecito requests delivery of 1,500 AFY pursuant to the Water Supply Agreement and the return of 1,500 AFY of water pursuant to this Agreement in the same year, CCWA shall undertake such deliveries and return deliveries in accordance

with the terms and conditions of the applicable agreement. Notwithstanding the foregoing, CCWA may elect, in its sole and absolute discretion, to account for the delivery of all water to Montecito on a single, consolidated statement of charges. However, any such election shall be for administrative purposes only and shall have no legal effect.

4. Obligations in the Event of Default

4.1 Events of Default. Each of the following shall be an "**Event of Default**" under this Agreement:

(a) Failure of Montecito to make any payment in full when due under this Agreement, and such failure is not remedied within 30 days of CCWA making a written demand for payment;

(b) Breach by Montecito of any agreement, condition, covenant or term herein, and such breach is not remedied within 30 days of CCWA making a written demand for cure of the breach;

(c) If Montecito shall file any petition or institute any proceedings under any act or acts, state or federal, dealing with or relating to the subject of bankruptcy or insolvency or under any amendment of such act or acts, either as a bankrupt or as an insolvent or as a debtor or in any similar capacity, wherein or whereby Montecito asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of its debts or obligations, or offers to its creditors to effect a composition or extension or time to pay its debts, or asks, seeks or prays for a reorganization or to effect a plan of reorganization or for a readjustment of its debts or for any other similar relief, or if Montecito shall make a general or any assignment for the benefit of its creditors; and

(d) Any act or failure to act on the part of Montecito, which act or failure causes CCWA to be in default under either the Santa Barbara Agreement or the DWR Agreement.

4.2 Remedy In The Event Of Default; Continuing Obligations. Upon an Event of Default, CCWA's performance pursuant to this Agreement shall be excused for the duration of the default. Notwithstanding the foregoing, the obligations of Montecito to CCWA to pay the full amount of costs incurred by CCWA pursuant to this Agreement shall continue in full force and effect.

5. Term and Termination

5.1 Term. The term of this Agreement shall commence on the date first written above and shall continue until terminated in accordance with Section 5.2 below.

5.2 Termination. This Agreement shall terminate and shall be of no further force or effect as follows:

(a) If the DWR Agreement is executed by the parties thereto, then upon the termination or expiration of the DWR Agreement in accordance with its terms;

(b) If both of the following do not occur by April 1, 2018: (1) DWR consents to the water storage arrangement contemplated by the Semitropic Agreement and DWR, Santa Barbara and KCWA execute the DWR Agreement in a form substantially similar to Exhibit A to the Santa Barbara Agreement, and (2) Santa Barbara and CCWA execute the Santa Barbara Agreement in a form substantially similar to Exhibit B.

5.3 **Survival.** Notwithstanding the termination or expiration of this Agreement, Section 6 of this Agreement shall remain in full force and effect until any claim or litigation involving this Agreement asserted against CCWA, Montecito or any CCWA Participant not a Party is finally resolved. Further, Montecito shall remain liable to, and shall pay, CCWA for the costs described in Section 2 hereof and incurred by CCWA up to and including the date of termination or expiration.

6. Indemnification and Release of CCWA and Other CCWA Participants.

Montecito releases and forever acquits, discharges and holds harmless, defends and protects, and shall indemnify: (1) CCWA and its officers, directors, employees and agents, and (2) each and all CCWA Participants not Parties and their respective officers, directors, employees and agents, from and against any and all liabilities (at law or in equity), obligations, liens, claims, orders, rulings, losses, damages, assessments, fines, penalties, injuries, demands, actions, judgments, suits, costs, expenses or disbursements of any kind (including attorneys' fees and costs) which may at any time be imposed on, incurred by or asserted against CCWA or any CCWA Participant not a Party by Montecito, any of its affiliates or any third party, based on, resulting from, in any way relating to, in connection with or arising out of this Agreement. Further, neither CCWA nor any CCWA Participant not a Party, nor any of their respective officers, directors, employees or agents shall be liable to Montecito, any of its affiliates, or any third party based on, resulting from, in any way relating to, in connection with or arising out of the Semitropic Agreement or Montecito's participation in the Semitropic Water Bank.

7. Third Party Beneficiary; Enforcement. The Parties agree that this Agreement is for the benefit of (i) CCWA, (ii) Montecito, and (iii) each CCWA Participant not a Party, and all of the aforementioned entities and persons shall be entitled to enforce the provisions of this Agreement.

8. General Provisions

8.1 **Governing Law and Jurisdiction.** The validity and interpretation of this Agreement shall be governed by the laws of the State of California. Any litigation regarding this Agreement or its contents shall be filed in the County of Santa Barbara, if in state court, or in the federal district court nearest to Santa Barbara County, if in federal court.

8.2 **Waiver.** Any waiver or failure to declare a breach as a result of the violation of any term of this Agreement shall not constitute a waiver of that term or condition and shall not provide the basis for a claim of estoppel or waiver by any Party to that term or condition.

8.3 **Counterparts.** The Parties may execute this Agreement in counterpart. The Parties agree to accept facsimile or PDF signatures as original signatures.

8.4 **Notices.** All communications or notices in connection with this Agreement shall be in writing and either hand-delivered or sent by U.S. first class mails, postage prepaid, or electronic mail followed by written notice sent by U.S. mails and addressed to the Parties as follows:

Montecito Water District
Nicholas Turner, General Manager
583 San Ysidro Road
Montecito, CA 93108
Tel: (805) 969-2271
nturner@montecitowater.com

Central Coast Water Authority
Ray Stokes, Executive Director
255 Industrial Way
Buellton, CA 93427-9565
Tel: (805) 697-5214
ras@ccwa.com

8.5 **Construction and Interpretation.** The Parties agree and acknowledge that the terms of this Agreement have been negotiated by the Parties and the language used in this Agreement shall be deemed to be the language chosen by the Parties to express their mutual intent. The Agreement shall be construed without regard to any presumption or rule requiring construction against the Party causing such instrument to be drafted, or in favor of the Party receiving a particular benefit under this Agreement. As used in this Agreement, the word "including" means without limitation, the word "or" is not exclusive and the words "herein," "hereof," "hereto" and "hereunder" refer to this Agreement as a whole. Unless the context otherwise requires, references herein: (i) to Articles, Sections and Exhibits mean the Articles and Sections of and the Exhibits attached to this Agreement, and (ii) to an agreement, instrument or other document means such agreement, instrument or other document as amended, supplemented and modified from time to time to the extent permitted by the provisions thereof and by this Agreement. The Exhibits referred to herein are, for purposes of this Agreement, for reference purposes only and except as otherwise provided for in this Agreement or other agreement, nothing herein is intended to modify or amend any such Exhibit. Titles to Articles and headings of Sections are inserted for convenience of reference only and shall not be deemed a part of or affect meaning or interpretation of this Agreement.

8.6 **Entire Agreement.** This Agreement is the entire understanding of the Parties in respect of the subject matter hereof. There are no other promises, representations, agreements or warranties by any of the Parties. This Agreement may only be amended by a writing signed by all of the Parties. Each Party waives its right to assert that this Agreement was affected by oral agreement, course of conduct, waiver or estoppel.

8.7 **Authorization.** The individuals executing this Agreement represent and warrant that they have authority to enter into this Agreement and to perform all acts required by this Agreement, and that the consent, approval, or execution of or by any third party is not required to legally bind either Party to the terms and conditions of this Agreement.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed the day and year first above written.

MONTECITO WATER DISTRICT

APPROVED AS TO FORM:

Cohen & Burge, LLP

President, Board of Directors

By: _____
Robert M. Cohen, Esq.

CENTRAL COAST WATER AUTHORITY

APPROVED AS TO FORM:

Brownstein Hyatt Farber Schreck, LLP

President, Board of Directors

By: _____
Stephanie Osler Hastings, Esq.

EXHIBIT A

Agreement Between Montecito Water District and
Semitropic Water Storage District and its Improvement Districts
for Participation in the Stored Water Recovery Unit
of the Semitropic Water Banking and Exchange Program
(November 15, 2017)

Exhibit B

Release, Assumption And Indemnification Agreement By And Between
Santa Barbara County Flood Control And Water Conservation District And
The Central Coast Water Authority

State of California
The Resources Agency
DEPARTMENT OF WATER RESOURCES

LONG-TERM CHANGE IN POINT OF DELIVERY AGREEMENT AMONG
THE DEPARTMENT OF WATER RESOURCES OF THE STATE OF CALIFORNIA,
SANTA BARBARA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT,
AND
KERN COUNTY WATER AGENCY
FOR
THE SEMITROPIC WATER BANKING AND EXCHANGE PROGRAM

SWPAO #17022

THIS AGREEMENT is made this _____ day of _____, 2017,
pursuant to the provisions of the California Water Resources Development Bond Act, and
other applicable laws of the State of California, among the Department of Water
Resources of the State of California, herein referred to as "DWR," Santa Barbara County
Flood Control and Water Conservation District, herein referred to as "Santa Barbara," and
Kern County Water Agency, herein referred to as "KCWA." DWR, Santa Barbara, and
KCWA may be referred to individually by name, as "Party" or collectively as "Parties."

RECITALS

- A. DWR and Santa Barbara have entered into a water supply contract, dated February 26, 1963, and subsequently amended, providing that DWR shall supply certain quantities of water to Santa Barbara, providing that Santa Barbara shall make certain payments to DWR, and setting forth the terms and conditions of such payment (hereafter the "Santa Barbara Water Supply Contract").
- B. DWR and KCWA have entered into a water supply contract, dated November 15, 1963, and subsequently amended, providing that DWR shall supply certain quantities of water to KCWA, providing that KCWA shall make certain payments to DWR, and setting forth the terms and conditions of such payment (hereafter the "KCWA Water Supply Contract").
- C. Montecito Water District, a member unit of Central Coast Water Authority (CCWA), participates in a long-term water banking and exchange program with the Semitropic Water Storage District (Semitropic), a member unit of KCWA. Montecito Water District and Semitropic are entering into an agreement entitled "Agreement between Montecito Water District and Semitropic Water Storage District and its Improvement Districts for Participation in the Stored Water Recovery Unit of the Semitropic Water Banking and Exchange Program," hereafter referred to as the "Montecito/Semitropic Agreement." The Montecito/Semitropic Agreement contains provisions governing the terms and conditions for the storage and recovery rights in the Semitropic Water Banking and Exchange Program.
- D. In order to facilitate Montecito Water District's water storage program described in Recital C, CCWA on behalf of Santa Barbara, requests DWR to deliver a portion of Santa Barbara's approved SWP water supplies for storage in the groundwater basin underlying Semitropic and for later return of the stored water to Santa Barbara through December 31, 2035.
- E. In compliance with the California Environmental Quality Act (CEQA), Montecito Water District, as lead agency, prepared an Initial Study - Negative Declaration and filed a Notice of Determination (NOD) with the State Office of Planning and Research (OPR) on November 27, 2017 (SCH #2017101021).
- F. DWR, as a responsible agency, will file a NOD upon execution of this Agreement.

AGREEMENT

Pursuant to Article 15(a) of the Santa Barbara Water Supply Contract, DWR is willing to approve the delivery of a portion of Santa Barbara's approved SWP water supplies to KCWA for storage in the groundwater basin underlying Semitropic, and for the future return of such water to Santa Barbara, subject to the following terms and conditions:

1. TERM

This Agreement shall become effective upon execution by all parties, and shall provide for the delivery of a portion of Santa Barbara's SWP water supplies for storage in Semitropic through December 31, 2035. Water delivered to KCWA under this Agreement shall be returned to Santa Barbara by December 31, 2035. This Agreement shall remain in effect until all water, less 10 percent losses as agreed upon in writing by Montecito Water District and Semitropic, is returned or upon final payment to DWR of all costs attributable to this Agreement, whichever occurs later.

However, the liability, hold harmless and indemnification obligations in this Agreement shall remain in effect until December 31, 2039, or until any claim or litigation concerning this Agreement asserted to DWR, Santa Barbara, or KCWA as of December 31, 2039 is finally resolved, whichever occurs later. Extending the obligations in this paragraph of this Agreement beyond the termination dates in the long term SWP water supply contracts between DWR and Santa Barbara and between DWR and KCWA, and the use of the December 31, 2039 date in this Agreement, are not intended to have any legal effect on the termination dates of those or any other long term SWP water supply contracts.

2. UNIQUENESS OF AGREEMENT

DWR's approval under this Agreement is unique and shall not be considered a precedent for any future agreements or DWR activities.

3. USE OF STORED WATER

Santa Barbara's SWP water supplies delivered by DWR to KCWA under this Agreement will not be sold to KCWA, but will be temporarily stored on behalf of Santa Barbara and for future delivery, less 10 percent losses, for use in Santa Barbara's service area.

4. USE OF CALIFORNIA AQUEDUCT CAPACITY

Conveyance of the water in the California Aqueduct under this Agreement shall be in accordance with a schedule which has been reviewed and approved by DWR pursuant to applicable provisions of Santa Barbara's and KCWA's Water Supply Contracts. Article 12(f) of Santa Barbara's Water Supply Contract shall govern the priority for delivery of water for storage and return.

5. WATER DELIVERY TO KCWA

- a. DWR will deliver a portion of Santa Barbara's SWP water supplies, normally scheduled for delivery to Santa Barbara's turnouts, to KCWA's turnouts in Reach 10A of the California Aqueduct through December 31, 2035. Water delivered to KCWA under this Agreement will be classified as Santa Barbara's SWP water supplies.
- b. The delivery of a portion of Santa Barbara's SWP water supplies to KCWA under this Agreement shall be in accordance with a schedule approved by DWR. DWR's approval is dependent upon the times and amounts of the delivery and the overall delivery capability of the SWP. DWR shall not be obligated to deliver the water at times when such delivery would adversely impact SWP operations or facilities, or other SWP contractors.
- c. In coordination with and upon approval of KCWA, Santa Barbara shall be responsible for scheduling with DWR the delivery of Santa Barbara's SWP water supplies to Semitropic.
- d. As part of coordinating delivery schedules between Santa Barbara and KCWA, Santa Barbara will submit a delivery schedule to KCWA and Semitropic for review and approval. KCWA and Semitropic shall review the proposed schedule with Santa Barbara, and after consultation with Semitropic, KCWA agrees to inform Santa Barbara of its decision to either approve, propose modifications, or withhold approval as promptly as possible. KCWA agrees that it shall not arbitrarily withhold approval or propose modifications. KCWA may withhold approval of, or propose modification to Santa Barbara's deliveries to storage under this Agreement if, on the basis of a with and without analysis, KCWA determines that such deliveries would adversely impact KCWA's water management activities, finances, water supply or operations, and Santa Barbara or Semitropic do not agree to mitigate for such impacts. The base case (without analysis) shall be those conditions estimated to occur in the absence of deliveries of Santa Barbara's water to Semitropic. The KCWA analysis is a matter involving KCWA and Santa Barbara, not DWR. DWR is not liable to Santa Barbara for the determinations KCWA makes under this paragraph. DWR is not asserting the validity of KCWA's analysis, nor is it to be held liable by Santa Barbara for any actions resulting from KCWA's analysis.
- e. The sum of deliveries scheduled to KCWA under this Agreement, plus scheduled KCWA SWP deliveries, plus deliveries to KCWA pursuant to any other agreements, shall not exceed the quantities on which the proportionate Use-of-Facilities factors are based pursuant to KCWA's Water Supply Contract, unless DWR determines that deliveries will not adversely impact SWP operations or facilities, or other SWP contractors' Table A deliveries.

6. RETURN WATER DELIVERY BY EXCHANGE OF KCWA'S SWP TABLE A WATER

- a. KCWA may return water to Santa Barbara by exchange, i.e. by delivering a portion of KCWA's SWP Table A water to Santa Barbara and in exchange KCWA will retain a like amount of Santa Barbara's SWP Table A water supplies previously stored in KCWA under this Agreement. DWR will deliver the return water to Santa Barbara's turnouts for use within Santa Barbara's service area.
- b. The delivery of return water to Santa Barbara under this Agreement shall be in accordance with a schedule approved by DWR. DWR's approval is dependent upon the times and amounts of the delivery and the overall delivery capability of the SWP. DWR shall not be obligated to deliver the water at times when such delivery would adversely impact SWP operations or facilities, or other SWP contractors.
- c. In coordination with KCWA, Santa Barbara shall be responsible for scheduling with DWR the delivery of the return water to Santa Barbara's service area.
- d. KCWA may propose modifications to the proposed schedule for the return of Santa Barbara's previously stored water under this Agreement if, on the basis of a with and without analysis, KCWA determines that such deliveries would adversely impact KCWA's finances, water supply or operations, and Santa Barbara or Semitropic do not agree to mitigate for such impacts. The base case (without analysis) shall be those conditions estimated to occur in the absence of deliveries of Santa Barbara's water to Semitropic. The KCWA analysis is a matter involving KCWA and Santa Barbara, not DWR. DWR is not liable to Santa Barbara for the determinations KCWA makes under this paragraph. DWR is not asserting the validity of KCWA's analysis, nor is it to be held liable by Santa Barbara for any actions resulting from KCWA's analysis.
- e. The sum of return water deliveries scheduled to Santa Barbara under this Agreement, plus scheduled Santa Barbara SWP deliveries, plus deliveries to Santa Barbara pursuant to any other agreements, shall not exceed the quantities on which the proportionate Use-of-Facilities factors are based pursuant to Santa Barbara's Water Supply Contract, unless DWR determines that deliveries will not adversely impact SWP operations or facilities, or other SWP contractors' Table A deliveries.

7. RETURN WATER DELIVERY BY PUMP-IN TO THE CALIFORNIA AQUEDUCT

- a. When KCWA returns Santa Barbara's SWP water supplies from storage on behalf of Semitropic by direct delivery into the California Aqueduct, such water becomes available as part of the SWP water supply and will be delivered by DWR to downstream SWP contractors. DWR will then deliver an equivalent amount of SWP water supply to Santa Barbara's turnouts located on the Coastal Branch of the California Aqueduct.
- b. KCWA may pump in and introduce return water into Reach 10A of the California Aqueduct for delivery to Santa Barbara. Such return water shall meet DWR's water quality standards in effect when the water is returned.
- c. Any turn-in facility used to return water to the California Aqueduct must have an executed agreement with DWR for introduction of local water into the California Aqueduct.
- d. The quality of local water introduced into the California Aqueduct under this Agreement shall be in conformance with DWR's water quality document entitled "Department of Water Resources Water Quality Policy and Implementation Process for Acceptance of Non-Project Water into the State Water Project," dated October 31, 2012 or a later date if modified by DWR. KCWA shall submit such data to the Chief of SWP Environmental Assessment Branch, Division of Operations and Maintenance.

8. WATER DELIVERY SCHEDULES

- a. All water delivery schedules and revisions shall be in accordance with Article 12 of Santa Barbara's and KCWA's Water Supply Contracts.
- b. Santa Barbara and KCWA shall submit revised monthly water delivery schedules for approval to the State Water Project Analysis Office, Water Deliveries Section, indicating timing and point of delivery requested under this Agreement with reference to SWPAO#17022. Revised schedules shall be sent by electronic mail to SWPDeliveries@water.ca.gov or by FAX to (916) 653-9628, Attention: Chief, Water Deliveries Section.
- c. KCWA and Santa Barbara shall submit weekly schedules for the delivery of water under this Agreement to the San Joaquin Field Division, Water Operations Section, indicating timing and point of delivery requested with reference to SWPAO #17022. Schedules shall be sent by electronic mail to SJFDwaterschedule@water.ca.gov or by FAX to (661) 858-0203, Attention: Chief, Water Operations Section.

- d. All weekly water schedules described above shall be submitted by 10:00 a.m. Wednesday, for the following week, Monday through Sunday, to the appropriate field division Water Operations Section for the SWP contractor.

Weekly water schedules shall also be concurrently sent by electronic mail or faxed to the State Water Project Operations Control Office:

- i) Water Management Branch
Water_deliv_sched@water.ca.gov
FAX to (916) 574-2785,
Attention: Chief, Water Management Branch
- ii) Power Management and Optimization Branch
POCOptimization@water.ca.gov
FAX to (916) 574-2785
Attention: Chief, Power Management and Optimization Branch
- iii) Pre-Scheduling Section
Presched@water.ca.gov
FAX to (916) 574-2782
Attention: Chief, Pre-Scheduling Section

9. SALE OF SANTA BARBARA'S SWP SUPPLIES

KCWA attests that the portion of Santa Barbara's water retained by KCWA will not be sold or used outside KCWA's service area which is within the SWP place of use.

10. EFFECT ON APPROVED TABLE A WATER

Water returned to Santa Barbara under this Agreement shall not be considered by DWR in the determination of approved annual Table A water deliveries or allocation of other SWP water supplies to Santa Barbara under Article 18 of Santa Barbara's Water Supply Contract.

11. NO IMPACT

This Agreement shall not be administered or interpreted in any way that would cause adverse impacts to SWP approved Table A water or to any other SWP approved water allocations, water deliveries, or SWP operations or facilities. Santa Barbara and KCWA shall be responsible, jointly and severally, as determined by DWR, for any adverse impacts that may result from water deliveries under this Agreement.

12. WATER DELIVERY RECORDS

DWR will maintain monthly records accounting for Santa Barbara's SWP water supplies delivered under this Agreement for storage in, and later return from the Semitropic Water Banking and Exchange Program. Santa Barbara shall certify to DWR's State Water Project Analysis Office by January 31 of each year the following monthly information for the previous calendar year:

- a. the quantity of water delivered to Semitropic;
- b. the quantity of stored water that will be available for return to Santa Barbara; and
- c. the quantity of water returned to Santa Barbara.

13. CHARGES

Santa Barbara and KCWA shall pay the following charges to DWR and/or receiving the following credits for water delivered under this Agreement, including all future adjustments, which shall be calculated in the same manner as charges are calculated for Table A deliveries and shall be in accordance with the provisions of Santa Barbara's and KCWA's Water Supply Contracts. Charges shall be determined for the year the water is stored, as well as the year the water is returned. Credits shall be determined for the year the water is returned.

a. Water Delivered to Storage

DWR will deliver a portion of Santa Barbara's SWP water supplies from the Delta to KCWA's turnouts in Reach 10A of the California Aqueduct. Santa Barbara shall pay to DWR the Variable Operation, Maintenance, Power and Replacement Component of the Transportation Charge and the Off-Aqueduct Power Facility cost that is in effect for each acre-foot of water delivered from the Delta to the point of delivery at KCWA's turnouts.

b. Return Water Delivered to Santa Barbara

DWR will deliver the return water from interim storage in Semitropic to Santa Barbara's turnouts located on the Coastal Branch of the California Aqueduct. The following charges and credits shall apply in the year return water is delivered:

- (1) Santa Barbara shall pay to DWR the Variable Operation, Maintenance, Power, and Replacement Component of the Transportation Charge and Off-Aqueduct Power Facility costs for each acre-foot of return water delivered to Santa Barbara from the Delta to Santa Barbara's turnouts located on the Coastal Branch of the California Aqueduct.

- (2) When KCWA provides return water to Santa Barbara by exchange, i.e. by releasing KCWA's SWP Table A water in the California Aqueduct for delivery by DWR to Santa Barbara's turnouts, KCWA shall pay to DWR the Variable Operation, Maintenance, Power and Replacement Component of the Transportation Charge and Off-Aqueduct Power Facility cost that is in effect for each acre-foot of KCWA's SWP Table A water, as if the released water were conveyed to KCWA from the Delta to KCWA's turnouts in Reach 10A. Santa Barbara shall receive a matching credit as defined in Paragraph 13(b)(4).
 - (3) When KCWA returns Santa Barbara's SWP water supplies from storage on behalf of Semitropic by direct delivery into Reach 10A of the California Aqueduct, such water becomes available as part of the SWP water supply, and will be delivered to downstream SWP contractors who shall pay the Variable Operation, Maintenance, Power and Replacement Component of the Transportation Charge and Off-Aqueduct Power Facility costs for each acre-foot of pump-back water as though the water was conveyed from the Delta. KCWA shall not be charged for SWP power resources for replacing return water by direct delivery into the California Aqueduct. Santa Barbara shall receive a matching credit as defined in Paragraph 13(b)(4).
 - (4) The Variable Operation, Maintenance, Power, and Replacement Component of the Transportation Charge and Off-Aqueduct Power Facility costs under Paragraphs 13(b)(2) and 13(b)(3) above will be credited to Santa Barbara for payments made under Paragraph 13(a).
- c. DWR recognizes that Santa Barbara is not participating in the repayment of Reaches 9 and 10A, while arranging for deliveries to Reach 10A under this Agreement. DWR recognizes that KCWA is participating in the repayment of Reaches 1 through 10A. Because at least one of the contractors involved in this arrangement is participating in the repayment of costs of all aqueduct reaches involved, DWR declines to require payment of an extra use of facilities charge for transportation of water under this Agreement. Santa Barbara will hold harmless and indemnify DWR for any increased costs that DWR may incur as a result of not requiring payment of an extra use of facilities charge for services under this Agreement.
- d. In addition to the charges identified above, Santa Barbara and KCWA agree to pay to DWR any additional identified demonstrable increase in cost that would otherwise be borne by DWR or by the SWP contractors not signatory to this Agreement as a result of DWR providing service under this Agreement.

- e. Payment terms shall be in accordance with Santa Barbara's and KCWA's Water Supply Contracts.

14. APPROVALS

The delivery of water under this Agreement shall be contingent on, and subject to, any necessary approvals and shall be governed by the terms and conditions of such approvals and any other legal requirements. Santa Barbara and KCWA shall be responsible for complying with all applicable laws and legal requirements and for securing any required consent, approvals, permits, or orders. Santa Barbara and KCWA shall furnish to DWR copies of all approvals and agreements acquired for the delivery of water under this Agreement.

15. LIABILITY

- a. DWR is not responsible for the use, effects or disposal of water under this Agreement once the water is delivered to the designated turnout(s). Responsibility shall be governed by Article 13 of Santa Barbara's and KCWA's Water Supply Contracts, as applicable, with responsibilities under the terms of that article shifting from DWR to Santa Barbara and/or KCWA when the water is delivered to the designated turnout(s).
- b. Santa Barbara and KCWA agree to defend and hold DWR, its officers, employees, and agents harmless from any direct or indirect loss, liability, lawsuit, cause of action, judgment or claim, and shall indemnify DWR, its officers, employees, and agents from all lawsuits, costs, damages, judgments, attorneys' fees, and liabilities that DWR, its officers, employees and agents incur as result of DWR providing services under this Agreement, except to the extent resulting from the sole negligence or willful misconduct of DWR, its officers, employees, and agents.
- c. If uncontrollable forces preclude DWR from delivery water under this Agreement, either partially or completely, then DWR is relieved from the obligation to deliver the water to the extent that DWR is reasonably unable to complete the obligation due to the uncontrollable forces. Uncontrollable forces shall include, but are not limited to earthquakes, fires, tornadoes, floods, and other natural or human caused disasters. Santa Barbara and KCWA shall not be entitled to recover any administrative costs or costs associated with delivery of water under this Agreement if uncontrollable forces preclude DWR from delivering the water.

16. NO MODIFICATION OF WATER SUPPLY CONTRACTS

This Agreement shall not be interpreted to modify the terms or conditions of Santa Barbara's Water Supply Contract or KCWA's Water Supply Contract. Unless expressly provided herein, the terms and conditions of Santa Barbara's and KCWA's Water Supply Contracts and any future amendments apply to this Agreement.

17. DISPUTE RESOLUTION

In the event of dispute regarding interpretation or implementation of this Agreement, the Director of DWR and general managers of Santa Barbara and KCWA, or authorized representatives, shall endeavor to resolve the dispute by meeting within 30 days after the request of a Party. If the dispute is unresolved, the Parties shall use the service of a mutually acceptable consultant in an effort to resolve the dispute. Parties involved in the dispute shall share the fees and expenses of the consultant equally. If a consultant cannot be agreed upon, or if the consultant's recommendations are not acceptable to the Parties, and unless the Parties otherwise agree, the matter may be resolved by litigation and any Party may, at its option, pursue any available legal remedy including, but not limited to, injunctive and other equitable relief.

18. ASSIGNMENT OF AGREEMENT

Without the prior written consent of DWR, Santa Barbara, and KCWA, this Agreement is not assignable by Santa Barbara or by KCWA in whole or in part.

19. PARAGRAPH HEADINGS

The paragraph headings of this Agreement are for the convenience of the Parties and shall not be considered to limit, expand, or define the contents of the respective paragraphs.

20. OPINIONS AND DETERMINATIONS

Where the terms of this Agreement provide for actions to be based upon the opinion, judgment, approval, review, or determination of any party, such terms are to be construed as providing that such opinion, judgment, approval, review, or determination be reasonable.

21. MODIFICATION OF AGREEMENT

No modification of the terms and conditions of this Agreement shall be valid unless made in writing and signed by the Parties to this Agreement.

22. SIGNATURE CLAUSE

The signatories represent that they have been appropriately authorized to enter into this Agreement on behalf of the Party for whom they sign. A copy of any resolution or other documentation authorizing Santa Barbara and KCWA to enter into this Agreement, if such resolution or authorization is required, shall be provided to DWR.

23. EXECUTION IN COUNTERPART

This Agreement may be executed in counterpart. The Parties agree to accept facsimile or electronically scanned signatures as original signatures. This Agreement shall take effect as soon as all parties have signed. Immediately after execution, Santa Barbara and KCWA shall transmit a copy of the executed Agreement by facsimile or electronic file to Pedro Villalobos, Chief, State Water Project Analysis Office at (916) 653-9628 or swpao-chief@water.ca.gov and to each other at:

Santa Barbara: (805) 568-3434 or fcrease@co.santa-barbara.ca.us
KCWA: (661) 634-1401 or ccreel@kcwa.com

IN WITNESS WHEREOF, the Parties hereto have entered into this Agreement.

Approved as to legal form
and sufficiency

State of California
Department of Water Resources

Chief Counsel
Department of Water Resources

Pedro Villalobos, Chief
State Water Project Analysis Office

Date

Date

KERN COUNTY WATER AGENCY

SANTA BARBARA FLOOD CONTROL AND
WATER CONSERVATION DISTRICT

Name

Name

Title

Title

Date


Date



CENTRAL COAST WATER AUTHORITY

MEMORANDUM

February 13, 2018

TO: CCWA Board of Directors
FROM: Ray A. Stokes
Executive Director 
SUBJECT: State Water Project Contract Amendments Update

DISCUSSION

On February 13, 2018, DWR and the State Water Project Contractors (SWP) held a negotiating meeting to continue the process of amending the State Water Project Contract. Attached is various information that was exchanged between DWR and the SWP Contractors during the negotiating session.

Future negotiating meetings are scheduled to be held on a weekly basis through June 2018.

CCWA staff will provide an update of these current negotiations as well as an update on the previously negotiated financial amendment and contract extension at the CCWA Board meeting.

RAS

Attachment



SWP CONTRACT AMENDMENT FOR CALIFORNIA WATERFIX

Meeting # 1 Agenda
February 13, 2018
10:00 am – TBD based on progress
Resources Building
1416 9th Street, Room 1131
Sacramento, CA

Phone Line: 719-359-4032
Access Code: 474346#

Documents can be found at:
WWW.WATER.CA.GOV/SWPAO/CWF

DRAFT AGENDA

MEETING OBJECTIVES

- Clarify the Overall Negotiation and Meeting Process
- Provide an Overview of the SWP Contract Amendment(s) for WaterFix
- Discuss DWR and SWP Contractors' Objectives
- Determine Next Steps

I. Welcome/Introductions

II. Meeting Overview

- Meeting Process Ground Rules
- Structure and Format
- Agenda Review

III. Objectives

- Discuss DWR and SWP Contractor Objectives

Note:

- i. Any party can call a caucus at any time.
- ii. Meetings will end at 3:00pm, or when business is completed, or by mutual agreement.
- iii. Public comment period will occur at the end of every negotiation meeting.

LUNCH (not provided)

IV. Discussion Continued (if needed)

V. Next Steps

- Future Agenda Topics, Proposed Schedule
 - 2/13
 - 2/28
 - 3/7
 - 3/13
 - 3/21
 - 3/28
 - 4/4
 - 4/11
 - 4/18
 - 4/25
 - 5/2
 - 5/9
 - 5/16
 - 5/23
 - 5/30
 - 6/6
 - 6/13
 - 6/20
 - 6/27
- Review Actions

VI. Public Comment

VII. Adjourn

Note:

- i. Any party can call a caucus at any time.
- ii. Meetings will end at 3:00pm, or when business is completed, or by mutual agreement.
- iii. Public comment period will occur at the end of every negotiation meeting.



SWP CONTRACT AMENDMENT FOR CALIFORNIA WATERFIX

- a. Ground Rules for DWR and SWP Contractor Participants
- i. Help the group accomplish the meeting objectives
 1. Focus on interests rather than positions; be flexible about solutions and take into account the interests of the group as a whole.
 2. Abide by the "no surprises" rule: Raise interests/concerns early to promote effective problem solving.
 3. Understand and support the consensus decision-making process:
 - a. Support what you can – from strong support to "I can live with it."
 - b. If you disagree with a proposal or a consensus decision, explain what would be necessary to get your support and/or offer an alternative.
 4. Respect agreements about designated representatives.
 5. Ensure that the negotiation sessions are solely focused on the Cost Allocation Negotiations for WaterFix; other funding sources for the WaterFix by other entities will not be addressed; the environmental review and final decision on the WaterFix will not be addressed through this process.
 - ii. Follow common discussion guidelines
 1. Use name card tents to indicate you'd like to speak:
 - a. Stand card on end to get into the queue
 - b. Wave card to speak out of queue to make a directly related point
 2. Respect the agenda: stay on topic and on time by being concise and not repeating information unless necessary for understanding.
 3. Actively listen; make learning and understanding a priority.
 4. Let speakers finish their thoughts.
 5. Avoid side discussions and hold phone conversations until breaks.
 - iii. Be comfortable and make it comfortable for others
 1. Notify the facilitator if breaks are needed, or if there are other special meeting management requests.
 2. Use respectful language.
 3. Be hard on problems, easy on people.
 4. Insert humor, but not at someone else's expense.
- b. Ground Rules for Observers and Commenters
- i. You are welcome to observe and comment. Here's how:
 1. Observers are free to attend and listen during negotiation sessions and to comment during the designated comment period.
 2. Sign up on the Public Comment Sign-in Sheet to speak during the designated comment period at the end of each negotiation session.
 3. Comments: The comment period will be 30 minutes. Times for each speaker will be no more than 3 minutes each, or less depending on the number of

Note:

- i. Any party can call a caucus at any time.
- ii. Meetings will end at 3:00pm, or when business is completed, or by mutual agreement.
- iii. Public comment period will occur at the end of every negotiation meeting.

people wanting to provide public comment (number of people wanting to comment will be divided by the 30 minutes available). Members of the public calling in and attending in person will be able to provide written comments, but those calling in cannot provide oral comments. Oral comments are not recorded in any meeting record.

4. The comment period is designed for input and not for exchanges with the negotiators. As a general rule, the negotiators will listen to comments without responding.
 5. Be concise, avoid repeating comments made by other commenters, and focus on the topics covered in that day's negotiation session.
 6. The public is welcome to submit written comments to DWR within seven days of a negotiation session so they can be considered prior to subsequent sessions. Written comments from the public will be posted on the Cost Allocation Negotiations for WaterFix web page (www.water.ca.gov/swpao/cwf). DWR will not provide written responses to public comments during the negotiations. Public input during the environmental review process will be addressed, as required.
- ii. Audio, video recording is discouraged. Any recording (audio, video, or court reporting) should be disclosed at the beginning of the meeting.

Note:

- i. Any party can call a caucus at any time.
- ii. Meetings will end at 3:00pm, or when business is completed, or by mutual agreement.
- iii. Public comment period will occur at the end of every negotiation meeting.



SWC Submission #: **SWCCWF-0003**
STATE WATER CONTRACTORS
1121 L Street, Suite 1050
Sacramento, CA 95814-3944
(916) 447-7357 | www.swc.org
Draft No. 2
February 9, 2018

DATE: February 13, 2018
WHITEPAPER: SWCCWF-0003
SUBJECT: Objective 2, Exclusion of North of Delta Contractors

1. **Objective 2**- Implement CA WaterFix to equitably allocate benefits and costs

Issue: The California WaterFix is an infrastructure project to add three new points of diversion on the Sacramento River and two tunnels to deliver the water to Clifton Court Forebay. This project will help secure a reliable water supply for South of Delta contractors. However, California WaterFix does not directly benefit the County of Butte, County of Plumas, City of Yuba City, Napa County Flood Control and Water Conservation District, or Solano County Water Agency. For this reason the Contractor Caucus group is proposing to amend the water supply contracts, if necessary, to exclude the five North of Delta Contractors from paying for any construction, construction mitigation, and operating and maintenance (O&M) costs associated with this facility.

Proposed Solution:

1. Exclude the five North of Delta Contractors from California WaterFix construction, construction mitigation and O&M costs.

[Need to discuss the appropriate way to classify the facility- Transportation? Conservation? Both?]



SWP Contract Amendment for WaterFix

FACILITATION PLAN

MEETING # 3 AGENDA
FEBRUARY 13, 2018
10:00 AM – TBD BASED ON PROGRESS
RESOURCES BUILDING
1416 9TH STREET, ROOM 1131
SACRAMENTO, CA

PHONE LINE: 719-359-4032
ACCESS CODE: 474346#

WWW.WATER.CA.GOV/SWPAO/CWF

Meeting Objectives

- Clarify the Overall Negotiation and Meeting Process
- Provide an Overview of the SWP Contract Amendment(s) for WaterFix
- Discuss DWR and SWP Contractors' Objectives
- Determine Next Steps

Agenda

Time	Item	Presenter	Notes/Talking Points
-	Meeting Set-Up	<ul style="list-style-type: none"> • Anna West • Mary Beth Day • Sasha Torrevillas • Terri Ely • Bonnie Crissman • Bill Voss or IT 	<ul style="list-style-type: none"> • Mary Beth and Sasha will set up the meeting room by laying out the meeting packets, sign-in sheets, public comment sign-in sheet, and comment cards, setting up the name tags and tent cards for the lead negotiators, making sure there are enough chairs around the table (as many as we can), getting the laptop set up with the

	<ul style="list-style-type: none"> Support Ted Alvarez DWR web person Mary Ann Archuleta 	<ul style="list-style-type: none"> documents on the flash drive and coordinating with Bill Voss to get set up on the laptop and projector, and greeting meeting participants as they arrive. Anna will observe the SWP Contractors' pre-meeting caucus and greet participants. Anna to bring sign-in sheets in the SWP C's caucus room. Mary Beth and Sasha to confirm with Bonnie how many seats are available for members of the public. DWR to confirm that security is at the entrance and on the 11th Floor. K&W to coordinate with DWR to get documents posted on the website (objectives, PowerPoint). Bonnie to be stationed by the security desk to greet participants. Terri Ely to sign-in to the DWR computer in the Contractors' caucus (LLCR). (Contractor's caucus starts at 9:00 am) DWR staff (Ted?) to set up dial-in in DCR for DWR caucus. K&W to provide and DWR to post last minute documents, as needed (DWR objectives; SWP C objectives; PowerPoint). Mary Ann to print last minute documents, as needed. (?) 	
I.	<ul style="list-style-type: none"> Anna West 	<p>Welcome/Introductions</p>	<p>10:00</p>
		<ul style="list-style-type: none"> Anna introduces herself as facilitator (there will be a second facilitator at future meetings), Sasha as note-taker and Mary Beth as note-taker/laptop manager. Anna asks for roundtable introductions for the negotiators at the table. Once lead negotiators have introduced themselves, Anna will ask DWR staff and SWP Cs staff in the room to announce themselves, and then will ask DWR and SWP Contractors staff announce themselves from the caucus rooms, then will ask DWR and SWP Cs staff 	

				<p>on the phone to announce themselves. Anna will then ask members of the public in the room to introduce themselves if they are interested in doing so. Lastly, Anna will ask members of the public on the phone to announce themselves if they wish to do so.</p> <ul style="list-style-type: none"> • Anna also asks participants to introduce themselves before speaking throughout the meeting so that it can be properly conveyed to those on the phone, and to please speak clearly into the phone/pods to improve sound. • Anna confirms that we will put callers on mute to improve phone quality. (*96 to mute, *97 to unmute)
<p>II.</p>	<p>10:15</p>	<p>Meeting Overview</p> <ul style="list-style-type: none"> • Meeting Process Ground Rules • Structure and Format • Agenda Review 	<ul style="list-style-type: none"> • Anna West 	<p>Ground Rules: Anna reviews the ground rules for participants, and ground rules for members of the public. Anna will enforce ground rules, as needed. Ground Rules are listed on the back of the Agenda.</p> <ul style="list-style-type: none"> • Agenda: Anna reviews the agenda, noting flexibility on the agenda topics and timing of when they occur on the agenda, and that caucuses can occur at any time. <ul style="list-style-type: none"> ○ Agenda ○ DWR Objective ○ SWC Objectives ○ Anna will note that the timeframes are flexible. Once the business part of the meeting is over, there will be public comment that could occur at 2:30pm or sooner depending how the discussion goes. • Public Comment: • Public Comment Process (already reviewed in ground rules; repeated here) <ul style="list-style-type: none"> ○ Members of the public wishing to provide public comment will sign up on the public comment sign-in sheet. ○ The public comment sign-in sheets will be collected and submitted to the facilitator prior to the end of the meeting.

			<ul style="list-style-type: none"> ○ Members of the public are also welcome to provide written comments within 7 calendar days after the session via the webpage within 7 calendar days. A physical comment card is also available during the meetings. ○ Only those in person can provide oral public comments. Anyone on the phone or in person is also welcome to provide written comments, which will be posted on the website. ○ The public is here to observe the meeting (either in the room, or for those who have called in). There will be no comments/questions during the negotiation meeting. ○ There will be 30 minutes available for public comment. ○ It is anticipated that DWR and SWP Contractors will listen to the public comments, but not respond in the meeting. All input will be considered by DWR and SWP Contractors, and written comments will be posted on the website. ○ A facilitator will read three speaker names at a time so members of the public can be prepared. ○ The main negotiation room (1131) will have a public comment sign-in sheet. Please sign-up if you are interested in providing oral comment. ○ Based on the number of speakers, a facilitator assigns the length of time available for each commenter (30 speakers; 1 minute each or 30 minutes divided by # of speakers if more than 10). ○ If it looks like public comment may exceed
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<p>the 30 minutes (if there are more than 30 speakers each given 1 minute to speak), the facilitators will ask the negotiators to extend public comment an extra 15 minutes. The facilitator will also tell those providing comment that negotiators and other staff may have to leave to make previously scheduled meetings or travel plans.</p> <ul style="list-style-type: none"> o Members of the public can choose whether to still provide oral comment or whether they would prefer to provide written comment. 				
<p>III.</p>	<p>10:45</p>	<p>Opening Remarks</p>	<ul style="list-style-type: none"> • Joel Ledesma, DWR • Jeff Davis, SWP Contractors • Anna West 	<ul style="list-style-type: none"> • Joel Ledesma will share opening remarks on behalf of DWR. • Jeff Davis will provide opening remarks on behalf of SWP Contractors. • Anna West will facilitate questions from the lead negotiators.
<p>III.</p>	<p>11:15</p>	<p>Objectives</p> <ul style="list-style-type: none"> • Discuss DWR and SWP Contractor Objectives 	<ul style="list-style-type: none"> • Joel Ledesma • Jeff Davis • Anna West • All 	<ul style="list-style-type: none"> • Joel Ledesma, DWR, will provide an overview of the Department's Objective(s) for the negotiation process. • Anna will take only clarifying questions from the lead negotiators. • Jeff Davis, SWP Contractors, will provide an overview of the Contractors' Objectives for the negotiation process, sharing their word document and providing a brief PowerPoint presentation. • Anna will take only clarifying questions from the lead negotiators. • After all clarifying questions have been asked and answered, Anna will assist the lead negotiators in discussing, negotiating and agreeing upon a collective set of Objectives for the negotiation process (as appropriate). • DWR and the Contractors can call a caucus at any

CONFIDENTIAL – Attorney-Client Privileged Communication
 February 13 Facilitation Plan
 SWP Contract Amendments for WaterFix
 2/13/2018 3:58 PM

				<ul style="list-style-type: none"> time to further discuss the proposed Objectives. Based on the discussions we'll determine appropriate next steps. K&W will develop the combined list of objectives to be posted on the website if there are changes/edits during the meeting; K&W will track topics identified, as appropriate.
	12:00	Lunch (not provided)	<ul style="list-style-type: none"> All 	<ul style="list-style-type: none"> DWR and SWP Contractors will caucus during this time. Members of the public are welcome to stay in the negotiation room if they wish to do so. The phone line will be placed on mute during lunch.
IV.	1:00	Objectives Discussion Continued (if needed)	<ul style="list-style-type: none"> Joel Ledesma Jeff Davis Anna West All 	<ul style="list-style-type: none"> Anna will assist the lead negotiators in discussing, negotiating and agreeing upon a collective set of Objectives for the negotiation process. DWR and the Contractors can call a caucus at any time to further discuss the proposed Objectives. Based on the discussions we'll determine appropriate next steps (e.g., SWP Contractors prepare a written offer prior to the next meeting).
V.	2:00	Next Steps <ul style="list-style-type: none"> Future Agenda Topics, Schedule Review Actions 	<ul style="list-style-type: none"> Anna West 	<ul style="list-style-type: none"> Anna will review the action items developed during the meeting. Confirm the actions, the team responsible, and the timeframes. Anna reviews that a meeting summary will be prepared by Kearns & West and will be circulated to DWR and SWP Contractors' to review. The meeting summaries will be reviewed at the next negotiation session and once approved at the next meeting, will be posted to the website. The group discusses and decides when the next negotiating meeting will occur. Draft dates are in the agenda. We close out the agenda, and then turn to public comment. Anna to remind the public participants to sign up on the public comment form in order to speak during the

			Public Comment period. A sign-in sheet is available in the back to establish an order for speaking.
VI.	2:30	Public Comment	<p>Public Participants</p> <ul style="list-style-type: none"> • Anna notes that we will now have 30 minutes available for public comment. • Anna reiterates the public comment ground rules (cover all of them). • Only in person members of the public may make public comments, but all are welcome to provide written comments. • Anna reinforces that folks are encouraged/able to offer written comments and show a comment card. Bring them to us/up here. (Mary Beth, Sasha, Anna) • Anna encourages speakers to not repeat. If someone before you makes similar comments, consider shortening your remarks, if possible. • Mary Beth will time manage (set the stopwatch for 3, 2 or 1 minutes, or the time allotted). 30 seconds before the time limit Mary Beth signals to Anna who forewarns the speaker that he/she has another 30 seconds and then when time is up.
VII.	-	Adjourn/Debrief	<ul style="list-style-type: none"> • Anna West

General

- Meeting packets (have 200) include (K&W):
 - Agenda and Ground Rules
 - Public Participation Process Document
- Two laptops and chargers (K&W)
- Laptop, charger, projector, remote (DWR)
- Thumb drive with all documents (K&W)
- Tent cards/name tags for all, and lots of blanks(K&W)
- Comment cards (large index cards)(K&W)

- Sign-in sheets, and sign- up sheet for those wanting to provide public comment (K&W)
- Global Meet number: 1-719-359-4032; Host Passcode: 474346#
- Back-up Global Meet number: 1-719-234-7800; Host Passcode: 8594714#

CA WaterFix Contract Amendment Objectives by the State Water Contractors

CA WaterFix Contract Amendment Committee
February 13, 2018

CA WaterFix Contract Amendment Negotiation Meeting #1
February 13, 2018 | 10:00 AM to 3:00 PM
Natural Resources Building, 1416 9th Street, Room 1131, Sacramento, CA



SWCCWF-0002
February 9, 2018
Version 10

Public Water Agencies' Contract Amendment Objectives

1. Enhance management tools to facilitate greater flexibility
2. Implement CA WaterFix to equitably allocate benefits and costs

Enhanced Management Tool Goals

- Public Water Agencies generally endorse the Notice to Contractors (NTC 17-11) management tools
- Enhance and update the Public Water Agencies' water management tools

Need to Enhance Management Tools

- Existing tools developed in different era with different challenges
- Today's challenges require enhanced and updated management tools

Allocation of California WaterFix Benefits and Costs



- Exclude North of Delta contractors from CA WaterFix construction, construction mitigation, and operating and maintenance (O&M) costs associated with this facility

1. City of Yuba City
2. County of Butte
3. Plumas County FCWCD
4. Napa County Flood FCWCD
5. Solano County Water Agency



SWC Submission #: **SWCCWF-0001**
STATE WATER CONTRACTORS
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Draft No. 10
February 9, 2018

DATE: February 13, 2018

SUBJECT: Objectives concerning the contract amendment process of the State Water Project¹ (SWP) Water Supply Contracts for California WaterFix (CA WaterFix).

This document contains the objectives for negotiating an agreement between State Water Project Public Water Agencies (Public Water Agencies)² and the Department of Water Resources (DWR or Department) that will amend the Water Supply Contract between such Public Water Agencies and DWR.

Objective (Desired Outcome)	
1	Enhance management tools to facilitate greater flexibility for the Public Water Agencies to meet current and future water supply challenges.
2	Implement CA WaterFix to equitably allocate costs and benefits to the SWP Public Water Agencies.

¹ The State Water Project is the name commonly used to refer to the State Water Resources Development System (Water Code Section 12931)

² The State Water Project Public Water Agencies include Alameda County Flood Control and Water Conservation District (Zone 7), Alameda County Water District, Antelope Valley-East Kern Water Agency, Castaic Lake Water Agency, City of Yuba City, Coachella Valley Water District, County of Butte, County of Kings, Crestline-Lake Arrowhead Water Agency, Desert Water Agency, Dudley Ridge Water District, Empire West Side Irrigation District, Kern County Water Agency, Littlerock Creek Irrigation District, The Metropolitan Water District of Southern California, Mojave Water Agency, Napa County Flood Control and Water Conservation District, Oak Flat Water District, Palmdale Water District, Plumas County Flood Control and Water Conservation District, San Bernardino Valley Municipal Water District, San Gabriel Valley Municipal Water District, San Geronimo Pass Water Agency, San Luis Obispo County Flood Control and Water Conservation District, Santa Barbara County Flood Control and Water Conservation District, Santa Clara Valley Water District, Solano County Water Agency, Tulare Lake Basin Water Storage District, and Ventura County Flood Control District.



CENTRAL COAST WATER AUTHORITY

MEMORANDUM

February 8, 2018

TO: CCWA Board of Directors
FROM: Ray A. Stokes
Executive Director 
SUBJECT: California WaterFix Update

DISCUSSION

DWR sent the attached letter to all State Water Project Contractors stating it intends to implement the California WaterFix in two stages, with the first stage being a one tunnel, 6,000 cfs facility at a cost of \$10.7 billion.

CCWA staff will be preparing updated cost estimates for each CCWA project participant and will provide additional information regarding Cal WaterFix at the CCWA Board meeting.

RAS

Attachment

DEPARTMENT OF WATER RESOURCES

1416 NINTH STREET, P.O. BOX 942836
SACRAMENTO, CA 94236-0001
(916) 653-5791



February 7, 2018

To: Public Water Agencies Participating in WaterFix

As you know, California WaterFix marked several key milestones in 2017 and the state continues to work to advance the project through the remaining steps needed to begin construction.

Public water agencies that receive water supplies through contracts with the state have expressed their support for WaterFix. In a series of public meetings last fall, twelve of these agencies voted to advance WaterFix because they understand that California's primary supply of clean water for 25 million people and 3 million acres of farmland is increasingly unreliable. They include Santa Clara Valley Water District, Kern County Water Agency, Zone 7 Water Agency, Metropolitan Water District of Southern California, Alameda County Water District, Castaic Lake Water Agency, Coachella Valley Water District, Crestline-Lake Arrowhead Water Agency, San Bernardino Valley Municipal Water District, Desert Water Agency, San Geronio Pass Water Agency and Mojave Water Agency. The state needs a real solution that provides reliable, clean and safe water to California businesses, farms and residents. WaterFix is a critical element of the state's overall strategy to address climate change and ensure a reliable water supply for the future, as outlined in Governor Brown's California Water Action Plan.

As the Department of Water Resources (DWR) has previously stated, the scope of WaterFix ultimately hinges on our partnership with local water agencies and their support for the project. With the support of the public water agencies that contract with the state for their supplies, DWR is proposing to pursue WaterFix as planned, but also take actions that would allow construction to be implemented in stages. Being prepared to implement this option is directly responsive to the stated needs of the participating agencies, and would align project implementation with current funding commitments. It would also allow us to take significant steps toward improving environmental conditions.

Under this approach, DWR proposes to first focus on elements of WaterFix that are consistent with the support expressed by public water agencies. The option for a first stage includes two intakes with a total capacity of 6,000 cubic-feet per second (cfs), one tunnel, one intermediate forebay, and one pumping station.

The second stage would consist of a third intake with 3,000 cfs capacity, a second tunnel, and a second pumping station, which will bring the total project capacity from 6,000 cfs in the first phase to 9,000 cfs capacity in total. If funding for all elements of the currently-proposed WaterFix is not available when construction begins, stage two would begin once additional funding commitments are made from supporting water agencies.

Being prepared and having the option of a staged implementation of WaterFix is prudent, fiscally responsible and meets the needs of the public water agencies funding the project. It would allow work to begin on WaterFix, as soon as all necessary environmental review and permits are complete, which is anticipated near the end of 2018.

The overall cost of WaterFix has not changed, at \$16.3 billion in 2017 dollars (equivalent to \$14.9 billion in 2014 dollars). However, the cost of the option of proceeding with the first stage is \$10.7 billion.

The state is preparing a cost-benefit analysis that will be available soon to provide further information about the economic benefit of protecting a critical source of reliable water supplies for the state and safeguarding decades of public investment in the State Water Project.

Participating public water agencies are expected to bring actions to their respective boards this spring to finalize the necessary agreements and stand up the finance and construction Joint Powers Authorities.

In addition, DWR will fully evaluate the potential environmental impacts of the staged implementation option and expects to issue a draft supplemental Environmental Impact Report in June of 2018, with a final in October 2018. The additional information developed for CEQA will also be used to supplement the Endangered Species Act, Section 7 and California Endangered Species Act, Section 2081 record. DWR does not expect substantial change to the Biological Opinions or Section 2081 Incidental Take Permit issued in 2017. Preliminary modeling indicates that there are no new water quality or aquatic issues related to staging the implementation. DWR expects no changes in impact determinations and no changes to mitigation. Thus, DWR will be able to immediately implement this option, in addition to the project already analyzed under CEQA.

Having worked hard to fix a significant infrastructure and environmental problem, DWR is eager to move forward with you to protect the Delta and our water supplies.



Karla A. Nemeth
Director