

STIPULATION EXHIBIT 1

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**SUPERIOR COURT OF THE STATE OF CALIFORNIA
COUNTY OF LOS ANGELES - CENTRAL DISTRICT**

Coordination Proceeding Special Title
(Rule 1550(b))

**ANTELOPE VALLEY
GROUNDWATER CASES**

Judicial Council Coordination Proceeding No.
4408

Santa Clara Case No.: 1-05-CV-049053

Judge: The Honorable Jack Komar, Dept. 17

**[PROPOSED] JUDGMENT AND PHYSICAL
SOLUTION**

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2 **Exhibits:**

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- 4 Exhibit 2: Map of Area Adjudicated in This Action.
- 5 Exhibit 3: Non-Overlying Production Rights.
- 6 Exhibit 4: Overlying Production Rights
- 7 Exhibit 5: Phase 3 Trial Decision.
- 8 Exhibit 6: Map of boundaries of Edwards Air Force Base.
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- 15 Appendix A: Non-Pumper Class Judgment.
- 16 Appendix B: Non-Pumper Class Stipulation of Settlement.

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1 A number of Parties have agreed and stipulated to entry of a Judgment consistent with the
2 terms of this Judgment and Physical Solution (hereafter “this Judgment”). The stipulations of the
3 Parties are conditioned upon further proceedings that will result in a Judgment binding all Parties
4 to the Action. The Court, having considered the pleadings, the stipulations of the Parties, and the
5 evidence presented, and being fully informed in the matter, approves the Physical Solution¹
6 contained herein. This Judgment is entered as a Judgment binding on all Parties served or
7 appearing in this Action, including without limitation, those Parties which have stipulated to this
8 Judgment, are subject to prior settlement(s) and judgment(s) of this Court, have defaulted or
9 hereafter stipulate to this Judgment.

10 I. DESCRIPTION OF LITIGATION

11 1. PROCEDURAL HISTORY

12 1.1 Initiation of Litigation.

13 On October 29, 1999, Diamond Farming Company (“Diamond Farming”) filed in
14 the Riverside County Superior Court (Case No. RIC 344436) the first complaint in what would
15 become these consolidated complex proceedings known as the Antelope Valley Groundwater
16 Cases. Diamond Farming's complaint names as defendants the City of Lancaster, Palmdale
17 Water District, Antelope Valley Water Company, Palm Ranch Irrigation District, Quartz Hill
18 Water District, Rosamond Community Services District, and Mojave Public Utility District.

19 On February 22, 2000, Diamond Farming filed another complaint in the Riverside
20 County Superior Court (Case No. RIC 344468). The two Diamond Farming actions were
21 subsequently consolidated.

22 On January 25, 2001, Wm. Bolthouse Farms, Inc. (“Bolthouse”) filed a complaint
23 in the same Court against the same entities, as well as Littlerock Creek Irrigation District and Los
24 Angeles Waterworks Districts Nos. 37 and 40 (Case No. RIC 353840).

25 ¹ A “physical solution” describes an agreed upon or judicially imposed resolution of conflicting claims in a manner
26 that advances the constitutional rule of reasonable and beneficial use of the state’s water supply. (*City of Santa Maria*
27 *v. Adam* (2012) 211 Cal. App. 4th 266, 288.) It is defined as “an equitable remedy designed to alleviate overdrafts
28 and the consequential depletion of water resources in a particular area, consistent with the constitutional mandate to
prevent waste and unreasonable water use and to maximize the beneficial use of this state’s limited resource.”
(*California American Water v. City of Seaside* (2010) 183 Cal. App. 4th 471, 480.)

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1 The Diamond Farming and Bolthouse complaints variously allege that unregulated
2 pumping by these named public agencies (collectively the Public Water Suppliers) has irreparably
3 harmed Diamond Farming and Bolthouse's rights to produce Groundwater from the Antelope
4 Valley Groundwater Basin, and interfered with their rights to put that Groundwater to reasonable
5 and beneficial uses on property they own or lease. Diamond Farming and Bolthouse's complaints
6 seek a determination of their water rights and to quiet title as to the same.

7 In 2001, the Diamond Farming and Bolthouse actions were consolidated in the
8 Riverside County Superior Court.

9 In August 2002, a Phase 1 trial commenced in the Riverside County Superior
10 Court in the consolidated Diamond Farming/Bolthouse proceedings for the purpose of
11 determining the geographic boundary of the area to be adjudicated. That Phase 1 trial was not
12 concluded and the Court did not determine any issues or make any factual findings at that time.

13 **1.2 General Adjudication Commenced.**

14 In 2004, Los Angeles County Waterworks District No. 40 ("District No. 40")
15 initiated a general Groundwater adjudication for the Antelope Valley Ground Water Basin by
16 filing identical complaints for declaratory and injunctive relief in the Los Angeles and Kern
17 County Superior Courts (Los Angeles County Superior Court Case No. BC 325201 and Kern
18 County Superior Court Case No. S-1500-CV 254348). District No. 40's complaints sought a
19 judicial determination of the respective rights of the Parties to produce Groundwater from the
20 Antelope Valley Groundwater Basin.

21 On December 30, 2004, District No. 40 petitioned the Judicial Council of
22 California for coordination of the above-referenced actions. On June 17, 2005, the Judicial
23 Council of California granted the petition and assigned the "Antelope Valley Groundwater Cases"
24 (Judicial Council Coordination Proceeding No. 4408) to this Court (Santa Clara County Superior
25 Court Case No. 1-05-CV-049053 (Hon. Jack Komar)).

26 For procedural purposes, the Court requested that District No. 40 refile its
27 complaint as a first amended cross-complaint in the now coordinated proceedings. Joined by the
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1 other Public Water Suppliers, District No. 40 filed a first amended cross-complaint seeking
2 declaratory and injunctive relief and an adjudication of the rights to all Groundwater within the
3 Antelope Valley Groundwater Basin. The Public Water Suppliers' cross-complaint, as currently
4 amended, requests an adjudication to protect the public's water supply, prevent water quality
5 degradation, and stop land subsidence. Some of the Public Water Suppliers allege they have
6 acquired prescriptive and equitable rights to the Groundwater in the Basin. They allege the Basin
7 has been in overdraft for more than five consecutive Years and they have pumped water from the
8 Basin for reasonable and beneficial purposes in an open, notorious, and continuous manner. They
9 allege each non-public cross-defendant had actual or constructive notice of these activities,
10 sufficient to establish prescriptive rights in their favor. In order to alleviate overdraft conditions
11 and protect the Basin, the Public Water Suppliers also request a physical solution.

12 **1.3 Other Actions**

13 In response to the Public Water Suppliers first amended cross-complaint,
14 numerous Parties filed cross-complaints seeking various forms of relief.

15 On August 30, 2006, Antelope Valley-East Kern Water Agency ("AVEK") filed a
16 cross-complaint seeking declaratory and injunctive relief and claiming overlying rights and rights
17 to pump the supplemental yield attributable to return flows from State Water Project water
18 imported to the Basin.

19 On January 11, 2007, Rebecca Lee Willis filed a class action complaint in the Los
20 Angeles County Superior Court (Case No. BC 364553) for herself and on behalf of a class of
21 non-pumping overlying property owners ("Non-Pumper Class"), through which she sought
22 declaratory relief and money damages from various public entities. Following certification, the
23 Non-Pumper Class entered into a settlement agreement with the Public Water Suppliers
24 concerning the matters at issue in the class complaint. On September 22, 2011, the Court
25 approved the settlement through an amended final judgment.

26 On June 2, 2008, Richard A. Wood filed a class action complaint for himself and
27 on behalf of a class of small property owners in this action ("Small Pumper Class"), *Wood v. Los*
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1 *Angeles Co. Waterworks Dist. 40, et al.*, (Case No.: BC 391869) through which he sought
2 declaratory relief and money damages from various public entities. The Small Pumper Class was
3 certified on September 2, 2008.

4 On February 24, 2010, following various orders of coordination, the Court granted
5 the Public Water Suppliers' motion to transfer and consolidate all complaints and cross-
6 complaints in this matter, with the exception of the complaint in Sheldon R. Blum, etc. v. Wm.
7 Bolthouse Farms, Inc. (Santa Clara County Superior Court Case No. 1-05-CV-049053), which
8 remains related and coordinated.

9 **1.4 McCarran Amendment Issues**

10 The Public Water Suppliers' cross-complaint names Edwards Air Force Base,
11 California and the United States Department of the Air Force as cross-defendants, seeking the
12 same declaratory and injunctive relief as sought against the other cross-defendants. This
13 Judgment, or any other determination in this case regarding rights to water, is contingent on a
14 Judgment satisfying the requirements of the McCarran Amendment, 43 U.S.C. §666. The United
15 States reserves all rights to object or otherwise challenge any interlocutory judgment and reserves
16 all rights to appeal a Judgment that does not satisfy the requirements of the McCarran
17 Amendment.

18 **1.5 Phased Trials**

19 The Court has divided the trial in this matter into multiple phases, four of which
20 have been tried.

21 Through the Phase 1 trial, the Court determined the geographical boundaries of the
22 area adjudicated in this Action which is defined as the Basin. On November 3, 2006, the Court
23 entered an order determining that issue.

24 Through the Phase 2 trial, the Court determined that all areas within the Basin are
25 hydrologically connected and a single aquifer, and that there is sufficient hydraulic connection
26 between the disputed areas and the rest of the Basin such that the Court must include the disputed
27 areas within the adjudication area. The Court further determined that it would be premature to make
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1 any determinations regarding, *inter alia*, claims that portions of the Basin should be treated as a
2 separate area for management purposes. On November 6, 2008, the Court entered its Order after
3 Phase Two Trial on Hydrologic Nature of Antelope Valley.

4 Through the Phase 3 trial, the Court determined the Basin is in a current state of
5 overdraft and the safe yield is 110,000 acre-feet per Year. The Court found the preponderance of
6 the evidence presented established that setting the safe yield at 110,000 acre-feet per Year will
7 permit management of the Basin in such a way as to preserve the rights of the Parties in
8 accordance with the California Constitution and California law. On July 13, 2011, the Court filed
9 its Statement of Decision.

10 Through the Phase 4 trial, the Court determined the overall Production occurring
11 in the Basin in calendar Years 2011 and 2012.

12 **1.6 Defaults**

13 Numerous Parties have failed to respond timely, or at all, to the Public Water
14 Suppliers' cross-complaint, as amended, and their defaults have been entered. The Court has
15 given the defaulted Parties notice of this Judgment and Physical Solution, together with the
16 opportunity to be heard regarding this Judgment, and hereby enters default judgments against all
17 such Parties and incorporates those default judgments into this Judgment. Pursuant to such
18 default judgments a defaulted Party has no right to Produce Groundwater from the Basin. All
19 Parties against which a default judgment has been entered are identified on Exhibit 1, attached
20 hereto and incorporated herein by reference.

21 **2. GENERAL ADJUDICATION DOES NOT APPLY TO SURFACE WATER.**

22 Pursuant to California law, surface water use since 1914 has been governed by the Water
23 Code. This Judgment does not apply to surface water as defined in the Water Code and is not
24 intended to interfere with any State permitted or licensed surface water rights or pre-1914 surface
25 water right. The impact of any surface water diversion should be considered as part of the State
26 Water Resources Control Board permitting and licensing process and not as part of this Judgment.

1 **II. DECREE**

2 **3. JURISDICTION, PARTIES, DEFINITIONS.**

3 **3.1 Jurisdiction.** This Action is an *inter se* adjudication of all claims to the
4 rights to Produce Groundwater from the Basin alleged between and among all Parties. This Court
5 has jurisdiction over the subject matter and Parties herein to enter a Judgment declaring and
6 adjudicating the rights to reasonable and beneficial use of water by the Parties in the Action
7 pursuant to Article X, section 2 of the California Constitution.

8 **3.2 Parties.** The Court required that all Persons having or claiming any
9 right, title or interest to the Groundwater within the Basin be notified of the Action. Notice has
10 been given pursuant to the Court's order. All Public Water Suppliers, landowners, Non-Pumper
11 Class and Small Pumper Class members and other Persons having or making claims have been or
12 will be included as Parties to the Action. All named Parties who have not been dismissed have
13 appeared or have been given adequate opportunity to appear.

14 **3.3 Factual and Legal Issues.** The complaints and cross-complaints in the
15 Action frame many legal issues. The Action includes over 4,000 Parties, as well as the members
16 of the Non-Pumper Class and the members of the Small Pumper Class. The Basin's entire
17 Groundwater supply and Groundwater rights, extending over approximately 1390 square miles,
18 have been brought to issue. The numerous Groundwater rights at issue in the case include,
19 without limitation, overlying, appropriative, prescriptive, and federal reserved water rights to
20 Groundwater, rights to return flows from Imported Water, rights to recycled water, rights to
21 stored Imported Water subject to the Watermaster rules and regulations, and rights to utilize the
22 storage space within the Basin. After several months of trial, the Court made findings regarding
23 Basin characteristics and determined the Basin's Safe Yield. The Court's rulings and judgments
24 in this case, including the Safe Yield determination, form the basis for this Judgment.

25 **3.4 Need for a Declaration of Rights and Obligations for a Physical**
26 **Solution.** A Physical Solution for the Basin, based on a declaration of water rights and a formula
27 for allocation of rights and obligations, is necessary to implement the mandate of Article X,
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1 section 2 of the California Constitution and to protect the Basin and the Parties' rights to the
2 Basin's water resources. The Physical Solution governs Groundwater, Imported Water and Basin
3 storage space, and is intended to ensure that the Basin can continue to support existing and future
4 reasonable and beneficial uses. A Physical Solution requires determining individual Groundwater
5 rights for the Public Water Suppliers, landowners, Non-Pumper Class and Small Pumper Class
6 members, and other Parties within the Basin. The Physical Solution set forth in this Judgment:
7 (1) is a fair and reasonable allocation of Groundwater rights in the Basin after giving due
8 consideration to water rights priorities and the mandate of Article X, section 2 of the California
9 Constitution; (2) provides for a reasonable sharing of Imported Water costs; (3) furthers the
10 mandates of the State Constitution and State water policy; and (4) is a remedy that gives due
11 consideration to applicable common law rights and priorities to use Basin water and storage space
12 without substantially impairing such rights. Combined with water conservation, water
13 reclamation, water transfers, water banking, and improved conveyance and distribution methods
14 within the Basin, present and future Imported Water sources are sufficient both in quantity and
15 quality to assure implementation of a Physical Solution. This Judgment will facilitate water
16 resource planning and development by the Public Water Suppliers and individual water users.

17 **3.5 Definitions.** As used in this Judgment, the following terms shall have the
18 meanings set forth herein:

19 **3.5.1 Action.** The coordinated and consolidated actions included in the
20 Antelope Valley Groundwater Cases, Judicial Council Coordination Proceeding No. 4408, Santa
21 Clara Superior Court Case No. 1-05-CV-049053.

22 **3.5.2 Adjusted Native Safe Yield.** The Native Safe Yield minus (1) the
23 Production Right allocated to the Small Pumper Class under Paragraph 5.1.3, (2) the Federal
24 Reserved Water Right under Paragraph 5.1.4, and (3) the State of California Production Right
25 under Paragraph 5.1.5. The Adjusted Native Safe Yield as of the date of entry of this Judgment is
26 70,686.6 acre-feet per year.

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1 **3.5.3 Administrative Assessment.** The amount charged by the
2 Watermaster for the costs incurred by the Watermaster to administer this Judgment.

3 **3.5.4 Annual Period.** The calendar Year.

4 **3.5.5 Antelope Valley United Mutuals Group.** The members of the
5 Antelope Valley United Mutuals Group are Antelope Park Mutual Water Company, Aqua-J
6 Mutual Water Company, Averydale Mutual Water Company, Baxter Mutual Water Company,
7 Bleich Flat Mutual Water Company, Colorado Mutual Water Co., El Dorado Mutual Water
8 Company, Evergreen Mutual Water Company, Land Projects Mutual Water Co., Landale Mutual
9 Water Co., Shadow Acres Mutual Water Company, Sundale Mutual Water Company, Sunnyside
10 Farms Mutual Water Company, Inc., Tierra Bonita Mutual Water Company, West Side Park
11 Mutual Water Co. and White Fence Farms Mutual Water Co., together with the successor(s)-in-
12 interest to any member thereof. Each of the members of the Antelope Valley United Mutuals
13 Group was formed when the owner(s) of the lands that were being developed incorporated the
14 mutual water company and transferred their water rights to the mutual water company in
15 exchange for shares of common stock. The mutual water company owns, operates and maintains
16 the infrastructure for the production, storage, distribution and delivery of water solely to its
17 shareholders. The shareholders of each of these mutual water companies, who are the owners of
18 the real property that is situated within the mutual water company's service area, have the right to
19 have water delivered to their properties, a right appurtenant to their land. [*See, Erwin v. Gage*
20 *Canal Company* (1964) 226 Cal.App.2d 189].

21 **3.5.6 AVEK.** The Antelope Valley–East Kern Water Agency.

22 **3.5.7 Balance Assessment.** The amount of money charged by the
23 Watermaster on all Production Rights, excluding the United States' actual Production, to pay for
24 the costs, not including infrastructure, to purchase, deliver, produce in lieu, or arrange for
25 alternative pumping sources in the Basin.

26 **3.5.8 Basin.** The area adjudicated in this Action as shown on Exhibit 2,
27 attached hereto and incorporated herein by reference, which lies within the boundaries of the line
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1 labeled “Boundaries of the Adjudicated Area” and described therein. The Basin generally
2 encompasses the Antelope Valley bordered on the West and South by the San Gabriel and
3 Tehachapi Mountains, with the eastern boundary being the Los Angeles-San Bernardino County
4 line, as determined by the Court.

5 **3.5.9 Carry Over.** The right to Produce an unproduced portion of an
6 annual Production Right or a Right to Imported Water Return Flows in a Year subsequent to the
7 Year in which the Production Right or Right to Imported Water Return Flows was originally
8 available.

9 **3.5.10 Conjunctive Use.** A method of operation of a groundwater basin
10 under which Imported Water is used or stored in the Basin in Years when it is available; allowing
11 the Basin to refill, and more Groundwater is Produced in Years when Imported Water is less
12 available.

13 **3.5.11 Defaulting Party.** A Party who failed to file a responsive pleading
14 and against which a default judgment has been entered. A list of Defaulting Parties is attached as
15 Exhibit 1.

16 **3.5.12 Drought Program.** The water management program in effect only
17 during the Rampdown period affecting the operations and Replacement Water Assessments of the
18 participating Public Water Suppliers.

19 **3.5.13 Judgment.** A judgment, consistent with Cal.C.C.P. §§ 577 and
20 1908(a)(1) and 43 U.S.C. § 666, determining all rights to Groundwater in the Basin, establishing
21 a Physical Solution, and resolving all claims in the Action.

22 **3.5.14 Groundwater.** Water beneath the surface of the ground and within
23 the zone of saturation, excluding water flowing through known and definite channels.

24 **3.5.15 Imported Water.** Water brought into the Basin from outside the
25 watershed of the Basin as shown in Exhibit 9.

26 **3.5.16 Imported Water Return Flows.** Imported Water that net
27 augments the Basin Groundwater supply after use.

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1 **3.5.17 In Lieu Production**. The amount of Imported Water used by a
2 Producer in a Year instead of Producing an equal amount of that Producer's Production Right.

3 **3.5.18 Material Injury**. Material Injury means impacts to the Basin caused
4 by pumping or storage of Groundwater that:

5 **3.5.18.1** Causes material physical harm to the Basin, any
6 Subarea, or any Producer, Party or Production Right, including, but not limited to, Overdraft,
7 degradation of water quality by introduction of contaminants to the aquifer by a Party and/or
8 transmission of those introduced contaminants through the aquifer, liquefaction, land subsidence and
9 other material physical injury caused by elevated or lowered Groundwater levels. Material physical
10 harm does not include "economic injury" that results from other than direct physical causes, including
11 any adverse effect on water rates, lease rates, or demand for water.

12 **3.5.18.2** If fully mitigated, Material Injury shall no longer be
13 considered to be occurring.

14 **3.5.19 Native Safe Yield**. Naturally occurring Groundwater recharge to
15 the Basin, including "return flows" from pumping naturally occurring recharge, on an average
16 annual basis. Imported Water Return Flows are not included in Native Safe Yield.

17 **3.5.20 New Production**. Any Production of Groundwater from the Basin
18 not of right under this Judgment, as of the date of this Judgment.

19 **3.5.21 Non-Overlying Production Rights**. The rights held by the Parties
20 identified in Exhibit 3, attached hereto and incorporated herein by reference.

21 **3.5.22 Non-Pumper Class**. All private (i.e., non-governmental) Persons
22 and entities that own real property within the Basin, as adjudicated, that are not presently
23 pumping water on their property and did not do so at any time during the five Years preceding
24 January 18, 2006. The Non-Pumper Class includes the successors-in-interest by way of purchase,
25 gift, inheritance, or otherwise of such Non-Pumper Class members' land within the Basin. The
26 Non-Pumper Class excludes (1) all Persons to the extent their properties are connected to a
27 municipal water system, public utility, or mutual water company from which they receive water
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1 service, (2) all properties that are listed as “improved” by the Los Angeles County or Kern
2 County Assessor's offices, unless the owners of such properties declare under penalty of perjury
3 that they do not pump and have never pumped water on those properties, and (3) those who opted
4 out of the Non-Pumper Class. The Non-Pumper Class does not include landowners who have
5 been individually named under the Public Water Suppliers' cross-complaint, unless such a
6 landowner has opted into such class.

7 **3.5.23 Non-Pumper Class Judgment.** The amended final Judgment that
8 settled the Non-Pumper Class claims against the Public Water Suppliers approved by the Court
9 on September 22, 2011.

10 **3.5.24 Non-Stipulating Party.** Any Party who had not executed a
11 Stipulation for Entry of this Judgment prior to the date of approval of this Judgment by the Court.

12 **3.5.25 Overdraft.** Extractions in excess of the Safe Yield of water from
13 an aquifer, which over time will lead to a depletion of the water supply within a groundwater
14 basin as well as other detrimental effects, if the imbalance between pumping and extraction
15 continues.

16 **3.5.26 Overlying Production Rights.** The rights held by the Parties
17 identified in Exhibit 4, attached hereto and incorporated herein by reference.

18 **3.5.27 Party (Parties).** Any Person(s) that has (have) been named and
19 served or otherwise properly joined, or has (have) become subject to this Judgment and any prior
20 judgments of this Court in this Action and all their respective heirs, successors-in-interest and
21 assigns. For purposes of this Judgment, a “Person” includes any natural person, firm, association,
22 organization, joint venture, partnership, business, trust, corporation, or public entity.

23 **3.5.28 Pre-Rampdown Production.** The reasonable and beneficial use of
24 Groundwater, excluding Imported Water Return Flows, at a time prior to this Judgment, or the
25 Production Right, whichever is greater.

26 **3.5.29 Produce(d).** To pump Groundwater for existing and future
27 reasonable beneficial uses.

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1 **3.5.30 Producer(s).** A Party who Produces Groundwater.

2 **3.5.31 Production.** Annual amount of Groundwater Produced, stated in
3 acre-feet of water.

4 **3.5.32 Production Right.** The amount of Native Safe Yield that may be
5 Produced each Year free of any Replacement Water Assessment and Replacement Obligation.
6 The total of the Production Rights decreed in this Judgment equals the Native Safe Yield. A
7 Production Right does not include any right to Imported Water Return Flows pursuant to
8 Paragraph 5.2.

9 **3.5.33 Pro-Rata Increase.** The proportionate increase in the amount of a
10 Production Right, as provided in Paragraph 18.5.10, provided the total of all Production Rights
11 does not exceed the Native Safe Yield.

12 **3.5.34 Pro-Rata Reduction.** The proportionate reduction in the amount
13 of a Production Right, as provided in Paragraph 18.5.10, in order that the total of all Production
14 Rights does not exceed the Native Safe Yield.

15 **3.5.35 Public Water Suppliers.** The Public Water Suppliers are Los
16 Angeles County Waterworks District No. 40, Palmdale Water District, Quartz Hill Water District,
17 Littlerock Creek Irrigation District, California Water Service Company, Desert Lake Community
18 Services District, North Edwards Water District, City of Palmdale, City of Lancaster, Palm Ranch
19 Irrigation District, Rosamond Community Services District, and West Valley County Water
20 District.

21 **3.5.36 Purpose of Use.** The broad categories of type of water use
22 including but not limited to municipal, irrigation, agricultural and industrial uses.

23 **3.5.37 Rampdown.** The period of time for Pre-Rampdown Production to
24 be reduced to the Native Safe Yield in the manner described in this Judgment.

25 **3.5.38 Recycled Water.** Water that, as a result of treatment of waste, is
26 suitable for a direct beneficial use or a controlled use that would not otherwise occur and is
27 therefore considered a valuable resource.

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1 **3.5.39 Replacement Obligation.** The obligation of a Producer to pay for
2 Replacement Water for Production of Groundwater from the Basin in any Year in excess of the
3 sum of such Producer’s Production Right and Imported Water Return Flows.

4 **3.5.40 Replacement Water.** Water purchased by the Watermaster or
5 otherwise provided to satisfy a Replacement Obligation.

6 **3.5.41 Replacement Water Assessment.** The amount charged by the
7 Watermaster to pay for all costs incurred by the Watermaster related to Replacement Water.

8 **3.5.42 Responsible Party.** The Person designated by a Party as the
9 Person responsible for purposes of filing reports and receiving notices pursuant to the provisions
10 of this Judgment.

11 **3.5.43 Safe Yield.** The amount of annual extractions of water from the
12 Basin over time equal to the amount of water needed to recharge the Groundwater aquifer and
13 maintain it in equilibrium, plus any temporary surplus. [*City of Los Angeles v. City of San*
14 *Fernando* (1975) 14 Cal. 3d 199, 278.]

15 **3.5.44 Small Pumper Class.** All private (i.e., non-governmental)
16 Persons and entities that own real property within the Basin, as adjudicated, and that have been
17 pumping less than 25 acre-feet per Year on their property during any Year from 1946 to the
18 present. The Small Pumper Class excludes the defendants in *Wood v. Los Angeles Co.*
19 *Waterworks Dist. 40, et al.*, any Person, firm, trust, corporation, or other entity in which any such
20 defendants has a controlling interest or which is related to or affiliated with any such defendants,
21 and the representatives, heirs, affiliates, successors-in-interest or assigns of any such excluded
22 party. The Small Pumper Class also excludes all Persons and entities that are shareholders in a
23 mutual water company. The Small Pumper Class does not include those who opted out of the
24 Small Pumper Class.

25 **3.5.45 Small Pumper Class Members.** Individual members of the Small
26 Pumper Class who meet the Small Pumper Class definition, and for purposes of this Judgment
27 and any terms pertaining to water rights, where two or more Small Pumper Class Members reside
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1 in the same household, they shall be treated as a single Small Pumper Class Member for purposes
2 of determining water rights.

3 **3.5.46 State of California.** As used herein, State of California shall mean
4 the State of California acting by and through the following State agencies, departments and
5 associations: (1) The California Department of Water Resources; (2) The California Department
6 of Parks and Recreation; (3) The California Department of Transportation; (4) The California
7 State Lands Commission; (5) The California Department of Corrections and Rehabilitation; (6)
8 The 50th District Agricultural Association; (7) The California Department of Veteran Affairs; (8)
9 The California Highway Patrol; and, (9) The California Department of Military.

10 **3.5.47 State Water Project.** Water storage and conveyance facilities
11 operated by the State of California Department of Water Resources from which it delivers water
12 diverted from the Feather River and the Sacramento-San Joaquin Delta via the California
13 Aqueduct to public agencies it has contracted with.

14 **3.5.48 Stipulating Party.** Any Party who has executed a Stipulation for
15 Entry of this Judgment prior to the date of approval of this Judgment by the Court.

16 **3.5.49 Stored Water.** Water held in storage in the Basin, as a result of
17 direct spreading or other methods, for subsequent withdrawal and use pursuant to agreement with
18 the Watermaster and as provided for in this Judgment. Stored Water does not include Imported
19 Water Return Flows.

20 **3.5.50 Subareas.** Portions of the Basin, as described in this document,
21 divided for management purposes.

22 **3.5.51 Total Safe Yield.** The amount of Groundwater that may be safely
23 pumped from the Basin on a long-term basis. Total Safe Yield is the sum of the Native Safe
24 Yield plus the Imported Water Return Flows.

25 **3.5.52 Watermaster.** The Person(s) appointed by the Court to administer
26 the provisions of this Judgment.

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1 **5.1.1 Overlying Production Rights.** The Parties listed in Exhibit 4,
2 attached hereto and incorporated herein by reference, have Overlying Production Rights. Exhibit
3 4 sets forth the following for each Overlying Production Right: (1) the Pre-Rampdown
4 Production; (2) the Production Right; and (3) the percentage of the Production from the Adjusted
5 Native Safe Yield.

6 **5.1.1.1** The Parties listed on Exhibit 4 have the right to Produce
7 Groundwater, on an annual basis, up to their Overlying Production Right set forth in Exhibit 4 for
8 each Party. Each Party's Overlying Production Right is subject to the following conditions and
9 limitations:

10 **5.1.1.2** Pursuant to the terms of this Judgment, the Parties listed on
11 Exhibit 4 have the right to Produce their Overlying Production Right for use on land they own or
12 lease and without the need for Watermaster approval.

13 **5.1.1.3** Overlying Production Rights may be transferred pursuant to
14 the provisions of Paragraph 16 of this Judgment.

15 **5.1.1.4** Overlying Production Rights are subject to Pro-Rata
16 Reduction or Increase only pursuant to Paragraph 18.5.10.

17 **5.1.2 Non-Pumper Class Rights.** The Non-Pumper Class members
18 claim the right to Produce Groundwater from the Native Safe Yield for reasonable and beneficial
19 uses on their overlying land as provided for in this Judgment. On September 22, 2011, the Court
20 approved the Non-Pumper Class Stipulation of Settlement through an amended final judgment
21 that settled the Non-Pumper Class' claims against the Public Water Suppliers ("Non-Pumper
22 Class Judgment"). A copy of the Non-Pumper Class Judgment and the Non-Pumper Class
23 Stipulation of Settlement are attached for reference only as Appendices A and B. This Judgment
24 is consistent with the Non-Pumper Class Stipulation of Settlement and Judgment. Future
25 Production by a member of the Non-Pumper Class is addressed in the Physical Solution.

26 **5.1.2.1** The Non-Pumper Class members shall have no right to
27 transfer water pursuant to this Judgment.

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1 **5.1.3 Small Pumper Class Production Rights.** Subject only to the
2 closure of the Small Pumper Class membership, the Small Pumper Class's aggregate Production
3 Right is 3806.4 acre-feet per Year. Allocation of water to the Small Pumper Class is set at an
4 average Small Pumper Class Member amount of 1.2 acre-feet per existing household or parcel
5 based upon the 3172 known Small Pumper Class Member parcels at the time of this Judgment.
6 Any Small Pumper Class Member may Produce up to and including 3 acre-feet per Year per
7 existing household for reasonable and beneficial use on their overlying land, and such Production
8 will not be subject to Replacement Water Assessment. Production by any Small Pumper Class
9 Member above 3 acre-feet per Year per household or parcel will be subject to Replacement Water
10 Assessment, as set forth in this Judgment. Administrative Assessments for unmetered Production
11 by Small Pumper Class Members shall be set based upon the allocation of 1.2 acre-feet per Year
12 per household or parcel, whichever is the case; metered Production shall be assessed in accord
13 with the actual Production. A Small Pumper Class Member who is lawfully, by permit, operating
14 a shared well with an adjoining Small Pumper Class Member, shall have all of the same rights
15 and obligations under this Judgment without regard to the location of the shared well, and such
16 shared use is not considered a prohibited transfer of a pumping right under Paragraph 5.1.3.3.

17 **5.1.3.1** The Production of Small Pumper Class Members of up to 3
18 acre-feet per Year of Groundwater per household or per parcel for reasonable and beneficial use
19 shall only be subject to reduction if: (1) the reduction is based upon a statistically credible study
20 and analysis of the Small Pumper Class' actual Native Safe Yield Production, as well as the
21 nature of the use of such Native Safe Yield, over at least a three Year period; and (2) the
22 reduction is mandated by Court order after notice to the Small Pumper Class Members affording a
23 reasonable opportunity for the Court to hear any Small Pumper Class Member objections to such
24 reduction, including a determination that Water Code section 106 may apply so as to prevent a
25 reduction.

26 **5.1.3.2** The primary means for monitoring the Small Pumper Class
27 Members' Groundwater use under the Physical Solution will be based on physical inspection by
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1 the Watermaster, including the use of aerial photographs and satellite imagery. All Small Pumper
2 Class Members agree to permit the Watermaster to subpoena the electrical meter records
3 associated with their Groundwater wells on an annual basis. Should the Watermaster develop a
4 reasonable belief that a Small Pumper Class Member household is using in excess of 3 acre-feet
5 per Year, the Watermaster may cause to be installed a meter on such Small Pumper Class
6 Member's well at the Small Pumper Class Member's expense.

7 **5.1.3.3** The pumping rights of Small Pumper Class Members are
8 not transferable separately from the parcel of property on which the water is pumped, provided
9 however a Small Pumper Class Member may move their water right to another parcel owned by
10 that Small Pumper Class Member with approval of the Court. If a Small Pumper Class Member
11 parcel is sold, absent a written contract stating otherwise and subject to the provisions of this
12 Judgment, the water right for that Small Pumper Class Member parcel shall transfer to the new
13 owners of that Small Pumper Class Member parcel. The pumping rights of Small Pumper Class
14 Members may not be aggregated for use by a purchaser of more than one Small Pumper Class
15 Member's property.

16 **5.1.3.4** Defaults or default judgments entered against any Small
17 Pumper Class Member who did not opt out of the Small Pumper Class are hereby deemed non-
18 operative and vacated *nunc pro tunc*, but only with respect to their ownership of real property
19 meeting the Small Pumper Class definition.

20 **5.1.3.5** The Small Pumper Class shall be permanently closed to new
21 membership upon issuance by the Court of its order granting final approval of the Small Pumper
22 Class Settlement (the "Class Closure Date"), after the provision of notice to the Class of the Class
23 Closure Date. Any Person or entity that does not meet the Small Pumper Class definition prior to
24 the Class Closure Date is not a Member of the Small Pumper Class. Similarly, any additional
25 household constructed on a Small Pumper Class Member parcel after the Class Closure Date is
26 not entitled to a Production Right as set forth in Paragraphs 5.1.3 and 5.1.3.1.

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1 **5.1.3.6** Unknown Small Pumper Class Members are defined as: (1)
2 those Persons or entities that are not identified on the list of known Small Pumper Class Members
3 maintained by class counsel and supervised and controlled by the Court as of the Class Closure
4 Date; and (2) any unidentified households existing on a Small Pumper Class Member parcel prior
5 to the Class Closure Date. Within ten (10) Court days of the Class Closure Date, class counsel
6 for the Small Pumper Class shall publish to the Court website and file with the Court a list of the
7 known Small Pumper Class Members.

8 **5.1.3.7** Given the limited number of additions to the Small Pumper
9 Class during the more than five Years since the initial notice was provided to the Class, the Court
10 finds that the number of potentially unknown Small Pumper Class Members and their associated
11 water use is likely very low, and any Production by unknown Small Pumper Class Members is
12 hereby deemed to be *de minimis* in the context of this Physical Solution and shall not alter the
13 Production Rights decreed in this Judgment. However, whenever the identity of any unknown
14 Small Pumper Class Member becomes known, that Small Pumper Class Member shall be bound
15 by all provisions of this Judgment, including without limitation, the assessment obligations
16 applicable to Small Pumper Class Members.

17 **5.1.3.8** In recognition of his service as class representative, Richard
18 Wood has a Production Right of up to five 5 acre-feet per Year for reasonable and beneficial use
19 on his parcel free of Replacement Water Assessment. This Production Right shall not be
20 transferable and is otherwise subject to the provisions of this Judgment.

21 **5.1.4 Federal Reserved Water Right.** The United States has a right to
22 Produce 7,600 acre-feet per Year from the Native Safe Yield as a Federal Reserved Water Right
23 for use for military purposes at Edwards Air Force Base and Air Force Plant 42. *See Cappaert v.*
24 *United States*, 426 U.S. 128, 138 (1976); *United States v. New Mexico*, 438 U.S. 696, 700 (1978).
25 Maps of the boundaries of Edwards Air Force Base and Plant 42 are attached hereto as Exhibits 6
26 and 7. The United States may Produce any or all of this water at any time for uses consistent with
27 the purposes of its Federal Reserved Water Right. Water uses at Edwards Air Force Base and
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1 Plant 42 as of the date of this Judgment are consistent with the military purposes of the facilities.
2 The Federal Reserved Water Right to Produce 7,600 acre-feet per Year is not subject to
3 Rampdown or any reduction including Pro-Rata Reduction due to Overdraft.

4 **5.1.4.1** In the event the United States does not Produce its
5 entire 7,600 acre-feet in any given Year, the unused amount in any Year will be allocated to the
6 Non-Overlying Production Rights holders, except for Boron Community Services District and
7 West Valley County Water District, in the following Year, in proportion to Production Rights set
8 forth in Exhibit 3. This Production of unused Federal Reserved Water Right Production does not
9 increase any Non-Overlying Production Right holder's decreed Non-Overlying Production Right
10 amount or percentage, and does not affect the United States' ability to fully Produce its Federal
11 Reserved Water Right as provided in Paragraph 5.1.4 in any subsequent Year. Upon entry of a
12 judgment confirming its Federal Reserved Water Rights consistent with this Judgment, the United
13 States waives any rights under State law to a correlative share of the Groundwater in the Basin
14 underlying Edwards Air Force Base and Air Force Plant 42.

15 **5.1.4.2** The United States is not precluded from acquiring State law
16 based Production Rights in excess of its Federal Reserved Water Right through the acquisition of
17 Production Rights in the Basin.

18 **5.1.5 State of California Production Rights.** The State of California
19 shall have a Production Right of 207 acre-feet per Year from the Native Safe Yield and shall have
20 the additional right to Produce Native Safe Yield as set forth in Paragraphs 5.1.5.3 and 5.1.5.4
21 below. This Production of Native Safe Yield shall not be subject to Pro-Rata Reduction. Any
22 Production by the State of California above 207 acre-feet per Year that is not Produced pursuant
23 to Paragraphs 5.1.5.3 and 5.1.5.4 below shall be subject to Replacement Assessments. All
24 Production by the State of California shall also be subject to the Administrative Assessment and
25 the Balance Assessment except in emergency situations as provided in Paragraph 5.1.5.4.3 below.
26 Any Production of Native Safe Yield pursuant to Paragraphs 5.1.5.3 and 5.1.5.4 below shall not
27 reduce any other Party's Production Rights pursuant to this Judgment.

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1 **5.1.5.1** The State of California’s Production Right in the amount of
2 207 acre-feet per Year is allocated separately to each of the State agencies, departments, and
3 associations as listed below in Paragraph 5.1.5.2. Notwithstanding the separate allocations, any
4 Production Right, or portion thereof, of one of the State agencies, departments, and associations
5 may be transferred or used by the other State agencies, departments, and associations on parcels
6 within the Basin. This transfer shall be done by agreement between the State agencies,
7 departments, or associations without a Replacement Water Assessment and without the need for
8 Watermaster approval. Prior to the transfer of another State agency, department, or association’s
9 Production Right, the State agency, department, or association receiving the ability to use the
10 Production Right shall obtain written consent from the transferor. Further, the State agency,
11 department, or association receiving the Production Right shall notify the Watermaster of the
12 transfer.

13 **5.1.5.2** The Production Rights are allocated as follows and may be
14 exercised by the following nine (9) State agencies:

15 **5.1.5.2.1** The California Department of Water Resources-104
16 acre- feet per Year.

17 **5.1.5.2.2** The California Department of Parks and Recreation-
18 9 acre-feet per Year.

19 **5.1.5.2.3** The California Department of Transportation -47
20 acre-feet per Year.

21 **5.1.5.2.4** The California State Lands Commission-3 acre-feet
22 per Year

23 **5.1.5.2.5** The California Department of Corrections and
24 Rehabilitation-3 acre-feet per Year.

25 **5.1.5.2.6** The 50th District Agricultural Association-32 acre-
26 feet per Year.

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1 **5.1.5.2.7** The California Department of Veteran Affairs-3
2 acre-feet per Year.

3 **5.1.5.2.8** The California Highway Patrol -3 acre- feet per
4 Year.

5 **5.1.5.2.9** The California Department of Military-3 acre-feet
6 per Year.

7 **5.1.5.3** If at any time, the amount of water supplied to the State of
8 California by District No. 40, AVEK, or Rosamond Community Service District is no longer
9 available or no longer available at reasonable rates to the State of California, the State of
10 California shall have the additional right to Produce Native Safe Yield to meet its reasonable and
11 beneficial needs up to 787 acre-feet per Year, the amount provided by District No. 40, AVEK and
12 Rosamond Community Services District to the State of California in the Year 2013.

13 **5.1.5.4** The following provisions will also apply to each specific
14 agency listed below:

15 **5.1.5.4.1** California Department of Corrections &
16 Rehabilitation (CDCR). In addition to its Production Right pursuant to Paragraphs 5.1.5.2.5 and
17 5.1.5.3, CDCR may also pump Groundwater: (1) to the extent necessary to conduct periodic
18 maintenance of its well pumping equipment; and (2) as a supplementary source of drinking water
19 or as an emergency back-up supply as set forth in Water Code section 55338.

20 **5.1.5.4.2** California Department of Water Resources (DWR).
21 In addition to its Production pursuant to Paragraphs 5.1.5.2.1 and 5.1.5.3 above, DWR may also
22 pump Native Safe Yield from the area adjacent to and beneath the California Aqueduct and
23 related facilities at a time and in an amount it determines is reasonably necessary to protect the
24 physical integrity of the California Aqueduct and related facilities from high Groundwater.
25 Further, notwithstanding provisions of this Judgment prohibiting the export of Native Safe Yield
26 from the Basin, DWR may place the Native Safe Yield that it pumps for the protection of the
27 California Aqueduct into the California Aqueduct, whether or not such Native Safe Yield is
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1 ultimately returned to the Basin. However, DWR and AVEK shall use their best efforts to enter
2 into an agreement allowing AVEK to recapture the Native Safe Yield DWR puts into the
3 California Aqueduct and return it to the Basin.

4 **5.1.5.4.3** Department of Military. The Department of Military
5 may Produce additional Groundwater in an amount necessary to protect and promote public
6 health and safety during an event deemed to be an emergency by the Department of Military
7 pursuant to California Government Code sections 8567 and 8571, and California Military and
8 Veterans Code sections 143 and 146. Such Production shall be free from any assessment,
9 including any Administrative, Balance, or Replacement Water Assessment.

10 **5.1.5.4.4** The California Department of Veterans Affairs. The
11 California Department of Veteran Affairs has begun the expansion and increased occupancy
12 project of the Veterans Home of California – Lancaster facility owned by the State of California
13 by and on behalf of the California Department of Veterans Affairs. The California Department of
14 Veterans Affairs fully expects that it will be able to purchase up to an additional 40 acre-feet per
15 Year for use at this facility from District No. 40.

16 **5.1.6 Non-Overlying Production Rights.** The Parties listed in Exhibit 3
17 have Production Rights in the amounts listed in Exhibit 3. Exhibit 3 is attached hereto, and
18 incorporated herein by reference. Non-Overlying Production Rights are subject to Pro-Rata
19 Reduction or Increase only pursuant to Paragraph 18.5.10.

20 **5.1.7 City of Lancaster.** The City of Lancaster ("Lancaster") can
21 Produce up to 500 acre-feet of Groundwater for reasonable and beneficial uses at its National
22 Soccer Complex. Such production shall only be subject to Administrative Assessment and no
23 other assessments. Lancaster will stop Producing Groundwater and will use Recycled Water
24 supplied from District No. 40, when it becomes available, to meet the reasonable and beneficial
25 water uses of the National Soccer Complex. Lancaster may continue to Produce up to 500 acre-
26 feet of Groundwater until Recycled Water becomes available to serve the reasonable and
27 beneficial water uses of the National Soccer Complex. Nothing in this paragraph shall be
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1 construed as requiring Lancaster to have any responsibility for constructing, or in any way
2 contributing to the cost of, any infrastructure necessary to deliver Recycled Water to the National
3 Soccer Complex.

4 **5.1.8 Antelope Valley Joint Union High School District.** Antelope
5 Valley Joint Union High School District is a public school entity duly organized and existing
6 under the laws of the State of California. In addition to the amounts allocated to Antelope Valley
7 Joint Union High School District (“AVJUHS”) and pursuant to Exhibit 4, AVJUHS can
8 additionally produce up to 29 acre-feet of Groundwater for reasonable and beneficial uses on its
9 athletic fields and other public spaces. When recycled water becomes available to Quartz Hill
10 High School (located at 6040 West Avenue L, Quartz Hill, CA 93535) which is a site that is part
11 of AVJUHS, at a price equal to or less than the lowest cost of any of the following:

12 Replacement Obligation, Replacement Water, or other water that is delivered to AVJUHS at
13 Quartz Hill High School, AVJUHS will stop producing the 29 acre-feet of Groundwater
14 allocated to it and use recycled water as a replacement to its 29 acre-feet production. AVJUHS
15 retains its production rights and allocation pursuant to Exhibit 4 of this Judgment.

16 **5.1.9 Construction of Solar Power Facilities.** Any Party may Produce
17 Groundwater in excess of its Production Right allocated to it in Exhibit 4 for the purpose of
18 constructing a facility located on land overlying the Basin that will generate, distribute or store
19 solar power through and including December 31, 2016 and shall not be charged a Replacement
20 Water Assessment or incur a Replacement Obligation for such Production in excess of its
21 Production Rights. Any amount of such production in excess of the Production Right through
22 and including December 31, 2016 shall be reasonable to accomplish such construction but shall
23 not exceed 500 acre-feet per Year for all Parties using such water.

24 **5.1.10 Production Rights Claimed by Non-Stipulating Parties.** Any
25 claim to a right to Produce Groundwater from the Basin by a Non-Stipulating Party shall be
26 subject to procedural or legal objection by any Stipulating Party. Should the Court, after taking
27 evidence, rule that a Non-Stipulating Party has a Production Right, the Non-Stipulating Party
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1 shall be subject to all provisions of this Judgment, including reduction in Production necessary to
2 implement the Physical Solution and the requirements to pay assessments, but shall not be
3 entitled to benefits provided by Stipulation, including but not limited to Carry Over pursuant to
4 Paragraph 15 and Transfers pursuant to Paragraph 16. If the total Production by Non-Stipulating
5 Parties is less than seven percent (7%) of the Native Safe Yield, such Production will be
6 addressed when Native Safe Yield is reviewed pursuant to Paragraph 18.5.9. If the total
7 Production by Non-Stipulating Parties is greater than seven percent (7%) of the Native Safe
8 Yield, the Watermaster shall determine whether Production by Non-Stipulating Parties would
9 cause Material Injury, in which case the Watermaster shall take action to mitigate the Material
10 Injury, including, but not limited to, imposing a Balance Assessment, provided however, that the
11 Watermaster shall not recommend any changes to the allocations under Exhibits 3 and 4 prior to
12 the redetermination of Native Safe Yield pursuant to Paragraph 18.5.9. In all cases, however,
13 whenever the Watermaster re-determines the Native Safe Yield pursuant to Paragraph 18.5.9, the
14 Watermaster shall take action to prevent Native Safe Yield Production from exceeding the Native
15 Safe Yield on a long-term basis.

16 **5.2 Rights to Imported Water Return Flows.**

17 **5.2.1 Rights to Imported Water Return Flows.** Return Flows from
18 Imported Water used within the Basin which net augment the Basin Groundwater supply are not a
19 part of the Native Safe Yield. Subject to review pursuant to Paragraph 18.5.11, Imported Water
20 Return Flows from Agricultural Imported Water use are 34% and Imported Water Return Flows
21 from Municipal and Industrial Imported Water use are 39% of the amount of Imported Water
22 used.

23 **5.2.2 Water Imported Through AVEK.** The right to Produce Imported
24 Water Return Flows from water imported through AVEK belongs exclusively to the Parties
25 identified on Exhibit 8, attached hereto, and incorporated herein by reference. Each Party shown
26 on Exhibit 8 shall have a right to Produce an amount of Imported Water Return Flows in any
27 Year equal to the applicable percentage multiplied by the average amount of Imported Water used
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1 by that Party within the Basin in the preceding five Year period (not including Imported Stored
2 Water in the Basin). Any Party that uses Imported Water on lands outside the Basin but within the
3 watershed of the Basin shall be entitled to Produce Imported Water Return Flows to the extent
4 such Party establishes to the satisfaction of the Watermaster the amount that its Imported Water
5 Return Flows augment the Basin Groundwater supply. This right shall be in addition to that
6 Party's Overlying or Non-Overlying Production Right. Production of Imported Water Return
7 Flows is not subject to the Replacement Water Assessment. All Imported Water Return Flows
8 from water imported through AVEK and not allocated to Parties identified in Exhibit 8 belong
9 exclusively to AVEK, unless otherwise agreed by AVEK. Notwithstanding the foregoing, Boron
10 Community Services District shall have the right to Produce Imported Water Return Flows, up to
11 78 acre-feet annually, based on the applicable percentage multiplied by the average amount of
12 Imported Water used by Boron Community Services District outside the Basin, but within its
13 service area in the preceding five Year period (not including Imported Stored Water in the Basin)
14 without having to establish that the Imported Water Return Flows augment the Basin
15 Groundwater supply.

16 **5.2.3 Water Not Imported Through AVEK.** After entry of this
17 Judgment, a Party other than AVEK that brings Imported Water into the Basin from a source
18 other than AVEK shall notify the Watermaster each Year quantifying the amount and uses of the
19 Imported Water in the prior Year. The Party bringing such Imported Water into the Basin shall
20 have a right to Produce an amount of Imported Water Return Flows in any Year equal to the
21 applicable percentage set forth above multiplied by the average annual amount of Imported Water
22 used by that Party within the Basin in the preceding five Year period (not including Imported
23 Stored Water in the Basin).

24 **5.3 Rights to Recycled Water.** The owner of a waste water treatment plant
25 operated for the purpose of treating wastes from a sanitary sewer system shall hold the exclusive
26 right to the Recycled Water as against anyone who has supplied the water discharged into the
27 waste water collection and treatment system. At the time of this Judgment those Parties that
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1 produce Recycled Water are Los Angeles County Sanitation Districts No. 14 and No. 20,
2 Rosamond Community Services District, and Edwards Air Force Base. Nothing in this Judgment
3 affects or impairs this ownership or any existing or future agreements for the use of Recycled
4 Water within the Basin.

5 **6. INJUNCTION**

6 **6.1 Injunction Against Unauthorized Production.** Each and every Party, its
7 officers, directors, agents, employees, successors, and assigns, except for the United States, is
8 ENJOINED AND RESTRAINED from Producing Groundwater from the Basin except pursuant
9 to this Judgment. Without waiving or foreclosing any arguments or defenses it might have, the
10 United States agrees that nothing herein prevents or precludes the Watermaster or any Party from
11 seeking to enjoin the United States from Producing water in excess of its 7,600 acre-foot per Year
12 Reserved Water Right if and to the extent the United States has not paid the Replacement
13 Assessments for such excess Production or entered into written consent to the imposition of
14 Replacement Assessments as described in Paragraph 9.2.

15 **6.2 Injunction Re Change in Purpose of Use Without Notice to The**
16 **Watermaster.** Each and every Party, its officers, directors, agents, employees, successors, and
17 assigns, is ENJOINED AND RESTRAINED from changing its Purpose of Use of Groundwater at
18 any time without notifying the Watermaster.

19 **6.3 Injunction Against Unauthorized Capture of Stored Water.** Each and
20 every Party, its officers, directors, agents, employees, successors and assigns, is ENJOINED
21 AND RESTRAINED from claiming any right to Produce the Stored Water that has been
22 recharged in the Basin, except pursuant to a Storage Agreement with the Watermaster, and as
23 allowed by this Judgment, or pursuant to water banking operations in existence and operating at
24 the time of this Judgment as identified in Paragraph 14. This Paragraph does not prohibit Parties
25 from importing water into the Basin for direct use, or from Producing or using Imported Water
26 Return Flows owned by such Parties pursuant to Paragraph 5.2.

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1 **6.4 Injunction Against Transportation From Basin.** Except upon further
2 order of the Court, each and every Party, its officers, agents, employees, successors and assigns,
3 is ENJOINED AND RESTRAINED from transporting Groundwater hereafter Produced from the
4 Basin to areas outside the Basin except as provided for by the following. The United States may
5 transport water Produced pursuant to its Federal Reserved Water Right to any portion of Edwards
6 Air Force Base, whether or not the location of use is within the Basin. This injunction does not
7 prevent Saint Andrew's Abbey, Inc., U.S. Borax and Tejon Ranchcorp/Tejon Ranch Company
8 from conducting business operations on lands both inside and outside the Basin boundary, and
9 transporting Groundwater Produced consistent with this Judgment for those operations and for
10 use on those lands outside the Basin and within the watershed of the Basin as shown in Exhibit 9.
11 This injunction also does not apply to any California Aqueduct protection dewatering Produced
12 by the California Department of Water Resources. This injunction does not apply to the recovery
13 and use of stored Imported Water by any Party that stores Imported Water in the Basin pursuant
14 to Paragraph 14 of this Judgment.

15 **6.4.1 Export by Boron and Phelan Piñon Hills Community Services**
16 **Districts.**

17 **6.4.1.1** The injunction does not prevent Boron Community Services
18 District from transporting Groundwater Produced consistent with this Judgment for use outside
19 the Basin, provided such water is delivered within its service area.

20 **6.4.1.2** The injunction does not apply to any Groundwater Produced
21 within the Basin by Phelan Piñon Hills Community Services District and delivered to its service
22 areas, so long as the total Production does not exceed 1,200 acre-feet per Year, such water is
23 available for Production without causing Material Injury, and the District pays a Replacement
24 Water Assessment pursuant to Paragraph 9.2, together with any other costs deemed necessary to
25 protect Production Rights decreed herein, on all water Produced and exported in this manner.

26 **6.5 Continuing Jurisdiction.** The Court retains and reserves full jurisdiction,
27 power and authority for the purpose of enabling the Court, upon a motion of a Party or Parties
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1 noticed in accordance with the notice procedures of Paragraph 20.6 hereof, to make such further
2 or supplemental order or directions as may be necessary or appropriate to interpret, enforce,
3 administer or carry out this Judgment and to provide for such other matters as are not
4 contemplated by this Judgment and which might occur in the future, and which if not provided for
5 would defeat the purpose of this Judgment.

6 **III. PHYSICAL SOLUTION**

7 **7. GENERAL**

8 **7.1 Purpose and Objective.** The Court finds that the Physical Solution
9 incorporated as part of this Judgment: (1) is a fair and equitable basis for satisfaction of all water
10 rights in the Basin; (2) is in furtherance of the State Constitution mandate and the State water
11 policy; and (3) takes into account water rights priorities, applicable public trust interests and the
12 Federal Reserved Water Right. The Court finds that the Physical Solution establishes a legal and
13 practical means for making the maximum reasonable and beneficial use of the waters of the Basin
14 by providing for the long-term Conjunctive Use of all available water in order to meet the
15 reasonable and beneficial use requirements of water users in the Basin. Therefore, the Court
16 adopts, and orders the Parties to comply with this Physical Solution.

17 **7.2 Need For Flexibility.** This Physical Solution must provide flexibility and
18 adaptability to allow the Court to use existing and future technological, social, institutional, and
19 economic options in order to maximize reasonable and beneficial water use in the Basin.

20 **7.3 General Pattern of Operations.** A fundamental premise of the Physical
21 Solution is that all Parties may Produce sufficient water to meet their reasonable and beneficial
22 use requirements in accordance with the terms of this Judgment. To the extent that Production by
23 a Producer exceeds such Producer's right to Produce a portion of the Total Safe Yield as provided
24 in this Judgment, the Producer will pay a Replacement Water Assessment to the Watermaster and
25 the Watermaster will provide Replacement Water to replace such excess production according to
26 the methods set forth in this Judgment.

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1 **7.4 Water Rights.** A Physical Solution for the Basin based upon a declaration
2 of water rights and a formula for allocation of rights and obligations is necessary to implement
3 the mandate of Article X, section 2 of the California Constitution. The Physical Solution requires
4 quantifying the Producers' rights within the Basin in a manner which will reasonably allocate the
5 Native Safe Yield and Imported Water Return Flows and which will provide for sharing Imported
6 Water costs. Imported Water sources are or will be available in amounts which, when combined
7 with water conservation, water reclamation, water transfers, and improved conveyance and
8 distribution methods within the Basin, will be sufficient in quantity and quality to assure
9 implementation of the Physical Solution. Sufficient information and data exists to allocate
10 existing water supplies, taking into account water rights priorities, within the Basin and as among
11 the water users. The Physical Solution provides for delivery and equitable distribution of
12 Imported Water to the Basin.

13 **8. RAMPDOWN**

14 **8.1 Installation of Meters.** Within two (2) Years from the entry of this
15 Judgment all Parties other than the Small Pumper Class shall install meters on their wells for
16 monitoring Production. Each Party shall bear the cost of installing its meter(s). Monitoring or
17 metering of Production by the Small Pumper Class shall be at the discretion of the Watermaster,
18 subject to the provisions of Paragraph 5.1.3.2.

19 **8.2 Rampdown Period.** The "Rampdown Period" is seven Years beginning
20 on the January 1 following entry of this Judgment and continuing for the following seven (7)
21 Years.

22 **8.3 Reduction of Production During Rampdown.** During the first two Years
23 of the Rampdown Period no Producer will be subject to a Replacement Water Assessment.
24 During Years three through seven of the Rampdown Period, the amount that each Party may
25 Produce from the Native Safe Yield will be progressively reduced, as necessary, in equal annual
26 increments, from its Pre-Rampdown Production to its Production Right. Except as is determined
27 to be exempt during the Rampdown period pursuant to the Drought Program provided for in
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1 Paragraph 8.4, any amount Produced over the required reduction shall be subject to Replacement
2 Water Assessment. The Federal Reserved Water Right is not subject to Rampdown.

3 **8.4 Drought Program During Rampdown for Participating Public Water**

4 **Suppliers.** During the Rampdown period a drought water management program (“Drought
5 Program”) will be implemented by District No. 40, Quartz Hill Water District, Littlerock Creek
6 Irrigation District, California Water Service Company, Desert Lake Community Services District,
7 North Edwards Water District, City of Palmdale, and Palm Ranch Irrigation District,
8 (collectively, "Drought Program Participants”), as follows:

9 **8.4.1** During the Rampdown period, District No. 40 agrees to purchase
10 from AVEK each Year at an amount equal to 70 percent of District No. 40's total annual demand
11 if that amount is available from AVEK at no more than the then current AVEK treated water rate.
12 If that amount is not available from AVEK, District No. 40 will purchase as much water as
13 AVEK makes available to District No. 40 at no more than the then current AVEK treated water
14 rate. Under no circumstances will District No. 40 be obligated to purchase more than 50,000
15 acre-feet of water annually from AVEK. Nothing in this Paragraph affects AVEK’s water
16 allocation procedures as established by its Board of Directors and AVEK’s Act.

17 **8.4.2** During the Rampdown period, the Drought Program Participants
18 each agree that, in order to minimize the amount of excess Groundwater Production in the Basin,
19 they will use all water made available by AVEK at no more than the then current AVEK treated
20 water rate in any Year in which they Produce Groundwater in excess of their respective rights to
21 Produce Groundwater under this Judgment. During the Rampdown period, no Production by a
22 Drought Program Participant shall be considered excess Groundwater Production exempt from a
23 Replacement Water Assessment under this Drought Program unless a Drought Program
24 Participant has utilized all water supplies available to it including its Production Right to Native
25 Safe Yield, Return Flow rights, unused Production allocation of the Federal Reserved Water
26 Rights, Imported Water, and Production rights previously transferred from another party.
27 Likewise, no Production by a Drought Program Participant will be considered excess
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1 Groundwater Production exempt from a Replacement Water Assessment under this Drought
2 Program in any Year in which the Drought Program Participant has placed water from such
3 sources described in this Paragraph 8.4.2 into storage or has transferred such water to another
4 Person or entity.

5 **8.4.3** During the Rampdown period, the Drought Program Participants
6 will be exempt from the requirement to pay a Replacement Water Assessment for Groundwater
7 Production in excess of their respective rights to Produce Groundwater under this Judgment up to
8 a total of 40,000 acre-feet over the Rampdown Period with a maximum of 20,000 acre-feet in any
9 single Year for District No. 40 and a total of 5,000 acre-feet over the Rampdown Period for all
10 other Drought Program Participants combined. During any Year that excess Groundwater is
11 produced under this Drought Program, all Groundwater Production by the Drought Program
12 Participants will be for the purpose of a direct delivery to customers served within their respective
13 service areas and will not be transferred to other users within the Basin.

14 **8.4.4** Notwithstanding the foregoing, the Drought Program Participants
15 remain subject to the Material Injury limitation as provided in this Judgment.

16 **8.4.5** Notwithstanding the foregoing, the Drought Program Participants
17 remain subject to a Balance Assessment as provided in Paragraph 9.3 of this Judgment.

18 **9. ASSESSMENTS.**

19 **9.1 Administrative Assessment.** Administrative Assessments to fund the
20 Administrative Budget adopted by the Watermaster shall be levied uniformly on an annual basis
21 against (1) each acre foot of a Party's Production Right as described in Paragraph 5.1, (2) each
22 acre foot of a Party's right to Produce Imported Water Return Flows as determined pursuant to
23 Paragraph 5.2, (3) each acre foot of a Party's Production for which a Replacement Water
24 Assessment has been imposed pursuant to Paragraph 9.2, and (4) during the Rampdown, each
25 acre foot of a Party's Production in excess of (1)-(3), above, excluding Production from Stored
26 Water and/or Carry Over water, except that the United States shall be subject to the
27 Administrative Assessment only on the actual Production of the United States. During the
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1 Rampdown the Administrative Assessment shall be no more than five (5) dollars per acre foot, or
2 as ordered by the Court upon petition of the Watermaster. Non-Overlying Production Rights
3 holders using the unused Production allocation of the Federal Reserved Water Right shall be
4 subject to Administrative Assessments on water the Non-Overlying Production Rights holders
5 Produce pursuant to Paragraph 5.1.4.1.

6 **9.2 Replacement Water Assessment.** In order to ensure that each Party may
7 fully exercise its Production Right, there will be a Replacement Water Assessment. Except as is
8 determined to be exempt during the Rampdown period pursuant to the Drought Program provided
9 for in Paragraph 8.4, the Watermaster shall impose the Replacement Water Assessment on any
10 Producer whose Production of Groundwater from the Basin in any Year is in excess of the sum of
11 such Producer's Production Right and Imported Water Return Flow available in that Year,
12 provided that no Replacement Water Assessment shall be imposed on the United States except
13 upon the United States' written consent to such imposition based on the appropriation by
14 Congress, and the apportionment by the Office of Management and Budget, of funds that are
15 available for the purpose of, and sufficient for, paying the United States' Replacement Water
16 Assessment. The Replacement Water Assessment shall not be imposed on the Production of
17 Stored Water, In-Lieu Production or Production of Imported Water Return Flows. The amount of
18 the Replacement Water Assessment shall be the amount of such excess Production multiplied by
19 the cost to the Watermaster of Replacement Water, including any Watermaster spreading costs.
20 All Replacement Water Assessments collected by the Watermaster shall be used to acquire
21 Imported Water from AVEK, Littlerock Creek Irrigation District, Palmdale Water District, or
22 other entities. AVEK shall use its best efforts to acquire as much Imported Water as possible in a
23 timely manner. If the Watermaster encounters delays in acquiring Imported Water which, due to
24 cost increases, results in collected assessment proceeds being insufficient to purchase all Imported
25 Water for which the Assessments were made, the Watermaster shall purchase as much water as
26 the proceeds will allow when the water becomes available. If available Imported Water is
27 insufficient to fully meet the Replacement Water obligations under contracts, the Watermaster
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1 shall allocate the Imported Water for delivery to areas on an equitable and practicable basis
2 pursuant to the Watermaster rules and regulations.

3 **9.2.1** The Non-Pumper Class Stipulation of Settlement, executed by its
4 signatories and approved by the Court in the Non-Pumper Class Judgment, specifically provides
5 for imposition of a Replacement Water Assessment on Non-Pumper Class members. This
6 Judgment is consistent with the Non-Pumper Class Stipulation of Settlement and Judgment. The
7 Non-Pumper Class members specifically agreed to pay a replacement assessment if that member
8 produced “more than its annual share” of the Native Safe Yield less the amount of the Federal
9 Reserved Right. (See Appendix B at paragraph V., section D. Replacement Water.) In approving
10 the Non-Pumper Class Stipulation of Settlement this Court specifically held in its Order after
11 Hearing dated November 18, 2010, that “the court determination of physical solution cannot be
12 limited by the Class Settlement.” The Court also held that the Non-Pumper Class Stipulation of
13 Settlement “may not affect parties who are not parties to the settlement.”

14 **9.2.2** Evidence presented to the Court demonstrates that Production by
15 one or more Public Water Suppliers satisfies the elements of prescription and that Production by
16 overlying landowners during portion(s) of the prescriptive period exceeded the Native Safe Yield.
17 At the time of this Judgment the entire Native Safe Yield is being applied to reasonable and
18 beneficial uses in the Basin. Members of the Non-Pumper Class do not and have never Produced
19 Groundwater for reasonable beneficial use as of the date of this Judgment. Pursuant to *Pasadena*
20 *v. Alhambra* (1949) 33 Cal 2d 908, 931-32 and other applicable law, the failure of the Non-
21 Pumper Class members to Produce any Groundwater under the facts here modifies their rights to
22 Produce Groundwater except as provided in this Judgment. Because this is a comprehensive
23 adjudication pursuant to the McCarran Amendment, consistent with the California Supreme Court
24 decisions, including *In Re Waters of Long Valley Creek Stream System* (1979) 25 Cal. 3d 339,
25 this Court makes the following findings: (1) certainty fosters reasonable and beneficial use of
26 water and is called for by the mandate of Article X, section 2; (2) because of this mandate for
27 certainty and in furtherance of the Physical Solution, any New Production, including that by a
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1 Balance Assessment or curtail a Party's Production under section 9.3.4 below, to avoid or
2 mitigate Material Injury that is caused by Production after the completion of the Rampdown.

3 **9.3.1** Any proceeds of the Balance Assessment will be used to purchase,
4 deliver, produce in lieu, or arrange for alternative pumping sources of water in the Basin, but shall
5 not include infrastructure costs.

6 **9.3.2** The Watermaster Engineer shall determine and collect from any
7 Party receiving direct benefit of the Balance Assessment proceeds an amount equal to that Party's
8 avoided Production costs.

9 **9.3.3** The Balance Assessment shall not be used to benefit the United
10 States unless the United States participates in paying the Balance Assessment.

11 **9.3.4** The Watermaster Engineer may curtail the exercise of a Party's
12 Production Right under this Judgment, except the United States' Production, if it is determined
13 necessary to avoid or mitigate a Material Injury to the Basin and provided that the Watermaster
14 provides an equivalent quantity of water to such Party as a substitute water supply, with such
15 water paid for from the Balance Assessment proceeds.

16 **10. SUBAREAS.** Subject to modification by the Watermaster the following Subareas
17 are recognized:

18 **10.1 Central Antelope Valley Subarea.** The Central Antelope Valley Subarea
19 is the largest of the five Subareas and underlies Rosamond, Quartz Hill, Lancaster, Edwards AFB
20 and much of Palmdale. This Subarea also contains the largest amount of remaining agricultural
21 land use in the Basin. The distinctive geological features of the Central Antelope Valley Subarea
22 are the presence of surficial playa and pluvial lake deposits; the widespread occurrence of thick,
23 older pluvial lake bed deposits; and alluvial deposits from which Groundwater is produced above
24 and below the lake bed deposits. The Central Antelope Valley Subarea is defined to be east of the
25 largely buried ridge of older granitic and tertiary rocks exposed at Antelope Buttes and extending
26 beyond Little Buttes and Tropic Hill. The Central Subarea is defined to be southwest and
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1 northeast of the extension of the Buttes Fault, and northwest of an unnamed fault historically
2 identified from Groundwater level differences, as shown on Exhibit 10.

3 **10.2 West Antelope Valley Subarea.** The West Antelope Valley Subarea is
4 the second largest subarea. The area is characterized by a lack of surficial lake bed deposits, and
5 little evidence of widespread subsurface lake beds, and thick alluvial deposits. The Western
6 Antelope Valley Subarea is defined to be south of the Willow Springs-Cottonwood Fault and
7 west of a largely buried ridge of older granitic and tertiary rocks that are exposed at Antelope
8 Buttes and Little Buttes, and continue to Tropico Hill, as shown on Exhibit 10.

9 **10.3 South East Subarea.** The South East Subarea is characterized by granitic
10 buttes to the north, shallow granitic rocks in the southwest, and a lack of lake bed deposits. The
11 South East Subarea is defined to encompass the remainder of the Basin from the unnamed fault
12 between the Central and South East subareas, to the county-line boundary of the Basin. Notably,
13 this area contains Littlerock and Big Rock creeks that emanate from the mountains to the south
14 and discharge onto the valley floor.

15 **10.4 Willow Springs Subarea.** The Willow Springs Subarea is separated from
16 the West Antelope Subarea primarily because the Willow Springs fault shows some signs of
17 recent movement and there is substantial Groundwater hydraulic separation between the two
18 adjacent areas, suggesting that the fault significantly impedes Groundwater flow from the Willow
19 Springs to the lower West Antelope Subarea. Otherwise, the Willow Springs Subarea is
20 comparable in land use to the West Antelope Subarea, with some limited agricultural land use and
21 no municipal development, as shown on Exhibit 10.

22 **10.5 Rogers Lake Subarea.** The Rogers Lake Subarea is characterized by
23 surficial pluvial Lake Thompson and playa deposits, and a narrow, fault-bound, central trough
24 filled with alluvial deposits. The area is divided into north and south subareas on opposite sides
25 of a buried ridge of granite rock in the north lake, as shown on Exhibit 10.

26 **11. INCREASE IN PRODUCTION BY THE UNITED STATES.**

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11.1 **Notice of Increase of Production Under Federal Reserved Water**

Right. After the date of entry of this Judgment, the United States shall provide the Watermaster with at least ninety (90) days advanced notice if Production by the United States is reasonably anticipated to increase more than 200 acre-feet per Year in a following 12 month period.

11.2 **Water Substitution to Reduce Production by United States.** The United

States agrees that maximizing Imported Water is essential to improving the Basin's health and agrees that its increased demand can be met by either increasing its Production or by accepting deliveries of Imported Water of sufficient quality to meet the purpose of its Federal Reserved Water Right under the conditions provided for herein. Any Party may propose a water substitution or replacement to the United States to secure a reduction in Groundwater Production by the United States. Such an arrangement would be at the United States' sole discretion and subject to applicable federal law, regulations and other requirements. If such a substitution or replacement arrangement is agreed upon, the United States shall reduce Production by the amount of Replacement Water provided to it, and the Party providing such substitution or replacement of water to the United States may Produce a corresponding amount of Native Safe Yield free from Replacement Water Assessment in addition to their Production Right.

12. **MOVEMENT OF PUBLIC WATER SUPPLIERS PRODUCTION FACILITIES.**

12.1 **No Requirement to Move Public Water Suppliers' Production Wells.**

One or more of the Public Water Suppliers intend to seek Federal or State legislation to pay for all costs related to moving the Public Water Suppliers Production wells to areas that will reduce the impact of Public Water Supplier Production on the United States' current Production wells. The Public Water Suppliers shall have no responsibility to move any Production wells until Federal or State legislation fully funding the costs of moving the wells is effective or until required to do so by order of this Court which order shall not be considered or made by this Court until the seventeenth (17th) Year after entry of this Judgment. The Court may only make such an order if it finds that the Public Water Supplier Production from those wells is causing Material

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1 Injury. The Court shall not impose the cost of moving the Public Water Supplier Production
2 Facilities on any non-Public Water Supplier Party to this Judgment.

3 **13. FEDERAL APPROVAL.** This Judgment is contingent on final approval by the
4 Department of Justice. Such approval will be sought upon final agreement of the terms of this
5 Judgment by the settling Parties. Nothing in this Judgment shall be interpreted or construed as a
6 commitment or requirement that the United States obligate or pay funds in contravention of the
7 Anti-Deficiency Act, 31 U.S.C. § 1341, or any other applicable provision of law. Nothing in this
8 Judgment, specifically including Paragraphs 9.1, 9.2 and 9.3, shall be construed to deprive any
9 federal official of the authority to revise, amend, or promulgate regulations. Nothing in this
10 Judgment shall be deemed to limit the authority of the executive branch to make
11 recommendations to Congress on any particular piece of legislation. Nothing in this Judgment
12 shall be construed to commit a federal official to expend federal funds not appropriated by
13 Congress. To the extent that the expenditure or advance of any money or the performance of any
14 obligation of the United States under this Judgment is to be funded by appropriation of funds by
15 Congress, the expenditure, advance, or performance shall be contingent upon the appropriation of
16 funds by Congress that are available for this purpose and the apportionment of such funds by the
17 Office of Management and Budget and certification by the appropriate Air Force official that
18 funding is available for this purpose, and an affirmative obligation of the funds for payment made
19 by the appropriate Air Force official. No breach of this Judgment shall result and no liability
20 shall accrue to the United States in the event such funds are not appropriated or apportioned.

21 **14. STORAGE.** All Parties shall have the right to store water in the Basin pursuant to
22 a Storage Agreement with the Watermaster. If Littlerock Creek Irrigation District or Palmdale
23 Water District stores Imported Water in the Basin it shall not export from its service area that
24 Stored Water. AVEK, Littlerock Creek Irrigation District or Palmdale Water District may enter
25 into exchanges of their State Water Project "Table A" Amounts. Nothing in this Judgment limits
26 or modifies operation of preexisting banking projects (including AVEK, District No. 40, Antelope
27 Valley Water Storage LLC, Tejon Ranchcorp and Tejon Ranch Company, Sheep Creek Water
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1 Co., Rosamond Community Services District and Palmdale Water District) or performance of
2 preexisting exchange agreements of the Parties. The Watermaster shall promptly enter into
3 Storage Agreements with the Parties at their request. The Watermaster shall not enter into
4 Storage Agreements with non-Parties unless such non-Parties become expressly subject to the
5 provisions of this Judgment and the jurisdiction of the Court. Storage Agreements shall expressly
6 preclude operations which will cause a Material Injury on any Producer. If, pursuant to a Storage
7 Agreement, a Party has provided for pre-delivery or post-delivery of Replacement Water for the
8 Party's use, the Watermaster shall credit such water to the Party's Replacement Water Obligation
9 at the Party's request. Any Stored Water that originated as State Water Project water imported by
10 AVEK, Palmdale Water District or Littlerock Creek Irrigation District may be exported from the
11 Basin for use in a portion of the service area of any city or public agency, including State Water
12 Project Contractors, that are Parties to this action at the time of this Judgment and whose service
13 area includes land outside the Basin. AVEK may export any of its Stored State Project Water to
14 any area outside its jurisdictional boundaries and the Basin provided that all water demands
15 within AVEK's jurisdictional boundaries are met. Any Stored Water that originated as other
16 Imported Water may be exported from the Basin, subject to a requirement that the Watermaster
17 make a technical determination of the percentage of the Stored Water that is unrecoverable and
18 that such unrecoverable Stored Water is dedicated to the Basin.

19 **15. CARRY OVER**

20 **15.1 In Lieu Production Right Carry Over.** Any Producer identified in
21 Paragraph 5.1.1, 5.1.5 and 5.1.6 can utilize In Lieu Production by purchasing Imported Water and
22 foregoing Production of a corresponding amount of the annual Production of Native Safe Yield
23 provided for in Paragraph 5 herein. In Lieu Production must result in a net reduction of annual
24 Production from the Native Safe Yield in order to be entitled to the corresponding Carry Over
25 benefits under this paragraph. In Lieu Production does not make additional water from the Native
26 Safe Yield available to any other Producer. If a Producer foregoes pumping and uses Imported
27 Water In Lieu of Production, the Producer may Carry Over its right to the unproduced portion of
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1 its Production Right for up to ten (10) Years. A Producer must Produce its full current Year's
2 Production Right before any Carry Over water is Produced. Carry Over water will be Produced
3 on a first-in, first-out basis. At the end of the Carry Over period, the Producer may enter into a
4 Storage Agreement with the Watermaster to store unproduced portions, subject to terms and
5 conditions in the Watermaster's discretion. Any such Storage Agreements shall expressly
6 preclude operations, including the rate and amount of extraction, which will cause a Material
7 Injury to another Producer or Party, any subarea or the Basin. If not converted to a Storage
8 Agreement, Carry Over water not Produced by the end of the tenth Year reverts to the benefit of
9 the Basin and the Producer no longer has a right to the Carry Over water. The Producer may
10 transfer any Carry Over water or Carry Over water stored pursuant to a Storage Agreement.

11 **15.2 Imported Water Return Flow Carry Over.** If a Producer identified in
12 Paragraph 5.1.1, 5.1.5 and 5.1.6 fails to Produce its full amount of Imported Water Return Flows
13 in the Year following the Year in which the Imported Water was brought into the Basin, the
14 Producer may Carry Over its right to the unproduced portion of its Imported Water Return Flows
15 for up to ten (10) Years. A Producer must Produce its full Production Right before any Carry
16 Over water, or any other water, is Produced. Carry Over water will be Produced on a first-in,
17 first-out basis. At the end of the Carry Over period, the Producer may enter into a Storage
18 Agreement with the Watermaster to store unproduced portions, subject to terms and conditions in
19 the Watermaster's discretion. Any such Storage Agreements shall expressly preclude operations,
20 including the rate and amount of extraction, which will cause a Material Injury to another
21 Producer or Party, any subarea or the Basin. If not converted to a Storage Agreement, Carry Over
22 water not Produced by the end of the tenth Year reverts to the benefit of the Basin and the
23 Producer no longer has a right to the Carry Over water. The Producer may transfer any Carry
24 Over water or Carry Over water stored pursuant to a Storage Agreement.

25 **15.3 Production Right Carry Over.** If a Producer identified in Paragraph
26 5.1.1, 5.1.5 and 5.1.6 fails to Produce its full Production Right in any Year, the Producer may
27 Carry Over its right to the unproduced portion of its Production Right for up to ten (10) Years. A
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1 Producer must Produce its full Production Right before any Carry Over water, or any other water,
2 is Produced. Carry Over water will be Produced on a first-in, first-out basis. At the end of the
3 Carry Over period, the Producer may enter into a Storage Agreement with the Watermaster to
4 store unproduced portions, subject to terms and conditions in the Watermaster's discretion. Any
5 such Storage Agreements shall expressly preclude operations, including the rate and amount of
6 extraction, which will cause a Material Injury to another Producer or Party, any subarea or the
7 Basin. If not converted to a Storage Agreement, Carry Over water not Produced by the end of the
8 tenth Year reverts to the benefit of the Basin and the Producer no longer has a right to the Carry
9 Over water. The Producer may transfer any Carry Over water or Carry Over water stored
10 pursuant to a Storage Agreement.

11 **16. TRANSFERS.**

12 **16.1 When Transfers are Permitted.** Pursuant to terms and conditions to be
13 set forth in the Watermaster rules and regulations, and except as otherwise provided in this
14 Judgment, Parties may transfer all or any portion of their Production Right to another Party so
15 long as such transfer does not cause Material Injury. All transfers are subject to hydrologic
16 review by the Watermaster Engineer.

17 **16.2 Transfers to Non-Overlying Production Right Holders.** Overlying
18 Production Rights that are transferred to Non-Overlying Production Right holders shall remain on
19 Exhibit 4 and be subject to adjustment as provided in Paragraph 18.5.10, but may be used
20 anywhere in the transferee's service area.

21 **16.3 Limitation on Transfers of Water by Antelope Valley United Mutuals**
22 **Group.** After the date of this Judgment, any Overlying Production Rights pursuant to Paragraph
23 5.1.1, rights to Imported Water Return Flows pursuant to Paragraph 5.2, rights to Recycled Water
24 pursuant to Paragraph 5.3 and Carry Over water pursuant to Paragraph 15 (including any water
25 banked pursuant to a Storage Agreement with the Watermaster) that are at any time held by any
26 member of the Antelope Valley United Mutuals Group may only be transferred to or amongst
27 other members of the Antelope Valley United Mutuals Group, except as provided in Paragraph
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1 16.3.1. Transfers amongst members of the Antelope Valley United Mutuals Group shall be
2 separately reported in the Annual Report of the Watermaster pursuant to Paragraphs 18.4.8 and
3 18.5.17. Transfers amongst members of the Antelope Valley United Mutuals Group shall not be
4 deemed to constitute an abandonment of any member's non-transferred rights.

5 **16.3.1** Nothing in Paragraph 16.3 shall prevent Antelope Valley United
6 Mutuals Group members from transferring Overlying Production Rights to Public Water
7 Suppliers who assume service of an Antelope Valley United Mutuals Group member's
8 shareholders.

9 **16.4** Notwithstanding section 16.1, the Production Right of Boron Community
10 Services District shall not be transferable. If and when Boron Community Services District
11 permanently ceases all Production of Groundwater from the Basin, its Production Right shall be
12 allocated to the other holders of Non-Overlying Production Rights, except for West Valley
13 County Water District, in proportion to those rights.

14 **17. CHANGES IN POINT OF EXTRACTION AND NEW WELLS.** Parties may
15 change the point of extraction for any Production Right to another point of extraction so long as
16 such change of the point of extraction does not cause Material Injury. A replacement well for an
17 existing point of extraction which is located within 300 feet of a Party's existing well shall not be
18 considered a change in point of extraction.

19 **17.1 Notice of New Well.** Any Party seeking to construct a new well in order to
20 change the point of extraction for any Production Right to another point of extraction shall notify
21 the Watermaster at least 90 days in advance of drilling any well of the location of the new point
22 of extraction and the intended place of use of the water Produced.

23 **17.2 Change in Point of Extraction by the United States.** The point(s) of
24 extraction for the Federal Reserved Water Right may be changed, at the sole discretion of the
25 United States, and not subject to the preceding limitation on Material Injury, to any point or
26 points within the boundaries of Edwards Air Force Base or Plant 42. The point(s) of extraction
27 for the Federal Reserved Water Right may be changed to points outside the boundaries of
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1 Edwards Air Force Base or Plant 42, provided such change in the point of extraction does not
2 cause Material Injury. In exercising its discretion under this Paragraph 17.2, the United States
3 shall consider information in its possession regarding the effect of Production from the intended
4 new point of extraction on the Basin, and on other Producers. Any such change in point(s) of
5 extraction shall be at the expense of the United States. Nothing in this Paragraph is intended to
6 waive any monetary claim(s) another Party may have against the United States in federal court
7 based upon any change in point of extraction by the United States.

8 **18. WATERMASTER**

9 **18.1 Appointment of Initial Watermaster.**

10 **18.1.1** Appointment and Composition: The Court hereby appoints a
11 Watermaster. The Watermaster shall be a five (5) member board composed of one representative
12 each from AVEK and District No. 40, a second Public Water Supplier representative selected by
13 District No. 40, Palmdale Water District, Quartz Hill Water District, Littlerock Creek Irrigation
14 District, California Water Service Company, Desert Lake Community Services District, North
15 Edwards Water District, City of Palmdale, City of Lancaster, Palm Ranch Irrigation District, and
16 Rosamond Community Services District, and two (2) landowner Parties, exclusive of public
17 agencies and members of the Non-Pumper and Small Pumper Classes, selected by majority vote
18 of the landowners identified on Exhibit 4 (or their successors in interest) based on their
19 proportionate share of the total Production Rights identified in Exhibit 4. The United States may
20 also appoint a non-voting Department of Defense (DoD) Liaison to the Watermaster committee to
21 represent DoD interests. Participation by the DoD Liaison shall be governed by Joint Ethics
22 Regulation 3-201. The opinions or actions of the DoD liaison in participating in or contributing
23 to Watermaster proceedings cannot bind DoD or any of its components.

24 **18.1.2** Voting Protocol for Watermaster Actions:

25 **18.1.2.1** The Watermaster shall make decisions by unanimous vote
26 for the purpose of selecting or dismissing the Watermaster Engineer.
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1 **18.1.2.2** The Watermaster shall determine by unanimous vote, after
2 consultation with the Watermaster Engineer, the types of decisions that shall require unanimous
3 vote and those that shall require only a simple majority vote.

4 **18.1.2.3** All decisions of the Watermaster, other than those
5 specifically designated as being subject to a simple majority vote, shall be by a unanimous vote.

6 **18.1.2.4** All board members must be present to make any decision
7 requiring a unanimous vote.

8 **18.1.3** In carrying out this appointment, the Watermaster shall segregate
9 and separately exercise in all respects the Watermaster powers delegated by the Court under this
10 Judgment. All funds received, held, and disbursed by the Watermaster shall be by way of
11 separate Watermaster accounts, subject to separate accounting and auditing. Meetings and
12 hearings held by the Watermaster shall be noticed and conducted separately.

13 **18.1.4** Pursuant to duly adopted Watermaster rules, Watermaster staff and
14 administrative functions may be accomplished by AVEK, subject to strict time and cost
15 accounting principles so that this Judgment does not subsidize, and is not subsidized by AVEK.

16 **18.2** **Standard of Performance.** The Watermaster shall carry out its duties,
17 powers and responsibilities in an impartial manner without favor or prejudice to any Subarea,
18 Producer, Party, or Purpose of Use.

19 **18.3** **Removal of Watermaster.** The Court retains and reserves full
20 jurisdiction, power, and authority to remove any Watermaster for good cause and substitute a new
21 Watermaster in its place, upon its own motion or upon motion of any Party in accordance with the
22 notice and hearing procedures set forth in Paragraph 20.6. The Court shall find good cause for
23 the removal of a Watermaster upon a showing that the Watermaster has: (1) failed to exercise its
24 powers or perform its duties; (2) performed its powers in a biased manner; or (3) otherwise failed
25 to act in the manner consistent with the provisions set forth in this Judgment or subsequent order
26 of the Court.

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1 **18.4 Powers and Duties of the Watermaster.** Subject to the continuing
2 supervision and control of the Court, the Watermaster shall have and may exercise the following
3 express powers and duties, together with any specific powers and duties set forth elsewhere in
4 this Judgment or ordered by the Court:

5 **18.4.1 Selection of the Watermaster Engineer.** The Watermaster shall
6 select the Watermaster Engineer with the advice of the Advisory Committee described in
7 Paragraph 19.

8 **18.4.2 Adoption of Rules and Regulations.** The Court may adopt
9 appropriate rules and regulations prepared by the Watermaster Engineer and proposed by the
10 Watermaster for conduct pursuant to this Judgment. Before proposing rules and regulations, the
11 Watermaster shall hold a public hearing. Thirty (30) days prior to the date of the hearing, the
12 Watermaster shall send to all Parties notice of the hearing and a copy of the proposed rules and
13 regulations or amendments thereto. All Watermaster rules and regulations, and any amendments
14 to the Watermaster rules and regulations, shall be consistent with this Judgment and are subject to
15 approval by the Court, for cause shown, after consideration of the objections of any Party.

16 **18.4.3 Employment of Experts and Agents.** The Watermaster may
17 employ such administrative personnel, engineering, legal, accounting, or other specialty services,
18 and consulting assistants as appropriate in carrying out the terms of this Judgment.

19 **18.4.4 Notice List.** The Watermaster shall maintain a current list of
20 Parties to receive notice. The Parties have an affirmative obligation to provide the Watermaster
21 with their current contact information. For Small Pumper Class Members, the Watermaster shall
22 initially use the contact information contained in the list of Small Pumper Class members filed
23 with the Court by class counsel.

24 **18.4.5 Annual Administrative Budget.** The Watermaster shall prepare a
25 proposed administrative budget for each Year. The Watermaster shall hold a public hearing
26 regarding the proposed administrative budget and adopt an administrative budget. The
27 administrative budget shall set forth budgeted items and Administrative Assessments in sufficient
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1 detail to show the allocation of the expense among the Producers. Following the adoption of the
2 budget, the Watermaster may make expenditures within budgeted items in the exercise of powers
3 herein granted, as a matter of course.

4 **18.4.6 Investment of Funds.** The Watermaster may hold and invest any
5 funds in investments authorized from time to time for public agencies in the State of California.
6 All funds shall be held in separate accounts and not comingled with the Watermaster's personal
7 funds.

8 **18.4.7 Borrowing.** The Watermaster may borrow in anticipation of
9 receipt of proceeds from any assessments authorized in Paragraph 9 in an amount not to exceed
10 the annual amount of assessments.

11 **18.4.8 Transfers.** On an annual basis, the Watermaster shall prepare and
12 maintain a report or record of any transfer of Production Rights among Parties. Upon reasonable
13 request, the Watermaster shall make such report or record available for inspection by any Party.
14 A report or records of transfer of Production Rights under this Paragraph shall be considered a
15 ministerial act.

16 **18.4.9 New Production Applications.** The Watermaster shall consider
17 and determine whether to approve applications for New Production after consideration of the
18 recommendation of the Watermaster Engineer.

19 **18.4.10 Unauthorized Actions.** The Watermaster shall bring such action
20 or motion as is necessary to enjoin any conduct prohibited by this Judgment.

21 **18.4.11 Meetings and Records.** Watermaster shall provide notice of and
22 conduct all meetings and hearings in a manner consistent with the standards and timetables set
23 forth in the Ralph M. Brown Act, Government Code sections 54950, et seq. Watermaster shall
24 make its files and records available to any Person consistent with the standards and timetables set
25 forth in the Public Records Act, Government Code sections 6200, et seq.

26 **18.4.12 Assessment Procedure.** Each Party hereto is ordered to pay the
27 assessments authorized in Paragraph 9 of this Judgment, which shall be levied and collected in
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1 accordance with the procedures and schedules determined by the Watermaster. Any assessment
2 which becomes delinquent, as defined by rules and regulations promulgated by the Watermaster
3 shall bear interest at the then current real property tax delinquency rate for the county in which
4 the property of the delinquent Party is located. The United States shall not be subject to payment
5 of interest absent congressional waiver of immunity for the imposition of such interest. This
6 interest rate shall apply to any said delinquent assessment from the due date thereof until paid.
7 The delinquent assessment, together with interest thereon, costs of suit, attorneys fees and
8 reasonable costs of collection, may be collected pursuant to (1) motion by the Watermaster giving
9 notice to the delinquent Party only; (2) Order to Show Cause proceeding, or (3) such other lawful
10 proceeding as may be instituted by the Watermaster or the Court. The United States shall not be
11 subject to costs and fees absent congressional waiver of immunity for such costs and fees. The
12 delinquent assessment shall constitute a lien on the property of the Party as of the same time and
13 in the same manner as does the tax lien securing county property taxes. The property of the
14 United States shall not be subject to any lien. The Watermaster shall annually certify a list of all
15 such unpaid delinquent assessments. The Watermaster shall include the names of those Parties
16 and the amounts of the liens in its list to the County Assessor's Office in the same manner and at
17 the same time as it does its Administrative Assessments. Watermaster shall account for receipt of
18 all collections of assessments collected pursuant to this Judgment, and shall pay such amounts
19 collected pursuant to this Judgment to the Watermaster. The Watermaster shall also have the
20 ability to seek to enjoin Production of those Parties, other than the United States, who do not pay
21 assessments pursuant to this Judgment.

22 **18.5** **Watermaster Engineer.** The Watermaster Engineer shall have the
23 following duties:

24 **18.5.1** **Monitoring of Safe Yield.** The Watermaster Engineer shall
25 monitor all the Safe Yield components and include them in the annual report for Court approval.
26 The annual report shall include all relevant data for the Basin.

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1 **18.5.2 Reduction in Groundwater Production.** The Watermaster
2 Engineer shall ensure that reductions of Groundwater Production to the Native Safe Yield
3 (Rampdown) take place pursuant to the terms of this Judgment and any orders by the Court.

4 **18.5.3 Determination of Replacement Obligations.** The Watermaster
5 Engineer shall determine Replacement Obligations for each Producer, pursuant to the terms of
6 this Judgment.

7 **18.5.4 Balance Obligations.** The Watermaster Engineer shall determine
8 Balance Assessment obligations for each Producer pursuant to the terms of this Judgment. In
9 addition, the Watermaster Engineer shall determine the amount of water derived from the Balance
10 Assessment that shall be allocated to any Producer to enable that Producer to fully exercise its
11 Production Right.

12 **18.5.5 Measuring Devices, Etc.** The Watermaster Engineer shall
13 propose, and the Watermaster shall adopt and maintain, rules and regulations regarding
14 determination of Production amounts and installation of individual water meters. The rules and
15 regulations shall set forth approved devices or methods to measure or estimate Production.
16 Producers who meter Production on the date of entry of this Judgment shall continue to meter
17 Production. The Watermaster rules and regulations shall require Producers who do not meter
18 Production on the effective date of entry of this Judgment, except the Small Pumper Class, to
19 install water meters within two Years.

20 **18.5.6 Hydrologic Data Collection.** The Watermaster Engineer shall (1)
21 operate, and maintain such wells, measuring devices, and/or meters necessary to monitor stream
22 flow, precipitation, Groundwater levels, and Basin Subareas, and (2) to obtain such other data as
23 may be necessary to carry out this Judgment.

24 **18.5.7 Purchases of and Recharge with Replacement Water.** To the
25 extent Imported Water is available, the Watermaster Engineer shall use Replacement Water
26 Assessment proceeds to purchase Replacement Water, and deliver such water to the area deemed
27 most appropriate as soon as practicable. The Watermaster Engineer may pre-purchase
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1 Replacement Water and apply subsequent assessments towards the costs of such pre-purchases.
2 The Watermaster Engineer shall reasonably and equitably actively manage the Basin to protect
3 and enhance the health of the Basin.

4 **18.5.8 Water Quality.** The Watermaster Engineer shall take all
5 reasonable steps to assist and encourage appropriate regulatory agencies to enforce reasonable
6 water quality regulations affecting the Basin, including regulation of solid and liquid waste
7 disposal, and establishing Memorandums of Understanding with Kern and Los Angeles Counties
8 regarding well drilling ordinances and reporting.

9 **18.5.9 Native Safe Yield.** Ten (10) Years following the end of the seven
10 Year Rampdown period, in the seventeenth (17th) Year, or any time thereafter, the Watermaster
11 Engineer may recommend to the Court an increase or reduction of the Native Safe Yield. The
12 Watermaster Engineer shall initiate no recommendation to change Native Safe Yield prior to the
13 end of the seventeenth (17th) Year. In the event the Watermaster Engineer recommends in its
14 report to the Court that the Native Safe Yield be revised based on the best available science, the
15 Court shall conduct a hearing regarding the recommendations and may order a change in Native
16 Safe Yield. Watermaster shall give notice of the hearing pursuant to Paragraph 20.3.2. The most
17 recent Native Safe Yield shall remain in effect until revised by Court order according to this
18 paragraph. If the Court approves a reduction in the Native Safe Yield, it shall impose a Pro-Rata
19 Reduction as set forth herein, such reduction to be implemented over a seven (7) Year period. If
20 the Court approves an increase in the Native Safe Yield, it shall impose a Pro-Rata Increase as set
21 forth herein, such increase to be implemented immediately. Only the Court can change the
22 Native Safe Yield.

23 **18.5.10 Change in Production Rights in Response to Change in Native**
24 **Safe Yield.** In the event the Court changes the Native Safe Yield pursuant to Paragraph 18.5.9,
25 the increase or decrease will be allocated among the Producers in the agreed percentages listed in
26 Exhibits 3 and 4, except that the Federal Reserved Water Right of the United States is not subject
27 to any increase or decrease.

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1 **18.5.11 Review of Calculation of Imported Water Return Flow**
2 **Percentages.** Ten (10) Years following the end of the Rampdown, in the seventeenth (17th)
3 Year, or any time thereafter, the Watermaster Engineer may recommend to the Court an increase
4 or decrease of Imported Water Return Flow percentages. The Watermaster Engineer shall initiate
5 no recommendation to change Imported Water Return Flow percentages prior to end of the
6 seventeenth (17th) Year. In the event the Watermaster Engineer recommends in its report to the
7 Court that Imported Water Return Flow percentages for the Basin may need to be revised based
8 on the best available science, the Court shall conduct a hearing regarding the recommendations
9 and may order a change in Imported Water Return Flow percentages. Watermaster shall give
10 notice of the hearing pursuant to Paragraph 20.6. The Imported Water Return Flow percentages
11 set forth in Paragraph 5.2 shall remain in effect unless revised by Court order according to this
12 Paragraph. If the Court approves a reduction in the Imported Water Return Flow percentages,
13 such reduction shall be implemented over a seven (7) Year period. Only the Court can change the
14 Imported Water Return Flow percentages.

15 **18.5.12 Production Reports.** The Watermaster Engineer shall require each
16 Producer, other than unmetered Small Pumper Class Members, to file an annual Production report
17 with the Watermaster. Producers shall prepare the Production reports in a form prescribed by the
18 rules and regulations. The Production reports shall state the total Production for the reporting
19 Party, including Production per well, rounded off to the nearest tenth of an acre foot for each
20 reporting period. The Production reports shall include such additional information and supporting
21 documentation as the rules and regulations may reasonably require.

22 **18.5.13 New Production Application Procedure.** The Watermaster
23 Engineer shall determine whether a Party or Person seeking to commence New Production has
24 established the reasonableness of the New Production in the context of all other uses of
25 Groundwater in the Basin at the time of the application, including whether all of the Native Safe
26 Yield is then currently being used reasonably and beneficially. Considering common law water
27 rights and priorities, the mandate of certainty in Article X, section 2, and all other relevant
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1 factors, the Watermaster Engineer has authority to recommend that the application for New
2 Production be denied, or approved on condition of payment of a Replacement Water Assessment.
3 The Watermaster Engineer shall consider, investigate and recommend to the Watermaster
4 whether an application to commence New Production of Groundwater may be approved as
5 follows:

6 **18.5.13.1** All Parties or Person(s) seeking approval from the
7 Watermaster to commence New Production of Groundwater shall submit a written application to
8 the Watermaster Engineer which shall include the following:

9 **18.5.13.1.1** Payment of an application fee sufficient to recover
10 all costs of application review, field investigation, reporting, and hearing, and other associated
11 costs, incurred by the Watermaster and Watermaster Engineer in processing the application for
12 New Production;

13 **18.5.13.1.2** Written summary describing the proposed quantity,
14 sources of supply, season of use, Purpose of Use, place of use, manner of delivery, and other
15 pertinent information regarding the New Production;

16 **18.5.13.1.3** Maps identifying the location of the proposed New
17 Production, including Basin Subarea;

18 **18.5.13.1.4** Copy of any water well permits, specifications and
19 well-log reports, pump specifications and testing results, and water meter specifications
20 associated with the New Production;

21 **18.5.13.1.5** Written confirmation that the applicant has obtained
22 all applicable Federal, State, County, and local land use entitlements and other permits necessary
23 to commence the New Production;

24 **18.5.13.1.6** Written confirmation that the applicant has complied
25 with all applicable Federal, State, County, and local laws, rules and regulations, including but not
26 limited to, the California Environmental Quality Act (Public Resources Code §§ 21000, et. seq.);

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1 **18.5.13.1.7** Preparation of a water conservation plan, approved
2 and stamped by a California licensed and registered professional civil engineer, demonstrating
3 that the New Production will be designed, constructed and implemented consistent with
4 California best water management practices.

5 **18.5.13.1.8** Preparation of an analysis of the economic impact of
6 the New Production on the Basin and other Producers in the Subarea of the Basin;

7 **18.5.13.1.9** Preparation of an analysis of the physical impact of
8 the New Production on the Basin and other Producers in the Subarea of the Basin;

9 **18.5.13.1.10** A written statement, signed by a California licensed
10 and registered professional civil engineer, determining that the New Production will not cause
11 Material Injury;

12 **18.5.13.1.11** Written confirmation that the applicant agrees to pay
13 the applicable Replacement Water Assessment for any New Production.

14 **18.5.13.1.12** Other pertinent information which the Watermaster
15 Engineer may require.

16 **18.5.13.2** **Finding of No Material Injury.** The Watermaster Engineer
17 shall not make recommendation for approval of an application to commence New Production of
18 Groundwater unless the Watermaster Engineer finds, after considering all the facts and
19 circumstances including any requirement that the applicant pay a Replacement Water Assessment
20 required by this Judgment or determined by the Watermaster Engineer to be required under the
21 circumstances, that such New Production will not cause Material Injury. If the New Production is
22 limited to domestic use for one single-family household, the Watermaster Engineer has the
23 authority to determine the New Production to be *de minimis* and waive payment of a Replacement
24 Water Assessment; *provided*, the right to Produce such *de minimis* Groundwater is not
25 transferable, and shall not alter the Production Rights decreed in this Judgment.

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1 **18.5.17 Filing of Annual Report.** The Watermaster Engineer shall prepare
2 an Annual Report for filing with the Court not later than April 1 of each Year, beginning April 1
3 following the first full Year after entry of this Judgment. Prior to filing the Annual Report with
4 the Court, Watermaster shall notify all Parties that a draft of the Annual Report is available for
5 review by the Parties. Watermaster shall provide notice to all Parties of a public hearing to
6 receive comments and recommendations for changes in the Annual Report. The public hearing
7 shall be conducted pursuant to rules and regulations promulgated by the Watermaster. The notice
8 of public hearing may include such summary of the draft Annual Report as Watermaster may
9 deem appropriate. Watermaster shall distribute the Annual Report to any Parties requesting
10 copies.

11 **18.5.18 Annual Report to Court.** The Annual Report shall include an
12 Annual fiscal report of the preceding Year’s operation; details regarding the operation of each of
13 the Subareas; an audit of all Assessments and expenditures; and a review of Watermaster
14 activities. The Annual Report shall include a compilation of at least the following:

- 15 **18.5.18.1 Replacement Obligations;**
- 16 **18.5.18.2 Hydrologic Data Collection;**
- 17 **18.5.18.3 Purchase and Recharge of Imported Water;**
- 18 **18.5.18.4 Notice List;**
- 19 **18.5.18.5 New Production Applications**
- 20 **18.5.18.6 Rules and Regulations;**
- 21 **18.5.18.7 Measuring Devices, etc;**
- 22 **18.5.18.8 Storage Agreements;**
- 23 **18.5.18.9 Annual Administrative Budget;**
- 24 **18.5.18.10 Transfers;**
- 25 **18.5.18.11 Production Reports;**
- 26 **18.5.18.12 Prior Year Report;**
- 27 **18.5.18.13 Amount of Stored Water owned by each Party;**

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- 1 **18.5.18.14** Amount of Stored Imported Water owned by each Party;
- 2 **18.5.18.15** Amount of unused Imported Water Return Flows owned by
- 3 each Party;
- 4 **18.5.18.16** Amount of Carry Over Water owned by each Party;
- 5 **18.5.18.17** All changes in use.

6 **18.6** **Recommendations of the Watermaster Engineer.** Unless otherwise
7 determined pursuant to Paragraph 18.1.2.2, all recommendations of the Watermaster Engineer
8 must be approved by unanimous vote of all members of the Watermaster. If there is not
9 unanimous vote among Watermaster members, Watermaster Engineer recommendations must be
10 presented to the Court for action and implementation.

11 **18.7** **Interim Approvals by the Court.** Until the Court approves rules and
12 regulations proposed by the Watermaster, the Court, upon noticed motion, may take or approve
13 any actions that the Watermaster or the Watermaster Engineer otherwise would be authorized to
14 take or approve under this Judgment.

15 **19.** **ADVISORY COMMITTEE**

16 **19.1** **Authorization.** The Producers are authorized and directed to cause a
17 committee of Producer representatives to be organized and to act as an Advisory Committee.

18 **19.2** **Compensation.** The Advisory Committee members shall serve without
19 compensation.

20 **19.3** **Powers and Functions.** The Advisory Committee shall act in an advisory
21 capacity only and shall have the duty to study, review, and make recommendations on all
22 discretionary determinations by Watermaster. Parties shall only provide input to the Watermaster
23 through the Advisory Committee.

24 **19.4** **Advisory Committee Meetings.** The Advisory Committee shall 1) meet
25 on a regular basis; 2) review Watermaster’s activities pursuant to this Judgment on at least a
26 semi-annual basis; and 3) receive and make advisory recommendations to Watermaster.
27 Advisory Committee Meetings shall be open to all members of the public. Edwards Air Force
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1 Base and the State of California shall be ex officio members of the committee. The United States
2 may also appoint a DoD Liaison to the Watermaster pursuant to Joint Ethics Regulation 3-201.

3 **19.5** **Subarea Advisory Management Committees.** Subarea Advisory
4 Management Committees will meet on a regular basis and at least semi-annually with the
5 Watermaster Engineer to review Watermaster activities pursuant to this Judgment and to submit
6 advisory recommendations.

7 **19.5.1** **Authorization.** The Producers in each of the five Management
8 Subareas are hereby authorized and directed to cause committees of Producer representatives to
9 be organized and to act as Subarea Management Advisory Committees.

10 **19.5.2** **Composition and Election.** Each Management Subarea
11 Management Advisory Committee shall consist of five (5) Persons who shall be called
12 Management Advisors. In the election of Management Advisors, every Party shall be entitled to
13 one vote for every acre-foot of Production Right for that Party in that particular subarea. Parties
14 may cumulate their votes and give one candidate a number of votes equal to the number of
15 advisors to be elected, multiplied by the number of votes to which the Party is normally entitled,
16 or distribute the Party's votes on the same principle among as many candidates as the Party thinks
17 fit. In any election of advisors, the candidates receiving the highest number of affirmative votes
18 of the Parties are elected. Elections shall be held upon entry of this Judgment and thereafter
19 every third Year. In the event a vacancy arises, a temporary advisor shall be appointed by
20 unanimous decision of the other four advisors to continue in office until the next scheduled
21 election. Rules and regulations regarding organization, meetings and other activities shall be at
22 the discretion of the individual Subarea Advisory Committees, except that all meetings of the
23 committees shall be open to the public.

24 **19.5.3** **Compensation.** The Subarea Management Advisory
25 Committee shall serve without compensation.

26 **19.5.4** **Powers and Functions.** The Subarea Management Advisory
27 Committee for each subarea shall act in an advisory capacity only and shall have the duty to
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1 study, review and make recommendations on all discretionary determinations made or to be made
2 hereunder by Watermaster Engineer which may affect that subarea.

3 **20. MISCELLANEOUS PROVISIONS.**

4 **20.1 Water Quality.** Nothing in this Judgment shall be interpreted as relieving
5 any Party of its responsibilities to comply with State or Federal laws for the protection of water
6 quality or the provisions of any permits, standards, requirements, or orders promulgated
7 thereunder.

8 **20.2 Actions Not Subject to CEQA Regulation.** Nothing in this Judgment or
9 the Physical Solution, or in the implementation thereof, or the decisions of the Watermaster
10 acting under the authority of this Judgment shall be deemed a "project" subject to the California
11 Environmental Quality Act (CEQA). See e.g., *California American Water v. City of Seaside*
12 (2010) 183 Cal.App.4th 471, and *Hillside Memorial Park & Mortuary v. Golden State Water Co.*
13 (2011) 205 Cal.App.4th 534. Neither the Watermaster, the Watermaster Engineer, the Advisory
14 Committee, any Subarea Management Committee, nor any other Board or committee formed
15 pursuant to the Physical Solution and under the authority of this Judgment shall be deemed a
16 "public agency" subject to CEQA. (See Public Resources Code section 21063.)

17 **20.3 Court Review of Watermaster Actions.** Any action, decision, rule,
18 regulation, or procedure of Watermaster or the Watermaster Engineer pursuant to this Judgment
19 shall be subject to review by the Court on its own motion or on timely motion by any Party as
20 follows:

21 **20.3.1 Effective Date of Watermaster Action.** Any order, decision or
22 action of Watermaster or Watermaster Engineer pursuant to this Judgment on noticed specific
23 agenda items shall be deemed to have occurred on the date of the order, decision or action.

24 **20.3.2 Notice of Motion.** Any Party may move the Court for review of an
25 action or decision pursuant to this Judgment by way of a noticed motion. The motion shall be
26 served pursuant to Paragraph 20.7 of this Judgment. The moving Party shall ensure that the
27 Watermaster is served with the motion under that Paragraph 20.7 or, if electronic service of the
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STIPULATION EXHIBIT 1

1 Watermaster is not possible, by overnight mail with prepaid next-day delivery. Unless ordered by
2 the Court, any such petition shall not operate to stay the effect of any action or decision which is
3 challenged.

4 **20.3.3 Time for Motion.** A Party shall file a motion to review any action
5 or decision within ninety (90) days after such action or decision, except that motions to review
6 assessments hereunder shall be filed within thirty (30) days of Watermaster mailing notice of the
7 assessment.

8 **20.3.4 De Novo Nature of Proceeding.** Upon filing of a motion to review
9 a decision or action, the Watermaster shall notify the Parties of a date for a hearing at which time
10 the Court shall take evidence and hear argument. The Court's review shall be *de novo* and the
11 Watermaster's decision or action shall have no evidentiary weight in such proceeding.

12 **20.3.5 Decision.** The decision of the Court in such proceeding shall be an
13 appealable supplemental order in this case. When the Court's decision is final, it shall be binding
14 upon Watermaster and the Parties.

15 **20.4 Multiple Production Rights.** A Party simultaneously may be a member
16 of the Small Pumper Class and hold an Overlying Production Right by virtue of owning land
17 other than the parcel(s) meeting the Small Pumper Class definition. The Small Pumper Class
18 definition shall be construed in accordance with Paragraph 3.5.44 and 3.5.45.

19 **20.5 Payment of Assessments.** Payment of assessments levied by Watermaster
20 hereunder shall be made pursuant to the time schedule developed by the Watermaster,
21 notwithstanding any motion for review of Watermaster actions, decisions, rules or procedures,
22 including review of assessments implemented by the Watermaster.

23 **20.6 Designation of Address for Notice and Service.** Each Party shall
24 designate a name and address to be used for purposes of all subsequent notices and service herein,
25 either by its endorsement on this Judgment or by a separate designation to be filed within thirty
26 (30) days after judgment has been entered. A Party may change its designation by filing a written
27 notice of such change with Watermaster. A Party that desires to be relieved of receiving notices
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STIPULATION EXHIBIT 1

1 of Watermaster activity may file a waiver of notice in a form to be provided by Watermaster. At
2 all times, Watermaster shall maintain a current list of Parties to whom notices are to be sent and
3 their addresses for purpose of service. Watermaster shall also maintain a full current list of said
4 names and addresses of all Parties or their successors, as filed herein. Watermaster shall make
5 copies of such lists available to any requesting Person. If no designation is made, a Party's
6 designee shall be deemed to be, in order of priority: (1) the Party's attorney of record; (2) if the
7 Party does not have an attorney of record, the Party itself at the address on the Watermaster list;
8 (3) for Small Pumper Class Members, after this Judgment is final, the individual Small Pumper
9 Class Members at the service address maintained by the Watermaster.

10 **20.7** **Service of Documents**. Unless otherwise ordered by the Court, delivery to
11 or service to any Party by the Court or any Party of any document required to be served upon or
12 delivered to a Party pursuant to this Judgment shall be deemed made if made by e-filing on the
13 Court's website at www.scefiling.org. All Parties agree to waive service by mail if they receive
14 notifications via electronic filing at the above identified website.

15 **20.8** **No Abandonment of Rights**. In the interest of the Basin and its water
16 supply, and the principle of reasonable and beneficial use, no Party shall be encouraged to
17 Produce and use more water in any Year than is reasonably required. Failure to Produce all of the
18 Groundwater to which a Party is entitled shall not, in and of itself, be deemed or constitute an
19 abandonment of such Party's right, in whole or in part, except as specified in Paragraph 15.

20 **20.9** **Intervention After Judgment**. Any Person who is not a Party or
21 successor to a Party and who proposes to Produce Groundwater from the Basin, to store water in
22 the Basin, to acquire a Production Right or to otherwise take actions that may affect the Basin's
23 Groundwater is required to seek to become a Party subject to this Judgment through a noticed
24 motion to intervene in this Judgment prior to commencing Production. Prior to filing such a
25 motion, a proposed intervenor shall consult with the Watermaster Engineer and seek the
26 Watermaster's stipulation to the proposed intervention. A proposed intervenor's failure to consult
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STIPULATION EXHIBIT 1

1 with the Watermaster Engineer may be grounds for denying the intervention motion. Thereafter,
2 if approved by the Court, such intervenor shall be a Party bound by this Judgment.

3 **20.10 Judgment Binding on Successors, etc.** Subject to specific provisions
4 hereinbefore contained, this Judgment applies to and is binding upon, and inures to the benefit of
5 the Parties to this Action and all their respective heirs, successors-in-interest and assigns.

6 **20.11 Costs.** Except subject to any existing court orders, each Party shall bear its
7 own costs and attorneys fees arising from the Action.

8 **20.12 Headings; Paragraph References.** Captions and headings appearing in
9 this Judgment are inserted solely as reference aids for ease and convenience; they shall not be
10 deemed to define or limit the scope or substance of the provisions they introduce, nor shall they
11 be used in construing the intent or effect of such provisions.

12 **20.13 No Third Party Beneficiaries.** There are no intended third party
13 beneficiaries of any right or obligation of the Parties.

14 **20.14 Severability.** Except as specifically provided herein, the provisions of this
15 Judgment are not severable.

16 **20.15 Cooperation; Further Acts.** The Parties shall fully cooperate with one
17 another, and shall take any additional acts or sign any additional documents as may be necessary,
18 appropriate or convenient to attain the purposes of this Judgment.

19 **20.16 Exhibits and Other Writings.** Any and all exhibits, documents,
20 instruments, certificates or other writings attached hereto or required or provided for by this
21 Judgment, if any, shall be part of this Judgment and shall be considered set forth in full at each
22 reference thereto in this Judgment.

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24 _____
Dated:

JUDGE OF THE SUPERIOR COURT

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SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF LOS ANGELES

ANTELOPE VALLEY
GROUNDWATER CASES

This Pleading Relates to Included Action:
REBECCA LEE WILLIS, on behalf of
herself and all others similarly situated,

Plaintiff,

vs.

LOS ANGELES COUNTY WATERWORKS
DISTRICT NO. 40; CITY OF LANCASTER;
CITY OF PALMDALE; PALMDALE
WATER DISTRICT; LITTLEROCK CREEK
IRRIGATION DISTRICT; PALM RANCH
IRRIGATION DISTRICT; QUARTZ HILL
WATER DISTRICT; ANTELOPE VALLEY
WATER CO.; ROSAMOND COMMUNITY
SERVICE DISTRICT; PHELAN PINON
HILL COMMUNITY SERVICE DISTRICT;
and DOES 1 through 1,000;

Defendants.

JUDICIAL COUNCIL COORDINATION
PROCEEDING NO. 4408

CASE NO. BC 364553

~~PROPOSED~~ AMENDED FINAL
JUDGMENT APPROVING WILLIS
CLASS ACTION SETTLEMENT

Date:
Time:
Dept:
Judge: Hon. Jack Komar
Coordination Trial Judge

This matter has come before the Court on the Motion of Plaintiff Rebecca Lee Willis
(Willis) for Final Approval of the Proposed Class Action Settlement between and among
Rebecca Lee Willis and the Willis Class, on the one hand; and Los Angeles County Waterworks
District No. 40, City of Palmdale Water District, Littlerock Creek Irrigation District, Palm
Ranch Irrigation District, Quartz Hill Water District, California Water Service Company,

1 Rosamond Community Service District, Phelan Pinon Hills Community Services District,
2 Desert Lake Community Services District, and North Edwards Water District (collectively, the
3 “Settling Defendants”), on the other hand.

4 By Order dated November 18, 2010, this Court granted Plaintiff’s Motion for
5 Preliminary Approval of the Proposed Settlement of this action and directed the sending of
6 Notice to the Willis Class. After considering all arguments and submissions for and against
7 final approval of the proposed settlement, and being fully advised of the premises, **IT IS**
8 **HEREBY ORDERED, ADJUDGED AND DECREED AS FOLLOWS, PURSUANT TO**
9 **SECTIONS 382 AND 664.6 OF THE CODE OF CIVIL PROCEDURE.**

10 1. For over 10 years, a number of actions have been pending in the Los Angeles
11 County Superior Court and other California courts seeking an adjudication of the various
12 parties’ respective rights to the groundwater underlying the Antelope Valley Groundwater Basin
13 (the “Basin”).

14 2. A number of cases raising such issues were coordinated by a July 11, 2005 order
15 of Judicial Council and assigned to the Honorable Jack Komar of the Superior Court for the
16 County of Santa Clara (the “Court”).

17 3. The Court held an initial phase of the trial on October 3006 with respect to the
18 boundaries of the Basin and issued an Order on November 3, 2006 defining the Basin for
19 purposes of the litigation.

20 4. The Willis Class Action was filed on or about January 11, 2007 to contest certain
21 public entities’ claims that those entities had obtained prescriptive rights to a portion of the
22 Basin’s groundwater. The Willis case was subsequently coordinated with the Coordinated
23 Cases.

24 5. By Order dated September 11, 2007, the Court certified the Willis Class. As
25 amended by Orders dated May 22, 2008 and September 2, 2008, the Willis Class is defined as
26 follows:
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1 "All private (i.e., non-governmental) persons and entities that own real property
2 within the Basin, as adjudicated, that are not presently pumping water on their
3 property and have not done so at any prior time ("the Class"). The Class
4 includes the successors-in-interest by way of purchase, gift, inheritance, or
5 otherwise of such landowners.

6 The Class excludes the defendants herein, any person, firm, trust,
7 corporation, or other entity with which any defendant has a controlling interest or
8 which is related to or affiliated with any of the defendants, and the
9 representatives, heirs, affiliates, successors-in-interest or assigns of any such
10 excluded party. The Class also excludes all persons to the extent their properties
11 are connected and receive service from a municipal water system, public utility,
12 or mutual water company. The Class shall [further] exclude Kern County
13 Assessor's' office, unless the owners of such properties declare under penalty of
14 perjury that they do not pump and have never pumped water on those
15 properties."

16 6. Notice of the Pendency of this action was sent to the Willis Class in or about
17 January 1, 2009 and the opt-out period (as extended) expired on August 30, 2009. Certain
18 persons who opted out were subsequently permitted to rejoin the Class.

19 7. The persons listed on Exhibit 1 hereto validly excluded themselves from the
20 Class in accordance with this Court's prior Orders (and have not re-joined the Class) and are not
21 bound by the Settlement or this Judgment.

22 8. Counsel for the Willis Class engaged in settlement discussions with Defendants'
23 counsel during mid 2009. On September 2, 2009, counsel participated in mediation session
24 before the Honorable Ronald Robie. That mediation resulted in an agreement in principle
25 among counsel for the Settling Parties to settle the litigation between and among their respective
26 clients, subject to appropriate approvals.

27 9. By Order dated October 28, 2009, the Court stated its intent to consolidate the
28 various Actions that were coordinated as part of JCCP No. 4408, including the Willis action.
On February 19, 2010, the Court entered an Order Transferring and Consolidating [the
Coordinated] Actions for All Purposes. As provided in the Consolidation Order, this Final
Judgment shall not be construed to prejudice the rights of any of the Non-Settling Parties in the
Consolidated Actions nor shall it prejudice the claims and defenses that the Settling Parties may
assert with respect to such Non-Settling Parties.

10. By Order dated November 18, 2010, this Court granted preliminary approval to

1 the proposed settlement of this action and directed that Notice of the Proposed Settlement be
2 sent to the Class.

3 11. Notice of the Proposed Settlement has been sent to the Willis Class by first class
4 mail in accordance with the Court's Preliminary Approval Order. Such Notice fully and
5 accurately informed the Class of all material terms of the proposed settlement and the
6 opportunity to object to or comment on the Settlement. The Notice was given in an adequate
7 and sufficient manner, constituted the best notice practicable under the circumstances, and
8 satisfied due process.

9 12. The Settling Parties and each class member have irrevocably submitted to the
10 jurisdiction of this Court for any suit, action, proceeding or dispute arising out of the Settlement
11 Agreement.

12 13. It is in the best interest of the parties and the Class Members and consistent with
13 principles of judicial economy that any dispute between any class member (including any
14 dispute as to whether any person is a class member) and any Settling Defendant which is in any
15 way related to the applicability or scope of the Settlement Agreement or the Final Judgment
16 should be presented to this Court for resolution.

17 14. The Stipulation of Settlement submitted by the Settling Parties is hereby finally
18 approved as fair, reasonable, and in the best interests of the Class, and the parties are directed to
19 consummate the Settlement in accordance with its terms.

20 15. The Complaint in the Willis Action shall be deemed dismissed with prejudice as
21 soon as the Final Judgment becomes effective under the terms of the Settlement Stipulation.

22 16. For purposes of this Final Judgment, "Released Parties" means Plaintiff Rebecca
23 Lee Willis and the Willis Class, as well as Defendants Los Angeles County Waterworks District
24 No. 40; The City of Palmdale; Palmdale Water District; Littlerock Creek Irrigation District;
25 Palm Ranch Irrigation District; Quartz Hill Water District; California Water Service Company;
26 Rosamond Community Services District; Phelan Pinon Hills Community Services District;
27 Desert Lake Community Services District; and North Edwards Water District.

28 17. The Court hereby orders that the Released Parties are released and forever

1 discharged from the Released Claims as more specifically provided in the Stipulation of
2 Settlement.

3 18. The Class members and their heirs, executors, administrators, successors, and
4 assigns are hereby permanently barred and enjoined from instituting, commencing, prosecuting,
5 or continuing to prosecute, either directly or indirectly, any Released Claim against any of the
6 Released Parties in any form, other than claims to enforce the terms of the Settlement. Each
7 Class member may hereafter discover facts other than or different from those which he or she
8 knows or believes to be true with respect to the Released Claims. Nevertheless, each member of
9 the Class (except those who timely opted out) waive and fully, finally and forever settle and
10 release, upon the Settlement Agreement becoming final, any known or unknown, suspected or
11 unsuspected, contingent or noncontingent Released Claim, whether or not concealed or hidden,
12 without regard to the subsequent discovery or existence of such different or additional facts.


13 19. The Settling Defendants and their heirs, executors, administrators, successors,
14 and assigns are hereby permanently barred and enjoined from instituting, commencing,
15 prosecuting, or continuing to prosecute, either directly or indirectly, any Released Claim against
16 any of the Class Members in any forum, other than claims to enforce the terms of the
17 Settlement. Each Settling Defendant may hereafter discover facts other than or different from
18 those which he or she knows or believes to be true with respect to the Released Claims.
19 Nevertheless, each Settling Defendant waives and fully, finally and forever settles and releases,
20 upon the Settlement Agreement becoming final, any known or unknown, suspected or
21 unsuspected, contingent or noncontingent Released Claim, whether or not concealed or hidden,
22 without regard to the subsequent discovery or existence of such different or additional facts.

23 20. Without affecting the finality of this Judgment, the Court hereby reserves and
24 retains jurisdiction over this Settlement, including the administration and consummation of the
25 Settlement, as well as any action or proceeding brought to enforce the Settlement. In addition,
26 without affecting the finality of this Judgment, the Court retains jurisdiction over the Parties for
27 purposes of incorporating and merging this Judgment into a physical solution or other Judgment
28 that may ultimately be entered in the Consolidated Actions. The Settling Parties are hereby

1 deemed to have submitted irrevocably to the exclusive jurisdiction of this Court for any suit,
2 action, proceeding or dispute arising out of or relating to this Judgment or the Settlement.

3 21. The Court after considering the pleadings on file herein, and the arguments of
4 counsel, awards the Willis Class attorneys fees in the amount of \$1,839,494, an incentive award
5 for Ms. Rebecca Willis in the amount of \$10,000, costs in the amount of \$65,057.68, and
6 supplemental attorneys fees in the amount of \$160,622.50. Judgment in the amount of
7 \$2,075,174.18 is hereby entered for the Willis Class against Los Angeles County Waterworks
8 District No. 40, City of Palmdale, Palmdale Water District, Littlerock Creek Irrigation District,
9 Palm Ranch Irrigation District, Quartz Hill Water District, California Water Service Company,
10 Rosamond Community Service District, Phelan Pinon Hills Community Services District,
11 Desert Lake Community Services District, and North Edwards Water District.

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14 Dated: 9-22-2011



Judge of the Superior Court
Honorable Jack Komar

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14 Attorneys for Defendant

12 (ADDITIONAL COUNSEL ARE LISTED ON SIGNATURE PAGES)

13 Superior Court of the State of California

14 County of Los Angeles

15 ANTELOPE VALLEY GROUNDWATER
16 CASES

17 This Pleading Relates to Included Action:
18 REBECCA LEE WILLIS, on behalf of herself
19 and all others similarly situated,

19 Plaintiff,

20 v.

21 LOS ANGELES COUNTY WATERWORKS
22 DISTRICT NO. 40; CITY OF LANCASTER;
23 CITY OF LOS ANGELES; CITY OF
24 PALMDALE; PALMDALE WATER
25 DISTRICT; LITTLEROCK CREEK
26 IRRIGATION DISTRICT; PALM RANCH
27 IRRIGATION DISTRICT; PALM RANCH
28 IRRIGATION DISTRICT; QUARTZ HILL
WATER DISTRICT; ANTELOPE VALLEY
WATER CO.; ROSAMOND COMMUNITY
SERVICES DISTRICT; and DOES 1 through
1,000;

Defendants.

JUDICIAL COUNCIL
COORDINATION
PROCEEDING NO. 4408

Case No. BC 364553

**WILLIS CLASS STIPULATION OF
SETTLEMENT**

SETTLEMENT STIPULATION

- 1 -

LAW OFFICES OF
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P.O. BOX 1028
RIVERSIDE, CA 92502

1 This Stipulation of Settlement (the "Stipulation" or "Agreement") is entered into this 13th
2 day of July 2010 by and between California Water Service Company, City of Palmdale, Littlerock
3 Creek Irrigation District, Los Angeles Waterworks District No. 40 ("District 40"), Palmdale
4 Water District, Palm Ranch Irrigation District, Phelan Pinon Hills Community Services District,
5 Quartz Hill Water District, and Rosamond Community Services District, Desert Lake Community
6 Services District and North Edwards Water District (collectively, "Settling Defendants"), on the
7 one hand, and Rebecca Lee Willis and the Willis Class (as more fully defined below), which
8 consists of certain persons who own property(ies) that overly the Antelope Valley Groundwater
9 Basin (the "Basin") on which they do not and have not pumped groundwater, on the other hand.
10 Settling Defendants, Rebecca Lee Willis, and the Willis Class are collectively referred to as the
11 "Settling Parties," or individually a "Settling Party." This Stipulation and the Exhibits hereto set
12 forth the terms of a settlement (the "Settlement") between and among the Settling Parties
13 compromising and dismissing the claims and defenses they have asserted in the above-captioned
14 action. The Settlement is subject to approval by the Superior Court of California for Los Angeles
15 County; in the event such approval is denied, cannot be obtained, or is reversed on appeal, this
16 Stipulation shall have no further force or effect, and the Settling Parties shall be returned to their
17 respective positions in the litigation prior to execution of this Stipulation.

18 I. THE SETTLING PARTIES

19 A. The Settling Plaintiffs are Rebecca Lee Willis and the members of the Willis
20 Class, as defined in paragraph II, D below.

21 B. The Settling Defendants are as follows:

22 1. California Water Service Company is a California corporation which
23 extracts groundwater from the Basin to serve customers within the Basin.

24 2. The City of Palmdale is a municipal corporation in the County of Los
25 Angeles which receives water from the Basin.

26 3. Littlerock Creek Irrigation District is a public agency which produces
27 groundwater from the Basin to serve customers within the Basin.

28 SETTLEMENT STIPULATION

- 2 -

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1 4. Los Angeles County Waterworks District No. 40 ("District 40") is a public
2 agency governed by the Los Angeles County Board of Supervisors. District 40 has been lawfully
3 organized to perform various functions, including producing water from the Basin, which it
4 provides to more than 65,000 residential and commercial customers in the Basin.

5 5. Palmdale Water District is an irrigation district organized and operating
6 under Division 11 of the California Water Code, which produces groundwater from the Basin to
7 serve customers within the Basin.

8 6. Palm Ranch Irrigation District is a public agency which produces
9 groundwater from the Basin to serve customers within the Basin.

10 7. Rosamond Community Services District is a public agency which produces
11 water from the Basin which it provides to customers within the Basin.

12 8. Quartz Hill Water District is a county water district organized and
13 operating under Division 12 of the California Water Code. It produces water from the Basin.

14 9. Phelan Pinon Hills Community Services District is a public water supplier
15 which produces water from the Basin.

16 10. Desert Lake Community Services District is a public agency which
17 produces groundwater from the Basin.

18 11. North Edwards Water district is a public agency which produces
19 groundwater from the Basin.

20 II. RECITALS

21 A. On or about November 29, 2004, District 40 commenced a civil action against
22 Overlying Owners (more specifically defined in III. M) in the Basin, which is now pending in the
23 Superior Court for Los Angeles County, seeking, inter alia, an adjudication of their respective
24 rights to produce groundwater from the Basin. On or about July 11, 2005, that case was
25 coordinated with several quiet title actions that had been brought by Basin landowners, which
26 also sought a declaration of the parties' rights to produce and use the Basin's groundwater.
27 Antelope Valley Groundwater Cases, No. 1-05-CV049053 (JCCP 4408) (hereinafter the
28 "Coordinated Actions"). The Coordinated Actions are pending before the Honorable Jack Komar.

SETTLEMENT STIPULATION

1 B. On or about October 10, 2006, the Court held an initial phase of trial with respect
2 to the boundaries of the Basin. The Court issued an Order on November 3, 2006, defining the
3 Basin for purposes of this litigation.

4 C. On or about January 11, 2007 Plaintiff, Rebecca Lee Willis ("Willis"), filed a class
5 action complaint in the Superior Court of the State of California for Los Angeles County (No. BC
6 364553) (the "Willis Action") in which she alleged that certain Public Water Suppliers had
7 wrongfully claimed prescriptive rights to the Basin's groundwater. Willis sought, inter alia, a
8 declaration that the Settling Defendants had not obtained prescriptive rights as to her or Willis
9 Class Members (more specifically defined in III.X). On or about April 10, 2007, the Willis Action
10 was coordinated as part of the Coordinated Actions.

11 D. By Order dated September 11, 2007 (as amended by Orders dated May 22, 2008
12 and September 2, 2008), the Court certified Willis as the representative of a Class of certain
13 Overlying Owners (more specifically defined in if III.M. below) pursuant to Section 382 of the
14 California Code of Civil Procedure and Division 7, Chapter 6 of the Rules of Court.

15 E. In early January 2009, Notice of the Pendency of the Willis Action was sent by
16 first class mail to all Willis Class Members (more specifically defined in III.X below) who could
17 be identified with reasonable effort and a summary notice was published. The deadline for
18 putative Willis Class Members to exclude themselves (as extended) expired on August 30, 2009.
19 The Court has made various orders allowing certain parties to rejoin the Willis Class.

20 F. The Settling Parties have actively discussed potential settlement for much of this
21 year. On or about September 2, 2009, the Settling Parties engaged in mediation before the
22 Honorable Ronald Robie during the course of which counsel for most of the parties reached an
23 agreement in principle to settle the Willis Action, subject to the negotiation of a final settlement
24 agreement, client approvals, and approval by the Court.

25 G. On or about February 19, 2010, the Court entered an Order Transferring and
26 Consolidating Actions for All Purposes (hereinafter the "Consolidated Actions").

27 H. Over the course of the last three years, the Settling Plaintiffs' counsel have
28 conducted a thorough investigation of the facts and law relating to the matters at issue in the

SETTLEMENT STIPULATION

1 Consolidated Actions and have evaluated the merits of all Settling Parties' contentions and the
2 impact this Settlement will have on the Willis Class Members. After evaluating the foregoing, the
3 Settling Plaintiffs and counsel are satisfied that the terms and conditions of this Stipulation are
4 fair, reasonable, and adequate, and that the Settlement is in the best interest of the Willis Class
5 Members.

6 I. The Settling Defendants contend that they have prescriptive rights to substantially
7 more than 15% of the Basin's Native Safe Yield. The Settling Plaintiffs contend that the Settling
8 Defendants have no such prescriptive rights as to them. This Settlement reflects a compromise
9 between the Settling Parties and shall not (1) be construed as an admission or concession by any
10 Settling Party of the truth of any allegation or the validity of any claim or defense asserted in any
11 of the pleadings, (2) be construed to prejudice the rights, claims, or defenses of any persons who
12 are not Settling Parties, or (3) be construed to prejudice the rights, claims, or defenses (whether
13 asserted or potential) of any Settling Party vis-à-vis any non-settling party.

14 J. The United States owns property within the Basin as to which it claims a Federal
15 Reserved Right to produce groundwater.

16 III. DEFINITIONS

17 The following terms used in this Stipulation shall have the meanings set forth below:

18 A. "Assessments" means any monetary or other levy or charge imposed as part of a
19 Physical Solution.

20 B. "Basin" means the Antelope Valley Groundwater Basin as defined in the Court's
21 Order of November 3, 2006.

22 C. "Consolidated Actions" means all actions that have been or subsequently were
23 coordinated as part of Judicial Council Coordination Proceeding No. 4408 and all actions that
24 have been or subsequently were consolidated pursuant to the Court's Order from February 19,
25 2010.

26 D. "Correlative Rights" means the principle of California law, articulated in Katz v.
27 Walkinshaw (1903) 141 Cal. 116 and subsequent cases, that Overlying Owners may make
28 reasonable and beneficial use of the water in a Basin and that, if the supply of water is insufficient

1 for all reasonable and beneficial needs, each Overlying Owner is entitled to a fair and just
2 proportion of the water available to the Overlying Owners.

3 E. "Court" means the Honorable Jack Komar, sitting by designation as a Judge of the
4 Superior Court of Los Angeles County or such other Judge as may be designated by the Judicial
5 Conference to hear JCCP No. 4408.

6 F. "Effective Date" means the date on which the Court's Judgment granting final
7 approval to the Settlement becomes final and not subject to further appeal.

8 G. "Federal Reserved Right" is the principle originally articulated in *Winters v.*
9 *United States* (1908) 207 U.S. 564 and more recently in *Cappaert v. United States* (1976) 426
10 U.S. 128, which holds that when the Federal Government reserves land from the public domain, it
11 impliedly reserves sufficient water to serve the purposes for which the lands were reserved, and
12 the quantity of reserved water is limited to the amount necessary to fulfill the purposes of the
13 reserved land. The United States contends that the Federal Reserved Right entitles the United
14 States to a prior and paramount right to a portion of the Native Safe Yield.

15 H. "Federally Adjusted Native Safe Yield" for any given year means the Basin's
16 Native Safe Yield less the actual annual production of the United States' during the prior year
17 pursuant to its Federal Reserved Right.

18 I. "Final Judgment" means a final judgment to be entered by the Court in the above
19 matter, which approves the terms and provisions of this Stipulation, and is substantially in the
20 form attached hereto as Exhibit A.

21 J. "Imported Water" means water that enters the Basin and that originates outside the
22 Basin that is not part of the Basin's Native Safe Yield, and that, absent human intervention, would
23 not recharge or be used in the Basin. Imported Water does not include water purchased by the
24 Watermaster with Replacement Assessments or bottled water.

25 K. "Native Safe Yield" means the amount of pumping, which under a given set of
26 land use and other prevailing cultural conditions, generates Return Flows that, when combined
27 with naturally occurring groundwater recharge to the Basin, results in no long-term depletion of
28

1 Basin groundwater storage. Pumping of the Settling Parties' share of Native Safe Yield is not
2 subject to any Replacement Assessment.

3 L. "Overlying Right" means the appurtenant right of an Overlying Owner to use
4 groundwater from the Native Safe Yield for overlying reasonable and beneficial use.

5 M. "Overlying Owners" means owners of land overlying the Basin who hold an
6 Overlying Right.

7 N. "Physical Solution" means a mechanism that comprehensively resolves the
8 competing claims to the Basin's water and provides for the management of the Basin. The Settling
9 Parties anticipate that this Settlement will later be incorporated into a Physical Solution.

10 O. "Preliminary Approval Order" means the Court's Order granting preliminary
11 approval to the Settlement set forth herein, directing the manner in which notice of the Settlement
12 shall be provided to the Willis Class, and scheduling a final Hearing for the Court to consider
13 whether to approve the Settlement. The Settling Parties will submit a proposed Preliminary
14 Approval Order in the form appended as Exhibit B hereto.

15 P. "Recycled Water" means water which, as a result of treatment of waste, is suitable
16 for a direct beneficial use or a controlled use that would not otherwise occur and is therefore
17 considered a valuable resource..

18 Q. "Replacement Assessment" means the charge imposed on any Settling Party by the
19 Watermaster for producing more water than it is entitled to produce from the Basin under the
20 terms of this Settlement or pursuant to such further orders as the Court may enter in the
21 Coordinated Actions.

22 R. "Replacement Water" means water purchased by the Watermaster to offset
23 production in excess of a Settling Party's share of Total Safe Yield.

24 S. "Return Flows" means the amount of water that is put to reasonable and beneficial
25 agricultural, municipal or other use and thereafter returns to the Basin and is part of the Basin's
26 Total Safe Yield.

27 T. "Settlement" means this Stipulation, including the Exhibits appended hereto.
28

1 U. "Total Safe Yield" means the amount of pumping, which under a given set of land
2 use and other prevailing cultural conditions generates Return Flows that, when combined with
3 naturally occurring groundwater recharge to the Basin and Return Flows derived from Imported
4 Water, results in no long-term depletion of Basin groundwater storage.

5 V. "Transition Period" means the period of time provided for in the Physical Solution
6 during which the parties' right to produce water from the Native Safe Yield free from
7 Replacement Assessment will decrease to amounts that total no more than that party's share of
8 Native Safe Yield.

9 W. "Watermaster" means the person or entity appointed by the Court to monitor and
10 manage the Basin's groundwater, subject to oversight by the Court.

11 X. "Willis Class" or "Willis Class Members" means the Willis Class as defined in the
12 Court's Order of September 11, 2007, as amended by the Court's Orders of May 22, 2008, and
13 September 2, 2008, but shall exclude all persons who timely excluded themselves from the Willis
14 Class and have not rejoined the Willis Class. The Willis Class consists of the following:

15 "All private (i.e., non-governmental) persons and entities that own
16 real property within the Basin, as adjudicated, that are not presently
17 pumping water on their property and have not done so at any prior
18 time ("the Class"). The Class includes the successors-in-interest by
19 way of purchase, gift, inheritance, or otherwise of such landowners.

20 The Class excludes the defendants herein, any person, firm, trust,
21 corporation, or other entity in which any defendant has a controlling
22 interest or which is related to or affiliated with any of the
23 defendants, and the representatives, heirs, affiliates, successors-in-
24 interest or assigns of any such excluded party. The Class also
25 excludes all persons to the extent their properties are connected and
26 receive service from a municipal water system, public utility, or
27 mutual water company. The Class shall [further] exclude all
28 property(ies) that are listed as 'improved' by the Los Angeles
County or Kern County Assessor's office, unless the owners of such
properties declare under penalty of perjury that they do not pump
and have never pumped water on those properties."

IV. SETTLEMENT TERMS

In consideration of the covenants and agreements set forth herein, and of the releases and
dismissals described below, the Settling Parties agree to settle and compromise the claims that
have been asserted or that could have been asserted between and among the Willis Class and the

SETTLEMENT STIPULATION

1 Settling Defendants, subject to Court approval, on the following terms and conditions:

2 A. Native Safe Yield.

3 Settling Defendants and the United States contend that the best estimate of the Basin's
4 Native Safe Yield is 82,300 acre-feet per year. The Willis Class agrees not to challenge or
5 otherwise contest the Native Safe Yield proposed by the Settling Defendants as long as it is at
6 least 82,300 acre-feet per year. The Settling Parties understand and agree that, in the absence of
7 stipulation by all parties in the Coordinated Actions, the Court will decide the Basin's Native Safe
8 Yield following trial, and the Settling Parties agree to be bound by the Court's determination in
9 that regard even if some or all of them do not participate in such a trial.

10 B. Total Safe Yield.

11 The Settling Defendants contend that the best estimate of the Basin's Total Safe Yield is
12 110,500 acre-feet per year. The Willis Class agrees not to challenge or otherwise contest that
13 estimate. The Settling Parties understand and agree that, in the absence of stipulation by all
14 parties in the Coordinated Actions, the Court will decide the Basin's Total Safe Yield following
15 trial, and the Settling Parties agree to be bound by the Court's determination in that regard even if
16 some or all of them do not participate in such a trial.

17 C. Federal Reserved Right.

18 The United States contends that it is entitled to a Federal Reserved Right. The Settling
19 Parties agree that the Federal Government has a Federal Reserved Right to use a portion of the
20 Native Safe Yield. The Settling Parties agree that the Court will decide the amount of the Federal
21 Reserved Right and they agree to be bound by the Court's determination.

22 D. Allocation Of Federally Adjusted Native Safe Yield.

23 The Settling Parties agree to be bound by the Court's determination of the amounts of the
24 Basin's Native Safe Yield and the United States' Federal Reserved Right. The Basin's Federally
25 Adjusted Native Safe Yield shall be the Basin's Native Safe Yield less the prior year's production
26 of water by the United States (not to exceed the Federal Reserved Right). The Settling Parties
27 agree that the Settling Defendants and the Willis Class Members each have rights to produce
28 groundwater from the Basin's Federally Adjusted Native Safe Yield.

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P.O. BOX 1028
RIVERSIDE, CA 92502

1 1. Settling Defendants' Water Rights

2 Settling Defendants have asserted in the Coordinated Actions that they have obtained
3 prescriptive rights to the Basin's Native Safe Yield. This Stipulation shall neither be construed to
4 recognize prescriptive rights nor to limit the Settling Defendants' prescriptive claims vis-a-vis the
5 Basin or any non-settling parties, but rather as an agreement to fairly allocate the Settling Parties'
6 respective rights to use the Basin's water. The Settling Parties agree that the Settling Defendants
7 collectively have the right to produce up to 15% of the Basin's Federally Adjusted Native Safe
8 Yield free of any Replacement Assessment. The Willis Class will not take any positions or enter
9 into any agreements that are inconsistent with the exercise of the Settling Defendants' rights.

10 2. Willis Class Members' Pumping Rights

11 The Settling Parties agree that the Willis Class Members have an Overlying Right to a
12 correlative share of 85% of the Federally Adjusted Native Safe Yield for reasonable and
13 beneficial uses on their overlying land free of any Replacement Assessment. The Settling
14 Defendants will not take any positions or enter into any agreements that are inconsistent with the
15 exercise of the Willis Class Members' Overlying Right to produce and use their correlative share
16 of 85% of the Basin's Federally Adjusted Native Safe Yield.

17 a. Safe Harbor.

18 The Willis Class Members acknowledge that the Settling Defendants may at trial prove
19 prescriptive rights against all groundwater pumping in the Basin during a prior prescriptive
20 period. If the Settling Defendants do prove prescriptive rights, Settling Defendants shall not
21 exercise their prescriptive rights to diminish the Willis Class Members' Overlying Right below a
22 correlative share of 85% of the Basin's Federally Adjusted Native Safe Yield. If the Settling
23 Defendants fail to prove any prescriptive rights, this Agreement shall not diminish at all the rights
24 of Willis Class Members to make reasonable and beneficial use of a correlative share of the
25 Basin's Federally Adjusted Native Safe Yield. In no event shall this Agreement require the
26 Willis Class Members to give to the Settling Defendants more than 15% of any rights to use the
27 Basin's groundwater that they may obtain by way of settlement or judgment. If there is a
28 subsequent Court decision whereby the Court determines that the Willis Class Members do not

1 have Overlying Rights, this Agreement shall not require Settling Defendants to give the Willis
2 Class Members any right to pump from the Native Safe Yield.

3 3. Correlative Rights Of Overlying Landowners

4 The Willis Class Members recognize that other Overlying Owners may have the right to
5 pump correlatively with them 85% of the Federally Adjusted Native Safe Yield of the Basin for
6 reasonable and beneficial uses on their overlying land.

7 4. Return Flows From Imported Water

8 a. The Settling Parties acknowledge and agree that they all have the
9 right to recapture Return Flows from Imported Water that they put to reasonable and beneficial
10 use in the Basin, consistent with California law. The Settling Parties will not be subject to any
11 Replacement Assessment for their production of an amount equal to the Return Flows from
12 Imported Water that they put to reasonable and beneficial use in the Basin.

13 b. Settling Defendants believe that the best estimates of Return Flows
14 from Imported Water are (a) 25% of the water used for agricultural purposes and (b) 28% of the
15 water used for municipal and industrial purposes. Settling Defendants further believe that the best
16 estimate of total annual Return Flows from Imported Water is 28,200 acre-feet of which 25,100
17 acre-feet is from municipal and industrial use and 3,100 acre-feet is from agricultural use. The
18 Willis Class agrees not to contest those estimates, and all Settling Parties agree to be bound by
19 any findings that may later be made by the Court with respect thereto.

20 V. MANAGEMENT OF THE BASIN

21 A. General

22 The Settling Parties agree that the Basin has limited water resources and that they should
23 use their best efforts to conserve and maximize reasonable and beneficial use. The Settling Parties
24 further agree that there is a need to create a groundwater management plan to ensure that
25 pumping from the Basin does not exceed the Basin's Total Safe Yield and that the Court should
26 appoint a Watermaster to oversee the management of the Basin's water resources.

27 B. Physical Solution

28 The Settling Parties expect and intend that this Stipulation will become part of a Physical
SETTLEMENT STIPULATION

1 Solution entered by the Court to manage the Basin and that the Court will retain jurisdiction in the
2 Coordinated Actions. The Settling Parties agree to be part of such a Physical Solution to the
3 extent it is consistent with the terms of this Stipulation and to be subject to Court-administered
4 rules and regulations consistent with California and Federal law and the terms of this Stipulation.
5 The Settling Parties agree that the Physical Solution may require installation of a meter on any
6 groundwater pump by a Willis Class Member before a Willis Class Member may produce
7 groundwater. The responsibility for the cost of such meters will be determined by the Court.

8 C. Transition Period.

9 The Settling Parties agree that net groundwater production from the Basin needs to be
10 reduced over a period of time from current levels to no more than the Basin's Total Safe Yield.
11 This can be accomplished by reducing pumping and/or purchasing Replacement Water. The
12 Settling Parties agree that the Transition Period should begin at the date of entry of Final
13 Judgment in the Coordinated Actions and should last seven years. During the first two years of
14 the Transition Period no effort will be made to curtail groundwater pumping and no Replacement
15 Assessments will be made. By the end of the seventh year of the Transition Period, groundwater
16 pumping from the Basin without Replacement Assessment for Replacement Water will not
17 exceed the Native Safe Yield.

18 D. Replacement Water.

19 The Settling Parties recognize the right of any Settling Party to produce groundwater from
20 the Basin above their share of the Native Safe Yield, subject to the Physical Solution and to any
21 Replacement Assessment. The Settling Parties agree to provide or purchase Imported Water for
22 all groundwater pumping that exceeds a Settling Party's share of the Federally Adjusted Native
23 Safe Yield. The Settling Parties agree that any Settling Party who produces more than its annual
24 share of the Federally Adjusted Native Safe Yield in any year will be responsible to provide
25 Replacement Water or pay a Replacement Assessment to the Watermaster so that the
26 Watermaster can purchase Imported Water to recharge the Basin.

27 E. Water Storage

28 The Settling Parties agree that water storage in the Basin offers significant benefits and
SETTLEMENT STIPULATION

1 should be encouraged. The Settling Parties further recognize that there is a limit on the Basin's
2 available storage space and that the storage of water for uses within the Basin should have
3 priority over storage for use outside the Basin. Subject to those general principles, the Settling
4 Parties agree that water storage should be permitted and encouraged and agree to support
5 appropriate provisions in the Physical Solution.

6 F. Recycled Water

7 The Settling Parties agree that it is important to encourage the treatment and use of
8 Recycled Water. The Willis Class agrees not to challenge or otherwise contest Settling
9 Defendants' claims to Return Flows from Recycled Water that was reclaimed by the Sanitation
10 Districts of Los Angeles County.

11 VI. PROCEDURES FOR CLASS NOTICE AND HEARING ON MOTIONS FOR
12 PRELIMINARY AND FINAL APPROVAL OF STIPULATION

13 A. Preliminary Approval Motion and Settlement Notice.

14 Settling Plaintiffs shall file a motion for preliminary approval ("Preliminary Approval
15 Motion") of the terms of the Settlement as soon as practicable following execution of this
16 Stipulation by all Settling Parties. The Preliminary Approval Motion will seek entry of an Order
17 Preliminarily Approving Class Action Settlement. The Preliminary Approval Motion shall
18 include a proposed form of notice describing this Stipulation (the "Settlement Notice") to be
19 disseminated to the Willis Class as well as a description of the procedures to be used in
20 disseminating the Settlement Notice. The Settlement Notice shall be disseminated to all Willis
21 Class Members by or under the supervision of counsel for District 40, with the expenses to be
22 borne by District 40. The Settling Parties will attempt to agree upon the language for the
23 Settlement Notice, but agree to be bound by the Court's determination in the event they have any
24 disputes or disagreements in that regard. The Settling Parties agree to use their best efforts to have
25 the Preliminary Approval Motion heard as promptly as is practical.

26 B. Final Approval Hearing.

27 The Settlement Notice will advise Willis Class Members of the date and time set for a
28 Hearing on the Settling Plaintiffs' Motion for Final Approval of the Stipulation, including

SETTLEMENT STIPULATION

1 advising them of their rights to submit statements in support of or opposition to the Stipulation.
2 The Final Approval Motion shall request that this Court find that the Stipulation and Proposed
3 Final Judgment are fair, reasonable, and adequate to the Willis Class and shall seek entry of a
4 Final Judgment substantially in the form attached hereto as Exhibit A.

5 VII. RELEASES AND DISMISSALS

6 A. Release By Settling Plaintiffs

7 1. In addition to the effect of any Final Judgment entered in accordance with
8 this Stipulation, upon this Stipulation becoming final as set out in Section VIII, Paragraph G of
9 this Stipulation, and in consideration for the settlement consideration set forth above, and for
10 other valuable consideration, the Settling Plaintiffs shall completely release, acquit and forever
11 discharge the Settling Defendants from any and all claims, demands, actions, suits, causes of
12 action, whether class, individual, or otherwise in nature that Settling Plaintiffs, or each of them,
13 ever had, now has, or hereafter can, shall, or may have on account of or in any way arising out of,
14 any and all known or unknown, foreseen or unforeseen, suspected or unsuspected injuries,
15 damages, and the consequences thereof in any way arising out of or relating in any way to the
16 matters at issue in the Willis Action ("Released Claims"). Each Settling Plaintiff may hereafter
17 discover facts other than or different from those which he, she, or it knows or believes to be true
18 with respect to the claims which are the subject matter of this Stipulation, but each Settling
19 Plaintiff hereby expressly waives and fully, finally, and forever, settles and releases, upon this
20 Stipulation becoming final, any known or unknown, suspected or unsuspected, contingent or non-
21 contingent claim with respect to the subject matter of the Stipulation, whether or not concealed or
22 hidden, without regard to the subsequent discovery or existence of such different or additional
23 facts. As provided in the Release set forth above, the Settling Plaintiffs, including any of Settling
24 Plaintiffs' representatives, successors, agents, affiliates, employees, supervisors, officers,
25 directors, or shareholders, agree to waive and release all rights and benefits which they might
26 otherwise have pursuant to Section 1542 of the California Civil Code with regard to the release of
27 such unknown, unanticipated or misunderstood claims, causes of action, liabilities, indebtedness
28 and obligations.

SETTLEMENT STIPULATION

1 2. The Release set forth in Paragraph VII.A, above, does not include claims
2 by any of the Settling Plaintiffs other than the claims set forth therein. In particular, the Settling
3 Parties recognize that many persons own more than one parcel of land within the Basin. The
4 foregoing Release only binds Willis Class Members and only with respect to those properties
5 within the Basin on which they have not pumped water.

6 B. Release By Settling Defendants

7 In addition to the effect of any Final Judgment entered in accordance with this Stipulation,
8 upon this Stipulation becoming final as set out in Paragraph VIII.G of this Stipulation, and in
9 consideration of the settlement consideration set forth above, and for other valuable
10 consideration, the Settling Defendants completely release, acquit and forever discharge Settling
11 Plaintiffs and the Willis Class Members from any and all claims, demands, actions, suits, causes
12 of action, whether class, individual, or otherwise in nature that Settling Defendants, or any of
13 them, ever had, now has, or hereafter can, shall, or may have arising from or relating in any way
14 to the matters at issue in the Willis Action ("Released Claims"). Each Settling Defendant may
15 hereafter discover facts other than or different from those which he, she, or it knows or believes to
16 be true with respect to the claims which are the subject matter of this Stipulation, but each
17 Settling Defendant hereby waives any right to relief from the provisions of this Stipulation in
18 such event, and fully, finally, and forever, settles and releases, upon this Stipulation becoming
19 final, any known or unknown, suspected or unsuspected, contingent or non-contingent claim with
20 respect to the subject matter of the Stipulation, whether or not concealed or hidden, and without
21 regard to the subsequent discovery or existence of such different or additional facts.

22 1. As provided in the Release set forth in Paragraph VII.B, above, the Settling
23 Defendants, including any of Settling Defendants' representatives, successors, agents, affiliates,
24 employees, supervisors, officers, directors, or shareholders, agree to waive and release all rights
25 and benefits which they might otherwise have pursuant to Section 1542 of the California Civil
26 Code with regard to the release of such unknown, unanticipated or misunderstood claims, causes
27 of action, liabilities, indebtedness and obligations.

28 VIII. MISCELLANEOUS PROVISIONS

SETTLEMENT STIPULATION

1 A. No Concession By Any Settling Party

2 It is understood and agreed that this Stipulation represents the compromise of disputed
3 positions with respect to the relevant facts and law. This Stipulation shall not be deemed a
4 concession by any Settling Party as to any fact or the validity or invalidity of any claim or
5 defense.

6 B. Best Efforts and Mutual Cooperation.

7 Settling Plaintiffs and Settling Defendants shall use their best efforts to effectuate this
8 Stipulation and its purpose, and secure the prompt, complete, and final dismissal with prejudice of
9 the Willis Action. The Settling Parties agree to take any and all reasonable steps that may be
10 necessary in that regard, as long as those steps do not require any material deviations from the
11 terms of this Stipulation or impose material new obligations beyond those contemplated by this
12 Stipulation.

13 The Settling Parties recognize that not all parties to the Coordinated Actions have entered
14 into this Stipulation and that a trial may be necessary as against non-settling parties. The Settling
15 Parties agree to cooperate and coordinate their efforts in any such trial or hearing so as to obtain
16 entry of judgment consistent with the terms of this Stipulation; this provision, however, will not
17 require Willis Class counsel to participate in any such trial or render any efforts absent written
18 agreement of Settling Defendants to compensate them for such efforts. Nor shall this Stipulation
19 preclude Settling Plaintiffs from participating in any further proceedings that may affect their
20 rights.

21 C. Adjustments Of Settling Parties' Estimates

22 In the event that the Court enters findings of fact that vary from the estimated amounts
23 that the Settling Parties have agreed to for purposes of this Stipulation (including the length of the
24 Transition Period described in Paragraph V.C.), the Court's findings will be determinative and
25 will supplant the amounts set forth in this Stipulation. For example, if the Court should determine
26 following trial that the Basin's Total Safe Yield is, in fact, 120,000 acre-feet per year (or some
27 other amount), the Court's findings will control.

28 D. Fees And Costs Of Settling Plaintiff's Counsel

1 The Settling Parties understand that Willis Class counsel intend to seek an award of their
2 fees and costs from the Court. Any such awards will be determined by the Court unless agreed to
3 by the Settling Parties. Settling Defendants will likely oppose the motion for fees and costs. If
4 Willis Class Counsel obtain an award of fees, Settling Defendants agree to exercise their best
5 efforts to pay any fee award within a reasonable period of time or as required pursuant to Court
6 order. Willis Class Counsel agree that they will not seek any attorneys' fees and/or costs from
7 Settling Defendants for any efforts Willis Class Counsel undertake after the Court's entry of Final
8 Judgment approving the Settlement, except with respect to the following: (a) any reasonable and
9 appropriate efforts by Willis Class Counsel to enforce the terms of this Stipulation against
10 Settling Defendants in the event Settling Defendants fail to comply with a provision of this
11 Stipulation; (b) any reasonable and appropriate efforts by Willis Class Counsel to defend against
12 any new or additional claims or causes of action asserted by Settling Defendants against the
13 Willis Class in pleadings or motions filed in the Consolidated Actions; (c) any reasonable and
14 appropriate efforts by Willis Class Counsel that are undertaken in response to a written Court
15 order stating that, pursuant to this provision, Class counsel may seek additional fees for specified
16 efforts from Settling Defendants pursuant to Code of Civil Procedure section 1021.5; (d) any
17 reasonable and appropriate efforts by Willis Class Counsel that are undertaken in response to a
18 written request by Settling Defendants executed by counsel for all Settling Defendants that Class
19 Counsel participate in future aspects of the Consolidated Actions (e.g., the negotiation of a
20 Physical Solution); or (e) any reasonable and appropriate efforts that Willis Class Counsel render
21 to defend a fee award in their favor in the event the Settling Defendants appeal such a fee award
22 and the Court of Appeal affirms the fee award in the amount of 75 percent or more of the fees
23 awarded by the Superior Court. Willis Class Counsel remain free to seek an award of fees from
24 other parties to the litigation.

25 E. Retention Of Jurisdiction

26 The Superior Court of the State of California for Los Angeles County shall retain
27 jurisdiction over the implementation, enforcement, and performance of this Stipulation, and shall
28 have exclusive jurisdiction over any suit, action, proceeding, or dispute arising out of or relating

1 to this Stipulation or the applicability of this Stipulation.

2 F. Choice Of Law

3 This Stipulation shall be governed and construed by the substantive laws of the State of
4 California.

5 G. Finality

6 a. This Stipulation shall be effective on the Effective Date, which
7 shall occur when the Court has entered a Final Judgment approving this Stipulation and one of the
8 following events occurs; (i) if an appeal is taken, the date of final affirmance of the Final
9 Judgment, or if petition for review is granted by California Supreme Court or writ of certiorari is
10 granted by United States Supreme Court, the date of final affirmance of the Final Judgment
11 following review pursuant to such grant; or (ii) the date of final dismissal of any appeal from
12 Final Judgment or the final dismissal of any proceedings on petition to review the Final
13 Judgment; or (iii) if no appeal is filed, the expiration date of the time for filing or noticing of any
14 appeal from the Final Judgment, i.e., sixty (60) days after notice of entry of the Final Judgment.

15 b. In the event that the Court refuses to approve this Stipulation, or
16 any material part hereof, or if such approval is materially modified or set aside on appeal, or if the
17 Final Judgment is not entered in accordance with this Stipulation, appellate review is sought, and
18 on such review, such Final Judgment is not affirmed as to all material parts, then any of the
19 Settling Parties to the Stipulation have the option to rescind this Stipulation in its entirety. Written
20 notice of the exercise of any such right to rescind shall be made according to the terms of this
21 Paragraph VIII.L below within thirty (30) days of the triggering event.

22 H. Integrated Agreement

23 This Stipulation constitutes the entire, complete and integrated agreement among the
24 Settling Parties, and supersedes all prior or contemporaneous undertakings of the Settling Parties
25 in connection herewith. This Stipulation may not be modified or amended except in writing
26 executed by the Settling Parties and approved by the Court. It shall be construed and interpreted
27 to effectuate the intent of the Settling Parties which is to provide, through this Stipulation, for a
28 complete resolution of the relevant claims between the Settling Parties on the terms provided in

SETTLEMENT STIPULATION

1 this Stipulation. Notwithstanding the foregoing, the Settling Parties intend and agree that this
2 Stipulation will later be incorporated into a Physical Solution, as defined above, which is
3 consistent with the terms of this Stipulation.

4 I. Waiver

5 The waiver by any Settling Party of its rights under any provision of this Stipulation or of
6 any breach of this Stipulation shall not be deemed a waiver of any other provision or subsequent
7 breach of this Stipulation.

8 J. Intended Beneficiaries

9 This Stipulation shall be binding upon, and inure to the benefit of, the heirs, successors
10 and assigns of the Settling Plaintiffs and Settling Defendants. Without limiting the generality of
11 the foregoing, this Stipulation shall bind each and every subsequent property owner who acquires
12 property in the Basin from a Willis Class Member as well as persons who subsequently acquire
13 such properties.

14 K. Interpretation and Construction

15 The terms of this Stipulation have been arrived at by negotiation and mutual agreement,
16 with consideration of and participation by all Settling Parties and with the advice of counsel.
17 Neither Settling Plaintiffs nor Settling Defendants shall be considered to be the drafter of this
18 Stipulation or any of its provisions for the purpose of any statute, case law, or rule of
19 interpretation or construction that would or might cause any provision to be construed against the
20 drafter of this Stipulation (including but not limited to Civil Code Section 1654). The descriptive
21 headings of any paragraphs or sections of this Stipulation are inserted for convenience only and
22 do not constitute a part of this Stipulation.

23 L. Notices

24 Where this Stipulation requires either party to provide notice or any other communication
25 or document to the other, such notice shall be in writing, and such notice, communication, or
26 document shall be provided by personal delivery, facsimile transmission, overnight delivery, or
27 letter sent by United States mail with delivery confirmation. Notice may be provided to the
28 Settling Parties through their counsel of record at the following addresses:

SETTLEMENT STIPULATION

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 BEST, BEST & KRIEGER LLP
 3750 UNIVERSITY AVENUE, SUITE 400
 P.O. BOX 1028
 RIVERSIDE, CA 92502

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California Water Service Company:	Attn: President California Water Service Company 1720 North First Street San Jose, California 95112
with a copy to:	John Tootle California Water Service Company 2632 West 237th Street Torrance, California 90505
City of Palmdale:	Attn: City Manager 38300 Sierra Highway Palmdale, California 93550
with a copy to:	James Markman Richards, Watson & Gerson 355 South Grand Avenue, 40th Floor Los Angeles, California 90071
Littlerock Creek Irrigation District:	Attn: General Manager 35141 87th Street East Littlerock, California 93543
with a copy to:	Wayne Lemieux Lemieux & O'Neill 2393 Townsgate Rd., Suite 201 Westlake Village, California 91361
Los Angeles County Waterworks District No. 40:	Attn: Director 260 East Avenue K-8 Lancaster, California 93535
with a copy to:	Michael Moore Los Angeles county Counsel Office 648 Kenneth Hahn Hall of Administration 500 West Temple Street Los Angeles, California 90012
with a copy to:	Eric L. Garner

SETTLEMENT STIPULATION

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 3750 UNIVERSITY AVENUE, SUITE 400
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 RIVERSIDE, CA 92502

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	Best Best & Krieger LLP 3750 University Avenue P.O.B 1028 Riverside, California 92502
Palmdale Water District:	Attn: General Manager 2029 E. Avenue Q Palmdale, California 93550
with a copy to:	Thomas Bunn III Lagerlof, Senecal, Gosney & Kruse, LLP 301 North Lake Avenue, 10th floor Pasadena, California 91101-4108
Palm Ranch Irrigation District:	Attn: General Manger 4871 West Avenue M. (Colombia Way) Quartz Hill, California 93536
with copy to:	Wayne Lemieux Lemieux & O'Neill 2393 Townsgate Rd., Suite 201 Westlake Village, California 91361
Quartz Hill Water District:	Attn: General Manager 42141 N. 50th Street West Quartz Hill, California 93536
with copy to:	Bradley Weeks Charlton Weeks LLP 107 West Avenue M-14, Suite A Palmdale, California 93551
Phelan Pinon Hills Community Services District:	Attn: General Manager 4037 Phelan Road, Suite C-1 Phelan, California 92371
with copy to:	Francis Logan Law Office of Susan Trager 19712 MacArthur Blvd. #120 Irvine, California 92612
Rosamond Community Services District:	Attn: General Manager

SETTLEMENT STIPULATION

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	3179 35th Street W Rosamond California 93560
with a copy to:	Eric L. Garner Best Best & Krieger LLP 3750 University Avenue P.O.Box 1028 Riverside, California 92502
Willis Class:	Rebecca Lee Willis
With a copy to:	Ralph Kalfayan Krause Kalfayan Benink & Slavens LLP 625 Broadway, Ste. 635 San Diego, CA 92101

or to such other address as any Settling Party shall, from time to time, specify in the manner provided herein.

M. No Admissions

Neither this Stipulation, nor any act performed or document executed pursuant to or in furtherance of this Stipulation is or may be deemed to be or may be used as an admission of, or evidence of, (i) the validity of any claim or defense; or (ii) the appropriateness or inappropriateness of any Willis Class Member or other representational capacity, whether contemporaneously with this Stipulation or at any time in the future.

N. Execution

This Stipulation may be executed in counterparts by Settling Plaintiffs and Settling Defendants, and a facsimile signature shall be deemed an original signature for purposes of executing this Stipulation. Each of the undersigned persons represents that he or she is fully authorized to enter into the terms and conditions of and to execute this Stipulation by the party for which he or she has signed the Stipulation.

IN WITNESS HEREOF, the undersigned being duly authorized, have executed this Stipulation on the dates shown below.

Rebecca Lee Willis

Approved as to form by: Ralph Kalfayan

SETTLEMENT STIPULATION

LAW OFFICES OF
BEST BEST & KRIEGER LLP
3750 UNIVERSITY AVENUE, SUITE 400
P.O. BOX 1028
RIVERSIDE, CA 92502

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By: Rebecca Lee Willis

California Water Service

By: _____

City of Palmdale

By: _____

Littlerock Creek Irrigation District

By: _____

Los Angeles County Waterworks
District No. 40

By: Glenn Thomas
Chair, Board of Supervisors



Attest:
Sachi A. Hamai,
Executive Officer-Clerk Of the Board of
Supervisors

By: Lachelle Smitherman
DEPUTY

Palmdale Water District

By: _____

SETTLEMENT STIPULATION

By: Reese Kalfay

Approved as to form by: John Tootle

By: _____

Approved as to form by: James Markman

By: _____

Approved as to form by: Wayne Lemieux

By: _____

Approved as to form by:
Andrea Sheridan Ordin, County Counsel

By: Warren R. Wellen
Warren R. Wellen, Principal Deputy
County Counsel

Approved as to form by: Eric L. Garner

By: _____

Approved as to form by: Tom Bunn

By: _____

77381

LAW OFFICES OF
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3750 UNIVERSITY AVENUE, SUITE 400
P.O. BOX 1028
RIVERSIDE, CA 92502

1 By: _____

By: _____

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3 California Water Service

Approved as to form by: John Tootle

4

5 By: _____

By: _____

6 City of Palmdale

Approved as to form by: James Markman

7

8 By: James J. Markman

By: James J. Markman

9 Littlerock Creek Irrigation District

Approved as to form by: Wayne Lemieux

10

11 By: _____

By: _____

12 Los Angeles County Waterworks
District No. 40

Approved as to form by:
Andrea Sheridan Ordin, County Counsel

13

14 By: _____
Chair, Board of Supervisors

By: _____
Warren R. Wellen, Principal Deputy
County Counsel

15

16

Approved as to form by: Eric L. Garner

17

18

By: _____

19

20 Attest:
21 Sachi A. Hamai,
22 Executive Officer-Clerk Of the Board of
Supervisors

23 By: _____

24

25 Palmdale Water District

Approved as to form by: Tom Bunn

26

27 By: _____

By: _____

28

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SETTLEMENT STIPULATION

- 23 -

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By: _____

City of Palmdale

By: _____

Littlerock Creek Irrigation District

By: _____

Los Angeles County Waterworks
District No. 40

By: *[Signature]*
Chair, Board of Supervisors



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DEPUTY

Palmdale Water District

By: *[Signature]*

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By: *[Signature]*
Warren R. Wellen, Principal Deputy
County Counsel

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By: *[Signature]*

SETTLEMENT STIPULATION

- 23 -

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