

AMENDMENT NO. 11 TO ANTELOPE VALLEY-EAST KERN WATER AGENCY
LONG TERM WATER CONTRACT
WAS NEVER EXECUTED

THE RESOURCES AGENCY
DEPARTMENT OF WATER RESOURCES

639 5131

AMENDMENT NO. 12 TO WATER SUPPLY CONTRACT
BETWEEN THE STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES AND
ANTELOPE VALLEY-EAST KERN WATER AGENCY

THIS CONTRACT, made this 8th day of February, 1980,
pursuant to the provisions of the California Water Resources
Development Bond Act, the State Central Valley Project Act, and
other applicable laws of the State of California, between the
State of California, acting by and through its Department of Water
Resources, herein referred to as the "State", and Antelope Valley-
East Kern Water Agency, herein referred to as the "Agency";

WHEREAS, the State and the Agency have entered into and
subsequently amended a water supply contract providing that the
State will supply certain quantities of water to the Agency, and
providing that the Agency shall make certain payments to the
State, and setting forth the terms and conditions of such supply
and such payment; and

WHEREAS, the State and the Agency desire to make certain
changes and additions to such contract, while otherwise continuing
the contract in full force and effect;

NOW, THEREFORE, it is mutually agreed that the following
changes and additions are hereby made to the Agency's water
supply contract with the State;

1. Subdivision t of Article 1 of the Agency's Water
Supply Contract with the State is amended to read as follows:

(t) Project Repayment Period

"Project repayment period" shall mean that period of years commencing on January 1, 1961, and extending until December 31, 2035; Provided, that whenever construction of any project facilities is financed by a bond issue with maturity dates later than December 31, 2035, whether the bonds are issued pursuant to the Bond Act or other authority, repayment of the costs of such facilities shall be extended to end on the date of the latest maturities of the bonds with which construction of such facilities is financed.

2. Article 2 of the Agency's Water Supply Contract with the State is amended to read as follows:

(2) Term of Contract

This contract shall become effective on the date first above written and shall remain in effect for the longest of the following:

1. The project repayment period
2. 75 years
3. The period ending with the latest maturity date of any bond issue used to finance the construction costs of project facilities.

IN WITNESS WHEREOF, the parties hereto have executed
this contract amendment on the date first above written.

Approved as to legal form
and sufficiency:

STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES

by *J. A. Tourner*
Chief Counsel
Department of Water Resources

by *Arvid B. Olney*
Director

ANTELOPE VALLEY-EAST KERN
WATER AGENCY

by *Ralph R. Butts*
Title *Pres*

STATE OF CALIFORNIA
THE RESOURCES AGENCY
DEPARTMENT OF WATER RESOURCES

AMENDMENT NO. 13 TO WATER SUPPLY CONTRACT
BETWEEN THE STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES AND THE
ANTELOPE VALLEY-EAST KERN WATER AGENCY

THIS CONTRACT, made this 1st day of December,
1982, pursuant to the provisions of the California Water Resources
Development Bond Act, the State Central Valley Project Act, and
other applicable laws of the State of California, between the
State of California, acting by and through its Department of Water
Resources, herein referred to as the "State", and Antelope Valley-
East Kern Water Agency, herein referred to as the "Agency";

WHEREAS, the State and the Agency have entered into and
subsequently amended a water supply contract providing that the
State will supply certain quantities of water to the Agency, and
providing that the Agency shall make certain payments to the
State, and setting forth the terms and conditions of such supply
and such payment; and

WHEREAS, the State and the Agency desire to make certain
changes and additions to such contract, while otherwise continuing
the contract in full force and effect;

NOW, THEREFORE, it is mutually agreed that the following
changes and additions are hereby made to the Agency's water supply
contract with the State:

1. Article 1(e) is amended to read:

(e) Project Facilities

"Project facilities" shall mean those facilities of the system which will, in whole or in part, serve the purposes of this contract by conserving water and making it available for use in and above the Delta and for export from the Delta and from such additional facilities as are defined in Article 1(h)(2) herein, and by conveying water to the Agency. Said project facilities shall consist specifically of "project conservation facilities" and "project transportation facilities", as hereinafter defined.

2. Article 1(h) is amended to read:

(h) Additional Project Conservation Facilities

"Additional project conservation facilities" shall mean the following facilities and programs which will serve the purpose of preventing any reduction in the minimum project yield as hereinafter defined:

(1) Those project facilities specified in Section 12938 of the Water Code;

(2) Those facilities and programs described in (A), (B), (C), (D), and (E) below which, in the State's determination, are engineeringly feasible and capable of producing project water which is economically competitive with alternative new water supply sources, provided that, in the State's determination, the construction and operation of such facilities and programs will not interfere with the requested deliveries of annual entitlement to any contractor other than the sponsoring contractor, and will not result in any greater annual charges to any contractor other than the sponsoring contractor than would have occurred with the

construction at the same time of alternative new water supply sources which are either reservoirs located north of the Delta or off-Aqueduct storage reservoirs located south or west of the Delta designed to supply water to the California Aqueduct. The following facilities and programs shall hereinafter be referred to as "Local Projects":

(A) On-stream and off-stream surface storage reservoirs not provided for in Section 12938 of the Water Code, that will produce project water for the System for a period of time agreed to by the sponsoring contractor;

(B) Ground water storage facilities that will produce project water for the System for a period of time agreed to by the sponsoring contractor;

(C) Waste water reclamation facilities that will produce project water for the System for a period of time agreed to by the sponsoring contractor;

(D) Water and facilities for delivering water purchased by the State for the System for a period of time agreed to by the sponsoring contractor; provided that the economic test specified herein shall be applied to the cost of these facilities together with the cost of the purchased water; and

(E) Future water conservation programs and facilities that will reduce demands by the sponsoring contractor for project water from the System for a period of time agreed to by the sponsoring contractor and will thereby have the effect of increasing project water available in the Delta for distribution.

(3) Whether a Local Project described in (2) above shall be considered economically competitive shall be determined by the State by comparing, in an engineering and economic analysis, such Local Project with alternative new water supply sources which are either reservoirs located north of the Delta or off-Aqueduct storage reservoirs located south or west of the Delta designed to supply water to the California Aqueduct. The analysis for such alternative new water supply sources shall use the average cost per acre-foot of yield in the latest studies made for such sources by the State and shall compare those facilities with the proposed Local Project using commonly accepted engineering economics. In the case of a Local Project to be funded in part by the State as part of the System and in part from other sources, the economic analysis specified herein shall be applied only to the portion to be funded by the State as part of the System.

(4) The Local Projects in (2) above shall not be constructed or implemented unless or until:

(A) The sponsoring contractor signs a written agreement with the State which:

(i) Contains the sponsoring contractor's approval of such facility or program.

(ii) Specifies the yield and the period of time during which the water from the Local Project shall constitute project water; and

(iii) Specifies the disposition of such Local Project or of the yield from such Local Project upon the expiration of such period of time; and

(B) All contractors within whose boundaries any portion of such Local Project is located, and who are not sponsoring contractors for such Local Project give their written approval of such Local Project.

(5) "Sponsoring contractor" as used in this Article 1(h) shall mean the contractor or contractors who either will receive the yield from facilities described in 2(A), (B), (C), or (D) above, or agree to reduce demands for project water from the System pursuant to 2(E) above.

(6) In the event of a shortage in water supply within the meaning of Article 18(a), the determination of whether to count, in whole or in part, the yield from facilities described in 2(A), (B), (C), or (D) above, or the reduced demand from future conservation programs described in 2(E) above in the allocation of deficiencies among contractors will be based on a project-by-project evaluation taking into consideration such factors as any limitation on the use of the water from such facilities and whether the sponsoring contractor has access to project water from the Delta as an alternate to such facilities.

3. Article 1(i)(2) is amended to read:

(2) Facilities for the generation and transmission of electrical energy of the following types:

(A) Hydroelectric generating and transmission facilities, whose operation is dependent on the transportation of project water, or on releases to channels downstream of project facilities defined under (1) above. Such facilities shall be called "project aqueduct power recovery plants."

(B) All other generating and associated transmission facilities, except those dependent on water from project conservation facilities, for the generation of power. These facilities shall be called "off-aqueduct power facilities" and shall consist of the State's interest in the Reid-Gardner and any other generating and associated transmission facilities, constructed or financed in whole or in part by the State, which are economically competitive with alternative power supply sources as determined by the State.

4. Article 1(r) is amended to read:

(r) Project Interest Rate

"Project interest rate" shall mean the weighted average interest rate of (1) through (6) below computed by dividing (i) the total interest cost required to be paid or credited by the State during the life of the indebtedness or advance by (ii) the total of the products of the various principal amounts and the respective terms in years of all such amounts:

(1) general obligation bonds issued by the State under the Bond Act,

(2) revenue bonds issued by the State under the Central Valley Project Act after May 1, 1969,

(3) bonds issued by the State under any other authority granted by the Legislature or the voters,

(4) bonds issued by any agency, district, political subdivision, public corporation, or nonprofit corporation of this State,

(5) funds advanced by any contractor without the actual incurring of bonded debt therefor, for which the net interest cost and terms shall be those which would have resulted if the contractor had sold bonds for the purpose of funding the advance, as determined by the State, and

(6) funds borrowed from the General Fund or other funds in the Treasury of the State of California, for which the total interest cost shall be computed at the interest rate earned over the period of such borrowing by moneys in the Pooled Money Investment Account of such Treasury invested in securities,

to the extent the proceeds of any such bonds, advances or loans are for construction of the State Water Facilities defined in Section 12934(d) of the Water Code, the additional project conservation facilities, and the supplemental conservation facilities, (except off-aqueduct power facilities and advances for delivery structures, measuring devices and excess capacity) and without regard to any premiums received on the sale of bonds under item (1) above. The "project interest rate" shall be computed as a decimal fraction to five places.

5. Subdivision (h) is added to Article 22 to read:

(h) The determination of the rate for water under the Delta Water Charge shall be made by including the appropriate costs and quantities of water, calculated in accordance with subdivisions (c), (d) and (e) above, for all additional project conservation facilities as defined in Article 1(h) hereinabove. In the event a Local Project as defined in Article 1(h)(2) will,

pursuant to written agreement between the State and the sponsoring contractor, be considered and treated as an additional project conservation facility for less than the estimated life of the facility, the rate under the Delta Water Charge will be determined on the basis of that portion of the appropriate cost and water supply associated with such facility as the period of time during which such facility shall be considered as an additional project conservation facility bears to the estimated life of such facility. No costs for the construction or implementation of any Local Project are to be included in the Delta Water Charge unless and until the written agreement required by Article 1(h) has been entered into.

6. Subdivision (i) is added to Article 22 to read:

(i) In calculating the rate for project water to be paid by each contractor for the Delta Water Charge under subdivisions (c), (d) and (e) above, the component for operation, maintenance, power and replacement costs shall include, but not be limited to, all costs to the State incurred in purchasing water, which is competitive with alternative sources as determined by the State, for delivery as project water.

7. Subdivision (f) is added to Article 24 to read:

(f) The capital costs of project aqueduct power recovery plants shall be charged and allocated in accordance with this Article 24. The capital costs of off-aqueduct power facilities shall be charged and allocated in accordance with Article 25(d).

8. Subdivision (d) is added to Article 25 to read:

(d) Notwithstanding the provisions of subdivisions (a) and (b) of this article, or of Article 1(s), the costs of off-aqueduct power facilities shall be determined and allocated as follows:

(1) The off-aqueduct power costs shall include all annual costs the State incurs for any off-aqueduct power facility, which shall include, but not be limited to, power purchases, any annual principal and interest payments on funds borrowed by or advanced to the State, annual principal and interest on bonds issued by the State or other agency, or under revenue bond financing contracts, any requirements for coverage, deposits to reserves, and associated operation and maintenance costs of such facility, less any credits, interest earnings, or other monies received by the State in connection with such facility. In the event the State finances all or any part of an off-aqueduct power facility directly from funds other than bonds or borrowed funds, in lieu of such annual principal and interest payments, the repayment of capital costs as to that part financed by such other funds shall be determined on the basis of the schedule that would have been required under Article 24.

(2) The annual costs of off-aqueduct power facilities as computed in (1) above shall initially be allocated among contractors in amounts which bear the same proportions to the total amount of such power costs that the total estimated electrical energy (kilowatt hours) required to pump through project transportation facilities the desired delivery amounts of annual entitlements for that year, as submitted pursuant to

Article 12(a)(1) and as may be modified by the State pursuant to Article 12(a)(2), bears to the total estimated electrical energy (kilowatt hours) required to pump all such amounts for all contractors through project transportation facilities for that year, all as determined by the State.

(3) An interim adjustment in the allocation of the power costs calculated in accordance with (2) above, may be made in May of each year based on April revisions in approved schedules of deliveries of annual entitlement for such year. A further adjustment shall be made in the following year based on actual deliveries of annual entitlement; provided, however, in the event no deliveries are made through a pumping plant, the adjustments shall not be made for that year at that plant.

(4) To the extent the monies received or to be received by the State from all contractors for off-aqueduct power costs in any year are determined by the State to be less than the amount required to pay the off-aqueduct power costs in such year, the State may allocate and charge that amount of off-aqueduct power costs to the Agency and other contractors in the same manner as costs under the capital cost component of the Transportation Charge are allocated and charged. After that amount has been so allocated, charged and collected, the State shall provide a reallocation of the amounts allocated pursuant to this paragraph (4), such reallocation to be based on the allocations made pursuant to (2) and (3) above for that year, or in the event no such allocation was made for that year, on the last previous allocation made pursuant to (2) and (3) above. Any such

reallocation shall include appropriate interest at the project interest rate.

9. Subdivision (e) is added to Article 25 to read:

(e) The total minimum operation, maintenance, power and replacement component due that year from each contractor shall be the sum of the allocations made under the proportionate use of facilities method provided in subdivision (b) of this article and the allocations made pursuant to subdivision (d) of this article for each contractor.

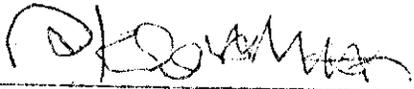
10. Subdivision (b) of Article 32 is amended to read:

(b) Interest on Overdue Payments

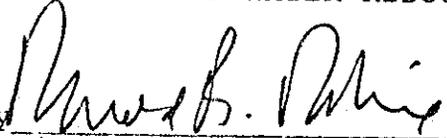
Upon every amount of money required to be paid by the Agency to the State pursuant to this contract which remains unpaid after it becomes due and payable, interest shall accrue at an annual rate equal to that earned by the Pooled Money Investment Fund, as provided in Government Code Sections 16480, et seq. calculated monthly on the amount of such delinquent payment from and after the due date until it is paid, and the Agency hereby agrees to pay such interest: provided, that no interest shall be charged to or be paid by the Agency unless such delinquency continues for more than thirty (30) days.

IN WITNESS WHEREOF, the parties hereto have executed
this contract amendment as of the date first above written.

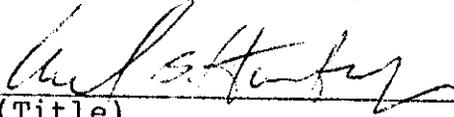
Approved as to legal form
and sufficiency:

By 
Acting Chief Counsel
Department of Water Resources

STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES

By 
Director

ANTELOPE VALLEY-EAST KERN
WATER AGENCY

By 
(Title)

STATE OF CALIFORNIA
THE RESOURCES AGENCY
DEPARTMENT OF WATER RESOURCES

AMENDMENT NO. 14 TO WATER SUPPLY CONTRACT
BETWEEN THE STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES AND THE
ANTELOPE VALLEY-EAST KERN WATER AGENCY

THIS CONTRACT is made this 19th day of JANUARY, 1983, ^{1984 RT}_{OK}
pursuant to the provision of the California Water Resources Development Bond
Act, the State Central Valley Project Act, and other applicable laws of the
State of California, between the State of California, acting by and through its
Department of Water Resources, herein referred to as the "State", and Antelope
Valley-East Kern Water Agency, herein referred to as the "Agency".

WHEREAS, the State and the Agency have entered into and subsequently
amended a water supply contract providing that the State will supply certain
quantities of water to the Agency, and providing that the Agency shall make
certain payments to the State, and setting forth the terms and conditions of
such supply and such payment; and

WHEREAS, the annual entitlement for the twelfth year (1983) of water
deliveries under the Agency's contract is 87,700 acre-feet; and

WHEREAS, the Agency has requested, under the provisions of Article
7(a) of the Agency's contract, a reduction in Table A amounts for the five-year
period 1984-1988 to their requested delivery amounts; and

WHEREAS, the Department has determined that approving the Agency's request would not impair the financial feasibility of the Project facilities;

NOW, THEREFORE, it is mutually agreed as follows:

Table A entitled, "Annual Entitlements, Antelope Valley-East Kern Water Agency" is amended to read as follows:

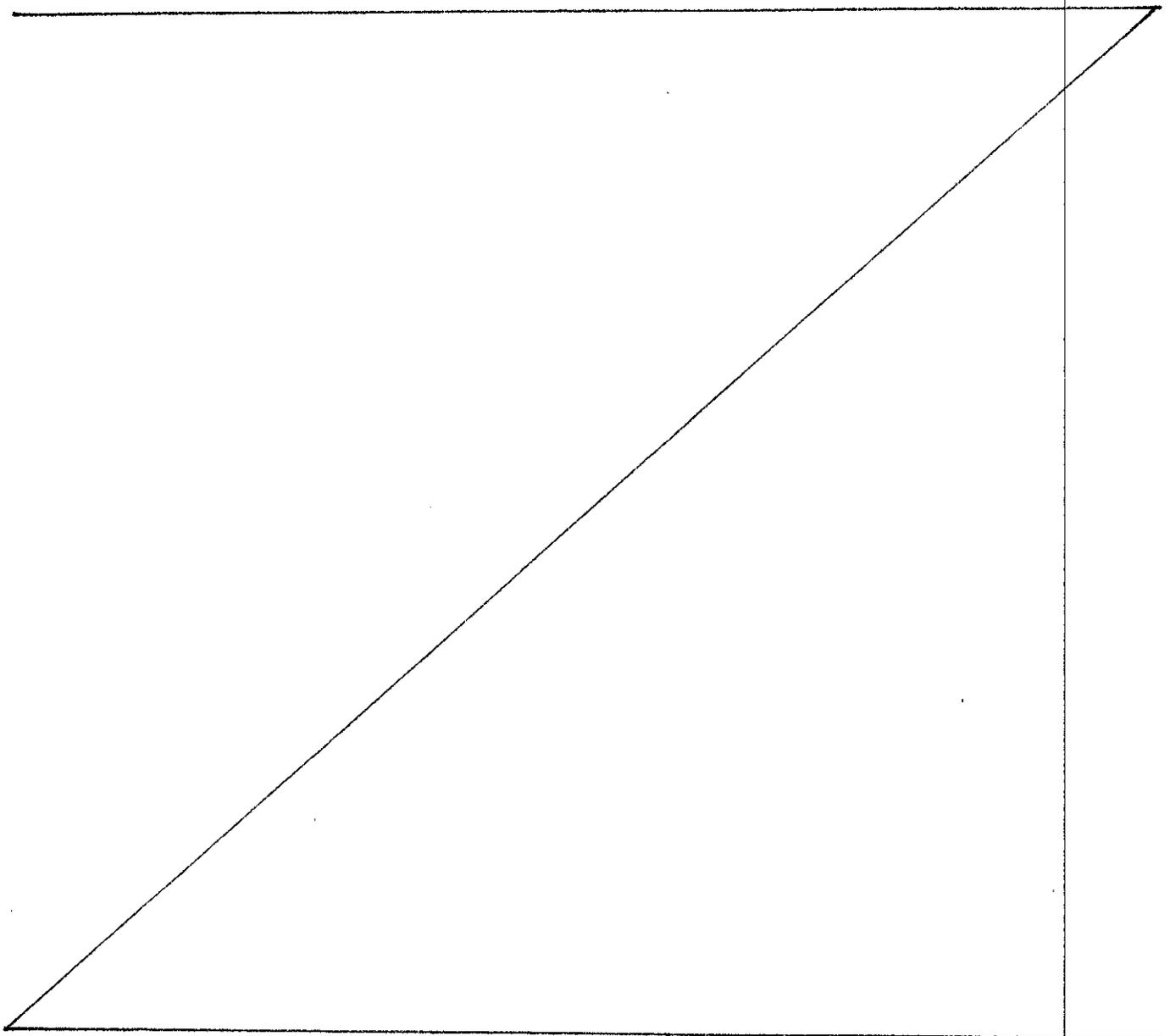


TABLE A
ANNUAL ENTITLEMENTS
ANTELOPE VALLEY-EAST KERN WATER AGENCY

| <u>Year</u> | <u>Total Annual Amount In Acre-Feet</u> |
|-------------|---|
| 1 | 20,000 |
| 2 | 25,000 |
| 3 | 30,000 |
| 4 | 35,000 |
| 5 | 44,000 |
| 6 | 50,000 |
| 7 | 57,000 |
| 8 | 63,000 |
| 9 | 69,200 |
| 10 | 75,000 |
| 11 | 81,300 |
| 12 | 87,700 |
| 13 | 35,000 |
| 14 | 40,000 |
| 15 | 42,000 |
| 16 | 44,000 |
| 17 | 46,000 |
| 18 | 125,700 |
| 19 | 132,100 |
| 20 | 138,400 |

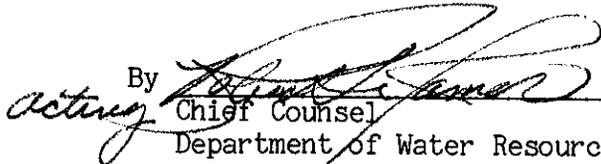
and each succeeding year thereafter,

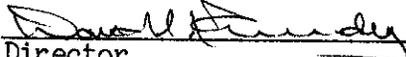
for the term of this contract: 138,400

IN WITNESS WHEREOF, the parties hereto have executed this contract amendment as of the date first above written.

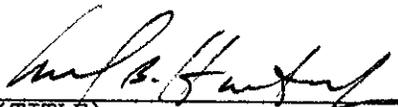
Approved as to legal form
and sufficiency:

STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES

By 
Acting Chief Counsel
Department of Water Resources

By 
Director

ANTELOPE VALLEY-EAST KERN WATER AGENCY

By 
(TITLE)
PRESIDENT

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6.3.1.1

State of California
The Resources Agency
DEPARTMENT OF WATER RESOURCES

AMENDMENT NO. 15 TO WATER SUPPLY CONTRACT
BETWEEN THE DEPARTMENT OF WATER RESOURCES
OF THE STATE OF CALIFORNIA
AND ANTELOPE VALLEY-EAST KERN WATER AGENCY

THIS CONTRACT is made this 6th day of June, 1986,
pursuant to the provisions of the California Water Resources Development Bond
Act, The State Central Valley Project Act, and other applicable laws of the
State of California, between the State of California, acting by and through its
Department of Water Resources, herein referred to as the "State", and Antelope
Valley-East Kern Water Agency, a public agency in the State of California, duly
organized, existing, and acting pursuant to the laws thereof with its principal
place of business in Quartz Hill, California, herein referred to as the
"Agency".

WITNESSETH, That:

WHEREAS, the State and the Agency have entered into a water supply
contract, as amended from time to time, providing that the State will supply
certain quantities of water to the Agency, and providing that the Agency shall
make certain payments to the State, and setting forth the terms and conditions
of such supply and such payment;

WHEREAS, The Metropolitan Water District of Southern California has requested the State to enlarge the East Branch Aqueduct from Junction, West Branch, California Aqueduct through Devil Canyon Power Plant by different capacity amounts;

WHEREAS, the Agency has expressed interest in receiving increased deliveries through the East Branch Aqueduct;

WHEREAS, the State is willing to enlarge reaches of the East Branch Aqueduct from Junction, West Branch, California Aqueduct through Devil Canyon Power Plant;

WHEREAS, other East Branch contractors may choose to participate in the facilities to be enlarged.

WHEREAS, the State is willing to operate the East Branch Aqueduct reaches from Junction, West Branch California Aqueduct through Perris Reservoir to provide deliveries on a basis that permits full utilization of available capacity.

NOW, THEREFORE, it is mutually agreed that the following changes and additions are hereby made to the Agency's water supply contract with the State:

1. Article 1(r) is amended to read:

(r) "Project interest rate" shall mean the weighted average interest rate of (1) through (6) below computed by dividing (i) the total interest cost required to be paid or credited by the State during the life of the indebtedness or advance by (ii) the total of the products of the various principal amounts and the respective terms in years of all such amounts:

(1) General obligation bonds issued by the State under the Bond Act,

(2) Revenue bonds issued by the State under the Central Valley Project Act after May 1, 1969,

(3) Bonds issued by the State under any other authority granted by the Legislature or the voters,

(4) Bonds issued by any agency, district, political subdivision, public corporation, or nonprofit corporation of this State,

(5) Funds advanced by any contractor without the actual incurring of bonded debt therefore, for which the net interest cost and terms shall be those which would have resulted if the contractor had sold bonds for the purpose of funding the advance, as determined by the State, and

(6) Funds borrowed from the General Fund or other funds in the Treasury of the State of California, for which the total interest cost shall be computed at the interest rate earned over the period of such borrowing by moneys in the Surplus Money Investment Fund of such Treasury invested in securities,

to the extent the proceeds of any such bonds, advances or loans are for construction of the State Water Facilities defined in Section 12934(d) of the Water Code, the additional project conservation facilities, and the supplemental conservation facilities (except off-aqueduct power facilities; advances for delivery structures, measuring devices and excess capacity; and East Branch Enlargement Facilities) and without regard to any premiums received on the sale of bonds under item (1) above. The "project interest rate" shall be computed as a decimal fraction to five places.

2. Subdivision (g) is added to Article 24 to read:

(g) Notwithstanding provisions of Article 24(a) through 24(d), capital costs associated with East Branch Enlargement Facilities as defined in Article 49(a) shall be collected under the capital cost component of the East Branch Enlargement Transportation Charge [Article 49(d)]. Any capital costs of off-aqueduct power facilities associated with deliveries through East Branch Enlargement Facilities shall be charged and allocated in accordance with Article 25(d).

3. Subdivision (f) is added to Article 25 to read:

(f) Notwithstanding provisions of Article 25(a) through 25(c) and 25(e), minimum operation, maintenance, power, and replacement costs associated with deliveries through East Branch Enlargement Facilities as defined in Article 49(a) shall be collected under the minimum operation, maintenance, power, and replacement component of the East Branch Enlargement Transportation Charge [Article 49(e)].

4. Subdivision (d) is added to Article 26 to read:

(d) There shall be no separate variable operation, maintenance, power, and replacement component for deliveries of water through East Branch Enlargement Facilities defined in Article 49(a).

5. Article 49 is added to read:

49. Enlargement Capacity from Junction, West Branch, California
Aqueduct through Devil Canyon Powerplant (Reaches 18A through 26A)

(a) Definitions

When used in this Article 49, the following terms shall have the meanings hereinafter set forth:

(1) East Branch Enlargement Facilities--all of the following:

(A) The facilities remaining to be constructed as part of the East Branch Enlargement construction;

(B) The work done pursuant to the letter agreement between the State and The Metropolitan Water District of Southern California dated November 29, 1966, which consisted of constructing the California Aqueduct between Cottonwood (now known as Alamo) Powerplant and Cedar Springs (now known as Silverwood) Reservoir so that, by future additions to the canal lining, siphons, and additional pumping units at Pearblossom Pumping Plant, the capacity could be increased by a then-estimated approximately 700 cubic feet per second;

(C) That portion of the enlargement of the Pearblossom Pumping Plant Forebay and Cofferdam construction which would not have been constructed but for the proposed East Branch Enlargement and which was done pursuant to the letter agreement between the State and The Metropolitan Water District of Southern California, dated January 18, 1984;

(D) That portion of the canal lining work between Alamo Powerplant and Pearblossom Pumping Plant done pursuant to the letter agreements between the State and The Metropolitan Water District of Southern California, dated July 2, 1984 and May 15, 1985 which increased the East Branch Aqueduct capacity beyond that set forth in Table B-2 as shown in State Bulletin 132-70;

(E) That portion of Reach 24 (Silverwood Lake) to be determined by a reallocation of Reach 24 to reflect the additional use to be made of that reach as a result of the East Branch Enlargement operation.

(F) That portion of Reach 25 (San Bernardino Tunnel) to be determined by an allocation of total delivery capability of Reach 25 between the basic East Branch facilities and the East Branch Enlargement as a result of East Branch Enlargement operation.

(2) Participating Contractor -- any contractor signing a contract amendment for participating in any East Branch Enlargement Facility.

(b) Sizing and Construction of Enlargement

(1) The State shall construct the East Branch Enlargement Facilities to accommodate flows to at least the capacities contracted for by the State and the Participating Contractors. Capacity provided in each reach of the enlargement for transport and delivery of project water to the Agency shall be as shown in the following table:

| <u>REACH</u> (1) | <u>CFS OF CAPACITY</u> |
|------------------|------------------------|
| 20A | 35 |
| 20B | 35 |
| 21 | 35 |
| 22A | 35 |

1) These numbers apply to the reaches as set forth in Figure B-5 in State Bulletin 132-85.

(2) The State shall construct the East Branch Enlargement Facilities in stages, with the first stage providing the Agency in each reach at least fifty percent of the capacity shown in the table set forth in Article 49(b)(1). The State shall determine the specific reach features to be enlarged in consultation with the Participating Contractors. All Participating Contractors which have capital cost repayment obligations in a reach shall be considered to have a minimum delivery capability in each stage. The minimum delivery capabilities of the Participating Contractors in each staged reach shall be in the same proportion as the Participating Contractor's proportion of the total

enlargement capacity. The State shall not construct Reaches 20A through 22A of the East Branch Enlargement Facilities to capacities greater than shown in the following table provided that power facilities may be constructed to a larger capacity if found by the State to be economically or operationally justifiable after prior consultation with the Participating Contractors.

| <u>REACH</u> | <u>CFS OF CAPACITY</u> |
|--------------|------------------------|
| 20A | 1,541 |
| 20B | 1,541 |
| 21 | 1,535 |
| 22A | 1,535 |

(3) The State shall make all reasonable efforts to complete construction of the first stage of the East Branch Enlargement Facilities as specified above by July 1, 1991. If the State determines that construction of the first stage cannot be accomplished by July 1, 1991 without incurring extra costs, it shall consult with the affected Participating Contractors.

(4) The State shall make all reasonable efforts to complete construction of any East Branch Enlargement Facilities necessary to accommodate the total of the constructed amount which are not completed as part of the first stage. It shall undertake further construction activities upon the earliest of (1) the State's determination that delivery schedules submitted pursuant to Article 12 justify such action or (2) a request by The Metropolitan Water

District of Southern California that such action be taken. If the State fails to complete construction of any portion or portions of the East Branch Enlargement Facilities one or more of the agencies may complete construction pursuant to the procedure in Article 17(f).

(5) Upon completion of each stage of construction, the State shall determine whether actual capacity of the East Branch Enlargement Facilities differs from contracted for capacity. If actual capacity differs from contracted for capacity, the capacity provided for transport and delivery of project water shall be proportionately adjusted by the State among the Participating Contractors.

(c) East Branch Enlargement Transportation Charge

The payments to be made by each Participating Contractor entitled to delivery of project water from or through the East Branch Enlargement Facilities shall include an annual charge under the designation East Branch Enlargement Transportation Charge. This charge shall return to the State during the repayment period associated with financing of East Branch Enlargement Facilities, those costs of the East Branch Enlargement Facilities which are allocated to the Participating Contractor in accordance with the cost allocation principles and procedures hereinafter set forth. Wherever reference is made, in connection with the computation, determination, or payment of the East Branch Enlargement Transportation Charge, to the costs of any facility or facilities included in the System, such reference shall be only to those costs of such facility or facilities which are reimbursable by the Participating Contractors as determined by the State. The East Branch Enlargement Transportation Charge

shall consist of a capital cost component; and a minimum operation, maintenance, power, and replacement component, as these components are defined in and determined under Articles 49(d) and 49(e), respectively. For the purpose of allocations of costs pursuant to said articles, the East Branch Enlargement Facilities shall be segregated into aqueduct reaches as set forth in Figure B-5 in State Bulletin 132-85, provided, however, that Reach 23 may be adjusted after consultation with the contractors as a result of a delivery point for Mojave Water Agency being changed.

(d) East Branch Enlargement Transportation Charge--Capital Cost Component

(1) Method of Computation.

Each Participating Contractor shall be allocated a capital cost component of the East Branch Enlargement Transportation Charge which shall be sufficient to return to the State those capital costs of the East Branch Enlargement Facilities which are allocated to the Participating Contractor pursuant to subdivision (d)(2) of this article. The amount of this charge shall be determined by an allocation of capital costs to the Participating Contractor and a computation of annual payments of such allocated costs and interest, if any, thereon to be made by the Participating Contractor pursuant to this article. The capital costs allocated to the Agency shall be reduced by payments advanced by the Agency pursuant to Article 49(d)(4).

(2) Allocation of Capital Costs Among Participating Contractors.

The total amount of capital costs of each reach of the enlargement to be returned to the State shall be allocated among all Participating Contractors on the basis of the ratio of the capacity provided in that reach of the East Branch Enlargement Facilities for the transport and delivery of project water to the Participating Contractor to the total capacity provided in that reach of the East Branch Enlargement Facilities for the transport and delivery of project water to all Participating Contractors served from or through the reach.

(3) Determination of Capital Cost Component.

The amount of this component shall be determined as follows:

(A) The total amount of capital costs allocated to a Participating Contractor shall be the sum of the products obtained when there is multiplied, for each enlargement reach, the total amount of the capital costs of the enlargement reach to be returned to the State under the capital cost component of the East Branch Enlargement Transportation Charge by the ratio of the East Branch Enlargement capacity provided to make deliveries to the Agency in the reach in cubic feet per second (cfs), as provided in subarticle 49(b)(1), to the total cfs capacity of the reach of enlargement.

(B) The projected amounts of capital costs to be allocated annually to the Agency under the capital cost component of the East Branch Enlargement Transportation Charge shall be determined by the State in accordance with the cost allocation principles and procedures set forth in Article

49(d)(3)(A), which principles and procedures shall be controlling as to allocations of capital costs to the Participating Contractors. These amounts shall be subject to redetermination by the State in accordance with Article 49(g).

(4) Financing of Allocated Capital Costs by a Participating Contractor.

(A) The Agency may elect to pay a portion or all of the capital costs of the enlargement construction allocated to the Agency by furnishing funds to the State in advance of the State incurring the capital costs, provided that the total remaining costs to be financed by the State shall not be less than \$50 million. The Agency may elect in writing to use this option by June 15 of each year as to any portion of an East Branch Enlargement Facility not yet funded by the State. If the Agency does not elect this option by June 15 of a given year, it may, with the consent of the State elect the option at a later time in that year.

(B) For any year in which the Agency elects this option, the State shall, on or before July 1 furnish the Agency with a written statement of estimated amounts of funds needed by the State in the succeeding year and of the calendar dates by which the State will need the funds. During each succeeding year the State shall, on the first of each month, notify the Agency of funds needed within the succeeding month. The Agency shall pay to the State the requested funds within fifteen calendar days of receipt of notification. The Agency may elect to advance funds to the State on an accelerated schedule acceptable to the State. Unless otherwise agreed to by the Agency and the State, interest earned on any funds advanced pursuant to this paragraph shall

be credited to reduce payments due from the Agency under this contract. To the extent practicable, interest earned shall be at the Surplus Money Investment Fund rate. The Agency may terminate its use of this option for a given year with the agreement of the State. If the Agency elects this option, subparagraphs (d)(5) and (d)(6) of this article shall not apply to any portion of capital costs to be paid pursuant to the option.

(C) If the Agency does not elect to pay all of the capital costs of the enlargement allocated to the Agency by furnishing funds to the State in advance, the State, after consultation with the Agency, shall prepare a plan for the State's financing of the East Branch Enlargement and shall give the Agency an opportunity to comment on the plan. The plan shall include but not be limited to the size of any revenue bond issuances and the form of necessary resolutions, articles and covenants.

(5) State Revenue Bond Financing of Allocated Capital Costs.

(A) Revenue Bond Charge

If the Agency does not pay all of the capital costs allocated to the Agency pursuant to subparagraph (3) and the State issues revenue bonds to finance the enlargement construction, the portion of the capital costs not advanced pursuant to subparagraph (4) shall be recovered through a Revenue Bond Charge. The Revenue Bond Charges allocated to the Participating Contractors shall return to the State an amount equal to the financing costs the State incurs for that portion of the East Branch Enlargement Facilities constructed in whole or in part with funds from revenue bonds (including revenue bond anticipation notes). The elements of the financing

costs shall include but not be limited to bond marketing expenses to the extent not financed from the proceeds of applicable revenue bond sales, interest expense during construction of the East Branch Enlargement Facilities to the extent not provided for from bond proceeds, annual premiums for insurance or other security obtained pursuant to Article 49(d)(5)(E), and all semi-annual East Branch Enlargement Facilities revenue bond requirements including principal and interest and, to the extent not funded in advance of any proposed bond sale, or at any time following such a sale, in accordance with Articles 49(d)(5)(C) and 49(d)(5)(D), any additional requirements for coverage and deposits to reserves as required under applicable resolutions for the issuance of East Branch Enlargement Facilities revenue bonds. Any credits which shall include, but not be limited to, interest earnings or other earnings of the State in connection with such bonds shall when and as permitted by the bond resolution first be utilized for East Branch Enlargement Facilities construction purposes and thereafter all realized earnings shall be paid the Participating Contractors at least semi-annually. Such earnings shall for the purpose of determining each non-defaulting Participating Contractor's portion of any remaining capital costs be credited and paid to each non-defaulting Participating Contractor on the same basis that the capital costs were allocated to each Participating Contractor.

(B) Revenue Bond Charge Computation

The Revenue Bond Charge for the East Branch Enlargement construction payable by the Agency shall be computed as follows. The capital costs allocable to the Agency pursuant to Article 49(d) shall be determined. Any amounts paid by the Agency pursuant to Article 49(d)(4) shall be

subtracted. The resulting difference shall be divided by the total of all capital costs to be financed by revenue bonds. The ratio resulting from the division shall be applied to each element of the total revenue bond financing costs. Until such time as the actual costs to be used in the foregoing computation are known, such computation shall be based on estimates of such costs. The Agency's Revenue Bond Charge shall be paid by the Agency semi-annually at least 40 days before the State is required to make the corresponding semi-annual payment to the bondholders.

(C) Excess Coverage

If the amount of coverage on any issue of revenue bonds, and interest earned on the coverage, is in excess of that required under the applicable bond resolution, articles or covenants, each participating contractor's share of the excess shall be in the same proportion as charges were paid by each participating contractor pursuant to Article 49(d)(5)(B) for the portion of the facilities financed by said issue of revenue bonds. When and as permitted by the terms of the bond resolution, the share of excess coverage together with any realized interest earnings, shall at the Participating Contractor's option be returned to the Participating Contractor or be utilized to fund remaining East Branch Enlargement construction costs to the extent not otherwise provided for. To the extent practicable, interest earned shall be at the Surplus Money Investment Fund rate.

(D) Reserves

The State shall maintain revenue bond reserve funds no greater than necessary, as required under the applicable bond resolution,

articles or covenants. In determining the level of revenue bond reserves to be maintained the State may, to the extent allowable under the applicable bond resolution, articles, or covenants, take account of any restricted reserve funds, other than replacement reserve funds, maintained by the individual Participating Contractors for the payment of State water contract payment obligations. Interest earned on revenue bond reserves maintained by the State and any excess reserve funds shall be credited promptly thereon to each Participating Contractor by the State. Upon retirement of any issue of revenue bonds and in accordance with the terms of the bond resolution, reserves maintained by the State on account of such issue, together with interest earnings thereon, shall be used to pay the final net annual debt service for such issue. Any reserves maintained by the State on account of an issue of revenue bonds and remaining after retirement of such issue, shall be repaid to the Participating Contractors in proportion to the total reserves that each Participating Contractor paid. To the extent practicable, interest earned shall be at the Surplus Money Investment Fund rate.

(E) Insurance

To the extent economically justifiable, as determined by the State after consultation with the Participating Contractors, the State shall obtain insurance or maintain other security protecting bondholders and Participating Contractors against costs resulting from the failure of any Participating Contractor to make the payments required by this Article 49(d)(5).

(6) State Non-Revenue Bond Financing of Allocated Capital Costs.

The State may use any of its available funds other than revenue bonds, to finance all, or a portion of the capital costs of the enlargement construction. Until revenue bonds or other debt instruments are issued, the Participating Contractors shall pay interest at the Surplus Money Investment Fund rate on whatever funds are used. Any State debt instrument other than revenue bonds or bond anticipation notes shall only be used after consultation with the Participating Contractors.

(7) Reallocation of Costs.

No later than the date of completion of the first stage of the East Branch Enlargement Facilities, the State shall in consultation with the contractors participating in the repayment of the reaches, reallocate costs for Reach 24 (Silverwood Lake) and Reach 26A (South Portal San Bernardino Tunnel through Devil Canyon Powerplant). Such reallocation of costs shall apply to years beginning with the date of completion of the first stage of the East Branch Enlargement Facilities. The State shall also reallocate at the same time the costs of Reach 25 (San Bernardino Tunnel) among all contractors participating in repayment of such reach, to reflect the redistribution of flow capacity necessary for the East Branch Enlargement Facilities. Such reallocation shall include historical as well as future costs as appropriate. By the same date the State, in consultation with the contractors participating in the repayment of the reaches, shall also reallocate all costs associated with the work done pursuant to the letter agreement between the State and The Metropolitan Water District of Southern California dated November 29, 1966, as described in Subarticle 49(a)(1)(B).

(8) Allocation and Payment of Improvement Costs.

Using the procedure provided in Article 24 (Transportation Charge --Capital Cost Component) the State shall, as of the effective date of Article 49, allocate among all contractors entitled to delivery of project water from or through the affected reaches those design and construction costs encompassed in letter agreements dated January 18, 1984, July 2, 1984, and May 15, 1985, between the State and The Metropolitan Water District of Southern California which would have been incurred irrespective of East Branch Enlargement Facilities. The Agency shall pay the State the charges as determined pursuant to this provision with interest at the project interest rate.

(e) East Branch Enlargement Transportation Charge--Minimum
Operation, Maintenance, Power, and Replacement Component

(1) The minimum operation, maintenance, power, and replacement component of the East Branch Enlargement Transportation Charge shall return to the State those minimum operation, maintenance, power, and replacement costs which in the judgment of the State are incurred solely because of construction, operation and maintenance of the East Branch Enlargement Facilities, and which are based on the proportional capital cost allocation to the Agency for such enlargement facilities, by reach. Other costs which cannot be attributed solely to East Branch facilities provided for pursuant to Article 17(a) shall be shared in accordance with a formula to be developed by the State in consultation with contractors participating in the repayment of the capital costs of the affected reaches. The State may establish reserve funds to meet anticipated minimum replacement costs in the same manner provided for in Article 25(a).

(2) The total projected minimum operation, maintenance, power and replacement costs of each reach of the East Branch Enlargement Facilities for the respective year shall be allocated among all Participating Contractors on the basis of the ratio of the capacity provided in the East Branch Enlargement Facilities reach for the transport and delivery of project water to each

Participating Contractor to the total capacity provided in the East Branch Enlargement Facilities reach for the transport and delivery of project water to all Participating Contractors served from or through the reach.

(3) Notwithstanding the provisions of subdivisions (e)(1) and (e)(2) of this article, or of Article 1(s), the costs of off-aqueduct power facilities associated with deliveries of water through East Branch Enlargement Facilities shall be included in the determinations and allocations pursuant to Article 25(d). There shall be no separate off-aqueduct power facilities determination and allocation for East Branch Enlargement Facilities.

(f) East Branch Enlargement Variable Operation, Maintenance, Power, and Replacement Costs

The variable operation, maintenance, power, and replacement costs associated with deliveries of water through East Branch Enlargement Facilities shall be included in the determinations and allocations pursuant to Article 26. There shall be no separate variable operation, maintenance, power, and replacement component of the East Branch Enlargement Transportation Charge.

(g) Redetermination of Charges

(1) Determinative Factors Subject to Retroactive Charge

The State shall redetermine the values and amounts chargeable to Participating Contractors in 1988 or the year following the year in which this article is effective, whichever is later, and each year thereafter as needed in order that the East Branch Enlargement charges to the Agency accurately reflect the increases or decreases from year to year in projected costs, properly attributable to each Participating Contractor. In addition, each such

redetermination shall include an adjustment of the components of the charges to be paid by each Participating Contractor for succeeding years which shall account for the differences, if any, between those factors used by the State in determining the amounts of such components for all preceding years and the factors as then currently known by the State. Such adjustment shall be computed by the State and paid by the Participating Contractor or credited to the Participating Contractor's account in the manner described in Articles 49(g)(2) and 49(g)(3) below.

(2) Adjustment: East Branch Enlargement Transportation Charge--
Capital Cost Component

Adjustments for prior underpayments or overpayments of the capital cost component of the East Branch Enlargement Transportation Charge to the Participating Contractor, together with accrued interest charges or credits thereon computed at the then current Surplus Money Investment Fund rate on the amount of the underpayment or overpayment and compounded annually for the number of years from the year the underpayment or overpayment occurred to and including the year following the redetermination, shall be paid in the year following the redetermination.

(3) Adjustment: East Branch Enlargement Transportation Charge--
Minimum Operation, Maintenance, Power, and Replacement Component

One-twelfth of the adjustments for prior underpayments or overpayments of the Participating Contractor's minimum operation, power, and replacement component of the East Branch Enlargement Transportation Charge for each year shall be added or credited and paid in the corresponding month of the

year following the redetermination, together with accrued interest charges or credits thereon computed at the then current Surplus Money Investment Fund rate on the amount of the underpayment or overpayment and compounded annually for the number of years from the year when the underpayment or overpayment occurred to and including the year following the redetermination.

(h) East Branch Operation

Requests for delivery of water through the East Branch Enlargement Facilities shall be subject to Article 12. Except as otherwise provided, the East Branch Enlargement Facilities shall be operated as an integral part of the East Branch Aqueduct and shall be subject to the same criteria. To the extent that then-current deliveries involve rates of flow within the limitations of Article 12(b) or involve capacities less than those on which the contractor's capital charges are based, the State shall provide the deliveries with no power peaking charges. To the extent delivery capability is available to permit then-current deliveries at a rate of flow in excess of the lesser of that provided in (a) Article 12(b), or (b) of the sum of the capacities on which the Agency's capital charges are based in the basic East Branch Aqueduct Facilities and the Agency's proportional share of the operational capacity of the East Branch Enlargement Facilities, such deliveries will be allowed if such deliveries do not adversely affect the ability of other contractors to receive entitlement deliveries. However, if such excess deliveries would cause increased power costs to any other contractors, the Agency shall pay the power costs that would otherwise increase power costs to the other water contractors. These power costs resulting from such excess

deliveries will be based upon administrative cost allocation procedures adopted by the Director of the Department of Water Resources after consultation with the contractors. Before beginning deliveries that would involve extra power peaking charges, the State shall consult with the Agency to determine if the Agency desires (a) a change in its delivery schedule or (b) modifications in East Branch Aqueduct or Enlargement operation to avoid the increased power costs.

(i) Failure to Meet Payment Obligations Under Article 49

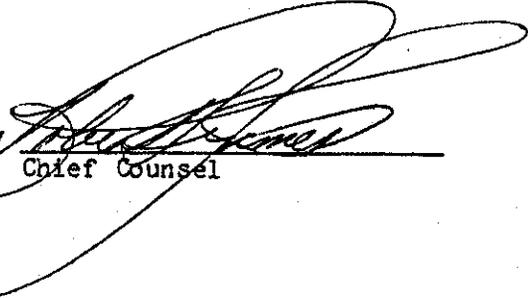
(1) If a Participating Contractor defaults in payments due under Article 49 and the costs of other Participating Contractors would as a consequence be increased, the State shall, in addition to any actions taken pursuant to Articles 32 and 34, notify the defaulting Participating Contractor that if the Participating Contractor fails to cure the default within 30 days, the State will offer the capacity provided for the Participating Contractor to the other Participating Contractors. If the Participating Contractor fails to cure the default within thirty (30) days of notice by the State, the State shall offer to each Participating Contractor, in proportion to the contractor's degree of participation in the enlargement, the opportunity to assume responsibility for the capital charges and delivery capability on which the defaulting contractor's capital costs were based. If Participating Contractors fail to cure the default, The Metropolitan Water District of Southern California shall assume responsibility for the capital charges on which the defaulting contractor's capital costs were based, and shall receive the capacity associated with such capital charges. Article 49(b)(1) shall be appropriately adjusted.

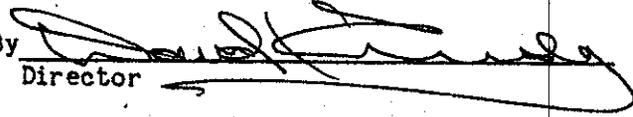
(2) No credits shall be assigned to a Participating Contractor under this article while the Participating Contractor is in default of any payment to the State under this article for a period of more than thirty (30) days.

IN WITNESS WHEREOF, the parties hereto have executed this contract amendment on the day first above written.

APPROVED AS TO LEGAL FORM
AND SUFFICIENCY:

STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES

By 
Chief Counsel

By 
Director

ANTELOPE VALLEY-EAST KERN WATER AGENCY

By 
Title
PRESIDENT

STATE OF CALIFORNIA
THE RESOURCES AGENCY
DEPARTMENT OF WATER RESOURCES

AVELK U.A.

AMENDMENT NO. 16 TO WATER SUPPLY CONTRACT
BETWEEN THE STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES AND
ANTELOPE VALLEY-EAST KERN WATER AGENCY

THIS CONTRACT is made this 2nd day of March, 1987,
pursuant to the provisions of the California Water Resources Development Bond
Act, the State Central Valley Project Act, and other applicable laws of the
State of California, between the State of California, acting by and through its
Department of Water Resources, herein referred to as the "State", and Antelope
Valley-East Kern Water Agency, herein referred to as the "Agency".

WHEREAS, the State and the Agency have entered into and subsequently
amended a water supply contract providing that the State will supply certain
quantities of water to the Agency, and providing that the Agency shall make
certain payments to the State, and setting forth the terms and conditions of
such supply and such payment;

WHEREAS, the State and the Agency wish to provide financing for
project facilities with water system revenue bonds and provide for repayment of
water system revenue bonds;

WHEREAS, the State and the Agency wish to clarify the definition of
the project interest rate without changing the interpretation of Article 1(r),
except for the addition of item (7), and to specify that financing costs of
water system facilities and East Branch Enlargement facilities shall not be
included in calculating the project interest rate; and

WHEREAS, the State is willing to amortize over the remaining repayment period of the contract, the "one-shot" adjustment applied to previous payments resulting from revisions in the project interest rate under conditions defined in this amendment.

NOW THEREFORE, it is mutually agreed that the following changes and additions are hereby made to the Agency's water supply contract with the State:

1. Article 1(r) is amended to read:

(r) "Project interest rate" shall mean the weighted average interest rate on bonds, advances, or loans listed in this section to the extent the proceeds of any such bonds, advances, or loans are for construction of the State Water Facilities defined in Section 12934(d) of the Water Code, the additional project conservation facilities, and the supplemental conservation facilities (except off-aqueduct power facilities; water system facilities; advances for delivery structures, measuring devices and excess capacity; and East Branch Enlargement Facilities). The project interest rate shall be calculated as a decimal fraction to five places by dividing (i) the total interest cost required to be paid or credited by the State during the life of the indebtedness or advance by (ii) the total of the products of the various principal amounts and the respective terms in years of all such amounts. The bonds, advances, or loans used in calculating the project interest rate shall be:

(1) General obligation bonds issued by the State under the Bond Act, except that any premium received on the sale of these bonds shall not be included in the calculation of the project interest rate,

(2) Revenue bonds issued by the State under the Central Valley Project Act after May 1, 1969,

(3) Bonds issued by the State under any other authority granted by the Legislature or the voters,

(4) Bonds issued by any agency, district, political subdivision, public corporation, or nonprofit corporation of this State,

(5) Funds advanced by any contractor without the actual incurring of bonded debt therefor, for which the net interest cost and terms shall be those which would have resulted if the contractor had sold bonds for the purpose of funding the advance, as determined by the State,

(6) Funds borrowed from the General Fund or other funds in the Treasury of the State of California, for which the total interest cost shall be computed at the interest rate earned over the period of such borrowing by moneys in the Surplus Money Investment Fund of such Treasury invested in securities, and

(7) Any other financing capability available in the Treasury of the State of California at whatever interest rate and other financing costs are provided in the law authorizing such borrowing. However, the use of other financing from the State Treasury is intended to involve only short term borrowing at interest rates and other financing costs no greater than those charged to other State agencies during the same period until such time as the Department can sell bonds and reimburse the source of the short term borrowing from the proceeds of the bond sale.

2. Article 1(cc) is added to read:

(cc) "Water system revenue bonds" shall mean revenue bonds or revenue bond anticipation notes issued by the State under the Central Valley Project Act after January 1, 1987 for water system facilities identified in Article 1(hh).

3. Article 1 (hh) is added to read:

(hh) "Water System Facilities" shall mean the following facilities to the extent that they are financed with water system revenue bonds or to the extent that other financing of such facilities is reimbursed with proceeds from water system revenue bonds:

(1) The North Bay Aqueduct,

(2) The Coastal Branch Aqueduct,

(3) Delta Facilities, including Suisun Marsh facilities, to serve the purposes of water conservation in the Delta, water supply in the Delta, transfer of water across the Delta, and mitigation of the environmental effects of project facilities, and to the extent presently authorized as project purposes, recreation and fish and wildlife enhancement,

(4) Local projects as defined in Article 1(h)(2) designed to develop no more than 25,000 acre-feet of project yield from each project,

(5) Land acquisition for the Kern Fan Element of the Kern Water Bank,

(6) Additional pumps at the Banks Delta Pumping Plant,

(7) The transmission line from Midway to Wheeler Ridge Pumping Plant, and

(8) Repairs, additions, and betterments to conservation or transportation facilities existing as of January 1, 1987, and to all other facilities described in this subarticle (hh) except for item (5).

4. Article 22(j) of the Agency's water supply contract with the State is added as follows:

(j) Notwithstanding provisions of Article 22(a) through (i), the capital cost component and the minimum OMP&R component of the Delta Water Charge shall include an annual charge to recover the Agency's share of the conservation portion of the water system revenue bond financing costs. Charges to the Agency for these costs shall be calculated in accordance with provisions in Article 50 of this contract.

5. Article 24(h) of the Agency's water supply contract with the State is added as follows:

(h) Notwithstanding provisions of Articles 24(a) through (d), the capital cost component of the Transportation charge shall include an annual charge to recover the Agency's share of the transportation portion of the water system revenue bond financing costs. Charges to the Agency for these costs shall be calculated in accordance with provisions in Article 50 of this contract.

5.5 Article 28(e) of the Agency's water supply contract with the State is added to read:

28(e) Notwithstanding the provisions of Article 28(b), adjustments for prior overpayments and underpayments shall be repaid beginning in the year following the redetermination by application of a unit rate per acre-foot which, when paid for the projected portion of the Agency's annual entitlement will return to the State, during the project repayment period, together with interest thereon computed at the project interest rate and compounded annually, the full amount of the adjustments resulting from financing after January 1, 1987, from all bonds, advances, or loans listed in Article 1(r) except for Article 1(r)(3) and except for bonds issued by the State under the Central Valley Project Act after January 1, 1987 for facilities not listed among the water system facilities in Article 1(hh). Notwithstanding the immediately preceding exception, such amortization shall also apply to any adjustments in this component charge resulting from a change in the project interest rate due to any refunding after January 1, 1986 of bonds issued under the Central Valley Project Act. However, amortization of adjustments resulting from items 1(r)(4) through (7) shall be limited to a period which would allow the Department to repay the debt service on a current basis until such time as bonds are issued to reimburse the source of such funding. In no event shall this amortization period be greater than the project repayment period.

6. Article 28(f) of the Agency's water supply contract with the State is added as follows:

f. Adjustment: Water System Revenue Bond Financing Costs. The use of water system revenue bonds for financing facilities listed in Article 1(hh) would result in adjustments for prior underpayments or overpayments of the capital cost component of the Transportation Charge to the Agency under the provisions of this article; however, in place of making such adjustments, charges to the Agency will be governed by Article 50.

7. Article 50 of the Agency's water supply contract with the State is added as follows:

50. Water System Revenue Bond Financing Costs.

(a) Charges to the Agency for water system revenue bond financing costs shall be governed by provisions of this article. Charges to all contractors for water system revenue bond financing costs shall return to the State an amount equal to the annual financing costs the State incurs in that year for water system revenue bonds (including water system revenue bond anticipation notes). Annual financing costs shall include, but not be limited to, any annual principal and interest on water system revenue bonds plus any additional requirements for bond debt service coverage, deposits to reserves, and annual premiums for insurance or other security obtained pursuant to subdivision (f) of this article. The State shall provide credits to the contractors for excess reserve funds, excess debt service coverage, interest, and other earnings of the State in connection with repayment of such revenue bond financing costs, when and as permitted by the bond resolution. When such credits are determined by the State to be available, such credits shall be promptly provided to the contractors and shall be in proportion to the payments under this article from each contractor. Reserves, bond debt service coverage, interest, and other earnings may be used in the last year to retire the bonds.

(b) Annual charges to recover water system revenue bond financing costs shall consist of two elements.

(1) The first element shall be an annual charge to the Agency for repayment of capital costs of water system facilities as determined under Articles 22 and 24 of this contract with interest at the project interest rate. For conservation facilities, the charge shall be a part of the capital cost component of the Delta Water Charge in accordance with Article 22. For transportation facilities, the charge shall be a part of the capital cost component of the Transportation Charge in accordance with Article 24.

(2) The second element shall be the Agency's share of a Water System Revenue Bond Surcharge to be paid in lieu of a project interest rate adjustment. The total annual amount to be paid by all contractors under this element shall be the difference between the total annual charges under the first element and the annual financing costs of the water system revenue bonds. The amount to be paid by each contractor shall be calculated annually as if the project interest rate were increased to the extent necessary to produce revenues from all contractors sufficient to pay such difference for that year. In making that calculation, adjustments in the Agency's Transportation capital cost component charges for prior overpayments and underpayments shall be determined as if amortized over the remaining years of the project repayment period.

(c) The Water System Revenue Bond Surcharge will be identified by component and charge in the Agency's invoice.

(d) Timing of Payments. Payments shall be made in accordance with Article 29(f) of this contract.

(e) Reduction in Charges. The Water System Revenue Bond Surcharge under Article 50(b)(2) shall cease for each series of water system revenue bonds when that series is fully repaid. However, the annual charge determined pursuant to Article 50(b)(1) shall continue to be collected for the time periods otherwise required under Articles 22 and 24.

After the Department has repaid the California Water Fund in full and after each series of Water System Revenue Bonds is repaid, the Department will reduce the charges to all contractors in an equitable manner in a total amount that equals the amount of the charges under Article 50(b)(1) that the Department determines is not needed for future financing of facilities of the System which, in whole or in part, will serve the purposes of the water supply contract with the Agency.

(f) To the extent economically feasible and justifiable, as determined by the State after consultation with contractors, the State shall maintain insurance or other forms of security protecting bondholders and non-defaulting contractors against costs resulting from the failure of any contractor to make the payments required by this article.

(g) Before issuing each series of water system revenue bonds, the State shall consult with the contractors, prepare a plan for the State's future financing of water system facilities, and give the Agency an opportunity to comment on the plan. The plan shall include but not be limited to the size of any water system revenue bond issuances and the form of any necessary resolutions or supplements.

(h) Defaults. (1) If a contractor defaults partially or entirely on its payment obligations calculated under this article and sufficient insurance or other security protecting the non-defaulting contractors is not provided under Article 50(f), the State shall allocate a portion of the default to each non-defaulting contractor. The Agency's share of the default shall be equal to an amount determined by multiplying the total default amount to be charged to all non-defaulting contractors by the ratio that the Agency's maximum Table A entitlement bears to the maximum Table A entitlements of all non-defaulting contractors. However, such amount shall not exceed in any year 25 percent of the Water System Revenue Bond financing costs that are otherwise payable by the Agency in that year. The amount of default to be charged to non-defaulting contractors shall be reduced by any receipts from insurance protecting non-defaulting contractors and bond debt service coverage from a prior year and available for such purpose.

(2) If a contractor defaults partially or entirely on its payment obligations under this article, the State shall also pursuant to Article 20, upon six months' notice to the defaulting contractor, suspend water deliveries under Article 20 to the defaulting contractor so long as the default continues. The suspension of water deliveries shall be proportional to the ratio of the default to the total water system revenue bond payments due from the defaulting contractor. However, the State may reduce, eliminate, or not commence suspension of deliveries pursuant to this subparagraph if it determines suspension in the amounts otherwise required is likely to impair the defaulting contractor's ability to avoid further defaults or that there would be insufficient water for human consumption, sanitation, and fire protection. The State may distribute the suspended water to the non-defaulting contractors on terms it determines to be equitable.

(3) During the period of default, credits otherwise due the defaulting contractor shall be applied to payments due from the defaulting contractor.

(4) Except as otherwise provided in Article 50(h)(3), the defaulting contractor shall repay the entire amount of the default to the State with interest compounded annually at the Surplus Money Investment Fund rate before water deliveries that had been suspended shall be fully resumed to that contractor. If the defaulting contractor makes a partial repayment of its default, the Department may provide a proportional restoration of suspended deliveries. The amount of the default to be repaid shall include any amounts previously received by the State from insurance proceeds, bond debt service coverage, or other reserves, and payments from other contractors pursuant to this subparagraph (h). The defaulting contractor shall not be entitled to any make-up water deliveries as compensation for any water deliveries suspended during the period when the contractor was in default.

(5) At such time as the default amount is repaid by the defaulting contractor, the non-defaulting contractors shall receive credits in proportion to their contributions towards the amount of the default with interest collected by the State on the defaulted amount.

(6) In the event there is an increase in the amount a non-defaulting contractor contributes to reserves and/or bond debt service coverage, such increase shall be handled in the same manner as provided in Article 50(a).

(7) Action taken pursuant to this subarticle shall not deprive the State of or limit any remedy provided by this contract or by law for the recovery of money due or which may become due under this contract.

(1) Power of Termination.

(1) The Department and the Agency agree to negotiate in good faith the development of a means to provide adequate protection for the Department's cash flow into priorities one and two for revenues under Water Code Section 12937(b) with the goal of obtaining agreement by April 1, 1987. The Department and the Agency agree to continue negotiations beyond April 1, 1987 if necessary to meet their common goal of arriving at agreement.

(2) If such an agreement has not been reached by April 1, 1987, and if the Director of Water Resources determines that adequate progress has not been made toward such an agreement, the Director may give notice to the Agency and other contractors that he intends to exercise the power to terminate provided in this subarticle 50(i). The Director's authority to give such a notice shall terminate on July 1, 1988.

(3) After six months from the date of issuing the notice of intent to terminate, but in no event later than January 1, 1989, the Director may terminate the authority of the Department to issue additional series of water system revenue bonds using the repayment provisions of Article 50. The Department shall promptly notify the Agency and other contractors that the Director has exercised the power of termination.

(4) No additional series of water system revenue bonds shall be issued under the provisions of this Article 50 after the Director has exercised the power to terminate, but Article 50 shall remain in effect as to any series of water system revenue bonds issued prior to the time the Director exercises the power to terminate.

(5) An exercise of the power to terminate provided in this subarticle 50(i) shall also rescind any changes made by this amendment in the schedule of payment of overpayment or underpayment of capital costs resulting from a change in the project interest rate and shall also rescind the addition of item (7) to Article 1(r). However, if the Department has borrowed any funds under Article 1(r)(7), Article 1(r)(7) shall remain in effect as to that and only that borrowing. Upon the exercising of the power to terminate, subarticles 28(e) and (f) shall be rescinded and Article 1(r) shall read as it previously read as shown on Attachment Number 1 to this amendment.

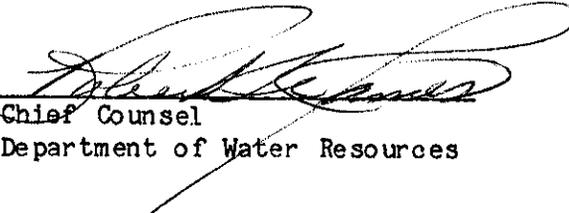
(6) At any time before January 1, 1989, so long as the Director has not already exercised the power of termination, the Director may irrevocably waive his right to exercise the power of termination or may rescind any previously issued notice of intention to terminate.

(7) If the Director does not exercise the power of termination before January 1, 1989, this Subarticle 50(i) shall expire, and the remainder of this Article 50 shall remain in effect. Changes made by this amendment to other articles shall also remain in effect.

IN WITNESS WHEREOF, the parties have executed this contract on the
date first above written.

Approved as to legal form
and sufficiency:

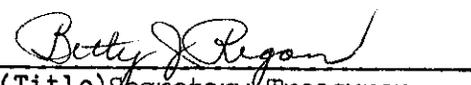
STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES

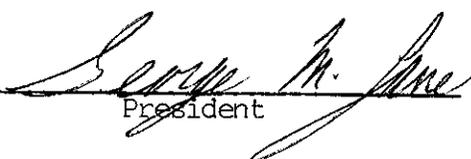
By 
Chief Counsel
Department of Water Resources

By 
Director

Attest:

ANTELOPE VALLEY-EAST KERN WATER AGENCY

By 
(Title) Secretary-Treasurer

By 
President

Article 1(r) is amended to read:

(r) Project Interest Rate

"Project interest rate" shall mean the weighted average interest rate of (1) through (6) below computed by dividing (i) the total interest cost required to be paid or credited by the State during the life of the indebtedness or advance by (ii) the total of the products of the various principal amounts and the respective terms in years of all such amounts:

(1) general obligation bonds issued by the State under the Bond Act,
(2) revenue bonds issued by the State under the Central Valley Project Act after May 1, 1969,

(3) bonds issued by the State under any other authority granted by the Legislature or the voters,

(4) bonds issued by any agency, district, political subdivision, public corporation, or nonprofit corporation of this State,

(5) funds advanced by any contractor without the actual incurring of bonded debt therefor, for which the net interest cost and terms shall be those which would have resulted if the contractor had sold bonds for the purpose of funding the advance, as determined by the State, and

(6) funds borrowed from the General Fund or other funds in the Treasury of the State of California, for which the total interest cost shall be computed at the interest rate earned over the period of such borrowing by moneys in the Pooled Money Investment Account of such Treasury invested in securities,

to the extent the proceeds of any such bonds, advances or loans are for construction of the State Water Facilities defined in Section 12934(d) of the Water Code, the additional project conservation facilities, and the supplemental conservation facilities, (except off-aqueduct power facilities; advances for delivery structures, measuring devices and excess capacity; and East Branch Facilities) and without regard to any premiums received on the sale of bonds under item (1) above. The "project interest rate" shall be computed as a decimal fraction to five places.

STATE OF CALIFORNIA
THE RESOURCES AGENCY
DEPARTMENT OF WATER RESOURCES

632.5143.1

AMENDMENT NO. 17 TO WATER SUPPLY CONTRACT
BETWEEN THE STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES
AND
ANTELOPE VALLEY-EAST KERN WATER AGENCY

THIS AMENDMENT to the Water Supply Contract is made this
13th day of March, 1991, pursuant to the provisions
of the California Water Resources Development Bond Act, and other
applicable laws of the State of California, between the State of
California, acting by and through its Department of Water
Resources, herein referred to as "State", and Antelope Valley-
East Kern Water Agency, herein referred to as the "Agency".

WHEREAS, the State and the Agency entered into a contract
whereby the State will deliver and the Agency will purchase a
supply of water to be made available from project facilities
constructed by the State;

WHEREAS, a more efficient use of entitlement water may be
achieved by deferral of its use from October, November and
December of one calendar year into the first three months of the
next year.

WHEREAS, the State and the Agency desire to amend the provisions of such contract related to the delivery and scheduling of entitlement water to allow, under certain conditions, the carry-over of a portion of the Agency's entitlement deliveries from a respective year into the first three months of the next calendar year.

WHEREAS, the carry-over of entitlement by the Agency is not intended to adversely impact current or future project operations.

WHEREAS, the State Water Project contractors and the Department are aware that the carry-over of entitlement water from one year into the next may increase or decrease the costs to other SWP contractors in either year. The tracking of those costs may be too complex and expensive and does not warrant special accounting procedures to be established; however, any significant identifiable cost shall be charged to those contractors causing such cost, as determined by the Department;

WHEREAS, the carry-over of entitlement water is not to affect the payment provisions of the contract.

NOW THEREFORE, it is mutually agreed that the following changes and additions are hereby made to the Agency's Water Supply Contract with the State:

1. Article 1(ii) is added to read:

"Carry-over Entitlement Water" shall mean water from a contractor's annual entitlement for a respective year which is made available for delivery by the State in the next year pursuant to Article 12(e).

2. Article 12(e) is added to read:

(e) Delivery of Carry-over Entitlement Water

Upon request of the Agency, the State shall make Carry-over Entitlement Water available for delivery to the Agency during the first three months of the next year, to the extent that such deliveries do not adversely affect current or future project operations, as determined by the State. The State's determination shall include, but not be limited to the operational constraints of project facilities, filling of project conservation storage, flood control releases and water quality restrictions.

Carry-over of entitlement water shall be limited to entitlement water that was included in the Agency's approved delivery schedule for October, November and December, but was not delivered due to:

(1) scheduled or unscheduled outages of facilities within the Agency's service area; or

(2) a delay in the planned application of a contractor's annual entitlement water for pre-irrigation; or

(3) a delay in the planned spreading of the Agency's annual entitlement water for ground water storage.

After determining that the carry-over of entitlement water would not adversely affect project operations, the State shall notify the Agency of the amount of entitlement water to be carried over to the following January through March period. The notification shall include the proposed terms and

conditions consistent with this Article 12(e) that would govern the delivery of the Carry-over Entitlement Water.

The Agency agrees to pay all significant identifiable costs associated with its Carry-over Entitlement Water, as determined by the State.

All scheduling and delivery of Carry-over Entitlement Water shall be carried out pursuant to the provisions of this contract.

The Agency agrees to forego the delivery of any Carry-over Entitlement Water that is lost because of project operations or is not delivered by March 31 of the next year.

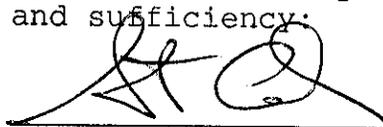
Any Carry-over Entitlement Water foregone by the Agency will become a part of the current year's total project supply.

WITNESS WHEREOF, the parties have executed this contract on the date first above written.

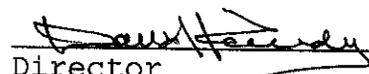
Approved as to legal form and sufficiency:

STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES

Acting



Chief Counsel
Department of Water Resources



Director

Attest:

ANTELOPE VALLEY-EAST KERN
WATER AGENCY



Name



Name

Secretary-Treasurer

Title

President, Board of Directors

Title

January 8, 1991

Date

January 8, 1991

Date

STATE OF CALIFORNIA
THE RESOURCES AGENCY
DEPARTMENT OF WATER RESOURCES

AMENDMENT NO. 18 TO WATER SUPPLY
CONTRACT BETWEEN THE STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES AND
ANTELOPE VALLEY-EAST KERN WATER AGENCY

THIS AMENDMENT to the Water Supply Contract is made this 11th day of APRIL, 1991, pursuant to the provisions of the California Water Resources Development Bond Act, the State Central Valley Project Act, and other applicable laws of the State of California, between the State of California, acting by and through its Department of Water Resources, herein referred to as the "State", and Antelope Valley-East Kern Water Agency, herein referred to as the "Agency".

RECITALS:

WHEREAS, the State and the Agency entered into a contract whereby the State will deliver and the Agency will purchase a supply of water to be made available from project facilities constructed by the State;

WHEREAS, the State and the Agency included in such contract an article which entitles the Agency to obtain from the State deliveries of surplus water when available;

WHEREAS, the State and the Agency desire to amend the provisions of such contract related to the deliveries of surplus water; and

WHEREAS, beginning January 1, 1991 the Agency desires to be charged for the power used for pumping surplus water at the Melded Power Rate as provided herein for the remainder of the project repayment period.

WHEREAS, the parties to this Amendment, and those approving the Amendment, intend no impact upon their positions with respect to the interpretation of any existing contractual provisions.

AGREEMENT:

It is agreed that the following changes are hereby made to the Agency's water supply contract as follows:

1. Purpose and Scope. This Amendment is only intended to define the procedure for determining the charges for power used to pump surplus and unscheduled water. The scope of the Amendment is strictly confined to that purpose.

2. Article 21(d) of the Agency's water supply contract with the State is amended to read:

(d) Schedules. On or before October 1 of each year, concurrently with the schedule submitted pursuant to the provisions of Article 12, the Agency shall submit in writing to the State a preliminary water delivery schedule, indicating the desired amounts of surplus water for each month of the subsequent six-year period beginning January 1, of the next succeeding year. The last five years of this preliminary surplus water delivery schedule shall be used by the State for planning and operations studies.

3. Article 21(f) of the Agency's water supply contract with the State is amended to read:

(f) Power Costs.

(1) Beginning January 1, 1991, the Agency shall pay power charges for pumping surplus water as follows:

(A) If during a calendar month it is either not necessary to purchase power for pumping surplus water, or it is necessary to purchase power for pumping surplus water and the purchased power rate is less than or equal to the Melded Power Rate (defined as the average unit charge for pumping entitlement water during the calendar year for all power resources, including on-aqueduct power resources, off-aqueduct power resources, and any other power resources), then the monthly charges to the Agency for the Net Power (gross power used to pump the surplus water less power generated by the surplus water) used to pump surplus water to the Agency shall be determined using the Melded Power Rate.

(B) If during a calendar month it is necessary to purchase power for pumping surplus water and the purchased power rate is greater than the Melded Power Rate, the monthly charges to the Agency for the Net Power used to pump surplus water for delivery to the Agency shall be determined using a composite rate equal to the sum of:

(i) The monthly average purchased power rate per unit of power so purchased times the power purchased for pumping surplus water and that result divided by the Net Power; plus,

(ii) The Melded Power Rate per unit of power times a quantity which equals the Net Power used for pumping surplus water minus the power purchased for pumping surplus water and that result divided by the Net Power.

(C) In all cases, the power charges shall include the cost of any additional transmission service required for the delivery of surplus water to the Agency.

(2) By receiving surplus or unscheduled water under this Article 21(f), the Agency accepts the responsibility to indemnify, defend, and hold harmless the State, its officers, employees and agents from all liability, expenses, defense costs, attorney fees, claims, actions, liens, and lawsuits of whatever kind, arising out of or related to this article.

(3) Effective January 1, 1991, power charges for delivery of unscheduled water to the Agency shall be calculated in the same manner as provided in this Article 21(f).

4. This Amendment shall take effect on January 1, 1991, only if, by January 31, 1991 an Amendment substantially the same as this one is executed by contractors that together have maximum annual entitlements totaling at least 3,796,007 acre-feet. By February 15, 1991, the State will inform the Agency of whether sufficient contractors had executed the Amendment to cause the Amendment to take effect.

IN WITNESS WHEREOF, the parties hereto have executed
this Amendment on the date first above written.

Approved as to legal form
and sufficiency:

STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES



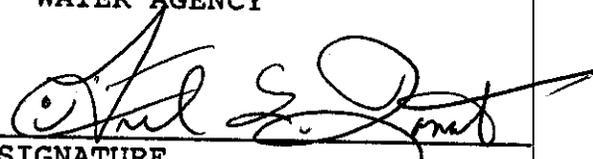
Acting Chief Counsel
Department of Water Resources



Director

ANTELOPE VALLEY-EAST KERN
WATER AGENCY

ATTEST:

X 

SIGNATURE



Secretary-Treasurer

Frank S. Donato
NAME

President, Board of Directors
TITLE