

EXHIBIT 9

PART 1

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JAN 25 2008

KIRI TORRE
Chief Executive Officer/Clerk
Superior Court of CA County of Santa Clara
BY *[Signature]* DEPUTY
KOWENA A. WALKER

**SUPERIOR COURT OF CALIFORNIA
COUNTY OF SANTA CLARA**

SANTA MARIA VALLEY WATER
CONSERVATION DISTRICT,

Plaintiff,

vs.

CITY OF SANTA MARIA, ET AL.,

Defendants.

AND RELATED CROSS-ACTIONS AND
ACTIONS CONSOLIDATED FOR ALL
PURPOSES

**SANTA MARIA GROUNDWATER
LITIGATION**
Lead Case No. 1-97-CV-770214

(CONSOLIDATED FOR ALL
PURPOSES)

[Consolidated With Case Numbers:
CV 784900; CV 785509; CV 785522;
CV 787150; CV 784921; CV 785511;
CV 785936; CV 787151; CV 784926;
CV 785515; CV 786791; CV 787152;
1-05-CV-036410]

San Luis Obispo County Superior
Court Case Nos. 990738 and 990739

JUDGMENT AFTER TRIAL

This matter came on for trial in five separate phases. Following the third phase of trial, a large number of parties entered into a written stipulation dated June 30, 2005 to resolve their differences and requested that the court approve the settlement and make its terms binding on them as a part of any final judgment entered in this case. Subsequent to the execution of the stipulation by the original settling parties, a number of additional parties have agreed to be bound by the stipulation – their signatures are included in the attachments to this judgment.

1 The June 30, 2005 Stipulation is attached as Exhibit "1;" and all exhibits to the
2 Stipulation are separately attached as Exhibits "1A" through "1H". The Stipulating Parties are
3 identified on Exhibit "1A." The court approves the Stipulation, orders the Stipulating Parties
4 only to comply with each and every term thereof, and incorporates the same herein as though
5 set forth in full. No non-stipulating party is bound in any way by the stipulation except as the
6 court may otherwise independently adopt as its independent judgment a term or terms that are
7 the same or similar to such term or provision of the stipulation.

8 As to all remaining parties, including those who failed to answer or otherwise appear,
9 the court heard the testimony of witnesses, considered the evidence found to be admissible by
10 the court, and heard the arguments of counsel. Good cause appearing, the court finds and
11 orders judgment as follows.

12 As used in this Judgment, the following terms shall have the meanings herein set forth:

13 Basin – The groundwater basin described in the Phase I and II orders of the court, as
14 modified, with attachments and presented in Exhibit "1B".

15 Defaulting Parties – All persons or entities listed on Exhibit "3".

16 Imported Water – Water within the Basin received from the State Water Project,
17 originating outside the Basin, that absent human intervention would not recharge or be used in
18 the Basin.

19 LOG Parties – All persons or entities listed on Exhibit "2," listed under the subheading
20 "LOG Parties".

21 Non-Stipulating Parties – All Parties who did not sign the Stipulation, including the
22 Defaulting Parties and the LOG and Wineman Parties.

23 Parties – All parties to the above-referenced action, including Stipulating Parties, Non-
24 Stipulating Parties, and Defaulting Parties.

25 Public Water Producers – City of Santa Maria, Golden State Water Company, Rural
26 Water Company, the "Northern Cities" (collectively the Cities of Arroyo Grande, Pismo
27 Beach, and Grover Beach, and Oceano Community Services District), and the Nipomo
28 Community Services District.

1 Return Flows – All water which recharges the Basin after initial use, through the use of
2 percolation ponds and others means, derived from the use and recharge of imported water
3 delivered through State Water Project facilities.

4 Stipulating Parties – All Parties who are signatories to the Stipulation.

5 Stipulation – The Stipulation dated June 30, 2005 and incorporated herein as Exhibit
6 “1,” with each of its Exhibits separately identified and incorporated herein as Exhibits “1A”
7 through “1H”.

8 Storage Space – The portion of the Basin capable of holding water for subsequent
9 reasonable and beneficial uses.

10 Wineman Parties – All persons or entities listed on Exhibit “2,” under the subheading
11 “Wineman Parties”.

12 The following Exhibits are attached to this Judgment:

- 13 1. *Exhibit “1,”* June 30, 2005 Stipulation and the following exhibits thereto:
- 14 a. *Exhibit “1A,”* list identifying the Stipulating Parties and the parcels of
15 land bound by the Stipulation.
- 16 b. *Exhibit “1B,”* Phase I and II Orders, as modified, with attachments.
- 17 c. *Exhibit “1C,”* map of the Basin and boundaries of the three
18 Management Areas.
- 19 d. *Exhibit “1D,”* map identifying those lands as of January 1, 2005: 1)
20 within the boundaries of a municipality or its sphere of influence, or within the process of
21 inclusion in its sphere of influence; or 2) within the certificated service area of a publicly
22 regulated utility; and a list of selected parcels that are nearby these boundaries which are
23 excluded from within these areas.
- 24 e. *Exhibit “1E,”* 2002 Setlement Agreement between the Northern Cities
25 and Northern Landowners.
- 26 f. *Exhibit “1F,”* the agreement among Santa Maria, Golden State and
27 Guadalupe regarding Twitchell Project and the Twitchell Management Authority.
- 28 g. *Exhibit “1G,”* the court's Order Concerning Electronic Service of

1 Pleadings and Electronic Posting of Discovery Documents dated June 27, 2000.

2 h. *Exhibit "1H,"* the form of memorandum of agreement to be recorded.

3 2. *Exhibit "2,"* List of Non-Stipulating LOG and Wineman Parties and recorded
4 deed numbers of property they owned at the time of trial.

5 3. *Exhibit "3,"* List of Defaulting parties.

6 **A declaratory judgment and physical solution are hereby adjudged and decreed**
7 **as follows:**

8 1. As of the time of trial, LOG and Wineman Parties owned the real property,
9 listed by assessor's parcel numbers, as presented in Exhibit 2.

10 2. The City of Santa Maria and Golden State Water Company are awarded
11 prescriptive rights to ground water against the non-stipulating parties, which rights shall be
12 measured and enforced as described below.

13 3. The City of Santa Maria and Golden State Water Company have a right to use
14 the Basin for temporary storage and subsequent recapture of the Return Flows generated from
15 their importation of State Water Project water, to the extent that such water adds to the supply
16 of water in the aquifer and if there is storage space in the aquifer for such return flows,
17 including all other native sources of water in the aquifer. The City of Santa Maria's Return
18 Flows represent 65 percent of the amount of imported water used by the City. Golden State
19 Water Company's Return Flows represent 45 percent of the amount of imported water used by
20 Golden State in the basin.

21 4. (a) The Northern Cities have a prior and paramount right to produce 7,300 acre-
22 feet of water per year from the Northern Cities Area of the Basin; and (b) the Non-Stipulating
23 Parties have no overlying, appropriative, or other right to produce any water supplies in the
24 Northern Cities Area of the Basin.

25 5. The Groundwater Monitoring Provisions and Management Area Monitoring
26 Programs contained in the Stipulation, including Sections IV(D) (All Management Areas);
27 V(B) (Santa Maria Management Area), VI(C) (Nipomo Mesa Management Area), and VII (1)
28 (Northern Cities Management Area), inclusive, are independently adopted by the court as

1 necessary to manage water production in the basin and are incorporated herein and made terms
2 of this Judgment. The Non-Stipulating Parties shall participate in, and be bound by, the
3 applicable Management Area Monitoring Program. Each Non-Stipulating Party also shall
4 monitor their water production, maintain records thereof, and make the data available to the
5 court or its designee as may be required by subsequent order of the court.

6 6. No Party established a pre-Stipulation priority right to any portion of that
7 increment of augmented groundwater supply within the Basin that derives from the Twitchell
8 Project's operation.

9 7. The court determines that there is a reasonable likelihood that drought and
10 overdraft conditions will occur in the Basin in the foreseeable future that will require the
11 exercise of the court's equity powers. The court therefore retains jurisdiction to make orders
12 enforcing the rights of the parties hereto in accordance with the terms of this judgment.

13 a. Groundwater

14 i. The overlying rights of the LOG and Wineman Parties shall be
15 adjusted by amounts lost to the City of Santa Maria and Golden State Water Company by
16 prescription. The prescriptive rights of the City of Santa Maria and Golden State Water
17 Company must be measured against the rights of all overlying water producers pumping in the
18 aquifer as a whole and not just against the LOG and Wineman Parties because adverse
19 pumping by the said water producers was from the aquifer as a whole and not just against the
20 non-stipulating parties. The City of Santa Maria established total adverse appropriation of
21 5100 acre feet per year and Golden State Water Company established adverse appropriation of
22 1900 acre feet a year, measured against all usufructuary rights within the Santa Maria Basin.
23 The City of Santa Maria and Golden State Water Company having waived the right to seek
24 prescription against the other stipulating parties, may only assert such rights against the non
25 stipulating parties in a proportionate quantity. To demonstrate the limited right acquired by
26 the City of Santa Maria and Golden State Water Company, by way of example, if the
27 cumulative usufructuary rights of the LOG and Wineman Parties were 1,000 acre-feet and the
28 cumulative usufructuary rights of all other overlying groundwater right holders within the

1 Basin were 100,000 acre-feet, the City of Santa Maria and Golden State Water Company
2 would each be entitled to enforce 1% of their total prescriptive right against the LOG and
3 Wineman Parties. That is, Golden State Water Company could assert a prescriptive right of
4 19 annual acre-feet, and the City of Santa Maria 51 annual acre-feet, cumulatively against the
5 LOG and Wineman Parties, each on a proportionate basis as to each LOG and Wineman
6 Party's individual use.

7 ii. The Defaulting Parties failed to appear at trial and prove any
8 usufructuary water rights. The rights of the Defaulting Parties, if any, are subject to the
9 prescriptive rights of the City of Santa Maria and Golden State Water Company, as well as the
10 other rights of said parties as established herein.

11 b. Imported Water

12 The City of Santa Maria and Golden State Water Company shall have rights to Return
13 Flows in the amount provided above.

14 c. Northern Cities

15 The rights of all Parties in the Northern Cities Management Area shall be governed as
16 described above on page 4, lines 21 to 24.

17 8. The LOG and Wineman Parties have failed to sustain the burden of proof in
18 their action to quiet title to the quantity of their ground water rights as overlying owners. All
19 other LOG and Wineman party causes of action having been dismissed, judgment is hereby
20 entered in favor of the Public Water Producers as to the quiet title causes of action brought by
21 the LOG and the Wineman Parties. Legal title to said real property is vested in the Log and
22 Wineman Parties and was not in dispute in this action.

23 9. Each and every Party, their officers, agents, employees, successors and assigns,
24 are enjoined and restrained from exercising the rights and obligations provided through this
25 Judgment in a manner inconsistent with the express provisions of this Judgment.

26 10. Except upon further order of the court, each and every Party and its officers,
27 agents, employees, successors and assigns, is enjoined and restrained from transporting
28 groundwater to areas outside the Basin, except for those uses in existence as of the date of this

1 Judgment; provided, however, that groundwater may be delivered for use outside the Basin as
2 long as the wastewater generated by that use of water is discharged within the Basin, or
3 agricultural return flows resulting from that use return to the Basin.

4 11. Jurisdiction, power and authority over the Stipulating Parties as between one
5 another are governed exclusively by the Stipulation. The court retains and reserves
6 jurisdiction as set forth in this Paragraph over all parties hereto. The court shall make such
7 further or supplemental orders as may be necessary or appropriate regarding interpretation and
8 enforcement of all aspects of this Judgment, as well as clarifications or amendments to the
9 Judgment consistent with the law.

10 12. Any party that seeks the court's exercise of reserved jurisdiction shall file a
11 noticed motion with the court. Any noticed motion shall be made pursuant to the court's
12 Order Concerning Electronic Service of Pleadings and Electronic Posting of Discovery
13 Documents dated June 27, 2000.

14 13. The court shall exercise *de novo* review in all proceedings. The actions or
15 decisions of any Party, the Monitoring Parties, the TMA, or the Management Area Engineer
16 shall have no heightened evidentiary weight in any proceedings before the court.

17 14. As long as the court's electronic filing system remains available, all court
18 filings shall be made pursuant to court's Order Concerning Electronic Service of Pleadings
19 and Electronic Posting of Discovery Documents dated June 27, 2000, or any subsequent
20 superseding order. If the court's electronic filing system is eliminated and not replaced, the
21 Parties shall promptly establish a substitute electronic filing system and abide by the same
22 rules as contained in the court's Order.

23 15. Nothing in this Judgment shall be interpreted as relieving any Party of its
24 responsibilities to comply with state or federal laws for the protection of water quality or the
25 provisions of any permits, standards, requirements, or order promulgated thereunder.

26 16. Each Party shall designate the name, address and e-mail address, if any, to be
27 used for purposes of all subsequent notices and service by a designation to be filed within
28 thirty days after entry of this Judgment. This designation may be changed from time to time

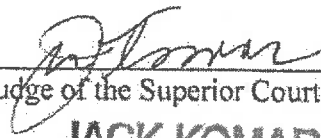
1 by filing a written notice with the court. Any Party desiring to be relieved of receiving notices
2 may file a waiver of notice on a form approved by the court. The court shall maintain at all
3 times a current list of Parties to whom notices are to be sent and their addresses for purposes
4 of service. The court shall also maintain a full current list of names, addresses, and e-mail
5 addresses of all Parties or their successors, as filed herein. Copies of such lists shall be
6 available to any Person. If no designation is made, a Party's designee shall be deemed to be, in
7 order of priority: i) the Party's attorney of record; ii) if the Party does not have an attorney of
8 record, the Party itself at the address specified.

9 17. All real property owned by the Parties within the Basin is subject to this
10 Judgment. The Judgment will be binding upon and inure to the benefit of each Party and their
11 respective heirs, executors, administrators, trustees, successors, assigns, and agents. Any
12 party, or executor of a deceased party, who transfers property that is subject to this judgment
13 shall notify any transferee thereof of this judgment and shall ensure that the judgment is
14 recorded in the line of title of said property. This Judgment shall not bind the Parties that
15 cease to own property within the Basin, and cease to use groundwater. Within sixty days
16 following entry of this Judgment, the City of Santa Maria, in cooperation with the San Luis
17 Obispo entities and Golden State, shall record in the Office of the County Reporter in Santa
18 Barbara and San Luis Obispo Counties, a notice of entry of Judgment.

19 The Clerk shall enter this Judgment.

20
21 SO ORDERED, ADJUDGED, AND DECREED.

22
23 Dated: January 25, 2008

24 
Judge of the Superior Court
JACK KOMAR

25 THE FOREGOING INSTRUMENT IS
26 A CORRECT COPY OF THE ORIGINAL
27 ON FILE IN THIS OFFICE
28 ATTEST DAVID H. YAMASAKI

APR 26 2013

CHIEF EXECUTIVE OFFICER/CLERK
SUPERIOR COURT OF CA COUNTY OF SANTA CLARA
IN AND FOR THE COUNTY OF SANTA CLARA

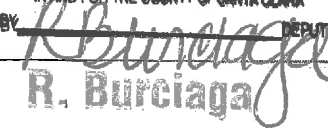
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BY  DEPUTY
R. Burciaga



Exhibit 1

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SUPERIOR COURT OF THE STATE OF CALIFORNIA
COUNTY OF SANTA CLARA

SANTA MARIA VALLEY WATER
CONSERVATION DISTRICT,

Plaintiff,

v.

CITY OF SANTA MARIA, et al.,

Defendants.

) SANTA MARIA GROUNDWATER
) LITIGATION
) Lead Case No. CV 770214
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AND RELATED CROSS-ACTIONS AND
ACTIONS CONSOLIDATED FOR ALL
PURPOSES

) San Luis Obispo County Superior Court Case
) Nos. 990738 and 990739

) [Assigned to Judge Jack Komar for All
) Purposes]

STIPULATION (JUNE 30, 2005 VERSION)

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1 **I. INTRODUCTION -- ALL MANAGEMENT AREAS**

2 The Stipulating Parties hereby stipulate and agree to entry of judgment containing the
3 terms and conditions of this Stipulation.

4 **A. Parties and Jurisdiction**

5 1. Plaintiff and Cross-Defendant Santa Maria Valley Water Conservation District
6 ("District") is a water conservation district organized under California Water Code section 74000,
7 *et seq.* The District does not pump Groundwater from the Basin.

8 2. Defendants, Cross-Complainants and Cross-Defendants the City of Santa Maria
9 ("Santa Maria"), City of Guadalupe ("Guadalupe"), Southern California Water Company
10 ("SCWC"), Nipomo Community Services District ("NCSD"), Rural Water Company ("RWC"),
11 City of Arroyo Grande ("Arroyo Grande"), City of Pismo Beach ("Pismo Beach"), City of Grover
12 Beach ("Grover Beach") and Oceano Community Services District ("Oceano") rely, in part, on
13 Groundwater to provide public water service to customers within the Basin.

14 3. Cross-Defendant County of San Luis Obispo ("San Luis Obispo") is a subdivision
15 of the State of California. Cross-Defendant San Luis Obispo County Flood Control and Water
16 Conservation District ("SLO District") is a public entity organized pursuant to the laws of the
17 State of California. Neither San Luis Obispo nor SLO District pumps Groundwater from the
18 Basin.

19 4. Cross-Defendant County of Santa Barbara ("Santa Barbara") is a subdivision of
20 the State of California. Santa Barbara does not pump Groundwater from the Basin.

21 5. Numerous other Cross-Defendants and Cross-Complainants are Overlying
22 Owners. Many of these Overlying Owners pump Groundwater from the Basin, while others do
23 not currently exercise their Overlying Rights. Those Overlying Owners who are Stipulating
24 Parties are identified on Exhibit "A".

25 6. This action presents an *inter se* adjudication of the claims alleged between and
26 among all Parties. This Court has jurisdiction over the subject matter of this action and over the
27 Parties herein.

28 ///

1 **B. Further Trial**

2 The Stipulating Parties recognize that not all Parties have entered into this Stipulation and
3 that a trial will be necessary as to all non-Stipulating Parties. No Stipulating Party shall interfere
4 or oppose the effort of any other Stipulating Party in the preparation and conduct of any such
5 trial. All Stipulating Parties agree to cooperate and coordinate their efforts in any trial or hearing
6 necessary to obtain entry of a judgment containing the terms and conditions of this Stipulation.
7 No Stipulating Party shall have any obligation to contribute financially to any future trial.

8 **C. Definitions**

9 As used in this Stipulation, the following terms shall have the meanings herein set forth:

- 10 1. Annual or Year – That period beginning January 1 and ending December
11 31.
- 12 2. Annual Report – The report prepared and filed with the Court annually for
13 each Management Area.
- 14 3. Appropriative Rights – The right to use surplus Native Groundwater for
15 reasonable and beneficial use.
- 16 4. Available State Water Project Water – The amount of SWP Water an
17 Importer is entitled to receive in a given Year based upon the California Department of Water
18 Resources final Table A allocation.
- 19 5. Basin - The groundwater basin described in the Phase I and II orders of the
20 Court, as modified, and presented in Exhibit "B".
- 21 6. Developed Water – Groundwater derived from human intervention as of
22 the date of this Stipulation, which shall be limited to Twitchell Yield, Lopez Water, Return
23 Flows, and recharge resulting from storm water percolation ponds.
- 24 7. Groundwater – Twitchell Yield, Lopez Water, Return Flows, storm water
25 percolation, Native Groundwater and all other recharge percolating within the Basin.
- 26 8. Importer(s) – Any Party who brings Imported Water into the Basin. At the
27 date of this Stipulation, the Importers are Santa Maria, SCWC, Guadalupe, Pismo Beach, and
28 Oceano.

1 9. Imported Water – Water within the Basin, originating outside the Basin
2 that absent human intervention would not recharge or be used in the Basin.

3 10. Lopez Project – Lopez Dam and Reservoir located on Arroyo Grande
4 Creek, together with the associated water treatment plant, delivery pipeline and all associated
5 facilities, pursuant to State Water Resources Control Board permit No. 12814 (A-18375) and
6 pending application No. A-30826.

7 11. Lopez Water – Groundwater within the Basin derived from the operation of
8 the Lopez Project.

9 12. Management Areas – The three areas within the Basin that have sufficient
10 distinguishing characteristics to permit the water resources and facilities of each area to be
11 individually managed. The Management Areas are: the Northern Cities Management Area, the
12 Nipomo Mesa Management Area, and the Santa Maria Valley Management Area, as shown on
13 Exhibit "C".

14 13. Management Area Engineer – The individual(s) or consulting firm(s) that
15 are hired to prepare the Monitoring Plan(s) and Annual Report(s) for one or more of the
16 Management Areas.

17 14. Monitoring Parties – Those Parties responsible for conducting and funding
18 each Monitoring Program.

19 15. Monitoring Program – The data collection and analysis program to be con-
20 ducted within each Management Area sufficient to allow the preparation of the Annual Report.

21 16. Native Groundwater – Groundwater within the Basin, not derived from
22 human intervention, that replenishes the Basin through precipitation, stream channel infiltration,
23 tributary runoff, or other natural processes.

24 17. New Developed Water – Groundwater derived from human intervention
25 through programs or projects implemented after the date of this Stipulation.

26 18. New Urban Uses – Municipal and industrial use which may occur on land
27 that, as of January 1, 2005, was located: 1) within the boundaries of a municipality or its sphere of
28 influence, or within the process of inclusion in its sphere of influence; or 2) within the certificated

1 service area of a publicly regulated utility. The New Urban Use areas are identified in Exhibit
2 "D". New Urban Uses does not include the current DJ Farms development within Guadalupe
3 City limits (including Santa Barbara County APN 113-080-18, 113-080-24).

4 19. Nipomo Mesa Management Area or NMMA – That Management Area
5 shown on Exhibit "C".

6 20. Nipomo Mesa Management Area Technical Group – The committee
7 formed to administer the relevant provisions of the Stipulation regarding the Nipomo Mesa
8 Management Area.

9 21. Northern Cities Management Area – That Management Area which is part
10 of Zone #3 of the San Luis Obispo County Flood Control and Water Conservation District as
11 shown on Exhibit "C".

12 22. Northern Cities – Arroyo Grande, Pismo Beach, Grover Beach and
13 Oceano.

14 23. Northern Parties – The Northern Cities, the Overlying Owners within the
15 Northern Cities Management Area, San Luis Obispo and the SLO District.

16 24. Overlying Right – The appurtenant right of an Overlying Owner to use
17 Native Groundwater for overlying, reasonable and beneficial use.

18 25. Overlying Owner(s) – Owners of land overlying the Basin who hold an
19 Overlying Right.

20 26. Party – Each Person in this consolidated action, whether a Stipulating
21 Party or a non-Stipulating Party.

22 27. Person – Any natural person, firm, association, organization, joint venture,
23 partnership, business, trust, corporation, or public entity.

24 28. Public Hearing – A hearing after notice to all Parties and to any other
25 person legally entitled to notice.

26 29. Return Flows – Groundwater derived from use and recharge within the
27 Basin of water delivered through State Water Project facilities.

28 ///

1 30. Santa Maria Valley Management Area – That Management Area shown on
2 Exhibit “C”.

3 31. Severe Water Shortage Conditions – Those conditions, as separately
4 defined in a Severe Water Shortage Response Plan for each Management Area, that trigger
5 certain discretionary and mandatory responses by the Stipulating Parties upon order of the Court.

6 32. Severe Water Shortage Response Plan – The discretionary and mandatory
7 responses for each Management Area that are to be implemented when Severe Water Shortage
8 Conditions exist.

9 33. State Water Project Water or SWP Water – Water imported through the
10 State of California State Water Resources Development System pursuant to Division 6, Part 6,
11 Chapter 8, of the California Water Code.

12 34. Stipulating Party – A Party that has signed this Stipulation, as listed in
13 Exhibit “A”, or its heirs, executors, administrators, trustees, successors, assigns, and agents.

14 35. Storage Space – The portion of the Basin capable of holding water for sub-
15 sequent reasonable and beneficial uses.

16 36. SWP Contract(s) – Those series of contracts that entitle the Importers to
17 use SWP facilities to bring Imported Water into the Basin.

18 37. Twitchell Management Authority or TMA – The committee formed to
19 administer the relevant provisions of the Stipulation regarding the Santa Maria Valley Manage-
20 ment Area.

21 38. Twitchell Participants – Those Stipulating Parties holding rights to
22 Twitchell Yield.

23 39. Twitchell Project – Dam and reservoir authorized by Congress as the
24 “Santa Maria Project” on September 3, 1954 (Public Law 774, 83d Congress, ch. 1258, 2d
25 session, 68 Stat. 1190) and located on the Cuyama River, approximately six miles upstream from
26 its junction with the Sisquoc River, pursuant to that certain License For Diversion And Use of
27 Water, License No. 10416, issued by the State Water Resources Control Board.

28 ///

1 40. Twitchell Water – Groundwater derived from operation of the Twitchell
2 Project.

3 41. Twitchell Yield – The total amount of Groundwater allocated annually to
4 the Twitchell Participants.

5 **II. EXHIBITS**

6 The following Exhibits are attached to this Stipulation and incorporated herein:

7 1. Exhibit "A", list identifying the Stipulating Parties and the parcels of land
8 bound by the terms of this Stipulation.

9 2. Exhibit "B", Phase I and II Orders, as modified, and the attached map
10 depicting the Santa Maria Basin.

11 3. Exhibit "C", map of the Basin and boundaries of the three Management
12 Areas.

13 4. Exhibit "D", map identifying those lands as of January 1, 2005: 1) within
14 the boundaries of a municipality or its sphere of influence, or within the process of inclusion in its
15 sphere of influence; or 2) within the certificated service area of a publicly regulated utility; and a
16 list of selected parcels that are nearby these boundaries which are excluded from within these
17 areas.

18 5. Exhibit "E", 2002 Settlement Agreement between the Northern Cities and
19 Northern Landowners.

20 6. Exhibit "F", the agreement among Santa Maria, SCWC and Guadalupe
21 regarding the Twitchell Project and the TMA.

22 7. Exhibit "G", the Court's Order Concerning Electronic Service of Pleadings
23 and Electronic Posting of Discovery Documents dated June 27, 2000.

24 8. Exhibit "H", the form of memorandum of agreement to be recorded.

25 **III. DECLARATION OF RIGHTS -- ALL MANAGEMENT AREAS**

26 The terms and conditions of this Stipulation set forth a physical solution concerning
27 Groundwater, SWP Water and Storage Space, consistent with common law water rights priorities.

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1 **A. Recognition of Priority of Overlying Rights**

2 Except as expressly modified by the settlement agreement among the Northern Parties
3 (Exhibit "E"), all Overlying Owners that are also Stipulating Parties have a prior and paramount
4 Overlying Right, whether or not yet exercised.

5 **B. Prescriptive Rights**

6 As to the Stipulating Parties, no Party has proved prescriptive rights to any Native
7 Groundwater. Future use by the Stipulating Parties will not be adverse and will not ripen into a
8 prescriptive right as between the Stipulating Parties.

9 **C. Appropriative Rights**

10 Consistent with the specific provisions governing each Management Area, the Stipulating
11 Parties owning and exercising Appropriative Rights have the right to the reasonable and bene-
12 ficial use of Native Groundwater that is surplus to the reasonable and beneficial uses of the
13 Stipulating Parties that are Overlying Owners. New appropriative uses shall be subordinate to
14 existing appropriations and shall be prioritized on a first in time, first in right basis.

15 **D. Developed Water Rights**

16 The Stipulating Parties owning Developed Water or New Developed Water have the right
17 to its reasonable and beneficial use, consistent with the specific provisions governing each
18 Management Area. The right to use Developed Water is a right to use commingled Groundwater
19 and is not limited to the corpus of that water.

20 **E. Rights to Storage Space**

21 The Court shall reserve jurisdiction over the use of the Storage Space, and any Party may
22 apply to the Court for the approval of a project using Storage Space. The Court must approve any
23 project using Storage Space before any Party can claim a right to stored water from that project.
24 The Stipulating Parties agree that Groundwater derived from Developed Water is exempt from
25 the Court approval requirements of this Paragraph.

26 **F. Other Surface Water Rights**

27 Nothing in this Stipulation affects or otherwise alters common law riparian rights or any
28 surface water rights, unless expressly provided in this Stipulation.

1
2
3 **IV. PHYSICAL SOLUTION – ALL MANAGEMENT AREAS**

4 **A. Authority**

5 Pursuant to Article X, section 2 of the California Constitution, the Stipulating Parties
6 agree that the Court has the authority to enter a judgment and physical solution containing the
7 terms and conditions of this Stipulation. Unless the Court imposes this physical solution, poten-
8 tial changes in water use could affect Basin adequacy and integrity. The Declaration of Rights is
9 a component of this physical solution.

10 **B. Purposes and Objectives**

11 The terms and conditions of this Stipulation are intended to impose a physical solution
12 establishing a legal and practical means for ensuring the Basin's long-term sustainability. This
13 physical solution governs Groundwater, SWP Water and Storage Space, and is intended to ensure
14 that the Basin continues to be capable of supporting all existing and future reasonable and
15 beneficial uses. This physical solution is: 1) a fair and equitable basis for the allocation of water
16 rights in the Basin; 2) in furtherance of the mandates of the State Constitution and the water
17 policy of the State of California; and 3) a remedy that gives due consideration to applicable
18 common law rights and priorities to use Groundwater and Storage Space, without substantially
19 impairing any such right.

20 **C. Basin Management Areas**

21 Development and use of Groundwater, SWP Water and Storage Space have historically
22 been financed and managed separately in three Management Areas. For example, only the
23 Northern Parties have paid for, managed, and benefited from the Lopez Project; whereas only
24 Santa Maria Valley parties have paid for, managed, and benefited from the Twitchell Project. In
25 contrast, the Nipomo Mesa parties have not been involved in the funding or management of either
26 the Twitchell or Lopez Projects.

27 The Stipulating Parties agree that Groundwater, SWP Water and Storage Space can be
28 more efficiently allocated and managed in three Management Areas, given the physical, geo-
graphical, political, economic, and historic conditions. The three Management Areas, as shown
on Exhibit "C," are as follows: Northern Cities Management Area; Nipomo Mesa Management

1 Area; and Santa Maria Valley Management Area. The Stipulating Parties intend that manage-
2 ment through three Management Areas will preserve the Basin's integrity.

3 **D. Groundwater Monitoring**

4 1. Monitoring Program. A Monitoring Program shall be established in each
5 of the three Management Areas to collect and analyze data regarding water supply and demand
6 conditions. Data collection and monitoring shall be sufficient to determine land and water uses in
7 the Basin, sources of supply to meet those uses, groundwater conditions including groundwater
8 levels and quality, the amount and disposition of Developed Water supplies, and the amount and
9 disposition of any other sources of water supply in the Basin. The Northern Cities Management
10 Area shall not be required to include in its Monitoring Program or Annual Reports quantification
11 of groundwater recharge from the Lopez Project or storm water percolation ponds, unless the
12 Court orders inclusion of this information.

13 Within one hundred and eighty days after entry of judgment, representatives of the Moni-
14 toring Parties from each Management Area will present to the Court for its approval their
15 proposed Monitoring Program. The Management Area Engineers shall freely share available well
16 data, groundwater models, and other products and tools utilized in monitoring and analysis of
17 conditions in the three Management Areas, consistent with the confidentiality provisions of this
18 Stipulation.

19 Absent a Court order to the contrary, all Stipulating Parties shall make available relevant
20 information regarding groundwater elevations and water quality data necessary to implement the
21 Monitoring Program approved for their respective Management Area. The Monitoring Parties
22 shall coordinate with the Stipulating Parties to obtain any needed data on reasonable terms and
23 conditions. Metering may only be imposed on Stipulating Parties upon a Court order following a
24 showing that such data is necessary to monitor groundwater conditions in the Basin, and in the
25 case of an Overlying Owner, that Overlying Owner has failed to provide information comparable
26 to that provided by other Overlying Owners. The confidentiality of well data from individual
27 owners and operators will be preserved, absent a Court order or written consent.

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1 2. Monitoring Parties. The Monitoring Parties are as follows:

2 (a) Santa Maria Valley Management Area – The Twitchell Manage-
3 ment Authority.

4 (b) Northern Cities Management Area – The Northern Cities.

5 (c) Nipomo Mesa Management Area – The NMMA Technical Group.

6 3. Annual Reports. Within one hundred and twenty days after each Year, the
7 Management Area Engineers will file an Annual Report with the Court. The Annual Report will
8 summarize the results of the Monitoring Program, changes in groundwater supplies, and any
9 threats to Groundwater supplies. The Annual Report shall also include a tabulation of Manage-
10 ment Area water use, including Imported Water availability and use, Return Flow entitlement and
11 use, other Developed Water availability and use, and Groundwater use. Any Stipulating Party
12 may object to the Monitoring Program, the reported results, or the Annual Report by motion.

13 4. Management Area Engineer. The Monitoring Parties may hire individuals
14 or consulting firms to assist in the preparation of the Monitoring Programs and the Annual
15 Reports. Except as provided below for the Santa Maria Valley Management Area, the Moni-
16 toring Parties, in their sole discretion, shall select, retain and replace the Management Area
17 Engineer.

18 E. New Developed Water

19 1. Stipulating Parties in each Management Area may prepare and implement
20 plans to develop, salvage or import additional water supplies.

21 2. The Stipulating Parties that pay, or otherwise provide consideration, for
22 New Developed Water are entitled to use it to the extent the New Developed Water augments the
23 water supplies in that Management Area. If more than one Stipulating Party finances or partici-
24 pates in generating New Developed Water, rights to the supply of New Developed Water shall be
25 proportional to each Stipulating Party's financial contribution or other consideration, or as other-
26 wise mutually agreed to by the participating Stipulating Parties. This paragraph does not apply to
27 Return Flows.

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1 3. The Stipulating Parties who desire to claim New Developed Water supplies
2 must bring a motion, and obtain an order from the Court, quantifying and allocating the rights to
3 the New Developed Water, before they have the prior right to the New Developed Water.

4 F. Severe Water Shortage Response

5 This physical solution sets forth a Severe Water Shortage Plan for each Management Area
6 which is intended to provide an effective response to Severe Water Shortage Conditions that may
7 develop within each or all of the Management Areas. The specific Severe Water Shortage Plans
8 for each Management Area are incorporated herein and made a part of the physical solution.

9 V. PHYSICAL SOLUTION: PROVISIONS SPECIFIC TO SANTA MARIA VALLEY
10 MANAGEMENT AREA

11 As supplemented by the provisions of this Stipulation that apply to all Management Areas,
12 the following terms govern rights to Groundwater, SWP Water and Storage Space in the Santa
13 Maria Valley Management Area.

14 A. Water Rights to Sources of Supply

15 1. Overlying Rights. The Stipulating Parties who are Overlying Owners
16 within the Santa Maria Valley Management Area each have the prior and paramount right to use
17 Native Groundwater. Subject to Paragraph V(C)(2)(b)(vi), all Overlying Rights are appurtenant
18 to the overlying land and cannot be assigned or conveyed separate or apart from those lands.

19 2. Appropriative Rights. The Parties listed in Exhibit "A" are the owners of
20 Appropriative Rights exercised in the Santa Maria Valley Management Area. Each Appropriative
21 Right is limited to Native Groundwater that is surplus to reasonable and beneficial uses of the
22 Stipulating Parties that are Overlying Owners in the Santa Maria Valley Management Area. New
23 appropriative uses shall be subordinate to existing Appropriative Rights and shall be prioritized
24 on a first in time, first in right basis.

25 3. Developed Water. The Stipulating Parties owning Developed Water have
26 the right to its reasonable and beneficial use, subject only to the Severe Water Shortage Plan. On
27 an annual basis, the Stipulating Parties shall have the right to the reasonable and beneficial use of
28 Developed Water that is surplus to the reasonable and beneficial uses of the owners of that

1 Developed Water. The right to use Developed Water is a right to use commingled Groundwater
2 and is not limited to the corpus of that water.

3 (a) New Developed Water. The ownership and use of New Developed
4 Water shall be subject to Court order.

5 (b) Twitchell Water.

6 (i) *Amount*. The Twitchell Project annually provides a variable
7 amount of Developed Water that augments the Groundwater in the Santa Maria Valley Manage-
8 ment Area. Twitchell Yield is thirty-two thousand acre-feet per year ("afy").

9 (ii) *Division of Twitchell Yield*. Twitchell Yield shall be
10 divided as follows: 80% to Santa Maria, SCWC and Guadalupe, and 20% to the Overlying
11 Owners within the District who are Stipulating Parties.

12 a. The Twitchell Yield allocated to Santa Maria,
13 SCWC and Guadalupe is suballocated pursuant to the agreement among Santa Maria, SCWC and
14 Guadalupe, as attached and incorporated herein as Exhibit "F".

15 b. The Twitchell Yield allocated to the Overlying
16 Owners who are Stipulating Parties within the District shall be equally allocated to each acre of
17 land within the District owned by these Stipulating Parties. Concurrently with the execution of
18 this Stipulation, each of these Stipulating Parties shall report their acreage of overlying land
19 within the District on a parcel specific basis. Within one hundred and twenty days of the effec-
20 tive date of this Stipulation, the Management Area Engineer shall create a list of all the Stipu-
21 lating Parties and their respective allocation of the Twitchell Yield.

22 (iii) *Recapture of Twitchell Yield*. The right to use Twitchell
23 Yield is a right to use commingled Groundwater and is not limited to the corpus of that water.

24 (iv) *Transfer of Twitchell Yield*. Twitchell Yield may be trans-
25 ferred, temporarily or permanently, only between Stipulating Parties and the transfer market shall
26 be as open and competitive as practical. A memorandum of agreement summarizing each transfer
27 shall be filed with the Court and provided to the TMA. Any such memorandum of agreement
28 shall state the Parties to the transfer, the amount of Twitchell Yield transferred, the price per acre-

1 foot, and the Party responsible for the financial obligation associated with the Twitchell Yield.

2 (v) *Carryover.* Any portion of Twitchell Yield that is not used
3 in a given Year shall not be carried over into the following Year,

4 (c) State Water Project Water.

5 (i) *Import and Use of State Water Project Water.* Santa Maria,
6 SCWC and Guadalupe all have SWP Contracts. Santa Maria will import and use within the Santa
7 Maria Valley Management Area not less than 10,000 acre-feet each Year of Available SWP
8 Water, or the full amount of Available SWP Water if the amount physically available is less than
9 10,000 acre-feet in a given Year under Santa Maria's SWP Contract. Guadalupe will import and
10 use within the Santa Maria Valley Management Area a minimum of 75% of its Available SWP
11 Water. SCWC will import and use within the Basin all its Available SWP Water. Santa Maria,
12 SCWC and Guadalupe will not voluntarily relinquish or terminate their current SWP Contracts,
13 and shall seek renewal of these SWP Contracts.

14 (ii) *Return Flows.*

15 a. *Fixed Amount.* The Return Flows available to each
16 Importer is fixed based on a percentage of the annual amount of SWP Water the Importer uses
17 within the Basin. The fixed percentage for each importer is as follows: (a) Santa Maria 65%; (b)
18 SCWC 45%; and (c) Guadalupe 45%. The percentage provided to SCWC and Guadalupe shall
19 be adjusted through a Court order if: a) either entity increases its use of water imported into the
20 Basin, b) the applicable method of wastewater treatment and discharge to the Basin is altered, or
21 c) good cause is shown.

22 b. *Recapture.* The right to use Return Flows does not
23 attach to the corpus of SWP water deliveries or the treated SWP wastewater discharged into the
24 Basin but is a right to use the commingled Groundwater. The Importer's right to Return Flows is
25 assignable in whole or in part, subject to necessary accounting.

26 c. *Quantification of Return Flows.* Return Flows equal
27 the total amount of SWP Water used by the Importer in the prior five Years, divided by five, and
28 then multiplied by the Importer's percentage as provided in Paragraph V(A)(3)(c)(ii)(a) above.

1 d. Carryover. Any portion of Return Flows that is not
2 used in a given Year shall not be carried over into the following Year.

3 **B. Monitoring and Management**

4 1. Status of Management Area. Current Groundwater and SWP Water sup-
5 plies are sustaining existing water uses. Changes in land and water use and demographic con-
6 ditions can be expected to occur, possibly resulting in changes in water supply or demand
7 requirements.

8 2. Need for Monitoring. Monitoring and reporting of changes in land and
9 water use and demographic conditions are necessary to ensure that water supplies continue to be
10 sufficient to support water uses.

11 3. Monitoring Program.

12 (a) Annual Report: Content and Processing.

13 The Annual Report shall include an analysis of the relationship between projected water demands
14 and projected water supplies.

15 (i) The Annual Report shall be prepared and signed by the
16 Management Area Engineer, and shall be simultaneously submitted to the Court and the TMA.

17 (ii) Within forty-five days of submission, the TMA shall hold a
18 noticed public hearing to take comments on and consider for adoption the Annual Report. No
19 later than forty-five days from the date of the public hearing, the TMA shall submit to the Court
20 its recommendations regarding the Annual Report.

21 (iii) Within one hundred and twenty days of the date of the
22 submission of the Annual Report to the Court, it shall conduct a noticed hearing on the Annual
23 Report. Any Party may submit comments on the Annual Report. After the hearing, the Court
24 shall accept the Annual Report or direct its modification.

25 (b) Management Area Engineer

26 (i) Absent the unanimous consent of the TMA, the Manage-
27 ment Area Engineer shall not concurrently be employed by any Party holding rights to use
28 Groundwater in the Santa Maria Valley Management Area.

1 (ii) The Management Area Engineer shall initially be the engin-
2 eering firm of Luhdorff & Scalmanini. Luhdorff & Scalmanini shall be the Management Area
3 Engineer for a minimum of the shorter of five years from the date of this Stipulation or the date
4 upon which Mr. Joseph Scalmanini discontinues full time work for that firm.

5 (iii) The TMA shall employ the following process to replace the
6 Management Area Engineer:

7 a. The TMA shall solicit candidates for Management
8 Area Engineer through a public process. All submissions and candidate materials shall be avail-
9 able to any Party upon request. The TMA shall conduct its interview through a public process to
10 the extent practical, and include District and Overlying Owner representatives in the candidate
11 review process.

12 b. Once a short list of candidates (less than five) for
13 Management Area Engineer is obtained, the TMA shall hold a noticed public hearing to take
14 comments on and consider the candidates for Management Area Engineer. The TMA shall make
15 a reasonable effort to select the Management Area Engineer with a unanimous vote. If the TMA
16 unanimously endorses a candidate, that nominee shall be recommended to the Court. Otherwise,
17 the short list of candidates shall be submitted.

18 c. The Court shall appoint the Management Area
19 Engineer following a noticed hearing.

20 4. Funding. The TMA shall pay for the Monitoring Program for the Santa
21 Maria Valley Management Area, which includes the cost of the Management Area Engineer and
22 the Annual Report. The cost of the Monitoring Program shall be divided among the Twitchell
23 Participants on the same basis as the allocation of their Twitchell Yield.

24 C. Response to Varying Conditions

25 1. Early Response to Avoid Severe Water Shortage Conditions. If the Man-
26 agement Area Engineer determines that projected demands are expected to materially exceed
27 projected water supplies, then the Management Area Engineer may recommend programs and
28 projects to augment the Management Area's water supplies. The Stipulating Parties will collabo-

1 rate on a response based upon current conditions, but absent Severe Water Shortage Conditions,
2 implementation of programs and projects will not be mandated.

3 The Stipulating Parties may voluntarily participate in any recommended program or
4 project, either through financial or other contributions. The Stipulating Parties that contribute to
5 such a program or project shall have a priority to the water supplies generated by that program or
6 project with Court approval. The Stipulating Parties agree to aggressively pursue New
7 Developed Water sources, including necessary funding.

8 2. Severe Water Shortage Conditions and Response.

9 (a) Determination. Severe Water Shortage Conditions shall be found
10 to exist when the Management Area Engineer, based on the results of the ongoing Monitoring
11 Program, finds the following: 1) groundwater levels in the Management Area are in a condition of
12 chronic decline over a period of not less than five Years; 2) the groundwater decline has not been
13 caused by drought; 3) there has been a material increase in Groundwater use during the five-Year
14 period; and 4) monitoring wells indicate that groundwater levels in the Santa Maria Valley
15 Management Area are below the lowest recorded levels.

16 (b) Response.

17 (i) If the Management Area Engineer determines that Severe
18 Water Shortage Conditions exist within the Santa Maria Valley Management Area, the Manage-
19 ment Area Engineer shall file and serve, as part of its Annual Report, findings and recommen-
20 dations to alleviate such shortage conditions or the adverse effects caused by such water shortage.

21 (ii) Upon the filing of the Annual Report, the Court shall hold a
22 noticed hearing regarding the existence and appropriate response to the Severe Water Shortage
23 Conditions. If, after that hearing, the Court finds that Severe Water Shortage Conditions exist in
24 the Santa Maria Valley Management Area, the Court shall first order all use of Groundwater to be
25 limited to: (a) for Guadalupe, Santa Maria and SCWC, their Developed Water; (b) entitled
26 Stipulating Parties to their New Developed Water; and (c) for the Overlying Owners, the Native
27 Groundwater plus any Developed Water to which individual Overlying Owners are entitled.

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1 (iii) The Court may also order Stipulating Parties to address
2 specific adverse effects caused by the Severe Water Shortage Conditions. The responses may
3 include, but are not limited to: (a) measures recommended in the Annual Report and the related
4 Court proceedings; and (b) other measures intended to address localized problems in the Santa
5 Maria Valley Management Area directly related to the Severe Water Shortage Conditions.

6 (iv) The Court may adjust the Groundwater use limitations
7 imposed on any Stipulating Party(ies) who implement programs or projects providing additional
8 water supplies within the Santa Maria Valley Management Area.

9 (v) If the Court finds that Management Area conditions have
10 deteriorated since it first found Severe Water Shortage Conditions, the Court may impose further
11 limitations on Groundwater use. If the Court imposes further limitations on Groundwater use, a
12 Stipulating Party shall be exempt from those limitations to the extent: (a) the Stipulating Party can
13 demonstrate that it has already implemented limitations in its Groundwater use, equivalent to
14 those ordered by the Court; or (b) the Stipulating Party can demonstrate that further limitations
15 would not avoid or reduce the deteriorating conditions.

16 (vi) During Severe Water Shortage Conditions, the Stipulating
17 Parties may make agreements for temporary transfer of rights to pump Native Groundwater,
18 voluntary fallowing, or the implementation of extraordinary conservation measures. Transfers of
19 Native Groundwater must benefit the Management Area and be approved by the Court.

20 **D. Management and Administration of the Twitchell Project**

21 1. Operational Parameters. All Twitchell Project operations (operation and
22 maintenance and capital projects) will be performed consistent with the following parameters
23 (Operational Parameters):

24 (a) Maximize recharge of the Santa Maria Valley Management Area
25 from Twitchell Water, including without limitation, the avoidance of impacts on recharge
26 resulting from ongoing accumulation of silt to the maximum extent practical.

27 (b) Operate the Twitchell Project in accordance with the requirements
28 of applicable law including, without limitation, the requirements of the Bureau of Reclamation

1 and Army Corps of Engineers.

2 (c) Operate the Twitchell Project in accordance with industry standards
3 and best management practices.

4 2. Twitchell Project Manual.

5 (a) The TMA will hire and pay for a professional engineering con-
6 sulting firm with expertise in dam and reservoir operations and maintenance, acceptable to the
7 District and the TMA, to develop an integrated operation and maintenance procedure manual
8 ("Twitchell Project Manual") and provide recommendations for capital and maintenance projects
9 that are consistent with the Operational Parameters.

10 (b) The District shall hold one or more public hearings to solicit input
11 regarding the content of the Twitchell Project Manual.

12 (c) Within eighteen months of entry of the judgment, the TMA and the
13 District shall adopt a final Twitchell Project Manual.

14 (d) Any disagreement between the District and the TMA regarding the
15 content of the final Twitchell Project Manual shall be presented for Court review and determina-
16 tion pursuant to the judicial review provisions provided in this Stipulation.

17 (e) The District will exercise its discretionary authority to conduct all
18 its operation and maintenance activities for the Twitchell Project in accordance with the Twitchell
19 Project Manual.

20 3. Twitchell Project Funding.

21 (a) District will maintain its current operation and maintenance (O&M)
22 assessments. These funds will be used for District staff salaries, property, equipment, rent,
23 expenses, and other day-to-day operations, and will be expended consistent with the Twitchell
24 Project Manual to the extent it is applicable.

25 (b) The TMA will separately fund, administer, construct and manage
26 any additional Twitchell Project expenses or projects, including Capital Improvement Projects
27 (see below) and O&M, (Extraordinary Project Operations) consistent with the Twitchell Project
28 Manual. The TMA and the District will make reasonable efforts to work cooperatively to imple-

1 ment Extraordinary Project Operations.

2 (c) Consistent with the provisions of this Paragraph V(D), the District
3 and the TMA shall be responsible for ensuring the ongoing operational integrity of the Twitchell
4 Project and the maintenance of the Twitchell Yield. The Stipulating Parties expect that this
5 ongoing responsibility may involve significant expenditures. Within 120 days of the effective
6 date of this Stipulation, and annually thereafter, the Twitchell Participants shall establish an
7 operating budget for the TMA to fund its responsibilities set forth in this Stipulation. For the first
8 five years following the PUC approval as provided below, the TMA's annual budget shall be
9 established at an amount between \$500,000 to \$700,000. Following the initial budgeting period,
10 the TMA shall set its budget in three- to five-year increments, as it deems necessary to meet its
11 obligations to preserve the Twitchell Yield. Any unused revenues shall be segregated into a
12 reserve account, for future funding needs of the Twitchell Project. The Stipulating Parties agree
13 to cooperate and coordinate their efforts to enable the TMA to fulfill its responsibilities as pro-
14 vided in this Stipulation.

15 4. Twitchell Management Authority.

16 (a) The TMA shall be comprised of one representative of each of the
17 following parties: Santa Maria, Guadalupe, Southern California Water Company, the District, and
18 Overlying Landowners holding rights to Twitchell Yield.

19 (b) Only those parties holding an allocation of Twitchell Yield shall be
20 voting members of the TMA. Voting shall be based on each party's proportionate allocation of
21 Twitchell Yield.

22 (c) The TMA shall be responsible for all the Extraordinary Project
23 Operations.

24 (d) The TMA shall be responsible for developing proposals for Capital
25 Improvement Projects relating to the Twitchell Project. Capital Improvement Projects shall mean
26 projects involving the expenditure of funds for the improvement or enhancement of the Twitchell
27 Project, but shall not include normal operation, maintenance or repair activities.

28 ///

1 (e) Upon the development of a proposal for a Capital Improvement
2 Project, the TMA shall, in cooperation with the District, hold one or more public hearings to
3 solicit input.

4 (f) Following the public hearing process, the TMA may vote on
5 whether to implement the Capital Improvement Project.

6 (g) The cost of TMA-sponsored Extraordinary Project Operations and
7 Capital Improvement Projects shall be divided among Twitchell Participants on the same basis as
8 the allocation of their Twitchell Yield.

9 (h) The District shall assume operation and maintenance responsibility
10 for any TMA sponsored Capital Improvement Project to the extent practical within the District's
11 day-to-day operations.

12 5. Regulatory Compliance. The TMA or the District shall provide advance
13 notice to the Court and all Parties of the initiation of any regulatory proceeding relating to the
14 Twitchell Project.

15 6. Existing Contracts. The Twitchell Reservoir Project will continue to be
16 governed by and subject to the terms and conditions of the December 1955 agreement between
17 the District and the Santa Barbara County Water Agency and nothing in this Stipulation is
18 intended to modify the rights or obligations provided in that agreement. To the extent that the
19 approval of Santa Barbara County Water Agency or the United States Bureau of Reclamation is
20 required in connection with the implementation of this Stipulation, the Stipulating Parties agree to
21 work cooperatively to obtain such approval(s).

22 E. New Urban Uses – Santa Maria Valley Management Area

23 1. New Urban Uses shall obtain water service from the local public water
24 supplier. The local public water supplier shall provide water service on a reasonable and non-
25 discriminatory basis.

26 2. New municipal and industrial uses on land adjacent to or within one-
27 quarter mile of the boundary line depicted in Exhibit D shall comply with any applicable Cor-
28 porations Code provisions and negotiate in good faith to obtain water service from the local

1 public water supplier, before forming a mutual water company to provide water service.

2 3. No modification of land use authority. This Stipulation does not modify
3 the authority of the entity holding land use approval authority over the proposed New Urban
4 Uses.

5 4. New Urban Uses shall provide a source of supplemental water to offset the
6 water demand associated with that development. For the purposes of this section, supplemental
7 water shall include all sources of Developed Water, except: i) Twitchell Water, ii) storm water
8 percolation ponds existing as of the date of entry of the judgment, or iii) Overlying Owners' right
9 to use of surplus Developed Water.

10 **VI. PHYSICAL SOLUTION: PROVISIONS SPECIFIC TO NIPOMO MESA MAN-**
11 **AGEMENT AREA**

12 As supplemented by the provisions of this Stipulation that apply to all Management Areas,
13 the following terms shall apply to the Nipomo Mesa Management Area.

14 **A. Supplemental Water**

15 1. MOU. NCSD has entered into a Memorandum of Understanding
16 ("MOU") with Santa Maria which contemplates the wholesale purchase and transmission from
17 Santa Maria to the NMMA of a certain amount of water each Year (the "Nipomo Supplemental
18 Water"). All water delivered pursuant to the MOU for delivery by NCSD to its ratepayers shall
19 be applied within the NCSD or the NCSD's sphere of influence as it exists at the time of the
20 transmission of that water.

21 2. The NCSD agrees to purchase and transmit to the NMMA a minimum of
22 2,500 acre-feet of Nipomo Supplemental Water each Year. However, the NMMA Technical
23 Group may require NCSD in any given Year to purchase and transmit to the NMMA an amount
24 in excess of 2,500 acre-feet and up to the maximum amount of Nipomo Supplemental Water
25 which the NCSD is entitled to receive under the MOU if the Technical Group concludes that such
26 an amount is necessary to protect or sustain Groundwater supplies in the NMMA. The NMMA
27 Technical Group also may periodically reduce the required amount of Nipomo Supplemental
28 Water used in the NMMA so long as it finds that groundwater supplies in the NMMA are not

1 endangered in any way or to any degree whatsoever by such a reduction.

2 3. The Stipulating Parties agree to support (and, conversely, not to oppose in
3 any way or to encourage or assist any other Person or party in opposing or challenging) the imple-
4 mentation of the MOU, which includes environmental and regulatory permits and approvals, the
5 approval of a wholesale water supply agreement between Santa Maria and NCSD, and the
6 alignment and construction of a pipeline and related infrastructure necessary to deliver the
7 Nipomo Supplemental Water from Santa Maria to the NMMA ("Nipomo Supplemental Water
8 Project"). ConocoPhillips retains the right to object to or provide input on the alignment of any
9 pipelines associated with the Nipomo Supplemental Water Project if they might interfere with the
10 location of existing ConocoPhillips pipelines. The Stipulating Parties retain their rights to be
11 compensated for any interest or property acquired in implementing the Nipomo Supplemental
12 Water Project.

13 4. NCSD and Santa Maria shall employ their best efforts to timely implement
14 the Nipomo Supplemental Water Project, subject to their quasi-judicial obligations specified for
15 administrative actions and in the California Environmental Quality Act.

16 5. The enforcement of the provisions of Paragraph VI(D) below is condi-
17 tioned upon the full implementation of the Nipomo Supplemental Water Project, including the
18 Yearly use of at least 2,500 acre-feet of Nipomo Supplemental Water (subject to the provisions of
19 Paragraph VI(A)(2) above) within the NMMA. In the event that Potentially Severe Water
20 Shortage Conditions or Severe Water Shortage Conditions are triggered as referenced in Para-
21 graph VI(D) before Nipomo Supplemental Water is used in the NMMA, NCSD, SCWC,
22 Woodlands and RWC agree to develop a well management plan that is acceptable to the NMMA
23 Technical Group, and which may include such steps as imposing conservation measures, seeking
24 sources of supplemental water to serve new customers; and declaring or obtaining approval to
25 declare a moratorium on the granting of further intent to serve or will serve letters. In the event
26 that it becomes apparent that the Nipomo Supplemental Water will not be fully capable of being
27 delivered, any Stipulating Party may apply to the Court, pursuant to a noticed motion, for appro-
28 priate modifications to this portion of the Stipulation and the judgment entered based upon the

1 terms and conditions of this Stipulation, including declaring this Paragraph VI to be null and void,
2 and of no legal or binding effect.

3 6. Once the Nipomo Supplemental Water is capable of being delivered, those
4 certain Stipulating Parties listed below shall purchase the following portions of the Nipomo
5 Supplemental Water Yearly:

6 NCS D - 66.68%

7 Woodlands Mutual Water Company - 16.66%

8 SCWC - 8.33%

9 RWC - 8.33%

10 **B. Rights to Use Groundwater**

11 1. ConocoPhillips and its successors-in-interest shall have the right to the
12 reasonable and beneficial use of Groundwater on the property it owns as of the date of this Stipu-
13 lation located in the NMMA ("ConocoPhillips Property") without limitation, except in the event
14 the mandatory action trigger point (Severe Water Shortage conditions) described in Paragraph
15 VI(D) (2) below is reached. Further, any public water supplier which provides water service to
16 the ConocoPhillips Property may exercise that right subject to the limitation described in Para-
17 graph VI(D)(2).

18 2. Overlying Owners that are Stipulating Parties that own land located in the
19 NMMA as of the date of this Stipulation shall have the right to the reasonable and beneficial use
20 of Groundwater on their property within the NMMA without limitation, except in the event the
21 mandatory action trigger point (Severe Water Shortage Conditions) described in Paragraph
22 VI(D)(2) below is reached.

23 3. The Woodlands Mutual Water Company shall not be subject to restriction
24 in its reasonable and beneficial use of Groundwater, provided it is concurrently using or has made
25 arrangements for other NMMA parties to use within the NMMA, the Nipomo Supplemental
26 Water allocated to the Woodlands in Paragraph VI(A)(5). Otherwise, the Woodlands Mutual
27 Water Company shall be subject to reductions equivalent to those imposed on NCS D, RWC and
28 SCWC, as provided in Paragraph VI(D)(1-2).

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2 **C. NMMA Technical Group**

3 1. The NMMA Technical Group shall include representatives appointed by
4 NCSD, SCWC, ConocoPhillips, Woodlands Mutual Water Company and an agricultural Over-
5 lying Owner who is also a Stipulating Party.

6 2. The NMMA Technical Group shall develop a Monitoring Program for the
7 NMMA ("NMMA Monitoring Program"), which shall be consistent with the Monitoring
8 Program described in Paragraph IV(D). The NMMA Monitoring Program shall also include the
9 setting of well elevation and water quality criteria that trigger the responses set forth in Paragraph
10 D below. The Stipulating Parties shall provide monitoring and other production data to the
11 NMMA Technical Group at no charge, to the extent that such data has been generated and is
12 readily available. The NMMA Technical Group shall adopt rules and regulations concerning
13 measuring devices and production reports that are, to the extent feasible, consistent with the
14 Monitoring Programs for other Management Areas. If the NMMA Technical Group is unable to
15 agree on any aspect of the NMMA Monitoring Program, the matter may be resolved by the Court
16 pursuant to a noticed motion.

17 3. The NMMA Technical Group meetings shall be open to any Stipulating
18 Party. NMMA Technical Group files and records shall be available to any Stipulating Party upon
19 written request. Notices of the NMMA Technical Group meetings, as well as all its final work
20 product (documents) shall be posted to groups.yahoo.com/group/NipomoCommunity/

21 4. The NMMA Technical Group functions shall be funded by contribution
22 levels to be negotiated by NCSD, SCWC, RWC, ConocoPhillips, and Woodlands Mutual Water
23 Company. In-lieu contributions through engineering services may be provided, subject to agree-
24 ment by those parties. The budget of the NMMA Technical Group shall not exceed \$75,000 per
25 year without prior approval of the Court pursuant to a noticed motion.

26 5. Any final NMMA Technical Group actions shall be subject to *de novo*
27 Court review by motion.

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2 **D. Potentially Severe and Severe Water Shortage Conditions**

3 1. Caution trigger point (Potentially Severe Water Shortage Conditions)

4 (a) Characteristics. The NMMA Technical Group shall develop
5 criteria for declaring the existence of Potentially Severe Water Shortage Conditions. These
6 criteria shall be approved by the Court and entered as a modification to this Stipulation or the
7 judgment to be entered based upon this Stipulation. Such criteria shall be designed to reflect that
8 water levels beneath the NMMA as a whole are at a point at which voluntary conservation
9 measures, augmentation of supply, or other steps may be desirable or necessary to avoid further
10 declines in water levels.

11 (b) Responses. If the NMMA Technical Group determines that Poten-
12 tially Severe Water Shortage Conditions have been reached, the Stipulating Parties shall coordi-
13 nate their efforts to implement voluntary conservation measures, adopt programs to increase the
14 supply of Nipomo Supplemental Water if available, use within the NMMA other sources of
15 Developed Water or New Developed Water, or implement other measures to reduce Groundwater
16 use.

17 2. Mandatory action trigger point (Severe Water Shortage Conditions)

18 (a) Characteristics. The NMMA Technical Group shall develop the
19 criteria for declaring that the lowest historic water levels beneath the NMMA as a whole have
20 been reached or that conditions constituting seawater intrusion have been reached. These criteria
21 shall be approved by the Court and entered as a modification to this Stipulation or the judgment to
22 be entered based upon this Stipulation.

23 (b) Responses. As a first response, subparagraphs (i) through (iii) shall
24 be imposed concurrently upon order of the Court. The Court may also order the Stipulating
25 Parties to implement all or some portion of the additional responses provided in subparagraph (iv)
26 below.

27 (i) For Overlying Owners other than Woodlands Mutual Water
28 Company and ConocoPhillips, a reduction in the use of Groundwater to no more than 110% of

1 the highest pooled amount previously collectively used by those Stipulating Parties in a Year,
2 prorated for any partial Year in which implementation shall occur, unless one or more of those
3 Stipulating Parties agrees to forego production for consideration received. Such forbearance shall
4 cause an equivalent reduction in the pooled allowance. The base Year from which the calculation
5 of any reduction is to be made may include any prior single Year up to the Year in which the
6 Nipomo Supplemental Water is transmitted. The method of reducing pooled production to 110%
7 is to be prescribed by the NMMA Technical Group and approved by the Court. The quantifica-
8 tion of the pooled amount pursuant to this subsection shall be determined at the time the manda-
9 tory action trigger point (Severe Water Shortage Conditions) described in Paragraph VI(D)(2) is
10 reached. The NMMA Technical Group shall determine a technically responsible and consistent
11 method to determine the pooled amount and any individual's contribution to the pooled amount.
12 If the NMMA Technical Group cannot agree upon a technically responsible and consistent
13 method to determine the pooled amount, the matter may be determined by the Court pursuant to a
14 noticed motion.

15 (ii) ConocoPhillips shall reduce its Yearly Groundwater use to
16 no more than 110% of the highest amount it previously used in a single Year, unless it agrees in
17 writing to use less Groundwater for consideration received. The base Year from which the calcu-
18 lation of any reduction is to be made may include any prior single Year up to the Year in which
19 the Nipomo Supplemental Water is transmitted. ConocoPhillips shall have discretion in deter-
20 mining how reduction of its Groundwater use is achieved.

21 (iii) NCSD, RWC, SCWC, and Woodlands (if applicable as
22 provided in Paragraph VI(B)(3) above) shall implement those mandatory conservation measures
23 prescribed by the NMMA Technical Group and approved by the Court.

24 (iv) If the Court finds that Management Area conditions have
25 deteriorated since it first found Severe Water Shortage Conditions, the Court may impose further
26 mandatory limitations on Groundwater use by NCSD, SCWC, RWC and the Woodlands. Manda-
27 tory measures designed to reduce water consumption, such as water reductions, water restrictions,
28 and rate increases for the purveyors, shall be considered.

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2 (v) During Severe Water Shortage Conditions, the Stipulating
3 Parties may make agreements for temporary transfer of rights to pump Native Groundwater,
4 voluntary fallowing, or the implementation of extraordinary conservation measures. Transfer of
5 Native Groundwater must benefit the Management Area and be approved by the Court.

6 E. New Urban Uses

7 1. Within the sphere of influence or service area. New Urban Uses shall
8 obtain water service from the local public water supplier. The local public water supplier shall
9 provide water service on a reasonable and non-discriminatory basis.

10 2. Outside the sphere of influence or service area. New municipal and indus-
11 trial uses on land adjacent to or within one quarter mile of the boundary line depicted in Exhibit D
12 shall comply with any applicable Corporations Code provisions, including good faith negotiations
13 with the local water purveyor(s), prior to forming a mutual water company to provide water
14 service.

15 3. The ConocoPhillips property, owned as of the date of this Stipulation and
16 located within the NMMA, is not in the sphere of influence or service area, nor is it in the process
17 of being included in the sphere of influence, of a municipality or within the certificated service
18 area of a publicly regulated utility as of the date of this Stipulation, nor is it adjacent to or in close
19 proximity to the sphere of influence of a municipality or the certificated service area of a publicly
20 regulated utility as of the date of this Stipulation, as those terms are used in Paragraphs VI(E)(1
21 and 2).

22 4. No modification of land use authority. This Stipulation does not modify the
23 authority of the entity holding land use approval authority over the proposed New Urban Uses.

24 5. New Urban Uses as provided in Paragraph VI(E)(1) above and new muni-
25 cipal and industrial uses as provided in Paragraph VI(E)(2) above shall provide a source of
26 supplemental water, or a water resource development fee, to offset the water demand associated
27 with that development. For the purposes of this Paragraph, supplemental water shall include all
28 sources of Developed Water or New Developed Water.

1 **VII. PHYSICAL SOLUTION: PROVISIONS SPECIFIC TO NORTHERN CITIES**
2 **MANAGEMENT AREA**

3 These terms, supplemented by the provisions of this Stipulation that apply to all
4 Management Areas, govern water rights and resources in the Northern Cities Management Area.

5 1. Groundwater Monitoring. Groundwater monitoring in the Northern Cities
6 Management Area will be conducted by the Northern Cities in the manner described above.

7 2. Lopez Project. The Lopez Project will continue to be managed by the SLO
8 District. The Northern Cities and Landowners will continue to bear costs of the Lopez Reservoir
9 and no costs of the Twitchell Reservoir.

10 3. Independent Management Per Settlement Agreement.

11 (a) Existing Groundwater, SWP Water and Storage Space in the
12 Northern Cities Management Area will continue to be allocated and independently managed by
13 the Northern Parties in accordance with the Northern Cities and Northern Landowners' 2002
14 Settlement Agreement (Exhibit "E") for the purpose of preserving the long-term integrity of water
15 supplies in the Northern Cities Management Area. That Settlement Agreement initially allocates
16 57% of the safe yield of groundwater in Zone 3 to the farmers and 43% to the cities; and it
17 provides *inter alia* that any increase or decrease in the safe yield will be shared by the cities and
18 landowners on a pro rata basis. That Settlement Agreement is reaffirmed as part of this Stipula-
19 tion and its terms are incorporated into this Stipulation, except that the provisions regarding con-
20 tinuing jurisdiction (§ 4), groundwater monitoring, reporting, and the Technical Oversight
21 Committee (§§ 7-20) are canceled and superseded by the provisions of this Stipulation dealing
22 with those issues.

23 (b) Without the written agreement of each of the Northern Cities, no
24 party other than Northern Parties shall have any right to:

25 (i) pump, store, or use Groundwater or surface water within the
26 Northern Cities Management Area; or

27 (ii) limit or interfere with the pumping, storage, management or
28 usage of Groundwater or surface water by the Northern Parties within the Northern Cities

1 Management Area.

2 (c) For drought protection, conservation, or other management pur-
3 poses, the Northern Parties may engage in contractual transfers, leases, licenses, or sales of any of
4 their water rights, including voluntary fallowing programs. However, no Groundwater produced
5 within the Northern Cities Management Area may be transported outside of the Northern Cities
6 Management Area without the written agreement of each of the Northern Cities.

7 4. Current and future deliveries of water within the spheres of influence of the
8 Northern Cities as they exist on January 1, 2005 shall be considered existing uses and within the
9 Northern Cities Management Area.

10 **VIII. INJUNCTION – ALL MANAGEMENT AREAS**

11 **A. Use Only Pursuant to Stipulation**

12 Each and every Stipulating Party, their officers, agents, employees, successors and
13 assigns, are enjoined and restrained from exercising the rights and obligations provided through
14 this Stipulation in a manner inconsistent with the express provisions of this Stipulation.

15 **B. Injunction Against Transportation From the Basin**

16 Except upon further order of the Court, each and every Stipulating Party and its officers,
17 agents, employees, successors and assigns, is enjoined and restrained from transporting Ground-
18 water to areas outside the Basin, except for those uses in existence as of the date of this Stipula-
19 tion; provided, however, that Groundwater may be delivered for use outside the Basin as long as
20 the wastewater generated by that use of water is discharged within the Basin, or agricultural
21 return flows resulting from that use return to the Basin.

22 **C. No Third Party Beneficiaries**

23 This Stipulation is intended to benefit the Stipulating Parties and no other Parties. Only a
24 Stipulating Party may enforce the terms of this Stipulation or assert a right to any benefits of, or
25 enforce any obligations contained in this Stipulation.

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1 **IX. RESERVED JURISDICTION – ALL MANAGEMENT AREAS**

2 **A. Reserved Jurisdiction; Modifications, Cancellations, Amendments**

3 Jurisdiction, power and authority are retained by and reserved to the Court as set forth in
4 this Paragraph. Nothing in the Court's reserved jurisdiction shall authorize modification, cancel-
5 lation or amendment of the rights provided under Paragraphs III; V(A, E); VI(A, B, D); VII(2, 3);
6 VIII(A); IX(A, C); and X(A, D) of this Stipulation. Subject to this limitation, the Court shall
7 make such further or supplemental orders as may be necessary or appropriate regarding the
8 following:

- 9 1. enforcement of this Stipulation;
- 10 2. claims regarding waste/unreasonable use of water;
- 11 3. disputes between Stipulating Parties across Management Area boundaries;
- 12 4. interpretation and enforcement of the judgment;
- 13 5. consider the content or implementation of a Monitoring Program;
- 14 6. consider the content, conclusions, or recommendations contained in an
15 Annual Report;
- 16 7. consider Twitchell Project operations, including, but not limited to: i) the
17 content of the Twitchell Project Manual; ii) TMA or District compliance
18 with the Twitchell Project Manual; iii) decisions to implement Extraor-
19 dinary Project Operations; or iv) the maintenance of Twitchell Yield;
- 20 8. claims of localized physical interference between the Stipulating Parties in
21 exercising their rights pursuant to this Stipulation; provided, however,
22 rights to use Groundwater under this Stipulation shall have equal status;
23 and
- 24 9. modify, clarify, amend or amplify the judgment and the Northern Parties
25 Settlement Agreement; Provided, however, that all of the foregoing shall
26 be consistent with the spirit and intent of this Stipulation.

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1 **B. Noticed Motion**

2 Any party that seeks the Court's exercise of reserved jurisdiction shall file a noticed
3 motion with the Court. Any noticed motion shall be made pursuant to the Court's Order Con-
4 cerning Electronic Service of Pleadings and Electronic Posting of Discovery Documents dated
5 June 27, 2000, attached and incorporated as Exhibit "G". Any request for judicial review shall be
6 filed within sixty days of the act or omission giving rise to the claim. Upon a showing of good
7 cause, the Court may extend the sixty-day time limitation.

8 **C. De Novo Nature of Proceeding**

9 The Court shall exercise *de novo* review in all proceedings. The actions or decisions of
10 any Party, the Monitoring Parties, the TMA, or the Management Area Engineer shall have no
11 heightened evidentiary weight in any proceedings before the Court.

12 **D. Filing and Notice**

13 As long as the Court's electronic filing system remains available, all Court filings shall be
14 made pursuant to Exhibit "G". If the Court's electronic filing system is eliminated and not
15 replaced, the Stipulating Parties shall promptly establish a substitute electronic filing system and
16 abide by the same rules as contained in the Court's Order.

17 **X. MISCELLANEOUS PROVISIONS – ALL MANAGEMENT AREAS**

18 **A. Unenforceable Terms**

19 The Stipulating Parties agree that if any provision of this Stipulation or the judgment
20 entered based on this Stipulation is held to be invalid, void, or unenforceable, the remaining pro-
21 visions shall nevertheless continue in full force and effect; provided, however, any order which
22 invalidates, voids, deems unenforceable, or materially alters those Paragraphs enumerated in
23 Paragraph IX(A) or any of them, shall render the entirety of the Stipulation and the judgment
24 entered based on this Stipulation voidable and unenforceable, as to any Stipulating Party who
25 files and serves a motion to be released from the Stipulation and the judgment based upon the
26 Stipulation within sixty days of entry of that order, and whose motion is granted upon a showing
27 of good cause.

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1 **B. Water Quality**

2 Nothing in the Stipulation shall be interpreted as relieving any Stipulating Party of its
3 responsibilities to comply with state or federal laws for the protection of water quality or the
4 provisions of any permits, standards, requirements, or orders promulgated thereunder.

5 **C. Duty to Cooperate**

6 The Stipulating Parties agree not to oppose, or in any way encourage or assist any other
7 party in opposing or challenging, any action, approval, or proceeding necessary to obtain
8 approval of or make effective this Stipulation or the judgment to be entered on terms consistent
9 with this Stipulation.

10 **D. Stipulating Parties Under Public Utilities Commission Regulation**

11 1. To the extent allowed by law, SCWC and RWC shall comply with this
12 Stipulation, prior to obtaining California Public Utilities Commission ("PUC") approval. If the
13 PUC fails to approve SCWC's and RWC's participation or fails to provide approval of the neces-
14 sary rate adjustments so that SCWC and RWC may meet their respective financial obligations,
15 including the participation in Developed Water projects, Monitoring Programs, TMA and as
16 otherwise provided in this Stipulation, shall render the entirety of the Stipulation and those terms
17 of any judgment based on this Stipulation invalid, void and unenforceable, as to any Stipulating
18 Party who files and serves a notice of rescission within sixty days of notice by SCWC or RWC of
19 a final PUC Order.

20 2. Any Party, or its successors or assigns, agreeing to become a new customer
21 of SCWC or RWC, or an existing customer proposing to increase its water use through a change
22 in land use requiring a discretionary land use permit or other form of land use entitlement, that
23 has not executed reservation contracts for supplemental water as specified in Exhibit F will
24 provide the following, once approved by the PUC:

25 (a) If in the Santa Maria Valley Management Area, a water resource
26 development fee as specified in Exhibit F or a source of supplemental water sufficient to offset
27 the consumptive demand associated with the new use as provided in Paragraph V(E); or

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1 (b) If in the NMMA, a water resource development fee, or a source of
2 supplemental water sufficient to offset the consumptive demand associated with the new use.

3 3. Any Person who is not engaged in a New Urban Use and who agrees to
4 become a customer of SCWC or RWC shall retain its right to contest the applicable water
5 resource development fee, should that fee ever become applicable to that Person.

6 **E. Designation of Address, for Notice and Service**

7 Each Stipulating Party shall designate the name, address and e-mail address, if any, to be
8 used for purposes of all subsequent notices and service, either by its endorsement on the Stipula-
9 tion for entry of judgment or by a separate designation to be filed within thirty days after execu-
10 tion of this Stipulation. This designation may be changed from time to time by filing a written
11 notice with the Court. Any Stipulating Party desiring to be relieved of receiving notices may file
12 a waiver of notice on a form approved by the Court. The Court shall maintain at all times a
13 current list of Parties to whom notices are to be sent and their addresses for purposes of service.
14 The Court shall also maintain a full current list of names, addresses, and e-mail addresses of all
15 Parties or their successors, as filed herein. Copies of such lists shall be available to any Person.
16 If no designation is made, a Stipulating Party's designee shall be deemed to be, in order of
17 priority: i) the Party's attorney of record; ii) if the Party does not have an attorney of record, the
18 Party itself at the address specified.

19 **F. No Loss of Rights**

20 Nothing in this Stipulation shall be interpreted to require or encourage any Stipulating
21 Party to use more water in any Year than is actually required. As between the Stipulating Parties,
22 failure to use all of the water to which a Stipulating Party is entitled hereunder shall not, no matter
23 how long continued, be deemed or constitute an abandonment or forfeiture of such Stipulating
24 Party's rights, in whole or in part.

25 **G. Intervention After Judgment**

26 Any Person who is not a Party or successor to a Party, who proposes to use Groundwater
27 or Storage Space, may seek to become a Party to the judgment through a petition for intervention.
28 The Court will consider an order confirming intervention following thirty days notice to the

1 Parties. Thereafter, if approved by the Court, such intervenor shall then be a Party bound by the
2 judgment as provided by the Court.

3 **H. Stipulation and Judgment Binding on Successors, Assigns, etc.**

4 The Stipulating Parties agree that all property owned by them within the Basin is subject
5 to this Stipulation and the judgment to be entered based upon the terms and conditions of this
6 Stipulation. This Stipulation and the judgment will be binding upon and inure to the benefit of
7 each Stipulating Party and their respective heirs, executors, administrators, trustees, successors,
8 assigns, and agents. This Stipulation and the judgment to be entered based the terms and condi-
9 tions of this Stipulation shall not bind the Stipulating Parties that cease to own property within the
10 Basin, or cease to use Groundwater. As soon as practical after the effective date of this Stipula-
11 tion, a memorandum of agreement referencing this Stipulation shall be recorded in Santa Barbara
12 and San Luis Obispo Counties by Santa Maria, in cooperation with the Northern Cities and
13 SCWC. The document to be recorded shall be in the format provided in Exhibit "H".

14 **I. Costs**

15 No Stipulating Party shall recover any costs or attorneys fees from another Stipulating
16 Party incurred prior to the entry of a judgment based on this Stipulation.

17 **J. Non-Stipulating Parties**

18 It is anticipated that the Court will enter a single judgment governing the rights of all
19 Parties in this matter. The Stipulating Parties enter into this Stipulation with the expectation that
20 the Court will enter, as a part of the judgment, the terms and conditions of this Stipulation. This
21 Stipulation shall not compromise, in any way, the Court's legal and equitable powers to enter a
22 single judgment that includes provisions applicable to the non-Stipulating Parties that may
23 impose differing rights and obligations than those applicable to the Stipulating Parties. As against
24 non-Stipulating Parties, each Stipulating Party expressly reserves and does not waive its right to
25 appeal any prior or subsequent ruling or order of the Court, and assert any and all claims and
26 defenses, including prescriptive claims. The Stipulating Parties agree they will not voluntarily
27 enter into a further settlement or stipulation with non-Stipulating Parties that provides those non-
28 Stipulating Parties with terms and conditions more beneficial than those provided to similarly

1 situated Stipulating Parties.

2 **K. Counterparts**

3 This Stipulation may be signed in any number of counterparts, including counterparts by
4 facsimile signature, each of which shall be deemed an original, but all of which shall together
5 constitute one and the same instrument. The original signature pages shall be filed with Court.

6 **L. Effective Date**

7 This Stipulation shall be effective when signed by the Stipulating Parties listed on Exhibit
8 "A" and accepted by the Court.

9

Party	Signature, title, and date	Parcels Subject to Stipulation
Attorney of Record	Approved as to form: By: _____ Date: _____	

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EXHIBIT A

**Stipulating Parties and Parcels of Land
Bound by Terms of Stipulation**

Santa Maria Valley Water Conservation District v. City of Santa Maria
Santa Clara County Superior Court Case No. CV 770214

Awaiting complete list of Stipulating Parties

EXHIBIT B

**Phase I and II Orders (as modified)
and Santa Maria Basin Map**

Santa Maria Valley Water Conservation District v. City of Santa Maria
Santa Clara County Superior Court Case No. CV 770214

[ORIGINAL FILED ON 01-09-02001]

IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA
IN AND FOR THE COUNTY OF SANTA CLARA
DEPARTMENT 17

SANTA MARIA VALLEY WATER
CONSERVATION DISTRICTS, A PUBLIC
ENTITY,
) NIPOMO COMMUNITY SERVICES
Plaintiff,

vs.

CITY OF SANTA MARIA, A MUNICIPAL
CORPORATION, ET AL.

AND RELATED CROSS-ACTIONS.

) Case No. CV 770214
) ORDER AFTER HEARING GRANTING
) DISTRICT'S MOTION FOR SUMMARY
) ADJUDICATION

The above-entitled matter came on regularly for hearing on January 8, 2001, at 1:30 p.m., the Honorable Conrad L. Rushing presiding. Counsel Robert Dougherty appeared on behalf of the Land Owner Group Parties and Steven Saxton, appeared on behalf of Plaintiffs and James Markman appeared on behalf of Nipomo Community Services District, Henry Weinstock appeared on behalf of Northern Cities and Ryan Bezzera appeared on behalf of Rancho Maria, et al. The Court, having read and considered the supporting and opposing papers, and having heard and considered the arguments of counsel, and good cause appearing therefor, makes the following order:

IT IS ORDERED THAT:

Nipomo Community Services District's Motion for Summary Adjudication is GRANTED. The Court grants all joinders. Based on the Land Owner Group's concession that the adoption of the "Foreman Line" is appropriate, as well as the concession offered by Mr. Slade that he does not disagree with Mr. Foreman on the "outermost" basin boundary, the Court finds that there is no triable issue of material fact as to the "outermost" basin boundary as articulated in the Declaration of Terry Foreman, dated December 8, 2000, and as depicted on Exhibit 1 thereto¹. (See Nipomo's Statement of Material Fact #3, evidence in support and in opposition thereto.) Therefore, the moving parties are entitled to judgment on all affirmative defenses dealing with uncertainty of the basin boundaries.

The Court finds that the outermost lateral boundary of the Santa Maria Valley Groundwater Basin ("the Basin") lies along a type of material that does not readily transmit water, that is, for the purposes of this case, it is impermeable (impermeable is used here to mean only that the rocks, sediments and other materials do not readily transmit water). Thus, material (rock, sediments, sand, etc.) that do readily transmit water are within the basin.

Those that do not readily store and transmit water are the Foxen Formation or older, including the Franciscan Formation, the Knoxville Formation, the Monterey Formation, the Obispo Formation, and the Sisquoc Formation; and those that do readily store and transmit water are the Careaga Sandstone or younger, including the Careaga Formation, the Pismo Formation, the Paso Robles Formation, time-

¹The boundary described herein is shown on that certain map marked Exhibit 1, by a black dash double dot line and said Exhibit is in evidence and a part of this Order.

equivalent Paso Robles Formation, Orcutt Formation, terrace deposits, young and old alluvium, and dune and sand deposits, with the following three exceptions:

- a. The southern boundary along the Solomon Hills is located on the axis of antic lines where the Careaga Sandstone and Paso Robles Formation dip in the Basin on the north side of the axis and dip into a separate basin, the San Antonio Basin, on the south side of the axis;
- b. Where the Basin boundary crosses tributary streams, the boundary is located across the mouth of each such stream to directly connect the closest bedrock contacts on each side of that stream; and,
- c. The western boundary of the Basin is the Pacific Ocean.

The vertical boundary of the Basin is located at the contact between those rocks and sediments that readily store and transmit water (generally, the Careaga Formation and younger) and those rocks and sediments that do not readily store and transmit water (generally, the Foxen Formation and older) as described above in reference to the lateral boundary of the Basin, except that in the northeast portion of the area north of the Santa Maria River, the vertical Basin boundary extends to the base of the Obispo tuffs of the Obispo Formation. The Obispo tuffs underlie the alluvium of the Nipomo Valley, and extend beneath the Paso Robles Formation northerly to the Arroyo Grande Valley.

SO ORDERED.

Dated: January 9, 2001

[ORIGINAL SIGNED]
CONRAD L. RUSHING

CMS
FILED

DEC 8 1 2001

KIN YORRE
Clerk of the Court
Superior Court of California
County of Santa Clara
12/11/01 DEPUTY

**SUPERIOR COURT OF CALIFORNIA
COUNTY OF SANTA CLARA
DEPARTMENT 17C**

**SANTA MARIA VALLEY WATER
CONSERVATION DISTRICTS, a
public entity,**

Plaintiff,

vs.

**CITY OF SANTA MARIA, a municipal
corporation, et al.,**

Defendants,

Case No. CV 770214

**ORDER AFTER HEARING RE:
TRIAL (PHASE II)**

Hearing Date: October 9, 2001

Time: 8:45 a.m.

Dept.: 17C

Judge: Hon. Conrad L. Rushing

AND RELATED CROSS-ACTIONS

Trial of Phase II of the above-entitled matter came on regularly on October 9, 2001, at 10:00 a.m., the Honorable Conrad L. Rushing presiding. The Court, having considered the testimony, declarations and exhibits, and good cause appearing therefor, issues the following decision and order:

Plaintiff's motion for an order establishing the geographic area constituting the Santa Maria Groundwater Basin (hereinafter "Basin"), for the purposes of this case, is hereby GRANTED.

The Court finds that the boundary of the Basin is that described on the map filed as Exhibit 5 with the Declaration of Robert C. Wagner dated November 20, 2001 (which can be found currently at <http://www.seecomplex.org/docfiles/QD0CB28E05D5.pdf>), hereinafter referred to as the

1 "Boundary Line." Each of the parties to the Phase II proceedings on October 9, 2001, stipulated to
2 the Court's determining the Boundary Line of the Basin. The Basin shall also include for purposes
3 of adjudication herein all those parcels of land, which are shown on the said Exhibit 5 and listed on
4 Exhibit 6 to the said Declaration of Robert C. Wagner, which either touch or are intersected by the
5 Boundary Line, to the full extent of the perimeter of such parcels. The Court has not at this time
6 received full briefing as to whether there are legal issues as to such parcels which touch or are
7 intersected by the Boundary Line, concerning whether owners of such parcels may appropriate water
8 from the Basin for the use of the remainder of the subject parcels, whether the owners of such parcels
9 are considered to be landowners or purveyors, or whether their rights to extract or export water are
10 affected by their parcels not being fully within the Basin. Thus, at this time, until further order, the
11 Court orders that those parcels are to be considered within the Basin.

12 The Court finds on the basis of the evidence presented that the Boundary Line demarcates
13 the boundary of the Basin, and that the Basin constitutes the area beneath which groundwater exists
14 in sufficient quantities to be meaningfully included in this lawsuit. The Court also finds that the
15 area previously included in the "outermost basin boundary," but excluded by the Boundary Line,
16 contains potentially water-bearing materials, but nevertheless lacks actual groundwater in amounts
17 sufficient to justify including that area in this case for purposes of adjudicating the various claims
18 to groundwater in the Basin. Owners of lands beneath which no significant groundwater supply
19 exists do not have property right claims concerning such water that present a justiciable issue.
20 Similarly, owners of lands beneath which no significant groundwater supply exists should not be
21 permitted to assert, by virtue of their ownership of such lands, claims respecting groundwater
22 supplies underlying adjacent or nearby lands.

23 The Court further finds that the Declaration of Robert C. Wagner dated November 20, 2001,
24 attached to this Order, along with Mr. Wagner's map and table of parcels, attached as Exhibits 5 and
25 6, set forth sufficient detail regarding the specific parcels traversed by the Basin Boundary Line so
26 as to apprise potentially affected landowners and other interested parties of the location of the Basin
27 and Boundary Line fixed by this Order. A digital rendition of the map prepared by Mr. Wagner to
28 depict affected parcels is posted for inspection on the Court's website.

2 The Court determines that only the lands, groundwater extraction claims and claims to
3 groundwater storage rights within the Boundary Line shall be subject to claims in this lawsuit. The
4 Court has considered the possibility that ground water charging and storage might extend the
5 boundaries of the basin but finds at this point that there is insufficient evidence of that affecting the
6 prospective orders to be made by this Court.

7 The motion of the Northern Cities (joined by other parties) that the Northern Cities Area be
8 conditionally severed from this litigation, is denied. The Northern Cities Area is also shown on the
9 map which is attached as Exhibit 5 to the Declaration of Wagner. That area shall remain within the
10 Basin and Boundary Line fixed in this Order. The Court finds that a comprehensive judgment in this
11 litigation is advisable and necessary, in that only such a comprehensive judgment would prevent later
12 litigation of the same issues, prevent the risk of rulings which are inconsistent, and prevent erroneous
13 rulings which may be affected by facts which would be adduced if the interests of all parties who
14 may be affected by these rulings were represented and involved throughout this litigation. Cases
15 cited by the proponents of severance can also be read as indicating that retaining the Northern Cities
16 Area in the litigation is necessary to render an effective judgment. Orange County Water District
17 v. City of Riverside (1959) 173 Cal.App.2d 137, 173 ("Undoubtedly the preferable course is, so
18 far at least as is practicable, to have all owners of lands on the watershed and all appropriators who
19 use water in court at the same time"); City of Chino v. Superior Court (1967) 255 Cal.App.2d
20 747, 752 ("Because of the failure of OCWD in that earlier suit to join as defendants all claimants to
21 prescriptive rights to water from the Upper and Middle Basins, many questions were left
22 unanswered").

23 The Court has listened to the testimony and read the exhibits submitted, and additionally the
24 supplemental memorandum of Richard C. Slade and supplemental declaration of Terry L. Foreman.
25 The Court finds that there is no substantial controversy that the Northern Cities Area, the Nipomo
26 Mesa and the Santa Maria Valley area all overlie one large groundwater basin. Each area is subject
27 to the same general climatologic and hydrologic conditions. The Court concludes there are no
28 geologic or hydrologic features that separate the Northern Cities Area from the remainder of the
Basin encompassed by this litigation. The Court must consider that the water rights to be

determined in this litigation will apply to situations that might occur in other than a "best case" scenario. Future conditions could produce adverse impacts, such as drought, earthquake, failure of the Lopez Reservoir, or failure of the Northern Cities for other reasons to adhere to the so-called "gentlemen's agreement" governing groundwater pumping in the Northern Cities Area. Representatives of the Northern Cities failed to stipulate to quieting title in other parties who have sued the Northern Cities for whatever rights they may possess, and failed to stipulate that they would desist from claiming water rights in the remainder of the Basin in such an eventuality. Indeed, it appears from the testimony that groundwater pumping in the Northern Cities area can potentially increase the flow of water to it from other parts of the Basin.

The parties reluctance to retain the Northern Cities area in the litigation appears to stem from the prospect of joining and serving all landowners in the Northern Cities area whose rights may potentially be affected. It may be possible, however, to obtain effective representation and due process for such landowners by means of a class action, after due notice is provided, in which such landowners are a defendant class. United States v. Truckee-Carson Irrigation District (D.Nev. 1975) 71 F.R.D. 10. The Court would entertain a motion to amend the cross-complaints or other pleadings to join the landowners in that area as a defendant class, represented by a handful of interested landowners who are similarly situated, in lieu of joinder of each owner. The Court would also entertain a motion, briefing and argument as to why it may be inappropriate or inconvenient to adjudicate the matter by means of a defendant class.

Any litigant now in the action who is asserting a quiet title claim concerning property outside of the Boundary Line must move for severance of that claim from this action and must file such a motion on or before thirty (30) days following service of this Order. Any such claims for which no motion to sever is filed will be dismissed without prejudice on motion of any party or by the Court on its own motion.

SO ORDERED.

Dated DEC 21 2001


CONRAD L. RUSHING
Judge of the Superior Court

CAUS
FILED

JAN 25 2002

IGNITORE
Clerk of the Court
Superior Court of the County of Santa Clara
BY: SICRANIA GARCIA CLERK

**SUPERIOR COURT OF CALIFORNIA
COUNTY OF SANTA CLARA
DEPARTMENT 17C**

**SANTA MARIA VALLEY WATER
CONSERVATION DISTRICTS, a
public entity,**

Plaintiff,

vs.

**CITY OF SANTA MARIA, a municipal
corporation, et al.,**

Defendants,

AND RELATED CROSS-ACTIONS

Case No. CV 770214

**ORDER WITH RESPECT TO BRIEF OF
CONOCO, INC., NUEVO ENERGY
COMPANY, AERA ENERGY LLC,
TEXACO EXPLORATION AND
PRODUCTION, INC. AND CHEVRON
USA, INC.**

IT IS HEREBY ORDERED:

The Court shall not be holding a hearing with respect to the brief of Conoco, Inc., Nuevo Energy Company, Aera Energy LLC, Texaco Exploration And Production Inc., and Chevron USA Inc., or request for clarification requested therein. The Court finds that the request for clarification found in the Conclusion section of the said Brief appears to restate what was intended by the Court's Order filed December 21, 2002. The parties may consider the Order to be so clarified if it aids in further proceedings in this matter.

SO ORDERED.

Dated: JAN 25 2002


CONRAD L. RUSHING
Judge of the Superior Court

TOTAL P. 01

1 SCOTT K. KUNEY, Esq., SB# 111115
2 ERNEST A. CONANT, Esq., SB# 89111
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4 LAW OFFICES OF YOUNG WOOLDRIDGE
5 1800 30th Street, Fourth Floor
6 Bakersfield, California 93301
7 (661) 327-9661

8 Attorneys for Cross-Defendants, Conoco Inc.,
9 Nuevo Energy Company, Aera Energy LLC
10 and ChevronTexaco

ENDORSED
FILED

JAN 17 2002

BY Notary CLERK

11 SUPERIOR COURT OF THE STATE OF CALIFORNIA

12 IN AND FOR THE COUNTY OF SANTA CLARA

13 SANTA MARIA VALLEY WATER
14 CONSERVATION DISTRICT, a public
15 entity,

16 Plaintiff,

17 vs.

18 CITY OF SANTA MARIA, et al

19 Defendants.

SANTA MARIA GROUNDWATER
LITIGATION

Lead Case No. CV 770214

Judge Conrad L. Rushing

20 AND RELATED CROSS-ACTIONS

21 BRIEF OF CONOCO, INC., NUEVO ENERGY COMPANY,
22 AERA ENERGY LLC, TEXACO EXPLORATION AND
23 PRODUCTION INC., AND CHEVRON USA INC.

24 I.

25 INTRODUCTION

26 This Brief is filed on behalf of Defendants/Cross-Complainants Conoco Inc., Nuevo Energy
27 Company, Aera Energy LLC and Texaco Exploration and Production Inc. and Chevron USA Inc.
28

1 (recently merged and hereinafter known as ChevronTexaco), (collectively referred to as "Oil
2 Group") parties.

3
4 On January 8, 2001, this Court entered its order after hearing granting the Santa Maria Valley
5 Water Conservation District and Nipomo Community Service District's motion for summary
6 judgment. The Oil Group joined in that motion as a moving party. The Court ruled that "the
7 moving parties are entitled to judgment on all affirmative defenses dealing with uncertainty of
8 the basin boundaries.¹ (Summary Judgment Order, page 2.) More particularly, this Court
9 adjudged, declared and decreed in its January 9, 2001 Order that the "outermost lateral boundary
10 of the Santa Maria Valley Groundwater Basin ("Basin") lies along a type of material that does
11 not readily transmit water . . . [and that] material (rock, sediments, sand, etc.) that do readily
12 transmit water are within the basin". (Id.) Further, that there was "no triable issue of material
13 fact as to the 'outermost' basin boundary as articulated in the Declaration of Terry Foreman,
14 dated December 8, 2000, and as depicted on Exhibit 1 thereto".² (Id.)
15

16
17 The Court's Case Management Order No. 6, dated January 9, 2001, provided that "this Court
18 ordered that the hydrogeological boundaries of the . . . Basin . . . be adjudicated separately as the
19 Phase I; of this action. The Court now finds that there is need to determine the boundaries of the
20 area to be adjudicated in this case in order to determine which parties should be excluded from or
21 included in it." (Case Management Order No. 6, page 1) Further, that "Phase II, will decide the
22 limits of the area that will be included in this groundwater adjudication and the areas . . . that
23 may be excluded from this case . . .". (Id.)
24

25
26 ¹ The Oil Group parties alleged as a affirmative defense, as against each cross-complainant, that
27 the Santa Maria Basin boundary as alleged in the cross-complaints were insufficiently described
28 and were therefore insufficient on grounds of uncertainty. The Oil Group requests this Court to
take judicial notice of such affirmative defenses alleged in each answer to the cross-complaints
on file with this Court pursuant to Evidence Code Section 452(d).

This Court has now rendered its decision and order, in part providing, that the Santa Maria Valley Conservation District's motion for an order "establishing the geographic area constituting the . . . Basin . . . for the purposes of this case, is hereby GRANTED." (Order, page 2) In sum, the Court stated that it "finds the boundary of the Basin is that described on the map field as Exhibit 5 with the Declaration of Robert C. Wagner, dated November 20, 2001." (Id.)

This brief is prepared pursuant to this Court's December 21, 2001 Order After Hearing Re: Trial (Phase II) ("Order") requesting receipt of full briefing as to whether there are legal issues raised with regard to parcels which touch or are intersected by the Boundary Line adjudicated as part of the Phase II proceedings. No other provision or issue addressed in the Order is addressed in this Brief.

Without waiving further objections, the Oil Group parties request this Court to reevaluate and correct its Decision and Order as stated in this Brief. California Code of Civil Procedure Section 128(a)(8); Darling, Hall & Rae v. Kritt (1999) 75 Cal.App. 4th 1148, 1156; Berstein v. Consolidated American Ins. Co. (1995) 37 Cal.App. 4th 763, 774; and Nave v. Taggart (1995) 34 Cal.App. 4th 1173, 1177.

II.

BRIEFING

With regard to that portion of the Court's Order determining the boundary of the Basin, the Court addressed two (2) separate and distinct issues. First, a determination of the boundary line of the Basin. Second, a conditional provision for potential further adjudication of certain parcels identified to be proximate to the boundary line of the Basin.

² The summary judgment order incorporated the map depicting the "outermost" boundary as part of that January 8, 2001 Order.

1 Fundamentally, the Order finds and specifically determines that the boundary of the Basin is
2 that line described in Mr. Wagner's Declaration and depicted as the solid magenta line on the
3 incorporated map, Exhibit 5. In Mr. Wagner's Declaration he declared that,

4
5 "The line identified as the boundary of the Santa Maria Ground-Water basin is
6 based on geologic and hydrologic considerations and represents the extent of the
7 aquifers comprising the groundwater basin. This line was developed in part
8 during the meetings of the Technical Committee and to the extent that the
9 boundary encompasses the water bearing sediments with the basin, represents the
10 view of the Technical Committee and its members. This is the same line that was
11 presented to the Court on October 9, 2001 on maps prepared by Mr. Joseph
12 Scalmanini." (Emphasis added.)

13
14 Specifically, the Court has stated that it "... finds that the boundary of the Basin is that
15 described on the map filed as Exhibit 5 . . . hereinafter referred to as the Boundary Line."
16 (Order, page 2) (Emphasis added.) More particularly, the "... Court finds on the basis of the
17 evidence presented that the Boundary Line demarcates the boundary of the Basin, and that the
18 Basin constitutes the area beneath which groundwater exists in sufficient quantities to be
19 meaningfully included in this lawsuit." (Order, page 2.) "The Court determines that only the
20 lands, groundwater extraction claims and claims to groundwater storage rights within the
21 Boundary Line shall be subject to claims in this lawsuit." (Order, page 3.) (Emphasis added.)
22 Finally with regard to issues of notice and due process the Court decreed that it "... finds that
23 the Declaration of Robert C. Wagner . . . map and table to parcels, attached as Exhibits 5 and 6,
24 set forth sufficient detail regarding the specific parcels traversed by the Basin Boundary Line so
25 as to apprise potentially affected landowners and other interested parties of the location of the
26 Basin and Boundary Line fixed by this Order." (Order, page 3.) (Emphasis added.) Based on
27
28

1 these specific findings and determinations, the Court has clearly held that the Basin boundary is
2 that area interior to the solid magenta line depicted on Exhibit 5.

3
4 However, in that portion of the Order addressing those parcels which are touched or
5 intersected by the adjudicated Boundary Line, the Court utilizes a significantly different
6 definition. For example, the Order provides that the "Basin shall also include for purposes of
7 adjudication herein all those parcels of land, which are shown on Exhibit 5 and listed on Exhibit
8 6 . . . to the full extent of the perimeter of such parcels." (Order, page 2). (Emphasis added.)

9
10 "Thus, at this time, until further order, the Court orders that those parcels are to be considered
11 within the Basin." (Order, page 2). (Emphasis added.) Under this definition, the Basin
12 boundary could be construed to be that area interior to the solid orange line representative of the
13 several Assessors' Parcel Lines depicted on the Exhibit 5 and not the solid magenta identified by
14 Mr. Wagner and Mr. Scalmanini. Such a construction is directly contradicted by the Court's
15 specific findings and determinations regarding the Basin Boundary and this Court's earlier order
16 adjudicating the "outermost lateral boundary" of the Basin. (Summary Judgment Order, page 2.)

17
18 Further, such a construction is not consistent with the Court's stated rationale for
19 conditionally including the entirety of such parcels in this adjudication. Specifically, the Court's
20 Order provides that, at this time and pending further briefing and order from the Court, that such
21 parcels should be included in the area adjudicated by this groundwater litigation. Importantly,
22 the Court has indicated that, while not deciding any such matters, such parcels may raise further
23 legal issues regarding the use of water from the Basin. Therefore, while the Court has held that
24 the full extent of the perimeter of such parcels should, at this time, be included in the area the
25 subject of this groundwater adjudication, not all such lands have been found by the Court to be
26 within the limits of the adjudged Basin Boundary as depicted on Exhibit 5. Importantly, the
27
28

1 Court has made no determination with regard to the rights of such parcels and landowners to the
2 use of water from the Basin.

3 This Court has the ability, on its own motion, to reevaluate its own interim rulings, or to
4 correct an erroneous ruling. Darling, Hall & Rae v. Kritt (1999) 75 Cal.App. 4th 1148, 1156;
5 Berstein v. Consolidated American Ins. Co. (1995) 37 Cal.App. 4th 763, 774; California Code of
6 Civil Procedure Section 128(a)(8). "Until entry of judgment, the court retains complete power to
7 change its decision as the court may determine; it may change its conclusions of law or findings
8 of fact". Nave v. Taggart (1995) 34 Cal.App. 4th 1173, 1177.

9
10
11 **III.**

12 **CONCLUSION**

13 In light of this Court's prior orders and decrees, the provisions of the Order, and the above-
14 cited authorities, the Oil Group parties respectfully request confirmation from the Court that the
15 December 21, 2001 order and decision provides, with regard to the issues raised in this Brief, as
16 follows:

17 (1) That the boundary of the Basin is as depicted on the Exhibit 5 to the Declaration of
18 Robert C. Wagner, dated November 20, 2001. Specifically, the boundary of the Basin is that line
19 identified on the legend to the map as "boundary of the Santa Maria Ground-Water Basin"
20 depicted on the map as a solid magenta colored line;

21 (2) That the Basin boundary is not that line identified on the legend to the map as the
22 "Assessors' Parcel Lines" depicted on the map as a solid orange colored line;

23 (3) that those parcels identified on Exhibit 5, which either touch or are intersected by the
24 Boundary Line, are until further order of this Court, provisionally included for purposes of
25 adjudication in this case; and
26
27
28

1 (4) that any further order of this Court regarding the adjudication of the rights and duties of
2 such parcels will be determined in subsequent proceedings of this litigation following
3 presentation of evidence and legal briefing on any such issues.
4

5 Dated: December 31, 2001

THE LAW OFFICES OF YOUNG WOOLDRIDGE LLP

6
7
8 By: SCOTT K. KUNEY

SCOTT K. KUNEY, Esq.
Attorneys for Cross-Defendants, Conoco, Inc.,
ChevronTexaco, Nuevo Energy Company, and
Aera Energy LLC

EXHIBIT C

**Map of the Basin and Boundaries
of the Three Management Areas**

Santa Maria Valley Water Conservation District v. City of Santa Maria
Santa Clara County Superior Court Case No. CV 770214

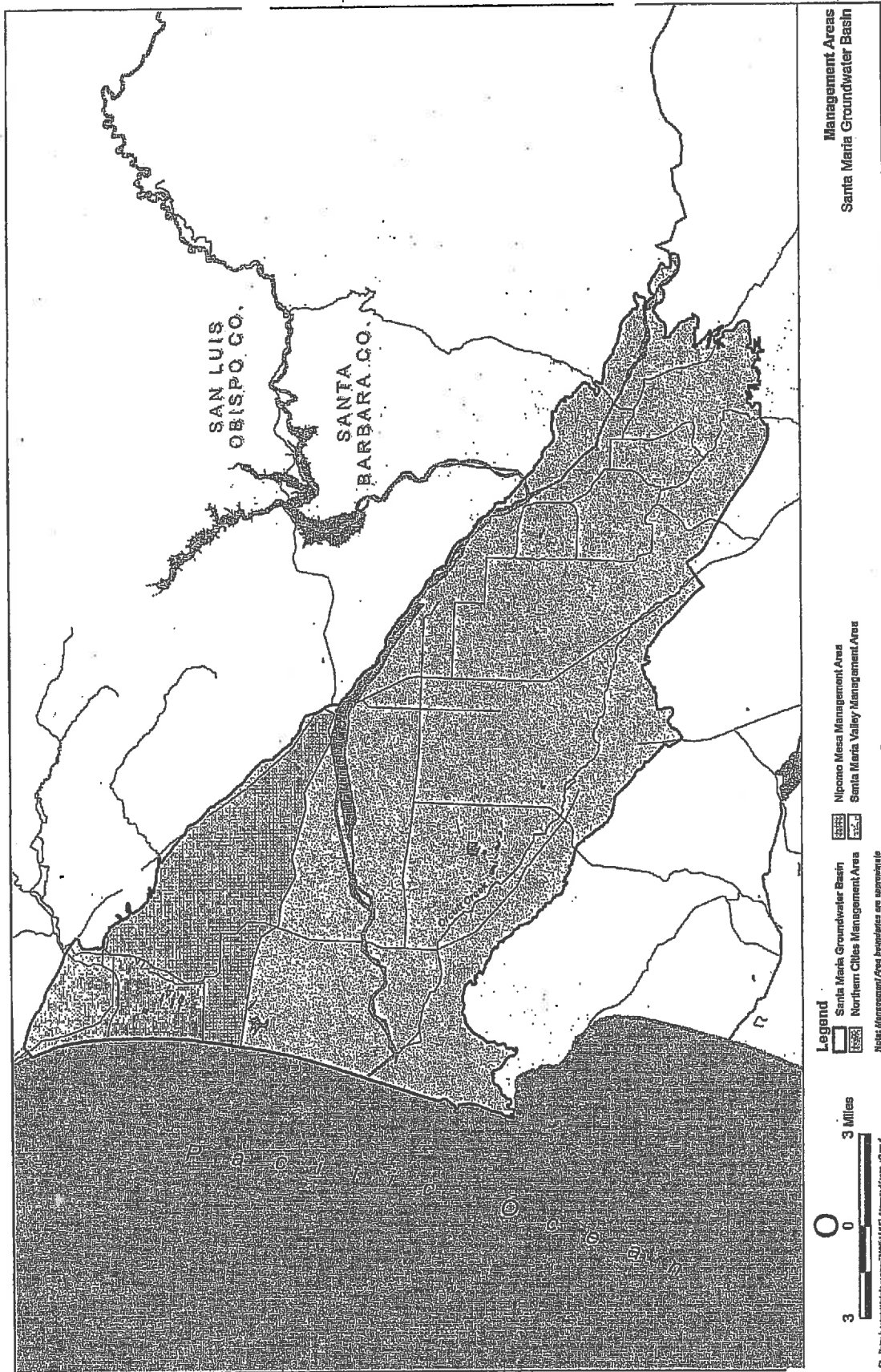


EXHIBIT D

Santa Maria Valley Water Conservation District v. City of Santa Maria
Santa Clara County Superior Court Case No. CV 770214

- I. Maps. Identifying Those Lands as of January 1, 2005:
 - a. within the boundaries of a municipality or its sphere of influence, or within the process of inclusion in its sphere of influence; or
 - b. within the certificated service area of a publicly regulated utility.
- II. List of selected parcels that are nearby the boundaries identified on the incorporated maps, which in addition to more distant parcels, are excluded from these new urban use areas.

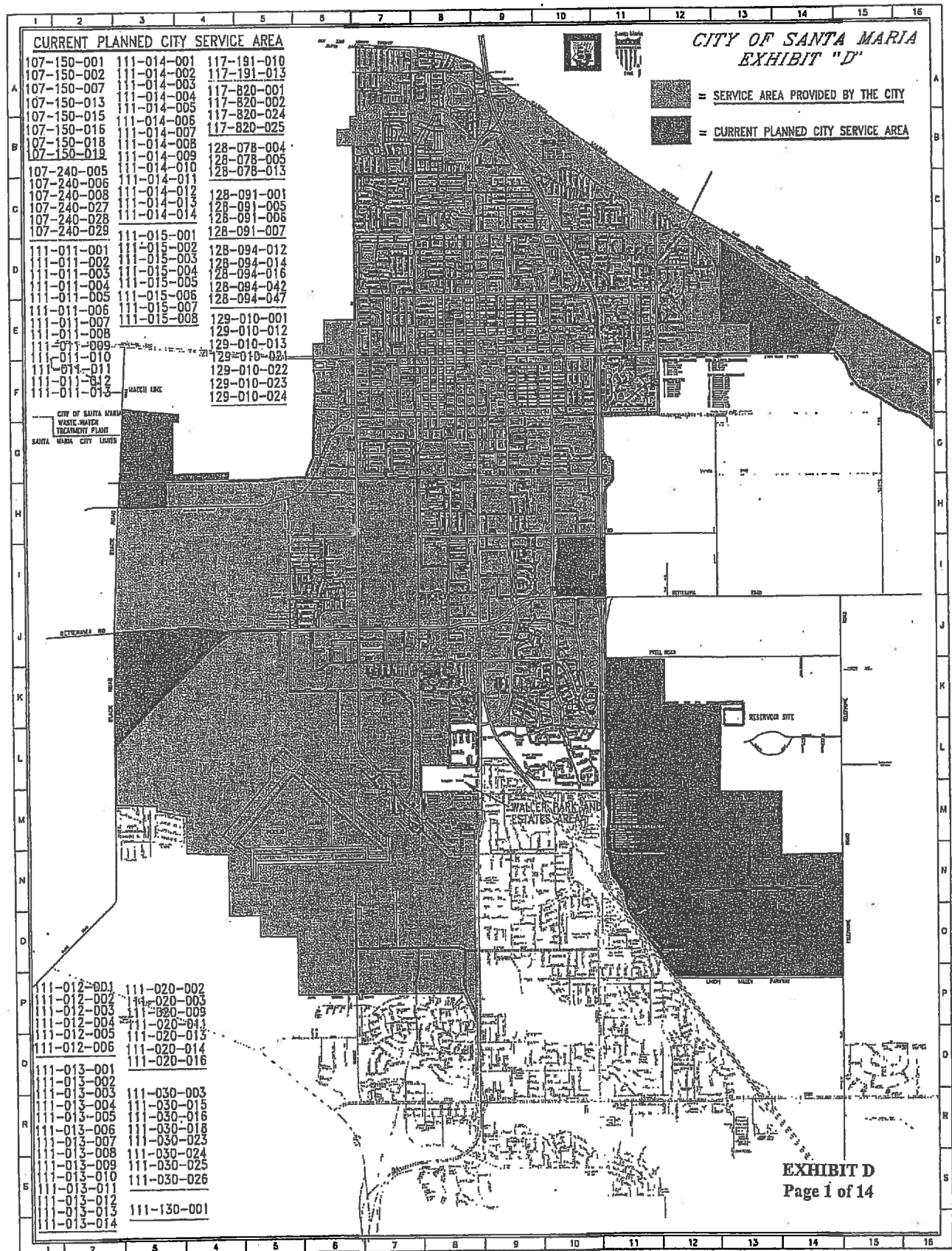
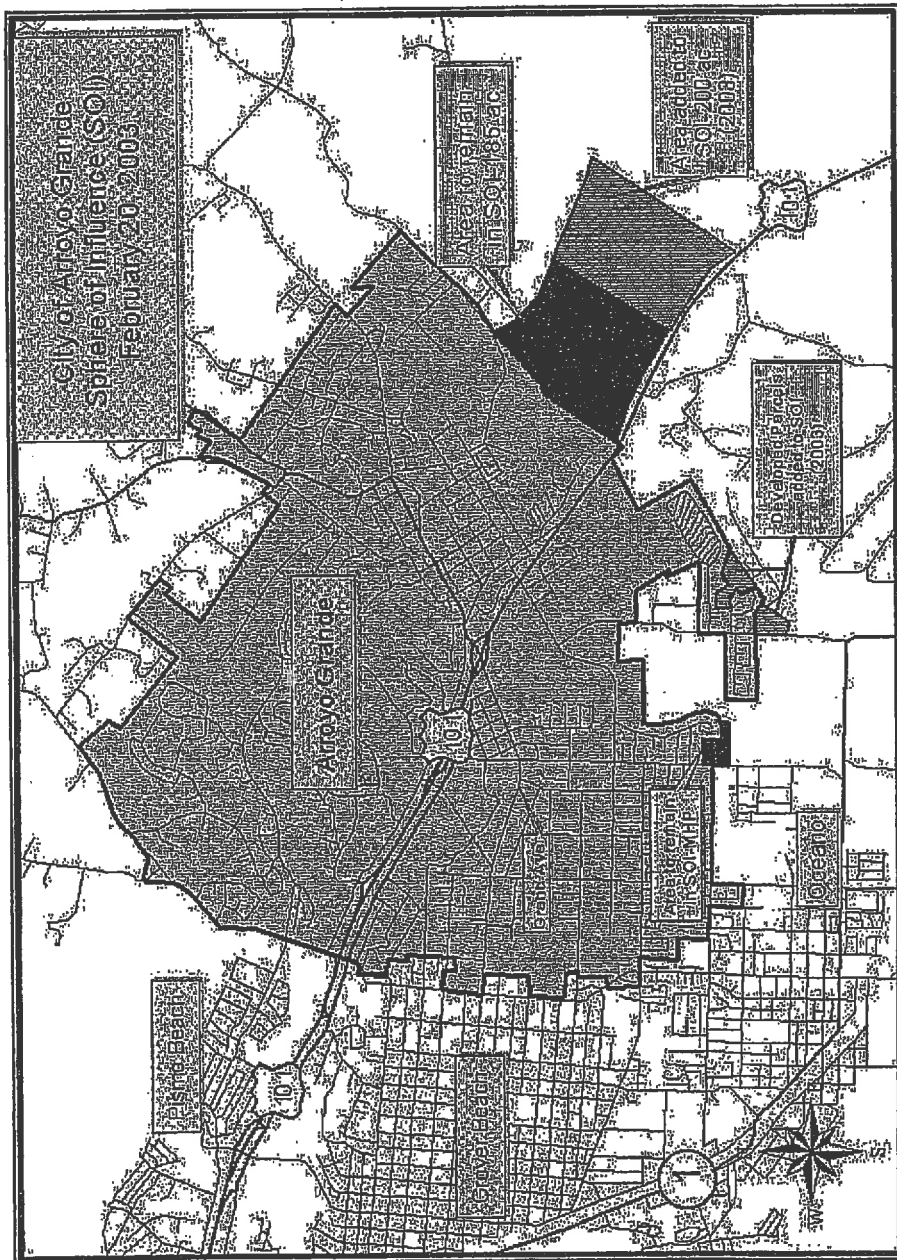
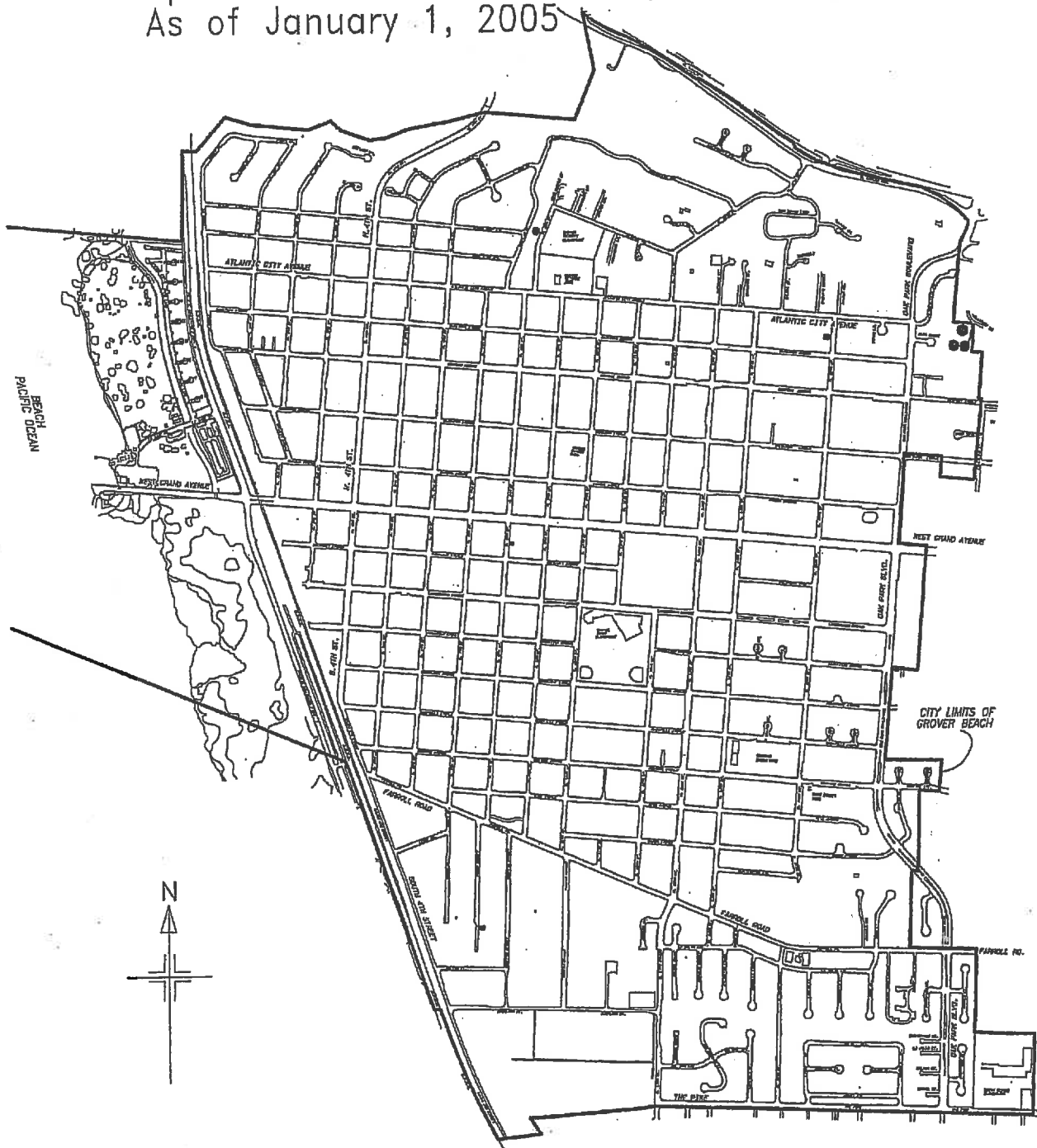


Figure 1 – Sphere of Influence
City of Arroyo Grande



CITY OF GROVER BEACH
Sphere of Influence and City Boundary
As of January 1, 2005



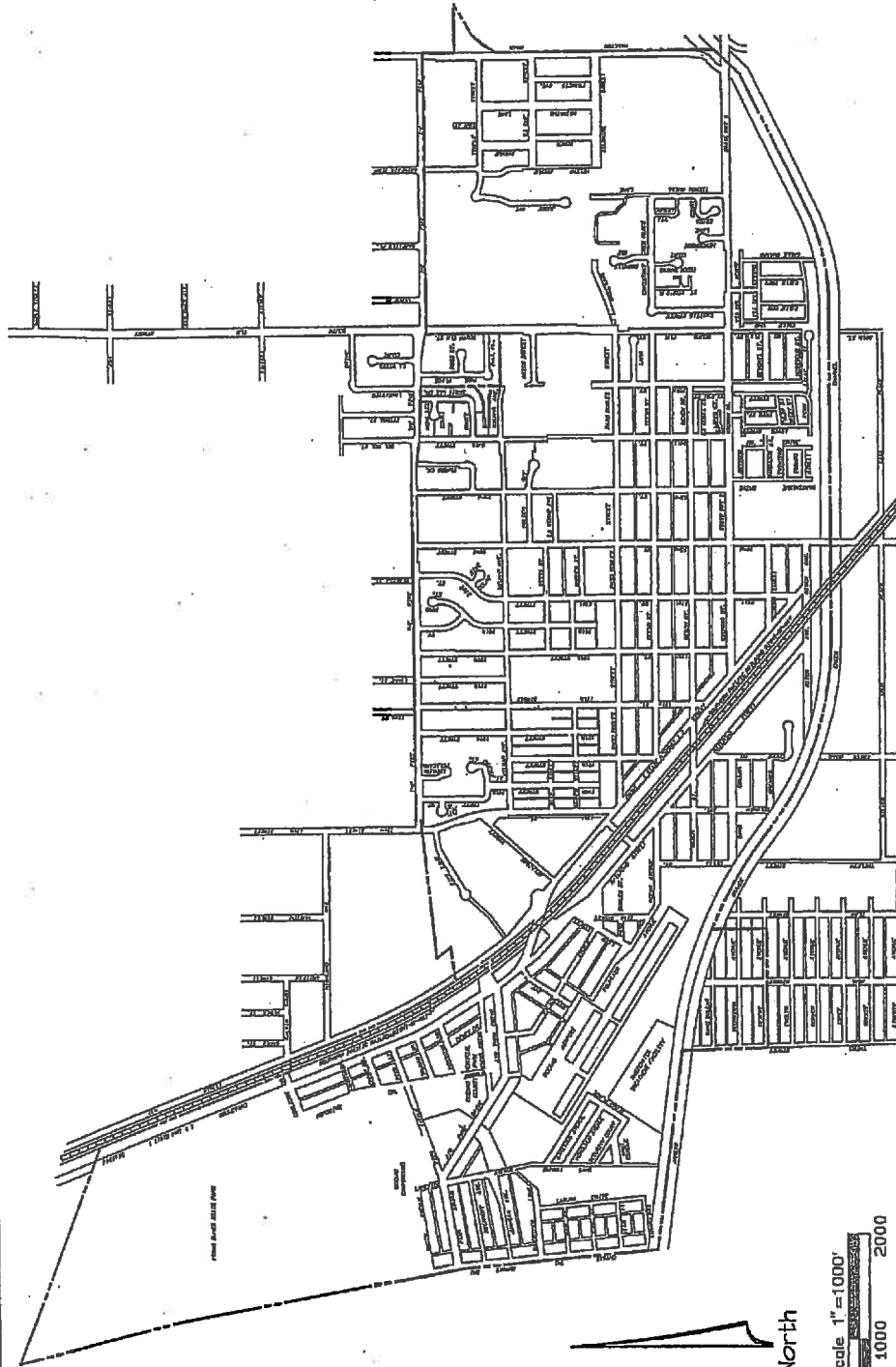


EXHIBIT D
Page 4 of 14

Graphic Scale 1"=1000'
0 1000 2000

North

Ocean Community
Services District
P.O. Box 594
1655 Front Street
Oceanside, CA 92084-0594
tel (605) 491-6700

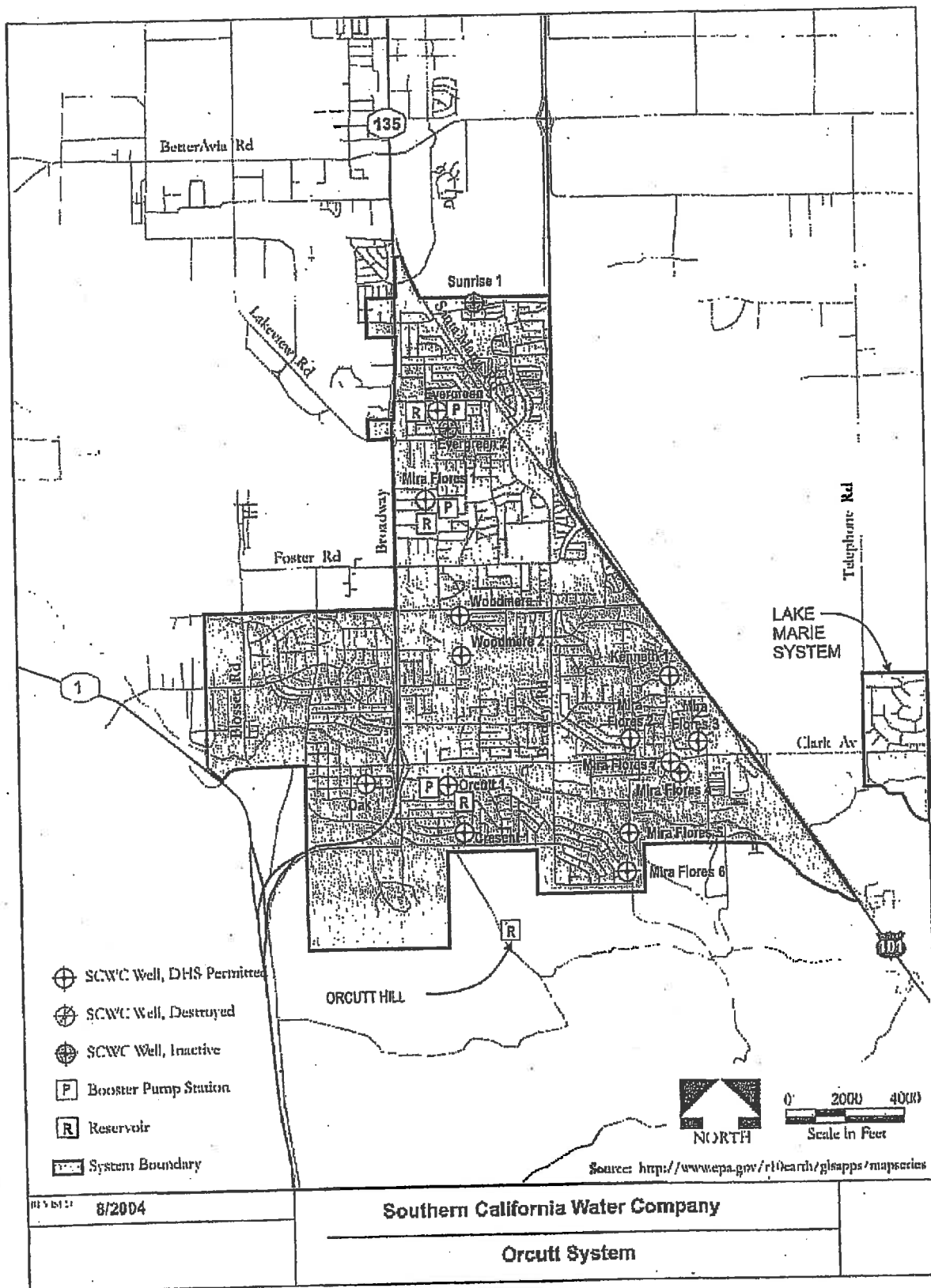
Service Area and Sphere of Influence January 1, 2005
OCEANO COMMUNITY SERVICES DISTRICT

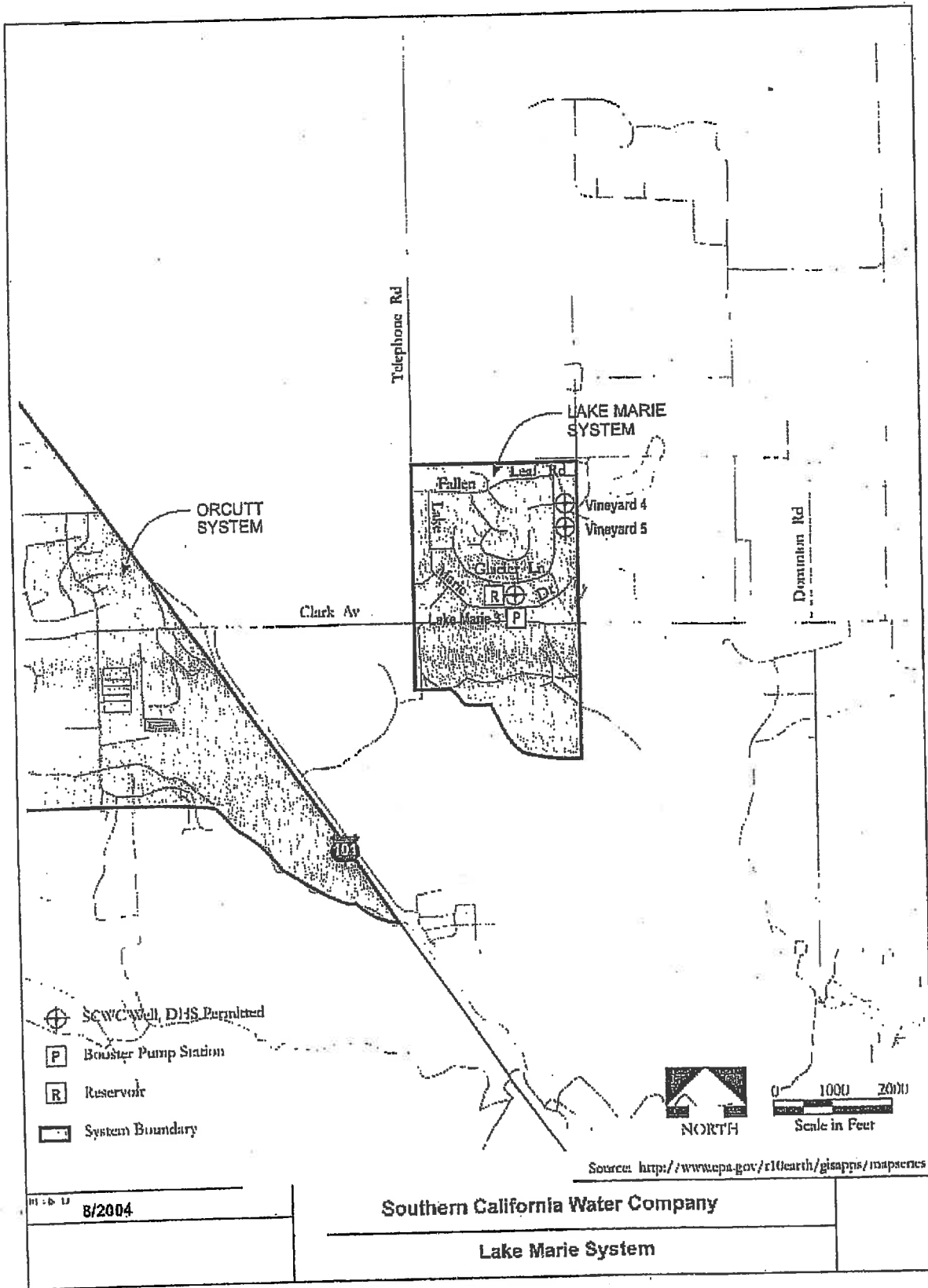


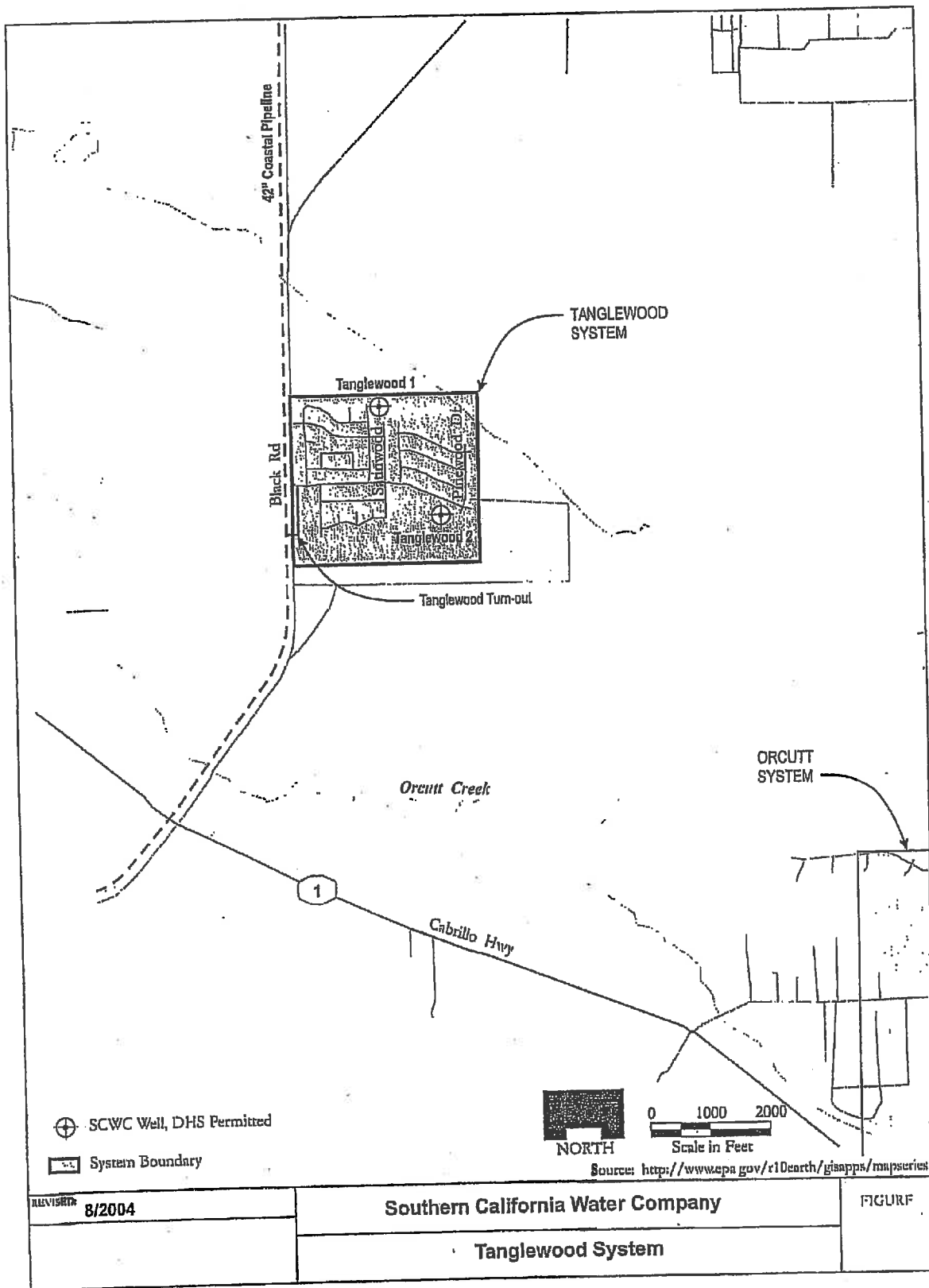
Civil Engineering
Surveying
Project Development
141 South Elm Street
Arroyo Grande, CA 93420
805/489-1321

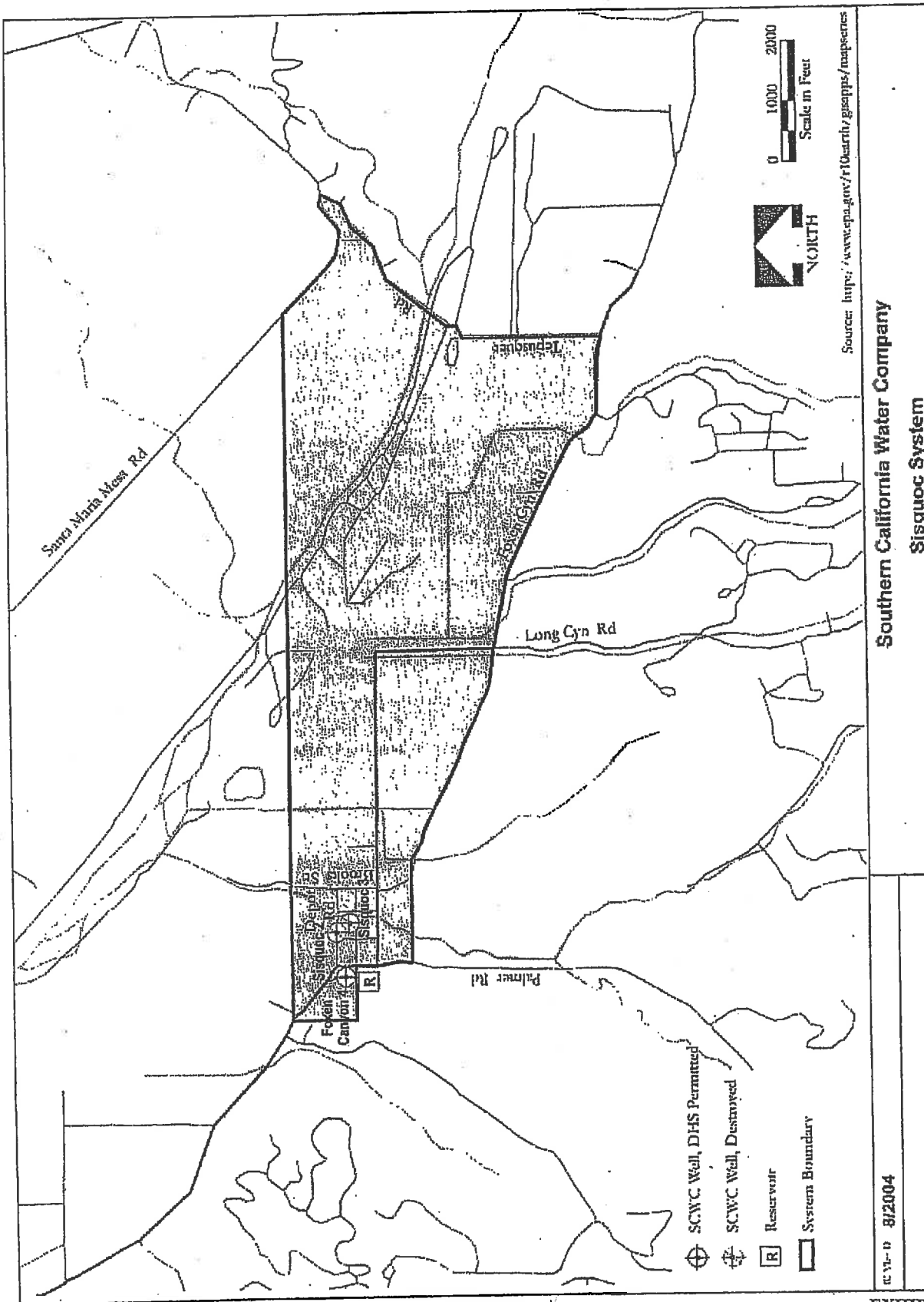
Scale: 1" = 1000'
W.O. No. 0001-007
File Name
0050_Boundary_and_SOI
01-01-2005.pro
Plot date 6/20/2005





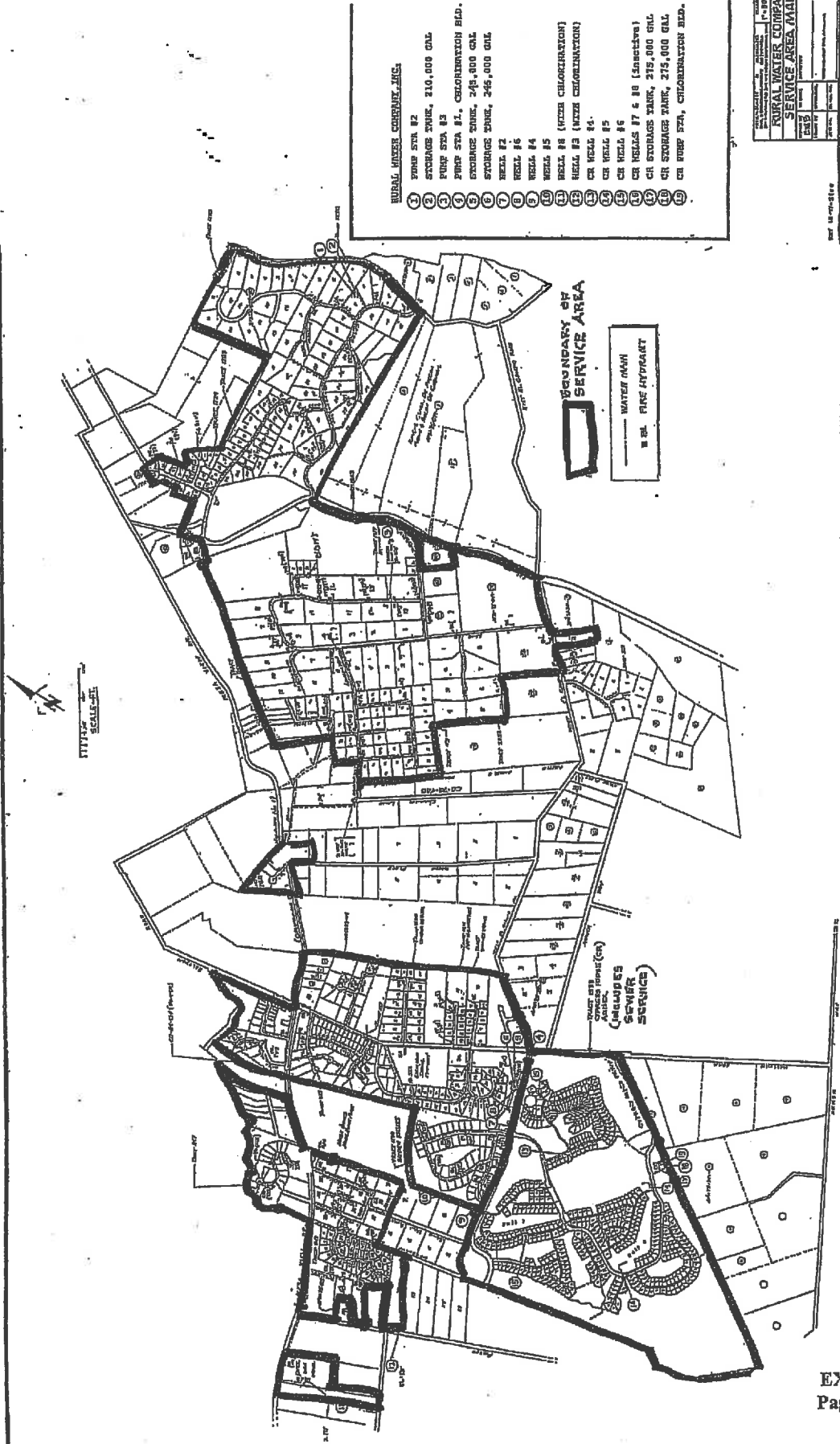


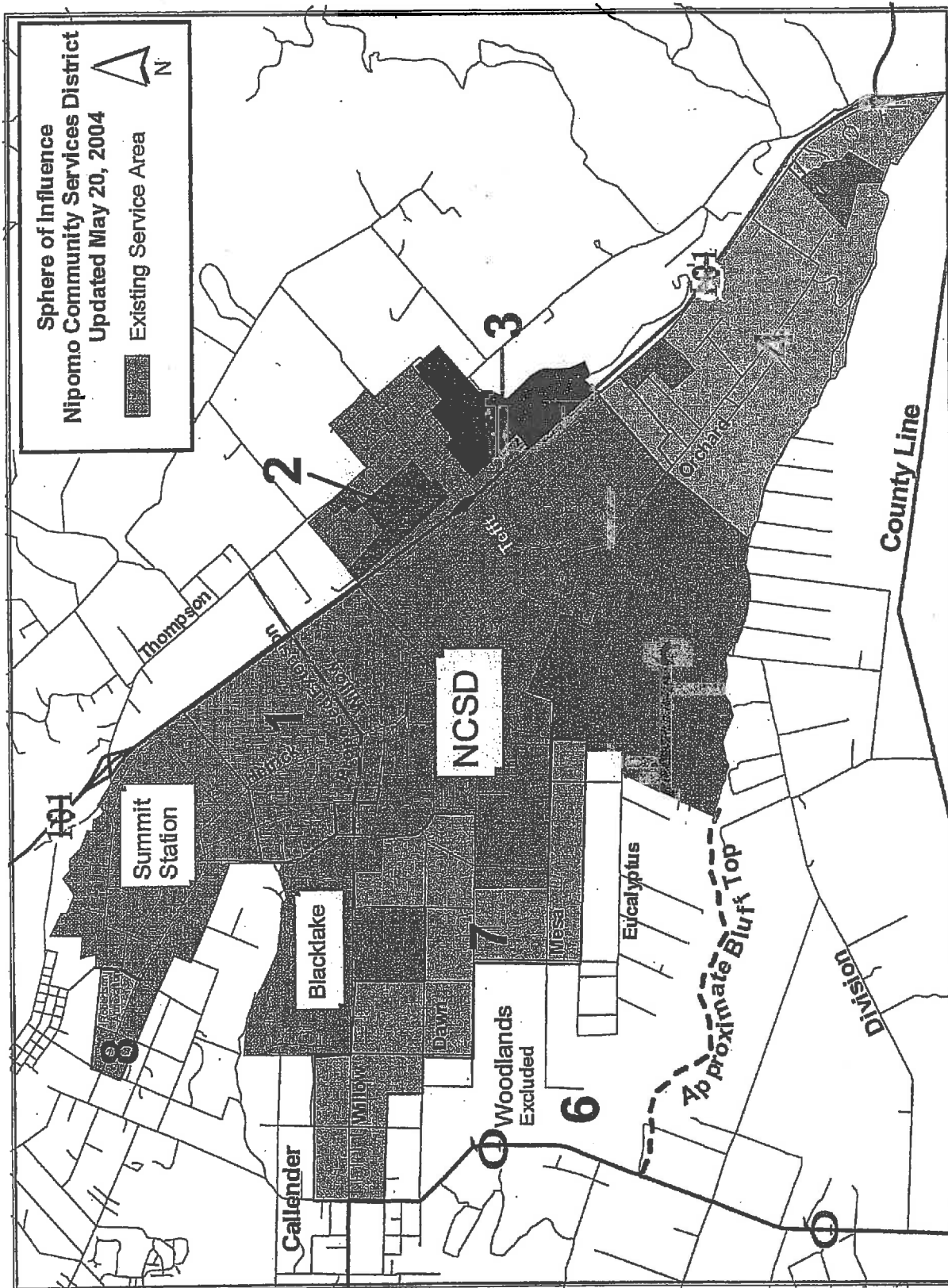


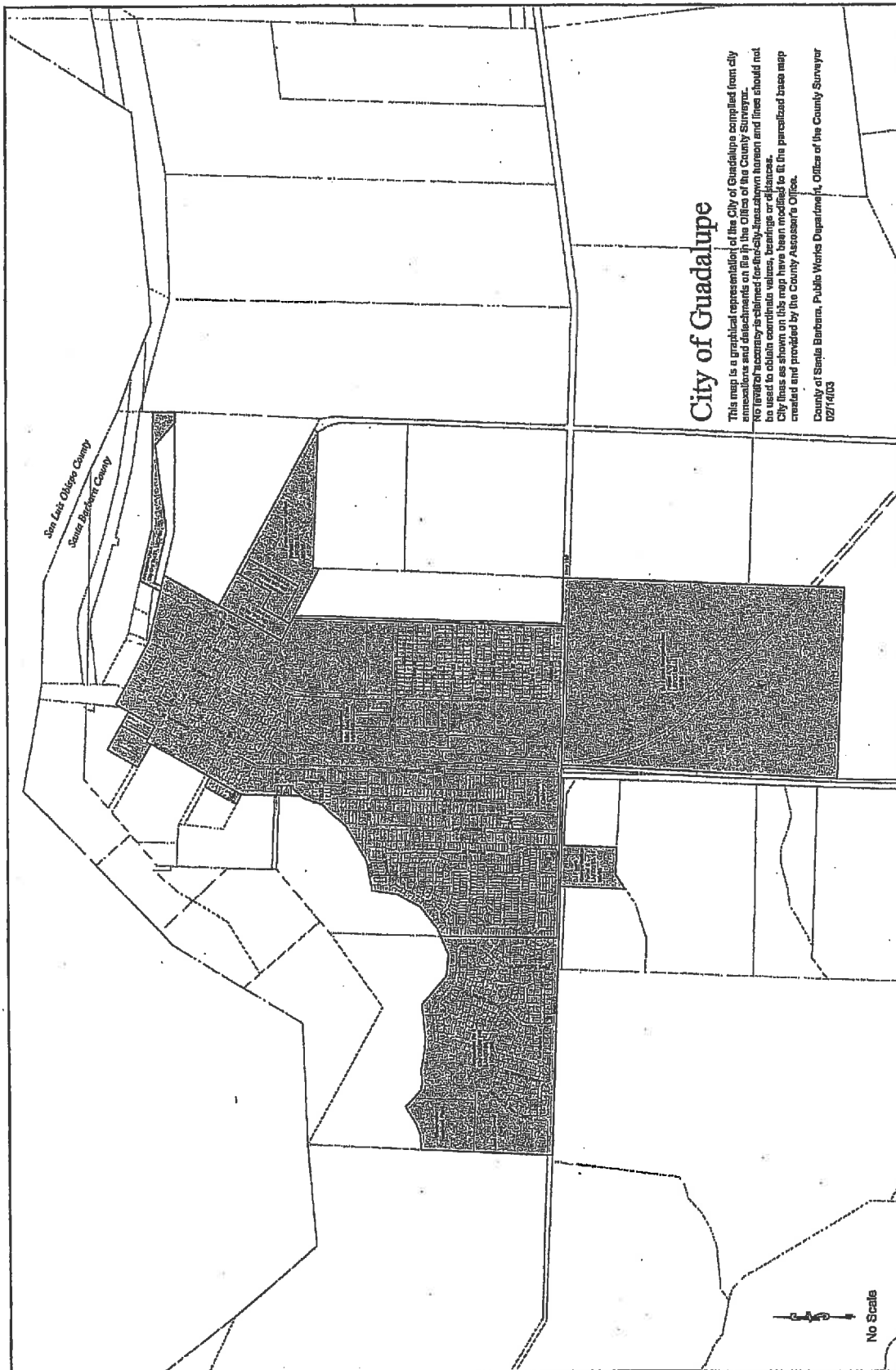


Southern California Water Company
Sisquoc System

REV-D 8/2004







Stipulation
Santa Maria Valley Water Conservation District v. City of Santa Maria

EXHIBIT D

List of Selected Excluded Parcels Nearby the Boundaries of New Urban Use Areas

103-070-004	128-099-001
107-300-007	128-100-001
107-300-008	128-100-003
107-300-012	128-100-020
128-056-024	128-100-021
128-094-018	128-100-022
128-094-019	128-100-027
128-094-020	128-100-028
128-094-021	128-100-029
128-094-023	128-100-030
128-094-024	128-100-031
128-094-029	128-101-010
128-094-031	128-101-012
128-095-001	129-100-008
128-095-002	129-110-020
128-095-003	129-120-001
128-095-004	129-120-023
128-095-006	129-151-029
128-095-008	129-151-031
128-096-001	129-151-032
128-096-002	129-151-033
128-096-003	129-180-010
128-096-004	129-180-011
128-096-006	129-210-017
128-096-009	
128-098-005	

EXHIBIT E

**2002 Settlement Agreement
between the Northern Cities and Northern Landowners**

Santa Maria Valley Water Conservation District v. City of Santa Maria
Santa Clara County Superior Court Case No. CV 770214

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9 Attorneys for Defendants City of Arroyo Grande,
10 City of Grover Beach, City of Pismo Beach,
11 Oceano Community Services District

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SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF SANTA CLARA

SANTA MARIA VALLEY WATER
CONSERVATION DISTRICT, a public
entity,

Plaintiff,

v.

CITY OF SANTA MARIA, et al.,

Defendants.

SANTA MARIA GROUNDWATER
LITIGATION, LEAD CASE No. CV 770214
(Consolidated with CV 784900, 784921,
784926, 785509, 785511, 785515, 785522,
785936, 786971, 787150, 787151, 787152,
990738, 990739)

SETTLEMENT AGREEMENT BETWEEN
NORTHERN CITIES, NORTHERN
LANDOWNERS, AND OTHER PARTIES

AND ALL RELATED ACTIONS.

PARTIES AND EFFECTIVE DATE

This Agreement is entered into among the Cities of Arroyo Grande, Pismo
Beach, Grover Beach and the Oceano Community Services District (collectively "Northern
Cities"), owners/lessors of land located in the Northern Cities Area ("Northern Landowners"),
and other parties who execute this Agreement. This Agreement is entered into as of April 30,
2002.

STIPULATIONS OF FACT

A. In 1997, the Santa Maria Valley Water Conservation District initiated this
action, Santa Clara Superior Court Case Number CV 770214, consolidated with Case

1 Numbers 784900, 784921, 784926, 785509, 785511, 785515, 785522, 785936, 786971,
2 787150, 787151, 787152, 990738, and 990739 (the "Action"), to adjudicate groundwater rights
3 in the Santa Maria Groundwater Basin;

4 B. Numerous parties have filed complaints and/or cross-complaints in the
5 Action with respect to rights to produce water in the Santa Maria Groundwater Basin;

6 C. By Order dated December 21, 2001, the Court determined the geographic
7 area constituting the Santa Maria Groundwater Basin ("Basin") and ruled that the Northern
8 Cities Area (identified on the map attached hereto as Exhibit A) is within the Basin;

9 D. Under current water supply and demand conditions, the groundwater
10 basin in the Northern Cities Area is in rough equilibrium, and groundwater pumping in the
11 Northern Cities Area does not negatively affect water supplies in the remainder of the Basin;

12 E. For more than 30 years, there have been separate funding, management
13 and usage of groundwater in the Northern Cities Area from groundwater in the Santa Maria
14 Valley. For example, the Northern Cities and Northern Landowners have paid and are paying
15 tens of millions of dollars for the construction and retrofit of the Lopez Reservoir, which
16 benefits the Northern Cities Area; whereas the Twitchell Reservoir has been paid for by parties
17 in the Santa Maria Valley who benefit from it.

18 F. The Northern Cities and Northern Landowners have agreed among
19 themselves and do hereby reaffirm their agreement to cooperatively share and manage
20 groundwater resources in the Northern Cities Area in accordance with a "Gentlemen's
21 Agreement" that was originally developed in 1983 and amended thereafter. Said Agreement
22 confers no rights on any third parties;

23 G. It is in the interest of all of the parties to this litigation that the parties settle
24 their claims and potential claims on the basis of the continued separate funding, management,
25 and usage of the waters conserved by the Lopez Reservoir in the Northern Cities Area and by
26 the Twitchell Reservoir in the remainder of the Basin, to preserve and protect water resources
27 in those separate management areas.

28 H. This Settlement Agreement is also intended to provide the parties with

1 advance notice of changes in the groundwater conditions in the Northern Cities Area and
2 Nipomo Mesa, as water supplies and demands may change with time. (The Nipomo Mesa is
3 southeast of the Zone 3 Line, and north of the Santa Maria River.); and

4 1. The parties to this Settlement Agreement have agreed to settle and
5 resolve their cross-claims and potential cross-claims on the conditions set forth below:

6 **NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS**

7 1. Separate Management Areas. Subject to the conditions set forth below,
8 water resources and water production facilities in the Northern Cities Area shall continue to be
9 independently managed by the Northern Cities, the San Luis Obispo County Flood Control and
10 Water Conservation District, and the Northern Landowners, with the intention of preserving the
11 long-term integrity of water supplies in the Northern Cities Area. For example, the Northern
12 Cities and Northern Landowners will not be responsible to pay for any of the costs of the
13 Twitchell Reservoir; and the parties outside of the Northern Cities Area (Zone 3) shall not be
14 responsible to pay any of the costs relating to the Lopez Reservoir.

15 2. Effects on Litigation. Except as provided below, the parties in the
16 Northern Cities Area, on the one hand, and the other parties hereto, on the other hand, agree
17 not to pursue or assert any claims against one another relating to water rights in the Santa
18 Maria Groundwater Basin. Each of the Northern Landowners who execute this Agreement will
19 be deemed to have been served by each of the water purveyor parties in this action who have
20 signed this Agreement with cross-complaints seeking declaratory and other relief in the form of
21 the cross-complaints previously filed by the City of Santa Maria; and each of the Northern
22 Landowners who execute this Agreement shall be deemed to have served and filed answers to
23 said cross-complaints denying all of their material allegations and asserting all available
24 affirmative defenses. The Northern Cities and Landowners shall continue to be subject to
25 reasonable discovery requests that are relevant to the remaining issues in the case.

26 3. Court Approval. This Settlement Agreement shall be submitted to the
27 Court for approval. If approved, this Settlement Agreement shall be included in and attached
28 as an exhibit to the final judgment in this Action, and the Northern Cities Area shall be treated

1 separately under the judgment in accordance with the provisions set forth herein. Paragraphs
2 4 and 7-20 of this Agreement shall take effect only upon Court approval of this Agreement.

3 4. Consent to Continuing Jurisdiction. Prior to this Agreement, there has
4 been no adjudication of the water rights of the Northern Cities, Northern Landowners, or any
5 other party, other than the determination of the boundaries of the Basin. Except ¶ 5 below,
6 nothing in this Agreement authorizes the Court to restrict or affect the right of any party to
7 pump, divert, use, or store groundwater or surface water without first according that party all of
8 its substantive, procedural, and due process rights under constitutional, statutory, and common
9 law requirements. Subject to the above and to the limitations of paragraphs 5-6 below, the
10 parties hereto agree that the Court reserves and retains full jurisdiction, power, and authority
11 over the Northern Cities Area, the Northern Cities, and the Northern Landowners, to enable the
12 Court, upon motion of any party, to make such further orders or directions (1) to interpret,
13 enforce, amend, or amplify any of the provisions of this Agreement; (2) to enforce, protect, or
14 preserve the rights of the respective parties, consistent with the rights herein decreed; or (3) to
15 issue such additional orders and/or injunctions to prevent injury to any party that might result
16 from any material adverse change in the availability or quality of the water supplies in the
17 Northern Cities Area, or the Nipomo Mesa Area, or any part of the Basin.

18 5. Reaffirmation of Gentlemen's Agreement. The Northern Cities and
19 Northern Landowners hereby reaffirm their Agreement to cooperatively share and manage
20 groundwater resources in the Northern Cities' Area in accordance with their AGREEMENT
21 REGARDING MANAGEMENT OF THE ARROYO GRANDE GROUNDWATER BASIN, aka
22 the "Gentlemen's Agreement." (A copy of the current version of this Agreement is attached
23 hereto as Exhibit B.) In particular, the Northern Cities and the Northern Landowners agree
24 with each other to continue to divide the safe yield of groundwater in the Northern Cities' Area,
25 including any increases or decreases of the safe yield, in accordance with ¶ 1 of Exhibit B
26 hereto. Said water-sharing Agreement and this paragraph 5 shall only be binding on and
27 enforceable by the Northern Cities and Northern Landowners.

28 6. No Effect on Water Rights. Except as provided in ¶ 5 above, nothing in

1 this Agreement shall be construed to create, eliminate, increase, or reduce any substantive
2 right of any party to pump, divert, use, or store groundwater or surface water; and nothing in
3 this Agreement shall be construed to prove or disprove, directly or indirectly, any element of
4 prescriptive rights to groundwater.

5 TECHNICAL OVERSIGHT COMMITTEE

6 7. Formation. A Technical Oversight Committee (TOC) shall be established
7 to carry out the ongoing monitoring and analysis program ("MAP," see below).

8 8. Composition. The TOC shall be comprised of two voting representatives
9 of the Northern Cities and two voting representatives of parties providing public water service
10 on the Nipomo Mesa ("Mesa Parties," which include the Nipomo Community Services District,
11 Rural Water Company and Southern California Water Company, and their successors or
12 assigns). At least one of the two representatives from the Northern Cities and the Mesa
13 Parties shall be technically qualified to carry out the MAP duties described below. The other
14 TOC representatives may be technical, policy, managerial, or legal in nature. The voting
15 representatives shall attempt to operate by consensus. However, if consensus cannot be
16 achieved, TOC decisions may be made by majority vote of the voting representatives.

17 9. Responsibility. The TOC shall implement and carry out the MAP.

18 10. Meetings. The TOC shall meet at least semi-annually for the first five (5)
19 years of implementing the MAP, and at least annually thereafter.

20 11. Procedures of the TOC. The TOC shall establish procedures for the
21 fulfillment of its responsibilities under this Agreement.

22 MONITORING AND ANALYSIS PROGRAM

23 12. Purpose and Legal Effect. A monitoring and analysis program (MAP) shall
24 be established to provide ongoing data collection and analysis of water supplies and demands
25 in the Northern Cities Area and the Nipomo Mesa. The purpose of the MAP is to regularly
26 assess the potential impact on the water supplies on either side of the Zone 3 boundary line
27 resulting from changing conditions regarding the water supplies and demands in the Northern
28 Cities Area and the Nipomo Mesa, and the resulting changes in the surface and groundwater

1 flow conditions adjacent to and across the Zone 3 boundary line.

2 13. The Water Management Plans and the Annual Reports (collectively
3 "Plans") prepared pursuant to this Agreement are for information purposes only. They shall
4 not independently create in the party(ies) preparing them any affirmative obligation to act, or
5 implement any part of the Plans, nor shall they independently provide any other party or the
6 Court any right to compel Action or enforce any obligation. However, any party may challenge
7 the sufficiency of any Plan produced pursuant to this Agreement by showing that it has not
8 been completed in substantial compliance with the requirements of this Agreement, except that
9 any challenge to a Water Management Plan created pursuant to Paragraph 15 below may only
10 be undertaken in a proceeding and under the standards set forth under Water Code sections
11 10650, *et seq.*

12 14. The Parties shall be excused from the preparation of the Plans required in
13 this Agreement when the Court enters a final judgment in this litigation.

14 15. Water Supply Planning and Reports. Within two years after Court
15 approval of this Settlement, each of the Northern Cities and the Mesa Parties shall evaluate
16 their current and future water supplies and prepare a Water Management Plan. The Water
17 Management Plan shall generally include the content and analysis described in Water Code
18 sections 10630 through 10635, and shall also include an analysis of the ongoing availability of
19 groundwater in the Northern Cities Area given the changing urban and agricultural water
20 demands in the Northern Cities Area. Each of the Northern Cities and the Mesa Parties shall
21 update and revise their previously prepared Water Management Plans prior to December 31,
22 2006, and every five years thereafter; provided however, that this requirement to prepare a
23 Water Management Plan is not intended to expand or impose upon any party rights or
24 obligations with respect to such Water Management Plans, other than those specifically stated
25 in this Section. Copies of the Water Management Plans shall be provided to the Northern
26 Cities, the Mesa Parties, the Santa Maria Valley Water Conservation District and the City of
27 Santa Maria.

28 16. Monitoring and Data Collection. The TOC shall implement a MAP that

1 shall include the data collection and analysis elements described below, and any other
2 monitoring and analysis, if the TOC deems them appropriate and cost-effective to fulfill the
3 purpose of this Agreement. The data collection and database development shall be created so
4 that the data can be shared and transferred between the TOC members for review and
5 evaluation in electronic format. The MAP shall include the following elements.

6 a. Design. Within six months after Court approval of this Agreement,
7 the TOC shall review existing data to select existing wells to include in the MAP. The TOC
8 shall define the list of wells to be monitored and specific information to be obtained from each
9 well, such as groundwater levels and groundwater quality constituents. The MAP shall also
10 include data collection to provide for early detection of seawater intrusion and collection of
11 other related data (e.g., deliveries of supplemental water, precipitation, discharge of treated
12 waste water, etc.) as are necessary for preparation of the analyses and reports required by this
13 Agreement. To the extent practical to adequately meet the purpose of this Agreement, the
14 TOC shall use existing facilities, rather than new facilities, in the design of the MAP.

15 b. Data Collection. As soon as the design of the MAP is complete, the
16 TOC shall commence collection of groundwater monitoring data, with data collection to occur
17 at intervals determined by the TOC.

18 c. Changing Groundwater Use Patterns. The TOC may also monitor
19 the groundwater pumping patterns in the Northern Cities Area and the Nipomo Mesa. The
20 monitoring shall be based on either observed changes (municipal pumping) or estimated
21 changes (private or agricultural pumping). The TOC may review the changes in pumping to
22 assess the potential impacts on groundwater flow conditions along the Zone 3 boundary line
23 and include its findings in the Annual Report, described below.

24 d. MAP Assessment. Within two years of Court approval of this
25 Agreement, and annually thereafter, the TOC shall evaluate data from the monitoring program,
26 assess data gaps, and make recommendations to revise the monitoring program, including the
27 use of other wells or installation of new monitoring wells, as appropriate. The TOC may
28 recommend to the Northern Cities and the Mesa Parties or to the Court any additional

1 monitoring of hydrologic characteristics that may be prudent and cost-effective to meet the
2 goals of this Agreement, to provide a higher level of confidence in the data and analyses than
3 that which is based on existing wells, stream gages, etc.

4 17. Annual Report. Based upon the MAP and other relevant information, the
5 TOC shall annually prepare a Report on Water Supply and Groundwater Conditions (Annual
6 Report) for the Northern Cities Area and Nipomo Mesa. The Annual Report shall be filed with
7 the Court, posted on the Court's website, and served on the Northern Cities, the Mesa Parties,
8 the Santa Maria Valley Water Conservation District, and the City of Santa Maria. The first
9 Annual Report shall be completed, filed and served, as described in the previous sentence, on
10 or before the second (2nd) anniversary of this Court's approval of this Agreement, and
11 annually thereafter. The Annual Report shall assess the adequacy of the water supplies in
12 each area in comparison to the corresponding demands, and shall include an analysis and
13 discussion of the estimates of the volume of groundwater in storage, an updated water budget
14 assessment, and anticipated water supply constraints, if any.

15 18. Cost Sharing. Unless otherwise agreed, each of the Northern Cities and
16 the Mesa Parties shall bear their own costs in participating in the TOC, gathering and
17 analyzing data, and producing any written documents as may be required by this Agreement.
18 To the extent the construction of new facilities may be required to implement this Agreement,
19 the Northern Cities and the Mesa Parties shall develop an equitable cost sharing agreement.
20 The parties will use their best efforts to minimize the costs of compliance in undertaking the
21 obligations of this Agreement.

22 19. Cooperation of all Parties. All parties to this litigation and this Agreement
23 shall provide any documents, information, access to wells, and well data, and take any other
24 actions reasonably requested to implement the MAP, subject to prior protective orders and
25 reasonable confidentiality restrictions.

26 **ADVANCE NOTICE OF INCREASED WATER PRODUCTION**

27 20. The Mesa Parties, the Northern Cities, and the Northern Landowners shall
28 provide prior written notice to each other of their intent to drill new wells, materially increase

1 the production capacity of existing wells or take over the use of an existing well, if the well is to
2 be used for water production (not monitoring). The notice must be served prior to or
3 concurrent with the initiation of environmental review under the California Environmental
4 Quality Act (CEQA), if required, or at least ninety (90) days prior to the construction of a new
5 well or the takeover or increase in capacity of an existing well. This ninety (90) day notice
6 requirement shall not apply in the event of emergencies, such as replacement of a collapsed
7 well, in which case notice will be provided as promptly as possible. The notice should provide
8 a description of the location, intended capacity and use of the well.

9 GENERAL PROVISIONS

10 21. No Third Party Beneficiary. Nothing in this Agreement, whether express
11 or implied, shall confer any rights or remedies under this Agreement on any persons other than
12 the Parties to it and their respective successors and assigns. Nothing in this Agreement shall
13 relieve or discharge the obligation or liability of any third parties to any Party to this Agreement.

14 22. Legal Capacity. The Parties warrant that all necessary approvals and
15 authorizations have been obtained to bind them to all terms of this Agreement, and further
16 warrant that the persons signing have authority to sign on behalf of their respective Parties.

17 23. Amendment. No amendment to this Agreement will be binding unless it
18 is either signed by an authorized representative of all of the Parties or approved by the Court.

19 24. Governing Law. This Agreement will be construed in accordance with,
20 and governed by, the laws of the State of California as applied to contracts that are executed
21 and performed entirely in California.

22 25. Severability. If any provision of this Agreement is held invalid or
23 unenforceable by any court, it is the intent of the Parties that all other provisions of this
24 Agreement be construed so as to remain fully valid, enforceable, and binding on the Parties.

25 26. Counterparts. This Agreement may be executed in one or more
26 counterparts, each of which will be considered an original, but all of which together will
27 constitute one and the same instrument. Any party that is currently a party to this Action and
28 any Northern Landowner may become a party to this Agreement by agreeing in writing to be

1 bound by its terms at any time prior to the entry of judgment in this Action. Future signatories
2 to this Agreement shall sign the signature pages attached hereto as Exhibits C (for Northern
3 Landowners) or D (for other parties to this litigation) to confirm their acceptance of its terms.

4 27. Merger Clause. This Agreement supersedes and replaces all prior
5 settlement negotiations and agreements, written or oral. It is the complete, final, and exclusive
6 statement of the parties' agreement. The parties hereto acknowledge that no party, agent or
7 attorney of any party has made any promise, representation or warranty whatsoever, express
8 or implied, not contained herein, to induce them to execute this Agreement. Each party has
9 executed this Agreement in reliance on the advice of his/her or its own attorney.

10 Dated: April __, 2002

CITY OF ARROYO GRANDE

11
12 By: Signature Page Filed with Court
13 Title: _____

14 Dated: April __, 2002

CITY OF GROVER BEACH

15
16 By: Signature Page Filed with Court
17 Title: _____

18 Dated: April __, 2002

CITY OF PISMO BEACH

19
20 By: Signature Page Filed with Court
21 Title: _____

22 Dated: April __, 2002

OCEANO COMMUNITY SERVICES DISTRICT

23
24 By: Signature Page Filed with Court
25 Title: _____
26
27
28

EXHIBIT E
Page 10 of 18

**AGREEMENT REGARDING
MANAGEMENT OF THE
ARROYO GRANDE GROUNDWATER BASIN**

A. Parties

This Agreement is entered into among the Cities of Arroyo Grande, Pismo Beach, Grover Beach and the Oceano Community Services District (collectively referred to hereinafter as "Parties" or "Urban Parties").

B. Recitals

WHEREAS, in January 1983, a Technical Advisory Committee consisting of representatives of Arroyo Grande, Grover City, Pismo Beach, Oceano Community Services District, Port San Luis Harbor District, the Farm Bureau, Avila Beach County Water District and the County of San Luis Obispo ("Committee") determined in reliance on the 1979 Report of the Department of Water Resources entitled Ground Water in the Arroyo Grande Area that the safe yield of the Arroyo Grande Groundwater Basin ("Basin") is 9,500 acre feet per year;

WHEREAS, in or about February 1983, the Parties agreed to enter into a voluntary groundwater management plan to provide for effective management of groundwater resources in the Basin through which each party was given sufficient water to meet its needs as then projected; such needs being met in part by the City of Arroyo Grande foregoing 358 acre feet per year of its historical use and the City of Pismo Beach foregoing 20 acre feet per year of its historical use;

WHEREAS, this management plan provided a reasonable division of the safe yield of the Basin without court imposed groundwater basin adjudication;

WHEREAS, on February 9, 1983, the terms of the management plan were incorporated into Resolution No. 83-1 of the South San Luis Obispo County Water Association Approving the Recommendations of the Committee relating to the Basin (the "Resolution");

WHEREAS, each of the Parties have adopted individual resolutions endorsing the provisions of the Resolution;

WHEREAS, the Parties have generally complied with the terms and conditions of the Resolution; and

WHEREAS, general compliance with the Resolution has proven to be a fair and efficient means of managing and protecting groundwater resources in the Basin as confirmed by the revised final draft report prepared by the Department of Water Resources entitled, Water Resources of Arroyo Grande and Nipomo Mesa, January 2000.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

1. Division of Safe Yield.

a. The Parties agree to a division of the safe yield of the Basin as follows:

Applied Irrigation	5,300 acre feet
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Subsurface flow to ocean	200 acre feet
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Urban Use:

City of Arroyo Grande	1,202 acre feet
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City of Grover Beach	1,198 acre feet
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City of Pismo Beach	700 acre feet
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Oceano Community Services District	900 acre feet
------------------------------------	---------------

b. Any increase or decrease in the safe yield of the Basin attributable to changed operation of the Lopez Reservoir, or any other cause, shall first be divided between the Urban Parties and applied irrigation on a pro rata basis using the formula from the 1983 Gentlemen's Agreement, fifty-seven percent (57%) to applied irrigation and forty-three percent (43%) to the Urban Parties. Thereafter, the first 378 acre feet per year of any increase of safe yield allocated to the Urban Parties shall be divided between the City of Arroyo Grande and the City of Pismo Beach on a pro rata basis (95% to Arroyo Grande and 5% to Pismo Beach).

c. The entitlements of each respective Urban Party may be increased based upon the conversion of irrigated agricultural lands to urban use. An Urban Party to this Agreement may increase its entitlement for urban use by a factor of three (3) acre feet per acre per year minus the calculated urban usage per acre per year upon the conversion of irrigated agricultural land to urban usage. "Irrigated agricultural land" shall be that land within the corporate limits of the party that was identified as irrigated agricultural land in the 1979 Department of Water Resources Report entitled Ground Water in the Arroyo Grande Area. This agricultural conversion factor may be applied to all acreage converted to urban use from January 1, 1983, throughout the life of this Agreement. Such an agricultural conversion factor is in the best interests of the overall Basin in that it will not result in any decline in the groundwater service over time. The Parties agree that no water should be converted to urban use within the Basin without establishing that it was irrigated agricultural land as defined in the 1979 Department of Water Resources Report, Groundwater in the Arroyo Grande Area.

d. The Parties agree and understand that the safe yield figures utilized in this Agreement are a product of the 1979 Department of Water Resources Report regarding the Arroyo Grande Basin as adjusted by the 1983 ad hoc Technical Advisory Committee and that the division of the resources is based upon the historical use of each party and a practical accommodation of each Party's needs as they existed at the time of the adoption of the 1983

agreement. It is agreed that the Parties will meet and confer on issues related to safe yield and division of existing water resources upon the final adoption of the new Arroyo Grande Basin study performed by the Department of Water Resources, which is currently in draft.

2. Shared Information and Monitoring: The Urban Parties to this Agreement shall freely share information with each other regarding each of their respective uses of groundwater in the Basin, including all pumping data such as amounts of water extracted, well static water levels, and water quality. The Urban Parties to this Agreement shall meet on a quarterly basis to share this information and to discuss water usage and impacts upon the Basin. The Parties shall conduct a review of water usage and the impacts on Basin hydrology in 2010 and 2020.

3. Term:

a. This Agreement shall bind the Parties indefinitely absent a significant change of circumstances as to available water, water quality, or hydrogeology of the Arroyo Grande Basin. A significant change of circumstances shall allow any Party to opt out of this Agreement if the significant change of circumstances put that Party at risk of not being able to meet its potable water needs.

b. Significant changed circumstances shall include changes within the Basin or outside of the Basin, including but not restricted to, a change in the Lopez Reservoir safe yield or an increase in Lopez Reservoir discharges for conservation purposes that threatens the ability of the Urban Parties to obtain their contractual allotments under their Lopez agreements, or a significant change in groundwater yields or quality, or a reduction in foreign water imported by any Urban Party. The Parties recognize that rainfall within the watershed is the most significant factor affecting the yield of Lopez Reservoir and the Basin.

c. The Parties shall revisit the issue of the allocation of groundwater resources within the Arroyo Grande Basin in 2010 and 2020 in the context of the review provided for in section 2 of this Agreement. The Parties shall make new allocations of groundwater resources at that time if circumstances justify it and if no harm will result to other groundwater users. Priority shall be given to reallocation of historical use of groundwater to Arroyo Grande and Pismo Beach that those agencies chose not to pursue in the entering into of the original Gentlemen's Agreement in 1983 should such new allocations be made.

d. A Party may opt out of this Agreement if significant changed circumstances arise as defined in this section. Such a party shall give all other parties to the agreement not less than six months written notice of its intention to opt out. The written notice shall describe in detail the significant changed circumstances upon which the Party bases its election to opt out of the Agreement.

4. Mediation Agreement: The Parties agree to mediate any disputes that arise out of the Parties' performance under this Agreement, or the interpretation of the terms of this Agreement, prior to instituting any litigation against or between any other Party to this Agreement. Should a Party institute litigation without first offering in good faith to mediate any such dispute, any Party may move for an order compelling mediation and staying the proceedings in the litigation until

after mediation has been completed. The prevailing party on a motion to compel mediation shall be entitled to recover its attorney's fees against any resisting party or any party who filed litigation without first making a good faith attempt to mediate the dispute. This mediation requirement shall not apply where the health and safety of any of the Parties, or any of the Parties' residents, is threatened and they must seek, and have obtained, preliminary relief for the purposes of preserving health and safety.

5. No Third Party Beneficiaries: The Parties are entering into this Agreement in order to reasonably allocate existing groundwater resources between themselves and not to benefit any third parties. This agreement shall only be enforceable between the Parties themselves. This Agreement does not create any right enforceable by any person or entity that is not a party to this Agreement.

6. General Provisions:

a. The Parties warrant that all necessary approvals and authorizations have been obtained to bind them to all terms of this Agreement, and further warrant that the persons signing have authority to sign on behalf of their respective Parties.

b. Written notice under this Agreement shall be given by placing such notice in the first class mail, postage prepaid, or by hand delivery to the current address of the office of any Party to this Agreement.

c. No amendment to this Agreement will be binding on any of the Parties unless it is in writing and signed by an authorized representative of all of the Parties.

d. This Agreement will be construed in accordance with, and governed by, the laws of the State of California as applied to contracts that are executed and performed entirely in California.

e. If any provision of this Agreement is held invalid or unenforceable by any final judgment, it is the intent of the Parties that all other provisions of this Agreement be construed to remain fully valid, enforceable, and binding on the Parties.

f. This Agreement may be executed simultaneously in one or more counterparts, each of which will be considered an original, but all of which together will constitute one and the same instrument.

g. The Parties represent that prior to the execution of this Agreement, they consulted independent legal counsel of their own selection regarding the substance of this Agreement.

WHEREFORE, the Parties publicly consent to the terms and conditions of this Agreement by executing the same as set forth below.

Dated: _____, 2001. City of Arroyo Grande

By: _____

Print Name and Title: _____

Dated: _____, 2001. City of Pismo Beach

By: _____

Print Name and Title: _____

Dated: _____, 2001. City of Grover Beach

By: _____
Richard W. Neufeld, Mayor

Dated: _____, 2001. Oceano Community Services District

By: _____

Print Name and Title: _____

1 **EXHIBIT C – NORTHERN LANDOWNER SIGNATURE PAGE FOR**
2 **SETTLEMENT AGREEMENT**

3 1. I am the owner and/or lessor (*circle one or both*) of at least ten acres of
4 agricultural land in the Northern Cities Area (the area so designated on Exhibit A to this
5 Settlement Agreement).

6 2. Describe the parcel(s) of agricultural land that you own or lease:

7 (a) Address(es): _____

8 (b) Assessor's Parcel Number(s): _____

9 (c) Number of acres of agricultural land that you own or lease: _____

10 (d) Approximate number of acre-feet of water pumped annually: _____

11 3. I have read this Settlement Agreement. I have obtained such legal advice
12 or other counsel regarding its terms as I deem appropriate. I understand and agree to its
13 terms.

14
15 Dated: _____, 2002

16
17 Print Name of Owner/Lessor: _____

18 Title of Signer: _____

19 Signature: _____ *Signature Page Filed with Court*

1 **EXHIBIT D – SIGNATURE PAGE FOR OTHER PARTIES – WATER PURVEYORS**
2 **AND LANDOWNERS OUTSIDE NORTHERN CITIES AREA**

3 1. I am a party to the Santa Maria Groundwater Litigation, or the legal
4 representative of such a party.

5 2. I have read this Settlement Agreement. I have obtained such legal advice
6 or other counsel regarding its terms as I deem appropriate. I understand and agree to its
7 terms.
8

9
10 Dated: _____, 2002

11
12 Print Name of Party(ies): _____
13

14 Title of Signer: _____
15

16 Signature: Signature Page Filed with Court
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