

EXHIBIT 15
PART 3

1
2 STATE OF CALIFORNIA
3 THE RESOURCES AGENCY
4 DEPARTMENT OF WATER RESOURCES

5 AMENDMENT NO. 19 (THE MONTEREY AMENDMENT)
6 TO WATER SUPPLY CONTRACT BETWEEN THE
7 STATE OF CALIFORNIA DEPARTMENT OF
8 WATER RESOURCES AND ANTELOPE VALLEY-EAST KERN WATER AGENCY

9 THIS AMENDMENT to the Water Supply Contract is made this
10 13th day of December, 1995, pursuant to the
11 provisions of the California Water Resources Development Bond Act,
12 the Central Valley Project Act, and other applicable laws of the
13 State of California, between the State of California, acting by and
14 through its Department of Water Resources, herein referred to as the
15 "State", and Antelope Valley-East Kern Water Agency, herein referred
16 to as the "Agency".

17 RECITALS:

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

24 WHEREAS, on December 1, 1994, representatives of the
25 contractors and the State executed a document entitled "Monterey
26 Agreement - Statement of Principles - By the State Water Contractors
27 and the State of California Department of Water Resources For
28 Potential Amendments To The State Water Supply Contracts" (the
"Monterey Agreement"); and

1 WHEREAS, the contractors and the State have negotiated an
2 amendment to the water supply contracts to implement provisions of
3 the Monterey Agreement (the "Monterey Amendment"); and

4 WHEREAS, the State and the Agency desire to implement such
5 provisions by incorporating this Monterey Amendment into the water
6 supply contract;

7 NOW, THEREFORE, IT IS MUTUALLY AGREED that the following
8 changes and additions are hereby made to the Agency's water supply
9 contract with the State:

10
11
12 1. Article 1(d) is amended to read:

13 (d) Contractor

14 "Contractor" shall mean any entity that has executed, or is
15 an assignee of, a contract of the type published in Department of
16 Water Resources Bulletin No. 141 dated November 1965, with the
17 State for a dependable supply of water made available by the System,
18 except such water as is made available by the facilities specified
19 in Section 12934(d)(6) of the Water Code.

20
21 2. Article 1(k) is amended to read:

22 (k) Minimum Project Yield

23 "Minimum project yield" shall mean the dependable annual
24 supply of project water to be made available, estimated to be
25 4,185,000 acre-feet per year, said amount to be determined by the
26 State on the basis of coordinated operation studies of initial
27 project conservation facilities and additional project conservation
28 facilities, which studies shall be based upon:

1 (1) The estimated relative proportion of deliveries for
2 agricultural use to deliveries for municipal use for the year 1990,
3 and the characteristic distributions of demands for these two uses
4 throughout the year.

5 (2) Agreements now in effect or as hereafter amended or
6 supplemented between the State and the United States and others
7 regarding the diversion or utilization of waters of the Delta or
8 streams tributary thereto.

9
10 3. Article 1(hh) is amended to read:

11 (hh) Water System Facilities

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

17 (1) The North Bay Aqueduct,

18 (2) The Coastal Branch Aqueduct,

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

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

1 (5) Land acquisition prior to December 31, 1995, for
2 the Kern Fan Element of the Kern Water Bank,

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

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

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

10 (9) A project facilities corporation yard, and

11 (10) A project facilities operation center.
12

13 **4. Article 1(jj) is added to read:**

14 **(jj) Interruptible water**

15 "Interruptible water" shall mean project water available as
16 determined by the State that is not needed for fulfilling
17 contractors' annual entitlement deliveries as set forth in their
18 water delivery schedules furnished pursuant to Article 12 or for
19 meeting project operational requirements, including storage goals
20 for the current or following years.
21

22 **5. Article 1(kk) is added to read:**

23 **(kk) Nonproject water**

24 "Nonproject water" shall mean water made available for
25 delivery to contractors that is not project water as defined in
26 Article 1(j).
27
28

1 6. Article 1(11) is added to read:

2 (11) "Monterey Amendments" shall mean this amendment and
3 substantially similar amendments to other contractors' water supply
4 contracts that include, among other provisions, the addition of
5 Articles 51 through 56.

6
7 7. Article 4 is amended to read:

8 4. OPTION FOR CONTINUED SERVICE

9 By written notice to the State at least six (6) months prior
10 to the expiration of the term of this contract, the Agency may elect
11 to receive continued service after expiration of said term under the
12 following conditions unless otherwise agreed to:

13 (1) Service of water in annual amounts up to and
14 including the Agency's maximum annual entitlement
15 hereunder.

16 (2) Service of water at no greater cost to the Agency
17 than would have been the case had this contract
18 continued in effect.

19 (3) Service of water under the same physical
20 conditions of service, including time, place,
21 amount and rate of delivery, as are provided for
22 hereunder.

23 (4) Retention of the same chemical quality objective
24 provision as is set forth herein.

25 (5) Retention of the same options to utilize the
26 project transportation facilities as are provided
27 for in Articles 18 (c) and 55, to the extent such
28 options are then applicable.

1 Other terms and conditions of the continued service shall be
2 reasonable and equitable and shall be mutually agreed upon. In the
3 event that said terms and conditions provide for continued service
4 for a limited number of years only, the Agency shall have the same
5 option to receive continued service here provided for upon the
6 expiration of that and each succeeding period of continued service.
7

8 **8. Article 7(a) is amended to read:**

9 **(a) Changes in Annual Entitlements**

10 The Agency may, at any time or times during the term of this
11 contract, by timely written notice furnished to the State, request
12 that project water be made available to it thereafter in annual
13 amounts greater or less than the annual entitlements designated in
14 Table A of this contract. Subject to approval by the State of any
15 such request, the State's construction schedule shall be adjusted
16 to the extent necessary to satisfy the request, and the requested
17 increases or decreases in said annual entitlements shall be
18 incorporated in said Table A by amendment thereof. Requests for
19 changes in annual entitlements for more than one year shall be
20 approved by the State: *Provided*, That no change shall be approved
21 if in the judgment of the State it would impair the financial
22 feasibility of project facilities.
23

24 **9. The title of Article 12 is amended to read "Priorities,**
25 **Amounts, Times and Rates of Deliveries".**
26
27
28

1 10. Article 12(a)(2) is amended to read:

2 (2) Upon receipt of a preliminary schedule the State shall
3 review it and, after consultation with the Agency, shall make such
4 modifications in it as are necessary to insure the delivery of the
5 annual quantity allocated to the Agency in accordance with
6 Article 18 and to insure that the amounts, times, and rates of
7 delivery to the Agency will be consistent with the State's overall
8 delivery ability, considering the then current delivery schedules
9 of all contractors. On or before December 1 of each year, the State
10 shall determine and furnish to the Agency the water delivery
11 schedule for the next succeeding year which shall show the amounts
12 of water to be delivered to the Agency during each month of that
13 year.

14
15 11. Article 12(d) is deleted.

16
17 12. Article 12(f) is added to read:

18 (f) **Priorities**

19 Each year water deliveries to the contractors shall be in
20 accordance with the following priorities to the extent there are
21 conflicts:

22 First, project water to meet scheduled deliveries of
23 contractors' annual entitlements for that year.

24 Second, interruptible water to the extent contractors' annual
25 entitlements for that year are not met by the first priority.

26 Third, project water to fulfill delivery requirements pursuant
27 to Article 14(b).

1 Fourth, project water previously stored pursuant to Articles
2 12(e) and 56.

3 Fifth, nonproject water to fulfill contractors' annual
4 entitlements for that year not met by the first two priorities.

5 Sixth, additional interruptible water delivered to contractors
6 in excess of their annual entitlements for that year.

7 Seventh, additional nonproject water delivered to contractors
8 in excess of their annual entitlements for that year.

9
10 13. Article 14 is amended to read:

11 **Curtailment of Delivery**

12 (a) **State May Curtail Deliveries**

13 The State may temporarily discontinue or reduce the delivery
14 of project water to the Agency hereunder for the purposes of
15 necessary investigation, inspection, maintenance, repair, or
16 replacement of any of the project facilities necessary for the
17 delivery of project water to the Agency, as well as due to outages
18 in, or reductions in capability of, such facilities beyond the
19 State's control or unuseability of project water due to an emergency
20 affecting project facilities. The State shall notify the Agency as
21 far in advance as possible of any such discontinuance or reduction,
22 except in cases of emergency, in which case notice need not be
23 given.

24 (b) **Agency May Receive Later Delivery of Water Not
25 Delivered**

26 In the event of any discontinuance or reduction of delivery
27 of project water pursuant to subdivision (a) of this article, the
28 Agency may elect to receive the amount of annual entitlement which
otherwise would have been delivered to it during such period under

1 the water delivery schedule for that year at other times during the
2 year or the succeeding year to the extent that such water is then
3 available and such election is consistent with the State's overall
4 delivery ability, considering the then current delivery schedules
5 of annual entitlement to all contractors.
6

7 **14. Article 16(a) is amended to read:**

8 **(a) Limit on Total of all Maximum Annual Entitlements**

9 The Agency's maximum annual entitlement hereunder, together
10 with the maximum annual entitlements of all other contractors, shall
11 aggregate no more than the minimum project yield as defined herein
12 and in no event more than 4,185,000 acre-feet of project water.
13

14 **15. Article 18 is amended to read:**

15 **18. SHORTAGE IN WATER SUPPLY**

16 **(a) Shortages; Delivery Priorities**

17 In any year in which there may occur a shortage due to drought
18 or any other cause whatsoever, in the supply of project water
19 available for delivery to the contractors, with the result that such
20 supply is less than the total of the annual entitlements of all
21 contractors for that year, the State shall allocate the available
22 supply in proportion to each contractor's annual entitlement as set
23 forth in its Table A for that year and shall reduce the allocation
24 of project water to each contractor using such water for
25 agricultural purposes and to each contractor using such water for
26 other purposes by the same percentage of their respective annual
27 entitlements for that year: *Provided*, that the State may allocate
28 on some other basis if such is required to meet minimum demands of

1 contractors for domestic supply, fire protection, or sanitation
2 during the year. If a contractor is allocated more water than it
3 requested, the excess water shall be reallocated among the other
4 contractors in proportion to their annual entitlements as provided
5 for above. The foregoing provisions of this subdivision shall be
6 inoperative to the extent necessary to comply with subdivision (c)
7 of this article and to the extent that a contractor's annual
8 entitlement for the respective year reflects established rights
9 under the area of origin statutes precluding a reduction in
10 deliveries to such contractor.

11 (b) - Deleted

12 (c) **Permanent Shortage; Contracts for Areas-of-Origin**

13 In the event that the State, because of the establishment by
14 a party of a prior right to water under the provisions of Sections
15 11460 through 11463 of the Water Code, enters into a contract with
16 such party for a dependable supply of project water, which contract
17 will cause a permanent shortage in the supply of project water to
18 be made available to the Agency hereunder:

19 (1) The State shall: (i) equitably redistribute the costs of
20 all transportation facilities included in the System among all
21 contractors for project water, taking into account the diminution
22 of the supply to the Agency and other prior contractors in
23 accordance with the terms of their contracts, and (ii) revise the
24 Agency's annual entitlements and maximum annual entitlement, by
25 amendment of Table A of this contract to correspond to the reduced
26 supply of project water to be made available to the Agency:
27 *Provided, That such redistribution of costs of transportation*
28 *facilities shall not be made until there has been reasonable*

1 opportunity for the Agency to exercise the option provided for in
2 (2) below, and for other prior contractors to exercise similar
3 options.

4 (2) The Agency, at its option, shall have the right to use
5 any of the project transportation facilities which by reason of such
6 permanent shortage in the supply of project water to be made
7 available to the Agency are not required for delivery of project
8 water to the Agency, to transport water procured by it from any
9 other source: *Provided*, That such use shall be within the limits
10 of the capacities provided in the project transportation facilities
11 for service to the Agency under this contract: *Provided further*,
12 That, except to the extent such limitation in Section 12931 of the
13 Water Code be changed, the Agency shall not use the project
14 transportation facilities under this option to transport water the
15 right to which was secured by the Agency through eminent domain
16 unless such use be approved by the Legislature by concurrent
17 resolution with a majority of the members elected to each house
18 voting in favor thereof. This option shall terminate upon a
19 redistribution of costs of transportation facilities by the State
20 pursuant to (1) above. In the event that this option is exercised,
21 the State shall take such fact into account in making such
22 redistribution of costs, and shall offset such use as is made of the
23 project transportation facilities pursuant thereto against any
24 reduction in the Agency's payment obligation hereunder resulting
25 from such redistribution of costs.

1
2 (d) **Reinstatement of Entitlements**

3 If after any revision of annual entitlements and maximum
4 annual entitlements pursuant to subdivision (c) of this article,
5 circumstances arise which, in the judgment of the State, justify a
6 revision upward of the same, the State shall, with the consent of
7 the affected contractor, reinstate proportionately the previously
8 reduced entitlements of such contractor to the extent deemed
9 justified, and shall equitably redistribute the costs of the project
10 transportation facilities if inequities would otherwise occur as a
11 result of such reinstatement of entitlements.

12 (e) **Advance Notice of Delivery Reductions**

13 The State shall give the Agency written notice as far in
14 advance as possible of any reduction in deliveries to it which is
15 to be made under subdivision (a) of this article and, to the extent
16 possible, shall give the Agency written notice five (5) years in
17 advance of any reduction in its annual entitlements and maximum
18 annual entitlement under subdivision (c) of this article. Reports
19 submitted to the Agency pursuant to Article 16(c) may constitute
20 such notices.

21 (f) **No Liability for Shortages**

22 Neither the State nor any of its officers, agents, or
23 employees shall be liable for any damage, direct or indirect,
24 arising from shortages in the amount of water to be made available
25 for delivery to the Agency under this contract caused by drought,
26 operation of area of origin statutes, or any other cause beyond its
27 control.

1 16. Old Article 21 "Sale of Surplus Water" is deleted and
2 replaced by new Article 21 "Interruptible Water Service"
3 to read:

4 21. Interruptible Water Service

5 (a) Allocation of Interruptible Water

6 Each year from water sources available to the project, the
7 State shall make available and allocate interruptible water to
8 contractors in accordance with the procedure in Article 18(a).
9 Allocations of interruptible water in any one year may not be
10 carried over for delivery in a subsequent year, nor shall the
11 delivery of interruptible water in any year impact a contractor's
12 approved deliveries of annual entitlement or the contractor's
13 allocation of water for the next year. Deliveries of interruptible
14 water in excess of a contractor's annual entitlement may be made if
15 the deliveries do not adversely affect the State's delivery of
16 annual entitlement to other contractors or adversely affect project
17 operations. Any amounts of water owed to the Agency as of the date
18 of this amendment pursuant to former Article 12(d), any contract
19 provisions or letter agreements relating to wet weather water, and
20 any Article 14(b) balances accumulated prior to 1995, are canceled.
21 The State shall hereafter use its best efforts, in a manner that
22 causes no adverse impacts upon other contractors or the project, to
23 avoid adverse economic impacts due to a contractor's inability to
24 take water during wet weather.

25 (b) Rates

26 For any interruptible water delivered pursuant to this
27 article, contractors shall pay the State the same (including
28 adjustments) for power resources (including on-aqueduct,

1 off-aqueduct, and any other power) incurred in the transportation
2 of such water as if such interruptible water were entitlement water,
3 as well as all incremental operation, maintenance, and replacement
4 costs, and any other incremental costs, as determined by the State.
5 The State shall not include any administrative or contract
6 preparation charge. Incremental costs shall mean those nonpower
7 costs which would not be incurred if interruptible water were not
8 scheduled for or delivered to the contractor. Only those
9 contractors not participating in the repayment of the capital costs
10 of a reach shall be required to pay any use of facilities charge for
11 the delivery of interruptible water through that reach.

12 (c) **Contracts**

13 To obtain a supply of interruptible water, a contractor shall
14 execute a further contract with the State which shall be in
15 conformity with this article and shall include at least provisions
16 concerning the scheduling of deliveries of interruptible water and
17 times and methods of payment.

18
19 **17. Article 22(j) is amended to read:**

20 (j) Notwithstanding provisions of Article 22(a) through (i),
21 the capital cost component and the minimum OMP&R component of the
22 Delta Water Charge shall include an annual charge to recover the
23 Agency's share of the conservation portion of the water system
24 revenue bond financing costs. Charges to the Agency for these costs
25 shall be calculated in accordance with provisions in Article 50 of
26 this contract. Charges for the conservation portion of the water
27 system revenue bond financing costs shall not be affected by any
28 reductions in payments pursuant to Article 51.

1 18. The first paragraph of Article 24(b) is amended to read:
2 (b) In the first step, the total amount of capital costs of
3 each aqueduct reach to be returned to the State shall be allocated
4 among all contractors entitled to delivery of project water from or
5 through the reach by the proportionate use of facilities method of
6 cost allocation and in accordance with (1) and (2) below. The
7 measure of the proportionate use of each contractor of each reach
8 shall be the average of the following two ratios: (i) the ratio of
9 the contractor's maximum annual entitlement to be delivered from or
10 through the reach to the total of the maximum annual entitlements
11 of all contractors to be delivered from or through the reach from
12 the year in which charges are to be paid through the end of the
13 project repayment period and (ii) the ratio of the capacity provided
14 in the reach for the transport and delivery of project water to the
15 contractor to the total capacity provided in the reach for the
16 transport and delivery of project water to all contractors served
17 from or through the reach from the year in which charges are to be
18 paid through the end of the project repayment period. Allocations
19 of capital costs to the Agency pursuant hereto shall be on the basis
20 of relevant values which will be set forth in Table B of this
21 contract by the State as soon as designs and cost estimates are
22 prepared by it subsequent to receipt of requests from the Agency as
23 to the maximum monthly delivery capability to be provided in each
24 aqueduct reach of the project transportation facilities for the
25 transport and delivery of project water to the Agency, pursuant to
26 Article 17(a): *Provided*, That these values shall be subject to
27 redetermination by the State in accordance with Article 28: *Provided*
28 further, That the principles and procedures set forth in this

1 subdivision shall be controlling as to allocations of capital costs
2 to the Agency. Proportionate use of facilities factors for prior
3 years shall not be adjusted by the State in response to changes or
4 transfers of entitlement among contractors unless otherwise agreed
5 by the State and the parties to the transfer and unless there is no
6 impact on past charges or credits of other contractors.

7
8 **19. Article 24(g) is amended to read:**

9 (g) Notwithstanding provisions of Article 24(a) through (d),
10 the capital cost component of the Transportation Charge shall
11 include an annual charge to recover the Agency's share of the
12 transportation portion of the water system revenue bond financing
13 costs. Charges to the Agency for these costs shall be calculated
14 in accordance with the provisions of Article 50 of this contract.
15 Charges for the transportation portion of the water system revenue
16 bond financing costs shall not be affected by any reductions in
17 payments pursuant to Article 51.

18
19 **20. Article 25(d) (3) is amended to read:**

20 (3) An interim adjustment in the allocation of the power costs
21 calculated in accordance with (2) above, may be made in May of each
22 year based on April revisions in approved schedules of deliveries
23 of project and nonproject water for contractors for such year. A
24 further adjustment shall be made in the following year based on
25 actual deliveries of project and nonproject water for contractors
26 provided, however, in the event no deliveries are made through a
27 pumping plant, the adjustments shall not be made for that year at
28 that plant.

1 21. Article 50(j) is added to read:

2 (j) Amounts payable under this article shall not be affected
3 by any reductions in payments pursuant to Article 51.
4

5 22. Article 51 is added to read:

6 51. FINANCIAL ADJUSTMENTS

7 (a) General Operating Account

8 (1) The State shall maintain a General Operating Account to
9 provide the moneys needed to pay obligations incurred by the State
10 of the types described in Water Code sections 12937(b)(1) and (2)
11 in the event of emergency or cash flow shortages.

12 (2) An initial deposit of \$15 million shall be made available
13 from revenue bond reserves that are no longer required by revenue
14 bond covenants and that would otherwise be credited to the
15 contractors including the Agency. In 1998 or when the funds become
16 available an additional \$7.7 million will be deposited in the
17 General Operating Account from revenue bond reserves that are no
18 longer required by revenue bond covenants and that would otherwise
19 be credited to the contractors including the Agency, bringing the
20 deposits to that account under this article to \$22.7 million.

21 (3) The balance in the General Operating Account will
22 increase pursuant to subdivision (e)(3)(v) of this article to an
23 amount determined by the State but not in excess of \$32 million.
24 However, after the year 2001, the maximum amount of the fund may
25 increase or decrease annually by not more than the same percentage
26 as the increase or decrease in the charges, other than power charges
27 for pumping water, to all the contractors for the previous year from
28

1 the charges for the year before that for obligations under
2 subdivisions (c)(2)(ii) and (iii) of this article.

3 (b) **State Water Facilities Capital Account**

4 (1) The State shall establish a State Water Facilities
5 Capital Account to be funded from revenues available under Water
6 Code section 12937(b)(4). Through procedures described in this
7 article and as limited by this article, the State may consider as
8 a revenue need under subdivision (c)(2)(v) of this article and may
9 deposit in the State Water Facilities Capital Account the amounts
10 necessary to pay capital costs of the State Water Facilities for
11 which neither general obligation bond nor revenue bond proceeds are
12 available, including but not limited to planning, reconnaissance and
13 feasibility studies, the San Joaquin Valley Drainage Program and,
14 through the year 2000, the CALFED Bay-Delta Program.

15 (2) The Director of the Department of Water Resources shall
16 fully consult with the contractors and consider any advice given
17 prior to depositing funds into this account for any purposes.
18 Deposits into this account shall not exceed the amounts specified
19 in subdivision (c)(2)(v) of this article plus any amounts determined
20 pursuant to subdivision (e)(1)(iii) of this article.

21 (3) The State shall use revenue bonds or other sources of
22 moneys rather than this account to finance the costs of construction
23 of any major capital projects.

24 (c) **Calculation of Financial Needs**

25 (1) Each year the State shall calculate in accordance with
26 the timing provisions of Articles 29 and 31 the amounts that would
27 have been charged (but for this article) to each contractor as
28 provided in other provisions of this contract.

1 (2) Each year the State shall also establish its revenue
2 needs for the following year for the following purposes, subject to
3 the following limitations:

4 (i) The amount required to be collected under the
5 provisions of this contract, other than this article, with respect
6 to all revenue bonds issued by the State for Project Facilities.

7 (ii) The amount required for payment of the reasonable
8 costs of the annual maintenance and operation of the State Water
9 Resources Development System and the replacement of any parts
10 thereof as described in Water Code section 12937(b)(1). These costs
11 shall not include operation and maintenance costs of any Federal
12 Central Valley Project facilities constructed by the United States
13 and acquired by the State of California after 1994, other than the
14 State's share of the joint use facilities which include San Luis
15 Reservoir, the San Luis Canal and related facilities.

16 (iii) The amount required for payment of the principal
17 of and interest on the bonds issued pursuant to the Burns-Porter Act
18 as described in Water Code section 12937(b)(2).

19 (iv) Any amount required for transfer to the California
20 Water Fund in reimbursement as described in Water Code section
21 12937(b)(3) for funds utilized from said fund for construction of
22 the State Water Resources Development System.

23 (v) For the years 1998 and thereafter, the amount needed
24 for deposits into the State Water Facilities Capital Account as
25 provided in subdivision (b) of this article, but (A) not more than
26 \$6 million per year for the years 1998, 1999 and 2000, and (B) not
27 more than \$4.5 million per year for the years 2001 and thereafter.
28

1 (3) Subject to the provisions of subdivision (e) of this
2 article, the State shall reduce the annual charges in the aggregate
3 for all contractors by the amounts by which the hypothetical charges
4 calculated pursuant to subdivision (c)(1) above exceed the revenue
5 needs determined pursuant to subdivision (c)(2) above. The
6 reductions under this article shall be apportioned among the
7 contractors as provided in subdivisions (d), (e), (f) and (g) of
8 this article. Reductions to contractors shall be used to reduce the
9 payments due from the contractors on each January 1 and July 1;
10 Provided, however, that to the extent required pursuant to
11 subdivision (h) of this article, each Agricultural Contractor shall
12 pay to the Agricultural Rate Management Trust Fund an amount equal
13 to the reduction allocated to such Agricultural Contractor. Any
14 default in payment to the trust fund shall be subject to the same
15 remedies as any default in payment to the State under this contract.

16 (4) The State may submit a supplemental billing to the Agency
17 for the year in an amount not to exceed the amount of the prior
18 reductions for such year under this article if necessary to meet
19 unanticipated costs for purposes identified in Water Code section
20 12937(b)(1) and (2) for which the State can issue billings under
21 other provisions of this contract. Any supplemental billing made
22 to the Agency for these purposes shall be in the same proportion to
23 the total supplemental billings to all contractors for these
24 purposes as the prior reduction in charges to the Agency in that
25 year bears to the total reductions in charges to all contractors in
26 that year and shall be treated as reducing the amount of the
27 reduction made available for that year to the Agency by the amount
28 of the supplemental bill to the Agency.

(5) The State may also submit a supplemental billing to the Agency for the year if necessary to meet unanticipated costs for revenue bond debt service and coverage for which the State can issue a statement of charges under provisions of this contract other than this article. The relative amounts of any supplemental billing made to the Agency and to other contractors for revenue bond purposes shall be governed by such other applicable provisions of this contract.

(6) Payment of any supplemental billing shall be due thirty days after the date of the invoice. Delinquency and interest on delinquent amounts due shall be governed by Article 32.

(d) Apportionment of Reductions between Agricultural and Urban Contractors

(1) Reductions available under this article are projected to begin to occur in 1997. The numbers and percentages in this subdivision reflect certain estimates of dollars and sharing of reductions. The actual reductions may vary slightly from the amounts described below. The State shall determine the availability of reductions for each year in accordance with this article.

(2) Reductions shall be phased in as follows:

(i) In 1997 reductions in the amount of \$14 million are projected to be available and shall be applied as follows: the first \$10 million of reductions shall be apportioned among the Agricultural Contractors, and the remaining reductions shall be apportioned among the Urban Contractors.

(ii) In 1998 reductions in the amount of \$17 million are projected to be available and shall be applied as follows: the first \$10 million of reductions shall be apportioned among the

1 Agricultural Contractors, and the remaining reductions shall be
2 apportioned among the Urban Contractors.

3 (iii) In 1999 reductions in the amount of \$32 million
4 are projected to be available and shall be applied as follows: the
5 first \$10 million of reductions shall be apportioned among the
6 Agricultural Contractors, and the remaining reductions shall be
7 apportioned among the Urban Contractors.

8 (iv) In 2000 reductions in the amount of \$33 million are
9 projected to be available and shall be applied as follows: the first
10 \$10 million of reductions shall be apportioned among the
11 Agricultural Contractors, and the remaining reductions shall be
12 apportioned among the Urban Contractors.

13 (3)(i) In the event that the aggregate amount of reductions
14 in any of the years 1997 through 2000 is less than the respective
15 amount projected for such year in subdivision (d)(2) above, the
16 shortfall shall be taken first from reductions that would have been
17 provided to Urban Contractors. Only after all reductions to Urban
18 Contractors have been eliminated in a given year shall the remaining
19 shortfall be taken from reductions scheduled for Agricultural
20 Contractors. Any projected reductions not made available due to
21 such shortfalls in the years 1997 through 2000 shall be deferred
22 with interest at the project interest rate to the earliest
23 subsequent years when reductions in excess of those projected for
24 those years are available. Such deferred reductions with interest
25 at the project interest rate shall be applied to the charges of the
26 contractors whose reductions have been deferred.

27 (ii) In the event that the aggregate amount of
28 reductions available in any of the years 1997 through 2000 is

1 greater than the sum of (A) the respective amount projected for such
2 year in subdivision (d)(2) above, plus (B) the amount of any
3 shortfall with accrued interest at the project interest rate,
4 remaining from any prior year to be applied, the excess shall be
5 applied for the purposes and in the amounts per year described in
6 subdivisions (e)(3)(iii), (iv), (v) and (vi) of this article, in
7 that order.

8 (4) In 2001 and in each succeeding year reductions equal to
9 or in excess of \$40.5 million are projected to be available and
10 shall be applied as follows:

11 (i) If reductions are available in an amount that equals
12 or exceeds \$40.5 million, \$10 million of reductions shall be
13 apportioned among the Agricultural Contractors, and \$30.5 million
14 of reductions shall be apportioned among the Urban Contractors. If
15 reductions are available in an amount greater than \$40.5 million,
16 the excess shall be applied as provided in subdivision (e)(3) of
17 this article, subject however to subdivision (e)(1).

18 (ii) If reductions are available in an amount less than
19 \$40.5 million in any of these years, the reductions shall be divided
20 on a 24.7% - 75.3% basis between the Agricultural Contractors and
21 the Urban Contractors respectively. Any such reductions not made
22 due to shortages shall be applied without interest in the next year
23 in which reductions in an amount in excess of \$40.5 million are
24 available pursuant to subdivision (e)(3) of this article with any
25 remainder that is not available carried over without interest to be
26 applied in the earliest subsequent years when reductions in excess
27 of \$40.5 million are available.

1 (5) Annual charges to a contractor shall only be reduced
2 prospectively from and after the date it executes the Monterey
3 Amendment to this contract. Apportionments of reductions shall be
4 calculated on the assumption that all contractors have executed such
5 amendment.

6 (e) **Review of Financial Requirements**

7 (1) In 2001 and every fifth year thereafter the Director of
8 the Department of Water Resources, in full consultation with the
9 contractors, will review the financial requirements of the State
10 Water Resources Development System and determine the following:

11 (i) The amount of revenues that are needed for State
12 Water Resources Development System purposes in addition to those
13 needed for the purposes specified in subdivisions (c) (2) (i), (ii),
14 (iii), and (iv) of this article;

15 (ii) If the aggregate amount that would have been
16 charged to all contractors in any year but for this article exceeds
17 the sum of (A) the amount of revenues needed for the purposes
18 specified in subdivisions (c) (2) (i), (ii), (iii) and (iv), plus (B)
19 \$40.5 million, plus (C) the amount determined pursuant to
20 subdivision (c) (2) (v) of this article, the amount of such excess.

21 (iii) The amount of the excess determined in subdivision
22 (e) (1) (ii) above that should be collected by the State for
23 additional State Water Resources Development System purposes and the
24 amount of such excess that should be used for further annual charge
25 reductions.

26 (2) After making the determinations required above, the State
27 may collect the revenues for additional State Water Resources
28

1 Development System purposes in the amount determined pursuant to
2 subdivision (e) (1) (iii) above.

3 (3) If and to the extent that as a result of such
4 determinations, the aggregate amount to be charged to contractors
5 is to be reduced by more than \$40.5 million per year, the following
6 priorities and limitations shall apply with respect to the
7 application of such additional reductions:

8 (i) First, reductions shall be allocated to make up
9 shortfalls in reductions from those projected for the years 1997
10 through 2000 with interest at the project interest rate pursuant to
11 subdivision (d) (3) (i).

12 (ii) Second, reductions shall be allocated to make up
13 shortfalls in reductions from those projected for the years
14 beginning with 2001 without interest pursuant to subdivision
15 (d) (4) (ii).

16 (iii) Third, additional reductions in the amount of \$2
17 million per year shall be apportioned among the Urban Contractors
18 until a total of \$19.3 million in such additional reductions have
19 been so applied.

20 (iv) Fourth, reductions up to an additional \$2 million
21 per year shall be allocated to make up any shortfalls in the annual
22 reductions provided for in subdivision (e) (3) (iii).

23 (v) Fifth, \$2 million per year shall be charged and
24 collected by the State and deposited in the General Operating
25 Account to bring the account ultimately up to an amount determined
26 by the State but not in excess of \$32 million with adjustments as
27 provided in subdivision (a) of this article. Any amount in the
28

1 account in excess of this requirement shall be returned to general
2 project revenues.

3 (vi) Sixth, remaining amounts if any shall be used for
4 reductions divided on a 24.7% - 75.3% basis between the Agricultural
5 Contractors and the Urban Contractors respectively.

6 (f) **Apportionment of Reductions among Urban Contractors.**
7 Reductions in annual charges apportioned to Urban Contractors under
8 subdivisions (d) and (e) of this article shall be further allocated
9 among Urban Contractors pursuant to this subdivision. The amount
10 of reduction of annual charges for each Urban Contractor shall be
11 based on each Urban Contractor's proportionate share of total
12 allocated capital costs as calculated below, for both project
13 conservation and project transportation facilities, repaid by all
14 Urban Contractors over the project repayment period.

15 (1) The conservation capital cost component of the reduction
16 allocation shall be apportioned on the basis of maximum annual
17 entitlement. Each Urban Contractor's proportionate share shall be
18 the same as the percentage of that contractor's maximum annual
19 entitlement to the total of all Urban Contractors' maximum annual
20 entitlements.

21 (2) The transportation capital cost component of the
22 reduction allocation shall be apportioned on the basis of
23 transportation capital cost component repayment obligations,
24 including interest over the project repayment period. Each Urban
25 Contractor's proportionate share shall be the same as the percentage
26 that the contractor's total transportation capital cost component
27 repayment obligation is of the total of all Urban Contractors'
28 transportation capital cost component repayment obligations.

1 (i) Recalculations shall be made annually through the
2 year 1999. Beginning in the year 2000 recalculations shall be made
3 every five years unless an Urban Contractor requests a recalculation
4 for an interim year and does so by a request in writing delivered
5 to the Department by January 1 of the year in which the
6 recalculation is to take place.

7 (ii) The transportation capital cost component
8 repayment obligations, for purposes of this Article 51(f), shall be
9 based in the year of recalculation on the then most recent
10 Department of Water Resources Bulletin 132, Table B-15, "Capital
11 Cost Component of Transportation Charge for Each Contractor," or its
12 equivalent, excluding any costs or entitlement associated with
13 transfers of entitlement from Agricultural Contractors pursuant to
14 Article 53.

15 (3) To reflect the relative proportion of the conservation
16 capital cost component and the transportation capital cost component
17 to the total of all capital cost repayment obligations, the two cost
18 components shall be weighted as follows:

19 (i) The conservation capital cost component shall be
20 weighted with a thirty percent (30%) factor. The weighting shall
21 be accomplished by multiplying each Urban Contractor's percentage
22 of maximum annual entitlements as calculated in subdivision (f)(1)
23 of this article by thirty percent (30%).

24 (ii) The transportation capital cost component shall be
25 weighted with a seventy percent (70%) factor. The weighting shall
26 be accomplished by multiplying each Urban Contractor's percentage
27 of transportation capital cost component repayment obligations as
28

1 calculated in subdivision (f) (2) of this article by seventy percent
2 (70%).

3 (iii) A total, weighted capital cost percentage shall
4 be calculated for each Urban Contractor by adding the weighted
5 conservation capital cost component percentage to their weighted
6 transportation capital cost component percentage.

7 (4) The total amount of the annual charges to be reduced to
8 Urban Contractors in each year shall be allocated among them by
9 multiplying the total amount of annual charges to be reduced to the
10 Urban Contractors by the total, weighted capital cost percentages
11 for each such contractor. If the amount of the reduction to an
12 Urban Contractor is in excess of that contractor's payment
13 obligation to the Department for that year, such excess shall be
14 reallocated among the other Urban Contractors.

15 (5) In the case of a permanent transfer of urban entitlement,
16 the proportionate share of annual charge reductions associated with
17 that entitlement shall be transferred with the entitlement to the
18 buying contractor. In the case of an entitlement transfer by either
19 Santa Barbara County Flood Control and Water Conservation District
20 or San Luis Obispo County Flood Control and Water Conservation
21 District, the reductions in annual charges to that agency shall be
22 allocated (a) on the basis of that entitlement being retained by
23 that agency which bears Coastal Branch Phase II transportation
24 costs, (b) on the basis of that entitlement being retained by that
25 agency which does not bear Coastal Branch Phase II transportation
26 costs, and (c) on the basis of the balance of that agency's
27 entitlement which also does not bear Coastal Branch Phase II
28 transportation costs.

(g) Apportionment of Reductions Among Agricultural Contractors

(1) Reductions in annual charges apportioned to Agricultural Contractors under subdivisions (d) and (e) of this article shall be allocated among the Agricultural Contractors pursuant to this subdivision. The amount of reduction of annual charges for each Agricultural Contractor for the years 1997 through 2001 shall be based on each Agricultural Contractor's estimated proportionate share of the total project costs, excluding the variable operation, maintenance, power and replacement components of the Delta Water Charge and the Transportation Charge and also excluding off-aqueduct power charges, to be paid by all Agricultural Contractors for the years 1997 through 2035, calculated without taking into account this article. For purposes of these calculations, Kern County Water Agency's and Dudley Ridge Water District's estimated project costs shall not include any costs associated with the 45,000 acre-feet of annual entitlement being relinquished by those contractors pursuant to subdivision (i) of Article 53. Also, for purposes of these calculations, an Agricultural Contractor's estimated project costs shall not be reduced by the transfer of any of the 130,000 acre-feet of annual entitlements provided for in subdivisions (a) through (i) of Article 53. The proportionate shares for 1997 through 2001 shall be calculated as follows:

(i) Each Agricultural Contractor's statement of charges received on July 1, 1994, shall be the initial basis for calculating the proportionate shares for the five years 1997 through 2001.

(ii) Each Agricultural Contractor's estimated capital and minimum components of the Delta Water Charge and the

1 Transportation Charge (excluding off-aqueduct power charges) and
2 Water Revenue Bond Surcharge shall be totaled for the years 1997
3 through 2035.

4 (iii) Kern County Water Agency and Dudley Ridge Water
5 District totaled costs shall be reduced for the 45,000 acre-feet of
6 annual entitlement being relinquished by them.

7 (iv) Any reductions in an Agricultural Contractor's
8 totaled costs resulting from the transfer of any of the 130,000
9 acre-feet of annual entitlement shall be re-added to that
10 contractor's costs.

11 (v) Each Agricultural Contractor's proportionate share
12 shall be computed by dividing that contractor's total costs by the
13 total costs for all Agricultural Contractors determined pursuant to
14 subparagraphs (ii), (iii) and (iv) above.

15 (2) The reductions in annual charges, for 1997 through 2001,
16 shall be calculated using the method described in subdivision (g) (1)
17 of this article.

18 (3) The allocation shall be recalculated using the same
19 method described in subdivision (g) (1) of this article every five
20 years beginning in 2002, if any Agricultural Contractor requests
21 such a recalculation. Any recalculation shall be based on project
22 cost data beginning with the year that the recalculation is to
23 become effective through 2035.

24 (h) **Agricultural Rate Management Trust Fund**

25 (1) **Establishment.** Through a trust agreement executed
26 contemporaneously with this amendment, the State and the
27 Agricultural Contractors that sign the Monterey Amendments shall
28

1 establish the Agricultural Rate Management Trust Fund with a
2 mutually agreed independent trustee.

3 (2) **Separate Accounts.** The trustee shall maintain within the
4 trust fund a separate account for each Agricultural Contractor that
5 signs the trust agreement to hold deposits made pursuant to this
6 article.

7 (3) **Deposits.** Each Agricultural Contractor that signs the
8 trust agreement shall deposit into such contractor's account within
9 the trust fund, at the same time as payments would otherwise be
10 required by this contract to be made to the State, an amount equal
11 to the amount by which such contractor's charges under this contract
12 have been reduced by reason of this article, until the balance in
13 such contractor's account within the trust fund is the same
14 percentage of \$150,000,000 as such contractor's percentage share of
15 reductions made available to all Agricultural Contractors as
16 specified in subdivision (g) of this article. In 2002 and every
17 fifth year thereafter, the Agricultural Contractors will review the
18 maximum accumulation in the trust fund (the "Cap") and determine
19 whether the cap should be adjusted. However, the Cap shall not be
20 reduced below an aggregate of \$150,000,000 for all Agricultural
21 Contractor accounts.

22 (4) **Trust Fund Disbursements.**

23 (i) In any year in which the State's allocation of water
24 to an Agricultural Contractor by April 15th of that year is less
25 than one-hundred percent (100%) of the contractor's requested annual
26 entitlement for that year, the trustee shall, to the extent there
27 are funds in that contractor's account, distribute to the State from
28 such account for the benefit of that contractor an amount equal to

1 the percentage of the total of that contractor's statement of
2 charges for that year, as redetermined by the State on or about May
3 15th of that year, for (a) the Delta Water Charge; (b) the capital
4 cost and minimum operation, maintenance, power and replacement
5 components of the Transportation Charge (including off-aqueduct
6 power charges); and (c) the water system revenue bond surcharge,
7 that is equal to the percentage of that contractor's annual
8 entitlement for that year that was not allocated to it by the State
9 by April 15th of that year.

10 (ii) In addition to the provisions of subdivision
11 (h) (4) (i) of this article, if on April 15 of any year any of the
12 irrigable land within the Tulare Lake Basin Water Storage District
13 (Tulare) is flooded, and Tulare in writing requests the trustee to
14 do so, the trustee shall, to the extent there are funds in Tulare's
15 account, distribute to the State from such account for the benefit
16 of Tulare an amount equal to the percentage of the total of Tulare's
17 statement of charges for that year, as redetermined by the State on
18 or about May 15th of that year, for (a) the Delta Water Charge; (b)
19 the capital cost and minimum components of the Transportation Charge
20 (including off-aqueduct power charges); and (c) the water system
21 revenue bond surcharge, that is equal to the percentage of the
22 irrigable land within Tulare that is flooded on April 15.

23 (iii) Each Agricultural Contractor shall remain
24 obligated to make payments to the State as required by other
25 articles in this contract. Any amount to be disbursed pursuant to
26 subdivisions (h) (4) (i) and (h) (4) (ii) shall be paid by the trustee
27 to the State on July 1 of the year involved and shall be credited
28 by the State toward any amounts owed by such respective Agricultural

1 Contractor to the State as of that date. However, an Agricultural
2 Contractor may direct the trustee to make the disbursement to that
3 Agricultural Contractor which shall in turn make the payment to the
4 State as required by other provisions of this contract. If the
5 amount to be disbursed exceeds the amount owed to the State by such
6 contractor as of July 1, the excess shall be disbursed by the
7 Trustee to the State at the time of and in payment of future
8 obligations owed to the State by such contractor. Alternatively,
9 upon the request of such contractor, all or part of the excess shall
10 be paid by the trustee to that contractor in reimbursement of prior
11 payments by the contractor to the State for that year.

12 (5) **Payment of Supplemental Bills.** In any year in which a
13 supplemental bill has been submitted to an Agricultural Contractor
14 pursuant to subdivision (c)(4) of this article, such supplemental
15 bill shall be treated as reducing by an equal amount the obligation
16 of such contractor for that year to make payments into the
17 Agricultural Rate Management Trust Fund. To the extent that such
18 contractor has already made payments to the trust fund in an amount
19 in excess of such contractor's reduced trust fund payment
20 obligation, such contractor may request the trustee to use the
21 excess from the trust fund to pay the supplemental bill.

22 (6) **Discharge of Payment Obligation.** Each payment to the
23 State by the trust fund shall discharge and satisfy the Agricultural
24 Contractor's obligation to pay the amount of such payment to the
25 State. No reimbursement of the trust fund by the Agricultural
26 Contractor for such payments shall be required. However, each
27 Agricultural Contractor shall continue to make deposits to the trust
28 fund matching the amount of each year's reductions as provided in

1 subdivision (d) of this article so long as the amount in that
2 contractor's account is less than its share of the Cap.

3 (7) **Distribution of Funds in Excess of the Cap.** Whenever
4 accumulated funds (including interest) in an Agricultural
5 Contractor's account in the trust fund exceed that contractor's
6 share of the Cap, or the estimated remaining payments the contractor
7 is required to make to the State prior to the end of the project
8 repayment period, that contractor may direct the trustee to pay such
9 excess to the contractor.

10 (8) **Termination of Trust Fund.** At the end of the project
11 repayment period, the Agricultural Rate Management Trust Fund shall
12 be terminated and any balances remaining in the accounts for each
13 of the Agricultural Contractors shall be disbursed to the respective
14 Agricultural Contractors.

15 (i) **Definitions.** For the purposes of this article, the
16 following definitions will apply:

17 (1) "Agricultural Contractor" shall mean the following
18 agencies as they now exist or in any reorganized form:

- 19 (i) County of Kings,
- 20 (ii) Dudley Ridge Water District,
- 21 (iii) Empire West Side Irrigation District,
- 22 (iv) Kern County Water Agency for 993,300 acre-feet of
23 its entitlement,
- 24 (v) Oak Flat Water District,
- 25 (vi) Tulare Lake Basin Water Storage District.

26 (2) "Urban Contractor" shall mean every other agency having
27 a long term water supply contract with the State as they exist as
28 of the date of this amendment or in any reorganized form as well as

1 Kern County Water Agency for 119,600 acre-feet of its entitlement.

2 (j) Except as provided in subdivisions (c)(4) and (c)(5),
3 this article shall not be interpreted to result in any greater State
4 authority to charge the contractors than exists under provisions of
5 this contract other than this article.

6
7 23. Article 52 is added to read:

8 52. KERN WATER BANK

9 (a) The State shall convey to the Kern County Water Agency
10 (KCWA) in accordance with the terms set forth in the agreement
11 between the State of California Department of Water Resources and
12 Kern County Water Agency entitled "Agreement for the Exchange of the
13 Kern Fan Element of the Kern Water Bank" (the Kern Water Bank
14 Contract), the real and personal property described therein.

15 (b) Subject to the approval of KCWA, other contractors may
16 be provided access to and use of the property conveyed to KCWA by
17 the Kern Water Bank Contract for water storage and recovery. Fifty
18 percent (50%) of any project water remaining in storage on December
19 31, 1995, from the 1990 Berrenda Mesa Demonstration Program and the
20 La Hacienda Water Purchase Program shall be transferred to KCWA
21 pursuant to the Kern Water Bank Contract. The remaining fifty
22 percent (50%) of any such water (approximately 42,828.5 acre-feet)
23 shall remain as project water and the State's recovery of such
24 project water shall be pursuant to the provisions of a separate
25 recovery contract. Any other Kern Water Bank demonstration program
26 water shall remain as project water and the State's recovery of such
27 water shall be pursuant to the provisions of the respective
28 contracts for implementation of such demonstration programs.

1 24. Article 53 is added to read:

2 53. PERMANENT TRANSFERS AND REDUCTIONS OF ENTITLEMENT

3 (a) Article 41 provides that no assignment or transfer of
4 a contract or any part thereof, rights thereunder or interest
5 therein by a contractor shall be valid unless and until it is
6 approved by the State and made subject to such reasonable terms and
7 conditions as the State may impose. In accordance with State policy
8 to assist water transfers, the State and the County of Kings, Dudley
9 Ridge Water District (DRWD), Empire West Side Irrigation District,
10 Kern County Water Agency (KCWA), Oak Flat Water District and Tulare
11 Lake Basin Water Storage District (for the purposes of this article
12 the "Agricultural Contractors") shall, subject to the conditions set
13 forth in this article, expeditiously execute any necessary documents
14 and approve all contracts between willing buyers and willing sellers
15 until permanent transfers totaling 130,000 acre-feet of annual
16 entitlements of the Agricultural Contractors and, to the extent
17 provided in such contracts, rights in project transportation
18 facilities related to such annual entitlement have been made to
19 other contractors (the "Urban Contractors") or noncontractors in
20 accordance with the provisions of this article. Such approval
21 requirement shall apply to all contracts executed prior to January
22 1, 2011. KCWA shall be responsible for approval of such transfers
23 for any portion of the 130,000 acre-feet not previously made
24 available under this article by the other Agricultural Contractors.
25 A contract between a willing buyer and a willing seller shall mean
26 a contract between (1) a buyer which is an Urban Contractor or, to
27 the extent provided in subdivision (e) of this article, a
28 noncontractor and (2) a seller which is an Agricultural Contractor

1 or a public entity which obtains project water from an Agricultural
2 Contractor.

3 (b) The State shall not be obligated to approve any transfer
4 of annual entitlements if in its judgment the transfer would impair
5 the security of the State's bondholders and the State may impose
6 conditions on any transfer as necessary to make the delivery of the
7 water operationally feasible and to assure that the transportation
8 costs associated with the transferred entitlement are fully repaid.
9 Transfers not approved by the State shall not be considered as part
10 of the 130,000 acre-feet of annual entitlements provided for in this
11 article.

12 (c) KCWA member units shall have 90 days to exercise a right
13 of first refusal to purchase any annual entitlements being offered
14 for sale to Urban Contractors by another KCWA member unit pursuant
15 to this article, other than those annual entitlements made available
16 to Urban Contractors by subdivision (d) of this article, by agreeing
17 to pay the same price offered by the buyer. Any such sales to KCWA
18 member units exercising such right of first refusal shall not be
19 considered a part of the 130,000 acre-feet of annual entitlements
20 provided for in this article.

21 (d) Any permanent transfers of annual entitlements by
22 Agricultural Contractors to noncontractors, including transfers to
23 KCWA urban member units or to KCWA's Improvement District Number 4,
24 other than transfers pursuant to subdivision (c) of this article,
25 will be considered a part of the 130,000 acre-feet of annual
26 entitlements provided for in this article if the Urban Contractors
27 have been given a right of first refusal to purchase such annual
28

entitlements as well as transportation rights in accordance with the following terms and procedure:

(1) The Agricultural Contractor shall provide the State a copy of a bona fide contract or Proposed Contract (the "Proposed Contract") and the State shall, within five working days of receipt, provide copies of such Proposed Contract to all Urban Contractors together with a Notice of Proposed Contract stating the date on or before which a Notice of Intent to Exercise a Right of First Refusal (NOI) must be delivered to both the State and the seller, which date shall be 90 days from the date the State mails the Notice of Proposed Contract.

(2) The Proposed Contract shall provide for the transfer of rights in project transportation facilities sufficient to deliver to the seller's service area in any one month eleven percent (11%) of the annual entitlement being transferred or such greater amount as the seller determines to sell; *Provided*, however, that sellers shall not be obligated to sell any transportation rights in the Coastal Aqueduct.

(3) To exercise the right of first refusal, an Urban Contractor shall deliver to the State and the seller its NOI within the time period stated in the Notice of Proposed Contract and shall proceed in good faith to try to complete the transfer to the Urban Contractor. If two or more Urban Contractors deliver NOI's to the State, the amount of annual entitlement and transportation rights being sold shall be allocated among those Urban Contractors that are prepared to perform the purchase by the Performance Date provided for herein in proportion to their maximum annual entitlements, or in another manner acceptable to the Urban Contractors delivering the

1 NOIs. An offer by an Urban Contractor in its NOI to purchase less
2 than the entire annual entitlement and transportation right being
3 transferred shall not be deemed to be an effective exercise of the
4 right of first refusal unless other Urban Contractors submit NOIs
5 to purchase the remainder of the annual entitlement and
6 transportation right or the noncontractor buyer agrees to purchase
7 the remainder at the same unit price and on the same terms and
8 conditions provided for in the Proposed Contract. The Performance
9 Date shall be the date upon which the Urban Contractor is prepared
10 to perform the purchase, which date shall be the later of: (1) 180
11 days after the delivery of the NOI or (2) the date set forth in the
12 Proposed Contract for the noncontractor buyer to perform the
13 purchase.

14 The Performance Date shall be extended at the request of the
15 Urban Contractor if a temporary restraining order or preliminary
16 injunction is in effect as a result of a lawsuit challenging the
17 execution of the contract on the basis of noncompliance with the
18 California Environmental Quality Act. Such extensions shall
19 continue until five days after the temporary restraining order or
20 injunction expires or until the Urban Contractor requests it be
21 discontinued, whichever occurs first. The Urban Contractor shall
22 be liable for any damages suffered by the seller as a result of such
23 extensions of the Performance Date.

24 (4) If the seller and the noncontractor buyer under the
25 Proposed Contract make any substantive changes in the Proposed
26 Contract, such changes shall constitute a new Proposed Contract that
27 cannot be performed without compliance with all of the procedures
28 set forth in this article.

(5) If an Urban Contractor issuing a NOI fails to complete its exercise of the Right of First Refusal by the Performance Date, the seller shall be free to sell its entitlement in substantial conformance with the terms and conditions set forth in the Proposed Contract . An Urban Contractor issuing a NOI may assign its rights to exercise a right of first refusal to another Urban Contractor and the assignee shall have the same rights as the assignor to complete the purchase by the Performance Date.

(6) In exercising the Right of First Refusal, an Urban Contractor, at its option, may either agree to perform the Proposed Contract in its entirety, including all of its terms and conditions, or agree to pay the price offered under the Proposed Contract for the annual entitlement and transportation rights without condition and without being entitled to enforce or being subject to any other provisions of the Proposed Contract.

(e) As used in this article, "price" shall mean the dollar amount of consideration provided for in the Proposed Contract.

(f) Upon the effective date of any such transfer, the seller shall be relieved of and the buyer shall become liable to the State for all prospective Delta Water Charges, the related Transportation Charges and any other charges for the annual entitlements and associated transportation rights transferred unless the seller and buyer provide otherwise in the contract for the transfer and the State approves such other provisions. However, the contractor making the sale shall remain obligated to the State to make the payments if the buyer defaults on its payments to the State related to the water transferred and is not a party to a long term water supply contract of the type contained in Department of Water

Resources Bulletin Number 141. If the contractor making the sale is required to make any payments to the State as a result of the buyer's default, the entitlement transferred to the defaulting buyer shall, if provided for in the Proposed Contract, revert back to the contractor making the sale. The buyer may also be liable for any charges imposed pursuant to subdivision (g) of this article.

(g) A contractor which is a buyer of annual entitlement pursuant to this article may receive deliveries using any portion of the capacity previously provided by the State in each reach of the project transportation facilities for such contractor that is necessary for transporting the entitlement purchased by it on the same basis as any other entitlement provided for in its Table A in effect prior to the date of the Monterey Amendment. Such contractor may also use any transportation rights transferred to it by a seller in the same manner as the seller was entitled to use them and any unused capacity in any of the reaches specified in this paragraph so long as project operations and/or priority of service of water to other contractors participating in repayment of capital costs in such reaches is not adversely affected. The State shall not be responsible for any resulting adverse impacts upon its ability to provide such contractor peaking capacity. The capital cost and minimum, operation, maintenance, power and replacement components of the Transportation Charge allocated to a buying contractor needing transportation capacity in excess of the capacity factors on which its charges are based in any reach shall be determined prospectively based upon the increase in the buying contractor's annual entitlement resulting from the purchase, and service of water to fulfill annual entitlement to other contractors shall not be

1 impaired. The capital cost and minimum operation, maintenance,
2 power and replacement components of the Transportation Charges shall
3 then be reallocated among the other entities participating in
4 repayment of costs of that reach. For the purposes of this
5 determination, all payments received by the State from the seller
6 relating to the annual entitlement sold shall be deemed to have been
7 received from the buying contractor. Any increased Transportation
8 minimum operation, maintenance, power and replacement component
9 charges allocated to the buying contractor pursuant to this
10 subdivision (g) shall begin January 1 of the year following the
11 effective date of the transfer.

12 (h) Individual contractors may transfer entitlements among
13 themselves in amounts in addition to those otherwise provided for
14 in this article. The State shall expeditiously execute any
15 necessary documents and approve all contracts involving permanent
16 sales of entitlements among contractors, including permanent sales
17 among Urban Contractors. Such sales shall be subject to the
18 provisions of subdivisions (b), (f) and (g) of this article;
19 *Provided, however,* that for a buying contractor needing
20 transportation capacity in excess of the capacity factors on which
21 its charges are based in any reach, reallocation of the
22 Transportation capital cost component charges for transfers other
23 than (i) the 130,000 acre-feet provided for in this article and (ii)
24 the approximate 33,000 acre-feet of transfers proposed from
25 contractors located in Santa Barbara or San Luis Obispo counties,
26 shall be determined both prospectively and retroactively.

27 (i) On January 1 following the year in which such Monterey
28 Amendments take effect and continuing every year thereafter until

1 the end of the project repayment period: (i) Kern County Water
2 Agency's (KCWA) annual entitlement for agricultural use as currently
3 designated in Table A-1 of its contract shall be decreased by 40,670
4 acre-feet; (ii) Dudley Ridge Water District's (DRWD) annual
5 entitlement as currently designated in Table A of its contract shall
6 be decreased by 4,330 acre-feet; and (iii) the State's prospective
7 charges (including any adjustments for past costs) for the 45,000
8 acre-feet of annual entitlements to be relinquished by KCWA and DRWD
9 thereafter shall be deemed to be costs of project conservation
10 facilities and included in the Delta Water Charge for all
11 contractors in accordance with the provisions of Article 22. If by
12 November 20, 1995 and each October 1 thereafter until the Monterey
13 Amendments of both KCWA and DRWD take effect, KCWA and DRWD at their
14 option notify the State in writing that they will relinquish up to
15 their shares of 45,000 acre-feet of annual entitlements for the
16 following calendar year beginning before the Monterey Amendments
17 take effect, the State, when and if the Monterey Amendments take
18 effect, shall adjust the charges retroactively for the acre-feet
19 relinquished by KCWA and DRWD to January 1 of each year for which
20 water was relinquished. The delivery points for the 45,000
21 acre-feet of annual entitlement to be relinquished shall be
22 identified for the State by KCWA and DRWD to enable the State to
23 calculate the transportation costs for the 45,000 acre-feet to be
24 included in the Delta Water Charge.

1 25. Article 54 is added to read:

2 54. Usage of Lakes Castaic and Perris

3 (a) The State shall permit the contractors participating in
4 repayment of the capital costs of Castaic Lake (Reach 30) and Lake
5 Perris (Reach 28J) to withdraw water from their respective service
6 connections in amounts in excess of deliveries approved pursuant to
7 other provisions of the state water contracts. Each such contractor
8 shall be permitted to withdraw up to a Maximum Allocation from the
9 reach in which it is participating. The contractors participating
10 in repayment of Castaic Lake may withdraw a collective Maximum
11 Allocation up to 160,000 acre-feet pursuant to this article, which
12 shall be apportioned among them pursuant to the respective
13 proportionate use factors from the Department of Water Resources'
14 Bulletin 132-94, Table B-1 upon which capital cost repayment
15 obligations are based, as follows:

16
17 Castaic Lake

18 Participating Contractor	Proportionate Use Factor	Maximum Allocation (Acre Feet)
19 The Metropolitan Water District of Southern California	0.96212388	153,940
20 Ventura County Flood Control and Water Conservation District	0.00860328	1,376
21 Castaic Lake Water Agency	0.02927284	4,684
22 Total	1.00000000	160,000

1 The Metropolitan Water District of Southern California, as
2 the only contractor participating in repayment of Lake Perris,
3 shall be allocated a Maximum Allocation at Lake Perris of 65,000
4 acre-feet based upon a proportionate use factor of 1.00000000.

5 The Maximum Allocation totals of 160,000 acre-feet and
6 65,000 acre-feet shall not be subject to adjustment. The
7 individual contractor's Maximum Allocations shall be adjusted
8 only as agreed to among the contractors desiring to adjust their
9 Maximum Allocations. Adjustments between the contractors shall
10 be subject to approval of the State which approval shall be given
11 unless there are adverse impacts upon another contractor
12 participating in the reach which are unacceptable to such
13 contractor. The participating contractors will, in consultation
14 with the State, cooperate with each other in an effort to promote
15 efficient utilization of Castaic Lake, and to minimize any
16 adverse impacts to each other, through coordination of deliveries
17 pursuant to other provisions of the State Water Contract as well
18 as withdrawals of allocations pursuant to this article.

19 (b) The State shall operate Castaic and Perris Reservoirs
20 as transportation facilities in a manner consistent with this
21 article. A contractor desiring to withdraw a portion or all of
22 its Maximum Allocation shall furnish the State with a proposed
23 delivery schedule. The proposed schedule may be submitted as
24 part of the preliminary water delivery schedule submitted
25 pursuant to Article 12(a)(1). Upon receipt of a schedule the
26 State shall promptly review it to ensure that the amounts, times
27 and rates of delivery will be consistent with the State's ability
28 to operate the reach. The contractor may modify its proposed

1 delivery schedule at any time, and the modified schedule shall be
2 subject to review in the same manner. If necessary, the State
3 may modify the schedule after consultation with the contractor
4 and other contractors participating in repayment of that reach
5 but may not change the total quantity of water to be withdrawn.
6 As part of the consultation, the State shall advise a contractor
7 if it determines a withdrawal will adversely impact the rate of
8 delivery provided for the contractor in this contract. The State
9 shall not be responsible for any such impacts.

10 (c) A contractor may withdraw all or a portion of its
11 Maximum Allocation. It shall restore any withdrawn portion of
12 such allocation by furnishing an equivalent amount of replacement
13 water to the reservoir from which the water was withdrawn within
14 five years from the year in which the withdrawal takes place. The
15 unused portion of the allocation, in addition to any replacement
16 water furnished to the reservoir, shall remain available for
17 subsequent withdrawal. The State shall keep an accounting of the
18 contractor's storage withdrawals and replacements. In any year,
19 the State shall permit a contractor to withdraw an amount
20 equivalent to the contractor's Maximum Allocation minus remaining
21 replacement water requirements due to previous withdrawals. If
22 the contractor fails to schedule and replace the withdrawn water
23 within the five-year return period, the State shall provide the
24 replacement water from water scheduled for delivery to the
25 contractor in the sixth year or as soon as possible thereafter.
26 The total amount of scheduled annual entitlement which a
27 contractor can use in any one year for restoring its Maximum
28 Allocation and storing water in surface storage facilities

outside of its service area pursuant to Article 56 shall be the sum of the maximum amount the contractor can add to storage that year pursuant to Article 56 and the amount of acre-feet shown in column 2 of the following table, depending on the State's final water supply allocation percentage as shown in column 1.

1. Final Water Supply Allocation Percentage	2. Maximum Acre-Feet of Scheduled Entitlement for Restoring Maximum Allocation*
50% or less	100,000
51%	98,000
52%	96,000
53%	94,000
54%	92,000
55%	90,000
56%	88,000
57%	86,000
58%	84,000
59%	82,000
60%	80,000
61%	78,000
62%	76,000
63%	74,000
64%	72,000
65%	70,000
66%	68,000
67%	66,000
68%	64,000
69%	62,000
70%	60,000
71%	58,000
72%	56,000
73%	54,000
74%	52,000
75 to 99%	50,000
100%	no limit

* Excludes the maximum amount that can be added to storage in a year pursuant to Article 56, which may be used in addition to the amounts in this table to restore Maximum Allocation.

1 A contractor may use any of this total amount for
2 replacement water but cannot use any more than that provided for
3 in Article 56 to add to storage in project surface conservation
4 facilities and in nonproject surface storage facilities. There
5 shall be no limit under this article on the amount of scheduled
6 annual entitlement a contractor can use to restore its Maximum
7 Allocation in a year when its percentage of annual water supply
8 allocation is one-hundred percent (100%), nor shall there be any
9 limit under this article on the amount of interruptible water,
10 nonproject water or water obtained through an exchange which a
11 contractor can use to restore its Maximum Allocation.

12 (d) For any replacement water furnished to reservoir
13 storage pursuant to this article, the responsible contractor
14 shall pay the State charges for the conservation, if any, and
15 transportation of such replacement water as are associated with
16 the type of replacement water that is furnished, as if such water
17 were delivered to the turnout at the reservoir to which the
18 replacement water is furnished. Adjustments from estimated to
19 actual costs shall be subject to provisions applicable to the
20 type of replacement water. The State shall not charge
21 contractors for water withdrawn pursuant to this article.

22 (e) The State shall operate capacity in Castaic and Perris
23 Reservoirs, not required for purposes of Maximum Allocation
24 deliveries, in compliance with the requirement of Article 17(b)
25 of The Metropolitan Water District of Southern California's water
26 supply contract with the State to maintain an amount of water
27 reasonably sufficient to meet emergency requirements of the
28 contractors participating in repayment of that reach. A

1 contractor receiving water pursuant to this article accepts that
2 the State shall not be liable for any damage, direct or indirect,
3 arising from shortages in the amount of water to be made
4 available from that reservoir to meet the contractor's actual
5 emergency requirements as a result of prior storage withdrawals
6 by that contractor pursuant to this article. Nothing in this
7 article shall permit or require the State to adjust allocations
8 or deliveries under Article 18.

9 (f) To the extent a contractor, during a calendar year,
10 uses all or a portion of its Maximum Allocation, the State may,
11 to the extent necessary to service project purposes, reduce that
12 contractor's requested peaking service. Such reduction in
13 peaking service shall only occur to the extent such usage of
14 Maximum Allocation causes the State to be unable to provide all
15 peaking service requested. This paragraph shall not apply to the
16 extent the contractor requested usage of Maximum Allocation as
17 part of the preliminary water delivery schedule submitted
18 pursuant to Article 12(a)(1).

19 (g) The State may reduce water stored in Castaic Lake and
20 Lake Perris to the extent necessary for maintenance and to
21 respond to emergencies resulting from failure of project
22 transportation facilities or of other supply importation
23 facilities serving the State project service area. The State
24 shall promptly replace water within the Maximum Allocation as
25 soon as the need for the reduction terminates.

26. Article 55 is added to read:

55. Transportation of Nonproject Water

(a) Subject to the delivery priorities in Article 12(f), contractors shall have the right to receive services from any of the project transportation facilities to transport water procured by them from nonproject sources for delivery to their service areas and to interim storage outside their service areas for later transport and delivery to their service areas: *Provided*, that except to the extent such limitation in Section 12931 of the Water Code be changed, a contractor shall not use the project transportation facilities under this option to transport water the right to which was secured by the contractor through eminent domain unless such use be approved by the Legislature by concurrent resolution with the majority of the members elected to each house voting in favor thereof.

(b) For any nonproject water delivered pursuant to this article, contractors shall pay the State the same (including adjustments) for power resources (including on-aqueduct, off-aqueduct, and any other power) incurred in the conservation and transportation of such water as if such nonproject water were entitlement water, as well as all incremental operation, maintenance, and replacement costs, and any other incremental costs, which may include an administrative or contract preparation charge, all as determined by the State. Incremental costs shall mean those nonpower costs which would not be incurred if nonproject water were not scheduled for or delivered to contractors. Only those contractors not participating in the repayment of a reach shall be required to pay a use of facilities

1 charge for the delivery of nonproject water from or through that
2 reach. Costs for transporting water placed into interim storage
3 shall be paid in the same manner provided for in subdivision
4 (c) (6) of Article 56.

5 (c) The amounts, times and rates of delivery of nonproject
6 water shall be provided for pursuant to a water delivery schedule
7 to be issued in the same manner as provided for in Article 12.
8 The costs specified in this article shall be paid for at the same
9 time the corresponding project water costs are paid.

10

11 27. Article 56 is added to read:

12 56. Use, Storage and Sale of Project Water Outside of
13 Service Area and Storage of Water in Project Surface
Conservation Facilities

14 (a) State Consent to Use of Project Water Outside of
15 Service Area

16 Notwithstanding the provisions of Article 15(a), the State
17 hereby consents to the Agency storing project water outside its
18 service area for later use within its service area in accordance
19 with the provisions of subdivision (c) of this article and to the
20 Agency selling project water for use outside its service area in
21 accordance with the provisions of subdivision (d) of this
article.

22

23 (b) Groundwater Storage Programs

24 The Agency shall cooperate with other contractors in the
25 development and establishment of groundwater storage programs.

26 (c) Storage of Project Water Outside of Service Area

27 (1) A contractor may elect to store project water outside
28 its service area for later use within its service area, up to the

1 limits and in accordance with the provisions provided for in this
2 subdivision (c) and any applicable water right laws, by setting
3 forth on the preliminary water delivery schedule submitted to the
4 State on or before October 1 of each year pursuant to Article
5 12(a) the quantity of project water it wishes to store in the
6 next succeeding year. There shall be no limit on the amount of
7 project water a contractor can store outside its service area
8 during any year in a then existing and operational groundwater
9 storage program. The amount of project water a contractor can
10 add to storage in project surface conservation facilities and in
11 nonproject surface storage facilities located outside the
12 contractor's service area each year shall be limited to the
13 lesser of the percent of the contractor's Table A annual
14 entitlement shown in column 2 or the acre-feet shown in column 3
15 of the following table, depending on the State's final water
16 supply allocation percentage as shown in column 1. However,
17 there shall be no limit to storage in nonproject facilities in a
18 year in which the State's final water supply allocation
19 percentage is one hundred percent. These limits shall not apply
20 to water stored pursuant to Article 12(e).

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1. Final Water Supply Allocation Percentage	2. Maximum Percent of Agency's Annual Entitlement That Can be Stored	3. Maximum Acre-Feet That Can be Stored
50% or less	25%	100,000
51%	26%	104,000
52%	27%	108,000
53%	28%	112,000
54%	29%	116,000
55%	30%	120,000
56%	31%	124,000
57%	32%	128,000
58%	33%	132,000
59%	34%	136,000
60%	35%	140,000
61%	36%	144,000
62%	37%	148,000
63%	38%	152,000
64%	39%	156,000
65%	40%	160,000
66%	41%	164,000
67%	42%	168,000
68%	43%	172,000
69%	44%	176,000
70%	45%	180,000
71%	46%	184,000
72%	47%	188,000
73%	48%	192,000
74%	49%	196,000
75% or more	50%	200,000

1 (2) Storage capacity in project surface conservation
2 facilities at any time in excess of that needed for project
3 operations shall be made available to requesting contractors for
4 storage of project and nonproject water. If such storage
5 requests exceed the available storage capacity, the available
6 capacity shall be allocated among contractors requesting storage
7 in proportion to their annual entitlements designated in their
8 Table A's for that year. A contractor may store water in excess
9 of its allocated share of capacity as long as capacity is
10 available for such storage.

11 (3) If the State determines that a reallocation of excess
12 storage capacity is needed as a result of project operations or
13 because of the exercise of a contractor's storage right, the
14 available capacity shall be reallocated among contractors
15 requesting storage in proportion to their annual entitlements
16 designated in their Table A's for that year. If such
17 reallocation results in the need to displace water from the
18 storage balance for any contractor or noncontractor, the water to
19 be displaced shall be displaced in the following order of
20 priority:

21 First, water, if any, stored for noncontractors.

22 Second, water stored for a contractor that previously was in
23 excess of that contractor's allocation of storage capacity.

24 Third, water stored for a contractor that previously was
25 within that contractor's allocated storage capacity.

26 The State shall give as much notice as feasible of a
27 potential displacement.

28

1 (4) Any contractor electing to store project water outside
2 its service area pursuant to this subdivision may not sell
3 project water under the provisions of subdivision (d) of this
4 article during the year in which it elected to store project
5 water. This limitation shall not apply to replacement water
6 furnished to Castaic and Perris Reservoirs pursuant to Article
7 54, nor to the storage of water introduced into a groundwater
8 basin outside a contractor's service area if recovery is intended
9 to occur within that contractor's service area.

10 (5) The restrictions on storage of project water outside a
11 contractor's service area provided for in this subdivision (c),
12 shall not apply to storage in any project offstream storage
13 facilities constructed south of the Delta after the date of this
14 amendment.

15 (6) For any project water stored outside its service area
16 pursuant to this subdivision (c), a contractor shall pay the
17 State the same (including adjustments) for power resources
18 (including on-aqueduct, off-aqueduct, and any other power)
19 incurred in the transportation of such water as the contractor
20 pays for the transportation of annual entitlement to the reach of
21 the project transportation facility from which the water is
22 delivered to storage. If annual entitlement is stored, the Delta
23 Water Charge shall be charged only in the year of delivery to
24 interim storage. For any stored water returned to a project
25 transportation facility for final delivery to its service area,
26 the contractor shall pay the State the same for power resources
27 (including on-aqueduct, off-aqueduct, and any other power)
28 incurred in the transportation of such water calculated from the

1 point of return to the aqueduct to the turn-out in the
2 contractor's service area. In addition, the contractor shall pay
3 all incremental operation, maintenance, and replacement costs,
4 and any other incremental costs, as determined by the State,
5 which shall not include any administrative or contract
6 preparation charge. Incremental costs shall mean those nonpower
7 costs which would not be incurred if such water were scheduled
8 for or delivered to the contractor's service area instead of to
9 interim storage outside the service area. Only those contractors
10 not participating in the repayment of a reach shall be required
11 to pay a use of facilities charge for use of a reach for the
12 delivery of water to, or return of water from, interim storage.

13 (7) A contractor electing to store project water in a
14 nonproject facility within the service area of another contractor
15 shall execute a contract with that other contractor prior to
16 storing such water which shall be in conformity with this article
17 and will include at least provisions concerning the point of
18 delivery and the time and method for transporting such water.

19 **(d) Sale of Project Water For Use Outside Service Area**

20 (1) If in any year a contractor has been allocated annual
21 entitlement that it will not use within its service area, the
22 contractor has not elected to store project water in accordance
23 with the provisions of subdivision (c) of this article during
24 that year, and the contractor has not elected to carry over
25 entitlement water from the prior year pursuant to the provisions
26 of Article 12(e), the contractor may sell such annual
27 entitlement for use outside its service area in accordance with
28 the following provisions.

1 (2) Each year the State shall establish an annual
2 entitlement water pool (the Pool) for contractors wishing to sell
3 or buy project water pursuant to the provisions of this
4 subdivision. The Pool shall constitute the exclusive means of
5 selling portions of annual entitlements not desired by
6 contractors that year. Contractors willing to sell to or buy
7 water from the Pool shall notify the State in writing of their
8 desire to do so indicating the quantity to be sold or purchased.
9 Contractors shall have the first priority to purchase all water
10 placed in the Pool. The State may purchase any water remaining
11 in the Pool not purchased by contractors at the same price
12 available to contractors and use such water for the purpose of
13 providing additional carryover storage for contractors: *Provided,*
14 that the State shall consult with the contractors prior to making
15 any such purchases.

16 (3) Each year, the price per acre-foot to be paid by the
17 State to contractors selling water placed in the Pool on or
18 before February 15 that is purchased by a contractor requesting
19 such purchase by March 1 or by the State on March 1 shall be
20 equal to fifty percent (50%) of the Delta water rate as of that
21 date. The price per acre-foot to be paid to the State for the
22 purchase of water from the Pool by a contractor placing a request
23 for such purchase on or before March 1 shall be equal to fifty
24 percent (50%) of the Delta water rate as of that date. Any water
25 placed in the Pool on or before February 15 that is not purchased
26 by contractors or the State by March 1 may be withdrawn from the
27 Pool by the selling contractor.

28

1 (4) Each year the price per acre-foot to be paid by the
2 State to contractors selling water remaining in the Pool or
3 placed in the Pool after February 15, but on or before March 15
4 that is purchased by a contractor requesting such purchase by
5 April 1 or by the State on April 1 shall be equal to twenty-five
6 percent (25%) of the Delta water rate as of that date. The price
7 per acre-foot to be paid to the State for the purchase of water
8 from the Pool by a contractor placing a request for such purchase
9 between March 2 and April 1 shall be equal to twenty-five percent
10 (25%) of the Delta water rate as of the later date. Any water
11 placed in the Pool on or before March 15 that is not purchased by
12 a contractor or the State by April 1 may be withdrawn from the
13 Pool by the selling contractor.

14 (5) If there are more requests from contractors to purchase
15 water from the Pool than the amount in the Pool, the water in the
16 Pool shall be allocated among those contractors requesting such
17 water in proportion to their annual entitlements for that year up
18 to the amount of their requests. If requests to purchase water
19 from the Pool total less than the amount of water in the Pool,
20 the sale of Pool water shall be allocated among the contractors
21 selling such water in proportion to their respective amounts of
22 water in the Pool.

23 (6) Any water remaining in the Pool after April 1 that is
24 not withdrawn by the selling contractor shall be offered by the
25 State to contractors and noncontractors and sold to the highest
26 bidder: *Provided*, that if the highest bidder is a noncontractor,
27 all contractors shall be allowed fifteen days to exercise a right
28 of first refusal to purchase such water at the price offered by

1 the noncontractor. The price to be paid to the selling
2 contractor shall be the amount paid by the buyer exclusive of the
3 amount to be paid by the buyer to the State pursuant to
4 subdivision (d)(7) of this article.

5 (7) For any water delivered from the Pool to contractors,
6 the buyer shall pay the State the same for power resources
7 (including on-aqueduct, off-aqueduct, and any other power)
8 incurred in the transportation of such water as if such water
9 were entitlement water, as well as all incremental operation,
10 maintenance, and replacement costs, and any other incremental
11 costs, as determined by the State, which shall not include any
12 administrative or contract preparation charge. Incremental costs
13 shall mean those nonpower costs which would not be incurred if
14 such water were not scheduled for or delivered to the buyer.
15 Only those buyers not participating in the repayment of a reach
16 shall be required to pay any use of facilities charge for the
17 delivery of such water from or through the reach. Adjustments
18 from estimated to actual costs shall be computed by the State
19 pursuant to these provisions and shall be paid by the buyer or
20 credited to the buyer at the times and interest rates described
21 in Article 28(c).

22 (e) **Continuance of Article 12(e) Carry-over Provisions**

23 The provisions of this article are in addition to the
24 provisions of Article 12(e), and nothing in this article shall be
25 construed to modify or amend the provisions of Article 12(e).
26 Any contractor electing to sell project water during any year in
27 accordance with the provisions of subdivision (d) of this
28 article, shall not be precluded from using the provisions of

Article 12(e) for carrying over water from the last three months of that year into the first three months of the succeeding year.

(f) **Bona Fide Exchanges Permitted**

Nothing in this article shall be deemed to prevent the Agency from entering into bona fide exchanges of project water for use outside the Agency's service area with other parties for project water or nonproject water if the State consents to the use of the project water outside the Agency's service area.

Also, nothing in this article shall be deemed to prevent the Agency from continuing those exchange or sale arrangements entered into prior to September 1, 1995, which had previously received any required State approvals. A "bona fide exchange" shall mean an exchange of water involving a contractor and another party where the primary consideration for one party furnishing water to another is the return of a substantially similar amount of water, after giving due consideration to the timing or other nonfinancial conditions of the return.

Reasonable payment for costs incurred in effectuating the exchange and reasonable deductions from water delivered, based on expected storage or transportation losses may be made. A "bona fide exchange" shall not include a transfer of water from one contractor to another party involving a significant payment unrelated to costs incurred in effectuating the exchange. The State, in consultation with the contractors, shall have authority to determine whether transfers of water constitute "bona fide exchanges" within the meaning of this paragraph and not disguised sales.

1 (g) **Other Transfers**

2 Nothing in this article shall be deemed to modify or amend
3 the provisions of Article 15(a), or Article 41, except as
4 expressly provided for in subdivisions (c) and (d) of this
5 article.

6
7 28. All balances of wet weather and Article 12(d) water
8 otherwise available to any contractor executing the Monterey
9 Amendment shall be eliminated as of the effective date of such
10 amendment and no new balances for such water shall be
11 established.

12
13 29. Effective Dates and Phase-in.

14 (a) No Monterey Amendment to any contractor's water supply
15 contract shall take effect unless and until both of the following
16 have occurred (1) the Monterey Amendments to both the Kern County
17 Water Agency's and The Metropolitan Water District of Southern
18 California's contracts have been executed and no legal challenge
19 has been filed within sixty days of such execution or, if filed,
20 a final judgment of a court of competent jurisdiction has been
21 entered sustaining or validating said amendments; and (2) the
22 State has conveyed the property which constitutes the Kern Fan
23 Element of the Kern Water Bank to Kern County Water Agency
24 pursuant to the Kern Water Bank Contact provided for in Article
25 52 either on or before October 1, 1996 or, if the conveyance on
26 such date has been prevented by an interim court order, within
27 ninety days after such court order has become ineffective so long
28 as said ninety days expires not later than January 1, 2000. The

1 October 1, 1996 date and the January 1, 2000 date may be extended
2 by unanimous agreement of the State, Kern County Water Agency and
3 The Metropolitan Water District of Southern California.

4 (b) The State shall administer the water supply contracts
5 of any contractors that do not execute the Monterey Amendment so
6 that such contractors are not affected adversely or to the extent
7 feasible beneficially by the Monterey Amendments of other
8 contractors' water supply contracts.

9 (c) If a court of competent jurisdiction issues a final
10 judgment or order determining that any part of a contractor's
11 Monterey Amendment is invalid or unenforceable, all provisions of
12 that amendment shall be of no force or effect as to such
13 contractor, except as provided in subdivisions (e) and (f) of
14 this paragraph.

15 (d) If any part of the Monterey Amendment of the Kern
16 County Water Agency's or The Metropolitan Water District of
17 Southern California's contracts or if the conveyance of the Kern
18 Fan Element of the Kern Water Bank to the Kern County Water
19 Agency provided for in Article 52 is determined by a court of
20 competent jurisdiction in a final judgment or order to be invalid
21 or unenforceable, the Monterey Amendments of all contractors and
22 the Kern Water Bank Contract shall be of no force and effect
23 except as provided in subdivisions (e) and (f) of this paragraph.

24 (e) Notwithstanding subdivisions (c), (d) and (f) of this
25 paragraph, if any part of the Monterey Amendment of the Kern
26 County Water Agency's or The Metropolitan Water District of
27 Southern California's contract is determined by a court of
28 competent jurisdiction in a final judgment or order to be invalid

1 or unenforceable, and if Articles 52 and 53 (i) have been
2 implemented (i.e., the property which constitutes the Kern Fan
3 Element of the Kern Water Bank has been conveyed by the State and
4 the 45,000 acre-feet of annual entitlements have been
5 relinquished to the State), the implementation of the
6 relinquishment shall not be reversed unless the implementation of
7 the conveyance is also reversed, and conversely, implementation
8 of the conveyance shall not be reversed unless implementation of
9 the relinquishment is also reversed. Nothing in this subdivision
10 shall affect any party's right to seek additional damages,
11 compensation or any other remedy available at law or in equity.

12 (f) The total invalidity or unenforceability of one
13 contractor's Monterey Amendment as provided for in subdivision
14 (c) of this paragraph or of all contractor's Monterey Amendments
15 as provided for in subdivision (d) of this paragraph or of the
16 Kern Water Bank Contract as provided for in subdivision (d) of
17 this paragraph may be avoided only if such invalidity or
18 unenforceability is explicitly waived in writing signed by the
19 State, Kern County Water Agency and The Metropolitan Water
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1 District of Southern California. In cases arising under
2 subdivision (c) or (d), the affected contractor whose Monterey
3 Amendment has been determined to be partially invalid or
4 unenforceable must first request the waiver.
5

6 IN WITNESS WHEREOF, the parties hereto have executed this
7 Amendment on the date first above written.
8

9 Approved as to legal form
and sufficiency

STATE OF CALIFORNIA
DEPARTMENT OF WATER
RESOURCES

10
11 Luzan N. Weber
12 Chief Counsel
13 Department of Water Resources

[Signature]
Director

14 ANTELOPE VALLEY-EAST KERN
WATER AGENCY
15 ATTEST:

16 Maxine M. Shaw
17

[Signature]

STATE OF CALIFORNIA
THE RESOURCES AGENCY
DEPARTMENT OF WATER RESOURCES

AMENDMENT NO. 20 TO THE WATER SUPPLY CONTRACT
BETWEEN
THE STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES
AND
ANTELOPE VALLEY – EAST KERN WATER AGENCY

SWPAO #02004

THIS AMENDMENT to the Water Supply Contract is made this 31ST day of DECEMBER, 2001, pursuant to the provisions of the California Water Resources Development Bond Act, the Central Valley Project Act, and other applicable laws of the State of California, between the State of California, acting by and through its Department of Water Resources, herein referred to as the "State," and Antelope Valley – East Kern Water Agency, herein referred to as the "Agency."

RECITALS:

- A. The State and the Agency have entered into and subsequently amended a Water Supply Contract (the "Water Supply Contract") providing that the State will supply certain quantities of water to the Agency, and providing that the Agency shall make certain payments to the State, and setting forth the terms and conditions of such supply and such payment.
- B. Tulare Lake Basin Water Storage District, herein referred to as "Tulare," and the State have entered into and subsequently amended a Water Supply Contract (the "Tulare Water Supply Contract") providing that the State will supply certain quantities of water to Tulare, and providing that Tulare shall make certain payments to the State, and

setting forth the terms and conditions of such supply and such payment.

- C. The Agency and Tulare will enter into an agreement entitled "State Water Project Entitlement Water Right Transfer Agreement" to provide for the permanent transfer to the Agency of 3,000 acre-feet of Tulare's annual entitlement.
- D. The State and the Agency wish to set forth their agreement as to such matters as (i) the 3,000 acre-feet per year increase in the Agency's annual entitlement, (ii) the transfer of related transportation repayment obligations, and (iii) the revision of proportionate use of facilities factors set forth in the Water Supply Contract.
- E. The State and Tulare are simultaneously, with the execution and delivery of this Amendment, entering into Amendment No. 27 to Tulare's Water Supply Contract in order to reflect (i) the transfer of annual entitlement described herein, (ii) the transfer of related transportation repayment obligations, and (iii) the revision of proportionate use of facilities factors.
- F. An Initial Study and Negative Declaration was prepared in compliance with the California Environmental Quality Act, and a Notice of Determination was posted by the Agency on September 13, 2001 in Ventura County, on September 11, 2001 in Kern County, and on September 27, 2001 in Los Angeles County. No significant impacts on the environment will result from this transfer.

NOW, THEREFORE, the parties agree:

- 1. Article 12(c) of the Agency's Water Supply Contract is amended to read as follows:
In no event shall the State be obligated to deliver water to the Agency through all delivery structures at a total combined instantaneous rate of flow exceeding

one hundred ninety-five (195) cubic feet per second, except as this rate of flow may be revised by amendment of this article after submission to the State, the Agency's requests with respect to maximum flow capacities to be provided in said delivery structures, pursuant to Article 10.

2. Article 45(d) of the Agency's Water Supply Contract is added to read:

(d) In accordance with the Agency's Water Supply Contract, the Agency's annual entitlement is increased by 3,000 acre-feet beginning in year 2002 and each succeeding year thereafter for the term of the Water Supply Contract. As a result of this transfer, Table A as designated in Article 6 is amended as follows:

ANTELOPE VALLEY-EAST KERN WATER AGENCY
AMENDMENT NO. 20

**TABLE A
ANNUAL ENTITLEMENTS
ANTELOPE VALLEY – EAST KERN WATER AGENCY**

<u>Year</u>		<u>Acre-Feet</u>
1	(1972)	20,000
2	(1973)	25,000
3	(1974)	30,000
4	(1975)	35,000
5	(1976)	44,000
6	(1977)	50,000
7	(1978)	57,000
8	(1979)	63,000
9	(1980)	69,200
10	(1981)	75,000
11	(1982)	81,300
12	(1983)	87,700
13	(1984)	35,000
14	(1985)	40,000
15	(1986)	42,000
16	(1987)	44,000
17	(1988)	46,000
18	(1989)	125,700
19	(1990)	132,100
20	(1991)	138,400
21	(1992)	138,400
22	(1993)	138,400
23	(1994)	138,400
24	(1995)	138,400
25	(1996)	138,400
26	(1997)	138,400
27	(1998)	138,400
28	(1999)	138,400
29	(2000)	138,400
30	(2001)	138,400
31	(2002)	141,400

And each succeeding year, thereafter for the term of this contract as a maximum annual entitlement:	141,400
--	---------

3. Increases in the Agency's Delta Water Charge, the Transportation Charges, and the Water System Revenue Bond Surcharge resulting from the increase in the Agency's annual entitlements for year 2002 and each year thereafter shall commence January 1, 2002, and be identified by the State and included in the annual Statement of Charges to the Agency.
4. Any over and under adjustments to payments made by Tulare for 2001 and prior years attributable to the 3,000 acre-feet of annual entitlement shall be paid by or credited to Tulare, including refunds or credits for Off-Aqueduct and Water System Revenue Bond reserves. Any over and under adjustments to payments made by the Agency for 2002 and future years attributable to the 3,000 acre-feet of annual entitlement shall be paid by or credited to the Agency.
5. Transportation capital cost component charges attributable to reaches downstream of Tulare shall be redetermined and allocated to the Agency retroactively and prospectively according to the proportionate use of facilities method described in Article 24.
6. The capacity values in Exhibit A are for cost allocation and repayment purposes only and shall not be interpreted to change the flowrate limits in Article 12. Exhibit A attached hereto shows annual entitlement and capacity values for each aqueduct reach in which the Agency participates in repayment. These redetermined values shall be used to derive the proportionate use of facilities factors as set forth in Table B as designated in Article 24(b). The capacity values shown in Exhibit A are estimated values. Actual capacity amounts will be used by the State in implementing the terms of this Amendment and in redetermination of Table B of the Water Supply Contract

under Article 28.

7. This Amendment is contingent upon the effectiveness of Water Supply Contract Amendment No. 27 between the State and Tulare. If either amendment ceases to be effective for any reason, the Agency agrees that the State may, at its discretion and consistent with the law then in effect as determined by the State, and after meeting and conferring with the Agency, identify the date on which this Amendment shall be deemed inoperative for the purpose of assuring timely repayment of contract obligations and orderly administration of the long-term water supply contracts.
8. The Agency's Water Supply Contract was amended to add the Monterey Amendment; the Monterey Amendment and the Environmental Impact Report for Implementation of the Monterey Agreement were challenged in a lawsuit and addressed by the Court of Appeal in Planning and Conservation League, et al. v. Department of Water Resources and Central Coast Water Authority, (2000) 83 Cal. App. 4th 892. The Agency acknowledges that this transfer is not conditioned on the Monterey Amendment being in effect. The Agency agrees not to rely upon the fact that the State is approving this transfer to assert the Monterey Amendment is in effect. The Agency further acknowledges that the allocation of water is different under pre-Monterey conditions, and that the availability of water associated with the permanent entitlement transfer would, in certain years, be materially different if the State allocated available water supply based on pre-Monterey conditions. Recognizing the foregoing, the State shall allocate the water associated with the transfer of this 3,000 acre-feet of annual entitlement in the same manner as the Agency's other Table A Entitlements.

ANTELOPE VALLEY-EAST KERN WATER AGENCY
AMENDMENT NO. 20

9. This amendment shall not be used as precedent.
10. Except as amended herein, the provisions of the Water Supply Contract, including but not limited to Articles 12(b), 12(c), and 18(f) will remain in full force and effect.
11. The Agency agrees not to assert any rights based on the special contract provision in Article 45(e) of Tulare's Water Supply Contract, which is entitled "Adjustment of Annual Entitlements."

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

Approved as to legal form
and sufficiency:

[Signature]
Chief Counsel
Department of Water Resources

STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES

[Signature]
Acting Director

ANTELOPE VALLEY- EAST KERN WATER
AGENCY

[Signature]
Name

Vice President
Title

Nov. 1, 2001
Date

EXHIBIT A

ANTELOPE VALLEY – EAST KERN WATER AGENCY
ANNUAL ENTITLEMENT AND CAPACITY VALUES FOR COST ALLOCATION AND
REPAYMENT PURPOSES ^(a)

Repayment Reach ^(b)	Before Transfer		Entitlement Transferred from TLBWSD (AF)	Capacity Transferred from TLBWSD ^(c) (cfs)	Additional Capacity Required ^(d) (cfs)	After Transfer	
	Annual Entitlement	Capacity				Annual Entitlement	Total Capacity
	(AF)	(cfs)				(AF)	(cfs)
California Aqueduct							
Reach 1	138,400	191	3,000	9		141,400	200
Reach 2A	138,400	191	3,000	9		141,400	200
Reach 2B	138,400	191	3,000	9		141,400	200
Reach 3	138,400	191	3,000	9		141,400	200
Reach 4	138,400	191	3,000	9		141,400	200
Reach 5	138,400	191	3,000	9		141,400	200
Reach 6	138,400	191	3,000	9		141,400	200
Reach 7	138,400	191	3,000	9		141,400	200
Reach 8C	138,400	191	3,000	9		141,400	200
Reach 8D	138,400	191	3,000	9		141,400	200
Reach 9	138,400	191	3,000		4	141,400	195
Reach 10A	138,400	191	3,000		4	141,400	195
Reach 11B	138,400	191	3,000		4	141,400	195
Reach 12D	138,400	191	3,000		4	141,400	195
Reach 12E	138,400	191	3,000		4	141,400	195
Reach 13B	138,400	191	3,000		4	141,400	195
Reach 14A	138,400	191	3,000		4	141,400	195
Reach 14B	138,400	191	3,000		4	141,400	195
Reach 14C	138,400	191	3,000		4	141,400	195
Reach 15A	138,400	191	3,000		4	141,400	195
Reach 16A	138,400	191	3,000		4	141,400	195
Reach 17E	138,400	191	3,000		4	141,400	195
Reach 17F	138,400	191	3,000		4	141,400	195
East Branch Aqueduct							
Reach 18A	138,400	191	3,000		4	141,400	195
Reach 19	138,400	191	3,000		4	141,400	195
Reach 20A	68,800	130 ^(e)	---		---	68,800	130 ^(e)
Reach 20B	21,700	65 ^(e)	---		---	21,700	65 ^(e)
Reach 21	21,700	65 ^(e)	---		---	21,700	65 ^(e)
Reach 22	10,900	50 ^(e)	---		---	10,900	50 ^(e)

- Does not include capacity for outages and losses.
- These numbers apply to the reaches as set forth in Bulletin 132, Figure B-4, "Repayment Reaches and Descriptions."
- Transfer of 18% peaking capacity for cost allocation and repayment purposes only.
- Use limited to 8- $\frac{1}{3}$ % peaking capacity.
- Includes AVEK's share of East Branch Enlargement capacity. The repayment of the East Branch Enlargement costs is a separate charge.

State of California
The Resources Agency
DEPARTMENT OF WATER RESOURCES

AMENDMENT NO. 21 TO THE WATER SUPPLY CONTRACT
BETWEEN
THE STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES
AND
ANTELOPE VALLEY-EAST KERN WATER AGENCY

This Amendment is made this 28th day of May, 2003,
pursuant to the provisions of the California Water Resources Development Bond Act,
the Central Valley Project Act, and other applicable laws of the State of California,
between the State of California, acting by and through its Department of Water
Resources, hereinafter referred to as the "State," and Antelope Valley-East Kern
Water Agency, hereinafter referred to as the "Agency."

RECITALS

- A. The State and the Agency entered into and subsequently amended a water supply contract (the "contract") providing that the State shall supply certain quantities of water to the Agency and providing that the Agency shall make certain payments to the State, and setting forth the terms and conditions of such supply and such payments.
- B. On December 1, 1994, the State and representatives of certain State Water Project contractors executed a document entitled "Monterey Agreement – Statement of Principles – By The State Water Contractors And The State Of

California Department Of Water Resources For Potential Amendments To The State Water Supply Contracts" (the "Monterey Agreement").

- C. The State, the Central Coast Water Authority ("CCWA") and those contractors intending to be subject to the Monterey Agreement subsequently negotiated an amendment to their contracts to implement provisions of the Monterey Agreement, and such amendment was named the "Monterey Amendment."
- D. In October 1995, an environmental impact report ("EIR") for the Monterey Amendment was completed and certified by CCWA as the lead agency, and thereafter the Agency and the State executed the Monterey Amendment.
- E. The EIR certified by the CCWA was challenged by several parties (the "Plaintiffs") in the Sacramento County Superior Court and thereafter in the Third District Court of Appeal, resulting in a decision in Planning and Conservation League, et al. v. Department of Water Resources, 83 Cal.App.4th 892 (2000), which case is hereinafter referred to as "PCL v. DWR."
- F. In its decision, the Court of Appeal held that (i) the Department of Water Resources ("DWR"), not CCWA, had the statutory duty to serve as lead agency, (ii) the trial court erred by finding CCWA's EIR sufficient despite its failure to discuss implementation of Article 18, subdivision (b) of the State Water Project contracts, as a no-project alternative, (iii) said errors mandate

preparation of a new EIR under the direction of DWR, and (iv) the trial court erroneously dismissed the challenge to DWR's transfer of title to certain lands to Kern County Water Agency (the "Validation Cause of Action") and execution of amended State Water Project contracts for failure to name and serve indispensable parties. The Court of Appeal remanded the case to the trial court, ordering it to take the following five actions: (1) vacate the trial court's grant of the motion for summary adjudication of the Validation Cause of Action; (2) issue a writ of mandate vacating the certification of the EIR; (3) determine the amount of attorney fees to be awarded Plaintiffs; (4) consider such orders it deems appropriate under Public Resources Code Section 21168.9(a) consistent with the views expressed in the Appellate Court's opinion; and (5) retain jurisdiction over the action until DWR, as lead agency, certifies an environmental impact report in accordance with CEQA standards and procedures, and the Superior Court determines that such environmental impact report meets the substantive requirements of CEQA.

- G. The State, the contractors, and the Plaintiffs in PCL v. DWR reached an agreement to settle PCL v. DWR, as documented by that certain Settlement Agreement dated MAY 05 2003, 2003 (the "Settlement Agreement"), and in such Settlement Agreement have agreed that the contracts should be amended, for clarification purposes, to delete terms such as "annual entitlement" and "maximum annual entitlement" so that the public, and particularly land use planning agencies, will better understand the contracts.

- H. Pursuant to the Settlement Agreement, the State and the Agency desire to so amend the Agency's contract, with the understanding and intent that the amendments herein with respect to subsections (k), (l), and (m) of Article 1, subsection (b) of Article 6, and subsection (a) of Article 16, and to Table A of the Agency's contract are solely for clarification purposes and that such amendments are not intended to and do not in any way change the rights, obligations or limitations on liability of the State or the Agency established by or set forth in the contract.
- I. Pursuant to the Settlement Agreement, the State, the contractors and the Plaintiffs in PCL v. DWR also agreed that the contracts should be amended to include a new Article 58 addressing the determination of dependable annual supply of State Water Project water to be made available by existing Project facilities, and the State and Agency desire to so amend the Agency's contract.

NOW THEREFORE, IT IS MUTUALLY AGREED, as follows:

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

(l) Annual Table A Amount

"Annual Table A Amount" shall mean the amount of project water set forth in Table A of this contract that the State, pursuant to the obligations of this contract and applicable law, makes available for delivery to the Agency at the delivery structures provided for the Agency. The term Annual Table A Amount shall not be interpreted to mean that in each year the State will be able to make that

quantity of project water available to the Agency. The Annual Table A Amounts and the terms of this contract reflect an expectation that under certain conditions the Agency will receive its full Annual Table A Amount; but that under other conditions only a lesser amount, allocated in accordance with this contract, may be made available to the Agency. This recognition that full Annual Table A Amounts will not be deliverable under all conditions does not change the obligations of the State under this contract, including but not limited to, the obligations to make all reasonable efforts to complete the project facilities, to perfect and protect water rights, and to allocate among contractors the supply available in any year, as set forth in Articles 6(b), 6(c), 16(b) and 18, in the manner and subject to the terms and conditions of those articles and this contract. Where the term "annual entitlement" appears elsewhere in this contract, it shall mean "Annual Table A Amount." The State agrees that in future amendments to this and other contractor's contracts, in lieu of the term "annual entitlement," the term "Annual Table A Amount" will be used and will have the same meaning as "annual entitlement" wherever that term is used.

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

(m) Maximum Annual Table A Amount

"Maximum annual entitlement" shall mean the maximum annual amounts set forth in Table A of this contract, and where the term "maximum annual entitlement" appears elsewhere in this contract it shall mean "Maximum Annual Table A Amounts."

3. Article 1(k) is amended to read:

(k) Minimum Project Yield

"Minimum project yield" shall mean the dependable annual supply of project water to be made available assuming completion of the initial project conservation facilities and additional project conservation facilities. The project's capability of providing the minimum project yield shall be determined by the State on the basis of coordinated operations studies of initial project conservation facilities and additional project conservation facilities, which studies shall be based upon factors including but not limited to: (1) the estimated relative proportion of deliveries for agricultural use to deliveries for municipal use assuming Maximum Annual Table A Amounts for all contractors and the characteristic distributions of demands for these two uses throughout the year; and (2) agreements now in effect or as hereafter amended or supplemented between the State and the United States and others regarding the division of utilization of waters of the Delta or streams tributary thereto.

4. Article 6(b) is amended to read:

(b) Agency's Annual Table A Amounts

Commencing with the year of initial water delivery to the Agency, the State each year shall make available for delivery to the Agency the amounts of project water

designated in Table A of this contract, which amounts shall be subject to change as provided for in Article 7(a) and are referred to in this contract as the Agency's Annual Table A Amounts.

5. Article 16(a) is amended to read:

(a) Limit on Total of all Maximum Annual Table A Amounts

The Agency's Maximum Annual Table A Amount hereunder, together with the maximum Table A amounts of all other contractors, shall aggregate no more than 4,185,000 acre-feet of project water.

6. Article 57 is intentionally left blank for future use.

7. Article 58 is added to read:

58. Determination of Dependable Annual Supply of Project Water to be Made Available by Existing Project Facilities.

In order to provide current information regarding the delivery capability of existing project conservation facilities, commencing in 2003 and every two years thereafter the State shall prepare and mail a report to all contractors, and all California city, county, and regional planning departments and agencies within the contractors' project service areas. This report will set forth, under a range of hydrologic conditions, estimates of overall delivery capability of the existing project facilities and of supply availability to each contractor in accordance with other provisions of the contractors' contracts. The range of hydrologic conditions shall include the delivery capability in the driest year of record, the average over

the historic extended dry cycle and the average over the long-term. The biennial report will also include, for each of the ten years immediately preceding the report, the total amount of project water delivered to all contractors and the amount of project water delivered to each contractor.

8. Add the following language at the bottom of Table A:

In any year, the amounts designated in this Table A shall not be interpreted to mean that the State is able to deliver those amounts in all years. Article 58 describes the State's process for providing current information for project delivery capability.

9. Except for Article 58, the changes made by this amendment are solely for clarification purposes, and are not intended to nor do they in any way change the rights, obligations or limitations on liability of the State or the Agency established by or set forth in the contract, and this amendment shall be interpreted in accordance with this intent.
10. At the time of execution of this Agreement and thereafter, the effectiveness of this Amendment is dependent upon the effectiveness of the Agency's Monterey Amendment (all provisions therein) and the Kern Fan Element Transaction.

ANTELOPE VALLEY-EAST KERN WATER AGENCY
AMENDMENT NO. 21

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

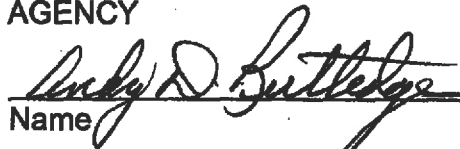
Approved as to legal form
and sufficiency:


Chief Counsel
Department of Water Resources

STATE OF CALIFORNIA
DEPARTMENT OF WATER
RESOURCES


Director

ANTELOPE VALLEY-EAST KERN WATER
AGENCY


Name

Board President
Title

STATE OF CALIFORNIA
THE RESOURCES AGENCY
DEPARTMENT OF WATER RESOURCES

AMENDMENT NO. 22 TO THE WATER SUPPLY CONTRACT
BETWEEN
THE DEPARTMENT OF WATER RESOURCES
OF THE STATE OF CALIFORNIA
AND
ANTELOPE VALLEY – EAST KERN WATER AGENCY

THIS AMENDMENT to the Water Supply Contract is made this 10th day of April, 2009 pursuant to the provisions of the California Water Resources Development Bond Act, the Central Valley Project Act, and other applicable laws of the State of California, between the State of California, acting by and through its Department of Water Resources, herein referred to as the "DEPARTMENT," and Antelope Valley–East Kern Water Agency, herein referred to as "AGENCY" and collectively herein referred to as "Parties."

RECITALS:

- A. The Parties have entered into and subsequently amended a long-term Water Supply Contract, providing that the DEPARTMENT will supply certain quantities of water to the Agency, and providing that the AGENCY shall make certain payments to the DEPARTMENT, and setting forth the terms and conditions of such supply and such payment.
- B. Pursuant to Article 15(b) of the AGENCY's Water Supply Contract, the AGENCY has annexed approximately 517 acres of land into its service area (see Exhibit A), and wishes to deliver up to 1,700 acre-feet of water per year to the annexed land through the use of Reach 22B of the California Aqueduct.
- C. The AGENCY is not currently participating in the repayment of Reach 22B. The Parties wish to set the repayment obligations of the Agency for receiving water delivery services in Reach 22B.
- D. An Initial Study and Negative Declaration (SCH #1998081083) was prepared by the AGENCY, as lead agency, in compliance with the California Environmental Quality Act. Additionally a Negative Declaration was prepared by the AGENCY for the 517 acre annexation, and stated that the annexed parcels would be used for agricultural and golf course purposes. The Initial Study and Negative Declaration concluded that no significant impacts on the environment would result from the annexation, and that the project is compatible with the existing land use in the vicinity of the project. The DEPARTMENT will file a Notice of Determination prior to approving this Agreement.

NOW, THEREFORE, the Parties agree:

1. Upon execution by all Parties, this Amendment shall become effective as of January 1, 2009.
2. Reach 22B is added to Table B of the AGENCY's Water Supply Contract (published as Tables B-1 and B-2 in Appendix B of Bulletin 132, "Management of the California State Water Project") with the following description:

<u>Reach No.</u>	<u>Reach Description</u>
22B	Pearblossom Pumping Plant to West Fork Mojave River

3. Table I of the AGENCY's Water Supply Contract, entitled "Aqueduct Reaches" is amended by adding the following reach description:

<u>Aqueduct Reach</u>	<u>Major Features of Reach</u>
Pearblossom Pumping Plant to West Fork Mojave River	Pearblossom Pumping Plant, Aqueduct, Tejon Siphon, Big Rock Creek Siphon, Antelope Siphon

4. Pursuant to Article 45(b) of the AGENCY's Water Supply Contract, the DEPARTMENT will provide capacity in Reach 22B to deliver up to 1,700 acre-feet per year at a continuous flowrate.
5. The AGENCY shall pay to the DEPARTMENT the following charges attributable to the capacity provided in Reach 22B:
 - (a) retroactive and prospective charges under the capital cost component of the Transportation Charge;
 - (b) prospective charges under the minimum operation, maintenance, power and replacement component of the Transportation Charge; and
 - (c) prospective charges under the Water System Revenue Bond Surcharge.
6. The capacity values in Exhibit A are for cost allocation and repayment purposes only and are not applicable to the flow rate limits in Article 12. Exhibit A attached hereto shows annual Table A and capacity values for each aqueduct reach in which AGENCY participates in repayment, and includes the addition of Reach 22B. Exhibit A shall be used to derive the proportionate use of facilities factors as designated in Article 24(b). The capacity values shown in Exhibit A are estimated values. Actual capacity amounts will be used by the DEPARTMENT in implementing the terms of this Amendment and in redetermination of charges of the long-term Water Supply Contract under Article 28. Further, in the situation where delivery capacity in Reach 22B is insufficient to meet all requested demands of participating SWP contractors, those SWP contractors who originally participated in Reach 22B when it was constructed shall receive first priority for delivery services through Article 12(f). AVEK, as a post-


construction participant in Reach 22B, shall receive delivery services in these situations after original SWP contractors' demands are met.

7. Pursuant to the AGENCY's Water Supply Contract, the AGENCY shall remain obligated for the variable operation, maintenance, and power replacement component of the Transportation Charge, and for the Off-Aqueduct Power Facilities charge, for water delivered each year through Reach 22B.
8. The AGENCY concurs that the additional permanent use of Reach 22B will not materially impair the AGENCY's capacity to make payments to the DEPARTMENT to retire bonded indebtedness incurred under the Water Supply Contract.

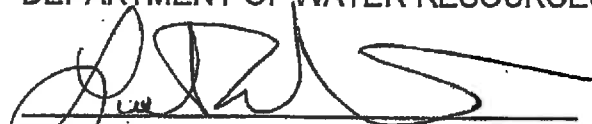
IN WITNESS WHEREOF, the Parties hereto have executed this Amendment on the date first written above.

Approved as to legal form
and sufficiency:

STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES


y² Chief Counsel
Department of Water Resources

4/3/09
Date


Director

4-10-09
Date

ANTELOPE VALLEY-EAST KERN
WATER AGENCY


Signature

Board President
Title

2-10-09
Date

EXHIBIT A

**ANTELOPE VALLEY – EAST KERN WATER AGENCY
ANNUAL TABLE A AND CAPACITY VALUES FOR COST ALLOCATION AND
REPAYMENT PURPOSES ^(a)**

Repayment Reach ^(b)	Annual Table A (AF)	Capacity (cfs)	Additional Capacity Required (AF)	Additional Capacity Required (cfs)	Annual Table A (AF)	Capacity (cfs)
California Aqueduct						
Reach 1	141,400	200	---	---	141,400	200
Reach 2A	141,400	200	---	---	141,400	200
Reach 2B	141,400	200	---	---	141,400	200
Reach 3	141,400	200	---	---	141,400	200
Reach 4	141,400	200	---	---	141,400	200
Reach 5	141,400	200	---	---	141,400	200
Reach 6	141,400	200	---	---	141,400	200
Reach 7	141,400	200	---	---	141,400	200
Reach 8C	141,400	200	---	---	141,400	200
Reach 8D	141,400	200	---	---	141,400	200
Reach 9	141,400	195	---	---	141,400	195
Reach 10A	141,400	195	---	---	141,400	195
Reach 11B	141,400	195	---	---	141,400	195
Reach 12D	141,400	195	---	---	141,400	195
Reach 12E	141,400	195	---	---	141,400	195
Reach 13B	141,400	195	---	---	141,400	195
Reach 14A	141,400	195	---	---	141,400	195
Reach 14B	141,400	195	---	---	141,400	195
Reach 14C	141,400	195	---	---	141,400	195
Reach 15A	141,400	195	---	---	141,400	195
Reach 16A	141,400	195	---	---	141,400	195
Reach 17E	141,400	195	---	---	141,400	195
Reach 17F	141,400	195	---	---	141,400	195
East Branch Aqueduct						
Reach 18A	141,400	195	---	---	141,400	195
Reach 19	141,400	195	---	---	141,400	195
Reach 20A	68,800	130	---	---	68,800	130
Reach 20B	21,700	65	---	---	21,700	65
Reach 21	21,700	65	---	---	21,700	65
Reach 22A	10,900	50	---	---	10,900	50
Reach 22B	---	---	1,700	2.4	1,700	2.4

- a. Does not include capacity for outages and losses.
- b. These numbers apply to the reaches as set forth in Bulletin 132, Figure B-4, "Repayment Reaches and Descriptions."
- c. Use limited to 8.33% peaking capacity.

STATE OF CALIFORNIA
CALIFORNIA NATURAL RESOURCES AGENCY
DEPARTMENT OF WATER RESOURCES

AMENDMENT NO. 23 TO THE WATER SUPPLY CONTRACT
BETWEEN
THE STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES
AND
ANTELOPE VALLEY-EAST KERN WATER AGENCY

THIS AMENDMENT to the Water Supply Contract is made this 21st day of August, 20 13, pursuant to the provisions of the California Water Resources Development Bond Act, and other applicable laws of the State of California, between the Department of Water Resources of the State of California (DWR) and Antelope Valley-East Kern Water Agency (AVEK). DWR and AVEK may be referred to individually by name as "Party" or collectively as "Parties."

RECITALS

- A. The Parties have entered into and subsequently amended a long-term Water Supply Contract (AVEK Water Supply Contract), providing that DWR will supply certain quantities of water to AVEK, and providing that AVEK shall make certain payments to DWR, and setting forth the terms and conditions of such supply and such payments.
- B. Dudley Ridge Water District (DRWD) and DWR have entered into and subsequently amended a long-term Water Supply Contract (DRWD Water Supply Contract), providing that DWR will supply certain quantities of water to DRWD, and providing that DRWD shall make certain payments to DWR, and setting forth the terms and conditions of such supply and such payments.
- C. Various landowners within DRWD have entered into agreements with Tejon Ranchcorp (Tejon), an AVEK customer, for purchase of a portion of DRWD's State Water Project (SWP) supplies. DRWD has requested to DWR that 1,993 acre-feet of DRWD's Table A SWP supplies from Reach 8D be permanently transferred to AVEK beginning January 1, 2014.
- D. The Parties wish to set forth their agreement as to (i) the 1,993 acre-feet increase in AVEK's annual Table A amounts, (ii) the transfer of related repayment obligations, and (iii) the revision of Proportionate Use of Facilities factors set forth in AVEK's Water Supply Contract.
- E. DWR and DRWD are simultaneously, with the execution and delivery of this Amendment, entering into Amendment No. 27 to DRWD's Water Supply Contract in order to reflect (i) the transfer of annual Table A amounts described herein, (ii) the transfer of related repayment obligations, (iii) the delivery priority for the permanently transferred Table A amounts, and (iv) the revision of Proportionate Use of Facilities factors.
- F. In compliance with the California Environmental Quality Act (CEQA), AVEK, as lead agency, filed a Negative Declaration with the State Clearinghouse on November 7, 2012 (SCH #2012111020). DWR, as a responsible agency, has reviewed and considered the above documents prior to approving this Amendment.
- G. In accordance with Notice to State Water Project Contractors Number 03-10, a public meeting was held on May 14, 2013 to negotiate the proposed two Water Supply Contract amendments.
- H. This transfer is in furtherance of DWR's policy in favor of water transfers (Water Code Section 475) and will provide AVEK a supplement to its current water supply to meet projected demand in the immediate near term.
- I. DWR is willing to approve the permanent transfer of Table A amounts in accordance with the terms of this Amendment.

NOW, THEREFORE, the Parties agree:

1. Article 12(c) of AVEK's Water Supply Contract is amended to read as follows:
In no event shall DWR be obligated to deliver water to AVEK through all delivery structures at a total combined instantaneous rate of flow exceeding 198 cubic feet per second, except as this rate of flow may be revised by amendment of this article after submission to DWR of AVEK's requests with respect to maximum flow capacities to be provided through all delivery structures, pursuant to Article 10.
2. Article 45(e) of AVEK's Water Supply Contract is added to read:
In accordance with AVEK's Water Supply Contract, AVEK is increasing its annual Table A amounts by 1,993 acre-feet beginning in the year 2014 and each succeeding year thereafter for the term of the Water Supply Contract. As a result of this transfer, Table A as designated in Article 6 is amended as follows:

**TABLE A
ANNUAL ENTITLEMENTS
ANTELOPE VALLEY – EAST KERN WATER AGENCY**

<u>Year</u>		<u>Acre-Feet</u>
1	(1972)	20,000
2	(1973)	25,000
3	(1974)	30,000
4	(1975)	35,000
5	(1976)	44,000
6	(1977)	50,000
7	(1978)	57,000
8	(1979)	63,000
9	(1980)	69,200
10	(1981)	75,000
11	(1982)	81,300
12	(1983)	87,700
13	(1984)	35,000
14	(1985)	40,000
15	(1986)	42,000
16	(1987)	44,000
17	(1988)	46,000
18	(1989)	125,700
19	(1990)	132,100
20	(1991)	138,400
21	(1992)	138,400
22	(1993)	138,400
23	(1994)	138,400
24	(1995)	138,400
25	(1996)	138,400
26	(1997)	138,400
27	(1998)	138,400
28	(1999)	138,400
29	(2000)	138,400
30	(2001)	138,400
31-42	(2002-2013)	141,400
43	(2014)	143,393

And each succeeding year thereafter,
until December 31, 2035 for:

143,393

In any year, the amounts designated in this Table A shall not be interpreted to mean that DWR is able to deliver those amounts in all years. Article 5B describes DWR's process for providing current information for project delivery capability.

3. Increases in AVEK's Delta Water Charge, the Transportation Charges, and the Water System Revenue Bond Surcharge resulting from the increase in AVEK's annual Table A amounts for the year 2014 and each year thereafter shall commence January 1, 2014, and be identified by DWR and included in future annual Statements of Charges to AVEK.
4. Any over and under adjustments to payments made by DRWD for 2013 and prior years attributable to the 1,993 acre-feet of annual Table A amounts transferred on January 1, 2014 shall be paid by or credited to DRWD, including refunds or credits for Off-Aqueduct and Water System Revenue Bond reserves. Any over and under adjustments to payments made by AVEK for 2014 and future years attributable to a total of 1,993 acre-feet of annual Table A amounts transferred on January 1, 2014 shall be paid by or credited to AVEK.
5. Transportation capital cost component charges for capacity attributable to the 1,993 acre-feet of DRWD's Table A water to reaches downstream of DRWD in Reaches 9 through 19 shall be redetermined and allocated to AVEK retroactively and prospectively according to the proportionate use of facilities method described in Article 24. Transportation capital cost component charges for capacity attributable to the 1,993 acre-feet of DRWD's Table A water for Reaches 20A through 22A shall not be redetermined because AVEK has existing East Branch Enlargement capacity available.
6. For cost allocation and repayment purposes, the attached Exhibit A shows Table A amounts and capacity values for each aqueduct reach in which AVEK participates consistent with the limits of Articles 12(b) and 12(c). These redetermined values shall be used to derive the proportionate use of facilities factors as set forth in Table B as designated in Article 24(b). The capacity amounts shown in Exhibit A are estimated values. Actual values will be used by DWR in implementing the terms of this Amendment and in redetermination of Table B of AVEK's Water Supply Contract under Article 28. Further, in the situation where delivery capacity in reaches downstream of Reach 8D is insufficient to meet all requested demands of participating SWP contractors, those SWP contractors who originally participated in Reaches 9-19 when it was constructed shall receive first priority for delivery services through Article 12(f). AVEK, as a post-construction participant in Reaches 9 through 19, shall receive delivery services in these situations after original SWP contractors' demands are met. For Reaches 20A through 22A, AVEK shall receive first priority for delivery services because AVEK has existing East Branch Enlargement capacity available.

7. AVEK acknowledges that this transfer is not conditioned on the Monterey Amendment being in effect. AVEK further acknowledges that the allocation of water is different under pre-Monterey conditions, and that the availability of water associated with the permanent water transfer would, in certain years, be materially different if DWR allocated available water supply based on pre-Monterey conditions. Recognizing the foregoing, DWR shall treat and allocate the water associated with the transfer of this 1,993 acre-feet of annual Table A amounts in the same manner as AVEK's other annual Table A amounts.
8. This Amendment is contingent upon the effectiveness of the Water Supply Contract Amendment No. 27 between DWR and DRWD. If either amendment ceases to be effective for any reason, AVEK agrees that DWR may, at its discretion and consistent with the law then in effect as determined by DWR, and after meeting and conferring with AVEK, identify the date on which this Amendment shall be deemed inoperative for the purpose of assuring timely repayment of contract obligations and orderly administration of DRWD's and AVEK's Water Supply Contracts.
9. AVEK agrees to defend and hold DWR, its officers and employees, jointly and severally, harmless from any direct or indirect loss, liability, lawsuit, cause of action, judgment or claim, and shall indemnify DWR, its officers and employees, jointly and severally, for all lawsuits, costs, damages, judgments, attorney fees, and liabilities that DWR, its officers and employees incur as a result of DWR providing services under this Amendment, except to the extent resulting from sole negligence or willful misconduct of DWR.
10. This Amendment shall not be used as a precedent for future agreements or DWR activities.
11. Except as amended herein, all other provisions of AVEK's Water Supply Contract will remain in full force and effect.

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

Approved as to legal form
and sufficiency:

State of California
Department of Water Resources

Cathy Crother
1/8 Chief Counsel
Department of Water Resources

Dale K. Hoffman Pl for M. Gwin
Director

Date Aug 9, 2013

Date 8/21/13

ANTELOPE VALLEY-EAST KERN WATER AGENCY

Keith Aja
Signature
President of the Board
Title
Date 7-9-13

EXHIBIT A

ANTELOPE VALLEY - EAST KERN WATER AGENCY
ANNUAL TABLE A AND CAPACITY VALUES FOR EACH REACH
FOR COST ALLOCATION AND REPAYMENT PURPOSES (a)
EFFECTIVE JANUARY 1, 2014 THRU DECEMBER 31, 2035

The values related to this transfer are estimated to be as follows:

Repayment Reach (b)	Before Transfer		East Branch	Table A	Capacity	Capacity	After Transfer	
	Table A Capacity (AF) (1)	Flow Capacity (cfs) (2)	Enlargement Capacity (cfs) (3)	Transferred to AVEK (AF) (4)	Acquired From DRWD (cfs) (5)	Required to move add'l Table A (d) (cfs) (6)	Total Table A Capacity (AF) (7)	Total Flow Capacity (cfs) (8)
California Aqueduct								
Reach 1	141,400	200		1,993	6		143,393	206
Reach 2A	141,400	200		1,993	6		143,393	206
Reach 2B	141,400	200		1,993	6		143,393	206
Reach 3	141,400	200		1,993	6		143,393	206
Reach 4	141,400	200		1,993	6		143,393	206
Reach 5	141,400	200		1,993	6		143,393	206
Reach 6	141,400	200		1,993	6		143,393	206
Reach 7	141,400	200		1,993	6		143,393	206
Reach 8C	141,400	200		1,993	6		143,393	206
Reach 8D	141,400	200		1,993	6		143,393	206
Reach 9	141,400	195		1,993		3	143,393	198
Reach 10A	141,400	195		1,993		3	143,393	198
Reach 11B	141,400	195		1,993		3	143,393	198
Reach 12D	141,400	195		1,993		3	143,393	198
Reach 12E	141,400	195		1,993		3	143,393	198
Reach 13B	141,400	195		1,993		3	143,393	198
Reach 14A	141,400	195		1,993		3	143,393	198
Reach 14B	141,400	195		1,993		3	143,393	198
Reach 14C	141,400	195		1,993		3	143,393	198
Reach 15A	141,400	195		1,993		3	143,393	198
Reach 16A	141,400	195		1,993		3	143,393	198
Reach 17E	141,400	195		1,993		3	143,393	198
Reach 17F	141,400	195		1,993		3	143,393	198
East Branch Aqueduct								
Reach 18A	141,400	195		1,993		3	143,393	198
Reach 19	141,400	195		1,993		3	143,393	198
Reach 20A	68,800	95	35	1,993			70,793	130
Reach 20B	21,700	30	35	1,993			23,693	65
Reach 21	21,700	30	35	1,993			23,693	65
Reach 22A	10,900	15	35	1,993			12,893	50
Reach 22B (e)	1,700	2.4					7,000	2.4

a) Does not include capacity for outages and losses.

b) These numbers apply to the reaches as set forth in Bulletin 132, Figure B-4, "Repayment Reaches and Descriptions: Project Transportation Facilities."

c) The cumulative East Branch Enlargement capacity that is used for transfers is 6.9 cfs.

d) Transferred flow capacity of 8.33% capacity.

e) The capacity shown reflects delivery up to 1,700 acre-feet per year at continuous flowrate in accordance with Article 45(b).

STATE OF CALIFORNIA
CALIFORNIA NATURAL RESOURCES AGENCY
DEPARTMENT OF WATER RESOURCES

AMENDMENT NO. 24 TO THE WATER SUPPLY CONTRACT
BETWEEN
THE STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES
AND
ANTELOPE VALLEY-EAST KERN WATER AGENCY

THIS AMENDMENT to the Water Supply Contract is made this 21st day of August, 2013, pursuant to the provisions of the California Water Resources Development Bond Act, and other applicable laws of the State of California, between the Department of Water Resources of the State of California (DWR) and Antelope Valley-East Kern Water Agency (AVEK). DWR and AVEK may be referred to individually by name as "Party" or collectively as "Parties."

RECITALS

- A. The Parties have entered into and subsequently amended a long-term Water Supply Contract (AVEK Water Supply Contract), providing that DWR will supply certain quantities of water to AVEK, and providing that AVEK shall make certain payments to DWR, and setting forth the terms and conditions of such supply and such payments.
- B. Tulare Lake Basin Water Storage District (TLBWSD) and DWR have entered into and subsequently amended a long-term Water Supply Contract (TLBWSD Water Supply Contract), providing that DWR will supply certain quantities of water to TLBWSD, and providing that TLBWSD shall make certain payments to DWR, and setting forth the terms and conditions of such supply and such payments.
- C. Various landowners within TLBWSD have entered into agreements with Tejon Ranchcorp (Tejon), an AVEK customer, for purchase of a portion of TLBWSD's State Water Project (SWP) supplies. TLBWSD has requested to DWR that 1,451 acre-feet of TLBWSD's Table A SWP supplies from Reach 8D be permanently transferred to AVEK beginning January 1, 2014.
- D. The Parties wish to set forth their agreement as to (i) the 1,451 acre-feet increase in AVEK's annual Table A amounts, (ii) the transfer of related repayment obligations, and (iii) the revision of Proportionate Use of Facilities factors set forth in AVEK's Water Supply Contract.
- E. DWR and TLBWSD are simultaneously, with the execution and delivery of this Amendment, entering into Amendment No. 35 to TLBWSD's Water Supply Contract in order to reflect (i) the transfer of annual Table A amounts described herein, (ii) the transfer of related repayment obligations, (iii) the delivery priority for the permanently transferred Table A amounts, and (iv) the revision of Proportionate Use of Facilities factors.
- F. In compliance with the California Environmental Quality Act (CEQA), AVEK, as lead agency, filed a Negative Declaration with the State Clearinghouse on November 7, 2012 (SCH #2012111020). DWR, as a responsible agency, has reviewed and considered the above documents prior to approving this Amendment.
- G. In accordance with Notice to State Water Project Contractors Number 03-10, a public meeting was held on May 14, 2013 to negotiate the proposed two Water Supply Contract amendments.
- H. This transfer is in furtherance of DWR's policy in favor of water transfers (Water Code Section 475) and will provide AVEK a supplement to its current water supply to meet projected demand in the immediate near term.
- I. DWR is willing to approve the permanent transfer of Table A amounts in accordance with the terms of this Amendment.

NOW, THEREFORE, the Parties agree:

1. Article 12(c) of AVEK's Water Supply Contract is amended to read as follows:
In no event shall DWR be obligated to deliver water to AVEK through all delivery structures at a total combined instantaneous rate of flow exceeding 200 cubic feet per second, except as this rate of flow may be revised by amendment of this article after submission to DWR of AVEK's requests with respect to maximum flow capacities to be provided through all delivery structures, pursuant to Article 10.
2. Article 45(f) of AVEK's Water Supply Contract is added to read:
In accordance with AVEK's Water Supply Contract, AVEK is increasing its annual Table A amounts by 1,451 acre-feet from Reach 8D beginning in the year 2014 and each succeeding year thereafter for the term of AVEK's Water Supply Contract. As a result of this transfer, Table A as designated in Article 6 is amended as follows:

**TABLE A
 ANNUAL ENTITLEMENTS
 ANTELOPE VALLEY – EAST KERN WATER AGENCY**

<u>Year</u>		<u>Acre-Feet</u>
1	(1972)	20,000
2	(1973)	25,000
3	(1974)	30,000
4	(1975)	35,000
5	(1976)	44,000
6	(1977)	50,000
7	(1978)	57,000
8	(1979)	63,000
9	(1980)	69,200
10	(1981)	75,000
11	(1982)	81,300
12	(1983)	87,700
13	(1984)	35,000
14	(1985)	40,000
15	(1986)	42,000
16	(1987)	44,000
17	(1988)	46,000
18	(1989)	125,700
19	(1990)	132,100
20	(1991)	138,400
21	(1992)	138,400
22	(1993)	138,400
23	(1994)	138,400
24	(1995)	138,400
25	(1996)	138,400
26	(1997)	138,400
27	(1998)	138,400
28	(1999)	138,400
29	(2000)	138,400
30	(2001)	138,400
31	(2002-2013)	141,400
32	(2014)	143,393
32	(2014)	144,844

And each succeeding year thereafter,
 until December 31, 2035 for:

144,844

In any year, the amounts designated in this Table A shall not be interpreted to mean that DWR is able to deliver those amounts in all years. Article 5B describes DWR's process for providing current information for project delivery capability.

3. Increases in AVEK's Delta Water Charge, the Transportation Charges, and the Water System Revenue Bond Surcharge resulting from the increase in AVEK's annual Table A amounts for the year 2014 and each year thereafter shall commence January 1, 2014, and be identified by DWR and included in future annual Statements of Charges to AVEK.
4. Any over and under adjustments to payments made by TLBWSD for 2013 and prior years attributable to the 1,451 acre-feet of annual Table A amounts transferred on January 1, 2014 shall be paid by or credited to TLBWSD, including refunds or credits for Off-Aqueduct and Water System Revenue Bond reserves. Any over and under adjustments to payments made by AVEK for 2014 and future years attributable to a total of 1,451 acre-feet of annual Table A amounts transferred on January 1, 2014 shall be paid by or credited to AVEK.
5. Transportation capital cost component charges for capacity attributable to the 1,451 acre-feet of TLBWSD's Table A water to reaches downstream of TLBWSD in Reaches 9 through 19 shall be redetermined and allocated to AVEK retroactively and prospectively according to the proportionate use of facilities method described in Article 24. Transportation capital cost component charges for capacity attributable to the 1,451 acre-feet of TLBWSD's Table A water for Reaches 20A through 22A shall not be redetermined because AVEK has existing East Branch Enlargement capacity available.
6. For cost allocation and repayment purposes, the attached Exhibit A shows Table A amounts and capacity values for each aqueduct reach in which AVEK participates consistent with the limits of Articles 12(b) and 12(c). These redetermined values shall be used to derive the proportionate use of facilities factors as set forth in Table B as designated in Article 24(b). The capacity amounts shown in Exhibit A are estimated values. Actual values will be used by DWR in implementing the terms of this Amendment and in redetermination of Table B of AVEK's Water Supply Contract under Article 28. Further, in the situation where delivery capacity in reaches downstream of Reach 8D is insufficient to meet all requested demands of participating SWP contractors, those SWP contractors who originally participated in Reaches 9-19 when it was constructed shall receive first priority for delivery services through Article 12(f). AVEK, as a post-construction participant in Reaches 9 through 19, shall receive delivery services in these situations after original SWP contractors' demands are met. For Reaches 20A through 22A, AVEK shall receive first priority for delivery services because AVEK has existing East Branch Enlargement capacity available.
7. AVEK acknowledges that this transfer is not conditioned on the Monterey Amendment being in effect. AVEK further acknowledges that the allocation of water is different under pre-Monterey conditions, and that the availability of water associated with the permanent water transfer would, in certain years, be materially different if DWR

allocated available water supply based on pre-Monterey conditions. Recognizing the foregoing, DWR shall treat and allocate the water associated with the transfer of this 1,451 acre-feet of annual Table A amounts in the same manner as AVEK's other annual Table A amounts.

8. This Amendment is contingent upon the effectiveness of the Water Supply Contract Amendment No. 35 between DWR and TLBWSD. If either amendment ceases to be effective for any reason, AVEK agrees that DWR may, at its discretion and consistent with the law then in effect as determined by DWR, and after meeting and conferring with AVEK, identify the date on which this Amendment shall be deemed inoperative for the purpose of assuring timely repayment of contract obligations and orderly administration of TLBWSD's and AVEK's Water Supply Contracts.
9. AVEK agrees to defend and hold DWR, its officers and employees, jointly and severally, harmless from any direct or indirect loss, liability, lawsuit, cause of action, judgment or claim, and shall indemnify DWR, its officers and employees, jointly and severally, for all lawsuits, costs, damages, judgments, attorney fees, and liabilities that DWR, its officers and employees incur as a result of DWR providing services under this Amendment, except to the extent resulting from sole negligence or willful misconduct of DWR.
10. This Amendment shall not be used as a precedent for future agreements or DWR activities.
11. Except as amended herein, all other provisions of AVEK's Water Supply Contract will remain in full force and effect.

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

Approved as to legal form
and sufficiency:

State of California
Department of Water Resources

Cathy Crothers
V₆ Chief Counsel
Department of Water Resources

Dale K. Heppner ^{for} M. Louie
Director

Date Aug 9, 2013

Date 8/21/13

ANTELOPE VALLEY-EAST KERN WATER AGENCY

Kathryn Ryan
Signature
President of Board
Title
Date 7-9-13

EXHIBIT A

ANTELOPE VALLEY - EAST KERN WATER AGENCY
ANNUAL TABLE A AND CAPACITY VALUES FOR EACH REACH
FOR COST ALLOCATION AND REPAYMENT PURPOSES (a)
EFFECTIVE JANUARY 1, 2014 THRU DECEMBER 31, 2035

The values related to this transfer are estimated to be as follows:

Repayment Reach (b)	Before Transfer		East Branch	Table A	Capacity	Capacity	After Transfer	
	Table A	Flow	Enlargement Capacity (c (cfs) (3)	Transferred to AVEK (AF) (4)	Acquired From TLBWSD (cfs) (5)	Required to move add'l Table A (d (cfs) (6)	Total	Total
	Capacity (AF) (1)	Capacity (cfs) (2)					Table A Capacity (AF) (7)	Flow Capacity (cfs) (8)
California Aqueduct								
Reach 1	143,393	206		1,451	4		144,844	210
Reach 2A	143,393	206		1,451	4		144,844	210
Reach 2B	143,393	206		1,451	4		144,844	210
Reach 3	143,393	206		1,451	4		144,844	210
Reach 4	143,393	206		1,451	4		144,844	210
Reach 5	143,393	206		1,451	4		144,844	210
Reach 6	143,393	206		1,451	4		144,844	210
Reach 7	143,393	206		1,451	4		144,844	210
Reach 8C	143,393	206		1,451	4		144,844	210
Reach 8D	143,393	206		1,451	4		144,844	210
Reach 9	143,393	198		1,451		2	144,844	200
Reach 10A	143,393	198		1,451		2	144,844	200
Reach 11B	143,393	198		1,451		2	144,844	200
Reach 12D	143,393	198		1,451		2	144,844	200
Reach 12E	143,393	198		1,451		2	144,844	200
Reach 13B	143,393	198		1,451		2	144,844	200
Reach 14A	143,393	198		1,451		2	144,844	200
Reach 14B	143,393	198		1,451		2	144,844	200
Reach 14C	143,393	198		1,451		2	144,844	200
Reach 15A	143,393	198		1,451		2	144,844	200
Reach 16A	143,393	198		1,451		2	144,844	200
Reach 17E	143,393	198		1,451		2	144,844	200
Reach 17F	143,393	198		1,451		2	144,844	200
East Branch Aqueduct								
Reach 18A	143,393	198		1,451		2	144,844	200
Reach 19	143,393	198		1,451		2	144,844	200
Reach 20A	68,800	95	35	1,451			70,251	130
Reach 20B	21,700	30	35	1,451			23,151	65
Reach 21	21,700	30	35	1,451			23,151	65
Reach 22A	10,900	15	35	1,451			12,351	50
Reach 22B (e	1,700	2.4					7,000	2.4

a) Does not include capacity for outages and losses.

b) These numbers apply to the reaches as set forth in Bulletin 132, Figure B-4, "Repayment Reaches and Descriptions: Project Transportation Facilities."

c) The cumulative East Branch Enlargement capacity that is used for transfers is 8.9 cfs.

d) Transferred flow capacity of 8.33% capacity.

e) The capacity shown reflects delivery up to 1,700 acre-feet per year at continuous flowrate in accordance with Article 45(b).

State Water Project Analysis Office
June 6, 2013