

# **EXHIBIT 2**

## **PART 2**

State of California  
The Resources Agency  
DEPARTMENT OF WATER RESOURCES

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

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

WITNESSETH, That:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5. Article 49 is added to read:

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

(a) Definitions

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

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

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

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

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

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

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

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

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

(b) Sizing and Construction of Enlargement

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

REACH (1)

CFS OF CAPACITY

20A	35
20B	35
21	35
22A	35

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

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



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

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

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

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

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

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

(c) East Branch Enlargement Transportation Charge

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

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

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

(1) Method of Computation.

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

(2) Allocation of Capital Costs Among Participating Contractors.

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

(3) Determination of Capital Cost Component.

The amount of this component shall be determined as follows:

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

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

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

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

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

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

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

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

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

(A) Revenue Bond Charge

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

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

(B) Revenue Bond Charge Computation

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

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

(C) Excess Coverage

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

(D) Reserves

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



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

(E) Insurance

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

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

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

(7) Reallocation of Costs.

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

(8) Allocation and Payment of Improvement Costs.

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

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

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

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

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

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

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

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

(g) Redetermination of Charges

(1) Determinative Factors Subject to Retroactive Charge

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

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

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

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

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

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

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

(h) East Branch Operation

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

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

(1) Failure to Meet Payment Obligations Under Article 49

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



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

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

APPROVED AS TO LEGAL FORM  
AND SUFFICIENCY:

STATE OF CALIFORNIA  
DEPARTMENT OF WATER RESOURCES

By   
Chief Counsel

By   
Director

ANTELOPE VALLEY-EAST KERN WATER AGENCY

By   
Title

PRESIDENT

STATE OF CALIFORNIA  
THE RESOURCES AGENCY  
DEPARTMENT OF WATER RESOURCES

AMER. UIA

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

THIS CONTRACT is made this 2nd day of March, 1987.

pursuant to the provisions of the California Water Resources Development Bond Act, the State Central Valley Project Act, and other applicable laws of the State of California, between the State of California, acting by and through its Department of Water Resources, herein referred to as the "State", and Antelope Valley-East Kern Water Agency, herein referred to as the "Agency".

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(1) The North Bay Aqueduct,

(2) The Coastal Branch Aqueduct,

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

50. Water System Revenue Bond Financing Costs.

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(i) Power of Termination.

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

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

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

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

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

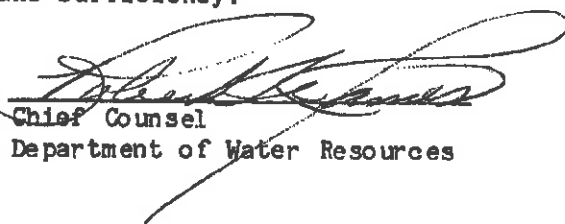
(6) At any time before January 1, 1989, so long as the Director has not already exercised the power of termination, the Director may irrevocably waive his right to exercise the power of termination or may rescind any previously issued notice of intention to terminate.

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

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

Approved as to legal form  
and sufficiency:

STATE OF CALIFORNIA  
DEPARTMENT OF WATER RESOURCES

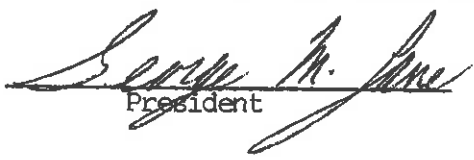
By   
Chief Counsel  
Department of Water Resources

By   
Director

Attest:

ANTELOPE VALLEY-EAST KERN WATER AGENCY

By   
(Title) Secretary-Treasurer

By   
President

Article 1(r) is amended to read:

(r) Project Interest Rate

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

- (1) general obligation bonds issued by the State under the Bond Act,
- (2) revenue bonds issued by the State under the Central Valley Project Act after May 1, 1969,
- (3) bonds issued by the State under any other authority granted by the Legislature or the voters,
- (4) bonds issued by any agency, district, political subdivision, public corporation, or nonprofit corporation of this State,
- (5) funds advanced by any contractor without the actual incurring of bonded debt therefor, for which the net interest cost and terms shall be those which would have resulted if the contractor had sold bonds for the purpose of funding the advance, as determined by the State, and
- (6) funds borrowed from the General Fund or other funds in the Treasury of the State of California, for which the total interest cost shall be computed at the interest rate earned over the period of such borrowing by moneys in the Pooled Money Investment Account of such Treasury invested in securities,



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

632.5143.1

STATE OF CALIFORNIA  
THE RESOURCES AGENCY  
DEPARTMENT OF WATER RESOURCES

---

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

---

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

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

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

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

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

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

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

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

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

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

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

(e) Delivery of Carry-over Entitlement Water

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

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

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

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

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

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

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

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

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

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

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

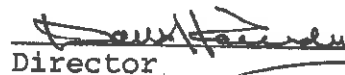
WITNESS WHEREOF, the parties have executed this contract on the date first above written.

Approved as to legal form  
and sufficiency:




**Acting** Chief Counsel  
Department of Water Resources

STATE OF CALIFORNIA  
DEPARTMENT OF WATER RESOURCES

  
Director

Attest:

ANTELOPE VALLEY-EAST KERN  
WATER AGENCY

  
Name

Secretary-Treasurer  
Title

January 8, 1991  
Date

  
Name

President, Board of Directors  
Title

January 8, 1991  
Date

STATE OF CALIFORNIA  
THE RESOURCES AGENCY  
DEPARTMENT OF WATER RESOURCES

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

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

RECITALS:

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

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

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

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

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

AGREEMENT:

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

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

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

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



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

(f) Power Costs.

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

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

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

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

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

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

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

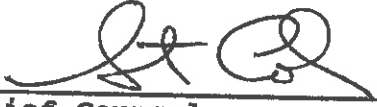
(3) Effective January 1, 1991, power charges for delivery of unscheduled water to the Agency shall be calculated in the same manner as provided in this Article 21(f).

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

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

Approved as to legal form  
and sufficiency:


STATE OF CALIFORNIA  
DEPARTMENT OF WATER RESOURCES

  
Acting Chief Counsel  
Department of Water Resources

  
Director

ANTELOPE VALLEY-EAST KERN  
WATER AGENCY

ATTEST:

X   
SIGNATURE

  
Secretary-Treasurer

Frank S. Donato  
NAME

President, Board of Directors  
TITLE

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

STATE OF CALIFORNIA  
THE RESOURCES AGENCY  
DEPARTMENT OF WATER RESOURCES

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

THIS AMENDMENT to the Water Supply Contract is made this  
13<sup>th</sup> day of December, 1995, 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:

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

WHEREAS, on December 1, 1994, representatives of the  
contractors and the State 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"); 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) The estimated relative proportion of deliveries for agricultural use to deliveries for municipal use for the year 1990, and the characteristic distributions of demands for these two uses throughout the year.

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

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

(hh) Water System Facilities

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

(1) The North Bay Aqueduct,

(2) The Coastal Branch Aqueduct,

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

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

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).

28

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  
Delivered**

25 In the event of any discontinuance or reduction of delivery  
26 of project water pursuant to subdivision (a) of this article, the  
27 Agency may elect to receive the amount of annual entitlement which  
28 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.  
28



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.



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

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

12           (d) **Apportionment of Reductions between Agricultural and**  
13           **Urban Contractors**

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

20           (2) Reductions shall be phased in as follows:

21           (i) In 1997 reductions in the amount of \$14 million are  
22 projected to be available and shall be applied as follows: the first  
23 \$10 million of reductions shall be apportioned among the  
24 Agricultural Contractors, and the remaining reductions shall be  
25 apportioned among the Urban Contractors.

26           (ii) In 1998 reductions in the amount of \$17 million are  
27 projected to be available and shall be applied as follows: the first  
28 \$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.

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

**(e) Review of Financial Requirements**

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

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

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

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

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

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.



1 (g) Apportionment of Reductions Among Agricultural  
2 Contractors

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

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

27 (ii) Each Agricultural Contractor's estimated capital  
28 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

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

7 (g) A contractor which is a buyer of annual entitlement  
8 pursuant to this article may receive deliveries using any portion  
9 of the capacity previously provided by the State in each reach of  
10 the project transportation facilities for such contractor that is  
11 necessary for transporting the entitlement purchased by it on the  
12 same basis as any other entitlement provided for in its Table A in  
13 effect prior to the date of the Monterey Amendment. Such contractor  
14 may also use any transportation rights transferred to it by a seller  
15 in the same manner as the seller was entitled to use them and any  
16 unused capacity in any of the reaches specified in this paragraph  
17 so long as project operations and/or priority of service of water  
18 to other contractors participating in repayment of capital costs in  
19 such reaches is not adversely affected. The State shall not be  
20 responsible for any resulting adverse impacts upon its ability to  
21 provide such contractor peaking capacity. The capital cost and  
22 minimum, operation, maintenance, power and replacement components  
23 of the Transportation Charge allocated to a buying contractor  
24 needing transportation capacity in excess of the capacity factors  
25 on which its charges are based in any reach shall be determined  
26 prospectively based upon the increase in the buying contractor's  
27 annual entitlement resulting from the purchase, and service of water  
28 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	Proportionate Use	Maximum
19   Contractor	Factor	Allocation
		(Acre Feet)
20   The	0.96212388	153,940
21   Metropolitan		
22   Water District		
23   of Southern		
24   California		
25   Ventura County	0.00860328	1,376
26   Flood Control		
27   and Water		
28   Conservation		
District		
Castaic Lake	0.02927284	4,684
Water Agency		
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.

1       26. Article 55 is added to read:

2       55. Transportation of Nonproject Water

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

16       (b) For any nonproject water delivered pursuant to this  
17 article, contractors shall pay the State the same (including  
18 adjustments) for power resources (including on-aqueduct,  
19 off-aqueduct, and any other power) incurred in the conservation  
20 and transportation of such water as if such nonproject water were  
21 entitlement water, as well as all incremental operation,  
22 maintenance, and replacement costs, and any other incremental  
23 costs, which may include an administrative or contract  
24 preparation charge, all as determined by the State. Incremental  
25 costs shall mean those nonpower costs which would not be incurred  
26 if nonproject water were not scheduled for or delivered to  
27 contractors. Only those contractors not participating in the  
28 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  
22 article.

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).



1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

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  
20  
21  
22  
23  
24  
25  
26  
27  
28

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 Susan N. Weber  
12 Chief Counsel  
13 Department of Water Resources

David H. [Signature]  
Director

ANTELOPE VALLEY-EAST KERN  
WATER AGENCY

14 ATTEST:

15  
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 31<sup>ST</sup> 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. 4<sup>th</sup> 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]*  
Es. 3 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 <sup>(a)</sup>

Repayment Reach <sup>(b)</sup>	Before Transfer		Entitlement Transferred from TLBWSD (AF)	Capacity Transferred from TLBWSD <sup>(c)</sup> (cfs)	Additional Capacity Required <sup>(d)</sup> (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 <sup>(e)</sup>	---		---	68,800	130 <sup>(e)</sup>
Reach 20B	21,700	65 <sup>(e)</sup>	---		---	21,700	65 <sup>(e)</sup>
Reach 21	21,700	65 <sup>(e)</sup>	---		---	21,700	65 <sup>(e)</sup>
Reach 22	10,900	50 <sup>(e)</sup>	---		---	10,900	50 <sup>(e)</sup>

- 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 8-1/3% 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 28<sup>th</sup> 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.4<sup>th</sup> 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 2008, 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 10<sup>th</sup> 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.

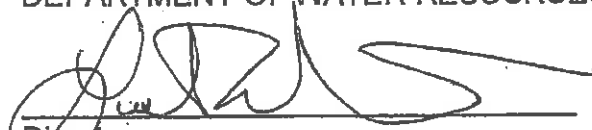
7. Pursuant to the AGENCY's Water Supply Contract, the AGENCY shall remain obligated for the variable operation, maintenance, and power replacement component of the Transportation Charge, and for the Off-Aqueduct Power Facilities charge, for water delivered each year through Reach 22B.
8. The AGENCY 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

  
✓ Chief Counsel  
Department of Water Resources

  
Director

4/3/09  
Date

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 <sup>(a)</sup>**

Repayment Reach <sup>(b)</sup>	Annual Table A (AF)	Capacity (cfs)	Additional Capacity Required (AF)	Additional Capacity Required (cfs)	Annual Table A (AF)	Capacity (cfs)
<b>California Aqueduct</b>						
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
<b>East Branch Aqueduct</b>						
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. 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 21<sup>st</sup> 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. 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
<del>32</del> (2014)	<del>143,383</del>
<b>32 (2014)</b>	<b>144,844</b>

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 58 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 Exhibits 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.

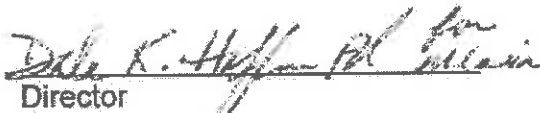
8. This Amendment is contingent upon the effectiveness of the Water Supply Contract Amendment No. 35 between DWR and TLBWSD. If either amendment ceases to be effective for any reason, AVEK agrees that DWR may, at its discretion and consistent with the law then in effect as determined by DWR, and after 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

  
Chief Counsel  
Department of Water Resources

  
Director

Date Aug. 9, 2013

Date 8/21/13

ANTELOPE VALLEY-EAST KERN WATER AGENCY


  
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	Flow	Enlargement	Transferred	Acquired	Required	Total	Total
	Capacity (AF) (1)	Capacity (cfs) (2)	Capacity (cfs) (3)	to AVEK (AF) (4)	From DRWD (cfs) (5)	to move add'l Table A (d) (cfs) (6)	Table A Capacity (AF) (7)	Flow Capacity (cfs) (8)
<b>California Aqueduct</b>								
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
<b>East Branch Aqueduct</b>								
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 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 flow rate in accordance with Article 45(b).

State Water Project Analysis Office  
June 6, 2013

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 21<sup>st</sup> 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
<del>32 (2014)</del>	<del>143,383</del>
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 58 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 Exhibits 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  
V/s Chief Counsel  
Department of Water Resources

Dale K. Hoffmann <sup>for</sup> at-law  
Director

Date Aug 9, 2013

Date 8/21/13

ANTELOPE VALLEY-EAST KERN WATER AGENCY

Kathryn Lynn  
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 Capacity	Flow Capacity	Enlargement Capacity	Transferred to AVEK	Acquired From TLBWSD	Required to move add'l Table A (d)	Total Table A	Total Flow
	(AF) (1)	(cfs) (2)	(c cfs) (3)	(AF) (4)	(cfs) (5)	(cfs) (6)	Capacity (AF) (7)	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 9.9 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 flow rate in accordance with Article 45(b).

State Water Project Analysis Office  
June 6, 2013