

Solano County Water Agency  
Fiscal Year 2013-2014  
Proposed Budget

**SOLANO COUNTY WATER AGENCY  
FY 2013-2014 PROPOSED BUDGET**

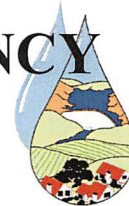
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## LIST OF ABBREVIATIONS

AOO	Area of Origin
CAMP	California Asset Management Plan
DWR	State Department of Water Resources
FCAC	Flood Control Advisory Committee
FSA	Flexible Spending Account
FY	Fiscal Year
GIS	Geographic Information Systems
HCP	Habitat Conservation Plan
IRWMP	Integrated Regional Water Management Plan
IT	Information Technology
LAIF	Local Agency Investment Fund
LPCCC	Lower Putah Creek Coordinating Committee
NAWCA	North America Waterfowl Conservation Act
NBA	North Bay Aqueduct
NBR	North Bay Regional
O & M	Operation and Maintenance
OH	Overhead
OHMVR	Off Highway Motor Vehicle Restoration
PDO	Putah Diversion Office
PERS	Public Employees Retirement System
PPTY	Property
PSC	Putah South Canal
R & B	Rehabilitation and Betterment
RCD	Resource Conservation District
RV	Rio Vista
SCWA	Solano County Water Agency
SP	Solano Project
SS	Social Security
SWC	State Water Contractors
SWP	State Water Project
USBR	United States Bureau of Reclamation
VFPD	Vacaville Fire Protection District
VJO	Vallejo

# SOLANO COUNTY WATER AGENCY



## General Manager's Budget Message

### Proposed FY 2013/2014 Budget June 2013

A budget is a financial plan that includes estimates of expenditures and revenues for a single fiscal year, beginning July 1, and ending June 30. This Proposed Budget is a document which serves as a guide to the management of the Agency. It is a policy decision made by the Board of Directors. The budgeting process provides procedures for evaluating the Agency's needs and identifying revenue sources to meet those needs.

The Board of Directors designates a Budget Committee. The Budget Committee reviews and discusses the budget document and makes a recommendation to the Board of Directors to adopt the budget or provides recommendations to the budget. Included in this budget proposal are current projections for FY 12/13. The budget for FY 13/14 is prepared for each fund of the Agency in accordance with the modified accrual method of accounting.

#### Budget Overview

The Agency's financial position remains strong. A healthy reserve has been maintained in anticipation for future infrastructure needs.

In recent years, State grant programs have become a very large part of the Agency's budget. Due to a variety of reasons, beyond the control of the Agency, the timing of grant funded projects is not certain. Estimating grant expenses and revenues for budgeting purposes has been difficult and often results in major discrepancies between actual and budgeted amounts. Since grant expenses and revenues make up a large part of the total Agency budget (see Figures 1 and 2 in this report), these grants can skew the overall financial picture of the Agency.

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The Agency built up considerable reserves during years when property tax revenues were increasing. Starting in FY 2008-2009 property taxes began declining until FY 2011-2012 when they stabilized (see Figure 4). The Board has established specific reserve funds and has designated all reserves.

FY 12/13 is almost completed. The budget information includes staff's projection of expenditures and revenues for the remainder of the FY. The FY 12/13 budget approved by the Board last year estimated an overall deficit of (\$4,603,628). The actual projection is an estimated decrease in reserves of (\$285,530). There are several reasons why the projected deficit decreased by approximately \$4.3 M including:

- reduced water conservation costs
- deferral of the Dixon area flood control project
- reduced consultant costs
- a delay in the NBA Water Quality Research Station Grant
- an increase in revenues due to the dissolution of redevelopment agencies
- unplanned credits and lower charges for SWP water

Also, generally, actual expenditures come in below budgeted amounts due to various delays in project implementation, including limitation in SCWA staff resources to implement projects.

A budget goal has been to have Agency operating costs paid out of current year revenues (mainly property taxes), not out of reserves. This goal has been met each year until the current FY 12/13. This is explained below regarding the State Water Project structural deficit. We define "operating costs" as those costs that are not "capital-type" expenses. We use the words "capital-type" rather than "capital" because major "capital-type" projects such as the North Bay Aqueduct Alternate Intake Project and work on the Solano Project are not true capital projects, from an accounting standpoint, because they are on lands that the Agency does not own.

In FY 12/13, the State Water Project (SWP) operating budget had to tap its reserves to balance the budget. This is because of an increase in charges for SWP water delivered through the North Bay Aqueduct. In calendar year 2013 the State Department of Water Resources (DWR) billed us for unusually high operations and maintenance costs for the North Bay Aqueduct, an increase of \$4.8 million over 2012 costs of \$2.4 million. With the help of consultants we are still researching if these costs are accurate, but initial findings have not found any mistakes. This large increase is from a recalculation of cost allocation factors, so the baseline costs have gone up and 2013 includes a large adjustment for making up past costs. The SWP runs on a calendar year so 2013 costs are half for FY 12/13 and half for FY 13/14, therefore costs for SWP water in these two fiscal years will be higher than usual.

However, even after the past cost adjustment is paid, we project that SWP operating costs, mostly SWP water charges, will still exceed operating revenues (taxes and water sales). The SWP reserve

is still large, so this will not be a problem in the next few years, however if property tax revenues do not increase to keep pace with SWP water charges, we may need to increase charges to cities for water supply, or consider some other options. Staff will be working with city staff over the next few years to discuss possible options to present to the Board. This is a medium term problem.

For the FY 13/14 proposed budget the “operating revenues” (mostly property taxes) are \$20,163,257 and the “operating expenses” (mostly property taxes) are \$22,070,073. This represents tapping into reserves to fund the SWP overage discussed above.

For FY 13/14, total expenditures are budgeted at \$29,605,073 and total revenues are budgeted at \$23,482,757 for a decrease to the fund balance (tapping reserves) of (\$6,122,316). In addition to the SWP charges described above, this deficit includes two SWP capital-type projects. These are grant funded projects, but have a local share (approximately 50%). The North Bay Aqueduct Alternate Intake Project has a net cost of \$904,500 and the North Bay Regional Water Quality Research Station has a net cost of \$550,000. Other capital type projects include \$500,000 for a Dixon area flood control project, and \$1,340,000 for major rehabilitation and betterments.

**FY 13/14 Budget Summary**

Figure 1, "Summary of Revenues" provides information on all the sources of funds included in the budget document. Property tax revenues represent 74% of all funds followed by 16% for grant revenues. With the payoff of the Solano Project debt, almost all the Water Sales revenues are from State Water Project water sales. Other revenues consist of Napa Make Whole agreement payments, State Water Project water purchase adjustments and water conservation reimbursements from the cities. Investments are interest earnings.

Figure 1

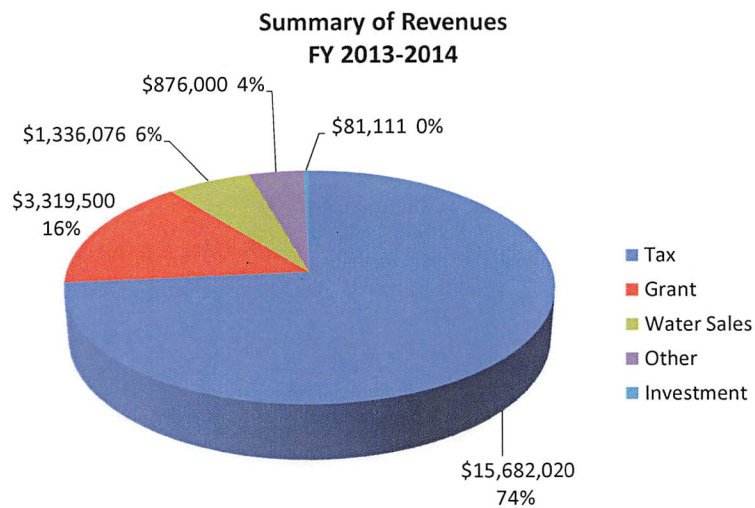
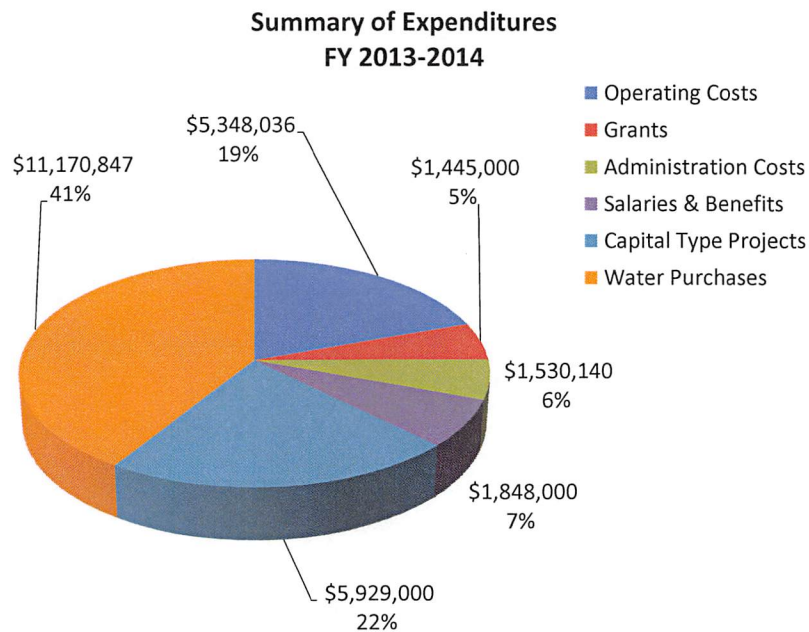


Figure 2, “Summary of Expenditure” portrays spending by categories. The largest expenditure category with 41% of all expenditures is water purchases – all for State Water Project water. The category of Operating Costs expenditures includes consultant fees, Solano Project operations and maintenance, Habitat Conservation Plan and Lower Putah Creek Coordinating Committee. Capital Type Projects include expenditures for rehab and betterment of Solano Project, NBA Alternate Intake Project and North Bay Regional Water Quality Research Station. Salaries and benefits make up 7% of the overall expenditures.

Figure 2





## Trends

Figure 3, “Operating Income and Expense” provides a yearly trend analysis of operating revenues and expenditures. Annual operating expenditures have been funded by annual revenues with the exception of FY’s 12/13 and 13/14 as described in the Budget Overview of this Budget Message. Any revenues in excess of operating expenditures fund annual capital-type projects. The FY 12/13 and 13/14 budgets include large increases in SWP costs. Capital-type projects are not included in Figure 3.

Figure 3

### Operating Income and Expense

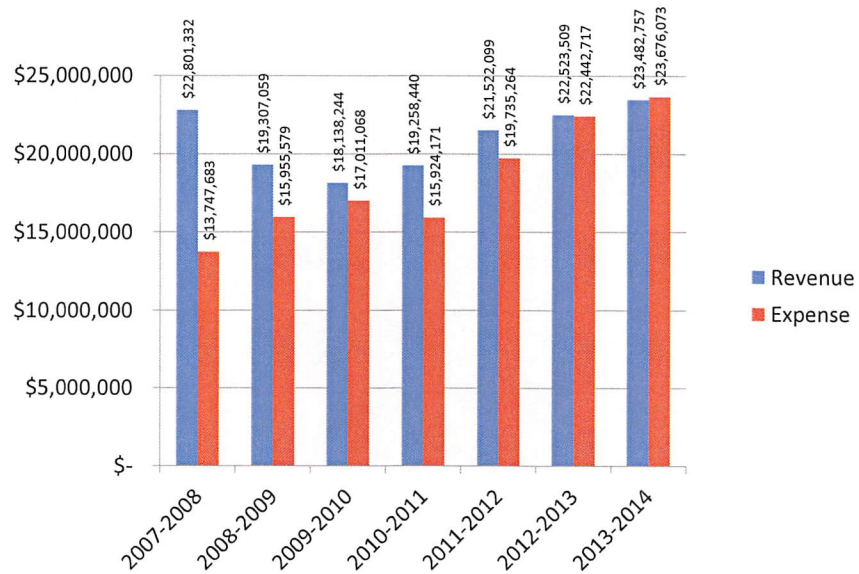


Figure 4, “Cumulative Fund Balance” provides a yearly trend analysis of the Agency’s financial reserves. When annual revenues cannot fully fund expenditures the fund balance is tapped to make up the difference. Conversely when annual revenues exceed expenditures the excess revenues are added to the fund balance. The FY 13/14 budget contains three large capital-type projects that are funded from reserves.

Figure 4

Cumulative Fund Balance

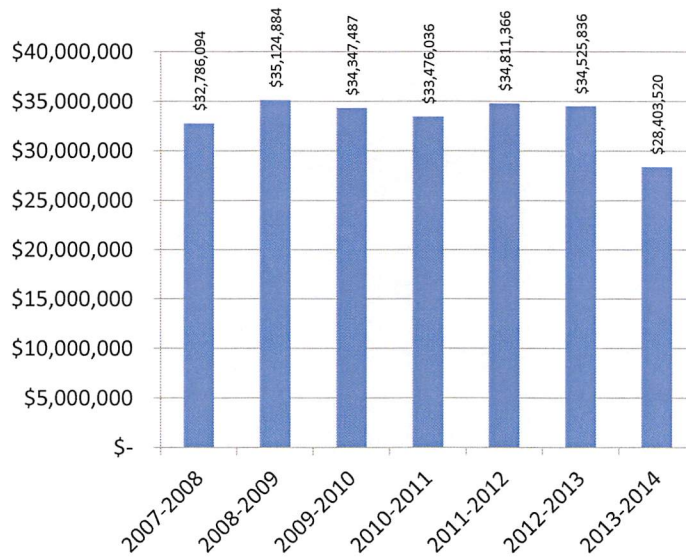
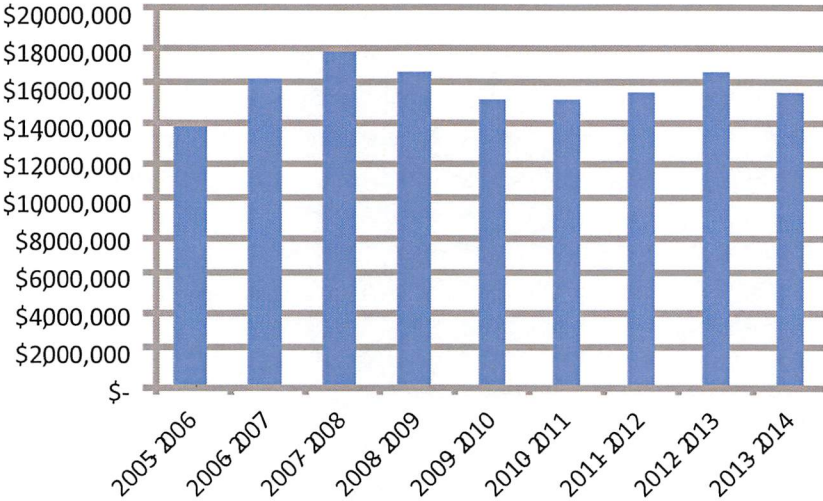


Figure 5, “Property Tax Revenues” provides a trend analysis of property tax revenues. The revenues show the decline in property tax revenue during FY 08/09 and FY 09/10 followed by several years of stabilization. The FY 12/13 tax revenues include one-time payments associated with the dissolution of redevelopment agencies. Note in FY 09/10 there was an 8% state borrowing from some of the Agency’s property tax which is expected to be repaid in FY 13/14. Property tax revenues remain flat in FY 13/14 from FY 12/13, the FY 13/14 tax projection does not consider the one-time redevelopment payments described above.

Figure 5  
Property Tax Revenue



## SOLANO PROJECT - OPERATING BUDGET

### EXPENSES

#### **Solano Project Operations and Maintenance**

6600SC, 6630SC, 6640SC, 6645SC, 6646SC, 6650SC Solano Project O&M

*Costs of the Water Agency's contractor, the Solano Irrigation District, to operate and maintain the Solano Project for and USBR inspections. Variance: Increased costs due to USBR Mandates. FY 12/13 Estimated projection less than appropriation due to cancellation of a pilot canal cleaning project.*

6690SC Rehab & Betterment

*Major maintenance and improvements for the Solano Project. Variance: Increase in Solano Project improvement projects including Mangels Bypass.*

Road Gravel & Turn Around Improvements	\$ 75,000
Putah South Canal Drainage Rehab & Improvement	\$ 30,000
Putah South Canal Panel Replacement	\$ 50,000
Putah South Canal Headworks Screen	\$ 200,000
Mangels Bypass	\$ 650,000
Putah Diversion Dam – Gate Rehab	\$ 100,000
Fiber Optics and Communication System	\$ 100,000
Putah Diversion Office- Storage Parking Expansion	\$ 75,000
Putah Diversion Dam Lighting Rehab	\$ 20,000
Road Rehab	<u>\$ 40,000</u>
<b>Total</b>	<b>\$ 1,340,000</b>

#### **Habitat Conservation Plan**

6250SC HCP Planning

*HCP Development.*

# BUDGET NARRATIVE

## Putah Creek Operations

6130SC LPCCC - Putah Creek Vegetation  
*LPCCC Program for vegetation enhancement, non-native plant removal and equipment maintenance as required by settlement agreement.*

6148SC LPCCC – Wildlife  
*LPCCC program for monitoring wildlife as required by settlement agreement.*

6149SC LPCCC - Fish Monitoring  
*LPCCC program for monitoring fisheries as required by settlement agreement.  
Variance: High turbidity limited opportunities to perform fish surveys in FY 12/13.*

6170SC LPCCC – Tree of Heaven  
*LPCCC program for removing invasive vegetation. Variance: New program in FY 12/13.*

6179SC LPCCC – Services  
*LPCCC Labor Charges for Outside Work. Variance: New Elderberry removal and Creek clean-up projects performed in FY 12/13.*

6181SC LPCCC – Equipment  
*Costs of Maintaining LPCCC Equipment. Variance: Large number of equipment repairs performed in FY 12/13.*

6183SC WRA Nursery  
*Costs for operating LPCCC native plant nursery. Variance: Plantings for reimbursable grant projects expected to increase in FY 13/14.*

6199SC LPCCC Misc. Supplies  
*LPCCC supplies and fuel for various restoration work. SCWA funded. Variance: Budget amount to be available each year.*

## Putah Creek Grants *(Note: Variances due to unpredictable timing of projects)*

6185SC LPCCC Pickerel  
*LPCCC contract work under landowner grant.*

6186SC LPCCC-OHMVR  
*LPCCC Grant for Off Highway Motor Vehicle Mitigation Project.*

# BUDGET NARRATIVE

6188SC LPCCC Pleasants Creek  
*LPCCC Grant for erosion control projects on Pleasants Creek.*

6189SC LPCCC – River Parkways IV  
*LPCCC Grant for Winters Putah Creek Park Channel Realignment Project. Project now complete.*

6190SC LPCCC Priority Projects  
*LPCCC Grant for Invasive Plant removal and Channel Restoration Project.*

6191SC LPCCC Parker Grant  
*LPCCC is contractor for a restoration grant awarded to others.*

6194SC LPCCC – NAWCA  
*LPCCC is contractor for part of a restoration grant awarded to others.*

6195SC LPCCC River Parkways V  
*LPCCC Grant for Winters Putah Creek Park Channel Realignment Project.*

## Additional Services

6140SC Consultants  
*Consultants for Solano Project Activities. Variance: FY 12/13 overestimated expenses for several consultants.*

Herum Crabtree Brown - Legal	\$ 5,000
Putah South Canal Water Quality Management	\$ 50,000
Lower Putah Creek Capacity	\$ 50,000
Normandeau – Fishery Consulting	\$ 74,456
BSK – Putah Creek Mercury Assessment	\$ 12,600
Summer Engineering – Engineering Support - Mangels Bypass	\$ 50,000
Dennis Bowker – Riparian Facilitation	\$ 500
AD Consultants – Data Management	\$ <u>20,000</u>
<b>Total</b>	<b>\$ 262,556</b>

# BUDGET NARRATIVE

6144SC Hydrologic Stations

*Operations, maintenance, and installation of gages, monitoring programs, and miscellaneous expenses. Variance: Annual uncertainty of maintenance needs.*

6161SC Solano Project Monitoring

*Program to monitor water quality in Lake Solano and Putah South Canal. Variance: Monitoring weather dependent. FY 12/13 dry year.*

6164SC Solano Project Invasive Species

*Monitoring and study for control of mud snails and quagga mussels.*

6166SC Upper Putah Creek Management

*Support for watershed water quality monitoring and invasive species activities in Lake Berryessa watershed. Variance: Increased quagga mussel inspection and education program.*

6230SC Field Supplies

*Miscellaneous field equipment and supplies.*

## Water Service Charges

6700SC USBR Administration

*Payment to USBR for Water Service Contract for Administration charges only. Variance: USBR charges vary widely each year.*

6701SC Water Rights Fee

*Fee from State Water Resources Control Board for water rights administration.*

## Office Expenses

6100SC PPTY Tax Admin Fees

*County fees to districts/cities.*

6990SC Contingency

# BUDGET NARRATIVE

## SCWA Labor

6950SC Labor Costs  
*Salary and Benefit Expenses for Solano Project, HCP and LPCCC.*

6952SC Overhead Expenses  
*Distribution of SCWA Overhead for Solano Project, HCP and LPCCC.*

## Revenue

### Property Taxes

4001SC, 4002SC, 4004SC, 4507SC Property Taxes  
*Water Agency's share of the Countywide 1% Property Tax, which is principally used for the Solano Project. The FY 13/14 projections are flat per Solano County.*

4601SC, 4602SC, 4603SC, 4604SC, 4605SC Redevelopment  
*Revenues from the Redevelopment Property Tax Trust Fund after the payment of the former redevelopment agencies obligation bonds. Variance: One time payments received in FY 12/13. Assume other payment same as FY 12/13.*

## LPCCC Operations

4922SC LPCCC Green House Reimbursement  
*Revenue from plants for sale from Green House Nursery. Variance: Increased grant activity in FY 13/14 increased demand for plants.*

4978SC LPCCC Services  
*Revenue from LPCCC Labor Charges for Outside Work. Variance: Reduced services projected for FY 13/14.*

4979SC LPCCC – Tree of Heaven  
*Revenue from LPCCC program for removing invasive vegetation.*

4981SC LPCCC – Equipment Usage  
*Revenue from LPCCC equipment rental. Variance: Increased grant activity in FY 13/14.*



# BUDGET NARRATIVE

## **LPCCC Grants** (Note: Variances due to unpredictable timing of projects)

4966SC LPCCC OHMVR  
*Revenue from LPCCC grant for Off Highway Motor Vehicle Mitigation Project.*

4985SC LPCCC Pickerele  
*Revenue from Landowner for LPCCC work on restoration grant.*

4986SC LPCCC CA River Parkways IV  
*Revenue from California River Parkways IV Grant. Project now complete.*

4987SC LPCCC – River Parkways V  
*Revenue from California River Parkways V Grant.*

4988SC LPCCC Pleasants Creek  
*Revenue from LPCCC grant for erosion control on Pleasants Creek.*

4990SC LPCCC Parker Grant  
*Revenue from Landowner for LPCCC work on restoration grant.*

4991SC LPCCC Priority Project  
*Revenue from LPCCC grant for Watershed Priority Projects.*

4992SC LPCCC NAWCA  
*Revenue for LPCCC work for restoration project grant obtained by others*

## **Interest**

4402SC, 4403SC, 4404SC, 4405SC, 4906SC Interest  
*Interest received from the various cash accounts for Solano Project funds, and from loan to Vacaville Fire Protection District for share of Putah Diversion Dam Complex.*

## **Water Service Charges**

4100SC Water Sales  
*Payments made by Solano Project State Agencies only.*

# BUDGET NARRATIVE

## Miscellaneous

4150SC Equipment Distribution Reimbursement

*Revenue from LPCCC equipment use on LPCCC grants. Variance: Increased grant activity in FY 13/14.*

## SOLANO PROJECT CAPITAL BUDGET

### Fixed Assets

5500SC Capital Expenditures

*Putah Diversion Dam Bulkhead and Excavator attachments. Variance: Increase capital costs*

PROPOSED FY 2013-2014 BUDGET - SOLANO PROJECT

	(a)	(b)	(c)	(d)	(e)	(f)	
OPERATING BUDGET	TOTAL ESTIMATED FY 2012-13 PROJECTIONS	FY 2012-13 APPROP	% of Est. FY 2012-13 Full Year Projections Compared to FY 2012-13 APPROP	PROPOSED FY 2013-14 APPROP	PROPOSED FY 2013-14 APPROP MINUS EST. FY 2012-13 PROJECTIONS	PERCENT Over/Under of FY 2012-13 PROJECTED EXPENDITURES	COMMENTS
<b>EXPENSES</b>							
<b>SOLANO PROJECT O&amp;M and R&amp;B</b>							
6600SC	PSC Maintenance	551,793	824,750	67%	516,000	(35,793)	-6%
6630SC	SP Administration	856,706	835,683	103%	953,750	97,044	11%
6640SC	PSC Operations	193,416	229,725	84%	164,550	(28,866)	-15%
6645SC	Dam Maintenance	13,179	88,925	15%	65,450	52,271	397%
6646SC	Dam Operations	176,826	185,150	96%	176,000	(826)	0%
<b>Subtotal Solano Proj O&amp;M</b>		<b>1,791,920</b>	<b>2,164,233</b>	<b>83%</b>	<b>1,875,750</b>	<b>83,830</b>	<b>5%</b>
6690SC	Rehab & Betterment	221,042	310,000	71%	1,340,000	1,118,958	506%
<b>Subtotal Solano Proj O&amp;M and R&amp;B</b>		<b>2,012,962</b>	<b>2,474,233</b>	<b>81%</b>	<b>3,215,750</b>	<b>1,202,788</b>	<b>60%</b>
<b>HCP</b>							
6250SC	HCP Planning	441,285	601,500	73%	428,478	(12,807)	-3%
<b>Subtotal HCP</b>		<b>441,285</b>	<b>601,500</b>	<b>73%</b>	<b>428,478</b>	<b>(12,807)</b>	<b>-3%</b>
<b>PUTAH CREEK OPERATIONS</b>							
6130SC	LPCCC - Vegetation	13,341	13,341	100%	13,537	196	1%
6148SC	LPCCC - Wildlife	73,377	73,377	100%	74,454	1,077	1%
6149SC	LPCCC - Fish Monitoring	60,000	73,377	82%	74,454	14,454	24%
6170SC	LPCCC Tree of Heaven	10,500	-	0%	10,000	(500)	-5%
6179SC	LPCCC Services	19,445	-	0%	5,000	(14,445)	-74%
6181SC	LPCCC Equipment	35,000	5,000	700%	20,000	(15,000)	-43%
6183SC	LPCCC Nursery	8,000	25,000	32%	10,000	2,000	25%
6199SC	LPCCC Misc. Supplies	15,000	22,000	68%	22,000	7,000	47%
<b>Subtotal Putah Creek Operations</b>		<b>234,663</b>	<b>212,095</b>	<b>111%</b>	<b>229,445</b>	<b>15,727</b>	<b>7%</b>
<b>PUTAH CREEK GRANTS</b>							
6185SC	LPCCC Pickerel NRCS	1,000	-	0%	5,000	4,000	400%
6186SC	LPCCC OHMVR Grant	25,000	-	0%	100,000	75,000	300%
6188SC	LPCCC Pleasants Creek	70,000	100,000	70%	300,000	230,000	329%
6189SC	LPCCC CA Rivers Parkway IV	8,531	-	0%	(8,531)	(8,531)	-100%
6190SC	LPCCC Priority Projects	250,000	400,000	63%	400,000	150,000	60%
6191SC	LPCCC Parker Grant	7,500	10,000	75%	20,000	12,500	167%
6194SC	LPCCC NAWCA	15,000	-	0%	100,000	85,000	567%
6195SC	LPCCC CA Rivers Parkway V	20,000	-	0%	50,000	30,000	150%
<b>Subtotal Putah Creek Grants</b>		<b>397,031</b>	<b>510,000</b>	<b>78%</b>	<b>975,000</b>	<b>587,696</b>	<b>148%</b>
<b>ADDITIONAL SERVICES</b>							
6140SC	Consultants	152,076	407,330	37%	262,556	110,480	73%
6144SC	Hydrologic Stations	45,382	62,400	73%	61,000	15,618	34%
6161SC	Solano Project Monitoring	1,300	10,000	13%	5,000	3,700	285%
6164SC	SP Invasive Species	115,139	115,139	100%	124,193	9,054	8%
6166SC	Upper Putah Creek Managemen	1,000	5,000	20%	16,000	15,000	1500%
6230SC	Field Supplies	15,016	15,000	100%	15,000	(16)	0%
<b>Subtotal Additional Services</b>		<b>329,913</b>	<b>614,869</b>	<b>54%</b>	<b>483,749</b>	<b>153,836</b>	<b>47%</b>
<b>WATER SERVICE CHARGES</b>							
6700SC	USBR Administration	44,695	75,000	60%	75,000	30,305	68%
6701SC	Water Rights Fees	126,000	100,000	126%	125,000	(1,000)	-1%
<b>Subtotal Water Services Charges</b>		<b>170,695</b>	<b>175,000</b>	<b>98%</b>	<b>200,000</b>	<b>29,305</b>	<b>17%</b>
<b>OFFICE EXPENSES</b>							
6100SC	PPTY Tax Admin Fees	98,673	110,000	90%	100,000	1,327	1%
6990SC	Contingency	-	100,000	0%	100,000	100,000	-
<b>Subtotal Office Expenses</b>		<b>98,673</b>	<b>210,000</b>	<b>47%</b>	<b>200,000</b>	<b>82,428</b>	<b>84%</b>
<b>SCWA LABOR</b>							
6950SC	Labor Costs	507,000	394,670	128%	528,000	21,000	4%
6952SC	Overhead Expenses	914,000	901,123	101%	933,000	19,000	2%
<b>Subtotal SCWA Labor</b>		<b>1,421,000</b>	<b>1,295,793</b>	<b>110%</b>	<b>1,461,000</b>	<b>40,000</b>	<b>3%</b>
<b>TOTAL EXPENSES</b>		<b>5,106,222</b>	<b>6,093,490</b>	<b>84%</b>	<b>7,193,422</b>	<b>2,098,973</b>	<b>41%</b>

**PROPOSED FY 2013-2014 BUDGET - SOLANO PROJECT**

		(a)	(b)	(c)	(d)	(e)	(f)	
<b>OPERATING BUDGET</b>								
	<b>TOTAL ESTIMATED FY 2012-13 PROJECTIONS</b>							
	<b>FY 2012-13 APPROP</b>							
	<b>% of Est. FY 2012-13 Full Year Projections Compared to FY 2012-13 APPROP</b>							
	<b>PROPOSED FY 2013-14 APPROP</b>							
	<b>PROPOSED FY 2013-14 APPROP MINUS EST. FY 2012-13 PROJECTIONS</b>							
	<b>PERCENT Over/Under of FY 2012-13 PROJECTED EXPENDITURES</b>							
<b>REVENUES</b>								
<b>PROPERTY TAXES</b>								<i>13/14 projection flat per Solano County</i>
4001SC	Secured	4,976,005	5,143,794	97%	4,976,005	-	0%	
4002SC	Unsecured	325,000	265,962	122%	325,000	-	0%	
4004SC	Current Supplemental	26,190	29,854	88%	26,190	-	0%	
4507SC	Homeowner Relief	75,000	77,581	97%	75,000	-	0%	
<b>Subtotal Property Taxes</b>		<b>5,402,195</b>	<b>5,517,191</b>	<b>98%</b>	<b>5,402,195</b>	<b>-</b>	<b>0%</b>	
4600SC	Redevelopment - Dixon/RV	107,572			27,487			<i>Est 12/13 Proj includes one time Other Asset distribution</i>
4601SC	Redevelopment - I505/I80	702,952	273,819	257%	328,513	(374,439)	-53%	
4602SC	Redevelopment - Cordelia	703,175	122,569	574%	445,794	(257,381)	-37%	
4603SC	Redevelopment-Suisun City	90,623	96,666	94%	90,597	(26)	0%	
4604SC	Redevelopment-Central Vjo	7,031	4,423	159%	4,765	(2,266)	-32%	
<b>Subtotal Redevelopment</b>		<b>1,611,353</b>	<b>497,477</b>	<b>324%</b>	<b>897,156</b>	<b>(634,112)</b>	<b>-39%</b>	<i>Assume same as FY 12/13 w/o one time revenue</i>
<b>LPCCC Operations</b>								
4922SC	LPCCC Green House	7,500	25,000	30%	30,000	22,500	300%	<i>Plant sales</i>
4978SC	LPCCC Services	19,445		0%	5,000	(14,445)	-74%	
4979SC	LPCCC Tree of Heaven	10,500		0%	10,000	(500)	-5%	
4981SC	LPCCC Equipment Rental	500		0%	10,000	9,500	1900%	
<b>Subtotal LPCCC Operations</b>		<b>37,945</b>	<b>25,000</b>	<b>152%</b>	<b>55,000</b>	<b>17,055</b>	<b>45%</b>	
<b>LPCCC GRANTS</b>								<i>Grants vary widely each year</i>
4966SC	LPCCC OHV	25,000	-	0%	100,000	75,000	300%	
4985SC	LPCCC Pickerel	1,000	-	0%	5,000	4,000	400%	
4986SC	LPCCC River Parkway IV	8,531	-	0%	-	(8,531)	-100%	
4987SC	LPCCC CA River Parkways V	20,000	-	0%	50,000	30,000	150%	
4988SC	LPCCC Pleasants Creek	70,000	100,000	70%	300,000	230,000	329%	
4990SC	LPCCC Parker	7,500	10,000	75%	20,000	12,500	167%	
4991SC	LPCCC Priority Projects	250,000	400,000	63%	400,000	150,000	60%	
4992SC	LPCCC NAWCA	15,000	-	0%	100,000	85,000	567%	
<b>Subtotal LPCCC Grants</b>		<b>397,031</b>	<b>510,000</b>	<b>78%</b>	<b>975,000</b>	<b>612,079</b>	<b>154%</b>	
<b>INTEREST</b>								
4402SC	Interest - Money Mgmt	-	100	0%	-	-	0%	
4403SC	Interest - Checking	600	300	200%	600	-	0%	
4404SC	Interest - LAIF	14,000	10,000	140%	14,000	-	0%	
4405SC	Interest - CAMP	17,700	13,000	136%	17,700	-	0%	
4406SC	Interest - VFPPD	27,490	27,490	100%	24,506	(2,984)	-11%	<i>10 year loan (interest only)</i>
<b>Subtotal Interest</b>		<b>59,790</b>	<b>50,890</b>	<b>117%</b>	<b>56,806</b>	<b>(2,984)</b>	<b>-5%</b>	
<b>WATER SERVICE CHARGES</b>								
4100SC	Water Sales	67,598	60,000	113%	60,000	(7,598)	-11%	<i>12/13 Est Projection includes correcting adjustment</i>
<b>Subtotal Water Service Charges</b>		<b>67,598</b>	<b>60,000</b>	<b>113%</b>	<b>60,000</b>	<b>(7,598)</b>	<b>-11%</b>	
<b>MISCELLANEOUS</b>								
4150SC	Equipment Dist Reimbursemer	28,000	38,000	0%	38,000	10,000	36%	<i>Increased LPCCC grant activity</i>
<b>Subtotal Miscellaneous</b>		<b>28,000</b>	<b>38,000</b>	<b>74%</b>	<b>38,000</b>	<b>10,000</b>	<b>36%</b>	
<b>TOTAL REVENUES</b>		<b>7,603,912</b>	<b>6,698,558</b>	<b>114%</b>	<b>7,484,157</b>	<b>(22,615)</b>	<b>0%</b>	

<b>CAPITAL BUDGET</b>		<b>TOTAL ESTIMATED FY 2012-13 PROJECTIONS</b>	<b>FY 2012-13 APPROP</b>	<b>% of Est. FY 2012-13 Full Year Projections Compared to FY 2012-13 APPROP</b>	<b>PROPOSED FY 2013-14 APPROP</b>	<b>PROPOSED FY 2013-14 APPROP MINUS EST. FY 2012-13 PROJECTIONS</b>	<b>PERCENT Over/Under of FY 2012-13 PROJECTED EXPENDITURES</b>	<b>COMMENTS</b>
<b>EXPENSES</b>								
<b>FIXED ASSETS</b>								
5500SC	Capital Expenditures	47,329	45,000	105%	425,000	377,671	798%	<i>PDO Bulkhead project, attachments for excavator</i>
<b>TOTAL FIXED ASSETS</b>		<b>47,329</b>	<b>45,000</b>	<b>105%</b>	<b>425,000</b>	<b>377,671</b>	<b>798%</b>	

total expenses and capital      5,153,551      6,138,490      7,618,422

# BUDGET NARRATIVE

## WATERMASTER

### Expenses

6170WC MBK  
*Watermaster costs of MBK Engineers. SCWA pays 87.5% of costs per Settlement Agreement.*

### Revenue

4402WC Interest - Money Mgmt  
*Interest received from the cash account for the Watermaster fund.*

4960WC Watermaster Income  
*The 12.5% reimbursement from parties to Settlement Agreement.*

**PROPOSED FY 2013-2014 BUDGET - WATERMASTER**

	(a)	(b)	(c)	(d)	(e)	(f)	
<b>OPERATING BUDGET</b>	TOTAL ESTIMATED FY 2012-13 PROJECTIONS	FY 2012-13 APPROP	% of Est. FY 2012-13 Full Year Projections Compared to FY 2012-13 APPROP	PROPOSED FY 2013-14 APPROP	PROPOSED FY 2013-14 APPROP MINUS EST. FY 2012-13 PROJECTIONS	PERCENT Over/Under of FY 2012-13 PROJECTED EXPENDITURES	COMMENTS
<b>EXPENSES</b>							
6170WC MBK	\$ 35,000	\$ 35,000	100%	\$ 35,000	\$ -		
<b>TOTAL EXPENSES</b>	<b>\$ 35,000</b>	<b>\$ 35,000</b>	<b>100%</b>	<b>\$ 35,000</b>	<b>\$ -</b>	<b>0%</b>	

<b>REVENUES</b>							
4402WC Interest - Money Mgmt	\$ 5	\$ 41	12%	\$ 5	\$ -	-	
4960WC Watermaster Income	\$ 2,500	\$ 6,000	42%	\$ 4,000	\$ 1,500	60%	
<b>TOTAL REVENUES</b>	<b>\$ 2,505</b>	<b>\$ 6,041</b>	<b>41%</b>	<b>\$ 4,005</b>	<b>\$ 1,500</b>	<b>60%</b>	

# BUDGET NARRATIVE

## STATE WATER PROJECT

### Expenses

6140N

Consultant Services

*Major consultant costs are for NBA Alternate Intake Project and Research Station Grant. Variances: In FY 12/13 the State did not finish the grant contract for the Research Station Grant and costs of the consulting services were less than budgeted. In FY 13/14 the Research Grant is included and higher NBA Alternate Intake costs.*

Herum Crabtree - NBA Water Rights	\$ 20,000
Ernst & Young – SWP Audit	\$ 20,000
Water Works Consulting – Financial Analysis	\$ 1,000
County of Butte – 25% Share of Area of Origin Legal Costs	\$ (5,000)
Yuba City – 9% Share of AOO Legal Costs	\$ (1,800)
Napa County Flood Control – 22% Share of AOO Legal Costs	\$ (4,400)
CDM Inc. – North Bay Aqueduct Capacity	\$ 10,000
NBR Research Station Grant Labor Compliance	\$ 5,000
MWH America - NBA Research Station Grant	\$ 1,500,000
Other Projects	\$ 100,000
Biofilm Study	\$ 150,000
Napa Biofilm (38%) – Napa County share	\$ (57,000)
Arcadis – Water Quality	\$ 50,000
CBEC – Cache Slough Hydrodynamics	\$ 100,000
Department of Water Resources – NBA Alternate Intake	\$ 1,809,000
Napa County Flood Control – 38% of CBEC Expense	\$ (38,000)
<b>Total</b>	<b>\$ 3,658,800</b>

# BUDGET NARRATIVE

## Water Purchases

### 6700N Water Purchases

*Payments made to the State Department of Water Resources for water supply from the State Water Project. Variance: Actual DWR billings in FY 12/13 less than budget projection. FY 13/14 reflects increasing State Water Project cost.*

### 6710N Napa Make Whole

*Payment made to Napa County based on the "Napa Make Whole Agreement" funded by Fairfield, Suisun City and Vacaville. This payment is made to mitigate impacts of a change in the alignment of the North Bay Aqueduct that was detrimental to Napa County.*

## Other Services

### 6144N Hydrologic Stations

*Water quality and flow measurement stations. Variance: FY 12/13 budget reduced due to cancellation of some stations. FY 13/14 higher due to new Barker Slough Station.*

### 6551N Water Conservation

*Urban Water Conservation Expenses. Net costs split equally between Solano Project and State Water Project. Variance: Lower costs of rebate programs in FY 12/13.*

### 6161N Watershed Program

*Barker Slough water quality watershed program. Variance: Increase expense for Cache Slough water quality monitoring. Monitoring is dependent on storm events.*

## Office Expenses

### 6090N SWC Dues

*Assessment for membership in the State Water Contractors organization and State Water Project Contractors Authority.*

### 6990N Contingency

## SCWA Labor



# BUDGET NARRATIVE

6950N Labor Costs  
*Distribution of Salary and Benefit expenses for State Water Project.*

6952N Overhead Expenses  
*Distribution of SCWA Overhead for State Water Project.*

## Revenue

### Property Taxes

4001N, 4002N, 4004N, 4507N Property Taxes  
*Ad Valorem Tax rate of \$0.02 per \$100 assessed valuation, which is used for the State Water Project. Budgeted FY 13/14 revenue projection is flat per Solano County.*

### Interest

4404N, 4405N Interest  
*Interest earned from cash accounts.*

### Water Service Charges

4100N Water Sales  
*Payments by State Water Project member units for water supply from the State Water Project.*

4110N Napa Make Whole  
*Payments by the Cities of Fairfield, Suisun City and Vacaville to pay for the Napa Make Whole Agreement (see 6710N - Napa Make Whole).*

### Miscellaneous

4120N SWP Adjustments  
*Refunds from the Department of Water Resources for adjustments in prior year's State Water Project costs.*

# BUDGET NARRATIVE

4121N Prop 50 Research Station Grant  
*Revenue from Prop. 50 Research Station Grant. Grant is anticipated to be implemented in this year.*

4122N Prop 84 Intake Grant  
*Revenue from Prop.84 Alternate Intake Grant. Variance: Increase work on project expected in FY 13/14.*

## STATE WATER PROJECT CAPITAL BUDGET

### Fixed Assets

5500N Capital Expenditures  
*State Water Project Capital Assets – water quality sensor*

**PROPOSED FY 2013-2014 BUDGET - STATE WATER PROJECT**

		(a)	(b)	(c)	(d)	(e)	(f)	
<b>OPERATING BUDGET</b>		TOTAL ESTIMATED FY 2012-13 PROJECTIONS	FY 2012-13 APPROP	% of Est. FY 2012-13 Full Year Projections Compared to FY 2012-13 APPROP	PROPOSED FY 2013-14 APPROP	PROPOSED FY 2013-14 APPROP MINUS EST. FY 2012-13 PROJECTIONS	PERCENT Over/Under of FY 2012-13 PROJECTED EXPENDITURES	COMMENTS
<b>EXPENSES</b>								
<b>CONSULTANTS</b>						\$ -		
6140N	Consultant Services	\$ 1,446,112	\$ 3,054,750	47%	\$ 3,658,800	\$ 2,212,688	153%	
<b>Subtotal Consultants</b>		<b>\$ 1,446,112</b>	<b>\$ 3,054,750</b>	<b>47%</b>	<b>\$ 3,658,800</b>	<b>\$ 2,212,688</b>	<b>153%</b>	
<b>WATER PURCHASES</b>								
6700N	Water Purchases	\$ 10,636,895	\$ 11,672,000	91%	\$ 11,170,847	\$ 533,952	5%	Increaseing SWP costs
6710N	Napa Make Whole	\$ 312,000	\$ 312,000	100%	\$ 312,000	\$ -	0%	
<b>Subtotal Water Purchases</b>		<b>\$ 10,948,895</b>	<b>\$ 11,984,000</b>	<b>91%</b>	<b>\$ 11,482,847</b>	<b>\$ 533,952</b>	<b>5%</b>	
<b>OTHER SERVICES</b>								
6144N	Hydrologic Stations	\$ 5,065	\$ 11,000	46%	\$ 21,800	\$ 16,735	330%	New Barker Slough station
6551N	Water Conservation	\$ 111,191	\$ 176,125	63%	\$ 279,000	\$ 167,809	151%	Lower costs in 12/13
6161N	Watershed Program	\$ 74,036	\$ 105,250	70%	\$ 125,000	\$ 50,964	69%	Increase water quality monitoring
<b>Subtotal Other Services</b>		<b>\$ 190,292</b>	<b>\$ 292,375</b>	<b>65%</b>	<b>\$ 425,800</b>	<b>\$ 235,508</b>	<b>124%</b>	
<b>OFFICE EXPENSES</b>								
6090N	SWC Dues	\$ 86,139	\$ 85,700	101%	\$ 98,355	\$ 12,216	14%	
6990N	Contingency	\$ -	\$ 10,000	0%	\$ 10,000	\$ 10,000	--	
<b>Subtotal Office Expenses</b>		<b>\$ 86,139</b>	<b>\$ 95,700</b>	<b>90%</b>	<b>\$ 108,355</b>	<b>\$ 22,216</b>	<b>26%</b>	
<b>SCWA LABOR</b>								
6950N	Labor Costs	\$ 254,500	\$ 324,232	78%	\$ 265,100	\$ 10,600	4%	
6952N	Overhead Expenses	\$ 367,100	\$ 470,137	78%	\$ 375,600	\$ 8,500	2%	
<b>Subtotal SCWA Labor</b>		<b>\$ 621,600</b>	<b>\$ 794,369</b>	<b>78%</b>	<b>\$ 640,700</b>	<b>\$ 19,100</b>	<b>3%</b>	
<b>TOTAL EXPENSES</b>		<b>\$ 13,293,038</b>	<b>\$ 16,221,194</b>	<b>82%</b>	<b>\$ 16,316,502</b>	<b>\$ 3,023,464</b>	<b>23%</b>	

**PROPOSED FY 2013-2014 BUDGET - STATE WATER PROJECT**

	(a)	(b)	(c)	(d)	(e)	(f)	
<b>OPERATING BUDGET</b>	TOTAL ESTIMATED FY 2012-13 PROJECTIONS	FY 2012-13 APPROP	% of Est. FY 2012-13 Full Year Projections Compared to FY 2012-13 APPROP	PROPOSED FY 2013-14 APPROP	PROPOSED FY 2013-14 APPROP MINUS EST. FY 2012-13 PROJECTIONS	PERCENT Over/Under of FY 2012-13 PROJECTED EXPENDITURES	COMMENTS
<b>REVENUES</b>							
<b>PROPERTY TAXES</b>							<i>13/14 projection flat per Solano County</i>
4001N Secured	\$ 8,000,000	\$ 8,041,000	99%	\$ 8,000,000	\$ -	0%	
4002N Unsecured	\$ 297,000	\$ 300,000	99%	\$ 297,000	\$ -	0%	
4004N Current Supplemental	\$ 35,000	\$ 20,000	175%	\$ 35,000	\$ -	0%	
4507N Homeowner Relief	\$ 60,000	\$ 40,000	150%	\$ 60,000	\$ -	0%	
<b>Subtotal Property Taxes</b>	<b>\$ 8,392,000</b>	<b>\$ 8,401,000</b>	<b>100%</b>	<b>\$ 8,392,000</b>	<b>\$ -</b>	<b>0%</b>	
<b>INTEREST</b>							
4404N Interest - LAIF	\$ 8,700	\$ 11,000	79%	\$ 8,000	\$ (700)	-8%	
4405N Interest - CAMP	\$ 10,293	\$ 11,000	94%	\$ 10,000	\$ (293)	-3%	
<b>Subtotal Interest</b>	<b>\$ 18,993</b>	<b>\$ 22,000</b>	<b>86%</b>	<b>\$ 18,000</b>	<b>\$ (993)</b>	<b>-5%</b>	
<b>WATER SERVICE CHARGES</b>							
4100N Water Sales	\$ 1,328,035	\$ 1,234,050	108%	\$ 1,276,076	\$ (51,959)	-4%	
4110N Napa Make Whole	\$ 312,000	\$ 312,000	100%	\$ 312,000	\$ -	0%	
<b>Subtotal Water Service Chgs</b>	<b>\$ 1,640,035</b>	<b>\$ 1,546,050</b>	<b>106%</b>	<b>\$ 1,588,076</b>	<b>\$ (51,959)</b>	<b>-3%</b>	
<b>MISCELLANEOUS</b>							
4120N SWP Adjustments	\$ 400,000	\$ 400,000	100%	\$ 400,000	\$ -	0%	
4121N Prop 50 Rrsh Station Grant	\$ -	\$ 950,000	0%	\$ 950,000	\$ 950,000	-	<i>Project moved to 13/14</i>
4122N Prop 84 Intake Grant	\$ 657,225	\$ 862,500	76%	\$ 904,500	\$ 247,275	38%	<i>Greater work in 13/14</i>
<b>Subtotal Miscellaneous</b>	<b>\$ 1,057,225</b>	<b>\$ 2,212,500</b>	<b>48%</b>	<b>\$ 2,254,500</b>	<b>\$ 1,197,275</b>	<b>113%</b>	
<b>TOTAL REVENUES</b>	<b>\$ 11,108,253</b>	<b>\$ 12,181,550</b>	<b>91%</b>	<b>\$ 12,252,576</b>	<b>\$ 1,144,323</b>	<b>10%</b>	

<b>CAPITAL BUDGET</b>	TOTAL ESTIMATED FY 2012-13 PROJECTIONS	FY 2012-13 APPROP	% of Est. FY 2012-13 Full Year Projections Compared to FY 2012-13 APPROP	PROPOSED FY 2013-14 APPROP	PROPOSED FY 2013-14 APPROP MINUS EST. FY 2012-13 PROJECTIONS	PERCENT Over/Under of FY 2012-13 PROJECTED EXPENDITURES	COMMENTS
<b>EXPENSES</b>							
<b>FIXED ASSETS</b>							
5500N Capital Expenditures	\$ 67,050	\$ 87,000	77%	\$ 15,000	\$ (52,050)	-78%	<i>Water quality sensor</i>
<b>TOTAL FIXED ASSETS</b>	<b>\$ 67,050</b>	<b>\$ 87,000</b>	<b>77%</b>	<b>\$ 15,000</b>	<b>\$ (52,050)</b>	<b>-78%</b>	

Total expenses and capital \$ 13,360,088 \$ 16,308,194 \$ 16,331,502

# BUDGET NARRATIVE

## ULATIS FLOOD CONTROL PROJECT - OPERATING BUDGET

### Expenses

#### Channel O&M

6620U, 6650U, 6660U, 6670U, 6675U, 6680U Channel Operations & Maint.

*Costs of the Water Agency's contractor, the Solano County Resource Management Department, for maintenance of the Ulatis Flood Control Project. Variance: The work is weather related and FY 12/13 was a dry year so less work performed. Contract work reduced with purchase of long reach excavator.*

6690U Rehab & Betterment

*Rehabilitation and Betterment for Ulatis Flood Control Project. Variance: FY 12/13 budget amount overestimated.*

6320U Garage Services

*Charges by County Fleet Operations for servicing Water Agency-owned vehicles used by the County Resource Management Department. Variance: Less equipment repairs than expected in FY 12/13.*

#### Other Services

6100U Property Tax Admin Fees

*County fees to districts/cities.*

6140U Consultants

*Consultants for Ulatis Flood Control Project if needed.*

6144U Hydrologic Stations

*Operations and Maintenance of flow measuring devices.*

#### Office Expenses

6990U Contingency

*Contingency increased and O & M reduced to reflect contingency to be used for post flood repairs.*

# BUDGET NARRATIVE

## SCWA Labor

6950U Labor Costs  
*Distribution of Salary and Benefit expenses for Ulatis Flood Control Project.*

6952U Overhead Expenses  
*Distribution of SCWA Overhead for Ulatis Flood Control Project.*

## Revenue

### Property Taxes

4001U, 4002U, 4004U, 4507U Property Taxes  
*Water Agency's share of the Countywide 1% Property Tax for the Ulatis Project.  
Budgeted FY 13/14 revenue projection is flat per Solano County.*

4601U Redevelopment  
*Revenues from the Redevelopment Property Tax Trust Fund after the payment of the former redevelopment agencies obligation bonds. Variance: FY 12/13 includes on-time distributions from dissolved redevelopment agencies.*

### Interest

4404U, 4405U Interest  
*Interest earned from cash accounts.*

### Miscellaneous

4930U O&M - Other Agencies  
*Revenue from Dixon for use of the Ulatis Flood Control channels. Variance: FY 12/13 appropriation includes revenue from expired contracts.*

## ULATIS FLOOD CONTROL PROJECT CAPITAL BUDGET

### Fixed Assets

5500U Capital Expenditures  
*Capital Asset for Ulatis Flood Control Project. Long Reach Excavator*

**PROPOSED FY 2013-2014 BUDGET - ULATIS FLOOD CONTROL PROJECT**

		(a)	(b)	(c)	(d)	(e)	(f)	
<b>OPERATING BUDGET</b>		TOTAL ESTIMATED FY 2012-13 PROJECTIONS	FY 2012-13 APPROP	% of Est. FY 2012-13 Full Year Projections Compared to FY 2012-13 APPROP	PROPOSED FY 2013-14 APPROP	PROPOSED FY 2013-14 APPROP MINUS EST. FY 2012-13 PROJECTIONS	PERCENT Over/Under of FY 2012-13 PROJECTED EXPENDITURES	COMMENTS
<b>EXPENSES</b>								
<b>Channel O&amp;M</b>						\$ -		
6620U	Labor	\$ 234,700	\$ 214,700	109%	\$ 227,500	\$ (7,200)	-3%	
6650U	Weed Control	\$ 39,753	\$ 80,000	50%	\$ 80,000	\$ 40,247	101%	Bulk purchase
6660U	Equip - Trans Department	\$ 54,431	\$ 90,334	60%	\$ 87,054	\$ 32,623	60%	
6670U	Supplies	\$ 6,576	\$ 53,000	12%	\$ 23,000	\$ 16,424	250%	
6675U	Contract Work	\$ 964	\$ 70,000	1%	\$ 25,000	\$ 24,036	2493%	
6680U	Trans Dept Overhead	\$ 68,000	\$ 64,410	106%	\$ 68,250	\$ 250	0%	
6690U	Rehab & Betterment	\$ 4,567	\$ 45,000	10%	\$ 15,000	\$ 10,433	228%	
6320U	Garage Services	\$ 5,000	\$ 10,000	50%	\$ 10,000	\$ 5,000	100%	
<b>Subtotal Channel/Canal O&amp;M</b>		<b>\$ 413,991</b>	<b>\$ 627,444</b>	<b>66%</b>	<b>\$ 535,804</b>	<b>\$ 116,813</b>	<b>28%</b>	<i>Work is weather related, 12/13 dry year</i>
<b>OTHER SERVICES</b>								
6100U	PPTY Tax Admin Fees	\$ 12,104	\$ 15,000	81%	\$ 15,000	\$ 2,896	24%	
6140U	Consultants	\$ -	\$ 10,000	0%	\$ 10,000	\$ 10,000	-	
6144U	Hydrologic Stations	\$ -	\$ 2,000	0%	\$ 2,000	\$ 2,000	0%	
<b>Subtotal Other Services</b>		<b>\$ 12,104</b>	<b>\$ 27,000</b>	<b>45%</b>	<b>\$ 27,000</b>	<b>\$ 14,896</b>	<b>123%</b>	
<b>OFFICE EXPENSES</b>								
6990U	Contingency	\$ -	\$ 20,000	0%	\$ 40,000	\$ 40,000	-	
<b>Subtotal Office Expenses</b>		<b>\$ -</b>	<b>\$ 20,000</b>	<b>0%</b>	<b>\$ 40,000</b>	<b>\$ 40,000</b>	<b>-</b>	
<b>SCWA LABOR</b>								
6950U	Labor Costs	\$ 12,700	\$ 16,165	79%	\$ 13,200	\$ 500	4%	
6952U	Overhead Expenses	\$ 20,150	\$ 23,439	86%	\$ 20,500	\$ 350	2%	
<b>Subtotal Other SCWA Labor</b>		<b>\$ 32,850</b>	<b>\$ 39,604</b>	<b>83%</b>	<b>\$ 33,700</b>	<b>\$ 850</b>	<b>3%</b>	
<b>TOTAL EXPENSES</b>		<b>\$ 458,945</b>	<b>\$ 714,048</b>	<b>64%</b>	<b>\$ 636,504</b>	<b>\$ 172,559</b>	<b>38%</b>	

**PROPOSED FY 2013-2014 BUDGET - ULATIS FLOOD CONTROL PROJECT**

(a) (b) (c) (d) (e) (f)

<b>OPERATING BUDGET</b>		TOTAL ESTIMATED FY 2012-13 PROJECTIONS	FY 2012-13 APPROP	% of Est. FY 2012-13 Full Year Projections Compared to FY 2012-13 APPROP	PROPOSED FY 2013-14 APPROP	PROPOSED FY 2013-14 APPROP MINUS EST. FY 2012-13 PROJECTIONS	PERCENT Over/Under of FY 2012-13 PROJECTED EXPENDITURES	
<b>REVENUES</b>								
<b>PROPERTY TAXES</b>								<i>13/14 projection flat per Solano County</i>
4001U	Secured	\$ 648,000	\$ 649,149	100%	\$ 649,149	\$ 1,149	0%	
4002U	Unsecured	\$ 45,000	\$ 36,419	124%	\$ 45,000	\$ -	0%	
4004U	Current Supplemental	\$ 3,100	\$ 4,517	69%	\$ 3,100	\$ -	0%	
4507U	Homeowner Relief	\$ 20,000	\$ 11,738	170%	\$ 20,000	\$ -	0%	
4601U	Redevelopment-I505/I80	\$ 404,008	\$ 158,526	255%	\$ 189,201	\$ (214,807)	-53%	<i>12/13 includes one time Other Asset distribution</i>
<b>Subtotal Property Taxes</b>		<b>\$ 1,120,108</b>	<b>\$ 860,349</b>	<b>130%</b>	<b>\$ 906,450</b>	<b>\$ (213,658)</b>	<b>-19%</b>	
<b>INTEREST</b>								
4404U	Interest - LAIF	\$ 2,816	\$ 2,500	113%	\$ 2,800	\$ (16)	-1%	
4405U	Interest - CAMP	\$ 3,500	\$ 2,500	140%	\$ 3,500	\$ -	0%	
<b>Subtotal Interest</b>		<b>\$ 6,316</b>	<b>\$ 5,000</b>	<b>126%</b>	<b>\$ 6,300</b>	<b>\$ (16)</b>	<b>0%</b>	
<b>MISCELLANEOUS</b>								
4930U	O&M - Other Agencies	\$ 4,246	\$ 29,000	15%	\$ 4,000	\$ (246)	-6%	<i>Dixon contribution</i>
<b>Subtotal Miscellaneous</b>		<b>\$ 4,246</b>	<b>\$ 29,000</b>	<b>15%</b>	<b>\$ 4,000</b>	<b>\$ (246)</b>	<b>-6%</b>	
<b>TOTAL REVENUES</b>		<b>\$ 1,130,670</b>	<b>\$ 894,349</b>	<b>126%</b>	<b>\$ 916,750</b>	<b>\$ (213,920)</b>	<b>-19%</b>	

<b>CAPITAL BUDGET</b>		TOTAL ESTIMATED FY 2012-13 PROJECTIONS	FY 2012-13 APPROP	% of Est. FY 2012-13 Full Year Projections Compared to FY 2012-13 APPROP	PROPOSED FY 2013-14 APPROP	PROPOSED FY 2013-14 APPROP MINUS EST. FY 2012-13 PROJECTIONS	PERCENT Over/Under of FY 2012-13 PROJECTED EXPENDITURES	COMMENTS
<b>EXPENSES</b>								
<b>FIXED ASSETS</b>								
5500U	Capital Expenditures	\$ -	\$ -	0%	\$ 300,000	\$ 300,000	-	Long Reach Excavator
1505U	Capital Projects	\$ -	\$ -	0%	\$ -	\$ -	-	
<b>TOTAL FIXED ASSETS</b>		<b>\$ -</b>	<b>\$ -</b>	<b>0%</b>	<b>\$ 300,000</b>	<b>\$ 300,000</b>	<b>-</b>	



# BUDGET NARRATIVE

## GREEN VALLEY FLOOD CONTROL PROJECT

### Expenses

#### **Channel O&M**

6620G, 6650G, 6660G, 6670G, 6675G, 6680G Channel Operations & Maint.

*Costs of the Water Agency's contractor, the Solano County Resource Management Department, for maintenance of the Green Valley Flood Control Project. Variance: The work is weather related and FY 12/13 was a dry year so less work performed.*

6690G Rehab & Betterment

*Rehabilitation and Betterment for Green Valley Flood Control Project. Variance: Corps of Engineers required repairs planned.*

#### **Other Services**

6140G Consultants

#### **Office Expenses**

6100G Property Tax Admin Fees

*County fees to districts/cities.*

6990G Contingency

#### **SCWA Labor**

6950G Labor Costs

*Salary and Benefit expenses for Green Valley Flood Control Project.*

6952G Overhead Expenses

*Distribution of SCWA Overhead for Green Valley Flood Control Project.*

### Revenue

# BUDGET NARRATIVE

## Property Taxes

4001G, 4002G, 4004G, 4507G Property Taxes

*Water Agency's share of the Countywide 1% Property Tax, which is used for the Green Valley Project. Budgeted FY 13/14 revenue projection is flat per Solano County.*

4601G Redevelopment

*Revenues from the Redevelopment Property Tax Trust Fund after the payment of the former redevelopment agencies obligation bonds. Variance: FY 12/13 a new allocation from the dissolved redevelopment agencies and a one-time distribution.*

## Fixed Assets

5500G Capital Expenditures

*None for Fiscal Year 2013-2014.*

**PROPOSED FY 2013-2014 BUDGET - GREEN VALLEY FLOOD CONTROL**

	(a)	(b)	(c)	(d)	(e)	(f)	
<b>OPERATING BUDGET</b>	<b>TOTAL ESTIMATED FY 2012-13 PROJECTIONS</b>	<b>FY 2012-13 APPROP</b>	<b>% of Est. FY 2012-13 Full Year Projections Compared to FY 2011-12 APPROP</b>	<b>PROPOSED FY 2013-14 APPROP</b>	<b>PROPOSED FY 2013-14 APPROP MINUS EST. FY 2012-13 PROJECTIONS</b>	<b>PERCENT Over/Under of FY 2012-13 PROJECTED EXPENDITURS</b>	<b>COMMENTS</b>
<b>EXPENSES</b>							
<b>CHANNEL O&amp;M</b>							
6620G Labor	\$ 34,677	\$ 26,890	129%	\$ 26,890	\$ (7,787)	-22%	
6650G Weed Control	\$ 1,152	\$ 3,500	33%	\$ 3,500	\$ 2,348	204%	
6660G Equip - Trans Dept	\$ 10,119	\$ 9,906	102%	\$ 9,906	\$ (213)	-2%	
6670G Supplies	\$ 26	\$ 1,500	2%	\$ 1,500	\$ 1,474	--	
6675G Contract Work	\$ 580	\$ 15,000	4%	\$ 15,000	\$ 14,420	--	
6680G Trans Dept Overhead	\$ 11,097	\$ 7,827	142%	\$ 7,827	\$ (3,270)	-29%	
6690G R&B	\$ 1,626	\$ 15,000	11%	\$ 15,000	\$ 13,374	823%	
Subtotal Channel/Canal O&M	\$ 59,277	\$ 79,623	74%	\$ 79,623	\$ 20,346	34%	Work is weather related, 12/13 dry year
<b>OTHER SERVICES</b>							
6140G Consultants	\$ -	\$ 2,000	0%	\$ 2,000	\$ 2,000	-	
Subtotal Other Services	\$ -	\$ 2,000	0%	\$ 2,000	\$ 2,000	0%	
<b>OFFICE EXPENSES</b>							
6100G PPTY Tax Admin Fees	\$ 1,189	\$ 2,000	59%	\$ 1,000	\$ (189)	-16%	
6990G Contingency	\$ -	\$ 1,000	0%	\$ 1,000	\$ 1,000	--	
Subtotal Office Expenses	\$ 1,189	\$ 3,000	40%	\$ 2,000	\$ 811	68%	
<b>SCWA LABOR</b>							
6950G Labor Costs	\$ 5,835	\$ 5,326	110%	\$ 6,050	\$ 215	4%	
6952G Overhead Expenses	\$ 8,456	\$ 7,723	109%	\$ 8,600	\$ 144	2%	
Subtotal SCWA Labor	\$ 14,291	\$ 13,049	110%	\$ 14,650	\$ 359	3%	
<b>TOTAL EXPENSES</b>	<b>\$ 74,757</b>	<b>\$ 97,672</b>	<b>77%</b>	<b>\$ 98,273</b>	<b>\$ 23,516</b>	<b>31%</b>	

**PROPOSED FY 2013-2014 BUDGET - GREEN VALLEY FLOOD CONTROL**

(a) (b) (c) (d) (e) (f)

<b>OPERATING BUDGET</b>		Total Estimated FY 2012-13 Projection	FY 2012-13 APPROP	% of Est. FY 2012-13 Full Year Projections Compared to FY 2012-13 APPROP	PROPOSED FY 2013-14 APPROP	PROPOSED FY 2013-14 APPROP MINUS EST. FY 2012-13 PROJ	PERCENT Over/Under of FY 2012-13 PROJECTED EXPENDITURES	
<b>REVENUES</b>								
<b>PROPERTY TAXES</b>								<i>13/14 projection flat per Solano County</i>
4001G	Secured	\$ 49,321	\$ 56,242	88%	\$ 49,321	\$ -	0%	
4002G	Unsecured	\$ 4,400	\$ 3,918	112%	\$ 4,400	\$ -	0%	
4004G	Current Supplemental	\$ 500	\$ 490	102%	\$ 500	\$ -	0%	
4507G	Homeowner Relief	\$ 1,300	\$ 1,274	102%	\$ 1,300	\$ -	0%	
4601G	Redevelop. - Cordelia	\$ 34,512	\$ -	0%	\$ 28,698	\$ (5,814)	-17%	<i>new redevelopment allocation</i>
	Subtotal Property Taxes	\$ 90,033	\$ 61,924	145%	\$ 84,219	\$ (5,814)	-6%	
	<b>TOTAL REVENUES</b>	<b>\$ 90,033</b>	<b>\$ 61,924</b>	<b>145%</b>	<b>\$ 84,219</b>	<b>\$ (5,814)</b>	<b>-6%</b>	
<b>CAPITAL BUDGET</b>								
<b>EXPENSES</b>								
<b>FIXED ASSETS</b>					\$ -			
5500G	Capital Expenditures	\$ -	\$ -	0%	\$ -	\$ -	-	
	<b>TOTAL FIXED ASSETS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0%</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	

# BUDGET NARRATIVE

## ADMINISTRATION OPERATING BUDGET

### Expenses

#### **Salaries and Benefits**

6010AC; 6011AC; 6012AC; 6013AC Salaries and Benefits

*Salary and benefits for Water Agency employees. Variance: Increase of 10% in FY 13/14 is due to expanded intern program, increased health benefit costs and allowance for possible salary increases subject to Board approval.*

#### **Office Expenses**

6030AC Telephone

*Office and cellular phone bills.*

6040AC Office Expenses

*Miscellaneous office supplies.*

6041AC Office Equipment

*Rental/lease fees for postage & copier machines and computer costs. Variance: FY 12/13 appropriations erroneously excluded copy machine costs. Less computers purchased in FY 13/14.*

6042AC Safety Training & Equipment

*Safety training and equipment for SCWA Employees. Variance: Increased safety program.*

6043AC Temporary Office Help

*Temporary administrative assistance for data management projects. Variance: Less temporary help needed in FY 12/13.*

6050AC Postage

*Mailing costs.*

6060AC Shared Building Expense

*Office maintenance expense. Variance: Increased utility costs.*

# BUDGET NARRATIVE

6090AC Memberships

*Membership dues for Association of California Water Agencies, California Central Valley Flood Control Association, California Urban Water Conservation Council, Water Education Foundation and other memberships. Variance: Some dues not assessed in FY 12/13.*

6111AC Payroll Services

*Cost of payroll services and FSA administration costs.*

6112AC Computer Services

*Internet fees, computer management services, GIS consultants and consultant for master data management. Variance: FY 13/14 has a higher level of effort for data management projects.*

6210AC Board Expenses

*Per diem and mileage for Board members.*

6300AC Car Maintenance

*Costs associated with maintaining Agency vehicles. Variance: FY 13/14 increase due new vehicle.*

6310AC Fuel

*Gas for Water Agency office vehicles. Variance: Projected increase in fuel costs and new vehicle.*

6330AC Travel

*Travel for Water Agency staff and Board members. Variance: We budget a consistent amount for this item.*

6340AC Employee Reimbursement

*Reimbursement to employees for mileage and other miscellaneous expenditures.*

6350AC Liability Insurance

*Association of California Water Agencies/Joint Powers Insurance Authority premiums for liability, property coverage and workers compensation.*

6360AC Education and Training

*Education and training for Water Agency staff.*

6410AC Computer Software/Equip (Non-Capital)

*Purchase software upgrades and hardware. Variance: FY 13/14 proposed budget includes software for records management.*

# BUDGET NARRATIVE

## Other Services

6115AC Talent Decision Monitoring  
*Water Quality monitoring for Ulatis and Green Valley Flood Control Projects. Part reimbursed by other districts.*

6128AC Governmental Advocacy  
*Clean Tech Advocates governmental advocates.*

6140AC Consultants  
*Consultants for various projects. Variance: FY 12/13 costs higher due to work groundwater consultants were expected to perform in prior FY.*

Matson & Isom - Audit	\$ 22,700
Herum Crabtree & Brown - Legal	\$ 5,000
Westside IRWMP – Implementation Share	\$ 20,000
Other consultants	\$ 30,000
UNAVCO – Subsidence Station Monitoring	\$ 9,134
CPS – Human Resources Consulting	\$ 20,000
3QC – labor compliance	\$ 10,000
Luhdorff & Scalmanini (Groundwater Monitoring)	\$ 39,653
<b>Total</b>	<b>\$ 156,487</b>

6144AC Monitoring Stations  
*Rain and stream flow gages for flood warning program.*

6551AC Water Conservation  
*Combined Agricultural and Urban Water Conservation Program. Most costs are shared with cities and districts with the Water Agency's share 75% of costs. Member units share reimbursement of 25% shown as separate revenue (see 4970AC). One half costs of urban conservation costs are allocated to State Water Project Budget. Variance: FY 12/13 rebate program costs are less than expected. Additional grant program expense in FY 13/14.*

# BUDGET NARRATIVE

6600AC Mellon Levee

*Maintenance for Mellon Levee near Rio Vista - local responsibility for Sacramento River Flood Control system levee. Variance: State mandated improvements in FY 13/14.*

6610AC Flood Control

*Flood control planning, flood hazard public awareness program, contribution to and Dixon Regional Projects and small grant program. See breakdown of flood control projects identified at Page 42. Variance: FY 13/14 includes Dixon Area Flood Control Project.*

6612AC Public Education

*Waterways Program, Suisun Marsh Education Program and other Water, School and Public Education Programs.*

## Contingency

6990AC Contingency

## SCWA Labor

6950AC Labor Costs

*Distribution of Salary and Benefit expenses for Administration, Flood Control and Water Conservation.*

6951AC Intra-Fund Transfer

*The Administration budget (minus certain non-reimbursable expenses) is allocated as overhead to other SCWA cost centers: Solano Project, State Water Project, Ulati, Green Valley, HCP, Administration, Water Conservation, and LPCCC. The Intra-Fund transfer is the mechanism used to distribute overhead for the labor for flood control and water conservation activities.*

6952AC Overhead Expenses

*Distribution of SCWA Overhead for Administration, Flood Control and Water Conservation.*



# BUDGET NARRATIVE

## Revenues

### Reimbursement

#### 4970AC Water Conservation Reimbursement

*Member Agency 25% reimbursement of Water Conservation expenses. This account includes Urban Water Conservation Expenses and Ag Water Conservation Expenses. Variance: FY 12/13 rebate program costs are less than expected.*

#### 4972AC Misc Water Conservation Grant Reimbursements

*Grant Reimbursement for water conservation activities. Variance: FY 12/13 rebate program costs are less than expected.*

### Miscellaneous

#### 4940AC Labor Cost Reimbursements

*Clearing account for Labor Cost Distribution to Solano Project, LPCCC/SCWA, LPCCC, HCP, State Water Project, Ulati Flood Control and Green Valley Flood Control.*

## ADMINISTRATION CAPITAL BUDGET

### Fixed Assets

#### 5500AC Capital Expenditures

*IT server enhancement and a new vehicle.*

PROPOSED FY 2013-2014 BUDGET - ADMINISTRATION

		(a)	(b)	(c)	(d)	(e)	(f)	
OPERATING BUDGET		TOTAL ESTIMATED FY 2012-13 PROJECTIONS	FY 2012-13 APPROP	% of Estimated FY 2012-13 Full Year Projections Compared to FY 2012-13 APPROP	PROPOSED FY 2013-14 APPROP	PROPOSE FY 2013-14 APPROP MINUS EST. FY 2012-13 PROJECTIONS	Percent Over/Under of PROJECTED FY 2012-13 EXPENDITURES	COMMENTS
<b>EXPENSES</b>								
<b>SALARIES AND BENEFITS</b>								
6010AC	Gross Salaries	1,275,180	1,270,000	100%	1,410,000	134,820	11%	Increased intern program, potential salary adjustments
6011AC	PERS Retirement	215,953	220,000	98%	232,000	16,047	7%	
6012AC	Payroll Taxes	55,568	48,000	116%	67,000	11,432	21%	Addition of SS tax for interns
6013AC	Employee Benefits	157,243	136,960	115%	162,000	4,757	3%	12/13 APPROP erroneously excluded some benefits
<b>Subtotal Salaries &amp; Benefits</b>		<b>1,703,944</b>	<b>1,674,960</b>	<b>102%</b>	<b>1,871,000</b>	<b>167,056</b>	<b>10%</b>	
<b>OFFICE EXPENSES</b>								
6030AC	Telephone	20,000	25,000	80%	20,000	-	0%	
6040AC	Office Expense	18,785	27,000	70%	17,700	(1,085)	-6%	
6041AC	Office Equipment	23,523	8,330	282%	17,830	(5,693)	-24%	12/13 APPROP erroneously excluded copy machine cost
6042AC	Safety Training & Equipment	3,000	3,000	100%	5,650	2,650	88%	Increase intern program; enhanced safety program
6043AC	Office Help - Temporary	4,526	10,000	45%	10,000	5,474	121%	Budget for special projects if needed
6050AC	Postage	5,000	5,000	100%	5,000	-	0%	
6060AC	Shared Office Expense	33,603	33,700	100%	35,800	2,197	7%	Projecting increased utilities
6090AC	Memberships	33,705	37,465	90%	37,780	4,075	12%	
6111AC	Payroll Services	6,000	6,100	98%	6,000	-	0%	
6112AC	Computer Services	338,585	409,100	83%	369,150	30,565	9%	Increased IT support
6210AC	Board Expenses	22,000	20,000	110%	22,000	-	0%	
6300AC	Car Maintenance	12,639	12,000	105%	14,000	1,361	11%	Additional vehicle
6310AC	Fuel	22,000	22,000	100%	25,000	3,000	14%	Project increased fuel costs; new vehicle
6330AC	Travel	4,000	5,000	80%	5,000	1,000	25%	Consistent budget amount
6340AC	Employee Reimbursements	4,110	4,110	100%	4,000	(110)	-3%	
6350AC	Liability Insurance	39,047	46,000	85%	40,000	953	2%	
6360AC	Education & Training	7,000	10,000	70%	8,000	1,000	14%	
6410AC	Comp Software/Equip (Non-Capital)	25,306	38,000	67%	70,500	45,194	179%	Records Management Project; increase license fees
<b>Subtotal Office Expenses</b>		<b>622,829</b>	<b>721,805</b>	<b>86%</b>	<b>713,410</b>	<b>90,581</b>	<b>15%</b>	
<b>OTHER SERVICES</b>								
6115AC	Talent Decision Monitoring	13,125	13,125	100%	14,375	1,250	10%	
6128AC	Governmental Advocacy	65,000	68,500	95%	65,000	-	0%	
6140AC	Consultants	261,954	185,124	142%	156,487	(105,467)	-40%	Increased material costs and additional sensors for due to delayed deep well construction in 12/13
6144AC	Hydrologic Stations	13,400	15,600	86%	15,100	1,700	13%	
6551AC	Water Conservation	786,586	1,141,875	69%	950,000	163,414	21%	Rebate costs less than expected in 12/13
6600AC	Mellon Levee	5,850	4,000	146%	16,000	10,150	174%	Improvement project in 13/14
6610AC	Flood Control	87,435	321,000	27%	622,000	534,565	611%	See Page 42 - Dixon project
6612AC	Public Education	110,000	110,000	100%	112,000	2,000	2%	
<b>Subtotal Other Services</b>		<b>1,343,350</b>	<b>1,859,224</b>	<b>72%</b>	<b>1,950,962</b>	<b>607,612</b>	<b>45%</b>	
<b>CONTINGENCY</b>								
6990AC	Contingency	-	10,000	0%	10,000	10,000	-	
<b>Subtotal Contingency</b>		<b>-</b>	<b>10,000</b>	<b>0%</b>	<b>10,000</b>	<b>10,000</b>	<b>-</b>	
<b>SCWA LABOR</b>								
6950AC	Labor Costs	146,000	62,842	232%	152,500	6,500	4%	Labor costs for IRWMP not included in 12/13 APPROP
6951AC	Intra-Fund Transfer	(357,500)	(153,962)	232%	(369,000)	(11,500)	3%	
6952AC	Overhead Expenses	211,500	91,120	232%	216,500	5,000	2%	OH costs for IRWMP not included in 12/13
<b>Subtotal SCWA Labor</b>		<b>-</b>	<b>-</b>	<b>0%</b>	<b>-</b>	<b>-</b>	<b>0%</b>	
<b>TOTAL EXPENSES</b>		<b>3,670,123</b>	<b>4,265,989</b>	<b>86%</b>	<b>4,545,372</b>	<b>875,249</b>	<b>24%</b>	Dixon Flood Project Impact

PROPOSED FY 2013-2014 BUDGET - ADMINISTRATION

(a) (b) (c) (d) (e) (f)

OPERATING BUDGET		TOTAL ESTIMATED FY 2012-13 PROJECTIONS	FY 2012-13 APPROP	% of Estimated FY 2011-12 Full Year Projections Compared to FY 2012-13 APPROP	PROPOSED FY 2013-14 APPROP	PROPOSED FY 2013-14 APPROP MINUS EST. FY 2012-13 PROJECTIONS	Percent Over/Under of PROJECTED FY 2012-13 EXPENDITURES	COMMENTS
<b>REVENUES</b>								
<b>REIMBURSEMENT</b>								
4970AC	Water Conservation Reimbursement	99,220	134,500	74%	101,000	1,780	2%	
4977AC	Water Conservation Grant Reimbursement	486,175	731,250	66%	490,000	3,825	1%	
Subtotal Reimbursement		585,395	865,750	68%	591,000	5,605	1%	
<b>MISCELLANEOUS</b>								
4940AC	Labor & Overhead Distribution Reimbu	2,002,741	2,323,193	86%	2,150,050	147,309	7%	
Subtotal Miscellaneous		2,002,741	2,323,193	86%	2,150,050	147,309	7%	
TOTAL REVENUES		2,588,136	3,188,943	81%	2,741,050	152,914	6%	

CAPITAL BUDGET		TOTAL ESTIMATED FY 2012-13 PROJECTIONS	FY 2012-13 APPROP	% of Estimated FY 2012-13 Full Year Projections Compared to FY 2012-13 APPROP	PROPOSED FY 2013-14 APPROP	PROPOSED FY 2013-14 APPROP MINUS EST. FY 2012-13 PROJECTIONS	Percent Over/Under of PROJECTED FY 2012-13 EXPENDITURES	COMMENTS
<b>EXPENSES</b>								
<b>FIXED ASSETS</b>								
5500AC	Capital Expenditures	56,575	75,600	75%	40,000	(16,575)	-29%	Server and car
		-	-	0%	-	-	0%	
TOTAL FIXED ASSETS		56,575	75,600	75%	40,000	(16,575)	-29%	

Total expenses and capital 3,726,698 4,341,589 4,585,372

## SUMMARY OF FUND BALANCE

How to read these tables....

On page 41 the table shows the status of the Water Agency fund balance from the beginning of the current fiscal year (FY 2012-2013) through the end of the next fiscal year (FY 2013-2014).

The top half starts with the fund balance at the beginning of the current fiscal year (FY 2012-2013). The second and third columns are the estimated final revenue and expenses for the fiscal year 2012-2013. The fourth column shows the carryover (or deficit, if the number is in parenthesis) for each of the four funds for FY 2012-2013. The last column is the estimated fund balance at the end of FY 2012-2013. This is simply calculated by adding (or subtracting, if negative) the carryover column to the first column.

For the bottom half of the chart, the first column is the amounts from the last column in the upper half of the chart. It is the estimated fund balance at the beginning of FY 2013-2014. The second and third columns are the budgeted revenues and expenses for FY 2013-2014. The other columns are the estimated carryover (or deficit) and the estimated fund balance at the end of FY 2013-2014.

Note: The Solano Project category also includes some expenses and revenues listed in the Administration budget that are not distributed as SCWA overhead. These items include flood control and water conservation programs.

## SUMMARY OF FUND BALANCE

### FY 2012-13

	Fund Balance at June 30, 2012	Total Estimated FY 12-13 Revenue	Total Estimated FY 12-13 Expenses	Carryover	Projected Fund Balance End FY 12-13
Solano Project	\$ 17,408,858	\$ 10,194,553	\$ 8,915,249	\$ 1,279,304	\$ 18,688,162
SWP	\$ 14,228,224	\$ 11,108,253	\$ 13,360,088	\$ (2,251,835)	\$ 11,976,389
Ulati	\$ 3,247,031	\$ 1,130,670	\$ 458,945	\$ 671,725	\$ 3,918,756
Green Valley	\$ (72,747)	\$ 90,033	\$ 74,757	\$ 15,276	\$ (57,471)
<b>Total</b>	<b>\$ 34,811,366</b>	<b>\$ 22,523,509</b>	<b>\$ 22,809,039</b>	<b>\$ (285,530)</b>	<b>\$ 34,525,836</b>

### FY 2013-14

	Projected Fund Balance Beg. FY 13-14	Budgeted FY 13-14 Revenue	Budgeted FY 13-14 Expenses	Carryover	Projected Fund Balance End FY 13-14
Solano Project	\$ 18,688,162	\$ 10,229,212	\$ 12,238,794	\$ (2,009,582)	\$ 16,678,580
SWP	\$ 11,976,389	\$ 12,252,576	\$ 16,331,502	\$ (4,078,926)	\$ 7,897,463
Ulati	\$ 3,918,756	\$ 916,750	\$ 936,504	\$ (19,754)	\$ 3,899,002
Green Valley	\$ (57,471)	\$ 84,219	\$ 98,273	\$ (14,054)	\$ (71,525)
<b>Total</b>	<b>\$ 34,525,836</b>	<b>\$ 23,482,757</b>	<b>\$ 29,605,073</b>	<b>\$ (6,122,316)</b>	<b>\$ 28,403,520</b>

**FY 2013-2014 Flood Control Budget (May 28, 2013)**

<b>BUDGET</b>	<b>AMOUNT \$</b>	<b>NOTES</b>
Flood Awareness/Small Project Grant Admin	\$30,000	Solano RCD costs
Small Grant Program	\$50,000	
Dixon Watershed Project Implementation	\$500,000	Contributions for New South Channel Project (Contractual commitment)
Stream & Rain Gage Equipment	\$15,100	Flood Forecasting program & existing stations
Sweeney Creek Home Raising	\$25,000	
Watershed Plans	\$15,000	
FCAC Costs	\$2,000	
SCWA staff	\$55,000	SCWA staff costs to programs
<b>TOTAL</b>	<b>\$692,100</b>	

**SOLANO PROJECT REHABILITATION AND BETTERMENT PLAN**

<b>Item No.</b>	<b>Tier #</b>	<b>Description</b>	<b>Mgmt by</b>	<b>Total Amt.</b>	<b>Planned 2013-14</b>	<b>Proposed 2014-15</b>	<b>Proposed 2015-16</b>	<b>Proposed 2016-17</b>	<b>Proposed 2017-18</b>
1	0	PSC Security Fencing	PDO	\$0	\$0	\$0	\$0	\$0	\$0
2	0	Fiber Optics and Communications	SCWA	\$500,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
3	0	Road Gravel and Turn-around Improvements	PDO	\$275,000	\$75,000	\$50,000	\$50,000	\$50,000	\$50,000
4	0	PSC Drainage Rehab and Improve	PDO	\$150,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000
5	0	PSC Panel Replacement	PDO	\$350,000	\$50,000	\$100,000	\$100,000	\$50,000	\$50,000
6	1	Road Rehab	PDO	\$40,000	\$40,000	\$0	\$0	\$0	\$0
7	1	PSC Lighting Rehab	PDO	\$20,000	\$20,000	\$0	\$0	\$0	\$0
8	1	PDO Storage Parking Expansion	SCWA	\$75,000	\$75,000	\$0	\$0	\$0	\$0
9	1	PSC Heaswork Screen	SCWA	\$700,000	\$200,000	\$500,000			
10	2	Putah Diversion Dam Gate Rehab	PDO	\$280,000	\$100,000	\$30,000	\$50,000	\$50,000	\$50,000
11	2	Rockslide Area Protection	SCWA	\$650,000	\$650,000	\$0	\$0	\$0	\$0
12	2	Reservoir Lane/Terminal Reservoir Paving	SCWA	\$300,000	\$0	\$200,000	\$100,000	\$0	\$0
				<b>\$3,340,000</b>	<b>\$1,340,000</b>	<b>\$1,010,000</b>	<b>\$430,000</b>	<b>\$280,000</b>	<b>\$280,000</b>

S10.R&Bprogram-FY2013

**Solano County Water Agency**  
**Reserve Fund - FY 13/14**

		RESERVE FUND FY 12/13 Approved December 2012	Change	Recommended RESERVE FUND FY 13/14 June 2013
<b>Solano Project</b>				
Solano Project Operating Reserves		\$ 3,500,000	(627,000)	\$ 2,873,000
Solano Project Rehabilitation & Betterment Reserve <sup>1</sup>		3,360,000	(1,360,000)	2,000,000
Solano Project Capital Reserve		7,604,013	2,930,042	10,534,055
Putah South Canal Power line	750,000			
Putah Diversion Office Solar Installation	100,000			
Terminal Dam Seismic Retrofit (SCWA 15% share)	6,000,000			
Putah South Canal Sediment Management - est	10,000,000			
	16,850,000			
<b>Solano Project Subtotal</b>		14,464,013	943,042	15,407,055
<b>State Water Project</b>				
State Water Project Operating Reserves		5,259,614	213,386	5,473,000
State Water Project Capital Reserve		4,738,924	(2,314,461)	2,424,463
<b>State Water Project Subtotal</b>		9,998,538	(2,101,075)	7,897,463
<b>Ulatis Project</b>				
Ulatis Project Control Project Operating Reserve		250,000	(15,000)	235,000
Ulatis Flood Control Project Capital Reserve		3,153,177	510,825	3,664,002
Giant Garner Snake Preserve (cost shared)	1,400,000			
30 Grade Control Structures	750,000			
All Weather Access Improvements	500,000			
Spoil Easement Purchases	100,000			
Heavy Equipment Acquisitions	100,000			
	2,850,000			
<b>Ulatis Project Subtotal</b>		3,403,177	495,825	3,899,002
<b>Green Valley Project</b>				
Green Valley Flood Control Project Operating Reserve		51,835	(51,835)	-
Green Valley Flood Control Project Capital Reserve				
<b>Green Valley Project Subtotal</b>		51,835	(51,835)	
Other Flood Control Projects		200,000	-	200,000
Emergency Reserve		1,000,000	-	1,000,000
	<b>Total</b>	\$ 29,117,563	(714,043)	\$ 28,403,520

Notes

1. Include R & B projects planned for the next 4 years



December 17, 2010

Members of the Board of Directors  
Solano County Water Agency  
Elmira, California

We have audited the financial statements of Solano County Water Agency (Agency) for the year ended June 30, 2010. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards*), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated May 28, 2010. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Agency are described in Note 1 to the financial statements.

- As described in Note 1 to the financial statements, the Agency changed accounting policies related to postemployment benefits other than pensions (OPEB) by adopting Statement of Governmental Accounting Standards Board (GASB Statement) No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* in the current year.
- As described in Note 1 to the financial statements, the Agency changed the presentation of fund financial data as they determined all funds should be presented as governmental activities rather than business-type activities.

We noted no transactions entered into by the Agency during the year for which there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was the estimate for accrued benefits and compensated absences.

Management's estimate for accrued benefits and compensated absences was based on hours earned through June 30, 2010 multiplied by the employees' pay rate at June 30, 2010. We evaluated the key factors and assumptions used to develop these estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarized uncorrected misstatements of the financial statements. Management has determined that the effect is immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The following material misstatement detected as a result of audit procedures was corrected by management: Management had booked a \$1.4 million liability and asset associated with a condominium purchase made after fiscal year end. We proposed a journal entry to remove this transaction from the June 30, 2010 financial records.

#### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 17, 2010.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Agency's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### *Other Audit Findings or Issues*

We identified a significant deficiency in internal control during our audit. See the Schedule of Findings in the financial statement document for more information.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Agency's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Board of Directors and management of Solano County Water Agency and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

*Nystrom & Company LLP*

NYSTROM & COMPANY LLP  
Certified Public Accountants

Passed Adjusting Journal Entries  
 Solano County Water Agency  
 June 30, 2010

PAJE No.	Account Description	W/P Ref	Account Number	Asset	Liability	Equity	Revenue Expense
1	WATER SALES	BB-1	4100SC				35,202.00
1	FUND BALANCE AVAIL		3000SC			-35,202.00	
To record prior period adjustment for water sales revenue.							
2	Prior Period Adjustment	F-6	3999-99			8,040.00	
2	General Fixed Assets		1500-99	-49,506.00			
2	General Fixed Assets - Accum Depr		1600-99	41,466.00			
To remove government-owned assets identified after completion of audit.							
PAJE Totals By Classification				-8,040.00	0.00	-27,162.00	35,202.00
Classification Totals Before PAJE				41,315,080.00	-2,594,265.00	-39,018,201.00	297,386.00

SOLANO COUNTY WATER AGENCY

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Solano County Water Agency  
Elmira, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Solano County Water Agency (Agency) as of and for the year ended June 30, 2010, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements and Reporting Guidelines for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Agency as of June 30, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America as well as the accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2010, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Nystrom & Company LLP*

December 17, 2010



**SOLANO COUNTY WATER AGENCY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2010**

The following discussion and analysis of the Solano County Water Agency's (Agency) financial performance provides an overview of the Agency's financial activities for the fiscal year ending June 30, 2010. This information is presented in conjunction with the audited financial statements.

**FINANCIAL HIGHLIGHTS**

Fiscal Year 2010 had no unexpected financial events that affected the Agency finances. Although the Agency continues with a revenue base that exceeds expenses, thereby increasing the Agency's reserves, the rate of this increase has significantly declined in fiscal year 2010 when compared to previous years due to lowered assessed property values resulting in decreased property tax revenues.

Agency management determined that activities of the Agency should be presented as four separate governmental funds in the basic financial statements. Previously, the Agency reported all activities under one enterprise fund. Also, during the current year it was determined that certain capital assets owned by other governments were previously capitalized by the Agency and were removed and that some grant revenues had been recorded twice. The effect of these events is a restatement of prior year financial statements for comparative purposes. Additional information regarding these prior period adjustment can be found in Note 14 to the financial statements.

**OVERVIEW OF THE BASIC FINANCIAL STATEMENTS**

The basic financial statements consist of three parts: Government-wide Financial Statements, Fund Financial Statements, and Notes to the Financial Statements.

The government-wide financial statements are prepared using the accrual basis of accounting. They present all the assets and liabilities of the Agency, with the difference reported as net assets. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The fund financial statements are prepared using the modified accrual basis of accounting. They present the assets and liabilities of the Agency that are expected to be generated by or used for near-term inflows or outflows, with the difference reported as fund balance. Changes in fund balance are reported if they will have an effect on the near-term cash flow of the Agency.

The notes provide additional information that is essential to the reader for a full understanding of the data provided in the government-wide and fund financial statements.

# SOLANO COUNTY WATER AGENCY

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010

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### NET ASSETS

The *Statement of Net Assets* presents the financial position of the Agency on a full accrual historical cost basis and provides information about the nature and amount of resources and obligations at year end. It also provides the basis for computing rate of return, evaluating the capital structure of the Agency and assessing the liquidity and financial flexibility of the Agency.

The following Table A-1 summarizes the Statement of Net Assets for the fiscal years ending June 30, 2010 and June 30, 2009 (restated):

**Table A-1  
Statement of Net Assets**

	<u>FY 2010</u>	<u>FY 2009 (Restated)</u>
Current and other assets	\$ 36,874,212	\$ 38,043,092
Capital assets	<u>4,352,939</u>	<u>3,970,308</u>
<b>Total assets</b>	<u>41,227,151</u>	<u>42,013,400</u>
Current liabilities	1,726,466	2,947,015
Non-current liabilities	<u>212,624</u>	<u>48,184</u>
<b>Total liabilities</b>	<u>1,939,090</u>	<u>2,995,199</u>
Invested in capital assets	4,352,939	3,970,308
Restricted	<u>34,935,122</u>	<u>35,047,893</u>
<b>Total net assets</b>	<u>\$ 39,288,061</u>	<u>\$ 39,018,201</u>

The net assets increased \$0.3 million to \$39.3 million in fiscal year 2010 up from \$39.0 million (restated) in fiscal year 2009. Net assets invested in capital assets, increased about \$0.4 million reflecting capital assets completed in 2010. Unrestricted net assets decreased by \$0.1 million or 0.3% which is a result of decreased property tax revenue. Approximately 12% of the Agency's net assets reflects its investment in capital assets (e.g., land, building, machinery and equipment). The Agency uses these capital assets to provide services to the Agency; consequently, these assets are not available for future spending.

**SOLANO COUNTY WATER AGENCY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010**

---

**CHANGES IN NET ASSETS**

The Statement of Net Assets is a snapshot that shows assets, liabilities and net assets at a specific point in time. The Statements of Activities provides information on the nature and source of these assets represented on the Statement of Net Assets. This statement shows that revenues exceeded expenses by \$269,860 for fiscal year 2010.

The following Table A-2 summarizes The Statement of Activities for the fiscal years ending June 30, 2010 and June 30, 2009:

**Table A-2  
Statement of Activites**

	<u>FY 2010</u>	<u>FY 2009 (Restated)</u>
<b>Revenues</b>		
<b>Program Revenues</b>		
Charges for Services/Water sales refunds	\$ 2,337,338	\$ 808,681
Operating grants & contributions	719,716	413,326
<b>General Revenues</b>		
Property taxes	15,776,747	17,453,422
Investment earnings	143,375	647,309
Gain (Loss) on disposal of assets	<u>(56,534)</u>	<u>(11,100)</u>
<b>Total Revenues</b>	<u>18,920,642</u>	<u>19,311,638</u>
<b>Expenses</b>		
Solano Project	7,686,327	6,566,195
State Water Project	10,334,653	9,677,897
Ulatis Flood Control	561,617	707,434
Green Valley Flood Control	<u>68,185</u>	<u>28,284</u>
<b>Total Expenses</b>	<u>18,650,782</u>	<u>16,979,810</u>
<b>Increase in Net Assets</b>	269,860	2,331,828
Net Assets, beginning of year	<u>39,018,201</u>	<u>36,686,373</u>
Net Assets, ending of year	<u>\$ 39,288,061</u>	<u>\$ 39,018,201</u>

## SOLANO COUNTY WATER AGENCY

### MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010

---

Ending net assets totaled \$39.3 million at June 30, 2010 or an increase in net assets of \$0.3 million or 0.7% from June 30, 2009. Total revenues were lower by \$0.4 million or 2% during the fiscal year 2010 compared to 2009, totaling \$18.9 million. Property tax revenues decreased in fiscal year 2010 compared to 2009 by \$1.7 million or 10% due to lower assessed values. This decrease was offset by an increase in Charges for Services/Water Sales Refunds of \$1.5 million to \$2.3 million from \$0.8 million due to refunds in fiscal year 2009 to member agencies due to the pay off of Solano Project debt and overpayments of State Water Project costs. Grant revenues increased \$0.3 million or 74% from June 30, 2009 due to services performed on the California Rivers Parkway and Winters Area Project grants. Total Expenditures increased by \$1.7 million or 10% to \$18.7 million in 2010 from \$17 million in 2009 primarily due to the increase in consultant and contractors costs for the PDO compound and charges from the State for the North Bay Aqueduct Alternate Intake Project.

### CAPITAL ASSETS

The Agency's capital assets, net of accumulated depreciation, consist mainly of ground monitoring wells and improvements (such as the Cement Hill By-Pass) and other capital projects. The Agency continues to add new water monitoring equipment and field equipment as part of its water supply and flood control operations. The increase in capital assets is principally from installation of groundwater monitoring wells. Note that the purchase of the new SCWA office is not included in FY 2010 since the title transfer was not completed in FY 2011.

**Table A-3  
Capital Assets**

	<u>FY 2010</u>	<u>FY 2009</u>
Cement Hill Bypass land (not being depreciated)	\$ 148,898	\$ 148,898
Construction in progress/capital construction	-	1,225,739
Cement Hill Bypass land improvements	2,535,494	2,535,494
Water monitoring equipment	2,113,607	394,759
Machinery and field equipment	545,503	499,503
Furniture, fixtures, and office equipment	75,290	83,598
Subtotal	<u>5,418,792</u>	<u>4,887,991</u>
Less accumulated depreciation	<u>(1,065,853)</u>	<u>(917,683)</u>
	<u>\$ 4,352,939</u>	<u>\$ 3,970,308</u>

Additional information about the capital assets can be found in Note 4 to the financial statements.

**SOLANO COUNTY WATER AGENCY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010**

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**FINANCIAL ANALYSIS OF AGENCY FUNDS**

The following Table A-4 summarizes the Changes in Fund Balance for the Governmental Funds:

**Table A-4  
Changes In Fund Balance - Governmental Funds**

	<u>Solano Project</u>	<u>State Water Project</u>	<u>Ulatis Flood Control</u>	<u>Green Valley Flood Control</u>
<b>Revenues:</b>				
Water Sales	\$ 199,326	\$ 1,804,112	\$ -	\$ -
Property taxes	5,785,280	8,518,640	843,682	61,899
Investment Earnings	78,966	54,100	10,080	229
Intergovernmental	719,716	-	-	-
Other Income	32,651	-	29,563	-
<b>Total Revenues</b>	<u>6,815,939</u>	<u>10,376,852</u>	<u>883,325</u>	<u>62,128</u>
<b>Expenditures:</b>				
Water purchases	183,061	7,291,647	-	-
Operations and maintenance	3,315,364	6,009	484,246	51,945
Administration and general	1,597,341	834,984	62,248	16,240
Conservation and flood control	1,027,021	222,982	-	-
Engineering	1,194,028	1,976,248	-	-
Capital Outlay	603,246	28,719	25,125	-
<b>Total Expenses</b>	<u>7,920,061</u>	<u>10,360,589</u>	<u>571,619</u>	<u>68,185</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(1,104,122)</b>	<b>16,263</b>	<b>311,706</b>	<b>(6,057)</b>
<b>Fund Balance, beginning of year, as restated</b>	<u>20,070,021</u>	<u>13,085,406</u>	<u>2,059,787</u>	<u>(85,517)</u>
<b>Fund Balance, end of year</b>	<u>\$ 18,965,899</u>	<u>\$ 13,101,669</u>	<u>\$ 2,371,493</u>	<u>\$ (91,574)</u>

## **SOLANO COUNTY WATER AGENCY**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010**

---

**Solano Project** – As of June 30, 2010 the Solano Project reported an ending fund balance of \$19 million, a decrease of \$1.1 million from 2009. This was due to an increase in expenditures for the new PDO compound, lower property taxes, and Proposition 1A borrowing.

**State Water Project** - As of June 30, 2010 the State Water Project reported ending fund balance of \$13.1 million, an increase from 2009 of \$16,263. Although the State Water Project continues with a revenue base that exceeds expenses, thereby increasing the fund balance, the rate of this increase has significantly declined in fiscal year 2010 when compared to previous years due to lowered assessed property values resulting in decreased property tax revenues. This fund also had increased expenditures during the fiscal year ending June 30, 2010 due to the North Bay Aqueduct Alternate Intake project.

**Ulatis Flood Control Zone 1**- As of June 30, 2010 the Ulatis Flood Control reported an ending fund balance of \$2.3 million, an increase of \$311,706 from 2009. The property tax revenues continue to exceed expenses for this fund.

**Green Valley Flood Control Zone 2** - As of June 30, 2010 the Green Valley Flood Control reported ending fund balance of (\$91,574), a decrease of (\$6,057) from 2009 due to property tax revenue decreasing from 2009 due to lower assessed values.

### **ECONOMIC FACTORS AND RATES**

During 2003, the Agency developed a Capital Project Funding Plan that looks at capital project needs for a five year horizon. There are a few major projects that have uncertainties regarding if and when they will be funded and at what level. The Capital Project Funding Plan will be helpful in budgeting capital projects.

Water rates charged by the Agency to cities, districts and agencies are fixed by contract and do not change in relationship to the Agency's expenditures or revenues. Capital costs for the Solano Project has been paid off therefore, Solano County Water Agency will no longer remit annual water entitlement payments to the United States Bureau of Reclamation for Solano Project water, and therefore will not be charging for Solano Project water supply for most of its member units.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the finances for the Solano County Water Agency. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the General Manager, P.O. Box 349, Elmira CA 95625.

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SOLANO COUNTY WATER AGENCY  
STATEMENT OF NET ASSETS  
JUNE 30, 2010

**ASSETS**

**Current assets:**

Cash and cash equivalents	\$ 33,966,192
Receivables	2,888,258
Interest receivable	10,821
Other current assets	8,941
	<u>36,874,212</u>

**Noncurrent assets:**

Non-depreciable capital assets	148,898
Depreciable capital assets, net	4,204,041
	<u>4,352,939</u>
<b>Total noncurrent assets</b>	<u>4,352,939</u>
<b>Total assets</b>	<u><u>\$ 41,227,151</u></u>

**LIABILITIES**

**Current liabilities:**

Accounts payable	\$ 1,256,540
Accrued liabilities	9,460
Compensated absences, current	95,053
Deferred income	365,413
	<u>1,726,466</u>

**Noncurrent liabilities:**

Other postemployment benefits obligation	163,657
Compensated absences, noncurrent	48,967
	<u>212,624</u>
<b>Total noncurrent liabilities</b>	<u>212,624</u>
<b>Total liabilities</b>	<u>1,939,090</u>

**NET ASSETS**

Investment in capital assets, net of related debt	4,352,939
Unrestricted	34,935,122
	<u>39,288,061</u>
<b>Total net assets</b>	<u>39,288,061</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 41,227,151</u></u>

The accompanying notes are an integral  
part of these financial statements.



SOLANO COUNTY WATER AGENCY  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
<b>Primary Government:</b>				
<b>Governmental activities:</b>				
Solano Project	\$ 7,686,327	\$ 325,092	\$ 719,716	\$ (6,641,519)
State Water Project	10,334,653	1,982,683	-	(8,351,970)
Ulatis Flood Control	561,617	29,563	-	(532,054)
Green Valley Flood Control	68,185	-	-	(68,185)
<b>Total governmental activities</b>	<u>18,650,782</u>	<u>2,337,338</u>	<u>719,716</u>	<u>(15,593,728)</u>
<b>Total primary government</b>	<u>\$ 18,650,782</u>	<u>\$ 2,337,338</u>	<u>\$ 719,716</u>	<u>(15,593,728)</u>
<b>General revenues and transfers:</b>				
General revenues:				
Property taxes				15,776,747
Investment earnings				143,375
Loss on disposal of capital assets				<u>(56,534)</u>
<b>Total general revenues and transfers</b>				<u>15,863,588</u>
<b>Change in net assets</b>				269,860
<b>Net assets, beginning of year, as restated</b>				<u>39,018,201</u>
<b>Net assets, end of year</b>				<u>\$ 39,288,061</u>

The accompanying notes are an integral  
part of these financial statements.

SOLANO COUNTY WATER AGENCY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010

	Solano Project	State Water Project	Ulatis Flood Control	Green Valley Flood Control	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 18,444,722	\$ 12,954,634	\$ 2,457,433	\$ 109,403	\$ 33,966,192
Receivables	1,972,536	840,299	69,797	5,626	2,888,258
Interest receivable	5,595	4,498	728	-	10,821
Other assets	8,941	-	-	-	8,941
<b>Total assets</b>	<b>\$ 20,431,794</b>	<b>\$ 13,799,431</b>	<b>\$ 2,527,958</b>	<b>\$ 115,029</b>	<b>\$ 36,874,212</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 1,007,617	\$ 153,778	\$ 94,168	\$ 977	\$ 1,256,540
Accrued liabilities	9,460	-	-	-	9,460
Deferred income	648,818	543,984	62,297	5,626	1,260,725
Due to (from) other funds	(200,000)	-	-	200,000	-
<b>Total liabilities</b>	<b>1,465,895</b>	<b>697,762</b>	<b>156,465</b>	<b>206,603</b>	<b>2,526,725</b>
<b>FUND BALANCE</b>					
Unreserved	18,965,899	13,101,669	2,371,493	(91,574)	34,347,487
<b>Total fund balance</b>	<b>18,965,899</b>	<b>13,101,669</b>	<b>2,371,493</b>	<b>(91,574)</b>	<b>34,347,487</b>
<b>Total liabilities and fund balance</b>	<b>\$ 20,431,794</b>	<b>\$ 13,799,431</b>	<b>\$ 2,527,958</b>	<b>\$ 115,029</b>	<b>\$ 36,874,212</b>

The accompanying notes are an integral  
part of these financial statements.

SOLANO COUNTY WATER AGENCY  
RECONCILIATION OF FUND BALANCE TO NET ASSETS  
JUNE 30, 2010

Total fund balance included in the Balance Sheet - Governmental Funds		\$ 34,347,487
Assets recorded within the Statement of Net Assets not reported in the funds:		
Non-depreciable capital assets		148,898
Depreciable capital assets	\$ 5,269,894	
Accumulated depreciation	<u>(1,065,853)</u>	4,204,041
Liabilities recorded within the Statement of Net Assets not reported in the funds:		
Compensated absences		(144,020)
Other postemployment benefits obligation		(163,657)
Long term assets not available to pay for current period expenditures are deferred in the funds:		
Deferred income		<u>895,312</u>
Net assets reported within the Statement of Net Assets - Governmental Activities		<u><u>\$ 39,288,061</u></u>

The accompanying notes are an integral  
part of these financial statements.

SOLANO COUNTY WATER AGENCY  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2010

	Solano Project	State Water Project	Ulatis Flood Control	Green Valley Flood Control	Total
<b>REVENUES:</b>					
Property taxes	\$ 5,785,280	\$ 8,518,640	\$ 843,682	\$ 61,899	\$ 15,209,501
Charges for services	199,326	1,804,112	-	-	2,003,438
Investment earnings	78,966	54,100	10,080	229	143,375
Intergovernmental revenues	719,716	-	-	-	719,716
Other income	32,651	-	29,563	-	62,214
<b>Total revenues</b>	<b>6,815,939</b>	<b>10,376,852</b>	<b>883,325</b>	<b>62,128</b>	<b>18,138,244</b>
<b>EXPENDITURES:</b>					
Current:					
Water purchases	183,061	7,291,647	-	-	7,474,708
Operations and maintenance	3,315,364	6,009	484,246	51,945	3,857,564
Administration and general	1,597,341	834,984	62,248	16,240	2,510,813
Conservation and flood control	1,027,021	222,982	-	-	1,250,003
Engineering	1,194,028	1,976,248	-	-	3,170,276
Capital outlay	603,246	28,719	25,125	-	657,090
<b>Total expenditures</b>	<b>7,920,061</b>	<b>10,360,589</b>	<b>571,619</b>	<b>68,185</b>	<b>18,920,454</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(1,104,122)</b>	<b>16,263</b>	<b>311,706</b>	<b>(6,057)</b>	<b>(782,210)</b>
<b>FUND BALANCE, BEGINNING OF YEAR, as restated</b>	<b>20,070,021</b>	<b>13,085,406</b>	<b>2,059,787</b>	<b>(85,517)</b>	<b>35,129,697</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 18,965,899</b>	<b>\$ 13,101,669</b>	<b>\$ 2,371,493</b>	<b>\$ (91,574)</b>	<b>\$ 34,347,487</b>

The accompanying notes are an integral  
part of these financial statements.

SOLANO COUNTY WATER AGENCY  
RECONCILIATION OF CHANGES IN FUND BALANCE  
TO CHANGE IN NET ASSETS  
YEAR ENDED JUNE 30, 2010

Total net change in fund balance included in the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds		\$ (782,210)
<p>Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>		
Capital outlay		657,090
Depreciation expense		(217,925)
Disposal of capital assets		(56,534)
<p>Some revenues in the Statement of Activities do not provide current financial resources and, therefore, are not reported as revenues in the governmental funds:</p>		
Water sales	\$ 271,686	
Property taxes	<u>567,246</u>	838,932
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:</p>		
Compensated absences		(5,836)
Other postemployment benefits obligation		<u>(163,657)</u>
Net change in net assets reported within the Statement of Activities - Governmental Fund		<u>\$ 269,860</u>

The accompanying notes are an integral part of these financial statements.

SOLANO COUNTY WATER AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The Solano County Water Agency was created in 1951 by an act of the California Legislature as the "Solano County Flood Control and Water Conservation District." In 1988 the legislative act was changed to modify the governing board and the name was changed to Solano County Water Agency (Agency) in 1989. The governing board is made up of five members of the Solano County Board of Supervisors, the mayors from the seven cities in the county and three representatives from three agricultural irrigation districts. The Agency provides wholesale water services to cities, districts and state agencies and leads efforts to protect rights to existing sources of water and participates in efforts to secure new sources of water. The Agency is also responsible for the operations and maintenance of two flood control projects and is involved in countywide flood control planning. As required by accounting principles generally accepted in the United States of America, these financial statements present the Solano County Water Agency alone, as the Agency has no component units, related organizations or jointly governed organizations.

BASIC FINANCIAL STATEMENTS

The basic financial statements of the Agency have been prepared in conformity with the generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles. The more significant of the Agency's accounting principles are described below.

The financial statement presentation required by Governmental Accounting Standards Board (GASB) Statements No. 34, 37, 38, and 39 provides a comprehensive, entity-wide perspective of the Agency's overall financial position and results of operations while maintaining the presentation of the financial position and results of operations of the Agency's major funds.

(Continued on following page)

SOLANO COUNTY WATER AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the Agency. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services. All activities of the Agency are Governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items properly not included among program revenues are reported instead as general revenues.

The accounts of the Agency are organized on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. Each fund was established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions or limitations. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The agency's funds, all of which are considered to be major governmental funds, are reported as separate columns in the fund financial statements.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

(Continued on following page)

SOLANO COUNTY WATER AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Agency considers water sales, property taxes and other general revenues to be available if they are collected within 90 days after year end. Grant revenues are recognized when all the applicable eligibility requirements have been met and the resources are available. All other revenue items are recognized only when cash is received by the Agency because they are not measurable until that time. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The Agency maintains the following funds, all of which are considered to be special revenue funds, and all of which are considered to be major funds:

Solano Project – This fund accounts for the Agency's water supply contract with the U.S. Bureau of Reclamation for the water supply provided by contract cities, districts and state agencies. Property tax revenues are used to pay for operations, maintenance, rehabilitation and betterment. Operations and maintenance is performed by contract with the Solano Irrigation District. Included in this fund are costs associated with a Watermaster to monitor water use in the Upper Putah Creek Watershed and development of a Habitat Conservation Plan. Other functions include the flood control program and water conservation program.

State Water Project – This fund accounts for the Agency's water supply contract with the California Department of Water Resources for the repayment of construction, operations and maintenance costs of the North Bay Aqueduct and the contracts with member agencies for the purchase of this water.

Ulati Flood Control – This fund accounts for the costs of operating and maintaining the Ulati Flood Control Facilities, which were built by the Federal Soil Conservation Service. The Agency contracts with the Solano County Resource Management Department for the maintenance of this Project.

(Continued on following page)



SOLANO COUNTY WATER AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

Green Valley Flood Control – This fund accounts for the costs of operating and maintaining the Green Valley Flood Control Facilities, which were built by the U.S. Army Corps of Engineers. The Agency contracts with the Solano County Resource Management Department for the maintenance of this Project.

Interfund activity has been eliminated from these statements.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are defined as demand deposit account balances, pooled investments in the State of California Local Agency Investment Fund (LAIF), and money market funds with California Asset Management Program (CAMP).

RECEIVABLES

Losses on uncollectible accounts receivable are recognized when such losses become known or indicated. No allowance for losses has been reflected at June 30, 2010, as management believes all accounts are fully collectible.

CAPITAL ASSETS

All capital assets are valued at historical cost. Provision is made for depreciation using the straight-line method over the estimated useful lives of the assets, which range from five to fifty years. It is the Agency's policy to capitalize all capital assets with an initial cost of more than \$5,000. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Costs of assets sold or retired (and the related amounts of accumulated depreciation) are eliminated from the accounts in the year of sale or retirement and the resulting gain or loss is included in the statement of activities.

Depreciation has been provided over estimated useful lives using the straight-line method over the following estimated useful lives:

Land improvements	50 years
Water monitoring equipment	5 to 10 years
Machinery and field equipment	5 to 10 years
Furniture, fixtures, and office equipment	5 to 10 years

(Continued on following page)

SOLANO COUNTY WATER AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)

COMPENSATED ABSENCES

The Agency's policy allows employees to accumulate earned but unused vacation and administrative leave which will be paid to employees upon separation of service from the Agency. The policy also allows employees to receive payment for one-half of their accumulated sick leave upon retirement. Vested or accumulated vacation and sick leave are accrued in the government-wide statements as the benefits accrue to employees. However, a liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

DEFERRED INCOME

Deferred income arises when a potential revenue does not meet both the "measure" and "available" criteria for recognition in the current period. Deferred income also arises when resources are received by the Agency before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Agency has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

NET ASSETS/FUND BALANCE

Net assets represent the difference between assets and liabilities. The Agency's net assets are classified as follows:

- *Invested in capital assets, net of related debt* – This represents the Agency's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component invested in capital assets, net of related debt.
- *Unrestricted net assets* – Unrestricted net assets represent resources derived from taxes, grants, and charges for services. These resources are used for transactions relating to the general operations of the Agency, and may be used at the discretion of the Board to meet current expenses for any purpose.

(Continued on following page)

SOLANO COUNTY WATER AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)

NET ASSETS/FUND BALANCE (Continued)

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Agency's policy is to first apply the expense toward restricted resources, and then towards unrestricted resources.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. There are no such reservations of fund balance at June 30, 2010. Designations of fund balance represent management plans that are subject to change.

PROPERTY TAXES

Property taxes are assessed and collected by Solano County. The County remits the property taxes to the Agency when the taxes are collected and the allocation has been determined. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1, are payable in two installments, and become delinquent if not paid by December 11 and April 11. The Agency has elected to receive the property taxes from the County under the Teeter program. Under this program the Agency receives 100% of the levied property taxes in periodic payments, with the County assuming responsibility for delinquencies.

BUDGETARY PRINCIPLES

Under GASBS No. 34, budgetary comparison information is required to be presented for the general fund and each major special revenue fund with a legally adopted budget. The Agency is not legally required to adopt budgets for its funds. Therefore, budget comparison information is not included in the Agency's financial statements.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

(Continued on following page)

SOLANO COUNTY WATER AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)

CHANGES IN ACCOUNTING PRINCIPLES

Postemployment Benefits Other Than Pensions

In July 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. This Statement requires local governmental employers who provide other postemployment benefits (OPEB) as part of the total compensation offered to employees to recognize the expense and related liabilities in the entity-wide financial statements of net assets and activities. This Statement established standards for the measurement, recognition, and display of OPEB expenses and related liabilities, note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of State and local government employers.

This Statement provided for prospective implementation – that is that employers set the beginning OPEB obligation at zero as of the beginning of the initial year. The Agency has implemented the provision of the Statement for the fiscal year ended June 30, 2010.

Fund Reporting Structure

The Agency has voluntarily changed to governmental fund type reporting and the modified accrual basis of accounting because it enables the Agency to better communicate the results of its operations to stakeholders. Management of the Agency is concerned that reporting tax supported water purchases as fee based enterprise activity incorrectly implies to stakeholders that typical rate administration procedures occur.

Management of the Agency realizes that consistent application of accounting principles between reporting periods enhances the value of financial reporting and that changes in principles should be rare events that occur only when the facts and circumstances warrant a preferable principle and that these changes should not be used as a basis for altering financial presentations on a whim. The Agency has been reporting its activities as an enterprise fund since its separation from the County of Solano financial administration in 1989. Management of the Agency expects to be primarily tax supported indefinitely and does not anticipate a voluntary accounting principle change in the foreseeable future.

(Continued on following page)

SOLANO COUNTY WATER AGENCY  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
 (Continued)

CHANGES IN ACCOUNTING PRINCIPLES (Continued)

The change in presentation is being applied beginning in the year ended June 30, 2010. There is no effect of this change on the government-wide financial statements other than the format of presentation. The beginning fund balance in each governmental fund has been restated from the amount reported as net assets in prior year. This restatement is illustrated at Note 14.

NOTE 2 CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2010 consist of the following:

Deposits with financial institutions	\$ 567,772
Investments in Local Agency Investment Fund (LAIF)	7,432,254
Investments in California Asset Management Program (CAMP)	<u>25,966,166</u>
Total cash and cash investments	<u>\$ 33,966,192</u>

INVESTMENT POLICY

California statutes authorize agencies to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 – Financial Affairs. The Agency is authorized, by its Board of Directors, to invest its cash in the State of California’s Local Agency Investment Fund (LAIF), California Asset Management Program (CAMP), the Solano County Investment Pool, or Federal Depository Insurance Corporation (FDIC) insured accounts in a bank or savings and loan association. The Agency’s investment policy does not contain any specific provisions intended to limit the Agency’s exposure to interest rate risk, credit risk, concentration of credit risk, or custodial credit risk.

INTEREST RATE RISK

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity its fair value is to changes in market interest rates. The weighted average maturity of the investments contained in the LAIF investment pool is approximately 235 days as of June 30, 2010. The weighted average maturity of the investments contained in the CAMP investment pool is approximately 57 days as of December 31, 2009.

(Continued on following page)

SOLANO COUNTY WATER AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 2 CASH AND CASH EQUIVALENTS  
(Continued)

CREDIT RISK

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF does not have a rating provided by a nationally recognized statistical rating organization. CAMP is rated as AAAM by Standard & Poor's.

CONCENTRATION OF CREDIT RISK

The investment policy of the Agency contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total Agency investments.

CUSTODIAL CREDIT RISK

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2010, the Agency had cash balances in excess of insurance of \$1,028,538. None of the Agency's deposits with institutions in excess of federal deposit insurance limits were held in uncollateralized accounts.

INVESTMENT IN LAIF

The Agency is a voluntary participant in the State Treasurer's Pooled Money Investment Account (PMIA), through the Local Agency Investment Fund (LAIF) that was created by statute in 1977. The PMIA has regulatory oversight from the Pooled Money Investment Board and an in-house Investment Committee. The Local Agency Investment Advisory Board has oversight of LAIF. The fair value of the Agency's position in the pool is materially equivalent to the value of pool shares. LAIF is an unrated external investment pool.

(Continued on following page)

SOLANO COUNTY WATER AGENCY  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2010

NOTE 2 CASH AND CASH EQUIVALENTS  
 (Continued)

INVESTMENT IN LAIF (Continued)

In accordance with authorized investment laws, the State Treasurer's Investment Pool (LAIF) invests in various structured notes and mortgage-backed securities, such as collateralized mortgage obligations. As of June 30, 2010, 5.42% of LAIF's investment portfolio was invested in structured notes and other asset-backed securities. In addition, PMIA's weighted average maturities was .65 years at June 30, 2010. Copies of a report of LAIF's investments may be obtained from the State Treasurer's Office; Local Agency Investment Fund; P. O. Box 942809; Sacramento, CA 94209-0001.

INVESTMENT IN CAMP

The Agency is a voluntary participant in the California Asset Management Program (CAMP) that was formed in 1989 as a joint powers authority and common law trust. The trust is only accountable to its public agency shareholders. CAMP is invested in such a way as to maintain a \$1 per share net asset value. Copies of their financial report may be obtained by contacting CAMP at 50 California Street, Suite 2300, San Francisco, CA 94111.

NOTE 3 RECEIVABLES

Receivables at June 30, 2010 consist of:

Water sales receivable	\$ 1,111,954
Grants receivable	1,209,058
Taxes receivable	<u>567,246</u>
Total	<u>\$ 2,888,258</u>

(Continued on following page)

SOLANO COUNTY WATER AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 4 CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2010 is as follows:

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
Non-depreciable capital assets:				
Land	\$ 148,898	\$ -	\$ -	\$ 148,898
Construction in progress	<u>1,225,739</u>	<u>-</u>	<u>(1,225,739)</u>	<u>-</u>
Non-depreciable capital assets	<u>1,374,637</u>	<u>-</u>	<u>(1,225,739)</u>	<u>148,898</u>
Depreciable capital assets:				
Land improvements	2,535,494	-	-	2,535,494
Water monitoring equipment	394,759	619,726	1,099,122	2,113,607
Machinery and field equipment	499,503	30,232	15,768	545,503
Furniture, fixtures and office equipment	<u>83,598</u>	<u>7,132</u>	<u>(15,440)</u>	<u>75,290</u>
	3,513,354	657,090	1,099,450	5,269,894
Less accumulated depreciation	<u>917,683</u>	<u>217,925</u>	<u>(69,755)</u>	<u>1,065,853</u>
Depreciable capital assets, net	<u>2,595,671</u>	<u>439,165</u>	<u>1,169,205</u>	<u>4,204,041</u>
Capital assets, net	<u>\$ 3,970,308</u>	<u>\$ 439,165</u>	<u>\$ (56,534)</u>	<u>\$ 4,352,939</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
Solano Project	\$ 200,019
State Water Project	2,783
Ulatis Flood Control Project	15,123
Green Valley Flood Control Project	<u>-</u>
Total governmental activities depreciation expense	<u>\$ 217,925</u>

NOTE 5 NONCURRENT LIABILITIES

The following is a summary of changes in noncurrent liabilities for the year ended June 30, 2010:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Compensated absences	\$ <u>138,184</u>	\$ <u>90,530</u>	\$ <u>84,694</u>	\$ <u>144,020</u>	\$ <u>95,053</u>
Other postemployment benefits obligation	\$ <u>-</u>	\$ <u>163,657</u>	\$ <u>-</u>	\$ <u>163,657</u>	\$ <u>-</u>

(Continued on following page)



SOLANO COUNTY WATER AGENCY  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2010

NOTE 6 INTERFUND BALANCES

Interfund balances consist of the following at June 30, 2010:

	<u>Receivable</u>	<u>Payable</u>
Solano Project	\$ -	\$ (200,000)
Green Valley Flood Control	<u>200,000</u>	<u>-</u>
	<u>\$ 200,000</u>	<u>\$ (200,000)</u>

NOTE 7 ADMINISTRATION AND GENERAL EXPENDITURES

The following is a summary of administration and general expenditures of the fund financial statements by natural classification at June 30, 2010:

Salaries and benefits	\$ 1,489,866
Professional services	241,686
Dues and memberships	167,914
Property tax administration fee	120,875
Public education	103,621
Governmental advocacy	74,733
Office equipment	64,232
Office rent	36,957
Endangered species contract	36,545
Insurance	35,338
Watermaster services	30,656
Telephone	29,268
Office expense	25,301
Board expense	21,752
Fuel	12,071
Talent decision monitoring	11,592
Miscellaneous	<u>8,406</u>
Total	<u>\$ 2,510,813</u>

(Continued on following page)

SOLANO COUNTY WATER AGENCY  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2010

NOTE 8 EARMARKED NET ASSETS

Earmarkings of unrestricted net assets are imposed by the Board of Directors to reflect future spending plans or concerns about the availability of future resources. Earmarkings may be modified, amended or removed by Board action. At June 30, 2010, earmarkings included:

Solano Project operating reserve	\$ 4,970,000
Solano Project rehabilitation and betterment reserve	2,710,000
Solano Project future replacement capital reserve	767,000
State Water Project operating reserve	5,707,000
State Water Project future capital reserve	5,669,000
Ulatis Flood Control Project operating reserve	394,000
Ulatis Flood Control Project capital reserve	1,796,000
Green Valley Flood Control Project operating reserve	52,000
Green Valley Flood Control Project capital reserve	5,000
Other flood control capital projects	1,500,000
Other capital projects and emergency reserves	<u>4,000,000</u>
Total	<u>\$ 27,570,000</u>

NOTE 9 EMPLOYEE BENEFIT PLANS

DEFINED BENEFIT PLANS

Qualified employees are covered under a cost-sharing multiple-employer defined benefit pension plan maintained by the Public Employees' Retirement System.

A. Plan Descriptions and Provisions

The Agency contributes to the California Public Employees Retirement System (PERS), a cost sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public employers within the State of California. All permanent full and part time Agency employees working at least 1,000 hours per year are eligible to participate in PERS. Under PERS, benefits vest after five years of service. Upon retirement, participants are entitled to an annual retirement benefit, payable for life, in an amount equal to a benefit factor times their monthly average salary over the twelve highest consecutive months of employment.

(Continued on following page)

SOLANO COUNTY WATER AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 9 EMPLOYEE BENEFIT PLANS  
(Continued)

DEFINED BENEFIT PLANS (Continued)

A. Plan Descriptions and Provisions (Continued)

PERS requires plans with less than 100 active participants to participate in risk pools. The Agency participates in the Miscellaneous 2.0% at 55 risk pool. Copies of the PERS annual financial report may be obtained from their Executive Office, 400 P Street, Sacramento, CA 95811.

B. Funding Policy

Active plan members are required to contribute 7% of their annual covered salary. The Agency makes the contributions required of the Agency employees on their behalf and for their account. Also, the Agency is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board Administration. The required employer contribution rate for the fiscal year ended June 30, 2010 was 11.361% of annual payroll. The contribution requirements of plan members and the Agency are established and may be amended by PERS.

C. Annual Pension Cost

For the year ending June 30, 2010, the Agency incurred an annual pension cost of \$114,103, which is a product of annual covered salaries and the annual required contribution rate.

THREE-YEAR TREND INFORMATION FOR PERS

<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/08	\$ 102,121	100 %	\$ -
6/30/09	\$ 109,583	100 %	\$ -
6/30/10	\$ 114,103	100 %	\$ -

(Continued on following page)

SOLANO COUNTY WATER AGENCY  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2010

NOTE 10 RISK MANAGEMENT

The Agency participates in the Association of California Water Agencies Joint Powers Insurance Authority (ACWA/JPIA), a public entity risk pool of water agencies in California, for general, automobile, public official's errors and omissions, property, fidelity, workers' compensation liability, and employer's liability. ACWA/JPIA provides insurance through the pool up to a certain level, beyond which group-purchased commercial excess insurance is obtained. Loss contingency reserves established by the JPIA are funded by contributions from member agencies. The Agency pays an annual premium to the JPIA that includes its pro-rata share of excess insurance premiums, charges for pooled risk, claims adjusting and legal costs, and administrative and other costs to operate the JPIA.

The Agency's maximum coverage under the JPIA are as follows:

	<u>Pool Coverage</u>	<u>Commercial Coverage</u>
General and auto liability	\$ 1,000,000	\$ 60,000,000
Public officials and omissions liability	1,000,000	60,000,000
Property	50,000	100,000,000
Fidelity	100,000	None
Workers' compensation liability	2,000,000	Statutory
Employer's liability	2,000,000	4,000,000

The Agency is responsible for property losses up to their deductible, which ranges from \$1,000 to \$25,000, depending on type of coverage.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any recent fiscal year. There has been no significant reduction in coverage over the last three years.

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS PLAN

The Agency provides postemployment health care benefits for retired employees in accordance with their published employee handbook.

(Continued on following page)

SOLANO COUNTY WATER AGENCY  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2010

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS PLAN  
 (Continued)

A. Plan Description

The Solano County Water Agency Retirement Health Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the Agency. The Agency provides certain medical insurance coverage to all employees who retire from the Agency and meet the age and service requirement for eligibility. The Agency pays 100% of the eligible retirees' medical plan premiums. As of June 30, 2010, membership of the Plan consists of one retiree currently receiving benefits and 11 eligible active plan members. The Plan does not issue a publicly available report.

B. Funding Policy

The contribution requirements of plan members and the Agency are based on a pay-as-you-go basis. For the year ended June 30, 2010, the Agency paid \$5,343 on behalf of its retiree.

C. Annual OPEB Costs and Net OPEB Obligation

The Agency's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding costs) over a period not to exceed 30 years.

The following table shows the components of the Agency's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the Agency's net OPEB obligation to the Plan.

Annual required contribution (ARC)	\$	169,000
Contributions made		<u>5,343</u>
Increase in net OPEB obligation		163,657
Net OPEB obligation, beginning of the year		<u>-</u>
Net OPEB obligation, end of year	\$	<u><u>163,657</u></u>

(Continued on following page)

SOLANO COUNTY WATER AGENCY  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2010

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS PLAN  
 (Continued)

C. Annual OPEB Costs and Net OPEB Obligation (Continued)

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal 2010 is as follows (since this is the first year of implementation, only the current year information is presented):

Annual OPEB cost	\$	169,000
Percentage of annual OPEB costs contributed		3.16%
Net OPEB obligation	\$	163,657

D. Funded Status Information

The Agency's funding status information is illustrated as follows:

Actuarial valuation date		June 30, 2010
Actuarial accrued liability (AAL)	\$	955,000
Actuarial value of plan assets	\$	-
Unfunded AAL (UAAL)	\$	955,000
Funded ratio (actuarial value of plan assets as a percentage of AAL)		0.0%
Covered payroll	\$	983,657
UAAL as percentage of covered payroll		97.09%

As of June 30, 2010, the Agency has not set aside any amounts in an external trust fund.

E. Actuarial Methods and Assumptions

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

(Continued on following page)

SOLANO COUNTY WATER AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS PLAN  
(Continued)

E. Actuarial Methods and Assumptions (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the plan members) and includes the types of benefits provided at the time of each valuation and the historical pattern of sharing benefits costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2010 actuarial valuation, the entry-age normal cost method was used. The actuarial assumptions included a 4.25% discount rate, a 3.0% price inflation, a 3.25% wage inflation, and an annual cost trend with no rate increase until 2012. Unfunded actuarial accrued liabilities are amortized to produce payments (principal and interest), which are a level percent of payroll over a 30-year period.

NOTE 12 PROPOSITION 1A BORROWING BY THE STATE OF CALIFORNIA

Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the Agency was \$567,246.

The borrowing by the State of California was recognized as a receivable in the accompanying financial statements. Under the modified accrual basis of accounting, the borrowed tax revenues are not permitted to be recognized as revenue in the governmental fund financial statements until the tax revenues are received from the State of California (expected to be fiscal year 2012-13). In the government-wide financial statements, the tax revenues were recognized in the fiscal year for which they were levied (fiscal year 2009-10).

(Continued on following page)

SOLANO COUNTY WATER AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 13    COMMITMENTS AND CONTINGENCIES

The Agency periodically enters into commitments which are funded primarily through state grants. The grants are typically for various projects such as rehabilitation, betterment and maintenance. At June 30, 2010, the Agency had commitments on unfinished contracts in the amount of \$1,993,717.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Agency expects such amounts, if any, to be immaterial.

NOTE 14    PRIOR PERIOD ADJUSTMENTS AND CHANGE IN FUND REPORTING STRUCTURE

Prior Period Adjustments

During the current year, it was determined that certain assets owned by other governments were previously capitalized by the Agency, causing an overstatement of capital assets and net assets. The effect of this removal was a decrease in government-wide net asset of \$184,496 and a corresponding decrease in beginning non-depreciable capital assets, depreciable capital assets and accumulated depreciation of \$52,422, \$191,166, and \$59,092, respectively.

During the current year, it was determined that grant reimbursements received in a prior period were not offset against the receivable, but instead recorded as revenue again, causing an overstatement of revenue and net assets. The effect of this adjustment on the government-wide financial statements and the fund financial statements is a decrease to beginning net assets and grants receivable of \$76,991.

There was no material effect on operations from either of these adjustments for the current or prior year.

Change in Fund Reporting Structure

As described in Note 1, the Agency determined that each program of the Agency should be accounted for as a separate governmental fund. In current year, beginning fund balance has been restated from the amount reported as net assets in prior year due to the change in accounting method.

(Continued on following page)



SOLANO COUNTY WATER AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 14 PRIOR PERIOD ADJUSTMENTS AND CHANGE IN FUND REPORTING  
STRUCTURE  
(Continued)

The effect of the prior period adjustments and change in fund reporting structure are illustrated below:

**Government-wide**

Net assets at June 30, 2009, as previously reported	\$ 39,279,688
Overstatement of capital assets	(184,496)
Grant revenue overstatement	<u>(76,991)</u>
Net assets, beginning of year, as restated	\$ <u>39,018,201</u>

**Fund financial statements**

Net assets at June 30, 2009, as previously reported	\$ 39,279,688
Grant revenue overstatement	(76,991)
Fixed assets not reported in funds	(4,154,804)
Compensated absences not reported in funds	138,184
Revenues not available for current resources not reported in funds	<u>(56,380)</u>
Fund balance, beginning of year, as restated	\$ <u>35,129,697</u>

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Solano County Water Agency  
Elmira, California

We have audited the financial statements of the governmental activities and each major fund of Solano County Water Agency (Agency), as of and for the year ended June 30, 2010, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated December 17, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Solano County Water Agency's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described under finding 2010-1 in the accompanying schedule of findings that we consider to be significant deficiencies in internal control over financial reporting. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Solano County Water Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Solano County Water Agency, in a separate letter dated December 17, 2010.

The Agency's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Agency's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Board of Directors, others within the entity, and federal or state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Nystrom & Company LLP*

December 17, 2010

SOLANO COUNTY WATER AGENCY  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2010

**A. FINDINGS – FINANCIAL STATEMENTS AUDIT**

**2010-1 – Audit Adjustments**

**Condition:** During our audit of the current year, we noted several adjustments that were material to the financial statements that were required in order for the financial statements to be prepared in accordance and/or conformity with generally accepted accounting principles. These adjustments were not identified through the Agency's internal control.

**Criteria:** All adjustments necessary for financial statements to be prepared in accordance and/or conformity with generally accepted accounting principles should be identified and posted by the Agency.

**Effect:** Financial statements which are not in conformity with generally accepted accounting principles could have been prepared and distributed.

**Recommendation:** We recommend that management take steps to ensure that all adjustments necessary to prepare financial statements in conformity with generally accepted accounting principles be identified and posted prior to the start of the audit.

**Response:** The required adjustment was due to the fact that the condominium purchase agreement for the new office was established prior to year-end, but the title transfer and purchase was not finalized until the following fiscal year.

SOLANO COUNTY WATER AGENCY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2010

**FINDINGS – FINANCIAL STATEMENTS AUDIT**

**2009-1 – Capital Assets**

**Condition:** In the prior year, it was noted that the Agency's capital assets subsidiary ledger did not agree to the general ledger and that disposals were not recorded in the general ledger.

**Recommendation:** It was recommended that the Agency agree accumulated depreciation and depreciation expense to the general ledger at least annually and that the Agency post proper journal entries to the general ledger to record the disposal of capital assets.

**Status:** During our audit of the current year, we noted that the Agency has taken steps to ensure the accuracy of their general ledger in relation to their capital asset subsidiary ledger, and has implemented procedures whereby journal entries are used to properly record capital asset disposals.

**2009-2 – Revenues, Receivables, and Unearned Revenue**

**Statement of Condition:** In the prior year, it was noted that the Agency did not follow proper cut-off procedures for revenues, resulting in audit adjustments.

**Recommendation:** It was recommended the Agency establish procedures to ensure use of proper cut-off procedures.

**Status:** During our audit of the current year, we noted the Agency had implemented improved procedures relating to cut-off of revenues.

**2009-3 – Other Postemployment Benefits**

**Statement of Condition:** In the prior year, it was noted that the Agency had not implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

**Recommendation:** It was recommended the Agency implement GASB Statement No. 45.

**Status:** During our audit of the current year, we noted the Agency had implemented GASB Statement No. 45.

December 17, 2010

**INDEPENDENT AUDITORS' COMMUNICATION  
TO MANAGEMENT AND THE BOARD OF DIRECTORS**

Management and Board of Directors  
Solano County Water Agency  
Elmira, California

In planning and performing our audit of the basic financial statements of Solano County Water Agency (Agency) for the year ended June 30, 2010, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control. However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency.

This letter does not affect our report dated December 17, 2010, on the financial statements of Solano County Water Agency.

We will review the status of these comments during our next audit engagement. We have already discussed some of these comments and suggestions with various Agency personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

**CURRENT YEAR FINDINGS AND RECOMMENDATIONS**

**2010-A – CUT-OFF PROCEDURES FOR REVENUES**

Finding

We noted that the Agency's software system automatically books a revenue and receivable when an invoice is created. The Agency's procedure is to remove any such revenue that relates to future periods and book a deferred income item instead.

The effect is a gross-up of receivables and deferred income for items that relate to a future period, and therefore should not be recorded at all.

Recommendation

We recommend the Agency revise their procedures to offset the receivable rather than create a deferred revenue for these items.

Management Response

During Fiscal Year 2009-2010 Agency management voluntarily changed from full accrual accounting where receivables/revenues are recorded regardless of the timing of the related cash flows to modified-accrual where receivables/revenues are not recorded unless they are collectible within 90 days. This was done to change from enterprise to governmental reporting that better reflects actual agency financial operations. The Agency's accounting procedures will be updated to follow the modified-accrual basis of accounting. When these procedures are implemented the receivables relating to future periods will not be recorded unless they are collectable within 90 days of the year end.

**2010-B – SELF-BALANCING FUNDS**

Finding

Proper accounting procedures are that each fund maintain a self-balancing set of accounts. The individual funds of the Agency do not balance due to limitations in the reporting software that do not allow the use of multiple cash accounts for individual transactions. Because the Agency's cash accounts are internally pooled, the balance in each cash account must be broken out to the various funds.

Recommendation

We recommend the Agency implement a procedure whereby the use of one cash ledger for all funds is more straightforward. For instance, if one cash ledger is used, all other cash ledgers should be zero until the end of the month, quarter, or year when a journal entry should be posted to allocate the cash balances and interest to each fund in order to make the funds balance.

Management Response

Previously the Agency used four cash ledger accounts representing the four agency funds: Solano Project, State Water Project, Ulatis and Green Valley for one bank checking account which created inefficiency in processing accounting transactions. The Agency will implement a process to prepare a journal entry at year end to divide the one cash ledger accounts among the individual funds cash ledger accounts based upon the determined cash balance of each individual fund at year end.

**2010-C – BASIS OF ACCOUNTING**

Finding

We noted that, although the Agency changed the presentation of their funds to the modified-accrual basis of accounting under governmental fund accounting policies, the Agency continues to maintain their general ledger on the full-accrual basis of accounting.

Recommendation

We recommend the Agency consider updating their accounting procedures to follow the modified-accrual basis of accounting. The most significant change would be the way the Agency records fixed assets and long-term liabilities such as compensated absences.

Management Response

During Fiscal Year 2009-2010 Agency management voluntarily changed from full accrual accounting where fixed assets are capitalized and depreciated to modified-accrual accounting where fixed assets are expensed. The modified-accrual accounting method only measures current economic resources therefore long term liabilities and assets are not recorded. The Agency will implement procedures to follow the modified-accrual basis of accounting including the recording of fixed assets and long-term liabilities.

**2010-D –GRANTS RECEIVABLE REQUEST**

Finding

We noted the District has large outstanding receivables related to reimbursement grants because the Agency has not yet requested reimbursement.

Recommendation

We recommend the Agency implement procedures whereby reimbursement is requested in a timely manner.

Management Response

The State's recent budget crisis caused a major disruption to the State's ability to sell General Obligation bonds on the open market. In order to help the State conserve cash during the cash flow crisis, the State imposed a freeze on bond-funded reimbursements. The Agency will request grant reimbursements when the State bond monies become available again.

We would like to thank Agency management and staff for their assistance throughout the audit engagement. We appreciate the opportunity of serving as independent auditors for the Agency for the year ended June 30, 2010. If we can provide additional information or assistance in connection with implementing any of these recommendations, we will be pleased to do so.

This report is intended solely for the information and use of the Board of Directors, management, and others within the Agency and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

*Nystrom & Company LLP*

NYSTROM & COMPANY LLP  
Certified Public Accountants



# **Appendix A**

## ***Phase I*** ***Report of Integrated Regional*** ***Water Management Plan***

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## LIST OF ABBREVIATIONS

**CEQA** - California Environmental Quality Act  
**CHWTP** – Cement Hill Water Treatment Plant  
**CIMIS** – California Irrigation Management Information System  
**CUWCC** - California Urban Water Conservation Council  
**CVP** - Federal Central Valley Project  
**CWSC** – California Water Service Company  
**DSMWS** – Dixon Solano Municipal Water Service  
**DWR** - California Department of Water Resources  
**FCAC** – SCWA Flood Control Advisory Committee  
**FEMA** – Federal Emergency Management Agency  
**FSSD** – Fairfield-Suisun Sewer District  
**HCP** – Habitat Conservation Plan  
**IRWMP** – Integrated Regional Water Management Plan  
**JPA** – Joint Powers Authority  
**LPCCC** – Lower Putah Creek Coordinating Committee  
**MPWD** – Maine Prairie Water District  
**MWA** – Mojave Water Agency  
**NBA** - North Bay Aqueduct  
**NBR** – North Bay Regional (Water Treatment Plant)  
**NOAA** – National Oceanic and Atmospheric Administration  
**PSC** – Putah South Canal  
**RD 2068** – Reclamation District No. 2068  
**SCFC&WCD** - Solano County Flood Control and Water Conservation District  
**SCWA** - Solano County Water Agency  
**SID** – Solano Irrigation District  
**SP** – Solano Project  
**SSWA** – Suisun Solano Water Authority  
**SWA** - Solano Water Authority  
**SWP** - State Water Project  
**SWRCB** - State Water Resources Control Board  
**TAFB** – Travis Air Force Base  
**USBR** - United States Bureau of Reclamation  
**VPW** – Vallejo Permit Water

## **PREAMBLE**

This document is the first phase of an Integrated Regional Water Management Plan (IRWMP) for the Solano Agencies. Existing SCWA programs are documented and individual member agency water supplies and current demands are provided.

## **DESCRIPTION OF THE SOLANO COUNTY WATER AGENCY**

### **History**

The boundaries of the Solano County Water Agency include the entire County of Solano, the property of the University of California at Davis in Yolo County and approximately 2,800 acres of Reclamation District No. 2068 that is in Yolo County. The Agency was formed in 1951 by an act of the State Legislature as the "Solano County Flood Control and Water Conservation District". The full text of the legislative act, as amended, is in the California Water Code Appendix Chapter 64 entitled the "Solano County Water Agency Act".

As originally established, the Board of Supervisors of Solano County was the governing board (ex-officio) of the Solano County Flood Control and Water Conservation District (SCFC&WCD). As with other countywide flood control and water conservation districts established about that same time, the SCFC&WCD was given water supply and flood control authorities. The first major action of the SCFC&WCD was to contract with the United States Bureau of Reclamation (USBR) for water supply from the Solano Project.

In 1988, the legislative act was changed to modify the governing board of the SCFC&WCD and to make other minor updates to the act. In 1989 the name of SCFC&WCD was changed to the "Solano County Water Agency" (SCWA).

The change in the governing board of SCWA was very significant. In addition to the five members of the Board of Supervisors, the mayors from all seven cities in the County were added and a board member from each of the three agricultural irrigation districts (Solano Irrigation District, Maine Prairie Water District and Reclamation District No. 2068) was added. The three agricultural districts were added because those districts provide retail water service to their constituents. During the 1988-89 time period, the governing board made a decision to hire a staff independent of the County. Previously the County Transportation Department and other County departments provided staff and administrative services. In October of 1989 SCWA hired its first employee, the General Manager. Additional employees were added starting in 1990.

### **Authorities**

The authorities of SCWA fall into two main categories: water supply and flood control. The water supply function consists of providing wholesale, untreated water supply to cities, districts and state agencies. Additionally, SCWA leads efforts to protect rights to existing sources of water and participates in efforts to secure new sources of water for water supply reliability and future growth in the County.

For flood control, SCWA is responsible for operations and maintenance of the Ulatis Flood Control Project and the Green Valley Flood Control Project. These two projects are described in more detail later in this document. SCWA also has authority to deal with all flood control matters within the boundaries of SCWA.

## **Funding**

SCWA revenues come from essentially two sources: property taxes and water sales. SCWA receives 1.72% of the countywide 1% property tax. This amounts to approximately \$4,634,000 per year (FY 2003-2004). This is the Water Agency's "general fund", but most of the revenue goes to fund Solano Project activities. SCWA also has a special tax of 2-cent per \$100 of assessed value that is assessed to property within a zone of benefit for the State Water Project. The zone of benefit includes all the cities in the County and much of the irrigated agricultural land. This property tax amounts to approximately \$6,208,000 per year (FY 2003-2004). These two property taxes are used to offset some of the costs for the water provided to the cities, districts and state agencies.

Water sales revenues amount to about \$2 million per year.

Overall SCWA revenues are about \$16 million.

## **Expenditures**

The major expenditures for SCWA are payments to the state and federal government for water supply. Annual payments to the Department of Water Resources (DWR) amount to about \$6 million per year. The DWR payments include all costs for delivery of water supply including labor and power costs. Payments to the US Bureau of Reclamation are about \$1 million per year. This payment is only for capital cost repayment, operations and maintenance are funded separately with SCWA funds.

Operation and maintenance of the Solano Project is about \$3 million per year. Maintenance of the Ulatis and Green Valley Flood Control Projects is about \$800,000 per year.

SCWA has a Capital Project Funding Plan that allocates SCWA financial reserves to fund future capital projects.

Overall SCWA expenditures are about \$16 million per year.

## **Staffing**

The staff of SCWA currently consists of the General Manager, a Supervising Water Resources Engineer, a Supervising Water Resources Scientist, a Water Resources Specialist a Streamkeeper, an Assistant Streamkeeper, an Administrative Analyst and an Administrative Assistant. Various consultants

and contractors supplement these employees. The General Manager serves at the pleasure of the Board of Directors as a contract employee. The Streamkeeper is also a contract employee who is managed by the Lower Putah Creek Coordinating Committee.

## **SOLANO PROJECT**

### **History**

The idea for the development of the Solano Project was conceived in the 1940's and 1950's to meet the water demands of agriculture, municipalities and military facilities within Solano County. As agriculture developed in the County, use of groundwater increased substantially. Groundwater overdraft persisted in several parts of the County. This overdraft condition provided the impetus for a surface water supply to offset the overdraft. The population of Solano County in the 40's and 50's was also expected to grow; however, planners at that time had no way of knowing that the urban population growth in Solano County would increase as dramatically as it has over the past three decades.

During the planning of the Solano Project, Napa County and Yolo County were asked if they wished to participate in a larger Solano Project. Napa and Yolo declined, so the Solano Project was sized to meet only the projected water needs of Solano County. Congressional authorization was granted for the construction of the Solano Project and the first water was delivered in 1959. The total construction cost for the Solano Project was \$38 million. For a more detailed history of the Solano Project, see the book by the Solano Irrigation District entitled "The Solano Water Story: A History of the Solano Irrigation District and the Solano Project."

### **Solano Project Facilities**

The physical facilities of the Solano Project include Monticello Dam, the Putah Diversion Dam and the Putah South Canal. Facts and figures on these facilities are presented in Figure 1. The locations of the facilities are shown in Map 1.

#### **FIGURE 1** **Solano Project Facilities**

##### **Monticello Dam - Lake Berryessa**

Storage - 1,602,000  
Dam Height - 304 feet  
Dam Crest - 1,023 feet

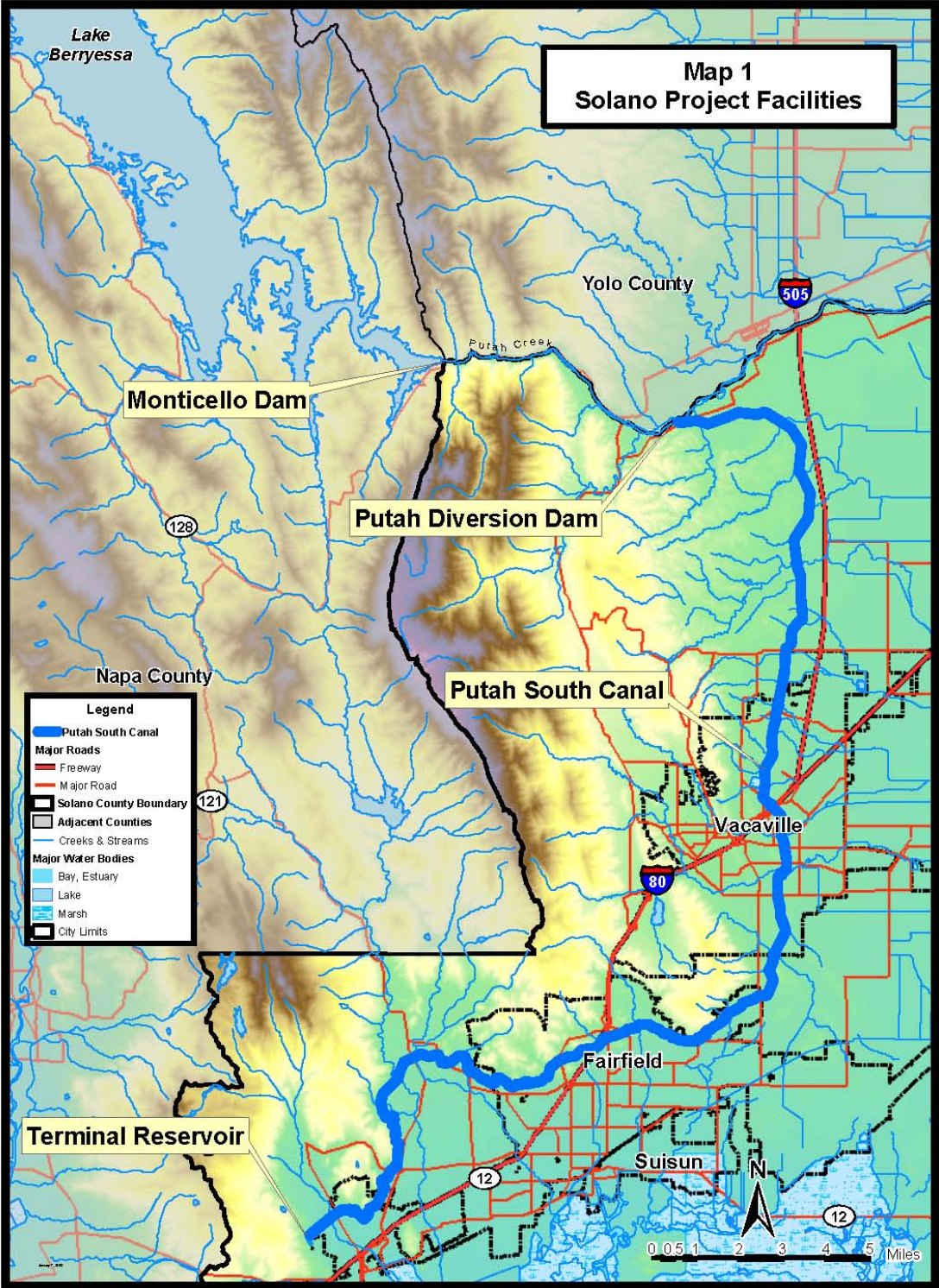
##### **Putah Diversion Dam - Lake Solano**

Lake Capacity - 750 acre-feet  
Dam Height - 29 feet  
Dam Crest - 910

##### **Putah South Canal**

Length - 33 miles  
Capacity - 956 cubic feet per second (maximum)





SCWA has operations and maintenance responsibility for the Solano Project. SCWA has an agreement with the Solano Irrigation District (SID) to operate Solano Project facilities on behalf of SCWA. SID also owns and operates a hydroelectric power plant at Monticello Dam.

## **Water Rights**

The water rights permits for the Solano Project are held by the USBR in trust for the Solano water users. The water right permits further state that when the permits are converted to a license the license will be issued in the name of the Solano water users. Unlike most federal water projects, the water rights to the Solano Project "belong" to the Solano water users. The water rights permit specifies releases to Putah Creek and limits upstream water development in the Lake Berryessa watershed.

Licensing is the final step in the water rights permitting process. After a water right permit holder puts its water to full beneficial use, the water rights holder can apply to convert the permit to a license. This "firms up" or "perfects" the water right and finalizes the amount of water that can be used based on the water right. The State Water Resources Control Board (SWRCB) is the permitting and licensing agency. The SWRCB will retain jurisdiction over the license holder for instream fish and wildlife concerns. The USBR has applied to the SWRCB for a water rights license for the Solano Project.

In 1995 a settlement was reached on part of the Putah Creek Adjudication that settled longstanding disputes between most appropriative upstream water right holders (i.e., above Monticello Dam) and Solano agencies. Called the "Condition 12 Settlement Agreement," the settlement placed a cap on future water development in the watershed of Lake Berryessa and allocates a limited amount of future water development rights to projects in Napa and Lake Counties. The original water rights permit for the Solano Project had set limits to water supply development in the watershed, but the settlement clarified the limits and provided a mechanism to account, monitor and enforce compliance. A Watermaster has been appointed by the Court to monitor water use and to enforce the settlement. The settlement agreement provides a measure of certainty to the Solano Project water supply since all the major water users in the watershed of Lake Berryessa are bound by the settlement agreement.

In March of 1996 a trial was held in Sacramento Superior Court on instream flow needs for Putah Creek downstream of the Putah Diversion Dam. The Court ruled that additional flows were required in Putah Creek. The judgement was appealed by the Solano parties, but a settlement, the Putah Creek Accord, was negotiated in 2000 among the parties that resolved all disputes. The settlement provides for increased flows to Putah Creek, but includes reduced flows when Lake Berryessa is low in storage and includes a process for addressing illegal surface water diverters in Putah Creek. Prior to the settlement approximately 21,000 acre feet per year was released to Putah Creek to meet instream flow needs. The settlement requires the previous release amount as a baseline with additional flows at specified times. Additionally, set flows were required at specified downstream flow locations. Until there is more experience operating to the settlement standards, the additional water costs of the settlement is difficult to determine.

In normal hydrologic conditions the additional flows from the settlement amount to about an additional 1,000 acre feet per year. In drier years the amount of additional flows increase.

A Lower Putah Creek Coordinating Committee, made up of Yolo and Solano representatives was formed to address Putah Creek issues such as Creek habitat enhancement projects and a Streamkeeper has been hired.

The SWRCB is currently processing a modification to the water rights for the Solano Project that will effectively consolidate terms of the water rights permits, extend some of the terms of the permits and add Putah Creek to the allowed place of use for Solano Project water (to conform to the Putah Creek Accord).

### **Solano Project Yield**

The amount of water contracted (207,350 acre feet per year) is approximately the firm yield of the Solano Project. The firm yield is an engineering calculation based on providing a specified water amount (the firm yield) every year during the driest hydrologic period on record. For the Solano Project the driest hydrologic record was from 1916 to 1934. This is a conservative method of determining a water supply from a reservoir and results in a very dependable water supply.

### **Water Supply Contracts**

A water supply contract executed in 1955 between SCWA and the USBR provided for repayment of Solano Project costs. The contract included a fixed water payment for the term of the contract. The contract was renewed for a 25-year term in 1999. The pricing of the water was kept the same as the rates set in 1955. The rates are \$15 per acre-foot for urban water and \$2.65 per acre-foot for agricultural water. SCWA pays for operational losses and spills from the Putah South Canal. Payments to the USBR for the water go to offset the capital cost for the Solano Project. SCWA expects the complete repayment of the Project capital costs in about 2005. SCWA uses property taxes to pay for the operations and maintenance of the Solano Project.

SCWA has entered into agreements with cities, districts and state agencies to provide them water from the Solano Project. The contracts with the Solano Project member units are for the full supply available from the Solano Project. The Solano Project contracting agencies are: Fairfield, Suisun City, Vacaville, Vallejo, Solano Irrigation District, Maine Prairie Water District, University of California at Davis, and California State Prison - Solano.

The USBR is contractually committed to deliver the full contract amount of water supply from the Solano Project unless the water supply does not physically exist (e.g. an empty reservoir). All Solano Project contractors, whether they are municipal or agricultural, are on an equal basis for Solano Project water supply.

The contractual allocation of water supply from the Solano Project to Solano Project contracting agencies is shown in Table 2. SID and the Maine Prairie Water District have an

agreement where SID receives 10,000 acre-feet per year of Maine Prairie Water District's Solano Project entitlement in return for providing a larger amount of agricultural return flows to the Maine Prairie Water District. There have been other exchanges and transfers of Solano Project entitlements that are explained in the Member Unit Water Portfolios.

**Table 2**  
**Solano Project Water Contracts**

Agency	Annual Entitlement (Acre Feet)
Fairfield	9,200
Suisun City	1,600
Vacaville	5,750
Vallejo	14,600
Solano Irrigation District	141,000
Maine Prairie Water District	15,000
UC Davis	4,000
California State Prison – Solano	1,200
Project Operating Loss (average estimated)	15,000
<b>TOTAL PROJECT</b>	<b>207,350</b>

### **Water Quality**

Water quality from the Solano Project is excellent for both municipal/industrial use and agriculture. The watershed of Lake Berryessa is 576 square miles in Lake and Napa Counties. Much of the watershed is a natural state, but there is urban and agricultural development.

In the Lake County part of the watershed, the communities of Middletown, Anderson Springs and Hidden Valley have a cumulative population of about 13,000. Near Lake Berryessa in Napa County there are several small subdivisions and the town of Pope Valley. Estimated population for the Napa County part of the watershed is estimated at under 5,000, but recreational visitors will seasonally increase the number of people temporarily in the watershed substantially. It is estimated that 2 million recreational visitors come to the Lake Berryessa area each year.

The primary agricultural land use in the watershed is vineyard production of wine grapes. Cattle grazing occurs on the eastern shore of Lake Berryessa. Much of the watershed remains in a natural undeveloped state.

SCWA works with groups in the Lake Berryessa watershed to promote activities to protect water quality. SCWA leads the Lake Berryessa Watershed Partnership. The Partnership consists of organizations and public agencies in the watershed of Lake Berryessa to monitor and

improve water quality in the Lake. The Partnership supports projects such as household hazardous waste collection sites, signage to prevent water pollution, and sharing of water quality data.

The large volume of Lake Berryessa provides a large dilution factor for any contaminants that may reach the Lake. Additionally, the Solano Project draws its water supply from the bottom of the reservoir that provides for additional decomposition and dilution of any contaminants before and Solano Project water is release to Putah Creek for delivery to the Putah South Canal.

In compliance with state law, a sanitary survey has been prepared for the Solano Project that analyses all potential contamination sources and recommends measures to protect water quality. The sanitary survey covers Putah Creek (between Monticello Dam and the Putah Diversion Dam) and the Putah South Canal, in addition to the Lake Berryessa watershed. City water treatment plants regularly test Solano Project water and find it to be of high quality.

## **Current Issues**

**Anadromous Fish.** The Putah Creek Accord provides flows that benefit anadromous fish (e.g. salmon and steelhead). The Lower Putah Creek Coordinating Committee desires to improve the habitat in Putah Creek to attract more salmon and steelhead. Steelhead are listed as a threatened species under the Endangered Species Act. The Accord provides for SCWA to request assurances from the Federal Government that improvements to steelhead habitat and the additional flows will not result in a demand for more water releases from the Solano Project. SCWA does not want to be put into a situation where steelhead populations are improved due to the Accord and Lower Putah Creek Coordinating Committee activities, resulting in more steelhead in the Creek, then NOAA Fisheries (the federal agency responsible for enforcing the Endangered Species Act for anadromous fish) demanding more water be released to the Creek to further benefit the increased population of steelhead. Negotiations with NOAA Fisheries are underway to provide a means to allow measures to improve the steelhead populations in the Creek to take place with assurances to SCWA about the need for future increased Creek flows.

**Rehabilitation and Betterment.** The Solano Project is over 40 years old. SCWA expends an increasing amount of resources on Project maintenance and rehabilitation and betterment. Also, due to the need for better water measurement and water management, SCWA and SID staff has been improving water measurement and water management procedures for the Solano Project.

## **NORTH BAY AQUEDUCT**

### **History - Water Rights**

The North Bay Aqueduct (NBA) is part of the State Water Project (SWP). The SWP exports water from Northern California to parts of the San Francisco Bay Area, San Joaquin Valley and Southern California. Along with the Federal Central Valley Project, the SWP is a major water

supplier in the State of California. The SWP contracts with twenty-nine public agencies for water supplies. SCWA is one of those agencies.

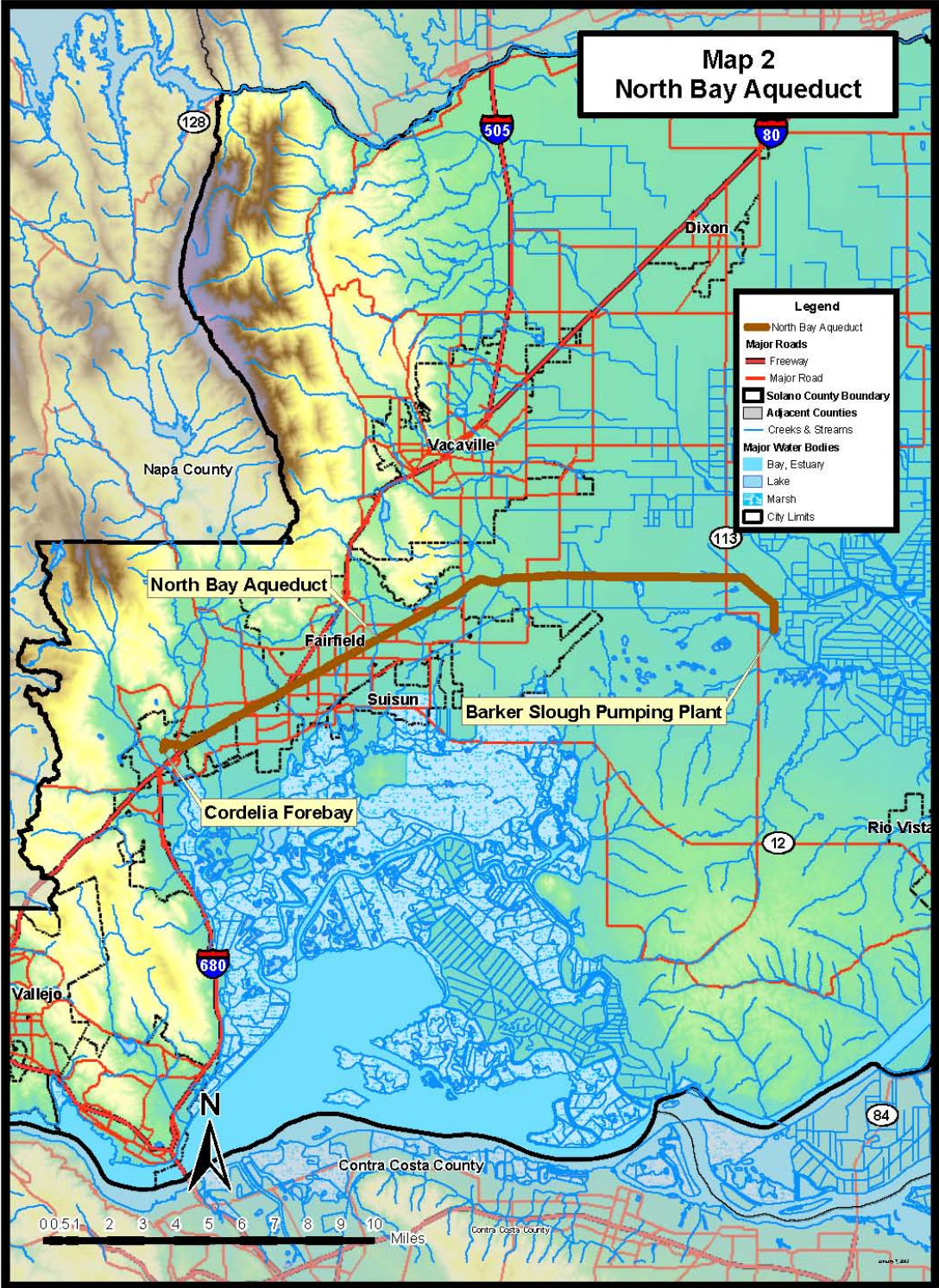
The water supply from the SWP comes from Lake Oroville, a SWP facility, and water rights for flows in the Sacramento and San Joaquin River systems. Major facilities of the SWP are the Banks Pumping Plant in the South Delta, the California Aqueduct, Lake Oroville on the Feather River and San Luis Reservoir located south of the Delta.

The NBA was envisioned as part of the SWP during the 1950's and 1960's when the SWP was being planned. NBA water supplies to Napa County started in 1969 using an interim water supply from the Solano Project. These NBA water deliveries to Napa were provided through this temporary arrangement until the NBA was completed. Construction of the NBA in Solano County started in 1984 and was completed in 1988. Initial NBA water service in the SCWA service area went to Benicia and Vallejo. In 1990 the North Bay Regional Water Treatment Plant, serving Fairfield and Vacaville, came on line and was able to treat water from the NBA for these two cities. The NBA cost approximately \$83 million to construct.

### **NBA Facilities**

The NBA is an underground pipeline that runs from Barker Slough in the Delta to Cordelia Forebay, just outside of Fairfield. From the Cordelia Forebay water is pumped to Napa County, Vallejo and Benicia. Travis Air Force Base is also served off the NBA. The size of the underground pipeline varies from 72 inches at Barker Slough to 54 inches at Cordelia Forebay. The facilities of the NBA are shown in Map 2. The NBA is operated remotely by the State Department of Water Resources (DWR) at the Delta Field Division office near Tracy.

DWR has recently found that the NBA cannot deliver the full 154 cfs flow for which it was designed (An additional pump, not presently installed, is required to reach the full contract amount of 175 cfs). Pumping tests have shown that the NBA can deliver a maximum of 142 cfs. DWR, SCWA and Napa County are investigating methods to increase the capacity of the NBA to design levels and are considering increasing the capacity to as much as 248 cfs.



## Water Supply Contracts

SCWA has a contract with DWR for water supply from the SWP. In turn, SCWA has contracts with Solano cities for provision of this water supply. The NBA contracting cities are: Benicia, Vacaville, Fairfield, Vallejo, Suisun City, Rio Vista and Dixon. The city of Suisun City has an allocation of NBA water but has no facilities to take NBA water at this time. The cities of Rio Vista and Dixon have the right to obtain a specified amount of NBA water in the future, but have no facilities to take NBA water at this time.

All the water from the NBA supply is currently used for municipal and industrial purposes. The SWP contract runs to the year 2035 and is renewable. The contract term is tied to the repayment of bonds that pay for SWP facilities. If additional bonds are issued, the SWP contract term could be extended. The price charged for the water varies each year to recoup the capital and operations and maintenance costs for the SWP. Water payments from SWP contractors pay for the full capital cost of SWP facilities and operations and maintenance.

SCWA has contracted for 47,756 acre-feet per year of water from the SWP. This amount includes 5,756 acre feet per year additional SWP water that SCWA purchased on behalf of the cities of Fairfield and Vacaville from the Kern County Water Agency (another SWP contractor) in 2001.

The amount of contract water increases each year until it reaches this ultimate entitlement. Table 3 shows the annual increases in supply. For 2003 the contract amount is 46,756 acre-feet.

**Table 3**  
**SCWA North Bay Aqueduct Water Supply**

<b>Year</b>	<b>Total Annual Amount (Acre Feet)</b>
2004	47,206
2005	47,256
2006	47,306
2007	47,356
2008	47,406
2009	47,456
2010	47,506
2011	47,556
2012	47,606
2013	47,656
2014	47,706
2015 and each succeeding year thereafter	47,756



The cities of Vallejo, Fairfield and Vacaville have purchased the rights to additional capacity in the NBA beyond the amounts of their contractual entitlements. Table 4 shows current and ultimate contract amounts for water from the SWP for each NBA contracting agency.

**Table 4**  
**North Bay Aqueduct Member Unit Water Supply**  
(in acre-feet per year)

<b>City</b>	<b>Current Amount <sup>(1)</sup></b>	<b>Ultimate Amount</b>
Benicia	17,200	17,200
Dixon	0	1,500 <sup>2</sup>
Fairfield	14,678	14,678
Rio Vista	0	1,500 <sup>2</sup>
Suisun City	750	1,300
Vacaville	8,978	8,978
Vallejo	5,600	5,600
<b>TOTAL</b>	<b>47,206</b>	<b>47,756</b>

1. 2004 Entitlements
2. Dixon and Rio Vista Ultimate Amounts are not included in the Total. If Dixon and/or Rio Vista decide to use the NBA water supply; supplies to Benicia, Fairfield and Vallejo are commensurately reduced.

The cost of water through the NBA is approximately \$146 per acre-foot (2004 costs). Contracts between SCWA and NBA contracting cities call for a price of \$20.50 per acre-foot. This price was established to roughly equate to the price of municipal and industrial water from the Solano Project. There are provisions in the NBA contract for increasing the price of water sold to cities should additional money be necessary to pay DWR for the water. The special NBA property tax generates funding necessary to make up the difference between the \$146 paid to DWR for the water and the \$20.50 charged to cities. The special NBA property tax of 2 cents per \$100 assessed valuation is assessed to a zone of benefit that includes all the cities and most of the irrigated agricultural lands in the County. The property tax assessment is to be in effect as long as payments must be made for NBA water supply.

A large part of the cost of water from the SWP is for fixed capital costs. A breakdown of the approximately \$146 per acre foot cost of water is shown in Table 5.

**Table 5**  
**North Bay Aqueduct Water Cost Breakdown**

<b>Item</b>	<b>Cost <sup>1</sup></b>	<b>Cost/Acre-Foot</b>
Delta Water Charge	\$ 1,212,000	\$25.67
NBA Capital	3,368,000	71.35
O&M and Power	2,305,000	48.85
<b>TOTAL</b>	<b>\$6,885,000</b>	<b>\$145.85</b>

1. 2004 costs and water amount of 47,206AF

## State Water Project Reliability

The biggest issue regarding the NBA water supply is its reliability. When the SWP was first envisioned, it was assumed that the water supply would be very reliable. Additional dams and reservoirs were to be built to meet the ultimate contractual demands of SWP contractors of 4.2 million acre-feet per year. But currently, in dry years, and even many normal years, the SWP will not be able to deliver its full contractual amount. For example in 1991 and 1992 SWP supplies for urban contractors were reduced to 30% and 45% of contracted supply, respectively. In 2001 SWP supplies were curtailed to 39% of contracted supply. Future SWP facilities are not expected to raise the yield of the SWP up to the 4.2 million acre-feet per year amount. SWP export pumping is limited by fishery and water quality constraints in the Delta.

DWR prepared an extensive report on SWP reliability entitled “The State Water Project Delivery Reliability Report” in 2002. This report provides a thorough analysis of the delivery capability of the SWP. The report includes a line graph of the probabilities of projected annual SWP deliveries for three different demand scenarios. There are many variables that effect SWP deliveries including: regulatory standards, operating rules, reservoir carryover supplies, demand in service areas and most importantly precipitation. The line graph is reproduced as Figure 2 below.

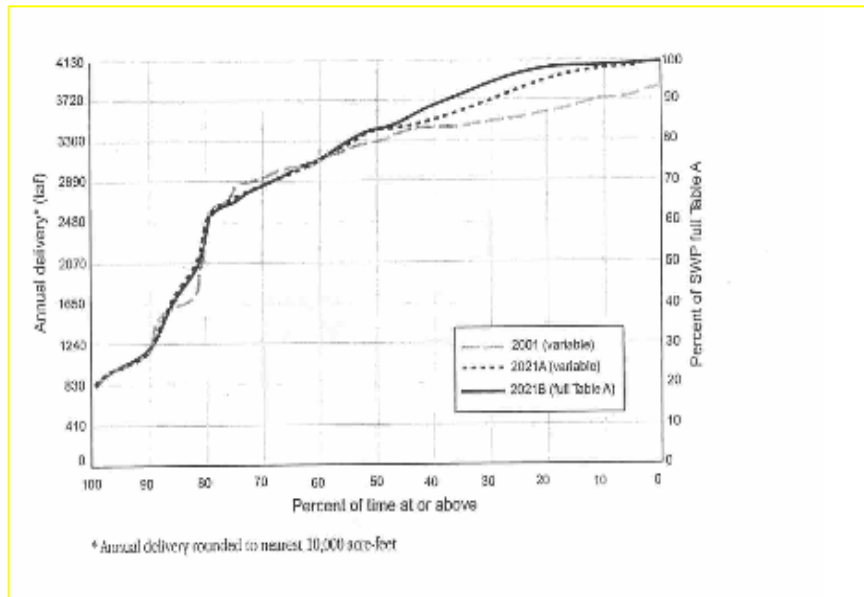
Figure 2 is an exceedence curve. The bottom horizontal scale is the “percent of time at or above”. For example if you are reading the 80 % mark, the graph shows that at least 80% of the years the SWP will be able to deliver about 2,275,000 AF, or about 55% of full Table A (contract amounts). The graph will be updated in the future as variables change. At the 50% exceedence level about 82% of contract amounts are delivered.

This graph does not include Article 21 water. Article 21 water is water that is available in excess of Table A contract amounts when there is water available in the Delta in excess of what can be pumped and stored in the SWP system. Article 21 water usually becomes available to south of the Delta SWP contractors when San Luis Reservoir fills in the late winter. San Luis Reservoir is an off stream regulating reservoir south of the SWP and the Federal Central Valley Project (CVP) pumping plants that is filled in the winter when more Delta water is available and supplements

Delta pumping in the summer when demands are high. For NBA water contractors Article 21 water is available whenever the Delta is in excess conditions. Excess conditions in the Delta occur when the SWP and CVP are pumping the maximum amount allowed, all Delta standards are met and there is still water available for export. NBA contractors have Article 21 water available substantially more than south of the Delta SWP contractors. DWR rules specify that use of Article 21 water is to be only for water used beyond that scheduled by SWP contractors.

Historically, SCWA has not used its full SWP contract amount in many years, although this situation will change as cities build out. SWP contractors are allowed to carry over unused water to the next calendar year. “Carryover water” becomes the first water used in the following year. Carryover water is available until San Luis Reservoir spills. Any carryover water left in San Luis Reservoir is lost once it spills.

**Figure 2**  
**SWP Delta Delivery Probability**



SCWA has an agreement with the Mojave Water Agency (Mojave), another SWP contractor, to exchange wet year SWP water for dry year SWP water. In years when SWCA has extra SWP supplies, SCWA can exchange two units of SWP water for a future return of one unit of water to be provided (at the Delta) by Mojave most likely in a dry year when there are SWP shortages. SCWA also pays some SWP transportation charges to Mojave when water is delivered to Mojave. So far only Benicia has taken advantage of this exchange program and currently (as of 2004) has the right to 5,500 AF of return water from Mojave. Up to 10,000AF in any one year of SCWA SWP supply can be exchanged with Mojave (resulting in a return obligation of 5,000 AF in a future year) with a cumulative return obligation of Mojave of 20,000 AF at any one time. Mojave stores its excess water supply in its groundwater basin. Mojave and SCWA enter into agreements with DWR to transport the exchange water through SWP facilities. The agreement calls for the water to be returned within 10 years.

The NBA was subject to pumping restrictions due to the delta smelt, a threatened species listed under the Federal Endangered Species Act. This fish resides in sloughs and channels of the Delta. Delta smelt spawn in the slough where the NBA intake is located. In several of the years since delta smelt monitoring started in 1993 a temporary pumping restriction of 65 cfs was placed on the NBA in order to protect young delta smelt from being entrained (sucked up) by the NBA pumping plants. In 2005, the U.S. Fish and Wildlife Service discontinued Delta Smelt monitoring at the NBA intake.

## Non State Water Project Water

SWP Table A contract water is not the only water that is allowed to be transported in the NBA. Two other important water sources use the NBA: Vallejo Permit Water (VPW) and Settlement Water.

VPW is derived from a water rights license held by Vallejo. The license allows for 31.52 cfs to be pumped from the Delta. The service area allowed to use VPW includes Vallejo, Benicia, parts of Fairfield and the American Canyon area of Napa County. Prior to the construction of the NBA, VPW was transported in the Cache Slough pipeline owned by Vallejo. A pumping plant located on Cache Slough in the Delta pumped water to Vallejo through an underground pipeline.

The Cache Slough Pipeline is interconnected with the NBA and portions of the Cache Slough Pipeline are still being used to transport water from the NBA.

When the NBA was constructed, Vallejo paid for the right to use the NBA to deliver VPW through the NBA. The NBA was increased in size to transport 31.52 cfs of VPW. Annual amounts of VPW are contractually limited to 17,287 AF per year by DWR. This amount is 5,493 AF less than the amount if the 31.52 cfs were taken all year round. An amendment to the agreement with DWR would be necessary to increase the amount of VPW to the maximum amount.

VPW has a higher water rights priority date than the SWP and CVP, so it is more reliable than SWP supplies. VPW is subject to being cut off during the summer of very dry years when the State Water Resources Control Board determines that the available water supply in the Delta is coming from SWP and CVP reservoir storage releases. Term 91 is not included in the VPW license (see explanation of Term 91 in the discussion below about Settlement Water).

Particularly in dry years, VPW is an important part of the water supply in Solano County. Vallejo exchanges and sells VPW to other cities to augment their supplies. See the Member Unit Water Portfolio for detailed information on these exchanges and sales.

Settlement Water is a major new source of water for Benicia, Fairfield and Vacaville. In 1990 the three cities filed for State Water Resources Control Board water rights permits for an appropriation of water under the State's Watershed of Origin statutes. The permit application was withdrawn after a settlement was reached with DWR that provided an essentially equivalent water supply from the SWP. A Settlement Agreement and a Conveyance Agreement with DWR specify the details of the Settlement Water supply.

Settlement Water is available up to the following amounts: Benicia 10,500 AF/year; Fairfield 11,800 AF/year; and Vacaville 9,320 AF/year. The main restriction to Settlement water is that it is not available when Standard Water Right Term 91 is in effect. Term 91 is declared by the State Water Resources Control Board when it is determined that the SWP and CVP are releasing stored water in excess of natural flow (natural flow is the flow that would have been in existence if the dam was not there) to meet in Delta demands and Delta water standards. Term 91 is declared in the summer of all but very wet years. Settlement water can be taken when the Delta is in excess conditions (same conditions as when Article 21 water is available) or when the Delta is in balanced

(non-excess) conditions as long as Term 91 is not in effect. Balanced conditions in the Delta are when the SWP and CVP are meeting in Delta water demands, meeting all Delta standards, meeting their export demands and there is no extra water available. During balanced conditions the SWP and CVP are releasing water from reservoir storage to meet their water delivery obligations. The main benefit of Settlement Water is that it is available during balanced conditions when Term 91 is not in effect. Under excess conditions Article 21 water is available, negating the need to use Settlement Water.

Settlement Water is a major new source of water to meet the long term needs of Benicia, Fairfield, and Vacaville. The amount of water requested was based on projected water needs to meet city General Plan demands. The Settlement Agreement allows the three cities to apply in the future to the State Water Resources Control Board for a Watershed of Origin appropriation above Settlement Agreement amounts if their demands exceed those upon which the Settlement Agreement was based. The Settlement Agreement runs through 2035 and is renewable under the same terms as the DWR/SCWA SWP contract. The Settlement Water can be considered a permanent supply.

## **Water Quality**

Another major NBA issue is water quality. The Delta water from the NBA is generally of poorer quality and requires more treatment than water from the Solano Project. Statewide studies of water quality show that the NBA has the poorest water quality of all SWP contractors for some constituents such as turbidity and organic carbon. City water treatment plants have been designed to take into consideration the poorer quality and are able to meet current drinking water standards. However, as drinking water standards become more stringent, it will be more difficult and more expensive to treat water from the NBA. Some city water treatment plants will switch from NBA water to other sources of water when NBA water quality is poor, but this may be less of an available option as the cities build out. Poor NBA water quality particularly occurs in the winter when runoff from the Barker Slough watershed is pumped into the NBA.

SCWA conducted studies to determine the source of contaminants to the NBA water supply. Studies have shown that winter runoff from the local watershed is the source of elevated levels of turbidity and total organic carbon. No point sources were identified. The local watershed is mostly used for grazing of livestock.

The organic carbon is coming from natural sources such as the soil and decaying plant matter. Studies have shown that it is not possible to effectively control organic carbon in the NBA watershed. Turbidity comes from soil particles that are not settling. The soil types in the Barker Slough watershed do not settle well and remain in suspension for very long periods. Traditional best management practices such as vegetative buffers and settling ponds do not reduce turbidity for these types of soils. Studies have determined that eliminating livestock from channels and erosion control are the best management practices to reduce turbidity. SCWA has installed fencing and alternate water supplies to prohibit livestock access to much of the waterways in the watershed. Water quality testing and monitoring is ongoing to test the effectiveness of these source control measures.

Through grant funding SCWA has also investigated the feasibility of an alternate intake to the NBA located away from Delta Smelt habitat and on or near the Sacramento River where there is better water quality. Such a project is feasible from an engineering perspective but is very expensive.

Also through grant funding SCWA is evaluating water treatment technologies to reduce organic carbon in the NBA water.

## **Current Issues**

**Reliability.** The biggest issue with SWP supplies is the dry year reliability. SWP contracts specify that all SWP contractors be reduced proportionally when there is a shortage. The SWP is making some efforts to increase the water supply of the SWP but realistically can only make marginal improvements due to the high costs of water projects and tough environmental constraints. Most SWP contractors are developing their own projects to augment SWP supplies, such as local surface water storage facilities and groundwater banking. In recent years the SWP has modified its operating rules to encourage innovative local projects to stretch SWP water supplies, such as those measures included in the “Monterrey Amendments” to the SWP contracts. In dry years the SWP and/or the State Water Contractors (an organization of contract holders with the SWP) sometimes organize purchase pools to obtain water supplies from outside the SWP to distribute to participants in the purchase pools.

Many of the ways to increase the supply from the SWP are tied to statewide water issues. The California Bay Delta Authority (CALFED) is implementing plans to enhance ecosystem restoration, increase water supply, promote efficient water use, improve water quality and improve Delta levees. One of the main tenants of the Authority is to seek improvements simultaneously in all of the facets of the Authority’s programs. The Authority has been hampered in implementation of its program due to lower than expected levels of funding, in particular from the Federal government. Most measures to improve the SWP water supply are tied to the Authority’s overall program. The controversial nature of water issues in California makes it difficult to implement projects that benefit SWP water supplies.

**Water Quality.** Poor NBA water quality is being addressed on several fronts. Best management land use practices are being implemented in the Barker Slough watershed, primarily to reduce erosion from livestock grazing. These measures are expected to reduce turbidity in the winter runoff season. Alternative water treatment methods to deal with high organic carbon are being studied. A feasibility study of an alternate intake to the NBA that is away from Delta smelt habitat and located at a point on or near the Sacramento River that has better water quality has been completed. Once the treatment studies are completed, the cost and effectiveness of treatment and source control can be compared to the costs of an alternate intake to better determine what options are most feasible to improve water quality at the NBA.

**Endangered Species.** The endangered species, delta smelt, spawns in Barker Slough pumping plant intake to the NBA. In order to protect larval delta smelt, the US Fish and Wildlife

Service had imposed pumping restrictions on the NBA when larval delta smelt are present. While the restriction did not significantly impact NBA water supplies (shortages were made up later in the year), as NBA water use increases, a pumping restriction could have a major impact on NBA supplies. This restriction was discontinued in 2005, but could be reinstated in the future. This results in some uncertainty as to the availability of the NBA to be fully utilized in the future.

## **GROUNDWATER**

Prior to the development of the Solano Project, groundwater was extensively used in Solano County both for municipal supplies and for agriculture. One of the main reasons for the development of the Solano Project was to rectify groundwater overdraft in some agricultural areas. Once the Solano Project started making agricultural water deliveries, groundwater levels rebounded.

The cities of Rio Vista and Dixon are served exclusively with groundwater from basins underlying the cities. Vacaville gets approximately one third of its municipal water supply from groundwater underlying the city. Most of the growers within SID use surface water supplied by SID, but SID has its own wells to supplement their surface water supply from the Solano Project. Maine Prairie Water District and Reclamation District No. 2068 provide surface water to their growers, and do not currently use groundwater underlying their districts. Growers outside of districts that provide surface water rely entirely on groundwater unless they have an individual right to a surface water supply. The amount of this groundwater use has not been accurately quantified.

Most rural residential landowners have individual shallow groundwater wells that serve their domestic needs. There are also some small rural residential water systems that distribute groundwater to their customers.

The largest groundwater basin underlies the northeastern part of Solano County. This groundwater basin starts from the foothills above Vacaville and goes to the Sacramento River. The groundwater basin goes from Putah Creek to the north to the boundaries of Fairfield to the south. There are two basic levels to the groundwater basin. The shallower aquifer provides agricultural water and local domestic supplies. The shallower aquifer is underlain by the Tehama Formation aquifer. This aquifer is quite deep (over 1,000 feet) under Vacaville, but surfaces in the English Hills area north and west of Vacaville. Vacaville's wells draw from the Tehama Formation for its groundwater supply.

Public agencies that overlie this groundwater basin have developed groundwater management plans as specified in AB 3030, the state law that authorizes local agencies to prepare groundwater management plans. SCWA, through the Solano Water Authority (see pg 41 for explanation of the SWA), prepares biannual reports on groundwater levels for the groundwater basin. Groundwater level data comes from DWR and local public agencies utilize the groundwater basin. These reports show no trend of over drafting with current levels of groundwater use. Groundwater levels drop in dry years, but rebound in wet years.

There may be a potential to more aggressively utilize the groundwater basin. Areas that have a surface water supply that are underlain by a groundwater basin are good candidates for conjunctive use projects. A typical conjunctive use project includes the installation of groundwater wells that are used in drier years instead of surface water that can be sold or exchanged. In wet years, the groundwater basin is recharged and the use returns to surface water.

Rio Vista has done studies on its groundwater basin and is evaluating how had little study.

Groundwater basins outside of the Tehama Formation area and Rio Vista have not been studied much.

## **OTHER SURFACE WATER SOURCES**

Vallejo and Benicia have local reservoirs that provide a portion of their water supply.

For Vallejo, lakes Frey, Madigan and Curry are part of what is called the Vallejo Lakes System. In the past the Vallejo Lakes System provided water to the city of Vallejo. Currently the Vallejo Lakes System provides water to the unincorporated communities in Suisun Valley and Green Valley. As part of the development of the Vallejo Lakes System, Vallejo agreed to serve some residents in the area. The largest lake, Lake Curry, has a storage capacity of 10,700 AF and a yield of about 3,750 AF/year. Vallejo is attempting to get permission for the United States Bureau of Reclamation to transport water from Lake Curry via the Putah South Canal to its water treatment plant in Vallejo. This would more fully utilize the yield from Lake Curry. An environmental impact report for this proposal is underway. One major issue is the impact of the proposal on steelhead (a Federally listed threatened species). Suisun Creek, which is impounded by Lake Curry, supports a small population of steelhead.

For Benicia, Lake Herman, situated in the hills between Benicia and Vallejo, has a storage capacity of 1,800 AF. The average yield of the 10 square mile watershed is 500 to 1000 AF annually with no yield in dry years. The additional storage capacity serves as terminal storage for excess water delivered through the NBA.

In the eastern Delta part of Solano County many growers divert directly from local waterways. Growers hold riparian rights (water rights that derive from land ownership) or appropriative rights. There are no records on the amount of this type of water use. Reliability for these water supplies is high since there is always water physically available in this part of the Delta. There are also these types of small direct diversions on waterways in other parts of Solano County.

## **SUMMARY OF SCWA MEMBER AGENCY WATER USE**

Table 6 below shows SCWA member agency water use from 1999-2002. Water use is broken down by different sources, if the agency receives water from multiple sources. This table



does not include water users who do not get water from one of these agencies, such as individual growers who have their own groundwater wells or their own surface water diversion rights.

**Table 6**  
**Member Agency Water Use**

<b>Agency</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
<b>Benicia</b>				
SWP	11,018	15,290	8,523	11,110
Other	749	913	4,087	1,257
<b>Total</b>	<b>11,767</b>	<b>16,203</b>	<b>12,610</b>	<b>12,367</b>
<b>Dixon (groundwater)</b>	<b>3,429</b>	<b>3,450</b>	<b>3,469</b>	<b>3,545</b>
<b>Fairfield</b>				
SWP	7,263	6,598	5,760	8,555
SP	10,278	9,550	7,867	9,200
Other	3,530	6,109	10,356	6,955
<b>Total</b>	<b>21,071</b>	<b>22,257</b>	<b>25,316</b>	<b>24,710</b>
<b>Rio Vista (groundwater)</b>	<b>1,565</b>	<b>1,550</b>	<b>1,725</b>	<b>1,799</b>
<b>Suisun City</b> SP	<b>4,175</b>	<b>4,379</b>	<b>4,759</b>	<b>4,820</b>
<b>Vacaville</b>				
SWP	4,897	5,484	3,424	6,296
SP	5,410	5,542	5,656	4,012
Groundwater	4,096	5,141	6,211	6,638
Other	1,000	1,322	2,000	1,000
<b>Total</b>	<b>15,403</b>	<b>17,489</b>	<b>17,291</b>	<b>17,946</b>
<b>Vallejo</b>				
SWP	8,544	9,461	2,912	5,961
SP	13,514	13,278	12,337	13,714
VPW	0	774	5,448	2,628
Other	82	174	137	157
<b>Total</b>	<b>21,140</b>	<b>23,687</b>	<b>20,834</b>	<b>22,460</b>
<b>SID</b>				
SP	125,978	126,378	134,490	129,527
Groundwater	4,820	5,959	5,300	6,853
<b>Total</b>	<b>130,798</b>	<b>132,337</b>	<b>139,790</b>	<b>136,380</b>
<b>Maine Prairie Water Dist</b>	<b>23,142</b>	<b>21,390</b>	<b>24,170</b>	<b>23,894</b>
<b>CSP Solano</b>	<b>1,372</b>	<b>1,147</b>	<b>1,191</b>	<b>1,241</b>
<b>UC Davis</b>	<b>3,878</b>	<b>3,708</b>	<b>3,815</b>	<b>3,098</b>
<b>Reclamation Dist 2068</b>	<b>55,007</b>	<b>54,471</b>	<b>53,449</b>	<b>53,956</b>
<b>Overall Total</b>	<b>292,747</b>	<b>301,958</b>	<b>308,419</b>	<b>306,216</b>

## **WATER CONSERVATION**

Water conservation is an integral part of water management in Solano County. Under the auspices of SCWA, there is both an urban and an agricultural water conservation committee that deal with countywide water conservation issues. Additionally, cities and districts have active water conservation programs as part of their retail water supply program.

SCWA's Urban Water Conservation Committee concentrates on countywide water conservation programs. Examples of programs are water conservation poster contests, water conservation radio script contests, and water efficient landscaping exhibits. Staff from urban agencies meet on a regular basis to plan these types of events and coordinate water conservation activities of individual urban agencies. This also provides a mechanism for sharing information and group purchase of water conservation materials. A major project of the Committee was the Six Flags Marine World (Vallejo) water education exhibit and demonstration water conservation garden. Six Flags has an annual attendance of over a million people, so the exhibit gets a large audience.

Cities and districts receiving water from the Solano Project (Fairfield, Vacaville, Suisun City, Vallejo, Solano Irrigation District, Maine Prairie Water District and SCWA) are required to meet water conservation standards of the federal government. These are the same conservation standards required of CVP contractors and, for municipal users, are basically equivalent to the standards developed by the California Urban Water Conservation Council.

Since SCWA does not provide water directly to residents, the cities are left to develop local programs such as distribution of low flow showerheads, in-school education and low flush toilet installations. SCWA, as a wholesale agency, is a member of the California Urban Water Conservation Council (CUWCC) and has signed the Memorandum of Understanding to implement best management practices for urban agencies at a wholesaler level. The cities of Fairfield and Benicia are also members. The CUWCC is made up of urban water supply agencies, public interest groups and businesses to promote a consistent urban water conservation program statewide. The CUWCC is working with the California Bay Delta Authority to develop a possible urban water conservation certification program that may require any agency that benefits from an Authority related program to meet the CUWCC conservation standards. All the large cities in Solano County and SCWA currently meet this standard.

The Agricultural Water Conservation Committee works on projects that benefit irrigated agriculture. One of their projects has been the purchase of three California Irrigation Management Information System (CIMIS) weather-rainfall stations. These stations are part of a statewide network that provides growers with information on how much water their crops need based on weather conditions. The Committee also provides irrigation efficiency evaluations and information on crop water needs to growers so that they can more efficiently use their water supplies. SCWA, SID, Maine Prairie Water District and Reclamation District No. 2068 are all members of the Agricultural Water Management Council, which is the agriculture version of the CUWCC. SID and the Maine Prairie Water District are also required to have agricultural water conservation plans that meet CVP standards.

In summary, agencies in Solano County meet the water conservation standards that have been established by the CUWCC, the Federal Government (CVP standards) and the Agricultural Water Management Council. The only exceptions are the smaller cities and districts that are not required to meet these conservation requirements.

**CITY WATER MANAGEMENT PLANNING**

State law requires cities (having over 3,000 connections or serving over 3,000 acre feet per year) to prepare Urban Water Management Plans every five years. These Plans describe current water supplies of each city, water demands, and plans for meeting water demands under shortage conditions. Each city that contracts for Solano Project water is required to have water conservation plans that meet federal requirements. Members of the California Urban Water Conservation Council (CUWCC) voluntarily agree to meet urban water conservation standards and report compliance annually. The federal water conservation standards are similar to the CUWCC standards.

SB 610 and SB 221 (of 2001) require cities to provide detailed information regarding water availability prior to approval of specified large development projects (generally over 500 units). Cities must show how they will meet the water use requirements of existing development and the proposed new development over multiple consecutive dry years. The Urban Water Management Plans are used as a foundation for the SB 610/221 reports.

Solano cities and districts are also undergoing water supply Municipal Service Reviews by the Solano County Local Agency Formation Commission (LAFCO) pursuant to state law. These reviews also look at water supply and demand of each entity. These reviews also examine organizational and jurisdictional aspects of the entity.

Table 7 shows the status of each city’s current involvement in the previously described programs.

**TABLE 7**  
**City Water Management Planning**

<b>City</b>	<b>Urban Water Management Plan</b>	<b>Solano Project Water Conservation Plan</b>	<b>CUWCC</b>	<b>AB 3030 (groundwater)</b>	<b>SB 610/221</b>
Benicia	√	N/A	√	N/A	
Dixon	N/A	N/A			√
Fairfield	√	√	√	N/A	
Rio Vista	N/A	N/A			√
Suisun City		√		N/A	√
Vacaville	√	√		√	√
Vallejo	√	√		N/A	

## **WASTEWATER RECYCLING**

The Fairfield/Suisun Sewer District has one of the longest operating wastewater recycling plants in California. Wastewater from the Fairfield/Suisun area is recycled and used for agricultural irrigation and as a fresh water supply for the Suisun Marsh. Fairfield, working with the Fairfield/Suisun Sewer District, has installed a distribution system that provides reclaimed wastewater to landscaping projects in Fairfield. Plans have been developed for increasing the use of recycled water but cost considerations are holding back implementation.

Vacaville discharges treated wastewater into local waterways that eventually drain into the Ulatis Flood Control Project. During the summer irrigation season the treated wastewater, along with agricultural return flows, natural runoff and Solano Project water, is stored behind temporary dams installed by the Maine Prairie Water District and the Solano Irrigation District. The water is used for irrigation and only a fraction of the water leaves the County. This is another form of recycling of wastewater.

Benicia is considering a wastewater recycling project that could provide treated wastewater to the Valero refinery, reducing the refinery's use of NBA water.

SCWA is member of the Northern California Salinity Coalition. The Coalition seeks funding for studies and projects that deal with desalting water for beneficial uses. Seawater desalination is one example. In Solano County several projects for removing salts in recycled water to make the recycled water more readily used by industrial processes have been proposed.

## **WATER TRANSFERS, EXCHANGES AND SALES**

Solano County has a long history of cooperation between and among cities and districts with water projects. From the development of the Solano Project to water sharing during the droughts of the past decade, agencies in Solano County have sold, exchanged and transfer water supplies to both meet long term needs and emergency supplies. The below are some key examples. See the Member Unit Water Portfolios for more detailed explanations of these transfers, exchanges, and sales. The Member Unit Water Portfolios also includes smaller arrangements that are not listed below.

**SID/City Agreements.** SID has longstanding agreements with Fairfield, Vacaville, Suisun City and Dixon.

**SID/Fairfield.** Originally executed in 1974, this agreement was recently renewed in 2002. This is a complicated agreement that basically promised that Fairfield would not expand its city limits into Suisun Valley in return for additional water supply from SID. The additional supplies provide a significant amount of Fairfield's overall water supply. The Amended 2002 Agreement provides for up to 16,018AF/year of water from SID. A Separate JPA agreement provides for SID water to serve lands within the common boundaries of the two agencies not covered under the 2002 Agreement.

SID/Vacaville. This agreement executed in 1995 provides for SID to sell Vacaville up to 10,050AF/year of Solano Project water supply in return for limitations of Vacaville city expansion east into agricultural land.

SID/Suisun City. SID and Suisun City have created a Joint Powers Authority (JPA) called the Suisun Solano Water Authority to run Suisun City's water supply system. The JPA uses Suisun City's Solano Project contract supply and supplements it with SID's Solano Project supply to meet Suisun City's water demand along with the unincorporated Tolenas area. Suisun City is unable to treat its State Water Project contract supply, so it is not currently utilized.

SID/Dixon. SID and Dixon have a Joint Exercise of Powers Agreement that creates the Dixon Solano Municipal Water Service to provide part of Dixon's water supply. The other part of Dixon's water supply comes from the California Water Service Company, a California Public Utility Commission regulated private utility. Each water provider has a specified service area in Dixon. Groundwater is the source for both water suppliers.

**Solano Project Drought Measures Agreement.** As part of the Solano Project water supply contract renewal, the Solano Project contracting cities (Fairfield, Vacaville, Vallejo and Suisun City) entered into an agreement with the two agricultural Solano Project contracting districts (SID and Maine Prairie Water District) to share water supplies during drought periods. The "Drought Measures Agreement" was executed concurrently with the renewed Solano Project water supply agreements in 1999.

The Agreement works as follows:

When Solano Project storage is less than 800,000 AF on December 1, a Drought Contingency Plan is developed. If Solano Project storage is greater than 1.1 million AF by the following April 1, the Drought Contingency Plan is suspended.

When Solano Project storage is between 800,000 AF and 550,000AF on April 1, each of the parties to the agreement will forgo at least 5% of their contract amount that year. If storage is between 550,000 AF and 450,000 AF on April 1 the parties forgo at least 10%. These forgone amounts are called "Restricted Carryover" and are credited to the party forgoing the water.

This Restricted Carryover cannot be withdrawn from storage until Solano Project storage exceeds 800,000 AF or is less than 450,000 AF on a subsequent April 1. The concept is that the Restricted Carryover should not be used until conditions improve (storage in excess of 800,000AF) or worsen (storage less than 450,000 AF). There is a further restriction for SID and Maine Prairie. When Storage is less than 450,000 AF, their Restricted Carryover can only be used for municipal purposes or to be sold for municipal purposes. When April 1 storage is below 450,000 no Restricted Carryover is accumulated, full contract amounts are available. Restricted Carryover cannot exceed 50% of any party's annual contract amount.

Restricted Carryover is in addition to any voluntary carryover that is allowed under the Solano Project contracts.

If Solano Project storage is less than 400,000 AF on April 1, a drought emergency is declared. This will trigger the “Solano Irrigation District Drought Impact Reduction Program.” This program provides for SID growers to fallow land and provide up to 20,000 AF per year for voluntary sale to cities (not restricted only to those with Solano Project contracts). Such a drought following program was implemented in 1991 that created 15,000 AF of SID water sold to cities and SCWA.

**Vallejo Agreements.** Vallejo often has water supplies in excess of its current needs. Vallejo has entered into agreements with Benicia, Napa County and Fairfield for sales and exchanges.

**Benicia.** Vallejo has two agreements with Benicia to provide supplemental water when needed by Benicia. The first agreement provides for sale of 1,100 AF/year of Solano Project water. The second agreement provides for up to 4,400 AF/year of NBA water.

**Napa County.** Vallejo has an agreement with the city of American Canyon in Napa County to provide for a future permanent sale of up to 750 AF of Vallejo Permit Water to American Canyon. American Canyon would then sell an equivalent amount of its Napa County SWP contract amount to the cities of Calistoga and Yountville. This is an indirect way of selling VPW to Calistoga and Yountville who are outside of the allowed place of use for VPW. That transfer has not been activated yet. Vallejo also has an agreement with American Canyon that allows Vallejo to treat part of American Canyon’s Napa County NBA contract water and deliver it to American Canyon. This arrangement has no impact on SCWA water supplies since it is Napa’s NBA water being treated.

**Fairfield.** Vallejo and Fairfield have an agreement where by under mutually agreeable circumstances, Vallejo provides Fairfield with two units of VPW water and gets one unit of Solano Project water from Fairfield.

**Vallejo Lakes System.** Vallejo provides water service to unincorporated communities in the Green Valley/Suisun Valley areas from local reservoirs.

**Mojave Exchange Agreement.** SCWA has an agreement with the Mojave Water Agency (Mojave), another SWP contractor, to exchange wet weather SWP water for dry year SWP water. In years when SWCA has extra SWP supplies, SCWA can exchange two units of SWP water for a future return of one unit of water to be provided (at the Delta) by the Mojave most likely in a dry year when there are SWP shortages. SCWA also pays some SWP transportation charges to Mojave when water is delivered to Mojave. So far only Benicia has taken advantage of this exchange program and currently (as of 2004) has the right to 5,500 AF of return water from Mojave. Up to 10,000AF in any one year of SCWA SWP supply can be exchanged with Mojave (resulting in a return obligation of 5,000 AF in a future year) with a cumulative limit return obligation of Mojave of 20,000 AF at any one time. Mojave stores its excess water supply in its groundwater basin. Mojave and SCWA enter into agreements with DWR to transport the exchange water through SWP

facilities. DWR currently requires that the water supply exchanged be returned within 10 years of the initial exchange, but this policy may be changed.

**Highline Canal Study.** This study originated as an investigation of constructing a blending reservoir (called the Noonan Reservoir) for SWP water and Solano Project water. The blended water reservoir would allow exchanges of Solano Project and NBA water and provide for emergency water supply storage. The reservoir was to be located just south of Vacaville where the NBA and the Putah South Canal nearly meet. The proposed location for the blending reservoir proved to have geotechnical problems so the reservoir plan was postponed indefinitely. In its place a project is being developed to implement some of the benefits of the reservoir project.

A revised project was developed where water from the NBA would be utilized in the SID Highline Canal, serving an agricultural area of 7,400 acres. The project facilities include a pump station, a connection to the NBA and a connection to the SID Highline Canal. NBA water will be pumped into the Highline Canal, blended with Solano Project water, and distributed to SID growers.

This project is beneficial since it provides a means to better utilize NBA water when it is available. The project would include agreements between cities who are funding the project (Fairfield, Vacaville and Benicia) and SID who would be distributing water to their customers from the project. The cities would also provide financial incentives to growers to use the NBA water. In return for providing NBA water the cities would obtain Solano Project water in Lake Berryessa storage.

Since the cities usually do not fully utilize their NBA supplies, and this water ends up as spilled carryover or just forgone, this project would optimize use of NBA water and take advantage to Solano Project storage. NBA water would be used conjunctively with Solano Project water. The Solano Project water is also a better drinking water source for the cities.

A total of 12,000 – 15,900 AF of NBA water could be used in the service area of the project if 100% NBA water was used. It is anticipated that a blend of NBA water and Solano Project water would be used during initial stages. This project has the potential to be expanded to other agricultural areas, but infrastructure costs would be higher for other locations.

**Maine Prairie Water District Study.** A study was done to determine if it is possible to fund water system improvements in the Maine Prairie Water District (MPWD) that would allow MPWD to exchange some of its Solano Project entitlement. Some of the options to be studied include a groundwater conjunctive use project and exercise of MPWD's North Delta Water Agency water supplies that are currently not utilized.

Parts of the MPWD and Reclamation District No. 2068 are in the North Delta Water Agency. The North Delta Water Agency has an agreement with DWR that provides a supplemental water supply to landowners within the boundaries of the North Delta Water Agency when their water rights from the State Water Resources Control Board are reduced or cut off due to Delta water quality standards.

**Reclamation District No. 2068 Conjunctive Use.** RD 2068 currently uses surface water supplies derived from its own water rights and the North Delta Water Agency agreement. RD 2068 also overlies a groundwater basin that is not utilized. If RD 2068 could develop the groundwater basin, they could exchange their surface water and utilize groundwater at certain times. This has a potential to supplement dry year supplies in Solano County.

RD 2068 recently received a grant to study its groundwater basin in the context of a possible future conjunctive use project. Cities in Solano County are interested in participating in such a conjunctive use project, in particular, to improve the reliability of their SWP supplies, that come from the same Delta source. Allowing other entities to use RD 2068 surface water requires additional research to determine if and how best this can be done.

### **ULATIS FLOOD CONTROL PROJECT**

The Ulatis Flood Control Project is located in the Vacaville -Elmira drainage basin. The watershed area for the Ulatis Flood Control Project ranges from the hills to the northwest of Vacaville to the Liberty Island area in the Delta. The Ulatis Project location is showed in Map 3.

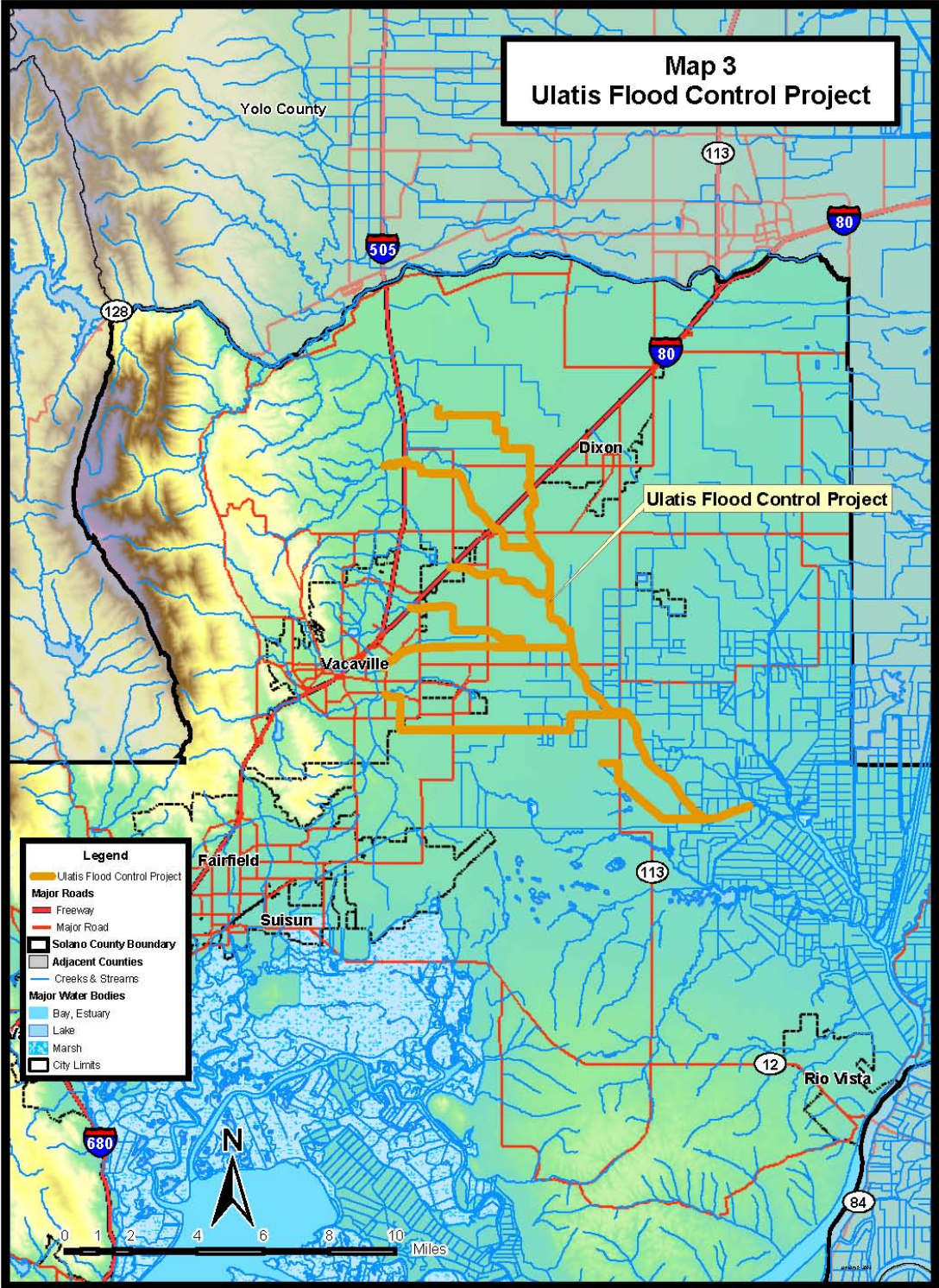
The Project was constructed from 1962 to 1972 by the Federal Soil Conservation Service (now the Natural Resource Conservation Service). After completion of the Ulatis Project the Project was turned over to SCWA for operations and maintenance. The channels are almost entirely on private property with easements granted to SCWA for operations and maintenance access. The Natural Resource Conservation Service reviews any plans for major modifications or improvements to the Project. SCWA is responsible for all maintenance and capital improvements. The total cost of construction was approximately \$14 million.

Although the City of Vacaville is entirely within the watershed, the primary purpose of the Ulatis Project was to protect agricultural land downstream of Vacaville. The Ulatis Project was designed to control a storm with a 10-year recurrence level, meaning the Project was designed to handle a storm that occurs on an average of once in every ten years. This is a standard level of protection for a non-urban area. Flood control protection in an urban area is usually at a 100-year recurrence level. Portions of the Ulatis Project within the City of Vacaville have been upgraded to a 100-year protection level.

The channels of the Ulatis Project are unlined earth channels where some vegetation is allowed to grow for slope protection. There are a total of 57 miles of channel in the Ulatis Project. Trees and woody vegetation are cleared annually to ensure adequate flood control capacity. The channels are dredged as needed, erosion control utilized and some weed growth is controlled by chemical herbicides.

SCWA contracts with the Solano County Resource Management Department for maintenance of the Ulatis Project. SCWA staff provides engineering, administration and right-of-way management. The County Resource Management Department is responsible for all field operations.





Funding for the Ulatis Project comes from a portion of the countywide 1 percent property tax. This property tax revenue generates approximately \$637,000 per year (FY 2003-2004). Additional funding from the SCWA general fund can supplement the property tax revenues.

Some of the channels of the Ulatis Project are used by Solano Irrigation District and Maine Prairie Water District to convey agricultural irrigation water during the irrigation season. The two districts install a total of eleven temporary dams in the Ulatis Project channels to store water during the irrigation season. These dams are removed prior to the rainy season to ensure that the channels can perform their flood control function.

As development in the watershed of the Ulatis Project continues, SCWA must ensure that there is adequate capacity for additional runoff created. SCWA works closely with the City of Vacaville to ensure that development projects adequately mitigate their storm water runoff impacts. Part of the long-term maintenance program includes monitoring the channels to ensure that they retain the capacity to carry the flows the Ulatis Project was designed for.

## **GREEN VALLEY FLOOD CONTROL PROJECT**

The Green Valley Flood Control Project is located in the Cordelia area. The watershed area for the Green Valley Project ranges from the hills between Vallejo and Fairfield to the Suisun Marsh. The Green Valley Project location is shown in Map 4.

Construction for the Green Valley Project was completed in 1962. The United States Army Corps of Engineers designed and constructed the Project. After completion of the Green Valley Project the Project was turned over to SCWA for operations and maintenance. The channels are almost entirely on private property with easements granted to SCWA for operations and maintenance access. The Corps of Engineers inspects the Green Valley Project once a year and reviews any plans for major modifications or improvements to the Project. SCWA is responsible for all maintenance and capital improvements.

The Green Valley Project is partially within the City of Fairfield. When the Green Valley Project was first built, the service area was unincorporated and largely undeveloped. The Green Valley Project was designed to control a storm with a 40-year recurrence level, meaning the Project was designed to handle a storm that occurs on an average of once in every 40 years. Flood control protection in an urban area is usually a 100-year recurrence level. Portions of the Green Valley Project within the City of Fairfield have been upgraded to a 100-year protection level.

The channels of the Green Valley Project are unlined earth channels where some vegetation is allowed to grow for slope protection. There are a total of six miles of channel in the Green Valley Project. Trees and woody vegetation are cleared annually to ensure adequate flood control capacity. The channels are dredged as needed, erosion control utilized and some plant weed growth is controlled by chemical herbicides.

SCWA contracts with the Solano County Resource Management Department for maintenance of the Green Valley Project. SCWA staff provides engineering, administration and right-of-way management. The County Resource Management Department is responsible for all field operations.

Funding for the Green Valley Project comes from a portion of the countywide 1 percent property tax. This property tax revenue generates approximately \$39,000 per year (FY 2003-2004). Additional funding from the SCWA general fund can supplement the property tax revenues.

As development in the watershed of the Green Valley Project continues, SCWA must ensure that there is adequate capacity for additional runoff created. SCWA works closely with the City of Fairfield to ensure that development projects adequately mitigate their storm water runoff impacts. Part of the long-term maintenance program includes monitoring the channels to ensure that they retain the capacity to carry the flows the Green Valley Project was designed for.

### **OTHER MAJOR FLOOD CONTROL PROJECTS**

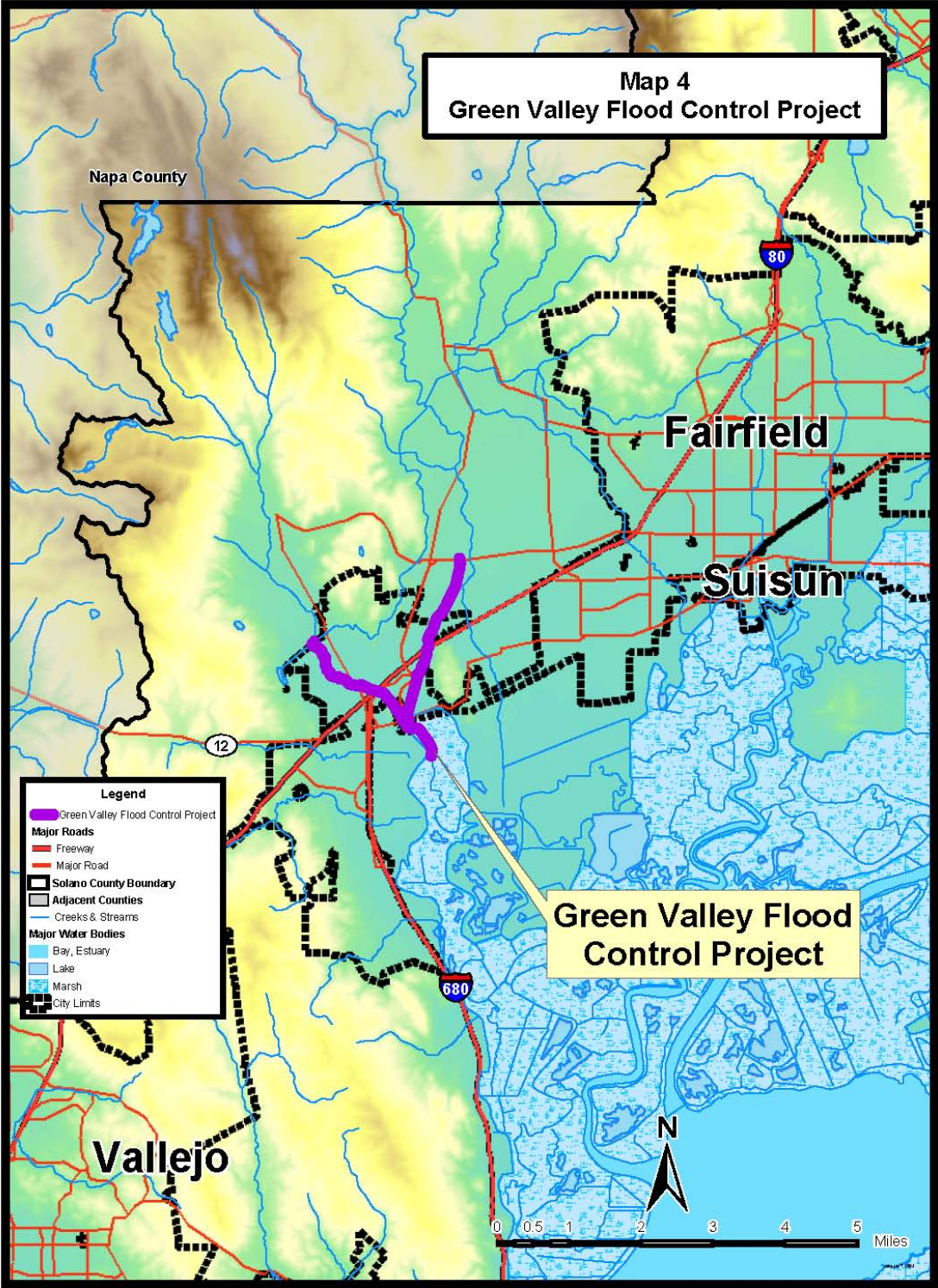
**Fairfield Streams.** The Fairfield Streams Project was sponsored by the US Army Corps of Engineers. This project provides 100 year flood protection for Fairfield and Suisun. The project consists of improvements to the bottom end of Ledgewood, Laurel, Union and McCoy Creeks that drain the Fairfield/Suisun area into the Suisun Marsh. The project was started in 1970's and completed over time. This project is maintained by the Fairfield Suisun Sewer District which collects a tax to fund maintenance.

**Dixon Area Drainage.** The agricultural areas in the eastern part of Solano County are provided drainage service by the Dixon Resource Conservation District, MPWD and RD 2068. Each agency has an agricultural drainage system whose purpose is to drain excess irrigation water during the irrigation season and stormwater during the winter. These systems are not designed to act as flood control projects such as city systems or the Ulatris Project.

These agencies have formed a Joint Powers Agency with the city of Dixon to collectively improve and manage drainage facilities. A study, partially funded by SCWA is the basis for this JPA. The city of Dixon lies in the watershed and contributes urban runoff to the agricultural drainage system. This area has a history of disputes and lawsuits over drainage. The JPA will resolve these disputes and provide for new drainage facilities to improve drainage in the area and allow Dixon to more effectively manage its stormwater.

The new projects include an enlarged channel (Lateral 1) leaving a main Dixon detention basin. This project has been completed. This project allows Dixon to discharge stormwater from its basin under metered conditions that shut off discharges when receiving channels of adjacent agricultural fields are flooded. The improved channels provide adjacent agricultural areas with improved drainage when Dixon flows are not using channel capacity.

The JPA also contemplates other projects that benefit the drainage in the region. The New South Channel, a facility that increase the capacity of some existing drains and constructs



some new drainage segments would provide additional drainage capacity at the lower end of the system where the drainage outfalls into Delta sloughs. The JPA agreement provides that the city of Dixon will pay for most of the costs of this facility, with the JPA managing design and construction. SCWA is also planned to share in some of the costs. The Eastside Drain is a potential future project that would provide drainage to the Northeast Quadrant part of Dixon to the New South Channel. The viability of this project depends on the future drainage needs of Dixon's Northeast Quadrant area.

**City Facilities.** Each city in Solano County is responsible for its own storm drainage/flood control. Typically cities provide 100 year protection to residents. Flood control improvements are funded by the cities through taxes and/or assessments. In some cases cities must manage drainage from upstream sources that run into the city. Also they must coordinate with lands downstream of the city to make sure their runoff does not damage those who have interests downstream of their city. SCWA has little to do with city flood control issues other than sometimes working with cities to address upstream and downstream impact issues.

## **FLOOD CONTROL PLANING**

**Flood Control Master Plan.** In 1998 the SCWA Board of Directors approved a Flood Control Master Plan. The Master Plan's main recommendation was to perform flood control watershed studies on problem areas in Solano County. The Master Plan ranked the problem watersheds to provide guidance on which watershed studies should be done first. A watershed study looks at the problem area from the standpoint of all lands that drain into a waterway. It also looks at potential downstream impacts so that any potential solutions will not adversely impact downstream interests

The Master Plan also had other recommendations that were implemented. Six new stream gages were installed throughout the County to provide better stream flow information. The Ulatis Flood Control Project computer model was updated to provide a better tool to analyze flood control improvements. The County Hydrology Manual was revised to provide updated rainfall/runoff data for designing flood control facilities. A small flood control grant program was established to deal with smaller projects meeting specified criteria.

**Watershed Studies.** So far six watershed studies have been completed (Ledgewood, Suisun, Dixon, McCune, Sweeney and Horse) and one more (Gibson Canyon) are underway. Costs for these studies run from about \$50,000 to \$200,000.

The watershed studies identify potential solutions to flooding/drainage problems. After the studies are complete SCWA staff works on implementing solutions. It is SCWA policy that SCWA will consider funding part of the capital costs of a potential project, but others must fund permanent operations and maintenance. Also permanent easements must be provided for SCWA funded improvements. Solutions are usually difficult to implement as many of the problem areas are rural and it is difficult to find cost effective solutions and to get operations and maintenance funding. SCWA works with the Flood Control Advisory Committee and local residents to

develop projects as recommended in the watershed studies. Project development includes of public meetings, project financing, right of way acquisition, design, permitting, CEQA and construction.

The following is a brief status report of each of the watershed studies as of the beginning of 2005.

**Ledgewood Creek.** This study was completed and identified several alternatives to reduce flooding in the area. No project is being implemented due to lack of interest from landowners that would benefit from flood improvements. Some landowners felt that flooding was not a major problem and others were not interested in funding project maintenance.

**Suisun Creek.** A first phase study was completed that failed to find any cost effective solutions to flooding problems. All solutions were prohibitively expensive compared to flood control benefits of a project. Staff and the Flood Control Advisory Committee are examining smaller potential projects that would benefit smaller areas along the creek. There may also be a possibility to partner with Caltrans, who may be building detention storage in the watershed as part of the North Connector project.

**Dixon.** A watershed study is complete and the city of Dixon is completing construction of the first phase of improvements along Lateral No. 1 that parallels Highway 113. A Joint Powers Authority (JPA) was being formed by Dixon, Dixon Resource Conservation District, Maine Prairie Water District and Reclamation District No. 2068 to operate and maintain JPA projects. Other future drainage projects identified in the watershed study are being considered for implementation.

**McCune.** The watershed study for McCune Creek upstream of Hally Road has been completed and staff is working on implementation of the project to determine interests of residents in the project, acquisition of right of way and funding of maintenance costs.

**Horse Creek.** A variation of a project identified in the watershed study for a one square mile area tributary to Horse Creek has been identified and been completed.

**Sweeney Creek.** This watershed study was started in 2003 and completed in 2004. SCWA approved projects identified in the study and the projects are in an implementation stage.

**Gibson Canyon Creek.** This watershed study was started in 2003 and will be completed in 2005.

**Small Project Grants.** Since 1996, SCWA has budgeted about \$100,000 per year for a grant program aimed at solving small flood control/drainage problems. Generally these are projects less than \$10,000. Criteria include that property owners must commit to maintaining projects after completion, project must not have adverse downstream impacts, and the project benefits more than one landowner. The full \$100,000 is not always expended each year, but this program has been successful in resolving smaller flood control problems.

**Flood Hazard Awareness.** Storms of December 2002 cause severe flooding in the North West part of the County. Many residents were not aware that they lived in an area subject to flooding. In these areas the December 2003 storm was rated as a 100 year event, a 1% chance of happening in any year. Many people rely upon Federal Emergency Management Agency maps that were developed for flood insurance purposes to determine if they are in an area subject to flooding. These FEMA maps are not always accurate or up to date, particularly in rural areas.

In 2003 the SCWA Board of Directors funded a Flood Hazard Awareness Program to inform County residents of the danger of flooding. Had a 100 year storm been centered over another part of the County, it is likely that similar damage would have occurred. The program seeks to educate residents on how to determine if they are in an area that is subject to flooding and how to prepare for a flood.

**Flood Control Project Funding Principles.** SCWA has adopted “Interim Principles to be Followed for SCWA-Funded Flood Control Projects”. The Principles are intended to be used by SWCA to make decisions on funding flood control projects identified in watershed studies developed by SCWA. The principles generally call for cost sharing of capital costs and non-SCWA funding of maintenance of projects. Projects must show a benefit commensurate with costs.

## **ENVIRONMENTAL PROGRAMS**

**Habitat Conservation Plan.** SCWA, cities/districts that contract with SCWA for Solano Project water, and a few other public agencies are co-applicants to develop a Habitat Conservation Plan (HCP) that will allow issuance of incidental take permits to impact Federally listed endangered species. The HCP identifies species to be covered, covered activities, conservation measures, financing and HCP administration. If the HCP is approved by the US Fish and Wildlife Service the applicants will receive incidental take permits that allow them to impact species listed in the HCP for the activities listed in the HCP. The HCP benefits the Solano agencies by providing a streamlined and predictable permitting process for listed species and benefits the species by requiring conservation measures developed on a landscape basis rather than a project by project basis.

The HCP is planned to be a combined with a Natural Communities Conservation Plan, the state version of an HCP. Then state listed endangered species could be covered by the joint document.

The HCP also provides a conservation strategy for the entire County for the covered species. The HCP can be used to obtain grants and other funds to implement projects beneficial to the species above and beyond just mitigation.

The HCP is expected to be completed in 2006. SCWA will have a role in administration of the HCP including monitoring, adaptive management and reporting.

**Lower Putah Creek Coordinating Committee.** The Lower Putah Creek Coordinating Committee (LPCCC) was formed in 1999. The Putah Creek Accord that settled the instream flow dispute concerning the Solano Project and provided for the creation of the LPCCC. The LPCCC is made up of five members from Solano and five from Yolo representing the parties to the Accord. The LPCCC is charge with coordinating Putah Creek restoration and monitoring activities in Lower Putah Creek (downstream of the Solano Diversion Dam).

The Accord calls for the funding, by SCWA of monitoring programs and a Steamkeeper who plans and implements restoration projects. The Streamkeeper is an employee of SCWA, but works under the direction of the LPCCC. SCWA provides clerical, accounting and administrative support for the Streamkeeper and the LPCCC. The LPCCC has been very successful in obtaining grants to fund planning and restoration activities.

## **ADVISORY COMMITTEES**

**SCWA Advisory Commission.** The legislation that created SCWA also calls for an Advisory Commission. The Commission is made up of public works directors and water district managers of member agencies. The Commission meets monthly and makes recommendations to the SCWA Board of Directors. One of the major benefits of the Commission is the forum it provides to discuss and coordinate water issues in Solano County.

**Flood Control Advisory Committee.** In 1998 the SCWA Board of Directors formed the Flood Control Advisory Committee (FCAC). The FCAC is made up of seven public members appointed by SCWA, two members from the SCWA Advisory Commission, and three from Resource Conservation Districts. The FCAC provides advice to the SCWA Board of Directors on flood control matters and monitors the implementation of the SCWA Flood Control Master Plan. The FCAC also acts as a liaison between the public who have flooding problems and the SCWA Board of Directors.

## **SOLANO WATER AUTHORITY**

The Solano Water Authority (SWA) is a joint powers authority whose members are the same member agencies of the SCWA. SWA is structured around joint projects of interest to the member agencies and “project agreements” that establish how a project is to be funded and managed. There are presently four SWA project agreements. SWA is legally a separate entity from SCWA, although there is very close coordination and overlapping in responsibilities.

The SWA was established in 1987. At that time only the Solano Irrigation District, Fairfield and Vacaville were members of the SWA. In 1988, Vallejo, Benicia, Suisun City, Dixon, Rio Vista, The Maine Prairie Water District, Reclamation District No. 2068 and Solano County became members of SWA. With these additional agencies, SWA was made up of the same agencies that make up SCWA.

The governing board of SWA is a “Policy Committee” made up of one representative of each member agency. The SWA Policy Committee closely mirrors the governing board of SCWA.



One difference is that SCWA has all 5 members of the County Board of Supervisors on its governing board while the SWA has only one member of the Board of Supervisors. Additionally, SCWA has elected board members from agricultural irrigation districts on its governing board while for the SWA agricultural irrigation districts have chosen the option to have managers of the districts serve on the SWA governing board.

The project agreements are structured so the participating member agencies have full control over the projects done through the project agreements. SWA projects are funded solely by agencies that are participants of the project agreements.

Each SWA project agreements has a task force made up of staff from the participating agencies. Non-SWA members may also participate in projects. These task forces meet as necessary to carry out projects. Major project decisions are made by a subset of the SWA Policy Committee from representing only the project participants. The staff of SCWA provides staff services and is involved in each of SWA's task forces. The Solano Irrigation District staffs the SWA Policy Committee and acts as Treasurer/Controller. SWA has its own legal counsel.

All SWA projects are financed through contributions from member agencies. There are no outside sources of funding for SWA projects. General administration costs for SWA are allocated to member agencies.

The SWA has broad authorities as a joint powers authority through California law. The SWA can finance and own facilities, acquire water and construct, maintain and operate water projects.

The four SWA project agreements are described below:

**Solano Project Transfer.** This project agreement is for the transfer of ownership of the Solano Project from Federal ownership to local control. The participants in this project agreement were the Solano Irrigation District, Fairfield, Vacaville, Suisun City, Maine Prairie Water District, Vallejo and the Solano County Water Agency. This project is currently inactive.

This project agreement was formally established in 1990, although preliminary work on the proposed transfer of the Solano Project started several years earlier. The sole task of this project agreement was to obtain Federal legislation providing for the transfer of ownership of the Solano Project to local control. Legislation was first introduced in 1988. Solano Project transfer legislation continued to be discussed in Congress through 1992, where the legislation was discussed in a House-Senate Conference Committee, but was not included in water legislation that was ultimately enacted.

**Noonan Reservoir.** The Noonan Reservoir was anticipated to be a small, 2,800 acre-foot impoundment, located where the Putah South Canal and the North Bay Aqueduct come very close to each other between Vacaville and Fairfield. The idea was that Noonan Reservoir could serve as a blending reservoir for the two sources of water and as an emergency storage supply.

The participants in this project agreement are the Solano Irrigation District, Fairfield, Vacaville, the Suisun/Solano Water Authority, Vallejo, Benicia and the Solano County Water Agency.

Investigations have found that the soil conditions at the site are probably not suitable for a reservoir. The soil preparation necessary to construct a reservoir would be very expensive and the project is probably not financially feasible as proposed. This project is inactive.

A subset of the participants in the project agreement are currently looking at a physical connection at the Solano Irrigation District Highline Canal between the Putah South Canal and the NBA in order to provide some of the same benefits of Noonan Reservoir at a substantially lower cost. This connection would allow the use of NBA water for agriculture in exchange for Solano Project water to be used by cities. This project is described in more detail on page 31.

**New Water Supply.** This project agreement is for obtaining new permanent water supplies for the participants. The participants are the Solano Irrigation District, Fairfield, Vacaville, Rio Vista, Vallejo, Benicia, and the Solano County Water Agency.

This project agreement started out as a vehicle to apply to the U.S. Bureau of Reclamation for a Central Valley Project water supply contract. Subsequently, the USBR determined that it would not provide contracts for water supply to new contractors. The focus of the participants then shifted to water transfers. There are currently no active water transfer investigations underway.

The cities of Fairfield, Vacaville and Benicia have a sub agreement to participate in an application to the State Water Resources Control Board for additional water appropriations under the watershed of origin provisions in State law. This effort resulted in a Settlement Agreement with DWR that gave the cities an equivalent water supply. See details in the State Water Project section. This project is now complete.

**Coordinated Groundwater Analysis.** This project agreement is to study and monitor the Putah Fan/Tehama Formation Groundwater Basin. The participants are: the Solano Irrigation District, Vacaville, Maine Prairie Water District, Reclamation District No. 2068, Dixon, Solano County and the Solano County Water Agency. The project provides data for groundwater management plans pursuant to AB 3030 approved by the Legislature in 1993. SWA is preparing biannual reports on the groundwater basin levels that can be used to determine if future steps need to be taken.

## **STATE AND REGIONAL ORGANIZATIONS**

**State Water Contractors.** Agencies that contract water from the SWP have joined in an organization called the State Water Contractors. The State Water Contractors include 27 of the 29 agencies that have contracts with DWR. These agencies represent over 99 percent of the total water contracted. The main activity of the State Water Contractors is to advocate for the protection and enhancement of supplies from the SWP. The State Water Contractors participate in CALFED activities and water right hearings regarding the Bay-Delta Estuary and are very involved in issues

regarding the Endangered Species Act. The State Water Contractors also advocate development of additional facilities to improve water supply reliability and increase the water supply of the SWP.

Cost control and cost containment are another important advocacy role of the State Water Contractors. Since the contracts between SWP contractors and DWR require the Contractors to pay for all of the costs of the SWP, the State Water Contractors are diligent in monitoring the activities of DWR to ensure that money is not unnecessarily spent. The State Water Project contractors also sponsor an annual audit of the SWP to ensure that expenditures and income are appropriate.

SCWA is a relatively small SWP Contractor with about 1 percent of the ultimate contracted yield. In contrast, the Metropolitan Water District of Southern California has contractual entitlements to about half the SWP water supply. The second largest agency is the Kern County Water Agency with approximately one quarter of the total SWP water supply. The rest of the agencies make up the remaining approximately one quarter of entitlements.

**State Water Project Contracting Authority.** The State Water Contractors, in 2003, formed a joint powers authority to provide assistance to DWR. The Authority is made up of almost all State Water Project contractors and is structured to allow DWR to contract with the Authority for a wide variety of services. The Authority would perform these services and bill DWR. DWR would pass along these costs to the SWP contractors in their standard bills for SWP water. An example of a service that the Authority provides is expert consulting in SWP energy acquisition.

The Authority is also involved in studies that benefit groups of SWP contractors and could become involved in water transfers in the future. The Authority has the ability to take over operations of parts of the SWP, but that type of work is not envisioned at this time. There are examples of local water contractors successfully running parts of Federal water facilities, like how SCWA operates and maintains the Solano Project for the USBR.

The Authority was formed under the realization that DWR was having trouble obtaining needed expertise and staffing due to staffing freezes and the cumbersome and restrictive State government process for procuring outside consultants.

**CALFED - California Bay Delta Authority.** The Authority oversees the CALFED Bay Delta Program, that is implementing plans to enhance ecosystem restoration, increase water supply, promote efficient water use, improve water quality and improve Delta levees. One of the main tenants of CALFED is to seek improvements simultaneously in all of the facets of the CALFED'S programs. The CALFED has been hampered in implementation of its program due to lower than expected levels of funding, in particular from the Federal government.

CALFED is a potential funding source for many SCWA projects. Grant programs through CALFED and from state general obligation bonds, such as Proposition 204 and Proposition 50, have funded several SCWA and LPCCC projects and are anticipated to fund future projects as future grant programs are announced.

Additionally CALFED deals with statewide water issues that directly impact the State Water Project. Any enhancement of the reliability of the State Water Project will benefit the SCWA NBA water supply.

**Northern California Salinity Coalition.** The Coalition was formed in 2003 by Bay Area water agencies to cooperate, share information and seek funding for desalination and desalting projects. The Coalition is developing a list of projects in need of funding, are investigating cooperative projects, and matching them to funding opportunities. The Coalition will also advocate for new funding for their projects. Examples of projects that may benefit SCWA and member agencies are projects that reduce salts in recycled wastewater making the recycled water more useful for industrial purposes. In the long term, desalination plants for water offshore of Benicia and Vallejo may be viable.

**Bay Area Integrated Water Resources Plan.** The Association of Bay Area Governments CALFED Task Force is developing a Bay Area Integrated Water Resources Plan. The Bay Area Plan contemplates including water supply, wastewater, stormwater discharge, land use issues, and watershed programs. SCWA has been invited to participate. The Solano Agencies IWRMP will be submitted to be part of the Bay Area Plan. One of the purposes of the Bay Area Plan is to be competitive for funding for State Proposition funding that encourages projects consistent with regional integrated water resources plans.

**Coastal and Northern California Water Bond Coalition.** This Coalition seeks funding from recently passed State General Obligation Water Bond measures for projects in constituent counties from Northern and Coastal California. The Coalition has developed a list of projects in each participating county that is seeking funding. The Coalition advocates that State funding be directed towards these projects.

**Lake Berryessa Watershed Partnership.** The Partnership consists of organizations and public agencies in the watershed of Lake Berryessa to monitor and improve water quality in the Lake. The Partnership supports projects such as household hazardous waste collection sites, signage to prevent water pollution, and sharing of water quality data.

**Suisun Creek Restoration Team.** The Team consists of landowners, organizations and public agencies interested in the resources of Suisun Creek. The group originated from the concern that water releases from Vallejo's Lake Curry would be reduced when Vallejo starts to divert Lake Curry water for its own use. Steelhead in Suisun Creek, an endangered species, could be impacted by the diversion of water to Vallejo. The Team is meeting to determine if there are solutions that meet Vallejo's water supply needs while protecting the natural resources of Suisun Creek.

**California Urban Water Conservation Council.** The CUWCC is an organization of representatives of water agencies and public interest groups whose goal is to increase the implementation of urban water conservation measures. The CUWCC has developed a set of Best Management Practices that sets a standard for water agency compliance for water conservation. All members must report their compliance with these standards.

**Agricultural Water Management Council.** The Council is the agricultural counterpart of the CUWCC. The Council had developed a set of water conservation standards geared towards agricultural water districts.

The following are other organizations that SCWA is a member:

**Floodplain Management Association, Association of California Water Agencies, and California Central Valley Flood Control Association.**

# MEMBER UNIT WATER PORTFOLIOS

# CITY OF BENICIA

## Water Supply and Source(s) (Acre-feet/Year)

Source	Amount <sup>1</sup>
State Water Project	17,200
Water Rights Settlement	10,500
Lake Herman	500
Vallejo Agreements	5,500
Mojave Exchange	5,500 <sup>a</sup>

<sup>a</sup> Amount currently available, not annually.

### State Water Project

Benicia currently has contract rights up to 17,200 AF annually for State Water Project (SWP) water delivered via the North Bay Aqueduct (NBA). SWP water is taken from the Delta at the Barker Slough Pumping Plant and conveyed through the NBA to the Cordelia Forebay where Benicia then pumps the water to their treatment facility or Lake Herman for storage. The current SWP contract amount to Benicia could ultimately be reduced by 1,125 AF annually beginning in the year 2016, if Dixon and Rio Vista take their full NBA contract amount.

### Water Rights Settlement

The “Area of Origin” Water Rights Settlement with the California Department of Water Resources (DWR) provides Benicia with 10,500 AF annually of non-project (not SWP) water. Settlement water is available when the Delta is in excess or balanced conditions and Term 91 is not in effect. This is essentially a permanent allocation of water supply. The water is conveyed through the NBA when capacity is available and delivered to Benicia in the same manner as SWP water.

### Lake Herman

Lake Herman, situated in the hills between Benicia and Vallejo, has a storage capacity of 1,800 AF. The average yield of the 10 square mile watershed is 500 to 1000 AF annually with no yield in dry years. The additional storage capacity serves as terminal storage for excess water delivered through the NBA. The contribution to Benicia’s water supply from local runoff produced by the Lake Herman Watershed is currently not quantified.

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<sup>1</sup> See text for an explanation of reliability of these supplies.

## **Vallejo Agreements**

Benicia has facilities to accept delivery of water from three of Vallejo's sources. SWP water and Vallejo Permit Water (VPW) can be delivered to Benicia's pumping facility at the Cordelia Forebay Reservoir and Solano Project (SP) water can be taken by Benicia's pumping facility at the Terminal Reservoir. There is also an inter-connection between the Benicia and Vallejo municipal water transmission systems that gives Benicia the capability to receive treated water from Vallejo. Benicia has two active water purchase agreements with Vallejo.

The first agreement was executed in February 1962, has been amended twice and ultimately provides for the sale of 1,100 AF per year of Vallejo's SP contract amount to Benicia. To execute the agreement, Benicia paid to Vallejo a connection fee of \$4,575. The agreement allows Benicia to purchase at its option either treated or untreated water. The current cost of untreated water to Benicia is \$34.50/AF. Treated water is delivered at the 'Outside City Limits Rate' in effect when the water is taken. The second amendment pushes the expiration date of the agreement to February 28, 2025.

The second agreement provides 4,400 AF per year of Vallejo's NBA water for purchase by Benicia, annually. Under the provisions of this agreement Benicia must pay \$50 per AF per year (\$220,000 per year) regardless of usage plus \$75 per AF for usage during the entire term of the agreement. This agreement was executed in March, 1992, and expires February 28, 2010. This water is available to Benicia on a "stand-by" basis.

## **Solano Irrigation District Purchase**

Benicia will often negotiate informal purchases with Solano Irrigation District (SID) for SP water to augment Benicia's supplies. These purchases usually occur during the winter period or when the NBA is unavailable.

## **Mojave Water Agency Exchange**

Since 1997, when the Solano County Water Agency entered into the exchange agreement with the Mojave Water Agency (MWA), Benicia has exchanged through SCWA, 11,000 AF of SWP water with MWA. Benicia is entitled to 5,500 AF of MWA's SWP contract amount in the future based on the stipulations of the agreement. In addition to the two for one ratio of the exchange, a fee to pay for part of the transportation costs to get the water to the MWA. The amount is indexed, but is approximately \$50/acre foot for each acre foot of water sent to MWA. There is not charge assessed for the return exchange.

## **Solano Project Agreement**

Benicia also has a Storage Agreement with SCWA that provides an option to store up to 9000 AF in Lake Berryessa. To exercise this agreement, Benicia must exchange a portion of its NBA water for SP water or purchase it from other member units that have the capability to use either source. Essentially the other member unit uses the NBA water and foregoes the use of the



agreed upon SP water that it would have used normally. However, in the event Lake Berryessa spills, Benicia’s storage is the first to be deducted ahead of carry-over belonging to other member units.

**ANNUAL WATER CONSUMPTION  
(Acre-Feet/Year)**

	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
State Water Project <sup>a</sup>	11,018	15,290	8,523	11,110
Water Rights Settlement	0	0	0	0
Vallejo Agreements	524	143	3,170	1,087
SID Purchase	225	770	917	170
<b>TOTAL</b>	<b>11,767</b>	<b>16,203</b>	<b>12,610</b>	<b>12,367</b>

<sup>a</sup> Includes carry-over and Article 21 if available, therefore may exceed contract amount.

The Valero refinery has a contractual agreement with Benicia for up to 12,322 AF of raw water per year. Refinery use has historically ranged between 4,600 to 5,700 AF annually and is included in the above table.

**ANNUAL WATER TRANSFERS, EXCHANGES, SALES  
(Acre-Feet/Year)**

	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
Mojave Exchange <sup>a</sup>	0	4,000	0	0
<b>TOTAL</b>	<b>0</b>	<b>4,000</b>	<b>0</b>	<b>0</b>

<sup>a</sup> Water transferred to Mojave Water Agency.

# CITY OF DIXON

## Water Supply and Source(s)

(Acre-Feet/Year)

Source	Amount <sup>2</sup>
State Water Project	1,500
Groundwater	variable

### State Water Project

Dixon's SWP contract will begin with 300 AF in the year 2016 and gradually increase by 300 AF annually. The contract amount reaches a maximum of 1,500 AF by 2020 and remains so each year thereafter. Dixon currently has no transmission or treatment facilities to utilize water from the NBA but can initiate their SWP contract earlier with a five year notice.

### NORTH BAY AQUEDUCT CONTRACT SCHEDULE - DIXON

(Acre-Feet/Year)

Year	Total Amount
2016	300
2017	600
2018	900
2019	1,200
2020 and beyond	1,500

### Groundwater

Water service is currently provided to Dixon by the California Water Service Company (CSWC) and the Dixon-Solano Municipal Water Service (DSMWS). The supply source is groundwater.

CSWC, a California Public Utility Commission regulated private company, serves approximately 3,000 accounts in its service area, which primarily consists of the 'older' Dixon geographic area. CSWC supplies customer demand via a network of eight groundwater wells, averaging 500-600 feet below the ground surface, distributed around Dixon. The original supply system was purchased by CSWC in 1927 from PG&E. CSWC was the sole water service provider in Dixon prior to 1984.

In 1984 DSMWS was established through a Joint Exercise of Powers Agreement (JEPA) between Dixon and Solano Irrigation District. DSMWS currently serves approximately 1,800 accounts outside of CSWC's service area, primarily new developments since 1984. DSMWS serves the area from a well network consisting of 4 wells ranging from 800 to 1500 feet below

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<sup>2</sup> See text for an explanation of reliability of these supplies.

the ground surface. The maximum annual yield of the groundwater system is approximately 2,000 AF. DSMWS service area is within SID's service area therefore Dixon is eligible to utilize a share of SID's surface water when necessary. The terms of the JEPA expire in 2009.

**ANNUAL WATER CONSUMPTION**  
(Acre-Feet/Year)

	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
CWSC	1,767	1,747	1,668	1,701
DSMWS	1,662	1,703	1,801	1,844
<b>TOTAL</b>	<b>3,429</b>	<b>3,450</b>	<b>3,469</b>	<b>3,545</b>

# CITY OF FAIRFIELD

## Water Supply and Source(s) (Acre-Feet/Year)

Source	Amount <sup>3</sup>
State Water Project	14,678
Solano Project	9,200
Water Rights Settlement	11,800
Vallejo Agreement	variable
SID Agreements	16,018
Recycled Water	3,000

### **State Water Project**

Fairfield currently has contract rights up to 14,678 AF annually for State Water Project (SWP) water delivered via the North Bay Aqueduct (NBA). SWP water is taken from the Delta at the Barker Slough Pumping Plant and conveyed through the NBA to the North Bay Regional (NBR) Water Treatment Plant which is jointly owned with Vacaville. The current SWP contract amount to Fairfield could ultimately be reduced by 750 AF annually beginning in the year 2016 if Dixon and Rio Vista take their full NBA contract amount.

### **Solano Project**

Solano Project (SP) water, stored in Lake Berryessa, is released down Putah Creek from Monticello Dam and re-captured by Putah Diversion Dam approximately 13 miles downstream. The water is diverted through the Putah South Canal to Fairfield's Waterman and NBR treatment plants. Fairfield has contract rights up to 9,200 AF annually from the Solano Project.

### **Water Rights Settlement**

The "Area of Origin" Water Rights Settlement with the California Department of Water Resources (DWR) provides Fairfield with 11,800 AF annually of non-project (not SWP) water. Settlement water is available when the Delta is in excess or balanced conditions and Term 91 is not in effect. This is essentially a permanent allocation of water supply. The water is conveyed through the NBA when capacity is available and delivered to Fairfield in the same manner as SWP water.

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<sup>3</sup> See text for an explanation of reliability of these supplies.

## **Vallejo Agreement**

Fairfield has an ongoing water exchange agreement with Vallejo. The agreement stipulates that the parties can exchange portions of Vallejo's Permit Water (VPW) for Fairfield SP water on a 2:1 basis, respectively, with mutual willingness. The agreement also allows Fairfield to purchase Vallejo's VPW at a mutually agreeable rate. The agreement can be terminated by either party with a 30-day written notice.

## **Solano Irrigation District Agreements**

Amendment No. 2, executed in 2002, to an agreement between SID and Fairfield entered in 1974 adds Fairfield-Suisun Sewer District (FSSD) as a party and re-titles the agreement the "Second Amended Agreement." The Second Amended Agreement provides Fairfield with up to 7,000 AF annually of "1974 common boundary SP water" deemed necessary and sufficient to serve all lands that were in the 1974 common boundaries of SID and Fairfield (including, most notably, the Anheuser-Busch brewery). This amount represents a 1,000 AF/year increase over the 1974 agreement. The 1974 agreement and Second Amended Agreement also provide Fairfield with up to 9,018 AF of "pre-1974 option SP water" annually based on lands that had been in SID prior to 1974 but had detached upon annexing to the city. The total amount of SP water available to Fairfield from the Second Amended Agreement is therefore 16,018 AF annually.

Fairfield and SID entered a joint exercise of powers agreement (JPA) in 1987 that established a basis for SID to provide the water to serve lands within the common boundaries of the two agencies not covered under the 1974 agreement (now the Second Amended Agreement). Water service under this JPA is typically supplied by dual systems, potable water from Fairfield and non-potable water from SID. All raw water is supplied by SID or reimbursed to Fairfield. Water supplies are provided under separate "water service sub-agreements" pursuant to the JPA. Since 1987, the two agencies have entered three water service sub-agreements. The three sub-agreements provide a minimum of 1 AF per year of raw water per acre or actual quantity reimbursement to Fairfield from SID for potable water served to lands specified. The current total acreage specified is approximately 450 acres.

In addition, SID provides water directly to a small number of irrigation customers within the Fairfield city limits based on service that existed prior to the property being annexed into Fairfield (e.g., Vanden High School, Fairfield High School, Busch Properties, etc.) or under subsequent outside-district water service agreements (e.g., B. Gale Wilson Elementary School, historic Waterman ranch, etc.). Because the supplies provided under the 1987 JPA and these other arrangements are technically to meet SID demands, they are included only under the section of this appendix on SID.

## **Recycled Water**

Under the Second Amended Agreement, SID and FSSD agree to provide Fairfield with the first 12 million gallons per day (or 13,447 AF/year) of recycled water from the FSSD wastewater treatment plant in exchange for full and adequate consideration. For planning purposes, Fairfield

estimates it will be able to use 3,000 AF/year of recycled water at ultimate development. (This figure, and the city’s overall water demand, could be much higher if a planned power plant required to utilize recycled water is constructed within the city adjacent to the FSSD plant.) If Fairfield is not using the recycled water, then SID may use it or sell it.

**ANNUAL WATER CONSUMPTION**  
(Acre-Feet/Year)

	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
State Water Project <sup>a</sup>	7,263	6,598	5,760	8,555
SP - Fairfield <sup>b</sup>	10,278	9,550	7,867	9,200
Water Rights Settlement	0	0	0	0
VPW <sup>c</sup>	0	0	2,667	0
SID Agreements	3,530	6,109	7,679	6,838
Recycled Water	0	0	<10	117
<b>TOTAL</b>	<b>21,071</b>	<b>22,257</b>	<b>25,316</b>	<b>24,710</b>

<sup>a</sup> Includes carry-over and Article 21 if available, therefore may exceed contract amount.

<sup>b</sup> Based on project year Mar-Feb; includes carry-over if available, therefore may exceed contract amount.

**ANNUAL WATER TRANSFERS, EXCHANGES, SALES**  
(Acre-Feet/Year)

	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
SP - Vallejo <sup>a</sup>	0	0	1,333	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>1,333</b>	<b>0</b>

<sup>a</sup> Fairfield/Vallejo 2VP:1SP exchange agreement.

Fairfield has agreements with other neighboring water agencies to provide a water treatment and delivery service of raw water the other agency provides. These agreements do not yield a new supply to Fairfield because the raw water provided to Fairfield in reimbursement from the other agency matches the amount the other agency uses. Such agreements include the Vallejo “Lakes” system emergency water service agreement; the Suisun-Solano Water Authority seasonal water service agreement (under which S-SWA may use water between the months of November through March, and other months with restrictions), and the SID Blue Ridge Oaks and Peabody Road water service agreements (continuous use; facilities not yet in place). Only the SID agreements provide a permanent use of City facilities and require payment of a connection fee.

# CITY OF RIO VISTA

## Water Supply and Source(s) (Acre-Feet/Year)

Source	Amount <sup>4</sup>
State Water Project	1,500
Groundwater	variable

### State Water Project

Rio Vista's SWP contract will begin with 300 AF in the year 2016 and gradually increase by 300 AF annually. The contract right reaches a maximum of 1,500 AF by 2020 remains so each year thereafter. Rio Vista currently has no transmission or treatment facilities to utilize water from the NBA. With permission from DWR (and other relevant regulatory agencies) Rio Vista could take its SWP contract water directly from the Sacramento River rather than through the NBA. Rio Vista can initiate their SWP contract earlier with a five year notice.

### **NORTH BAY AQUEDUCT CONTRACT SCHEDULE - RIO VISTA** (Acre-Feet/Year)

Year	Total Amount
2016	300
2017	600
2018	900
2019	1,200
2020 and beyond	1,500

### Groundwater

Rio Vista currently uses groundwater to meet its water demands. The supply system consists of six wells, four of which are currently producing. The well depths range between 500 and 1000 feet below the ground surface. Rio Vista has a contractual agreement with ECO-Resources, Inc., a subsidiary of Southwest Water Company, to maintain, operate and manage the water and waste-water facilities. Customers in the Rio Vista service area currently pay a flat fee for water usage.

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<sup>4</sup> See text for an explanation of reliability of these supplies.

**ANNUAL WATER CONSUMPTION**  
(Acre-Feet/Year)

	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
Groundwater	1,565	1,550	1,725	1,799
<b>TOTAL</b>	<b>1,565</b>	<b>1,550</b>	<b>1,725</b>	<b>1,799</b>



# SUISUN CITY

## Water Supply and Source(s) (Acre-Feet/Year)

Source	Amount <sup>5</sup>
State Water Project	1,300
Solano Project	1,600
SSWA <sup>a</sup>	varies

<sup>a</sup> SSWA fulfills total demand as needed.

### State Water Project

Suisun's SWP contract amount is 750 AF as of 2004 and gradually increases by 150 AF annually. The contract right reaches a maximum of 1,300 AF by 2015 remains so each year thereafter. Suisun currently has no transmission or treatment facilities to utilize water from the NBA.

### NORTH BAY AQUEDUCT CONTRACT SCHEDULE - SUISUN CITY (Acre-Feet/Year)

Year	Total Amount
2004	750
2005	800
2006	850
2007	900
2008	950
2009	1,000
2010	1,050
2011	1,100
2012	1,150
2013	1,200
2014	1,250
2015 and beyond	1,300

### Solano Project

Suisun has contract rights up to 1,600 AF of Solano Project (SP) water annually. SP water stored in Lake Berryessa is released down Putah Creek from Monticello Dam and re-captured by Putah Diversion Dam approximately 13 miles downstream. The water is diverted through the

<sup>5</sup> See text for an explanation of reliability of these supplies.

Putah South Canal to the Cement Hill Water Treatment Plant (CHWTP) where the water is treated and piped to Suisun through Tolenas.

Suisun and SID entered into Joint Powers Authority Agreement (JPA) in 1988. The full JPA, Suisun-Solano Water Authority (SSWA) was implemented in 1991. Under this authority, SID operates the CHWTP to treat water on Suisun’s behalf. The CHWTP treats Suisun’s 1600 AF SP contract water and delivers it to their service area for distribution. A small portion of Suisun Valley is historically part of the service area and still being served. SSWA provides any additional contract water as needed beyond 1600 AF from SID’s SP water supply.

**ANNUAL WATER CONSUMPTION**  
(Acre-Feet/Year)

	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
State Water Project <sup>a</sup>	0	0	0	0
Solano Project <sup>b</sup>	1,763	1,689	1,600	1,584
SSWA	2,412	2,690	3,159	3,236
<b>TOTAL</b>	<b>4,175</b>	<b>4,379</b>	<b>4,759</b>	<b>4,820</b>

<sup>a</sup> Includes carry-over and Article 21 if available, therefore may exceed contract amount.

<sup>b</sup> Based on project year Mar-Feb; includes carry-over if available, therefore may exceed contract amount.

# CITY OF VACAVILLE

## Water Supply and Source(s) (Acre-Feet/Year)

Source	Amount <sup>6</sup>
State Water Project	8,978
Solano Project	5,750
Water Rights Settlement	9,320
SID Agreement	3,000
Groundwater	8,000
Recycled Water	880

### State Water Project

Vacaville currently has contract rights up to 8,978 AF annually for State Water Project (SWP) water delivered via the North Bay Aqueduct (NBA). SWP water is taken from the Delta at the Barker Slough Pumping Plant and conveyed through the NBA to the North Bay Regional (NBR) treatment plant which is jointly owned with Fairfield.

### Solano Project

Solano Project (SP) water, stored in Lake Berryessa, is released down Putah Creek from Monticello Dam and re-captured by Putah Diversion Dam approximately 13 miles downstream. The water is diverted through the Putah South Canal to Vacaville's Diatomaceous Earth plant and the NBR treatment plant. Vacaville has a contract right to 5,750 AF annually from the SP.

### Water Rights Settlement

The "Area of Origin" Water Rights Settlement with the California Department of Water Resources (DWR) provides Vacaville with 9,320 AF annually of non-project (not SWP) water. Settlement water is available when the Delta is in excess or balanced conditions and Term 91 is not in effect. This is essentially a permanent allocation of water supply. The water is conveyed through the NBA when capacity is available and delivered to Vacaville in the same manner as SWP water.

### Groundwater

Vacaville has a system of 10 deep aquifer wells. Most of these wells are located in the Elmira well field. Currently, approximately 6,000 AF per year is withdrawn. The estimated safe yield of Vacaville's groundwater system is 8,000 AF annually. The supply in dry years could be

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<sup>6</sup> See text for an explanation of reliability of these supplies.

increased to 10,000 AF. Vacaville continually explores expansion of its well system to maintain an adequate water supply.

**Solano Irrigation District Agreement**

The 1995 Master Water Agreement between Vacaville and Solano Irrigation District (SID) provides Solano Project water to Vacaville from SID. The delivery schedule started at 1,000AF per year in 1995 and increases incrementally to a maximum of 10,050 AF in 2016. The amount available under the agreement for 2004 is 2,500 AF. The agreement expires in 2045. Vacaville pays SID \$100/AF for this water supply.

**ANNUAL WATER SCHEDULE FOR SID AGREEMENT**  
(Acre-Feet/Year)

<b>Year</b>	<b>Amount</b>
2005	3,000
2006	3,000
2007	3,000
2008	3,000
2009	3,000
2010	8,000
2011	8,000
2012	9,000
2013	9,000
2014	10,000
2015	10,000
2016 through 2045	10,050

**Recycled Water**

In 2003, Vacaville began developing a Recycled Water Master Plan. Preliminary estimates indicate approximately 1,200 AF of tertiary treated recycled water may be available annually by 2015. However, this drought-proof resource will require user contracts and possible retrofit costs on the user’s behalf. Therefore, for planning purposes, only 75 percent of the total delivery estimate, or 880 AF per year, is assumed to be available beginning in 2015.

**ANNUAL WATER CONSUMPTION**  
(Acre-Feet/Year)

	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
State Water Project <sup>a</sup>	4,897	5,484	3,424	6,296
Solano Project <sup>b</sup>	5,410	5,542	5,656	4,012
Water Rights Settlement	0	0	0	0
SID Agreement	1,000	1,322	2,000	1,000
Groundwater	4,096	5,141	6,211	6,638
<b>TOTAL</b>	<b>15,403</b>	<b>17,489</b>	<b>17,291</b>	<b>17,946</b>

<sup>a</sup> Includes carry-over and Article 21 if available, therefore may exceed contract amount.

<sup>b</sup> Based on project year Mar-Feb; includes carry-over if available, therefore may exceed contract amount.

# CITY OF VALLEJO

## Water Supply and Source(s) (Acre-Feet/Year)

Source	Amount <sup>7</sup>
State Water Project	5,600
Solano Project	14,600
Vallejo Permit	17,287
Lakes System	400

### State Water Project

Vallejo currently has contract rights up to 5,600 AF annually for State Water Project (SWP) water delivered via the North Bay Aqueduct (NBA). SWP water is taken from the Delta at the Barker Slough Pumping Plant and conveyed through the NBA to the Cordelia Forebay where Vallejo then pumps the water to their Fleming Hill Treatment Plant. The current SWP contract amount to Vallejo could ultimately be reduced by 1,125 AF beginning in the year 2016, if Dixon and Rio Vista take their full NBA contract amount.

### Solano Project

Solano Project (SP) water, stored in Lake Berryessa, is released down Putah Creek from Monticello Dam and re-captured by Putah Diversion Dam approximately 13 miles downstream. The water is diverted through the Putah South Canal and conveyed approximately 33 miles to the Terminal Reservoir in Cordelia where Vallejo then pumps the water to their Fleming Hill Treatment Plant. Vallejo has contract rights up to 14,600 AF annually from the SP.

### Vallejo Permit Water

Vallejo holds an Appropriative Water Rights License No. 7848 with the State Water Resources Control Board, issued August 1966 that is commonly referred to as Vallejo Permit Water (VPW). The license prescribes a maximum diversion of 31.52 cubic feet per second throughout each year that corresponds to a maximum annual amount of 22,780 AF from the Sacramento River. VPW is conveyed to Vallejo through the NBA project facilities governed by Amendment No. 10 to the Water Supply Contract between DWR and the Solano County Water Agency.

Conveyance of VPW is limited by contract to a maximum of 17,287 AF per year. Since the limitation is not based on a physical capacity constraint of the NBA, an additional 5,493 AF could be available upon execution of an amendment to the existing agreement between DWR and the Solano County Water Agency.

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<sup>7</sup> See text for an explanation of reliability of these supplies.

Since VPW is non-project water, Amendment No. 16 to the State Water Supply Contract provides that costs for power resources for transporting non-project water shall be charged as if it were SWP water. In addition, the 'Vallejo Permit Water Power Agreement' between the Solano County Water Agency and the Vallejo, entered into March 2000, stipulates that Vallejo will not incur any charges for VPW used by public agencies within Solano County, including Vallejo itself, to make up deficiencies in SWP contract deliveries in a calendar year. However, Vallejo will pay transportation power costs at the SWP rate for any amount of VPW used above and beyond the collective Solano County SWP contract rights. The 'Vallejo Permit Water Power Agreement' expires December 31, 2035.

### **Lakes System**

Vallejo also holds various appropriative rights to store water in three small local reservoirs, commonly known as the Lakes System. The annual safe yield of Lakes Frey and Madigan is 400 AF and Lake Curry's is 3,750 AF.

Vallejo provides domestic water service to several unincorporated areas in western Solano County. Historically these areas were served from the Lakes System. The system distributed water from Lakes Madigan and Frey to Green Valley and Jameson Canyon. Lake Curry water was distributed to Gordon and Suisun Valleys. Vallejo itself also received water supply from the Lakes System in the past. The water was treated at a pressure filtration plant near Lake Curry prior to delivery to Vallejo and other service areas.

In 1992, Vallejo was compelled to cease delivering water from the Lakes System to domestic users due to stringent new water treatment requirements adopted by the California Department of Health Services. Consequently, Vallejo built a new water treatment facility in Green Valley and has continued to serve the users in the Lakes System.

Lake Curry water is currently not available due to conveyance issues. Vallejo is actively seeking an agreement under the Warren Act with the U.S. Bureau of Reclamation to transport Lake Curry water through the Putah South Canal project facilities so Vallejo can transport it to its Fleming Hill treatment plant for use in the Vallejo. However, the total yield from Lake Curry will likely be reduced due to in-stream flow needs pending the results of studies currently being conducted as part of an EIR/EIS process for the Lake Curry project.

### **Fairfield Agreement**

Vallejo has an ongoing water exchange agreement with the Fairfield. The agreement stipulates that Vallejo can exchange portions of its VPW with Fairfield for SP water on a 2:1 basis, respectively, with mutual willingness. The agreement also allows Fairfield to purchase excess VPW at a mutually agreeable rate. The agreement can be terminated by either party with a 30-day written notice.

Vallejo also has a "stand-by" agreement whereby Fairfield may provide emergency water service to the Vallejo Lakes Water System. This agreement is the successor to an expired agreement for

temporary potable water service whereby Fairfield treated raw water provided by Vallejo and delivered it to the Lakes System while Vallejo was upgrading the water treatment facilities in that service area. Vallejo established two connections, in Gordon Valley and Cordelia, between the Lake System and Fairfield water system under the original agreement, which are now reserved for emergency service. Because the emergency service agreement is not permanent and the service is by permission only, Fairfield required no connection fees or capacity charges.

### **Travis Air Force Base Agreement**

Travis Air Force Base (TAFB) has an agreement with Vallejo to purchase one-third of Vallejo's SWP entitlement, annually. TAFB is served via a turnout off the NBA to the TAFB water treatment plant. Additional demand to TAFB is met with VPW. The ultimate annual water demand by TAFB is estimated to be 5,521 AF by the Vallejo based on the 'Final report, Travis Air Force Base Water Treatment Plant Evaluation', (1998). TAFB also augments their water supply with groundwater.

### **Benicia Agreements**

Benicia has facilities to accept delivery of water from three of Vallejo's sources. SWP water and Vallejo Permit Water (VPW) can be delivered to Benicia's pumping facility at the Cordelia Forebay Reservoir and Solano Project (SP) water can be taken by Benicia's pumping facility at the Terminal Reservoir. There is also an inter-connection between the Benicia and Vallejo municipal water transmission systems that gives Benicia the capability to receive treated water from Vallejo. Benicia has two active water purchase agreements with Vallejo.

The first agreement was executed in February 1962, has been amended twice and ultimately provides for the sale of 1,100 AF per year of Vallejo's SP contract amount to Benicia. To execute the agreement, Benicia paid to Vallejo a connection fee of \$4,575. The agreement allows Benicia to purchase at its option either treated or untreated water. The current cost of untreated water to Benicia is \$34.50/AF. Treated water is delivered at the 'Outside City Limits Rate' in effect when the water is taken. The second amendment pushes the expiration date of the agreement to February 28, 2025.

The second agreement provides 4,400 AF per year of Vallejo's NBA water for purchase by Benicia, annually. Under the provisions of this agreement Benicia must pay \$50 per AF per year (\$220,000 per year) regardless of usage plus \$75 per AF for usage during the entire term of the agreement. This agreement was executed in March, 1992, and expires February 28, 2010. This water is available to Benicia on a "stand-by" basis.

### **American Canyon Agreements**

The City of American Canyon, in Napa County, entered into a Water Service Agreement in May 1996, with the Vallejo. Vallejo agreed to sell American Canyon a permanent supply potable water, to treat American Canyon excess raw water, and provide transmission facilities to convey American Canyon water to certain areas in the American Canyon water service area. To execute



this agreement, American Canyon paid to Vallejo a water connection fee of \$1,428,571 to connect to Vallejo water facilities for a maximum day capacity of 1.0 million gallons per day (MGD). The connection fee is for the purchase of capacity in the Vallejo water facilities required to convey raw water on behalf of American Canyon, treat such water and transfer such potable water to American Canyon. The agreement currently has a maximum annual capacity of 628.6 AF based on the 1.0 MGD but provides for additional incremental capacity purchases up to 6.25 MGD within stipulated time constraints.

A series of four addendums to the original agreement have been executed. Addendum No. 1 allows American Canyon to purchase up to 500 AF of raw VPW for landscape irrigation under “emergency” conditions. The terms of this sub-agreement are at the discretion of Vallejo regarding availability.

Addendum No. 2 permanently transferred 500 AF of VPW to American Canyon for domestic use. American Canyon sold 500 AF of its SWP contract amount to the City of Calistoga, in-kind. To execute the sub-agreement, American Canyon paid to Vallejo a one-time charge of \$1,000 per AF or \$500,000, and \$114,000 compensation for previous costs incurred by Vallejo for NBA capacity increases. American Canyon also reimburses Vallejo for all annual operation, maintenance, and replacement costs associated water delivered under this sub-agreement.

Addendum No. 4 could permanently transfer 250 AF of VPW to American Canyon for domestic use. Under the terms of this addendum American Canyon would sell 250 AF of its SWP contract amount to the City of Yountville, in-kind. To execute the sub-agreement, Yountville is to pay Vallejo a one-time charge of \$1,100 per AF or \$275,000, and \$57,000 compensation for previous costs incurred by Vallejo for NBA capacity increases. American Canyon also reimburses Vallejo for all annual operation, maintenance, and replacement costs associated water delivered under this sub-agreement. This addendum does not appear to be fully executed at this time however Yountville maintaining the “option” provisions of the agreement.

Addendum No. 3 is for fire supply storage and flow to the Montevino Subdivision in American Canyon and has no impact on Vallejo’s water supplies.

### **Solano Irrigation District Exchange**

Vallejo has service exchange agreement with SID. Under this agreement Vallejo provides raw water service to Tolenas, in SID’s service area, in exchange SID delivers an equal amount of raw water to Vallejo’s Green Valley Treatment Plant. Consequently, Vallejo supplies Tolenas water demand from its NBA water supplies and SID augments Vallejo with SP water. The demands of both areas are typically not equal and SID typically owes Vallejo a balance of SP water at the end of each year. Vallejo estimates the ultimate annual water demand of the Lakes System service area to be 620 AF.

**ANNUAL WATER CONSUMPTION**  
(Acre-Feet/Year)

	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
SWP <sup>a</sup>	8,544	9,461	2,912	5,961
SP <sup>b</sup>	13,514	13,278	12,337	13,714
VPW	0	774	5,448	2,628
Lakes System	82	174	137	157
<b>TOTAL</b>	<b>22,140</b>	<b>23,687</b>	<b>20,834</b>	<b>22,460</b>

<sup>a</sup> Includes carry-over and Article 21 if available, therefore may exceed contract amount.

<sup>b</sup> Based on project year Mar-Feb; includes carry-over if available and water exchanged from Fairfield, therefore may exceed contract amount.

**ANNUAL WATER TRANSFERS, EXCHANGES, SALES**  
(Acre-Feet/Year)

	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
SWP - Travis <sup>a</sup>	3,031	261	482	3,090
SP - Benicia <sup>b</sup>	412	143	316	1,087
VPW - Vallejo	0	774	5,448	2,628
VPW - Travis	0	3,147	2,538	3,538
VPW - Benicia	0	0	2,854	0
VPW - Fairfield <sup>c</sup>	0	0	2,665	0
VPW - Vacaville	0	0	0	0
<b>TOTAL</b>	<b>3,443</b>	<b>4,325</b>	<b>14,303</b>	<b>10,343</b>

<sup>a</sup> Includes carry-over and Article 21 if available, therefore may exceed contract amount.

<sup>b</sup> Based on project year Mar-Feb; includes carry-over if available, therefore may exceed contract amount.

<sup>c</sup> Fairfield/Vallejo 2VP:1SP agreement.

# SOLANO IRRIGATION DISTRICT

## Water Supply and Source(s) (Acre-Feet/Year)

Source	Amount <sup>8</sup>
Solano Project	141,000
MPWD Exchange	10,000
Groundwater	10,000

### **Solano Project**

Solano Irrigation District (SID) serves primarily agriculture and some municipal and industrial users. SID has contract rights up to 141,000 AF of Solano Project (SP) annually. SID's service area is approximately bounded between Lake Solano, Dixon, Suisun, and Green Valley exclusive of the Fairfield and Vacaville service areas, dominantly rural. In addition to serving its own service area, SID also has various water supply and exchange agreements with other Solano County member units encumbering the contract amount.

### **Suisun-Solano Water Authority**

Suisun and SID entered into Joint Powers Authority Agreement (JPA) in 1988. The full JPA, Suisun-Solano Water Authority (SSWA) was implemented in 1991. Under this authority, SID operates the CHWTP to treat water on Suisun's behalf. The CHWTP treats Suisun's 1600 AF SP contract water and delivers it to their service area for distribution. A small portion of Suisun Valley is historically part of the service area and still being served. SSWA provides any additional contract water as needed beyond 1600 AF from SID's SP contract amount.

### **Maine Prairie Water District Exchange**

The SID Irrigation Tail Water Exchange Agreement with MPWD allows SID to exchange irrigation tail water for 10,000 acre-feet of Solano Project water. Under the terms of the agreement, SID can receive one acre-foot of Solano Project water for every two acre-feet of irrigation tail water exchanged to MPWD.

### **Vallejo Exchange**

SID has service exchange agreement with Vallejo. Under this agreement Vallejo provides raw water service to Tolenas, in SID's service area, in exchange SID delivers an equal amount of raw water to Vallejo's Green Valley Treatment Plant. Consequently, Vallejo supplies Tolenas water demand from its NBA water supplies and SID augments Vallejo with SP water. The demands of

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<sup>8</sup> See text for an explanation of reliability of these supplies.

both areas are typically not equal and SID typically owes Vallejo a balance of SP water at the end of each year.

### **Benicia, MPWD Purchases**

Benicia will often negotiate informal purchases with Solano Irrigation District (SID) for SP water to augment Benicia's supplies. These purchases usually occur during the winter period or when the NBA is unavailable.

On occasion, MPWD utilizes their full contract amount prior to the end of irrigation demands and sufficient SID tail-water is not available. During those instances MPWD will purchase supplemental contract water from SID.

### **Fairfield Agreements**

Amendment No. 2, executed in 2002, to an agreement between SID and Fairfield entered in 1974 adds Fairfield-Suisun Sewer District (FSSD) as a party and re-titles the agreement the "Second Amended Agreement." The Second Amended Agreement provides Fairfield with up to 7,000 AF annually of "1974 common boundary SP water" deemed necessary and sufficient to serve all lands that were in the 1974 common boundaries of SID and Fairfield (including, most notably, the Anheuser-Busch brewery). This amount represents a 1,000 AF/year increase over the 1974 agreement. The 1974 agreement and Second Amended Agreement also provide Fairfield with up to 9,018 AF of "pre-1974 option SP water" annually based on lands that had been in SID prior to 1974 but had detached upon annexing to the city. The total amount of SP water available to Fairfield from the Second Amended Agreement is therefore 16,018 AF annually.

Fairfield and SID entered a joint exercise of powers agreement (JPA) in 1987 that established a basis for SID to provide the water to serve lands within the common boundaries of the two agencies not covered under the 1974 agreement (now the Second Amended Agreement). Water service under this JPA is typically supplied by dual systems, potable water from Fairfield and non-potable water from SID. All raw water is supplied by SID or reimbursed to Fairfield. Water supplies are provided under separate "water service sub-agreements" pursuant to the JPA. Since 1987, the two agencies have entered three water service sub-agreements. Water supplies are provided under separate "water service sub-agreements" pursuant to the JPA. Since 1987, the two agencies have entered three water service sub-agreements. The three sub-agreements provide a minimum of 1 AF per year of raw water per acre or actual quantity reimbursement to Fairfield from SID for potable water served to lands specified. The current total acreage specified is approximately 450 acres. In addition, SID provides direct irrigation water service to a limited number of properties within the Fairfield city limits outside of any agreements between the two agencies.

In addition, SID provides water directly to a small number of irrigation customers within the Fairfield city limits based on service that existed prior to the property being annexed into Fairfield (e.g., Vanden High School, Fairfield High School, Busch Properties, etc.) or under subsequent outside-district water service agreements (e.g., B. Gale Wilson Elementary School,

historic Waterman ranch, etc.). The supplies provided under the 1987 JPA are technically to meet SID demands.

**Vacaville Agreement**

The 1995 Master Water Agreement between SID and Vacaville provides SP water to Vacaville from SID. The delivery schedule started at 1,000AF per year in 1995 and increases incrementally to a maximum of 10,050 AF in 2016. The amount available under the agreement for 2004 is 2,500 AF. The agreement expires in 2045.

**ANNUAL WATER SCHEDULE FOR VACAVILLE AGREEMENT**  
(Acre-Feet/Year)

<b>Year</b>	<b>Amount</b>
2005	3,000
2006	3,000
2007	3,000
2008	3,000
2009	3,000
2010	8,000
2011	8,000
2012	9,000
2013	9,000
2014	10,000
2015	10,000
2016 through 2045	10,050

**Groundwater**

SID is also uses groundwater conjunctively with surface water supplies. SID has a groundwater well network consisting of 29 wells ranging from 400 to 1,000 feet below the ground surface. Groundwater is primarily used to supplement irrigation demands in area constrained by conveyance capacity for surface water deliveries. The historical yield of the groundwater system is 15,000 AF per year. Current annual system yield is approximately 10,000 AF due to physical failures in a few wells rendering them inoperative pending repair or replacement.

In 1984 DSMWS was established through a Joint Exercise of Powers Agreement (JEPA) between Dixon and Solano Irrigation District. DSMWS currently serves approximately 1,800 customers from a well network consisting of 4 wells ranging from 800 to 1500 feet below the ground surface. The DSMWS service area is within SID’s service area therefore Dixon is eligible to utilize a share of SID’s surface water when necessary. The terms of the JEPA expire in 2009.

## Recycled Water

In the 1974 agreement with Fairfield, SID exchanged 6,000 AF per year of its SP contract water to Fairfield for an estimated equivalent amount of recycled wastewater. SID was only able to utilize approximately 1,000 AF per year of the recycled water, however, due to water quality constraints. Under the 2002 amendment to the agreement (the Second Amended Agreement), Fairfield agreed to full and adequate consideration to SID for the acquisition and transfer of SID's recycled water rights. If Fairfield is not using the recycled water then SID can continue to sell it.

### ANNUAL WATER CONSUMPTION

(Acre-Feet/Year)

	1999	2000	2001	2002
SP - SID (AG) <sup>a</sup>	124,037	123,839	131,241	126,042
SP - SID (M&I) <sup>a,c</sup>	1,746	2,076	2,358	2,812
SP - Vallejo <sup>b</sup>	195	463	891	673
Groundwater	4,820	5,959	5,300	6,853
<b>TOTAL</b>	<b>130,798</b>	<b>132,337</b>	<b>139,790</b>	<b>136,380</b>

<sup>a</sup> Based on project year Mar-Feb; includes carry-over if available, therefore may exceed contract amount.

<sup>b</sup> SP credited to Vallejo for Tolenas/Green Valley exchange balance.

<sup>c</sup> Primarily raw water for urban landscape and Industrial use.

### ANNUAL WATER TRANSFERS, EXCHANGES, SALES

(Acre-Feet/Year)

	1999	2000	2001	2002
SP - Benicia	0	0	917	170
SP - Fairfield	3,530	6,109	7,679	6,838
SP - Suisun	2,412	2,690	3,159	3,236
SP - Vacaville	1,000	1,322	2,000	1,000
SP - MPWD	0	2,478	220	0
MPWD Exchange	18,389	13,912	18,950	18,985
<b>TOTAL</b>	<b>25,331</b>	<b>26,511</b>	<b>32,943</b>	<b>30,229</b>

# MAINE PRAIRIE WATER DISTRICT

## Water Supply and Source(s) (Acre-Feet/Year)

Source	Amount <sup>9</sup>
Solano Project	5,000
SID Exchange	20,000
Local Surface Water Rights	variable

### **Solano Project**

Maine Prairie Water District (MPWD) has annual contract right to 15,000 AF of Solano Project (SP) water. SP water, stored in Lake Berryessa, is released down Putah Creek from Monticello Dam and re-captured by Putah Diversion Dam approximately 13 miles downstream. The water is diverted through the Putah South Canal (PSC) and diverted to Sweeney Creek, approximately 6 miles downstream of the PSC head-works, and conveyed through the creek system to MPWD approximately 7 miles downstream of the Sweeny turnout. MPWD SP contract water can also be diverted to the creek system at various other locations in the SID conveyance system. MPWD can purchase additional SP water from SID as needed. On occasion MPWD has sold small amounts of SP water to CSP-Solano.

### **Solano Irrigation District Agreement**

The SID Irrigation Tail Water Exchange Agreement (1984) allows MPWD to exchange 10,000 AF of its Solano Project water for SID's irrigation tail water. Under the terms of the agreement, MPWD can receive two acre-feet of irrigation tail water for each acre-foot of Solano Project water exchanged to SID. The agreement has officially expired but the terms have been extended by a letter agreement until further notice.

### **Local Surface Water Rights**

MPWD has surface water rights to local streams that supplement their water supply from the Solano Project and SID. The contribution to MPWD's water supply from local surface water sources is currently not quantified.

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<sup>9</sup> See text for an explanation of reliability of these supplies.

**ANNUAL WATER CONSUMPTION**  
(Acre-Feet/Year)

	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
Solano Project <sup>a</sup>	4,753	5,000	5,000	4,909
SID Exchange	18,389	13,912	18,950	18,985
SID Purchase	0	2,478	220	0
<b>TOTAL</b>	<b>23,142</b>	<b>21,390</b>	<b>24,170</b>	<b>23,894</b>

<sup>a</sup> Based on project year Mar-Feb; includes carry-over if available, therefore may exceed contract amount.



# CA STATE PRISON - SOLANO

## Water Supply and Source(s) (Acre-Feet/Year)

Source	Amount <sup>10</sup>
Solano Project	1,200

The CA State Prison – Solano (CSP) has a contract right to 1,200 AF annually from the Solano Project (SP). SP water, stored in Lake Berryessa, is released down Putah Creek from Monticello Dam and re-captured by Putah Diversion Dam approximately 13 miles downstream. The water is diverted from the Putah South Canal (PSC) to CSP via a small pump and pipeline facility located along the canal approximately 15 miles downstream of the PSC head-works. CSP treats most of the water at their water treatment plant for municipal use but a portion is also used for agriculture use.

CSP also has a service connection to Vacaville’s distribution system to purchase supplemental treated water to augment their supply when necessary.

## **ANNUAL WATER CONSUMPTION** (Acre-Feet/Year)

	1999	2000	2001	2002
Solano Project (M&I) <sup>a</sup>	1,044	946	963	1,007
Solano Project (AG) <sup>a</sup>	328	201	228	234
<b>TOTAL</b>	<b>1,372</b>	<b>1,147</b>	<b>1,191</b>	<b>1,241</b>

<sup>a</sup> Based on project year Mar-Feb; includes carry-over if available, therefore may exceed contract amount.

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<sup>10</sup> See text for an explanation of reliability of these supplies.

# UNIVERSITY OF CALIFORNIA DAVIS

## Water Supply and Source(s) (Acre-Feet/Year)

Source	Amount <sup>11</sup>
Solano Project	4,000

UCD has a contract right to 4,000 AF annually from the Solano Project (SP). SP water, stored in Lake Berryessa, is released down Putah Creek from Monticello Dam and re-captured by Putah Diversion Dam approximately 13 miles downstream. The water is diverted from the Putah South Canal (PSC) to UCD via a surcharged pipeline approximately 2 miles downstream of the PSC head-works. UCD uses the water for agricultural purposes only.

## ANNUAL WATER CONSUMPTION (Acre-Feet/Year)

	1999	2000	2001	2002
Solano Project (AG) <sup>a</sup>	3,878	3,708	3,815	3,098
<b>TOTAL</b>	<b>3,878</b>	<b>3,708</b>	<b>3,815</b>	<b>3,098</b>

<sup>a</sup> Based on project year Mar-Feb; includes carry-over if available, therefore may exceed contract amount.

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<sup>11</sup> See text for an explanation of reliability of these supplies.

# RECLAMATION DISTRICT NO. 2068

## Water Supply and Source(s) (Acre-Feet/Year)

Source	Amount <sup>12</sup>
Local Surface Water	75,000

Reclamation District 2068 (RD2068) has riparian and appropriative water rights to surface water from the Sacramento River Delta. The riparian right is currently exercised but not adjudicated.

The appropriative rights consist of two licenses and one permit pending licensing with the oldest dating back to the early 1920's. The licenses are unquantified. The permit stipulates a water right amount of 75,000 AF annually as long as the permit is in effect.

In addition to these surface water rights, the landowners, as members of the North Delta Water Agency, hold a water rights settlement contract with DWR executed in 1981. The contract benefits the land and RD2068 is the surrogate as owner of the conveyance system. The terms of the contract provides water users to divert water from the Delta for reasonable and beneficial uses for agricultural, municipal, and industrial purposes. DWR furnishes such water as may be required within the Agency to the extent not otherwise available under the water rights of the water users and to maintain appropriate water quality conditions without restrictions.

## ANNUAL WATER CONSUMPTION (Acre-Feet/Year)

	1999	2000	2001	2002
Local Surface Water	55,007	54,471	53,449	53,956
<b>TOTAL</b>	<b>55,007</b>	<b>54,471</b>	<b>53,449</b>	<b>53,956</b>

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<sup>12</sup> See text for an explanation of reliability of these supplies.

STATE OF CALIFORNIA  
THE RESOURCES AGENCY OF CALIFORNIA  
DEPARTMENT OF WATER RESOURCES

WATER SUPPLY CONTRACT  
BETWEEN

THE STATE OF CALIFORNIA  
DEPARTMENT OF WATER RESOURCES

AND  
SOLANO COUNTY WATER AGENCY

(FORMERLY SOLANO COUNTY FLOOD CONTROL AND  
WATER CONSERVATION DISTRICT)

*Disclaimer:* This document integrates Solano County Water Agency's State Water Project water supply contract with the many amendments to the contract entered into since 1963. It is intended only to provide a convenient reference source, and the Department of Water Resources is unable to provide assurances that this integrated version accurately represents the original documents. For legal purposes, or when precise accuracy is required, users should direct their attention to original source documents rather than this integrated version.

(as of November 12, 2003)

## EXPLANATORY NOTES

< >	This symbol encloses material supplied to assist the reader but not contained in the basic or amended contract.
<i>Provided</i>	Italics have been added for consistency even though not used in every amendment.
Amendments	Amendments to the contract are indicated by footnotes.
Recitals	In addition to recitals contained in the basic contract, recitals from each contract amendment have also been included. For convenience, an index to recitals by amendment is included on page iii.

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**STATE OF CALIFORNIA  
DEPARTMENT OF WATER RESOURCES**

**CONTRACT  
BETWEEN THE STATE OF CALIFORNIA  
DEPARTMENT OF WATER RESOURCES AND  
SOLANO COUNTY WATER AGENCY  
FOR A WATER SUPPLY**

THIS CONTRACT, made this 26th day of December, 1963, 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 Solano County Flood Control and Water Conservation District <Solano County 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 Fairfield, California, herein referred to as the "Agency",

WITNESSETH, That:

<Following in Basic Contract>

WHEREAS, the State is authorized to construct and operate facilities for the storage and conveyance of water, certain of which facilities will make water available to the District; <similar provisions in Amendments No. 1> and

WHEREAS, funds will be provided under the California Water Resources Development Bond Act for the construction of said facilities; and

WHEREAS, the Agency is desirous of obtaining a supply of water from the State;

<Following added by Amendment No. 1>

WHEREAS, the State and the Agency have entered into a water supply contract, dated December 26, 1963, 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 payment; <similar provision also in Amendments No. 2, 5, 6, 7, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, and 19> and

WHEREAS, the State and the Agency are desirous of making certain changes and additions to such contract, while otherwise continuing the contract in full force and effect; <similar provision also in Amendments No. 6, 7, 9, 10, and 15>

<Following added by Amendment No. 2>

WHEREAS, Article 22(b) of such water supply contract provides that for each year through the year 1969 the Delta Water Charge shall be the product of \$3.50 and the Agency's annual entitlement for the respective year and that beginning in the year 1970, the Delta Water Charge shall be the sum of the capital cost component, minimum operation, maintenance, power and replacement component, and variable operation, maintenance, power and replacement component computed in accordance with Articles 22(c) and (d) of the water supply contract; and

WHEREAS, Articles 22(e) and (g) of such water supply contract provide that the Delta Water Charge as computed in accordance with Articles 22(c) and (d) shall include all projected costs of additional project and supplemental conservation facilities commencing in the years in which the State first incurs capital costs for such facilities after the facilities are authorized; <similar provisions in Amendment No. 11> and

WHEREAS, the parties desire that all water supply contracts be amended to postpone inclusion of the projected costs of any authorized additional project and supplemental conservation facilities in the computation of the Delta Water Charge until after the year 1970 and to fix the rate for computing the Delta Water Charge for the year 1970 at \$6.65; and

WHEREAS, the payments to be made by the Agency to the State include interest calculated at the "project interest rate" defined in Article 1(r) of such water supply contract to mean the weighted average of the interest rates paid by the State on bonds issued under the Water Resources Development Bond Act (Bond Act) disregarding premiums received on the sale of such bonds; and

WHEREAS, the underlying assumption upon which the "project interest rate" was established was that all of the initial facilities of the State Water Resources Development System (Project) would be financed principally with proceeds of bonds issued under the Bond Act or from other sources on which the interest rate would not exceed that of the bonds issued under the Bond Act; and

WHEREAS, the State already has financed the Oroville-Thermalito power facilities through Central Valley Project Revenue Bonds and may finance other portions of the project facilities through additional revenue bond issues, bonds issued under other authority granted by the Legislature or the voters, bonds issued by other state agencies, advances from contractors, and other methods under which the financing costs relate to interest rates that may exceed the interest rate of the bonds issued under the Bond Act; and

WHEREAS, either the State or contractors making advances to the State may be subject to interest rates, or other financing costs that relate to interest rates, which will be greater than the "project interest rate" as presently defined in the contracts; and

WHEREAS, the parties desire that (1) the interest costs hereafter incurred by or on behalf of the State in financing the construction of project facilities by means other than the use of moneys provided under the Bond Act will be reflected in appropriate adjustments of

the “project interest rate” (excepting the interest costs incurred for the Central Valley Project Revenue Bonds issued prior to the date of this amendment); (2) appropriate credit will be given to any contractor having made an advance of funds to the State corresponding to the bond service obligation payable by such contractor by reason of such advance or if bonds were not used to obtain funds for such advance, then to the net interest cost which would have resulted if the contractor had sold bonds for the purpose of funding the advance; and (3) if any sources of funds other than those provided under the Bond Act are employed to finance the construction of specific project facilities and the interest or other costs of such financing are greater than the cost would have been if bonds issued under the Bond Act had been used, appropriate adjustments to the charges to contractors will be made with respect to such facilities so that the charges to contractors taking water through reaches which include such facilities will be the same after such adjustments as such charges would have been if such facilities had been financed by the use of proceeds of bonds issued under the Bond Act, except insofar as the “project interest rate” has been adjusted pursuant to (1) in this recital:

<Following added by Amendment No. 5>

WHEREAS, the State and the Agency included in such contract a subarticle, hereinafter referred to as the agricultural and ground water replenishment provision, which entitles the Agency to obtain from the State a supply of surplus water for agricultural and ground water replenishment use when available; and

WHEREAS, Article 21 of such contract also provides for the sale by the State of a supply of surplus water when available; and

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

<Following added by Amendment No. 7>

WHEREAS, each party recognizes the urgent need in California to conserve water by preventing its waste and furthering its efficient use;

WHEREAS, comprehensive programs of conserving project water by all the State’s water contractors may enhance the adequacy, quality and dependability of project water supplies and may lower costs, save energy and reduce inflow to sewage treatment facilities.

<Following added by Amendment No. 11>

WHEREAS, Article 22(b) of such water supply contract, as amended, provides that for beginning in the year 1987 the Delta Water Charge shall be the sum of the capital cost component, minimum operation, maintenance, power and replacement component, and variable operation, maintenance, power and replacement component computed in accordance with Articles 22(c) and (d) of the water supply contract; and



WHEREAS, the parties desire that the Agency's water supply contract be amended to postpone inclusion of the projected costs of any authorized additional project and supplemental conservation facilities in the computation of the Delta Water Charge after the year 1986 until the happening of certain events.

<Following added by Amendment No. 12>

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, Article 28 of such water supply contract provides that the State shall redetermine the annual amounts of the Transportation Charge in order that the charges to the Agency may accurately reflect increases or decreases from year to year in projected costs, outstanding reimbursable indebtedness of the State, annual entitlements, estimated deliveries, project interest rate, and all other factors which are determinative of such charges;

WHEREAS, Article 28 also provides that each such redetermination shall include an adjustment of the components of the Transportation Charge to be paid by the Agency for succeeding years which shall account for differences, if any, between projections used by the State in determining the amounts of such components for all preceding years and actual costs incurred by the State during such years, but does not specify the computational details or the method of payment of such adjustments;

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; and

WHEREAS, the State and the Agency wish to correct the duplication in lettering of Article 45(p) added by Amendment 7 on August 22, 1984 and Article 45(p) added by Amendment 10 on November 15, 1985 by redesignating the latter Article 45(p) as Article 45(r) with no substantive change.

<Following added by Amendment No. 13>

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.

<Following added by Amendment No. 14>

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.

<Following added by Amendment No. 15>

WHEREAS, Chapter 573 of the Statutes of 1989 repealed the Solano County Flood Control and Water Conservation District Act, enacted the Solano County Water Agency Act, and provided in Section 5 that the Solano County Water Agency is created as the successor to the Solano County Flood Control and Water Conservation District; and

WHEREAS, the State and the Agency wish to recognize in the contract that the Agency is the successor to the Solano County Flood Control and Water Conservation District, and

WHEREAS, the State and the Agency wish to provide in the contract for deliveries of unscheduled water under circumstances when the State has determined that unscheduled water can be made available, and

<Following added by Amendment No. 16>

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 Amendment To the State Water Supply Contracts” (the “Monterey Agreement”); <similar provision also in Amendment No. 18> and

WHEREAS, the contractors and the State have negotiated an amendment to the water supply contracts to implement provisions of the Monterey Agreement (the “Monterey Amendment”); and

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

<Following added by Amendment No. 17>

B. The contract was amended to add the Monterey Amendment; the Monterey Amendment and the Environmental Impact Report for 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 Agency* <Authority>, (2000) 83 Cal. App. 4<sup>th</sup> 892; and petitions for review of the Court of Appeal’s decision are now pending before the Supreme Court.

C. The Agency has entered into an agreement with Kern County Water Agency, herein referred to as KCWA, for the permanent transfer of 5,756 acre-feet of State Water Project annual entitlement held by KCWA.

D. The State and Agency wish to set forth their agreement as to such matters as (i) the 5,756 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 KCWA are simultaneously, with the execution and delivery of this Amendment, entering into Amendment No. 33 to KCWA’s Water Supply Contract between KCWA and the state in order to reflect (i) the transfer of Table A Entitlement described herein, (ii) the transfer of related transportation repayment obligations, and (iii) the revision of proportionate use of facilities factors.

F. An Environmental Impact Report was prepared in compliance with the California Environmental Quality Act and certified on August 10, 2000. No significant impacts on the environment will result from this transfer.

G. This transfer is in furtherance of the state policy in favor of water transfers (Water Code Section 475), will improve water supply reliability and will provide a supply

adequate to meet planned population growth and development objectives specified in the Agency's member cities.

<Following added by Amendment No. 18>

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 5, 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.

<Following added by Amendment No. 19>

B. On December 8, 2000, the State and Agency entered Amendment No. 17 to the Water Supply Contract setting forth their agreement as to such matters as (i) the 5,756 acre-foot per year increase in the Agency's annual Table A amount, (ii) the transfer of related transportation repayment obligations, and (iii) the revisions of proportionate use of facilities factors set forth in the Water Supply Contract.

C. Pursuant to Section 3(b) of Amendment No. 17, the State and Agency agreed that the Agency would be liable for retroactive and prospective charges for North Bay Aqueduct capital costs attributable to the Table A amount increase.

D. Subsequent to entering Amendment No. 17, the Agency and the State have approved the Agency's request to pay only prospective charge for North Bay Aqueduct costs attributable to the annual Table A increase of 5,756 acre-feet. The effective date of this change would be the year following the execution date of the amendment.

E. Pursuant to Section 1 of Amendment No. 17, Article 53(j) was numbered incorrectly. To be consistent with the other water supply contracts, Article 53(j) should be renumbered to Article 45(s).

NOW THEREFORE, it is mutually agreed as follows:

**A. INTRODUCTORY PROVISIONS**

<sup>1</sup>The Solano County Water Agency is hereby recognized as the successor to all the rights and obligations of the Solano County Flood Control and Water Conservation District under this contract. All references in this contract to the Solano County Flood Control and Water Conservation District and to the “Agency” shall be references to the Solano County Water Agency.

**1. DEFINITIONS.**

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

(a) “Bond Act” shall mean the California Water Resources Development Bond Act, comprising Chapter 8 (commencing at Section 12930) of Part 6 of Division 6 of the Water Code.

(b) “System” shall mean the State Water Resources Development System as defined in Section 12931 of the Water Code.

(c) “Delta” shall mean the Sacramento-San Joaquin Delta as defined in Section 12220 of the Water Code on November 8, 1960.

(d) <sup>2</sup>“Contractor” shall mean any entity that has executed, or is an assignee of, a contract of the type published in Department of Water Resources Bulletin No. 141 dated November 1965, with the State for a dependable supply of water made available by the System, except such water as is made available by the facilities specified in Section 12934(d)(6) of the Water Code.

(e) <sup>3</sup>“Project facilities” shall mean those facilities of the system which will, in whole or in part, serve the purposes of this contract by conserving water and making it available for use in and above the Delta and for export from the Delta and from such additional facilities as are defined in Article 1(h)(2) herein, and by conveying water to the District <Agency>. Said project facilities shall consist specifically of “project conservation facilities” and “project transportation facilities”, as hereinafter defined.

(f) “Project conservation facilities” shall mean such project facilities as are presently included, or as may be added in the future, under (g) and (h) below.

(g) “Initial project conservation facilities” shall mean the following project facilities specified in Section 12934(d) of the Water Code:

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<sup>1</sup> Amended: Amendment No. 15

<sup>2</sup> Amended: Amendment No. 16

<sup>3</sup> Amended: Amendment No. 9

(1) All those facilities specified in subparagraph (1) thereof.

(2) Those facilities specified in subparagraph (3) thereof to the extent that they serve the purposes of water conservation in the Delta, water supply in the Delta, and transfer of water across the Delta.

(3) A reservoir near Los Banos in Merced County as specified in subparagraph (2) thereof.

(4) The reach of the San Joaquin Valley-Southern California Aqueduct extending from the Delta to a reservoir near Los Banos in Merced County, to the extent required for water conservation through conveyance of water diverted from the Delta to offstream storage in said reservoir as determined by the State.

(5) Those facilities specified in subparagraph (5) thereof which are incidental to the facilities included under (1), (2), (3), and (4) above.

(6) Those facilities specified in subparagraph (7) thereof which are necessary and appurtenant to the facilities included under (1), (2), (3), (4), and (5) above.

(h) <sup>4</sup>“Additional project conservation facilities” shall mean the following facilities and programs which will serve the purpose of preventing any reduction in the minimum project yield as hereinafter defined:

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

(2) Those facilities and programs described in (A), (B), (C), (D), and (E) below which, in the State’s determination, are engineeringly feasible and capable of producing project water which is economically competitive with alternative new water supply sources, provided that, in the State’s determination, the construction and operation of such facilities and programs will not interfere with the requested deliveries of annual entitlement to any contractor other than the sponsoring contractor, and will not result in any greater annual charges to any contractor other than the sponsoring contractor than would have occurred with the construction at the same time of alternative new water supply sources which are either reservoirs located north of the Delta or off-Aqueduct storage reservoirs located south or west of the Delta designed to supply water to the California Aqueduct. The following facilities and programs shall hereinafter be referred to as “Local Projects”:

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<sup>4</sup> Amended: Amendment No. 9

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

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

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

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

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

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

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

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



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

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

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

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

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

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

(i) "Project transportation facilities" shall mean the following project facilities:

(1) Specified in Water Code Section 12935(d)(2) which are described in Table H of this contract;

(2) <sup>5</sup>Facilities for the generation and transmission of electrical energy of the following types:

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

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<sup>5</sup> Amended: Amendment No. 9

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

(3) Specified in Water Code Section 12934(d)(7) which are necessary and appurtenant to the facilities included under (1) and (2) above.

(j) “Project water” shall mean water made available for delivery to the contractors by the project conservation facilities and by the transportation facilities included in the System.

(k) “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.

(l) “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)

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<sup>6</sup> Amended: Amendments No. 1, 16, and 18

<sup>7</sup> Amended: Amendment No. 18

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.

(m) <sup>8</sup>“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.”

(n) “Supplemental conservation facilities” shall mean those facilities provided for in Section 12938 of the Water Code which will serve the purpose of supplying water in addition to the minimum project yield, and for meeting local needs.

(o) “Supplemental water” shall mean water made available by supplemental conservation facilities, in excess of the minimum project yield.

(p) “Year” shall mean the 12-month period from January 1 through December 31, both dates inclusive.

(q) “Year of initial project water delivery” shall mean the year when project water will first be available for delivery to a contractor pursuant to its contract with the State.

(r) <sup>9</sup>“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:

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<sup>8</sup> Amended: Amendment No. 18

<sup>9</sup> Amended: Amendments No. 2, 9, and 12

- (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.
- (s) “Capital costs” shall mean all costs incurred subsequent to authorization of a facility for construction by the Legislature or by administrative action pursuant to Section 11290 of the Water Code and to the Bond Act, including those so incurred prior to the beginning of the project repayment period as herein defined and any accrued unpaid interest charges thereon at the rates specified herein, which are properly chargeable to the construction of and the furnishing of equipment for the facilities of the System, including the costs of surveys, engineering studies, exploratory work, designs, preparation of construction plans and specifications, acquisition of lands, easements and rights-of-way, relocation work, and essential administrative work in connection therewith, all as shown upon the official records of the Department of Water Resources.

(t) <sup>10</sup>“Project repayment period” shall mean that period of years commencing on January 1, 1961, and extending until December 31, 2035, *provided*, that if construction of any project facilities is financed by a bond issue with maturity dates later than December 31, 2035, whether the bonds are issued pursuant to the Bond Act or other authority, repayment of the costs of such facilities shall be extended to end on the date of the latest maturities of the bonds with which construction of such facilities is financed.

(u) “Municipal use” shall mean all those uses of water common to the municipal water supply of a city, town, or other similar population group, including uses for domestic purposes, uses for the purposes of commerce, trade or industry, and any other use incidental thereto for any beneficial purpose.

(v) “Manufacturing use” shall mean any use of water primarily in the production of finished goods for market.

(w) “Agricultural use” shall mean any use of water primarily in the production of plant crops or livestock for market, including any use incidental thereto for domestic or stock-watering purposes.

(x) “Subject to approval by the State” shall mean subject to the determination and judgment of the State as to acceptability.

(y) “Area of origin statutes” shall mean Section 10505 and 11460 through 11463 of the Water Code as now existing or hereafter amended.

<sup>11</sup>(z) Reserved for future use.

(aa) Reserved for future use.

(bb) Reserved for future use.

<sup>12</sup>(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).

(dd) Reserved for future use.

(ee) Reserved for future use.

(ff) Reserved for future use.

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<sup>10</sup> Amended: Amendment No. 6

<sup>11</sup> Amended: Amendment No. 12

<sup>12</sup> Amended: Amendment No. 12

<sup>13</sup>(gg) “East Branch Enlargement Facilities” shall mean all of the following:

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

(2) 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;

(3) 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 19, 1984;

(4) 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;

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

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

<sup>14</sup>(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,

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<sup>13</sup> Amended: Amendment No. 12

<sup>14</sup> Amended: Amendments No. 12 and 16

- (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 prior to December 31, 1995, 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,
- (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),
- (9) A project facilities corporation yard, and
- (10) A project facilities operation center.

<sup>15</sup>(ii) “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).

<sup>16</sup>(jj) “Interruptible water” shall mean project water available as determined by the State that is not needed for fulfilling contractors’ annual entitlement deliveries as set forth in their water delivery schedules furnished pursuant to Article 12 or for meeting project operational requirements, including storage goals for the current or following years.

<sup>17</sup>(kk) “Nonproject water” shall mean water made available for delivery to contractors that is not project water as defined in Article 1(j).

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<sup>15</sup> Amended: Amendment No. 13

<sup>16</sup> Amended: Amendment No. 16

<sup>17</sup> Amended: Amendment No. 16

<sup>18</sup>(II) “Monterey Amendments” shall mean this amendment and substantially similar amendments to other contractors’ water supply contracts that include, among other provisions, the addition of Articles 51 through 56.

**2. <sup>19</sup>TERM OF CONTRACT.**

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

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

**3. VALIDATION.**

Within one (1) year after the effective date of this contract, the Agency shall submit this contract to a court of competent jurisdiction for determination of its validity by a proceeding in mandamus or other appropriate proceeding or action, which proceeding or action shall be diligently prosecuted to final decree or judgment. In the event that this contract is determined to be invalid by such final decree or judgment, the State shall make all reasonable efforts to obtain validating legislation at the next session of the Legislature empowered to consider such legislation, and within six (6) months after the close of such session, if such legislation shall have been enacted, the Agency shall submit this contract to a court of competent jurisdiction for redetermination of its validity by appropriate proceeding or action, which proceeding or action shall be diligently prosecuted to final decree or judgment.

**4. <sup>20</sup>OPTION FOR CONTINUED SERVICE.**

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

- (1) Service of water in annual amounts up to and including the Agency’s maximum annual entitlement hereunder.
- (2) Service of water at no greater cost to the Agency than would have been the case had this contract continued in effect.

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<sup>18</sup> Amended: Amendment No. 16

<sup>19</sup> Amended: Amendment No. 6

<sup>20</sup> Amended: Amendment No. 16



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

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

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

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

## **5. PLEDGE OF REVENUES.**

This contract is entered into for the direct benefit of the holders and owners of all general obligation bonds issued under the Bond Act, and the income and revenues derived from this contract are pledged to the purposes and in the priority set forth in that act.

## B. WATER SERVICE PROVISIONS

### 6. ANNUAL ENTITLEMENTS.

(a) Year of Initial Water Delivery

The year of initial water delivery to the Agency is presently estimated to be 1980. To the extent practicable, the State shall notify the Agency of any change in this estimate.

(b) <sup>21</sup>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.

(c) Obligation of State to Complete Facilities

Subject to the availability of funds, the State shall make all reasonable efforts consistent with sound fiscal policies, reasonable construction schedules, and proper operating procedures to complete the project facilities necessary for delivery of project water to the Agency in such manner and at such times that said delivery can commence in or before the year specified in subdivision (a) of this article, and continue in the amounts designated in Table A of this contract.

(d) <sup>22</sup>Deliveries Prior to Completion of North Bay Aqueduct

Prior to the date water is delivered to the Agency through the North Bay Aqueduct (hereinafter referred to as the date of initial aqueduct delivery), all water shall be delivered to the Agency at the diversion works of the City of Vallejo on Cache Slough. If initial aqueduct delivery occurs after January 1988, the Total Annual Amount for 1988 shall be 2,100 acre-feet prorated from January 1, 1988 to the date of initial aqueduct delivery and the amount shown in Table A Amended for said year prorated from the date of initial delivery to the end of the year. The Agency may increase the Total Annual Amount for any year prior to the year of initial aqueduct delivery provided, first, that the increased amount shall not exceed 10,800 acre-feet, second, that the Agency gives the State written notice of the increase on or before September 1 of the year before the increase is effective, and third, that if the increase is more than 500 acre-feet the excess shall not be effective for the first year following such notice if it would cause or increase a shortage in the entitlement deliveries to other contractors.

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<sup>21</sup> Amended: Amendment No. 18

<sup>22</sup> Amended: Amendments No. 6 and 11

<sup>23</sup>TABLE A  
SOLANO COUNTY WATER AGENCY

Year	Total Annual Amount In Acre-feet
1 (1980)	500
2 (1981)	650
3 (1982)	800
4 (1983)	950
5 (1984)	1,100
6 (1985)	1,250
7 (1986)	1,400
8 (1987)	1,500
9 (1988)	15,660
10 (1989)	18,420
11 (1990)	21,250
12 (1991)	22,300
13 (1992)	24,170
14 (1993)	26,130
15 (1994)	28,080
16 (1995)	34,250
17 (1996)	37,800
18 (1997)	38,250
19 (1998)	38,710
20 (1999)	39,170
21 (2000)	39,620
22 (2001)	45,836
23 (2002)	46,296
24 (2003)	46,756
25 (2004)	47,206
26 (2005)	47,256
27 (2006)	47,306
28 (2007)	47,356
29 (2008)	47,406
30 (2009)	47,456
31 (2010)	47,506
32 (2011)	47,556
33 (2012)	47,606
34 (2013)	47,656
35 (2014)	47,706
36 (2015)	47,756

And each succeeding year thereafter, for the term of this contract as a maximum Annual entitlement: 47,756

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.

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<sup>23</sup> Amended: Amendments No. 1, 6, 7, 11, 17, and 18

**7. CHANGES IN ANNUAL ENTITLEMENTS; MAXIMUM ANNUAL ENTITLEMENT.**

(a) <sup>24</sup>Changes in Annual Entitlements.

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

(b) Maximum Annual Entitlement of Agency

The maximum amount of project water to be made available to the Agency in any one year under this contract shall be that specified in Table A of this contract and in said table designated as the Agency's "Maximum Annual Entitlement." In no event shall such maximum amount of project water to be made available to the Agency be increased over this amount, except as is otherwise provided in this contract.

**8. OPTION TO INCREASE MAXIMUM ANNUAL ENTITLEMENT.**

In the event that the maximum annual entitlements under all contracts executed by the State on or before December 31, 1963, do not aggregate the amount of the minimum project yield as herein defined, the State shall immediately notify the Agency and all other contractors, and the Agency may elect to become entitled to the uncontracted for portion of the minimum project yield in or up to an amount which bears the same ratio to such uncontracted for portion as the Agency's maximum annual entitlement bears to the total of the maximum annual entitlements of all contractors as of that date: *Provided*, That such option may be exercised only to the extent that the water involved can be put to beneficial use within a reasonable period of time. Such option shall become effective on the date that the Agency receives said notice from the State and shall remain in effect through September 30, 1964. If the full amount of such uncontracted for portion of the minimum project yield is not preempted by the Agency under this option and by other contractors through the exercise of similar options on or before September 30, 1964, the Agency may request that it become entitled to any amount of such water not so preempted. Such request shall be subject to approval by the State and shall be considered in the light of all similar requests from other contractors. The State shall approve such request only to the extent that the water involved can be put to beneficial use within a reasonable

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<sup>24</sup> Amended: Amendment No. 16

period of time. Upon the exercise of such option or upon the approval of such request the Agency's maximum annual entitlement in Table A of this contract shall be increased by the amount of the additional entitlement thereby obtained by amendment of that table, and the Agency shall become obligated and hereby agrees to pay to the State a proportionate share of the costs attributable to such increase in accordance with cost allocation principles and procedures set forth in this contract. The service of and payment for said increased entitlement shall in all respects be subject to the terms and conditions of this contract.

**9. DELIVERY POINTS.**

Project water made available to the Agency pursuant to Article 6 shall be delivered to the Agency by the State at the delivery structures established in accordance with Article 10.

**10. DELIVERY STRUCTURES.**

(a) Determination of Size and Location of Delivery Structures

Project water made available to the Agency pursuant to this contract shall be delivered to the Agency at such locations and times and through delivery structures of such capacities as are requested by the Agency and approved by the State.

(b) Agency Requests as to Initial Delivery Structures

Pursuant to subdivision (a) of this article, the District shall furnish to the State on or before February 1, 1964, its written requests as to:

- (1) The location of delivery structures for delivery of project water to it.
- (2) The time at which project water is first to be delivered through each such delivery structure.
- (3) The maximum instantaneous flow capacity in cubic feet per second to be provided in each such delivery structure.
- (4) The maximum amount of water in acre-feet to be delivered in any one month through each such delivery structure.
- (5) The total combined maximum instantaneous flow capacity in cubic feet per second to be provided by all such delivery structures.
- (6) The total maximum amount of water in acre-feet to be delivered in any one month through all such delivery structures.

(c) Requests by Agency for Additional Delivery Structures

From time to time the District may request delivery structures in addition to those requested pursuant to subdivision (b) of this article.

(d) Agency to Advance Funds for Delivery Structure

The Agency shall pay all of the costs of delivery structures for the delivery of water to it, and shall deposit with the State, prior to the commencement of construction of any such delivery structure, an amount of money estimated by the State to be sufficient to cover the costs thereof.

**11. MEASUREMENT OF WATER DELIVERED.**

(a) Measurement by State

The State shall measure all project water delivered to the Agency and shall keep and maintain accurate and complete records thereof. For this purpose, the State shall install, operate, and maintain at all delivery structures for delivery of project water to the Agency such measuring devices and equipment as are satisfactory and acceptable to both parties. Said devices and equipment shall be examined, tested, and serviced regularly to insure their accuracy. At any time or times, the Agency or any other contractor may inspect such measuring devices and equipment, and the measurements and records taken therefrom.

(b) Agency to Advance Funds for Measuring Devices

The Agency shall pay all of the costs of acquiring and installing the measuring devices and equipment provided for in subdivision (a) of this article, and shall deposit with the State, prior to such acquisition and installation, an amount of money estimated by the State to be sufficient to cover such costs.

**12. <sup>25</sup>PRIORITIES, AMOUNTS, TIMES AND RATES OF DELIVERIES. <Only Article Title Amended.>**

(a) Procedure for Determining Water Delivery Schedule

The amounts, times, and rates of delivery of project water to the Agency during any year shall be in accordance with a water delivery schedule for that year, such schedule to be determined in the following manner:

(1) On or before October 1 of each year, the Agency shall submit in writing to the State a preliminary water delivery schedule, subject to the provisions of this article and Articles 6(b), 7(b), 10, and 17, indicating the

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<sup>25</sup> Amended: Amendment No. 16

amounts of water desired by the Agency during each month of the succeeding five (5) years.

(2) <sup>26</sup>Upon receipt of a preliminary schedule the State shall review it and, after consultation with the Agency, shall make such modifications in it as are necessary to insure the delivery of the annual quantity allocated to the Agency in accordance with Article 18 and to insure that the amounts, times, and rates of delivery to the Agency will be consistent with the State's overall delivery ability, considering the then current delivery schedules of all contractors. On or before December 1 of each year, the State shall determine and furnish to the Agency the water delivery schedule for the next succeeding year which shall show the amounts of water to be delivered to the Agency during each month of that year.

(3) A water delivery schedule may be amended by the State upon the Agency's written request. Proposed amendments shall be submitted by the Agency within a reasonable time before the desired change is to become effective, and shall be subject to review and modification by the State in like manner as the schedule itself.

(b) Limit on Peak Deliveries of Water

In no event shall the State contract to deliver to any contractor from the project transportation facilities downstream from Pumping Plant VI (Tehachapi Pumping Plant) in any one month of any year a total amount of project water greater than eleven percent (11%) of such contractor's annual entitlement for that year; or to deliver to any contractor from the project transportation facilities upstream from said Pumping Plant VI in any one month of any year a total amount of project water greater than the sum of eighteen percent (18%) of that portion of such contractor's annual entitlement for that year to be put to agricultural use, as determined by the State, and eleven percent (11%) of that portion of such contractor's annual entitlement for that year to be put to municipal use, as determined by the State: *Provided*, That if the State delivers project water to any contractor through delivery structures both downstream and upstream from said Pumping Plant VI, the foregoing limitations shall be based on an appropriate apportionment of such contractor's annual entitlement for the respective year to the respective portions of such contractor's service area to which delivery is made from the project transportation facilities downstream from said Pumping Plant VI and from the project transportation facilities upstream therefrom: *Provided further*, That the percentages set forth hereinabove may be revised for a particular contractor by amendment of this subdivision after submission to the State of that contractor's requests with respect to maximum monthly deliveries, such revision being subject to approval by the State and subject to advancement to the State by the contractor of funds sufficient to cover any additional costs of the project transportation

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<sup>26</sup> Amended: Amendment No. 16

facilities occasioned thereby, the amount of such funds to be determined pursuant to Article 24(d).

(c) <sup>27</sup>Water Deliveries to the Agency

(1) To the extent delivery capability in the North Bay Aqueduct is available, the State will, on receipt of a request from the Agency, increase the delivery of project water above the limits imposed by Article 45(k) by up to 1,207 acre-feet in any month. Delivery capability shall be deemed to be available only to the extent that such deliveries do not prevent delivery of approved requests of Napa County Flood Control and Water Conservation District for quantities of project water up to but not exceeding 46 cubic feet per second.

(2) <sup>28</sup>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 forty-one (141) cubic-feet-per-second, except as this rate of flow may be revised by amendment of this article after submission to the State of the Agency's requests with respect to maximum flow capacities to be provided in said delivery structures, pursuant to Article 10.

<sup>29</sup>(d) Deleted

<sup>30</sup>(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

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<sup>27</sup> Amended: Amendments No. 1 and 10

<sup>28</sup> Amended: Amendment No. 17

<sup>29</sup> Amended: Amendment No. 16

<sup>30</sup> Amended: Amendment No. 13



(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.

<sup>31</sup>(f) Priorities

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

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

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

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

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

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

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

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<sup>31</sup> Amended: Amendment No. 16

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

**13. RESPONSIBILITIES FOR DELIVERY AND DISTRIBUTION OF WATER.**

(a) State Not Liable for Operation Beyond Delivery Structures

Neither the State nor any of its officers, agents, or employees shall be liable for the control, carriage, handling, use, disposal, or distribution of project water supplied to the Agency after such water has passed the delivery structures established in accordance with Article 10; nor for claim of damage of any nature whatsoever, including but not limited to property damage, personal injury or death, arising out of or connected with the control, carriage, handling, use, disposal or distribution of such water beyond said delivery structures; and the Agency shall indemnify and hold harmless the State and its officers, agents, and employees from any such damages or claims of damages.

(b) Agency Not Liable for Operation Upstream From Delivery Structures

Neither the Agency nor any of its officers, agents, or employees shall be liable for the control, carriage, handling, use, disposal, or distribution of project water before such water has passed the delivery structures established in accordance with Article 10; nor for claim of damage of any nature whatsoever, including but not limited to property damage, personal injury or death, arising out of or connected with the control, carriage, handling, use, disposal, or distribution of such water before it has passed said delivery structures.

**14. <sup>32</sup>CURTAILMENT OF DELIVERY.**

(a) State May Curtail Deliveries

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

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

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<sup>32</sup> Amended: Amendment No. 16

In the event of any discontinuance or reduction of delivery of project water pursuant to subdivision (a) of this article, the Agency may elect to receive the amount of annual entitlement which otherwise would have been delivered to it during such period under the water delivery schedule for that year at other times during the year or the succeeding year to the extent that such water is then available and such election is consistent with the State's overall delivery ability, considering the then current delivery schedules of annual entitlement to all contractors.

**15. AREA SERVED BY AGENCY.**

(a) State Approval of Sale of Water by Agency Outside Boundaries

Project water delivery to the Agency pursuant to this contract shall not be sold or otherwise disposed of by the Agency for use outside the Agency without the prior written consent of the State.

(b) State Approval of Change in Boundaries or Organization of Agency

While this contract is in effect no change shall be made in the Agency either by inclusion or exclusion of lands, by partial or total consolidation or merger with another district, by proceedings to dissolve, or otherwise, except with the prior written consent of the State or except by act of the Legislature.

(c) Map of Agency

The Agency shall provide the State with a map satisfactory to the State indicating the major existing distribution facilities and the boundaries of the Agency at the time the contract is signed and supplementary maps whenever a boundary change is made.

**16. CONTINUITY AND DEPENDABILITY OF WATER SUPPLY.**

(a) <sup>33</sup>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.

(b) State to Perfect Water Rights

The State shall make all reasonable efforts to perfect and protect water rights necessary for the System and for the satisfaction of water supply commitments under this contract.

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<sup>33</sup> Amended: Amendments No. 1, 16, and 18

(c) State to Report on Ability to Meet Future Water Demands

Commencing within two (2) years from the year of initial project water delivery to the Agency, the State shall submit to the Agency at not more than five-year intervals a report on the State's ability to meet future demands for project water and for supplemental water, and on the State's plans for constructing additional project conservation facilities and supplemental conservation facilities. Such reports shall include all estimates, projections, and other data which the State deems relevant thereto.

(d) Construction of Additional and Supplemental Conservation Facilities

Bond funds required to be expended for the construction of additional facilities of the System under the provisions of Section 12938 of the Water Code shall be expended only for construction of additional project conservation facilities as defined herein, and related, appurtenant facilities necessary and desirable to meet local needs: *Provided*, That if at any time after 1985 the State finds that a part or all of such bond funds are not then required for the above purpose, and will not be so required within the next succeeding ten (10) years, such bond funds may be used, to the extent permitted in the Bond Act, to construct supplemental conservation facilities as defined herein.

(e) Furnishing of Supplemental Water

In planning and designing supplemental conservation facilities the State shall give consideration to the requirements and demands for supplemental water of the Agency and others who have contracted for project water. Entitlements to supplemental water shall be obtained, and repayment therefor shall be arranged, in contracts separate from contracts for project water.

**17. CONSTRUCTION OF PROJECT FACILITIES.**

(a) Determination of Aqueduct Capacities

Subject to the rights of the Agency under subdivision (b) of this article and the other provisions of this contract, the State shall provide in each aqueduct reach of the project transportation facilities such maximum monthly delivery capability for the transport and delivery of project water to the Agency as, in the judgment of the State, will best serve the interests of the Agency and all other contractors entitled to delivery of project water from or through said facilities: *Provided*, That within three (3) months after the effective date of this contract the Agency shall furnish to the State a written request specifying such maximum monthly delivery capabilities, and the State shall give full consideration to such request in planning and designing said facilities.

(b) Criteria for Determining Capacity of Transportation Facilities

Subject to Article 45, the State shall design and construct the project transportation facilities so as to provide in each reach thereof, including reservoirs, the capacity necessary to enable delivery of project water in each year to the Agency and to other contractors in the maximum monthly amounts and at the locations, times, and maximum rates specified or provided for in their respective contracts for such year, and shall include in each such reach such capacity as is economically justified in the judgment of the State to compensate for scheduled outages for purposes of necessary investigation, inspection, maintenance, repair or replacement of project facilities, and for losses of water due to evaporation, leakage, seepage, or other causes: *Provided*, That regulatory storage reservoirs included in the project transportation facilities may be utilized in conjunction with conveyance capacity provided in said facilities for delivery to the Agency of the foregoing monthly amounts.

(c) Inspection of Project Plans and Specifications

The Agency shall have a reasonable opportunity to inspect and study the State's plans and specifications for all project facilities and may make comments and recommendations thereon to the State. Such privilege shall also extend to any plans and specifications in connection with the use by the State, in conjunction with the project facilities, of facilities owned by an entity other than the State. The State shall not enter into any such agreement which would impair the State's ability to perform fully its obligations under this contract.

(d) Restriction on Bond Sales

No bonds shall be sold nor funds expended under the authority of the Bond Act for the construction of any aqueduct or appurtenance thereto included in the System unless and until contracts are executed which will insure the recovery by the State of at least seventy-five percent (75%) of those capital costs of the particular aqueduct and any appurtenances thereto which shall be reimbursable by the contractors as determined by the State; nor shall any bonds be sold or funds expended under the authority of the Bond Act for the construction of any project conservation facility or supplemental conservation facility, unless and until contracts are executed which, together with estimated revenues from the sale or other disposal of electrical energy generated in connection with operation of project conservation facilities and supplemental conservation facilities, will insure the recovery by the State of at least seventy-five percent (75%) of those capital costs of the particular facility which shall be reimbursable by the contractors as determined by the State: *Provided*, That the foregoing limitations shall not apply with respect to: (1) surveys, engineering studies, exploratory work, designs, preparation of construction plans and specifications, acquisition of lands, easements and rights of way, relocation work, and essential administrative work in connection therewith; (2) construction for which appropriations had been made prior to approval of the Bond Act by the voters of the State of California; and (3) construction of facilities pursuant to an agreement between the State and the United States.

(e) Failure to Complete Facilities

In the event that the State fails or is unable to complete construction of any portion or portions of the project transportation facilities necessary to deliver water to the Agency as provided in this contract, and gives the Agency written notice thereof or by reason of such failure or inability construction of said facilities has ceased for a period of two and one-half (2-1/2) years, the Agency, if it be not then in default and without exclusion of such other rights as it may have under this contract, may exercise the following options:

(1) The Agency may provide funds to the State in such amounts and at such times as may be necessary to enable the State to complete construction of such incompleting portion or portions of the project transportation facilities to the extent necessary for the transport and delivery of water to the Agency as provided for in this contract: *Provided*, That the State shall be and remain the owner of such project transportation facilities or portions thereof constructed in whole or in part with funds provided by the Agency, and shall be and remain obligated to operate, maintain, repair and replace such facilities to the full extent contemplated in this contract: *Provided further*, That the amount of any funds so provided by the Agency shall be credited by the State against the Agency's payment obligation under the capital cost component of the Transportation Charge, but the Agency shall be and remain obligated to pay its share of any capital costs of the above-described facilities not paid for with such funds, together with its proportionate share of the operation, maintenance, power and replacement costs of such facilities.

(2) The Agency may at its own expense, and on a joint venture basis if such an arrangement is made with other contractors having similar options, connect to the project transportation facilities constructed by the State for the purpose of receiving project water to which it is entitled under this contract. In such event and notwithstanding any other provisions of this contract, the structures for delivery of project water to the Agency pursuant hereto shall thereafter be deemed to be located at such point of connection. Specific arrangements for acquiring, constructing, operating, maintaining, and replacing the Agency's facilities at the point of connection thereof with the State's facilities shall be in accordance with terms and conditions mutually agreed upon by the parties: *Provided*, That the State shall be and remain the owner of all facilities constructed by it to said point of connection, and the Agency shall be and remain obligated to pay its proportionate share of the costs thereof.

<sup>34</sup>(f) Adjustments Due to Supplemental Financing Costs

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<sup>34</sup> Amended: Amendment No. 2

(1) If a contractor, with approval of the State, advances funds to the State to assist the State in financing construction of project facilities ( not including delivery structures, measuring devices and excess capacity), such advance shall be amortized by means of annual credits to the contractor having made such advance of funds to the State, with such credits being equal to the actual bond service obligations payable by such contractor by reason of such advance or, if no bonded debt was incurred, then such credits shall be sufficient to cover the repayment of principal and interest costs which would have resulted if the contractor had sold bonds for the purpose of funding the advance as determined by the State.

(2) If, after May 1, 1969, any source of funds other than those provided by the Bond Act is employed to finance construction of specific project facilities, any additional costs incurred because of such financing will not be charged to the contractors, except for adjustments to the “project interest rate”.

**18. <sup>35</sup>SHORTAGE IN WATER SUPPLY.**

(a) Shortages; Delivery Priorities

In any year in which there may occur a shortage due to drought or any other cause whatsoever, in the supply of project water available for delivery to the contractors, with the result that such supply is less than the total of the annual entitlements of all contractors for that year, the State shall allocate the available supply in proportion to each contractor’s annual entitlement as set forth in its Table A for that year and shall reduce the allocation of project water to each contractor using such water for agricultural purposes and to each contractor using such water for other purposes by the same percentage of their respective annual entitlements for that year: *Provided*, that the State may allocate on some other basis if such is required to meet minimum demands of contractors for domestic supply, fire protection, or sanitation during the year. If a contractor is allocated more water than it requested, the excess water shall be reallocated among the other contractors in proportion to their annual entitlements as provided for above. The foregoing provisions of this subdivision shall be inoperative to the extent necessary to comply with subdivision (c) of this article and to the extent that a contractor’s annual entitlement for the respective year reflects established rights under the area of origin statutes precluding a reduction in deliveries to such contractor.

(b) Deleted

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

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<sup>35</sup> Amended: Amendment No. 16

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

(1) The State shall: (i) equitably redistribute the costs of all transportation facilities included in the System among all contractors for project water, taking into account the diminution of the supply to the Agency and other prior contractors in accordance with the terms of their contracts, and (ii) revise the Agency's annual entitlements and maximum annual entitlement, by amendment of Table A of this contract to correspond to the reduced supply of project water to be made available to the Agency: *Provided*, That such redistribution of costs of transportation facilities shall not be made until there has been reasonable opportunity for the Agency to exercise the option provided for in (2) below, and for other prior contractors to exercise similar options.

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

(d) Reinstatement of Entitlements

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



(e) Advance Notice of Delivery Reductions

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

(f) No Liability for Shortages

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

**19. WATER QUALITY.**

(a) Table of Water Quality Objectives

It shall be the objective of the State and the State shall take all reasonable measures to make available, at all delivery structures for delivery of project water to the Agency, project water of such quality that the following constituents do not exceed the concentrations stated as follows:

**<WATER QUALITY OBJECTIVES FOR SOLANO COUNTY WATER AGENCY>**

<b>Constituent</b>	<b>Unit</b>	<b>Monthly Average</b>	<b>Average for any 10-year Period</b>	<b>Maximum</b>
Total Dissolved Solids	ppm.	440	220	--
Total Hardness	ppm	180	110	--
Chlorides	ppm.	110	55	--
Sulfates	ppm.	110	20	--
Boron	ppm.	0.6	--	--
Sodium Percentage	%	50	40	--
Fluoride	ppm.	--	--	1.5
Lead	ppm.	--	--	0.1
Selenium	ppm.	--	--	0.05
Hexavalent Chromium	ppm.	--	--	0.05
Arsenic	ppm.	--	--	0.05
Iron and Manganese together	ppm.	--	--	0.3
Magnesium	ppm.	--	--	125.0
Copper	ppm.	--	--	3.0
Zinc	ppm.	--	--	15.0
Phenol	ppm.	--	--	0.001

(b) Records of Water Quality

The State shall regularly take samples of water at each delivery structure for delivery of project water to the Agency, and shall make chemical and physical analyses and tests of such samples. The State shall keep accurate and complete records of all such analyses and tests, which records shall be available for inspection by the District at any time or times.

(c) No Liability for Failure to Meet Quality Objectives

If through no negligence of the State or its officers, agents, or employees, the State is unable to attain the quality objectives set forth in subdivision (a) of this article, neither the State nor any of its officers, agents, or employees shall be liable in any manner whatsoever for such deviation from said quality objectives.

**20. SUSPENSION OF SERVICE UPON DEFAULT.**

In the event of any default by the Agency in the payment of any money required to be paid to the State hereunder, the State may, upon not less than six months' notice to the Agency, suspend deliveries of water under this contract for so long as such default continues: *Provided*, That during such period the Agency shall remain obligated to make all payments required under this contract. Action taken pursuant to this article 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.

**21. <sup>36</sup>INTERRUPTIBLE WATER SERVICE.**

(a) Allocation of Interruptible Water

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

(b) Rates

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

(c) Contracts

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

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<sup>36</sup> Amended: Amendments No. 5, 14, 15, and 16

## C. PAYMENT PROVISIONS

### 22. DELTA WATER CHARGE.

#### (a) Payment of Reimbursable Costs of Project Conservation Facilities

The payments to be made by each contractor for project water shall include an annual charge designated as the Delta Water Charge. This charge, together with the total revenues derived during the project repayment period from the sale or other disposal of electrical energy generated in connection with operation of project conservation facilities, shall return to the State during the project repayment period all costs of the project conservation facilities, including capital, operation, maintenance, power, and replacement costs, which are allocated to the purpose of water conservation in, above, and below the Delta pursuant to subdivision (e) of this article during the project repayment period. Wherever reference is made, in connection with the computation or determination of the Delta Water 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 contractors as determined by the State.

(b) <sup>37</sup>For each contractor receiving project water in any year through December 31, 1969, the Delta Water Charge shall be the product of \$3.50 and the contractor's annual entitlement to project water for the respective year. For each contractor receiving project water in the year 1970, the Delta Water Charge shall be the product of \$6.65 and the contractor's annual entitlement to project water for that year. The \$6.65 rate for the year 1970 shall consist of a capital cost component of \$5.04 and a minimum operation, maintenance, power and replacement component of \$1.61. After December 31, 1970, the Delta Water Charge shall consist and be the sum of the following components as these are computed in accordance with subdivisions (c) and (d) of this article: a capital cost component; a minimum operation, maintenance, power and replacement component; and a variable operation, maintenance, power and replacement component.

#### (c) Computation of the Components of the Delta Water Rate

The capital cost, the minimum operation, maintenance, power, and replacement, and the variable operation, maintenance, power, and replacement components of the Delta Water Charge, together with that portion of the revenues derived during the project repayment period from the sale or other disposal of electrical energy generated in connection with operation of project conservation facilities which is allocated by the State to repayment of the respective category of costs, shall return to the State during the project repayment period, respectively, the following categories of the costs allocated to the purpose of water conservation in,

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<sup>37</sup> Amended: Amendment No. 2

above, and below the Delta pursuant to subdivision (e) of this article: (1) capital costs; (2) operation, maintenance, power, and replacement costs incurred irrespective of the amount of project water delivered to the contractors; and (3) operation, maintenance, power, and replacement costs incurred in an amount which is dependent upon and varies with the amount of project water delivered to the contractors: *Provided*, That each of the above categories of costs shall be inclusive of the appropriate costs properly chargeable to the generation and transmission of electrical energy in connection with operation of project conservation facilities. Each component of the Delta Water Charge shall be computed on the basis of a rate which, when charged during the project repayment period for each acre-foot of the sum of the yearly totals of annual entitlements of all contractors, will be sufficient, together with that portion of the revenues derived during the project repayment period from the sale or other disposal of electrical energy generated in connection with operation of project conservation facilities which is allocated by the State to repayment of the respective category of costs, to return to the State during the project repayment period all costs included in the respective category of costs covered by that component. Each such rate shall be computed in accordance with the following formula:

$$\frac{(c_1 - r_1)(1+i)^{-1} + (c_2 - r_2)(1+i)^{-2} + \dots + (c_n - r_n)(1+i)^{-n}}{e_1(1+i)^{-1} + e_2(1+i)^{-2} + \dots + e_n(1+i)^{-n}}$$

Where:

- $i$  = The project interest rate.
- $c$  = The total costs included in the respective category of costs for the respective year of the project repayment period.
- $r$  = That portion of the revenues derived from the sale or other disposal of electrical energy allocated by the State to repayment of the costs included in the respective category for the respective year of the project repayment period.

1, 2, and  $n$   
appearing  
below

$c$  and  $r$  = The respective year of the project repayment period for which costs are included in the respective category,  $n$  being the last year of the project repayment period.

$e$  = With respect to the capital cost and minimum operation, maintenance, power, and replacement components, the total of annual entitlements to project water of all contractors for the respective year of the project repayment period.

$e$  = With respect to the variable operation, maintenance, power, and replacement component, the total of the amounts of project water delivered to all contractors for the respective year of the expired portion of the project repayment period, together with the total of annual entitlements to project water of all contractors for the respective year of

the unexpired portion of the project repayment period.

1, 2, and  $n$   
appearing

below  $e$  = The respective year of the project repayment period in which the annual entitlements or project water deliveries occur,  $n$  being the last year of the project repayment period.

$n$  used  
as an

exponent = The number of years in the project repayment period.

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(d) Application of Component Rates

The capital cost and minimum operation, maintenance, power, and replacement components of the Delta Water Charge shall be the product of the appropriate rate computed under subdivision (c) of this article, and the contractor's annual entitlement to project water for the respective year. The variable operation, maintenance, power, and replacement component of the charge shall be the product of the appropriate rate computed under subdivision (c) of this article and the number of acre-feet of project water delivered to the contractor during the respective year: *Provided*, That when project water has been requested by a contractor and delivery thereof has been commenced by the State, and, through no fault of the State, such water is wasted as a result of failure or refusal by the contractor to accept delivery thereof, said variable component during such period shall be the product of said rate per acre-foot and the sum of the number of acre-feet of project water delivered to the contractor and the number of acre feet wasted.

(e) Allocations to Project Purposes

<sup>38</sup>Prior to the time that additional project conservation facilities or supplemental conservation facilities are constructed, the Delta Water Charge shall be determined on the basis of an allocation to project purposes, by the separable cost-remaining benefits method, of all actual and projected costs of all those initial project conservation facilities located in and above the Delta, and upon an allocation to the purposes of water conservation and water transportation, by the proportionate use of facilities method, of all actual and projected costs of the following project facilities located below the Delta: The aqueduct intake facilities at the Delta, Pumping Plant I (Harvey O. Banks Pumping Plant), the aqueduct from the Delta to San Luis Forebay (O'Neill Forebay), San Luis Forebay (O'Neill Forebay), and San Luis Reservoir:

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<sup>38</sup> Amended: Amendment No. 11

*Provided*, That all of the actual and projected costs properly chargeable to the generation and transmission of electrical energy in connection with operation of project conservation facilities shall be allocated to the purpose of water conservation in, above, and below the Delta: *Provided further*, That allocations to purposes the cost of which are to be paid by the United States shall be as determined by the United States.

Commencing in the year in which the State first awards a major construction contract for construction of a major feature of additional project conservation facilities, or first commences payments under a contract with a federal agency in the event a major feature of additional project conservation facilities is constructed by such federal agency under an agreement requiring the State to pay all or part of the costs of such construction, the Delta Water Charge shall be determined on the basis of the foregoing allocations and upon an allocation to project purposes, by the separable costs-remaining benefits method and subject to the foregoing provisos, of all projected costs of such feature of the additional project conservation facilities: *Provided*, That if the agreement with such federal agency allows repayment of costs of a portion of a facility to be deferred, the associated costs of such portion shall be excluded from the Delta Water Charge computations until repayment of such deferred costs or interest thereon is commenced by the State: *Provided further*, That all costs of additional project conservation facilities incurred prior to the award of a major construction contract, shall be included in the Delta Water Charge computations in the year in which they are incurred.

(f) Yearly Recomputation of Rates After 1970

The rates to be used in determining the components of the Delta Water Charge pursuant to subdivision (d) of this article and to become effective on January 1, 1970, shall be computed by the State in accordance with subdivision (c) of this article prior to that date. Such computation shall include an adjustment which shall account for the difference, if any, between revenues received by the State under the Delta Water Charge prior to January 1, 1970, and revenues which would have been received under the charge prior to that date had it been computed and charged in accordance with subdivision (c) and (d) of this article. Upon such computation, a document establishing such rates shall be prepared by the State and attached to this contract as an amendment of this article. The State shall recompute such rates each year thereafter, and each such recomputation shall take account of and reflect increases or decreases from year to year in projected costs, outstanding reimbursable indebtedness of the State incurred to construct the project conservation facilities described in subdivision (e) of this article, annual entitlements, deliveries of project water, project interest rate, revenues from the sale or other disposal of electrical energy, and all other factors which are determinative of such rates. In addition, each such recomputation shall include an adjustment of the rates for succeeding years which shall account for the differences, if any, between projections of costs used by the State in determining said rates for all preceding years, and actual costs incurred by the State during such years. Upon each such recomputation, an appropriately revised

copy of the document establishing such rates shall be prepared by the State and attached to this contract as an amendment of this article.

(g) Supplemental Conservation Facilities

<sup>39</sup>Upon the construction of supplemental conservation facilities, the Delta Water Charge shall be paid by the contractors for supplemental water, as well as by contractors for project water, and, together with revenues derived from the sale or other disposal of electrical energy generated in connection with operation of project conservation facilities and supplemental conservation facilities, shall return to the State, in addition to those costs of the project conservation facilities allocated to the purpose of water conservation in, above, and below the Delta pursuant to subdivision (e) of this article, all costs of such supplemental conservation facilities, including capital, operation, maintenance, power, and replacement costs which are allocated to the purpose of water conservation, in, above, and below the Delta pursuant hereto. Commencing in the year in which the State first awards a major construction contract for construction of a major feature of any supplemental conservation facilities, or first commences payments under a contract with a federal agency in the event a major feature of supplemental conservation facilities is constructed by such federal agency under an agreement requiring the State to pay all or part of the costs of such construction, the Delta Water Charge shall be determined on the basis of the allocations made pursuant to subdivision (e) of this article, and upon an allocation to project purposes, by the separable costs-remaining benefits method and subject to provisos corresponding to those contained in said subdivision (e), of all projected costs of such feature of the supplemental conservation facilities. Commencing in the same year, the computation of the rates to be used in determining the components of the Delta Water Charge shall include the annual entitlements to water under all contracts for supplemental water. If the repayment period of any bonds sold to construct supplemental conservation facilities or the repayment period under any agreement with a federal agency for repayment of the costs of supplemental conservation facilities constructed by such federal agency extends beyond the repayment period of the contract, the Delta Water Charge shall be determined and redetermined on the basis of such extended repayment period as the State determines to be appropriate: *Provided*, That if the agreement with such federal agency allows repayment of costs of a portion of a facility to be deferred, the associated costs of such portion shall be excluded from the Delta Water Charge computations until repayment of such deferred costs of interest thereon is commenced by the State.

<sup>40</sup>(h) If the State hereafter enters into or amends any contract whereby any other contractor receives a credit, refund, allowance, or other benefit by reason of having paid in any year the Delta Water Charge for more project water than the contractor actually received during such year the State will immediately on request of the Agency further amend this contract to give the same benefit to the Agency.

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<sup>39</sup> Amended: Amendment No. 11

<sup>40</sup> Amended: Amendment No. 6



<sup>41</sup>(i) The determination of the rate for water under the Delta Water Charge shall be made by including the appropriate costs and quantities of water, calculated in accordance with subdivisions (c), (d) and (e) above, for all additional project conservation facilities as defined in Article 1(h) hereinabove. In the event a Local Project as defined in Article 1(h)(2) will, pursuant to written agreement between the State and the sponsoring contractor, be considered and treated as an additional project conservation facility for less than the estimated life of the facility, the rate under the Delta Water Charge will be determined on the basis of that portion of the appropriate cost and water supply associated with such facility as the period of time during which such facility shall be considered as an additional project conservation facility bears to the estimated life of such facility. No costs for the construction or implementation of any Local Project are to be included in the Delta Water Charge unless and until the written agreement required by Article 1(h) has been entered into.

<sup>42</sup>(j) In calculating the rate for project water to be paid by each contractor for the Delta Water Charge under subdivisions (c), (d) and (e) above, the component for operation, maintenance, power and replacement costs shall include, but not be limited to, all costs to the State incurred in purchasing water, which is competitive with alternative sources as determined by the State, for delivery as project water.

<sup>43</sup>(k) Notwithstanding provisions of Article 22 (a) through (j), 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. Charges for the conservation portion of the water system revenue bond financing costs shall not be affected by any reductions in payments pursuant to Article 51.

### **23. TRANSPORTATION CHARGE.**

The payments to be made by each contractor entitled to delivery of project water from the project transportation facilities shall include an annual charge under the designation Transportation Charge. This charge shall return to the State during the project repayment period those costs of all project transportation facilities necessary to deliver project water to the contractor, including capital, operation, maintenance, power, and replacement costs, which are allocated to the contractor during the project repayment period 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 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 contractors as

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<sup>41</sup> Amended: Amendment No. 9

<sup>42</sup> Amended: Amendment No. 9

<sup>43</sup> Amended: Amendments No. 12 and 16

determined by the State. The Transportation Charge shall consist of a capital cost component; a minimum operation, maintenance, power, and replacement component; and a variable operation, maintenance, power, and replacement component, as these components are defined in and determined under Articles 24, 25, and 26, respectively. For the purpose of allocations of costs pursuant to said articles, the project transportation facilities shall be segregated into such aqueduct reaches as are determined by the State to be necessary for such allocations of costs. Subject to such modifications as are determined by the State to be required by reason of any request furnished by the Agency to the State pursuant to Article 17 (a) of this contract, or by reason of contracts entered into by the State with other contractors, the aqueduct reaches of the project transportation facilities are established as set forth in Table I of this contract: *Provided*, That those costs of the aqueduct reaches from the Delta through the outlet of San Luis Reservoir which are allocated to the purpose of water conservation in, above, and below the Delta for the purpose of determining the Delta Water Charge, as hereinbefore set forth, shall not be included in the Transportation Charge.

<sup>44</sup>Table I  
**Aqueduct Reach**  
**Solano County Water Agency**

Aqueduct Reach	Major Features of Reach
Barker Slough thru Fairfield/Vacaville Turnout	Intake Channel Fish Protective Facilities Barker Slough Pumping Plant Aqueduct
Fairfield/Vacaville Turnout to Cordelia Forebay	Aqueduct
Cordelia Forebay thru Benicia and Vallejo Turnouts	Cordelia Forebay (Solano portion) Cordelia Pumping Plant (Solano portion) Aqueduct

**24. TRANSPORTATION CHARGE – CAPITAL COST COMPONENT.**

(a) Method of Computation

The capital cost component of the Transportation Charge shall be sufficient to return to the State those capital costs of the project transportation facilities necessary to deliver water to the contractor which are allocated to the contractor pursuant to subdivision (b) of this article. The amount of this component shall be determined in two steps as follows: (1) an allocation of capital costs to the contractor, and (2) a computation of annual payment of such allocated capital costs and interest thereon,

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<sup>44</sup> Amended: Amendment No. 10

computed at the project interest rate and compounded annually, to be made by the contractor.

(b) <sup>45</sup>In the first step, the total amount of capital costs of each aqueduct reach to be returned to the State shall be allocated among all contractors entitled to delivery of project water from or through the reach by the proportionate use of facilities method of cost allocation and in accordance with (1) and (2) below. The measure of the proportionate use of each contractor of each reach shall be the average of the following two ratios: (i) the ratio of the contractor's maximum annual entitlement to be delivered from or through the reach to the total of the maximum annual entitlements of all contractors to be delivered from or through the reach from the year in which charges are to be paid through the end of the project repayment period and (ii) the ratio of the capacity provided in the reach for the transport and delivery of project water to the contractor to the total capacity provided in the reach for the transport and delivery of project water to all contractors served from or through the reach from the year in which charges are to be paid through the end of the project repayment period. Allocations of capital costs to the Agency pursuant hereto shall be on the basis of relevant values which will be set forth in <sup>46</sup>Table B-1 of this contract by the State as soon as designs and cost estimates are prepared by it subsequent to receipt of requests from the Agency as to the maximum monthly delivery capability to be provided in each aqueduct reach of the project transportation facilities for the transport and delivery of project water to the Agency, pursuant to Article 17(a): *Provided*, That these values shall be subject to redetermination by the State in accordance with Article 28: *Provided further*, That the principles and procedures set forth in this subdivision shall be controlling as to allocations of capital costs to the Agency. Proportionate use of facilities factors for prior years shall not be adjusted by the State in response to changes or transfers of entitlement among contractors unless otherwise agreed by the State and the parties to the transfer and unless there is no impact on past charges or credits of other contractors.

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<sup>45</sup> Amended: Amendment No. 16

<sup>46</sup> Amended: Amendment No. 10

<sup>47</sup>TABLE B-1

<Table B-1 is on the next page>

<Published as Table B-1 in Bulletin 132.>

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<sup>47</sup> Amended: Amendments No. 10

Table B-1  
 PROPORTION OF CAPITAL COSTS OF PROJECT TRANSPORTATION FACILITIES  
 ALLOCATED TO  
 SOLANO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

Agency Participation	Total for Project Transportation Facilities				Agency Participation			
	Total of Maximum Annual Entitlements of All Contractors Thousands of Acre-Feet Per Year (1)	Total of Maximum Capacities in Cubic Feet per Second (1)	Total Capital Cost, Thousands of Dollars (2)	Maximum Annual Entitlement, Thousands of Acre-Feet per Year (3)	Ratio of Maximum Annual Entitlement to Total of Maximum Annual Entitlements	Maximum Capacity in Cubic Feet per Second	Ratio of Maximum Capacity to Total Capacity	Average of Ratios of Ratios
Aqueduct Reach								
Barker Slough thru Fairfield/Vacaville Turnout	84.337 (3)	153.77144 (4)		59.316 (3)	0.70332120	108.15096 (4)	0.70332280	0.70332200
Fairfield/Vacaville Turnout to Cordelia Forebay	65.126 (3)	118.74426 (4)		40.108 (3)	0.61585235	73.12925 (4)	0.61585503	0.61585369
Cordelia Forebay thru Benicia and Vallejo Turnouts	40.090 (3)	73.09643 (4)		40.090 (3)	1.00000000	73.09643 (4)	1.00000000	1.00000000

1) As increased by an allowance for losses as provided in Article 24(b)(2).  
 2) Capital costs are being developed.  
 3) Includes 17,287 acre-feet per year of City of Vallejo permit water.  
 4) Includes 31.52 cfs of City of Vallejo permit water.

Disclaimer: This document integrates Solano County Water Agency's State Water Project water supply contract with the many amendments to the contract entered into since 1963. It is intended only to provide a convenient reference source, and the Department of Water Resources is unable to provide assurances that this integrated version accurately represents the original documents. For legal purposes, or when precise accuracy is required, users should direct their attention to original source documents rather than this integrated version.

<sup>48</sup>TABLE B-2

<Table B-2 is on the next page.>

<Published as Table B-2 in Bulletin 132.>

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<sup>48</sup> Amended: Amendments No. 10

Table B-2

PROPORTION OF MINIMUM OPERATION, MAINTENANCE, POWER, AND REPLACEMENT COSTS  
OF PROJECT TRANSPORTATION FACILITIES ALLOCATED TO  
SOLANO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

Agency Participation	Total for Project Transportation Facilities				Agency Participation			
	Total of Maximum Annual Entitlements of All Contractors Acre-Feet Per Year (1)	Total of Maximum Capacities in Cubic-Feet per Second (1)	Minimum Annual Operating Cost, Thousands of Dollars (2)	Maximum Annual Entitlement, Thousands of Acre-Feet per Year (3)	Ratio of Maximum Annual Entitlement to Total of Maximum Annual Entitlements	Maximum Capacity in Cubic-Feet per Second	Ratio of Maximum Capacity to Total Capacity	Average of Ratios
Barker Slough thru Fairfield/Vacaville Turnout	84.337 (3)	173.77144 (4)(5)		59.316 (3)	0.70332120	128.15096 (4)(5)	0.73746848	0.72039484
Fairfield/Vacaville Turnout to Cordelia Forebay	65.126 (3)	118.74426 (4)		40.108 (3)	0.61585235	73.12925 (4)	0.61585503	0.61585369
Cordelia Forebay thru Benicia and Vallejo Turnouts	40.090 (3)	73.09643 (4)		40.090 (3)	1.00000000	73.09643 (4)	1.00000000	1.00000000

1) As increased by an allowance for losses as provided in Article 24(b)(2).

2) Minimum annual operating costs are being developed.

3) Includes 17,287 acre-feet per year of City of Vallejo permit water.

4) Includes 31.52 cfs of City of Vallejo permit water.

5) Includes 20 cfs of excess capacity added under provisions of Article 12(b).

(1) The total amount of capital costs allocated to a contractor shall be the sum of the products obtained when there is multiplied, for each aqueduct reach necessary to deliver water to the contractor, the total amount of the capital costs of the reach to be returned to the State under the Transportation Charge by the average of the two foregoing ratios for such reach as said average is set forth in the appropriate table included in its contract.

(2) In the event that excess capacity is provided in any aqueduct reach for the purpose of making project water available in the future to an agency or agencies with which the State has not executed contracts at the time of any allocation of costs pursuant to this subdivision, the prospective maximum annual entitlement or entitlements to be supplied by such excess capacity, as determined by the State, shall be deemed to be contracted for by said agency or agencies for the purpose of such allocation of costs, to the end that the capital costs of providing such excess capacity are not charged to any contractor entitled by virtue of an executed contract to the delivery of project water from or through that aqueduct reach at the time of such allocation. Where additional capacity is provided in any aqueduct reach to compensate for loss of water due to evaporation, leakage, seepage, or other causes, or to compensate for scheduled outages for purposes of necessary investigation, inspection, maintenance, repair or replacement of the facilities of the project facilities, then, for the purpose of any allocation of costs pursuant to this subdivision: (i) the maximum annual entitlement to be delivered from or through the reach of each contractor entitled to delivery of project water from or through the reach shall be increased by an amount which bears the same proportion to the maximum annual delivery capability provided by such additional capacity that the contractor's maximum annual entitlement to be delivered from or through the reach bears to the total of the maximum annual entitlements to be delivered from or through the reach under all contracts; and (ii) the capacity provided in the reach for each contractor entitled to delivery of project water from or through the reach shall be increased in the same proportion that the contractor's maximum annual entitlement to be delivered from or through the reach is increased pursuant to (i) above.

(3) The projected amounts of capital costs to be allocated annually to the Agency under the capital cost component of the Transportation Charge shall be determined by the State in accordance with the cost allocation principles and procedures set forth in this subdivision, which principles and procedures shall be controlling as to allocations of capital costs to the Agency. Such amounts will be set forth in Table C of this contract by the State as soon as designs and cost estimates are prepared by it subsequent to receipt of requests from the Agency as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of project water to



**TABLE C  
PROJECTED ALLOCATIONS OF CAPITAL COST OF  
PROJECT TRANSPORTATION FACILITIES  
SOLANO COUNTY WATER AGENCY**

<u>Year</u>	<u>Projected Allocation in Thousands of Dollars</u>
1*	
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\* Year in which State commences construction of project transportation facilities, 1965.

<Table C is published as Table B-14 in Bulletin 132.>

the Agency, pursuant to Article 17(a): *Provided*, That these amounts shall be subject to redetermination by the State in accordance with Article 28.

(c) Annual Payments of Allocated Capital Costs

In the second step, the Agency's annual payment of its allocated capital costs and interest thereon, computed at the project interest rate and compounded annually, shall be determined in accordance with a payment schedule established by the State and determined in accordance with the principles set forth in (1), (2), and (3) below, which principles shall be controlling as to the Agency's payment of its allocated capital costs. The Agency's payment schedule will be set forth in Table D of this contract by the State as soon as designs and cost estimates are prepared by it subsequent to receipt of requests from the Agency as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of project water to the Agency, pursuant to Article 17(a): *Provided*, That the amounts set forth in Table D shall be subject to redetermination by the State, pursuant to Article 28.

**Table D**  
**TRANSPORTATION CHARGE—CAPITAL COST COMPONENT**  
**SOLANO COUNTY WATER AGENCY**  
(in thousands of dollars)

<u>Year</u>	<u>Annual Payment of Principal</u>	<u>Annual Interest Payment</u>	<u>Total Annual Payment by District &lt;Agency&gt;</u>
1*			
2**			
3			
4			
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**Table D (continued)**  
**TRANSPORTATION CHARGE—CAPITAL COST COMPONENT**  
**SOLANO COUNTY WATER AGENCY**  
(in thousands of dollars)

<u>Year</u>	<u>Annual Payment of Principal</u>	<u>Annual Interest Payment</u>	<u>Total Annual Payment by District &lt;Agency&gt;</u>
46			
47			
48			
49			
50			
51			
52			
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57			
58			
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60			
61			
62			
63			
64			
65			
66			
67			
68			
69			
70			
71			
72			
73			
74			
Total			

\* Year in which State commences construction of project transportation facilities, 1965.

\*\* Year of first payment.

<DWR provides Table D with Solano County Water Agency’s annual statement of charges. Table D is published in (unadjusted) summary form as Table B-15 in Bulletin 132.>

(1) The Agency's annual payment shall be the sum of the amounts due from the Agency on the Agency's allocated capital costs for the then current year and for each previous year where each such amount will pay, in not more than fifty (50) equal annual installments of principal and interest, the Agency's allocated capital costs for the respective year and interest thereon, computed at the project interest rate and compounded annually.

(2) The Agency may make payments at a more rapid rate if approved by the State.

(3) Such annual payments shall cease when all allocated capital costs and interest thereon, computed at the project interest rate and compounded annually, are repaid.

(d) Payment in Advance for Excess Peaking Capacity

In the event that any contractor, pursuant to Article 12(b), requests delivery capacity in any aqueduct reach which will permit maximum monthly deliveries to such contractor in excess of the percentage amounts specified in said Article 12(b) for the uses designated therein, such contractor shall furnish to the State, in advance of the construction of such aqueduct reach, funds sufficient to cover the costs of providing such excess capacity, which funds shall be in an amount which bears the same proportion to the total capital costs of such reach, including the costs of providing such excess capacity, as such excess capacity bears to the total capacity of such reach, including such excess capacity. For the purpose of any allocation of costs pursuant to subdivision (b) of this article, the total capital costs of such aqueduct reach shall be allocated among all contractors entitled to delivery of project water from or through the reach in the following manner:

(1) The costs which would have been incurred for such reach had no such excess capacity been provided shall be estimated by the State and allocated among all such contractors in the manner provided in said subdivision (b); and

(2) The amount of the difference between said estimated costs and the projected actual costs of such reach shall be allocated to the contractor or contractors for which such excess capacity is provided.

Where such excess capacity is provided for more than one contractor, the costs allocated to them under (2) above shall be further allocated between or among them in amounts which bear the same proportion to the total of said allocated costs as the amount of such excess capacity provided for the respective contractor bears to the total of such excess capacity provided in such reach. In the event that the funds advanced by a contractor pursuant to this subdivision are more or less than the costs so allocated to such contractor under (2) above, the account of such contractor shall be credited or debited accordingly.

(e) Costs Incurred Prior to Date of Contract

The Agency's allocated capital costs for the year preceding the year of initial payment of the capital component of the Transportation Charge, pursuant to subdivision (c) of this article, shall consist of the sum of the Agency's allocated capital costs for each year through such year preceding the year of initial payment, and interest thereon, computed at the project interest rate and compounded annually.

<sup>49</sup>(f) The capital costs of project aqueduct power recovery plants shall be charged and allocated in accordance with this Article 24. The capital costs of off-aqueduct power facilities shall be charged and allocated in accordance with Article 25(d).

<sup>50</sup>(g) Notwithstanding provisions of Article 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 the provisions of Article 50 of this contract. Charges for the transportation portion of the water system revenue bond financing costs shall not be affected by any reductions in payments pursuant to Article 51.

**25. TRANSPORTATION CHARGE – MINIMUM OPERATION, MAINTENANCE, POWER, AND REPLACEMENT COMPONENT.**

(a) Method of Computation

The minimum operation, maintenance, power, and replacement component of the Transportation Charge shall return to the State those costs of the project transportation facilities necessary to deliver water to the contractor which constitute operation, maintenance, power, and replacement costs incurred irrespective of the amount of project water delivered to the contractor and which are allocated to the contractor pursuant to (b) below: *Provided*, That to the extent permitted by law, the State may establish reserve funds to meet anticipated minimum replacement costs; and deposits in such reserve funds by the State: (1) shall be made in such amounts that such reserve funds will be adequate to meet such anticipated costs as they are incurred, and (2) shall be deemed to be a part of the minimum replacement costs for the year in which such deposits are made.

(b) Allocation of Costs

The total projected minimum operation, maintenance, power, and replacement costs of each aqueduct reach of the project transportation facilities for the respective

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<sup>49</sup> Amended: Amendment No. 9

<sup>50</sup> Amended: Amendments No. 12 and 16

year shall be allocated among all contractors entitled to delivery of project water from said facilities by the proportionate use of facilities method of cost allocation, in the same manner and upon the same bases as are set forth for the allocation of capital costs in Article 24: *Provided*, That such minimum operation, maintenance, power, and replacement costs as are incurred generally for the project transportation facilities first shall be allocated to each aqueduct reach in an amount which bears the same proportion to the total amount of such general costs that the amount of the costs incurred directly for the reach bears to the total of all direct costs for all aqueduct reaches.

(c) Payment Table

The amount to be paid each year by the Agency under the minimum operation, maintenance, power, and replacement component of the Transportation Charge shall be determined in accordance with subdivision (b) of this article on the basis of the relevant values to be set forth for the respective aqueduct reaches in <sup>51</sup>Table B-2 of this contract: *Provided*, That these values shall be subject to redetermination by the State in accordance with Article 28. Such amounts and any interest thereon shall be set forth by the State in Table E of this contract as soon as designs and cost estimates have been prepared by it subsequent to receipt of requests from the Agency as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of project water to the Agency, pursuant to Article 17(a): *Provided*, That the amounts set forth in Table E shall be subject to redetermination by the State in accordance with Article 28.

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<sup>51</sup> Amended: Amendment No. 10

**TABLE E  
 TRANSPORTATION CHARGE—MINIMUM OPERATION  
 MAINTENANCE, POWER, AND REPLACEMENT COMPONENT  
 SOLANO COUNTY WATER AGENCY**

<u>Year</u>	<u>Total Annual Payment By District &lt;Agency&gt;*</u> (In thousands of dollars)
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and each succeeding year thereafter, for the term of this contract.	

\* Payment shall start with respect to each aqueduct reach in the year following the year in which the State completes construction of the respective reach.

\*\* Year in which the State commences construction of the project transportation facilities, 1965.

<Table E is published as Table B-16A in Bulletin 132.>



<sup>52</sup>(d) Notwithstanding the provisions of subdivisions (a) and (b) of this article, or of Article 1(s), the costs of off-aqueduct power facilities shall be determined and allocated as follows:

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

(2) The annual costs of off-aqueduct power facilities as computed in (1) above shall initially be allocated among contractors in amounts which bear the same proportions to the total amount of such power costs that the total estimated electrical energy (kilowatt hours) required to pump through project transportation facilities the desired delivery amounts of annual entitlements for that year, as submitted pursuant to Article 12(a)(1) and as may be modified by the State pursuant to Article 12(a)(2), bears to the total estimated electrical energy (kilowatt hours) required to pump all such amounts for all contractors through project transportation facilities for that year, all as determined by the State.

(3) <sup>53</sup>An interim adjustment in the allocation of the power costs calculated in accordance with (2) above, may be made in May of each year based on April revisions in approved schedules of deliveries of project and nonproject water for contractors for such year. A further adjustment shall be made in the following year based on actual deliveries of project and nonproject water for contractors provided, however, in the event no deliveries are made through a pumping plant, the adjustments shall not be made for that year at that plant.

(4) To the extent the monies received or to be received by the State from all contractors for off-aqueduct power costs in any year are determined by the State to be less than the amount required to pay the off-aqueduct power costs in such year, the State may allocate and charge that amount of off-aqueduct power costs to the District <Agency> and other contractors in the

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<sup>52</sup> Amended: Amendment No. 9

<sup>53</sup> Amended: Amendments No. 9 and 16

same manner as costs under the capital cost component of the Transportation Charge are allocated and charged. After that amount has been so allocated, charged and collected, the State shall provide a reallocation of the amounts allocated pursuant to this paragraph (4), such reallocation to be based on the allocations made pursuant to (2) and (3) above for that year, or in the event no such allocation was made for that year, on the last previous allocation made pursuant to (2) and (3) above. Any such reallocation shall include appropriate interest at the project interest rate.

<sup>54</sup>(e) The total minimum operation, maintenance, power and replacement component due that year from each contractor shall be the sum of the allocations made under the proportionate use of facilities method provided in subdivision (b) of this article and the allocations made pursuant to subdivision (d) of this article for each contractor.

**26. TRANSPORTATION CHARGE – VARIABLE OPERATION, MAINTENANCE, POWER, AND REPLACEMENT COMPONENT.**

(a) Method of Computation

The variable operation, maintenance, power, and replacement component of the Transportation Charge shall return to the State those costs of the project transportation facilities necessary to deliver water to the contractor which constitute operation, maintenance, power and replacement costs incurred in an amount which is dependent upon and varies with the amount of project water delivered to the contractor and which are allocated to the contractor pursuant to (1) and (2) below: *Provided*, That to the extent permitted by law, the State may establish reserve funds to meet anticipated variable replacement costs; and deposits in such reserve funds by the State: (1) shall be made in such amounts that such reserve funds will be adequate to meet such anticipated costs as they are incurred, and (2) shall be deemed to be a part of the variable replacement costs for the year in which such deposits are made. The amount of this component shall be determined as follows:

(1) There shall be computed for each aqueduct reach of the project transportation facilities a charge per acre-foot of water which will return to the State the total projected variable operation, maintenance, power, and replacement costs of the reach for the respective year. This computation shall be made by dividing said total by the number of acre-feet of project water estimated to be delivered from or through the reach to all contractors during the year.

(2) The amount of the variable component shall be the sum of the products obtained when the charges per acre-foot of water, determined under (1) above, for each aqueduct reach necessary to deliver water to the contractor are multiplied by the number of acre-feet of project water delivered to the

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<sup>54</sup> Amended: Amendment No. 9

contractor from or through that reach during the year: *Provided*, That when project water has been requested by a contractor and delivery thereof has been commenced by the State, and, through no fault of the State, such water is wasted as a result of failure or refusal by the contractor to accept delivery thereof, the amount of said variable component to be paid by such contractor during such period shall be the product of the above sum and the sum of the number of acre-feet of project water delivered to the contractor and the number of acre-feet wasted.

(b) Revenue from Aqueduct Power Recovery Plants

There shall be credited against the amount of the variable component to be paid by each contractor, as determined pursuant to subdivision (a) of this article, a portion of the projected net value of any power recovered during the respective year at project aqueduct power recovery plants located upstream on the particular aqueduct from the delivery structures for delivery of project water to the contractor. Such portion shall be in an amount which bears the same proportion to said projected net value that the number of acre-feet of project water delivered to the contractor through said plants during the year bears to the number of acre-feet of project water delivered to all contractors through said plants during the year.

(c) Payment Table

The amount to be paid each year by the Agency under the variable operation, maintenance, power, and replacement component of the Transportation Charge shall be determined in accordance with subdivision (a) of this article for the respective aqueduct reaches in <sup>55</sup>Tables B-1 and B-2 of this contract. Such amounts and any interest thereon shall be set forth by the State in Table F of this contract as soon as designs and cost estimates are prepared by it subsequent to receipt of requests from the Agency as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of project water to the Agency, pursuant to Article 17(a): *Provided*, That the amounts set forth in Table F shall be subject to redetermination by the State in accordance with Article 28.

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<sup>55</sup> Amended: Amendment No. 10

**TABLE F  
 TRANSPORTATION CHARGE—ESTIMATED VARIABLE OPERATION,  
 MAINTENANCE, POWER, AND REPLACEMENT COMPONENT  
 SOLANO COUNTY WATER AGENCY**

<u>Year</u>	<u>Total Annual Payment by District &lt;Agency&gt;*</u> <u>(In thousands of dollars)</u>
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<b>and each succeeding year thereafter, for the term of this contract.</b>	

\* Payments start with year of initial water delivery.

\*\* Year in which State commences construction of project transportation facilities, 1965.

<Table F is published as Table B-18 in Bulletin 132.>

**<sup>56</sup>26.1 TRANSPORTATION OF CITY OF VALLEJO PERMIT WATER**

(a) Definition

As used in this contract, “Vallejo permit water” shall mean non-project water, subject to a water right claimed by the City of Vallejo, that is transported by the State through the North Bay Aqueduct from Barker Slough to delivery structures for delivery to the City of Vallejo.

(b) Vallejo Permit Water

The State shall transport in the North Bay Aqueduct Vallejo permit water for the Agency when it is available under an independent water right claimed by the City of Vallejo. Such water shall be delivered at a flow rate not to exceed 31.52 cubic feet per second and the annual quantity shall not exceed 17,287 acre-feet. Responsibilities for the delivery and distribution of Vallejo permit water shall be the same as are described in Article 13 for project water.

(c) Water Right

The Agency shall obtain from the City of Vallejo and transmit to the State information as to when Vallejo permit water is available and permission from Vallejo for the State to divert Vallejo permit water and transport it through the North Bay Aqueduct.

(d) Schedules

Schedules for the delivery of Vallejo permit water shall be submitted separately along with the schedules for project water required under Article 12(a).

(e) Variable Operation, Maintenance, and Replacement Charge

The Agency shall pay a variable operation, maintenance, and replacement charge determined by the State for pumping Vallejo permit water through North Bay Aqueduct pumping plants.

(f) Power for Pumping Vallejo Permit Water

Project power shall not be used for pumping Vallejo permit water. Power for this purpose shall be provided by the Agency or the City of Vallejo without cost to the State.

(g) Advance Payments for Vallejo Permit Water

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<sup>56</sup> Amended: Amendment No. 10

The Agency shall make advance payments to the State under the capital cost component of the Transportation Charge for the costs estimated by the State to be necessary for enlarging the North Bay Aqueduct to have sufficient capacity to transport Vallejo permit water in addition to all the planned deliveries of project water. The amounts and times of such advance payments shall be as follows:

\$1,111,900 by January 1, 1986

\$ 990,800 by July 1, 1986

\$ 938,000 by January 1, 1987

\$ 885,500 by July 1, 1987

Amounts so advanced shall be credited to the capital cost component of the Transportation Charge allocated to the Agency.

## <sup>57</sup>26.2 EXCESS PEAKING CAPACITY

### (a) Enlargement of Capacity and Additional Pump Bay

In order to provide the 1,207 acre-feet per month of excess peaking capacity referred to in subsection (c)(1) of Article 12, the State shall make the necessary enlargement of the North Bay Aqueduct and construct an additional bay for a large-size pump.

### (b) Payments for Excess Peaking Capacity

Notwithstanding the payment provisions of Article 24(d), the Agency shall pay to the State the incremental capital costs of excess peaking capacity requested by the Agency over and above the capacity added for Vallejo permit water. If a combined delivery structure serving the cities of Fairfield and Vacaville is located within 150 feet of Vanden Road, the amounts and times of such payments shall be as follows:

\$ 36,600 by January 1, 1986

\$ 92,300 by July 1, 1986

\$ 102,000 by January 1, 1987

\$ 97,000 by July 1, 1987

If the delivery structure(s) for the cities of Fairfield and Vacaville is (are) located elsewhere, the State shall redetermine the amounts of the foregoing payments.

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<sup>57</sup> Amended: Amendment No. 10

(c) Additional Pump

The State shall, on the request of the Agency, procure and install a large-size plump in the additional bay referred to in subdivision (a) of this article. The Agency shall pay all the costs thereof on a schedule to be determined at the time the Agency makes its request.

**27. TRANSPORTATION CHARGE – PAYMENT SCHEDULE.**

The amounts to be paid by the Agency for each year of the project repayment period under the capital cost and minimum operation, maintenance, power, and replacement components of the Transportation Charge, and under the variable operation, maintenance, power, and replacement component of said charge on the basis of then estimated deliveries, shall be set forth by the State in Table G of this contract as soon as designs and cost estimates have been prepared by it subsequent to receipt of requests from the Agency as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of project water to the Agency, pursuant to Article 17(a). Table G of this contract shall constitute a summation of Tables D, E, and F of this contract: *Provided*, That each of the amounts set forth in Table G shall be subject to redetermination by the State in accordance with Article 28: *Provided further*, That the principles and procedures set forth in Articles 24, 25, and 26 shall be controlling as to such amounts. Such amounts shall be paid by the Agency in accordance with the provisions of Article 29.

**TABLE G  
PAYMENT SCHEDULE  
SOLANO COUNTY WATER AGENCY  
(In thousands of dollars)**

Year	Capital Cost Component	<u>Transportation Charge</u>		Total
		Minimum Component	Variable Component	
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**TABLE G (continued)  
PAYMENT SCHEDULE  
SOLANO COUNTY WATER AGENCY  
(In thousands of dollars)**

Year	Capital Cost Component	<u>Transportation Charge</u>		Total
		Minimum Component	Variable Component	
47				
48				
49				
50				
51				
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\* Year in which State commences construction of project transportation facilities, 1965.

\*\* Year of first payment.

<Table G is published in summary form as Table B-19 in Bulletin 132.>

28. <sup>58</sup>TRANSPORTATION CHARGE - REDETERMINATION.

(a) Determinative Factors Subject to Retroactive Change

The State shall redetermine the values and amounts set forth in <sup>59</sup>Tables B-1, B-2, C, D, E, F, and G of this contract in the year following the year in which the State commences construction of the project transportation facilities and each year thereafter in order that the Transportation Charge to the Agency and the components thereof may accurately reflect the increases or decreases from year to year in projected costs, outstanding reimbursable indebtedness of the State incurred to construct the project transportation facilities described in Table I <and Table H> of this contract, annual entitlements, estimated deliveries, project interest rate, and all other factors which are determinative of such charges. In addition, each such redetermination shall include an adjustment of the components of the Transportation Charge to be paid by the Agency 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 Agency or credited to the Agency's account in the manner described in (b) and (c) below.

**Table H**  
**Project Transportation Facilities**  
**Solano County Water Agency**

A North Bay Aqueduct extending to a turnout in the vicinity of the Cordelia Pumping Plant.

(b) Adjustment: Transportation Charge-Capital Cost Component

Adjustments for prior underpayments or overpayments of the capital cost component of the Transportation Charge to the Agency, together with accrued interest charges or credits thereon computed at the then current project interest 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: *Provided*, That the Agency may elect to exercise the option whereby when the redetermined Transportation Charge for the following year, with adjustments, including adjustments of the operation, maintenance, power, and replacement components provided for in subdivision (c) of this article, is more or less than the last estimate of the Charge provided pursuant to Article 27 for the corresponding year, without adjustments, an amount equal to the total of such

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<sup>58</sup> Amended: Amendment No. 12

<sup>59</sup> Amended: Amendments No. 10

difference shall be deducted from or added to the adjusted capital cost component for that year and paid or credited in accordance with the following schedule:

Percent that Transportation Charge differs from last estimate (+ or -)	Period, in years, for amortizing the difference in indicated charge
for 10% or less	no amortization
more than 10%, but not more than 20%	2
more than 20%, but not more than 30%	3
more than 30%, but not more than 40%	4
more than 40%.	5

Such payments or credits shall be in equal semi-annual amounts of principal and interest on or before the 1st day of January and the 1st day of July, with interest computed at the project interest rate and compounded annually, during varying amortization periods as set forth in the preceding schedule: *Provided*, that for the purpose of determining the above differences in the Transportation Charge, the variable operation, maintenance, power, and replacement component shall be computed on the basis of the same estimated project water deliveries as was assumed in computing pursuant to Article 26(c).

(c) Adjustment: Transportation Charge-Minimum and Variable Components

One-twelfth of the adjustments for prior underpayments or overpayments of the Agency’s minimum and variable operation, power, and replacement components for each year shall be added or credited to the corresponding components to be paid in the corresponding month of the year following the redetermination, together with accrued interest charges or credits thereon computed at the then current project interest 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.

(d) Exercise of Option

The option provided for in subdivision (b) above shall be exercised in writing on or before the January 1 due date of the first payment of the capital cost component of the Transportation Charge for the year in which the option is to become effective.

Such option, once having been exercised, shall be applicable for all of the remaining years of the project repayment period.

(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.

(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.

**29. TIME AND METHOD OF PAYMENT.**

(a) Initial Payment – Delta Water Charge

Payments by the Agency under the Delta Water Charge shall commence in the year of initial project water delivery to the Agency.

(b) Initial Payment – Transportation Charge: Capital Component

Payments by the Agency under the capital cost component of the Transportation Charge shall commence in the year following the year in which the State commences construction of the project transportation facilities. If such construction has already commenced when this contract is executed, such payments shall begin in the year following the year of execution.

(c) Initial Payment – Transportation Charge: Minimum Component

Payments by the Agency under the minimum operation, maintenance, power, and replacement component of the Transportation Charge shall commence for each aqueduct reach in the year following the year in which construction of that reach is completed.

(d) Initial Payment – Transportation Charge: Variable Component

Payments by the Agency under the variable operation, maintenance, power, and replacement component of the Transportation Charge shall commence in the year of initial water delivery to the Agency.

(e) Statement of Charges

The State shall, on or before July 1 of each year, commencing with the year preceding the year in which payment of the respective charge is to commence pursuant to this article, furnish the Agency with a written statement of: (1) the charges to the Agency for the next succeeding year under the capital cost and minimum operation, maintenance, power, and replacement components of the Delta Water Charge and Transportation Charge; (2) the unit charges to the Agency for the next succeeding year under the variable operation, maintenance, power, and replacement components of said Delta Water Charge and Transportation Charge; and (3) the total charges to the Agency for the preceding year under the variable operation, maintenance, power, and replacement components of said Delta Water Charge and Transportation Charge: *Provided*, That through December 31, 1969, the Delta Water Charge shall be based upon a unit rate of \$3.50 per acre-foot and shall be paid by the contractors on the basis of their respective annual entitlements to project water, as provided in Article 22(b): *Provided further*, That the first such statement shall be provided by the State as soon after the execution of this contract as is feasible. All such statements shall be accompanied by the latest revised copies of the document amendatory to Article 22 and of <sup>60</sup>Tables B-1, B-2, C, D, E, F, and G of this contract, together with such other data and computations used by the State in determining the amounts of the above charges as the State deems appropriate. The State shall, on or before the fifteenth day of each month of each year, commencing with the year of initial water delivery to the Agency, furnish the Agency with a statement of the charges to the Agency for the preceding month under the variable operation, maintenance, power, and replacement components of the Delta Water Charge and Transportation Charge. Such charges shall be determined by the State in accordance with the relevant provisions of Articles 22 and 26 of this contract, upon the basis of metered deliveries of project water to the Agency, except as otherwise provided in those articles.

(f) Times of Payment – Capital Components

The Agency shall pay to the State, on or before January 1 of each year, commencing with the year in which payment of the respective charge is to commence pursuant to this article, one-half (1/2) of the charge to the Agency for the year under the capital cost component of the Delta Water Charge and one-half (1/2) of the charge to the Agency for the year under the capital cost component of the Transportation Charge, as such charges are stated pursuant to subdivision (e) of this article; and shall pay the remaining one-half (1/2) of each of said charges on or before July 1 of that year.

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<sup>60</sup> Amended: Amendment No. 10

(g) Times of Payment – Minimum Components

The Agency shall pay to the State, on or before the first day of each month of each year, commencing with the year of initial water delivery to the Agency, one-twelfth (1/12) of the sum of the charges to the Agency for the year under the minimum operation, maintenance, power, and replacement components of the Delta Water Charge and Transportation Charge, respectively, as such charges are stated pursuant to subdivision (e) of this article.

(h) Times of Payment – Variable Components

The Agency shall pay to the State on or before the fifteenth day of each month of each year, commencing with the year of initial water delivery to the Agency, the charges to the Agency under the variable operation, maintenance, power, and replacement components of the Delta Water Charge and Transportation Charge, respectively, for which a statement was received by the Agency during the preceding month pursuant to subdivision (e) of this article, as such charges as stated in such statement.

(i) Contest of Accuracy of Charges

In the event that the Agency contests the accuracy of any statement submitted to it pursuant to subdivision (e) of this article, it shall give the State notice thereof at least ten (10) days prior to the day upon which payment of the stated amounts is due. To the extent that the State finds the Agency's contentions regarding the statement to be correct, it shall revise the statement accordingly, and the Agency shall make payment of the revised amounts on or before the due date. To the extent that the State does not find the Agency's contentions to be correct, or where time is not available for a review of such contentions prior to the due date, the Agency shall make payment of the stated amounts on or before the due date, but may make the contested part of such payment under protest and seek to recover the amount thereof from the State.

**30. SURCHARGE FOR PROJECT WATER USED ON EXCESS LAND.**

(a) Definitions: "Surcharge"; "Excess Land"

As used herein the term "surcharge" shall mean an amount equivalent to the power credit per acre-foot of water, as such credit is determined under and established by subdivision (b) of this article, to be charged to water users other than the United States or the State of California, as hereinafter provided and to the extent permitted by law, for each acre-foot of project water put to agricultural or manufacturing use on excess land. As used herein the term "excess land" shall mean that part of any land held in single beneficial ownership within a contractor's boundaries, or, where project water is delivered to water users by a retail agency as hereinafter defined, that part of any such land within the service area of such retail agency, which is in excess of 160

acres; or in the case of joint ownership by husband and wife that part of any such land which is in excess of 320 acres.

(b) Definition: “Power Credit”

As used herein, the term “power credit” shall mean the net value accruing to the State from revenues derived from the sale or other disposal of electrical energy generated in connection with operation of initial project conservation facilities after deducting from said revenues the amount necessary to repay the investment properly chargeable to energy generation and for operation, maintenance, and replacement of the electrical generation facilities. The power credit per acre-foot of water shall be computed in accordance with the following formula:

$$\frac{c_1 (1 + i)^{-1} + c_2 (1 + i)^{-2} + \dots + c_n (1 + i)^{-n}}{e_1 (1 + i)^{-1} + e_2 (1 + i)^{-2} + \dots + e_n (1 + i)^{-n}}$$

Where:

- $i$  = The project interest rate.
- $c$  = The projected annual power credit accrued during the respective year of the project repayment period.

1, 2, and  $n$   
appearing  
below

- $c$  = The respective year of the project repayment period during which the power credit is accrued,  $n$  being the last year of the project repayment period.

- $e$  = The total of annual entitlements to project water of all contractors for the respective year of the project repayment period.

1, 2, and  $n$   
appearing

- below  $e$  = The respective year of the project repayment period in which the annual entitlements occur,  $n$  being the last year of the project repayment period.

$n$  used  
as an

- exponent = The number of years in the project repayment period.

The power credit per acre-foot of water is hereby established as \$2 until all of the facilities for generation of electrical energy in connection with operation of initial project conservation facilities are installed and in operation. The State shall

redetermine the power credit per acre-foot of water each year thereafter in order that it may accurately reflect increases or decreases from year to year in the power credit as defined herein. Each such redetermination shall be in accordance with the method of computation set forth in this subdivision, and upon each such redetermination, a document showing the revised amount of the power credit per acre-foot of water shall be attached to this contract as an amendment of this subdivision.

(c) Definition: "Retail Agency"

As used herein the term "retail agency" shall mean any agency which delivers directly to the users thereof, project water made available by, through, or under a contractor.

(d) Payment of Surcharge

Each contractor, to the extent that it delivers project water directly to the users thereof, shall require on behalf of the State that each such user on or before June 1 of each year, commencing with the year following the year of initial water delivery: (1) certify in writing to the contractor on forms prescribed and furnished by the State the description of the excess land owned by such user upon which project water is put to agricultural or manufacturing use, and the amount of project water put to agricultural or manufacturing use on such land during the preceding year; and (2) pay to the contractor for the account of the State a surcharge for the amount of water so certified. Each contractor, to the extent that it delivers project water to a retail agency or to another agency by, through, or under which such water is delivered to a retail agency, shall require on behalf of the State that each water user served by such retail agency be required to, or on before May 1 of each year, commencing with the year following the year of initial water delivery: (1) certify in writing to the retail agency on forms prescribed and furnished by the State the description of the excess land owned by such user upon which project water is put to agricultural or manufacturing use and the amount of project water put to agricultural or manufacturing use on such land during the preceding year; and (2) pay to the retail agency for the account of the State a surcharge for the amount of project water so certified. Each contractor and retail agency shall be entitled to rely upon the certifications furnished them by water users pursuant to this subdivision, unless notified by the State as to the inaccuracy of any such certification. Payments made to the contractor pursuant to this subdivision, together with the certifications supporting such payments, shall be forwarded to the State on or before July 1 of the year in which they are received. Payments made to a retail agency pursuant to this subdivision, together with the certifications supporting such payments, shall on behalf of the State be required to be forwarded to the contractor, which shall in turn forward them to the State on or before July 1 of the year in which they are received; except that where project water has been delivered to the retail agency by, through, or under an agency or agencies other than the contractor, such payments and certifications shall on behalf of the State be required to be forwarded by the retail agency to the agency from which it received project water and



by that agency, et seq., to the contractor, which shall forward them to the State on or before July 1 of the year in which they are received.

(e) Commingling of Project and Nonproject Water

In the event that a contractor, retail agency, or water user commingles project water with water from another source in a common distribution system, the contractor shall, in complying with the provisions of this article, adhere to the following rules, and, where project water is delivered by it to a retail agency or to another agency by, through or under which project water is delivered to a retail agency, as contemplated in subdivision (d) of this article, shall require on behalf of the State that such retail agency adhere or be required to adhere to the same rules.

(1) If the amount of nonproject water applied in any year within the area served with project water by the contractor or retail agency is equal to or greater than the amount of water put to agricultural or manufacturing use on all excess land within that area during such year, it shall be presumed that the water put to agricultural or manufacturing use on such excess land is nonproject water, and there shall be no surcharge to water users in that area.

(2) If the amount of nonproject water applied in any year within the area served with project water by the contractor or retail agency is less than the amount of water put to agricultural or manufacturing use on all excess land within that area during such year, it shall be presumed, for the purpose of determining the payments to be made under the surcharge by water users in that area, that the amount of project water put to agricultural or manufacturing use on excess land of a particular ownership within that area during such year bears the same proportion to the total amount of water so used on that excess land during such year as the total amount of project water applied within that area during such year bears to the total amount of water applied within that area during such year.

(3) Project water which reaches the underground prior to delivery to or pumping by water users shall not be subject to a surcharge under this article.

(f) Failure of Retail Agency to Perform Obligations

Subject to subdivision (g) of this article, a contractor shall not be liable for the failure of any retail agency or other agency to perform the obligations imposed upon it in accordance with subdivision (d) of this article.

(g) State May Enforce Surcharge

In the event that any retail agency or other agency by, through or under which project water is delivered to a retail agency, fails to perform the obligations imposed

upon it in accordance with subdivision (d) of this article, the State may take such action in a court of competent jurisdiction, in the name of the contractor and/or agency or agencies by, through or under which project water is delivered to such retail agency, as it deems necessary to compel the performance of such obligations, and in such action the State shall be subrogated to the rights of such contractor and/or such other agency or agencies against such retail agency or other agency. In the event that any certification furnished by a water user in accordance with subdivision (d) of this article is found by the State to inaccurately represent facts of water user or land ownership, with the result that such user is avoiding payment under the surcharge provided for herein, the State may take such action in a court of competent jurisdiction, in the name of the contractor and/or the retail agency and/or any other agency or agencies by, through, or under which project water is delivered to such water user, as it deems necessary to collect full payment under the surcharge from such water user and to compel the performance of all obligations imposed upon such water user in accordance with said subdivision (d), and in such action the State shall be subrogated to the rights of such contractor and/or such retail agency and/or such other agency or agencies against such water user. Where project water is delivered by a contractor to a retail agency or to another agency by, through, or under which project water is delivered to a retail agency, as contemplated in subdivision (d) of this article, the contractor shall require on behalf of the State that such retail agency or other agency and all agencies by, through, or under which project water is delivered to a retail agency permit or be required to permit the State to bring the foregoing actions in their respective names and be subrogated to their respective rights as set forth above.

(h) State to Defend and Indemnify Against Claims

Should the application of any of the provisions of this article in the manner provided for herein result in claims of any nature against a contractor, retail agency, or other agency by, through, or under which project water is delivered to a retail agency, the State shall defend the contractor, retail agency, or other agency against such claims, and shall indemnify them for any liability with respect thereto arising from activities required by the State under this article.

(i) Separability

This article shall be separable from all other provisions in this contract, and in the event that any or all of the provisions of this article are in any manner or to any extent held to be invalid by final judgment or decree of a court of competent jurisdiction, such holding and such invalidity shall in no way affect the validity of, or make invalid, any other provision of this contract.

**31. ADJUSTMENT FOR OVERPAYMENT OR UNDERPAYMENT.**

If in any year, by reason of errors in computation or other causes, there is an overpayment or underpayment to the State by the Agency of the charges provided for herein,

which overpayment or underpayment is not accounted for and corrected in the annual redetermination of said charges, the amount of such overpayment or underpayment shall be credited or debited, as the case may be, to the Agency's account for the next succeeding year and the State shall notify the Agency thereof in writing.

**32. DELINQUENCY IN PAYMENT.**

(a) Agency to Provide for Punctual Payment

The governing body of the Agency shall provide for the punctual payment to the State of payments which become due under this contract.

<sup>61</sup>(b) Interest on Overdue Payments

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

**33. OBLIGATION OF DISTRICT TO MAKE PAYMENTS.**

(a) Refusal of Water Does Not Affect Obligation

The Agency's failure or refusal to accept delivery of project water to which it is entitled under Article 6(b) shall in no way relieve the Agency of its obligation to make payments to the State as provided for in this contract. The State, however, shall make reasonable efforts to dispose of any water made available to but not required by the Agency and any net revenues from such disposal shall be credited to Article 21.

(b) Character of Obligation

The Agency as a whole is obligated to pay to the State the payments becoming due under this contract, notwithstanding any individual default by its constituents or others in the payment to the Agency of assessments, tolls, or other charges levied by the Agency.

**34. OBLIGATION OF DISTRICT TO LEVY TAXES AND ASSESSMENTS.**

(a) When Obligated

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<sup>61</sup> Amended: Amendment No. 9

If in any year the Agency fails or is unable to raise sufficient funds by other means, the governing body of the Agency shall levy upon all property in the Agency not exempt from taxation, a tax or assessment sufficient to provide for all payments under this contract then due or to become due within that year.

(b) Enforcement by Officers of Agency

Taxes or assessments levied by the governing body of the Agency pursuant to subdivision (a) of this article shall be enforced and collected by all officers of the Agency charged with the duty of enforcing and collecting taxes or assessments levied by the Agency.

(c) Deposit in Separate Fund

All money collected for taxes or assessments under this article shall be kept in a separate fund by the treasurer or other officer of the Agency charged with the safe-keeping and disbursement of funds of the Agency, and, upon the written demand of the State, the treasurer or other officer shall pay over to the State all such money in his possession or control then due the State under this contract, which money shall be applied by the State to the satisfaction of the amount due under this contract.

(d) Enforcement of Levy

In the event of failure, neglect, or refusal of any officer of the Agency to levy any tax or assessment necessary to provide payment by the Agency under this contract, to enforce or to collect the tax or assessment, or to pay over to the State any money then due the State collected on the tax or assessment, the State may take such action in a court of competent jurisdiction as it deems necessary to compel the performance in their proper sequence of all such duties. Action taken pursuant hereto 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.

## **D. GENERAL PROVISIONS**

### **35. REMEDIES NOT EXCLUSIVE.**

The use by either party of any remedy specified herein for the enforcement of this contract is not exclusive and shall not deprive the party using such remedy of, or limit the application of, any other remedy provided by law.

### **36. AMENDMENTS.**

This contract may be amended at any time by mutual agreement of the parties, except insofar as any proposed amendments are in any way contrary to applicable law. The State shall promptly furnish the Agency with copies of all contracts now or hereafter executed by the State for a dependable supply of project water, and of any amendments thereof.

### **37. AGENCY NOT ESTOPPED TO CHALLENGE STATE LAWS.**

Nothing herein contained shall be construed as estopping or otherwise preventing the Agency or any person, firm, association, corporation, or public body or agency claiming by, through, or under the Agency from contesting by litigation or other lawful means the validity, constitutionality, construction or application of any law of this State, including laws referred to in the Bond Act, or as preventing or prejudicing the amendment or repeal of any such law, and each contract executed by the State for a dependable supply of project water shall contain a similar reservation with respect to State laws.

### **38. OPINIONS AND DETERMINATIONS.**

Where the terms of this contract provide for action to be based upon the opinion, judgment, approval, review, or determination of either party hereto, such terms are not intended to be and shall never be construed as permitting such opinion, judgment, approval, review, or determination to be arbitrary, capricious, or unreasonable.

### **39. CONTRACTING OFFICER OF THE STATE.**

The contracting officer of the State shall be the Director of Water Resources of the State of California and his successors, or their duly authorized representatives. The contracting officer shall be responsible for all discretionary acts, opinions, judgments, approvals, reviews, and determinations required of the State under the terms of this contract.

### **40. SUCCESSORS AND ASSIGNS OBLIGATED.**

This contract and all of its provisions shall apply to and bind the successors and assigns of the parties hereto.

**41. ASSIGNMENT.**

No assignment or transfer of this contract or any part hereof, rights hereunder, or interest herein by the Agency shall be valid unless and until it is approved by the State and made subject to such reasonable terms and conditions as the State may impose.

**42. WAIVER OF RIGHTS.**

Any waiver at any time by either party hereto of its rights with respect to a default or any other matter arising in connection with this contract, shall not be deemed to be a waiver with respect to other default or matter.

**43. NOTICES.**

All notices that are required either expressly or by implication to be given by one party to the other under this contract shall be signed for the State by its contracting officer, and for the Agency by such officer as it may, from time to time, authorize in writing to so act. All such notices shall be deemed to have been given if delivered personally or if enclosed in a properly addressed envelope and deposited in a United State Post Office for delivery by registered or certified mail. Unless and until formally notified otherwise, all notices shall be addressed to the parties at their addresses as shown on the signature page of this contract.

<Director of Water Resources  
P.O. Box 942836  
Sacramento, California 94236-0001>

and the State shall address all notices to the Agency as follows:

<Solano County Water Agency  
508 Elmira Road  
Vacaville, California 95687>

**44. MAINTENANCE AND INSPECTION OF BOOKS, RECORDS, AND REPORTS.**

During regular office hours, each of the parties hereto and their duly authorized representatives shall have the right to inspect and make copies of any books, records, or reports of the other party pertaining to this contract or matters related hereto. Each of the parties hereto shall maintain and make available for such inspection accurate records of all of its costs, disbursements and receipts with respect to its activities under this contract and the Bond Act.

## E. SPECIAL PROVISIONS AND TABLES

### 45. SPECIAL PROVISIONS.

- (a) <sup>62</sup> (Deleted)
- (b) <sup>63</sup> Surcharge Credit

Notwithstanding other provisions of this contract, the State may allow a credit to each contractor not to exceed the surcharge paid by such contractor.

For the purpose of this contract, the surcharge credit shall be determined and applied in the following manner:

(1) The State shall, in each year after the year of initial water delivery, allow a credit to the Agency in the amount of the surcharge forwarded by the Agency to the State in the preceding year.

(2) The Agency shall not establish water rates, or tax or assessment rates, so as to cause the surcharge credit to be passed on to water users in a manner which will bring about a greater reduction in the cost per acre-foot of project water put to use on excess land than such cost of project water put to use on other than excess land.

This subdivision 45(b) shall be separable from all other provisions in this contract, and in the event that any or all of the provisions of this subdivision are in any manner or to any extent held to be invalid by final judgment or decree of a court of competent jurisdiction, such holding and such invalidity shall in no way affect the validity of, or make invalid, any other provision of this contract.

(c) The Agency shall have the right to transport through the North Bay Aqueduct such quantities, as the Agency shall from time to time determine, of water other than project water: *Provided*, That the transportation of such water shall not, without the prior consent of the State and all other contractors taking water through the North Bay Aqueduct, materially deteriorate the quality of water received by such other contractors through the North Bay Aqueduct: *Provided further*, That the materiality of any deterioration of the quality of water delivered through the North Bay Aqueduct shall be determined by the State: *Provided further*, That the Agency's right under this subdivision is subject to the State's determination that such transportation of water will not interfere with the delivery of project water to other contractors: *Provided further*, That the variable component of the Transportation Charge paid by the Agency to the State shall include the operation, maintenance,

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<sup>62</sup> Amended: Amendments No. 1 and 5

<sup>63</sup> Amended: Amendment No. 1

power and replacement costs proportionately allocated to the transportation of such water other than project water.

(d) Notwithstanding the provisions of Article 10(d), any delivery structures requested by the Agency, other than delivery structures on the North Bay Aqueduct, may be located in any manner or place within the Delta and may be designed, constructed, operated, and maintained by the Agency, subject to prior written approval by the State of plans and specifications for any such structure: *Provided*, That diversion works of the City of Vallejo on Cache Slough existing on the date this contract is executed shall be deemed to be delivery structures constructed by the Agency pursuant to the provisions of this subdivision, and may be used to take delivery of project water: *Provided further*, That no water other than project water shall be diverted or delivered through delivery structures or works constructed hereafter pursuant to the provisions of this subdivision: *Provided further*, That the provisions of Article 10(d) shall apply to all delivery structures constructed by the State.

(e) Notwithstanding the provisions of Article 11, measuring devices and equipment to be installed in any delivery structure constructed by the Agency pursuant to subdivision (d) of this article shall be acquired and installed by the Agency, and maintained and operated by the State: *Provided*, That such measuring devices and equipment shall be satisfactory and acceptable to the State, and shall be installed under the supervision of the State: *Provided further*, That if the diversion works of the City of Vallejo on Cache Slough are used pursuant to subdivision (d) of this article to take delivery of project water, the measuring devices and equipment therein shall be maintained and operated by the State, and shall be replaced with devices and equipment satisfactory and acceptable to the State if in the judgment of the State the existing measuring devices and equipment are not satisfactory and acceptable: *Provided further*, That all of said devices and equipment shall be examined, tested and serviced regularly by the State to insure their accuracy, and that at any time or times the Agency or any other contractor may inspect such devices and equipment and the measurements and records taken therefrom: *Provided further*, That the provisions of Article 11 shall apply to measuring devices and equipment installed in delivery structures constructed by the State.

(f) The provisions of Article 19 of this contract shall not apply to any water diverted or delivered through delivery structures located at points within the Delta other than the North Bay Aqueduct.

(g) Notwithstanding the provisions of Article 13(a), neither the State nor any of its officers, agents, or employees shall be liable for the control, carriage, handling, use, disposal, or distribution of project water supplied to the Agency after such water has reached the delivery structures established in accordance with subdivision (d) of this article, nor for claims of damage of any nature whatsoever arising out of or connected with the control, carriage, handling, use, disposal, or distribution of such water after such water has reached such delivery structures; and



the Agency shall indemnify and hold harmless the State and its officers, agents, and employees from any such damages or claims of damage.

(h) Notwithstanding the provisions of Article 13(b), neither the Agency nor any of its officers, agents, or employees shall be liable for the control, carriage, handling, use, disposal, or distribution of project water before such water has reached the delivery structures established in accordance with subdivision (d) of this article; nor for claims of damage of any nature whatsoever arising out of or connected with the control, carriage, handling, use, disposal, or distribution of such water before it has reached said delivery structures.

(i) Notwithstanding other provisions of this contract, nothing herein contained shall be construed as a waiver by the Agency of any rights it may have under the area of origin statutes, or under Part 4.5 of Division 6 of the Water Code, or as estopping or otherwise preventing the Agency or any person, firm, association, corporation, or public body or agency claiming by, through, or under the Agency from asserting by litigation or other lawful means the validity, constitutionality, construction, or application of any law of this State, including laws referred to in the Bond Act, or as preventing or prejudicing the right of any such entity to oppose the amendment or repeal of any such law.

(j) The State shall make no other contract to supply project water for use within the Agency's boundaries without the consent of the Agency.

(k) <sup>64</sup>Except as provided in Articles 12(c) and 26.2, project water shall not be delivered to the Agency in any one month of any year in a total amount greater than eleven percent (11%) of that portion of the Agency's annual entitlement for that year to be put to municipal use, as determined by the State, and eighteen percent (18%) of that portion of the Agency's annual entitlement for that year to be put to agricultural use, as determined by the State.

(l) Notwithstanding the provisions of Article 17, the State shall, at the request of the Agency, increase the capacity of the North Bay Aqueduct, or any reach thereof, over that determined by the State to be necessary pursuant to Article 17(b): *Provided*, That the Agency notifies the State prior to the final design of the portion of the North Bay Aqueduct affected thereby of the location and extent of such increased capacity and makes arrangements satisfactory to the State whereby the Agency shall pay the capital cost in advance of construction, computed on the basis of proportionate use attributed to such increased capacity: *Provided further*, That the minimum operation, maintenance, power, and replacement component of the Transportation Charge to be paid by the Agency shall be determined by the State to reflect such increased capacity: *Provided further*, That the Agency shall request delivery capability to be provided by the State in each aqueduct reach of the project transportation facilities sufficient, in the judgment of the State, to deliver not less than

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<sup>64</sup> Amended: Amendment No. 10

37,000 acre-feet of water annually at a flow rate which will deliver eleven percent (11%) of such quantity of water monthly to the Agency's turnout in the vicinity of the Cordelia Pumping Plant.

(m) Notwithstanding other provisions of this contract, allocation of capital cost of project transportation facilities pursuant to Article 24(b), and of minimum operation, maintenance<, > power and replacement costs for project transportation facilities pursuant to Article 25(b), shall be based on delivery of not less than 37,000 acre-feet of project water annually at a flow rate which will deliver eleven percent (11%) of such quantity of water monthly to the Agency's turnout in the vicinity of the Cordelia Pumping Plant.

(n) Notwithstanding other provisions of this contract, the year of initial water delivery to the Agency for the purpose of establishing the year in which payments by the Agency under the variable operation, maintenance, power, and replacement component of the Transportation Charge shall commence pursuant to Article 29(d) shall be the year in which delivery of water through any portion of the North Bay Aqueduct commences regardless of the source of such water.

(o) The State shall not commence construction of any portion of the North Bay Aqueduct east of Cordelia until 1975 or such earlier date as may hereafter be agreed upon by the State, the Agency, and all other contractors taking water from the North Bay Aqueduct. Nothing herein shall be deemed to restrict the right of the State to acquire lands, easements and rights-of-way for any portion of the North Bay Aqueduct at such time or times as it may deem appropriate and desirable: *Provided*, That for the purpose of establishing the year in which the State commences construction of the project transportation facilities for the purposes of Article 29(b), such construction shall be deemed to commence in the year in which the State first acquires lands, easements or rights-of-way for any portion of the North Bay Aqueduct east of Cordelia.

<sup>65</sup>(p) Water Conservation

(1) The Agency shall formulate and implement a comprehensive program for the conservation of water designed to meet the goals set forth in subdivision (4) of this Article 45(p), hereinafter referred to as "the program". The program shall include measures for public education, distribution of water conservation kits, measures to reduce water use and loss, measures to prevent waste and assure the efficient use of water, and provisions for auditing quantities of water conserved. Each and all the elements of the program shall be reasonable, cost effective, financially feasible, environmentally acceptable and legally implementable.

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<sup>65</sup> Amended: Amendment No. 7

(2) Formulation of the program shall be the cooperative effort of the Agency and the Cities of Benicia, Fairfield, Suisun City and Vacaville, hereinafter collectively referred to as “the Cities”. The Agency shall be the lead agency in the formulation of the program. The program may contain elements applicable to all the Cities and elements applicable to only a particular city to reflect differing conditions in each. The portions of the program applicable to a City shall be subject to the approval of that City. The program shall be adopted and implemented in accordance with the Urban Water Management Planning Act (Water Code Section 10610, et seq.) and shall constitute the urban water management plan for the Cities.

(3) The program shall become effective in each of the Cities not later than the year of initial water delivery to the City. Thereafter, each City shall be responsible for the implementation of all elements of the program with the City’s water service area.

(4) The goals of the program shall be the conservation of the following quantities of water which are based on the population projections shown in parentheses in thousands:

	<b>1990 Goal in acre feet per year</b>	<b>2000 Goal in acre feet per year</b>	<b>2010 Goal in acre feet per year</b>
Benicia	370 (26.9)	660 (30.5)	850 (35.5)
Fairfield	990 (62.4)	1,740 (71.8)	2,170 (79.9)
Suisun City	340 (13.5)	690 (16.1)	880 (18.9)
Vacaville	750 (65.1)	1,400 (79.7)	2,070 (94.0)

If actual practice or new information shows any goal to be unrealistic, or if the above population projections are not realized, the goal shall be appropriately amended by agreement of the parties.

(5) Each City shall keep records sufficient to show what is being done to implement the program and the quantities of water that are thereby conserved. Each City shall submit a report of its implementation of the program to the Agency annually for the first five years after the program becomes effective and thereafter every five years. The Agency shall consolidate the reports and forward copies to the State.

(6) The State shall not reduce the quantities of project water delivered to the Agency by reason of any failure of the Agency or any of the Cities to achieve any water conservation goal established by this agreement.

(7) Upon determination by the State that the Agency and the Cities have formulated an adequate program and are taking reasonable measures consistent with sound fiscal policies and proper operating procedures to implement it, the State shall, in mitigation of significant adverse environmental impacts caused by the North Bay Aqueduct, provide financial assistance in the form of grants and allowances to the Agency to cover expenses incurred by the Agency and the Cities in connection with the program as follows:

(a) To the extent it has authority to do so the State shall make grants from available funds other than those appropriated by the California Water Resources Development Bond Act, to the Agency for the Cities for conservation measures, such as leak detection and distribution of residential water conservation kits. In making such grants the State shall accord to the Agency and to Napa County Flood Control and Water Conservation District a priority over other qualified applicants for such funds to the extent of its authority to do so.

(b) To the extent that the cost of the program exceeds the amount of grants under subdivision 7(a) of this Article 45p (sic) the State shall on application of the Agency make payments of funds available for construction of the System to the Agency for program expenditures the State has approved in advance, such as the costs of initial development or purchase of movies and slide shows, initial (sic) leak detection and leak repairs, design of a corrosion control program, design of a meter maintenance schedule, purchase and distribution of residential water conservation kits, purchase of meters for loan to large quantity water users, and other programs or equipment approved by the State, and engaging consultants for any of the foregoing. Funds shall be provided within 60 days after receipt of statements of costs submitted by the Agency not more frequently than monthly. The amount thus provided during each year together with interest thereon at the project interest rate shall be repaid in not more than twenty equal annual installments. The Agency may allocate available funds provided to it by the State to Cities that make application therefore on the same terms of repayment.

(8) The procedures for adoption and implementation of the program shall be done in accordance with the Urban Water Management Planning Act (Water Code Section 10610, et seq.) and to the extent possible the program shall be the same as the urban water management plan required for the cities under that Act.

(9) The State shall make all reasonable efforts consistent with sound fiscal policies, reasonable construction schedules and proper operating procedures to deliver project water through the North Bay Aqueduct by

March 31, 1987, or by September 30, 1986, if final design studies show that variable speed pumps are not necessary.

<sup>66</sup>(q) The Agency shall pay the State any costs in addition to those identified in Article 26.1 that result from transportation of Vallejo permit water which, if not paid by the Agency, would otherwise increase the cost of project water over what such cost would have been without the transportation of Vallejo permit water. If the State determines that such costs are being incurred, the State shall immediately notify the Agency, furnishing an explanation of the nature and amount of such costs and the details of their calculation.

<sup>67</sup>(r) <sup>68</sup>Notwithstanding the provisions of Articles 24 and 25, the proportionate use factors for the calculation of the capital cost component and the minimum operation, maintenance, power, and replacement cost component of the Transportation Charge for the Agency shall be determined by the State by including 31.52 cubic feet per second and 17,287 acre-feet per year for delivery of Vallejo permit water pursuant to Article 26.1. In calculating the Agency's proportionate use factors, the State shall take into account that the Agency had previously contracted for transportation capacity over and above that needed for its entitlement deliveries, and that the Agency now desires to dedicate any such extra capacity to the transportation of Vallejo permit water.

(s) <sup>69</sup>In accordance with Article 53(a) the Agency is increasing its Table A annual entitlements by 5,756 acre-feet beginning in year 2001 and each succeeding year thereafter for the term of the contract. The Agency is also assuming repayment obligations for the additional delivery capacity attributable to the 5,756 acre-feet on the North Bay Aqueduct. As a result Table A as designated in Article 6(b) is amended as follows:

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<sup>66</sup> Amended: Amendment No. 10

<sup>67</sup> Amended: Amendments No. 10 and 12

<sup>68</sup> Amended: Amendment No. 10

<sup>69</sup> Amended: Amendments No. 17 and 19

<b>Year</b>	<b>Old</b>	<b>New</b>
2001	40,080	45,836
2002	40,540	46,296
2003	41,000	46,756
2004	41,450	47,206
2005	41,500	47,256
2006	41,550	47,306
2007	41,600	47,356
2008	41,650	47,406
2009	41,700	47,456
2010	41,750	47,506
2011	41,800	47,556
2012	41,850	47,606
2013	41,900	47,656
2014	41,950	47,706
2015	42,000	47,756
And each succeeding year, thereafter for the term of this contract as a maximum annual entitlement:		47,756

<Table A as amended by Amendment No. 17 is shown in Appendix A).>

<sup>70</sup>The following apply to this permanent transfer:

(a) The Agency’s delivery capability for transportation of entitlement water to the Agency’s service area shall increase by 5,756 acre-feet annually. Consistent with Article 53(g) deliveries of the 5,756 acre-feet of entitlement shall not adversely impact deliveries of project water to other contractors.

(b) Effective January 1, 2001, State the allocate to, and the Agency shall be liable for all prospective charges under the minimum operation, maintenance, power and replacement component of the Transportation Charge, all prospective Water System Revenue Bond Surcharges plus all retroactive and prospective charges under the capital cost component of the Transportation Charge attributable to the increase in the Agency’s delivery capability in the North Bay Aqueduct for transportation of entitlement to its service area.

(c) Effective January 1, 2001, KCWA is relieved of and the Agency is liable to the State for all prospective Delta Water Charges, Transportation Charges, and the Water System Revenue Bond Surcharge attributable to the 5,756 acre-feet of annual entitlement and related delivery capacity purchased from KCWA.

(d) Increases to the Agency’s Delta Water and Transportation Charges and Water System Revenue Bond Surcharge resulting from the increase in the Agency’s

<sup>70</sup> Amended: Amendment No. 17

annual entitlements and maximum annual entitlement shall be identified by the State and included in its annual Statement of Charges to the Agency.

(e) Recognizing Reach 31A of the Coastal Branch of the California Aqueduct will not be used for delivery of any of the 5,756 acre-feet of annual entitlement purchased from the Agency, KCWA shall retain the right to use the transportation capacity in Reach 31A associated with the applicable portion of the 5,756 acre-feet being transferred. For delivery of water to the Agency in Reach 31A, KCWA shall remain responsible for any applicable portion of the variable operation, maintenance, power, and replacement component of the Transportation Charge and any applicable portion of the Off-Aqueduct Power Facilities Charge of the minimum operation, maintenance, power and replacement component of the Transportation Charge.

(f) All future adjustments in charges and credits of past costs associated with the 5,756 acre-feet of annual entitlement (or applicable portion thereof) and the related transportation capacity in Reaches 1 through 11B and Reach 31A of the California Aqueduct shall be attributable to the Agency as if the Agency's annual entitlement and the related transportation capacity had been increased by the 5,756 acre-feet of annual entitlement purchased from the KCWA in years prior to January 1, 2001.

(g) For cost allocation and repayment purposes, Exhibit A attached hereto shows entitlement and capacity amounts for each aqueduct reach in which the Agency participates. 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 the State in implementing the terms of this Amendment and in redetermination of Table B of this Water Supply Contract under Article 28.

**SOLANO COUNTY WATER DISTRICT  
ANNUAL ENTITLEMENT AND CAPACITY VALUES FOR EACH REACH (a)  
FOR COST ALLOCATION AND REPAYMENT ONLY**

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

Repayment Reach (b)	Before Transfer		Entitlement Transferred from KCWA (c) (AF)	Capacity Transferred from KCWA (c) (cfs)	Additional Capacity Required (cfs)	After Transfer	
	Annual Entitlement (AF)	Capacity (cfs)				Total Annual Entitlement [1]+[3] (AF)	Total Capacity [2]+[4]+[5] (cfs)
	[1]	[2]	[3]	[4]	[5]	[6]	[7]
<b>California Aqueduct</b>							
Reach 1	0	0	5,756	13	0	5,756	13
Reach 2A	0	0	5,756	13	0	5,756	13
Reach 2B	0	0	5,756	13	0	5,756	13
Reach 3	0	0	5,756	13	0	5,756	13
Reach 4	0	0	5,756	13	0	5,756	13
Reach 5	0	0	5,756	13	0	5,756	13
Reach 6	0	0	5,756	13	0	5,756	13
Reach 7	0	0	5,756	13	0	5,756	13
Reach 8C	0	0	5,756	13	0	5,756	13
Reach 8D	0	0	5,756	13	0	5,756	13
Reach 9	0	0	4,049	8	0	4,049	8
Reach 10A	0	0	4,049	8	0	4,049	8
Reach 11B	0	0	3,237	6	0	3,237	6
Reach 31A	0	0	1,707	d) 5	0	1,707	5
<b>North Bay Aqueduct</b>							
Reach 1	59,287	e) 128	5,756	0	0	65,043	e) 128
Reach 2	40,087	73	0	0	0	40,087	73
Reach 3A	40,087	73	0	0	0	40,087	73

- 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) From the Delta to Belridge Water Storage District's service area (3,237 AF in Reach 11B) and to Berrenda Mesa Water District's service area (812 AF in Reaches 9 and 10A, and 1,707 AF in Reach 31A).
- d) See explanation in Article 3 (c) of this Amendment.
- e) Includes 20 cfs of "Excess Peaking Capacity".

<sup>71</sup>The parties further agree to the following changes to the conditions applicable to the permanent transfer of Table A amounts as set forth in paragraph 3 of Amendment No. 17 to the Agency's Water Supply Contract:

<sup>72</sup>Effective January 1, 2004, the State shall allocate to, and the Agency shall be liable for prospective charges only under the capital cost component of the Transportation Charge attributable to the Agency's delivery capability in the North Bay Aqueduct for transportation of the 5,756 acre-feet Table A amount increase made effective in Amendment No. 17 to the Agency's long term Water Supply Contract. "Table A amount" shall mean the amount of

<sup>71</sup> Amended: Amendment No. 19

<sup>72</sup> Amended: Amendment No. 19



project water set forth in Table A of the Agency's Water Supply Contract, which the State makes available for delivery to the Agency at the delivery structures provided for the Agency.

<sup>73</sup>Effective January 1, 2004, delivery priority for allocated water attributable to the 5,756 acre-feet increase in the Table A amounts pursuant to Amendment No. 17 shall be below other Table A amounts delivered through the North Bay Aqueduct that are charged both retroactively and prospectively.

<sup>74</sup>The Agency agrees to indemnify, defend, and hold harmless the State and any of its officers, agents, or employees from any liability, expenses, defense costs, attorney fees, claims, actions, liens and lawsuits of any kind arising from or related to this Amendment and associated agreements.

<sup>75</sup>Except as amended herein, the provisions of the Water Supply Contract, including but not limited to Articles 12(b) and 12(c), and all amendments thereto, will remain in full force and effect.

46. <sup>76</sup>**Reserved for Future Use.**

47. **Reserved for Future Use.**

48. **Reserved for Future Use.**

49. **Reserved for Future Use.**

50. <sup>77</sup>**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

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<sup>73</sup> Amended: Amendment No. 19

<sup>74</sup> Amended: Amendment No. 19

<sup>75</sup> Amended: Amendment No. 19

<sup>76</sup> Amended: Amendment No. 12

<sup>77</sup> Amended: Amendment No. 12

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

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

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

(j) <sup>78</sup>Amounts payable under this article shall not be affected by any reductions in payments pursuant to Article 51.

## **51. <sup>79</sup>FINANCIAL ADJUSTMENTS.**

### **(a) General Operating Account**

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

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<sup>78</sup> Amended: Amendment No. 16

<sup>79</sup> Amended: Amendment No. 16

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

(3) The balance in the General Operating Account will increase pursuant to subdivision (e)(3)(v) of this article to an amount determined by the State but not in excess of \$32 million. However, after the year 2001, the maximum amount of the fund may increase or decrease annually by not more than the same percentage as the increase or decrease in the charges, other than power charges for pumping water, to all the contractors for the previous year from the charges for the year before that for obligations under subdivisions (c)(2)(ii) and (iii) of this article.

(b) State Water Facilities Capital Account

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

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

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

(c) Calculation of Financial Needs

(1) Each year the State shall calculate in accordance with the timing provisions of Articles 29 and 31 the amounts that would have been charged

(but for this article) to each contractor as provided in other provisions of this contract.

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

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

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

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

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

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

(3) Subject to the provisions of subdivision (e) of this article, the State shall reduce the annual charges in the aggregate for all contractors by the amounts by which the hypothetical charges calculated pursuant to subdivision (c)(1) above exceed the revenue needs determined pursuant to subdivision (c)(2) above. The reductions under this article shall be apportioned among the contractors as provided in subdivisions (d), (e), (f) and (g) of this article. Reductions to contractors shall be used to reduce the payments due from the contractors on each January 1 and July 1; *Provided*, however, that to the extent required pursuant to subdivision (h) of this article, each Agricultural Contractor shall pay to the Agricultural Rate Management Trust Fund an amount equal to the reduction allocated to such Agricultural Contractor. Any

default in payment to the trust fund shall be subject to the same remedies as any default in payment to the State under this contract.

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

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

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

(d) Apportionment of Reductions between Agricultural and Urban Contractors

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

(2) Reductions shall be phased in as follows:

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

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



million of reductions shall be apportioned among the Agricultural Contractors, and the remaining reductions shall be apportioned among the Urban Contractors.

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

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

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

(ii) In the event that the aggregate amount of reductions available in any of the years 1997 through 2000 is greater than the sum of (A) the respective amount projected for such year in subdivision (d)(2) above, plus (B) the amount of any shortfall with accrued interest at the project interest rate, remaining from any prior year to be applied, the excess shall be applied for the purposes and in the amounts per year described in subdivisions (e) (3) (iii), (iv), (v) and (vi) of this article, in that order.

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

(i) If reductions are available in an amount that equals or exceeds \$40.5 million, \$10 million of reductions shall be apportioned among the Agricultural Contractors, and \$30.5 million of reductions shall be apportioned among the Urban Contractors. If reductions are

available in an amount greater than \$40.5 million, the excess shall be applied as provided in subdivision (e)(3) of this article, subject however to subdivision (e)(1).

(ii) If reductions are available in an amount less than \$40.5 million in any of these years, the reductions shall be divided on a 24.7% - 75.3% basis between the Agricultural Contractors and the Urban Contractors respectively. Any such reductions not made due to shortages shall be applied without interest in the next year in which reductions in an amount in excess of \$40.5 million are available pursuant to subdivision (e)(3) of this article with any remainder that is not available carried over without interest to be applied in the earliest subsequent years when reductions in excess 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 Development System purposes in the amount determined pursuant to subdivision (e)(1)(iii) above.

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

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

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

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

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

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

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

(f) Apportionment of Reductions among Urban Contractors.

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

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

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

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

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

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

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

(ii) The transportation capital cost component shall be weighted with a seventy percent (70%) factor. The weighting shall be accomplished by multiplying each Urban Contractor's percentage of transportation capital cost component repayment obligations as calculated in subdivision (f)(2) of this article by seventy percent (70%).

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

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

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

(g) Apportionment of Reductions Among Agricultural Contractors

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

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

(ii) Each Agricultural Contractor's estimated capital and minimum components of the Delta Water Charge and the Transportation Charge (excluding off-aqueduct power charges) and Water Revenue Bond Surcharge shall be totaled for the years 1997 through 2035.

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

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

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

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

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

(h) Agricultural Rate Management Trust Fund

(1) Establishment. Through a trust agreement executed contemporaneously with this amendment, the State and the Agricultural Contractors that sign the Monterey Amendments shall establish the Agricultural Rate Management Trust Fund with a mutually agreed independent trustee.

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

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

(4) Trust Fund Disbursements.

(i) In any year in which the State's allocation of water to an Agricultural Contractor by April 15th of that year is less than one-hundred percent (100%) of the contractor's requested annual entitlement for that year, the trustee shall, to the extent there are funds in that contractor's account, distribute to the State from such account for the benefit of that contractor an amount equal to the percentage of the total of that contractor's statement of charges for that year, as redetermined by the State on or about May 15th of that year, for (a) the Delta Water Charge; (b) the capital cost and minimum operation, maintenance, power and replacement components of the Transportation Charge (including off-aqueduct power charges); and (c) the water system revenue bond surcharge, that is equal to the percentage of that contractor's annual entitlement for that year that was not allocated to it by the State by April 15th of that year.

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

(iii) Each Agricultural Contractor shall remain obligated to make payments to the State as required by other articles in this contract. Any amount to be disbursed pursuant to subdivisions (h)(4)(i) and (h)(4)(ii) shall be paid by the trustee to the State on July 1 of the year involved and shall be credited by the State toward any amounts owed by such respective Agricultural Contractor to the State as of that date. However, an Agricultural Contractor may direct the trustee to make the disbursement to that Agricultural Contractor which shall in turn make the payment to the State as required by other provisions of this contract. If the amount to be disbursed exceeds the amount owed to the State by such contractor as of July 1, the excess shall be disbursed by the Trustee to the State at the time of and in payment of future obligations owed to the State by such contractor. Alternatively, upon the request of such contractor, all or part of the excess shall be paid by the trustee to that contractor in reimbursement of prior payments by the contractor to the State for that year.

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

(6) Discharge of Payment Obligation. Each payment to the State by the trust fund shall discharge and satisfy the Agricultural Contractor's obligation to pay the amount of such payment to the State. No reimbursement of the trust fund by the Agricultural Contractor for such payments shall be required. However, each Agricultural Contractor shall continue to make deposits to the trust fund matching the amount of each year's reductions as provided in subdivision (d) of this article so long as the amount in that contractor's account is less than its share of the Cap.

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

(8) Termination of Trust Fund. At the end of the project repayment period, the Agricultural Rate Management Trust Fund shall be terminated and



any balances remaining in the accounts for each of the Agricultural Contractors shall be disbursed to the respective Agricultural Contractors.

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

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

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

(2) “Urban Contractor” shall mean every other agency having a long term water supply contract with the State as they exist as of the date of this amendment or in any reorganized form as well as Kern County Water Agency for 119,600 acre-feet of its entitlement.

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

**52. <sup>80</sup>KERN WATER BANK.**

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

(b) Subject to the approval of KCWA, other contractors may be provided access to and use of the property conveyed to KCWA by the Kern Water Bank Contract for water storage and recovery. Fifty percent (50%) of any project water remaining in storage on December 31, 1995, from the 1990 Berrenda Mesa Demonstration Program and the La Hacienda Water Purchase Program shall be

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<sup>80</sup> Amended: Amendment No. 16

transferred to KCWA pursuant to the Kern Water Bank Contract. The remaining fifty percent (50%) of any such water (approximately 42,828.5 acre-feet) shall remain as project water and the State's recovery of such project water shall be pursuant to the provisions of a separate recovery contract. Any other Kern Water Bank demonstration program water shall remain as project water and the State's recovery of such water shall be pursuant to the provisions of the respective contracts for implementation of such demonstration programs.

**53. <sup>81</sup>PERMANENT TRANSFERS AND REDUCTIONS OF ENTITLEMENT.**

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

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

(c) KCWA member units shall have 90 days to exercise a right of first refusal to purchase any annual entitlements being offered for sale to Urban Contractors by another KCWA member unit pursuant to this article, other than those

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<sup>81</sup> Amended: Amendment No. 16

annual entitlements made available to Urban Contractors by subdivision (d) of this article, by agreeing to pay the same price offered by the buyer. Any such sales to KCWA member units exercising such right of first refusal shall not be considered a part of the 130,000 acre-feet of annual entitlements provided for in this article.

(d) Any permanent transfers of annual entitlements by Agricultural Contractors to noncontractors, including transfers to KCWA urban member units or to KCWA's Improvement District Number 4, other than transfers pursuant to subdivision (c) of this article, will be considered a part of the 130,000 acre-feet of annual entitlements provided for in this article if the Urban Contractors have been given a right of first refusal to purchase such annual 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 NOIs. An offer by an Urban Contractor in its NOI to purchase less than the entire annual entitlement and transportation right being transferred shall not be deemed to be an effective exercise of the right of first refusal unless other Urban Contractors submit NOIs to purchase the remainder of the annual entitlement and transportation right or the noncontractor buyer agrees to purchase the remainder at the same unit price and on the same terms and conditions provided for in the Proposed Contract. The Performance Date shall be the date upon which the Urban Contractor is prepared to perform the purchase, which

date shall be the later of: (1) 180 days after the delivery of the NOI or (2) the date set forth in the Proposed Contract for the noncontractor buyer to perform the purchase.

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

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

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

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

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

(f) Upon the effective date of any such transfer, the seller shall be relieved of and the buyer shall become liable to the State for all prospective Delta Water Charges, the related Transportation Charges and any other charges for the annual entitlements and associated transportation rights transferred unless the seller and buyer provide otherwise in the contract for the transfer and the State approves such other provisions. However, the contractor making the sale shall remain obligated to the State to make the payments if the buyer defaults on its payments to the State related to the water transferred and is not a party to a long term water supply contract of the type contained in Department of Water Resources Bulletin Number 141. If the contractor making the sale is required to make any payments to the State as a result of the buyer's

default, the entitlement transferred to the defaulting buyer shall, if provided for in the Proposed Contract, revert back to the contractor making the sale. The buyer may also be liable for any charges imposed pursuant to subdivision (g) of this article.

(g) A contractor which is a buyer of annual entitlement pursuant to this article may receive deliveries using any portion of the capacity previously provided by the State in each reach of the project transportation facilities for such contractor that is necessary for transporting the entitlement purchased by it on the same basis as any other entitlement provided for in its Table A in effect prior to the date of the Monterey Amendment. Such contractor may also use any transportation rights transferred to it by a seller in the same manner as the seller was entitled to use them and any unused capacity in any of the reaches specified in this paragraph so long as project operations and/or priority of service of water to other contractors participating in repayment of capital costs in such reaches is not adversely affected. The State shall not be responsible for any resulting adverse impacts upon its ability to provide such contractor peaking capacity. The capital cost and minimum, operation, maintenance, power and replacement components of the Transportation Charge allocated to a buying contractor needing transportation capacity in excess of the capacity factors on which its charges are based in any reach shall be determined prospectively based upon the increase in the buying contractor's annual entitlement resulting from the purchase, and service of water to fulfill annual entitlement to other contractors shall not be impaired. The capital cost and minimum operation, maintenance, power and replacement components of the Transportation Charges shall then be reallocated among the other entities participating in repayment of costs of that reach. For the purposes of this determination, all payments received by the State from the seller relating to the annual entitlement sold shall be deemed to have been received from the buying contractor. Any increased Transportation minimum operation, maintenance, power and replacement component charges allocated to the buying contractor pursuant to this subdivision (g) shall begin January 1 of the year following the effective date of the transfer.

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

(i) On January 1 following the year in which such Monterey Amendments take effect and continuing every year thereafter until the end of the project repayment

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

**54. <sup>82</sup>USAGE OF LAKES CASTAIC AND PERRIS.**

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

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

<sup>82</sup> Amended: Amendment No. 16

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

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

(b) The State shall operate Castaic and Perris Reservoirs as transportation facilities in a manner consistent with this article. A contractor desiring to withdraw a portion or all of its Maximum Allocation shall furnish the State with a proposed delivery schedule. The proposed schedule may be submitted as part of the preliminary water delivery schedule submitted pursuant to Article 12(a)(1). Upon receipt of a schedule the State shall promptly review it to ensure that the amounts, times and rates of delivery will be consistent with the State's ability to operate the reach. The contractor may modify its proposed delivery schedule at any time, and the modified schedule shall be subject to review in the same manner. If necessary, the State may modify the schedule after consultation with the contractor and other contractors participating in repayment of that reach but may not change the total quantity of water to be withdrawn. As part of the consultation, the State shall advise a contractor if it determines a withdrawal will adversely impact the rate of delivery provided for the contractor in this contract. The State shall not be responsible for any such impacts.

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

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



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

(e) The State shall operate capacity in Castaic and Perris Reservoirs, not required for purposes of Maximum Allocation deliveries, in compliance with the requirement of Article 17(b) of The Metropolitan Water District of Southern California's water supply contract with the State to maintain an amount of water reasonably sufficient to meet emergency requirements of the contractors participating in repayment of that reach. A contractor receiving water pursuant to this article accepts that the State shall not be liable for any damage, direct or indirect, arising from shortages in the amount of water to be made available from that reservoir to meet the contractor's actual emergency requirements as a result of prior storage withdrawals by that contractor pursuant to this article. Nothing in this article shall permit or require the State to adjust allocations or deliveries under Article 18.

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

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

**55. <sup>83</sup>TRANSPORTATION OF NONPROJECT WATER.**

(a) Subject to the delivery priorities in Article 12(f), contractors shall have the right to receive services from any of the project transportation facilities to transport water procured by them from nonproject sources for delivery to their service areas and to interim storage outside their service areas for later transport and delivery to their service areas: *Provided*, that except to the extent such limitation in Section 12931 of the Water Code be changed, a contractor shall not use the project transportation facilities under this option to transport water the right to which was secured by the

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<sup>83</sup> Amended: Amendment No. 16

contractor through eminent domain unless such use be approved by the Legislature by concurrent resolution with the majority of the members elected to each house voting in favor thereof.

(b) For any nonproject water delivered pursuant to this article, contractors shall pay the State the same (including adjustments) for power resources (including on-aqueduct, off-aqueduct, and any other power) incurred in the conservation and transportation of such water as if such nonproject water were entitlement water, as well as all incremental operation, maintenance, and replacement costs, and any other incremental costs, which may include an administrative or contract preparation charge, all as determined by the State. Incremental costs shall mean those nonpower costs which would not be incurred if nonproject water were not scheduled for or delivered to contractors. Only those contractors not participating in the repayment of a reach shall be required to pay a use of facilities charge for the delivery of nonproject water from or through that reach. Costs for transporting water placed into interim storage shall be paid in the same manner provided for in subdivision (c)(6) of Article 56.

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

**56. <sup>84</sup>USE, STORAGE AND SALE OF PROJECT WATER OUTSIDE OF SERVICE AREA AND STORAGE OF WATER IN PROJECT SURFACE CONSERVATION FACILITIES.**

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

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

(b) Groundwater Storage Programs

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

(c) Storage of Project Water Outside of Service Area

(1) A contractor may elect to store project water outside its service area for later use within its service area, up to the limits and in accordance with the provisions provided for in this subdivision (c) and any applicable water

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<sup>84</sup> Amended: Amendment No. 16

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

<b>1. Final Water Supply Allocation Percentage</b>	<b>2. Maximum Percent of Agency's Annual Entitlement That Can be Stored</b>	<b>3. Maximum Acre-Feet That Can be Stored</b>
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

(2) Storage capacity in project surface conservation facilities at any time in excess of that needed for project operations shall be made available to

requesting contractors for storage of project and nonproject water. If such storage requests exceed the available storage capacity, the available capacity shall be allocated among contractors requesting storage in proportion to their annual entitlements designated in their Table A's for that year. A contractor may store water in excess of its allocated share of capacity as long as capacity is available for such storage.

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

First, water, if any, stored for noncontractors.

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

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

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

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

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

(6) For any project water stored outside its service area pursuant to this subdivision (c), a contractor shall pay the State the same (including adjustments) for power resources (including on-aqueduct, off-aqueduct, and any other power) incurred in the transportation of such water as the contractor pays for the transportation of annual entitlement to the reach of the project

transportation facility from which the water is delivered to storage. If annual entitlement is stored, the Delta Water Charge shall be charged only in the year of delivery to interim storage. For any stored water returned to a project transportation facility for final delivery to its service area, the contractor shall pay the State the same for power resources (including on-aqueduct, off-aqueduct, and any other power) incurred in the transportation of such water calculated from the point of return to the aqueduct to the turn-out in the contractor's service-area. In addition, the contractor shall pay all incremental operation, maintenance, and replacement costs, and any other incremental costs, as determined by the State, which shall not include any administrative or contract preparation charge. Incremental costs shall mean those nonpower costs which would not be incurred if such water were scheduled for or delivered to the contractor's service area instead of to interim storage outside the service area. Only those contractors not participating in the repayment of a reach shall be required to pay a use of facilities charge for use of a reach for the delivery of water to, or return of water from, interim storage.

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

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

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

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

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

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

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

(6) Any water remaining in the Pool after April 1 that is not withdrawn by the selling contractor shall be offered by the State to contractors and noncontractors and sold to the highest bidder: *Provided*, that if the highest bidder is a noncontractor, all contractors shall be allowed fifteen days to exercise a right of first refusal to purchase such water at the price offered by the noncontractor. The price to be paid to the selling contractor shall be the amount paid by the buyer exclusive of the amount to be paid by the buyer to the State pursuant to subdivision (d)(7) of this article.

(7) For any water delivered from the Pool to contractors, the buyer shall pay the State the same for power resources (including on-aqueduct, off-aqueduct, and any other power) incurred in the transportation of such water as if such water were entitlement water, as well as all incremental operation, maintenance, and replacement costs, and any other incremental costs, as determined by the State, which shall not include any administrative or contract

preparation charge. Incremental costs shall mean those nonpower costs which would not be incurred if such water were not scheduled for or delivered to the buyer. Only those buyers not participating in the repayment of a reach shall be required to pay any use of facilities charge for the delivery of such water from or through the reach. Adjustments from estimated to actual costs shall be computed by the State pursuant to these provisions and shall be paid by the buyer or credited to the buyer at the times and interest rates described in Article 28(c).

(e) Continuanance of Article 12(e) Carry-over Provisions

The provisions of this article are in addition to the provisions of Article 12(e), and nothing in this article shall be construed to modify or amend the provisions of Article 12(e). Any contractor electing to sell project water during any year in accordance with the provisions of subdivision (d) of this 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.

(g) Other Transfers

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

<sup>85</sup>All balances of wet weather and Article 12(d) water otherwise available to any contractor executing the Monterey Amendment shall be eliminated as of the effective date of such amendment and no new balances for such water shall be established.

<sup>86</sup>Effective Dates and Phase-in.

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

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

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

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

(e) Notwithstanding subdivisions (c), (d) and (f) of this paragraph, if any part of the Monterey Amendment of the Kern County Water Agency's or The Metropolitan Water District of Southern California's contract is determined by a court

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<sup>85</sup> Amended: Amendment No. 16

<sup>86</sup> Amended: Amendment No. 16



of competent jurisdiction in a final judgment or order to be invalid or unenforceable, and if Articles 52 and 53(i) have been implemented (i.e., the property which constitutes the Kern Fan Element of the Kern Water Bank has been conveyed by the State and the 45,000 acre-feet of annual entitlements have been relinquished to the State), the implementation of the relinquishment shall not be reversed unless the implementation of the conveyance is also reversed, and conversely, implementation of the conveyance shall not be reversed unless implementation of the relinquishment is also reversed. Nothing in this subdivision shall affect any party's right to seek additional damages, compensation or any other remedy available at law or in equity.

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

57. <sup>87</sup> **Article 57 Is Intentionally Left Blank for Future Use.**

58. <sup>88</sup> **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.

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

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<sup>87</sup> Amended: Amendment No. 18

<sup>88</sup> Amended: Amendment No. 18

Approved as to legal form  
and sufficiency:

STATE OF CALIFORNIA  
DEPARTMENT OF WATER RESOURCES

*R. K. [Signature]*  
For Chief Counsel  
Department of Water Resources  
P. O. Box 388  
Sacramento, California

By *[Signature]*  
Director

Attest:

SOLANO COUNTY FLOOD CONTROL  
AND WATER CONSERVATION DISTRICT

*Larry Ball*  
County Clerk and Ex-Officio Clerk  
Solano County Flood Control and  
Water Conservation District  
Solano County Court House  
Fairfield, California

By *Colon O. Kilby*  
Chairman; Board of Directors

Approved ss to form:

*[Signature]*  
Special Counsel

# APPENDIX A

## TABLE A

AS SHOWN IN THE CONTRACT  
BETWEEN  
THE STATE OF CALIFORNIA  
THE DEPARTMENT OF WATER RESOURCES AND  
SOLANO COUNTY WATER AGENCY  
AND  
AMENDMENTS NO. 6, 7, 11, 17, AND 18

**TABLE A  
ANNUAL ENTITLEMENTS  
SOLANO COUNTY FLOOD CONTROL AND  
WATER CONSERVATION DISTRICT**

**<As shown in the original Contract>**

<b>Year</b>	<b>Total Annual Amount In Acre-feet</b>
1	6,750
2	8,000
3	9,400
4	10,800
5	12,100
6	14,000
7	16,500
8	20,000
9	27,000
10	34,500
11	42,000

and each succeeding year thereafter, for the term of this contract as a Maximum Annual Entitlement.

42,000

**TABLE A AMENDED**

**<As shown in Amendment No. 6>**

<b>Year</b>	<b>Total Annual Amount In Acre Feet</b>
1980	500
1981	650
1982	800
1983	950
1984	12,100
1985	14,000
1986	16,500
1987	20,000
1988	27,000
1989	34,500
1990 and each succeeding year thereafter, for the term of this contract as a maximum entitlement	42,000

**TABLE A AMENDED  
ANNUAL ENTITLEMENTS  
SOLANO COUNTY FLOOD CONTROL AND  
WATER CONSERVATION DISTRICT**

<As shown in Amendment No. 7>

Year	Total Annual Amount In Acre-Feet
1984	1,100
1985	1,250
1986	2,300
1987	13,750
1988	15,660
1989	18,420
1990	21,250
1991	22,300
1992	24,170
1993	26,130
1994	28,080
1995	34,250
1996	37,800
1997	38,250
1998	38,710
1999	39,170
2000	39,620
2001	40,080
2002	40,540
2003	41,000
2004	41,450
2005	41,500
2006	41,550
2007	41,600
2008	41,650
2009	41,700
2010	41,750
2011	41,800
2012	41,850
2013	41,000
2014	41,950
2015 and each succeeding year thereafter, for the term of this contract as Maximum Annual Entitlement	42,000

**TABLE A  
ANNUAL ENTITLEMENTS  
SOLANO COUNTY FLOOD CONTROL  
AND  
WATER CONSERVATION DISTRICT**

<As shown in Amendment No. 11>

Year	Total Annual Amount In Acre-feet
1980	500
1981	650
1982	800
1983	950
1984	1,100
1985	1,250
1986	1,400
1987	1,550
1988	15,660
1989	18,420
1990	21,250
1991	22,300
1992	24,170
1993	26,130
1994	28,080
1995	34,250
1996	37,800
1997	38,250
1998	38,710
1999	39,170
2000	39,620
2001	40,080
2002	40,540
2003	41,000
2004	41,450
2005	41,500
2006	41,550
2007	41,600
2008	41,650
2009	41,700
2010	41,750
2011	41,800
2012	41,850
2013	41,000
2014	41,950
2015 and each succeeding year thereafter, for the term of this contract as a Maximum Annual Entitlement	42,000

**TABLE A: ANNUAL ENTITLEMENT  
SOLANO COUNTY WATER AGENCY**

**<As shown in Amendment No. 17>**

Year	Total Annual Amount In Acre-feet
1 (1980)	500
2 (1981)	650
3 (1982)	800
4 (1983)	950
5 (1984)	1,100
6 (1985)	1,250
7 (1986)	1,400
8 (1987)	1,500
9 (1988)	15,660
10 (1989)	18,420
11 (1990)	21,250
12 (1991)	22,300
13 (1992)	24,170
14 (1993)	26,130
15 (1994)	28,080
16 (1995)	34,250
17 (1996)	37,800
18 (1997)	38,250
19 (1998)	38,710
20 (1999)	39,170
21 (2000)	39,620
22 (2001)	45,836
23 (2002)	46,296
24 (2003)	46,756
25 (2004)	47,206
26 (2005)	47,256
27 (2006)	47,306
28 (2007)	47,356
29 (2008)	47,406
30 (2009)	47,456
31 (2010)	47,506
32 (2011)	47,556
33 (2012)	47,606
34 (2013)	47,656
35 (2014)	47,706
36 (2015)	47,756
And each succeeding year thereafter, for the term of this contract as a maximum Annual entitlement:	47,756

This Amendment is contingent upon the effectiveness of Water Supply Contract Amendment No. 33, between the State and the KCWA. If either amendment ceases to be effective for any reason, including but not limited to any court order or judgment entered in *Planning and Conservation League v. DWR & CCWA*, Agency agrees that the State may in its



discretion and consistent with the law then in effect as determined by the State, identify the date on which the contract amendments shall be deemed inoperative, for the purpose of assuring timely repayment of contract obligations and orderly administration of the long-term water supply contracts.

The Agency agrees to indemnify, defend, and hold harmless the State and any of its officers, agents, or employees from any liability, expenses, defense costs, attorney fees, claims, actions, liens and lawsuits of any kind arising from or related to any and all action implementing this Amendment and associated agreements.

Except as amended herein, the provisions of the contract, including but not limited to Articles 12(b) and 12(c) (as amended herein), will remain in full force and effect.

**TABLE A  
SOLANO COUNTY WATER AGENCY**

**<As shown in Amendment No. 18>**

<b>Year</b>	<b>Total Annual Amount In Acre-feet</b>
1 (1980)	500
2 (1981)	650
3 (1982)	800
4 (1983)	950
5 (1984)	1,100
6 (1985)	1,250
7 (1986)	1,400
8 (1987)	1,500
9 (1988)	15,660
10 (1989)	18,420
11 (1990)	21,250
12 (1991)	22,300
13 (1992)	24,170
14 (1993)	26,130
15 (1994)	28,080
16 (1995)	34,250
17 (1996)	37,800
18 (1997)	38,250
19 (1998)	38,710
20 (1999)	39,170
21 (2000)	39,620
22 (2001)	45,836
23 (2002)	46,296
24 (2003)	46,756
25 (2004)	47,206
26 (2005)	47,256
27 (2006)	47,306
28 (2007)	47,356
29 (2008)	47,406
30 (2009)	47,456
31 (2010)	47,506
32 (2011)	47,556
33 (2012)	47,606
34 (2013)	47,656
35 (2014)	47,706
36 (2015)	47,756
And each succeeding year thereafter, for the term of this contract as a maximum Annual entitlement:	47,756

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.

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.

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.

STATE OF CALIFORNIA  
DEPARTMENT OF WATER RESOURCES

CONTRACT  
BETWEEN THE STATE OF CALIFORNIA  
DEPARTMENT OF WATER RESOURCES AND  
SOLANO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT  
FOR A WATER SUPPLY

THIS CONTRACT, made this 26th day of December 1963 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 Solano County Flood Control and Water Conservation District

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 Fairfield, California, herein referred to as the "Agency".

WITNESSETH, That:

WHEREAS, the State is authorized to construct and operate facilities for the storage and conveyance of water, certain of which facilities will make water available to the Agency; and

WHEREAS, funds will be provided under the California Water Resources Development Bond Act for the construction of said facilities; and

WHEREAS, the Agency is desirous of obtaining a supply of water from the State;

NOW THEREFORE, it is mutually agreed as follows:

**A. INTRODUCTORY PROVISIONS**

**1. DEFINITIONS**

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

**(a) Bond Act**

"Bond Act" shall mean the California Water Resources Development Bond Act, comprising Chapter 8 (commencing at Section 12930) of Part 6 of Division 6 of the Water Code.

**(b) System**

"System" shall mean the State Water Resources Development System as defined in Section 12931 of the Water Code.

**(c) Delta**

"Delta" shall mean the Sacramento-San Joaquin Delta as defined in Section 12220 of the Water Code on November 8, 1960.

**(d) Contractor**

"Contractor" shall mean any entity contracting with the State for a dependable supply of water made available by the System, except such water as is made available by the facilities specified in Section 12934(d)(6) of the Water Code.

**(e) Project Facilities**

"Project facilities" shall mean those facilities of the System which will, in whole or in part, serve the purposes of this contract by conserving water and making it available for use in and above the Delta and for export from the Delta, and by conveying water to the Agency. Said project facilities shall consist specifically of "project conservation facilities" and "project transportation facilities", as hereinafter defined.

**(f) Project Conservation Facilities**

"Project conservation facilities" shall mean such project facilities as are presently included, or as may be added in the future, under (g) and (h) below.

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### **(g) Initial Project Conservation Facilities**

"Initial project conservation facilities" shall mean the following project facilities specified in Section 12934(d) of the Water Code:

- (1) All those facilities specified in subparagraph (1) thereof.
- (2) Those facilities specified in subparagraph (3) thereof to the extent that they serve the purposes of water conservation in the Delta, water supply in the Delta, and transfer of water across the Delta.
- (3) A reservoir near Los Banos in Merced County as specified in subparagraph (2) thereof.
- (4) The reach of the San Joaquin Valley-Southern California Aqueduct extending from the Delta to a reservoir near Los Banos in Merced County, to the extent required for water conservation through conveyance of water diverted from the Delta to offstream storage in said reservoir as determined by the State.
- (5) Those facilities specified in subparagraph (5) thereof which are incidental to the facilities included under (1), (2), (3), and (4) above.
- (6) Those facilities specified in subparagraph (7) thereof which are necessary and appurtenant to the facilities included under (1), (2), (3), (4), and (5) above.

### **(h) Additional Project Conservation Facilities**

"Additional project conservation facilities" shall mean those project facilities provided for in Section 12938 of the Water Code which will serve the purpose of preventing any reduction in the minimum project yield, as hereinafter defined.

### **(i) Project Transportation Facilities**

"Project transportation facilities" shall mean those project facilities:

- (1) Specified in Water Code Section 12934(d)(2) which are described in Table H of this contract;
- (2) Specified in Water Code Section 12934(d)(5) which are incidental to the facilities included under (1) above;
- (3) Specified in Water Code Section 12934(d)(7) which are necessary and appurtenant to the facilities included under (1) and (2) above.

### **(j) Project Water**

"Project water" shall mean water made available for delivery to the contractors by project conservation facilities and the transportation facilities included in the System.

### **(k) Minimum Project Yield**

"Minimum project yield" shall mean the dependable annual supply of project water to be made available,

estimated to be 4,000,000 acre-feet per year, said amount to be determined by the State on the basis of coordinated operation studies of initial project conservation facilities and additional project conservation 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) An allowable reduction in the agricultural use portion of the minimum project yield, due to drought, of not to exceed fifty percent (50%) in any one year, nor a total of one hundred percent (100%) of one year's supply in any series of seven consecutive years.
- (3) 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.

### **(l) Annual Entitlement**

"Annual entitlement" shall mean the amount of project water to be made available to a contractor during the respective year, at the delivery structures provided for such contractor, under the terms of its contract with the State.

### **(m) Maximum Annual Entitlement**

"Maximum annual entitlement" shall mean the maximum amount of project water to be made available to a contractor in any one year, at the delivery structures provided for such contractor, under the terms of its contract with the State.

### **(n) Supplemental Conservation Facilities**

"Supplemental conservation facilities" shall mean those facilities provided for in Section 12938 of the Water Code which will serve the purpose of supplying water in addition to the minimum project yield, and for meeting local needs.

### **(o) Supplemental Water**

"Supplemental water" shall mean water made available by supplemental conservation facilities, in excess of the minimum project yield.

### **(p) Year**

"Year" shall mean the 12-month period from January 1 through December 31, both dates inclusive.

### **(q) Year of Initial Water Delivery**

"Year of initial water delivery" shall mean the year when project water will first be available for delivery to a contractor pursuant to its contract with the State.

**(r) Project Interest Rate**

"Project interest rate" shall mean the weighted average of the interest rates paid by the State on bonds issued under the Bond Act without regard to any premiums received on the sale thereof. Until bonds are issued and sold under the Bond Act, the project interest rate shall be four percent (4%) per annum, and after said bonds have been issued said rate shall be computed as a decimal fraction to five places.

**(s) Capital Costs**

"Capital costs" shall mean all costs incurred subsequent to authorization of a facility for construction by the Legislature or by administrative action pursuant to Section 11290 of the Water Code and to the Bond Act, including those so incurred prior to the beginning of the project repayment period as herein defined and any accrued unpaid interest charges thereon at the rates specified herein, which are properly chargeable to the construction of and the furnishing of equipment for the facilities of the System, including the costs of surveys, engineering studies, exploratory work, designs, preparation of construction plans and specifications, acquisition of lands, easements and rights-of-way, relocation work, and essential administrative work in connection therewith, all as shown upon the official records of the Department of Water Resources.

**(t) Project Repayment Period**

"Project repayment period" shall mean that period of years commencing on January 1, 1961, and extending until all bonds secured by the pledge of revenues provided for by the Bond Act have been repaid.

**(u) Municipal Use**

"Municipal use" shall mean all those uses of water common to the municipal water supply of a city, town, or other similar population group, including uses for domestic purposes, uses for the purposes of commerce, trade or industry, and any other use incidental thereto for any beneficial purpose.

**(v) Manufacturing Use**

"Manufacturing use" shall mean any use of water primarily in the production of finished goods for market.

**(w) Agricultural Use**

"Agricultural use" shall mean any use of water primarily in the production of plant crops or livestock for market, including any use incidental thereto for domestic or stock-watering purposes.

**(x) Subject to Approval by the State**

"Subject to approval by the State" shall mean subject to the determination and judgment of the State as to acceptability.

**(y) Area of Origin Statutes**

"Area of origin statutes" shall mean Sections 10505 and 11460 through 11463 of the Water Code as now existing or hereafter amended.

**2. TERM OF CONTRACT**

This contract shall become effective on the date first above written and shall remain in effect throughout the project repayment period, or for seventy-five (75) years, whichever period is longer.

**3. VALIDATION**

Within one (1) year after the effective date of this contract, the Agency shall submit this contract to a court of competent jurisdiction for determination of its validity by a proceeding in mandamus or other appropriate proceeding or action, which proceeding or action shall be diligently prosecuted to final decree or judgment. In the event that this contract is determined to be invalid by such final decree or judgment, the State shall make all reasonable efforts to obtain validating legislation at the next session of the Legislature empowered to consider such legislation, and within six (6) months after the close of such session, if such legislation shall have been enacted, the Agency shall submit this contract to a court of competent jurisdiction for redetermination of its validity by appropriate proceeding or action, which proceeding or action shall be diligently prosecuted to final decree or judgment.

**4. OPTION FOR CONTINUED SERVICE**

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

- (1) Service of water in annual amounts up to and including the Agency's maximum annual entitlement hereunder.
- (2) Service of water at no greater cost to the Agency than would have been the case had this contract continued in effect.
- (3) Service of water under the same physical conditions of service, including time, place, amount and rate of delivery, as are provided for hereunder.
- (4) Retention of the same chemical quality objective provision as is set forth herein.
- (5) Retention of the same options to utilize the project transportation facilities as are provided for in Articles 18(b) and 18(c), to the extent such options are then applicable.

Other terms and conditions of the continued service shall be reasonable and equitable and shall be mutually agreed upon. In the event that said terms and condi-

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tions provide for continued service for a limited number of years only, the Agency shall have the same option to receive continued service here provided for upon the expiration of that and each succeeding period of continued service.

### 5. PLEDGE OF REVENUES

This contract is entered into for the direct benefit of the holders and owners of all general obligation bonds issued under the Bond Act, and the income and revenues derived from this contract are pledged to the purposes and in the priority set forth in that act.

## B. WATER SERVICE PROVISIONS

### 6. ANNUAL ENTITLEMENTS

#### (a) Year of Initial Water Delivery

The year of initial water delivery to the Agency is presently estimated to be 1980. To the extent practicable, the State shall notify the Agency of any change in this estimate.

#### (b) Agency's Annual Entitlements to Water

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 are referred to in this contract as the Agency's annual entitlements.

#### (c) Obligation of State to Complete Facilities

Subject to the availability of funds, the State shall make all reasonable efforts consistent with sound fiscal policies, reasonable construction schedules, and proper operating procedures to complete the project facilities necessary for delivery of project water to the Agency in such manner and at such times that said delivery can commence in or before the year specified in subdivision (a) of this article, and continue in the amounts designated in Table A of this contract.

### 7. CHANGES IN ANNUAL ENTITLEMENTS; MAXIMUM ANNUAL ENTITLEMENT

#### (a) Changes in Annual Entitlements

The Agency may, at any time or times during the term of this contract, by timely written notice furnished to the State, request that project water be made available to it thereafter in annual amounts greater or less than the annual entitlements designated in Table A of this contract. Subject to approval by the State of any such request, the State's construction schedule shall be adjusted to the extent necessary to satisfy the request, and the requested increases or decreases in said annual entitlements shall be incorporated in said Table A by amendment thereof: *Provided*, That no such

change shall be approved if in the judgment of the State it would impair the financial feasibility of the project facilities.

#### (b) Maximum Annual Entitlement of Agency

The maximum amount of project water to be made available to the Agency in any one year under this contract shall be that specified in Table A of this contract and in said table designated as the Agency's "Maximum Annual Entitlement." In no event shall such maximum amount of project water to be made available to the Agency be increased over this amount, except as is otherwise provided in this contract.

### 8. OPTION TO INCREASE MAXIMUM ANNUAL ENTITLEMENT

In the event that the maximum annual entitlements under all contracts executed by the State on or before December 31, 1963, do not aggregate the amount of the minimum project yield as herein defined, the State shall immediately notify the Agency and all other contractors, and the Agency may elect to become entitled to the uncontracted for portion of the minimum project yield in or up to an amount which bears the same ratio to such uncontracted for portion as the Agency's maximum annual entitlement bears to the total of the maximum annual entitlements of all contractors as of that date: *Provided*, That such option may be exercised only to the extent that the water involved can be put to beneficial use within a reasonable period of time. Such option shall become effective on the date that the Agency receives said notice from the State and shall remain in effect through September 30, 1964. If the full amount of such uncontracted for portion of the minimum project yield is not preempted by the Agency under this option and by other contractors through the exercise of similar options on or before September 30, 1964, the Agency may request that it become entitled to any amount of such water not so preempted. Such request shall be subject to approval by the State and shall be considered in the light of all similar requests from other contractors. The State shall approve such request only to the extent that the water involved can be put to beneficial use within a reasonable period of time. Upon the exercise of such option or upon the approval of such request the Agency's maximum annual entitlement in Table A of this contract shall be increased by the amount of the additional entitlement thereby obtained by amendment of that table, and the Agency shall become obligated and hereby agrees to pay to the State a proportionate share of the costs attributable to such increase in accordance with cost allocation principles and procedures set forth in this contract. The service of and payment for said increased entitlement shall in all respects be subject to the terms and conditions of this contract.

## 9. DELIVERY POINTS

Project water made available to the Agency pursuant to Article 6 shall be delivered to the Agency by the State at the delivery structures established in accordance with Article 10.

## 10. DELIVERY STRUCTURES

### (a) *Determination of Size and Location of Delivery Structures*

Project water made available to the Agency pursuant to this contract shall be delivered to the Agency at such locations and times and through delivery structures of such capacities as are requested by the Agency and approved by the State.

### (b) *Agency Requests as to Initial Delivery Structures*

Pursuant to subdivision (a) of this article, the Agency shall furnish to the State on or before February 1, 1964, its written requests as to:

- (1) The location of delivery structures for delivery of project water to it.
- (2) The time at which project water is first to be delivered through each such delivery structure.
- (3) The maximum instantaneous flow capacity in cubic feet per second to be provided in each such delivery structure.
- (4) The maximum amount of water in acre-feet to be delivered in any one month through each such delivery structure.
- (5) The total combined maximum instantaneous flow capacity in cubic feet per second to be provided by all such delivery structures.
- (6) The total maximum amount of water in acre-feet to be delivered in any one month through all such delivery structures.

### (c) *Requests by Agency for Additional Delivery Structures*

From time to time the Agency may request delivery structures in addition to those requested pursuant to subdivision (b) of this article.

### (d) *Agency to Advance Funds for Delivery Structures*

The Agency shall pay all of the costs of delivery structures for the delivery of project water to it, and shall deposit with the State, prior to the commencement of construction of any such delivery structure, an amount of money estimated by the State to be sufficient to cover the costs thereof.

## 11. MEASUREMENT OF WATER DELIVERED

### (a) *Measurement by State*

The State shall measure all project water delivered to the Agency and shall keep and maintain accurate and complete records thereof. For this purpose, the State shall install, operate, and maintain at all delivery

structures for delivery of project water to the Agency such measuring devices and equipment as are satisfactory and acceptable to both parties. Said devices and equipment shall be examined, tested, and serviced regularly to insure their accuracy. At any time or times, the Agency or any other contractor may inspect such measuring devices and equipment, and the measurements and records taken therefrom.

### (b) *Agency to Advance Funds for Measuring Devices*

The Agency shall pay all of the costs of acquiring and installing the measuring devices and equipment provided for in subdivision (a) of this article, and shall deposit with the State, prior to such acquisition and installation, an amount of money estimated by the State to be sufficient to cover such costs.

## 12. DELIVERY SCHEDULES

### (a) *Procedure for Determining Water Delivery Schedule*

The amounts, times, and rates of delivery of project water to the Agency during any year shall be in accordance with a water delivery schedule for that year, such schedule to be determined in the following manner:

- (1) On or before October 1 of each year, the Agency shall submit in writing to the State a preliminary water delivery schedule, subject to the provisions of this article and Articles 6(b), 7(b), 10 and 17, indicating the amounts of water desired by the Agency during each month of the succeeding five (5) years.
- (2) Upon receipt of a preliminary schedule the State shall review it and, after consultation with the Agency, shall make such modifications in it as are necessary to insure that the amounts, times, and rates of delivery to the Agency will be consistent with the State's overall delivery ability, considering the then current delivery schedules of all contractors. On or before December 1 of each year, the State shall determine and furnish to the Agency the water delivery schedule for the next succeeding year which shall show the amounts of water to be delivered to the Agency during each month of that year.
- (3) A water delivery schedule may be amended by the State upon the Agency's written request. Proposed amendments shall be submitted by the Agency within a reasonable time before the desired change is to become effective, and shall be subject to review and modification by the State in like manner as the schedule itself.

### (b) *Limit on Peak Deliveries of Water*

In no event shall the State contract to deliver to any contractor from the project transportation facili-



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ties downstream from Pumping Plant VI (Tehachapi Pumping Plant) in any one month of any year a total amount of project water greater than eleven percent (11%) of such contractor's annual entitlement for that year; or to deliver to any contractor from the project transportation facilities upstream from said Pumping Plant VI in any one month of any year a total amount of project water greater than the sum of eighteen percent (18%) of that portion of such contractor's annual entitlement for that year to be put to agricultural use, as determined by the State, and eleven percent (11%) of that portion of such contractor's annual entitlement for that year to be put to municipal use, as determined by the State: *Provided*, That if the State delivers project water to any contractor through delivery structures both downstream and upstream from said Pumping Plant VI, the foregoing limitations shall be based on an appropriate apportionment of such contractor's annual entitlement for the respective year to the respective portions of such contractor's service area to which delivery is made from the project transportation facilities downstream from said Pumping Plant VI and from the project transportation facilities upstream therefrom: *Provided further*, That the percentages set forth hereinabove may be revised for a particular contractor by amendment of this subdivision after submission to the State of that contractor's requests with respect to maximum monthly deliveries, such revision being subject to approval by the State and subject to advancement to the State by the contractor of funds sufficient to cover any additional costs of the project transportation facilities occasioned thereby, the amount of such funds to be determined pursuant to Article 24(d).

### **(c) Limit on Rate of Delivery to Agency**

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 <sup>77</sup> cubic feet per second, except as this rate of flow may be revised by amendment of this article after submission to the State of the Agency's requests with respect to maximum flow capacities to be provided in said delivery structures, pursuant to Article 10.

### **(d) Delivery of Water Not Delivered in Accordance With Schedule**

If in any year the State, as a result of causes beyond its control, is unable to deliver any portion of the Agency's annual entitlement for such year under Table A of this contract as provided for in the delivery schedule established for that year, the Agency may elect to receive the amount of water which otherwise would have been delivered to it during such period at other times during the year or succeeding years, to the extent that such water is then available and such election is consistent with the State's overall delivery ability, considering the then current delivery schedules of all contractors.

## **13. RESPONSIBILITIES FOR DELIVERY AND DISTRIBUTION OF WATER**

### **(a) State Not Liable for Operation Beyond Delivery Structures**

Neither the State nor any of its officers, agents, or employees shall be liable for the control, carriage, handling, use, disposal, or distribution of project water supplied to the Agency after such water has passed the delivery structures established in accordance with Article 10; nor for claim of damage of any nature whatsoever, including but not limited to property damage, personal injury or death, arising out of or connected with the control, carriage, handling, use, disposal or distribution of such water beyond said delivery structures; and the Agency shall indemnify and hold harmless the State and its officers, agents, and employees from any such damages or claims of damages.

### **(b) Agency Not Liable for Operation Upstream From Delivery Structures**

Neither the Agency nor any of its officers, agents, or employees shall be liable for the control, carriage, handling, use, disposal, or distribution of project water before such water has passed the delivery structures established in accordance with Article 10; nor for claim of damage of any nature whatsoever, including but not limited to property damage, personal injury or death, arising out of or connected with the control, carriage, handling, use, disposal, or distribution of such water before it has passed said delivery structures.

## **14. CURTAILMENT OF DELIVERY FOR MAINTENANCE PURPOSES**

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

The State may temporarily discontinue or reduce the delivery of project water to the Agency hereunder for the purposes of necessary investigation, inspection, maintenance, repair, or replacement of any of the project facilities necessary for the delivery of project water to the Agency. The State shall notify the Agency as far in advance as possible of any such discontinuance or reduction, except in cases of emergency, in which case notice need not be given.

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

In the event of any discontinuance or reduction of delivery of project water pursuant to subdivision (a) of this article, the Agency may elect to receive the amount of water which otherwise would have been delivered to it during such period under the water delivery schedule for that year at other times during the year or succeeding years to the extent that such water is then available and such election is consistent with the State's overall delivery ability, considering the then current delivery schedules of all contractors.

**15. AREA SERVED BY AGENCY****(a) State Approval of Sale of Water by Agency Outside Boundaries**

Project water delivered to the Agency pursuant to this contract shall not be sold or otherwise disposed of by the Agency for use outside the Agency without the prior written consent of the State.

**(b) State Approval of Change in Boundaries or Organization of Agency**

While this contract is in effect no change shall be made in the Agency either by inclusion or exclusion of lands, by partial or total consolidation or merger with another district, by proceedings to dissolve, or otherwise, except with the prior written consent of the State or except by act of the Legislature.

**(c) Map of Agency**

The Agency shall provide the State with a map satisfactory to the State indicating the major existing distribution facilities and the boundaries of the Agency at the time the contract is signed and supplementary maps whenever a boundary change is made.

**16. CONTINUITY AND DEPENDABILITY OF WATER SUPPLY****(a) Limit on Total of all Maximum Annual Entitlements**

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

**(b) State to Perfect Water Rights**

The State shall make all reasonable efforts to perfect and protect water rights necessary for the System and for the satisfaction of water supply commitments under this contract.

**(c) State to Report on Ability to Meet Future Water Demands**

Commencing within two (2) years from the year of initial project water delivery to the Agency, the State shall submit to the agency at not more than five-year intervals a report on the State's ability to meet future demands for project water and for supplemental water, and on the State's plans for constructing additional project conservation facilities and supplemental conservation facilities. Such reports shall include all estimates, projections, and other data which the State deems relevant thereto.

**(d) Construction of Additional and Supplemental Conservation Facilities**

Bond funds required to be expended for the construction of additional facilities of the System under

the provisions of Section 12938 of the Water Code shall be expended only for construction of additional project conservation facilities as defined herein, and related, appurtenant facilities necessary and desirable to meet local needs: *Provided*, That if at any time after 1985 the State finds that a part or all of such bond funds are not then required for the above purpose, and will not be so required within the next succeeding ten (10) years, such bond funds may be used, to the extent permitted in the Bond Act, to construct supplemental conservation facilities as defined herein.

**(e) Furnishing of Supplemental Water**

In planning and designing supplemental conservation facilities the State shall give consideration to the requirements and demands for supplemental water of the Agency and others who have contracted for project water. Entitlements to supplemental water shall be obtained, and repayment therefor shall be arranged, in contracts separate from contracts for project water.

**17. CONSTRUCTION OF PROJECT FACILITIES****(a) Determination of Aqueduct Capacities**

Subject to the rights of the Agency under subdivision (b) of this article and the other provisions of this contract, the State shall provide in each aqueduct reach of the project transportation facilities such maximum monthly delivery capability for the transport and delivery of project water to the Agency as, in the judgment of the State, will best serve the interests of the Agency and all other contractors entitled to delivery of project water from or through said facilities: *Provided*, That within three (3) months after the effective date of this contract the Agency shall furnish to the State a written request specifying such maximum monthly delivery capabilities, and the State shall give full consideration to such request in planning and designing said facilities.

**(b) Criteria for Determining Capacity of Transportation Facilities**

Subject to Article 45, the State shall design and construct the project transportation facilities so as to provide in each reach thereof, including reservoirs, the capacity necessary to enable delivery of project water in each year to the Agency and to other contractors in the maximum monthly amounts and at the locations, times, and maximum rates specified or provided for in their respective contracts for such year, and shall include in each such reach such capacity as is economically justified in the judgment of the State to compensate for scheduled outages for purposes of necessary investigation, inspection, maintenance, repair or replacement of project facilities, and for losses of water due to evaporation, leakage, seepage, or other causes: *Provided*, That regulatory storage reservoirs included

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in the project transportation facilities may be utilized in conjunction with conveyance capacity provided in said facilities for delivery to the Agency of the foregoing monthly amounts.

### **(c) Inspection of Project Plans and Specifications**

The Agency shall have a reasonable opportunity to inspect and study the State's plans and specifications for all project facilities and may make comments and recommendations thereon to the State. Such privilege shall also extend to any plans and specifications in connection with the use by the State, in conjunction with the project facilities, of facilities owned by an entity other than the State. The State shall not enter into any such agreement which would impair the State's ability to perform fully its obligations under this contract.

### **(d) Restriction on Bond Sales**

No bonds shall be sold nor funds expended under the authority of the Bond Act for the construction of any aqueduct or appurtenance thereto included in the System unless and until contracts are executed which will insure the recovery by the State of at least seventy-five percent (75%) of those capital costs of the particular aqueduct and any appurtenances thereto which shall be reimbursable by the contractors as determined by the State; nor shall any bonds be sold or funds expended under the authority of the Bond Act for the construction of any project conservation facility or supplemental conservation facility, unless and until contracts are executed which, together with estimated revenues from the sale or other disposal of electrical energy generated in connection with operation of project conservation facilities and supplemental conservation facilities, will insure the recovery by the State of at least seventy-five percent (75%) of those capital costs of the particular facility which shall be reimbursable by the contractors as determined by the State: *Provided*, That the foregoing limitations shall not apply with respect to: (1) surveys, engineering studies, exploratory work, designs, preparation of construction plans and specifications, acquisition of lands, easements and rights of way, relocation work, and essential administrative work in connection therewith; (2) construction for which appropriations had been made prior to approval of the Bond Act by the voters of the State of California; and (3) construction of facilities pursuant to an agreement between the State and the United States.

### **(e) Failure to Complete Facilities**

In the event that the State fails or is unable to complete construction of any portion or portions of the project transportation facilities necessary to deliver water to the Agency as provided in this contract, and gives the Agency written notice thereof, or by reason of such failure or inability construction of said facilities has ceased for a period of two and one-half (2½) years, the Agency, if it be not then in default and

without exclusion of such other rights as it may have under this contract, may exercise the following options:

- (1) The Agency may provide funds to the State in such amounts and at such times as may be necessary to enable the State to complete construction of such incompleting portion or portions of the project transportation facilities to the extent necessary for the transport and delivery of water to the Agency as provided for in this contract: *Provided*, That the State shall be and remain the owner of such project transportation facilities or portions thereof constructed in whole or in part with funds provided by the Agency, and shall be and remain obligated to operate, maintain, repair and replace such facilities to the full extent contemplated in this contract: *Provided further*, That the amount of any funds so provided by the Agency shall be credited by the State against the Agency's payment obligation under the capital cost component of the Transportation Charge, but the Agency shall be and remain obligated to pay its share of any capital costs of the above-described facilities not paid for with such funds, together with its proportionate share of the operation, maintenance, power and replacement costs of such facilities.
- (2) The Agency may at its own expense, and on a joint venture basis if such an arrangement is made with other contractors having similar options, connect to the project transportation facilities constructed by the State for the purpose of receiving project water to which it is entitled under this contract. In such event and notwithstanding any other provisions of this contract, the structures for delivery of project water to the Agency pursuant hereto shall thereafter be deemed to be located at such point of connection. Specific arrangements for acquiring, constructing, operating, maintaining and replacing the Agency's facilities at the point of connection thereof with the State's facilities shall be in accordance with terms and conditions mutually agreed upon by the parties: *Provided*, That the State shall be and remain the owner of all facilities constructed by it to said point of connection, and the Agency shall be and remain obligated to pay its proportionate share of the costs thereof.

## **18. SHORTAGE IN WATER SUPPLY**

### **(a) Temporary Shortages; Delivery Priorities**

In any year in which there may occur a shortage due to drought or other temporary cause in the supply of project water available for delivery to the contractors, with the result that such supply is less than the total of the annual entitlements of all contractors for that year, the State shall, before reducing deliveries

of project water to all contractors, reduce the delivery of project water to each contractor using such water for agricultural purposes by a percentage, not to exceed fifty percent (50%) in any one year or a total of one hundred percent (100%) in any series of seven consecutive years, of that portion of the contractor's annual entitlement for the respective year which is to be put to agricultural use as determined by the State: *Provided*, That such percentage shall be the same for all such contractors. The maximum total reduction in deliveries allowable under the above provision shall be made before any reduction is made in project water deliveries for other uses. Any necessary reduction in deliveries of project water beyond said maximum total reduction allowable under the foregoing provision shall be apportioned among all contractors irrespective of the uses to which such water is to be put. In such event, the State shall reduce deliveries to each contractor in an amount which bears the same proportion to the total amount of such necessary further reduction that the contractor's annual entitlement bears to the total of the annual entitlements of all contractors for that year, all as determined by the State: *Provided*, That the State may apportion on some other basis if such is required to meet minimum demands for domestic supply, fire protection, or sanitation during the year. The foregoing provisions of this subdivision shall be inoperative to the extent that a contractor's annual entitlement for the respective year reflects established rights under the area of origin statutes precluding a reduction in deliveries to such contractor.

**(b) Permanent Shortage; Reduction of Entitlements**

In the event that the State is unable to construct sufficient additional conservation facilities to prevent a reduction in the minimum project yield, or if for any other reason there is a reduction in the minimum project yield, which, notwithstanding preventive or remedial measures taken or to be taken by the State, threatens a permanent shortage in the supply of project water to be made available to the contractors:

- (1) The annual entitlements and the maximum annual entitlements of all contractors, except to the extent such entitlements may reflect established rights under the area of origin statutes, shall, by amendment of Table A of this contract, be reduced proportionately by the State to the extent necessary so that the sum of the revised maximum annual entitlements of all contractors will then equal such reduced minimum project yield: *Provided*, That appropriate adjustment in the contractors' respective financial obligations to the State under the Transportation Charge shall be made in accordance with such reduced entitlements if such reductions have not been strictly proportionate throughout.
- (2) The Agency, at its option, shall have the right to use any of the project transportation facilities

which by reason of such reduction in the minimum project yield are not required for delivery of project water to the Agency, to transport water procured by it from any other source: *Provided*, That such use shall be within the limits of the capacities provided in the project transportation facilities for service to the Agency under this contract: *Provided further*, That except to the extent such limitation in Section 12931 of the Water Code be changed, the Agency shall not use the project transportation facilities under this option to transport water the right to which was secured by the Agency through eminent domain unless such use be approved by the Legislature by concurrent resolution with a majority of the members elected to each house voting in favor thereof.

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

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

- (1) The State shall: (i) equitably redistribute the costs of all transportation facilities included in the System among all contractors for project water, taking into account the diminution of the supply to the Agency and other prior contractors and the payments theretofore made by the Agency and other prior contractors in accordance with the terms of their contracts, and (ii) revise the Agency's annual entitlements and maximum annual entitlement, by amendment of Table A of this contract, to correspond to the reduced supply of project water to be made available to the Agency: *Provided*, That such redistribution of costs of transportation facilities shall not be made until there has been reasonable opportunity for the Agency to exercise the option provided for in (2) below, and for other prior contractors to exercise similar options.
- (2) The Agency, at its option, shall have the right to use any of the project transportation facilities which by reason of such permanent shortage in the supply of project water to be made available to the Agency are not required for delivery of project water to the Agency, to transport water procured by it from any other source: *Provided*, That such use shall be within the limits of the capacities provided in the project transportation facilities for service to the Agency under this contract: *Provided further*, That, except to the extent such limitation

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in Section 12931 of the Water Code be changed, the Agency shall not use the project transportation facilities under this option to transport water the right to which was secured by the Agency through eminent domain unless such use be approved by the Legislature by concurrent resolution with a majority of the members elected to each house voting in favor thereof. This option shall terminate upon a redistribution of costs of transportation facilities by the State pursuant to (1) above. In the event that this option is exercised, the State shall take such fact into account in making such redistribution of costs, and shall offset such use as is made of the project transportation facilities pursuant thereto against any reduction in the Agency's payment obligation hereunder resulting from such redistribution of costs.

**(d) Reinstatement of Entitlements**

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

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

The State shall give the Agency written notice as far in advance as possible of any reduction in deliveries to it under subdivision (a) of this article and, to the extent possible, shall give the Agency written notice five (5) years in advance of any reduction in its annual entitlements and maximum annual entitlement under subdivisions (b) or (c) of this article. Reports submitted to the Agency pursuant to Article 16 (c) may constitute such notices.

**(f) No Liability for Shortages**

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

**19. WATER QUALITY**

**(a) Table of Water Quality Objectives**

It shall be the objective of the State and the State shall take all reasonable measures to make available, at all delivery structures for delivery of project water

to the Agency, project water of such quality that the following constituents do not exceed the concentrations stated as follows:

Constituent	Unit	Average for any		Maximum
		Monthly Average	10-year Period	
Total Dissolved Solids	ppm.	440	220	—
Total Hardness	ppm.	180	110	—
Chlorides	ppm.	110	55	—
Sulfates	ppm.	110	20	—
Boron	ppm.	0.6	—	—
Sodium Percentage	%	50	40	—
Fluoride	ppm.	—	—	1.5
Lead	ppm.	—	—	0.1
Selenium	ppm.	—	—	0.05
Hexavalent Chromium	ppm.	—	—	0.05
Arsenic	ppm.	—	—	0.05
Iron and Manganese together	ppm.	—	—	0.3
Magnesium	ppm.	—	—	125
Copper	ppm.	—	—	3.0
Zinc	ppm.	—	—	15
Phenol	ppm.	—	—	0.001

**(b) Records of Water Quality**

The State shall regularly take samples of water at each delivery structure for delivery of project water to the Agency, and shall make chemical and physical analyses and tests of such samples. The State shall keep accurate and complete records of all such analyses and tests, which records shall be available for inspection by the Agency at any time or times.

**(c) No Liability for Failure to Meet Quality Objectives**

If through no negligence of the State or its officers, agents, or employees, the State is unable to attain the quality objectives set forth in subdivision (a) of this article, neither the State nor any of its officers, agents, or employees shall be liable in any manner whatsoever for such deviation from said quality objectives.

**20. SUSPENSION OF SERVICE UPON DEFAULT**

In the event of any default by the Agency in the payment of any money required to be paid to the State hereunder, the State may, upon not less than six months' notice to the Agency, suspend deliveries of water under this contract for so long as such default continues: *Provided*, That during such period the Agency shall remain obligated to make all payments required under this contract. Action taken pursuant to this article 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.

**21. SALE OF SURPLUS WATER**

If during any year the supply of project water, after appropriate allowance for holdover storage, exceeds the total of annual entitlements of all contractors for that year, the State shall offer to sell and deliver such

surplus water for periods expiring not later than the end of such year, without right of renewal, and in a manner and at prices which will return to the State the largest net revenues practicable, and at the minimum, revenues equal to the variable operation, maintenance and power costs incurred in such service of surplus water: *Provided*, That such service of surplus water shall not interfere with the delivery of their respective annual entitlement to those contractors which do not receive surplus water in such year: *Provided further*, That not until a contractor either pays or incurs a payment obligation for its annual entitlement in accordance with the payment provisions of its contract, shall surplus water be sold to such contractor at prices less than those which would result under the application of the payment provisions of its contract: *Provided further*, That if, in the judgment of the State, the annual entitlement of a contractor desiring to purchase surplus water is unrealistically low for the year in which such purchase is to be made, the State shall, for the purpose of pricing such water in accordance with the second proviso above, consider such annual entitlement to be an increased amount determined by the State to accurately correspond to such contractor's actual requirements for project water in that year. All net revenues from the service of surplus water shall be applied in such manner that all contractors which contribute to the payment of the costs of any System facilities by which surplus water was conserved and transported in connection with such service will receive credit for a share of such net revenues in the proportion that each such contractor contributes to payment of such costs. The service of surplus water shall, in every case, be subject to the paramount right and obligation of the State to discontinue the same, in whole or in part, when required for service of project water to contractors.

## C. PAYMENT PROVISIONS

### 22. DELTA WATER CHARGE

#### (a) *Payment of Reimbursable Costs of Project Conservation Facilities*

The payments to be made by each contractor for project water shall include an annual charge designated as the Delta Water Charge. This charge, together with the total revenues derived during the project repayment period from the sale or other disposal of electrical energy generated in connection with operation of project conservation facilities, shall return to the State during the project repayment period all costs of the project conservation facilities including capital, operation, maintenance, power, and replacement costs, which are allocated to the purpose of water conservation in, above, and below the Delta pursuant to subdivision (e) of this article during the project repayment period. Wherever reference is

made, in connection with the computation or determination of the Delta Water 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 contractors as determined by the State.

#### (b) *Delta Water Rate Until 1970; Components of Rate Thereafter*

For each contractor receiving project water in any year through December 31, 1969, the Delta Water Charge shall be the product of \$3.50 and the contractor's annual entitlement to project water for the respective year. After that date, the Delta Water Charge shall consist and be the sum of the following components as these are computed in accordance with subdivisions (c) and (d) of this article: a capital cost component; a minimum operation, maintenance, power, and replacement component; and a variable operation, maintenance, power and replacement component.

#### (c) *Computation of the Components of the Delta Water Rate*

The capital cost, the minimum operation, maintenance, power, and replacement, and the variable operation, maintenance, power, and replacement components of the Delta Water Charge, together with that portion of the revenues derived during the project repayment period from the sale or other disposal of electrical energy generated in connection with operation of project conservation facilities which is allocated by the State to repayment of the respective category of costs, shall return to the State during the project repayment period, respectively, the following categories of the costs allocated to the purpose of water conservation in, above, and below the Delta pursuant to subdivision (e) of this article: (1) capital costs; (2) operation, maintenance, power, and replacement costs incurred irrespective of the amount of project water delivered to the contractors; and (3) operation, maintenance, power, and replacement costs incurred in an amount which is dependent upon and varies with the amount of project water delivered to the contractors: *Provided*, That each of the above categories of costs shall be inclusive of the appropriate costs properly chargeable to the generation and transmission of electrical energy in connection with operation of project conservation facilities. Each component of the Delta Water Charge shall be computed on the basis of a rate which, when charged during the project repayment period for each acre-foot of the sum of the yearly totals of annual entitlements of all contractors, will be sufficient, together with that portion of the revenues derived during the project repayment period from the sale or other disposal of electrical energy generated in connection with operation of project conservation facilities which is allo-

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cated by the State to repayment of the respective category of costs, to return to the State during the project repayment period all costs included in the

respective category of costs covered by that component. Each such rate shall be computed in accordance with the following formula:

$$\frac{(c_1 - r_1)(1 + i)^{-1} + (c_2 - r_2)(1 + i)^{-2} + \dots + (c_n - r_n)(1 + i)^{-n}}{e_1(1 + i)^{-1} + e_2(1 + i)^{-2} + \dots + e_n(1 + i)^{-n}}$$

Where:

$i$  = The project interest rate.

$c$  = The total costs included in the respective category of costs for the respective year of the project repayment period.

$r$  = That portion of the revenues derived from the sale or other disposal of electrical energy allocated by the State to repayment of the costs included in the respective category for the respective year of the project repayment period.

1, 2, and  $n$   
appearing  
below

$c$  and  $r$  = The respective year of the project repayment period for which costs are included in the respective category,  $n$  being the last year of the project repayment period.

$e$  = With respect to the capital cost and minimum operation, maintenance, power, and replacement components, the total of annual entitlements to project water of all contractors for the respective year of the project repayment period.

$e$  = With respect to the variable operation, maintenance, power, and replacement component, the total of the amounts of project water delivered to all contractors for the respective year of the expired portion of the project repayment period, together with the total of annual entitlements to project water of all contractors for the respective year of the unexpired portion of the project repayment period.

1, 2, and  $n$   
appearing  
below  $e$

= The respective year of the project repayment period in which the annual entitlements or project water deliveries occur,  $n$  being the last year of the project repayment period.

$n$  used  
as an

exponent = The number of years in the project repayment period.

### (d) Application of Component Rates

The capital cost and minimum operation, maintenance, power, and replacement components of the Delta Water Charge shall be the product of the appropriate rate computed under subdivision (c) of this article, and the contractor's annual entitlement to project water for the respective year. The variable operation, maintenance, power, and replacement component of the charge shall be the product of the appropriate rate computed under subdivision (c) of this article and the number of acre-feet of project water delivered to the contractor during the respective year: *Provided*, That when project water has been requested by a contractor and delivery thereof has been commenced by the State, and, through no fault of the State, such water is wasted as a result of failure or refusal by the contractor to accept delivery thereof, said variable component during such period shall be the product of said rate per acre-foot and the sum of the number of acre-feet of project water delivered to the contractor and the number of acre-feet wasted.

### (e) Allocations to Project Purposes

Prior to the time that additional project conservation facilities or supplemental conservation facilities are constructed, the Delta Water Charge shall be determined on the basis of an allocation to project

purposes, by the separable cost-remaining benefits method, of all projected costs of all those initial project conservation facilities located in and above the Delta, and upon an allocation to the purposes of water conservation and water transportation, by the proportionate use of facilities method, of all projected costs of the following project facilities located below the Delta: The aqueduct intake facilities at the Delta, Pumping Plant I (Delta Pumping Plant), the aqueduct from the Delta to San Luis Forebay, San Luis Forebay, and San Luis Reservoir: *Provided*, That all of the projected costs properly chargeable to the generation and transmission of electrical energy in connection with operation of project conservation facilities shall be allocated to the purpose of water conservation in, above, and below the Delta: *Provided further*, That allocations to purposes the costs of which are to be paid by the United States shall be as determined by the United States. Commencing in the year in which the State first incurs capital costs for construction of additional project conservation facilities, the Delta Water Charge shall be determined on the basis of the foregoing allocations and upon an allocation to project purposes, by the separable costs-remaining benefits method and subject to the foregoing provisos, of all projected costs of such additional project conservation facilities.

**(f) Yearly Recomputation of Rates After 1970**

The rates to be used in determining the components of the Delta Water Charge pursuant to subdivision (d) of this article and to become effective on January 1, 1970, shall be computed by the State in accordance with subdivision (c) of this article prior to that date. Such computation shall include an adjustment which shall account for the difference, if any, between revenues received by the State under the Delta Water Charge prior to January 1, 1970, and revenues which would have been received under the charge prior to that date had it been computed and charged in accordance with subdivisions (c) and (d) of this article. Upon such computation, a document establishing such rates shall be prepared by the State and attached to this contract as an amendment of this article. The State shall recompute such rates each year thereafter, and each such recomputation shall take account of and reflect increases or decreases from year to year in projected costs, outstanding reimbursable indebtedness of the State incurred to construct the project conservation facilities described in subdivision (e) of this article, annual entitlements, deliveries of project water, project interest rate, revenues from the sale or other disposal of electrical energy, and all other factors which are determinative of such rates. In addition, each such recomputation shall include an adjustment of the rates for succeeding years which shall account for the differences, if any, between projections of costs used by the State in determining said rates for all preceding years, and actual costs incurred by the State during such years. Upon each such recomputation, an appropriately revised copy of the document establishing such rates shall be prepared by the State and attached to this contract as an amendment of this article.

**(g) Supplemental Conservation Facilities**

Upon the construction of supplemental conservation facilities, the Delta Water Charge shall be paid by all contractors for supplemental water, as well as by contractors for project water, and, together with revenues derived from the sale or other disposal of electrical energy generated in connection with operation of project conservation facilities and supplemental conservation facilities, shall return to the State, in addition to those costs of the project conservation facilities allocated to the purpose of water conservation in, above, and below the Delta pursuant to subdivision (e) of this article, all costs of such supplemental conservation facilities, including capital, operation, maintenance, power, and replacement costs, which are allocated to the purpose of water conservation in, above, and below the Delta pursuant hereto. Commencing in the year in which the State first incurs capital costs for construction of supplemental conservation facilities, the Delta Water Charge shall be determined on the basis of the allocations made pursuant to subdivision (e) of

this article, and upon an allocation to project purposes, by the separable costs-remaining benefits method and subject to provisos corresponding to those contained in said subdivision (e), of all projected costs of such supplemental conservation facilities. Commencing in the same year, the computation of the rates to be used in determining the components of the Delta Water Charge shall include the annual entitlements to water under all contracts for supplemental water. If the repayment period of any bonds sold to construct supplemental conservation facilities extends beyond the project repayment period, the Delta Water Charge shall be determined and redetermined on the basis of such extended repayment period as the State determines to be appropriate.

**23. TRANSPORTATION CHARGE**

The payments to be made by each contractor entitled to delivery of project water from the project transportation facilities shall include an annual charge under the designation Transportation Charge. This charge shall return to the State during the project repayment period those costs of all project transportation facilities necessary to deliver project water to the contractor including capital, operation, maintenance, power, and replacement costs, which are allocated to the contractor during the project repayment period in accordance with the cost allocation principles and procedures herein after set forth. Wherever reference is made, in connection with the computation, determination, or payment of the 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 contractors as determined by the State. The Transportation Charge shall consist of a capital cost component; a minimum operation, maintenance, power, and replacement component; and a variable operation, maintenance, power, and replacement component, as these components are defined in and determined under Articles 24, 25, and 26, respectively. For the purpose of allocations of costs pursuant to said articles, the project transportation facilities shall be segregated into such aqueduct reaches as are determined by the State to be necessary for such allocations of costs. Subject to such modifications as are determined by the State to be required by reason of any request furnished by the Agency to the State pursuant to Article 17(a) of this contract, or by reason of contracts entered into by the State with other contractors, the aqueduct reaches of the project transportation facilities are established as set forth in Table I of this contract: *Provided*, That those costs of the aqueduct reaches from the Delta through the outlet of San Luis Reservoir which are allocated to the purpose of water conservation in, above, and below the Delta for the purpose of determining the Delta Water Charge, as hereinbefore set forth, shall not be included in the Transportation Charge.



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**24. TRANSPORTATION CHARGE—CAPITAL COST COMPONENT**

**(a) Method of Computation**

The capital cost component of the Transportation Charge shall be sufficient to return to the State those capital costs of the project transportation facilities necessary to deliver water to the contractor which are allocated to the contractor pursuant to subdivision (b) of this article. The amount of this component shall be determined in two steps as follows: (1) an allocation of capital costs to the contractor, and (2) a computation of annual payment of such allocated capital costs and interest thereon, computed at the project interest rate and compounded annually, to be made by the contractor.

**(b) Allocation of Capital Costs Among Contractors**

In the first step, the total amount of capital costs of each aqueduct reach to be returned to the State shall be allocated among all contractors entitled to delivery of project water from or through the reach by the proportionate use of facilities method of cost allocation and in accordance with (1) and (2) below. The measure of the proportionate use of each contractor of each reach shall be the average of the following two ratios: (i) the ratio of the contractor's maximum annual entitlement to be delivered from or through the reach to the total of the maximum annual entitlements of all contractors to be delivered from or through the reach; and (ii) the ratio of the capacity provided in the reach for the transport and delivery of project water to the contractor to the total capacity provided in the reach for the transport and delivery of project water to all contractors served from or through the reach. Allocations of capital costs to the Agency pursuant hereto shall be on the basis of relevant values which will be set forth in Table B of this contract by the State as soon as designs and cost estimates are prepared by it subsequent to receipt of requests from the Agency as to the maximum monthly delivery capability to be provided in each aqueduct reach of the project transportation facilities for the transport and delivery of project water to the Agency, pursuant to Article 17(a): *Provided*, That these values shall be subject to redetermination by the State in accordance with Article 28: *Provided further*, That the principles and procedures set forth in this subdivision shall be controlling as to allocations of capital costs to the Agency.

- (1) The total amount of capital costs allocated to a contractor shall be the sum of the products obtained when there is multiplied, for each aqueduct reach necessary to deliver water to the contractor, the total amount of the capital costs of the reach to be returned to the State under the Transportation Charge by the average of the two foregoing ratios for such reach as

said average is set forth in the appropriate table included in its contract.

- (2) In the event that excess capacity is provided in any aqueduct reach for the purpose of making project water available in the future to an agency or agencies with which the State has not executed contracts at the time of any allocation of costs pursuant to this subdivision, the prospective maximum annual entitlement or entitlements to be supplied by such excess capacity, as determined by the State, shall be deemed to be contracted for by said agency or agencies for the purpose of such allocation of costs, to the end that the capital costs of providing such excess capacity are not charged to any contractor entitled by virtue of an executed contract to the delivery of project water from or through that aqueduct reach at the time of such allocation. Where additional capacity is provided in any aqueduct reach to compensate for loss of water due to evaporation, leakage, seepage, or other causes, or to compensate for scheduled outages for purposes of necessary investigation, inspection, maintenance, repair or replacement of the facilities of the project facilities, then, for the purpose of any allocation of costs pursuant to this subdivision: (i) the maximum annual entitlement to be delivered from or through the reach of each contractor entitled to delivery of project water from or through the reach shall be increased by an amount which bears the same proportion to the maximum annual delivery capability provided by such additional capacity that the contractor's maximum annual entitlement to be delivered from or through the reach bears to the total of the maximum annual entitlements to be delivered from or through the reach under all contracts; and (ii) the capacity provided in the reach for each contractor entitled to delivery of project water from or through the reach shall be increased in the same proportion that the contractor's maximum annual entitlement to be delivered from or through the reach is increased pursuant to (i) above.
- (3) The projected amounts of capital costs to be allocated annually to the Agency under the capital cost component of the Transportation Charge shall be determined by the State in accordance with the cost allocation principles and procedures set forth in this subdivision, which principles and procedures shall be controlling as to allocations of capital costs to the Agency. Such amounts will be set forth in Table C of this contract by the State as soon as designs and cost estimates are prepared by it subsequent to receipt of requests from the Agency as to the maximum monthly delivery capability to be

provided in each aqueduct reach for transport and delivery of project water to the Agency, pursuant to Article 17(a): *Provided*, That these amounts shall be subject to redetermination by the State in accordance with Article 28.

**(c) Annual Payments of Allocated Capital Costs**

In the second step, the Agency's annual payment of its allocated capital costs and interest thereon, computed at the project interest rate and compounded annually, shall be determined in accordance with a payment schedule established by the State and determined in accordance with the principles set forth in (1), (2), and (3) below, which principles shall be controlling as to the Agency's payment of its allocated capital costs. The Agency's payment schedule will be set forth in Table D of this contract by the State as soon as designs and cost estimates are prepared by it subsequent to receipt of requests from the Agency as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of project water to the Agency, pursuant to Article 17(a): *Provided*, That the amounts set forth in Table D shall be subject to redetermination by the State, pursuant to Article 28.

- (1) The Agency's annual payment shall be the sum of the amounts due from the Agency on the Agency's allocated capital costs for the then current year and for each previous year where each such amount will pay, in not more than fifty (50) equal annual installments of principal and interest, the Agency's allocated capital costs for the respective year and interest thereon, computed at the project interest rate and compounded annually.
- (2) The Agency may make payments at a more rapid rate if approved by the State.
- (3) Such annual payments shall cease when all allocated capital costs and interest thereon, computed at the project interest rate and compounded annually, are repaid.

**(d) Payment in Advance for Excess Peaking Capacity**

In the event that any contractor, pursuant to Article 12(b), requests delivery capacity in any aqueduct reach which will permit maximum monthly deliveries to such contractor in excess of the percentage amounts specified in said Article 12(b) for the uses designated therein, such contractor shall furnish to the State, in advance of the construction of such aqueduct reach, funds sufficient to cover the costs of providing such excess capacity, which funds shall be in an amount which bears the same proportion to the total capital costs of such reach, including the costs of providing such excess capacity, as such excess capacity bears to the total capacity of such reach, including such excess capacity. For the purpose of any allocation of costs pursuant to subdivision (b) of this article, the total

capital costs of such aqueduct reach shall be allocated among all contractors entitled to delivery of project water from or through the reach in the following manner:

- (1) The costs which would have been incurred for such reach had no such excess capacity been provided shall be estimated by the State and allocated among all such contractors in the manner provided in said subdivision (b); and
- (2) The amount of the difference between said estimated costs and the projected actual costs of such reach shall be allocated to the contractor or contractors for which such excess capacity is provided.

Where such excess capacity is provided for more than one contractor, the costs allocated to them under (2) above shall be further allocated between or among them in amounts which bear the same proportion to the total of said allocated costs as the amount of such excess capacity provided for the respective contractor bears to the total of such excess capacity provided in such reach. In the event that the funds advanced by a contractor pursuant to this subdivision are more or less than the costs so allocated to such contractor under (2) above, the account of such contractor shall be credited or debited accordingly.

**(e) Costs Incurred Prior to Date of Contract**

The Agency's allocated capital costs for the year preceding the year of initial payment of the capital component of the Transportation Charge, pursuant to subdivision (c) of this article, shall consist of the sum of the Agency's allocated capital costs for each year through such year preceding the year of initial payment, and interest thereon, computed at the project interest rate and compounded annually.

**25. TRANSPORTATION CHARGE—MINIMUM OPERATION, MAINTENANCE, POWER, AND REPLACEMENT COMPONENT**

**(a) Method of Computation**

The minimum operation, maintenance, power, and replacement component of the Transportation Charge shall return to the State those costs of the project transportation facilities necessary to deliver water to the contractor which constitute operation, maintenance, power, and replacement costs incurred irrespective of the amount of project water delivered to the contractor and which are allocated to the contractor pursuant to (b) below: *Provided*, That to the extent permitted by law, the State may establish reserve funds to meet anticipated minimum replacement costs; and deposits in such reserve funds by the State: (1) shall be made in such amounts that such reserve funds will be adequate to meet such anticipated costs as they are incurred, and (2) shall be deemed to be a part of the minimum replacement costs for the year in which such deposits are made.

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### **(b) Allocation of Costs**

The total projected minimum operation, maintenance, power, and replacement costs of each aqueduct reach of the project transportation facilities for the respective year shall be allocated among all contractors entitled to delivery of project water from said facilities by the proportionate use of facilities method of cost allocation, in the same manner and upon the same bases as are set forth for the allocation of capital costs in Article 24: *Provided*, That such minimum operation, maintenance, power, and replacement costs as are incurred generally for the project transportation facilities first shall be allocated to each aqueduct reach in an amount which bears the same proportion to the total amount of such general costs that the amount of the costs incurred directly for the reach bears to the total of all direct costs for all aqueduct reaches.

### **(c) Payment Table**

The amount to be paid each year by the Agency under the minimum operation, maintenance, power, and replacement component of the Transportation Charge shall be determined in accordance with subdivision (b) of this article on the basis of the relevant values to be set forth for the respective aqueduct reaches in Table B of this contract: *Provided*, That these values shall be subject to redetermination by the State in accordance with Article 28. Such amounts and any interest thereon shall be set forth by the State in Table E of this contract as soon as designs and cost estimates have been prepared by it subsequent to receipt of requests from the Agency as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of project water to the Agency, pursuant to Article 17(a): *Provided*, That the amounts set forth in Table E shall be subject to redetermination by the State in accordance with Article 28.

## **26. TRANSPORTATION CHARGE—VARIABLE OPERATION, MAINTENANCE, POWER, AND REPLACEMENT COMPONENT**

### **(a) Method of Computation**

The variable operation, maintenance, power, and replacement component of the Transportation Charge shall return to the State those costs of the project transportation facilities necessary to deliver water to the contractor which constitute operation, maintenance, power, and replacement costs incurred in an amount which is dependent upon and varies with the amount of project water delivered to the contractor and which are allocated to the contractor pursuant to (1) and (2) below: *Provided*, That to the extent permitted by law, the State may establish reserve funds to meet anticipated variable replacement costs; and deposits in such reserve funds by the State: (1) shall

be made in such amounts that such reserve funds will be adequate to meet such anticipated costs as they are incurred, and (2) shall be deemed to be a part of the variable replacement costs for the year in which such deposits are made. The amount of this component shall be determined as follows:

- (1) There shall be computed for each aqueduct reach of the project transportation facilities a charge per acre-foot of water which will return to the State the total projected variable operation, maintenance, power, and replacement costs of the reach for the respective year. This computation shall be made by dividing said total by the number of acre-feet of project water estimated to be delivered from or through the reach to all contractors during the year.
- (2) The amount of the variable component shall be the sum of the products obtained when the charges per acre-foot of water, determined under (1) above, for each aqueduct reach necessary to deliver water to the contractor are multiplied by the number of acre-feet of project water delivered to the contractor from or through that reach during the year: *Provided*, That when project water has been requested by a contractor and delivery thereof has been commenced by the State, and, through no fault of the State, such water is wasted as a result of failure or refusal by the contractor to accept delivery thereof, the amount of said variable component to be paid by such contractor during such period shall be the product of the above sum and the sum of the number of acre-feet of project water delivered to the contractor and the number of acre-feet wasted.

### **(b) Revenue From Aqueduct Power Recovery Plants**

There shall be credited against the amount of the variable component to be paid by each contractor, as determined pursuant to subdivision (a) of this article, a portion of the projected net value of any power recovered during the respective year at project aqueduct power recovery plants located upstream on the particular aqueduct from the delivery structures for delivery of project water to the contractor. Such portion shall be in an amount which bears the same proportion to said projected net value that the number of acre-feet of project water delivered to the contractor through said plants during the year bears to the number of acre-feet of project water delivered to all contractors through said plants during the year.

### **(c) Payment Table**

The amount to be paid each year by the Agency under the variable operation, maintenance, power, and

replacement component of the Transportation Charge shall be determined in accordance with subdivision (a) of this article for the respective aqueduct reaches in Table B of this contract. Such amounts and any interest thereon shall be set forth by the State in Table F of this contract as soon as designs and cost estimates are prepared by it subsequent to receipt of requests from the Agency as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of project water to the Agency, pursuant to Article 17(a): *Provided*, That the amounts set forth in Table F shall be subject to redetermination by the State in accordance with Article 28.

## **27. TRANSPORTATION CHARGE—PAYMENT SCHEDULE**

The amounts to be paid by the Agency for each year of the project repayment period under the capital cost and minimum operation, maintenance, power, and replacement components of the Transportation Charge, and under the variable operation, maintenance, power, and replacement component of said charge on the basis of then estimated deliveries, shall be set forth by the State in Table G of this contract as soon as designs and cost estimates have been prepared by it subsequent to receipt of requests from the Agency as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of project water to the Agency, pursuant to Article 17(a). Table G of this contract shall constitute a summation of Tables D, E, and F of this contract: *Provided*, That each of the amounts set forth in Table G shall be subject to redetermination by the State in accordance with Article 28: *Provided further*, That the principles and procedures set forth in Articles 24, 25, and 26 shall be controlling as to such amounts. Such amounts shall be paid by the Agency in accordance with the provisions of Article 29.

## **28. TRANSPORTATION CHARGE—REDETERMINATION**

The State shall redetermine the values and amounts set forth in Tables B, C, D, E, F and G of this contract in the year following the year in which the State commences construction of the project transportation facilities and each year thereafter in order that the Transportation Charge to the Agency and the components thereof may accurately reflect increases or decreases from year to year in projected costs, outstanding reimbursable indebtedness of the State incurred to construct the project transportation facilities described in Table I of this contract annual entitlements, estimated deliveries, project interest rate, and all other factors which are determinative of such charges. In addition, each such redetermination shall include an adjustment of the components of the Transportation Charge to be paid by the Agency for suc-

ceeding years which shall account for the differences, if any, between projections of costs used by the State in determining the amounts of said components for all preceding years and actual costs incurred by the State during such years. Upon each such redetermination, appropriately revised copies of Tables B, C, D, E, F and G shall be prepared by the State and attached to this contract as amendments of those tables.

## **29. TIME AND METHOD OF PAYMENT**

### **(a) Initial Payment—Delta Water Charge**

Payments by the Agency under the Delta Water Charge shall commence in the year of initial water delivery to the Agency.

### **(b) Initial Payment—Transportation Charge: Capital Component**

Payments by the Agency under the capital cost component of the Transportation Charge shall commence in the year following the year in which the State commences construction of the project transportation facilities. If such construction has already commenced when this contract is executed, such payments shall begin in the year following the year of execution.

### **(c) Initial Payment—Transportation Charge: Minimum Component**

Payments by the Agency under the minimum operation, maintenance, power, and replacement component of the Transportation Charge shall commence for each aqueduct reach in the year following the year in which construction of that reach is completed.

### **(d) Initial Payment—Transportation Charge: Variable Component**

Payments by the Agency under the variable operation, maintenance, power, and replacement component of the Transportation Charge shall commence in the year of initial water delivery to the Agency.

### **(e) Statement of Charges**

The State shall, on or before July 1 of each year, commencing with the year preceding the year in which payment of the respective charge is to commence pursuant to this article, furnish the Agency with a written statement of: (1) the charges to the Agency for the next succeeding year under the capital cost and minimum operation, maintenance, power, and replacement components of the Delta Water Charge and Transportation Charge; (2) the unit charges to the Agency for the next succeeding year under the variable operation, maintenance, power, and replacement components of said Delta Water Charge and Transportation Charge; and (3) the total charges to the Agency for the preceding year under the variable operation, maintenance, power, and replacement components of said Delta Water Charge and Transportation Charge: *Provided*, That through December 31,

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1969, the Delta Water Charge shall be based upon a unit rate of \$3.50 per acre-foot and shall be paid by the contractors on the basis of their respective annual entitlements to project water, as provided in Article 22(b): *Provided further*, That the first such statement shall be provided by the State as soon after the execution of this contract as is feasible. All such statements shall be accompanied by the latest revised copies of the document amendatory to Article 22 and of Tables B, C, D, E, F and G of this contract, together with such other data and computations used by the State in determining the amounts of the above charges as the State deems appropriate. The State shall, on or before the fifteenth day of each month of each year, commencing with the year of initial water delivery to the Agency, furnish the Agency with a statement of the charges to the Agency for the preceding month under the variable operation, maintenance, power, and replacement components of the Delta Water Charge and Transportation Charge. Such charges shall be determined by the State in accordance with the relevant provisions of Articles 22 and 26 of this contract, upon the basis of metered deliveries of project water to the Agency, except as otherwise provided in those articles.

### **(f) Times of Payment—Capital Components**

The Agency shall pay to the State, on or before January 1 of each year, commencing with the year in which payment of the respective charge is to commence pursuant to this article, one-half ( $\frac{1}{2}$ ) of the charge to the Agency for the year under the capital cost component of the Delta Water Charge and one-half ( $\frac{1}{2}$ ) of the charge to the Agency for the year under the capital cost component of the Transportation Charge, as such charges are stated pursuant to subdivision (e) of this article; and shall pay the remaining one-half ( $\frac{1}{2}$ ) of each of said charges on or before July 1 of that year.

### **(g) Times of Payment—Minimum Components**

The Agency shall pay to the State, on or before the first day of each month of each year, commencing with the year of initial water delivery to the Agency, one-twelfth ( $\frac{1}{12}$ ) of the sum of the charges to the Agency for the year under the minimum operation, maintenance, power, and replacement components of the Delta Water Charge and Transportation Charge, respectively, as such charges are stated pursuant to subdivision (e) of this article.

### **(h) Times of Payment—Variable Components**

The Agency shall pay to the State on or before the fifteenth day of each month of each year, commencing with the year of initial water delivery to the Agency, the charges to the Agency under the variable

operation, maintenance, power, and replacement components of the Delta Water Charge and Transportation Charge, respectively, for which a statement was received by the Agency during the preceding month pursuant to subdivision (e) of this article, as such charges are stated in such statement.

### **(i) Contest of Accuracy of Charges**

In the event that the Agency contests the accuracy of any statement submitted to it pursuant to subdivision (e) of this article, it shall give the State notice thereof at least ten (10) days prior to the day upon which payment of the stated amounts is due. To the extent that the State finds the Agency's contentions regarding the statement to be correct, it shall revise the statement accordingly, and the Agency shall make payment of the revised amounts on or before the due date. To the extent that the State does not find the Agency's contentions to be correct, or where time is not available for a review of such contentions prior to the due date, the Agency shall make payment of the stated amounts on or before the due date, but may make the contested part of such payment under protest and seek to recover the amount thereof from the State.

## **30. SURCHARGE FOR PROJECT WATER USED ON EXCESS LAND**

### **(a) Definitions: "Surcharge"; "Excess Land"**

As used herein the term "surcharge" shall mean an amount equivalent to the power credit per acre-foot of water, as such credit is determined under and established by subdivision (b) of this article, to be charged to water users other than the United States or the State of California, as hereinafter provided and to the extent permitted by law, for each acre-foot of project water put to agricultural or manufacturing use on excess land. As used herein the term "excess land" shall mean that part of any land held in single beneficial ownership within a contractor's boundaries, or, where project water is delivered to water users by a retail agency as hereinafter defined, that part of any such land within the service area of such retail agency, which is in excess of 160 acres; or in the case of joint ownership by husband and wife that part of any such land which is in excess of 320 acres.

### **(b) Definition: "Power Credit"**

As used herein, the term "power credit" shall mean the net value accruing to the State from revenues derived from the sale or other disposal of electrical energy generated in connection with operation of initial project conservation facilities after deducting from said revenues the amount necessary to repay the investment properly chargeable to energy generation and for operation, maintenance, and replacement of the electrical generation facilities. The power credit:

per acre-foot of water shall be computed in accordance with the following formula:

$$\frac{c_1(1+i)^{-1} + c_2(1+i)^{-2} + \dots + c_n(1+i)^{-n}}{e_1(1+i)^{-1} + e_2(1+i)^{-2} + \dots + e_n(1+i)^{-n}}$$

Where:

- $i$  = The project interest rate.
- $c$  = The projected annual power credit accrued during the respective year of the project repayment period.
- 1, 2, and  $n$  appearing below  $c$  = The respective year of the project repayment period during which the power credit is accrued,  $n$  being the last year of the project repayment period.
- $e$  = The total of annual entitlements to project water of all contractors for the respective year of the project repayment period.
- 1, 2, and  $n$  appearing below  $e$  = The respective year of the project repayment period in which the annual entitlements occur,  $n$  being the last year of the project repayment period.
- $n$  used as exponent = The number of years in the project repayment period.

The power credit per acre-foot of water is hereby established as \$2 until all of the facilities for generation of electrical energy in connection with operation of initial project conservation facilities are installed and in operation. The State shall redetermine the power credit per acre-foot of water each year thereafter in order that it may accurately reflect increases or decreases from year to year in the power credit as defined herein. Each such redetermination shall be in accordance with the method of computation set forth in this subdivision, and upon each such redetermination, a document showing the revised amount of the power credit per acre-foot of water shall be attached to this contract as an amendment of this subdivision.

**(c) Definition: "Retail Agency"**

As used herein the term "retail agency" shall mean any agency which delivers directly to the users thereof, project water made available by, through, or under a contractor.

**(d) Payment of Surcharge**

Each contractor, to the extent that it delivers project water directly to the users thereof, shall require on behalf of the State that each such user on or before June 1 of each year, commencing with the year following the year of initial water delivery: (1) certify in writing to the contractor on forms prescribed and furnished by the State the description of the excess land owned by such user upon which project water is put to agricultural or manufacturing use, and the amount of project water put to agricultural or manu-

facturing use on such land during the preceding year; and (2) pay to the contractor for the account of the State a surcharge for the amount of water so certified. Each contractor, to the extent that it delivers project water to a retail agency or to another agency by, through, or under which such water is delivered to a retail agency, shall require on behalf of the State that each water user served by such retail agency be required to, on or before May 1 of each year, commencing with the year following the year of initial water delivery: (1) certify in writing to the retail agency on forms prescribed and furnished by the State the description of the excess land owned by such user upon which project water is put to agricultural or manufacturing use and the amount of project water put to agricultural or manufacturing use on such land during the preceding year; and (2) pay to the retail agency for the account of the State a surcharge for the amount of project water so certified. Each contractor and retail agency shall be entitled to rely upon the certifications furnished them by water users pursuant to this subdivision, unless notified by the State as to the inaccuracy of any such certification. Payments made to the contractor pursuant to this subdivision, together with the certifications supporting such payments, shall be forwarded to the State on or before July 1 of the year in which they are received. Payments made to a retail agency pursuant to this subdivision, together with the certifications supporting such payments, shall on behalf of the State be required to be forwarded to the contractor, which shall in turn forward them to the State on or before July 1 of the year in which they are received; except that where project water has been delivered to the retail agency by, through, or under an agency or agencies other than the contractor, such payments and certifications shall on behalf of the State be required to be forwarded by the retail agency to the agency from which it received project water and by that agency, et seq., to the contractor, which shall forward them to the State on or before July 1 of the year in which they are received.

**(e) Commingling of Project and Nonproject Water**

In the event that a contractor, retail agency, or water user commingles project water with water from another source in a common distribution system, the contractor shall, in complying with the provisions of this article, adhere to the following rules, and, where project water is delivered by it to a retail agency or to another agency by, through or under which project water is delivered to a retail agency, as contemplated in subdivision (d) of this article, shall require on behalf of the State that such retail agency adhere or be required to adhere to the same rules.

- (1) If the amount of nonproject water applied in any year within the area served with project

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water by the contractor or retail agency is equal to or greater than the amount of water put to agricultural or manufacturing use on all excess land within that area during such year, it shall be presumed that the water put to agricultural or manufacturing use on such excess land is nonproject water, and there shall be no surcharge to water users in that area.

- (2) If the amount of nonproject water applied in any year within the area served with project water by the contractor or retail agency is less than the amount of water put to agricultural or manufacturing use on all excess land within that area during such year, it shall be presumed, for the purpose of determining the payments to be made under the surcharge by water users in that area, that the amount of project water put to agricultural or manufacturing use on excess land of a particular ownership within that area during such year bears the same proportion to the total amount of water so used on that excess land during such year as the total amount of project water applied within that area during such year bears to the total amount of water applied within that area during such year.
- (3) Project water which reaches the underground prior to delivery to or pumping by a water user shall not be subject to a surcharge under this article.

### **(f) Failure of Retail Agency to Perform Obligations**

Subject to subdivision (g) of this article, a contractor shall not be liable for the failure of any retail agency or other agency to perform the obligations imposed upon it in accordance with subdivision (d) of this article.

### **(g) State May Enforce Surcharge**

In the event that any retail agency or other agency by, through or under which project water is delivered to a retail agency, fails to perform the obligations imposed upon it in accordance with subdivision (d) of this article, the State may take such action in a court of competent jurisdiction, in the name of the contractor and/or agency or agencies by, through or under which project water is delivered to such retail agency, as it deems necessary to compel the performance of such obligations, and in such action the State shall be subrogated to the rights of such contractor and/or such other agency or agencies against such retail agency or other agency. In the event that any certification furnished by a water user in accordance with subdivision (d) of this article is found by the State to inaccurately represent facts of water use or land ownership, with the result that such user is avoiding payment under the surcharge provided for herein,

the State may take such action in a court of competent jurisdiction, in the name of the contractor and/or the retail agency and/or any other agency or agencies by, through, or under which project water is delivered to such water user, as it deems necessary to collect full payment under the surcharge from such water user and to compel the performance of all obligations imposed upon such water user in accordance with said subdivision (d), and in such action the State shall be subrogated to the rights of such contractor and/or such retail agency and/or such other agency or agencies against such water user. Where project water is delivered by a contractor to a retail agency or to another agency by, through, or under which project water is delivered to a retail agency, as contemplated in subdivision (d) of this article, the contractor shall require on behalf of the State that such retail agency or other agency and all agencies by, through, or under which project water is delivered to a retail agency permit or be required to permit the State to bring the foregoing actions in their respective names and be subrogated to their respective rights as set forth above.

### **(h) State to Defend and Indemnify Against Claims**

Should the application of any of the provisions of this article in the manner provided for herein result in claims of any nature against a contractor, retail agency, or other agency by, through, or under which project water is delivered to a retail agency, the State shall defend the contractor, retail agency, or other agency against such claims, and shall indemnify them for any liability with respect thereto arising from activities required by the State under this article.

### **(i) Separability**

This article shall be separable from all other provisions in this contract, and in the event that any or all of the provisions of this article are in any manner or to any extent held to be invalid by final judgment or decree of a court of competent jurisdiction, such holding and such invalidity shall in no way affect the validity of, or make invalid, any other provision of this contract.

## **31. ADJUSTMENT FOR OVERPAYMENT OR UNDERPAYMENT**

If in any year, by reason of errors in computation or other causes, there is an overpayment or underpayment to the State by the Agency of the charges provided for herein, which overpayment or underpayment is not accounted for and corrected in the annual redetermination of said charges, the amount of such overpayment or underpayment shall be credited or debited, as the case may be, to the Agency's account for the next succeeding year and the State shall notify the Agency thereof in writing.

**32. DELINQUENCY IN PAYMENT****(a) Agency to Provide for Punctual Payment**

The governing body of the Agency shall provide for the punctual payment to the State of payments which become due under this contract.

**(b) Interest on Overdue Payments**

Upon every amount of money required to be paid by the Agency to the State pursuant to this contract which remains unpaid after it becomes due and payable, interest shall accrue at the rate of one-half ( $\frac{1}{2}$ ) of one (1) percent per month of the amount of such delinquent payment from and after the due date until it is paid, and the Agency hereby agrees to pay such interest: *Provided*, that no interest shall be charged to or be paid by the Agency unless such delinquency continues for more than thirty (30) days.

**33. OBLIGATION OF AGENCY TO MAKE PAYMENTS****(a) Refusal of Water Does Not Affect Obligation**

The Agency's failure or refusal to accept delivery of project water to which it is entitled under Article 6(b) shall in no way relieve the Agency of its obligation to make payments to the State as provided for in this contract. The State, however, shall make reasonable efforts to dispose of any water made available to but not required by the Agency and any net revenues from such disposal shall be credited pursuant to Article 21.

**(b) Character of Obligation**

The Agency as a whole is obligated to pay to the State the payments becoming due under this contract, notwithstanding any individual default by its constituents or others in the payment to the Agency of assessments, tolls, or other charges levied by the Agency.

**34. OBLIGATION OF AGENCY TO LEVY TAXES AND ASSESSMENTS****(a) When Obligated**

If in any year the Agency fails or is unable to raise sufficient funds by other means, the governing body of the Agency shall levy upon all property in the Agency not exempt from taxation, a tax or assessment sufficient to provide for all payments under this contract then due or to become due within that year.

**(b) Enforcement by Officers of Agency**

Taxes or assessments levied by the governing body of the Agency pursuant to subdivision (a) of this article shall be enforced and collected by all officers of the Agency charged with the duty of enforcing and collecting taxes or assessments levied by the Agency.

**(c) Deposit in Separate Fund**

All money collected for taxes or assessments under this article shall be kept in a separate fund by the treasurer or other officer of the Agency charged with the safekeeping and disbursement of funds of the Agency, and, upon the written demand of the State, the treasurer or other officer shall pay over to the State all such money in his possession or control then due the State under this contract, which money shall be applied by the State to the satisfaction of the amount due under this contract.

**(d) Enforcement of Levy**

In the event of failure, neglect, or refusal of any officer of the Agency to levy any tax or assessment necessary to provide payment by the Agency under this contract, to enforce or to collect the tax or assessment, or to pay over to the State any money then due the State collected on the tax or assessment, the State may take such action in a court of competent jurisdiction as it deems necessary to compel the performance in their proper sequence of all such duties. Action taken pursuant hereto 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.

**D. GENERAL PROVISIONS****35. REMEDIES NOT EXCLUSIVE**

The use by either party of any remedy specified herein for the enforcement of this contract is not exclusive and shall not deprive the party using such remedy of, or limit the application of, any other remedy provided by law.

**36. AMENDMENTS**

This contract may be amended at any time by mutual agreement of the parties, except insofar as any proposed amendments are in any way contrary to applicable law. The State shall promptly furnish the Agency with copies of all contracts now or hereafter executed by the State for a dependable supply of project water, and of any amendments thereof.

**37. AGENCY NOT ESTOPPED TO CHALLENGE STATE LAWS**

Nothing herein contained shall be construed as estopping or otherwise preventing the Agency or any person, firm, association, corporation, or public body or agency claiming by, through, or under the Agency from contesting by litigation or other lawful means the validity, constitutionality, construction or application of any law of this State, including laws referred to in the Bond Act, or as preventing or prejudicing the amendment or repeal of any such law, and each contract executed by the State for a dependable supply of



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project water shall contain a similar reservation with respect to State laws.

### 38. OPINIONS AND DETERMINATIONS

Where the terms of this contract provide for action to be based upon the opinion, judgment, approval, review, or determination of either party hereto, such terms are not intended to be and shall never be construed as permitting such opinion, judgment, approval, review, or determination to be arbitrary, capricious, or unreasonable.

### 39. CONTRACTING OFFICER OF THE STATE

The contracting officer of the State shall be the Director of Water Resources of the State of California and his successors, or their duly authorized representatives. The contracting officer shall be responsible for all discretionary acts, opinions, judgments, approvals, reviews, and determinations required of the State under the terms of this contract.

### 40. SUCCESSORS AND ASSIGNS OBLIGATED

This contract and all of its provisions shall apply to and bind the successors and assigns of the parties hereto.

### 41. ASSIGNMENT

No assignment or transfer of this contract or any part hereof, rights hereunder, or interest herein by the Agency shall be valid unless and until it is approved by the State and made subject to such reasonable terms and conditions as the State may impose.

### 42. WAIVER OF RIGHTS

Any waiver at any time by either party hereto of its rights with respect to a default or any other matter arising in connection with this contract, shall not be deemed to be a waiver with respect to any other default or matter.

### 43. NOTICES

All notices that are required either expressly or by implication to be given by one party to the other under this contract shall be signed for the State by its contracting officer, and for the Agency by such officer as it may, from time to time, authorize in writing to so act. All such notices shall be deemed to have been given if delivered personally or if enclosed in a properly addressed envelope and deposited in a United States Post Office for delivery by registered or certified mail. Unless and until formally notified otherwise, all notices shall be addressed to the parties at their addresses as shown on the signature page of this contract.

### 44. MAINTENANCE AND INSPECTION OF BOOKS, RECORDS, AND REPORTS

During regular office hours, each of the parties hereto and their duly authorized representatives shall have the right to inspect and make copies of any books, records, or reports of the other party pertaining to this contract or matters related hereto. Each of the parties hereto shall maintain and make available for such inspection accurate records of all of its costs, disbursements and receipts with respect to its activities under this contract and the Bond Act.

## E. SPECIAL PROVISIONS AND TABLES

### 45. SPECIAL PROVISIONS

(a) Notwithstanding other provisions of this contract, surplus water for agricultural and ground water replenishment use shall be offered to contractors on the following basis. Before surplus water is sold for other than agricultural and ground water replenishment use, each contractor shall have the right, subject to the ability of the State to deliver such water, to contract for agricultural and ground water replenishment use for a portion of the total amount of surplus water available in any year, in an amount which bears the same ratio to the total amount of surplus water available in that year as the sum of the annual entitlements, set forth in Table A of this contract, delivered to the contractor for agricultural and ground water replenishment use during the preceding three years bears to the total amount of such annual entitlements delivered for agricultural and ground water replenishment use during the preceding three years of all contractors requesting surplus water: *Provided*, That if its proportion of such surplus water is not required by or cannot be delivered to any contractor, such amount of additional surplus water shall be offered to other contractors for agricultural and ground water replenishment use. During the first three years in which project water is delivered to a contractor, the State shall determine the amount of surplus water which the contractor may obtain based on the contractor's maximum annual entitlement and the estimated percentage of its annual entitlement to be delivered for agricultural and ground water replenishment use; but quantities so determined shall not exceed the contractor's annual entitlement for that year. For the purpose of computing the portion of the surplus water for agricultural and ground water replenishment use to which each contractor is entitled, the State shall determine the amounts of water used for agricultural and ground water replenishment use by each contractor in each year: *Provided*, That each contractor shall furnish certified copies of such records and data concerning the use of water within its boundaries as the State may request.

Surplus water for agricultural and ground water replenishment use shall be furnished at prices which will return to the State the variable operation, maintenance, power, and replacement components of the Delta Water Charge and Transportation Charge incurred in such service of surplus water as determined by the State. A surcharge shall be added to the rate for surplus water furnished to excess land in an amount and under the conditions specified in Article 30 of this contract. Contracts made pursuant to this subdivision may exceed one year in duration.

Except as herein modified, the provisions of Article 21 of this contract are hereby confirmed, and all surplus water not specifically allocated pursuant to this subdivision shall be sold under the provisions of Article 21.

As used in this subdivision, "ground water replenishment use" shall mean the use of project water exclusively by direct application to spreading basins, streambeds, or through other means of direct artificial recharge for the purpose of replenishing overdrawn ground water basins.

#### (b) Surcharge Credit

Notwithstanding other provisions of this contract, the State may include provisions in water supply contracts allowing a credit to a contractor not to exceed the surcharge to be paid by such contractor: *Provided*, That such credit shall be utilized to reduce the cost of water for agricultural use on other than excess land at a uniform rate per acre-foot not to exceed two dollars (\$2) per acre-foot. Any contract including provisions pursuant to this subdivision shall assure that the reductions in the contractors' obligations authorized by this subdivision are made available exclusively for the benefit of agricultural use on land other than excess land and are not directly or indirectly made available for the benefit of agricultural use on excess land.

(c) The Agency shall have the right to transport through the North Bay Aqueduct such quantities, as the Agency shall from time to time determine, of water other than project water: *Provided*, That the transportation of such water shall not, without the prior consent of the State and all other contractors taking water through the North Bay Aqueduct, materially deteriorate the quality of water received by such other contractors through the North Bay Aqueduct: *Provided further*, That the materiality of any deterioration of the quality of water delivered through the North Bay Aqueduct shall be determined by the State: *Provided further*, That the Agency's right under this subdivision is subject to the State's determination that such transportation of water will not interfere with the delivery of project water to other contractors: *Provided further*, That the variable component of the Transportation Charge paid by the Agency to the State shall include the operation, maintenance, power and replacement costs proportionately allocated to the transportation of such water other than project water.

(d) Notwithstanding the provisions of Article 10(d), any delivery structures requested by the Agency, other than delivery structures on the North Bay Aqueduct, may be located in any manner or place within the Delta and may be designed, constructed, operated, and maintained by the Agency, subject to prior written approval by the State of plans and specifications for any such structure: *Provided*, That diversion works of the City of Vallejo on Cache Slough existing on the date this contract is executed shall be deemed to be delivery structures constructed by the Agency pursuant to the provisions of this subdivision, and may be used to take delivery of project water: *Provided further*, That no water other than project water shall be diverted or delivered through delivery structures or works constructed hereafter pursuant to the provisions of this subdivision: *Provided further*, That the provisions of Article 10(d) shall apply to all delivery structures constructed by the State.

(e) Notwithstanding the provisions of Article 11, measuring devices and equipment to be installed in any delivery structure constructed by the Agency pursuant to subdivision (d) of this article shall be acquired and installed by the Agency, and maintained and operated by the State: *Provided*, That such measuring devices and equipment shall be satisfactory and acceptable to the State, and shall be installed under the supervision of the State: *Provided further*, That if the diversion works of the City of Vallejo on Cache Slough are used pursuant to subdivision (d) of this article to take delivery of project water, the measuring devices and equipment therein shall be maintained and operated by the State, and shall be replaced with devices and equipment satisfactory and acceptable to the State if in the judgment of the State the existing measuring devices and equipment are not satisfactory and acceptable: *Provided further*, That all of said devices and equipment shall be examined, tested and serviced regularly by the State to insure their accuracy, and that at any time or times the Agency or any other contractor may inspect such devices and equipment and the measurements and records taken therefrom: *Provided further*, That the provisions of Article 11 shall apply to measuring devices and equipment installed in delivery structures constructed by the State.

(f) The provisions of Article 19 of this contract shall not apply to any water diverted or delivered through delivery structures located at points within the Delta other than the North Bay Aqueduct.

(g) Notwithstanding the provisions of Article 13(a), neither the State nor any of its officers, agents, or employees shall be liable for the control, carriage, handling, use, disposal, or distribution of project water supplied to the Agency after such water has reached the delivery structures established in accordance with subdivision (d) of this article, nor for claims of damage of any nature whatsoever arising out of or connected with the control, carriage, handling, use, disposal, or distribution of such water after such water has reached such delivery structures; and the Agency shall indemnify and hold harmless the State and its officers, agents, and employees from any such damages or claims of damage.

(h) Notwithstanding the provisions of Article 13(b), neither the Agency nor any of its officers, agents, or employees shall be liable for the control, carriage, handling, use, disposal, or distribution of project water before such water has reached the delivery structures established in accordance with subdivision (d) of this article; nor for claims of damage of any nature whatsoever arising out of or connected with the control, carriage, handling, use, disposal, or distribution of such water before it has reached said delivery structures.

(i) Notwithstanding other provisions of this contract, nothing herein contained shall be construed as a waiver by the Agency of any rights it may have under the area of origin statutes, or under Part 4.5 of Division 6 of the Water Code, or as estopping or otherwise preventing the Agency or any person, firm, association, corporation, or public body or agency claiming by, through, or under the Agency from asserting by litigation or other lawful means the validity, constitutionality, construction, or application of any law of this State, including laws referred to in the Bond Act, or as preventing or prejudicing the right of any such entity to oppose the amendment or repeal of any such law.

(j) The State shall make no other contract to supply project water for use within the Agency's boundaries without the consent of the Agency.

(k) Notwithstanding other provisions of this contract, project water shall not be delivered to the Agency in any one month of any year in a total amount greater than eleven percent (11%) of that portion of the Agency's annual entitlement for that year to be put to municipal use, as determined by the State, and eighteen percent (18%) of that portion of the Agency's annual entitlement for that year to be put to agricultural use, as determined by the State.

(l) Notwithstanding the provisions of Article 17, the State shall, at the request of the Agency, increase the capacity of the North Bay Aqueduct, or any reach thereof, over that determined by the State to be necessary pursuant to Article 17(b): *Provided*, That the Agency notifies the State prior to the final design of the portion of the North Bay Aqueduct affected thereby of the location and extent of such increased capacity and makes arrangements satisfactory to the State whereby the Agency shall pay the capital cost in advance of construction, computed on the basis of proportionate use attributed to such increased capacity: *Provided further*, That the minimum operation, maintenance, power, and replacement component of the Transportation Charge to be paid by the Agency shall be determined by the State to reflect such increased capacity: *Provided further*, That the Agency shall request delivery capability to be provided by the State in each aqueduct reach of the project transportation facilities sufficient, in the judgment of the State, to deliver not less than 37,000 acre-feet of water annually at a flow rate which will deliver eleven percent (11%) of such quantity of water monthly to the Agency's turnout in the vicinity of the Cordelia Pumping Plant.

(m) Notwithstanding other provisions of this contract, allocation of capital cost of project transportation facilities pursuant to Article 24(b), and of minimum operation, maintenance power and replacement costs for project transportation facilities pursuant to Article 25(b), shall be based on delivery of not less than 37,000 acre-feet of project water annually at a flow rate which will deliver eleven percent (11%) of such quantity of water monthly to the Agency's turnout in the vicinity of the Cordelia Pumping Plant.

(n) Notwithstanding other provisions of this contract, the year of initial water delivery to the Agency for the purpose of establishing the year in which payments by the Agency under the variable operation, maintenance, power, and replacement component of the Transportation Charge shall commence pursuant to Article 29(d) shall be the year in which delivery of water through any portion of the North Bay Aqueduct commences regardless of the source of such water.

(o) The State shall not commence construction of any portion of the North Bay Aqueduct east of Cordelia until 1975 or such earlier date as may hereafter be agreed upon by the State, the Agency, and all other contractors taking water from the North Bay Aqueduct. Nothing herein shall be deemed to restrict the right of the State to acquire lands, easements and rights-of-way for any portion of the North Bay Aqueduct at such time or times as it may deem appropriate and desirable: *Provided*, That for the purpose of establishing the year in which the State commences construction of the project transportation facilities for the purposes of Article 29(b), such construction shall be deemed to commence in the year in which the State first acquires lands, easements or rights-of-way for any portion of the North Bay Aqueduct east of Cordelia.

**TABLE A**  
**ANNUAL ENTITLEMENTS**  
**SOLANO COUNTY FLOOD CONTROL**  
**AND**  
**WATER CONSERVATION DISTRICT**

<b>Year</b>	<b>Total Annual Amount in Acre-feet</b>
1	6,750
2	8,000
3	9,400
4	10,800
5	12,100
6	14,000
7	16,500
8	20,000
9	27,000
10	34,500
11	42,000
and each succeeding year thereafter, for the term of this contract as a Maximum Annual Entitlement.	42,000

TABLE B

ALLOCATED PROPORTION OF COSTS OF PROJECT TRANSPORTATION FACILITIES  
 SOLANO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

	Total for project transportation facilities					Agency participation			
	Total of maximum annual entitlements of all contractors of thousands of acre-feet per year <sup>1</sup>	Total of maximum capacities in cubic-feet <sup>1</sup> per second	Total capital cost, thousands of dollars	Minimum annual operating cost, thousands of dollars <sup>2</sup>	Maximum annual entitlement, thousands of acre-feet per year <sup>1</sup>	Ratio of maximum annual entitlement, to total of maximum annual entitlements	Maximum capacity in cubic-feet per second <sup>1</sup>	Ratio of maximum capacity to total capacity	Average of ratios
Aqueduct Reach									

Lindsey Slough to Suisun City:

Suisun City to Cordelia Pumping Plant:

<sup>1</sup> As increased by an allowance to compensate for losses as provided in Article 24(b) (2).

<sup>2</sup> Based on values as of the end of the construction period.

**TABLE C**  
**PROJECTED ALLOCATIONS OF CAPITAL**  
**COST OF PROJECT TRANSPORTATION FACILITIES**  
**SOLANO COUNTY FLOOD CONTROL AND**  
**WATER CONSERVATION DISTRICT**

<b>Year</b>	<b>Projected allocation in thousands of dollars</b>
1*	
2	
3	
4	
5	
6	
7	
8	
9	
10	
11	
12	
13	
14	
15	
16	
17	
18	
19	
20	
21	

\* Year in which State commences construction of project transportation facilities, 1965.

TABLE D

TRANSPORTATION CHARGE - CAPITAL COST COMPONENT  
SOLANO COUNTY FLOOD CONTROL AND  
WATER CONSERVATION DISTRICT  
(In thousands of dollars)

Year	Annual Payment of Principal	Annual Interest Payment	Total Annual Payment by District
1*			
2**			
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			
16			
17			
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42			
43			
44			
45			



TABLE D (Continued)

TRANSPORTATION CHARGE - CAPITAL COST COMPONENT  
 SOLANO COUNTY FLOOD CONTROL AND  
 WATER CONSERVATION DISTRICT  
 (In thousands of dollars)

Year	Annual Payment of Principal	Annual Interest Payment	Total Annual Payment by District
46			
47			
48			
49			
50			
51			
52			
53			
54			
55			
56			
57			
58			
59			
60			
61			
62			
63			
64			
65			
66			
67			
68			
69			
70			
71			
72			
73			
74			

TOTAL

\* Year in which the State commences construction of the project transportation facilities, 1965.

\*\* Year of first payment.

**TABLE E**  
**TRANSPORTATION CHARGE - MINIMUM OPERATION**  
**MAINTENANCE, POWER, AND REPLACEMENT COMPONENT**  
**SOLANO COUNTY FLOOD CONTROL AND**  
**WATER CONSERVATION DISTRICT**

Year	Total Annual Payment by District* (In thousands of dollars)
1**	
2	
3	
4	
5	
6	
7	
8	
9	
10	
11	
12	
13	
14	
15	
16	
17	
18	
19	
20	
21	
22	

and each succeeding year thereafter, for the term of this contract.

\* Payment shall start with respect to each aqueduct reach in the year following the year in which the State completes construction of the respective reach.  
 \*\* Year in which the State commences construction of the project transportation facilities, 1965.

TABLE F

TRANSPORTATION CHARGE - ESTIMATED VARIABLE OPERATION,  
MAINTENANCE, POWER, AND REPLACEMENT COMPONENT  
SOLANO COUNTY FLOOD CONTROL AND  
WATER CONSERVATION DISTRICT

Year	Total Annual Payment by District* (In thousands of dollars)
1**	
2	
3	
4	
5	
6	
7	
8	
9	
10	
11	
12	
13	
14	
15	
16	
17	
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19	
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21	
22	
23	
24	

and each succeeding year  
thereafter, for the term of  
this contract.

\* Payments start with year of initial water delivery.

\*\* Year in which State commences construction of project transportation facilities, 1965.

**TABLE G**  
**PAYMENT SCHEDULE**  
**SOLANO COUNTY FLOOD CONTROL AND**  
**WATER CONSERVATION DISTRICT**  
(In thousands of dollars)

Year	Transportation Charge			Total
	Capital Cost Component	Minimum Component	Variable Component	

- 1\*
- 2\*\*
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
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- 30
- 31
- 32
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- 43
- 44
- 45

**TABLE G (Continued)**  
**PAYMENT SCHEDULE**  
**SOLANO COUNTY FLOOD CONTROL AND**  
**WATER CONSERVATION DISTRICT**  
(In thousands of dollars)

Year	Transportation Charge			Total
	Capital Cost Component	Minimum Component	Variable Component	
46				
47				
48				
49				
50				
51				
52				
53				
54				
55				
56				
57				
58				
59				
60				
61				
62				
63				
64				
65				
66				
67				
68				
69				
70				
71				
72				
73				
74				

---

\* Year in which State commences construction of project transportation facilities, 1965.  
\*\* Year of first payment.

**TABLE H**

**PROJECT TRANSPORTATION FACILITIES  
SOLANO COUNTY FLOOD CONTROL AND  
WATER CONSERVATION DISTRICT**

A North Bay Aqueduct extending to a turnout in the vicinity of the Cordelia Pumping Plant.

**TABLE I**  
**AQUEDUCT REACHES**  
**SOLANO COUNTY FLOOD CONTROL AND**  
**WATER CONSERVATION DISTRICT**

<b>Aqueduct Reach</b>	<b>Major Features of Reach</b>
Lindsey Slough to Suisun City	Intake Canal Fish Protective Facilities Calhoun Pumping Plant Aqueduct
Suisun City to Cordelia Pumping Plant	Aqueduct

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

Approved as to legal form  
and sufficiency:

STATE OF CALIFORNIA  
DEPARTMENT OF WATER RESOURCES

For

R. K. [Signature]

Chief Counsel  
Department of Water Resources  
P. O. Box 388  
Sacramento, California

By

[Signature]

Director

Attest:

SOLANO COUNTY FLOOD CONTROL  
AND WATER CONSERVATION DISTRICT

Larry Ball

County Clerk and Ex-Officio Clerk  
Solano County Flood Control and  
Water Conservation District  
Solano County Court House  
Fairfield, California

By

Colon O. Kilby

Chairman, Board of Directors

Approved as to form:

[Signature]  
Special Counsel



STATE OF CALIFORNIA  
DEPARTMENT OF WATER RESOURCES

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AMENDMENT NO. 1 TO THE WATER SUPPLY  
CONTRACT BETWEEN THE STATE OF CALIFORNIA  
DEPARTMENT OF WATER RESOURCES AND  
SOLANO COUNTY FLOOD CONTROL AND WATER CONSERVATION  
DISTRICT FOR A WATER SUPPLY

THIS CONTRACT, made this 28th day of September 1964, 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 Solano County Flood Control and Water Conservation District, 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 Fairfield, California, herein referred to as the "Agency,"

WITNESSETH, That:

WHEREAS, the State is authorized to construct and operate facilities for the storage and conveyance of water, certain of which facilities will make water available to the Agency; and

WHEREAS, the State and the Agency have entered into a water supply contract, dated December 26, 1963, 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 payment; and

WHEREAS, the State and the Agency are desirous of making certain changes and additions to such contract, while otherwise continuing the contract in full force and effect;

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

1. Subdivision (k) of Article 1 is amended to read as follows:

(k) Minimum Project Yield

"Minimum project yield" shall mean the dependable annual supply of project water to be made available, estimated to be 4,230,000 acre-feet per year, said amount to be determined by the State on the basis of coordinated operation studies of initial project conservation facilities and additional project conservation 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) An allowable reduction in the agricultural use portion of the minimum project yield, due to drought, of not to exceed fifty percent (50%) in any one year, nor a total of one hundred percent (100%) of one year's supply in any series of seven consecutive years.

(3) 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.

2. Subdivision (c) of Article 12 is amended to read as follows:

(c) Limit on Rate of Delivery to Agency

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

3. Subdivision (a) of Article 16 is amended to read as follows:

(a) Limit on Total of all Maximum Annual Entitlements

The Agency's maximum annual entitlement hereunder, together with the maximum annual entitlements of all other contractors, shall aggregate no more than the minimum project yield as defined herein and in no event more than 4,230,000 acre-feet of project water.

4. Subdivision (a) of Article 45 is amended to read as follows:

(a) Surplus Water

Notwithstanding other provisions of this contract, surplus water for agricultural and ground water replenishment use shall be offered to contractors on the following basis. Before surplus water is sold for other than agricultural and ground water replenishment use, each contractor shall have the right, subject to the ability of the State to deliver such water, to contract

for agricultural and ground water replenishment use for a portion of the total amount of surplus water available in any year, in an amount which bears the same ratio to the total amount of surplus water available in that year as the sum of the annual entitlements, set forth in Table A of this contract, delivered to the contractor for agricultural and ground water replenishment use during the preceding three years bears to the total amount of such annual entitlements delivered for agricultural and ground water replenishment use during the preceding three years of all contractors requesting surplus water: Provided, That if its proportion of such surplus water is not required by or cannot be delivered to any contractor, such amount of additional surplus water shall be offered to other contractors for agricultural and ground water replenishment use. During the first three years in which project water is delivered to a contractor, the State shall determine the amount of surplus water which the contractor may obtain based on the contractor's maximum annual entitlement and the estimated percentage of its annual entitlement to be delivered for agricultural and ground water replenishment use; but quantities so determined shall not exceed the contractor's annual entitlement for that year. For the purpose of computing the portion of the surplus water for agricultural and ground water replenishment use to which each contractor is entitled, the State shall determine the amounts of water used for agricultural and ground water replenishment use by each contractor in each year: Provided, That each contractor shall furnish certified copies of such records and data concerning the use of water within its boundaries as the State may request.

The provision of this paragraph shall be applicable only to a contractor to which the delivery of project water for municipal use as of 1990 is estimated by the State to be in excess of fifty percent (50%) of such contractor's maximum annual entitlement. For the purpose of fixing such contractor's right to delivery of surplus water, water from a watershed not tributary to the contractor's area which is delivered within the contractor's boundaries for agricultural or ground water replenishment use shall be deemed to be part of the contractor's annual entitlement delivered for such use in computing the quantity of surplus water to which the contractor is entitled under this subdivision:

Provided, That the contractor shall not be deemed to have used more than its annual entitlement, as set forth in Table A, for such use. Surplus water shall be deemed to be used by the contractor for agricultural or ground water replenishment use if an equal quantity of water imported from a watershed not tributary to the contractor's area is delivered within the contractor's boundaries for such use.

In providing for the delivery of surplus water to contractors pursuant to this subdivision, the State shall refuse to deliver such surplus water to any contractor to the extent that the State determines that such delivery would tend to encourage the development of an economy within the area served by such contractor which would be dependent upon the sustained delivery of water in excess of the contractor's maximum annual entitlement. In no event shall the quantity of surplus water made available in any year prior to 1986 to any contractor under this subdivision

exceed the difference between its annual entitlement for that year and its maximum annual entitlement, except that, subject to provisions of the immediately preceding sentence, with respect to any contractor which under Table A of its contract is scheduled to receive its maximum annual entitlement prior to 1978, the quantity of surplus water made available in any year prior to 1986 under this subdivision may exceed such difference by not more than 3,000 acre-feet.

Surplus water for agricultural and ground water replenishment use shall be furnished at prices which will return to the State the variable operation, maintenance, power and replacement components of the Delta Water Charge and Transportation Charge incurred in such service of surplus water as determined by the State. Surplus water delivered under this subdivision shall be limited to the quantity of water which can be delivered without adversely affecting the reliability, or increasing the cost, of service to meet annual entitlements. A surcharge shall be added to the rate for surplus water furnished to excess land in an amount and under the conditions specified in Article 30 of this contract. Contracts made pursuant to this subdivision may exceed one year in duration.

Except as herein modified, the provisions of Article 21 of this contract are hereby confirmed, and all surplus water not specifically allocated pursuant to this subdivision shall be sold under the provisions of Article 21. Nothing in this subdivision shall limit the right of the Agency to increase its annual entitlements as otherwise provided in this contract.

As used in this subdivision "ground water replenishment use" shall mean the use of project water exclusively by direct application to spreading basins, streambeds, or through other means of direct artificial recharge for the purpose of replenishing overdrawn ground water basins.

5. Subdivision (b) of Article 45 is amended to read as follows:

(b) Surcharge Credit

Notwithstanding other provisions of this contract, the State may allow a credit to each contractor not to exceed the surcharge paid by such contractor.

For the purpose of this contract, the surcharge credit shall be determined and applied in the following manner:

(1) The State shall, in each year after the year of initial water delivery, allow a credit to the Agency in the amount of the surcharge forwarded by the Agency to the State in the preceding year.

(2) The Agency shall not establish water rates, or tax or assessment rates, so as to cause the surcharge credit to be passed on to water users in a manner which will bring about a greater reduction in the cost per acre-foot of project water put to use on excess land than such cost of project water put to use on other than excess land.

This subdivision 45(b) shall be separable from all other provisions in this contract, and in the event that any or all of the provisions of this subdivision are in any manner or to any extent held to be invalid by final judgment or decree of a court of

competent jurisdiction, such holding and such invalidity shall in no way affect the validity of, or make invalid, any other provision of this contract.

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

Approved as to legal form and sufficiency:

STATE OF CALIFORNIA  
DEPARTMENT OF WATER RESOURCES

*J.C. Townes*  
Chief Counsel  
Department of Water Resources

By *J.P. Swan*

SOLANO COUNTY FLOOD CONTROL AND  
WATER CONSERVATION DISTRICT

**LARRY BALL**  
County Clerk and Ex Officio  
Clerk  
Solano County Flood Control and  
Water Conservation District  
Solano County Court House  
Fairfield, California

By *Colon O. Kilby*  
Chairman

Approved as to form:

*David Boyd*  
Special Counsel



STATE OF CALIFORNIA  
THE RESOURCES AGENCY  
DEPARTMENT OF WATER RESOURCES

632-51431  
Vault NBA  
91 -

AMENDMENT NO. 2 TO WATER SUPPLY CONTRACT  
BETWEEN THE STATE OF CALIFORNIA  
DEPARTMENT OF WATER RESOURCES AND  
SOLANO COUNTY FLOOD CONTROL AND WATER  
CONSERVATION DISTRICT

THIS CONTRACT, made this 31 day of December, 1969, 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 Solano County Flood Control and Water Conservation District, herein referred to as the "Agency";

WITNESSETH, That

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, Article 22(b) of such water supply contract provides that for each year through the year 1969 the Delta Water Charge shall be the product of \$3.50 and the Agency's annual entitlement for the respective year and that beginning in the year 1970, the Delta Water Charge shall be the sum of the capital cost component, minimum operation, maintenance, power and replacement component, and

*Original Wash*

variable operation, maintenance, power and replacement component computed in accordance with Articles 22(c) and (d) of the water supply contract; and

WHEREAS, Articles 22(e) and (g) of such water supply contract provide that the Delta Water Charge as computed in accordance with Articles 22(c) and (d) shall include all projected costs of additional project and supplemental conservation facilities commencing in the years in which the State first incurs capital costs for such facilities after the facilities are authorized; and

WHEREAS, the parties desire that all water supply contracts be amended to postpone inclusion of the projected costs of any authorized additional project and supplemental conservation facilities in the computation of the Delta Water Charge until after the year 1970 and to fix the rate for computing the Delta Water Charge for the year 1970 at \$6.65; and

WHEREAS, the payments to be made by the Agency to the State include interest calculated at the "project interest rate" defined in Article 1(r) of such water supply contract to mean the weighted average of the interest rates paid by the State on bonds issued under the Water Resources Development Bond Act (Bond Act) disregarding premiums received on the sale of such bonds; and

WHEREAS, the underlying assumption upon which the "project interest rate" was established was that all of the initial facilities of the State Water Resources Development System (Project) would be financed principally with proceeds of bonds issued under the Bond Act or from other sources on which the interest rate would not exceed that of the bonds issued under the Bond Act; and

WHEREAS, the State already has financed the Oroville-

Thermalito power facilities through Central Valley Project Revenue Bonds and may finance other portions of the project facilities through additional revenue bond issues, bonds issued under other authority granted by the Legislature or the voters, bonds issued by other state agencies, advances from contractors, and other methods under which the financing costs relate to interest rates that may exceed the interest rate of the bonds issued under the Bond Act; and

WHEREAS, either the State or contractors making advances to the State may be subject to interest rates, or other financing costs that relate to interest rates, which will be greater than the "project interest rate" as presently defined in the contracts; and

WHEREAS, the parties desire that (1) the interest costs hereafter incurred by or on behalf of the State in financing the construction of project facilities by means other than the use of moneys provided under the Bond Act will be reflected in appropriate adjustments of the "project interest rate" (excepting the interest costs incurred for the Central Valley Project Revenue Bonds issued prior to the date of this amendment); (2) appropriate credit will be given to any contractor having made an advance of funds to the State corresponding to the bond service obligation payable by such contractor by reason of such advance or if bonds were not used to obtain funds for such advance, then to the net interest cost which would have resulted if the contractor had sold bonds for the purpose of funding the advance; and (3) if any sources of funds other than those provided under the Bond Act are employed to finance the construction of specific project facilities and the interest or other costs of such financing are greater than the cost would have been if bonds issued under the Bond Act had been used, appropriate

adjustments to the charges to contractors will be made with respect to such facilities so that the charges to contractors taking water through reaches which include such facilities will be the same after such adjustments as such charges would have been if such facilities had been financed by the use of proceeds of bonds issued under the Bond Act, except insofar as the "project interest rate" has been adjusted pursuant to (1) in this recital:

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

1. Subdivision (b) of Article 22 is amended to read as follows:

For each contractor receiving project water in any year through December 31, 1969, the Delta Water Charge shall be the product of \$3.50 and the contractor's annual entitlement to project water for the respective year. For each contractor receiving project water in the year 1970, the Delta Water Charge shall be the product of \$6.65 and the contractor's annual entitlement to project water for that year. The \$6.65 rate for the year 1970 shall consist of a capital cost component of \$5.04 and a minimum operation, maintenance, power and replacement component of \$1.61. After December 31, 1970, the Delta Water Charge shall consist and be the sum of the following components as these are computed in accordance with subdivisions (c) and (d) of this article: a capital cost component; a minimum operation, maintenance, power and replacement component; and a variable operation, maintenance, power and replacement component.

2. Subdivision (r) of Article 1 is amended to read as follows:

"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 non-profit 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 advances for delivery structures, measuring devices and excess capacity) and without regard to any premiums received on the sale of bonds under item (1) above. The "project interest rate" shall be computed as a decimal fraction to five places.

3. Subdivision (f) of Article 17 is added to the contract to read as follows:

(f) Adjustments Due to Supplemental Financing Costs

(1) If a contractor, with approval of the State, advances funds to the State to assist the State in financing construction of project facilities (not including delivery structures, measuring devices and excess capacity), such advance shall be amortized by means of annual credits to the contractor having made such advance of funds to the State, with such credits being equal to the actual bond service obligations payable by such contractor by reason of such advance or, if no bonded debt was incurred, then such credits shall be sufficient to cover the repayment of principal and interest costs which would have resulted if the contractor had sold bonds for the purpose of funding the advance as determined by the State.

(2) If, after May 1, 1969, any source of funds other than those provided by the Bond Act is employed to finance

construction of specific project facilities, any additional costs incurred because of such financing will not be charged to the contractors, except for adjustments to the "project interest rate".

Approved as to legal form and sufficiency:

STATE OF CALIFORNIA  
THE RESOURCES AGENCY  
DEPARTMENT OF WATER RESOURCES

*P. C. Turner*

Chief Counsel  
Department of Water Resources  
P. O. Box 388  
Sacramento, California

By *W. J. Yarnell*  
Director

SOLANO COUNTY FLOOD CONTROL AND  
WATER CONSERVATION DISTRICT

NEIL CRAWFORD

County Clerk and Ex Officio  
Clerk of  
Solano County Flood Control and  
Water Conservation District  
Solano County Court House  
Fairfield, California  
*by Ellen Starnes, Deputy*

By *Wallace J. Braggston*  
Chairman

Approved as to form:

*Richard Boyd*  
Special Counsel

AMENDMENT NO. 3 TO SOLANO COUNTY WATER DISTRICT  
LONG TERM WATER CONTRACT  
WAS NOT EXECUTED



AMENDMENT NO. 4 TO SOLANO COUNTY WATER DISTRICT  
LONG TERM WATER CONTRACT  
WAS NOT EXECUTED

STATE OF CALIFORNIA  
THE RESOURCES AGENCY  
DEPARTMENT OF WATER RESOURCES

AMENDMENT NO. 5 TO WATER SUPPLY CONTRACT  
BETWEEN THE STATE OF CALIFORNIA  
DEPARTMENT OF WATER RESOURCES AND  
SOLANO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

THIS CONTRACT, made as of the 4th day of October, 1974, 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 Solano County Flood Control and Water Conservation District, herein referred to as the "Agency";

WITNESSETH, That:

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; and

WHEREAS, the State and the Agency included in such contract a subarticle, hereinafter referred to as the agricultural and ground water replenishment provision, which entitles the Agency to obtain from the State a supply of surplus water for agricultural and ground water replenishment use when available; and

WHEREAS, Article 21 of such contract also provides for the sale by the State of a supply of surplus water when available; and

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

NOW THEREFORE, it is mutually agreed as follows:

1. Subdivision (a) of Article 45 of the Agency's water supply contract is deleted.

2. Article 21 of the Agency's water supply contract is amended to read as follows:

21. Sale of Surplus Water.

(a) Definitions. When used in this article:

(1) "Noncontractor" shall mean a person or entity that is not a contractor as that term is defined in Article 1 of this contract.

(2) "Surplus water" shall mean water which can be furnished to contractors and noncontractors, subject to the provisions of Article 14(a) of this contract, without interfering with:

(i) The delivery of annual entitlements of all contractors as specified in Table A and the meeting of the quality criteria of Article 19 of their respective water supply contracts including any modifications of Table A pursuant to Articles 7(a), 12(d), 14(b), 18(b), or 18(c) of the water supply contracts or to any other provisions in such contracts which permit changes in the delivery of annual entitlements;

(ii) The furnishing of water required for use in construction of the System or in exchange for local water used in construction of the System;

(iii) Operational requirements regarding recreation and fish and wildlife uses;

(iv) Generation of power by the System or furnishing of project water required by power contracts;

(v) The exchange of water and the filling, retention, and release of storage in System reservoirs necessary for operational flexibility and to meet the requirements of paragraphs (i) through (iv) of this subdivision.

(vi) Losses of water due to evaporation, leakage, seepage, or other causes to meet the requirements of paragraphs (i) through (v) of this subdivision.

(3) "Ground water replenishment use" shall mean the use of project water exclusively for recharge of ground water basins by direct application to spreading basins, streambeds, or through other means of direct artificial recharge.

(4) "Contractors in the San Joaquin Service Area" shall mean those contractors which are furnished water through delivery structures from the California Aqueduct between Dos Amigos Pumping Plant and the South Portal of the Carley V. Porter Tunnel and from the Coastal Branch, California Aqueduct, from its junction with the California Aqueduct to the site for Devil's Den Pumping Plant.

(5) "Contractors in the Southern California Service Area" shall mean contractors for which water is delivered from the California Aqueduct downstream from the South Portal of the Carley V. Porter Tunnel.

(6) "Contractors in the Central Coastal Service Area" shall mean contractors for which water is delivered from the Coastal Branch, California Aqueduct, downstream from the site for Devil's Den Pumping Plant.

(7) "Deferred entitlement" shall mean those portions of annual entitlements to project water deferred in accordance with Article 7(e) of the contract with Alameda County Flood Control and Water Conservation District, Zone 7, Article 7(e) of the contract with Alameda County Water District, Article 7(e) of the contract with Santa Clara Valley Water District, Article 45(f) of the contract with Empire West Side Irrigation District, Article 45(e) of the contract with Hacienda Water District, Article 45(f) of the contract with County of Kings, Article 45(e) of the contract with Oak Flat Water District, and Article 45(e) of the contract with Tulare Lake Basin Water Storage District.

(b) Priorities. The State shall furnish surplus water in accordance with the following priorities:

(1) First, to contractors for agricultural use or for ground water replenishment use.

(2) Second, to contractors for other uses.

(3) Third, to noncontractors for any beneficial use.

These priority groups shall be referred to as first priority, second priority, and thir priority respectively.

(c) Reductions in Requested Deliveries. If requests for surplus water cannot be met, the following reductions in requested deliveries shall be made:

(1) First, the quantity of surplus water to be delivered to noncontractors shall be limited to the quantity available in excess of the requests under the first priority and the second priority.

(2) Second, if there is not sufficient surplus water in excess of the requests under the first priority to meet the requests of contractors under the second priority, the quantity of water to be delivered under the second priority shall be limited to the quantity available in excess of the requests under the first priority and that quantity shall be apportioned in proportion to the amounts of the contractors' current annual entitlements that are to be used for purposes other than agricultural and ground water replenishment uses as determined by the State. If any contractor decides not to use the surplus water available to it under this provision, such surplus water shall be offered on a similar basis to other contractors for such uses.

(3) If there is not sufficient surplus water to meet the requests of contractors under the first priority, the quantity of water to be delivered under that priority shall be limited to the quantity available, and such quantity shall be apportioned to areas upstream and downstream from Dos Amigos Pumping Plant in proportion to the contractors' current annual entitlements that are to be used in such areas for agricultural and ground water replenishment purposes as determined by the State. The quantity of such water available upstream from Dos Amigos Pumping Plant shall be apportioned to contractors upstream from Dos Amigos Pumping Plant in proportion to the amounts of the contractors' current annual entitlements that are to be used for agricultural and ground water

replenishment purposes as determined by the State. If any such contractor decides not to use the surplus water available to it, such surplus water shall first be offered on a similar basis to other contractors upstream from Dos Amigos Pumping Plant and second offered to contractors downstream from Dos Amigos Pumping Plant. The quantity of surplus water available at Dos Amigos Pumping Plant for delivery to contractors downstream from that plant shall be apportioned 69 percent to the San Joaquin Service Area, 29 percent to the Southern California Service Area, and 2 percent to the Central Coastal Service Area. Within each such service area, surplus water shall be apportioned to contractors in proportion to the amounts of the contractors' current annual entitlements that are to be used for agricultural and ground water replenishment purposes as determined by the State. If any such contractor decides not to use the surplus water available to it, such surplus water, on a similar basis, shall first be offered to other contractors in such service area and second offered to contractors in the other such service areas.

(d) Schedules. On or before October 1 of each year, concurrently with the schedule submitted pursuant to the provisions of Article 12, the contractor 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. If a contractor commits itself in writing at the time it submits its October 1 schedule to guarantee payment of the cost of power required

in the judgment of the State to furnish surplus water to it, the contractor shall have a prior right to have such power utilized for furnishing surplus water otherwise available to it pursuant to this article at a cost no higher than that which the State is obligated to pay at the time it orders such power, but it shall have no greater right or priority to receive surplus water. A contractor's commitment may be for any part of the six-year period of its schedule, and the contractor will become bound by such commitment and become entitled to the prior right provided for in the preceding sentence only when the State, after consultation with the contractor, notifies the contractor in writing that it has ordered power based on the contractor's commitment.

(e) Rates.

(1) Surplus water (except further surplus water as described in subdivision (e)(4) of this article) shall be furnished to a contractor for agricultural use and for ground water replenishment use at rates which will return to the State all power costs as defined in subdivision (f) of this article and all incremental operation, maintenance, and replacement costs, and any other incremental costs, incurred in the conservation and transportation of such surplus water as determined by the State, which rates shall include an administrative charge to be determined by the State for each acre-foot of surplus water scheduled for delivery during the year. The amount of such administrative charge shall be credited to general operating costs of the System prior to the allocation of such costs. Incremental costs shall mean those costs which would not be incurred if surplus water were not scheduled for or delivered to the contractor.



(2) Surplus water furnished to a contractor for purposes other than agricultural use or ground water replenishment use shall be sold at rates determined on the same basis as those charged for surplus water for agricultural use and for ground water replenishment use plus an amount equal to one-half of the current Delta water rate.

(3) Surplus water furnished to a noncontractor shall be at rates, as determined by the State, which will return to the State not less than the charges specified for a contractor for surplus water for agricultural use and for ground water replenishment use plus an amount equal to the current Delta water rate plus an appropriate share of the capital and the minimum operation, maintenance, power and replacement costs of the transportation facilities of the System utilized in conveying such surplus water to the noncontractor.

(4) To the extent that the combined volume of entitlement water and surplus water furnished to a contractor in any year for agricultural use and for ground water replenishment use exceeds 150 percent of such contractor's maximum annual entitlement, such further surplus water shall be sold to the contractor at a rate equal to the rate for surplus water sold for agricultural use and for ground water replenishment use specified in subdivision (e) (1) of this article plus an amount equal to one-quarter of the current Delta water rate.

For years prior to 1990, notwithstanding the provisions of the preceding sentence, an amount up to 3,000 acre-feet of further surplus water may be delivered in any year at the charges provided for in subdivisions (e)(1) and (2) of this

article to any contractor which, under Table A of its contract, is scheduled to receive its maximum annual entitlement prior to 1978 and every year thereafter.

(5) Any revenues in excess of operation, maintenance, power and replacement costs and the administrative charge derived from sales of surplus water shall be credited as follows: The Delta water rate or portion thereof paid in accordance with subdivisions (e)(2), (e)(3), or (e)(4) of this article shall be credited to the cost of project conservation facilities, and the balance of such excess revenues, if any, shall be apportioned and credited, as appropriate, to the capital and to the minimum operation, maintenance, power and replacement costs of reaches of the transportation facilities of the System utilized for conveying such water to the purchasers.

(6) The rates and charges for surplus water shall be subject to redetermination by the State to reflect actual costs incurred and the difference shall be promptly credited or debited to the contractor that purchased such surplus water.

(f) Power Costs. Power costs for pumping surplus water shall consist of the cost of capacity, energy and additional transmission service required for the delivery of surplus water, including but not limited to the following:

(1) To the extent utilized for pumping surplus water:

(i) The cost of power purchased for pumping entitlement water,

(ii) The value of project recovery plant generation scheduled for pumping entitlement water, and

(iii) The value of project recovery plant generation not scheduled for pumping entitlement water; and

(2) Power purchased specifically for pumping surplus water including power ordered pursuant to subdivision (d) of this article.

The cost and value of power in (1)(i) and (ii) of this subdivision shall be credited to the pumping plant power cost attributable to annual entitlement water; the value of power in (1)(iii) that is generated by entitlement water shall be added to the net value of power attributable to such entitlement water; and the value of power in (1)(iii) that is generated by surplus water shall be credited to the costs incurred in pumping such surplus water.

The State shall determine the cost of power for pumping surplus water so that sufficient revenue will be available to the State to cover both the cost of purchased power and the value of recovery plant generation.

(g) Restrictions on Deliveries.

(1) In providing for the delivery of surplus water pursuant to this article, the State shall refuse to deliver such surplus water to any contractor or noncontractor to the extent that the State determines that such delivery would tend to encourage the development of an economy within the area served by such contractor or noncontractor which would be dependent upon the sustained delivery of surplus water.

(2) Surplus water shall not be scheduled to a contractor in a year unless an amount of project water equal to its annual entitlement set forth for that year in Table A of its

contract (disregarding any amendments reducing such Table A executed after July 1, 1974) is first scheduled and unless all of its deferred entitlements are first scheduled: Provided, That at the request of the contractor surplus water may be scheduled in lieu of deferred entitlements and the right to receive such deferred entitlements shall be reduced accordingly. If at the end of any year delivery of scheduled surplus water has prevented any annual entitlement or deferred entitlement from being delivered during that year, then for the purpose of charging for water delivered, deliveries during the year shall be considered first as annual entitlement water to the extent of the annual entitlement, and the balance as deferred entitlement or surplus water in accordance with the option of the contractor previously exercised pursuant to the first sentence of this subdivision.

(3) Before a contractor can receive surplus water under its contract in an amount greater than its annual entitlement for the year as shown in its Table A, it shall first increase its annual entitlement for such year to an amount equivalent to the surplus water scheduled, but it shall not be required to increase its annual entitlement to an amount in excess of 75 percent of its maximum annual entitlement.

(4) The State shall not sell surplus water to a contractor or noncontractor for use directly or indirectly within the boundaries of any other contractor without the written consent of such other contractor, nor shall the State authorize any contractor to supply surplus water for use outside such contractor's boundaries and within the boundaries of any other contractor without the written consent of such other contractor: Provided, That where

a contractor's boundaries include an area within the boundaries of another contractor, only the written consent of the contractor that serves the overlapping area with water under its annual entitlements need be obtained.

(h) Water from Nontributary Source. The provisions of this subdivision shall be applicable only to a contractor to which the delivery of project water for municipal use as of 1990 is estimated by the State to be in excess of 50 percent of such contractor's maximum annual entitlement. For the purpose of fixing such contractor's right to delivery of surplus water, water from a watershed not tributary to the contractor's area which is delivered within the contractor's boundaries for agricultural or ground water replenishment use shall be deemed to be part of the contractor's annual entitlement delivered for such use in computing the quantity of surplus water to which the contractor is entitled under this article: Provided, That the contractor shall not be deemed to have used more than its annual entitlement, as set forth in Table A, for such use. Surplus water shall be deemed to be used by the contractor for agricultural or ground water replenishment use if an equal quantity of water imported from a watershed not tributary to the contractor's area is delivered within the contractor's boundaries for such use.

(i) Determination of Use. For the purpose of computing the portion of the surplus water to which each contractor is entitled, the State shall determine the quantities of annual entitlement used for agricultural use and for ground water replenishment use and for other uses by each contractor in each year: Provided, That each contractor shall furnish certified copies of such records

and data concerning the use of water within its boundaries as the State may request.

(j) Contracts.

(1) To obtain a supply of surplus water, any contractor or noncontractor shall execute a further contract with the State which shall be in conformity with this article and will include at least the following: Further provisions concerning the scheduling of surplus water and provisions as to times and methods of payment.

(2) The State shall not contract to sell surplus water to noncontractors for periods in excess of five years.

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

Approved as to legal form  
and sufficiency:

STATE OF CALIFORNIA  
DEPARTMENT OF WATER RESOURCES

By *J. A. Tower*  
Chief Counsel  
Department of Water Resources

By *John R. Smith*  
Director

SOLANO COUNTY FLOOD CONTROL AND  
WATER CONSERVATION DISTRICT

*Wallace L. Bragerton*

By Acting Chairman  
(Title)

STATE OF CALIFORNIA  
THE RESOURCES AGENCY  
DEPARTMENT OF WATER RESOURCES

AMENDMENT NO. 6 TO WATER SUPPLY CONTRACT  
BETWEEN THE STATE OF CALIFORNIA  
DEPARTMENT OF WATER RESOURCES AND  
SOLANO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

THIS CONTRACT, made this 6th day of February, 1980, pursuant to the provisions of the California Water Resources Development Bond Act, the State Central Valley Project Act, and other applicable laws of the State of California, between the State of California, acting by and through its Department of Water Resources, herein referred to as the "State", and Solano County Flood Control and Water Conservation District, herein referred to as the "Agency";

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

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

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

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

(t) Project Repayment Period

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

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

2. Term of Contract

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

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

3. Subdivision (d) is added to Article 6 of the contract to read:

(d) Deliveries Prior to Completion of North Bay Aqueduct

Prior to the date water is delivered to the Agency through the North Bay Aqueduct (hereinafter referred to as the date of initial aqueduct delivery), all water shall be delivered to the



Agency at the diversion works of the City of Vallejo on Cache Slough. If the date of initial aqueduct delivery occurs after January 1, 1984, the Total Annual Amount thereafter shall be 950 acre feet prorated to the date of initial aqueduct delivery and the amount shown in Table A Amended for said year prorated to the remainder of said year. The Agency may increase the Total Annual Amount for any year prior to the year of initial aqueduct delivery provided, first, that the increased amount shall not exceed 8,000 acre feet in 1981, or 9,400 acre feet in 1982, or 10,800 in any other year, second, that the Agency gives the State written notice of the increase on or before September 1 of the year before the increase is effective, and third, that if the increase is more than 500 acre feet the excess shall not be effective for the first year following such notice if it would cause or increase a shortage in the entitlement deliveries to other contractors.

4. Subdivision (h) is added to Article 22 of the contract to read:

(h) If the State hereafter enters into or amends any contract whereby any other contractor receives a credit, refund, allowance, or other benefit by reason of having paid in any year the Delta Water Charge for more project water than the contractor actually received during such year the State will immediately on request of the Agency further amend this contract to give the same benefit to the Agency.

5. Table A attached to the contract is hereby replaced by the following Table A Amended:

TABLE A AMENDED

<u>Year</u>	<u>Total Annual Amount in Acre Feet</u>
1980	500
1981	650
1982	800
1983	950
1984	12,100
1985	14,000
1986	16,500
1987	20,000
1988	27,000
1989	34,500
1990 and each succeeding year thereafter for the term of this contract as a maximum entitlement	42,000

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

Approved as to legal form  
and sufficiency:

STATE OF CALIFORNIA  
DEPARTMENT OF WATER RESOURCES

By *P. A. Turner*  
Chief Counsel  
Department of Water Resources

By *Amel G. White*  
Director

SOLANO COUNTY FLOOD CONTROL AND  
WATER CONSERVATION DISTRICT

By *Wallace L. Braxton*  
Chairman of the Board of  
Supervisors

1-23-90

STATE OF CALIFORNIA  
THE RESOURCES AGENCY  
DEPARTMENT OF WATER RESOURCES

AMENDMENT NO. 7 TO WATER SUPPLY CONTRACT  
BETWEEN THE STATE OF CALIFORNIA  
DEPARTMENT OF WATER RESOURCES AND  
SOLANO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

THIS CONTRACT, made this *22nd* day of *August*, 1983, <sup>DK</sup> *CP*

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 Solano County Flood Control and Water Conservation District, herein referred to as the "Agency";

WHEREAS, the State and the Agency entered into and subsequently amended a water supply contract providing that the State shall deliver and the Agency shall purchase a supply of water to be made available from the project facilities constructed by the State; and

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

WHEREAS, each party recognizes the urgent need in California to conserve water by preventing its waste and furthering its efficient use;

WHEREAS, comprehensive programs of conserving project water by all the State's water contractors may enhance the adequacy, quality and dependability of project water supplies and may lower costs,

save energy and reduce inflow to sewage treatment facilities.

NOW, THEREFORE, it is mutually agreed as follows:

1. Article 45 of the contract is amended by adding at the end thereof the following:

(p) Water Conservation

(1) The Agency shall formulate and implement a comprehensive program for the conservation of water designed to meet the goals set forth in subdivision (4) of this Article 45(p), hereinafter referred to as "the program". The program shall include measures for public education, distribution of water conservation kits, measures to reduce water use and loss, measures to prevent waste and assure the efficient use of water, and provisions for auditing quantities of water conserved. Each and all the elements of the program shall be reasonable, cost effective, financially feasible, environmentally acceptable and legally implementable.

(2) Formulation of the program shall be the cooperative effort of the Agency and the Cities of Benicia, Fairfield, Suisun City and Vacaville, hereinafter collectively referred to as "the Cities". The Agency shall be the lead agency in the formulation of the program. The program may contain elements applicable to all the Cities and elements applicable to only a particular city to reflect differing conditions in each. The portions of the program applicable to a City shall be subject to the approval of that City. The program shall be adopted and implemented in accordance with the Urban Water Management Planning Act (Water Code §10610, et seq.) and shall constitute

the urban water management plan for the Cities.

(3) The program shall become effective in each of the Cities not later than the year of initial water delivery to the City. Thereafter, each City shall be responsible for the implementation of all elements of the program with the City's water service area.

(4) The goals of the program shall be the conservation of the following quantities of water which are based on the population projections shown in parentheses in thousands:

	<u>1990 Goal</u> <u>in acre feet</u> <u>per year</u>	<u>2000 Goal</u> <u>in acre feet</u> <u>per year</u>	<u>2010 Goal</u> <u>in acre feet</u> <u>per year</u>
Benicia	370 (26.9)	660 (30.5)	850 (35.5)
Fairfield	990 (62.4)	1,740 (71.8)	2,170 (79.9)
Suisun City	340 (13.5)	690 (16.1)	880 (18.9)
Vacaville	750 (65.1)	1,400 (79.7)	2,070 (94.0)

If actual practice or new information shows any goal to be unrealistic, or if the above population projections are not realized, the goal shall be appropriately amended by agreement of the parties.

(5) Each City shall keep records sufficient to show what is being done to implement the program and the quantities of water that are thereby conserved. Each City shall submit a report of its implementation of the program to the Agency annually for the first five years after the program becomes effective and thereafter every five years. The Agency shall consolidate the reports and forward copies to the State.

(6) The State shall not reduce the quantities of project water delivered to the Agency by reason of any failure of the Agency or any of the Cities to achieve any water conservation goal established by this agreement.

(7) Upon determination by the State that the Agency and the Cities have formulated an adequate program and are taking reasonable measures consistent with sound fiscal policies and proper operating procedures to implement it, the State shall, in mitigation of significant adverse environmental impacts caused by the North Bay Aqueduct, provide financial assistance in the form of grants and allowances to the Agency to cover expenses incurred by the Agency and the Cities in connection with the program as follows:

(a) To the extent it has authority to do so the State shall make grants from available funds other than those appropriated by the California Water Resources Development Bond Act, to the Agency for the Cities for conservation measures, such as leak detection and distribution of residential water conservation kits. In making such grants the State shall accord to the Agency and to Napa County Flood Control and Water Conservation District a priority over other qualified applicants for such funds to the extent of its authority to do so.

(b) To the extent that the cost of the program exceeds the amount of grants under subdivision 7(a) of this Article 45p the State shall on application of the Agency make payments of funds available for construction of the System to the Agency for program expenditures the State has approved in advance, such as the costs of initial development or purchases of movies and slide shows, initial leak detection and leak repairs, design of a corrosion control

program, design of a meter maintenance schedule, purchase and distribution of residential water conservation kits, purchase of meters for loan to large quantity water users, and other programs or equipment approved by the State, and engaging consultants for any of the foregoing. Funds shall be provided within 60 days after receipt of statements of costs submitted by the Agency not more frequently than monthly. The amount thus provided during each year together with interest thereon at the project interest rate shall be repaid in not more than twenty equal annual installments. The Agency may allocate available funds provided to it by the State to Cities that make application therefor on the same terms of repayment.

(8) The procedures for adoption and implementation of the program shall be done in accordance with the Urban Water Management Planning Act (Water Code Section 10610, et seq.) and to the extent possible the program shall be the same as the urban water management plan required for the cities under that Act.

(9) The State shall make all reasonable efforts consistent with sound fiscal policies, reasonable construction schedules and proper operating procedures to deliver project water through the North Bay Aqueduct by March 31, 1987, or by September 30, 1986, if final design studies show that variable speed pumps are not necessary.

2. Table A Amended attached to the contract is hereby replaced by the Following Table A Amended:

TABLE A AMENDED  
 ANNUAL ENTITLEMENTS  
 SOLANO COUNTY FLOOD CONTROL  
 AND  
 WATER CONSERVATION DISTRICT

<u>Year</u>	<u>Total Annual Amount in Acre-Feet</u>
1984	1,100
1985	1,250
1986	2,300
1987	13,750
1988	15,660
1989	18,420
1990	21,250
1991	22,300
1992	24,170
1993	26,130
1994	28,080
1995	34,250
1996	37,800
1997	38,250
1998	38,710
1999	39,170
2000	39,620
2001	40,080
2002	40,540
2003	41,000
2004	41,450
2005	41,500
2006	41,550
2007	41,600
2008	41,650
2009	41,700
2010	41,750
2011	41,800
2012	41,850
2013	41,900
2014	41,950
2015 and each succeeding year thereafter for the term of this contract as a Maximum Annual Entitlement	42,000

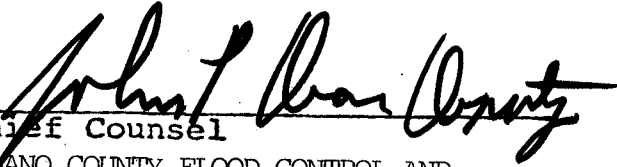
IN WITNESS WHEREOF, the parties have executed this contract

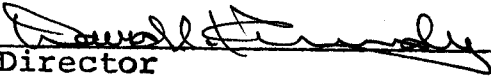


amendment on the date first above written.

Approved as to Legal  
Form and Sufficiency:

STATE OF CALIFORNIA  
DEPARTMENT OF WATER RESOURCES

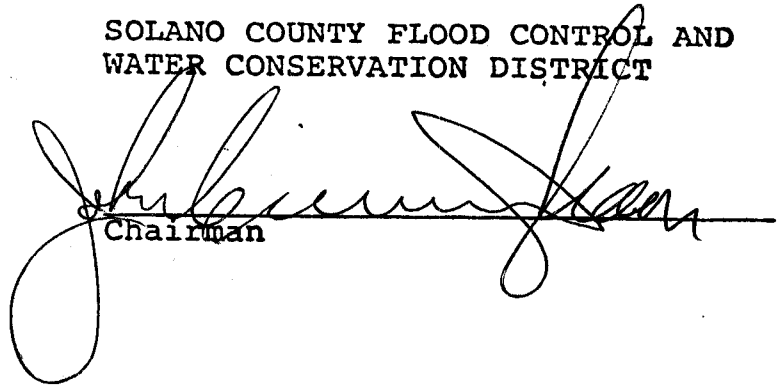
  
Chief Counsel

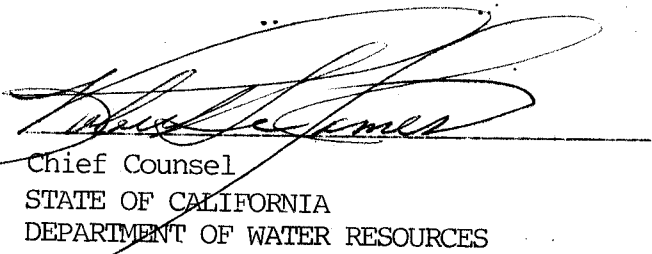
  
Director

SOLANO COUNTY FLOOD CONTROL AND  
WATER CONSERVATION DISTRICT

SOLANO COUNTY FLOOD CONTROL AND  
WATER CONSERVATION DISTRICT

Approved as to Legal  
Form and Sufficiency:

  
Chairman

  
Chief Counsel  
STATE OF CALIFORNIA  
DEPARTMENT OF WATER RESOURCES

AMENDMENT NO. 8 TO SOLANO COUNTY WATER DISTRICT  
LONG TERM WATER CONTRACT  
WAS NOT EXECUTED

STATE OF CALIFORNIA  
THE RESOURCES AGENCY  
DEPARTMENT OF WATER RESOURCES

AMENDMENT NO. 9 TO WATER SUPPLY CONTRACT  
BETWEEN THE STATE OF CALIFORNIA  
DEPARTMENT OF WATER RESOURCES AND THE  
SOLANO COUNTY FLOOD CONTROL AND  
WATER CONSERVATION DISTRICT

THIS CONTRACT, made this 23rd day of March,  
1983, 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 Solano County  
Flood Control and Water Conservation District, herein referred to  
as the "District";

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

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

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

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

(e) Project Facilities

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

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

(h) Additional Project Conservation Facilities

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

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

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

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

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

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

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

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

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

(3) Whether a Local Project described in (2) above shall be considered economically competitive shall be determined by the State by comparing, in an engineering and economic analysis, such Local Project with alternative new water supply

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

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

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

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

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

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

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

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

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

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

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

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

(B) All other generating and associated transmission facilities, except those dependent on water from project conservation facilities, for the generation of power. These facilities shall be called "off-aqueduct power facilities" and shall consist of the State's interest in the Reid-Gardner and

any other generating and associated transmission facilities, constructed or financed in whole or in part by the State, which are economically competitive with alternative power supply sources as determined by the State.

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

(r) Project Interest Rate

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

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

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

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

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

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

(6) funds borrowed from the General Fund or other funds in the Treasury of the State of California, for which the total interest cost shall be computed at the interest



rate earned over the period of such borrowing by moneys in the Pooled Money Investment Account of such Treasury invested in securities,

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

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

(i) The determination of the rate for water under the Delta Water Charge shall be made by including the appropriate costs and quantities of water, calculated in accordance with subdivisions (c), (d) and (e) above, for all additional project conservation facilities as defined in Article 1(h) hereinabove. In the event a Local Project as defined in Article 1(h)(2) will, pursuant to written agreement between the State and the sponsoring contractor, be considered and treated as an additional project conservation facility for less than the estimated life of the facility, the rate under the Delta Water Charge will be determined on the basis of that portion of the appropriate cost and water supply associated with such facility as the period of time during which such facility shall be considered as an additional project conservation facility bears to the estimated life of such facility. No costs for the construction or implementation of any Local

Project are to be included in the Delta Water Charge unless and until the written agreement required by Article 1(h) has been entered into.

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

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

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

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

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

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

(1) The off-aqueduct power costs shall include all annual costs the State incurs for any off-aqueduct power facility, which shall include, but not be limited to, power purchases, any annual principal and interest payments on funds borrowed by or advanced to the State, annual principal and interest on bonds issued by the State or other agency, or under revenue bond financing contracts, any requirements for coverage, deposits to reserves, and associated operation and maintenance costs of such

facility, less any credits, interest earnings, or other monies received by the State in connection with such facility. In the event the State finances all or any part of an off-aqueduct power facility directly from funds other than bonds or borrowed funds, in lieu of such annual principal and interest payments, the repayment of capital costs as to that part financed by such other funds shall be determined on the basis of the schedule that would have been required under Article 24.

(2) The annual costs of off-aqueduct power facilities as computed in (1) above shall initially be allocated among contractors in amounts which bear the same proportions to the total amount of such power costs that the total estimated electrical energy (kilowatt hours) required to pump through project transportation facilities the desired delivery amounts of annual entitlements for that year, as submitted pursuant to Article 12(a)(1) and as may be modified by the State pursuant to Article 12(a)(2), bears to the total estimated electrical energy (kilowatt hours) required to pump all such amounts for all contractors through project transportation facilities for that year, all as determined by the State.

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

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

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

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

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

(b) Interest on Overdue Payments

Upon every amount of money required to be paid by the District to the State pursuant to this contract which remains unpaid after it becomes due and payable, interest shall accrue at

an annual rate equal to that earned by the Pooled Money Investment Fund, as provided in Government Code Sections 16480, et seq. calculated monthly on the amount of such delinquent payment from and after the due date until it is paid, and the District hereby agrees to pay such interest: provided, that no interest shall be charged to or be paid by the District unless such delinquency continues for more than thirty (30) days.

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

Approved as to legal form and sufficiency:

STATE OF CALIFORNIA  
DEPARTMENT OF WATER RESOURCES

By *Robert James*  
Chief Counsel  
Department of Water Resources

By *H. H. Easter*  
Acting Director

SOLANO COUNTY FLOOD CONTROL  
AND WATER CONSERVATION  
DISTRICT

By *Osby Davis*  
(Title)

75  
632-00001

STATE OF CALIFORNIA  
THE RESOURCES AGENCY  
DEPARTMENT OF WATER RESOURCES  
AMENDMENT NO. 10 TO WATER SUPPLY CONTRACT  
BETWEEN THE DEPARTMENT OF WATER RESOURCES  
OF THE STATE OF CALIFORNIA AND THE  
SOLANO COUNTY FLOOD CONTROL AND  
WATER CONSERVATION DISTRICT

THIS CONTRACT, made this 15<sup>th</sup> day of NOVEMBER, 1985,  
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 Department of Water Resources of the State of  
California, herein referred to as the "State", and Solano County Flood Control  
and Water Conservation District, herein referred to as the "Agency";

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

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

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

1. Subdivision (c) of Article 12 is amended to read:

(c) Water Deliveries to the Agency.

(1) To the extent delivery capability in the North Bay Aqueduct is available, the State will, on receipt of a request from the Agency, increase the delivery of project water above the limits imposed by Article 45(k) by up to 1,207 acre-feet in any month. Delivery capability shall be deemed to be available only to the extent that such deliveries do not prevent delivery of approved requests of Napa County Flood Control and Water Conservation District for quantities of project water up to but not exceeding 46 cubic feet per second.

(2) In no event shall the State be obligated to deliver project water and/or non-project water to the Agency through all delivery structures at a total combined instantaneous rate of flow exceeding 130 cubic feet per second, except as this rate of flow may be revised by amendment of this article after submission to the State of the Agency's requests with respect to maximum flow capacities to be provided in said delivery structures, pursuant to Article 10.

2. Article 26.1 is added to read:

26.1 TRANSPORTATION OF CITY OF VALLEJO PERMIT WATER

(a) Definition

As used in this contract, "Vallejo permit water" shall mean non-project water, subject to a water right claimed by the City of Vallejo, that is transported by the State through the North Bay Aqueduct from Barker Slough to delivery structures for delivery to the City of Vallejo.

(b) Vallejo Permit Water

The State shall transport in the North Bay Aqueduct Vallejo permit water for the Agency when it is available under an independent water right claimed by the City of Vallejo. Such water shall be delivered at a flow rate not to exceed 31.52 cubic feet per second and the annual quantity shall not exceed 17,287 acre-feet. Responsibilities for the delivery and distribution of Vallejo permit water shall be the same as are described in Article 13 for project water.

(c) Water Right

The Agency shall obtain from the City of Vallejo and transmit to the State information as to when Vallejo permit water is available and permission from Vallejo for the State to divert Vallejo permit water and transport it through the North Bay Aqueduct.

(d) Schedules

Schedules for the delivery of Vallejo permit water shall be submitted separately along with the schedules for project water required under Article 12(a).

(e) Variable Operation, Maintenance, and Replacement Charge

The Agency shall pay a variable operation, maintenance, and replacement charge determined by the State for pumping Vallejo permit water through North Bay Aqueduct pumping plants.

(f) Power for Pumping Vallejo Permit Water

Project power shall not be used for pumping Vallejo permit water. Power for this purpose shall be provided by the Agency or the City of Vallejo without cost to the State.



(g) Advance Payments for Vallejo Permit Water

The Agency shall make advance payments to the State under the capital cost component of the Transportation Charge for the costs estimated by the State to be necessary for enlarging the North Bay Aqueduct to have sufficient capacity to transport Vallejo permit water in addition to all the planned deliveries of project water. The amounts and times of such advance payments shall be as follows:

\$1,111,900 by January 1, 1986

\$ 990,800 by July 1, 1986

\$ 938,000 by January 1, 1987

\$ 885,500 by July 1, 1987

Amounts so advanced shall be credited to the capital cost component of the Transportation Charge allocated to the Agency.

3. Article 26.2 is added to read:

26.2 EXCESS PEAKING CAPACITY

(a) Enlargement of Capacity and Additional Pump Bay

In order to provide the 1,207 acre-feet per month of excess peaking capacity referred to in subsection (c)(1) of Article 12, the State shall make the necessary enlargement of the North Bay Aqueduct and construct an additional bay for a large-size pump.

(b) Payments for Excess Peaking Capacity

Notwithstanding the payment provisions of Article 24(d), the Agency shall pay to the State the incremental capital costs of excess peaking capacity requested by the Agency over and above the capacity added for Vallejo permit water. If a combined delivery structure serving the cities of Fairfield and Vacaville is located within 150 feet of Vanden Road, the amounts and times of such payments shall be as follows:

\$ 36,600 by January 1, 1986

\$ 92,300 by July 1, 1986

\$102,000 by January 1, 1987

\$ 97,000 by July 1, 1987

If the delivery structure(s) for the cities of Fairfield and Vacaville is (are) located elsewhere, the State shall redetermine the amounts of the foregoing payments.

(c) Additional Pump

The State shall, on the request of the Agency, procure and install a large-size pump in the additional bay referred to in subdivision (a) of this article. The Agency shall pay all the costs thereof on a schedule to be determined at the time the Agency makes its request.

4. Subdivision (b) of Article 24 is amended by striking out "Table B" and inserting in lieu thereof "Table B-1".

5. Subdivision (c) of Article 25 is amended by striking out "Table B" and inserting in lieu thereof "Table B-2".

6. Subdivision (c) of Article 26 is amended by striking out "Table B" and inserting in lieu thereof "Tables B-1 and B-2".

7. Article 28 and Subdivision (e) of Article 29 are amended by striking out "Tables B" and inserting in lieu thereof "Tables B-1, B-2".

8. Subdivision (k) of Article 45 is amended to read:

(k) Except as provided in Articles 12(c) and 26.2, project water shall not be delivered to the Agency in any one month of any year in a total amount greater than eleven percent (11%) of that portion of the Agency's annual entitlement for that year to be put to municipal use, as determined by the

State, and eighteen percent (18%) of that portion of the Agency's annual entitlement for that year to be put to agricultural use, as determined by the State.

9. Subdivision (p) is added to Article 45 to read:

(p) Notwithstanding the provisions of Articles 24 and 25, the proportionate use factors for the calculation of the capital cost component and the minimum operation, maintenance, power, and replacement cost component of the Transportation Charge for the Agency shall be determined by the State by including 31.52 cubic feet per second and 17,287 acre-feet per year for delivery of Vallejo permit water pursuant to Article 26.1. In calculating the Agency's proportionate use factors, the State shall take into account that the Agency had previously contracted for transportation capacity over and above that needed for its entitlement deliveries, and that the Agency now desires to dedicate any such extra capacity to the transportation of Vallejo permit water.

10. Subdivision (q) is added to Article 45 to read:

(q) The Agency shall pay the State any costs in addition to those identified in Article 26.1 that result from transportation of Vallejo permit water which, if not paid by the Agency, would otherwise increase the cost of project water over what such cost would have been without the transportation of Vallejo permit water. If the State determines that such costs are being incurred, the State shall immediately notify the Agency, furnishing an explanation of the nature and amount of such costs and the details of their calculation.

11. Table B-1 attached to the contract is hereby replaced by the following Table B-1:

Table B-1

PROPORTION OF CAPITAL COSTS OF PROJECT TRANSPORTATION FACILITIES  
ALLOCATED TO  
SOLANO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

	Total for Project Transportation Facilities				Agency Participation			
	Total of Maximum Annual Entitlements of All Contractors Thousands of Acre-Feet Per Year <sup>(1)</sup>	Total of Maximum Capacities in Cubic Feet per Second <sup>(4)</sup>	Total Capital Cost, Thousands of Dollars <sup>(2)</sup>	Maximum Annual Entitlement, Thousands of Acre-Feet per Year <sup>(3)</sup>	Ratio of Maximum Annual Entitlement to Total of Maximum Annual Entitlements	Maximum Capacity in Cubic Feet per Second	Ratio of Maximum Capacity to Total Capacity	Average of Ratios
Aqueduct Reach								
Barker Slough thru Fairfield/Vacaville Turnout	84.337 <sup>(3)</sup>	153.77144 <sup>(4)</sup>		59.316 <sup>(3)</sup>	0.70332120	108.15096 <sup>(4)</sup>	0.70332280	0.70332200
Fairfield/Vacaville Turnout to Cordelia Forebay	65.126 <sup>(3)</sup>	118.74426 <sup>(4)</sup>		40.108 <sup>(3)</sup>	0.61585235	73.12925 <sup>(4)</sup>	0.61585503	0.61585369
Cordelia Forebay thru Benicia and Vallejo Turnouts	40.090 <sup>(3)</sup>	73.09643 <sup>(4)</sup>		40.090 <sup>(3)</sup>	1.00000000	73.09643 <sup>(4)</sup>	1.00000000	1.00000000

1) As increased by an allowance for losses as provided in Article 24(b)(2).

2) Capital costs are being developed.

3) Includes 17,287 acre-feet per year of City of Vallejo permit water.

4) Includes 31.52 cfs of City of Vallejo permit water.

12. Table B-2 attached to the contract is hereby replaced by the following

Table B-2:

Table B-2

PROPORTION OF MINIMUM OPERATION, MAINTENANCE, POWER, AND REPLACEMENT COSTS  
OF PROJECT TRANSPORTATION FACILITIES ALLOCATED TO  
SOLANO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

	Total for Project Transportation Facilities				Agency Participation			
	Total of Maximum Annual Entitlements of All Contractors Thousands of Acre-Feet Per Year <sup>(1)</sup>	Total of Maximum Capacities in Cubic-Feet per Second <sup>(1)</sup>	Minimum Annual Operating Cost, Thousands of Dollars <sup>(2)</sup>	Maximum Annual Entitlement, Thousands of Acre-Feet per Year <sup>(1)</sup>	Ratio of Maximum Annual Entitlement to Total of Maximum Annual Entitlements	Maximum Capacity in Cubic-Feet per Second	Ratio of Maximum Capacity to Total Capacity	Average of Ratios of Ratios
Aqueduct Reach	84.337 <sup>(3)</sup>	173.77144 <sup>(4)(5)</sup>		59.316 <sup>(3)</sup>	0.70332120	128.15096 <sup>(4)(5)</sup>	0.73746848	0.72039484
Barker Slough thru Fairfield/Vacaville Turnout								
Fairfield/Vacaville Turnout to Cordelia Forebay	65.126 <sup>(3)</sup>	118.74426 <sup>(4)</sup>		40.108 <sup>(3)</sup>	0.61585235	73.12925 <sup>(4)</sup>	0.61585503	0.61585369
Cordelia Forebay thru Benicia and Vallejo Turnouts	40.090 <sup>(3)</sup>	73.09643 <sup>(4)</sup>		40.090 <sup>(3)</sup>	1.00000000	73.09643 <sup>(4)</sup>	1.00000000	1.00000000

1) As increased by an allowance for losses as provided in Article 24(b)(2).

2) Minimum annual operating costs are being developed.

3) Includes 17,287 acre-feet per year of City of Vallejo permit water.

4) Includes 31.52 cfs of City of Vallejo permit water.

5) Includes 20 cfs of excess capacity added under provisions of Article 12(b).

13. Table I attached to the contract is hereby replaced by the following Table I:

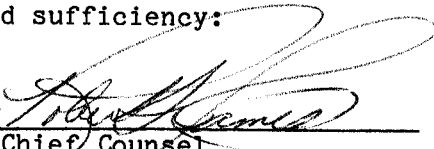
Table I

AQUEDUCT REACHES  
SOLANO COUNTY FLOOD CONTROL AND  
WATER CONSERVATION DISTRICT

<u>Aqueduct Reach</u>	<u>Major Features of Reach</u>
Barker Slough thru Fairfield/ Vacaville Turnout	Intake Channel Fish Protective Facilities Barker Slough Pumping Plant Aqueduct
Fairfield/Vacaville Turnout to Cordelia Forebay	Aqueduct
Cordelia Forebay thru Benicia and Vallejo Turnouts	Cordelia Forebay (Solano portion) Cordelia Pumping Plant (Solano portion) Aqueduct

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

Approved as to legal form  
and sufficiency:

By   
Chief Counsel  
Department of Water Resources

STATE OF CALIFORNIA  
DEPARTMENT OF WATER RESOURCES

By   
Director

SOLANO COUNTY FLOOD CONTROL AND  
WATER CONSERVATION DISTRICT

By   
Chairman

STATE OF CALIFORNIA  
THE RESOURCES AGENCY  
DEPARTMENT OF WATER RESOURCES

659 8476  
Solano County  
6000  
15

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AMENDMENT NO. 11 TO WATER SUPPLY CONTRACT  
BETWEEN THE DEPARTMENT OF WATER RESOURCES  
OF THE STATE OF CALIFORNIA AND  
SOLANO COUNTY FLOOD CONTROL AND  
WATER CONSERVATION DISTRICT

THIS CONTRACT is made this 11<sup>th</sup> 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 Department of Water Resources of the State of  
California, herein referred to as the "State", and Solano County Flood Control  
and Water Conservation District, herein referred to as the "Agency".

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

WHEREAS, Article 22(b) of such water supply contract, as amended,  
provides that beginning in the year 1987 the Delta Water Charge shall be the  
sum of the capital cost component, minimum operation, maintenance, power and  
replacement component, and variable operation, maintenance, power and replace-  
ment component computed in accordance with Articles 22(c) and (d) of the water  
supply contract; and



WHEREAS, Articles 22(e) and (g) of such water supply contract provide that the Delta Water Charge as computed in accordance with Articles 22(c) and (d) shall include all projected costs of additional project and supplemental conservation facilities commencing in the years in which the State first incurs capital costs for such facilities after the facilities are authorized; and

WHEREAS, the parties desire that the Agency's water supply contract be amended to postpone inclusion of the projected costs of any authorized additional project and supplemental conservation facilities in the computation of the Delta Water Charge after the year 1986 until the happening of certain events.

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

1. Subdivision (e) of Article 22 is amended to read as follows:

Prior to the time that additional project conservation facilities or supplemental conservation facilities are constructed, the Delta Water Charge shall be determined on the basis of an allocation to project purposes, by the separable cost-remaining benefits method, of all actual and projected costs of all those initial project conservation facilities located in and above the Delta, and upon an allocation to the purposes of water conservation and water transportation, by the proportionate use of facilities method, of all actual and projected costs of the following project facilities located below the Delta: The aqueduct intake facilities at the Delta, Pumping Plant I (Harvey O.Banks Pumping Plant), the aqueduct from the Delta to San Luis Forebay (O'Neill Forebay), San Luis Forebay (O'Neill Forebay), and San Luis Reservoir:

Provided, that all of the actual and projected costs properly chargeable to the generation and transmission of electrical energy in connection with operation of project conservation facilities shall be allocated to the purpose of water conservation in, above, and below the Delta: Provided further, that allocations to purposes the cost of which are to be paid by the United States shall be as determined by the United States.

Commencing in the year in which the State first awards a major construction contract for construction of a major feature of additional project conservation facilities, or first commences payments under a contract with a federal agency in the event a major feature of additional project conservation facilities is constructed by such federal agency under an agreement requiring the State to pay all or part of the costs of such construction, the Delta Water Charge shall be determined on the basis of the foregoing allocations and upon an allocation to project purposes, by the separable costs-remaining benefits method and subject to the foregoing provisos, of all projected costs of such feature of the additional project conservation facilities: Provided, that if the agreement with such federal agency allows repayment of costs of a portion of a facility to be deferred, the associated costs of such portion shall be excluded from the Delta Water Charge computations until repayment of such deferred costs or interest thereon is commenced by the State: Provided further, that all costs of additional project conservation facilities incurred prior to the award of a major construction contract, shall be included in the Delta Water Charge computations in the year in which they are incurred.

2. Subdivision (g) of Article 22 is amended to read as follows:

Upon the construction of the supplemental conservation facilities, the Delta Water Charge shall be paid by the contractors for supplemental water, as well as by contractors for project water, and, together with revenues derived from the sale or disposal of electrical energy generated in connection with operation of project conservation facilities and supplemental conservation facilities, shall return to the State, in addition to those costs of the project conservation facilities allocated to the purpose of water conservation, in, above, and below the Delta pursuant to subdivision (e) of this article, all costs of such supplemental conservation facilities, including capital, operation, maintenance, power, and replacement costs which are allocated to the purpose of water conservation, in, above, and below the Delta pursuant hereto. Commencing in the year in which the State first awards a major construction contract for construction of a major feature of any supplemental conservation facilities, or first commences payments under a contract with a federal agency in the event a major feature of supplemental conservation facilities is constructed by such federal agency under an agreement requiring the State to pay all or part of the costs of such construction, the Delta Water Charge shall be determined on the basis of the allocations made pursuant to subdivision (e) of this article, and upon a allocation to project purposes, by the separable costs-remaining benefits method and subject to provisos corresponding to those contained in said subdivision (e), of all projected costs of such feature of the supplemental conservation facilities. Commencing in the same year, the computation of the rates to be used in determining the components of the Delta Water

Charge shall include the annual entitlements to water under all contracts for supplemental water. If the repayment period of any bonds sold to construct supplemental conservation facilities or the repayment period under any agreement with a federal agency for repayment of the costs of supplemental conservation facilities constructed by such federal agency extends beyond the repayment period of this contract, the Delta Water Charge shall be determined and redetermined on the basis of such extended repayment period as the State determines to be appropriate: Provided, that if the agreement with such federal agency allows repayment of costs of a portion of a facility to be deferred, the associated costs of such portion shall be excluded from the Delta Water Charge computations until repayment of such deferred costs or interest thereon is commenced by the State.

3. Subdivision (d) of Article 6 is amended to read as follows:

(d) Deliveries Prior to Completion of North Bay Aqueduct

Prior to the date water is delivered to the Agency through the North Bay Aqueduct (hereinafter referred to as the date of initial aqueduct delivery), all water shall be delivered to the Agency at the diversion works of the City of Vallejo on Cache Slough. If initial aqueduct delivery occurs after January 1988, the Total Annual Amount for 1988 shall be 2,100 acre-feet prorated from January 1, 1988 to the date of initial aqueduct delivery and the amount shown in Table A Amended for said year prorated from the date of initial delivery to the end of the year. The Agency may increase the Total Annual Amount for any year prior to the year of initial aqueduct delivery provided, first, that the increased amount shall not exceed 10,800 acre-feet, second,

that the Agency gives the State written notice of the increase on or before September 1 of the year before the increase is effective, and third, that if the increase is more than 500 acre-feet the excess shall not be effective for the first year following such notice if it would cause or increase a shortage in the entitlement deliveries to other contractors.

4. Table A attached to the contract is hereby replaced by the following Table A Amended:

TABLE A AMENDED  
 ANNUAL ENTITLEMENTS  
 SOLANO COUNTY FLOOD CONTROL  
 AND  
 WATER CONSERVATION DISTRICT

<u>Year</u>	<u>Total Annual Amount in Acre-Feet</u>
1980	500
1981	650
1982	800
1983	950
1984	1,100
1985	1,250
1986	1,400
1987	1,550
1988	15,660
1989	18,420
1990	21,250
1991	22,300
1992	24,170
1993	26,130
1994	28,080
1995	34,250
1996	37,800
1997	38,250
1998	38,710
1999	39,170
2000	39,620
2001	40,080
2002	40,540
2003	41,000
2004	41,450
2005	41,500
2006	41,550
2007	41,600
2008	41,650
2009	41,700
2010	41,750
2011	41,800
2012	41,850
2013	41,900
2014	41,950
2015 and each succeeding year thereafter for the term of this contract as a Maximum Annual Entitlement	42,000

IN WITNESS WHEREOF, the parties hereto 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

By   
Director

SOLANO COUNTY FLOOD CONTROL AND  
WATER CONSERVATION DISTRICT

By   
Title

632-51431

STATE OF CALIFORNIA  
THE RESOURCES AGENCY  
DEPARTMENT OF WATER RESOURCES

AMENDMENT NO. 12 TO WATER SUPPLY CONTRACT  
BETWEEN THE STATE OF CALIFORNIA  
DEPARTMENT OF WATER RESOURCES AND  
SOLANO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

THIS CONTRACT is made this 14<sup>th</sup> day of May, 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 Solano County Flood Control and Water Conservation District, 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;

WHEREAS, Article 28 of such water supply contract provides that the State shall redetermine the annual amounts of the Transportation Charge in order that the charges to the Agency may accurately reflect increases or decreases from year to year in projected costs, outstanding reimbursable indebtedness of the State, annual entitlements, estimated deliveries, project interest rate, and all other factors which are determinative of such charges;

WHEREAS, Article 28 also provides that each such redetermination shall include an adjustment of the components of the Transportation Charge to be paid by the Agency for succeeding years which shall account for differences, if any, between projections used by the State in determining the amounts of such components for all preceding years and actual costs incurred by the State during such years, but does not specify the computational details or the method of payment of such adjustments;

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; and

WHEREAS, the State and the Agency wish to correct the duplication in lettering of Article 45(p) added by Amendment 7 on August 22, 1984 and Article 45(p) added by Amendment 10 on November 15, 1985 by redesignating the latter Article 45(p) as Article 45 (r) with no substantive change.

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.

1.5 Articles 1(z), 1(aa), 1(bb), 1(dd), 1(ee), and 1(ff) are reserved for future use and have no text as of the date of this amendment.

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(gg) is added to read:

(gg) "East Branch Enlargement Facilities" shall mean all of the following:

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

(2) 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;

(3) 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 19, 1984;

(4) 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;

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

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

4. 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).

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

(k) Notwithstanding provisions of Article 22(a) through (j), 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.

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

(g) Notwithstanding provisions of Article 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.

6.5 Article 28 of the Agency's water supply contract with the State is amended to read as follows:

28. Transportation Charge--Redetermination

(a) Determinative Factors Subject to Retroactive Change

The State shall redetermine the values and amounts set forth in Tables B, C, D, E, F, and G of this contract in the year following the year in which the State commences construction of the project transportation facilities and each year thereafter in order that the Transportation Charge to the Agency and the components thereof may accurately reflect the increases or decreases from year to year in projected costs, outstanding reimbursable indebtedness of the State incurred to construct the project transportation facilities described in Table I of this contract, annual entitlements, estimated deliveries, project interest rate, and all other factors which are determinative of such charges. In addition, each such redetermination shall include an adjustment of the components of the Transportation Charge to be paid by the Agency 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 Agency or credited to the Agency's account in the manner described in (b) and (c) below.

(b) Adjustment: Transportation Charge--Capital Cost Component

Adjustments for prior underpayments or overpayments of the capital cost component of the Transportation Charge to the Agency, together with accrued interest charges or credits thereon computed at the then current project interest 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: Provided, that the Agency may elect to exercise the option whereby when the redetermined Transportation Charge for the following year, with adjustments, including adjustments of the operation, maintenance, power, and replacement components provided for in subdivision (c) of this article, is more or less than the last estimate of the Charge provided pursuant to Article 27 for the corresponding year, without adjustments, an amount equal to the total of such difference shall be deducted from or added to the adjusted capital cost component for that year and paid or credited in accordance with the following schedule:

Percent that Transportation Charge differs from last estimate (+ or -)	Period in years, for amortizing the difference in indicated charge
for 10% or less	no amortization
more than 10%, but not more than 20%	2
more than 20%, but not more than 30%	3
more than 30%, but not more than 40%	4
more than 40%.	5

Such payments or credits shall be equal semi-annual amounts of principal and interest on or before the 1st day of January and the 1st day of July, with interest computed at the project interest rate and compounded annually, during varying amortization periods as set forth in the preceding schedule: Provided,



that for the purpose of determining the above difference in the Transportation Charge, the variable operation, maintenance, power, and replacement component shall be computed on the basis of the same estimated project water deliveries as was assumed in computing pursuant to Article 26(c).

(c) Adjustment: Transportation Charge--Minimum and Variable Components

One-twelfth of the adjustments for prior underpayments or overpayments of the Agency's minimum and variable operation, power, and replacement components for each year shall be added or credited to the corresponding components to be paid in the corresponding month of the year following the redetermination, together with accrued interest charges or credits thereon computed at the then current project interest 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.

(d) Exercise of Option

The option provided for in subdivision (b) above shall be exercised in writing on or before the January 1 due date of the first payment of the capital cost component of the Transportation Charge for the year in which the option is to become effective.

Such option, once having been exercised, shall be applicable for all of the remaining years of the project repayment period.

(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.

(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. Articles 46, 47, 48, and 49 are reserved for future use and have no text as of the date of this amendment.

7.5 Article 45 of the Agency's Water Supply Contract with the State is amended as follows:

Article 45(p) which was added to the contract by Amendment 10 dated November 15, 1985 shall be designated as Article 45(r).

8. 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.

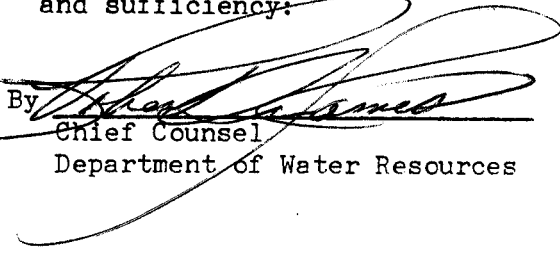
(5) An exercise of the power to terminate provided in this subarticle 50(i) shall also rescind any changes made by this amendment in the schedule of payment of overpayment or underpayment of capital costs resulting from a change in the project interest rate and shall also rescind the addition of item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

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

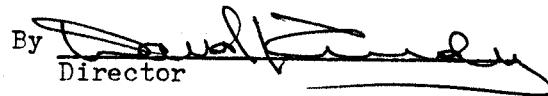
(7) If the Director does not exercise the power of termination before January 1, 1989, this Subarticle 50(i) shall expire, and the remainder of this Article 50 shall remain in effect. Changes made by this amendment to other articles shall also remain in effect.

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

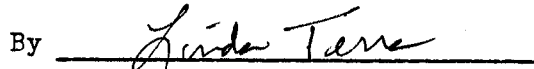
Approved as to legal form  
and sufficiency:

By   
Chief Counsel  
Department of Water Resources

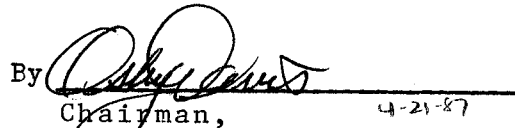
STATE OF CALIFORNIA  
DEPARTMENT OF WATER RESOURCES

By   
Director

Attest:

By   
Clerk of the Board

SOLANO COUNTY FLOOD CONTROL AND  
WATER CONSERVATION DISTRICT

By   
Chairman, 4-23-87  
Board of Directors

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 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.

STATE OF CALIFORNIA  
THE RESOURCES AGENCY  
DEPARTMENT OF WATER RESOURCES

69231421  
Steno/1200

AMENDMENT NO. 13 TO WATER SUPPLY CONTRACT  
BETWEEN THE STATE OF CALIFORNIA  
DEPARTMENT OF WATER RESOURCES  
AND  
SOLANO COUNTY 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 Solano County Water  
Agency, herein referred to as the "Agency".

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

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

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

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

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

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

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

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

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

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

(e) Delivery of Carry-over Entitlement Water

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

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

- (1) scheduled or unscheduled outages of facilities within the Agency's service area; or
- (2) a delay in the planned application of a contractor's annual entitlement water for pre-irrigation; or
- (3) a delay in the planned spreading of the Agency's annual entitlement water for ground water storage.

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

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

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

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

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

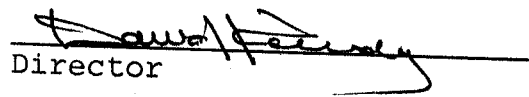
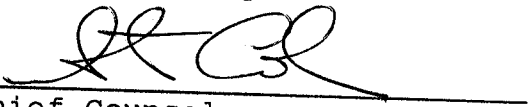


Any Carry-over Entitlement Water foregone by the Agency will become a part of the current year's total project supply.

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

Approved as to legal form and sufficiency:

STATE OF CALIFORNIA  
DEPARTMENT OF WATER RESOURCES



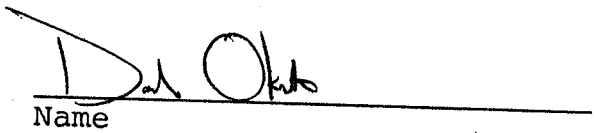
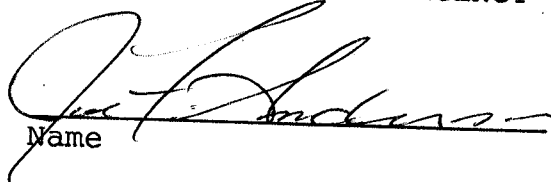
**Acting**

Chief Counsel  
Department of Water Resources

Director

Attest:

SOLANO COUNTY WATER AGENCY

  
Name  
Name

Secretary & General Manager  
Title

Chair, Board of Directors  
Title

January 10, 1991  
Date

January 10, 1991  
Date

STATE OF CALIFORNIA  
THE RESOURCES AGENCY  
DEPARTMENT OF WATER RESOURCES

AMENDMENT NO. 14 TO WATER SUPPLY  
CONTRACT BETWEEN THE STATE OF CALIFORNIA  
DEPARTMENT OF WATER RESOURCES AND  
SOLANO COUNTY WATER AGENCY

6305/431  
SLFC/12/01

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 Solano County 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.

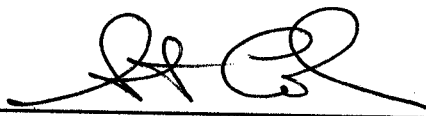
(3) Effective January 1, 1991, power charges for delivery of unscheduled water to the Agency shall be calculated in the same manner as provided in this Article 21(f).

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:

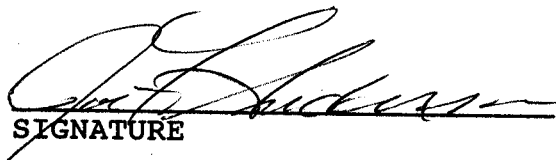
STATE OF CALIFORNIA  
DEPARTMENT OF WATER RESOURCES


  
\_\_\_\_\_  
acting Chief Counsel  
Department of Water Resources

  
\_\_\_\_\_  
Director

SOLANO COUNTY WATER AGENCY

ATTEST:

  
\_\_\_\_\_  
SIGNATURE

  
\_\_\_\_\_

Joe F. Anderson  
\_\_\_\_\_  
NAME

Chair, Board of Directors  
\_\_\_\_\_  
TITLE

STATE OF CALIFORNIA  
THE RESOURCES AGENCY  
DEPARTMENT OF WATER RESOURCES

AMENDMENT NO. 15 TO THE WATER SUPPLY CONTRACT  
BETWEEN THE STATE OF CALIFORNIA  
DEPARTMENT OF WATER RESOURCES AND  
SOLANO COUNTY WATER AGENCY

682-51431  
SCFC 10/1

THIS CONTRACT is made this 22nd 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 Solano County 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 will make certain payments to the State, and setting forth the terms and conditions of such supply and such payment; and

WHEREAS, Chapter 573 of the Statutes of 1989 repealed the Solano County Flood Control and Water Conservation District Act, enacted the Solano County Water Agency Act, and provided in Section 5 that the Solano County Water Agency is created as the successor to the Solano County Flood Control and Water Conservation District; and



WHEREAS, the State and the Agency wish to recognize in the contract that the Agency is the successor to the Solano County Flood Control and Water Conservation District, and

WHEREAS, the State and the Agency wish to provide in the contract for deliveries of unscheduled water under circumstances when the State has determined that unscheduled water can be made available, and

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

AGREEMENT:

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. The Solano County Water Agency is hereby recognized as the successor to all the rights and obligations of the Solano County Flood Control and Water Conservation District under this contract. All references in this contract to the Solano County Flood Control and Water Conservation District and to the "Agency" shall be references to the Solano County Water Agency.

2. Subdivision (8) is added to Article 21(a) of the Agency's water supply contract to read as follows:

(8) "Unscheduled Water" shall mean water available in the Delta as determined by the State at various times during the year when scheduled project demands are being delivered and project storage requirements for both project water deliveries

and water to meet Delta water quality requirements established by the State Water Resources Control Board are being met. All provisions of this Article 21 shall apply to unscheduled water except as expressly provided to the contrary in Articles 21(b), 21(d), and subdivision (3) of Article 21(g).

3. Article 21 (b) is amended to read as follows:

(b) Priorities. The State shall furnish surplus water, not including unscheduled water, in accordance with the following priorities:

- (1) First, to contractors for agricultural use or for groundwater replenishment use.
- (2) Second, to contractors for other uses.
- (3) Third, to non-contractors for any beneficial use.

The State shall furnish unscheduled water in accordance with the following priorities:

- (1) First, for groundwater replenishment or for agricultural use in lieu of groundwater pumping.
- (2) Second, for pre-irrigation to increase soil moisture prior to planting.
- (3) Third, to contractors for other uses.

4. Add the following at the end of Article 21(d):

The schedules required by this Article 21(d) shall not include amounts of unscheduled water. Scheduling of unscheduled water will be done pursuant to provisions of an annual agreement.

5. Add the following at the end of subdivision (3) of Article 21(g):

Unscheduled water shall not be included in this determination.

6. Subdivisions (5) and (6) are added to Article 21(g) as follows:

- (5) Delivery of unscheduled water to a contractor shall not adversely affect deliveries or costs of entitlement or surplus water deliveries to any contractor during the respective year.
- (6) No unscheduled water shall be delivered when sufficient surplus water is available to satisfy contractor requests.

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

Approved as to legal form and sufficiency:

STATE OF CALIFORNIA  
DEPARTMENT OF WATER RESOURCES

By *Kathleen Stumm*  
for Chief Counsel  
Department of Water Resources

By *David Hansen*  
Director

Attest:

SOLANO COUNTY WATER AGENCY

By *Dan O'Leary*  
Clerk of the Board

By *Ernest W. Williams*  
Chairman,  
Board of Directors

STATE OF CALIFORNIA  
THE RESOURCES AGENCY  
DEPARTMENT OF WATER RESOURCES

63251431  
Solano CWA

AMENDMENT NO. 16 (THE MONTEREY AMENDMENT)  
TO WATER SUPPLY CONTRACT BETWEEN THE  
STATE OF CALIFORNIA DEPARTMENT OF  
WATER RESOURCES AND SOLANO COUNTY 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 Solano County 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 (1) The estimated relative proportion of deliveries for  
2 agricultural use to deliveries for municipal use for the year 1990,  
3 and the characteristic distributions of demands for these two uses  
4 throughout the year.

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

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

11 (hh) **Water System Facilities**

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

17 (1) The North Bay Aqueduct,

18 (2) The Coastal Branch Aqueduct,

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

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

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

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

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

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

10 (9) A project facilities corporation yard, and

11 (10) A project facilities operation center.

12  
13 **4. Article 1(jj) is added to read:**

14 **(jj) Interruptible water**

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

21  
22 **5. Article 1(kk) is added to read:**

23 **(kk) Nonproject water**

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

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

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

**7. Article 4 is amended to read:**

**4. OPTION FOR CONTINUED SERVICE**

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

- (1) Service of water in annual amounts up to and including the Agency's maximum annual entitlement hereunder.
- (2) Service of water at no greater cost to the Agency than would have been the case had this contract continued in effect.
- (3) Service of water under the same physical conditions of service, including time, place, amount and rate of delivery, as are provided for hereunder.
- (4) Retention of the same chemical quality objective provision as is set forth herein.
- (5) Retention of the same options to utilize the project transportation facilities as are provided for in Articles 18 (c) and 55, to the extent such 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  
25 Delivered**

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

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

6  
7 **14. Article 16(a) is amended to read:**

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

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

13  
14 **15. Article 18 is amended to read:**

15 **18. SHORTAGE IN WATER SUPPLY**

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

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

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

11 (b) - Deleted

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

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

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

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

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

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**(d) Reinstatement of Entitlements**

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

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

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

**(f) No Liability for Shortages**

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

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

4           **21. Interruptible Water Service**

5           (a) **Allocation of Interruptible Water**

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

25          (b) **Rates**

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



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

12 (c) **Contracts**

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

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

20 (k) Notwithstanding provisions of Article 22(a) through (j),  
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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6 (f) **Apportionment of Reductions among Urban Contractors.**

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

19 (3) To exercise the right of first refusal, an Urban  
20 Contractor shall deliver to the State and the seller its NOI within  
21 the time period stated in the Notice of Proposed Contract and shall  
22 proceed in good faith to try to complete the transfer to the Urban  
23 Contractor. If two or more Urban Contractors deliver NOI's to the  
24 State, the amount of annual entitlement and transportation rights  
25 being sold shall be allocated among those Urban Contractors that are  
26 prepared to perform the purchase by the Performance Date provided  
27 for herein in proportion to their maximum annual entitlements, or  
28 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.

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

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

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

18 (f) Upon the effective date of any such transfer, the seller  
19 shall be relieved of and the buyer shall become liable to the State  
20 for all prospective Delta Water Charges, the related Transportation  
21 Charges and any other charges for the annual entitlements and  
22 associated transportation rights transferred unless the seller and  
23 buyer provide otherwise in the contract for the transfer and the  
24 State approves such other provisions. However, the contractor  
25 making the sale shall remain obligated to the State to make the  
26 payments if the buyer defaults on its payments to the State related  
27 to the water transferred and is not a party to a long term water  
28 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.

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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

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

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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.

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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).

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



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

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

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

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

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

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

28

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

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

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

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

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

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

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

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

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

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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

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

3 (f) **Bona Fide Exchanges Permitted**

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

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

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

1           (g) **Other Transfers**

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

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

12  
13           29. **Effective Dates and Phase-in.**

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



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

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

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

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

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

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

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

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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

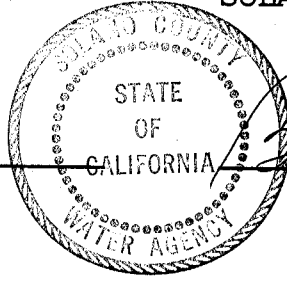
Susan N. Weber  
Chief Counsel  
Department of Water Resources

[Signature]  
Director

ATTEST:

SOLANO COUNTY WATER AGENCY

D. B. O'Neil



[Signature]

STATE OF CALIFORNIA  
THE RESOURCES AGENCY  
DEPARTMENT OF WATER RESOURCES

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Solano C. W. A

26.1A

AMENDMENT NO. 17 TO WATER SUPPLY CONTRACT  
BETWEEN  
THE STATE OF CALIFORNIA  
DEPARTMENT OF WATER RESOURCES  
AND  
SOLANO COUNTY WATER AGENCY

---

THIS AMENDMENT to the Water Supply Contract is made this 8<sup>th</sup> day of DECEMBER, 2000, 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 Solano County 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. The contract was amended to add the Monterey Amendment; the Monterey Amendment and the Environmental Impact Report for 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*



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*Water Agency*, (2000) 83 Cal. App. 4<sup>th</sup> 892; and petitions for review of the Court of Appeal's decision are now pending before the Supreme Court.

- C. The Agency has entered into an agreement with Kern County Water Agency, herein referred to as KCWA, for the permanent transfer of 5,756 acre-feet of State Water Project annual entitlement held by KCWA.
- D. The State and Agency wish to set forth their agreement as to such matters as (i) the 5,756 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 KCWA are simultaneously, with the execution and delivery of this Amendment, entering into Amendment No. 33 to KCWA's Water Supply Contract between KCWA and the State in order to reflect (i) the transfer of Table A Entitlement described herein, (ii) the transfer of related transportation repayment obligations, and (iii) the revision of proportionate use of facilities factors.
- F. An Environmental Impact Report was prepared in compliance with the California Environmental Quality Act and certified on August 10, 2000. No significant impacts on the environment will result from this transfer.
- G. This transfer is in furtherance of the state policy in favor of water transfers (Water Code Section 475), will improve water supply reliability and will provide a supply adequate to meet planned population growth and development objectives specified in the Agency's member cities.

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

1. Article 53(j) is added to read:

(j) In accordance with Article 53(a) the Agency is increasing its Table A annual entitlements by 5,756 acre-feet beginning in year 2001 and each succeeding year thereafter for the term of the contract. The Agency is also assuming repayment obligations for the additional delivery capacity attributable to the 5,756 acre-feet on the North Bay Aqueduct. As a result Table A as designated in Article 6(b) is amended as follows:

<u>Year</u>	<u>Old</u>	<u>New</u>
2001	40,080	45,836
2002	40,540	46,296
2003	41,000	46,756
2004	41,450	47,206
2005	41,500	47,256
2006	41,550	47,306
2007	41,600	47,356
2008	41,650	47,406
2009	41,700	47,456
2010	41,750	47,506
2011	41,800	47,556
2012	41,850	47,606
2013	41,900	47,656
2014	41,950	47,706
2015	42,000	47,756

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

47,756

2. Table A entitled "ANNUAL ENTITLEMENTS, SOLANO COUNTY WATER AGENCY" as designated in Article 6 of the Agency's Water Supply Contract with the State, dated December 26, 1963, is amended to read as follows:

TABLE A: ANNUAL ENTITLEMENT  
 SOLANO COUNTY WATER AGENCY

<u>Year</u>		<u>Total Annual Amount In Acre-Feet</u>
1	(1980)	500
2	(1981)	650
3	(1982)	800
4	(1983)	950
5	(1984)	1,100
6	(1985)	1,250
7	(1986)	1,400
8	(1987)	1,550
9	(1988)	15,660
10	(1989)	18,420
11	(1990)	21,250
12	(1991)	22,300
13	(1992)	24,170
14	(1993)	26,130
15	(1994)	28,080
16	(1995)	34,250
17	(1996)	37,800
18	(1997)	38,250
19	(1998)	38,710
20	(1999)	39,170
21	(2000)	39,620
22	(2001)	45,836
23	(2002)	46,296
24	(2003)	46,756
25	(2004)	47,206
26	(2005)	47,256
27	(2006)	47,306
28	(2007)	47,356
29	(2008)	47,406
30	(2009)	47,456
31	(2010)	47,506
32	(2011)	47,556
33	(2012)	47,606
34	(2013)	47,656
35	(2014)	47,706
36	(2015)	47,756

And each succeeding year, thereafter for the term of this contract as a maximum Annual entitlement: 47,756

3. The following apply to this permanent transfer:
- a. The Agency's delivery capability for transportation of entitlement water to the Agency's service area shall increase by 5,756 acre-feet annually.  
Consistent with Article 53(g) deliveries of the 5,756 acre-feet of entitlement shall not adversely impact deliveries of project water to other contractors.
  - b. Effective January 1, 2001, State shall allocate to, and the Agency shall be liable for all prospective charges under the minimum operation, maintenance, power and replacement component of the Transportation Charge, all prospective Water System Revenue Bond Surcharges plus all retroactive and prospective charges under the capital cost component of the Transportation Charge attributable to the increase in the Agency's delivery capability in the North Bay Aqueduct for transportation of entitlement to its service area.
  - c. Effective January 1, 2001, KCWA is relieved of and the Agency is liable to the State for all prospective Delta Water Charges, Transportation Charges, and the Water System Revenue Bond Surcharge attributable to the 5,756 acre-feet of annual entitlement and related delivery capacity purchased from KCWA.
  - d. Increases to the Agency's Delta Water and Transportation Charges and Water System Revenue Bond Surcharge resulting from the increase in the Agency's annual entitlements and maximum annual entitlement shall be



identified by the State and included in its annual Statement of Charges to the Agency.

- e. Recognizing Reach 31A of the Coastal Branch of the California Aqueduct will not be used for delivery of any of the 5,756 acre-feet of annual entitlement purchased from the Agency, KCWA shall retain the right to use the transportation capacity in Reach 31A associated with the applicable portion of the 5,756 acre-feet being transferred. For delivery of water to the Agency in Reach 31A, KCWA shall remain responsible for any applicable portion of the variable operation, maintenance, power, and replacement component of the Transportation Charge and any applicable portion of the Off-Aqueduct Power Facilities Charge of the minimum operation, maintenance, power and replacement component of the Transportation Charge.
- f. All future adjustments in charges and credits of past costs associated with the 5,756 acre-feet of annual entitlement (or applicable portion thereof) and the related transportation capacity in Reaches 1 through 11B and Reach 31A of the California Aqueduct shall be attributable to the Agency as if the Agency's annual entitlement and the related transportation capacity had been increased by the 5,756 acre-feet of annual entitlement purchased from the KCWA in years prior to January 1, 2001.
- g. For cost allocation and repayment purposes, Exhibit A attached hereto shows entitlement and capacity amounts for each aqueduct reach in which

the Agency participates. 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 the State in implementing the terms of this Amendment and in redetermination of Table B of this Water Supply Contract under Article 28.

4. Article 12(c)(2) is revised 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 forty-one (141) cubic-feet-per-second, except as this rate of flow may be revised by amendment of this article after submission to the State of the Agency's requests with respect to maximum flow capacities to be provided in said delivery structures, pursuant to Article 10.

5. This Amendment is contingent upon the effectiveness of Water Supply Contract Amendment No. 33, between the State and the KCWA. If either amendment ceases to be effective for any reason, including but not limited to any court order or judgement entered in *Planning and Conservation League v. DWR & CCWA*, Agency agrees that the State may in its discretion and consistent with the law then in effect as determined by the State, identify the date on which the contract amendments shall be deemed inoperative, for the purpose of assuring timely repayment of contract obligations and orderly administration of the long-term water supply contracts.

6. The Agency agrees to indemnify, defend, and hold harmless the State and any of its officers, agents, or employees from any liability, expenses, defense costs, attorney fees, claims, actions, liens and lawsuits of any kind arising from or related to any and all actions implementing this Amendment and associated agreements.
7. Except as amended herein, the provisions of the contract, including but not limited to Articles 12(b) and 12(c) (as amended herein), 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

  
Chief Counsel  
Department of Water Resources

STATE OF CALIFORNIA  
DEPARTMENT OF WATER RESOURCES

  
Director

SOLANO COUNTY WATER AGENCY

  
Signature      Everett Whiting

Chairman, Board of Directors  
Title

December 8, 2000  
Date

**SOLANO COUNTY WATER DISTRICT  
ANNUAL ENTITLEMENT AND CAPACITY VALUES FOR EACH REACH (a)  
FOR COST ALLOCATION AND REPAYMENT ONLY**

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

Repayment Reach (b)	Before Transfer		Entitlement Transferred from KCWA (c) (AF)	Capacity Transferred from KCWA (c) (cfs)	Additional Capacity Required (cfs)	After Transfer	
	Annual Entitlement (AF)	Capacity (cfs)				Total Annual Entitlement [1]+[3] (AF)	Total Capacity [2]+[4]+[5] (cfs)
	[1]	[2]	[3]	[4]	[5]	[6]	[7]
<b>California Aqueduct</b>							
Reach 1	0	0	5,756	13	0	5,756	13
Reach 2A	0	0	5,756	13	0	5,756	13
Reach 2B	0	0	5,756	13	0	5,756	13
Reach 3	0	0	5,756	13	0	5,756	13
Reach 4	0	0	5,756	13	0	5,756	13
Reach 5	0	0	5,756	13	0	5,756	13
Reach 6	0	0	5,756	13	0	5,756	13
Reach 7	0	0	5,756	13	0	5,756	13
Reach 8C	0	0	5,756	13	0	5,756	13
Reach 8D	0	0	5,756	13	0	5,756	13
Reach 9	0	0	4,049	8	0	4,049	8
Reach 10A	0	0	4,049	8	0	4,049	8
Reach 11B	0	0	3,237	6	0	3,237	6
Reach 31A	0	0	1,707	d) 5	0	1,707	5

<b>North Bay Aqueduct</b>							
Reach 1	59,287	e) 128	5,756	0	0	65,043	e) 128
Reach 2	40,087	73	0	0	0	40,087	73
Reach 3A	40,087	73	0	0	0	40,087	73

- 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) From the Delta to Belridge Water Storage District's service area (3,237 AF in Reach 11B) and to Berrenda Mesa Water District's service area (812 AF in Reaches 9 and 10A, and 1,707 AF in Reach 31A).
- d) See explanation in Article 3 (c) of this Amendment.
- e) Includes 20 cfs of "Excess Peaking Capacity".

State of California  
The Resources Agency  
DEPARTMENT OF WATER RESOURCES

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AMENDMENT NO. 18 TO THE WATER SUPPLY CONTRACT  
BETWEEN  
THE STATE OF CALIFORNIA  
DEPARTMENT OF WATER RESOURCES  
AND  
SOLANO COUNTY 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 Solano County 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 2003, 2003 (the "Settlement Agreement"), and in such Settlement Agreement have agreed that the contracts should be amended, for clarification purposes, to delete terms such as "annual entitlement" and "maximum annual entitlement" so that the public, and particularly land use planning agencies, will better understand the contracts.
- H. Pursuant to the Settlement Agreement, the State and the Agency desire to so amend the Agency's contract, with the understanding and intent that the amendments herein with respect to subsections (k), (l), and (m) of Article 1, subsection (b) of Article 6, and subsection (a) of Article 16, and to Table A of the Agency's contract are solely for clarification purposes and that such amendments

are not intended to and do not in any way change the rights, obligations or limitations on liability of the State or the Agency established by or set forth in the contract.

- I. Pursuant to the Settlement Agreement, the State, the contractors and the Plaintiffs in PCL v. DWR also agreed that the contracts should be amended to include a new Article 58 addressing the determination of dependable annual supply of State Water Project water to be made available by existing Project facilities, and the State and Agency desire to so amend the Agency's contract.

NOW THEREFORE, IT IS MUTUALLY AGREED, as follows:

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

(I) 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.

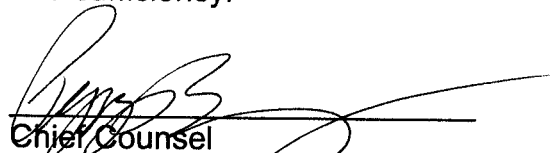
8. Add the following language at the bottom of Table A:

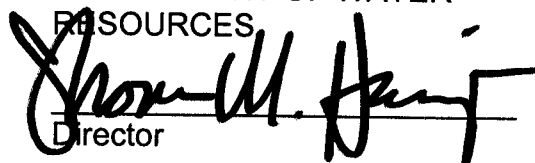
In any year, the amounts designated in this Table A shall not be interpreted to mean that the State is able to deliver those amounts in all years. Article 58 describes the State's process for providing current information for project delivery capability.

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.

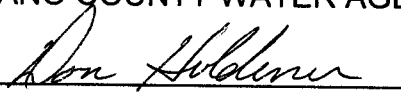
IN WITNESS WHEREOF, the parties hereto have executed this amendment on the date first above written.

Approved as to legal form  
and sufficiency:

  
\_\_\_\_\_  
Chief Counsel  
Department of Water Resources

STATE OF CALIFORNIA  
DEPARTMENT OF WATER  
RESOURCES  
  
\_\_\_\_\_  
Director

SOLANO COUNTY WATER AGENCY

  
\_\_\_\_\_  
Name Don Holdener

Chairman, Board of Directors  
Title

STATE OF CALIFORNIA  
THE RESOURCES AGENCY  
DEPARTMENT OF WATER RESOURCES

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AMENDMENT NO. 19 TO WATER SUPPLY CONTRACT  
BETWEEN  
THE STATE OF CALIFORNIA  
DEPARTMENT OF WATER RESOURCES  
AND  
SOLANO COUNTY WATER AGENCY

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THIS AMENDMENT to the Water Supply Contract is made this 12<sup>th</sup> day of NOVEMBER, 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, herein referred to as the "State," and Solano County Water Agency, herein referred to as the "Agency" and collectively herein referred to as "Parties."

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. On December 8, 2000, the State and Agency entered Amendment No. 17 to the Water Supply Contract setting forth their agreement as to such matters as (i) the 5,756 acre-feet per year increase in the Agency's annual Table A amount, (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.

- C. Pursuant to Section 3(b) of Amendment No. 17, the State and Agency agreed that the Agency would be liable for retroactive and prospective charges for North Bay Aqueduct capital costs attributable to the Table A amount increase.
- D. Subsequent to entering Amendment No. 17, the Agency and the State have approved the Agency's request to pay only prospective charges for North Bay Aqueduct costs attributable to the annual Table A increase of 5,756 acre-feet. The effective date of this change would be the year following the execution date of the amendment.
- E. Pursuant to Section 1 of Amendment No. 17, Article 53(j) was numbered incorrectly. To be consistent with the other water supply contracts, Article 53(j) should be renumbered to Article 45(s).

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

- 1. Article 53(j) is renumbered to Article 45(s).

The parties further agree to the following changes to the conditions applicable to the permanent transfer of Table A amounts as set forth in paragraph 3 of Amendment No. 17 to the Agency's Water Supply Contract:

- 2. Effective January 1, 2004, the State shall allocate to, and the Agency shall be liable for prospective charges only under the capital cost component of the Transportation Charge attributable to the Agency's delivery capability in the North Bay Aqueduct for

transportation of the 5,756 acre-feet Table A amount increase made effective in Amendment No. 17 to the Agency's long term Water Supply Contract. "Table A amount" shall mean the amount of project water set forth in Table A of the Agency's Water Supply Contract, which the State makes available for delivery to the Agency at the delivery structures provided for the Agency.

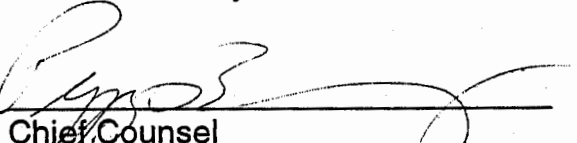
3. Effective January 1, 2004, delivery priority for allocated water attributable to the 5,756 acre-feet increase in the Table A amounts pursuant to Amendment No. 17 shall be below other Table A amounts delivered through the North Bay Aqueduct that are charged both retroactively and prospectively.
4. The Agency agrees to indemnify, defend, and hold harmless the State and any of its officers, agents, or employees from any liability, expenses, defense costs, attorney fees, claims, actions, liens and lawsuits of any kind arising from or related to this Amendment and associated agreements.

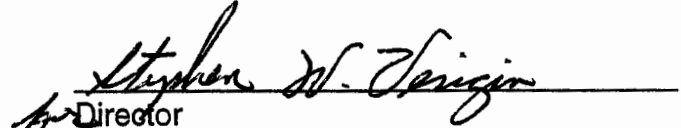
5. Except as amended herein, the provisions of the Water Supply Contract,  
including but not limited to Articles 12(b) and 12(c), and all amendments thereto,  
will remain in full force and effect.

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

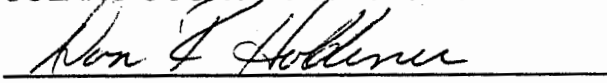
Approved as to legal form  
and sufficiency

STATE OF CALIFORNIA  
DEPARTMENT OF WATER RESOURCES

  
\_\_\_\_\_  
Chief Counsel  
Department of Water Resources

  
\_\_\_\_\_  
Director

SOLANO COUNTY WATER AGENCY

  
\_\_\_\_\_  
Signature

Chairman of the Board  
\_\_\_\_\_  
Title

September 11, 2003  
\_\_\_\_\_  
Date