

Appendix A

Water Supply Agreement for Delivery of Water Through the
Oxnard/Hueneme Pipeline

**WATER SUPPLY AGREEMENT
FOR DELIVERY OF WATER THROUGH THE
OXNARD/HUENEME PIPELINE**

This WATER SUPPLY AGREEMENT ("Agreement") is effective the 1st day of July 1996, by and between the CITY OF OXNARD, a Contractor as defined below, and UNITED WATER CONSERVATION DISTRICT, a water conservation district organized under the Water Conservation District Act of 1931 of the State of California ("United") in Ventura County California, with reference to the following facts:

FACTUAL RECITALS

This Agreement is entered into with reference to the following facts:

A. Large underground reservoirs exist within the boundaries of United. These underground reservoirs are fed by natural percolation of water into the stream beds of the District. During early development of the area, water was not taken from the underground but was diverted from surface stream flow. As the area grew more highly developed, wells were drilled and this underground source of supply began to be tapped. As more wells were drilled to meet the growing needs, more water was removed from the underground reservoirs than was annually replaced by natural means.

B. Water levels in the area began subsiding and water use was increasing to the point where there was danger of destroying the local economy. Widespread and costly litigation over water rights appeared inevitable. The inhabitants of the district decided that it was better to spend their money to build facilities for the conservation of water instead of spending it in lawsuits and consequently, in 1950, United was formed.

C. After United was formed, it developed a plan for the maximum conservation of water resources of United for the benefit of all the lands and inhabitants of the United. United's plan involved the construction of dams, and the further conservation of these waters by enhancing the natural percolation in stream beds and establishing artificial spreading grounds, thereby replenishing the natural underground reservoirs. United's plan took advantage of the bountiful wet years by conserving the waters then available, which would otherwise be lost to the sea, for use during drought.

D. The Oxnard Plain area however has presented a special problem. The underground reservoir underlying the Oxnard Plain is side by side with the Ocean and on the ocean side of the aquifer, fresh water meets and mingles with salt water. When the

water level in the underground reservoir is lowered, sea water is forced inland into the reservoir by the pressure of the Ocean. There is documented evidence of saltwater intrusion in both the Upper Aquifer System and the Lower Aquifer System beneath the Oxnard Plain. The water problem on the Oxnard Plain, therefore, is not only one of increased supply, it is also one of quality. It is necessary to keep salt water out of the underground reservoir. Thus it is necessary to use additional water conservation measures to meet the special problem of the Oxnard Plain and provide supplementary water via pipeline to the area.

E. In 1953, a bond issue was presented to the electors within United to provide funds for the construction of one dam and the Lower River distribution system including a pipeline to the Oxnard-Port Hueneme area. Simultaneous with the bond issue, United adopted a policy to enter into appropriate contracts with water users on the Oxnard Plain area for the construction of a pipeline in furtherance of its plan of water conservation. The water contracts signed under this policy established a charge for the delivery of water which was believed to be sufficient to cover costs of operation, repairs and maintenance and to repay capital costs over a forty year period.

F. The voters authorized the bond-issue and thereafter, the Santa Felicia Dam on Piru Creek and the Lower River Distribution System authorized by the bond issue were completed. During construction of the facilities, there was close contact and cooperation between United and the City of Oxnard. Design of the pipeline and booster facilities was accomplished in consultation with the City of Oxnard. The lower river distribution system, often called the Oxnard/Hueneme Pipeline system, was constructed and fully amortized during the 40 year life of the original water delivery agreements reached with water users on the Oxnard Plain.

G. The construction of the Santa Felicia Dam and the O/H Pipeline System successfully alleviated much of the overdraft existing at the time of construction. However, pumping pressures intensified and seawater intrusion advanced beneath the Oxnard Plain. In an effort to avoid adjudication of the Oxnard Plain Basin, the Fox Canyon Groundwater Management Agency (GMA) was formed. The GMA adopted a number of ordinances, placing a moratorium on certain new wells and requiring a twenty five percent (25%) cutback in pumping from historical levels over a 20 year period between 1992 and 2012.

H. United also responded to address a pumping trough created by the intensified pumping by constructing the Pumping-Trough-Pipeline over the pumping trough beneath the Oxnard Plain. Surface water was diverted from the Santa Clara River and delivered by pipeline to agricultural users to alleviate the dependence on groundwater for agricultural irrigation. In addition, the Freeman Diversion was constructed by United to

establish a permanent high river flow diversion structure in the Santa Clara River and to increase the yield of diverted water from the river by 12,500 A/F per year. Finally, United developed a pilot project to determine the feasibility of using abandoned gravel basins along the Santa Clara River for additional off-stream storage.

I. Oxnard has also addressed the groundwater problems of the Oxnard Plain by reducing its reliance on local groundwater supplies by importing some or all of its water from the State Water Project. At the same time, Oxnard has undertaken a groundwater injection program in which the City of Oxnard banks surplus State Water Project water during wet months for use during the dry summer months. Both of these projects serve to retard the saltwater intrusion and stabilize water levels for the benefit of all groundwater users.

J. The City of Port Hueneme and the Channel Islands Beach Community Services District in 1994 created a Joint Powers Agency, known as the Port Hueneme Water Agency, which would assist in meeting the GMA twenty five percent (25%) cutback in pumping allocations, move the pumping from the seawater intrusion front inland to the Montalvo Forebay to reduce seawater intrusion in the Oxnard Plain Basin, finance and develop a water treatment plant, and provide for the importation of State Water Project water. The Port Hueneme Water Agency will serve the City of Port Hueneme, Channel Islands Beach Community Services District, NCBC Port Hueneme, and NWS Point Mugu and intends to provide a blend of treated United water and State Water Project water.

K. All the projects described above are designated to address the continuing need to provide supplemental water to the Oxnard Plain. The overdraft on the Oxnard Plain continues and seawater intrusion remains an ongoing threat to the aquifers beneath the Oxnard Plain. The need continues to minimize the pumping along the sea water intrusion front and it is in the best interests of everyone on the Oxnard Plain that United continue to deliver supplemental water via the Oxnard/Hueneme Pipeline system.

AGREEMENT

NOW, THEREFORE, IT IS HEREBY MUTUALLY AGREED by Contractor and United as follows:

SECTION 1. DEFINITIONS. The following terms shall, for all purposes of this Agreement, have the following meanings:

"All Contractors" shall mean all parties to this Agreement who are defined as a Contractor, a Future Contractor, or an Emergency Contractor.

"Any Contractor" shall mean a party to this Agreement who is otherwise defined as a Contractor, a Future Contractor or an Emergency Contractor.

"Capital Improvement" shall mean an improvement that: (1) increases the useful life of the asset, (2) increases the quantity of the units produced by the asset, (3) enhances the quality of the units produced, or (4) is so treated in generally accepted accounting principles for municipal accounting.

"City Service Area (CSA)" shall mean the area generally within the incorporated boundaries of the City of Oxnard and provided with retail water service by the City of Oxnard.

"Common Benefit" shall mean expenditures for improvement or maintenance projects which benefit two (2) or more Contractors or Future Contractors representing greater than twenty-five percent (25%) of the allocated peak capacity as defined in SECTION 4(a) of this Agreement and which include, but are not limited to, projects necessary to meet the requirements of SECTION 6 of this Agreement.

"Contractor" shall mean a party to this Agreement on its original date of execution, which is a recipient of Supplemental Water supplied by United and has Pipeline peak capacity as allocated in SECTION 4 of this Agreement, below. "Contractors" shall mean the plural of Contractor but shall not be synonymous with All Contractors.

"Emergency Contractor" shall mean a person who does not have pipeline peak capacity as allocated in SECTION 4 of this Agreement but who has an emergency need and has obtained United's approval for a connection to the pipeline for a short period (generally less than 12 months), until the emergency can be resolved.

"Fit for Human Consumption" shall mean water complying with the primary standards of the applicable federal water quality standards which are presently reflected in the regulations of Title 22 of the California Code of Regulations and 40 CFR Parts 141-143 or as they may be further modified by actions of the federal government pursuant to Congressional authorization.

"Fixed Operations and Maintenance Costs" shall mean the fixed costs incurred for operation of the pipeline, detailed in Exhibit "A", which shall be allocated and charged in proportion to peak capacity assigned to All Contractors.

"Fox Canyon Groundwater Management Agency" or "GMA" shall mean the agency created by the Fox Canyon Groundwater Management Agency Act (Act 2750 of the Water Code Uncodified Acts) to control groundwater overdraft in the aquifer systems.

"Future Contractor" shall mean a person, other than an Emergency Contractor, who enters into a water service Agreement with United, for delivery of water through the O/H Pipeline, after the effective date of this Agreement. Contractors who desire additional peak capacity, beyond that allocated by SECTION 4, shall be considered a Future Contractor with respect to additional peak capacity. "Future Contractors" shall mean the plural of Future Contractor.

"GMA Conservation Credits" shall mean earned water conservation credits as defined by GMA Ordinance No. 5, as amended.

"GMA Storage Credits" shall mean earned storage credits as defined by GMA Ordinance No. 5, as amended.

"GMA Extraction Allocation" shall mean water extraction allocations as defined by GMA Ordinance No. 5, as amended.

"Marginal Rate" shall mean the sum of the four following charges: (1) the utilities costs and the maintenance costs as defined in Exhibit A under the Variable Operation and Maintenance Costs Attributable to the O/H Pipeline; (2) twenty percent (20%) of all other variable costs, as defined in Exhibit A under the Variable Operation and Maintenance Costs Attributable to the O/H Pipeline; (3) any pump charges levied by United; and (4) any pump charges levied by the GMA. All of the above charges will be applied on an acre foot basis to the water delivered.

"Montalvo Forebay" shall mean the groundwater basin depicted in Exhibit C which is a portion of the Santa Clara River Valley as defined by California Department of Water Resources Bulletin 118.

"Municipal and Industrial", or "M&I", shall mean water used for domestic, industrial, commercial, urban, irrigation or fire protection purposes.

"Oceanview Service Area (OSA)" shall mean the area generally within the boundaries of the Oceanview Municipal Water District for which Oxnard retains the exclusive right of service of O/H Pipeline water under this Agreement although retail water service within the OSA is provided by the Oceanview Municipal Water District.

"O/H Pipeline" or "Pipeline" shall mean the water distribution system owned and operated by United, that provides Supplemental Water that is Fit for Human Consumption and that includes the El Rio Wellfield and supply manifold piping, clearwells and reservoirs, water treatment facilities, booster station, pipelines, turnouts, meters, appurtenant facilities and the underlying land.

"OH Pipeline Enterprise Fund" shall mean the fund used in the accounting records of United to track the assets, liabilities, revenues, expenses and equity of the O/H Pipeline.

"Oxnard Plain Basin" shall mean the groundwater basin established by the GMA and depicted in Exhibit B, which is a portion of the Santa Clara River Valley Basin as defined by California Department of Water Resources Bulletin 118.

"Person" shall mean any individual, partnership, association, firm, public or private corporation, public entity, investor-owned utility, mutual water company, city, county, district, trustee, receiver, the state of California or any sub-division, part or agency thereof, the United States government or a department or administrative agency thereof, to the extent authorized by law.

"Port Hueneme Water Agency" or **"PHWA"** shall mean the Joint Powers Agency, a separate legal entity created by the City of Port Hueneme and the Channel Islands Beach Community Services District.

"Sole Benefit" shall mean expenditures for improvement or maintenance projects which benefit: (1) a single Contractor or Future Contractor, or (2) a group of Contractors and Future Contractors representing less than twenty-five percent (25%) of the allocated peak capacity as defined in SECTION 4A of this agreement.

"Suballocation" shall mean that portion of the GMA Extraction Allocation assigned to United for its extraction of water from the Oxnard Plain Basin which is held in trust for Any or All Contractors.

"Subcredit" shall mean the GMA Conservation or Storage Credits accrued by United on the O/H Pipeline and held in trust for Any or All Contractors.

"Supplemental Water" shall mean surface water or groundwater imported from outside the Oxnard Plain Basin and flood waters that are conserved and saved within the watershed or watersheds which would otherwise have been lost or would not have reached the Oxnard Plain Basin.

"United" or **"UWCD"** shall mean the United Water Conservation District, Ventura County, California, organized pursuant to Division 21 of the California Water Code.

"Variable Operations and Maintenance Costs" shall mean the various variable costs incurred for operation of the pipeline detailed in Exhibit A, which shall be allocated and charged on a per unit basis for water delivered to All Contractors.

“Variable Rate” shall mean the rate, applied on an acre-foot basis, that will recover all of the variable operation and maintenance costs, as defined in Exhibit A under the Variable Operation and Maintenance Costs Attributable to the O/H Pipeline, upon delivery of seventy five percent (75%) of the Suballocation (equivalent to the 2010 Suballocation described in SECTION 7 of this Agreement. The Variable Rate shall be set prior to the beginning of the fiscal year, based on the Suballocations as they exist on April 1st in each fiscal year.

SECTION 2. PURPOSE. The purpose of this Agreement is to enable United to deliver Supplemental Water, extracted from the Montalvo Forebay, and made Fit for Human Consumption, as a source of water to All Contractors overlying the Oxnard Plain Basin. By delivering Supplemental Water through the O/H Pipeline and reducing groundwater extraction on the Oxnard Plain, overdraft in the Oxnard Plain Basin is minimized. Delivery of this Supplemental Water is intended to provide a reliable, cost-effective water supply while minimizing the adverse environmental impacts of pumping water nearer to the seawater intrusion front. The parties acknowledge that the delivery of water made by United under this Agreement is subject to the ongoing regulatory authority of the Fox Canyon Groundwater Management Agency.

SECTION 3. QUANTITY OFFERED FOR DELIVERY. United agrees to deliver to All Contractors, all of the Supplemental Water that United can deliver under its plan of operation. United is committed to providing a reliable supply of M&I water via the Pipeline which is subject to interruption only for maintenance, emergency repairs or under operation of law. All Contractors recognize, however, that during certain periods of drought, the quantity available for delivery may be temporarily reduced in proportion to their pipeline capacity from time to time. All Contractors agree to use reasonable efforts to maintain their existing alternate sources of supply, if available, for such periods when water may be unavailable from the Pipeline.

SECTION 4. DIVISION OF PIPELINE CAPACITY.

A. **Division** The peak capacity in the O/H Pipeline is 53.0 cubic feet per second (cfs), which United agrees to maintain as the minimum capacity as long as United determines it is feasible as supported by engineering data. However, this minimum capacity may be increased by United to meet operational demands, as permitted by the system and as supported by verifiable engineering data. The peak capacities, in cfs, presently allocated to each Contractor are as follows:

<u>Agency</u>		<u>Capacity</u>
City of Oxnard		26.75
City Service Area	21.75	
Oceanview Service Area	5.00	
Port Hueneme Water Agency		22.25
Dempsey Road Mutual WC		.85
Cypress Mutual WC		.40
Donlon Farms		.05
Saviers Road Mutual WC		.25
Ventura County Game Preserve	<u>(To be provided upon completion of negotiations)</u>	
DelNorte		
Kings Packing		<i>with these agencies)</i>
Rio School District		1.0 (Under negotiation)
Vineyard Avenue Estates		1.35

In the event the capacity of the Pipeline is increased, the Contractors' peak capacities shall be increased, respectively, in accordance with part C(6) of this SECTION.

B. Use of Pipeline Capacity by All Contractors Each Contractor and each Future Contractor shall have the right to use its peak capacity provided in SECTION 4A above. In the event of a shortage of water in the Pipeline, the available water will be apportioned according to the percentage of available peak capacity assigned to each Contractor. United may deliver water in excess of peak capacity assigned to Any Contractor provided the delivery will not infringe upon the use of peak capacity assigned to other Contractors and Future Contractors.

C. Future Contractor Use of Pipeline Capacity United, at its sole discretion, may provide water through the Pipeline to a Future Contractor that has not been provided with Pipeline capacity pursuant to SECTION 4A above under the following terms and conditions:

(1) The delivery of water to the Future Contractor will not materially injure the rights of Any Contractor.

(2) The Future Contractor shall pay all costs of connection to the Pipeline, and shall also pay all of the cost of increasing and maintaining peak capacity above 53 CFS.

(3) The Future Contractor shall pay to United a water rate which is fifteen dollars (\$15.00) per acre foot higher than the then prevailing Variable Rate and/or Marginal Rate charged to Contractors with entitlements under this Agreement.

(4) The Future Contractor shall either transfer GMA Extraction Allocations or GMA Conservation or Storage Credits to United in an amount sufficient to cover the delivery of water through the Pipeline or, in the alternative, pay to United the maximum surcharge then imposed for water extraction under the then-applicable GMA ordinances, rules or regulations. Such transfer and any provisions for a return transfer shall be accomplished under a separate agreement between United and the Future Contractor, the terms of which shall be consistent with this Agreement. The failure of the GMA to assess United the maximum surcharge or penalty under then existing GMA ordinances shall not relieve the Future Contractor of this obligation.

(5) Revenues received by United from a Future Contractor shall be deposited into the O/H Enterprise Fund to be used to defray operating or capital expenses of the Pipeline.

(6) All peak capacity necessary to meet the needs of Future Contractors shall first be requested from Contractors. Notice of such a request shall be sent to United and forwarded to all Contractors in writing, who shall have 30 days from the date delivered to respond to such request. If more than one Contractor desires to relinquish capacity, it shall be taken from the Contractors, who wish to relinquish capacity, in proportion to their then assigned peak capacity. Each Contractor is required to retain, however, sufficient peak capacity to receive the volume of water represented by the then assigned Suballocation reserved for that Contractor and any additional GMA Extraction Allocation or GMA Conservation or Storage Credits transferred to the O/H Pipeline in accordance with SECTION 4C(4) above. If the Contractors are unwilling to transfer peak capacity to a Future Contractor, United may increase peak capacity as supported by verifiable engineering data. Any increase in peak capacity shall be divided as follows: fifty percent (50%) divided proportionally according to the then assigned proportion of peak capacity among Contractors and fifty percent (50%) apportioned to the Future Contractor. Any Contractor may decline to accept additional peak capacity, in which case, United shall either not increase the overall peak capacity by that amount or offer that amount to the other Contractors in proportion to their then assigned share of peak capacity.

(7) Future Contractors shall receive peak capacity upon their execution of this Agreement. Future Contractors shall be assigned sufficient peak capacity as determined necessary by United to provide the Future Contractor with the requested volume of water, consistent with the terms of this Agreement.

D. Transfer of Peak Capacity Allocations While recognizing that the purpose of the Pipeline is to displace pumping from the Oxnard Plain by transferring that pumping to the Montalvo Forebay region, a Contractor or Future Contractor shall have the right to transfer its

peak capacity in the Pipeline as set forth in this SECTION 4 subject to the following conditions:

(1) No other Contractor or Future Contractor shall be unreasonably subjected to increased financial risk or exposure as a result of the transfer.

(2) Once transferred, the water will be used solely within the boundaries of United, and shall not result in any detrimental effect to the Oxnard Plain Basin.

(3) Prior to any transfer, written approval of United must be obtained (except for the case outlined in this SECTION 4C(6) for the transfer itself and for all improvements or modifications to the Pipeline which may be necessary for the transferee to take delivery of water. The cost of any such improvements and modifications will be borne solely by the transferee. United will not unreasonably withhold or delay its approval if all other conditions of this SECTION are met.

E. Connection of an Emergency Contractor to the Pipeline shall be at the sole discretion of United, subject to the conditions of this Agreement. Continuation of service as an Emergency Contractor beyond a twelve (12) month period shall require approval of Contractors and Future Contractors with entitlement to at least seventy five percent (75%) of the allocated peak capacity. Peak Capacity will not be assigned to Emergency Contractors and, consequently, no allocation of Fixed Costs will occur.

SECTION 5. DELIVERY CHARGES

A. All Contractors, except Emergency Contractors, agree to pay to United their proportional share of the fixed operation and maintenance costs based on their share of the Pipeline capacity as provided in SECTION 4 above and as may be adjusted from time to time in accordance with the terms of SECTION 4C above.

B. All Contractors, including Emergency Contractors, shall pay to United the Variable Rate for the delivery of the first seventy five percent (75%) of the Suballocation (equivalent to the 2010 Suballocation described in SECTION 7 of this Agreement). Charges for deliveries in excess of seventy five percent (75%) of the Suballocation to each Contractor or Future Contractor shall be set at the Marginal Rate. If deliveries to each Contractor or Future Contractor on the O/H Pipeline fall below seventy five percent (75%) of the Suballocation in any single year the unrecovered variable costs shall be added to the fixed costs of that Contractor or Future Contractor in the next fiscal year. However, for the purpose of determining the City of Oxnard's Variable Rate and Marginal Rate for the OSA and CSA indicated in SECTION 4 above, United shall provide a separate accounting for the CSA and OSA. The City of Oxnard agrees to make payment to United for the combined billing of both service areas and shall bear the responsibility to bill for and collect all costs for water

delivered to its customers in each service area. In no event shall the separate accounting be construed to vest any rights in Oceanview MWD or to relieve the City of Oxnard from its obligations as a contractor under this Agreement.

C. If GMA allocation is transferred to the O/H Pipeline by a Future Contractor, the rate charged for delivery of this allocation shall be the Variable Rate for the first seventy five percent (75%) of the water delivered, and the Marginal Rate shall apply for the remainder of the water delivered.

D. Fixed and variable operation and maintenance costs shall be computed in accordance with the Provisions of SECTION 12 of this Agreement.

E. The Emergency Contractor shall, however, pay a rate equivalent to one hundred and fifty percent (150%) of the highest Variable or Marginal rate paid by any Contractor or Future Contractor plus fifteen dollars (\$15.00) per acre foot of water delivered.

F. Annual fixed operation and maintenance costs shall be invoiced by United in twelve (12) equal installments. The Variable Rate and/or the Marginal Rate will be billed monthly based on metered deliveries. United shall provide a separate accounting to the City of Oxnard of the fixed and variable charges for the CSA and OSA. All Contractors agree to pay United on a monthly basis as provided in SECTION 12E of this Agreement.

SECTION 6. QUALITY OF WATER DELIVERED.

A. The O/H Pipeline shall be operated in a manner which ensures delivery of water Fit for Human Consumption. All signatories to this Agreement have the reasonable expectation that the Pipeline will continue to deliver water Fit for Human Consumption for the term of the Agreement.

B. Contractors and Future Contractors with cumulative entitlement in excess of seventy five percent (75%) of the allocated peak capacity may request United to increase its level of treatment for the water delivered under this Agreement so that the water supplied by United to All Contractors satisfies one or more of the then-applicable secondary standards as defined by the California Health and Safety Code section 4023 et seq. and Title 22 of the California Code of Regulations section 64471 et seq. Upon United's receipt of this written request, United shall promptly analyze, plan, and construct any improvements necessary to provide water to All Contractors which satisfy any or all secondary standards for maximum-contaminant levels within a reasonable time. Any improvements constructed under this section shall be subject to the finance and accounting procedures set forth in SECTION 10 and 12 of this Agreement. Upon completion of required improvements, the obligation for delivery of water "Fit for Human

Consumption" shall be expanded to include compliance with any secondary standards requested by Contractors or Future Contractors under this section.

C. Contractors and Future Contractors with entitlement to seventy five percent (75%) of the allocated peak capacity may request in writing to United that the Pipeline no longer be operated in a manner which ensures delivery of water Fit for Human Consumption. United's Board shall consider such a request based upon its feasibility, its total impact upon All Contractors served by the O/H Pipeline, and existing laws and regulations. Signatories to this contract agree that those Contractors who desire to continue to receive water Fit for Human Consumption from the Pipeline shall not be unreasonably penalized by the conversion to a source which is no longer Fit for Human Consumption. Contractors and Future Contractors who desire to convert to water no longer Fit for Human Consumption agree to pay for their proportional costs, based on their assigned peak capacity, incurred to construct and make operational treatment facilities not otherwise required by those Contractors who wish to continue to receive water Fit for Human Consumption from the O/H Pipeline. This right to receive these treatment facilities shall apply only to Contractors who are assigned initial peak capacity by this Agreement and shall not apply to Future Contractors who receive peak capacity after the effective date of this Agreement. Such costs shall be the most cost effective and reasonable costs according to reliable engineering estimates and shall include, but not be limited to, additions of or improvements to treatment facilities and associated land, structures, control systems, piping and site improvements.

SECTION 7. DIVISION OF GMA EXTRACTION ALLOCATION.

A. **Division** The GMA Extraction Allocation provided to United for wells serving the Pipeline is 14,818.12 AF. This GMA Extraction Allocation is based upon actual pumping from the El Rio wellfield during the period from 1985 through 1989. Actual deliveries to Contractors through the Pipeline during the period 1985 through 1989 period as measured at each individual turnout meter, totaled 13,567.55 AF. The difference between the GMA Extraction Allocation and actual deliveries represents line loss. Any GMA conservation credits resulting from a reduction in line loss shall be divided among the Contractors as Subcredits based upon their proportion of total actual deliveries during the historical period. The GMA Allocation, expressed below in acre feet, has been reduced by five percent (5%) in 1992 and will be reduced by an additional five percent (5%) in the years 1995, 2000, 2005, and 2010. United agrees that each Contractor which received service through the Pipeline during the historical period (1985 through 1989) shall have a Suballocation, for purposes of this contract only, based on actual deliveries, as follows:

Agency	Sub-allocation	(95%) 1992	(90%) 1995	(85%) 2000	(80%) 2005	(75%) 2010
City of Oxnard	8,671.0	8,237.42	7,803.94	7,370.36	6,936.78	6,503.30
CSA	5,941.4	5,644.33	5,347.26	5,050.19	4,753.12	4,456.05
OSA	2,729.6	2,593.09	2,456.68	2,320.17	2,183.66	2,047.25
Port Hueneme Water Agency	4,612.6	4,381.97	4,151.26	3,920.71	3,690.08	3,459.45
Dempsey Mutual	194.5	184.78	175.05	165.33	155.6	145.88
Del Norte	7.2	6.84	6.48	6.12	5.76	5.40
Donlons Recharge	5.3	5.04	4.77	4.51	4.24	3.98
Kings Packing	2.3	2.19	2.07	1.96	1.84	1.73
V.C. Game Preserve	1.3	1.24	1.17	1.11	1.04	.98
Saviers Road Mutual	27.6	26.22	24.84	23.46	22.08	20.70
Cypress Mutual WD	45.90	43.61	41.31	39.02	36.72	34.43
Rio Del Valle School						
<i>(To be provided upon completion of negotiations with these agencies)</i>						
Vineyard Avenue Estates Mutual	266.0	252.7	239.4	226.1	212.8	199.5

B. Accounting for Suballocation Delivered. United shall establish an accounting system which will accumulate water deliveries to All Contractors on the Pipeline and compare those deliveries with the Suballocation distributed in this SECTION 7A above. To the extent that deliveries to Any Contractor in any single calendar year are less than the Suballocation, that Contractor shall accrue Subcredits for use in years when deliveries are in excess of the Suballocation. If deliveries are in excess of the Suballocation and Any Contractor has no Subcredits to apply against excess deliveries, that Contractor shall be liable for any GMA Extraction Surcharge levied on the Pipeline as outlined in this SECTION 7.

C. Deliveries in Excess of Suballocation. Deliveries in excess of the Suballocation will be allowed to the extent water is available. All Contractors receiving excess deliveries will be responsible for paying any penalties and surcharges imposed by GMA or others.

D. Allocation of GMA Extraction Surcharges All Contractors agree that surcharges assessed by the GMA represent a cost of operation of the Pipeline and should be based upon the accounting performed in accordance with SECTION 7B above and on a "first to take excess deliveries, first to pay" basis as described in the hypothetical example provided in the attached Exhibit E.

E. Establishment of Contractors' GMA Suballocation Any Contractor may establish a Suballocation or increase its Suballocation on the Pipeline by transferring GMA Allocation from wellheads owned by that Contractor to United. Such transfers shall be made through a separate agreement, in accordance with GMA Ordinances, and delivery of such increased allocation shall be subject to Peak Capacity constraints set forth in SECTION 4 above.

SECTION 8. DIVISION OF GMA CONSERVATION OR STORAGE CREDITS.

A. United shall use its best efforts to maintain its entitlement to GMA credits which are attributable to the Pipeline for the benefit of Any or All Contractors. United shall use its best efforts to obtain the greatest allocation of credits possible to the Pipeline for the benefit of Any or All Contractors.

B. The Contractors shall receive a proportional division, in the form of Subcredits, of the GMA Conservation or Storage credits previously assigned to the Pipeline by the GMA.

C. The Contractors shall accrue subsequent Subcredits obtained by the Contractors' use of less water than their Suballocation provided in SECTION 7 above.

D. To the extent United accrues GMA Storage Credits, the Contractors shall be entitled to obtain a division of these credits, as Subcredits, in proportion to their financial contribution to the costs of the activity which created the GMA Storage Credits.

E. United shall provide an annual accounting of all subcredits to All Contractors at the beginning of the fiscal year.

SECTION 9. PRIORITY OF GROUNDWATER USAGE. In recognition of the continuing threat of seawater intrusion in the Oxnard Plain Basin, All Contractors recognize the benefit of prioritizing their use of groundwater in the following manner:

A. First, from water deliveries from the Pipeline up to the amount of Any Contractor's then existing distributed Suballocation as shown in SECTION 7 above net of any GMA mandated reductions; or from water stored in an injection / extraction facility; and

B. Second, from groundwater not previously injected but extracted from Any Contractor's own wells.

SECTION 10. BUDGETING OF REVENUES AND EXPENDITURES

A. **Budgeting.** Each fiscal year United shall prepare a budget for all revenues and expenditures related to operating the pipeline. This budget will include a summary of projected water deliveries, fixed and variable costs and the projected Fixed, Variable and Marginal Rates. A preliminary draft of the budget shall be submitted to the Contractors and Future Contractors for their review by May 1st of each year. United will hold one or more noticed Finance Committee meetings, in connection with the presentation of the preliminary budget at which Any Contractor can express comments, objections or concerns. It is intended that the final budget will be adopted by United in the June Board meeting at which time unresolved concerns can also be addressed to the entire United Board of Directors. If the objections or concerns of Any Contractor are not resolved to the satisfaction of the parties involved, the parties may take the matter to dispute resolution in accordance with the terms of SECTION 18.

B. Unbudgeted Expenditures.

(1) In the event of an emergency, United shall expend O/H Pipeline Enterprise Funds as it deems necessary to preserve life or property or to minimize financial loss to the Enterprise Fund. United will use its best efforts to immediately notice All Contractors concerning the actions taken or to be taken.

(2) United may make necessary non-emergency, unbudgeted expenditures to the pipeline provided the unbudgeted expenditures do not result in any of the following impacts:

(a) An expenditure of more than ten percent (10%) of the current year's budgeted operation and maintenance expenses for the pipeline; or

(b) An interruption in water service to Any Contractor for more than 7 calendar days; or

(c) An action which will temporarily render the water delivered to Any Contractor unfit for human consumption.

(3) In the event any of these impacts will result from a non-emergency unbudgeted expenditure, United shall obtain prior written permission of All Contractors with entitlement to seventy five percent (75%) of the allocated peak capacity.

C. Cost Allocation of Budgeted and Unbudgeted Expenditures

(1) Prior to adoption of the final budget, United shall determine whether each budgeted expenditure, in excess of \$10,000, provides a Common Benefit or Sole Benefit. All budgeted expenditures shall be assumed to provide a Common Benefit unless otherwise noted.

(2) Prior to approval of non-emergency unbudgeted expenditures in excess of \$10,000, by United's Board of Directors, United shall determine whether the non-emergency unbudgeted expenditure provides a Common Benefit or Sole Benefit and shall notify All Contractors of its determination at least seven (7) days prior to the anticipated approval date.

(3) For emergency, unbudgeted expenditures in excess of \$10,000, United shall determine whether the emergency, unbudgeted expenditure provides a Common Benefit or Sole Benefit and shall notify All Contractors of its determination as soon as feasible.

(4) Cost for budgeted or unbudgeted expenditures that provide a Common Benefit shall be allocated to All Contractors, in accordance with the provisions of SECTION 5 of this Agreement.

(5) Except as provided for in SECTION 6C of this Agreement costs for budgeted or unbudgeted expenditures that provide a Sole Benefit shall be allocated only to the Contractors, Future Contractors, and Emergency Contractors that benefit from the expenditure in accordance with the provisions of SECTION 5 of this Agreement.

SECTION 11. SUBSEQUENT SALE OF WATER. All Contractors agree not to furnish any water delivered by United through the Pipeline for use outside of the boundaries of United Water Conservation District (as shown in exhibit F), except as approved in advance of any such delivery, in writing, by United.

SECTION 12. FINANCE AND ACCOUNTING.

A. United shall account for the operation of the Pipeline in an enterprise fund and all costs associated with operation and maintenance of the O/H Pipeline shall be charged to the fund.

B. Overhead is to be allocated to the fund based upon various operating criteria which are recalculated annually as part of the budgeting process. Questions about or objections to the allocation of overhead should be addressed in accordance with the procedures outlined in SECTION 10 of this Agreement. The criteria used to allocate general district overhead to the fund are: units of billing, direct labor hours, number of accounts payable transactions and fund revenue; all applied to an average overhead pool. See Exhibit D for an example of the formulas used to calculate overhead.

C. The delivery charge or rate to be paid by All Contractors for all water delivered hereunder shall be computed, determined and fixed by United in an amount reasonably estimated as sufficient to pay all costs which will accumulate to the Pipeline enterprise fund and which will then maintain agreed upon reserve levels in the ensuing fiscal year.

D. United will own, install, maintain and calibrate annually the necessary water meters to measure the amount of water delivered. All Contractors will make future connections to the Pipeline at their own expense and at locations acceptable to United. Any connection will be made and metered in a manner satisfactory to both parties.

E. United will bill, and All Contractors agree to pay, water charges on a monthly basis. In the event Any Contractor becomes delinquent in the payment of such charges, United may, at its option, refuse to make further deliveries until such amounts have been paid in full.

F. The level of cash reserves in the O/H Pipeline Enterprise Fund will be set at approximately fifty percent of the annual average of the prior three (3) years annual operations and maintenance expenditures as outlined in Exhibit A. The O/H Pipeline rates will be established on an annual basis in accordance with SECTION 5 of this Agreement to maintain reserves at this level. In the event that reserves are depleted by more than thirty percent (30%) in any fiscal year because of expenditures on an emergency or unbudgeted item, United and All Contractors agree to meet and confer about developing a plan, which may include but not be limited to temporary rate increases, surcharges, capital contributions or other reasonable methods, that will restore the reserves to the above described levels or some other level that United and Contractors or Future Contractors with cumulative entitlement of seventy five percent (75%) of the allocated peak capacity may determine. Interest income earned on the O/H Pipeline fund reserves shall remain in the fund.

(1) The City of Oxnard and the Agency accept and acknowledge that fifty percent of the annual average operations and maintenance expenditures may be insufficient to fund major improvements or to make repairs to the pipeline and facilities in the event of catastrophic emergencies.

(2) In the event that United, pursuant to SECTION 10B hereof, expends funds that completely deplete the cash reserves of the O/H Pipeline Enterprise Fund, then United shall have no further obligation to expend funds from any source for the O/H Pipeline. Upon the exhaustion or anticipated imminent exhaustion of the O/H Pipeline enterprise Fund, United shall notify the City of Oxnard and the Agency, in writing, requesting payment of the cost of unbudgeted expenses. The City of Oxnard and the Agency shall have five (5) days after delivery of the notice to respond with a written notice stating whether they will pay funds to the O/H Pipeline Enterprise Fund in their proportionate or some other greater or lesser amount of the cost of the unbudgeted expenses. The City of Oxnard and the Agency shall have thirty (30) days after delivery of the notice from United to pay the required funds to the O/H Pipeline Enterprise Fund. If the funds required to pay the unbudgeted expenses are not committed within the five (5) day period specified herein, the City of Oxnard and the Agency agree to indemnify United from and against all liabilities, expenses or damages of any kind, including, but not limited to, attorneys' fees and costs of defense, that may be incurred by United as a result of failing to expend funds, make the repairs and continue to operate the O/H Pipeline or supply water, if operation or supply is prevented, and all other matters resulting from the failure to expend funds pursuant to the provisions of SECTION 10C. If and when the full amount of the unbudgeted expenses are paid to the O/H Pipeline Enterprise Fund, United shall immediately resume its duties under this Agreement and the City of Oxnard and the Agency shall be relieved from the aforementioned indemnity obligation except to the extent that the obligation may have arisen or may later arise because of the failure of United to expend funds, make repairs, continue to operate or supply water as a result of the exhaustion or anticipated eminent exhaustion of the O/H Pipeline Enterprise fund. At the time, United, the City of Oxnard and the Agency agree to meet and confer pursuant to SECTION 18 of this Agreement to determine how and when the reserves of the O/H Pipeline Enterprise Fund are going to be restored to the level set pursuant to SECTION 12F of this Agreement.

(3) Nothing stated in this SECTION 10 or this Agreement shall be construed to obligate United to expend any funds from any source other than the O/H Pipeline Enterprise Fund.

(4) Nothing herein shall be construed as obligating the City or the Agency to provide funding as provided in SECTION 12F(2) unless Contractors and Future Contractors with cumulative entitlement in excess of seventy five percent (75%) of the allocated peak capacity determine that repairs or improvements are necessary.

(5) The City of Oxnard and the Agency acknowledge and accept that the enterprise reserve on July 1, 1996 may be less than the goal of fifty-percent annual operations and maintenance expenditures because of United's use of cash reserves which accrued under previous contracts and agreements related to the enterprise to replenish other related United financial accounts (Freeman Diversion Fund and General Fund) as a result of the City of Oxnard's failure to purchase water from United between July of 1995 and June 30, 1996. The City of Oxnard and the Agency consent to the use of the enterprise fund reserves for these purposes, provided that in years where the cumulative water purchases by All Contractors exceed their forecasted use based upon the annual, running average usage for the prior five years, the enterprise fund shall be entitled to a refund of the associated Freeman Diversion and District-wide pump charges equal to the amount created by the excess usage.

G. The rates may be changed from time to time by United in light of its experience in operating the system, determining overhead costs, maintaining adequate reserves and maintaining the water delivery system. All Contractors shall have the right to inspect United's computations in determining such charges, and upon request, United will re-compute same, provided that such request shall not be made until at least one year has passed since the latest re-computation. Disagreements in the rate setting process will be resolved per the terms of SECTION 18.

SECTION 13. NOTIFICATION FOR START OR STOP OF DELIVERIES. Under ordinary circumstances the parties will give each other forty-eight (48) hours notice in advance of the time when they wish to stop or start delivery of water. An event which may cause a material change in the quantity and quality of the water delivered under this Agreement will be immediately noticed to All Contractors.

SECTION 14. FUTURE ANNEXATIONS BY CONTRACTOR. If any area hereinafter is annexed by Any Contractor, the people or land area or industries covered by the annexation will automatically be bound by all of the terms of this contract.

SECTION 15. HOLD HARMLESS. Except in case of Any Contractor's negligence or misconduct, United agrees to hold Any Contractor harmless if United is involved in any litigation resulting from United's operations of the Pipeline to the point of delivery to that Contractor. Except in case of United's negligence or misconduct, as established by a written stipulation or agreement signed by United, or by judgment in a court of competent jurisdiction, All Contractors agree to hold United harmless if Any Contractor is involved in litigation resulting from that Contractor's operations after receiving water at said point of delivery.

SECTION 16. WATER RIGHTS AND EASEMENTS. Nothing in this Agreement shall be construed to grant, or shall confer upon Any Contractor, any rights, or easements in United's conduits, distribution systems, dams or other facilities or any right to water conserved or appropriated by means thereof except as provided herein. Nothing in this Agreement shall be construed to grant, or shall confer upon United, any rights, or easements in Any Contractor's conduits, distribution systems, dams or other facilities or appropriated by means thereof except as provided herein.

SECTION 17. TERM AND OPTION TO WITHDRAW.

A. Term The term of this Agreement shall begin on July 1, 1996 and shall automatically expire on June 30, 2036. The City of Oxnard and the Agency have the option to withdraw from the Agreement as more fully set forth in Section 17B hereof. All prior Agreements and/or amendments related to delivery of water through the O/H pipeline are superseded by this Agreement, as of July 1, 1996. The parties agree to review the terms of the contract every ten (10) years, beginning ten (10) years from the date of execution.

B. Option to Withdraw The City of Oxnard and the Agency each have the option to withdraw as a party to this Agreement effective June 30, 2016. This option is exercisable by giving written notice to United, in accordance with Section 19L, not less than twelve (12) months but not more than twenty-four (24) months prior to the effective date of withdrawal notifying United of its intention to withdraw. Failure to give notice within the permitted period of time shall cause the option to lapse. Upon exercise of the option any withdrawing party shall continue to be bound by this Agreement through the withdrawal effective date of June 30, 2016, and any withdrawing party shall remain liable, after the date of withdrawal, for all costs, charges, assessments or any other sums required to be paid by the withdrawing party that remain unpaid after the date of withdrawal. Any distribution of Suballocations or Subcredits shall be decided by the mutual agreement of United and the withdrawing party at the time of withdrawal consistent with the terms of this Agreement. The withdrawing party shall have the right to assign its peak capacity in the pipeline in accordance with the provisions of SECTION 4 of this Agreement.

SECTION 18. RESOLUTION OF DISPUTES.

A. Advisory Committee. The parties to this Agreement shall exercise best efforts to resolve disputes through the development of a consensus. An advisory committee shall be established comprised of one representative from United, one representative from Any Contractor who has more than twenty five percent (25%) of peak capacity and one additional representative who shall be selected by a vote of All Contractors with less than twenty five percent (25%) peak capacity. If such a representative cannot be selected by All Contractors with less than twenty five percent (25%) peak capacity, one shall be appointed by the other

members of the committee. This advisory committee shall be formed for the general purpose of ensuring this Agreement is being administered and implemented in accordance with the desires of United and All Contractors. The United representative shall be the Chair of the advisory committee. The Chair shall have the responsibility for scheduling all meetings required under this SECTION 18. A meeting of this committee can be requested by Any Contractor at any time.

B. Annual Meeting. The advisory committee shall meet annually, or as often as necessary, for the purpose of reviewing the administration and implementation of this Agreement. The advisory committee shall use best efforts to obtain consensus on the appropriate resolution of technical, administrative, financial, legal and operation issues that may arise from time to time.

C. Dispute Resolution Procedure. The parties to this Agreement shall submit any dispute, without limitation, related to or arising under this Agreement to the advisory committee for consideration. The party or parties raising the dispute shall be required to submit a description of the dispute in writing to the Chair. Within 14 calendar days of the Chair's receipt of the written notice, the Chair shall transmit the written notice to the other members of the advisory committee and any interested parties. The Chair shall schedule a meeting as soon as possible for the purpose of addressing the identified dispute. The Advisory committee shall convene a meeting within 30 calendar days of the Chair's receipt of the written notice of dispute and it shall use good faith and best efforts to resolve the dispute.

D. Content of Written Notice of the Dispute. The Notice shall provide a brief description of the nature of the dispute and any relevant background information that will assist the advisory committee in its attempt to equitably resolve the matter. The notice shall identify the party or parties that the dispute involves and the nature of the decision or relief requested.

E. Failure of the Advisory Committee to Resolve the Dispute. In the event that the advisory committee cannot resolve the dispute to the satisfaction of the parties to this Agreement, the parties agree that they will schedule a joint meeting of their designated elected representatives (or, if none are elected, then appointed representatives), who, after considering all of the facts, will attempt to reach consensus. Failing that, the parties may then freely pursue any remedy they may otherwise have under the law.

F. Emergency Exception. In cases where a dispute arising between the parties which, if unresolved, may result in imminent danger to the public, health, safety or welfare, the parties shall not be subject to the provisions of this SECTION 18.

SECTION 19. OTHER PROVISIONS.

A. **Successors** This Agreement is binding on and shall inure to the benefit of and be binding upon the parties hereto and their respective successors in interest as more fully set forth herein. A successor in interest shall not be entitled to receive any benefits under this Agreement until the successor agrees in writing to be bound by this Agreement. Nothing in this Agreement shall be construed to invalidate or otherwise require further approval of the prior assignment of Ocean View Municipal Water District's right, title and interest in pipeline capacity to the City of Oxnard under the Joint Powers Agreement between the City of Oxnard, the United Water Conservation District and the Ocean View Municipal Water District, dated June 14, 1967. Such assignment was complete on June 15, 1992 and the division of Pipeline capacity under Section 4 of this Agreement acknowledges the prior assignment and the City of Oxnard as the successor in interest to the rights once held by Ocean View Municipal Water District.

B. **Authority** The individuals executing this Agreement hereby represent and warrant that each of them has the authority to enter into this Agreement and to perform all acts required by this Agreement, and that the consent, approval or execution of or by any third party is not required to legally bind either party to the terms and conditions of this Agreement.

C. **Governing Law** This Agreement shall be governed by and interpreted in accordance with the laws of the State of California with venue proper only in the County of Ventura, State of California.

D. **Attorneys Fees** If any action, at law or in equity, including any action for declaratory relief, and including any arbitration or mediation, is brought to enforce or interpret the provisions of this Agreement, the prevailing party shall be entitled to recover from the non-prevailing party reasonable attorneys fees and costs of suit, which shall be determined by the court, the arbitrator or the mediator in the same or separate action brought for that purpose. This provision shall not apply to the dispute resolution procedure set forth in SECTION 18 above.

E. **Interpretation** The provisions and language of this Agreement shall be interpreted in accordance with the plain meaning thereof and shall not be construed for or against any of the parties hereto.

F. **Good Faith** The parties agree to exercise their best efforts and utmost good faith to effectuate all the terms and conditions of this Agreement and to execute such further instruments and documents as are necessary or appropriate to effectuate all of the terms and conditions of this Agreement.

G. Headings The headings used in this Agreement are for convenience and reference only and shall not be utilized in the construction of the terms or provisions of this Agreement.

H. Severability If any term, provision, covenant or condition of this Agreement shall be or become illegal, null, void or against public policy, or shall be held by any court of competent jurisdiction to be illegal, null or void or against public policy, the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected, impaired or invalidated. The term, provision, covenant or condition that is so invalidated, voided or held to be unenforceable, shall be modified or changed by the parties to the extent possible to carry out the intentions and directives set forth in this Agreement.

I. Counterparts This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same instrument.

J. Assignment Except as expressly provided herein, no party shall have the right to assign its rights or delegate any of its obligations or duties hereunder without the express written consent of the other party which consent shall not be unreasonably withheld.

K. Waiver The waiver of any breach of any provision hereunder by any party to this Agreement shall not be deemed to be a waiver of any preceding or subsequent breach hereunder, nor shall any waiver constitute a continuing waiver. No waiver shall be binding unless executed in writing by the party making the waiver.

L. Notices All notices, approvals, acceptances, demands and other communications required or permitted hereunder, to be effective, shall be in writing and shall be delivered either in person or by mailing the same by United States mail (postage prepaid, registered or certified, return receipt requested) or by Federal Express or other similar overnight delivery service to the party to whom the notice is directed at the address of each such party as follows:

To: CITY OF OXNARD	City Manager 305 West Third Street Oxnard, CA 93030
To: PORT HUENEME WATER AGENCY	250 North Ventura Road Port Hueneme, CA 93041
To: DEMPSEY ROAD MUTUAL WATER COMPANY	2265 Samuel Avenue Oxnard, CA 93033

E To: SAVIERS ROAD MUTUAL PO Box 64
WATER COMPANY Oxnard, CA 93032

To: CYPRESS MUTUAL WATER 135 Magnolia Avenue
COMPANY Oxnard, CA 93030

To: RIO SCHOOL DISTRICT 3300 Cortez Street
Oxnard, CA 93030

To: DONLON FARMS PO Box 839
Somis, CA 93066

To: VINEYARD AVENUE ESTATES PO Box 5065
MUTUAL WATER COMPANY Oxnard, CA 93031

To: UNITED WATER 725 East Main Street
CONSERVATION DISTRICT Santa Paula, California 93061

Any written communication given by mail shall be deemed delivered two (2) business days after such mailing date and any written communication given by overnight delivery service shall be deemed delivered one (1) business day after the dispatch date. Either party may change its address by giving the other party written notice of its new address as herein provided.

M. Amendment Adjustments and amendments to this Agreement and its terms and conditions shall only be made by written mutual agreement of the parties and signed by a duly authorized official representing each party.

N. Entire Agreement This Agreement constitutes the entire agreement between the parties and supersedes any prior negotiations, agreements and understandings of the parties, relating to the subject matter of this Agreement. This Agreement shall be executed by all persons who receive water from the O/H Pipeline, present and future, in identical form. This Agreement may not be modified in any way except in writing, signed by all parties.

O. Conditions Precedent to Operation of Agreement Although this Agreement may be executed by all parties, its provisions shall not be enforceable by or against any party unless or until there is strict performance of the following conditions precedent:

(1) **Execution of the Below Listed Agreements.** As a first, separate and independent condition precedent, the parties hereto shall each have executed the below-listed agreements:

a. Water Supply Agreement for Delivery of Water Through the Oxnard/Hueneme Pipeline (Parties: City of Oxnard, Port Hueneme Water Agency and United Water Conservation District).

b. Water Lease Agreement (Parties: United Water Conservation District and Port Hueneme Water Agency).

c. Imported Water Service Agreement (Parties: Port Hueneme Water Agency and Calleguas Municipal Water District)

d. Water Treatment, Plant Site Facilities and Land Lease Agreement (Parties: City of Oxnard and Port Hueneme Water Agency)

e. Navy Utility Service Contract (Parties: Port Hueneme Water Agency and Department of the Navy)

(2) **Metropolitan Water District and Calleguas Municipal Water District Approvals.** As a second, separate and independent condition precedent, Metropolitan Water District (MWD) shall have issued final written approval of any required annexation of the Port Hueneme Agency or its service areas to the boundaries of Metropolitan Water District and Calleguas Municipal Water District and the Agency has transferred the required annexation fees to MWD and the District and the annexation is completed in total.

(3) **Approval of Transfer or Assignment of Fox Canyon Groundwater Management Agency Credits.** As a third, separate and independent condition precedent to the enforcement of this Agreement, unless this condition is expressly waived in writing by the Port Hueneme Water Agency, the parties must obtain written authorization of the Fox Canyon Groundwater Management Agency approval of:

a. The transfer of pumping allocations and/or credits held by Port Hueneme Water Agency customers to Port Hueneme Water Agency;

b. The transfer of pumping allocations and/or credits held by Port Hueneme Water Agency or its customers to United Water Conservation District; and

c. The transfer or assignment of approximately 700 credits held by the Port Hueneme Water Agency or its members to Calleguas Municipal Water District.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year written below.

Dated this 7th day of June 1996.

CITY OF OXNARD

By: *M. Malmby*
Mayor

Approved as to form:

By: *Sam L. [unclear]* 6-4-96
Counsel

UNITED WATER CONSERVATION DISTRICT

By: *[Signature]*
President

By: *[Signature]*
Secretary

COPY

Exhibit A

*EXAMPLE OF FIXED AND VARIABLE OPERATION AND MAINTENANCE COSTS
ATTRIBUTABLE TO THE O/H PIPELINE*

Fixed operation and maintenance costs attributable to the O/H Pipeline

O/H Enterprise Fund Debt Service
Allocated Overhead
Permits / Licenses
Insurance
Water Quality Services
Basic Telephone Service
Ten Percent (10%) of Employee Salaries
Ten Percent (10%) of Employee Benefits
Ten Percent (10%) of Maintenance Costs

Variable operation and maintenance costs attributable to the O/H Pipeline

District-wide Pump Charge
Freeman Diversion Pump Charge
GMA Pump Charge
Ninety percent (90%) of Employee Salaries
Ninety percent (90%) of Employee Benefits
Ninety percent (90%) of Maintenance Costs
Clothing and Supplies
Utilities
Office Expense
Professional Fees
Rents and leases
Small Tools
Fuel
Travel
Miscellaneous
Depreciation
Capital Items

Oxnard Plain

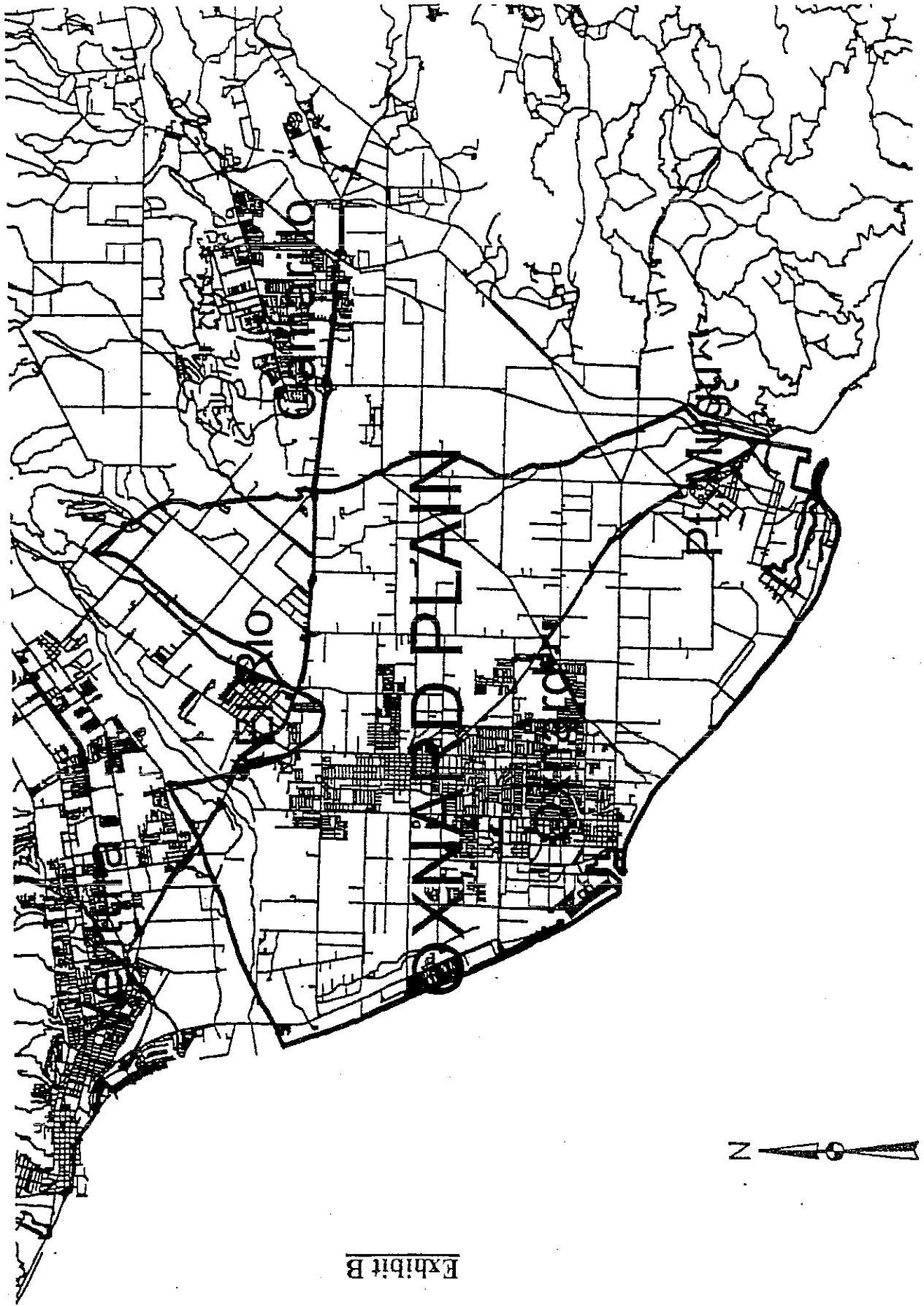


Exhibit B

Montalvo Forebay

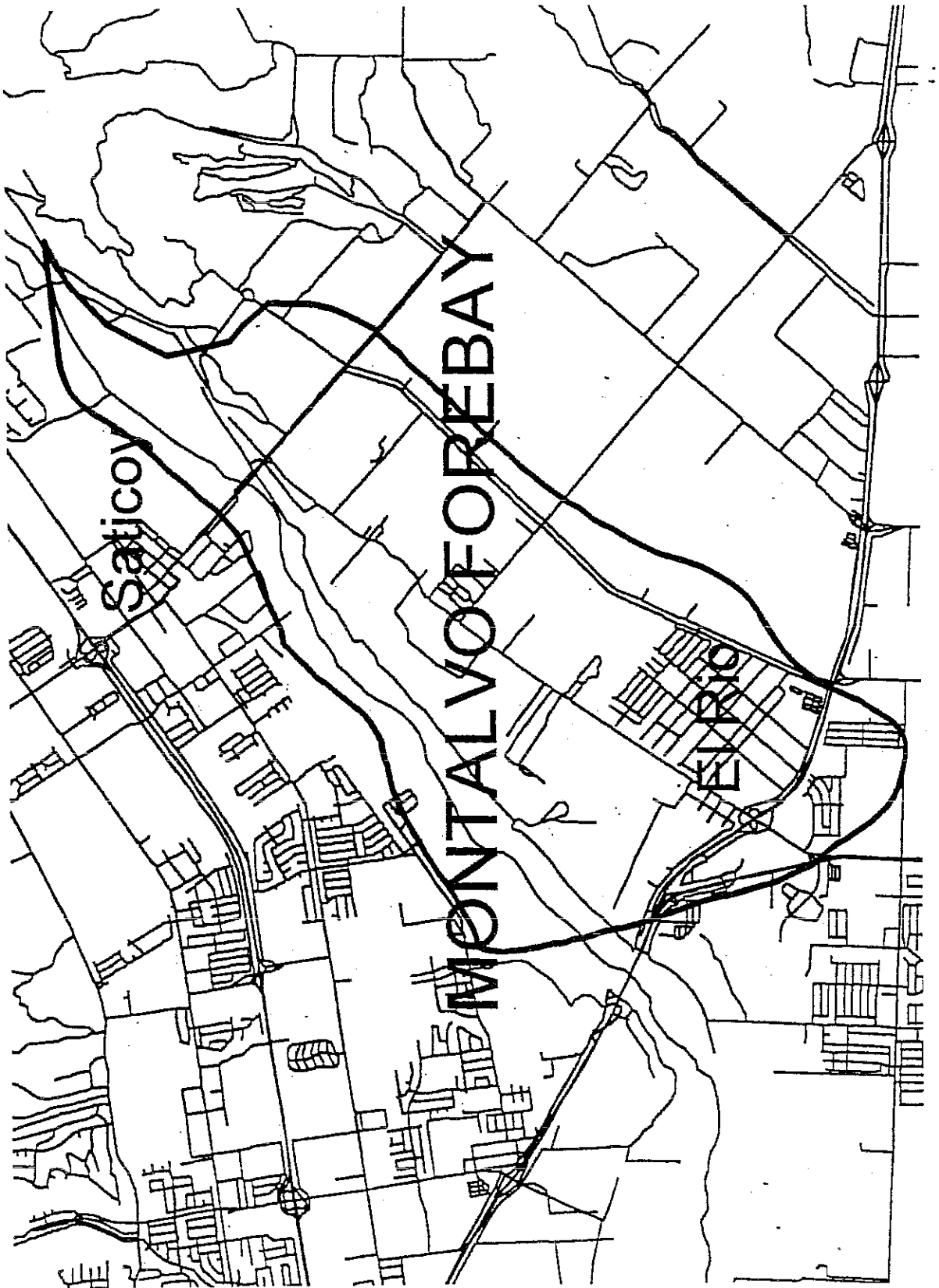


Exhibit D

SAMPLE OVERHEAD ALLOCATION WORKSHEET

	Total # of Billings		% of Total Billings		Allocated Overhead Pool		Total Labor Hours		% of Total Hours		Allocated Overhead Pool		A/P Transactions		% of Total A/P Trans		Allocated Overhead Pool		Revenue		% of Total		Allocated Overhead Pool		Average Overhead Pool		Proposed Overhead Allocation Rate	
General/GW	1,920		42.16%		436,487		22,860	38.05%		393,886		1,783	40.88%		1,766,103		25.19%		260,747		1,766,103		25.19%		378,576		36.6	
Freeman	960		21.08%		218,244		4,423	7.36%		76,210		362	8.30%		1,993,693		28.43%		294,348		1,993,693		28.43%		168,680		16.2	
Hydro	0		0.00%		0		659	1.10%		11,355		74	1.70%		186,760		2.81%		29,050		186,760		2.81%		14,492		1.4	
Recreation	160		3.51%		38,374		14,533	24.19%		250,415		546	12.52%		795,172		11.34%		117,399		795,172		11.34%		133,444		12.8	
OH Pipeline	828		18.18%		188,235		13,053	21.72%		224,908		992	22.74%		1,682,574		23.99%		248,415		1,682,574		23.99%		224,251		21.6	
PV Pipeline	38		0.83%		8,639		522	0.87%		8,994		89	2.27%		137,479		1.96%		20,297		137,479		1.96%		15,357		1.4	
PTP Pipeline	848		14.23%		147,314		4,035	6.72%		69,525		506	11.60%		440,509		6.28%		65,037		440,509		6.28%		100,493		9.7	
	4,554		100.00%		1,035,293		60,085	100.00%		1,035,293		4,362	100.00%		7,012,290		100.00%		1,035,293		7,012,290		100.00%		1,035,293		100.0	

this year, penalties would be payable to the GMA because the aggregate amount of the deliveries exceeds the O/H Pipeline GMA Historical Allocation by 20 A/F. If penalties are paid by United on 20 A/F, then the penalty would be allocated to Consumer 1 for the pumping which occurred in Year 1. The accumulated Subcredits for Consumer 1 (-20) would be further decreased in Year 2 by 20 A/F (to -40 A/F) to reflect Year 2 pumping but then increased by 20 A/F (to -20 A/F) to reflect payments made to the GMA and the concurrent reduction in liability to pay future penalties assessed by GMA for past pumping.

In year 3, Consumers 1 and 3 take exactly the amount of their Suballocation while Consumer 2 takes 10 A/F in excess of its Suballocation. Since Consumer 2 has 20 Subcredits on account, the agency may apply 10 Subcredits to its over-pumping. In this year, penalties would be payable to the GMA because the aggregate amount of the deliveries exceeds the O/H pipeline GMA Historical Allocation by 10 A/F. If penalties are paid by United on 10 A/F, then the penalty would be allocated to Consumer 1 for the pumping which occurred in Year 2. The accumulated Subcredits for Consumer 1 (-20) would be increased by 10 A/F (to -10) to reflect payments made to the GMA and the concurrent reduction in liability to pay future penalties assessed by GMA for past pumping.

In year 4, all three Consumers take in excess of their Suballocation. Consumer 2 still holds 10 Subcredits which the agency may apply toward the over-pumping. This will use up all the Subcredits held by Consumer 2. In this year, penalties would be payable to the GMA because the aggregate amount of the deliveries exceeds the O/H pipeline GMA Historical Allocation by 30 A/F. Consumer 1 still has -10 A/F of Subcredits from year 2 pumping and, accordingly, has a liability to pay for the first 10 A/F of penalties assessed this year. In addition, Consumer 1 has incurred a new obligation to pay for the deliveries in excess of Suballocation for this year. Consumer 1 would pay for 20 A/F of over-pumping while Consumer 3 would pay for 10 A/F of over-pumping. None of the Consumers would have any Subcredits left, and none have any remaining liability to pay for future GMA penalties assessed.