

I hereby certify that the following agenda was posted at least 72 hours prior to the time of the meeting so noticed below at 24251 Los Alisos Boulevard, Lake Forest, California.



DENNIS P. CAFFERTY, Secretary
of the El Toro Water District and
the Board of Directors thereof



AGENDA

EL TORO WATER DISTRICT REGULAR MEETING OF THE BOARD OF DIRECTORS

**September 24, 2026
7:30 a.m.**

**BOARDROOM, DISTRICT OFFICE
24251 LOS ALISOS BLVD., LAKE FOREST, CA 92630**

This meeting will be held in person. As a convenience for the public, the meeting may also be accessed by Zoom and will be available by either computer or telephone audio as indicated below. Because this is an in-person meeting and the virtual component is not required, but rather is being offered as a convenience, if there are any technical issues during the meeting, this meeting will continue and will not be suspended.

Members of the public who wish to comment on any item within the jurisdiction of the District or on any item on the agenda, may attend the meeting in person at the District's office or may observe and address the Meeting by joining at this link:

<https://us02web.zoom.us/j/89491790594> (Meeting ID: 894 9179 0594).

Members of the public who wish only to listen to the telephonic meeting may dial in at the following numbers (669) 900-6833 or (346) 248-7799 with the same Meeting ID noted above. Please be advised the Meeting is being recorded.

CALL MEETING TO ORDER – President Freshley

PLEDGE OF ALLEGIANCE – Director Gaskins

ROLL CALL (Determination of a Quorum)

ORAL COMMUNICATIONS/PUBLIC COMMENTS

Members of the public may address the Board at this time or they may reserve this opportunity with regard to an item on the agenda, until said item is discussed by the Board. Comments on other items will be heard at the time set aside for "COMMENTS REGARDING NON-AGENDA ITEMS." The public may identify themselves when called on and limit their comments to three minutes.

ITEMS RECEIVED TOO LATE TO BE AGENDIZED

Determine need and take action to agendize items which arose subsequent to the posting of the Agenda. (ROLL CALL VOTE: Adoption of this recommendation requires a two-thirds vote of the Board members present, or, if less than two-thirds of the Board members are present, a unanimous vote of those members present.)

1. **Consider Board Member's Request for Remote Participation (AB 2449)**

2. **Consent Calendar**

(All matters under the Consent Calendar will be approved by one motion unless a Board member or a member of the public requests separate action or discussion on a specific item)

- a. Consider approving the minutes of the August 27, 2026 Board meeting
- b. Consider approving Director Gaskins, Director Freshley, and Director Havens to attend the ACWA Fall Conference from December 2-3
- c. Consider approving Director Monin to attend the ACWA Fall Conference from December 2-3 with approved travel accommodations from December 1-3

Recommended Action: The Board will consider approving the above Consent Calendar.

3. **Director Reports for Meetings Attended** (Oral Report)

GENERAL MANAGER ACTION ITEMS

4. **Agreement for Systemwide Facilities for the Joint Regional Water Supply System** (Reference Material Included)

Staff will review and comment on the Agreement for Systemwide Facilities for the Joint Regional Water Supply System.

Recommended Action: Staff recommend the Board of Directors approve the Agreement for Systemwide Facilities for the Joint Regional Water Supply System and provide notice to South Coast Water District as the Designated Operator so the JRWSS Member Agencies can execute the Agreement via DocuSign.

GENERAL MANAGER INFORMATION ITEMS

5. **General Manager's Monthly Report** (Reference Material Included)
Staff will review and comment on the General Manager's Monthly Report.
6. **Legislative Reports** (Reference Material Included)
Staff and General Counsel will review and comment on the Legislative reports.
7. **Public Education and Outreach Report** (Reference Material Included)
Staff will review and comment on the Public Education and Outreach report.
8. **Water Use Efficiency Report** (Reference Material Included)
Staff will review and comment on the Water Use Efficiency Report.
9. **South Orange County Wastewater Authority (SOCWA) Report** (Reference Material Included)
 - a. SOCWA Board Meeting – September 10, 2026
 - b. SOCWA Finance Committee Meeting – September 15, 2026
 - c. SOCWA Engineering Committee Meeting – September 17, 2026
10. **Municipal Water District of Orange County (MWDOC) Report** (Reference Material Included)
 - a. MWDOC Met Directors Workshop – September 2, 2026
 - b. MWDOC Planning/Operations Meeting – September 8, 2026
 - c. MWDOC Admin/Finance Meeting – September 9, 2026
 - d. MWDOC Board Meeting – September 16, 2026
11. **Local Agency Formation Commission Report** (Reference Material Included)
Report on the September 9, 2026 LAFCO meeting
12. **ISDOC Meetings Report** (Reference Material Included)
Report on the September 1, 2026 ISDOC Executive Committee meeting
13. **WACO Meeting Report** (Reference Material Included)
Report on the September 11, 2026 WACO Meeting

COMMITTEE AND GENERAL INFORMATION

14. Dates to Remember for September/October (Reference Material Included)

COMMENTS REGARDING NON-AGENDA ITEMS

ATTORNEY REPORT

CLOSED SESSION

At this time the Board will go into Closed Session as follows:

1. Pursuant to Government Code Section 54956.9 (d) (4) to consult with legal counsel and staff- Potential Initiation of Litigation. (one matter)
2. Pursuant to Government Code Section 54956.8 to consult with the District's Designated Negotiator (Dennis P. Cafferty), regarding the price, terms & conditions pertaining to the District's proposed purchase of an easement from the Golden Rain Foundation of Laguna Woods. Said easement would be located on the Laguna Woods Golf Course and is in conjunction with the District's Project of relocating and repairing existing public service facilities (Effluent Transmission Main) therein.

REGULAR SESSION

REPORT ON CLOSED SESSION (Legal Counsel)

Mr. Granito will provide an oral report on the Closed Session.

ADJOURNMENT

The agenda material for this meeting is available to the public at the District's Administrative Office, which is located at 24251 Los Alisos Blvd., Lake Forest, CA. 92630. If any additional material related to an open session agenda item is distributed to all or a majority of the board of directors after this agenda is posted, such material will be made available for immediate public inspection at the same location.

Request for Disability-Related Modifications or Accommodations

If you require any disability-related accommodation, including auxiliary aids or services, in order to participate in this public meeting, please telephone the District's Recording Secretary, Marisol Melendez at (949) 837-7050, extension 225 at least forty-eight (48) hours prior to said meeting. If you prefer, your request may be submitted in writing to El Toro Water District, P.O. Box 4000, Laguna Hills, California 92654, Attention: Marisol Melendez.

MINUTES OF THE REGULAR MEETING OF THE
BOARD OF DIRECTORS OF THE
EL TORO WATER DISTRICT

August 27, 2026

President Freshley called the meeting of the Board of Directors of the EL TORO WATER DISTRICT to order at 7:30 a.m.

Director McClean led the Pledge of Allegiance to the flag.

Directors MARK MONIN, MIKE GASKINS, KAY HAVENS, KATHRYN FRESHLEY, and WYATT McCLEAN participated.

Also participating were DENNIS P. CAFFERTY, General Manager, GILBERT J. GRANITO, General Counsel, VISHAV SHARMA, CFO, JUDY CIMORELL, Director of Human Resources, HANNAH FORD, Director of Engineering, SCOTT HOPKINS, Operations Superintendent, MIKE MIAZGA, Information Technology Manager (Zoom), SHERRI SEITZ, Public Affairs Manager, VU CHU, Water Resources Supervisor, RANDALL CRANE, MWDOC (Zoom), KEITH STRIBLING, PFM Asset Management LLC, JENNI PANCAKE, Special Counsel (Zoom, 8:45 a.m.), JANET FORDUNSKI, Member of the Public (Zoom), MICHAEL MILLER, Member of the Public (Zoom), Participant ID: 823 0115 5075 (Zoom, 7:45 a.m.), and MARISOL MELENDEZ, Recording Secretary.

Determination of a Quorum

Roll Call:

Director McClean	Present
Director Monin	Present
Director Gaskins	Present
Vice President Havens	Present
President Freshley	Present

Five Board members were present for the meeting. Therefore, a Quorum was determined.

Oral Communications/Public Comments

There were no comments.

Items Received Too Late to be Agendized

President Freshley asked if there were any items received too late to be agendized. Mr. Cafferty replied no.

Presentations of Awards, Recognition, Certifications and Introductions

Mr. Cafferty recognized and congratulated Hannah Ford, Director of Engineering, for 5 Years of Service.

Consent Calendar

President Freshley asked for a Motion.

Motion: Director Monin made a Motion, seconded by Director McClean to approve the Consent Calendar.

Roll Call Vote:

Director McClean	aye
Director Monin	aye
Director Gaskins	aye
Vice President Havens	aye
President Freshley	aye

Quarterly Review of the District's 401(k) Retirement Savings Plan

Mr. Stribling reported that the District's investment portfolio had a strong quarter on an absolute basis, with returns ranging from 3.85% to 11.50% for growth and 8.25% to 19.25% for the one-year period. Returns since inception on a compounded basis ranged from 8.77% to 18.70%. He noted that relative performance was less favorable, which also impacted the one-year results and with some of the performance differential

was attributable to equity funds. Mr. Stribling noted that the S&P 500 has returned approximately 15.5% on a compounded basis over the past 10 years, representing a strong period but will likely slow over time. He reviewed the District's asset allocation and quarterly performance, noting that some funds underperformed. However, several of the funds are invested in cyclical industries that impacted the relative performance.

Mr. Stribling left the meeting at approximately 8:13 a.m.

Directors Reports for Meetings Attended

Director Gaskins stated that he attended the CASA Conference, the Special RRC meeting, the MWDOC P&O meeting, the SOCWA Board meeting, the CAG meeting, the MWDOC Board meeting, the MWDOC Administration & Finance meeting, the Engineering and Finance committee meeting, and the District's regular Board meeting.

Director Monin stated that he attended the ISDOC Executive meeting, the MWDOC/Met Directors Workshop, the MWDOC P&O meeting, the MWDOC A&F meeting, the MWDOC Board meeting, the CASA Conference, the WACO meeting, the CAG meeting, the Urban Water Institute Conference, the CSDA Conference, and both District Board meetings.

Director McClean stated that he attended the District's regular Board meeting, the District's Engineering and Finance meeting, the TV-6 Interview, the Urban Water Institute Conference, the MWDOC Admin/Finance meeting, the CAG meeting, the CASA Conference and the MWDOC P&O meeting.

Vice President Havens stated that she attended the MWDOC/Met Directors Workshop, the MWDOC P&O meeting, the MWDOC Admin/Finance meeting, the WACO meeting, the CAG meeting, the OC ReUse meeting, the Agenda Review

meeting, the MWDOC Board meeting, the District's Engineering and Finance meeting, and the District's regular Board meeting.

President Freshley stated that she attended both ETWD's regular Board meetings, the Agenda Review meeting, the Laguna Woods City Council meeting, the WACO meeting, the MWDOC/Met Directors Workshop, the MWDOC P&O meeting, the LAFCO meeting, the SOCWA Board meeting, the Urban Water Institute Conference, and the CAG meeting.

General Manager Action Items

Administrative Code Amendment – Policy on Discontinuation of Residential Water Service (§7170)

Mr. Cafferty reported that the policy originated following the passage of SB 998 in 2018. The Board adopted the original Policy on the Discontinuation of Residential Water Service as Schedule 7-W of the District's Rules and Regulations in 2020. Staff carefully reviewed the policy and found significant revisions were needed as a result of SB 3 which was passed in 2023. Staff also reviewed the Customer Service department's standard procedures for service discontinuation to ensure consistency with the policy and to ensure compliance with the law. He noted that staff goes above and beyond requirements to minimize customer shut-offs. Mr. Granito has reviewed the revised policy and agrees with the changes.

President Freshley asked for a Motion.

Motion: Director Monin made a Motion, seconded by Director McClean to add Section 7170 – Policy on Discontinuation of Residential Water Service to the District Administrative Code.

Roll Call Vote:

Director McClean	aye
Director Monin	aye
Director Gaskins	aye
Vice President Havens	aye
President Freshley	aye

Administrative Code Amendment – Section 2090 Committees of the Board

Mr. Cafferty stated that the District's 457 Plan is self-directed and employees who participate have the ability to choose investment allocations within the fund options. Staff and the Board are proposing to create a Retirement Plan Committee to allow the District to provide input, consider recommendations from Empower, and to evaluate plan performance. The committee would potentially meet quarterly and would be timed with the production of the investment performance reports. The committee would consist of two Board members and several staff members. This action item establishes the Retirement Plan Committee and also changes the name of the Regional Reclamation Committee to the SOCWA Planning Committee.

President Freshley asked for a Motion.

Motion: Director Monin made a Motion, seconded by Director Gaskins to approve amendments to Section 2090 of the El Toro Water District Administrative Code regarding Committees of the Board.

Roll Call Vote:

Director McClean	aye
Director Monin	aye
Director Gaskins	aye
Vice President Havens	aye
President Freshley	aye

Resolution No. 26-8-1 Modifying Standing and External Organization Board and Staff Assignments for Calendar Year 2026

Mr. Cafferty stated that Resolution No. 26-8-1 assigns President Freshley and Director Monin to the Retirement Plan Committee. The Resolution also renames the Regional Reclamation Committee as the SOCWA Planning Committee.

President Freshley asked for a Motion.

Motion: Director McClean made a Motion, seconded by Director Gaskins to approve Resolution No. 26-8-1 modifying Standing and External Organization Board and Staff Assignments for the calendar year 2026.

Roll Call Vote:

Director McClean	aye
Director Monin	aye
Director Gaskins	aye
Vice President Havens	aye
President Freshley	aye

General Manager Information Items

General Manager's Monthly Report

Mr. Cafferty noted the lengthy Will Serve Summary Report includes the various redevelopment projects happening in the District.

Legislative Reports

Mr. Cafferty reported that staff added a Legislative Matrix to the beginning of the usual report to identify the status of significant legislation that the District has been involved with.

Public Education and Outreach Report

Ms. Seitz reported that Director McClean participated in the Laguna Woods Television *This Day* program on August 25, 2026. She noted that the report includes a Project Alert for the Hydraulic Modification Project which was distributed to residents near Gate 4. She also reported that District staff provided the water trailer and offered complimentary drinking water to attendees at the City of Lake Forest National Night out.

Water Use Efficiency Report

Mr. Chu reported that the potable water demand increased approximately 7% in July compared to the prior year. Recycled Water sales also increased by approximately 3.5% and will likely surpass the demand for July 2025.

SOCWA Reports

President Freshley reported that PC-23 and the Ocean Outfall declaration was discussed. Ms. Ford reported that a cost allocation policy was discussed at the SOCWA Engineering meeting.

South Orange County Agencies Group Meeting

Mr. Cafferty reported that IRWD provided a detailed regulatory update.

MWDOC

There were no comments.

LAFCO

President Freshley reported that the Board appointments took place. She also stated that a Public Hearing was held for the Municipal Service Review (MSR) and Sphere of Influence reviews for agencies within the North MSR Region.

ISDOC

Director Monin reported that Jim Fisler provided the LAFCO report.

WACO

Director Monin noted that the next WACO meeting is on September 11 due to Labor Day.

COMMITTEE AND GENERAL INFORMATION

Dates to Remember for August/September 2026

There were no comments.

Comments Regarding Non-Agenda Items

Mr. Cafferty followed up on Director McClean's inquiry confirming that the language on the District's Policy on Discontinuation of Residential Water Service matches exactly to SB 998.

Attorney Report

Mr. Granito reported that there is a need for a Closed Session today in regards to the item on today's Closed Session Agenda.

Closed Session

At approximately 9:36 a.m. everyone left the open session except the Board, General Counsel, Mr. Cafferty, Ms. Ford, and Special Counsel; Ms. Pancake.

Regular Session

At approximately 10:12 a.m., the meeting returned to Regular Session. Also, at this time, Ms. Melendez returned to the meeting.

Open Session Report

Mr. Granito reported that the Board went into Closed Session to discuss the item on today's Closed Session Agenda. No reportable action was taken.

Adjournment

There being no further business to come before the Board, the meeting was adjourned at approximately 10:13 a.m.

Respectfully submitted,

MARISOL MELENDEZ
Recording Secretary

APPROVED:

KATHRYN FRESHLEY, President of
the El Toro Water District and the
Board of Directors thereof

DENNIS P. CAFFERTY, Secretary
of the El Toro Water District and
the Board of Directors thereof



ACWA'26

FALL CONFERENCE

Dec 1 - 3 • Anaheim, CA

The **ACWA Conference** brings California's water leaders together to address **today's challenges and shape the future**. Through intentional dialogue, discussion forums and informational sessions spanning state and federal policy, finance, legal issues and more, the conference is the **premier destination for those committed to caring for California's water resources now and for generations to come**.

Register at acwa.com/events/acwaconf-fall26.



Register for ACWA Conference

ADVANTAGE	By Nov. 3	After Nov. 3	STANDARD	By Nov. 3	After Nov. 3
Full Registration <i>Buy 5 and receive 1 free*</i>	\$999	\$1,099	Full Registration <i>Buy 5 and receive 1 free*</i>	\$1,475	\$1,575
One-Day: Tues / Thurs	\$495	\$595	One-Day: Tues / Thurs	\$775	\$875
One-Day: Wed	\$595	\$695	One-Day: Wed	\$885	\$985

For full pricing details, visit the ACWA website. *Cannot combine with other discounted registrations.

Advantage rate - Special pricing for our Public Agency Members, Affiliates & Associates.

Standard rate - Open to all water professionals and interested attendees.

Preliminary Agenda Overview

Day 1 | Dec. 1

 May qualify for continuing education credits.

- 9:30 AM **Committee Meeting & Education Session** 
Groundwater Committee
- 10:45 AM **Committee Meetings**
Energy Committee | Water Management Committee
- 11:45 AM **Networking Lunch**
- 11:45 AM **Taskforce Meetings**
Outreach Taskforce | Headwater Taskforce
- 1:00 PM **Committee Meetings & Education Session** 
Agriculture Committee | Local Government Committee
- 2:15 PM **Committee Meetings**
Communications Committee | Finance Committee | Water Quality Committee
- 3:30 PM **Committee Meetings & Education Session** 
Federal Affairs Committee | Legal Affairs Committee | Membership Committee
- 4:00 PM **New Member Mixer**
- 4:00 PM **Exhibit Hall Opens**
- 5:00 PM **Welcome Reception in the Exhibit Hall**

Day 2 | Dec. 2

- 7:30 AM **Continental Breakfast**
- 8:30 AM **Welcome Keynote & Opening Address**
- 10:30 AM **Program**  & **Spotlight Sessions**
- 11:45 AM **Networking Lunch**
- 1:30 PM **Water Talk at the Main Stage**
- 2:25 PM **Spotlight Sessions**
- 2:30 PM **Program Sessions** 
- 3:45 PM **Region Meetings**
- 5:00 PM **Networking Reception in the Exhibit Hall**

Venue & Hotel Information

Anaheim Marriott
700 W. Convention Way
Anaheim, CA

Room Rate: \$239/night +
taxes & fees

Note: Conference
registration is required to
book at the ACWA group
rate. A reservation link will be
provided in your registration
confirmation email.

Day 3 | Dec. 3

- 7:30 AM **Continental Breakfast**
- 8:30 AM **Grand Prize Drawing in the Exhibit Hall**
- 9:00 AM **Program Sessions** 
- 10:30 AM **Closing Keynote & Awards Presentation**
- 12:00 PM **Lunch & Learn Program Sessions** 

Visit acwa.com/events/acwaconf-fall26 for full agenda and to register.



STAFF REPORT

To: Board of Directors **Meeting Date:** September 24, 2026

From: Hannah Ford, Director of Engineering

Subject: Agreement for the Systemwide Facilities for the Joint Regional Water Supply System (JRWSS)

SUMMARY

El Toro Water District (District) is a member of the Joint Regional Water Supply System ("JRWSS"), which is a large transmission system delivering imported water to south Orange County. JRWSS facilities include approximately 40 miles of water transmission mains and two reservoirs with a total of 60 million gallons of storage. Phase one of the JRWSS was built in the early 1960s by Tri-Cities Municipal Water District ("TCMWD"). Phase two improvements included additional transmission mains and storage constructed in the 1980s and early 1990s.

In 2000, TCMWD consolidated with Coastal Municipal Water District ("CMWD"), and South Coast Water District was named the Designated Operator for the JRWSS. In 2001, CMWD consolidated with Municipal Water District of Orange County ("MWDOC"). JRWSS Member Agencies include the City of San Clemente, El Toro Water District, Irvine Ranch Water District, Moulton Niguel Water District, Santa Margarita Water District, and South Coast Water District.

The governance of the JRWSS is currently comprised of eleven agreements among 14 parties (some of which no longer exist), which include the above six Member Agencies and federal, state, and private utilities in two counties. The agreements were entered for, among other reasons, the continued construction, operations and maintenance of specific JRWSS facilities such as the Joint Transmission Main (JTM), Local Transmission Main (LTM), Water Importation Pipeline (WIP), San Onofre Feeder (SOF), Bradt Reservoir, and Schlegel Reservoir.

In the past few years, South Coast Water District initiated a review of all the agreements to address conditions that have changed or were unforeseen when the original agreements were executed. Such conditions include a change in Member Agencies (via consolidations and transmission main capacity purchases), scope of administrative costs, and allocation of costs.

Since the existing agreements focused on specific JRWSS facilities with no agreement encompassing systemwide facilities, the need became apparent for an agreement to

encompass such systemwide facilities and systemwide costs. Systemwide facilities include all assets and facilities that service all or multiple JRWSS facilities, but not a particular JRWSS facility. Specifically, the systemwide facilities include the office and administrative building and inventory storage facilities located at the Bradt Reservoir site, Geographic Information System (GIS), and portions of the Supervisory Control and Data Acquisition (SCADA) System.

In 2024, as a result of the SCWD review process and as a first step towards updating the Agreements, SCWD submitted a draft Agreement for the Systemwide Facilities for the Joint Regional Water Supply System ("Systemwide Agreement") to the Member Agencies for consideration. At a series of JRWSS Quarterly and special meetings, the Member Agencies, including finance staff and legal counsel for the Member Agencies, provided edits and comments and a robust discussion.

Important provisions within the Systemwide Agreement address:

- **Systemwide Costs:** Establishment of Systemwide costs and allocation of Systemwide costs among the Member Agencies
- **Systemwide Committee:** Establishment of an administrative committee (Systemwide Committee) to govern the Systemwide costs and Systemwide facilities
- **Finance:** Establishment of systemwide budget, accounting, reporting and insurance requirements, and limitation of liability and indemnification.

On August 12, 2026, after over two years of review, revisions, and collaboration, the JRWSS Member Agency Committee acted to adopt the final draft version of the Systemwide Agreement and recommend the finalized version of the Systemwide Agreement for approval to their respective governing bodies, subject to any clarifying edits, before the next quarterly meeting of the JRWSS on November 12, 2026. In accordance with those two Committee actions, staff presents the attached Systemwide Agreement for consideration to approve. After careful review and consideration, staff recommend that the El Toro Water District Board of Directors approve the Systemwide Agreement.

While the Systemwide Agreement is considered for approval by the governing bodies of all Member Agencies, the JRWSS Committee will focus on updating the Amended and Restated Agreement for the JTM.

APPLICABILITY TO THE DISTRICT

The District owns 2 cubic feet per second (cfs) of capacity in the JTM, equivalent to approximately 1.3 million gallons per day. The District uses this capacity to convey imported water to its JTM Pump Station at the R-1/R-2 Reservoir site, where it is pumped into the District's water distribution system. The administrative, inventory, GIS, and SCADA resources covered by the Systemwide Agreement support South Coast Water District's operation and maintenance of the JTM and, consequently, the reliability of this imported-water supply connection for the District.

The Systemwide Agreement is a standalone agreement and does not modify the District's existing 2 cfs of JTM capacity or its rights and obligations under the existing JTM Agreement.

Under the proposed agreement, the District's capacity ownership percentage for allocating Systemwide Administrative, Operations and Maintenance, Capital Improvement, and non-budgeted emergency repair costs is 0.23 percent. The same percentage is used when applying the agreement's capacity-based voting threshold.

The complete Systemwide Agreement is attached, including copies of the existing JRWSS agreements for reference; however, those existing agreements are not being amended or presented for approval, and the Board's action is limited solely to approval of the new Systemwide Agreement (Pages 1 – 23 of the Agreement document).

RECOMMENDATION

Recommended Action:

Staff recommend the Board of Directors approve the Agreement for Systemwide Facilities for the Joint Regional Water Supply System and provide notice to South Coast Water District as the Designated Operator so the JRWSS Member Agencies can execute the Agreement via DocuSign.

AGREEMENT FOR SYSTEMWIDE FACILITIES
FOR
THE JOINT REGIONAL WATER SUPPLY SYSTEM

This Agreement for Systemwide Facilities for the Joint Regional Water Supply System Agreement (“Systemwide Agreement”) is effective as of November 12, 2026 (“Effective Date”) and entered by and among the parties, which are individually referred to as “Party” and collectively referred to as “Parties”, listed on the **Signature Page** to this Systemwide Agreement.

RECITALS

A. The Joint Regional Water Supply System (“JRWSS”) is comprised of eleven agreements, which are listed in **Exhibit “A”**, and are collectively referred to herein as the “JRWSS Agreements”. Of the eleven JRWSS Agreements, seven agreements (“San Diego Agreements”) govern the San Diego County Water Authority (“SDCWA”) and the end users in San Diego County regarding the San Onofre Feeder. The San Diego Agreements are Nos. 5 – 11 in **Exhibit “A”**. The San Diego County end users, which are customers of the SDCWA, are the Southern California Edison Company¹, the United States of America, and the State of California (collectively the “San Diego End Users”). The San Diego End Users and the SDCWA are not subject to this Systemwide Agreement because the San Diego End Users do not own capacity rights in the JRWSS Facilities, except the San Onofre Feeder, which is owned by the SDCWA; instead, the South Coast Water District (“SCWD”) owns the San Diego End Users’ capacity rights via certain San Diego Agreements.²

¹ The Southern California Edison Company is not a “public agency” under the Joint Exercise of Powers Act nor has the authority to operate and maintain potable water pipelines, reservoirs, and appurtenant facilities; so, Edison cannot be a party to an agreement, such as this Systemwide Agreement, that is subject to the Joint Exercise of Powers Act.

² Pursuant to LAFCO Resolution No. RO99-07 dated January 26, 2000, which is attached as Exhibit “B”, the territory of Tri-Cities Municipal Water District located in San Diego County was detached from Tri-Cities and the SDCWA became the successor agency to that territory. So, this Systemwide Agreement does not include either the SDCWA or three of its customers, the San Diego End Users.

B. For the following reasons, Tri-Cities Municipal Water District (“Tri-Cities”), Capistrano Valley Water District, and City of San Juan Capistrano were original signatories, but are no longer parties, to certain JRWSS Agreements (and therefore are not parties to this Systemwide Agreement). Pursuant to Orange County Local Agency Formation Commission (“LAFCO”) Resolution No. R099-07 dated January 26, 2000, which is attached as **Exhibit “B”**, Tri-Cities was consolidated with Coastal Municipal Water District (“Coastal”) wherein Coastal became the legal successor-in-interest to Tri-Cities, and Tri-Cities ceased to exist effective March 31, 2000. Coastal was not responsible for ownership or day-to-day operation of any water storage or transmission facilities owned and operated by Tri-Cities; rather, Coastal transferred such responsibilities to other public agencies pursuant to separate agreements represented by Nos. 1-4 of the JRWSS Agreements. Capistrano Valley Water District annexed into the City of San Juan Capistrano, which subsequently annexed its water and wastewater service to Santa Margarita Water District on November 15, 2021.

C. The assets and facilities described in the JRWSS Agreements include, but are not limited to the Joint Transmission Main (“JTM”), the Water Importation Pipeline (“WIP”), the Local Transmission Main (“LTM”), the Bradt Reservoir, the Schlegel Reservoir (including the Schlegel Pipeline), the San Onofre Feeder, and pipelines and appurtenances to the foregoing facilities (collectively, “JRWSS Facilities”). All assets and facilities that service all or multiple JRWSS Facilities but not a particular JRWSS Facility (e.g., the ‘upper’ office and inventory storage facilities located at the Bradt Reservoir site, the Geographic Information System (GIS), and portions of the Supervisory Control and Data Acquisition (SCADA) System) are collectively referred to herein as the “Systemwide Facilities”.

D. Pursuant to LAFCO Resolution No. RO99-07 (1) SCWD was named operator of the JTM, WIP, LTM, and San Onofre Feeder, (2) certain Tri-Cities’ assets and capacity rights were transferred to SCWD and the City of San Clemente by separate “Transfer Agreements” represented by certain JRWSS Agreements, (3) the “rights, duties, and obligations under the Local Transmission Main agreement” were transferred to the owners of such facilities upon mutual agreement represented by the Agreement for Transfer of Ownership and to Operate and Maintain the Local Transmission Main Facilities and the Schlegel Reservoir (“LTM Agreement”), (4) title to the Schlegel Reservoir was transferred to the City of San Clemente, (5)

title to the San Onofre Feeder was transferred to the SDCWA, and leased to SCWD as “contract operator” and operated and maintained by SCWD, (6) employees of Tri-Cities were transferred to SCWD and offered “permanent employment” with SCWD, and (7) debts, liabilities, contracts, and obligations of Tri-Cities, including Tri-Cities’ bonded indebtedness and Certificate of Participation Financing, were transferred and assigned to SCWD as “contract operator”.

E. Pursuant to the Amended and Restated Joint Exercise of Powers Agreement to Operate and Maintain the Joint Transmission Main Facilities (“JTM Agreement”) and the Joint Exercise of Powers Agreement to Operate and Maintain the Water Importation Pipeline (“WIP Agreement”), each party to the JTM Agreement and the WIP Agreement appointed a delegate to the “administrative committee” to represent each party’s respective interests. Pursuant to LAFCO Resolution No. RO99-07, the “administrative committee” appointed SCWD as the Designated Operator of the facilities in the JTM Agreement and WIP Agreement.

F. Other than the JTM Agreement and the WIP Agreement, the remaining JRWSS Agreements do not mention the “administrative committee” or any other governing authority to govern either the remaining JRWSS Facilities or the relationship among the Parties to this Systemwide Agreement. This Systemwide Agreement is intended to establish (1) Systemwide Costs (defined below) and allocation of such Systemwide Costs among the Parties and (2) an administrative committee to govern such Systemwide Costs and Systemwide Facilities.

G. Each Party to this Systemwide Agreement is (a) a “public agency” as defined in the Joint Exercise of Powers Act at Article 1, Chapter 5, Division 7, Title 1 of the California Government Code (Section 6500 et seq.), and (b) authorized and empowered to contract with the other Parties for the joint exercise of powers under the Joint exercise of Powers Act. Each Party has the authority and power to operate and maintain potable water pipelines, reservoirs, and appurtenant facilities within (and in some cases, outside) their respective boundaries. The Parties do not intend to create a separate legal entity within the meaning of California Government Code Section 6507. The Parties shall jointly administer this Agreement through their respective representatives as provided herein, but no independent Joint Powers Authority or separate public agency is established by this Agreement. The Parties believe that it is mutually beneficial for each Party to cooperate in their joint efforts to fund Systemwide Costs and fund, develop, operate, and maintain the Systemwide Facilities.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises, covenants, and terms and conditions herein, the Parties agree as follows:

1. **JRWSS AGREEMENTS**

This Systemwide Agreement is a standalone agreement that does not amend the JRWSS Agreements. The JRWSS Agreements shall remain in full force and effect after this Systemwide Agreement is fully executed. For avoidance of doubt, no Party will incur liability above and beyond the liability already obligated to a Party under the JRWSS Agreements to which the Party is either a party or a successor party. Capitalized terms used in this Systemwide Agreement, without being separately defined herein, shall have the same meaning as defined in the JRWSS Agreements. All Systemwide Facilities operated, maintained, and managed by the Designated Operator are held in the name of the Designated Operator for the benefit of the Parties in proportion to the Parties' percentages of capacity ownership specified in Table 1 below.

2. **JRWSS COMMITTEE**

2.1 **Committee Functions.** There is hereby created a "Systemwide Committee" for the Systemwide Costs and Systemwide Facilities. The Systemwide Committee will (a) review and approve the annual operating budget for Systemwide Costs and Systemwide Facilities pursuant to Section 5 hereof, (b) review and evaluate the management, operation, and maintenance of the Systemwide Facilities; and (c) otherwise administer this Systemwide Agreement. The Systemwide Committee shall not constitute a Joint Powers Authority, public corporation, or independent agency.

2.2 **Committee Representatives.** Each Party shall appoint one representative and up to two alternate representatives to the Systemwide Committee (together the "Committee Representative") with the authority to vote on matters set forth above in Section 2.1 on behalf of the appointing Party. Until such appointment, the Committee Representative from each Party

shall be the attendees at the JRWSS quarterly meetings unless communicated in writing differently to the Designated Operator. Committee Representatives shall serve at the pleasure of the appointing Party and may be removed at any time by their appointing Party, with or without cause; provided, however, that the Parties acknowledge and agree that continuity of the Committee Representative is important to the overall effectiveness of the Systemwide Committee, and the Parties shall take all actions reasonably necessary to ensure such continuity.

2.3 Committee Chairperson. The Systemwide Committee chairperson shall be (a) the Committee Representative of the Designated Operator who is present at any given Systemwide Committee meeting and (b) the presiding officer at the Systemwide Committee meetings.

2.4 Quarterly Meetings. Unless determined differently by the Designated Operator, the Systemwide Committee shall meet quarterly at the same time and place as the quarterly meetings of the administrative committees established under the JTM Agreement and WIP Agreement for the purpose of performing the functions set forth in Section 2.1 of this Systemwide Agreement. The Designated Operator will arrange for more frequent meetings either on an as-needed basis or if requested by an affirmative vote, as described next in Section 2.5, of the Committee Representatives. All meetings of the Systemwide Committee shall be noticed, agendized, and conducted in accordance with the Ralph M. Brown Act at Government Code Section 54950 et seq.

2.5 Voting Requirements. Each Committee Representative is allowed one vote per decision or direction. Except for decisions and directions by the Systemwide Committee described in Section 9.6 (Dispute Resolution), any decisions or directions by the Systemwide Committee must be made or given by affirmative vote of a majority of the Committee Representatives so long as the majority vote is more than 50 percent of the capacity ownership provided in Table 1 below.

3. CAPACITY OWNERSHIP FOR SYSTEMWIDE COSTS AND VOTING.

For each Party, the capacity ownership for Systemwide Costs and voting are provided here in Table 1.

TABLE 1
CAPACITY OWNERSHIP
FOR

SYSTEMWIDE COSTS AND VOTING

Party	Capacity (%)
ETWD	0.23
IRWD	0.58
SMWD	6.00
SCWD (O.B.O. San Diego End Users) ³ State Parks Camp Pendelton (USMC) SONGS (Edison)	8.61 0.23 0.59 7.79
SCWD	20.74
MNWD	25.90
CSC	37.94
TOTAL	100.00

4. **SYSTEMWIDE COSTS**

“Systemwide Costs” are collectively the sum of (i) Systemwide Administrative Costs, (ii) Systemwide O&M Costs, (iii) Systemwide Capital Improvement Costs, and (iv) non-budgeted emergency repairs, which are all defined next. No Party shall be liable for the obligations, liabilities, or debts of any other Party except as expressly provided in this Systemwide Agreement.

³ SCWD is contractually obligated to provide this capacity to the San Diego End Users via certain San Diego Agreements.

4.1 **Systemwide Administrative Costs.** Systemwide Administrative Costs consist of the following for the benefit of the Systemwide Facilities:

(a) costs for (i) labor including but not limited to actual salaries and benefits, post-employment benefits, and (ii) services including but not limited to legal, insurance, accounting, auditing, human resources, purchasing, information technology, environmental health and safety, and administrative support; and/or

(b) the cost of contracted labor and/or services.

4.1.1 *Billing for Systemwide Administrative Costs.* Except for legal and consultant time, the Designated Operator will bill the Parties in 1/4-hour increments for no less than one hour for systemwide services provided on any given day unless the Designated Operator requests a different daily minimum from the Systemwide Committee and the Systemwide Committee approves the different minimum by an affirmative vote of the Committee Representatives. To compensate the Designated Operator for providing, but not billing administrative services under an hour, the Designated Operator will bill a \$15,000 annual assessment, which assessment will increase (but never decrease) by the consumer price index for the Los Angeles/Long Beach/Anaheim area for each Fiscal Year, and the Parties will pay their share of the assessment according to Table 1.

4.2 **Systemwide O&M Costs.** “Systemwide O&M Costs” consist of the following to operate and maintain the Systemwide Facilities:

- (a) the cost to the Designated Operator of necessary direct labor and benefits for operation and maintenance activities
- (b) all repair or replacement items;
- (c) the cost of necessary supplies and materials;
- (d) the costs of necessary utilities such as electrical, gas, water, sewer, and communications;
- (e) the cost of items in inventory;
- (f) the cost of vehicles and equipment at current lease/rental rates and/or purchase price;
- (g) the cost of asset management, GIS, and SCADA systems and programs; and,
- (h) the cost of contracted services (i) for the above-listed items (a)-(g) and/or (ii) authorized by this Systemwide Agreement, the Systemwide Committee, or the governing body of the Designated Operator.

4.2.1 *Allocation of Systemwide O&M Costs.* Each Party shall pay the Designated Operator its share of the Systemwide O&M Costs in accordance with Table 1.

4.2.2 *Payment of Systemwide O&M Costs.* The Designated Operator shall bill each Party on a semi-annual basis for its share of estimated Systemwide O&M Costs based on approved budget estimates. Each Party shall pay its share of estimated Systemwide O&M Costs within thirty (30) days of the date of such billing. Simple interest at the rate of 10% per annum from the delinquent date will be added to any unpaid balance until receipt of the balance by the Designated Operator. The actual Systemwide O&M Costs, which will be determined on an annual basis per audited actuals (after the audit is complete), will be used to reconcile the estimated Systemwide O&M Costs. The difference, if any, between the estimated Systemwide O&M Costs and the actual Systemwide O&M Costs will either be, as applicable, refunded back to each Party or invoiced to each Party.

4.2.3 *Disputed Systemwide O&M Costs.* Notwithstanding any discrepancies regarding an audit, each Party has 30 days from receipt of billing by the Designated Operator to dispute the correctness of any billing; otherwise, each Party waives the right to dispute such billing. Any Party disputing the correctness of any billing by the Designated Operator agrees to pay the billing under protest and such payment will be without prejudice to the rights of such Party to continue protesting said billing. The dispute will be resolved in accordance with Section 9.6 below. If the dispute is subsequently resolved in favor of such Party, the Designated Operator agrees to refund the disputed amount owed to the Party along with interest at the Local Agency Investment Fund (LAIF) Rate on the overages from the date of payment to the date of refund of such amount.

4.3 **Systemwide Capital Improvement Costs.** “Systemwide Capital Improvement Costs” are defined to mean all necessary capital improvements, repairs (not including emergency repairs discussed below), adjustments and replacements to the Systemwide Facilities, including depreciation, obsolescent charges, reserves thereof, or amortization of intangibles or other bookkeeping entries of a similar nature that are identified in the approved budget.

4.3.1 *Payment of Systemwide Capital Improvement Costs.* Systemwide Capital Improvement Costs for improvements of Systemwide Facilities will be paid by each Party in proportion to its Systemwide Capacity-Owner Percentage set forth in Table 1. For Systemwide Capital Improvement Costs over \$100,000, the Designated Operator will present such costs to the Systemwide Committee for approval. For Systemwide Capital Improvement Costs at or under \$100,000, the Designated Operator will present such costs to the Designated Operator's governing body for approval if required by the Designated Operator's purchasing/procurement policy.

4.3.2 *Procedure for Paying Systemwide Capital Improvement.* The Designated Operator will bill the Parties for Systemwide Capital Improvement Costs on a semi-annual basis. Each Party shall pay its share of estimated Systemwide Capital Improvement costs within thirty (30) days of the date of such billing. Simple interest at the rate of 10% per annum from the delinquent date will be added to any unpaid balance until receipt of the balance by the Designated Operator. The actual Systemwide Capital Improvement costs, which will be determined on an annual basis per audited actuals (after the audit is complete), will be used to reconcile the estimated Systemwide Capital Improvement Costs. The difference, if any, between the estimated Systemwide Capital Improvement Costs and the actual Systemwide Capital Improvement Costs will be, as applicable, refunded back to each Party or invoiced to each Party.

4.4 **Non-Budgeted Emergency Repairs.** If there is a need for non-budgeted emergency repairs to protect public health and safety and/or the environment, and/or to preserve continuous operation of the Systemwide Facilities, the Designated Operator may, in its sole and reasonable discretion, immediately commence and complete the emergency repairs. The Designated Operator will (i) notify the Parties to this Systemwide Agreement of the emergency repairs within three working days of such repairs and (ii) agendaize the costs of the emergency repairs to the Systemwide Committee for ratification at the next regularly scheduled meeting of the Systemwide Committee.

4.4.1 *Procedures for Paying Non-budgeted Emergency Repairs.* The Designated Operator will invoice each Party for the non-budgeted emergency repairs in accordance with Table 1. Non-budgeted emergency repairs will be invoiced as soon as costs are reasonably estimable and such invoices are due within 30 days of invoicing. Simple interest at

the rate of 10% per annum from the delinquent date will be added to any unpaid balance until receipt of the balance by the Designated Operator.

5. SYSTEMWIDE BUDGETS; ACCOUNTING

5.1 **Annual Systemwide Budget.** The Designated Operator shall prepare an annual systemwide budget, which shall estimate expenditures necessary for Systemwide Costs. The systemwide budget shall be prepared in sufficient detail to constitute an operating outline of (a) expenditures to be made during the ensuing fiscal year (commencing July 1 and ending on June 30 (“Fiscal Year”)) and (b) the monetary contributions to be made by the Parties in accordance with Table 1 above.

5.2 **Proposed Systemwide Budget.** The Designated Operator will submit a proposed systemwide budget (“Proposed Systemwide Budget”) to the Parties for their review by April 1st of each year. The Proposed Systemwide Budget is subject to approval by the governing bodies of the Parties, and until such approval, the Proposed Systemwide Budget shall constitute a proposed budget.

5.3 **Proposed Systemwide Budget Approval Process.** An affirmative vote of the Systemwide Committee Representatives, as described above in Section 2.5, is required to recommend for approval a Proposed Systemwide Budget to the Parties’ governing bodies. If such an affirmative vote of the Systemwide Committee Representatives does not recommend a Proposed Systemwide Budget, the Proposed Systemwide Budget shall be presented to the Systemwide Committee for re-study and possible revision. If a Proposed Systemwide Budget is not recommended for approval prior to the start of a Fiscal Year, the Designated Operator may continue to operate at the level of expenditure authorized by the last approved budget and the Parties shall pay their pro rata portion, as provided in Table 1 above, of the last approved budget to the Designated Operator.

5.4 **Budget Deposits.** Each Party shall pay to the Designated Operator its proportionate share, as provided in Table 1 above, of the approved budget.

5.5 **Restricted Account.** Funds paid by each Party and deposited with the Designated Operator pursuant to this Systemwide Agreement shall be expended only for the

purposes expressed in this Systemwide Agreement and the budget. Funds shall be deposited in restricted, interest-bearing accounts corresponding to each category of costs designated herein (e.g., Systemwide O&M, Systemwide Administrative, Systemwide Capital Improvement, and non-budgeted emergency repair Costs) as described in this Systemwide Agreement.

6. REPORTING REQUIREMENTS

6.1 **Books and Accounts.** The Designated Operator shall maintain full and accurate books and accounts in accordance with the practices established by, or that are consistent with, those utilized by the Controller of the State of California for public agencies. Such books and accounts shall be maintained based on the Fiscal Year.

6.2 **Audit.** The books and accounts shall be audited annually by an independent certified public accountant and the audit report shall be presented to the Systemwide Committee at the next regularly noticed quarterly meeting after receipt of the audit by the Designated Operator. In addition, any Party shall have the right, at its sole cost and expense, to audit such books and accounts at any reasonable time.

6.3 **Excess Deposit Amounts.** Any amounts remaining on deposit at the end of the audit shall be credited to the account of the Party(ies) making such deposits for the subsequent Fiscal Year budget deposits; provided, at the request of any Party, such excess deposit amounts shall be returned to the requesting Party.

6.4 **Reports.** Throughout the term of this Systemwide Agreement, the Designated Operator shall provide the following written reports:

6.4.1 *Quarterly Activities Report.* On a quarterly basis, the Designated Operator shall submit a written report to the Systemwide Committee that includes, but is not limited to, a summary of the systemwide maintenance activities, repairs, replacements, and improvements.

6.4.2 *Annual Audit Report.* See Section 6.2 above.

6.4.3 *Periodic Reports.* From time to time, the Designated Operator shall provide the Parties with such other reports as may be reasonably requested by the Systemwide Committee.

7. INSURANCE REQUIREMENTS

7.1 **Operations Insurance.** With respect to the Systemwide Facilities, the Designated Operator shall, at the Parties' expense, furnish and maintain throughout the term of this Systemwide Agreement comprehensive or commercial general liability insurance, including personal injury and property damage (fire, flood, other standard perils; exclusive of earthquake) and automobile liability insurance with the same limits, deductibles/self-insured retention, and terms and conditions as the Designated Operator has in effect for its own operations.

7.2 **Additional Named Insureds.** The Parties and their respective officers, directors, employees, and agents shall be additional named insureds under the policy or policies of such insurance.

7.3 **Costs and Allocation of Costs.** The cost of such insurance shall be considered a Systemwide Administrative Cost and allocated among the Parties pursuant to Table 1 above; provided, only costs incurred by the Designated Operator for insurance coverage regarding the Systemwide Facilities, which exceed amounts otherwise payable by the Designated Operator for insurance in effect for its own facilities, shall be so allocated and paid by the Parties.

8. LIMITATION OF LIABILITY; INDEMNIFICATION.

8.1 **Limitation of Liability and Indemnification.** The Designated Operator shall not be liable to the other Parties for (a) any physical damage to Systemwide Facilities, or (b) any monetary damage if such physical or monetary damage is caused by earthquake, flood, fire, explosion, riot, revolution, civil disturbance, war, other acts of God, or other causes beyond the reasonable control of the Designated Operator; provided that the Designated Operator shall (i) use reasonable efforts, within its sole and reasonable discretion, to mitigate such damages, and (ii) be liable for its pro rata share provided in Table 1 above.

8.2 Additionally, the Designated Operator shall not be liable or responsible to the other Parties or any third party, except for its pro rata share provided in Table 1 above, for (c) any

other damages caused by or arising from (i) Designated Operator's performance under this Systemwide Agreement, or (ii) the Designated Operator's operation of the Systemwide Facilities; provided, however, the Designated Operator shall defend and indemnify each of the other Parties, along with each Party's officers, directors, employees, and agents, against, and assume and pay all costs of the other Parties for claims or damages resulting from the gross negligence or willful misconduct of the Designated Operator or its agents and/or employees. Should the Designated Operator not comply with any provision of this Systemwide Agreement due to its gross negligence or willful misconduct, the Designated Operator shall defend and indemnify, and assume and pay all costs of the other Parties resulting therefrom, if not otherwise paid by insurance, including but not limited to the costs of repair, personal or property damage resulting therefrom, as well as any fines levied against the Designated Operator or the other Parties by any local, state, or federal governmental regulatory agency. Any such amounts may be deducted from the Designated Operator's reimbursement for operation of the Systemwide Facilities if not otherwise paid from insurance proceeds. If the reimbursement is not sufficient to pay the amounts due within 12 months, then the Designated Operator shall pay all amounts due to the Parties on or before the end of the 12th month.

8.3 Apportionment of Non-Indemnified Costs. All costs for which the Designated Operator has no indemnity obligation pursuant to this Section 8 shall be apportioned among the Parties (including the Designated Operator) based on the Systemwide Capacity Percentages in Table 1 for non-indemnified costs incurred on a systemwide basis.

9. GENERAL PROVISIONS

9.1 Successors and Assigns. This Systemwide Agreement shall be binding on the successors and/or assigns of the respective Parties. No Party shall assign any rights or obligations under this Systemwide Agreement without an affirmative vote of the Committee Representatives as described in Section 2.5 above.

9.2 Further Acts. Each Party shall execute and deliver all documents and perform all further acts that may be reasonably necessary to carry out this Systemwide Agreement.

9.3 Amendments. No amendment to this Systemwide Agreement shall be valid unless in writing and signed by the Parties.

9.4 **Attorneys Fees.** If an action is commenced by any Party to this Systemwide Agreement to enforce or interpret its rights or obligations arising from this Systemwide Agreement, the prevailing Party in such action, in addition to any other relief and recovery awarded by the court, shall be entitled to recover all reasonable attorney's fees and costs.

9.5 **Notice.** Any notice provided for herein shall be given in writing and transmitted by personal delivery or prepaid first class mail, addressed as follows, which address may be changed from time to time upon direction of the Parties:

SOUTH COAST WATER DISTRICT	South Coast Water District 31592 West Street Laguna Beach, CA 92651 Attn: General Manager
MOULTON NIGUEL WATER DISTRICT	Moulton Niguel Water District 26161 Gordon Road Laguna Hills, CA 92653 Attn: General Manager
IRVINE RANCH WATER DISTRICT	Irvine Ranch Water District 15600 Sand Canyon Avenue Post Office Box 57000 Irvine, CA 92619-7000 Attn: General Manager
SANTA MARGARITA WATER DISTRICT	Santa Margarita Water District 26111 Antonio Pkwy Las Flores, CA 92688 Attn: General Manager
EL TORO WATER DISTRICT	El Toro Water District Post Office Box 4000 Laguna Hills, CA 92654 Attn: General Manager
CITY OF SAN CLEMENTE	City of San Clemente 910 Calle Negocio San Clemente, CA 92673 Attn: Public Works Director

If the Parties agree to accept electronic service, service of any notice may be effectuated by email to an email address provided by the Party.

9.6 **Dispute Resolution.**

9.6.1. *Good Faith Negotiations.* Disputes regarding the interpretation or application of any provision of this Systemwide Agreement shall, to the extent reasonably feasible, be resolved through good faith negotiations or mediation between or among the disputing Parties. The disputing Parties shall state their positions in writing and present their written statements (“Notice of Dispute”) to the other disputing Parties. Upon receipt of a Notice of Dispute, the Parties shall meet and confer in good faith regarding such dispute, during which time the Parties will continue other non-disputed rights and obligations under this Systemwide Agreement until the dispute is resolved. If the Parties are unable to resolve the dispute within sixty (60) days (unless otherwise extended by the Parties in writing), then any disputing Party may request mediation to mediate the dispute by providing to the other disputing Parties a (i) Notice to Mediate and (ii) claim in accordance with Section 810 et. seq. of the Government Code. If the 60 days elapse without a disputing Party fulfilling (i) and (ii), then the disputing Parties (a) waived their claim and the claim amount provided in their Notice of Dispute and (b) are precluded from submitting the Notice to Mediate and claim under (i) and (ii).

9.6.2. *Mediation.* Any disputed portion of the claim, as identified by the disputing Party in writing, shall be submitted to nonbinding mediation, with the disputing Parties sharing the mediation costs equally. The disputing Parties shall mutually agree to a mediator within 60 days after the Notice to Mediate. If the disputing Parties cannot agree upon a mediator, then the mediation/arbitration company shall select a mediator within 120 days after the Notice to Mediate. Mediation shall commence within 90 days of the selection of a mediator unless the disputing Parties agree in writing otherwise. If mediation does not resolve the disputed portion of the claim to the satisfaction of the disputing Parties, then any disputing Party may file a legal action in accordance with Section 9.6.3.

9.6.3. *Judicial Reference.* Pursuant to California Code of Civil Procedure Sections 638 et seq., any disputed portion of the claim, as identified by the disputing Party in writing, shall be resolved by judicial reference in Orange County, California. The judicial referee shall determine all issues in dispute, whether of fact or of law, and to report a statement of decision. This is a waiver of any right that may exist to a jury trial, but the right to appeal is

preserved. The Parties shall meet to select the referee no later than thirty (30) days after service of the initial complaint on all defendants named in the complaint. The referee must have substantial experience in the type of matter in dispute and without any relationship to either Party, unless the Parties agree in writing otherwise. All costs incurred in connection with the judicial reference proceeding, including the cost of the stenographic record, shall be advanced equally by the disputing Parties. However, the referee shall have the power to reallocate such costs among the disputing Parties in the referee's statement of decision.

9.7 Severance. If any provision, condition or covenant of this Systemwide Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the voided provision, condition or covenant shall be deemed severed from the remaining provisions of this Systemwide Agreement, which shall remain valid and enforceable to the full extent permitted by law, and the Parties shall negotiate in good faith to replace the unenforceable provision(s) in accordance with the original purpose and intent of this Systemwide Agreement as set forth in the Recitals.

9.8 Integration. Except for the JRWSS Agreements, this Systemwide Agreement constitutes the entire Systemwide Agreement and supersedes all prior agreement(s) and understandings, both written and oral, among the Parties with respect to the subject matter hereof.

9.9 Recitals. The Recitals of this Systemwide Agreement are true and correct.

9.10 Calendar Days. All references to the term "days" in this Systemwide Agreement unless otherwise specified shall mean calendar days. If the last day for the performance of any act provided or required by this Systemwide Agreement is a holiday, Friday, Saturday, or Sunday, then that period is hereby extended to and including the next day that is not a holiday, Friday, Saturday, or Sunday.

9.11 Waiver. No waiver of any default by a Party or the Parties shall constitute a waiver of any other default or breach, whether of the same or other covenant or condition.

9.12 **No Third Party Beneficiaries.** This Systemwide Agreement and the obligations hereunder are not intended to benefit any party other than the Parties, except as expressly provided otherwise herein.

9.13 **Governing Law and Venue.** This Systemwide Agreement shall be construed in accordance with and governed by the laws of the State of California. Any lawsuit brought in connection with this Systemwide Agreement shall be brought in the appropriate court in the County of Orange, California.

9.14 **Force Majeure.** Upon written notice by a Party, the respective duties and obligations of the Parties hereunder, except for the Parties' payment obligations, shall be suspended for the time period that performance of the Parties is prevented or impeded by work force strikes, riots, fire, flood, state or county regulatory action, war, or terrorism.

9.15 **Termination.** This Systemwide Agreement may be terminated by an affirmative vote of the Committee Representatives as described in Section 2.5 above.

9.16 **Electronic Signatures and Counterparts.** Any Party may execute this Systemwide Agreement using an "electronic signature," as that term is defined in California Civil Code Section 1633.2, or a "digital signature," as defined by California Government Code Section 16.5. An electronic or digital signature will have full legal effect and enforceability. This Systemwide Agreement may be executed in multiple counterparts, each of which is an original. All signatures taken together will be considered as one and the same agreement.

9.17 **Authority to Sign.** Each Party warrants that the person signing this Systemwide Agreement on its behalf is authorized to bind that Party to this Systemwide Agreement.

(Signatures on the following page)

SIGNATURE PAGE TO THE SYSTEMWIDE AGREEMENT

IN WITNESS WHEREOF, the Parties executed this Systemwide Agreement on the dates written below.

SOUTH COAST WATER DISTRICT, a
County Water District formed and existing
pursuant to Section 31000 et seq. of the
California Water Code ("SCWD")

Dated: _____

By: _____

President, Board of Directors

MOULTON NIGUEL WATER DISTRICT, a
California Water District formed and existing
pursuant to Section 34000 et seq. of the
California Water Code ("MNWD")

Dated: _____

By: _____

President, Board of Directors

IRVINE RANCH WATER DISTRICT, a
California Water District formed and existing
pursuant to Section 34000 et seq. of the
California Water Code ("IRWD")

Dated: _____

By: _____

President, Board of Directors

SANTA MARGARITA WATER DISTRICT, a
California Water District formed and existing
pursuant to Section 34000 et seq. of the
California Water Code (“SMWD”)

Dated: _____

By: _____

Chairman, Board of Directors

EL TORO WATER DISTRICT, a California
Water District formed and existing pursuant to
Section 34000 et seq. of the California Water
Code (“ETWD”)

Dated: _____

By: _____

President, Board of Directors

CITY OF SAN CLEMENTE (“CSC”)

Dated: _____

By: _____

Mayor

EXHIBIT “A”

(List of Eleven Agreements)

1. One day prior to the effective date of LAFCO Reorganization No. R099-07, Tri-Cities and SCWD entered the “Agreement for Transfer of Ownership of Miscellaneous Assets, Together with All Powers, Rights, and Duties of Tri-Cities Municipal Water District to South Coast Water District” (“Assets Agreement”), which is attached hereto as **Exhibit “1”**.
2. One day prior to the effective date of LAFCO Reorganization No. R099-07, Tri-Cities, MNWD, IRWD, Capistrano Valley Water District (“CVWD”), ETWD, CSC, and SCWD entered the “Amended and Restated Joint Exercise of Powers Agreement to Operate and Maintain the Joint Transmission Main Facilities” (“JTM Agreement”), which is attached hereto as **Exhibit “2”**.
3. One day prior to the effective date of LAFCO Reorganization No. R099-07, Tri-Cities, CSC, and SCWD entered the “Joint Exercise of Powers Agreement to Operate and Maintain the Water Importation Pipeline” (“WIP Agreement”), which is attached hereto as **Exhibit “3”**.
4. One day prior to the effective date of LAFCO Reorganization No. R099-07, Tri-Cities, SCWD, and the City of San Clemente entered the “Agreement to Transfer Ownership and to Operate and Maintain the Local Transmission Main Facilities and the Schlegel Reservoir” (“LTM Agreement”), which is attached hereto as **Exhibit “4”**.

THE SAN DIEGO AGREEMENTS

5. In March 2000, Tri-Cities, Edison, and the City of San Clemente entered the “Schlegel Reservoir Water Service Agreement and Assignment”, which is attached hereto as **Exhibit “5”**.

6. One day prior to the effective date of LAFCO Reorganization No. R099-07, Tri-Cities, SCWD, and the State entered the “Water Service Agreement for San Onofre State Beach”, which is attached hereto as **Exhibit “6”**.
7. One day prior to the effective date of LAFCO Reorganization No. R099-07, Tri-Cities, SCWD, and the Government entered into the “Water Service Agreement”, which is attached hereto as **Exhibit “7”**.
8. On January 31, 2000, Tri-Cities, SCWD, and Edison entered the “Water Service Agreement”, which is attached hereto as **Exhibit “8”**.
9. One day prior to the effective date of LAFCO Reorganization No. R099-07, Tri-Cities and the Authority entered the “Agreement for Transfer of the San Onofre Feeder”, which is attached hereto as **Exhibit “9”**.
10. On March 29, 2000, SCWD and the Authority entered the “Water Service Agreement and Lease of the San Onofre Feeder”, which is attached hereto as **Exhibit “10”**.
11. On November 16, 2004, SCWD, Metropolitan Water District of Southern California, Municipal Water District of Orange County, and the Authority, entered a Letter Agreement, which is attached hereto as **Exhibit “11”**.

Exhibit “B”

Orange County Local Agency Formation Commission Resolution No. R099-07

dated January 26, 2000

Exhibit “A”

Transfer of Assets Agreement

**AGREEMENT FOR TRANSFER OF OWNERSHIP OF
MISCELLANEOUS ASSETS, TOGETHER WITH ALL POWERS,
RIGHTS, AND DUTIES OF TRI-CITIES MUNICIPAL WATER DISTRICT
TO SOUTH COAST WATER DISTRICT**

THIS AGREEMENT, executed and effective as of the Effective Date, defined herein, is entered into by and between **TRI-CITIES MUNICIPAL WATER DISTRICT** ("TCMWD"), and **SOUTH COAST WATER DISTRICT** ("SCWD").

RECITALS

A. Each of the Parties is a public agency, and each is authorized and empowered to contract with the other.

B. Each of the Parties has the authority and power to own, operate, and maintain potable water pipelines, reservoirs, and appurtenant facilities within its respective boundaries.

C. Pursuant to Orange County Local Agency Formation Commission Reorganization No. RO99-07, it has been approved and ordered that TCMWD will be consolidated with Coastal Municipal Water District ("CMWD"), wherein CMWD becomes the legal successor-in-interest to TCMWD, and TCMWD ceases to exist effective March 31, 2000. CMWD will not be responsible for ownership or day-to-day operation of any water storage or transmission facilities presently owned and operated by TCMWD, but rather to have those transferred to other public agencies pursuant to separate Agreements.

D. In furtherance of the objectives of the Consolidation, the Parties hereto desire (i) to provide for the transfer of ownership of all miscellaneous assets, not otherwise provided for by separate agreements by and among other Parties, to SCWD; and (ii) to provide for the transfer of all other powers, rights, and duties of TCMWD, not otherwise provided for by separate agreements, to be effective on the Effective Date, to SCWD.

E. Separate Agreements have been approved and entered into by the affected agencies relating to all of the major water facilities currently owned and operated by TCMWD, together with Water Service Agreements for the end users of the TCMWD system.

NOW, THEREFORE, in consideration of the mutual benefits and of the mutual covenants herein provided, the Parties agree, for themselves and their successors-in-interest, as follows:

Section 1: TCMWD hereby conveys, transfers, and assigns all of the rights, title and interest which it presently owns in the following assets and liabilities, including but not limited to: furniture, fixtures, motor vehicles, equipment, bank deposits, other financial investments, accounts receivable, accounts payable and debt obligations, but not including its interest in other water system facilities provided for by separate agreement, including but not limited to, the Joint Transmission Main, the Local Transmission Main, the Water Importation Pipeline, the San Onofre Feeder, Brandt Reservoir, Schlegel Reservoir, and all the related facilities and appurtenances thereto, to SCWD. This transfer shall be effective on the Effective Date, without need for execution of, or further delivery of, Bill of Sale, Deed, or other document to transfer title.

Section 2: TCMWD does hereby transfer all written and oral contracts, licenses, permits, operational functions, and obligations to which it is a Party or is bound, to SCWD, the beneficial successor-in-interest, pursuant to the terms of separate Agreements between all affected agencies, and Orange County LAFCO Reorganization approval order as evidenced by LAFCO Resolution No. 99-07 and County Board of Supervisors Resolution No. 00-60.

Section 3: SCWD, as the beneficial successor-in-interest to the properties and interest transferred herein, shall henceforth carry out the powers, rights, duties, obligations, and functions of TCMWD, as created by operation of State law, enactment by SCWD, or by contract, insofar as said actions are not in conflict with the terms of any other Agreements between TCMWD and affected parties entered into pursuant to the Approval Order of Orange County LAFCO Reorganization RO99-07.

Section 4: SCWD, as the successor-in-interest pursuant to Agreements with other affected agencies, shall henceforth act to receive all benefits and undertake to perform all existing obligations relating to the described assets, properties, and facilities, whether by written or oral contract, license, permit, or other document or instrument of TCMWD.

Section 5: Notwithstanding the effect of California Government Code Section 57500, SCWD, as the successor-in-interest to TCMWD, pursuant to other Agreements, this Agreement, and Orange County LAFCO Reorganization approval order re Reorganization RO99-07, hereby receives for itself, accepts, affirms, and commits to carry out all relevant oral or written contracts, agreements, licenses, permits, applications, entitlements, awards, judgments, or other forms of benefits or obligations, existing by and between TCMWD and any other parties, individuals or individual property owners, governmental entities, agencies, or organizations; the same shall be performed as if entered into, granted to, awarded to, or executed directly by SCWD, upon review and determination that the same evidences a validly-existing benefit or obligation, binding upon or available to TCMWD.

Section 6: CMWD, as the legal successor to TCMWD, pursuant to Orange County LAFCO Reorganization approval order re Reorganization RO99-07, and pursuant further to the terms and conditions of those several separate Agreements relating to implementation of the Reorganization Order, does hereby accept and consent to the transfer of all assets, rights, duties, and obligations as set forth herein. Said acceptance and consent is duly executed by CMWD, and attached hereto as Exhibit "A", and incorporated herein by reference.

Section 7: Prior to the Effective Date, neither this Agreement, nor any duties or obligations of the Parties hereunder, shall be assigned without the prior written consent of the other Party. Subject to this provision regarding assignment, this Agreement shall be binding upon the successors and/or assigns of the respective Parties.

Section 8: No amendment or modification of this Agreement shall be valid unless in writing and signed by the Parties.

Section 9: If a dispute arises between the Parties about any rights or obligations provided in or related to this Agreement, the prevailing Party in any litigation commenced to resolve such dispute shall be entitled to its costs of litigation, including reasonable attorneys' fees.

Section 10: Any notice provided for herein shall be given in writing and shall be transmitted by personal delivery, prepaid first class mail of the United States Postal Service, or electronic transmission and delivery, with receipt confirmation, which address may be changed from time to time upon direction of a Party to the other:

South Coast Water District	31592 West Street Laguna Beach, Ca. 92651 Attention: General Manager
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Tri-Cities Municipal Water District	851 Calle Agua San Clemente, Ca. 92672 Attention: General Manager
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Section 11: This Agreement constitutes the entire, exclusive, final, and integrated statement of the terms of the Parties' agreement regarding the matters for which it provides. Accordingly, each Party acknowledges that, insofar as that Party had prior dealings with the other Party during negotiations, the Party specifically negates any legal effect of such prior dealings and negotiations and agrees to be bound by no other written or oral representations, warranties, obligations, assurances, conditions, covenants, or agreements, except as specifically provided in this Agreement.

Section 12: The Parties may, by mutual agreement, amend or modify this Agreement by a written amendment or modification duly executed and approved with the same formality as this Agreement.

Section 13: This Agreement shall remain permanently in full force and effect unless terminated, modified, or amended by mutual agreement of SCWD and CMWD.

Section 14: Effective Date. This Agreement shall be effective one day prior to the Effective Date of Reorganization No. 99-07.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement.

TRI-CITIES MUNICIPAL WATER DISTRICT

By Ray H. Benedictus
President

ATTEST:

Donald R. Roberson
Secretary

APPROVED AS TO FORM

By [Signature]

SOUTH COAST WATER DISTRICT

By Richard J. Runge
President

ATTEST:

Michael P. Sauter
Secretary

APPROVED AS TO FORM:

By [Signature]

EXHIBIT "A"

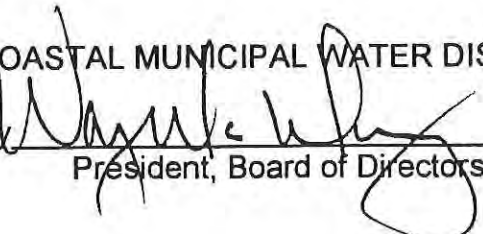
**ACCEPTANCE AND CONSENT OF COASTAL MUNICIPAL
WATER DISTRICT TO THAT CERTAIN AGREEMENT FOR
TRANSFER OF OWNERSHIP OF MISCELLANEOUS ASSETS,
TOGETHER WITH ALL POWERS, RIGHTS, AND DUTIES OF
TRI-CITIES MUNICIPAL WATER DISTRICT TO SOUTH COAST
WATER DISTRICT**

WHEREAS, the Orange County Local Agency Formation Commission ("LAFCO") Reorganization approval order re Reorganization RO99-07, provides for Tri-Cities Municipal Water District ("TCMWD") to be consolidated with Coastal Municipal Water District ("Coastal"), effective March 31, 2000, and further provides that, prior to the effective date, TCMWD shall transfer all of its assets to South Coast Water District ("SCWD"), by Agreement acceptable to Coastal.

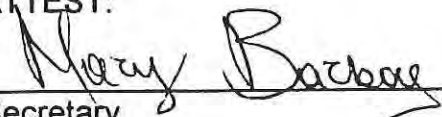
NOW, THEREFORE, Coastal, as the legal successor to TCMWD, pursuant to Orange County LAFCO Reorganization approval order re Reorganization RO99-07, and pursuant further to the terms and conditions of those several separate Agreements relating to the implementation of the Reorganization Order, does hereby accept and consent to the transfer of all assets, rights, duties, and obligations as set forth in that certain "Agreement for Transfer of Ownership of Miscellaneous Assets, Together with All Powers, Rights, and Duties of Tri-Cities Municipal Water District to South Coast Water District", entered between TCMWD and SCWD, of which this acceptance and consent is attached thereto as Exhibit "A".

Dated this 12th day of ^{APRIL} ~~March~~, 2000, at Laguna Beach, California.

COASTAL MUNICIPAL WATER DISTRICT

By 
President, Board of Directors

ATTEST:


Secretary

(SEAL)

Joint Transmission Main

**AMENDED AND RESTATED JOINT EXERCISE OF POWERS AGREEMENT
TO OPERATE AND MAINTAIN
THE JOINT TRANSMISSION MAIN FACILITIES**

This Agreement, executed in counterparts and effective as of the Effective Date defined hereinafter, is entered into by and between the TRI-CITIES MUNICIPAL WATER DISTRICT ("Tri-Cities"), MOULTON NIGUEL WATER DISTRICT ("MNWD"), IRVINE RANCH WATER DISTRICT ("IRWD"), CAPISTRANO VALLEY WATER DISTRICT ("CVWD/SJC"), EL TORO WATER DISTRICT ("ETWD"), CITY OF SAN CLEMENTE ("CSC") as a successor-in-interest to a portion of Tri-Cities' capacity interests in the Joint Transmission Main Facilities and SOUTH COAST WATER DISTRICT ("SCWD") as a successor-in-interest to a portion of Tri-Cities' capacity interests in the Joint Transmission Main Facilities (individually referred to as "Party" or collectively referred to as "Parties").

RECITALS

A. Each of the Parties is a public agency and each is authorized and empowered to contract with the other Parties for the joint exercise of powers under Article I, Chapter 5, Division 7, Title 1 of the California Government Code, Section 6500 *et seq.*

B. Each of the Parties has the authority and power to operate and maintain potable water pipelines and appurtenant facilities within (and in some cases, outside) their respective boundaries.

C. Each of the Parties is the owner, or will be the owner upon the Effective Date of this Agreement, of capacity rights, or other property rights, in the Joint Transmission Main ("JTM"), a domestic water pipeline that conveys and delivers water imported from the Metropolitan Water District of Southern California ("MWD"), and in related reservoir facilities, which together with the JTM are referred to in this Agreement as the "JTM Facilities". MNWD is the co-owner, with Tri-Cities, of the easements and rights-of-way for the JTM. The JTM extends from a point commonly known as the "Coastal Junction" of the East Orange County

Feeder No. 2, to and including the Dana Point Pressure Control Valve Structure, as approximately depicted on the map attached hereto as Exhibit "A" and made a part hereof (the JTM is referred to in this Agreement in some cases as the "pipeline" or "pipeline facilities").

D. On March 9, 1961, Tri-Cities and MNWD entered into a joint powers agreement for the joint construction and the operation of the JTM running from said Southerly or Southeasterly boundaries of MNWD to a point known as the "Y", which lies in the Northerly end of the boundaries of said MNWD, all as shown on Exhibit "A" attached hereto.

E. On September 11, 1961, MNWD, CVWD/SJC's predecessor-in-interest County Water Works District No. 4, and IRWD executed a joint powers agreement for the construction and operation of water transmission and distribution facilities through the balance of said JTM extending from said "Y" to a point known as Coastal Junction on the proposed East Orange County Feeder No. 2 owned by MWD, as shown on said Exhibit "A".

F. On February 16, 1977, certain of the above-mentioned Parties entered into the First Amendment to said joint powers agreement for the purpose of clarifying such Parties' capacity ownership interests in the JTM and further delineating the responsibilities of the parties in order to effect further operational efficiencies (the "1977 Agreement"; all references in this Agreement to the 1977 Agreement also include the 1961 agreements referred to in Recitals D and E above). Tri-Cities has been the operating entity for the JTM since 1961.

G. Pursuant to LAFCO Reorganization No. 92, approved by LAFCO Resolution No. 86-63 dated November 5, 1986, for which the Certificate of Completion was recorded by LAFCO on December 9, 1986, two cubic feet per second (2 cfs) of MNWD's capacity in the JTM (to the existing point of interconnection between the facilities of MNWD and ETWD, which is located at 24141 Moulton Parkway, Laguna Hills, Ca) was transferred to ETWD, contingent upon ETWD's payment of outstanding MNWD bonded indebtedness incurred to construct the 2 cfs of capacity. ETWD made payments for the bonded indebtedness in accordance with an agreed payment schedule; ETWD made the last payment in 1995. In addition, ETWD paid its portion of the yearly operation and maintenance expenses with respect

to the 2 cfs of capacity. Pursuant to an informal arrangement, ETWD previously allowed MNWD to use the 2 cfs of capacity for a limited time, with MNWD paying the corresponding proportionate share of operation and maintenance expenses during such time. MNWD no longer uses such capacity and so notified ETWD of same on or about October 16, 1997. The signatories to the 1977 Agreement and ETWD desire at this time to have ETWD become a Party to the amended and restated joint powers arrangement set forth in this Agreement.

H. Pursuant to LAFCO Reorganization No. RO99-07, in which it is proposed that Tri-Cities will be consolidated with Coastal Municipal Water District ("Coastal"), the Parties hereto desire to (i) designate a successor to Tri-Cities for operation and maintenance of the JTM Facilities, (ii) provide for the transfer of certain capacity rights in the JTM Facilities currently owned by Tri-Cities to the CSC and SCWD; and (iii) provide additional procedures for operating and maintaining the pipeline. This Agreement also re-states the capacity ownership of the JTM, and each Party's right to make use of the pipeline facilities, and also sets forth capacity rights and related obligations for the Bradt Reservoir which provides regulatory capacity for operation of the JTM. The Parties also intend to clarify the additional assets related to operation of the JTM Facilities which the Parties have previously funded pursuant to the existing joint powers arrangement. These assets will remain under the ownership and control of the JTM Facilities participants. This Agreement is intended by the Parties to supersede and replace the 1977 Agreement as of the "Effective Date", defined in Recital I and Section 9.1, below.

I. It is anticipated Coastal will be the legal successor-in-interest to Tri-Cities under LAFCO Reorganization No. RO99-07; provided, pursuant to this Agreement, certain capacity interests owned by Tri-Cities, including those it owns with respect to the JTM Facilities, shall be apportioned between CSC and SCWD, effective the date of Tri-Cities' consolidation with Coastal under LAFCO Reorganization No. RO99-07.

This Agreement will be deemed effective one day prior to the effective date of LAFCO Reorganization No. RO99-07 (the "Effective Date").

AGREEMENT

NOW, THEREFORE, in consideration of the mutual benefits and of the mutual covenants herein provided, the Parties agree, for themselves and their successors-in-interest, as follows:

I. TRANSFER/RESTATEMENT OF CAPACITY RIGHTS

1.1 Pipeline Capacity Transfers to CSC, SCWD. Tri-Cities hereby transfers the cfs of capacity which it presently owns in the JTM, set forth in detail in Table 1 below, to CSC and to SCWD, and CSC and SCWD each respectively accept such transfer, and assume all rights, duties and responsibilities in connection with such transferred capacity, whether set forth in this Agreement, or as otherwise set forth by contract or by law. On the Effective Date, Tri-Cities shall quitclaim its easement and right-of-way interests for the JTM to SCWD and CSC jointly, such quitclaim to be recorded on the Effective Date. SCWD, CSC and MNWD shall hold such easements and rights-of-way in trust, for the benefit of all the Parties. The capacity transfers to SCWD labeled "San Diego cfs" in Table 1 are subject to the following condition: in the event SCWD is (1) no longer the potable water supplier by way of service arrangements with San Diego County Water Authority (or its successor) to Southern California Edison/SONGS and/or Camp Pendleton and/or State of California/State Parks Department; and (2) any of such San Diego public agency/public utility entities named in (1) (or their successors) no longer receive potable water service through the JTM Facilities, then the relevant "San Diego cfs" of capacity will be allocated proportionally between, and owned by, SCWD and CSC, with SCWD allocated 30% of such capacity and CSC allocated 70% of such capacity. SCWD and CSC each respectively agree to assume all associated duties and obligations in connection with the San Diego cfs capacity so allocated to them. The Parties agree to further review the allocation of the San Diego cfs capacity in advance of the anticipated shutdown of the San Onofre Nuclear Generating Station, which Southern California Edison/SONGS anticipates could extend to the year 2023 or later.

1.2 Pipeline Facilities. The capacity rights of the Parties in the hereinafter described reaches of the JTM shall be on the basis of the percentage of the total capacity as specified in the column designated "Capacity-Owner Percentage," in each designated reach listed in Table 1 below:

TABLE 1
JTM CAPACITY OWNERSHIP

Location of JTM	Participants	Capacity cfs	Capacity-Owner Percentage
Unit 1, Reach 1 Coastal Junction to Laguna Canyon Road	CSC	14.78	16.72%
	SCWD	6.34	7.17%
	SCWD/San Diego cfs	2.28	2.58%
	MNWD	43.0	48.64%
	ETWD	2.0	2.26%
	CVWD/SJC	15.0	16.97%
	IRWD	5.0	5.66%
TOTAL		88.4	100%

Location of JTM	Participants	Capacity cfs	Capacity-Owner Percentage
Unit 1, Reach 2 Laguna Canyon Road to "Y"	CSC	14.78	17.72%
	SCWD	6.34	7.60%
	SCWD/San Diego cfs	2.28	2.74%
	MNWD	43.0	51.56%
	ETWD	2.0	2.40%
	CVWD/SJC	15.0	17.98%
TOTAL		83.4	100%

Location of JTM	Participants	Capacity cfs	Capacity-Owner Percentage
Unit 2, Reach 3 MNWD Boundary to First Distribution Takeout	CSC	14.78	23.69%
	SCWD	6.34	10.16%
	SCWD/San Diego cfs	2.28	3.65%
	MNWD	39.0	62.50%
TOTAL		62.4	100%

Location of JTM	Participants	Capacity cfs	Capacity-Owner Percentage
Unit 2, Reach 3 First to Second MNWD Distribution Takeout	CSC	14.78	29.33%
	SCWD	6.34	12.58%
	SCWD/San Diego cfs	2.28	4.52%
	MNWD	27.0	53.57%
TOTAL		50.4	100%

Location of JTM	Participants	Capacity cfs	Capacity-Owner Percentage
Unit 3, Reach 5 Second to Third MNWD Distribution Takeout	CSC	14.78	37.51%
	SCWD	6.34	16.09%
	SCWD/San Diego cfs	2.28	5.79%
	MNWD	16.0	40.61%
TOTAL		39.4	100%

Location of JTM	Participants	Capacity cfs	Capacity-Owner Percentage
Unit 3, Reach 6 Third to Fourth MNWD Distribution Takeout	CSC	14.78	52.04%
	SCWD	6.34	22.32%
	SCWD/San Diego cfs	2.28	8.03%
	MNWD	5.0	17.61%
TOTAL		28.4	100%

1.3 Bradt Reservoir - Operational Capacity.

Tri-Cities owns and operates the 48 million gallon (mg) Bradt Reservoir, which provides operational capacity in connection with the operations of the JTM. In accordance with past annual budgeting process, the Parties contribute repair and maintenance costs for the Bradt Reservoir, and additional amounts for related capital projects. The Designated Operator (as defined in Section 3.1) shall operate the Bradt Reservoir on a daily basis so as to provide the highest hydraulic gradient for operating the JTM in accordance with the needs of the Parties, while at the same time preserving sufficient capacity for surge control (referenced as the "Operational Storage" in Table 2 below), for the benefit of the Parties. The Operational Storage is integral to the continued successful operation of the JTM by the Parties; therefore, in addition to and not by way of limitation of those capacity rights set forth in Table 2 below, Tri-Cities and its successors and assigns hereby irrevocably grants to the other Parties to this Agreement a permanent, collective right to use the Operational Storage in conjunction with the water supply and operation and maintenance through the JTM.

1.4 Bradt Reservoir: Transfer/Restatement of Capacity Rights

(a) Reservoir Capacity Transfers to CSC, SCWD. Tri-Cities hereby transfers the million gallons (mg) of those defined capacities in the Bradt Reservoir set forth in detail in Table 2 below to CSC and SCWD, and City and SCWD each respectively accept such transfer, and assume all rights, duties and responsibilities in connection with such transferred capacity, whether set forth in this Agreement, or otherwise set forth by contract or by law. On the Effective Date, Tri-Cities shall quitclaim its fee title interest in the Bradt Reservoir to SCWD and CSC, jointly, such quitclaim to be recorded on the Effective Date. SCWD and CSC will hold fee title to the Bradt Reservoir in trust for the benefit of all the Parties. The capacity transfers to SCWD labeled "San Diego mg" in Table 2 are subject to the following condition: in the event SCWD is (1) no longer the potable water supplier by way of service arrangements with San Diego County Water Authority (or its successor) to Southern California Edison/SONGS and/or Camp Pendleton and/or State of California/State Parks Department; and (2) any of such San Diego public agency/public utility entities named in (1) (or their successors) no longer receive potable water service through the Joint Transmission Main Facilities, then the relevant "San

Diego mg" capacity will be allocated proportionally between, and owned by, SCWD and CSC with SCWD allocated 30 % of such capacity and CSC allocated 70 % of such capacity. SCWD and CSC each respectively agree to assume all associated duties and obligations in connection with the San Diego mg capacity so allocated to them. The Parties agree to further review the allocation of the San Diego mg capacity in advance of the anticipated shutdown of the San Onofre Nuclear Generating Station, which Southern California Edison/SONGS anticipates could extend to the year 2023 or later.

(b) Restatement of Reservoir Capacity. The capacity rights of all the Parties in the hereinafter specified capacity of the Bradt Reservoir shall be as set forth in Table 2 below.

TABLE 2
BRADT RESERVOIR CAPACITY OWNERSHIP

Participants	Operational Storage (mg)	Peak, Emergency, and Fire Storage (mg)	Dedicated Emergency Storage (mg)	Total Storage Capacity (mg)
SCWD	15.09% - 0.83	27.6% - 11.73	0	26.17% - 12.56
CSC	27.27% - 1.50	64.4% - 27.37	0	60.14% - 28.87
SCWD/San Diego cfs	5.64% - 0.31	8.0% - 3.4	0	7.73% - 3.71
IRWD	0 - 0	0 - 0	0	0 - 0
MNWD	42.73% - 2.35	0 - 0	0	4.90% - 2.35
ETWD	0 - 0	0 - 0	0	0 - 0
CVWD (City SJC)	9.27% - 0.51	0 - 0	0	1.06% - 0.51
TOTAL	100% - 5.5	100% - 42.5	0	100% - 48.0

1.5 Equipment Assets. The Parties agree that the vehicles and equipment listed in Exhibit "B" (the "Equipment Assets") have been funded with moneys paid by the Parties in accordance with the joint powers arrangement. The Parties desire to memorialize their continuing ownership of the Equipment Assets, which shall be owned in proportion to the Capacity-Owner Percentage set forth in Table 3 of this Agreement (See Section 2.2). All the Equipment Assets will be transferred to the Designated Operator under Section III hereof, who shall hold such assets in trust for the benefit of the Parties, to be used in connection with the operation and maintenance of the JTM Facilities.

II. ADMINISTRATIVE COMMITTEE

2.1 Committee Functions and Procedures.

(a) There is hereby created the "JTM Administrative Committee" (the "Committee"). The functions of the Committee will be to appoint a Designated Operator (as defined in Section 3.1) pursuant to Section III hereof; provide direction to the Designated Operator with respect to the operation, maintenance and repair of the JTM Facilities; review and approve the annual operating budget pursuant to Section VI of this Agreement; and otherwise administer this Agreement through actions or directions necessary for the continued efficient operation of the JTM Facilities.

(b) Each Party shall appoint one representative to the Committee concurrently with the execution of this Agreement by the appointing party. The identity of the appointed representative from each respective Party shall be promptly communicated to the Designated Operator. Appointed representatives to the Committee shall serve at the pleasure of the governing body of the appointing Party and may be removed at any time, with or without cause; provided, however, that the Parties acknowledge and agree that continuity of representation on the Committee is important to the overall effectiveness of the Committee, and the Parties further agree to take all actions reasonably necessary to ensure such continuity.

(c) The Committee shall meet quarterly for the purpose of reviewing and evaluating the management, operation and maintenance of the JTM Facilities, or performing any other functions set forth in this Section II. The Designated Operator will arrange for more frequent meetings on an as-needed basis or if requested by any of the Parties.

(d) (i) Unless otherwise set forth in this Agreement, in the event any decisions or directions must be made or given by the Committee, the affirmative vote of a majority of the Committee representatives attending the meeting at which the vote is taken will be required.

(ii) Any decisions to undertake repairs (except for those major repairs discussed in Section 5.2 of this Agreement), replacements or improvements, or new capital facilities related to the JTM Facilities at a cost in excess of \$50,000 (on a per project basis), shall require an affirmative vote of Committee representatives who in the aggregate represent in excess of 50% of the Capacity-Owner Percentage in the JTM on a system-wide basis, as set forth in Table 3 below; provided, only those Committee representatives of Parties with financial responsibility for the reach(es) or section(s) of the JTM, or the Bradt Reservoir (See Table 2, column five), as applicable, at issue in the case of a repair/replacement/ improvement/ new facility decision may vote. The Parties each covenant to provide for the adequate operation and maintenance of the JTM Facilities through necessary repairs and replacements.

(iii) Any decision to appoint or terminate the Designated Operator shall require the affirmative vote of not less than two-thirds of all Committee representatives, with such affirmative votes also constituting in the aggregate in excess of 50% of the Capacity-Owner Percentage in the JTM on a system-wide basis, as set forth in Table 3 below.

2.2 Capacity Ownership: Equipment Assets Allocation/Voting. The Capacity-Owner Percentage in the JTM on a system-wide basis for each Party is set forth below in Table 3, as referred to above in Sections 1.5, and 2.1(d)(ii) and (iii) .

TABLE 3
EQUIPMENT ASSETS/VOTING ALLOCATION

<u>Participants</u>	<u>JTM Capacity-Owner Percentage System-Wide</u>
MNWD	43.13%
IRWD	.98%
CVWD/SJC	10.01%
ETWD	.39%
CSC	28.73%
SCWD	12.33%
SCWD/San Diego cfs	4.43%
TOTAL	100%

III. OPERATIONS AND MAINTENANCE

3.1 Designation of Operator. Subsequent to the initial appointment hereunder of SCWD as provided in Section 3.9 hereafter, and in the event SCWD is no longer the Designated Operator hereunder, the Committee shall designate one of the Parties to be responsible for the day-to-day operation and maintenance of the JTM Facilities (the "Designated Operator") in accordance with the procedures governing the Committee set forth in Section II hereof. Upon the appointment of any Party as the Designated Operator, the newly appointed Designated Operator shall execute a certification in substantially the form of Exhibit "C" to this Agreement in order to expressly acknowledge and assume the obligations of the Designated Operator set forth in this Agreement.

3.2 Cooperation. To the end that the operation of the JTM Facilities will be maintained at the highest efficiency with the lowest costs, the Parties agree that they will confer with each other and pool their talents and abilities even though the Designated Operator will be the responsible operating agency.

3.3 Services to be Performed. Subject to all of the provisions of this Agreement, the Designated Operator shall operate and maintain the JTM Facilities in accordance with the following general provisions:

(a) In addition to the Equipment Assets, provide, or cause to be provided, all tools, equipment, vehicles, materials, supplies and qualified personnel necessary to manage, operate, maintain and repair the JTM Facilities.

(b) Receive water into the JTM Facilities and operate same, including service connections, in an efficient manner, and maintain the same in good working order and composition, all in accordance with recognized engineering practices.

(c) Operate the JTM Facilities, control devices and all meters and appurtenances, and read all meters at periodic intervals and account for all water delivered to the Parties. Specifically, the Designated Operator will read all JTM Facilities meters on the last working day of each month and report to Coastal and/or Municipal Water District of Orange County (MWDOC), or such other applicable wholesale entity, no later than the second working day of the following month, the total amount of water delivered to each Party. In the event of a discrepancy in meter readings showing a difference in water purchased and delivered to the respective Parties, said discrepancy is to be adjusted and allocated in proportion to the metered amount of water purchased by each Party.

The Parties agree to directly pay Coastal or MWDOC (or other applicable wholesale entity), for all water delivered to such Parties in accordance with the respective procedures of the wholesale entity. The amounts to be paid to the applicable wholesale entity for water delivery hereunder by the Parties shall be referred to as the "Water Delivery Charge". Any Party disputing the Water Delivery Charge on the basis of meter readings made by the Designated Operator shall comply with the procedures set forth in Section 4.3 of this Agreement, as well as any applicable procedures of the wholesale entity.

(d) Install necessary meters and appurtenances that may be required to account for and control the water delivered to each Party; provided, each Party will bear the full cost of each meter and all appurtenances installed for its sole use, and will share the cost of each meter and appurtenance installed for joint use in proportion to their Capacity-Owner Percentage for the applicable reach of the JTM as set forth above in Table 1.

(e) Strictly comply with the requirements of all permits and licenses and all applicable federal, state and county statutes, ordinances, rules and regulations governing the JTM Facilities. If such compliance is impossible for reasons beyond its control, the Designated Operator shall immediately notify the Parties of the fact and the reasons for noncompliance. In the absence of any superseding law, rule or regulation or term otherwise specified in this Agreement, the laws, rules and regulations applicable to and governing the Designated Operator shall apply to operations of the JTM Facilities.

3.4 Independent Contractor. The Designated Operator, in performance of the Designated Operator services hereunder, is an independent contractor and all employees of the Designated Operator are solely employees of the Designated Operator and not the agents or employees of the other Parties.

3.5 Contracting for Services. Subject to Section 5.2, except for emergency repairs to protect public health and safety, the Designated Operator shall obtain the prior approval of the affected Parties to (a) secure the services of any contractor for the purpose of performing repairs, or improvements, or for constructing new capital facilities or (b) to purchase replacement equipment, when the cost of either (a) or (b) exceeds \$50,000 per contract or purchase. The necessary approval of the affected Parties shall be in accordance with the provisions of Section 2.1(d)(ii).

3.6 Work Stoppage. In the event the Designated Operator employees performing the duties required by this Agreement engage in any strike, work stoppage, work slowdown or any similar activity resulting in the interruption or cessation of the duties required to be provided by the Designated Operator, the Designated Operator shall use its best efforts to obtain additional or

replacement services to continue all required operations. During any such strike, work stoppage, work slowdown or any similar activity affecting the operation of the JTM Facilities, the other Parties may, without terminating this Agreement, assume the operation of the facilities through the use of the employees of any Party, or any independent contractor. No payment shall be made by the other Parties to the Designated Operator for work performed by the other Parties during such period. Upon resolution of any of the above described labor disputes, the Designated Operator shall resume its duties under this Agreement. The Designated Operator shall not be liable to the other Parties for any losses, direct or indirect, that may result to the other Parties as a result of such the Designated Operator employee work stoppage. The Designated Operator shall not be deemed to have breached this Agreement or any provision thereof, in the event it is unable, for the reasons discussed in this Section 3.6 to provide the services required under Section II of this Agreement.

3.7 Termination.

(a) The appointment of the Designated Operator may be terminated by the Committee without cause, or the Designated Operator may resign from the appointment, upon receipt of ninety (90) days' written notice by the Parties.

(b) The appointment may be terminated for cause by the Committee upon thirty (30) days' written notice to the Designated Operator with such notice including specifications of the operational deficiency(ies) giving rise to the termination for cause. Within such thirty (30) days, the Designated Operator may remedy the cause for termination, and the appointment may continue beyond the initial thirty (30) day period, provided the Committee finds the Designated Operator is diligently pursuing remedial steps to cure the noticed deficiency.

(c) Termination of the appointment of the Designated Operator pursuant to this Section 3.7 (a) or (b) shall not be subject to the arbitration provisions of Section 10.6 herein.

3.8 Compensation Upon Termination of Appointment or Resignation. In the event the appointment is terminated by the Committee, or the Designated Operator resigns the

appointment, under Section 3.7, the other Parties shall promptly reimburse the Designated Operator for the cost of tools, equipment and materials used exclusively by the Designated Operator to perform the duties required herein (except for the Equipment Assets), which expenditures would not have been incurred but for this appointment and which costs have not otherwise been paid as compensation to the Designated Operator. To the extent that such tools, equipment and/or materials are also used in connection with work not related to this appointment, an allocation of costs incurred shall be made in proportion to the time the tools or equipment were used or materials consumed on such other work and the work performed pursuant to this appointment. To the extent such payments are made by the other Parties to fully reimburse the Designated Operator for the cost of any tools, equipment or materials used exclusively (or allocated) to the JTM Facilities operations, such items shall thereafter belong to the Parties (including the Designated Operator to the extent of its interests) and the Designated Operator agrees to execute such documents as necessary to transfer title to the tools, equipment or materials purchased. The amount to be paid shall be determined as follows:

- (a) First, by mutual agreement of the Parties;
- (b) Second, if the Parties do not mutually agree within thirty (30) days after notice of termination is received, then by the independent certified public accountant or accountants regularly used for the JTM Facilities operations;
- (c) Third, if the said accountant or accountants do not resolve the matter within sixty (60) days after the notice of termination is received, then by arbitration in accordance with Section 10.6 of this Agreement.

3.9 Designation of SCWD as Operator. In conjunction with the approval and execution of this Agreement, the Parties hereby designate SCWD to be the initial Designated Operator under this Agreement, and SCWD hereby accepts such appointment, and further agrees to carry out its responsibility in accordance with the terms and conditions of this Agreement.

SCWD shall commence the management, operation and maintenance of the JTM Facilities on the Effective Date. SCWD shall continue as the Designated Operator until such time as the Committee appoints a new Designated Operator following the termination or resignation of SCWD's appointment as the Designated Operator. Any re-appointment or termination of, or resignation by, SCWD as the Designated Operator shall be in accordance with the procedures set forth in Sections 2.1(d)(ii), (iii) and 3.7.

IV. OPERATIONS AND MAINTENANCE COSTS

4.1 Operations and Maintenance Costs - Defined. "Operations and Maintenance (O&M) Costs" shall be defined to be the necessary and actual costs of operating and maintaining the JTM Facilities based on sound accounting principles, including those expenses listed below, necessary to maintain and preserve the facilities in good repair and working order. O&M Costs do not include depreciation or any obsolescent charges or any reserves therefor, or amortization of intangibles or other bookkeeping entries of a similar nature. O&M Costs are, specifically, the sum of the following:

- (a) the actual cost to the Designated Operator of necessary labor, such labor to include actual salaries and benefits, as well as legal, insurance, accounting and identifiable administrative services ("Administrative Costs").
- (b) all repair or replacement items at a cost not in excess of \$50,000 per item;
- (c) the actual cost of necessary supplies and materials purchased in connection with the services (no mark-up);
- (d) the costs of necessary utilities such as power, light and telephone;
- (e) the standard cost of items in inventory;

(f) the cost of equipment at current rental rates; and,

(g) the cost of outside services for those above-listed items authorized by this Agreement or the Committee.

4.2 Allocation, Compensation. O&M Costs shall consist of two components: 'fixed costs' and 'variable costs'. Fixed costs are those O&M Costs that benefit the JTM Facilities and are incurred regardless of actual capacity use by the Parties. Fixed costs shall be allocated among the Parties and be paid by each Party based on the Capacity-Owner Percentage (JTM) set forth in Table 3, or the Total Storage Capacity (Bradt Reservoir) set forth in column five of Table 2. Variable costs are those O&M Costs not otherwise defined as fixed costs, and shall be allocated and paid by each Party in proportion to its actual water use. Each Party shall pay the Designated Operator as compensation for the Designated Operator's services hereunder its share of the O&M Costs in accordance with the procedure in Section 4.3.

4.3 Payment of Operations and Maintenance Costs. The Designated Operator shall bill each Party on or about the first day of each month in advance for its share of estimated O&M Costs based on approved budget estimates, as adjusted by the most current operational experience (in the case of variable costs). Each Party agrees to remit such amount within thirty (30) days of the date of such billing or to pay, in addition, simple interest at the rate of 10% per annum on the unpaid balance until receipt of the balance by the Designated Operator. Any Party disputing the correctness of any billing by the Designated Operator agrees to pay the billing under protest and such payment will be without prejudice to the rights of such Party to continue protesting said billing. If the dispute is subsequently resolved in favor of such Party, the Designated Operator agrees to refund the disputed amount owed to the Party along with interest at the LAIF Rate from the date of payment to the date of refund of such amount.

V. CAPITAL IMPROVEMENT/MAJOR REPAIR COSTS

5.1 Capital Improvement Costs Defined. Capital Improvement Costs are defined to mean all necessary capital improvements, repairs (including major repairs discussed below), adjustments and replacements to the JTM Facilities in excess of \$50,000, including Administrative Costs in connection therewith. Capital Improvement Costs will be paid by each Party in proportion to its Capacity-Owner Percentage in each reach or section of the JTM, as set forth in Table 1 above; and with respect to the Bradt Reservoir, by each Party in proportion to its Total Storage Capacity Percentage as set forth in column five of Table 2. These costs, other than those costs considered to be for "major" repairs as set forth below in Section 5.2, will be paid in accordance with the procedure set forth in Section 5.2.

5.2 Major Repairs. In the event of the necessity for major repairs to preserve continuous operation of the JTM, or the Bradt Reservoir as applicable, the Designated Operator shall immediately convene a meeting of the Committee, or, if no such meeting is feasible, contact each of the Parties to this Agreement for approval of such repairs. If, after a reasonable time, the Parties, or any of them, fail to approve such major repairs, the Designated Operator is authorized to have such repairs made in order to preserve the continuous operation of the JTM Facilities, and each Party shall be liable for its share of the costs for such major repairs in proportion to its Capacity-Owner Percentage in each section or reach of the JTM (See Table 1), or if applicable, in proportion to the Total Storage Capacity Percentage in the Bradt Reservoir (See Table 2, column five).

The Capital Improvement Costs and major repair costs may be billed to the Parties by the Designated Operator in one lump sum, prior to awarding any contracts for such improvements or repairs, or on a monthly basis to coincide with progress payment schedules, at the Designated Operator's discretion. The Parties shall remit their share of the costs for Capital Improvement/major repairs to the Designated Operator within thirty (30) days of receipt of billing for such amounts. The Designated Operator shall account for all earnings on Capital Improvement/major repair deposit amounts in accordance with Section VI below.

VI. BUDGETS; ACCOUNTING

6.1 Annual Budget. The Designated Operator shall prepare and submit an annual budget to the Committee for its review, and thereafter (but no later than May 1) to each of the Parties for their review and approval. The budget shall estimate expenditures necessary for the O&M Costs, including Administrative Costs, and Capital Improvement Costs (inclusive of major repair costs). The budget shall be prepared in sufficient detail to constitute an operating outline of expenditures to be made during the ensuing fiscal year and the contributions to be made by the Parties. Each budget shall be approved by the Committee, subject to ratification by the governing bodies of the Parties. Until such time as the ratification process has been completed, the budget shall constitute a proposed budget.

6.2 Budget Approval Process. Each Party reserves the right to approve proposed budgets, but only to the extent that a budget may impose any financial responsibility on such Party. Such approval shall be evidenced by a certified copy of the resolution or minute order of the governing body of each Party, delivered to the Designated Operator.

If a Party fails or refuses to approve any budget, the budget shall be returned to the Committee for re-study and revision. In the event a budget acceptable to all of the Parties financially responsible thereunder is not obtained prior to the start of a fiscal year, the Designated Operator may continue to operate at the level of expenditure authorized by the last approved budget and the Parties shall be obligated to contribute their pro rata portion of the funding to the Designated Operator.

6.3 Budget Deposits. Each Party shall appropriate and deliver to the Designated Operator its proportionate share of the budget funds for O & M Costs, including Administrative Costs, on a monthly basis during the fiscal year, and within thirty (30) days after receipt of a billing therefor from the Designated Operator (see Section 4.3). Late deposit of such funds or payments for such costs shall bear interest at the LAIF Rate. Capital Improvement Costs and major repair costs under Section V of this Agreement shall be paid in accordance with the terms thereof.

6.4 Restricted Account. Funds appropriated by each Party and deposited with the Designated Operator pursuant to this Agreement shall be expended only for the purposes expressed in this Agreement and in the budget. Funds shall be deposited in restricted, interest-bearing accounts corresponding to each category of costs designated herein (e.g., O & M, Administrative, Capital Improvement and major repair Costs, and reserves (if any), as described in this Agreement), administered by the Designated Operator.

VII. REPORTING REQUIREMENTS

7.1 Books; Fiscal Year; Audit. The Designated Operator shall maintain full and accurate books and accounts in accordance with the practices established by, or that are consistent with, those utilized by the Controller of the State of California for public agencies. Such books and accounts shall be maintained on the basis of a fiscal year, commencing July 1 and ending on June 30. The books and accounts shall be audited annually by an independent certified public accountant and copies of each such audit report shall be delivered to each of the Parties no later than fifteen (15) days after receipt of the audit by the Designated Operator. In addition, any Party shall have the right, at its sole cost and expense, to audit such books and accounts at any reasonable time.

Any amounts remaining on deposit at the end of the audit shall be credited to the account of the Party(ies) making such deposits for the subsequent fiscal year budget deposits; provided, at the request of any Party, such excess deposit amounts shall be returned to the requesting Party.

7.2 Reports. Throughout the term of this Agreement, the Designated Operator shall provide the following written reports:

(a) Annual Activities Report. Not later than the sixtieth (60th) day after the end of each fiscal year, the Designated Operator shall submit a written report to the Committee that includes, but is not limited to, a summary of the year's maintenance activities, repairs, replacements and improvements.

(b) Annual Audit Report. See Section 7.1 above.

(c) Periodic Reports. From time to time, the Designated Operator shall provide the Parties with such other reports as may be reasonably requested by the Committee.

VIII. INSURANCE/INDEMNITY

8.1 Operations Insurance. With respect to the JTM Facilities, the Designated Operator shall at the Parties' expense furnish and maintain throughout the term of this Agreement comprehensive or commercial general liability insurance, including personal injury and property damage (fire, flood, other standard perils; exclusive of earthquake) and automobile liability insurance with the same limits, deductibles/self-insured retention and terms and conditions as the Designated Operator has in force for its other operations with respect to the Joint Transmission Main Facilities. The cost of such insurance shall be considered a fixed Administrative Cost, and allocated among the Parties based on JTM Capacity-Owner Percentage: System-Wide (See Table 3, above); provided, only costs incurred by the Designated Operator for insurance coverage with respect to the JTM Facilities which exceed amounts otherwise payable by the Designated Operator for insurance in force for its other operations shall be so allocated and paid by the Parties. The Parties and their respective officers, directors, employees and agents shall be additional named insureds under the policy or policies of such insurance.

8.2 Indemnification. The Designated Operator shall not be liable to the other Parties for any physical damage caused to any portion or reach of the JTM Facilities or for any monetary damage if such physical or monetary damage is caused by earthquake, flood, fire, explosion, riot, revolution, civil disturbance, war, other acts of God, or other causes beyond the control of the Designated Operator. Additionally, the Designated Operator shall not be liable or responsible to the other Parties or any third party for any other damages caused by or in connection with the Designated Operator's actions hereunder or in connection with the operation of the JTM Facilities performed by the Designated Operator, except, however, the Designated Operator shall defend and indemnify each of the other Parties hereto, along with each Party's officers, directors,

employees, and agents, against, and assume and pay all costs of the other Parties resulting from, claims or damages resulting from the gross negligence or the willful misconduct of the Designated Operator or its agents and/or employees. Should the Designated Operator not comply with any provision of this Agreement due to its gross negligence or willful misconduct, the Designated Operator shall defend and indemnify, and assume and pay all costs of the other Parties resulting therefrom, if not otherwise paid by insurance proceeds of policies provided pursuant to Sections 8.1, including but not limited to the costs of repair, personal or property damage resulting therefrom, as well as any fines levied against the Designated Operator or the other Parties by any local, state, or federal governmental regulatory agency. Any such amounts may be deducted from the Designated Operator's compensation for operation services hereunder if not otherwise paid from insurance proceeds. All costs for which the Designated Operator has no indemnity obligation pursuant to this Section 8.2 shall be apportioned among the Parties (including the Designated Operator) based on the JTM Capacity-Owner Percentage: System-Wide (See Table 3) or Total Storage Capacity Percentage (Bradt Reservoir), as applicable.

IX. EFFECTIVE DATE

9.1 Effective Date. This Agreement will be deemed to be executed and effective one day prior to the effective date of LAFCO Reorganization No. RO99-07 (the "Effective Date"). In the event LAFCO Reorganization No. RO99-07 is not completed on or before December 31, 2000, this Agreement shall be deemed null and void by all Parties hereto and the 1977 Agreement will remain fully operative.

9.2 1977 Agreement. The 1977 Agreement is superseded in its entirety by this Agreement as of the Effective Date.

X. GENERAL

10.1 Assignment. Neither this Agreement nor any duties or obligations of the Designated Operator hereunder shall be assigned by the Designated Operator. Subject to this provision regarding assignment, this Agreement shall be binding on the successors and/or assigns of the respective Parties.

10.2 Further Acts. Each Party to this Agreement agrees to execute and deliver all documents and perform all further acts that may be reasonably necessary to carry out the provisions of this Agreement.

10.3 Amendments. This writing constitutes the entire agreement between and among the Parties. No modification of this Agreement shall be valid, unless in writing and signed by the Parties.

10.4 Attorneys Fees. In the event an action is commenced by any Party to this Agreement to enforce or construe its rights or obligations arising from this Agreement, the prevailing Party in such action, in addition to any other relief and recovery awarded by the court, shall be entitled to recover all reasonable costs plus a reasonable amount for attorneys' fees.

10.5 Notice. Any notice provided for herein shall be given in writing and transmitted by personal delivery or prepaid first class mail, addressed as follows, which address may be changed from time to time upon direction of the Parties:

TRI-CITIES MUNICIPAL WATER
DISTRICT

Tri-Cities Municipal Water District
851 Calle Agua
San Clemente, California 92672
Attn: General Manager

MOULTON NIGUEL WATER
DISTRICT

Moulton Niguel Water District
27500 La Paz Road
Laguna Niguel, California 92677
Attn: General Manager

IRVINE RANCH WATER DISTRICT

Irvine Ranch Water District
15600 Sand Canyon Avenue
Post Office Box 57000
Irvine, California 92619-7000
Attn: General Manager

CAPISTRANO VALLEY WATER
DISTRICT/SJC

Capistrano Valley Water District/
City of San Juan Capistrano
32450 Paseo Adelanto
Post Office Box 967
San Juan Capistrano, California 92693
Attn: Director Public Works

EL TORO WATER DISTRICT

El Toro Water District
24251 Los Alisos Blvd.
Post Office Box 4000
Laguna Hills, CA 92654
Attn: General Manager

CITY OF SAN CLEMENTE

City of San Clemente
910 Calle Negocio
San Clemente, CA 92673
Attn: Director of Public Works

SOUTH COAST WATER
DISTRICT

South Coast Water District
31592 West Street
Laguna Beach, CA 92651
Attn: General Manager

10.6 Arbitration Provision. Any controversy or claim between any two or more Parties to this Agreement, in respect to the JTM Facilities operations, or to any claims, disputes, demands, differences, controversies, or misunderstandings arising under, out of, or in relation to this Agreement, or any breach thereof, shall be submitted to and determined by arbitration. To the extent not inconsistent herewith, the rules of the American Arbitration Association shall apply. The Party desiring to initiate arbitration shall give notice of its intention to arbitrate to every other Party to this Agreement. Such notice shall designate as "respondents" such other parties as the initiating Party intends to have bound by any award made therein. Any Party not so designated but which desires to join in the arbitration may, within ten (10) days of service upon it of such notice, file a response indicating its intention to join in and to be bound by the results of the arbitration, and further designating any other parties it wishes to name as a respondent.

Within twenty (20) days of the service of the initial demand for arbitration, the American Arbitration Association, hereinafter referred to as "AAA" shall submit simultaneously to the initiating Party and to all parties named as respondents or filing a response therein, an identical list of names of persons chosen from the AAA National Panel of Arbitrators which persons shall be, to the extent possible, persons versed in the field of public water systems as well as general public law. Each Party to the dispute shall have fifteen (15) days from the mailing date in which to cross-off any names to which it objects, number the remaining names indicating the order of its preference, and return the list to the AAA. If a Party does not return the list within the time specified, all persons named therein shall be deemed acceptable. From among the persons who have been approved on both lists, in accordance with the designated order of mutual preference, the AAA shall invite the acceptance of an arbitrator to serve. If the Parties fail to agree upon one of the persons named, or if an acceptable arbitrator is unable to act, or if for any other reason the appointment cannot be made from the submitted list, the AAA shall have the power to make the appointment of the arbitrator from other members of the panel without the submission of any additional list.

The arbitrator shall determine the rights of the parties in accordance with the law, and the award shall be subject to review as to the arbitrator's application of the law by any court having jurisdiction thereof, whether or not any mistake of law shall appear upon the face of the award. As to all questions of facts, however, the determination of the arbitrator shall be binding upon all parties and shall be final. Any Party shall be entitled to written findings of fact and conclusions of law as to all issues determined by the award. Subject to the above limitations, the award shall be binding upon all parties to the arbitration and judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof.

The arbitrator may, in his discretion, as part of the arbitration award impose upon any one Party or allocate among two or more of the parties, the liability for the arbitration fees and expenses. Such allocable fees may include the administration fees, fees for second and subsequent hearings, postponement fees and overtime fees. Allocable expenses may include the expenses of producing witnesses, the cost of stenographic records, the cost of any transcripts, travel expenses of the arbitrator and tribunal administrator, the expenses of any witnesses, the

costs of any proofs produced at the direct request of the arbitrator, and any other expenses relating directly to the arbitration. In the event of the failure of the arbitrator to provide for the allocation of such fees and expense, the arbitration fees shall be divided equally between the parties and the expenses shall be borne by the Party incurring them.

10.7 Severance. If any section, subsection, sentence or clause or phrase of this Agreement, or the application thereof, to any of the Parties or any other person or circumstances is for any reason held invalid, the validity of the remainder of the Agreement, or the application of such provision to the other Parties, or to any other persons or circumstances, shall not be affected thereby. Each of the Parties declares that it would have entered into this Agreement, and each section, subsection, sentence, clause or phrase thereto, irrespective of the fact that one or more sections, subsections, sentences, clauses or phrases, or the application thereof, to any Party or any other person or circumstance be held invalid.

10.8 Integration; Attachments. This Agreement constitutes the entire Agreement and supersedes all prior Agreement and understandings, both written and oral, among the Parties with respect to the subject matter hereof. The Exhibits attached hereto are incorporated into this Agreement.

10.9 Recitals/Calendar Days. The Parties agree the Recitals of this Agreement are true and correct, and are incorporated as part of this Agreement. All references to the term "days" in this Agreement unless otherwise specified shall mean calendar days.

10.10 Waiver. No waiver of any default by a Party or the Parties shall constitute a waiver of any other default or breach, whether of the same or other covenant or condition.

10.11 No Third Party Beneficiaries. There are no intended third party beneficiaries of any right or obligation assumed by the Parties under this Agreement.

10.12 Governing Law and Venue. This Agreement shall be construed in accordance with and governed by the laws of the State of California. Any lawsuit brought in connection with this Agreement shall be brought in the appropriate court in the County of Orange, California.

10.13 Counterparts. This Agreement may be signed in counterparts, each of which shall constitute an original and which collectively shall constitute one instrument.

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IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the day and year first written above.

TRI-CITIES MUNICIPAL WATER DISTRICT

Dated: February 16, 2000

By: Ray H. Benedictus
President, Board of Directors

By: Donald R. Roberson
Secretary, Board of Directors

MOULTON NIGUEL WATER DISTRICT

Dated: February 15, 2000

By: James R. Wright
President, Board of Directors

By: Leslie C. Mayberry
Secretary, Board of Directors

IRVINE RANCH WATER DISTRICT

Dated: 2/29/2000

By: My Allen Mathew
President, Board of Directors

By: Leslie Hensel
Secretary, Board of Directors

CAPISTRANO VALLEY WATER DISTRICT

Dated: 1/18/2000

By: Wyatt Hart
Chairman, Board of Directors

Attest:

Cheryl Pearson
Clerk

EL TORO WATER DISTRICT

Dated: 3/2/00

By: [Signature]
President, Board of Directors

By: [Signature]
Secretary, Board of Directors

CITY OF SAN CLEMENTE

Dated: 3-15-00

By: [Signature]
Mayor

Attest:

[Signature]
City Clerk

SOUTH COAST WATER DISTRICT

Dated: April 9, 2000

By: [Signature]
President, Board of Directors

By: [Signature]
Secretary, Board of Directors

**TRI-CITIES MWD INVENTORY LIST
ADMINISTRATIVE OFFICE**

JTM/Local	Description	Quantity	Total \$ Value
JTM	Mapping Displays	8	800
JTM	Toshiba 2860 Copier	1	9,495
JTM	Toshiba TF831 Fax	1	2,395
JTM	5-drawer file cabinet	2	800
JTM	2-drawer file cabinet	5	1200
JTM	14" color TV/VCR	1	200
JTM	wooden book shelves	2	75
JTM	conference table	1	400
JTM	executive chairs	9	225
JTM	low backed side chairs	10	150
JTM	computer/desk chairs	2	300
JTM	binding machine	1	150
JTM	automated 3-hole punch	1	100
JTM	American & California flag, pole and stand	2	200
JTM	3-piece workstation	2	300
JTM	paper printing calculator	1	75
JTM	electronic calculators	2	50
JTM	Lucent phone 3-line phones	3	200
JTM	Pitney Bowes postage machine	1	1000
JTM	Overhead projector & screen	1	400
JTM	Sony Cassette tape recorder & transcriber	1	700
JTM	Brother label maker	1	50
JTM	Shredder	1	30
JTM	IBM Selectric Typewriter	1	500
JTM	Hewlett Packard 855C laser printer	1	1000
JTM	Hewlett Packard Laserjet 4M Plus printer	1	600
JTM	Epson 900 colored printer	1	500
JTM	HP Netserver with components	1	1350
JTM	Netserver racks	1	1000
JTM	Computer with accessories	3	3700
JTM	Miscellaneous stand alone tables	2	150
JTM	Computer table	1	60
JTM	Storage cabinets: mailing supplies, 1st aid presentation materials, office supplies, laser cartridges, toner, coffee supplies, etc.	2	2000
JTM	Presentation easel	1	75
JTM	Mini refrigerator	1	100
JTM	Fire extinguisher	1	100

EXHIBIT B

**TRI-CITIES MWD INVENTORY LIST
GARAGE**

JTM/Local	Description	Quantity	Total \$\$ Value
Local	36" ductile iron flex couplings	2	700
Local	24" ductile iron flex couplings	2	500
Local	24" clamp couplings	2	100
Local	15" clamp couplings	1	500
Local	6" diameter 28" steel coupling	1	250
Local	6" diameter 26" steel coupling	1	250
Local	6" diameter 25" steel coupling	1	250
Local	6" diameter 18" steel coupling	1	250
Local	4" diameter 8" steel coupling	2	250
Local	8" butterfly valve	1	500
JTM	SCBA Scotts packs	2	350
JTM	SCBA Lifeair packs	1	150
JTM	6" gate valve	1	400
Local	4" gate valve	3	800
Local	10" water specialties turbine meter	1	1000
JTM	3" Homelite trash pump	1	1000
JTM	20" Zn anode bricks	5	500
JTM	2" air vac	3	200
JTM	Bristol chart recorder	1	250
JTM	Kubota AV3800 generator	1	1000
JTM	2" submersible pump	1	500
JTM	Industrial scientific TMX 412 gas detectors	2	1500
JTM	Metrotech 850, 8 watt radio pipe locator	1	3000
JTM	Ford F250 4WD truck w/hoist & tool rack, tools	1	14,600
JTM	99 Chevy 4x4 extended cab truck w/tool rack, tools	1	25,100
JTM	97 GMC Blazer	1	21,000
JTM	Trash Pump attachment hose	1	200
JTM	Pro-charger 900 Jump/starter system	1	175
JTM	1.5" fire hose	50 ft	1,000
JTM	Dewalt drill/driver kit	1	250
JTM	Manhole guard rail w/sign	1	300
JTM	Manhole cover hook	3	50
JTM	16" M2500 Mag Meter w/108 converter	1	6000
JTM	Commercial shelving w/ladder		3000
JTM	Fire extinguisher	1	100
JTM	First aid kits in vehicles	3	125

**TRI-CITIES MWD INVENTORY LIST
YARD**

JTM/Local	Description	Quantity	\$\$ Value
JTM	42" ccp steel (concrete cylinder pipe)	135 ft	300
JTM	39" ccp	50 ft	200
JTM	45" ccp	25 ft	300
JTM	36" ccp	105 ft	200
Local	30" ccp	47 ft	200
Local	27" ccp	40 ft	200
Local	18" ccp	14 ft	100
Local	24" dip (ductile iron pipe)	36 ft	50
JTM	36" dip	36 ft	75
Local	8" dip	18 ft	25
Local	24" acp (asbestos cement pipe)	110 ft	50
Local	20" acp	48 ft	35
Local	18" acp	4 ft	25
Local	14" acp	10 ft	20
Local	12" acp	16 ft	20
Local	8" acp	41 ft	20
Local	24" acp couplings	10	300
Local	20" acp couplings	7	300
Local	14" acp couplings	4	200
Local	8" acp couplings	8	50
Local	4" rockwell plug valve	1	500
JTM	Chlorine specialities chlorine repair kit B	1	1500

TRI-CITIES MWD INVENTORY LIST
FIELD OFFICE

JTM/Local	Description	Quantity	Total \$\$ Value
JTM	TC Whisper Writer	1	200
JTM	OL400e Okidata laser writer	1	500
JTM	HP Laser Jet III Printer	1	500
JTM	Foldout conference table	1	50
JTM	14" color TV/VCR	1	200
JTM	40"x30" flat sheet file cabinets	3	400
JTM	Hach 2100P turbidity meter	1	500
JTM	Hach totals chlorine test	1	500
JTM	Hach chlorine test kit	1	500
JTM	Hach CO 150 conductivity meter	1	500
JTM	Hach EC10 portable pH meter	1	500
JTM	Micronet water meter data collector w/wand	1	4500
JTM	5' standard filing cabinets	3	800
JTM	RCA refrigerator	1	500
JTM	Small office desk	2	300
JTM	Large office desk	1	500
JTM	Computer desk	1	600
JTM	Computer chairs	3	350
JTM	Commercial shelving/desk/chair		2800
JTM	Nextel mobile phones	3	1,500
JTM	Hard-wired 2-way radios in vehicles	3	1,500
JTM	Lucent 3-line phones	3	300
JTM	SCADA System (computers, components)	System**	30,000
JTM	HPLaserjet 4000 printer		1,000
JTM	Panasonic 3000 LE series Printer		500
** Includes Micron laptop and Toshiba laptop			

Exhibit "C"

Certification of Designated Operator

"By execution of this Certificate, the following as an authorized representative of [_____] public agency] warrants and represents that by approval of its governing body on _____, _____, accepts [public agency]'s appointment as the 'Designated Operator' under and pursuant to that certain agreement entitled "Amended and Restated Joint Exercise of Powers Agreement to Operate and Maintain the Joint Transmission Main Facilities", effective February 28, 2000 (the "Joint Powers Agreement"). [_____] public agency] expressly acknowledges and assumes the rights, duties and obligations of the Designated Operator specified in the Joint Powers Agreement, including, but not limited to, the indemnity obligation set forth in Section 8.2 of the Joint Powers Agreement. This acceptance and assumption is effective as of the _____ day of _____, _____.

[_____ Public Agency _____]

By: _____
Authorized Representative

Dated: _____

TRI-CITIES MUNICIPAL WATER DISTRICT

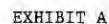


Exhibit "C"

Certification of Designated Operator

"By execution of this Certificate, the following as an authorized representative of [South Coast Water District] warrants and represents that by approval of its governing body on March 2, 2000, accepts [public agency]'s appointment as the 'Designated Operator' under and pursuant to that certain agreement entitled "Amended and Restated Joint Exercise of Powers Agreement to Operate and Maintain the Joint Transmission Main Facilities", effective February 28, 2000 (the "Joint Powers Agreement"). [South Coast Water District] expressly acknowledges and assumes the rights, duties and obligations of the Designated Operator specified in the Joint Powers Agreement, including, but not limited to, the indemnity obligation set forth in Section 8.2 of the Joint Powers Agreement. This acceptance and assumption is effective as of the 30th day of March, 2000.

[Public Agency]

By: Michael P. Aunbar
Authorized Representative

Dated: March 31, 2000

Water Importation Pipeline

**JOINT EXERCISE OF POWERS
AGREEMENT TO OPERATE AND
MAINTAIN THE WATER IMPORTATION PIPELINE**

This Agreement, executed in counterparts and effective as of the Effective Date defined hereinafter, is entered into by and between the TRI-CITIES MUNICIPAL WATER DISTRICT ("Tri-Cities"), CITY OF SAN CLEMENTE ("CSC") as a successor-in-interest to a portion of Tri-Cities' capacity interests in the Tri-Cities' Water Importation Pipeline and SOUTH COAST WATER DISTRICT ("SCWD") as a successor-in-interest to a portion of Tri-Cities' capacity interests in the Tri-Cities' Water Importation Pipeline (individually referred to as "Party" or collectively referred to as "Parties").

RECITALS

A. Each of the Parties is a public agency and each is authorized and empowered to contract with the other Parties for the joint exercise of powers under Article I, Chapter 5, Division 7, Title 1 of the California Government Code, Section 6500 *et seq.*

B. Each of the Parties has the authority and power to operate and maintain potable water pipelines, reservoirs and appurtenant facilities within (and in some cases, outside) their respective boundaries.

C. Each of the Parties is the owner, or will be the owner upon the Effective Date of this Agreement, of capacity rights, or other property rights, in the Water Importation Pipeline, a domestic water pipeline that conveys and delivers water imported from the Metropolitan Water District of Southern California ("MWD"), referred to in this Agreement as the "Water Importation Pipeline," or "WIP" and in some cases as the "pipeline" or "pipeline facilities". The alignment of the WIP, which consists of three reaches, commences at the terminus of the South County Pipeline, and thereafter extends southwesterly and northwesterly to a point in the vicinity of Stonehill Drive and Del Obispo Street in the City of Dana Point, all as depicted on the plat map attached hereto as Exhibit "A". SCWD previously, at its sole cost and expense, constructed

an additional water transmission pipeline segment ("Reach 4") from the westerly terminus of the WIP to connect with existing SCWD facilities within the boundaries of SCWD.

D. Tri-Cities and SCWD entered into the "Agreement Between South Coast Water District and Tri-Cities Municipal Water District to Provide for the Design, Construction and Ownership of a Supplemental Water Importation Project," dated May 21, 1991 (the "1991 Agreement") to provide for the design, construction and operation of the WIP. This Agreement is intended by the Parties to supersede and replace the 1991 Agreement as of the "Effective Date", defined in Recital F below. SCWD's ownership and operation of Reach 4 is not intended to be included in, or governed by, the terms of this Agreement.

E. Pursuant to LAFCO Reorganization No. RO99-07, in which it is proposed that Tri-Cities will be consolidated with Coastal Municipal Water District ("Coastal"), the Parties hereto desire to (i) designate a successor to Tri-Cities for operation and maintenance of the WIP, (ii) provide for the transfer of certain capacity rights in the WIP currently owned by Tri-Cities to CSC and SCWD; and (iii) provide additional procedures for operating and maintaining the pipeline.

F. It is anticipated Coastal will be the legal successor-in-interest to Tri-Cities under LAFCO Reorganization No. RO99-07; provided, pursuant to this Agreement, the full right, title and interest in capacity interests in water system facilities owned by Tri-Cities, which it owns in the WIP, shall be apportioned between and transferred to, CSC and SCWD on the Effective Date (as defined herein).

This Agreement will be deemed effective one day prior to the effective date of LAFCO Reorganization No. RO99-07 (the "Effective Date").

AGREEMENT

NOW, THEREFORE, in consideration of the mutual benefits and of the mutual covenants herein provided, the Parties agree, for themselves and their successors-in-interest, as follows:

I. TRANSFER/RESTATEMENT OF CAPACITY RIGHTS

1.1 Pipeline Capacity Transfers to CSC, SCWD. Tri-Cities hereby transfers the cfs of capacity in the Water Importation Pipeline which it presently owns and as set forth in detail in Table 1 below, to CSC and to SCWD. CSC and SCWD each respectively accepts such transfer, and assumes all rights, duties and responsibilities in connection with such transferred capacity, whether set forth in this Agreement, or as otherwise set forth by contract or by law. On the Effective Date, Tri-Cities shall quitclaim its easements and right-of-way interests for the Water Importation Pipeline to SCWD and CSC jointly, such quitclaim to be recorded on the Effective Date. Title to all pipeline facilities' rights-of-way in all reaches of the pipeline shall be held jointly in the name of SCWD and CSC upon the Effective Date, and the respective proportionate interests of SCWD and CSC in such rights-of-way will be the same percentages as are allocated in Table 1 below for the reach in which the right-of-way is located. The capacity transfers to SCWD labeled "San Diego cfs" in Table 1 are subject to the following condition: (i) in the event SCWD or its' successor, is no longer the potable water supplier, by way of service agreements with San Diego County Water Authority (or its successor), to Southern California Edison/SONGS and/or United States/Camp Pendleton and/or State of California/State Parks Department; or (ii) in the event any of such San Diego public agency/public utility entities named in (i) above, (or their successors) no longer receive potable water service through the WIP, then that agency's "San Diego cfs" of capacity as described in (i) or (ii) above will be relinquished, transferred and owned proportionally between, and by, SCWD and CSC, with SCWD allocated 30% of such capacity and CSC allocated 70% of such capacity. SCWD and CSC each respectively agrees to assume all associated duties and obligations in connection with the San Diego cfs capacity so allocated to them. The Parties agree to further review the allocation of the

San Diego cfs capacity in advance of any anticipated shutdown of the San Onofre Nuclear Generating Station, which Southern California Edison/SONGS anticipates could extend to the year 2023 or later.

1.2 Pipeline Facilities. The capacity rights of the Parties in the hereinafter described reaches of the WIP shall be on the basis of the percentage of the total capacity as specified in the column designated "Capacity-Owner Percentage," in each designated reach listed in Table 1 below:

TABLE 1
WATER IMPORTATION PIPELINE CAPACITY OWNERSHIP

Water Importation Pipeline	Participants	Capacity cfs	Capacity-Owner Percentage
Reach 1	CSC	15.0	37.5%
	SCWD	25.0	62.5%
	SCWD/San Diego cfs	0.0	0.0%
	TOTAL	40.0	100%

Water Importation Pipeline	Participants	Capacity cfs	Capacity-Owner Percentage
Reach 2	CSC	10.0	28.57%
	SCWD	25.0	71.43%
	SCWD/San Diego cfs	0.0	0.0 %
	TOTAL	35.0	100%

Water Importation Pipeline	Participants	Capacity cfs	Capacity-Owner Percentage
Reach 3	CSC	0.0	0.0
	SCWD	25.0	100.0
	SCWD/San Diego cfs	0.0	0.0
	TOTAL	25.0	100%

1.3 Entitlement Rights. The Parties agree that for all water delivered to the WIP, each Party shall have the entitlement rights in said water in amounts as provided below.

(a) In the event that the total capacity of Reach 1 (i.e., 40 cfs.) is delivered into the beginning of Reach 1 of the pipeline facilities in response to requests from the Parties hereto for the delivery of their respective full entitlements of water, no Party shall take any action to prevent the delivery to another Party of its total entitlement rights at the end of Reach 3.

(b) In the event that any Party has requested delivery of its respective full entitlements of water through the pipeline facilities, but the total capacity of Reach 1 cannot be delivered into the beginning of Reach 1 of the pipeline facilities, each Party will be entitled to receive a proportionate amount of such water actually delivered into Reach 1 based upon each Party's respective Capacity-Owner Percentage in Reach 1. In such event, no Party shall take any action to prevent the delivery to another Party of its proportionate share of the available water, as provided in this Section 1.3(b) at the end of Reach 3 of the pipeline facilities.

(c) The Parties agree to negotiate and deal in good faith with each other upon receipt of a request to transfer from one Party to another on an as-needed basis all or any portion of a Party's rights in the water delivered into the pipeline facilities; provided, however, that no Party shall have any duty to participate in any such transfer unless such Party determines, in its discretion, that its transfer of such rights in water will not jeopardize or inconvenience any of the residents, lands or water users within its boundaries.

II. ADMINISTRATIVE COMMITTEE

2.1 Committee Functions and Procedures.

(a) There is hereby created the "Water Importation Pipeline Administrative Committee" (the "Committee"). The functions of the Committee will be to appoint a Designated Operator (as defined in Section 3.1) pursuant to Section III hereof; provide direction to the Designated Operator with respect to the operation, maintenance and repair of the WIP; review and approve the annual operating budget pursuant to Section VI of this Agreement; and

otherwise administer this Agreement through actions or directions necessary for the continued efficient operation of the WIP.

(b) Each Party shall appoint one representative to the Committee concurrently with the execution of this Agreement by the appointing Party. The identity of the appointed representative from each respective Party shall be promptly communicated to the Designated Operator. Appointed representatives to the Committee shall serve at the pleasure of the governing body of the appointing Party and may be removed at any time, with or without cause; provided, however, that the Parties acknowledge and agree that continuity of representation on the Committee is important to the overall effectiveness of the Committee, and the Parties further agree to take all actions reasonably necessary to ensure such continuity.

(c) The Committee shall meet quarterly for the purpose of reviewing and evaluating the management, operation and maintenance of the WIP, or performing any other functions set forth in this Section II. The Designated Operator shall arrange for more frequent meetings on an as-needed basis, or if requested by the other Party.

(d) (i) In addition to those matters specifically listed below, in the event any decisions or directions must be made or given by the Committee, the concurrence of the Committee representatives will be required.

(ii) Any decisions to undertake repairs (except for those major repairs discussed in Section 5.2 of this Agreement), replacements or improvements, or new capital facilities related to the WIP at a cost in excess of \$50,000 (on a per project basis), shall require the concurrence of the Committee representatives. The Parties each covenant to provide for the adequate operation and maintenance of the WIP with necessary repairs and replacements.

(iii) Any decision to appoint or terminate the Designated Operator shall require the concurrence of the Committee representatives.

III. OPERATIONS AND MAINTENANCE

3.1 Designation of Operator. Subsequent to the initial appointment hereunder of SCWD as provided in Section 3.9 hereafter, and in the event SCWD is no longer the Designated Operator hereunder, the Committee shall designate one of the Parties to be responsible for the day-to-day operation and maintenance of the WIP (the "Designated Operator") in accordance with the procedures governing the Committee set forth in Section II hereof. Upon the appointment of a Party as the Designated Operator, the newly appointed Designated Operator shall execute a certification in substantially the form of Exhibit "B" to this Agreement in order to expressly acknowledge and assume the obligations of the Designated Operator set forth in this Agreement.

3.2 Cooperation. To the end that the operation of the WIP will be maintained at the highest efficiency with the lowest costs, the Parties agree that they will confer with each other and share their talents and abilities even though the Designated Operator will be the responsible operating agency.

3.3 Services to be Performed. Subject to all of the provisions of this Agreement, the Designated Operator shall operate and maintain the WIP in accordance with the following general provisions:

(a) Provide, or cause to be provided, all tools, equipment, vehicles, materials, supplies and qualified personnel necessary to manage, operate, maintain and repair the WIP.

(b) Receive water into the WIP and operate same, including service connections, in an efficient manner, and maintain the same in good working order and composition, all in accordance with recognized engineering practices.

(c) Operate the WIP, control devices and all meters and appurtenances, and read all meters at periodic intervals and account for all water delivered to the Parties. Specifically, the Designated Operator will read all WIP meters on the last working day of each

month and report to Coastal or its' successor or the Santa Margarita Water District, or the San Diego County Water Authority (SDCWA), or such other applicable wholesale entity, no later than the second working day of the following month, the total amount of water delivered to each Party. In the event of a discrepancy in meter readings showing a difference in water purchased and delivered to the respective Parties, said discrepancy is to be adjusted and allocated in proportion to the metered amount of water purchased by each Party.

The Parties agree to directly pay Coastal or SDCWA (or other applicable wholesale entity), for all water delivered to such Parties in accordance with the respective procedures of the wholesale entity. The amounts to be paid to the applicable wholesale entity for water delivery hereunder by the Parties shall be referred to as the "Water Delivery Charge". A Party disputing the Water Delivery Charge on the basis of meter readings made by the Designated Operator shall comply with the procedures set forth in Section 4.3 of this Agreement, as well as any applicable procedures of the wholesale entity.

(d) Install necessary meters and appurtenances that may be required to account for and control the water delivered to each Party; provided, each Party will bear the full cost of each meter and all appurtenances installed for its sole use, and will share the cost of each meter and appurtenance installed for joint use in proportion to its Capacity-Owner Percentage for the WIP as set forth above in Table 1. The Parties acknowledge SCWD has, at its sole cost and expense, installed a meter and control structure at the terminus of the SCWD boundary located at the end of Reach 3 and its junction with SCWD's Reach 4, to account for the water delivered into Reach 4 for the sole use and benefit of SCWD.

(e) Strictly comply with the requirements of all permits and licenses and all applicable federal, state and local statutes, ordinances, rules and regulations governing the WIP. If such compliance is impossible for reasons beyond its control, the Designated Operator shall immediately notify the Parties of the fact and the reasons for noncompliance. In the absence of any superseding law, rule or regulation or term otherwise specified in this Agreement, the laws, rules and regulations applicable to and governing the Designated Operator shall apply to operations of the WIP.

3.4 Independent Contractor. The Designated Operator, in performance of the Designated Operator services hereunder, is an independent contractor and all employees of the Designated Operator are solely employees of the Designated Operator and not the agents or employees of the other Parties.

3.5 Contracting for Services. Subject to Section 5.2, except for emergency repairs to protect public health and safety, the Designated Operator shall obtain the prior approval of the affected Parties to (a) secure the services of any contractor for the purpose of performing repairs, or improvements, or for constructing new capital facilities or (b) to purchase replacement equipment, when the cost of either (a) or (b) exceeds \$50,000 per contract or purchase. The necessary approval of the affected Parties shall be in accordance with the provisions of Section 2.1(d)(ii).

3.6 Work Stoppage. In the event the Designated Operator employees performing the duties required by this Agreement engage in any strike, work stoppage, work slowdown or any similar activity resulting in the interruption or cessation of the duties required to be provided by the Designated Operator, the Designated Operator shall use its best efforts to obtain additional or replacement services to continue all required operations. During any such strike, work stoppage, work slowdown or any similar activity affecting the operation of the WIP, the other Party may, without terminating this Agreement, assume the operation of the facilities through the use of the employees of any Party, or any independent contractor. No payment shall be made by the other Party to the Designated Operator for work performed by the other Parties during such period. Upon resolution of any of the above described labor disputes, the Designated Operator shall resume its duties under this Agreement. The Designated Operator shall not be liable to the other Parties for any losses, direct or indirect, that may result to the other Parties as a result of such the Designated Operator employee work stoppage. The Designated Operator shall not be deemed to have breached this Agreement or any provision thereof, in the event it is unable, for the reasons discussed in this Section 3.6 to provide the services required under Section II of this Agreement.

3.7 Termination.

(a) The appointment of the Designated Operator may be terminated by the Committee without cause, or the Designated Operator may resign from the appointment upon receipt of ninety (90) days' written notice by the Parties.

(b) The appointment may be terminated for cause by the Committee upon thirty (30) days' written notice to the Designated Operator with such notice including specifications of the operational deficiencies giving rise to the termination for cause. Within such thirty (30) days, the Designated Operator may remedy the cause for termination, and the appointment may continue beyond the initial thirty (30) day period, provided the Committee finds the Designated Operator is diligently pursuing remedial steps to cure the noticed deficiency.

(c) Termination of the appointment of the Designated Operator pursuant to this Section 3.7 (a) or (b) shall be subject to the arbitration provisions of Section 10.6 herein.

3.8 Compensation Upon Termination of Appointment or Resignation. In the event the appointment is terminated by the Committee, or the Designated Operator resigns the appointment under Section 3.7, the other Parties shall promptly reimburse the Designated Operator for the cost of tools, equipment and materials used exclusively by the Designated Operator to perform the duties required herein, which expenditures would not have been incurred but for this appointment and which costs have not otherwise been paid as compensation to the Designated Operator. To the extent that such tools, equipment and/or materials are also used in connection with work not related to this appointment, an allocation of costs incurred shall be made in proportion to the time the tools or equipment were used or materials consumed on such other work and the work performed pursuant to this appointment. To the extent such payments are made by the other Parties to fully reimburse the Designated Operator for the cost of any tools, equipment or materials used exclusively for, or allocated to, the WIP operations, such items shall thereafter belong to the Parties (including the Designated Operator to the extent of its interests) and the Designated Operator agrees to execute such documents as necessary to transfer title to the tools, equipment or materials purchased. The amount to be paid shall be determined as follows:

(a) First, by mutual agreement of the Parties;

(b) Second, if the Parties do not mutually agree within thirty (30) days after notice of termination is received, then by the independent certified public accountant or accountants regularly used for the WIP operations;

(c) Third, if the said accountant or accountants do not resolve the matter within sixty (60) days after the notice of termination is received, then by arbitration in accordance with Section 10.6 of this Agreement.

3.9 Designation of SCWD as Operator. In conjunction with the approval and execution of this Agreement, the Parties hereby designate SCWD to be the initial Designated Operator under this Agreement, and SCWD hereby accepts such appointment, and further agrees to carry out its responsibility in accordance with the terms and conditions of this Agreement.

SCWD shall commence the management, operation and maintenance of the WIP on the Effective Date. SCWD shall continue as the Designated Operator until such time as the Committee appoints a new Designated Operator following the termination or resignation of SCWD's appointment as the Designated Operator. Any re-appointment or termination of, or resignation by, SCWD as the Designated Operator shall be in accordance with the procedures set forth in Sections 2.1(d)(ii), (iii) and 3.7.

IV. OPERATIONS AND MAINTENANCE COSTS

4.1 Operations and Maintenance Costs - Defined. "Operations and Maintenance (O&M) Costs" shall be defined to be the actual costs of operating and maintaining the WIP based on sound accounting principles, including those expenses listed below, necessary to maintain and preserve the facilities in good repair and working order. O&M Costs do not include depreciation or any obsolescent charges or any reserves therefor, or amortization of intangibles or other bookkeeping entries of a similar nature. O&M Costs are, specifically, the sum of the following:

(a) the actual cost to the Designated Operator of necessary labor, such labor to include actual salaries and benefits, as well as legal, insurance, accounting and identifiable administrative services ("Administrative Costs").

(b) all repair or replacement items at a cost not in excess of \$50,000 per item;

(c) the actual cost of necessary supplies and materials purchased in connection with the services (no mark-up);

(d) the costs of necessary utilities such as power, light and telephone;

(e) the standard cost of items in inventory;

(f) the cost of equipment at current rental rates; and,

(g) the cost of outside services for those above-listed items authorized by this Agreement or the Committee.

4.2 Allocation, Compensation. O&M Costs shall consist of two components: 'fixed costs' and 'variable costs'. Fixed costs are those O&M Costs that benefit the WIP and are incurred regardless of actual capacity use by the Parties. Fixed costs shall be allocated among the Parties and be paid by each Party based on the Capacity-Owner Percentage set forth in Table 1. Variable costs are those O&M Costs not otherwise defined as fixed costs, and shall be allocated and paid by each Party in proportion to its actual water use. Each Party shall pay the Designated Operator as compensation for the Designated Operator's services hereunder its share of the O&M Costs in accordance with the procedure in Section 4.3.

4.3 Payment of Operations and Maintenance Costs. The Designated Operator shall bill each Party on or about the first day of each month in advance for its share of estimated O&M Costs based on approved budget estimates, as adjusted by the most current operational experience (in the case of variable costs). Each Party agrees to remit such amount within thirty

(30) days of the date of such billing or to pay, in addition, simple interest at the rate of 10% per annum on the unpaid balance until receipt of the balance by the Designated Operator. A Party disputing the correctness of any billing by the Designated Operator agrees to pay the billing under protest and such payment will be without prejudice to the rights of such Party to continue protesting said billing. If the dispute is subsequently resolved in favor of such Party, the Designated Operator agrees to refund the disputed amount owed to the Party along with interest at the LAIF Rate from the date of payment to the date of refund of such amount.

V. CAPITAL IMPROVEMENT/MAJOR REPAIR COSTS

5.1 Capital Improvement Costs Defined. Capital Improvement Costs are defined to mean all necessary capital improvements, repairs (including major repairs discussed below), adjustments and replacements to the WIP at a cost in excess of \$50,000 per improvement or repair, including Administrative Costs in connection therewith. Capital Improvement Costs will be paid by each Party in proportion to its Capacity-Owner Percentage in the WIP, as set forth in Table 1 above. These costs, other than those costs considered to be for "major" repairs as set forth below in Section 5.2, will be paid in accordance with the procedure set forth in Section 5.2.

5.2 Major Repairs. In the event of the necessity for major repairs to preserve continuous operation of the WIP, the Designated Operator shall immediately convene a meeting of the Committee, or, if no such meeting is feasible, contact each of the Parties to this Agreement for approval of such repairs. If, after a reasonable time, a Party fails to approve such major repairs, the Designated Operator is authorized to have such repairs made in order to preserve the continuous operation of the WIP, and each Party shall be liable for its share of the costs for such major repairs in proportion to its Capacity-Owner Percentage in each section or reach of the WIP (See Table 1).

The Capital Improvement Costs and major repair costs may be billed to the Parties by the Designated Operator in one lump sum, prior to awarding any contracts for such improvements or repairs, or on a monthly basis to coincide with progress payment schedules, at the Designated

Operator's discretion. The Parties shall remit their share of the costs for Capital Improvement/major repairs to the Designated Operator within thirty (30) days of receipt of billing for such amounts. The Designated Operator shall account for all earnings on Capital Improvement/major repair deposit amounts in accordance with Section VI below.

VI. BUDGETS; ACCOUNTING

6.1 Annual Budget. The Designated Operator shall prepare and submit an annual budget to the Committee for its review, and thereafter (but no later than May 1) to each Party for its review and approval. The budget shall estimate expenditures necessary for the O&M Costs, including Administrative Costs, and Capital Improvement Costs (inclusive of major repair costs). The budget shall be prepared in sufficient detail to constitute an operating outline of expenditures to be made during the ensuing fiscal year and the contributions to be made by the Parties. Each budget shall be approved by the Committee, subject to ratification by the governing bodies of the Parties. Until such time as the ratification process has been completed, the budget shall constitute a proposed budget.

6.2 Budget Approval Process. Each Party reserves the right to approve proposed budgets. Such approval shall be evidenced by a certified copy of the resolution or minute order of the governing body of a Party, delivered to the Designated Operator.

If a Party fails or refuses to approve any budget, the budget shall be returned to the Committee for re-study and revision. In the event a budget acceptable to all of the Parties is not obtained prior to the start of a fiscal year, the Designated Operator may continue to operate at the level of expenditure authorized by the last approved budget and the Parties shall be obligated to contribute their pro rata portion of the funding to the Designated Operator.

6.3 Budget Deposits. Each Party shall appropriate and deliver to the Designated Operator its proportionate share of the budget funds for costs, including Administrative Costs, on a monthly basis during the fiscal year, and within thirty (30) days after receipt of a billing

therefor from the Designated Operator (see Section 4.3). Late deposit of such funds or payments for such costs shall bear interest at the LAIF Rate. Capital Improvement Costs and major repair costs under Section V of this Agreement shall be paid in accordance with the terms thereof.

6.4 Restricted Account. Funds appropriated by a Party and deposited with the Designated Operator pursuant to this Agreement shall be expended only for the purposes expressed in this Agreement and in the budget. Funds shall be deposited in restricted, interest-bearing accounts corresponding to each category of costs designated herein (e.g., O&M, Administrative, Capital Improvement and major repair Costs, and reserves (if any), as described in this Agreement), administered by the Designated Operator.

VII. REPORTING REQUIREMENTS

7.1 Books; Fiscal Year; Audit. The Designated Operator shall maintain full and accurate books and accounts in accordance with the practices established by, or that are consistent with, those utilized by the Controller of the State of California for public agencies. Such books and accounts shall be maintained on the basis of a fiscal year, commencing July 1 and ending on June 30. The books and accounts shall be audited annually by an independent certified public accountant and copies of each such audit report shall be delivered to each of the Parties no later than fifteen (15) days after receipt of the audit by the Designated Operator. In addition, a Party shall have the right, at its sole cost and expense, to audit such books and accounts at any reasonable time.

Any amounts remaining on deposit at the end of the audit shall be credited to the account of the Party(ies) making such deposits for the subsequent fiscal year budget deposits; provided, at the request of a Party, such excess deposit amounts shall be returned to the requesting Party.

7.2 Reports. Throughout the term of this Agreement, the Designated Operator shall provide the following written reports:

(a) Annual Activities Report. Not later than the sixtieth (60th) day after the end of each fiscal year, the Designated Operator shall submit a written report to the Committee that includes, but is not limited to, a summary of the year's maintenance activities, repairs, replacements and improvements.

(b) Annual Audit Report. See Section 7.1 above.

(c) Periodic Reports. From time to time, the Designated Operator shall provide the Parties with such other reports as may be reasonably requested by the Committee.

VIII. INSURANCE/INDEMNITY

8.1 Operations Insurance. With respect to the WIP, the Designated Operator shall furnish and maintain throughout the term of this Agreement comprehensive or commercial general liability insurance, including personal injury and property damage (fire, flood, other standard perils; exclusive of earthquake) and automobile liability insurance with the same limits, deductible/self-insured retention and terms and conditions as the Designated Operator has in force for its other operations. The cost of such insurance shall be considered a fixed Administrative Cost, and allocated based on Capacity-Owner Percentage; provided, only costs incurred by the Designated Operator for insurance coverage with respect to the WIP which exceed amounts otherwise payable by the Designated Operator for insurance in force for its other operations shall be so allocated and paid by the Parties. The Parties and their respective officers, directors, employees and agents shall be additional named insureds under the policy or policies of such insurance.

8.2 Indemnification. The Designated Operator shall not be liable to the other Parties for any physical damage caused to any portion or reach of the WIP or for any monetary damage if such physical or monetary damage is caused by earthquake, flood, fire, explosion, riot, revolution, civil disturbance, war, other acts of God, or other causes beyond the control of the Designated Operator. Additionally, the Designated Operator shall not be liable or responsible to

the other Parties or any third party for any other damages caused by or in connection with the Designated Operator's actions hereunder or in connection with the operation of the WIP performed by the Designated Operator, except, however, the Designated Operator shall defend and indemnify each of the other Parties hereto, along with each Party's officers, directors, employees, and agents, against, and assume and pay all costs of the other Party resulting from, claims or damages resulting from the gross negligence or the willful misconduct of the Designated Operator or its agents and/or employees. Should the Designated Operator not comply with any provision of this Agreement due to its gross negligence or willful misconduct, the Designated Operator shall defend and indemnify, and assume and pay all costs of the other Party resulting therefrom, if not otherwise paid by insurance proceeds of policies provided pursuant to Sections 8.1, including but not limited to the costs of repair, personal or property damage resulting therefrom, as well as any fines levied against the Designated Operator or the other Party by any local, state, or federal governmental regulatory agency. Any such amounts may be deducted from the Designated Operator's compensation for operation services hereunder if not otherwise paid from insurance proceeds. All costs for which the Designated Operator has no indemnity obligation pursuant to this Section 8.2 shall be apportioned among the Parties (including the Designated Operator) based on the Capacity-Owner Percentage set forth in Table 1.

IX. EFFECTIVE DATE

9.1 Effective Date. This Agreement will be deemed to be executed and effective one day prior to the effective date of LAFCO Reorganization No. RO99-07 (the "Effective Date"). In the event LAFCO Reorganization No. RO99-07 is not completed on or before December 31, 2000, this Agreement shall be deemed null and void by Parties hereto and the 1991 Agreement will remain fully operative.

9.2 1991 Agreement. The 1991 Agreement is superseded in its entirety by this Agreement as of the Effective Date.

X. GENERAL

10.1 Assignment. Neither this Agreement nor any duties or obligations of the Designated Operator hereunder shall be assigned by the Designated Operator. Subject to this provision regarding assignment, this Agreement shall be binding on the successors and/or assigns of the respective Parties.

10.2 Further Acts. Each Party to this Agreement agrees to execute and deliver all documents and perform all further acts that may be reasonably necessary to carry out the provisions of this Agreement.

10.3 Amendments. This writing constitutes the entire agreement between and among the Parties. No modification of this Agreement shall be valid, unless in writing and signed by the Parties.

10.4 Attorneys Fees. In the event an action is commenced by any Party to this Agreement to enforce or construe its rights or obligations arising from this Agreement, the prevailing Party in such action, in addition to any other relief and recovery awarded by the court, shall be entitled to recover all reasonable costs plus a reasonable amount for attorneys' fees.

10.5 Notice. Any notice provided for herein shall be given in writing and transmitted by personal delivery or prepaid first class mail, addressed as follows, which address may be changed from time to time upon direction of the Parties:

TRI-CITIES MUNICIPAL WATER
DISTRICT

Tri-Cities Municipal Water District
851 Calle Agua
San Clemente, California 92672
Attn: General Manager

CITY OF SAN CLEMENTE

City of San Clemente
910 Calle Negocio
San Clemente, CA 92673
Attn: Director of Public Works

SOUTH COAST WATER
DISTRICT

South Coast Water District
31592 West Street
Laguna Beach, CA 92651
Attn: General Manager

10.6 Arbitration Provision. Any controversy or claim between any two or more Parties to this Agreement, in respect to the WIP operations, or to any claims, disputes, demands, differences, controversies, or misunderstandings arising under, out of, or in relation to this Agreement, or any breach thereof, shall be submitted to and determined by arbitration. To the extent not inconsistent herewith, the rules of the American Arbitration Association shall apply. The Party desiring to initiate arbitration shall give notice of its intention to arbitrate to every other Party to this Agreement. Such notice shall designate as "respondents" such other Parties as the initiating Party intends to have bound by any award made therein. Any Party not so designated but which desires to join in the arbitration may, within ten (10) days of service upon it of such notice, file a response indicating its intention to join in and to be bound by the results of the arbitration, and further designating any other Parties it wishes to name as a respondent. Within twenty (20) days of the service of the initial demand for arbitration, the American Arbitration Association, hereinafter referred to as "AAA" shall submit simultaneously to the initiating Party and to all Parties named as respondents or filing a response therein, an identical list of names of persons chosen from the AAA National Panel of Arbitrators which persons shall be, to the extent possible, persons versed in the field of public water systems as well as general public law. Each Party to the dispute shall have fifteen (15) days from the mailing date in which to cross-off any names to which it objects, number the remaining names indicating the order of its preference, and return the list to the AAA. If a Party does not return the list within the time specified, all persons named therein shall be deemed acceptable. From among the persons who have been approved on both lists, in accordance with the designated order of mutual preference, the AAA shall invite the acceptance of an arbitrator to serve. If the Parties fail to agree upon one of the persons named, or if an acceptable arbitrator is unable to act, or if for any other reason the appointment cannot be made from the submitted list, the AAA shall have the power to make the appointment of the arbitrator from other members of the panel without the submission of any additional list.

The arbitrator shall determine the rights of the Parties in accordance with the law, and the award shall be subject to review as to the arbitrator's application of the law by any court having jurisdiction thereof, whether or not any mistake of law shall appear upon the face of the award. As to all questions of facts, however, the determination of the arbitrator shall be binding upon all Parties and shall be final. Any Party shall be entitled to written findings of fact and conclusions of law as to all issues determined by the award. Subject to the above limitations, the award shall be binding upon all Parties to the arbitration and judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof.

The arbitrator may, in his discretion, as part of the arbitration award impose upon any one Party or allocate among two or more of the Parties, the liability for the arbitration fees and expenses. Such allocable fees may include the administration fees, fees for second and subsequent hearings, postponement fees and overtime fees. Allocable expenses may include the expenses of producing witnesses, the cost of stenographic records, the cost of any transcripts, travel expenses of the arbitrator and tribunal administrator, the expenses of any witnesses, the costs of any proofs produced at the direct request of the arbitrator, and any other expenses relating directly to the arbitration. In the event of the failure of the arbitrator to provide for the allocation of such fees and expense, the arbitration fees shall be divided equally between the Parties and the expenses shall be borne by the Party incurring them.

10.7 Severance. If any section, subsection, sentence or clause or phrase of this Agreement, or the application thereof, to any of the Parties or any other person or circumstances is for any reason held invalid, the validity of the remainder of the Agreement, or the application of such provision to the other Parties, or to any other persons or circumstances, shall not be affected thereby. Each of the Parties declares that it would have entered into this Agreement, and each section, subsection, sentence, clause or phrase thereto, irrespective of the fact that one or more sections, subsections, sentences, clauses or phrases, or the application thereof, to any Party or any other person or circumstance be held invalid.

10.8 Integration; Attachments. This Agreement constitutes the entire Agreement and supersedes all prior Agreement and understandings, both written and oral, among the Parties with respect to the subject matter hereof. The Exhibits attached hereto are incorporated into this Agreement.

10.9 Recitals/Calendar Days. The Parties agree the Recitals of this Agreement are true and correct, and are incorporated as part of this Agreement. All references to the term "days" in this Agreement unless otherwise specified shall mean calendar days.

10.10 Waiver. No waiver of any default by a Party or the Parties shall constitute a waiver of any other default or breach, whether of the same or other covenant or condition.

10.11 No Third Party Beneficiaries. There are no intended third party beneficiaries of any right or obligation assumed by the Parties under this Agreement.

10.12 Governing Law and Venue. This Agreement shall be construed in accordance with and governed by the laws of the State of California. Any lawsuit brought in connection with this Agreement shall be brought in the appropriate court in the County of Orange, California.

10.13 Counterparts. This Agreement may be signed in counterparts, each of which shall constitute an original and which collectively shall constitute one instrument.

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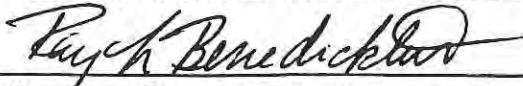
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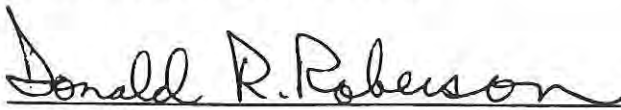
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IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the day and year first written above.

Dated: March 3, 2000

TRI-CITIES MUNICIPAL WATER DISTRICT

By: 
President, Board of Directors

By: 
Secretary, Board of Directors

CITY OF SAN CLEMENTE

Dated: 3.11.2000

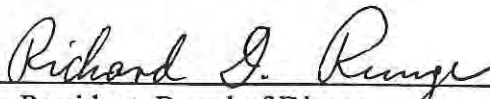
By: 
Mayor

Attest:


City Clerk

SOUTH COAST WATER DISTRICT

Dated: 3/2/00

By: 
President, Board of Directors

By: 
Secretary, Board of Directors

IMPORTED WATER SUPPLY SYSTEM



Exhibit "B"

Certification of Designated Operator

"By execution of this Certificate, the following as an authorized representative of [_____ public agency _____] warrants and represents that by approval of its governing body on _____, _____, accepts [public agency]'s appointment as the 'Designated Operator' under and pursuant to that certain agreement entitled "Joint Exercise of Powers Agreement to Operate and Maintain the Water Importation Pipeline", effective February 28, 2000 (the "Joint Powers Agreement"). [_____ public agency _____] expressly acknowledges and assumes the rights, duties and obligations of the Designated Operator specified in the Joint Powers Agreement, including, but not limited to, the indemnity obligation set forth in Section 8.2 of the Joint Powers Agreement. This acceptance and assumption is effective as of the _____ day of _____, _____.

[_____ Public Agency _____]

By: _____
Authorized Representative

Dated: _____

Local Transmission Main & Schlegel Reservoir

**AGREEMENT FOR TRANSFER OF OWNERSHIP
AND TO OPERATE AND MAINTAIN THE LOCAL
TRANSMISSION MAIN FACILITIES AND THE
SCHLEGEL RESERVOIR**

THIS AGREEMENT, executed, in counterparts and effective as of the Effective Date defined herein, is entered into by and between **TRI-CITIES MUNICIPAL WATER DISTRICT** ("Tri-Cities"); **CITY OF SAN CLEMENTE** ("CSC"), as successor-in-interest to Tri-Cities' ownership interests in the Tri-Cities Local Transmission Main Facilities; and **SOUTH COAST WATER DISTRICT** ("SCWD"), as successor-in-interest to a portion of Tri-Cities' capacity interests in the Tri-Cities' Local Transmission Main Facilities to be held on behalf of the San Diego County end users (individually referred to as "Party", or collectively referred to as "Parties").

RECITALS

- A. Each of the Parties is a public agency, and each of the Parties is authorized and empowered to contract with the other Parties.
- B. Each of the Parties has the authority and power to own, operate and maintain potable water pipelines, reservoirs, and appurtenant facilities within (and in some cases outside) their respective boundaries.
- C. Each of the Parties is the owner, or will be the owner upon the Effective Date of this Agreement, of capacity rights, or other property rights, in the Local Transmission Main (sometimes hereinafter referred to as the "LTM"), a water pipeline that conveys and delivers potable water imported from the Metropolitan Water District of Southern California ("MWD"), and in related

reservoir facilities known as Schlegel Reservoir ("Reservoir"), which is located within the City of San Clemente, which, together with the LTM are sometimes hereinafter referred to in this Agreement as the "Local Transmission Main Facilities", or "LTMF". The LTM extends from the outlet valve at the Dana Point Control to the Brandt Reservoir to that certain point at the San Diego County line, as depicted on the map attached hereto as Exhibit "A", and made a part hereof. The San Onofre Feeder ("SOF"), a water transmission line, is located entirely within San Diego County at the point of connection to the LTM at the County line, and extending to its terminus in the vicinity of the San Onofre State Beach, as depicted on the map attached hereto as Exhibit "A", and made a part hereof.

D. Pursuant to Orange County LAFCO Reorganization No. RO99-07, effective March 31, 2000, Tri-Cities will be consolidated with Coastal Municipal Water District ("Coastal"), as the legal successor-in-interest to Tri-Cities; provided, pursuant to this Agreement, the full right, title, and interest in certain water system facilities owned by Tri-Cities, including a portion of the LTMF and the Schlegel Reservoir, shall be transferred to CSC, on the Effective Date (as defined herein). Therefore, the Parties hereto desire to (i) provide for the transfer of ownership of the LTMF currently owned by Tri Cities to CSC; (ii) designate a successor to Tri-Cities (i.e., SCWD), for operation and maintenance of the LTM; (iii) provide additional procedures for operating and maintaining the LTM; (iv) provide for the transfer of ownership of the Schlegel Reservoir currently owned by Tri-Cities to CSC; and (v) designate a successor to Tri-Cities (i.e., CSC), for operation and maintenance of the Schlegel Reservoir, which provides storage

capacity for operation of the LTM and emergency storage for Southern California Edison ("Edison") for its San Onofre Nuclear Generating Station ("SONGS).

E. Edison owns the San Onofre Nuclear Generating Station ("SONGS"), located upon land owned by the Federal Government on the coast of extreme northern San Diego County. Edison requires that SONGS have a permanent, reliable source of potable water.

F. Tri-Cities and Edison were parties to that certain "Water Service and Reservoir Construction Agreement", dated December 7, 1983 ("1983 Agreement"), under the terms of which Edison received water from Tri-Cities until January 31, 2000.

G. Under the 1983 Agreement, Tri-Cities utilized the Tri-Cities Joint Transmission Main facilities ("JTM"), the LTMF, and the SOF (the JTM, LTMF, and SOF are collectively referred to as "System") to supply water to SONGS. Pursuant to the 1983 Agreement, Edison paid approximately \$2,000,000 to construct the Reservoir and approximately \$4,000 to purchase 5,000,000 gallons of water stored in the Reservoir for emergencies.

H. Tri-Cities, Edison, and SCWD are parties to that certain "Water Service Agreement", dated January 31, 2000 ("2000 Agreement"), under the terms of which Edison currently receives water from Tri-Cities through the System, including the storage of 5,000,000 gallons of water in the Reservoir. The 2000 Agreement supersedes the 1983 Agreement in all respects.

I. The 2000 Agreement did not alter the terms of the annexation of the SONGS site into the MWD, under which Edison paid for and was granted the

right to 3.67 cfs of the total capacity of 5.07 cfs that the MWD allocated to the San Diego County Water Authority ("SDCWA") for San Diego customers. Edison has assigned 0.60 cfs of its 3.67 cfs capacity rights for the use of Camp Pendleton under separate agreement with the United States of America, acting through the Southwest Division, Naval Facilities Engineering Command. Additionally, under the terms of the 2000 Agreement, Edison released 1.07 cfs of its previously purchased 3.67 cfs capacity rights to CSC and SCWD ("Released Capacity"), in a proportion as agreed to between these entities.

J. Pursuant to its express terms, on the effective date of the Reorganization, the 2000 Agreement shall be automatically assigned to SCWD, who shall assume Tri-Cities' obligations under the 2000 Agreement to operate and maintain the JTM, LTM, and SOF, in accordance with the terms of Agreements with the owners of each facility in the system, to continue to provide water service to Edison at SONGS. The Parties intend that this Agreement become effective one day prior to the Effective Date of the Reorganization, and that CSC, as the owner and operator of the Reservoir, and owner of the LTM, shall assume Tri-Cities' obligations to Edison under the 2000 Agreement related to the operation and maintenance of the LTM and Reservoir other than those otherwise assigned to SCWD.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual benefits and of the mutual covenants herein provided, the Parties agree, for themselves and their successors-in-interest, as follows:

I. TRANSFER OF OWNERSHIP RIGHTS.

1.1. Local Transmission Main – Transfer to CSC. Tri-Cities

hereby conveys, transfers, and assigns all of the rights, title, and interest which it presently owns in the LTM to CSC, and CSC accepts such transfer, and assumes all rights, duties, and responsibilities in connection with such transferred ownership, whether set forth in this Agreement, or as otherwise set forth or by law. No later than ten (10) days prior to the Effective Date, Tri-Cities shall deliver a quitclaim deed of its easement and right-of-way interests for the LTM to CSC, which shall be recorded on the Effective Date.

1.2 Local Transmission Main – Transfer Subject to Capacity Interests.

(a) The transfer of the LTM is subject to the rights of SCWD to own a quantity of capacity rights and interest in the LTM, as set forth in Table 1 below, which rights are hereby granted. SCWD, or its successor, shall own the capacity rights for the benefit of the end users located in San Diego County, in accordance with the terms and conditions of certain agreements between SCWD and SDCWA, as successor owner of the San Onofre Feeder; and between SCWD and each of said end users—namely: Edison, State of California Department of Parks, and the United States Navy – Camp Pendleton.

TABLE 1

LOCAL TRANSMISSION MAIN CAPACITY OWNERSHIP

Participant	Capacity in cfs	Capacity Ownership (%)
CSC	14.78	86.64%
SCWD/San Diego cfs	2.28	13.36%
TOTAL	17.06	100 %

(b) The capacity interests of SCWD labeled “San Diego cfs” in Table 1 above are subject to the following condition: in the event either (i) SCWD, or its successor, is no longer the potable water supplier, by way of service agreements with SDCWA (or its successor), to Edison/SONGS, and/or United States/Camp Pendleton, and/or State of California/State Parks Department; or (ii) in the event any of such San Diego public agency/public utility entities named in (i) above (or their successors) no longer receive potable water service through the LTMF, then that agency’s “San Diego cfs” of capacity, as described in (i) or (ii) above, will be relinquished, transferred, and owned by CSC. SCWD and CSC each respectively agrees to assume all associated duties and obligations in connection with the San Diego cfs capacity so allocated to them. The Parties agree to further review the allocation of the San Diego cfs capacity in advance of any anticipated shutdown of the San Onofre Nuclear Generating Station, which Southern California Edison/SONGS anticipates will be in the Year 2023, or later.

1.3. Local Transmission Main – Operation and Maintenance.

1.3.1. Designation of Operator. Subsequent to the initial appointment hereunder of SCWD, as provided in Section 1.3.9 hereafter, and in the event SCWD is no longer the Designated Operator hereunder, due to resignation or termination, CSC shall designate itself, or another entity to be responsible for the day-to-day operation and maintenance of the LTM (the “Designated Operator”). Upon the appointment of another entity as the

Designated Operator, the newly-appointed Designated Operator shall execute a certificate in substantially the form of Exhibit "B" to this Agreement, in order to expressly acknowledge and assume the obligations of the Designated Operator set forth in this Agreement.

1.3.2. Cooperation. To the end that the operation of the LTM will be maintained at the highest efficiency with the lowest costs, the Parties agree that they will confer with each other and share their talents and abilities, even though the Designated Operator will be the responsible operating agency.

1.3.3. Services to be Performed. Subject to all of the provisions of this Agreement, the Designated Operator shall operate and maintain the LTM in accordance with the following general provisions:

(a) Provide, or cause to be provided, all tools, equipment, vehicles, materials, supplies, and qualified personnel necessary to manage, operate, maintain, and repair the LTM.

(b) Receive water into the LTM and operate same, including service connections, in an efficient manner, and maintain the same in good working order and composition, all in accordance with recognized engineering practices.

(c) Operate the LTM, control devices, and all meters and appurtenances, and read all meters at periodic intervals and account for all water delivered to the Parties.

(d) Install necessary meters and appurtenances that may be required to account for and control the water delivered to each Party;

provided, each Party will bear the full cost of each meter and all appurtenances installed for its sole use, and will share the cost of each meter and appurtenance installed for joint use in proportion to its Capacity-Owner Percentage for the LTM, as set forth above in Table 1.

(e) Strictly comply with the requirements of all permits and licenses and all applicable federal, state, and local statutes, ordinances, rules, and regulations governing the LTM. If such compliance is impossible for reasons beyond its control, the Designated Operator shall immediately notify CSC of the fact and the reasons for noncompliance. In the absence of any superseding law, rule, regulation, or term otherwise specified in this Agreement, the laws, rules, and regulations applicable to and governing the Designated Operator shall apply to operations of the LTM.

1.3.4. Independent Contractor. The Designated Operator, in performance of the Designated Operator services hereunder, is an independent contractor, and all employees of the Designated Operator are solely employees of the Designated Operator and not the agents or employees of CSC.

1.3.5. Contracting for Services. Subject to Section 1.3.14. below, except for emergency repairs to protect public health and safety, the Designated Operator shall obtain the prior approval of CSC to (i) secure the services of any contractor for the purpose of performing repairs, or improvements, or for constructing new capital facilities; or (ii) to purchase replacement equipment, when the cost of either (i) or (ii) exceeds \$50,000 per contract or purchase.

1.3.6. Work Stoppage. In the event the Designated Operator employees performing the duties required by this Agreement engage in any strike, work stoppage, work slowdown or any similar activity resulting in the interruption or cessation of the duties required to be provided by the Designated Operator, the Designated Operator shall use its best efforts to obtain additional or replacement services to continue all required operations. During any such strike, work stoppage, work slowdown, or any similar activity affecting the operation of the LTM, CSC may, without terminating this Agreement, assume the operation of the facilities through the use of the employees of CSC, or any independent contractor. No payment shall be made by CSC to the Designated Operator for work performed by CSC during such period. Upon resolution of any of the above-described labor disputes, the Designated Operator shall resume its duties under this Agreement. The Designated Operator shall not be liable to CSC for any losses, direct or indirect, that may result to CSC as a result of such Designated Operator employee work stoppage. The Designated Operator shall not be deemed to have breached this Agreement, or any provision thereof, in the event it is unable, for the reasons discussed in this Section 1.3.6. to provide the services required under this Agreement.

1.3.7. Termination.

(a) The appointment of the Designated Operator may be terminated by CSC without cause, or the Designated Operator may resign from the appointment upon receipt of ninety (90) days' written notice by CSC.

(b) The appointment may be terminated for cause by CSC upon thirty (30) days' written notice to the Designated Operator with such notice, including specifications of the operational deficiencies giving rise to the termination for cause. Within such thirty (30) days, the Designated Operator may remedy the cause for termination, and the appointment may continue beyond the initial thirty (30) day period, provided CSC finds the Designated Operator is diligently pursuing remedial steps to cure the noticed deficiency.

(c) Termination of the appointment of the Designated Operator, pursuant to this Section 1.3.7. (a) or (b), shall be subject to the arbitration provisions of Section 13.1. herein.

1.3.8. Compensation Upon Termination of Appointment or Resignation. In the event the appointment is terminated by CSC, or the Designated Operator resigns the appointment under Section 1.3.7., CSC shall promptly reimburse the Designated Operator for the cost of tools, equipment, and materials used exclusively by the Designated Operator to perform the duties required herein, which expenditures would not have been incurred but for this appointment and which costs have not otherwise been paid as compensation to the Designated Operator. To the extent that such tools, equipment, and/or materials are also used in connection with work not related to this appointment, an allocation of costs incurred shall be made in proportion to the time the tools or equipment were used, or materials consumed, on such other work, and the work performed pursuant to this appointment. To the extent such payments are made by CSC to fully reimburse the Designated Operator for the cost of any tools,

equipment, or materials used exclusively for, or allocated to, the LTM operations, such items shall thereafter belong to the Parties (including the Designated Operator to the extent of its interests), and the Designated Operator agrees to execute such documents as necessary to transfer title to the tools, equipment, or materials purchased. The amount to be paid shall be determined as follows:

- (a) First, by mutual agreement of the Parties;
- (b) Second, if the Parties do not mutually agree within thirty (30) days after notice of termination is received, then by the independent certified public accountant or accountants regularly used for the LTM operations;
- (c) Third, if the said accountant or accountants do not resolve the matter within sixty (60) days after the notice of termination is received, then by arbitration in accordance with Section 13.1. of this Agreement.

1.3.9. Designation of SCWD as Operator. In conjunction with the approval and execution of this Agreement, CSC hereby designates SCWD to be the initial Designated Operator under this Agreement, and SCWD hereby accepts such appointment, and further agrees to carry out its responsibilities in accordance with the terms and conditions of this Agreement.

SCWD shall commence the management, operation, and maintenance of the LTM on the Effective Date. SCWD shall continue as the Designated Operator until such time as CSC appoints a new Designated Operator following the termination or resignation of SCWD's appointment as the Designated Operator.

1.3.10. Operations and Maintenance Costs – Defined.

"Operations and Maintenance ('O&M') Costs" shall be defined to be the actual costs of operating and maintaining the LTM based on sound accounting principles, including those expenses listed below, necessary to maintain and preserve the facilities in good repair and working order. O&M Costs do not include depreciation or any obsolescent charges or any reserves therefor, or amortization of intangibles or other bookkeeping entries of a similar nature. O&M Costs are, specifically, the sum of the following:

(a) The actual cost to the Designated Operator of necessary labor, such labor to include actual salaries and benefits, as well as legal, insurance, accounting, and identifiable administrative services ("Administrative Costs").

(b) All repair or replacement items at a cost not in excess of \$50,000 per item;

(c) The actual cost of necessary supplies and materials purchased in connection with the services (no mark-up);

(d) The costs of necessary utilities such as power, light, and telephone;

(e) The standard cost of items in inventory;

(f) The cost of equipment at current rental rates;

and

(g) The cost of outside services for those above-listed items authorized by this Agreement or the Committee.

1.3.11. Allocation, Compensation. O&M Costs shall consist of two components: "fixed costs" and "variable costs". Fixed costs are those O&M Costs that benefit the LTM and are incurred regardless of actual capacity use by the Parties. Fixed costs shall be allocated among the Parties and be paid by each Party based on the Capacity-Owner Percentage set forth in Table 1. Variable costs are those O&M Costs not otherwise defined as fixed costs, and shall be allocated and paid by each Party in proportion to its actual water use. Each Party shall pay the Designated Operator as compensation for the Designated Operator's services hereunder its share of the O&M Costs in accordance with the procedure set forth in Section 1.3.12. below.

1.3.12. Payment of Operations and Maintenance Costs. The Designated Operator shall bill each Party on or about the first day of each month in advance for its share of estimated O&M Costs based on approved budget estimates, as adjusted by the most current operational experience (in the case of variable costs). Each Party agrees to remit such amount within thirty (30) days of the date of such billing, or to pay, in addition, simple interest at the rate of 10% per annum on the unpaid balance until receipt of the balance by the Designated Operator. A Party disputing the correctness of any billing by the Designated Operator agrees to pay the billing under protest, and such payment will be without prejudice to the rights of such Party to continue protesting said billing. If the dispute is subsequently resolved in favor of such Party, the Designated Operator agrees to refund the disputed amount owed to the Party,

along with interest at the LAIF Rate from the date of payment to the date of refund of such amount.

1.3.13. Capital Improvement Costs – Defined. Capital Improvement Costs are defined to mean all necessary capital improvements, repairs (including major repairs discussed below), adjustments, and replacements to the LTM at a cost in excess of \$50,000 per improvement or repair, including Administrative Costs in connection therewith. Capital Improvement Costs will be paid by each Party in proportion to its Capacity-Owner Percentage in the LTM, as set forth in Table 1 above. These costs, other than those costs considered to be for “major” repairs, as set forth below in Section 1.3.14., will be paid in accordance with the procedure set forth in section 1.3.14.

1.3.14. Major Repairs. In the event of the necessity for major repairs to preserve continuous operation of the LTM, the Designated Operator shall immediately convene a meeting with CSC, or, if not such meeting is feasible, contact CSC for approval of such repairs. If, after a reasonable time, CSC fails to approve such major repairs, the Designated Operator is authorized to have such repairs made in order to preserve the continuous operation of the LTM, and each Party shall be liable for its share of the costs for such major repairs in proportion to its Capacity-Owner Percentage in each section or reach of the LTM, as set forth in Table 1 above.

The Capital Improvement Costs and major repair costs may be billed to the Parties by the Designated Operator in one lump sum, prior to awarding any contracts for such improvements or repairs, or on a monthly basis

to coincide with progress payment schedules, at the Designated Operator's discretion. The Parties shall remit their share of the costs for Capital Improvement/major repairs to the Designated Operator within thirty (30) days of receipt of billing for such amounts. The Designated Operator shall account for all earnings on Capital Improvement/major repair deposit amounts, in accordance with Section 1.3.15. below.

1.3.15. Annual Budget. The Designated Operator shall prepare and submit an annual budget to the Parties no later than May 1st of each year, for their review and approval. The budget shall estimate expenditures necessary for the O&M Costs, including Administrative Costs, and Capital Improvement Costs (inclusive of major repair costs). The budget shall be prepared in sufficient detail to constitute an operating outline of expenditures to be made during the ensuing fiscal year, and the contributions to be made by the Parties. Each budget shall be approved by the Staff of each Party, subject to ratification by the governing bodies of the Parties. Until such time as the ratification process has been completed, the budget shall constitute a proposed budget.

1.3.16. Budget Approval Process. Each Party reserves the right to approve proposed budgets. Such approval shall be evidenced by a certified copy of the Resolution or Minute Order of the governing body of a Party, delivered to the Designated Operator.

In the event a budget acceptable to all of the Parties is not obtained prior to the start of a fiscal year, the Designated Operator may continue

to operate at the level of expenditure authorized by the last approved budget, and the Parties shall be obligated to contribute their pro rata portion of the funding to the Designated Operator.

1.3.17. Budget Deposits. Each Party shall appropriate and deliver to the Designated Operator its proportionate share of the budget funds for costs, including Administrative Costs, on a monthly basis during the fiscal year, and within thirty (30) days after receipt of a billing therefor from the Designated Operator (see Section 1.3.12. above). Late deposit of such funds or payments for such costs shall bear interest at the State of California Local Agency Investment Fund ("LAIF") Rate. Capital Improvement Costs and major repair costs under Sections 1.3.13. and 1.3.14. of this Agreement, shall be paid in accordance with the terms thereof.

1.3.18. Restricted Account. Funds appropriated by a Party and deposited with the Designated Operator, pursuant to this Agreement, shall be expended only for the purposes expressed in this Agreement and in the budget. Funds shall be deposited in restricted, interest-bearing accounts, corresponding to each category of costs designated herein (e.g., O&M, Administrative, Capital Improvement, and major repair Costs, and reserves (if any), as described in this Agreement), administered by the Designated Operator.

1.3.19. Books; Fiscal Year; Audit. The Designated Operator shall maintain full and accurate books and accounts in accordance with the practices established by, or that are consistent with, those utilized by the Controller of the State of California for public agencies. Such books and

accounts shall be maintained on the basis of a fiscal year, commencing July 1 and ending on June 30. The books and accounts shall be audited annually by an independent certified public accountant, and copies of each such audit report shall be delivered to each of the Parties no later than fifteen (15) days after receipt of the audit by the Designated Operator. In addition, a Party shall have the right, at its sole cost and expense, to audit such books and accounts at any reasonable time.

Any amounts remaining on deposit at the end of the audit shall be credited to the account of the Party(ies) making such deposits for the subsequent fiscal year budget deposits; provided, at the request of a Party, such excess deposit amounts shall be returned to the requesting Party.

1.3.20. Reports. Throughout the term of this Agreement, the Designated Operator shall provide the following written reports:

(a) Annual Activities Report. Not later than the sixtieth (60th) day after the end of each fiscal year, the Designated Operator shall submit a written report to the Parties that includes, but is not limited to, a summary of the year's maintenance activities, repairs, replacements, and improvements.

(b) Annual Audit Report. See Section 1.3.19. above.

(c) Periodic Reports. From time to time, the Designated Operator shall provide the Parties with such other reports as may be reasonable requested.

1.3.21. Operations Insurance. With respect to the LTM, the Designated Operator shall furnish and maintain through the term of this Agreement, comprehensive or commercial general liability insurance, including personal injury and property damage (fire, flood, other standard perils; exclusive of earthquake), and automobile liability insurance with the same limits, deductible/self-insured retention, and terms and conditions as the Designated Operator has in force for its other operations. The cost of such insurance shall be considered a fixed Administrative Cost, and allocated based on Capacity-Owner Percentage; provided, only costs incurred by the Designated Operator for insurance coverage with respect to the LTM which exceed amounts otherwise payable by the Designated Operator for insurance in force for its other operations shall be so allocated and paid by the Parties. The Parties, and their respective officers, directors, employees, and agents, shall be additional-named insureds under the policy or policies of such insurance.

1.3.22. Indemnification. The Designated Operator shall not be liable to CSC for any physical damage caused to any portion or reach of the LTM or for any monetary damage if such physical or monetary damage is caused by earthquake, flood fire, explosion, riot, revolution, civil disturbance, war, other acts of God, or other causes beyond the control of the Designated Operator. Additionally, the Designated Operator shall not be liable or responsible to CSC or any third party for any other damages caused by or in connection with the Designated Operator's actions hereunder, or in connection with the operation of the LTM performed by the Designated Operator; except,

however, the Designated Operator shall defend and indemnify CSC, along with CSC's officers, directors, employees, and agents, against, and assume and pay all costs of CSC resulting from, claims or damages resulting from the gross negligence or the willful misconduct of the Designated Operator or its agents and/or employees. Should the Designated Operator not comply with any provision of this Agreement due to its gross negligence or willful misconduct, the Designated Operator shall defend and indemnify, and assume and pay all costs of the other Party resulting therefrom, if not otherwise paid by insurance proceeds of policies provided pursuant to Section 1.3.21. above, including but not limited to, the costs of repair, personal, or property damage resulting therefrom, as well as any fines levied against the Designated Operator or CSC by any local, state, or federal governmental regulatory agency. Any such amounts may be deducted from the Designated Operator's compensation for operation services hereunder if not otherwise paid from insurance proceeds. All costs for which the Designated Operator has no indemnity obligation, pursuant to this Section 1.3.22., shall be apportioned among the Parties (including the Designated Operator) based on the Capacity-Owner Percentage set forth in Table 1 above.

1.4. Schlegel Reservoir – Transfer to CSC. Tri-Cities hereby conveys, transfers, and assigns all of the rights, title, and interest which it presently owns in the Schlegel Reservoir to CSC, and CSC accepts such transfer, and assumes all rights, duties, and responsibilities in connection with such transferred ownership, whether set forth in this Agreement, or as otherwise

set forth by contract or by law. No later than ten (10) days prior to the Effective Date, Tri-Cities shall also deliver a quitclaim deed of its easement and right-of-way interests for the Reservoir to CSC, which shall be recorded on the Effective Date.

1.5. Schlegel Reservoir - Transfer Subject to Capacity Interests.

The transfer of the Reservoir is subject to the rights of SCWD to own a quantity of capacity rights and interest in the Reservoir, as set forth in Table 2 below, which rights are hereby granted. SCWD, or its successor, shall own the capacity rights for the benefit of the end users located in San Diego County, in accordance with the terms and conditions of that certain agreement between SCWD and Edison/SONGS.

The capacity interests of SCWD labeled "San Diego mg" in Table 2 below are subject to the following conditions: in the event either (i) SCWD, or its successor is no longer the potable water supplier, by way of service agreements with SDCWA (or its successor), to Edison/SONGS, and/or United States/Camp Pendleton; or (ii) SONGS no longer receives potable water service through the LTMF, then the "San Diego mg" capacity, as set forth in its Water Service Agreement with SCWD, will be relinquished, transferred, and owned by CSC. SCWD and CSC each respectively agrees to assume all associated duties and obligations in connection with the San Diego mg capacity so allocated to them. The Parties agree to further review the allocation of the San Diego mg capacity in advance of any anticipated shutdown SONGS which Edison anticipates will be in the Year 2023, or later.

1.6. Schlegel Reservoir – Operational Capacity and Purpose.

(a) Tri-Cities has owned and operated the 12 million gallon (“mg”) Reservoir, which provides storage capacity in connection with the operations of the LTM. In accordance with past annual budgeting process, CSC and Tri-Cities contributed repair and maintenance costs for the Reservoir, and additional amounts for related capital projects. CSC, as the successor owner, or its designated contract operator, shall operate the Reservoir on a daily basis, so as to provide the highest hydraulic gradient for operating the LTM in accordance with the needs of CSC and the San Diego County end users, while at the same time preserving sufficient capacity for surge control (referenced as the “Operational Storage” in Table 2 below), for the benefit of the Parties. The Operational Storage is integral to the continued successful operation of the LTM by the Parties.

(b) Reservoir Capacity. The capacity rights of CSC and SCWD, on behalf of SONGS, as more fully described in Section 1.5 above, in the Reservoir, shall be as set forth in Table 2 below.

TABLE 2

SCHLEGEL RESERVOIR CAPACITY OWNERSHIP

Participants	Operational Storage (mg)	Peak, Emergency, and Fire Storage (mg)	Dedicated Emergency Storage (mg)	Total Storage Capacity (mg)	Total Capacity Owner Percentage
CSC	2.2	4.8	0.0	7.0	58.33
SCWD/San Diego mg	0.0	0.0	5.0	5.0	41.67
TOTAL	2.2	4.8	5.0	12.0	100%

II. INVOICING AND PAYMENT.

2.1. CSC, as the LTM owner, shall require that the LTM Operator prepares and sends an invoice to Edison on or about the first business day of each month, detailing the cost to Edison for the LTM system charge for the previous month. The invoice shall include a detailed description of Edison's LTM System Charge, and Major Repair costs for the prior month, as provided in the 2000 Agreement.

III. ASSIGNMENT.

3.1. Neither this Agreement nor any duties or obligations of the Parties hereunder, shall be assigned without the prior written consent of the other Party.

IV. FORCE MAJEURE.

4.1. If an event constituting force majeure renders a Party unable to perform, in whole or in part, any obligation under this Agreement, that Party may suspend performance of such obligation for the duration of the event; provided, however, the Party claiming suspension shall notify the other Party of the details of the force majeure, as soon as reasonably practicable after the commencement of the event. A Party may suspend its performance only if the Party has no control over the event, or does not reasonably foresee the event, and cannot, by the exercise of due diligence, prevent or overcome the event constituting force majeure. Examples of events which could constitute force

majeure include, but are not limited to, the following: lightning, storm, earthquake, landslide, flood, washout, or other act of God; freezing, fire, explosion, rupture, breakage, or accident to pipeline, plant, machinery, or equipment; revolution, civil disturbance, sabotage, acts of the public enemies, war, blockade, insurrection, vandalism, riot, epidemic; or order of any court or regulatory authority.

V. NOTICES.

5.1. Any notice provided for herein shall be given in writing and shall be transmitted by personal delivery, prepaid first class mail of the United States Postal Service, or electronic transmission and delivery, with receipt confirmation, which address may be changed from time to time upon direction of a Party to the other:

City of San Clemente	910 Calle Negocio San Clemente, Ca. 92672 Attention: Director of Public Works
South Coast Water District	31592 West Street Laguna Beach, Ca. 92651 Attention: General Manager

VI. ENTIRE AGREEMENT.

6.1. This Agreement constitutes the entire, exclusive, final, and integrated statement of the terms of the Parties' agreement regarding the matters for which it provides. Accordingly, each Party acknowledges that, insofar as that Party had prior dealings with the other Party during negotiations, the Party specifically negates any legal effect of such prior dealings and negotiations and agrees to be bound by no other written or oral representations, warranties,

obligations, assurances, conditions, covenants, or agreements, except as specifically provided in the Agreement.

VII. AMENDMENT.

7.1. The Parties may, by mutual agreement, amend or modify this Agreement by a written amendment or modification duly executed and approved with the same formality as this Agreement.

VIII. ATTORNEYS' FEES.

8.1. If a dispute arises between the Parties about any rights or obligations provided in or related to this Agreement, the prevailing Party in any litigation or arbitration commenced to resolve such dispute shall be entitled to its costs of litigation, including reasonable attorneys' fees and expert witness fees or costs.

IX. ASSIGNMENT TO CSC.

9.1. Effective as of the Effective Date of the Reorganization

- (i) As to the LTM and Reservoir, Tri-Cities assigns the 2000 Agreement and all of Tri-Cities' rights thereunder to CSC and delegates all of Tri-Cities' obligations and liabilities owed to Edison thereunder to CSC, except for obligations that are thereafter assigned to and assumed by SCWD, as LTM Operator or otherwise;
- (ii) As the new LTM and Reservoir owner, CSC agrees to assume, perform, and be liable for all assigned rights, obligations, and liabilities owed to Edison by Tri-Cities under the 2000 Agreement related to the LTM and Reservoir and accepts the assignment of those obligations of Tri-Cities related to the LTM and Reservoir

under the 2000 Agreement including but not limited to, those assigned rights, obligations, and liabilities that accrued prior to the date of this Agreement to the same extent as if CSC had been an original party to the 2000 Agreement as of its effective date; and (iii) As to the LTM and Reservoir, Edison consents to this Assignment of Tri-Cities' rights and delegation of its duties under the 2000 Agreement from Tri-Cities to CSC.

9.2. This Agreement neither modifies nor amends any provision of the 2000 Agreement but merely restates its provisions related to the LTM and Reservoir, which CSC shall own after the Effective Date of the Reorganization.

X. EXECUTION.

10.1. This Agreement may be executed in any number of counterparts and, upon execution by Tri-Cities, SCWD, and CSC, each executed counterpart shall have the same force and effect as an original instrument, as if all of them had signed the same instrument. Tri-Cities, SCWD, and CSC, intending to be legally bound, execute this Agreement by the hands of their duly authorized representatives, and each signatory below represents that he/she is the representative who has been duly authorized to execute this Agreement on behalf of the entity for whom they sign.

XI. TERM.

11.1. Duration. This Agreement shall remain permanently in full force and effect unless terminated, modified, or amended by mutual agreement of CSC and SCWD.

XII. EFFECTIVE DATE.

12.1. This Agreement will be deemed to be effective one (1) day prior to the effective date of LAFCO Reorganization No. RO99-07 (the "Effective Date"). In the event LAFCO Reorganization No. RO99-07 is not completed on or before December 21, 2000, this Agreement shall be deemed null and void by the Parties hereto.

XIII. GENERAL.

13.1. Arbitration Provision. Any controversy or claim between any two or more Parties to this Agreement, in respect to LTMF operations, or to any claims, disputes, demands, differences, controversies, or misunderstandings arising under, out of, or in relation to this Agreement, or any breach thereof, shall be submitted to and determined by arbitration. To the extent not inconsistent herewith, the rules of the American Arbitration Association shall apply. The Party desiring to initiate arbitration shall give notice of its intention to arbitrate to every other Party to this Agreement. Such notice shall designate as "respondents" such other parties as the initiating Party intends to have bound by any award made therein. Any Party not so designated, but which desires to join in the arbitration, may, within ten (10) days of service upon it of such notice, file a response indicating its intention to join in and to be bound by the results of the arbitration, and further designating any other parties it wishes to name as a respondent. Within twenty (20) days of the service of the initial demand for arbitration, the American Arbitration Association (hereinafter referred to as "AAA"), shall submit simultaneously to the initiating Party and to all parties named as respondents or filing a response therein, an identical list of names of

persons chosen from the AAA National panel of Arbitrators, which persons shall be, to the extent possible, persons versed in the field of public water systems, as well as general public law. Each Party to the dispute shall have fifteen (15) days from the mailing date, in which to cross-off any names to which it objects, number the remaining names indicating the order of its preference, and return the list to the AAA. If a Party does not return the list within the time specified, all persons named therein shall be deemed acceptable. From among the persons who have been approved on both lists, in accordance with the designated order of mutual preference, the AAA shall invite the acceptance of an arbitrator to serve. If the parties fail to agree upon one of the persons named, or if an acceptable arbitrator is unable to act, or if for any other reason the appointment cannot be made from the submitted list, the AAA shall have the power to make the appointment of the arbitrator from other members of the panel without the submission of any additional list.

The arbitrator shall determine the rights of the Parties in accordance with the law, and the award shall be subject to review as to the arbitrator's application of the law by any Court having jurisdiction thereof, whether or not any mistake of law shall appear upon the face of the award. As to all questions of facts, however, the determination of the arbitrator shall be binding upon all Parties and shall be final. Any Party shall be entitled to written findings of fact and conclusions of law as to all issues determined by the award. Subject to the above limitations, the award shall be binding upon all Parties to the

arbitration, and judgment upon the award rendered by the arbitrator may be entered in any Court having jurisdiction thereof.

The arbitrator may, in his discretion, as part of the arbitration award, impose upon any one Party or allocate two or more of the Parties, the liability for the arbitration fees and expenses. Such allocable fees may include the administration fees, fees for second and subsequent hearings, postponement fees, and overtime fees. Allocable expenses may include the expenses of producing witnesses, the cost of stenographic records, the cost of any transcripts, travel expenses of the arbitrator, and tribunal administrator, the expenses of any witnesses, the costs of any proofs produced at the direct request of the arbitrator, and any other expenses relating directly to the arbitration. In the event of the failure of the arbitrator to provide for the allocation of such fees and expense, the arbitration fees shall be divided equally between the Parties, and the expenses shall be borne by the Party incurring them.

13.2. Severance. If any section, subsection, sentence, clause, or phrase of this Agreement, or the application thereof, to any of the Parties or any other person or circumstances is for any reason held invalid, the validity of the remainder of the Agreement, or the application of such provision to the other Parties, or to any other person or circumstances, shall not be affected thereby. Each of the Parties declares that it would have entered into this Agreement, and each section, subsection, sentence, clause, or phrase thereto, irrespective of the fact that one or more sections, subsections, sentences, clauses, or phrases, or

the application thereof, to any Party to any other person or circumstance be held invalid.

13.3. Recitals/Calendar Days. The Parties agree the Recitals of this Agreement are true and correct, and are incorporated as part of this Agreement. All references to the term "days" in this Agreement, unless otherwise specified, shall mean calendar days.

13.4. Waiver. No waiver of any default by a Party or the Parties shall constitute a waiver of any other default or breach, whether of the same or other covenant or condition.

13.5. No Third-Party Beneficiaries. There are no intended third-party beneficiaries of any right or obligation assumed by the Parties under this Agreement.

13.6. Governing Law and Venue. This Agreement shall be construed in accordance with and governed by the laws of the State of California. Any lawsuit, or arbitration proceeding, as provided for in Section 13.1. above, brought in connection with this Agreement shall be brought in the appropriate Court in the County of Orange, California, or conducted within Orange County.

13.7. Counterparts. This Agreement may be executed in counterparts, each of which shall constitute an original and which collectively shall constitute one instrument.

IN WITNESS WHEREOF, the Parties hereto have executed this
Agreement.

TRI-CITIES MUNICIPAL WATER DISTRICT

By Ray H. Brundage
President

ATTEST:
Donald R. Roberson
Secretary

APPROVED AS TO FORM

By James E. Brown

CITY OF SAN CLEMENTE

By Santher
Mayor

ATTEST:
Megana E. Kway
City Clerk

APPROVED AS TO FORM:

By Jeffrey M. Allen
City Attorney

SOUTH COAST WATER DISTRICT

By Richard L. Rung
President

ATTEST:
Michael P. Dunbar
Secretary

APPROVED AS TO FORM:

By John A. [Signature]

^B
Exhibit "C"

Certification of Designated Operator

"By execution of this Certificate, the following as an authorized representative of [_____ public agency _____] warrants and represents that by approval of its governing body on _____, _____, accepts [public agency]'s appointment as the 'Designated Operator' under and pursuant to that certain agreement entitled "Amended and Restated Joint Exercise of Powers Agreement to Operate and Maintain the Joint Transmission Main Facilities", effective February 28, 2000 (the "Joint Powers Agreement"). [_____ public agency _____] expressly acknowledges and assumes the rights, duties and obligations of the Designated Operator specified in the Joint Powers Agreement, including, but not limited to, the indemnity obligation set forth in Section 8.2 of the Joint Powers Agreement. This acceptance and assumption is effective as of the _____ day of _____, _____.

[_____ Public Agency _____]

By: _____
Authorized Representative

Dated: _____

IMPORTED WATER SUPPLY SYSTEM



SCHLEGEL RESERVOIR
WATER SERVICE AGREEMENT AND ASSIGNMENT

This SCHLEGEL RESERVOIR WATER SERVICE AGREEMENT AND ASSIGNMENT ("Assignment"), is made and entered into, between:

TRI-CITIES MUNICIPAL WATER DISTRICT, a municipal water district, hereinafter referred to as "Tri-Cities," "Assignor," or "Party,"

SOUTHERN CALIFORNIA EDISON COMPANY, a California corporation ("SCE"), for itself and on behalf of SAN DIEGO GAS AND ELECTRIC COMPANY, a California corporation ("SDG&E"), the CITY OF ANAHEIM, a municipal corporation of the State of California ("Anaheim"), and CITY OF RIVERSIDE, a municipal corporation of the State of California ("Riverside"), hereinafter collectively referred to as "Edison" or "Party,"

and

THE CITY OF SAN CLEMENTE, hereinafter referred to as "CSC" or "Assignee, or "Party."

RECITALS

A. Edison owns the San Onofre Nuclear Generating Station ("SONGS"), located upon land owned by the Federal Government on the coast of extreme northern San Diego County. Edison requires that SONGS have a permanent, reliable source of fresh potable water.

B. Tri-Cities and Edison were parties to that certain "Water Service and Reservoir Construction Agreement," dated December 7, 1983 ("1983 Agreement") under the terms of which Edison received water from Tri-Cities until January 31, 2000.

C. Under the 1983 Agreement, Tri-Cities utilized the Tri-Cities Joint Transmission Main facilities ("JTM"), the Local Transmission Main facilities ("LTM"), the Schlegel Reservoir ("Reservoir"), which is located in the City of San Clemente, County of Orange, State of California, and the San Onofre Feeder ("Feeder") (the JTM, LTM, Reservoir, and Feeder are collectively referred to as "System") to supply water to SONGS. Pursuant to the 1983 Agreement, Edison paid approximately \$2,000,000 to construct the Reservoir and approximately \$4,000 to purchase 5,000,000 gallons of water stored in the Reservoir for emergencies.

D. Tri-Cities, Edison, and South Coast Water District ("SCWD") are parties to that certain "Water Service Agreement," dated January 31, 2000 ("2000 Agreement") under the terms of which Edison currently receives water from Tri-Cities through the System.

E. The 2000 Agreement did not alter the terms of the annexation of the SONGS site into the Metropolitan Water District of Southern California ("MWD"), under which Edison paid for and was granted the right to 3.67 cfs of the total capacity of 5.07 cfs that the MWD allocated to the San Diego County Water Authority for San Diego customers. Edison has assigned 0.60 cfs of its capacity rights for the use of Camp Pendleton under separate agreement with the United States of America, acting through the Southwest Division, Naval Facilities Engineering Command. Under the 2000 Agreement Edison released 1.07 cfs of its previously purchased rights to CSC and SCWD ("Released Capacity"), in a proportion as agreed to between these entities.

F. The Orange County Local Agency Formation Commission ("LAFCO") approved an Application for Consolidation of Tri-Cities with the Coastal Municipal Water District, designated by LAFCO as Reorganization No. RO 99-07 ("Consolidation"), to become effective on March 31, 2000 ("Effective Date").

G. Upon the Effective Date of the Consolidation, CSC will succeed to Tri-Cities' ownership interest in the LTM and the Reservoir. Pursuant to a separate agreement, SCWD will operate and maintain the LTM on behalf of CSC ("LTM Operator"). CSC will be responsible for the day-to-day operations and maintenance of the Reservoir and will perform certain water service functions previously performed by Tri-Cities ("Reservoir Operator").

H. Pursuant to its express terms, on the Effective Date of the Consolidation the 2000 Agreement shall be automatically assigned to SCWD, who shall assume Tri-Cities' obligations under the 2000 Agreement to operate and maintain the JTM, LTM, and Feeder to continue to provide water service to Edison at SONGS.

I. The Parties intend that this Assignment become effective on the Effective Date of the Consolidation and that CSC, as the Reservoir Operator and owner and owner of the LTM, assume Tri-Cities' obligations to Edison under the 2000 Agreement related to operation and maintenance the LTM and Reservoir.

NOW, THEREFORE, IN CONTEMPLATION OF THE PREVIOUSLY STATED FACTS, AND IN CONSIDERATION OF THEIR MUTUAL PROMISES, THE PARTIES AGREE TO THE FOLLOWING:

SECTION 1. WATER SERVICE AND CAPACITY THROUGH THE LTM.

A. Quantity: Subject to interruptions under Section 2 of the 2000 Agreement, CSC, as owner of the LTM, shall require and insure that the LTM Operator or its replacement provides Edison with up to two (2.00) cubic feet of water per second ("cfs"), averaged over the billing period ("Contractual Capacity"), through the LTM, which shall then flow through the San Onofre Feeder to the San Onofre turnout, in order to satisfy the water needs of SONGS under normal operating conditions. During unusual emergency conditions, however, CSC agrees that Edison's allocated flow rate shall be increased to five (5.00) cfs for periods not to exceed sixty (60) hours per occurrence.

B. Right to Recover Released Capacity: If Edison needs additional capacity in the future, it shall have the right to recover up to 1.07 cfs of the Released Capacity on the LTM, reduced by the rights to any capacity that it has otherwise transferred to others before that time, without further transfer charge on or before December 31, 2023. After that date and during the term of this Assignment, Edison shall have the right of first refusal for any such unreclaimed Released Capacity.

C. Pressure: CSC, as the LTM owner, shall require and insure that the LTM Operator or its replacement operate the LTM to maintain residual water pressure of no less than 45 psi at the meter connection at the San Onofre turnout.

SECTION 2. ASSURANCE OF SERVICE.

CSC, as the owner of the LTM, shall require and insure that the LTM Operator maintains and operates the LTM to provide a continuous supply of water at the pressure and in the quantity and quality specified in Section 1 of this Assignment and pursuant to its obligations under the terms of the 2000 Agreement.

SECTION 3. EDISON'S USE OF SCHLEGEL RESERVOIR.

A. Reservation for Edison's Benefit: On the Effective Date of the Consolidation, CSC will own and operate the Reservoir in which Edison owns and stores 5,000,000 gallons of water. After the Effective Date of the Consolidation, Edison desires to continue to store its water in the Reservoir, and CSC agrees to store and reserve 5,000,000 gallons of water in the Reservoir for Edison's benefit.

Upon demand by Edison, CSC agrees to release and deliver up to 5,000,000 gallons to Edison at SONGS through the LTM.

B. Reduction in Reservoir Volume: As the owner and Reservoir Operator, CSC shall exercise its best efforts to maintain a minimum of 5,000,000 gallons of water in the Reservoir. CSC shall notify Edison in writing thirty (30) days before any scheduled maintenance that will reduce the volume of water in the Reservoir below 5,000,000 gallons. CSC shall exert all reasonable efforts to coordinate the timing of such scheduled maintenance operations with the operational schedule of SONGS. If CSC cannot provide such 30-day notice for reasons beyond its reasonable control, CSC shall provide the maximum notice possible to Edison before reducing the volume of water in the Reservoir below 5,000,000 gallons.

SECTION 4. TERM.

A. Effective Date: This Assignment shall take effect on the Effective Date of the Consolidation and, except as provided in Section 15D, shall remain permanently in full force and effect unless terminated, modified, or amended by mutual agreement of CSC and Edison.

B. Termination: If the property where SONGS is located is no longer used as an operating or non-operating power generation facility, including periods for decommissioning such facilities, or for military purposes, or related uses, either CSC or Edison may terminate this Assignment by prior written notice to the other Party, which termination shall become effective sixty (60) days after receipt of such notice.

SECTION 5. SYSTEM CHARGE.

A. LTM System Charge: CSC, as the LTM owner, shall require and insure that the LTM Operator's Board of Directors establish from time to time, a System Charge for Edison's use of the LTM. The LTM component of the System Charge shall be calculated as Edison's pro rata share of administration, operation, maintenance, and capital reserve replacement costs associated with the LTM, as shown on the map identified as Exhibit B to the 2000 Agreement. Except as otherwise expressly provided in this Assignment, Edison's pro rata share of such costs shall be the fraction of such costs that Edison's Contractual Capacity represents to the total capacity at each section or reach in the LTM.

B. Reservoir System Charge: CSC shall not charge Edison for holding or releasing Edison's water in or from the Reservoir.

C. Operations and Maintenance Costs.

1. Definition of Operations and Maintenance Costs. Operations and Maintenance ("O&M") Costs are the necessary and actual costs of operating and maintaining the LTM, based on standard accounting and engineering principles in the water service industry, including those expenses identified in this section, which are necessary and proper to maintain and preserve the LTM in good repair and working order. O&M Costs shall not include depreciation, obsolescence charges, amortization of intangibles, or other bookkeeping entries of a similar nature. O&M Costs shall include the following:

- The actual cost of necessary labor to operate the LTM, including the cost of actual salaries and benefits and necessary legal, insurance, accounting, and identifiable administrative services ("Administrative Costs");
- Repair or replacement items not to exceed Fifty Thousand Dollars (\$50,000.00) per item;

- The actual costs of necessary supplies and materials needed to provide water service, including delivery charges and applicable taxes, but no mark-up of such costs.
- The costs of necessary utilities, such as electricity, gas, and telephone;
- The standard cost of items in inventory;
- The cost of rental equipment at fair market rental rates; and
- The cost of contracting for third parties to provide the services for the above-listed items authorized by this Assignment or the 2000 Agreement.

2. Allocation of Costs. O&M Costs shall consist of two (2) components: fixed costs and variable costs. Fixed costs are those O&M Costs that benefit the entire LTM and are incurred regardless of actual water consumption and use by the customers using the LTM. A pro rata share of such fixed costs shall be allocated to Edison based on Edison's Contractual Capacity compared to the total capacity in the LTM at each reach or section. Variable costs are those O&M Costs not otherwise defined as fixed costs. CSC, as the LTM owner, shall require and insure that the LTM Operator allocates a fraction of variable costs to Edison based on its actual water use compared to the total volume flowing in the LTM.

D. Capital Improvements

1. Definition of Capital Improvements Costs. Capital Improvement Costs are those required for necessary capital improvements, adjustments, repairs, or replacements to the LTM with a cost in excess of Fifty Thousand Dollars (\$50,000.00), including associated necessary Administrative Costs. All such costs shall be described in detail in the proposed and adopted annual budget.

2. Allocation of Capital Improvement Costs. CSC, as the LTM owner, shall require and insure that the LTM Operator allocates Capital Improvement Costs to Edison based on the proportion that its Contractual Capacity represents to the total capacity in each reach or section of the LTM.

E. Non-Budgeted Major Repair Costs.

1. Definition of Major Repair Costs. Major repairs are those repairs that cost over Fifty Thousand Dollars (\$50,000.00) and that have not been anticipated or included in the LTM Operator's annual budget. If such Major Repairs become necessary to preserve continuous operation of the LTM, CSC's LTM Operator shall make such repairs.

2. Allocation of Non-Budgeted Major Repair Costs. CSC, as the LTM owner, shall require and insure that the LTM Operator allocates Non-Budgeted Major Repair Costs to Edison based on the proportion that its Contractual Capacity represents to the total capacity in each reach or section of the LTM.

SECTION 6. INVOICING AND PAYMENT.

CSC, as the LTM owner, shall require and insure that the LTM Operator prepares and sends an invoice to Edison on or about the first business day of each month, detailing the cost to Edison for the LTM system charge for the previous month. The invoice shall include a detailed description of Edison's LTM System Charge, and Major Repair costs for the prior month, as provided in Section 5. The LTM Operator may, at its discretion, invoice Edison for unbudgeted Major Repair Costs in one lump sum, prior to awarding any contracts for such improvements or repairs, or on a monthly basis to coincide with contract progress payment schedules. Edison shall pay the full amount of each invoice within thirty (30) days of its receipt.

SECTION 7. SUBSEQUENT ASSIGNMENTS.

If CSC or any successor to its interests in the LTM or Reservoir reorganizes or otherwise disposes of the LTM or Reservoir, CSC or such successor in interest shall make further assignment of this Assignment to any subsequent successor in interest a condition of such reorganization or sale. The provisions of this Assignment shall inure to and be for the benefit of the Parties hereto, and their respective successors, assigns, and all other persons acquiring all or any interest herein, either by operation of law or in any manner whatsoever.

SECTION 8. FORCE MAJEURE.

If an event constituting force majeure renders a Party unable to perform, in whole or in part, any obligation under this Assignment, that Party may suspend performance of such obligation for the duration of the event; provided, however, the Party claiming suspension shall notify the other Party of the details of the force majeure, as soon as reasonably practicable after the commencement of the event. A Party may suspend its performance only if the Party has no control over the event, does not reasonably foresee the event, and cannot, by the exercise of due diligence, prevent or overcome the event constituting force majeure. Examples of events which could constitute force majeure include, but are not limited to, the following: lightning, storm, earthquake, landslide, flood, washout, or other act of God; freezing, fire, explosion, rupture, breakage, or accident to pipeline, plant, machinery, or equipment; revolution, civil disturbance, sabotage, acts of the public enemies, war, blockade, insurrection, vandalism, riot, epidemic; or order of any court or regulatory authority.

SECTION 9. NOTICES.

Any notice provided for herein shall be given in writing and shall be transmitted by personal delivery, prepaid first class mail of the United States Postal Service, or electronic transmission and delivery, with receipt confirmation, which address may be changed from time to time upon direction of a Party to the other:

To Edison (Interruptions of Service):	Southern California Edison Company San Onofre Nuclear Generating Station Attention: Vice President, Nuclear Generation, and Site Manager Post Office Box 128 San Clemente, CA 92674-0128 Phone: 949-368-6255 FAX: 949-368-6183
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To Edison (All Other):	Southern California Edison Company San Onofre Nuclear Generating Station Attention: Manager, Site Support Services Post Office Box 128, Bldg. W-44 San Clemente, CA 92674-0128 Phone: 949-368-9940 FAX: 949-368-6560
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To CSC:	The City of San Clemente Attention: Utility Manager 380 Avenue Pico, Bldg. N San Clemente, CA 92672 Phone: 949-361-6150 FAX: 949-361-8234
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SECTION 10. ENTIRE AGREEMENT.

This Assignment constitutes the entire, exclusive, final, and integrated statement of the terms of the Parties' agreement regarding the matters for which it provides. Accordingly, each Party acknowledges that, insofar as that Party had prior dealings with the other Party during negotiations, the Party specifically negates any legal effect of such prior dealings and negotiations and agrees to be bound by no other written or oral representations, warranties, obligations, assurances, conditions, covenants, or agreements, except as specifically provided in the Assignment.

SECTION 11. MODIFICATION OF ASSIGNMENT.

The Parties may, by mutual agreement, amend or modify this Assignment by a written amendment or modification duly executed and approved with the same formality as this Assignment.

SECTION 12. SEVERABILITY AND SURVIVAL OF ASSIGNMENT.

If any term of this Assignment is rendered unenforceable, in any manner whatsoever, the remaining terms shall remain fully effective and enforceable.

SECTION 13. ATTORNEYS' FEES.

If a dispute arises between the Parties about any rights or obligations provided in or related to this Assignment, the prevailing Party in any litigation commenced to resolve such dispute shall be entitled to its costs of litigation, including reasonable attorneys' fees.

SECTION 14. AUTHORITY TO ACT AS AGENT.

SCE represents and warrants that it is duly authorized, pursuant to the "Second Amended San Onofre Operating Agreement Among Southern California Edison Company, San Diego Gas & Electric Company, City of Anaheim, and City of Riverside," dated February 26, 1987, to execute this Assignment as principal on its own behalf and as the operating agent for SDG&E, Anaheim, and Riverside.

SECTION 15. ASSIGNMENT TO CSC.

A. Effective as of the Effective Date of the Consolidation: (1) As to the LTM and Reservoir, Assignor assigns the 2000 Agreement and all of Assignor's rights thereunder to Assignee and delegates all of Assignor's obligations and liabilities owed to Edison thereunder to Assignee, except for obligations that are thereafter assigned to and assumed by SCWD, as LTM Operator or otherwise; (2) As the new LTM and Reservoir owner, Assignee agrees to assume, perform, and be liable for all assigned rights, obligations, and liabilities owed to Edison by Assignor under the 2000 Agreement related to the LTM and Reservoir and accepts the assignment of those obligations of Assignor related to the LTM and Reservoir under the 2000 Agreement including but not limited to, those assigned rights, obligations, and liabilities that accrued prior to the date of this Assignment, to the same extent as if Assignee had been an original party to the 2000 Agreement as of its effective date; and (3) As to the LTM and Reservoir, Edison consents to this Assignment of the Assignor's rights and delegation of its duties under the 2000 Agreement from Assignor to Assignee.

B. Edison is not a party to and has no obligation under any documents or agreements related to the Consolidation other than those it has executed through its authorized representatives related to this Assignment and the 2000 Agreement. To the extent that this Assignment or the 2000 Agreement is inconsistent with any other such documents or agreements, this Assignment and the 2000 Agreement shall govern the relationships between and among Tri-Cities, CSC, and Edison, with the 2000 Agreement governing over this Assignment.

C. As to the LTM and Reservoir, Assignee agrees to pay and to indemnify and hold Edison harmless from any loss, liability, damage, claim, cost and expense (including, without limitation, any direct, indirect, or consequential loss, liability, damage, claim, cost or expense, including attorneys fees, legal costs, and other expenses) connected with or arising out of the Consolidation or this Assignment.

D. This Assignment neither modifies nor amends any provision of the 2000 Agreement but merely restates its provisions related to the LTM and Reservoir, which CSC shall own after the Effective Date of the Consolidation. This Assignment shall continue in effect until termination of the 2000 Agreement, unless otherwise agreed to by the Parties, but such termination of the 2000 Agreement or this Assignment shall not extinguish any obligation or liability owed by any Party to another on the date of such termination.

This Assignment may be executed in any number of counterparts and, upon execution by Tri-Cities, Edison, and CSC, each executed counterpart shall have the same force and effect as an original instrument, as if all of them had signed the same instrument. Tri-Cities, Edison, and CSC, intending to be legally bound, execute this Assignment by the hands of their duly authorized representatives, and each signatory below represents that s/he is the representative who has been duly authorized to execute this Assignment on behalf of the entity for whom they sign:

TRI-CITIES MUNICIPAL WATER DISTRICT

By: Ray Benedictus
Ray Benedictus

Title: President

Date: 3-22-2000

THE CITY OF SAN CLEMENTE

By: [Signature]

Title: Mayor

Date: 3-16-00

SOUTHERN CALIFORNIA EDISON COMPANY, for
itself, SDG&E, ANAHEIM, AND RIVERSIDE

By: [Signature]
Dwight E. Nunn, Jr.

Title: Vice President

Date: March 14, 2000

APPROVED AS TO FORM:

By: [Signature]
Richard S. Rockwell, Attorney
Date: _____

ATTESTATION:

By: Donald R. Robinson
Secretary, Tri-Cities Board of Directors
Date: 3-22-00

APPROVED AS TO FORM:

By: [Signature]
Name: JEFFREY M. ODERMAN
Date: MARCH 15, 2000

ATTESTATION:

By: [Signature]
Name: Myrna Erway
Date: 3-16-00

APPROVED:

STEPHEN E. PICKETT

Vice President and General Counsel

By: [Signature]
Annette Gilliam, Attorney

Date: March 7, 2000

Water Service Agreement – State Parks

WATER SERVICE AGREEMENT

(State)

This WATER SERVICE AGREEMENT ("Agreement"), executed in counterparts and effective as of the Effective Date, is entered into by and between:

TRI-CITIES MUNICIPAL WATER DISTRICT, a municipal water district, hereinafter referred to as "Tri-Cities," "Assignor," or "Party,"

THE STATE OF CALIFORNIA, acting through the Department of Parks & Recreation ("State"),

and

SOUTH COAST WATER DISTRICT, a county water district, hereinafter referred to as "SCWD" or "Assignee."

RECITALS

WHEREAS, State, pursuant to the provisions of Section 5003 of the Public Resources Code, must administer, protect and develop the State Park System for the use and enjoyment of the public; and

WHEREAS, State has developed a park, known as San Onofre State Beach; and

WHEREAS, State has the need for a permanent, reliable domestic, potable water supply to meet the needs of the San Onofre State Beach; and

WHEREAS, the State entered into an agreement with Tri-Cities Municipal Water District ("TCMWD") entitled, "Water Service Agreement," dated February 15, 1978; and

WHEREAS, the Orange County Local Agency Formation Commission ("LAFCO") is considering an application for the reorganization of TCMWD; and

WHEREAS, in accordance with the reorganization of TCMWD, SCWD will become the Designated Operator of certain TCMWD facilities and will perform certain water service functions previously carried out by TCMWD; and

WHEREAS, Coastal Municipal Water District ("CMWD") and Municipal Water District of Orange County ("MWDOC") passed a joint resolution granting to SCWD the authority to negotiate this agreement on their behalf.

WHEREAS, on the Effective Date of this Agreement, the parties hereby agree that the SCWD will provide a permanent reliable source of domestic potable water to serve the State in accordance with the terms and conditions of this Agreement.

EXECUTION COPY

AGREEMENT

NOW, THEREFORE, in contemplation of the previously stated facts, and in consideration of their mutual promises, the Parties agree to the following:

SECTION 1. WATER SUPPLY

A. Quantity: Subject to interruptions under Section 2 of this Agreement, Tri-Cities agrees to provide State with up to eight one-hundredths (0.08) cubic feet of water per second ("cfs"), averaged over the billing period ("Contractual Capacity"), through the San Onofre Feeder at the San Onofre turnout, to satisfy the water needs of State under normal operating conditions.

B. MWD Annexation Rights: This Agreement does not alter the terms of the annexation of the State territory site into the Metropolitan Water District of Southern California ("MWD"), to the San Diego County Water Authority and Tri-Cities.

C. Pressure: Tri-Cities further agrees to operate its system to maintain residual water pressure of no less than 45 psi on the Tri-Cities side of the meter connection at the San Onofre turnout.

D. Quality: Tri-Cities shall normally supply water under this Agreement of the same quality as water that the MWD delivers to Tri-Cities. Tri-Cities shall have the right to also supply State with water from its independent supplemental water supplies, which may differ in quality from that of MWD water; provided, such water shall satisfy all applicable Federal and State domestic water quality standards. Tri-Cities shall not supply water of any lower quality than water delivered to Tri-Cities.

SECTION 2. INTERRUPTIONS OF WATER SUPPLY.

Tri-Cities shall exercise its best efforts to maintain and operate its water system to insure a continuous supply of water at the pressure and in the quantity and quality specified in Section 1 of this Agreement. Tri-Cities shall notify State in writing thirty (30) days before any scheduled maintenance that might curtail water service to State. Tri-Cities shall exert all reasonable efforts to coordinate the timing of such scheduled maintenance operations with the operational schedule of State. If Tri-Cities cannot provide such 30-day notice, for reasons beyond its reasonable control, Tri-Cities shall provide the maximum notice possible to State before reducing the quantity, quality, or pressure of water to State.

SECTION 3. TERM.

A. Effective Date: This Agreement will be deemed to be effective one (1) day prior to the effective date of LAFCO Reorganization No. RO99-07 (the "Effective Date").

B. Effect of Consolidation Application: This Agreement shall survive the approval by LAFCO of the Consolidation Application.

C. Termination. If San Onofre State Beach is no longer used by the State of California, either party can terminate this agreement by prior written notice to the other party, which termination shall become effective 60 days after receipt of such notice.

SECTION 4. PRICE.

A. Water Rate: The Tri-Cities Board of Directors ("Board"), and upon the Effective Date, the SCWD Board, shall establish the water rate for water delivered to State pursuant to this Agreement from time to time, which shall consist of a Water Charge and a System Charge.

1. Water Charge: The Water Charge shall be calculated by multiplying the quantity of water consumed by State each month by the sum of: (1) the rate paid by Tri-Cities for the purchase of wholesale water; and (2) the applicable SDCWA charges.

2. System Charge: The System Charge shall be calculated as State's pro rata share of administration, operation, maintenance, and capital reserve replacement costs associated with the System, as shown on the map identified as Exhibit A, attached to and by this reference incorporated into this Agreement. Except as provided in Section 5B of this Agreement, State's pro rata share of such costs shall be the fraction of such costs that State's Contractual Capacity represents to the total capacity at each section or reach of the System.

3. Monthly Installments: Tri-Cities shall divide the allocated System costs by twelve (12) to determine the System Charge that State shall pay each month.

4. Annual Budget: Tri-Cities shall provide State with a complete copy of any proposed annual budget and supporting work papers at least forty-five (45) days before any vote to adopt such budget. State shall have the right to submit comments on the proposed annual budget to the Board and a proposed alternative budget before the hearing on the proposal. Upon request by State within fifteen (15) days of receiving the proposed annual budget, Tri-Cities shall, within ten (10) days of such request, provide State with any additional background data that State reasonably requires to analyze and evaluate the proposed budget. State shall submit any comments or proposed alternative budget to the Board at least seven (7) days before the hearing on the new annual budget.

B. Operations and Maintenance Costs.

1. Definition of Operations and Maintenance Costs. Operations and Maintenance ("O&M") Costs are the necessary and actual costs of operating and maintaining the System, based on standard accounting and engineering principles in the water service industry, including those expenses identified in this section, which are necessary and proper to maintain and preserve the System in good repair and working order. O&M Costs shall not include depreciation, obsolescence charges, amortization of intangibles, or other bookkeeping entries of a similar nature. O&M Costs shall include the following:

- a. The actual cost of necessary labor to operate the System, including the cost of actual salaries and benefits and necessary legal, insurance, accounting, and identifiable administrative services ("Administrative Costs");
- b. Repair or replacement items not to exceed Fifty Thousand Dollars (\$50,000.00) per item;
- c. The actual costs of necessary supplies and materials needed to provide water service, including delivery charges and applicable taxes, but no mark-up of such costs.
- d. The costs of necessary utilities, such as electricity, gas, and telephone;
- e. The standard cost of items in inventory;
- f. The cost of rental equipment at fair market rental rates; and
- g. The cost of contracting for third parties to provide the services for the above-listed items authorized by this Agreement.

2. Allocation of Costs. O&M Costs shall consist of two (2) components: fixed costs and variable costs. Fixed costs are those O&M Costs that benefit the entire system and are incurred regardless of actual water consumption and use by the customers using the system. A pro rata share of such fixed costs shall be allocated to State based on State's Contractual Capacity compared to the total capacity in the System at each reach or section of the System. Variable costs are those O&M Costs not otherwise defined as fixed costs. Tri-Cities shall allocate a fraction of variable costs to State based on its actual water use compared to the total volume flowing in the System.

C. Capital Improvements

1. Definition of Capital Improvements Costs. Capital Improvement Costs are those required for necessary capital improvements, adjustments, repairs, or replacements to the System with a cost in excess of Fifty Thousand Dollars (\$50,000.00), including associated necessary Administrative Costs. All such costs shall be described in detail in the proposed and adopted annual budget.

2. Allocation of Capital Improvement Costs. Tri-Cities shall allocate Capital Improvement Costs to State based on the proportion that its Contractual Capacity represents to the total capacity in each reach or section of the System.

D. Non-Budgeted Major Repair Costs.

1. Definition of Major Repair Costs. Major repairs are those repairs that cost over Fifty Thousand Dollars (\$50,000.00) and that have not been anticipated or included in the annual budget. If such Major Repairs become necessary to preserve continuous operation of the System, Tri-Cities shall make such repairs.

2. Allocation of Non-Budgeted Major Repair Costs. Tri-Cities shall allocate Non-Budgeted Major Repair Costs to State based on the proportion that its Contractual Capacity represents to the total capacity in each reach or section of the System.

3. State agrees to make budget request for and diligently seek funds for the State's proportionate share of the Capital Improvements or Major Repairs. Tri-Cities agrees to notify State of Tri-Cities' Capital Improvement project plans and cost projections as soon as they become available to Tri-Cities. Tri-Cities and State agree such notification will assist in the timely payment of the State's proportionate share of these costs.

4. During such times while State has received a lump sum billing from Tri-Cities and when the funds have been obtained by State, State shall have the option of making progress payments in such amounts as will permit monthly payments, including water delivery, to not exceed 200% of normal monthly billings.

SECTION 5. WATER IMPORTATION PIPELINE ("WIP").

The STATE does not have capacity in the Water Importation Pipeline (WIP). During such times that the JTM is rendered inoperable due to maintenance or emergencies, Tri-Cities may supply water to the STATE from the WIP. For any water supplied to the STATE from the WIP, a twenty (20) percent fee shall be charged to the wholesale water rate. This fee will cover all administrative, operation and maintenance costs as defined in this Agreement associated with the WIP. No other charges/expenses, whether O&M or major repairs or Capital Improvements, associated with the WIP are to be assigned to the STATE.

Nothing in this Agreement shall preclude Tri-Cities from seeking and establishing alternate source (s) of water, or the STATE from contributing from funds appropriated specifically for the capital cost of designing and constructing facilities for such alternate source or agreeing to pay a different rate for water from such alternate source. However, this Agreement must be amended by mutual agreement to effect the purpose of this paragraph.

SECTION 6. INVOICING AND PAYMENT.

Tri-Cities shall prepare and send an invoice to State on or about the first business day of each month, detailing the cost to State for water supplied to State for the previous month. The invoice shall include a detailed description of State's Water Charge and System Charge and any WIP surcharge for the prior month, as provided in Sections 4a

and 5. State shall pay the full amount of each invoice within sixty (60) days of its receipt.

Tri-Cities will invoice State separately for unbudgeted Major Repair Costs and may, at its discretion, invoice State for unbudgeted Major Repair Costs in one lump sum, prior to awarding any contracts for such improvements or repairs, or on a monthly basis to coincide with contract progress payment schedules. Subject to availability of funding, State will pay such invoice within one hundred twenty (120) days of receipt of the invoice or as indicated in Section 5. In the event that funds are not available in the State's current budget, State will take steps to include funds in the next available State budget.

SECTION 7. ASSIGNMENT.

If Tri-Cities or any successor to its interests in its facilities reorganizes or otherwise disposes of the Tri-Cities facilities needed to provide service to State under this Agreement, Tri-Cities or such successor in interest shall make assignment of this Agreement to any initial or subsequent successor in interest a condition of such consolidation, reorganization or sale. The provisions of this Agreement shall inure to and be for the benefit of the Parties hereto, and their respective successors, assigns, and all other persons acquiring all or any interest herein, either by operation of law or in any manner whatsoever.

SECTION 8. NOTICES.

Any notice provided for herein shall be given in writing and shall be transmitted by personal delivery, prepaid first class mail of the United States Postal Service, or electronic transmission and delivery, with receipt confirmation, which address may be changed from time to time upon direction of a Party to the other:

To Tri-Cities:	Tri-Cities Municipal Water District 851 Calle Agua San Clemente, CA 92672
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To State:	District Superintendent State of California Department of Parks and Recreation Orange Coast District 3030 Avenida del Presidente San Clemente, CA 92672
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To SCWD:	South Coast Water District 31592 West Street Laguna Beach, CA 92651 Attention: General Manager
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SECTION 9. FORCE MAJEURE.

If an event constituting force majeure renders a Party unable to perform, in whole or in part, any obligation under this Agreement, that Party may suspend performance of such obligation for the duration of the event; provided, however, the Party claiming suspension shall notify the other Party of the details of the force majeure, as soon as reasonably practicable after the commencement of the event. A Party may suspend its performance only if the Party has no control over the event, does not reasonably foresee the event, and cannot, by the exercise of due diligence, prevent or overcome the event constituting force majeure. Examples of events which could constitute force majeure include, but are not limited to, the following: lightning, storm, earthquake, landslide, flood, washout, or other act of God; freezing, fire, explosion, rupture, breakage, or accident to pipeline, plant, machinery, or equipment; revolution, civil disturbance, sabotage, acts of the public enemies, war, blockade, insurrection, vandalism, riot, epidemic; or order of any court or regulatory authority.

SECTION 10. ENTIRE AGREEMENT.

This Agreement constitutes the entire, exclusive, final, and integrated Statement of the terms of the Parties' agreement regarding the matters for which it provides. Accordingly, each Party acknowledges that, insofar as that Party had prior dealings with the other Party during negotiations, the Party specifically negates any legal effect of such prior dealings and negotiations and agrees to be bound by no other written or oral representations, warranties, obligations, assurances, conditions, covenants, or agreements, except as specifically provided in the Agreement.

SECTION 11. MODIFICATION OF AGREEMENT.

The Parties may, by mutual agreement, amend or modify this Agreement by a written amendment or modification duly executed and approved with the same formality as this Agreement.

SECTION 12. SEVERABILITY AND SURVIVAL OF AGREEMENT.

If any term of this Agreement is rendered unenforceable, in any manner whatsoever, the remaining terms shall remain fully effective and enforceable.

SECTION 13. CANCELLATION OF EXISTING AGREEMENT.

This Agreement supersedes the February 15, 1978 Water Service Agreement in its entirety as of its effective date.

SECTION 14. SETTLEMENT AND RELEASE OF CLAIMS.

Each Party hereby waives its right to assert any claim for damages against the other Party for violation of the 1978 Agreement after the effective date of this Agreement. Each Party certifies that, with respect to claims being released by this

Agreement, it has read and understands the following provisions of California Civil Code Section 1542 and waives its protection:

“A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.”

Each Party hereby represents to the other Party that it understands and acknowledges the significance and consequence of waiving the protection of California Civil Code Section 1542 is that, even if a Party should eventually discover an additional basis for a claim against the other Party arising out of or related to the 1978 Agreement, that Party may not later assert any claim for those damages. Furthermore, each Party acknowledges that it intends these consequences even as to claims that may exist as of the date of this Agreement but which it does not know exists, and which, if known, would materially affect its decision to execute this release, regardless of whether its lack of knowledge arose through its ignorance, oversight, error, negligence, or any other cause.

SECTION 15. ATTORNEYS' FEES.

If a dispute arises between the Parties about any rights or obligations provided in or related to this Agreement, the prevailing Party in any litigation commenced to resolve such dispute shall be entitled to its costs of litigation, including reasonable attorneys' fees.

SECTION 16. AUTHORITY TO ACT AS AGENT.

State represents and warrants that it is duly authorized to execute this Agreement.

SECTION 17. ASSIGNMENT TO SCWD.

Effective as of the day before the effective date of the Consolidation: (1) Assignor assigns this Agreement and all of Assignor's rights hereunder to Assignee and delegates all of Assignor's obligations and liabilities owed to State hereunder to Assignee, except for obligations related to the Schlegal Reservoir that are thereafter assumed by CSC; (2) Assignee agrees to assume, perform, and be liable for all such rights, obligations, and liabilities owed to State by Assignor under this Agreement and accepts the assignment of the Agreement and all such assigned rights, obligations, and liabilities including but not limited to, those assigned rights, obligations, and liabilities that accrued prior to the date of this assignment, to the same extent as if Assignee had been an original party to the Agreement as of its effective date; and (3) State consents to such assignment of this Agreement from Assignor to Assignee ("Assignment").

State is not a party to and has no obligation under any documents or agreements related to the consolidation other than those related to this Agreement and the Assignment of its provisions after the effective date of the consolidation.

A. Assignor agrees to remain jointly and severally liable with Assignee for each and every assigned obligation and liability that accrued after the effective date of this Agreement and before the date of this Assignment. Assignee agrees to be jointly and severally liable to pay and to indemnify and hold State harmless from any loss, liability, damage, claim, cost and expense (including, without limitation, any direct, indirect, or consequential loss, liability, damage, claim, cost or expense, including attorneys fees, legal costs, and other expenses) connected with or arising out of the Consolidation or the Assignment.

B. The Assignment neither modifies nor amends any provision of this Agreement. It shall continue in effect until termination of the Agreement. Termination of the Agreement and Assignment, however, shall not extinguish any obligation or liability owed by any Party to another on the date of such termination.

SECTION 18. NONDISCRIMINATION.

Any discrimination by SCWD or his or her agents or employees against any person because of the race, color, religion, sex, marital status, national origin, or ancestry of that person is prohibited.

As part of compliance with the foregoing, SCWD and SCWD's employees shall not discriminate because of race, religion, color, ancestry, sex, age, national origin, physical handicap, or sexual preference against any person by refusing to furnish such person any accommodation, facility, service, or privilege offered to or enjoyed by the general public. Nor shall SCWD or SCWD's employees publicize the accommodation, facilities, services, or privileges in any manner that would directly or inferentially reflect upon or question the acceptability of the patronage of any person because of race, religion, color, ancestry, sex, age, national origin, physical handicap, or sexual preference.

Additionally, in the performance of this contract, SCWD will not discriminate against any employee or applicant for employment because of race, color, religion, ancestry, sex, age, national origin, physical handicap, or sexual preference. SCWD will ensure that applicants are employed, and that employees are treated during employment without regard to their race, color, religion, ancestry, sex, age, national origin, physical handicap, or sexual preference. Such action shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. SCWD shall post in conspicuous places, available to employees and applicants for employment, notices setting forth the provisions of Government Code Sections 12970 and 12974. Such notices may be obtained from the Department of Fair Employment and Housing.

SCWD will permit access to SCWD's records of employment, employment advertisement, application forms, and other pertinent data and records by the State Fair Employment and Housing Commission, or any other agency of the State of California

designated by the awarding authority, for the purpose of investigation to ascertain compliance with the State Fair Employment and Housing Section of this contract.

The State may determine a willful violation of the State Fair Employment and Housing Act to have occurred upon receipt of a final judgment having that effect from a court in an action to which SCWD was a party, or, upon receipt of a written notice from the State Fair Employment and Housing Commission that it has investigated and determined that the SCWD has violated the State Fair Employment and Housing Act and has issued an order, under Government Code Section 12970, which has become final, or obtained an injunction under Government Code Section 12974.

SECTION 19. DRUG-FREE WORKPLACE.

SCWD agrees to comply with Government Code Section 8355 in matters relating to the provision of a drug-free workplace. This is evidenced by the executed Standard Form 21, entitled "Drug-Free Workplace Certification", attached hereto as Exhibit "B" and made a part of the contract.

SECTION 20. HOLD HARMLESS AGREEMENT.

SCWD hereby waives all claims and recourse against the State, including the right to contribution for loss or damage to persons or property arising from, growing out of, or in any way connected with or incidental to this agreement, except claims arising from, and to the extent of, the negligence of the State, its officers, agents, or employees, or other lawfully wrongful acts for which the State is responsible at law.

SCWD shall protect, indemnify, hold harmless, and defend State, its officers, agents, and employees against any and all claims, demands, damages, costs, expenses, or liability costs arising out of the development, construction, operation, or maintenance of the property described herein, except for liability arising out of, and to the extent of, the negligence of State, its officers, agents, or employees or other lawfully wrongful acts for which the State is responsible at law.

SECTION 21. FUTURE WATER CAPACITY.

The STATE shall contact Tri-Cities in writing, ninety (90) days prior to the requested delivery date for any increase in its capacity as set forth in Section 1 above. The STATE and Tri-Cities, shall execute an amendment to this Agreement, providing for the terms and conditions of the additional capacity. TCMWD shall, to the extent the capacity is available, negotiate in good faith to grant the increase. For any available increase in capacity above 1.4 cfs, SCWD as Designated Operator may impose a connection fee in an amount consistent with, and not to exceed, connection fees generally being charged new customers to Tri-Cities service area.

Tri-Cities, State, and SCWD, intending to be legally bound, execute this Agreement by the hands of their duly authorized representatives as follows:

TRI-CITIES MUNICIPAL WATER DISTRICT

By: *Ray Benedictus*
Ray Benedictus

Title: President
Date: 2-28-2000

APPROVED AS TO FORM:

By: *Richard S. Rockwell*, Attorney

ATTESTATION:

Donald R. Roberson
By: Secretary, Tri-Cities
Board of Directors

SOUTH COAST WATER DISTRICT

By: *Richard Runge*
Richard Runge

Title: President
Date: 2-28-2000

APPROVED AS TO FORM:

Michael P. Aunbar
By: ~~Don R. Adkinson, Attorney~~
~~SECRETARY SOUTH COAST BOARD DIRECTORS~~

ATTESTATION:

Don R. Adkinson
By: ~~Secretary, South Coast~~
~~Board of Directors~~
DON R. ADKINSON, ATTORNEY

STATE OF CALIFORNIA
Department of Parks and Recreation

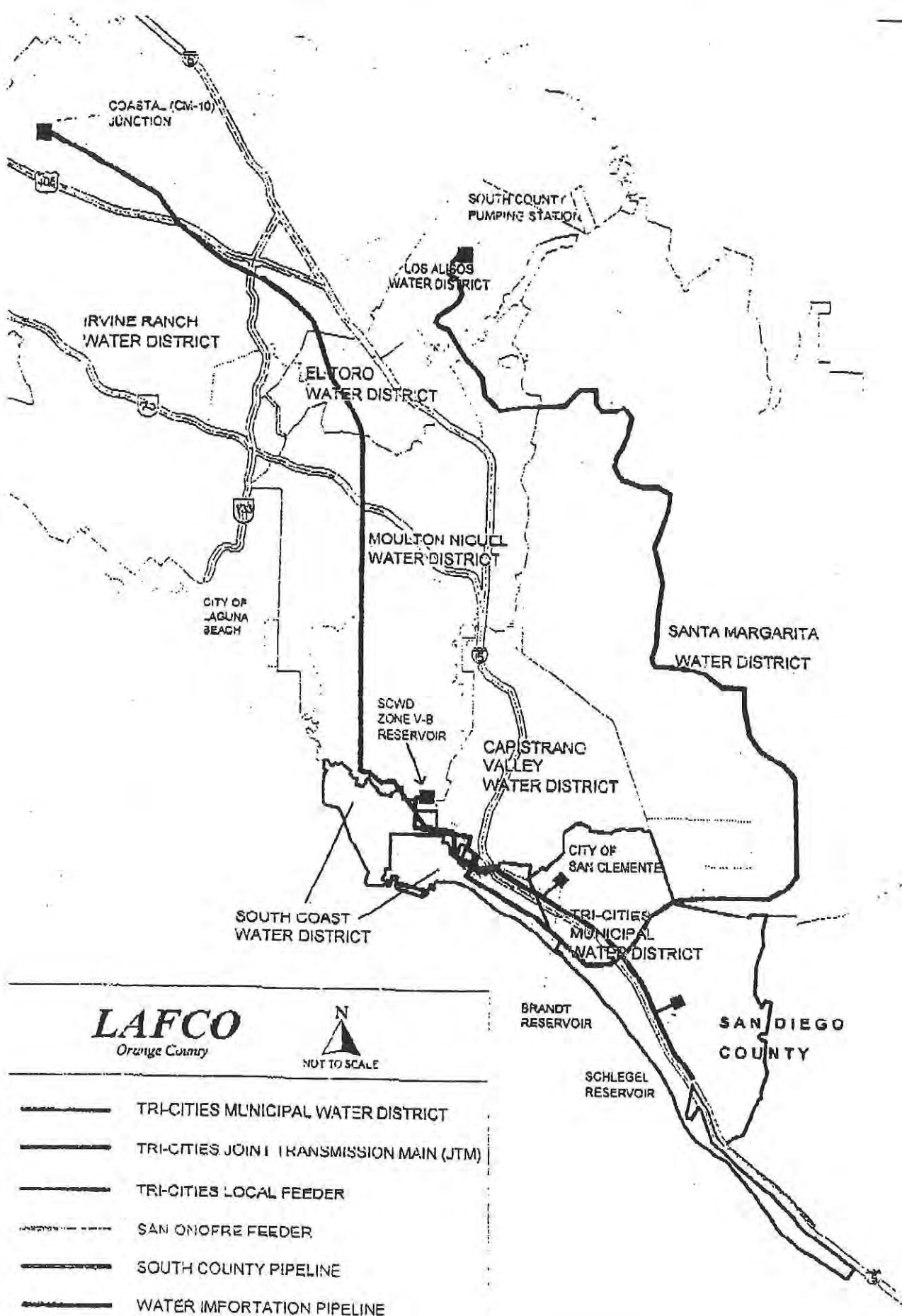
By: *James D. Smith*
Title: Chief Administrative Officer
Date: 3/2/2000

STATE OF CALIFORNIA
Department of General Services

By: _____
Title: _____
Date: _____



[Handwritten signature]

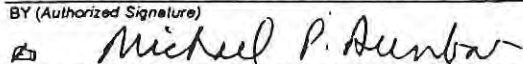


DRUG-FREE WORKPLACE CERTIFICATION

STD. 21 (Rev. 12/93)(CA ST PKS, EXCEL 4/9/1999)

CERTIFICATION

I, the official named below, hereby swear that I am duly authorized to legally to bind the contractor or grant recipient to the certification described below. I am fully aware that this certification, executed on the date below, is made under penalty of perjury under the laws of the State of California.

CONTRACTOR/BIDDER FIRM NAME	FEDERAL ID NUMBER
South Coast Water District Contract Operator TCMWD Facilities	95 6002977
BY (Authorized Signature)	DATE EXECUTED
	2/22/00
PRINTED NAME AND TITLE OF PERSON SIGNING	TELEPHONE NUMBER (Include Area Code)
Michael P. Dunbar General Manager/Secretary	(949)499-4555
TITLE	

CONTRACTOR/BIDDER FIRM'S MAILING ADDRESS
P.O. Box 30205 Laguna Niguel, CA 92607-0205

The contractor or grant recipient named above hereby certifies compliance with Government Code Section 8355 in matters relating to providing a drug-free workplace. The above named contractor or grant recipient will:

1. Publish a statement notifying employees that unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited and specifying actions to be taken against employees for violations, as required by Government Code Section 8355(a).
2. Establish a Drug-Free Awareness Program as required by Government Code Section 8355(b), to inform employees about all of the following:
 - (a) The dangers of drug abuse in the workplace,
 - (b) The person's or organization's policy in maintaining a drug-free workplace,
 - (c) Any available counseling, rehabilitation and employee assistance programs, and
 - (d) Penalties that may be imposed upon employees for drug abuse violations.
3. Provide as required by Government Code Section 8355(c), that everyone who works on the proposed contract or grant:
 - (a) Will receive a copy of the company's drug-free workplace policy statement, and
 - (b) Will agree to abide by the terms of the company's statement as a condition of employment on the contract or grant.
4. At the election of the contractor or grantee, from and after the "Date Executed" and until March 1, 2003 (NOT TO EXCEED 36 MONTHS), the state will regard this certificate as valid for all contracts or grants entered into between the contractor or grantee and this state agency without requiring the contractor or grantee to provide a new and individual certificate for each contract or grant. If the contractor or grantee elects to fill in the blank date, then the terms and conditions of this certificate shall have the same force, meaning, effect and enforceability as if a certificate were separately, specifically, and individually provided for each contract or grant between the contractor or grantee and this state agency.

STATE OF CALIFORNIA

DRUG-FREE WORKPLACE CERTIFICATION

1 21 (Rev. 12/93) (CA ST PAB, EXCEL 4/91/99)

CERTIFICATION

I, the official named below, hereby swear that I am duly authorized to legally to bind the contractor or grant recipient to the certification described below. I am fully aware that this certification, executed on the date below, is made under penalty of perjury under the laws of the State of California.

CONTRACTOR/BIDDER FIRM NAME

TRICITIES MWD

(Authorized Signature)

Donald R. Roberson

PRINTED NAME AND TITLE OF PERSON SIGNING

DONALD R. ROBERSONGENERAL MANAGER

CONTRACTOR/BIDDER FIRM'S MAILING ADDRESS

851 CALLE AGUA, SAN GERMEN, CA 92673

FEDERAL ID NUMBER

95-6006421

DATE EXECUTED

2/29/00

TELEPHONE NUMBER (Include Area Code)

(949) 248-2099

The contractor or grant recipient named above hereby certifies compliance with Government Code Section 8355 in matters relating to providing a drug-free workplace. The above named contractor or grant recipient will:

1. Publish a statement notifying employees that unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited and specifying actions to be taken against employees for violations, as required by Government Code Section 8355(a).
2. Establish a Drug-Free Awareness Program as required by Government Code Section 8355(b), to inform employees about all of the following:
 - (a) The dangers of drug abuse in the workplace,
 - (b) The person's or organization's policy in maintaining a drug-free workplace,
 - (c) Any available counseling, rehabilitation and employee assistance programs, and
 - (d) Penalties that may be imposed upon employees for drug abuse violations
3. Provide as required by Government Code Section 8355(c), that everyone who works on the proposed contract or grant:
 - (a) Will receive a copy of the company's drug-free workplace policy statement, and
 - (b) Will agree to abide by the terms of the company's statement as a condition of employment on the contract or grant
4. At the election of the contractor or grantee, from and after the "Date Executed" and until _____ (NOT TO EXCEED 36 MONTHS), the state will regard this certificate as valid for all contracts or grants entered into between the contractor or grantee and this state agency without requiring the contractor or grantee to provide a new and individual certificate for each contract or grant. If the contractor or grantee elects to fill in the blank date, then the terms and conditions of this certificate shall have the same force, meaning, effect and enforceability as if a certificate were separately, specifically, and individually provided for each contract or grant between the contractor or grantee and this state agency.

Water Service Agreement – Camp Pendleton

WATER SERVICE AGREEMENT

(U.S. Government)

This WATER SERVICE AGREEMENT ("Agreement"), executed in counterpart and effective as of the Effective Date (defined in Section 3A) is made and entered into by and between:

TRI-CITIES MUNICIPAL WATER DISTRICT, a municipal water district, hereinafter referred to as "Tri-Cities," "Assignor," or "Party,"

The UNITED STATES OF AMERICA, acting through the Department of the Navy, which is represented by the Office of the Southwest Division, Naval Facilities Engineering Command, for the benefit of the United States Marine Corps, Camp Pendleton, California, hereinafter referred to as "Government" or "Party,"

and

SOUTH COAST WATER DISTRICT, a county water district, hereinafter referred to as "SCWD" or "Assignee."

RECITALS

A. Government owns the San Mateo Point Housing Area ("San Mateo Point"), located in the northwestern corner of San Diego County. Government requires that San Mateo Point have a permanent, reliable source of potable water.

B. Tri-Cities and Government are parties to that certain "Interim Water Service Agreement," dated July 13, 1998 ("1998 Agreement") under the terms of which Government currently receives water for San Mateo Point from Tri-Cities. The 1998 Agreement also provides: (1) that Tri-Cities annex San Mateo Point into its service area; (2) that Tri-Cities hold in an Escrow-Trust Account certain funds paid to it by Government, being an Annexation Fee of \$303,161.00 that is to be refunded in the event Government obtains an assignment of capacity rights from Southern California Edison Company ("Edison"), along with an Administration Processing Fee of \$19,838.00 and a Connection Fee of \$36,000.00, any unused funds therefrom also to be refunded to Government; (3) that the 1998 Agreement may be amended and modified by mutual agreement of the parties in a duly executed written instrument; and (4) that its provisions inure to the benefit of, and be binding upon, the Parties and their respective successors and assigns.

EXECUTION COPY

C. Tri-Cities furnishes to San Mateo Point water for a certain potable water supply and for fire flow requirements by way of its Joint Transmission Main Facilities ("JTM"), the Local Transmission Main Facilities ("LTM"), and the San Onofre Feeder ("Feeder") (the JTM, LTM, and Feeder are collectively referred to as "System").

D. The Orange County Local Agency Formation Commission ("LAFCO") has approved an Application for Consolidation of Tri-Cities with the Coastal Municipal Water District ("CMWD"), designated by LAFCO as Reorganization No. RO 99-07 (hereinafter referred to as "Consolidation Application" or "Consolidation," as applicable).

E. Pursuant to the terms and conditions of the Consolidation Order Approval ("Terms and Conditions"), Tri-Cities is to enter into an agreement to transfer its contracts and obligations, including those under the 1998 Agreement, to the South Coast Water District ("SCWD"), which will be the new contract operator of the JTM and LTM for the owners thereof. The Terms and Conditions provide that SCWD shall also enter into a water service agreement with Government, detailing the arrangements for water service, water delivery, operations, and maintenance in San Diego County.

F. The Parties intend that the Tri-Cities' assignment of this Agreement to SCWD take effect on the Effective Date, in furtherance thereof.

G. Pursuant to the terms and conditions of that certain Tri-Cities Water Service Agreement dated 1/3/2000 ("Edison Agreement"), Southern California Edison ("Edison") has capacity rights to receive an average of two (2.00) cubic feet "cfs" of potable water delivered at its San Onofre Nuclear Generation Station facility.

H. Tri-Cities, the City of San Clemente ("CSC"), SCWD, and others are parties to that certain "Amended and Restated Joint Exercise of Powers Agreement to Operate and Maintain the Tri-Cities Joint Transmission Main" ("JTM Agreement"), which will become effective on the Effective Date. Pursuant to the JTM Agreement, SCWD will be responsible for the day-to-day operations and maintenance of the JTM and will perform certain water service functions previously performed by Tri-Cities ("JTM Operator").

I. TC, CSC and SCWD are parties to that certain Agreement for transfer of ownership and to Operate and Maintain the Local Transmission Main Facilities ("LTM Agreement"). Upon the Effective Date of said Agreement, CSC will be the successor in ownership interest to the LTM. Pursuant to the LTM Agreement, SCWD will be responsible for the day to day operations and maintenance of the LTM on behalf of CSC.

J. San Diego County Water Authority ("SDCWA") and SCWD are parties to that certain "Wholesale Water Service Agreement and Lease of the

San Onofre Feeder" ("SDCWA Lease"), to become effective upon the Effective Date. Pursuant to the SDCWA Lease, SCWD will be responsible for the day-to-day operations and maintenance of the Feeder and will perform certain water service functions previously performed by Tri-Cities ("Feeder Operator").

K. Government and Tri-Cities now desire to replace the 1998 Agreement with this Agreement, in order to specify the mutual rights and obligations of the Parties in the future.

L. Tri-Cities, SCWD and Government intend that this Agreement shall, on the Effective Date, be automatically assigned, pursuant to Section 21 of this Agreement and such other agreements referenced above, to SCWD which shall assume Tri-Cities' obligations under this Agreement to operate and maintain the System to provide water service to Government at San Mateo Point.

NOW, THEREFORE, in contemplation of the previously stated facts, and in consideration of their mutual promises, the Parties agree to the following:

SECTION 1. WATER SUPPLY.

A. Quantity: Subject to interruptions under Section 2 of this Agreement, Tri-Cities agrees to provide Government with up to two-tenths (0.2) cubic feet of water per second ("cfs"), averaged over the billing period ("Contractual Capacity"), through the San Onofre Feeder at the San Mateo Point turnout, to satisfy the water needs of San Mateo Point under normal conditions. During unusual emergency conditions, however, Tri-Cities agrees to provide water at a fire flow rate of up to 750 gallons per minute (approximately 1.67 cfs) for periods not to exceed one and one-half (1.5) hours per occurrence.

B. Right to Recover Released Capacity: Under separate agreement with Government, Edison has transferred and assigned 0.60 cfs of its original capacity rights to receive potable water pursuant to the Edison Agreement for the use of Marine Corps Base, Camp Pendleton. Government hereby releases its interests in 0.40 cfs of these assigned rights to SCWD. With respect to such release, if Government needs additional capacity in the future, it shall have the right to recover the released capacity of up to 0.40 cfs, reduced by the rights to any capacity that it has otherwise transferred to others before that time, without further transfer charge. With respect to the assignment of Edison capacity rights, Tri-Cities hereby approves thereof and, prior to its assignment of this Agreement to SCWD, shall refund the above-described Annexation Fee, along with any other unused funds refundable to Government, by paying the same to SCWD, to be held and used by it for the benefit of San Mateo Point, by way of water supply improvements or payment of water rates.

C. Pressure: Tri-Cities further agrees to operate its system to maintain residual water pressure of no less than 45 psi on the Tri-Cities side of the San Mateo Point meter connection at the San Mateo Point turnout.

D. Quality: Tri-Cities shall normally supply potable water under this Agreement of the same quality as water that the MWD delivers to Tri-Cities. Tri-Cities shall have the right to also supply San Mateo Point with water from its independent supplemental water supplies, which may differ in quality from that of MWD water; provided, such water shall satisfy all applicable Federal and State potable water quality standards. Tri-Cities shall not supply water of any lower quality than water delivered to Tri-Cities.

SECTION 2. INTERRUPTIONS OF WATER SUPPLY.

Tri-Cities shall exercise its best efforts to maintain and operate its water system to insure a continuous supply of potable water at the pressure and in the quantity and quality specified in Section 1 of this Agreement. Tri-Cities shall notify Government in writing, by request as set forth in Exhibit "A" hereto, at least ten (10) days before any scheduled maintenance that might curtail water service to San Mateo Point. If Tri-Cities cannot provide such 10-day notice, for reasons beyond its reasonable control, Tri-Cities shall provide the maximum notice possible to Government before reducing the quantity, quality, or pressure of water to San Mateo Point.

SECTION 3. TERM.

A. Effective Date: This Agreement will be deemed to be effective one (1) day prior to the effective date of LAFCO Reorganization No. RO99-07 (the "Effective Date"). In the event LAFCO Reorganization No. RO99-07 is not completed on or before December 21, 2000, this Agreement shall be deemed null and void by the Parties hereto.

B. Effect of Consolidation Application: This Agreement shall survive the approval by LAFCO of the Consolidation Application. Prior to the Effective Date, Tri-Cities shall enter into a separate agreement with CSC, who shall assume all of Tri-Cities' obligations under this Agreement related to CSC's ownership of the LTM.

C. Termination: If the property where San Mateo Point is located is no longer used as military housing facility, or for other military purposes, or related uses, either Party may terminate this Agreement by prior written notice to the other Party, which termination shall become effective sixty (60) days after receipt of such notice. Such notice and termination also may be made by Government if it connects San Mateo Point to a different water source.

SECTION 4. PRICE.

A. Water Rate: The Tri-Cities Board of Directors and, upon the Effective Date, the SCWD Board of Directors ("Board") shall establish the water rate for water delivered to Government pursuant to this Agreement from time to time, which shall consist of a Water Charge and a System Charge.

1. Water Charge: The Water Charge shall be calculated by multiplying the quantity of water consumed by Government each month by the sum of: (1) the rate paid by Tri-Cities for the purchase of wholesale water; and (2) the applicable SDCWA charges.

2. System Charge: the System Charge shall be calculated as Government's pro rata share of administration, operation, maintenance, and capital reserve replacement costs associated with the System, as shown on the map identified as Exhibit B, attached to and by this reference incorporated into this Agreement. Except as provided in Section 4B of this Agreement, Government's pro rata share of such costs shall be the fraction of such costs that Government's Contractual Capacity represents to the total capacity at each section or reach of the System.

3. Monthly Installments: Tri-Cities shall divide the allocated System costs by twelve (12) to determine the System Charge that Government shall pay each month.

4. Annual Budget: Tri-Cities shall provide Government with a complete copy of any proposed annual budget and supporting work papers at least forty-five (45) days before any vote to adopt such budget. Government shall have the right to submit comments on the proposed annual budget to the Board and a proposed alternative budget before the hearing on the proposal. Upon request by Government within fifteen (15) days of receiving the proposed annual budget, Tri-Cities shall, within ten (10) days of such request, provide Government with any additional background data that Government reasonably requires to analyze and evaluate the proposed budget. Government shall submit any comments or proposed alternative budget to the Board at least seven (7) days before the hearing on the new annual budget.

B. Operations and Maintenance Costs.

1. Definition of Operations and Maintenance Costs. Operations and Maintenance ("O&M") Costs are the necessary and actual costs of operating and maintaining the System, based on standard accounting and engineering principles in the water service industry, including those expenses identified in this section, which are necessary and proper to maintain and preserve the System in good repair and working order. O&M Costs shall not include depreciation, obsolescence charges, amortization of intangibles, or other bookkeeping entries of a similar nature. O&M Costs shall include the following:

- The actual cost of necessary labor to operate the System, including the cost of actual salaries and benefits and necessary legal, insurance, accounting, and identifiable administrative services ("Administrative Costs");

- Repair or replacement items not to exceed Fifty Thousand Dollars (\$50,000.00) per item;
- The actual costs of necessary supplies and materials needed to provide water service, including delivery charges and applicable taxes, but no mark-up of such costs.
- The costs of necessary utilities, such as electricity, gas, and telephone;
- The standard cost of items in inventory;
- The cost of rental equipment at fair market rental rates; and
- The cost of contracting for third parties to provide the services for the above-listed items authorized by this Agreement.

2. Allocation of Costs. O&M Costs shall consist of two (2) components: fixed costs and variable costs. Fixed costs are those O&M Costs that benefit the entire system and are incurred regardless of actual water consumption and use by the customers using the system. A pro rata share of such fixed costs shall be allocated to Government based on Government's Contractual Capacity compared to the total capacity in the System at each reach or section of the System. Variable costs are those O&M Costs not otherwise defined as fixed costs. Tri-Cities shall allocate a fraction of variable costs to Government based on its actual water use compared to the total volume flowing in the System.

C. Capital Improvements

1. Definition of Capital Improvements Costs. Capital Improvement Costs are those required for necessary capital improvements, adjustments, repairs, or replacements to the System with a cost in excess of Fifty Thousand Dollars (\$50,000.00), including associated necessary Administrative Costs. All such costs shall be described in detail in the proposed and adopted annual budget.

2. Allocation of Capital Improvement Costs. Tri-Cities shall allocate Capital Improvement Costs to Government based on the proportion that its Contractual Capacity represents to the total capacity in each reach or section of the System.

D. Non-Budgeted Major Repair Costs.

1. Definition of Major Repair Costs. Major repairs are those repairs that cost over Fifty Thousand Dollars (\$50,000.00) and that have not been anticipated or included in the annual budget. If such Major Repairs become necessary to preserve continuous operation of the System, Tri-Cities shall make such repairs.

2. Allocation of Non-Budgeted Major Repair Costs. Tri-Cities shall allocate Non-Budgeted Major Repair Costs to Government based on the proportion that its Contractual Capacity represents to the total capacity in each reach or section of the System. Government agrees to make a budget request for and diligently seek funds for Government's proportionate share of the Capital Improvements or Major Repairs. Tri-Cities agrees to notify Government of Tri-Cities' Capital Improvement project plans and cost projections as soon as they become available to Tri-Cities. Tri-Cities and Government agree such notification will assist in the timely payment of the Government's proportionate share of these costs. During such times while Government has received a lump sum billing from Tri-Cities and when the funds have been obtained by Government, Government shall have the option of making progress payments in such amounts as will permit monthly payments, including water delivery, not to exceed 200% of monthly billings.

SECTION 5. WATER IMPORTATION PIPELINE ("WIP").

Government does not have capacity in the Water Importation Pipeline (WIP). During such times that the JTM is rendered inoperable due to maintenance or emergencies, Tri-Cities may supply water to Government from the WIP. For any water supplied to Government from the WIP, a twenty (20) percent surcharge shall be added to the wholesale water rate. This surcharge will cover all administrative, operation and maintenance costs as defined in this Agreement associated with the WIP. No other charges/expenses, whether operations and maintenance or major repairs or Capital Improvements, associated with the WIP are to be assigned to Government.

SECTION 6. INVOICING AND PAYMENT.

Tri-Cities shall prepare and send an invoice to Government on or about the first business day of each month, detailing the cost to Government for water supplied to San Mateo Point for the previous month. The invoice shall include a detailed description of Government's Water Charge, System Charge, and Major Repair costs for the prior month, as provided in Section 4 and any WIP surcharges, as provided by Section 5. Tri-Cities may, at its discretion, invoice Government for unbudgeted Major Repair Costs in one lump sum, prior to awarding any contracts for such improvements or repairs, or on a monthly basis to coincide with contract progress payment schedules. Government shall pay the full amount of each invoice within thirty (30) days of its receipt or as indicated in Section 4.

SECTION 7. ASSIGNMENT.

If Tri-Cities or any successor to its interests in its facilities reorganizes or otherwise disposes of the Tri-Cities facilities needed to provide service to Government under this Agreement, Tri-Cities or such successor in interest shall make assignment of this Agreement to any initial or subsequent successor in

interest a condition of such reorganization or sale. The provisions of this Agreement shall inure to and be for the benefit of the Parties hereto, and their respective successors, assigns, and all other persons acquiring all or any interest herein, either by operation of law or in any manner whatsoever.

SECTION 8. NOTICES.

Any notice provided for herein shall be given in writing and shall be transmitted by personal delivery, prepaid first class mail of the United States Postal Service, or electronic transmission and delivery, with receipt confirmation, which address may be changed from time to time upon direction of a Party to the other:

To Tri-Cities:	Tri-Cities Municipal Water District 851 Calle Agua San Clemente, CA 92672
To Government	Commander Southwest Division (Code 530) Naval Facilities Engineering Command San Diego, CA 92132-5190
And to:	Commanding General Attn: Office of Water Resources Box 555013 Marine Corps Base Camp Pendleton, CA 92055-5013
To SCWD:	South Coast Water District 31592 West Street Laguna Beach, CA 92677 (Attention: General Manager)

SECTION 9. FORCE MAJEURE.

If an event constituting force majeure renders a Party unable to perform, in whole or in part, any obligation under this Agreement, that Party may suspend performance of such obligation for the duration of the event; provided, however, the Party claiming suspension shall notify the other Party of the details of the force majeure, as soon as reasonably practicable after the commencement of the event. A Party may suspend its performance only if the Party has no control over the event, does not reasonably foresee the event, and cannot, by the exercise of due diligence, prevent or overcome the event constituting force majeure. Examples of events which could constitute force majeure include, but are not limited to, the following: lightning, storm, earthquake, landslide, flood, washout, or other act of God; freezing, fire, explosion, rupture, breakage, or accident to pipeline, plant, machinery, or equipment; revolution, civil disturbance, sabotage,

acts of the public enemies, war, blockade, insurrection, vandalism, riot, epidemic; or order of any court or regulatory authority.

SECTION 10. ENTIRE AGREEMENT.

This Agreement constitutes the entire, exclusive, final, and integrated statement of the terms of the Parties' agreement regarding the matters for which it provides. Accordingly, each Party acknowledges that, insofar as that Party had prior dealings with the other Party during negotiations, the Party specifically negates any legal effect of such prior dealings and negotiations and agrees to be bound by no other written or oral representations, warranties, obligations, assurances, conditions, covenants, or agreements, except as specifically provided in the Agreement.

SECTION 11. MODIFICATION OF AGREEMENT.

The Parties may, by mutual agreement, amend or modify this Agreement by a written amendment or modification duly executed and approved with the same formality as this Agreement.

SECTION 12. SEVERABILITY AND SURVIVAL OF AGREEMENT.

If any term of this Agreement is rendered unenforceable, in any manner whatsoever, the remaining terms shall remain fully effective and enforceable.

SECTION 13. CANCELLATION OF EXISTING AGREEMENT.

This Agreement supersedes the 1998 Agreement in its entirety as of the Effective Date.

SECTION 14. SETTLEMENT AND RELEASE OF CLAIMS.

Each Party hereby waives its right to assert any claim for damages against the other Party for violation of the 1998 Agreement after the effective date of this Agreement. Each Party certifies that, with respect to claims being released by this Agreement, it has read and understands the following provisions of California Civil Code Section 1542 and waives its protection:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

Each Party hereby represents to the other Party that it understands and acknowledges the significance and consequence of waiving the protection of California Civil Code Section 1542 is that, even if a Party should eventually discover an additional basis for a claim against the other Party arising out of or related to the 1998 Agreement, that Party may not later assert any claim for

those damages. Furthermore, each Party acknowledges that it intends these consequences even as to claims that may exist as of the Effective Date but which it does not know exists, and which, if known, would materially affect its decision to execute this release, regardless of whether its lack of knowledge arose through its ignorance, oversight, error, negligence, or any other cause.

SECTION 15. ATTORNEYS' FEES.

If a dispute arises between the Parties about any rights or obligations provided in or related to this Agreement, the prevailing Party in any litigation or alternative dispute resolution proceeding commenced to resolve such dispute shall be entitled to its costs of litigation, including reasonable attorneys' fees.

SECTION 16. OFFICIALS NOT TO BENEFIT.

No member of or Delegate to Congress, or Resident Commissioner, shall be admitted to any share or part of this Agreement, or to any benefit to arise therefrom, but this provision shall not be construed to extend to this Agreement if made with a corporation for its general benefit.

SECTION 17. COVENANT AGAINST CONTINGENT FEES.

Tri-Cities and SCWD warrant that no person or agency has been employed or retained to solicit or secure this Agreement upon an agreement or understanding for a commission, percentage, brokerage or contingent fee, excepting bona fide employees or bona fide established commercial agencies maintained by Tri-Cities or SCWD for the purpose of securing business. For breach or violation of this warranty, the Government shall have the right to annul this Agreement without liability or in its discretion to require Tri-Cities or SCWD to pay the full amount of such commission, percentage, brokerage, or contingent fee.

SECTION 18. ASSIGNMENT OF CLAIMS.

Except as otherwise provided herein, Tri-Cities shall not assign any claim against the Government under this Agreement.

SECTION 19. LABOR PROVISION.

In carrying out the intention to deliver the water supply through the Feeder as set forth in, and during the term of this Agreement, Tri-Cities agrees in relevant construction contracts relating to the Feeder providing water service to San Mateo Point that it will comply with all applicable labor laws and regulations, and shall ensure that all contractors and subcontractors to Tri-Cities shall likewise comply.

SECTION 20. GRATUITIES.

The right of Tri-Cities to proceed under this Agreement may be terminated by written notice if, after notice and hearing, the Government determines that Tri-Cities, its agent, or another representative offered or gave a gratuity (e.g., an entertainment or gift) to an officer, official, or employee of the Government; and intended, by the gratuity, to obtain a contract or favorable treatment under the contract. The facts supporting this determination may be reviewed by any court having lawful jurisdiction. If this Agreement is terminated under this section, the Government is entitled to pursue the same remedies as in breach of the Agreement; and, in addition to any other damages provided by law, to exemplary damages of not less than 3 nor more than 10 times the cost incurred by Tri-Cities in giving gratuities to the person concerned, as determined by the Secretary of the Navy or his/her designee.

SECTION 21. ASSIGNMENT TO SCWD.

A. Effective as of the Effective Date: (1) Assignor assigns this Agreement and all of Assignor's rights hereunder to Assignee and delegates all of Assignor's obligations and liabilities owed to Government hereunder to Assignee, except for obligations related to the LTM that are thereafter assigned to and assumed by CSC; (2) Assignee agrees to assume, perform, and be liable for all such rights, obligations, and liabilities owed to Government by Assignor under this Agreement and accepts the assignment of the Agreement and all such assigned rights, obligations, and liabilities including but not limited to, those assigned rights, obligations, and liabilities that accrued prior to the date of this assignment; and (3) Government consents to such assignment of this Agreement from Assignor to Assignee ("Assignment").

B. Government is not a party to and has no obligation under any documents or agreements related to the Consolidation other than those it has executed through its authorized representatives related to this Agreement and the Assignment of its provisions after the effective date of the Consolidation. To the extent that this Agreement or the Assignment is inconsistent with any other such documents or agreements, this Agreement and Assignment shall govern the relationships between and among Tri-Cities, SCWD, and Government.

C. Assignor agrees to remain jointly and severally liable with Assignee for each and every assigned obligation and liability that accrued after the effective date of this Agreement and before the Effective Date. Assignee agrees to be jointly and severally liable to pay and to indemnify and hold Government harmless from any loss, liability, damage, claim, cost and expense (including, without limitation, any direct, indirect, or consequential loss, liability, damage, claim, cost or expense, including attorneys fees, legal costs, and other expenses) connected with or arising out of the Consolidation or the Assignment.

D. The Assignment neither modifies nor amends any provision of this Agreement. It shall continue in effect until termination of the Agreement. Termination of the Agreement and Assignment, however, shall not extinguish any obligation or liability owed by any Party to another on the date of such termination.

This Agreement may be executed in any number of counterparts and, upon execution by Tri-Cities, Government, and SCWD, each executed counterpart shall have the same force and effect as an original instrument, as if all of them had signed the same instrument. Tri-Cities, Government, and SCWD, intending to be legally bound, execute this Agreement by the hands of their duly authorized representatives, and each signatory below represents that s/he is the representative who has been duly authorized to execute this Agreement on behalf of the entity for whom they sign:

TRI-CITIES MUNICIPAL WATER DISTRICT

By: Ray Benedicktus
Ray Benedicktus

Title: President

Date: 3-22-2000

APPROVED AS TO FORM:
Richard S. Rockwell

By: Richard S. Rockwell,
Attorney

ATTESTATION:
Donald R. Roberson

By: Secretary, Tri-Cities
Board of Directors

SOUTH COAST WATER DISTRICT

By: Richard D. Runge
Richard D. Runge
[name]

Title: [title] President, Board of Directors

Date: 3-14-2000

APPROVED AS TO FORM:

Don R. Adkinson
By: Don R. Adkinson, Attorney

ATTESTATION:

Michael P. Aunbar
By: Secretary, South Coast
Board of Directors

THE UNITED STATES OF AMERICA

By: _____

Contracting Officer, Southwest Division
Naval Facilities Engineering Command

Date: _____

APPROVED AS TO FORM:

By: Western Area Counsel
Office

Water Service Agreement – Edison

WATER SERVICE AGREEMENT

This WATER SERVICE AGREEMENT ("Agreement"), is made and entered into to become effective January 31, 2000, between:

TRI-CITIES MUNICIPAL WATER DISTRICT, a municipal water district, hereinafter referred to as "Tri-Cities," "Assignor," or "Party,"

SOUTHERN CALIFORNIA EDISON COMPANY, a California corporation ("SCE"), for itself and on behalf of SAN DIEGO GAS AND ELECTRIC COMPANY, a California corporation ("SDG&E"), the CITY OF ANAHEIM, a municipal corporation of the State of California ("Anaheim"), and CITY OF RIVERSIDE, a municipal corporation of the State of California ("Riverside"), hereinafter collectively referred to as "Edison" or "Party,"

and

SOUTH COAST WATER DISTRICT, a county water district, hereinafter referred to as "SCWD" or "Assignee."

RECITALS

A. Edison owns the San Onofre Nuclear Generating Station ("SONGS"), located upon land owned by the Federal Government on the coast of extreme northern San Diego County. Edison requires that SONGS have a permanent, reliable source of fresh potable water.

B. Tri-Cities and Edison are parties to that certain "Water Service and Reservoir Construction Agreement," dated December 7, 1983 ("1983 Agreement") under the terms of which Edison currently receives water from Tri-Cities. The 1983 Agreement provides, in part, that: (1) it remains in effect so long as SONGS remains within Tri-Cities' service territory (Section 6); (2) it may be amended and modified by mutual agreement of the parties in a duly executed written instrument (Section 13); (3) Tri-Cities may assign its duties and obligations only with Edison's express written consent (Section 15); and (4) the provisions inure to and benefit of the parties, their successors and assigns, and other persons acquiring an interest in it by operation of law or other means (Section 16).

C. Tri-Cities executed the 1983 Agreement, which provided, in part, for Tri-Cities to utilize the Tri-Cities Joint Transmission Main Facilities ("JTM"), the Local Transmission Main Facilities ("LTM"), the Schlegel Reservoir ("Reservoir"), and the San Onofre Feeder ("Feeder") (the JTM, LTM, Reservoir, and Feeder are collectively referred to as "System") to supply water to SONGS. Pursuant to the 1983 Agreement, Edison paid approximately \$2,000,000 to construct the Reservoir and approximately \$4,000 to purchase 5,000,000 gallons of water stored in the Reservoir for emergencies. Pursuant to a separate agreement, the San Diego County Water Authority ("SDCWA") paid approximately \$640,000 to construct the Feeder.

D. Tri-Cities has received an amount up to approximately \$260,000 each year from the San Diego County Tax Collector's Office as its share of the unitary/operating non-unitary property tax revenues collected by the State of California and the County of San Diego

from SONGS, which have been utilized for the purpose of reducing the cost of providing water service to SONGS.

E. The Orange County Local Agency Formation Commission ("LAFCO") is considering an Application for Consolidation of Tri-Cities with the Coastal Municipal Water District ("CMWD"), designated by LAFCO as Reorganization No. RO 99-07 (hereinafter referred to as "Consolidation Application" or "Consolidation," as applicable).

F. Pursuant to the proposed terms and conditions of the Consolidation Application ("Terms and Conditions"), Tri-Cities is to enter into an agreement to transfer its contracts and obligations, including those under the 1983 Agreement, to the South Coast Water District ("SCWD"), who will be the new contract operator of the JTM and LTM for the owners thereof. The Terms and Conditions provide that SCWD may also enter into a water service agreement with Edison, detailing the arrangements for water service, water delivery, operations, and maintenance in San Diego County.

G. The Parties intend that the Tri-Cities' assignment of this Agreement to SCWD take effect on the effective date of the Consolidation, in furtherance thereof.

H. Tri-Cities, the City of San Clemente ("CSC"), SCWD, and others are parties to that certain "Amended and Restated Joint Exercise of Powers Agreement to Operate and Maintain the Tri-Cities Joint Transmission Main" ("JTM Agreement"), which will become effective one day before the effective date of the Consolidation. Pursuant to the JTM Agreement, SCWD will be responsible for the day-to-day operations and maintenance of the JTM and will perform certain water service functions previously performed by Tri-Cities ("JTM Operator").

I. SDCWA and SCWD are parties to that certain "Wholesale Water Service Agreement and Lease of the San Onofre Feeder" ("SDCWA Lease"), to become effective upon the effective date of the Consolidation. Pursuant to the SDCWA Lease, SCWD will be responsible for the day-to-day operations and maintenance of the Feeder and will perform certain water service functions previously performed by Tri-Cities ("Feeder Operator").

J. Upon the effective date of the Consolidation, CSC will be the successor in ownership interest to the LTM and the Reservoir. Pursuant to a separate agreement, SCWD will operate and maintain the LTM on behalf of CSC. CSC will be responsible for the day-to-day operations and maintenance of the Reservoir and will perform certain water service functions previously performed by Tri-Cities ("Reservoir Operator").

K. Edison and Tri-Cities now desire to replace the 1983 Agreement with this Agreement, in order to specify the mutual rights and obligations of the Parties in the future.

L. CSC and Edison are contemplating entering into a separate "Schlegel Reservoir Water Service Agreement" ("Reservoir Agreement") to become effective upon the effective date of the Consolidation. The Reservoir Agreement will provide that CSC shall assume Tri-Cities' obligations under this Agreement to release and deliver up to 5,000,000 gallons of water to Edison at SONGS during emergency situations, upon Edison's demand.

M. Tri-Cities, SCWD and Edison intend that this Agreement shall, on the effective date of the Consolidation, be automatically assigned to SCWD pursuant to Section 18 of this Agreement, who shall assume Tri-Cities' obligations under this Agreement to operate and maintain the JTM, LTM, and Feeder to provide water service to Edison at SONGS.

NOW, THEREFORE, in contemplation of the previously stated facts, and in consideration of their mutual promises, the Parties agree to the following:

SECTION 1. WATER SUPPLY.

A. Quantity: Subject to interruptions under Section 2 of this Agreement, Tri-Cities agrees to provide Edison with up to two (2.00) cubic feet of water per second ("cfs"), averaged over the billing period ("Contractual Capacity"), through the San Onofre Feeder at the San Onofre turnout, to satisfy the water needs of SONGS under normal operating conditions. During unusual emergency conditions, however, Tri-Cities agrees to provide water at a flow rate of up to five (5.00) cfs for periods not to exceed sixty (60) hours per occurrence.

B. Right to Recover Released Capacity: This Agreement does not alter the terms of the annexation of the SONGS site into the Metropolitan Water District of Southern California ("MWD"), under which Edison paid for and was granted the right to 3.67 cfs of the total capacity of 5.07 cfs that the MWD allocated to the SDCWA for San Diego customers. Edison has assigned 0.60 cfs of its capacity rights for the use of Camp Pendleton under separate agreement with the United States of America, acting through the Southwest Division, Naval Facilities Engineering Command. Edison hereby releases 1.07 cfs of its previously purchased rights to CSC and SCWD, in a proportion as agreed to between these entities. As such, if Edison needs additional capacity in the future, it shall have the right to recover the released capacity of up to 1.07 cfs, reduced by the rights to any capacity that it has otherwise transferred to others before that time, without further transfer charge, on or before December 31, 2023. After that date and during the term of this Agreement, Edison shall have the right of first refusal for any such unreclaimed released capacity.

C. Pressure: Tri-Cities further agrees to operate its system to maintain residual water pressure of no less than 45 psi on the Tri-Cities side of the SONGS meter connection at the San Onofre turnout.

D. Quality: Tri-Cities shall normally supply water under this Agreement of the same quality as water that the MWD delivers to Tri-Cities. Tri-Cities shall have the right to also supply SONGS with water from its independent supplemental water supplies, which may differ in quality from that of MWD water; provided, such water shall satisfy all applicable Federal and State domestic water quality standards. Tri-Cities shall not supply water of any lower quality than water delivered to Tri-Cities.

SECTION 2. INTERRUPTIONS OF WATER SUPPLY.

Tri-Cities shall exercise its best efforts to maintain and operate its water system to insure a continuous supply of water at the pressure and in the quantity and quality specified in Section 1 of this Agreement. Tri-Cities shall notify Edison in writing thirty (30) days before any scheduled maintenance that might curtail water service to SONGS. Tri-Cities shall exert all reasonable efforts to coordinate the timing of such scheduled maintenance operations with the operational schedule of SONGS. If Tri-Cities cannot provide such 30-day notice, for reasons beyond its reasonable control, Tri-Cities shall provide the maximum notice possible to Edison before reducing the quantity, quality, or pressure of water to SONGS.

SECTION 3. SCHLEGEL RESERVOIR.

A. Reservation for Edison's Benefit: Tri-Cities constructed, owns, and operates the Reservoir, which is located in the City of San Clemente, County of Orange, State of California. Edison owns 5,000,000 gallons of water, which it desires to continue to store in the Reservoir. Tri-Cities agrees to store and reserve 5,000,000 gallons of water for Edison's benefit. Upon demand by Edison, Tri-Cities agrees to release and deliver up to 5,000,000 gallons to Edison at SONGS through Tri-Cities' and, upon the effective date of the Consolidation, SDCWA's facilities.

B. Reduction in Reservoir Volume: Tri-Cities shall exercise its best efforts to maintain a minimum of 5,000,000 gallons of water in the Reservoir. Tri-Cities shall notify Edison in writing thirty (30) days before any scheduled maintenance that will reduce the volume of water in the Reservoir below 5,000,000 gallons. Tri-Cities shall exert all reasonable efforts to coordinate the timing of such scheduled maintenance operations with the operational schedule of SONGS. If Tri-Cities cannot provide such 30-day notice for reasons beyond its reasonable control, Tri-Cities shall provide the maximum notice possible to Edison before reducing the volume of water in the Reservoir below 5,000,000 gallons.

SECTION 4. TERM.

A. Effective Date: This Agreement shall take effect on the date first shown above and shall remain permanently in full force and effect unless terminated, modified, or amended by mutual agreement of the Parties.

B. Effect of Consolidation Application: This Agreement shall survive the approval by LAFCO of the Consolidation Application. Prior to the effective date of the Consolidation, Tri-Cities and Edison shall enter into a separate assignment agreement with CSC, who shall assume all of Tri-Cities' obligations under this Agreement related to the Reservoir.

C. Termination: If the property where SONGS is located is no longer used as an operating or non-operating power generation facility, including periods for decommissioning such facilities, or for military purposes, or related uses, either Party may terminate this Agreement by prior written notice to the other Party, which termination shall become effective sixty (60) days after receipt of such notice.

SECTION 5. PRICE.

A. Water Rate: The Tri-Cities Board of Directors and, upon the effective date of the Consolidation, the SCWD Board of Directors ("Board") shall establish the water rate for water delivered to Edison pursuant to this Agreement from time to time, which shall consist of a Water Charge and a System Charge.

1. Water Charge: The Water Charge shall be calculated by multiplying the quantity of water consumed by Edison each month by the sum of: (1) the rate paid by Tri-Cities for the purchase of wholesale water; and (2) the applicable SDCWA charges.

2. System Charge: the System Charge shall be calculated as Edison's pro rata share of administration, operation, maintenance, and capital reserve replacement costs associated with the System, as shown on the map identified as Exhibit B, attached to and by this reference incorporated into this Agreement. Except as provided in Section 5B of this

Agreement, Edison's pro rata share of such costs shall be the fraction of such costs that Edison's Contractual Capacity represents to the total capacity at each section or reach of the System.

3. Monthly Installments: Tri-Cities shall divide the allocated System costs by twelve (12) to determine the System Charge that Edison shall pay each month.

4. Annual Budget: Tri-Cities shall provide Edison with a complete copy of any proposed annual budget and supporting work papers at least forty-five (45) days before any vote to adopt such budget. Edison shall have the right to submit comments on the proposed annual budget to the Board and a proposed alternative budget before the hearing on the proposal. Upon request by Edison within fifteen (15) days of receiving the proposed annual budget, Tri-Cities shall, within ten (10) days of such request, provide Edison with any additional background data that Edison reasonably requires to analyze and evaluate the proposed budget. Edison shall submit any comments or proposed alternative budget to the Board at least seven (7) days before the hearing on the new annual budget.

B. Operations and Maintenance Costs.

1. Definition of Operations and Maintenance Costs. Operations and Maintenance ("O&M") Costs are the necessary and actual costs of operating and maintaining the System, based on standard accounting and engineering principles in the water service industry, including those expenses identified in this section, which are necessary and proper to maintain and preserve the System in good repair and working order. O&M Costs shall not include depreciation, obsolescence charges, amortization of intangibles, or other bookkeeping entries of a similar nature. O&M Costs shall include the following:

- The actual cost of necessary labor to operate the System, including the cost of actual salaries and benefits and necessary legal, insurance, accounting, and identifiable administrative services ("Administrative Costs");
- Repair or replacement items not to exceed Fifty Thousand Dollars (\$50,000.00) per item;
- The actual costs of necessary supplies and materials needed to provide water service, including delivery charges and applicable taxes, but no mark-up of such costs.
- The costs of necessary utilities, such as electricity, gas, and telephone;
- The standard cost of items in inventory;
- The cost of rental equipment at fair market rental rates; and
- The cost of contracting for third parties to provide the services for the above-listed items authorized by this Agreement.

2. Allocation of Costs. O&M Costs shall consist of two (2) components: fixed costs and variable costs. Fixed costs are those O&M Costs that benefit the entire system and are incurred regardless of actual water consumption and use by the customers using the system. A pro rata share of such fixed costs shall be allocated to Edison based on Edison's Contractual Capacity compared to the total capacity in the System at each reach or section of the System. Variable costs are those O&M Costs not otherwise defined as fixed costs. Tri-Cities shall allocate a fraction of variable costs to Edison based on its actual water use compared to the total volume flowing in the System.

C. Capital Improvements

1. Definition of Capital Improvements Costs. Capital Improvement Costs are those required for necessary capital improvements, adjustments, repairs, or replacements to the System with a cost in excess of Fifty Thousand Dollars (\$50,000.00), including associated necessary Administrative Costs. All such costs shall be described in detail in the proposed and adopted annual budget.

2. Allocation of Capital Improvement Costs. Tri-Cities shall allocate Capital Improvement Costs to Edison based on the proportion that its Contractual Capacity represents to the total capacity in each reach or section of the System.

D. Non-Budgeted Major Repair Costs.

1. Definition of Major Repair Costs. Major repairs are those repairs that cost over Fifty Thousand Dollars (\$50,000.00) and that have not been anticipated or included in the annual budget. If such Major Repairs become necessary to preserve continuous operation of the System, Tri-Cities shall make such repairs.

2. Allocation of Non-Budgeted Major Repair Costs. Tri-Cities shall allocate Non-Budgeted Major Repair Costs to Edison based on the proportion that its Contractual Capacity represents to the total capacity in each reach or section of the System.

SECTION 6. WATER IMPORTATION PIPELINE ("WIP").

A. Use of WIP for Delivering Water to Edison: Tri-Cities shall deliver water to Edison from the WIP, only during such times that necessary maintenance or emergencies render the JTM inoperable.

B. Definition of WIP Costs: WIP costs shall include construction debt service costs and monthly operations and maintenance costs associated with the WIP.

C. Allocation of WIP Costs: Edison shall pay its pro rata share of the construction debt service on the WIP, based on its Contractual Capacity compared to total capacity. Tri-Cities shall include such charges on the monthly bill as an itemized expense, and shall allocate no other charges or expenses associated with the WIP to Edison. Edison shall pay a share of the monthly operations and maintenance costs associated with the WIP for any month or fraction thereof that its water flows through that system. Edison's share of such operating and maintenance WIP costs shall be based on its Contractual Capacity compared to total capacity for the number of days that Edison's water flows through the WIP, rounded to the nearest whole day. Tri-Cities shall include such operating and maintenance charges on the monthly bill as an itemized expense when applicable.

SECTION 7. INVOICING AND PAYMENT.

Tri-Cities shall prepare and send an invoice to Edison on or about the first business day of each month, detailing the cost to Edison for water supplied to SONGS for the previous month. The invoice shall include a detailed description of Edison's Water Charge, System Charge, and Major Repair costs for the prior month, as provided in Section 5 and any WIP Costs, as provided by Section 6. Tri-Cities may, at its discretion, invoice Edison for unbudgeted Major Repair Costs in one lump sum, prior to awarding any contracts for such improvements or

repairs, or on a monthly basis to coincide with contract progress payment schedules. Edison shall pay the full amount of each invoice within thirty (30) days of its receipt.

SECTION 8. ASSIGNMENT.

If Tri-Cities or any successor to its interests in its facilities reorganizes or otherwise disposes of the Tri-Cities facilities needed to provide service to Edison under this Agreement, Tri-Cities or such successor in interest shall make assignment of this Agreement to any initial or subsequent successor in interest a condition of such reorganization or sale. The provisions of this Agreement shall inure to and be for the benefit of the Parties hereto, and their respective successors, assigns, and all other persons acquiring all or any interest herein, either by operation of law or in any manner whatsoever.

SECTION 9. NOTICES.

Any notice provided for herein shall be given in writing and shall be transmitted by personal delivery, prepaid first class mail of the United States Postal Service, or electronic transmission and delivery, with receipt confirmation, which address may be changed from time to time upon direction of a Party to the other:

To Tri-Cities:	Tri-Cities Municipal Water District Attn: Don Roberson 851 Calle Agua San Clemente, CA 92672 Phone: 949-248-2097 FAX: 949-496-7466
To Edison (Interruptions of Service):	San Onofre Nuclear Generating Attention: Vice President, Nuclear Generation, and Site Manager Post Office Box 128 San Clemente, CA 92672 Phone: 949-368-6255 FAX: 949-368-6183
To Edison (All Other):	Southern California Edison Attn.: Manager, Site Support Services Post Office Box 128, Bldg. W-44 San Clemente, CA 92674-0128 Phone: 949-368-9940 FAX: 949-368-6560
To SCWD:	South Coast Water District Attn: Mike Dunbar 31592 West Street Laguna Beach, CA 92677 Phone: 949-499-4555 FAX: 949-499-4256

SECTION 10. FORCE MAJEURE.

If an event constituting force majeure renders a Party unable to perform, in whole or in part, any obligation under this Agreement, that Party may suspend performance of such obligation for the duration of the event; provided, however, the Party claiming suspension shall notify the other Party of the details of the force majeure, as soon as reasonably practicable after the commencement of the event. A Party may suspend its performance only if the Party has no control over the event, does not reasonably foresee the event, and cannot, by the exercise of due diligence, prevent or overcome the event constituting force majeure. Examples of events which could constitute force majeure include, but are not limited to, the following: lightning, storm, earthquake, landslide, flood, washout, or other act of God; freezing, fire, explosion, rupture, breakage, or accident to pipeline, plant, machinery, or equipment; revolution, civil disturbance, sabotage, acts of the public enemies, war, blockade, insurrection, vandalism, riot, epidemic; or order of any court or regulatory authority.

SECTION 11. ENTIRE AGREEMENT.

This Agreement constitutes the entire, exclusive, final, and integrated statement of the terms of the Parties' agreement regarding the matters for which it provides. Accordingly, each Party acknowledges that, insofar as that Party had prior dealings with the other Party during negotiations, the Party specifically negates any legal effect of such prior dealings and negotiations and agrees to be bound by no other written or oral representations, warranties, obligations, assurances, conditions, covenants, or agreements, except as specifically provided in the Agreement.

SECTION 12. MODIFICATION OF AGREEMENT.

The Parties may, by mutual agreement, amend or modify this Agreement by a written amendment or modification duly executed and approved with the same formality as this Agreement.

SECTION 13. SEVERABILITY AND SURVIVAL OF AGREEMENT.

If any term of this Agreement is rendered unenforceable, in any manner whatsoever, the remaining terms shall remain fully effective and enforceable.

SECTION 14. CANCELLATION OF EXISTING AGREEMENT.

This Agreement supersedes the 1983 Agreement in its entirety as of its effective date.

SECTION 15. SETTLEMENT AND RELEASE OF CLAIMS.

Each Party hereby waives its right to assert any claim for damages against the other Party for violation of the 1983 Agreement after the effective date of this Agreement. Each Party certifies that, with respect to claims being released by this Agreement, it has read and understands the following provisions of California Civil Code Section 1542 and waives its protection:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

Each Party hereby represents to the other Party that it understands and acknowledges the significance and consequence of waiving the protection of California Civil Code Section 1542 is that, even if a Party should eventually discover an additional basis for a claim against the other Party arising out of or related to the 1983 Agreement, that Party may not later assert any claim for those damages. Furthermore, each Party acknowledges that it intends these consequences even as to claims that may exist as of the date of this Agreement but which it does not know exists, and which, if known, would materially affect its decision to execute this release, regardless of whether its lack of knowledge arose through its ignorance, oversight, error, negligence, or any other cause.

SECTION 16. ATTORNEYS' FEES.

If a dispute arises between the Parties about any rights or obligations provided in or related to this Agreement, the prevailing Party in any litigation commenced to resolve such dispute shall be entitled to its costs of litigation, including reasonable attorneys' fees.

SECTION 17. AUTHORITY TO ACT AS AGENT.

SCE represents and warrants that it is duly authorized, pursuant to the Second Amended San Onofre Operating Agreement Among Southern California Edison Company, San Diego Gas & Electric Company, City of Anaheim, and City of Riverside, dated February 26, 1987, to execute this Agreement as principal on its own behalf and as the operating agent for SDG&E, Anaheim, and Riverside.

SECTION 18. ASSIGNMENT TO SCWD.

A. Effective as of the effective date of the Consolidation: (1) Assignor assigns this Agreement and all of Assignor's rights hereunder to Assignee and delegates all of Assignor's obligations and liabilities owed to Edison hereunder to Assignee, except for obligations related to the Reservoir that are thereafter assigned to and assumed by CSC; (2) Assignee agrees to assume, perform, and be liable for all such rights, obligations, and liabilities owed to Edison by Assignor under this Agreement and accepts the assignment of the Agreement and all such assigned rights, obligations, and liabilities including but not limited to, those assigned rights, obligations, and liabilities that accrued prior to the date of this assignment, to the same extent as if Assignee had been an original party to the Agreement as of its effective date; and (3) Edison consents to such assignment of this Agreement from Assignor to Assignee ("Assignment").

B. Edison is not a party to and has no obligation under any documents or agreements related to the Consolidation other than those it has executed through its authorized representatives related to this Agreement and the Assignment of its provisions after the effective date of the Consolidation. To the extent that this Agreement or the Assignment is inconsistent with any other such documents or agreements, this Agreement and Assignment shall govern the relationships between and among Tri-Cities, SCWD, and Edison.

C. Assignor agrees to remain jointly and severally liable with Assignee for each and every assigned obligation and liability that accrued after the effective date of this Agreement and before the date of this Assignment. Assignee agrees to be jointly and severally liable to pay and to indemnify and hold Edison harmless from any loss, liability, damage, claim, cost and expense (including, without limitation, any direct, indirect, or consequential loss, liability,

damage, claim, cost or expense, including attorneys fees, legal costs, and other expenses) connected with or arising out of the Consolidation or the Assignment.

D. The Assignment neither modifies nor amends any provision of this Agreement. It shall continue in effect until termination of the Agreement. Termination of the Agreement and Assignment, however, shall not extinguish any obligation or liability owed by any Party to another on the date of such termination.

This Agreement may be executed in any number of counterparts and, upon execution by Tri-Cities, Edison, and SCWD, each executed counterpart shall have the same force and effect as an original instrument, as if all of them had signed the same instrument. Tri-Cities, Edison, and SCWD, intending to be legally bound, execute this Agreement by the hands of their duly authorized representatives, and each signatory below represents that s/he is the representative who has been duly authorized to execute this Agreement on behalf of the entity for whom they sign:

TRI-CITIES MUNICIPAL WATER DISTRICT

By: Ray Benedicttus
Ray Benedicttus

Title: President

Date: 2/8/2000

Richard S. Rockwell
APPROVED AS TO FORM:

By: Richard S. Rockwell,
Attorney

Donald R. Roberson
ATTESTATION:

By: Secretary, Tri-Cities
Board of Directors

SOUTH COAST WATER DISTRICT

By: Richard J. Runge
Richard Runge

Title: President

Date: 2/4/00

APPROVED AS TO FORM:

Don R. Atkinson
By: Don R. Atkinson, Attorney

Michael P. Dunbar
ATTESTATION:

By: Secretary, South Coast
Board of Directors

SOUTHERN CALIFORNIA EDISON COMPANY, for
itself, SDG&E, ANAHEIM, AND RIVERSIDE

By: Dwight E. Nunn, Jr.
Dwight E. Nunn, Jr.

Title: Vice President

Date: 2/1/00

APPROVED:

STEPHEN E. PICKETT

Vice President and
General Counsel

Annette Gilliam
By: Annette Gilliam, Attorney

Date: 1-31-00

Transfer of Title – San Onofre Feeder

**AGREEMENT FOR TRANSFER OF THE
SAN ONOFRE FEEDER**

THIS AGREEMENT, is made and entered into, to be effective on the Effective Date, by and between TRI-CITIES MUNICIPAL WATER DISTRICT (hereinafter referred to as "Tri-Cities"), a municipal water district organized and acting under the Municipal Water District Law of 1911 (California Water Code Sections 71000 et seq.); and SAN DIEGO COUNTY WATER AUTHORITY (hereinafter referred to as "Authority"), a county water authority organized and acting under the California Water Authority Act of the State of California (Stats. 1943, c. 545, as amended), in view of the following facts:

- A. Tri-Cities is currently completing a government reorganization action, pursuant to Order of the Orange County Local Agency Formation Commission ("LAFCO"), designated RO99-07, pursuant to the Cortese-Knox Local Government Reorganization Act of 1985 (California Government Code Sections 56000 et seq.), under which Tri-Cities would consolidate with Coastal Municipal Water District (hereinafter the "Reorganization"), to be effective March 31, 2000.
- B. Under the Terms and Conditions of the Reorganization, the Tri-Cities' territory in San Diego County shall be detached from Tri-Cities, with the Authority named as successor agency to Tri-Cities for that territory. Also under said Terms and Conditions, Tri-Cities is directed to transfer ownership of the San Onofre Feeder, a water pipeline extending south from the Orange County/San Diego County boundary, to the Authority. The Authority, under the Terms and Conditions, is directed to lease the San Onofre Feeder to the South Coast Water District (hereinafter "South Coast"), which shall provide water service to certain water service customers that had previously been served by Tri-Cities.
- C. The Parties intend by this Agreement to provide for transfer of ownership of the San Onofre Feeder from Tri-Cities to the Authority. Lease of the San Onofre Feeder by the Authority to South Coast is the subject of a separate Agreement between the Authority and South Coast.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

- 1. Transfer of Ownership of the San Onofre Feeder. In accordance with the Terms and Conditions of LAFCO Reorganization No. RO99-07, Tri-Cities shall transfer ownership of the San Onofre Feeder pipeline, including all related appurtenances, together with the rights to the real property interests wherein the pipeline is located, to the Authority. To effect that transfer, Tri-Cities shall execute a Deed that shall be in substantially the form contained in Exhibit "A", attached hereto and incorporated herein as part of this Agreement.
- 2. Effective Date. The transfer of ownership of the San Onofre Feeder to the Authority shall take effect one (1) day before the effective date of LAFCO Reorganization No. RO99-07. However, in the event that LAFCO Reorganization No. RO99-07 is not completed on or before December 31, 2000, this Agreement shall become null and void.

3. Future Amendments. The Parties hereto, by mutual agreement, may amend or modify this Agreement; provided, however, that any such amendment or modification must be in writing and approved with the same formality as this Agreement.
4. Successors and Assigns. The provisions of this Agreement shall inure to and be for the benefit of the Parties hereto, and their respective successors, assigns, and all other parties acquiring all or any interest herein, either by operation of law, or in any manner whatsoever.
5. Venue and Litigation Costs. This Agreement shall be interpreted in accordance with the laws of the State of California. If any action is brought to interpret or enforce any term of this Agreement, the action shall be brought in the Superior Court, County of San Diego, or a federal court situated in the County of San Diego, State of California. In the event of any such litigation between the Parties, the prevailing Party shall be entitled to recover all reasonable costs incurred, including reasonable attorneys' fees, as determined by the court.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement.

TRI-CITIES MUNICIPAL WATER DISTRICT

Date: March 22, 2000

By Ray L. Buelchert

ATTEST:

Donald R. Roberson
Secretary

APPROVED AS TO FORM:

[Signature]

SAN DIEGO COUNTY WATER AUTHORITY

Date: 3/27, 2000

By Thomas M. Nutt
Thomas M. Nutt, Director
Right of Way Department

APPROVED AS TO FORM:

James J. Taylor
James J. Taylor
Deputy General Counsel

Order No.
Escrow No.
Loan No.

WHEN RECORDED MAIL TO:

DIEGO COUNTY WATER AUTHORITY
3211 Fifth Avenue
San Diego, California 92103

SPACE ABOVE THIS LINE FOR RECORDER'S USE

DOCUMENTARY TRANSFER TAX \$ PUBLIC AGENCY

 Computed on the consideration or value of property conveyed; OR
 Computed on the consideration or value less liens or
encumbrances remaining at time of sale.

Signature of Declarant or Agent determining tax - Firm Name

QUITCLAIM DEED

FOR A VALUABLE CONSIDERATION, receipt of which is hereby acknowledged,

Tri-Cities Municipal Water District, a public agency organized and existing under the Municipal
Water District Law of 1911,

does hereby REMISE, RELEASE AND FOREVER QUITCLAIM to,

San Diego County Water Authority, a county water authority organized and acting under the
California Water Authority Act of the State of California (Stats. 1943, c. 545, as amended),

the water delivery pipeline, including any and all property rights, easements, permits, and licenses issued for its construction,
operation, maintenance, and use, together with any and all appurtenances, connections, and structures thereto previously used
by Tri-Cities Municipal Water District in its operation of the pipeline, located in the unincorporated territory of the County of San
Diego, State of California,

as is described and generally depicted on Exhibit "A" and Exhibit "B," respectively, attached
hereto, commonly referred to as the Tri-Cities Municipal Water District San Onofre Feeder
pipeline.

It is the intent of Tri-Cities Municipal Water District that the doctrine of after acquired title shall apply to this Quitclaim Deed and
to the transfer described herein.

Dated March 22, 2000

STATE OF CALIFORNIA)
COUNTY OF Orange) ss.

On March 22, 2000 before me,

personally appeared Linda A. Lazar
Ray L. Benedictus and
Donald R. Roberson

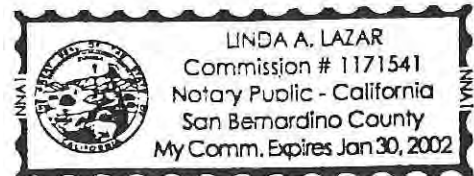
personally known to me (or proved to me on the basis of satisfactory
evidence) to be the person(s) whose name(s) is/are subscribed to the
within instrument and acknowledged to me that he/she/they executed
the same in his/her/their authorized capacity(ies), and that by his/her/their
signature(s) on the instrument the person(s) or the entity upon behalf of
which the person(s) acted, executed the instrument.

ESS my hand and official seal.

Signature Linda A. Lazar

MAIL TAX STATEMENTS TO:

Ray L. Benedictus
RAY L. BENEDICTUS, President
Donald R. Roberson
DONALD R. ROBERSON, General Manager/Secretary



(This area for official notarial seal)

EXHIBIT "A"

San Onofre Feeder

That portion of the Tri-Cities Municipal Water District ("District") water delivery pipeline, commonly referred to as the San Onofre Feeder ("pipeline"), designed and constructed by the District pursuant to the February 15, 1978, Water Service Agreement entered into between the District and the State of California, acting through the Department of Parks and Recreation, and pursuant to the December 1975 Memorandum of Understanding Re Water Supply for San Onofre State Beach and Nuclear Generating Station, located at the San Onofre Feeder point of connection at the Orange County/San Diego County boundary and running southeasterly to its terminus - the San Onofre State Beach and the San Onofre Nuclear Generating Station (end users), excluding that portion of the pipeline northwesterly from the Orange County/San Diego boundary located in the County of Orange, as is more particularly described in Exhibit "A-1," attached hereto.

That certain right of way and incidents thereto for a public highway in and to that portion of the land described in deed to the State of California recorded August 11, 1937 in Book 676, page 401 of Official Records of San Diego County bounded on the Southeast as follows:

Commencing at the Southeasterly terminus of that certain course in said deed to the State with a bearing of N.49°03'W., and a length of 10,033.39 feet; thence, Northwesterly along said course N.48°22'52"W., 4216.59 feet to the TRUE POINT OF BEGINNING; thence, leaving said course, S.42°05'49"W., 105.26 feet to the Southwesterly line of the land described in said deed to the State, being a point on that certain course in said deed with a bearing of S.49°03'E., and a length of 6800.00 feet;

AND, bounded on the Northwest by the following described line:

Commencing at the Northwesterly terminus of that certain course in said deed to the State with a bearing of N.48°05'40"W., and a length of 705.36 feet, said Point of Commencement being described in said deed as being "---N.53°08'E., 50.00 feet from Engineer's Station 512+29.26 H.C. of last said Department of Public Works' Survey---"; thence, along last said course, S.47°23'05"E., 494.95 feet to the TRUE POINT OF BEGINNING; thence, leaving last said course, S.39°10'35"W., 154.27 feet to the Southwesterly line of said deed to the State, being a point on that certain course described as "---along a curve to the left with a radius of 1800 feet, through an angle of 42°48' a distance of 1344.60 feet---".

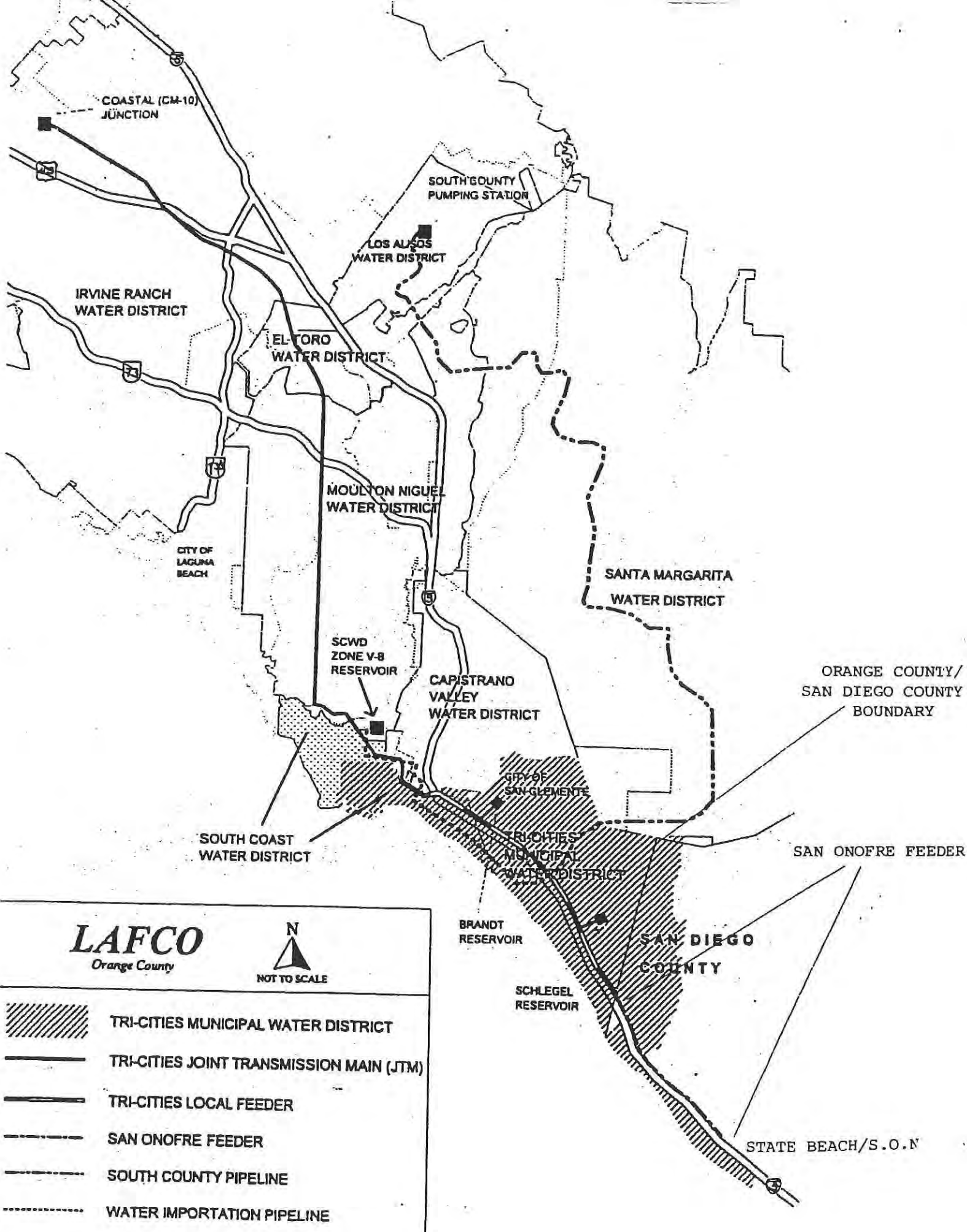
Excepting therefrom those portions lying Northeasterly and Easterly or the following described line, said line being the Westerly boundary of Interstate Highway 11-SD-5:

Beginning at the first above-described TRUE POINT OF BEGINNING on said course in said deed with a bearing of N.49°03'W., and a length of 10,033.39 feet; thence (1) N.42°05'49"E., 100.13 feet to a point on the Easterly sideline of the 100 foot right of way of the Atchison, Topeka and Santa Fe Railway Company, described in deed to the Southern California Railroad Company, recorded October 5, 1898, in Book 274, page 132 of Deeds, filed in the Office of the County Recorder of San Diego County; said point being the TRUE POINT OF BEGINNING; thence (2) along said Easterly sideline N.48°22'52"W., 5,812.77 feet; thence (3) continuing along said Easterly sideline, along a tangent curve to the left, with a radius of 5,779.36 feet, through an angle of 08°22'47", a distance of 845.25 feet; thence (4) continuing along said Easterly sideline, N.56°45'39"W., 1,017.56 feet, to a point on the Easterly sideline of the 100 foot right of way of the Atchison, Topeka and Santa Fe Railway Company, as said right of way is described in deed to said Company, recorded November 9, 1937 in Book 712, page 383, Official Records of said County, thence along said Easterly sideline, which is parallel and concentric to the following described centerline:

Commencing on said centerline at a point which is S.33°14'21"W., 50.00 feet from last said point, thence along the following courses: (5) from a tangent which bears N.56°45'39"W., along a tangent spiral curve, concave Northeasterly, having ten 27 foot chords, through an angle of 01°21'00"; thence (6) along a tangent curve concave Northeasterly having a radius of 5,729.36 feet, through an angle of 11°18'00", a distance of 1,129.96 feet; thence (7) along a tangent spiral curve having ten 27 foot chords, through an angle of 01°21'00"; thence (8) N.42°45'39"W., 935.16 feet; thence (9) along a tangent spiral curve, concave Southwesterly, having ten 27 foot chords, through an angle of 01°21'00"; thence (10) along a tangent curve concave Southwesterly, having a radius of 5,729.36 feet, through an angle of 04°38'00", a distance of 463.32 feet; thence (11) along a tangent spiral curve, concave Southwesterly, having ten 27 foot chords, through an angle of 01°21'; thence (12) N.50°05'39"W., 6,568.69 feet; thence (13) along a tangent spiral curve concave Southwesterly, having ten 17 foot chords, through an angle of 00°25'30"; thence (14) along a tangent curve concave Southwesterly, having a radius of 11,458.63 feet, through an angle of 05°14'49", a distance of 1,049.34 feet; thence (15) along a tangent spiral curve concave Southwesterly having ten 17 foot chords, through an angle of 00°25'30" to the centerline of said 100 foot wide right of way of the Atchison, Topeka and Santa Fe Railway Company, first hereinabove described; thence (16) leaving said centerline and commencing at a point which lies N.33°48'32"E., 50.00 feet from the Northerly terminus of the above described course (15), last said point being on said Easterly sideline of said 100 foot right of way of the Atchison, Topeka and Santa Fe Railway Company, along last said Easterly right of way line, N.56°14'28.00 feet; thence (17) leaving last said Easterly right of way line, N.49°12'48"W., 660.24 feet; thence (18) N.41°57'46"W., 797.48 feet; thence (19) N.48°03'01"W., 239.10 feet; thence (20) N.52°54'36"W., 304.25 feet; thence (21) N.55°51'48"W., 79.54 feet; thence (22) N.56°17'42"W., 49.89 feet; thence (23) N.58°24'18"W., 48.92 feet; thence (24) N.61°34'42"W., 70.02 feet; thence (25) N.61°51'31"W., 40.23 feet; thence (26) N.63°17'45"W., 104.13 feet; thence (27) N.63°56'35"W., 293.43 feet; thence (28) N.64°18'24"W., 2,148.00 feet; thence (29) N.63°53'45"W., 524.02 feet; thence (30) N.65°57'38"W., 176.07 feet; thence (31) N.67°52'10"W., 178.34 feet; thence (32) N.67°06'13"W., 372.44 feet; thence (33) N.56°44'20"W., 151.33 feet; thence (34) N.66°56'09"W., 550.57 feet; thence (35) N.68°15'40"W., 396.96 feet; thence (36) N.70°52'42"W., 336.70 feet; thence (37) N.77°42'04"W., 250.00 feet; thence (38) S.76°23'59"W., 101.87 feet; thence (39) N.75°47'34"W., 70.00 feet; thence (40) N.82°32'10"W., 70.86 feet; thence (41) N.49°56'48"W., 52.19 feet to a point which bears S.39°10'35"W., 46.56 feet from the above described TRUE POINT OF BEGINNING on that certain course in said deed to the State with a bearing of N.49°06'40"W., and a length of 705.36 feet.

The bearings and distances used in the above description are on the California Coordinate System, Zone 6. Multiply all distances used in the above description by 1.0000500 to obtain ground level distances.

There shall be no abutter's rights of access appurtenant to the above described real property in and to the adjacent State freeway except over and across course (39) hereinabove described.



Water Services Agreement/Lease San Onofre Feeder

WHOLESALE WATER SERVICE AGREEMENT AND LEASE OF THE SAN ONOFRE FEEDER

This Water Service Agreement (hereinafter "Agreement") is made and entered into, on March 29, 2000, to be effective as of the Effective Date, as defined hereinafter, by and between the SOUTH COAST WATER DISTRICT (hereinafter "South Coast"), a water district organized and acting under the authority of the County Water District Act, California Water Code Sections 30000 et seq., and the SAN DIEGO COUNTY WATER AUTHORITY (hereinafter "Authority"), a county water authority organized and acting under the County Water Authority Act of the State of California (Stats. 1943, c. 545, as amended), in view of the following facts:

- A. Prior to 1975, Southern California Edison Company, for itself and on behalf of San Diego Gas and Electric Company (hereinafter collectively "Edison"), explored various methods for establishment of a permanent source of fresh potable water to the San Onofre Nuclear Generating Station (hereinafter "SONGS"), located on lands leased from the United States on Marine Corps Base, Camp Pendleton, California, in San Diego County, and conducted extensive negotiations concerning such water supply with various public agencies including the Authority, Tri-Cities Municipal Water District (hereinafter "Tri-Cities"), and the Metropolitan Water District of Southern California (hereinafter "Metropolitan").
- B. During those discussions, the related issue of providing a supply of fresh water to the San Onofre State Beach (hereinafter "State Beach"), also on lands leased from the United States on Camp Pendleton in San Diego County, and to the remainder of the Marine Corps Base, Camp Pendleton (hereinafter "Camp Pendleton") were also addressed. As a result, Edison, the Authority, and Tri-Cities executed that certain "Memorandum of Understanding Re Water Supply for San Onofre Beach and Nuclear Generating Station", dated December 11, 1975 (hereinafter "1975 MOU").
- C. The 1975 MOU included specific provisions relating to the wholesale delivery of imported Metropolitan water to the State Beach and SONGS. It was agreed, among other provisions, by the parties thereto that the area would be annexed to the Authority, a member agency of Metropolitan, and to Metropolitan, that imported Metropolitan water delivered to the State Beach and SONGS would be charged against the Authority's entitlement to water from Metropolitan, that the Authority would receive such water at the coastal junction of the Orange County Feeder No. 2, known as "Coastal Junction" or "CM-10 Connection" (hereinafter "Coastal Junction"), that Tri-Cities would transfer and deliver up to 5.07 cubic feet per second of water to the Authority from the Coastal Junction through Tri-Cities' facilities to serve the State Beach and SONGS, and that SONGS and the State Beach would be entitled to receive a certain amount of water under a prescribed rate formula. Tri-Cities agreed to construct a pipeline (now known as the "San Onofre Feeder") and a reservoir (now known as the "Schlegel Reservoir") to

provide service to the State Beach and SONGS. As consideration for the right of SONGS and the State Beach to receive water through Tri-Cities' facilities, and in consideration of the fact that the Authority did not have to construct new facilities to serve the State Beach and SONGS, the Authority paid Tri-Cities the sum of \$640,000 for costs of constructing the San Onofre Feeder.

- D. Camp Pendleton, including SONGS and the State Beach, was annexed into the corporate areas of the Authority and Metropolitan under terms and conditions stated in Metropolitan Resolution No. 7710 of June 14, 1977, and Authority Resolution No. 77-45 of December 8, 1977 (hereinafter "Annexation Resolutions"). For purposes of this Agreement, the areas included within SONGS and the State Beach are as indicated for the Nuclear Generating Plant Area and the San Onofre State Beach and Park Area, respectively, in Authority Resolution No. 77-45, and as generally depicted in Exhibit A, attached hereto and incorporated herein as part of this Agreement.
- E. Tri-Cities, Edison, the State of California, and the City of San Clemente (hereinafter "San Clemente") entered into a "Cooperative Agreement to Furnish Water to San Onofre" dated October 6, 1976 (hereinafter the "Four Party Agreement") by which the parties agreed to cooperate with Tri-Cities in the extension of Tri-Cities facilities to serve water to SONGS and the State Beach. San Clemente, which had been providing water to SONGS through temporary facilities, agreed to continue to provide such service until Tri-Cities' extension project was complete, at which time San Clemente agreed to provide the area with a backup water system.
- F. Tri-Cities and State of California, acting through the Department of Parks and Recreation, entered into a "Water Service Agreement", dated February 15, 1978, by which Tri-Cities would serve the State Beach. Tri-Cities and Edison entered into a "Water Service and Reservoir Construction Agreement", dated December 7, 1983, which included terms and conditions of water service by Tri-Cities to Edison, and provided for payment by Edison of a portion of the cost of the Schlegel Reservoir in return for rights of water storage in the reservoir.
- G. Tri-Cities and the United States of America, acting through the Southwest Division, Naval Facilities Engineering Command, (hereinafter the "United States") entered into an "Interim Water Service Agreement", dated July 13, 1998 (hereinafter the "1998 Agreement"), which provided for water service by Tri-Cities to the San Mateo Point Housing Area (hereinafter "San Mateo Point") of Camp Pendleton, and contemplated annexation of San Mateo Point to Tri-Cities. For purposes of this Agreement, the areas included within San Mateo Point are as indicated in the 1998 Agreement, and as generally depicted in Exhibit B.

- H. Edison and the United States have entered into an agreement as of March 7, 2000 whereby Edison has transferred a portion of the capacity it is entitled to receive through Tri-Cities facilities and the San Onofre Feeder to the United States for the use of Camp Pendleton.
- I. The Orange County Local Agency Formation Commission (hereinafter "LAFCO") is presently considering an application submitted by Tri-Cities (hereinafter the "Tri-Cities Application") for the Consolidation of Tri-Cities with Coastal Municipal Water District (hereinafter "Coastal") and Detachment of Tri-Cities San Diego Territory. Under the Terms and Conditions of Consolidation, the Authority would become the successor agency to Tri-Cities' San Diego County service area and assume ownership of the San Onofre Feeder in San Diego County; however, South Coast would provide operations, maintenance, and repair of the San Onofre Feeder and appurtenant facilities, and would be compensated for those services by contract with the Authority and with the San Diego County customers. Further, the Terms and Conditions of Consolidation provides that capacity currently reserved for customers in the San Diego service area in Tri-Cities' transmission facilities from the Coastal Junction to the San Onofre Feeder (hereinafter the "Joint Transmission Main") be transferred in trust to South Coast for the benefit of those customers.
- J. South Coast has agreed to assume responsibility for providing water service to SONGS, the State Beach, and San Mateo Point under substantially the same terms as water service has historically been provided to SONGS and the State Beach by Tri-Cities, or as otherwise provided in agreements between South Coast or Tri-Cities, and those parties. South Coast's obligations with respect to water delivery service and agreements with the Authority, Edison, State of California and United States for such service, are included in the Terms and Conditions of LAFCO Reorganization No. R099-07, which implements the Tri-Cities Application. The parties recognize that for South Coast to provide such water service, it is necessary for the Authority to lease the San Onofre Feeder to South Coast under terms that will give South Coast operational control and responsibility for the San Onofre Feeder.
- K. The parties hereto desire by this Agreement to formally state the terms and conditions under which South Coast will provide continuing water service to SONGS, the State Beach, and Camp Pendleton, through water facilities South Coast owns and operates or holds capacity rights, and through operation of the San Onofre Feeder under lease to South Coast from the Authority. Further, the parties intend that this agreement shall complement additional water service agreements between South Coast and Edison, the State of California, and the United States, for service to SONGS, the State Beach, and San Mateo Point.

NOW, THEREFORE, IN CONSIDERATION OF THE MUTUAL PROMISES AND CONVENANT CONTAINED HEREIN, IT IS AGREED AS FOLLOWS:

1. Authority Entitlement to Receive Water at Coastal Junction. The Authority is entitled to receive up to 5.07 cubic feet per second of water from Metropolitan at the Coastal Junction, under the terms and conditions stated in Metropolitan Annexation Resolution No. 7710 of July 14, 1977. Neither the terms of this Agreement, nor the terms of the water service agreements to be executed between South Coast and Edison, the State of California, and the United States shall alter, amend, or otherwise decrease the authorized allotment of water from Metropolitan to the Authority.
2. Delivery of Water by South Coast. South Coast shall transport and deliver through facilities which it either owns, or in which it has capacity rights, in whole or in part, or which it operates, pursuant to agreements with other owners from the Coastal Junction to the San Onofre Feeder all water which the Authority may be entitled to receive at the Coastal Junction, but such transportation and delivery shall not exceed the maximum amount contracted for by SONGS, State Beach and Camp Pendleton, respectively and collectively, and in no event more than the 5.07 cubic feet per second Metropolitan allotment. The Authority hereby designates South Coast as its agent for ordering and accepting delivery of water from Metropolitan, through Coastal Municipal Water District, or its successor, at Coastal Junction pursuant to this Agreement. Facilities through which water shall be transported by South Coast pursuant to this Section 2 are generally depicted in Exhibit C, attached hereto and incorporated herein as a part of this Agreement.
3. Lease of San Onofre Feeder. South Coast hereby leases from the Authority, and the Authority leases to South Coast, the San Onofre Feeder and appurtenant facilities for the sole purpose of delivery of water pursuant to this Agreement (hereinafter referred to as the "Lease"). South Coast shall maintain, keep in good repair, operate, and replace as needed the San Onofre Feeder, for the purpose of delivering water from its facilities, as provided in Sections 1 and 2, above, through the San Onofre Feeder to SONGS, the State Beach, and San Mateo Point, up to the quantities provided in Section 2 above and Section 5, below. The undertaking of major repairs or replacement of any or all portions of the facility by South Coast is subject to the recovery of the costs thereof as provided in the then current water service agreements between South Coast and Edison, the State of California, and/or the United States. The San Onofre Feeder is generally depicted in Exhibit D, attached hereto and incorporated herein as part of this Agreement. The parties hereto expressly agree that the Schlegel Reservoir is not a portion of the San Onofre Feeder, and that the City of San Clemente will own and operate Schlegel Reservoir and could use the Reservoir to facilitate deliveries through the San Onofre Feeder, subject to Edison's rights in the Schlegel Reservoir, which are described in a separate Agreement between

the City of San Clemente and/or South Coast and Edison. The San Onofre Feeder consists of facilities which are entirely within San Diego County.

4. Consideration for Lease by Authority and Water Service by South Coast. Authority leases the San Onofre Feeder to South Coast at no monetary cost. South Coast's consideration for the Lease consists of the covenants into which South Coast has entered under this Agreement. South Coast shall be entitled to compensation from Edison, State Beach and United States for water service in accordance with the terms of water service agreements between South Coast and each of those entities. Additionally, the Authority shall transfer to South Coast any revenues it may receive from the unitary/operating non-unitary tax on SONGS; however, the Authority shall retain any other taxes, fees, charges, or assessments collected by or for the Authority or on behalf of Metropolitan relating to SONGS or any other territory within the Authority service area. The Authority shall have no other obligation whatsoever to compensate South Coast for South Coast's water service under this Agreement, or for any costs associated with such water service, including but not limited to operation, maintenance, repair, and replacement of any facilities necessary to carry out South Coast's water service obligations. Additionally, South Coast shall assume and pay any and all obligations the Authority may have for payment of debt incurred by Tri-Cities related to the construction, repair, operation, maintenance, and/or replacement of any and all facilities that may be utilized to deliver or store water under this Agreement.
5. Authority's Entitlement. Water received at the Coastal Junction and delivered to SONGS, the State Beach, and San Mateo Point, pursuant to the then current water service agreements between South Coast and Edison, the State of California, and the United States, up to the amount of 5.07 cubic feet per second, shall be charged against the Authority's entitlement to water from Metropolitan, as described in Recital C above, and shall not affect the entitlement of any other member agency of Metropolitan.
6. Allocations to SONGS, the State Beach, and San Mateo Point. Of the Metropolitan water allocation which the Authority is entitled to receive at the Coastal Junction, and which South Coast shall transport and deliver as provided herein, SONGS', State Beach' and San Mateo Point's proportionate share entitlement of Authority's allocation shall not exceed the amounts set forth in the Annexation Resolution.
7. Water Charges. South Coast shall abide by all rules and regulations of the Authority pertaining to the provision of wholesale water service and shall timely pay for such wholesale water service in accordance with the rates, fees, and charges established from time to time by the Authority Board of Directors. The agencies owning SONGS, the State Beach, and San Mateo Point shall submit payment for water service to South Coast in accordance with the then current water service agreements between each agency and South Coast. Payment for

water service to SONGS, the State Beach, and San Mateo Point shall be made directly to South Coast by those parties, and South Coast shall remit to the Authority such rates, fees, and/or charges as are payable to the Authority.

8. Upkeep and Operation of San Onofre Feeder. South Coast shall, as lessee, take possession of the San Onofre Feeder in its condition at the time of initiation of the lease, and at its cost shall operate, maintain, repair, and, as needed, replace that facility so as to keep the facility in good repair and provide efficient service to SONGS, the State Beach, and San Mateo Point. The undertaking of major repairs or replacement of any or all portions of the facility by South Coast is subject to the recovery of the costs thereof, as provided in the then current water service agreements between South Coast, Edison, the State of California, and the United States. The Authority shall not be responsible for the condition of the San Onofre Feeder, or for any costs associated with the operation, maintenance, repair, replacement, or improvements to it. South Coast shall operate, maintain, and, as needed, repair the San Onofre Feeder in accordance with all applicable state, federal, and local laws and regulations, and shall comply with all licenses, permits, or other grants of use of real property issued to Tri-Cities, its successors, or the Authority for operation and maintenance of the Feeder, as if South Coast were the permittee, licensee, or grantee. Compliance by South Coast shall include, but is not limited to, insurance required of a permittee, licensee, or grantee.
9. Use and Control of Facilities; Indemnification of Authority. South Coast shall own, lease, maintain capacity, or otherwise have sufficient rights of use in all facilities necessary to bring the amount of Metropolitan imported water as identified in this Agreement from the Coastal Junction to SONGS, the State Beach, and San Mateo Point. The parties intend that all Authority water delivered at Coastal Junction shall be delivered through the Joint Transmission Main, or alternatively through the Water Importation Pipeline, the Local Transmission Main, and then through the San Onofre Feeder. Any additional pipelines, structures, connections, or other facilities required for such delivery shall be provided by South Coast without cost to the Authority, and the Authority shall be under no obligation to provide construct, operate, maintain, or replace any such facilities. All improvements and repairs made to the San Onofre Feeder, and any reconstruction or replacement of the San Onofre Feeder, shall be considered a part of the San Onofre Feeder, and as such shall be the property of the Authority subject to the Lease of the San Onofre Feeder to South Coast contained herein. To the extent that South Coast shall have control over the operations, maintenance, and repair of the Joint Transmission Main, the Local Transmission Main, the San Onofre Feeder, and other necessary facilities, South Coast agrees to save harmless and indemnify the Authority from and against all liability or claims of liability that may arise out of said operation, maintenance, repair, and replacement of such facilities.

10. Obligation to Repair, Reconstruct, and/or Replace Facilities. In the event of total or partial destruction, damage, or deterioration of the facilities identified in Section 9, above, from any cause, South Coast shall, at its own cost and expense, take action, within a reasonable time as determined by the circumstances, to repair, reconstruct, and/or replace such facilities and to put such facilities back into operation. The undertaking of major repairs or replacement of any or all portions of the facilities by South Coast is subject to the recovery of the costs as provided in the then current Water Service Agreements between South Coast, Edison, State of California, or United States.
11. Effective Date and Term. This Agreement shall take effect one day before the effective date of LAFCO Reorganization No. RO99-07 (hereinafter the "Effective Date"). In the event LAFCO Reorganization No. RO99-07 is not completed on or before December 31, 2000, this Agreement shall be deemed null and void. The term of this Agreement and for the Lease created hereunder shall be for fifty (50) years from the Effective Date unless earlier terminated, modified, or amended by operation of this Agreement or by mutual agreement of the parties. Either the Authority or South Coast shall have the unilateral option to extend this Agreement and Lease term for a period of an additional fifty (50) years following completion of the initial Agreement and Lease term. The option to extend the term shall be exercised by providing written notice of such option to the other party at least five years prior to the expiration of the initial fifty year term. South Coast and the Authority each understand and agree that the Authority's property rights in the San Onofre Feeder are limited to any such rights received by the Authority from Tri-Cities, by operation of law, or in the future from other parties. South Coast and the Authority agree that if at any time limitations on the Authority's property rights in the San Onofre Feeder, including any real property rights associated with the Feeder, are insufficient to allow the Authority to perform all of its obligations under this Agreement and Lease, and also deprive South Coast of its ability to materially perform its water service obligations under this Agreement, then this Agreement and Lease shall terminate without penalty of any kind to either party.
12. Continuing Application of the Annexation Resolutions. This Agreement shall in no way affect the provisions or the continuing application of the terms and conditions of the Annexation Resolutions, except that the parties hereto agree that South Coast, by virtue of the provisions of the LAFCO approval of the Tri-Cities Application and the provisions of this Agreement, shall be considered for purposes of this Agreement as successor to Tri-Cities' water delivery obligations under the Annexation Resolutions.
13. South Coast Warranty. South Coast warrants that it has the authority and is empowered under applicable law and regulation to provide water service to SONGS, the State Beach, and San Mateo Point as described in this Agreement.

14. Entire Agreement. This instrument is a final, complete, and exclusive statement of the terms of the Agreement between the Parties, and supercedes any prior agreements, written or oral, between the Authority and Tri-Cities, or between the Authority and South Coast, regarding the subject matter of this Agreement.
15. Future Amendments. The parties hereto, by mutual agreement, may amend or modify this Agreement; provided, however, that any such amendment or modification must be in writing and approved with the same formality as this Agreement.
16. Assignment. Neither party may assign its duties and obligations under this Agreement without the express written consent of the other, which consent shall not be unreasonably withheld. This Section 16, however, shall not impair South Coast's right and ability to contract with third parties to perform on behalf of South Coast, any or all of South Coast's ministerial or routine functions or duties under this Agreement.
17. Successors and Assigns. The provisions of this Agreement shall inure to and be for the benefit of the parties hereto, and their respective successors, assigns, and all other parties acquiring all or any interest herein, either by operation of law or in any manner whatsoever. If either party or any successor-in-interest reorganizes or otherwise disposes of facilities needed to meet its obligations under this Agreement, that party shall make assignment of this Agreement to the successor-in-interest a condition of such reorganization or sale.
18. Venue and Litigation Costs. This Agreement shall be interpreted in accordance with the laws of the State of California. If any action is brought to interpret or enforce any term of this Agreement, the action shall be brought in the Superior Court, County of San Diego, or a federal court situated in the County of San Diego, State of California. In the event of any such litigation between the parties, the prevailing party shall be entitled to recover all reasonable costs incurred, including reasonable attorneys' fees, as determined by the court.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement.

SOUTH COAST WATER DISTRICT

Date: 3-23-2000 By: Richard D. Runge
President

ATTEST:

Michael P. Aunbar
Secretary

[Signatures Continued on Next Page]

[Continuation of Signatures]

APPROVED AS TO FORM:

Don All

SAN DIEGO COUNTY WATER AUTHORITY

Date: 3/29/2000

By: Thomas M. Nutt

Thomas M. Nutt
Director of Right of Way

ATTEST:

James L. Matter
Board Secretary

APPROVED AS TO FORM:

James J. Taylor
James J. Taylor
Deputy General Counsel

Exhibit “B”

RESOLUTION NO. 24-99/00

A RESOLUTION OF THE BOARD OF DIRECTORS OF SOUTH COAST WATER DISTRICT ACKNOWLEDGING THE FINAL APPROVAL OF REORGANIZATION NO. RO99-07 BY THE ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION; ACCEPTING THE TERMS AND CONDITIONS OF ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION RESOLUTION NO. 99-07; AND ACCEPTING CERTAIN POWERS, RIGHTS, AND DUTIES OF TRI-CITIES MUNICIPAL WATER DISTRICT, INCLUDING THAT CERTAIN ASSIGNMENT OF CONTRACTS, AGREEMENTS, PERMITS, AND OTHER OBLIGATIONS

WHEREAS, the Orange County Board of Supervisors, by approval on February 15, 2000 of Resolution No. 00-60, has ordered the Consolidation of Tri-Cities Municipal Water District ("TCMWD") and Coastal Municipal Water District ("CMWD"); and

WHEREAS, the Consolidation is based upon the Application for Reorganization submitted by TCMWD and CMWD to the Orange County Local Agency Formation Commission ("LAFCO"), which approved said Application, subject to enumerated Terms and Conditions; and

WHEREAS, CMWD becomes the legal successor-in-interest to TCMWD, but in furtherance of the Terms and Conditions of approval, certain general assignments of agreements are to be transferred to South Coast Water District ("SCWD"), together with the transfer of most assets and liabilities; and

WHEREAS, pursuant to authority of the approval of Reorganization No. 99-07, several Agreements have been made and entered into relative to the duties, obligations, and rights of SCWD, in furtherance of the Reorganization; and

WHEREAS, SCWD, as the successor-in-interest to the numerous rights and obligations of TCMWD, desires to acknowledge the final approval of the Consolidation, and accepts all the rights, powers, and duties of TCMWD, in accordance with State law, the orders of approval of Reorganization No. RO99-07, and the Agreements executed by and among affected and interested agencies to be effective concurrent with the effective date of the Reorganization.

NOW, THEREFORE, the Board of Directors of South Coast Water District, does hereby RESOLVE, DETERMINE, and ORDER as follows:

Section 1: SCWD acknowledges, agrees, and approves the action of the Orange County Board of Supervisors adopting Resolution No. 00-60, ordering the Consolidation of Tri-Cities Municipal Water District and Coastal Municipal Water District, which Resolution is attached hereto as Exhibit "A", and incorporated herein by reference.

Section 2: SCWD accepts all of the powers, rights, duties, obligations, functions, and properties of TCMWD, as provided for in the Resolution ordering the Consolidation, including but not limited to, approval of terms and Conditions of Orange County Local Agency Formation Commission Resolution No. 99-07, approving the Consolidation, which Resolution is attached hereto as Exhibit "B", and incorporated herein by reference.

Section 3: SCWD shall henceforth carry out the powers, rights, duties, obligations, and functions of TCMWD, as prescribed by Board of Supervisors' Resolution No. 00-60 ordering the Consolidation, and the Terms and Conditions of those certain Agreements entered into by and among SCWD and other interested and affected agencies relating to the assets and liabilities of TCMWD.

Section 4: SCWD shall henceforth act, pursuant to the assignment of contracts, to receive all benefits, and undertake to perform all existing obligations, whether by written or oral contract, license, permit, or other document or instrument.

Section 5: Notwithstanding the effect of California Government Code Section 57500, and assignment of contracts, SCWD hereby receives for itself, accepts, affirms, and commits to carry out all oral or written contracts, agreements, licenses, permits, applications, entitlements, awards, judgments or other forms of benefits or obligations existing by and between TCMWD and any other parties, governmental entities, agencies, or organizations as of March 31, 2000. The same shall be performed as if entered into, granted to, awarded to, or executed directly by SCWD, upon a review and determination that the same evidences a validly-existing benefit or obligation binding upon, or available to, TCMWD.

Section 6: The Board of Directors of SCWD hereby affirms and readopts all of the adopted and existing policies of TCMWD, and its Boards of Directors that have been adopted by Resolution or Minute Order.

PASSED AND ADOPTED at a regular meeting of the Board of Directors of South Coast Water District held March 2, 2000.



President

ATTEST: e



Secretary

CERTIFICATION

I, Michael P. Dunbar, Secretary of the South Coast Water District, Orange County, California, do hereby certify that the foregoing **Resolution No. 24-99/00** was duly adopted at a Regular meeting of the Governing Board of said District, held on the 2nd day of March, 2000, by the following vote of members of the Board:

AYES: Gordon, Carpenter, Bishop, Runge, Hinman and Roberts

NOES:

ABSENT: Gardner

ABSTAIN:

I further certify that Richard Runge, as President, and Michael P. Dunbar, as Secretary, signed and approved said **Resolution No. 24-99/00** on the 2nd day of March, 2000.



Michael P. Dunbar
Secretary of the Board

(District Seal)

EXHIBIT "A"

RESOLUTION OF THE BOARD OF SUPERVISORS OF
ORANGE COUNTY, CALIFORNIA

February , 2000

On motion of Supervisor Wilson, duly seconded and carried, the following Resolution was adopted:

WHEREAS, the proposed Reorganization of the Tri-Cities Municipal Water District, designated as "Reorganization of Tri-Cities Municipal Water District with Coastal Municipal Water District" (RO99-07), was considered by the Local Agency Formation Commission of the County of Orange and approved by LAFCO Resolution RO99-07 on January 26, 2000; and

WHEREAS, the Tri-Cities Municipal Water District comprises approximately 18 square miles in southern Orange County and northern San Diego County and includes the City of San Clemente and portions of the City of Dana Point; and

WHEREAS, this conducting authority hearing has been duly noticed; and

WHEREAS, this conducting authority proceeding is being conducted pursuant to the Cortese-Knox Local Government Reorganization Act, Division 3 of Title 5 of the California Government Code; and

WHEREAS, the reasons for the change of organization are as set forth in the application on file with the Local Agency Formation Commission; and

WHEREAS, the regular County assessment roll will be utilized; and

WHEREAS, the affected territory will be taxed for existing general bonded indebtedness of any agency whose boundaries are changed; and

WHEREAS, the terms and conditions as imposed by the Orange County Local Agency Formation Commission are as shown on Attachment "A" to this Resolution;

NOW, THEREFORE, BE IT RESOLVED this Board does hereby find and determine as follows:

1. The foregoing recitals are true and correct;

2. The Orange County Local Agency Formation Commission designated this Board of Supervisors as the conducting authority and directed the Board of Supervisors to conduct the proceedings

Resolution No. 00-60
Public Hearing/Consolidating Tri-Cities
Municipal Wter Dist. & Coastal Muni. Water Dist.
Into Coastal Muni. Water Dist. BPD:ep

1 for Reorganization of Tri-Cities Municipal Water District without an election in compliance with LAFCO
2 Resolution RO99-07 and Government Code section 57000 et seq. and 56839.1;

3 3. The value of written protests by registered voters within the districts to be reorganized
4 which have been filed and not withdrawn is less than fifty percent of the number of voters residing in the
5 affected territory.

6 BE IT FURTHER RESOLVED that, acting as the conducting authority pursuant to the Cortese-
7 Knox Act and Pursuant to direction from the Orange County Local Agency Formation Commission; this
8 Board does hereby order the Reorganization of Tri-Cities Municipal Water District without an election,
9 subject to the Clerk of the Board of Supervisors' confirmation pursuant to subsection 57081(b) of the
10 Cortese-Knox Act that the requisite number of protest petitions have not been filed within thirty (30) days
11 of the adoption of this Resolution.

12 //

13 //

14 //

The foregoing was passed and adopted by the following vote of the Orange County Board of Supervisors on February 15, 2000, to wit:

AYES: Supervisors: THOMAS W. WILSON, JAMES W. SILVA, TODD SPITZER
CYNTHIA P. COAD, CHARLES V. SMITH
NOES: Supervisor(s):
EXCUSED: Supervisor(s):
ABSTAINED: Supervisor(s):

Charles V. Smith

CHAIRMAN

STATE OF CALIFORNIA)
COUNTY OF ORANGE)

I, DARLENE J. BLOOM, Clerk of the Board of Orange County, California, hereby certify that a copy of this document has been delivered to the Chairman of the Board and that the above and foregoing Resolution was duly and regularly adopted by the Orange County Board of Supervisors.

IN WITNESS WHEREOF, I have hereto set my hand and seal.

Darlene J. Bloom
DARLENE J. BLOOM
Clerk of the Board
County of Orange, State of California



Resolution No: 00-60
Agenda Date: 02/15/2000
Item No: 50



I certify that the foregoing is a true and correct copy of the Resolution adopted by the Board of Supervisors, Orange County, State of California

DARLENE J. BLOOM, Clerk of the Board of Supervisors

By: _____
Deputy

RO99-07

**RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION
OF ORANGE COUNTY, CALIFORNIA**

**MAKING DETERMINATIONS AND ADOPTING A ZERO SPHERE OF
INFLUENCE FOR THE TRI-CITIES MUNICIPAL WATER DISTRICT, AND
APPROVING THE DETACHMENT OF TRI-CITIES' SAN DIEGO COUNTY
TERRITORY AND THE CONSOLIDATION OF TRI-CITIES MUNICIPAL
WATER DISTRICT AND COASTAL MUNICIPAL WATER DISTRICT**

January 26, 2000

On motion of Commissioner Herzog, duly seconded and carried, the following resolution was adopted:

WHEREAS, on August 4, 1999 the Orange County Local Agency Formation Commission ("LAFCO") received a reorganization proposal submitted by resolution of the Tri-Cities Municipal Water District ("Tri-Cities") Board of Directors requesting the consolidation of Tri-Cities with Coastal Municipal Water District ("Coastal"), in anticipation of Coastal's pending consolidation with the Municipal Water District of Orange County ("MWDOC"); and

WHEREAS, on August 12, 1999, Coastal adopted a resolution substantially similar to that adopted by Tri-Cities proposing the same reorganization; and

WHEREAS, pursuant to Section 56839 of the Cortese-Knox Local Government Reorganization Act of 1985 (the "Act"), these joint resolutions of application designated as "Reorganization of Tri-Cities Municipal Water District with Coastal Municipal Water District" (RO99-07) (the "joint resolutions"), were duly filed with and accepted for filing by the Executive Officer of this Local Agency Formation Commission pursuant to Title 5, Division 3, commencing with Section 56000 et seq of the Government Code; and

WHEREAS, the Executive Officer, pursuant to Government Code Section 56838 set December 15, 1999 as the hearing date on this proposal; and

WHEREAS, pursuant to (1) comments received at a preliminary LAFCO workshop on November

10, 1999, (2) various interim meetings with affected agencies, Southern California Edison, the State of California, and the United States Department of Navy, (3) written and oral testimony provided at the LAFCO hearing on December 15, 1999, and (4) testimony and staff analysis prepared in connection with LAFCO's prior approval of RO97-06, LAFCO at the December 15, 1999 hearing ordered changes in some the terms and conditions proposed in the joint resolutions; and

WHEREAS, pursuant to Subsection 56839(a) of the Act, LAFCO directed the Executive Officer to give each subject agency notice of the changes in the proposed terms and conditions; and

WHEREAS, during the succeeding 30 days, LAFCO staff did accept and consider comments on the changes to the terms and conditions proposed in the joint resolutions and modifications to the terms and conditions proposed by LAFCO staff in response to those comments; and

WHEREAS, at a continued hearing on January 26, 2000, LAFCO did consider and approve the modified terms and conditions pursuant to Subsection 56839(b) of the Act;

WHEREAS, the Executive Officer, pursuant to Government Code Section 56833 has reviewed the joint applications and prepared a report including her recommendation thereon, and has furnished a copy of this report to each person entitled to a copy; and

WHEREAS, the proposal consists of adoption of a "zero" sphere of influence for Tri-Cities, detachment of Tri-Cities territory in San Diego County, assumption of Tri-Cities' function in San Diego County by the San Diego County Water Authority, and the consolidation of Tri-Cities with Coastal -- with the assumption of functions and services formerly provided by Tri-Cities by other entities pursuant to various leases, service contracts, and transfer agreements among the affected agencies; and

WHEREAS, this Commission on November 10, 1999, December 15, 1999, and January 26, 2000 considered the proposal and the report of the Executive Officer, and considered the factors determined by the Commission to be relevant to this proposal, including, but not limited to, factors specified in Government Code Section 56841; and

WHEREAS, at its hearings on this reorganization, this Commission heard and received all oral and written protests, objections and evidence which were made, presented or filed, and all persons present were given an opportunity to hear and be heard with respect to this proposal and the reports of the Executive Officer, which reports are incorporated into this resolution by reference; and

WHEREAS, the Executive Officer determined this proposal to be categorically exempt (class 20 by Section 15320) from the provisions and requirements of the California Environmental Quality Act.

NOW, THEREFORE, the Local Agency Formation Commission of the County of Orange DOES
HEREBY RESOLVE, DETERMINE and ORDER as follows:

- Section 1. The sphere of influence of Tri-Cities is hereby amended to a "zero" designation, and the Statement of Determinations, shown as "Attachment B" are hereby adopted.
- Section 2. The territory of Tri-Cities located in San Diego County is hereby detached from Tri-Cities.
- Section 3. The consolidation of Tri-Cities and Coastal is hereby approved subject to the terms and conditions attached to and incorporated into this resolution shown as "Attachment A."
- Section 4. Said territory includes approximately 18 square miles and is found to be inhabited. Said territory is found to be in the County of Orange and the County of San Diego and is assigned the following distinctive short-form designation: "Tri-Cities Reorganization" (RO99-07).
- Section 5. The County of Orange is designated as the conducting authority and is hereby directed to conduct proceedings in compliance with this resolution and Government Code Sections 56839(a) and 57081.
- Section 6. The Executive Officer is hereby authorized and directed to mail certified copies of this resolution as provided in Section 56853 of the Government Code.

AYES: Four

NOES: Two

ABSENT: Zero

STATE OF CALIFORNIA)

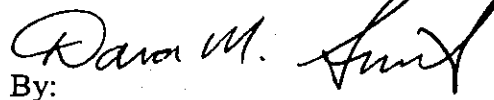
ss

COUNTY OF ORANGE)

I, DANA M. SMITH, Executive Officer of the Local Agency Formation Commission of Orange County, California, hereby certify that the above and foregoing resolution was duly and regularly adopted by said Commission at a regular meeting thereof, held on the 26th day of January, 2000.

IN WITNESS WHEREOF, I have hereunto set my hand this 27 day of January 2000.

DANA M. SMITH
Executive Officer of the
Local Agency Formation Commission


By:

Commission Clerk

TERMS AND CONDITIONS
REORGANIZATION OF TRI-CITIES MUNICIPAL WATER DISTRICT
WITH COASTAL MUNICIPAL WATER DISTRICT

GENERAL TERMS AND CONDITIONS

1. Effective Date of Reorganization

The effective date for R099-07 shall be March 31, 2000, unless extended by the Commission at its regular meeting on February 9, 2000 pursuant to a written request filed by an affected agency prior to the posting of the agenda for that meeting. In the latter circumstance, R099-07 shall become effective on the date of recordation.

2. Designation of the Consolidated District

Tri-Cities Municipal Water District ("TRI-CITIES") and Coastal Municipal Water District ("CMWD") shall be consolidated into a successor agency to be known as the Coastal Municipal Water District, subject to the terms and conditions contained herein. Notwithstanding the foregoing, if the date of recordation occurs on or after the effective date of the consolidation of CMWD with the Municipal Water District of Orange County ("MWDOC"), which is scheduled to occur on January 17, 2001, then TRI-CITIES shall be consolidated with the CMWD/MWDOC successor agency, which will be known as the Municipal Water District of Orange County ("the Consolidated MWDOC"), and all terms and conditions hereof relating to CMWD as the successor agency shall instead be applied to the Consolidated MWDOC agency.

3. Rules and Regulations

Until revised by the Board of Directors of the successor agency, CMWD's policies and practices and Administrative Code existing on the day before the effective date shall govern the activities of the successor agency upon consolidation.

4. Fees, Charges, Assessments and Rates

The successor agency has the discretionary authority to impose and collect all charges, fees, and assessments previously approved by either TRI-CITIES or CMWD. Nothing in these terms and conditions shall limit the ability of the Board of Directors of the successor agency to establish and levy charges, fees, and assessments as it determines necessary, in accordance with then current water service agreements with TRI-CITIES' successor.

5. Jurisdiction of LAFCO

Subject to the statutory rights of TRI-CITIES and CMWD as set forth in Government Code Section 56839, LAFCO shall retain jurisdiction prior to recordation to hear and amend, if necessary, any terms or conditions that requires agreement among parties.

TRANSFER OF RESPONSIBILITIES, ASSETS, AND LIABILITIES

6. Transfer of Assets

Subject to the specific provisions of Terms and Conditions Nos. 9, 11, 12, 14, 15, and 16, prior to the effective date of this Reorganization, TRI-CITIES and South Coast Water District ("SCWD") shall enter into an agreement acceptable to CMWD pursuant to which the assets (including but not limited to all real or personal property, all water systems, cash on hand, long and short term investments, reserve funds, and monies due but uncollected) of TRI-CITIES shall be transferred to SCWD as contract operator (the "Transfer Agreement"). Such assets shall be held in trust to be used or expended in accordance with the terms and conditions of the Transfer Agreement; provided, however, assets securing TRI-CITIES debts or obligations assigned or transferred to SCWD as contract operator shall be used as set forth in Term and Condition No. 7, below.

If the parties have not entered into a Transfer Agreement by the effective date, subject to Terms and Conditions Nos. 9, 11, 12, and 14, any assets of TRI-CITIES that are not assigned or transferred shall become the assets of SCWD as contract operator. Neither CMWD nor MWDOC shall have any obligation or responsibility with respect to said obligations.

7. Transfer of Debts, Liabilities, Contracts and Obligations

Subject to the specific provisions of Terms and Conditions Nos. 8 through 13 and 15, prior to the effective date of this Reorganization, TRI-CITIES shall enter into an agreement, or agreements, with SCWD as contract operator, in a form acceptable to CMWD, pursuant to which all debts, liabilities, contracts, and obligations of TRI-CITIES, including TRI-CITIES' bonded indebtedness and Certificate of Participation Financing, shall be transferred and assigned to SCWD as contract operator. SCWD as contract operator shall arrange for collection of revenues sufficient to pay principal and interest and for payment of debt service when due. Any debts, liabilities, contracts, or obligations of TRI-CITIES that are not assigned or transferred pursuant to agreement shall become the debts, liabilities, contracts, and obligations of SCWD. Neither CMWD nor MWDOC shall have any obligation or responsibility with respect to said obligations.

Any assets securing TRI-CITIES debts, liabilities, contracts, or obligations assigned or transferred to SCWD shall continue to secure the payment and discharge of such debts, liabilities, contracts and obligations to the extent they are determined to be properly due and owing.

Any assessments levied on behalf of TRI-CITIES or any bills or statements rendered by or on behalf of TRI-CITIES shall continue to be a debt or obligation of the person or property against whom levied, assessed, or rendered unless relieved by the successor agency or SCWD.

8. No Impairment of Bondholder Rights

This Reorganization shall not impair any rights of any bondholder or creditor of TRI-CITIES.

9. Transfer of Permit Rights and Obligations

Prior to the effective date of this Reorganization, TRI-CITIES shall enter into an agreement, or agreements, with SCWD as contract operator, pursuant to which all executory provisions, entitlements, obligations, and rights under regulatory permits, to which TRI-CITIES is a permittee, shall be transferred or assigned to SCWD. The transferee or assignee shall assume all obligations of TRI-CITIES thereunder. Said agreements shall be in a form acceptable to CMWD. To the extent that the consent of the issuing agency of a regulatory permit is required for such transfer or assignment, such consent shall be obtained by TRI-CITIES.

If by the effective date the parties have not reached agreement on the terms of the transfer or assignment of entitlements, obligations, and rights under regulatory permits, all such permits shall automatically be assigned and transferred to SCWD as contract operator.

10. Wholesale Water Service

A. Orange County

Upon the effective date of this Reorganization, CMWD shall provide wholesale water service and sell imported Metropolitan Water District of Southern California ("MWD") water directly to the City of San Clemente ("CITY") and to SCWD at the water rates and subject to the existing rules, regulations, and terms and conditions for water service applicable to the other CMWD member agencies, as such rates, rules, and regulations are set from time to time by the CMWD's Board of Directors.

B. San Diego County

(1) Detachment

The portion of TRI-CITIES that is within San Diego County shall be detached from TRI-CITIES, and the San Diego County Water Authority ("SDCWA") shall be the successor agency. The SDCWA shall not hereby incur any new obligations other than those specified in other Terms and Conditions.

(2) Metropolitan Allocation

Consistent with the existing agreements described below, imported MWD water allocations for Southern California Edison San Onofre Nuclear Generating Station ("SONGS"), the State of California (San Onofre State Park) ("STATE BEACH"), and the United States Department of Navy ("CAMP PEN") up to the amount of 5.07 cfs shall continue to be provided by SDCWA through SCWD as a portion of SDCWA's allocation from MWD and shall not affect the entitlement of any other agency.

(3) Water Service Agreements

Prior to the effective date of this Reorganization, SDCWA and SCWD shall execute the Wholesale Water Service Agreement and Lease of the San Onofre Feeder attached hereto as Exhibit "A" under which SDCWA shall lease that portion of the TRI-CITIES Transmission Main located in San Diego County (hereafter, the "San Onofre Feeder") to SCWD. That lease shall include a provision to the effect that any revenues received by SDCWA from the unitary/operating non-unitary tax on the SONGS property, which had been previously paid to TRI-CITIES, will be transferred to SCWD as contract operator of the San Onofre Feeder. SCWD as contract operator may enter into water service agreements with SDCWA, SONGS, STATE BEACH, and CAMP PEN detailing the arrangements for water service, water delivery, and operations and maintenance for the TRI-CITIES service area located in San Diego County. If no new water service agreement has been entered into between a party and SCWD as contract operator, these services shall be provided under substantially the same conditions as the existing, or then current conditions as the agreements described below between TRI-CITIES and that entity, and guaranteeing that entity substantially the same rights as exist in the following existing, or then current agreements with TRI-CITIES:

The "Memorandum of Understanding Re Water Supply for San Onofre Beach and Nuclear Generating Station", dated December 12, 1975, between TRI-CITIES, SDCWA, and SONGS;

- The "Water Service Agreement", dated February 15, 1978, between TRI-CITIES and the STATE BEACH;
- The "Water Service and Reservoir Construction Agreement", dated December 7, 1983, between TRI-CITIES and SONGS; and
- The "Interim Water Service Agreement", dated July 13, 1998, between TRI-CITIES and CAMP PEN.

Any new water service agreement(s) shall provide SONGS, STATE BEACH, and CAMP PEN with continued water service, utilizing CMWD's connections to the MWD System, as described in the existing agreements and annexation documents under substantially the same terms and conditions as are currently provided in existing agreements with TRI-CITIES. Such agreements shall also include the negotiated transfer of the right to use up to .6 cfs capacity in the San Onofre Feeder from SONGS to CAMP PEN.

If no new water service agreements are reached, notwithstanding any provision in the existing agreements described above regarding TRI-CITIES' jurisdiction or existence, all burdens and benefits of TRI-CITIES under the existing agreements shall become the duties and obligations of SCWD.

11. Water Delivery Systems

A. Transfer of Joint Transmission Main and Water Importation Pipeline

(1) Joint Transmission Main Capacity

Notwithstanding Terms and Conditions Nos. 6, 7, 9, 10, and 12, capacity in the Joint Transmission Main shall continue to be allocated among the existing parties to the Joint Transmission Main Operation and Maintenance Agreement, El Toro Water District, Irvine Ranch Water District, Capistrano Valley Water District, and Moulton-Niguel Water District (the "JTM Owners") in accordance with their existing capacity interests; provided, however, that the capacity in the Joint Transmission Main held by TRI-CITIES for the benefit of the CITY and SCWD shall be transferred to the CITY and SCWD as contract operator in proportion to their historical use or other percentages as agreed between the CITY and SCWD. The capacity in the Joint Transmission Main held by TRI-CITIES for the benefit of SONGS, STATE BEACH, and CAMP PEN shall be transferred to SCWD to be utilized for the benefit of SONGS, STATE BEACH, and CAMP PEN under water service agreements with those agencies and under an agreement with SDCWA.

(2) Joint Transmission Main Assets: Equipment, Supplies and Materials

Notwithstanding Term and Conditions Nos. 6, 7, 9, 10, and 12, prior to the effective date of this Reorganization, the JTM Owners shall enter into an agreement, whereby, title to all Joint Transmission Main structures, easements, property, equipment, vehicles, tools, supplies, pipeline materials, office equipment, furniture, computers, and all other inventory required for the continued operation, maintenance, and administration of the Joint Transmission Main shall be transferred or assigned to SCWD as contract operator.

(3) Water Importation Pipeline

Notwithstanding Terms and Conditions Nos. 6, 7, 9, 10, and 12, capacity in the Water Importation Pipeline shall be transferred to and allocated between the CITY and SCWD as contract operator in proportion to their historical use or other percentages as agreed between the CITY and SCWD.

(4) Schlegel Reservoir

Notwithstanding Terms and Conditions Nos. 6, 7, 9, 10, and 12, the CITY and SONGS shall enter into an agreement, whereby, title to the Schlegel Reservoir shall be transferred to the CITY, subject to each and every right reserved to SONGS under the "Water Service and Reservoir Construction Agreement", dated December 7, 1983, between TRI-CITIES and SONGS.

(5) Default Transfer

If any of the agreements contemplated in this Term and Condition No. 11 are not executed by the effective date, capacity and title in these water delivery assets shall automatically be assigned and transferred to SCWD as contract operator, with the exception of Schlegel Reservoir, which shall be assigned and transferred to the CITY to operate for the benefit of the former TRI-CITIES system.

B. Transfer of Local Transmission Main

Notwithstanding Terms and Conditions Nos. 6, 7, 9, 10 and 12, prior to the effective date of this Reorganization, any rights, duties, and obligations under the Local Transmission Main agreement shall be fully transferred or assigned to the other owners of such facilities upon mutually agreeable terms.

C. Transfer of San Onofre Feeder

Notwithstanding Terms and Conditions Nos. 6, 7, 9, 10 and 12, prior to the effective date of this Reorganization, ownership of the San Onofre Feeder, as depicted on the LAFCO map attached hereto as Exhibit "B", shall be transferred from TRI-CITIES to SDCWA, shall be leased to SCWD as contract operator pursuant to the lease attached hereto as Exhibit "A", and shall be maintained and operated by SCWD pursuant to Term and Condition No. 10.

D. Transfer of Operation and Maintenance

(1) SCWD

SCWD shall operate the Joint Transmission Main, the Water Importation Pipeline, the Local Transmission Main, and the San Onofre Feeder under the terms of Operation and Maintenance Agreements with the owners of each facility following the Reorganization. Such Operation and Maintenance Agreements shall be entered into by all parties prior to the effective date of this Reorganization.

If the parties have not entered into Operation and Maintenance Agreements by the effective date, all responsibilities of TRI-CITIES under the existing agreement(s) shall automatically be assigned to SCWD.

(2) CITY

The CITY shall operate the Schlegel Reservoir under the terms of an Operation and Maintenance Agreement with SCWD and SONGS.

If the parties have not entered into an Operation and Maintenance Agreement by the effective date, all responsibilities of TRI-CITIES for operating and maintaining the Schlegel Reservoir shall automatically be assigned to the CITY, subject to each and every right reserved to SONGS under the "Water Service and Reservoir Construction Agreement", dated December 7, 1983, between TRI-CITIES and SONGS.

12. Other Agreements for Emergency Interconnections, Other Connections, and Reservoirs

The existing rights of all parties to agreements with TRI-CITIES for emergency interconnections, other connections, reservoir storage, and similar matters, shall remain unchanged, unless specifically amended or assigned by the parties. If, prior to the effective date of this Reorganization, the existing agreements have not been amended or assigned by the parties, the agreements shall automatically be assigned to SCWD.

13. Billing and Collection of Fees

Upon the effective date of this Reorganization, all TRI-CITIES' billings for the sale of wholesale water shall be performed by CMWD.

Upon the effective date of this Reorganization, all TRI-CITIES' billings for operations and maintenance expenditures of any of the facilities related to the water delivery systems shall be performed by SCWD as the contract operator for the owners of the facilities.

14. Segregation of Funds and Assets

SCWD shall provide evidence to the satisfaction of LAFCO that separate account(s) for funds held by the SCWD transferred from TRI-CITIES have been established and are maintained for the restricted purpose of use in performing the contracts formerly performed by TRI-CITIES. Assets of TRI-CITIES transferred to the other owners or to SCWD as a contract operator shall be similarly accounted for separately. Funds held in trust by SCWD for a prescribed purpose shall be used only for that prescribed purpose. All delinquent fees, charges, and any other collections or assets, that would have accrued to TRI-CITIES shall accrue and be transferred to SCWD accordingly; provided, however, that any delinquent fees or charges for wholesale water service shall accrue and be transferred to CMWD.

15. Transfer of Employees

To the extent possible, the employees of TRI-CITIES will become employees of SCWD, the contract operator agency of TRI-CITIES' operational facilities, or employees of such other agency as may be determined by SCWD, performing essentially the same services after the effective date of this Reorganization as were performed prior to the effective date, and requiring no interruption in the performance of service responsibility. The employees shall be offered full-time employment in accordance with the existing compensation and benefits of SCWD employees of the same or nearly same job classification. TRI-CITIES' funds that are transferred to SCWD shall be used to compensate the employees for all payments for vested vacation, sick leave, and any other personal leave time remaining on the books before they become employees of the SCWD, in accordance with the adopted TRI-CITIES' policies. CMWD shall have no obligation or duty to provide employment to the employees of TRI-CITIES. Continuing obligations of TRI-CITIES to provide health benefits to retired employees and directors of TRI-CITIES not fulfilled by TRI-CITIES prior to the effective date shall be treated as a cost of administration/operation of the Joint Transmission Main,

Water Importation Pipeline, Local Transmission Main, and San Onofre Feeder and shall be apportioned among the participating agencies by SCWD in accordance with the apportionment of other costs under the operating agreements for said pipeline facilities.

16. Transfer of Local Roll Property Tax Revenue

Procedures required pursuant to California Revenue and Taxation Code Section 99 have been initiated by LAFCO and completed by the affected agencies.

All available ad valorem-based property tax revenue levied and collected from properties located in Orange County, previously payable to TRI-CITIES, have been the subject of negotiations initiated by LAFCO and completed by affected agencies, in accordance with Revenue and Taxation Code Section 99. Pursuant to those negotiations, and Orange County Board of Supervisors Resolution No. 99-463, all of said ad valorem-based property tax revenues shall be transferred to SCWD, which shall account for said funds separately, as defined and required by Condition No. 14 above.

All available ad valorem-based property tax revenues, other than unitary and operating non-unitary property tax revenue, levied and collected from properties within San Diego County, previously payable to TRI-CITIES, have been subject to negotiations initiated by LAFCO and completed by the affected agencies, in accordance with Revenue and Taxation Code Section 99. Pursuant to those negotiations and San Diego County Board of Supervisors Resolution No. 99-361, all of said ad valorem-based property tax revenues shall be transferred to the County of San Diego.

Property tax revenues levied on behalf of, and collected by, SDCWA to pay for voter-approved long-term debt of SDCWA, shall remain unchanged and not affected by the approval of this Reorganization, and shall continue to be payable to SDCWA.

17. Transfer of State Roll Unitary/Operating Non-Unitary Tax Revenue

Property tax revenues attributable to unitary and operating non-unitary property taxes for property owned by Southern California Edison Company at its SONGS, have been allocated by the State of California Board of Equalization, which has, since Fiscal Year 1988-89, allocated said revenues to local entities on the basis of the statutory formula set forth in California Revenue and Taxation Code Section 98.9 (as amended, now codified as Section 100). Said revenues are not subject to negotiation pursuant to California Revenue and Taxation Code Section 99, and LAFCO, by approval of this Reorganization, does not impose conditions or attempt to determine or specify the allocation of said revenue by and among any taxing entities who have received, or are entitled to receive, said revenues. The rights to the allocated property tax revenues attributable to the Southern California Edison/SONGS property, previously paid to TRI-CITIES, to the extent allocable as an asset pursuant to

Government Code Section 56844, will be among the assets transferred to SDCWA, the legal successor-in-interest to TRI-CITIES within San Diego County.

18. Governance of the Successor Agency

Upon the effective date, the territory within TRI-CITIES in Orange County (which becomes the consolidated territory of the successor agency to be known as Coastal Municipal Water District as provided in Term and Condition No. 2 above) shall be governed by the CMWD Board of Directors as then constituted, with no alteration in divisions or representation. At the general District election in November 2000, a seven-member Board of Directors will be elected to be the governing body of the consolidated CMWD/MWDOC agency, to take office at the first meeting in January 2001. Thereafter, the consolidated CMWD/MWDOC/TRI-CITIES agency will be designated as the Municipal Water District of Orange County.

WHOLESALE WATER SERVICE AGREEMENT AND LEASE OF THE SAN ONOFRE FEEDER

This Water Service Agreement (hereinafter "Agreement") is made and entered into, on January __, 2000, to be effective as of the Effective Date, as defined hereinafter, by and between the SOUTH COAST WATER DISTRICT (hereinafter "South Coast"), a water district organized and acting under the authority of the County Water District Act, California Water Code Sections 30000 et seq., and the SAN DIEGO COUNTY WATER AUTHORITY (hereinafter "Authority"), a county water authority organized and acting under the County Water Authority Act of the State of California (Stats. 1943, c. 545, as amended), in view of the following facts:

- A. Prior to 1975, Southern California Edison Company, for itself and on behalf of San Diego Gas and Electric Company (hereinafter collectively "Edison"), explored various methods for establishment of a permanent source of fresh potable water to the San Onofre Nuclear Generating Station (hereinafter "SONGS"), located on lands leased from the United States on Marine Corps Base, Camp Pendleton, California, in San Diego County, and conducted extensive negotiations concerning such water supply with various public agencies including the Authority, Tri-Cities Municipal Water District (hereinafter "Tri-Cities"), and the Metropolitan Water District of Southern California (hereinafter "Metropolitan").
- B. During those discussions, the related issue of providing a supply of fresh water to the San Onofre State Beach (hereinafter "State Beach"), also on lands leased from the United States on Camp Pendleton in San Diego County, and to the remainder of the Marine Corps Base, Camp Pendleton (hereinafter "Camp Pendleton") were also addressed. As a result, Edison, the Authority, and Tri-Cities executed that certain "Memorandum of Understanding Re Water Supply for San Onofre Beach and Nuclear Generating Station", dated December 11, 1975 (hereinafter "1975 MOU").
- C. The 1975 MOU included specific provisions relating to the wholesale delivery of imported Metropolitan water to the State Beach and SONGS. It was agreed, among other provisions, by the parties thereto that the area would be annexed to the Authority, a member agency of Metropolitan, and to Metropolitan, that imported Metropolitan water delivered to the State Beach and SONGS would be charged against the Authority's entitlement to water from Metropolitan, that the Authority would receive such water at the coastal junction of the Orange County Feeder No. 2, known as "Coastal Junction" or "CM-10 Connection" (hereinafter "Coastal Junction"), that Tri-Cities would transfer and deliver up to 5.07 cubic feet per second of water to the Authority from the Coastal Junction through Tri-Cities' facilities to serve the State Beach and SONGS, and that SONGS and the State Beach would be entitled to receive a certain amount of water under a prescribed rate formula. Tri-Cities agreed to construct a pipeline (now known as the "San Onofre Feeder") and a reservoir (now known as the "Schlegel Reservoir") to provide service to the State Beach and SONGS. As consideration for the right of SONGS and the State Beach to receive water through Tri-Cities' facilities, and in consideration of the fact that the Authority did not have to construct new

facilities to serve the State Beach and SONGS, the Authority paid Tri-Cities the sum of \$640,000 for costs of constructing the San Onofre Feeder.

- D. Camp Pendleton, including SONGS and the State Beach, was annexed into the corporate areas of the Authority and Metropolitan under terms and conditions stated in Metropolitan Resolution No. 7710 of June 14, 1977, and Authority Resolution No. 77-45 of December 8, 1977 (hereinafter "Annexation Resolutions"). For purposes of this Agreement, the areas included within SONGS and the State Beach are as indicated for the Nuclear Generating Plant Area and the San Onofre State Beach and Park Area, respectively, in Authority Resolution No. 77-45, and as generally depicted in Exhibit A, attached hereto and incorporated herein as part of this Agreement.
- E. Tri-Cities, Edison, the State of California, and the City of San Clemente (hereinafter "San Clemente") entered into a "Cooperative Agreement to Furnish Water to San Onofre" dated October 6, 1976 (hereinafter the "Four Party Agreement") by which the parties agreed to cooperate with Tri-Cities in the extension of Tri-Cities facilities to serve water to SONGS and the State Beach. San Clemente, which had been providing water to SONGS through temporary facilities, agreed to continue to provide such service until Tri-Cities' extension project was complete, at which time San Clemente agreed to provide the area with a backup water system.
- F. Tri-Cities and State of California, acting through the Department of Parks and Recreation, entered into a "Water Service Agreement", dated February 15, 1978, by which Tri-Cities would serve the State Beach. Tri-Cities and Edison entered into a "Water Service and Reservoir Construction Agreement", dated December 7, 1983, which included terms and conditions of water service by Tri-Cities to Edison, and provided for payment by Edison of a portion of the cost of the Schlegel Reservoir in return for rights of water storage in the reservoir.
- G. Tri-Cities and the United States of America, acting through the Southwest Division, Naval Facilities Engineering Command, (hereinafter the "United States") entered into an "Interim Water Service Agreement", dated July 13, 1998 (hereinafter the "1998 Agreement"), which provided for water service by Tri-Cities to the San Mateo Point Housing Area (hereinafter "San Mateo Point") of Camp Pendleton, and contemplated annexation of San Mateo Point to Tri-Cities. For purposes of this Agreement, the areas included within San Mateo Point are as indicated in the 1998 Agreement, and as generally depicted in Exhibit B.
- H. Edison and the United States have entered into an agreement as of _____, 1999, whereby Edison has transferred a portion of the capacity it is entitled to receive through Tri-Cities facilities and the San Onofre Feeder to the United States for the use of Camp Pendleton.

- I. The Orange County Local Agency Formation Commission (hereinafter "LAFCO") is presently considering an application submitted by Tri-Cities (hereinafter the "Tri-Cities Application") for the Consolidation of Tri-Cities with Coastal Municipal Water District (hereinafter "Coastal") and Detachment of Tri-Cities San Diego Territory. Under the Terms and Conditions of Consolidation, the Authority would become the successor agency to Tri-Cities' San Diego County service area and assume ownership of the San Onofre Feeder in San Diego County; however, South Coast would provide operations, maintenance, and repair of the San Onofre Feeder and appurtenant facilities, and would be compensated for those services by contract with the Authority and with the San Diego County customers. Further, the Terms and Conditions of Consolidation provides that capacity currently reserved for customers in the San Diego service area in Tri-Cities' transmission facilities from the Coastal Junction to the San Onofre Feeder (hereinafter the "Joint Transmission Main") be transferred in trust to South Coast for the benefit of those customers.
- J. South Coast has agreed to assume responsibility for providing water service to SONGS, the State Beach, and San Mateo Point under substantially the same terms as water service has historically been provided to SONGS and the State Beach by Tri-Cities, or as otherwise provided in agreements between South Coast or Tri-Cities, and those parties. South Coast's obligations with respect to water delivery service and agreements with the Authority, Edison, State of California and United States for such service, are included in the Terms and Conditions of LAFCO Reorganization No. RO99-07, which implements the Tri-Cities Application. The parties recognize that for South Coast to provide such water service, it is necessary for the Authority to lease the San Onofre Feeder to South Coast under terms that will give South Coast operational control and responsibility for the San Onofre Feeder.
- K. The parties hereto desire by this Agreement to formally state the terms and conditions under which South Coast will provide continuing water service to SONGS, the State Beach, and Camp Pendleton, through water facilities South Coast owns and operates or holds capacity rights, and through operation of the San Onofre Feeder under lease to South Coast from the Authority. Further, the parties intend that this agreement shall complement additional water service agreements between South Coast and Edison, the State of California, and the United States, for service to SONGS, the State Beach, and San Mateo Point.

NOW, THEREFORE, IN CONSIDERATION OF THE MUTUAL PROMISES AND COVENANT CONTAINED HEREIN, IT IS AGREED AS FOLLOWS:

1. Authority Entitlement to Receive Water at Coastal Junction. The Authority is entitled to receive up to 5.07 cubic feet per second of water from Metropolitan at the Coastal Junction, under the terms and conditions stated in Metropolitan Annexation Resolution No. 7710 of July 14, 1977. Neither the terms of this Agreement, nor the terms of the water service agreements to be executed between South Coast and Edison, the State of California, and the United States shall alter, amend, or otherwise decrease the authorized allotment of water from Metropolitan to the Authority.

2. Delivery of Water by South Coast. South Coast shall transport and deliver through facilities which it either owns, or in which it has capacity rights, in whole or in part, or which it operates, pursuant to agreements with other owners from the Coastal Junction to the San Onofre Feeder all water which the Authority may be entitled to receive at the Coastal Junction, but such transportation and delivery shall not exceed the maximum amount contracted for by SONGS, State Beach and Camp Pendleton, respectively and collectively, and in no event more than the 5.07 cubic feet per second Metropolitan allotment. The Authority hereby designates South Coast as its agent for ordering and accepting delivery of water from Metropolitan, through Coastal Municipal Water District, or its successor, at Coastal Junction pursuant to this Agreement. Facilities through which water shall be transported by South Coast pursuant to this Section 2 are generally depicted in Exhibit C, attached hereto and incorporated herein as a part of this Agreement.
3. Lease of San Onofre Feeder. South Coast hereby leases from the Authority, and the Authority leases to South Coast, the San Onofre Feeder and appurtenant facilities for the sole purpose of delivery of water pursuant to this Agreement (hereinafter referred to as the "Lease"). South Coast shall maintain, keep in good repair, operate, and replace as needed the San Onofre Feeder, for the purpose of delivering water from its facilities, as provided in Sections 1 and 2, above, through the San Onofre Feeder to SONGS, the State Beach, and San Mateo Point, up to the quantities provided in Section 2 above and Section 5, below. The undertaking of major repairs or replacement of any or all portions of the facility by South Coast is subject to the recovery of the costs thereof as provided in the then current water service agreements between South Coast and Edison, the State of California, and/or the United States. The San Onofre Feeder is generally depicted in Exhibit D, attached hereto and incorporated herein as part of this Agreement. The parties hereto expressly agree that the Schlegel Reservoir is not a portion of the San Onofre Feeder, and that the City of San Clemente will own and operate Schlegel Reservoir and could use the Reservoir to facilitate deliveries through the San Onofre Feeder, subject to Edison's rights in the Schlegel Reservoir, which are described in a separate Agreement between the City of San Clemente and/or South Coast and Edison. The San Onofre Feeder consists of facilities which are entirely within San Diego County.
4. Consideration for Lease by Authority and Water Service by South Coast. Authority leases the San Onofre Feeder to South Coast at no monetary cost. South Coast's consideration for the Lease consists of the covenants into which South Coast has entered under this Agreement. South Coast shall be entitled to compensation from Edison, State Beach and United States for water service in accordance with the terms of water service agreements between South Coast and each of those entities. Additionally, the Authority shall transfer to South Coast any revenues it may receive from the unitary/operating non-unitary tax on SONGS; however, the Authority shall retain any other taxes, fees, charges, or assessments collected by or for the Authority or on behalf of Metropolitan relating to SONGS or any other territory within the Authority service area. The Authority shall have no other obligation whatsoever to compensate South Coast for South Coast's water service under this Agreement, or for any costs associated with such water service, including but not limited to operation, maintenance, repair, and replacement of any facilities necessary to carry out South Coast's water service

obligations. Additionally, South Coast shall assume and pay any and all obligations the Authority may have for payment of debt incurred by Tri-Cities related to the construction, repair, operation, maintenance, and/or replacement of any and all facilities that may be utilized to deliver or store water under this Agreement.

5. Authority's Entitlement. Water received at the Coastal Junction and delivered to SONGS, the State Beach, and San Mateo Point, pursuant to the then current water service agreements between South Coast and Edison, the State of California, and the United States, up to the amount of 5.07 cubic feet per second, shall be charged against the Authority's entitlement to water from Metropolitan, as described in Recital C above, and shall not affect the entitlement of any other member agency of Metropolitan.
6. Allocations to SONGS, the State Beach, and San Mateo Point. Of the Metropolitan water allocation which the Authority is entitled to receive at the Coastal Junction, and which South Coast shall transport and deliver as provided herein, SONGS', State Beach' and San Mateo Point's proportionate share entitlement of Authority's allocation shall not exceed the amounts set forth in the Annexation Resolution.
7. Water Charges. South Coast shall abide by all rules and regulations of the Authority pertaining to the provision of wholesale water service and shall timely pay for such wholesale water service in accordance with the rates, fees, and charges established from time to time by the Authority Board of Directors. The agencies owning SONGS, the State Beach, and San Mateo Point shall submit payment for water service to South Coast in accordance with the then current water service agreements between each agency and South Coast. Payment for water service to SONGS, the State Beach, and San Mateo Point shall be made directly to South Coast by those parties, and South Coast shall remit to the Authority such rates, fees, and/or charges as are payable to the Authority.
8. Upkeep and Operation of San Onofre Feeder. South Coast shall, as lessee, take possession of the San Onofre Feeder in its condition at the time of initiation of the lease, and at its cost shall operate, maintain, repair, and, as needed, replace that facility so as to keep the facility in good repair and provide efficient service to SONGS, the State Beach, and San Mateo Point. The undertaking of major repairs or replacement of any or all portions of the facility by South Coast is subject to the recovery of the costs thereof, as provided in the then current water service agreements between South Coast, Edison, the State of California, and the United States. The Authority shall not be responsible for the condition of the San Onofre Feeder, or for any costs associated with the operation, maintenance, repair, replacement, or improvements to it.

9. Use and Control of Facilities; Indemnification of Authority. South Coast shall own, lease, maintain capacity, or otherwise have sufficient rights of use in all facilities necessary to bring the amount of Metropolitan imported water as identified in this Agreement from the Coastal Junction to SONGS, the State Beach, and San Mateo Point. The parties intend that all Authority water delivered at Coastal Junction shall be delivered through the Joint Transmission Main, or alternatively through the Water Importation Pipeline, the Local Transmission Main, and then through the San Onofre Feeder. Any additional pipelines, structures, connections, or other facilities required for such delivery shall be provided by South Coast without cost to the Authority, and the Authority shall be under no obligation to provide construct, operate, maintain, or replace any such facilities. All improvements and repairs made to the San Onofre Feeder, and any reconstruction or replacement of the San Onofre Feeder, shall be considered a part of the San Onofre Feeder, and as such shall be the property of the Authority subject to the Lease of the San Onofre Feeder to South Coast contained herein. To the extent that South Coast shall have control over the operations, maintenance, and repair of the Joint Transmission Main, the Local Transmission Main, the San Onofre Feeder, and other necessary facilities, South Coast agrees to save harmless and indemnify the Authority from and against all liability or claims of liability that may arise out of said operation, maintenance, repair, and replacement of such facilities.
10. Obligation to Repair, Reconstruct, and/or Replace Facilities. In the event of total or partial destruction, damage, or deterioration of the facilities identified in Section 9, above, from any cause, South Coast shall, at its own cost and expense, take action, within a reasonable time as determined by the circumstances, to repair, reconstruct, and/or replace such facilities and to put such facilities back into operation. The undertaking of major repairs or replacement of any or all portions of the facilities by South Coast is subject to the recovery of the costs as provided in the then current Water Service Agreements between South Coast, Edison, State of California, or United States.
11. Effective Date and Term. This Agreement shall take effect one day before the effective date of LAFCO Reorganization No. RO99-07 (hereinafter the "Effective Date"). In the event LAFCO Reorganization No. RO99-07 is not completed on or before December 31, 2000, this Agreement shall be deemed null and void. The term of this Agreement and for the Lease created hereunder shall be for fifty (50) years from the Effective Date unless earlier terminated, modified, or amended by mutual agreement of the parties. Either the Authority or South Coast shall have the unilateral option to extend this Agreement and Lease term for a period of an additional fifty (50) years following completion of the initial Agreement and Lease term. The option to extend the term shall be exercised by providing written notice of such option to the other party at least five years prior to the expiration of the initial fifty year term.

12. Continuing Application of the Annexation Resolutions. This Agreement shall in no way affect the provisions or the continuing application of the terms and conditions of the Annexation Resolutions, except that the parties hereto agree that South Coast, by virtue of the provisions of the LAFCO approval of the Tri-Cities Application and the provisions of this Agreement, shall be considered for purposes of this Agreement as successor to Tri-Cities' water delivery obligations under the Annexation Resolutions.
13. South Coast Warranty. South Coast warrants that it has the authority and is empowered under applicable law and regulation to provide water service to SONGS, the State Beach, and San Mateo Point as described in this Agreement.
14. Entire Agreement. This instrument is a final, complete, and exclusive statement of the terms of the Agreement between the Parties, and supercedes any prior agreements, written or oral, between the Authority and Tri-Cities, or between the Authority and South Coast, regarding the subject matter of this Agreement.
15. Future Amendments. The parties hereto, by mutual agreement, may amend or modify this Agreement; provided, however, that any such amendment or modification must be in writing and approved with the same formality as this Agreement.
16. Assignment. Neither party may assign its duties and obligations under this Agreement without the express written consent of the other, which consent shall not be unreasonably withheld. This Section 16, however, shall not impair South Coast's right and ability to contract with third parties to perform on behalf of South Coast, any or all of South Coast's ministerial or routine functions or duties under this Agreement.
17. Successors and Assigns. The provisions of this Agreement shall inure to and be for the benefit of the parties hereto, and their respective successors, assigns, and all other parties acquiring all or any interest herein, either by operation of law or in any manner whatsoever. If either party or any successor-in-interest reorganizes or otherwise disposes of facilities needed to meet its obligations under this Agreement, that party shall make assignment of this Agreement to the successor-in-interest a condition of such reorganization or sale.
18. Venue and Litigation Costs. This Agreement shall be interpreted in accordance with the laws of the State of California. If any action is brought to interpret or enforce any term of this Agreement, the action shall be brought in the Superior Court, County of San Diego, or a

federal court situated in the County of San Diego, State of California. In the event of any such litigation between the parties, the prevailing party shall be entitled to recover all reasonable costs incurred, including reasonable attorneys' fees, as determined by the court.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement.

SOUTH COAST WATER DISTRICT

Date: _____

By: Richard J. Runge
President

ATTEST:

Secretary

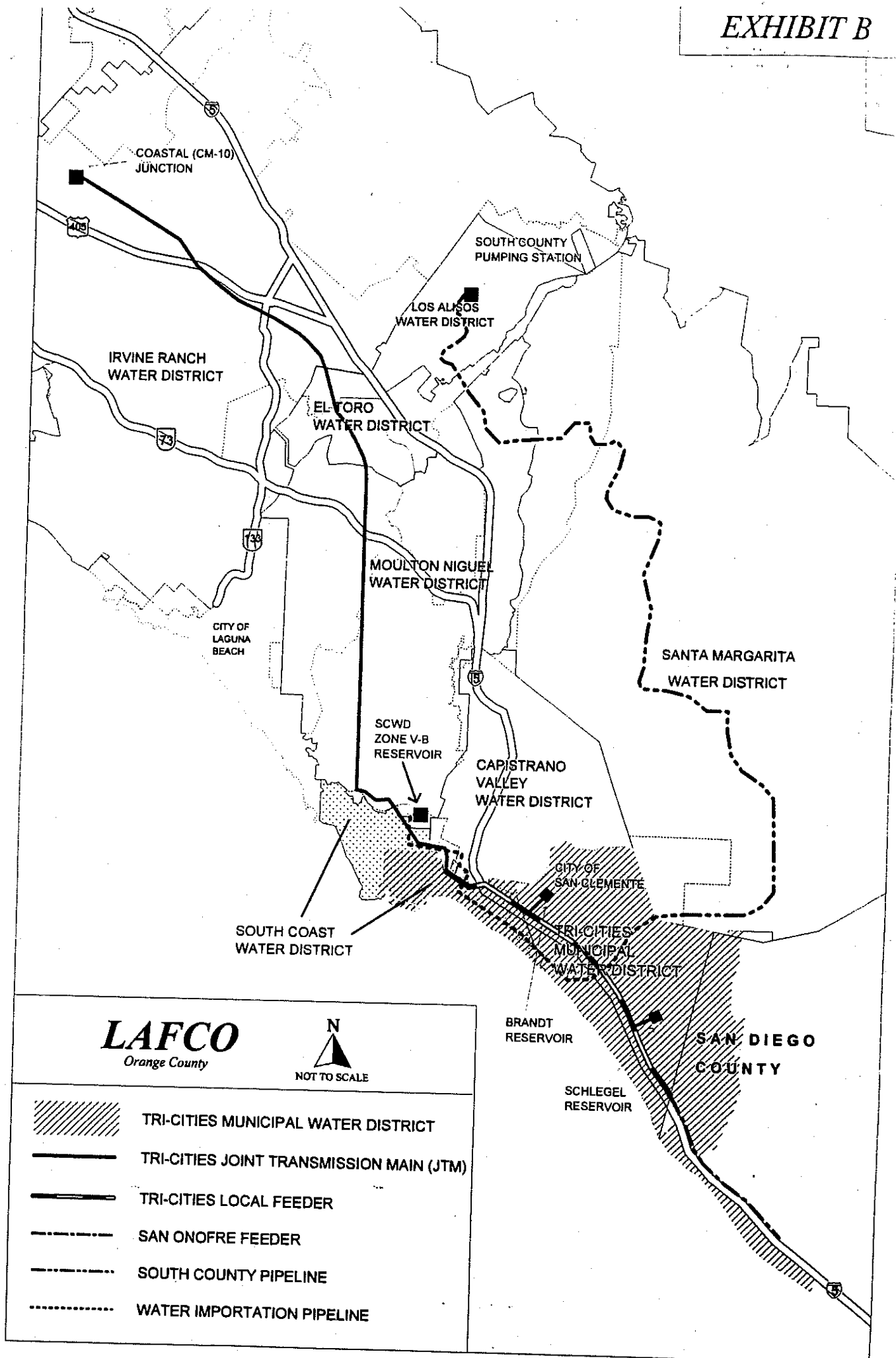
APPROVED AS TO FORM:

SAN DIEGO COUNTY WATER AUTHORITY

Date: _____ By: _____

ATTEST:

APPROVED AS TO FORM:



Attachment "B"

Statement of Determinations for a Zero Sphere of Influence Designation for Tri-Cities Municipal Water District

1. The present and planned land uses in the area, including agricultural and open space lands.

Adoption of a zero sphere of influence for the Tri-Cities Municipal Water District ("Tri-Cities") would not affect present and planned uses in the area. Decisions concerning land use, including preservation/conversion of agricultural and open space lands, will continue to be the responsibility of the City of San Clemente, and the City of Dana Point, Orange and San Diego Counties, as well as the State and Federal governments.

2. The present and probable need for public facilities and services in the area.

Under the terms and conditions, and agreements referenced and required thereunder, South Coast Water District ("SCWD") will assume Tri-Cities' functions as they relate to water service to the affected agencies, Southern California Edison San Onofre Nuclear Generating Stations ("SONGS"), the State of California (San Onofre State Park) ("State Beach"), and the United States Department of Navy ("Camp Pendleton"). SCWD, as contract operator, anticipates operating by agreement all of the current and proposed facilities of the Tri-Cities MWD, except the Joint Transmission Main, which shall be operated as determined by its owners. The reorganization provides the opportunity for the affected agencies to update and simplify prior agreements for facilities and services to account for long term operation and maintenance and allocation of capacity in existing pipelines. The proposal provides a long-term service responsibility to Navy housing at San Mateo Point.

3. The present capacity of public facilities and adequacy of public services which the agency provides or is authorized to provide.

Tri-Cities (and, as successors, Coastal and the San Diego County Water Authority) has sufficient capacity in the Joint Transmission Line, Pico Pipeline, local feeders, reservoirs, and other facilities, including but not limited to those facilities described in Terms and Conditions Nos. 10 and 11, to fulfill its service obligations. SCWD, as contract operator to the consolidated agency and the San Diego County Water Authority, anticipates operating by agreement all of the current and proposed facilities of tri-Cities, except the joint transmission main, which operation is and will continue to be governed by agreement among its owners.

4. The existence of any social or economic communities of interest in the area if the

Commission determines that they are relevant to the agency.

The boundaries of Coastal and the San Diego County Water Authority overlap tri-Cities. The successor agencies, through the contract operator, will continue service to the same communities as Tri-Cities (except as provided for in joint powers or other agreements.)

GENERAL MANAGER'S REPORT

September 2026

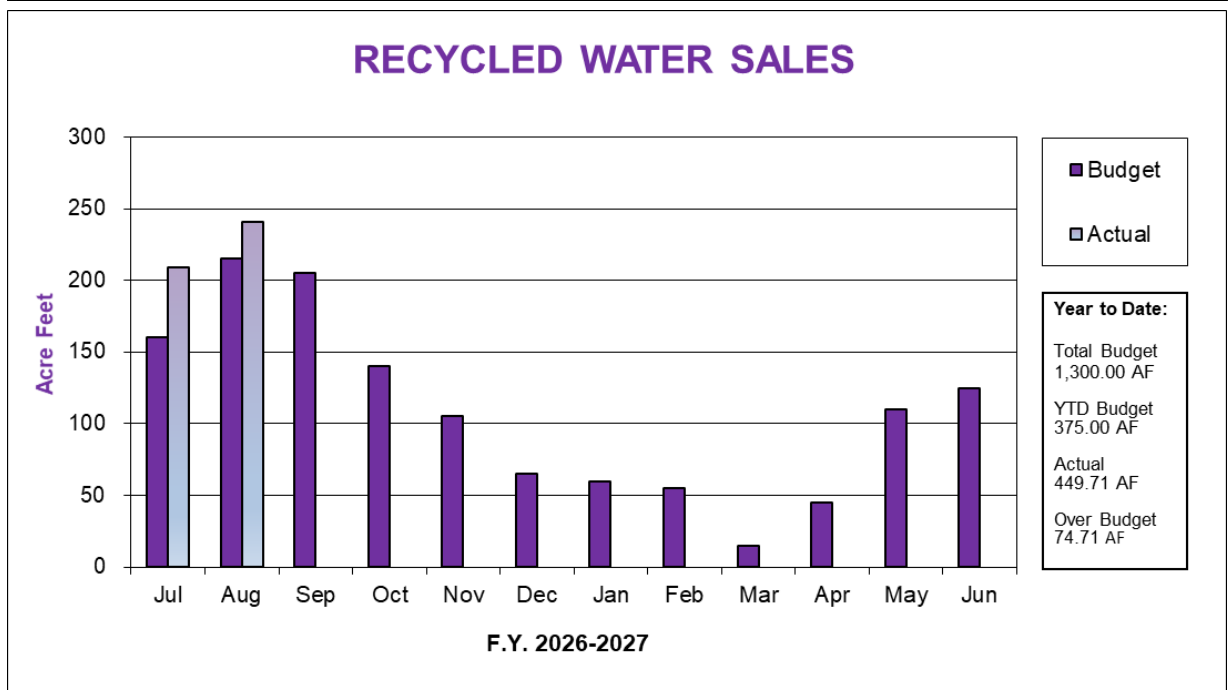
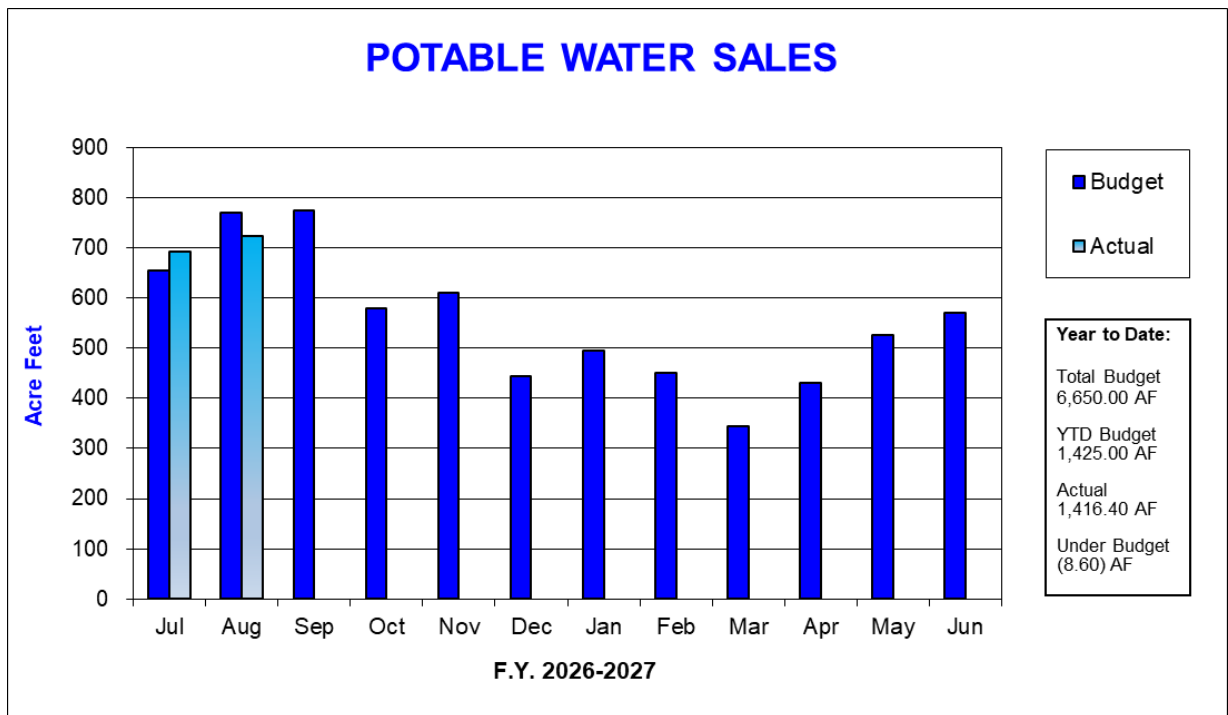
I. OFFICE OF THE GENERAL MANAGER

- MWDOC P&O Committee Meeting
- MWDOC A&F Committee Meeting
- MWDOC MET Directors Workshop
- SOCWA Board Meeting
- Meeting with SOCWA General Manager, Amber Boone
- WACO
- Meeting with Healthcare Realty
- Meeting with ATS Communications
- ETWD President / Vice President / General Manager Meeting
- Meeting with Empower
- Meeting with TE Roberts, regarding Low Zone Hydraulic Improvement Project
- ETWD Open Enrollment and Employee Meeting
- ETWD SOCWA Planning Committee Meeting
- ETWD Department Head Meeting
- ETWD Agenda Review Meeting
- ETWD Regular Engineering & Finance Committee Meetings
- ETWD Regular Board Meeting

II. DOMESTIC AND RECYCLED WATER SALES

Actual domestic sales for the year-to-date as of August 31, 2026, are 1,416.40 acre-feet. This compares to year-to-date budgeted domestic sales of 1,425.00 acre-feet. The year-to-date variation in actual to budgeted sales reflects a decrease of 8.60 acre-feet. Actual sales are 73.39 acre-feet higher than last year-to-date actual sales for the same period.

Actual recycled sales for the year-to-date as of August 31, 2026, are 449.71 acre-feet. This compares to year-to-date budgeted recycled sales of 375.00 acre-feet. The year-to-date variation in actual to budgeted sales reflects an increase of 74.71 acre-feet. Actual sales are 12.08 acre-feet higher than last year-to-date actual sales for the same period.

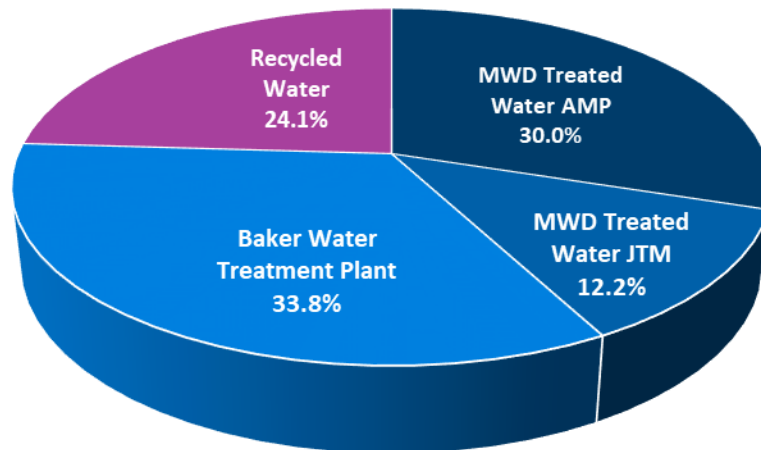


III. WATER SUPPLY SOURCES

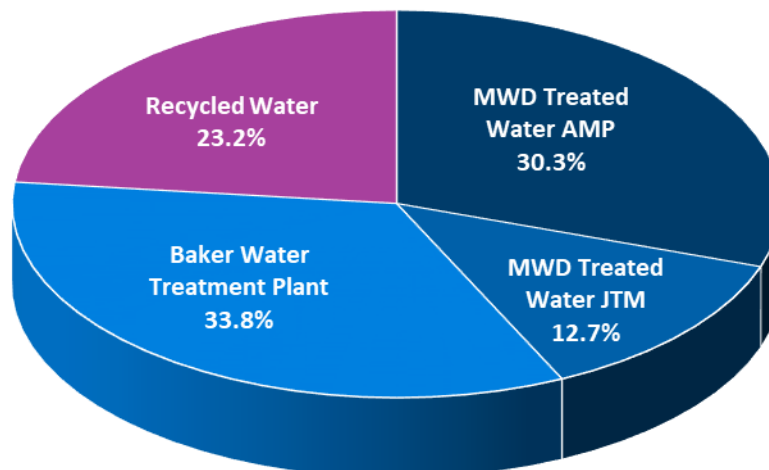
The charts below provide a summary of water supply sources for the month and fiscal year to date (FY 2026-2027). They illustrate the relative contribution of each supply source, including imported treated water from Metropolitan Water District (MWD) via the AMP and JTM connections, local production from the Baker Water Treatment Plant, interconnections with neighboring agencies, and recycled water. These charts help track supply trends and support planning and operational decisions.

Water Supply Sources (AF)				
	August 2026		FY 2026-2027 YTD	
MWD Treated Water AMP	299.9	30.0%	586.1	30.3%
MWD Treated Water JTM	122.4	12.2%	245.1	12.7%
Interconnections	-	0.0%	-	0.0%
Baker Water Treatment Plant	338.1	33.8%	654.7	33.8%
Recycled Water	240.9	24.1%	449.7	23.2%
TOTAL	1001.3	100.0%	1,935.6	100.0%

Water Supply Sources
August 2026



Water Supply Sources
FY 2026-2027 YTD



Office Customer Service Activity Report

Telephone Calls	AUG 2026	AUG 2025
Change of Service: Connections and Disconnections	73	104
Ordinance Infraction / Water Waste Complaints	0	0
Water Quality Taste - Odor - Color	2	0
Leaks / Breaks	9	14
Sewer Problems (Odor / Spills)	1	1
ETWD Facilities Inquiries		
Meter Boxes / Covers / Lids / Hydrants / Pump Stations /Graffiti / "Gen. Maint"	0	0
Backflow / Cross Connection (Questions or Yearly Testing Forms)	2	0
Maintenance Service Order Requests (Bees, Pressure, Fogged-Dirty Registers)	13	6
Miscellaneous (Other: Employment, Deliveries, Sales calls)	26	27
Outside Utility Districts	34	53
Phone calls Transfer to other Departments within ETWD	47	34
Phone calls for the Board of Directors	2	2
Recycled Water	1	0
Construction Meter calls (Hydrant)	2	1
Security System Calls (Alarms at ETWD facilities)	8	0
Cellular Site Calls (Access to Tower Sites)	0	0
Pager Calls Specifically for Pump Stations - SCADA	2	0
Email Correspondence:	35	15
Billing Calls		
Billing / Payments & Graph Inquires	225	183
Assistance with online payments and ETWD's portal (cc, e-checks, other.)	9	27
Payment Extensions	34	43
Delinquent Payment Calls to Customer 's Prior to Shutoff (Automatic Dialer)	16	0
Return Calls from customers left on our voice mail system. Ext 500	16	11
Variance / Adjustment Inquiries	9	17
Variance / Adjustment Requests Processed	4	5
Total Billing Calls	313	286
Complaints		
Payment Processing Fee Complaints	1	0
Customers Complaints non bill related.	0	0
Billing Disputes	0	0
Total Complaints	1	0
Total Telephone Calls	571	543
Service Disconnection & Billing Delinquencies		
10-Day Shut-off Notices Mailed	236	264
7-Day Shut-off Door Hangers Hung	113	148
24-Hour Shut-off Door Hangers Hung	5	2
Shut-offs / Disconnect for Non-Payment (DNP)	29	25
Outstanding Balances > 60 Days (Accounts)	395	333
Outstanding Balances > 60 Days (\$)	\$160,821.56	\$137,226.15
Uncollectible Accounts:		
Budget YTD	\$3,333.33	
Actual YTD	\$0.00	
Credit Card Payments		
Number of Payments	2,213	1,924
Total Amount of Payments	\$470,466.63	\$356,999.11

Field Customer Service Activity Report

Regular Service Calls	AUG 2026	AUG 2025
Serviceman Dispatched to Read, Connect / Disconnect Service	91	107
<u>Field Investigations:</u>		
Check for leaks - calls to CS Office: (Irrigation, Meter, Street leaks)		
Customer Responsible	15	9
District Responsible	4	1
None found/other	9	15
Total - Check for Leaks	28	25
High Reads Checked - High Consumption (Billing Dept.)		
Customer Leaks	16	8
No Leaks	55	18
Total High Reads Checked	71	26
Check Stopped Slowed Meters-Low Consumption (Billing)	8	2
Re-Check Read	9	5
Water Quality: Taste / Odor / Color		
Phone response	1	1
Field response	0	0
Total Water Quality	1	1
Meter Boxes		
Meter Box Replaced	1	1
Meter Box Lids Replaced	8	2
Meter Box Covers Replaced	14	1
Meter Box Clean, Digout	4	1
Raised Meter Box	1	0
Total Meter Boxes	28	5
OMCOP: Old Meter Change - Out Program	4	0
Fogged Registers	12	38
Trim Bushes / Meter Obstruction	21	29
CSSOV (Angle Meter/Ball Valve/Gate Valve/Globe Valve)		
Check/Repaired/Replaced	12	8
Removed Meter	0	0
New Meter	0	1
Unread Meters	3	4
Construction (Hydrant) Meters issued	2	2
Sewer - Odor / Stoppage / Manhole Covers	0	0
Ordinance Infraction	0	0
Recycled Water	0	0
General Maintenance Response	0	2
Fire Hydrants: Hit / Leaks / Caps	4	1
Pressure (psi) Checks / Reads	5	2
Bees Removed	1	0
Backflow / Cross Connection	0	0
Other: (Uncommon Non-Maintenance Calls)	0	4
On-Call After Hrs. CS Response	29	11
Total Field Investigations	329	273



The Metropolitan Water District of Southern California

Water Supply Conditions Report - <https://www.mwdh2o.com/WSCR>

Questions? Reach out via the form: <https://forms.office.com/g/Cj3aReAuCm>

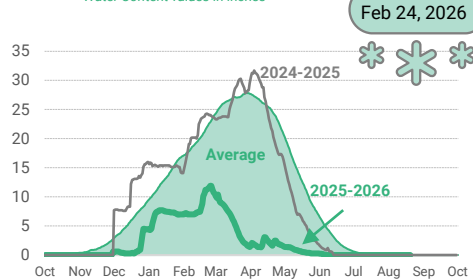
Water Year 2025-2026

As of: 08/20/2026

State Water Project

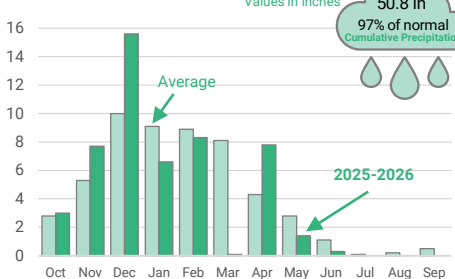
Northern Sierra Snow

Water Content values in inches



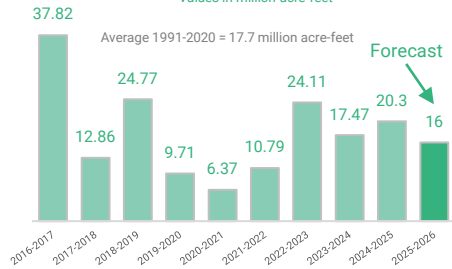
Northern Sierra 8 Station Rain

Values in inches

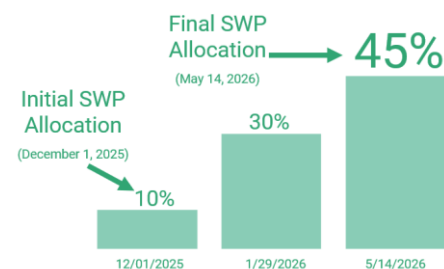


Sacramento River Runoff

Values in million acre-feet

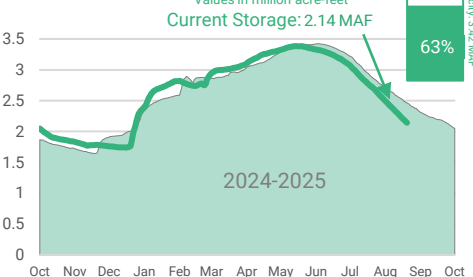


2026 State Water Project Allocation



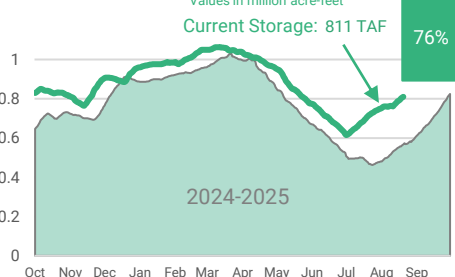
Oroville Reservoir Storage

Values in million acre-feet



San Luis Reservoir SWP Storage

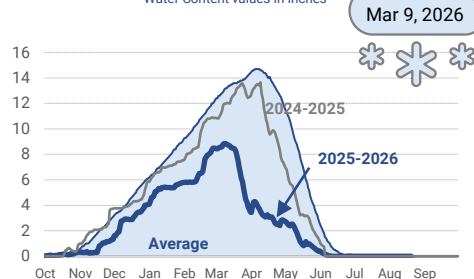
Values in million acre-feet



Colorado River

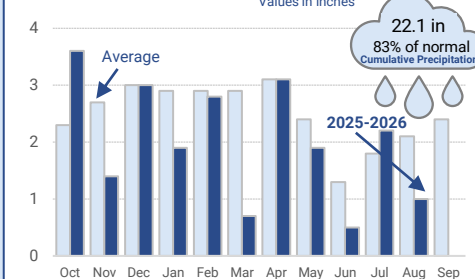
Colorado River Basin Snow

Water Content values in inches

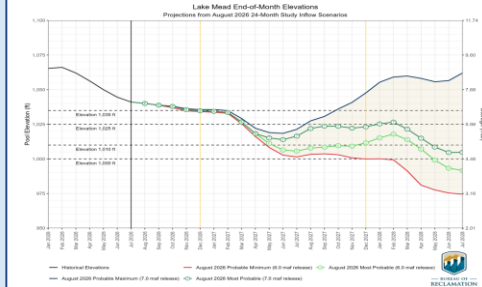


Colorado River Basin Rain

Values in inches

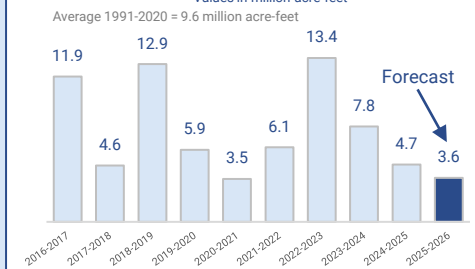


Lake Mead Elevation Projections



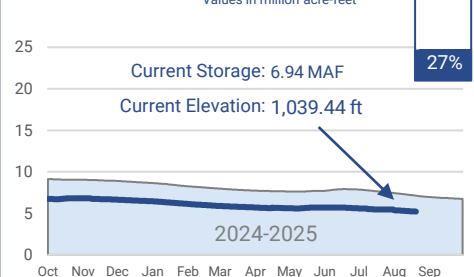
Unregulated Inflow into Lake Powell

Values in million acre-feet



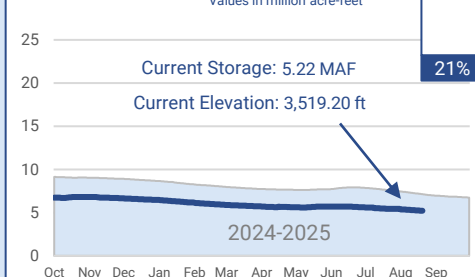
Lake Mead Storage

Values in million acre-feet



Lake Powell Storage

Values in million acre-feet



Explore the Colorado River Aqueduct : <https://www.mwdh2o.com/colorado-river-aqueduct-map/>

WILL SERVE SUMMARY REPORT

July 2026

PROJECT NAME	PROJECT DESCRIPTION	Will Serve Letter Date	PHASE	CFF
Burlington Backflow	Addition of a domestic backflow device	10/24/2025	Construction	\$ -
Heritage Market	Converting retail to market with kitchen	6/1/2026	Construction	Not Yet Calculated
Asia Spa	Coverting retail to beauty parlor	1/14/2026	Construction	\$ 1,912
Muirlands and Los Alisos Intersection Improvements	Relocation of water appurtenances and at-grade adjustments	3/19/2026	Plan Check	\$ -
The Village at Laguna Hills (Firestone Tire Demolition)	Removal of existing water, fire, and sewer services at former Firestone Tire site.	Forthcoming	Construction	\$ -
The Village at Laguna Hills (Phase 1A - Retail)	Installation of water, fire, and sewer services to support new retail development in Q4 2026 - Q4 2028.	Forthcoming	Plan Check	Not Yet Calculated
The Village at Laguna Hills (Phase 1A - Affordable Housing)	Installation of water, fire, and sewer services to support 200 new dwelling units in Q4 2026 - Q4 2028.	Forthcoming	Planning	Not Yet Calculated
The Village at Laguna Hills (Phase 1A - Hotel East)	Installation of water, fire, and sewer services to support new hotel in Q4 2026 - Q4 2028.	Forthcoming	Planning	Not Yet Calculated
The Village at Laguna Hills (Phase 1B - Village Park, Hotel West, Multifamily North)	Installation of water, fire, and sewer services to support new park, retail, hotel, and multifamily homes in Q2 2028 - Q2 2030.	Forthcoming	Planning	Not Yet Calculated
The Village at Laguna Hills (North Residential)	Installation of water, fire, and sewer services to support new townhomes and multifamily homes North of Health Center Drive starting in 2027.	Forthcoming	Planning	Not Yet Calculated
The Village at Laguna Hills (South Residential)	Installation of water, fire, and sewer services to support new townhomes and multifamily homes South of Health Center Drive starting in 2028/2029.	Forthcoming	Planning	Not Yet Calculated
Parentis Health Sewermain Relocation	Relocating an existing sewermain.	6/26/2025	Plan Check	Not Yet Calculated
Central Utilities Plant 24451 Health Center Drive	Additional domestic and fire services for a medical central utility plant.	12/20/2024	Construction	\$ 21,856
23272 & 23282 Mill Creek Terravita - Phase 1	Residential development for 43 dwelling units	Forthcoming	Plan Check	Not Yet Calculated
23161 Mill Creek Koshbin	Residential development for 36 attached condo units	6/30/2026	Construction	\$ 217,722
23172 Plaza Pointe Dr and 23441 S Pointe Laguna Hills	Residential development of 100 dwelling units	Forthcoming	Planning	Not Yet Calculated
Texas Roadhouse BBQ	Conversion of El Torito into Texas Roadhouse BBQ	4/23/2026	Plan Check	\$ -
23370 Moulton Pkwy Sewer Improvements	Modifications to the sewer lateral	5/8/2025	Construction	\$ -
23501 Avenida De La Carlota Bollmart	Converting retail to market with grocery store	11/26/2025	Construction	\$ 12,706
Laguna Woods City Center Project	Improvement of an existing city park	Forthcoming	Plan Check	\$ -
Laguna Woods Fire Station	Addition of a fire station adjacent to the Pump Station 1 Site	Forthcoming	Planning	Not Yet Calculated
Quick Quack Carwash	Conversion of a restaurant into a carwash	Forthcoming	Plan Check	Not Yet Calculated

WILL SERVE SUMMARY REPORT

July 2026

PROJECT NAME	PROJECT DESCRIPTION	Will Serve Letter Date	PHASE	CFF
24301 Paseo De Valencia	Conversion of a bank to medical offices	2/18/2026	Plan Check	Not Yet Calculated
IVX Health	Conversion of retail to a medical office	6/23/2026	Plan Check	\$ 3,790
The Artist Tree	Conversion of a pharmacy to a multi tenant unit with cannabis retail	N/A	Close-Out	\$ -
23022 La Cadena	Conversion of commercial to 29 townhomes	Forthcoming	Planning	Not Yet Calculated
Mill Creek Terravita - Phase 2	Residential development for 415 dwelling units	Forthcoming	Plan Check	Not Yet Calculated
Meeso Tofu House	Conversion of retail to a restaurant	Forthcoming	Plan Check	\$ 39,182

EL TORO WATER DISTRICT – LEGISLATIVE MATRIX

California State Legislative & Water Policy Priorities - Updated September 17, 2026

Bill / Item	Author	Title	Brief Summary	ETWD Position	Status
CA SB 1153	Sen. Caballero (D–Merced)	Disaster preparedness: urban retail water suppliers and public water systems: wildfire	Beginning January 1, 2028, requires urban retail water suppliers serving 3,300 or more persons in high or very high fire hazard severity zones to add wildfire-specific response procedures and mitigation actions to disaster preparedness plans. The bill also states that public water systems have no duty to design, construct, or maintain systems for wildfire defense or suppression and provides liability-related protections tied to wildfire water supply/pressure.	Signed ACWA Sponsored Coalition Letter	Governor’s Desk. Passed the Assembly 77–0 on 08/27/2026; Senate concurred in Assembly amendments 40–0 on 08/30/2026. Enrolled and presented to the Governor on 09/08/2026.
CA AB 2180	Asm. Ward (D–San Diego)	Local government: Proposition 218 Omnibus Implementation Act: proportional cost of service	Clarifies how local agencies may demonstrate proportionality for property-related water and sewer fees. Allows reasonable cost-allocation methods, including uniform or tiered customer classes, without requiring exact parcel-by-parcel measurement; tier costs may be supported by any reasonable allocation basis.	Signed ACWA Sponsored Coalition Letter	Governor’s Desk. Passed the Senate 29–9 on 08/18/2026; Assembly concurred in Senate amendments on 08/19/2026. Enrolled and presented to the Governor on 08/25/2026.
CA AB 2739	Asm. Soria (D–Fresno)	Water: affordability and system stabilization	Creates the Water Affordability and System Stabilization Trust/Fund. Under the current bill, annual trust income is generally allocated 45% to water rate assistance, 45% to a DWR community water affordability/infrastructure grant program, and 10% reinvested to build a perpetual funding source.	Signed IRWD Sponsored Coalition Letter	Governor’s Desk. Passed both houses and was enrolled following final amendments. Enrolled and presented to the Governor on 09/10/2026.
Sites Reservoir Coalition	Sites Project Authority / MWDSC coalition partners	Sites Reservoir Project – statewide off-stream water storage	Coalition advocacy supporting development of the proposed off-stream Sites Reservoir in the Sacramento Valley to improve dry-year water supply reliability, operational flexibility, and ecosystem/public benefits. Key 2026 work includes water-right permitting, participant agreements, financing, and preconstruction activities.	Signed MWDSC Coalition Letter	Project development / permitting. State water-right proceedings are advanced: a Draft Decision and Draft Permit were issued 03/20/2026, comments closed 05/22/2026, and State Water Board final action was scheduled for September 2026. The California Water Commission also approved \$268.9 million in supplemental funding in June 2026.

EL TORO WATER DISTRICT – LEGISLATIVE MATRIX

California State Legislative & Water Policy Priorities - Updated September 17, 2026

Bill / Item	Author	Title	Brief Summary	ETWD Position	Status
Delta Conveyance Project Streamlining Trailer Bill	Governor Gavin Newsom / Department of Finance	Delta Conveyance Project: Streamling Proposal	Governor Newsom’s May 2025 budget revision proposed statutory changes to accelerate the Delta Conveyance Project by simplifying certain permitting and protest procedures, confirming DWR authority to finance the project with State Water Project revenue bonds repaid by participating water agencies, streamlining judicial review, and facilitating property acquisition and utility work. ETWD supported the streamlining proposal.	Signed Governor Newsom Coalition Letter	2025 proposal was not introduced for a legislative vote before the end of the 2025 session. No 2026 successor trailer bill was identified in the sources reviewed as of 08/20/2026. The Delta Conveyance Project itself continues to advance under existing processes: federal Endangered Species Act biological opinions were completed in June 2026, and DWR filed a revised Delta Plan consistency certification on 07/24/2026 following the Delta Stewardship Council’s April 2026 decision.
CA AB 259	Asm. Rubio (D–Baldwin Park)	Open meetings: local agencies: teleconferences	Would continue the modified Brown Act alternative teleconference procedures originally created by AB 2449, allowing qualifying remote participation under specified public-access, notice, quorum, and procedural requirements instead of allowing the provisions to sunset.	Support	Senate Committee Process – Local Government / Judiciary. Referred to both committees on 05/14/2025; Senate Local Government hearing postponed on 06/27/2025. No later substantive action shown as of 09/17/2026.
CA SB 496	Sen. Hurtado (D–Bakersfield)	Advanced Clean Fleets Regulation: appeals advisory committee: exemptions	Would have required the California Air Resources Board to establish an Advanced Clean Fleets Appeals Advisory Committee to review denied exemption requests and provide recommendations, with specified stakeholder representation.	Support	Dead / Inactive. Held in Senate Appropriations on 05/23/2025 and returned to the Secretary of the Senate on 02/02/2026 pursuant to Joint Rule 56. No further action as of 09/17/2026.
CA SB 350	Sen. Durazo (D–Los Angeles)	Water Rate Assistance Program	Would have established a statewide Water Rate Assistance Program and fund for low-income residential water and wastewater customers, administered by the State Water Resources Control Board and contingent on legislative appropriation. The concept was reintroduced in 2026 as SB 1125.	Support	Dead / Inactive. Returned to the Secretary of the Senate on 02/02/2026 pursuant to Joint Rule 56. No further action as of 09/17/2026.
CA SB 454	Sen. McNerney (D–Pleasanton)	State Water Resources Control Board: PFAS Mitigation Program	Would have established a PFAS Mitigation Program and fund at the State Water Resources Control Board to provide financial and technical assistance for PFAS remediation and treatment, subject to appropriation, and to accept eligible state, federal, private, and other nonstate funding.	Support	Vetoed / Inactive. Governor vetoed the bill on 10/01/2025; veto was sustained and the bill was stricken from file on 03/02/2026.

EL TORO WATER DISTRICT – LEGISLATIVE MATRIX

California State Legislative & Water Policy Priorities - Updated September 17, 2026

Bill / Item	Author	Title	Brief Summary	ETWD Position	Status
CA AB 514	Asm. Cottie Petrie-Norris (D–Irvine)	Water: emergency water supplies	Declares state policy to encourage, but not mandate, local and regional water suppliers to develop emergency water supplies for use during droughts or unplanned service or supply disruptions. Emergency supplies must be water to which the supplier has an established legal right and that are identified in a water shortage contingency plan or drought plan. The bill does not require suppliers to modify operations, demand-management programs, water rights, contracts, or shortage plans.	Support	Dead / Inactive. Held in the Assembly Appropriations Committee in 2025 and did not advance before the legislative deadline; no further action as of 09/17/2026.

NATURAL RESOURCE
RESULTS

To: Board of Directors, *Municipal Water District of Orange County*
From: Natural Resource Results
RE: Monthly Board Report – September 2026

Colorado River Post-2026 Record of Decision Signed – California Faces 440,000 Acre-Foot Cut

On August 21, 2026, Secretary of the Interior Doug Burgum signed the Record of Decision (ROD) and 2027–2028 Operating Guidelines for future Colorado River operations. The Final Environmental Impact Statement was published on July 31, and the ROD followed three weeks later. The decision establishes a 10-year "Decision Framework" with a broad operational range governing Lake Powell and Lake Mead, while setting specific two-year operating guidelines for Water Years 2027 and 2028. The guidelines require the Lower Basin states collectively to cut water use by 1.25 million acre-feet in each of the next two years. California's mandated reduction is 440,000 acre-feet, Arizona's is 760,000 acre-feet, and Nevada's is 50,000 acre-feet.

For Lake Powell, Water Year 2027 operations are placed in the Lower Elevation Infrastructure Protection Range — meaning the reservoir is expected to begin the water year between elevations 3,510 and 3,540 feet. Annual releases from Glen Canyon Dam are set between 6.0 and 7.0 million acre-feet, with Reclamation retaining authority to adjust releases through April based on updated hydrology to maintain the critical 3,510-foot power pool threshold. The 2027 release volume will be finalized in April 2027 based on observed inflows and storage conditions. The decision drew mixed reactions across the Basin: Arizona water managers expressed concern that their share of the burden was disproportionate, while some California and environmental advocates questioned whether the cuts were adequate given current storage conditions.

California's 440,000 acre-foot obligation under the 2027–2028 guidelines will require coordinated planning with Reclamation to identify where those reductions will come from — whether through reduced Colorado River Aqueduct deliveries, increased use of stored Intentionally Created Surplus (ICS) water, or other conservation measures. The Decision Framework's 10-year horizon also signals that more restrictive guidelines will follow in 2029–2030 if reservoir conditions do not improve, making long-range supply planning a near-term priority for Southern California water agencies.

On August 24, Nevada filed a claim in federal court against the Trump Administration, stating that the operating plan illegally reduces the state's allocation of water by up to 71%.

Colorado River Reservoir Conditions – Record Combined Low Confirmed

As of mid-August 2026, Lake Powell and Lake Mead have confirmed new record-low combined storage levels not seen since before Glen Canyon Dam was completed in 1963. Lake Powell fell below the previous all-time low of 3,519.92 feet — set in April 2023 — and Lake Mead approached its record low of 1,040.58 feet set in July 2022. Researchers project that combined

storage in the two reservoirs will set new daily records continuously until at least next spring, absent significant precipitation or reduced Upper Basin consumption. Bureau of Reclamation hydrologists attribute the crisis to a historically weak 2025–2026 snowpack and spring runoff — approximately one-third of average — compounded by two decades of chronic overallocation and aridification driven by rising temperatures in the Colorado River Basin.

The proximity of Lake Powell to the minimum power pool threshold (3,490 feet) remains a focal concern: should the reservoir drop below that level, Glen Canyon Dam would cease generating hydroelectric power, affecting regional electricity transmission contracts and creating significant operational challenges. Reclamation’s authority to adjust releases downward during Water Year 2027 to protect the 3,510-foot elevation floor is a direct response to this risk

State Water Resources Control Board Releases Final Draft Bay-Delta Plan

On August 20, 2026, the State Water Resources Control Board (SWRCB) released its final draft update to the Water Quality Control Plan for the San Francisco Bay/Sacramento–San Joaquin Delta Watershed — commonly known as the Bay-Delta Plan — covering the Sacramento River watershed, the Delta eastside tributaries (including the Calaveras, Cosumnes, and Mokelumne Rivers), and the Sacramento/Delta system. Written comments on the final draft are due September 18, 2026, and the full Board is scheduled to consider adoption at a public hearing on October 28–29, 2026.

The final draft establishes new percentage-of-unimpaired-flow requirements for the Sacramento River system and its tributaries, intended to protect fish and wildlife beneficial uses in the Bay-Delta watershed. The plan retains two distinct compliance pathways for water right holders: a voluntary agreement (VA) pathway, under which parties can commit to a suite of flow and habitat improvements through the state's Healthy Rivers and Landscapes (HRL) program; and a regulatory pathway applicable to water right holders who do not participate in the HRL proposal. The final draft also incorporates Water Supply Adjustment factors intended to provide some operational flexibility for rainfall-fed watersheds, and retains off-ramp provisions tied to Lake Berryessa storage and cold-water carryover regimes — modifications that water agencies have pressed for in prior iterations of the plan.

Flow requirements imposed under the Bay-Delta Plan can reduce export capacity during critically dry periods, precisely when demand for SWP water is highest. The two-pathway structure means that the degree of operational constraint will vary depending on how many water right holders elect the voluntary agreement path versus the regulatory path; a larger VA coalition generally provides greater operational flexibility for SWP and CVP exports. The outcome of this proceeding will also bear directly on the operating conditions imposed on the Delta Conveyance Project once construction commences.

**August 27, 2026****To:** Municipal Water District of Orange County**From:** Michael Boccadoro
Beth Olhasso**RE:** August Report

California enters late August and September with generally solid water supplies, but declining reservoir levels as the state moves through the dry season. Statewide reservoir storage was estimated at about 26.8 million acre-feet, or 106% of historical average, as of August 24, providing a relatively strong buffer heading into fall. Major reservoirs remain in generally good condition; Lake Oroville held about 2.17 million acre-feet as of August 20—63% of capacity and 99% of its historical average. With the water year ending September 30 and little additional precipitation expected during the remainder of the summer, attention is shifting toward how much storage can be carried into the next water year and the outlook for fall and winter precipitation.

The State Water Board's revised draft work plan identifies a broad slate of water-quality priorities for the coming years, including Bay-Delta flows and salinity, recycled water, stormwater infiltration, desalination and emerging contaminants. While many initiatives remain in the early stages, the agenda provides an important preview of potential future regulatory requirements affecting water agencies, agriculture and local governments.

The State Water Board released its final draft update to the Bay-Delta Plan on August 19, with adoption scheduled for October 28-29. The proposal would create a Healthy Rivers and Landscapes voluntary pathway alongside a regulatory pathway, with participating water users potentially meeting environmental requirements through a combination of flows and habitat restoration.

DWR and the Bureau of Reclamation have completed a five-year study examining salinity, flows and low- and null-flow conditions in the South Delta. The study does not impose new requirements, but its findings could influence how the State Water Board monitors salinity and evaluates compliance with existing Southern Delta water-quality objectives.

With the legislative session entering its final days, major water issues remain unresolved, including Delta infrastructure funding, tribal water rights, wildfire liability and Golden Mussel legislation. SB 872, which would provide \$150 million annually for Delta levees and \$150 million annually for restoring conveyance capacity lost to subsidence, has reached the Governor's desk, while several other water bills remain in negotiations.

Municipal Water District of Orange County

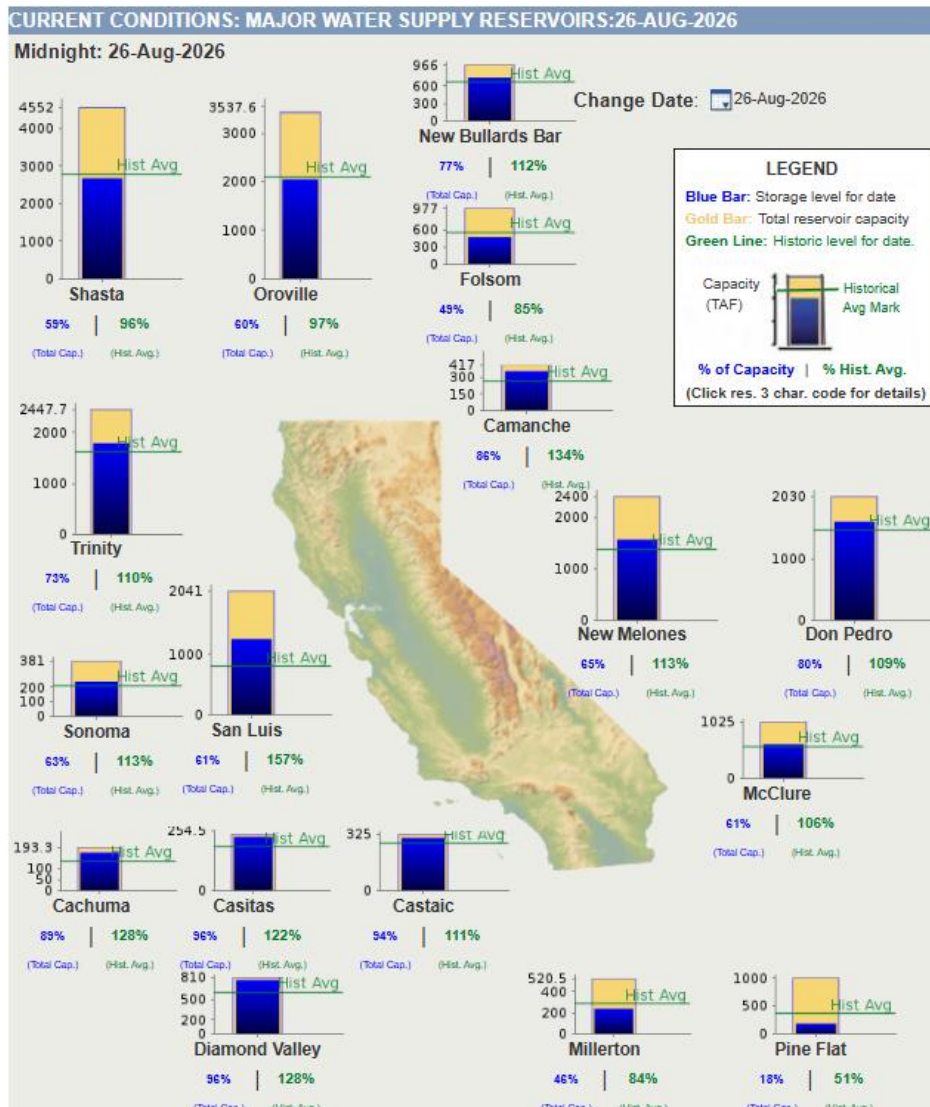
Status Report – August 2026

Water Supply Conditions

California reservoirs have remained in good condition through the dry summer with average storage in several key reservoirs, providing a measure of water supply stability

The state's largest reservoirs remain in relatively strong condition. Lake Shasta is at 59 percent of capacity and about 96 percent of its historical average for this time of year. Lake Oroville is at 60 percent of capacity and 97 percent of historical average. San Luis Reservoir is at 61 percent capacity, 157 percent of historical average.

While the talk is all about the potential “super el niño” that may hit parts or all of California, until the rain starts, water managers remain concerned this time of year as stored supplies are tapped into to meet demand.



State Water Board lays out major water-quality regulatory agenda for next three years

The State Water Resources Control Board has released a revised draft work plan outlining a broad slate of potential water-quality changes that could shape California water policy over the next several years. The August 7 document is part of the Board's periodic review of five statewide water quality control plans and 26 state policies and identifies projects that are already underway, as well as additional policies that could be considered in the future. The review itself does not change existing regulations, but it establishes priorities for future rulemakings, which would each undergo separate public processes.

For water agencies, one of the most consequential elements is the continued emphasis on the Bay-Delta Plan. The Board lists three Bay-Delta projects as current priorities: updating flow objectives for the protection of fish and wildlife, implementing the existing Lower San Joaquin River flow and Southern Delta salinity requirements, and determining whether to incorporate the proposed Tuolumne River Voluntary Agreement.

The work plan also elevates several issues with direct implications for water supply development and local water agencies. The Board is pursuing revisions to the Recycled Water Policy that would update statewide recycled-water production goals using more than five years of newly collected wastewater and recycled-water volume data. Staff also want to harmonize requirements for monitoring constituents of emerging concern with the state's newer CEC program and drinking-water recycling regulations. The Board says the effort is intended to continue incentivizing recycled water while reducing barriers to projects and protecting public health.

Another significant project is a new statewide policy governing urban and industrial stormwater infiltration. The Board says the policy is intended to establish a consistent framework for siting, designing and managing infiltration systems while protecting groundwater quality and supporting stormwater capture. Staff have developed a risk-based approach after extensive discussions with municipalities, groundwater and stormwater experts, industry and environmental organizations, and anticipate releasing a draft policy for public comment in fall 2026.

The Board is also proposing changes that could affect desalination and other new water supplies. An Ocean Plan amendment would seek to clarify and streamline permitting for seawater desalination, including requirements involving facility sizing, sensitive habitat, mitigation, subsurface intakes, seawater intrusion and annual reporting. The Board says the changes respond partly to California's Water Supply Strategy and recommendations intended to expedite desalination permitting.

Beyond supply-related policies, the agenda contains a substantial expansion of water-quality regulation. Current projects include developing statewide objectives for harmful algal blooms and cyanotoxins, addressing nutrients that contribute to coastal ocean acidification and harmful algal blooms, and developing site- and permit-specific approaches for copper and zinc. The future work plan also contemplates changes involving human-health and aquatic-life criteria, stormwater mercury requirements, cadmium, chlorine, trash provisions and other pollutants.

Importantly, many of the proposals remain early-stage policy priorities rather than imminent regulations. The Board explicitly says projects identified for future consideration are generally unlikely to be formally initiated during the next three years. Even current projects will require separate rulemakings, environmental review, economic analysis, Tribal consultation and public participation before new requirements can take effect.

For local governments, water agencies and agricultural water users, the work plan is therefore best viewed as an early warning of where the Water Board's regulatory attention is headed. The combination of Bay-Delta flow and salinity requirements, recycled-water goals, stormwater infiltration standards, desalination permitting and new water-quality criteria could affect the cost, design and permitting of future water-supply and infrastructure projects. The State Water Board plans to take public comments on the draft, revise it as appropriate and ultimately consider adoption of a final work plan at a future public meeting.

State Water Board releases final draft of long-awaited Bay-Delta Plan update

The State Water Resources Control Board has released its final draft update to the Bay-Delta Plan, putting California's long-running effort to establish new protections for fish and wildlife in the Sacramento River and Bay-Delta on track for a major decision this fall. The Board released the final draft plan, final staff report and supporting scientific analysis on August 19, and plans to consider adoption on October 28-29. Written comments are due September 18.

The proposal is built around a significant change in how the state would implement environmental-flow requirements. Rather than relying exclusively on a traditional regulatory approach, the plan would establish two pathways: a Healthy Rivers and Landscapes (HRL) voluntary-agreement pathway for participating water-right holders and a regulatory pathway for other water rights. Both would have regulatory effect once the plan is adopted. Under the HRL approach, participating water users could meet their obligations through a combination of river flows and habitat restoration rather than relying solely on increased flows.

That structure represents an attempt to balance two competing objectives that have made the Bay-Delta Plan controversial for years: increasing protections for declining fish populations while limiting the effects on water supplies for farms, cities and other water users. The State Water Board says the proposal would provide greater flexibility during dry conditions and lessen periods of reduced water supply for municipalities and water districts while maintaining environmental protections. At the same time, the regulatory pathway would provide an enforceable backstop if water users do not participate in the HRL program or if the voluntary approach is discontinued.

The scale of the Healthy Rivers and Landscapes program is substantial. The State Water Board says the proposal could facilitate approximately \$2.9 billion in restoration and related actions, including restoration of more than 27,000 acres of aquatic habitat. The Board would also establish annual reporting, triennial reviews and a dedicated scientific program to evaluate whether the combination of flows and habitat restoration is actually producing improved ecological conditions.

The final plan is intended to provide a mechanism for participating water-right holders to satisfy requirements through a combination of flow and habitat commitments. But water users that are outside the HRL pathway could ultimately face requirements established through the regulatory pathway. The Board says it will begin developing the methodology for protecting flows under both pathways after adoption of the plan.

The final draft also makes an important change concerning Tribal water uses. If adopted, the plan would formally recognize “Tribal Tradition and Culture” as a protected beneficial use of water. The Board says the designation reflects the connection between tribes, rivers and native fish, including salmon, and would incorporate Tribal beneficial uses into the updated Bay-Delta framework.

The latest version follows a lengthy series of drafts and public hearings. The Board held a three-day hearing in January 2026 on the December 2025 revised draft, which already contained the two-pathway structure, Tribal beneficial uses and updated flow and habitat accounting. The August draft represents the Board's next step after reviewing comments and making changes to the proposal and supporting staff report.

The next few months will therefore be important for water agencies, agricultural interests, environmental organizations and other Bay-Delta stakeholders. Comments on the final draft are due September 18, but commenters are being asked to focus on changes made since the December 2025 draft. The State Water Board is scheduled to consider adoption October 28-29. If adopted, the plan would launch a new implementation phase in which the Board would establish the detailed mechanisms for both the HRL and regulatory pathways.

New South Delta study provides clearer picture of salinity and water flows

The California Department of Water Resources and U.S. Bureau of Reclamation have completed a major study of water flows and salinity in the South Delta, providing new information that could influence how the State Water Resources Control Board manages the region’s water-quality requirements. The Monitoring Special Study (MSS) was submitted to the Water Board in May 2026 after five years of data collection, modeling and coordination with water agencies and other stakeholders. The study was required under the 2018 Bay-Delta Plan and was designed to better understand how water levels, flows, salinity and low- or null-flow conditions interact in the South Delta.

The study is particularly important because the South Delta is where water quality, agricultural water supplies and State Water Project and Central Valley Project operations intersect. The MSS combines new field measurements—including high-speed salinity mapping, point-source sampling and drone imagery—with sophisticated hydrodynamic and water-quality modeling. DWR and Reclamation say the work is intended to improve understanding of the sources and movement of salinity and provide a scientific foundation for a future long-term monitoring and reporting program.

One of the report's central findings is that South Delta salinity is influenced by multiple factors rather than a single source or operation. The study examines the relative effects of San Joaquin River inflows and salinity, State and federal project pumping, tides, temporary agricultural

barriers, channel characteristics, in-Delta diversions and local discharges. The modeling and data-collection effort is intended to provide a more refined understanding of how those factors interact, particularly during periods of low or reversing flows.

The study also provides new information about low- and null-flow conditions, which occur when portions of the South Delta experience very limited net movement of water. These conditions can affect the transport and concentration of salinity and are an important consideration for agricultural water quality. DWR added a new appendix specifically addressing low-water metrics and incorporated additional analysis of the factors contributing to the formation and movement of null zones.

For water agencies and agricultural water users, an important takeaway is that the report does not itself establish new salinity requirements or change existing water-right obligations. Instead, it is intended to provide information that the State Water Board can use in implementing the 2018 Bay-Delta Plan, developing compliance approaches and designing a long-term monitoring program. The MSS was specifically commissioned because the Board determined that additional information was needed to better understand Southern Delta salinity dynamics.

The report could nevertheless have significant implications for future regulation. The 2018 Bay-Delta Plan established revised Southern Delta salinity objectives and required DWR and Reclamation to conduct the special study as part of developing a comprehensive approach to implementation. The new information could help the Water Board determine how and where salinity should be monitored, how compliance should be evaluated and how different water-management actions affect conditions experienced by agricultural users.

The MSS also highlights the importance—and limitations—of computer modeling in managing the South Delta. DWR used both the three-dimensional SCHISM model and DSM2, combined with observed data through data-assimilation techniques. Earlier work found that incorporating observed data improved the model's representation of the South Delta salinity field and its predictive capabilities, although additional data are needed to validate some of the approaches.

Overall, the study gives the State Water Board a substantially larger body of data for addressing one of California's most contentious water-quality issues. The next step will be developing a Long-Term Monitoring and Reporting Plan, which will translate the study's findings into an ongoing monitoring framework. For agricultural and urban water agencies, that process will be worth watching closely because the eventual monitoring and compliance framework could affect how Southern Delta salinity requirements are implemented and how the impacts of water-project operations are evaluated.

Legislative Update

The Legislature is in the final days of the 2025-2026 Legislative Session. Members have until 11:59 PM on August 31 to send legislation to the Governor. With just five days remaining, the most controversial bills are still pending while deals are being made and arms are being twisted.

There is still no resolution on Proposition 4 spending, Greenhouse Gas Reduction Fund spending, tribal rights bills, IOU wildfire liability reform and a handful of other issues that will attempt to move through in the final days of the session.

State Water Contractors Sponsored Legislation:

SB 872 (McNerney) has been amended into a major climate and water infrastructure funding bill.

Under the revised language, SB 872 would create the Delta Levees and Canal Subsidence Fund that would fund toward critical water system upgrades over the next two decades — beginning in the 2026–27 fiscal year through 2046–47.

Key provisions include:

- \$150 million annually to the California Department of Water Resources for capital improvements aimed at restoring original conveyance capacity in state water facilities affected by land subsidence — a growing problem as pumping lowers groundwater levels and damages canals.
- \$150 million annually to the Sacramento-San Joaquin Delta Conservancy for levee repairs and related projects in the Delta, strengthening flood protection and habitat conditions.

The bill was amended to take out a specific funding source, which will lead to more discussions on the concept during the budget process.

The bill also includes a restriction that these funds cannot be used for the design, construction, operation, mitigation, or maintenance of new Delta conveyance facilities beyond existing infrastructure.

The bill has received bipartisan support throughout the process and is on the Governor's desk.

Funding for at least one year of Delta levee and conveyance subsidence repair is being discussed in the final budget negotiations.

AB 2215 (Calderon): moves a portion of the DCP Trailer Bill from 2025 into a policy bill. AB 2215 would adjust the beneficial use timeline for the completion of construction work for specific water right permits held by the Department of Water Resources for the operation of the State Water Project by December 31, 2045. The bill passed out of the Assembly Water, Parks and Wildlife Committee 11-0 and the Appropriations Committee and was approved by the full Assembly 57-1. ACWA recently took a support position on the bill. The bill was pulled from hearing the Senate Natural Resources and Water Committee on July 1 due to a lack of support from committee members and unfortunately will not move forward in 2026.

CASA & WaterReuse CA:

CASA and WaterReuse CA's co-sponsored legislation, AB 2777, to add more capacity to the Clean Water State Revolving Fund and make it easier for agencies to get larger loans or reduce burdensome requirements passed through the process with no no votes. The bill is on the Governor's Desk.

Other significant legislation:

- **AB 1881 (Ramos)** and **AB 2218 (Kalra)** on tribal water rights. Both bills give tribes significant powers over infrastructure projects. Stakeholders have been working with the authors and sponsors to work out mutually agreeable language, but those talks stalled in recent weeks. AB 2218 has passed to the Governor's Desk, but AB 1881 is facing more concentrated opposition and is looking to find a path forward.

- **Golden Mussels Bills**
 - **AB 2032 (Ransom):** specifies specific actions for the state to undertake to research and provide best management practices for eradication. The bill has an urgency clause, but passed off the Assembly Floor well ahead of the 2/3 vote threshold with 78 “aye” votes. The bill has moved through the Senate fairly easily, but is still awaiting action on the Senate Floor.
 - **AB 1772 (Papan):** creates a standardized boat inspection program for all reservoir operators. The bill was held in the Senate Appropriations Committee
 - **AB 1894 (Rubio):** Addresses some agencies forbidding SWP water from entering a local system. The bill has been amended to address some concerns of other water users, including MWD. The bill is on the Governor's Desk

- **Advanced Clean Fleets:** AB 1436 (Avila Farias) was a late “gut and amend” intended to address the latest 15-day changes from CARB on the State and Local Government rules in the ACF program. The bill proposed to prohibit CARB from regulating private fleets through requirements on public agency contracts. The bill was heard in the Senate Environmental Quality Committee but was one vote short of passing out of the committee. The Chair of the committee committed to bringing parties together to discuss the issue.

ACKERMAN CONSULTING

Legal and Regulatory

September 2, 2026

1. **Toxic Blooms Worsen:** The Sacramento-San Joaquin Delta areas are experiencing more and worse algae blooms which date back to 2020. Actually prior to 2000, these blooms were very rare. The research is funded by NOAA using DWR, UC Santa Cruz, Cal Poly Maritime and other partners. The decomposition takes the oxygen from the water and make toxins which are dangerous to humans, animals, fish and birds. The blooms like warm temperatures and lots of nutrients. In 2022, a large bloom developed very quickly and the lack of oxygen kills lots of fish. The researchers are using remote sensors and constant testing to identify the blooms and track their growth and movement. Hopefully, this information will aid in prevention and control of future blooms.
2. **Wildfires and Fish:** Scientists have been studying the 2022 McKinney Fire, subsequent rainfall and runoff and impact on water life on the Klamath River. The intensity of the fire created debris and fire related material such as ash, charcoal and sediment. When rain events occur thereafter, the runoff is substantial, dumping all this material into the water. This created a condition known as anoxia where the oxygen level in the water is near 0 and this lasts for many hours. This kills fish very quickly. Continuous sensors are used to monitor turbidity, oxygen level, pH and temperature to study the result and be better prepared the next time such an event occurs. While it is difficult to mitigate these conditions, knowledge of what and when things are happening can be useful for water managers.
3. **More Rain, More Dry:** A study done by Dartmouth College and the University of Montreal shows that more rain can actually cause drier conditions. The new trend is less storms which tend to be more intense and wetter. That means the soil can not absorb the water and it tends to pool and create more evaporation. This combined with longer dry periods will create an overall drier landscape. While we may receive the same or more rainfall in a given season, we will end up with drier conditions. The two hotspots for these conditions are the Amazon and the Wyoming/Colorado area. This is a primary reason we are experiencing drought conditions in the Colorado Basin area. This is also a reason many of these areas will experience flood conditions during the heavy rains.
4. **Global Groundwater Conditions:** As we have seen, there are many studies being done on the state of global groundwater. Here is another. This one tracked almost 43,000 wells in 47 countries for 20 years. Researchers in Delft, Netherlands found that one third of groundwater is declining, while 18% are rising. Results are mixed for various areas: South American-some serious decline but some minor decline to holding, Middle East- most have minor decline, but India, particularly in farm areas, is serious, Europe-some serious and some modest, US Midwest-80% of wells in decline. Areas with rising water: Thailand-90% wells on increase, Taiwan-increase levels, Denmark-increase levels. Many of the increase areas are creating problems infrastructure and flooding. Many areas, Africa, East Asia and parts of South American lack monitoring so we do not have real data. However, we can guess that they are or will be experiencing problems in the future.
5. **Water From Air:** Better mousetraps are being developed all the time. This one is the size of a 20 foot storage container and can produce 1000 liters of water per day. It uses ambient heat instead of motors and electricity. The necessary temperature gap is 13 degrees F. Porous crystals placed into cartridges pull water from passing

air. It has been tested at Death Valley. Filters remove dirt and small stuff and germs are killed with disinfectants. It is being tested for scaling up.

6. **Caspian Sea Shrinking:** Did you know the Caspian Sea is the largest inland body of water on the globe? Levels in the Sea have gone up and down over the years. However, now the trend is definitely down. In the last 30 years, it has lost a ground area equivalent to Sicily. The main reason is manmade causes including dams, river diversions and agricultural uses, even though overall water inflow in the area has increased. The countries surrounding the Sea include Iran, Russia, Turkmenistan, Azerbaijan and Kazakhstan. There is currently no agreement between these countries regarding water rights and shared usage. The Sea is critical for local shipping, fishing, wetlands, migratory birds and most of the world's caviar. The future of the Sea is in danger due to the political issues in the area. It could be lost and seriously damaged if action is not commenced soon.
7. **China Water:** China's largest cities have 74 times less fresh water than the average person in the US. China controls a number of the biggest rivers in Asia, receives heavy rain fall each year and has numerous glaciers in the West. But the cities in the Northeast, Beijing and Tianjin suffer droughts. They are currently in the process of moving rivers thousands of miles and building the largest dam in the world. They have no CEQA and don't care about people's rights and homes. Projects will get built. More to come.
8. **Data Centers:** I have combined two articles here describing water and energy use. One report downplayed the numbers saying they were greatly exaggerated. Opposing data centers is the new cause of the day. Activists from various backgrounds are inspired to demonstrate against these projects. Energy use and water use numbers are 3-5 times actual use. An Oxford University study says the many of the estimates are not based on facts and is small compared to water used by golf courses or agricultural demands. Another report from Ceres, a think tank in Boston, says that water use combined with water used to make electricity is quite large. Their estimate says that industry wide demand for data centers exceed water use for LA, Phoenix and Washington DC combined. The difference is that water used to produce electricity (hydropower) is not lost. It is taken out of the system and then put right back in. Consumptive use differs in the water is used and lost. That use in the industry is much smaller. It generally depends on where you are in the US. If you are in Phoenix and Las Vegas, evaporation and system loss is much greater. However, even in those areas, mitigation measures are being implemented.
9. **PFAS Testing:** Currently most PFAS testing is done in a lab and can take up to 10 days to complete. The University of Tasmania (Australia) has developed a portable lab which can do the job in less than 6 hours. It is designed for rapid screening, not a detailed analysis. This is much more useful for regulators and water managers. PFAS is not always evenly distributed in a specific area. This mobile unit can determine more quickly where to put your resources.
10. **Lithium Valley:** A few years ago, there was great promise for a "lithium valley" in the Salton Sea area. The current estimate is over 4.5 tons of lithium with a value of \$320 billion in 2022. Today's value is \$80 billion. Lithium is used in batteries and electric vehicles. The EV market has changed significantly in recent years but lithium is still considered a crucial mineral. Environmentalist and activist have been raising questions about the "valley". CEQA, pollution, benefits and other issues have been advanced. IID is not supporting the project due to water concerns. All of these factors have combined to put this project and others like it on hold. Some groups are still supportive and want to proceed but financial backers are not that sure.
11. **The Roadless Rule:** Most Americans (90%) depend on public water systems for their water supply. A large portion of that water comes from forest lands. Water policy can impact supply and movement of that water. In 2001, the Clinton administration implemented the Roadless Area Conservation Rule, setting aside 60 million acres of national forest from development and limiting timber harvest. The plan was controversial with much

support and opposition. The Trump administration rescinded it last summer. The US Forest Service is currently reviewing public comments and intends to issue new guidelines this year. Supporters of the old rule claim that roadless areas in the forest protect water systems from contamination and protect the water sources for millions of folks. The old rule did allow certain energy projects, transmission lines and limited development. Opponents of the old rule say there needs to be a better balance of development and forest protection. Stay tuned.

12. **Hidden Cost of Food Waste:** A Texas A&M study has looked at the energy and water cost of our wasted food. The Department of Agriculture says that 30-40% of our entire food supply goes to waste. This waste they argue is wasted time and money in water world, energy production and health needs. One of their goal is to educate the public to do better shopping and meal planning, don't buy more than you need, use leftovers and engage in composting. They want to plan for the future in Texas as their growth pattern show going from their current 30 million to 50 million residents in 2060. The demand for food, energy and water will follow that growth.

TO: MWDOC Board of Directors

FROM: Whittingham Public Affairs Advisors

DATE: September 2, 2026

SUBJECT: September 2026 Local Legislative Report

Following is a few of the more notable developments and issues that have transpired in Orange County over the last several weeks:

- Residents and business owners across six cities who were impacted by mandatory evacuations over Memorial Day weekend may soon be reimbursed for expenses they incurred. District Attorney Todd Spitzer announced that Garden Grove's GKN Aerospace has committed to a compensation programs of up to \$100 million, with details and timing anticipated over the next several weeks. The DA's press release indicated that while no criminal charges would be filed against GKN, the office is "negotiating terms of a settlement agreement as part of a civil disposition with GKN to include a comprehensive safety plan and ongoing independent monitoring to ensure the safe operation of the Garden Grove plant." Between 13,000 and 17,000 households were required to evacuate, and those individuals may be compensated by this fund for hotel stays, loss of use, and per diem compensation for meals, transportation, and loss of wages. One day after the announcement, the Board of Supervisors voted in closed session to sue GKN for reimbursement of \$4 million in costs incurred by the County for its response to the incident.
- Residents within Irvine Ranch Water District's Division 1 have until Monday, August 31 at 5pm to submit resumes to be considered for potential appointment the IRWD Board of Directors. Division 1 Director John Withers, who had served on the IRWD Board since 1989, announced his resignation in early August. The Board will hold a workshop and forum on September 17 to interview potential candidates and is expected to announce an appointment at that meeting.
- Work is nearly complete on the U.S. Army Corps of Engineers' Breakwater project in Dana Point Harbor. Over the past month, as much as 70,000 cubic yards of sand has been dredged from the Harbor channel and placed just off Doheny State Beach to replenish beaches in South Orange County.
- In other Dana Point Harbor news, the Board of Supervisors again deferred action on two new 66-year land leases the developer of two proposed hotels is seeking in order

to secure financing. Approval of the leases has been held up by a lack of unanimity regarding protections for employees at the longtime Harbor hotel, the Marina Inn, as well as those at the two proposed hotels. The developer has stated that the repeated delays have eliminated any possibility of having the new hotels ready for the LA 2028 Olympics, which is holding the surfing competition at nearby Lower Trestles, south of San Clemente.

- The Orange County Sanitation District Board of Directors recently authorized staff to begin the preliminary work to annex a portion of Irvine Ranch Water District's (IRWD) service area that formerly made up the Los Alisos Water District. IRWD currently has sole authority to provide wastewater collection, transmission, and treatment of the "Los Alisos Area" via their operation of the Los Alisos Water Recycling Plant. OC San and IRWD's November 2025 Flow Exchange Agreement committed the two agencies to jointly apply to OC LAFCO to potentially and ultimately provide OC San's wastewater treatment capability to IRWD's service of that area. Recent approvals of a new Flow Exchange Agreement and Green Acres Project ("GAP") Flows Agreement provide IRWD the potential to build greater efficiency and economies into its wastewater treatment services.
- Several Orange County cities are considering official actions regarding the use of herbicides in parks and other public spaces in response to the debate in Ladera Ranch regarding potential health impacts related to the use of such chemicals in two South County creeks. The City of Newport Beach has stopped using synthetic herbicides to control weeds on city-maintained athletic fields, relying instead on organic treatments, mechanical weed removal, and periodic replacement of the grass. The City's new Athletic Field Sod Management Program calls for athletic fields to be stripped, leveled, and covered with new sod approximately every three to five years, depending on their condition and amount of use.
- In mid-August, Superior Court Judge Julianne Bancroft found that the City of Newport Beach must allow four initiatives to move forward to voters after the City unsuccessfully challenged the various measures over the manner in which the measures were noticed and signatures were gathered. The Newport Beach Stewardship Association submitted the initiatives, which included substantive revisions to the City's Charter, establishing new term limits on Council members, requiring City Council elections to be determined by-district as opposed to citywide voting, and a fourth initiative called the Responsible Housing Initiative, which would require the city to replace its existing state-approved housing plan and adopt one that zones for fewer new homes. HOWEVER, at its August 25 meeting, the City Council voted 5-2 to defer the first three initiatives to the November, 2028 ballot, which Judge Bancroft ruled was permissible if the City provided written justification for such action. The Responsible Housing Initiative will appear on this November's ballot.
- Moulton Niguel Water District's Board of Directors officially named longtime Assistant General Manager Matt Collings to succeed Joone Kim-Lopez as the agency's next General Manager at its August 13 meeting.

- The South Coast Air Quality Management District (SCAQMD) has delayed consideration of proposed Rule 1110.4, which targets emissions from emergency standby generators, until late Q1 or early Q2 of 2027. Much of the discussion centered on replacing older diesel units, which account for roughly 30% of the NOx reductions the District is seeking through the rule. District staff are focusing first on facilities with large amounts (>2.5MW) of installed generator capacity, such as data centers, but the many aging generators that water and wastewater agencies rely on at lift stations and other critical facilities remain a longstanding concern. The proposed rule is expected to reach the AQMD Governing Board in the fourth quarter, and many MWDOC member agencies are closely following the its progress to ensure potential concerns of the District and similar agencies are clearly communicated to AQMD staff and Board members.

Whittingham Public Affairs Advisors continues to monitor the agendas of the 26 city and water district MWDOC members to identify items of relevance to MWDOC, as well as activities at the SCAQMD and Orange County Water District. It is a pleasure to work with you and to represent the Municipal Water District of Orange County.

Sincerely,



Peter Whittingham

Municipal Water District of Orange County Legislative Matrix

Updated 8/27/26

Measure	Author	Topic	Status	Brief Summary	Position
AB 2215	Calderon, D	Water rights: permits: State Water Project.	Pulled from committee consideration by author.	This bill would require that the time periods for the application of water to beneficial use and for the completion of construction work for specific water right permits held by the Department of Water Resources for the operation of the State Water Project be December 31, 2046. (Based on 04/16/2026 text)	Support
AB 1436	Avila-Farías, D	State Air Resources Board: air pollution regulations: private fleets: exception	Failed in Senate Env. Quality Committee	This bill would prohibit the State Air Resources Board from enforcing any regulation that directly or indirectly compels compliance by private fleets, as provided, until the state has obtained a required waiver or authorization under the federal Clean Air Act.	Support
AB 2739	Soria, D	Water: affordability and system stabilization	Senate Floor	This bill would establish in the State Treasury the Water Affordability and System Stabilization Fund for holding the principal and income of the Water Affordability and System Stabilization Trust, which the bill would create.	Support (Sponsored by IRWD and Rancho Water)
SB 872	McNerney, D	Delta Levees and Canal Subsidence Fund.	Governor's Desk	This bill would establish the Delta Levees and Canal Subsidence Fund in the State Treasury and, upon appropriation, would make the moneys in the fund available to the Secretary of the Natural Resources Agency for expenditure consistent with the allocations described below. The bill would authorize the secretary to seek out, and the fund to accept, state moneys from, among other sources, any bond funds, the General Fund, or the Greenhouse Gas Reduction Fund. The bill would authorize the fund to accept moneys from nonstate sources, including federal and private moneys, and would continuously appropriate those moneys without regard to fiscal year, for allocation as described, thereby making an appropriation.	Support
SB 952	Laird, D	State Water Project: renewable energy resources and zero-carbon resources	Governor's Desk	The bill would authorize, on and after January 1, 2036, excess procurement, as defined, of eligible SWP renewable energy resources and zero-carbon resources in one year to be applied to any subsequent year's obligation, as provided.	Support
SB 1048	Becker, D	State Seal of Climate Literacy	Senate Floor	This bill would establish the State Seal of Climate Literacy for the purpose of giving high school pupils personal agency to help them and their communities understand and adapt to the effects of climate change.	Support
SB 1125	Menjivar, D	Water Rate Assistance Program	Governor's Desk	Would establish the Water Rate Assistance Fund in the State Treasury, available upon appropriation by the Legislature, to provide water affordability assistance for residential water services to low-income residential ratepayers, as specified.	Support
AB 1603	Schultz, D	Perfluoroalkyl and polyfluoroalkyl substances (PFAS): Department of Pesticide Regulation.	Governor's Desk	This bill would, commencing January 1, 2030, prohibit a person from using or marketing for agricultural use a pesticide, and from manufacturing, selling, delivering, holding, or offering for sale in commerce a pesticide registered for agricultural use, that contains specified PFAS pesticide ingredients and prohibit the registration for agricultural use of any pesticides containing these specified PFAS pesticide ingredients.	

Measure	Author	Topic	Status	Brief Summary	Position
<u>AB 1752</u>	<u>Lackey, R</u>	Eminent domain: appraisals.	Held in Senate Appropriations Committee	This bill would require a public entity that offers to purchase property under a threat of eminent domain related to specified purposes to pay the full reasonable costs of an independent appraisal ordered by the owner, not to exceed \$8,000. (Based on 05/18/2026 text)	
<u>AB 1772</u>	<u>Papan, D</u>	Fish and wildlife: invasive mussels.	Held in Senate Appropriations Committee	Existing law, until January 1, 2030, generally prohibits a person from possessing, importing, shipping, or transporting in the state, or from placing, planting, or causing to be placed or planted in any water in the state, invasive mussels, and authorizes the Director of Fish and Wildlife or the director's designee to engage in various enforcement activities, including ordering the areas in conveyance that contain water be drained, dried, or decontaminated, as provided. This bill would prohibit a conveyance from being launched until a specified drying period has completed, as provided. By expanding the scope of a crime, this bill would impose a state-mandated local program. The bill would require the department to require water supply system operators to update their plans to address all invasive mussel species present in the operator's water system as of January 1, 2026, as provided. (Based on 04/27/2026 text)	
<u>AB 1821</u>	<u>Pacheco, D</u>	California Public Records Act: agency response time.	Governor's Desk	The California Public Records Act requires each state or local agency, upon a request for a copy of records that reasonably describes an identifiable record or records, to make the records promptly available to any person upon payment of fees covering direct costs of duplication, or a statutory fee if applicable, except with respect to public records exempt from disclosure by express provisions of law. Existing law requires each agency, within 10 days of a request for a copy of records, to determine whether the request seeks copies of disclosable public records in possession of the agency and to promptly notify the person of the determination and the reasons therefor. Existing law authorizes that time limit to be extended by no more than 14 days under unusual circumstances, as defined. This bill would instead require each agency to determine whether the request seeks copies of disclosable public records in possession of the agency and to promptly notify the person as described above within 10 business days of a request for a copy of records. (Based on 04/06/2026 text)	
<u>AB 1881</u>	<u>Ramos, D</u>	California Indian Freedom Act of 2026.	Senate Floor	This bill, the California Indian Freedom Act of 2026, would prohibit a governmental agency from substantially burdening a California Indian or California Native American tribe's exercise of religious beliefs or spiritual practices on state lands, including their access to and use of sacred sites and objects, and their ability to perform religious ceremonies and rites, even if the burden results from a rule of general applicability, unless the governmental agency demonstrates that application of the burden is in furtherance of a compelling governmental interest and is in the least restrictive means of furthering that interest. (Based on 05/19/2026 text)	

Measure	Author	Topic	Status	Brief Summary	Position
<u>AB 1893</u>	<u>Gallagher, R</u>	Wildfire prevention: local assistance grant program: eligible activities.	05/14/2026 - Failed Deadline pursuant to Rule 61(b)(8). (Last location was APPR. SUSPENSE FILE on 4/22/2026)	This bill would expand eligible activities under the local assistance grant program to include projects undertaken by a local governmental entity involving the acquisition or installation of mobile rigid dip tanks or similar mobile and permanent infrastructure that is capable of providing helicopter-accessible water supplies for firefighting response or suppression purposes in very high fire and high fire hazard severity zones, as provided. (Based on 02/12/2026 text)	
<u>AB 1894</u>	<u>Rubio, Blanca, D</u>	Fish and wildlife: invasive mussels: imported water.	Governor's Desk	This bill would prohibit a public agency from prohibiting imported water deliveries, as defined, for groundwater replenishment due to invasive mussels unless there is substantial, documented evidence of a proven health and safety risk as a result of the invasive mussels. (Based on 04/16/2026 text)	
<u>AB 2013</u>	<u>Bennett, D</u>	High and very high fire risk areas: community water systems: preparedness and resiliency.	04/23/2026 - Failed Deadline pursuant to Rule 61(b)(5). (Last location was EMERGENCY MANAGEMENT on 4/7/2026)	Existing law requires the State Fire Marshal to identify areas in the state as moderate, high, and very high fire hazard severity zones based on consistent statewide criteria and based on the severity of fire hazard that is expected to prevail in those areas. This bill would require a community water system that services more than 100 customers that are located in a high or very high fire risk area, as defined, to include an annex to its disaster preparedness plans, as provided, that includes information regarding system preparedness and resiliency during a wildfire. The bill would require the annex to contain several things, including, among others, an assessment that identifies the minimum number of and type of water pumps that are necessary to maintain average daily capacity, including, but not limited to, the operation of fire hydrant systems at the rated capacity. (Based on 04/06/2026 text)	
<u>AB 2032</u>	<u>Ransom, D</u>	Fish and wildlife: golden mussels.	Senate Floor	This bill would exempt from the requirement to obtain a restricted species permit for golden mussels a public or private agency that operates a water supply system and has submitted a control plan to the department for maintenance and operational activities to control the spread of golden mussels in the water supply system, as specified. (Based on 05/18/2026 text)	
<u>AB 2045</u>	<u>Connolly, D</u>	Habitat Restoration and Enhancement Act.	Governor's Desk	The Habitat Restoration and Enhancement Act authorizes a project proponent to submit a habitat restoration or enhancement project to the Director of Fish and Wildlife for approval. The act makes moneys in the Habitat Restoration and Enhancement Account available to the department, upon appropriation by the Legislature, for the purposes of administering and implementing the act. Existing law repeals the act on January 1, 2027. This bill would extend the operation of the act until January 1, 2032, and would require the department to submit a report on the implementation of the act to the Legislature no later than December 31, 2029. (Based on 04/16/2026 text)	
<u>AB 2218</u>	<u>Kalra, D</u>	Water policy: California Native American tribes.	Governor's Desk	Would require the state government to support California Native Americans to maintain cultural and linguistic traditions, practice ecosystem stewardship, and engage in good faith government-to-government consultations with all California Native American tribes regarding policies that may affect tribal communities. (Based on 04/16/2026 text)	

Measure	Author	Topic	Status	Brief Summary	Position
<u>AB 2381</u>	<u>Johnson, R</u>	Local Agency Public Construction Act: municipal water districts: sanitation districts: lowest responsible bidder.	04/23/2026 - Failed Deadline pursuant to Rule 61(b)(5). (Last location was L. GOV. on 3/9/2026)	The Local Agency Public Construction Act sets forth the requirements for competitive bidding on various types of contracts awarded by local agencies. Under current law, a municipal water district and a sanitation district, when letting a contract for \$35,000 or more, is required to let the contract to the lowest responsible bidder. This bill would increase that threshold dollar amount to \$220,000. The bill would require the Controller, commencing January 1, 2028, to adjust that amount annually to reflect the percentage change, as specified, and publish the adjusted amount on its internet website. (Based on 02/20/2026 text)	
<u>AB 2568</u>	<u>Johnson, R</u>	Water district directors: compensation.	Governor's Desk	Existing law authorizes a water district, as defined, to adopt an ordinance that provides compensation to members of the governing board, as specified. Existing law prohibits a water district from adopting an ordinance that compensates members of the governing board for more than a total of 10 days in any calendar month. This bill would, until January 1, 2032, authorize a water district that has at least 90,000 residents within its jurisdiction to adopt an ordinance that compensates members of the governing board for up to a total of 15 days in any calendar month, but would require the members of the governing board of a water district that compensates its members for more than 10 days in a calendar month to annually adopt a written policy describing, based on a finding supported by substantial evidence, why providing compensation for more than 10 days per calendar month is necessary for the effective operation of the water district. (Based on 04/27/2026 text)	
<u>AB 2619</u>	<u>Papan, D</u>	Water resources: data centers.	Assembly Floor	Existing law authorizes the legislative body of an incorporated city and the county board of supervisors to license businesses carried on within their respective jurisdictions and to set license fees, as specified. This bill would require a person who owns or operates a data center, prior to applying to a city or a county for an initial business license, equivalent instrument, or permit, to provide its water supplier, under penalty of perjury, an estimate of the expected water use, the anticipated source of water, and the data center's projected water use volume for the maximum day, maximum month, and average year. When applying to a city or county for an initial business license, the bill would require a person who owns or operates a data center to report, under penalty of perjury, on the application, an estimate of the expected water use, the anticipated source of water, and the data center's projected water use volume for the maximum day, maximum month, and average year. When applying to a city or county for a renewal of a business license, equivalent instrument, or permit, the bill would require a person who owns or operates a data center to report, under penalty of perjury, on the application, the data center's annual water use for the preceding calendar year, including total water use, direct water use, and indirect water use, as prescribed. (Based on 04/08/2026 text)	

Measure	Author	Topic	Status	Brief Summary	Position
<u>AB 2630</u>	<u>Bennett, D</u>	Water diversion and use; adoption of regulations.	04/23/2026 - Failed Deadline pursuant to Rule 61(b)(5). (Last location was NAT. RES. on 3/24/2026)	Existing law authorizes the State Water Resources Control Board to adopt regulations requiring measurement and reporting of water diversion and use by persons. Including, among others, those authorized to appropriate water under a permit, a license, a registration for small domestic, small irrigation, or livestock stockpond use, or a certificate for livestock stockpond use. For the initial regulations, existing law requires that they be adopted as emergency regulations and provides that the emergency regulations remain in effect until revised by the state board. Existing law also exempts the initial regulations from the California Environmental Quality Act. This bill would require, until January 1, 2032, that all further regulations adopted by the state board pursuant to these provisions be adopted as emergency regulations and remain in effect until revised by the state board, and would exempt them from the California Environmental Quality Act. (Based on 03/26/2026 text)	
<u>SB 986</u>	<u>Sevarto, R</u>	Major regulations.	05/14/2026 - Failed Deadline pursuant to Rule 61(b)(8). (Last location was APPR. SUSPENSE FILE on 4/27/2026)	harm to the public peace, health, safety, or general welfare. This bill would prohibit a major regulation from taking effect until submission to, and expiration of a 60-day review period by, the Legislature, except as provided for emergency regulations. The bill would, prior to the expiration of the 60-day review period, require the Legislature to hold an informational hearing on the major regulation. (Based on 04/15/2026 text)	
<u>SB 994</u>	<u>Cabaldon, D</u>	Local agencies; nondisclosure agreements.	Governor's Desk	This bill would prohibit a local agency official, as defined, acting in their official capacity from entering into, or requesting that another individual enter into, a nondisclosure agreement relating to public business that precludes their ability to share information with fellow local agency officials serving on the same council, board, commission, district, or agency. The bill would require a local agency official in violation of that provision to, among other things, disclose the existence of the nondisclosure agreement, as specified, and would provide that these requirements imposed on a local agency official also apply to a local agency official acting in their official capacity who entered into, or requested that another individual enter into, a nondisclosure agreement described above before January 1, 2027. (Based on 04/23/2026 text)	
<u>SB 1001</u>	<u>Archuleta, D</u>	Local agency, public utility, or mutual water company; personnel access; Personal Identity Verification-Interoperable.	05/14/2026 - Failed Deadline pursuant to Rule 61(b)(8). (Last location was APPR. SUSPENSE FILE on 4/27/2026)	Existing law authorizes officers of the Department of the This bill would, beginning on July 1, 2028, require the Office of Emergency Services, upon request, to issue a local agency, public utility, or mutual water company responsible for public works and critical infrastructure with specified credentialing to facilitate personnel access to an area during or following a natural disaster, act of terrorism, or other man-made disaster. The bill would specify that the credentialing, a Personal Identity Verification-Interoperable (PIV-I), would conform with the federal Personal Identity Verification standards pursuant to federal National Incident Management System guidelines. (Based on 04/21/2026 text)	

Measure	Author	Topic	Status	Brief Summary	Position
<u>SB 1085</u>	<u>Durazo, D</u>	Water supply planning: housing developments.	Senate Floor	Existing law requires a city or county that determines a certain type of project is subject to the requirements of CEQA to identify any public water system that may supply water for the project and to request those public water systems to prepare a specified water supply assessment, as provided. This bill, among other things, would instead require a city or county, upon receipt of a preliminary application for a housing development project that meets certain conditions, or upon a development application for certain projects being determined as complete or deemed complete, to make that identification of public water systems. The bill would require a city or county, within 15 days of receiving an application that meets either of the above-mentioned criteria, to request each identified public water system to determine whether the projected water demand associated with the proposed project was included in the most recently adopted urban water management plan. (Based on 04/23/2026 text)	
<u>SB 1123</u>	<u>Wiener, D</u>	Administrative Procedure Act: major regulations.	Did not get hearing in Assm	<i>This bill would require an agency, in estimating the economic impact of adopting, amending, or repealing a regulation, to identify and calculate any offsetting benefits, impacts, or savings that might result directly or indirectly from that adoption, amendment, or repeal and factor those benefits, impacts, or savings into its economic impact estimate. (Based on 02/17/2026 text)</i>	
<u>SB 1153</u>	<u>Caballero, D</u>	Disaster preparedness: urban retail water suppliers and public water systems: wildfire.	Assembly Floor	This bill, beginning January 1, 2028, would require all urban retail water suppliers, as defined, serving a high or very high fire hazard severity zone to include incident-specific response procedures for wildfires as part of their disaster preparedness plans, including any applicable emergency response plan as required by federal law. The bill would require these plans to include, among other things, mitigation actions, including actions, procedures, and equipment, that can obviate or significantly lessen the impact of a wildfire on the water system and the supply of drinking water provided by the water supplier. Because violation of these requirements by certain urban retail water suppliers would constitute a misdemeanor, the bill would expand the scope of a crime, thereby imposing a state-mandated local program. (Based on 04/28/2026 text)	
<u>SB 1187</u>	<u>Durazo, D</u>	Open meetings: majority.	Governor's Desk	Existing law, the Ralph M. Brown Act, requires, with specified exceptions, that all meetings of a legislative body, as defined, of a local agency be open and public and that all persons be permitted to attend and participate. Existing law defines "meetings" for these purposes to mean any congregation of a majority of the members of a legislative body at the same time and location, as specified, to hear, discuss, deliberate, or take action on any item that is within the subject matter jurisdiction of the legislative body. This bill would define "majority" for purposes of the act to mean the number of members of the legislative body equaling more than half of the total number of seats on the legislative body. The bill would specify that if a seat on the legislative body is vacant, that seat is to still be counted as a seat on the legislative body. This bill contains other related provisions and other existing laws. (Based on 02/19/2026 text)	

The Metropolitan Water District of Southern California
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Bill Number and Author	Amended Date and Location	Title – Summary	Metropolitan Position	Effects on Metropolitan
AB 35 D. Alvarez (D – San Diego) Sponsor: San Diego County	Chaptered Signed by the Governor, Chapter 89, Statutes of 2026	Safe Drinking Water, Wildfire Prevention, Drought Preparedness, and Clean Air Bond Act of 2024: Administrative Procedure Act: exemption: program guidelines and selection criteria. This bill exempts the Safe Drinking Water, Wildfire Prevention, Drought Preparedness, and Clean Air Bond Act of 2024 (Proposition 4) from the Administrative Procedure Act (APA), which establishes rulemaking procedures and standards for state agencies in California, to expedite funding allocations.	Support Based on 2026 Legislative Priorities and Principles.	AB 35 would streamline the funding process for Proposition 4 projects and allow Metropolitan, its member agencies, and partner agencies to access funds more quickly and accelerate project timelines. Proposition 4 funding includes multiple critical areas for Metropolitan, including funding for groundwater management, water recycling, Delta levees, and repairs to regional conveyance.
AB 259 B. Rubio (D – Baldwin Park) Sponsors: California Special Districts Association, Three Valleys Municipal Water District	Amended 4/21/2025 Two-Year Bill	Open meetings: local agencies: teleconferences. This bill eliminates the sunset on provisions added to the Brown Act by AB 2449, a bill that provided additional flexibility with Brown Act meeting procedures in the event of a board member's physical absence in connection with a "just cause" or "emergency circumstances," allowing those members to participate in the meeting remotely consistent with the process detailed in the bill.	Support Based on 2026 Legislative Priorities and Principles.	By removing the sunset on the Brown Act provisions, AB 259 preserves flexibility for Metropolitan and member agency board members to meet remotely and continue providing the public with essential services.

**The Metropolitan Water District of Southern California
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Bill Number and Author	Amended Date and Location	Title – Summary	Metropolitan Position	Effects on Metropolitan
AB 794 J. Gabriel (D – Encino) Sponsors: Clean Water Action, Environmental Working Group	Amended 4/10/2025 Two-Year Bill Dead	California Safe Drinking Water Act: emergency regulations This bill would authorize the State Water Resources Control Board (SWRCB) to adopt an emergency regulation for water quality based on federal regulations in effect on January 19, 2025, regardless of whether the requirements were repealed or amended to be less stringent. The bill would prohibit an emergency regulation adopted pursuant to these provisions from implementing less stringent drinking water standards, as provided, and would authorize the regulation to include requirements that are more stringent than the requirements of the federal regulation. The bill would require, on or before January 1, 2026, the SWRCB to adopt an emergency regulation and to initiate a primary drinking water standard for perfluoroalkyl and polyfluoroalkyl substances (PFAS).	Oppose Unless Amended Based on 2026 Legislative Priorities and Principles.	While AB 794 aims to protect public health, its approach circumvents the established regulatory process for setting Maximum Contaminant Levels (MCLs). Metropolitan's Legislative Priorities and Principles call for using the best available science to protect public health and improve water quality when setting MCLs. The broad scope of this bill, which would allow the SWRCB to set through emergency action primary and secondary MCLs for any chemical with a federal MCL, sets a dangerous precedent and fails to align with well-established regulatory principles.
AB 1881 J. Ramos (D – Highland) Sponsor: Indigenous Justice	Amended 05/19/2026 Senate Appropriations Committee	California Indian Freedom Act of 2026 This bill requires all state governmental agencies to allow California Native American tribes to access sacred sites located on state lands for Native American activities, except where public safety or resource protection makes access impossible. The bill would also require state governmental agencies to obtain prior, informed consent of a California Native American tribe before undertaking a project on state land that may pose a risk to tribal sacred sites. The bill would also prohibit state agencies from substantially burdening a tribe's spiritual practices on state lands unless the governmental agency demonstrates that application of the burden is both: (1) in furtherance of a compelling governmental	Watch and Amend Based on 2026 Legislative Priorities and Principles.	While AB 1881 would expand protections for California tribes engaging in religious practices on state land, its broad language would likely result in indirect impacts to Metropolitan's priority projects and programs. The prior consent provisions of the bill provide California tribes with the discretion to withhold consent for actions that may risk altering sacred sites, which could impact critical water projects and programs. The private right of action created to enforce the bill's prohibition on substantially burdening a tribe's right to religious practice on state land could be utilized in any court or administrative hearing, likely leading to increased litigation and administrative proceedings.

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		interest; and (2) the least restrictive means of furthering that interest. The bill would hold government actions that infringe upon religious exercise to a strict scrutiny standard. California tribes, and their individual members, would also have standing in any court or administrative proceeding to enforce the prohibition.			Metropolitan staff have requested amendments to refine the scope of the bill to a more practical approach that includes clear definitions and timelines. Among other things, these amendments would define what qualifies as public infrastructure and public service under the bill's exemption language.
AB 1894 B. Rubio (D - City of Industry) Sponsors: Upper San Gabriel Valley Municipal Water District, San Gabriel Valley Municipal Water District	Amended 5/28/2026 Senate Floor	Fish and wildlife: invasive mussels: imported water This bill would prevent a public agency from prohibiting imported water deliveries for groundwater replenishment, as defined, due to invasive mussels if the importation complies with a specified invasive mussel control plan and unless there is substantial, documented evidence of a proven health and safety risk as a result of the invasive mussels.	Support Based on July 2026 Board Action.		AB 1894 seeks to respond to member agency challenges with a current LA County prohibition on receiving imported water due to concerns around the spread of invasive mussels. This proposal seeks to balance the importance of controlling the spread of invasive species while continuing to allow for deliveries of critically needed groundwater replenishment supplies.
AB 2218 A. Kalra (D – San Jose) Sponsors: Shingle Springs Band of Miwok Indians, Karuk Tribe.	Amended 07/02/2026 Senate Appropriations Committee	Water policy: California Native American tribes. This bill would establish a statewide policy addressing historic inequities in California Native American tribes' access to and control over water through financial assistance, consultation on water projects, plans, and policies, protection of tribal water uses, and incorporation of indigenous knowledge to restore and protect ecosystems. AB 2218 would require state agencies to implement this policy when revising, establishing, or adopting permits, regulations, policies, and grant criteria to address identified inequities, as well as identify and offer financial assistance to the tribes. It also requires the State Water Resources Control Board to consult with California Native American	Watch and Amend Based on 2026 Legislative Priorities and Principles.		Under the existing CEQA process, Metropolitan engages in cooperative and productive consultations with California tribes to limit impacts of drinking water infrastructure projects and engage in mitigation when impacts do occur. AB 2218 would create an additional tribal consultation process for every state entity that issues a permit for a water-related project. This duplication risks confusion, delay, and increased costs for critical Metropolitan and State Water Project permits or projects. The bill is also silent on how it will fund the required financial assistance for California Native American tribes.

The Metropolitan Water District of Southern California
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		tribes when investigating water rights on tribal ancestral lands.		Metropolitan staff have requested amendments to attempt to bring further clarity to the wide-ranging obligations the bill would place on water permitting and policy. The proposed amendments would require state agencies to consider implementing the bill's policies instead of mandating they implement the bill. The amendments additionally clarify that the bill's financial assistance requirement would not be imposed on state and local agencies and would ensure the bill does not result in impacts to existing water rights or permits.
AB 2215 L. Calderon (D – Whittier) Sponsor: State Water Contractors	Amended 4/16/2026 Senate Natural Resources and Water Committee	Water rights: permits: State Water Project. This bill would extend the timeline for the full development of the State Water Project water right permits to December 31, 2046, the same term as existing, validated contracts for the State Water Project water supply.	Support Based on 2026 Legislative Priorities and Principles.	AB 2215 would grant a necessary time extension to more fully modernize the State Water Project infrastructure in response to climate change. This bill is consistent with the Governor's Executive Order N-16-15 (CA EO), January 31, 2025, which ordered the minimization of administrative obstacles to maximize water supplies. This legislative proposal implements this order without weakening environmental protections and while protecting existing due process protections.

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Bill Number and Author	Amended Date and Location	Title – Summary	Metropolitan Position	Effects on Metropolitan
AB 2739 E. Soria (D – Merced) Sponsors: Irvine Ranch Water District, Rancho California Water District	Amended 07/02/2026 Senate Appropriations Committee	Water: affordability and system stabilization. This bill would require the Department of Water Resources (DWR), upon appropriation, to develop the Community Water Affordability Program and would establish the Community Water Affordability Assistance Fund within the State Treasury. The program would provide funding in the form of grants to local water suppliers for water system repairs, rehabilitation and enhancements, water safety and quality, and other local water system infrastructure projects, for the purpose of reducing the amount of local ratepayer funding required for those projects.	Support Based on 2026 Legislative Priorities and Principles.	AB 2739 aims to establish a durable statewide funding framework to address water affordability by targeting key cost drivers and by creating a sustainable funding source for a Low-Income Rate Assistance (LIRA) program and a system stabilization fund. This bill would support ratepayer affordability for our member agency retailers and also includes a fund that supports local infrastructure projects, which could be used to support upgrades to Metropolitan's water supply system and reductions in energy costs.
SB 601 B. Allen (D – Santa Monica) Sponsors: California Coastkeeper Alliance, Defenders of Wildlife	Amended 7/10/2025 Two-Year Bill	Water: waste discharge The intent of this bill is to restore Clean Water Act protections in California that were removed per the U.S. Supreme Court's 2023 Sackett v. Environmental Protection Agency (EPA) decision. However, the bill goes beyond restoring the statute and includes several provisions that expand regulatory requirements without the benefit of scientific analysis.	Oppose Based on 2026 Legislative Priorities and Principles.	Currently, SB 601 poses risks to Metropolitan and its member agencies by: increasing costs of waste discharge requirements (WDRs) permits for discharges of water when dewatering or operating water supply infrastructure, potentially requiring all such water to be recycled regardless of cost to comply; exposing Metropolitan and its Member Agencies to citizen suits in state court, and, for certain nexus waters, both state and federal court; and creating uncertainty in discharge permitting as the bill's ambiguous provisions and implications are likely to be litigated.

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Bill Number and Author	Amended Date and Location	Title – Summary	Metropolitan Position	Effects on Metropolitan
SB 872 J. McNERNEY (D – Pleasanton)	Amended 07/02/2026 Assembly Appropriations Committee	Delta Levees and Canal Subsidence Fund. This bill would establish the Delta Levees and Canal Subsidence Fund in the State Treasury and require funds to be appropriated to the Department of Water Resources (DWR) to support capital improvements to restore water conveyance capacity for state water conveyance systems affected by subsidence. Additionally, this bill would require funds to be appropriated to the Sacramento-San Joaquin Delta Conservancy for levee improvements that would improve the sustainability of local or state water supplies, and projects that improve instream, riparian, flood plain, and wetland habitat.	Support Based on 2026 Legislative Priorities and Principles.	The proposed appropriations to fund capital costs of subsidence repairs could reduce State Water Project charges to contractors. The total cost of SWP subsidence repairs is estimated at \$3 billion, meaning this proposal could result in substantial savings for Metropolitan ratepayers. Subsidence in the Central Valley has been caused by decades of overpumping of groundwater and was not caused by Metropolitan or the State Water Contractors. However, in the absence of state and federal funding, the costs for these critical repairs will be shifted to our agencies. The proposed allocations for improvements to levees within the Delta and other actions to improve the sustainability of local or state water supplies and projects that improve instream, riparian, floodplain, and wetland habitat would directly benefit Metropolitan by providing additional funding streams for levee improvements and indirectly through improvements within the Delta region.
SB 935 S. Choi (R – Irvine)	Chaptered. Signed by the Governor, Chapter 102, Statutes of 2026	Local agency design-build projects: authorization. This bill would repeal the sunset date of January 1, 2031, authorizing local agencies to use the design-build procurement process for public works construction projects more than \$1,000,000 indefinitely.	Support Based on 2026 Legislative Priorities and Principles.	Repealing the sunset date for alternative project delivery processes is aligned with Metropolitan's policy to streamline procurement of public works construction contracts.

The Metropolitan Water District of Southern California
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Bill Number and Author	Amended Date and Location	Title – Summary	Metropolitan Position	Effects on Metropolitan
SB 952 J. Laird (D – Santa Cruz) Sponsor: State Water Contractors	Amended 5/18/2026 Assembly Appropriations Committee	State Water Project: renewable energy resources and zero-carbon resources. Existing law mandates that the Department of Water Resources (DWR) achieve a power portfolio that consists of 100% of renewable and zero-carbon energy by 2035. This bill would require DWR to also consider portfolio diversity, resource type, location, and hours of typical peak operation when procuring eligible resources to satisfy state agency obligations imposed on the State Water Project; and allow DWR to shift energy credits from one year to the next if DWR procures more energy than necessary in a given year.	Support Based on 2026 Legislative Priorities and Principles.	SB 952 is an important affordability measure for the 27 million customers within the SWP service area, as it would clarify generation attributes DWR may consider for procurement and create certainty for DWR by allowing excess energy procured in low water years be applied to years when SWP energy needs are high. Metropolitan pays a significant portion of the State Water Project's energy cost. This proposal provides a continued commitment to environmental sustainability while adding flexibility that maintains affordability.
SB 1125 C. Menjivar (D – San Fernando Valley) Sponsors: Clean Water Action, Community Water Center, Leadership Council for Justice and Accountability.	Amended 06/09/2026 Assembly Appropriations Committee	Water Rate Assistance Program. This bill would establish the Water Rate Assistance Program and Fund, upon appropriation by the Legislature, administered by the State Water Resources Control Board (State Board) to help provide water affordability assistance for drinking water to low-income residential ratepayers. This bill would authorize the State Board to provide for the deposit of the following moneys into the Fund: federal or state fundings; voluntary contributions, including gifts, grants, or bequests; and returned funds.	Support Based on 2026 Legislative Priorities and Principles.	SB 1125 proposes a viable, reasonable path forward for Low-Income Rate Assistance that protects existing programs and limits the administrative burden on water suppliers. This bill is intended to be a companion measure to AB 2739 and would guide the State Board's implementation of a low-income water rate assistance program. Water rate assistance would provide needed relief at the local retail level, leading to improved revenue stability for local water systems.

**The Metropolitan Water District of Southern California
State Legislative Matrix: Second Year of Legislative Session
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Bill Number and Author	Amended Date and Location	Title – Summary	Metropolit an Position	Effects on Metropolitan
SB 1326 A. Wahab (D – Hayward) Sponsors: Federated Indians Graton Rancheria, United Auburn Indian Community, Habematolel Pomo of Upper Lake, Picayune Rancheria of the Chukchansi Indians.	Amended 06/11/2026 Assembly Appropriations Committee	California Environmental Quality Act: tribal cultural resources: mitigation measures This bill would revise the existing AB 52 (Gatto, 2014) tribal consultation requirements under CEQA to expand the definition of a tribal cultural resource to include: anything listed in a local tribal register and provided to the lead agency, included or eligible for inclusion in the California Register of Historical Resources or National Register of Historic Places, included in a local register of historical resources, or locations identified by the Native American Heritage Commission as a sacred place, including tribal cemeteries or burial areas. The bill would also require, when requested by a tribe, a lead agency to consider avoidance and preservation of a tribal cultural resource in place. If avoidance and preservation of the resource in place are not possible, the bill would require the lead agency to document the basis for that determination with substantial evidence and, when feasible, to adopt mitigation measures to avoid or minimize significant adverse impacts and incorporate culturally appropriate mitigation in consultation with the tribe.	Watch and Amend Based on 2026 Legislative Priorities and Principles.	In its consultation with tribes, Metropolitan works to ensure tribal voices are heard in the CEQA consultation process. By adding resources identified in a local tribal register to the definition of tribal cultural resources in CEQA, without specifying standard criteria for identification or a definition of local tribal register, SB 1326 could greatly increase the number of resources subject to AB 52's heightened requirement to avoid and minimize significant adverse impacts to the resource, when feasible. Without defined eligibility criteria for a tribal culture resource in law, lead agencies and the public would not have the opportunity to understand the nature of the resource. Metropolitan staff have requested amendments to include eligibility requirements for designating cultural landscapes and sites and objects included in a local tribal register as tribal cultural resources under CEQA.



STAFF REPORT

To: Board of Directors

Meeting Date: September 24, 2026

From: Sherri Seitz, Public Affairs Manager

Subject: Public Education and Outreach Report`

Laguna Woods Village Television (LWVT)

Laguna Woods Village Television has offered to return to a standing LWVT 10-minute interview on the "This Day" program each month. The Directors will need to discuss if the last Tuesday of the month will work or if a different day of the week would work better. Other presentations that are longer than 10 minutes will be scheduled separately. These appearances provide an opportunity to share District information with Laguna Woods Village residents and continue ETWD's outreach through the community television program.

Website Implementation Update

Staff is launching the District's redesigned website. A demonstration of the new website will be provided to the Board of Directors, highlighting the updated design at the September Board meeting.

Toilet Leak Detection Flyer

Staff developed a Toilet Leak Detection flyer to be distributed with the leak detection tablets and small toilet display that ETWD will use at community events.

Community/Speaking Engagement Events

Lake Forest Chamber of Commerce Legislative Luncheon – October 2, 2026

ETWD is sponsoring the event by providing drought tolerant centerpieces for the tables.

H2O for HOA's – October 15, 2026

ETWD is part of the H2O for HOA planning committee and will have a booth at the H2O for HOA's event on October 15, 2026, from 8 am – 12 noon at the Rancho Santa Margarita Bell Tower center.

City of Disaster Preparedness Expo – October 17, 2026

ETWD staff will participate in the City of Mission Viejo's Disaster Preparedness Expo at the Norman P. Murray Center on October 17, 2026. ETWD will provide the District's Water Trailer to offer complimentary drinking water to attendees and engage with community members.

EL TORO WATER DISTRICT

Toilet Leak Detection

Detect Toilet Leaks and Utilize Rebates

Toilet Buying Tips

If your toilet uses **1.6 gallons** per flush or more you could be ready for an upgrade.

look for



Look for the WaterSense Label for high-efficiency models the save water.

REBATES



Your toilet is a leading cause of household leaks. Help stop leaks before they start! Find rebates on select models at ETWD.com/Rebates





Toilet Leak Detection

How to use your toilet dye tablets

Affordable fixes will prevent thousands of gallons of drinking water from going down the drain.

1 Test it

Add 1 packet of leak detection tablets (or food coloring drops) into the toilet tank.



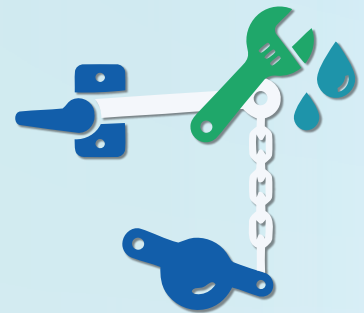
2 Check it

Wait 5 minutes. If colored water appears in the bowl, you have a leak.



3 Fix it

Check if the flapper or fill valve needs to be replaced.



FIX IT TIPS

Before you start any repair find out the make and model of your toilet.

- 1 Replace the toilet flapper
- 2 Clean the fill valve or replace it
- 3 Adjust the water level in the tank

Mechanical and rubber components in the tank typically last 5 years. Chlorine-based cleaners placed in the tank can deteriorate parts faster. Toilet flapper sizes vary by toilet.





STAFF REPORT

To: Board of Directors

Meeting Date: September 24, 2026

From: Vu Chu, Water Resources Supervisor

Subject: Water Use Efficiency Report

Rebate Programs:

The SoCal WaterSmart regional rebate program is available to ETWD customers through the collaboration of the Metropolitan Water District of Southern California, the Municipal Water District of Orange County, and ETWD.

Eligible device purchases may qualify for rebates, contingent on meeting eligibility criteria and subject to fund availability. Detailed residential and commercial rebate information is accessible at:

www.etwd.com/conservation/rebates

www.etwd.com/commercial-rebates

Actual Customer Rebates Analysis:

The following ETWD residential customer and commercial customer device rebates were approved by the Metropolitan Water District and the Municipal Water District of Orange County in August 2026.

The table below also shows the ETWD residential and commercial rebates approved for August 2026 and FY 2026-2027.

Rebate Program	August 2026	FY 2026/27
Spray to Drip – Residential	1,670 sq. ft.	1,670 sq. ft.
Turf Replacement – Residential	1,491 sq. ft.	1,491 sq. ft.
Low Flow Showerheads	2	2

Water Use Efficiency Plan Update:

The District Water Budget-Based Tiered Conservation Rate Structure (WBBTCRS) pricing structure is the primary plan that gives customers the incentive needed to be efficient. The Plan efforts initially will concentrate on those customers continually in the Inefficient and Excessive Tiers (Tiers 3 and 4). During August 2026, residential customers accounted for 63.3% of Tier 3 usage and dedicated irrigation accounted for 36.7%. For Tier 4, residential customers accounted for 51.5% and dedicated irrigation accounted for 48.5% during the same period.

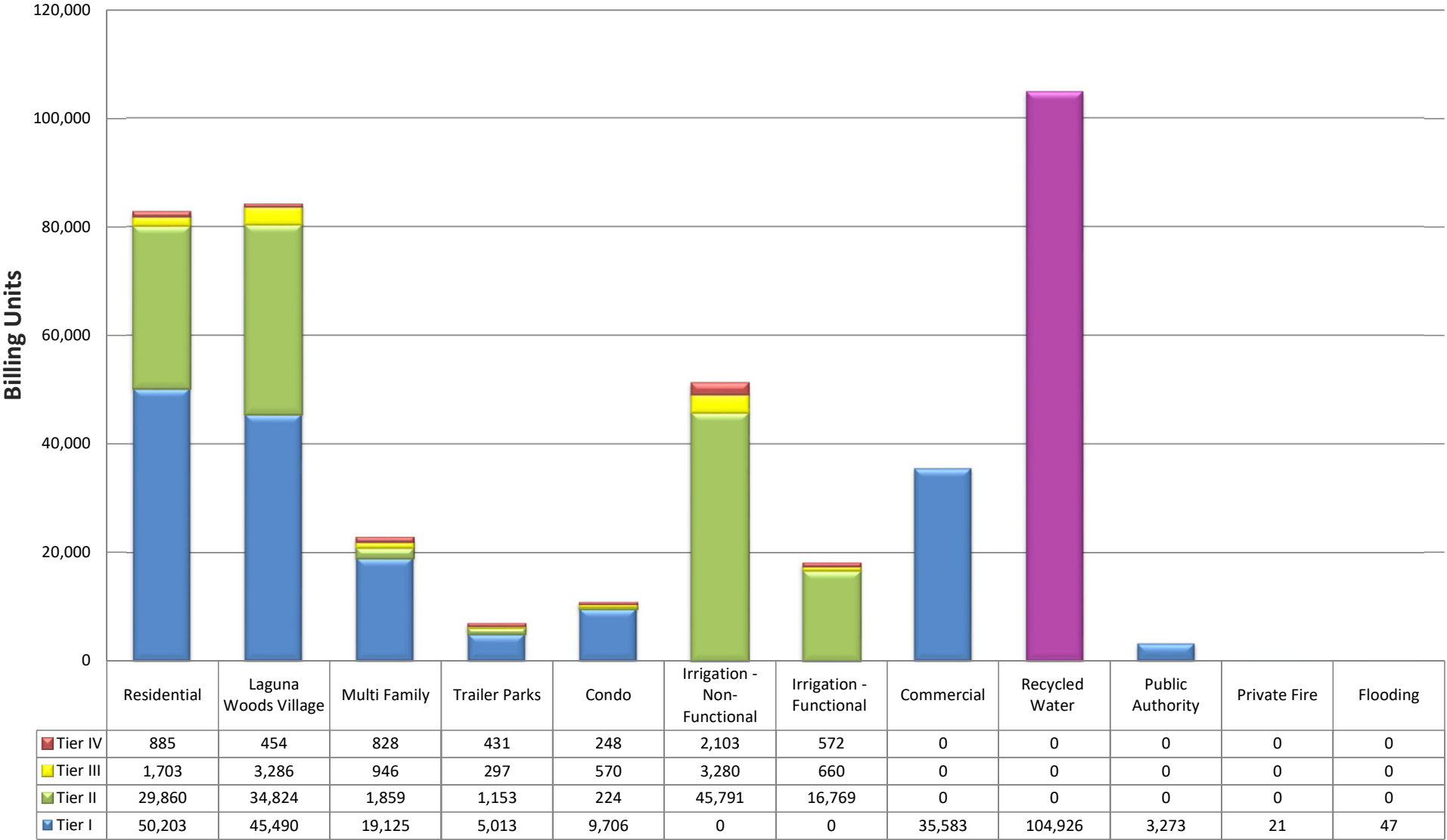
Total Consumption Comparison to Evapotranspiration (ET) Factor:

Included in this month's Water Use Efficiency Report is a chart comparing the current fiscal year consumption and ET factor to the fiscal 2025/26 consumption and ET factor. Total potable water consumption increased by 3.93% in August 2026 compared to August 2025. On a year-to-date basis, potable water consumption through August is 5.46% higher compared to FY 2025–2026. During the same period, reference evapotranspiration (ET_o) decreased slightly from 6.58 inches to 6.56 inches.

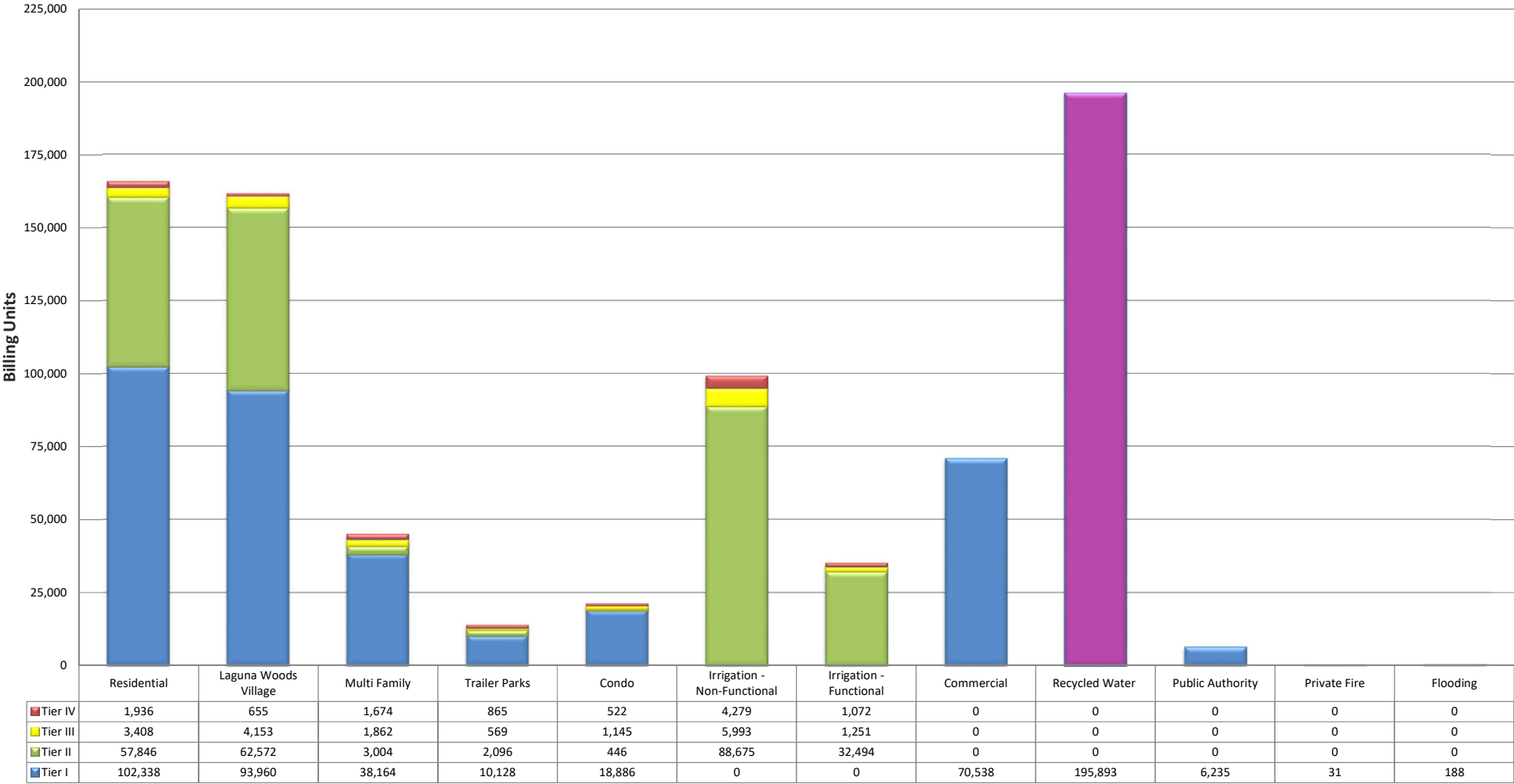
ETWD Tier Consumption Information and Usage Information Compared to Previous Years:

The following graphs highlight ETWD year-to-date consumption and consumption by tier for the current fiscal year compared to the 2025-2026 fiscal year. ETWD water consumption compared to 2013 and 2020 are also included.

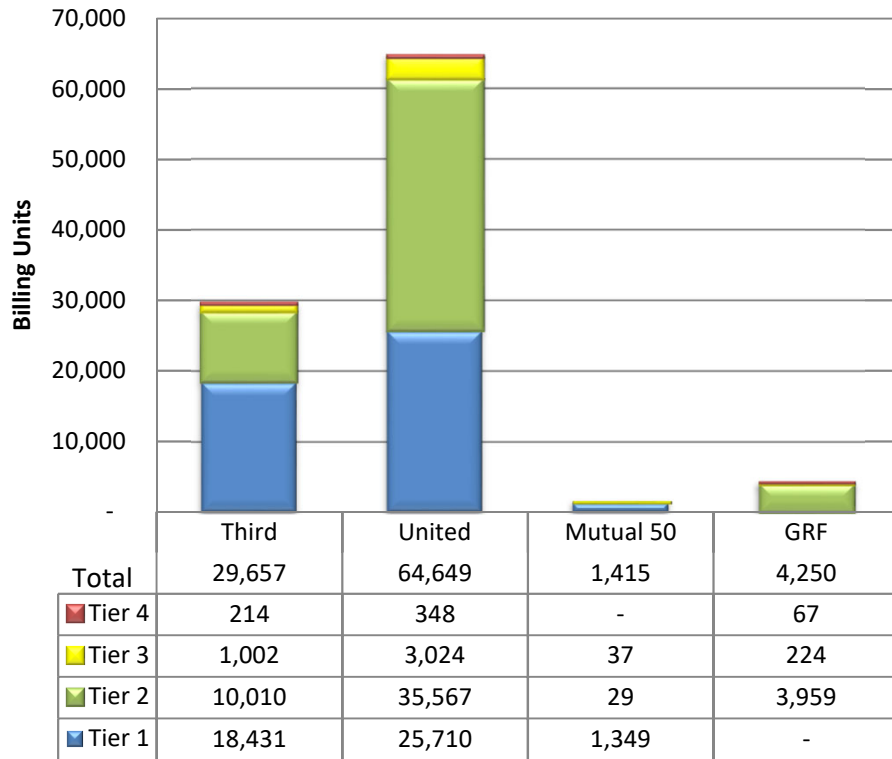
August 2026 Water Sales



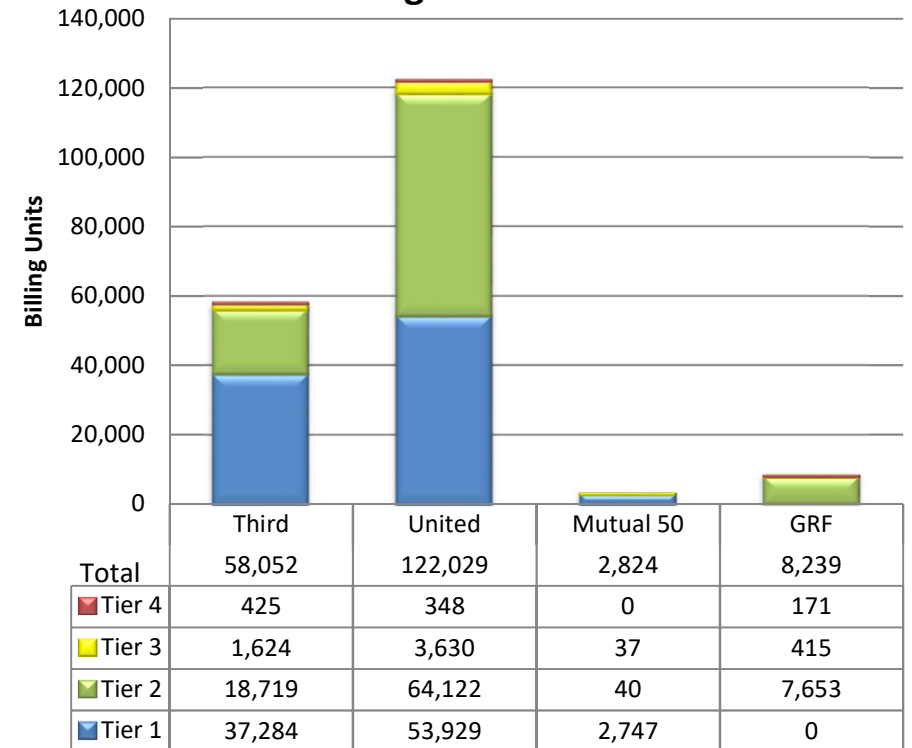
Year-to-Date Water Sales as of August 2026



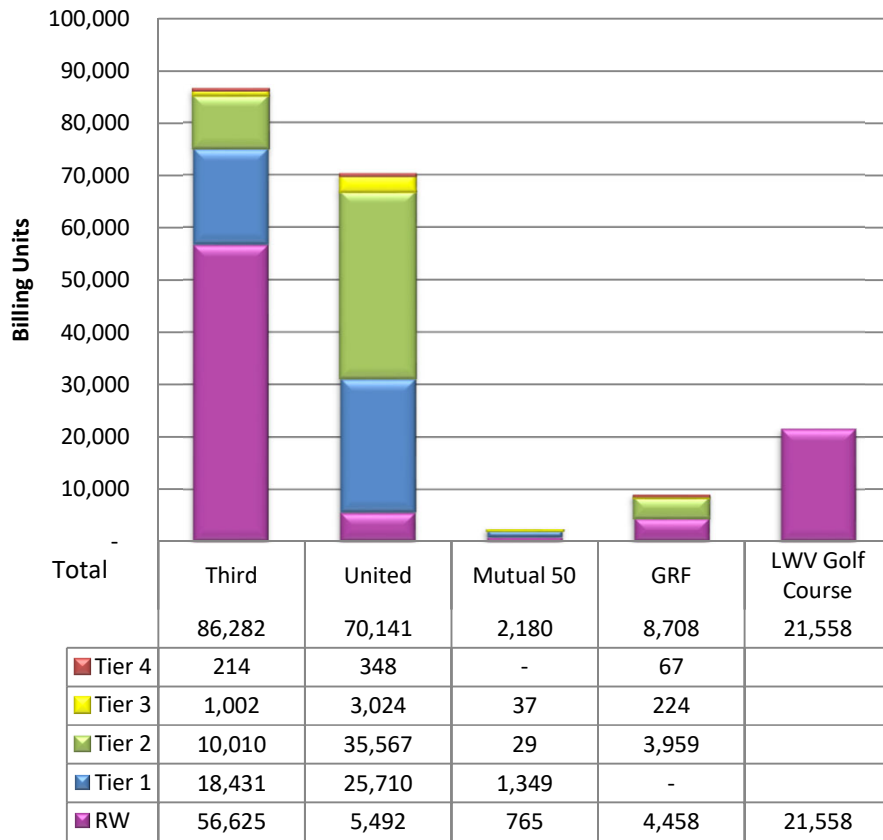
Laguna Woods Village August 2026 Water Sales



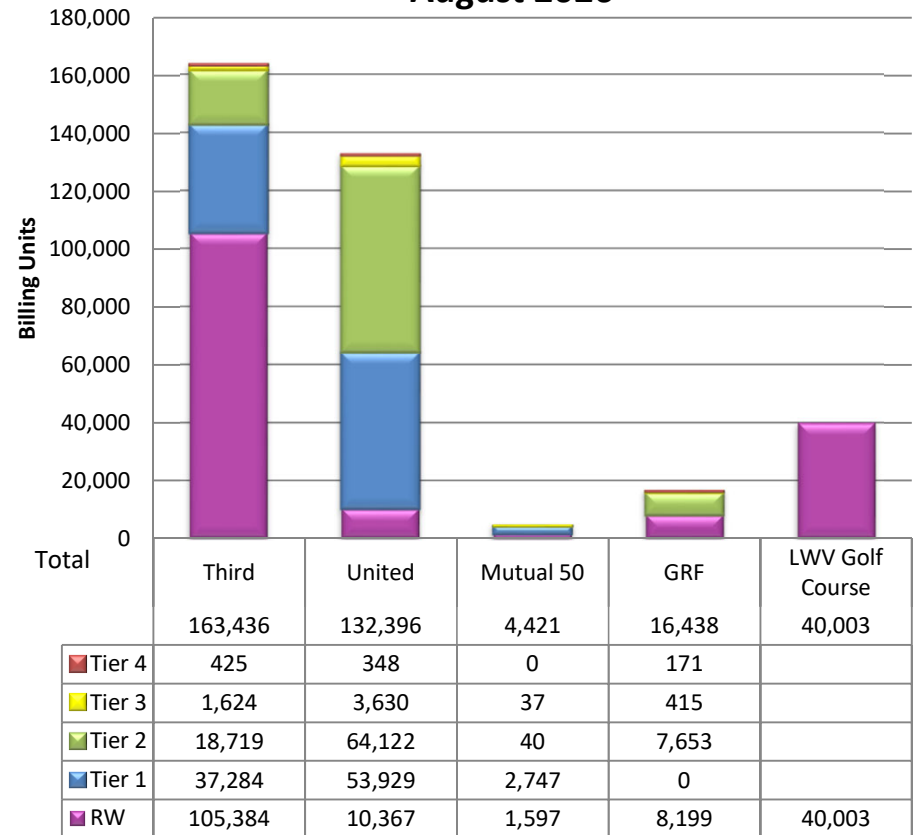
Laguna Woods Village Year-to-Date Water Sales August 2026



Laguna Woods Village August 2026 Water & RW Sales



Laguna Woods Village Year-to-Date Water & RW Sales August 2026



FY 2026-27 vs FY 2025-26

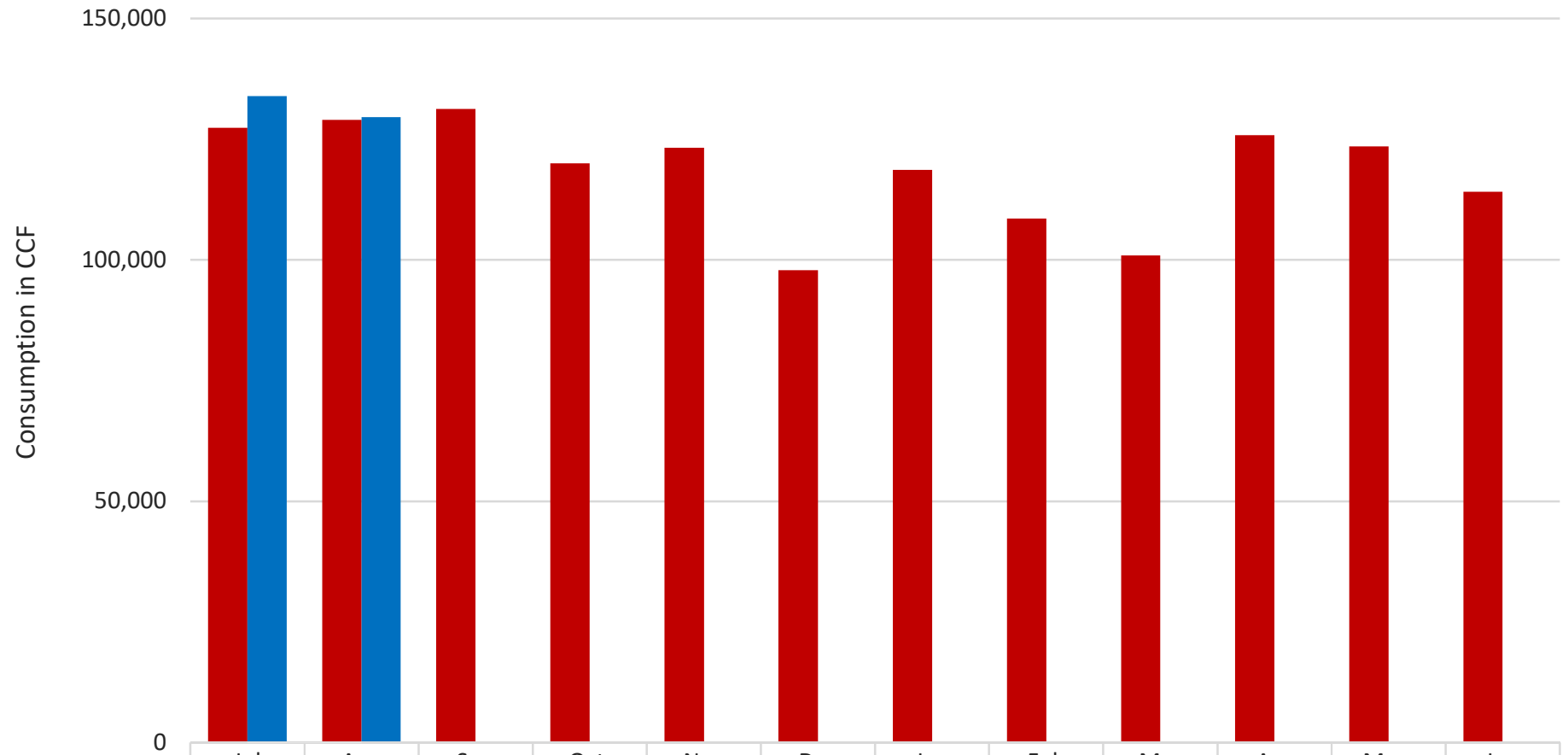
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The graph displays a steady increase in consumption over a 20-year period. The blue line segment from 1990 to 1995 shows a linear growth from 0 to approximately 600,000 CCF. The red line segment from 1995 to 2010 continues this upward trend, reaching a total consumption of approximately 2,700,000 CCF by 2010.

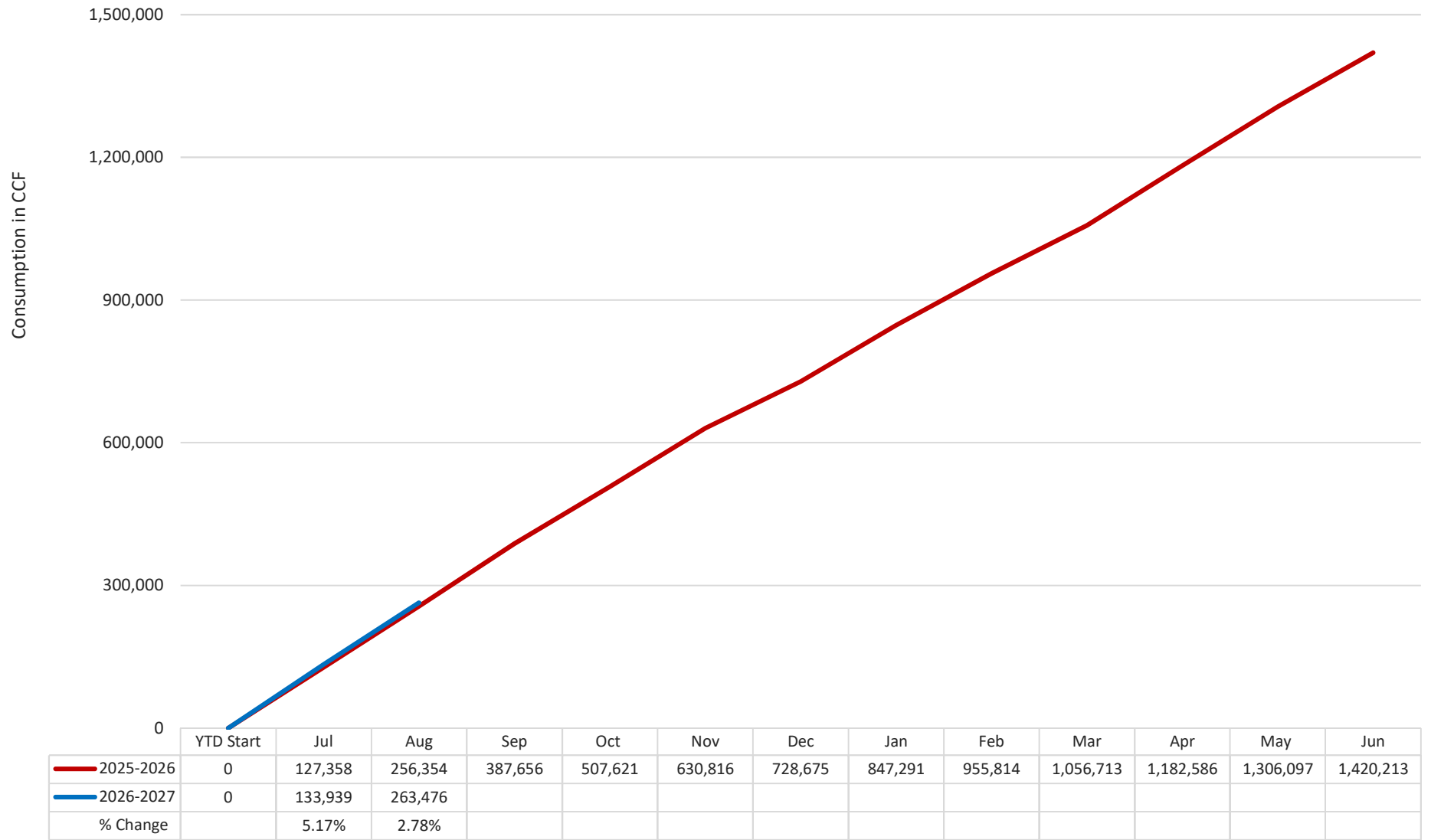
Year	Consumption (CCF)
1990	0
1991	120,000
1992	240,000
1993	360,000
1994	480,000
1995	600,000
1996	720,000
1997	840,000
1998	960,000
1999	1,080,000
2000	1,200,000
2001	1,320,000
2002	1,440,000
2003	1,560,000
2004	1,680,000
2005	1,800,000
2006	1,920,000
2007	2,040,000
2008	2,160,000
2009	2,280,000
2010	2,400,000

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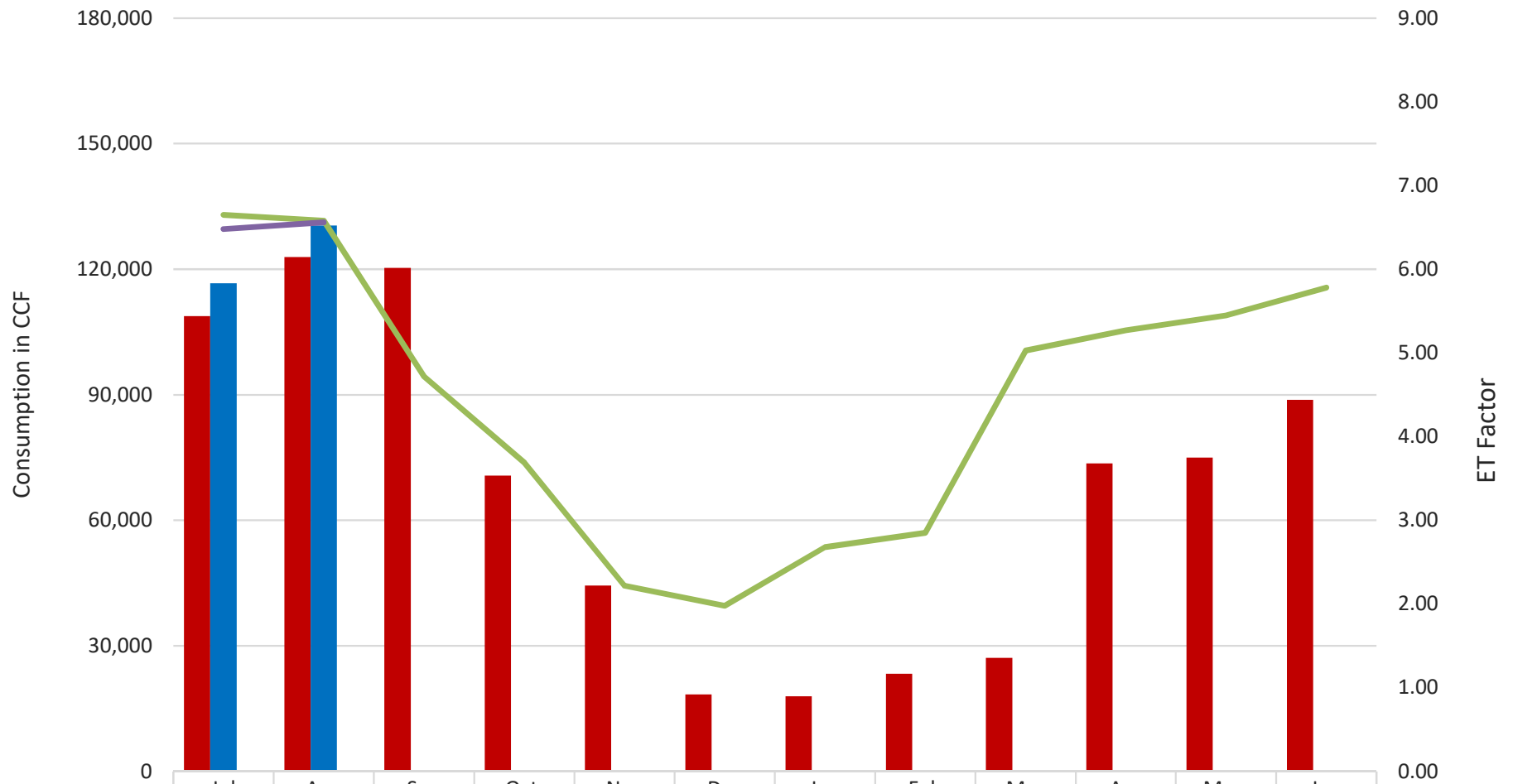
Tier I Consumption

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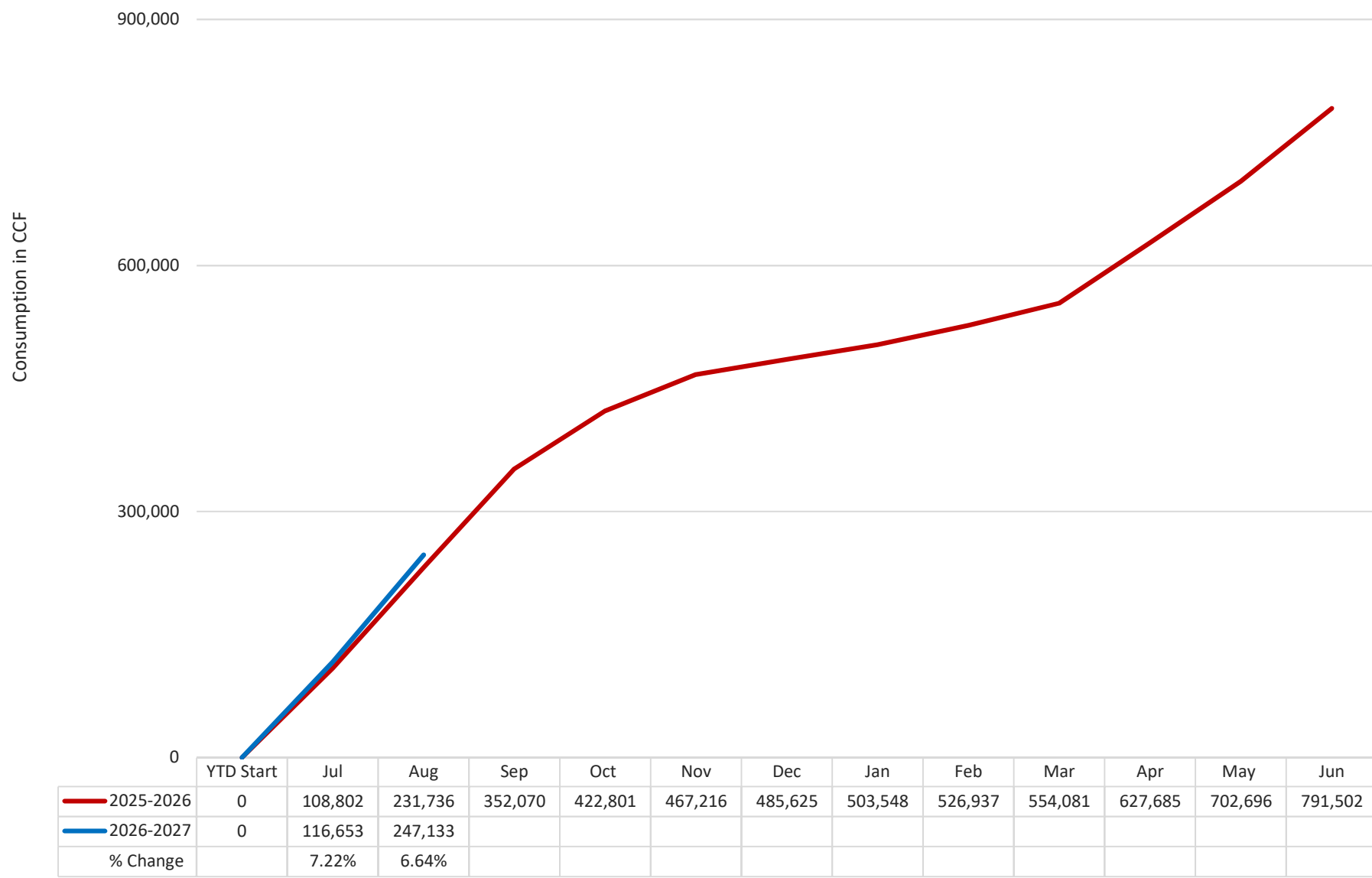
Tier I Fiscal YTD Consumption



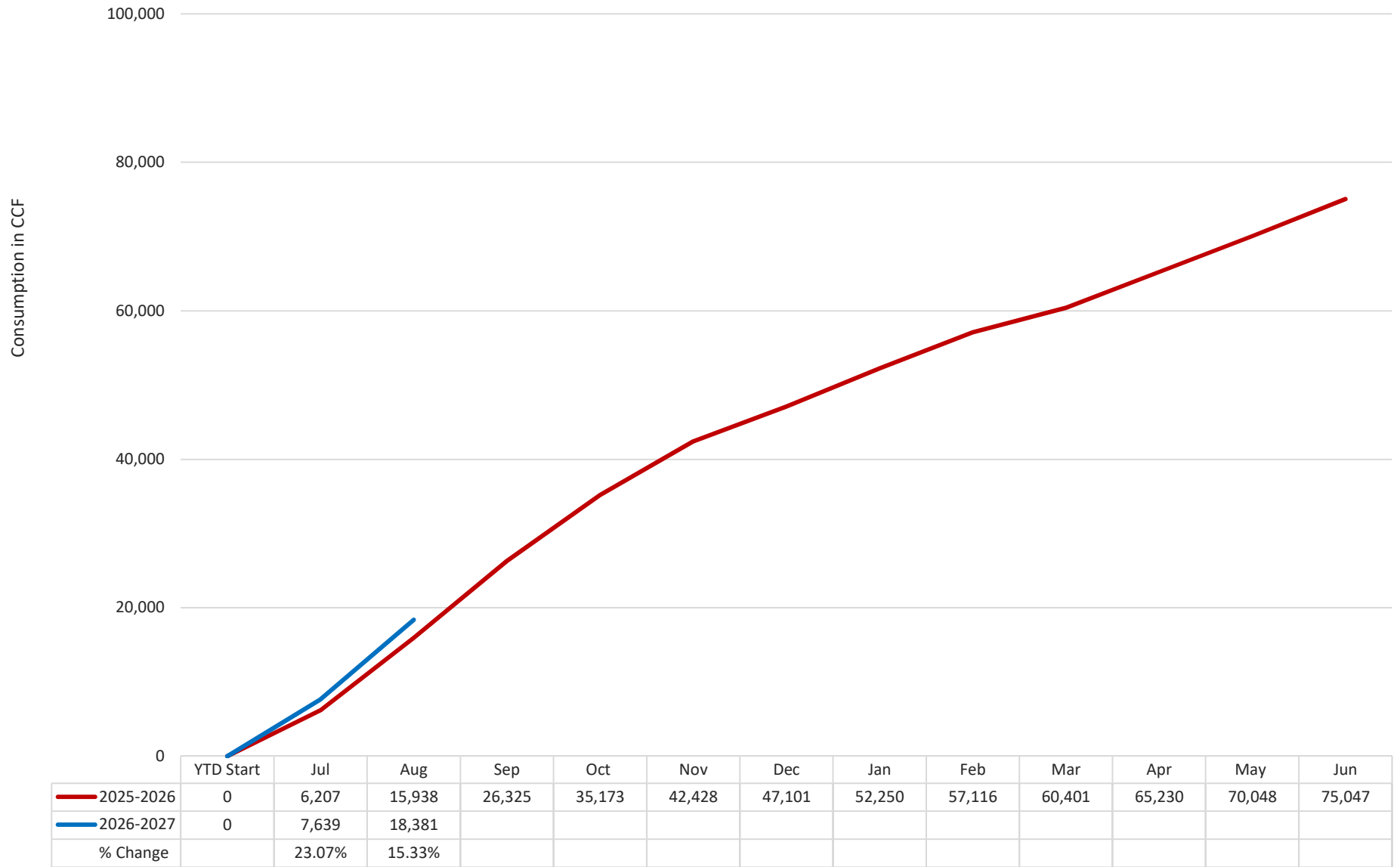
Tier II Consumption

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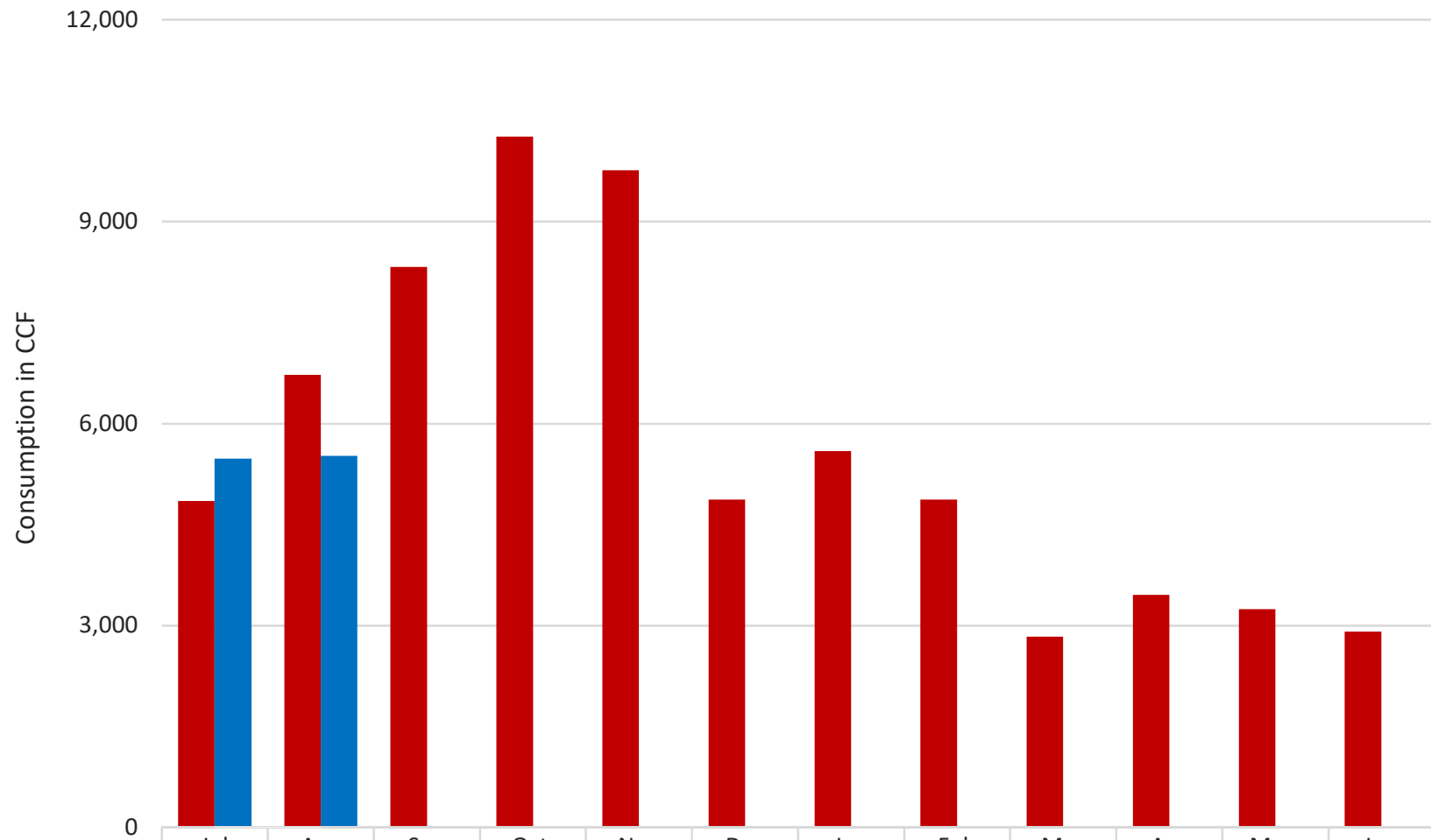
Tier II Fiscal YTD Consumption



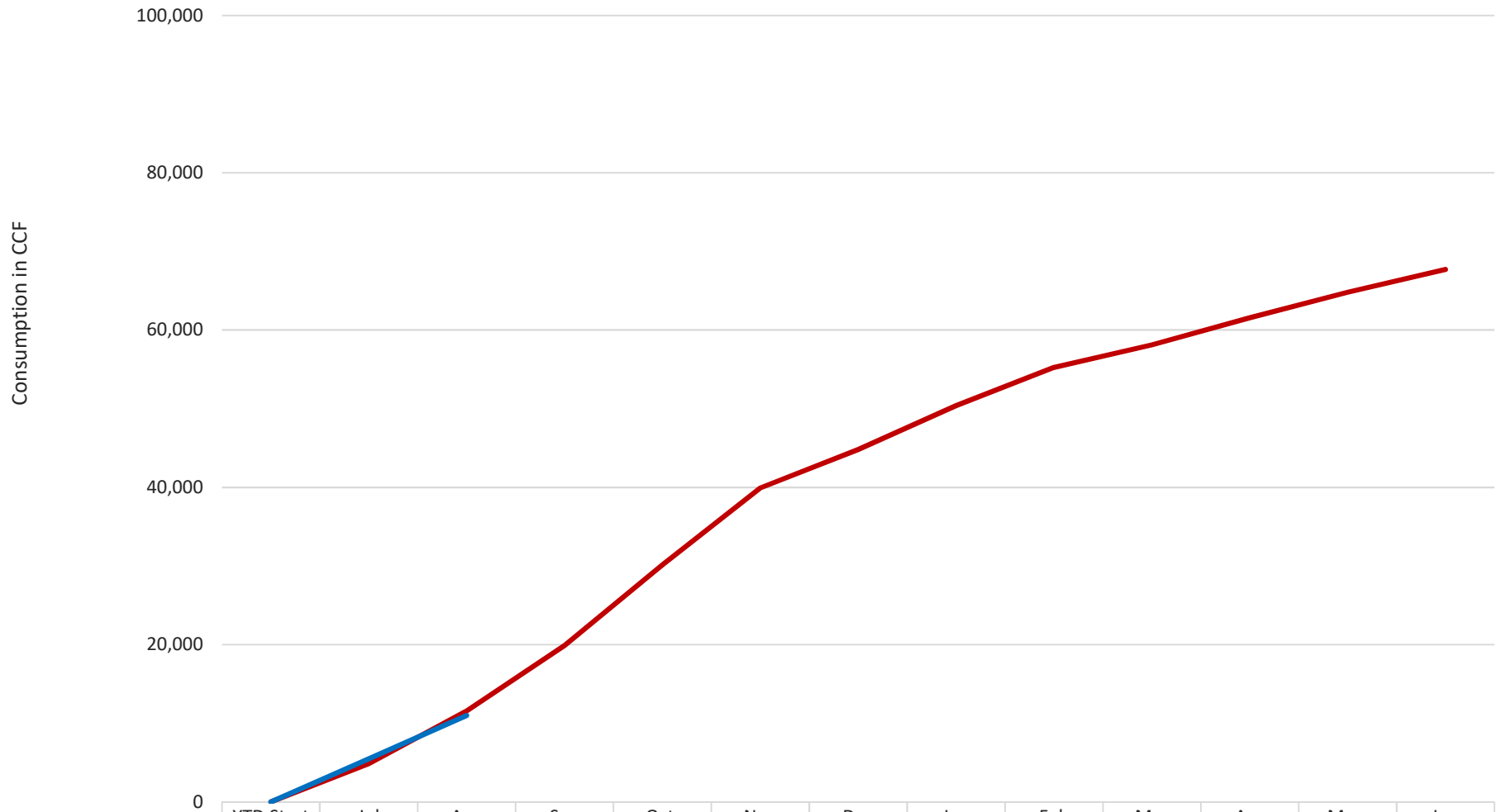
Tier III Fiscal YTD Consumption



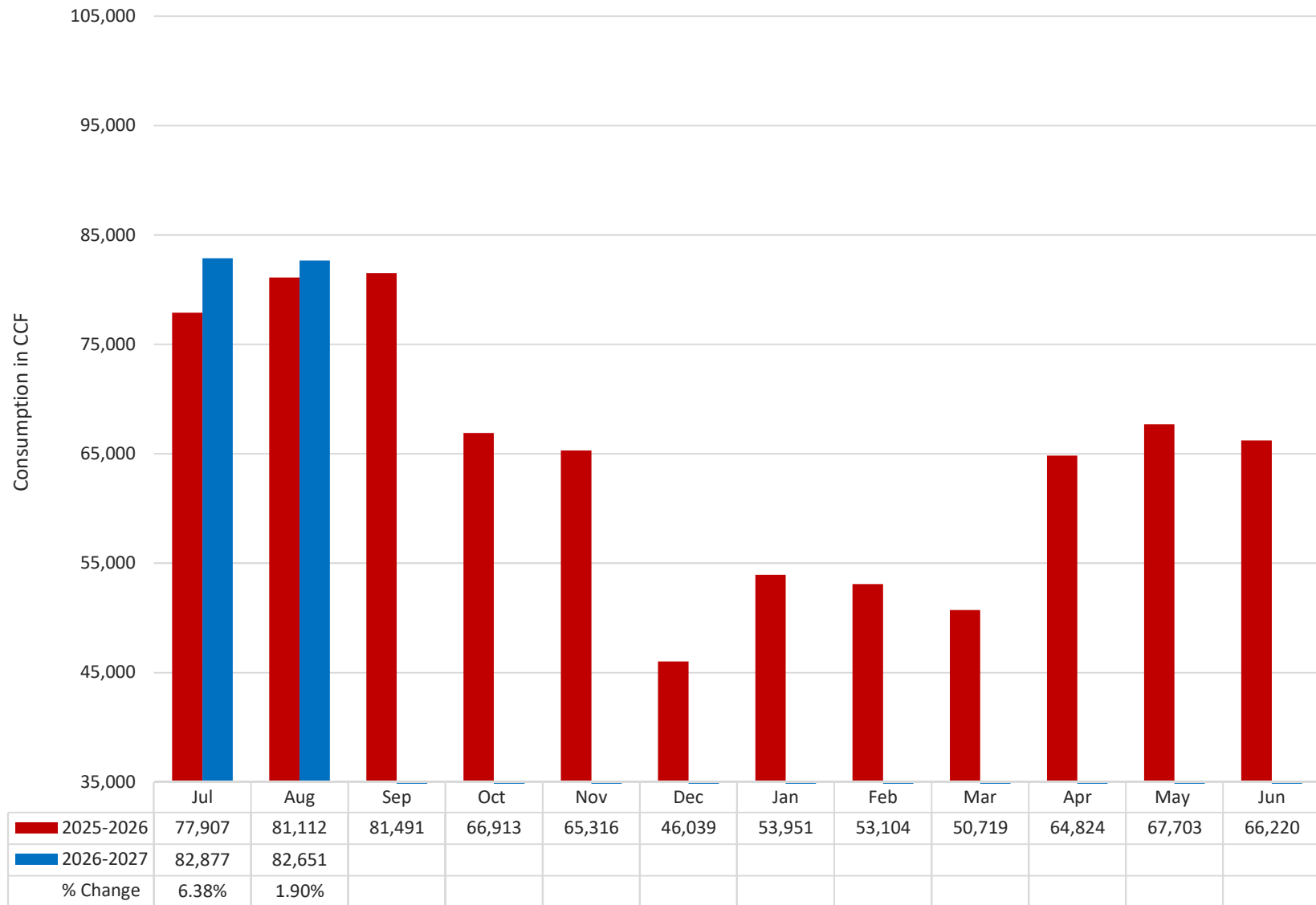
Tier IV Consumption

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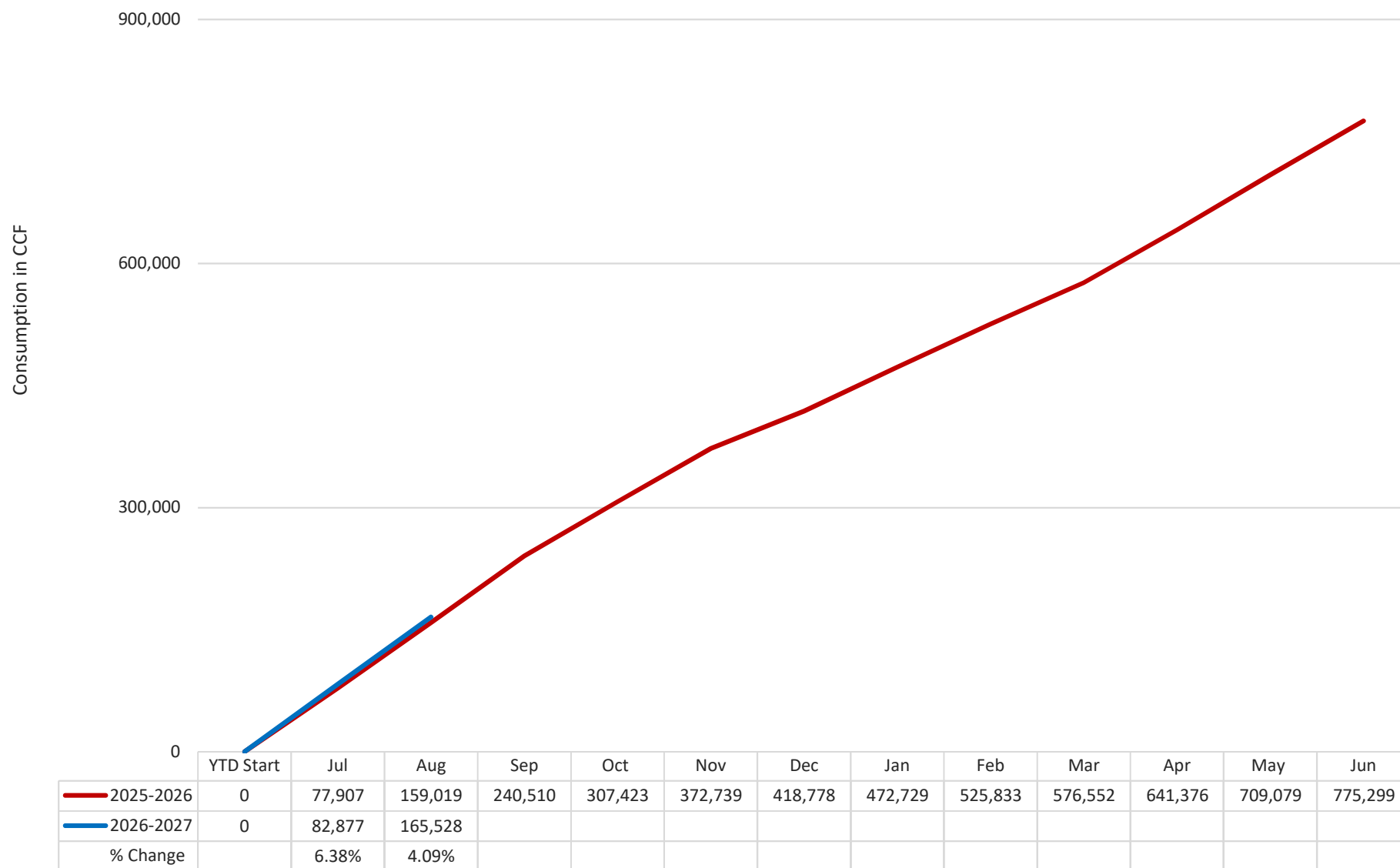
Tier IV Fiscal YTD Consumption

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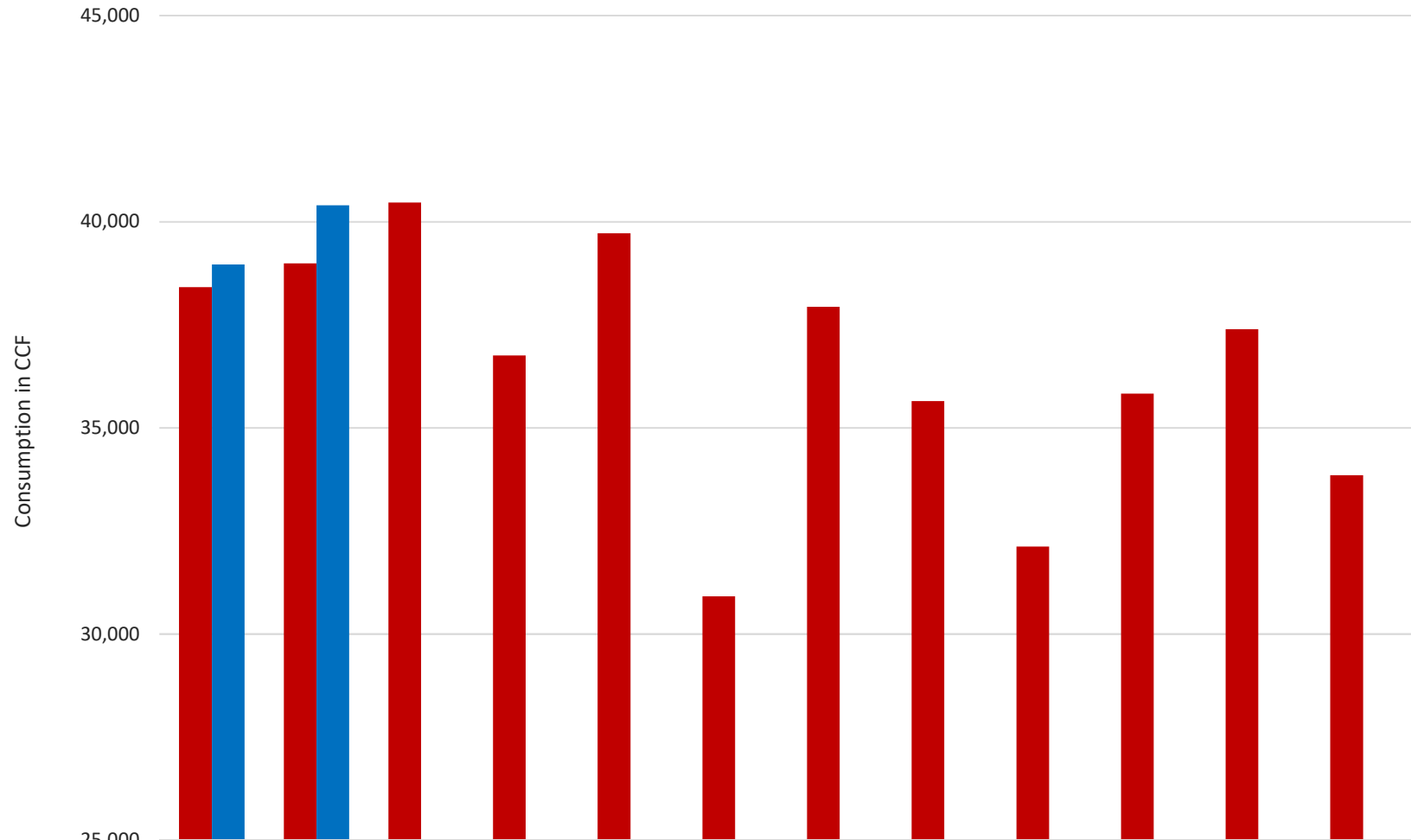
Single Family Residents Consumption



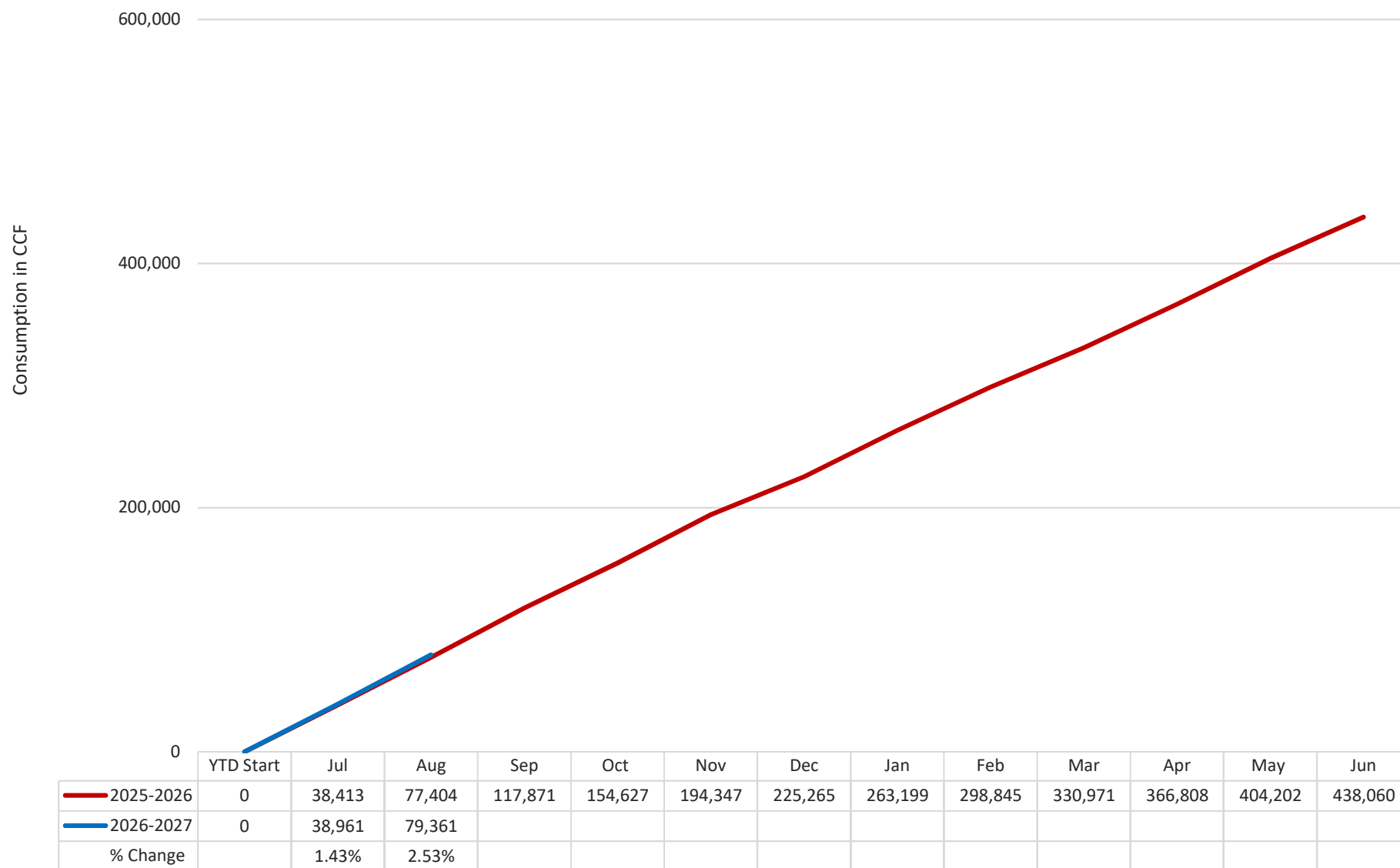
Single Family Residents YTD Consumption



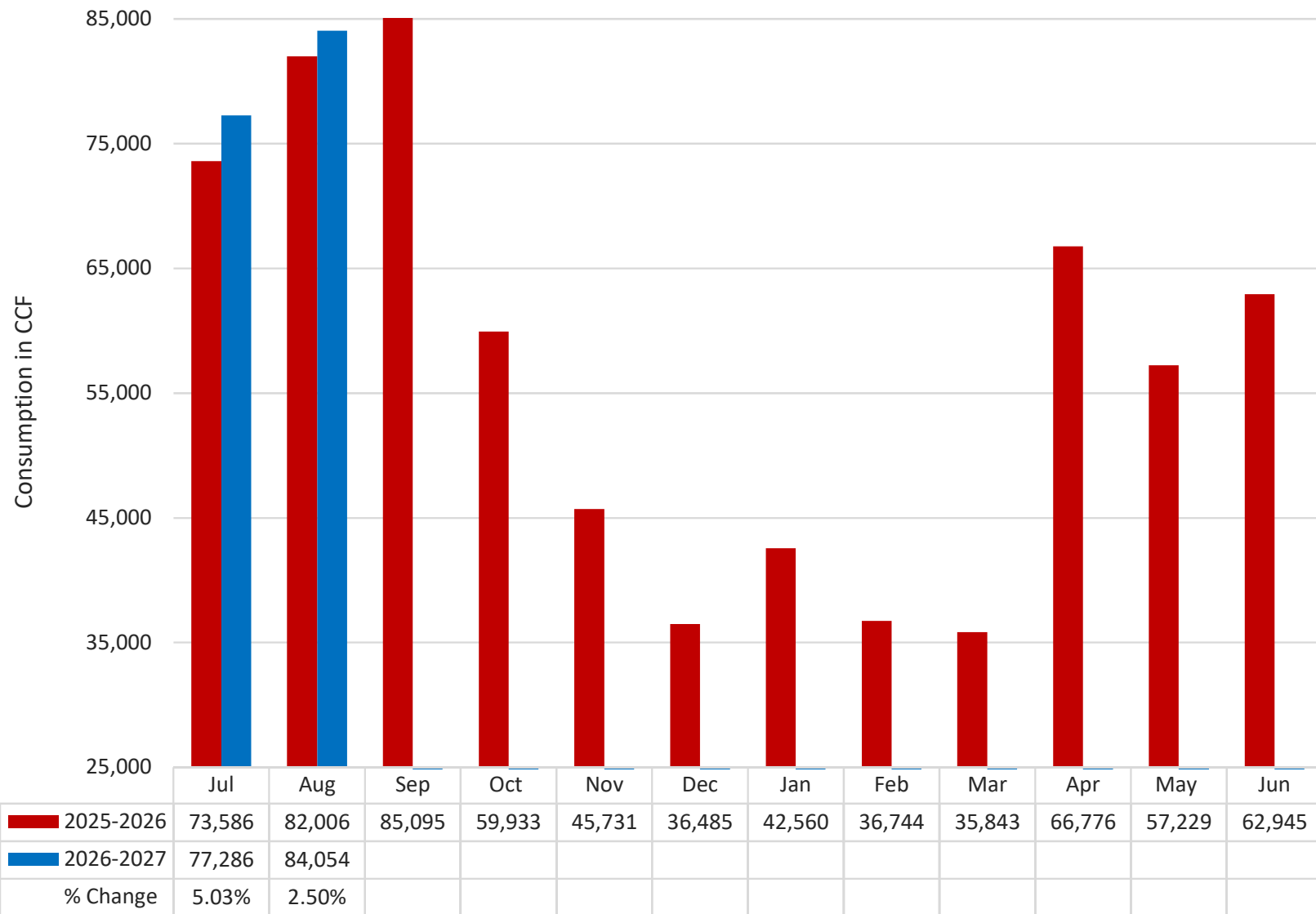
Multi Family Residents Consumption

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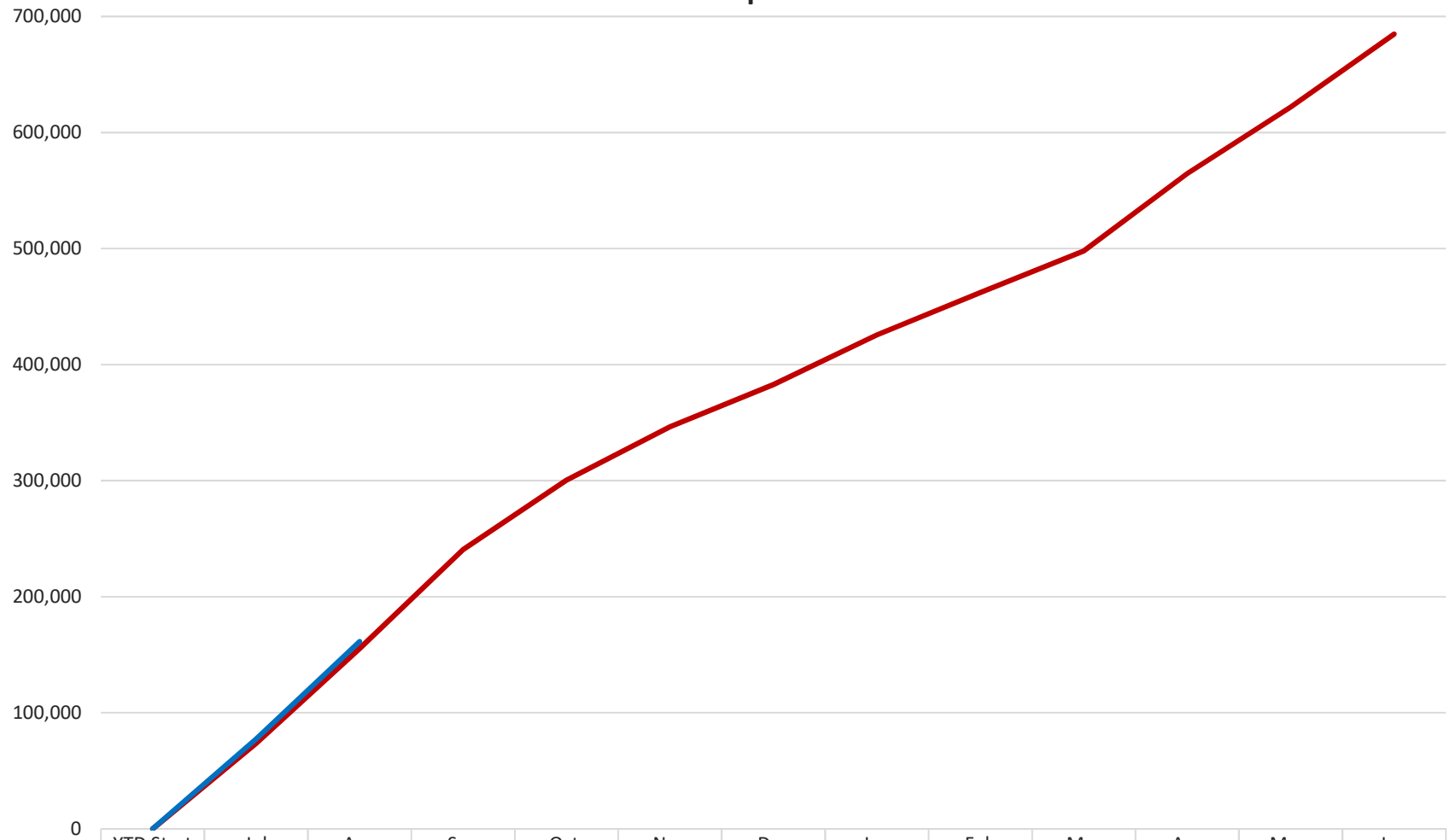
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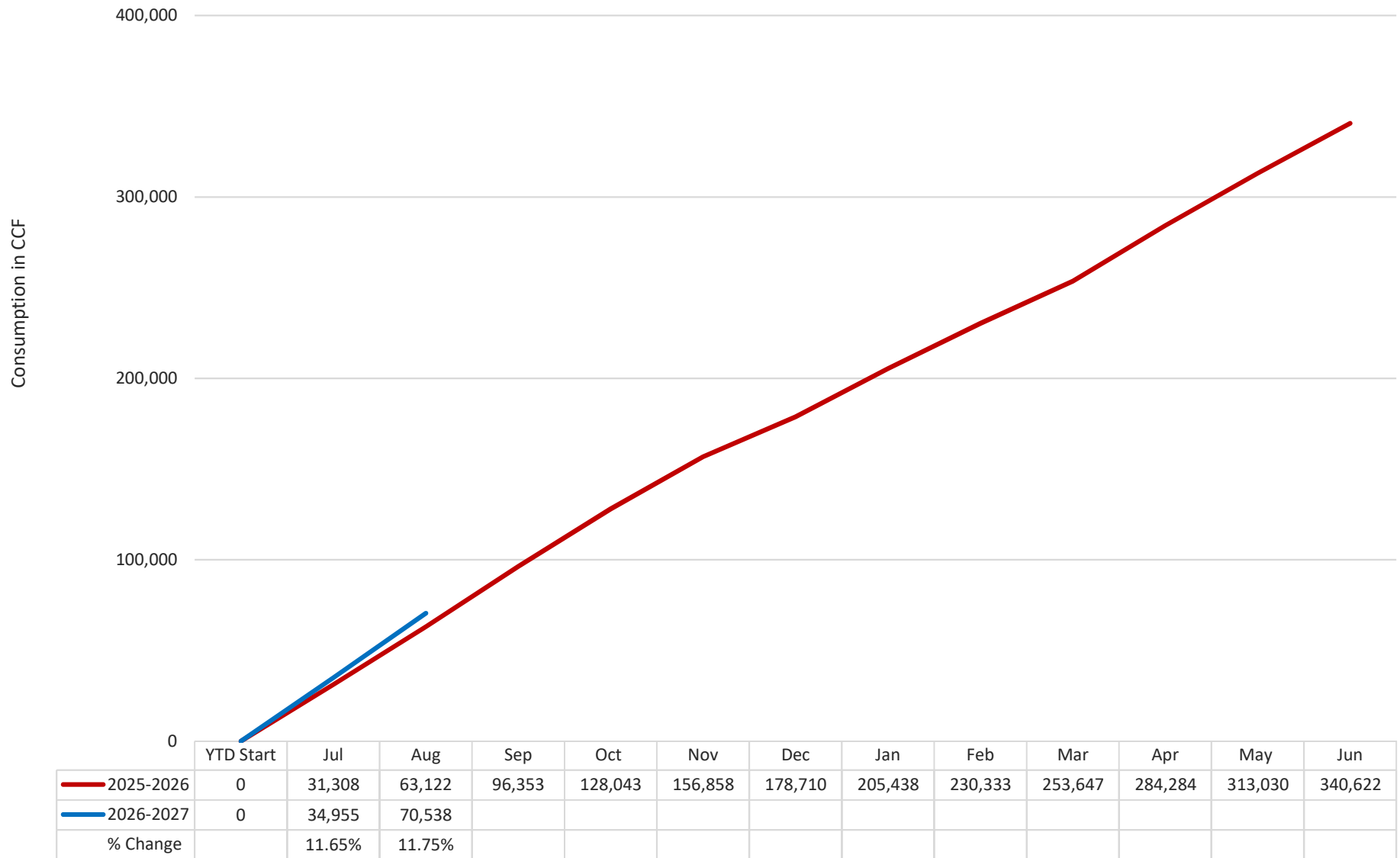
Laguna Woods Village Consumption (Excluding Dedicated Irrigation)



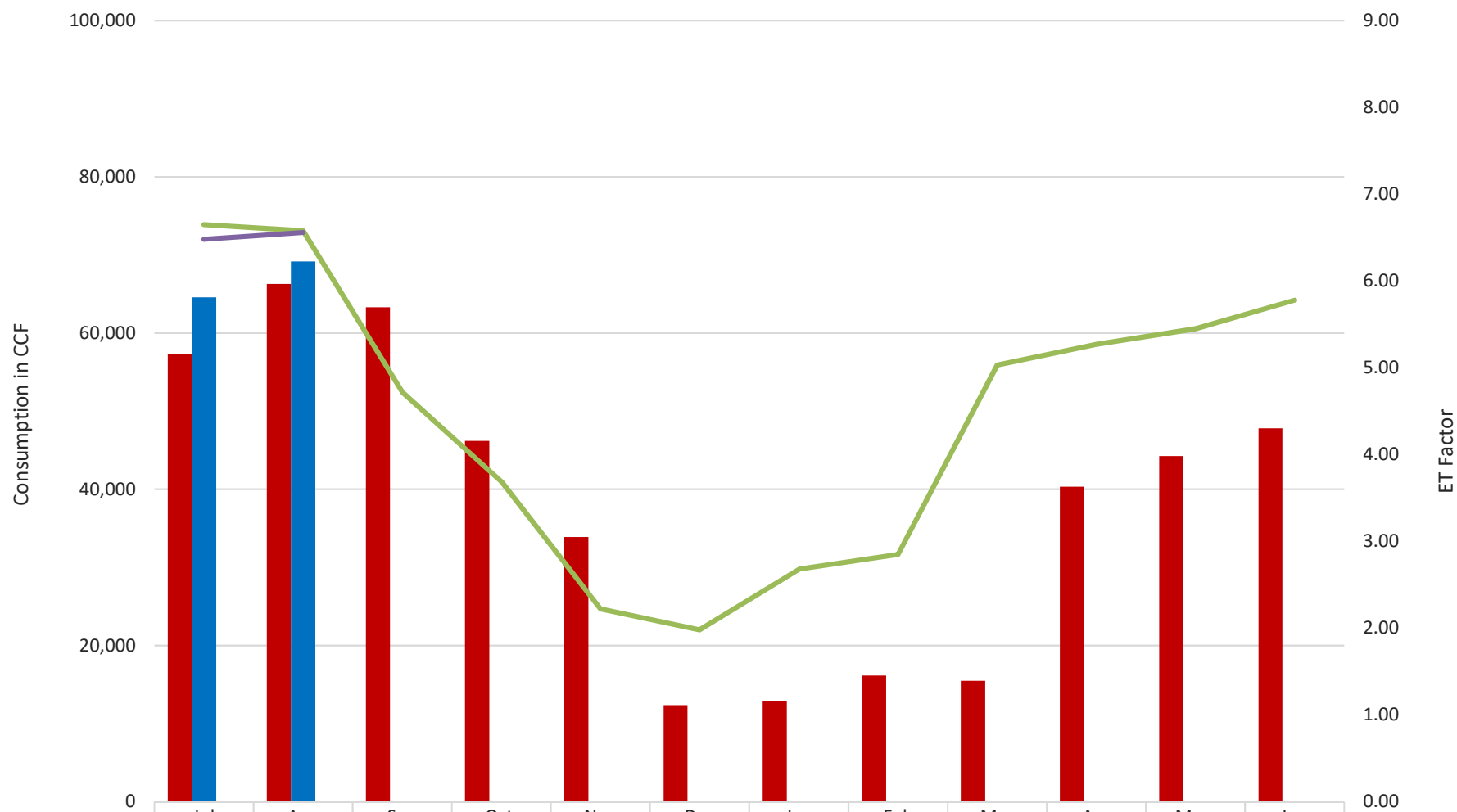
Consumption in CCF

[illegible]

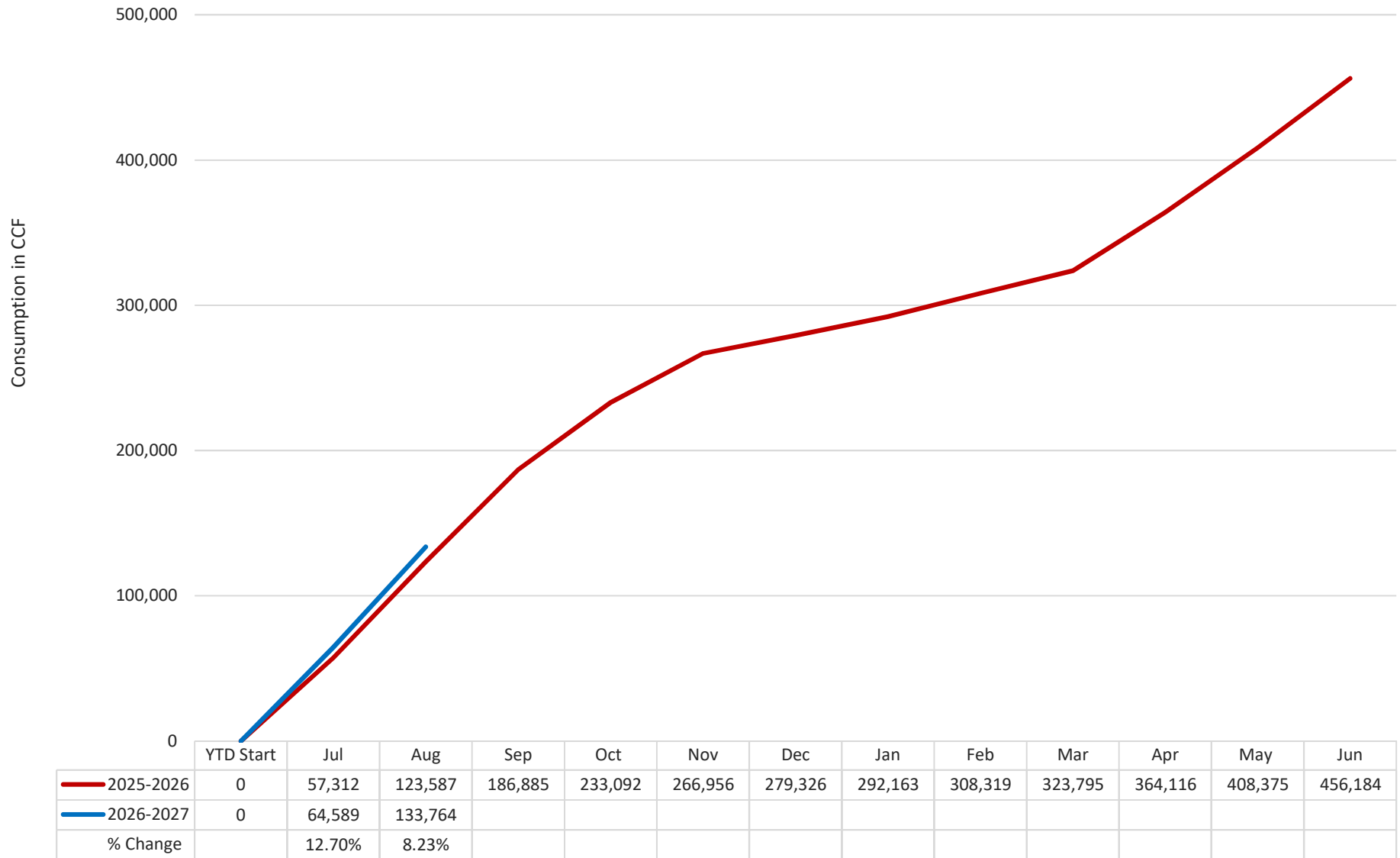
Commercial YTD Consumption



Dedicated Irrigation Consumption (including LWV)

[illegible]

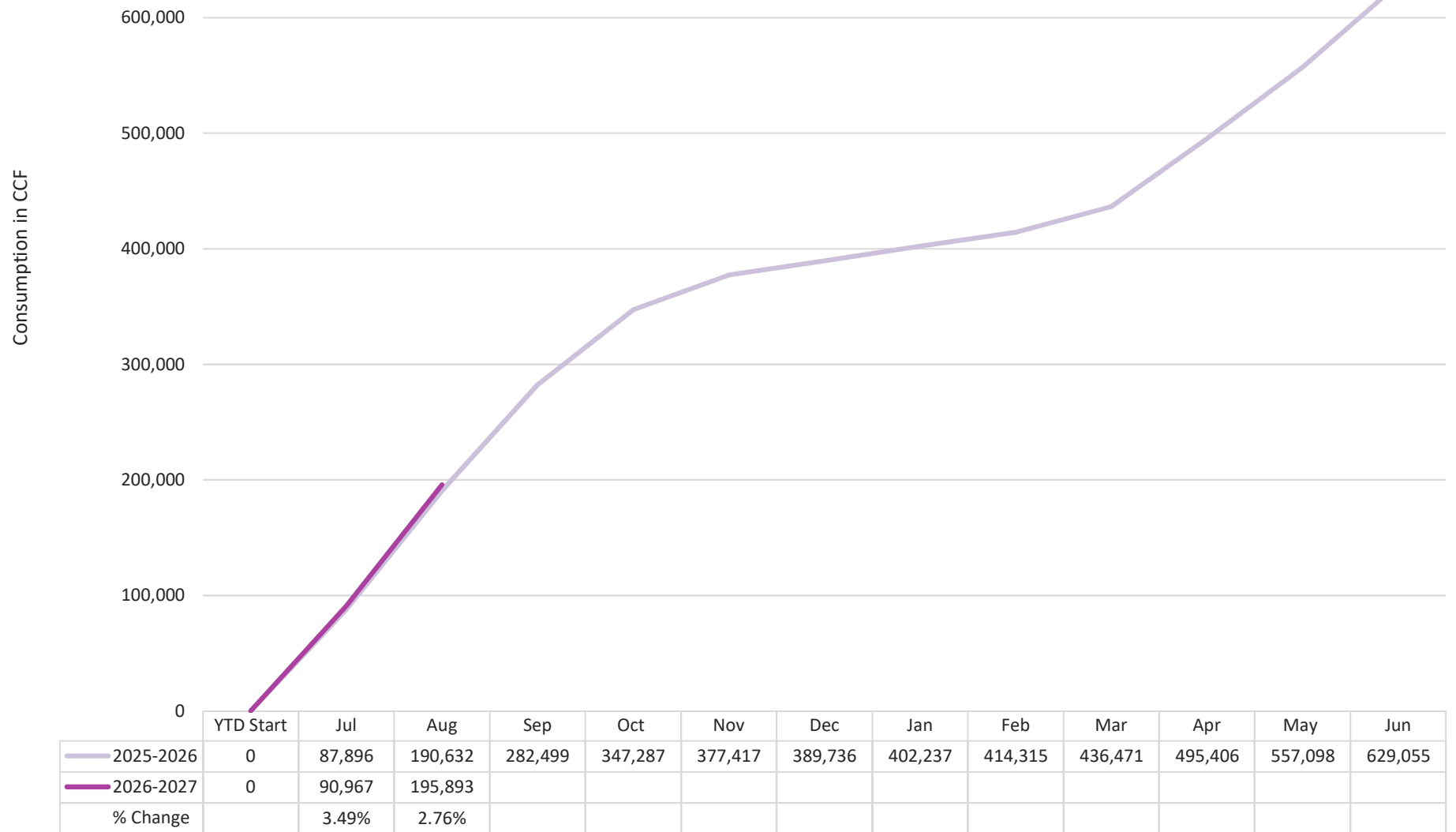
**Dedicated Irrigation Consumption (including LWV)
YTD Consumption**



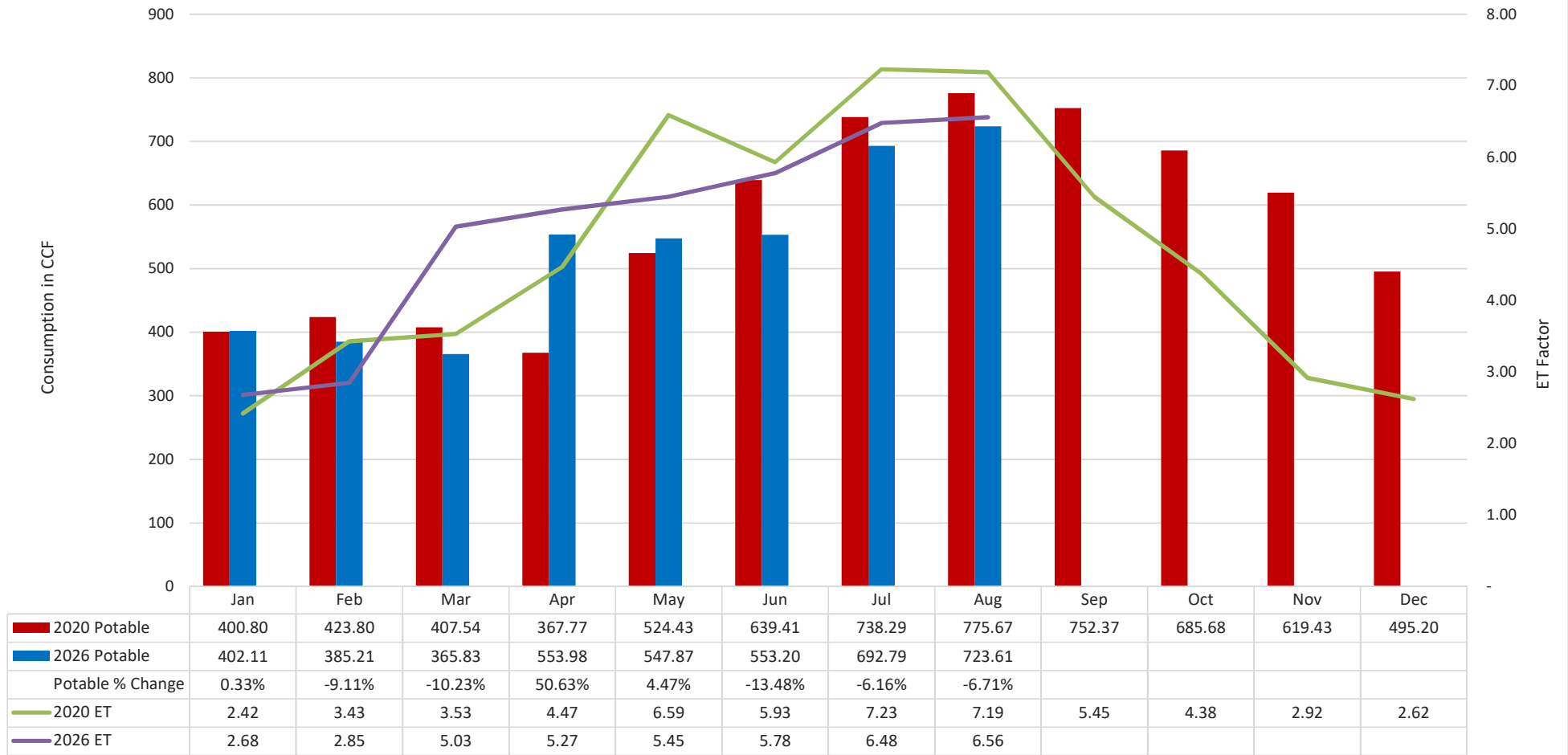
FY 2026-27 vs FY 2025-26



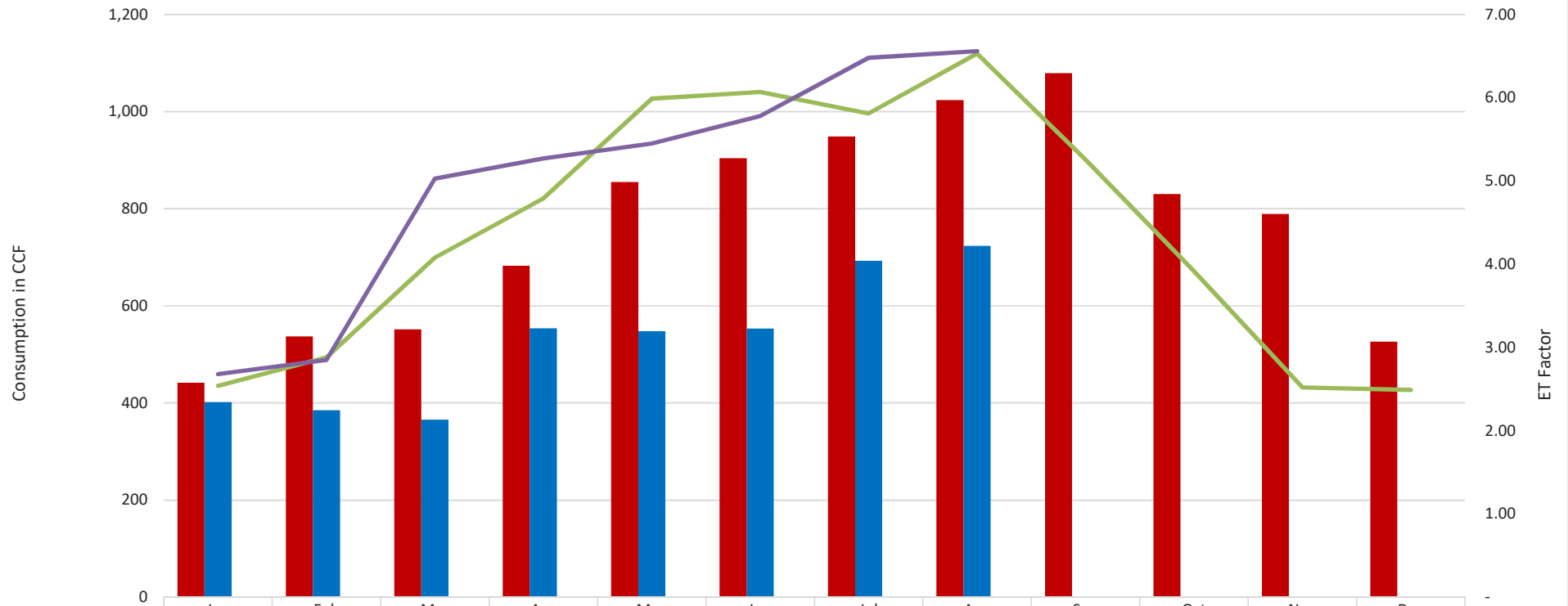
Recycled Water YTD Consumption



ETWD Customer Consumption vs 2020 (Potable AF)

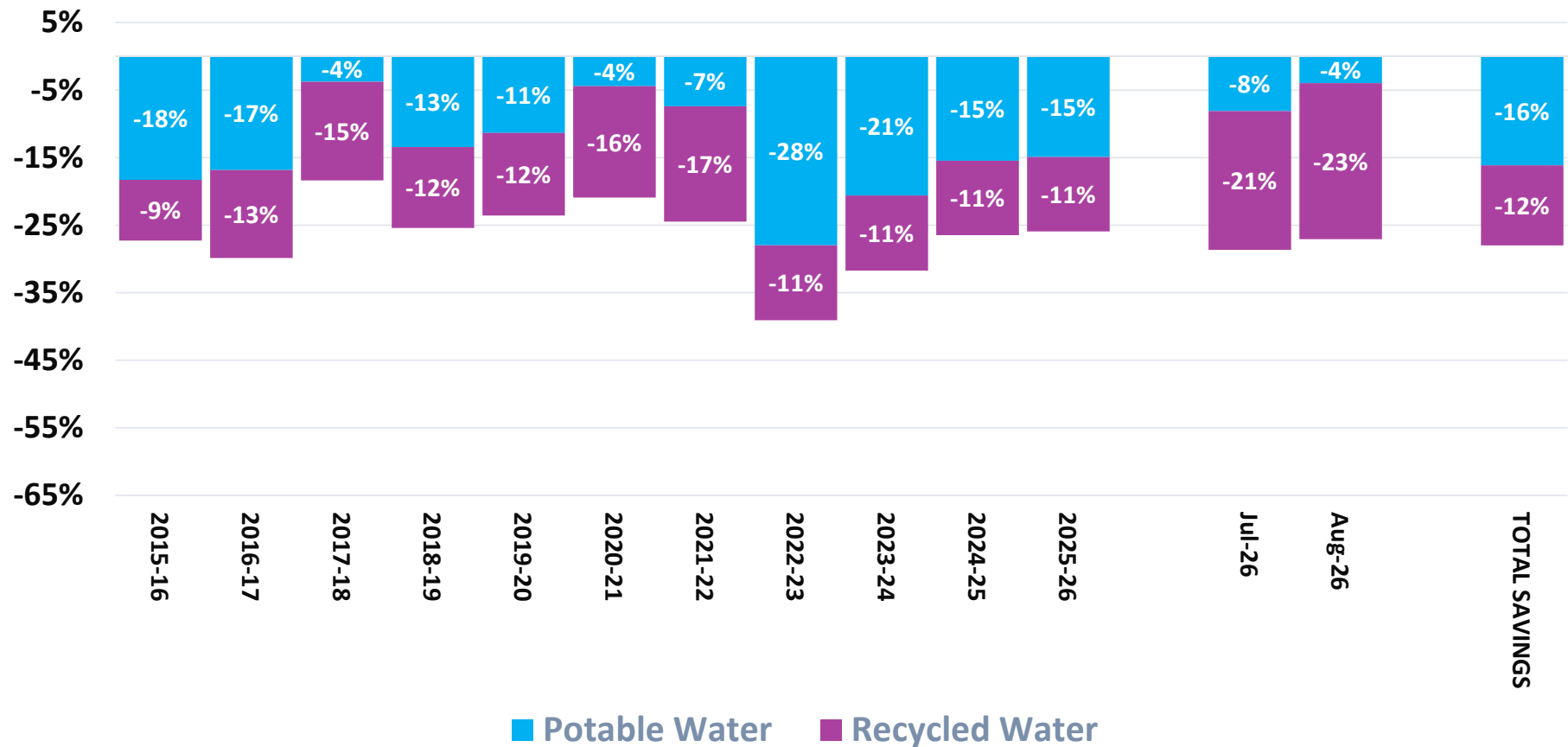


ETWD Customer Consumption vs 2013 (Potable AF)



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2013 Potable	441.82	537.37	551.75	682.75	855.14	903.87	948.61	1023.72	1079.11	830.36	789.23	526.37
2026 Potable	402.11	385.21	365.83	553.98	547.87	553.20	692.79	723.61				
Potable % Change	-8.99%	-28.32%	-33.70%	-18.86%	-35.93%	-38.80%	-26.97%	-29.32%				
2013 ET	2.54	2.88	4.08	4.79	5.99	6.07	5.81	6.53	5.26	3.92	2.52	2.49
2026 ET	2.68	2.85	5.03	5.27	5.45	5.78	6.48	6.56				

ETWD WATER USAGE COMPARED TO 2013



I hereby certify that the following Agenda was posted at least 24 hours prior to the time of the Special Board Meeting so noticed below at the usual agenda posting location of the South Orange County Wastewater Authority (SOCWA) and at www.socwa.com.


Lynda May, Assistant Secretary
SOCWA and the Board of Directors thereof

*Special Meeting of The
South Orange County Wastewater Authority
Board of Directors*

September 10, 2026
8:30 a.m.

PHYSICAL MEETING LOCATION:
South Orange County Wastewater Authority
34156 Del Obispo Street
Dana Point, CA 92629

THE BOARD OF DIRECTORS MEETING ROOM IS WHEELCHAIR ACCESSIBLE. IF YOU REQUIRE ANY SPECIAL DISABILITY RELATED ACCOMMODATIONS, PLEASE CONTACT THE SOUTH ORANGE COUNTY WASTEWATER AUTHORITY SECRETARY'S OFFICE AT (949) 234-5400 AT LEAST TWENTY-FOUR (24) HOURS PRIOR TO THE SCHEDULED MEETING TO REQUEST SUCH ACCOMMODATIONS. THIS AGENDA CAN BE OBTAINED IN ALTERNATE FORMAT UPON REQUEST TO THE SOUTH ORANGE COUNTY WASTEWATER AUTHORITY'S SECRETARY AT LEAST TWENTY-FOUR (24) HOURS PRIOR TO THE SCHEDULED MEETING. MEMBERS OF THE PUBLIC HAVE THE OPTION TO PARTICIPATE IN AND MAY JOIN THE MEETING REMOTELY VIA VIDEO CONFERENCE FOR VISUAL INFORMATION ONLY (USE ZOOM LINK BELOW) AND BY TELECONFERENCE FOR AUDIO PARTICIPATION (USE PHONE NUMBERS BELOW). THIS IS A PHONE-CALL MEETING AND NOT A WEB-CAST MEETING, SO PLEASE REFER TO AGENDA MATERIALS AS POSTED ON THE WEBSITE AT WWW.SOCWA.COM. ON YOUR REQUEST, EVERY EFFORT WILL BE MADE TO ACCOMMODATE PARTICIPATION. FOR PARTIES PARTICIPATING REMOTELY, PUBLIC COMMENTS WILL BE TAKEN DURING THE MEETING FOR ORAL COMMUNICATION IN ADDITION TO PUBLIC COMMENTS RECEIVED BY PARTIES PARTICIPATING IN PERSON. COMMENTS MAY BE SUBMITTED PRIOR TO THE MEETING VIA EMAIL TO ASSISTANT SECRETARY LYNDA MAY AT LMAY@SOCWA.COM WITH THE SUBJECT LINE "REQUEST TO PROVIDE PUBLIC COMMENT." IN THE EMAIL, PLEASE INCLUDE YOUR NAME, THE ITEM YOU WISH TO SPEAK ABOUT, AND THE TELEPHONE NUMBER YOU WILL BE CALLING FROM SO THAT THE COORDINATOR CAN UN-MUTE YOUR LINE WHEN YOU ARE CALLED UPON TO SPEAK. THOSE MAKING PUBLIC COMMENT REQUESTS REMOTELY VIA TELEPHONE IN REAL-TIME WILL BE ASKED TO PROVIDE YOUR NAME, THE ITEM YOU WISH TO SPEAK ABOUT, AND THE TELEPHONE NUMBER THAT YOU ARE CALLING FROM SO THE COORDINATOR CAN UNMUTE YOUR LINE WHEN YOU ARE CALLED UPON TO SPEAK. ONCE THE MEETING HAS COMMENCED, THE CHAIR WILL INVITE YOU TO SPEAK AND ASK THE COORDINATOR TO UNMUTE YOUR LINE AT THE APPROPRIATE TIME.

AGENDA ATTACHMENTS AND OTHER WRITINGS THAT ARE DISCLOSABLE PUBLIC RECORDS DISTRIBUTED TO ALL, OR A MAJORITY OF, THE MEMBERS OF THE SOUTH ORANGE COUNTY WASTEWATER AUTHORITY BOARD OF DIRECTORS IN CONNECTION WITH A MATTER SUBJECT FOR DISCUSSION OR CONSIDERATION AT AN OPEN MEETING OF THE BOARD OF DIRECTORS ARE AVAILABLE FOR PUBLIC INSPECTION IN THE AUTHORITY ADMINISTRATIVE OFFICE LOCATED AT 34156 DEL OBISPO STREET, DANA POINT, CA ("AUTHORITY OFFICE") OR BY PHONE REQUEST MADE TO THE AUTHORITY OFFICE AT 949-234-5400. IF SUCH WRITINGS ARE DISTRIBUTED TO MEMBERS OF THE BOARD OF DIRECTORS LESS THAN TWENTY-FOUR (24) HOURS PRIOR TO THE MEETING, THEY WILL BE AVAILABLE IN THE RECEPTION AREA OF THE AUTHORITY OFFICE AT THE SAME TIME AS THEY ARE DISTRIBUTED TO THE BOARD OF DIRECTORS AND SENT TO ANY REMOTE PARTICIPANTS REQUESTING EMAIL DELIVERY OR POSTED ON SOCWA'S WEBSITE. IF SUCH WRITINGS ARE DISTRIBUTED IMMEDIATELY PRIOR TO, OR DURING, THE MEETING, THEY WILL BE AVAILABLE IN THE MEETING ROOM OR IMMEDIATELY UPON VERBAL REQUEST TO BE DELIVERED VIA EMAIL TO REQUESTING PARTIES PARTICIPATING REMOTELY.

THE PUBLIC MAY PARTICIPATE REMOTELY BY VIRTUAL MEANS. FOR AUDIO OF MEETING USE THE CALL IN PHONE NUMBERS BELOW AND FOR VIDEO USE THE ZOOM LINK BELOW.

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+16699006833,, 82493545506#,,,,*514302# US (San Jose)

South Orange County Wastewater Authority
Board of Directors Special Meeting
September 10, 2026

Agenda

1. CALL TO ORDER

2. PLEDGE OF ALLEGIANCE

3. ORAL COMMUNICATIONS

Members of the public may address the Board regarding an item on the agenda or may reserve this opportunity during the meeting at the time the item is discussed by the Board. There will be a three-minute limit for public comments.

4. CONSENT CALENDAR

A. Minutes of Board of Directors..... 1

- Board of Directors Regular Meeting of August 13, 2026
- Board of Directors Special Meeting of August 17, 2026

ACTION The Board will be requested to approve the subject Minutes.

B. July 2026 Operations Report..... 8

1. Monthly Operational Report
2. SOCWA Ocean Outfall Discharges by Agency
3. Beach Ocean Monitoring Report
4. Recycled Water Report
5. Pretreatment Report (August)

ACTION The Board will be requested to receive and file subject reports as submitted.

C. Capital Improvement Construction Projects Progress and Change Order Report (August)
[Project Committees 2 and 15] 48

ACTION Information Item.

D. Capital Improvement Program Workplan..... 53

ACTION Information Item.

5. ENGINEERING MATTERS

A. Engine System Service Contract Award- Northeastern-Western Energy Systems USA
[Project Committee 2]..... 55

ACTION Staff recommends the award of the engine/power plant system service contract with Northeastern-Western Energy Systems USA, in an amount not to exceed \$100,000.

South Orange County Wastewater Authority
Board of Directors Special Meeting
September 10, 2026

Agenda

- B. JBL Plant 1 Generator Updates [Project Committee 2]..... 91
- ACTION Board discussion, direction, or action.
6. GENERAL MANAGER'S REPORT
- A. ACOO and SJCOO Receiving Water Monitoring Reports and CEDEN Data Submittal Authorization for WSP USA, Inc. [Project Committee 5, Project Committee 24] 93
- ACTION Staff recommends that the Board of Directors authorize the General Manager to issue two purchase orders to WSP USA, Inc. for preparation of the ACOO and SJCOO Receiving Water Monitoring Reports and associated CEDEN data submittals in the amount of \$53,993 each, for a combined total not to exceed \$107,986.
- B. Regional Government Services Contract Amendment.....104
- ACTION Staff recommends that the Board of Directors authorize the Acting General Manager to execute Amendment No. 2 to the Professional Services Agreement with Regional Government Services Authority (RGS), dated November 8, 2024, extending the term through June 30, 2027, and increasing the Not to Exceed amount by \$55,000 to a revised total of \$161,000.
- C. General Manager's Report108
- ACTION Board discussion, direction, or action.
- D. General Counsel's Report
- ACTION Information Item.
- E. Government Affairs Report (Under Separate Cover)
- ACTION Information Item.
- F. Upcoming Meetings Schedule:
- September 15, 2026 – Finance Committee Meeting
 - September 17, 2026 – Engineering Committee Meeting
 - October 1, 2026 – Board of Directors Meeting
- ACTION Information Item.
7. CLOSED SESSION
- Closed Session Conference pursuant to Government Code § 54957b)
Public Employment
Title: Legal Counsel

South Orange County Wastewater Authority
Board of Directors Special Meeting
September 10, 2026

Agenda

Initiation of litigation pursuant to Government Code § 54956.9(d)(4)
Conference with Legal Counsel - Anticipated Litigation
One Potential Case

Report out of Closed Session

8. OTHER MATTERS

Determine the need to take action on the following item(s) introduced by the General Manager, which arose after the posted agenda. [Adoption of this action requires a two-thirds vote of the Board, or if less than two-thirds are present, a unanimous vote.]

9. ADJOURNMENT

THE NEXT SOCWA BOARD MEETING
October 8, 2026

**NOTICE OF REGULAR MEETING
OF THE
SOUTH ORANGE COUNTY WASTEWATER AUTHORITY
FINANCE COMMITTEE**

**September 15, 2026
10:30 a.m.**

NOTICE IS HEREBY GIVEN that a Regular Meeting of the South Orange County Wastewater Authority (SOCWA) Finance Committee was called to be held on **September 15, 2026, at 10:30 a.m.** SOCWA staff will be present and conducting the meeting at the SOCWA Administrative Office located at 34156 Del Obispo Street, Dana Point, California.

THE SOCWA MEETING ROOM IS WHEELCHAIR ACCESSIBLE. IF YOU REQUIRE ANY SPECIAL DISABILITY RELATED ACCOMMODATIONS, PLEASE CONTACT THE SOUTH ORANGE COUNTY WASTEWATER AUTHORITY SECRETARY'S OFFICE AT (949) 234-5400 AT LEAST SEVENTY-TWO (72) HOURS PRIOR TO THE SCHEDULED MEETING TO REQUEST SUCH ACCOMMODATIONS. THIS AGENDA CAN BE OBTAINED IN ALTERNATE FORMAT UPON REQUEST TO THE SOUTH ORANGE COUNTY WASTEWATER AUTHORITY'S SECRETARY AT LEAST SEVENTY-TWO (72) HOURS PRIOR TO THE SCHEDULED MEETING. MEMBERS OF THE PUBLIC HAVE THE OPTION TO PARTICIPATE IN AND MAY JOIN THE MEETING REMOTELY VIA VIDEO CONFERENCE FOR VISUAL INFORMATION ONLY (USE ZOOM LINK BELOW) AND BY TELECONFERENCE FOR AUDIO PARTICIPATION (USE PHONE NUMBERS BELOW). THIS IS A PHONE-CALL MEETING AND NOT A WEB-CAST MEETING, SO PLEASE REFER TO AGENDA MATERIALS AS POSTED ON THE WEBSITE AT WWW.SOCWA.COM, ON YOUR REQUEST, EVERY EFFORT WILL BE MADE TO ACCOMMODATE PARTICIPATION. FOR PARTIES PARTICIPATING REMOTELY, PUBLIC COMMENTS WILL BE TAKEN DURING THE MEETING FOR ORAL COMMUNICATION IN ADDITION TO PUBLIC COMMENTS RECEIVED BY PARTIES PARTICIPATING IN PERSON. COMMENTS MAY BE SUBMITTED PRIOR TO THE MEETING VIA EMAIL TO ASSISTANT SECRETARY LYNDA MAY AT LMAY@SOCWA.COM WITH THE SUBJECT LINE "REQUEST TO PROVIDE PUBLIC COMMENT." IN THE EMAIL, PLEASE INCLUDE YOUR NAME, THE ITEM YOU WISH TO SPEAK ABOUT, AND THE TELEPHONE NUMBER YOU WILL BE CALLING FROM SO THAT THE COORDINATOR CAN UN-MUTE YOUR LINE WHEN YOU ARE CALLED UPON TO SPEAK. THOSE MAKING PUBLIC COMMENT REQUESTS REMOTELY VIA TELEPHONE IN REAL-TIME WILL BE ASKED TO PROVIDE YOUR NAME, THE ITEM YOU WISH TO SPEAK ABOUT, AND THE TELEPHONE NUMBER THAT YOU ARE CALLING FROM SO THE COORDINATOR CAN UN-MUTE YOUR LINE WHEN YOU ARE CALLED UPON TO SPEAK. ONCE THE MEETING HAS COMMENCED, THE CHAIR WILL INVITE YOU TO SPEAK AND ASK THE COORDINATOR TO UN-MUTE YOUR LINE AT THE APPROPRIATE TIME.

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AGENDA

1. Call Meeting to Order

2. Public Comments

THOSE WISHING TO ADDRESS THE FINANCE COMMITTEE ON ANY ITEM LISTED ON THE AGENDA WILL BE REQUESTED TO IDENTIFY AT THE OPENING OF THE MEETING AND PRIOR TO THE CLOSE OF THE MEETING. THE AUTHORITY REQUESTS THAT YOU STATE YOUR NAME WHEN MAKING THE REQUEST IN ORDER THAT YOUR NAME MAY BE CALLED TO SPEAK ON THE ITEM OF INTEREST. THE CHAIR OF THE MEETING WILL RECOGNIZE SPEAKERS FOR COMMENT AND GENERAL MEETING DECORUM SHOULD BE OBSERVED IN ORDER THAT SPEAKERS ARE NOT TALKING OVER EACH OTHER DURING THE CALL.

PAGE NO.

3. Approval of Minutes..... 1

- Finance Committee Meeting of April 21, 2026

Recommended Action: Staff recommend that the Finance Committee approve the subject minutes as submitted.

4. General Manager's Report 4

Recommended Action: Committee Discussion, Direction, and Action.

5. Cost Allocation Policy 5

Recommended Action: Committee Discussion, Direction, and Action.

6. Financial Reports for the Month of June 30, 2026 28

Recommended Action: Staff recommends that the Finance Committee recommend that the Board of Directors receive and file the June 2026 Financial Reports.

7. Use Audit Flows & Solids FY 25-26..... 41

Recommended Action: Information Item.

8. Quarterly Investment Reporting Under Government Code Section 53646..... 44

Recommended Action: Information Item.

9. Capital Asset Lifecycle Program..... 47

Recommended Action: Committee Discussion, Direction, and Action.

10. Adjournment

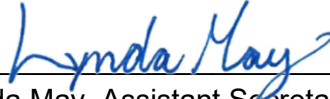
I hereby certify that the foregoing Notice was personally emailed or mailed to each member of the SOCWA Finance Committee at least 72 hours prior to the scheduled time of the Regular Meeting referred to above.

FINANCE COMMITTEE MEETING

September 15, 2026

I hereby certify that the foregoing Notice was posted at least 72 hours prior to the time of the above-referenced Finance Committee meeting at the usual agenda posting location of the South Orange County Wastewater Authority and at www.socwa.com.

Dated this 11th day of September 2026.



Lynda May, Assistant Secretary
SOUTH ORANGE COUNTY WASTEWATER AUTHORITY

**NOTICE OF REGULAR MEETING
OF THE
SOUTH ORANGE COUNTY WASTEWATER AUTHORITY
ENGINEERING COMMITTEE**

September 17, 2026

8:30 a.m.

Physical Address	Remote Address
34156 Del Obispo Street Dana Point, CA 92629	El Toro Water District Office: 24251 Los Alisos Blvd. Lake Forest, CA 92630

NOTICE IS HEREBY GIVEN that a Regular Meeting of the South Orange County Wastewater Authority (SOCWA) Engineering Committee was called to be held on **September 17, 2026, at 8:30 a.m.** SOCWA staff will be present and conducting the meeting at the SOCWA Administrative Office located at 34156 Del Obispo Street, Dana Point, California.

THE SOCWA MEETING ROOM IS WHEELCHAIR ACCESSIBLE. IF YOU REQUIRE ANY SPECIAL DISABILITY RELATED ACCOMMODATIONS, PLEASE CONTACT THE SOUTH ORANGE COUNTY WASTEWATER AUTHORITY SECRETARY'S OFFICE AT (949) 234-5400 AT LEAST SEVENTY-TWO (72) HOURS PRIOR TO THE SCHEDULED MEETING TO REQUEST SUCH ACCOMMODATIONS. THIS AGENDA CAN BE OBTAINED IN ALTERNATE FORMAT UPON REQUEST TO THE SOUTH ORANGE COUNTY WASTEWATER AUTHORITY'S SECRETARY AT LEAST SEVENTY-TWO (72) HOURS PRIOR TO THE SCHEDULED MEETING. MEMBERS OF THE PUBLIC HAVE THE OPTION TO PARTICIPATE IN AND MAY JOIN THE MEETING REMOTELY VIA VIDEO CONFERENCE FOR VISUAL INFORMATION ONLY (USE ZOOM LINK BELOW) AND BY TELECONFERENCE FOR AUDIO PARTICIPATION (USE PHONE NUMBERS BELOW). THIS IS A PHONE-CALL MEETING AND NOT A WEB-CAST MEETING, SO PLEASE REFER TO AGENDA MATERIALS AS POSTED ON THE WEBSITE AT WWW.SOCWA.COM. ON YOUR REQUEST, EVERY EFFORT WILL BE MADE TO ACCOMMODATE PARTICIPATION. FOR PARTIES PARTICIPATING REMOTELY, PUBLIC COMMENTS WILL BE TAKEN DURING THE MEETING FOR ORAL COMMUNICATION IN ADDITION TO PUBLIC COMMENTS RECEIVED BY PARTIES PARTICIPATING IN PERSON. COMMENTS MAY BE SUBMITTED PRIOR TO THE MEETING VIA EMAIL TO ASSISTANT SECRETARY LYNDA MAY AT LMAY@SOCWA.COM WITH THE SUBJECT LINE "REQUEST TO PROVIDE PUBLIC COMMENT." IN THE EMAIL, PLEASE INCLUDE YOUR NAME, THE ITEM YOU WISH TO SPEAK ABOUT, AND THE TELEPHONE NUMBER YOU WILL BE CALLING FROM SO THAT THE COORDINATOR CAN UN-MUTE YOUR LINE WHEN YOU ARE CALLED UPON TO SPEAK. THOSE MAKING PUBLIC COMMENT REQUESTS REMOTELY VIA TELEPHONE IN REAL-TIME WILL BE ASKED TO PROVIDE YOUR NAME, THE ITEM YOU WISH TO SPEAK ABOUT, AND THE TELEPHONE NUMBER THAT YOU ARE CALLING FROM SO THE COORDINATOR CAN UN-MUTE YOUR LINE WHEN YOU ARE CALLED UPON TO SPEAK. ONCE THE MEETING HAS COMMENCED, THE CHAIR WILL INVITE YOU TO SPEAK AND ASK THE COORDINATOR TO UN-MUTE YOUR LINE AT THE APPROPRIATE TIME.

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+16699006833,, 89174339618#,,, *215257# US (San Jose)

AGENDA

1. Call Meeting to Order
2. Public Comments

THOSE WISHING TO ADDRESS THE ENGINEERING COMMITTEE ON ANY ITEM LISTED ON THE AGENDA WILL BE REQUESTED TO IDENTIFY AT THE OPENING OF THE MEETING AND PRIOR TO THE CLOSE OF THE MEETING. THE AUTHORITY REQUESTS THAT YOU STATE YOUR NAME WHEN MAKING THE REQUEST IN ORDER THAT YOUR NAME MAY BE CALLED TO SPEAK ON THE ITEM OF INTEREST. THE CHAIR OF THE MEETING WILL RECOGNIZE SPEAKERS FOR COMMENT AND GENERAL MEETING DECORUM SHOULD BE OBSERVED IN ORDER THAT SPEAKERS ARE NOT TALKING OVER EACH OTHER DURING THE CALL.

PAGE NO.

3. Approval of Minutes..... 1
 - Engineering Committee Minutes of June 18, 2026

Recommended Action: Staff requests that the Engineering Committee approve the subject Minutes as submitted.
4. General Manager's Report 4

Recommended Action: Committee Discussion, Direction, and Action.
5. Capital Asset Lifecycle Program..... 6

Recommended Action: Committee Discussion, Direction, and Action.
6. Flows and Solids Use Audit 24

Recommended Action: Staff requests that the Engineering Committee recommend to the Board of Directors the approval of the Use Audit calculated results for the close of the Use Audit for disbursement or collection of additional funds in FY 25-26.
7. Cost Allocation Policy 27

Recommended Action: Committee Discussion, Direction, and Action.
8. Operations Report

Recommended Action: Information Item.
9. Capital Improvement Workplan FY 26-27 (September) 28

Recommended Action: Information Item.

10. <u>Capital Improvement Construction Projects Progress and Change Order Report (September [Project Committees 2 and 15])</u>	30
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Recommended Action: Information Item.

11. <u>JBL Digester Underground Piping Construction Management Service</u>	38
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Recommended Action: Committee Discussion, Direction, and Action.

12. <u>CTP Channel Embankment Updates</u>	111
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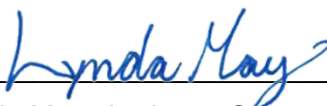
Recommended Action: Committee Discussion, Direction, and Action.

13. Adjournment

I hereby certify that the foregoing Notice was personally emailed or mailed to each member of the SOCWA Engineering Committee at least 72 hours prior to the scheduled time of the Regular Meeting referred to above.

I hereby certify that the foregoing Notice was posted at least 72 hours prior to the time of the above-referenced Engineering Committee meeting at the usual agenda posting location of the South Orange County Wastewater Authority and at www.socwa.com.

Dated this 11th day of September 2026.



Lynda May, Assistant Secretary
SOUTH ORANGE COUNTY WASTEWATER AUTHORITY

WORKSHOP MEETING OF THE
MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
BOARD OF DIRECTORS WITH METROPOLITAN DIRECTORS
18700 Ward Street, Conference Room 101, Fountain Valley, California
September 2, 2026, 8:30 a.m.

Teleconference Sites:
17420 Walnut Street, Fountain Valley, CA 92708
25652 Paseo De La Paz, San Juan Capistrano, CA 92675

This meeting will be held in person at 18700 Ward Street, Fountain Valley, California, 92708 (Conference Room 101). As a convenience for the public, the meeting may also be accessed by Zoom Webinar and will be available by either computer or telephone audio as indicated below. Because this is an in-person meeting and the Zoom component is not required, but rather is being offered as a convenience, if there are any technical issues during the meeting, this meeting will continue and will not be suspended.

Computer Audio: You can join the Zoom meeting by clicking on the following link:
<https://zoom.us/j/8828665300>

Telephone Audio: (669) 900 9128
Webinar ID: 882 866 5300#

AGENDA

PLEDGE OF ALLEGIANCE

ROLL CALL

PUBLIC COMMENTS

At this time members of the public will be given an opportunity to address the Board concerning items within the subject matter jurisdiction of the Board. Members of the public may also address the Board about a particular Agenda item at the time it is considered by the Board and before action is taken.

The Board requests, but does not require, that members of the public who want to address the Board complete a voluntary "Request to be Heard" form available from the Board Secretary prior to the meeting.

ITEMS RECEIVED TOO LATE TO BE AGENDIZED

Determine need and take action to agendize item(s), which arose subsequent to the posting of the Agenda. (ROLL CALL VOTE: Adoption of this recommendation requires a two-thirds vote of the Board members present or, if less than two-thirds of the Board members are present a unanimous vote).

ITEMS DISTRIBUTED TO THE BOARD LESS THAN 72 HOURS PRIOR TO THE MEETING

Pursuant to Government Code Section 54957.5, non-exempt public records that relate to open session agenda items and are distributed to a majority of the Board less than 72 hours prior to the meeting will be available for public inspection in the lobby of the District's business office located at 18700 Ward Street, Fountain Valley, California 92708, during regular business hours. When practical, these public records will also be made available on the District's Internet Website, accessible at <http://www.mwdoc.com>.

NEXT RESOLUTION NO. 2180

DISCUSSION ITEMS

1. LEGISLATIVE ACTIVITIES

- a. Federal Legislative Report (Natural Resource Results)
- b. State Legislative Report (West Coast Advisors)
- c. Legal and Regulatory Report (Ackerman)

- d. County Legislative Report (Whittingham)
- e. MWDOC Legislative Matrix
- f. Metropolitan Legislative Matrix

Recommendation: Review and discuss the information presented.

2. QUESTIONS OR INPUT ON METROPOLITAN ISSUES FROM THE MEMBER AGENCIES/METROPOLITAN DIRECTOR REPORTS REGARDING METROPOLITAN COMMITTEE PARTICIPATION

Recommendation: Receive input and discuss the information presented.

ACTION ITEM

3. PROPOSED AMENDMENTS TO THE COORDINATED OPERATING, WATER SHORTAGE, EXCHANGE AND DELIVERY AGREEMENT AMONG METROPOLITAN, MUNICIPAL WATER DISTRICT OF ORANGE COUNTY AND IRVINE RANCH WATER DISTRICT (PRESENTATION BY PAUL WEGHORST)

Recommendation: Authorize the General Manager to execute an amended Coordinated Operating, Water Storage, Exchange and Delivery Agreement among Metropolitan Water District of Southern California, Municipal Water District of Orange County, and Irvine Ranch Water District.

INFORMATION ITEMS

4. METROPOLITAN ITEMS CRITICAL TO ORANGE COUNTY

- a. Metropolitan's Finances
- b. Metropolitan's Water Supply Condition Update
- c. Metropolitan's Water Quality Update
- d. Colorado River Issues
- e. Delta Conveyance Activities and State Water Project Issues

5. METROPOLITAN BOARD AGENDA DISCUSSION ITEMS

- a. Summary regarding August Metropolitan Board Meeting
- b. Review items of significance for the Metropolitan Board Agenda

ADJOURNMENT

Note: Accommodations for the Disabled. Any person may make a request for a disability-related modification or accommodation needed for that person to be able to participate in the public meeting by contacting Angela Crespi, District Secretary, at (714) 963-3058, or writing to Municipal Water District of Orange County at 18700 Ward Street, Unit B, Fountain Valley, CA 92708. Requests must specify the nature of the disability and the type of accommodation requested. A telephone number or other contact information should be included so that District staff may discuss appropriate arrangements. Persons requesting a disability-related accommodation should make the request with adequate time before the meeting for the District to provide the requested accommodation.

SPECIAL MEETING OF THE BOARD OF DIRECTORS OF THE
MUNICIPAL WATER DISTRICT OF ORANGE COUNTY

Jointly with the

PLANNING & OPERATIONS COMMITTEE

18700 Ward Street, Conference Room 101, Fountain Valley, CA 92708

September 8, 2026, 8:30 a.m.

Teleconference Sites:

17420 Walnut Street, Fountain Valley, CA 92708

25652 Paseo De La Paz, San Juan Capistrano, CA 92675

This meeting will be held in person at 18700 Ward Street, Fountain Valley, California, 92708 (Conference Room 101). As a convenience for the public, the meeting may also be accessed by Zoom Webinar and will be available by either computer or telephone audio as indicated below. Because this is an in-person meeting and the Zoom component is not required, but rather is being offered as a convenience, if there are any technical issues during the meeting, this meeting will continue and will not be suspended.

Computer Audio: You can join the Zoom meeting by clicking on the following link:

<https://zoom.us/j/8828665300>

Telephone Audio: (669) 900 9128
Webinar ID: 882 866 5300#

P&O Committee:

Director Seckel, Chair

Director McVicker

Director Yoo Schneider

Staff: H. De La Torre, M. Baum-Haley,
A. Crespi, C. Busslinger, V. Osborn,
K. Pham

Ex Officio Member: President Dick

MWDOC Committee meetings are noticed and held as joint meetings of the Committee and the entire Board of Directors, and all members of the Board of Directors may attend and participate in the discussion. Each Committee has designated Committee members, and other members of the Board are designated alternate committee members. If less than a quorum of the full Board is in attendance, the Board meeting will be adjourned for lack of a quorum and the meeting will proceed as a meeting of the Committee with those Committee members and alternate members in attendance acting as the Committee.

ROLL CALL

PUBLIC COMMENTS

Public comments on agenda items and items under the jurisdiction of the Committee should be made at this time.

ITEMS RECEIVED TOO LATE TO BE AGENDIZED

Determine need and take action to agendize item(s), which arose subsequent to the posting of the Agenda. (Requires a unanimous vote of the Committee).

ITEMS DISTRIBUTED TO THE BOARD LESS THAN 72 HOURS PRIOR TO THE MEETING

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ACTION ITEMS

1. EXTENSION OF AN AGREEMENT WITH WESTERLY METER SERVICE COMPANY FOR CUSTOMER METER TESTING
2. AWARD OF AGREEMENT FOR EMERGENCY FUEL SUPPLY DELIVERY AND SUPPORT SERVICES

INFORMATION ITEMS

3. METROPOLITAN ASSESSED VALUATION FOR MWDOC AND ORANGE COUNTY FOR FISCAL YEAR 2026-27
4. ENVIRONMENTAL SYSTEMS RESEARCH INSTITUTE (ESRI) GEOGRAPHIC INFORMATION SYSTEM (GIS) SOLE SOURCE
5. ORANGE COUNTY WATER SUMMIT FINAL UPDATE
6. PUBLIC AFFAIRS HIGHLIGHTS
7. DEPARTMENT ACTIVITIES REPORTS
 - a. Ongoing MWDOC Reliability and Engineering/Planning Projects
 - b. WEROC
 - c. Water Use Efficiency
 - d. Water Loss Control
 - e. Public and Government Affairs
8. REVIEW OF ISSUES RELATED TO PLANNING OR ENGINEERING PROJECTS, WEROC, WATER USE EFFICIENCY, FACILITY AND EQUIPMENT MAINTENANCE, WATER STORAGE, WATER QUALITY, CONJUNCTIVE USE PROGRAMS, EDUCATION, PUBLIC AFFAIRS PROGRAMS AND EVENTS, PUBLIC INFORMATION PROJECTS, PUBLIC INFORMATION CONSULTANTS, DISTRICT FACILITIES, AND MEMBER AGENCY RELATIONS

ADJOURNMENT

NOTE: At the discretion of the Committee, all items appearing on this agenda, whether or not expressly listed for action, may be deliberated, and may be subject to action by the Committee. On those items designated for Board action, the Committee reviews the items and makes a recommendation for final action to the full Board of Directors; final action will be taken by the Board of Directors. Agendas for Committee and Board meetings may be obtained from the District Secretary. Members of the public are advised that the Board consideration process includes consideration of each agenda item by one or more Committees indicated on the Board Action Sheet. Attendance at Committee meetings and the Board meeting considering an item consequently is advised.

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MEETING OF THE BOARD OF DIRECTORS OF THE
MUNICIPAL WATER DISTRICT OF ORANGE COUNTY

Jointly with the

ADMINISTRATION & FINANCE COMMITTEE

18700 Ward Street, Conference Room 101, Fountain Valley, CA 92708

September 9, 2026, 8:30 a.m.

Teleconference Sites:

17420 Walnut Street, Fountain Valley, CA 92708

25652 Paseo De La Paz, San Juan Capistrano, CA 92675

This meeting will be held in person at 18700 Ward Street, Fountain Valley, California, 92708 (Conference Room 101). As a convenience for the public, the meeting may also be accessed by Zoom Webinar and will be available by either computer or telephone audio as indicated below. Because this is an in-person meeting and the Zoom component is not required, but rather is being offered as a convenience, if there are any technical issues during the meeting, this meeting will continue and will not be suspended.

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Telephone Audio: (669) 900 9128
Webinar ID: 882 866 5300#

A&F Committee:

Director Thomas, Chair
Director Nederhood
Director Crane

Staff: H. De La Torre, M. Baum-Haley,
A. Crespi, C. Harris, H. Chumpitazi,
K. Pham

Ex Officio Member: President Dick

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ROLL CALL

PUBLIC COMMENTS

Public comments on agenda items and items under the jurisdiction of the Committee should be made at this time.

ITEMS RECEIVED TOO LATE TO BE AGENDIZED

Determine need and take action to agendize item(s), which arose subsequent to the posting of the Agenda. (Requires a unanimous vote of the Committee).

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PROPOSED BOARD CONSENT CALENDAR ITEMS

1. TREASURER'S REPORT
 - a. Revenue/Cash Receipt Report – August 2026
 - b. Disbursement Approval Report for the month of September 2026
 - c. Disbursement Ratification Report for the month of August 2026
 - d. GM Approved Disbursement Report for the month of August 2026
 - e. Consolidated Summary of Cash and Investment – July 2026
 - f. OPEB and Pension Trust Fund Statement
2. FINANCIAL REPORT
 - a. Combined Financial Statements and Budget Comparative for the Period Ending July 31, 2026

PRESENTATION ITEMS

3. WATER ENERGY EDUCATION ALLIANCE YEAR-END REPORT
4. ADMINISTRATIVE CODE AD HOC COMMITTEE REVIEW UPDATE

ACTION ITEMS

5. APPROVAL OF CHANGES TO THE RECORDS RETENTION SCHEDULE
6. ADOPT A RESOLUTION AUTHORIZING PARTICIPATION IN THE SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY (SDRMA) HEALTH BENEFITS PROGRAM

INFORMATION ITEMS

7. 2027 HEALTH INSURANCE RATES (MEDICAL, VISION, AND DENTAL)
8. DISPOSAL OF FIXED ASSETS AND SURPLUS PERSONAL PROPERTY FOR FISCAL YEAR 2025-26
9. DEPARTMENT ACTIVITIES REPORTS
 - a. Administration
 - b. Finance and Information Technology
10. MONTHLY WATER SALES DATA

OTHER ITEMS

11. REVIEW ISSUES REGARDING DISTRICT ORGANIZATION, PERSONNEL MATTERS, EMPLOYEE BENEFITS, FINANCE, AND INSURANCE

ADJOURNMENT

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REGULAR MEETING
OF THE BOARD OF DIRECTORS
MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
18700 Ward Street, Boardroom, Fountain Valley, California
September 16, 2026, 8:30 a.m.

Teleconference Sites:
25652 Paseo De La Paz, San Juan Capistrano, CA 92675
17420 Walnut Street, Fountain Valley, CA 92708

This meeting will be held in person at 18700 Ward Street, Fountain Valley, California, 92708 (Boardroom). As a convenience for the public, the meeting may also be accessed by Zoom Webinar and will be available by either computer or telephone audio as indicated below. Because this is an in-person meeting and the Zoom component is not required, but rather is being offered as a convenience, if there are any technical issues during the meeting, this meeting will continue and will not be suspended.

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<https://zoom.us/j/8828665300>

Telephone Audio: (669) 900 9128
Webinar ID: 882 866 5300#

AGENDA

MOMENT OF SILENCE

PLEDGE OF ALLEGIANCE

ROLL CALL

PUBLIC COMMENTS

At this time, members of the public will be given an opportunity to address the Board concerning items within the subject matter jurisdiction of the Board. Members of the public may also address the Board about a particular Agenda item at the time it is considered by the Board and before action is taken. If the item is on the Consent Calendar, please inform the Board Secretary before action is taken on the Consent Calendar and the item will be removed for separate consideration.

The Board requests, but does not require, that members of the public who want to address the Board complete a voluntary "Request to be Heard" form available from the Board Secretary prior to the meeting.

ITEMS RECEIVED TOO LATE TO BE AGENDIZED

Determine need and take action to agendize items(s) which arose subsequent to the posting of the Agenda. (ROLL CALL VOTE: Adoption of this recommendation requires a two-thirds vote of the Board members present, or, if less than two-thirds of the Board members are present, a unanimous vote of those members present.)

ITEMS DISTRIBUTED TO THE BOARD LESS THAN 72 HOURS PRIOR TO THE MEETING

Pursuant to Government Code Section 54957.5, non-exempt public records that relate to open session agenda items and are distributed to a majority of the Board less than 72 hours prior to the meeting will be available for public inspection in the lobby of the District's business office located at 18700 Ward Street, Fountain Valley, California 92708, during regular business hours. When practical, these public records will also be made available on the District's website, accessible at <http://www.mwdoc.com>.

NEXT RESOLUTION NO. 2180

CONSENT CALENDAR (Items 1 to 6)

All matters under the Consent Calendar will be approved by one motion unless a Board member requests separate action on a specific item.

1. MINUTES

- a. August 3, 2026 Planning & Operations Committee Meeting
- b. August 5, 2026 Joint Workshop Board Meeting
- c. August 12, 2026 Administration & Finance Committee Meeting
- d. August 19, 2026 Regular Board Meeting
- e. August 19, 2026 Special Executive Committee Meeting

Recommendation: Approve as presented.

2. TREASURER'S REPORTS

- a. MWDOC Revenue/Cash Receipt Register as of August 31, 2026
- b. Disbursement Registers (August/September)

Recommendation: Ratify and approve as presented.

- c. Summary of Cash and Investment and Portfolio Master Summary Report (Cash and Investment report) as of July 31, 2026
- d. PARS Monthly Statement (OPEB Trust)

Recommendation: Receive and file as presented

3. FINANCIAL REPORT

- a. Combined Financial Statements and Budget Comparative for the Period Ending July 31, 2026

Recommendation: Receive and file as presented.

4. EXTENSION OF AN AGREEMENT WITH WESTERLY METER SERVICE COMPANY FOR CUSTOMER METER TESTING

Recommendation: Authorize the General Manager to extend an agreement with Westerly Meter Service Company to provide customer meter accuracy testing services for an additional six months through June 30, 2027.

5. AWARD OF AGREEMENT FOR EMERGENCY FUEL SUPPLY DELIVERY AND SUPPORT SERVICES

Recommendation: Award Merrimac Petroleum, Inc., doing business as Merrimac Energy Group, a one-year agreement with the option for four additional one-year renewals, to provide emergency fuel supply delivery and support services on an as-needed basis and authorize the General Manager to execute the agreement.

6. APPROVAL OF CHANGES TO THE RECORDS RETENTION SCHEDULE

Recommendation: Review and approve changes to the records retention schedule.

End of Consent Calendar

ACTION ITEMS

7. ADOPT A RESOLUTION AUTHORIZING PARTICIPATION IN THE SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY (SDRMA) HEALTH BENEFITS PROGRAM

Recommendation: Adopt a resolution authorizing the execution of a Memorandum of Understanding and participation in the Special District Risk Management Authority Health Benefits Program.

INFORMATION CALENDAR (All matters under the Information Calendar will be Received/Filed as presented following any discussion that may occur)

8. GENERAL MANAGER'S REPORT, (ORAL AND WRITTEN)

Recommendation: Receive and file report(s) as presented.

9. MWDOC GENERAL INFORMATION ITEMS

- a. Board of Directors - Reports re: Conferences and Meetings
- b. Requests for Future Agenda Topic

Recommendation: Receive and file as presented.

ADJOURNMENT

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LOCAL AGENCY FORMATION COMMISSION OF ORANGE COUNTY

REGULAR MEETING AGENDA

**Wednesday, September 9, 2026
8:15 a.m.**

**County Administrative North (CAN)
First Floor Multipurpose Room 101**

400 W. Civic Center Drive, Santa Ana, CA 92701

Members of the public may access the audio/video live-streamed meeting at

<https://youtube.com/live/gjW9e3aLlul?feature=share>

Any member of the public may request to speak on any agenda item at the time the Commission is considering the item.

1. CALL THE MEETING TO ORDER

2. PLEDGE OF ALLEGIANCE

3. BOARD APPOINTMENTS

The Commission will receive a report on the recent appointments to the Commission, and the Oath of Office will be administered for the respective terms.

4. ROLL CALL

5. ANNOUNCEMENT OF SUPPLEMENTAL COMMUNICATION

(Communications received after agenda distribution for agendized items.)

6. PUBLIC COMMENT

This is an opportunity for members of the public to address the Commission on items not on the agenda, provided that the subject matter is within the jurisdiction of the Commission and that no action may be taken by the Commission on off-agenda items unless authorized by law.

7. CONSENT CALENDAR

a.) August 12 – Regular Commission Meeting Minutes

The Commission will consider approval of the August 12, 2026 meeting minutes.

8. PUBLIC HEARING

No public hearing items scheduled.

9. SPECIAL PRESENTATION

a.) Santa Margarita Water District Annexation of San Juan Capistrano's Water and Wastewater Utilities

The General Manager of the Santa Margarita Water District (SMWD) will provide an update on the collaborative effort involving LAFCO, the City of San Juan Capistrano, SMWD, the County, and the community that led to the successful annexation of the City's water and wastewater utilities to SMWD.

10. COMMISSION DISCUSSION AND ACTION

a.) Legislative Report (September 2026)

The Commission will receive an update on the status of previously reviewed legislation, the amicus brief, and recent activity by the Alliance of LAFCOs Legislative Committee.

b.) Orange County Water and Wastewater Service Providers

The Commission will receive a report on the agencies that provide water and wastewater services to Orange County residents.

c.) Post-MSR Survey

The Commission will receive a report on the Post-MSR Survey feedback from agencies that have recently participated in the MSR process during FY 2025-26.

11. COMMISSIONER COMMENTS

This is an opportunity for Commissioners to comment on issues not listed on the agenda, provided that the subject matter is within the jurisdiction of the Commission. No discussion or action may occur or be taken except to place the item on a future agenda if approved by the Commission majority.

12. EXECUTIVE OFFICER'S REPORT

Executive Officer's announcement of upcoming events and a brief report on activities of the Executive Officer since the last meeting.

13. INFORMATIONAL ITEMS & ANNOUNCEMENTS

No informational items or announcements.

14. CLOSED SESSION

No closed session items scheduled.

15. ADJOURNMENT OF REGULAR COMMISSION MEETING

The next Regular Commission Meeting will be held on Wednesday, October 14, 2026, at 8:15 a.m. at the County Administrative North (CAN), First Floor Multipurpose Room 101, 400 W. Civic Center Drive, Santa Ana, CA 92701.

PUBLIC PARTICIPATION:

The Local Agency Formation Commission of Orange County welcomes your participation. The public may share general comments or comments on agenda items through the following options:

- 1) **In-person** comments may be provided during the general comment period on off-agenda items and during the hearing of a specific agenda item. In accordance with the OC LAFCO guidelines, each speaker's comments may not exceed three (3) minutes for the respective item. If you have documents for the Commission, please bring 15 copies and submit to the Commission Clerk for distribution.
- 2) **Audio/Video Live Streaming:** The public may view and listen to the meeting live on YouTube using the link provided on the website homepage (www.oclafco.org). However, LAFCO cannot guarantee that the public's access will be uninterrupted, and technical difficulties may occur from time to time. The meeting will continue despite technical difficulties for participants using audio/video live streaming unless otherwise prohibited by State open meeting laws.
- 3) **Written** general comments or comments on specific agenda items may be submitted by email to the Commission Clerk at ccarter-benjamin@oclafco.org. Comments received no less than twenty-four (24) hours prior to the regular meeting will be distributed to the Commission and included in the record.

Pursuant to Government Code Section 54957.5, public records that relate to open session agenda items that are distributed to a majority of the Commission less than seventy-two (72) hours prior to the meeting will be made available to the public on the OC LAFCO website at www.oclafco.org.

"Pursuant to State law, a participant in an OC LAFCO proceeding who has a financial interest in a decision and who has made a campaign contribution of more than \$250 to any commissioner in the past year may be required to disclose the contribution. If you are affected, please notify the Commission's staff before the hearing in order to determine whether disclosure is warranted."

AMERICANS WITH DISABILITIES ACT (ADA)

All regular meeting agendas and associated reports are available at www.oclafco.org. Any person with a disability under the Americans with Disabilities Act (ADA) may receive a copy of the agenda or associated reports upon request. Any person with a disability covered under the ADA may also request a disability-related modification or accommodation, including auxiliary aids or services, to participate in a public meeting. Requests for copies of meeting documents and accommodations shall be made with OC LAFCO staff at (714) 640-5100 at least three business days prior to the respective meeting.



Executive Committee Meeting

Tuesday, September 1, 2026
7:30 a.m.

Mailing Address

18700 Ward Street, Unit B
Fountain Valley, CA 92708

Meeting Location

MWDOC/OCWD
18700 Ward Street
Fountain Valley, CA 92708

(714) 963-3058
(714) 964-5930 fax

www.isdoc.net

Join Zoom Meeting

<https://mwdoc.zoom.us/j/83420776167>

Dial by your location
669 900 9128 US (San Jose)
877 853 5247 US Toll-free
888 788 0099 US Toll-free

Executive Committee

President
Hon. Bob McVicker
*Municipal Water District of
Orange County*

1st Vice President
Vacant

2nd Vice President
Hon. Marilyn Thoms
East Orange County Water District

3rd Vice President
Hon. Al Nederhood
*Municipal Water District of
Orange County*

Secretary
Vacant

Treasurer
Hon. Sandra Jacobs
Santa Margarita Water District

Immediate Past President
Hon. Greg Mills
Serrano Water District

Staff Administration

Heather Baez
*Municipal Water District of
Orange County*

Katie Vincent
*Municipal Water District of
Orange County*

AGENDA

- **Welcome**
- **Approval of Minutes**
 - Approval of Minutes: August 4, 2026
 - Approval of Minutes: July 30, 2026
- **Public Comments on items not on the agenda**
- **New Business**
 - ISDOC Luncheon Cost Discussion
- **Old Business**
 - ISDOC Election 2027-2028 Update
- **Treasurer's Report – Director Sandra Jacobs**
 - Report on accounts
- **CSDA Report – Chris Palmer**
 - Receive, discuss, and file the CSDA Report
- **LAFCO Report – Director Jim Fisler**
 - Receive, discuss, and file the LAFCO report

- **ACWA Report – Director Sandra Jacobs**
 - Receive, discuss, and file the ACWA report
- **OCCOG Report – Director Mike Scheafer**
 - Receive, discuss, and file the OCCOG report
- **California Association of Sanitation Agencies (CASA) Report – SOCWA Representative**
 - Receive, discuss, and file the CASA report
- **Subcommittee Reports**
 - Programs – Heather Baez
 - Membership – Director Thoms
 - Legislative – Director Nederhood
- **Adjourn**



Water Advisory Committee of Orange County (WACO) Virtual Meeting

Friday, September 11, 2026
7:30 a.m. – 9:00 a.m.

Zoom Meeting Link:

<https://mwdoc.zoom.us/j/82792553545>

(Registration not required)

Officers

Chair

Hon. Greg Mills

Serrano Water District

Vice Chair

Hon. Karl Seckel

Municipal Water District of Orange County

Staff Contacts

Medha Paliwal / Crystal Nettles

Orange County Water District (OCWD)

(714) 378-3200

www.ocwd.com/news-events/events/waco

Heather Baez / Jared Dawson / Katie Vincent

Municipal Water District of Orange County

(MWDOC)

(714) 963-3058

www.mwdoc.com/waco

AGENDA

Welcome

- Greg Mills, Serrano Water District

Reports

- Metropolitan Water District of Southern California (MET)
- Association of California Water Agencies (ACWA)

Program

A Consensus, The Compact, or The Courts... Which Will Decide
the Fate of the Colorado River?

Speaker:

Bill Hasencamp

Manager, Colorado River Resources

Metropolitan Water District of Southern California

Agency Announcements

Adjourn

Next WACO Meeting

Friday, October 2, 2026 at 7:30 a.m. via Zoom

Next WACO Planning Committee Meeting

Tuesday, September 15, 2026 at 7:30 a.m. via Zoom

DATES TO REMEMBER
SEPTEMBER/OCTOBER 2026

1. Sep 24 – 12:00 p.m. – South Orange County Agencies Group (SOCAG) meeting
2. Sep 25 – 7:30 a.m. – OC Water Summit; Westin Costa Mesa
3. Sep 29 – 10:00 a.m. – SOCWA Planning Committee meeting
4. Oct 1 – 8:30 a.m. – SOCWA Board meeting
5. Oct 2 – DISTRICT OFFICE CLOSED
6. Oct 2 – 7:30 a.m. – WACO meeting
7. Oct 2 – 11:30 a.m. – Lake Forest Chamber; Annual Legislative Luncheon
8. Oct 5 – 8:30 a.m. – MWDOC P&O Committee meeting
9. Oct 6 – 7:30 a.m. – ISDOC Executive meeting
10. Oct 7 – 8:30 a.m. – MWDOC Met Directors meeting
11. Oct 8 – 8:30 a.m. – SOCWA Engineering meeting
12. Oct 9 – 12:00 p.m. – Pres/VP/GM meeting
13. Oct 12 – 10:00 a.m. – Agenda Review Meeting
14. Oct 13 – 9:00 a.m. – SOCWA Executive Committee meeting
15. Oct 14 – 8:00 a.m. – ACWA Region 10 Event; Carlsbad
16. Oct 14 – 8:15 a.m. – LAFCO meeting
17. Oct 14 – 8:30 a.m. – MWDOC Admin/Fin Committee meeting
18. Oct 15 – 11:30 a.m. – OC ReUse; SCWD
19. Oct 16 – DISTRICT OFFICE CLOSED
20. Oct 19 – 7:30 a.m. – Regular Finance and Engineering meeting
21. Oct 20 – 10:30 a.m. – SOCWA Finance meeting
22. Oct 21 – 8:30 a.m. – MWDOC Board meeting
23. Oct 21 – 11:30 a.m. – OCWA Luncheon
24. Oct 22 – 7:30 a.m. – Regular Board meeting
25. Oct 23 – 12:00 p.m. – Pres/VP/GM meeting
26. Oct 28 – 8:30 a.m. – MWDOC/OCWD Joint Planning meeting
27. Oct 29 – 11:30 a.m. – ISDOC Quarterly Luncheon
28. Oct 30 – DISTRICT OFFICE CLOSED

EL TORO WATER DISTRICT
Glossary of Water Terms

Accumulated overdraft: The amount of water necessary to be replaced in the intake area of the groundwater basin to prevent the landward movement of ocean water into the fresh groundwater body.

Acre-foot, AF: A common water industry unit of measurement. An acre-foot is 325,851 gallons, or the amount of water needed to cover one acre with water one foot deep. An acre-foot serves annual needs of two typical California families.

ACWA: Association of California Water Agencies. A statewide group based in Sacramento that actively lobbies State and Federal Government on water issues.

Advanced treatment: Additional treatment processes used to clean wastewater even further following primary and secondary treatment. Also known as tertiary treatment.

AFY: Acre-foot per year.

Alluvium: A stratified bed of sand, gravel, silt, and clay deposited by flowing water.

AMP: Allen McCulloch pipeline. Major pipeline transporting treated water to water districts between Yorba Linda, where it starts to El Toro Water District reservoir, where it terminates.

Annexation: The inclusion of land within a government agency's jurisdiction.

Annual overdraft: The quantity by which the production of water from the groundwater supplies during the water year exceeds the natural replenishment of such groundwater supplies during the same water year.

Aqueduct: A man-made canal or pipeline used to transport water.

Aquifer: An underground geologic formation of rock, soil or sediment that is naturally saturated with water; an aquifer stores groundwater.

Arid: Dry; deserts are arid places. Semi-arid places are almost as dry as a desert.

Artesian: An aquifer in which the water is under sufficient pressure to cause it to rise above the bottom of the overlying confining bed, if the opportunity is provided.

Artificial recharge: The addition of surface water to a groundwater reservoir by human activity, such as putting surface water into recharge basins. (See also: groundwater recharge and recharge basin.)

AWWA: American Water Works Association. Nationwide group of public and private water purveyors and related industrial suppliers.

Base flow: The portion of river surface flow which remains after deduction of storm flow and/or purchased imported water.

Bay-Delta: The Sacramento-San Joaquin Bay-Delta is a unique natural resource of local, state and national significance. The Delta is home to more than 500,000 people; contains 500,000 acres of agriculture; provides habitat for 700 native plant and animal species; provides water for more than 25 million Californians and 3 million acres of agriculture; is traversed by energy, communications and transportation facilities vital to the economic health of California; and supports a \$400 billion economy.

BIA: Building Industry Association

Biofouling: The formation of bacteria film (biofilm) on fragile reverse osmosis membrane surfaces.

Biosolids: Solid organic matter recovered from a sewage treatment process and used especially as fertilizer.

BMP: Best Management Practice. An engineered structure or management activity, or combination of these, that eliminates or reduces adverse environmental effects.

Brackish water: A mixture of freshwater and saltwater

Brown Act: Ralph M. Brown Act enacted by the State legislature governing all meetings of legislative bodies. Also known as Open Meeting Requirements.

Canal: A ditch used to move water from one location to another.

CASA: California Association of Sanitation Agencies. The sanitation equivalent of ACWA concerned solely with issues affecting the treatment and disposal of solid waste and wastewater.

CEQA: California Environmental Quality Act.

CERCLA: Comprehensive Environmental Response, Compensation and Liability Act. This federal law establishes the Superfund program for hazardous waste sites. It provides the legal basis for the United States EPA to regulate and clean up hazardous waste sites, and if appropriate, to seek financial compensation from entities responsible for the site.

CFS: Cubic feet per second.

Chloramines: A mixture of ammonia and chlorine use to purify water.

Clarify: To make clear or pure by separation and elimination of suspended solid material.

Coagulation: The clumping together of solids so they can more easily be settled out of filtered out of water. A chemical called aluminum sulfate (alum) is generally used to aid coagulation in water treatment and reclamation.

Coastkeepers: A non-profit organization dedicated to the protection and preservation of the marine habitats and watersheds of Orange County through programs of education, restoration, enforcement and advocacy.

Colored Water: Groundwater extracted from the basin that is unsuitable for domestic use without treatment due to high color and odor exceeding drinking water standards.

Condensation: The process of water vapor (gas) changing into liquid water. An example of condensation can be seen in the tiny water droplets that form on the outside of a glass of iced tea as warmer air touches the cooler glass.

Confined aquifer: An aquifer that is bound above and below by dense layers of rock and contains water under pressure.

Conjunctive use: Storing imported water in a local aquifer, in conjunction with groundwater, for later retrieval and use.

Contaminate: To make unclean or impure by the addition of harmful substances.

CPCFA: California Pollution Control Financing Authority. State agency providing funds for wastewater reclamation projects.

Crisis:

1. A: The turning point for better or worse B. a paroxysmal attack of pain, distress, or disordered function C. an emotionally significant event or radical change of status in a person's life < a midlife crisis>
2. The decisive moment (as in a literary plot)
3. A: An unstable or crucial time or state of affairs in which a decisive change is impending; especially one with the distinct possibility of a highly undesirable outcome < a financial crisis> B. a situation that has reached a critical phase

CTP: Coastal Treatment Plant

CWPCA: California Water Pollution Control Association. A 7000-member non-profit educational organization dedicated to water pollution control.

Dam: A barrier built across a river or stream to hold water.

Decompose: To separate into simpler compounds, substances or elements.

Deep percolation: The percolation of surface water through the ground beyond the lower limit of the root zone of plants into a groundwater aquifer.

Degraded water: Water within the groundwater basin that, in one characteristic or another, does not meet primary drinking water standards.

Delta: Where the rivers empty; an outlet from land to ocean, also where the rivers deposit sediment they carry forming landforms.

Delta Vision: Delta Vision is intended to identify a strategy for managing the Sacramento- San Joaquin Delta as a sustainable ecosystem that would continue to support environmental and economic functions that are critical to the people of California.

Demineralize: To reduce the concentrations of minerals from water by ion exchange, distillation, electro-dialysis, or reverse osmosis.

De-nitrification: The physical process of removing nitrate from water through reverse osmosis, microfiltration, or other means.

Desalting (or desalination): Removing salts from salt water by evaporation or distillation. Specific treatment process, such as reverse osmosis or multi-stage flash distillation, to demineralize seawater or brackish (saline) waters for reuse. Also, sometimes used in wastewater treatment to remove salts other pollutants.

Desilting: The physical process of removing suspended particles from water.

Dilute: To lessen the amount of a substance in water by adding more water

Disinfection: Water treatment which destroys potentially harmful bacteria.

Drainage basin: The area of land from which water drains into a river, for example, the Sacramento River Basin, in which all land area drains into the Sacramento River. Also called catchment area, watershed, or river basin.

Drought: A prolonged period of below- average precipitation.

DPHS: California Department of Public Health Services. Regulates public water systems; oversees water recycling projects; permits water treatment devices; certifies drinking water treatment and distribution operators; supports and promotes water system security; provides support for small water systems and for improving technical, managerial, and financial (TMF) capacity; provides funding opportunities for water system improvements.

DVL: Diamond Valley Lake. Metropolitan's major reservoir near Hemet, in southwestern Riverside County.

DWR: California Department of Water Resources. Guides development/management of California's water resources; owns/operates State Water Project and other water facilities.

Endangered Species: A species of animal or plant threatened with extinction.

Endangered Species Act of 1973 (ESA): The most wide-ranging of the dozens of United States environmental laws passed in the 1970's. As stated in section 2 of the act, it was designed to protect critically imperiled species from extinction as a "consequence of economic growth and development untended by adequate concern and conservation.

Ecosystem: Where living and non-living things interact (coexist) in order to survive.

Effluent: Wastewater or other liquid, partially or completely treated or in its natural state, flowing from a treatment plant.

Evaporation: The process that changes water (liquid) into water vapor (gas).

Estuary: Where fresh water meets salt water.

Evapotranspiration: The quantity of water transpired (given off), retained in plant tissues, and evaporated from plant tissues and surrounding soil surface. Quantitatively, it is expressed in terms of depth of water per unit area during a specified period of time.

FCH: Federal Clearing House – Environmental Review/Processing

FEMA: Federal Emergency Management Agency

Filtration: The process of allowing water to pass through layers of a porous material such as sand, gravel or charcoal to trap solid particles. Filtration occurs in nature when rain water soaks into the ground and it passes through hundreds of feet of sand and gravel. This same natural process of filtration is duplicated in water and wastewater treatment plants, generally using sand and coal as the filter media.

Flocculation: A chemical process involving addition of a coagulant to assist in the removal of turbidity in water.

Forebay: A reservoir or pond situated at the intake of a pumping plant or power plant to stabilize water level; also, a portion of a groundwater basin where large quantities of surface water can recharge the basin through infiltration.

Gray water reuse: Reuse, generally without treatment, of domestic type wastewater for toilet flushing, garden irrigation and other non-potable uses. Excludes water from toilets, kitchen sinks, dishwashers, or water used for washing diapers.

Green Acres Project (GAP): A 7.5 million gallons per day (MGD) water reclamation project that serves tertiary treated recycled water to irrigation and industrial users in Costa Mesa, Fountain Valley, Huntington Beach, Newport Beach, and Santa Ana.

God Squad: A seven-member committee that is officially called the “Endangered Species Committee”. Members consist of Secretary of the Interior, the Secretary of Agriculture, the Secretary of the Army, the Chairman of the Council of Economic Advisers, the Administrator of the National Oceanic and Atmospheric Administration and one individual from the affected state. The squad was established in 1978 by an amendment to the 1973 Endangered Species Act (ESA). It has only been called into action three times to deal with proposed federal agency actions that have been determined to cause “jeopardy” to any listed species.

Groundwater: Water that has percolated into natural, underground aquifers; water in the ground, not water puddled on the ground.

Groundwater basin: A groundwater reservoir defined by the overlying land surface and the underlying aquifers that contain water stored in the reservoir. Boundaries of success-ively deeper aquifers may differ and make it difficult to define the limits of the basin.

Groundwater mining: The withdrawal of water from an aquifer in excess of recharge over a period of time. If continued, the underground supply would eventually be exhausted or the water table could drop below economically feasible pumping lifts.

Groundwater overdraft: The condition of a groundwater basin in which the amount of water withdrawn by pumping exceeds the amount of water that recharges the basin over a period of years during which water supply conditions approximate average.

Groundwater recharge: The action of increasing groundwater storage by natural conditions or by human activity. See also: Artificial recharge.

Ground water replenishment system (GWRS): A joint project of the Orange County Water District and the Orange County Sanitation District that will provide up to 1000,000 acre-feet of reclaimed water annually. The high-quality water will be used to expand an existing underground seawater intrusion barrier and to replenish the groundwater basin underlying north and central Orange County.

Groundwater table: The upper surface of the zone of saturation (all pores of subsoil filled with water), except where the surface is formed by an impermeable body.

GPM: Gallons per minute.

Ground Water Replenishment System (GWRS): Orange County Water District's state of the art, highly advanced, waste-water treatment facility.

Hydrologic balance: An accounting of all water inflow to, water outflow from, and changes in water storage within a hydrologic unit over a specified period.

Hydrologic cycle: The process of water constantly circulating from the ocean, to the atmosphere, to the earth in a form of precipitation, and finally returning to the ocean.

Imported water: Water that has originated from one hydrologic region and is transferred to another hydrologic region.

Inflatable rubber dams: Designed to replace temporary sand levees that wash out during heavy storm flow, the dams hold back high-volume river flows and divert the water into the off-river system for percolation.

Influent: Water or wastewater entering a treatment plant, or a particular stage of the treatment process.

Irrigation: Applying water to crops, lawns or other plants using pumps, pipes, hoses, sprinklers, etc.

JPIA: Joint Powers Insurance Authority. A group of water agencies providing self-insurance to member of the ACWA.

LAI: Local Agency Investment Fund. Statewide pool of surplus public agency money managed by state treasurer.

Leach: to remove components from the soil by the action of water trickling through.

MAF: Million-acre feet.

MCL: Maximum contaminant level set by EPA for a regulated substance in drinking water. According to health agencies, the maximum amount of a substance that can be present in water that's safe to drink and which looks, tastes and smells good.

MET: Metropolitan Water District of Southern California.

MGD: Million gallons per day.

Microfiltration: A physical separation process where tiny, hollow filaments members separate particles from water.

Microorganism: An animal or plant of microscopic size.

MWD: Metropolitan Water District of Southern California.

MWDOC: Municipal Water District of Orange County. Intermediate wholesaler between MWD and 27-member agencies including ETWD.

Non-point source pollution: Pollution that is so general or covers such a wide area that no single, localized source of the pollution can be identified.

NPDES: National Pollution Discharge Elimination System

OCBD: Orange County Business Council

OCEMA: Orange County Environmental Management Agency

OCWD: Orange County Water District

Opportunity:

1. A favorable juncture of circumstances
2. A good chance for advancement or progress

Organism: Any individual form of life, such as a plant, animal or bacterium

PCM: Professional Community Management, Inc. Property Management company providing services to Laguna Woods Village and other homeowners associations.

Perched groundwater: Groundwater supported by a zone of material of low permeability located above an underlying main body of groundwater with which it is not hydrostatically connected.

Percolation: The downward movement of water through the soil of alluvium to the groundwater table

Permeability: The capability of soil or other geologic formations to transmit water

Point source: A specific site from which waste or polluted water is discharged into a water body, the source of which is identified. See also: non-point source.

Potable water: Suitable and safe for drinking

PPB: Parts per billion

Precipitation: Water from the atmosphere that falls to the ground as a liquid (rain) or a solid (snow, sleet, hail).

Primary treated water: First major treatment in a wastewater treatment facility, usually sedimentation but not biological oxidation.

Primary treatment: Removing solids and floating matter from wastewater using screening, skimming and sedimentation (settling by gravity).

Prior appropriation doctrine: Allocates water rights to the first party who diverts water from its natural source and applies the water to beneficial use. If at some point the first appropriator fails to use the water beneficially, another person may appropriate the water and gain rights to the water. The central principle is beneficial use, not land ownership.

Pumping Plant: A facility that lifts water up and over hills.

Recharge: The physical process where water naturally percolates or sinks into a groundwater basin.

Recharge basin: A surface facility, often a large pond, used to increase the infiltration of surface water into a groundwater basin.

Reclaimed wastewater: Wastewater that becomes suitable for a specific beneficial use as a result of treatment. See also: wastewater reclamation.

Reclamation project: A project where water is obtained from a sanitary district or system and which undergoes additional treatment for a variety of uses, including landscape irrigation, industrial uses, and groundwater recharge.

Recycling: A type of reuse, usually involving running a supply of water through a closed system again and again. Legislation in 1991 legally equates the term “recycled water” to reclaimed water.

Reservoir: A place where water is stored until it is needed. A reservoir can be an open lake or an enclosed storage tank.

Reverse osmosis: (RO) A method of removing salts or other ions from water by forcing water through a semi-permeable membrane.

RFP: Request for Proposal

Riparian: Of or on the banks of a stream, river, or other body of water.

RO: Reverse osmosis. See the listing under “reverse osmosis.”

R-O-W: Right-of-way

Runoff: Liquid water that travels over the surface of the Earth, moving downward due to gravity. Runoff is one way in which water that falls as precipitation returns to the ocean.

RWQCB: Regional Water Quality Control Board. State agency regulating discharge and use of recycled water.

Safe Drinking Water Act (SDWA): The Safe Drinking Water Act (SDWA) was originally passed by Congress in 1974 to protect public health by regulating the nation's public drinking water supply. The law was amended in 1986 and 1996 and requires many actions to protect drinking water and its sources: rivers, lakes reservoirs, springs, and ground water wells. (SDWA does not regulate private wells which serve fewer than 25 individuals.) SDWA authorizes the United States Environmental Protection Agency (US EPA) to set national health-based standards for drinking water to protect against both naturally-occurring and man-made contaminants that may be found in drinking water. US EPA, states, and water systems work together to make sure that these standards are met.

Safe yield: The maximum quantity of water that can be withdrawn from a groundwater basin over a long period of time without developing a condition of overdraft, sometimes referred to as sustained yield.

SAFRA: Santa Ana River Flood Protection Agency

Salinity: Generally, the concentration of mineral salts dissolved in water. Salinity may be measured by weight (total dissolved solids – TDS), electrical conductivity, or osmotic pressure. Where seawater is known to be the major source of salt, salinity is often used to refer to the concentration of chlorides in the water.

SAWPA: Santa Ana Watershed Project Authority.

SCADA: Supervisory Control and Data Acquisition

SCAP: Southern California Alliance of Publicity. Newly formed group of public agencies seeking reasonable regulation of sewer industry.

SCH: State Clearing House – Environmental Review/Processing

Seasonal Storage: A three-part program offered by Metropolitan Water District of Southern California:

STSS (Short Term Seasonal Storage): financially encourages agencies with local groundwater production capabilities to produce a higher percentage of their demand in the summer from their local groundwater supplies, thus shifting a portion of their demand on the MWD system from the summer to winter;

LTSS (Long Term Seasonal Storage): Financially encourages retail agencies to take and store additional amounts of MWD water above their normal annual demands for later use; Replenishment Water provides less expensive interruptible water that is generally available and used to increase the operating yield of groundwater basins.

Seawater intrusion: The movement of salt water into a body of fresh water. It can occur in either surface water or groundwater basins.

Seawater barrier: A physical facility or method of operation designed to prevent the intrusion of salt water into a body of freshwater.

Secondary treatment: The biological portion of wastewater treatment which uses the activated sludge process to further clean wastewater after primary treatment. Generally, a level of treatment that produces 85 percent removal efficiencies for biological oxygen demand and suspended solids. Usually carried out through the use of trickling filters or by the activated sludge process.

Sedimentation: The settling of solids in a body of water using gravity.

Settle: To clarify water by causing impurities/solid material to sink to a container's bottom.

Sewer: The system of pipes that carries wastewater from homes and businesses to a treatment plant or reclamation plant. Sewers are separate from storm drains, which is a system of drains and pipes that carry rain water from urban streets back to the ocean. Overwatering your yard can also cause water to run into the streets and into storm drains. Storm drain water is not treated before it is discharged.

SigAlert: Any unplanned event that causes the closing of one lane of traffic for 30 minutes or more, as opposed to a planned event, like the road construction, which is planned.

SJBA: San Juan Basin Authority

Sludge: The solids that remain after wastewater treatment. This material is separated from the cleaned water, treated and composted into fertilizer. Also called biosolids.

SOCWA: South Orange County Wastewater Authority. Regional Joint Powers Authority form for collection and treatment of sewerage (previously known as AWMA/SERRA/SOCRA). SOCWA member agencies:

- CSC – City of San Clemente
- CSJC – City of San Juan Capistrano
- CLB – City of Laguna Beach
- ETWD – El Toro Water District
- EBSD – Emerald Bay Service District
- IRWD – Irvine Ranch Water District
- MNWD – Moulton Niguel Water District
- SCWD – South Coast Water District
- SMWD – Santa Margarita Water District
- TCWD – Trabuco Canyon Water District

SRE: State Revolving Fund

Storm Drain: The system of pipes that carries rain water from urban streets back to the ocean. Overwatering your yard can also cause water to run into the streets and into storm drains. Storm drain water is not treated before it is discharged. Storm drains are separate from sewers, which is a separate system of pipes to carry wastewater from homes and businesses to a treatment plant or reclamation plant for cleaning.

Storm flow: Surface flow originating from precipitation and run-off which has not percolated to an underground basin.

SWP: State Water Project. An aqueduct system that delivers water from Northern California to central and Southern California.

SWRCB: State Water Resources Control Board

TDS: Total dissolved solids. A quantitative measure of the residual minerals dissolved in water that remain after evaporation of a solution. Usually expressed in milligrams per liter.

Tertiary treatment: The treatment of wastewater beyond the secondary or biological stage. Normally implies the removal of nutrients, such as phosphorous and nitrogen, and a high percentage of suspended solids.

THM: Trihalomethanes. Any of several synthetic organic compounds formed when chlorine or bromine combine with organic materials in water.

TMA: Too many acronyms.

TMDL: Total maximum daily load; a quantitative assessment of water quality problems, contributing sources, and load reductions or control actions needed to restore and protect bodies of water.

Transpiration: The process in which plant tissues give off water vapor to the atmosphere as an essential physiological process.

Turbidity: Thick of opaque with matter in suspension; muddy water

Ultraviolet light disinfection: A disinfection method for water that has received either secondary or tertiary treatment used as an alternative to chlorination.

VE: Value Engineering

VOC: Volatile organic compound; a chemical compound that evaporates readily at room temperature and contains carbon.

Wastewater: Water that has been previously used by a municipality, industry or agriculture and has suffered a loss of quality as a result.

Water Cycle: The continuous process of surface water (puddles, lakes, oceans) evaporating from the sun's heat to become water vapor (gas) in the atmosphere. Water condenses into clouds and then falls back to earth as rain or snow (precipitation). Some precipitation soaks into the ground (percolation) to replenish groundwater supplies in underground aquifers.

Water rights: A legally protected right to take possession of water occurring in a natural waterway and to divert that water for beneficial use.

Water-use Efficiency: The water requirements of a particular device, fixture, appliance, process, piece of equipment, or activity.

Water year (USGS): The period between October 1st of one calendar year to September 30th of the following calendar year.

Watermaster: A court appointed person(s) that has specific responsibilities to carry out court decisions pertaining to a river system or watershed.

Water Reclamation: The treatment of wastewater to make it suitable for a beneficial reuse, such as landscape irrigation. Also called water recycling.

Watershed: The total land area that from which water drains or flows to a river, stream, lake or other body of water.

Water table: The top level of water stored underground.

WEF: Water Environment Federation. Formerly – Water Pollution Control Federation (WPCF). International trade group advising members of sewage treatment techniques and their effect on the environment.

Weir box: A device to measure/control surface water flows in streams or between ponds.

Wellhead treatment: Water quality treatment of water being produced at the well site.

Wetland: Any area in which the water table stands near, at, or above the land surface for a portion of the year. Wetlands are characterized by plants adapted to wet soil conditions.

Xeriscape: Landscaping that requires minimal water.