EXHIBIT 15

PART 1
STATE OF CALIFORNIA
THE RESOURCES AGENCY OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES

WATER SUPPLY CONTRACT
BETWEEN
THE STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES
AND
ANTELOPE VALLEY-EAST KERN WATER AGENCY

DEPARTMENT OF WATER RESOURCES
CENTRAL RECORDS
FILE STATION 215-1
ROOM # 215-5

SEPTEMBER 20, 1962
# CONTENTS

## A. INTRODUCTORY PROVISIONS

1. Definitions .............................................. 1
   (a) “Bond Act”  
   (b) “System”  
   (c) “Delta”  
   (d) “Contractor”  
   (e) “Project Facilities”  
   (f) “Project Conservation Facilities”  
   (g) “Initial Project Conservation Facilities”  
   (h) “Additional Project Conservation Facilities”  
   (i) “Project Transportation Facilities”  
   (j) “Project Water”  
   (k) “Minimum Project Yield”  
   (l) “Annual Entitlement”  
   (m) “Maximum Annual Entitlement”  
   (n) “Supplemental Conservation Facilities”  
   (o) “Supplemental Water”  
   (p) “Year”  
   (q) “Year of Initial Water Delivery”  
   (r) “Project Interest Rate”  
   (s) “Capital Costs”  
   (t) “Project Repayment Period”  
   (u) “Municipal Use”  
   (v) “Manufacturing Use”  
   (w) “Agricultural Use”  
   (x) “Subject to Approval by the State”  
   (y) “Area of Origin Statutes”

2. Term of Contract ........................................ 3

3. Validation ............................................ 3

4. Option for Continued Service ......................... 3

5. Pledge of Revenues .................................... 4

## B. WATER SERVICE PROVISIONS

6. Annual Entitlements .................................. 4
   (a) Year of Initial Water Delivery  
   (b) Agency’s Annual Entitlements to Water  
   (c) Obligation of State to Complete Facilities

7. Changes in Annual Entitlements; Maximum Annual Entitlement .... 4
   (a) Changes in Annual Entitlements  
   (b) Maximum Annual Entitlement of Agency

8. Option to Increase Maximum Annual Entitlement ............. 4

9. Delivery Points ......................................... 5

10. Delivery Structures .................................... 5
    (a) Determination of Size and Location of Delivery Structures  
    (b) Agency Requests as to Initial Delivery Structures  
    (c) Requests by Agency for Additional Delivery Structures  
    (d) Agency to Advance Funds for Delivery Structures

11. Measurement of Water Delivered ...................... 5
    (a) Measurement by State  
    (b) Agency to Advance Funds for Measuring Devices

12. Delivery Schedules .................................... 5
    (a) Procedure for Determining Water Delivery Schedule  
    (b) Limit on Peak Deliveries of Water  
    (c) Limit on Rate of Delivery to Agency  
    (d) Delivery of Water Not Delivered in Accordance With Schedule

13. Responsibilities for Delivery and Distribution of Water .... 6
    (a) State Not Liable for Operation Beyond Delivery Structures  
    (b) Agency Not Liable for Operation Upstream From Delivery Structures

    (a) State May Curtail Deliveries  
    (b) Agency May Receive Later Delivery of Water Not Delivered

15. Area Served by Agency ................................ 7
    (a) State Approval of Sale of Water by Agency Outside Boundaries  
    (b) State Approval of Change in Boundaries or Organization of Agency  
    (c) Map of Agency

16. Continuity and Dependability of Water Supply ............ 7
    (a) Limit on Total of All Maximum Annual Entitlements  
    (b) State to Perfect Water Rights  
    (c) State to Report on Ability to Meet Future Water Demands  
    (d) Construction of Additional and Supplemental Conservation Facilities  
    (e) Furnishing of Supplemental Water
CONTENTS—Continued

17. Construction of Project Facilities | Page 7
   (a) Determination of Aqueduct Capacities
   (b) Criteria for Determining Capacity of Transportation Facilities
   (c) Inspection of Project Plans and Specifications
   (d) Restriction of Bond Sales
   (e) Failure to Complete Facilities

18. Shortage in Water Supply | Page 8
   (a) Temporary Shortages; Delivery Priorities
   (b) Permanent Shortage; Reduction of Entitlements
   (c) Permanent Shortage; Contracts for Areas-of-origin
   (d) Reinstatement of Entitlements
   (e) Advance Notice of Delivery Reductions
   (f) No Liability for Shortages

19. Water Quality | Page 10
   (a) Table of Water Quality Objectives
   (b) Records of Water Quality
   (c) No Liability for Failure to Meet Quality Objectives

20. Suspension of Service Upon Default | Page 10

21. Sale of Surplus Water | Page 10

C. PAYMENT PROVISIONS

22. Delta Water Charge | Page 11
   (a) Payment of Reimbursable Costs of Project Conservation Facilities
   (b) Delta Water Rate Until 1970; Components of Rate Thereafter
   (c) Computation of the Components of the Delta Water Rate
   (d) Application of Component Rates
   (e) Allocations to Project Purposes
   (f) Yearly Recomputation of Rates After 1970
   (g) Supplemental Conservation Facilities

23. Transportation Charge | Page 13
   (a) Method of Computation
   (b) Allocation of Capital Costs Among Contractors
   (c) Annual Payments of Allocated Capital Costs
   (d) Payment in Advance for Excess Peaking Capacity
   (e) Costs Incurred Prior to Date of Contract

24. Transportation Charge—Capital Cost Component | Page 14
   (a) Method of Computation
   (b) Allocation of Capital Costs Among Contractors
   (c) Annual Payments of Allocated Capital Costs
   (d) Payment in Advance for Excess Peaking Capacity
   (e) Costs Incurred Prior to Date of Contract

25. Transportation Charge—Minimum Operation, Maintenance, Power, and Replacement Component | Page 15
   (a) Method of Computation
   (b) Allocation of Costs
   (c) Payment Table

26. Transportation Charge—Variable Operation, Maintenance, Power, and Replacement Component | Page 16
   (a) Method of Computation
   (b) Revenue From Aqueduct Power Recovery Plants
   (c) Payment Table

27. Transportation Charge—Payment Schedule | Page 17

28. Transportation Charge—Redetermination | Page 17

29. Time and Method of Payment | Page 17
   (a) Initial Payment—Delta Water Charge
   (b) Initial Payment—Transportation Charge: Capital Component
   (c) Initial Payment—Transportation Charge: Minimum Component
   (d) Initial Payment—Transportation Charge: Variable Component
   (e) Statement of Charges
   (f) Times of Payment—Capital Components
   (g) Times of Payment—Minimum Components
   (h) Times of Payment—Variable Components
   (i) Contest of Accuracy of Charges

30. Surcharge for Project Water Used on Excess Land | Page 18
   (a) Definitions: “Surcharge”; “Excess Land”
   (b) Definition: “Power Credit”
   (c) Definition: “Retail Agency”
   (d) Payment of Surcharge
   (e) Commingling of Project and Non-Project Water
   (f) Failure of Retail Agency to Perform Obligations
   (g) State May Enforce Surcharge
   (h) State to Defend and Indemnify Against Claims
   (i) Separability

31. Adjustment for Overpayment or Underpayment | Page 20

32. Delinquency in Payment | Page 21
   (a) Agency to Provide for Punctual Payment
   (b) Interest on Overdue Payments
CONTENTS—Continued

33. Obligation of Agency to Make Payments ........................................ 21
   (a) Refusal of Water Does Not Affect Obligation
   (b) Character of Obligation

34. Obligation of Agency to Levy Taxes and Assessments ...................... 21
   (a) When Obligated
   (b) Enforcement by Officers of Agency
   (c) Deposit in Separate Fund
   (d) Enforcement of Levy

D. GENERAL PROVISIONS

35. Remedies Not Exclusive ............................................................... 21

36. Amendments ........................................................................... 21

37. Agency Not Estopped to Challenge State Laws .................................. 21

38. Opinions and Determinations ....................................................... 22

39. Contracting Officer of the State .................................................... 22

40. Successors and Assigns Obligated ................................................. 22

41. Assignment .............................................................................. 22

42. Waiver of Rights .................................................................. 22

43. Notices .................................................................................. 22

44. Maintenance and Inspection of Books, Records, and Reports ............ 22

E. SPECIAL PROVISIONS AND TABLES

45. Special Provisions ................................................................ 23

Tables

A. Annual Entitlements
B. Allocated Proportion of Costs of Project Transportation Facilities
C. Projected Allocation of Capital Cost of Project Transportation Facilities
D. Transportation Charge—Capital Cost Component
E. Transportation Charge—Minimum Operation Maintenance, Power and Replacement Component
F. Transportation Charge—Estimated Variable Operation Maintenance, Power, and Replacement Component
G. Payment Schedule
H. Project Transportation Facilities
I. Aqueduct Reaches
STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES

CONTRACT
BETWEEN THE STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES AND
ANTELOPE VALLEY–EAST KERN WATER AGENCY
FOR A WATER SUPPLY

THIS CONTRACT, made this 20th day of September pursuant to the provisions of the California Water Resources Development Bond Act, the State Central Valley Project Act, and other applicable laws of the State of California, between the State of California, acting by and through its Department of Water Resources, herein referred to as the "State", and Antelope Valley–East Kern Water Agency,

a public agency in the State of California, duly organized, existing, and acting pursuant to the laws thereof with its principal place of business in Lancaster, California, herein referred to as the "Agency".

WITNESSETH, That:

WHEREAS, the State is authorized to construct and operate facilities for the storage and conveyance of water, certain of which facilities will make water available to the Agency; and

WHEREAS, funds will be provided under the California Water Resources Development Bond Act for the construction of said facilities; and

WHEREAS, the Agency is desirous of obtaining a supply of water from the State;

NOW THEREFORE, it is mutually agreed as follows:

A. INTRODUCTORY PROVISIONS

1. DEFINITIONS

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

(a) Bond Act

"Bond Act" shall mean the California Water Resources Development Bond Act, comprising Chapter 8 (commencing at Section 12930) of Part 6 of Division 6 of the Water Code.

(b) System

"System" shall mean the State Water Resources Development System as defined in Section 12931 of the Water Code.

(c) Delta

"Delta" shall mean the Sacramento–San Joaquin Delta as defined in Section 12220 of the Water Code on November 8, 1960.

(d) Contractor

"Contractor" shall mean any entity contracting with the State for a dependable supply of water made available by the System, except such water as is made available by the facilities specified in Section 12934(d)(6) of the Water Code.

(e) Project Facilities

"Project facilities" shall mean those facilities of the System which will, in whole or in part, serve the purposes of this contract by conserving water and making it available for use in and above the Delta and for export from the Delta, and by conveying water to the Agency. Said project facilities shall consist specifically of "project conservation facilities" and "project transportation facilities", as hereinafter defined.

(f) Project Conservation Facilities

"Project conservation facilities" shall mean such project facilities as are presently included, or as may be added in the future, under (g) and (h) below.
(g) Initial Project Conservation Facilities

“Initial project conservation facilities” shall mean the following project facilities specified in Section 12934(d) of the Water Code:

(1) All those facilities specified in subparagraph (1) thereof.

(2) Those facilities specified in subparagraph (3) thereof to the extent that they serve the purposes of water conservation in the Delta, water supply in the Delta, and transfer of water across the Delta.

(3) A reservoir near Los Banos in Merced County as specified in subparagraph (2) thereof.

(4) The reach of the San Joaquin Valley-Southern California Aqueduct extending from the Delta to a reservoir near Los Banos in Merced County, to the extent required for water conservation through conveyance of water diverted from the Delta to offstream storage in said reservoir as determined by the State.

(5) Those facilities specified in subparagraph (5) thereof which are incidental to the facilities included under (1), (2), (3), and (4) above.

(6) Those facilities specified in subparagraph (7) thereof which are necessary and appurtenant to the facilities included under (1), (2), (3), (4), and (5) above.

(h) Additional Project Conservation Facilities

“Additional project conservation facilities” shall mean those project facilities provided for in Section 12938 of the Water Code which will serve the purpose of preventing any reduction in the minimum project yield, as hereinafter defined.

(i) Project Transportation Facilities

“Project transportation facilities” shall mean those project facilities:

(1) Specified in Water Code Section 12934(d)(2) which are described in Table H of this contract;

(2) Specified in Water Code Section 12934(d)(3) which are incidental to the facilities included under (1) above;

(3) Specified in Water Code Section 12934(d)(7) which are necessary and appurtenant to the facilities included under (1) and (2) above.

(j) Project Water

“Project water” shall mean water made available for delivery to the contractors by project conservation facilities and the transportation facilities included in the System.

(k) Minimum Project Yield

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

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

(2) An allowable reduction in the agricultural use portion of the minimum project yield, due to drought, of not to exceed fifty percent (50%) in any one year, nor a total of one hundred percent (100%) of one year’s supply in any series of seven consecutive years.

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

(l) Annual Entitlement

“Annual entitlement” shall mean the amount of project water to be made available to a contractor during the respective year, at the delivery structures provided for such contractor, under the terms of its contract with the State.

(m) Maximum Annual Entitlement

“Maximum annual entitlement” shall mean the maximum amount of project water to be made available to a contractor in any one year, at the delivery structures provided for such contractor, under the terms of its contract with the State.

(n) Supplemental Conservation Facilities

“Supplemental conservation facilities” shall mean those facilities provided for in Section 12938 of the Water Code which will serve the purpose of supplying water in addition to the minimum project yield, and for meeting local needs.

(o) Supplemental Water

“Supplemental water” shall mean water made available by supplemental conservation facilities, in excess of the minimum project yield.

(p) Year

“Year” shall mean the 12-month period from January 1 through December 31, both dates inclusive.

(q) Year of Initial Water Delivery

“Year of initial water delivery” shall mean the year when project water will first be available for delivery to a contractor pursuant to its contract with the State.
(r) **Project Interest Rate**

"Project interest rate" shall mean the weighted average of the interest rates paid by the State on bonds issued under the Bond Act without regard to any premiums received on the sale thereof. Until bonds are issued and sold under the Bond Act, the project interest rate shall be four percent (4%) per annum, and after said bonds have been issued said rate shall be computed as a decimal fraction to five places.

(s) **Capital Costs**

"Capital costs" shall mean all costs incurred subsequent to authorization of a facility for construction by the Legislature or by administrative action pursuant to Section 11290 of the Water Code and to the Bond Act, including those so incurred prior to the beginning of the project repayment period as herein defined and any accrued unpaid interest charges thereon at the rates specified herein, which are properly chargeable to the construction of and the furnishing of equipment for the facilities of the System, including the costs of surveys, engineering studies, exploratory work, designs, preparation of construction plans and specifications, acquisition of lands, easements and rights-of-way, relocation work, and essential administrative work in connection therewith, all as shown upon the official records of the Department of Water Resources.

(t) **Project Repayment Period**

"Project repayment period" shall mean that period of years commencing on January 1, 1961, and extending until all bonds secured by the pledge of revenues provided for by the Bond Act have been repaid.

(u) **Municipal Use**

"Municipal use" shall mean all those uses of water common to the municipal water supply of a city, town, or other similar population group, including uses for domestic purposes, uses for the purposes of commerce, trade or industry, and any other use incidental thereto for any beneficial purpose.

(v) **Manufacturing Use**

"Manufacturing use" shall mean any use of water primarily in the production of finished goods for market.

(w) **Agricultural Use**

"Agricultural use" shall mean any use of water primarily in the production of plant crops or livestock for market, including any use incidental thereto for domestic or stock-watering purposes.

(x) **Subject to Approval by the State**

"Subject to approval by the State" shall mean subject to the determination and judgment of the State as to acceptability.

(y) **Area of Origin Statutes**

"Area of origin statutes" shall mean Sections 10505 and 11460 through 11463 of the Water Code as now existing or hereafter amended.

2. **TERM OF CONTRACT**

This contract shall become effective on the date first written and shall remain in effect throughout the project repayment period, or for seventy-five (75) years, whichever period is longer.

3. **VALIDATION**

Within one (1) year after the effective date of this contract, the Agency shall submit this contract to a court of competent jurisdiction for determination of its validity by a proceeding in mandamus or other appropriate proceeding or action, which proceeding or action shall be diligently prosecuted to final decree or judgment. In the event that this contract is determined to be invalid by such final decree or judgment, the State shall make all reasonable efforts to obtain validating legislation at the next session of the Legislature empowered to consider such legislation, and within six (6) months after the close of such session, if such legislation shall have been enacted, the Agency shall submit this contract to a court of competent jurisdiction for redetermination of its validity by appropriate proceeding or action, which proceeding or action shall be diligently prosecuted to final decree or judgment.

4. **OPTION FOR CONTINUED SERVICE**

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

1. Service of water in annual amounts up to and including the Agency’s maximum annual entitlement hereunder.

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

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

4. Retention of the same chemical quality objective provision as is set forth herein.

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

Other terms and conditions of the continued service shall be reasonable and equitable and shall be mutually agreed upon. In the event that said terms and condi-
Art. 5

Art. 5

5. PLEDGE OF REVENUES

This contract is entered into for the direct benefit of the holders and owners of all general obligation bonds issued under the Bond Act, and the income and revenues derived from this contract are pledged to the purposes and in the priority set forth in that act.

B. WATER SERVICE PROVISIONS

6. ANNUAL ENTITLEMENTS

(a) Year of Initial Water Delivery

The year of initial water delivery to the Agency is presently estimated to be 1972. To the extent practicable, the State shall notify the Agency of any change in this estimate.

(b) Agency’s Annual Entitlements to Water

Commencing with the year of initial water delivery to the Agency, the State each year shall make available for delivery to the Agency the amounts of project water designated in Table A of this contract, which amounts are referred to in this contract as the Agency’s annual entitlements.

(c) Obligation of State to Complete Facilities

Subject to the availability of funds, the State shall make all reasonable efforts consistent with sound fiscal policies, reasonable construction schedules, and proper operating procedures to complete the project facilities necessary for delivery of project water to the Agency in such manner and at such times that said delivery can commence in or before the year specified in subdivision (a) of this article, and continue in the amounts designated in Table A of this contract.

7. CHANGES IN ANNUAL ENTITLEMENTS; MAXIMUM ANNUAL ENTITLEMENT

(a) Changes in Annual Entitlements

The Agency may, at any time or times during the term of this contract, by timely written notice furnished to the State, request that project water be made available to it thereafter in annual amounts greater or less than the annual entitlements designated in Table A of this contract. Subject to approval by the State of any such request, the State’s construction schedule shall be adjusted to the extent necessary to satisfy the request, and the requested increases or decreases in said annual entitlements shall be incorporated in said Table A by amendment thereof. Provided, That no such change shall be approved if in the judgment of the State it would impair the financial feasibility of the project facilities.

(b) Maximum Annual Entitlement of Agency

The maximum amount of project water to be made available to the Agency in any one year under this contract shall be that specified in Table A of this contract and in said table designated as the Agency’s "Maximum Annual Entitlement." In no event shall such maximum amount of project water to be made available to the Agency be increased over this amount, except as is otherwise provided in this contract.

8. OPTION TO INCREASE MAXIMUM ANNUAL ENTITLEMENT

In the event that the maximum annual entitlements under all contracts executed by the State on or before December 31, 1963, do not aggregate the amount of the minimum project yield as herein defined, the State shall immediately notify the Agency and all other contractors, and the Agency may elect to become entitled to the uncontracted portion of the minimum project yield in or up to an amount which bears the same ratio to such uncontracted portion as the Agency’s maximum annual entitlement bears to the total of the maximum annual entitlements of all contractors as of that date: Provided, That such option may be exercised only to the extent that the water involved can be put to beneficial use within a reasonable period of time. Such option shall become effective on the date that the Agency receives said notice from the State and shall remain in effect through September 30, 1964. If the full amount of such uncontracted portion of the minimum project yield is not preempted by the Agency under this option and by other contractors through the exercise of similar options on or before September 30, 1964, the Agency may request that it become entitled to any amount of such water not so preempted. Such request shall be subject to approval by the State and shall be considered in the light of all similar requests from other contractors. The State shall approve such request only to the extent that the water involved can be put to beneficial use within a reasonable period of time. Upon the exercise of such option or upon the approval of such request the Agency’s maximum annual entitlement in Table A of this contract shall be increased by the amount of the additional entitlement thereby obtained by amendment of that table, and the Agency shall become obligated and hereby agrees to pay to the State a proportionate share of the costs attributable to such increase in accordance with cost allocation principles and procedures set forth in this contract. The service of and payment for said increased entitlement shall in all respects be subject to the terms and conditions of this contract.
9. DELIVERY POINTS

Project water made available to the Agency pursuant to Article 6 shall be delivered to the Agency by the State at the delivery structures established in accordance with Article 10.

10. DELIVERY STRUCTURES

(a) Determination of Size and Location of Delivery Structures

Project water made available to the Agency pursuant to this contract shall be delivered to the Agency at such locations and times and through delivery structures of such capacities as are requested by the Agency and approved by the State.

(b) Agency Requests as to Initial Delivery Structures

Pursuant to subdivision (a) of this article, the Agency shall furnish to the State on or before June 30, 1963 its written requests as to:

(1) The location of delivery structures for delivery of project water to it.

(2) The time at which project water is first to be delivered through each such delivery structure.

(3) The maximum instantaneous flow capacity in cubic feet per second to be provided in each such delivery structure.

(4) The maximum amount of water in acre-feet to be delivered in any one month through each such delivery structure.

(5) The total combined maximum instantaneous flow capacity in cubic feet per second to be provided by all such delivery structures.

(6) The total maximum amount of water in acre-feet to be delivered in any one month through all such delivery structures.

(c) Requests by Agency for Additional Delivery Structures

From time to time the Agency may request delivery structures in addition to those requested pursuant to subdivision (b) of this article.

(d) Agency to Advance Funds for Delivery Structures

The Agency shall pay all of the costs of delivery structures for the delivery of project water to it, and shall deposit with the State, prior to the commencement of construction of any such delivery structure, an amount of money estimated by the State to be sufficient to cover the costs thereof.

11. MEASUREMENT OF WATER DELIVERED

(a) Measurement by State

The State shall measure all project water delivered to the Agency and shall keep and maintain accurate and complete records thereof. For this purpose, the State shall install, operate, and maintain at all delivery structures for delivery of project water to the Agency such measuring devices and equipment as are satisfactory and acceptable to both parties. Said devices and equipment shall be examined, tested, and serviced regularly to insure their accuracy. At any time or times, the Agency or any other contractor may inspect such measuring devices and equipment, and the measurements and records taken therefrom.

(b) Agency to Advance Funds for Measuring Devices

The Agency shall pay all of the costs of acquiring and installing the measuring devices and equipment provided for in subdivision (a) of this article, and shall deposit with the State, prior to such acquisition and installation, an amount of money estimated by the State to be sufficient to cover such costs.

12. DELIVERY SCHEDULES

(a) Procedure for Determining Water Delivery Schedule

The amounts, times, and rates of delivery of project water to the Agency during any year shall be in accordance with a water delivery schedule for that year, such schedule to be determined in the following manner:

(1) On or before October 1 of each year, the Agency shall submit in writing to the State a preliminary water delivery schedule, subject to the provisions of this article and Articles 6(b), 7(b), 10 and 17, indicating the amounts of water desired by the Agency during each month of the succeeding five (5) years.

(2) Upon receipt of a preliminary schedule the State shall review it and, after consultation with the Agency, shall make such modifications in it as are necessary to insure that the amounts, times, and rates of delivery to the Agency will be consistent with the State's overall delivery ability, considering the then current delivery schedules of all contractors. On or before December 1 of each year, the State shall determine and furnish to the Agency the water delivery schedule for the next succeeding year which shall show the amounts of water to be delivered to the Agency during each month of that year.

(3) A water delivery schedule may be amended by the State upon the Agency's written request. Proposed amendments shall be submitted by the Agency within a reasonable time before the desired change is to become effective, and shall be subject to review and modification by the State in like manner as the schedule itself.

(b) Limit on Peak Deliveries of Water

In no event shall the State contract to deliver to any contractor from the project transportation facili-
ties downstream from Pumping Plant VI (Tehachapi Pumping Plant) in any one month of any year a total amount of project water greater than ten percent (10%) of such contractor's annual entitlement for that year; or to deliver to any contractor from the project transportation facilities upstream from said Pumping Plant VI in any one month of any year a total amount of project water greater than the sum of eighteen percent (18%) of that portion of such contractor's annual entitlement for that year to be put to agricultural use, as determined by the State, and eleven percent (11%) of that portion of such contractor's annual entitlement for that year to be put to municipal use, as determined by the State: Provided, That if the State delivers project water to any contractor through delivery structures both downstream and upstream from said Pumping Plant VI, the foregoing limitations shall be based on an appropriate apportionment of such contractor's annual entitlement for the respective years to the respective portions of such contractor's service area to which delivery is made from the project transportation facilities downstream from said Pumping Plant VI and from the project transportation facilities upstream therefrom. Provided further, That the percentages set forth hereinabove may be revised for a particular contractor by amendment of this subdivision after submission to the State of that contractor's requests with respect to maximum monthly deliveries, such revision being subject to approval by the State and subject to advancement to the State by the contractor of funds sufficient to cover any additional costs of the project transportation facilities occasioned thereby, the amount of such funds to be determined pursuant to Article 24(d).

(c) Limit on Rate of Delivery to Agency

In no event shall the State be obligated to deliver water to the Agency through all delivery structures at a total combined instantaneous rate of flow exceeding 220 cubic feet per second, except as this rate of flow may be revised by amendment of this article after submission to the State of the Agency's requests with respect to maximum flow capacities to be provided in said delivery structures, pursuant to Article 10.

(d) Delivery of Water Not Delivered in Accordance With Schedule

If in any year the State, as a result of causes beyond its control, is unable to deliver any portion of the Agency's annual entitlement for such year under Table A of this contract as provided for in the delivery schedule established for that year, the Agency may elect to receive the amount of water which otherwise would have been delivered to it during such period at other times during the year or succeeding years, to the extent that such water is then available and such election is consistent with the State's overall delivery ability, considering the then current delivery schedules of all contractors.

13. RESPONSIBILITIES FOR DELIVERY AND DISTRIBUTION OF WATER

(a) State Not Liable for Operation Beyond Delivery Structures

Neither the State nor any of its officers, agents, or employees shall be liable for the control, carriage, handling, use, disposal, or distribution of project water supplied to the Agency after such water has passed the delivery structures established in accordance with Article 10; nor for claim of damage of any nature whatsoever, including but not limited to property damage, personal injury or death, arising out of or connected with the control, carriage, handling, use, disposal or distribution of such water beyond said delivery structures, and the Agency shall indemnify and hold harmless the State and its officers, agents, and employees from any such damages or claims of damages.

(b) Agency Not Liable for Operation Upstream From Delivery Structures

Neither the Agency nor any of its officers, agents, or employees shall be liable for the control, carriage, handling, use, disposal, or distribution of project water before such water has passed the delivery structures established in accordance with Article 10; nor for claim of damage of any nature whatsoever, including but not limited to property damage, personal injury or death, arising out of or connected with the control, carriage, handling, use, disposal, or distribution of such water before it has passed said delivery structures.

14. CURTAILMENT OF DELIVERY FOR MAINTENANCE PURPOSES

(a) State May Curtail Deliveries

The State may temporarily discontinue or reduce the delivery of project water to the Agency hereunder for the purposes of necessary investigation, inspection, maintenance, repair, or replacement of any of the project facilities necessary for the delivery of project water to the Agency. The State shall notify the Agency as far in advance as possible of any such discontinuance or reduction, except in cases of emergency, in which case notice need not be given.

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

In the event of any discontinuance or reduction of delivery of project water pursuant to subdivision (a) of this article, the Agency may elect to receive the amount of water which otherwise would have been delivered to it during such period under the water delivery schedule for that year at other times during the year or succeeding years to the extent that such water is then available and such election is consistent with the State's overall delivery ability, considering the then current delivery schedules of all contractors.
15. AREA SERVED BY AGENCY

(a) State Approval of Sale of Water by Agency Outside Boundaries

Project water delivered to the Agency pursuant to this contract shall not be sold or otherwise disposed of by the Agency for use outside the Agency without the prior written consent of the State.

(b) State Approval of Change in Boundaries or Organization of Agency

While this contract is in effect no change shall be made in the Agency either by inclusion or exclusion of lands, by partial or total consolidation or merger with another district, by proceedings to dissolve, or otherwise, except with the prior written consent of the State or except by act of the Legislature.

(c) Map of Agency

The Agency shall provide the State with a map satisfactory to the State indicating the major existing distribution facilities and the boundaries of the Agency at the time the contract is signed and supplementary maps whenever a boundary change is made.

16. CONTINUITY AND DEPENDABILITY OF WATER SUPPLY

(a) Limit on Total of all Maximum Annual Entitlements

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

(b) State to Perfect Water Rights

The State shall make all reasonable efforts to perfect and protect water rights necessary for the System and for the satisfaction of water supply commitments under this contract.

(c) State to Report on Ability to Meet Future Water Demands

Commencing within two (2) years from the year of initial project water delivery to the Agency, the State shall submit to the Agency at not more than five-year intervals a report on the State's ability to meet future demands for project water and for supplemental water, and on the State's plans for constructing additional project conservation facilities and supplemental conservation facilities. Such reports shall include all estimates, projections, and other data which the State deems relevant thereto.

(d) Construction of Additional and Supplemental Conservation Facilities

Bond funds required to be expended for the construction of additional facilities of the System under the provisions of Section 12938 of the Water Code shall be expended only for construction of additional project conservation facilities as defined herein, and related, appurtenant facilities necessary and desirable to meet local needs: Provided, That if at any time after 1985 the State finds that a part or all of such bond funds are not then required for the above purpose, and will not be so required within the next succeeding ten (10) years, such bond funds may be used, to the extent permitted in the Bond Act, to construct supplemental conservation facilities as defined herein.

(e) Furnishing of Supplemental Water

In planning and designing supplemental conservation facilities the State shall give consideration to the requirements and demands for supplemental water of the Agency and others who have contracted for project water. Entitlements to supplemental water shall be obtained, and repayment therefor shall be arranged, in contracts separate from contracts for project water.

17. CONSTRUCTION OF PROJECT FACILITIES

(a) Determination of Aqueduct Capacities

Subject to the rights of the Agency under subdivision (b) of this article and the other provisions of this contract, the State shall provide in each aqueduct reach of the project transportation facilities such maximum monthly delivery capability for the transport and delivery of project water to the Agency as, in the judgment of the State, will best serve the interests of the Agency and all other contractors entitled to delivery of project water from or through said facilities: Provided, That within three (3) months after the effective date of this contract the Agency shall furnish to the State a written request specifying such maximum monthly delivery capabilities, and the State shall give full consideration to such request in planning and designing said facilities.

(b) Criteria for Determining Capacity of Transportation Facilities

Subject to Article 45, the State shall design and construct the project transportation facilities so as to provide in each reach thereof, including reservoirs, the capacity necessary to enable delivery of project water in each year to the Agency and to other contractors in the maximum monthly amounts and at the locations, times, and maximum rates specified or provided for in their respective contracts for such year, and shall include in each such reach such capacity as is economically justified in the judgment of the State to compensate for scheduled outages for purposes of necessary investigation, inspection, maintenance, repair or replacement of project facilities, and for losses of water due to evaporation, leakage, seepage, or other causes: Provided, That regulatory storage reservoirs included
in the project transportation facilities may be utilized in conjunction with conveyance capacity provided in said facilities for delivery to the Agency of the foregoing monthly amounts.

(c) Inspection of Project Plans and Specifications

The Agency shall have a reasonable opportunity to inspect and study the State's plans and specifications for all project facilities and may make comments and recommendations thereon to the State. Such privilege shall also extend to any plans and specifications in connection with the use by the State, in conjunction with the project facilities, of facilities owned by an entity other than the State. The State shall not enter into any such agreement which would impair the State's ability to perform fully its obligations under this contract.

(d) Restriction on Bond Sales

No bonds shall be sold nor funds expended under the authority of the Bond Act for the construction of any aqueduct or appurtenance thereto included in the System unless and until contracts are executed which will insure the recovery by the State of at least seventy-five percent (75%) of those capital costs of the particular aqueduct and any appurtenances thereto which shall be reimbursable by the contractors as determined by the State; nor shall any bonds be sold or funds expended under the authority of the Bond Act for the construction of any project conservation facility or supplemental conservation facility, unless and until contracts are executed which, together with estimated revenues from the sale or other disposal of electrical energy generated in connection with operation of project conservation facilities and supplemental conservation facilities, will insure the recovery by the State of at least seventy-five percent (75%) of those capital costs of the particular facility which shall be reimbursable by the contractors as determined by the State: Provided, That the foregoing limitations shall not apply with respect to: (1) surveys, engineering studies, exploratory work, designs, preparation of construction plans and specifications, acquisition of lands, easements and rights of way, relocation work, and essential administrative work in connection therewith; (2) construction for which appropriations had been made prior to approval of the Bond Act by the voters of the State of California; and (3) construction of facilities pursuant to an agreement between the State and the United States.

(e) Failure to Complete Facilities

In the event that the State fails or is unable to complete construction of any portion or portions of the project transportation facilities necessary to deliver water to the Agency as provided in this contract, and gives the Agency written notice thereof, or by reason of such failure or inability construction of said facilities has ceased for a period of two and one-half (2½) years, the Agency, if it be not then in default and without exclusion of such other rights as it may have under this contract, may exercise the following options:

(1) The Agency may provide funds to the State in such amounts and at such times as may be necessary to enable the State to complete construction of such incompletely or uncompleted portion or portions of the project transportation facilities to the extent necessary for the transport and delivery of water to the Agency as provided for in this contract: Provided, That the State shall be and remain the owner of such project transportation facilities or portions thereof constructed in whole or in part with funds provided by the Agency, and shall be and remain obligated to operate, maintain, repair and replace such facilities to the full extent contemplated in this contract: Provided further, That the amount of any funds so provided by the Agency shall be credited by the State against the Agency’s payment obligation under the capital cost component of the Transportation Charge, but the Agency shall be and remain obligated to pay its share of any capital costs of the above-described facilities not paid for with such funds, together with its proportionate share of the operation, maintenance, power and replacement costs of such facilities.

(2) The Agency may at its own expense, and on a joint venture basis if such an arrangement is made with other contractors having similar options, connect to the project transportation facilities constructed by the State for the purpose of receiving project water to which it is entitled under this contract. In such event and notwithstanding any other provisions of this contract, the structures for delivery of project water to the Agency pursuant hereto shall thereafter be deemed to be located at such point of connection. Specific arrangements for acquiring, constructing, operating, maintaining and replacing the Agency’s facilities at the point of connection thereof with the State’s facilities shall be in accordance with terms and conditions mutually agreed upon by the parties: Provided, That the State shall be and remain the owner of all facilities constructed by it to said point of connection, and the Agency shall be and remain obligated to pay its proportionate share of the costs thereof.

18. SHORTAGE IN WATER SUPPLY

(a) Temporary Shortages; Delivery Priorities

In any year in which there may occur a shortage due to drought or other temporary cause in the supply of project water available for delivery to the contractors, with the result that such supply is less than the total of the annual entitlements of all contractors for that year, the State shall, before reducing deliveries
of project water to all contractors, reduce the delivery of project water to each contractor using such water for agricultural purposes by a percentage, not to exceed fifty percent (50%) in any one year or a total of one hundred percent (100%) in any series of seven consecutive years, of that portion of the contractor's annual entitlement for the respective year which is to be put to agricultural use as determined by the State: *Provided*, That such percentage shall be the same for all such contractors. The maximum total reduction in deliveries allowable under the above provision shall be made before any reduction is made in project water deliveries for other uses. Any necessary reduction in deliveries of project water beyond said maximum total reduction allowable under the foregoing provision shall be apportioned among all contractors irrespective of the uses to which such water is to be put. In such event, the State shall reduce deliveries to each contractor in an amount which bears the same proportion to the total amount of such necessary further reduction that the contractor's annual entitlement bears to the total of the annual entitlements of all contractors for that year, all as determined by the State: *Provided*, That the State may apportion on some other basis if such is required to meet minimum demands for domestic supply, fire protection, or sanitation during the year. The foregoing provisions of this subdivision shall be inoperative to the extent that a contractor's annual entitlement for the respective year reflects established rights under the area of origin statutes precluding a reduction in deliveries to such contractor.

(b) *Permanent Shortage; Reduction of Entitlements*

In the event that the State is unable to construct sufficient additional conservation facilities to prevent a reduction in the minimum project yield, or if for any other reason there is a reduction in the minimum project yield, which, notwithstanding preventive or remedial measures taken or to be taken by the State, threatens a permanent shortage in the supply of project water to be made available to the contractors:

1. The annual entitlements and the maximum annual entitlements of all contractors, except to the extent such entitlements may reflect established rights under the area of origin statutes, shall, by amendment of Table A of this contract, be reduced proportionately by the State to the extent necessary so that the sum of the revised maximum annual entitlements of all contractors will then equal such reduced minimum project yield: *Provided*, That appropriate adjustment in the contractors’ respective financial obligations to the State under the Transportation Charge shall be made in accordance with such reduced entitlements if such reductions have not been strictly proportionate throughout.

2. The Agency, at its option, shall have the right to use any of the project transportation facilities which by reason of such reduction in the minimum project yield are not required for delivery of project water to the Agency, to transport water procured by it from any other source: *Provided*, That such use shall be within the limits of the capacities provided in the project transportation facilities for service to the Agency under this contract: *Provided further*, That except to the extent such limitation in Section 12931 of the Water Code be changed, the Agency shall not use the project transportation facilities under this option to transport water the right to which was secured by the Agency through eminent domain unless such use be approved by the Legislature by concurrent resolution with a majority of the members elected to each house voting in favor thereof.

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

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

1. The State shall: (i) equitably redistribute the costs of all transportation facilities included in the System among all contractors for project water, taking into account the diminution of the supply to the Agency and other prior contractors and the payments theretofore made by the Agency and other prior contractors in accordance with the terms of their contracts; and (ii) revise the Agency's annual entitlements and maximum annual entitlement, by amendment of Table A of this contract, to correspond to the reduced supply of project water to be made available to the Agency: *Provided*, That such redistribution of costs of transportation facilities shall not be made until there has been reasonable opportunity for the Agency to exercise the option provided for in (2) below, and for other prior contractors to exercise similar options.

2. The Agency, at its option, shall have the right to use any of the project transportation facilities which by reason of such permanent shortage in the supply of project water to be made available to the Agency are not required for delivery of project water to the Agency, to transport water procured by it from any other source: *Provided*, That such use shall be within the limits of the capacities provided in the project transportation facilities for service to the Agency under this contract: *Provided further*, That, except to the extent such limitation
Art. 19

in Section 12931 of the Water Code be changed, the Agency shall not use the project transportation facilities under this option to transport water the right to which was secured by the Agency through eminent domain unless such use be approved by the Legislature by concurrent resolution with a majority of the members elected to each house voting in favor thereof. This option shall terminate upon a redistribution of costs of transportation facilities by the State pursuant to (1) above. In the event that this option is exercised, the State shall take such fact into account in making such redistribution of costs, and shall offset such use as is made of the project transportation facilities pursuant thereto against any reduction in the Agency's payment obligation hereunder resulting from such redistribution of costs.

(d) Reinstatement of Entitlements

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

(e) Advance Notice of Delivery Reductions

The State shall give the Agency written notice as far in advance as possible of any reduction in deliveries to it under subdivision (a) of this article and, to the extent possible, shall give the Agency written notice five (5) years in advance of any reduction in its annual entitlements and maximum annual entitlement under subdivisions (b) or (c) of this article. Reports submitted to the Agency pursuant to Article 16 (c) may constitute such notices.

(f) No Liability for Shortages

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

19. WATER QUALITY

(a) Table of Water Quality Objectives

It shall be the objective of the State and the State shall take all reasonable measures to make available, at all delivery structures for delivery of project water to the Agency, project water of such quality that the following constituents do not exceed the concentrations stated as follows:

<table>
<thead>
<tr>
<th>Constituent</th>
<th>Unit</th>
<th>Monthly Average</th>
<th>10-year Average</th>
<th>Period</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Dissolved Solids ppm</td>
<td>440</td>
<td>220</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Hardness ppm</td>
<td>180</td>
<td>110</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chlorides ppm</td>
<td>110</td>
<td>55</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sulfates ppm</td>
<td>110</td>
<td>20</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Boron ppm</td>
<td>0.6</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sodium Percentage %</td>
<td>30</td>
<td>40</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fluoride ppm</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1.5</td>
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<tr>
<td>Lead ppm</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.1</td>
</tr>
<tr>
<td>Selenium ppm</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.05</td>
</tr>
<tr>
<td>Hexavalent Chromium ppm</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.05</td>
</tr>
<tr>
<td>Arsenic ppm</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.05</td>
</tr>
<tr>
<td>Iron and Manganese together ppm</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.3</td>
</tr>
<tr>
<td>Magnesium ppm</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1.25</td>
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<td>Copper ppm</td>
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<td></td>
<td></td>
<td></td>
<td>15</td>
</tr>
<tr>
<td>Phenol ppm</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.001</td>
</tr>
</tbody>
</table>

(b) Records of Water Quality

The State shall regularly take samples of water at each delivery structure for delivery of project water to the Agency, and shall make chemical and physical analyses and tests of such samples. The State shall keep accurate and complete records of all such analyses and tests, which records shall be available for inspection by the Agency at any time or times.

(c) No Liability for Failure to Meet Quality Objectives

If through no negligence of the State or its officers, agents, or employees, the State is unable to attain the quality objectives set forth in subdivision (a) of this article, neither the State nor any of its officers, agents, or employees shall be liable in any manner whatsoever for such deviation from said quality objectives.

20. SUSPENSION OF SERVICE UPON DEFAULT

In the event of any default by the Agency in the payment of any money required to be paid to the State hereunder, the State may, upon not less than six months' notice to the Agency, suspend deliveries of water under this contract for so long as such default continues. Provided, That during such period the Agency shall remain obligated to make all payments required under this contract. Action taken pursuant to this article shall not deprive the State of or limit any remedy provided by this contract or by law for the recovery of money due or which may become due under this contract.

21. SALE OF SURPLUS WATER

If during any year the supply of project water, after appropriate allowance for holdover storage, exceeds the total of annual entitlements of all contractors for that year, the State shall offer to sell and deliver such
surplus water for periods expiring not later than the end of such year, without right of renewal, and in a manner and at prices which will return to the State the largest net revenues practicable, and at the minimum, revenues equal to the variable operation, maintenance and power costs incurred in such service of surplus water: Provided, That such service of surplus water shall not interfere with the delivery of their respective annual entitlement to those contractors which do not receive surplus water in such year: Provided further, That not until a contractor either pays or incurs a payment obligation for its annual entitlement in accordance with the payment provisions of its contract, shall surplus water be sold to such contractor at prices less than those which would result under the application of the payment provisions of its contract: Provided further, That if, in the judgment of the State, the annual entitlement of a contractor desiring to purchase surplus water is unrealistically low for the year in which such purchase is to be made, the State shall, for the purpose of pricing such water in accordance with the second proviso above, consider such annual entitlement to be an increased amount determined by the State to accurately correspond to such contractor's actual requirements for project water in that year. All net revenues from the service of surplus water shall be applied in such manner that all contractors which contribute to the payment of the costs of any System facilities by which surplus water was conserved and transported in connection with such service will receive credit for a share of such net revenues in the proportion that each such contractor contributes to payment of such costs. The service of surplus water shall, in every case, be subject to the paramount right and obligation of the State to discontinue the same, in whole or in part, when required for service of project water to contractors.

C. PAYMENT PROVISIONS

22. DELTA WATER CHARGE

(a) Payment of Reimbursable Costs of Project Conservation Facilities

The payments to be made by each contractor for project water shall include an annual charge designated as the Delta Water Charge. This charge, together with the total revenues derived during the project repayment period from the sale or other disposal of electrical energy generated in connection with operation of project conservation facilities, shall return to the State during the project repayment period all costs of the project conservation facilities including capital, operation, maintenance, power, and replacement costs, which are allocated to the purpose of water conservation in, above, and below the Delta pursuant to subdivision (e) of this article during the project repayment period. Wherever reference is made, in connection with the computation or determination of the Delta Water Charge, to the costs of any facility or facilities included in the System, such reference shall be only to those costs of such facility or facilities which are reimbursable by the contractors as determined by the State.

(b) Delta Water Rate Until 1970; Components of Rate Thereafter

For each contractor receiving project water in any year through December 31, 1969, the Delta Water Charge shall be the product of $3.50 and the contractor's annual entitlement to project water for the respective year. After that date, the Delta Water Charge shall consist and be the sum of the following components as these are computed in accordance with subdivisions (c) and (d) of this article: a capital cost component; a minimum operation, maintenance, power, and replacement component; and a variable operation, maintenance, power and replacement component.

(c) Computation of the Components of the Delta Water Rate

The capital cost, the minimum operation, maintenance, power, and replacement, and the variable operation, maintenance, power, and replacement components of the Delta Water Charge, together with that portion of the revenues derived during the project repayment period from the sale or other disposal of electrical energy generated in connection with operation of project conservation facilities which is allocated by the State to repayment of the respective category of costs, shall return to the State during the project repayment period, respectively, the following categories of the costs allocated to the purpose of water conservation in, above, and below the Delta pursuant to subdivision (e) of this article: (1) capital costs; (2) operation, maintenance, power, and replacement costs incurred irrespective of the amount of project water delivered to the contractors; and (3) operation, maintenance, power, and replacement costs incurred in an amount which is dependent upon and varies with the amount of project water delivered to the contractors: Provided, That each of the above categories of costs shall be inclusive of the appropriate costs properly chargeable to the generation and transmission of electrical energy in connection with operation of project conservation facilities. Each component of the Delta Water Charge shall be computed on the basis of a rate which, when charged during the project repayment period for each acre-foot of the sum of the yearly totals of annual entitlements of all contractors, will be sufficient, together with that portion of the revenues derived during the project repayment period from the sale or other disposal of electrical energy generated in connection with operation of project conservation facilities which is allo-
Art. 22

cated by the State to repayment of the respective category of costs, to return to the State during the project repayment period all costs included in the respective category of costs covered by that component. Each such rate shall be computed in accordance with the following formula:

\[
\frac{(c_1 - r_1) (1 + i)^{-1} + (c_2 - r_2) (1 + i)^{-2} + \ldots + (c_n - r_n) (1 + i)^{-n}}{e_1(1 + i)^{-1} + e_2(1 + i)^{-2} + \ldots + e_n(1 + i)^{-n}}
\]

Where:

i = The project interest rate.

e = The total costs included in the respective category of costs for the respective year of the project repayment period.

r = That portion of the revenues derived from the sale or other disposal of electrical energy allocated by the State to repayment of the costs included in the respective category for the respective year of the project repayment period.

1, 2, and \( n \) appearing below e and r = The respective year of the project repayment period for which costs are included in the respective category, \( n \) being the last year of the project repayment period.

\( e \) = With respect to the capital cost and minimum operation, maintenance, power, and replacement components, the total of annual entitlements to project water of all contractors for the respective year of the project repayment period.

\( e \) = With respect to the variable operation, maintenance, power, and replacement component, the total of the amounts of project water delivered to all contractors for the respective year of the expired portion of the project repayment period, together with the total of annual entitlements to project water of all contractors for the respective year of the unexpired portion of the project repayment period.

1, 2, and \( n \) appearing below e = The respective year of the project repayment period in which the annual entitlements or project water deliveries occur, \( n \) being the last year of the project repayment period.

\( n \) used as an exponent = The number of years in the project repayment period.

(d) Application of Component Rates

The capital cost and minimum operation, maintenance, power, and replacement components of the Delta Water Charge shall be the product of the appropriate rate computed under subdivision (c) of this article, and the contractor's annual entitlement to project water for the respective year. The variable operation, maintenance, power, and replacement component of the charge shall be the product of the appropriate rate computed under subdivision (c) of this article and the number of acre-feet of project water delivered to the contractor during the respective year: Provided, That when project water has been requested by a contractor and delivery thereof has been commenced by the State, and, through no fault of the State, such water is wasted as a result of failure or refusal by the contractor to accept delivery thereof, said variable component during such period shall be the product of said rate per acre-foot and the sum of the number of acre-feet of project water delivered to the contractor and the number of acre-feet wasted.

(e) Allocations to Project Purposes

Prior to the time that additional project conservation facilities or supplemental conservation facilities are constructed, the Delta Water Charge shall be determined on the basis of an allocation to project purposes, by the separable cost-remaining benefits method, of all projected costs of all initial project conservation facilities located in and above the Delta, and upon an allocation to the purposes of water conservation and water transportation, by the proportionate use of facilities method, of all projected costs of the following project facilities located below the Delta: The aqueduct intake facilities at the Delta, Pumping Plant I (Delta Pumping Plant), the aqueduct from the Delta to San Luis Forebay, San Luis Forebay, and San Luis Reservoir: Provided, That all of the projected costs properly chargeable to the generation and transmission of electrical energy in connection with operation of project conservation facilities shall be allocated to the purpose of water conservation in, above, and below the Delta: Provided further, That allocations to purposes the costs of which are to be paid by the United States shall be as determined by the United States. Commencing in the year in which the State first incurs capital costs for construction of additional project conservation facilities, the Delta Water Charge shall be determined on the basis of the foregoing allocations and upon an allocation to project purposes, by the separable cost-remaining benefits method and subject to the foregoing provisos, of all projected costs of such additional project conservation facilities.
(f) Yearly Recomputation of Rates After 1970

The rates to be used in determining the components of the Delta Water Charge pursuant to subdivision (d) of this article and to become effective on January 1, 1970, shall be computed by the State in accordance with subdivision (c) of this article prior to that date. Such computation shall include an adjustment which shall account for the difference, if any, between revenues received by the State under the Delta Water Charge prior to January 1, 1970, and revenues which would have been received under the charge prior to that date had it been computed and charged in accordance with subdivisions (c) and (d) of this article. Upon such computation, a document establishing such rates shall be prepared by the State and attached to this contract as an amendment of this article. The State shall recompute such rates each year thereafter, and each such recomputation shall take account of and reflect increases or decreases from year to year in projected costs, outstanding reimbursable indebtedness of the State incurred to construct the project conservation facilities described in subdivision (e) of this article, annual entitlements, deliveries of project water, project interest rate, revenues from the sale or other disposal of electrical energy, and all other factors which are determinative of such rates. In addition, each such recomputation shall include an adjustment of the rates for succeeding years which shall account for the differences, if any, between projections of costs used by the State in determining said rates for all preceding years, and actual costs incurred by the State during such years. Upon each such recomputation, an appropriately revised copy of the document establishing such rates shall be prepared by the State and attached to this contract as an amendment of this article.

(g) Supplemental Conservation Facilities

Upon the construction of supplemental conservation facilities, the Delta Water Charge shall be paid by all contractors for supplemental water, as well as by contractors for project water, and, together with revenues derived from the sale or other disposal of electrical energy generated in connection with operation of project conservation facilities and supplemental conservation facilities, shall return to the State, in addition to those costs of the project conservation facilities allocated to the purpose of water conservation in, above, and below the Delta pursuant to subdivision (e) of this article, all costs of such supplemental conservation facilities, including capital, operation, maintenance, power, and replacement costs, which are allocated to the purpose of water conservation in, above, and below the Delta pursuant hereto. Commencing in the year in which the State first incurs capital costs for construction of supplemental conservation facilities, the Delta Water Charge shall be determined on the basis of the allocations made pursuant to subdivision (e) of this article, and upon an allocation to project purposes, by the separable costs-remaining benefits method and subject to provisions corresponding to those contained in said subdivision (e), of all projected costs of such supplemental conservation facilities. Commencing in the same year, the computation of the rates to be used in determining the components of the Delta Water Charge shall include the annual entitlements to water under all contracts for supplemental water. If the repayment period of any bonds sold to construct supplemental conservation facilities extends beyond the project repayment period, the Delta Water Charge shall be determined and reetermined on the basis of such extended repayment period as the State determines to be appropriate.

23. TRANSPORTATION CHARGE

The payments to be made by each contractor entitled to delivery of project water from the project transportation facilities shall include an annual charge under the designation Transportation Charge. This charge shall return to the State during the project repayment period those costs of all project transportation facilities necessary to deliver project water to the contractor including capital, operation, maintenance, power, and replacement costs, which are allocated to the contractor during the project repayment period in accordance with the cost allocation principles and procedures herein after set forth. Wherever reference is made, in connection with the computation, determination, or payment of the Transportation Charge, to the costs of any facility or facilities included in the System, such reference shall be only to those costs of such facility or facilities which are reimbursable by the contractors as determined by the State. The Transportation Charge shall consist of a capital cost component; a minimum operation, maintenance, power, and replacement component; and a variable operation, maintenance, power, and replacement component, as these components are defined in and determined under Articles 24, 25, and 26, respectively. For the purpose of allocations of costs pursuant to said articles, the project transportation facilities shall be segregated into such aqueduct reaches as are determined by the State to be necessary for such allocations of costs. Subject to such modifications as are determined by the State to be required by reason of any request furnished by the Agency to the State pursuant to Article 17(a) of this contract, or by reason of contracts entered into by the State with other contractors, the aqueduct reaches of the project transportation facilities are established as set forth in Table I of this contract. Provided, That those costs of the aqueduct reaches from the Delta through the outlet of San Luis Reservoir which are allocated to the purpose of water conservation in, above, and below the Delta for the purpose of determining the Delta Water Charge, as hereinbefore set forth, shall not be included in the Transportation Charge.
24. TRANSPORTATION CHARGE–CAPITAL COST COMPONENT

(a) Method of Computation

The capital cost component of the Transportation Charge shall be sufficient to return to the State those capital costs of the project transportation facilities necessary to deliver water to the contractor which are allocated to the contractor pursuant to subdivision (b) of this article. The amount of this component shall be determined in two steps as follows: (1) an allocation of capital costs to the contractor, and (2) a computation of annual payment of such allocated capital costs and interest thereon, computed at the project interest rate and compounded annually, to be made by the contractor.

(b) Allocation of Capital Costs Among Contractors

In the first step, the total amount of capital costs of each aqueduct reach to be returned to the State shall be allocated among all contractors entitled to delivery of project water from or through the reach by the proportionate use of facilities method of cost allocation and in accordance with (1) and (2) below. The measure of the proportionate use of each contractor of each reach shall be the average of the following two ratios: (1) the ratio of the contractor’s maximum annual entitlement to be delivered from or through the reach to the total of the maximum annual entitlements of all contractors to be delivered from or through the reach; and (ii) the ratio of the capacity provided in the reach for the transport and delivery of project water to the contractor to the total capacity provided in the reach for the transport and delivery of project water to all contractors served from or through the reach. Allocations of capital costs to the Agency pursuant hereto shall be on the basis of relevant values which will be set forth in Table B of this contract by the State as soon as designs and cost estimates are prepared by it subsequent to receipt of requests from the Agency as to the maximum monthly delivery capability to be provided in each aqueduct reach of the project transportation facilities for the transport and delivery of project water to the Agency, pursuant to Article 17(a): Provided, That these values shall be subject to redetermination by the State in accordance with Article 28: Provided further, That the principles and procedures set forth in this subdivision shall be controlling as to allocations of capital costs to the Agency.

(1) The total amount of capital costs allocated to a contractor shall be the sum of the products obtained when there is multiplied, for each aqueduct reach necessary to deliver water to the contractor, the total amount of the capital costs of the reach to be returned to the State under the Transportation Charge by the average of the two foregoing ratios for such reach as said average is set forth in the appropriate table included in its contract.

(2) In the event that excess capacity is provided in any aqueduct reach for the purpose of making project water available in the future to an agency or agencies with which the State has not executed contracts at the time of any allocation of costs pursuant to this subdivision, the prospective maximum annual entitlement or entitlements to be supplied by such excess capacity, as determined by the State, shall be deemed to be contracted for by said agency or agencies for the purpose of such allocation of costs, to the end that the capital costs of providing such excess capacity are not charged to any contractor entitled by virtue of an executed contract to the delivery of project water from or through that aqueduct reach at the time of such allocation. Where additional capacity is provided in any aqueduct reach to compensate for loss of water due to evaporation, leakage, seepage, or other causes, or to compensate for scheduled outages for purposes of necessary investigation, inspection, maintenance, repair or replacement of the facilities of the project facilities, then, for the purpose of any allocation of costs pursuant to this subdivision: (i) the maximum annual entitlement to be delivered from or through the reach of each contractor entitled to delivery of project water from or through the reach shall be increased by an amount which bears the same proportion to the maximum annual delivery capability provided by such additional capacity that the contractor’s maximum annual entitlement to be delivered from or through the reach bears to the total of the maximum annual entitlements to be delivered from or through the reach under all contracts; and (ii) the capacity provided in the reach for each contractor entitled to delivery of project water from or through the reach shall be increased in the same proportion that the contractor’s maximum annual entitlement to be delivered from or through the reach is increased pursuant to (i) above.

(3) The projected amounts of capital costs to be allocated annually to the Agency under the capital cost component of the Transportation Charge shall be determined by the State in accordance with the cost allocation principles and procedures set forth in this subdivision, which principles and procedures shall be controlling as to allocations of capital costs to the Agency. Such amounts will be set forth in Table C of this contract by the State as soon as designs and cost estimates are prepared by it subsequent to receipt of requests from the Agency as to the maximum monthly delivery capability to be
provided in each aqueduct reach for transport and delivery of project water to the Agency, pursuant to Article 17(a): Provided, That these amounts shall be subject to redetermination by the State in accordance with Article 28.

(c) Annual Payments of Allocated Capital Costs

In the second step, the Agency's annual payment of its allocated capital costs and interest thereon, computed at the project interest rate and compounded annually, shall be determined in accordance with a payment schedule established by the State and determined in accordance with the principles set forth in (1), (2), and (3) below, which principles shall be controlling as to the Agency's payment of its allocated capital costs. The Agency's payment schedule will be set forth in Table D of this contract by the State as soon as designs and cost estimates are prepared by it subsequent to receipt of requests from the Agency as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of project water to the Agency, pursuant to Article 17(a): Provided, That the amounts set forth in Table D shall be subject to redetermination by the State, pursuant to Article 28.

(1) The Agency's annual payment shall be the sum of the amounts due from the Agency on the Agency's allocated capital costs for the then current year and for each previous year where each such amount will pay, in not more than fifty (50) equal annual installments of principal and interest, the Agency's allocated capital costs for the respective year and interest thereon, computed at the project interest rate and compounded annually.

(2) The Agency may make payments at a more rapid rate if approved by the State.

(3) Such annual payments shall cease when all allocated capital costs and interest thereon, computed at the project interest rate and compounded annually, are repaid.

(d) Payment in Advance for Excess Peaking Capacity

In the event that any contractor, pursuant to Article 12(b), requests delivery capacity in any aqueduct reach which will permit maximum monthly deliveries to such contractor in excess of the percentage amounts specified in said Article 12(b) for the uses designated therein, such contractor shall furnish to the State, in advance of the construction of such aqueduct reach, funds sufficient to cover the costs of providing such excess capacity, which funds shall be in an amount which bears the same proportion to the total capital costs of such reach, including the costs of providing such excess capacity, as such excess capacity bears to the total capacity of such reach, including such excess capacity. For the purpose of any allocation of costs pursuant to subdivision (b) of this article, the total capital costs of such aqueduct reach shall be allocated among all contractors entitled to delivery of project water from or through the reach in the following manner:

(1) The costs which would have been incurred for such reach had no such excess capacity been provided shall be estimated by the State and allocated among all such contractors in the manner provided in said subdivision (b); and

(2) The amount of the difference between said estimated costs and the projected actual costs of such reach shall be allocated to the contractor or contractors for which such excess capacity is provided.

Where such excess capacity is provided for more than one contractor, the costs allocated to them under (2) above shall be further allocated between or among them in amounts which bear the same proportion to the total of said allocated costs as the amount of such excess capacity provided for the respective contractor bears to the total of such excess capacity provided in such reach. In the event that the funds advanced by a contractor pursuant to this subdivision are more or less than the costs so allocated to such contractor under (2) above, the account of such contractor shall be credited or debited accordingly.

(e) Costs Incurred Prior to Date of Contract

The Agency's allocated capital costs for the year preceding the year of initial payment of the capital component of the Transportation Charge, pursuant to subdivision (c) of this article, shall consist of the sum of the Agency's allocated capital costs for each year through such year preceding the year of initial payment, and interest thereon, computed at the project interest rate and compounded annually.

25. TRANSPORTATION CHARGE—MINIMUM OPERATION, MAINTENANCE, POWER, AND REPLACEMENT COMPONENT

(a) Method of Computation

The minimum operation, maintenance, power, and replacement component of the Transportation Charge shall return to the State those costs of the project transportation facilities necessary to deliver water to the contractor which constitute operation, maintenance, power, and replacement costs incurred irrespective of the amount of project water delivered to the contractor and which are allocated to the contractor pursuant to (b) below: Provided, That to the extent permitted by law, the State may establish reserve funds to meet anticipated minimum replacement costs; and deposits in such reserve funds by the State: (1) shall be made in such amounts that such reserve funds will be adequate to meet such anticipated costs as they are incurred, and (2) shall be deemed to be a part of the minimum replacement costs for the year in which such deposits are made.
(b) Allocation of Costs

The total projected minimum operation, maintenance, power, and replacement costs of each aqueduct reach of the project transportation facilities for the respective year shall be allocated among all contractors entitled to delivery of project water from said facilities by the proportionate use of facilities method of cost allocation, in the same manner and upon the same bases as are set forth for the allocation of capital costs in Article 24: Provided, That such minimum operation, maintenance, power, and replacement costs as are incurred generally for the project transportation facilities first shall be allocated to each aqueduct reach in an amount which bears the same proportion to the total amount of such general costs that the amount of the costs incurred directly for the reach bears to the total of all direct costs for all aqueduct reaches.

(c) Payment Table

The amount to be paid each year by the Agency under the minimum operation, maintenance, power, and replacement component of the Transportation Charge shall be determined in accordance with subdivision (b) of this article on the basis of the relevant values to be set forth for the respective aqueduct reaches in Table B of this contract: Provided, That these values shall be subject to redetermination by the State in accordance with Article 28. Such amounts and any interest thereon shall be set forth by the State in Table E of this contract as soon as designs and cost estimates have been prepared by it subsequent to receipt of requests from the Agency as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of project water to the Agency, pursuant to Article 17(a): Provided, That the amounts set forth in Table E shall be subject to redetermination by the State in accordance with Article 28.

26. TRANSPORTATION CHARGE—VARIABLE OPERATION, MAINTENANCE, POWER, AND REPLACEMENT COMPONENT

(a) Method of Computation

The variable operation, maintenance, power, and replacement component of the Transportation Charge shall return to the State those costs of the project transportation facilities necessary to deliver water to the contractor which constitute operation, maintenance, power, and replacement costs incurred in an amount which is dependent upon and varies with the amount of project water delivered to the contractor and which are allocated to the contractor pursuant to (1) and (2) below: Provided, That to the extent permitted by law, the State may establish reserve funds to meet anticipated variable replacement costs; and deposits in such reserve funds by the State: (1) shall be made in such amounts that such reserve funds will be adequate to meet such anticipated costs as they are incurred, and (2) shall be deemed to be a part of the variable replacement costs for the year in which such deposits are made. The amount of this component shall be determined as follows:

(1) There shall be computed for each aqueduct reach of the project transportation facilities a charge per acre-foot of water which will return to the State the total projected variable operation, maintenance, power, and replacement costs of the reach for the respective year. This computation shall be made by dividing said total by the number of acre-feet of project water estimated to be delivered from or through the reach to all contractors during the year.

(2) The amount of the variable component shall be the sum of the products obtained when the charges per acre-foot of water, determined under (1) above, for each aqueduct reach necessary to deliver water to the contractor are multiplied by the number of acre-feet of project water delivered to the contractor from or through that reach during the year: Provided, That when project water has been requested by a contractor and delivery thereof has been commenced by the State, and, through no fault of the State, such water is wasted as a result of failure or refusal by the contractor to accept delivery thereof, the amount of said variable component to be paid by such contractor during such period shall be the product of the above sum and the sum of the number of acre-feet of project water delivered to the contractor and the number of acre-feet wasted.

(b) Revenue From Aqueduct Power Recovery Plants

There shall be credited against the amount of the variable component to be paid by each contractor, as determined pursuant to subdivision (a) of this article, a portion of the projected net value of any power recovered during the respective year at project aqueduct power recovery plants located upstream on the particular aqueduct from the delivery structures for delivery of project water to the contractor. Such portion shall be in an amount which bears the same proportion to said projected net value that the number of acre-feet of project water delivered to the contractor through said plants during the year bears to the number of acre-feet of project water delivered to all contractors through said plants during the year.

(c) Payment Table

The amount to be paid each year by the Agency under the variable operation, maintenance, power, and
replacement component of the Transportation Charge shall be determined in accordance with subdivision (a) of this article for the respective aqueduct reaches in Table B of this contract. Such amounts and any interest thereon shall be set forth by the State in Table F of this contract as soon as designs and cost estimates are prepared by it subsequent to receipt of requests from the Agency as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of project water to the Agency, pursuant to Article 17(a): Provided, That the amounts set forth in Table F shall be subject to readetermination by the State in accordance with Article 28.

27. TRANSPORTATION CHARGE—PAYMENT SCHEDULE

The amounts to be paid by the Agency for each year of the project repayment period under the capital cost and minimum operation, maintenance, power, and replacement components of the Transportation Charge, and under the variable operation, maintenance, power, and replacement component of said charge on the basis of then estimated deliveries, shall be set forth by the State in Table G of this contract as soon as designs and cost estimates are prepared by it subsequent to receipt of requests from the Agency as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of project water to the Agency, pursuant to Article 17(a). Table G of this contract shall constitute a summation of Tables D, E, and F of this contract: Provided, That each of the amounts set forth in Table G shall be subject to readetermination by the State in accordance with Article 28: Provided further, That the principles and procedures set forth in Articles 24, 25, and 26 shall be controlling as to such amounts. Such amounts shall be paid by the Agency in accordance with the provisions of Article 29.

28. TRANSPORTATION CHARGE—REDETERMINATION

The State shall readetermine the values and amounts set forth in Tables B, C, D, E, F and G of this contract in the year following the year in which the State commences construction of the project transportation facilities and each year thereafter in order that the Transportation Charge to the Agency and the components thereof may accurately reflect increases or decreases from year to year in projected costs, outstanding reimbursable indebtedness of the State incurred to construct the project transportation facilities described in Table I of this contract annual entitlements, estimated deliveries, project interest rate, and all other factors which are determinative of such charges. In addition, each such readetermination shall include an adjustment of the components of the Transportation Charge to be paid by the Agency for succeeding years which shall account for the differences, if any, between projections of costs used by the State in determining the amounts of said components for all preceding years and actual costs incurred by the State during such years. Upon each such readetermination, appropriately revised copies of Tables B, C, D, E, F and G shall be prepared by the State and attached to this contract as amendments of those tables.

29. TIME AND METHOD OF PAYMENT

(a) Initial Payment—Delta Water Charge

Payments by the Agency under the Delta Water Charge shall commence in the year of initial water delivery to the Agency.

(b) Initial Payment—Transportation Charge: Capital Component

Payments by the Agency under the capital cost component of the Transportation Charge shall commence in the year following the year in which the State commences construction of the project transportation facilities. If such construction has already commenced when this contract is executed, such payments shall begin in the year following the year of execution.

(c) Initial Payment—Transportation Charge: Minimum Component

Payments by the Agency under the minimum operation, maintenance, power, and replacement component of the Transportation Charge shall commence for each aqueduct reach in the year following the year in which construction of that reach is completed.

(d) Initial Payment—Transportation Charge: Variable Component

Payments by the Agency under the variable operation, maintenance, power, and replacement component of the Transportation Charge shall commence in the year of initial water delivery to the Agency.

(e) Statement of Charges

The State shall, on or before July 1 of each year, commencing with the year preceding the year in which payment of the respective charge is to commence pursuant to this article, furnish the Agency with a written statement of: (1) the charges to the Agency for the next succeeding year under the capital cost and minimum operation, maintenance, power, and replacement components of the Delta Water Charge and Transportation Charge; (2) the unit charges to the Agency for the next succeeding year under the variable operation, maintenance, power, and replacement components of said Delta Water Charge and Transportation Charge; and (3) the total charges to the Agency for the preceding year under the variable operation, maintenance, power, and replacement components of said Delta Water Charge and Transportation Charge: Provided, That through December 31,
1969, the Delta Water Charge shall be based upon a unit rate of $3.50 per acre-foot and shall be paid by the contractors on the basis of their respective annual entitlements to project water, as provided in Article 22(b): Provided further, That the first such statement shall be provided by the State as soon after the execution of this contract as is feasible. All such statements shall be accompanied by the latest revised copies of the document amending to Article 22 and of Tables B, C, D, E, F and G of this contract, together with such other data and computations used by the State in determining the amounts of the above charges as the State deems appropriate. The State shall, on or before the fifteenth day of each month of each year, commencing with the year of initial water delivery to the Agency, furnish the Agency with a statement of the charges to the Agency for the preceding month under the variable operation, maintenance, power, and replacement components of the Delta Water Charge and Transportation Charge. Such charges shall be determined by the State in accordance with the relevant provisions of Articles 22 and 26 of this contract, upon the basis of metered deliveries of project water to the Agency, except as otherwise provided in those articles.

(f) Times of Payment—Capital Components

The Agency shall pay to the State, on or before January 1 of each year, commencing with the year in which payment of the respective charge is to commence pursuant to this article, one-half (½) of the charge to the Agency for the year under the capital cost component of the Delta Water Charge and one-half (½) of the charge to the Agency for the year under the capital cost component of the Transportation Charge, as such charges are stated pursuant to subdivision (e) of this article; and shall pay the remaining one-half (½) of each of said charges on or before July 1 of that year.

(g) Times of Payment—Minimum Components

The Agency shall pay to the State, on or before the first day of each month of each year, commencing with the year of initial water delivery to the Agency, one-twelfth (1/12) of the sum of the charges to the Agency for the year under the minimum operation, maintenance, power, and replacement components of the Delta Water Charge and Transportation Charge, respectively, as such charges are stated pursuant to subdivision (e) of this article.

(h) Times of Payment—Variable Components

The Agency shall pay to the State on or before the fifteenth day of each month of each year, commencing with the year of initial water delivery to the Agency, the charges to the Agency under the variable operation, maintenance, power, and replacement components of the Delta Water Charge and Transportation Charge, respectively, for which a statement was received by the Agency during the preceding month pursuant to subdivision (e) of this article, as such charges are stated in such statement.

(l) Contest of Accuracy of Charges

In the event that the Agency contests the accuracy of any statement submitted to it pursuant to subdivision (e) of this article, it shall give the State notice thereof at least ten (10) days prior to the day upon which payment of the stated amounts is due. To the extent that the State finds the Agency's contentions regarding the statement to be correct, it shall revise the statement accordingly, and the Agency shall make payment of the revised amounts on or before the due date. To the extent that the State does not find the Agency's contentions to be correct, or where time is not available for a review of such contentions prior to the due date, the Agency shall make payment of the stated amounts on or before the due date, but may make the contested part of such payment under protest and seek to recover the amount thereof from the State.

30. SURCHARGE FOR PROJECT WATER USED ON EXCESS LAND

(a) Definitions: "Surcharge"; "Excess Land"

As used herein the term “surcharge” shall mean an amount equivalent to the power credit per acre-foot of water, as such credit is determined under and established by subdivision (b) of this article, to be charged to water users other than the United States or the State of California, as hereinafter provided and to the extent permitted by law, for each acre-foot of project water put to agricultural or manufacturing use on excess land. As used herein the term “excess land” shall mean that part of any land held in single beneficial ownership within a contractor's boundaries, or, where project water is delivered to water users by a retail agency as hereinafter defined, that part of any such land within the service area of such retail agency, which is in excess of 160 acres; or in the case of joint ownership by husband and wife that part of any such land which is in excess of 320 acres.

(b) Definition: "Power Credit"

As used herein, the term "power credit" shall mean the net value accruing to the State from revenues derived from the sale or other disposal of electrical energy generated in connection with operation of initial project conservation facilities after deducting from said revenues the amount necessary to repay the investment properly chargeable to energy generation and for operation, maintenance, and replacement of the electrical generation facilities. The power credit
per acre-foot of water shall be computed in accordance with the following formula:

\[
\frac{\alpha_1(1 + \delta)^{-1} + \alpha_2(1 + \delta)^{-2} + \ldots + \alpha_n(1 + \delta)^{-n}}{\alpha_1(1 + \delta)^{-1} + \alpha_2(1 + \delta)^{-2} + \ldots + \alpha_n(1 + \delta)^{-n}}
\]

Where:

\(i\) = The project interest rate.
\(c\) = The projected annual power credit accrued during the respective year of the project repayment period.

\(1, 2, n\) appearing below \(c\) = The respective year of the project repayment period during which the power credit is accrued, \(n\) being the last year of the project repayment period.

\(e\) = The total of annual entitlements to project water of all contractors for the respective year of the project repayment period.

\(1, 2, n\) appearing below \(e\) = The respective year of the project repayment period in which the annual entitlements occur, \(n\) being the last year of the project repayment period.

\(n\) used as exponents = The number of years in the project repayment period.

The power credit per acre-foot of water is hereby established as $2 until all of the facilities for generation of electrical energy in connection with operation of initial project conservation facilities are installed and in operation. The State shall determine the power credit per acre-foot of water each year thereafter in order that it may accurately reflect increases or decreases from year to year in the power credit as defined herein. Each such determination shall be in accordance with the method of computation set forth in this subdivision, and upon each such determination, a document showing the revised amount of the power credit per acre-foot of water shall be attached to this contract as an amendment of this subdivision.

(c) **Definition: "Retail Agency"**

As used herein the term "retail agency" shall mean any agency which delivers directly to the users thereof, project water made available by, through, or under a contractor.

(d) **Payment of Surcharge**

Each contractor, to the extent that it delivers project water directly to the users thereof, shall require on behalf of the State that each such user on or before June 1 of each year, commencing with the year following the year of initial water delivery: (1) certify in writing to the contractor on forms prescribed and furnished by the State the description of the excess land owned by such user upon which project water is put to agricultural or manufacturing use, and the amount of project water put to agricultural or manufacturing use on such land during the preceding year; and (2) pay to the contractor for the account of the State a surcharge for the amount of water so certified. Each contractor, to the extent that it delivers project water to a retail agency or to another agency by, through, or under which such water is delivered to a retail agency, shall require on behalf of the State that each water user served by such retail agency be required to, on or before May 1 of each year, commencing with the year following the year of initial water delivery: (1) certify in writing to the retail agency on forms prescribed and furnished by the State the description of the excess land owned by such user upon which project water is put to agricultural or manufacturing use and the amount of project water put to agricultural or manufacturing use on such land during the preceding year; and (2) pay to the retail agency for the account of the State a surcharge for the amount of project water so certified. Each contractor and retail agency shall be entitled to rely upon the certifications furnished them by water users pursuant to this subdivision, unless notified by the State as to the inaccuracy of any such certification. Payments made to the contractor pursuant to this subdivision, together with the certifications supporting such payments, shall be forwarded to the State on or before July 1 of the year in which they are received. Payments made to a retail agency pursuant to this subdivision, together with the certifications supporting such payments, shall be paid by the contractor to the State on or before July 1 of the year in which they are received; except that where project water has been delivered to the retail agency by, through, or under an agency or agencies other than the contractor, such payments and certifications shall be paid to the State on or before July 1 of the year in which they are received; except that where project water has been delivered to the retail agency by, through, or under an agency or agencies other than the contractor, such payments and certifications shall be paid to the State on or before July 1 of the year in which they are received.

(e) **Commingling of Project and Nonproject Water**

In the event that a contractor, retail agency, or water user commingles project water with water from another source in a common distribution system, the contractor shall, in complying with the provisions of this article, adhere to the following rules, and, where project water is delivered by it to a retail agency or to another agency by, through or under which project water is delivered to a retail agency, as contemplated in subdivision (d) of this article, shall require on behalf of the State that such retail agency adhere or be required to adhere to the same rules.

(1) If the amount of nonproject water applied in any year within the area served with project
water by the contractor or retail agency is
equal to or greater than the amount of water
put to agricultural or manufacturing use on
all excess land within that area during such
year, it shall be presumed that the water put
to agricultural or manufacturing use on such
excess land is nonproject water, and there shall
be no surcharge to water users in that area.

(2) If the amount of nonproject water applied in
any year within the area served with project
water by the contractor or retail agency is less
than the amount of water put to agricultural
or manufacturing use on all excess land within
that area during such year, it shall be presumed,
for the purpose of determining the payments
to be made under the surcharge by water users
in that area, that the amount of project water
put to agricultural or manufacturing use on
excess land of a particular ownership within
that area during such year bears the same propor
tion to the total amount of water so used on
that excess land during such year as the total
amount of project water applied within that
area during such year bears to the total amount
of water applied within that area during such
year.

(3) Project water which reaches the underground
prior to delivery to or pumping by a water
user shall not be subject to a surcharge under
this article.

(f) Failure of Retail Agency to Perform
Obligations

Subject to subdivision (g) of this article, a con
tractor shall not be liable for the failure of any retail
agency or other agency to perform the obligations
imposed upon it in accordance with subdivision (d)
of this article.

(g) State May Enforce Surcharge

In the event that any retail agency or other agency
by, through or under which project water is delivered
to a retail agency, fails to perform the obligations
imposed upon it in accordance with subdivision (d)
of this article, the State may take such action in a
court of competent jurisdiction, in the name of the contractor and/or
the retail agency and/or any other agency or agencies
by, through, or under which project water is deliv
ered to such water user, as it deems necessary to col
lect full payment under the surcharge from such water user and
to compel the performance of all obliga
tions imposed upon such water user in accordance
with said subdivision (d), and in such action the
State shall be subrogated to the rights of such contractor
and/or such retail agency and/or such other
agency or agencies against such water user. Where
project water is delivered by a contractor to a retail
agency or to another agency by, through, or
under which project water is delivered to a retail
agency, as contemplated in subdivision (d) of this
article, the contractor shall require on behalf of the
State that such retail agency or other agency and all
agencies by, through, or under which project water
is delivered to a retail agency permit or be required
to permit the State to bring the foregoing actions
in their respective names and be subrogated to their
respective rights as set forth above.

(h) State to Defend and Indemnify Against
Claims

Should the application of any of the provisions of
this article in the manner provided for herein result
in claims of any nature against a contractor, retail
agency, or other agency by, through, or under which
project water is delivered to a retail agency, the State
shall defend the contractor, retail agency, or other
agency against such claims, and shall indemnify them
for any liability with respect thereto arising from
activities required by the State under this article.

(i) Separability

This article shall be separable from all other pro
visions in this contract, and in the event that any or all
of the provisions of this article are in any manner
or to any extent held to be invalid by final judgment
or decree of a court of competent jurisdiction, such
holding and such invalidity shall in no way affect the
validity of, or make invalid, any other provision of
this contract.

31. ADJUSTMENT FOR OVERPAYMENT OR
UNDERPAYMENT

If in any year, by reason of errors in computation
or other causes, there is an overpayment or under
payment to the State by the Agency of the charges
provided for herein, which overpayment or under
payment is not accounted for and corrected in the
annual redetermination of said charges, the amount of
such overpayment or underpayment shall be credited
or debited, as the case may be, to the Agency's ac
count for the next succeeding year and the State shall
notify the Agency thereof in writing.
32. DELINQUENCY IN PAYMENT

(a) Agency to Provide for Punctual Payment

The governing body of the Agency shall provide for the punctual payment to the State of payments which become due under this contract.

(b) Interest on Overdue Payments

Upon every amount of money required to be paid by the Agency to the State pursuant to this contract which remains unpaid after it becomes due and payable, interest shall accrue at the rate of one-half (½) of one (1) percent per month of the amount of such delinquent payment from and after the due date until it is paid, and the Agency hereby agrees to pay such interest: Provided, that no interest shall be charged to or be paid by the Agency unless such delinquency continues for more than thirty (30) days.

33. OBLIGATION OF AGENCY TO MAKE PAYMENTS

(a) Refusal of Water Does Not Affect Obligation

The Agency’s failure or refusal to accept delivery of project water to which it is entitled under Article 6(b) shall in no way relieve the Agency of its obligation to make payments to the State as provided for in this contract. The State, however, shall make reasonable efforts to dispose of any water made available to but not required by the Agency and any net revenues from such disposal shall be credited pursuant to Article 21.

(b) Character of Obligation

The Agency as a whole is obligated to pay to the State the payments becoming due under this contract, notwithstanding any individual default by its constituents or others in the payment to the Agency of assessments, tolls, or other charges levied by the Agency.

34. OBLIGATION OF AGENCY TO LEVY TAXES AND ASSESSMENTS

(a) When Obligated

If in any year the Agency fails or is unable to raise sufficient funds by other means, the governing body of the Agency shall levy upon all property in the Agency not exempt from taxation, a tax or assessment sufficient to provide for all payments under this contract then due or to become due within that year.

(b) Enforcement by Officers of Agency

Taxes or assessments levied by the governing body of the Agency pursuant to subdivision (a) of this article shall be enforced and collected by all officers of the Agency charged with the duty of enforcing and collecting taxes or assessments levied by the Agency.

Art. 37

(c) Deposit in Separate Fund

All money collected for taxes or assessments under this article shall be kept in a separate fund by the treasurer or other officer of the Agency charged with the safekeeping and disbursement of funds of the Agency, and, upon the written demand of the State, the treasurer or other officer shall pay over to the State all such money in his possession or control then due the State under this contract, which money shall be applied by the State to the satisfaction of the amount due under this contract.

(d) Enforcement of Levy

In the event of failure, neglect, or refusal of any officer of the Agency to levy any tax or assessment necessary to provide payment by the Agency under this contract, to enforce or to collect the tax or assessment, or to pay over to the State any money then due the State collected on the tax or assessment, the State may take such action in a court of competent jurisdiction as it deems necessary to compel the performance in their proper sequence of all such duties. Action taken pursuant hereto shall not deprive the State of or limit any remedy provided by this contract or by law for the recovery of money due or which may become due under this contract.

D. GENERAL PROVISIONS

35. REMEDIES NOT EXCLUSIVE

The use by either party of any remedy specified herein for the enforcement of this contract is not exclusive and shall not deprive the party using such remedy of, or limit the application of, any other remedy provided by law.

36. AMENDMENTS

This contract may be amended at any time by mutual agreement of the parties, except insofar as any proposed amendments are in any way contrary to applicable law. The State shall promptly furnish the Agency with copies of all contracts now or hereafter executed by the State for a dependable supply of project water, and of any amendments thereof.

37. AGENCY NOT ESTOPPED TO CHALLENGE STATE LAWS

Nothing herein contained shall be construed as estopping or otherwise preventing the Agency or any person, firm, association, corporation, or public body or agency claiming by, through, or under the Agency from contesting by litigation or other lawful means the validity, constitutionality, construction or application of any law of this State, including laws referred to in the Bond Act, or as preventing or prejudicing the amendment or repeal of any such law, and each contract executed by the State for a dependable supply of
Art. 38

Project water shall contain a similar reservation with respect to State laws.

38. OPINIONS AND DETERMINATIONS

Where the terms of this contract provide for action to be based upon the opinion, judgment, approval, review, or determination of either party hereto, such terms are not intended to be and shall never be construed as permitting such opinion, judgment, approval, review, or determination to be arbitrary, capricious, or unreasonable.

39. CONTRACTING OFFICER OF THE STATE

The contracting officer of the State shall be the Director of Water Resources of the State of California and his successors, or their duly authorized representatives. The contracting officer shall be responsible for all discretionary acts, opinions, judgments, approvals, reviews, and determinations required of the State under the terms of this contract.

40. SUCCESSORS AND ASSIGNS OBLIGATED

This contract and all of its provisions shall apply to and bind the successors and assigns of the parties hereto.

41. ASSIGNMENT

No assignment or transfer of this contract or any part hereof, rights hereunder, or interest herein by the Agency shall be valid unless and until it is approved by the State and made subject to such reasonable terms and conditions as the State may impose.

42. WAIVER OF RIGHTS

Any waiver at any time by either party hereto of its rights with respect to a default or any other matter arising in connection with this contract, shall not be deemed to be a waiver with respect to any other default or matter.

43. NOTICES

All notices that are required either expressly or by implication to be given by one party to the other under this contract shall be signed for the State by its contracting officer, and for the Agency by such officer as it may, from time to time, authorize in writing to so act. All such notices shall be deemed to have been given if delivered personally or if enclosed in a properly addressed envelope and deposited in a United States Post Office for delivery by registered or certified mail. Unless and until formally notified otherwise, all notices shall be addressed to the parties at their addresses as shown on the signature page of this contract.

44. MAINTENANCE AND INSPECTION OF BOOKS, RECORDS, AND REPORTS

During regular office hours, each of the parties hereto and their duly authorized representatives shall have the right to inspect and make copies of any books, records, or reports of the other party pertaining to this contract or matters related hereto. Each of the parties hereto shall maintain and make available for such inspection accurate records of all of its costs, disbursements and receipts with respect to its activities under this contract and the Bond Act.
E. SPECIAL PROVISIONS AND TABLES

45. SPECIAL PROVISIONS

(a) On or before June 30, 1963, the Agency shall furnish to the State its written request specifying whether the agency shall receive water in the year of initial water delivery from the East Branch Aqueduct or from the West Branch Aqueduct as defined in Table H of this contract, and specifying the year in which the first delivery of project water from the other Branch Aqueduct shall be made to the Agency. The timing of first deliveries of project water from each of said Branch Aqueducts shall be as so requested by the Agency, Provided, That in the event said request is, in the judgment of the State, incompatible with similar requests received from other contractors to be served from or through said Branch Aqueducts, which contractors have executed contracts with the State on or before June 30, 1963, the timing of first deliveries of project water to the Agency and such other contractors from said Branch Aqueducts shall be as established by mutual agreement among the State, the Agency, and said contractors, Provided further, That if such agreement has not been reached on or before December 31, 1963, the State may then construct said Branch Aqueducts in accordance with such construction schedules as, in the judgment of the State, will best serve the interests of all those contractors whose service areas are located south of the South Portal of the Tehachapi Tunnel and which have executed contracts with the State on or before June 30, 1963, Provided further, That the Agency be precluded from requesting, pursuant to Article 10 of this contract, water through delivery structures located in aqueduct reaches upstream from the junction of the East and West Branch Aqueducts.

(b) The State shall provide sufficient capacity in the transportation facilities, subject to the provisions of Article 17(b), to deliver 11% of the Agency's annual entitlement in each of four months in each year. Subject to the foregoing limitation, in scheduling deliveries under Article 12(a) the State will provide for up to 1/9th of the Agency's annual entitlement to be delivered in excess of a rate of 8-1/3% per month. In no month shall the Agency be scheduled to receive less than 4% of the Agency's annual entitlement, and the aqueduct reaches downstream from the Agency's delivery structures will be designed and constructed accordingly.

(c) The annexations to the Agency, authorized by Resolution No. 62-64 of the Board of Directors dated August 28, 1962, are deemed to be approved by the department within the meaning of Article 15(b), and are generally described as follows:

1. The Tejon-Kiney annexation, comprising approximately 200 square miles at the western boundary of the Agency
2. The Agua-Dulce annexation, comprising approximately 40 square miles at the southwestern boundary of the Agency
3. The East Antelope Valley annexation, comprising approximately 100 square miles at the southeastern boundary of the Agency
4. The Hoffman No. 2 annexation, comprising approximately 16 square miles at the northeastern boundary of the Agency.
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<tr>
<th>Year</th>
<th>Total Annual Amount in Acre-Feet</th>
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and each succeeding year thereafter, for the term of this contract as a Maximum Annual Entitlement:

120,000 Acre-feet
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<th>Route Name</th>
<th>Average Feet</th>
<th>Total Feet</th>
<th>Total Feet Per Section</th>
<th>Total Feet per Waterloo Reservoir</th>
<th>Total Feet per Willard Plant</th>
<th>Total Feet per Clear Creek Dam</th>
<th>Total Feet per Quail Lake Dam</th>
<th>Total Feet per Sugarloaf Dam</th>
<th>Total Feet per Project Transportation Facilities</th>
<th>Aggregate Reach</th>
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**California Aqueduct**

**Antelope Valley-East Kern Water Agency**

**Table 8**

Allocated proportion of costs of project transportation facilities.
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* Year in which State commenced construction of project transportation facilities, 1959.
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<th>Year</th>
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<th>Annual Interest Payment</th>
<th>Total Annual Payment by District</th>
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TOTAL

* Year in which the State commenced construction of the project transportation facilities, 1969.
** Year of first payment.
TABLE E
TRANSPORTATION CHARGE – MINIMUM OPERATION
MAINTENANCE, POWER, AND REPLACEMENT COMPONENT
ANTEROPE VALLEY–EAST KERN WATER AGENCY

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Annual Payment by District* (in thousands of dollars)</th>
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and each succeeding year thereafter, for the term of this contract.

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* Payment shall start with respect to each aqueduct reach in the year following the year in which the State completes construction of the respective reach.

** Year in which the State commenced construction of the project transportation facilities, 1959.
**TABLE F**

TRANSPORTATION CHARGE – ESTIMATED VARIABLE OPERATION, MAINTENANCE, POWER, AND REPLACEMENT COMPONENT
ANTELOPE VALLEY—EAST KERN WATER AGENCY

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Annual Payment by Districta</th>
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</thead>
<tbody>
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<td>1**</td>
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</tbody>
</table>

and each succeeding year thereafter, for the term of this contract.

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*a Payments start with year of initial water delivery.

**b Year in which State commenced construction of project transportation facilities, 1959.*
<table>
<thead>
<tr>
<th>Year</th>
<th>Transportation Charge</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Capital Cost Component</td>
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<td>1*</td>
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</tbody>
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### TABLE G (Continued)

**PAYMENT SCHEDULE**
**ANTELOPE VALLEY–EAST KERN WATER AGENCY**
(In thousands of dollars)

<table>
<thead>
<tr>
<th>Year</th>
<th>Transportation Charge</th>
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<tbody>
<tr>
<td></td>
<td>Capital Cost Component</td>
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<tr>
<td>46</td>
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<td>79</td>
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<td>80</td>
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</tr>
</tbody>
</table>

* Year in which State commenced construction of project transportation facilities, 1959.

** Year of first payment.
TABLE II

PROJECT TRANSPORTATION FACILITIES
ANTELOPE VALLEY—EAST KEARN WATER AGENCY

A San Joaquin Valley—Southern California Aqueduct extending to a point near Loko Riggs on the West Branch Aqueduct defined below, and extending to Cedar Springs Reservoir on the East Branch Aqueduct defined below, to the extent such aqueduct is determined by the State to be required for water transportation.

1. "East Branch Aqueduct" shall mean that portion of the San Joaquin Valley—Southern California Aqueduct specified in Section 12534(d)(2) of the Water Code extending from the junction of East and West Branches to a turnout in the vicinity of Prado, Riverside County.

2. "West Branch Aqueduct" shall mean that portion of the San Joaquin Valley—Southern California Aqueduct specified in Section 12534(d)(2) of the Water Code extending from the junction of East and West Branches to a turnout in the vicinity of Newhall, Los Angeles County.
<table>
<thead>
<tr>
<th>Aqueduct Reach</th>
<th>Major Features of Reach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delta to Discharge Delta Pumping Plant:</td>
<td>Intake Canal</td>
</tr>
<tr>
<td>Discharge, Delta Pumping Plant to San Luis Forebay:</td>
<td>Fish Protective Facilities</td>
</tr>
<tr>
<td>San Luis Forebay to Outlet San Luis Reservoir:</td>
<td>Delta Pumping Plant</td>
</tr>
<tr>
<td>Outlet San Luis Reservoir to Avenal Gap:</td>
<td>(Pumping Plant I)</td>
</tr>
<tr>
<td>Avenal Gap to Buena Vista Pumping Plant III:</td>
<td>Aqueduct</td>
</tr>
<tr>
<td>Buena Vista Pumping Plant to Wheeler Ridge Pumping Plants I and II:</td>
<td>San Luis Forebay and Dam</td>
</tr>
<tr>
<td>Wheeler Ridge Pumping Plants I and II to Tehachapi Pumping Plant:</td>
<td>San Luis Pumping-Generating Plant</td>
</tr>
<tr>
<td>Tehachapi Pumping Plant to South Portal Tehachapi Tunnels:</td>
<td>San Luis Reservoir and Dam</td>
</tr>
<tr>
<td>South Portal Tehachapi Tunnels to Junction, East and West Branches</td>
<td>Aqueduct</td>
</tr>
<tr>
<td>WEST BRANCH</td>
<td>Mile 18 Pumping Plant</td>
</tr>
<tr>
<td>Junction, East and West Branches to a turnout near Lake Hughes:</td>
<td>Aqueduct</td>
</tr>
<tr>
<td>EAST BRANCH</td>
<td>Buena Vista Pumping Plant</td>
</tr>
<tr>
<td>Junction, East and West Branches to Little Rock Creek:</td>
<td>Aqueduct</td>
</tr>
<tr>
<td>Little Rock Creek to West Fork Mojave River:</td>
<td>Wheeler Ridge Pumping Plant I</td>
</tr>
<tr>
<td>Cedar Springs Reservoir</td>
<td>Wheeler Ridge Pumping Plant II</td>
</tr>
<tr>
<td></td>
<td>Tehachapi Pumping Plant</td>
</tr>
<tr>
<td></td>
<td>(Pumping Plant VI)</td>
</tr>
<tr>
<td></td>
<td>Tehachapi Tunnels</td>
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<tr>
<td></td>
<td>Aqueduct</td>
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<tr>
<td></td>
<td>Cottonwood Power Plant</td>
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<tr>
<td></td>
<td>Pearblossom Pumping Plant</td>
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<td></td>
<td>Aqueduct</td>
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<td></td>
<td>Cedar Springs Dam</td>
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<td></td>
<td>Cedar Springs Reservoir</td>
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</tbody>
</table>
IN WITNESS WHEREOF, the parties hereto have executed this contract on the date first
above written.

Approved as to legal form and sufficiency:

B. A. Greenberg
Chief Deputy Director
Department of Water Resources
P. O. Box 383
Sacramento, California

Attest:

John Carter
Secretary (Deputy)

Approved as to form:

Counsel
Antelope Valley-East Kern Water Agency
P. O. Box 905
Lancaster, California

STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES

By
Director

ANTELOPE VALLEY—EAST KERN WATER
AGENCY

By
President

By
General Manager and Chief Engineer

Governor
STATE OF CALIFORNIA

DEPARTMENT OF WATER RESOURCES

AMENDMENT NO. 1 TO WATER SUPPLY CONTRACT BETWEEN THE STATE OF CALIFORNIA DEPARTMENT OF WATER RESOURCES AND ANTELOPE VALLEY-EAST KERN WATER AGENCY

THIS CONTRACT, made this 22nd day of September 1964, pursuant to the provisions of the California Water Resources Development Bond Act, the State Central Valley Project Act, and other applicable laws of the State of California, between the State of California, acting by and through its Department of Water Resources, herein referred to as the "State," and Antelope Valley-East Kern Water Agency, a public agency in the State of California, duly organized, existing, and acting pursuant to the laws thereof with its principal place of business in Lancaster, California, herein referred to as the "Agency,"

WITNESSETH, That:

WHEREAS, the State is authorized to construct and operate facilities for the storage and conveyance of water, certain of which facilities will make water available to the Agency; and

WHEREAS, the State and the Agency have entered into a water supply contract, dated September 20, 1962, providing that the State shall supply certain quantities of water to the Agency, and providing that the Agency shall make certain payments to the State, and setting forth the terms and conditions of such supply and such payment; and
WHEREAS, the maximum annual entitlements under all contracts executed by the State on or before December 31, 1963, did not aggregate the amount of the minimum project yield as defined in such water supply contract; and

WHEREAS, the Agency has elected to become entitled to a certain amount of the uncontracted for portion of the minimum project yield under the provisions of Article 8 of the above-mentioned contract and the State has determined that the Agency can put the water involved to beneficial use within a reasonable period of time; and

WHEREAS, the State and the Agency are desirous of making certain other changes and additions to such contract, while otherwise continuing the contract in full force and effect;

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

1. Subdivision (k) of Article 1 is amended to read as follows:

(k) Minimum Project Yield

"Minimum project yield" shall mean the dependable annual supply of project water to be made available, estimated to be 4,230,000 acre-feet per year, said amount to be determined by the State on the basis of coordinated operation studies of initial project conservation facilities and additional project conservation facilities, which studies shall be based upon:

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

(2) An allowable reduction in the agricultural use portion of the minimum project yield, due to drought, of not to exceed fifty percent (50%) in any one year, nor a total of one hundred percent (100%) of one year's supply in any series of seven consecutive years.

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

2. Table A of the contract entitled "Annual Entitlements Antelope Valley-East Kern Water Agency" is amended to read as follows:
**TABLE A**

**ANNUAL ENTITLEMENTS**

**ANTELOPE VALLEY-EAST KERN WATER AGENCY**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Annual Amount in Acre-feet</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>20,000</td>
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<td>2</td>
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<td>18</td>
<td>125,700</td>
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<td>19</td>
<td>132,100</td>
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<td>20</td>
<td>138,400</td>
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</tbody>
</table>

And each succeeding year thereafter, for the term of this contract: 138,400

3. Subdivision (c) of Article 12 is amended to read as follows:

(c) **Limit on Rate of Delivery to Agency**

   In no event shall the State be obligated to deliver water to the Agency through all delivery structures at a total combined instantaneous rate of flow exceeding two hundred fifty three (253) cubic feet per second, except as this rate of flow may be revised by amendment of this article after submission to the State of the Agency's requests with respect to maximum flow.
capacities to be provided in said delivery structures, pursuant to Article 10.

4. Subdivision (a) of Article 16 is amended to read as follows:

(a) Limit on Total of All Maximum Annual Entitlements

The Agency's maximum annual entitlement hereunder, together with the maximum annual entitlements of all other contractors, shall aggregate no more than the minimum project yield as defined herein and in no event more than 4,230,000 acre-feet of project water.

5. Article 46 is added to the contract to read as follows:

46. Amendatory Provisions

(a) Surplus Water

Notwithstanding other provisions of this contract, surplus water for agricultural and ground water replenishment use shall be offered to contractors on the following basis. Before surplus water is sold for other than agricultural and ground water replenishment use, each contractor shall have the right, subject to the ability of the State to deliver such water and to the provisions of the next succeeding paragraph, to contract for agricultural and ground water replenishment use for a portion of the total amount of surplus water available in any year, in an amount which bears the same ratio to the total amount of surplus water available in that year as the sum of the annual entitlements, set forth in Table A of this contract, delivered to the contractor for agricultural and ground water replenishment use during the preceding three years bears to the total amount of such annual
entitlements delivered for agricultural and ground water replenishment use during the preceding three years of all contractors requesting surplus water: Provided, That if its proportion of such surplus water is not required by or cannot be delivered to any contractor, such amount of additional surplus water shall be offered to other contractors for agricultural and ground water replenishment use. During the first three years in which project water is delivered to a contractor, the State shall determine the amount of surplus water which the contractor may obtain based on the contractor's maximum annual entitlement and the estimated percentage of its annual entitlement to be delivered for agricultural and ground water replenishment use; but quantities so determined shall not exceed the contractor's annual entitlement for that year. For the purpose of computing the portion of the surplus water for agricultural and ground water replenishment use to which each contractor is entitled, the State shall determine the amounts of water used for agricultural and ground water replenishment use by each contractor in each year: Provided, That each contractor shall furnish certified copies of such records and data concerning the use of water within its boundaries as the State may request.

The provisions of this paragraph shall be applicable only to contractors in the San Joaquin Valley Service Area, contractors in the Southern California Service Area, and contractors in the Central Coastal Service Area. Before surplus water is sold for other than agricultural and ground water replenishment use, each such contractor shall have the right, subject to the ability of the State to deliver such water, to contract for agricultural
and ground water replenishment use in accordance with the following formula: contractors in the San Joaquin Valley Service Area shall have a right to contract for sixty-nine percent (69%) of the surplus water available at the Mile 18 Pumping Plant; contractors in the Southern California Service Area shall have a right to contract for twenty-nine percent (29%) of such water; and contractors in the Central Coastal Service Area shall have a right to contract for two percent (2%) of such water: Provided, That within each of these service areas, each contractor shall have the right to contract for agricultural and ground water replenishment use for a portion of the total amount of surplus water available to that service area in any year, in an amount which bears the same ratio to the total amount of surplus water available to the service area in that year as the sum of the annual entitlements, set forth in Table A of this contract, delivered to the contractor for agricultural and ground water replenishment use during the preceding three years bears to the total amount of such annual entitlements delivered for agricultural and ground water replenishment use during the preceding three years of all contractors in that service area requesting surplus water: Provided, further, That if its proportion of such surplus water is not required by or cannot be delivered to any contractor, such amount of additional surplus water shall be offered to other contractors for agricultural and ground water replenishment use. During the first three years in which project water is delivered to a contractor, the State shall determine the amount of surplus water which the contractor may obtain based on the contractor's maximum annual entitlement and the estimated percentage of its annual entitlement to be delivered for
agricultural and ground water replenishment use; but quantities so determined shall not exceed the contractor's annual entitlement for that year. As used in this paragraph, "contractors in the San Joaquin Service Area" shall mean: Devil's Den Water District, Dudley Ridge Water District, Empire West Side Irrigation District, Hacienda Water District, Kern County Water Agency, and Tulare Lake Basin Water Storage District; "contractors in the Southern California Service Area" shall mean: Antelope Valley-East Kern Water Agency, City of West Covina, Coachella Valley County Water District, Crestline-Lake Arrowhead Water Agency, Desert Water Agency, Littlerock Creek Irrigation District, Mojave Water Agency, Palmdale Irrigation District, San Bernardino Valley Municipal Water District, San Gabriel Valley Municipal Water District, San Gorgonio Pass Water Agency, The Metropolitan Water District of Southern California, Upper Santa Clara Valley Water Agency, and Ventura County Flood Control District; "contractors in the Central Coastal Service Area" shall mean: San Luis Obispo County Flood Control and Water Conservation District and Santa Barbara County Flood Control and Water Conservation District.

The provision of this paragraph shall be applicable only to a contractor to which the delivery of project water for municipal use as of 1990 is estimated by the State to be in excess of fifty percent (50%) of such contractor's maximum annual entitlement. For the purpose of fixing such contractor's right to delivery of surplus water, water from a watershed not tributary to the contractor's area which is delivered within the contractor's boundaries.
for agricultural or ground water replenishment use shall be deemed
to be part of the contractor's annual entitlement delivered for such
use in computing the quantity of surplus water to which the con-
tactor is entitled under this subdivision: Provided, That the
contractor shall not be deemed to have used more than its annual
entitlement, as set forth in Table A, for such use. Surplus water
shall be deemed to be used by the contractor for agricultural or
ground water replenishment use if an equal quantity of water
imported from a watershed not tributary to the contractor's area
is delivered within the contractor's boundaries for such use.

In providing for the delivery of surplus water to
contractors pursuant to this subdivision, the State shall refuse
to deliver such surplus water to any contractor to the extent that
the State determines that such delivery would tend to encourage
the development of an economy within the area served by such con-
tractor which would be dependent upon the sustained delivery of
water in excess of the contractor's maximum annual entitlement.
In no event shall the quantity of surplus water made available in
any year prior to 1986 to any contractor under this subdivision
exceed the difference between its annual entitlement for that year
and its maximum annual entitlement, except that, subject to
provisions of the immediately preceding sentence, with respect to
any contractor which under Table A of its contract is scheduled
to receive its maximum annual entitlement prior to 1978, the
quantity of surplus water made available in any year prior to 1986
under this subdivision may exceed such difference by not more than
3,000 acre-feet.
Surplus water for agricultural and ground water replenishment use shall be furnished at prices which will return to the State the variable operation, maintenance, power, and replacement components of the Delta Water Charge and Transportation Charge incurred in such service of surplus water as determined by the State. Surplus water delivered under this subdivision shall be limited to the quantity of water which can be delivered without adversely affecting the reliability, or increasing the cost, of service to meet annual entitlements. A surcharge shall be added to the rate for surplus water furnished to excess land in an amount and under the conditions specified in Article 30 of this contract. Contracts made pursuant to this subdivision may exceed one year in duration.

Except as herein modified, the provisions of Article 21 of this contract are hereby confirmed, and all surplus water not specifically allocated pursuant to this subdivision shall be sold under the provisions of Article 21. Nothing in this subdivision shall limit the right of the Agency to increase its annual entitlements as otherwise provided in this contract.

As used in this subdivision "ground water replenishment use" shall mean the use of project water exclusively by direct application to spreading basins, streambeds, or through other means of direct artificial recharge for the purpose of replenishing overdrawn ground water basins.

(b) Surcharge Credit

Notwithstanding other provisions of this contract, the State may allow a credit to each contractor not to exceed the surcharge paid by such contractor.
For the purpose of this contract, the surcharge credit shall be determined and applied in the following manner:

(1) The State shall, in each year after the year of initial water delivery, allow a credit to the Agency in the amount of the surcharge forwarded by the Agency to the State in the preceding year.

(2) The Agency shall not establish water rates, or tax or assessment rates, so as to cause the surcharge credit to be passed on to water users in a manner which will bring about a greater reduction in the cost per acre-foot of project water put to use on excess land than such cost of project water put to use on other than excess land.

This subdivision 46 (b) shall be separable from all other provisions in this contract, and in any event that any or all of the provisions of this subdivision are in any manner or to any extent held to be invalid by final judgment or decree of a court of competent jurisdiction, such holding and such invalidity shall in no way affect the validity of, or make invalid, any other provision of this contract.
IN WITNESS WHEREOF, the parties hereto have executed this contract on the date first above written.

Approved as to legal form and sufficiency:

[Signature]
Chief Counsel
Department of Water Resources

Approved as to form and execution:

[Signature]
Attorney

[Signature]
Secretary-Treasurer

STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES
By

[Signature]

ANTELOPE VALLEY-EAST KERN WATER AGENCY
By

[Signature]
President

[Signature]
Chief Engineer & General Manager
STATE OF CALIFORNIA
THE RESOURCES AGENCY
DEPARTMENT OF WATER RESOURCES

AMENDMENT NO. 2 TO
WATER SUPPLY CONTRACT BETWEEN THE
STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES AND
ANTELOPE VALLEY-EAST KERN WATER AGENCY

THIS CONTRACT, made this 24th day of August, 1965, pursuant to the provisions of the California Water Resources Development Bond Act, the State Central Valley Project Act, and other applicable laws of the State of California, between the State of California, acting by and through its Department of Water Resources, herein referred to as the "State", and Antelope Valley-East Kern Water Agency, a public agency in the State of California, duly organized, existing, and acting pursuant to the laws thereof with its principal place of business in Lancaster, California, herein referred to as the "Agency",

WITNESSETH, That:

WHEREAS, the State is authorized to construct and operate facilities for the storage and conveyance of water, certain of which facilities will make water available to the Agency; and

WHEREAS, the State and the Agency have entered into a water supply contract, dated September 20, 1962, as amended September 22, 1964, providing that the State shall supply certain quantities of water to the Agency, and providing that the Agency shall make certain payments to the State, and
setting forth the terms and conditions of such supply and such payment; and

WHEREAS, the State and the Agency desire to make certain other changes and additions to such contract, while otherwise continuing the contract in full force and effect;

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

1. Subdivision (c) of Article 12 is amended to read as follows:

   (c) Limit on Rate of Delivery to Agency

   In no event shall the State be obligated to deliver water to the Agency through all delivery structures at a total combined instantaneous rate of flow exceeding one hundred ninety-two (192) cubic feet per second, except as this rate of flow may be revised by amendment of this article after submission to the State of the Agency's requests with respect to maximum flow capacities to be provided in said delivery structures, pursuant to Article 10.

2. Subdivision (b) of Article 45 is amended to read as follows:

   (b) The State shall provide sufficient capacity in the transportation facilities to deliver the Agency's maximum annual entitlement at a continuous flow subject to the provisions of Article 17(b). No capacity shall be provided for peaking.
3. The first column (Aqueduct Reach) of Table B of the contract entitled "Allocated Proportion of Costs of Project Transportation Facilities" is amended to read as follows:

Aqueduct Reach

CALIFORNIA AQUEDUCT

Delta through Bethany Reservoir
Bethany Reservoir to San Luis Forebay
San Luis Forebay to Mile 18 Pumping Plant
Mile 18 Pumping Plant to Panoche Creek
Panoche Creek to Five Points
Five Points to Arroyo Pasajero
Arroyo Pasajero to Kettleman City
Kettleman City to Avenal Gap
Avenal Gap to Twisselman Road
Twisselman Road to near Lost Hills
Near Lost Hills to Near Seventh Standard Road
Near Seventh Standard Road to Elk Hills Road
Elk Hills Road to Tupman
Tupman to Buena Vista Pumping Plant
Buena Vista Pumping Plant to Santiago Creek
Santiago Creek to Old River Road
Old River Road to Wheeler Ridge Pumping Plant
Wheeler Ridge Pumping Plant to Wind Gap Pumping Plant
Wind Gap Pumping Plant to Tehachapi Pumping Plant
Tehachapi Pumping Plant to South Portal Tehachapi Tunnel No. 3
South Portal Tehachapi Tunnel No. 3 to Junction, East and West Branches

EAST BRANCH DIVISION

Junction, East and West Branches through Cottonwood Powerplant
Cottonwood Powerplant to Fairmont

WEST BRANCH

Junction, East and West Branches through Oso Pumping Plant

4. Table H of the contract entitled "Project Transportation Facilities" is amended to read as follows:
TABLE II

PROJECT TRANSPORTATION FACILITIES
ANTELOPE VALLEY-EAST KERN WATER AGENCY

A San Joaquin Valley-Southern California Aqueduct extending to a turnout near Oso Pumping Plant on the West Branch Aqueduct defined below, and extending to a turnout near Fairmont on the East Branch Aqueduct defined below, to the extent such aqueduct is determined by the State to be required for water transportation.

(1) "East Branch Aqueduct" shall mean that portion of the San Joaquin Valley-Southern California Aqueduct specified in Section 12934(d)(2) of the Water Code extending from the Junction of East and West Branches to a terminus in the vicinity of Perris, Riverside County.

(2) "West Branch Aqueduct" shall mean that portion of the San Joaquin Valley-Southern California Aqueduct specified in Section 12934(d)(2) of the Water Code extending from the Junction of East and West Branches to a terminus in the vicinity of Newhall, Los Angeles County.

5. Table I of the contract entitled "Aqueduct Reaches" is amended to read as follows:

<table>
<thead>
<tr>
<th>Aqueduct reach</th>
<th>Major features of reach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delta through Bethany Reservoir</td>
<td>Intake Channel, Fish Protective Facilities, Delta Pumping Plant, Aqueduct, Bethany Reservoir Aqueduct</td>
</tr>
<tr>
<td>Bethany Reservoir to San Luis Forebay</td>
<td>Forebay, Aqueduct, Los Banos Creek Detention Dam</td>
</tr>
<tr>
<td>San Luis Forebay to Mile 18 Pumping Plant</td>
<td>Mile 18 Pumping Plant, Aqueduct, Little Panoche Creek Detention Reservoir, Little Panoche Creek Siphon</td>
</tr>
<tr>
<td>Mile 18 Pumping Plant to Panoche Creek</td>
<td>Panoche Creek Siphon, Aqueduct</td>
</tr>
<tr>
<td>Aqueduct reach</td>
<td>Major features of reach</td>
</tr>
<tr>
<td>----------------</td>
<td>------------------------</td>
</tr>
<tr>
<td>Five Points to Arroyo Pasajero</td>
<td>Aqueduct</td>
</tr>
<tr>
<td>Arroyo Pasajero to Kettleman City</td>
<td>Aqueduct</td>
</tr>
<tr>
<td>Kettleman City to Avenal Gap</td>
<td>Aqueduct</td>
</tr>
<tr>
<td>Avenal Gap to Twisselman Road</td>
<td>Aqueduct</td>
</tr>
<tr>
<td>Twisselman Road to near Lost Hills</td>
<td>Aqueduct</td>
</tr>
<tr>
<td>Near Lost Hills to near Seventh Standard Road</td>
<td>Aqueduct</td>
</tr>
<tr>
<td>Near Seventh Standard Road to Elk Hills Road</td>
<td>Aqueduct</td>
</tr>
<tr>
<td>Elk Hills Road to Tupman</td>
<td>Aqueduct</td>
</tr>
<tr>
<td>Tupman to Buena Vista Pumping Plant</td>
<td>Buena Vista Intake Channel and Pumping Plant, Sunset Railraod Siphon, Aqueduct</td>
</tr>
<tr>
<td>Buena Vista Pumping Plant to Santiago Creek</td>
<td>Aqueduct</td>
</tr>
<tr>
<td>Santiago Creek to Old River Road</td>
<td>Aqueduct</td>
</tr>
<tr>
<td>Old River Road to Wheeler Ridge Pumping Plant</td>
<td>Old River Road Siphon, Maricopa Highway Siphon, Aqueduct</td>
</tr>
<tr>
<td>Sheeler Ridge Pumping Plant to Wind Gap Pumping Plant</td>
<td>Wheeler Ridge Intake Channel and Pumping Plant, Aqueduct</td>
</tr>
<tr>
<td>Wind Gap Pumping Plant to Tehachapi Pumping Plant</td>
<td>Wind Gap Intake Channel and Pumping Plant, Standard Oil Road Siphon, Grapevine Creek Siphon, Aqueduct</td>
</tr>
<tr>
<td>Tehachapi Pumping Plant to South Portal Tehachapi Tunnel No. 3</td>
<td>Tehachapi Forebay, Intake Channel and Pumping Plant, Penstocks, Tunnel No. 1, Siphon No. 1, Tunnel No. 2, Pastoria Siphon, Tunnel No. 3</td>
</tr>
<tr>
<td>South Portal Tehachapi Tunnel No. 3 to Junction, East and West Branches</td>
<td>Tehachapi Siphon No. 3, Carley V. Porter Tunnel, Tehachapi Afterbay, Junction West Branch Aqueduct</td>
</tr>
</tbody>
</table>

**EAST BRANCH DIVISION**

<p>| Junction, East and West Branches through Cottonwood Powerplant | Cottonwood Intake Channel, Powerplant and Tailrace Canal, Aqueduct |
| Cottonwood Powerplant to Fairmont | Neenach Fill, Aqueduct |</p>
<table>
<thead>
<tr>
<th>Aqueduct reach</th>
<th>Major Features of reach</th>
</tr>
</thead>
<tbody>
<tr>
<td>WEST BRANCH DIVISION</td>
<td></td>
</tr>
<tr>
<td>Junction, East and West Branches</td>
<td>Antelope Siphon, Oso</td>
</tr>
<tr>
<td>thru Oso Pumping Plant</td>
<td>Canal, Pumping Plant</td>
</tr>
<tr>
<td></td>
<td>and Penstocks, Aqueduct</td>
</tr>
</tbody>
</table>

6. The amendments to Tables B, H, and I of the contract as set forth in paragraphs numbered 3, 4, and 5 above shall in no way limit the right of the State to make subsequent modifications pursuant to the provisions of Article 23 of the contract.

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

Approved as to form and execution:

ANTELOPE VALLEY-EAST KERN WATER AGENCY

Attorney

President

Secretary-Treasurer

Chief Engineer and General Manager

Approved as to legal form and sufficiency:

STATE OF CALIFORNIA
THE RESOURCES AGENCY
DEPARTMENT OF WATER RESOURCES

Chief Counsel
Department of Water Resources

Director
THE RESOURCES AGENCY
STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES

AMENDMENT NO. 3 TO WATER SUPPLY CONTRACT
BETWEEN THE STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES AND
ANTELOPE VALLEY-EAST KERN WATER AGENCY

THIS CONTRACT, made this 16th day of February, 1967, pursuant to the provisions of the California Water Resources Development Bond Act, the State Central Valley Project Act, and other applicable laws of the State of California, between the State of California, acting by and through its Department of Water Resources, herein referred to as the "State", and Antelope Valley-East Kern Water Agency, a public agency in the State of California, duly organized, existing, and acting pursuant to the laws thereof with its principal place of business in Lancaster, California, herein referred to as the "Agency",

WITNESSETH, That:

WHEREAS, the State is authorized to construct and operate facilities for the storage and conveyance of water, certain of which facilities will make water available to the Agency; and

WHEREAS, the State and the Agency have entered into a water supply contract, dated September 20, 1962, as amended by Amendment No. 1, dated September 22, 1964, and Amendment No. 2, dated August 24, 1965, providing that the State will supply certain quantities of water to the Agency, and providing that the Agency shall make certain payments to the State, and setting forth the terms and conditions of such supply and such payments; and

WHEREAS, Amendment No. 2, previously referred to, revised subdivision (c) of Article 12 to provide for a rate of delivery of
project water to the Agency that does not permit peaking delivery rates, revised subdivision (d) of Article 45 to state that the State will provide only a continuous rate of delivery, and removed the Agency's participation in the East Branch Aqueduct downstream from a turnout in the vicinity of Fairmont reservoir; and

WHEREAS, the Agency has requested that the State reconsider the changes in its water supply contract that were accomplished by said Amendment No. 2 as hereinabove stated so as to reinstate the provisions requiring the State to provide peaking service to the Agency; and

WHEREAS, the Agency has also requested that such peaking service be provided through a reservoir facility located at a specific site between the Fairmont Buttes and Antelope Buttes, called the Buttes reservoir site; and

WHEREAS, with such a reservoir facility it would be possible for the State to provide emergency service to the Agency in addition to peaking service, which emergency service heretofore had not been contemplated to be provided said Agency; and

WHEREAS, the Agency has requested that such reservoir be designed and constructed to provide the same degree of emergency service that the Department is providing to other water contracting agencies using reservoirs for such emergency service; and

WHEREAS, the Agency has requested that it be provided with capacity in that portion of the Aqueduct from which it had withdrawn in the aforementioned Amendment No.2 downstream to the vicinity of Pearblossom Pumping Plant; and
WHEREAS, provided construction of Buttes reservoir is technically and financially feasible, the State is willing to approve such requests and to reinstate the Agency to the position of service it would have held in the absence of Contract Amendment No. 2, and to enable the Agency to make the most effective use of the California Aqueduct for location of its distribution facilities; and

WHEREAS, it is the intent of the State and the Agency that such peaking and emergency service shall be provided only if construction of a dam at the Buttes reservoir site is found to be feasible;

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

1. Subdivision (c) of Article 12 is amended to read as follows:

   (c) Limit on Rate of Delivery to Agency

   In no event shall the State be obligated to deliver water to the Agency through all delivery structures at a total combined instantaneous rate of flow exceeding two hundred fifty-three (253) cubic feet per second, except as this rate of flow may be revised by amendment of this article after submission to the State of the Agency's requests with respect to maximum flow capacities to be provided in said delivery structures, pursuant to Article 10.

2. Subdivision (b) of Article 45 is amended to read as follows:

   (b) The State shall provide sufficient capacity in the transportation facilities, subject to the provisions of Article 17(b), to deliver eleven percent (11%) of the Agency's annual entitlement in each of three and one-third (3-1/3) months
in each year. Subject to the foregoing limitation, in scheduling deliveries under Article 12(a), the State will provide for up to eight point eighty-nine percent (8.89%) of the Agency's annual entitlement to be delivered in excess of a rate of eight and one-third percent (8-1/3%) per month: Provided, That the State shall not be obligated, by reason of this contract provision, to reduce the peaking service and/or emergency service heretofore provided for other agencies that have contracted for water service from the State Water Project, if the State determines that it is not feasible for any reason in the judgment of the State to build a dam at the Buttes reservoir site to provide such peaking and emergency service for the Agency: Provided further, That notwithstanding the State's determination, the Agency may notify the State at any time prior to the date the State commences final design of Buttes reservoir that the Agency does not desire the reservoir to be constructed, in which event the provisions of paragraph numbers 1, 2, and 3 of this amendment shall be of no further force and effect: Provided further, That, notwithstanding the fact that the dam is not constructed, the Agency shall remain liable for and shall be obligated to pay the State all costs incurred by the State by reason of this amendment prior to the date the State determines such construction is not feasible or the date the Agency notifies the State that the Agency does not desire the reservoir to be constructed, whichever shall be earlier.

3. Subdivision (c) is added to Article 46 to read as follows:

(c) The Agency may notify the State on or before January 1, 1968, as to whether or not it would desire the Buttes
reservoir, contemplated to be constructed by the State to provide the peaking and emergency service to the Agency, to be placed in operation by the State later than the State is scheduling such service, and the State will then postpone the design and construction of said dam and reservoir for the period requested by the Agency; Provided, That such postponement will be granted only for a periodin which (1) the existing capacity of the State Water Project enables the State to make deliveries to the Agency on the peaking basis provided for by this contract without reduction in the service and water deliveries to be provided to other contractors during the period of the delayed construction, and (2) the Agency agrees to make any necessary adjustments in its payments to the State to provide compensation for the temporary usage by the Agency of facilities necessary to provide peaking service to other contracting agencies; Provided further, That the State may elect for reasons of financing to postpone the design and construction of such dam and reservoir so that the peaking service and/or emergency service for the Agency will require the temporary usage by the Agency of facilities necessary to provide peaking service to other contracting agencies, in which event the Agency agrees to make any necessary adjustments in its payments to the State to provide compensation for such usage, or, in lieu thereof, to notify the State that the Agency does not desire the reservoir to be constructed.

4. The first column (Aqueduct Reach) of Table B of the contract, entitled "Allocated Proportion of Costs of Project Transportation Facilities", is amended by addition of the following reaches:
EAST BRANCH DIVISION

Buttes Junction (near Fairmont) thru Buttes reservoir
Fairmont to 70th Street West
70th Street West to Palmdale
Palmdale to Littlerock Creek
Littlerock Creek to Pearblossom Pumping Plant

WEST BRANCH

Oso Pumping Plant to State Route 138

5. Table H of the contract entitled "Project Transportation Facilities", is amended to read as follows:

TABLE H

PROJECT TRANSPORTATION FACILITIES
ANTELOPE VALLEY-EAST KERN WATER AGENCY

A San Joaquin Valley-Southern California Aqueduct extending to a turnout near the Quail regulating reservoir on the West Branch Aqueduct defined below, and extending to a turnout near the Pearblossom Pumping Plant on the East Branch Aqueduct defined below, to the extent such Aqueduct is determined by the State to be required for water transportation.

(1) "East Branch Aqueduct" shall mean that portion of the San Joaquin Valley-Southern California Aqueduct specified in Section 12934(d) (2) of the Water Code extending from the Junction of East and West Branches to a terminus in the vicinity of Perris, Riverside County.

(2) "West Branch Aqueduct" shall mean that portion of the San Joaquin Valley-Southern California Aqueduct specified in Section 12934(d) (2) of the Water Code extending from the Junction of East and West Branches to a terminus in the vicinity of Newhall, Los Angeles County.

6. Table I of the contract, entitled "Aqueduct Reaches" is amended by adding the following reach descriptions:
Aqueduct Reach

EAST BRANCH DIVISION

Buttes Junction (near Fairmont) thru Buttes reservoir
Fairmont to 70th Street West
70th Street West to Palmdale
Palmdale to Littlerock Creek
Littlerock Creek to Pearblossom Pumping Plant

Major Features of Reach

Siphon, Buttes Dam, Buttes reservoir
Canal and siphons
Canal and siphons
Canal and siphons
Canal and siphons

WEST BRANCH

Oso Pumping Plant to State Route 138

Quail Canal, Quail Regulating Pool

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

APPROVED as to legal form and sufficiency:

Chief Counsel
Department of Water Resources

Approved as to form and execution:

Attorney

Secretary-Treasurer

STATE OF CALIFORNIA
THE RESOURCES AGENCY
DEPARTMENT OF WATER RESOURCES

By
William B. van Doren
Director

ANTELOPE VALLEY-EAST KERN WATER AGENCY

By
Alfred E. Belden
President

By
William A. Mumford
General Manager
STATE OF CALIFORNIA
THE RESOURCES AGENCY
DEPARTMENT OF WATER RESOURCES

AMENDMENT NO. 4 TO WATER SUPPLY CONTRACT
BETWEEN THE STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES AND
ANTELOPE VALLEY-EAST KERN WATER AGENCY

THIS CONTRACT, made this 11th day of May 1967, pursuant to the provisions of the California Water Resources Development Bond Act, the State Central Valley Project Act, and other applicable laws of the State of California, acting by and through its Department of Water Resources, herein referred to as the "State", and Antelope Valley-East Kern Water Agency, a public agency in the State of California, duly organized, existing and acting pursuant to the laws thereof with its principal place of business in Lancaster, California, herein referred to as the "Agency",

WITNESSETH, That:

WHEREAS, the State is authorized to construct and operate facilities for the storage and conveyance of water, certain of which facilities will make water available to the Agency; and

WHEREAS, the State and the Agency have entered into a water supply contract, dated September 20, 1962, as amended by Amendment No. 1, dated September 22, 1964, Amendment No. 2 dated August 24, 1965, and Amendment No. 3 dated February 16, 1967, providing that the State will supply certain quantities of water to the Agency, and providing that the Agency shall make certain payments to the State, and setting forth the terms and conditions of such supply and such payments; and
WHEREAS, Article 12(b) of such contract provides that the State shall not be obligated to deliver to any contractor from the project transportation facilities in any one month of any year a total amount of project water greater than certain named percentages of such contractor's annual entitlement for that year, but said article further provides that such percentages may be revised by amendment of Article 12(b); and

WHEREAS, Article 17(b) of such contract provides that the State shall design and construct the project transportation facilities so as to provide certain capacity in such facilities; and

WHEREAS, Article 24(d) of such contract provides a procedure to be followed in the event that any contractor, pursuant to Article 12(b), requests delivery capacity in any aqueduct reach which will permit maximum monthly deliveries to such contractor in excess of the percentage amounts specified in said Article 12(b); and

WHEREAS, the Agency has requested that such contract be amended to provide for excess capacity in certain reaches of project transportation facilities; and

WHEREAS, the State is willing to approve such request upon the terms and conditions of this agreement; and

WHEREAS, the Agency is willing to advance to the State funds sufficient to cover any additional cost of the project transportation facilities occasioned by the Agency's request, as provided in Article 24(d); and

WHEREAS, it is the intent of the State and the Agency that no part of such additional costs shall be borne by any contractor other than the Agency;
NOW THEREFORE, it is mutually agreed that the following changes and additions are hereby made to the Agency's water supply contract with the State:

1. Subdivision (b) of Article 12 is amended to read as follows:

   (b) In no event shall the State be obligated to deliver to any contractor through all delivery structures provided for such contractor a total amount of project water in any year greater than the contractor's annual entitlement for that year; or to deliver to any contractor from the project transportation facilities downstream from Pumping Plant VI (Tehachapi Pumping Plant) in any one month of any year a total amount of project water greater than eleven percent (11%) of such contractor's annual entitlement for that year; or to deliver to any contractor from the project transportation facilities upstream from said Pumping Plant VI in any one month of any year a total amount of project water greater than the sum of eighteen percent (18%) of that portion of such contractor's annual entitlement for that year to be put to agricultural use, as determined by the State, and eleven percent (11%) of that portion of such contractor's annual entitlement for that year to be put to municipal use, as determined by the State:

Provided, That if the State delivers project water to any contractor through delivery structures both downstream and upstream from said Pumping Plant VI, the foregoing limitations on monthly deliveries to such contractor shall be based on an appropriate apportionment of such contractor's annual entitlement for that year to the respective portions of such contractor's service area to which delivery is made
from the project transportation facilities downstream from said Pumping Plant VI and from the project transportation facilities upstream therefrom: Provided further, That the respective percentages set forth hereinabove may be revised for a particular contractor by amendment of this subdivision after submission to the State of that contractor's requests with respect to maximum monthly deliveries, such revision being subject to approval by the State and subject to advancement to the State by the respective contractor of funds sufficient to cover any additional costs of the project transportation facilities occasioned thereby, as such costs are determined pursuant to Article 24(d): Provided further, That with respect to deliveries to the Agency from the project transportation facilities downstream from Pumping Plant VI the percentage of eleven percent (11%) is revised to the extent provided in Article 46(d) of this contract.

2. Subdivision (b) of Article 17 is amended to read as follows:

(b) The State shall design and construct the project transportation facilities so as to provide in each reach thereof, including reservoirs, the capacity necessary to enable delivery of project water in each year to the Agency and to other contractors in the maximum monthly amounts and at the locations, times, and maximum rates specified or provided for in their respective contracts for such year, and shall include in each such reach such capacity as is economically justified in the judgment of the State to compensate for scheduled outages for purposes of necessary investigation, inspection, maintenance, repair or replacement of
project facilities, and for losses of water due to evaporation, leakage, seepage, or other causes. Subject to Articles 6(b), 7(b), 12(b) and 12(c), the capacity so to be provided by the State for each reach of the project transportation facilities necessary for transporting water to the Agency shall be sufficient to enable delivery to the Agency in each month of any year of an amount of water up to but not exceeding eleven percent (11%) of the Agency's annual entitlement for the respective year and, upon completion of the project facilities, to enable delivery to the Agency in each month of any year of an amount of water up to but not exceeding eleven percent (11%) of the Agency's maximum annual entitlement: Provided, That regulatory storage reservoirs included in the project transportation facilities may be utilized in conjunction with conveyance capacity provided in said facilities for delivery to the Agency of the foregoing monthly amounts, subject to the retention at all times, except during periods of emergency, in each reservoir on the East Branch Aqueduct and the West Branch Aqueduct, respectively, of an amount of stored water reasonably sufficient to meet emergency requirements of the Agency for project water during the respective year: Provided further, That excess capacity shall be provided in accordance with Article 46(d) of this contract.

3. Subdivision (d) of Article 46 is added to the contract to read as follows:

(d) **Excess Capacity**

The State shall provide in each reach of the project transportation facilities from the Junction, West Branch, California Aqueduct to the beginning of the Peace Valley Pipeline on the West Branch Aqueduct, excess capacity in the amount of
nineteen (19) cubic feet per second, which consists of capacity sufficient to carry in any one month of any year seventy-seven one hundredths of one percent (0.77%) of the Agency's maximum annual entitlement including in such increment for each reach capacity required for scheduled outages: Provided, That no such excess capacity shall be provided in regulatory storage reservoirs included in such reaches. To the extent made possible by the excess capacity provided in accordance with the preceding sentence, the State shall comply with requests of the Agency to deliver from the project transportation facilities downstream from Pumping Plant VI (Tehachapi Pumping Plant) in any one month of any year a total amount of project water greater than eleven percent (11%) of the Agency's annual entitlement for that year. In no event shall the State be obligated to deliver to the Agency from the project transportation facilities downstream from Pumping Plant VI (Tehachapi Pumping Plant) in any one month of any year a total amount of project water greater than eleven percent (11%) of the Agency's annual entitlement for that year except insofar as the excess capacity provided in accordance with the first sentence of this subdivision (d) makes possible such greater delivery.

4. Subdivision (e) of Article 46 is added to the contract to read as follows:

(e) Advance Payment for Excess Capacity

The Agency shall each year furnish to the State, in advance of the construction of the aqueduct reaches from the Junction, West Branch Aqueduct, to the beginning of the Peace Valley Pipeline on the West Branch Aqueduct, funds sufficient to
cover the costs of providing the excess capacity described in subdivision (d) of this article. Such funds shall be in an amount which bears the same proportion to the total capital costs of each such reach, including the costs of providing such excess capacity, as such capacity bears to the total capacity of such reach, including such excess capacity. The State shall, on or before July 1 of each year, furnish the Agency with a written statement of the charges to the Agency pursuant to this subdivision for the next year: Provided, That the first such charge shall include any accumulated capital costs attributable to such increased capacity in prior years, together with interest thereon at the project interest rate compounded annually. The Agency shall pay to the State on or before January 1 of each year one-half of such charge and shall pay the remaining one-half of such charge on or before July 1 of that year.

5. Subdivision (f) of Article 46 is added to the contract to read as follows:

(f) Allocation of Capital Costs of Reaches in Which Excess Capacity is Provided

The total capital costs of each aqueduct reach in which excess capacity is provided for the Agency pursuant to subdivision (d) of this article shall be allocated among all contractors entitled to delivery of project water from or through the reach in accordance with the provisions of Article 24(d). The values and amounts so allocated shall be subject to redetermination by the State in accordance with Article 28. Such redetermination shall include, without limitation as to other proper adjustments, a recalculation, based on actual costs incurred by the State, of
both the estimated costs which would have been incurred had no excess capacity been provided and of the projected actual costs.

6. Subdivision (g) of Article 46 is added to the contract to read as follows:

(g) **Reconciliation of Advance Payments with Cost Allocation**

In the event that the funds advanced by the Agency pursuant to subdivision (e) of this article are more or less than the costs allocated to the Agency pursuant to subdivision (f) of this article, the account of the Agency under the capital cost component shall be credited or debited accordingly, with interest thereon from the date of such advance at the applicable average interest rate of the fund in which such money is invested.

7. Subdivision (h) of Article 46 is added to the contract to read as follows:

(h) **Allocation of Minimum Operation, Maintenance, Power, and Replacement Costs of Reaches in Which Excess Capacity is Provided**

Subject to the provisions of subdivision (j) of this article, the minimum operation, maintenance, power, and replacement costs for the respective year of each aqueduct reach of the project transportation facilities in which excess capacity has been provided pursuant to subdivision (d) of this article shall be allocated among contractors by the proportionate use of facilities method of cost allocation, in accordance with the provisions of Article 25: **Provided,** That in making such allocation with respect to all such costs other than those for any connected-load charges for power the capacity provided in each reach for the transport and delivery of project water to the Agency and the total capacity
provided in each reach shall include the excess capacity provided pursuant to subdivision (d) of this article.

8. Subdivision (i) of Article 46 is added to the contract to read as follows:

(1) Allocation of Variable Operation, Maintenance, Power, and Replacement Costs of Reaches in Which Excess Capacity is Provided

Subject to the provisions of subdivision (j) of this article, the variable operation, maintenance, power, and replacement costs for the respective year of each aqueduct reach of the project transportation facilities in which excess capacity has been provided pursuant to subdivision (d) of this article shall be allocated among contractors in accordance with the provisions of Article 26: Provided, That the Agency shall make such additional payments with respect to such variable component as may be necessary in order that the present value, when discounted at the project interest rate to the first day of the project repayment period, of payments of any other contractor under the variable operation, maintenance, power, and replacement component of the Transportation Charge will not be greater than the present value, when discounted at the project interest rate to the first day of the project repayment period, of payments under that component of the Transportation Charge that would have been derived for such contractor on the bases provided in its contract in the absence of subdivisions (d) to (j), inclusive, of this article in this contract.

9. Subdivision (j) of Article 46 is added to the contract to read as follows:
(j) **Connected-Load Charges for Power**

The connected-load charges for power resulting from the excess capacity provided pursuant to subdivision (d) of this article shall be paid entirely by the Agency and such costs shall not be included in the minimum operation, maintenance, power, and replacement component or the variable operation, maintenance, power, and replacement component of the Transportation Charge to be allocated among contractors: Provided, That such costs shall be paid by the Agency at the same times and under the same procedures as the minimum operation, maintenance, power, and replacement component as provided in Article 29.

10. The first column (Aqueduct Reach) of Table B of the contract, entitled "Allocated Proportion of Costs of Project Transportation Facilities", under the heading West Branch is amended to read:

```
West Branch

Junction, East and West Branches thru
Oso Pumping Plant

Oso Pumping Plant to Peace Valley Pipeline
```

11. The second line of Table H of the contract, entitled "Project Transportation Facilities", is amended to change Oso Pumping Plant to Peace Valley Pipeline.

12. Table I of the contract, entitled "Aqueduct Reaches" is amended by changing the West Branch description to read:

```
West Branch

Junction, East and West Branches thru Oso Pumping Plant

Oso Siphon, Oso Canal, Pumping Plant & Penstocks, Aqueduct

Oso Pumping Plant to Peace Valley Pipeline

Quail Canal, Quail Regulating Pool
```

10
IN WITNESS WHEREOF, the Parties hereto have executed this contract on the date first above written.

Approved as to legal form and sufficiency:

STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES

By

Director

Approved as to form and execution:

ANTELOPE VALLEY-EAST KERN WATER AGENCY

By

President

Secretary-Treasurer

General Manager