

**AGREEMENT****ROSEDALE-RIO BRAVO WATER STORAGE DISTRICT  
AND  
CASTAIC LAKE WATER AGENCY  
FOR  
A WATER BANKING AND EXCHANGE PROGRAM**

THIS AGREEMENT ("Agreement") is made and entered into as of the Effective Date by and between the CASTAIC LAKE WATER AGENCY ("CLWA"), and the ROSEDALE-RIO BRAVO WATER STORAGE DISTRICT ("RRB"). RRB and CLWA are sometimes referred to individually as a "Party" and collectively as the "Parties."

**RECITALS**

- A. RRB is a public agency organized in accordance with California Water Storage District Law (Division 14, commencing with §39000 of the California Water Code) for the purpose of acquiring, storing, distributing, and replenishing water supplies within its boundaries in Kern County, California.
- B. CLWA is a public agency organized in accordance with California Water Code Appendix, Chapter 103, for the purpose of acquiring water and water rights and to provide and sell such water at wholesale and retail to customers in the Santa Clarita Valley in Los Angeles and Ventura Counties, California.
- C. RRB is authorized to sell, distribute, or otherwise dispose of water and water rights not necessary for the uses and purposes of the District (Water Code §43001).
- D. Prior to operation of RRB's groundwater recharge program (hereinafter described), pumping extractions in RRB's area of the Kern Basin exceeded the safe yield of the local groundwater supply, and a substantial overdraft in the range of 40,000 to 50,000 acre-feet per year ("AFY") occurred annually. As a result of this overdraft, groundwater levels were declining at the rate of 8 to 10 feet/year prior to 1962.
- E. In 1959, RRB was formed to develop a groundwater recharge program to offset the overdraft. The construction of the initial phases of the recharge program was completed in early 1962, and the facilities placed in operation shortly thereafter. Additional improvements to program recharge facilities have since been made, and RRB has acquired fee title to the properties on which the Program facilities are located. The physical features of the recharge program include facilities to divert waters from the Kern River and the Cross Valley Canal facilities ("CVC" herein) and RRB properties into the Goose Lake Slough and adjacent recharge basins. A map of the recharge facilities and RRB Properties is attached herein as Exhibit A ("RRB Facilities" herein).

F. The currently developed program recharge facilities, including channels and basins, have a total wetted area of about 903 acres and an average long-term recharge capacity of about 360 cfs. RRB is also a recharge participant in the Kern County Water Agency Pioneer Project, and as such has first priority to a minimum 25% of the total recharge capacity. This provides RRB with an additional minimum 50 cfs of program recharge capacity. Additional recharge facilities are needed to offset groundwater basin overdraft conditions, maintain groundwater levels, and protect groundwater quality. Additionally, RRB has developed another 250 acres of recharge facilities at Paul Enns Recharge Ponds, Bakersfield, CA, which are also included in the Program and the Project.

G. RRB has developed a new program for the banking, storage, exchange, and direct delivery of water pursuant to the exercise of its powers of up to 100,000 acre-feet per year ("AFY"), which involves the recharge facilities in the foregoing Recitals and the banking of imported water by customers in the Kern Basin ("Basin" herein) for later delivery to the customer ("RRB Program Participants" herein) by way of exchange delivery through SWP facilities for RRB's State Water Project rights to water or by way of extraction delivery of banked water through the CVC to the State Water Project ("SWP") facilities at its junction with an intake and turnout facility near the town of Tupman, California ("Tupman Turnout" herein). RRB has developed and approved the new program called The Water Banking and Exchange Program pursuant to a master EIR which was certified by RRB on July 17, 2001 and an Addendum thereto ("RRB Program" herein).

H. Under the RRB Program, RRB can approve banking exchanges or extraction delivery of RRB Program water wherein, depending upon the availability of water, up to 100,000 AFY can be recharged in RRB's Facilities. The banking extraction deliveries or exchanges can include water supplies available from the SWP, Kern River and Friant-Kern Canal and tributaries, as well as water supplies from other sources unknown at this time but which could be made available to RRB.

I. According to the Master Environmental Impact Report ("Master EIR", herein) pursuant to the California Environmental Quality Act ("CEQA" herein), a State Water Project Contractor wanting to deliver, bank, or exchange water would negotiate and execute a contract for the delivery of water with RRB for recharge in RRB's facilities. This water would be recharged in areas through existing RRB Facilities and would be recovered using proposed extraction facilities that could be constructed for the return of water. Fifteen to twenty wells could be constructed, with an annual extraction capacity of up to 45,000 AFY. The actual number and location of extraction wells as well as the recovery rates required would depend on the individual projects that are developed. These facilities and operations could be subject to additional environmental review.

J. According to the Master EIR, the Program Participants would negotiate and execute a banking and exchange/water supply agreement with RRB that would provide for the delivery of the water and for the extraction or exchange of the water when the water is returned to the participating Party, which water is to be used for beneficial purposes.

K. According to the Master EIR, the RRB Program water would be banked in the groundwater basin underlying RRB and the banked water would be later delivered by exchange or extraction. An extraction delivery would involve direct extraction of banked water from the Basin. Delivery to the Program Participants would occur through wells, pipelines, and canals to the CVC and thence to the SWF Facilities. An exchange delivery would involve the delivery by RRB of all or a part of its SWF allocation, or other water supplies available to RRB, to the RRB Program Participants in exchange for the banked water being added to the RRB Program account underground, thereby eliminating the need for any direct extraction within RRB. Actual operations would be defined as individual projects are developed.

L. According to the Master EIR, the RRB Program will be subject to the same requirements that are placed on other similar projects in the area as related to recharge/extraction ratios, losses (evaporation and migration), and pumping level drawdown impacts on adjacent production wells. The use of any existing facilities or projects in which RRB is a participant, such as the CVC or the Pioneer Project, would be subject to the rules and regulations for those facilities that are in place from time-to-time.

M. RRB has executed memorandums of understanding ("MOU") with adjacent water districts that place restrictions on the use of the local Kern Basin Aquifer and establish water losses described herein (see Section 1C) and are imposed on the Parties by this Agreement.

N. According to the Master EIR, the proposed extraction wells are assumed to consist of a 20-inch diameter casing, approximately 800 feet in depth, of which 300 feet is perforated. The well will also be equipped with at least a 200-horsepower electric motor and 12-inch diameter column pipe.

O. RRB desires CLWA to participate in the RRB Program on the terms set forth herein by providing CLWA the right to bank up to 20,000 AFY of imported water and to take delivery of up to 20,000 AFY of such banked water by way of exchange or by way of extraction from the RRB Program as defined herein.

P. Pursuant to its desire to participate in the RRB Program as set forth in the foregoing Recitals and described in more detail in the Agreement below, the CLWA Board of Directors executed an agreement with RRB for the exclusive right to negotiate participation in the RRB Program, certified an EIR and authorized CLWA to participate in the RRB Program on October 19, 2005, which participation is hereafter referred to as the "Project." Further, on April 1, 2005, CLWA paid RRB \$600,000 for the exclusive right to negotiate for participation in the RRB Program ("Negotiated Agreement" herein).

IN CONSIDERATION of the payment of money and the promises of the Parties as set forth herein, it is agreed as follows:

## AGREEMENT

### 1. Description of RRB Program and CLWA Project.

A. **RRB Program.** The RRB Program is the spreading and percolation of imported water of Program Participants into the spreading ponds overlying the Basin. The Basin aquifer at the RRB spreading ponds is of such quality that it allows water to be percolated into the Basin ("banked" or "banking" herein) at optimum rates. The additional water added to the Basin fulfills RRB's management objectives for the Basin by keeping the Basin full with quality water, reducing pumping costs of the overlying users, providing a revenue stream to reduce RRB's costs, and providing funds for construction of additional capacity in facilities to successfully manage the Basin. The banked water is recovered by the RRB Program Participants by way of exchange of the RRB Program Participant's banked water for an equivalent amount of water from RRB's share of water it is entitled to from the SWP through contracts with Kern County Water Agency ("KCWA" herein) and the Department of Water Resources ("DWR" herein), or through direct delivery of the banked water by pumping it out of the Basin and through the CVC into the SWP at the Tupman Turnout for delivery through the SWP to the RRB Program Participants downstream ("Extraction/Delivery Facilities" herein).

B. **CLWA Project.** The CLWA Project is participation in the RRB Program by CLWA delivering water through the SWP Facilities or other water from sources tributary to the RRB Program to RRB for later withdrawal and use by CLWA through exchange delivery or extraction delivery as mentioned above and further defined below. The CLWA Project is limited to banking of up to 20,000 AFY and return of up to 20,000 AFY with no CLWA total banked water in the RRB Program exceeding 100,000 AF at any point in time and a total use of 200,000 AF of water banking ("Project Parameters" herein) and any extensions as provided herein in more detail.

(1) **Exchange Delivery and Measurement.** Exchange delivery and measurement shall take place by RRB delivering the water ordered by CLWA from the RRB Program through exchanging an equivalent amount of water from RRB's share of water it is entitled to from its allocation of SWP water through contracts with KCWA and DWR. RRB shall make exchange deliveries as requested by CLWA within fifteen (15) days of written request from CLWA of such delivery. Exchange shall entail a request by RRB to KCWA/DWR to deliver RRB's SWP water to CLWA, in the amount requested by CLWA. Water delivered by exchange shall be measured by DWR at Roach 13B at the Tupman Turnout.

(2) **Extraction Delivery and Measurement.** The extraction/delivery facilities have the capacity to deliver the CLWA Project water to the California Aqueduct, subject to scheduling of other uses of such facilities by entitled Parties. RRB shall make extraction deliveries as requested by CLWA within fifteen (15) days of written request from CLWA for such delivery. Water delivered by extraction delivery shall be measured by RRB through the KCWA meter at the CVC. Any water losses to the point of delivery shall be borne by RRB.

(3) **Banked Water and Measurement.** Water banked shall be measured by RRB through the RRB meter at the CVC. CLWA shall only pay for water actually stored in the RRB Program, subject to loss calculations set forth in Section 1C below. In order to bank water in the RRB Program, CLWA shall, at its sole discretion, determine the amount of water it desires to deliver and bank in the RRB Program. CLWA shall notify RRB in writing of the amount of water to be delivered to RRB for the account of CLWA. Upon receipt of the written notice to deliver and bank water, RRB shall provide adequate delivery capacity in the Extraction/Delivery Facilities, subject to scheduling of other uses of such facilities by entitled Parties, for the specified amount of CLWA water and take such water as soon as it is reasonably possible for banking in RRB's Program.

(4) **Project Parameters.** In addition to the total storage use of 200,000 AF and annual use of 20,000 AF, and subject to the terms of this Agreement, CLWA may have increased storage use and annually withdraw additional water at the fees and charges as set forth in Sections 4.B and 4.C herein, provided RRB has such capacity available in the RRB Program and the rights of the RRB Program Participants are not impaired.

(5) **Inspection.** CLWA shall be entitled to inspect all measuring devices upon five (5) days written notice to RRB.

(6) **Point of Delivery.** The point of delivery of water from the SWP facilities shall be the first point of contact of the Tupman Turnout on the easterly side of the SWP facilities as shown on Exhibit A ("Tupman Turnout" herein). The point of delivery of water from sources tributary to the RRB Program shall be at the boundary of RRB where it intersects with the tributary source as shown on Exhibit A. The point of delivery for extractions from the Program is at the Tupman Turnout.

C. **Loss Calculations.** Water banked in the RRB Program is subject to the following one-time losses as established by the MOU from time-to-time. The current calculation for loss factors is eleven percent (11%). The loss factor pursuant to this Agreement shall not exceed sixteen percent (16%). CLWA agrees to meet and confer with RRB and negotiate in good faith to agree to loss calculations in excess of eleven percent (11%).

D. **Additional Facilities.** CLWA shall have, at its option and sole discretion and expense as part of the CLWA Project, the first right to augment the Project with up to seven (7) additional RRB wells and related facilities to deliver Project water pursuant to this Agreement. The location of the additional wells is set forth on Exhibit A. Installation of such facilities shall be subject to compliance with CEQA and shall be at CLWA's cost. RRB shall not allow any other party to construct such facilities unless it has provided CLWA a written notice of the right to elect to build the additional facilities and of its intention to allow other parties to construct such facilities. CLWA shall have a period of six months to elect to construct additional facilities, by written notice to RRB. If

CLWA elects to construct 3 wells, the option on the remaining four wells shall be exclusive to CLWA, and RRB shall have no rights to construct them for its own account or the account of third parties without the express written consent of CLWA.

RRB shall cooperate and execute all documents necessary to plan, design, process (including CEQA), construct, and operate the additional facilities. RRB agrees to be the lead agency for processing approval for such additional facilities. CLWA's exercise of such right shall be by written notice to RRB. RRB will meet and confer with CLWA within fifteen (15) days of such notice to identify the design, location, Project impacts, and estimated costs of processing such facilities. The engineers and consultants to be used by RRB to process such facilities shall be subject to the prior written approval of CLWA. The construction of the facilities shall be pursuant to public bidding, unless otherwise agreed. The plans, specifications, construction contracts, and award shall be subject to CLWA's written approval. CLWA's written approvals, as set forth herein, shall be given within fifteen (15) days of receipt of the information. CLWA shall deposit with RRB the total bid amount upon acceptance of the bid by RRB. The withdrawal of deposited funds for payment to the contractor will require the signatures of duly authorized representatives of both CLWA and RRB.

**E. Indemnity and Hold Harmless, Point of Delivery.** CLWA and its officers, agents, or employees shall not be liable for the control, carriage, handling, use, disposal, or distribution of CLWA Project water RRB delivers from the SWP upstream of the point of delivery or from RRB easterly of the point of delivery, nor for any 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. RRB shall indemnify and hold harmless CLWA, its officers, agents, and employees from any such damages or claims of damages as set out in Section 7 of this Agreement.

RRB and its officers, agents, and employees shall not be liable for the control, carriage, handling, use, disposal, or distribution of Project Water delivered by CLWA to RRB for banking from the SWP or tributary sources upstream or easterly of the point of delivery; 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. CLWA shall indemnify and hold harmless RRB its officers, agents, and employees from any such damages or claims of damages as set out in Section 7 of this Agreement.

**2. Description of RRB Facilities Insurance, Representations, and Reliance**

**A. RRB Existing and Future Facilities.**

(1) **RRB Existing Facilities.** RRB's existing Facilities consist of (1) Rights to use the Kern Basin, (2) the well field, (3) a water management plan, (4) executed MOUs with adjacent users, (5) certain transmission facilities, (6) access to the CVC, (7) rights in the State Water Project through KCWA and DWR sufficient to perform the RRB Program and to flow water into the SWP at Tupman Turnout, and (8) water quality that meets DWR's "interim water quality for acceptance of non-project water into the State Water Project" policy for water quality. The facilities are set out in more detail in the 2001 EIR entitled "Final Master Environmental Impact Report, Groundwater Storage Banking Exchange Extraction and Conjunctive Use Program" (SCH# 2000101009).

(2) **RRB Additional Facilities.** RRB has studies that indicate there is up to 45,000 AFY of additional extraction capacity available in the Program by constructing additional wells and pipelines. RRB intends that such additional facilities will be included in the Project at CLWA's election, as set forth in Section 1D in more detail above.

**B. Insurance.** RRB has the Program facilities and lands covered by insurance. RRB shall on execution of this Agreement provide CLWA with a copy of such policies and instruct the insurance companies to send CLWA any notices from the insurance company including notices of non payment of premium or non renewal of the policies.

**C. Representations and Reliance**

**(1) RRB represents and warrants as follows:**

(a) RRB possesses the necessary rights in the SWP and the facilities to perform its obligations under this Agreement and has the ability to perform under the terms of this Agreement.

(b) To the extent that Additional Facilities may be required under Section 2A(2) above, RRB, subject to compliance with CEQA and funding by CLWA, has the ability to construct such facilities in order to allow it to perform under the terms of this Agreement.

(c) The Master EIR and any addendums or changes thereto have not been challenged and the time within which to bring such challenges has expired.

(d) The description of the RRB Program in the Master EIR includes the storage, recovery and withdrawal of at least 20,000 acre-feet per year of banked water or exchanged SWP supplies.

(e) Banked water recovered or withdrawn under the RRB Program may be delivered to third party buyers inside and outside of Kern County.

(f) So far as known to RRB, the California Aqueduct is a permissible method for delivery of RRB Program water to CLWA and third parties at the present time.

(g) Prior to the CLWA Project becoming an RRB Program Participant, RRB will have (a) approval from the Kern County Water Agency for CLWA's participation in the RRB Program; (b) RRB will exercise its best efforts with due diligence to assist CLWA to obtain approval from DWR for a change in the place of use of SWP water to be delivered to CLWA, and (c) RRB will exercise its best efforts and due diligence as reasonably required to assist to obtain approval from KCWA and DWR direct delivery of groundwater into the CVC and the California Aqueduct.

(h) 20,000 acre-foot of banked water is hereby designated and established in the RRB Program for CLWA at no additional cost for storage pursuant to the Negotiation Agreement.

(i) RRB represents and warrants that there is no pending or threatened litigation involving the RRB Program.

(2) **Reliance.** CLWA has relied on the forgoing representations as a material inducement to execute this Agreement, and should any representation not be correct or true; it shall constitute a material breach of this Agreement.

3. **Term.** The term of this Agreement shall commence upon execution of this Agreement and continue for the period of time of the term and any extensions of CLWA's SWP Contract. After 2035, this Agreement shall be extended subject to compliance with applicable law. For any extended term those provisions concerning the annual payments and charges and Project Parameters shall be adjusted by mutual agreement of the Parties. If mutual agreement cannot be achieved, the adjustment of payments and charges and Project Parameters shall be resolved by the dispute resolution provisions of this Agreement, including mediation. Determination of payments and charges shall be initiated twelve (12) months in advance of the end of the initial term of this Agreement by RRB submitting a schedule in writing to CLWA of the proposed payments and charges and Project Parameters. CLWA shall have thirty (30) days to respond to such offer. If CLWA and RRB cannot mutually agree on such payments and charges or Project Parameters, the issue shall be submitted in writing to a mediator pursuant to the dispute resolution provisions of this contract. Pending a final decision pursuant to the dispute resolution provisions, the existing rates of payments and charges and Project Parameters (to the extent applicable) shall remain in full force and effect. Any award made for payments and charges and Project Parameters shall be retroactive to the first date of the new term of the Agreement.



4. **Payment and Charges.**

A. **Capital Payment.** On execution of this Agreement, CLWA will pay to RRB the sum of Six Million Dollars (\$6,000,000) for the 200,000 AF of total Project life storage. CLWA may increase such capacity as set forth in Section 1.B.(4) of this Agreement.

B. **CLWA Water Storage.** To the extent that RRB incurs such charges, CLWA shall pay to RRB for water delivered to RRB at Tupman Turnout for storage, all actual direct costs for use of the Cross Valley Canal (currently estimated at \$7.00/AF through RRB # 1 Turnout) and for operation and maintenance of RRB spreading and transportation facilities (currently estimated at \$2.00/AF). In addition, CLWA shall pay to RRB a recharge fee of Thirty Dollars (\$30.00) per acre-foot of water actually stored in the RRB program over and above the first 200,000 AF (i.e., the recharge fee for the first 200,000 AF having been prepaid pursuant to 4.A. above).

C. **CLWA Withdrawal of Water from Storage.** CLWA shall pay to RRB Thirty Dollars (\$30.00) per acre-foot for pumping costs of water withdrawn from storage for delivery to CLWA by extraction or exchange. If water is delivered to CLWA by way of exchange of RRB's SWP Water for CLWA's water in the Project, such water shall be delivered FOB to the point of delivery. CLWA shall be responsible for all costs for such water delivered through the SWP downstream of the point of delivery. If water is delivered to CLWA by way of Extraction/Delivery Facilities, CLWA shall pay all actual costs incurred as set forth in Section 4.B for use of such Extraction/Delivery Facilities.

D. **Payment of Charges.** CLWA shall pay the charges to RRB within forty-five (45) days of receipt of a written invoice specifying such charge per acre-foot. Annual charges shall be billed on or before February first of each year. Other charges shall be billed as they are incurred, but not more often than monthly.

5. **Material Default.** In the event that either CLWA or RRB is in material default of this Agreement, the non-defaulting Party shall provide written notice to the defaulting Party, identifying with reasonable specificity the nature of the claimed default. A material default includes CLWA failing to pay the annual charge or RRB failing to bank or deliver water to CLWA. If the defaulting Party has not cured the event(s) of material default which is (are) identified in the notice required by this Article within ten (10) business days of receipt of such written notice, the non-defaulting Party shall be entitled to any and all remedies which may be available to it at law or in equity. Furthermore, in the event of material breach by RRB wherein RRB fails or otherwise refuses to bank or deliver water pursuant to the terms of this Agreement, CLWA shall be entitled to the remedy of specific performance against RRB.

6. **Dispute Resolution.** For matters involving other than a material default of this Agreement, the following provisions shall apply:

**A. Mediation.** The Parties agree that any and all disputes, claims or controversies arising under this Agreement, whether for breach, enforcement, or interpretation thereof, shall be submitted to mediation in a mutually agreeable venue and if the matter is not resolved through mediation, then it may be submitted for final and binding arbitration as provided in Section 6B below. Any affected Party(ies) may commence mediation by providing the other affected Party(ies) a written request for mediation, setting forth the subject of the dispute and the relief requested. The affected Parties shall cooperate with one another in selecting a mediator and in scheduling the mediation proceedings. The affected Parties covenant that they shall participate in the mediation in good faith, and that they shall share equally in costs charged by the mediator. All offers, promises, conduct and statements, whether oral or written, made in the course of the mediation by any of the Parties, their agents, employees, experts and attorneys, and by the mediator or any of the mediator's employees, are confidential, privileged and inadmissible for any purpose, including impeachment, in any arbitration or other proceeding involving the Parties, provided that evidence that is otherwise admissible or discoverable shall not be rendered inadmissible or non-discoverable as a result of its use in the mediation. Any affected Party may request arbitration with respect to the matters submitted to mediation by filing a written request for arbitration at any time following the initial mediation session or 45 days after the date of filing the written request for mediation, whichever occurs first. The mediation may continue after the commencement of arbitration if the affected Parties so desire. Unless otherwise agreed by the affected Parties, the mediator shall be disqualified from serving as arbitrator in the case. The provisions of this Section 6A may be enforced by any Court of competent jurisdiction, and the Party seeking such enforcement shall be entitled to an award of all costs, fees and expenses, including attorneys' fees, to be paid by the Party against whom such enforcement is ordered.

**B. Arbitration.** Any dispute, claim or controversy arising under this Agreement, whether for breach, enforcement, or interpretation thereof, including the determination of the scope or applicability of this Agreement to arbitrate, which could not be resolved through the mediation process set forth above, may be determined by arbitration and, with the agreement of both Parties, shall be determined by arbitration before a sole arbitrator, in accordance with the laws of the State of California for agreements made in and to be performed in that State. Judgment on the award may be entered in any court having jurisdiction. The arbitrator shall, in the award, allocate all of the costs of the arbitration (and the mediation, if applicable), including the fees of the arbitrator and the reasonable attorneys' fees of the prevailing Party, against the Party who did not prevail.

**C. Selection of Mediator/Arbitrator.** The affected Parties shall first attempt to mutually agree to a mediator or arbitrator. If the affected Parties fail to agree on the mediator or arbitrator, the Parties shall each nominate and exchange with each other the names of three persons to resolve the dispute. From this group of nominated mediators or arbitrators, the affected Parties shall select the Mediator or Arbitrator. If each of the affected Parties selects the same Mediator or Arbitrator, that person shall be the Mediator or Arbitrator. In the event two or more same persons are selected by the affected Parties,

the person whose name precedes the other alphabetically shall be the Mediator or Arbitrator. If the affected Parties do not select the same person as the other affected Parties, then each affected Party shall eliminate two of the other's selection and the remaining names shall be randomly drawn in order by either Party. The first drawn shall be the Mediator or Arbitrator unless there is a conflict of interest or the mediator or arbitrator cannot serve because of scheduling conflicts. In that case, the second name drawn shall be the Mediator or Arbitrator. No Mediator or Arbitrator shall be nominated or selected if they have any actual or perceived conflict of interest. If necessary, this process can be repeated to nominate or select a mediator or arbitrator if the final two selected Mediators or Arbitrators have any actual or perceived conflict of interest.

**7. Indemnity and Hold Harmless.**

**A. RRB Indemnity.** RRB shall at all times indemnify, defend and save CLWA, its Board of Directors, officers, representatives, consultants, contractors, agents and employees free and harmless from, and pay in full, any and all claims, demands, losses, damages or expenses, including reasonable attorney fees and costs that CLWA, its Board of Directors, officers, representatives, consultants, contractors, agents and/or employees may sustain or incur in any manner relating to its performance under this Agreement, including claims made by groundwater pumpers in the RRB service area, excepting any loss, damage or expense and claims for loss, damage or expense resulting in any manner from the negligent act or acts of CLWA, its Board of Directors, officers, representatives, consultants, contractors, agents or employees.

**B. CLWA Indemnity.** CLWA shall at all times indemnify, defend and save RRB, its Board of Directors, officers, representatives, consultants, contractors, agents and employees free and harmless from, and pay in full, any and all claims, demands, losses, damages or expenses, including reasonable attorney fees and costs that RRB, its Board of Directors, officers, representatives, consultants, contractors, agents and/or employees may sustain or incur in any manner resulting from or related to CLWA's performance under this Agreement, including claims made by landowners in the CLWA service area, excepting any loss, damage or expense and claims for loss, damage or expense resulting in any manner from the negligent act or acts of RRB, its Board of Directors, officers, representatives, consultants, contractors, agents or employees.

**8. Notices.** All written notices required to be given pursuant to the terms hereof shall be either (i) personally delivered, (ii) deposited in the United States express mail or first class mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by overnight courier service, or (iv) delivered by facsimile transmission, provided that the original of such notice is sent by certified United States mail, postage prepaid, no later than one (1) business day following such facsimile transmission. All such notices shall be deemed delivered upon actual receipt (or upon first attempt at delivery pursuant to the methods specified in clauses (i), (ii) or (iii) above if the intended recipient refuses to accept delivery). All such notices shall be delivered to the following addresses or to such other address as the receiving Party may from time to time specify by written notice to the other Party:

<p><b>To CLWA:</b></p> <p>Castaic Lake Water Agency  27234 Bouquet Canyon Road  Santa Clarita, CA 91350  Attn: Dan Masnada  Telephone No. (661) 297-1600  Fax No. (661) 297-1610</p>	<p><b>To RRB:</b></p> <p>Rosedale-Rio Bravo Water Storage District  P. O. Box 867  Bakersfield, California 93302-0867  Attn: Hal Crossley  Telephone No. (661) 589-6045  Fax No. (661) 589-1867</p>
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9. **Ministerial Actions.** Due to increasing State-wide demands for water, water storage, banking and recovery, and various water quality issues throughout the State and, as a result of the RRB EIR having considered the recharge and withdrawal of 100,000 AFY of banked water in conjunction with the Kern River, SWP supplies, and other sources, the Parties agree that this Project is unique and cannot be duplicated and there is not a plain, speedy, and adequate remedy at law for CLWA or RRB should either Party refuse or fail to perform their respective obligations as set forth in this Agreement. Consequently, the Parties agree that the terms of this Agreement are enforceable by writ of mandate and specific performance.

10. **Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original, and all of which, taken together, shall constitute one and the same instrument. Signatures sent by facsimile shall be deemed originals and treated in all respects as originals. As may be necessary for any alternative dispute resolution required or permitted under this Agreement, a copy of this Agreement shall be deemed to be an original for the purposes of satisfying the California and/or Federal Rules of Evidence.

11. **Approval.** RRB and CLWA each acknowledges that execution of this Agreement by each other is conditioned upon any necessary approval of the terms of the Agreement by their respective governing bodies.

12. **Authority.** In signing below, each of the Parties represents and warrants to each of the other Parties that each is a duly organized or constituted entity, with all requisite power to carry out its obligations under this Agreement, and that the execution, delivery and performance of this Agreement have been duly authorized by all necessary action of the board of directors or other governing body of such Party, and shall not result in a violation of such Party's organizational documents.

13. **Governing Law.** This Agreement shall be construed and enforced in accordance with the laws of the State of California.

14. **Agreement.** No amendment of this Agreement shall be binding upon the Parties unless it is in writing and executed by all of the Parties.

15. **Further Action.** The Parties agree to and shall take such further action and execute and deliver such additional documents as may be reasonably required to effectuate the terms and conditions of this Agreement and to the extent consistent with the terms hereof.

16. **No Assignment.** No Party shall assign or otherwise transfer its rights or obligations under this Agreement without the prior written consent of all of the other Parties.

17. **Joint Drafting and Negotiation.** This Agreement has been jointly negotiated and drafted. The language of this Agreement shall be construed as a whole according to its fair meaning and without regard to or aid of Civil Code Section 1654 or similar judicial rules of construction. Each Party acknowledges that it has had the opportunity to seek the advice of experts and legal counsel prior to executing this Agreement and that it is fully aware of and understands all of its terms and the legal consequences thereof.

18. **Headings.** Headings used in this Agreement are for reference only and shall not affect the construction of this Agreement.

19. **No Third Party Beneficiaries.** No third party shall be entitled to claim or enforce any rights under this Agreement.

20. **Severability.** In the event that any provision of this Agreement is determined by a court to be invalid, the court shall reform the provision in a manner that is both consistent with the terms of this Agreement taken as a whole and legally valid. The remainder of this Agreement shall not be affected thereby.

21. **Successors and Permitted Assigns.** All covenants and agreements contained in this Agreement by or on behalf of any of the Parties shall bind and inure to the benefit of their respective successors and permitted assigns under Article 15, whether so expressed or not.

IN WITNESS WHEREOF, each Party has executed this Agreement on the date set forth below, said Agreement to be effective on the later of the two, i.e., when both Parties have signed this Agreement (the "Effective Date").

Date: 11/10/05

CASTAIC LAKE WATER AGENCY  
By: [Signature]  
Title: GENERAL MANAGER

Date: 11/15/05

ROSEDALE-RIO BRAVO WATER STORAGE DISTRICT  
By: [Signature]  
Title: General Manager

**ADDENDUM NO. 2 TO AGREEMENT  
ROSEDALE-RIO BRAVO WATER STORAGE DISTRICT  
AND  
CASTAIC LAKE WATER AGENCY  
FOR A WATER BANKING AND EXCHANGE PROGRAM**

This is a further addendum (i.e., Addendum No. 2) to the above-entitled Agreement executed by the parties effective November 15, 2005.

1. The first sentence of Paragraph 1.B. is hereby amended by striking the words "or other water from sources tributary to the RRB Program" so that said first sentence will read: "The CLWA Project is participation in the RRB Program by CLWA delivering water through the SWP Facilities to RRB for later withdrawal and use by CLWA below."
2. The second sentence of Paragraph 1.B.(6) is stricken.
3. Paragraph 1.C. is amended to read as follows: "Water banked in the RRB Program is subject to one-time losses as established by the MOU. Should the local Kern County mediation process result in different losses being deemed applicable to other, similar banking programs, the parties will negotiate in good faith to determine the possible application of such different losses to the RRB Program and the CLWA Project."
4. Paragraph 2.C.(1)(e) is stricken.

This Addendum No. 2 may be executed in counterparts, each of which shall be deemed an original and, all of which, taken together, shall constitute one and the same instrument. Signatures sent by facsimile shall be deemed originals and treated in all respects as originals.

IN WITNESS WHEREOF, each Party has executed this Addendum No. 2 on the date set forth below, said Addendum to be effective on the later of the two, i.e., when both Parties have signed this Addendum.

Date: 6/8/06

CASTAIC LAKE WATER AGENCY

By: [Signature]

Title: GENERAL MANAGER

APPROVED AS TO FORM.

McCORMICK, KIDMAN & BEHRENS, LLP

By: [Signature]

Date: 6-7-06

ROSEDALE-RIO BRAVO WATER  
STORAGE DISTRICT

By: [Signature]

Title: General Manager

APPROVED AS TO FORM.

McMURTREY, HARTSOCK & WORTH

By: [Signature]

Date: 6-15-06

**AGREEMENT**

**ROSEDALE-RIO BRAVO WATER STORAGE DISTRICT  
AND  
CASTAIC LAKE WATER AGENCY  
FOR  
A WATER BANKING AND EXCHANGE PROGRAM**

THIS AGREEMENT ("Agreement") is made and entered into as of the Effective Date by and between the CASTAIC LAKE WATER AGENCY ("CLWA"), and the ROSEDALE-RIO BRAVO WATER STORAGE DISTRICT ("RRB"). RRB and CLWA are sometimes referred to individually as a "Party" and collectively as the "Parties."

**RECITALS**

- A. RRB is a public agency organized in accordance with California Water Storage District Law (Division 14, commencing with §39000 of the California Water Code) for the purpose of acquiring, storing, distributing, and replenishing water supplies within its boundaries in Kern County, California.
- B. CLWA is a public agency organized in accordance with California Water Code Appendix, Chapter 103, for the purpose of acquiring water and water rights and to provide and sell such water at wholesale and retail to customers in the Santa Clarita Valley in Los Angeles and Ventura Counties, California.
- C. RRB is authorized to sell, distribute, or otherwise dispose of water and water rights not necessary for the uses and purposes of the District (Water Code §43001).
- D. Prior to operation of RRB's groundwater recharge program (hereinafter described), pumping extractions in RRB's area of the Kern Basin exceeded the safe yield of the local groundwater supply, and a substantial overdraft in the range of 40,000 to 50,000 acre-feet per year ("AFY") occurred annually. As a result of this overdraft, groundwater levels were declining at the rate of 8 to 10 feet/year prior to 1962.
- E. In 1959, RRB was formed to develop a groundwater recharge program to offset the overdraft. The construction of the initial phases of the recharge program was completed in early 1962, and the facilities placed in operation shortly thereafter. Additional improvements to program recharge facilities have since been made, and RRB has acquired fee title to the properties on which the Program facilities are located. The physical features of the recharge program include facilities to divert waters from the Kern River and the Cross Valley Canal facilities ("CVC" herein) and RRB properties into the Goose Lake Slough and adjacent recharge basins. A map of the recharge facilities and RRB Properties is attached herein as Exhibit A ("RRB Facilities" herein).



F. The currently developed program recharge facilities, including channels and basins, have a total wetted area of about 903 acres and an average long-term recharge capacity of about 360 cfs. RRB is also a recharge participant in the Kern County Water Agency Pioneer Project, and as such has first priority to a minimum 25% of the total recharge capacity. This provides RRB with an additional minimum 50 cfs of program recharge capacity. Additional recharge facilities are needed to offset groundwater basin overdraft conditions, maintain groundwater levels, and protect groundwater quality. Additionally, RRB has developed another 250 acres of recharge facilities at Paul Enns Recharge Ponds, Bakersfield, CA, which are also included in the Program and the Project.

G. RRB has developed a new program for the banking, storage, exchange, and direct delivery of water pursuant to the exercise of its powers of up to 100,000 acre-feet per year ("AFY"), which involves the recharge facilities in the foregoing Recitals and the banking of imported water by customers in the Kern Basin ("Basin" herein) for later delivery to the customer ("RRB Program Participants" herein) by way of exchange delivery through SWP facilities for RRB's State Water Project rights to water or by way of extraction delivery of banked water through the CVC to the State Water Project ("SWP") facilities at its junction with an intake and turnout facility near the town of Tupman, California ("Tupman Turnout" herein). RRB has developed and approved the new program called The Water Banking and Exchange Program pursuant to a master EIR which was certified by RRB on July 17, 2001 and an Addendum thereto ("RRB Program" herein).

H. Under the RRB Program, RRB can approve banking exchanges or extraction delivery of RRB Program water wherein, depending upon the availability of water, up to 100,000 AFY can be recharged in RRB's Facilities. The banking extraction deliveries or exchanges can include water supplies available from the SWP, Kern River and Friant-Kern Canal and tributaries, as well as water supplies from other sources unknown at this time but which could be made available to RRB.

I. According to the Master Environmental Impact Report ("Master EIR", herein) pursuant to the California Environmental Quality Act ("CEQA" herein), a State Water Project Contractor wanting to deliver, bank, or exchange water would negotiate and execute a contract for the delivery of water with RRB for recharge in RRB's facilities. This water would be recharged in areas through existing RRB Facilities and would be recovered using proposed extraction facilities that could be constructed for the return of water. Fifteen to twenty wells could be constructed, with an annual extraction capacity of up to 45,000 AFY. The actual number and location of extraction wells as well as the recovery rates required would depend on the individual projects that are developed. These facilities and operations could be subject to additional environmental review.

J. According to the Master EIR, the Program Participants would negotiate and execute a banking and exchange/water supply agreement with RRB that would provide for the delivery of the water and for the extraction or exchange of the water when the water is returned to the participating Party, which water is to be used for beneficial purposes.

K. According to the Master EIR, the RRB Program water would be banked in the groundwater basin underlying RRB and the banked water would be later delivered by exchange or extraction. An extraction delivery would involve direct extraction of banked water from the Basin. Delivery to the Program Participants would occur through wells, pipelines, and canals to the CVC and thence to the SWP Facilities. An exchange delivery would involve the delivery by RRB of all or a part of its SWP allocation, or other water supplies available to RRB, to the RRB Program Participants in exchange for the banked water being added to the RRB Program account underground, thereby eliminating the need for any direct extraction within RRB. Actual operations would be defined as individual projects are developed.

L. According to the Master EIR, the RRB Program will be subject to the same requirements that are placed on other similar projects in the area as related to recharge/extraction ratios, losses (evaporation and migration), and pumping level drawdown impacts on adjacent production wells. The use of any existing facilities or projects in which RRB is a participant, such as the CVC or the Pioneer Project, would be subject to the rules and regulations for those facilities that are in place from time-to-time.

M. RRB has executed memorandums of understanding ("MOU") with adjacent water districts that place restrictions on the use of the local Kern Basin Aquifer and establish water losses described herein (see Section 1C) and are imposed on the Parties by this Agreement.

N. According to the Master EIR, the proposed extraction wells are assumed to consist of a 20-inch diameter casing, approximately 800 feet in depth, of which 300 feet is perforated. The well will also be equipped with at least a 200-horsepower electric motor and 12-inch diameter column pipe.

O. RRB desires CLWA to participate in the RRB Program on the terms set forth herein by providing CLWA the right to bank up to 20,000 AFY of imported water and to take delivery of up to 20,000 AFY of such banked water by way of exchange or by way of extraction from the RRB Program as defined herein.

P. Pursuant to its desire to participate in the RRB Program as set forth in the foregoing Recitals and described in more detail in the Agreement below, the CLWA Board of Directors executed an agreement with RRB for the exclusive right to negotiate participation in the RRB Program, certified an EIR and authorized CLWA to participate in the RRB Program on October 19, 2005, which participation is hereafter referred to as the "Project." Further, on April 1, 2005, CLWA paid RRB \$600,000 for the exclusive right to negotiate for participation in the RRB Program ("Negotiated Agreement" herein).

IN CONSIDERATION of the payment of money and the promises of the Parties as set forth herein, it is agreed as follows:

**AGREEMENT**

**1. Description of RRB Program and CLWA Project.**

**A. RRB Program.** The RRB Program is the spreading and percolation of imported water of Program Participants into the spreading ponds overlying the Basin. The Basin aquifer at the RRB spreading ponds is of such quality that it allows water to be percolated into the Basin ("banked" or "banking" herein) at optimum rates. The additional water added to the Basin fulfills RRB's management objectives for the Basin by keeping the Basin full with quality water, reducing pumping costs of the overlying users, providing a revenue stream to reduce RRB's costs, and providing funds for construction of additional capacity in facilities to successfully manage the Basin. The banked water is recovered by the RRB Program Participants by way of exchange of the RRB Program Participant's banked water for an equivalent amount of water from RRB's share of water it is entitled to from the SWP through contracts with Kern County Water Agency ("KCWA" herein) and the Department of Water Resources ("DWR" herein), or through direct delivery of the banked water by pumping it out of the Basin and through the CVC into the SWP at the Tupman Turnout for delivery through the SWP to the RRB Program Participants downstream ("Extraction/Delivery Facilities" herein).

*See Addendum 2*

**B. CLWA Project.** The CLWA Project is participation in the RRB Program by CLWA delivering water through the SWP Facilities or other water from sources tributary to the RRB Program to RRB for later withdrawal and use by CLWA through exchange delivery or extraction delivery as mentioned above and further defined below. The CLWA Project is limited to banking of up to 20,000 AFY and return of up to 20,000 AFY with no CLWA total banked water in the RRB Program exceeding 100,000 AF at any point in time and a total use of 200,000 AF of water banking ("Project Parameters" herein) and any extensions as provided herein in more detail.

**(1) Exchange Delivery and Measurement.** Exchange delivery and measurement shall take place by RRB delivering the water ordered by CLWA from the RRB Program through exchanging an equivalent amount of water from RRB's share of water it is entitled to from its allocation of SWP water through contracts with KCWA and DWR. RRB shall make exchange deliveries as requested by CLWA within fifteen (15) days of written request from CLWA of such delivery. Exchange shall entail a request by RRB to KCWA/DWR to deliver RRB's SWP water to CLWA, in the amount requested by CLWA. Water delivered by exchange shall be measured by DWR at Roach 13B at the Tupman Turnout.

**(2) Extraction Delivery and Measurement.** The extraction/delivery facilities have the capacity to deliver the CLWA Project water to the California Aqueduct, subject to scheduling of other uses of such facilities by entitled Parties. RRB shall make extraction deliveries as requested by CLWA within fifteen (15) days of written request from CLWA for such delivery. Water delivered by extraction delivery shall be measured by RRB through the KCWA meter at the CVC. Any water losses to the point of delivery shall be borne by RRB.

(3) **Banked Water and Measurement.** Water banked shall be measured by RRB through the RRB meter at the CVC. CLWA shall only pay for water actually stored in the RRB Program, subject to loss calculations set forth in Section 1C below. In order to bank water in the RRB Program, CLWA shall, at its sole discretion, determine the amount of water it desires to deliver and bank in the RRB Program. CLWA shall notify RRB in writing of the amount of water to be delivered to RRB for the account of CLWA. Upon receipt of the written notice to deliver and bank water, RRB shall provide adequate delivery capacity in the Extraction/Delivery Facilities, subject to scheduling of other uses of such facilities by entitled Parties, for the specified amount of CLWA water and take such water as soon as it is reasonably possible for banking in RRB's Program.

(4) **Project Parameters.** In addition to the total storage use of 200,000 AF and annual use of 20,000 AF, and subject to the terms of this Agreement, CLWA may have increased storage use and annually withdraw additional water at the fees and charges as set forth in Sections 4.B and 4.C herein, provided RRB has such capacity available in the RRB Program and the rights of the RRB Program Participants are not impaired.

(5) **Inspection.** CLWA shall be entitled to inspect all measuring devices upon five (5) days written notice to RRB.

(6) **Point of Delivery.** The point of delivery of water from the SWP facilities shall be the first point of contact of the Tupman Turnout on the easterly side of the SWP facilities as shown on Exhibit A ("Tupman Turnout" herein). The point of delivery of water from sources tributary to the RRB Program shall be at the boundary of RRB where it intersects with the tributary source as shown on Exhibit A. The point of delivery for extractions from the Program is at the Tupman Turnout.

C. **Loss Calculations.** Water banked in the RRB Program is subject to the following one-time losses as established by the MOU from time-to-time. The current calculation for loss factors is eleven percent (11%). The loss factor pursuant to this Agreement shall not exceed sixteen percent (16%). CLWA agrees to meet and confer with RRB and negotiate in good faith to agree to loss calculations in excess of eleven percent (11%).

D. **Additional Facilities.** CLWA shall have, at its option and sole discretion and expense as part of the CLWA Project, the first right to augment the Project with up to seven (7) additional RRB wells and related facilities to deliver Project water pursuant to this Agreement. The location of the additional wells is set forth on Exhibit A. Installation of such facilities shall be subject to compliance with CEQA and shall be at CLWA's cost. RRB shall not allow any other party to construct such facilities unless it has provided CLWA a written notice of the right to elect to build the additional facilities and of its intention to allow other parties to construct such facilities. CLWA shall have a period of six months to elect to construct additional facilities, by written notice to RRB. If

*1.7 MAF  
More than  
we want*

<

*Deleted  
per  
Addendum 2  
  
see Addendum 2*

CLWA elects to construct 3 wells, the option on the remaining four wells shall be exclusive to CLWA, and RRB shall have no rights to construct them for its own account or the account of third parties without the express written consent of CLWA.

RRB shall cooperate and execute all documents necessary to plan, design, process (including CEQA), construct, and operate the additional facilities. RRB agrees to be the lead agency for processing approval for such additional facilities. CLWA's exercise of such right shall be by written notice to RRB. RRB will meet and confer with CLWA within fifteen (15) days of such notice to identify the design, location, Project impacts, and estimated costs of processing such facilities. The engineers and consultants to be used by RRB to process such facilities shall be subject to the prior written approval of CLWA. The construction of the facilities shall be pursuant to public bidding, unless otherwise agreed. The plans, specifications, construction contracts, and award shall be subject to CLWA's written approval. CLWA's written approvals, as set forth herein, shall be given within fifteen (15) days of receipt of the information. CLWA shall deposit with RRB the total bid amount upon acceptance of the bid by RRB. The withdrawal of deposited funds for payment to the contractor will require the signatures of duly authorized representatives of both CLWA and RRB.

**E. Indemnity and Hold Harmless, Point of Delivery.** CLWA and its officers, agents, or employees shall not be liable for the control, carriage, handling, use, disposal, or distribution of CLWA Project water RRB delivers from the SWP upstream of the point of delivery or from RRB easterly of the point of delivery, nor for any 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. RRB shall indemnify and hold harmless CLWA, its officers, agents, and employees from any such damages or claims of damages as set out in Section 7 of this Agreement.

RRB and its officers, agents, and employees shall not be liable for the control, carriage, handling, use, disposal, or distribution of Project Water delivered by CLWA to RRB for banking from the SWP or tributary sources upstream or easterly of the point of delivery; 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. CLWA shall indemnify and hold harmless RRB its officers, agents, and employees from any such damages or claims of damages as set out in Section 7 of this Agreement.

2. **Description of RRB Facilities Insurance, Representations, and Reliance**

A. **RRB Existing and Future Facilities.**

(1) **RRB Existing Facilities.** RRB's existing Facilities consist of (1) Rights to use the Kern Basin, (2) the well field, (3) a water management plan, (4) executed MOUs with adjacent users, (5) certain transmission facilities, (6) access to the CVC, (7) rights in the State Water Project through KCWA and DWR sufficient to perform the RRB Program and to flow water into the SWP at Tupman Turnout, and (8) water quality that meets DWR's "interim water quality for acceptance of non-project water into the State Water Project" policy for water quality. The facilities are set out in more detail in the 2001 EIR entitled "Final Master Environmental Impact Report, Groundwater Storage Banking Exchange Extraction and Conjunctive Use Program" (SCH# 2000101009).

(2) **RRB Additional Facilities.** RRB has studies that indicate there is up to 45,000 AFY of additional extraction capacity available in the Program by constructing additional wells and pipelines. RRB intends that such additional facilities will be included in the Project at CLWA's election, as set forth in Section 1D in more detail above.

B. **Insurance.** RRB has the Program facilities and lands covered by insurance. RRB shall on execution of this Agreement provide CLWA with a copy of such policies and instruct the insurance companies to send CLWA any notices from the insurance company including notices of non payment of premium or non renewal of the policies.

C. **Representations and Reliance**

(1) **RRB represents and warrants as follows:**

(a) RRB possesses the necessary rights in the SWP and the facilities to perform its obligations under this Agreement and has the ability to perform under the terms of this Agreement.

(b) To the extent that Additional Facilities may be required under Section 2A(2) above, RRB, subject to compliance with CEQA and funding by CLWA, has the ability to construct such facilities in order to allow it to perform under the terms of this Agreement.

(c) The Master EIR and any addendums or changes thereto have not been challenged and the time within which to bring such challenges has expired.

(d) The description of the RRB Program in the Master EIR includes the storage, recovery and withdrawal of at least 20,000 acre-feet per year of banked water or exchanged SWP supplies.

(e) Banked water recovered or withdrawn under the RRB Program may be delivered to third party buyers inside and outside of Kern County.

*deleted per addendum 2 4/26*

(f) So far as known to RRB, the California Aqueduct is a permissible method for delivery of RRB Program water to CLWA and third parties at the present time.

(g) Prior to the CLWA Project becoming an RRB Program Participant, RRB will have (a) approval from the Kern County Water Agency for CLWA's participation in the RRB Program; (b) RRB will exercise its best efforts with due diligence to assist CLWA to obtain approval from DWR for a change in the place of use of SWP water to be delivered to CLWA, and (c) RRB will exercise its best efforts and due diligence as reasonably required to assist to obtain approval from KCWA and DWR direct delivery of groundwater into the CVC and the California Aqueduct.

(h) 20,000 acre-feet of ~~banked~~ water is hereby designated and established in the RRB Program for CLWA at no additional cost for storage pursuant to the Negotiation Agreement.

*Storage capacity see Addendum 2 and Submit 11/27/04*

(i) RRB represents and warrants that there is no pending or threatened litigation involving the RRB Program.

(2) Reliance. CLWA has relied on the forgoing representations as a material inducement to execute this Agreement, and should any representation not be correct or true; it shall constitute a material breach of this Agreement.

3. Term. The term of this Agreement shall commence upon execution of this Agreement and continue for the period of time of the term and any extensions of CLWA's SWP Contract. After 2035, this Agreement shall be extended subject to compliance with applicable law. For any extended term those provisions concerning the annual payments and charges and Project Parameters shall be adjusted by mutual agreement of the Parties. If mutual agreement cannot be achieved, the adjustment of payments and charges and Project Parameters shall be resolved by the dispute resolution provisions of this Agreement, including mediation. Determination of payments and charges shall be initiated twelve (12) months in advance of the end of the initial term of this Agreement by RRB submitting a schedule in writing to CLWA of the proposed payments and charges and Project Parameters. CLWA shall have thirty (30) days to respond to such offer. If CLWA and RRB cannot mutually agree on such payments and charges or Project Parameters, the issue shall be submitted in writing to a mediator pursuant to the dispute resolution provisions of this contract. Pending a final decision pursuant to the dispute resolution provisions, the existing rates of payments and charges and Project Parameters (to the extent applicable) shall remain in full force and effect. Any award made for payments and charges and Project Parameters shall be retroactive to the first date of the new term of the Agreement.

#### 4. Payment and Charges.

A. **Capital Payment.** On execution of this Agreement, CLWA will pay to RRB the sum of Six Million Dollars (\$6,000,000) for the 200,000 AF of total Project life storage. CLWA may increase such capacity as set forth in Section 1.B.(4) of this Agreement.

B. **CLWA Water Storage.** To the extent that RRB incurs such charges, CLWA shall pay to RRB for water delivered to RRB at Tupman Turnout for storage, all actual direct costs for use of the Cross Valley Canal (currently estimated at \$7.00/AF through RRB # 1 Turnout) and for operation and maintenance of RRB spreading and transportation facilities (currently estimated at \$2.00/AF). In addition, CLWA shall pay to RRB a recharge fee of Thirty Dollars (\$30.00) per acre-foot of water actually stored in the RRB program over and above the first 200,000 AF (i.e., the recharge fee for the first 200,000 AF having been prepaid pursuant to 4.A. above).

C. **CLWA Withdrawal of Water from Storage.** CLWA shall pay to RRB Thirty Dollars (\$30.00) per acre-foot for pumping costs of water withdrawn from storage for delivery to CLWA by extraction or exchange. If water is delivered to CLWA by way of exchange of RRB's SWP Water for CLWA's water in the Project, such water shall be delivered FOB to the point of delivery. CLWA shall be responsible for all costs for such water delivered through the SWP downstream of the point of delivery. If water is delivered to CLWA by way of Extraction/Delivery Facilities, CLWA shall pay all actual costs incurred as set forth in Section 4.B for use of such Extraction/Delivery Facilities.

D. **Payment of Charges.** CLWA shall pay the charges to RRB within forty-five (45) days of receipt of a written invoice specifying such charge per acre-foot. Annual charges shall be billed on or before February first of each year. Other charges shall be billed as they are incurred, but not more often than monthly.

5. **Material Default.** In the event that either CLWA or RRB is in material default of this Agreement, the non-defaulting Party shall provide written notice to the defaulting Party, identifying with reasonable specificity the nature of the claimed default. A material default includes CLWA failing to pay the annual charge or RRB failing to bank or deliver water to CLWA. If the defaulting Party has not cured the event(s) of material default which is (are) identified in the notice required by this Article within ten (10) business days of receipt of such written notice, the non-defaulting Party shall be entitled to any and all remedies which may be available to it at law or in equity. Furthermore, in the event of material breach by RRB wherein RRB fails or otherwise refuses to bank or deliver water pursuant to the terms of this Agreement, CLWA shall be entitled to the remedy of specific performance against RRB.

6. **Dispute Resolution.** For matters involving other than a material default of this Agreement, the following provisions shall apply:



**A. Mediation.** The Parties agree that any and all disputes, claims or controversies arising under this Agreement, whether for breach, enforcement, or interpretation thereof, shall be submitted to mediation in a mutually agreeable venue and if the matter is not resolved through mediation, then it may be submitted for final and binding arbitration as provided in Section 6B below. Any affected Party(ies) may commence mediation by providing the other affected Party(ies) a written request for mediation, setting forth the subject of the dispute and the relief requested. The affected Parties shall cooperate with one another in selecting a mediator and in scheduling the mediation proceedings. The affected Parties covenant that they shall participate in the mediation in good faith, and that they shall share equally in costs charged by the mediator. All offers, promises, conduct and statements, whether oral or written, made in the course of the mediation by any of the Parties, their agents, employees, experts and attorneys, and by the mediator or any of the mediator's employees, are confidential, privileged and inadmissible for any purpose, including impeachment, in any arbitration or other proceeding involving the Parties, provided that evidence that is otherwise admissible or discoverable shall not be rendered inadmissible or non-discoverable as a result of its use in the mediation. Any affected Party may request arbitration with respect to the matters submitted to mediation by filing a written request for arbitration at any time following the initial mediation session or 45 days after the date of filing the written request for mediation, whichever occurs first. The mediation may continue after the commencement of arbitration if the affected Parties so desire. Unless otherwise agreed by the affected Parties, the mediator shall be disqualified from serving as arbitrator in the case. The provisions of this Section 6A may be enforced by any Court of competent jurisdiction, and the Party seeking such enforcement shall be entitled to an award of all costs, fees and expenses, including attorneys' fees, to be paid by the Party against whom such enforcement is ordered.

**B. Arbitration.** Any dispute, claim or controversy arising under this Agreement, whether for breach, enforcement, or interpretation thereof, including the determination of the scope or applicability of this Agreement to arbitrate, which could not be resolved through the mediation process set forth above, may be determined by arbitration and, with the agreement of both Parties, shall be determined by arbitration before a sole arbitrator, in accordance with the laws of the State of California for agreements made in and to be performed in that State. Judgment on the award may be entered in any court having jurisdiction. The arbitrator shall, in the award, allocate all of the costs of the arbitration (and the mediation, if applicable), including the fees of the arbitrator and the reasonable attorneys' fees of the prevailing Party, against the Party who did not prevail.

**C. Selection of Mediator/Arbitrator.** The affected Parties shall first attempt to mutually agree to a mediator or arbitrator. If the affected Parties fail to agree on the mediator or arbitrator, the Parties shall each nominate and exchange with each other the names of three persons to resolve the dispute. From this group of nominated mediators or arbitrators, the affected Parties shall select the Mediator or Arbitrator. If each of the affected Parties selects the same Mediator or Arbitrator, that person shall be the Mediator or Arbitrator. In the event two or more same persons are selected by the affected Parties,

the person whose name precedes the other alphabetically shall be the Mediator or Arbitrator. If the affected Parties do not select the same person as the other affected Parties, then each affected Party shall eliminate two of the other's selection and the remaining names shall be randomly drawn in order by either Party. The first drawn shall be the Mediator or Arbitrator unless there is a conflict of interest or the mediator or arbitrator cannot serve because of scheduling conflicts. In that case, the second name drawn shall be the Mediator or Arbitrator. No Mediator or Arbitrator shall be nominated or selected if they have any actual or perceived conflict of interest. If necessary, this process can be repeated to nominate or select a mediator or arbitrator if the final two selected Mediators or Arbitrators have any actual or perceived conflict of interest.

7. **Indemnity and Hold Harmless.**

A. **RRB Indemnity.** RRB shall at all times indemnify, defend and save CLWA, its Board of Directors, officers, representatives, consultants, contractors, agents and employees free and harmless from, and pay in full, any and all claims, demands, losses, damages or expenses, including reasonable attorney fees and costs that CLWA, its Board of Directors, officers, representatives, consultants, contractors, agents and/or employees may sustain or incur in any manner relating to its performance under this Agreement, including claims made by groundwater pumpers in the RRB service area, excepting any loss, damage or expense and claims for loss, damage or expense resulting in any manner from the negligent act or acts of CLWA, its Board of Directors, officers, representatives, consultants, contractors, agents or employees.

B. **CLWA Indemnity.** CLWA shall at all times indemnify, defend and save RRB, its Board of Directors, officers, representatives, consultants, contractors, agents and employees free and harmless from, and pay in full, any and all claims, demands, losses, damages or expenses, including reasonable attorney fees and costs that RRB, its Board of Directors, officers, representatives, consultants, contractors, agents and/or employees may sustain or incur in any manner resulting from or related to CLWA's performance under this Agreement, including claims made by landowners in the CLWA service area, excepting any loss, damage or expense and claims for loss, damage or expense resulting in any manner from the negligent act or acts of RRB, its Board of Directors, officers, representatives, consultants, contractors, agents or employees.

8. **Notices.** All written notices required to be given pursuant to the terms hereof shall be either (i) personally delivered, (ii) deposited in the United States express mail or first class mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by overnight courier service, or (iv) delivered by facsimile transmission, provided that the original of such notice is sent by certified United States mail, postage prepaid, no later than one (1) business day following such facsimile transmission. All such notices shall be deemed delivered upon actual receipt (or upon first attempt at delivery pursuant to the methods specified in clauses (i), (ii) or (iii) above if the intended recipient refuses to accept delivery). All such notices shall be delivered to the following addresses or to such other address as the receiving Party may from time to time specify by written notice to the other Party:

<p><b>To CLWA:</b></p> <p>Castaic Lake Water Agency  27234 Bouquet Canyon Road  Santa Clarita, CA 91350  Attn: Dan Masnada  Telephone No. (661) 297-1600  Fax No. (661) 297-1610</p>	<p><b>To RRB:</b></p> <p>Rosedale-Rio Bravo Water Storage District  P. O. Box 867  Bakersfield, California 93302-0867  Attn: Hal Crossley  Telephone No. (661) 589-6045  Fax No. (661) 589-1867</p>
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9. **Ministerial Actions.** Due to increasing State-wide demands for water, water storage, banking and recovery, and various water quality issues throughout the State and, as a result of the RRB EIR having considered the recharge and withdrawal of 100,000 AFY of banked water in conjunction with the Kern River, SWP supplies, and other sources, the Parties agree that this Project is unique and cannot be duplicated and there is not a plain, speedy, and adequate remedy at law for CLWA or RRB should either Party refuse or fail to perform their respective obligations as set forth in this Agreement. Consequently, the Parties agree that the terms of this Agreement are enforceable by writ of mandate and specific performance.

10. **Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original, and all of which, taken together, shall constitute one and the same instrument. Signatures sent by facsimile shall be deemed originals and treated in all respects as originals. As may be necessary for any alternative dispute resolution required or permitted under this Agreement, a copy of this Agreement shall be deemed to be an original for the purposes of satisfying the California and/or Federal Rules of Evidence.

11. **Approval.** RRB and CLWA each acknowledges that execution of this Agreement by each other is conditioned upon any necessary approval of the terms of the Agreement by their respective governing bodies.

12. **Authority.** In signing below, each of the Parties represents and warrants to each of the other Parties that each is a duly organized or constituted entity, with all requisite power to carry out its obligations under this Agreement, and that the execution, delivery and performance of this Agreement have been duly authorized by all necessary action of the board of directors or other governing body of such Party, and shall not result in a violation of such Party's organizational documents.

13. **Governing Law.** This Agreement shall be construed and enforced in accordance with the laws of the State of California.

14. **Agreement.** No amendment of this Agreement shall be binding upon the Parties unless it is in writing and executed by all of the Parties.

15. Further Action. The Parties agree to and shall take such further action and execute and deliver such additional documents as may be reasonably required to effectuate the terms and conditions of this Agreement and to the extent consistent with the terms hereof.

16. No Assignment. No Party shall assign or otherwise transfer its rights or obligations under this Agreement without the prior written consent of all of the other Parties.

17. Joint Drafting and Negotiation. This Agreement has been jointly negotiated and drafted. The language of this Agreement shall be construed as a whole according to its fair meaning and without regard to or aid of Civil Code Section 1654 or similar judicial rules of construction. Each Party acknowledges that it has had the opportunity to seek the advice of experts and legal counsel prior to executing this Agreement and that it is fully aware of and understands all of its terms and the legal consequences thereof.

18. Headings. Headings used in this Agreement are for reference only and shall not affect the construction of this Agreement.

19. No Third Party Beneficiaries. No third party shall be entitled to claim or enforce any rights under this Agreement.

20. Severability. In the event that any provision of this Agreement is determined by a court to be invalid, the court shall reform the provision in a manner that is both consistent with the terms of this Agreement taken as a whole and legally valid. The remainder of this Agreement shall not be affected thereby.

21. Successors and Permitted Assigns. All covenants and agreements contained in this Agreement by or on behalf of any of the Parties shall bind and inure to the benefit of their respective successors and permitted assigns under Article 15, whether so expressed or not.

IN WITNESS WHEREOF, each Party has executed this Agreement on the date set forth below, said Agreement to be effective on the later of the two, i.e., when both Parties have signed this Agreement (the "Effective Date").

Date: 11/10/05

CASTAIC LAKE WATER AGENCY

By: [Signature]

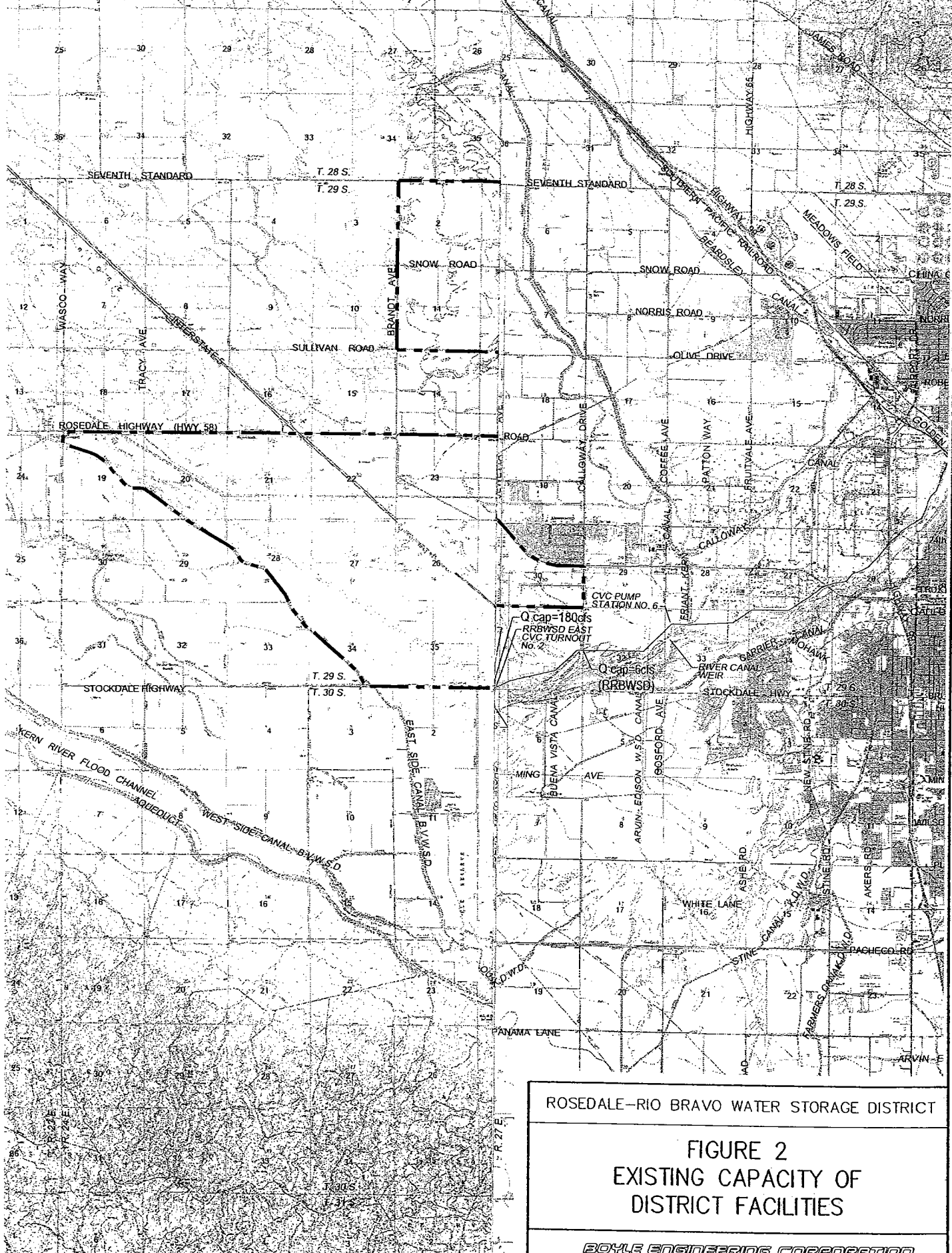
Title: GENERAL MANAGER

Date: 11/15/05

ROSEDALE-RIO BRAVO WATER STORAGE DISTRICT

By: [Signature]

Title: General Manager



ROSEDALE-RIO BRAVO WATER STORAGE DISTRICT

FIGURE 2  
EXISTING CAPACITY OF  
DISTRICT FACILITIES

*BOYLE ENGINEERING CORPORATION*

JAN-12-2006 17:59 From:CLWA

661 297 1618

To:5891867

P.2/2

**ADDENDUM TO AGREEMENT  
ROSDALE-RIO BRAVO WATER STORAGE DISTRICT  
AND  
CASTAIC LAKE WATER AGENCY  
FOR A WATER BANKING AND EXCHANGE PROGRAM**

This is an addendum to the above entitled Agreement executed by the parties effective November 15, 2005.

1. Paragraph 2.C(1)(h) is hereby amended by striking the word "banked" and inserting "storage capacity" after the word "water" so that it shall read:

"2.C(1)(h) 20,000 acre-feet of water storage capacity is hereby designated and established in the RRB Program for CLWA at no additional cost for storage pursuant to the Negotiation Agreement."

This Addendum may be executed in counterparts, each of which shall be deemed an original and all of which, taken together, shall constitute one and the same instrument. Signatures sent by facsimile shall be deemed original and treated in all respects as originals.

IN WITNESS WHEREOF, each Party has executed this Addendum on the date set forth below, said Addendum to be effective on the later of the two, i.e., when both Parties have signed this Addendum.

Date: 1-27-06

CASTAIC LAKE WATER AGENCY

By: [Signature]

Title: GENERAL MANAGER

APPROVED AS TO FORM.

MCCORMICK, KIDMAN & BEHRNS, LLP

By: [Signature]

1-27-06

Date: 1-13-06

ROSDALE-RIO BRAVO WATER STORAGE DISTRICT

By: [Signature]

Title: General Manager

APPROVED AS TO FORM.

McMURTRY, HARTSOCK & WORTH

By: [Signature]

Date: 1-13-06

**ADDENDUM NO. 2 TO AGREEMENT  
ROSEDALE-RIO BRAVO WATER STORAGE DISTRICT  
AND  
CASTAIC LAKE WATER AGENCY  
FOR A WATER BANKING AND EXCHANGE PROGRAM**

This is a further addendum (i.e., Addendum No. 2) to the above-entitled Agreement executed by the parties effective November 15, 2005.

1. The first sentence of Paragraph 1.B. is hereby amended by striking the words "or other water from sources tributary to the RRB Program" so that said first sentence will read: "The CLWA Project is participation in the RRB Program by CLWA delivering water through the SWP Facilities to RRB for later withdrawal and use by CLWA below."
2. The second sentence of Paragraph 1.B.(6) is stricken.
3. Paragraph 1.C. is amended to read as follows: "Water banked in the RRB Program is subject to one-time losses as established by the MOU. Should the local Kern County mediation process result in different losses being deemed applicable to other, similar banking programs, the parties will negotiate in good faith to determine the possible application of such different losses to the RRB Program and the CLWA Project."
4. Paragraph 2.C.(1)(e) is stricken.

This Addendum No. 2 may be executed in counterparts, each of which shall be deemed an original and, all of which, taken together, shall constitute one and the same instrument. Signatures sent by facsimile shall be deemed originals and treated in all respects as originals.

IN WITNESS WHEREOF, each Party has executed this Addendum No. 2 on the date set forth below, said Addendum to be effective on the later of the two, i.e., when both Parties have signed this Addendum.

Date: 6/8/06

CASTAIC LAKE WATER AGENCY

By: [Signature]

Title: GENERAL MANAGER

APPROVED AS TO FORM.

McCORMICK, KIDMAN & BEHRENS, LLP

By: [Signature]

Date: 6-7-06

ROSEDALE-RIO BRAVO WATER  
STORAGE DISTRICT

By: [Signature]

Title: General Manager

APPROVED AS TO FORM.

McMURTREY, HARTSOCK & WORTH

By: [Signature]

Date: 6-15-06



**ADDENDUM NO. 3 TO AGREEMENT**

**ROSEDALE-RIO BRAVO WATER STORAGE DISTRICT  
AND  
CASTAIC LAKE WATER AGENCY  
FOR A WATER BANKING AND EXCHANGE PROGRAM**

This is a further addendum (i.e., Addendum No. 3) to the above-entitled Agreement executed by the parties effective November 15, 2005.

1. **22,000 Acre-Feet of Water.** Pursuant to an agreement between CLWA, Buena Vista Water Storage District ("BV" herein), and Rosedale-Rio Bravo Water Storage District ("RRB" herein) ("Deposit Agreement" herein) executed on December 24, 2004 and December 29, 2004, respectively, a Close-Out Addendum to the Deposit Agreement dated May 22, 2007 ("Close-Out Addendum"), and a subsequent related agreement between CLWA, BV, and RRB ("Water Acquisition Agreement" herein) executed on May 22, 2007, there is now 22,000 AF of water that is ear-marked for CLWA in the BV-RRB Water Banking and Recovery Program.
2. **Credit to Banking and Exchange CLWA Account.** Pursuant to the Deposit Agreement and the Close-Out Addendum, CLWA, BV, and RRB have agreed, subject to certain conditions set forth therein, that the 22,000 AF of water can be credited to the RRB Water Banking and Exchange Program for CLWA's account to be covered by the terms of this Agreement and Addendums thereto, including this Addendum No. 3.
3. **Credit at No Cost.** Subject to the conditions set forth in the Deposit Agreement and Close-Out Addendum, the 22,000 AF of water shall be added to the CLWA Project above the limitations set forth in Paragraph 1.B. of this Agreement. The credit of the 22,000 AF of water shall be at no cost, but the storage and delivery, and the rights and liabilities of the parties related to such water, shall be governed by the terms of this Agreement. Once the 22,000 AF is credited to CLWA, the limitations of the Project parameters, as set forth in Paragraph 1.B., shall govern. The 22,000 AF is not subject to the loss calculations as set forth in Paragraph 1.C.
4. **Recording of Memorandum of Agreement and Addendum.** A memorandum of this Agreement, as set out in Exhibit "A" attached hereto, shall be recorded with the Kern County Recorder's Office upon execution by all parties hereto.



5. **Non-Waiver of CLWA Rights.** CLWA has certain rights to the delivery of water pursuant to the above-entitled Agreement. RRB has informed CLWA that in light of the potential shut down of the Banks Pumping Plant on the State Water Project, RRB will not be able to deliver 20,000 AF of water to CLWA in 2007. By execution of this Addendum, neither CLWA nor RRB are waiving any rights whatsoever as to the remedies they may have whether legal or equitable concerning the inability to deliver water pursuant to the above entitled Agreement.

This Addendum No. 3 may be executed in counterparts, each of which shall be deemed an original and, all of which, taken together, shall constitute one and the same instrument. Signatures sent by facsimile shall be deemed originals and treated in all respects as originals.

IN WITNESS WHEREOF, each Party has executed this Addendum No. 2 on the date set forth below, said Addendum to be effective on the later of the two, i.e., when both Parties have signed this Addendum.

Date: MAY 22, 2007

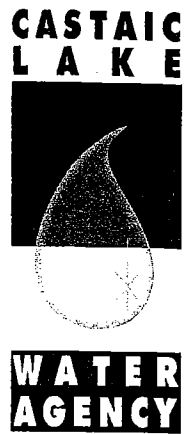
CASTAIC LAKE WATER AGENCY  
By: [Signature] MGH  
Title: GENERAL MANAGER

APPROVED AS TO FORM.

McCORMICK, KIDMAN & BEHRENS, LLP

By: [Signature]

Date: MAY 22, 2007



September 27, 2010

Eric Averett  
Rosedale Rio Bravo Water Storage District  
P.O. Box 687  
Bakersfield, CA. 93302

Re: Operating Agreement and Addendum No. 4, Rosedale-Rio Bravo Water Storage District and Castaic Lake Water Agency Water Banking and Exchange Program

*ERIC*  
Dear Mr. Averett:

We are in receipt of the fully executed Operating Agreement and Addendum No. 4 referenced above. This is to confirm that the Agreement is considered final and the words "RRB Draft 9-17-09" are to be disregarded and of no effect. Further, that the effective date of the Agreement is September 15, 2010.

Sincerely,

Dan Masnada  
General Manager

**BOARD OF DIRECTORS**

**PRESIDENT**  
R. J. KELLY

**VICE PRESIDENT**  
PETER KAVOUNAS

**E.G. "JERRY" GLADBACH**

ROBERT J. DiPRIMIO

DEAN D. EFSTATHIOU

WILLIAM C. COOPER

WILLIAM PECSI

THOMAS P. CAMPBELL

EDWARD A. COLLEY

JACQUELYN H. McMILLAN

B. J. ATKINS

**GENERAL MANAGER**

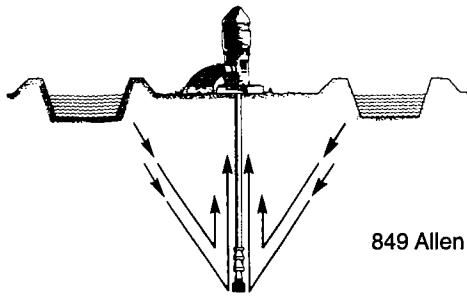
DAN MASNADA

**GENERAL COUNSEL**

McCORMICK, KIDMAN &  
BEHRENS, LLP

**SECRETARY**

APRIL JACOBS



# **ROSEDALE - RIO BRAVO**

—————**WATER STORAGE DISTRICT**—————

849 Allen Road • P. O. Box 867 • Bakersfield, California 93302-0867 • (661) 589-6045 • FAX (661) 589-1867

September 15, 2010

Dirk Marks  
Castaic Lake Water Agency  
27234 Bouquet Canyon Road  
Santa Clarita, CA 91350-2173

Re: Operating Agreement between Rosedale-Rio Bravo Water Storage District and  
Castaic Lake Water Agency

Dear Dirk:

Enclosed, please find two fully executed copies of the Operating Agreement between Rosedale-Rio Bravo Water Storage District and Castaic Lake Water Agency (Operating Agreement). Also enclosed is the fully executed Addendum No. 4 to the Agreement for a Water Banking and Exchange Program (Addendum).

I would like to thank you for your commitment to develop an Operating Agreement based upon a spirit of partnership and sound water management. I strongly believe this commitment; manifested in the terms of the both the Operating Agreement and Addendum, will help to ensure a successful long-term relationship between our respective districts.

Sincerely,

Eric Averett  
General Manager

**OPERATING AGREEMENT  
BETWEEN  
ROSEDALE-RIO BRAVO WATER STORAGE DISTRICT  
AND  
CASTAIC LAKE WATER AGENCY**

THIS AGREEMENT (“Operating Agreement”) is made and entered into as of this 15<sup>th</sup> day of September, 2010 by and between ROSEDALE-RIO BRAVO WATER STORAGE DISTRICT (“Rosedale”) and CASTAIC LAKE WATER AGENCY (“Castaic”). Rosedale and Castaic are sometimes referred to individually as a “Party” and collectively as the “Parties.”

**RECITALS**

A. On or about November 15, 2005 Rosedale and Castaic entered into an agreement for a water banking and exchange program (“Banking Agreement”). The Banking Agreement has been amended by the initial Addendum dated January 27, 2006, Addendum No. 2 dated June 8, 2006, Addendum No 3 dated May 22, 2007, and Addendum No 4 concurrently herewith. The Banking Agreement provides for banking and recovery at Castaic’s election of up to 20,000 acre-feet per year (“Castaic’s Recovery Rights” herein) and certain other rights of Castaic as more particularly described therein (“Banked Water”).

B. The Banking Agreement is part of a larger water banking and exchange program more particularly described in the Banking Agreement and therein referred to as the “RRB Program”. The RRB Program contemplates maximum basin storage of over 300,000 acre feet (“AF”) and annual recovery of up to 45,000 AF per year (“AFY”). Castaic’s participation in the RRB Program pursuant to the Banking Agreement is referred to as the “CLWA Project”.

C. The Parties enter into this Operating Agreement to supplement and complement the Banking Agreement but not to amend, modify or contradict the same. The purpose of this Operating Agreement is to identify and define certain operational plans and procedures to (i) improve opportunities for the Parties to mutually benefit from operations under the Banking Agreement and (ii) improve performance by the Parties in fulfilling their respective obligations under the terms and conditions of the Banking Agreement.

## **AGREEMENT**

### **1. RECOVERY FACILITIES**

- a. Recovery Facilities: Paragraph 1.B.(2) of the Banking Agreement provides, in part: “The extraction/delivery facilities have the capacity to deliver the CLWA Project water to the California Aqueduct, subject to scheduling of other uses of such facilities by entitled Parties”.
- b. Terms: In carrying out the RRB Program, Rosedale uses the terms “first priority rights” and “second priority rights,” which terms are not used or defined in the Banking Agreement. To clarify the meaning of “scheduling of other uses of such facilities by entitled parties” as set forth in Paragraph 1.B.(2) and without changing or amending the Banking Agreement, the parties understand Rosedale applies those terms to the RRB Program of which the CLWA project is a part as follows:

(1) “First Priority Rights” means: capacity rights in and to extraction/delivery facilities which are part of the RRB Program and would be available to Rosedale for its uses and purposes but for the fact that the capacity

rights are then required, by law or contract, to be used for the benefit of one or more RRB Program Participant.

(2) “Second Priority Rights” means: capacity rights in and to extraction/delivery facilities which are part of the RRB Program and which are available to Rosedale for its uses and purposes because the capacity rights are not then required, by law or contract, to be used for the benefit of one or more RRB Program Participant.

c. Recovery of Banked Water Enhancement: In an effort to improve or enhance the ability to recover Castaic’s Banked Water, Rosedale agrees to exclusively dedicate to Castaic all second priority rights in and to all existing, planned and future recovery facilities constructed within Rosedale, including recovery facilities constructed by Rosedale (“RRB Recovery Facilities” herein), to meet the Castaic Recovery Rights under the Banking Agreement, subject only to the legal or contractual obligation which Rosedale may have to supply water to any person, entity or organization for whose benefit the recovery facility was constructed. Existing and planned facilities, so far as known to Rosedale as of the date of this Operating Agreement, and any legal or contractual obligation relating thereto, are more fully described in Attachment 1 which is incorporated herein by this reference. Rosedale shall not increase the rights of entitled or other parties to the use of Rosedale recovery facilities above the amount set out on Attachment 1 if the aggregate active and useable capacity of all recovery facilities is reduced below the capacity needed to meet Castaic’s Recovery Rights, under the Banking Agreement. Also, Rosedale shall operate, repair, replace, and maintain all



existing and future RRB Recovery Facilities according to sound engineering practices and standards so as to not impair or diminish Castaic's Recovery Rights. The commitment made by Rosedale to Castaic herein shall be included and acknowledged in any future agreement which Rosedale makes with any third party involving the construction, availability, or use of recovery facilities within the boundaries of Rosedale.

d. Surface Water: Rosedale must manage its surface water supplies, including without limitation its State Water Project ("SWP") water supplies, for the highest and best use and benefit of Rosedale. Accordingly, Rosedale shall determine, in its sole discretion and judgment, whether to meet the recovery demands of Castaic by exchange delivery [pursuant to Paragraph 1.B.(1) of the Banking Agreement] or by extraction delivery [pursuant to Paragraph 1.B.(2) of the Banking Agreement].

2. **SCHEDULING**

a. Scheduling Enhancement: To assist the Parties in the performance of their obligations for banking and recovery of Castaic's Banked Water, it is agreed that on or before February 15 of each year Castaic and Rosedale shall exchange preliminary delivery schedules using best forecasts of their available water supplies. Rosedale and Castaic will coordinate their water delivery schedules to reflect the terms of this Operating Agreement with final delivery schedules to be determined by May 1 of each year, or at a later date as necessitated by SWP operations. .

b. Annual Report: Rosedale shall prepare an annual written report on or before February 15 of each year and delivered to Castaic setting forth the condition, needed maintenance and repair, and then current extraction capacity of each of the RRB Recovery Facilities, and verify the ability to deliver Castaic's Recovery Rights.

3. **RE-REGULATION**

It is understood that effective water management may reduce reliance upon dry year recovery operations. The Parties agree to cooperate with one another, in good faith, to define and implement water management strategies that are mutually beneficial.

IN WITNESS WHEREOF, the Parties have executed this Operating Agreement as of the date first set forth above.

*JEM*  
CASTAIC LAKE WATER AGENCY  
By: [Signature]  
Title: GENERAL MANAGER

APPROVED AS TO FORM:

McCORMICK, KIDMAN & BEHRENS, LLP

By [Signature]

ROSEDALE-RIO BRAVO WATER STORAGE DISTRICT

By: [Signature]  
Title: General Manager

APPROVED AS TO FORM:

McMURTREY, HARTSOCK & WORTH

By [Signature]

# ATTACHMENT 1

## SUMMARY OF ROSEDALE-RIO BRAVO WSD BANKING PROGRAMS

<b>EXISTING PROGRAMS</b>				
<b>PARTNER</b>	<b>Type</b>	<b>Existing Wells</b>	<b>Existing Well Capacity (AF/YR)</b>	<b>Capacity Committed to Castaic (AF/YR)</b>
Castaic /BV Sale Program	Sale	3	10,841	2,591
Irvine Ranch Water District <sup>1</sup>	Banking	7	25,295	7,795
subtotal:		10	53,635	10,385

<b>PLANNED OR PROJECTED PROGRAMS</b>				
<b>PARTNER</b>	<b>Type</b>	<b>Planned Wells</b>	<b>Planned Well Capacity (AF/YR)</b>	<b>Capacity Committed to Castaic (AF/YR)</b>
Rosedale Landowner <sup>2</sup>	Recovery	5	7,000	7,000
Expanded Kern-Tulare Program	Banking	3	10,841	3,341
subtotal:		15	43,135	10,341

Total Existing and Projected Capacity      **20,726**

**Footnote:**

1. Agreement Rosedale-Rio Bravo Water Storage District and Irvine Ranch Water District For A Water Banking and Exchange Program dated January 13, 2009
2. Rosedale in-district program providing for connection of landowners wells for recovery of previously banked water.

**ADDENDUM No. 4 TO AGREEMENT  
ROSEDALE-RIO BRAVO WATER STORAGE DISTRICT  
AND  
CASTAIC LAKE WATER AGENCY  
FOR A WATER BANKING AND EXCHANGE PROGRAM**

This is a further addendum (i.e., Addendum No. 4) to the above-entitled Agreement executed by the parties effective November 15, 2005.

1. Extraction Delivery Charges: Under Paragraphs 4.B. and 4.C. of the Banking Agreement, Castaic is required to pay certain amounts for the recovery and delivery of banked Castaic water. It is understood and agreed that the specific amounts set forth in the Banking Agreement were estimates of such costs as of the date of the Banking Agreement and do not represent maximum limits on the obligation assumed by Castaic. It is further understood and agreed that Castaic will pay all costs actually incurred by Rosedale in the recovery and delivery of banked Castaic water. The Extraction Delivery Charge shall include Operations, Maintenance, Power & Replacement (OMP&R) for the groundwater recovery wells. Exhibit A provides an example of the Operation, Maintenance, and Replacement cost calculation. Exhibit B provides an example of the Power cost calculation. For water extracted utilizing groundwater recovery wells constructed and paid for by Castaic there shall be no Replacement costs. In addition to the OMP&R costs Castaic shall be responsible for the actual Cross Valley Canal costs associated with the delivery of recovered groundwater through the Cross Valley Canal. A detailed accounting of such costs will be provided by Rosedale to Castaic upon request.

2. Exchange Delivery Charges: Rosedale may, from time to time, in its sole discretion and judgment, choose to meet the recovery demand of Castaic by exchange delivery using surface water supplies available to Rosedale. Exchange deliveries benefit Castaic by reducing or eliminating recovery costs that would otherwise be borne by Castaic. To encourage exchange deliveries whenever possible, it is agreed that Castaic will pay Rosedale for each acre foot provided by exchange delivery one-half (1/2) of the estimated and/or calculated avoided costs that would otherwise have been borne by Castaic had the same acre foot been provided via the extraction delivery method. For purposes of determining Exchange Delivery Charge rates, the calculation and rate provided in Exhibit A & B for Extraction Delivery Charges shall be utilized.

This Addendum No. 4 may be executed in counterparts, each of which shall be deemed an original and, all of which, taken together, shall constitute one and the same instrument. Signatures sent by facsimile shall be deemed originals and treated in all respects as originals.

IN WITNESS WHEREOF, each Party has executed this Addendum on the date set forth below, said Addendum to be effective on the later of the two, i.e., when both Parties have signed this Addendum.

Date: 9/15/10

CASTAIC LAKE WATER AGENCY

By: [Signature]

*DM*

Title: GENERAL MANAGER

APPROVED AS TO FORM:  
McCORMICK, KIDMAN & BEHRENS, LLP

By: [Signature]

Date: 9/15/10

ROSEDALE-RIO BRAVO WATER  
STORAGE DISTRICT

By: [Signature]

Title: General Manager

APPROVED AS TO FORM:  
McMURTREY, HARTSOCK & WORTH

By: [Signature]

# EXHIBIT A

## ROSEDALE-RIO BRAVO WSD OPERATIONS, MAINTENANCE & REPLACEMENT COST ANALYSIS

Well production = (5 cfs for 300 days)	2,975 AF/year
Assume well is used once every 5 years =	595 AF/year
Initial Well Cost =	\$263,430
Average Sevice Life =	30 years
Annual Depreciation Amount =	\$8,781 /year
<b>Well Replacement Component =</b>	<b>\$14.76 /AF</b>
Estimated Pump & Equipment Cost =	\$150,000
Average Sevice Life =	30 years
Annual Depreciation Amount =	\$5,000 /year
<b>Pump Replacement Component =</b>	<b>\$8.40 /AF</b>
Other Well Maintenance Items = (rehab casings, electrical, service motors, etc.)	\$40,000
Average Interval =	15 years
Annual Maintenance Amount =	\$2,667 /year
Annual Operations & Monitoring Costs (staff time, administration, monitoring)	\$7,500
Average Interval =	5 years
Annual Operations Amount =	\$1,500 /year
<b>Operations &amp; Maintenance Component =</b>	<b>\$7.00 /AF</b>
<b>Total Maintenance and Replacement =</b>	<b>\$30.16 /AF</b>

**Note:**

All calculations are estimates provided for illustrative purposes only and actual costs will vary depending upon third party rate increases, inflation, changing conditions, etc

# EXHIBIT B

## WELL POWER CALCULATION SHEET

**Power Charge = Power Rate (\$/KWH) X Energy Use (Avg. KWH/AF)**

**Notes:**

- 
- 1) \$/KWH is calculated by using PG&E, Ag 5b rate or future equivalent determined prior to may 1 of each year  
AG5b rate is melded across the times of use.
  - 2) Pump TDH is a determined from field measurements taken monthly. Power costs will be set  
and adjusted based upon monthly TDH measurements made by Rosedale Staff
  - 3) Pump TDH taken from four stage flowserve 14ENL pump with a 10.6-inch drim and design point of 2500 gpm @226ft
  - 4) Power usage derived from 250HP US premium efficient hollow-shaft electric motor
  - 5) Well efficiency tests shall be performed annually and adjustments shall be made to the forumula herein to reflect field conditions.
  - 6) All calculations are estimates provided for illustrative purposes only and actual costs will vary depending  
upon third party rate increases, inflation, changing conditions, etc
- 

PUMP TDH (Ft)	Average KWH/AF	Cost Per KWH (\$)	Cost Per AF (\$)
50	156.3	\$ 0.1201	\$ 18.76
60	163.3	\$ 0.1201	\$ 19.60
70	169.7	\$ 0.1201	\$ 20.37
80	175.8	\$ 0.1201	\$ 21.10
90	181.8	\$ 0.1201	\$ 21.83
100	187.8	\$ 0.1201	\$ 22.55
110	193.8	\$ 0.1201	\$ 23.27
120	200.0	\$ 0.1201	\$ 24.01
130	206.5	\$ 0.1201	\$ 24.79
140	213.2	\$ 0.1201	\$ 25.59
150	220.2	\$ 0.1201	\$ 26.44
160	227.7	\$ 0.1201	\$ 27.34
170	235.5	\$ 0.1201	\$ 28.27
180	243.9	\$ 0.1201	\$ 29.28
190	252.8	\$ 0.1201	\$ 30.35
200	262.3	\$ 0.1201	\$ 31.49
210	272.5	\$ 0.1201	\$ 32.71
220	283.6	\$ 0.1201	\$ 34.05
230	295.5	\$ 0.1201	\$ 35.47
240	308.4	\$ 0.1201	\$ 37.02
250	322.5	\$ 0.1201	\$ 38.72
260	337.9	\$ 0.1201	\$ 40.56
270	354.9	\$ 0.1201	\$ 42.61
280	373.6	\$ 0.1201	\$ 44.85
290	394.3	\$ 0.1201	\$ 47.34
300	417.4	\$ 0.1201	\$ 50.11
310	443.4	\$ 0.1201	\$ 53.23
320	472.7	\$ 0.1201	\$ 56.75
330	506.2	\$ 0.1201	\$ 60.77
340	544.6	\$ 0.1201	\$ 65.38



**ADDENDUM NO. 5 TO THE AGREEMENT – ROSEDALE-RIO BRAVO WATER STORAGE DISTRICT AND CASTAIC LAKE WATER AGENCY FOR A WATER BANKING AND EXCHANGE PROGRAM**

This Addendum No. 5 to the above-entitled agreement executed by the parties November 15, 2005, amends said agreement, as follows:

1. Recital M is replaced and amended to read as follows:

RRB has executed memorandums of understanding (“MOU”) with adjacent water districts that place restrictions on the use of the local Kern Basin Aquifer and establish water losses described herein (see Section 1C) and are imposed on the Parties by this Agreement. The term “MOU” shall also include implementing documents “Interim Project Recovery Operations Plan Regarding Kern Water Bank Authority (KWB) and Rosedale-Rio Bravo Water Storage District (Rosedale) Projects” and “Long Term Project Recovery Operations Plan Regarding Rosedale-Rio Bravo Water Storage District Projects,” and any amendments thereto or replacements thereof.

2. Paragraph 1.D. is replaced and amended to read as follows:

**D. Additional Facilities.** (1) CLWA shall have, at its option and sole discretion and expense as part of the CLWA Project, the first right to augment the Project with up to seven (7) additional RRB wells and related facilities to deliver CLWA Project water pursuant to this Agreement (“Additional Facilities”). The Additional Facilities, subject to CLWA’s election, shall be located and constructed within RRB’s boundaries, subject to mutual agreement as set forth below. Installation of such facilities shall be subject to compliance with CEQA and shall be at CLWA’s cost. RRB shall not allow any other party, other than Irvine Ranch Water District pursuant to Rosedale’s existing agreement with said district, to construct such facilities unless it has provided CLWA a written notice of CLWA’s right to elect to build the Additional Facilities and of its intention to allow other parties to construct such facilities at specified locations. CLWA shall have a period of six months to notify RRB in writing of its election to construct any or all of the Additional Facilities at the specified locations and if such notice is provided, RRB must allow CLWA to proceed instead of any third party until the Additional Facilities are constructed.

(2) As provided in the Drought Relief Project Cost Sharing Agreement entered into between CLWA, RRB and Irvine Ranch Water District (“Cost Sharing Agreement”), CLWA has elected to receive a first-priority right to the use of fifty percent (50%) of the aggregate combined capacity in six (6) wells located in the Superior East and Superior West Wellfields and certain capacities in related facilities, in satisfaction of its right to construct three (3) of the seven (7) wells that make up a portion of the Additional Facilities.

(3) RRB acknowledges that CLWA retains its right pursuant to this Section to construct the remaining four (4) wells and related facilities, which make up the remainder of the Additional Facilities (“Remaining Additional Facilities”) at a later date in CLWA’s discretion, the precise location of which will be determined through mutual agreement with Rosedale. With respect to the Remaining Additional Facilities, RRB and CLWA shall cooperate in the selection of the sites of said facilities, taking into consideration the maximization of yield and the minimization of cost while also considering existing groundwater operations and conditions. RRB shall cooperate and execute all documents necessary to plan, design, construct, and operate the Remaining Additional Facilities, including any CEQA documents. RRB agrees to be the lead agency for

processing approval for such Remaining Additional Facilities. CLWA's exercise of such right shall be by written notice to RRB. RRB will meet and confer with CLWA within fifteen (15) days of such notice to identify the design, location, Project impacts, and estimated costs of processing such facilities. The engineers and consultants to be used by RRB to process such facilities shall be subject to the prior written approval of CLWA. The construction of the Remaining Additional Facilities shall be pursuant to public bidding, unless otherwise agreed. The plans, specification, construction contracts, and award shall be subject to CLWA's written approval. CLWA's written approvals, as set forth herein shall be given within fifteen (15) days of receipt of the information. CLWA shall deposit with RRB the total bid amount upon acceptance of the bid by RRB. The withdrawal of deposited funds for payment to the contractor will require the signatures of duly authorized representatives of both CLWA and RRB. In the event this Agreement is terminated, RRB will refund to CLWA the cost paid by CLWA for constructing the Additional Facilities at the depreciated replacement value, based upon a useful life of 30 years.

(4) Notwithstanding anything to the contrary in Section 1(D)(2) of this Agreement, if CLWA's participation in the facilities to be constructed pursuant to the Cost Sharing Agreement is reduced, either in whole or in part, either because the Cost Sharing Agreement is terminated, CLWA elects to terminate all or a portion of its interest in the Project (as the term is used the Cost Sharing Agreement) pursuant to Section 2(d)(ii) of the Cost Sharing Agreement, or for any other reason, CLWA shall have and retain the right to construct the number wells set forth in Section 1(D)(2), that were eliminated (a maximum of three(3) wells) and related facilities pursuant to and upon the same terms and conditions as Section 1(D)(1) and (3) of this Agreement.

IN WITNESS WHEREOF, this Agreement has been executed and is effective as signature date.

**CASTAIC LAKE WATER AGENCY**



Name and Title: Dan Masnada, General Manager  
Date: March 9, 2015

**ROSEDALE-RIO BRAVO WATER STORAGE DISTRICT**



Name and Title: Eric Averett, General Manager  
Date: March 9, 2015

DSM

**ADDENDUM NO. 1 TO THE OPERATING AGREEMENT  
BETWEEN ROSEDALE-RIO BRAVO WATER STORAGE DISTRICT  
AND CASTAIC LAKE WATER AGENCY**

This Addendum No. 1 to the above-entitled agreement executed by the parties September 15, 2010, amends said agreement by adding the following language as Paragraph 1.d, and renumbering existing Paragraph 1.d. as Paragraph 1.e.:

d. Additional Facilities: Notwithstanding anything to the contrary in this Operating Agreement, Castaic shall have a first-priority right to the use of fifty percent (50%) of the aggregate combined capacity in six (6) wells located in the Superior East and Superior West Wellfields and certain capacities in related facilities associated with these and other Additional Facilities (as that term is defined in the Banking Agreement). Castaic's capacity in the Additional Facilities shall be used to satisfy Castaic's Recovery Rights, or for the recovery of other CLWA supplies from other existing water management programs with Rosedale or for future programs in which Rosedale is a party. Rosedale shall have the right to operate the Additional Facilities for other purposes when the capacity associated with the same is not required for such purposes.

IN WITNESS WHEREOF, this Agreement has been executed and is effective as signature date.

**CASTAIC LAKE WATER AGENCY**

  
  
\_\_\_\_\_  
Name and Title: Dan Masnada, General Manager  
Date: March 9, 2015

**ROSEDALE-RIO BRAVO WATER STORAGE DISTRICT**

  
\_\_\_\_\_  
Name and Title: Eric Averett, General Manager  
Date: March 9, 2015