




Date: November 14, 2018

To: **Finance and Administration Committee**
Dan Mortensen, Chair
B. J. Atkins
Ed Colley
Robert DiPrimio
Dean Efstathiou
Maria Gutzeit
R. J. Kelly

From: Eric Campbell 
Chief Financial and Administrative Officer

The **Finance and Administration Committee** is scheduled to meet on **Monday, November 19, 2018 at 6:00 PM** at **Rio Vista Water Treatment Plant** located at 27234 Bouquet Canyon Road, Santa Clarita, CA 91350 in the Training Room.

MEETING AGENDA

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8. Adjournment

* Indicates attachments

◆ To be distributed

NOTICES:

Any person may make a request for a disability-related modification or accommodation needed for that person to be able to participate in the public meeting by telephoning (661) 297-1600, or writing to Santa Clarita Valley Water Agency at 27234 Bouquet Canyon Road, Santa Clarita, CA 91350. Requests must specify the nature of the disability and the type of accommodation requested. A telephone number or other contact information should be included so that Agency staff may discuss appropriate arrangements. Persons requesting a disability-related accommodation should make the request with adequate time before the meeting for the Agency to provide the requested accommodation.

Pursuant to Government Code Section 54957.5, non-exempt public records that relate to open session agenda items and are distributed to a majority of the Board less than seventy-two (72) hours prior to the meeting will be available for public inspection at the Santa Clarita Valley Water Agency, located at 27234 Bouquet Canyon Road, Santa Clarita, California 91350, during regular business hours. When practical, these public records will also be made available on the Agency's Internet Website, accessible at <http://www.yourscvwater.com>.

Posted on November 14, 2018.



COMMITTEE MEMORANDUM

DATE: November 13, 2018
TO: Finance and Administration Committee
FROM: Rochelle Patterson *RP*
Director of Finance and Administration
SUBJECT: Recommend Receiving and Filing NCWD December 31, 2017 Financial Statements

SUMMARY

To review Newhall County Water District's (NCWD) December 31, 2017 Financial Statement prepared by Leaf & Cole, LLP.

DISCUSSION

The December 31, 2017 Financial Statement is meant to give the reader a narrative overview and analysis of NCWD's financial performance during the period of July 1, 2017 to December 31, 2017.

The auditors gave the report an unmodified opinion, which is termed a clean opinion and is the highest opinion achieved. An unmodified opinion is the auditor's judgment that he has no reservation as to the fairness of presentation of NCWD's Financial Statement and their conformity with Generally Accepted Accounting Principles (GAAP). In the auditor's opinion, NCWD has presented fairly its financial position, results of operations, and changes in cash flows.

The draft report is attached.

FINANCIAL CONSIDERATIONS

None.

RECOMMENDATION

The Finance and Administration Committee recommends that the Board of Directors receive and file the attached Newhall County Water District Financial Statement for the period of July 1, 2017 to December 31, 2017.

RP

Attachment

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NEWHALL COUNTY WATER DISTRICT

FINANCIAL STATEMENTS

DECEMBER 31, 2017

DRAFT



Leaf & Cole, LLP
Certified Public Accountants

**NEWHALL COUNTY WATER DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

Independent Auditor's Report

To the Board of Directors
Newhall County Water District
Post Office Box 220970
Santa Clarita, California 91322

Report on Financial Statements

We have audited the accompanying financial statements of Newhall County Water District, which comprise the statement of net position as of December 31, 2017, and the related statements of revenues, expenses, and changes in net position and cash flows for the period from July 1, 2017 to December 31, 2017, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Controller General of the United States and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Newhall County Water District, as of December 31, 2017, and the changes in financial position and cash flows for the period from July 1, 2017 to December 31, 2017 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Change in Accounting Principle

As described in Note 11 to the financial statements, the District changed its method of accounting and financial reporting for postemployment benefits other than pensions in order to conform with “Governmental Accounting Standards Board Statement No 75, Accounting and Financial Reporting for Postemployment Benefit Other Than Pensions”. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management’s discussion and analysis and the required supplementary information on pages 40 to 44 as identified in the accompanying table of contents be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September ___, 2018, on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.

San Diego, California
September ___, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Newhall County Water District (District), we offer readers of the District's financial statements this narrative overview and analysis of the District's financial performance for the period from July 1, 2017 to December 31, 2017. Please read it in conjunction with the District's financial statements that follow Management's Discussion and Analysis.

The District

Newhall County Water District headquarters is located in the City of Santa Clarita within the northwest region of Los Angeles County and is blessed with all the beauties and amenities of a large city with a small-town charm. The District was formed on January 13, 1953 and is currently one of four water purveyors in the area. Water is received from two sources, District owned groundwater wells and the State Water Project (SWP) via the areas wholesaler.

The District boundaries encompass approximately 37-square miles in portions of the City of Santa Clarita and Los Angeles County. The District provides treated water to areas of Newhall, Canyon Country (Pinetree), Valencia (Tesoro), and Castaic. Today, the District provides treated water to nearly 9,800 metered customers through more than 150 miles of transmission and distribution pipeline, 22 above ground steel reservoirs, 15 booster pump stations, and 11 active groundwater wells.

Financial Highlights

- The District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the period by \$83.4 million (net position). Of this amount, \$6.6 million (unrestricted net position) may be used to meet the District's ongoing obligations to its customers and creditors.
- The District's total net position increased by \$1.2 million during the period from July 1, 2017 to December 31, 2017. This is attributable in part to the reduction of current liabilities and long-term debt obligations.
- The District's operating revenues were \$8 million for the period from July 1, 2017 to December 31, 2017.
- The District's total expenses were \$7.3 million for the period from July 1, 2017 to December 31, 2017.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements, which are comprised of the following: 1) Statement of Net Position, 2) Statement of Revenues, Expenses and Changes in Net Position, 3) Statement of Cash Flows, and 4) Notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

The *Statement of Net Position* presents information on all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or weakening. However, one must consider other nonfinancial factors such as changes in economic or environment conditions, population growth, and new or changed government legislation.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how the District's net position changed during the most recent period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The *Statement of Cash Flows* presents information on cash receipts and payments for the period. From this statement, the reader can obtain comparative information on the sources and uses of the District's cash.

The *Notes to the Financial Statements* provide additional information that is essential to fully understand the data supplied in each of the specific financial statements listed above.

Financial Analysis

As noted earlier, the net position may serve over time as a useful indicator of an entity's financial strength. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$83.4 million as of December 31, 2017.

By far, the largest portion of the District's net position, \$76.7 million (92%), reflects its net investment in capital assets, less any related debt used to acquire those assets still outstanding. The District uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

There were no major additions to capital assets during the period from July 1, 2017 to December 31, 2017.

Statements of Net Position

	December 31, 2017
Assets	
Current and Other Assets	\$ 11,788,317
Capital Assets	80,691,676
Total Assets	92,479,993
Deferred Outflows of Resources	
Deferred Amount on Refunding	6,213
Deferred Outflows	995,640
Total Deferred Outflows of Resources	1,001,853
Liabilities	
Non-Current Liabilities	6,546,518
Current Liabilities	3,303,951
Total Liabilities	9,850,469
Deferred Inflows of Resources	
Deferred Inflows	270,607
Net Position	
Net Investment in Capital Assets	76,724,489
Unrestricted	6,636,281
Total Net Position	\$ 83,360,770

MANAGEMENT'S DISCUSSION AND ANALYSIS

Unrestricted net position (which represents the residual balance of total net position after the elimination of net investment in capital assets) increased by \$482 thousand from \$6.2 million at June 30, 2017 to \$6.7 million at December 31, 2017.

Statements of Revenues, Expenses, and Changes in Net Position

	December 31, 2017
Water Sales	\$ 7,979,956
Taxes and Assessments	314,379
Other Nonoperating Income	63,551
Other Operating Revenues	53,515
Investment Income	50,174
Total Revenues	8,461,575
General and Administrative	2,060,064
Source of Supply Depreciation	1,720,306
Expense Pumping Plant	1,695,119
Other	720,580
Transmission and Distribution	326,894
Customer Accounts	267,821
Water Treatment	233,097
Interest Expense	225,873
Total Expenses	7,318,447
Income Before Capital Contributions	1,143,128
Capital Contributions	73,322
Change in Net Position	1,216,450
Net Position at Beginning of Year	82,144,320
Net Position at End of Year	\$ 83,360,770

Total revenues of \$8,461,575 were offset by \$7,318,447 in operating and nonoperating expenses.

The District received \$73,322 in Capital Contributions from the period from July 1, 2017 to December 31, 2017 due in part to the services installed for the Walnut Park Cottages. It is expected that Capital Contributions will continue to fluctuate.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Assets and Debt Administration

Capital Assets

The District's capital assets for the period ended December 31, 2017, totaled \$81 million (net of accumulated depreciation).

Capital Assets

	<u>December 31, 2017</u>
Water System	\$ 99,686,865
General Plant	13,444,799
Land	9,808,489
Construction in Progress	1,885,942
Organization Costs	40,486
Depreciation	(44,174,905)
	<u>\$ 80,691,676</u>

Noncurrent Liabilities

At December 31, 2017, the District had \$6.5 million in noncurrent liabilities, net of current position.

Additional information on the District's noncurrent liabilities can be found in Note 6 of the Notes to Financial Statements. Noncurrent liabilities consist of the following:

Noncurrent Liabilities

	<u>December 31, 2017</u>
Installment Notes Payable	\$ 2,833,582
Net Pension Liability	3,316,991
Net OBEB Liability	277,233
Compensated Absences	118,712
Total Noncurrent Liabilities	<u>\$ 6,546,518</u>

Fiscal Year 2018 Budget

Economic Factors

The Districts long-standing commitment to living within our means through both good and bad times has enabled the District to maneuver through the past drought without major impacts on the District customers. It should be clearly understood we have not been immune to its effects. The District continues to evaluate the way we do business and engage our employees to help find innovative and effective ways of serving our customers.

On June 15, 2015, the District adopted changes to the water rate, based on the updated Report of Revenue Requirements and Water Rates, to become effective July 1, 2015. The rate study took into account a 14% reduction in commodity sales and developed a Water Revenue Adjustment Factor (WRAF) as a means to mitigate potential fluctuations in water commodity revenues due to additional conservation. The District adopted Resolution 2015-5 that allows the District to make adjustments to recover any shortage of revenue due to inflation attributed to fluctuations in real demand and to create a balancing account. The WRAF was implemented at the beginning of FY 2017.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Based on current trends, the District is projecting little growth in FY 2018/19. In addition, the District has assumed customers (as a whole) will continue to respond to the District's messages of conservation and efficient use of water and reduce consumption by 25% (from 2013 consumption). The District has already met and exceeded the conservation mandates as required in SBx7-7.

Looking ahead, the District will continue to monitor and make appropriate adjustments to ensure the organization's financial integrity is maintained, while continuing to meet its obligation to provide a safe and reliable water supply.

Financial

Challenging fluctuations in weather continue to impact local and State communities. Southern California has seen its share of highs and lows. The annual budget was presented nearly nine years after the most challenging period in District history. Like many who were affected by the downturn in the housing market and the increasing cost of goods and supplies, the District has had to adjust its budget to accommodate changing economic conditions. The most recent recession helped prepare the District to react quickly to changes. We have endured nine years of belt tightening and cost containment and will continue to do more through this period of drought and financial instability. We believe we emerged with an annual budget which meets the needs of our customers. It sets our spending and staffing to affordable and sustainable levels while maintaining a high level of service quality.

Our success as an organization is vastly enhanced by the practices and policies put in place by the Board of Directors to ensure the strength and stability of the District. We are fully confident that with these policies and practices, supported by dedicated and talented staff, we will achieve continued success as an organization and thus assure the well-being of the people we serve.

Management is unaware of any other conditions that could have a material impact on the District's current financial position or operating results.

FUTURE OF WATER GOVERNANCE IN THE REGION

The District has been working with Castaic Lake Water Agency (CLWA) for more than two years to settle litigation and create a new water governance structure. This process led to legislation (SB 634 – Wilk) that was signed into law on October 15, 2017 and created the Santa Clarita Valley Water Agency – a new water agency for the region.

The purpose of this new agency is to begin to unify and modernize water governance in the Santa Clarita Valley. Currently, in addition to the District, three other water retailers and one wholesale agency compose a patchwork of water providers that can lead to redundancies, service inefficiencies, conflict, excess costs and reduced economies of scale that limit optimized water management in the region. The new agency consolidated on January 1, 2018.

According to a comprehensive Governance & Finance Study (Study), the new agency would save costs – upwards of \$14 million in its first 10 years. It would enhance service by integrating currently disparate systems. It would create economies of scale to ensure the development of new water supplies, including a regional recycled water system. It would create a new, modernized water governance structure that is California Voting Rights Act-compliant and provides an equal voice for all corners of the Santa Clarita Valley.

**NEWHALL COUNTY WATER DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2017**

As reported in the Study, the District anticipated limited short-term costs in both its FY 2017 and FY 2018 budgets. These costs are far less than the anticipated litigation that would have advanced if the District and CLWA had not reached compromise. Overall, the new agency will save the District significant amounts in both the short- and long-term.

This financial report is designed to provide a general overview of the Newhall County Water District's finances for the Board of Directors, customers, taxpayers, creditors and other interest parties. Questions concerning any of the information provided in the report or requests for additional information should be addressed to the District's Financial Department, PO Box 220970, Santa Clarita, CA 91322-0970.

DRAFT

**NEWHALL COUNTY WATER DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2017**

ASSETS

Current Assets: (Notes 1 and 2)

Cash and cash equivalents	\$ 6,580,484
Investments	2,240,000
Accounts receivable, net	1,477,261
Taxes receivable	59,751
Accounts receivable - other	185,674
Accrued interest receivable	24,818
Inventory	794,392
Prepaid expenses	217,717
Total Current Assets	11,580,097

Noncurrent Assets:

Restricted Assets: (Notes 1, 2 and 3)

Cash and cash equivalents	208,220
Total Restricted Assets	208,220

Capital Assets: (Notes 1 and 4)

Nondepreciable	11,694,431
Depreciable, net of accumulated depreciation	68,997,245
Total Capital Assets, net	80,691,676

Total Noncurrent Assets	80,899,896
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TOTAL ASSETS	92,479,993
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DEFERRED OUTFLOWS OF RESOURCES: (Notes 1, 6, 7 and 8)

Deferred amount on refunding	6,213
Deferred outflows related to OPEB contributions	78,125
Deferred outflows related to OPEB	19,002
Deferred outflows related to pension contributions	148,353
Deferred outflows related to pension	750,160
Total Deferred Outflows of Resources	1,001,853

(Continued)

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

**NEWHALL COUNTY WATER DISTRICT
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2017**

LIABILITIES

Current Liabilities: (Notes 1, 5 and 6)

Accounts payable	\$ 585,527
Accrued expenses and other liabilities	18,483
Accrued interest payable	23,664
Deposits	208,220
Unearned revenue	1,253,840
Current portion of installment notes payable	1,139,818
Current portion of compensated absences payable	74,399
Total Current Liabilities	3,303,951

Noncurrent Liabilities: (Notes 1, 6 and 8)

Long-Term Debt:

Installment notes payable, net of current portion	2,833,582
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Other Noncurrent Liabilities:

Net pension liability	3,316,991
Net OPEB liability	277,233
Compensated absences payable, net of current portion	118,712
Total Other Noncurrent Liabilities	3,712,936

Total Noncurrent Liabilities	6,546,518
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Total Liabilities	9,850,469
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Deferred Inflows of Resources: (Notes 1 and 8)

Deferred inflows related to pensions	270,607
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Commitments and Contingencies (Notes 7, 8 and 9)

NET POSITION:

Net investment in capital assets	76,724,489
Unrestricted	6,636,281
Total Net Position	\$ 83,360,770

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

**NEWHALL COUNTY WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE PERIOD FROM JULY 1, 2017 TO DECEMBER 31, 2017**

Operating Revenues:

Water sales	\$ 7,979,956
Other operating revenues	53,515
Total Operating Revenues	8,033,471

Operating Expenses:

General and administrative	2,060,064
Source of supply	1,720,306
Depreciation	1,695,119
Pumping plant	720,580
Other	326,894
Transmission and distribution	267,821
Customer accounts	233,097
Water treatment	225,873
Total Operating Expenses	7,249,754

Operating Income	783,717
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Nonoperating Revenues (Expenses):

Taxes and assessments	314,379
Other nonoperating revenue	63,551
Investment income	50,174
Interest expense	(68,693)
Total Nonoperating Revenues (Expenses)	359,411

Income Before Capital Contributions	1,143,128
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Capital Contributions	73,322
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Change in Net Position	1,216,450
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Net Position at Beginning of Period (Note 11)	82,144,320
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NET POSITION AT END OF PERIOD	\$ 83,360,770
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The accompanying notes are an integral part of the financial statements.

**NEWHALL COUNTY WATER DISTRICT
STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM JULY 1, 2017 TO DECEMBER 31, 2017**

Cash Flow From Operating Activities:

Cash received from customers	\$ 8,607,729
Cash payments to suppliers for goods and services	(4,409,473)
Cash payments to employees for services	(1,057,315)
Other operating cash receipts	63,551
Net Cash Provided by Operating Activities	3,204,492

Cash Flow From Noncapital and Related Financing Activities:

Receipts from taxes and assessments	267,991
Net Cash Provided by Noncapital and Related Financing Activities	267,991

Cash Flows From Capital and Related Financing Activities:

Acquisition and construction of capital assets	(1,405,477)
Principal paid on installment notes payable	(870,789)
Interest paid on installment notes payable	(70,973)
Capital contributions	73,322
Net Cash Used in Capital and Related Financing Activities	(2,273,917)

Cash Flows From Investing Activities:

Investment income	44,818
Net Cash Provided by Investing Activities	44,818

Net Increase in Cash and Cash Equivalents	1,243,384
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Cash and Cash Equivalents at Beginning of Period	5,545,320
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CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 6,788,704
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(Continued)

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

**NEWHALL COUNTY WATER DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE PERIOD FROM JULY 1, 2017 TO DECEMBER 31, 2017**

Reconciliation of Operating Income to Net Cash

Provided by Operating Activities

Operating income	\$ 783,717
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,695,119
Other nonoperating cash receipts	63,551
(Increase) Decrease In:	
Accounts receivable, net	176,381
Accounts receivable - other	76,758
Inventory	(65,732)
Prepaid expenses	(152,965)
Deferred outflows related to OPEB contributions	1,719
Deferred outflows related to OPEB	(19,002)
Deferred outflows related to pension contributions	120,061
Deferred outflows related to pension	(310,840)
Increase (Decrease) In:	
Accounts payable	29,359
Accrued expenses and other liabilities	(36,923)
Deposits	12,874
Unearned revenue	308,245
Net OPEB liability	37,382
Net pension liability	576,273
Compensated absences payable	(34,591)
Deferred inflows related to pensions	(56,894)
Net Cash Provided by Operating Activities	<u>\$ 3,204,492</u>

Cash and Cash Equivalents - Financial Statement Classification:

Cash and cash equivalents	\$ 6,580,484
Restricted cash and cash equivalents	208,220
Total Cash and Cash Equivalents	<u><u>6,788,704</u></u>

Supplemental Disclosures of Cash Flow Information

Amortization of deferred amount on refunding	\$ <u><u>6,212</u></u>
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The accompanying notes are an integral part of the financial statements.

**NEWHALL COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

Note 1 - Organization and Significant Accounting Policies:

The Newhall County Water District (the “District”) was organized in January 1953 under provisions of the California Water District Law. Improvement District No. 1 and Improvement Districts 2-S and 2-W were annexed by the District. The District is governed by a Board of Directors made up of five members elected by the qualified voters of the District. The purpose of the District is to finance, construct, operate and maintain a water system to serve properties within the District’s boundaries.

The criteria used in determining the scope of the reporting entity are based on the provisions of GASB Cod. Sec. 2100 “Defining the Financial Reporting Entity”. The District is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the District appoints a voting majority of the component unit’s board, or because the component unit will provide a financial benefit or impose a financial burden on the District. The District has no component units.

On October 15, 2017, the Governor of the State of California signed into law SB-634, which reorganized Castaic Lake Water Agency and Newhall County Water District to create Santa Clarita Valley Water Agency effective January 1, 2018.

Significant Accounting Policies

A summary of the District’s significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Method of Accounting

The District utilizes accounting principles appropriate for an enterprise fund to record its activities. Accordingly, the statements of net position and the statements of revenues, expenses and changes in net position have been prepared using the economic resources measurement focus and the accrual basis of accounting.

The District has not elected to apply the option allowed in GASB Cod. Sec. P80.103 “Proprietary Fund Accounting and Financial Reporting” and as a consequence will continue to apply GASB Statements and Interpretations.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NEWHALL COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Revenue Recognition

The District recognizes revenues from water sales and other operating revenues when they are earned. Operating activities generally result from providing services and producing and delivering goods. As such, the District considers fees received from water sales and other operating revenues to be operating revenues. Taxes and assessments are recognized as revenue based upon amounts reported to the District by the County of Los Angeles, net of an allowance for estimated uncollectible taxes.

Investments

Investments are stated at their fair value, which represents the quoted or stated market value. Investments that are not traded on a market, such as investments in external pools, are valued based on the stated fair value as represented by the external pool.

Allowance for Doubtful Accounts

Bad debts are recognized on the allowance method based on historical experience and management's evaluation of outstanding receivables. The allowance for doubtful accounts receivables totaled \$3,598 at December 31, 2017.

Taxes and Assessments

Property taxes and assessments are billed by the County of Los Angeles to property owners. The District's property tax calendar for the fiscal year ended June 30, 2017 was as follows:

Lien Date:	January 1
Levy Date:	July 1
Due Date:	First Installment - November 1 Second Installment - February 1
Delinquent Date:	First Installment - December 10 Second Installment - April 10

Management believes that taxes receivable of \$59,751 were fully collectible; therefore no allowance for doubtful taxes receivable was recorded at December 31, 2017.

Inventory

Inventory consists primarily of materials used in the construction and maintenance of capital assets and is valued at a moving weighted average cost.

**NEWHALL COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Capital Assets

Capital assets purchased or acquired with a cost exceeding \$5,000 and an estimated useful life of more than one year are reported at historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Donated capital assets, donated works of art and similar items, and capital assets received in service concession agreements are reported at acquisition value. Depreciation is calculated on the straight-line method over the following estimated useful lives:

Transmission and distribution	14 - 61 years
General plant	4 - 88 years
Organization costs	30 - 33 years

Depreciation totaled \$1,695,119 for the period ended December 31, 2017.

Interest

The District incurred interest charges on long-term debt. No interest was capitalized as a cost of construction for the period ended December 31, 2017.

Compensated Absences

Accumulated and unpaid vacation and sick leave totaling \$193,111 is accrued when incurred and included in noncurrent liabilities, net of current portion, at December 31, 2017.

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources and deferred inflows of resources are defined as a consumption of net assets by the District that is applicable to a future period and an acquisition of net assets by the District that is applicable to a future reporting period respectively. Deferred outflows of resources include a deferred amount on refunding. Deferred outflows of resources and deferred inflows of resources related to OPEB and pensions are more fully described in Notes 7 and 8, respectively.

**NEWHALL COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District pays an annual premium for commercial insurance covering general liability, automobile, real and personal property, cyber liability, employee dishonesty, excess liability and notification and credit monitoring. The general liability coverage limits are \$1,000,000 per occurrence and \$3,000,000 in aggregate with a \$5,000 deductible. Automobile coverage is \$1,000,000 with a \$5,000 deductible. Real and personal property is covered up to \$32,147,642 with a \$1,000 deductible per occurrence. Employee dishonesty coverage limits are \$250,000 per occurrence with a \$1,000 deductible. Excess liability coverage is \$5,000,000 in excess of underlying coverage limits. In addition, the District carries commercial insurance for all other risks of loss including workers compensation and employee health and life insurance. The District also carries pollution and remediation legal liability coverage with a \$1,000,000 limit each loss and in aggregate with a \$25,000 retention for each loss.

The District purchased earthquake and flood insurance with coverage limits of \$10,000,000 per occurrence and in the annual aggregate, with an earthquake deductible of 15% per unit of insurance including time element business income, extra expense and rental value. The minimum deductible for earthquake and flood insurance is \$50,000 and a \$25,000 deductible for all other perils. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Other Postemployment Benefit Programs of the Newhall County Water District (OPEB Plan), the assets of which are held by the California Employers' Retiree Benefit Trust (CERBT), and additions to/deductions from the OPEB Plan's fiduciary net position have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and fiduciary net position information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	July 1, 2015
Measurement Date	December 31, 2016
Measurement Period	June 30, 2016 to December 31, 2016

**NEWHALL COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the CalPERS financial office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS website under Forms and Publications.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Measurement Period	June 30, 2016 to June 30, 2017

Fair Value Measurements

Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

- Level 1 inputs are quoted prices in active markets for identical investments that the investment manager has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the investment.

**NEWHALL COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

The District's statement of financial position includes the following financial instruments that are required to be measured at fair value on a recurring basis:

- Negotiable certificates of deposit are considered Level 2 assets and are reported at the fair value reported by the counter-party.
- Investments in the California Local Agency Investment Fund (LAIF) are considered Level 2 assets and are reported at the fair value of the underlying assets as provided LAIF.

Economic Dependency

The District purchases more than 50% of its water from the Castaic Lake Water Agency. Interruption of this source would impact the District negatively.

Cash and Cash Equivalents

For purposes of the statement of cash flows the District considers all investment instruments purchased with a maturity of three months or less to be cash.

Subsequent Events

The District has evaluated events and transactions for potential recognition and disclosure through September __, 2018, which is the date the financial statements were available for issuance, and concluded that there were no events or transactions that needed to be disclosed except as disclosed in Note 12.

Reclassifications

The District has reclassified certain prior year information to conform with the current year presentation.

**NEWHALL COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

Note 2 - Cash and Investments:

Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provision of the California Government Code or the District's investment policy:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Quality Requirements</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State Obligations	5 years	None	None
CA. Local Agency Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bankers Acceptances	180 days	40%	None
Commercial Paper	270 days	25%	A1
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20%	None
Medium-Term Notes	5 years	30%	A Rating
Mutual Funds	N/A	20%	Multiple
Money Market Mutual Funds	N/A	20%	Multiple
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities	5 years	20%	AA Rating
Time Deposits	5 years	None	None
California Local Agency Investment Fund (LAIF)	N/A	None	None
County Pooled Investments	N/A	None	None

The District's Investment Policy is more restrictive than the California Government Code in the following ways:

- The District shall not invest any funds covered by this investment policy in inverse floaters, range notes, interest only strips derived from mortgage pools or any investment that may result in a zero interest accrued if held to maturity.

**NEWHALL COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

Note 2 - Cash and Investments: (Continued)

**Investments Authorized by the California Government Code and the District's Investment Policy
(Continued)**

Cash and investments held by the District were comprised of the following at December 31, 2017:

	Maturity in Years		<u>Total</u>
	One Year or Less	1 - 5 years	
Cash on hand	\$ 1,175	\$ -	\$ 1,175
Deposits with financial institutions	1,589,785	-	1,589,785
California Local Agency Investment Fund	5,197,744	-	5,197,744
Investments:			
Negotiable Certificates of Deposit	200,000	2,040,000	2,240,000
Total Cash and Investments	\$ 6,988,704	\$ 2,040,000	\$ 9,028,704

Financial Statement Classification:

Current:

Cash and cash equivalents	\$ 6,580,484
Investments	2,240,000

Restricted:

Cash and cash equivalents	208,220
Total Cash and Investments	\$ 9,028,704

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by purchasing a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing over time as necessary to provide the cash flows and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments (including investments held by the bond trustee) to market interest rate fluctuations is provided in the previous table that shows the distribution of the District's investments by maturity at June 30, 2017.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of the year end for each investment type.

	<u>Rating as of Year End Standard & Poors</u>
California Local Agency Investment Fund	Not Rated
Negotiable Certificates of Deposit	Not Rated

The District's investment policy does not address credit risk for the above investments.

**NEWHALL COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

Note 2 - Cash and Investments: (Continued)

Concentration of Credit Risk

Concentration of credit is the risk of loss attributed to the magnitude of the District's investment in a single issue.

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of December 31, 2017 the District had no investments (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counter-party (e.g., broker-dealer) the District will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

At December 31, 2017, none of the District's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. At December 31, 2017, no District investments were held by the same broker-dealer (counterparty) that was used by the District to buy the securities. In addition, certain financial institutions used by the District participate in the certificates of deposit account registry service in an effort to further reduce custodial credit risk.

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

**NEWHALL COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

Note 2 - Cash and Investments: (Continued)

Investment in State Investment Pool (Continued)

The statements of cash flows have been prepared by considering all investment instruments purchased with a maturity of three months or less to be cash equivalents. Following is a detail at December 31, 2017:

California Local Agency Investment Fund	\$ 5,197,744
Deposits with financial institutions	1,589,785
Cash on hand	1,175
	\$ 6,788,704

Note 3 - Restricted Assets:

Restricted assets were provided by, and are to be used for, the following at December 31, 2017:

<u>Funding Source</u>	<u>Use</u>	
Receipts from customers	Deposits	\$ <u>208,220</u>

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as necessary.

Note 4 - Capital Assets:

Capital assets consist of the following at December 31, 2017:

	<u>Balance at June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at December 31, 2017</u>
Capital Assets Not Being Depreciated:				
Land, franchises, and water rights	\$ 9,808,489	\$ -	\$ -	\$ 9,808,489
Construction in progress	480,465	1,405,477	-	1,885,942
Total Capital Assets Not Being Depreciated	10,288,954	1,405,477	-	11,694,431
Capital Assets Being Depreciated:				
Transmission and distribution	99,686,865	-	-	99,686,865
General plant	13,658,140	-	(213,341)	13,444,799
Organization costs	40,486	-	-	40,486
Total Capital Assets Being Depreciated	113,385,491	-	(213,341)	113,172,150
Less Accumulated Depreciation For:				
Transmission and distribution	(37,462,793)	(1,309,045)	-	(38,771,838)
General plant	(5,204,318)	(385,443)	213,341	(5,376,420)
Organization costs	(26,016)	(631)	-	(26,647)
Total Accumulated Depreciation	(42,693,127)	(1,695,119)	213,341	(44,174,905)
Net Capital Assets Being Depreciated	70,692,364	(1,695,119)	-	68,997,245
Net Capital Assets	\$ 80,981,318	\$ (289,642)	\$ -	\$ 80,691,676

**NEWHALL COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

Note 5 - Unearned Revenue:

Unearned revenue consists of unearned connection fees and other contract related costs for the installation of services and other infrastructure. Unearned revenue totaled \$1,253,840 at December 31, 2017.

Note 6 - Noncurrent Liabilities:

Noncurrent liabilities consist of the following at December 31, 2017:

	Balance at June 30, 2017	Additions	Deletions	Balance at December 31, 2017	Current Portion
<u>Long-Term Debt:</u>					
Installment Notes Payable:					
Municipal Leasing Associates:					
2007	\$ 3,027,640	\$ -	\$ (181,490)	\$ 2,846,150	\$ 371,188
2009	563,748	-	(67,562)	496,186	137,566
Municipal Finance Corporation:					
2012	1,252,801	-	(621,737)	631,064	631,064
Total Long-Term Debt	<u>4,844,189</u>	<u>-</u>	<u>(870,789)</u>	<u>3,973,400</u>	<u>1,139,818</u>
<u>Other Noncurrent Liabilities:</u>					
Net pension liability	2,740,718	1,003,753	(427,480)	3,316,991	-
Net OPEB liability	239,851	141,963	(104,581)	277,233	-
Compensated absences	227,702	129,370	(163,961)	193,111	74,399
Total Other Noncurrent Liabilities	<u>3,208,271</u>	<u>1,275,086</u>	<u>(696,022)</u>	<u>3,787,335</u>	<u>74,399</u>
Total Noncurrent Liabilities	<u>\$ 8,052,460</u>	<u>\$ 1,275,086</u>	<u>\$ (1,566,811)</u>	<u>\$ 7,760,735</u>	<u>\$ 1,214,217</u>

Debt service requirements on the installment notes payable are as follows:

Years Ended December 31,	Principal				Interest			
	MLA 2007	MLA 2009	MFC 2012	Total	MLA 2007	MLA 2009	MFC 2012	Total
2018	\$ 371,188	\$ 137,566	\$ 631,064	\$ 1,139,818	\$ 82,621	\$ 11,088	\$ 9,466	\$ 103,175
2019	382,407	140,887	-	523,294	71,402	7,767	-	79,169
2020	393,965	144,288	-	538,253	59,844	4,365	-	64,209
2021	405,873	73,445	-	479,318	47,936	881	-	48,817
2022	418,140	-	-	418,140	35,669	-	-	35,669
2023	430,779	-	-	430,779	23,031	-	-	23,031
2024	443,798	-	-	443,798	10,010	-	-	10,010
Total	<u>\$ 2,846,150</u>	<u>\$ 496,186</u>	<u>\$ 631,064</u>	<u>\$ 3,973,400</u>	<u>\$ 330,513</u>	<u>\$ 24,101</u>	<u>\$ 9,466</u>	<u>\$ 364,080</u>

**NEWHALL COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

Note 6 - Noncurrent Liabilities: (Continued)

Municipal Leasing Associates, Inc. (2007)

On October 18, 2007, the District entered into an Installment Sale Agreement with Municipal Leasing Associates, Inc. (MLA). MLA provided \$5,500,000 for the purpose of financing the cost of the District's project. The Installment Sale Agreement was amended on October 26, 2012. The original 4.5% installment note was payable over twenty years in semi-annual installments of principal and interest of \$209,976. The amended Installment Sale Agreement is payable in semi-annual installments of \$226,905 of principal and interest at 3% payable in April and October each year and matures October 2024. The Installment Sale Agreement had an outstanding balance of \$2,846,150 at December 31, 2017.

The District covenants that it shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System during each fiscal year (which, together with existing unencumbered cash which is lawfully available to the District) are at least equal to 115% of the aggregate amount of the installment payments and all principal of the interest on the prior parity obligations and any additional parity obligations as they become due and payable during such fiscal year.

Municipal Leasing Associates, Inc. (2009)

On April 1, 2009, the District entered into an Installment Sale Agreement with MLA. MLA provided \$2,000,000 for the purpose of financing costs related to the construction of a new administrative facility. The Installment Sale Agreement was amended June 8, 2016. The original 4.65% installment note was payable over 20 years in semi-annual installments of principal and interest of \$77,342. The Amended Installment Sale Agreement is payable in semi-annual installments of \$74,320 of principal and interest at 2.4% payable in June and December each year and matures June 2021. The Installment Sale Agreement had an outstanding balance of \$496,186 at December 31, 2017.

The District covenants that it shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System which, together with existing unencumbered cash which are lawfully available to the District are at least equal to 115% of the aggregate amount of parity obligations coming due and payable during the fiscal year.

Municipal Finance Corporation (2012)

On December 15, 2011, the District entered into an installment sale agreement with Municipal Finance Corporation (MFC). MFC provided \$6,986,579 for the purpose of a current refunding of the G.E. Government Finance 2003 note payable and the City National Bank note payable, resulting in defeasance of debt. The liability for the two notes has been removed from long-term debt. The MFC 2012 note is payable over six years in semi-annual installments of principal and interest of \$640,530 payable in August and February each year. The note bears interest at 3.0%. The installment sale agreement had an outstanding balance of \$631,064 at December 31, 2017.

The District covenants that it shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System which, together with existing unencumbered cash (which are lawfully available to the District) are at least equal to 115% of the aggregate amount of parity obligations coming due and payable during the fiscal period.

**NEWHALL COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

Note 6 - Noncurrent Liabilities: (Continued)

Municipal Finance Corporation (2012) (Continued)

Although the refunding resulted in a deferred amount on refunding of \$20,991, the deferred amount on refunding from the previous current refunding of the City National Bank note at the time of the refunding was \$250,712. This resulted in a total deferred amount on refunding of \$271,703. The District in effect reduced its aggregate debt service payments by approximately \$263,718 over the next six years and obtained an economic gain (difference between the present values of the old and the new debt service payments) of approximately \$213,161. The deferred amount on refunding is being amortized over the remaining life of the refunded debt. The amortization expense totaled \$6,212 for the period ended December 31, 2017 and is included in interest expense. The deferred amount on refunding was \$6,213 at December 31, 2017 and is recognized as a deferred outflow of resources in the statements of net position.

Note 7 - Other Postemployment Benefits:

General Information About the OPEB Plan

Plan Description - The Newhall County Water District has established the Other Postemployment Benefits Programs of the Newhall County Water District (OPEB Plan), an agent multiple-employer defined benefit retiree healthcare plan. The OPEB Plan provides employees hired before November 1, 2009 that retire with the District at age 55 or older and have 10 or more years of service with the District with 100% of the medical and dental plan premiums for their lifetime. Dependent coverage may be purchased at the retiree's expense. Coverage and benefits end at the retiree's death.

Employees Covered - As of the December 31, 2016 measurement date, the following current and former employees were covered by the benefit terms under the OPEB Plan.:

Active employees	\$	28
Inactive employees or beneficiaries currently receiving benefit payments		6
Inactive employees entitled to but not yet receiving benefit payments		-
	\$	34

Contributions - The District has been and continues to prefund its OPEB liability, contributing 100% or more of the actuarial determined contributions each year. For the period from July 1, 2017 to December 31, 2017, the District's cash contributions were \$20,266 in payments to the trust and the estimated implied subsidy was \$3,310 resulting in total payments of \$23,576. The District has joined the California Employers' Retiree Benefit Trust (CERBT), an OPEB trust administrator and affiliate program of CalPERS, for the purpose of prefunding obligations for past services.

**NEWHALL COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

Note 7 - Other Postemployment Benefits: (Continued)

Net OPEB Liability

The District’s net OPEB liability was measured as of December 31, 2016 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated July 1, 2015 that was rolled forward to determine the December 31, 2017 total OPEB liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal Cost, Level Percent of Pay																				
Actuarial Assumptions:																					
Discount Rate	7.28%																				
Inflation	2.75%																				
Salary Increases	3.25%																				
Investment Rate of Return	7.28%																				
Mortality Rate	Derived using CalPERS’ Membership Data for all funds																				
Pre-Retirement Turnover	Derived using CalPERS’ Membership Data for all funds																				
Healthcare Trend Rate	Medical plan premiums and claims costs by age are assumed to increase once each year. Increases over the prior year’s levels are assumed to be effective on the date shown below:																				
	<table border="0" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center; border-bottom: 1px solid black;">Effective January 1</th> <th style="text-align: center; border-bottom: 1px solid black;">Premium Increase</th> <th style="text-align: center; border-bottom: 1px solid black;">Effective January 1</th> <th style="text-align: center; border-bottom: 1px solid black;">Premium Increase</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">2016</td> <td style="text-align: center;">Actual</td> <td style="text-align: center;">2020</td> <td style="text-align: center;">6.00%</td> </tr> <tr> <td style="text-align: center;">2017</td> <td style="text-align: center;">7.50%</td> <td style="text-align: center;">2021</td> <td style="text-align: center;">5.50%</td> </tr> <tr> <td style="text-align: center;">2018</td> <td style="text-align: center;">7.00%</td> <td style="text-align: center;">2022</td> <td style="text-align: center;">5.00%</td> </tr> <tr> <td style="text-align: center;">2019</td> <td style="text-align: center;">6.50%</td> <td style="text-align: center;">2023 & Later</td> <td style="text-align: center;">4.50%</td> </tr> </tbody> </table>	Effective January 1	Premium Increase	Effective January 1	Premium Increase	2016	Actual	2020	6.00%	2017	7.50%	2021	5.50%	2018	7.00%	2022	5.00%	2019	6.50%	2023 & Later	4.50%
Effective January 1	Premium Increase	Effective January 1	Premium Increase																		
2016	Actual	2020	6.00%																		
2017	7.50%	2021	5.50%																		
2018	7.00%	2022	5.00%																		
2019	6.50%	2023 & Later	4.50%																		

Dental premiums are assumed to increase by 3.50% annually.

Demographic actuarial assumptions used in this valuation are based on the 2014 experience study of the California Public Employees Retirement System using data from 1997 to 2011, except for (a) point retirement dates used for 3 employees and (b) a different basis used to project future mortality improvements. Mortality rates used were those published by CalPERS, adjusted to back out 20 years of Scale BB to central year 2008, then projected as described below:

Mortality Improvement	MacLeod Watts Scale 2014 applied generationally
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The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**NEWHALL COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

Note 7 - Other Postemployment Benefits: (Continued)

Net OPEB Liability (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equities	57.00%	5.25%
Global Debt Securities	27.00%	2.25%
REITs	8.00%	4.50%
Inflation Assets	5.00%	1.25%
Commodities	3.00%	1.25%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total OPEB liability was 7.28 percent. The projection of cash flows used to determine the discount rate assumed that the District will continue to prefund its OPEB liability, contributing 100% or more of the actuarial determined contribution each year. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return of OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the OPEB Liability

The changes in the net OPEB liability for the OPEB Plan are as follows:

	<u>Total OPEB Liability (a)</u>	<u>Increase (Decrease) Plan Fiduciary Net Position (b)</u>	<u>Net OPEB Liability (c) = (a) - (b)</u>
Balance at June 30, 2017	\$ 2,505,359	\$ 2,265,508	\$ 239,851
Changes recognized for the measurement period:			
Service cost	29,994	-	29,994
Interest	90,248	-	90,248
Investment experience	-	(21,114)	21,114
Contributions - employer	-	23,576	(23,576)
Net investment income	-	81,005	(81,005)
Benefit payments	(23,576)	(23,576)	-
Administrative expense	-	(607)	607
Net Changes	<u>96,666</u>	<u>59,284</u>	<u>37,382</u>
Balance at December 31, 2017	<u>\$ 2,602,025</u>	<u>\$ 2,324,792</u>	<u>\$ 277,233</u>

**NEWHALL COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

Note 7 - Other Postemployment Benefits: (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage-point higher than the current discount rate:

	<u>1% Decrease (6.28%)</u>	<u>Current Discount Rate (7.28%)</u>	<u>1% Increase (8.28%)</u>
Net OPEB liability (asset)	\$ <u>738,770</u>	\$ <u>277,233</u>	\$ <u>(95,650)</u>

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rate:

	<u>1% Decrease (6.5% Decreasing to 3.5%) for the Years 2023 and Thereafter</u>	<u>Current Healthcare Cost Trend Rates (7.5% Decreasing to 4.5%) for Years 2023 and Thereafter</u>	<u>1% Increase (8.5% Decreasing to 5.5%) for the Years 2023 and Thereafter</u>
Net OPEB liability (asset)	\$ <u>(205,862)</u>	\$ <u>277,233</u>	\$ <u>989,137</u>

OPEB Plan Fiduciary Net Position

The California Public Employees' Retirement System's California Employers' Retirement Benefit Trust (CERBT) issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained from the California Public Employees' Retirement System, CERBT, Post Office Box 942703, Sacramento, California 94429-2703.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

**NEWHALL COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

Note 7 - Other Postemployment Benefits: (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on OPEB plan investments	5 Years
All other amounts	Expected Average Remaining Service Lifetime (EARSL) (3.2 Years at June 30, 2017)

For the period from July 1, 2017 to December 31, 2017, the District recognized OPEB expense of \$42,363. As of December 31, 2017, the District reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions subsequent to measurement date	\$ 78,125	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	<u>19,002</u>	<u>-</u>
Total	<u>\$ 97,127</u>	<u>\$ -</u>

The \$78,125 reported as deferred outflows of resources related to contributions subsequent to the December 31, 2016 measurement date will be recognized as a reduction of the net OPEB liability during year ended December 31, 2018. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

<u>Fiscal Year Ended June 30</u>	<u>Deferred Outflows/(Inflows) Of Resources</u>
January 2018 through June 30, 2018	\$ 2,112
2019	4,223
2020	4,223
2021	4,223
2022	<u>4,221</u>
Total	<u>\$ 19,002</u>

**NEWHALL COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

Note 8 - Defined Benefit Pension Plan:

General Information About the Pension Plan

Plan Description - All qualified permanent and probationary employees are eligible to participate in the Miscellaneous Plan of the Newhall County Water District, (All Plans) a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. The Plan's provisions and benefits in effect at December 31, 2017, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or After January 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50 - 55	52 - 62
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7.00%	6.25%
Required employer contribution rates	8.921%	6.533%

Contribution Description - Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS annual actuarial process. The Plans actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2017 (measurement date), the active employee contribution rate is for employees hired prior to January 1, 2013 is 7.0% of annual payroll with the District paying 1.336% of that amount, and the employer's contribution rate is 8.921% of annual payroll, or 12.634% including the unfunded liability. The active employee contribution rate for those employees hired on or after January 1, 2013 is 6.25% of annual pay, and the average employer contribution rate is 6.533% of annual payroll, or 6.862% including the unfunded liability. Employer contribution rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any employer paid member contributions or situations where members are paying a portion of the employer contribution.

**NEWHALL COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

Note 8 - Defined Benefit Pension Plan: (Continued)

General Information About the Pension Plan (Continued)

The District's contribution to the Plan for the period ended Decemebr 31, 2017 were as follows:

Contributions - Employer	\$ 110,264
Contributions - Employee (Paid by Employer)	\$ <u>17,615</u>

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2017 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2016 total pension liability determined in the June 30, 2016 actuarial valuation. The December 31, 2017 total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of a January 2014 actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Change of Assumptions

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate was changed from 7.65% as of the June 30, 2016 measurement date to 7.15% as of the June 30, 2017 measurement date.

**NEWHALL COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

Note 8 - Defined Benefit Pension Plan: (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the test revealed that the assets would not run out. Therefore, the current 7.15% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15% is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained on CalPERS' website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns on all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was the set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class.

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Real Return Years 1 - 10</u>	<u>Real Return Years 11+</u>
Global Equity	47.00%	4.90%	5.38%
Fixed Income	19.00%	0.80%	2.27%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Inflation Assets	6.00%	0.60%	1.39%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	(0.40%)	(0.90%)
	<u>100.00%</u>		

**NEWHALL COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

Note 8 - Defined Benefit Pension Plan: (Continued)

Allocation of Net Pension Liability and Pension Expense to Individual Employers

The following table shows the District's proportionate share of the net pension liability over the measurement period.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension Liability (c) = (a) - (b)
Balance at June 30, 2016	\$ 12,753,176	\$ 10,012,458	\$ 2,740,718
Balance at June 30, 2017	14,615,100	11,298,109	3,316,991
Net Changes During 2016 - 2017	<u>\$ 1,861,924</u>	<u>\$ 1,285,651</u>	<u>\$ 576,273</u>

The net pension liability of the plan is measured as of December 31, 2017, and the total pension liability for the plan used to calculate the net pension liabilities was determined by an actuarial valuation of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the plan as of June 30, 2017 and Decemebr 31, 2017 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2016	0.088580%
Proportion - June 30, 2017	0.091250%
Change - Increase (Decrease)	<u>0.002670%</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan as of the Measurement Date, calculated using the discount rate of 7.15%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate:

	Discount Rate <u>-1% (6.15%)</u>	Current Discount Rate (7.15%)	Discount Rate <u>+1% (8.15%)</u>
Plan's Net Pension Liability	\$ <u>5,327,252</u>	\$ <u>3,316,991</u>	\$ <u>1,652,056</u>

**NEWHALL COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

Note 8 - Defined Benefit Pension Plan: (Continued)

Amortization of Deferred Outflows and Deferred Inflows of Resources

Under GASB 68, actuarial gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred inflows and deferred outflows to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on pension plan investment	5 year straight-line amortization
All other amounts	Straight-line amortization over the expected remaining service lifetime (EARSL) of all members that are provided with pensions (active, inactive, and retired) as of the beginning of the measurement period

The Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments is amortized over a five-year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period, and the remaining Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments at the measurement date is to be amortized over the remaining four-year period. The Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments in the schedule of Collective Pension Amounts represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

Deferred outflows of resources and deferred inflows of resources relating to Differences Between Expected and Actual Experience, Changes of Assumptions and employer-specific amounts should be amortized over the EARSL of members provided with pensions through the Plan. The EARSL for the Plan for the June 30, 2017 measurement date is 3.8 years, which was obtained by dividing the total service years by the total number of participants (active, inactive, and retired) in the Plan. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

**NEWHALL COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

Note 8 - Defined Benefit Pension Plan: (Continued)

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

For the period ended December 31, 2017, the District recognized a pension expense of \$476,953 for the Plan. As of December 31, 2017, the District reports deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to the measurement date	\$ 148,353	\$ -
Differences between actual contributions made and proportionate share of contributions	-	205,103
Differences between expected and actual experience	-	65,504
Changes of assumptions	563,354	-
Net difference between projected and actual earnings on pension plan investments	137,924	-
Adjustment due to difference in proportions	48,882	-
Total	<u>\$ 898,513</u>	<u>\$ 270,607</u>

The \$148,353 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the period ended December 31, 2017. Other amounts reported as deferred outflows and deferred inflows of resources in the previous chart will be recognized in future pension expense as follows:

<u>Measurement Year Ended June 30</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
January 2018 through June 30, 2018	\$ -
2019	31,084
2020	332,521
2021	197,838
2022	(81,889)
Total	<u>\$ 479,554</u>

Note 9 - Contingencies:

In the opinion of District counsel and management, the District had no material claims which would require loss provision in the financial statements at December 31, 2017.

**NEWHALL COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

Note 10 - New Governmental Accounting Standards:

GASB No. 75

In June 2015, the Government Accounting Standards Board issued Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”. This Statement is effective for financial statements for fiscal years beginning after June 15, 2017. Earlier application is encouraged. The effects of this pronouncement on the financial statements of the District are more fully described in Note 11.

GASB No. 81

In March 2016, the Governmental Accounting Standards Board issued Statement No. 81, “Irrevocable Split-Interest Agreements”. The requirements of this Pronouncement are effective for financial statements for period beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged. This pronouncement did not have a material effect on the financial statements of the District in the period of implementation.

GASB No. 82

In March 2016, the Governmental Accounting Standards Board issued Statement No. 82, “Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73”. The requirements of this Pronouncement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged. This pronouncement did not have a material effect on the financial statements of the District in the period of implementation.

GASB No. 83

In November 2016, the Governmental Accounting Standards Board issued Statement No. 83 “ Certain Asset Retirement Obligations”. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier Application is encouraged. The District has not determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

GASB No. 84

In January 2017, the Governmental Accounting Standards Board issued Statement No. 84 “Fiduciary Activities”. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier Application is encouraged. The District has not determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

**NEWHALL COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

Note 10 - New Governmental Accounting Standards: (Continued)

GASB No. 85

In March 2017, the Governmental Accounting Standards Board issued Statement No. 85 “Omnibus 2017”. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. This pronouncement did not have a material effect on the financial statements of the District in the period of implementation.

GASB No. 86

In May 2017, the Governmental Accounting Standards Board issued Statement No. 86 “Certain Debt Extinguishment Issues”. The requirements of this Statement are effective for reporting periods beginning after December 15, 2017. Earlier Application is encouraged. The District has not determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

GASB No. 87

In June 2017, the Governmental Accounting Standards Board issued Statement No. 87 “Leases”. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The District has not determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

GASB No. 88

In April 2018, the Governmental Accounting Standards Board issued Statement No. 88 “Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements”. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The District has not yet determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

Note 11- Change in Accounting Principle:

Effective July 1, 2017, the District changed its method of accounting for other postemployment benefits other than pensions and the related OPEB expense as well any deferred inflows and deferred outflows of resources in order to conform with Governmental Accounting Standards Board Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”.

**NEWHALL COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

Note 11- Change in Accounting Principle: (Continued)

This statement requires the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees past periods of service (total OPEB liability), less the amount of the OPEB plan’s fiduciary net position. As a result, the District recorded the following net OPEB obligation and deferred outflow of resources resulting in a reduction in net position reported at June 30, 2017:

Net OPEB obligation	\$ (239,851)
Deferred outflows related to OPEB contributions	<u>79,844</u>
Net Effect of a Change in Accounting Principle	(160,007)
Net Position as Originally Stated	<u>82,304,327</u>
Net Position as Restated	<u>\$ 82,144,320</u>

Note 12 - Subsequent Event:

On October 15, 2017, the Governor of the State of California signed into law SB-634, which reorganized Castaic Lake Water Agency and Newhall County Water District to create Santa Clarita Valley Water Agency (New Agency). The agreement creating this New Agency will be effective January 1, 2018.

DRAFT

**NEWHALL COUNTY WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE PERIOD FROM JULY 1, 2017 TO DECEMBER 31, 2017**

**SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS
LAST TEN YEARS ***

	<u>2018</u>
Total OPEB Liability	
Service cost	\$ 29,994
Interest	90,248
Change of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments	<u>(23,576)</u>
Net Change in Total OPEB Liability	96,666
Total OPEB Liability - Beginning	<u>2,505,359</u>
Total OPEB Liability - Ending (a)	<u><u>\$ 2,602,025</u></u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ 23,576
Net investment income	59,891
Benefit payments	(23,576)
Administrative expense	<u>(607)</u>
Net Change in Plan Fiduciary Net Position	59,284
Plan Fiduciary Net Position - Beginning	<u>2,265,508</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 2,324,792</u></u>
District's Net OPEB Liability - Ending (a) - (b)	<u><u>\$ 277,233</u></u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	89.35%
Covered-Employee Payroll	\$ 1,130,833
District's Net OPEB Liability as a Percentage of Covered-Employee Payroll	24.52%

Notes to Schedules:

Changes in assumptions - None

* Fiscal year 2018 was the first year of implementation. The District must eventually disclose a 10-year history of the schedule of changes in net OPEB liability and related ratios.

**NEWHALL COUNTY WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE PERIOD FROM JULY 1, 2017 TO DECEMBER 31, 2017**

**SCHEDULE OF OPEB CONTRIBUTIONS
LAST TEN YEARS***

	<u>2018</u>
Actuarial Determined Contribution (ADC)	\$ 35,264
Contributions in Relation to the Actuarially Determined Contribution	<u>21,857</u>
Contribution Deficiency (Excess)	<u>\$ 13,407</u>
 Covered-Employee Payroll	 <u>\$ 1,060,763</u>
 Contributions as a Percentage of Covered- Employee Payroll	 2.06%

Notes to Schedules:

The ADC developed for the District’s short fiscal year ending December 31, 2017 was determined and presented in the July 2015 Actuarial Valuation report. Expected contributions, relative to the ADC, for the fiscal year ending December 31, 2017 are shown above.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry age
Amortization Method	Level percentage of payroll
Amortization Period	Closed
Asset Valuation Method	Market Value
Inflation	2.75 percent
Investment Rate of Return	7.28% per annum. Assumes investing in California Employers’ Retiree Benefit Trust asset allocation strategy 1.
Healthcare Cost Trend Rates	7.5 percent initial, decreasing an ultimate rate of 4.5 percent for the years 2023 and thereafter
Salary Increase	3.25% per year

**NEWHALL COUNTY WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE PERIOD FROM JULY 1, 2017 TO DECEMBER 31, 2017**

**SCHEDULE OF OPEB CONTRIBUTIONS (CONTINUED)
LAST TEN YEARS***

Noes to Schedules: (Continued)

Valuation Date: (Continued)

Retirement Age

Coverage is available for employees hired before November 1, 2009 that retire with the District at age 55 or older and have 10 or more years of service with the District.

Mortality

Demographic actuarial assumptions used in this valuation are based on the 2014 experience study of the California Public Employees Retirement System using data from 1997 to 2011, except for (a) point retirement dates used for 3 employees and (b) a different basis used to project future mortality improvements. Rates for selected age and service are shown below and on the following pages. Mortality rates used were those published by CalPERS, adjusted to back out 20 years of Scale BB to central year 2008, then projected as described below:

Mortality Improvement MacLeod Watts Scale 2014 applied generationally

* Fiscal year 2018 was the first year of implementation. The District must eventually disclose a 10-year history of the contributing investment return, and payroll schedules.

**NEWHALL COUNTY WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE PERIOD FROM JULY 1, 2017 TO DECEMBER 31, 2017**

**SCHEDULE OF PLAN'S PROPORTIONATE SHARE OF NET PENSION LIANILITY
LAST TEN YEARS***

	Measurement Date <u>June 30, 2017</u>	Measurement Date <u>June 30, 2016</u>	Measurement Date <u>June 30, 2015</u>	Measurement Date <u>June 30, 2014</u>
Proportion of the Collective Net Pension Liability	0.091250%	0.088580%	0.072096%	0.075913%
Proportionate Share of the Collective Net Pension Liability	3,316,991	2,740,718	1,977,917	1,876,184
Covered-Employee Payroll	2,276,893	2,581,137	2,376,060	2,372,536
Proportionate Share of the Collective Net Pension Liability as Percentage of Covered-Employee Payroll	145.68%	106.18%	83.24%	79.08%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.30%	78.51%	84.27%	84.71%

Notes to Schedules:

Benefit Changes - The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2014 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (aka Golden Handshakes).

Changes in Assumptions - The discount rate was changed from 7.65 percent as of the June 30, 2016 measurement date to 7.15 percent as of the June 30, 2017 measurement date.

*Fiscal year 2015 was the first year of implementation, therefore only four years are shown.

**NEWHALL COUNTY WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE PERIOD FROM JULY 1, 2017 TO DECEMBER 31, 2017**

**SCHEDULE OF PLAN'S CONTRIBUTIONS
LAST TEN YEARS***

	Period From July 1, 2017 To December 31, 2017	Fiscal Year 2016 - 2017	Fiscal Year 2015 - 2016	Fiscal Year 2014 - 2015
Actuarial Determined Contribution	\$ 148,353	\$ 268,414	\$ 246,839	\$ 224,036
Contributions in Relation to the Actuarially Determined Contributions	148,353	268,414	246,839	224,036
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ N/A	\$ 2,276,893	\$ 2,581,137	\$ 2,376,060
Contributions as a Percentage of Covered-Employee Payroll	N/A	11.79%	9.56%	9.43%

Notes to Schedules:

Fiscal Year End Valuation Date	Period from July 1, 2017 to December 31, 2017 June 30, 2016	June 30, 2017 June 30, 2014	June 30, 2016 June 30, 2013	June 30, 2015 June 30, 2012
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Methods and assumptions used to determine contribution rates:

	Entry Age Level Percent of Payroll Market Value	Entry Age Level Percent of Payroll Market Value	Entry Age Level Percent of Payroll Market Value	Entry Age Level Percent of Payroll Market Value
Actuarial Cost Method	7.15%	7.50%	7.50%	7.50%
Amortization Method	3.30% to 14.20% depending on Age, Service, and type of employment	3.30% to 14.20% depending on Age, Service, and type of employment	3.30% to 14.20% depending on Age, Service, and type of employment	3.30% to 14.20% depending on Age, Service, and type of employment
Asset Valuation Method	2.75%	2.75%	2.75%	2.75%
Discount Rate	3.00%	3.00%	3.00%	3.00%
Projected Salary Increase	A merit scale varying by duration of employment coupled with an assumed annual production inflation growth of 0.25%	A merit scale varying by duration of employment coupled with an assumed annual production inflation growth of 0.25%	A merit scale varying by duration of employment coupled with an assumed annual production inflation growth of 0.25%	A merit scale varying by duration of employment coupled with an assumed annual production inflation growth of 0.25%

*Fiscal year 2015 was the first year of implementation; therefore, only four years are shown.



Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

**Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

To the Board of Directors
Newhall County Water District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Newhall County Water District, as of and for the six month period ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Newhall County Water District's basic financial statements, and have issued our report thereon dated September ___, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Newhall County Water District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Newhall County Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of Newhall County Water District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this selection and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

San Diego, California
September __, 2018


DRAFT



COMMITTEE MEMORANDUM

DATE: November 13, 2018

TO: Finance and Administration Committee

FROM: Eric Campbell 
Chief Financial and Administrative Officer

SUBJECT: Recommend Approval of an Underwriter for Issuance of 2019 Revenue Bonds

SUMMARY AND DISCUSSION

The Agency anticipates offering Tax-exempt Bonds to fund capital improvement projects in the amount of \$35 million. For SCV Water to consider the approval of the financing plan and underwriter for the Agency's anticipated issuance of 2019 Revenue Bonds, an RFP was issued to three underwriting firms (Attachment 1).

The duties of the underwriter are to assist the Agency and its finance team, Fieldman, as the financial advisor and Stradling as Bond Counsel, to prepare the transaction for sale to investors. The underwriter provides investor sentiments and preferences to aid in the legal and credit structure of the transaction and market intelligence related to pricing matters up until the actual pricing of the bonds (Financing plan). The underwriter conducts its due diligence with respect to the disclosure document and offers the bonds to investors and agrees to buy the bonds from the Agency.

The Agency anticipates offering the 2019 Bonds through its joint powers authority (Upper Santa Clara Valley JPA) and as parity debt to the Agency's existing obligations secured by its wholesale system.

The proposals were very competitive in response, qualifications and fees. Responses were received from Citigroup Global Markets (Citi) (Attachment 2), J.P. Morgan (Attachment 3) and Wells Fargo Bank (WFB) (Attachment 4). Each firm provided a complete proposal.

Citi scored the highest of the three firms based upon responses to the questions, fees, overall quality and clarity of the proposal. Citi had the overall lowest fee, slightly lower than JP Morgan (\$1,610 differential) as shown in Table 1. Citi has one of the most respected sale forces in the industry and demonstrated in its proposal the willingness to commit its capital at the time of pricing to purchase municipal bonds. Citi assigned a banking team of five experienced individuals and two municipal underwriters to the transaction.

Table 1 Fee Summary Underwriter	Average Takedown*	Underwriter's Expenses*	All-In Gross Spread*
CITIGROUP GLOBAL MARKETS	\$1.53	\$0.707	\$2.234**
JP MORGAN	\$1.25	\$1.030	\$2.280
WELLS FARGO SECURITIES	\$2.00	\$0.740	\$2.740

*Per \$1,000 of bonds

**The cost differential between JP Morgan and Citigroup (\$2.280 - \$2.234) for a \$35 million bond issue is minor \$1,610.

FINANCIAL CONSIDERATIONS

None at this time.

RECOMMENDATION

The Finance and Administration Committee recommends that the Board of Directors approve Citigroup Global Markets to prepare a financing plan and act as the underwriter for the Agency's anticipated issuance of the 2019 Revenue Bonds.

EC

Attachments

SANTA CLARITA VALLEY WATER AGENCY
Series 2019 Revenue Bonds
\$32 - \$36 Million Par Amount

Request for Proposals for
Investment Banking / Underwriting Services

On behalf of Santa Clarita Valley Water Agency, (the “Agency”), we are distributing this Request for Proposals for investment banking/underwriting services for the Agency’s anticipated issuance of 2019 Revenue Bonds (the “2019 Bonds”). The Agency anticipates offering the 2019 Bonds through its joint powers authority (Upper Santa Clara Valley JPA) and as parity debt to the Agency’s existing obligations secured by its wholesale system.

Submittal information:

Responses are to be delivered electronically to Mr. Eric Campbell, Chief Financial and Administrative Officer of the Agency, and Robert Porr of Fieldman, Rolapp & Associates no later than **5:00 PM pacific time on Wednesday, November 14, 2018.**

Eric Campbell ecampbell@scvwa.org
Robert Porr rporr@fieldman.com

Responses should be no more than ten pages including any appendices or attachments.

All requests for additional information or questions regarding this RFP shall be directed to Robert Porr in writing via email by November 7, 2018.

The Agency certifies this request has been sent to at least 3 firms.

I. BACKGROUND

Introduction

The Agency anticipates offering \$32 - \$36 million in Tax-exempt Bonds to fund capital improvement projects in the amount of \$35 million. The issuance will be on parity with the Agency’s existing obligations secured by its wholesale system, including certain 2008A, 2010A, 2014A, 2015A, 2016A and 2018A obligations. The Agency’s applicable parity bonds are currently rated “AA” by S&P and “AA-” by Fitch.

The expected term of the 2019 Bonds is anticipated to be 30 years, depending on market conditions and Agency preferences.

Timeline

The transaction is expected to price in April and close in May of 2019.

The Project Team

Fieldman, Rolapp & Associates, Inc. has been retained by the Agency as its Municipal Advisor and Stradling Yocca Carlson & Rauth will serve as bond counsel; bond counsel will prepare the POS and Official Statement.

Selection Considerations & Criteria

The Agency intends to select a firm with highly relevant qualifications providing investment banking and underwriting services for transactions similar to the proposed 2019 Bonds. Selection criteria will include written responses to the questions below, firm qualifications and fees.

The Agency reserves the right to negotiate fees prior to the selection of an underwriting firm, or firms. The Agency further reserves the right to select one or more firms or to reject all proposals.

II. QUESTIONS

1. Describe your firm's retail and institutional sales capability related to tax-exempt financings. Please provide an example of your firm's pricing of an AA-rated California water transaction for a par amount in a range of \$30 – \$45 million completed within the last six months.
2. Discuss your ideas on various call features that may be recommendable for the Agency's proposed transaction.
3. In light of the current conditions in the municipal marketplace, discuss your structuring and overall marketing approach for the 2019 Bonds. Provide your firm's forecast of tax-exempt interest rates for the remainder of the year and through June, 2019.

III. QUALIFICATIONS

1. List or summarize your firm's experience as senior manager for California-based water enterprise revenue bonds in the last 3 years.
2. Provide a proposed project team, including your underwriter, including the resumes and roles of each team member. Provide each team member's experience over the last 3 years with:
 - a. California water enterprise revenue bonds, revenue certificates of participation and note/highlight tax-exempt transactions (senior managed transactions only)

IV. FEES

Provide a detail of your proposed fees and expenses for the financing, and any assumptions used in deriving this fee structure. Include takedowns broken out by maturity. For consistency of comparison, please assume a par amount of \$35 million with a 30 year term.

Include the cost of underwriter's counsel as a fixed expense item, and which firm and contact person you propose to retain.



November 12, 2018

Santa Clarita Valley Water Agency

Request for Proposals for Investment Banking / Underwriting Services



SCV
WATER

Citigroup Global Markets Inc.
Public Finance Department

One Sansome Street
27th Floor
San Francisco, CA 94104

444 S. Flower Street
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Los Angeles, CA 90071

388 Greenwich Street
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New York, NY 10014

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G-23 Disclaimer: Citigroup is providing the information contained in this document for discussion purposes only in anticipation of serving as underwriter to Santa Clarita Valley Water Agency (the "Issuer"). Citigroup is not making a recommendation to the Issuer. The primary role of Citigroup, as an underwriter, is to purchase securities, for resale to investors, in an arm's-length commercial transaction between the Issuer and Citigroup. In its role as underwriter, Citigroup would have financial and other interests that differ from those of the Issuer. Citigroup is not acting as a municipal advisor, financial advisor or fiduciary to the Issuer or any other person or entity. The information provided is not intended to be and should not be construed as "advice" within the meaning of Section 15B of the Securities Exchange Act of 1934. The Issuer should consult with its own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent it deems appropriate. The Issuer should consider whether to engage an advisor to act in a fiduciary capacity on its behalf in connection with this transaction.

November 12, 2018

Eric Campbell
Santa Clarita Valley Water Agency

Robert Porr
Fieldman, Rolapp & Associates

Dear Mr. Campbell and Mr. Porr:

Citigroup Global Markets Inc. (“Citi”) is pleased to submit our response to the Request for Proposals for Investment Banking / Underwriting Services for the Santa Clarita Valley Water Agency (the “Agency” or “SCVWA”). We have designed our response to address the required components of the RFP and to demonstrate Citi’s unmatched underwriting capabilities nationally and within California water and wastewater utility finance. Provided below are some of our key qualifications:

We have deep experience with California utilities and Santa Clarita Valley Water Agency. Citi is among the leading underwriters of California water and wastewater utility issues. [Since January 1, 2015, Citi has served as senior manager on a negotiated basis for California water-related credits on \\$3.4 billion of par across 42 transactions for total market share of 12%.](#) In particular, Jonathan Ash and Cameron Parks have served as coordinating bankers on almost all of these California water-related financings, and so have the experience to bring pioneering, innovative structuring and marketing strategies to the Agency’s upcoming sale. Citi has also worked with SCVWA in meeting its debt portfolio management goals for nearly 15 years, including most recently, the Agency’s 2018 taxable financing. Having served the Agency in various capital markets capacities, Citi fully understands and is able to help the Agency achieve its structural and organizational objectives.

We will commit our resources to the Santa Clarita Valley Water Agency. Citi has significant resources that we will pledge to the Agency to see that the proposed financing is successfully executed:

- ✓ **Capital Markets Platform** – Citi has [81 sales, trading, Debt Capital Markets and underwriting professionals](#) nationwide spread across 8 offices
- ✓ **Underwriting** – Citi has 7 underwriters nationally, including Keisha Belinfanti in New York and Matt Hage in Los Angeles; [Citi’s Los Angeles municipal sales and trading desk is one of the only municipal desks in the state of California](#)
- ✓ **Institutional Investor Coverage** – Citi’s institutional sales force of 81 professionals is comprised of 5 Credit Analytics professionals, 6 Debt Capital Markets professionals and [10 regional professionals in California who are the main participants in Citi’s California primary and secondary market efforts](#)
- ✓ **Greenwich Survey** – Citi has an unrivalled marketing and distribution network that has been ranked [#1 by Greenwich Associates for the 7th year in a row](#)
- ✓ **Retail Sales Force** – Citi’s 4-tiered retail distribution includes not only Citi’s Personal Wealth Management, Private Bank, and SMA sales desk, but also our exclusive distribution agreement with Fidelity which would give the Agency [access to over 19 million individual investor accounts holding over \\$2 trillion in assets](#)

We believe Citi is best-positioned to help Santa Clarita Valley Water Agency execute an optimal plan of finance in volatile conditions. Citi can help the Agency structure, market, and execute its upcoming transaction:

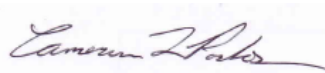
- ✓ **Market Conditions** – With the Fed raising rates, geopolitical tensions, and Post-Tax Reform conditions, the Agency needs an underwriter who can weather volatile conditions and commit capital if need be
- ✓ **Capital Commitment** – Citi has [excess net capital of \\$7.75 billion](#) as of June 30, 2018 and can [underwrite up to \\$1 billion in bonds](#) without additional internal approvals
- ✓ **Structuring** – After carefully reviewing the materials provided and the Agency’s debt portfolio as a whole, Citi has developed three different comprehensive structuring scenarios for the Agency to consider
- ✓ **Marketing** – Citi is more than willing to help SCVWA execute our proposed marketing plan including [early engagement with investors, investor calls or internet roadshow](#), and provide the Agency with Targeted Data-Driven Investor Information tailored to the Agency and similar California Water credits

We thank you for the opportunity to present our qualifications for this important transaction. If you have any questions regarding the information contained herein please do not hesitate to reach out to us.

Sincerely,



Jonathan Ash, Director
Water Infrastructure Finance Group
(415) 951-1745
jonathan.a.ash@citi.com



Cameron Parks, Managing Director
Head of Water Infrastructure Finance Group
(213) 486-7130
cameron.parks@citi.com

Response to Request for Proposals:



Santa Clarita Valley Water Agency

Prepared by:



Citigroup Global Markets Inc.

II. Questions

1. Sales Capabilities.....	1
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2. Finance Team.....	9

IV. Fees

1. Fees.....	10
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II. Questions

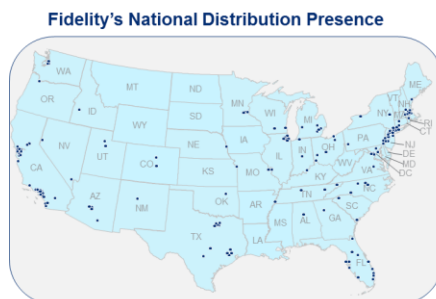
1. Describe your firm's retail and institutional sales capability related to tax-exempt financings...

Citi's Award Winning Institutional Salesforce. Citi employs 81 institutional sales, trading, and underwriting professionals focused exclusively on municipal securities. Our syndicate and sales and trading professionals are the most seasoned in the industry, with our most senior professionals averaging over 25 years of experience. Highlights of Citi's capital markets platform include a team of 70 Institutional sales & trading representatives, 5 credit analytics professionals and 6 debt capital markets professionals covering every major institutional buyer. Our 8 regional underwriting and sales desks provide underwriting support to enhance the distribution of bonds with small and medium-sized institutional investors across the country. Citi specifically has a Los Angeles underwriting desk to support our California and West Coast issuers. Citi's capital markets strength is well known in the industry and of note, Greenwich Associates, an independent provider of market intelligence to the financial services industry, ranked our municipal sales force #1 in quality and market share for the seventh year in a row.

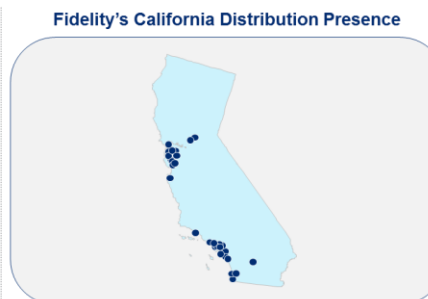


Greenwich Survey Category	2017 Rank	2016 Rank
Understanding Customers' Needs	#1	#1
Executing Large Trades (>\$10mm)	#1	#1
Providing the Greatest Liquidity	#1	#1
Product Availability Across Size & Credit	#1	#1

Citi's New Partnership with Fidelity. We would like to note that Citi has recently entered into an exclusive retail distribution agreement with Fidelity Capital Markets. Fidelity's core strength is its ability to reach true retail investors with a national distribution network. Fidelity's retail platform is one of the largest, if not the largest, pool of retail investors in the industry, with 19 million individual retail accounts, holding \$2 trillion in assets, \$24.6 billion of which are municipal bonds. Fidelity makes advanced, user-friendly technology a core component of its distribution



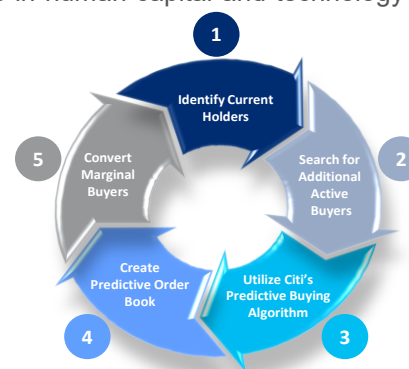
Distribution Statistics	
Number of Branches	182 Branches
Total Branch Headcount	3,253 Professionals
Total Accounts	19,026,397 Accounts
Total Muni AUM	\$24.6 billion
Total National AUM	\$2.0 trillion




Distribution Statistics	
Number of Branches	31 Branches
Total Branch Headcount	501 Professionals
Total Accounts	2,410,017 Accounts
Total Muni AUM	\$3.9 billion
Total California AUM	\$277.4 billion

and marketing efforts. With over one million unique visitors every day, Fidelity.com provides a powerful platform on which investors can sign-up for email alerts to receive notice of tax-exempt and taxable municipal bonds that become available for purchase as part of a new issue. These alerts deliver information about a bond deal directly to investors' inboxes and have been proven to drive new retail orders. This feature will permit us to micro-target Fidelity's retail investors by drilling down not only to the states in which investors reside, but also to individual investors' zip codes. In California, Fidelity has over 2.4 million accounts and \$277 billion in assets.

Dedicated Debt Capital Markets Team. Citi has made significant investments in human capital and technology to better serve our issuer clients such as the Agency through the creation of our DCM group and development of sophisticated investor targeting models. DCM creates extensive, data-driven marketing programs for our issuer clients by leveraging the massive amount of market data uniquely available to Citi as a result of our dominance in secondary market trading and our leading market share in the primary market. The DCM team works in partnership across the Municipal Securities Division, including with members of the syndicate and sales and trading operations. DCM begins by identifying buyers of the Agency's debt and then locating investors actively supporting comparable bond issues in the primary and secondary markets. This targeted investor list, combined with the output of Citi's proprietary predictive buying algorithm, allows us to discern patterns of investor activity, providing our sales force with a book of strategic accounts to focus on.



Marketing Approach: Citi’s Synchronized Strategy. We believe that Citi can provide the Agency with the best-in-class execution and pricing through Citi’s Synchronized Strategy that draws upon specific tactics of a local presence combined with national capabilities.

Citi’s Synchronized Marketing Strategy: Blending Local Resources with National Capabilities			
Local Presence		National Capabilities	
Syndicate Desk: California		Syndicate Desk: National	
Location: Los Angeles		Location: New York	
 <ul style="list-style-type: none"> ✓ Matt Hage ✓ Director, Western Region Underwriting ✓ 10 Years’ Experience ✓ Trades \$400-\$450 million municipal revenue bonds weekly 		 <ul style="list-style-type: none"> ✓ Keisha Belinfanti ✓ Director, National Syndicate ✓ 12 Years’ Experience ✓ Priced over 100 bond issues for \$10 billion in par amount 	
Marketing Tactics		Marketing Tactics	
<ul style="list-style-type: none"> ↻ Leverage the strength and local resources of Citi’s Los Angeles underwriting desk ↻ Release the POS a week in advance of pricing to maximize the opportunity to market the bonds to investors ↻ Target local buyers and allow for priority on bona-fide retail orders (particularly in-state) ↻ Enter the market with aggressive pre-pricing levels ↻ Build the book of buyers and ensure stable subscription to allow for pricing “bumps” – spread tightening / yield lowering 		<ul style="list-style-type: none"> ↻ Coordinate with Citi’s National Municipal Syndicate to prepare for the sale ↻ After releasing the POS at least a week prior to pricing, highlight on Citi’s internal calendar and IPREO’s public calendar ↻ Canvass <u>local</u> buyers that Citi has sales force coverage of and who tend to buy California Water bonds of the Agency’s proposed size and structure ↻ Gauge the national market from New York to provide aggressive spreads ↻ Create a solid book of investors in order to “bump” spreads and lower costs of financing 	
Target Investors: SCVWA Investors		Target Investors: Buyers of CA Water Credits	
Loews Corporation	Nuveen	BlackRock	Vanguard
Franklin	JP Morgan Asset Mgmt	Alliance Bernstein	MacKay Shields
Thornburg Investment	Columbia Mgmt	American Century	Western Asset Mgmt
Putnam Investment	American Equity	AIG Asset Mgmt	USAA Asset Mgmt
PIMCO	Capital Research	Breckinridge Capital	Fidelity Investment

Below we provide a recent example of Citi’s sole managed experience selling California Water Revenue bonds. Although the transaction was only \$23 million, we believe it is still comparable to the Agency’s upcoming sale.

**Valley County Water District Financing Authority
\$22,845,000 Water Revenue Bonds, Series 2018A**

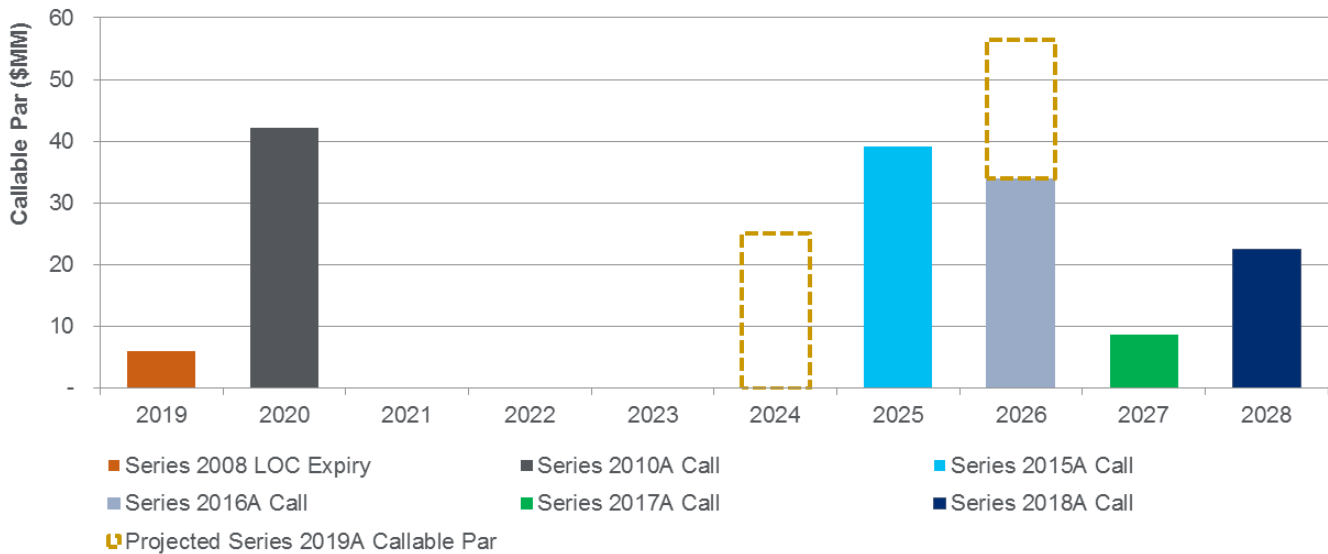


On June 27, 2018, Citi served as sole manager for Valley County Water District Financing Authority’s inaugural sale of \$23 million Water Revenue Bonds, Series 2018A. The bond proceeds were used to finance improvements throughout the Water System and the bonds were rated AA- by S&P. This was the Authority’s first public sale, and so Citi collaborated closely with the Authority and Fieldman Rolapp to structure the bonds, which were serialized through 2038, with term bonds in 2043 and 2048. Unique features included a 9 year par call and sub-5% coupons in maturities 2019-2021, 2034-2038, and in the 2048 term, which lowered overall cost of debt service. During the marketing period, Citi worked with our internal sales force to successfully market the new credit and enter the market with aggressive spreads. After building a book of buyers with 19 investors and an oversubscription of 1.5x, the financing team was able to lower spreads by as much as 6 bps in certain maturities. Citi also underwrote \$110,000 without increasing spreads to preserve the Authority’s pricing. This successful sale was led by Jonathan Ash as coordinating banker and Keisha Belinfanti as lead underwriter.

2. Discuss your ideas on various call features that may be recommendable for the Agency’s proposed transaction.

With the elimination of tax-exempt advance refundings as part of the recently passed Tax Cuts and Jobs Act, the Agency may wish to consider shorter call options as a means to provide enhanced flexibility for its future financing needs. With fewer opportunities to access the market via advance refundings, we recommend either staggering call dates across the portfolio in years with sparser callable par or stacking it on a year where there is already callable par such that the Agency can do one refunding of both callable series. Below, we show the Agency’s Wholesale System’s callable par over the next 10 years and believe that there is flexibility for the Agency to consider a 5-year call in 2024 or a 7-year call in 2026.

Summary of Debt Events

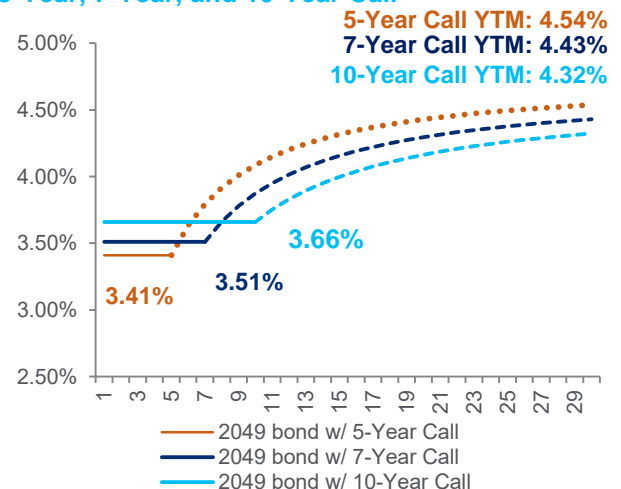


Short Call Considerations. We note that while the up-front pricing cost on shorter call options is lower on a yield-to-call basis for any callable bonds issued with premium coupons (i.e. 5% bonds), if the bonds are not refunded near the call date there is a significant increase or “yield kick” in the yield-to-maturity of the shorter call bonds as compared to bonds with a 10-year call option.

Call Option	Adjustment
5-Year Call	-25 basis points after call
7-Year Call	-15 basis points after call

The yield-to-maturity can essentially be interpolated for any year the Agency could theoretically call its bonds. That is, a 30-year bond with a traditional 10-year call feature can be called any year between 2029 and 2049. With a 5-year call, the bonds can be redeemed between 2024 and 2049. With a 7-year call, the bonds can be redeemed between 2026 and 2049. The yield-to-maturity, then, makes sense to evaluate assuming the bonds are redeemed in any of those years. We present this calculation in the accompanying call comparison chart, which considers the trade-offs of such call options assuming a 30-year bond. The intersection of the three scales represents the date on which, if the bonds are redeemed, the Agency is indifferent between various the call features. As shown, should the Agency issue the 5-year call bonds and refund them within 7 years (2 years after the call date), this option would be more advantageous compared to the traditional 10-year call option. If the Agency does not refund the 2019 Bonds by that time it would realize a higher yield-to-maturity.

**Call Comparison for 30-year Bond (5% Coupon)
5-Year, 7-Year, and 10-Year Call**



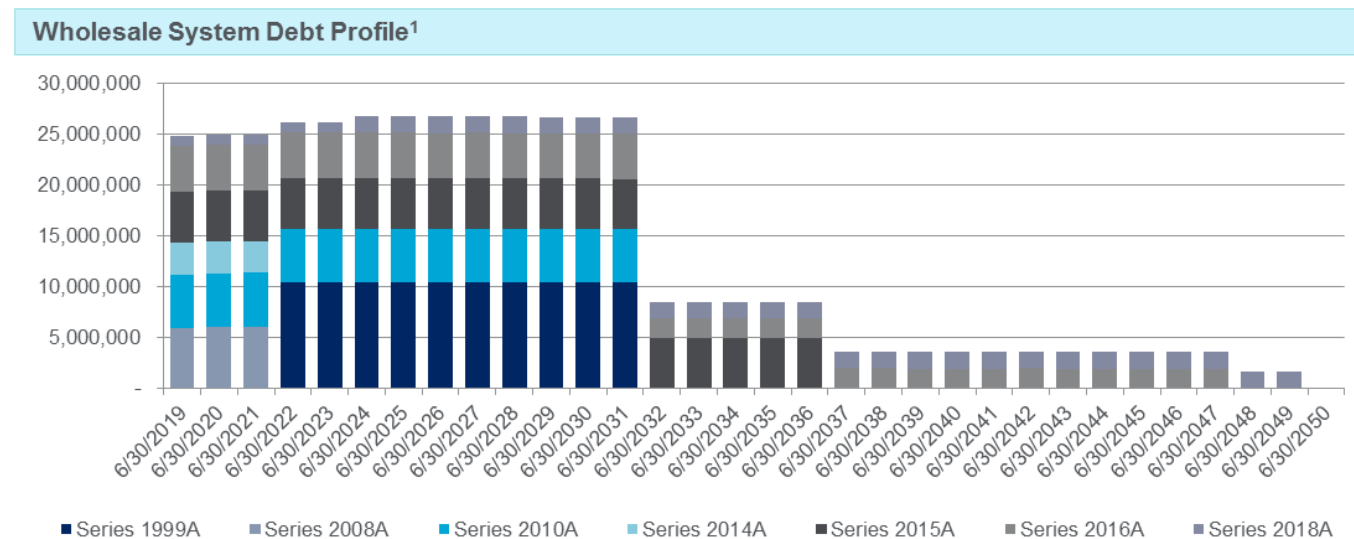
3. In light of the current conditions in the municipal marketplace, discuss your structuring...

Considering the Aggregate Debt Service Profile in Conjunction with Rates and Charges. As the Agency continues to manage project funding for 2019 and beyond, while balancing user rates and charges, we believe it will be critical to maintain a programmatic approach to debt issuance and cost management. As a starting point, we have reviewed the Agency’s aggregate debt service profile for the outstanding Wholesale System Bonds. The Agency’s Wholesale System debt portfolio is conservatively 96% fixed rate and 4% variable rate as well as 91% tax-exempt bonds and 9% taxable bonds. The outstanding debt consists of seven total series on two different liens with a total outstanding principal of \$307 MM. On the Senior Lien, there is \$104 MM of outstanding 1999A CABs. On the Parity Lien, there are six series – Series 2008A (Variable), 2010A, 2014A, 2015A, 2016A and 2018A – with a total of \$203 MM in par amount. Four out of the total seven series are callable and have a total of \$138 MM callable on their respective call dates.

Series	Outstanding Par ¹	Tax Status	Coupon Type	Max Coupon (%)	Final Maturity	Par Call Date	Callable Par
Senior Lien Debt							
Series 1999A ²	\$104,450,000	Tax-Exempt	Capital Appreciation	5.800%	8/1/2030	NC	\$-
Parity Lien Debt							
Series 2008A	11,850,000	Tax-Exempt	Variable	Variable	8/1/2020	NC	-
Series 2010A	48,455,000	Tax Exempt	Fixed	5.000%	8/1/2030	8/1/2020	42,080,000
Series 2014A	5,990,000	Tax Exempt	Fixed	5.000%	8/1/2020	NC	-
Series 2015A	57,190,000	Tax Exempt	Fixed	5.000%	8/1/2035	8/1/2025	39,130,000
Series 2016A	52,640,000	Tax Exempt	Fixed	5.000%	8/1/2046	8/1/2026	33,935,000
Series 2018A	26,735,000	Taxable	Fixed	3.875%	8/1/2048	8/1/2028	22,550,000
Total Parity Lien Debt	202,735,000						
Total	\$307,310,000						\$137,695,000

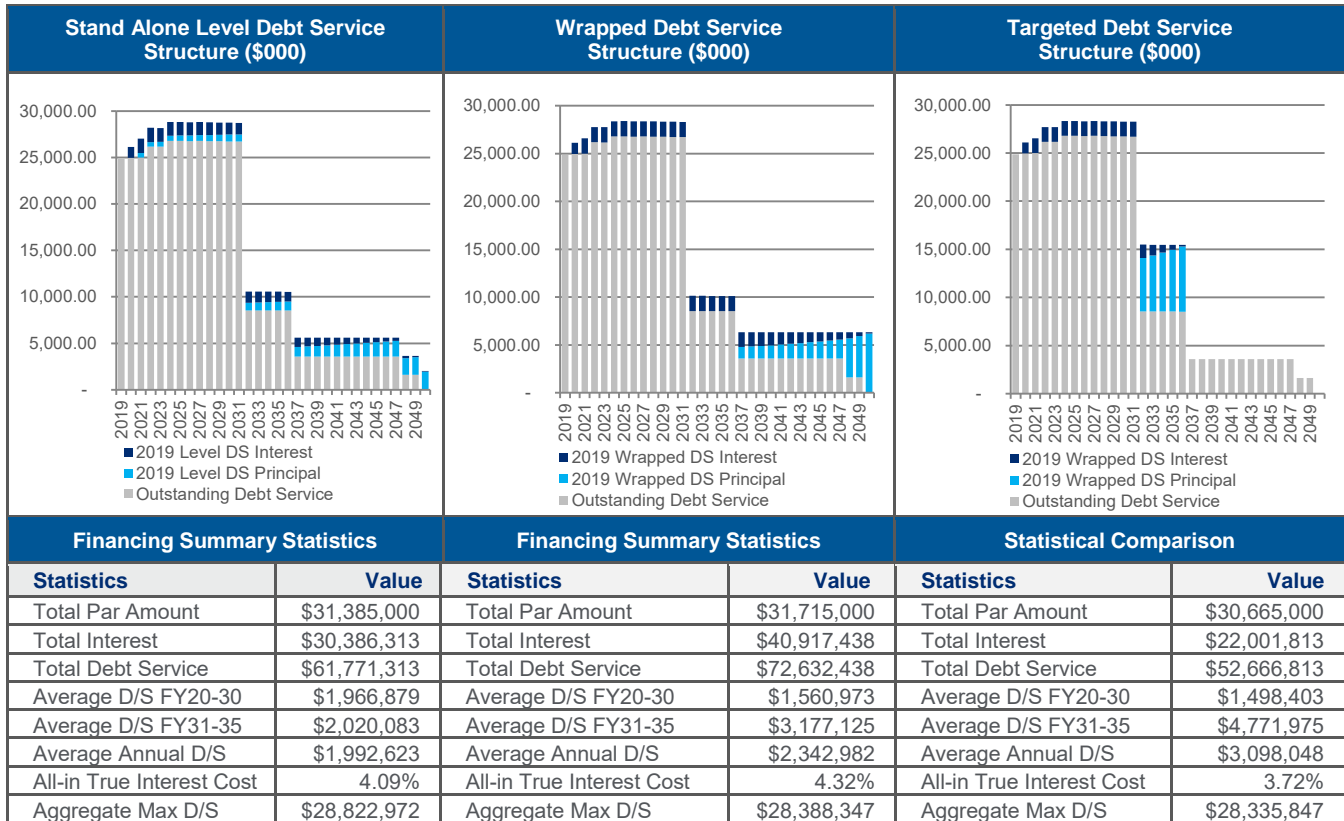
1) Outstanding Par does not include the principal that rolled off in August 1, 2018. 2) 1999A CABs Outstanding Par amount represents the full amount of the Capital Appreciation Bonds.

Opportunities for Future Issuance. As pictured in the graph below, the Agency’s bonds pay debt service that steps up through FY2031 and then steps down over time. The first plateau of payments occurs through Fiscal Year 2031 and averages more than \$26 MM annually. In 2032, there is step down with the average debt service decreasing to ~ \$8MM until FY2037. This gap between FY2032 and FY2036 presents a meaningful opportunity to amortize principal for the upcoming sale as well as future offerings. We present this targeted debt service strategy on the next page for the Agency’s consideration as the third scenario. Returning to the debt profile below, after FY2037 and onward, the Agency’s debt service payments post 2037 are minimal and have capacity for future funding needs.



1) Debt Service Graphs include principal that rolled off in August 1, 2018 for illustrative purposes.

Amortization Considerations. As the Agency evaluates the potential structure of the Series 2019 Bonds, there are two fundamental “book end” structures: Stand-Alone Level Debt Service versus Wrapped Debt Service. The Stand Alone Level Structure amortizes principal over a 30-year period (FY2050 final maturity) to produce level debt service payments; the objective of this structure is to maintain a lower all-in borrowing cost. The Wrapped Debt Service Structure amortizes principal in years 18 through 30 to wrap around the Wholesale System’s prior debt with the goal of achieving level debt service for the whole portfolio. The third scenario we added was a Targeted Debt Service Structure, where we target significant decrease of prior debt service for the entire portfolio in FY2032 and begin amortizing principal then to achieve upfront lower costs in borrowing.



As the Agency evaluates various structuring options, advantages, disadvantages and considerations for both credit and marketing should be weighed accordingly.

Level Debt Service Structure	Wrapped Debt Service Structure	Targeted Debt Service Structure
<p>Advantages</p> <ul style="list-style-type: none"> ▲ Straightforward structure similar to prior Santa Clarita Valley Water Agency practices 	<p>Advantages</p> <ul style="list-style-type: none"> ▲ May relieve near-term pressure on rates and charges ▲ Current market conditions allow for a low cost of capital to be locked in, compared to historical borrowing rates 	<p>Advantages</p> <ul style="list-style-type: none"> ▲ Generates lowest all-in borrowing cost ▲ Lowest aggregate debt service cost
<p>Disadvantages</p> <ul style="list-style-type: none"> ▼ Amortizing principal of borrowings in early years may cause unnecessary pressure on rates and charges 	<p>Disadvantages</p> <ul style="list-style-type: none"> ▼ All-in TIC will be more expensive as bonds amortize later along the yield curve ▼ Total debt service is higher due to the delay in the repayment of principal 	<p>Disadvantages</p> <ul style="list-style-type: none"> ▼ Limited ability to further blend down borrowing cost
<p>Credit Considerations</p> <ul style="list-style-type: none"> ✓ It is important to ensure that annual debt service coverage remains sufficient to maintain ratings 	<p>Credit Considerations</p> <ul style="list-style-type: none"> ✓ Wrapped structure raises aggregate portfolio cost of borrowing 	<p>Credit Considerations</p> <ul style="list-style-type: none"> ✓ Deferring principal repayment may erode principal amortization capacity for future debt issuance
<p>Marketing Considerations</p> <ul style="list-style-type: none"> ↻ Likely investor demand for serialized bonds for 1 - 20 years, allowing for yield curve savings to be captured ↻ Allows for greater investor diversity, particularly with varied couponing structures throughout amortization 	<p>Marketing Considerations</p> <ul style="list-style-type: none"> ↻ Later amortizing principal may only appeal to certain investors 	<p>Marketing Considerations</p> <ul style="list-style-type: none"> ↻ May limit couponing diversification with limited principal amortization along yield curve

Citi's SCVWA Marketing Plan. Our goal for the Agency is to achieve the lowest cost of financing for the proposed 2019 Revenue Bond transaction. Doing so requires a senior managing underwriter that (1) can work with the Agency and its finance team to properly structure its debt offering; (2) can help most efficiently present it to investors; (3) has a well-capitalized distribution system that can effectively access institutional and retail investors; and (4) is willing and able to underwrite bonds to support the Agency's issuance when market conditions prove difficult. Citi excels in each of those requirements, and will provide exemplary service to the Agency.



Early Engagement with Investors: Announcement of sale via EMMA before POS posting.

Citi recommends posting a notice to EMMA announcing the Agency's anticipated financings as much as one month in advance of posting the POS in order to make the transaction "public". This allows our Debt Capital Markets (DCM) team to dialogue with investors about the transaction and specifically regarding their interest and willingness to conduct a 1-on-1 calls. Citi successfully utilized this approach on many of our recent senior managed transactions. A sample of potential language is included in the adjacent box.



Internet Investor Roadshow. Citi recommends considering an online investor roadshow presentation consisting of 10-15 slides that provides a "cliff notes" overview of the credit to help market the 2019 Revenue Bonds. By tracking internet roadshow viewership, the team

can stay engaged with interested investors and accurately gauge participation in the Agency's transaction, helping to ensure the Agency's constituents are aware of the sale and can participate.



One-on-One Investor Calls and/or Meetings. One-on-one calls with investors facilitate an intimate understanding of the Agency's organizational history, as well as its credit, which ultimately serves to foster a better relationship between the Agency and its investors. In prior Citi-led transactions, one common theme we have

continued to hear from investors is how informative, transparent, and thoughtful these discussions were. These calls can be coordinated by Citi and to minimize the demands on the Agency and its staff's time.



Sales Force Teach-In. Prior to pricing Citi will hold a sales force teach-in that is designed to educate sales personnel on the Agency's credit, transaction specifics and key value propositions. This teach-in energizes the sales force and brings focus to the upcoming transaction.



Targeted Investor Marketing: Review Citi's Investor Algorithm Results. Citi has recently established a new Debt Capital Markets ("DCM") group and has made significant investments in human capital and technology to better serve our issuer clients by leveraging Citi's massive amount of market data to create extensive, proprietary, data-driven marketing programs for issuers. Citi's

proprietary investor target marketing model and algorithm, called the Citi Intelligent Search Engine ("CISE"), is built from both public and Citi's proprietary data sources, which represents the richest set of investor data available in the industry, given Citi's leading position in the primary and secondary markets. CISE effectively mass-mines the vast amount of granular data that Citi collects on constantly-changing investor buying and trading activity and employs an artificial intelligence-based predictive buying algorithm to target investors most likely to participate in the Agency's transaction. As a result of Citi's extensive investor marketing efforts we have been able to successfully maximize pricing tension for our issuer clients relative to our peers. Citi accomplishes this 1) by generating excess investor demand by employing strategic investor outreach programs and 2) by standing behind our transactions, both in the secondary market to provide liquidity and in the primary market to commit capital when necessary. Citi pledges to bring these resources to bear for the Agency's 2019 transaction.

Market Leadership through Underwriting Unsold Bonds. During pricing, the Agency will want its senior manager to be a market maker and be able to hold the line on fair pricing rather than cave-in to the last marginal institutional investor's desired yield level. It takes capital, willingness to use that capital, market knowledge and confidence that the product can be distributed in order to underwrite sizable tranches of unsold bonds. Citi has stepped in frequently to underwrite unsold bonds to maintain fair pricing. As a practical matter, Citi's strong capital base and sizable excess net capital position enable us to underwrite any potential bond offering required by the Agency. Since 2015, Citi has committed over \$7 billion of capital to deliver aggressive pricing to issuers nationwide. In addition, Citi currently allocates \$50 billion of capital to the Municipal Securities Division and the Division can underwrite and own up to \$1 billion of unsold balances of a single transaction without additional internal approvals.

Interest Rate Considerations. While Citi’s Municipal Research Group does not publish forecasts for future movement in MMD, our U.S. economists do regularly publish forecasts for U.S. Treasuries of various durations. We believe that an analysis of the ongoing relationship between Treasury and MMD in conjunction with Citi and Street forecasts of 30-Year Treasury can provide an informed view of 30-Year MMD in June 2019. In the table to the right, we provide Citi’s forecast for Treasuries of various durations versus the Street (Economists’ Consensus). As you will see, Citi’s long-term 30-Year Treasury forecast diverges significantly from consensus economist forecasts with our economist projecting 30-year Treasury to decline from the current level of 3.46% to 2.85% at the close of 2019 versus 3.66% for the Street. Citi’s Chief US economist is, currently, far more conservative in projecting increases in long-term rates as he believes issues with global growth and the potential outbreak of a trade war between the United States and its trading partners could impact global rates. Below we provide additional considerations for future movements in Treasuries.

Rate Forecasts

5-Year Treasury		Current	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20
Citi's Forecast		3.04%	2.75%	2.90%	2.90%	2.90%	2.90%	2.90%
10-Year Treasury		Current	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20
Citi's Forecast		3.22%	2.80%	2.85%	2.85%	2.85%	2.85%	2.85%
Economists' Consensus			3.17%	3.30%	3.33%	3.42%	3.49%	3.52%
30-Year Treasury		Current	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20
Citi's Forecast		3.46%	2.90%	2.85%	2.85%	2.85%	2.85%	2.85%
Economists' Consensus			3.35%	3.42%	3.50%	3.54%	3.60%	3.66%
Fed Funds		Current	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20
Citi's Forecast		2.25%	2.50%	2.75%	3.00%	3.00%	3.00%	3.00%
Economists' Consensus			2.50%	2.75%	3.00%	3.00%	3.00%	3.13%

Why Will Rates Go Up?	Why Will Rates Stay Low?
<ul style="list-style-type: none"> ▲ 1Q2018 and 2Q2018 US GDP growth of 2.9% and 4.1%, respectively, strong results versus other developed economies ▲ US near full employment with Unemployment in October at 3.7%, down from 8% at the start of 2013 and the lowest level since 1969 ▲ Continued strong monthly job growth with 250K of job growth in October ▲ Fed has completed QE, removing a source of massive demand for Treasuries as China and Russia consider their own Treasury purchases ▲ Fed is concerned with future market destabilization 	<ul style="list-style-type: none"> ▼ Segments of economy still “recovering” ▼ Concerns over the outbreak of a global trade war could cap where long-term interest rates rise ▼ Relative growth and rate differential of US vs the rest of the world ▼ Continued Quantitative Easing by other global central banks ▼ Despite strong unemployment numbers, wage growth and inflation continue to be relatively anaemic

Forecasting 30-Year MMD. In order to apply Citi and Street Economist’s forecasts for 30-Year Treasury to 30-Year MMD, one can look at the historical “ratios” between the two indices. In the table to the right, Citi has displayed the average ratios over a variety of time periods, with 30-Year

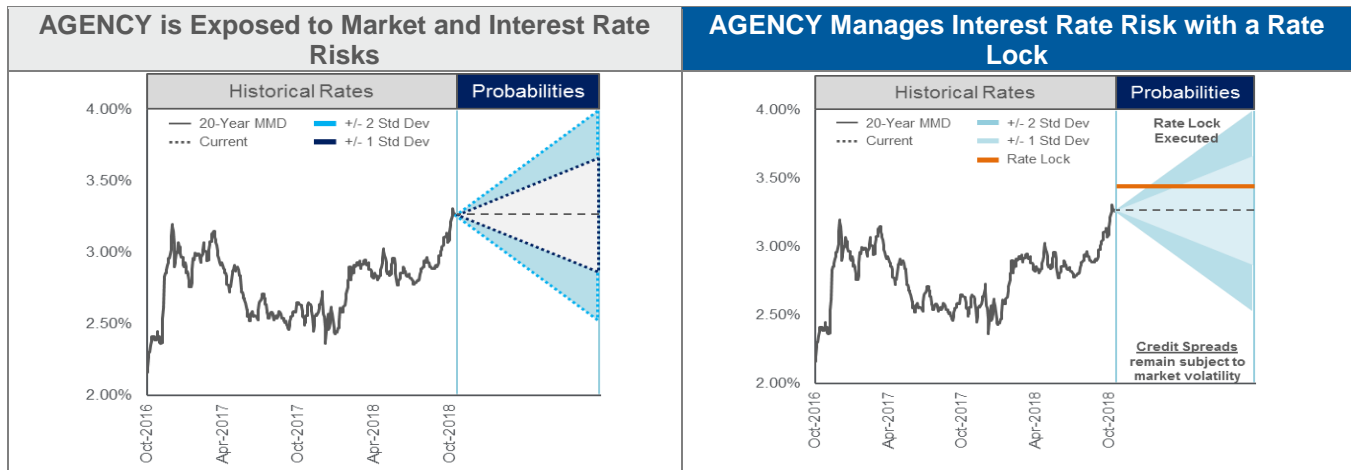
Average Ratio of MMD to TSY		30-Year MMD Based On	
		30-TSY Street Forecast (3.50%)	30-TSY Citi Forecast (2.85%)
Current	100.62%	3.52%	2.87%
Since January 1, 2018	97.54%	3.41%	2.78%
Since January 1, 2016	97.93%	3.43%	2.79%
Since January 1, 2008	103.97%	3.64%	2.96%

MMD anywhere from 97.54% to 103.97% of 30-Year Treasury. Citi then applied these values based on the 2Q2019 30-Year Treasury forecast in order to come up with an implied value for 30-year MMD. Assuming the various MMD/TSY ratios, Street Economist’s forecast predict June 2019 30-Year MMD to be anywhere from 3.41% to 3.64% with Citi’s forecast predicting anywhere from 2.78% to 2.96%. In the graph on the following page, we display the relationship between 30-Year Treasury and 30-Year MMD since January 1, 2008.



Analyze the use of a Rate Lock to mitigate rate risk. When the Agency sells bonds via a public offering, the yield required by investors is based on benchmark tax-exempt interest rates and the Agency’s specific credit spread / yield premium. Based on current market conditions, both benchmark tax-exempt rates and credit spreads are historically attractive. Benchmark tax-exempt rates and credit spreads fluctuate based on market conditions until the day of bond pricing. Tax-exempt rates can be impacted by changes in yield in the US Treasury market, supply and demand factors, or perceived or actual changes in the value of tax-exemption.

For high-grade issuers, such as the Agency, the benchmark tax-exempt rate is historically the largest and most volatile component of the borrowing cost. The Agency can lock the most volatile component of its borrowing cost by executing a MMD Rate Lock transaction with Citi. MMD Rate Locks allow the Agency to lock the benchmark rates on tax-exempt issuances at a low premium to current market rates. The spread between the locked rate and current rate (i.e. the forward premium) is driven by the duration of the locked period, expected market volatility, and supply and demand factors. Citi is an active market-maker in MMD Rate Locks for tax-exempt institutional investors, which allows Citi to lock benchmark yields at attractive forward premiums or spreads to current rates.



Mechanically MMD Rate Locks entail a single payment that is calculated on the bond pricing date and settled on the closing date of the bonds. If MMD rates are higher than the locked rates on the bond pricing date, Citi will make a cash payment to the Agency equal to the present value impact of the rate increase. On the other hand, if MMD rates are lower than the locked rates on the bond pricing date, the Agency would owe a termination payment to Citi. The MMD Rate Lock’s status as a Qualified Hedge allows the Agency to not only make any hedge payment out of bond proceeds but also include them in the Arbitrage Yield calculation, subject to Bond Counsel approval.

MMD Rate Locks are a simple, short-term transaction whose documentation can typically be drafted and executed in a matter of days. Citi will typically prepare a Long-Form Confirm (as opposed to an entire set of ISDA documents) and would be looking for the Agency to provide a resolution authorizing the execution of the rate lock as well as an enforceability opinion covering the Confirm. The Agency would also sign short letter identifying the Rate Lock as a Qualified Hedge for tax purposes. After execution, documentation, approvals, hearings and other tasks required in a public bond offering proceed as usual.

III. Qualifications

1. List or summarize your firm's experience as senior manager... (Please see the following page)
2. Provide a proposed project team...

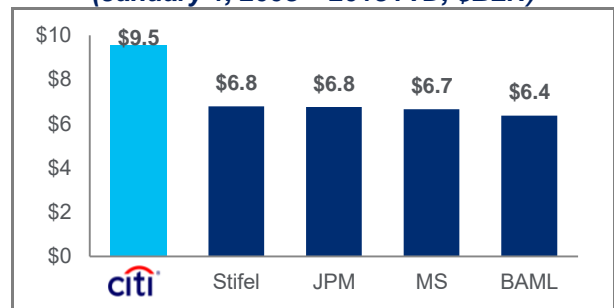
Citi's proposed team for the Agency is organized with a single goal in mind – delivering the highest and most comprehensive level of service possible through the effective utilization of Citi's diverse resources. The staffing of our team has been organized for optimal responsiveness and the professionals on the team have been selected based on their specific and relevant experience for the Agency's proposed transaction.

	Team Members	Role	Relevant Experience
	<p>Jonathan Ash <i>Director</i> San Francisco (415) 951-1745 jonathan.a.ash@citi.com</p>	<p>Primary Contact Lead Banker Water Infrastructure Group</p>	<p>Jonathan provides day-to-day banking coverage for Water issuers nationally and in California. Over the last 5 years, Jonathan has worked on over 100 California revenue bond issues, totaling more than \$7.5 billion in par. Recently, Jonathan has worked with SCVWA, San Francisco PUC, Stockton Public Financing Authority, Sacramento Suburban WD, Valley County Water District, Imperial Irrigation District, among others. 13 years of experience.</p>
	<p>Cameron Parks <i>Managing Director</i> Los Angeles (213) 486-7130 cameron.parks@citi.com</p>	<p>Senior Banker Oversight Head of Water Infrastructure Group</p>	<p>Within California, Cameron has senior managed over 250 utility bond financings totaling to over \$15 billion of par. He has worked with a multitude of water related issuers ranging from Metropolitan Water District of Southern California to San Diego County Water Authority, among others. 20 years of experience.</p>
	<p>Debra Saunders <i>Director</i> San Francisco (415) 951-1749 debra.saunders@citi.com</p>	<p>Retail Banking Support Fidelity Liaison</p>	<p>Deb recently joined Citi from Fidelity Capital Markets, where she spent the last eight years successfully marketing Fidelity's retail distribution to municipal issuers nationwide. Debra joined Citi to ensure that the Citi and Fidelity partnership maximizes retail distribution for California water and sewer clients. 20 years of experience.</p>
	<p>Michael Sanduski <i>Associate</i> San Francisco (415) 951-1614 michael.sanduski@citi.com</p>	<p>Analytical Support Water Infrastructure Group</p>	<p>Michael provides analytical and transaction support for a wide variety of water and sewer utility issuers across the country and, in particular, California. Recent transaction experience includes transactions for the San Francisco PUC, Sacramento Suburban Water District, Imperial Irrigation District, Los Angeles Department of Water and Power, Valley County Water District, and Stockton PFA. 6 years of experience.</p>
	<p>Susan Wu <i>Analyst</i> New York (212) 723-4858 susan.wu@citi.com</p>	<p>Analytical Support Financial Structuring</p>	<p>Susan assists our water issuers on transaction analysis and document support throughout the Western Region. She has worked with SCVWA (2018 transaction), Stockton PFA, Valley County Water District, and Eastern Municipal Water District. 2 years of experience.</p>
	<p>Matt Hage <i>Director</i> Los Angeles (213) 486-8817 matthew.hage@citi.com</p>	<p>Lead Underwriter Los Angeles Underwriting Desk</p>	<p>Matt has worked in the municipal securities industry for nearly 10 years and is currently focused on trading and underwriting across multiple products and credits. Prior to joining Citi in 2018, he worked at Bank of America Merrill Lynch for roughly 7 years serving in trading and underwriting roles. 10 years of experience.</p>
	<p>Keisha Belinfanti <i>Director</i> New York (212) 723-7093 keisha.belinfanti@citi.com</p>	<p>National Syndicate New York</p>	<p>Keisha entered the industry when she joined the Municipal Syndicate desk in 2009 at Citi with a particular focus on Western Region issuers. Keisha has priced many California water financings, including Sacramento Suburban Water District and Valley County Water District, and Stockton PFA. 12 years of experience.</p>

1. List or summarize your firm's experience as senior manager for California-based water enterprise...

Negotiated California Water and Sewer Financing Experience. Citi is proud of our commitment and history of service to water and sewer utility issuers in the State of California. Since January 2008, Citi has served as the #1 water and wastewater utilities underwriter, with 127 senior managed water and sewer revenue transactions issued in California, totalling over **\$9.5 billion** in par amount and a market share of 17.5%. Both Jonathan Ash, SCVWA's Lead Banker, and Cameron Parks, Head of Citi's Water Infrastructure Group, specialize in water and sewer utility finance and have deep experience which will be brought to bear for the Agency's 2019 issuance. We believe that our commitment to the sector is evidenced by our consistent rankings as a leading underwriter for water and sewer transactions in the State. More recently, as displayed in the table below, since January 1, 2015, Citi has served as senior manager on a negotiated basis for California water issuers on **\$3.4 billion of par across 42 transactions for total market share of 12%**.

Senior Managed Negotiated California Water and Wastewater Transactions (January 1, 2008 – 2018YTD, \$BLN)



Citi's California Water and Sewer Underwriting Experience Since January 1, 2015					
Negotiated		Competitive		Negotiated & Competitive	
Par (\$ mil)	# Issues	Par (\$ mil)	# Issues	Par (\$ mil)	# Issues
3,400.3	42	60.7	3	3,461.0	45

IV. Fees

1. Provide a detail of your proposed fees and expenses for the financing...

The adjacent tables detail our proposed underwriter's discount and breakdown based on a senior managed fixed rate bond offering of the SCVWA's 2019 Revenue Bonds. Citi's proposal is based on a preliminary \$35 million transaction size with a 30 year term. We have not included any expenditure related to an electronic roadshow or any travel, and would be asked to be reimbursed if those fees were incurred. Our fees summarized in the adjacent table represent fair and compensation based on the recent comparable transactions in the marketplace. Should the engagement, the financing process and/or structure of the transaction become more complicated than presented in the proposal, we would ask for an opportunity to request compensation to remain commensurate with the resources committed to achieving the Agency's objectives. However, we do not want our fees to be the deciding factor in our selection, and **we are prepared to discuss some or all of the components of our proposed underwriter's discount at the Agency's request.**

Maturity	Takedown
2019-2027	\$1.00
2028-2030	\$1.25
2031-2033	\$1.35
2034-2038	\$1.50
2039-2049	\$1.75

Proposed Underwriting Fees - \$35 Million Par Amount		
Proposed Gross Spread	Per \$1,000	Total
Average Takedown	\$1.527	\$51,925.00
Management Fee	0.000	0.00
Underwriters' Expenses	0.707	24,095.76
Total Gross Spread	\$2.234	\$76,020.76
Itemized Expenses	Per \$1,000	Total
Underwriter's Counsel	\$0.294	\$10,000.00
Day Loan	0.014	543.06
IPREO	0.100	3,398.21
DTC	0.024	800.00
CDIAC	0.147	5,000.00
CUSIP	0.040	1,354.50
DAC (Cont. Disclosure)	0.015	500.00
Travel / Out-of-Pocket	0.074	2,500.00
Total Expenses	\$0.707	\$24,095.76

(1) Does not include marketing expenses including use of a net roadshow or local advertisements. Per MSRB Rule G-20, all expenses charged in excess of those actually incurred will be rebated back. Expenses exclude those related to rating agency meetings & pricing trips, if any.

Additionally, we have included the cost of underwriter's counsel as a fixed expense item and propose using Brad Patterson at Gilmore & Bell as Underwriter's Counsel in connection with the proposed offering. Should Gilmore & Bell not be amenable to the Agency, Citi welcomes discussion of alternative counsels.

Bradley Patterson
Gilmore & Bell, P.C.
15 West South Temple, Suite 520
Salt Lake City, Utah 84101
801-364-5080
bpatterson@gilmorebell.com

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Santa Clarita Valley Water Agency

J.P. MORGAN RESPONSE TO REQUEST FOR PROPOSALS FOR INVESTMENT BANKING /
UNDERWRITING SERVICES

November 12, 2018

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November 12, 2018

Eric Campbell
 Chief Financial and Administrative Officer
 Santa Clarita Valley Water Agency

Robert Porr
 Fieldman, Rolapp & Associates

Mr. Campbell and Mr. Porr,

On behalf of J.P. Morgan Securities LLC (“J.P. Morgan”), thank you for the opportunity to respond to Santa Clarita Valley Water Agency’s (“the Agency’s”) Request for Qualifications and Proposals for Underwriting Services. We hope that the response provided herein demonstrates our commitment to the California water landscape and we very much hope that we will be able to work with the Agency on this financing.

Make no mistake, there is no other underwriter doing more in the California Water space than J.P. Morgan and specifically the bankers assigned to the Agency’s team. To date in 2018 we are the #1 underwriter of California Water/Wastewater finance having just finalized a \$215mm transaction for the State of California Department of Water Resources and a \$415 million transaction for the San Francisco Public Utilities Commission while also acting as Structuring Agent and Interim Note Financing Underwriter on the SFPUC’s WIFIA loan and with further experience recently remarketing Metropolitan Water District’s \$175 million floating rate notes at the tightest levels to date. This comes off many years ranking as #1 in the municipal water, sewer & combined utility space.

California Water, Sewer, & Utilities Negotiated League Table (2015 – 2018)

Rank	Underwriter	Par (\$MM)	Mkt. Share	No. of Issues
1	J.P. Morgan	\$4,185.8	18.2%	28
2	BAML	3,532.4	15.4%	43
3	Morgan Stanley	2,615.6	11.4%	28
4	Citi	2,534.0	11.0%	42
5	Wells Fargo	2,255.7	9.8%	27
6	Goldman Sachs	1,078.4	4.7%	7
7	Siebert	984.2	4.3%	10
8	Stifel	963.7	4.2%	48
9	Barclays	935.8	4.1%	7
10	RBC Capital Marke	870.3	3.8%	7

Source: Thomson Reuters from 01/01/2015 to 10/31/2018; SDC Use of Proceeds: Water & Sewer and Combined Utilities; True Economics to Bookrunner; Includes Notes

Structurally we are proposing a transaction which accomplishes the Agency’s goals while taking advantage of what the market is currently providing. We continue to see California near term paper sell very well in the market as investors want to stay short to manage potential rate increases over time. That phenomenon is lessened on the long end of the market where investors are less likely to put their money to work at these low overall levels. As you will see herein, we are proposing the Agency pursue either a level debt service or wrapped structure for its 2019 new money issuance. In an environment where rising short-term interest rates and an overall flattening of the curve are predicted as probably by the Street’s research departments, we believe it makes sense for the Agency to monitor the economics of both structures in partnership with its lead underwriter, and make a final decision about how to structure amortization based on market conditions in the Spring of 2019. We have also provided our rate views for the Agency, based on a 10-year par call and 7-year par call, and believe it is worthwhile for the Agency to think through the tradeoff presented by non-traditional optional redemption strategies.

We have been pleased to respond to the Agency’s last several RFPs and we are keen to work with the Agency again, having not done so since 2016 when we co-managed Castaic Lake’s 2016 Revenue bonds. Thank you once again for the opportunity to respond to this RFP and we hope very much that we have the opportunity to work with the Agency on this transaction.

Sincerely,



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II. Questions

Describe your firm's retail and institutional sales capability related to tax-exempt financings.

J.P. Morgan's Distribution Network. J.P. Morgan has one of the broadest and most comprehensive distribution platforms of any Wall Street firm in both the tax-exempt and taxable markets, and our underwriting contribution will be in both the institutional and retail markets. J.P. Morgan's institutional sales capabilities are divided into three key segments. As a result, J.P. Morgan is able to market bonds to Tier 1, 2 and 3 institutional investors, as well as retail buyers. Additionally, our relationships with the large institutions and their SMA accounts provide our clients with access to a massive pool of professional retail buyers. Below, we provide a detailed look at the various components of our municipal distribution platform:

Institutional Capabilities. Our institutional sales force covers every major domestic market and all major mutual funds, investment advisors, bank trust departments and insurance companies. Accordingly, J.P. Morgan has developed close relationships with the 500 largest institutional buyers in the municipal market, forging deep relationships with portfolio managers and their credit analysts. In today's market, it is important not only to market to bond funds, but to other investor classes as well, including insurance companies, asset managers, bank portfolios and bank trusts. The ability to distribute bonds to a variety of investors across the yield curve helps to ensure execution at the time of sale under what can sometimes be challenging market conditions.

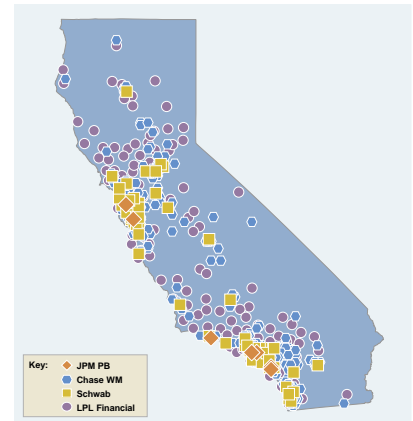
Retail Coverage and Distribution. Individual and professionally managed retail accounts are playing an increasingly influential role in municipal bond pricings. Given its relatively high state income tax, California in particular displays one of the most active retail markets in the industry. One thing that is often overlooked is J.P. Morgan's retail distribution capabilities, especially in California. J.P. Morgan is very committed to the retail banking market in California, and one only needs to look at the aggressive expansion of the Chase brand in California to see how important the retail customer is to J.P. Morgan here.

Distribution Agreements. J.P. Morgan Securities LLC has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. and LPL Financial LLC for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement (if consented to by the Agency and applicable to this transaction), each of Charles Schwab & Co., Inc. and LPL Financial LLP will purchase Bonds from J.P. Morgan Securities LLC at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

Our exclusive distribution agreements with Charles Schwab and LPL Financial provide us with access to a retail platform with over \$3 trillion in total assets. In particular, Charles Schwab, which is a particularly recognized brand in California, makes the firm an excellent complement to the Agency's financing because the Agency receives access to all of the Schwab clients and their marketing through J.P. Morgan.

Underwriting Capability. With over \$200 billion in total capital, JPMorgan Chase & Co. is one of the largest financial institutions in the world, the largest in the United States, and one of the highest rated domestic banks with ratings of A3/A-/A+. J.P. Morgan frequently uses this capital strength to support new issuance and remarketing transactions on behalf of municipal issuers. J.P. Morgan Securities LLC had over \$10.7 billion of excess net capital as of December 31, 2017. J.P. Morgan's balance sheet has been a source of strength for the firm and our clients. J.P. Morgan continues to commit capital to help our clients achieve their financial goals and objectives in the current market. Our strong capitalization allows us to maintain pricing support for issuers and the ability to stand behind our price views and take bonds into inventory if warranted to preserve transaction spreads. J.P. Morgan's ability to underwrite bonds is ultimately a business decision that relates to our firm's commitment to municipal issuers and the overall risk management of the firm, which is not limited by a set capital constraint.

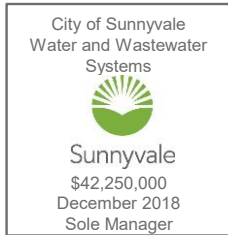
California Retail Distribution



Please provide an example of your firm’s pricing of an AA-rated California water transaction for a par amount in a range of \$30 – \$45 million completed within the last six months.

As we identified above, J.P. Morgan is the number one underwriter of California Water and Wastewater paper. While getting to number one has required doing several large high profile transactions, we treat each transaction the same whether large or small. We regularly do transactions in the \$20-45 million range for issuers across the country and also recently led a sale for the City of Sunnyvale and its water/wastewater transaction in December 2017.

CITY OF SUNNYVALE 2017 WATER AND WASTEWATER REVENUE BONDS



On December 19, 2017, J.P. Morgan served as senior manager for two refunding transactions on behalf of the City of Sunnyvale’s (the “City”) Water and Wastewater Systems (collectively, the “2017 bonds”): \$17,630,000 aggregate principal amount of Water Revenue Refunding Bonds, Series 2017A and 2017-AT; and \$24,620,000 aggregate principal amount of Wastewater Revenue Refunding Bonds, Series 2017A and 2017A-T. The 2017 Bonds were issued as traditional fixed rate bonds, with taxable and tax-exempt series and a call date of 4/1/2028, and secured by a pledge of net revenues. Neither the 2017 Water Bonds nor the 2017 Wastewater Bonds were secured by a debt service reserve fund.

With an increasing likelihood that tax reform eliminating tax-exempt advance refundings would go into effect in 2018, in late 2017 the City decided to move forward with J.P. Morgan as underwriter for an advance refunding of their 2010 Water and Wastewater bonds. J.P. Morgan and the financing team performed a multipurpose allocation analysis determining the amount of 2010 bonds which would be refundable on a tax-exempt basis, prepared ratings agency presentations to Moody’s and S&P, oversaw the drafting of two Official Statements covering four series of bonds, completed underwriter due diligence, and prepared a structure and pricing scale to bring to the market.

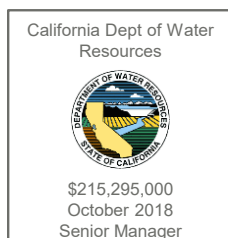
With many issuers rushing to the market before tax reform took effect, the municipal market absorbed \$64 billion of supply in December 2017, setting a new record for monthly supply. On the day of pricing, MMD rose 3-6bps across the curve. In these pricing conditions, J.P. Morgan was able to sell sub-5% coupons on both the water and wastewater side. J.P. Morgan underwrote a portion of the 2017 bonds in support of the transaction. The 2017 bonds resulted in \$2,651,029 NPV savings (14.3% of refunded par) on the Water side, and \$3,269,553 NPV savings (12.6% of refunded par) on the Wastewater side, for the City.

CITY OF OXNARD 2018 WATER AND WASTEWATER REVENUE BONDS

This week we will be in the market with an AA-rated California water transaction, acting as Senior Manager on the City of Oxnard’s approximately \$40 million 2018 Water System Revenue Bonds (S&P: A underlying / AA insured). In a concurrent process, we are acting as Senior Manager for the City of Oxnard’s approximately \$25 million 2018 Wastewater System Revenue Bonds (S&P: A- underlying / AA insured). The Water transaction will refund the fixed-rate Water Series 2006 bonds, and the Wastewater transaction will refund the fixed-rate Wastewater Series 2006 Bonds and variable-rate 2004B bonds, as well as terminate the associated interest-rate swap. As a result of the 2018 transaction, among other things, the Wastewater System was able to achieve a two-notch upgrade from BBB to A-. We look forward to entering the market this week with the Oxnard credits, and are happy to update the Agency with the results of those transactions when they are complete.

We would also like to highlight our work on the California Department of Water Resources Series AZ bonds, which highlights our distribution and underwriting capabilities, even in more challenging market conditions.

CALIFORNIA DEPARTMENT OF WATER RESOURCES SERIES AZ

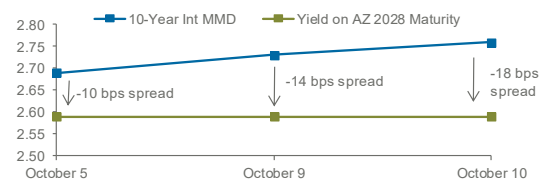


On October 10, 2018, J.P. Morgan served as senior manager for the \$215,295,000 California Department of Water Resources, Series AZ (Aa1/AAA/NR). The Series AZ bonds were issued to refund a portion of the Department’s outstanding commercial

Issuer	California Department of Water Resources
Par	\$215,295,000
Tax Status	Tax-Exempt
Structure	Fixed rate serial bonds maturing 2019-2035
Coupons	3.000% - 5.000%
Yields	1.70% - 3.14%
Ratings (M/S/F)	Aa1 / AAA / NR
Redemption Provisions:	Optional redemption on December 1, 2028
Pricing Date	October 10, 2018

paper notes, and refund all of the outstanding Series AF and AY bonds. The Series AZ Bonds were sold across a retail order period on Tuesday, Oct. 9 and an institutional order period on Wednesday, Oct. 10. Markets were volatile during the week of

10-Year MMD vs. 10-Year DWR Yield over the Course of Pricing



SANTA CLARITA WATER AGENCY

pricing. The prior week saw 5Y, 10Y and 30Y Treasury yields increase 12bps, 17bps and 19bps on stronger-than anticipated economic data, the largest one week sell off since February.

On Tuesday, Oct. 9, in the municipal market, customer bid lists weighed on the secondary and MMD was cut 2bps 2019-2026, 3bps in 2027, 4bps 2028-2039, and 5bps thereafter. On Wednesday, Oct. 10, stock markets suffered their worst single-day since February on trade tensions. MMD continued to rise, being cut 2bps in 2024, 3bps 2025-2033, 4bps in 2034 and 5bps thereafter. The Retail Order Period on Oct. 9 was very successful, with orders for over 90% of bonds by the end of the retail period, Overall, J.P. Morgan brought in \$372,825,000 retail orders. Due to the strength of the book built over the course of the Retail Order Period, J.P. Morgan was able to hold yields steady in a difficult market environment. In the reprice, J.P. Morgan was able to bump 4bps in 2019, 2bps in 2023-2025, and 1bp in 2028 at the reprice. 5s in 2023 came 21bps through AAA MMD, 5s in 2028 were 18bps through AAA MMD, and 5s in 2035 were 4bps through AAA MMD.

Discuss your ideas on various call features that may be recommendable for the Agency's proposed transaction.

Optional Redemption Features. With the elimination of advance refundings through tax reform, tax-exempt municipal issuers are more commonly selling debt with shorter call provisions – anywhere from five to nine years, at par. On the upper end of this range, pricing tends to be in-line with a 10-year par call bond, while a five-year par call could cost between 20 and 80 basis points on a yield-to-maturity basis, depending on the maturity date. The graphic to the right depicts this dynamic, showing how a 7-year par call bond will price through 10-year par call bond, with the yield-to-maturity kicking between 15-45 basis points higher.

Maturity	10 Year Par Call				7 Year Par Call				Difference (bps)	
	Coupon	Spread	Yield	YTM	Coupon	Spread	Yield	YTM	Yield	YTM
08/01/2020	4.00%	-18	1.93%	1.93%	4.00%	-18	1.93%	1.93%	-	-
08/01/2021	5.00%	-20	1.98%	1.98%	5.00%	-20	1.98%	1.98%	-	-
08/01/2022	5.00%	-20	2.05%	2.05%	5.00%	-20	2.05%	2.05%	-	-
08/01/2023	5.00%	-18	2.15%	2.15%	5.00%	-18	2.15%	2.15%	-	-
08/01/2024	5.00%	-15	2.26%	2.26%	5.00%	-15	2.26%	2.26%	-	-
08/01/2025	5.00%	-12	2.37%	2.37%	5.00%	-12	2.37%	2.37%	-	-
08/01/2026	5.00%	-8	2.50%	2.50%	5.00%	-13	2.45%	2.45%	-5	-5
08/01/2027	5.00%	-4	2.62%	2.62%	5.00%	-14	2.52%	2.77%	-10	15
08/01/2028	5.00%	-2	2.73%	2.73%	5.00%	-12	2.63%	3.06%	-10	33
08/01/2029	5.00%	-	2.84%	2.84%	5.00%	-10	2.74%	3.29%	-10	45
08/01/2030	5.00%	2	2.93%	3.07%	5.00%	-8	2.83%	3.47%	-10	40
08/01/2031	5.00%	4	3.00%	3.25%	5.00%	-6	2.90%	3.61%	-10	36
08/01/2032	5.00%	6	3.06%	3.40%	5.00%	-4	2.96%	3.73%	-10	33
08/01/2033	5.00%	8	3.13%	3.54%	5.00%	-2	3.03%	3.83%	-10	30
08/01/2034	5.00%	10	3.20%	3.65%	5.00%	-	3.10%	3.93%	-10	27
08/01/2035	5.00%	12	3.27%	3.76%	5.00%	2	3.17%	4.01%	-10	25
08/01/2036	5.00%	15	3.35%	3.86%	5.00%	5	3.25%	4.09%	-10	22
08/01/2037	5.00%	15	3.39%	3.93%	5.00%	5	3.29%	4.14%	-10	21
08/01/2038	5.00%	15	3.43%	3.99%	5.00%	5	3.33%	4.19%	-10	20
08/01/2039	-	-	-	-	-	-	-	-	-	-
08/01/2040	-	-	-	-	-	-	-	-	-	-
08/01/2041	-	-	-	-	-	-	-	-	-	-
08/01/2042	-	-	-	-	-	-	-	-	-	-
08/01/2043	5.00%	18	3.57%	4.19%	5.00%	10	3.49%	4.36%	-8	16
08/01/2044	-	-	-	-	-	-	-	-	-	-
08/01/2045	-	-	-	-	-	-	-	-	-	-
08/01/2046	-	-	-	-	-	-	-	-	-	-
08/01/2047	-	-	-	-	-	-	-	-	-	-
08/01/2048	5.00%	18	3.62%	4.29%	5.00%	13	3.57%	4.45%	-5	16

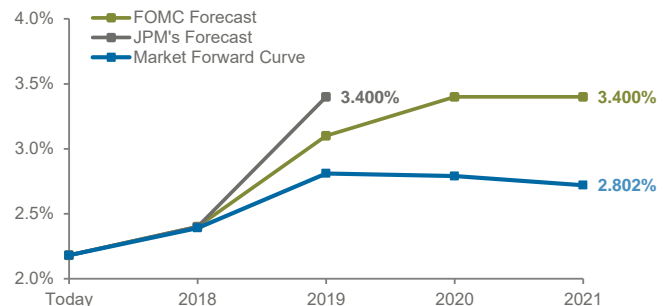
We believe that SCVWA would be well-served by evaluating the pricing impact of these alternative redemption features closer to the date of pricing, as we understand that it may only find these options compelling based on the cost versus its view of the likelihood to execute a refunding inside of 10 years, given that leaving a short call bond outstanding past the call date would ultimately result in a higher yield-to maturity.

In light of the current conditions in the municipal marketplace, discuss your structuring and overall marketing approach for the 2019 Bonds. Provide your firm's forecast of tax-exempt interest rates for the remainder of the year and through June, 2019.

STRUCTURING APPROACH

As SCVWA develops the financing strategy for the proposed refunding and new money transaction, various current and future market dynamics should be taken into consideration, as they directly affect structuring, marketing, and capacity of the offering. Short-term rates have increased substantially over the last year, long-term rates have remained relatively low, and lower-than-typical municipal supply post tax-reform has resulted in a meaningful tightening of credit spreads. With the additional benefit California issuers are seeing from changes to tax law – notably, the cap on the State and Local Tax (“SALT”) deduction – there is a strong incentive to enter the market quickly with a structure that takes advantage of the relationship between short- and long-term rates.

FOMC dots vs. market expectations



Source: FOMC year-end Fed Funds Rate projections, 9/26/2018. Market forward curve, 11/5/2018; J.P. Morgan Research, *US Fixed Income Markets Weekly*, 11/2/2018, jpm.com; Forecasts as of 11/2/2018; Note: JPM Research forecasts: 4 hikes in 2018 and 4 in 2019

While the last three months have seen a moderate increase in rates across the curve, the lack of robust supply and

the benefit investors are currently providing California paper still makes overall levels quite attractive and the market favorable for SCVWA's offering.

Moving forward, the market is predicting that the Fed will continue to take rate action, with one more increase to the Fed Funds rate expected at the December FOMC meeting. J.P. Morgan Research forecasts that the Fed Funds rates will end 2018 at 2.40%. While we expect short-term rates to continue to increase, we do not see a commensurate impact on the long-end of the curve. As you see below, J.P. Morgan Research's rate forecast for tax-exempt yields projects near-term **decreases** in long-term yields, with 30-year rates remaining range bound even a year from now.

In this environment of probable rising rates and a flattening yield curve, and given the Agency's plan at the time of the issuance of the 2018A bonds to issue new money bonds in 2019 and 2021, we believe the agency should carefully consider how it decides to structure the 2019 New Money bonds. We see two alternative structures available to the Agency which should drive the discussion.

1. Level Debt Service
2. Wrap Structure around Existing Debt Service.

As depicted in the tables below, under current assumptions, a 30-year bond deal structured for level debt service would result in a total interest cost to the Agency of 3.951%, and does little to change the descending stair-step shape of the Agency's existing debt service. In this structure, the Agency would pay approximately \$2.29 million in debt service per year.

JPM U.S. Treasury Interest Rate Forecast (%)

	12/2/18	12/31/18	3/31/19	6/30/19
	1m ahead Forecast	4Q18 Forecast	1Q19 Forecast	2Q19 Forecast
Fed Funds	2.15%	2.40%	2.65%	2.90%
3M LIBOR	2.70%	2.70%	3.10%	3.25%
2Y UST	2.95%	3.05%	3.20%	3.35%
5Y UST	3.05%	3.10%	3.20%	3.35%
10Y UST	3.20%	3.20%	3.30%	3.40%
30Y UST	3.30%	3.30%	3.30%	3.40%

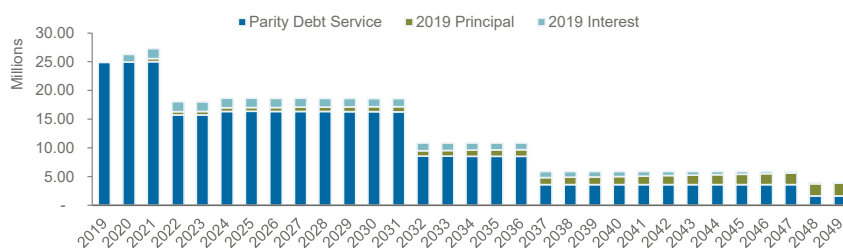
Source: J.P. Morgan Research, *US Fixed Income Markets Weekly*, 11/2/2018, jpm.com; Rates as of 11/2/2018

JPM Tax-Exempt Yield Forecast (%)

	12/2/18	12/31/18	3/31/19	6/30/19
AAA MMD	1m ahead Forecast	4Q18 Forecast	1Q19 Forecast	2Q19 Forecast
2Y	2.15%	2.15%	2.35%	2.40%
5Y	2.35%	2.35%	2.50%	2.55%
10Y	2.75%	2.75%	2.90%	2.90%
30Y	3.30%	3.25%	3.30%	3.35%
10Y MMD/UST Ratio	85.94%	85.94%	87.88%	85.29%
30Y MMD/UST Ratio	100.00%	98.48%	100.00%	98.53%

Source: J.P. Morgan Research, *US Fixed Income Markets Weekly - Municipals*, 11/2/2018, jpm.com; Rates as of 11/2/2018

2019 Bonds (Level Debt Service) and Existing Wholesale System Parity Debt Service

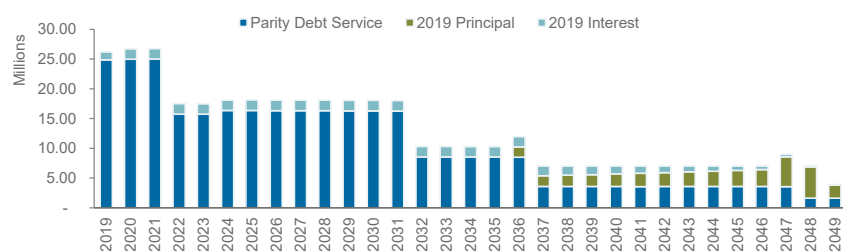


Summary Statistics Level Debt Service

Dated Date	5/1/2019
First Call	8/1/2029
TIC	3.951%
Average Life	18.63
2019 Bonds Total DS	\$67,593,563
2019 Bonds MADS	\$2,288,375
System MADS	\$27,290,140
System MADS Year	2021

Alternatively, the Agency could consider a Wrap structure, with all of the principal amortization of the bonds occurring in years FY 2036-2049. Under this scenario, debt service would be interest only, \$1.75 million in fiscal years 2020-2036, with debt service increasing to an average of \$3.74 million in fiscal years 2037-39. The total interest cost for a wrap structure would be approximately 4.20% under current assumptions.

2019 Bonds (Wrap Structure) and Existing Wholesale System Parity Debt Service



Summary Statistics Wrap Structure

Dated Date	5/1/2019
First Call	8/1/2029
TIC	4.207%
Average Life	24.52
2019 Bonds Total DS	\$77,903,000
2019 Bonds MADS	\$5,401,750
System MADS	\$26,751,790
System MADS Year	2021

While the economics of the level debt service scenario are currently more appealing than the wrap currently, if near-term interest rates rise and the curve flattens over the course of the next year, this dynamic will shift. The backloaded approach also allows for more optionality as more of the bonds would be refundable in the future. We

would continue to monitor all structural alternatives in collaboration with the Agency's Financial Advisor, maintain flexibility, and make ultimate structural decisions based on market conditions nearer to the time of pricing.

PROPOSED MARKETING APPROACH

Our proposed marketing plan is predicated on capitalizing on scarcity value for highly rated California water revenue bonds that currently exists.

We would suggest getting a notice of sale out to the market as soon as practical with high level details about the offering, as well as a preliminary pricing date/week, so that investors are well aware this deal is coming in advance and conversations can begin with them as soon as possible. We will focus on ensuring this deal is viewed as a marquee transaction that investors will have an opportunity to purchase before the year closes. In addition, we would propose the following steps:

An Early Release of the Preliminary Official Statement will allow investors to spend much more time analyzing the credit and bond security before the decision to place an order, which is important in today's market. Kicking off the investor marketing process 7 days prior to pricing will not only allow investors time for diligence, but will also give the sales force time to educate investors and respond to their questions.

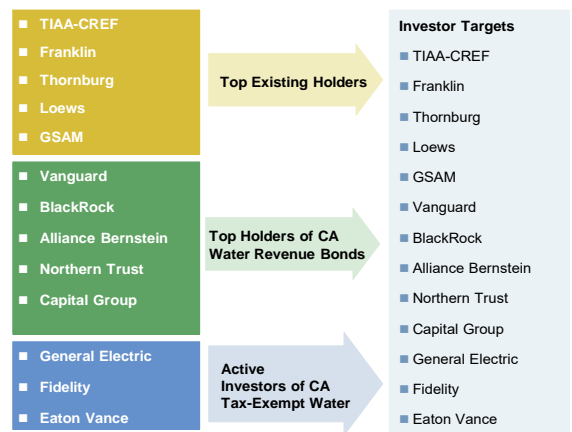
Investor Net Roadshow Given the size of the Agency's transaction J.P. Morgan recommends the use of a slides-only net roadshow for this transaction, which can help add value by educating the investor base about the Water credit and be cost effective. Furthermore, given the high ratings and depending on demand for the Agency's time, this presentation can either be recorded or simply posted without a recording, which we have seen become more common in today's market.

One-on-One Investor Calls and Follow-Ups J.P. Morgan would work with the Agency's Municipal Advisor to facilitate one-on-one calls with investors to address any questions that investors may have.

Emphasizing Outreach to Retail Investors will be a key aspect of securing lower borrowing costs. J.P. Morgan will utilize its vast retail network and work with other syndicate members to ensure that both in-state and out-of-state retail investors are educated on the transaction to garner the highest level of retail interest.

The Agency could consider an in-person national roadshow with a formal presentation to investors but we believe that given the size of the transaction and investor knowledge of many of the issues facing California water agencies we would not need to meet with investors.

Expanding the Agency's Investor Base. Our focus would be to expand the Agency's investor base. Some of the top investors in California tax-exempt paper are already holders of the Agency's bonds, including TIAA-CREF and Franklin, but we would look to bring in top institutional holders of tax-exempt California Water Revenue Bonds, and recent buyers of tax-exempt California Water Revenue Bonds like Vanguard, BlackRock, Fidelity and Eaton Vance.



III. Qualifications

List or summarize your firm's experience as senior manager for California-based water enterprise revenue bonds in the last 3 years.

There is no other underwriter doing more in the California Water space than J.P. Morgan and specifically the bankers assigned to SCVWA's team. To date in 2018 we are the #1 underwriter of California Water/Wastewater finance having just finalized a \$215 million transaction for the State of California Department of Water Resources, leading a \$415 million transaction for the San Francisco Public Utilities Commission while also acting as Structuring Agent and Interim Note Financing Underwriter on the SFPUC's WIFIA loan and

California Water, Sewer, & Utilities Negotiated League Table (2015 – 2018)

Rank	Underwriter	Par (\$MM)	Mkt. Share	No. of Issues
1	J.P. Morgan	\$4,185.8	18.2%	28
2	BAML	3,532.4	15.4%	43
3	Morgan Stanley	2,615.6	11.4%	28
4	Citi	2,534.0	11.0%	42
5	Wells Fargo	2,255.7	9.8%	27
6	Goldman Sachs	1,078.4	4.7%	7
7	Siebert	984.2	4.3%	10
8	Stifel	963.7	4.2%	48
9	Barclays	935.8	4.1%	7
10	RBC Capital Marke	870.3	3.8%	7

Source: Thomson Reuters from 01/01/2015 to 10/31/2018; SDC Use of Proceeds: Water & Sewer and Combined Utilities; True Economics to Bookrunner; Includes Notes

with further experience recently remarketing Metropolitan Water District's \$175 million floating rate notes at the tightest levels to date. Over the past three years, we are also the number one underwriter of California Water, Sewer and Combined Utilities Negotiated Transactions, with over \$4.18 billion in par and 18.2% market share.

Provide a proposed project team, including your underwriter, including the resumes and roles of each team member.

J.P. Morgan maintains one of the largest Public Finance presences in the West and the Bay Area, with two Public Finance offices in the State of California. The Firm has a total of 11 public finance bankers based in San Francisco and Sacramento dedicated to serving a wide variety of clients throughout the State. The accompanying table shows the members of our proposed financing team.

Core Banking Investment Banking Team	
John Houlberg <i>Executive Director, Head of Western Region Water</i> San Francisco, CA	Will Frymann <i>Executive Director</i> San Francisco, CA
Jack O'Connell <i>Analyst & Transaction Support</i> San Francisco, CA	
Municipal Syndicate	Investor Marketing
Spencer Barton <i>Vice President, Long-Term Underwriting</i> New York, NY	Marshall Kitain <i>Executive Director, Head of Investor Marketing</i> New York, NY

SCVWA's day-to-day contact will be **John Houlberg**, *Executive Director and Head of the Western Region Water*, who will ensure that the full resources of the Firm are leveraged on behalf of SCVWA. Mr. Houlberg brings over 11 years of municipal finance experience serving major issuers on the west coast, including the State of California Department of Water Resources, San Francisco Public Utilities Commission, Los Angeles Unified School District, San Diego Association of Governments, San Diego County Water Authority, East Bay Municipal Utility District, and Metropolitan Water District of Southern California, among others.

J.P.Morgan

John Houlberg
Executive Director

560 Mission Street
San Francisco, CA 94105

T: 415.315.5958
M: 530.902.4840
john.houlberg@jpmorgan.com

Will Frymann, *Executive Director*, brings extensive has experience with many of the most complex financings in California public utilities as well as some of the more complex financings in the municipal marketplace. Will has served the State of California Department of Water Resources, San Francisco Public Utilities Commission, Riverside Public Utilities, and Sacramento Municipal Utility District, among others.

Spencer Barton, *Vice President, Long-Term Underwriting*, will serve SCVWA as lead underwriter on any long-term financings. Spencer brings SCVWA extensive background underwriting California-based transactions. Spencer is located in J.P. Morgan's New York City office.

Marshall Kitain, *Executive Director and Head of Investor Marketing*, will work closely with SCVWA, its advisor, and J.P. Morgan's banking team in reaching a broad investor base and communicating the strengths of SCVWA's credit. Marshall's focus will be on leveraging J.P. Morgan's proprietary data and distribution network to build a broad order book on behalf of SCVWA.

Full resumes for our banking team, underwriter and investor marketing leads are available in Appendix A.

Provide each team member's experience over the last 3 years with: California water enterprise revenue bonds, revenue certificates of participation and note/highlight tax-exempt transactions (senior managed transactions only).

Sale Date	Par Amount (SMM)	Issuer	State	Series	Negotiated / Competitive	Taxable / Tax-Exempt	Team
Upcoming (11/14/18)	60.00	City of Oxnard	CA	2018 Water and 2018 Wastewater	N	E	Houlberg, Barton
10/10/18	215.295	California Dept of Wtr Resources	CA	Series AZ	N	E	Houlberg, Frymann, Kitain
07/18/18	185.950	San Francisco City/Co Public Util Comm	CA	2018 Series B	N	E	Houlberg, Frymann, Barton, Kitain
07/18/18	229.050	San Francisco City/Co Public Util Comm	CA	2018 Series A	N	E	Houlberg, Frymann, Barton, Kitain
12/19/17	5.620	Sunnyvale City-California	CA	Series 2017 A-T	N	T	Houlberg, Frymann, Kitain
12/19/17	10.585	Sunnyvale City-California	CA	Series 2017 A-T	N	T	Houlberg, Frymann, Kitain
12/19/17	12.010	Sunnyvale City-California	CA	Series 2017 A	N	E	Houlberg, Frymann, Kitain
12/19/17	14.035	Sunnyvale City-California	CA	Series 2017 A	N	E	Houlberg, Frymann, Kitain
05/10/17	238.015	So California Metro Water Dt	CA	2017 Series A	C	E	Houlberg, Frymann, Kitain
10/06/16	893.820	San Francisco City/Co Public Util Comm	CA	2016 Subser A&B	N	E	Houlberg, Frymann, Kitain
05/25/16	564.025	San Diego Public Facs Fin Auth	CA	Series 2016 A & B	N	E	Houlberg, Frymann, Kitain
05/10/16	67.820	San Francisco City/Co Public Util Comm	CA	2016 Series B	C	E	Houlberg, Frymann, Kitain
05/10/16	240.580	San Francisco City/Co Public Util Comm	CA	2016 Series A	C	E	Houlberg, Frymann, Kitain
05/03/16	24.840	Placer Co Water Agency	CA	Series 2016	C	E	Houlberg, Frymann, Kitain
04/26/16	33.385	Otay Water Dt	CA	Series 2016	C	E	Houlberg, Frymann, Kitain
03/17/16	54.970	Santa Clara Valley Water Dt	CA	Series 2016 D	N	T	Houlberg, Frymann, Kitain
03/17/16	75.215	Santa Clara Valley Water Dt	CA	Series 2016 B	N	T	Houlberg, Frymann, Kitain
02/25/16	20.295	Lodi Public Finance Auth	CA	2016 Series A	N	E	Houlberg, Frymann, Barton, Kitain

Denotes Tax Exempt

IV. Fees

Provide a detail of your proposed fees and expenses for the financing, and any assumptions used in deriving this fee structure. Include takedowns broken out by maturity. For consistency of comparison, please assume a par amount of \$35 million with a 30 year term.

Typically, underwriting takedowns are meant to reflect payment commensurate with both the degree of work involved in bringing a sale to market and the fair, market-based fee that an underwriter would charge for potentially taking bonds onto its own balance sheet and creating a secondary market in those bonds. In this spirit, we would propose a takedown of \$1.25/bond across all maturities. We show a full breakdown of Underwriters' Discount in the adjacent tables based on a \$35 million, 30-year transaction.

J.P. Morgan is committed to providing aggressive, market driven fees and welcomes the opportunity to discuss the proposed fees with the SCVWA. While we believe these takedowns are consistent with current market, we do not want our fees alone to preclude our participation in SCVWA's upcoming financing and, therefore, would be happy to discuss this proposal in order to derive a mutually acceptable level of compensation.

Include the cost of underwriter's counsel as a fixed expense item, and which firm and contact person you propose to retain.

We propose utilizing Jones Hall as underwriter's counsel. Jones Hall offers extensive experience with California Utility issuers. Our final selection of Underwriters' Counsel is subject to clearance of any conflicts, and we would also be happy to discuss any other qualified firms that SCVWA may want us to consider working with.

Maturity	Takedown	
1-30 years	\$1.25	
Underwriting Expenses & Total Underwriters' Discount		
Underwriters' Discount	\$ Per Bond	\$ Total
Takedown	\$ 1.25	\$ 43,750.00
Expenses	\$ 1.03	\$ 35,907.49
DALCOMP Fee	0.07	2,531.35
CUSIP Fee	0.03	1,026.50
DayLoan	0.02	549.64
DTC Fee	0.02	800.00
Underwriter's Counsel	0.71	25,000.00
CDIAC Fee	0.14	5,000.00
Travel & Out-of-Pocket	0.03	1,000.00
Total	\$ 2.28	\$ 79,657.49

Note: Travel & Out-of-Pocket does not include travel to New York for pricing.

A. Resumes

J.P. Morgan's Core SCVWA Coverage Banking Team

John Houlberg
Executive Director

560 Mission Street, Floor 3
San Francisco, CA 94105

Telephone: 415.315.5958

john.houlberg@jpmorgan.com

Role: Day-to-day coverage

Resume: John joined JP Morgan in 2012 with over 8 years of experience at other investment banks. John recently worked on the recent 2017 SFPUC Water Revenue Refunding Bonds. Mr. Houlberg has over 11 years of municipal finance experience serving major issuers on the west coast, including Los Angeles Unified School District, Sound Transit, San Diego Unified School District, the Bay Area Toll Authority, Port of Oakland, Port of Seattle, San Diego Association of Governments, San Diego County Water Authority, East Bay Municipal Utility District, Metropolitan Water District of Southern California, San Bernardino Association of Governments and Bay Area Rapid Transit.

Will Frymann
Executive Director

560 Mission Street, Floor 3
San Francisco, CA 94105

Telephone: 415.315.3901

will.frymann@jpmorgan.com

Role: Day-to-day coverage

Resume: Will has spent more than 10 years working with municipal water, wastewater, power and gas utility clients throughout the US and has focused particularly on California. At J.P. Morgan, Will works as part of the firm's Infrastructure Group and is focused on structured financings, project finance and public private partnerships. Prior to joining J.P. Morgan, Will was a lead financial advisor on over \$15 billion in financings. Will worked closely with the Contra Costa Water District, Los Angeles Department of Water and Power, CPS Energy and numerous others. Will graduated from UCLA with a BS in Cognitive Science and from UC Berkeley with an MBA.

Jack O'Connell
Analyst

560 Mission Street, Floor 03
San Francisco, CA 94105

Telephone: 415.315.8703

jack.oconnell@jpmorgan.com

Role: Transaction support and deal execution

Resume: Jack O'Connell joined J.P. Morgan's Public Finance Western Group in August of 2017. He provides analytical coverage of many of J.P. Morgan's Southern California general municipal, public power, and water and wastewater clients. Leila holds a Bachelor of Arts in Economics and Philosophy from Columbia.

Long-Term Underwriting & Investor Marketing

Spencer Barton

Vice President

383 Madison Avenue, Floor 8
New York, NY 10179

Telephone: (212) 834-7155
spencer.barton@jpmorgan.com

Role: Long-Term Underwriting

Resume: Spencer Barton is a Vice President on the Public Finance Syndicate Desk where she is responsible for pricing tax-exempt and taxable bond transactions for a wide array of municipal issuers. Prior to joining the Syndicate desk, Spencer worked in the Public Finance Debt Capital Markets Group, where she was responsible for conducting pricing analysis for municipal issuers across all sectors, writing and distributing weekly market updates to J.P. Morgan's issuer clients, and liaising information among the various banking teams and the Sales, Trading, and Syndicate desks. Spencer graduated from Georgetown University with a major in Finance.

Marshall Kitain

Executive Director, Head of Credit Analysis and Investor Marketing

383 Madison Avenue, Floor 8
New York, NY 10179

Telephone: 212.834.5673
marshall.r.kitain@jpmorgan.com

Role: Issuer credit and investor marketing

Resume: Marshall Kitain has twelve years of experience working in J.P. Morgan's Public Finance Group. In his role as Executive Director and Head of the Municipal Credit Analysis and Investor Marketing team, Marshall develops marketing and credit strategies to best position new issue transactions, leads J.P. Morgan's municipal investor outreach efforts, including working directly with buy-side credit analysts on primary and secondary market opportunities, and runs the desk analyst and credit strategy function for J.P. Morgan's municipal secondary market trading team. A Smith's Research municipal all-star, Marshall has led marketing efforts for multiple Bond Buyer deal of the year winners, including the 2014 southeast winner for the Louisiana State Bond Commission and the 2014 southwest winner for the Regional Transportation District of Colorado. In 2012, he led the fixed income investor marketing for the Carlsbad Desalination Project, Project Finance Magazine's "North American Water Deal of the Year". Marshall graduated with highest honors from the University of Pennsylvania with a B.A. in Economics and Political Science and holds a M.B.A. from the Stern School of Business at New York University.

ATTACHMENT 4



Santa Clarita Valley Water Agency

Response to Request for Underwriting Services

November 14, 2018



November 12, 2018

Mr. Eric Campbell
Chief Financial and Administrative Officer
Santa Clarita Valley Water Agency
27234 Bouquet Canyon Rd
Santa Clarita, CA 91350

Mr. Robert Porr
Senior Vice President
Fieldman Rolapp and Associates
19900 MacArthur Blvd., Suite 1100
Irvine, CA 92612

RE: Request for Proposals for Investment Banking/Underwriter Services

Dear Mr. Campbell and Mr. Porr,

On behalf of Wells Fargo Securities (“Wells Fargo Securities” or “WFS”), we are pleased to submit our proposal to provide investment banking services to Santa Clarita Valley Water Agency (“the Agency”). We are confident that given Wells Fargo’s strong capital position, broad distribution capabilities, and most importantly our team’s longstanding relationship with the Agency, we will serve as an invaluable partner in helping the Agency access the capital markets for the proposed refunding.

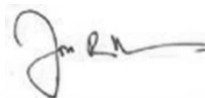
- **Commitment to Santa Clarita Water Agency.** Wells Fargo is proud to have a longstanding relationship with the Agency providing underwriting, credit and treasury management services. Most recently, the WFS financing team served as the sole underwriter on the Agency’s Refunding Revenue Bonds, Series 2017A. Wells Fargo also currently serves as a credit provider to Agency through our provision of a \$22.83mm 2008A Letter of Credit agreement for Castaic Lake Water Agency that expires on August 30th 2019.
- **Experience with California Water Agencies.** Wells Fargo has extensive experience working with California water agencies. Since 2015, we served as senior manager on over \$3.1 billion of California water financings for some of California’s largest wholesale and retail water agencies including the Los Angeles Department of Water and Power, Santa Clara Valley Water District, Calleguas Municipal Water District, Water Replenishment District of Southern California and Antelope Valley- East Kern Water Agency.
- **Financial Strength and Stability.** Wells Fargo Bank, N.A. (“WFBNA”) is widely regarded as one the strongest and most financially stable banks in the world, with credit ratings of “Aa2/AA-/AA”. Wells Fargo & Company’s (“WFC”) market capitalization of over \$250 billion is the third largest among its North American peers¹. WFBNA regularly utilizes its balance sheet to support our clients in many ways, including a full range of operating and debt-related credit structures as well as committing capital to support our underwriting of fixed rate transactions.
- **Extensive Distribution Network.** Wells Fargo provides both a national distribution network focused on institutional investors, as well as a regional network geared towards retail buyers. Our retail distribution network is operated primarily through Wells Fargo Advisors, LLC (“WFA”) and our team of approximately 1,049 California based brokers will provide direct access to retail investors within the Agencies service area. WFS also has the ability to reach middle market investors, particularly for taxable bond financings. WFS has approximately 137 middle-market sales professionals in 16 regional sales offices, who have relationships with more than 6,400 middle-markets investors.

We look forward to the opportunity to serve the Agency on the potential transaction. We believe we have the right team to deliver the best overall quality and execute the financing to achieve the lowest costs available in market. If you have any questions, please don’t hesitate to reach out to any of the following team members below. Thank you again for the opportunity.

Sincerely,



Michael Engelbrecht
Managing Director and Co-Head of Utilities
Wells Fargo Securities
P: (213) 253-7219
michael.j.engelbrecht@wellsfargo.com



Jon Hansen
Senior Vice President
Wells Fargo Bank, N.A.
P: (213) 253-7235
jon.r.hansen@wellsfargo.com

¹ Source: Bloomberg as of November 9, 2018

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II. Questions.	
1. Describe your firm’s retail and institutional sales capability related to tax-exempt financings. Please provide an example of your firm’s pricing of an AA-rated California water transaction for a par amount in a range of \$30 – \$45 million completed within the last six months.	1
2. Discuss your ideas on various call features that may be recommendable for the Agency’s proposed transaction.	3
3. In light of the current conditions in the municipal marketplace, discuss your structuring and overall marketing approach for the 2019 Bonds. Provide your firm’s forecast of tax-exempt interest rates for the remainder of the year and through June 2019.	3
III. Qualifications.	
1. List or summarize your firm’s experience as senior manager for California-based water enterprise revenue bonds in the last 3 years.	7
2. Provide a proposed project team, including your underwriter, including resumes and roles of each team member. Provide each team member’s experience over the last 3 years with: California water enterprise revenue bonds, revenue certificates of participation (senior managed transactions only)	8
IV. Fees.	
Provide a detail of your proposed fees and expenses for the financing, and any assumptions used in deriving this fee structure. Include takedowns broken out by maturity. For consistency of comparison, please assume a par amount of \$35 million with a 30 year term.	8

Include the cost of underwriter’s counsel as a fixed expense item, and which firm and contact person you propose to retain.

Appendix

California-based Water Enterprise Revenue Bonds Experience	I
Finance Team Resumes	II

Important Information & Disclaimer

This document and any other materials accompanying this document (collectively, the “Materials”) are provided for general informational purposes only. By accepting any Materials, the recipient acknowledges and agrees to the matters set forth below.

Wells Fargo Securities (“WFS”) is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company (“WFC”) and its subsidiaries, including Wells Fargo Bank, N.A., acting through its Municipal Products Group. Municipal derivatives services are provided by Wells Fargo Bank, N.A., a swap dealer registered with the CFTC and member of the NFA. Commercial banking products and services are provided by Wells Fargo Bank, N.A. Investment banking and capital markets products and services provided by Wells Fargo Securities, are not a condition to any banking product or service.

Wells Fargo Bank, N.A. (“WFBNA”), as potential derivatives provider, and Wells Fargo Securities, as potential underwriter or placement agent, (collectively, for purposes hereof, “we”, or “Wells Fargo”) are providing the information contained in the Materials for discussion purposes only in anticipation of, or in connection with, engaging in arm’s length commercial transactions with you in which Wells Fargo would be acting solely as a principal or agent, as applicable, and not as a municipal advisor, financial advisor or fiduciary to you or any other person or entity regardless of whether we, or an affiliate has or is currently acting as such on a separate transaction (the use of the term “agent” does not imply any fiduciary relationship).

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The information provided herein is not intended to be and should not be construed as advice within the meaning of Section 15B of the Securities Exchange Act of 1934, and Wells Fargo will not be acting as your municipal advisor under the municipal advisor rules (“Muni Advisor Rules”) of the Securities and Exchange Commission (“SEC”) and the SEC’s guidance in its Registration of Municipal Advisors Frequently Asked Questions dated May 19, 2014, as supplemented (collectively, “Muni Advisor Rules”).

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Any municipal underwriting, commercial paper and remarketing rankings referenced herein represent combined totals for WFBNA MPG and WFSLLC. Non-municipal underwriting, commercial paper and remarketing rankings referenced herein represent totals for WFSLLC only. Source information for any ranking information not otherwise provided herein is available on request. Any rankings referencing competitive municipal new issues for time periods prior to 2011 include issues underwritten by WFCS. Underwriting activities of WFCS are not managed or otherwise controlled by WFBNA MPG or WFSLLC.

If the Materials are being provided to you under any of the following events, the information contained in the Materials and any subsequent discussions between us, including any and all information, advice, recommendations, opinions, indicative pricing, quotations and analysis with respect to any municipal financial product or issuance of municipal securities, are provided to you in reliance upon the Swap Dealer, Bank, RFP, IRMA exemptions and underwriter exclusion, as applicable, provided under the Muni Advisor Rules. In the event the Swap Dealer, Bank, RFP, IRMA exemptions, or underwriter exclusion do not apply, the information included in the Materials are provided in reliance on the general information exclusion to advice under the Muni Advisor Rules.

In the event that you have provided us with your written representation in form and substance acceptable to WFBNA that you are represented by a “qualified independent representative” as defined in the Commodity Exchange Act (“CEA”) with respect to any municipal derivative or trading strategy involving municipal derivatives described in the Materials, we have provided you with our written disclosure that we are not acting as an advisor to you with respect to the municipal derivative or trading strategy pursuant to Section 4s(h)(4) of the CEA and the rules and regulations thereunder, and have taken certain other steps to establish the “Swap Dealer exemption” under the Muni Advisor Rules.

Any information related to a bank-purchased bond transaction (“Direct Purchase”) included in the Materials is a product offering of WFBNA or a subsidiary thereof (“Purchaser”) as purchaser / investor. WFS will not participate in any manner in any Direct Purchase transaction between you and Purchaser, and Wells Fargo employees involved with a Direct Purchase transaction are not acting on behalf of or as representatives of WFS. The information contained herein regarding Purchaser’s Direct Purchase is being provided to you by WFS only for purposes of providing financing alternatives that may be available to you from WFC and its affiliates. Information contained in this document regarding Direct Purchase is for discussion purposes only in anticipation of engaging in arm’s length commercial transactions with you in which Purchaser would be acting solely as a principal to purchase securities from you or a conduit issuer, and not as a municipal advisor, financial advisor or fiduciary to you or any other person or entity regardless of whether Purchaser, or an affiliate has or is currently acting as such on a separate transaction. Additionally, Purchaser has financial and other interests that differ from your interests. Purchaser’s sole role would be to purchase securities from you (or the conduit issuer). Any information relating to a Direct Purchase is being provided to you pursuant to and in reliance on the “Bank exemption” under the Muni Advisor Rules and the general information exclusion to advice under the Muni Advisor Rules.

In the event the Materials are being provided in connection with a RFP, the SEC exempts from the definition of municipal advisor “any person providing a response in writing or orally to a request for proposals or qualifications from a municipal entity or obligated person for services in connection with a municipal financial product or the issuance of municipal securities; provided however, that such person does not receive separate direct or indirect compensation for advice provided as part of such response” (“RFP exemption”). In such event, we have relied upon the RFP exemption, and on your distribution and execution of this RFP through a competitive process. In the event WFBNA MPG is the party providing the Materials responses to all questions, certifications, attestations, information requests, and similar in the RFP or RFQ to which this response relates are specifically limited to, in context of, and as applied to, WFBNA MPG in its capacity as a separately identifiable department of a national bank that is registered as a municipal securities dealer with the Securities and Exchange Commission, Office of the Comptroller of the Currency, and Municipal Securities Rulemaking Board; and not on behalf of Wells Fargo Bank, N.A., unless specified otherwise in our response.

In the event that you have provided us with your written representation that you are represented by an independent registered municipal advisor (an “IRMA”) within the meaning of the Muni Advisor Rules, with respect to the transaction(s) described in the Materials we have provided you with our written disclosure that we are not a municipal advisor to you and are not subject to the fiduciary duty under the Muni Advisor Rules, if applicable, and have taken certain other steps to establish the “IRMA exemption” under the Muni Advisor Rules.

In the event that you have engaged us to serve as an underwriter with respect to the municipal securities issuance described in the Materials we have provided you with our written disclosure regarding our role as an underwriter, that we are not a municipal advisor to you and are not subject to the fiduciary duty under the Muni Advisor Rules, if applicable.

If savings threshold level information is contained herein, please be advised that WFS is not recommending nor providing advice regarding which maturities should be refunded by you.

See additional important disclosures at the end of the Materials. 4Q2018

II. Questions

1. Describe your firm’s retail and institutional sales capability related to tax-exempt financings. Please provide an example of your firm’s pricing of an AA-rated California water transaction for a par amount in a range of \$30 - \$45 million completed within the last six months.

WFS’ distribution network is comprised of three distinct, in-house channels comprised of: (1) institutional sales, (2) middle market sales, and (3) retail brokerage. The participation of each segment varies with the interest rate environment, transaction size, credit ratings, maturity, redemption features, and coupon structure. As such, WFS distribution network enables the firm to adjust the marketing approach and strategy for the Agency’s bonds under any foreseeable market condition. While some firms are able to match WFS’ capabilities in one specific channel, there are very few underwriters that are able to match WFS in all three channels. Further, with WFS’ broad distribution network and active participation in both the primary and secondary markets, WFS brings to the Agency an extensive knowledge of the municipal market and understanding of municipal bond investors. WFS will utilize all three distribution outlets to market and sell the Agency’s transaction.

1. **Municipal Institutional Sales.** WFS is a Top 3 trading counterparty with many of the most influential institutional investors². Our long-standing relationships with Tier 1 investors gives WFS a competitive advantage in price discovery and delivering aggressive pricing on new issues as demonstrated by our successful financing for the Agency’s 2017 sale. WFS’ municipal institutional sales force is comprised of 16 sales professionals in 4 offices which distribute municipal products in the primary and secondary markets, serving the investment and risk management needs of institutional investors nationwide. WFS’ account base of over 425 institutions encompasses the key national buyers of municipal securities and the top 50 national money market funds, with assets over \$1 billion, including the Agency’s top holders of outstanding Parity Bonds such as Vanguard, PIMCO and TIAA-CREF Investment Management³.

2. **Middle-Market Sales.** One of Wells Fargo’s competitive advantages is our ability to reach middle market investors. Middle market investors (also known as Tier 2 and Tier 3 institutional investors) are smaller institutions, including state and local community banks, asset managers, regional depositories, corporate trust departments, municipalities, corporations, and local insurance companies. Most national dealers do not focus on or have access to this investor base. While Wells Fargo is a top Tier 1 institutional investor counterparty as described above, Wells Fargo is also one of a few dealers that have relationships with this important but not deeply covered middle-market audience. Many of these accounts are long-standing, legacy relationships, developed and grown over the years with regional firms and many are considered exclusive to Wells Fargo.

Middle Market Sales Professionals			
Location	#	Location	#
Atlanta, GA	4	Memphis, TN	9
Boston, MA	8	Minneapolis, MN	13
Charlotte, NC	28	New York, NY	10
Chicago, IL	10	Omaha, NE	5
Dallas, TX	8	Phoenix, AZ	8
Denver, CO	3	Sacramento, CA	5
El Segundo, CA	6	San Francisco, CA	7
Los Angeles, CA	7	Seattle, WA	6

To cover this base of investors, Wells Fargo has 137 middle-market sales professionals, including 13 in Southern California, in 16 regional sales offices through our affiliate Wells Fargo Securities, LLC (“WFSLLC”). These professionals maintain relationships with more than 6,400 middle-markets investors. In addition to purchasing the debt of large recognizable issuers, such as the Metropolitan Water District of Southern California’s 2018 Series A, Revenue Bonds and the State of California’s recent lease revenue bonds, the added benefit of middle markets customers comes from their knowledge of local credits and regions. Orders from middle market investors can range from small odd lots to \$50 million+ blocks of bonds and in many instances has made a significant difference in new-issue pricings by increasing the book of orders thus creating competition for bonds and ultimately lowering overall yields.

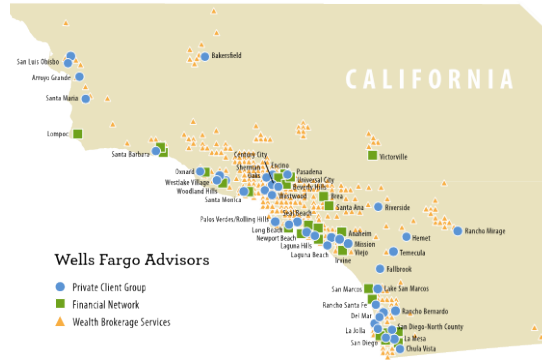
3. **Retail Sales.** WFS’ retail distribution is effected through our retail affiliate Wells Fargo Advisors (“WFA”), which is the trade name for Wells Fargo Clearing Services, LLC (“WFCS”) and Wells Fargo Advisors Financial Network, LLC (“WFAFN”), two non-bank separate registered broker-dealers (members FINRA and SIPC). WFA is the 3rd largest retail brokerage network in the country⁴ with over 14,226 full-service financial advisors including over 1,049 financial

² 2016 Greenwich Associates 2016 Municipal Bond and Derivatives Study

³ Ipreo as of November 7, 2018

⁴ Peer group analysis based on number of financial advisors as disclosed in company reports, as of 1Q2018. ⁴ WFA statistical information as of 1Q2018. Data is a combination of Wells Fargo Clearing Services, LLC; Wells Fargo Advisors Financial Network; LLC and First Clearing, LLC. First Clearing, LLC is a registered broker-dealer and non-bank affiliate of Wells Fargo & Company

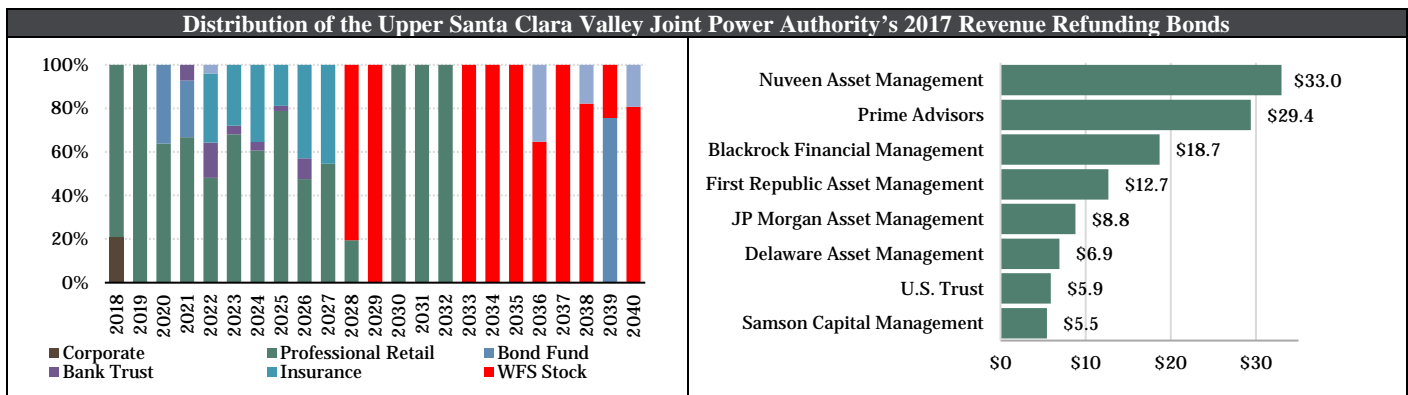
advisors and 634 support in California.⁵ Our retail system is fully-integrated (as opposed to a third-party distribution model), so we have control over a transaction’s economics and can provide more incentive for retail brokers to participate. WFA’s significant retail brokerage presence throughout California provides a considerable advantage in our efforts to distribute bonds efficiently at attractive pricing levels for the Agency. We would especially highlight that WFA’s retail clients have already demonstrated their appetite for California paper with **over 281,800+ WFA individual retail accounts owning over \$18.2 billion of California paper, including 174 accounts with \$13.7 million of the Upper Santa Clara JPA bonds and \$10.5 million of Castaic Lake Water Agency bonds.**⁶ WFS has the ability to gauge retail investor interest largely due to WFA's 9-member California trading desk. This local trading desk focuses solely on trading municipal bonds, for purchase or sale to the WFA investor base. Our average daily inventory of bonds targeted for retail investors exceeds \$200 million. WFS' California underwriters continuously receive up-to-date market intelligence on retail investor appetite.



Wells Fargo Bank N.A. and Wells Fargo Advisors Presence			
	National	California	Los Angeles ⁽¹⁾
Number of Wells Fargo Advisors Accounts	19 million +	1 million +	N/A
Number of Wells Fargo Advisors Salespeople	14,226	1,049	750+
Wells Fargo Advisors Locations	1,375	122	16
Wells Fargo Bank, N.A Licensed Financial Specialist	3,609	803	215
Wells Fargo Bank, N.A Store Locations	6,200	1,041	253
Tax-Exempt Bond Holdings ⁽²⁾	\$83.3 billion	\$19.1 billion	N/A
Santa Clarita Valley Water Agency	\$25,980,000	240 Accounts	

N/A – not available or proprietary information, ⁽¹⁾Los Angeles County Licensed Financial Advisors and Financial Specialists, ⁽²⁾WFA Holdings as of 6/22/18

Proven Capabilities to Distribute the Agency’s Bonds. As an example of our ability to market the Agency’s Bonds and distribute bonds to both middle market and professional retail, we show a breakdown of investor participation for the Upper Santa Clara Valley Joint Power Authority’s recent \$50.745 million, 2017-A Refunding Revenue Bonds. WFS was able to generate approximately \$200 million in total orders. Of this amount, professional retail placed \$86.7 million in orders, representing 63% of the total book. Developing a strong base of professional retail orders, we believe, will be a critical element in aggressively pricing bonds to institutional investors. Our sales team as well as our credit team on the underwriting desk have strong relationships with the majority of these bond investing accounts.



Source: Ipreo and WFS Municipal Underwriting Desk

Proven Capabilities to Price Aggressively. \$64,010,000 Livermore Valley Financing Authority, Water Revenue Bonds, 2018 Series A. WFS served as senior manager for Zone 7 Water Agency’s inaugural bond transaction on March 28, 2018. The Agency received initial credit ratings of AA+ and AA from S&P and Fitch, respectively. In spite of aggressive pricing levels, extensive pre-marketing resulted in \$256 million of orders allowing WFS to reprice at lower spreads to MMD. The final pricing produced tighter spreads to MMD than a much larger Los Angeles Department of Water

⁶As of 6/22/2018

and Power transaction that priced the previous day.

2. Discuss your ideas on various call features that may be recommendable for the Agency's proposed transaction.

Incorporating Flexibility through Shorter Call Options. In order to offset the loss of flexibility associated with the elimination of tax-exempt advance refundings, we have recently seen increased issuance and interest in shorter call provisions, variable rate debt, and/or short-duration instruments. While we do not believe that variable rate debt and/or short-duration put bonds are appropriate in the context of the proposed plan of finance, the use of shorter call options may be an attractive way to add flexibility without adding significant additional risks. However, given the size of the proposed offering, the incorporation of various call options (and coupons) may be limited to, but it can also present an opportunity to diversify the offering and attract the broadest array of potential investors. As such, it may be worth carving out a portion of the upcoming offering to include call options in some or all of these years.

Assessing the Benefit of Short Call Options. While shorter call provisions create enhanced flexibility and greater opportunity to execute refundings, shorter call options can come at an incremental cost if the call option ultimately goes unexercised. As such, in order to fairly compare bonds with different couponing and call features, the theoretical value of the embedded call options should be taken into account. To appropriately make such a comparison, Wells Fargo has developed a proprietary model that enables a yield comparison across multiple call and coupon scenarios. As part of this analysis, bonds with a longer call will have a lower option value (since it is less likely, in any future interest rate environment, that the call option will be exercised), whereas bonds with a shorter call will have a higher option value (since it is more likely the option will be exercised). By then combining the yield-to-maturity of a bond and the hypothetical option value, we are able to calculate an Option Adjusted Yield (“OAY”), which enables comparisons among bonds across a range of coupon and call structures.

To that end, we show in the table to below the results of our option-value analysis for 20, 25 and 30-year maturities. As shown on the top portion of the table, 5% coupon bonds with 5- and 7-year do not produce enough option value to fully offset the impact the higher yields-to-maturity of these short call bonds. We would also note that in addition to evaluating 5% coupon bonds, we have also evaluated above 4% coupon bonds both with 10-, 7-, and 5- year calls. As shown, longer dated maturities with 4% coupon bonds produces the lowest option adjusted yield of any of the alternatives. However, given -year calls on a 4% coupon would be difficult to sell in the current market, the Agency may want to consider issuing a 25 year maturity with a 7-year call option. This analysis, however, is dynamic and can depend on market conditions at the time of sale, though as clearly demonstrated, there may be various advantages to evaluating the use of shorter call options and/or lower coupons.

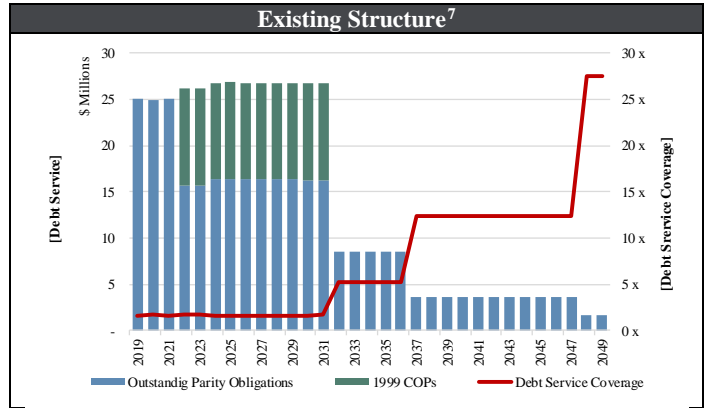
Cost/Benefit of Shorter Call Options																
		10-Yr Par Call					7-Yr Par Call					5-Yr Par Call				
Maturity	Coupon	Option				Relative Value	Option				Relative Value	Option				Relative Value
		YTC	YTM	Value	OAY		YTC	YTM	Value	OAY		YTC	YTM	Value	OAY	
2038	5.00%	3.41%	3.96%	0.35%	3.61%	0.00%	3.31%	4.15%	0.50%	3.64%	-0.04%	3.21%	4.30%	0.64%	3.66%	-0.06%
2038	4.00%	3.86%	3.91%	0.20%	3.68%	-0.07%	3.86%	3.93%	0.26%	3.64%	-0.03%	3.86%	3.95%	0.31%	3.60%	0.01%
2043	5.00%	3.53%	4.15%	0.52%	3.64%	0.00%	3.43%	4.31%	0.64%	3.66%	-0.02%	3.33%	4.43%	0.76%	3.67%	-0.04%
2043	4.00%	4.00%	4.00%	0.31%	3.66%	-0.03%	4.00%	4.00%	0.36%	3.61%	0.02%	4.00%	4.00%	0.40%	3.57%	0.06%
2048	5.00%	3.60%	4.27%	0.65%	3.61%	0.00%	3.50%	4.39%	0.76%	3.63%	-0.02%	3.40%	4.50%	0.86%	3.64%	-0.02%
2048	4.00%	4.10%	4.10%	0.41%	3.68%	-0.07%	4.00%	4.10%	0.45%	3.64%	-0.02%	4.10%	4.10%	0.49%	3.60%	0.01%

*Market rates as of 11/1/2018. The Option Values are determined using a discrete time, binomial tree without explicit mean reversion, 15% short rate volatilities and no option exercise costs.

3. In light of the current market conditions in the municipal marketplace, discuss your structuring and overall marketing approach for the 2019 Bonds. Provide your firm's forecast of tax-exempt interest rates for the remainder of the year and through June, 2019.

The selection of term and amortization structures are essentially determined by total debt service cost, flexibility to issue additional bonds in the future, and more importantly the regional divisions covenant to maintain debt service coverage above 1.20x. Our recommendation below is based on multiple factors which are outlined in the Agency's 2018-19 budget. For our analysis, we take into account current market conditions as well the Agency's forecast of issuing an additional \$39 million in FY 2022 to cover project funding over the next five years.

Current Bond Debt Structure. As shown at right, the existing Agency’s debt presently amortize through FY2049, with debt service stepping down at various intervals, including a significant step down from FY2031 to FY2032, when debt service declines by \$18.1 million from \$26.7 million to \$8.5 million. The Agency is projected debt service coverage in FY2021 of 1.54x.⁸ Assuming we hold net revenues available for FY2021 constant, debt service coverage on the existing obligations are projected to be 1.66x throughout FY2031. As displayed in the chart to the right, debt service coverage beyond 2031 begins to escalate rapidly given the significant reduction in debt service over the following 13 years. While the debt service bottleneck from 2019 - 2031 doesn’t significantly restrict the Agency’s flexibility at this time, the Agency may consider a back-loaded structure to alleviate some of the coverage concerns in early years as well as maintaining capacity to issue additional bonds in the intermediate future.



Current Market Considerations. While we recognize that back-loading principal may be a less cost effective structure, we believe there are two important market points that should be considered in the context of the Agency’s upcoming sale. First and foremost, as of November 8, 2018, the yield curve is presently very flat, with the difference between 5- and 30- year “AAA” MMD currently at 129 bps, well below the 20-year average differential of 177 bps. Secondly, though no longer at historic lows, long-term interest rates nonetheless remain extremely attractive, with 30-year “AAA” MMD still 72 bps below its 20-year average, as of November 8, 2018. These market conditions are particularly true in California, where tax reform coupled with limited supply has created historic credit spread compression for California paper specifically.

PROPOSED STRUCTURE. Based on the parameters outlined above, we have developed 2 bond structures for the Agency to consider for its upcoming issuance. For our analysis we utilized the following assumptions and the interest rate scale:

- Delivery date of May 1, 2019
- Interest rates as of November 8, 2018
- 10-year optional redemption feature
- Interest payment dates of February 1 and August 1
- Principal payment date each August 1
- Cost of Issuance of \$250,000
- Underwriter’s Gross Spread of \$2.74 per bond

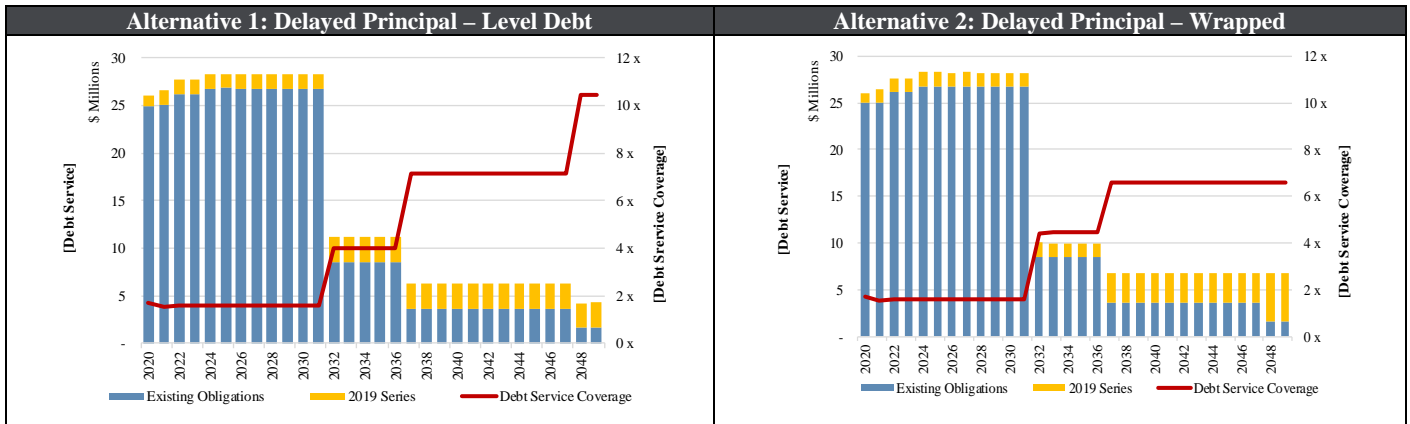
Indicative Interest Rates as of November 8, 2018				
Maturity	MMD ¹	Spread	Coupon	Yield
2019	1.92%	-13 bps	5.000%	1.790%
2020	2.08%	-14 bps	5.000%	1.940%
2021	2.15%	-15 bps	5.000%	2.000%
2022	2.22%	-15 bps	5.000%	2.070%
2023	2.30%	-13 bps	5.000%	2.170%
2024	2.38%	-11 bps	5.000%	2.270%
2025	2.46%	-9 bps	5.000%	2.370%
2026	2.56%	-7 bps	5.000%	2.490%
2027	2.65%	-5 bps	5.000%	2.600%
2028	2.74%	-	5.000%	2.740%
2029	2.83%	+5 bps	5.000%	2.880%
2030	2.90%	+8 bps	5.000%	2.980%
2031	2.95%	+11 bps	5.000%	3.060%
2032	3.00%	+13 bps	5.000%	3.130%
2033	3.05%	+15 bps	5.000%	3.200%
2034	3.10%	+15 bps	5.000%	3.250%
2035	3.15%	+55 bps	4.000%	3.700%
2036	3.20%	+15 bps	5.000%	3.350%
2037	3.24%	+60 bps	4.000%	3.840%
2043 Term	3.38%	+18 bps	5.000%	3.560%
2048 Term	3.44%	+70 bps	4.000%	4.140%

¹Source: Thomson Reuters as of November 8, 2018, Assumes Interpolated MMD for the month of November.

⁷ Agency FY2018-19 Budget, pages 71 & 210

⁸ Agency FY2018-19 Budget, page 210

Amortization Structures. While we recognize most issuers’ generally conservative posture and preference for level debt service structures, we note that the market conditions described above – a flat yield curve and low interest rates – generally support the issuance of long-dated, fixed rate bonds which take advantage of the significant relative value of long-dated debt. To help evaluate a spectrum of potential alternatives, we show in the graphics below two potential amortization structures, all of which assume a \$35 million project fund, 30-year final maturity, and the 10-year par call scale provided above. Our analyses further assume that no debt service reserve fund (“DSRF”) will need to be funded on this transaction. As shown below, our alternatives include: (1) a “delayed” principal solution, with principal amortization delayed until FY2032 but level thereafter, and (2) a fully wrapped solution with a longer average life than Alternative 1 with principal amortizing in FY2037.



As you can see, a Wrap Debt Service structure aims to create a more aggregate level debt service approach where each consecutive bond issue is wrapped around existing debt service. The benefits of this structure allow the Agency to realize a lower annual debt service payment of approximately \$1.165 million in FY2032 – 2036. However, it would load a disproportionate amount of debt service payments beginning in FY2037 when debt service increases by an average of \$500,000 out to FY2047, and \$2.480 million in the final two years of the financing compared to Alternative 1. In the table below, we provide the summary of our financing results.

Comparison of Financing Results		
	Alternative 1: Delayed Principal – Level Debt	Alternative 2: Delayed Principal – Wrapped
Par Amount	\$33,085,000	\$34,100
Premium	2,258,185	1,244,504
Project Fund	\$35,000,000	\$35,000,000
Total Debt Service	\$65,572,125	\$70,249,912
Arbitrage Yield	3.806%	3.959%
All-in TIC	4.085%	4.175%

Results are generated based on the assumptions provided in the prior page

Interest Rate Projections. The Federal Reserve raised interest rates for the third time this year in September and is expected to do so at least 1 more times before year-end. According to Bloomberg (as of January 18, 2018), the market implied probability of one additional hike in 2018 is 70%. As a result, both taxable and tax-exempt interest rates are expected to, at best, trade within a range with the yield curve maintaining its flat shape for the foreseeable future.

Wells Fargo’s economists also believe that the Fed will continue to increase rates in 2018 and in 2019 as inflation pressures continue to build and the economy strengthens. **Wells Fargo’s economists project by the end of 2018 that Fed Funds will reach 2.50% and reach 3.00% by the end of 2019.** Importantly, Wells Fargo’s economists do not forecast as steep an increase in long-term rates as they do for short-term rates as Fed Funds are projected to increase 50 bps and the 30-yr US Treasury only 57 bps by year-end, leading to further curve flattening. As the Agency is aware, future interest rates cannot be predicted with certainty, however, it seems likely, based on futures pricing and Wells Fargo’s economic projections that

Wells Fargo U.S Interest Rate Forecast						
	2018		2019			
	3Q	4Q	1Q	2Q	3Q	4Q
Fed Funds	2.25	2.50	2.75	3.00	3.25	3.25
1-Yr TSY	2.67	2.80	3.00	3.05	3.15	3.20
5-Yr TSY	2.96	3.15	3.25	3.35	3.45	3.50
10-Yr TSY	3.14	3.35	3.45	3.55	3.65	3.70
30-Yr TSY	3.38	3.55	3.65	3.80	3.90	3.95

Source: WFS Economic Group as of October 22, 2018

rates will continue to move higher over the longer term. Since the Municipal Bonds generally experience a positive correlation with Treasuries, as such WFS expects a gradual increase in tax-exempt interest rates as well over the next 6-months.

Additional Considerations. In addition to impact of Fed policy, demand-supply factors usually result in favorable conditions for issuers during the beginning of the year (the “January Effect”). The decline in interest rates that typically occurs in January is usually followed by stabilization in February and early-March, followed by upward pressure on interest rates a few weeks into March. Some of the suspected reasons for the “January Effect” phenomena include tax harvesting by individual investors, behavioral patterns of bond fund managers, large reinvestment dollar inflows and historically low January bond supply. While the elimination of tax-exempt advance refundings under tax reform has had a significant impact on municipal supply, WFS expects a significant increase in supply beginning as early as March of 2019, particularly here in California and with Los Angeles based issuers. Based on our initial assessment, the State of California will have approximately \$6 billion of bonds callable beginning in 2019⁹. In addition, issuers such as Los Angeles Unified School District and Metropolitan Water District will have significant amount of bonds that are callable as early as July 1, 2019, all of which can be priced during the Agency’s May offering. Coupled with rising interest rates and a reduction in the demand for municipal bonds from banks, insurance companies and corporations due to tax rates, issuers such as the Agency may experience an outward pressure on spreads.

Marketing Approach. Based on the potential headwinds that the Agency might face in 2019, it is imperative that the Agency select a firm that can establish a detailed marketing plan that includes broad investor outreach and a thoughtful approach to expanding and building a strong investor base. Having served as sole manager on the Agency’s Series 2017 financing, we believe we are very well positioned to target an optimal set of investors likely to deliver the Agency the lowest cost of funds. The development of a thoughtful marketing plan will be particularly relevant for the Series 2019 transaction, as a negotiated financing provides a unique opportunity for the Agency to interact with investors and optimize the various finance plan components discussed earlier in our response. As we focus on various ways to craft and develop a marketing plan, we focus our attention below on a two-step process of determining: (i) the means through which these messages can be most effectively communicated, and (ii) the key targets who represent likely buyers of the financing investors who can diversify the Agency’s buyer base.

The Agency enjoys very strong credit rating from S&P and in particular, services a broad and diverse affluent area of northern Los Angeles. Since the Agency’s upcoming capital improvement plan is relatively sizeable, it important to convey the type of capital projects that are being constructed in addition to the Capacity Fees and property tax revenues that will be covering the debt service payments.

Step 1 – Communicating. As Sole Manager, WFS can effectively deliver the salient points of the Agency’s financing and credit through a variety of communication modes and methods. Key steps in our communication efforts with investors would include:

- 1) **Internet Investor Roadshow** – For institutional investors, an internet roadshow provides the Agency with an excellent opportunity to highlight the Agency’s credit strengths, ongoing and upcoming capital projects, and details on the planned financing. Potential investors can log-in to a live or recorded roadshow directly from their office and view the presentation. A link to the POS will also accompany the presentation allowing for easy access to additional pertinent information. *Primary Target: Institutional*
- 2) **One-on-One Meetings or Calls** – Another option for the Agency is to conduct one-on-one visits or conference calls with potential institutional investors, if necessary. An important aspect of having open lines of communication is the ability to benefit from reverse inquiries from large buyers which will benefit the Agency on not only this financing, but on future transactions as well. WFS will facilitate these meetings or calls with investors. *Primary Target: Institutional*
- 3) **Internal Sales Force “Teach-Ins”** – In order to ensure that the sales force is equipped with the necessary information to educate investors on Agency’s credit, Wells Fargo may conduct internal sales force “teach-ins” in person or via conference calls. These “teach-ins” will be designed to equip the sales force with the information necessary to market the Bonds to the broadest base of investors possible, including California-specific bond funds, professional retail accounts, and middle market buyers. *Primary Target: Retail, Middle Market and Institutional*

⁹ Source: EMMA, Bloomberg and State of CA CAFRs

Step 2 – Targeting Investors. In marketing the Agency’s offering, Wells Fargo’s primary goals are to maximize demand and ensure strong placement of the Agency’s bonds at the lowest possible cost. We believe the key to achieving these objectives is generating local retail investor demand (including professional retail), followed by national retail investors, CA specific institutional investors and other Tier 1, 2 and 3 institutional investors (including middle market). In California, demand has primarily come from professional retail investors for bonds maturing through 15-years, with demand thereafter principally concentrated among bond funds, insurance companies, hedge funds, and bank portfolios. The following strategies will be implemented to target these investors.

Stimulate Retail Participation. Expanding retail marketing efforts can be accomplished in a variety of ways, some of which are described earlier. Early release of the POS, at least one week prior to pricing ensures that investors have advance notice and access to the disclosure document for any necessary due diligence. Wells Fargo may hold a special retail syndicate call (preferably 3-5 days prior to pricing). Our team will also facilitate internal retail brokerage sales calls and distribute an internal Sales Point Memorandum (containing financing and credit highlights) for optimal distribution channel interest.

Current Holders and Targeted Investors. While Wells Fargo will employ a broad marketing strategy, we will first focus on current holders of Agency’s Bonds. In addition to the current Agency’s bondholders, we will aggressively target the top California-specific bond fund and professional retail, which we anticipate being influential price drivers looking to diversify their portfolio.

III. Qualifications

1 List or summarize your firm’s experience as senior manager for California-based water enterprise revenue bonds in the last 3 years.

Water Financing Expertise. WFS has a long history of serving California water and sewer issuers by underwriting primary offerings, serving as a remarketing agent on variable rate bonds and dealer on commercial paper programs, and providing secondary market liquidity. **Since 2015, Wells Fargo Securities has senior managed more than \$3.1 billion of water revenue bond financings for California utilities.** During 2016 and 2017, **WFS is the #2 ranked underwriter of California Water & Sewer revenue bonds¹⁰,** serving as senior manager on over \$1.45 billion of California water and sewer financings. This includes transactions for the Agency, Los Angeles Department of Water and Power, Santa Clara Valley Water District, the City of San Diego, Kern County Water Agency, Calleguas Municipal Water District, Oakdale Irrigation District, Fresno Irrigation District, Cawelo Water District, Semitropic Water Storage District, and Antelope Valley-East Kern Water Agency. Furthermore, **WFS served as the sole manager for the Agency’s \$50,745,000 Refunding Revenue Bonds, Series 2017A.** Our experience serving as underwriter provides us with invaluable experience speaking with investors and rating agencies about the key trends and issues impacting California water issuers.

Select California Water Revenue Bonds Financings				
<p>Metropolitan Water District of Southern California \$99,075,000 Water Revenue Bonds <i>Sole Manager June 2018</i></p> 	<p>Livermore Valley Water Financing Authority \$64,010,000 Water Revenue Bonds <i>Senior Manager April 2018</i></p> 	<p>Semitropic Improvement District \$52,375,000 Water Revenue Bonds <i>Sole Manager September 2017</i></p> 	<p>Upper Santa Clara Valley Joint Powers Authority \$50,745,000 Water Revenue Bonds <i>Sole Manager September 2017</i></p> 	<p>Metropolitan Water District of Southern California \$95,625,000 SIFMA Index Bonds <i>Sole Manager June 2017</i></p> 
<p>Mesa Water District \$29,295,000 Revenue COPBonds <i>Sole Manager May 2017</i></p> 	<p>Los Angeles Department of Water and Power \$628,615,000 Water Revenue Bonds <i>Senior Manager April 2016</i></p> 	<p>Santa Clara Valley Water District \$149,390,000 Water Revenue Bonds <i>Senior Manager March 2016</i></p> 	<p>Kern County Water Agency \$88,900,000 Water Revenue Bonds <i>Sole Manager March 2016</i></p> 	<p>Calleguas Municipal Water District \$27,585,000 Water Revenue Bonds <i>Sole Manager March 2016</i></p> 

¹⁰ Source: Thomson Reuters SDC; CA water & sewer revenue new issues underwritten by WFS from 1/1/16 – 12/3/17, true economics to book runner

Please refer to **Appendix I** for a list of Wells Fargo Water Transactions Since 2015.

2 Provide a proposed project team, including project team including your underwriter, including the resumes and roles of each team member. Provide each team members experience over the last three years with California water enterprise revenue bonds, revenue certificates of participation and note/highlight tax-exempt transaction (senior managed transactions only)

To effectively serve the Agency, WFS has assembled a group of seasoned municipal professionals with extensive experience underwriting California water revenue bond transactions including the Agency’s Refunding Revenue Bonds, Series 2017A.

Michael Engelbrecht, Managing Director, will serve as the primary, day-to-day contact for Castaic Lake Water Agency and will be responsible for the overall coordination of WFS’ investment banking services. Michael has more than 29 years of experience in the financial services industry and is primarily focused on serving municipal water utilities throughout California. Michael has served as a lead banker on approximately \$2 billion senior managed California enterprise revenue bonds and revenue certificates of participation financings since the start of 2014. Clients served by Michael include Los Angeles Department of Water & Power, Metropolitan Water District of Southern California, Semitropic Water Storage District, Calleguas Municipal Water District, Water Replenishment District of Southern California, Zone 7 Water Agency, Santa Clara Valley Water District, and Antelope Valley-East Kern Water Agency. **Scott Goldstein, Director**, will provide quantitative structuring and technical expertise. Gavin has over 20 years of experience in developing innovative financing structures and models for many of the nation’s most complex issuers.

Walker McQuage, Managing Director, is the head of Wells Fargo’s municipal underwriting team and will be the lead underwriter for the Agency’s 2018 Bonds. Walker most recently served as the underwriter on the Agency’s Series 2017A Bonds. Clients served by Walker include, the Agency, East Bay Municipal Utility District, Mesa Water District, and San Francisco Public Utilities Commission. **Parks Lineberger**, Director, is responsible for underwriting California tax-exempt bonds and nationwide taxable bond issues. Parks will partner with Walker to execute the sale of the Agency’s 2019 Bonds. A resume of each team member is located in **Appendix II**.

Role	Professional	Office Location	Contact Information
Investment Banking			
Lead Banker Day-to-Day Contact	Michael Engelbrecht , Managing Director	Los Angeles, CA	E: michael.j.engelbrecht@wellsfargo.com T: (213) 253-7219
Quantitative Analytics Specialist	Scott Goldstein , Director	Denver, CO	E: scott.goldtsein@wellsfargo.com T: (303) 863-6265
Quantitative and Deal Support	Robert Suh , Associate	Los Angeles, CA	E: robert.m.suh@wellsfargo.com T: (213) 253-7265
Government Banking			
Relationship Manager	Jon Hansen , Senior Vice President	Los Angeles, CA	E: jon.r.hansen@wellsfargo.com T: (213) 253-7235
Underwriting			
Lead Underwriter	Walker McQuage , Managing Director	Charlotte, NC	E: walker.mcquage@wellsfargo.com T: (704) 410-4082
California/Taxable Underwriter	Parks Lineberger , Director	Charlotte, NC	E: parks.lineberger@wellsfargo.com T: (704) 410-3441

IV. Fees

Provide a detail of your proposed fees and expenses for the financing, and any assumptions used in deriving this fee structure. Include takedowns broken out by maturity. For consistency of comparison, please assume a par amount of \$35 million with a 30 year term. Include the cost of underwriter’s counsel as a fixed expense item, and which firm and contact person you propose to retain.

Proposed Fees. We propose a takedown structure with a flat \$2.00 per bond with no management fee. Total underwriter fees and expenses are approximately \$2.74 per bond based on a \$35mm issuance.

Based on \$35,000,000 of Revenue Bonds					
Gross Spread			Estimated Underwriters’ Expenses		
Component	\$ / Bond	\$ Amount	Component	\$ / Bond	\$ Amount
Average Takedown	2.000	70,000	Underwriters’ Counsel	0.4286	15,000
Expenses (from across)	0.740	25,744	17 CUSIPs	0.0263	922
Total Gross Spread	\$2.74	\$95,744	DTC	0.0299	800
			EOE & Ipreo ⁽¹⁾	0.1149	4,023
			Total Expenses	0.7356	25,744

⁽²⁾Assumes Sole Managed Transaction

Underwriter's Counsel. If selected as senior managing underwriter, Wells Fargo recommends Brad Patterson, Esq. from Gilmore & Bell, P.C. to serve as underwriters' counsel. Mr. Patterson has agreed to a fee of \$15,000, which will include providing a 10b5 opinion to our firm.

Brad Patterson, Esq.
Gilmore & Bell, P.C.
15 West South Temple
Salt Lake City, UT 84101
(801) 364-5080
bpatterson@gilmorebell.com

Important Information & Disclaimer Continued

The Materials are provided for general information about the transactions described herein. The Materials do not constitute an offer to sell or a solicitation of an offer to buy, or a recommendation or commitment for any transaction involving the securities or financial products named or described herein, and are not intended as investment advice or as a confirmation of any transaction. Assumptions stated herein may or may not be valid. Externally sourced information contained in the Materials has been obtained or derived from sources we reasonably believe to be reliable, but Wells Fargo Securities and WFBNA make no representation or warranty, express or implied, with respect thereto, and do not represent or guarantee that such information is accurate or complete. Wells Fargo Securities and WFBNA do not assume or accept any liability for any loss which may result from reliance thereon. Wells Fargo Securities and/or one or more of its affiliates may provide advice or may from time to time have proprietary positions in, or trade as principal in, any securities or other financial products that may be mentioned in the Materials, or in derivatives related thereto.

Terms, rates, prices and structure in the Materials are indicative only, and should not be relied upon as the terms, rates, prices or structure on which we or anyone else would be willing to enter into, terminate or transfer any transaction with you, including without limit, the swap, bond or loan, letter of credit and/or remarketing agreement (if applicable), or relied upon for any other purpose. Actual rates and prices may be higher or lower depending on market conditions at the time of execution, and are subject to market conditions at deal time, final credit approval, agreement on deal terms and compliance to our satisfaction with all applicable legal and regulatory requirements, including without limit, onboarding, swap/securities trading relationship and transaction documentation. Any historical information provided in the Materials is for information only, and past performance may not be relied upon as a guarantee of future results. Examples in the Materials are hypothetical only and are not a prediction of future results. There are frequently sharp differences between projections or forecasts and the actual results achieved.

Arm's Length Relationship

All transactions described in the Materials are arm's length transactions to be negotiated by each party acting in its own best interests. The price and other terms of any transaction will be individually negotiated, and there is no assurance that they will represent the best price or terms available to you from us or other sources. Whether they are executable, indicative or illustrative, you should assume that any price we offer, quote or otherwise provide to you for entering into, transferring or terminating a transaction with WFBNA is strictly a WFBNA price and should not be considered a "market price" offered by anyone else in the relevant market. In this regard, please note that when we offer you an executable price for a swap with WFBNA, CFTC Rule §23.431 requires that we also disclose to you the "mid-market mark" of the swap in order for you to assess the material incentives and conflicts of interest we may have in connection with the swap. Information about the mid-market mark and other material disclosures regarding swaps can be found at www.wellsfargo.com/swapdisclosures. The decision whether you should enter into any transaction upon mutually agreed terms rests solely with you. Before entering into any transaction described in the Materials, you should consider whether it is appropriate for you in light of your objectives, experience, financial and operational resources, legal capacity and authority, and other relevant circumstances, and you should conduct a thorough and independent evaluation of the financial, tax, accounting, legal and regulatory characteristics, consequences, costs and risks of the transaction in light of your particular circumstances, based upon the advice of your own financial, legal, tax, accounting, and other professional advisors. Neither we nor any of our affiliates will be providing any such advice in connection with any such transaction, and neither we nor they will be acting as your agent, broker, financial advisor, municipal advisor, or fiduciary in connection with any such transaction, whether or not we or they may otherwise be engaged to act in such capacity in connection with other products or services.

Risks to Consider

While certain transactions described in the Materials may be used for hedging purposes to reduce or eliminate certain risks associated with your assets or liabilities, the effectiveness of hedging may depend upon holding these transactions to maturity and not reducing or disposing of all or any portion of the asset or liability during the term of the hedge. If a swap transaction is terminated early, or if you reduce or dispose of all or a portion of the underlying asset or liability before the transaction matures (such as prepaying a floating rate loan you hedge with a swap), then depending on the nature of the transaction, its characteristics and your position in it (e.g., buyer, seller, counterparty, etc.), you may incur a substantial loss or you may receive little or no hedging benefit from any upfront or periodic payments or exchanges or any other costs incurred in purchasing, selling, acquiring, maintaining or disposing of the transaction. You may also incur a substantial loss if you enter into a swap transaction in anticipation of hedging an asset or liability that does not materialize. You should understand that significant potential amounts could become payable by you for modifying a swap transaction, terminating it early or transferring your position in the transaction to another person or entity, or in connection with the exercise of any option or other rights under the transaction or governing documents, depending upon then existing market conditions. You should also consider that prepaying your loan or disposing of an asset or other liability does not relieve you of your obligations under a swap transaction, which may be terminated early only in accordance with the terms of the swap trading relationship documentation (such as an ISDA Master Agreement) or other transaction documents, or otherwise by mutual agreement. Such termination may require payment by you of an early termination amount, which amount may be substantial. Whether you use a swap transaction for hedging or another purpose, you should satisfy yourself that you understand these and other risks relative to the benefits you are seeking to achieve and that the transaction and risks are suitable for you. These risks are discussed in greater detail in disclosures provided to you through the following website: www.wellsfargo.com/swapdisclosures

Independent Obligation

To the extent any swap transaction described in the Materials may be used to hedge against increases in the interest expense of a loan or other financing, the swap transaction would be a separate and independent obligation and would not be contingent on whether or not any loan or other financing closes, is outstanding, or is repaid, in whole or in part, at any time, subject to any contractual requirement to terminate and settle the transaction early upon prepayment of the loan or financing or for other financing-related events. In addition, if you provide any existing or future collateral or other credit support to secure the transaction and any loan or other financing, then you would be entitled to the release of such collateral or credit support only if certain conditions contained in the related collateral agreement or credit support document are completely satisfied for both the transaction and any such loan or financing, or we otherwise reach agreement with you on alternative collateral, credit support or other arrangements.

Unmatched Terms & Conventions

If the principal amount or duration of a loan or financing differs from that of a transaction used to hedge such loan or financing, you may be exposed to risk of loss from such over-hedging or under-hedging. If any other economic terms or characteristics of a loan or financing differ from those of the related hedge, then in addition to any losses that you could incur from such differences, the hedge may create unanticipated accounting exposure or tax liability for you. To the extent fair value accounting applies to the hedge, you may have to reflect unrealized gains and losses (i.e., the so-called “mark-to-market” value of the hedge) over the life of the hedge on your balance sheet and/or income statement. If hedge accounting applies, any ineffectiveness in the hedge resulting from such differences may likewise need to be taken into account and reflected in your financial results. These swap valuation considerations may also be important to you for tax purposes, including any tax laws that may require unrealized gains or losses on swaps to be taken into account in determining your income tax liability.

Conventions used in the loan or other financing and swap markets may differ, and we are under no obligation to ensure that any swap we offer is a perfect hedge for your financing even if we provide you with both products. For example, if the method for determining a loan’s floating rate differs from that for a swap’s floating rate, the loan floating rate payments could diverge from those of the swap. Such divergence may occur by convention or as the result of contractual differences, such as in the definition of or the reset timing (e.g., 1-month or 3-month) for the London Interbank Offered Rate (LIBOR), the dates or times at which LIBOR is set, the number of days in the payment periods, any applicable fallback floating rate, or the floating rate rounding convention

Negative Interest Rates

Express wording in swap transactions is required to place a 0% floor on LIBOR or other floating benchmark rate of the swap transaction, and no such 0% floor is included in an interest rate swap or other swap transaction unless mutually agreed between the parties as reflected in the swap confirmation. Absent such floor, if a Floating Amount is negative under an interest rate swap, the Floating Rate Payer does not make such payment. Instead, the Fixed Rate Payer pays the absolute value of the negative Floating Amount in addition to the Fixed Amount. See §6.4 of the 2006 ISDA Definitions, as amended. If you wish to acquire a swap with a 0% floor, this may increase the price of your swap as reflected in a higher Fixed Rate. For further information on negative interest rates, including their effect on swaps and the loans they are hedging, see Negative Interest Rates at: www.wellsfargo.com/swapdisclosures.

Projections, Forecasts & Other Data

Although the information contained herein is derived from a source that WFBNA considers reliable, WFBNA does not guarantee the accuracy, reliability or completeness of this information and makes no representation or warranty, express or implied, with respect thereto. This information is provided as of the date(s) indicated, is subject to change without notice, does not constitute trading or investment advice or research, and has not been prepared in accordance with any laws or regulations designed to promote the independence of research. Historical data, past trends and past performance do not reflect or guarantee future results. Financial projections and economic forecasts are based on hypothetical assumptions about uncertain future market conditions and events and therefore should not be relied upon in connection with any asset, liability, transaction or otherwise, including any decision whether or when to invest or hedge or to acquire or dispose of any asset, liability or transaction. Projections or forecasts may not materialize, and reliance thereon could result in substantial losses. It is impossible to predict whether, when or to what extent rates, values and other economic factors will rise or fall, and there could be sharp differences between projections or forecasts and actual results. WFBNA makes no representation or warranty that actual results will conform to any projection or forecast and is not responsible for any loss or damage arising out of any reliance on or use of such information.

Applicability of Certain Regulations

WFBNA is a “swap dealer” as defined in the Commodity Exchange Act (“CEA”), and one or more transactions described in the Materials are “swaps” as defined in the CEA and regulations of the Commodity Futures Trading Commission (“CFTC”) or “security based swaps” as defined in the CEA and the Securities Exchange Act of 1934 and regulations of the U.S. Securities and Exchange Commission (“SEC”). From time to time, we may furnish you with certain information or request that you furnish us with certain information or representations or take other action we consider necessary or appropriate to comply with applicable legal or regulatory requirements, including the requirement that, in order to enter into a swap with us, you must be an Eligible Contract Participant (as defined in 17 C.F.R. §1.3(m)). Nothing herein or in the Materials constitutes legal advice or purports to be a complete statement of regulations applicable to swaps, matters which you should address with your own legal advisors. For purposes of CFTC Regulations 1.71 and 23.605, please note that the Materials are a “solicitation” of a swap and not a “research report” as defined therein. To the extent the Materials include a scenario analysis, such inclusion shall not supersede your right under CFTC Regulation 23.431(b) to request and consult in the design of a scenario analysis. Nothing in the Materials should be construed as a recommendation or opinion with respect to any swap or trading strategy involving a swap for purposes of CFTC Regulations Part 23 or the CEA. The Materials do not take into account your particular investment objectives, financial condition or needs and are not intended to serve as a basis for entering into a swap or to suggest, through opinion, recommendation, or otherwise, that you should enter into a particular swap or trading strategy involving a swap. You should consult with your own advisors for opinions on whether to enter into any swap or trading strategy involving a swap.

In certain cases, the transactions described in the Materials may be subject to regulations that have not yet been proposed, adopted in final form or become effective, and some or all of such regulations may have a direct or indirect impact on the substantive terms set forth hereunder. Accordingly, the parties acknowledge partial and/or incomplete information with respect to the requirements of such regulations, but acknowledge that to the extent any term contemplated hereunder is in violation of or subject to any current or future regulation, as amended from time to time, we reserve the right to amend the terms contemplated hereby or cease to offer the transaction described herein.

Wells Fargo as a Counterparty

Transactions described in the Materials are not bank deposits or FDIC insured, may expose you to the credit risk of WFBNA and therefore involve risk of loss to you apart from the market risk associated with the underlying rate, price or other economic measure on which the transaction is based. Financial information WFBNA is available at:

https://www.wellsfargo.com/invest_relations/investor_relations

Additional Information

In addition to the information furnished above, you should not enter into any swap transaction described in the Materials without reviewing and understanding our “Disclosure of Material Information for Swaps” and accompanying documents available to you at: www.wellsfargo.com/swapdisclosures

Updating the Materials

We reserve the right to amend, supplement or replace the Materials at any time, and your use of the Materials constitutes your agreement to update the Materials with any such amendments, supplements or replacements we furnish you.

Confidentiality

The information in the Materials is confidential and may not be disclosed by you to anyone without our written consent, other than to your advisors, and judicial or other governmental authorities or regulators having jurisdiction over you (including, without limitation, federal, state or local tax authorities). Notwithstanding anything to the contrary contained in the Materials, all persons may disclose to any and all persons, without limitations of any kind, the U.S. federal, state or local tax treatment or tax structure of any transaction, any fact that may be relevant to understanding the U.S. federal, state or local tax treatment or tax structure of any transaction, and all materials of any kind (including opinions or other tax analyses) relating to such U.S. federal, state or local tax treatment or tax structure, other than the name of the parties or any other person named herein, or information that would permit identification of the parties or such other persons, and any pricing terms or nonpublic business or financial information that is unrelated to the U.S. federal, state or local tax treatment or tax structure of the transaction to the taxpayer and is not relevant to understanding the U.S. federal, state or local tax treatment or tax structure of the transaction to the taxpayer.

Limitation of Liability

In no event shall Wells Fargo be liable to you or any third party for any direct or indirect, special, incidental, or consequential damages, losses, liabilities, costs or expenses arising directly or indirectly out of or in connection with the Materials.

Wells Fargo does not provide tax advice. Any tax statement herein regarding US federal tax is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding any penalties. Any such statement herein was written to support the marketing or promotion of a transaction or matter to which the statement relates. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

If you have any questions or concerns about the disclosures presented herein, you should make those questions or concerns known immediately to Wells Fargo 4Q18

Appendix I

WFS California-based Water Enterprise Revenue Bonds Senior Managed Experience					
Dated Date	Issuer	Par (\$mm)	Issue Description	Series	Bid
03/04/2015	So California Pub Pwr Au (SCPPA)	28.925	Transmission Proj Revenue Bonds	2015 Sub Series B	N
03/04/2015	So California Pub Pwr Au (SCPPA)	84.640	Transmission Proj Revenue Bonds	2015 Sub Series A	N
03/11/2015	Semitropic Improvement Dt	32.425	Second Lien Revenue Bonds	2015 Series A	N
04/15/2015	Kern Delta Water Dt	5.290	Water Revenue Refunding Bonds	Series 2015 A	N
05/20/2015	San Francisco City/Co Public Util Comm	7.530	Power Revenue Bonds	2015 Series B	N
05/20/2015	San Francisco City/Co Public Util Comm	32.025	Power Revenue Bonds	2015 Series A	N
06/10/2015	Riverside City-California	200.030	Sewer Revenue Bonds	Series 2015 A	N
06/17/2015	East Bay MUD	74.335	Water System Revenue Bonds	Series 2015 B	C
06/17/2015	East Bay MUD	110.715	Water System Revenue Bonds	Series 2015 C	C
07/01/2015	So California Metro Water Dt	188.900	Water Revenue Refunding Bonds	2015 Series A- 1 & 2	N
07/29/2015	North Kern/Cawelo Financing Auth	12.240	Water Revenue Bonds	2015 Series A	N
12/29/2015	So California Water Replenish Dt	148.345	Replenishment Assess Rev Bonds	Series 2015	N
03/30/2016	San Diego Public Facs Fin Auth	403.280	Senior Sewer Revenue Ref Bonds	Series 2016 A	N
04/05/2016	Calleguas Municipal Water Dt	27.585	Water Refunding Revenue Bonds	Series 2016 A	N
03/30/2016	Santa Clara Valley Water Dt	43.075	Rev Certificates of Participation	Series 2016 C	N
03/30/2016	Santa Clara Valley Water Dt	106.315	Water Sys Ref Rev Bonds	Series 2016 A	N
04/07/2016	Kern Co Water Agency	9.335	Water Revenue Refunding Bonds	Series 2016 B	N
04/07/2016	Kern Co Water Agency	79.565	Water Revenue Refunding Bonds	Series 2016 A	N
04/14/2016	Antelope Villy-East Kern Wtr Agy	71.090	Water Revenue Refunding Bonds	Series 2016	N
04/21/2016	Los Angeles Dept of Wtr & Power	153.615	Water System Revenue Bonds	2016 Series A	N
04/21/2016	Los Angeles Dept of Wtr & Power	475.000	Water System Revenue Bonds	2016 Series A	N
09/08/2016	Oakdale Irrigation Dt	26.165	Water Revenue Refunding Bonds	Series 2016	N
09/08/2016	Fresno Irrigation Dt	11.415	Water Revenue Refunding Bonds	Series 2016 A	N
11/09/2016	North Kern/Cawelo Financing Auth	8.710	Water Revenue Bonds	2016 Series A	N
12/14/2016	San Francisco City/Co Public Util Comm	259.350	San Francisco Water Rev Bonds	2016 Series C	C
01/26/2017	Antelope Villy-East Kern Wtr Agy	15.600	Revenue Bonds	Series 2017	N
05/02/2017	Santa Clara Valley Water Dt	54.710	Water System Refunding Rev Bonds	Series 2017 A	C
06/21/2017	Mesa Water Dt	29.295	Rev Certificates of Participation	2017 Series	N
07/03/2017	So California Metro Water Dt	47.812	Sub Water Revenue Refunding Bonds	2017 Series E	N
07/03/2017	So California Metro Water Dt	47.813	Sub Water Revenue Refunding Bonds	2017 Series E	N
10/11/2017	Upper Santa Clara Villy Jt Powers Au	50.745	Refunding Revenue Bonds	Series 2017 A	N
10/17/2017	Semitropic Improvement Dt	52.375	Refunding Revenue Bonds	2017 Series A	N
01/25/2018	Anaheim Hsg & Pub Imp Auth	45.705	Sewer Revenue Bonds	Series 2018	N
04/11/2018	Livermore Valley Wtr Fin Auth	5.020	Water Revenue Bonds	2018 Series A	N
04/11/2018	Livermore Valley Wtr Fin Auth	58.990	Water Revenue Bonds	2018 Series A	N
06/28/2018	So California Metro Water Dt	99.075	Sub Water Revenue Refunding Bonds	2018 Series A	C

Source: Thomson Reuters (January 1, 2015 to Present)

Appendix II
Project Team Resumes

Michael Engelbrecht	(213) 253-7219
Managing Director	michael.j.engelbrecht@wellsfargo.com
Wells Fargo Securities	333 S. Grand Ave., 5th Floor, Los Angeles, CA

Michael Engelbrecht will be the lead banker and primary contact for the proposed transaction, and will be fully available to attend all meetings as requested. Michael Engelbrecht has more than 29 years of capital markets experience with a primary focus in providing investment banking services to municipal water and power utilities throughout the Western United States. Michael has served as a lead banker on senior managed financings for some of the largest water and wastewater issuers in the West, including Metropolitan Water District of Southern California, Los Angeles Department of Water and Power, San Francisco Public Utilities Commission, East Bay Municipal Utility District and the State of California Department of Water Resources. Since joining Wells Fargo in 2004, Michael has served as a lead banker on over \$10 billion of senior managed California utility bond financings. Michael has assisted clients with several unique financing structures including securitizations of third-party contracts for underground water banking facilities, financings to facilitate the historic San Joaquin River Restoration Settlement Act, and Green Bond financings. Michael earned his B.A. in economics from Wheaton College and an M.B.A. from the University of Southern California and maintains Series 7 and 63 registrations. Michael currently serves on the board of the Urban Water Institute.

Scott Goldstein	(303) 863-6265
Director	scott.goldstein@wellsfargo.com
Wells Fargo Securities	1700 Lincoln St., 21 st Floor, Denver, CO

Scott joined Wells Fargo Securities in 1993 (via merger with A.G. Edwards). He has over 30 years of experience in investment banking as a quantitative specialist with extensive understanding of bond related tax code issues. He has structured over a 1,000 senior managed municipal transactions with significant emphasis for refunding and structured financial solutions. His primary focus has been in the area of higher education, system revenue and general infrastructure issues. He has been instrumental in developing and applying several refunding innovations, providing analytical decision making framework for cash market and derivative solutions, as well as, improving escrow efficiencies to help issuers lower their cost of capital or overall funding cost.

Scott is a graduate of the University of Maryland, College Park, Maryland, where he earned a B.S. degree in business with an emphasis in finance and accounting. He received his M.B.A. degree in finance from George Washington University, Washington, D.C. and holds his Series 7 and 63 registrations.

Walker McQuage	(704) 410-4082
Managing Director	walker.mcquage@wellsfargo.com
Wells Fargo Securities	550 S. Tryon St., Charlotte, NC

Walker is responsible for all fixed rate municipal underwriting commitments made by Wells Fargo Bank, National Association's institutional trading, sales, and underwriting operations while specializing in Texas and Southeastern credits. He would coordinate the underwriting, marketing, and distribution activities for the Board's fixed rate offering. Throughout the course of the financing, Walker will provide pricing details and general updates regarding the municipal market and the impact of market movements on the Board's financing. Walker has over 20 years of underwriting experience with general obligation, revenue, taxable, and corporate municipals, as well as prior experience in the financial futures markets. Walker holds a B.S. in Finance from the University of South Carolina and is a registered representative with the FINRA (Series 3, 7, 24, 53, and 63 licenses).

Parks Lineberger	(704) 410-3441
Director	parks.lineberger@wellsfargo.com
Wells Fargo Securities	550 S. Tryon St., Charlotte, NC

Park's career with legacy Wachovia Bank and now Wells Fargo Bank, consists of over 11 years within the municipal products group. During his tenure, Parks has provided marketing, pricing, and distribution services for numerous high grade and complex credit financings. His experience includes but is not limited to general market GO's/revenue credits, healthcare, higher education, taxable, and corporate municipalities throughout the US, with current focus on the Northeast region. Parks is a graduate of North Carolina State University, where he earned a B.S. in Finance and Accounting. He is also a registered representative with FINRA (Series 7, 63, and 52 licenses).



**SANTA CLARITA VALLEY WATER AGENCY
REQUEST FOR PROPOSALS FOR UNDERWRITING SERVICES**

Robert Suh

Associate
Wells Fargo Securities

(213) 253-7265
robert.m.suh@wellsfargo.com
333 S. Grand Ave., 5th Floor, Los Angeles, CA

Robert joined Wells Fargo Securities in 2007 and has provided quantitative and deal execution support on more than \$15 billion of California senior or co-managed financings for clients throughout Southern California and the State of Hawaii. Issuers served during this time include the States of California and Hawaii, the counties of Los Angeles, San Diego, Santa Barbara, and San Bernardino, and the cities of Anaheim, San Jose, Los Angeles, and San Diego.

Robert earned a bachelor's degree in History from the University of California, Irvine and is a CFA level 2 candidate. He maintains his Series 7 and 66 securities registrations.



COMMITTEE MEMORANDUM

DATE: November 13, 2018

TO: Finance and Administration Committee

FROM: Eric Campbell *EC*
Chief Financial and Administrative Officer

SUBJECT: Discuss Authorizing Amendment No. 21 (Contract Extension Amendment) to the Water Supply Contract between the State of California Department of Water Resources and the Santa Clarita Valley Water Agency for Continued Service and the Terms and Conditions Thereof

On April 30, 1963, the Castaic Lake Water Agency contracted with the State of California through the Department of Water Resources (DWR) for a water supply pursuant to the California Water Resources Development Bond Act. At its August 27, 2014 meeting, the Castaic Lake Water Agency authorized the General Manager to approve the Agreements in Principle to amend the Agency's Water Supply Contract with the California Department of Water Resources to extend the Agency's State Water Project contract. The Agency's current contract expires in 2038, and the project repayment period runs through 2035. Because costs are amortized through 2035 and because capital improvement project bonds are not issued beyond 2035, the compressed financing period results in higher-than-normal annual costs. For this reason, the 29 State Water Project Contractors (Contractors) and DWR entered into negotiations to extend the term of the Water Supply Project Contracts. As a result of these negotiations, the Contractors and DWR have negotiated the attached Agreement in Principle (AIP) to extend the contract for 50 years to December 31, 2085 and to provide certain financial management enhancements (Attachment 1).

Based on approval of the AIP, DWR performed an environmental review process to comply with the California Environmental Quality Act (CEQA). Based on that process, DWR used the AIP to develop final contract language, as shown in Attachment 2.

DISCUSSION

The amendment (Attachment 3) extends the contract for 50 years to December 31, 2085 and provides certain financial management enhancements. The key financial management enhancements are a revised billing methodology to remedy the compressed financing period issue, establishment of a State Water Resources Development System (SWRDS) Finance Committee to provide a forum to discuss financial policy, and a creation of a new reserve and funding structure to deal with financial emergencies and specific reporting requirements.

Revised Billing Methodology

Under the current contract, certain costs are amortized through the project repayment period (currently 2035). The amendment provides for a revised billing methodology known as "Freeze-Go." Under this methodology, costs incurred before the "Freeze-Go" date will continue to be collected under the current methodology, and costs incurred after that date will be recovered on a current basis (pay-as-you-go). The amendment also expands the facilities authorized for bond

financing, limits supplemental billing and defines costs for the enhancement of fish and wildlife or the development of public recreation as non-reimbursable costs (i.e., not to be included in Contractor bills for water and power).

SWRDS Finance Committee

The amendment includes establishing a SWRDS Finance Committee to provide a forum for Contractors and DWR to discuss high-level financial policy issues. The Committee will be comprised of five representatives from the Contractors and five from DWR. The Committee will make formal recommendations to the DWR Director. The Committee will meet at least two times per year. The Committee Charter provides for DWR to hire a SWRDS Chief Financial Manager to serve as a single point of authority over all SWRDS financial matters. Related to these efforts, the amendment also defines principles and guidelines for SWRDS financial reporting.

Funding Structure

Extending the contract and changing the billing methodology will change the current flow of funds. The amendment provides a new funding and reporting structure to address this situation. In general, the General Operating Reserve Account is increased from \$22.7 million to \$150 million to deal with financial emergencies, a SWRDS Reinvestment Account is created to reinvest revenues in SWP facilities to generate a return on investment, and a SWRDS Support Account is created to provide funding for non-reimbursable expenditures. DWR will prepare regular reports on the status of these funds, and through the DWR Director, will share the reports with the SWRDS Finance Committee.

California Environmental Quality Act (CEQA)

Pursuant to the provisions of CEQA and the State CEQA Guidelines, DWR acting as Lead Agency, prepared and processed a Final Environmental Impact Report (Final EIR) for the Water Supply Contract Extension Project. On November 13, 2018, DWR certified that the Final EIR complies with CEQA.

FINANCIAL CONSIDERATIONS

None at this time. However, extending the contract will address issues associated with a compressed financing period, which will reduce projected increases in DWR bills.

RECOMMENDATION

The Finance and Administration Committee recommends that the Board of Directors review and discuss Amendment No. 21 (contract extension amendment) to the water supply contract between the State of California Department of Water Resources and the Santa Clarita Valley Water Agency for continued service and the terms and conditions thereof, and further advise action.

EC

Attachments

ATTACHMENT 1

**AGREEMENT IN PRINCIPLE
CONCERNING EXTENSION OF THE STATE WATER PROJECT
WATER SUPPLY CONTRACTS
EXECUTION VERSION
JUNE 18, 2014**

DATE: June 18, 2014

SUBJECT: Agreement in Principle Concerning Extension of the State Water Project¹ Water Supply Contracts

This document contains a statement of principles that could provide the foundation for an agreement between each State Water Project Contractor² (Contractor) and the Department of Water Resources (DWR or Department) that will extend and otherwise amend the Water Supply Contract between such Contractor and DWR.

Outline of Agreement in Principle

I.	Objective 1	Term of Contract
II.	Objective 2A	Reserves
III.	Objective 2B	Accounts (SRA, SSA, FCA)
IV.	Objective 2C	Flow of Funds
V.	Objective 2D	Financial Management
VI.	Objective 2E	Supplemental Billing
VII.	Objective 2F	Cost Recovery
VIII.	Objective 2G	SWRDS Reporting Principles
IX.	Objective 2H	51(e) Revenue Reporting Requirements
X.	Objective 3A	Simplification of Billing
XI.	Objective 3B	Replacement Accounting System
XII.	Objective 3C	Article 1(hh)
XIII.	Objective 3D	Billing Authorization
XIV.	Objective 4	BDCP and DHCCP Participation
XV.	Provision 1	Other Contract Provisions
XVI.	Provision 2	Environmental Review Process
XVII.	Provision 3	Authorized Representative Signatures

¹ The State Water Project is the name commonly used to refer to the State Water Resources Development System (Water Code Section 12931)

² The State Water Project Contractors includes Alameda County Flood Control and Water Conservation District (Zone 7), Alameda County Water District, Antelope Valley-East Kern Water Agency, Castaic Lake Water Agency, City of Yuba City, Coachella Valley Water District, County of Butte, County of Kings, Crestline-Lake Arrowhead Water Agency, Desert Water Agency, Dudley Ridge Water District, Empire West Side Irrigation District, Kern County Water Agency, Littlerock Creek Irrigation District, The Metropolitan Water District of Southern California, Mojave Water Agency, Napa County Flood Control and Water Conservation District, Oak Flat Water District, Palmdale Water District, Plumas County Flood Control and Water Conservation District, San Bernardino Valley Municipal Water District, San Gabriel Valley Municipal Water District, San Geronio Pass Water Agency, San Luis Obispo County Flood Control and Water Conservation District, Santa Barbara County Flood Control and Water Conservation District, Santa Clara Valley Water District, Solano County Water Agency, Tulare Lake Basin Water Storage District, and Ventura County Flood Control District.

STATEMENT OF PRINCIPLES

I. OBJECTIVE 1: TERM OF CONTRACT

A. Water Supply Contract Term Extension

1. Extend term of the SWP water supply contracts to December 31, 2085.

II. OBJECTIVE 2A: RESERVES

A. General Operating Account (GOA)

1. **Uses of GOA** - Cash flow deficiencies resulting from chargeable water supply purposes and/or during a SWRDS emergency for any SWRDS purpose.
2. **SWRDS Emergency** - An immediate, urgent, critical, unexpected, or impending situation that, in the judgment of the Director, Department of Water Resources (Director), may cause or pose a risk of causing injury, loss of life, damage to the property, impairment of the financial condition, and/or interference with the normal activities of the State Water Resources Development System which requires immediate attention and remedial action.
3. **Initial Cap** - Increase the authorized General Operating Account (GOA) initial cap to \$150 million in Article 51(a)(3).
4. **Cap Adjustment Determination** - Every five years subsequent to the year of the initial cap increase, there shall be a business case analysis on the GOA authorized cap including an evaluation of the cap and business risks associated with SWRDS cash flow provided to the SWRDS Finance Committee for recommendation to the Director regarding a GOA cap adjustment. If there is a decrease in the cap (but the cap shall not be lower than \$150 million), the excess funds would be transferred to the SWRDS Reinvestment Account (SRA).
5. **Cap Adjustment Funding Source (Pre-2035)** - Shall be the Director's discretion to use 51(e) revenues³, investment earnings retained in the GOA, and transfers of funds from the SRA and SWRDS Support Account (SSA).
6. **Cap Adjustment Funding Source (Post-2035)** - Shall be the Director's discretion to use the investment earnings retained in GOA and the funds within the SRA and SSA.
7. **Rate of Funding for Cap** - Limitation on the amount (\$2 million per year) and timing of additional contributions to the GOA contained in Article 51(e)(3)(v) will be deleted. DWR will be able to use any amount of available 51(e) revenues to increase funds in the GOA up to the authorized maximum GOA funding level and such funding shall be subordinate to the annual rate management reductions to the Contractors.

³ The definition and calculation of 51(e) revenues will be included in the contract amendment language.

8. **GOA Replenishment** - Replenishment of the use of GOA funds will come from charges to the Contractors to the extent the expended funds were spent on chargeable water supply purposes and from the SSA or other available revenues for costs not chargeable to the Contractors.
9. **GOA Reporting** - DWR will prepare monthly reports on the balance and use of the GOA for the Director, which will be provided to the SWRDS Finance Committee. The SWRDS Finance Committee will periodically review reporting frequency and make recommendations to the Director regarding reporting frequency.
10. **GOA Investment Earnings** - shall be used as follows:
 - a) Funding GOA to authorized GOA funding level;
 - b) Transferred, at the discretion of the Director, to the SSA and/or to the SRA.

III. **OBJECTIVE 2B: ACCOUNTS (SRA, SSA, FCA)**

A. **SWRDS Reinvestment Account (SRA)**

1. **Effective Date of SRA** - The SRA shall be established and take effect upon the effective date of the contract extension amendment.
2. **SRA Uses** - The primary purpose is to provide a post-2035 SWRDS revenue stream by investing SRA funds in chargeable SWRDS facilities and programs.
3. **Funding Source** - At the discretion of the Director, available Article 51(e)(1)(ii) revenues collected by the State pre-2035. The Director also has discretion to transfer funds from the SSA or the GOA.
4. **Cap on SRA** - There will be no Cap or Cap Adjustments to the SRA.
5. **SRA Investments** - At the discretion of the Director, authorized SRA investments shall be as follows:
 - a) Investment in SWRDS capital facilities, recovered at the prevailing municipal bond market rates corresponding to the SWRDS bond rating at the time of financing, in maturity ranges that may extend 10 to 50 years, provided that if the capital asset being financed has a useful life of less than 10 years, the investment may be recovered over a comparable period of less than 10 years;
 - b) Bridge financing of capital costs in lieu of the SWRDS commercial paper program;
and

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- c) Allowable investments for SWRDS that generate a monetary return on investment.
6. **Use of SRA Funds** - At the discretion of the Director, the SRA funds, including but not limited to investment earnings, shall be used to:
- a) Provide a source of replenishment funds to the SSA;
 - b) Provide a source of funds to be held in the SRA for investment purposes; and
 - c) Provide a funding source for funding level adjustments to the GOA.
7. **SRA Review** - The SWRDS Finance Committee is to be consulted about the investments and activities to be funded from the SRA.
8. **SRA Reporting** - DWR will prepare regular reports on the SRA for the Director, which reports will be provided to the SWRDS Finance Committee.

B. SWRDS Support Account (SSA)

- 1. **Effective Date of SSA** - The SSA shall be established and take effect upon the effective date of the contract extension amendment.
- 2. **SSA Uses** - The purpose of the SSA shall be to provide a source of funds to pay for non-chargeable expenditures where there are no funds or revenue sources available to pay for such costs. If reimbursement or a source of revenue is received after the expenditure is incurred this revenue shall be deposited in the SSA.
- 3. **SSA Review** - The SWRDS Finance Committee shall be consulted about the projects and activities to be funded from the SSA.
- 4. **SSA Reporting** - DWR will prepare regular reports on the SSA for the Director, which will be provided to the SWRDS Finance Committee.
- 5. **Initial Cap** - There would be no cap on the SSA.
- 6. **Funding Source for Initial Funding** - 51(e) revenues and/or the remaining balance of the State Water Facilities Capital Account (FCA) once the FCA is closed.
- 7. **SSA Replenishment** - Shall be accomplished through 1) reimbursements received for expenditures made from the SSA; 2) at the discretion of the Director, transfers from the SRA and/or from the GOA's available investment earnings, 3) deposits, in the discretion of the Director, from other available revenues, and 4) interest and other investment income retained in the SSA. DWR will not charge the Contractors to replenish the SSA for costs not chargeable to the Contractors under the Water Supply Contracts.

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8. **SSA Interest Earnings** – At the Director’s discretion, retained in the SSA to reduce the annual SRA replenishment requirement.

C. State Water Facilities Capital Account (FCA)

1. The State Water Facilities Capital Account (FCA) pursuant to Article 51(c)(2)(v) shall be reviewed by the SWRDS Finance Committee after five years from the date of the contract amendment to recommend to the Director whether or not it should be closed and the balance of the account transferred to the SSA.

IV. OBJECTIVE 2C: FLOW OF FUNDS

A. Maintain the Monterey Amendment Article 51 Flow of Funds with the following edits/additions:

1. Increase Annual Rate Reductions to \$48 million. The Annual Rate Reductions shall no longer apply after December 31, 2035 and the applicable provisions in Article 51 shall be deleted as of that date.
2. After the \$48 million in annual rate reductions, the Director shall have the discretion to allocate and transfer up to 80% of available 51(e) revenues, as determined on a projected basis, and up to 100% on an actual basis into one or more of the following accounts:
 - a) General Operating Account (GOA)
 - b) SWRDS Support Account (SSA)
 - c) SWRDS Reinvestment Account (SRA)

After funds are deposited into a, b, and c above, any remaining available 51(e) revenues will remain in the Systems Revenue Account and will be tracked separately in DWR’s Enterprise Resource Planning (ERP) system. The Director will have full discretion over the use of these funds. DWR will prepare financial reports annually with supporting documentation of the determination and provide these reports to the Finance Committee.

3. Contractors shall agree to forego additional rate management reductions including additional rate management reductions to make up for deficiencies in past projected rate management reductions or to provide any additional rate management reductions above \$48 million annually pursuant to Article 51(e)(3). Effective with the contract amendment, Article 51(e)(3) shall be deleted.
4. The contract amendment shall specify those provisions in Article 51 that shall remain in effect after December 31, 2035 (such as the General Operating Account provision as it may be amended) and those provisions that will no longer apply after December 31, 2035 and shall be deleted as of that date.

5. Contractors shall agree to waive and release issues related to DWR's recent adjustment of the Contractors' responsibility for facilities south of Dos Amigos.

V. OBJECTIVE 2D: FINANCIAL MANAGEMENT

A. State Water Resources Development System Finance Committee

1. Immediately, the Department of Water Resources shall establish a joint Department of Water Resources and Contractor finance committee (Committee).
2. The membership of the Committee shall include both representatives from the Department of Water Resources and representatives from the Contractors.
3. The primary purpose of the Committee shall be to make recommendations to the Director of the Department of Water Resources concerning the financial policies of the State Water Resources Development System.
4. The Department of Water Resources and the Contractors shall describe the scope of the committee in a charter mutually agreeable to the Department of Water Resources and the Contractors.

VI. OBJECTIVE 2E: SUPPLEMENTAL BILLING

A. Supplemental Billing

1. The supplemental billing provisions authorized under Article 51(c)(4) shall remain in effect through December 31, 2035, unless the Director determines in his or her discretion to eliminate the use of supplemental billing prior to that date or upon Director's acceptance of a recommendation from the SWRDS Finance Committee. In full consultation with the SWRDS Finance Committee, DWR will review the System cash balances when the System's forecasted 120 days cash balance becomes critical. The Committee will make a recommendation for action to the Director. The supplemental billing provision may only be used when available System cash balances are projected to be less than an amount equal to 90 days operating expenditures⁴. The term "available System cash balances" shall mean the funds in the following California Water Resources Development Bond Fund accounts: System Revenue Account (to the extent the funds in the System Revenue Account are not projected to be needed for payment of Burns-Porter General Obligation Bond debt service for the next two years), GOA, SRA and SSA (to the extent the funds in the SSA are not projected to be needed for non-chargeable expenditures for the next two years).

⁴ A description of "operating expenditures" will be included in the contract amendment language.

VII. OBJECTIVE 2F: COST RECOVERY**A. Cost Recovery**

1. In general, DWR should seek reimbursement for all SWRDS costs from the appropriate customers and users of SWRDS facilities, including the State. With respect to those SWRDS costs that are reimbursable by the Contractors, DWR should allocate financial responsibility for such costs in a manner that is both lawful and equitable, and which endeavors to recover such costs from the appropriate Contractors. If the Department proposes to not charge any Contractor the full amount that the Department is entitled to charge the Contractor under the contract, DWR shall bring a written proposal to the Finance Committee for purposes of developing a recommendation to the Director regarding the proposal. DWR shall submit such proposal in writing to the Finance Committee 90 days in advance of the Director issuing any decision and within such 90 day period the Finance Committee shall provide the Director with a recommendation regarding such proposal. Such proposals will comply with the structure set out in II.D.2 of the SWRDS Finance Committee Charter.

VIII. OBJECTIVE 2G: SWRDS REPORTING PRINCIPLES [EXHIBIT TO THE CONTRACT]

- A. During the term of the water supply contracts, it is likely that financial reports and financial management reports will change in scope, nature, and frequency. Regardless of the exact reports used, such reports shall follow the below principles and guidelines to the extent applicable.
 1. Principle 1: Financial reporting will be generated from the general ledger or data warehouse of the financial information system (system of record), such as SAP.
 - The financial system of record is the authoritative source for financial reporting data values in a system. To ensure data integrity, there must be one, and only one, system of record for financial reporting values.
 2. Principle 2: Financial reporting is not limited to annual financial statements but will be developed for regular reporting periods.
 3. Principle 3: Financial management reporting generated from other financial systems, such as Utility Cost Accounting Billing System (UCABS), will identify and analyze significant variances from prior years or budgets.
 4. Principle 4: Financial reporting and financial management reporting will identify unusual items and exceptions, and these items will be documented, reviewed, and resolved by management.

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5. Principle 5: DWR will use standardized System-wide business rules and utilize a centralized financial system, such as SAP, UCABS, or other system, to provide controls/validations to ensure data integrity and reliable reporting.
 6. Principle 6: DWR will use standardized data integrity rules in the development and publication of reports, including but not limited to the following:
 - (1) Data integrity refers to the accuracy and consistency of data stored in a database, data warehouse, data mart or other construct.
 - (2) Data integrity processes verify that data has remained unaltered in transit from creation to reception or remains unaltered in transit from one system to the next.
 - a. Data used outside of the Enterprise Resource Planning (ERP) systems to meet the reporting needs of Program will undergo any number of operations in support of decision-making, such as capture, storage, retrieval, update and transfer. It is important to have confidence that during these operations, the data will be kept free from corruption, modification and remain unaltered.
 - (3) Data with “integrity” has a complete or whole structure. Data values are standardized according to a data model and/or data type. All characteristics of the data must be correct – including business rules, relations, dates, definitions and lineage – for data to be complete.
 - (4) Data integrity is imposed within an ERP database when it is created and is authenticated through the ongoing use of error checking and validation routines.
 - (5) Data integrity state or condition is to be measured by the validity and reliability of the data values.
 - (6) Data integrity service and security maintains information exactly as it was input, and is auditable to affirm its reliability.

The SWRDS Finance Committee is charged with providing financial policy recommendations to the Director, and the Director has final discretion on whether or not to accept the recommendations. While the SWRDS Finance Committee is not charged with reviewing the content of financial reports, timely and accurate financial reporting and financial management reporting provides technical committees access to useful information that can be used to formulate proposals on financial policy matters that may be brought to the SWRDS Finance Committee.

IX. OBJECTIVE 2H: 51(e) REVENUE REPORTING REQUIREMENTS

A. 51(e) Revenue Report

1. Create and distribute the Annual Rate Reduction Determination Report. In addition, display the distribution of Gross Annual Revenues before Recreation, Fish and Wildlife

Expenditures, Facilities Capital Account and Rate Management Credits and Net Annual Revenues after Rate Management Credits to the accounts listed in item 2 below.

2. Create and distribute quarterly an Activity Report by fund-account for all uses, including but not limited to the following accounts:
 - a) General Operating Account (GOA)
 - b) SWRDS Support Account (SSA)
 - c) SWRDS Reinvestment Account (SRA)
 - d) Systems Revenue Account, 51(e) Sub-Account
 - e) Davis-Dolwig Fund
 - f) Facilities Capital Account
 - g) Suspended Costs
3. The Activity Report shall display the annual and accumulated 51(e) revenue and expenditure activity, including the beginning balance, the annual activity and the ending balance for the year.
4. Reporting data shall be auditable which includes an audit trail from the costing ledgers to the general ledger or the Bulletin 132 estimates to the Activity Report.
5. Report should have sufficient detail to provide comprehensive accounting of annual 51(e) revenues and the uses of annual 51(e) revenues to enable the SWRDS Finance Committee to assess the utilization of these revenues.

X. OBJECTIVE 3A: SIMPLIFICATION OF BILLING

A. Implement the Freeze-Go Billing Methodology

1. The freeze-go date shall be January 1 of the first calendar year starting six (6) months after the contract extension takes effect, but not earlier than January 1, 2017, provided that if the Department determines it to be necessary, the Department may rely on estimates and later true-up for billing and reporting purposes in the initial implementation years after the freeze go date.
2. Methodology will recover all costs incurred on and after the freeze-go date, by converting and authorizing repayment on a Pay-As-You-Go methodology.
3. Amend the definition of the Project Repayment Period to apply only to those costs incurred prior to the freeze-go date.
4. The term of the Project Repayment Period, January 1, 1961 through December 31, 2035, will remain the same.
5. The Water Systems Revenue Bond Surcharge will apply only to those costs incurred prior to the freeze-go date and will terminate at the completion of the Project Repayment Period.

6. Amend the definition of the Project Interest Rate to apply only to those costs incurred prior to the freeze-go date. No interest rate, including the Project Interest Rate, shall be applied to the over/under charges for costs incurred after the freeze-go date. The Project Interest Rate will remain 4.610%.
7. In identifying “costs incurred” for purposes of determining whether the cost is incurred before the freeze-go date or on or after the freeze-go date, the following shall apply:
 - a) Variable costs shall be deemed to occur when the goods or service is provided, regardless of when the expenditure for such goods or service is recorded in the financial information system;
 - b) Capital and minimum costs shall be deemed to occur when the expenditure for the goods or service is recorded in the financial information system, regardless of the date the goods or service is provided.

B. Defining the Pay-As-You-Go Repayment of Costs Incurred On and After the Freeze-Go Date

1. The annual cost recovery within a bill year for estimated annual operation, maintenance, power, and replacement costs for project conservation facilities.
2. The annual recovery of actual debt service, including repayment of the SRA, created by SWRDS financing activities, within a bill year for financed capital transportation and conservation facilities.
3. A capital asset which has a short useful life and/or will not have a substantial cost, may be charged to the Contractors in the year the cost is incurred. The SWRDS Finance Committee may review and make recommendations to the Director regarding the policy of charging the costs of such assets.

C. Defining the Pay-As-You-Go Repayment of Actual Debt Service from SWRDS Financing Capital Costs On and After the Freeze-Go Date

1. Authorize DWR to finance 100% of all capital costs.
2. Authorize DWR to use various methods of financing including Water System Revenue Bonds and SRA, with each method providing an annual repayment schedule which includes a principal and interest (debt service) component over the life of the financing.
3. Authorize DWR to bill an amount that is equal to the accumulated annual debt service payments due per the debt service schedules for SRA investments or matching dollar for dollar the SWRDS annual debt service payments including the bond cover requirements, providing 100% capital cost recovery at the financed interest rate over the term of the financing while meeting the additional bond debt cover requirements.

XI. OBJECTIVE 3B: REPLACEMENT ACCOUNTING SYSTEM (RAS)**A. Elimination of the Replacement Accounting System (RAS)**

1. Eliminate the Replacement Accounting System (RAS) for Transportation and Conservation Facilities with the intent to have replacement costs treated as a minimum or capital cost.
2. The unencumbered cash balance of the RAS funds are to be returned to the SWP Contractors using the RAS allocation methodology.

XII. OBJECTIVE 3C: ARTICLE 1 (hh)**A. Expanding Water System Facilities Authorized to be Financed by Water System Revenue Bonds Under Article 1(hh)**

1. Eliminate the January 1, 1987 date for existing facilities within Article 1(hh)(8); provision to now read as follows, " Finance all repairs, additions, and betterments to conservation or transportation facilities and to all other facilities described in this sub-article (hh) except for item (5) the land acquisition prior to December 31, 1995 for the Kern Fan Element of the Kern Water Bank."
2. Add provision to expand Article 1(hh) to include "Finance all other capital projects (i.e. projects and programs for which revenue bonds can be sold) mutually agreed upon in writing by DWR and 80% of the affected Contractors, provided that the approving Contractors' Table A amounts exceed 80% of the Table A amounts representing all affected Contractors". "Affected Contractors" means those Contractors which would be obligated to pay a share of the debt service for such project.

XIII. OBJECTIVE 3D: BILLING AUTHORIZATION**A. Billing Authorization**

The Department, in fixing and establishing prices, rates, and charges for water and power, shall include as a reimbursable cost of any state water project an amount sufficient to repay all costs incurred by the department, directly or by contract with other agencies, for the preservation of fish and wildlife and determined to be allocable to the costs of the project works constructed for the development of that water and power, or either. Costs incurred for the enhancement of fish and wildlife or for the development of public recreation shall not be included in the prices, rates, and charges for water and power, and shall be nonreimbursable costs.

Such recreational purposes include, but are not limited to, those recreational pursuits generally associated with the out-of-doors, such as camping, picnicking, fishing, hunting, water contact sports, boating, and sightseeing, and the associated facilities of campgrounds, picnic areas,

water and sanitary facilities, parking areas, viewpoints, boat launching ramps, and any others necessary to make project land and water areas available for use by the public.

In administering this Contract “development of public recreation” shall include recreation capital and operation and maintenance.

XIV. OBJECTIVE 4: BDCP AND DHCCP PARTICIPATION

This Objective will not be part of the SWP contract amendment based on this AIP. Instead, Contractor participation in the BDCP and DHCCP will be addressed through a separate public negotiation and environmental review process to develop appropriate SWP water supply contract amendments. DWR has begun the administrative process that will be used to facilitate the public negotiations of such amendments. The first public negotiation session is scheduled for December 2014.

XV. PROVISION 1 – OTHER CONTRACT PROVISIONS

Except as amended, all provisions of the Water Supply Contract shall be and remain in full force and effect.

XVI. PROVISION 2 – ENVIRONMENTAL REVIEW PROCESS

DWR and the Contractors agree that this AIP is intended to be used during the environmental review process for the California Environmental Quality Act (CEQA), to define the proposed project description for the purposes of CEQA, and to permit the next steps of the water supply contract extension process, including scoping and the preparation of the EIR.


The AIP principles are not final contract language and do not represent a contractual commitment by either DWR or the Contractors to approve any proposed project, to sign contract amendments, or to extend the contract. By concurring with the AIP, DWR and the Contractors express their intent to move forward with the CEQA process with DWR as lead agency and the Contractors as responsible agencies, and ultimately develop a proposed project consisting of contractual amendments consistent with the AIP principles and prepare the EIR for consideration by DWR and the Contractors.

At the end of the CEQA process and in compliance with CEQA, DWR and the Contractors will each individually evaluate the EIR and contract amendments, exercise their independent judgment, and determine whether or not to certify the EIR, approve the proposed project and sign the contract amendments or to approve an alternative project. Consequently, even though DWR and the Contractors have agreed to the AIP for the purposes described in the preceding paragraphs, DWR and each Contractor retain their full discretion under CEQA to consider and adopt mitigation measures and alternatives, including the alternative of not going forward with the proposed project.

XVII. PROVISION 3 – AUTHORIZED REPRESENTATIVE SIGNATURES

DWR and each Contractor may express concurrence with this AIP by having their authorized representatives sign below. DWR and each Contractor will use their best efforts to make a decision whether to sign the AIP by September 1, 2014. The AIP may be signed in counterparts.

**STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES**

By: 
Name: Mark W. Cowin
Title: Director
Date: 8/4/2014

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7

By: _____
Name: _____
Title: _____
Date: _____

ALAMEDA COUNTY WATER DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

ANTELOPE VALLEY – EASTERN KERN WATER AGENCY

By: _____
Name: _____
Title: _____
Date: _____

CASTAIC LAKE WATER AGENCY

By: _____
Name: _____
Title: _____
Date: _____

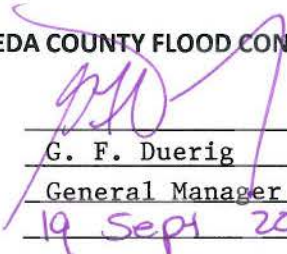
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**STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES**

By: _____
Name: _____
Title: _____
Date: _____

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7

By:  _____
Name: G. F. Duerig
Title: General Manager
Date: 19 Sept 2014

ALAMEDA COUNTY WATER DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

ANTELOPE VALLEY – EASTERN KERN WATER AGENCY

By: _____
Name: _____
Title: _____
Date: _____

CASTAIC LAKE WATER AGENCY

By: _____
Name: _____
Title: _____
Date: _____

XVII. PROVISION 3 – AUTHORIZED REPRESENTATIVE SIGNATURES

DWR and each Contractor may express concurrence with this AIP by having their authorized representatives sign below. DWR and each Contractor will use their best efforts to make a decision whether to sign the AIP by September 1, 2014. The AIP may be signed in counterparts.

**STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES**

By: _____
Name: _____
Title: _____
Date: _____

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7

By: _____
Name: _____
Title: _____
Date: _____

ALAMEDA COUNTY WATER DISTRICT

By: Walter L. Wadlow
Name: WALTER L. WADLOW
Title: GENERAL MANAGER
Date: SEPTEMBER 24, 2014

ANTELOPE VALLEY – EASTERN KERN WATER AGENCY

By: _____
Name: _____
Title: _____
Date: _____

CASTAIC LAKE WATER AGENCY

By: _____
Name: _____
Title: _____
Date: _____

XVII. PROVISION 3 – AUTHORIZED REPRESENTATIVE SIGNATURES

DWR and each Contractor may express concurrence with this AIP by having their authorized representatives sign below. DWR and each Contractor will use their best efforts to make a decision whether to sign the AIP by September 1, 2014. The AIP may be signed in counterparts.

**STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES**

By: _____
Name: _____
Title: _____
Date: _____

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7

By: _____
Name: _____
Title: _____
Date: _____

ALAMEDA COUNTY WATER DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

ANTELOPE VALLEY – EASTERN KERN WATER AGENCY

By: _____
Name: DAV FLOREN
Title: GENERAL MANAGER
Date: 9/15/14

CASTAIC LAKE WATER AGENCY

By: _____
Name: _____
Title: _____
Date: _____

XVII. PROVISION 3 – AUTHORIZED REPRESENTATIVE SIGNATURES

DWR and each Contractor may express concurrence with this AIP by having their authorized representatives sign below. DWR and each Contractor will use their best efforts to make a decision whether to sign the AIP by September 1, 2014. The AIP may be signed in counterparts.

**STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES**

By: _____
Name: _____
Title: _____
Date: _____

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7

By: _____
Name: _____
Title: _____
Date: _____


ALAMEDA COUNTY WATER DISTRICT

By: _____
Name: _____
Title: _____
Date: _____


ANTELOPE VALLEY – EASTERN KERN WATER AGENCY

By: _____
Name: _____
Title: _____
Date: _____

CASTAIC LAKE WATER AGENCY

By:  _____
Name: Dan Masnada
Title: General Manager
Date: August 27, 2014

CITY OF YUBA CITY

By: 
Name: Steven C. Kroeger
Title: City Manager
Date: 7/16/14

COACHELLA VALLEY WATER DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

COUNTY OF BUTTE

By: _____
Name: _____
Title: _____
Date: _____

COUNTY OF KINGS

By: _____
Name: _____
Title: _____
Date: _____

CRESTLINE LAKE ARROWHEAD WATER AGENCY

By: _____
Name: _____
Title: _____
Date: _____

DESERT WATER AGENCY

By: _____
Name: _____
Title: _____
Date: _____

CITY OF YUBA CITY

By: _____
Name: _____
Title: _____
Date: _____

COACHELLA VALLEY WATER DISTRICT

By:  _____
Name: J. M. Barrett
Title: General Manager
Date: July 25, 2014

COUNTY OF BUTTE

By: _____
Name: _____
Title: _____
Date: _____

COUNTY OF KINGS

By: _____
Name: _____
Title: _____
Date: _____

CRESTLINE LAKE ARROWHEAD WATER AGENCY

By: _____
Name: _____
Title: _____
Date: _____

DESERT WATER AGENCY

By: _____
Name: _____
Title: _____
Date: _____

CITY OF YUBA CITY

By: _____
Name: _____
Title: _____
Date: _____

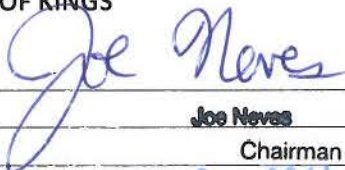
COACHELLA VALLEY WATER DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

COUNTY OF BUTTE

By: _____
Name: _____
Title: _____
Date: _____

COUNTY OF KINGS

By:  _____
Name: **Joe Neves** _____
Title: **Chairman** _____
Date: **SEP 9 2014** _____

CRESTLINE LAKE ARROWHEAD WATER AGENCY

By: _____
Name: _____
Title: _____
Date: _____

DESERT WATER AGENCY

By: _____
Name: _____
Title: _____
Date: _____

CITY OF YUBA CITY

By: _____
Name: _____
Title: _____
Date: _____

COACHELLA VALLEY WATER DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

COUNTY OF BUTTE

By: _____
Name: _____
Title: _____
Date: _____

COUNTY OF KINGS

By: _____
Name: _____
Title: _____
Date: _____

CRESTLINE LAKE ARROWHEAD WATER AGENCY

By: _____
Name: STEPHEN L. PLEASANT
Title: PRESIDENT, BOARD OF DIRECTORS
Date: 7/3/14

DESERT WATER AGENCY

By: _____
Name: _____
Title: _____
Date: _____

CITY OF YUBA CITY

By: _____
Name: _____
Title: _____
Date: _____

COACHELLA VALLEY WATER DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

COUNTY OF BUTTE

By: _____
Name: _____
Title: _____
Date: _____

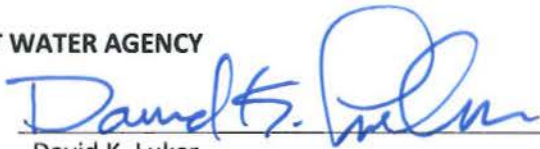
COUNTY OF KINGS

By: _____
Name: _____
Title: _____
Date: _____


CRESTLINE LAKE ARROWHEAD WATER AGENCY

By: _____
Name: _____
Title: _____
Date: _____

DESERT WATER AGENCY

By: 
Name: David K. Luker
Title: General Manager
Date: August 19, 2014

DUDLEY RIDGE WATER DISTRICT

By: 
Name: DALE K. MELVILLE
Title: MANAGER - ENGINEER
Date: 8-13-2014

EMPIRE WESTSIDE IRRIGATION DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

KERN COUNTY WATER AGENCY

By: _____
Name: _____
Title: _____
Date: _____

LITTLEROCK CREEK IRRIGATION DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

MOJAVE WATER AGENCY

By: _____
Name: _____
Title: _____
Date: _____


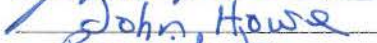
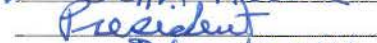
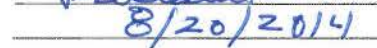
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

By: _____
Name: _____
Title: _____
Date: _____

DUDLEY RIDGE WATER DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

EMPIRE WESTSIDE IRRIGATION DISTRICT

By:  _____
Name:  _____
Title:  _____
Date:  _____

KERN COUNTY WATER AGENCY

By: _____
Name: _____
Title: _____
Date: _____

LITTLEROCK CREEK IRRIGATION DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

MOJAVE WATER AGENCY

By: _____
Name: _____
Title: _____
Date: _____

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

By: _____
Name: _____
Title: _____
Date: _____

DUDLEY RIDGE WATER DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

EMPIRE WESTSIDE IRRIGATION DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

KERN COUNTY WATER AGENCY

By: James M. Beck
Name: James M. Beck
Title: General Manager
Date: 8/28/14

LITTLEROCK CREEK IRRIGATION DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

MOJAVE WATER AGENCY

By: _____
Name: _____
Title: _____
Date: _____

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

By: _____
Name: _____
Title: _____
Date: _____

DUDLEY RIDGE WATER DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

EMPIRE WESTSIDE IRRIGATION DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

KERN COUNTY WATER AGENCY

By: _____
Name: _____
Title: _____
Date: _____

LITTLEROCK CREEK IRRIGATION DISTRICT

By: *Travis Berglund*
Name: Travis Berglund
Title: General Manager
Date: 08/28/2014

MOJAVE WATER AGENCY

By: _____
Name: _____
Title: _____
Date: _____

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

By: _____
Name: _____
Title: _____
Date: _____

KERN COUNTY WATER AGENCY

By: _____
Name: _____
Title: _____
Date: _____

LITTLEROCK CREEK IRRIGATION DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

MOJAVE WATER AGENCY

By: *K.R.*
Name: *Kirby Brill*
Title: *General Manager*
Date: *August 14, 2014*

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

By: _____
Name: _____
Title: _____
Date: _____

NAPA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

OAK FLAT WATER DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

PALMDALE WATER DISTRICT

DUDLEY RIDGE WATER DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

EMPIRE WESTSIDE IRRIGATION DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

KERN COUNTY WATER AGENCY

By: _____
Name: _____
Title: _____
Date: _____

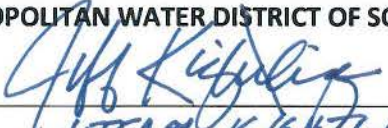
LITTLEROCK CREEK IRRIGATION DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

MOJAVE WATER AGENCY

By: _____
Name: _____
Title: _____
Date: _____

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

By: 
Name: JEFFREY KIEHL
Title: GENERAL MANAGER
Date: AUG. 27, 2014

NAPA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

By: Jill Techel
Name: Jill Techel
Title: Chairperson
Date: 11/14/2014

APPROVED AS TO FORM
Office of County Counsel
By: Robert C. Amst
Date: 11-10-2014

OAK FLAT WATER DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

ATTEST:

By: Antonio Lopez, Deputy
Secretary of the
District Board

PALMDALE WATER DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

PLUMAS COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

APPROVED 10/21/14
FLOOD CONTROL & WATER
CONSERVATION DISTRICT
GLADYS I. COIL
SECRETARY OF THE DISTRICT
BY Mary Morgan Deputy

SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

SAN GABRIEL VALLEY MUNICIPAL WATER DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

NAPA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

OAK FLAT WATER DISTRICT

By: Anthea G. Hansen
Name: Anthea G. Hansen
Title: General Manager
Date: 8/26/14

PALMDALE WATER DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

PLUMAS COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

SAN GABRIEL VALLEY MUNICIPAL WATER DISTRICT

By: _____
Name: _____
Title: _____
Date: _____


NAPA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

OAK FLAT WATER DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

PALMDALE WATER DISTRICT

By:  _____
Name: Dennis D. LaMoreaux
Title: General Manager
Date: August 28, 2014

PLUMAS COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

SAN GABRIEL VALLEY MUNICIPAL WATER DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

NAPA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

OAK FLAT WATER DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

PALMDALE WATER DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

PLUMAS COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT

By: Douglas D. Headrick
Name: Douglas D. Headrick
Title: General Manager
Date: August 19, 2014

SAN GABRIEL VALLEY MUNICIPAL WATER DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

NAPA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

OAK FLAT WATER DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

PALMDALE WATER DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

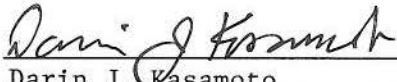
PLUMAS COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

SAN GABRIEL VALLEY MUNICIPAL WATER DISTRICT

By: 
Name: Darin J. Kasamoto
Title: General Manager
Date: August 13, 2014

SAN GORGONIO PASS WATER AGENCY

By: Jeffrey W Davis
Name: Jeff Davis
Title: General Manager
Date: 7-22-14

SAN LUIS OBISPO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

SANTA BARBARA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

SANTA CLARA VALLEY WATER DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

SOLANO COUNTY WATER AGENCY

By: _____
Name: _____
Title: _____
Date: _____

TULARE LAKE BASIN WATER STORAGE DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

SAN GORGONIO PASS WATER AGENCY

By: _____
Name: _____
Title: _____
Date: _____


SAN LUIS OBISPO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

SANTA BARBARA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

SANTA CLARA VALLEY WATER DISTRICT

By: 
Name: Beau Goldie
Title: Chief Executive Officer
Date: 8/28/14

SOLANO COUNTY WATER AGENCY

By: _____
Name: _____
Title: _____
Date: _____

TULARE LAKE BASIN WATER STORAGE DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

SAN GORGONIO PASS WATER AGENCY

By: _____
Name: _____
Title: _____
Date: _____

SAN LUIS OBISPO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

SANTA BARBARA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

SANTA CLARA VALLEY WATER DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

SOLANO COUNTY WATER AGENCY

By: David Okita
Name: DAVID OKITA
Title: GENERAL MANAGER
Date: 8/15/14

TULARE LAKE BASIN WATER STORAGE DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

SAN GORGONIO PASS WATER AGENCY

By: _____
Name: _____
Title: _____
Date: _____

SAN LUIS OBISPO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

SANTA BARBARA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

By: _____
Name: _____
Title: _____
Date: _____


SANTA CLARA VALLEY WATER DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

SOLANO COUNTY WATER AGENCY

By: _____
Name: _____
Title: _____
Date: _____

TULARE LAKE BASIN WATER STORAGE DISTRICT

By: 
Name: Mark A. Gilkey
Title: General Manager
Date: September 2, 2014

VENTURA COUNTY FLOOD CONTROL DISTRICT

By: *Bill Hicks*
Name: *Bill Hicks*
Title: *President, Casitas Municipal Water District,* administrator for Ventura County
Date: *September 10, 2014* Flood Control District Contract

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ATTACHMENT 2

FOR INFORMATION PURPOSES
MODEL CONTRACT SHOWING MWD ORIGINAL CONTRACT AND AMENDMENTS,
AS IF AMENDED BY THE PROPOSED CONTRACT EXTENSION AMENDMENT
DEPARTMENT OF WATER RESOURCES
MARCH 20, 2018

Markup showing in detail the substantive changes made by the Contract Extension Amendment
(e.g., does not show capitalization of defined terms as changes)

~~Language deleted is in red with strikethrough.~~

Language moved is in green, both where ~~deleted~~ and where inserted (except with respect to
alphabetizing the definitions).

Language inserted is in blue and underlined.

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

WATER SUPPLY CONTRACT
BETWEEN

THE STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES

AND

THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

For Information Purposes: This document serves as a model contract showing how the original State Water Project Water Supply Contract with Metropolitan Water District of Southern California and amendments to date would appear in a consolidated contract if further amended by the proposed Contract Extension Amendment.

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A. INTRODUCTORY PROVISIONS

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

(a) **“Additional Project Conservation Facilities”** shall mean the following facilities and programs, which will serve the purpose of preventing any reduction in the Minimum Project Yield as hereinafter defined:

(1) Those Project Facilities specified in Section 12938 of the Water Code;

(2) Those facilities and programs described in (A), (B), (C), (D), and (E) below which, in the State’s determination, are engineeringly feasible and capable of producing Project Water which is economically competitive with alternative new water supply sources, *provided* that in the State’s determination, the construction and operation of such facilities and programs will not interfere with the requested deliveries of ~~annual entitlement~~ Annual Table A Amount to any Contractor other than the sponsoring Contractor, and will not result in any greater annual charges to any Contractor other than the sponsoring Contractor than would have occurred with the construction at the same time of alternative new water supply sources which are either reservoirs located north of the Delta or off-Aqueduct storage reservoirs located south or west of the Delta designed to supply water to the California Aqueduct. The following facilities and programs shall hereinafter be referred to as “Local Projects”:

(A) On-stream and off-stream surface storage reservoirs not provided for in Section 12938 of the Water Code, that will produce Project Water for the System for a period of time agreed to by the sponsoring Contractor;

(B) Groundwater storage facilities that will produce Project Water for the System for a period of time agreed to by the sponsoring Contractor;

(C) Waste water reclamation facilities that will produce Project Water for the System for a period of time agreed to by the sponsoring Contractor;

(D) Water and facilities for delivering water purchased by the State for the System for a period of time agreed to by the sponsoring Contractor; provided that the economic test specified herein shall be applied to the cost of these facilities together with the cost of the purchased water; and

(E) Future water conservation programs and facilities that will reduce demands by the sponsoring Contractor for Project Water from the

System for a period of time agreed to by the sponsoring Contractor and will thereby have the effect of increasing Project Water available in the Delta for distribution.

(3) Whether a Local Project described in (2) above shall be considered economically competitive shall be determined by the State by comparing, in an engineering and economic analysis, such Local Project with alternative new water supply sources which are either reservoirs located north of the Delta or off-Aqueduct storage reservoirs located south or west of the Delta designed to supply water to the California Aqueduct. The analysis for such alternative new water supply sources shall use the average cost per acre-foot of yield in the latest studies made for such sources by the State and shall compare those facilities with the proposed Local Project using commonly accepted engineering economics. In the case of a Local Project to be funded in part by the State as part of the System and in part from other sources, the economic analysis specified herein shall be applied only to the portion to be funded by the State as part of the System.

(4) The Local Projects in (2) above shall not be constructed or implemented unless or until:

(A) The sponsoring Contractor signs a written agreement with the State which:

(i) Contains the sponsoring Contractor's approval of such facility or program;

(ii) Specifies the yield and the period of time during which the water from the Local Project shall constitute Project Water; and

(iii) Specifies the disposition of such Local Project or of the yield from such Local Project upon the expiration of such period of time.

(B) All Contractors within whose boundaries any portion of such Local Project is located, and who are not sponsoring Contractors for such Local Project give their written approval of such Local Project.

(5) "Sponsoring Contractor" as used in this Article 1(a) shall mean the Contractor or Contractors who either will receive the yield from facilities described in 2(A), (B), (C), or (D) above, or agree to reduce demands for Project Water from the System pursuant to 2(E) above.

(6) In the event of a shortage in water supply within the meaning of Article 18(a), the determination of whether to count, in whole or in part, the yield from facilities described in 2(A), (B), (C), or (D) above, or the reduced demand from future conservation programs described in 2(E) above in the allocation of deficiencies among Contractors will be based on a project-by-project evaluation taking into consideration such factors as any limitation on the use of the water

from such facilities and whether the sponsoring Contractor has access to Project Water from the Delta as an alternate to such facilities.

(b) **“Agricultural Use”** shall mean any use of water primarily in the production of plant crops or livestock for market, including any use incidental thereto for domestic or stock-watering purposes.

(c) **“Annual Table A Amount”** shall mean the amount of Project Water set forth in Table A of this Contract that the State, pursuant to the obligations of this contract and applicable law, makes available for delivery to the District at the delivery structures provided for the District. The term Annual Table A Amount shall not be interpreted to mean that in each year the State will be able to make that quantity of Project Water available to the District. The Annual Table A Amounts and the terms of this contract reflect an expectation that under certain ~~conditions the District will receive its full Annual Table A Amount; but that under other~~ conditions only a lesser amount, allocated in accordance with this contract, may be made available to the District. This recognition that full Annual Table A Amounts will not be deliverable under all conditions does not change the obligations of the State under this contract, including but not limited to, the obligations to make all reasonable efforts to complete the Project Facilities, to perfect and protect water rights, and to allocate among Contractors the supply available in any year, as set forth in Articles 6(b), 6(c), 16(b) and 18, in the manner and subject to the terms and conditions of those articles and this contract. Where the term “annual entitlement” appears elsewhere in this contract, it shall mean “Annual Table A Amount.” The State agrees that in future amendments to this and other Contractor’s contracts, in lieu of the term “annual entitlement,” the term “Annual Table A Amount” will be used and will have the same meaning as “annual entitlement” wherever that term is used.

(d) **“Area of Origin Statutes”** shall mean Sections 10505 and 11460 through 11463 of the Water Code as now existing or hereafter amended.

(e) **“Article 51(e) Amounts”** shall mean the annual amounts determined pursuant to Article 51(e)(1).

(f) **“Billing Transition Date”** shall mean January 1 of the first calendar year starting at least six (6) months after the Contract Extension Amendment Effective Date.

(g) **“Burns-Porter Bond Act”** shall mean the California Water Resources Development Bond Act, comprising Chapter 8, commencing at Section 12930, of Part 6 of Division 6 of the Water Code, as enacted in Chapter 1762 of the Statutes of 1959.

(h) **“Capital Costs”** shall mean all costs Incurred subsequent to authorization of a facility for construction by the Legislature or by administrative action pursuant to Section 11290 of the Water Code and to the Burns-Porter Bond Act, including those so Incurred prior to the beginning of the Project Repayment Period as herein defined and

any accrued unpaid interest charges thereon at the rates specified herein, which are properly chargeable to the construction of and the furnishing of equipment for the facilities of the System, including the costs of surveys, engineering studies, exploratory work, designs, preparation of construction plans and specifications, acquisition of lands, easements and rights-of-way, and relocation work, all as shown upon the official records of the Department of Water Resources.

(i) **“Carry-over Entitlement Water”** shall mean water from a Contractor’s ~~annual entitlement~~ Annual Table A Amount for a respective year, which is made available for delivery by the State in the next year pursuant to Article 12(e).

(j) **“Central Valley Project Act”** shall mean the Central Valley Act comprising Part 3, commencing at Section 11100, of Division 6 of the Water Code.

(k) **“Contract Extension Amendment”** shall mean the substantially similar amendments to the Contractors’ Water Supply Contracts that include, among other things, an extension of the term of the contract to December 31, 2085.

(l) **“Contract Extension Amendment Effective Date”** shall mean the date on which the Contract Extension Amendment becomes effective with regard to this contract. The State shall provide a written notice to the [District] specifying the Contract Extension Amendment Effective Date once the applicable conditions set out in the Contract Extension Amendment have been met.

(m) **“Contractor”** shall mean any entity that has executed, or is an assignee of, a contract of the type published in Department of Water Resources Bulletin No. 141, dated November 1965, with the State for a dependable supply of water made available by the System, except such water as is made available by the facilities specified in Section 12934(d)(6) of the Water Code, as such contracts have been amended from time to time.

(n) **“Delta”** shall mean the Sacramento-San Joaquin Delta as defined in Section 12220 of the Water Code on the date of approval of the Burns-Porter Bond Act by the voters of the State of California.

(o) **“East Branch Aqueduct”** shall mean that portion of the San Joaquin Valley-Southern California Aqueduct specified in Section 12934(d)(2) of the Water Code extending from the South Portal of the Tehachapi Tunnels to a terminus in the vicinity of Perris, Riverside County.

(p) **“Economic Useful Life”** shall mean the period during which the State expects to derive economic benefit from using an asset, as determined by the State.

(q) **“Financial Information System”** shall mean the system of record designated by the State as the authoritative source for the recording of all financial data values relating to the System.

(r) **“Financing Costs”** shall mean the following:

- (1) principal of and interest on Revenue Bonds,
- (2) debt service coverage required by the applicable bond resolution or indenture in relation to such principal and interest,
- (3) deposits to reserves required by the bond resolution or indenture in relation to such Revenue Bonds, and
- (4) premiums for insurance or other security obtained in relation to such Revenue Bonds.

(s) **“Incurred”** shall mean the following with respect to the timing of a cost:

- (1) Capital Costs and operation, maintenance, and power costs allocated irrespective of the amount of Project Water delivered to the Contractors are “Incurred” when the expenditure for the good, service or other consideration is recorded in the State’s financial information system, regardless of the date the good, service or other consideration is provided; and
- (2) operation, maintenance, and power costs allocated in an amount which is dependent upon and varies with the amount of Project Water delivered to the Contractors are “Incurred” when the good, service or other consideration is provided, regardless of when the expenditure for the good, service or other consideration is recorded in the financial information system.

(t) **“Initial Project Conservation Facilities”** shall mean the following Project Facilities specified in Section 12934(d) of the Water Code:

- (1) All those facilities specified in subparagraph (1) thereof.
- (2) Those facilities specified in subparagraph (3) thereof to the extent that they serve the purposes of water conservation in the Delta, water supply in the Delta, and transfer of water across the Delta.
- (3) A reservoir near Los Banos in Merced County as specified in subparagraph (2) thereof.
- (4) The reach of the San Joaquin Valley-Southern California Aqueduct extending from the Delta to a reservoir near Los Banos in Merced County, to the extent required for water conservation through conveyance of water diverted from the Delta to offstream storage in such reservoir as determined by the State.
- (5) Those facilities specified in subparagraph (5) thereof which are incidental to the facilities included under (1), (2), (3), and (4) above.
- (6) Those facilities specified in subparagraph (7) thereof which are necessary and appurtenant to the facilities included under (1), (2), (3), (4), and (5) above.

(u) **“Interruptible Water”** shall mean Project Water available as determined by the State that is not needed for fulfilling Contractors’ ~~annual entitlement~~ Annual Table A Amount deliveries as set forth in their water delivery schedules furnished pursuant to Article 12 or for meeting project operational requirements, including storage goals for the current or following years.

(v) “**Manufacturing Use**” shall mean any use of water primarily in the production of finished goods for market.

(w) “**Maximum Annual Table A Amount**” shall mean the maximum annual amount set forth in Table A of this contract, and where the term “maximum annual entitlement” appears elsewhere in this contract it shall mean “Maximum Annual Table A Amount.”

(x) “**Minimum Project Yield**” shall mean the dependable annual supply of project water to be made available assuming completion of the initial project conservation facilities and additional project conservation facilities. The project’s capability of providing the Minimum Project Yield shall be determined by the State on the basis of coordinated operations studies of initial project conservation facilities and additional project conservation facilities, which studies shall be based upon factors including but not limited to:

(1) the estimated relative proportion of deliveries for agricultural use to deliveries for municipal use assuming Maximum Annual Table A Amounts for all contractors and the characteristic distributions of demands for these two uses throughout the year; and

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

(y) “**Monterey Amendment**” shall mean ~~this amendment and the~~ substantially similar amendments to ~~other Contractors’ Water Supply Contracts~~ Contractors’ Water Supply Contracts that ~~include~~included, among other provisions, the addition of Articles 51 through 56.

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

(aa) “**Nonproject Water**” shall mean water made available for delivery to Contractors that is not Project Water as defined in Article 1(ah).

(ab) “**Project Facilities**” shall mean those facilities of the System which will, in whole or in part, serve the purposes of this contract by conserving water and making it available for use in and above the Delta and for export from the Delta and from such additional facilities as are defined in Article 1(a)(2), and by conveying water to the District. Such Project Facilities shall consist specifically of “Project Conservation Facilities” and “Project Transportation Facilities”, as hereinafter defined.

(ac) “**Project Conservation Facilities**” shall mean such Project Facilities as are presently included, or as may be added in the future, under subarticles 1(a) and 1(t).

(ad) “**Project Interest Rate**” shall mean the following:

(1) Prior to the Billing Transition Date, the weighted average interest rate on bonds, advances, or loans listed in this section to the extent the proceeds of any such bonds, advances, or loans are for construction of the State Water Facilities defined in Section 12934(d) of the Water Code, the additional project conservation facilities, and the supplemental conservation facilities (except off-aqueduct power facilities; water system facilities; advances for delivery structures, measuring devices and excess capacity; and East Branch Enlargement Facilities). The Project Interest Rate shall be calculated as a decimal fraction to five places by dividing (i) the total interest cost required to be paid or credited by the State during the life of the indebtedness or advance by (ii) the total of the products of the various principal amounts and the respective terms in years of all such amounts. The bonds, advances, or loans used in calculating the project interest rate shall be:

(1A) General obligation bonds issued by the State under the Bond Act, except that any premium received on the sale of these bonds shall not be included in the calculation of the project interest rate,

(2B) Revenue ~~bonds~~Bonds issued ~~by the State under the Central Valley Project Act~~ after May 1, 1969,

(3C) Bonds issued by the State under any other authority granted by the Legislature or the voters,

(4D) Bonds issued by any agency, district, political subdivision, public corporation, or nonprofit corporation of this State,

(5E) Funds advanced by any contractor without the actual incurring of bonded debt therefor, for which the net interest cost and terms shall be those which would have resulted if the contractor had sold bonds for the purpose of funding the advance, as determined by the State,

(6F) Funds borrowed from the General Fund or other funds in the Treasury of the State of California, for which the total interest cost shall be computed at the interest rate earned over the period of such borrowing by moneys in the Surplus Money Investment Fund of such Treasury invested in securities, and

(7G) Any other financing capability available in the Treasury of the State of California at whatever interest rate and other financing costs are provided in the law authorizing such borrowing. However, the use of other financing from the State Treasury is intended to involve only short term borrowing at interest rates and other financing costs no greater than those charged to other State agencies during the same period until such

time as the Department can sell bonds and reimburse the source of the short term borrowing from the proceeds of the bond sale.

(2) On and after the Billing Transition Date, the Project Interest Rate shall be four and six hundred and ten thousandths percent (4.610%) per annum.

(wae) **“Project Repayment Period”** shall mean that period of years commencing on January 1, 1961, and extending until December 31, 2035.; ~~provided, that whenever construction of any project facilities is financed by a bond issue with maturity dates later than December 31, 2035, whether the bonds are issued pursuant to the Bond Act or other authority, repayment of the costs of such facilities shall be extended to end on the date of the latest maturities of the bonds with which construction of such facilities is financed.~~

(af) **“Project Revenues”** shall mean revenues derived from the service of Project Water to Contractors and others, and from the sale or other disposal of electrical energy generated in connection with operation of Project Facilities.

(ag) **“Project Transportation Facilities”** shall mean the following Project Facilities:

(1) All those facilities specified in subparagraph (2) of Section 12934(d) of the Water Code except: The reservoir near Los Banos in Merced County; the reach of the San Joaquin Valley-Southern California Aqueduct extending from the Delta to the reservoir near Los Banos in Merced County, to the extent required for water conservation as determined by the State; the North Bay Aqueduct extending to a terminal reservoir in Marin County; the South Bay Aqueduct extending to terminal reservoirs in the Counties of Alameda and Santa Clara; the Pacheco Pass Tunnel Aqueduct extending from a reservoir near Los Banos in Merced County to a terminus in Pacheco Creek in Santa Clara County; and the Coastal Aqueduct beginning on the San Joaquin Valley-Southern California Aqueduct in the vicinity of Avenal, Kings County, and extending to a terminus at the Santa Maria River.

(2) Facilities for the generation and transmission of electrical energy of the following types:

(A) Hydroelectric generating and transmission facilities, whose operation is dependent on the transportation of Project Water, or on releases to channels downstream of Project Facilities defined under (1) above. Such facilities shall be called “project aqueduct power recovery plants.”

(B) All other generating and associated transmission facilities, except those dependent on water from Project Conservation Facilities, for the generation of power. These facilities shall be called “off-aqueduct power facilities” and shall consist of the State’s interest in the Reid-

Gardner and any other generating and associated transmission facilities, constructed or financed in whole or in part by the State, which are economically competitive with alternative power supply sources as determined by the State.

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

(ah) “Project Water” shall mean water made available for delivery to the Contractors by the Project Conservation Facilities and the Project Transportation Facilities included in the System.

(ai) “Revenue Bonds” shall mean the following types of instruments payable from the sources provided in the Central Valley Project Act: revenue bonds, notes, refunding bonds, refunding notes, bond anticipation notes, certificates of indebtedness, and other evidences of indebtedness.

(aj) “Subject to Approval by the State” shall mean subject to the determination and judgment of the State as to acceptability.

(ak) “Supplemental Conservation Facilities” shall mean those facilities provided for in Section 12938 of the Water Code which will serve the purpose of supplying water in addition to the Minimum Project Yield and for meeting local needs.

(al) “Supplemental Water” shall mean water made available by Supplemental Conservation Facilities, in excess of the Minimum Project Yield.

(am) “System” shall mean the State Water Resources Development System as defined in Section 12931 of the Water Code.

(an) “System Revenue Account” shall mean the special account created pursuant to Water Code Section 12937(b) into which are deposited all revenues derived from the sale, delivery or use of water or power and all other income or revenue, derived by the State, from the System, with the exception of revenue attributable to facilities financed with revenue bonds issued pursuant to the Central Valley Project Act (Water Code Section 11100 et seq.).

(ao) “Water Supply Contract” shall mean one of the contracts described in the definition of Contractor in Article 1(m).

(ap) “Water System Facilities” shall mean the following facilities to the extent that they are financed with ~~water system revenue bonds~~ Revenue Bonds or to the extent that other financing of such facilities is reimbursed with proceeds from ~~water system revenue bonds~~ Water System Facility Revenue Bonds:

- (1) The North Bay Aqueduct,
- (2) The Coastal Branch Aqueduct,

(3) Delta Facilities, including Suisun Marsh facilities, to serve the purposes of water conservation in the Delta, water supply in the Delta, transfer of water across the Delta, and mitigation of the environmental effects of Project Facilities, and to the extent presently authorized as project purposes, recreation and fish and wildlife enhancement,

(4) Local projects as defined in Article 1(ha)(2) designed to develop no more than 25,000 acre-feet of project yield from each project,

(5) Land acquisition prior to December 31, 1995, for the Kern Fan Element of the Kern Water Bank,

(6) Additional pumps at the Banks Delta Pumping Plant,

(7) The transmission line from Midway to Wheeler Ridge Pumping Plant,

(8) Repairs, additions, and betterments to ~~conservation or transportation facilities existing as of January 1, 1987, and to all other facilities described in this subarticle (hh) except for item (5),~~ Project Facilities,

(9) A Project Facilities corporation yard, ~~and~~

(10) A Project Facilities operation center, ~~and~~

(11) Capital projects which are approved in writing by the State and eighty (80) percent of the affected Contractors as “Water System Facilities”, provided that the approving Contractors’ Table A amounts exceed eighty (80) percent of the Table A amounts representing all affected Contractors and provided further that “affected Contractors” for purposes of this subdivision (11) shall mean those Contractors which would be obligated to pay a share of the debt service on Revenue Bonds issued to finance such project.

(aq) “Water System Facility Revenue Bonds” shall mean ~~water made available for delivery to contractors that is not project water as defined in Article 1(Revenue Bonds issued after January 1, 1987 for Water System Facilities identified in Article 1(ap).~~

(ar) “West Branch Aqueduct” shall mean that portion of the San Joaquin Valley-Southern California Aqueduct specified in Section 12934(d)(2) of the Water Code extending from the South Portal of the Tehachapi Tunnels to a terminus in the vicinity of Newhall, Los Angeles County.

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

(at) “Year of Initial Water Delivery” shall mean the year when Project Water will first be available for delivery to a Contractor pursuant to its contract with the State.

2. Term of Contract. This contract shall become effective on the date first above written and shall remain in effect for the longest of the following:

~~1. The project repayment period~~

1. December 31, 2085, or

2. ~~75 years~~

~~3.~~ The period ending with the latest maturity date of any bond issue used to finance the construction costs of project facilities.

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

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

- (1) Service of water in annual amounts up to and including the District's maximum annual entitlement hereunder.
- (2) Service of water at no greater cost to the District than would have been the case had this contract continued in effect.
- (3) Service of water under the same physical conditions of service, including time, place, amount and rate of delivery, as are provided for hereunder.
- (4) Retention of the same chemical quality objective provision as is set forth herein.
- (5) Retention of the same options to utilize the project transportation facilities as are provided for in Articles 18(c) and 55, to the extent such options are then applicable.

Other terms and conditions of the continued service shall be reasonable and equitable and shall be mutually agreed upon. In the event that said terms and conditions provide for continued service for a limited number of years only, the District shall have the same option to receive continued service here provided for upon the expiration of that and each succeeding period of continued service.

5. Pledge of Revenues. This contract is entered into for the direct benefit of the holders and owners of all general obligation bonds issued under the [Burns-Porter Bond Act](#) and the holders and owners of Revenue Bonds issued under the [Central Valley Project Act](#),

and the income and revenues derived from this contract are pledged to the respective purposes and in the ~~priority~~respective priorities set forth in ~~that act~~these acts, as provided by law.

B. WATER SERVICE PROVISIONS

6. Annual Entitlements.

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

- (b) Commencing with the year of initial water delivery to the District, the State each year shall make available for delivery to the District the amounts of project water designated in Table A of this contract, which amounts shall be subject to change as provided for in Article 7(a) and are referred to in this contract as the District's Annual Table A Amounts.

TABLE A
ANNUAL AMOUNTS**
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Year	<Calendar> <Year>	Total Annual Amount in Acre-Feet
1	<1972>	154,772
2	<1973>	354,600
3	<1974>	454,900
4	<1975>	555,200
5	<1976>	655,600
6	<1977>	755,900
7	<1978>	856,300
8	<1979>	956,600
9	<1980>	1,057,000
10	<1981>	1,157,300
11	<1982>	1,257,600
12	<1983>	1,358,000
13	<1984>	1,458,300
14	<1985>	1,558,700
15	<1986>	1,659,300
16	<1987>	1,759,800
17	<1988>	1,860,400
18	<1989>	1,961,400
19-29	<1990-2000>	2,011,500
30	<2001>	2,011,500
31	<2002>	2,011,500
32	<2003>	2,011,500
33	<2004>	1,911,500

And each succeeding year thereafter, through December 31, 2035: **1,911,500**

Effective January 1, 2036: **2,011,500***

*The 2003 Exchange Agreement provides for the transfers to Coachella/Desert to simultaneously terminate on December 31, 2035 unless both are earlier or later simultaneously terminated pursuant to the terms of the 2003 Exchange Agreement.

**In any year, the amounts designated in this Table A shall not be interpreted to mean that the State is able to deliver those amounts in all years. Article 58 describes the State's process for providing current information for project delivery capability.

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

7. Change in Annual Entitlements; Maximum Annual Entitlement.

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

(b) The maximum amount of project water to be made available to the District in any one year under this contract shall be 1,911,500, acre-feet, referred to in this contract as the District's maximum annual entitlement, and in no event shall such maximum amount of project water to be made available to the District be increased over this amount, except as is provided for in Articles 8 and 15(c).

(c) In the event that the State enters into a contract with a contractor for service of project water to an area outside the District, which area, as shown upon the official records of the District as of the date of execution of this contract, is proposed to be served by the District with project water made available pursuant to this contract, provision being made therefore in Table A included in Article 6(b), the District's annual entitlements and maximum annual entitlement hereunder shall be appropriately reduced, effective on the effective date of said contract for service of project water by the State to such area outside the District, by amendment of said Table A and subdivision (b) of this article respectively: Provided, That such reductions shall not exceed the amounts of said contractor's annual entitlements and maximum annual entitlement under its contract. Upon any reduction in the District's annual entitlements and maximum annual entitlement pursuant to this subdivision, the State shall appropriately reduce: (1) the delivery capabilities to be provided in the project transportation facilities for service to the District, and (2) the District's payment obligations hereunder.

8. Option to Increase Maximum Annual Entitlement. In the event that the maximum annual entitlements under all contracts executed by the State on or before December 31, 1963, do not aggregate the amount of the minimum project yield as herein defined, the State shall immediately notify the District and all other contractors, and the District may elect to become entitled to the uncontracted for portion of the minimum project yield in or up to an amount which bears the same ratio to such uncontracted for portion as the District's maximum annual entitlement bears to the total of the maximum annual entitlements of all contractors as of that date: Provided, That such option may be exercised only to the extent that the water involved can be put to beneficial use within a reasonable period of time. Such option shall become effective on the date that the District receives said notice from the State and shall remain in effect through September 30, 1964. If the full amount of such uncontracted for portion of the minimum project yield is not preempted by the District under this option and by other contractors through the exercise of similar options on or before September 30, 1964, the District may request that it become entitled to any amount of such water not so preempted. Such request shall be subject to approval by the State and shall be considered in the light of all similar requests from other contractors. The State shall approve such request only to the extent that the water involved can be put to beneficial use within a reasonable period of time. Upon the exercise of such option or upon the approval of such request the District's maximum annual entitlement under Article 7(b) shall be increased by the amount of the additional entitlement thereby obtained by amendment of that article, and the District shall become obligated and hereby agrees to pay to the State a proportionate share of the costs attributable to such increase in accordance with cost allocation principles and procedures set forth in this contract. The service of and payment for said increased entitlement shall in all respects be subject to the terms and conditions of this contract.

9. Obligation to Deliver Water Made Available. Project water made available to the District pursuant to Article 6(b) shall be delivered to the District by the State at the delivery structures established in accordance with Article 10. At any time or times the

District may refuse to accept delivery of water made available to it: Provided, That the District shall remain obligated to make all payments required under this contract.

10. Delivery Structures.

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

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

- (1) The location of delivery structures for delivery of project water to it.
- (2) The time at which project water is first to be delivered through each such delivery structure.
- (3) The maximum instantaneous flow capacity in cubic feet per second to be provided in each such delivery structure.
- (4) The maximum amount of water in acre-feet to be delivered in any one month through each such delivery structure.
- (5) The total combined maximum instantaneous flow capacity in cubic feet per second to be provided by all such delivery structures.
- (6) The total maximum amount of water in acre-feet to be delivered in any one month through all such delivery structures.

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

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

11. Measurement of Water Delivered.

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

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

12. Priorities, Amounts, Times, and Rates of Delivery.

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

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

(2) Upon receipt of a preliminary schedule the State shall review it and, after consultation with the District, shall make such modifications in it as are necessary to insure the delivery of the annual quantity allocated to the District in accordance with Article 18 and to insure that the amounts, times, and rates of delivery to the District will be consistent with the State's overall delivery ability, considering the then current delivery schedules of all contractors. On or before December 1 of each year, the State shall determine and furnish to the District the water delivery schedule for the next succeeding year which shall show the amounts of water to be delivered to the District during each month of that year.

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

(b) In no event shall the State be obligated to deliver to any contractor through all delivery structures provided for such contractor a total amount of project water in any year greater than the contractor's annual entitlement for that year; nor to deliver to any contractor from the project transportation facilities downstream from Pumping Plant VI in any one month of any year a total amount of project water greater than eleven percent (11%) of such contractor's annual entitlement for that year; nor to deliver to any contractor from the project transportation facilities upstream from said Pumping Plant VI in any one month of any year a total amount of project water greater than the sum of eighteen percent (18%) of that portion of such contractor's annual entitlement for that year to be devoted to agricultural use, as determined by the State, and eleven percent (11%) of that portion of such contractor's annual entitlement for that year to be devoted to municipal use, as determined by the State: Provided, That if the State delivers project water to any contractor through delivery structures both downstream and upstream from

said Pumping Plant VI, the foregoing limitations on monthly deliveries to such contractor shall be based on an appropriate apportionment of such contractor's annual entitlement for that year to the respective portions of such contractor's service area to which delivery is made from the project transportation facilities downstream from said Pumping Plant VI and from the project transportation facilities upstream therefrom: Provided further, That the respective percentages set forth hereinabove may be revised by amendment of this subdivision after submission to the State of the respective contractor's requests with respect to maximum monthly deliveries, such revision being subject to approval by the State and subject to advancement to the State by the respective contractor of funds sufficient to cover any additional costs of the project transportation facilities occasioned thereby, as such costs are determined pursuant to Article 24(d): Provided further, That with respect to deliveries to the District from the project transportation facilities downstream from the Pumping Plant VI the percentage of eleven percent (11%) is revised to the extent provided in Article 47(c) of this contract.

(c) In no event shall the State be obligated to deliver water to the District through all delivery structures at a total combined instantaneous rate of flow exceeding three thousand four hundred eighty-eight (3,488) cubic feet per second, except as this rate of flow may be revised by amendment of this article after submission to the State of the District's requests with respect to maximum flow capacities to be provided in said delivery structures, pursuant to Article 10.

(d) <Deleted>

(e) Delivery of Carry-over Entitlement Water

Upon request of the District, the State shall make Carry-over Entitlement Water available for delivery to the District during the first three months of the next year, to the extent that such deliveries do not adversely affect current or future project operations, as determined by the State. The State's determination shall include, but not be limited to the operational constraints of project facilities, filling of project conservation storage, flood control releases and water quality restrictions.

Carry-over of entitlement water shall be limited to entitlement water that was included in the District's approved delivery schedule for October, November and December, but was not delivered due to:

- (1) scheduled or unscheduled outages of facilities within the District's service area; or
- (2) a delay in the planned application of a contractor's annual entitlement water for pre-irrigation; or
- (3) a delay in the planned spreading of the District's annual entitlement water for ground water storage.

After determining that the carry-over of entitlement water would not adversely affect project operations, the State shall notify the District of the amount of entitlement water to be carried over to the following January through March period. The notification shall include the proposed terms and conditions consistent with this Article 12(e) that would govern the delivery of the Carry-over Entitlement Water.

The District agrees to pay all significant identifiable costs associated with its Carry-over Entitlement Water, as determined by the State.

All scheduling and delivery of Carry-over Entitlement Water shall be carried out pursuant to the provisions of this contract.

The District agrees to forego the delivery of any Carry-over Entitlement Water that is lost because of project operations or is not delivered by March 31 of the next year.

Any Carry-over Entitlement Water foregone by the District will become a part of the current year's total project supply.

(f) Priorities

Each year water deliveries to the contractors shall be in accordance with the following priorities to the extent there are conflicts:

First, project water to meet scheduled deliveries of contractors' annual entitlements for that year.

Second, interruptible water to the extent contractors' annual entitlements for that year are not met by the first priority.

Third, project water to fulfill delivery requirements pursuant to Article 14(b).

Fourth, project water previously stored pursuant to Articles 12(e) and 56.

Fifth, nonproject water to fulfill contractors' annual entitlements for that year not met by the first two priorities.

Sixth, additional interruptible water delivered to contractors in excess of their annual entitlements for that year.

Seventh, additional nonproject water delivered to contractors in excess of their annual entitlements for that year.

13. Responsibilities for Delivery and Distribution of Water.

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

with the control, carriage, handling, use, disposal or distribution of such water beyond said delivery structures; and the District shall indemnify and hold harmless the State and its officers, agents, and employees from any such damages or claims of damages.

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

14. Curtailed Delivery.

(a) State May Curtail Deliveries

The State may temporarily discontinue or reduce the delivery of project water to the District hereunder for the purposes of necessary investigation, inspection, maintenance, repair, or replacement of any of the project facilities necessary for the delivery of project water to the District, as well as due to outages in, or reductions in capability of, such facilities beyond the State's control or unusability of project water due to an emergency affecting project facilities. The State shall notify the District as far in advance as possible of any such discontinuance or reduction, except in cases of emergency, in which case notice need not be given.

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

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

15. Use of Water.

(a) No sale or other disposal of project water delivered to the District pursuant to this contract shall be made by the District for use of such water outside the District which would, in the judgment of the State, materially impair the District's capacity to make payments to the State as provided for in this contract. Except insofar as such water is sold by the District to the United States, the State of California, or to purchasers for use within areas which are outside the areas proposed to be served by the State with water made available by the System, project water delivered to the District pursuant to this contract shall not be sold or otherwise disposed of by the District for use outside the District without the prior written consent of the State. The District shall notify the State

as promptly as feasible of all sales or other disposals of project water made or proposed to be made by the District for use outside the District.

(b) While this contract is in effect, no change shall be made in the organization of the District which would materially impair the District's capacity to make payments to the State as provided for herein. The District shall notify the State as promptly as feasible of any change or proposed change in the District's boundaries.

(c) In the event of annexation by the District of territory lying within an area served or to be served by the State with project water pursuant to a contract between the State and another contractor, and subject to the consummation of appropriate agreements between the State, the District, and such other contractor, the District's annual entitlements and maximum annual entitlement under this contract shall be increased by the amounts of the annual entitlements and maximum annual entitlement contracted for by said contractor for use in said annexed territory. In the event of annexation by the District of territory lying within an area proposed to be served by the State with project water, but for which no contract has been executed by the State for service of project water for use in such annexed territory, the District's annual entitlements and maximum annual entitlement under this contract, at the request of either the State or the District, shall be increased by the amounts of the prospective annual entitlements and maximum annual entitlement to project water allocated or assigned by the State for use in said annexed territory. Upon any increase in the District's annual entitlements and maximum annual entitlement pursuant to this subdivision, Table A included in Article 6(b), and Article 7(b) shall be amended accordingly and the District shall become obligated and hereby agrees to pay to the State a proportionate share of the costs attributable to such increase in accordance with cost allocation principles and procedures set forth in this contract. The service of and payment for such increased annual entitlements and maximum annual entitlement shall in all respects be subject to the terms and conditions of this contract.

(d) The State shall make no other contract to supply project water for use within the boundaries of the District without the consent of the District, and shall not authorize any other contractor to supply project water for use outside such other contractor's boundaries and within the boundaries of the District without the consent of the District.

16. Continuity and Dependability of Water Supply.

(a) Limit on Total of all Maximum Annual Table A Amounts

The District's Maximum Annual Table A Amount hereunder, together with the maximum Table A amounts of all other contractors, shall aggregate no more than 4,185,000 acre-feet of project water.

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

(c) Commencing within two (2) years from the year of initial water delivery to the District, the State shall submit to the District at five-year intervals a report on the State's ability to meet future demands for project water and for supplemental water, and on the State's plans for constructing additional project conservation facilities and supplemental conservation facilities. Such reports shall include all estimates, projections, and other data which the State deems relevant thereto.

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

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

17. Construction of Project Facilities.

(a) Subject to the rights of the District under subdivision (b) of this article and the other provisions of this contract, the State shall provide in each aqueduct reach of the project transportation facilities, other than the East Branch Aqueduct and the West Branch Aqueduct, such maximum monthly delivery capability for the transport and delivery of project water to the District as, in the judgment of the State, will best serve the interests of the District and all other contractors entitled to delivery of project water from or through said facilities: Provided, That within three (3) months after either the effective date of this contract or the execution of any amendments to this contract pursuant to the first proviso in Article 2, whichever is later, the District shall furnish to the State a written request specifying such maximum monthly delivery capabilities, and the State shall give full consideration to such request in planning and designing said facilities. On or before June 30, 1963, the District shall furnish to the State its written request specifying, subject to Articles 6(b), 7(b), 12(b), and 12(c), the maximum monthly delivery capability to be provided in each reach, including reservoirs, of the East Branch Aqueduct and of the West Branch Aqueduct for the transport and delivery of project water to the District, and specifying from which of said Branch Aqueducts the District shall receive water in the year of initial water delivery to the District and the year in

which the first delivery of project water from the other of said Branch Aqueducts shall be made to the District. Such maximum monthly delivery capabilities and timing of first deliveries of project water from said Branch Aqueducts shall be as so requested by the District: Provided, That the District shall not specify less than a total maximum monthly delivery capability of sixty-one thousand two hundred and sixty-five (61,265) acre-feet in each of said Branch Aqueducts for the transport and delivery of project water to the District, and the District's payment obligation under the Transportation Charge for said Branch Aqueducts shall be in accordance therewith unless the District requests a greater total maximum monthly delivery capability in either or both of said Branch Aqueducts pursuant to this subdivision: Provided further, That in the event said request by the District with respect to the timing of first deliveries of project water to the District from said Branch Aqueducts is, in the judgment of the State, incompatible with similar requests received from other contractors to be served from or through said Branch Aqueducts, which contractors have executed contracts with the State on or before June 30, 1963, the timing of first deliveries of project water to the District and such other contractors from said Branch Aqueducts shall be as established by mutual agreement among the State, the District, and said contractors: Provided further, That if such agreement has not been reached on or before December 31, 1963, the State may then construct said Branch Aqueducts in accordance with such construction schedules as, in the judgment of the State, will best serve the interests of all those contractors whose service areas are located south of the South Portal of the Tehachapi Tunnels and which have executed contracts with the State on or before June 30, 1963.

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

to meet emergency requirements of the District for project water during the respective year: Provided further, That excess capacity shall be provided in accordance with Article 47(c) of this contract.

(c) The District shall have a reasonable opportunity to inspect and study the State's plans and specifications for all project facilities during the planning stage and prior to the solicitation of bids for the construction thereof, and may make comments and recommendations thereon to the State. Such privilege shall also extend to any plans and specifications or proposed agreements for the use by the State, in conjunction with the project facilities, of facilities owned by an entity other than the State. The State shall not enter into any such agreement which would impair the State's ability to perform fully its obligations under this contract.

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

(e) The State shall make all reasonable efforts to commence construction of the project transportation facilities on or before June 30, 1963. In the event that no contract for construction of project transportation facilities south of the San Luis Canal of the San Luis unit of the Federal Central Valley Project has been let on or before December 31, 1964, and that no bonds have been issued nor funds expended for construction of said facilities by that date, the District at any time after December 31, 1964, may at its option terminate this contract by giving notice of such termination to the State, such termination to be effective six (6) months after the giving of such notice, whereupon both parties hereto shall be relieved of all further obligations hereunder: Provided, That if the District has not theretofore given such notice, this option shall

expire upon the letting by the State of a contract for construction of said facilities at any time after March 31, 1965.

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

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

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

(g) Adjustments Due to Supplemental Financing Costs

(1) If a contractor, with approval of the State, advances funds to the State to assist the State in financing construction of project facilities (except advances for delivery structures, measuring devices and excess capacity and also excepting advances made under Article 47(m) of this contract), such advance

shall be amortized by means of annual credits to the contractor having made such advance of funds to the State, with such credits being equal to the actual bond service obligations payable by such contractor by reason of such advance or, if no bonded debt was incurred, then such credits shall be sufficient to cover the repayment of principal and interest costs which would have resulted if the contractor had sold bonds for the purpose of funding the advance as determined by the State.

(2) If, after May 1, 1969, any source of funds other than those provided by the Bond Act is employed to finance construction of specific project facilities, any additional costs incurred because of such financing will not be charged to the contractors, except for adjustments to the “project interest rate”.

18. Shortage in Water Supply.

(a) Shortages; Delivery Priorities

In any year in which there may occur a shortage due to drought or any other cause whatsoever, in the supply of project water available for delivery to the contractors, with the result that such supply is less than the total of the annual entitlements of all contractors for that year, the State shall allocate the available supply in proportion to each contractor’s annual entitlement as set forth in its Table A for that year and shall reduce the allocation of project water to each contractor using such water for agricultural purposes and to each contractor using such water for other purposes by the same percentage of their respective annual entitlements for that year: Provided, that the State may allocate on some other basis if such is required to meet minimum demands of contractors for domestic supply, fire protection, or sanitation during the year. If a contractor is allocated more water than it requested, the excess water shall be reallocated among the other contractors in proportion to their annual entitlements as provided for above. The foregoing provisions of this subdivision shall be inoperative to the extent necessary to comply with subdivision (c) of this article and to the extent that a contractor’s annual entitlement for the respective year reflects established rights under the area of origin statutes precluding a reduction in deliveries to such contractor.

<(b) (Deleted)>

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

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

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

(2) The District, at its option, shall have the right to use any of the project transportation facilities which by reason of such permanent shortage in the supply of project water to be made available to the District are not required for delivery of project water to the District, to transport water procured by it from any other source: Provided, That such use shall be within the limits of the capacities provided in the project transportation facilities for service to the District under this contract: Provided further, That, except to the extent such limitation in Section 12931 of the Water Code be changed, the District shall not use the project transportation facilities under this option to transport water the right to which was secured by the District through eminent domain unless such use be approved by the Legislature by concurrent resolution with a majority of the members elected to each house voting in favor thereof. This option shall terminate upon a redistribution of costs of transportation facilities by the State pursuant to (1) above. In the event that this option is exercised, the State shall take such fact into account in making such redistribution of costs, and shall offset such use as is made of the project transportation facilities pursuant thereto against any reduction in the District's payment obligation hereunder resulting from such redistribution of costs.

(d) Reinstatement of Entitlements

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

(e) Advance Notice of Delivery Reductions

The State shall give the District written notice as far in advance as possible of any reduction in deliveries to it which is to be made under subdivision (a) of this article and, to the extent possible, shall give the District written notice five (5) years in advance of any reduction in its annual entitlements and maximum annual entitlement under subdivision (c)

of this article. Reports submitted to the District pursuant to Article 16(c) may constitute such notices.

(f) No Liability for Shortages

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

19. Water Quality.

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

<i>Constituent</i>	<i>Unit</i>	<i>Monthly Average</i>	<i>Average for any 10-year Period</i>	<i>Maximum</i>
Total Dissolved Solids	ppm	440	220	
Total Hardness	ppm	180	110	
Chlorides	ppm	110	55	
Sulfates	ppm	110	20	
Sodium Percentage	%	50	40	
Fluoride	ppm			1.5
Lead	ppm			0.1
Selenium	ppm			0.05
Hexavalent Chromium	ppm			0.05
Arsenic	ppm			0.05
Iron and Manganese together	ppm			0.3
Magnesium	ppm			125
Copper	ppm			3.0
Zinc	ppm			15
Phenol	ppm			0.001

(b) The State shall regularly take samples of water at each delivery structure for delivery of project water to the District, and shall make chemical and physical

analyses and tests of such samples. The State shall keep accurate and complete records of all such analyses and tests, which records shall be available for inspection by the District at any time or times.

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

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

21. Interruptible Water Service.

(a) Allocation of Interruptible Water

Each year from water sources available to the project, the State shall make available and allocate interruptible water to contractors in accordance with the procedure in Article 18(a). Allocations of interruptible water in any one year may not be carried over for delivery in a subsequent year, nor shall the delivery of interruptible water in any year impact a contractor's approved deliveries of annual entitlement or the contractor's allocation of water for the next year. Deliveries of interruptible water in excess of a contractor's annual entitlement may be made if the deliveries do not adversely affect the State's delivery of annual entitlement to other contractors or adversely affect project operations. Any amounts of water owed to the District as of the date of this amendment pursuant to former Article 12(d), any contract provisions or letter agreements relating to wet weather water, and any Article 14(b) balances accumulated prior to 1995, are canceled. The State shall hereafter use its best efforts, in a manner that causes no adverse impacts upon other contractors or the project, to avoid adverse economic impacts due to a contractor's inability to take water during wet weather.

(b) Rates

For any interruptible water delivered pursuant to this article, contractors shall pay the State the same (including adjustments) for power resources (including on-aqueduct, off-aqueduct, and any other power) incurred in the transportation of such water as if such interruptible water were entitlement water, as well as all incremental operation, maintenance, and replacement costs, and any other incremental costs, as determined by the State. The State shall not include any administrative or contract preparation charge.

Incremental costs shall mean those nonpower costs which would not be incurred if interruptible water were not scheduled for or delivered to the contractor. Only those contractors not participating in the repayment of the capital costs of a reach shall be required to pay any use of facilities charge for the delivery of interruptible water through that reach.

(c) Contracts

To obtain a supply of interruptible water, a contractor shall execute a further contract with the State which shall be in conformity with this article and shall include at least provisions concerning the scheduling of deliveries of interruptible water and times and methods of payment.

C. PAYMENT PROVISIONS

22. Delta Water Charge.

The payments to be made by each Contractor shall include an annual charge designated as the Delta Water Charge, which shall be separately calculated and stated for costs Incurred prior to the Billing Transition Date and costs Incurred on or after the Billing Transition Date.

(a) Delta Water Charge for Costs Incurred Prior to the Billing Transition Date. The provisions of this subdivision (a) shall apply only to costs Incurred prior to the Billing Transition Date.

(1) Recovery of Costs of Project Conservation Facilities. ~~This charge~~ The Delta Water Charge for costs Incurred prior to the Billing Transition Date, together with the total revenues derived ~~during the project repayment period prior to the Billing Transition Date~~ from the sale or other disposal of electrical energy generated in connection with operation of Project Conservation Facilities, shall return to the State during the Project Repayment Period all costs of the Project Conservation Facilities Incurred ~~during the project repayment period prior to the Billing Transition Date,~~ including capital, operation, maintenance, power, and replacement costs, which are allocated to the purpose of water conservation in, above, and below the Delta pursuant to ~~subdivision (e) of this article subdivisions (c)(1) through (c)(3) of this article.~~ Wherever reference is made, in connection with the computation or determination of the Delta Water Charge, to the costs of any facility or facilities included in the System, such reference shall be only to those costs of such facility or facilities which are reimbursable by the contractors as determined by the State.

(b2) Components of Charge. For each Contractor receiving Project Water in any year through December 31, 1969, the Delta Water Charge shall be the product of \$3.50 and the ~~contractor's annual entitlement to project water~~ Contractor's Annual Table A Amount for the respective year. For each Contractor receiving Project Water in the year 1970, the Delta Water Charge shall be the product of \$6.65 and the ~~contractor's annual entitlement to project water~~ Contractor's Annual Table A Amount for that year. The \$6.65 rate for the year 1970 shall consist of a capital-~~cost~~ component of \$5.04 and a minimum operation, maintenance, power and replacement component of \$1.61. For each Contractor receiving Project Water in the year 1971, the Delta Water Charge shall be the product of \$7.24 and the ~~contractor's annual entitlement to project water~~ Contractor's Annual Table A Amount for that year. The \$7.24 rate for the year 1971 shall consist of a capital-~~cost~~ component of \$5.44 and a minimum operation, maintenance, power and replacement component of \$1.80.

After December 31, 1971, the Delta Water Charge for costs Incurred prior to the Billing Transition Date shall consist and be the sum of the following components as these are computed in accordance with subdivisions (ea)(3) and (da)(4) of this article: a capital-~~cost~~ component; a minimum operation, maintenance, power and replacement component; and a variable operation, maintenance, power and replacement component.

(3) Charge Components Expressed as Rates. The Capital Cost, the minimum operation, maintenance, power, and replacement, and the variable operation, maintenance, power, and replacement components of the Delta Water Charge for costs Incurred prior to the Billing Transition Date, together with that portion of the revenues derived ~~during the project repayment period~~ prior to the Billing Transition Date from the sale or other disposal of electrical energy generated in connection with operation of Project Conservation Facilities which is allocated by the State to repayment of the respective category of costs, shall return to the State during the Project Repayment Period, respectively, the following categories of the costs allocated to the purpose of water conservation in, above, and below the Delta pursuant to ~~subdivision (e)~~ subdivisions (c)(1) through (c)(3) of this article:

(+A) Capital Costs;

(2B) operation, maintenance, power, and replacement costs Incurred irrespective of the amount of Project Water delivered to the Contractors; and (3

(3C) operation, maintenance, power, and replacement costs Incurred in an amount which is dependent upon and varies with the amount of Project Water delivered to the Contractors;

provided that each of the above categories of costs shall be inclusive of the appropriate costs properly chargeable to the generation and transmission of electrical energy in connection with operation of Project Conservation Facilities. Each component of the Delta Water Charge for costs Incurred prior to the Billing Transition Date shall be computed on the basis of a rate which, when charged during the Project Repayment Period for each acre-foot of the sum of the yearly totals of ~~annual entitlements~~ Annual Table A Amounts of all Contractors, will be sufficient, together with that portion of the revenues derived ~~during the project repayment period~~ prior to the Billing Transition Date from the sale or other disposal of electrical energy generated in connection with operation of Project Conservation Facilities which is allocated by the State to repayment of the respective category of costs, to return to the State during the Project Repayment Period all costs included in the respective category of costs covered by that component. Each such rate shall be computed in accordance with the following formula:

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

Where:

i = The Project Interest Rate.

c = The total costs included in the respective category of costs and Incurred during the respective year of the Project Repayment Period.

r = That portion of the revenues derived from the sale or other disposal of electrical energy allocated by the State to repayment of the costs included in the respective category and incurred during the respective year of the Project Repayment Period (prior to the Billing Transition Date).

1, 2, and n
appearing
below c

and r = The respective year of the Project Repayment Period during which the costs ~~are~~-included in the respective category are Incurred, n being the last year of the Project Repayment Period.

e = With respect to the Capital Cost and minimum operation, maintenance, power, and replacement components, the total of ~~annual entitlements to project water~~-Annual Table A Amounts of all Contractors for the respective year of the Project Repayment Period.

e = With respect to the variable operation, maintenance, power, and replacement component, the total of the amounts of Project Water delivered to all Contractors for the respective year of the expired portion of the Project Repayment Period, together with the total of ~~annual entitlements to project water~~-Annual Table A Amounts of all Contractors for the respective year of the unexpired portion of the Project Repayment Period.

1, 2, and n
appearing

below e = The respective year of the Project Repayment Period in which the ~~annual entitlements~~-Annual Table A Amounts or Project Water or Project Water deliveries occur, n being the last year of the Project Repayment Period.

n used as an

exponent = The number of years in the Project Repayment Period.

(4) Determination of Charge Components. The Capital Cost and minimum operation, maintenance, power, and replacement components of the Delta Water Charge for costs Incurred prior to the Billing Transition Date shall be the product of the appropriate rate computed under subdivision ~~(ea)~~(3) of this article; and the ~~contractor's annual entitlement to project water~~Contractor's Annual Table A Amount for the respective year. The variable operation, maintenance, and power, ~~and replacement~~ component of the charge shall be the product of the appropriate rate computed under subdivision ~~(ea)~~(3) of this article and the number of acre-feet of Project Water delivered to the Contractor during the respective year; *provided*, that when Project Water has been requested by a Contractor and delivery thereof has been commenced by the State, and, through no fault of the State, such water is wasted as a result of failure or refusal by the Contractor to accept delivery thereof, such variable component during such period shall be the product of such rate per acre-foot and the sum of the number of acre-feet of Project Water delivered to the Contractor and the number of acre-feet wasted.

(5) Redetermination of Rates. The rates to be used in determining the components of the Delta Water Charge pursuant to subdivision (a)(4) of this article and to become effective on January 1, 1970, shall be computed by the State in accordance with subdivision (a)(3) of this article prior to that date. Such computation shall include an adjustment which shall account for the difference, if any, between revenues received by the State under the Delta Water Charge prior to January 1, 1970, and revenues which would have been received under the charge prior to that date had it been computed and charged in accordance with subdivisions (a)(3) and (4) of this article. Upon such computation, a document establishing such rates shall be prepared by the State and attached to this contract as an amendment of this article. The State shall recompute such rates each year thereafter, and each such recomputation shall take account of and reflect increases or decreases from year to year in projected costs, outstanding reimbursable indebtedness of the State Incurred to construct the Project Conservation Facilities described in subdivisions (c)(1) through (c)(3) of this article, Annual Table A Amounts, deliveries of Project Water, Project Interest Rate, revenues from the sale or other disposal of electrical energy, and all other factors which are determinative of such rates. In addition, each such recomputation shall include an adjustment of the rates for succeeding years which shall account for the differences, if any, between projections of costs used by the State in determining such rates for all preceding years, and actual costs Incurred by the State during such years. Upon each such recomputation, an appropriately revised copy of the document establishing such rates shall be prepared by the State and attached to this contract as an amendment of this article.

(6) Water System Facility Revenue Bond Charges. Notwithstanding provisions of Article 22(a)(1) through (5), the capital and the minimum operation,

maintenance, power and replacement component of the Delta Water Charge for costs Incurred prior to the Billing Transition Date shall include an annual charge to recover the District's share of the portion of the Water System Facility Revenue Bond Financing Costs allocable to Project Conservation Facilities for Capital Costs Incurred prior to the Billing Transition Date. Charges to the District for these costs shall be calculated in accordance with Article 50(a).

(b) Delta Water Charge for Costs Incurred On or After the Billing Transition Date. The provisions of this subdivision (b) of this article shall apply only to costs Incurred on or after the Billing Transition Date.

(1) Components of the Delta Water Charge for Costs Incurred On or After the Billing Transition Date. The Delta Water Charge for costs Incurred on or after the Billing Transition Date shall consist of the following components as these are computed in accordance with subdivisions (b)(2) through (b)(4) of this article:

(A) Capital component,

(B) Minimum operation, maintenance, power, and replacement component; and

(C) Variable operation, maintenance, and power component.

(2) Determination of Charge Components. These three components of the Delta Water Charge for each calendar year, together with that portion of the revenues derived during such calendar year from the sale or other disposal of electrical energy generated in connection with operation of Project Conservation Facilities which is allocated by the State to repayment of the respective category of costs, shall return to the State during such calendar year the following categories, respectively, of the costs allocated pursuant to subdivisions (c)(1) through (c)(3) of this article to the purpose of water conservation in, above, and below the Delta.

(A) the capital component consisting of Capital Costs of Project Conservation Facilities to be recovered during such calendar year as and to the extent provided in subdivision (b)(3) of this article;

(B) the minimum operation, maintenance, power, and replacement component consisting of operation, maintenance, power, replacement costs of Project Conservation Facilities Incurred during such calendar year irrespective of the amount of Project Water delivered to the Contractors; and

(C) the variable operation, maintenance, and power component consisting of operation, maintenance, and power costs of Project Conservation Facilities Incurred during such calendar year in an amount which is dependent upon and varies with the amount of Project Water delivered to the Contractors;

provided that each of the above categories of costs shall be inclusive of the appropriate costs properly chargeable to the generation and transmission of electrical energy in connection with operation of Project Conservation Facilities; and provided further that revenues generated in connection with the sale or other disposal of electrical energy generated in connection with operation of Project Conservation Facilities shall not reduce or be credited against charges pursuant to subdivision (b)(3)(D)(i) of this article (charges for Water System Facility Revenue Bond Financing Costs);

(3) Categories of Capital Costs.

(A) The amount of the capital component of the Delta Water Charge shall be determined in three steps as follows:

(i) first, an allocation to the District of Capital Costs of Project Conservation Facilities as provided in subdivisions (c)(1) through (c)(3) of this article,

(ii) second, a determination of the type and source of payment of each Capital Cost in accordance with subdivision (b)(3)(B) of this article, and

(iii) third, a computation of the annual payment to be made by the District as provided in subdivision (b)(3)(C) and (b)(3)(D) of this article.

(B) Annual Capital Costs of Project Conservation Facilities shall be divided into five categories of type and source of payment:

(i) Project Conservation Facility Capital Costs paid with the proceeds of Water System Facility Revenue Bonds,

(ii) Project Conservation Facility Capital Costs to be paid with the proceeds of Bonds issued under the Burns-Porter Bond Act,

(iii) Project Conservation Facility Capital Costs to be paid with amounts in the SWRDS Reinvestment Account

(iv) Project Conservation Facility Capital Costs to be paid annually for assets that will have a short Economic Useful Life or the costs of which are not substantial, and

(v) Project Conservation Facility Capital Costs prepaid by the District.

(C) The projected amounts of Project Conservation Facility Capital Costs in each such category to be allocated annually to the District shall be determined by the State in accordance with the cost allocation principles and procedures set forth in subdivision (c)(1) through (c)(3) and (b)(6) of this article, which principles and procedures shall be controlling as to allocations of Capital Costs to the District; *provided* that these amounts shall be subject to redetermination by the State in accordance with Article 28. Such projected amounts will be set forth in Table B by the State.

TABLE B
PROJECTED ALLOCATIONS TO [DISTRICT]
OF PROJECT CONSERVATION FACILITY CAPITAL COSTS INCURRED ON
OR AFTER THE BILLING TRANSITION DATE

<u>Year</u>	<u>Projected Allocations in Thousands of Dollars</u>				
	<u>Costs to be Paid with Proceeds of Water System Facility Revenue Bonds</u>	<u>Costs to be Paid with the Proceeds of Bonds issued under the Burns-Porter Bond Act</u>	<u>Costs to be Paid with Amounts in the SWRDS Reinvestment Account</u>	<u>Costs to be Paid Annually for Assets That Will Have a Short Economic Useful Life or the Costs of which are Not Substantial</u>	<u>Costs Prepaid by the District</u>
<u>1*</u>					
<u>2</u>					
<u>3</u>					

* Year commencing with the Billing Transition Date.

(D) The annual amount to be paid by the District under the capital component of the Delta Water Charge for each calendar year for costs Incurred on or after the Billing Transition Date shall consist of the following categories:

(i) Water System Facility Revenue Bonds: a charge determined in accordance with Article 50(b) to recover Water System Facility Revenue Bond Financing Costs Incurred during such calendar year that relate to the financing of Project Conservation Facilities,

(ii) Burns-Porter Act Bonds: a charge to recover the amount to be paid by the State of California during such calendar year in accordance with the Burns-Porter Bond Act for the principal of and interest on bonds issued under the Burns-Porter Bond Act on or after the Billing Transition Date for Project Conservation Facility Capital Costs,

(iii) SWRDS Reinvestment Account: a charge determined in accordance with subdivision (b)(5) of Article 61 to amortize

Project Conservation Facility Capital Costs Incurred during prior calendar years (but not prior to the Billing Transition Date) that have been paid with amounts from the SWRDS Reinvestment Account.

(iv) Capital Assets with Short Economic Life or Costs of which are Not Substantial: a charge to recover the Capital Costs to be Incurred during such calendar year of Project Conservation Facility assets with a short Economic Useful Life or the costs of which are not substantial as determined by the State and any such Capital Costs Incurred but not charged in the prior two calendar years.

(E) The projected amounts of each category of charges to be paid annually by the District under this capital component shall be determined by the State in accordance with the cost allocation principles and procedures set forth in this subdivision (b), which principles and procedures shall be controlling as to allocations of types of capital component charges to the District; provided that these amounts shall be subject to redetermination by the State in accordance with Article 28. Such amounts are projected to be as set forth in Table C by the State.

TABLE C
PROJECTED CHARGES TO [DISTRICT]
UNDER THE CAPITAL COMPONENT OF THE DELTA WATER CHARGE
FOR COSTS INCURRED ON OR AFTER THE BILLING TRANSITION DATE

<u>Year</u>	<u>Projected Charges in Thousands of Dollars</u>			
	<u>Costs to be Paid with Proceeds of Water System Facility Revenue Bonds</u>	<u>Costs to be Paid with the Proceeds of Bonds issued under the Burns-Porter Bond Act</u>	<u>Costs to be Paid with Amounts in the SWRDS Reinvestment Account</u>	<u>Costs to be Paid Annually for Assets That Will Have a Short Economic Useful Life or the Costs of which are Not Substantial</u>
<u>1</u>				
<u>2</u>				
<u>3</u>				

* Year commencing with the Billing Transition Date.

(4) Minimum Operation, Maintenance, Power and Replacement Charge – Determination; Repayment Table.

The amount to be paid each year by the District under the minimum operation, maintenance, power, and replacement component of the Delta Water Charge shall be determined by the State in accordance with the cost allocation principles and procedures set forth in subdivision (b)(6)(A) of this article; provided that these amounts shall be subject to redetermination by the State in accordance with Article 28. Such amounts are projected to be as set forth in Table D by the State.

TABLE D
DELTA WATER CHARGE -- ESTIMATED MINIMUM OPERATION, MAINTENANCE, POWER AND REPLACEMENT COMPONENT FOR COSTS INCURRED ON OR AFTER THE BILLING TRANSITION DATE [DISTRICT]

<u>Year</u>	<u>Total Annual Payment by District</u>
<u>1*</u>	
<u>2</u>	
<u>3</u>	
<u>4</u>	

* Year commencing with the Billing Transition Date.

(5) Variable Operation, Maintenance and Power Charge– Determination; Repayment Table.

The amount to be paid each year by the District under the variable operation, maintenance and power component of the Delta Water Charge shall be determined by the State in accordance with the cost allocation principles and procedures set forth in subdivision (b)(6)(B) of this article; provided that these amounts shall be subject to redetermination by the State in accordance with Article 28. Such amounts are projected to be as set forth in Table E by the State.

TABLE E
DELTA WATER CHARGE -- ESTIMATED VARIABLE OPERATION,
MAINTENANCE AND POWER COMPONENT FOR COSTS INCURRED ON
OR AFTER THE BILLING TRANSITION DATE
[DISTRICT]

<u>Year</u>	<u>Total Annual Payment by District</u>
<u>1*</u>	
<u>2</u>	
<u>3</u>	
<u>4</u>	

* Year commencing with the Billing Transition Date.

(6) Allocation of Charges to the District.

(A) The capital and minimum operation, maintenance, and power components of the Delta Water Charge for each calendar year for costs Incurred on or after the Billing Transition Date shall be allocated to the District in proportion to the ratio of the District's Annual Table A Amount for such calendar year to the total of the Annual Table A Amounts for all Contractors for such calendar year.

(B) The variable operation, maintenance, and power component of the Delta Water Charge for each calendar year for costs Incurred on or after the Billing Transition Date shall be allocated to the District in proportion to the ratio of the number of acre-feet of Project Water delivered to the District during such calendar year to the number of acre-feet of Project Water delivered to all Contractors during such calendar year; provided that when Project Water has been requested by a Contractor and delivery thereof has been commenced by the State, and, through no fault of the State, such water is wasted as a result of failure or refusal by the Contractor to accept delivery thereof, such variable component during such period shall be calculated as if the number of acre-feet wasted had been delivered.

(7) Delta Water Charge -- Repayment Schedule.

The amounts to be paid by the District for each year on or after the Billing Transition Date under the Capital Cost component, minimum operation, maintenance, power and replacement component and the variable operation, maintenance, and power component of the Delta Water Charge shall be set forth

by the State in Table F, which Table F shall constitute a summation of Tables C, D, and E; provided that each of the amounts set forth in Table F shall be subject to redetermination by the State in accordance with Article 28; provided further that the principles and procedures set forth in this Article 22 shall be controlling as to such amounts. Such amounts shall be paid by the District in accordance with the provisions of Article 29.

TABLE F
REPAYMENT SCHEDULE—DELTA WATER CHARGE FOR COSTS
INCURRED ON OR AFTER THE BILLING TRANSITION DATE
[DISTRICT]

<u>Year</u>	<u>Capital Cost Component</u>	<u>Minimum Component</u>	<u>Variable Component</u>	<u>Total</u>
<u>1*</u>				
<u>2</u>				
<u>3</u>				
<u>4</u>				

* Year commencing with the Billing Transition Date.

(c) Provisions Applicable to the Delta Water Charge for Costs Incurred Both Before and On or After the Billing Transition Date. The provisions of this subdivision (c) shall be applicable to costs Incurred both prior to and on or after the Billing Transition Date.

(1) Allocation of Costs to Project Purposes.

(A) Prior to the time that Additional Project Conservation Facilities or Supplemental Conservation Facilities are constructed, the Delta Water Charge shall be determined on the basis of an allocation to project purposes, by the separable cost-remaining benefits method, of all actual and projected costs of all those Initial Project Conservation Facilities located in and above the Delta, and upon an allocation to the purposes of water conservation and water transportation, by the proportionate use of facilities method, of all actual and projected costs of the following Project Facilities located below the Delta: The aqueduct intake facilities at the Delta, Pumping Plant I (Delta Pumping Plant) <Harvey O. Banks Delta Pumping Plant>, the aqueduct from the Delta to San Luis Forebay (O’Neill Forebay), San Luis Forebay (O’Neill Forebay), and San Luis Reservoir: provided, that all of the actual and projected costs properly chargeable to the generation and transmission of electrical energy in connection with operation of Project Conservation Facilities shall be

allocated to the purpose of water conservation in, above, and below the Delta; *provided further*, that allocations to purposes the cost of which are to be paid by the United States shall be as determined by the United States.

(B) Wherever reference is made, in connection with the computation, determination, or payment of the Delta Water Charge, to the costs of any facility or facilities included in the System, such reference shall be only to those costs of such facility or facilities that are reimbursable by the Contractors as determined by the State.

(C) The State, in fixing and establishing prices, rates, and charges for water and power, shall include as a reimbursable cost of any state water project an amount sufficient to repay all costs incurred by the State, directly or by contract with other agencies, for the preservation of fish and wildlife and determined to be allocable to the costs of the project works constructed for the development of that water and power, or either. Costs incurred for the enhancement of fish and wildlife or for the development of public recreation shall not be included in the prices, rates, and charges for water and power, and shall be nonreimbursable costs. Such recreational purposes include, but are not limited to, those recreational pursuits generally associated with the out-of-doors, such as camping, picnicking, fishing, hunting, water contact sports, boating, and sightseeing, and the associated facilities of campgrounds, picnic areas, water and sanitary facilities, parking areas, viewpoints, boat launching ramps, and any others necessary to make project land and water areas available for use by the public. In administering this Contract “development of public recreation” shall include recreation capital and operation and maintenance.

(2) Additional Conservation Facilities. Commencing in the year in which the State first awards a major construction contract for construction of a major feature of Additional Project Conservation Facilities, or first commences payments under a contract with a federal agency in the event a major feature of Additional Project Conservation Facilities is constructed by such federal agency under an agreement requiring the State to pay all or part of the costs of such construction, the Delta Water Charge shall be determined on the basis of the foregoing allocations and upon an allocation to project purposes, by the separable costs-remaining benefits method and subject to the foregoing provisos, of all projected costs of such feature of the Additional Project Conservation Facilities; *provided*, that if the agreement with such federal agency allows repayment of costs of a portion of a facility to be deferred, the associated costs of such portion shall be excluded from the Delta Water Charge computations until repayment of such deferred costs or interest thereon is commenced by the State; *provided*,

further, that all costs of Additional Project Conservation Facilities Incurred prior to the award of a major construction contract, shall be included in the Delta Water Charge computations in the year in which they are Incurred.

~~(f3)~~ *Supplemental Conservation Facilities.* Upon the construction of the Supplemental Conservation Facilities, the Delta Water Charge shall be paid by all contractors for Supplemental Water, as well as by contractors for Project Water, and, together with revenues derived from the sale or other disposal of electrical energy generated in connection with operation of Project Conservation Facilities and Supplemental Conservation Facilities, shall return to the State, in addition to those costs of the Project Conservation Facilities allocated to the purpose of water conservation, in, above, and below the Delta pursuant to subdivision ~~(ec)(1)~~ of this article, all costs of such Supplemental Conservation Facilities, including capital, operation, maintenance, power, and replacement costs which are allocated to the purpose of water conservation, in, above, and below the Delta pursuant hereto. Commencing in the year in which the State first awards a major construction contract for construction of a major feature of any Supplemental Conservation Facilities, or first commences payments under a contract with a federal agency in the event a major feature of Supplemental Conservation Facilities is constructed by such federal agency under an agreement requiring the State to pay all or part of the costs of such construction, the Delta Water Charge shall be determined on the basis of the allocations made pursuant to subdivision ~~(ec)(1)~~ of this article, and upon an allocation to project purposes, by the separable costs-remaining benefits method and subject to provisos corresponding to those contained in such subdivision ~~(ec)(1)~~, of all projected costs of such feature of the Supplemental Conservation Facilities. Commencing in the same year, the computation of the rates to be used in determining the components of the Delta Water Charge shall include the ~~annual entitlements to water~~ [Annual Table A Amounts](#) under all contracts for Supplemental Water. If the repayment period of any bonds sold to construct Supplemental Conservation Facilities or the repayment period under any agreement with a federal agency for repayment of the costs of Supplemental Conservation Facilities constructed by such federal agency extends beyond the repayment period of the contract, the Delta Water Charge shall be determined and redetermined on the basis of such extended repayment period as the State determines to be appropriate; *provided*, that if the agreement with such federal agency allows repayment of costs of a portion of a facility to be deferred, the associated costs of such portion shall be excluded from the Delta Water Charge computations until repayment of such deferred costs or interest thereon is commenced by the State.

~~(h4)~~ *Local Projects.* The determination of the ~~rate for water under the~~ Delta Water Charge shall be made by including the appropriate costs and

quantities of water, calculated in accordance with subdivisions ~~(e)~~, ~~(da)~~ and ~~(eb)~~ above, for all Additional Project Conservation Facilities as defined in Article 1(~~h~~) ~~hereinabove~~a). In the event a Local Project as defined in Article 1(~~ha~~)(2) will, pursuant to written agreement between the State and the sponsoring Contractor, be considered and treated as an Additional Project Conservation Facility for less than the estimated life of the facility, the ~~rate under the~~ Delta Water Charge will be determined on the basis of that portion of the appropriate cost and water supply associated with such facility as the period of time during which such facility shall be considered as an Additional Project Conservation Facility bears to the estimated life of such facility. No costs for the construction or implementation of any Local Project are to be included in the Delta Water Charge unless and until the written agreement required by Article 1(~~ha~~)h) has been entered into.

(i5) *Water Purchased By the State.* In calculating the ~~rate for project water to be paid by each contractor for the~~ Delta Water Charge under subdivisions ~~(e)~~, ~~(da)~~ and ~~(e) above~~b) of this article, the component for operation, maintenance, power and replacement costs shall include, but not be limited to, all costs to the State Incurred in purchasing water, which is competitive with alternative sources as determined by the State, for delivery as Project Water.

(6) *Replacement Cost Treatment.* Replacement costs of Project Conservation Facilities shall be treated as either Capital Costs or as minimum operation, maintenance, power, and replacement costs, as determined by the State considering the Economic Useful Life of the asset being replaced and other relevant factors.

~~(j) — Notwithstanding provisions of Article 22(a) through (i), the capital cost component and the minimum OMP&R component of the Delta Water Charge shall include an annual charge to recover the District's share of the conservation portion of the water system revenue bond financing costs. Charges to the District for these costs shall be calculated in accordance with provisions in Article 50 of this contract. Charges for the conservation portion of the water system revenue bond financing costs shall not be affected by any reductions in payments pursuant to Article 51.~~

23. Transportation Charge.

The payments to be made by each Contractor shall include an annual charge designated as the Transportation Charge, which shall be separately stated and calculated for costs Incurred prior to the Billing Transition Date and costs Incurred on or after the Billing Transition Date.

(a) **Transportation Charge for Costs Incurred Prior to the Billing Transition Date.** The provisions of this subdivision (a) and Articles 24(a) and (c), 25 and 26 shall apply to costs Incurred prior to the Billing Transition Date.

(1) *Recovery of Costs of Project Transportation Facilities.* The Transportation Charge for costs Incurred prior to the Billing Transition Date shall return to the State during the Project Repayment Period such costs of all Project Transportation Facilities necessary to deliver Project Water to the Contractor ~~incurred during the project repayment period, including capital, operation, maintenance, power, and replacement costs,~~ and which are allocated to the Contractor in accordance with the cost allocation principles and procedures hereinafter set forth. ~~Wherever reference is made, in connection with the computation, determination, or payment of the Transportation Charge, to the costs of any facility or facilities included in the System, such reference shall be only to those costs of such facility or facilities which are reimbursable by the contractors as determined by the State.~~

(2) *Components of Transportation Charge for Costs Incurred Prior to the Billing Transition Date.* The Transportation Charge for costs Incurred Prior to the Billing Transition Date shall consist of a capital component; a minimum operation, maintenance, power, and replacement component; and a variable operation, maintenance, ~~and~~ power, ~~and replacement~~ component, as these components are defined in and determined under Articles 24(a) and (c), 25, and 26, respectively.

(b) **Transportation Charge for Costs Incurred On or After the Billing Transition Date.** The provisions of this subdivision (b) and Articles 24(b) and (c), 25 and 26 shall apply to costs Incurred on or after the Billing Transition Date.

(1) *Recovery of Costs of Project Transportation Facilities.* The Transportation Charge for costs Incurred on or after the Billing Transition Date shall return to the State during each such calendar year all costs which are Incurred on or after the Billing Transition Date of all Project Transportation Facilities necessary to deliver Project Water to the Contractor and which are allocated to the Contractor in accordance with the cost allocation principles and procedures hereinafter set forth.

(2) *Components of Transportation Charge.* The Transportation Charge for costs Incurred on or after the Billing Transition Date shall consist of a capital component; a minimum operation, maintenance, and power component; and a variable operation, maintenance, and power component, as these components are defined in and determined under Articles 24(b) and (c), 25, and 26, respectively.

(c) Segregation of Aqueduct Reaches for All Transportation Charge

Purposes. For the purpose of allocations of costs among Contractors pursuant to ~~said articles, subdivisions (a) and (b) of this article, and Articles 24, 25 and 26,~~ the Project Transportation Facilities shall be segregated into such aqueduct reaches as are determined by the State to be necessary for such allocations of costs. Subject to such modifications as are determined by the State to be required by reason of any request furnished by the District to the State pursuant to Article 17(a) of this contract, or by reason of contracts entered into by the State with other Contractors, the aqueduct reaches of the Project Transportation Facilities, a portion of the costs of which may be allocated to the District, are established as ~~follows: provided in Table G;~~ *provided* that those costs of the aqueduct reaches from the Delta through the outlet of San Luis Reservoir which are allocated to the purpose of water conservation in, above, and below the Delta for the purpose of determining the Delta Water Charge, as hereinbefore set forth, shall not be included in the Transportation Charge.

TABLE G
PROJECT TRANSPORTATION FACILITIES NECESSARY TO DELIVER
WATER TO
DISTRICT

(This table was labeled Table I in original contract provisions)

<u>Aqueduct Reach</u>	<u>Major Features of Reach</u>
Delta to Discharge Pumping Plant I	Intake Canal Fish Protective Facilities Pumping Plant I <Harvey O. Banks>
Discharge Pumping Plant I to San Luis Forebay	Aqueduct
San Luis Forebay to Outlet San Luis Reservoir	San Luis <O'Neill> Forebay and Dam Pumping Plant II <Dos Amigos> San Luis Reservoir and Dam
Outlet San Luis Reservoir to Avenal Gap	Aqueduct
Avenal Gap to Pumping III	Aqueduct
Pumping Plant III to Pumping Plants IV-V	Pumping Plant III <Buena Vista> Aqueduct
Pumping Plant IV-V to Pumping Plant VI	Pumping Plant IV <Wheeler Ridge (IRA J. Chrisman)> Pumping Plant V <Windgap (John R. Teerink)> Aqueduct
Pumping Plant VI to South Portal Tehachapi Tunnels	Pumping Plant VI <A.D. Edmonston> Tehachapi Tunnels

East Branch Aqueduct

South Portal Tehachapi Tunnels to Cottonwood Power Plant	Aqueduct Cottonwood Power Plants 1 and 2 <now one plant named Alamo Power Plant>
Cottonwood Power Plant to a point near Fairmont Reservoir	Aqueduct
Near Fairmont Reservoir to Little Rock Creek	Aqueduct
Little Rock Creek to West Fork Mojave River	Pumping Plant VIII <Pearblossom Pumping Plant> Aqueduct
West Fork Mojave River to Perris Reservoir	Cedar Springs Reservoir <Lake Silverwood> and Dam Devil Canyon Power Plants 1 and 2 <now one plant> Aqueduct <Santa Ana Pipeline> Perris Reservoir and Dam <Lake Perris>

West Branch Aqueduct

South Portal Tehachapi Tunnels to West Branch Terminal Reservoir	West Branch Aqueduct <Canal Oso Pumping Plant, Quail Lake, Peace Valley Pipeline, Warne Power Plant, Pyramid Lake, Angeles Tunnel, Castaic Power Plant, and Elderberry Forebay>
West Branch Terminal Reservoir	Dam, reservoir, and outlet facilities <Castaic Lake>

(d) Provisions Applicable to the Transportation Charge for Costs Incurred Both Before and On or After the Billing Transition Date.

(1) Wherever reference is made, in connection with the computation, determination, or payment of the Transportation Charge, to the allocation or payment of costs of any facility or facilities included in the System, such reference shall be only to those costs of such facility or facilities which are reimbursable by the Contractors as determined by the State.

(2) The State, in fixing and establishing prices, rates, and charges for water and power, shall include as a reimbursable cost of any state water project an amount sufficient to repay all costs incurred by the State, directly or by contract with other agencies, for the preservation of fish and wildlife and determined to be allocable to the costs of the project works constructed for the development of that water and power, or either. Costs incurred for the enhancement of fish and wildlife or for the development of public recreation shall not be included in the prices, rates, and charges for water and power, and shall be nonreimbursable costs. Such recreational purposes include, but are not limited to, those recreational

pursuits generally associated with the out-of-doors, such as camping, picnicking, fishing, hunting, water contact sports, boating, and sightseeing, and the associated facilities of campgrounds, picnic areas, water and sanitary facilities, parking areas, viewpoints, boat launching ramps, and any others necessary to make project land and water areas available for use by the public. In administering this Contract “development of public recreation” shall include recreation capital and operation and maintenance.

24. Transportation Charge - Capital ~~Cost Component~~Component.

(a) **Transportation Charge Capital Component for Costs Incurred Prior to the Billing Transition Date.** The provisions of this subdivision (a) shall apply only to Capital Costs Incurred prior to the Billing Transition Date.

(1) Recovery of Capital Costs of Project Transportation Facilities Incurred Prior to the Billing Transition Date. The amount of the capital component of the Transportation Charge ~~shall be sufficient to return to the State those capital costs of the project transportation facilities necessary to deliver water to the contractor which are allocated to the contractor pursuant to subdivision (b) of this article. The amount of this component~~for Capital Costs Incurred prior to the Billing Transition Date shall be determined in two steps as follows:

(~~1~~A) first, an allocation of ~~capital~~such costs to the Contractor in accordance with subdivision (a)(2) of this article, and

(~~2~~B) second, a computation of annual ~~payment~~payments to be made by the Contractor of such allocated ~~capital~~ costs and interest thereon, computed at the Project Interest Rate in accordance with subdivision (a)(3) of this article, ~~to be made by the contractor.~~

(~~1~~2) Allocation of Capital Costs of Project Transportation Facilities Incurred Prior to the Billing Transition Date. ~~In the first step, the~~ The total amount of Capital Costs Incurred prior to the Billing Transition Date of each aqueduct reach to be returned to the State shall be allocated among all Contractors entitled to delivery of Project Water from or through ~~the~~such reach by the proportionate use of facilities method of cost allocation and in accordance with ~~(1) and (2) below.~~ Article 23(c) and subdivision (c)(1) of this article.

The projected amounts of Capital Costs to be allocated annually to the District under the capital ~~cost~~ component of the Transportation Charge shall be

determined by the State in accordance with the cost allocation principles and procedures set forth in this subdivision (a) and subdivision (c)(1) of this article, which principles and procedures shall be controlling as to allocations of Capital Costs to the District. Such amounts will be set forth in Table ~~C~~H by the State as soon as designs and cost estimates are prepared by it subsequent to receipt of requests from the District as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of Project Water to the District, pursuant to Article 17(a), provided that these amounts shall be subject to redetermination by the State in accordance with Article 28.

TABLE ~~C~~H
PROJECTED ALLOCATIONS OF CAPITAL COSTS INCURRED PRIOR TO
THE BILLING TRANSITION DATE OF
PROJECT TRANSPORTATION FACILITIES TO
[DISTRICT]

<u>Year</u>	<u>Projected Allocation in Thousands of Dollars</u>
1*	
2	
3	
4	

* Year in which State commences construction of Project Transportation Facilities.

(This table was labeled Table C in original contract provisions)

(3) Determination of Capital Component of Transportation Charge for Costs Incurred Prior to the Billing Transition Date. The District's annual payment of its allocated Capital Costs Incurred prior to the Billing Transition Date and interest thereon, computed at the Project Interest Rate and compounded annually, shall be determined in accordance with a repayment schedule established by the State and determined in accordance with the principles set forth in (A), (B), and (C) below, which principles shall be controlling as to the District's payment of its allocated Capital Costs. The District's repayment schedule will be set forth in Table I by the State as soon as designs and cost estimates are prepared by it subsequent to receipt of requests from the District as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of Project Water to the District, pursuant to Article 17(a); *provided* that the amounts set forth in Table I shall be subject to redetermination by the State, pursuant to Article 28.

(A) The District's annual payment shall be the sum of the amounts due from the District on the District's allocated Capital Costs for the then current year and for each previous year where each such amount will pay, in not more than fifty (50) equal annual installments of principal and interest, the District's allocated Capital Costs for the respective year and interest thereon, computed at the Project Interest Rate and compounded annually.

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

(C) Such annual Transportation Charge payments shall cease when all allocated Capital Costs and interest thereon, computed at the Project Interest Rate and compounded annually, are repaid.

TABLE ~~D~~I
TRANSPORTATION CHARGE FOR COSTS INCURRED PRIOR TO THE
BILLING TRANSITION DATE-- CAPITAL COST COMPONENT
[DISTRICT]

(In Thousands of Dollars)

<u>Year</u>	<u>Annual Payment of Principal</u>	<u>Annual Interest Payment</u>	<u>Total Annual Payment by District</u>
1*			
2**			
3			
4			

* Year in which State commences construction of Project Transportation Facilities.

** Year of first payment.

(This table was labeled Table D in original contract provisions)

(4) Notwithstanding provisions of subdivisions 24(a)(1) through ~~(d),(a)(3)~~ of this article, the capital component of the Transportation Charge for costs Incurred prior to the Billing Transition Date shall include an annual charge to recover the District's share of the ~~transportation portion of the water system revenue bond financing costs~~ Water System Facility Revenue Bond Financing Costs allocable to Project Transportation Facilities. Charges to the District for these costs shall be calculated in accordance with Article 50(a) of this contract. ~~Charges for the transportation portion of the water system revenue bond financing costs shall not be affected by any reductions in payments pursuant to Article 51.~~

(b) Transportation Charge Capital Component for Costs Incurred On or After the Billing Transition Date. The provisions of this subdivision (b) shall apply only to Capital Costs Incurred on or after the Billing Transition Date.

(1) The amount of the capital component of the Transportation Charge for costs Incurred on or after the Billing Transition Date shall be determined in three steps as follows:

(A) first, an allocation of Capital Costs to the Contractor as provided in subdivision (b)(2) of this article,

(B) second, a determination of the type and source of payment of each Capital Cost as provided in subdivision (b)(3) of this article, and

(C) third, a computation of the annual payment to be made by the Contractor as provided in subdivision (b)(4) and (b)(5) of this article.

(2) The total amount of Capital Costs of each aqueduct reach to be returned to the State under the Transportation Charge for costs Incurred on or after the Billing Transition Date shall be allocated among all Contractors entitled to delivery of Project Water from or through the reach by the proportionate use of facilities method of cost allocation and in accordance with Article 23(c) and subdivision (c)(1) of this article.

(3) Annual Capital Costs of Project Transportation Facilities shall be divided into five categories of type and source of payment:

(A) Project Transportation Facility Capital Costs paid with the proceeds of Water System Facility Revenue Bonds,

(B) Project Transportation Facility Capital Costs paid with the proceeds of bonds issued under the Burns-Porter Bond Act

(C) Project Transportation Facility Capital Costs paid with amounts in the SWRDS Reinvestment Account

(D) Project Transportation Facility Capital Costs paid annually for assets that will have a short Economic Useful Life or the costs of which are not substantial.

(E) Project Transportation Facility Capital Costs prepaid by the District.

The projected amounts of Project Transportation Facility Capital Costs of each type to be allocated annually to the District shall be determined by the State in accordance with the cost allocation principles and procedures set forth in Article 23(c)(1) through (c)(3) and this subdivision (b)(3), which principles and procedures shall be controlling as to allocations of each type of Capital Costs to the District; *provided* that these amounts shall be subject to redetermination by the State in accordance with Article 28. Such projected amounts will be set forth in Table J by the State.

TABLE J
PROJECTED ALLOCATIONS TO [DISTRICT]
OF PROJECT TRANSPORTATION FACILITY CAPITAL COSTS INCURRED
ON OR AFTER THE BILLING TRANSITION DATE

<u>Year</u>	<u>Allocations in Thousands of Dollars</u>				
	<u>Costs to be Paid with Proceeds of Water System Facility Revenue Bonds</u>	<u>Costs to be Paid with the Proceeds of Bonds issued under the Burns-Porter Bond Act</u>	<u>Costs to be Paid with Amounts in the SWRDS Reinvestment Account</u>	<u>Costs to be Paid Annually for Assets That Will Have a Short Economic Useful Life or the Costs of which are Not Substantial</u>	<u>Costs Prepaid by the District</u>
<u>1*</u>					
<u>2</u>					
<u>3</u>					

* Year commencing with the Billing Transition Date

(4) The capital component of the Transportation Charge for a calendar year for costs Incurred on or after the Billing Transition Date shall consist of the following to the extent the related Capital Costs are allocated to the District:

(A) Water System Facility Revenue Bond: a charge determined in accordance with Article 50(b) to recover Water System Facility Revenue Bond Financing Costs Incurred during such calendar year that relate to the financing of Water System Facilities that are Project Transportation Facilities,

(B) Burns-Porter Act Bonds: a charge to recover the amount to be paid by the State of California during such calendar year in accordance with the Burns-Porter Bond Act for the principal of and interest on bonds issued under the Burns-Porter Bond Act on or after the Billing Transition Date for Project Transportation Facility Capital Costs,

(C) SWRDS Reinvestment Account: a charge determined in accordance with subdivision (b)(5) of Article 61 to amortize Project Transportation Facility Capital Costs Incurred during prior calendar years

(but not prior to the Billing Transition Date) that have been paid with amounts from the SWRDS Reinvestment Account,

(D) Capital Assets with Short Economic Life or Costs of which are Not Substantial: a charge to recover the Capital Costs to be Incurred during such calendar year of Project Transportation Facility assets with a short Economic Useful Life or the costs of which are not substantial as determined by the State and any such Capital Costs Incurred but not charged in the prior two calendar years,

(5) Projected Charges. The projected amounts of the charges to be allocated annually to the District under the capital component of the Transportation Charge for costs Incurred on or after the Billing Transition Date shall be determined by the State in accordance with the cost allocation principles and procedures set forth in this Article, which principles and procedures shall be controlling as to allocations of capital component charges to the District; provided that these amounts shall be subject to redetermination by the State in accordance with Article 28. Such amounts are projected to be as set forth in Table K by the State.

TABLE K
PROJECTED CHARGES UNDER THE CAPITAL COMPONENT
OF THE TRANSPORTATION CHARGE FOR COSTS INCURRED ON OR
AFTER THE BILLING TRANSITION DATE TO
[DISTRICT]

<u>Year</u>	<u>Projected Charges in Thousands of Dollars</u>			
	<u>Costs to be Paid with Proceeds of Water System Facility Revenue Bonds</u>	<u>Costs to be Paid with the Proceeds of Bonds issued under the Burns-Porter Bond Act</u>	<u>Costs to be Paid with Amounts in the SWRDS Reinvestment Account</u>	<u>Costs to be Paid Annually for Assets That Will Have a Short Economic Useful Life or the Costs of which are Not Substantial</u>
<u>1*</u>				
<u>2</u>				
<u>3</u>				

* Year commencing with the Billing Transition Date.

(c) Provisions Applicable to the Transportation Charge For Costs Incurred Both Prior To and On or After the Billing Transition Date. The provisions of this subdivision (c) shall be applicable to Capital Costs Incurred both prior to and on or after the Billing Transition Date.

(1) Proportionate Use Factors. The measure of the proportionate use of by each Contractor of each reach shall be the average of the following two ratios:

(A) the ratio of the Contractor's ~~maximum annual entitlement~~ Maximum Annual Table A Amount to be delivered from or through the reach to the total of the ~~maximum annual entitlements~~ Maximum Annual Table A Amounts of all Contractors to be delivered from or through the reach from the year in which charges are to be paid through the end of the Project Repayment Period, and

(B) the ratio of the capacity provided in the reach for the transport and delivery of Project Water to the Contractor to the total capacity provided in the reach for the transport and delivery of Project Water to all Contractors served from or through the reach from the year in which charges are to be paid through the end of the Project Repayment Period.

Allocations of Capital Costs to the District pursuant hereto shall be on the basis of relevant values which will be set forth in Table ~~B~~ by the State as soon as designs and cost estimates are prepared by it subsequent to receipt of requests from the District as to the maximum monthly delivery capability to be provided in each aqueduct reach of the Project Transportation Facilities for the transport and delivery of Project Water to the District, pursuant to Article 17(a); *provided* that these values shall be subject to redetermination by the State in accordance with Article 28; *provided further* that the principles and procedures set forth in this subdivision shall be controlling as to allocations of Capital Costs to the District. Proportionate use of facilities factors for prior years shall not be adjusted by the State in response to changes or transfers of ~~entitlement~~ Table A Amounts among Contractors unless otherwise agreed by the State and the parties to the transfer and unless there is no impact on past charges or credits of other Contractors.

TABLE L

[TABLE L shall set forth the relevant values that shall serve as the basis for allocation of all Transportation Charge Costs]

(This table was labeled Table B in original contract provisions)

~~(1)~~2) Determinations Using Proportionate Use Factors. The total amount in each category of Capital Costs allocated to a Contractor shall be the sum of the products obtained when there is multiplied, for each aqueduct reach necessary to deliver water to the Contractor, the total amount of the Capital Costs of the reach in that category to be returned to the State under the Transportation Charge by the average of the two foregoing ratios for such reach as such average is set forth in the appropriate table included in its contract.

(2)-3) Excess Capacity. In the event that excess capacity is provided in any aqueduct reach for the purpose of making Project Water available in the future to an agency or agencies with which the State has not executed contracts at the time of any allocation of costs pursuant to this subdivision, the prospective ~~maximum annual entitlement or entitlements~~ Maximum Annual Table A Amount or Amounts to be supplied by such excess capacity, as determined by the State, shall be deemed to be contracted for by such agency or agencies for the purpose of such allocation of costs, to the end that the Capital Costs of providing such excess capacity are not charged to any Contractor entitled by virtue of an executed contract to the delivery of Project Water from or through that aqueduct reach at the time of such allocation. Where additional capacity is provided in any aqueduct reach to compensate for loss of water due to evaporation, leakage, seepage, or other causes, or to compensate for scheduled outages for purposes of necessary investigation, inspection, maintenance, repair or replacement of the facilities of the Project Facilities, then, for the purpose of any allocation of costs pursuant to this subdivision:

(i A) the ~~maximum annual entitlement~~ Maximum Annual Table A Amount to be delivered from or through the reach of each Contractor entitled to delivery of Project Water from or through the reach shall be increased by an amount which bears the same proportion to the maximum annual delivery capability provided by such additional capacity that the ~~contractor's maximum annual entitlement~~ Contractor's Maximum Annual Table A Amount to be delivered from or through the reach bears to the total of the ~~maximum annual entitlements~~ Maximum Annual Table A Amounts to be delivered from or through the reach under all contracts; and

(ii B) the capacity provided in the reach for each Contractor entitled to delivery of Project Water from or through the reach shall be increased in the same proportion that the ~~contractor's maximum annual entitlement~~ Contractor's Maximum Annual Table A Amount to be delivered from or through the reach is increased pursuant to (i A) above.

(4) Power Facilities. The Capital Costs of project aqueduct power recovery plants shall be charged and allocated in accordance with this Article 24. The Capital Costs of off-aqueduct power facilities shall be charged and allocated in accordance with Article 25(d).

(5) Capital Costs of Excess Capacity. In the event that any Contractor, pursuant to Article 12(b), requests delivery capacity in any aqueduct reach which will permit maximum monthly deliveries to such Contractor in excess of the percentage amounts specified in such Article 12(b) for the uses

designated therein, such Contractor shall furnish to the State, in advance of the construction of such aqueduct reach, funds sufficient to cover the costs of providing such excess capacity, which funds shall be in an amount which bears the same proportion to the total Capital Costs of such reach, including the costs of providing such excess capacity, as such excess capacity bears to the total capacity of such reach, including such excess capacity. For the purpose of any allocation of costs pursuant to subdivision (b)(1) of this article, the total Capital Costs of such aqueduct reach shall be allocated among all Contractors entitled to delivery of Project Water from or through the reach in the following manner:

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

(2B) the amount of the difference between such estimated costs and the projected actual costs of such reach shall be allocated to the Contractor or Contractors for which such excess capacity is provided.

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

(6) Replacement Cost Treatment. Replacement costs of Project Transportation Facilities shall be treated as either Capital Costs or as minimum operation, maintenance, power and replacement costs, as determined by the State considering the Economic Useful Life of the asset being replaced and other relevant factors.

~~(e) — The capital costs of project aqueduct power recovery plants shall be charged and allocated in accordance with this Article 24. The capital costs of off-aqueduct power facilities shall be charged and allocated in accordance with Article 25(d).~~

~~(f)~~ *East Branch Enlargement.* Notwithstanding provisions of ~~Article~~Articles 24(a) through 24(d), Capital Costs associated with East Branch Enlargement Facilities as defined in Article 49(a) shall be collected under the capital ~~east~~ component of the East Branch Enlargement Transportation Charge Article 49(d). Any Capital Costs of off-aqueduct power facilities associated with

deliveries through East Branch Enlargement Facilities shall be charged and allocated in accordance with Article 25(d).

25. Transportation Charge – Minimum Operation, Maintenance, Power, and Replacement Component.

The provisions of this article shall apply to costs incurred both prior to and on or after the Billing Transition Date.

(a) **Purpose.** The minimum operation, maintenance, power, and replacement component of the Transportation Charge shall return to the State those costs of the Project Transportation Facilities necessary to deliver water to the Contractor which constitute operation, maintenance, power, and replacement costs Incurred irrespective of the amount of Project Water delivered to the Contractor and which are allocated to the Contractor pursuant to subdivision (b) of this article; *provided* that to the extent permitted by law, the State may establish reserve funds to meet anticipated minimum replacement costs; and deposits in such reserve funds by the State: (1) shall be made in such amounts that such reserve funds will be adequate to meet such anticipated costs as they are incurred, and (2) shall be deemed to be a part of the minimum replacement costs for the year in which such deposits are made.

(b) **Allocation.** The total projected minimum operation, maintenance, power, and replacement costs of each aqueduct reach of the Project Transportation Facilities for the respective year shall be allocated among all Contractors entitled to delivery of Project Water from such facilities by the proportionate use of facilities method of cost allocation, in the same manner and upon the same bases as are set forth for the allocation of Capital Costs in subdivisions (c)(1) through (c)(3) of Article 24; *provided* that such minimum operation, maintenance, power, and replacement costs as are Incurred generally for the Project Transportation Facilities first shall be allocated to each aqueduct reach in an amount which bears the same proportion to the total amount of such general costs that the amount of the costs Incurred directly for the reach bears to the total of all direct costs for all aqueduct reaches.

(c) **Determination; Repayment Table.** The amount to be paid each year by the District under the minimum operation, maintenance, power, and replacement component of the Transportation Charge shall be determined in accordance with subdivision (b) of this article on the basis of the relevant values to be set forth for the respective aqueduct reaches in Table ~~BL~~, included in Article 24; *provided* that these values shall be subject to redetermination by the State in accordance with Article 28. Such amounts and any appropriate interest thereon for costs incurred prior to the Billing Transition Date shall be set forth by the State in Table ~~EM~~ as soon as designs and cost estimates have been prepared by it subsequent to receipt of requests from the District as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of Project Water to the District, pursuant to Article 17(a); *provided*

that the amounts set forth in Table ~~EM~~ shall be subject to redetermination by the State in accordance with Article 28.

TABLE ~~EM~~
**TRANSPORTATION CHARGE -- MINIMUM OPERATION MAINTENANCE,
 POWER, AND REPLACEMENT COMPONENT
 [DISTRICT]**

<u>Year</u>	<u>Total Annual Payment by District*</u>
1**	
2	
3	
4	

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

** Year in which the State commences construction of Project Transportation Facilities.

(This table was labeled Table E in original contract provisions)

(d) **Off-Aqueduct Power Facilities.** Notwithstanding the provisions of subdivisions (a) ~~and through (bc)~~ of this ~~article, Article~~ Article or of Article 1(~~th~~), the costs of off-aqueduct power facilities shall be determined and allocated as follows:

(1) The off-aqueduct power costs shall include all annual costs the State incurs for any off-aqueduct power facility, which shall include, but not be limited to, power purchases, ~~any annual principal and interest payments on funds borrowed by or advanced to the State, annual principal and interest on bonds issued by the State or other agency, or under revenue bond financing contracts, any requirements for coverage, deposits to reserves~~ annual Financing Costs, and associated operation and maintenance costs of such facility, less any credits, interest earnings, or other monies received by the State in connection with such facility or Revenue Bonds issued to finance the Capital Costs of such facility. In the event the State finances all or any part of an off-aqueduct power facility directly from funds other than bonds or borrowed funds, in lieu of such annual principal and interest payments, the repayment of Capital Costs as to that part financed by such other funds shall be determined on the basis of the schedule that would have been required under Article 24.

(2) The annual costs of off-aqueduct power facilities as computed in (1) above shall initially be allocated among Contractors in amounts which bear the same proportions to the total amount of such power costs that the total estimated electrical energy (kilowatt hours) required to pump through Project

Transportation Facilities the desired delivery ~~amounts of annual entitlements~~ of [Annual Table A Amounts](#) for that year, as submitted pursuant to Article 12(a)(1) and as may be modified by the State pursuant to Article 12(a)(2), bears to the total estimated electrical energy (kilowatt hours) required to pump all such amounts for all Contractors through Project Transportation Facilities for that year, all as determined by the State.

(3) An interim adjustment in the allocation of the power costs calculated in accordance with (2) above, may be made in May of each year based on April revisions in approved schedules of deliveries of project and nonproject water for Contractors for such year. A further adjustment shall be made in the following year based on actual deliveries of project and nonproject water for Contractors; *provided, however*, that in the event no deliveries are made through a pumping plant, the adjustments shall not be made for that year at that plant.

(4) To the extent the monies received or to be received by the State from all Contractors for off-aqueduct power costs in any year are determined by the State to be less than the amount required to pay the off-aqueduct power costs in such year, the State may allocate and charge that amount of off-aqueduct power costs to the District and other Contractors in the same manner as costs under the capital ~~cost~~ component of the Transportation Charge are allocated and charged. After that amount has been so allocated, charged and collected, the State shall provide a reallocation of the amounts allocated pursuant to this paragraph (4), such reallocation to be based on the allocations made pursuant to (2) and (3) above for that year, or in the event no such allocation was made for that year, on the last previous allocation made pursuant to (2) and (3) above. Any such reallocation [of costs incurred prior to the Billing Transition Date](#) shall include appropriate interest [thereon](#) at the Project Interest Rate.

(e) The total minimum operation, maintenance, power and replacement component due that year from each Contractor shall be the sum of the allocations made under the proportionate use of facilities method provided in subdivision (b) of this article and the allocations made pursuant to subdivision (d) of this article for each Contractor.

(f) Notwithstanding provisions of Articles 25(a) through 25(c) and 25(e), minimum operation, maintenance, power, and replacement costs associated with deliveries through East Branch Enlargement Facilities as defined in Article 49(a) shall be collected under the minimum operation, maintenance, power, and replacement component of the East Branch Enlargement Transportation Charge [as determined under Article 49\(e\)](#).

26. **Transportation Charge — Variable Operation, Maintenance, and Power, and Replacement Component.**

The provisions of this article shall apply to costs Incurred both prior to and on or after the Billing Transition Date.

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

(b) **Determination.** The amount of this variable operation, maintenance, and power component shall be determined as follows:

(1) **Determination of Charge Per Acre-Foot.** There shall be computed for each calendar year for each aqueduct reach of the Project Transportation Facilities a charge per acre-foot of water which will return to the State the total projected variable operation, maintenance, and power, and replacement costs of the reach for ~~the respective~~ such calendar year. This computation shall be made by dividing such total by the number of acre-feet of Project Water estimated to be delivered from or through the reach to all Contractors during the year.

(2) **Determination of Charge Per Reach to the Contractor.** The amount of the variable component shall be the product of the sum of the charges per acre-foot of water, determined under (1) above, for each aqueduct reach necessary to deliver water to the Contractor, and the number of acre-feet of Project Water delivered to the Contractor during the year through such reach; *provided* that when Project Water has been requested by a Contractor and delivery thereof has been commenced by the State, and, through no fault of the State, such water is wasted as a result of failure or refusal by the Contractor to accept delivery thereof, the amount of such variable component to be paid by such Contractor during such period shall be the product of the above sum and the sum of the number of acre-feet of Project Water delivered to the Contractor and the number of acre-feet wasted.

(c) Credit Relating to Project Aqueduct Power Recovery Plants. There shall be credited against the amount of the variable operation, maintenance, and power component to be paid by each Contractor, as determined pursuant to subdivision (a) of this article, a portion of the projected net value of any power recovered during the respective year at project aqueduct power recovery plants located upstream on the particular aqueduct reach from the delivery structures for delivery of Project Water to the Contractor. Such portion shall be in an amount which bears the same proportion to such projected net value that the number of acre-feet of Project Water delivered to the Contractor through such plants during the year bears to the number of acre-feet of Project Water delivered to all Contractors through such plants during the year.

(d) Determination of Total Variable Component Charge. The amount to be paid each year by the District under the variable operation, maintenance, ~~and power;~~ ~~and replacement~~ component of the Transportation Charge shall be determined in accordance with subdivision (a) of this article for the respective aqueduct reaches in Table ~~B,L~~ included in Article 24. Such amounts and any appropriate interest thereon for costs incurred prior to the Billing Transition Date shall be set forth by the State in Table ~~FN~~ as soon as designs and cost estimates are prepared by it subsequent to receipt of requests from the District as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of Project Water to the District, pursuant to Article 17(a); *provided* that the amounts set forth in Table ~~FN~~ shall be subject to redetermination by the State in accordance with Article 28.

TABLE ~~FN~~
TRANSPORTATION CHARGE -- ESTIMATED VARIABLE OPERATION,
MAINTENANCE, AND POWER COMPONENT
[DISTRICT]

<u>Year</u>	<u>Total Annual Payment by District*</u>
1**	
2	
3	
4	

* Payments start with year of initial water delivery.

** Year in which the State commences construction of the Project Conservation Facilities.

(This table was labeled Table F in original contract provisions)

(de) No Separate Variable Component for East Branch Enlargement Facilities. There shall be no separate variable operation, maintenance, and power, ~~and replacement~~ component for deliveries of water through East Branch Enlargement Facilities defined in Article 49(a).

27. Transportation Charge - Repayment Schedule.

The amounts to be paid by the District for each year ~~of the project repayment period~~ under the Capital Cost and minimum operation, maintenance, power, and replacement components of the Transportation Charge, and under the variable operation, maintenance, ~~and~~ power, ~~and replacement~~ component of such charge on the basis of then estimated deliveries, shall be set forth by the State in Table ~~GO~~ as soon as designs and cost estimates have been prepared by it subsequent to receipt of requests from the District as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of Project Water to the District, pursuant to Article 17(a), which Table ~~GO~~ shall constitute a summation of Tables ~~DI, EK, M, and FN~~; ~~Provided, That; provided that~~ each of the amounts set forth in Table ~~GO~~ shall be subject to redetermination by the State in accordance with Article 28; *provided further* that the principles and procedures set forth in Articles 24, 25, and 26 shall be controlling as to such amounts. Such amounts shall be paid by the District in accordance with the provisions of Article 29.

TABLE ~~GO~~
REPAYMENT SCHEDULE--TRANSPORTATION CHARGE
[DISTRICT]

<u>Year</u>	<u>Capital Cost Component</u>	<u>Minimum Component</u>	<u>Variable Component</u>	<u>Total</u>
1*				
2**				
3				
4				

* Year in which State commences construction of Project Transportation Facilities.

** Year of first payment.

(This table was labeled Table G in original contract provisions)

28. Delta Water Charge and Transportation Charge – Redetermination.

(a) Redetermination of Transportation Charges for Costs Incurred Prior to the Billing Transition Date. The provisions of this subdivision (a) shall apply only to costs incurred prior to the Billing Transition Date.

(a1) Determinative Factors Subject to Retroactive Change. The State shall redetermine the values and amounts set forth in Tables ~~B, C, D, E, F, and GH~~ through O (referred to in the original contract provisions as Tables B through G) of this contract in the year following the year in which the State commences construction of the Project Transportation Facilities and each year thereafter

during the Project Repayment Period in order that the Transportation Charge to the District and the components thereof may accurately reflect the increases or decreases from year to year in projected costs, outstanding reimbursable indebtedness of the State Incurred prior to the Billing Transition Date to construct the Project Transportation Facilities described in Table ~~I~~G of this contract, ~~annual entitlements~~Annual Table A Amounts, estimated deliveries, Project Interest Rate, and all other factors which are determinative of such charges. In addition, each such redetermination shall include an adjustment of the components of the Transportation Charge to be paid by the District for succeeding years which shall account for the differences, if any, between those factors used by the State in determining the amounts of such components for all preceding years and the factors as then currently known by the State. Such adjustment shall be computed by the State and paid by the District or credited to the District's account in the manner described in (b) and (c) below.

~~(b)~~2 *Adjustment: Transportation Charge - Capital Component* For Costs Incurred Prior to the Billing Transition Date. Adjustments for prior underpayments or overpayments of the capital ~~cost~~ component of the Transportation Charge to the District for costs Incurred prior to the Billing Transition Date, together with accrued interest charges or credits thereon computed at the then current Project Interest Rate on the amount of the underpayment or overpayment and compounded annually for the number of years from the year the underpayment or overpayment occurred to and including the year following the redetermination, shall be paid in the year following the redetermination; *provided* that the District may elect to exercise the option whereby when the redetermined Transportation Charge for the following year, with adjustments, including adjustments of the operation, maintenance, power, and replacement components provided for in subdivision ~~(ea)~~(3) of this article, is more or less than the last estimate of the charge provided pursuant to Article 27 for the corresponding year, without adjustments, an amount equal to the total of such difference shall be deducted from or added to the adjusted capital component for that year and paid or credited in accordance with the following schedule:

Percent that Transportation Charge <u>for costs Incurred prior to the Billing Transition Date</u> differs from last estimate (+ or -)	Period, in years, for amortizing the difference in indicated charge
for 10% or less	no amortization
more than 10%, but not more than 20%	2
more than 20%, but not more than 30%	3
more than 30%, but not more than 40%	4
more than 40%:	5

Such payments or credits shall be equal semi-annual amounts of principal and interest on or before the 1st day of January and the 1st day of July, with interest computed at the Project Interest Rate and compounded annually, during varying amortization periods as set forth in the preceding schedule; *provided* that for the purpose of determining the above differences in the Transportation Charge for costs Incurred prior to the Billing Transition Date, the variable operation, maintenance, and power, ~~and replacement~~ component shall be computed on the basis of the same estimated Project Water deliveries as was assumed in computing pursuant to Article 26(c).

(e3) *Adjustment: Transportation Charge - Minimum and Variable Components for costs Incurred prior to the Billing Transition Date.* One-twelfth of the adjustments for prior underpayments or overpayments of the District's minimum and variable operation, power, and replacement components for each year shall be added or credited to the corresponding components to be paid in the corresponding month of the year following the redetermination, together with accrued interest charges or credits thereon computed at the then current Project Interest Rate on the amount of the underpayment or overpayment and compounded annually for the number of years from the year the underpayment or overpayment occurred to and including the year following the redetermination.

(d4) *Exercise of Option.* The option provided for in subdivision ~~(b a)(2)~~ above of this article shall be exercised in writing on or before the January 1 due date of the first payment of the capital component of the Transportation Charge for the year in which the option is to become effective. Such option, once having been exercised, shall be applicable for all of the remaining years of the Project Repayment Period.

(e5) Project Interest Rate Adjustments. Notwithstanding the provisions of ~~Article 28(b)~~ subdivision (a)(2) of this article, adjustments for prior overpayments and underpayments shall be repaid beginning in the year following the redetermination by application of a unit rate per acre-foot which, when paid for the projected portion of the District's ~~annual entitlement~~ Annual Table A Amount will return to the State, during the Project Repayment Period, together with interest thereon computed at the Project Interest Rate and compounded annually, the full amount of the adjustments resulting from financing after January 1, 1987, from all bonds, advances, or loans listed in Article 1(~~ad~~) except for Article 1(~~ad~~)(3) and except for bonds issued by the State under the Central Valley Project Act after January 1, 1987 for facilities not listed among the Water System Facilities in Article 1(~~hhap~~). Notwithstanding the immediately preceding exception, such amortization shall also apply to any adjustments in this component charge resulting from a change in the Project Interest Rate due to any refunding after January 1, 1986 ~~of~~ on bonds issued under the Central Valley Project Act. However, amortization of adjustments resulting from items ~~1-(f)(4) through (7)~~ listed in subdivisions (D) through (G) of Article 1(ad)(i) shall be limited to a period which would allow the Department to repay the debt service on a current basis until such time as bonds are issued to reimburse the source of such funding. In no event shall this amortization period be greater than the Project Repayment Period.

(f6) No Adjustment of Water System Facility Revenue Bond Financing Costs. The use of Water System Facility Revenue Bonds for financing facilities listed in Article 1(~~hhap~~) shall not result in adjustments for prior underpayments or overpayments of the capital ~~cost~~ component of the Transportation Charge to the District under the provisions of this article; ~~however, in~~ In place of making such adjustments, charges to the District for Water System Facility Revenue Bond Financing Costs will be governed by Article 50(a).

(b) Redetermination of Delta Water Charges and Transportation Charges for Costs Incurred On or After the Billing Transition Date. The provisions of this subdivision (b) shall apply only to costs Incurred on or after the Billing Transition Date.

(1) Determinative Factors Subject to Retroactive Change. The State shall redetermine the values and amounts set forth in Tables B through F and Tables J through O of this contract each calendar year commencing on or after the Billing Transition Date in order that the Delta Water Charge and the Transportation Charge to the District for costs Incurred on or after the Billing Transition Date and the components thereof may accurately reflect the increases or decreases from year to year in projected costs, outstanding reimbursable indebtedness of the State Incurred to construct Project Conservation Facilities and Project Transportation Facilities, Annual Table A Amounts, estimated deliveries, and all other factors

which are determinative of such charges. In addition, each such redetermination shall include an adjustment of the components of the Delta Water Charge and Transportation Charge to be paid by the District for succeeding years which shall account for the differences, if any, between those factors used by the State in determining the amounts of such components for all preceding years and the factors as then currently known by the State, as applicable. Such adjustment shall be computed by the State and paid by the District or credited to the District's account in the manner described in subdivisions (b)(2) and (b)(3) of this article.

(2) Adjustment: Delta Water Charge and Transportation Charge -- Capital Components for Costs Incurred On or After the Billing Transition Date. Adjustments for prior underpayments or overpayments of the capital component of the Delta Water Charge and the Transportation Charge to the District for costs Incurred on or after the Billing Transition Date shall be paid in the year following the redetermination.

(3) Adjustment: Delta Water Charge and Transportation Charge -- Minimum and Variable Components for Costs Incurred On or After the Billing Transition Date One-twelfth of the adjustments for prior underpayments or overpayments of the District's minimum operation, maintenance, power, and replacement component and variable operation, maintenance and power component of the Delta Water Charge and Transportation Charge for each year shall be added or credited to the corresponding components to be paid in the corresponding month of the year following the redetermination.

29. Time and Method of Payment of Delta Water Charge and Transportation Charge.

The provisions of this article shall apply to costs Incurred both prior to and on or after the Billing Transition Date. References to the Delta Water Charge shall include the Delta Water Charge for costs Incurred prior to the Billing Transition Date and the Delta Water Charge for costs Incurred on or after the Billing Transition Date, separately, as applicable, and references to the Transportation Charge shall include the Transportation Charge for costs Incurred prior to the Billing Transition Date and the Transportation Charge for costs Incurred on or after the Billing Transition Date, separately, as applicable.

(a) Initial Payments.

(a1) Delta Water Charge. Payments by the District under the Delta Water Charge shall commence in the Year of Initial Water Delivery to the District.

(b2) Capital Component of the Transportation Charge. Payments by the District under the capital component of the Transportation Charge shall commence in the year following the year in which the State commences construction of the Project Transportation Facilities.

(e3) Minimum Operation, Maintenance, Power, and Replacement Component. Payments by the District under the minimum operation, maintenance, power, and replacement component of the Transportation Charge shall commence for each aqueduct reach in the year following the year in which construction of that reach is completed.

(d4) Variable Operation, Maintenance, Power, and Replacement Component. Payments by the District under the variable operation, maintenance, power and replacement component of the Transportation Charge shall commence in the Year of Initial Water Delivery to the District.

(eb) Annual Statement of Charges. The State shall, on or before July 1 of each year, commencing with the year preceding the year in which payment of the respective charge is to commence pursuant to this article, furnish the District with a written statement of the following items:

(1) the charges to the District for the next succeeding year under the capital components and minimum operation, maintenance, power, and replacement components of the Delta Water ~~Charge~~Charges and Transportation ~~Charge~~Charges; provided that charges for Financing Costs shall be stated as separate items in the Statement of Charges;

(2) the unit charges to the District for the next succeeding year under the variable operation, maintenance, power and replacement components of ~~said~~the Delta Water Charge and Transportation Charge; and

(3) the total charges to the District for the preceding year under the variable operation, maintenance, power and replacement components of such Delta Water Charge and Transportation Charge; *provided* that through December 31, 1969, the Delta Water Charge shall be based upon a unit rate of \$3.50 per acre-foot and shall be paid by the contractors on the basis of their respective ~~annual entitlements to project water~~Annual Table A Amounts, as provided in Article 22(b).

All such statements shall be accompanied by the latest revised copies of the ~~document~~documents amendatory to Article 22 and of the tables included in Articles 24 through 27, together with such other data and computations used by the State in determining the amounts of the above charges as the State deems appropriate.

(c) Monthly Statements. The State shall, on or before the fifteenth day of each month of each year, commencing with the Year of Initial Water Delivery to the District, furnish the District with a statement of the charges to the District for the preceding month under the variable operation, maintenance, power and replacement components of the Delta Water Charge and Transportation Charge. Such charges shall be determined by the State in accordance with the relevant provisions of Articles 22 and 26 of this contract, upon the basis of metered deliveries of Project Water to the District, except as otherwise provided in those articles.

(fd) Semiannual Payments of Capital Components. The District shall pay to the State, on or before January 1 of each year, ~~commencing with the year in which payment of the respective charge is to commence pursuant to this article,~~ one-half (1/2) of the charge to the District for the year under the capital component of the Delta Water Charge and one-half (1/2) of the charge to the District for the year under the capital component of the Transportation Charge, as such charges are stated pursuant to subdivision (eb) of this article; and shall pay the remaining one-half (1/2) of each of such charges on or before July 1 of that year.

(ge) Monthly Payments of Minimum Operation, Maintenance, Power, and Replacement Component. The District shall pay to the State, on or before the first day of each month of each year, ~~commencing with the year of initial water delivery to the District,~~ one-twelfth (1/12) of the sum of the charges to the District for the year under the minimum operation, maintenance, power, and replacement components of the Delta Water Charge and Transportation Charge, respectively, as such charges are stated pursuant to subdivision (eb) of this article.

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

(ig) Contest of Charges. In the event that the District in good faith contests the accuracy of any statement submitted to it pursuant to subdivision (eb) or (c) of this article, it shall give the State notice thereof at least ten (10) days prior to the day upon which payment of the stated amounts is due. To the extent that the State finds the District's contentions regarding the statement to be correct, it shall revise the statement accordingly, and the District shall make payment of the revised amounts on or before the due date. To the extent that the State does not find the District's contentions to be correct, or where time is not available for a review of such contentions prior to the due date, the District shall make payment of the stated amounts on or before the due date, but may

make the contested part of such payment under protest and seek to recover the amount thereof from the State.

30. <Deleted>

31. Adjustment for Overpayment or Underpayment. If in any year, by reason of errors in computation or other causes, there is an overpayment or underpayment to the State by the District of the charges provided for herein, which overpayment or underpayment is not accounted for and corrected in the annual redetermination of said charges, the amount of such overpayment or underpayment shall be credited or debited, as the case may be, to the District's account for the next succeeding year and the State shall notify the District thereof in writing.

32. Delinquency in Payment.

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

(b) Upon every amount of money required to be paid by the District to the State pursuant to this contract which remains unpaid after it becomes due and payable, interest shall accrue at an annual rate equal to that earned by the Pooled Money Investment Fund, as provided in Government Code Sections 16480, et seq. calculated monthly on the amount of such delinquent payment from and after the due date until it is paid, and the District hereby agrees to pay such interest: provided, that no interest shall be charged to or be paid by the District unless such delinquency continues for more than thirty (30) days.**33. Obligation of District to Make Payments.**

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

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

34. Obligation of District to Levy Taxes and Assessments.

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

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

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

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

D. GENERAL PROVISIONS

- 35. Remedies Not Exclusive.** The use by either party of any remedy specified herein for the enforcement of this contract is not exclusive and shall not deprive the party using such remedy of, or limit the application of, any other remedy provided by law.
- 36. Amendments.** This contract may be amended at any time by mutual agreement of the parties, except insofar as any proposed amendments are in any way contrary to applicable law.
- 37. Reservation With Respect to State Laws.** Nothing herein contained shall be construed as estopping or otherwise preventing the District or any person, firm, association, corporation, or public body or agency claiming by, through, or under the District from contesting by litigation or other lawful means the validity, constitutionality, construction or application of any law of this State, including laws referred to in the Bond Act, or as preventing or prejudicing the amendment or repeal of any such law, and each contract executed by the State for a dependable supply of project water shall contain a similar reservation with respect to State laws.
- 38. Opinions and Determinations.** Where the terms of this contract provide for action to be based upon the opinion, judgment, approval, review, or determination of either party hereto, such terms are not intended to be and shall never be construed as permitting such opinion, judgment, approval, review, or determination to be arbitrary, capricious, or unreasonable.
- 39. Contracting Officer of the State.** The contracting officer of the State shall be the Director of Water Resources of the State of California and his successors, or their duly authorized representatives. The contracting officer shall be responsible for all discretionary acts, opinions, judgments, approvals, reviews, and determinations required of the State under the terms of this contract.
- 40. Successors and Assigns Obligated.** This contract and all of its provisions shall apply to and bind the successors and assigns of the parties hereto.
- 41. Assignment.** No assignment or transfer of this contract or any part hereof, rights hereunder, or interest herein by the District shall be valid unless and until it is approved by the State and made subject to such reasonable terms and conditions as the State may impose. No assignment or transfer of this contract or any part hereof, rights hereunder, or interest herein by the State shall be valid except as such assignment or transfer is made pursuant to and in conformity with applicable law.

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

43. Notices. All notices that are required either expressly or by implication to be given by one party to the other under this contract shall be signed for the State by its contracting officer, and for the District by its General Manager and Chief Engineer and his successors or their duly authorized representatives. All such notices shall be deemed to have been given if delivered personally or if enclosed in a properly addressed envelope and deposited in a United States Post Office for delivery by registered or certified mail. Unless and until formally notified otherwise, the District shall address all notices to the State as follows: <Address no longer valid and not included here> and the State shall address all notices to the District as follows: <Address no longer valid and not included here>.

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

45. Contracts to be Uniform. Contracts executed by the State for a dependable supply of project water shall be substantially uniform with respect to basic terms and conditions, except as otherwise provided in this article with respect to payment of the capital cost component of the Transportation Charge. Schedules for all contractors for payment of the capital cost component of the Transportation Charge shall provide as a minimum for payment currently of interest on all allocated capital costs at the project interest rate, and for commencement of payment of the principal of such allocated costs in the year following the year in which capital costs allocated to the respective contractor are first incurred by the State, subject only to (1) through (4) below:

(1) The commencement of payment of the principal of such allocated costs may be deferred up to a maximum of nine (9) years following the year in which such costs are first incurred by the State, to the extent that in the judgment of the State such delay in commencement of payment is necessary to prevent unreasonable financial hardship on the contractor.

(2) The payment of such principal and interest may be made, subject to approval by the State, in installments which vary in magnitude during the project repayment period.

(3) In the case of any contractor to which the delivery of project water for agricultural use as of 1990 is estimated by the State to be in excess of twenty-five percent (25%) of such contractor's maximum annual entitlement, payment of any portion or all of the capital costs allocated to such contractor which are attributed by the State to agricultural use of project water, together with payment of interest on said capital costs, may be commenced by such contractor in the year of initial water delivery, to the extent that in the judgment of the State such delay

in commencing payment is necessary to prevent unreasonable financial hardship on such contractor.

(4) All unpaid interest shall be accumulated at the project interest rate, compounded annually, and added to the contractor's allocated capital costs.

Notwithstanding (1) through (4) above, all contractors shall completely pay their total allocated capital costs, together with interest thereon, within the project repayment period, and payments under the schedule of payment of capital costs for each contractor, including interest over the project repayment period, shall have a present value, when discounted at the project interest rate to the first day of the project repayment period, equal to the present value of the payments under that schedule which would be derived for such contractor on the bases provided in this contract when so discounted at the project interest rate to the same date.

46. Suit on Contract. Each of the parties hereto may sue and be sued with respect to this contract.

47. Amendatory Provisions.

(a) <Deleted>

(b) <Deleted>

(c) **Excess Capacity.**

The State shall provide: (i) in each reach of the project transportation facilities from Kettleman City to the South Portal of the Tehachapi Tunnels excess capacity in the amount of one-hundred eighty-eight (188) cubic feet per second, and (ii) in the reach of the project transportation facilities from Silverwood Lake to South Portal San Bernardino Tunnel excess capacity in the amount of seven-hundred eighty-seven (787) cubic feet per second. To the extent made possible by the excess capacity provided in accordance with the preceding sentence, the State shall comply with requests of the District to deliver from the project transportation facilities downstream from Tehachapi Pumping Plant in any one month of any year a total amount of project water greater than eleven percent (11%) of the District's annual entitlement for that year: Provided, That in any year the District may request, and, to the extent made possible by capacity provided by the State, the State shall comply with the requests of the District for delivery of water through the West Branch Aqueduct in an amount up to the District's annual entitlement for such year. In no event shall the State be obligated to deliver to the District from the project transportation facilities downstream from Tehachapi Pumping Plant in any one month of any year a total amount of project water greater than eleven percent (11%) of the District's annual entitlement for that year except insofar as the excess provided in accordance with the first sentence of this subdivision (c) makes possible such greater delivery: Provided further, That in any year the State shall not be obligated to deliver to the District through the main California Aqueduct and the West Branch Aqueduct in

combination an amount of water in excess of the District's annual entitlement for such year.

(d) Advance Payment for Excess Capacity.

The District shall furnish to the State each year, in advance of the construction of the aqueduct reaches from Kettleman City to the South Portal of the Tehachapi Tunnels, and from Silverwood Lake to South Portal San Bernardino Tunnel, funds sufficient to cover the costs incurred during that year in providing for the excess capacity described in subdivision (c) of this Article. Such yearly funds shall be in an amount which bears the same proportion to the total capital costs of each such reach to be incurred during that year, including the costs of providing for such excess capacity, as such excess capacity bears to the total capacity of such reach, including such excess capacity. Upon completion of construction of each aqueduct reach in which excess capacity is provided but prior to completion of all such aqueduct reaches, there shall be a determination as to such reach, of: (1) each annual cost attributable to such excess capacity, determined by the annual differences between the estimated cost which would have been incurred had no excess capacity been provided and the actual cost incurred, and (2) each annual payment as determined above. The amount by which each such annual payment exceeds the associated annual cost shall be credited to the installment for other excess capacities due January 1 of the following year, with interest on separate halves of such amount from the dates payments were made on the respective installments of such annual payment at the applicable apportionment rate of the Surplus Money Investment Fund, compounded semiannually. The amount by which each such annual cost exceeds the associated annual payment shall be debited to the installment for other excess capacities due January 1 of the following year, with interest on separate halves of such amount from January 1 and July 1, respectively, of the year such insufficient annual payment was made at the project interest rate, compounded annually. The State shall furnish the District, on or before July 1 of each year, a written statement of the charges to the District pursuant to this subdivision for the next year. Each such statement shall account for any change in the factors which are determinative of these charges. Included in each statement shall be a redetermination of charges, in compliance with the provisions of Article 28 of this contract, accounting for all accumulated overpayments or underpayments attributable to such proposed increase in capacity incurred in prior years, together with interest thereon from the respective dates of such payments. Overpayments by the District shall be credited to the installment for excess capacities due in the year following the year of the redetermination, with interest at the applicable apportionment rate of the Surplus Money Investment Fund, compounded semi-annually. Underpayments shall be debited to the installment for excess capacities due in the year following the year of the redetermination, with interest at the project interest rate, compounded annually. Statements submitted by the State on each July 1 for the estimated costs for the next year shall be payable in two equal installments, the first installment being due on January 1 of such next year and the second installment being due on July 1 of such next year. All adjustments for prior overpayments or underpayments together with interest thereon shall be credited to the installment due January 1 of such statement: Provided, That the annual charges included in Statement Nos. 68-128-T, dated June 30, 1967, and 69-166-T, dated June 30, 1968, shall incorporate adjustments to the extent necessary to include credits for

payments made by the District in prior years for capacity that by reason of this Amendment No. 7 will no longer be considered excess capacity, together with interest on such prior payments from the respective dates thereof at the applicable apportionment rate of the Surplus Money Investment Fund, compounded semiannually: Provided further, That if such credit, including interest, to be made by reason of this Amendment No. 7 is greater than the total of the first annual charge for excess capacity to be furnished the District following the date of this Amendment No. 7, the difference shall be credited to the District's annual payment of the Capital Cost Component of the Transportation Charge for the year of such first annual charge.

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

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

(f) Reconciliation of Advance Payments with Cost Allocation.

Upon completion of construction of the excess capacities provided pursuant to subdivision (c) of this Article and in the event that the funds advanced for such excess capacities by the District pursuant to subdivision (d) of this Article are more or less than the costs allocated to the District pursuant to subdivision (e) of this Article, the account of the District under the capital cost component of the Transportation Charge shall be credited or debited accordingly, together with interest on such resultant overpayment or required advance of funds at the appropriate interest rate in accordance with subdivision (d) of this Article.

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

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

the total capacity provided in each reach shall include the excess capacity provided pursuant to subdivision (c) of this article.

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

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

(i) **Connected-Load Charges for Power.**

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

(j) **Special Provisions Implementing Article 15(c) Upon Annexation of the City of West Covina by the District.**

The State shall credit the account of the District hereunder in the amounts of the payments made by the City of West Covina to the State pursuant to the water supply contract between such City and the State executed on December 2, 1963, as if such payments, in their respective amounts and on their respective dates, had been made by the District in satisfaction of obligations owing the State from the District hereunder.

The statement of charges furnished by the State to the District pursuant to Article 29(e) of this contract on July 1, 1965 shall be revised, and all future such statements shall be prepared, to take into account the increase in the District's annual entitlements and

maximum annual entitlement upon the annexation of the City of West Covina by the District.

The State shall deliver project water made available to the District pursuant to the increase in the District's annual entitlements and maximum annual entitlement upon the annexation of the City of West Covina by the District from such delivery structures on either the East Branch Aqueduct or West Branch Aqueduct as hereafter may be specified pursuant to Article 10(c) of this contract: Provided, the District shall specify maximum monthly delivery capabilities in each of said branch aqueducts in accordance with Article 17(a) of this contract.

(k) Acquisitions and Planning for Perris Reservoir Enlargement.

(1) As heretofore requested by the District, the State shall acquire all lands, easements, and rights-of-way which in its judgment are necessary for the construction of a reservoir with a capacity of up to five hundred thousand (500,000) acre-feet at the site of the Perris Reservoir, being the terminal reservoir on the East Branch of the California Aqueduct as specified in Section 12934(d)(2) of the Water Code. It is agreed that all lands in the watershed below the crest of the Bernasconi and other hills, which bound the reservoir site on three sides, and any other lands necessary in the opinion of the State for the construction of the dam and reservoir and for optimization of other project purposes associated with the reservoir, should be acquired.

(2) As heretofore requested by the District, the State shall commence immediately to do or prepare the necessary preliminary exploratory work, surveys, geologic studies, alternative designs, and any and all other engineering and administrative work required to enable the District to select and request an appropriate plan and schedule for the construction, in one or two stages, of a reservoir at the Perris Reservoir site to sizes to be designated by the District, which sizes may be larger than the optimum project size but not exceeding five hundred thousand (500,000) acre-feet.

(3) In furtherance of the work performed under paragraph (2), the State shall also do or prepare any necessary revision of studies, surveys, designs, plans and specifications for facilities associated with the Perris Reservoir project, including those for other project purposes, but excluding plans and specifications for construction of the dam.

(4) The District shall pay to the State, each year in advance, funds sufficient to cover all costs which the State estimates will be occasioned in such year by reason of the State's complying with the requests of the District covered by this subdivision. Within thirty (30) days after the date of this Amendment No. 4, the State shall furnish the District a written statement of such charges for costs attributable to such proposed increase in capacity in the year 1965 and in the year

1966, with all 1965 charges and one-half (1/2) of the 1966 charges payable on or before January 1, 1966, and the remaining one-half (1/2) of such 1966 charges payable on or before July 1, 1966. The State shall furnish the District on or before July 1 of each year, commencing in 1966, a written statement of such charges for the next year. Each such statement shall reflect all accumulated costs attributable to such proposed increase in capacity incurred in prior years, together with interest thereon at the project interest rate, compounded annually; and shall give credit for all payments by the District, together with interest thereon from the respective dates of such payments at the applicable apportionment rate of the Surplus Money Investment Fund, compounded semi-annually. Statements submitted by the State on each July 1 for the estimated costs for the next year shall be payable in two equal installments, the first installment being due on January 1 of such next year and the second installment being due on July 1 of such next year.

(5) The District may notify the State at any time after the date of this agreement that it does not wish Perris Reservoir to be enlarged to a capacity in excess of the optimum project size, and the State shall not thereafter incur costs occasioned by the requests of the District pertaining to such enlarged capacity, provided that the District shall remain liable for and shall reimburse the State for all costs of the State then made or committed in connection with the requests of the District covered by this subdivision.

(6) If, as a result of information developed pursuant to this subdivision, the District submits a request to the State for a change in the plan and schedule for the construction of Perris Reservoir, it is the intention of the District and the State that a subsequent contract amendment will be entered into for such change. If the District does not submit such a request prior to the date on which the State commences the final design of the dam for Perris Reservoir, the State shall design for a reservoir of a capacity of the optimum project size and shall not make any additional expenditures not then committed in connection with the enlargement of such reservoir to a capacity in excess of the optimum project size. The State shall notify the District in writing at least ninety (90) days prior to such date.

(7) If the District fails to request that Perris Reservoir be enlarged to a greater capacity than the optimum project size in accordance with paragraph (6), the State shall credit to the District any moneys advanced by the District for such enlargement which are then unexpended or uncommitted. Such unexpended and uncommitted moneys shall be credited to the next payment or payments (as they come due) of the capital cost component of the Transportation Charge. Such refund shall include interest from the dates of the respective advances of such moneys at the applicable apportionment rate of the Surplus Money Investment Fund, compounded semi-annually. If and when the State sells or otherwise

disposes of the excess lands acquired for the enlargement of the reservoir and not required for the reservoir actually constructed, including lands used for all project purposes, in addition to crediting the District with such unexpended and uncommitted moneys, the State shall credit to the District on the next payment or payments due of the capital cost component of the Transportation Charge all net amounts (after deducting all costs connected with the sale or disposal) received by the State. In the event the State utilizes all or part of such excess lands for purposes which would fall into the category of costs which are non-reimbursable by the District in accordance with the principles for allocating costs under this contract, the State shall credit the District in such manner with an amount equal to the purchase price (or condemnation award) paid for such lands, plus interest on such amount at the project interest rate compounded annually from the dates of the acquisition of the lands so utilized by the State.

(8) Notwithstanding anything in this subdivision to the contrary, it is understood that the State shall not be required to construct a dam and reservoir at the Perris site of a capacity in excess of that which it determines to be feasible under its standards of safety, nor to delay the construction of project transportation facilities necessary to meet the scheduled delivery dates as set forth in Article 6(a) of the water supply contracts for other contractors served through project facilities affected by the provisions of this subdivision.

(1) Option of District to Have Perris Reservoir Enlarged.

(1) The State agrees to modify its present design for Perris Reservoir Dam and to construct the dam in the manner and to the extent necessary so that when completed the dam will have the capability of being enlarged in two or more stages of construction to a size or sizes required for a reservoir with a capacity of up to and including five-hundred thousand (500,000) acre-feet.

(2) The State will continue the geological explorations instigated by and being conducted under the provisions of Amendment No. 4 to this contract to determine the location of all borrow materials required to construct Perris Reservoir with a storage capacity of up to and including five-hundred thousand (500,000) acre-feet, and will proceed to acquire those lands and other properties necessary to preserve and protect the availability and character of such borrow materials so that they can be used for the enlargement of the dam embankment, for saddle dams and for other related purposes at such time as it is deemed necessary to expand Perris Reservoir to a capacity of up to and including five-hundred thousand (500,000) acre-feet.

(3) At any time or times during the term of this contract, the District has the option, but not the duty, to require the State to increase the size and capability of the Perris Reservoir embankment and other necessary appurtenant facilities and to do other work required to create and maintain a reservoir at this

site which will have such storage capacity, not to exceed five-hundred thousand (500,000) acre-feet, as shall be designated by the District, and the State agrees to comply with the District's requirements in this respect: Provided, That the State shall not be required to enlarge the dam and reservoir at the Perris site to a capacity in excess of that which it determines to be feasible under its standards of safety.

(4) The State agrees to modify its present design for the reaches of the California Aqueduct from Devil Canyon Power Plant to Perris Reservoir and to construct such reaches in the manner and to the extent necessary so that when completed such reaches will have the capability which is required to convey that portion of the District's maximum annual entitlement which will be delivered from Perris Reservoir if and when such reservoir has been enlarged to a storage capacity of five-hundred thousand (500,000) acre-feet. The State further agrees that any capital costs incurred by reason of such modification and allocated to the District for payment shall be paid by the District in accordance with the provisions of subdivision (a), (b) and (c) of Article 24 of this contract: Provided, That at the same time as such payments are made, the District shall make such additional payments as may be necessary in order that the costs to any other contractor for its capacity in such reaches will not be greater than the costs that would have been derived for such contractor on the bases provided in its contract in the absence of this paragraph (4) of this subdivision (1) of this article.

(5) If and when the District requires the State to increase the size of Perris Reservoir to a capacity exceeding one-hundred thousand (100,000) acre-feet, the customary and reasonable costs of relocating recreational and visitor facilities and of constructing substitute facilities to replace those which will be rendered unusable by reason of such increased capacity, shall be included in the costs to be paid by the District in advance in accordance with paragraph (6) below.

(6) The capital costs for the modification of the California Aqueduct referred to in paragraph (4) above, shall be paid by the District in accordance with the provisions of subdivision (a), (b) and (c) of Article 24. The District shall pay to the State, each year in advance, funds sufficient to cover all costs which the State estimates will be occasioned in such year by reason of the provisions of paragraphs (1), (2) and (5) above and the requirements of the District covered by paragraph (3) above. Within sixty (60) days after the date of this Amendment No. 5, the State shall furnish the District a written statement of such charges for costs the State estimates will be attributable to such provisions and requirements in the year 1966 and in the year 1967, with all 1966 charges and one-half (1/2) of the 1967 charges payable on or before January 1, 1967, and the remaining one-half (1/2) of such 1967 charges payable on or before July 1, 1967. The State shall furnish the District on or before July 1 of each year, commencing in 1967, a

written statement of such charges for the next year. Each such statement shall reflect all accumulated costs so attributable which may have been incurred in prior years, together with interest thereon at the project interest rate, compounded annually; and shall give credit for all payments by the District, together with interest thereon from the respective dates of such payments at the applicable apportionment rate of the Surplus Money Investment Fund, compounded semiannually. Statements submitted by the State on each July 1 for the estimated costs for the next year shall be payable in two equal installments, the first installment being due on January 1 of such next year and the second installment being due on July 1 of such next year.

(7) If the District at any time notifies the State that it will not thereafter require that Perris Reservoir be enlarged or further enlarged under the terms of this subdivision (1), and relinquishes its option to have the reservoir enlarged or further enlarged, the State shall credit to the District any moneys advanced by the District for such enlargement which are then unexpended or uncommitted. Such unexpended and uncommitted moneys shall be credited to the next payment or payments (as they come due) of the capital cost component of the Transportation Charge. Such credit shall include interest from the dates of the respective advances of such moneys at the applicable apportionment rate of the Surplus Money Investment Fund, compounded semi-annually. If and when the State sells or otherwise disposes of the excess lands acquired for the enlargement of the reservoir and not required for the reservoir actually constructed, including lands used for all project purposes, in addition to crediting the District with such unexpended and uncommitted moneys, the State shall credit to the District on the next payment or payments due of the capital cost component of the Transportation Charge all net amounts (after deducting all costs connected with the sale or disposal) received by the State. In the event the State utilizes all or part of such excess lands for purposes which would fall into the category of costs which are non-reimbursable by the District in accordance with the principles for allocating costs under this contract, the State shall credit the District in such manner with an amount equal to the purchase price (or condemnation award) paid for such lands, plus interest on such amount at the project interest rate compounded annually from the dates of the acquisition of the lands so utilized by the State.

(8) Except as modified or otherwise affected by this Amendment No. 5, the provisions of subdivision (k) of Article 47, added by Amendment No. 4 to this contract, shall remain in full force and effect.

(m) Advance Payment of Capital Cost Component of the Transportation Charge.

At least twenty-four (24) months prior to the beginning of a calendar year in which the State desires that the District pay to the State an advance payment pursuant to

Article 24(c)(2) of the District's contract, the State shall transmit a written request to the District for such payment, and the District shall pay to the State at the same time and in the same manner as it makes payments on the capital cost component of the Transportation Charge, one-half (1/2) of the requested amount on or before January 1 of the calendar year in which payment is requested to be made, and shall pay the remaining one-half (1/2) of such amount on or before July 1 of that year: Provided, That the amounts to be paid in advance will not exceed sixteen million three hundred thousand dollars (\$16,300,000) prior to construction of the Pyramid Power Development and an additional amount not to exceed eight million dollars (\$8,000,000) if construction of the Pyramid Power Development is to be completed prior to 1976 with funds provided by the sale of bonds issued by the State under the bond act: Provided further, That such request from the State is made between December 1, 1969, and January 1, 1975, and no such payment or any portion thereof shall be requested to be made subsequent to July 1, 1977.

(n) Devil Canyon Power Plant Bypass.

(1) The Department shall construct for transport and delivery of water to the District, as part of the East Branch Aqueduct, a 300 cubic-foot-per-second bypass at Devil Canyon Power plant, designated as Reach 26B.

(2) The District shall be responsible for repayment of all capital costs of the bypass including financing costs, as well as payment of minimum operation, maintenance, power and replacement costs allocated to the bypass. Financing and repayment of capital costs shall be subject to Article 49(d). The construction costs portion of capital costs of the bypass shall be determined as the total construction costs of the bypass and Reach 26A East Branch Enlargement less the final estimated costs that would have been incurred had the bypass not been constructed. Minimum operation, maintenance, power and replacement costs shall be determined in the same manner as for other reaches of the East Branch Aqueduct.

(3) The bypass shall be constructed for emergency use. After the bypass is completed, the Department will conduct tests to determine whether the bypass could be operated on a regular basis for deliveries. If the State determines that the bypass increases the capacity available for deliveries to the District through Reach 25 and the portion of Reach 26A upstream of Reach 26B it shall so notify the District. If the District requests that a portion or all of such increase in capacity be available for deliveries on a non-emergency basis, the State shall make the requested capacity available and shall revise the allocation factors for Reach 25 and the portion of Reach 26A to reflect the increase in capacity made available for deliveries on a non-emergency basis to the District.

(4) Notwithstanding Subsection (b) of Article 26, the District shall not receive a power generation credit associated with Devil Canyon Power Plant for any water which is conveyed through the bypass.

48. Operation of East Branch Aqueduct from - Devil Canyon Powerplant to Perris Reservoir (Reaches 28G through 28J)

The State agrees to operate all actual capacity provided in the reaches of the East Branch Aqueduct from Devil Canyon Powerplant to Perris Reservoir, including that provided pursuant to Article 17, in accordance with the criteria for the East Branch facilities specified in Article 49(h).

49. Enlargement Capacity from Junction, West Branch, California Aqueduct through Devil Canyon Powerplant (Reaches 18A through 26A)

(a) Definitions

When used in this Article 49, the following terms shall have the meanings hereinafter set forth:

- (1) East Branch Enlargement Facilities-all of the following:
 - (A) The facilities remaining to be constructed as part of the East Branch Enlargement construction;
 - (B) The work done pursuant to the letter agreement between the State and The Metropolitan Water District of Southern California dated November 29, 1966, which consisted of constructing the California Aqueduct between Cottonwood (now known as Alamo) Powerplant and Cedar Springs (now known as Silverwood) Reservoir so that, by future additions to the canal lining, siphons, and additional pumping units at Pearblossom Pumping Plant, the capacity could be increased by a then-estimated approximately 700 cubic feet per second;
 - (C) That portion of the enlargement of the Pearblossom Pumping Plant Forebay and Cofferdam construction which would not have been constructed but for the proposed East Branch Enlargement and which was done pursuant to the letter agreement between the State and The Metropolitan Water District of Southern California, dated January 18, 1984;
 - (D) That portion of the canal lining work between Alamo Powerplant and Pearblossom Pumping Plant done pursuant to the letter agreements between the State and The Metropolitan Water District of Southern California, dated July 2, 1984 and May 15, 1985 which increased the East Branch Aqueduct capacity beyond that set forth in Table B-2 as shown in State Bulletin 132-70;
 - (E) That portion of Reach 24 (Silverwood Lake) to be determined by a reallocation of Reach 24 to reflect the additional use to be made of that reach as a result of the East Branch Enlargement operation.
 - (F) That portion of Reach 25 (San Bernardino Tunnel) to be determined by an allocation of total delivery capability of Reach 25 between the basic East Branch facilities and the East Branch Enlargement as a result of East Branch Enlargement operation.
- (2) Participating Contractor - any contractor signing a contract amendment for participating in any East Branch Enlargement Facility.

(b) Sizing and Construction of Enlargement

(1) The State shall construct the East Branch Enlargement Facilities to accommodate flows to at least the capacities contracted for by the State and the Participating Contractors. Capacity provided in each reach of the enlargement for transport and delivery of project water to the District shall be as shown in the following table:

Reach ¹⁾	CFS of Capacity
18A	1,200
19	1,200
20A	1,200
20B	1,200
21	1,200
22A	1,200
22B	1,200
23	1,200
24	1,200 ²⁾
25	1,200 ³⁾
26A	1,200

- 1) These numbers apply to the reaches as set forth in Figure B-5 in DWR Bulletin 132-85.
- 2) Additional flow through capacity in this reach (Silverwood Lake) to be included in the reallocation of capacity as provided for by subsection (d)(7) of this article.
- 3) The 1,200 cfs Enlargement capacity in the Tunnel will be arrived at by an appropriate reallocation of basic and excess Tunnel capacity.

(2) The State shall construct the East Branch Enlargement Facilities in stages, with the first stage providing the District in each reach at least fifty percent of the capacity shown in the table set forth in Article 49(b)(1). The State shall determine the specific reach features to be enlarged in consultation with the Participating Contractors. All Participating Contractors which have capital cost repayment obligations in a reach shall be considered to have a minimum delivery capability in each stage. The minimum delivery capabilities of the Participating Contractors in each staged reach shall be in the same proportion as the Participating Contractor's proportion of the total enlargement capacity. The State shall not construct Reaches 18A through 23 and 26A of the East Branch Enlargement Facilities to capacities greater than shown in the following table provided that power facilities may be constructed to a larger capacity if found by the State to be economically or operationally justifiable after prior consultation with the Participating Contractors.

Reach	CFS of Capacity
18A	1,506
19	1,506
20A	1,541
20B	1,541
21	1,535
22A	1,535
22B	1,500
23	1,683
26A	1,600

(3) The State shall make all reasonable efforts to complete construction of the first stage of the East Branch Enlargement Facilities as specified above by July 1, 1991. If the State determines that construction of the first stage cannot be accomplished by July 1, 1991 without incurring extra costs, it shall consult with the Participating Contractors.

(4) The State shall make all reasonable efforts to complete construction of any East Branch Enlargement Facilities necessary to accommodate the total of the constructed amount which are not completed as part of the first stage. It shall undertake further construction activities upon the earliest of (1) the State's determination that delivery schedules submitted pursuant to Article 12 justify such action or (2) a request by The Metropolitan Water District of Southern California that such action be taken. If the State fails to complete construction of any portion or portions of the East Branch Enlargement Facilities one or more of the agencies may complete construction pursuant to the procedure in Article 17(f).

(5) Upon completion of each stage of construction, the State shall determine whether actual capacity of the East Branch Enlargement Facilities differs from contracted for capacity. If actual capacity differs from contracted for capacity, the capacity provided for transport and delivery of project water shall be proportionately adjusted by the State among the Participating Contractors.

(c) **East Branch Enlargement Transportation Charge**

The payments to be made by each Participating Contractor entitled to delivery of project water from or through the East Branch Enlargement Facilities shall include an annual charge under the designation East Branch Enlargement Transportation Charge. This charge shall return to the State during the repayment period associated with financing of East Branch Enlargement Facilities, those costs of the East Branch Enlargement Facilities which are allocated to the Participating Contractor in accordance with the cost allocation principles and procedures hereinafter set forth. Wherever reference is made, in connection with the computation, determination, or payment of the

East Branch Enlargement Transportation Charge, to the costs of any facility or facilities included in the System, such reference shall be only to those costs of such facility or facilities which are reimbursable by the Participating Contractors as determined by the State. The East Branch Enlargement Transportation Charge shall consist of a capital cost component; and a minimum operation, maintenance, power, and replacement component, as these components are defined in and determined under Articles 49(d) and 49(e), respectively. For the purpose of allocations of costs pursuant to said articles, the East Branch Enlargement Facilities shall be segregated into aqueduct reaches as set forth in Figure B-5 in State Bulletin 132-85, provided, however, that Reach 23 may be adjusted after consultation with the contractors as a result of a delivery point being changed.

(d) **East Branch Enlargement Transportation Charge - Capital Cost Component**

(1) Method of Computation.

Each Participating Contractor shall be allocated a capital cost component of the East Branch Enlargement Transportation Charge which shall be sufficient to return to the State those capital costs of the East Branch Enlargement Facilities which are allocated to the Participating Contractor pursuant to subdivision (d)(2) of this article. The amount of this charge shall be determined by an allocation of costs to the Participating Contractor and a computation of annual payments of such allocated costs and interest, if any, thereon to be made by the Participating Contractor pursuant to this article. The capital costs allocated to the District shall be reduced by payments advanced by the District pursuant to Article 49(d)(4).

(2) Allocation of Capital Costs Among Participating Contractors.

The total amount of capital costs of each reach of the enlargement to be returned to the State shall be allocated among all Participating Contractors on the basis of the ratio of the capacity provided in that reach of the East Branch Enlargement Facilities for the transport and delivery of project water to the Participating Contractor to the total capacity provided in that reach of the East Branch Enlargement Facilities for the transport and delivery of project water to all Participating Contractors served from or through the reach.

(3) Determination of Capital Cost Component.

The amount of this component shall be determined as follows:

(A) The total amount of capital costs allocated to a Participating Contractor shall be the sum of the products obtained when there is multiplied, for each enlargement reach, the total amount of the capital costs of the enlargement reach to be returned to the State under the capital cost component of the East Branch Enlargement Transportation Charge by the ratio of the East Branch Enlargement capacity provided to make deliveries to the District in the reach in cubic feet per second (cfs), as provided in subarticle 49(b)(1), to the total cfs capacity of the reach of enlargement.

(B) The projected amounts of capital costs to be allocated annually to the District under the capital cost component of the East Branch Enlargement Transportation Charge shall be determined by the State in accordance with the cost allocation principles and procedures set forth in Article 49(d)(3)(A), which principles and procedures shall be controlling as to allocations of capital costs to the Participating

Contractors. These amounts shall be subject to redetermination by the State in accordance with Article 49(g).

(4) Financing of Allocated Capital Costs by a Participating Contractor.

(A) The District may elect to pay a portion or all of the capital costs of the enlargement construction allocated to the District by furnishing funds to the State in advance of the State incurring the capital costs, provided that the total remaining costs to be financed by the State shall not be less than \$50 million. The District may elect in writing to use this option by June 15 of each year as to any portion of an East Branch Enlargement Facility not yet funded by the State. If the District does not elect this option by June 15 of a given year, it may, with the consent of the State elect the option at a later time in that year.

(B) For any year in which the District elects this option, the State shall, on or before July 1 furnish the District with a written statement of estimated amounts of funds needed by the State in the succeeding year and of the calendar dates by which the State will need the funds. During each succeeding year the State shall, on the first of each month, notify the District of funds needed within the succeeding month. The District shall pay to the State the requested funds within fifteen calendar days of receipt of notification. The District may elect to advance funds to the State on an accelerated schedule acceptable to the State. Unless otherwise agreed to by the District and the State, interest earned on any funds advanced pursuant to this paragraph shall be credited to reduce payments due from the District under this contract. To the extent practicable, interest earned shall be at the Surplus Money Investment Fund rate. The District may terminate its use of this option for a given year with the agreement of the State. If the District elects this option, subparagraphs (d)(5) and (d)(6) of this article shall not apply to any portion of capital costs to be paid pursuant to the option.

(C) If the District does not elect to pay all of the capital costs of the enlargement allocated to the District by furnishing funds to the State in advance, the State, after consultation with the District, shall prepare a plan for the State's financing of the East Branch Enlargement and shall give the District an opportunity to comment on the plan. The plan shall include but not be limited to the size of any revenue bond issuances and the form of necessary resolutions, articles and covenants.

(5) State Revenue Bond Financing of Allocated Capital Costs.

(A) Revenue Bond Charge

If the District does not pay all of the capital costs allocated to the District pursuant to subparagraph (3) and the State issues revenue bonds to finance the enlargement construction, the portion of the capital costs not

advanced pursuant to subparagraph (4) shall be recovered through a Revenue Bond Charge. The Revenue Bond Charges allocated to the Participating Contractors shall return to the State an amount equal to the financing costs the State incurs for that portion of the East Branch Enlargement Facilities constructed in whole or in part with funds from revenue bonds (including revenue bond anticipation notes). The elements of the financing costs shall include but not be limited to bond marketing expenses to the extent not financed from the proceeds of applicable revenue bond sales, interest expense during construction of the East Branch Enlargement Facilities to the extent not provided for from bond proceeds, annual premiums for insurance or other security obtained pursuant to Article 49(d)(5)(E), and all semi-annual East Branch Enlargement Facilities revenue bond requirements including principal and interest and, to the extent not funded in advance of any proposed bond sale, or at any time following such a sale, in accordance with Articles 49(d)(5)(C) and 49(d)(5)(D), any additional requirements for coverage and deposits to reserves as required under applicable resolutions for the issuance of East Branch Enlargement Facilities revenue bonds. Any credits which shall include, but not be limited to, interest earnings or other earnings of the State in connection with such bonds shall when and as permitted by the bond resolution first be utilized for East Branch Enlargement Facilities construction purposes and thereafter all realized earnings shall be paid the Participating Contractors at least semi-annually. Such earnings shall for the purpose of determining each non-defaulting Participating Contractor's portion of any remaining capital costs be credited and paid to each non-defaulting Participating Contractor on the same basis that the capital costs were allocated to each Participating Contractor.

(B) Revenue Bond Charge Computation

The Revenue Bond Charge for the East Branch Enlargement construction payable by the District shall be computed as follows. The capital costs allocable to the District pursuant to Article 49(d) shall be determined. Any amounts paid by the District pursuant to Article 49(d)(4) shall be subtracted. The resulting difference shall be divided by the total of all capital costs to be financed by revenue bonds. The ratio resulting from the division shall be applied to each element of the total revenue bond financing costs. Until such time as the actual costs to be used in the foregoing computation are known, such computation shall be based on estimates of such costs. The District's Revenue Bond Charge shall be paid by the District semiannually at least 40 days before the State is required to make the corresponding semi-annual payment to the bondholders.

(C) Excess Coverage

If the amount of coverage on any issue of revenue bonds, and interest earned on the coverage, is in excess of that required under the applicable bond resolution, articles or covenants, each participating contractor's share of the excess shall be in the same proportion as charges were paid by each participating contractor pursuant to Article 49(d)(5)(B) for the portion of the facilities financed by said issue of revenue bonds. When and as permitted by the terms of the bond resolution, the share of excess coverage together with any realized interest earnings, shall at the Participating Contractor's option be returned to the Participating Contractor or be utilized to fund remaining East Branch Enlargement construction costs to the extent not otherwise provided for. To the extent practicable, interest earned shall be at the Surplus Money Investment Fund rate.

(D) Reserves

The State shall maintain revenue bond reserve funds no greater than necessary, as required under the applicable bond resolution, articles or covenants. In determining the level of revenue bond reserves to be maintained the State may, to the extent allowable under the applicable bond resolution, articles, or covenants, take account of any restricted reserve funds, other than replacement reserve funds, maintained by the individual Participating Contractors for the payment of State water contract payment obligations. Interest earned on revenue bond reserves maintained by the State and any excess reserve funds shall be credited promptly thereon to each Participating Contractor by the State. Upon retirement of any issue of revenue bonds and in accordance with the terms of the bond resolution, reserves maintained by the State on account of such issue, together with interest earnings thereon, shall be used to pay the final net annual debt service for such issue. Any reserves maintained by the State on account of an issue of revenue bonds and remaining after retirement of such issue, shall be repaid to the Participating Contractors in proportion to the total reserves that each Participating Contractor paid. To the extent practicable, interest earned shall be at the Surplus Money Investment Fund rate.

(E) Insurance

To the extent economically justifiable, as determined by the State after consultation with the Participating Contractors, the State shall obtain insurance or maintain other security protecting bondholders and Participating Contractors against costs resulting from the failure of any Participating Contractor to make the payments required by this Article 49(d)(5).

(6) State Non-Revenue Bond Financing of Allocated Capital Costs.

The State may use any of its available funds other than revenue bonds, to finance all, or a portion of the capital costs of the enlargement construction. Until revenue bonds or other debt instruments are issued, the Participating Contractors shall pay interest at the Surplus Money Investment Fund rate on whatever funds are used. Any State debt instrument other than revenue bonds or bond anticipation notes shall only be used after consultation with the Participating Contractors.

(7) Reallocation of Costs.

No later than the date of completion of the first stage of the East Branch Enlargement Facilities, the State shall in consultation with the contractors participating in the repayment of the reaches, reallocate costs for Reach 24 (Silverwood Lake). Such reallocation of costs shall apply to years beginning with the date of completion of the first stage of the East Branch Enlargement Facilities. The State shall also reallocate at the same time the costs of Reach 25 (San Bernardino Tunnel) among all contractors participating in repayment of such reach, to reflect the redistribution of flow capacity necessary for the East Branch Enlargement Facilities. Such reallocation shall include historical as well as future costs as appropriate. By the same date the State, in consultation with the contractors participating in the repayment of the reaches, shall also reallocate all costs associated with the work done pursuant to the letter agreement between the State and The Metropolitan Water District of Southern California dated November 29, 1966, as described in Subarticle 49(a)(1)(B).

(8) Allocation of Improvement Costs.

Using the procedure provided in Article 24 (Transportation Charge - Capital Cost Component) the State shall, as of the effective date of Article 49, allocate among all contractors entitled to delivery of project water from or through the affected reaches those design and construction costs encompassed in letter agreements dated January 18, 1984; July 2, 1984; and May 15, 1985, between the State and The Metropolitan Water District of Southern California, which would have been incurred irrespective of East Branch Enlargement Facilities. The Metropolitan Water District of Southern California shall receive credits for principal and interest at the project interest rate. Interest at the project interest rate shall be paid on funds advanced by The Metropolitan Water District of Southern California, pursuant to the aforesaid letter agreements, in excess of the allocations made pursuant to this subparagraph.

(9) Reimbursement for Previously Advanced East Branch Enlargement Costs.

If additional contractors become participants in Reach 25, the Metropolitan Water District of Southern California shall, no later than the date of completion of the first stage of the East Branch Enlargement Facilities, receive credits with interest at a rate of 6 percent for funds previously paid by it to the State for excess capacity in Reach 25 allocated to such additional contractors. By the same time, all existing contractors in Reach 25 will receive credits with interest at the project interest rate for any payments previously made by them with interest at the project interest rate, for basic capacity costs of Reach 25 to the extent those payments exceed the amounts they would have been obligated to pay if this amendment had been in effect as of the date funds were first paid. Tables B-1 and B-2 as shown in State Bulletin 132-70 shall be appropriately adjusted.

(e) **East Branch Enlargement Transportation Charge - Minimum Operation, Maintenance, Power, and Replacement Component**

(1) The minimum operation, maintenance, power, and replacement component of the East Branch Enlargement Transportation Charge shall return to the State those minimum operation, maintenance, power, and replacement costs which in the judgment of the State are incurred solely because of construction, operation and maintenance of the East Branch Enlargement Facilities, and which are based on the proportional capital cost allocation to the District for such enlargement facilities, by reach. Other costs which cannot be attributed solely to East Branch facilities provided for pursuant to Article 17(a) shall be shared in accordance with a formula to be developed by the State in consultation with contractors participating in the repayment of the capital costs of the affected reaches. The State may establish reserve funds to meet anticipated minimum replacement costs in the same manner provided for in Article 25(a).

(2) The total projected minimum operation, maintenance, power and replacement costs of each reach of the East Branch Enlargement Facilities for the respective year shall be allocated among all Participating Contractors on the basis of the ratio of the capacity provided in the East Branch Enlargement Facilities reach for the transport and delivery of project water to each Participating Contractor to the total capacity provided in the East Branch Enlargement Facilities reach for the transport and delivery of project water to all Participating Contractors served from or through the reach.

(3) Notwithstanding the provisions of subdivisions (e)(1) and (e)(2) of this article, or of Article 1(u), the costs of off-aqueduct power facilities associated with deliveries of water through East Branch Enlargement Facilities shall be included in the determinations and allocations pursuant to Article 25(d). There shall be no separate off-aqueduct power facilities determination and allocation for East Branch Enlargement Facilities.

(f) East Branch Enlargement Variable Operation, Maintenance, Power, and Replacement Costs

The variable operation, maintenance, power, and replacement costs associated with deliveries of water through East Branch Enlargement Facilities shall be included in the determinations and allocations pursuant to Article 26. There shall be no separate variable operation, maintenance, power, and replacement component of the East Branch Enlargement Transportation Charge.

(g) Redetermination of Charges

(1) Determinative Factors Subject to Retroactive Charge

The State shall redetermine the values and amounts chargeable to Participating Contractors in 1988 or the year following the year in which this article is effective, whichever is later, and each year thereafter as needed in order that the East Branch Enlargement charges to the District accurately reflect the increases or decreases from year to year in projected costs, properly attributable to each Participating Contractor. In addition, each such redetermination shall include an adjustment of the components of the charges to be paid by each Participating Contractor for succeeding years which shall account for the differences, if any, between those factors used by the State in determining the amounts of such components for all preceding years and the factors as then currently known by the State. Such adjustment shall be computed by the State and paid by the Participating Contractor or credited to the Participating Contractor's account in the manner described in Articles 49(g)(2) and 49(g)(3) below.

(2) Adjustment: East Branch Enlargement Transportation Charge - Capital Cost Component

Adjustments for prior underpayments or overpayments of the capital cost component of the East Branch Enlargement Transportation Charge to the

Participating Contractor, together with accrued interest charges or credits thereon computed at the then current Surplus Money Investment Fund rate on the amount of the underpayment or overpayment and compounded annually for the number of years from the year the underpayment or overpayment occurred to and including the year following the redetermination, shall be paid in the year following the redetermination.

(3) Adjustment: East Branch Enlargement Transportation Charge - Minimum Operation, Maintenance, Power, and Replacement Component

One-twelfth of the adjustments for prior underpayments or overpayments of the Participating Contractor's minimum operation, power, and replacement component of the East Branch Enlargement Transportation Charge for each year shall be added or credited and paid in the corresponding month of the year following the redetermination, together with accrued interest charges or credits thereon computed at the then current Surplus Money Investment Fund rate on the amount of the underpayment or overpayment and compounded annually for the number of years from the year when the underpayment or overpayment occurred to and including the year following the redetermination.

(h) East Branch Operation

Requests for delivery of water through the East Branch Enlargement Facilities shall be subject to Article 12. Except as otherwise provided, the East Branch Enlargement Facilities shall be operated as an integral part of the East Branch Aqueduct and shall be subject to the same criteria. To the extent that then-current deliveries involve rates of flow within the limitations of Article 12(b) or involve capacities less than those on which the contractor's capital charges are based, the State shall provide the deliveries with no power peaking charges. To the extent delivery capability is available to permit then-current deliveries at a rate of flow in excess of the lesser of that provided in (a) Article 12(b), or (b) of the sum of the capacities on which the District's capital charges are based in the basic East Branch Aqueduct Facilities and the District's proportional share of the operational capacity of the East Branch Enlargement Facilities, such deliveries will be allowed if such deliveries do not adversely affect the ability of other contractors to receive entitlement deliveries. However, if such excess deliveries would cause increased power costs to any other contractors, the District shall pay the power costs that would otherwise increase power costs to the other water contractors. These power costs resulting from such excess deliveries will be based upon administrative cost allocation procedures adopted by the Director of the Department of Water Resources after consultation with the contractors. Before beginning deliveries that would involve extra power peaking charges, the State shall consult with the District to determine if the District desires (a) a change in its delivery schedule or (b) modifications in East Branch Aqueduct or Enlargement operation to avoid the increased power costs.

(i) Failure to Meet Payment Obligations Under Article 49

(1) If a Participating Contractor defaults in payments due under Article 49 and the costs of other Participating Contractors would as a consequence be increased, the State shall, in addition to any actions taken pursuant to Articles 32 and 34, notify the defaulting Participating Contractor that if the Participating Contractor fails to cure the default within 30 days, the State will offer the capacity provided for the Participating Contractor to the other Participating Contractors. If the Participating Contractor fails to cure the default within thirty (30) days of notice by the State, the State shall offer to each Participating Contractor, in proportion to the contractor's degree of participation in the enlargement, the opportunity to assume responsibility for the capital charges and delivery capability on which the defaulting contractor's capital costs were based. If Participating Contractors fail to cure the default, The Metropolitan Water District of Southern California shall assume responsibility for the capital charges on which the defaulting contractor's capital costs were based, and shall receive the capacity associated with such capital charges. Article 49(b)(1) shall be appropriately adjusted.

(2) No credits shall be assigned to a Participating Contractor under this article while the Participating Contractor is in default of any payment to the State under this article for a period of more than thirty (30) days.

50. Water System Facility Revenue Bond Financing Costs:

(a) **Water System Facility Revenue Bonds to Finance Capital Costs Incurred Prior to the Billing Transition Date.** ~~Charges to the District for water system revenue bond financing costs shall be governed by provisions of this article. The provisions of this subdivision (a) shall apply to the Financing Costs of Revenue Bonds issued to finance Water System Facility Capital Costs Incurred prior to the Billing Transition Date. Charges to all Contractors for such water system revenue bond financing costs~~ **Financing Costs** shall return to the State each year an amount equal to the ~~annual financing costs~~ **Financing Costs** the State incurs in that year for such ~~water system revenue bonds~~ **Water System Facility Revenue Bonds** (including water system revenue bond anticipation notes). ~~Annual financing costs shall include, but not be limited to, any annual principal and interest on water system revenue bonds plus any additional requirements for bond debt service coverage, deposits to reserves, and annual premiums for insurance or other security obtained pursuant to subdivision (f) of this article. The State shall provide credits to the contractors for excess reserve funds, excess debt service coverage, interest, and other earnings of the State in connection with repayment of such revenue bond financing costs, when and as permitted by the bond resolution. When such credits are determined by the State to be available, such credits shall be promptly provided to the contractors and shall be in proportion to the payments under this article from each contractor. Reserves, bond debt service coverage, interest, and other earnings may be used in the last year to retire the bonds.~~

~~(b1)~~ Elements of Charge. Annual charges to recover ~~water system revenue bond financing costs~~ such Water System Facility Revenue Bond Financing Costs shall consist of two elements.

~~(1A)~~ (A) The first element shall be an annual charge to the District for repayment of Capital Costs of Water System Facilities as determined under Articles 22(a) and 24(a) of this contract with interest at the Project Interest Rate. For conservation facilities, the charge shall be a part of the capital ~~cost~~ component of the Delta Water Charge in accordance with the provisions of Article 22(a) applicable to Capital Costs Incurred prior to the Billing Transition Date. For transportation facilities, the charge shall be a part of the capital ~~cost~~ component of the Transportation Charge in accordance with the provisions of Article 24(a) applicable to Capital Costs Incurred prior to the Billing Transition Date.

~~(2B)~~ (B) The second element shall be the District's share of a Water System Facility Revenue Bond Surcharge to be paid in lieu of a Project Interest Rate adjustment. The total annual amount to be paid by all Contractors under this element shall be the difference between the total annual charges under the first element and the annual Financing Costs of the ~~water system revenue bonds~~ related Water System Facility Revenue Bonds. The amount to be paid by each Contractor shall be calculated annually as if the Project Interest Rate were increased to the extent necessary to produce revenues from all Contractors sufficient to pay such difference for that year. In making that calculation, adjustments in the District's transportation capital component charges for prior overpayments and underpayments shall be determined as if amortized over the remaining years of the Project Repayment Period.

~~(e2)~~ Identification of Surcharge on Invoices. The ~~Water System Revenue Bond Surcharge~~ Water System Facility Revenue Bond Surcharge will be identified ~~by component and charge~~ in the District's invoice.

~~(d3)~~ Timing of Surcharge Payments. Surcharge payments shall be made in accordance with Article 29(f) of this contract.

~~(e4)~~ Termination of Surcharge. The Water System Facility Revenue Bond Surcharge under Article 50(~~ba~~)(~~21~~)(B) shall cease for each series of ~~water system revenue bonds~~ Water System Facility Revenue Bonds when that series is fully repaid. However, the annual charge determined pursuant to Article 50(~~ba~~)(1)(A) shall continue to be collected for the time periods otherwise required under Articles 22 and 24.

(5) *Reduction of Charges.* After the Department has repaid the California Water Fund in full and after each series of Water System Facility Revenue Bonds is repaid, the Department will reduce the charges to all Contractors in an equitable manner in a total amount that equals the amount of the charges under Article 50(~~ba~~)(1)(A) that the Department determines is not needed for future financing of facilities of the System which, in whole or in part, will serve the purposes of the water supply contract with the District.

(b) **Water System Facility Revenue Bonds to Finance Capital Costs Incurred On or After the Billing Transition Date.** The provisions of this subdivision (b) shall apply to the Financing Costs of Revenue Bonds issued to finance Water System Facility Capital Costs Incurred on or after the Billing Transition Date. Charges to all Contractors for such Financing Costs shall return to the State each year an amount equal to the Financing Costs the State incurs in that year for such Water System Facility Revenue Bonds. The amount of this charge shall be calculated in two steps as follows:

(1) *Allocation of Water System Facility Capital Costs.* Capital Costs Incurred on or after the Billing Transition Date of Water System Facilities that are conservation facilities shall be allocated among all Contractors in proportion to each Contractor's Maximum Annual Table A Amount. Capital Costs Incurred on or after the Billing Transition Date of Water System Facilities that are transportation facilities shall be allocated among all Contractors in accordance with Article 24(c).

(2) *Determination of Annual Financing Cost Amounts.* The State shall determine and charge the District each year the amount of the Financing Costs the State incurs in that year for the Water System Facility Revenue Bonds issued to finance such Water System Facility Capital Costs allocated to the District.

(c) **Provisions Applicable to All Water System Facility Revenue Bonds.** The provisions of this article shall apply to all Water System Facility Revenue Bonds.

(1) *Credits for Excess Amounts.* The State shall provide credits to the Contractors for excess reserve funds, excess debt service coverage, interest, and other earnings of the State in connection with payment of the Financing Costs of such Water System Facility Revenue Bonds, when and as permitted by the applicable bond resolution or indenture. When such credits are determined by the State to be available, such credits shall be promptly provided to the Contractors and shall be in proportion to the payments of Water System Facility Revenue Bond Financing Costs from each Contractor. Reserves, bond debt service coverage, interest, and other earnings may be used to retire bonds.

(2) *Allocation of Maturities Permitted.* When calculating charges for Water System Facility Revenue Bond Financing Costs, the State may allocate

portions of particular maturities of Water System Facility Revenue Bonds and the Financing Costs associated with such maturities to particular Water System Facilities, in order to establish a reasonable relationship between the Economic Useful Life of such facilities and the term of bonds issued to finance such facilities, and may determine the Financing Costs allocated to the District on the basis of such maturity allocation.

(3) *Supplemental Bills for Unanticipated Financing Costs.* The State may submit a supplemental bill to the District for the year if necessary to meet unanticipated costs for Water System Facility Revenue Bond Financing Costs for which the State can issue a statement of charges under this article and any other article of this contract providing for payments that are pledged to the payment of Revenue Bonds issued to finance Project Facility Capital Costs allocated to the District. The relative amounts of any supplemental billing made to the District and to other Contractors for Revenue Bond purposes shall be governed by the otherwise applicable article. Payment of any supplemental billing shall be due thirty days after the date of the invoice.

(4) *Insurance on Contractor Obligations.* To the extent economically feasible and justifiable, as determined by the State after consultation with Contractors, the State shall maintain insurance or other forms of security protecting bondholders and non-defaulting Contractors against costs resulting from the failure of any Contractor to make the payments required by this article.

~~(g5)~~ *Consultation on Financing Plan.* Before issuing each series of ~~water system revenue bonds~~ Water System Facility Revenue Bonds, the State shall consult with the Contractors, prepare a plan for the State's future financing of ~~water system facilities~~ Water System Facilities, and give the District an opportunity to comment on the plan. The plan shall include but not be limited to the size of any ~~water system revenue bond~~ Water System Facility Revenue Bond issuances and the form of any necessary resolutions, indentures or supplements.

~~(h6)~~ *Defaults.*

~~(+A)~~ If a Contractor defaults partially or entirely on its payment obligations ~~calculated under this article~~ with respect to Water System Facility Revenue Bond Financing Costs and sufficient insurance or other security protecting the non-defaulting Contractors is not provided under ~~Article 50(f)~~ subdivision (c)(4) of this article, the State shall allocate a portion of the default to each non-defaulting Contractor. The District's share of the default shall be equal to an amount determined by multiplying

the total default amount to be charged to all non-defaulting Contractors by the ratio that the District's ~~maximum Table A entitlement~~ Maximum Annual Table A Amount bears to the total of the ~~maximum Table A entitlements~~ Maximum Annual Table A Amounts of all non-defaulting Contractors. However, such amount shall not exceed in any year 25 percent of the Water System Facility Revenue Bond Financing Costs that are otherwise payable by the District in that year. The amount of default to be charged to non-defaulting Contractors shall be reduced by any receipts from insurance protecting non-defaulting Contractors and bond debt service coverage from a prior year and available for such purpose.

(2B) If a Contractor defaults partially or entirely on its payment obligations under this article, the State shall also pursuant to Article 20, upon six months' notice to the defaulting Contractor, suspend water deliveries under Article 20 to the defaulting Contractor so long as the default continues. The suspension of water deliveries shall be proportional to the ratio of the default to the total ~~water system revenue bond~~ Water System Facility Revenue Bond Financing Cost payments due from the defaulting Contractor. However, the State may reduce, eliminate, or not commence suspension of deliveries pursuant to this subparagraph if it determines suspension in the amounts otherwise required is likely to impair the defaulting Contractor's ability to avoid further defaults or that there would be insufficient water for human consumption, sanitation, and fire protection. The State may distribute the suspended water to the non-defaulting Contractors on terms it determines to be equitable.

(3C) During the period of default, credits otherwise due the defaulting Contractor shall be applied to payments due from the defaulting Contractor.

(4D) Except as otherwise provided in ~~Article 50(h)(3)~~ subparagraph (c) of this article, the defaulting Contractor shall repay the entire amount of the default to the State with interest compounded annually at the Surplus Money Investment Fund rate before water deliveries that had been suspended shall be fully resumed to that Contractor. If the defaulting Contractor makes a partial repayment of its default, the Department may provide a proportional restoration of suspended deliveries. The amount of the default to be repaid shall include any amounts previously received by the State from insurance proceeds, bond debt service coverage, or other reserves, and payments from other Contractors pursuant to this subparagraph ~~(h)(6)~~ (6). The defaulting Contractor shall not be entitled to any make-up water deliveries as compensation for any water deliveries suspended during the period when the Contractor was in default.

(5E) At such time as the default amount is repaid by the defaulting Contractor, the non-defaulting Contractors shall receive credits in proportion to their contributions towards the amount of the default with interest collected by the State on the defaulted amount.

(6E) In the event there is an increase in the amount a non-defaulting Contractor contributes to reserves and/or bond debt service coverage, such increase shall be handled in the same manner as provided in [Article 50](#) [subparagraph \(a\) of this article](#).

(7G) Action taken pursuant to this [subarticle subdivision](#) shall not deprive the State of or limit any remedy provided by this contract or by law for the recovery of money due or which may become due under this contract.

~~(i) — Power of Termination [inoperative].~~

~~(1) — The Department and the District agree to negotiate in good faith the development of a means to provide adequate protection for the Department's cash flow into priorities one and two for revenues under Water Code Section 12937(b) with the goal of obtaining agreement by April 1, 1987. The Department and the District agree to continue negotiations beyond April 1, 1987 if necessary to meet their common goal of arriving at agreement.~~

~~(2) — If such an agreement has not been reached by April 1, 1987, and if the Director of Water Resources determines that adequate progress has not been made toward such an agreement, the Director may give notice to the District and other contractors that he intends to exercise the power to terminate provided in this subarticle 50(i). The Director's authority to give such a notice shall terminate on July 1, 1988.~~

~~(3) — After six months from the date of issuing the notice of intent to terminate, but in no event later than January 1, 1989, the Director may terminate the authority of the Department to issue additional series of water system revenue bonds using the repayment provisions of Article 50. The Department shall promptly notify the District and other contractors that the Director has exercised the power of termination.~~

~~(4) — No additional series of water system revenue bonds shall be issued under the provisions of this Article 50 after the Director has exercised the power to terminate, but Article 50 shall remain in effect as to any series of water system revenue bonds issued prior to the time the Director exercises the power to terminate.~~

~~(5) — An exercise of the power to terminate provided in this subarticle 50(i) shall also rescind any changes made by this amendment in the schedule of payment of overpayment or underpayment of capital costs resulting from a change in the project interest rate and shall also rescind the addition of item (7) to Article 1(t). However, if the Department has borrowed any funds under Article 1(t)(7), Article 1(t)(7) shall remain in effect as to that and only that borrowing. Upon the exercising of the power to terminate, subarticles 28(e) and (f) shall be rescinded and Article 1(t) shall read as it previously read as shown on Attachment Number 1 to this amendment. <Attachment 1 is included at the end of this contract.>~~

~~(6) — At any time before January 1, 1989, so long as the Director has not already exercised the power of termination, the Director may irrevocably waive his right to exercise the power of termination or may rescind any previously issued notice of intention to terminate.~~

~~(7) — If the Director does not exercise the power of termination before January 1, 1989, this Subarticle 50(i) shall expire, and the remainder of this Article 50 shall remain in effect. Changes made by this amendment to other articles shall also remain in effect.~~

~~(j7) No Article 51 Reduction. Amounts of Water System Facility Revenue Bond Financing Costs payable under this article contract shall not be affected by any reductions in payments pursuant to Article 51.~~

~~(8) Contract Extension. In the event the Contract Extension Amendment takes effect, but not all Contractors sign the amendment, the following shall apply: If and to the extent that the charges under Article 50(b)(1) and 50(b)(2) of the water supply contracts of Contractors that have not executed the Contract Extension Amendment (“non-signing Contractors”) are not sufficient to recover the annual Financing Costs that relate to Revenue Bonds issued to finance capital costs that are Incurred after the Billing Transition Date and are allocable to such non-signing Contractors, the amount of the shortfall shall be determined. Such shortfall shall be charged to the Contractors that have executed the Contract Extension Amendment (“signing Contractors”) in proportion to each such signing Contactor’s total Water System Facility Revenue Bond Financing Cost charges under Article 50(b) of this contract.~~

51 Financial Adjustments.

(a) Article Expiration

This Article 51 shall be effective through December 31, 2035 and shall be of no further effect on and after January 1, 2036; provided, however, that the provisions of this Article 51 may, to the extent applicable, continue to be used and applied on and after January 1, 2036 for the purpose of truing up amounts owed

by the District to the State or by the State to the District for the calendar years up to and ending with calendar year 2035.

~~(a)~~ **General Operating Account**

~~(1) — The State shall maintain a General Operating Account to provide the moneys needed to pay obligations incurred by the State of the types described in Water Code sections 12937(b)(1) and (2) in the event of emergency or cash flow shortages.~~

~~(2) — An initial deposit of \$15 million shall be made available from revenue bond reserves that are no longer required by revenue bond covenants and that would otherwise be credited to the contractors including the District. In 1998 or when the funds become available an additional \$7.7 million will be deposited in the General Operating Account from revenue bond reserves that are no longer required by revenue bond covenants and that would otherwise be credited to the contractors including the District, bringing the deposits to that account under this article to \$22.7 million.~~

~~(3) — The balance in the General Operating Account will increase pursuant to subdivision (e)(3)(v) of this article to an amount determined by the State but not in excess of \$32 million. However, after the year 2001, the maximum amount of the fund may increase or decrease annually by not more than the same percentage as the increase or decrease in the charges, other than power charges for pumping water, to all the contractors for the previous year from the charges for the year before that for obligations under subdivisions (e)(2)(ii) and (iii) of this article.~~

(b) State Water Facilities Capital Account

(1) The State shall establish a State Water Facilities Capital Account to be funded from revenues available under Water Code section 12937(b)(4). Through procedures described in this article and as limited by this article, the State may consider as a revenue need under subdivision (c)(2)(v) of this article and may deposit in the State Water Facilities Capital Account the amounts necessary to pay capital costs of the State Water Facilities for which neither general obligation bond nor revenue bond proceeds are available, including but not limited to planning, reconnaissance and feasibility studies, the San Joaquin Valley Drainage Program and, through the year 2000, the CALFED Bay-Delta Program.

(2) The Director of the Department of Water Resources shall fully consult with the contractors and consider any advice given prior to depositing funds into this account for any purposes. Deposits into this account shall not exceed the amounts specified in subdivision (c)(2)(v) of this article ~~plus any amounts determined pursuant to subdivision (e)(1)(iii) of this article.~~

(3) The State shall use revenue bonds or other sources of moneys rather than this account to finance the costs of construction of any major capital projects.

(4) Five years following the Contract Extension Amendment Effective Date, the SWRDS Finance Committee shall review the State Water Facilities Capital Account to determine whether to recommend to the Director that this account be closed. If the Director determines to close the account, the State shall transfer any balance in the account to the SWRDS Support Account.

(5) Unless closed sooner, the State Water Facilities Capital Account shall terminate on December 31, 2035 and the State shall transfer any balance in such account to the SWRDS Support Account.

(c) Calculation of Financial Needs

(1) Each year the State shall calculate in accordance with the timing provisions of Articles 29 and 31 the amounts that would have been charged (but for this article) to each contractor as provided in other provisions of this contract.

(2) Each year the State shall also establish its revenue needs for the following year for the following purposes, subject to the following limitations:

(i) The amount required to be collected under the provisions of this contract, other than this article, with respect to all revenue bonds issued by the State for Project Facilities.

(ii) The amount required for payment of the reasonable costs of the annual maintenance and operation of the State Water Resources Development System and the replacement of any parts thereof as described in Water Code section 12937(b)(1). These costs shall not include operation and maintenance costs of any Federal Central Valley Project facilities constructed by the United States and acquired by the State of California after 1994, other than the State's share of the joint use facilities which include San Luis Reservoir, the San Luis Canal and related facilities.

(iii) The amount required for payment of the principal of and interest on the bonds issued pursuant to the Burns-Porter Act as described in Water Code section 12937(b)(2).

(iv) Any amount required for transfer to the California Water Fund in reimbursement as described in Water Code section 12937(b)(3) for funds utilized from said fund for construction of the State Water Resources Development System.

(v) For the years 1998 and thereafter, the amount needed for deposits into the State Water Facilities Capital Account as provided in subdivision (b) of this article, but (A) not more than \$6 million per year for the years 1998, 1999 and 2000, and (B) not more than \$4.5 million per year for the years 2001 and thereafter.

(3) ~~Subject to the provisions of subdivision (e) of this article, the~~The State shall reduce the annual charges in the aggregate for all contractors by the amounts by which the hypothetical charges calculated pursuant to subdivision (c)(1) above exceed the revenue needs determined pursuant to subdivision (c)(2) above; provided that the reduction in annual charges in the aggregate for all contractors shall not exceed \$48 million in any year beginning with the first calendar year following the Contract Extension Amendment Effective Date. The provisions regarding the reduction in annual charges that were in effect prior to the Contract Extension Amendment Effective Date shall continue to apply to the entire calendar year in which the Contract Extension Amendment Effective Date occurs. The reductions under this article shall be apportioned among the contractors as provided in subdivisions (d), (e), (f) and (g) of this article. Reductions to contractors shall be used to reduce the payments due from the contractors on each January 1 and July 1; provided, however, that to the extent required pursuant to subdivision (h) of this article, each Agricultural Contractor shall pay to the Agricultural Rate Management Trust Fund an amount equal to the reduction allocated to such Agricultural Contractor. Any default in payment to the trust fund shall be subject to the same remedies as any default in payment to the State under this contract. To determine whether the reduction in annual charges in the aggregate for all contractors equals the \$48 million limit specified in this subdivision (c)(3), it shall be assumed that all contractors have executed the Contract Extension Amendment and will share in the available rate reductions consistent with the proportions as provided in this contract, regardless of whether one or more contractors do not receive a reduction under their respective Water Supply Contracts.

(4) The supplemental billing provisions authorized under this Article 51(c)(4) shall remain in effect through December 31, 2035, unless the Director determines in his or her discretion to eliminate the use of supplemental billing prior to that date or the Director in his or her discretion accepts a recommendation from the SWRDS Finance Committee to eliminate the use of supplemental billing prior to that date.

(i) The State shall inform the SWRDS Finance Committee if the available System cash balances are projected by the State to fall during the succeeding one hundred twenty (120) days to an amount below an amount equal to ninety (90) days operating expenditures. The SWRDS Finance Committee shall make a recommendation in light of such circumstances to the Director.

(4*ii*) The State may submit a supplemental billing to the District for the year in an amount not to exceed the amount of the prior reductions for such year under this Article if necessary to meet unanticipated costs for purposes identified in Water Code Section 12937(b)(1) and (2) for which the State can issue billings under other provisions of this contract, subject to the following procedures and limitations:

(a) The State may only issue supplemental bills pursuant to the provisions of this Article 51(c)(4) when available System cash balances are projected to be less than the amount equal to 90 days operating expenditures.

(b) The term “available System cash balances,” for purposes of subdivision (a) of this Article 51(c)(4)(ii) shall mean available amounts in the following California Water Resources Development Bond Fund accounts: System Revenue Account (to the extent the funds in the System Revenue Account are not projected to be needed for payment of Burns-Porter General Obligation Bond debt service within the next two years), General Operating Account, SWRDS Reinvestment Account, and SWRDS Support Account (to the extent the funds in the SWRDS Support Account are not projected to be needed for non-reimbursable expenditures within the next two years).

(c) The term “operating expenditures” for purposes of subdivision (a) of this Article 51(c)(4)(ii) shall mean the costs described in California Water Code Section 12937(b) chargeable to the State Water Project as water supply.

(d) Any supplemental billing made to the [District] for these purposes shall be in the same proportion to the total supplemental billings to all contractors for these purposes as the prior reduction in charges to the District in that year bears to the total ~~reductions~~reduction in charges to all contractors in that year and shall be treated as reducing the amount of the reduction made available for that year to the ~~District~~contractor by the amount of the supplemental bill to the ~~District~~contractor.

(5) The State may also submit a supplemental billing to the [District] for the year if necessary to meet unanticipated costs for revenue bond debt service and coverage for which the State can issue a statement of charges under provisions of this contract other than this article. The relative amounts of any supplemental billing made to the [District] and to other contractors for revenue

bond purposes shall be governed by such other applicable provisions of this contract.

(6) Payment of any supplemental billing shall be due thirty days after the date of the invoice. Delinquency and interest on delinquent amounts due shall be governed by Article 32.

(d) Apportionment of Reductions between Agricultural and Urban Contractors:

~~(1) Reductions available under this article are projected to begin to occur in 1997. The numbers and percentages in this subdivision reflect certain estimates of dollars and sharing of reductions. The actual reductions may vary slightly from the amounts described below. The State shall determine the availability of~~Commencing with the first calendar year following the Contract Extension Amendment Effective Date, the State shall apportion available reductions for each year in accordance with this ~~article~~Article.

~~(2) Reductions shall be phased in as follows:~~

~~(i) In 1997 reductions in the amount of \$14 million are projected to be available and shall be applied as follows: the first \$10 million of reductions shall be apportioned among the Agricultural Contractors, and the remaining reductions shall be apportioned among the Urban Contractors.~~

~~(ii) In 1998 reductions in the amount of \$17 million are projected to be available and shall be applied as follows: the first \$10 million of reductions shall be apportioned among the Agricultural Contractors, and the remaining reductions shall be apportioned among the Urban Contractors.~~

~~(iii) In 1999 reductions in the amount of \$32 million are projected to be available and shall be applied as follows: the first \$10 million of reductions shall be apportioned among the Agricultural Contractors, and the remaining reductions shall be apportioned among the Urban Contractors.~~

~~(iv) In 2000 reductions in the amount of \$33 million are projected to be available and shall be applied as follows: the first \$10 million of reductions shall be apportioned among the Agricultural Contractors, and the remaining reductions shall be apportioned among the Urban Contractors.~~

(3)

(i) ~~In the event that the aggregate amount of reductions in any of the years 1997 through 2000 is less than the respective amount projected for such year in subdivision (d)(2) above, the shortfall shall be taken first from reductions that would have been provided to Urban Contractors. Only after all reductions to Urban Contractors have been eliminated in a given year shall the remaining shortfall be taken from reductions scheduled for Agricultural Contractors. Any projected reductions not made available due to such shortfalls in the years 1997 through 2000 shall be deferred with interest at the project interest rate to the earliest subsequent years when reductions in excess of those projected for those years are available. Such deferred reductions with interest at the project interest rate shall be applied to the charges of the contractors whose reductions have been deferred.~~

(ii) ~~In the event that the aggregate amount of reductions available in any of the years 1997 through 2000 is greater than the sum of (A) the respective amount projected for such year in subdivision (d)(2) above, plus (B) the amount of any shortfall with accrued interest at the project interest rate, remaining from any prior year to be applied, the excess shall be applied for the purposes and in the amounts per year described in subdivisions (e)(3)(iii), (iv), (v) and (vi) of this article, in that order.~~

(42) ~~In 2001 and in each succeeding year~~ Annual reductions ~~equal to or in excess~~ in the aggregate amount of ~~\$40.5~~ \$48 million are projected to be available in the first calendar year following the Contract Extension Amendment Effective Date and each succeeding year through calendar year 2035 and shall be applied as follows:

(i) If reductions are available in an aggregate amount that equals ~~or exceeds \$40.5~~ \$48 million, ~~\$10 million~~ 11,856,000 of reductions shall be apportioned among the Agricultural Contractors, and ~~\$30.5 million~~ 36,144,000 of reductions shall be apportioned among the Urban Contractors. ~~If reductions are available in an amount greater than \$40.5 million, the excess shall be applied as provided in subdivision (e)(3) of this article, subject however to subdivision (e)(1).~~

(ii) If reductions are available in an aggregate amount less than ~~\$40.5~~ \$48 million in any of these years, the reductions shall be divided on a 24.7% - 75.3% basis between the Agricultural Contractors and the Urban Contractors respectively.

~~(3) Any such reductions not made due to shortages shall be applied without interest in the next year in which reductions in an amount in excess~~ No contractor shall be entitled to receive in any year any additional reductions.

including any additional reductions to make up for deficiencies in past projected reductions and any additional reductions above an aggregate annual amount of \$40.548 million-are available.

(4) Reductions in annual charges to a contractor pursuant to subdivision (e)(3) of this article with any remainder that is not available carried over without interest to be applied in the earliest subsequent years when reductions in excess of \$40.5 million are available.(5) Annual charges to a contractor shall only be reduced prospectively from and after the date itthis Article 51(d) shall only be made prospectively beginning with the later of the first calendar year following the Contract Extension Amendment Effective Date or the first calendar year following the date the contractor executes the Monterey Contract Extension Amendment to this contract. Apportionments of reductions shall be calculated on the assumption that all contractors have executed such amendment.

(e) **Review of Financial Requirements Revenues and Reports**

(1) ~~In 2001 and every fifth year thereafter the Director of the Department of Water Resources, in full consultation with the contractors, will review the financial requirements of the State Water Resources Development System and determine the following:~~ Each year, beginning with the first calendar year commencing after the Contract Extension Amendment Effective Date, the Director shall determine the amount of available Article 51(e) Amounts. The Director shall determine the aggregate amount that would have been charged to all contractors in any year but for this Article 51 and from that amount shall deduct the sum of

(i) the amount of revenues ~~that are needed for State Water Resources Development System purposes in addition to those needed for the purposes~~ specified in subdivisions (c)(2)(i), (ii), (iii), and (iv) and (v) of this article; plus

(ii) \$48 million.

The remaining amount, if any, shall be referred to herein as “Article 51(e) Amounts”.

(2) The State shall allocate available Article 51(e) Amounts as follows:

~~If the aggregate amount that would have been charged to all contractors in any year but for this article exceeds the sum of (A) the amount of revenues needed for the purposes specified in subdivisions (c)(2)(i), (ii),~~

~~(iii) and (iv), plus (B) \$40.5 million, plus (C) the amount determined pursuant to subdivision (e)(2)(v) of this article, the amount of such excess.~~

~~(iii)——The amount of the excess determined in subdivision (e)(1)(ii) above that should be collected by the State for additional State Water Resources Development System purposes and the amount of such excess that should be used for further annual charge reductions.~~

~~(2)——After making the determinations required above, the State may collect the revenues for additional State Water Resources Development System purposes in the amount determined pursuant to subdivision (e)(1)(iii) above.~~

~~(3)——If and to the extent that as a result of such determinations, the aggregate amount to be charged to contractors is to be reduced by more than \$40.5 million per year, the following priorities and limitations shall apply with respect to the application of such additional reductions~~

~~(i)——First, reductions shall be allocated to make up shortfalls in reductions from those projected for the years 1997 through 2000 with interest at the project interest rate pursuant to subdivision (d)(3)(i).~~

~~(ii)——Second, reductions shall be allocated to make up shortfalls in reductions from those projected for the years beginning with 2001 without interest pursuant to subdivision (d)(4)(ii).~~

~~(iii)——Third, additional reductions in the amount of \$2 million per year shall be apportioned among the Urban Contractors until a total of \$19.3 million in such additional reductions have been so applied.~~

~~(iv)——Fourth, reductions up to an additional \$2 million per year shall be allocated to make up any shortfalls in the annual reductions provided for in subdivision (e)(3)(iii).~~

~~(v)——Fifth, \$2 million per year shall be charged and collected by the State and deposited in the General Operating Account to bring the account ultimately up to an amount determined by the State but not in excess of \$32 million with adjustments as provided in subdivision (a) of this article. Any amount in the account in excess of this requirement shall be returned to general project revenues.~~

~~(vi)——Sixth, remaining amounts if any shall be used for reductions divided on a 24.7%—75.3% basis between the Agricultural Contractors and the Urban Contractors respectively.~~

The Director in his or her discretion shall allocate and transfer or deposit up to 80% of available Article 51(e) Amounts, as determined on a projected basis, and up to 100% of available Article 51(e) Amounts, as determined on an actual basis, into the General Operating Account, the SWRDS Support Account and/or the SWRDS Reinvestment Account. Any Article 51(e) Amounts determined on an actual basis to be remaining

in the Systems Revenue Account after the Director allocates and transfers such amounts to the General Operating Account, the SWRDS Support Account and/or the SWRDS Reinvestment Account shall remain in the Systems Revenue Account and shall be tracked separately in the State's Financial Information System. The Director shall have full discretion regarding the use of the amounts remaining in the Systems Revenue Account.

(3) The State shall prepare and distribute an Annual Rate Reduction Determination Report setting out the factors used to determine reductions in rates pursuant to Article 51(c). The report shall include a display of the distribution of gross annual revenues before, among other items, recreation and fish and wildlife expenditures, contributions to the State Water Facilities Capital Account and reduction in rates pursuant to Article 51(c). The report shall also include a display of the distribution and/or allocation of net annual revenues after reduction in rates pursuant to Article 51(c), to the General Operating Account, SWRDS Support Account, SWRDS Reinvestment Account, 51(e) Sub-Account of the Systems Revenue Account, Davis-Dolwig Fund, State Water Facilities Capital Account, and Suspended Costs, as applicable.

(4) The System Financial Activity Report, which is required to be prepared quarterly pursuant to Article 61(d), shall include annual and accumulated Article 51(e) Amounts and expenditure activity, including the beginning balance, the annual activity and the ending balance for the year for each fund or account into which Article 51(e) Amounts have been transferred or deposited. The System Financial Activity Report should also have sufficient detail to provide comprehensive accounting of annual Article 51(e) Amounts and the uses of the annual Article 51(e) Amounts to enable the SWRDS Finance Committee to assess the use of these amounts.

(f) **Apportionment of Reductions Among Urban Contractors,**

Reductions in annual charges apportioned to Urban Contractors under ~~subdivisions~~subdivision (d) ~~and (e)~~ of this article shall be further allocated among Urban Contractors pursuant to this subdivision. The amount of reduction of annual charges for each Urban Contractor shall be based on each Urban Contractor's proportionate share of total allocated capital costs as calculated below, for both project conservation and project transportation facilities, repaid by all Urban Contractors over the project repayment period.

(1) The conservation capital cost component of the reduction allocation shall be apportioned on the basis of maximum annual ~~entitlement~~Table A amount. Each Urban Contractor's proportionate share shall be the same as the percentage of that contractor's maximum annual ~~entitlement~~Table A amount to the total of all Urban Contractors' maximum annual ~~entitlements~~Table A.

(2) The transportation capital cost component of the reduction allocation shall be apportioned on the basis of transportation capital cost component repayment obligations, including interest over the project repayment period. Each Urban Contractor's proportionate share shall be the same as the percentage that the contractor's total transportation capital cost component repayment obligation is of the total of all Urban Contractors' transportation capital cost component repayment obligations.

(i) Recalculations shall be made annually through the year 1999. Beginning in the year 2000 recalculations shall be made every five years unless an Urban Contractor requests a recalculation for an interim year and does so by a request in writing delivered to the Department by January 1 of the year in which the recalculation is to take place.

(ii) The transportation capital cost component repayment obligations, for purposes of this Article 51(f), shall be based in the year of recalculation on the then most recent Department of Water Resources Bulletin 132, Table B-15, "Capital Cost Component of Transportation Charge for Each Contractor," or its equivalent, excluding any costs or ~~entitlement~~[Table A amount](#) associated with transfers of ~~entitlement~~[Table A amounts](#) from Agricultural Contractors pursuant to Article 53.

(3) To reflect the relative proportion of the conservation capital cost component and the transportation capital cost component to the total of all capital cost repayment obligations, the two cost components shall be weighted as follows:

(i) The conservation capital cost component shall be weighted with a thirty percent (30%) factor. The weighting shall be accomplished by multiplying each Urban Contractor's percentage of maximum annual ~~entitlements~~[Table A Amounts](#) as calculated in subdivision (f)(1) of this article by thirty percent (30%).

(ii) The transportation capital cost component shall be weighted with a seventy percent (70%) factor. The weighting shall be accomplished by multiplying each Urban Contractor's percentage of transportation capital cost component repayment obligations as calculated in subdivision (f)(2) of this article by seventy percent (70%).

(iii) A total, weighted capital cost percentage shall be calculated for each Urban Contractor by adding the weighted conservation capital cost component percentage to their weighted transportation capital cost component percentage.

(4) The total amount of the annual charges to be reduced to Urban Contractors in each year shall be allocated among them by multiplying the total amount of annual charges to be reduced to the Urban Contractors by the total, weighted capital cost percentages for each such contractor. If the amount of the reduction to an Urban Contractor is in excess of that contractor's payment obligation to the Department for that year, such excess shall be reallocated among the other Urban Contractors.

(5) In the case of a permanent transfer of urban ~~entitlement~~Table A amounts, the proportionate share of annual charge reductions associated with that ~~entitlement~~Table A amount shall be transferred with the ~~entitlement~~Table A amount to the buying contractor. In the case of an ~~entitlement~~ Table A amount transfer by either Santa Barbara County Flood Control and Water Conservation District or San Luis Obispo County Flood Control and Water Conservation District, the reductions in annual charges to that agency shall be allocated (a) on the basis of that ~~entitlement~~Table A amount being retained by that agency which bears Coastal Branch Phase II transportation costs, (b) on the basis of that ~~entitlement~~Table A amount being retained by that agency which does not bear Coastal Branch Phase II transportation costs, and (c) on the basis of the balance of that agency's ~~entitlement~~ Table A amount which also does not bear Coastal Branch Phase II transportation costs.

(g) Apportionment of Reductions Among Agricultural Contractors₂

(1) Reductions in annual charges apportioned to Agricultural Contractors under ~~subdivisions~~subdivision (d) ~~and (e)~~ of this article shall be allocated among the Agricultural Contractors pursuant to this subdivision. The amount of reduction of annual charges for each Agricultural Contractor for the years 1997 through 2001 shall be based on each Agricultural Contractor's estimated proportionate share of the total project costs, excluding the variable operation, maintenance, power and replacement components of the Delta Water Charge and the Transportation Charge and also excluding off-aqueduct power charges, to be paid by all Agricultural Contractors for the years 1997 through 2035, calculated without taking into account this article. For purposes of these calculations, Kern County Water Agency's and Dudley Ridge Water District's estimated project costs shall not include any costs associated with the 45,000 acre-feet of ~~annual entitlement~~Annual Table A Amounts being permanently relinquished by those contractors pursuant to subdivision (i) of Article 53. Also, for purposes of these calculations, an Agricultural Contractor's estimated project costs shall not be reduced by the transfer of any of the 130,000 acre-feet of ~~annual entitlements~~Annual Table A Amounts provided for in subdivisions (a) through (i) of Article 53. The proportionate shares for 1997 through 2001 shall be calculated as follows:

(i) Each Agricultural Contractor's statement of charges received on July 1, 1994, shall be the initial basis for calculating the proportionate shares for the five years 1997 through 2001.

(ii) Each Agricultural Contractor's estimated capital and minimum components of the Delta Water Charge and the Transportation Charge (excluding off-aqueduct power charges) and Water Revenue Bond Surcharge shall be totaled for the years 1997 through 2035.

(iii) Kern County Water Agency and Dudley Ridge Water District totaled costs shall be reduced for the 45,000 acre-feet of annual ~~entitlement~~ Table A amount being permanently relinquished by them.

(iv) Any reductions in an Agricultural Contractor's totaled costs resulting from the transfer of any of the 130,000 acre-feet of annual ~~entitlement~~ Table A amount shall be re-added to that contractor's costs.

(v) Each Agricultural Contractor's proportionate share shall be computed by dividing that contractor's total costs by the total costs for all Agricultural Contractors determined pursuant to subparagraphs (ii), (iii) and (iv) above.

(2) The reductions in annual charges, for 1997 through 2001, shall be calculated using the method described in subdivision (g)(1) of this article.

(3) The allocation shall be recalculated using the same method described in subdivision (g)(1) of this article every five years beginning in 2002, if any Agricultural Contractor requests such a recalculation. Any recalculation shall be based on project cost data beginning with the year that the recalculation is to become effective through 2035.

(h) Agricultural Rate Management Trust Fund₂

(1) Establishment. Through a trust agreement executed contemporaneously with this amendment, the State and the Agricultural Contractors that sign the Monterey Amendments shall establish the Agricultural Rate Management Trust Fund with a mutually agreed independent trustee.

(2) Separate Accounts. The trustee shall maintain within the trust fund a separate account for each Agricultural Contractor that signs the trust agreement to hold deposits made pursuant to this article.

(3) Deposits. Each Agricultural Contractor that signs the trust agreement shall deposit into such contractor's account within the trust fund, at the

same time as payments would otherwise be required by this contract to be made to the State, an amount equal to the amount by which such contractor's charges under this contract have been reduced by reason of this article, until the balance in such contractor's account within the trust fund is the same percentage of \$150,000,000 as such contractor's percentage share of reductions made available to all Agricultural Contractors as specified in subdivision (g) of this article. In 2002 and every fifth year thereafter, the Agricultural Contractors will review the maximum accumulation in the trust fund (the "Cap") and determine whether the cap should be adjusted. However, the Cap shall not be reduced below an aggregate of \$150,000,000 for all Agricultural Contractor accounts.

(4) Trust Fund Disbursements.

(i) In any year in which the State's allocation of water to an Agricultural Contractor by April 15th of that year is less than one-hundred percent (100%) of the contractor's requested annual ~~entitlement~~ [Table A amount](#) for that year, the trustee shall, to the extent there are funds in that contractor's account, distribute to the State from such account for the benefit of that contractor an amount equal to the percentage of the total of that contractor's statement of charges for that year, as redetermined by the State on or about May 15th of that year, for (a) the Delta Water Charge; (b) the capital cost and minimum operation, maintenance, power and replacement components of the Transportation Charge (including off-aqueduct power charges); and (c) the water system revenue bond surcharge, that is equal to the percentage of that contractor's annual ~~entitlement~~ [Table A amount](#) for that year that was not allocated to it by the State by April 15th of that year.

(ii) In addition to the provisions of subdivision (h)(4)(i) of this article, if on April 15 of any year any of the irrigable land within the Tulare Lake Basin Water Storage District (Tulare) is flooded, and Tulare in writing requests the trustee to do so, the trustee shall, to the extent there are funds in Tulare's account, distribute to the State from such account for the benefit of Tulare an amount equal to the percentage of the total of Tulare's statement of charges for that year, as redetermined by the State on or about May 15th of that year, for (a) the Delta Water Charge; (b) the capital cost and minimum components of the Transportation Charge (including off-aqueduct power charges); and (c) the water system revenue bond surcharge, that is equal to the percentage of the irrigable land within Tulare that is flooded on April 15.

(iii) Each Agricultural Contractor shall remain obligated to make payments to the State as required by other articles in this contract. Any amount to be disbursed pursuant to subdivisions (h)(4)(i) and (h)(4)(ii) shall be paid by the trustee to the State on July 1 of the year involved and shall be credited by the State toward any amounts owed by such respective

Agricultural Contractor to the State as of that date. However, an Agricultural Contractor may direct the trustee to make the disbursement to that Agricultural Contractor which shall in turn make the payment to the State as required by other provisions of this contract. If the amount to be disbursed exceeds the amount owed to the State by such contractor as of July 1, the excess shall be disbursed by the Trustee to the State at the time of and in payment of future obligations owed to the State by such contractor. Alternatively, upon the request of such contractor, all or part of the excess shall be paid by the trustee to that contractor in reimbursement of prior payments by the contractor to the State for that year.

(5) Payment of Supplemental Bills. In any year in which a supplemental bill has been submitted to an Agricultural Contractor pursuant to subdivision (c)(4) of this article, such supplemental bill shall be treated as reducing by an equal amount the obligation of such contractor for that year to make payments into the Agricultural Rate Management Trust Fund. To the extent that such contractor has already made payments to the trust fund in an amount in excess of such contractor's reduced trust fund payment obligation, such contractor may request the trustee to use the excess from the trust fund to pay the supplemental bill.

(6) Discharge of Payment Obligation. Each payment to the State by the trust fund shall discharge and satisfy the Agricultural Contractor's obligation to pay the amount of such payment to the State. No reimbursement of the trust fund by the Agricultural Contractor for such payments shall be required. However, each Agricultural Contractor shall continue to make deposits to the trust fund matching the amount of each year's reductions as provided in subdivision (d) of this article so long as the amount in that contractor's account is less than its share of the Cap.

(7) Distribution of Funds in Excess of the Cap. Whenever accumulated funds (including interest) in an Agricultural Contractor's account in the trust fund exceed that contractor's share of the Cap, or the estimated remaining payments the contractor is required to make to the State prior to the end of the project repayment period, that contractor may direct the trustee to pay such excess to the contractor.

(8) Termination of Trust Fund. At the end of the project repayment period, the Agricultural Rate Management Trust Fund shall be terminated and any balances remaining in the accounts for each of the Agricultural Contractors shall be disbursed to the respective Agricultural Contractors.

(i) Definitions. For the purposes of this article, the following definitions will apply:

(1) "Agricultural Contractor" shall mean the following agencies as they now exist or in any reorganized form:

- (i) County of Kings,
- (ii) Dudley Ridge Water District,
- (iii) Empire West Side Irrigation District,
- (iv) Kern County Water Agency for ~~993,300~~848,130 acre-feet of its ~~entitlement~~Table A amount,
- (v) Oak Flat Water District,
- (vi) Tulare Lake Basin Water Storage District.

(2) “Urban Contractor” shall mean every other agency having a long term water supply contract with the State as they exist as of the date of this amendment or in any reorganized form as well as Kern County Water Agency for ~~119,600~~134,600 acre-feet of its ~~entitlement~~Table A amount.

(j) Except as provided in subdivisions (c)(4) and (c)(5), this article shall not be interpreted to result in any greater State authority to charge the contractors than exists under provisions of this contract other than this article.

52. Kern Water Bank

(a) The State shall convey to the Kern County Water Agency (KCWA) in accordance with the terms set forth in the agreement between the State of California Department of Water Resources and Kern County Water Agency entitled “Agreement for the Exchange of the Kern Fan Element of the Kern Water Bank” (the Kern Water Bank Contract), the real and personal property described therein.

(b) Subject to the approval of KCWA, other contractors may be provided access to and use of the property conveyed to KCWA by the Kern Water Bank Contract for water storage and recovery. Fifty percent (50%) of any project water remaining in storage on December 31, 1995, from the 1990 Berrenda Mesa Demonstration Program and the La Hacienda Water Purchase Program shall be transferred to KCWA pursuant to the Kern Water Bank Contract. The remaining fifty percent (50%) of any such water (approximately 42,828.5 acre-feet) shall remain as project water and the State’s recovery of such project water shall be pursuant to the provisions of a separate recovery contract. Any other Kern Water Bank demonstration program water shall remain as project water and the State’s recovery of such water shall be pursuant to the provisions of the respective contracts for implementation of such demonstration programs.

53. Permanent Transfers and Reductions of Entitlement.

(a) Article 41 provides that no assignment or transfer of a contract or any part thereof, rights thereunder or interest therein by a contractor shall be valid unless and until it is approved by the State and made subject to such reasonable terms and conditions as the State may impose. In accordance with State policy to assist water transfers, the State and the County of Kings, Dudley Ridge Water District (DRWD), Empire West Side Irrigation District, Kern County Water Agency (KCWA), Oak Flat Water District and Tulare Lake Basin Water Storage District (for the purposes of this article the “Agricultural Contractors”) shall, subject to the conditions set forth in this article, expeditiously execute any necessary documents and approve all contracts between willing buyers and willing sellers until permanent transfers totaling 130,000 acre-feet of annual entitlements of the Agricultural Contractors and, to the extent provided in such contracts, rights in project transportation facilities related to such annual entitlement have been made to other contractors (the “Urban Contractors”) or noncontractors in accordance with the provisions of this article. Such approval requirement shall apply to all contracts executed prior to January 1, 2011. KCWA shall be responsible for approval of such transfers for any portion of the 130,000 acre-feet not previously made available under this article by the other Agricultural Contractors. A contract between a willing buyer and a willing seller shall mean a contract between (1) a buyer which is an Urban Contractor or, to the extent provided in subdivision (e) of this article, a noncontractor and (2) a seller which is an Agricultural Contractor or a public entity which obtains project water from an Agricultural Contractor.

(b) The State shall not be obligated to approve any transfer of annual entitlements if in its judgment the transfer would impair the security of the State’s bondholders and the

State may impose conditions on any transfer as necessary to make the delivery of the water operationally feasible and to assure that the transportation costs associated with the transferred entitlement are fully repaid. Transfers not approved by the State shall not be considered as part of the 130,000 acre-feet of annual entitlements provided for in this article.

(c) KCWA member units shall have 90 days to exercise a right of first refusal to purchase any annual entitlements being offered for sale to Urban Contractors by another KCWA member unit pursuant to this article, other than those annual entitlements made available to Urban Contractors by subdivision (d) of this article, by agreeing to pay the same price offered by the buyer. Any such sales to KCWA member units exercising such right of first refusal shall not be considered a part of the 130,000 acre-feet of annual entitlements provided for in this article.

(d) Any permanent transfers of annual entitlements by Agricultural Contractors to noncontractors, including transfers to KCWA urban member units or to KCWA's Improvement District Number 4, other than transfers pursuant to subdivision (c) of this article, will be considered a part of the 130,000 acre-feet of annual entitlements provided for in this article if the Urban Contractors have been given a right of first refusal to purchase such annual entitlements as well as transportation rights in accordance with the following terms and procedure:

(1) The Agricultural Contractor shall provide the State a copy of a bona fide contract or Proposed Contract (the "Proposed Contract") and the State shall, within five working days of receipt, provide copies of such Proposed Contract to all Urban Contractors together with a Notice of Proposed Contract stating the date on or before which a Notice of Intent to Exercise a Right of First Refusal (NOI) must be delivered to both the State and the seller, which date shall be 90 days from the date the State mails the Notice of Proposed Contract.

(2) The Proposed Contract shall provide for the transfer of rights in project transportation facilities sufficient to deliver to the seller's service area in any one month eleven percent (11%) of the annual entitlement being transferred or such greater amount as the seller determines to sell; *Provided*, however, that sellers shall not be obligated to sell any transportation rights in the Coastal Aqueduct.

(3) To exercise the right of first refusal, an Urban Contractor shall deliver to the State and the seller its NOI within the time period stated in the Notice of Proposed Contract and shall proceed in good faith to try to complete the transfer to the Urban Contractor. If two or more Urban Contractors deliver NOIs to the State, the amount of annual entitlement and transportation rights being sold shall be allocated among those Urban Contractors that are prepared to perform the purchase by the Performance Date provided for herein in proportion to their maximum annual entitlements, or in another manner acceptable to the Urban Contractors delivering the NOIs. An offer by an Urban Contractor in its NOI to purchase less than the entire annual entitlement and transportation right being transferred shall not be deemed to be an effective exercise of the right of first refusal unless other Urban

Contractors submit NOIs to purchase the remainder of the annual entitlement and transportation right or the noncontractor buyer agrees to purchase the remainder at the same unit price and on the same terms and conditions provided for in the Proposed Contract. The Performance Date shall be the date upon which the Urban Contractor is prepared to perform the purchase, which date shall be the later of: (1) 180 days after the delivery of the NOI or (2) the date set forth in the Proposed Contract for the noncontractor buyer to perform the purchase.

The Performance Date shall be extended at the request of the Urban Contractor if a temporary restraining order or preliminary injunction is in effect as a result of a lawsuit challenging the execution of the contract on the basis of noncompliance with the California Environmental Quality Act. Such extensions shall continue until five days after the temporary restraining order or injunction expires or until the Urban Contractor requests it be discontinued, whichever occurs first. The Urban Contractor shall be liable for any damages suffered by the seller as a result of such extensions of the Performance Date.

(4) If the seller and the noncontractor buyer under the Proposed Contract make any substantive changes in the Proposed Contract, such changes shall constitute a new Proposed Contract that cannot be performed without compliance with all of the procedures set forth in this article.

(5) If an Urban Contractor issuing a NOI fails to complete its exercise of the Right of First Refusal by the Performance Date, the seller shall be free to sell its entitlement in substantial conformance with the terms and conditions set forth in the Proposed Contract. An Urban Contractor issuing a NOI may assign its rights to exercise a right of first refusal to another Urban Contractor and the assignee shall have the same rights as the assignor to complete the purchase by the Performance Date.

(6) In exercising the Right of First Refusal, an Urban Contractor, at its option, may either agree to perform the Proposed Contract in its entirety, including all of its terms and conditions, or agree to pay the price offered under the Proposed Contract for the annual entitlement and transportation rights without condition and without being entitled to enforce or being subject to any other provisions of the Proposed Contract.

(e) As used in this article, “price” shall mean the dollar amount of consideration provided for in the Proposed Contract.

(f) Upon the effective date of any such transfer, the seller shall be relieved of and the buyer shall become liable to the State for all prospective Delta Water Charges, the related Transportation Charges and any other charges for the annual entitlements and associated transportation rights transferred unless the seller and buyer provide otherwise in the contract for the transfer and the State approves such other provisions. However, the contractor making the sale shall remain obligated to the State to make the payments if the buyer

defaults on its payments to the State related to the water transferred and is not a party to a long term water supply contract of the type contained in Department of Water Resources Bulletin Number 141. If the contractor making the sale is required to make any payments to the State as a result of the buyer's default, the entitlement transferred to the defaulting buyer shall, if provided for in the Proposed Contract, revert back to the contractor making the sale. The buyer may also be liable for any charges imposed pursuant to subdivision (g) of this article.

(g) A contractor which is a buyer of annual entitlement pursuant to this article may receive deliveries using any portion of the capacity previously provided by the State in each reach of the project transportation facilities for such contractor that is necessary for transporting the entitlement purchased by it on the same basis as any other entitlement provided for in its Table A in effect prior to the date of the Monterey Amendment. Such contractor may also use any transportation rights transferred to it by a seller in the same manner as the seller was entitled to use them and any unused capacity in any of the reaches specified in this paragraph so long as project operations and/or priority of service of water to other contractors participating in repayment of capital costs in such reaches is not adversely affected. The State shall not be responsible for any resulting adverse impacts upon its ability to provide such contractor peaking capacity. The capital cost and minimum, operation, maintenance, power and replacement components of the Transportation Charge allocated to a buying contractor needing transportation capacity in excess of the capacity factors on which its charges are based in any reach shall be determined prospectively based upon the increase in the buying contractor's annual entitlement resulting from the purchase, and service of water to fulfill annual entitlement to other contractors shall not be impaired. The capital cost and minimum operation, maintenance, power and replacement components of the Transportation Charges shall then be reallocated among the other entities participating in repayment of costs of that reach. For the purposes of this determination, all payments received by the State from the seller relating to the annual entitlement sold shall be deemed to have been received from the buying contractor. Any increased Transportation minimum operation, maintenance, power and replacement component charges allocated to the buying contractor pursuant to this subdivision (g) shall begin January 1 of the year following the effective date of the transfer.

(h) Individual contractors may transfer entitlements among themselves in amounts in addition to those otherwise provided for in this article. The State shall expeditiously execute any necessary documents and approve all contracts involving permanent sales of entitlements among contractor s, including permanent sales among Urban Contractors. Such sales shall be subject to the provisions of subdivisions (b), (f) and (g) of this article; Provided, however, that for a buying contractor needing transportation capacity in excess of the capacity factors on which its charges are based in any reach, reallocation of the Transportation capital cost component charges for transfers other than (i) the 130,000 acre-feet provided for in this article and (ii) the approximate 33,000 acre-feet of transfers proposed from contractors located in Santa Barbara or San Luis Obispo counties, shall be determined both prospectively and retroactively.

(i) On January 1 following the year in which such Monterey Amendments take effect and continuing every year thereafter until the end of the project repayment period: (i) Kern County Water Agency's (KCWA) annual entitlement for agricultural use as currently designated in Table A-1 of its contract shall be decreased by 40,670 acre-feet; (ii) Dudley Ridge Water District's (DRWD) annual entitlement as currently designated in Table A of its contract shall be decreased by 4,330 acre-feet; and (iii) the State's prospective charges (including any adjustments for past costs) for the 45,000 acre-feet of annual entitlements to be relinquished by KCWA and DRWD thereafter shall be deemed to be costs of project conservation facilities and included in the Delta Water Charge for all contractors in accordance with the provisions of Article 22. If by November 20, 1995 and each October 1 thereafter until the Monterey Amendments of both KCWA and DRWD take effect, KCWA and DRWD at their option notify the State in writing that they will relinquish up to their shares of 45,000 acre-feet of annual entitlements for the following calendar year beginning before the Monterey Amendments take effect, the State, when and if the Monterey Amendments take effect, shall adjust the charges retroactively for the acre-feet relinquished by KCWA and DRWD to January 1 of each year for which water was relinquished. The delivery points for the 45,000 acre-feet of annual entitlement to be relinquished shall be identified for the State by KCWA and DRWD to enable the State to calculate the transportation costs for the 45,000 acre-feet to be included in the Delta Water Charge.

54. Usage of Lakes Castaic and Perris

(a) The State shall permit the contractors participating in repayment of the capital costs of Castaic Lake (Reach 30) and Lake Perris (Reach 28J) to withdraw water from their respective service connections in amounts in excess of deliveries approved pursuant to other provisions of the state water contracts. Each such contractor shall be permitted to withdraw up to a Maximum Allocation from the reach in which it is participating. The contractors participating in repayment of Castaic Lake may withdraw a collective Maximum Allocation up to 160,000 acre-feet pursuant to this article, which shall be apportioned among them pursuant to the respective proportionate use factors from the Department of Water Resources' Bulletin 132-94, Table B-1 upon which capital cost repayment obligations are based, as follows:

Castaic Lake

Participating Contractor	Proportionate Use Factor	Maximum Allocation (Acre Feet)
The Metropolitan Water District of Southern California	0.96212388	153,940
Ventura County Flood Control and Water Conservation District	0.00860328	1,376
Castaic Lake Water Agency	0.02927284	4,684

Total	1.00000000	160,000
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The Metropolitan Water District of Southern California, as the only contractor participating in repayment of Lake Perris, shall be allocated a Maximum Allocation at Lake Perris of 65,000 acre-feet based upon a proportionate use factor of 1.00000000.

The Maximum Allocation totals of 160,000 acre-feet and 65,000 acre-feet shall not be subject to adjustment. The individual contractor's Maximum Allocations shall be adjusted only as agreed to among the contractors desiring to adjust their Maximum Allocations. Adjustments between the contractors shall be subject to approval of the State which approval shall be given unless there are adverse impacts upon another contractor participating in the reach which are unacceptable to such contractor. The participating contractors will, in consultation with the State, cooperate with each other in an effort to promote efficient utilization of Castaic Lake, and to minimize any adverse impacts to each other, through coordination of deliveries pursuant to other provisions of the State Water Contract as well as withdrawals of allocations pursuant to this article.

(b) The State shall operate Castaic and Perris Reservoirs as transportation facilities in a manner consistent with this article. A contractor desiring to withdraw a portion or all of its Maximum Allocation shall furnish the State with a proposed delivery schedule. The proposed schedule may be submitted as part of the preliminary water delivery schedule submitted pursuant to Article 12(a)(1). Upon receipt of a schedule the State shall promptly review it to ensure that the amounts, times and rates of delivery will be consistent with the State's ability to operate the reach. The contractor may modify its proposed delivery schedule at any time, and the modified schedule shall be subject to review in the same manner. If necessary, the State may modify the schedule after consultation with the contractor and other contractors participating in repayment of that reach but may not change the total quantity of water to be withdrawn. As part of the consultation, the State shall advise a contractor if it determines a withdrawal will adversely impact the rate of delivery provided for the contractor in this contract. The State shall not be responsible for any such impacts.

(c) A contractor may withdraw all or a portion of its Maximum Allocation. It shall restore any withdrawn portion of such allocation by furnishing an equivalent amount of replacement water to the reservoir from which the water was withdrawn within five years from the year in which the withdrawal takes place. The unused portion of the allocation, in addition to any replacement water furnished to the reservoir, shall remain available for subsequent withdrawal. The State shall keep an accounting of the contractor's storage withdrawals and replacements. In any year, the State shall permit a contractor to withdraw an amount equivalent to the contractor's Maximum Allocation minus remaining replacement water requirements due to previous withdrawals. If the contractor fails to schedule and replace the withdrawn water within the five-year return period, the State shall provide the replacement water from water scheduled for delivery to the contractor in the sixth year or as soon as possible thereafter. The total amount of scheduled annual entitlement which a contractor can use in any one year for restoring its

Maximum Allocation and storing water in surface storage facilities outside of its service area pursuant to Article 56 shall be the sum of the maximum amount the contractor can add to storage that year pursuant to Article 56 and the amount of acre-feet shown in column 2 of the following table, depending on the State's final water supply allocation percentage as shown in column 1.

1. Final Water Supply Allocation Percentage	2. Maximum Acre-Feet of Scheduled Entitlement for Restoring Maximum Allocation*
50% or less	100,000
51%	98,000
52%	96,000
53%	94,000
54%	92,000
55%	90,000
56%	88,000
57%	86,000
58%	84,000
59%	82,000
60%	80,000
61%	78,000
62%	76,000
63%	74,000
64%	72,000
65%	70,000
66%	68,000
67%	66,000
68%	64,000
69%	62,000
70%	60,000
71%	58,000
72%	56,000
73%	54,000
74%	52,000
75 to 99%	50,000
100%	no limit

* Excludes the maximum amount that can be added to storage in a year pursuant to Article 56, which may be used in addition to the amounts in this table to restore Maximum Allocation.

A contractor may use any of this total amount for replacement water but cannot use any more than that provided for in Article 56 to add to storage in project surface conservation facilities and in nonproject surface storage facilities. There shall be no limit under this article on the amount of scheduled annual entitlement a contractor can use to restore its Maximum Allocation in a year when its percentage of annual water supply allocation is one-hundred percent (100%), nor shall there be any limit under this article on the amount of interruptible water, nonproject water or water obtained through an exchange which a contractor can use to restore its Maximum Allocation.

(d) For any replacement water furnished to reservoir storage pursuant to this article, the responsible contractor shall pay the State charges for the conservation, if any, and transportation of such replacement water as are associated with the type of replacement water that is furnished, as if such water were delivered to the turnout at the reservoir to which the replacement water is furnished. Adjustments from estimated to actual costs shall be subject to provisions applicable to the type of replacement water. The State shall not charge contractors for water withdrawn pursuant to this article.

(e) The State shall operate capacity in Castaic and Perris Reservoirs, not required for purposes of Maximum Allocation deliveries, in compliance with the requirement of Article 17(b) of The Metropolitan Water District of Southern California's water supply contract with the State to maintain an amount of water reasonably sufficient to meet emergency requirements of the contractors participating in repayment of that reach. A contractor receiving water pursuant to this article accepts that the State shall not be liable for any damage, direct or indirect, arising from shortages in the amount of water to be made available from that reservoir to meet the contractor's actual emergency requirements as a result of prior storage withdrawals by that contractor pursuant to this article. Nothing in this article shall permit or require the State to adjust allocations or deliveries under Article 18.

(f) To the extent a contractor, during a calendar year, uses all or a portion of its Maximum Allocation, the State may, to the extent necessary to service project purposes, reduce that contractor's requested peaking service. Such reduction in peaking service shall only occur to the extent such usage of Maximum Allocation causes the State to be unable to provide all peaking service requested. This paragraph shall not apply to the extent the contractor requested usage of Maximum Allocation as part of the preliminary water delivery schedule submitted pursuant to Article 12(a)(1).

(g) The State may reduce water stored in Castaic Lake and Lake Perris to the extent necessary for maintenance and to respond to emergencies resulting from failure of project transportation facilities or of other supply importation facilities serving the State project service area. The State shall promptly replace water within the Maximum Allocation as soon as the need for the reduction terminates.

55. Transportation of Nonproject Water

(a) Subject to the delivery priorities in Article 12(f), contractors shall have the right to receive services from any of the project transportation facilities to transport water procured by them from nonproject sources for delivery to their service areas and to interim storage outside their service areas for later transport and delivery to their service areas: Provided, that except to the extent such limitation in Section 12931 of the Water Code be changed, a contractor shall not use the project transportation facilities under this option to transport water the right to which was secured by the contractor through eminent domain unless such use be approved by the Legislature by concurrent resolution with the majority of the members elected to each house voting in favor thereof.

(b) For any nonproject water delivered pursuant to this article, contractors shall pay the State the same (including adjustments) for power resources (including on-aqueduct, off-aqueduct, and any other power) incurred in the conservation and transportation of such water as if such nonproject water were entitlement water, as well as all incremental operation, maintenance, and replacement costs, and any other incremental costs, which may include an administrative or contract preparation charge, all as determined by the State. Incremental costs shall mean those nonpower costs which would not be incurred if nonproject water were not scheduled for or delivered to contractors. Only those contractors not participating in the repayment of a reach shall be required to pay a use of facilities charge for the delivery of nonproject water from or through that reach. Costs for transporting water placed into interim storage shall be paid in the same manner provided for in subdivision (c)(6) of Article 56.

(c) The amounts, times and rates of delivery of nonproject water shall be provided for pursuant to a water delivery schedule to be issued in the same manner as provided for in Article 12. The costs specified in this article shall be paid for at the same time the corresponding project water costs are paid.

56. Use, Storage and Sale of Project Water Outside of Service Area and Storage of Water in Project Surface Conservation Facilities

(a) State Consent to Use of Project Water Outside of Service Area

Notwithstanding the provisions of Article 15(a), the State hereby consents to the District storing project water outside its service area for later use within its service area in accordance with the provisions of subdivision (c) of this article and to the District selling project water for use outside its service area in accordance with the provisions of subdivision (d) of this article.

(b) Groundwater Storage Programs

The District shall cooperate with other contractors in the development and establishment of groundwater storage programs.

(c) Storage of Project Water Outside of Service Area

(1) A contractor may elect to store project water outside its service area for later use within its service area, up to the limits and in accordance with the provisions provided for in this subdivision (c) and any applicable water right laws, by setting forth on the preliminary water delivery schedule submitted to the State on or before October 1 of each year pursuant to Article 12(a) the quantity of project water it wishes to store in the next succeeding year. There shall be no limit on the amount of project water a contractor can store outside its service area during any year in a then existing and operational groundwater storage program. The amount of project water a contractor can add to storage in project surface conservation facilities and in nonproject surface storage facilities located outside the contractor's service area each year shall be limited to the lesser of the percent of the contractor's Table A annual entitlement shown in column 2 or the acre-feet shown in column 3 of the following table, depending on the State's final

water supply allocation percentage as shown in column 1. However, there shall be no limit to storage in nonproject facilities in a year in which the State’s final water supply allocation percentage is one hundred percent. These limits shall not apply to water stored pursuant to Article 12(e).

1. Final Water Supply Allocation Percentage	2. Maximum Percent of District’s Annual Entitlement That Can be Stored	3. Maximum Acre-Feet That Can be Stored
50% or less	25%	100,000
51%	26%	104,000
52%	27%	108,000
53%	28%	112,000
54%	29%	116,000
55%	30%	120,000
56%	31%	124,000
57%	32%	128,000
58%	33%	132,000
59%	34%	136,000
60%	35%	140,000
61%	36%	144,000
62%	37%	148,000
63%	38%	152,000
64%	39%	156,000
65%	40%	160,000
66%	41%	164,000
67%	42%	168,000
68%	43%	172,000
69%	44%	176,000
70%	45%	180,000
71%	46%	184,000
72%	47%	188,000
73%	48%	192,000
74%	49%	196,000
75% or more	50%	200,000

(2) Storage capacity in project surface conservation facilities at any time in excess of that needed for project operations shall be made available to requesting contractors for storage of project and nonproject water. If such storage requests exceed the available storage capacity, the available capacity shall be allocated among contractors requesting storage in proportion to their annual entitlements designated in their Table A’s for that year. A contractor may store water in excess of its allocated share of capacity as long as capacity is available for such storage.

(3) If the State determines that a reallocation of excess storage capacity is needed as a result of project operations or because of the exercise of a

contractor's storage right, the available capacity shall be reallocated among contractors requesting storage in proportion to their annual entitlements designated in their Table A's for that year. If such reallocation results in the need to displace water from the storage balance for any contractor or noncontractor, the water to be displaced shall be displaced in the following order of priority:

First, water, if any, stored for noncontractors.

Second, water stored for a contractor that previously was in excess of that contractor's allocation of storage capacity.

Third, water stored for a contractor that previously was within that contractor's allocated storage capacity.

The State shall give as much notice as feasible of a potential displacement.

(4) Any contractor electing to store project water outside its service area pursuant to this subdivision may not sell project water under the provisions of subdivision (d) of this article during the year in which it elected to store project water. This limitation shall not apply to replacement water furnished to Castaic and Perris Reservoirs pursuant to Article 54, nor to the storage of water introduced into a groundwater basin outside a contractor's service area if recovery is intended to occur within that contractor's service area.

(5) The restrictions on storage of project water outside a contractor's service area provided for in this subdivision (c), shall not apply to storage in any project offstream storage facilities constructed south of the Delta after the date of this amendment.

(6) For any project water stored outside its service area pursuant to this subdivision (c), a contractor shall pay the State the same (including adjustments) for power resources (including on-aqueduct, off-aqueduct, and any other power) incurred in the transportation of such water as the contractor pays for the transportation of annual entitlement to the reach of the project transportation facility from which the water is delivered to storage. If annual entitlement is stored, the Delta Water Charge shall be charged only in the year of delivery to interim storage. For any stored water returned to a project transportation facility for final delivery to its service area, the contractor shall pay the State the same for power resources (including on-aqueduct, off-aqueduct, and any other power) incurred in the transportation of such water calculated from the point of return to the aqueduct to the turn-out in the contractor's service area. In addition, the contractor shall pay all incremental operation, maintenance, and replacement costs, and any other incremental costs, as determined by the State, which shall not include any administrative or contract preparation charge. Incremental costs shall mean those nonpower costs which would not be incurred if such water were scheduled for or delivered to the contractor's service area instead of to interim storage outside the service area. Only those contractors not participating in the repayment of a reach shall be required to pay a use of facilities

charge for use of a reach for the delivery of water to, or return of water from, interim storage.

(7) A contractor electing to store project water in a nonproject facility within the service area of another contractor shall execute a contract with that other contractor prior to storing such water which shall be in conformity with this article and will include at least provisions concerning the point of delivery and the time and method for transporting such water.

(d) Sale of Project Water For Use Outside Service Area

(1) If in any year a contractor has been allocated annual entitlement that it will not use within its service area, the contractor has not elected to store project water in accordance with the provisions of subdivision (c) of this article during that year, and the contractor has not elected to carry over entitlement water from the prior year pursuant to the provisions of Article 12(e), the contractor may sell such annual entitlement for use outside its service area in accordance with the following provisions.

(2) Each year the State shall establish an annual entitlement water pool (the Pool) for contractors wishing to sell or buy project water pursuant to the provisions of this subdivision. The Pool shall constitute the exclusive means of selling portions of annual entitlements not desired by contractors that year. Contractors willing to sell to or buy water from the Pool shall notify the State in writing of their desire to do so indicating the quantity to be sold or purchased. Contractors shall have the first priority to purchase all water placed in the Pool. The State may purchase any water remaining in the Pool not purchased by contractors at the same price available to contractors and use such water for the purpose of providing additional carryover storage for contractors: Provided, that the State shall consult with the contractors prior to making any such purchases.

(3) Each year, the price per acre-foot to be paid by the State to contractors selling water placed in the Pool on or before February 15 that is purchased by a contractor requesting such purchase by March 1 or by the State on March 1 shall be equal to fifty percent (50%) of the Delta water rate as of that date. The price per acre-foot to be paid to the State for the purchase of water from the Pool by a contractor placing a request for such purchase on or before March 1 shall be equal to fifty percent (50%) of the Delta water rate as of that date. Any water placed in the Pool on or before February 15 that is not purchased by contractors or the State by March 1 may be withdrawn from the Pool by the selling contractor.

(4) Each year the price per acre-foot to be paid by the State to contractors selling water remaining in the Pool or placed in the Pool after February 15, but on or before March 15 that is purchased by a contractor requesting such purchase by April 1 or by the State on April 1 shall be equal to twenty-five percent (25%) of the Delta water rate as of that date. The price per

acre-foot to be paid to the State for the purchase of water from the Pool by a contractor placing a request for such purchase between March 2 and April 1 shall be equal to twenty-five percent (25%) of the Delta water rate as of the later date. Any water placed in the Pool on or before March 15 that is not purchased by a contractor or the State by April 1 may be withdrawn from the Pool by the selling contractor.

(5) If there are more requests from contractors to purchase water from the Pool than the amount in the Pool, the water in the Pool shall be allocated among those contractors requesting such water in proportion to their annual entitlements for that year up to the amount of their requests. If requests to purchase water from the Pool total less than the amount of water in the Pool, the sale of Pool water shall be allocated among the contractors selling such water in proportion to their respective amounts of water in the Pool.

(6) Any water remaining in the Pool after April 1 that is not withdrawn by the selling contractor shall be offered by the State to contractors and noncontractors and sold to the highest bidder: Provided, that if the highest bidder is a noncontractor, all contractors shall be allowed fifteen days to exercise a right of first refusal to purchase such water at the price offered by the noncontractor. The price to be paid to the selling contractor shall be the amount paid by the buyer exclusive of the amount to be paid by the buyer to the State pursuant to subdivision (d)(7) of this article.

(7) For any water delivered from the Pool to contractors, the buyer shall pay the State the same for power resources (including on-aqueduct, off-aqueduct, and any other power) incurred in the transportation of such water as if such water were entitlement water, as well as all incremental operation, maintenance, and replacement costs, and any other incremental costs, as determined by the State, which shall not include any administrative or contract preparation charge. Incremental costs shall mean those nonpower costs which would not be incurred if such water were not scheduled for or delivered to the buyer. Only those buyers not participating in the repayment of a reach shall be required to pay any use of facilities charge for the delivery of such water from or through the reach. Adjustments from estimated to actual costs shall be computed by the State pursuant to these provisions and shall be paid by the buyer or credited to the buyer at the times and interest rates described in Article 28(c).

(e) Continuance of Article 12(e) Carry-over Provisions

The provisions of this article are in addition to the provisions of Article 12(e), and nothing in this article shall be construed to modify or amend the provisions of Article 12(e). Any contractor electing to sell project water during any year in accordance with the provisions of subdivision (d) of this article, shall not be precluded from using the provisions of Article 12(e) for carrying over water from the last three months of that year into the first three months of the succeeding year.

(f) Bona Fide Exchanges Permitted

Nothing in this article shall be deemed to prevent the District from entering into bona fide exchanges of project water for use outside the District's service area with other parties for project water or nonproject water if the State consents to the use of the project water outside the District's service area. Also, nothing in this article shall be deemed to prevent the District from continuing those exchange or sale arrangements entered into prior to September 1, 1995, which had previously received any required State approvals. A "bona fide exchange" shall mean an exchange of water involving a contractor and another party where the primary consideration for one party furnishing water to another is the return of a substantially similar amount of water, after giving due consideration to the timing or other nonfinancial conditions of the return. Reasonable payment for costs incurred in effectuating the exchange and reasonable deductions from water delivered, based on expected storage or transportation losses may be made. A "bona fide exchange" shall not include a transfer of water from one contractor to another party involving a significant payment unrelated to costs incurred in effectuating the exchange. The State, in consultation with the contractors, shall have authority to determine whether transfers of water constitute "bona fide exchanges" within the meaning of this paragraph and not disguised sales.

(g) Other Transfers

Nothing in this article shall be deemed to modify or amend the provisions of Article 15(a), or Article 41, except as expressly provided for in subdivisions (c) and (d) of this article.

57. <Intentionally Blank>

58. Determination of Dependable Annual Supply of Project Water to be Made Available by Existing Project Facilities

In order to provide current information regarding the delivery capability of existing project conservation facilities, commencing in 2003 and every two years thereafter the State shall prepare and mail a report to all contractors, and all California city, county, and regional planning departments and agencies within the contractors' project service areas. This report will set forth, under a range of hydrologic conditions, estimates of overall delivery capability of the existing project facilities and of supply availability to each contractor in accordance with other provisions of the contractors' contracts. The range of hydrologic conditions shall include the delivery capability in the driest year of record, the average over the historic extended dry cycle and the average over the long-term. The biennial report will also include, for each of the ten years immediately preceding the report, the total amount of project water delivered to all contractors and the amount of project water delivered to each contractor.

59. <Does not exist>

60. <Does not exist>

61. Financial Accounts and Activities.

(a) General Operating Account

(1) The State shall maintain a General Operating Account to provide the moneys needed for the following purposes:

(i) To pay or provide for the payment of System costs which are reimbursable by one or more contractors under their respective Water Supply Contracts in the event System revenues available for such payment are insufficient for such purpose; or

(ii) To pay or provide for the payment of System costs for any System purpose in the event of a System emergency as defined in Article 61(a)(1)(iii).

(iii) A System Emergency, as used in this Article 61(a)(1)(ii) shall mean an immediate, urgent, critical, unexpected, or impending situation that, in the judgment of the Director may cause or pose a risk of causing injury, loss of life, damage to the property, impairment of the financial condition, and/or interference with the normal activities of the System which requires immediate attention and remedial action.

(2) The maximum amount in the General Operating Account shall be set, adjusted and funded as follows:

(i) Upon the Contract Extension Amendment Effective Date, the maximum amount shall be \$150 million.

(ii) On or before the first September 1 occurring five (5) years after the Contract Extension Amendment Effective Date and every five (5) years thereafter, the State shall present a business case analysis of the maximum amount reasonably necessary or appropriate to be maintained in the General Operating Account, including an evaluation of the maximum amount and its relationship to the business risks associated with the System cash flow, to the SWRDS Finance Committee for recommendation to the Director regarding a General Operating Account maximum amount adjustment, provided that the maximum amount shall not be less than \$150 million.

(iii) To fund the General Operating Account to its maximum amount, the Director may, in his or her discretion, transfer to the General

Operating Account (1) amounts determined to be available pursuant to Article 51(e); (2) earnings from the investment of amounts in the General Operating Account; (3) amounts in the SWRDS Reinvestment Account; and (4) amounts in the SWRDS Support Account.

(iv) If the Director determines to decrease the maximum amount pursuant to Article 61(a)(2)(ii), or the maximum amount is otherwise exceeded, the excess amount in the General Operating Account shall be transferred to the SWRDS Reinvestment Account.

(v) The State shall replenish the amounts used from the General Operating Account (1) through charges to the contractors to the extent the contractors are obligated to reimburse the State for the costs paid with such amounts and (2) from the SWRDS Support Account or other available revenues (including the sources described in subparagraph (iii) of this Article 61(a)(2)) for costs not reimbursable by the contractors under their respective Water Supply Contracts.

(vi) General Operating Account investment earnings shall be used to fund the General Operating Account to its maximum amount or, in the Director's discretion, transferred to the SWRDS Support Account and/or the SWRDS Reinvestment Account.

(3) The State shall prepare monthly reports on the balance in and use of the General Operating Account for the Director, and shall provide those reports to the SWRDS Finance Committee. The SWRDS Finance Committee may periodically review reporting frequency and make recommendations to the Director regarding reporting frequency.

(b) SWRDS Reinvestment Account

(1) Commencing with the Contract Extension Amendment Effective Date, the State shall establish and maintain a SWRDS Reinvestment Account to provide a continuing source of investment revenue to provide amounts to be transferred to or deposited in the General Operating Account, the SWRDS Reinvestment Account, and the SWRDS Support Account.

(2) To fund the SWRDS Reinvestment Account, the Director may, in his or her discretion, transfer to the SWRDS Reinvestment Account (i) amounts determined to be available pursuant to Article 51(e), (ii) earnings from the investment of amounts in the SWRDS Reinvestment Account, (iii) payments by the contractors for capital costs funded from the SWRDS Reinvestment Account, (iv) amounts from the SWRDS Support Account, and (v) amounts from the General Operating Account.

(3) Amounts in the SWRDS Reinvestment Account may be used and/or invested as follows:

(i) To pay capital costs of project facilities to the extent those costs are reimbursable by one or more contractors under their respective Water Supply Contracts. Such capital costs shall be reimbursed to the State in accordance with item 5 of this subparagraph (b) below.

(ii) To pay capital costs of project facilities pending reimbursement of the State with the proceeds of revenue bonds issued by the State; and

(iii) To make temporary investments in accordance with the statutory limitations on such investments.

(4) The State shall prepare regular reports on the SWRDS Reinvestment Account for the Director and shall provide those reports to the SWRDS Finance Committee. The State shall consult with the SWRDS Finance Committee about the investments and activities to be funded from the SWRDS Reinvestment Account.

(5) *Amortization of Costs Financed with Amounts in the SWRDS Reinvestment Account.* Charges to amortize Project Facility Capital Costs paid with amounts from the SWRDS Reinvestment Account shall return to the State, in equal annual amounts over an amortization period determined by the State, the amount of each such cost together with an interest charge on the unamortized balance thereof.

(i) The length of such amortization periods may be from ten (10) to fifty (50) years, provided that if the capital asset has an Economic Useful Life of less than ten (10) years, the amortization period may be a comparable period of less than ten (10) years.

(ii) The interest charge shall be at a rate equal to the market interest rate at the time the cost is Incurred on municipal Revenue Bonds with the following characteristics:

(a) the same rating as the rating on Revenue Bonds issued by the State to finance Project Facilities, and

(b) the same term as the length of the amortization period, all as determined by the State.

(iii) For the purposes of this subdivision (b)(5), the State may aggregate the Capital Costs of each project facility Incurred during each calendar year and determine a composite interest rate and a composite amortization period applicable to the amortization of such costs.

(iv) The amortization charges relating to the costs Incurred during each calendar year shall commence the calendar year starting one year after the end of the calendar year in which such costs were Incurred, and the amount to be amortized shall include capitalized interest for the period from the date or dates the costs are Incurred to the date of commencement of amortization.

(c) **SWRDS Support Account**

(1) Commencing with the Contract Extension Amendment Effective Date, the State shall establish and maintain a SWRDS Support Account to provide a source of funds to pay System costs that are not chargeable to the contractors under their respective Water Supply Contracts and for the payment of which there are no other monies available.

(2) To fund the SWRDS Support Account, the Director may, in his or her discretion, transfer to the SWRDS Support Account (i) amounts determined to be available pursuant to Article 51(e); (ii) amounts in the SWRDS Reinvestment Account, (iii) investment earnings in the General Operating Account; (iv) earnings from the investment of amounts in the SWRDS Support Account; and (v) other available revenues. The State shall not charge the [District] to replenish the SWRDS Support Account for costs not otherwise chargeable to the [District] under this contract.

(3) If the State is reimbursed or other amounts are appropriated and received for a cost paid from the SWRDS Support Account, the State shall deposit the amount reimbursed or received in the SWRDS Support Account.

(4) The State shall prepare regular reports on the SWRDS Support Account for the Director and shall provide those reports to the SWRDS Finance Committee. The State shall consult with the SWRDS Finance Committee about the investments and activities to be funded from the SWRDS Support Account.

(d) **System Financial Activity Report and Reporting Principles**

(1) The State shall prepare and distribute quarterly a System Financial Activity Report that contains the following information:

(i) By fund or account, the activity in the following funds and accounts: the General Operating Account, the SWRDS Support Account, the SWRDS Reinvestment Account, the 51(e) Sub-Account of the Systems Revenue Account, the Davis-Dolwig Fund, and the State Water Facilities Capital Account, and the activity with respect to suspended costs.

(ii) The data in the System Financial Activity Report shall be auditable, which includes an audit trail from the costing ledger (currently the Utility Cost Accounting Billing System, as of the Contract Extension Amendment Effective Date) to the general ledger (currently SAP, as of the Contract Extension Amendment Effective Date) or the Bulletin 132 estimates to the System Financial Activity Report.

(2) Appendix B, entitled System Reporting Principles, contains principles and guidelines which shall be followed, to the extent applicable, in the preparation of System financial reports and financial management reports.

(e) State Water Resources Development System Finance Committee

(1) The State shall establish a joint State and contractors finance committee, which shall be referred to as the State Water Resources Development System Finance Committee or SWRDS Finance Committee. The membership of the SWRDS Finance Committee shall include both representatives from the State and the contractors.

(2) The primary purpose of the SWRDS Finance Committee shall be to make recommendations to the Director concerning the financial policies of the System. The State and the contractors shall describe the scope of the SWRDS Finance Committee in a charter mutually agreeable to the State and the contractors.

(f) Cost Recovery

In general, the State should seek reimbursement for all System costs from the appropriate customers and users of System facilities. With respect to those System costs that are reimbursable by the contractors, the State should allocate financial responsibility for such costs in a manner that is both lawful and equitable, and which endeavors to recover such costs from the appropriate contractors. If the State proposes to not charge any contractor the full amount that the State is entitled to charge the contractor under the contract, the State shall present a written proposal to the SWRDS Finance Committee for purposes of developing a recommendation to the Director regarding the proposal. The State shall submit such proposal in writing to the SWRDS Finance Committee 90 days

in advance of the Director issuing any decision and within such 90 day period the SWRDS Finance Committee shall provide the Director with a recommendation regarding such proposal. Such proposals shall comply with the structure set out in the SWRDS Finance Committee charter referenced in Article 61(e)(2).

EXHIBIT A

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA ANNUAL TABLE A AND CAPACITY VALUES FOR EACH REACH (a) FOR COST ALLOCATION AND REPAYMENT ONLY

The values related to this transfer are estimated to be as follows:

Repayment Reach	Before Table A Transfer				Table A Transferred to DWA (AF) [5]	Capacity Transferred to DWA (cfs) [6]	After Table A Transfer	
	Maximum Annual Table A (AF) [1]	Table A Capacity (cfs) [2]	East Branch Enlargement Capacity (cfs) [3]	Total Capacity [2] + [3] (cfs) [4]			Total Annual Table A [1] - [5] (AF) [7]	Total Capacity [4] - [6] (cfs) [8]
California Aqueduct								
Reach 1	1,923,400	2,741		2,741	11,900	16	1,911,500	2,725
Reach 2A	1,923,400	2,741		2,741	11,900	16	1,911,500	2,725
Reach 2B	1,923,400	2,741		2,741	11,900	16	1,911,500	2,725
Reach 3	1,923,400	2,741		2,741	11,900	16	1,911,500	2,725
Reach 4	1,923,400	2,741		2,741	11,900	16	1,911,500	2,725
Reach 5	1,923,400	2,741		2,741	11,900	16	1,911,500	2,725
Reach 6	1,923,400	2,741		2,741	11,900	16	1,911,500	2,725
Reach 7	1,923,400	2,741		2,741	11,900	16	1,911,500	2,725
Reach 8C	1,923,400	2,741		2,741	11,900	16	1,911,500	2,725
Reach 8D	1,923,400	2,741		2,741	11,900	16	1,911,500	2,725
Reach 9	1,923,400	2,741		2,741	11,900	16	1,911,500	2,725
Reach 10A	1,923,400	2,741		2,741	11,900	16	1,911,500	2,725
Reach 11B	1,923,400	2,741		2,741	11,900	16	1,911,500	2,725
Reach 12D	1,923,400	2,741		2,741	11,900	16	1,911,500	2,725
Reach 12E	1,923,400	2,741		2,741	11,900	16	1,911,500	2,725
Reach 13B	1,923,400	2,741		2,741	11,900	16	1,911,500	2,725
Reach 14A	1,923,400	2,741		2,741	11,900	16	1,911,500	2,725
Reach 14B	1,923,400	2,741		2,741	11,900	16	1,911,500	2,725
Reach 14C	1,923,400	2,741		2,741	11,900	16	1,911,500	2,725
Reach 15A	1,923,400	2,741		2,741	11,900	16	1,911,500	2,725
Reach 16A	1,923,400	2,741		2,741	11,900	16	1,911,500	2,725
Reach 17E	1,923,400	2,741		2,741	11,900	16	1,911,500	2,725
Reach 17F	1,923,400	2,741		2,741	11,900	16	1,911,500	2,725
East Branch Aqueduct								
Reach 18A	468,400	732	1,200	1,932	11,900	16	456,500	1,916
Reach 19	468,400	732	1,200	1,932	11,900	16	456,500	1,916
Reach 20A	468,400	732	1,200	1,932	11,900	16	456,500	1,916
Reach 20B	468,400	732	1,200	1,932	11,900	16	456,500	1,916
Reach 21	468,400	732	1,200	1,932	11,900	16	456,500	1,916
Reach 22A	468,400	732	1,200	1,932	11,900	16	456,500	1,916
Reach 22B	468,400	732	1,200	1,932	11,900	16	456,500	1,916
Reach 23 (b)	468,400	732	1,200	1,932	11,900	16	456,500	1,916
Reach 24	468,400	(c)	1,200	(c)	11,900	(c)	456,500	(c)
Reach 25	468,400	773	1,200	1,973	11,900	16	456,500	1,957
Reach 26A	468,400	773	1,200	1,973	11,900	16	456,500	1,957
Reach 28G	184,400	255		255	11,900	16	172,500	239
Reach 28H	184,400	255		255	11,900	16	172,500	239
Reach 28J	184,400	(c)		(c)	11,900	(c)	172,500	(c)

(a) Does not include capacity for outages and losses.

(b) East Branch Enlargement costs in Reach 23 are split into Reach 23B (excluding Mojave Siphon Power Plant) and Reach 23C (Mojave Siphon Power Plant).

(c) Aqueduct capacity is not applicable to Silverwood Lake (Reach 24) and Lake Perris (Reach 28J).

State Water Project Analysis Office
October 8, 2003 (revised 12/30/03)

EXHIBIT B

SYSTEM REPORTING PRINCIPLES

- A. During the term of the water supply contracts, it is likely that financial reports and financial management reports will change in scope, nature, and frequency. Regardless of the exact reports used, such reports shall follow the below principles and guidelines to the extent applicable.
1. Principle 1: Financial reporting will be generated from the general ledger or data warehouse of the financial information system (system of record), such as SAP. The financial system of record is the authoritative source for financial reporting data values in a system. To ensure data integrity, there must be one, and only one, system of record for financial reporting values.
 2. Principle 2: Financial reporting is not limited to annual financial statements but will be developed for regular reporting periods.
 3. Principle 3: Financial management reporting generated from other financial systems, such as Utility Cost Accounting Billing System (UCABS), will identify and analyze significant variances from prior years or budgets.
 4. Principle 4: Financial reporting and financial management reporting will identify unusual items and exceptions, and these items will be documented, reviewed, and resolved by management.
 5. Principle 5: DWR will use standardized System-wide business rules and utilize a centralized financial system, such as SAP, UCABS, or other system, to provide controls/validations to ensure data integrity and reliable reporting.
 6. Principle 6: DWR will use standardized data integrity rules in the development and publication of reports, including but not limited to the following:
 - (1) Data integrity refers to the accuracy and consistency of data stored in a database, data warehouse, data mart or other construct.
 - (2) Data integrity processes verify that data has remained unaltered in transit from creation to reception or remains unaltered in transit from one system to the next. Data used outside of the Enterprise Resource Planning (ERP) systems to meet the reporting needs of Program will undergo any number of operations in support of decision-making, such as capture, storage, retrieval, update and transfer. It is important to have confidence that

during these operations, the data will be kept free from corruption, modification and remain unaltered.

- (3) Data with “integrity” has a complete or whole structure. Data values are standardized according to a data model and/or data type. All characteristics of the data must be correct – including business rules, relations, dates, definitions and lineage – for data to be complete.
- (4) Data integrity is imposed within an ERP database when it is created and is authenticated through the ongoing use of error checking and validation routines.
- (5) Data integrity state or condition is to be measured by the validity and reliability of the data values.
- (6) Data integrity service and security maintains information exactly as it was input, and is auditable to affirm its reliability.

The SWRDS Finance Committee is charged with providing financial policy recommendations to the Director, and the Director has final discretion on whether or not to accept the recommendations. While the SWRDS Finance Committee is not charged with reviewing the content of financial reports, timely and accurate financial reporting and financial management reporting provides technical committees access to useful information that can be used to formulate proposals on financial policy matters that may be brought to the SWRDS Finance Committee.

ATTACHMENT 3

STATE WATER PROJECT WATER SUPPLY CONTRACT EXTENSION AMENDMENT
Using Metropolitan Water District of Southern California Water Supply Contract
California Department of Water Resources 2/13/18

STATE OF CALIFORNIA
CALIFORNIA NATURAL RESOURCES AGENCY
DEPARTMENT OF WATER RESOURCES

AMENDMENT NO. _____ (THE CONTRACT EXTENSION AMENDMENT)
TO WATER SUPPLY CONTRACT BETWEEN THE STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES AND THE
_____ FOR CONTINUED SERVICE AND THE TERMS
AND CONDITIONS THEREOF

THIS AMENDMENT to the Water Supply Contract is made this _____ day
of _____, 201_, pursuant to the provisions of the California Water
Resources Development Bond Act, the Central Valley Project Act, and other applicable
laws of the State of California, between the State of California, acting by and through its
Department of Water Resources, herein referred to as the "State," and _____
_____, herein referred to as the "[District]".

STATE WATER PROJECT WATER SUPPLY CONTRACT EXTENSION AMENDMENT
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RECITALS:

- A. The State and the [District] entered into and subsequently amended a water supply contract (the “contract”), dated November 4, 1960, providing that the State shall supply certain quantities of water to the [District] and providing that the [District] shall make certain payments to the State, and setting forth the terms and conditions of such supply and such payments; and
- B. Article 2 of the contract provides that the contract shall remain in effect for the longest of the following: (1) the project repayment period, which, as defined in the contract, is to end on December 31, 2035; (2) 75 years from the original date of the contract; and (3) the period ending with the latest maturity date of any bond issue used to finance the construction costs of project facilities; and
- C. The longest of the above referenced periods in Article 2 would have ended in this contract on [December 31, 2035]; and
- D. Article 4 of the contract provides that the [District], by written notice to the State at least six (6) months prior to the expiration of the term of the contract (as specified in Article 2), may elect to receive continued service under the contract under certain conditions specified therein and under other terms and conditions that are reasonable and mutually agreed upon by the State and the [District]; and
- E. The State, the [District] and representatives of certain other State Water Project Contractors have negotiated and executed a document (Execution Version dated June 18, 2014), the subject of which is “Agreement in Principle Concerning Extension of the State Water Project Water Supply Contracts” (the “Agreement in Principle”); and
- F. The Agreement in Principle describes the terms and conditions of the continued service upon which the State and the [District] mutually proposed to develop contractual amendments consistent with the Agreement In Principle.
- G. The State, the [District] and those Contractors intending to be subject to the contract amendments contemplated by the Agreement in Principle subsequently prepared an amendment to their respective contracts to implement the provisions of the Agreement in Principle, and such amendment was named the “Amendment for Continued Service and the Terms and Conditions Thereof”; and

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- H. The State and the [District] desire to implement continued service under the contract under the terms and conditions of this Amendment for Continued Service and the Terms and Conditions Thereof to the water supply contract; and
- I. The [District]'s execution of this Amendment for Continued Service and the Terms and Conditions Thereof is the equivalent of the [District's] election under Article 4 to receive continued service under the contract under the conditions provided in Article 4, and the mutually agreed terms and conditions herein are the other reasonable and equitable terms and conditions of continued service referred to in Article 4;

NOW, THEREFORE, IT IS MUTUALLY AGREED that the following changes and additions are hereby made to the [District's] water supply contract with the State:

AMENDED CONTRACT TEXT

I. ARTICLES 1, 2, 5, 22 THROUGH 29, 50 AND 51 ARE DELETED IN THEIR ENTIRETY AND REPLACED WITH THE FOLLOWING TEXT:

1. DEFINITIONS.

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

(a) **“Additional Project Conservation Facilities”** shall mean the following facilities and programs, which will serve the purpose of preventing any reduction in the Minimum Project Yield as hereinafter defined:

(1) Those Project Facilities specified in Section 12938 of the Water Code;

(2) Those facilities and programs described in (A), (B), (C), (D), and (E) below which, in the State's determination, are engineeringly feasible and capable of producing Project Water which is economically competitive with alternative new water supply sources, *provided* that in the State's determination, the construction and operation of such facilities and programs will not interfere with the requested deliveries of Annual Table A Amount to any Contractor other than the sponsoring Contractor, and will not result in any greater annual charges to any Contractor other than the sponsoring Contractor than would have occurred with the construction at the same time of alternative new water supply sources which are either reservoirs located north of the Delta or off-Aqueduct storage reservoirs located south or west of the Delta designed to supply water to the California Aqueduct.

The following facilities and programs shall hereinafter be referred to as “Local Projects”:

(A) On-stream and off-stream surface storage reservoirs not provided for in Section 12938 of the Water Code, that will produce Project Water for the System for a period of time agreed to by the sponsoring Contractor;

(B) Groundwater storage facilities that will produce Project Water for the System for a period of time agreed to by the sponsoring Contractor;

(C) Waste water reclamation facilities that will produce Project Water for the System for a period of time agreed to by the sponsoring Contractor;

(D) Water and facilities for delivering water purchased by the State for the System for a period of time agreed to by the sponsoring Contractor; *provided* that the economic test specified herein shall be applied to the cost of these facilities together with the cost of the purchased water; and

(E) Future water conservation programs and facilities that will reduce demands by the sponsoring Contractor for Project Water from the System for a period of time agreed to by the sponsoring Contractor and will thereby have the effect of increasing Project Water available in the Delta for distribution.

(3) Whether a Local Project described in (2) above shall be considered economically competitive shall be determined by the State by comparing, in an engineering and economic analysis, such Local Project with alternative new water supply sources which are either reservoirs located north of the Delta or off-Aqueduct storage reservoirs located south or west of the Delta designed to supply water to the California Aqueduct. The analysis for such alternative new water supply sources shall use the average cost per acre-foot of yield in the latest studies made for such sources by the State and shall compare those facilities with the proposed Local Project using commonly accepted engineering economics. In the case of a Local Project to be funded in part by the State as part of the System and in part from other sources, the economic analysis specified herein shall be applied only to the portion to be funded by the State as part of the System.

(4) The Local Projects in (2) above shall not be constructed or implemented unless or until:

(A) The sponsoring Contractor signs a written agreement with the State which:

(i) Contains the sponsoring Contractor's approval of such facility or program;

(ii) Specifies the yield and the period of time during which the water from the Local Project shall constitute Project Water; and

STATE WATER PROJECT WATER SUPPLY CONTRACT EXTENSION AMENDMENT
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(iii) Specifies the disposition of such Local Project or of the yield from such Local Project upon the expiration of such period of time.

(B) All Contractors within whose boundaries any portion of such Local Project is located, and who are not sponsoring Contractors for such Local Project give their written approval of such Local Project.

(5) “Sponsoring Contractor” as used in this Article 1(a) shall mean the Contractor or Contractors who either will receive the yield from facilities described in 2(A), (B), (C), or (D) above, or agree to reduce demands for Project Water from the System pursuant to 2(E) above.

(6) In the event of a shortage in water supply within the meaning of Article 18(a), the determination of whether to count, in whole or in part, the yield from facilities described in 2(A), (B), (C), or (D) above, or the reduced demand from future conservation programs described in 2(E) above in the allocation of deficiencies among Contractors will be based on a project-by-project evaluation taking into consideration such factors as any limitation on the use of the water from such facilities and whether the sponsoring Contractor has access to Project Water from the Delta as an alternate to such facilities.

(b) “**Agricultural Use**” shall mean any use of water primarily in the production of plant crops or livestock for market, including any use incidental thereto for domestic or stock-watering purposes.

(c) “**Annual Table A Amount**” shall mean the amount of Project Water set forth in Table A of this Contract that the State, pursuant to the obligations of this contract and applicable law, makes available for delivery to the District at the delivery structures provided for the District. The term Annual Table A Amount shall not be interpreted to mean that in each year the State will be able to make that quantity of Project Water available to the District. The Annual Table A Amounts and the terms of this contract reflect an expectation that under certain conditions only a lesser amount, allocated in accordance with this contract, may be made available to the District. This recognition that full Annual Table A Amounts will not be deliverable under all conditions does not change the obligations of the State under this contract, including but not limited to, the obligations to make all reasonable efforts to complete the Project Facilities, to perfect and protect water rights, and to allocate among Contractors the supply available in any year, as set forth in Articles 6(b), 6(c), 16(b) and 18, in the manner and subject to the terms and conditions of those articles and this contract. Where the term “annual entitlement” appears elsewhere in this contract, it shall mean “Annual Table A Amount.” The State agrees that in future amendments to this and other Contractor’s contracts, in lieu of the term “annual entitlement,” the term “Annual Table A

Amount” will be used and will have the same meaning as “annual entitlement” wherever that term is used.

(d) **“Area of Origin Statutes”** shall mean Sections 10505 and 11460 through 11463 of the Water Code as now existing or hereafter amended.

(e) **“Article 51(e) Amounts”** shall mean the annual amounts determined pursuant to Article 51(e)(1).

(f) **“Billing Transition Date”** shall mean January 1 of the first calendar year starting at least six (6) months after the Contract Extension Amendment Effective Date.

(g) **“Burns-Porter Bond Act”** shall mean the California Water Resources Development Bond Act, comprising Chapter 8, commencing at Section 12930, of Part 6 of Division 6 of the Water Code, as enacted in Chapter 1762 of the Statutes of 1959.

(h) **“Capital Costs”** shall mean all costs Incurred subsequent to authorization of a facility for construction by the Legislature or by administrative action pursuant to Section 11290 of the Water Code and to the Burns-Porter Bond Act, including those so Incurred prior to the beginning of the Project Repayment Period as herein defined and any accrued unpaid interest charges thereon at the rates specified herein, which are properly chargeable to the construction of and the furnishing of equipment for the facilities of the System, including the costs of surveys, engineering studies, exploratory work, designs, preparation of construction plans and specifications, acquisition of lands, easements and rights-of-way, and relocation work, all as shown upon the official records of the Department of Water Resources.

(i) **“Carry-over Table A Water”** shall mean water from a Contractor’s Annual Table A Amount for a respective year, which is made available for delivery by the State in the next year pursuant to Article 12(e).

(j) **“Central Valley Project Act”** shall mean the Central Valley Act comprising Part 3, commencing at Section 11100, of Division 6 of the Water Code.

(k) **“Contract Extension Amendment”** shall mean the substantially similar amendments to the Contractors’ Water Supply Contracts that include, among other things, an extension of the term of the contract to December 31, 2085.

(l) **“Contract Extension Amendment Effective Date”** shall mean the date on which the Contract Extension Amendment becomes effective with regard to this contract. The State shall provide a written notice to the [District] specifying the Contract Extension Amendment Effective Date once the applicable conditions set out in the Contract Extension Amendment have been met.

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(m) **“Contractor”** shall mean any entity that has executed, or is an assignee of, a contract of the type published in Department of Water Resources Bulletin No. 141, dated November 1965, with the State for a dependable supply of water made available by the System, except such water as is made available by the facilities specified in Section 12934(d)(6) of the Water Code, as such contracts have been amended from time to time.

(n) **“Delta”** shall mean the Sacramento-San Joaquin Delta as defined in Section 12220 of the Water Code on the date of approval of the Burns-Porter Bond Act by the voters of the State of California.

(o) **“East Branch Aqueduct”** shall mean that portion of the San Joaquin Valley-Southern California Aqueduct specified in Section 12934(d)(2) of the Water Code extending from the South Portal of the Tehachapi Tunnels to a terminus in the vicinity of Perris, Riverside County.

(p) **“Economic Useful Life”** shall mean the period during which the State expects to derive economic benefit from using an asset, as determined by the State.

(q) **“Financial Information System”** shall mean the system of record designated by the State as the authoritative source for the recording of all financial data values relating to the System.

(r) **“Financing Costs”** shall mean the following:

- (1) principal of and interest on Revenue Bonds,
- (2) debt service coverage required by the applicable bond resolution or indenture in relation to such principal and interest,
- (3) deposits to reserves required by the bond resolution or indenture in relation to such Revenue Bonds, and
- (4) premiums for insurance or other security obtained in relation to such Revenue Bonds.

(s) **“Incurred”** shall mean the following with respect to the timing of a cost:

- (1) Capital Costs and operation, maintenance, and power costs allocated irrespective of the amount of Project Water delivered to the Contractors are “Incurred” when the expenditure for the good, service or other consideration is recorded in the State’s financial information system, regardless of the date the good, service or other consideration is provided; and

(2) operation, maintenance, and power costs allocated in an amount which is dependent upon and varies with the amount of Project Water delivered to the Contractors are “Incurred” when the good, service or other consideration is provided, regardless of when the expenditure for the good, service or other consideration is recorded in the financial information system.

(t) **“Initial Project Conservation Facilities”** shall mean the following Project Facilities specified in Section 12934(d) of the Water Code:

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

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

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

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

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

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

(u) **“Interruptible Water”** shall mean Project Water available as determined by the State that is not needed for fulfilling Contractors’ Annual Table A Amount deliveries as set forth in their water delivery schedules furnished pursuant to Article 12 or for meeting project operational requirements, including storage goals for the current or following years.

(v) **“Manufacturing Use”** shall mean any use of water primarily in the production of finished goods for market.

(w) **“Maximum Annual Table A Amount”** shall mean the maximum annual amount set forth in Table A of this contract, and where the term “maximum annual entitlement” appears elsewhere in this contract it shall mean “Maximum Annual Table A Amount.”

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(x) **“Minimum Project Yield”** shall mean the dependable annual supply of project water to be made available assuming completion of the initial project conservation facilities and additional project conservation facilities. The project’s capability of providing the Minimum Project Yield shall be determined by the State on the basis of coordinated operations studies of initial project conservation facilities and additional project conservation facilities, which studies shall be based upon factors including but not limited to:

(1) the estimated relative proportion of deliveries for agricultural use to deliveries for municipal use assuming Maximum Annual Table A Amounts for all contractors and the characteristic distributions of demands for these two uses throughout the year;

(2) agreements now in effect or as hereafter amended or supplemented between the State and the United States and others regarding the division of utilization of waters of the Delta or streams tributary thereto;

(y) **“Monterey Amendment”** shall mean the substantially similar amendments to Contractors’ Water Supply Contracts that included, among other provisions, the addition of Articles 51 through 56.

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

(aa) **“Nonproject Water”** shall mean water made available for delivery to Contractors that is not Project Water as defined in Article 1(ah).

(ab) **“Project Facilities”** shall mean those facilities of the System which will, in whole or in part, serve the purposes of this contract by conserving water and making it available for use in and above the Delta and for export from the Delta and from such additional facilities as are defined in Article 1(a)(2), and by conveying water to the District. Such Project Facilities shall consist specifically of “Project Conservation Facilities” and “Project Transportation Facilities”, as hereinafter defined.

(ac) **“Project Conservation Facilities”** shall mean such Project Facilities as are presently included, or as may be added in the future, under 1(a) and 1(t).

(ad) **“Project Interest Rate”** shall mean the following:

(1) Prior to the Billing Transition Date, the weighted average interest rate on bonds, advances, or loans listed in this section to the extent the proceeds of any such bonds, advances, or loans are for

construction of the State Water Facilities defined in Section 12934(d) of the Water Code, the additional project conservation facilities, and the supplemental conservation facilities (except off-aqueduct power facilities; water system facilities; advances for delivery structures, measuring devices and excess capacity; and East Branch Enlargement Facilities). The Project Interest Rate shall be calculated as a decimal fraction to five places by dividing (i) the total interest cost required to be paid or credited by the State during the life of the indebtedness or advance by (ii) the total of the products of the various principal amounts and the respective terms in years of all such amounts. The bonds, advances, or loans used in calculating the project interest rate shall be:

- (A) General obligation bonds issued by the State under the Bond Act, except that any premium received on the sale of these bonds shall not be included in the calculation of the project interest rate,
- (B) Revenue Bonds issued after May 1, 1969,
- (C) Bonds issued by the State under any other authority granted by the Legislature or the voters,
- (D) Bonds issued by any agency, district, political subdivision, public corporation, or nonprofit corporation of this State,
- (E) Funds advanced by any contractor without the actual incurring of bonded debt therefore, for which the net interest cost and terms shall be those which would have resulted if the contractor had sold bonds for the purpose of funding the advance, as determined by the State,
- (F) Funds borrowed from the General Fund or other funds in the Treasury of the State of California, for which the total interest cost shall be computed at the interest rate earned over the period of such borrowing by moneys in the Surplus Money Investment Fund of such Treasury invested in securities, and
- (G) Any other financing capability available in the Treasury of the State of California at whatever interest rate and other financing costs are provided in the law authorizing such borrowing. However, the use of other financing from the State Treasury is intended to involve only short term borrowing at interest rates and other financing costs no greater than those charged to other State agencies during the same period until such time as the Department can sell bonds and reimburse the source of the short term borrowing from the proceeds of the bond sale.

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(2) On and after the Billing Transition Date, the Project Interest Rate shall be four and six hundred and ten thousandths percent (4.610%) per annum.

(ae) **“Project Repayment Period”** shall mean that period of years commencing on January 1, 1961, and extending until December 31, 2035.

(af) **“Project Revenues”** shall mean revenues derived from the service of Project Water to Contractors and others, and from the sale or other disposal of electrical energy generated in connection with operation of Project Facilities.

(ag) **“Project Transportation Facilities”** shall mean the following Project Facilities:

(1) All those facilities specified in subparagraph (2) of Section 12934(d) of the Water Code except: The reservoir near Los Banos in Merced County; the reach of the San Joaquin Valley-Southern California Aqueduct extending from the Delta to the reservoir near Los Banos in Merced County, to the extent required for water conservation as determined by the State; the North Bay Aqueduct extending to a terminal reservoir in Marin County; the South Bay Aqueduct extending to terminal reservoirs in the Counties of Alameda and Santa Clara; the Pacheco Pass Tunnel Aqueduct extending from a reservoir near Los Banos in Merced County to a terminus in Pacheco Creek in Santa Clara County; and the Coastal Aqueduct beginning on the San Joaquin Valley-Southern California Aqueduct in the vicinity of Avenal, Kings County, and extending to a terminus at the Santa Maria River.

(2) Facilities for the generation and transmission of electrical energy of the following types:

(A) Hydroelectric generating and transmission facilities, whose operation is dependent on the transportation of Project Water, or on releases to channels downstream of Project Facilities defined under (1) above. Such facilities shall be called “project aqueduct power recovery plants.”

(B) All other generating and associated transmission facilities, except those dependent on water from Project Conservation Facilities, for the generation of power. These facilities shall be called “off-aqueduct power facilities” and shall consist of the State’s interest in the Reid-Gardner and any other generating and associated transmission facilities, constructed or financed in whole or in part by the State, which are economically competitive with alternative power supply sources as determined by the State.

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

(ah) **“Project Water”** shall mean water made available for delivery to the Contractors by the Project Conservation Facilities and the Project Transportation Facilities included in the System.

(ai) **“Revenue Bonds”** shall mean the following types of instruments payable from the sources provided in the Central Valley Project Act: revenue bonds, notes, refunding bonds, refunding notes, bond anticipation notes, certificates of indebtedness, and other evidences of indebtedness.

(aj) **“Subject to Approval by the State”** shall mean subject to the determination and judgment of the State as to acceptability.

(ak) **“Supplemental Conservation Facilities”** shall mean those facilities provided for in Section 12938 of the Water Code which will serve the purpose of supplying water in addition to the Minimum Project Yield and for meeting local needs.

(al) **“Supplemental Water”** shall mean water made available by Supplemental Conservation Facilities, in excess of the Minimum Project Yield.

(am) **“System”** shall mean the State Water Resources Development System as defined in Section 12931 of the Water Code.

(an) **“System Revenue Account”** shall mean the special account created pursuant to Water Code Section 12937(b) into which are deposited all revenues derived from the sale, delivery or use of water or power and all other income or revenue, derived by the State, from the System, with the exception of revenue attributable to facilities financed with revenue bonds issued pursuant to the Central Valley Project Act (Water Code Section 11100 et seq.).

(ao) **“Water Supply Contract”** shall mean one of the contracts described in the definition of Contractor in Article 1(m).

(ap) **“Water System Facilities”** shall mean the following facilities to the extent that they are financed with Revenue Bonds or to the extent that other financing of such facilities is reimbursed with proceeds from Water System Facility Revenue Bonds:

- (1) The North Bay Aqueduct,
- (2) The Coastal Branch Aqueduct,

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(3) Delta Facilities, including Suisun Marsh facilities, to serve the purposes of water conservation in the Delta, water supply in the Delta, transfer of water across the Delta, and mitigation of the environmental effects of Project Facilities, and to the extent presently authorized as project purposes, recreation and fish and wildlife enhancement,

(4) Local projects as defined in Article 1(a)(2) designed to develop no more than 25,000 acre-feet of project yield from each project,

(5) Land acquisition prior to December 31, 1995, for the Kern Fan Element of the Kern Water Bank,

(6) Additional pumps at the Banks Delta Pumping Plant,

(7) The transmission line from Midway to Wheeler Ridge Pumping Plant,

(8) Repairs, additions, and betterments to Project Facilities,

(9) A Project Facilities corporation yard,

(10) A Project Facilities operation center, and

(11) Capital projects which are approved in writing by the State and eighty (80) percent of the affected Contractors as "Water System Facilities", *provided* that the approving Contractors' Table A amounts exceed eighty (80) percent of the Table A amounts representing all affected Contractors and *provided further* that "affected Contractors" for purposes of this subdivision (11) shall mean those Contractors which would be obligated to pay a share of the debt service on Revenue Bonds issued to finance such project.

(aq) "**Water System Facility Revenue Bonds**" shall mean Revenue Bonds issued after January 1, 1987 for Water System Facilities identified in Article 1(ap).

(ar) "**West Branch Aqueduct**" shall mean that portion of the San Joaquin Valley-Southern California Aqueduct specified in Section 12934(d)(2) of the Water Code extending from the South Portal of the Tehachapi Tunnels to a terminus in the vicinity of Newhall, Los Angeles County.

(as) "**Year**" shall mean the 12-month period from January 1 through December 31, both dates inclusive.

(at) "**Year of Initial Water Delivery**" shall mean the year when Project Water will first be available for delivery to a Contractor pursuant to its contract with the State.

2. TERM OF CONTRACT.

This contract shall become effective on the date first above written and shall remain in effect for the longer of the following:

1. December 31, 2085, or
2. The period ending with the latest maturity date of any bond issue used to finance the construction costs of project facilities.

5. PLEDGE OF REVENUES.

This contract is entered into for the direct benefit of the holders and owners of all general obligation bonds issued under the Burns-Porter Bond Act and the holders and owners of Revenue Bonds issued under the Central Valley Project Act, and the income and revenues derived from this contract are pledged to the respective purposes and in the respective priorities set forth in these acts, as provided by law.

22. DELTA WATER CHARGE

The payments to be made by each Contractor shall include an annual charge designated as the Delta Water Charge, which shall be separately calculated and stated for costs Incurred prior to the Billing Transition Date and costs Incurred on or after the Billing Transition Date.

(a) **Delta Water Charge for Costs Incurred Prior to the Billing Transition Date.** The provisions of this subdivision (a) shall apply only to costs Incurred prior to the Billing Transition Date.

(1) *Recovery of Costs of Project Conservation Facilities.* The Delta Water Charge for costs Incurred prior to the Billing Transition Date, together with the total revenues derived prior to the Billing Transition Date from the sale or other disposal of electrical energy generated in connection with operation of Project Conservation Facilities, shall return to the State during the Project Repayment Period all costs of the Project Conservation Facilities Incurred prior to the Billing Transition Date, including capital, operation, maintenance, power, and replacement costs, which are allocated to the purpose of water conservation in, above, and below the Delta pursuant to subdivisions (c)(1) through (c)(3) of this article.

(2) *Components of Charge.* For each Contractor receiving Project Water in any year through December 31, 1969, the Delta Water Charge shall be the product of \$3.50 and the Contractor's Annual Table A Amount for the respective year. For each Contractor receiving Project Water in the year 1970, the Delta Water Charge shall be the product of \$6.65 and the Contractor's Annual Table A Amount for that year. The \$6.65 rate for the year 1970 shall consist of a capital component of \$5.04 and a minimum operation, maintenance, power and replacement component of \$1.61. For each Contractor receiving Project Water in the year 1971, the Delta Water Charge shall be the product of \$7.24 and the Contractor's Annual Table A Amount for that year. The \$7.24 rate for the year 1971 shall consist of a capital component of \$5.44 and a minimum operation, maintenance, power and replacement component of \$1.80.

After December 31, 1971, the Delta Water Charge for costs Incurred prior to the Billing Transition Date shall consist and be the sum of the following components as these are computed in accordance with subdivisions (a)(3) and (a)(4) of this article: a capital component; a minimum operation, maintenance, power and replacement component; and a variable operation, maintenance, power and replacement component.

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(3) *Charge Components Expressed as Rates.* The Capital Cost, the minimum operation, maintenance, power, and replacement, and the variable operation, maintenance, power, and replacement components of the Delta Water Charge for costs Incurred prior to the Billing Transition Date, together with that portion of the revenues derived prior to the Billing Transition Date from the sale or other disposal of electrical energy generated in connection with operation of Project Conservation Facilities which is allocated by the State to repayment of the respective category of costs, shall return to the State during the Project Repayment Period, respectively, the following categories of the costs allocated to the purpose of water conservation in, above, and below the Delta pursuant to subdivisions (c)(1) through (c)(3) of this article:

(A) Capital Costs;

(B) operation, maintenance, power, and replacement costs Incurred irrespective of the amount of Project Water delivered to the Contractors;
 and

(C) operation, maintenance, power, and replacement costs Incurred in an amount which is dependent upon and varies with the amount of Project Water delivered to the Contractors;

provided that each of the above categories of costs shall be inclusive of the appropriate costs properly chargeable to the generation and transmission of electrical energy in connection with operation of Project Conservation Facilities. Each component of the Delta Water Charge for costs Incurred prior to the Billing Transition Date shall be computed on the basis of a rate which, when charged during the Project Repayment Period for each acre-foot of the sum of the yearly totals of Annual Table A Amounts of all Contractors, will be sufficient, together with that portion of the revenues derived prior to the Billing Transition Date from the sale or other disposal of electrical energy generated in connection with operation of Project Conservation Facilities which is allocated by the State to repayment of the respective category of costs, to return to the State during the Project Repayment Period all costs included in the respective category of costs covered by that component. Each such rate shall be computed in accordance with the following formula:

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

Where:

i = The Project Interest Rate.

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- c = The total costs included in the respective category of costs and Incurred during the respective year of the Project Repayment Period (prior to the Billing Transition Date).
- r = That portion of the revenues derived from the sale or other disposal of electrical energy allocated by the State to repayment of the costs included in the respective category and Incurred during the respective year of the Project Repayment Period (prior to the Billing Transition Date).

1, 2, and n
appearing
below

c and r = The respective year of the Project Repayment Period during which the costs included in the respective category are Incurred, n being the last year of the Project Repayment Period.

e = With respect to the Capital Cost and minimum operation, maintenance, power, and replacement components, the total of Annual Table A Amounts of all Contractors for the respective year of the Project Repayment Period.

e = With respect to the variable operation, maintenance, power, and replacement component, the total of the amounts of Project Water delivered to all Contractors for the respective year of the expired portion of the Project Repayment Period, together with the total of Annual Table A Amounts of all Contractors for the respective year of the unexpired portion of the Project Repayment Period.

1, 2, and n
appearing

below e = The respective year of the Project Repayment Period in which the Annual Table A Amounts or Project Water deliveries occur, n being the last year of the Project Repayment Period.

n used
as an
exponent = The number of years in the Project

(4) *Determination of Charge Components.* The Capital Cost and minimum operation, maintenance, power, and replacement components of the Delta Water Charge for costs Incurred prior to the Billing Transition Date shall be

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the product of the appropriate rate computed under subdivision (a)(3) of this article and the Contractor's Annual Table A Amount for the respective year. The variable operation, maintenance, and power component of the charge shall be the product of the appropriate rate computed under subdivision (a)(3) of this article and the number of acre-feet of Project Water delivered to the Contractor during the respective year; *provided*, that when Project Water has been requested by a Contractor and delivery thereof has been commenced by the State, and, through no fault of the State, such water is wasted as a result of failure or refusal by the Contractor to accept delivery thereof, such variable component during such period shall be the product of such rate per acre-foot and the sum of the number of acre-feet of Project Water delivered to the Contractor and the number of acre-feet wasted.

(5) *Redetermination of Rates.* The rates to be used in determining the components of the Delta Water Charge pursuant to subdivision (a)(4) of this article and to become effective on January 1, 1970, shall be computed by the State in accordance with subdivision (a)(3) of this article prior to that date. Such computation shall include an adjustment which shall account for the difference, if any, between revenues received by the State under the Delta Water Charge prior to January 1, 1970, and revenues which would have been received under the charge prior to that date had it been computed and charged in accordance with subdivisions (a)(3) and (4) of this article. Upon such computation, a document establishing such rates shall be prepared by the State and attached to this contract as an amendment of this article. The State shall recompute such rates each year thereafter, and each such recomputation shall take account of and reflect increases or decreases from year to year in projected costs, outstanding reimbursable indebtedness of the State Incurred to construct the Project Conservation Facilities described in subdivisions (c)(1) through (c)(3) of this article, Annual Table A Amounts, deliveries of Project Water, Project Interest Rate, revenues from the sale or other disposal of electrical energy, and all other factors which are determinative of such rates. In addition, each such recomputation shall include an adjustment of the rates for succeeding years which shall account for the differences, if any, between projections of costs used by the State in determining such rates for all preceding years, and actual costs Incurred by the State during such years. Upon each such recomputation, an appropriately revised copy of the document establishing such rates shall be prepared by the State and attached to this contract as an amendment of this article.

(6) *Water System Facility Revenue Bond Charges.* Notwithstanding provisions of Article 22(a)(1) through (5), the capital and the minimum operation, maintenance, power and replacement component of the Delta Water Charge for costs Incurred prior to the Billing Transition Date shall include an annual charge to recover the District's share of the portion of the Water System Facility

Revenue Bond Financing Costs allocable to Project Conservation Facilities for Capital Costs Incurred prior to the Billing Transition Date. Charges to the District for these costs shall be calculated in accordance with Article 50(a).

(b) **Delta Water Charge for Costs Incurred On or After the Billing Transition Date.** The provisions of this subdivision (b) of this article shall apply only to costs Incurred on or after the Billing Transition Date.

(1) *Components of the Delta Water Charge for Costs Incurred On or After the Billing Transition Date.* The Delta Water Charge for costs Incurred on or after the Billing Transition Date shall consist of the following components as these are computed in accordance with subdivisions (b)(2) through (b)(4) of this article:

(A) Capital component,

(B) Minimum operation, maintenance, power, and replacement component; and

(C) Variable operation, maintenance, and power component.

(2) *Determination of Charge Components.* These three components of the Delta Water Charge for each calendar year, together with that portion of the revenues derived during such calendar year from the sale or other disposal of electrical energy generated in connection with operation of Project Conservation Facilities which is allocated by the State to repayment of the respective category of costs, shall return to the State during such calendar year the following categories, respectively, of the costs allocated pursuant to subdivisions (c)(1) through (c)(3) of this article to the purpose of water conservation in, above, and below the Delta.

(A) the capital component consisting of Capital Costs of Project Conservation Facilities to be recovered during such calendar year as and to the extent provided in subdivision (b)(3) of this article;

(B) the minimum operation, maintenance, power, and replacement component consisting of operation, maintenance, power, replacement costs of Project Conservation Facilities Incurred during such calendar year irrespective of the amount of Project Water delivered to the Contractors; and

(C) the variable operation, maintenance, and power component consisting of operation, maintenance, and power costs of Project Conservation Facilities Incurred during such calendar year in an amount

which is dependent upon and varies with the amount of Project Water delivered to the Contractors;

provided that each of the above categories of costs shall be inclusive of the appropriate costs properly chargeable to the generation and transmission of electrical energy in connection with operation of Project Conservation Facilities; and *provided further* that revenues generated in connection with the sale or other disposal of electrical energy generated in connection with operation of Project Conservation Facilities shall not reduce or be credited against charges pursuant to subdivision (b)(3)(D)(i) of this article (charges for Water System Facility Revenue Bond Financing Costs);

(3) *Categories of Capital Costs.*

(A) The amount of the capital component of the Delta Water Charge shall be determined in three steps as follows:

(i) first, an allocation to the District of Capital Costs of Project Conservation Facilities as provided in subdivisions (c)(1) through (c)(3) of this article,

(ii) second, a determination of the type and source of payment of each Capital Cost in accordance with subdivision (b)(3)(B) of this article, and

(iii) third, a computation of the annual payment to be made by the District as provided in subdivision (b)(3)(C) and (b)(3)(D) of this article.

(B) Annual Capital Costs of Project Conservation Facilities shall be divided into five categories of type and source of payment:

(i) Project Conservation Facility Capital Costs paid with the proceeds of Water System Facility Revenue Bonds,

(ii) Project Conservation Facility Capital Costs to be paid with the proceeds of Bonds issued under the Burns-Porter Bond Act.

(iii) Project Conservation Facility Capital Costs to be paid with amounts in the SWRDS Reinvestment Account

(iv) Project Conservation Facility Capital Costs to be paid annually for assets that will have a short Economic Useful Life or the costs of which are not substantial, and

(v) Project Conservation Facility Capital Costs prepaid by the District.

(C) The projected amounts of Project Conservation Facility Capital Costs in each such category to be allocated annually to the District shall be determined by the State in accordance with the cost allocation principles and procedures set forth in subdivision (c)(1) through (c)(3) and (b)(6) of this article, which principles and procedures shall be controlling as to allocations of Capital Costs to the District; *provided* that these amounts shall be subject to redetermination by the State in accordance with Article 28. Such projected amounts will be set forth in Table B by the State.

**TABLE B
 PROJECTED ALLOCATIONS TO [DISTRICT]
 OF PROJECT CONSERVATION FACILITY CAPITAL COSTS INCURRED ON OR
 AFTER THE BILLING TRANSITION DATE**

Year	Projected Allocations in Thousands of Dollars				
	Costs to be Paid with Proceeds of Water System Facility Revenue Bonds	Costs to be Paid with the Proceeds of Bonds issued under the Burns-Porter Bond Act	Costs to be Paid with Amounts in the SWRDS Reinvestment Account	Costs to be Paid Annually for Assets That Will Have a Short Economic Useful Life or the Costs of which are Not Substantial	Costs Prepaid by the District
1*					
2					
3					

* Year commencing with the Billing Transition Date.

(D) The annual amount to be paid by the District under the capital component of the Delta Water Charge for each calendar year for costs Incurred on or after the Billing Transition Date shall consist of the following categories:

(i) Water System Facility Revenue Bonds: a charge determined in accordance with Article 50(b) to recover Water System Facility Revenue Bond Financing Costs Incurred during such calendar year that relate to the financing of Project Conservation Facilities,

(ii) Burns-Porter Act Bonds: a charge to recover the amount to be paid by the State of California during such calendar year in accordance with the Burns-Porter Bond Act for the principal of and interest on bonds issued under the Burns-Porter Bond Act on or after the Billing Transition Date for Project Conservation Facility Capital Costs,

(iii) SWRDS Reinvestment Account: a charge determined in accordance with subdivision (b)(5) of Article 61 to amortize Project Conservation Facility Capital Costs Incurred during prior calendar years (but not prior to the Billing Transition Date) that have been paid with amounts from the SWRDS Reinvestment Account,

(iv) Capital Assets with Short Economic Life or Costs of which are Not Substantial: a charge to recover the Capital Costs to be Incurred during such calendar year of Project Conservation Facility assets with a short Economic Useful Life or the costs of which are not substantial as determined by the State and any such Capital Costs Incurred but not charged in the prior two calendar years,

(E) The projected amounts of each category of charges to be paid annually by the District under this capital component shall be determined by the State in accordance with the cost allocation principles and procedures set forth in this subdivision (b), which principles and procedures shall be controlling as to allocations of types of capital component charges to the District; *provided* that these amounts shall be subject to redetermination by the State in accordance with Article 28. Such amounts are projected to be as set forth in Table C by the State.

TABLE C
PROJECTED CHARGES TO [DISTRICT]
UNDER THE CAPITAL COMPONENT OF THE DELTA WATER CHARGE FOR
COSTS INCURRED ON OR AFTER THE BILLING TRANSITION DATE

Year	Projected Charges in Thousands of Dollars			
	Costs to be Paid with Proceeds of Water System Facility Revenue Bonds	Costs to be Paid with the Proceeds of Bonds issued under the Burns-Porter Bond Act	Costs to be Paid with Amounts in the SWRDS Reinvestment Account	Costs to be Paid Annually for Assets That Will Have a Short Economic Useful Life or the Costs of which are Not Substantial
1				
2				
3				

* Year commencing with the Billing Transition Date.

(4) *Minimum Operation, Maintenance, Power and Replacement Charge – Determination; Repayment Table.*

The amount to be paid each year by the District under the minimum operation, maintenance, power, and replacement component of the Delta Water Charge shall be determined by the State in accordance with the cost allocation principles and procedures set forth in subdivision (b)(6)(A) of this article; *provided* that these amounts shall be subject to redetermination by the State in accordance with Article 28. Such amounts are projected to be as set forth in Table D by the State.

TABLE D
DELTA WATER CHARGE -- ESTIMATED MINIMUM OPERATION, MAINTENANCE, POWER
AND REPLACEMENT COMPONENT FOR COSTS INCURRED ON OR AFTER THE BILLING
TRANSITION DATE
[DISTRICT]

Year	Total Annual Payment by District
1*	
2	
3	
4	

* Year commencing with the Billing Transition Date.

(5) *Variable Operation, Maintenance and Power Charge–
 Determination; Repayment Table.*

The amount to be paid each year by the District under the variable operation, maintenance and power component of the Delta Water Charge shall be determined by the State in accordance with the cost allocation principles and procedures set forth in subdivision (b)(6)(B) of this article; *provided* that these amounts shall be subject to redetermination by the State in accordance with Article 28. Such amounts are projected to be as set forth in Table E by the State.

TABLE E
DELTA WATER CHARGE -- ESTIMATED VARIABLE OPERATION, MAINTENANCE AND
POWER COMPONENT FOR COSTS INCURRED ON OR AFTER THE BILLING TRANSITION
DATE
[DISTRICT]

Year	Total Annual Payment by District
1*	
2	
3	
4	

* Year commencing with the Billing Transition Date.

(6) *Allocation of Charges to the District.*

(A) The capital and minimum operation, maintenance, and power components of the Delta Water Charge for each calendar year for costs Incurred on or after the Billing Transition Date shall be allocated to the District in proportion to the ratio of the District’s Annual Table A Amount for such calendar year to the total of the Annual Table A Amounts for all Contractors for such calendar year.

(B) The variable operation, maintenance, and power component of the Delta Water Charge for each calendar year for costs Incurred on or after the Billing Transition Date shall be allocated to the District in proportion to the ratio of the number of acre-feet of Project Water delivered to the District during such calendar year to the number of acre-feet of Project Water delivered to all Contractors during such calendar year; *provided* that when Project Water has been requested by a Contractor and delivery thereof has been commenced by the State, and, through no fault of the State, such water is wasted as a result of failure or refusal by the Contractor to accept delivery thereof, such variable component during such period shall be calculated as if the number of acre-feet wasted had been delivered.

(7) *Delta Water Charge -- Repayment Schedule.*

The amounts to be paid by the District for each year on or after the Billing Transition Date under the Capital Cost component, minimum operation, maintenance, power and replacement component and the variable operation, maintenance, and power component of the Delta Water Charge shall be set forth by the State in Table F, which Table F shall constitute a summation of Tables C, D, and E; *provided* that each of the amounts set forth in Table F shall be subject

to redetermination by the State in accordance with Article 28; *provided further* that the principles and procedures set forth in this Article 22 shall be controlling as to such amounts. Such amounts shall be paid by the District in accordance with the provisions of Article 29.

**TABLE F
 REPAYMENT SCHEDULE—DELTA WATER CHARGE FOR COSTS INCURRED ON
 OR AFTER THE BILLING TRANSITION DATE
 [DISTRICT]**

Year	Capital Cost Component	Minimum Component	Variable Component	Total
1*				
2				
3				
4				

* Year commencing with the Billing Transition Date.

(c) **Provisions Applicable to the Delta Water Charge for Costs Incurred Both Before and On or After the Billing Transition Date.** The provisions of this subdivision (c) shall be applicable to costs Incurred both prior to and on or after the Billing Transition Date.

(1) *Allocation of Costs to Project Purposes.*

(A) Prior to the time that Additional Project Conservation Facilities or Supplemental Conservation Facilities are constructed, the Delta Water Charge shall be determined on the basis of an allocation to project purposes, by the separable cost-remaining benefits method, of all actual and projected costs of all those Initial Project Conservation Facilities located in and above the Delta, and upon an allocation to the purposes of water conservation and water transportation, by the proportionate use of facilities method, of all actual and projected costs of the following Project Facilities located below the Delta: The aqueduct intake facilities at the Delta, Pumping Plant I (Delta Pumping Plant) <Harvey O. Banks Delta Pumping Plant>, the aqueduct from the Delta to San Luis Forebay (O’Neill Forebay), San Luis Forebay (O’Neill Forebay), and San Luis Reservoir: *provided*, that all of the actual and projected costs properly chargeable to the generation and transmission of electrical energy in connection with operation of Project Conservation Facilities shall be allocated to the purpose of water conservation in, above, and below the

Delta; *provided further*, that allocations to purposes the cost of which are to be paid by the United States shall be as determined by the United States.

(B) Wherever reference is made, in connection with the computation, determination, or payment of the Delta Water Charge, to the costs of any facility or facilities included in the System, such reference shall be only to those costs of such facility or facilities that are reimbursable by the Contractors as determined by the State.

(C) The State, in fixing and establishing prices, rates, and charges for water and power, shall include as a reimbursable cost of any state water project an amount sufficient to repay all costs incurred by the State, directly or by contract with other agencies, for the preservation of fish and wildlife and determined to be allocable to the costs of the project works constructed for the development of that water and power, or either. Costs incurred for the enhancement of fish and wildlife or for the development of public recreation shall not be included in the prices, rates, and charges for water and power, and shall be nonreimbursable costs. Such recreational purposes include, but are not limited to, those recreational pursuits generally associated with the out-of-doors, such as camping, picnicking, fishing, hunting, water contact sports, boating, and sightseeing, and the associated facilities of campgrounds, picnic areas, water and sanitary facilities, parking areas, viewpoints, boat launching ramps, and any others necessary to make project land and water areas available for use by the public. In administering this Contract "development of public recreation" shall include recreation capital and operation and maintenance.

(2) *Additional Conservation Facilities.* Commencing in the year in which the State first awards a major construction contract for construction of a major feature of Additional Project Conservation Facilities, or first commences payments under a contract with a federal agency in the event a major feature of Additional Project Conservation Facilities is constructed by such federal agency under an agreement requiring the State to pay all or part of the costs of such construction, the Delta Water Charge shall be determined on the basis of the foregoing allocations and upon an allocation to project purposes, by the separable costs-remaining benefits method and subject to the foregoing provisos, of all projected costs of such feature of the Additional Project Conservation Facilities; *provided*, that if the agreement with such federal agency allows repayment of costs of a portion of a facility to be deferred, the associated costs of such portion shall be excluded from the Delta Water Charge computations until repayment of such deferred costs or interest thereon is commenced by the State; *provided, further*, that all costs of Additional Project

Conservation Facilities Incurred prior to the award of a major construction contract, shall be included in the Delta Water Charge computations in the year in which they are Incurred.

(3) *Supplemental Conservation Facilities.* Upon the construction of the Supplemental Conservation Facilities, the Delta Water Charge shall be paid by all contractors for Supplemental Water, as well as by contractors for Project Water, and, together with revenues derived from the sale or other disposal of electrical energy generated in connection with operation of Project Conservation Facilities and Supplemental Conservation Facilities, shall return to the State, in addition to those costs of the Project Conservation Facilities allocated to the purpose of water conservation, in, above, and below the Delta pursuant to subdivision (c)(1) of this article, all costs of such Supplemental Conservation Facilities, including capital, operation, maintenance, power, and replacement costs which are allocated to the purpose of water conservation, in, above, and below the Delta pursuant hereto. Commencing in the year in which the State first awards a major construction contract for construction of a major feature of any Supplemental Conservation Facilities, or first commences payments under a contract with a federal agency in the event a major feature of Supplemental Conservation Facilities is constructed by such federal agency under an agreement requiring the State to pay all or part of the costs of such construction, the Delta Water Charge shall be determined on the basis of the allocations made pursuant to subdivision (c)(1) of this article, and upon an allocation to project purposes, by the separable costs-remaining benefits method and subject to provisos corresponding to those contained in such subdivision (c)(1), of all projected costs of such feature of the Supplemental Conservation Facilities. Commencing in the same year, the computation of the rates to be used in determining the components of the Delta Water Charge shall include the Annual Table A Amounts under all contracts for Supplemental Water. If the repayment period of any bonds sold to construct Supplemental Conservation Facilities or the repayment period under any agreement with a federal agency for repayment of the costs of Supplemental Conservation Facilities constructed by such federal agency extends beyond the repayment period of the contract, the Delta Water Charge shall be determined and redetermined on the basis of such extended repayment period as the State determines to be appropriate; *provided*, that if the agreement with such federal agency allows repayment of costs of a portion of a facility to be deferred, the associated costs of such portion shall be excluded from the Delta Water Charge computations until repayment of such deferred costs or interest thereon is commenced by the State.

(4) *Local Projects.* The determination of the Delta Water Charge shall be made by including the appropriate costs and quantities of water, calculated in accordance with subdivisions (a) and (b) above, for all Additional Project Conservation Facilities as defined in Article 1(a). In the event a Local Project as

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defined in Article 1(a)(2) will, pursuant to written agreement between the State and the sponsoring Contractor, be considered and treated as an Additional Project Conservation Facility for less than the estimated life of the facility, the Delta Water Charge will be determined on the basis of that portion of the appropriate cost and water supply associated with such facility as the period of time during which such facility shall be considered as an Additional Project Conservation Facility bears to the estimated life of such facility. No costs for the construction or implementation of any Local Project are to be included in the Delta Water Charge unless and until the written agreement required by Article 1(a) has been entered into.

(5) *Water Purchased By the State.* In calculating the Delta Water Charge under subdivisions (a) and (b) of this article, the component for operation, maintenance, power and replacement costs shall include, but not be limited to, all costs to the State Incurred in purchasing water, which is competitive with alternative sources as determined by the State, for delivery as Project Water.

(6) *Replacement Cost Treatment.* Replacement costs of Project Conservation Facilities shall be treated as either Capital Costs or as minimum operation, maintenance, power, and replacement costs, as determined by the State considering the Economic Useful Life of the asset being replaced and other relevant factors.

23. TRANSPORTATION CHARGE.

The payments to be made by each Contractor shall include an annual charge designated as the Transportation Charge, which shall be separately stated and calculated for costs Incurred prior to the Billing Transition Date and costs Incurred on or after the Billing Transition Date.

(a) **Transportation Charge for Costs Incurred Prior to the Billing Transition Date.** The provisions of this subdivision (a) and Articles 24(a) and (c), 25 and 26 shall apply to costs Incurred prior to the Billing Transition Date.

(1) *Recovery of Costs of Project Transportation Facilities.* The Transportation Charge for costs Incurred prior to the Billing Transition Date shall return to the State during the Project Repayment Period such costs of all Project Transportation Facilities necessary to deliver Project Water to the Contractor and which are allocated to the Contractor in accordance with the cost allocation principles and procedures hereinafter set forth.

(2) *Components of Transportation Charge for Costs Incurred Prior to the Billing Transition Date.* The Transportation Charge for costs Incurred Prior to the Billing Transition Date shall consist of a capital component; a minimum operation, maintenance, power, and replacement component; and a variable operation, maintenance and power component, as these components are defined in and determined under Articles 24(a) and (c), 25, and 26, respectively.

(b) **Transportation Charge for Costs Incurred On or After the Billing Transition Date.** The provisions of this subdivision (b) and Articles 24(b) and (c), 25 and 26 shall apply to costs Incurred on or after the Billing Transition Date.

(1) *Recovery of Costs of Project Transportation Facilities.* The Transportation Charge for costs Incurred on or after the Billing Transition Date shall return to the State during each such calendar year all costs which are Incurred on or after the Billing Transition Date of all Project Transportation Facilities necessary to deliver Project Water to the Contractor and which are allocated to the Contractor in accordance with the cost allocation principles and procedures hereinafter set forth.

(2) *Components of Transportation Charge.* The Transportation Charge for costs Incurred on or after the Billing Transition Date shall consist of a capital component; a minimum operation, maintenance, and power component; and a variable operation, maintenance, and power component, as these components are defined in and determined under Articles 24(b) and (c), 25, and 26, respectively.

(c) **Segregation of Aqueduct Reaches for All Transportation Charge Purposes.** For the purpose of allocations of costs among Contractors pursuant to subdivisions (a) and (b) of this article, and Articles 24, 25 and 26, the Project Transportation Facilities shall be segregated into such aqueduct reaches as are determined by the State to be necessary for such allocations of costs. Subject to such modifications as are determined by the State to be required by reason of any request furnished by the District to the State pursuant to Article 17(a) of this contract, or by reason of contracts entered into by the State with other Contractors, the aqueduct reaches of the Project Transportation Facilities, a portion of the costs of which may be allocated to the District, are established as provided in Table G; *provided* that those costs of the aqueduct reaches from the Delta through the outlet of San Luis Reservoir which are allocated to the purpose of water conservation in, above, and below the Delta for the purpose of determining the Delta Water Charge, as hereinbefore set forth, shall not be included in the Transportation Charge.

TABLE G
PROJECT TRANSPORTATION FACILITIES NECESSARY TO DELIVER WATER TO
[DISTRICT]

<u>Aqueduct Reach</u>	<u>Major Features of Reach</u>
Delta to Discharge Pumping Plant I	Intake Canal Fish Protective Facilities Pumping Plant I <Harvey O. Banks>
Discharge Pumping Plant I to San Luis Forebay	Aqueduct
San Luis Forebay to Outlet San Luis Reservoir	San Luis <O'Neill> Forebay and Dam Pumping Plant II <Dos Amigos> San Luis Reservoir and Dam
Outlet San Luis Reservoir to Avenal Gap	Aqueduct
Avenal Gap to Pumping III	Aqueduct
Pumping Plant III to Pumping Plants IV-V	Pumping Plant III <Buena Vista> Aqueduct
Pumping Plant IV-V to Pumping Plant VI	Pumping Plant IV <Wheeler Ridge (IRA J. Chrisman)> Pumping Plant V <Windgap (John R. Teerink)> Aqueduct
Pumping Plant VI to South Portal Tehachapi Tunnels	Pumping Plant VI <A.D. Edmonston> Tehachapi Tunnels

(This table was labeled Table I in original contract provisions)

East Branch Aqueduct

South Portal Tehachapi Tunnels to Cottonwood Power Plant	Aqueduct Cottonwood Power Plants 1 and 2 <now one plant named Alamo Power Plant>
Cottonwood Power Plant to a point near Fairmont Reservoir	Aqueduct
Near Fairmont Reservoir to Little Rock Creek	Aqueduct
Little Rock Creek to West Fork Mojave River	Pumping Plant VIII <Pearblossom Pumping Plant> Aqueduct
West Fork Mojave River to Perris Reservoir	Cedar Springs Reservoir <Lake Silverwood> and Dam Devil Canyon Power Plants 1 and 2 <now one plant> Aqueduct <Santa Ana Pipeline> Perris Reservoir and Dam <Lake Perris>

West Branch Aqueduct

South Portal Tehachapi Tunnels to West Branch Terminal Reservoir	Aqueduct <Canal Oso Pumping Plant, Quail Lake, Peace Valley Pipeline, Warne Power Plant, Pyramid Lake, Angeles Tunnel, Castaic Power Plant, and Elderberry Forebay>
West Branch Terminal Reservoir	Dam, reservoir, and outlet facilities <Castaic Lake>

(d) Provisions Applicable to the Transportation Charge for Costs Incurred Both Before and On or After the Billing Transition Date.

(1) Wherever reference is made, in connection with the computation, determination, or payment of the Transportation Charge, to the allocation or payment of costs of any facility or facilities included in the System, such reference shall be only to those costs of such facility or facilities which are reimbursable by the Contractors as determined by the State.

(2) The State, in fixing and establishing prices, rates, and charges for water and power, shall include as a reimbursable cost of any state water project an amount sufficient to repay all costs incurred by the State, directly or by contract with other agencies, for the preservation of fish and wildlife and determined to be allocable to the costs of the project works constructed for the development of that water and power, or either. Costs incurred for the

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enhancement of fish and wildlife or for the development of public recreation shall not be included in the prices, rates, and charges for water and power, and shall be nonreimbursable costs. Such recreational purposes include, but are not limited to, those recreational pursuits generally associated with the out-of-doors, such as camping, picnicking, fishing, hunting, water contact sports, boating, and sightseeing, and the associated facilities of campgrounds, picnic areas, water and sanitary facilities, parking areas, viewpoints, boat launching ramps, and any others necessary to make project land and water areas available for use by the public. In administering this Contract "development of public recreation" shall include recreation capital and operation and maintenance.

24. TRANSPORTATION CHARGE -- CAPITAL COMPONENTS.

(a) **Transportation Charge Capital Component for Costs Incurred Prior to the Billing Transition Date.** The provisions of this subdivision (a) shall apply only to Capital Costs Incurred prior to the Billing Transition Date.

(1) *Recovery of Capital Costs of Project Transportation Facilities Incurred Prior to the Billing Transition Date.* The amount of the capital component of the Transportation Charge for Capital Costs Incurred prior to the Billing Transition Date shall be determined in two steps as follows:

(A) first, an allocation of such costs to the Contractor in accordance with subdivision (a)(2) of this article, and

(B) second, a computation of annual payments to be made by the Contractor of such allocated costs and interest thereon, computed at the Project Interest Rate in accordance with subdivision (a)(3) of this article.

(2) *Allocation of Capital Costs of Project Transportation Facilities Incurred Prior to the Billing Transition Date.* The total amount of Capital Costs Incurred prior to the Billing Transition Date of each aqueduct reach to be returned to the State shall be allocated among all Contractors entitled to delivery of Project Water from or through such reach by the proportionate use of facilities method of cost allocation and in accordance with Article 23(c) and subdivision (c)(1) of this article.

The projected amounts of Capital Costs to be allocated annually to the District under the capital component of the Transportation Charge shall be determined by the State in accordance with the cost allocation principles and procedures set forth in this subdivision (a) and subdivision (c)(1) of this article, which principles and procedures shall be controlling as to allocations of Capital Costs to the District. Such amounts will be set forth in Table H by the State as soon as designs and cost estimates are prepared by it subsequent to receipt of requests from the District as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of Project Water to the District, pursuant to Article 17(a), *provided* that these amounts shall be subject to redetermination by the State in accordance with Article 28.

TABLE H
PROJECTED ALLOCATIONS OF CAPITAL COSTS INCURRED PRIOR TO THE
BILLING TRANSITION DATE OF
PROJECT TRANSPORTATION FACILITIES TO
[DISTRICT]

Year	Projected Allocation in Thousands of Dollars
1*	
2	
3	
4	

* Year in which State commences construction of Project Transportation Facilities.
 (This table was labeled Table C in original contract provisions)

(3) *Determination of Capital Component of Transportation Charge for Costs Incurred Prior to the Billing Transition Date.* The District’s annual payment of its allocated Capital Costs Incurred prior to the Billing Transition Date and interest thereon, computed at the Project Interest Rate and compounded annually, shall be determined in accordance with a repayment schedule established by the State and determined in accordance with the principles set forth in (A), (B), and (C) below, which principles shall be controlling as to the District’s payment of its allocated Capital Costs. The District’s repayment schedule will be set forth in Table I by the State as soon as designs and cost estimates are prepared by it subsequent to receipt of requests from the District as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of Project Water to the District, pursuant to Article 17(a); *provided* that the amounts set forth in Table I shall be subject to redetermination by the State, pursuant to Article 28.

(A) The District’s annual payment shall be the sum of the amounts due from the District on the District’s allocated Capital Costs for the then current year and for each previous year where each such amount will pay, in not more than fifty (50) equal annual installments of principal and interest, the District’s allocated Capital Costs for the respective year and interest thereon, computed at the Project Interest Rate and compounded annually.

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

(C) Such annual Transportation Charge payments shall cease when all allocated Capital Costs and interest thereon, computed at the Project Interest Rate and compounded annually, are repaid.

TABLE I
TRANSPORTATION CHARGE FOR COSTS INCURRED PRIOR TO THE BILLING
TRANSITION DATE-- CAPITAL COST COMPONENT
[DISTRICT]
 (In Thousands of Dollars)

Year	Annual Payment of Principal	Annual Interest Payment	Total Annual Payment by District
1*			
2**			
3			
4			

* Year in which State commences construction of Project Transportation Facilities.

** Year of first payment.

(This table was labeled Table D in original contract provisions)

(4) Notwithstanding provisions of subdivisions 24(a)(1) through (a)(3) of this article, the capital component of the Transportation Charge for costs Incurred prior to the Billing Transition Date shall include an annual charge to recover the District's share of the portion of Water System Facility Revenue Bond Financing Costs allocable to Project Transportation Facilities. Charges to the District for these costs shall be calculated in accordance with Article 50(a).

(b) **Transportation Charge Capital Component for Costs Incurred On or After the Billing Transition Date.** The provisions of this subdivision (b) shall apply only to Capital Costs Incurred on or after the Billing Transition Date.

(1) The amount of the capital component of the Transportation Charge for costs Incurred on or after the Billing Transition Date shall be determined in three steps as follows:

(A) first, an allocation of Capital Costs to the Contractor as provided in subdivision (b)(2) of this article,

(B) second, a determination of the type and source of payment of each Capital Cost as provided in subdivision (b)(3) of this article, and

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(C) third, a computation of the annual payment to be made by the Contractor as provided in subdivision (b)(4) and (b)(5) of this article.

(2) The total amount of Capital Costs of each aqueduct reach to be returned to the State under the Transportation Charge for costs Incurred on or after the Billing Transition Date shall be allocated among all Contractors entitled to delivery of Project Water from or through the reach by the proportionate use of facilities method of cost allocation and in accordance with Article 23(c) and subdivision (c)(1) of this article.

(3) Annual Capital Costs of Project Transportation Facilities shall be divided into five categories of type and source of payment:

(A) Project Transportation Facility Capital Costs paid with the proceeds of Water System Facility Revenue Bonds,

(B) Project Transportation Facility Capital Costs paid with the proceeds of bonds issued under the Burns-Porter Bond Act

(C) Project Transportation Facility Capital Costs paid with amounts in the SWRDS Reinvestment Account

(D) Project Transportation Facility Capital Costs paid annually for assets that will have a short Economic Useful Life or the costs of which are not substantial

(E) Project Transportation Facility Capital Costs prepaid by the District.

The projected amounts of Project Transportation Facility Capital Costs of each type to be allocated annually to the District shall be determined by the State in accordance with the cost allocation principles and procedures set forth in Article 23(c)(1) through (c)(3) and this subdivision (b)(3), which principles and procedures shall be controlling as to allocations of each type of Capital Costs to the District; *provided* that these amounts shall be subject to redetermination by the State in accordance with Article 28. Such projected amounts will be set forth in Table J by the State.

**TABLE J
 PROJECTED ALLOCATIONS TO [DISTRICT]
 OF PROJECT TRANSPORTATION FACILITY CAPITAL COSTS INCURRED ON OR
 AFTER THE BILLING TRANSITION DATE**

Year	Allocations in Thousands of Dollars				
	Costs to be Paid with Proceeds of Water System Facility Revenue Bonds	Costs to be Paid with the Proceeds of Bonds issued under the Burns-Porter Bond Act	Costs to be Paid with Amounts in the SWRDS Reinvestment Account	Costs to be Paid Annually for Assets That Will Have a Short Economic Useful Life or the Costs of which are Not Substantial	Costs Prepaid by the District
1*					
2					
3					

* Year commencing with the Billing Transition Date

(4) The capital component of the Transportation Charge for a calendar year for costs Incurred on or after the Billing Transition Date shall consist of the following to the extent the related Capital Costs are allocated to the District:

(A) Water System Facility Revenue Bond: a charge determined in accordance with Article 50(b) to recover Water System Facility Revenue Bond Financing Costs Incurred during such calendar year that relate to the financing of Water System Facilities that are Project Transportation Facilities,

(B) Burns-Porter Act Bonds: a charge to recover the amount to be paid by the State of California during such calendar year in accordance with the Burns-Porter Bond Act for the principal of and interest on bonds issued under the Burns-Porter Bond Act on or after the Billing Transition Date for Project Transportation Facility Capital Costs,

(C) SWRDS Reinvestment Account: a charge determined in accordance with subdivision (b)(5) of Article 61 to amortize Project Transportation Facility Capital Costs Incurred during prior calendar years

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(but not prior to the Billing Transition Date) that have been paid with amounts from the SWRDS Reinvestment Account,

(D) Capital Assets with Short Economic Life or Costs of which are Not Substantial: a charge to recover the Capital Costs to be Incurred during such calendar year of Project Transportation Facility assets with a short Economic Useful Life or the costs of which are not substantial as determined by the State and any such Capital Costs Incurred but not charged in the prior two calendar years,

(5) *Projected Charges.* The projected amounts of the charges to be allocated annually to the District under the capital component of the Transportation Charge for costs Incurred on or after the Billing Transition Date shall be determined by the State in accordance with the cost allocation principles and procedures set forth in this Article, which principles and procedures shall be controlling as to allocations of capital component charges to the District; *provided* that these amounts shall be subject to redetermination by the State in accordance with Article 28. Such amounts are projected to be as set forth in Table K by the State.

**TABLE K
 PROJECTED CHARGES UNDER THE CAPITAL COMPONENT
 OF THE TRANSPORTATION CHARGE FOR COSTS INCURRED ON OR AFTER THE
 BILLING TRANSITION DATE TO
 [DISTRICT]**

Year	Projected Charges in Thousands of Dollars			
	Costs to be Paid with Proceeds of Water System Facility Revenue Bonds	Costs to be Paid with the Proceeds of Bonds issued under the Burns-Porter Bond Act	Costs to be Paid with Amounts in the SWRDS Reinvestment Account	Costs to be Paid Annually for Assets That Will Have a Short Economic Useful Life or the Costs of which are Not Substantial
1*				
2				
3				

* Year commencing with the Billing Transition Date.

(c) **Provisions Applicable to the Transportation Charge For Costs Incurred Both Prior To and On or After the Billing Transition Date.** The provisions of this subdivision (c) shall be applicable to Capital Costs Incurred both prior to and on or after the Billing Transition Date.

(1) *Proportionate Use Factors.* The measure of the proportionate use by each Contractor of each reach shall be the average of the following two ratios:

(A) the ratio of the Contractor's Maximum Annual Table A Amount to be delivered from or through the reach to the total of the Maximum Annual Table A Amounts of all Contractors to be delivered from or through the reach from the year in which charges are to be paid through the end of the Project Repayment Period, and

(B) the ratio of the capacity provided in the reach for the transport and delivery of Project Water to the Contractor to the total capacity provided in the reach for the transport and delivery of Project Water to all Contractors served from or through the reach from the year in which charges are to be paid through the end of the Project Repayment Period.

Allocations of Capital Costs to the District pursuant hereto shall be on the basis of relevant values which will be set forth in Table L by the State as soon as designs and cost estimates are prepared by it subsequent to receipt of requests from the District as to the maximum monthly delivery capability to be provided in each aqueduct reach of the Project Transportation Facilities for the transport and delivery of Project Water to the District, pursuant to Article 17(a); *provided* that these values shall be subject to redetermination by the State in accordance with Article 28; *provided further* that the principles and procedures set forth in this subdivision shall be controlling as to allocations of Capital Costs to the District. Proportionate use of facilities factors for prior years shall not be adjusted by the State in response to changes or transfers of Table A Amounts among Contractors unless otherwise agreed by the State and the parties to the transfer and unless there is no impact on past charges or credits of other Contractors.

TABLE L

[TABLE L shall set forth the relevant values that shall serve as the basis for allocation of all Transportation Charge Costs]

(This table was labeled Table B in original contract provisions)

(2) *Determinations Using Proportionate Use Factors.* The total amount in each category of Capital Costs allocated to a Contractor shall be the sum of the products obtained when there is multiplied, for each aqueduct reach necessary to deliver water to the Contractor, the total amount of the Capital Costs of the reach in that category to be returned to the State under the Transportation Charge by the average of the two foregoing ratios for such reach as such average is set forth in the appropriate table included in its contract.

(3) *Excess Capacity.* In the event that excess capacity is provided in any aqueduct reach for the purpose of making Project Water available in the future to an agency or agencies with which the State has not executed contracts at the time of any allocation of costs pursuant to this subdivision, the prospective Maximum Annual Table A Amount or Amounts to be supplied by such excess capacity, as determined by the State, shall be deemed to be contracted for by such agency or agencies for the purpose of such allocation of costs, to the end that the Capital Costs of providing such excess capacity are not charged to any Contractor entitled by virtue of an executed contract to the delivery of Project Water from or through that aqueduct reach at the time of such allocation. Where additional capacity is provided in any aqueduct reach to compensate for loss of water due to evaporation, leakage, seepage, or other causes, or to compensate for scheduled outages for purposes of necessary investigation, inspection, maintenance, repair or replacement of the facilities of the Project Facilities, then, for the purpose of any allocation of costs pursuant to this subdivision:

(A) the Maximum Annual Table A Amount to be delivered from or through the reach of each Contractor entitled to delivery of Project Water from or through the reach shall be increased by an amount which bears the same proportion to the maximum annual delivery capability provided by such additional capacity that the Contractor's Maximum Annual Table A Amount to be delivered from or through the reach bears to the total of the Maximum Annual Table A Amounts to be delivered from or through the reach under all contracts; and

(B) the capacity provided in the reach for each Contractor entitled to delivery of Project Water from or through the reach shall be increased in the same proportion that the Contractor's Maximum Annual Table A Amount to be delivered from or through the reach is increased pursuant to (A) above.

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(4) *Power Facilities.* The Capital Costs of project aqueduct power recovery plants shall be charged and allocated in accordance with this Article 24. The Capital Costs of off-aqueduct power facilities shall be charged and allocated in accordance with Article 25(d).

(5) *Capital Costs of Excess Capacity.* In the event that any Contractor, pursuant to Article 12(b), requests delivery capacity in any aqueduct reach which will permit maximum monthly deliveries to such Contractor in excess of the percentage amounts specified in such Article 12(b) for the uses designated therein, such Contractor shall furnish to the State, in advance of the construction of such aqueduct reach, funds sufficient to cover the costs of providing such excess capacity, which funds shall be in an amount which bears the same proportion to the total Capital Costs of such reach, including the costs of providing such excess capacity, as such excess capacity bears to the total capacity of such reach, including such excess capacity. For the purpose of any allocation of costs pursuant to subdivision (c)(1) of this article, the total Capital Costs of such aqueduct reach shall be allocated among all Contractors entitled to delivery of Project Water from or through the reach in the following manner:

(A) The costs which would have been Incurred for such reach had no such excess capacity been provided shall be estimated by the State and allocated among all such Contractors in the manner provided in such subdivision (c)(1); and

(B) the amount of the difference between such estimated costs and the projected actual costs of such reach shall be allocated to the Contractor or Contractors for which such excess capacity is provided.

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

(6) *Replacement Cost Treatment.* Replacement costs of Project Transportation Facilities shall be treated as either Capital Costs or as minimum operation, maintenance, power and replacement costs, as determined by the State considering the Economic Useful Life of the asset being replaced and other relevant factors.

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(7) *East Branch Enlargement.* Notwithstanding provisions of Articles 24(a) through 24(c), Capital Costs associated with East Branch Enlargement Facilities as defined in Article 49(a) shall be collected under the capital component of the East Branch Enlargement Transportation Charge Article 49(d). Any Capital Costs of off-aqueduct power facilities associated with deliveries through East Branch Enlargement Facilities shall be charged and allocated in accordance with Article 25(d).

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

The provisions of this article shall apply to costs incurred both prior to and on or after the Billing Transition Date.

(a) **Purpose.** The minimum operation, maintenance, power, and replacement component of the Transportation Charge shall return to the State those costs of the Project Transportation Facilities necessary to deliver water to the Contractor which constitute operation, maintenance, power, and replacement costs Incurred irrespective of the amount of Project Water delivered to the Contractor and which are allocated to the Contractor pursuant to subdivision (b) of this article; *provided* that to the extent permitted by law, the State may establish reserve funds to meet anticipated minimum replacement costs; and deposits in such reserve funds by the State: (1) shall be made in such amounts that such reserve funds will be adequate to meet such anticipated costs as they are incurred, and (2) shall be deemed to be a part of the minimum replacement costs for the year in which such deposits are made

(b) **Allocation.** The total projected minimum operation, maintenance, power, and replacement costs of each aqueduct reach of the Project Transportation Facilities for the respective year shall be allocated among all Contractors entitled to delivery of Project Water from such facilities by the proportionate use of facilities method of cost allocation, in the same manner and upon the same bases as are set forth for the allocation of Capital Costs in subdivisions (c)(1) through (c)(3) of Article 24; *provided* that such minimum operation, maintenance, power, and replacement costs as are Incurred generally for the Project Transportation Facilities first shall be allocated to each aqueduct reach in an amount which bears the same proportion to the total amount of such general costs that the amount of the costs Incurred directly for the reach bears to the total of all direct costs for all aqueduct reaches.

(c) **Determination; Repayment Table.** The amount to be paid each year by the District under the minimum operation, maintenance, power, and replacement component of the Transportation Charge shall be determined in accordance with subdivision (b) of this article on the basis of the relevant values to be set forth for the respective aqueduct reaches in Table L, included in Article 24; *provided* that these values shall be subject to redetermination by the State in accordance with Article 28. Such amounts and any appropriate interest thereon for costs incurred prior to the Billing Transition Date shall be set forth by the State in Table M as soon as designs and cost estimates have been prepared by it subsequent to receipt of requests from the District as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of Project Water to the District, pursuant to Article 17(a); *provided* that the amounts set forth in Table M shall be subject to redetermination by the State in accordance with Article 28.

TABLE M
TRANSPORTATION CHARGE -- MINIMUM OPERATION MAINTENANCE, POWER, AND
REPLACEMENT COMPONENT
[DISTRICT]

Year	Total Annual Payment by District*
1**	
2	
3	
4	

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

** Year in which the State commences construction of Project Transportation Facilities.

(This table was labeled Table E in original contract provisions)

(d) **Off-Aqueduct Power Facilities.** Notwithstanding the provisions of subdivisions (a) through (c) of this Article or of Article 1(h), the costs of off-aqueduct power facilities shall be determined and allocated as follows:

(1) The off-aqueduct power costs shall include all annual costs the State incurs for any off-aqueduct power facility, which shall include, but not be limited to, power purchases, annual Financing Costs, and associated operation and maintenance costs of such facility, less any credits, interest earnings, or other monies received by the State in connection with such facility or Revenue Bonds issued to finance the Capital Costs of such facility. In the event the State finances all or any part of an off-aqueduct power facility directly from funds other than bonds or borrowed funds, in lieu of such annual principal and interest payments, the repayment of Capital Costs as to that part financed by such other funds shall be determined on the basis of the schedule that would have been required under Article 24.

(2) The annual costs of off-aqueduct power facilities as computed in (1) above shall initially be allocated among Contractors in amounts which bear the same proportions to the total amount of such power costs that the total estimated electrical energy (kilowatt hours) required to pump through Project Transportation Facilities the desired delivery of Annual Table A Amounts for that year, as submitted pursuant to Article 12(a)(1) and as may be modified by the State pursuant to Article 12(a)(2), bears to the total estimated electrical energy

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(kilowatt hours) required to pump all such amounts for all Contractors through Project Transportation Facilities for that year, all as determined by the State.

(3) An interim adjustment in the allocation of the power costs calculated in accordance with (2) above, may be made in May of each year based on April revisions in approved schedules of deliveries of project and nonproject water for Contractors for such year. A further adjustment shall be made in the following year based on actual deliveries of project and nonproject water for Contractors; *provided, however*, that in the event no deliveries are made through a pumping plant, the adjustments shall not be made for that year at that plant.

(4) To the extent the monies received or to be received by the State from all Contractors for off-aqueduct power costs in any year are determined by the State to be less than the amount required to pay the off-aqueduct power costs in such year, the State may allocate and charge that amount of off-aqueduct power costs to the District and other Contractors in the same manner as costs under the capital component of the Transportation Charge are allocated and charged. After that amount has been so allocated, charged and collected, the State shall provide a reallocation of the amounts allocated pursuant to this paragraph (4), such reallocation to be based on the allocations made pursuant to (2) and (3) above for that year, or in the event no such allocation was made for that year, on the last previous allocation made pursuant to (2) and (3) above. Any such reallocation of costs incurred prior to the Billing Transition Date shall include appropriate interest thereon at the Project Interest Rate.

(e) The total minimum operation, maintenance, power and replacement component due that year from each Contractor shall be the sum of the allocations made under the proportionate use of facilities method provided in subdivision (b) of this article and the allocations made pursuant to subdivision (d) of this article for each Contractor.

(f) Notwithstanding provisions of Articles 25(a) through 25(c) and 25(e), minimum operation, maintenance, power, and replacement costs associated with deliveries through East Branch Enlargement Facilities as defined in Article 49(a) shall be collected under the minimum operation, maintenance, power, and replacement component of the East Branch Enlargement Transportation Charge as determined under Article 49(e).

26. TRANSPORTATION CHARGE -- VARIABLE OPERATION, MAINTENANCE AND POWER COMPONENT.

The provisions of this article shall apply to costs Incurred both prior to and on or after the Billing Transition Date.

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

(b) **Determination.** The amount of this variable operation, maintenance, and power component shall be determined as follows:

(1) *Determination of Charge Per Acre-Foot.* There shall be computed for each calendar year for each aqueduct reach of the Project Transportation Facilities a charge per acre-foot of water which will return to the State the total projected variable operation, maintenance and power costs of the reach for such calendar year. This computation shall be made by dividing such total by the number of acre-feet of Project Water estimated to be delivered from or through the reach to all Contractors during the year.

(2) *Determination of Charge Per Reach to the Contractor.* The amount of the variable component shall be the product of the sum of the charges per acre-foot of water, determined under (1) above, for each aqueduct reach necessary to deliver water to the Contractor, and the number of acre-feet of Project Water delivered to the Contractor during the year through such reach; *provided* that when Project Water has been requested by a Contractor and delivery thereof has been commenced by the State, and, through no fault of the State, such water is wasted as a result of failure or refusal by the Contractor to accept delivery thereof, the amount of such variable component to be paid by such Contractor during such period shall be the product of the above sum and the sum of the number of acre-feet of Project Water delivered to the Contractor and the number of acre-feet wasted.

(c) **Credit Relating to Project Aqueduct Power Recovery Plants.** There shall be credited against the amount of the variable operation, maintenance, and power

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

(d) **Determination of Total Variable Component Charge.** The amount to be paid each year by the District under the variable operation, maintenance, and power component of the Transportation Charge shall be determined in accordance with subdivision (a) of this article for the respective aqueduct reaches in Table L included in Article 24. Such amounts and any appropriate interest thereon for costs incurred prior to the Billing Transition Date shall be set forth by the State in Table N as soon as designs and cost estimates are prepared by it subsequent to receipt of requests from the District as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of Project Water to the District, pursuant to Article 17(a); *provided* that the amounts set forth in Table N shall be subject to redetermination by the State in accordance with Article 28.

**TABLE N
 TRANSPORTATION CHARGE -- ESTIMATED VARIABLE OPERATION, MAINTENANCE,
 AND POWER COMPONENT
 [DISTRICT]**

Year	Total Annual Payment by District*
1**	
2	
3	
4	

* Payments start with year of initial water delivery.

** Year in which the State commences construction of the Project Conservation Facilities.

(This table was labeled Table F in original contract provisions)

(e) **No Separate Variable Component for East Branch Enlargement Facilities.** There shall be no separate variable operation, maintenance, and power component for deliveries of water through East Branch Enlargement Facilities defined in Article 49(a).

27. TRANSPORTATION CHARGE -- REPAYMENT SCHEDULE.

The amounts to be paid by the District for each year under the Capital Cost and minimum operation, maintenance, power, and replacement components of the Transportation Charge, and under the variable operation, maintenance, and power component of such charge on the basis of then estimated deliveries, shall be set forth by the State in Table O as soon as designs and cost estimates have been prepared by it subsequent to receipt of requests from the District as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of Project Water to the District, pursuant to Article 17(a), which Table O shall constitute a summation of Tables I, K, M, and N; *provided* that each of the amounts set forth in Table O shall be subject to redetermination by the State in accordance with Article 28; *provided further* that the principles and procedures set forth in Articles 24, 25, and 26 shall be controlling as to such amounts. Such amounts shall be paid by the District in accordance with the provisions of Article 29.

**TABLE O
 REPAYMENT SCHEDULE--TRANSPORTATION CHARGE
 [DISTRICT]**

Year	Capital Cost Component	Minimum Component	Variable Component	Total
1*				
2**				
3				
4				

* Year in which State commences construction of Project Transportation Facilities.

** Year of first payment.

(This table was labeled Table G in original contract provisions)

**28. DELTA WATER CHARGE AND TRANSPORTATION CHARGE --
REDETERMINATION.**

(a) **Redetermination of Transportation Charges for Costs Incurred Prior to the Billing Transition Date.** The provisions of this subdivision (a) shall apply only to costs Incurred prior to the Billing Transition Date.

(1) *Determinative Factors Subject to Retroactive Change.* The State shall redetermine the values and amounts set forth in Tables H through O (referred to in the original contract provisions as Tables B through G) of this contract in the year following the year in which the State commences construction of the Project Transportation Facilities and each year thereafter during the Project Repayment Period in order that the Transportation Charge to the District and the components thereof may accurately reflect the increases or decreases from year to year in projected costs, outstanding reimbursable indebtedness of the State Incurred prior to the Billing Transition Date to construct the Project Transportation Facilities described in Table G of this contract, Annual Table A Amounts, estimated deliveries, Project Interest Rate, and all other factors which are determinative of such charges. In addition, each such redetermination shall include an adjustment of the components of the Transportation Charge to be paid by the District for succeeding years which shall account for the differences, if any, between those factors used by the State in determining the amounts of such components for all preceding years and the factors as then currently known by the State. Such adjustment shall be computed by the State and paid by the District or credited to the District's account in the manner described in (b) and (c) below.

(2) *Adjustment: Transportation Charge -- Capital Component For Costs Incurred Prior to the Billing Transition Date.* Adjustments for prior underpayments or overpayments of the capital component of the Transportation Charge to the District for costs Incurred prior to the Billing Transition Date, together with accrued interest charges or credits thereon computed at the then current Project Interest Rate on the amount of the underpayment or overpayment and compounded annually for the number of years from the year the underpayment or overpayment occurred to and including the year following the redetermination, shall be paid in the year following the redetermination; *provided* that the District may elect to exercise the option whereby when the redetermined Transportation Charge for the following year, with adjustments, including adjustments of the operation, maintenance, power, and replacement components provided for in subdivision (a)(3) of this article, is more or less than the last estimate of the charge provided pursuant to Article 27 for the corresponding year, without adjustments, an amount equal to the total of such difference shall be deducted

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from or added to the adjusted capital component for that year and paid or credited in accordance with the following schedule:

Percent that Transportation Charge for costs Incurred prior to the Billing Transition Date differs from last estimate (+ or -)	Period, in years, for amortizing the difference in indicated charge
for 10% or less	no amortization
more than 10%, but not more than 20%	2
more than 20%, but not more than 30%	3
more than 30%, but not more than 40%	4
more than 40%	5

Such payments or credits shall be equal semi-annual amounts of principal and interest on or before the 1st day of January and the 1st day of July, with interest computed at the Project Interest Rate and compounded annually, during varying amortization periods as set forth in the preceding schedule; *provided* that for the purpose of determining the above differences in the Transportation Charge for costs Incurred prior to the Billing Transition Date, the variable operation, maintenance, and power component shall be computed on the basis of the same estimated Project Water deliveries as was assumed in computing pursuant to Article 26(c).

(3) *Adjustment: Transportation Charge -- Minimum and Variable Components for costs Incurred prior to the Billing Transition Date.* One-twelfth of the adjustments for prior underpayments or overpayments of the District's minimum and variable operation, power, and replacement components for each year shall be added or credited to the corresponding components to be paid in the corresponding month of the year following the redetermination, together with accrued interest charges or credits thereon computed at the then current Project Interest Rate on the amount of the underpayment or overpayment and compounded annually for the number of years from the year the underpayment or overpayment occurred to and including the year following the redetermination.

(4) *Exercise of Option.* The option provided for in subdivision (a)(2) of this article shall be exercised in writing on or before the January 1 due date of the first payment of the capital component of the Transportation Charge for the year in which the option is to become effective. Such option, once having been exercised, shall be applicable for all of the remaining years of the Project Repayment Period.

(5) *Project Interest Rate Adjustments.* Notwithstanding the provisions of subdivision (a)(2) of this article, adjustments for prior overpayments and underpayments shall be repaid beginning in the year following the redetermination by application of a unit rate per acre-foot which, when paid for the projected portion of the District's Annual Table A Amount will return to the State, during the Project Repayment Period, together with interest thereon computed at the Project Interest Rate and compounded annually, the full amount of the adjustments resulting from financing after January 1, 1987, from all bonds, advances, or loans listed in Article 1(ad) except for Article 1(ad)(3) and except for bonds issued by the State under the Central Valley Project Act after January 1, 1987 for facilities not listed among the Water System Facilities in Article 1(ap). Notwithstanding the immediately preceding exception, such amortization shall also apply to any adjustments in this component charge resulting from a change in the Project Interest Rate due to any refunding after January 1, 1986 on bonds issued under the Central Valley Project Act. However, amortization of adjustments resulting from items listed in subdivisions (1)(ad)(4) through (7) of Article 1 shall be limited to a period which would allow the Department to repay the debt service on a current basis until such time as bonds are issued to reimburse the source of such funding. In no event shall this amortization period be greater than the Project Repayment Period.

(6) *No Adjustment of Water System Facility Revenue Bond Financing Costs.* The use of Water System Facility Revenue Bonds for financing facilities listed in Article 1(ap) shall not result in adjustments for prior underpayments or overpayments of the capital component of the Transportation Charge to the District under the provisions of this article. In place of making such adjustments, charges to the District for Water System Facility Revenue Bond Financing Costs will be governed by Article 50(a).

(b) **Redetermination of Delta Water Charges and Transportation Charges for Costs Incurred On or After the Billing Transition Date.** The provisions of this subdivision (b) shall apply only to costs Incurred on or after the Billing Transition Date.

(1) *Determinative Factors Subject to Retroactive Change.* The State shall redetermine the values and amounts set forth in Tables B through F and Tables J through O of this contract each calendar year commencing on or after the Billing Transition Date in order that the Delta Water Charge and the Transportation Charge to the District for costs Incurred on or after the Billing Transition Date and the components thereof may accurately reflect the increases or decreases from year to year in projected costs, outstanding reimbursable indebtedness of the State Incurred to construct Project Conservation Facilities and Project Transportation Facilities, Annual Table A Amounts, estimated deliveries, and all other factors which are determinative of such charges. In addition, each such redetermination shall include an adjustment of the components of the Delta

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Water Charge and Transportation Charge to be paid by the District for succeeding years which shall account for the differences, if any, between those factors used by the State in determining the amounts of such components for all preceding years and the factors as then currently known by the State, as applicable. Such adjustment shall be computed by the State and paid by the District or credited to the District's account in the manner described in subdivisions (b)(2) and (b)(3) of this article.

(2) *Adjustment: Delta Water Charge and Transportation Charge -- Capital Components for Costs Incurred On or After the Billing Transition Date.* Adjustments for prior underpayments or overpayments of the capital component of the Delta Water Charge and the Transportation Charge to the District for costs Incurred on or after the Billing Transition Date shall be paid in the year following the redetermination.

(3) *Adjustment: Delta Water Charge and Transportation Charge -- Minimum and Variable Components for Costs Incurred On or After the Billing Transition Date* One-twelfth of the adjustments for prior underpayments or overpayments of the District's minimum operation, maintenance, power, and replacement component and variable operation, maintenance and power component of the Delta Water Charge and Transportation Charge for each year shall be added or credited to the corresponding components to be paid in the corresponding month of the year following the redetermination.

29. TIME AND METHOD OF PAYMENT OF DELTA WATER CHARGE AND TRANSPORTATION CHARGE.

The provisions of this article shall apply to costs Incurred both prior to and on or after the Billing Transition Date. References to the Delta Water Charge shall include the Delta Water Charge for costs Incurred prior to the Billing Transition Date and the Delta Water Charge for costs Incurred on or after the Billing Transition Date, separately, as applicable, and references to the Transportation Charge shall include the Transportation Charge for costs Incurred prior to the Billing Transition Date and the Transportation Charge for costs Incurred on or after the Billing Transition Date, separately, as applicable.

(a) Initial Payments.

(1) *Delta Water Charge.* Payments by the District under the Delta Water Charge shall commence in the Year of Initial Water Delivery to the District.

(2) *Capital Component of the Transportation Charge.* Payments by the District under the capital component of the Transportation Charge shall commence in the year following the year in which the State commences construction of the Project Transportation Facilities.

(3) *Minimum Operation, Maintenance, Power, and Replacement Component.* Payments by the District under the minimum operation, maintenance, power, and replacement component of the Transportation Charge shall commence for each aqueduct reach in the year following the year in which construction of that reach is completed.

(4) *Variable Operation, Maintenance, Power, and Replacement Component.* Payments by the District under the variable operation, maintenance, power and replacement component of the Transportation Charge shall commence in the Year of Initial Water Delivery to the District.

(b) **Annual Statement of Charges.** The State shall, on or before July 1 of each year, commencing with the year preceding the year in which payment of the respective charge is to commence pursuant to this article, furnish the District with a written statement of the following items:

(1) the charges to the District for the next succeeding year under the capital components and minimum operation, maintenance, power, and replacement components of the Delta Water Charges and Transportation Charges; *provided* that charges for Financing Costs shall be stated as separate items in the Statement of Charges;

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(2) the unit charges to the District for the next succeeding year under the variable operation, maintenance, power and replacement components of the Delta Water Charge and Transportation Charge; and

(3) the total charges to the District for the preceding year under the variable operation, maintenance, power and replacement components of such Delta Water Charge and Transportation Charge; *provided* that through December 31, 1969, the Delta Water Charge shall be based upon a unit rate of \$3.50 per acre-foot and shall be paid by the contractors on the basis of their respective Annual Table A Amounts, as provided in Article 22(b).

All such statements shall be accompanied by the latest revised copies of the documents amendatory to Article 22 and of the tables included in Articles 24 through 27, together with such other data and computations used by the State in determining the amounts of the above charges as the State deems appropriate.

(c) **Monthly Statements.** The State shall, on or before the fifteenth day of each month of each year, commencing with the Year of Initial Water Delivery to the District, furnish the District with a statement of the charges to the District for the preceding month under the variable operation, maintenance, power and replacement components of the Delta Water Charge and Transportation Charge. Such charges shall be determined by the State in accordance with the relevant provisions of Articles 22 and 26 of this contract, upon the basis of metered deliveries of Project Water to the District, except as otherwise provided in those articles.

(d) **Semiannual Payments of Capital Components.** The District shall pay to the State, on or before January 1 of each year, one-half (1/2) of the charge to the District for the year under the capital component of the Delta Water Charge and one-half (1/2) of the charge to the District for the year under the capital component of the Transportation Charge, as such charges are stated pursuant to subdivision (b) of this article; and shall pay the remaining one-half (1/2) of each of such charges on or before July 1 of that year.

(e) **Monthly Payments of Minimum Operation, Maintenance, Power, and Replacement Component.** The District shall pay to the State, on or before the first day of each month of each year, one-twelfth (1/12) of the sum of the charges to the District for the year under the minimum operation, maintenance, power, and replacement components of the Delta Water Charge and Transportation Charge, respectively, as such charges are stated pursuant to subdivision (b) of this article.

(f) **Monthly Payments of Variable Operation, Maintenance, Power, and Replacement Component.** The District shall pay to the State on or before the fifteenth day of each month of each year, the charges to the District under the variable operation, maintenance, power, and replacement components of the Delta Water Charge and

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Transportation Charge, respectively, for which a statement was received by the District during the preceding month pursuant to subdivision (c) of this article, as such charges are stated in such statement.

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

50. WATER SYSTEM FACILITY REVENUE BOND FINANCING COSTS.

(a) **Water System Facility Revenue Bonds to Finance Capital Costs Incurred Prior to the Billing Transition Date.** The provisions of this subdivision (a) shall apply to the Financing Costs of Revenue Bonds issued to finance Water System Facility Capital Costs Incurred prior to the Billing Transition Date. Charges to all Contractors for such Financing Costs shall return to the State each year an amount equal to the Financing Costs the State incurs in that year for such Water System Facility Revenue Bonds.

(1) *Elements of Charge.* Annual charges to recover such Water System Facility Revenue Bond Financing Costs shall consist of two elements.

(A) The first element shall be an annual charge to the District for repayment of Capital Costs of Water System Facilities as determined under Articles 22(a) and 24(a) of this contract with interest at the Project Interest Rate. For conservation facilities, the charge shall be a part of the capital component of the Delta Water Charge in accordance with the provisions of Article 22(a) applicable to Capital Costs Incurred prior to the Billing Transition Date. For transportation facilities, the charge shall be a part of the capital component of the Transportation Charge in accordance with the provisions of Article 24(a) applicable to Capital Costs Incurred prior to the Billing Transition Date.

(B) The second element shall be the District's share of a Water System Facility Revenue Bond Surcharge to be paid in lieu of a Project Interest Rate adjustment. The total annual amount to be paid by all Contractors under this element shall be the difference between the total annual charges under the first element and the annual Financing Costs of the related Water System Facility Revenue Bonds. The amount to be paid by each Contractor shall be calculated annually as if the Project Interest Rate were increased to the extent necessary to produce revenues from all Contractors sufficient to pay such difference for that year. In making that calculation, adjustments in the District's transportation capital component charges for prior overpayments and underpayments shall be determined as if amortized over the remaining years of the Project Repayment Period.

(2) *Identification of Surcharge on Invoices.* The Water System Facility Revenue Bond Surcharge will be identified off aqueduct power facilities, water system facilities and East Branch Enlargement Facilities”

in the District's invoice.

(3) *Timing of Surcharge Payments.* Surcharge payments shall be made in accordance with Article 29(f) of this contract.

(4) *Termination of Surcharge.* The Water System Facility Revenue Bond Surcharge under Article 50(a)(1)(B) shall cease for each series of Water System Facility Revenue Bonds when that series is fully repaid. However, the annual charge determined pursuant to Article 50(a)(1)(A) shall continue to be collected for the time periods otherwise required under Articles 22 and 24.

(5) *Reduction of Charges.* After the Department has repaid the California Water Fund in full and after each series of Water System Facility Revenue Bonds is repaid, the Department will reduce the charges to all Contractors in an equitable manner in a total amount that equals the amount of the charges under Article 50(a)(1)(A) that the Department determines is not needed for future financing of facilities of the System which, in whole or in part, will serve the purposes of the water supply contract with the District.

(b) **Water System Facility Revenue Bonds to Finance Capital Costs Incurred On or After the Billing Transition Date.** The provisions of this subdivision (b) shall apply to the Financing Costs of Revenue Bonds issued to finance Water System Facility Capital Costs Incurred on or after the Billing Transition Date. Charges to all Contractors for such Financing Costs shall return to the State each year an amount equal to the Financing Costs the State incurs in that year for such Water System Facility Revenue Bonds. The amount of this charge shall be calculated in two steps as follows:

(1) *Allocation of Water System Facility Capital Costs.* Capital Costs Incurred on or after the Billing Transition Date of Water System Facilities that are conservation facilities shall be allocated among all Contractors in proportion to each Contractor's Maximum Annual Table A Amount. Capital Costs Incurred on or after the Billing Transition Date of Water System Facilities that are transportation facilities shall be allocated among all Contractors in accordance with Article 24(c).

(2) *Determination of Annual Financing Cost Amounts.* The State shall determine and charge the District each year the amount of the Financing Costs the State incurs in that year for the Water System Facility Revenue Bonds issued to finance such Water System Facility Capital Costs allocated to the District.

(c) **Provisions Applicable to All Water System Facility Revenue Bonds.** The provisions of this article shall apply to all Water System Facility Revenue Bonds.

(1) *Credits for Excess Amounts.* The State shall provide credits to the Contractors for excess reserve funds, excess debt service coverage, interest,

and other earnings of the State in connection with payment of the Financing Costs of such Water System Facility Revenue Bonds, when and as permitted by the applicable bond resolution or indenture. When such credits are determined by the State to be available, such credits shall be promptly provided to the Contractors and shall be in proportion to the payments of Water System Facility Revenue Bond Financing Costs from each Contractor. Reserves, bond debt service coverage, interest, and other earnings may be used to retire bonds.

(2) *Allocation of Maturities Permitted.* When calculating charges for Water System Facility Revenue Bond Financing Costs, the State may allocate portions of particular maturities of Water System Facility Revenue Bonds and the Financing Costs associated with such maturities to particular Water System Facilities, in order to establish a reasonable relationship between the Economic Useful Life of such facilities and the term of bonds issued to finance such facilities, and may determine the Financing Costs allocated to the District on the basis of such maturity allocation.

(3) *Supplemental Bills for Unanticipated Financing Costs.* The State may submit a supplemental bill to the District for the year if necessary to meet unanticipated costs for Water System Facility Revenue Bond Financing Costs for which the State can issue a statement of charges under this article and any other article of this contract providing for payments that are pledged to the payment of Revenue Bonds issued to finance Project Facility Capital Costs allocated to the District. The relative amounts of any supplemental billing made to the District and to other Contractors for Revenue Bond purposes shall be governed by the otherwise applicable article. Payment of any supplemental billing shall be due thirty days after the date of the invoice.

(4) *Insurance on Contractor Obligations.* To the extent economically feasible and justifiable, as determined by the State after consultation with Contractors, the State shall maintain insurance or other forms of security protecting bondholders and non-defaulting Contractors against costs resulting from the failure of any Contractor to make the payments required by this article.

(5) *Consultation on Financing Plan.* Before issuing each series of Water System Facility Revenue Bonds, the State shall consult with the Contractors, prepare a plan for the State's future financing of Water System Facilities, and give the District an opportunity to comment on the plan. The plan shall include but not be limited to the size of any Water System Facility Revenue Bond issuances and the form of any necessary resolutions, indentures or supplements.

(6) *Defaults.*

(A) If a Contractor defaults partially or entirely on its payment obligations with respect to Water System Facility Revenue Bond Financing Costs and sufficient insurance or other security protecting the non-defaulting Contractors is not provided under subdivision (c)(4) of this article, the State shall allocate a portion of the default to each non-defaulting Contractor. The District's share of the default shall be equal to an amount determined by multiplying the total default amount to be charged to all non-defaulting Contractors by the ratio that the District's Maximum Annual Table A Amount bears to the total of the Maximum Annual Table A Amounts of all non-defaulting Contractors. However, such amount shall not exceed in any year 25 percent of the Water System Facility Revenue Bond Financing Costs that are otherwise payable by the District in that year. The amount of default to be charged to non-defaulting Contractors shall be reduced by any receipts from insurance protecting non-defaulting Contractors and bond debt service coverage from a prior year and available for such purpose.

(B) If a Contractor defaults partially or entirely on its payment obligations under this article, the State shall also pursuant to Article 20, upon six months' notice to the defaulting Contractor, suspend water deliveries under Article 20 to the defaulting Contractor so long as the default continues. The suspension of water deliveries shall be proportional to the ratio of the default to the total Water System Facility Revenue Bond Financing Cost payments due from the defaulting Contractor. However, the State may reduce, eliminate, or not commence suspension of deliveries pursuant to this subparagraph if it determines suspension in the amounts otherwise required is likely to impair the defaulting Contractor's ability to avoid further defaults or that there would be insufficient water for human consumption, sanitation, and fire protection. The State may distribute the suspended water to the non-defaulting Contractors on terms it determines to be equitable.

(C) During the period of default, credits otherwise due the defaulting Contractor shall be applied to payments due from the defaulting Contractor.

(D) Except as otherwise provided in subparagraph (c) of this article, the defaulting Contractor shall repay the entire amount of the default to the State with interest compounded annually at the Surplus Money Investment Fund rate before water deliveries that had been suspended shall be fully resumed to that Contractor. If the defaulting Contractor makes a partial repayment of its default, the Department may provide a proportional restoration of suspended deliveries. The amount of the default to be repaid shall include any amounts previously received by

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the State from insurance proceeds, bond debt service coverage, or other reserves, and payments from other Contractors pursuant to this subparagraph (c)(6). The defaulting Contractor shall not be entitled to any

make-up water deliveries as compensation for any water deliveries suspended during the period when the Contractor was in default.

(E) At such time as the default amount is repaid by the defaulting Contractor, the non-defaulting Contractors shall receive credits in proportion to their contributions towards the amount of the default with interest collected by the State on the defaulted amount.

(F) In the event there is an increase in the amount a non-defaulting Contractor contributes to reserves and/or bond debt service coverage, such increase shall be handled in the same manner as provided in subparagraph (a) of this article.

(G) Action taken pursuant to this subdivision shall not deprive the State of or limit any remedy provided by this contract or by law for the recovery of money due or which may become due under this contract.

(7) *No Article 51 Reduction.* Amounts of Water System Facility Revenue Bond Financing Costs payable under this contract shall not be affected by any reductions in payments pursuant to Article 51.

(8) *Contract Extension.* In the event the Contract Extension Amendment takes effect, but not all Contractors sign the amendment, the following shall apply: If and to the extent that the charges under Article 50(b)(1) and 50(b)(2) of the water supply contracts of Contractors that have not executed the Contract Extension Amendment (“non-signing Contractors”) are not sufficient to recover the annual Financing Costs that relate to Revenue Bonds issued to finance capital costs that are Incurred after the Billing Transition Date and are allocable to such non-signing Contractors, the amount of the shortfall shall be determined. Such shortfall shall be charged to the Contractors that have executed the Contract Extension Amendment (“signing Contractors”) in proportion to each such signing Contractor’s total Water System Facility Revenue Bond Financing Cost charges under Article 50(b) of this contract.

51 FINANCIAL ADJUSTMENTS

(a) Article Expiration

This Article 51 shall be effective through December 31, 2035 and shall be of no further effect on and after January 1, 2036; provided, however, that the provisions of this Article 51 may, to the extent applicable, continue to be used and applied on and after January 1, 2036 for the purpose of truing up amounts owed by the District to the State or by the State to the District for the calendar years up to and ending with calendar year 2035.

(b) State Water Facilities Capital Account

(1) The State shall establish a State Water Facilities Capital Account to be funded from revenues available under Water Code section 12937(b)(4). Through procedures described in this article and as limited by this article, the State may consider as a revenue need under subdivision (c)(2)(v) of this article and may deposit in the State Water Facilities Capital Account the amounts necessary to pay capital costs of the State Water Facilities for which neither general obligation bond nor revenue bond proceeds are available, including but not limited to planning, reconnaissance and feasibility studies, the San Joaquin Valley Drainage Program and, through the year 2000, the CALFED Bay-Delta Program.

(2) The Director of the Department of Water Resources shall fully consult with the contractors and consider any advice given prior to depositing funds into this account for any purposes. Deposits into this account shall not exceed the amounts specified in subdivision (c)(2)(v) of this article.

(3) The State shall use revenue bonds or other sources of moneys rather than this account to finance the costs of construction of any major capital projects.

(4) Five years following the Contract Extension Amendment Effective Date, the SWRDS Finance Committee shall review the State Water Facilities Capital Account to determine whether to recommend to the Director that this account be closed. If the Director determines to close the account, the State shall transfer any balance in the account to the SWRDS Support Account.

(5) Unless closed sooner, the State Water Facilities Capital Account shall terminate on December 31, 2035 and the State shall transfer any balance in such account to the SWRDS Support Account.

(c) Calculation of Financial Needs

(1) Each year the State shall calculate in accordance with the timing provisions of Articles 29 and 31 the amounts that would have been charged (but for this article) to each contractor as provided in other provisions of this contract.

(2) Each year the State shall also establish its revenue needs for the following year for the following purposes, subject to the following limitations:

(i) The amount required to be collected under the provisions of this contract, other than this article, with respect to all revenue bonds issued by the State for Project Facilities.

(ii) The amount required for payment of the reasonable costs of the annual maintenance and operation of the State Water Resources Development System and the replacement of any parts thereof as described in Water Code section 12937(b)(1). These costs shall not include operation and maintenance costs of any Federal Central Valley Project facilities constructed by the United States and acquired by the State of California after 1994, other than the State's share of the joint use facilities which include San Luis Reservoir, the San Luis Canal and related facilities.

(iii) The amount required for payment of the principal of and interest on the bonds issued pursuant to the Burns-Porter Act as described in Water Code section 12937(b)(2).

(iv) Any amount required for transfer to the California Water Fund in reimbursement as described in Water Code section 12937(b)(3) for funds utilized from said fund for construction of the State Water Resources Development System.

(v) For the years 1998 and thereafter, the amount needed for deposits into the State Water Facilities Capital Account as provided in subdivision (b) of this article, but (A) not more than \$6 million per year for the years 1998, 1999 and 2000, and (B) not more than \$4.5 million per year for the years 2001 and thereafter.

(3) The State shall reduce the annual charges in the aggregate for all contractors by the amounts by which the hypothetical charges calculated pursuant to subdivision (c)(1) above exceed the revenue needs determined pursuant to subdivision (c)(2) above; provided that the reduction in annual charges in the aggregate for all contractors shall not exceed \$48 million in any year beginning with the first calendar year following the Contract Extension Amendment Effective Date. The provisions regarding the reduction in annual charges that were in effect prior to

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the Contract Extension Amendment Effective Date shall continue to apply to the entire calendar year in which the Contract Extension Amendment Effective Date occurs. The reductions under this article shall be apportioned among the contractors as provided in subdivisions (d), (e), (f) and (g) of this article. Reductions to contractors shall be used to reduce the payments due from the contractors on each January 1 and July 1; provided, however, that to the extent required pursuant to subdivision (h) of this article, each Agricultural Contractor shall pay to the Agricultural Rate Management Trust Fund an amount equal to the reduction allocated to such Agricultural Contractor. Any default in payment to the trust fund shall be subject to the same remedies as any default in payment to the State under this contract. To determine whether the reduction in annual charges in the aggregate for all contractors equals the \$48 million limit specified in this subdivision (c)(3), it shall be assumed that all contractors have executed the Contract Extension Amendment and will share in the available rate reductions consistent with the proportions as provided in this contract, regardless of whether one or more contractors do not receive a reduction under their respective Water Supply Contracts.

(4) The supplemental billing provisions authorized under this Article 51(c)(4) shall remain in effect through December 31, 2035, unless the Director determines in his or her discretion to eliminate the use of supplemental billing prior to that date or the Director in his or her discretion accepts a recommendation from the SWRDS Finance Committee to eliminate the use of supplemental billing prior to that date.

(i) The State shall inform the SWRDS Finance Committee if the available System cash balances are projected by the State to fall during the succeeding one hundred twenty (120) days to an amount below an amount equal to ninety (90) days operating expenditures. The SWRDS Finance Committee shall make a recommendation in light of such circumstances to the Director.

(ii) The State may submit a supplemental billing to the District for the year in an amount not to exceed the amount of the prior reductions for such year under this Article if necessary to meet unanticipated costs for purposes identified in Water Code Section 12937(b)(1) and (2) for which the State can issue billings under other provisions of this contract, subject to the following procedures and limitations:

(a) The State may only issue supplemental bills pursuant to the provisions of this Article 51(c)(4) when available System cash

balances are projected to be less than the amount equal to 90 days operating expenditures.

(b) The term “available System cash balances,” for purposes of subdivision (a) of this Article 51(c)(4)(ii) shall mean available amounts in the following California Water Resources Development Bond Fund accounts: System Revenue Account (to the extent the funds in the System Revenue Account are not projected to be needed for payment of Burns-Porter General Obligation Bond debt service within the next two years), General Operating Account, SWRDS Reinvestment Account, and SWRDS Support Account (to the extent the funds in the SWRDS Support Account are not projected to be needed for non-reimbursable expenditures within the next two years).

(c) The term “operating expenditures” for purposes of subdivision (a) of this Article 51(c)(4)(ii) shall mean the costs described in California Water Code Section 12937(b) chargeable to the State Water Project as water supply.

(d) Any supplemental billing made to the [District] for these purposes shall be in the same proportion to the total supplemental billings to all contractors for these purposes as the prior reduction in charges to the District in that year bears to the total reduction in charges to all contractors in that year and shall be treated as reducing the amount of the reduction made available for that year to the contractor by the amount of the supplemental bill to the contractor.

(5) The State may also submit a supplemental billing to the [District] for the year if necessary to meet unanticipated costs for revenue bond debt service and coverage for which the State can issue a statement of charges under provisions of this contract other than this article. The relative amounts of any supplemental billing made to the [District] and to other contractors for revenue bond purposes shall be governed by such other applicable provisions of this contract.

(6) Payment of any supplemental billing shall be due thirty days after the date of the invoice. Delinquency and interest on delinquent amounts due shall be governed by Article 32.

(d) Apportionment of Reductions between Agricultural and Urban Contractors:

(1) Commencing with the first calendar year following the Contract Extension Amendment Effective Date, the State shall apportion available reductions for each year in accordance with this Article.

(2) Annual reductions in the aggregate amount of \$48 million are projected to be available in the first calendar year following the Contract Extension Amendment Effective Date and each succeeding year through calendar year 2035 and shall be applied as follows:

(i) If reductions are available in an aggregate amount that equals \$48 million, \$11,856,000 of reductions shall be apportioned among the Agricultural Contractors, and \$36,144,000 of reductions shall be apportioned among the Urban Contractors.

(ii) If reductions are available in an aggregate amount less than \$48 million in any of these years, the reductions shall be divided on a 24.7%-75.3% basis between the Agricultural Contractors and the Urban Contractors respectively.

(3) No contractor shall be entitled to receive in any year any additional reductions, including any additional reductions to make up for deficiencies in past projected reductions and any additional reductions above an aggregate annual amount of \$48 million.

(4) Reductions in annual charges to a contractor pursuant to this Article 51 (d) shall only be made prospectively beginning with the later of the first calendar year following the Contract Extension Amendment Effective Date or the first calendar year following the date the contractor executes the Contract Extension Amendment. Apportionments of reductions shall be calculated on the assumption that all contractors have executed such amendment.

(e) Revenues and Reports

(1) Each year, beginning with the first calendar year commencing after the Contract Extension Amendment Effective Date, the Director shall determine the amount of available Article 51(e) Amounts. The Director shall determine the aggregate amount that would have been charged to all contractors in any year but for this Article 51 and from that amount shall deduct the sum of

(i) the amount of revenues needed for the purposes specified in subdivisions (c)(2)(i), (ii), (iii), (iv) and (v) plus

(ii) \$48 million.

The remaining amount, if any, shall be referred to herein as “Article 51(e) Amounts”.

(2) The State shall allocate available Article 51(e) Amounts as follows: The Director in his or her discretion shall allocate and transfer or deposit up to 80% of available Article 51(e) Amounts, as determined on a projected basis, and up to 100% of available Article 51(e) Amounts, as determined on an actual basis, into the General Operating Account, the SWRDS Support Account and/or the SWRDS Reinvestment Account. Any Article 51(e) Amounts determined on an actual basis to be remaining in the Systems Revenue Account after the Director allocates and transfers such amounts to the General Operating Account, the SWRDS Support Account and/or the SWRDS Reinvestment Account shall remain in the Systems Revenue Account and shall be tracked separately in the State’s Financial Information System. The Director shall have full discretion regarding the use of the amounts remaining in the Systems Revenue Account.

(3) The State shall prepare and distribute an Annual Rate Reduction Determination Report setting out the factors used to determine reductions in rates pursuant to Article 51(c). The report shall include a display of the distribution of gross annual revenues before, among other items, recreation and fish and wildlife expenditures, contributions to the State Water Facilities Capital Account and reduction in rates pursuant to Article 51(c). The report shall also include a display of the distribution and/or allocation of net annual revenues after reduction in rates pursuant to Article 51(c), to the General Operating Account, SWRDS Support Account, SWRDS Reinvestment Account, 51(e) Sub-Account of the Systems Revenue Account, Davis-Dolwig Fund, State Water Facilities Capital Account, and Suspended Costs, as applicable.

(4) The System Financial Activity Report, which is required to be prepared quarterly pursuant to Article 61(d), shall include annual and accumulated Article 51(e) Amounts and expenditure activity, including the beginning balance, the annual activity and the ending balance for the year for each fund or account into which Article 51(e) Amounts have been transferred or deposited. The System Financial Activity Report should also have sufficient detail to provide comprehensive accounting of annual Article 51(e) Amounts and the uses of the annual Article 51(e) Amounts to enable the SWRDS Finance Committee to assess the use of these amounts.

(f) **Apportionment of Reductions Among Urban Contractors.**

Reductions in annual charges apportioned to Urban Contractors under subdivision (d) of this article shall be further allocated among Urban Contractors pursuant to this subdivision. The amount of reduction of annual charges for each Urban Contractor shall be based on each Urban Contractor's proportionate share of total allocated capital costs as calculated below, for both project conservation and project transportation facilities, repaid by all Urban Contractors over the project repayment period.

(1) The conservation capital cost component of the reduction allocation shall be apportioned on the basis of maximum annual Table A amount. Each Urban Contractor's proportionate share shall be the same as the percentage of that contractor's maximum annual Table A amount to the total of all Urban Contractors' maximum annual Table A.

(2) The transportation capital cost component of the reduction allocation shall be apportioned on the basis of transportation capital cost component repayment obligations, including interest over the project repayment period. Each Urban Contractor's proportionate share shall be the same as the percentage that the contractor's total transportation capital cost component repayment obligation is of the total of all Urban Contractors' transportation capital cost component repayment obligations.

(i) Recalculations shall be made annually through the year 1999. Beginning in the year 2000 recalculations shall be made every five years unless an Urban Contractor requests a recalculation for an interim year and does so by a request in writing delivered to the Department by January 1 of the year in which the recalculation is to take place.

(ii) The transportation capital cost component repayment obligations, for purposes of this Article 51(f), shall be based in the year of recalculation on the then most recent Department of Water Resources Bulletin 132, Table B-15, "Capital Cost Component of Transportation Charge for Each Contractor," or its equivalent, excluding any costs or Table A amount associated with transfers of Table A amounts from Agricultural Contractors pursuant to Article 53.

(3) To reflect the relative proportion of the conservation capital cost component and the transportation capital cost component to the total of all capital cost repayment obligations, the two cost components shall be weighted as follows:

(i) The conservation capital cost component shall be weighted with a thirty percent (30%) factor. The weighting shall be accomplished by multiplying each Urban Contractor's percentage of maximum annual Table A

Amounts as calculated in subdivision (f)(1) of this article by thirty percent (30%).

(ii) The transportation capital cost component shall be weighted with a seventy percent (70%) factor. The weighting shall be accomplished by multiplying each Urban Contractor's percentage of transportation capital cost component repayment obligations as calculated in subdivision (f)(2) of this article by seventy percent (70%).

(iii) A total, weighted capital cost percentage shall be calculated for each Urban Contractor by adding the weighted conservation capital cost component percentage to their weighted transportation capital cost component percentage.

(4) The total amount of the annual charges to be reduced to Urban Contractors in each year shall be allocated among them by multiplying the total amount of annual charges to be reduced to the Urban Contractors by the total, weighted capital cost percentages for each such contractor. If the amount of the reduction to an Urban Contractor is in excess of that contractor's payment obligation to the Department for that year, such excess shall be reallocated among the other Urban Contractors.

(5) In the case of a permanent transfer of urban Table A amounts, the proportionate share of annual charge reductions associated with that Table A amount shall be transferred with the Table A amount to the buying contractor. In the case of an Table A amount transfer by either Santa Barbara County Flood Control and Water Conservation District or San Luis Obispo County Flood Control and Water Conservation District, the reductions in annual charges to that agency shall be allocated (a) on the basis of that Table A amount being retained by that agency which bears Coastal Branch Phase II transportation costs, (b) on the basis of that Table A amount being retained by that agency which does not bear Coastal Branch Phase II transportation costs, and (c) on the basis of the balance of that agency's Table A amount which also does not bear Coastal Branch Phase II transportation costs.

(g) Apportionment of Reductions Among Agricultural Contractors.

(1) Reductions in annual charges apportioned to Agricultural Contractors under subdivision (d) of this article shall be allocated among the Agricultural Contractors pursuant to this subdivision. The amount of reduction of annual charges for each Agricultural Contractor for the years 1997 through 2001 shall be based on each Agricultural Contractor's estimated proportionate share of the total project costs, excluding the variable operation, maintenance, power and replacement components of the Delta Water Charge and the Transportation

Charge and also excluding off-aqueduct power charges, to be paid by all Agricultural Contractors for the years 1997 through 2035, calculated without taking into account this article. For purposes of these calculations, Kern County Water Agency's and Dudley Ridge Water District's estimated project costs shall not include any costs associated with the 45,000 acre-feet of Annual Table A Amounts being permanently relinquished by those contractors pursuant to subdivision (j) of Article 53. Also, for purposes of these calculations, an Agricultural Contractor's estimated project costs shall not be reduced by the transfer of any of the 130,000 acre-feet of Annual Table A Amounts provided for in subdivisions (a) through (i) of Article 53. The proportionate shares for 1997 through 2001 shall be calculated as follows:

- (i) Each Agricultural Contractor's statement of charges received on July 1, 1994, shall be the initial basis for calculating the proportionate shares for the five years 1997 through 2001.
- (ii) Each Agricultural Contractor's estimated capital and minimum components of the Delta Water Charge and the Transportation Charge (excluding off-aqueduct power charges) and Water Revenue Bond Surcharge shall be totaled for the years 1997 through 2035.
- (iii) Kern County Water Agency and Dudley Ridge Water District totaled costs shall be reduced for the 45,000 acre-feet of annual Table A amount being permanently relinquished by them.
- (iv) Any reductions in an Agricultural Contractor's totaled costs resulting from the transfer of any of the 130,000 acre-feet of annual Table A amount shall be re-added to that Contractor's costs.
- (v) Each Agricultural Contractor's proportionate share shall be computed by dividing that Contractor's total costs by the total costs for all Agricultural Contractors determined pursuant to subparagraphs (ii), (iii) and (iv) above.

(2) The reductions in annual charges, for 1997 through 2001, shall be calculated using the method described in subdivision (g)(1) of this article.

(3) The allocation shall be recalculated using the same method described in subdivision (g)(1) of this article every five years beginning in 2002, if any Agricultural Contractor requests such a recalculation. Any recalculation shall be based on project cost data beginning with the year that the recalculation is to become effective through 2035.

(h) Agricultural Rate Management Trust Fund.

(1) Establishment. Through a trust agreement executed contemporaneously with this amendment, the State and the Agricultural Contractors that sign the Monterey Amendments shall establish the Agricultural Rate Management Trust Fund with a mutually agreed independent trustee.

(2) Separate Accounts. The trustee shall maintain within the trust fund a separate account for each Agricultural Contractor that signs the trust agreement to hold deposits made pursuant to this article.

(3) Deposits. Each Agricultural Contractor that signs the trust agreement shall deposit into such contractor's account within the trust fund, at the same time as payments would otherwise be required by this contract to be made to the State, an amount equal to the amount by which such contractor's charges under this contract have been reduced by reason of this article, until the balance in such contractor's account within the trust fund is the same percentage of \$150,000,000 as such contractor's percentage share of reductions made available to all Agricultural Contractors as specified in subdivision (g) of this article. In 2002 and every fifth year thereafter, the Agricultural Contractors will review the maximum accumulation in the trust fund (the "Cap") and determine whether the cap should be adjusted. However, the Cap shall not be reduced below an aggregate of \$150,000,000 for all Agricultural Contractor accounts.

(4) Trust Fund Disbursements.

(i) In any year in which the State's allocation of water to an Agricultural Contractor by April 15th of that year is less than one-hundred percent (100%) of the contractor's requested annual Table A amount for that year, the trustee shall, to the extent there are funds in that contractor's account, distribute to the State from such account for the benefit of that contractor an amount equal to the percentage of the total of that contractor's statement of charges for that year, as redetermined by the State on or about May 15th of that year, for (a) the Delta Water Charge; (b) the capital cost and minimum operation, maintenance, power and replacement components of the Transportation Charge (including off-aqueduct power charges); and (c) the water system revenue bond surcharge, that is equal to the percentage of that contractor's annual Table A amount for that year that was not allocated to it by the State by April 15th of that year.

(ii) In addition to the provisions of subdivision (h)(4)(i) of this article, if on April 15 of any year any of the irrigable land within the Tulare Lake Basin Water Storage District (Tulare) is flooded, and Tulare in writing requests the trustee to do so, the trustee shall, to the extent there are funds

in Tulare's account, distribute to the State from such account for the benefit of Tulare an amount equal to the percentage of the total of Tulare's statement of charges for that year, as redetermined by the State on or about May 15th of that year, for (a) the Delta Water Charge; (b) the capital cost and minimum components of the Transportation Charge (including off-aqueduct power charges); and (c) the water system revenue bond surcharge, that is equal to the percentage of the irrigable land within Tulare that is flooded on April 15.

(iii) Each Agricultural Contractor shall remain obligated to make payments to the State as required by other articles in this contract. Any amount to be disbursed pursuant to subdivisions (h)(4)(i) and (h)(4)(ii) shall be paid by the trustee to the State on July 1 of the year involved and shall be credited by the State toward any amounts owed by such respective Agricultural Contractor to the State as of that date. However, an Agricultural Contractor may direct the trustee to make the disbursement to that Agricultural Contractor which shall in turn make the payment to the State as required by other provisions of this contract. If the amount to be disbursed exceeds the amount owed to the State by such contractor as of July 1, the excess shall be disbursed by the Trustee to the State at the time of and in payment of future obligations owed to the State by such contractor. Alternatively, upon the request of such contractor, all or part of the excess shall be paid by the trustee to that contractor in reimbursement of prior payments by the contractor to the State for that year.

(5) Payment of Supplemental Bills. In any year in which a supplemental bill has been submitted to an Agricultural Contractor pursuant to subdivision (c)(4) of this article, such supplemental bill shall be treated as reducing by an equal amount the obligation of such contractor for that year to make payments into the Agricultural Rate Management Trust Fund. To the extent that such contractor has already made payments to the trust fund in an amount in excess of such contractor's reduced trust fund payment obligation, such contractor may request the trustee to use the excess from the trust fund to pay the supplemental bill.

(6) Discharge of Payment Obligation. Each payment to the State by the trust fund shall discharge and satisfy the Agricultural Contractor's obligation to pay the amount of such payment to the State. No reimbursement of the trust fund by the Agricultural Contractor for such payments shall be required. However, each Agricultural Contractor shall continue to make deposits to the trust fund matching the amount of each year's reductions as provided in subdivision (d) of this article so long as the amount in that contractor's account is less than its share of the Cap.

(7) Distribution of Funds in Excess of the Cap. Whenever accumulated funds (including interest) in an Agricultural Contractor's account in the trust fund

exceed that contractor's share of the Cap, or the estimated remaining payments the contractor is required to make to the State prior to the end of the project repayment period, that contractor may direct the trustee to pay such excess to the contractor.

(8) Termination of Trust Fund. At the end of the project repayment period, the Agricultural Rate Management Trust Fund shall be terminated and any balances remaining in the accounts for each of the Agricultural Contractors shall be disbursed to the respective Agricultural Contractors.

(i) **Definitions. For the purposes of this article, the following definitions will apply:**

(1) "Agricultural Contractor" shall mean the following agencies as they now exist or in any reorganized form:

- (i) County of Kings,
- (ii) Dudley Ridge Water District,
- (iii) Empire West Side Irrigation District,
- (iv) Kern County Water Agency for 848,130 acre-feet of its Table A amount,
- (v) Oak Flat Water District,
- (vi) Tulare Lake Basin Water Storage District.

(2) "Urban Contractor" shall mean every other agency having a long term water supply contract with the State as they exist as of the date of this amendment or in any reorganized form as well as Kern County Water Agency for 134,600 acre-feet of its Table A amount.

(j) **Except as provided in subdivisions (c)(4) and (c)(5),** this article shall not be interpreted to result in any greater State authority to charge the contractors than exists under provisions of this contract other than this article.

NEW CONTRACT ARTICLE

II. ARTICLE 61 IS ADDED TO THE CONTRACT AS A NEW ARTICLE AS FOLLOWS:

61. FINANCIAL ACCOUNTS AND ACTIVITIES

(a) General Operating Account

(1) The State shall maintain a General Operating Account to provide the moneys needed for the following purposes:

(i) To pay or provide for the payment of System costs which are reimbursable by one or more contractors under their respective Water Supply Contracts in the event System revenues available for such payment are insufficient for such purpose; or

(ii) To pay or provide for the payment of System costs for any System purpose in the event of a System emergency as defined in Article 61(a)(1)(iii).

(iii) A System Emergency, as used in this Article 61(a)(1)(ii) shall mean an immediate, urgent, critical, unexpected, or impending situation that, in the judgment of the Director may cause or pose a risk of causing injury, loss of life, damage to the property, impairment of the financial condition, and/or interference with the normal activities of the System which requires immediate attention and remedial action.

(2) The maximum amount in the General Operating Account shall be set, adjusted and funded as follows:

(i) Upon the Contract Extension Amendment Effective Date, the maximum amount shall be \$150 million.

(ii) On or before the first September 1 occurring five (5) years after the Contract Extension Amendment Effective Date and every five (5) years thereafter, the State shall present a business case analysis of the maximum amount reasonably necessary or appropriate to be maintained in the General Operating Account, including an evaluation of the maximum amount and its relationship to the business risks associated with the System cash flow, to the SWRDS Finance Committee for recommendation to the Director regarding a General Operating Account maximum amount

adjustment, provided that the maximum amount shall not be less than \$150 million.

(iii) To fund the General Operating Account to its maximum amount, the Director may, in his or her discretion, transfer to the General Operating Account (1) amounts determined to be available pursuant to Article 51(e); (2) earnings from the investment of amounts in the General Operating Account; (3) amounts in the SWRDS Reinvestment Account; and (4) amounts in the SWRDS Support Account.

(iv) If the Director determines to decrease the maximum amount pursuant to Article 61(a)(2)(ii), or the maximum amount is otherwise exceeded, the excess amount in the General Operating Account shall be transferred to the SWRDS Reinvestment Account.

(v) The State shall replenish the amounts used from the General Operating Account (1) through charges to the contractors to the extent the contractors are obligated to reimburse the State for the costs paid with such amounts and (2) from the SWRDS Support Account or other available revenues (including the sources described in subparagraph (iii) of this Article 61(a)(2)) for costs not reimbursable by the contractors under their respective Water Supply Contracts.

(vi) General Operating Account investment earnings shall be used to fund the General Operating Account to its maximum amount or, in the Director's discretion, transferred to the SWRDS Support Account and/or the SWRDS Reinvestment Account.

(3) The State shall prepare monthly reports on the balance in and use of the General Operating Account for the Director, and shall provide those reports to the SWRDS Finance Committee. The SWRDS Finance Committee may periodically review reporting frequency and make recommendations to the Director regarding reporting frequency.

(b) SWRDS Reinvestment Account

(1) Commencing with the Contract Extension Amendment Effective Date, the State shall establish and maintain a SWRDS Reinvestment Account to provide a continuing source of investment revenue to provide amounts to be transferred to or deposited in the General Operating Account, the SWRDS Reinvestment Account, and the SWRDS Support Account.

(2) To fund the SWRDS Reinvestment Account, the Director may, in his or her discretion, transfer to the SWRDS Reinvestment Account (i) amounts

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determined to be available pursuant to Article 51(e), (ii) earnings from the investment of amounts in the SWRDS Reinvestment Account, (iii) payments by the contractors for capital costs funded from the SWRDS Reinvestment Account, (iv) amounts from the SWRDS Support Account, and (v) amounts from the General Operating Account.

(3) Amounts in the SWRDS Reinvestment Account may be used and/or invested as follows:

(i) To pay capital costs of project facilities to the extent those costs are reimbursable by one or more contractors under their respective Water Supply Contracts. Such capital costs shall be reimbursed to the State in accordance with item 5 of this subparagraph (b) below.

(ii) To pay capital costs of project facilities pending reimbursement of the State with the proceeds of revenue bonds issued by the State; and

(iii) To make temporary investments in accordance with the statutory limitations on such investments.

(4) The State shall prepare regular reports on the SWRDS Reinvestment Account for the Director and shall provide those reports to the SWRDS Finance Committee. The State shall consult with the SWRDS Finance Committee about the investments and activities to be funded from the SWRDS Reinvestment Account.

(5) *Amortization of Costs Financed with Amounts in the SWRDS Reinvestment Account.* Charges to amortize Project Facility Capital Costs paid with amounts from the SWRDS Reinvestment Account shall return to the State, in equal annual amounts over an amortization period determined by the State, the amount of each such cost together with an interest charge on the unamortized balance thereof.

(i) The length of such amortization periods may be from ten (10) to fifty (50) years, *provided* that if the capital asset has an Economic Useful Life of less than ten (10) years, the amortization period may be a comparable period of less than ten (10) years.

(ii) The interest charge shall be at a rate equal to the market interest rate at the time the cost is Incurred on municipal Revenue Bonds with the following characteristics:

(a) the same rating as the rating on Revenue Bonds issued by the State to finance Project Facilities, and

(b) the same term as the length of the amortization period, all as determined by the State.

(iii) For the purposes of this subdivision (b)(5), the State may aggregate the Capital Costs of each project facility Incurred during each calendar year and determine a composite interest rate and a composite amortization period applicable to the amortization of such costs.

(iv) The amortization charges relating to the costs Incurred during each calendar year shall commence the calendar year starting one year after the end of the calendar year in which such costs were Incurred, and the amount to be amortized shall include capitalized interest for the period from the date or dates the costs are Incurred to the date of commencement of amortization.

(c) **SWRDS Support Account**

(1) Commencing with the Contract Extension Amendment Effective Date, the State shall establish and maintain a SWRDS Support Account to provide a source of funds to pay System costs that are not chargeable to the contractors under their respective Water Supply Contracts and for the payment of which there are no other monies available.

(2) To fund the SWRDS Support Account, the Director may, in his or her discretion, transfer to the SWRDS Support Account (i) amounts determined to be available pursuant to Article 51(e); (ii) amounts in the SWRDS Reinvestment Account, (iii) investment earnings in the General Operating Account; (iv) earnings from the investment of amounts in the SWRDS Support Account; and (v) other available revenues. The State shall not charge the [District] to replenish the SWRDS Support Account for costs not otherwise chargeable to the [District] under this contract.

(3) If the State is reimbursed or other amounts are appropriated and received for a cost paid from the SWRDS Support Account, the State shall deposit the amount reimbursed or received in the SWRDS Support Account.

(4) The State shall prepare regular reports on the SWRDS Support Account for the Director and shall provide those reports to the SWRDS Finance Committee. The State shall consult with the SWRDS Finance Committee about the investments and activities to be funded from the SWRDS Support Account.

(d) System Financial Activity Report and Reporting Principles

(1) The State shall prepare and distribute quarterly a System Financial Activity Report that contains the following information:

(i) By fund or account, the activity in the following funds and accounts: the General Operating Account, the SWRDS Support Account, the SWRDS Reinvestment Account, the 51(e) Sub-Account of the Systems Revenue Account, the Davis-Dolwig Fund, and the State Water Facilities Capital Account, and the activity with respect to suspended costs.

(ii) The data in the System Financial Activity Report shall be auditable, which includes an audit trail from the costing ledger (currently the Utility Cost Accounting Billing System, as of the Contract Extension Amendment Effective Date) to the general ledger (currently SAP, as of the Contract Extension Amendment Effective Date) or the Bulletin 132 estimates to the System Financial Activity Report.

(2) Appendix B, entitled System Reporting Principles, contains principles and guidelines which shall be followed, to the extent applicable, in the preparation of System financial reports and financial management reports.

(e) State Water Resources Development System Finance Committee

(1) The State shall establish a joint State and contractors finance committee, which shall be referred to as the State Water Resources Development System Finance Committee or SWRDS Finance Committee. The membership of the SWRDS Finance Committee shall include both representatives from the State and the contractors.

(2) The primary purpose of the SWRDS Finance Committee shall be to make recommendations to the Director concerning the financial policies of the System. The State and the contractors shall describe the scope of the SWRDS Finance Committee in a charter mutually agreeable to the State and the contractors.

(f) **Cost Recovery**

In general, the State should seek reimbursement for all System costs from the appropriate customers and users of System facilities. With respect to those System costs that are reimbursable by the contractors, the State should allocate financial responsibility for such costs in a manner that is both lawful and equitable, and which endeavors to recover such costs from the appropriate contractors. If the State proposes to not charge any contractor the full amount that the State is entitled to charge the contractor under the contract, the State shall present a written proposal to the SWRDS Finance Committee for purposes of developing a recommendation to the Director regarding the proposal. The State shall submit such proposal in writing to the SWRDS Finance Committee 90 days in advance of the Director issuing any decision and within such 90 day period the SWRDS Finance Committee shall provide the Director with a recommendation regarding such proposal. Such proposals shall comply with the structure set out in the SWRDS Finance Committee charter referenced in Article 61(e)(2).

NEW CONTRACT APPENDIX

III. APPENDIX B IS ADDED TO THE CONTRACT AS A NEW APPENDIX AND SHALL READ AS FOLLOWS:

APPENDIX B SYSTEM REPORTING PRINCIPLES

- A. During the term of the water supply contracts, it is likely that financial reports and financial management reports will change in scope, nature, and frequency. Regardless of the exact reports used, such reports shall follow the below principles and guidelines to the extent applicable.
1. Principle 1: Financial reporting will be generated from the general ledger or data warehouse of the financial information system (system of record), such as SAP. The financial system of record is the authoritative source for financial reporting data values in a system. To ensure data integrity, there must be one, and only one, system of record for financial reporting values.
 2. Principle 2: Financial reporting is not limited to annual financial statements but will be developed for regular reporting periods.
 3. Principle 3: Financial management reporting generated from other financial systems, such as Utility Cost Accounting Billing System (UCABS), will identify and analyze significant variances from prior years or budgets.
 4. Principle 4: Financial reporting and financial management reporting will identify unusual items and exceptions, and these items will be documented, reviewed, and resolved by management.
 5. Principle 5: DWR will use standardized System-wide business rules and utilize a centralized financial system, such as SAP, UCABS, or other system, to provide controls/validations to ensure data integrity and reliable reporting.
 6. Principle 6: DWR will use standardized data integrity rules in the development and publication of reports, including but not limited to the following:
 - (1) Data integrity refers to the accuracy and consistency of data stored in a database, data warehouse, data mart or other construct.
 - (2) Data integrity processes verify that data has remained unaltered in transit from creation to reception or remains unaltered in transit from one system to the next. Data used outside of the Enterprise Resource Planning (ERP) systems to meet the reporting needs of Program will undergo any number

of operations in support of decision-making, such as capture, storage, retrieval, update and transfer. It is important to have confidence that during these operations, the data will be kept free from corruption, modification and remain unaltered.

- (3) Data with “integrity” has a complete or whole structure. Data values are standardized according to a data model and/or data type. All characteristics of the data must be correct – including business rules, relations, dates, definitions and lineage – for data to be complete.
- (4) Data integrity is imposed within an ERP database when it is created and is authenticated through the ongoing use of error checking and validation routines.
- (5) Data integrity state or condition is to be measured by the validity and reliability of the data values.
- (6) Data integrity service and security maintains information exactly as it was input, and is auditable to affirm its reliability.

The SWRDS Finance Committee is charged with providing financial policy recommendations to the Director, and the Director has final discretion on whether or not to accept the recommendations. While the SWRDS Finance Committee is not charged with reviewing the content of financial reports, timely and accurate financial reporting and financial management reporting provides technical committees access to useful information that can be used to formulate proposals on financial policy matters that may be brought to the SWRDS Finance Committee.

IT IS FURTHER MUTUALLY AGREED that the following provisions, which shall not be part of the Water Supply Contract text, shall be a part of this Amendment and be binding on the Parties.

AMENDMENT IMPLEMENTING AND ADMINISTRATIVE PROVISIONS

1. EFFECTIVE DATE OF CONTRACT EXTENSION AMENDMENT

(a) The Contract Extension Amendment shall take provisional effect (“provisional effective date pursuant to subparagraph (a)”) on the last day of the calendar month in which both of the following occur: (i) the State and 15 or more contractors, with an aggregate maximum annual Table A amount exceeding 3,200,000 acre feet, have executed (or committed in a form satisfactory to the State to execute) the Contract Extension Amendment and (ii) no legal action addressing the validity or enforceability of the Contract Extension Amendment or any aspect thereof has been filed within sixty days of such execution or, if filed, a final judgment of a court of competent jurisdiction has been entered sustaining or validating the Contract Extension Amendments. Subject to subparagraph (b), the provisional effective date pursuant to paragraph (a) shall be the Contract Extension Amendment Effective Date if the conditions set out in subparagraph (e) are met.

(b) If any part of the Contract Extension Amendment of any contractor is determined by a court of competent jurisdiction in a final judgment or order to be invalid or unenforceable, the Contract Extension Amendments of all contractors shall be of no force and effect except as provided in subparagraph(c).

(c) The unenforceability and lack of effectiveness of all contractors’ Contract Extension Amendments as provided for in subparagraph (b) may be avoided only if the part of the Contract Extension Amendment determined to be invalid or unenforceable is explicitly waived in writing by the State and 15 or more contractors, with an aggregate maximum annual Table A amount exceeding 3,200,000 acre feet , in which case the Contract Extension Amendment shall take provisional effect (“provisional effective date pursuant to subparagraph (c)”) on the last day of the calendar month in which the requisite waivers are received, but only as to those contractors submitting such a waiver in writing, subject to subparagraph (e). The provisional effective date pursuant subparagraph (c) shall become the Contract Extension Amendment Effective Date if the conditions set out in subparagraph (e) are met.

(d) If any contractor has not executed a Contract Extension Amendment or has not submitted a waiver pursuant to subparagraph (c), whichever is applicable, within sixty (60) days of the provisional effective date pursuant to subparagraph (a) or the provisional effective date pursuant to subparagraph (c), as applicable, the amendment shall not take effect as to such contractor, unless the contractor and the

STATE WATER PROJECT WATER SUPPLY CONTRACT EXTENSION AMENDMENT
Using Metropolitan Water District of Southern California Water Supply Contract
California Department of Water Resources 2/13/18

State, in its discretion, thereafter execute such contractor's contract extension amendment or the contractor thereafter submits, and the State in its discretion accepts, the waiver, whichever applies, in which case the Contract Extension Amendment Effective Date for purposes of that contractor's contract and any associated terms shall be as agreed upon by the State and contractor.

(e) (1) If at the end of the applicable 60-day period specified in subparagraph (d), 24 or more contractors with an aggregate maximum annual Table A amount exceeding 3,950,000 acre feet have executed the amendment (or committed to execute the amendment in a form satisfactory to the State) or submitted a waiver pursuant to subparagraph (c), as applicable, the provisional effective date pursuant to subparagraph (a) or the provisional effective date pursuant to subparagraph (c), as applicable, shall become the Contract Extension Amendment Effective Date.

(2) If at the end of the applicable 60 day period specified in subparagraph (d), 24 or more contractors with an aggregate maximum annual Table A amount exceeding 3,950,000 acre feet have not executed (or committed to execute) the amendment or submitted a waiver pursuant to subparagraph (c), as applicable, then the State, after consultation with the contractors that have executed (or committed to execute) the amendment or submitted a waiver, as applicable, shall within 30 days following such 60 day period determine in its discretion whether to make the provisional effective date pursuant to subparagraph (a) or the provisional effective date pursuant to subparagraph (c), as applicable, the Contract Extension Amendment Effective Date. The State shall promptly notify all contractors of the State's determination. If the State determines, pursuant to this subparagraph 1(e)(2) to allow the contract amendment to take effect, it shall take effect only as to those contractors consenting to the amendment taking effect pursuant to this subparagraph 1(e)(2)

(f) (1) During the pendency of a legal action addressing the validity or enforceability of the Contract Extension Amendment, the State and a minimum of 24 contractors with an aggregate maximum annual Table A amount exceeding 3,950,000 acre feet which have executed (or committed to execute) the Contract Extension Amendment may agree in writing to waive any limitation barring the Contract Extension Amendment from taking effect until a final judgment of a court of competent jurisdiction has been entered (including to waive the "no force and effect " provision in subsection (b)) and instead allow the Contract Extension Amendment to take effect as to such contractors, subject to such conditions, if any, agreed upon, by the State and such contractors. In such case, the State shall promptly notify all Contractors of the effective date of the Contract Extension Amendment.

(2) If, during the pendency of a legal action addressing the validity or enforceability of the Contract Extension Amendment, less than 24 contractors with an aggregate maximum annual Table A amount exceeding 3,950,000 acre feet have agreed in writing to waive any limitation barring the Contract Extension Amendment

from taking effect until a final judgment of a court of competent jurisdiction has been entered as provided in subsection (1)(f)(1) above, then a contractor which has so agreed in writing may request the State to consider allowing the contract extension amendment to take effect with the agreement of less than 24 contractors. Upon receiving such a request, the State, after consultation with the contractors that have agreed in writing to waive any limitation as provided in subsection (1)(f)(1) above, may determine in its discretion whether to allow the Contract Extension Amendment to take effect with less than 24 contractors agreeing in writing to waive the limitation. The State shall promptly notify all contractors if the State's determines to allow the Contract Extension Amendment to take effect, and include in such notice the effective date of the Contract Extension Amendment and any conditions that would apply. If the State determines, pursuant to this subparagraph 1(f)(2) to allow the contract amendment to take effect, it shall take effect only as to those contractors consenting to the amendment taking effect pursuant to subparagraph 1(f)(1).

2. POST BILLING TRANSITION DATE ESTIMATES

If the State determines it to be necessary, the State may rely on estimates and later true-up for billing and reporting purposes in the initial years after the Billing Transition Date.

3. WAIVER AND RELEASE:

Subject to the Contract Extension Amendment taking effect, the [District] does hereby forever waive, release and discharge the State, and its current and former officers, agents and employees, from any and all past and present protests, claims, damages, actions and causes of action of every kind and description, now existing or hereafter arising, known or unknown, that were or could be or could have been asserted relating to the State's adjustment made prior to the execution date of this Contract Extension Amendment in connection with the proportional responsibility, for System facilities south of and including the Dos Amigos Pumping Plant, between (i) water supply and (ii) recreation and fish and wildlife enhancement.

4. OTHER CONTRACT PROVISIONS:

Except as amended by this amendment, all provisions of the contract shall be and remain the same and in full force and effect, provided, however, that any reference to the definition of a term in Article 1, shall be deemed to be a reference to the definition of that term, notwithstanding that the definition has been re-lettered within Article 1. In preparing a consolidated contract, the parties agree to update all such references to reflect the definitions' lettering within Article 1.

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Monthly Financial Report

SEPTEMBER 2018

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Statements of Revenues and Expenses

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Investment Reports

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Regional Division
Cash and Investment Summary
9/30/18

	BALANCE	% OF TOTAL	AVERAGE REMAINING LIFE DAYS	WGHTD. AVG. YIELD
<u>Agency Funds</u>				
Cash & Sweep Account	\$ 1,939,058	1.26%	-	1.945%
LAIF *	29,609,705	19.37%	-	2.063%
LACPIF	25,773,148	16.87%	-	1.890%
Federal Agencies	78,500,000	51.39%	791	1.578%
Total Agency	<u>135,821,911</u>			
<u>Capital Improvement Project Funds</u>				
Cash & Sweep Account	\$ 1,414,250	0.93%	-	1.945%
LAIF	5,551,547	3.63%	-	2.063%
Federal Agencies	10,000,000	6.55%	706	2.006%
Total CIP	<u>16,965,797</u>			
Total Cash and Investment	<u><u>\$ 152,787,708</u></u>	<u>100.00%</u>		1.778%

* Regional division's LAIF investments include SCWD pass through investment of \$13,593,462. SCWD also shows this amount on their division's monthly investment report.

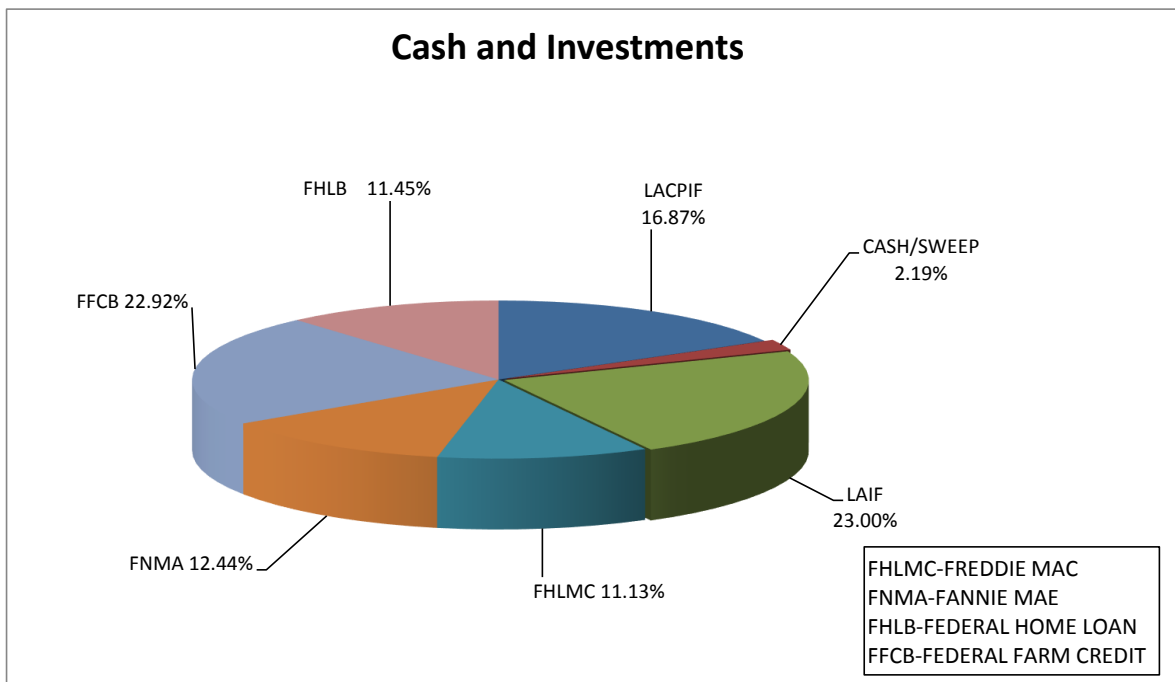
I certify that all investment actions executed since the last investment report have been made in full compliance with the Investment Policy as adopted by the Board of Directors, and that the Agency will meet its expenditure obligations for the next 6 months as required by Government Code Section 53646(b)(2) and (3), respectively.



Rochelle Patterson
Director of Finance and Administration/Treasurer



Amy Aguer
Controller



9/30/18

Regional Division General Funds Invested:

<u>Description</u>	<u>Par Value</u>	<u>Rate</u>	<u>Yield</u>	<u>Purchase Date</u>	<u>Maturity Date</u>	<u>Life Days</u>	<u>Rem. Days</u>	<u>Average Interest</u>	
Federal Government Agency Investment Portfolio									
FFCB	5,000,000	1.030%	1.030%	07/05/16	04/05/19	1004	187	51,500	#
FHLB	5,000,000	1.200%	1.200%	10/31/16	10/11/19	1075	376	60,000	#
FFCB	5,000,000	1.300%	1.300%	05/25/16	11/25/19	1279	421	65,000	#
FFCB	2,500,000	1.240%	1.240%	07/13/16	01/13/20	1279	470	31,000	#
FHLB	5,000,000	1.450%	1.450%	03/30/16	03/30/20	1461	547	72,500	#
FFCB	5,000,000	1.470%	1.470%	06/29/16	06/29/20	1461	638	73,500	#
FNMA	6,000,000	1.500%	1.500%	06/30/16	09/29/20	1552	730	90,000	#
FHLMC	5,000,000	1.750%	1.750%	04/26/17	10/26/20	1279	757	87,500	#
FNMA	8,000,000	1.750%	1.750%	10/30/15	10/29/20	1826	760	140,000	#
FFCB	5,000,000	1.350%	1.350%	11/02/16	11/02/20	1461	764	67,500	#
FFCB	5,000,000	1.440%	1.440%	07/16/16	01/19/21	1648	842	72,000	#
FHLMC	2,000,000	2.900%	2.900%	07/30/18	07/30/21	1096	1034	58,000	#
FNMA	5,000,000	1.550%	1.550%	08/24/16	08/24/21	1826	1059	77,500	#
FHLMC	5,000,000	2.000%	2.000%	04/27/17	04/27/22	1826	1305	100,000	#
FHLMC	5,000,000	2.100%	2.100%	04/27/17	04/27/22	1826	1305	105,000	#
FHLB	5,000,000	1.750%	1.750%	09/29/17	09/29/22	1826	1460	87,500	#

\$ 78,500,000

12655 1,238,500

Weighted Avg Yield 1.578%

Avg Remaining Life 791 Days

Regional Division CIP Funds Invested:

<u>Description</u>	<u>Par Value</u>	<u>Rate</u>	<u>Yield</u>	<u>Purchase Date</u>	<u>Maturity Date</u>	<u>Life Days</u>	<u>Rem. Days</u>	<u>Average Interest</u>	
Federal Government Agency Investment Portfolio									
FFCB	5,000,000	1.360%	1.360%	06/20/16	02/18/20	1338	506	68,000	#
FFCB	2,500,000	2.625%	2.625%	04/30/18	08/03/20	826	673	65,625	#
FHLB	2,500,000	2.680%	2.680%	04/30/18	04/26/21	1092	939	67,000	#

\$ 10,000,000

3256 2118 200,625

Weighted Avg Yield 2.006%

Avg Remaining Life 706 Days

Callable

Cash & Sweep Account, LAIF, and LACPIF are liquid investments.

Newhall Water Division
Cash and Investment Summary
As of September 30, 2018

<u>Operating and Reserve Funds</u>	Balance	Percent of Total	Average Remaining Life Days	Weighted Avg. Yield
Checking Account	\$ 1,309,074	11.83%		n/a
LAIF	7,513,836	67.92%		2.16%
UBS Certificates of Deposit	2,240,000	20.25%	723	2.08%
Total	\$ 11,062,910	100.00%		
 Total Cash and Investment	 \$ 11,062,910	 100.0%		

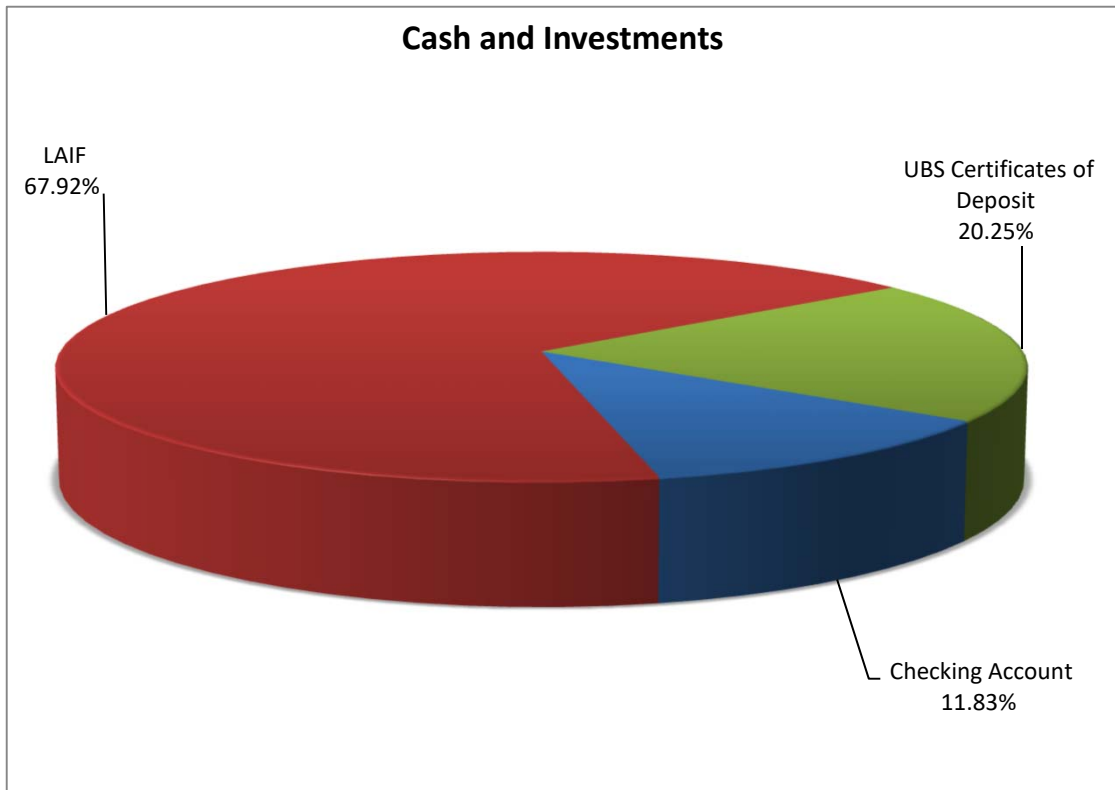


Rochelle Patterson
Director of Finance and Administration/Treasurer



Amy Aguer
Controller

I certify that the investments of the Newhall Water Division are in compliance with the Investment Policy as adopted by the Board of Directors, and that the Division has the ability to meet the expenditure requirements for the next 6 months.



NEWHALL WATER DIVISION
As of September 30, 2018

<u>Description</u>	<u>Rate</u>	<u>Yield</u>	<u>Market Value</u>
Mission Valley Bank Checking Account	N/A	N/A	\$ 1,309,074
Local Agency Investment Fund (LAIF)	2.16%	2.16%	7,513,836
			<u>\$ 8,822,910</u>

<u>Description</u>	<u>Par</u>	<u>Rate</u>	<u>Yield</u>	<u>Purchase Date</u>	<u>Maturity Date</u>	<u>Average Remaining Days</u>	<u>Average Interest</u>
<u>UBS Certificates of Deposit</u>							
Bank of Baroda NY US	200,000	2.05%	2.05%	10/28/13	11/13/18	44	4,100
Barclays Bank DE US	240,000	2.05%	2.05%	07/11/14	07/16/19	289	4,920
Comenity Bank DE US	200,000	2.15%	2.15%	10/23/14	10/29/19	394	4,300
Capital One Bank VA US	100,000	1.90%	1.90%	10/29/15	11/04/19	400	1,900
BMW Bank UT US	200,000	2.19%	2.19%	10/29/15	10/16/20	381	4,380
American Express C UT US	200,000	2.25%	2.25%	10/29/15	11/04/20	400	4,500
Capital One Bank VA US	200,000	2.14%	2.14%	10/29/15	03/31/21	912	4,280
World's Foremost B NE US	200,000	1.81%	1.81%	03/24/16	03/31/21	912	3,620
JP Morgan Chase Bank DE US	100,000	1.75%	1.75%	09/26/16	09/30/21	1,095	1,750
Wells Fargo Bank NA SD US	200,000	1.81%	1.81%	10/27/16	11/02/21	1,128	3,620
State Bank of India NY US	200,000	2.25%	2.25%	01/30/17	02/09/22	1,227	4,500
Goldman Sachs Bank NY US	200,000	2.36%	2.36%	10/24/17	11/01/22	1,492	4,720
	<u>\$ 2,240,000</u>					<u>723</u>	<u>\$ 46,590</u>

NCWD Total Cash and Investments

Santa Clarita Water Division
Cash and Investment Summary
As of September 30, 2018

SCWD*	Balance	Percent of Total	Maximum Concentration Allowed	Average Remaining Life Days	Weighted Avg. Yield
Retail Division Cash and Sweep	\$ 5,007,079	10.8%	n/a		1.95%
Wells Fargo Government I 1751 MMF	400,650	0.8%	10%		1.83%
FNMA Bond	3,000,000	6.5%	100%	561	1.52%
FFCB Bond	6,250,000	13.5%	100%	964	2.32%
FHLB Bond	5,000,000	10.8%	100%	926	1.83%
FMCC Bond	4,500,000	9.7%	100%	919	2.52%
Wells Fargo Bank Note	1,000,000	2.2%	100%	267	1.75%
California State Taxable Municipal Bond	1,500,000	3.2%	30%	763	2.30%
United States Treasury bill	500,000	1.1%	n/a	319	2.30%
LAIF	13,593,462	29.4%	State Max		2.06%
Wells Fargo Certificates of Deposit	5,550,000	12.0%	30%	582	1.96%
Total	\$ 46,301,191	100.00%			

Total Cash and Investment \$ 46,301,191 100.0%**

* See SCWD Portfolio on next page for detailed descriptions.

** Total for SCWD includes estimated \$2,663,751 in refundable Developer Deposits.

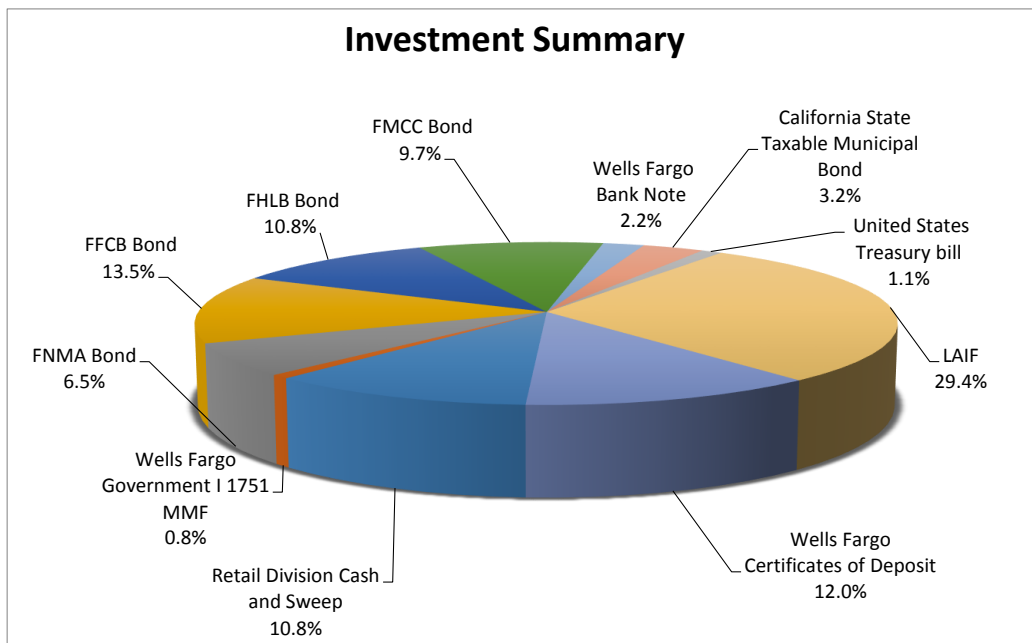
I certify that the investments of the Santa Clarita Water Division are in compliance with the Investment Policy as adopted by the Board of Directors, and that the Division has the ability to meet the expenditure requirements for the next 6 months.



Rochelle Patterson
Director of Finance and Administration/Treasurer



Elizabeth Ooms-Graziano
Retail Administrative Officer



Santa Clarita Water Division
Cash and Investment Summary
As of September 30, 2018

<u>Description</u>	<u>Balance</u>	<u>Rate</u>	<u>Yield</u>
Cash and Sweep (Cash in Bank)	\$ 5,007,079	1.95%	1.95%
Local Agency Investment Fund (LAIF)	13,593,462	2.06%	2.06%
Wells Fargo Government I 1751 Money Market Fund (MMF)	400,650	1.83%	1.83%
	<u>\$ 19,001,191</u>		

<u>Description</u>	<u>Par</u>	<u>Rate</u>	<u>Yield</u>	<u>Purchase Date</u>	<u>Maturity Date</u>	<u>Life Days</u>	<u>Remaining Days</u>	<u>Average Interest</u>
<u>Federal Government Agency Investment Portfolio</u>								
Federal Farm Credit Bank [†] (FFCB)	1,000,000	1.03%	1.03%	07/05/16	04/05/19	1,004	187	10,300
Federal Farm Credit Bank [†] (FFCB)	1,000,000	1.14%	1.14%	07/07/16	10/07/19	1,187	372	11,400
Fannie Mae [†] (FNMA)	1,000,000	1.30%	1.30%	05/25/16	11/25/19	1,279	421	13,000
Fannie Mae [†] (FNMA)	1,000,000	1.50%	1.50%	12/16/16	03/16/20	1,186	533	15,000
Federal Home Loan Bank [†] (FHLB)	2,000,000	1.75%	1.75%	01/30/17	07/30/20	1,277	669	35,000
Freddie Mac (FHLMC)	1,000,000	2.70%	2.70%	09/21/18	09/21/20	731	722	27,000
Fannie Mae [†] (FNMA)	1,000,000	1.75%	1.75%	12/28/16	09/28/20	1,370	729	17,500
Federal Home Loan Bank [†] (FHLB)	1,500,000	1.38%	1.38%	07/13/16	10/13/20	1,553	744	20,625
Freddie Mac (FHLMC)	1,500,000	2.13%	2.13%	12/29/17	06/29/21	1,278	1,003	31,875
Freddie Mac (FHLMC)	2,000,000	2.73%	2.73%	04/06/18	07/27/21	1,208	1,031	54,600
Federal Farm Credit Bank [†] (FFCB)	2,000,000	2.87%	2.87%	05/16/18	11/15/21	1,279	1,142	57,400
Federal Farm Credit Bank [†] (FFCB)	1,250,000	3.12%	3.12%	06/27/18	06/27/22	1,461	1,366	39,000
Federal Home Loan Bank [†] (FHLB)	1,500,000	2.38%	2.38%	12/14/17	12/13/22	1,825	1,535	35,625
Federal Farm Credit Bank [†] (FFCB)	1,000,000	2.66%	2.66%	01/30/18	01/30/23	1,826	1,583	26,600
	<u>\$ 18,750,000</u>						<u>860</u>	<u>\$ 28,209</u>

[†] Callable

<u>Description</u>	<u>Par</u>	<u>Rate</u>	<u>Yield</u>	<u>Purchase Date</u>	<u>Maturity Date</u>	<u>Life Days</u>	<u>Remaining Days</u>	<u>Average Interest</u>
Wells Fargo Bank Note	\$ 1,000,000	1.75%	1.75%	12/9/2016	5/24/2019	896	267	\$ 17,500
	<u>\$ 1,000,000</u>						<u>267</u>	<u>\$ 17,500</u>

<u>Description</u>	<u>Par</u>	<u>Rate</u>	<u>Yield</u>	<u>Purchase Date</u>	<u>Maturity Date</u>	<u>Life Days</u>	<u>Remaining Days</u>	<u>Average Interest</u>
California State Taxable Municipal Bond	\$ 1,500,000	2.30%	2.30%	1/29/2018	10/1/2020	976	763	\$ 34,500
	<u>\$ 1,500,000</u>						<u>763</u>	<u>\$ 34,500</u>

<u>Description</u>	<u>Par</u>	<u>Disc. Rate</u>	<u>Yield</u>	<u>Purchase Date</u>	<u>Maturity Date</u>	<u>Life Days</u>	<u>Remaining Days</u>	<u>Average Interest</u>
United States Treasury Bill	\$ 500,000	2.30%	2.37%	8/28/2018	8/15/2019	352	319	\$ 11,500
	<u>\$ 500,000</u>						<u>319</u>	<u>\$ 11,500</u>

Note: Cash and Sweep, LAIF and Wells Fargo Money Market Fund are liquid investments.

<u>Description</u>	<u>Par</u>	<u>Rate</u>	<u>Yield</u>	<u>Purchase Date</u>	<u>Maturity Date</u>	<u>Life Days</u>	<u>Remaining Days</u>	<u>Average Interest</u>
<u>Wells Fargo Certificates of Deposit</u>								
GE Capital Bank	250,000	1.90%	1.90%	10/17/14	10/17/18	1,461	17	4,750
Republic Bank & Trust	250,000	1.80%	1.80%	10/22/14	10/22/18	1,461	22	4,500
First Sentry Bank	250,000	1.50%	1.50%	10/24/14	10/24/18	1,461	24	3,750
Investors Bank	250,000	1.35%	1.35%	12/16/16	12/17/18	731	78	3,375
Enerbank	250,000	1.70%	1.70%	12/18/14	12/18/18	1,461	79	4,250
Third Federal Savings & Loan	250,000	1.65%	1.65%	03/28/14	12/28/18	1,736	89	4,125
Sallie Mae Bank Interest	250,000	1.45%	1.45%	02/03/16	02/04/19	1,097	127	3,625
Private Bank & Trust Co Chicago	250,000	1.10%	1.10%	05/20/16	05/20/19	1,095	232	2,750
BMW Bank NY	50,000	1.95%	1.95%	06/20/14	06/20/19	1,826	263	975
Discover Bank	250,000	2.00%	2.00%	07/02/14	07/02/19	1,826	275	5,000
Centennial Bank Conway	250,000	1.20%	1.20%	05/20/16	11/20/19	1,279	416	3,000
Everbank/Jacksonville FL	250,000	1.45%	1.45%	12/09/16	12/09/19	1,095	435	3,625
American Exp Centurion	50,000	2.20%	2.20%	12/11/14	12/11/19	1,853	437	1,100
Capital One Bank, NA	50,000	2.30%	2.30%	07/23/15	07/29/20	1,833	668	1,150
Capital One Bank USA, NA	250,000	1.85%	1.85%	12/07/16	12/07/20	1,461	799	4,625
Mercantil Commercebank	250,000	1.90%	1.90%	12/16/16	12/16/20	1,461	808	4,750
Ally Bank	250,000	2.15%	2.15%	12/21/17	12/21/20	1,096	813	5,375
Morgan Stanley Bank	250,000	2.15%	2.15%	12/21/17	12/21/20	1,096	813	5,375
Merrick Bank	250,000	2.25%	2.25%	01/30/18	01/29/21	1,095	852	5,625
Eagle Bank	250,000	2.85%	2.85%	09/07/18	03/08/21	926	903	7,125
First Internet Bank	250,000	2.20%	2.20%	12/18/17	12/17/21	1,460	1,174	5,500
BMO Harris Bank	250,000	2.80%	2.80%	04/13/18	04/13/22	1,461	1,291	7,000
JP Morgan Chase Bank	150,000	2.85%	2.85%	04/17/18	04/17/22	1,461	1,295	4,275
American Express Bank FSB	250,000	2.35%	2.35%	05/03/17	05/03/22	1,845	1,311	5,875
Citibank	250,000	3.00%	3.00%	05/16/18	05/23/22	1,468	1,331	7,500
	<u>\$ 5,550,000</u>						<u>582</u>	<u>\$ 109,000</u>
SCWD Total Cash and Investments	\$ 46,301,191							

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**Santa Clarita Valley Water Agency
Valencia Water Division
As of September 30, 2018
Investment Report**

	Current Balance	Percent of Total	Average Remaining Life Days	Weighted Average Yield
Wells Fargo Cash and Sweep	\$7,171,176	52.5%	n/a	0.25%
Certificates of Deposit	\$2,800,000	20.5%	454	2.45%
Commercial Paper	\$3,000,000	22.0%	109	2.34%
Corporate Bond	\$692,034	5.1%	218	0.52%
Total Cash and Investment	<u>\$13,663,210</u>	<u>100.0%</u>		

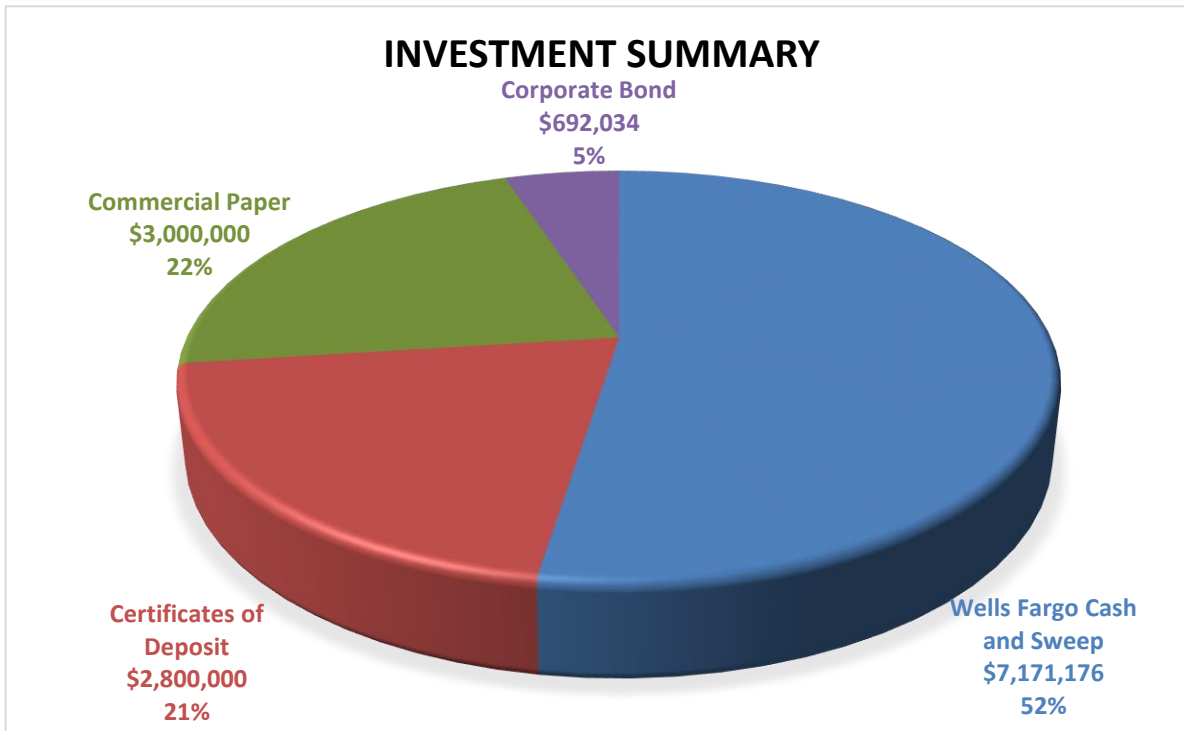
I certify that the investments of the Valencia Water Division are in compliance with the Investment Policy as adopted by the Board of Directors, and that the Division has the ability to meet the expenditure requirement for the next 6 months.



Rochelle Patterson
Director of Finance and Administration, Treasurer



Kim Grass
Accounting Manager



**Valencia Water Division
As of September 30, 2018**

Description	Rate	Yield	Market Value	
Wells Fargo Cash and Sweep	0.25%	0.25%	\$7,171,176	

Description	Par	Rate	Yield	Purchase Date	Maturity Date	Life Days	Remaining Days	Average Interest
9/30/2018								

Certificates of Deposit

FIFTH THIRD BANK	250,000.00	1.950%	1.950%	5/23/2018	11/23/2018	184	54	4,875
GOLDMAN SACHS BANK USA	50,000.00	1.700%	1.700%	12/18/2015	12/18/2018	1096	79	850
NEW YORK COMMUNITY BANK	250,000.00	2.050%	2.050%	5/25/2018	2/25/2019	276	148	5,125
FIRST DAKOTA NATIONAL BA	250,000.00	2.100%	2.100%	6/15/2018	3/15/2019	273	166	5,250
EAST-WEST BANK	250,000.00	2.300%	2.300%	6/29/2018	6/28/2019	364	271	5,750
MERCHANTS & MANUF BANK	250,000.00	2.250%	2.250%	7/11/2018	7/11/2019	365	284	5,625
MORGAN STANLEY PVT BANK	250,000.00	2.450%	2.450%	9/27/2018	9/27/2019	365	362	6,125
FRANKLIN SYNERGY BANK 2.5	250,000.00	2.500%	2.500%	9/26/2018	11/26/2019	426	422	6,250
DRUMMOND COMMUNITY BANK 2	250,000.00	2.600%	2.600%	9/25/2018	3/25/2020	547	542	6,500
BNY Mellon NA	250,000.00	2.800%	2.800%	9/24/2018	9/24/2020	731	725	7,000
STEARNS BANK NA	250,000.00	2.950%	2.950%	7/6/2018	7/6/2021	1096	1010	7,375
COMENITY CAPITAL BANK	250,000.00	3.150%	3.150%	7/16/2018	7/18/2022	1463	1387	7,875
	<u>2,800,000.00</u>						<u>454</u>	<u>5,717</u>

Commercial Paper

MALAYAN BANKING BHD/NY	1,000,000.00	2.260%	2.260%	5/17/2018	11/13/2018	180	44	22,600
MUFG BANK LTD/NY	1,000,000.00	2.280%	2.280%	5/17/2018	2/11/2019	270	134	22,800
COMMERCIAL BANK PSQC	1,000,000.00	2.468%	2.468%	6/1/2018	2/25/2019	269	148	24,680
	<u>3,000,000.00</u>						<u>109</u>	<u>23,360</u>

Corporate Bond

MUFG UNION BANK NA	692,034.06	2.250%	2.250%	9/20/2018	5/6/2019		218	15,571
	<u>692,034.06</u>						<u>218</u>	<u>15,571</u>
	<u>6,492,034.06</u>							

Check Registers

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SCVWA - Regional Division

Check Register Report

From: Sep 1, 2018 to Sep 30, 2018

Vendor Name	Description	Amount
A.V. EQUIPMENT RENTAL, INC.	BOOM LIFT-CAMERA PROJ	448.61
A.V. EQUIPMENT RENTAL, INC.		448.61
ACWA/JPIA	CLAIM REIMB #17-0978	200.00
	COBRA-BM OCT.	18.56
	COBRA-CH OCT.	18.56
	COBRA-JB OCT.	-37.12
	COBRA-KF OCT.	18.56
	COBRA-SA OCT.	338.01
	PROPERTY PROGRAM-NWD	15,373.00
	REGIONAL DENTAL-OCT.	10,811.50
	REGIONAL EAP OCT.	197.40
	REGIONAL LIFE-OCT.	2,122.27
	REGIONAL RETIREE-DNTL	2,467.52
	REGIONAL VISION-OCT.	1,559.04
	SCWD DENTAL-OCT.	6,350.68
	SCWD EAP OCT.	117.50
	SCWD LIFE-OCT.	1,025.87
	SCWD RETIREE-DNTL	886.27
	SCWD VISION-OCT.	928.00
	VWD DENTAL-OCT.	4,474.75
	VWD EAP OCT.	91.65
	VWD LIFE-OCT.	1,101.52
	VWD VISION-OCT.	723.84
ACWA/JPIA		48,787.38
AFLAC	SCVWA AUG 2018	7,071.12
	SCVWA SEPT. 2018	7,071.12
AFLAC		14,142.24
AK PRINTING AND DESIGN	POSTCARDS	82.13
AK PRINTING AND DESIGN		82.13
ALMA ESTRELLA TORRES FUERTE	POOL COVER REBATE	199.99
ALMA ESTRELLA TORRES FUERTE		199.99
AM CONSERVATION GROUP, INC.	SHOWERHEADS,METERS	3,444.61
AM CONSERVATION GROUP, INC.		3,444.61
AMERICAN WATER WORKS ASSOCIATION	ENGINEERING MANUALS	2,275.04
AMERICAN WATER WORKS ASSOCIATION		2,275.04
ANDY GUMP, INC.	HOLDING TANK 7/2-7/29	247.00
	HOLDING TANK7/30-8/26	247.00
	HOLDING TANK8/27-9/23	347.00
ANDY GUMP, INC.		841.00
ARAMARK UNIFORM SERVICE INC.	Apparel Rental and Maintenance	3,623.79
ARAMARK UNIFORM SERVICE INC.		3,623.79
ARIF MUHAMMAD	SMART CONTRLR REBATE	149.99
ARIF MUHAMMAD		149.99

SCVWA - Regional Division

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From: Sep 1, 2018 to Sep 30, 2018

Vendor Name	Description	Amount
ARISTEA MANTIS	HR CONF EXP 8/26-29	584.48
	HR CONF TRVL EXP 8/26	42.00
	MILEAGE 8/26-29/18	66.92
ARISTEA MANTIS		693.40
AROUND THE CLOCK CALL CENTER	ANSWERING SRVC. AUG.	97.50
AROUND THE CLOCK CALL CENTER		97.50
AT&T	EARL SCHMIDT FILTRATION PLANT COMPUTER AUTODIALER	20.63
	EARL SCHMIDT FILTRATION PLANT SERVICE 8/11-9/10	114.96
	EARL SCHMIDT FILTRATION PLANT/ RIO VISTA WATER TREATMENT PLANT ALARMS	94.97
	EARL SCHMIDT INTAKE PUMP STATION 8/11/18-9/10/18	20.63
	IRRIGATION TELEMTRY	39.60
	INTERGRATED SERVICE DIGITAL NETWORK EARL SCHMIDT FILTRATION PLANT TO RIO VISTA WATER TREATMENT PLANT	64.35
	INTERGRATED SERVICE DIGITAL NETWORK- RIO VISTA TO EARL SCHIDT FILTRATION PLANT 8/11-	64.35
	LAN SRVC 8/11-9/10	229.37
	MODEM 8/11/18-9/10/18	39.60
	PRIMARY INTERNET	1,278.97
	RIO VISTA INTAKE PUMP STATION ALARM 8/11-9/10	58.57
	RIO VISTA WATER TREATMENT PLANT ELEVATOR SRVC	20.63
	RIO VISTA WATER TREATMENT PLANT SERVICE 297-1600	61.87
	RVWTP SERVICE 297-1607-19	160.41
	SAFETY/IT/EVENTS	20.64
	T-1 INTERNET SEPT.	1,351.88
	TURNOUTS TELEMTRY	115.63
	WAREHOUSE/SUMMIT	849.79
AT&T		4,606.85
AWA OF VENTURA COUNTY	AWA/CCWUC 9/26-SC	35.00
AWA OF VENTURA COUNTY		35.00
AWARDS, TROPHIES & TREASURES	EMPLOYEE NAME PLATES	81.65
	RETIREMENT DROP-VP	121.55
AWARDS, TROPHIES & TREASURES		203.20
BARBARA CAWLEY	4/5TH GRADE SUPPLIES	42.84
	ENV. SCIENCE SUPPLIES	16.41
BARBARA CAWLEY		59.25
BARRINGTON STAFFING SERVICES	PERA W/E 8/12/18	93.00
	PERA W/E 8/26/18	93.00
BARRINGTON STAFFING SERVICES		186.00
BAY ALARM COMPANY	ACCESS CNTRL 9/1-12	60.00
	JULY ALARM SERVICE	37.80
	SEPT. ALARM SERVICE	37.80
BAY ALARM COMPANY		135.60

SCVWA - Regional Division

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From: Sep 1, 2018 to Sep 30, 2018

Vendor Name	Description	Amount
BEST BEST & KRIEGER LLP	ANNEXATIONS JULY 2018	1,801.80
	BIDDING REQUIREMENTS	6,822.40
	CAPACITY FEES JULY	2,402.40
	CASTAIC CONDUIT	343.20
	DEVILS DEN JULY 18	200.20
	GENERAL LEGAL AUG.	7,972.24
	GENERAL LEGAL JULY	8,749.00
	GROUNDWATER SUSTAINABILITY AGENCY JULY	2,431.00
	MAGIC MTN. PIPELINE	335.40
	PUB. RECORDS REQUEST	286.00
	SWC LEGAL COMM. JULY	52.00
	VWC DISOLUTION	214.03
	WATERFIX LITIGATION	1,021.80
	WATERSHED INITIATIVE	17,804.30
BEST BEST & KRIEGER LLP		50,435.77
BRANDON ZVARA	D3 EXAM 8/12-17/18	101.66
	MILEAGE 8/12-17/18	372.24
BRANDON ZVARA		473.90
BRYANT G. MCANNALLY	SMART CONTRLR REBATE	150.00
BRYANT G. MCANNALLY		150.00
BURRTEC WASTE INDUSTRIES INC.	AUG. SERVICES	339.30
	SEPT. SERVICES	339.30
BURRTEC WASTE INDUSTRIES INC.		678.60
CALIFORNIA ADVOCATES, INC.	Legislative Analysis	16,000.00
CALIFORNIA ADVOCATES, INC.		16,000.00
CALPERS	OPEB CONTRIBUTION: JUL TO SEPT 2018 QTR	373,401.13
CALPERS		373,401.13
CANON SOLUTIONS AMERICA, INC.	C9065-CU 7/22-8/21/18	1,187.17
	IR4545-CU 5/16-8/15	9.72
CANON SOLUTIONS AMERICA, INC.		1,196.89
CANYON RADIATOR AUTO REPAIR, INC.	PARTS/LABOR UNIT# I64	186.68
CANYON RADIATOR AUTO REPAIR, INC.		186.68
CASITAS MUNICIPAL WATER DISTRICT	FLEXIBLE STORAGE FEE	17,888.00
CASITAS MUNICIPAL WATER DISTRICT		17,888.00
CCFST	SS TUBING/FITTINGS	497.25
CCFST		497.25
CDW GOVERNMENT, INC	EPSON PROJECTOR	456.01
CDW GOVERNMENT, INC		456.01
CED, INC.	4000 BTU 115V A/C	3,631.02
CED, INC.		3,631.02
CHANNING BETE COMPANY, INC.	1ST/2ND GRD GIVEAWAYS	3,492.93
CHANNING BETE COMPANY, INC.		3,492.93
CHERYL FOWLER	GRANT CLASS EXP.-CF	499.13
	MILEAGE 8/14-16/18	88.51
CHERYL FOWLER		587.64

SCVWA - Regional Division

Check Register Report

From: Sep 1, 2018 to Sep 30, 2018

Vendor Name	Description	Amount
CHEVRON AND TEXACO CARD SVCS	GASOLINE THRU 9/5/18	5,822.91
CHEVRON AND TEXACO CARD SVCS		5,822.91
CIVILTEC ENGINEERING INC.	E1718-027 THRU 8/3/18-PLAN REVIEW CHECKLIST	16,300.00
CIVILTEC ENGINEERING INC.		16,300.00
CLARK BROS. INC.	PROGRESS PAYMENT #15 THRU 8/20/18-CLEARWELL CT IMPROVEMENTS PROJECT 200105E	77,550.00
	PROGRESS PAYMENT #15RETENTION-TRUST-CLEARWELL CT IMPROVEMENTS PROJECT 200105E	-3,877.50
CLARK BROS. INC.		73,672.50
CMJ INFORMATION TECHNOLOGY INC.	MAINT/SUPPORT JULY 18	900.00
	MAINT/SUPPORT JUNE 18	900.00
CMJ INFORMATION TECHNOLOGY INC.		1,800.00
COLE-PARMER INSTRUMENT INC.	TYGON TUBING	354.23
COLE-PARMER INSTRUMENT INC.		354.23
CONTRACTOR COMPLIANCE & MONITORING	Labor Compliance Program-Grant funded Projects	2,370.00
CONTRACTOR COMPLIANCE & MONITORING		2,370.00
COPPER EAGLE PATROL & SECURITY	BROKEN GATE-GUARD	396.00
	CONCERT GUARD JULY	400.00
	GARDEN GUARD JULY	1,232.00
	GARDEN GUARD JUNE	1,446.50
	JULY MEETINGS	400.00
	JUNE MEETINGS	500.00
	MAIN GATE GUARD JULY	5,123.25
	MAIN GATE GUARD JUNE	5,123.25
	PATROL SERVICE JULY	3,135.00
COPPER EAGLE PATROL & SECURITY		17,756.00
CUSTOM CATERERS	BOD DINNER 10/2/18	591.30
CUSTOM CATERERS		591.30
CUSTOM WATER	19 PALLETS BOTTLE H2O	11,528.44
	LABELS-BOTTLED H2O	1,403.28
CUSTOM WATER		12,931.72
CV STRATEGIES	COMM. SERVICES JULY	1,945.00
CV STRATEGIES		1,945.00
CYNTHIA BRADY	ENV. SCIENCE COOKIES	14.00
CYNTHIA BRADY		14.00
DATALINK NETWORKS, INC	FACILITY CAPACITY FEE PROJECT AUG.	28,500.00
DATALINK NETWORKS, INC		28,500.00
DEAN EFSTATHIOU	URBAN WATER INSTITUTE CONF. EXP 8/22-24	296.99
	URBAN WATER INSTITUTE EXP 8/22-24	156.26
DEAN EFSTATHIOU		453.25
DEPARTMENT OF TOXIC SUBSTANCES	WHITTAKER OFFSITE	168.85
DEPARTMENT OF TOXIC SUBSTANCES		168.85
DEPARTMENT OF WATER RESOURCES	CO.# 160213 SEPT 2018	1,004,152.00
	JULY DWR VARIABLE	920,718.00
DEPARTMENT OF WATER RESOURCES		1,924,870.00
DESERT BUSINESS INTERIORS LLC	OFFICE FURNITURE	2,570.18
DESERT BUSINESS INTERIORS LLC		2,570.18

SCVWA - Regional Division

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From: Sep 1, 2018 to Sep 30, 2018

Vendor Name	Description	Amount
DONALD MIOD	SMART CONTRLR REBATE	109.00
DONALD MIOD		109.00
DROPLET TECHNOLOGIES, LLC.	Financial Advisor Services	20,292.00
DROPLET TECHNOLOGIES, LLC.		20,292.00
EDWARD GLADBACH	ASSOCIATION CALIFORNIA WATER AGENCIES CONF TRVL 7/27	664.16
	ASSOCIATION CALIFORNIA WATER AGENCIES MTG TRVL 8/10	606.66
	ASSOCIATION CALIFORNIA WATER AGENCIES TRAVEL EXP. 8/28	651.68
	NATIONAL WATER RESOURCES ASSOCIATION EXP. 7/31-8/4	984.82
	NATIONAL WATER RESOURCES ASSOCIATION REGISTRATION	625.00
	NATIONAL WATER RESOURCES ASSOCIATION TRVL 7/31- 8/4	885.37
EDWARD GLADBACH		4,417.69
EDWARD RAYMOND LANGNESS	SMART CONTRLR REBATE	150.00
EDWARD RAYMOND LANGNESS		150.00
EMPLOYEE RELATIONS, INC.	BACKGROUND CHECKS	707.55
EMPLOYEE RELATIONS, INC.		707.55
EMPLOYMENT DEVELOPMENT DEPT.	EMPLOYEE WITHHOLDING 9/21/18	404.55
	EMPLOYEE WITHHOLDING 9/7/18	404.55
EMPLOYMENT DEVELOPMENT DEPT.		809.10
ERIC CAMPBELL	FINGERPRINTING 8/10	23.00
ERIC CAMPBELL		23.00
ERIK LOYER	SMART CONTRLR REBATE	99.00
ERIK LOYER		99.00
ERNESTO VELAZQUEZ	MILEAGE 8/21-22/18	95.48
	WESTERN REG CONF 8/21-	23.23
ERNESTO VELAZQUEZ		118.71
ERNST & YOUNG LLP - 072	PROGRESS BILL- SWC AUDIT	5,849.00
ERNST & YOUNG LLP - 072		5,849.00
EUROFINS EATON ANALYTICAL, INC.	PERCHLORATE 6/22/18	2,670.00
EUROFINS EATON ANALYTICAL, INC.		2,670.00
EVOQUA WATER TECHNOLOGIES, LLC.	DI TANK RNTL 7/1-9/30	97.54
EVOQUA WATER TECHNOLOGIES, LLC.		97.54
FAIR POLITICAL PRACTICES COMMISSION	CERTIFICATION FEE	1,000.00
FAIR POLITICAL PRACTICES COMMISSION		1,000.00
FEDEX	DELIVERY THRU 7/12	127.61
	DELIVERY THRU 7/24	39.10
	DELIVERY THRU 7/26	38.31
	DELIVERY THRU 8/6	67.89
FEDEX		272.91
FIELDMAN, ROLAPP & ASSOCIATES, INC.	Financial Advisor Services	3,307.81
FIELDMAN, ROLAPP & ASSOCIATES, INC.		3,307.81
FLEETCOR TECHNOLOGIES, INC.	GASOLINE THRU 8/31/18	32.12
FLEETCOR TECHNOLOGIES, INC.		32.12

SCVWA - Regional Division

Check Register Report

From: Sep 1, 2018 to Sep 30, 2018

Vendor Name	Description	Amount
FRANCHISE TAX BOARD	EMPLOYEE WITHHOLDINGS 8/24/18	60.00
	EMPLOYEE WITHHOLDINGS 9/21/18	100.00
	EMPLOYEE WITHHOLDINGS 9/7/18	160.00
FRANCHISE TAX BOARD		320.00
GARDENSOFT	WEBSITE UPDATES	1,650.00
GARDENSOFT		1,650.00
GATES FIBERGLASS INSTALLERS, INC.	BLEACH TANK REPAIR ES	22,998.00
GATES FIBERGLASS INSTALLERS, INC.		22,998.00
GOVERNMENT TAX SEMINARS, LLC	TAX SEMIN.-ACTG STAFF	1,975.00
GOVERNMENT TAX SEMINARS, LLC		1,975.00
GRAINGER, INC.	WIRE TERMINAL KITS	249.30
GRAINGER, INC.		249.30
GSE CONSTRUCTION COMPANY INC.	PROGRESS PAYMENT#13 THRU 9/15/18	122,503.45
GSE CONSTRUCTION COMPANY INC.		122,503.45
GSI WATER SOLUTIONS, INC.	Groundwater Model Conversion into MODFLOW Software	7,604.89
GSI WATER SOLUTIONS, INC.		7,604.89
HACH COMPANY	AMMONIA SALICYCLATE	490.40
	CHLORAMINE ANALYZER	20,919.43
	COLORIMETER ASSEMBLY	2,062.98
	CREDIT-RETURNED ITEMS	-3,931.55
	DESICCANT CARTRIDGE	221.94
	FA CHLOR SOL./ACCUVAC	282.45
	FILTER/PRESSURE REGUL	790.62
	ICE-PIC,CHLORINE RGNT	4,603.15
	MONOCHLOR REAGENT	341.92
	PH ELECTRODE SOL.	913.55
	PH PROBE	932.94
	REGULATOR	208.05
	SALT BRIDGE, BUFFER	256.35
	TEFLON STIR BAR	96.97
	TURBIDITYMTRS CNTRLR	36,658.53
	TURBIDITYMTRS/CNTRLRS	25,358.45
HACH COMPANY		90,206.18
HASA, INC.	Bulk 12.5% Solution Sodium Hypochlorite-(Bleach)	34,715.64
HASA, INC.		34,715.64
HEATHER MARTINEZ	POOL COVER REBATE	120.00
HEATHER MARTINEZ		120.00
HILL BROTHERS CHEMICAL CO.	Bulk 19% Ammonium Hydroxide- (Aqua Ammonia)	20,488.56
HILL BROTHERS CHEMICAL CO.		20,488.56
HYDREX PEST CONTROL CO.	PEST SERVICE 7/26/18	133.00
HYDREX PEST CONTROL CO.		133.00
IDMODELING, INC.	As-Needed Hydraulic Modeling and Mapping E1617	1,440.00
IDMODELING, INC.		1,440.00
INBOUND DESIGN, INC.	WEB MAINT. 8/30-6/30	4,000.00
INBOUND DESIGN, INC.		4,000.00

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Vendor Name	Description	Amount
INDUSTRIAL SAFETY EQUIPMENT, LLC.	WIRELESS SENSR REPAIR	2,100.68
INDUSTRIAL SAFETY EQUIPMENT, LLC.		2,100.68
JACQUE MCMILLAN	URBAN WATER INSTITUTE CONF EXP. 8/22-24	531.18
	URBAN WATER INSTITUTE CONF REGISTRATION	425.00
	URBAN WATER INSTITUTE TRVL EXP 8/22-24	239.29
JACQUE MCMILLAN		1,195.47
JANET KEITH	MILEAGE 8/23/18	79.79
JANET KEITH		79.79
JEFFREY KOELEWYN	ACWA TRAVEL EXP. 8/23	14.00
JEFFREY KOELEWYN		14.00
JENNIFER MCNERNEY	ENV. SCIENCE COOKIES	44.96
JENNIFER MCNERNEY		44.96
JOHN S CHURCHILL	SMART CONTRLR REBATE	150.00
JOHN S CHURCHILL		150.00
JONAS AHARONI	SMART CONTRLR REBATE	149.99
JONAS AHARONI		149.99
JUSTIN BRODRICK	SMART CONTRLR REBATE	129.99
JUSTIN BRODRICK		129.99
KATHIE MARTIN	SCV CHAMBER LUNCH 8/9	18.03
KATHIE MARTIN		18.03
KENNEDY/JENKS	On-Call Engineering and/or Construction Mgmt. And inspection Services 107425	6,893.57
	Grant Administration Services-Prop 84 Round 2 Implementation	2,388.75
	Proposition 84 IRWM Drought Grant Administration Services	3,159.70
KENNEDY/JENKS		12,442.02
KENSINGTON DEL RANCHO, LLC	LL TURF REMOVAL	1,830.00
KENSINGTON DEL RANCHO, LLC		1,830.00
L.A. COUNTY FIRE DEPARTMENT	ANNUAL CUPA FEES FY19	28,343.00
L.A. COUNTY FIRE DEPARTMENT		28,343.00
LAGERLOF,SENECAL,GOSNEY & KRUSE LLP	GENERAL LEGAL MAY	6,444.00
LAGERLOF,SENECAL,GOSNEY & KRUSE LLP		6,444.00
LEE & RO, INC.	On-Call Engineering Const. Mgmt. and Inspection Services E1415	30,760.62
LEE & RO, INC.		30,760.62
LEE'S MAINTENANCE SERVICE, INC.	Janitorial Services	11,034.75
LEE'S MAINTENANCE SERVICE, INC.		11,034.75
LEGALSHIELD	MEMBERSHIP DUES AUG - EMPLOYEE PAID	139.60
LEGALSHIELD		139.60
MARI-CO MAIL SERVICE	Mari-Co Mail Service	688.00
MARI-CO MAIL SERVICE		688.00
MATHESON TRI-GAS, INC.	Water Treatment Chemical- Bulk Liquid Oxygen	8,615.50
	Specialty Lab Gases	451.97
MATHESON TRI-GAS, INC.		9,067.47
MCMASTER CARR SUPPLY CO.	AMMONIA ANALYZER PRTS	1,982.12
MCMASTER CARR SUPPLY CO.		1,982.12

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Vendor Name	Description	Amount
METTLER-TOLEDO, INC.	CONDUCTIVITY PROBE	493.07
METTLER-TOLEDO, INC.		493.07
MICHAEL A POSS	POOL COVER REBATE	139.91
MICHAEL A POSS		139.91
MICHAEL BAKER INTERNATIONAL, INC.	On-Call Engineering and/or Construction Mgmt. And inspection Services As- Needed Technology Services	71,850.09
MICHAEL BAKER INTERNATIONAL, INC.		71,850.09
MICHAEL C EARABINO	SMART CONTRLR REBATE	150.00
MICHAEL C EARABINO		150.00
MINE SAFETY APPLIANCES CO.	REPLACE OXYGEN SENSOR	1,043.40
MINE SAFETY APPLIANCES CO.		1,043.40
MUNITEMPS	HERRERA W/E 8/12	2,178.00
	HERRERA W/E 8/19	1,782.00
	MARTINEZ W/E 8/12	2,178.00
	MARTINEZ W/E 8/19	1,782.00
MUNITEMPS		7,920.00
NOSSAMAN LLP	PERCHLORATE AUGUST	12,158.94
NOSSAMAN LLP		12,158.94
OFFICE DEPOT	SUPPLIES AND SERVICES	614.79
OFFICE DEPOT		614.79
OLIN CORPORATION	Chemicals-Sodium Hydroxide 25%-50% Solution (Caustic Soda)	19,361.82
OLIN CORPORATION		19,361.82
PACIFIC HYDROTECH CORPORATION	PROGRESS PAYMENT #10 THRU 7/31/18	43,115.31
PACIFIC HYDROTECH CORPORATION		43,115.31
PACIFIC MOBILE STRUCTURES, INC.	MODULAR 9/1-9/30/18	1,314.00
PACIFIC MOBILE STRUCTURES, INC.		1,314.00
PACIFIC WESTERN BANK	PROGRESS PAYMENT #10 ESCROW RETENTION-ESISPS PIPELINE IMPROVEMENTS	2,269.23
PACIFIC WESTERN BANK		2,269.23
PANERA BREAD/RISEN BREAD LLC	AGENDA PLANNING 8/27	117.86
	EXEC. STAFF MTG. 8/14	192.24
	INTERVIEW PANEL 8/22	120.01
PANERA BREAD/RISEN BREAD LLC		430.11
PATRIOT ENVIRONMENTAL SERVICES	BLEACH REMOVAL ESFP	19,905.98
PATRIOT ENVIRONMENTAL SERVICES		19,905.98
PIHRA	2018 MEMB. DUES-JJ	125.00
	2018 MEMB. DUES-LP	125.00
PIHRA		250.00
PREMIERE GLOBAL SERVICES	7/20-8/19/18 SRVC	377.52
	8/20-9/19/18 SRVC	500.42
PREMIERE GLOBAL SERVICES		877.94
RAFTELIS FINANCIAL CONSULTANTS, INC	FACILITY CAPACITY FEES 2018	3,755.55
RAFTELIS FINANCIAL CONSULTANTS, INC		3,755.55
RED WING SHOES	SAFETY BOOTS-BZ	204.74
RED WING SHOES		204.74
REEVES COMPLETE AUTO CENTER, INC.	LABOR/PARTS UNIT# I60	101.70
REEVES COMPLETE AUTO CENTER, INC.		101.70

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Vendor Name	Description	Amount
REPUBLIC SERVICES	ROLL OFF RENTAL AUG.	348.47
	SERVICE SEPT. 2018	273.81
REPUBLIC SERVICES		622.28
RICOH AMERICAS CORPORATION	MPW5100 MAINT. 17/18	3.44
	MPW5100 MAINT. 18/19	5,888.53
RICOH AMERICAS CORPORATION		5,891.97
ROBERT DIPRIMIO	URBAN WATER INSTITUTE CONF. 8/22-23/18	44.98
	URBAN WATER INSTITUTE TRVL EXP 8/22-23	46.35
ROBERT DIPRIMIO		91.33
RYAN RICHARD JAMES	SMART CONTRLR REBATE	150.00
RYAN RICHARD JAMES		150.00
SAGE STAFFING	ARAGON W/E 7/1/18	1,408.00
	BELL W/E 8/12/18	1,876.16
	BELL W/E 8/19/18	1,535.04
	BELL W/E 8/26/18	1,833.52
	BELL W/E 8/5/18	1,513.72
SAGE STAFFING		8,166.44
SAM HILL & SONS, INC.	DD PIPE REPAIR	48,832.76
SAM HILL & SONS, INC.		48,832.76
SANTA CLARITA WATER DIVISION	7/9-8/10/18 SERVICE	1,135.77
	8/10-9/10/18 SERVICE	837.81
SANTA CLARITA WATER DIVISION		1,973.58
SARAH FLEURY	GRANT CLASS EXP.-SF	90.15
SARAH FLEURY		90.15
SC PUBLISHING INC.	ADVERTISING SEPT.	900.00
SC PUBLISHING INC.		900.00
SCHNEIDER ELECTRIC SYSTEMS USA, INC	50' SIGNAL CABLE	146.11
	FLOW SENSOR/CONVERTER	4,800.38
SCHNEIDER ELECTRIC SYSTEMS USA, INC		4,946.49
SCOTT VALLEY BANK	PROGRESS PAYMENT #13 ESCROW RETENTION-FOOTHILL FEEDER TURNOUT PROJECT 200905E	6,447.55
SCOTT VALLEY BANK		6,447.55
SOLAR STAR CA. XXIV, LLC/ SUNPOWER	AUGUST 2018 SERVICE	28,271.36
SOLAR STAR CA. XXIV, LLC/ SUNPOWER		28,271.36
SOLAR STAR CA. XXVIII, LLC/SUNPOWER	AUGUST 2018 SERVICE	113,435.41
SOLAR STAR CA. XXVIII, LLC/SUNPOWER		113,435.41
SOUTHERN CALIFORNIA EDISON	BOUQUET PM 7/19-8/17	27.05
	BOUQUET PM 8/17-9/18	29.39
	CAMP PLENTY TURNOUT	78.43
	EARL SCHMIDT FILTRATION PLANT PUMP STATION 6/28- 7/30-GEN	10,705.02
	EARL SCHMIDT FILTRATION PLANT PUMP STATION 6/28- 7/30-SCE	10,248.38
	EARL SCHMIDT FILTRATION PLANT PUMP STATION 7/30- 8/28	10,409.02
	EARL SCHMIDT FILTRATION PLANT PUMP STATION 7/30- 8/28-GEN	11,095.99
	EARL SCHMIDT INTAKE PUMP STATION 7/30-8/28-GEN	498.87

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Vendor Name	Description	Amount
	EARL SCHMIDT INTAKE PUMP STATION SRVC 6/28-7/30	4,753.08
	EARL SCHMIDT INTAKE PUMP STATION SRVC 7/30-8/28	640.75
	HONBY PM 6/28-7/30/18	29.60
	HONBY PM 7/30-8/28/18	26.77
	HONBY PS 6/28-7/30/18	43.15
	HONBY PS 7/30-8/28/18	43.15
	LAKE HUGHES MTR-GEN	6.09
	LAKE HUGHES MTR-SCE	30.55
	LAKE HUGHES PIPE MTR	27.73
	LOWER MESA PIPE METER	98.24
	N-2 TURNOUT 6/28-7/30	148.68
	N-2 TURNOUT 7/30-8/28	127.93
	NEWHALL RANCH RD PM	53.42
	RECH20 METER-GEN	1,951.40
	RECH20 METER-SCE	3,551.05
	RECH20 RESERVOIR	87.81
	RECYCLED H2O MTR-GEN	2,126.60
	RECYCLED WATER METER	3,591.91
	RIO VISTA SOLAR 8/1-9/1/18	25,981.62
	RIO VISTA INTAKE PUMP STATION SRVC 6/27-7/27	178,399.72
	RIO VISTA INTAKE PUMP STATION SRVC 7/30-8/28	171,868.31
	RIO VISTA WATER TREATMENT PLANT GATE 6/28-7/30	125.70
	RIO VISTA WATER TREATMENT PLANT GATE 7/30-8/28	116.53
	SAUGUS1WELL 7/11-8/8	9,758.45
	SAUGUS1WELL 8/8-9/7	9,670.55
	SAUGUS2WELL 6/28-7/30	11,827.20
	SAUGUS2WELL 7/30-8/28	11,524.79
	SAND CANYON LOW VOLTAGE METER	51.20
	SANT CANYON-11 TURNOUT	78.22
	SAND CANYON 7 TURNOUT 7/13-8/13	54.14
	SAND CAYON 7 TURNOUT 8/13-9/12	52.66
	SAND CANYON PUMP STATION 6/28/18-7/30/18	102,409.91
	SAND CANYON PUMP STATION 7/30/18-8/28/18	106,169.41
	SAND CANYON RESEVOIR 6/28-7/30/18	187.41
	SAND CANYON RESEVOIR 7/30-8/28/18	170.89
	SUMMIT CIR 7/24-8/22	1,123.05
	SUMMIT CIR 7/25-8/23	29.81
	V-8 @ MCBEAN PKWY	56.79
SOUTHERN CALIFORNIA EDISON		690,086.42
STATE DISBURSEMENT UNIT	EMPLOYEE WITHHOLDING 9/21/18	702.71
	EMPLOYEE WITHHOLDING 9/7/18	702.71
STATE DISBURSEMENT UNIT		1,405.42
STAY GREEN INC.	LANDSCAPE MAINT.-AUG	3,625.00
	LANDSCAPE MAINT.-AUG.	3,117.00
	LANDSCAPE MAINT.-JULY	3,117.00
STAY GREEN INC.		9,859.00

SCVWA - Regional Division

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Vendor Name	Description	Amount
STEPHANIE KNUDSON	ENV. SCIENCE SUPPLIES	22.60
STEPHANIE KNUDSON		22.60
STERLING WATER TECHNOLOGIES LLC	CATIONIC POLYMER 7/17	14,848.87
STERLING WATER TECHNOLOGIES LLC		14,848.87
SUEZ TREATMENT SOLUTIONS, INC.	OZONE GENERATOR PARTS	22,352.16
SUEZ TREATMENT SOLUTIONS, INC.		22,352.16
SUNWEST ENGINEERING	UST and AST Preventive Inspections, certifications and DO Training	334.75
SUNWEST ENGINEERING		334.75
SWRCB ACCOUNTING OFFICE	GRADE T3 RENEWAL-DH	90.00
SWRCB ACCOUNTING OFFICE		90.00
TEJPAL SINGH	SMART CONTRLR REBATE	135.81
TEJPAL SINGH		135.81
THATCHER COMPANY OF CALIFORNIA, INC	Liquide Chlorine Gas	17,612.25
THATCHER COMPANY OF CALIFORNIA, INC		17,612.25
THE GAS COMPANY	8/15-9/14/18 SRVC	35.45
	8/20-9/18/18 SRVC	1,984.35
THE GAS COMPANY		2,019.80
THE HUNG QUACH	SMART CONTRLR REBATE	150.00
THE HUNG QUACH		150.00
THE SIGNAL	DIGITAL BANNER AUG.	2,500.00
	E-BLAST SPONSORSHIP	1,500.00
	FACEBOOK ADS AUG.	1,500.00
THE SIGNAL		5,500.00
THERMO ELECTRON NA LLC	ION-PAC COLUMNS	1,727.29
THERMO ELECTRON NA LLC		1,727.29
TODD GROUNDWATER	Groundwater Modeling Services	18,413.35
TODD GROUNDWATER		18,413.35
TPX COMMUNICATIONS	RIO VISTA WATER TREATMENT PUMP 9/16-10/15	808.35
TPX COMMUNICATIONS		808.35
UNITED RECORDS MANAGEMENT, INC.	Data Imaging Services	1,723.63
UNITED RECORDS MANAGEMENT, INC.		1,723.63
US BANK	1999A 8/1/18-7/31/19 TRUSTEE FEES	2,000.00
US BANK		2,000.00
VALLEY PUBLICATIONS	CC MAG/WEB ADS-AUG	327.00
	CC MAG/WEB ADS-SEPT.	327.00
VALLEY PUBLICATIONS		654.00
VARIDSK, LLC	STANDING DESK-SC	596.79
VARIDSK, LLC		596.79
VERIZON WIRELESS	CIMIS 8/11-9/10/18	38.01
	EQUIPMENT 8/11-9/10	1,709.80
	SERVICE 8/11-9/10/18	2,212.36
	TELEMETRY 7/24-8/23	838.61
VERIZON WIRELESS		4,798.78

SCVWA - Regional Division

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Vendor Name	Description	Amount
VWR SCIENTIFIC INC.	TRYPTICASE SOY AGAR	20.51
	VACUUM ADAPTER	83.81
VWR SCIENTIFIC INC.		104.32
WAGeworks, INC.	AUGUST 2018 SERVICE	270.40
WAGeworks, INC.		270.40
WARREN DISTRIBUTING, INC.	PARTS UNIT# I10	450.91
	PARTS UNIT# I42	90.64
	PARTS UNIT# I63	87.83
WARREN DISTRIBUTING, INC.		629.38
WATER CONSULTANCY, INC.	PERCH SUPPORT SRVCS	3,480.00
WATER CONSULTANCY, INC.		3,480.00
WAXIE SANITARY SUPPLY	JANITORIAL SUPPLIES	1,563.01
WAXIE SANITARY SUPPLY		1,563.01
WESCO DISTRIBUTION, INC.	BALLAST LIGHTING	251.85
WESCO DISTRIBUTION, INC.		251.85
WEST YOST ASSOCIATES	Saugus Formation VOC Investigation	5,175.00
WEST YOST ASSOCIATES		5,175.00
WOODARD & CURRAN INC.	On-Call Engineering and/or Construction Mgmt. and Inspection Services	328.85
WOODARD & CURRAN INC.		328.85
WORK BOOT WAREHOUSE	SAFETY BOOTS-WR	250.00
WORK BOOT WAREHOUSE		250.00
X-ACT TECHNOLOGY SOLUTIONS, INC.	OFFICE 365 LIC.-AUG.	3,712.50
	OFFICE 365 LIC.-SEPT	3,712.50
X-ACT TECHNOLOGY SOLUTIONS, INC.		7,425.00
Summary		4,314,574.26

AP Check Register with GL Distributions

Date Range: 9/1/2018 to 9/30/2018

Check No.	Ck Date	Vendor Name /	Inv Date	Amount	GL Account	Description
CIP		Construction in Progress				
111697	9/7/2018	FOSTER CONSTRUCTION 827	8/28/18	1,285.40	0300-00-1040	Saw Cut - Windcrest 300-1040
111706	9/7/2018	RMC, A WOODARD & CURRAN CO 26401	8/30/18	52,120.39	0300-00-1021	Phase 2C Recycled Water Main Extension 7/18 - 300-1021
111730	9/12/2018	ROYAL INDUSTRIAL SOLUTIONS 8870-556506	9/6/18	16.11	0300-03-0456	(10) ft. Pipe, (4) Conduits - 303-0456
		8870-556515	9/6/18	209.89	0300-03-0456	Misc. Fittings - 303-0456
		8870-556521	9/6/18	92.88	0300-03-0456	(100) 3/4" Clamps (4) Terminal Adapters - 303-0456
111733	9/12/2018	TRENCH SHORING CO., INC. 1148845-0002	8/20/18	517.50	0300-00-1050	Shoring Rental 7/30-8/13/18 - 300-1050
111734	9/12/2018	VALENCIA BUILDING MATERIALS CO., INC 293366	8/24/18	37.74	0300-00-1040	(3) bags Stucco, (3) rolls Twine - 300-1040
		293601	8/29/18	177.39	0300-00-1040	(6) Gravel - 300-1040
		293091	8/28/18	192.46	0300-00-1040	(35) 90 lb. Concrete - 300-1040
		292675	8/15/18	59.13	0300-00-1050	(2) Pea Gravel - 300-1050
		6264	8/14/18	407.27	0300-00-1050	(6) Rapid Set Mortar, (1) yd. U-Card Concrete - 300-1050
		6276	8/13/18	256.75	0300-00-1050	(1) yd. U-Card Concrete - 300-1050
111736	9/12/2018	WATER WELL SUPPLY INC. 18471	8/31/18	5,755.00	0300-00-1049	New Booster Pump & Pump Head - Newhall Bst #6 300-1049
111741	9/19/2018	AV EQUIPMENT RENTALS INC 203704	9/13/18	56.00	0300-00-1040	(1) Hydrostatic Pump 9/12-9/13/18 - 300-1040
111742	9/19/2018	BELOW ZERO, INC 193370	8/27/18	350.00	0300-00-1040	(1) Hot Tapping - Windcrest PI 300-1040
111743	9/19/2018	BMC WEST LLC 59075366-00	9/13/18	285.24	0300-00-1040	Douglas Fir Lumber - 300-1040
		59099884-00	9/17/18	243.41	0300-00-1056	Douglas Fir, 5 Ply Sheathing - 300-1056
111746	9/19/2018	CORE & MAIN LP J181458	8/24/18	707.85	0300-00-1040	Inventory - 300-1040
111752	9/19/2018	FOSTER CONSTRUCTION 831	9/7/18	300.00	0300-00-1040	Saw Cut - Windcrest 300-1040
111753	9/19/2018	GEOSOILS CONSULTANTS INC. 69974	9/12/18	348.00	0300-00-1040	Water-Domestic Trench Backfill - 300-1040
111757	9/19/2018	HARRINGTON INDUSTRIAL PLASTICS LLC 005C0878	8/27/18	4,654.89	0300-03-0456	(1000) ft. Tubing 303-456
111761	9/19/2018	LINO'S TRUCKING A-280992	9/5/18	990.00	0300-00-1040	(9) hrs. Trucking Services - 300-1040
		A-280993	9/6/18	1,210.00	0300-00-1040	(11) hrs. Trucking Services - 300-1040
		A-280991	9/4/18	880.00	0300-00-1040	(8) hrs. Trucking Services - 300-1040
111768	9/19/2018	ROYAL INDUSTRIAL SOLUTIONS 8870-556595	9/10/18	7.22	0300-00-1049	(1) 3/4" Elbow, (2) 3/4" Coupling - 300-1049
		8870-556583	9/10/18	14.72	0300-00-1049	Misc. Fittings - 300-1049
111774	9/19/2018	VULCAN MATERIALS CO. 71943758	9/7/18	990.00	0300-00-1040	(3) LF Mixed Semi 9/5/18 - 300-1040
111801	9/26/2018	MICHAEL DEVORE TRUCKING CO. 95272	9/4/18	480.24	0300-00-1040	(25) tons Fill Sand - 300-1040

Santa Clarita Valley Water Agency
Newhall Division

Check No.	Chk Date	Vendor Name /	Inv Date	Amount	GL Account	Description
111803	9/26/2018	QUINN RENTAL SERVICES				
		07236301	9/12/18	2,728.55	0300-00-1040 (1)	Excavator Rental, (1) Compaction Wheel Rental - 300-1040
		07240401	9/12/18	2,004.07	0300-00-1040 (1)	Water Truck Rental 9/4-9/12/18 - 300-1040
111809	9/26/2018	VALENCIA BUILDING MATERIALS CO., INC				
		294162	9/13/18	21.86	0300-00-1040 (4)	Pea Gravel - 300-1040
111810	9/26/2018	VULCAN MATERIALS CO.				
		71951673	9/14/18	1,320.00	0300-00-1040 (4)	LF Mixed Semi 9/6/18 - 300-1040
CUSREF		Customer Refunds				
111781	9/26/2018	RAFFI BAGHDASSARIAN				
		08941	9/25/18	34.54	1610-00	Refund CR Balance - Closed A/C #13563
111783	9/26/2018	LEONEL CHAVARRIA				
		08949	9/25/18	19.98	1610-00	Refund CR Balance - Closed A/C #22998
111790	9/26/2018	EL VALLE LAWNMOWER SERVICE				
		08943	9/25/18	49.81	1610-00	Refund CR Balance - Closed A/C #18948
111791	9/26/2018	RAY FREELAND				
		08944	9/25/18	30.00	1610-00	Refund CR Balance - Closed A/C #20069
111795	9/26/2018	GARY & MARGARET INGERSOLL				
		08940	9/25/18	10.00	1610-00	Refund CR Balance - Closed A/C #02615
111797	9/26/2018	ANTHONY LENNON				
		08947	9/25/18	10.19	1610-00	Refund CR Balance - Closed A/C #22223
111798	9/26/2018	LETS SCARE PRODUCTIONS LLC				
		08952	9/25/18	313.29	1610-00	Refund CR Balance - Closed A/C #24274
111799	9/26/2018	CATHERINE VANESSA LORRIMER				
		08942	9/25/18	15.96	1610-00	Refund CR Balance - Closed A/C #18856
111800	9/26/2018	BIBIANA MARTINEZ				
		08950	9/25/18	59.84	1610-00	Refund CR Balance - Closed A/C #24006
DEBT		Debt Service Payments				
111784	9/26/2018	CITY NATIONAL BANK				
		9/1/18	9/1/18	39,929.07	2645-00	CNB 2012 #07-047
		9/1/18	9/1/18	186,975.51	2255-00	CNB 2012 #07-047
DIREMP		Director/Employee Expense				
9/19/2018		SCV WATER				
		8/31/18-2	7/31/18	204,145.56	2661-00	Direct Payroll - 8/18
		8/31/18-3	7/31/18	22,219.67	2661-00	Shared Payroll - 8/18
111685	9/7/2018	AMERICAN EXPRESS				
		8/28/18	8/28/18	43.78	7161-00	Office Supp, Quickbooks 2018, IT Support, Comp Software 8/18
111688	9/7/2018	DONALD BEST				
		08636	9/5/18	86.50	7160-00	Haz-Mat Endorsement Reimb
111711	9/7/2018	TRANSAMERICA EMPLOYEE BENEFITS				
		2503019617	8/31/18	248.52	2661-00	Universal Life 8/18
111713	9/7/2018	US BANK				
		8/22/18	8/22/18	455.68	7160-00	Office Supp, Meals, Car Wash, Tools, Computer Supp 8/18
111796	9/26/2018	LEGALSHIELD				
		9/15/18	9/15/18	186.35	2661-00	Employee Services 9/18
DUES		Dues/Memberships/Certification				
9/19/2018		SCV WATER				
		8/31/18-6	7/31/18	125.71	7161-00	VIA Membership Dues FY 18-19
111685	9/7/2018	AMERICAN EXPRESS				
		8/28/18	8/28/18	5,120.01	7163-00	Office Supp, Quickbooks 2018, IT Support, Comp Software 8/18

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111713	9/7/2018	US BANK 8/22/18	8/22/18	22.99	7161-00	Office Supp, Meals, Car Wash, Tools, Computer Supp 8/18
111726	9/12/2018	L A COUNTY FIRE DEPT				
		IN0289079	8/20/18	440.00	5315-00	HazMat - 15375 Soledad Cyn #AR0041764 FY 18-19
		IN0299997	8/20/18	440.00	5315-00	HazMat - 29505 Avenida Rancho Tesoro #AR0071116 FY18-19
		IN0299994	8/20/18	549.00	5315-00	HazMat - 31400 Castaic Rd #AR0071113 FY 18-19
		IN0299996	8/20/18	440.00	5315-00	HazMat - 25143 Railroad Ave #AR0071115 FY 18-19
		IN0299993	8/20/18	1,409.00	5315-00	HazMat - 23780 Pine St #AR0071112 FY 18-19
		IN0299995	8/20/18	440.00	5315-00	HazMat - 15644 Nahin Ln #AR0071114 FY 18-19
INSUR	Insurance					
111684	9/7/2018	AFLAC 210703	8/31/18	1,473.24	2661-00	Insurance Premium 8/5-9/6/18
111739	9/19/2018	ACWA-JPIA/CB&T				
		0572758	9/6/18	51,454.40	7131-00	Health Benefits 10/18
		0572758	9/6/18	2,948.30	1680-00	Health Benefits 10/18
		0572758	9/6/18	4,905.01	7133-00	Health Benefits 10/18
		0572758	9/6/18	515.79	7129-00	Health Benefits 10/18
		0572758	9/6/18	77.55	7127-00	Health Benefits 10/18
111762	9/19/2018	THE LINCOLN NATIONAL LIFE INSURANCE CO.				
		3741705302	9/18/18	642.72	7131-00	Life & Disability Insurance 10/18
		3741705302	9/18/18	655.20	7132-00	Life & Disability Insurance 10/18
111775	9/19/2018	WAGE WORKS INV935651	9/17/18	141.00	7191-00	Aflac Service Fee 8/18
111782	9/26/2018	BERKSHIRE HATHAWAY HOMESTATE CO 9/18/18	9/18/18	382.00	7125-00	Workers Comp Insurance Premium 7/1/17-7/1/18
INV	Inventory					
111693	9/7/2018	CORE & MAIN LP				
		J324379	8/15/18	1,562.08	1810-00	(12) Steel Guard Post
		J314909	8/15/18	1,085.63	1810-00	(27) Valve Lids
		J324297	8/15/18	260.35	1810-00	(2) Steel Guard Post
111696	9/7/2018	FAMCON PIPE AND SUPPLY INC 209510	8/9/18	607.73	1810-00	(1) 6" Flange
111746	9/19/2018	CORE & MAIN LP J181458	8/24/18	19,975.10	1810-00	Inventory - 300-1040
111751	9/19/2018	FAMCON PIPE AND SUPPLY INC 210291	8/27/18	10,707.18	1810-00	Inventory
111786	9/26/2018	CORE & MAIN LP J276663	9/5/18	7,509.52	1810-00	(180) 12" MJ/TJ Pipe
111794	9/26/2018	GRISWOLD INDUSTRIES 753558	9/4/18	3,027.46	1810-00	Cla-Val Inventory
LEGAL	Professional Services - Legal					
	9/19/2018	SCV WATER 8/31/18-8	7/31/18	605.50	7151-00	General Matters Legal - 7/18
MAINT	Maintenance and Services					
111687	9/7/2018	BAY ALARM COMPANY				
		858582180828	8/28/18	1,000.00	5755-00	Burglar System - Operations Facility
		2499272180828	8/28/18	725.00	7221-00	Burglar System - Office
		858580180828	8/28/18	1,000.00	5755-00	Burglar System - Warehouse
111692	9/7/2018	COPPER EAGLE PATROL & SECURITY 59123	8/13/18	957.00	7221-00	Vandal Watch - Newhall Facility 8/7, 8/10-8/11/18
111695	9/7/2018	EAGLE ONE PROTECTION INC R-34901	8/29/18	84.00	5755-00	Monitoring Security Service 9/18

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111700	9/7/2018	LINO'S TRUCKING A-280987	8/23/18	1,100.00	5425-00 (10) hrs. Trucking Services	
111703	9/7/2018	PIPEHORN LOCATING TECHNOLOGY IN18738	8/28/18	233.00	5755-00 Repairs to (1) 800HL Pipe	
111712	9/7/2018	UNDERGROUND SERVICE ALERT 820180468	9/1/18	175.00	5425-00 (100) Dig Alerts 8/18	
111715	9/7/2018	ZEROREZ SOCAL 91864	8/31/18	1,360.68	7221-00 Carpet Cleaning - Office	
111716	9/12/2018	ALL TEMPERATURES CONTROLLED INC 220388	8/22/18	145.00	5225-00 Quarterly Maintenance 4-6/18 - Northlake Booster	
		220387	8/22/18	75.00	5325-00 Quarterly Maintenance 4-6/18 - Castaic OSEC	
		220389	8/22/18	125.00	5325-00 Quarterly Maintenance 4-6/18 - Newhall Well #12	
		220386	8/22/18	195.00	5225-00 Quarterly Maintenance 4-6/18 - Stetson Ranch	
111719	9/12/2018	BAY ALARM COMPANY 24992721808311	8/31/18	725.00	7221-00 Installation Burglar System Upgrade - Office	
		34831721808311	8/31/18	1,000.00	5755-00 Installation Burglar System - Warehouse	
		34828721808311	8/31/18	1,000.00	5755-00 Installation Burglar System - Operations Facility	
111720	9/12/2018	COURIER-MESSENGER INC. 21010	8/31/18	300.00	5525-00 Courier Services 8/18	
111721	9/12/2018	EUROFINS EATON ANALYTICAL INC L0408391	8/27/18	30.00	5315-00 Water Analysis - Castaic Well #1, Manganese Blending 8/15	
111722	9/12/2018	EXPERIAN CD1905008996	8/31/18	177.56	5525-00 Credit Checks 8/18	
111725	9/12/2018	KNUDTSON BUILDING MAINTENANCE 121967	8/24/18	1,294.00	7221-00 Janitorial Services 8/18	
		121967	8/24/18	431.00	5755-00 Janitorial Services 8/18	
111776	9/19/2018	WASTE MANAGEMENT 3669629-0160-4	9/1/18	839.89	5755-00 (1) 40 yd. Roll-Off 8/28/18	
111777	9/19/2018	X-ACT TECHNOLOGY SOLUTIONS, INC. 21924	9/7/18	4,954.50	7163-00 Installation of Fiber from Server Room to Trailer/Warehouse	
111780	9/26/2018	AMTECH ELEVATOR SERVICES DVA08379A18	9/20/18	191.97	7221-00 Elevator Maintenance 10/18	
111785	9/26/2018	CLARK PEST CONTROL 9/19/18	9/19/18	47.00	7221-00 Pest Control Services 9/18	
111788	9/26/2018	DAN'S WELDING SERVICE 99	9/17/18	517.50	5225-00 Weld Stiffners onto Pump - Pinetree Booster #2	
111793	9/26/2018	GREENSET LANDSCAPING AUGUST-1	9/1/18	1,350.00	5415-00 Landscape Maintenance 8/18	
		AUGUST-1	9/1/18	225.00	5225-00 Landscape Maintenance 8/18	
		AUGUST-1	9/1/18	150.00	5435-00 Landscape Maintenance 8/18	
		AUGUST-1	9/1/18	250.00	7221-00 Landscape Maintenance 8/18	
		AUGUST-1	9/1/18	250.00	5755-00 Landscape Maintenance 8/18	
MATSUP		Material and Supply Expense				
111693	9/7/2018	CORE & MAIN LP J309199	8/15/18	1,407.07	5555-00 (200) Bolts, (200) Nuts, (100) Gaskets	
111694	9/7/2018	CULLIGAN OF SYLMAR 1648942	8/31/18	144.00	5330-00 (4) Portable Tank Exchange - Pinetree 9/18	
		1644998	8/31/18	484.00	5330-00 (4) Portable Tank Exchange - Newhall 9/18	
		1644995	8/31/18	484.00	5330-00 (4) Portable Tank Exchange - Castaic 9/18	
		1645562	8/31/18	31.00	5330-00 (1) Portable Tank Exchange - Stetson Ranch 9/18	
		1644996	8/31/18	121.00	5330-00 (1) Portable Tank Exchange - Tesoro 9/18	

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111696	9/7/2018	FAMCON PIPE AND SUPPLY INC 209720	8/14/18	469.76	5425-00 (1)	10" Flange
111699	9/7/2018	GRAINGER INC 9876260267 9877239153	8/14/18 8/15/18	116.98 45.18	5706-00 (1) 5555-00 (1)	Pruning Saw, (1) Folding Saw, (1) Lopper Lopper Blade
111701	9/7/2018	MICHAEL DEVORE TRUCKING CO. 95220	8/13/18	6,072.22	5425-00 (50)	tons Cold Mix, (25) tons A-Base, (25) tons Fill Sand
111702	9/7/2018	OLD TOWN NEWHALL ICE LLC 34407 7/27/18 34221E 697140	8/7/18 7/27/18 7/26/18 7/24/18	19.71 39.42 29.57 19.71	5755-00 (4) 5755-00 (8) 5755-00 (6) 5755-00 (4)	bags Cubed Ice bags Cubed Ice bags Cubed Ice bags Cubed Ice
111707	9/7/2018	ROYAL INDUSTRIAL SOLUTIONS 8870-556237	8/28/18	2,013.18	5215-00 (8)	Fuses
111710	9/7/2018	STEP SAVER INC 343977 343978	8/22/18 8/22/18	77.46 402.50	5330-00 (530) 5330-00 (2735)	lbs. Certified Coarse Salt - Pinetree lbs. Certified Coarse Salt - Castaic
111713	9/7/2018	US BANK 8/22/18 8/22/18 8/22/18 8/22/18 8/22/18	8/22/18 8/22/18 8/22/18 8/22/18 8/22/18	215.75 182.40 191.71 464.97 43.30	5755-00 5325-00 5175-00 5415-00 5455-00	Office Supp, Meals, Car Wash, Tools, Computer Supp 8/18 Office Supp, Meals, Car Wash, Tools, Computer Supp 8/18 Office Supp, Meals, Car Wash, Tools, Computer Supp 8/18 Office Supp, Meals, Car Wash, Tools, Computer Supp 8/18 Office Supp, Meals, Car Wash, Tools, Computer Supp 8/18
111717	9/12/2018	AQUA-FLO SUPPLY SI1261044	9/6/18	35.25	5325-00 (2)	4" Threaded Cap, (1) 4" x 12" PVC Nipple
111718	9/12/2018	BANKCARD CENTER 259740	8/31/18	3,007.11	5706-00	Parts for Ditch Witch
111724	9/12/2018	HOME DEPOT CREDIT SERVICES 8/28/18 8/28/18 8/28/18 8/28/18	8/28/18 8/28/18 8/28/18 8/28/18	83.44 593.39 10.93 3,913.86	5706-00 5315-00 5555-00 5755-00	Tools & Supplies 8/18 Tools & Supplies 8/18 Tools & Supplies 8/18 Tools & Supplies 8/18
111728	9/12/2018	PAUL'S PAINT & HARDWARE 952464	8/22/18	3.46	5210-00 (4)	Conduit Hanger
111729	9/12/2018	PRAXAIR DISTRIBUTION INC. 84665397	8/21/18	48.05	5706-00	Cylinder Rental 8/18
111732	9/12/2018	SHILPARK PAINT 13411	8/21/18	18.79	5275-00 (2)	Plastic Buckets, (2) Power Mixer
111734	9/12/2018	VALENCIA BUILDING MATERIALS CO., INC 6252 293351 292899 292671 293136	8/6/18 8/23/18 8/14/18 8/14/18 8/15/18	169.71 10.93 21.88 14.78 4.92	5175-00 (1) 5415-00 (1) 5415-00 (2) 5455-00 (3) 5415-00 (1)	3/4 yd. U-Card Concrete lb. Gravel lbs. Gravel 90 lb. Concrete Cement
111735	9/12/2018	VULCAN MATERIALS CO. 71937385	8/31/18	1,320.00	5425-00 (4)	LF Mixed Semi 8/23/18
111745	9/19/2018	CERTIFIED LABORATORIES 3234333	8/9/18	1,347.17	5425-00 (6)	dz. Aerosol
111751	9/19/2018	FAMCON PIPE AND SUPPLY INC 210395	8/29/18	722.70	5425-00 (3)	8" Clamps

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111755	9/19/2018	GRAINGER INC				
		9888821551	8/28/18	247.68		5755-00 (1) Striping Machine, (12) Striping Paint
		9887552074	8/27/18	105.12		5555-00 (20) pks. Cable Ties
111757	9/19/2018	HARRINGTON INDUSTRIAL PLASTICS LLC				
		005C0928	8/29/18	322.45		5375-00 (2) Elbows, (4) Connectors, (4) Nuts
111759	9/19/2018	KORALEEN ENTERPRISES				
		6661	8/23/18	1,830.36		5325-00 (24) S.S. Valves, (1) Lid
111766	9/19/2018	PAUL'S PAINT & HARDWARE				
		952804	8/26/18	217.23		5706-00 (4) PVC Cutter, (1) Knife, (1) Flashlight, (1) Holster
111770	9/19/2018	SCV LOCK & KEY SERVICE INC				
		40733	9/12/18	1,614.95		5755-00 (3) Lever Sets, (3) Electric Strikes, (2) Latch Gaurds
111771	9/19/2018	SHILPARK PAINT				
		13543	8/29/18	19.35		5755-00 (2) Metal Tray, (11) Tray Liner
111774	9/19/2018	VULCAN MATERIALS CO.				
		71943757	9/7/18	660.00		5425-00 (2) LF Mixed Semi 9/4/18
111779	9/26/2018	AIRGAS SPECIALTY PRODUCTS				
		131558623	8/30/18	823.88		5330-00 Ammonium Hydroxide Solution - Castaic
		131558622	8/30/18	304.85		5330-00 Ammonium Hydroxide Solution - Tesoro
111786	9/26/2018	CORE & MAIN LP				
		J442420	9/4/18	438.00		5555-00 (100) EPDM Gaskets
		J428321	8/31/18	492.76		5555-00 (1000) Gaskets
		J443872	9/5/18	190.24		5425-00 (1) Clamp
111792	9/26/2018	GRAINGER INC				
		9892925943	8/31/18	964.73		5706-00 (6) Pipe Wrench
111794	9/26/2018	GRISWOLD INDUSTRIES				
		753558	9/4/18	12.46		5225-00 Cla-Val Inventory
111805	9/26/2018	ROYAL INDUSTRIAL SOLUTIONS				
		8870-556802	9/14/18	100.96		5435-00 Misc. Fittings
111808	9/26/2018	STEP SAVER INC				
		344145	9/4/18	328.92		5330-00 (2235) lbs. Certified Coarse Salt - Castaic
		344143	9/4/18	99.34		5330-00 (675) lbs. Certified Coarse Salt - Tesoro
111809	9/26/2018	VALENCIA BUILDING MATERIALS CO., INC				
		293912	9/4/18	15.87		5415-00 (1) Cement
OFFSUP	Office Supply Expense					
111685	9/7/2018	AMERICAN EXPRESS				
		8/28/18	8/28/18	856.71		7115-00 Office Supp, Quickbooks 2018, IT Support, Comp Software 8/18
		8/28/18	8/28/18	1,707.29		7118-00 Office Supp, Quickbooks 2018, IT Support, Comp Software 8/18
111699	9/7/2018	GRAINGER INC				
		9872812343	8/10/18	59.35		7115-00 (4) pk. D Batteries
111708	9/7/2018	SMART & FINAL				
		8/31/18	8/31/18	334.23		7115-00 Office Supplies 8/18
111713	9/7/2018	US BANK				
		8/22/18	8/22/18	452.29		7115-00 Office Supp, Meals, Car Wash, Tools, Computer Supp 8/18
111723	9/12/2018	GRAINGER INC				
		9880674735	8/20/18	201.11		7115-00 (6) pk. C Batteries, (6) pk. AAA Batteries
111727	9/12/2018	OFFICE DEPOT BUSINESS CREDIT				
		8/28/18	8/28/18	158.97		7115-00 Office Supplies 8/18
111755	9/19/2018	GRAINGER INC				
		9890142095	8/29/18	146.46		7115-00 (1) Toaster

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111763	9/19/2018	MCCALLA COMPANY 200319	7/13/18	50.35	7115-00 (1) cs.	Tissue
111773	9/19/2018	STAPLES CREDIT PLAN 9/7/18 9/7/18	9/7/18 9/7/18	432.05 258.38	7115-00 7118-00	Office Supplies 8/18 Office Supplies 8/18
OTHER	Other Expenses					
	9/19/2018	SCV WATER 8/31/18-5	7/31/18	214.01	7120-00	Stainless Steel Water Bottles
PERCHL	Perchlorate					
111764	9/19/2018	NOSSAMAN LLP 485832	9/12/18	12,158.92	7150-00	Perchlorate Claim 8/18
PROFOT	Professional Services - Other					
111714	9/7/2018	U.S. HEALTHWORKS MEDICAL GROUP, PC 3382071-CA	8/17/18	60.00	7160-00	Audiogram - RG, FM
111750	9/19/2018	EQUATION TECHNOLOGIES INC. 52772	8/31/18	322.50	7163-00	Sage Technical Support 8/18
111760	9/19/2018	LEAF & COLE LLP 236107	8/31/18	2,300.00	7152-00	Revise Prior Year Financials
PURWTR	Purchased Water					
111731	9/12/2018	SCV WATER 090618B 090618C 1800057 090618A	9/6/18 9/6/18 9/4/18 9/6/18	14,392.19 130,046.35 855.00 205,318.90	5130-00 5130-00 5315-00 5130-00	Purchased Water 8/18 - Saugus Well #1 & #2 Fixed Water Charges 8/18 Lab Fees 8/18 Purchased Water 8/18
RENTLE	Rent/Lease Expense					
111756	9/19/2018	GREATAMERICA FINANCIAL SVCS 23309507	9/5/18	193.55	7225-00	Mail Machine Lease 9/18
111758	9/19/2018	IRON MOUNTAIN RECORDS MANAGEMENT AFDY603 AFEN632	8/31/18 8/31/18	239.78 288.20	7191-00 7191-00	Document Storage Rental 9/18 Document Storage Rental - Vault 9/18
SAFETY	Safety Expense					
111713	9/7/2018	US BANK 8/22/18	8/22/18	88.80	5735-00	Office Supp, Meals, Car Wash, Tools, Computer Supp 8/18
111737	9/12/2018	WORKBOOT WAREHOUSE 4-30532	9/5/18	250.00	5735-00 (1)	Workboots - TA
111748	9/19/2018	DIRECT SAFETY SOLUTIONS INC 992079 992080	8/29/18 8/29/18	621.62 858.78	5735-00 (20) 5735-00 (24)	Hardhats Safety Glasses, (10) Goggles, (20) pk Water Supplement
111778	9/19/2018	ZEE MEDICAL SERVICE 34-075391	9/11/18	251.13	5735-00	Medical & Safety Supplies 9/18
111807	9/26/2018	SCV QUALITY CARE INC 5345	8/31/18	68.00	5735-00	DMV Exam - JP
UNIFOR	Uniforms					
111691	9/7/2018	CINTAS CORP #684 684708023 684705295	8/29/18 8/22/18	906.13 905.97	5705-00 5705-00	Uniform Rental W/E 8/29/18 Uniform Rental W/E 8/22/18
UTILIT	Utilities					
111683	9/4/2018	EDISON CO 8/18/18 8/18/18 8/18/18	8/18/18 8/18/18 8/18/18	420.05 18,377.68 722.02	5225-00 5230-00 5235-00	A/C #2-40-708-3344 7/18 A/C #2-40-708-3344 7/18 A/C #2-40-708-3344 7/18

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111685	9/7/2018	AMERICAN EXPRESS 8/28/18	8/28/18	101.90	5525-00	Office Supp, Quickbooks 2018, IT Support, Comp Software 8/18
111686	9/7/2018	AT&T 8/23/18-3 8/23/18 8/23/18-1 8/23/18-2	8/23/18 8/23/18 8/23/18 8/23/18	197.03 239.94 116.06 270.11	7215-00	Operations Facility 661 254-1841 8/18 Elevator Emergency 661 254-4865 8/18 Backup Analog 661 753-9621 8/18 Backup Lines 661 254-1900 8/18
111689	9/7/2018	BURRTEC WASTE INDUSTRIES INC 4491741 4491741	9/1/18 9/1/18	87.01 87.01	7215-00 5755-00	Disposal Service 9/18 Disposal Service 9/18
111738	9/12/2018	YP 9/1/18	9/1/18	21.00	7215-00	Directory Advertising 9/18
111740	9/19/2018	AROUND-THE-CLOCK CALL CENTER INC 181000314101	9/17/18	382.65	7215-00	Answering Service - 8/21-9/17/18
111747	9/19/2018	DIRECTV 35020501188 35017872793	9/8/18 9/8/18	24.99 165.98	7215-00	Satellite Services 9/7-10/6/18 - Lobby Satellite Services 9/7-10/6/18 - Office&Operations Facility
111749	9/19/2018	EDISON CO 9/7/18	9/7/18	3,723.40	7215-00	A/C #2-40-708-2270 8/18
111772	9/19/2018	SPRINT 934727314-201	9/7/18	1,520.01	7215-00	Cell Phones 8/18
111787	9/26/2018	CRESCENT VALLEY 9/18/18	9/18/18	10.95	5230-00	Electric Bill 8/14-9/14/18 - Newhall Tank #6
111789	9/26/2018	EDISON CO 9/21/18 9/21/18 9/19/18 9/19/18 9/19/18	9/21/18 9/21/18 9/19/18 9/19/18 9/19/18	74,185.11 42.26 268.55 16,220.37 722.64	5230-00 5225-00 5225-00 5230-00 5235-00	A/C #2-40-708-3856 9/18 A/C #2-40-708-3856 9/18 A/C #2-40-708-3344 9/18 A/C #2-40-708-3344 9/18 A/C #2-40-708-3344 9/18
VEHICL	Vehicle Maintenance					
111685	9/7/2018	AMERICAN EXPRESS 8/28/18	8/28/18	15.31	5715-00	Office Supp, Quickbooks 2018, IT Support, Comp Software 8/18
111690	9/7/2018	BUSH & DAUGHTERS REPAIR SERVICE 1728 1729	8/12/18 8/12/18	170.00 177.00	5775-83 5775-14	Repairs to Bucket - Unit #83 Repairs to Starter - Unit #14
111698	9/7/2018	GRAND AMERICAN TIRE INC 15147 14193	4/16/18 3/21/18	105.00 300.00	5775-20 5775-51	(1) Tire - Unit #20 (1) Tire - Unit #51
111704	9/7/2018	R&S AUTOMOTIVE 137196 137176 137219	9/4/18 8/31/18 9/5/18	176.65 745.47 60.75	5775-61 5775-61 5775-59	Replace Battery - Unit #61 Replace Transmission Switch & Filter - Unit #61 Smog Test - Unit #59
111705	9/7/2018	REQUEST CHEMICAL & SAFETY 1000	8/8/18	1,367.65	5715-00	(1)cs Glass Cleaner(1)cs Foaming Cleaner(1)cs Cleaning Wipe
111709	9/7/2018	SO CAL TURF & TRACTOR 121931	8/24/18	174.76	5715-00	(12) Ignition Keys
111713	9/7/2018	US BANK 8/22/18	8/22/18	123.68	5715-00	Office Supp, Meals, Car Wash, Tools, Computer Supp 8/18
111744	9/19/2018	CANYON RADIATOR AUTO REPAIR INC 967 896 910	8/30/18 8/29/18 8/29/18	2,753.05 1,992.43 486.37	5775-58 5775-74 5775-43	Change Oil, Filter, Brake Pads - Unit #58 Replace Brakes & Shocks - Unit #74 Replace Starter - Unit #43

Santa Clarita Valley Water Agency
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Check No.	Ck Date	Vendor Name /	Inv Date	Amount	GL Account	Description
111754	9/19/2018	GRAND AMERICAN TIRE INC				
		266173	8/29/18	1,150.28		5775-58 (4) Tires - Unit #58
		266003	8/24/18	100.00		5775-20 (1) Tire - Unit #20
111765	9/19/2018	OILSTOP INC				
		O-0011-130998	8/20/18	121.35		5775-58 Change Oil & Filter - Unit #58
111767	9/19/2018	R&S AUTOMOTIVE				
		137347	9/12/18	1,752.00		5775-58 Replace Shock Absorbers & Damper - Unit #58
111769	9/19/2018	SCHWARTZ OIL CO., INC				
		126497	9/5/18	2,551.59		5715-00 (800) gal. Unleaded Fuel
111802	9/26/2018	NAPA AUTO PARTS				
		007324	9/13/18	165.10		5775-55 (1) Battery - Unit #55
		007329	9/13/18	26.59		5775-14 (2) Connectors - Unit #14
111804	9/26/2018	R&S AUTOMOTIVE				
		137430	9/18/18	60.75		5775-42 Smog Test - Unit #42
		137448	9/19/18	60.75		5775-53 Smog Test - Unit #53
		137435	9/18/18	60.75		5775-59 Smog Test - Unit #59
111806	9/26/2018	SCHWARTZ OIL CO., INC				
		126687	9/17/18	3,168.59		5715-00 (1000) gal. Unleaded Fuel
		126688	9/17/18	1,304.89		5715-00 (340) gal. Diesel Fuel
		Payments:		<u>1,217,249.69</u>		

Totals by AP Distribution Code

Dist. Code		Total Amou
CIP	Construction in Progress	78,719.96
CUSREF	Customer Refunds	543.61
DEBT	Debt Service Payments	226,904.58
DIREMP	Director/Employee Expense	227,386.06
DUES	Dues/Memberships/Certification	8,986.71
INSUR	Insurance	63,195.21
INV	Inventory	44,735.05
LEGAL	Professional Services - Legal	605.50
MAINT	Maintenance and Services	20,908.10
MATSUP	Material and Supply Expense	33,190.41
OFFSUP	Office Supply Expense	4,657.19
OTHER	Other Expenses	214.01
PERCHL	Perchlorate	12,158.92
PROFOT	Professional Services - Other	2,682.50
PURWTR	Purchased Water	350,612.44
RENTLE	Rent/Lease Expense	721.53
SAFETY	Safety Expense	2,138.33
UNIFOR	Uniforms	1,812.10
UTILIT	Utilities	117,906.72
VEHICL	Vehicle Maintenance	19,170.76

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Vendor Name	Transaction Description	Transaction Amount
A T & T	CUSTOMER SERVICE - SEPT SVC - ACCT# 335-451-0184 482 2	\$105.25
	OFFICE - AUG SVC - ACT# 661 260-1513 030 9	\$91.13
	OFFICE - SEPT SVC - ACT# 020 749 6745 001	\$22.98
	OFFICE - SEPT SVC - ACCT# 661-286-4331 677 1	\$147.23
	ROUTER-TELEMETERING - SEPT SVC - ACCT# 831-000-2547 595	\$477.62
	SCADA - AUG SVC - ACT# 831-000-7549-638	\$638.72
	WAREHOUSE - SEPT SVC - ACT# 020 749 6745 001	\$12.70
A T & T		\$1,495.63
A V EQUIPMENT RENTAL INC	BOOM RENTAL	\$320.00
	BOOM RENTAL	\$320.00
	BOOM RENTAL	\$640.00
	HYDRANT ADAPTER	\$54.75
	HYDRANT GASKET	\$7.11
	PROPANE, HITCH	\$275.76
	SHOVELS	\$40.76
	SHOVELS	\$40.76
	SHOVELS	\$197.26
	WASHERS	\$7.11
A V EQUIPMENT RENTAL INC		\$1,903.51
ADAM VITAL	EDUCATION REIMBURSEMENT	\$234.35
ADAM VITAL		\$234.35
ADVANCED INDUSTRIAL SERVICES, INC.	S17715 - BOUQUET TANK EXTERIOR COATING	\$9,949.60
	S17715 - BOUQUET TANK EXTERIOR COATING 5% RETENTION	(\$497.48)
	S17716 - DEANE TANK NO. 1 BOUQUET TANK EXTERIOR COATING	\$7,898.80
	S17716 - DEANE TANK NO. 1 BOUQUET TANK EXTERIOR COATING 5% RETENTION	(\$394.94)
ADVANCED INDUSTRIAL SERVICES, INC.		\$16,955.98
ALAN STEPHENSON	OVERPAYMENT REFUND	\$7,150.23
ALAN STEPHENSON		\$7,150.23
ALTA FOOD CRAFT	OFFICE KITCHEN SUPPLIES	\$129.03
	WAREHOUSE KITCHEN	\$107.69
ALTA FOOD CRAFT		\$236.72
AMAZON CAPITAL SERVICES	CHARGER FOR K. ABERCROMBIE	\$43.75
AMAZON CAPITAL SERVICES		\$43.75
AMERICAN BUSINESS MACHINES	AUGUST USAGE	\$241.16
	SHIP TONERS	\$8.00
	SEPTEMBER USAGE-OFFICE	\$259.96
AMERICAN BUSINESS MACHINES		\$509.12
AMERIPRIDE SERVICES, INC.	AUGUST MATS	\$117.88
	AUGUST UNIFORMS	\$1,198.10
AMERIPRIDE SERVICES, INC.		\$1,315.98
ANNA DWORK	AUG CREDIT REFUND - REF 17629 SCHERZINGER	\$72.27
ANNA DWORK		\$72.27
ANNA EAST	AUG CREDIT REFUND - REF 19906 VIA OTT	\$63.68
ANNA EAST		\$63.68
AQUA METRIC SALES CO.	3" REGISTERS - OMNI C2 REG TR/PL	\$1,010.62
	S18721 - AMR (METERS - 130TR, 150TR & OMNIT11-2)	\$35,088.75
	S18721 - AMR (IPEARL & OMNI METERS)	\$177,433.16
	S18721 - METERS - 1" IPERL TR/PL 100CFT	\$7,002.18
	S18802 - AGED METER CHANGE OUTS (METERS & PORTS)	\$59,839.89
	S18802 - AGED METER CHANGE OUTS (SINGLE PORT)	\$30,698.19
AQUA METRIC SALES CO.		\$311,072.79
ARC IMAGING RESOURCES	AUG USAGE & CHARGE	\$349.01
ARC IMAGING RESOURCES		\$349.01
AROUND THE CLOCK	SEPT SERVICE	\$887.52
AROUND THE CLOCK		\$887.52
AUTOMATED WATER TREATMENT	CHLORINE TABLETS	\$6,404.00
AUTOMATED WATER TREATMENT		\$6,404.00
AUTONATION, INC.	OIL, FILTER #13	\$96.16
	OIL, FILTER #29	\$60.44
AUTONATION, INC.		\$156.60
BAY ALARM COMPANY	SEPT - BURGLAR ALARM SERVICE & BALANCE	\$66.10
BAY ALARM COMPANY		\$66.10
BEST BEST & KRIEGER LLP	S10808 - HONBY SOUTH CELL SITE	\$1,058.20
BEST BEST & KRIEGER LLP		\$1,058.20

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Vendor Name	Transaction Description	Transaction Amount
BOOT BARN INC.	SHOES - T. GRUBER	\$250.00
BOOT BARN INC.		\$250.00
BURRTEC WASTE INDUSTRIES	SEPT SERVICE	\$87.01
BURRTEC WASTE INDUSTRIES		\$87.01
CALIFORNIA DEPT. MOTOR VEHICLES	PULL NOTICE	(\$1.00)
	PULL NOTICE	\$1.00
CALIFORNIA DEPT. MOTOR VEHICLES		\$0.00
CANNON	S17602-SKYLINE ROAD/BENSION PUMP STATION (DESIGN)	\$10,681.88
	S17613-SKYLINE PUMP STATION 2 (DESIGN)	\$10,681.87
CANNON		\$21,363.75
CAROL ANDERSON	AUG CREDIT REFUND - REF 19414 FAIRWEATHER	\$36.73
CAROL ANDERSON		\$36.73
CARQUEST AUTO PARTS	PARTS FOR FUEL TANKS	\$21.46
CARQUEST AUTO PARTS		\$21.46
CHARMAINE'S BOUQUET CANYON FLORIST	SYMPATHY ARRANGEMENT DF	\$84.32
CHARMAINE'S BOUQUET CANYON FLORIST		\$84.32
CIVILTEC ENGINEERING INC.	S06812 GENERAL ENGINEERING	\$807.50
	S14612 - 53074 SAND CANYON PLAZA - PLANNING PHASE	\$1,581.25
	S16604 - VISTA CANYON PHASE 2 RECYCLED WATER DESIGN	\$11,300.00
	S16604 - VISTA CYN RECYCLED WATER DESIGN PHASE 2	\$9,042.50
	S16606 - 69164 VISTA CYN - POTABLE WATER PLANNING PHASE 1	\$350.00
	S16606 - RECYCLED WATER DESIGN PHASE 1	\$3,366.25
	S16610 - 69164 VISTA CYN PHASE 1 POTABLE WATER DESIGN	\$1,498.75
	S16611 - VISTA CYN PHASE 2 POTABLE WATER DESIGN	\$5,751.25
	S16611 - VISTA CYN POTABLE/RECYCLED DESIGN PHASE 2	\$24,338.75
	S16623 16" MAIN - SKYLINE RANCH ZONE PIPELINE DESIGN	\$11,956.25
	S16623 - 20" MAIN NORTH OAKS ZONE	\$90.00
	S16623 - PIPELINES - SKYLINE RANCH ROAD BRIDGE	\$172.50
	S16623 - SKYLINE RANCH FIRE FLOWS	\$562.50
	S16623 - SKYLINE RANCH ZONE 16" PIPELINE DESIGN	\$9,802.50
	S16702 - RECYCLED WATER DESIGN PHASE 1	\$420.00
	S17612 - SKYLINE RANCH TANKS REDESIGN	\$480.00
CIVILTEC ENGINEERING INC.		\$81,520.00
CLEAN RITE MOBILE DETAILING	VEHICLE WASHES	\$700.00
	VEHICLE WASHES	\$670.00
CLEAN RITE MOBILE DETAILING		\$1,370.00
COASTLINE EQUIPMENT	PARTS FOR 310E	\$3,005.67
	RETURN PAD, SEAT	(\$332.50)
	RETURN PARTS	(\$1,815.38)
COASTLINE EQUIPMENT		\$857.79
CORE & MAIN LP	#3 METER BOX BODY ONLY (B	\$353.20
	1 1/2" BALL ANGLE METER S	\$1,311.04
	1" BRASS BALL VALVE W/LOC	\$1,457.39
	1" BRASS BALL VALVE W/LOC	\$485.80
	1" FIP X CTS COMP. COUP	\$560.42
	1" IPS INSTATITE PIPE COU	\$388.60
	1" IPS INSTATITE PIPE COU	\$582.89
	1" PLASTIC TUBING, CLASS	\$367.92
	1" SLIP X MIP SCH 80 PVC	\$119.08
	1" SLIP, PVC, SCH 80, COU	\$74.46
	1" X 1/2" METER COUPLING	\$647.42
	1" X 3" BRASS NIPPLE	\$60.55
	1" X 3/4" BRASS METER RED	\$357.24
	1" X CLOSE BRASS NIPPLE	\$39.26
	1/2" CRL REPAIR KIT #9170	\$485.91
	1/2" CRL REPAIR KIT #9170	\$971.81
	10"- 12" BOLT KITS	\$270.52
	10" DISC RETAINER 100KC #	\$956.59
	10" FLG BUTTERFLY VALVE	\$998.36
	10" FLG ELL	\$584.55
	10" PUSH X PUSH GATE VALV	\$1,937.35
	10" REPAIR KIT 100-01 #98	\$462.53
	10" REPAIR KIT 100-01 #98	\$1,387.58
	10" STEM 100 #V1789G	\$529.10

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Vendor Name	Transaction Description	Transaction Amount
	12" DISC RETAINER 100KC #	\$1,328.02
	12" REPAIR KIT 100-01 #98	\$1,589.94
	16" C905 CL200 PIPE	\$1,550.08
	16" FLANGE BOLT KITS	\$257.01
	16" REPAIR KIT 100-01 #98	\$900.32
	16" RING GASKET	\$284.92
	16" X 2" SADDLE	\$1,293.76
	2 1/2" HYD OUTLET O RING	\$58.25
	2" BRASS ELL	\$95.00
	2" BRASS, STREET, ELL	\$134.36
	2" GLOBE VALVE REPAIR KIT	\$485.91
	2" PVC AIR VAC (ARI)	\$3,695.67
	2" REPAIR KIT #9169805A	\$194.36
	2" X 6" FLEX COUPLING	\$118.59
	3/4" IP BRASS BALL VALVE	\$1,264.94
	3/4" IPS INSERTS	\$86.40
	3/4" PLASTIC METER GASKET	\$121.55
	3/4" PLASTIC TUBING, CLAS	\$275.94
	3/4" RUBBER METER GASKETS	\$68.99
	3/4" RUBBER METER GASKETS	\$49.28
	3/8 X 58 ORFICE	\$1,030.18
	4" DISC RETAINER 100KC #7	\$201.48
	4" HYDRANT OUTLET	\$135.79
	4" RING GASKETS	\$29.57
	4" STEM	\$313.61
	4" X 2" IP 2-STRAP SERVIC	\$236.41
	4TT CONCRETE BODY	\$482.50
	6"- 8" FLANGE BOLT KITS	\$307.87
	6" DISC RETAINER 100KC #6	\$337.26
	6" FLG ELL	\$104.10
	6" POWERTRON KIT CLA VALV	\$835.70
	6" PUSH ON GATE VALVE	\$892.10
	6" RING GASKETS	\$131.40
	6" SDR-35 RISER PIPE	\$49.49
	6" SLIP ON, CLASS 150, FL	\$180.02
	6" STEM	\$693.79
	6" X 24" 8-HOLE HYDRANT S	\$391.05
	6" X 4" X 2 1/2" HYD-FLGD	\$2,911.32
	6" X 4" X 2 1/2" HYD-FLGD	\$5,822.64
	6" X 48" RT X FLANGE CI B	\$268.28
	6" X 6" 8-HOLE HYDRANT S	\$484.73
	6" X 8" 8-HOLE HYDRANT S	\$224.04
	8" DISC RETAINER 100KC #7	\$623.71
	8" FLG ELL	\$184.10
	8" REPAIR KIT #9817901D C	\$840.96
	8" REPAIR KIT #9817901D C	\$560.64
	8" SEAT	\$889.14
	8" STEM	\$700.80
	8" X 6" FLG REDUCER	\$126.28
	ADAPTER, ELL	\$680.43
	BUSHING, NIPPLES	\$68.99
	BUSHING, PLUG	\$45.82
	CHECK VALVE	\$1,910.58
	CRD KIT	\$397.10
	CRD KIT	\$1,191.31
	EDDY VALVES	\$6,405.76
	LOCKS	\$1,706.10
	PARTS UNIT 10	\$948.60
	POLY SHEETING	\$240.13
	S15714 - PLACERITA BOOSTER SC-12 (16 FLG 45 C110 IMP)	\$900.10
	S18602 - SHERIFF STATION LATERAL (12 EBAA MEGALUG/SEAL GASKET)	\$115.98
	S18906 - VALENCIA WATER - (6X4 FLGXMJ, GASKET, BOLTS, NUTS & PIPE)	\$537.27
	TRIANGLE 4TT CI LID	\$487.49
CORE & MAIN LP		\$64,867.48

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Vendor Name	Transaction Description	Transaction Amount
CORELECTRIC INC.	S16615 - PRV EAST - LINEAR WET LOCATION LED FIXTURES & MATERIALS	\$4,852.89
	S16615 - PRV WEST - LINEAR WET LOCATION LED FIXTURES & MATERIALS	\$4,991.70
CORELECTRIC INC.		\$9,844.59
CRAIG SNIDER PG	AUG CREDIT REFUND - REF HYDRANT METER	\$780.61
CRAIG SNIDER PG		\$780.61
DAN'S WELDING SERVICE	S15714 - PLACERITA BOOSTER SC-12 (WELDING)	\$920.00
DAN'S WELDING SERVICE		\$920.00
DATAVO	SEPT - WAREHOUSE	\$54.40
DATAVO		\$54.40
DAVID MOXNESS	AUG CREDIT REFUND - REF 19004 AVE OF OAKS	\$34.82
DAVID MOXNESS		\$34.82
DESIGN SPACE MODULAR BUILDINGS	OPS TRAILER	\$1,003.09
DESIGN SPACE MODULAR BUILDINGS		\$1,003.09
DICKINSON ENTERPRISE, INC.	CHECK TRANSMISSION	\$136.79
	EVAPORATOR CORE #35	\$1,529.03
	OIL, FILTER, REPAIR	\$274.35
	SENSOR, SPRK PLUG#105	\$915.33
DICKINSON ENTERPRISE, INC.		\$2,855.50
EN & LOIS CURRAN	AUG CREDIT REFUND - REF 26857 OAK BRANCH	\$22.55
EN & LOIS CURRAN		\$22.55
EUROFINS EATON ANALYTICAL, INC.	PB-CU	\$200.00
	PB-CU	\$90.00
	UCMR4	\$1,000.00
	UCMR4	\$1,200.00
EUROFINS EATON ANALYTICAL, INC.		\$2,490.00
EXCLUSIVE POWDER COATINGS, INC.	S15714- PLACERITA BOOSTER SC-12 (POWDERCOAT & SANDBLAST PIPES)	\$3,815.00
EXCLUSIVE POWDER COATINGS, INC.		\$3,815.00
FASTENAL COMPANY	BOLTS	\$57.04
	CABLE TIES	\$170.44
	GLOVES	\$242.59
	SCREWS, WASHERS	\$19.66
FASTENAL COMPANY		\$489.73
FEATHERS SIGNS & PRINTING	12" X 8" ALUMINUM SINGLE SIDED SIGN	\$766.50
FEATHERS SIGNS & PRINTING		\$766.50
FEDEX	OVERNIGHT SHIPPING - G. MCCOMBS	\$32.69
FEDEX		\$32.69
GOVERNMENT TAX SEMINARS, LLC	SEMINAR - E. OOMS-GRAZIANO & R. SIERRA	\$790.00
GOVERNMENT TAX SEMINARS, LLC		\$790.00
GRAINGER	BASE MAGNET	\$554.08
	BUSHINGS	\$98.72
	CENTERING HEAD	\$107.56
	DANGER TAGS	\$9.97
	KNEELING MATS	\$96.19
	LEVELER	\$110.48
	METER DIAL GAS TANK	\$197.07
GRAINGER		\$1,174.07
HASA INC.	CHLORINE	\$595.44
	DEPOSIT CONTAINER	\$160.00
	RETURN DEPOSIT	(\$120.00)
HASA INC.		\$635.44

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Vendor Name	Transaction Description	Transaction Amount
HOME DEPOT CREDIT SERVICES	BATTERY	\$65.67
	BLADES, BATTERY	\$296.55
	BREAKER, WIRE	\$380.29
	CHLOR LIQUID	\$7.51
	CONCRETE	\$562.28
	CONCRETE, EPOXY	\$31.36
	DIGITAL LEVEL	\$43.79
	FANS, TRAPS	\$683.14
	FEE	\$20.00
	GAS CAN	\$21.87
	HEADLIGHT	\$52.49
	LUMBER, PROPANE	\$151.52
	PRUNER, SOCKETS	\$57.82
	TAPE, TIES, CLEANER	\$281.56
	TOOLS UNIT #40	\$537.68
	TOOLS UNIT 37	\$1,215.42
	TRASH BAGS, HANDLE	\$27.31
HOME DEPOT CREDIT SERVICES		\$4,436.26
HYDREX PEST CONTROL CO.	AUGUST SERVICE - WAREHOUSE	\$54.00
HYDREX PEST CONTROL CO.		\$54.00
INDUSTRIAL METAL SUPPLY	GALV PIPE	\$2,170.95
	PIPE	\$321.93
	STEEL ANGLE	\$161.68
	STEEL FLAT	\$75.69
INDUSTRIAL METAL SUPPLY		\$2,730.25
INFOSEND, INC.	AUGUST BILLING	\$3,303.85
	AUGUST E BILLING	\$475.98
	AUGUST POSTAGE	\$10,328.75
INFOSEND, INC.		\$14,108.58
IRON MOUNTAIN	AUGUST SHREDDING	\$66.53
	STORAGE & SERVICE	\$1,853.22
IRON MOUNTAIN		\$1,919.75
ISMAEL AGUILA LANDSCAPE	AUGUST SERVICE	\$275.00
ISMAEL AGUILA LANDSCAPE		\$275.00
J. G. TUCKER & SON, INC.	PARTS AIR MONITORS	\$890.11
J. G. TUCKER & SON, INC.		\$890.11
J. P. ARMAN CO.	20226 DELIGHT ST./HONBY & CEDAR, SIDEWALK CONCRETE REPAIR	\$4,142.00
	28029 OAK SPRINGS CONCRETE PATCHES REPAIR	\$4,975.00
	S18-919 - MISS GRACE R&R 432 SQ/FT CITY SIDEWALK REPAIR	\$7,314.00
	S18-920 - AUTOZONE 19327 SOLEDAD - CONCRETE PATCHES REPAIR	\$3,125.00
	S18-921 - 18029 RIVER CIRCLE CONCRETE REPAIR	\$3,318.00
	SOLEDAD REPAIR - MCDONALDS	\$3,978.00
J. P. ARMAN CO.		\$26,852.00
JACQUELINE OTERO	NORTHSTAR PACIFIC USER CONFERENCE - MILEAGE, HOTEL, MEAL	\$260.56
JACQUELINE OTERO		\$260.56
JASPEERD GORGIS	AUG CREDIT REFUND - REF 22600 VASQUEZ ROC	\$59.65
JASPEERD GORGIS		\$59.65
JOE LOUIS JIMENEZ	AUG CREDIT REFUND - REF 18311 OAKMONT #866	\$36.73
JOE LOUIS JIMENEZ		\$36.73
KENNEDY/JENKS CONSULTANTS	S16618 - SHERIFF STATION (GOLDEN VALLEY WATERLINE EXT)	\$1,848.95
	S16702 - RECYCLED WATER VISTA CYN PHASE 2B	\$25,053.02
KENNEDY/JENKS CONSULTANTS		\$26,901.97
KIMBALL MIDWEST	DISCS, NUTS, WASHERS	\$160.47
	SAFETY GLASSES	\$86.46
	SAFETY GLASSES	\$43.23
	SCREEN	\$125.37
	SCREEN, PVC, WASHERS	\$391.70
KIMBALL MIDWEST		\$807.23
LEE'S MAINTENANCE SERVICE INC	AUGUST SERVICE - OFFICE	\$2,223.16
LEE'S MAINTENANCE SERVICE INC		\$2,223.16
LESTER MELENDEZ	AUG CREDIT REFUND - REF 18913 STILLMORE	\$115.52
LESTER MELENDEZ		\$115.52
LOS ANGELES COUNTY FIRE DEPT	7/1/18-6/30/19 - HAZARDOUS WASTE MATERIALS & PROGRAM	\$1,838.00
LOS ANGELES COUNTY FIRE DEPT		\$1,838.00

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MARI-CO MAIL SERVICE	AUGUST SERVICE	\$300.00
MARI-CO MAIL SERVICE		\$300.00
MATT STEVESON	REIMBURSE CLASS - OFFICE OF WATER PROGRAMS - CSU SACRAMENTO	\$163.53
MATT STEVESON		\$163.53
MC CROMETER, INC.	CREDIT METER	(\$1,692.87)
	REPAIR METER - VIA JOYCE	(\$2,314.90)
	REPAIR METER - VIA JOYCE	\$2,314.90
	REPAIR METER - VIA JOYCE	\$2,314.90
	S15714 - PLACERITA BOOSTER SC-12 (M-SERIES DC, E18-04627)	\$1,727.40
MC CROMETER, INC.		\$2,349.43
MESA ENGINEERING	S14602 - KEYSTONE (MAINS, SERVICES & HYDRANTS) RETENTION	\$558.33
MESA ENGINEERING		\$558.33
N. HARRIS COMPUTER SYSTEMS	NORTHSTAR CONFERENCE - R. McLAUGHLAN	\$450.00
N. HARRIS COMPUTER SYSTEMS		\$450.00
NAPA AUTO & TRUCK PARTS	FILTER	\$4.13
	HOSE STOP, BOLT	\$25.28
	PARTS FOR 310E	\$460.22
	SERVICE CHG	\$7.30
	SPANNER	\$108.39
	STRAP, O RING KIT	\$90.96
NAPA AUTO & TRUCK PARTS		\$696.28
NEWHALL VALENCIA LOCK & KEY	KEYS	\$26.21
NEWHALL VALENCIA LOCK & KEY		\$26.21
NOSSAMAN LLP	S98806 - PERCHLORATE CONTAMINATION CLAIM	\$12,158.92
NOSSAMAN LLP		\$12,158.92
OFFICE DEPOT, INC.	BATTERIES	\$88.67
OFFICE DEPOT, INC.		\$88.67
PACIFIC PRINTING COMPANY	BUSINESS CARD - M. RESTIVO	\$71.18
PACIFIC PRINTING COMPANY		\$71.18
PARDEE HOMES	REFUND HYDRANT METER	\$744.27
PARDEE HOMES		\$744.27
PERIMETER SECURITY SYSTEMS	REMOTES	\$358.31
	SERVICE GATE	\$450.00
PERIMETER SECURITY SYSTEMS		\$808.31
PEST OPTIONS INC.	SEPT SERVICE	\$2,099.59
PEST OPTIONS INC.		\$2,099.59
PETRO LOCK, INC.	GASOLINE	\$2,526.84
	SURCHARGE	\$10.95
PETRO LOCK, INC.		\$2,537.79
PETTY CASH	MEALS - M. RESTIVO (LEADERSHIP & MGMT CONF.), E. OOMS-GRAZIANO & N. MILLER (LUNCH FOR NEW TEMPORARY ASSISTANT)	\$69.13
	SMALL TOOLS FOR METER READERS	\$43.75
PETTY CASH		\$112.88
PITNEY BOWES GLOBAL FINANCIAL SVCS	TO 9/11/18 - LEASING CHARGES	\$712.27
PITNEY BOWES GLOBAL FINANCIAL SVCS		\$712.27
PRAXAIR DISTRIBUTION, INC	CARBON DIOXIDE	\$62.68
	CARBON DIOXIDE	\$31.34
	GLOVES	\$11.23
PRAXAIR DISTRIBUTION, INC		\$105.25
PREMIERE GLOBAL SERVICES	OFFICE	\$24.64
PREMIERE GLOBAL SERVICES		\$24.64
PUMP DESIGN & SUPPLY CO.	S18707 - SC-4 BOOSTER STATION	\$17,995.16
	S18707 - GREGORY BOOSTER, 75 HP SUBMERSIBLE MOTOR 3450 RPM	\$17,108.76
PUMP DESIGN & SUPPLY CO.		\$35,103.92
RED WING SHOE STORE	SHOES 5 MEN - P. BURROUS, J. FOOTE, N. GILMORE, C. JENS, & A. VITAL	\$1,346.65
RED WING SHOE STORE		\$1,346.65
RICK FRANKLIN CONSTRUCTION, INC	SOLEDAD ASPHALT PATCH	\$950.00
RICK FRANKLIN CONSTRUCTION, INC		\$950.00
ROSE & LEON L. HEUREUX	AUG CREDIT REFUND - REF 28025 CRESTON CT	\$62.47
ROSE & LEON L. HEUREUX		\$62.47
RYAN PROCESS, INC.	CHLORINE TABLETS	\$8,832.00
RYAN PROCESS, INC.		\$8,832.00

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SAGE STAFFING	WEEK ENDED 9/9/18 - OFFICE ASSISTANT	\$1,113.35
	WK ENDED 9/16/18 - OFFICE ASSISTANT	\$1,145.16
	WK ENDED 8/26/18 - OFFICE ASSISTANT	\$1,399.64
	WK ENDED 9/2/18 - OFFICE ASSISTANT	\$1,145.16
SAGE STAFFING		\$4,803.31
SANTA CLARITA VALLEY WATER AGENCY	A T & T	\$1,740.32
	AUG PAYROLL	\$456,104.72
	AUG SHARED EMPLOYEE	\$22,905.11
	AUGUST FIXED	\$623,915.16
	AUGUST SAUGUS	\$39,250.00
	AUGUST VARIABLE	\$568,296.62
	CREDIT SHOES	(\$238.94)
	DMV CHARGE	\$500.00
	INSURANCE	\$68,861.22
	LAB AUGUST	\$2,654.00
	MAINTENANCE	\$2,652.12
	RETIREE INSURANCE	\$9,730.85
	S16623 - SKYLINE RANCH (LAB)	\$264.00
	STAINLESS STL BOTTLES	\$475.70
	SUNPOWER, CREDIT	(\$81,439.79)
	US BANK COP 2010A	\$1,396.89
	VIA MEMBERSHIP	\$206.82
SANTA CLARITA VALLEY WATER AGENCY		\$1,717,274.80
SCHWARTZ OIL CO	DIESEL	\$1,535.16
	DIESEL FOR TANKS	\$1,867.69
	GASOLINE	\$2,554.66
	GASOLINE FOR TANKS	\$1,777.04
	GASOLINE FOR TANKS	\$2,325.00
SCHWARTZ OIL CO		\$10,059.55
SO. CALIF. REGIONAL RAIL AUTHORITY	S16702-RECYCLED WATER PIPELINE (ENCROACHMENT PERMIT FOR BRIDGE CROSSING)	\$2,500.00
SO. CALIF. REGIONAL RAIL AUTHORITY		\$2,500.00
SO. CALIFORNIA EDISON CO.	AUGUST CHARGES	\$158,351.72
	SEPT CHARGES - OFFICE	\$4,434.80
	SEPT CHARGES - WAREHOUSE	\$2,245.69
		\$165,032.21
SOLARBEE/MEDORA CORPORATION	SEPTEMBER SERVICE	\$9,776.69
SOLARBEE/MEDORA CORPORATION		\$9,776.69
STAATS CONSTRUCTION INC.	PAVING BOT CANYON	\$2,179.00
	PAVING OAK CROSSING	\$5,063.00
	PAVING SAND CANYON	\$3,197.00
	PAVING SIERRA HWY	\$2,490.00
	PAVING SUTTER POINTE	\$2,914.00
STAATS CONSTRUCTION INC.		\$15,843.00
STAPLES ADVANTAGE	CUST. SVC SUPPLIES	\$106.39
	ENGINEER OFFICE SUPPL	\$498.77
	ENGR OFFICE SUPPLIES	\$14.44
	ENGR SUPPLIES	\$999.11
	OFFICE SUPPLIES	\$34.43
	RETURN ENGR SUPPLY	(\$235.41)
STAPLES ADVANTAGE		\$1,417.73
STEVEN DAVIS	AUG CREDIT REFUND - REF 22052 BARRINGTON	\$35.25
STEVEN DAVIS		\$35.25
SWRCB-DRINKING WATER OP CERT PROG	M. REYES T2	\$60.00
SWRCB-DRINKING WATER OP CERT PROG		\$60.00
TEJINDER DHILLON	AUG CREDIT REFUND - REF 25415 CALCUTTA PASS	\$3.36
TEJINDER DHILLON		\$3.36
TEJON CONSTRUCTORS, INC	S13617 - GOLDEN VALLEY RANCH WATER SYSTEM	\$10,750.00
TEJON CONSTRUCTORS, INC		\$10,750.00
TPX COMMUNICATIONS	SEPT SERVICE - OFFICE - ACT# 87050	\$746.86
TPX COMMUNICATIONS		\$746.86
TROPICAL WEST DESIGNS	AUGUST SERVICE	\$125.00
	PLANT	\$14.45
TROPICAL WEST DESIGNS		\$139.45

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UNDERGROUND SERVICE ALERT/SC	AUGUST SERVICE	\$295.45
UNDERGROUND SERVICE ALERT/SC		\$295.45
USABBLUEBOOK	CABLES	\$1,392.95
	SS PARTS	\$692.91
	TESTING SUPPLIES	\$585.92
USABBLUEBOOK		\$2,671.78
VALENCIA WATER DIVISION-SCVWA	INTERTEX PAYMENT	\$785.00
VALENCIA WATER DIVISION-SCVWA		\$785.00
VANTAGE AIR, INC.	ICE MAKER SERVICE	\$457.39
VANTAGE AIR, INC.		\$457.39
VERIZON WIRELESS	SEPT SERVICE - 10 LINES - ACT# 642026612-00001	\$369.45
	SEPT SERVICE - 7 LINES - ACT# 972378078-00002	\$124.74
	SEPT SERVICE - CELL PHONES - ACT# 972378078-00001	\$2,555.25
VERIZON WIRELESS		\$3,049.44
VERTEX SURVEY, INC.	S16702 - SURVEYING FOR ADDL RECYCLED WATER MAIN	\$4,900.00
VERTEX SURVEY, INC.		\$4,900.00
WARD CORPORATION	REFUND HYDRANT METER	\$708.73
WARD CORPORATION		\$708.73
WASTE MANAGEMENT-BLUE BARREL	AUGUST SERVICE	\$1,062.18
WASTE MANAGEMENT-BLUE BARREL		\$1,062.18
WELLS FARGO	ACCESSORIES - PRODUCTION - BEST BUY	\$170.75
	LEADERSHIP CONF. & REGIS. - L. TERRANOVA & R. HITCHEN	\$465.00
	LEADERSHIP TRAINING & WOMENS LDRSHIP - L. QUINTERO, M. RESTIVO, E. BLANFORD, N. PIPITHARUT, & J. NGOON	\$898.00
	FEE - RETURN TO MCCROMETER & TRIMBEL UNIT SENT FOR CONFIGURATION	\$39.00
	K. ABERCROMBIE - LUNCH MEETING WITH B. JOHNSON & M. STONE	\$82.77
	MEALS & SNACKS - EXEC. STAFF MEETING	\$255.17
	MEALS EXCAVATION TRAINING, PARTS & SUPPLIES	\$1,775.43
	OFFICE SUPPLIES - WAREHOUSE	\$71.46
	OFFICE SUPPLIES FOR ENG. SERVICES LUNCHEON 8/29/18	\$35.62
	E-PUBLICATION-ENGINEER	\$45.00
	RETURN TO MCCROMETER	\$20.55
	TRIMBLE UNIT SENT FOR CONFIGURATION	\$7.90
	S18908 - REGIONAL WOMENS LDRSHIP CONF. E. DILL, A. JACOBS, K. DENKINGER, C. GORDON, N. OLIPHANT	\$500.00
	S18908 - REGIONAL ENG. SERVICES LUNCHEON 8/29/18	\$406.20
	SUNSCREEN	\$103.70
WELLS FARGO		\$4,876.55
WOODARD & CURRAN INC	S16702 - POTHOLING - VISTA CYN PHASE 2B RECYCLED WATER MAIN	\$65,432.02
WOODARD & CURRAN INC		\$65,432.02
XEROX CORPORATION	AUGUST SERVICE	\$149.75
XEROX CORPORATION		\$149.75
XTREME TRANSPORT, INC.	BASE	\$2,310.24
	DUMP LOAD	\$150.00
	DUMP FEE	\$450.00
	DUMP LOAD	\$600.00
XTREME TRANSPORT, INC.		\$3,510.24
ZEE MEDICAL	OFFICE FIRST AID SUPPLIES	\$161.90
	WAREHOUSE SUPPLIES	\$162.49
ZEE MEDICAL		\$324.39
Summary		\$2,726,619.46

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Vendor Name	Description	Total
ACC BUSINESS	Internet circuit 071118-081018	1,579.68
ACC BUSINESS Total		1,579.68
ACCO ENGINEERED SYSTEMS, INC	Bimonthly svc mtce	1,267.00
ACCO ENGINEERED SYSTEMS, INC Total		1,267.00
AIRGAS USA, LLC	Well W-9 Water Softening	871.39
	Electrolyte drink mixes/Ops	166.28
	Electrolyte drink mixes	96.57
AIRGAS USA, LLC Total		1,134.24
AMAZON CAPITAL SERVICES, INC.	Office supplies	117.59
	Hand truck, cords for I/T dept	42.79
AMAZON CAPITAL SERVICES, INC. Total		160.38
AMERICAN BUSINESS MACHINES	Base rate 090818-100718	354.83
AMERICAN BUSINESS MACHINES Total		354.83
AMERICAN OFFICE PRODUCTS	Office supplies	231.18
AMERICAN OFFICE PRODUCTS Total		231.18
AROUND THE CLOCK CALL CENTER	Answering service	798.87
AROUND THE CLOCK CALL CENTER Total		798.87
AT&T	Long distance svc thru 090118	60.27
	S. West 08/07/18-09/06/18	451.05
	S. Central Master 080718-090618	281.90
	Main, NW, NC 080718-090618	1,643.63
	LAN modem 07/28/18-08/27/18	75.49
AT&T Total		2,512.34
BEE SPECIALIST	27529 Pamplico hive removal	250.00
	Hive removal, VWD office	250.00
BEE SPECIALIST Total		500.00
BEST BUY BUSINESS ADVANTAGE	Ethernet switches (3)	114.92
BEST BUY BUSINESS ADVANTAGE Total		114.92
BURRTEC WASTE INDUSTRIES, INC.	Trash service, Sept	339.30
BURRTEC WASTE INDUSTRIES, INC. Total		339.30
CDW DIRECT, LLC	Telephone wireless headsets	936.44
	(KG) 24" computer monitor	195.82
	Wireless k/board mouse combos	6.09
	(IT office) Wireless keyboards	49.06
CDW DIRECT, LLC Total		1,187.41
CINTAS CORPORATION #684	Mop, freshener, soap, blg mats	502.42
	Uniforms	1,373.95
	Scrap towel (2 boxes)	76.65
CINTAS CORPORATION #684 Total		1,953.02

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CINTAS FIRST AID & SAFETY LOC #168	AED lease, August	64.61
	AED lease, August, mezzanine	108.41
	Check, restock medicine cabinets	124.77
CINTAS FIRST AID & SAFETY LOC #168 Total		297.79
CLEAN TOUCH JANITORIAL, INC.	Janitorial svc, August	1,625.00
CLEAN TOUCH JANITORIAL, INC. Total		1,625.00
COLUMBUS US, INC.	GP support, August	832.50
COLUMBUS US, INC. Total		832.50
CONNER, DARINE	Office supplies	14.06
	Weekly office meetings	321.19
	Truck #68 car wash	13.00
	Vending machine coins	(202.93)
	Cash register shortage	(2.49)
CONNER, DARINE Total		142.83
CONVERGEONE, INC.	Phone system support 2018-2019	25,357.16
CONVERGEONE, INC. Total		25,357.16
CORE & MAIN LP	5 Gal dechlorinate (48)	3,666.06
	Meter box body (56)	1,665.45
	Meter box lids (120)	3,980.11
	20 oz blue marking paint (12)	64.65
	5# Granular chlorine (144)	5,957.14
	3/4x1 Meter adapters (24)	1,006.00
	Meter stop, corp stop, couplings	4,387.08
	Freight charge, meter #145 rpr	23.80
	Hydrant meter #201 testing	124.37
	Meter #188 test & repair	275.51
	CLA-VAL repair kits	9,475.96
	Blue marking chalk (12 boxes)	77.92
	5Gal Dechlorinate (48)	3,666.07
Concrete meter boxes, lids	2,741.00	
CORE & MAIN LP Total		37,111.12
COUNTY OF LOS ANGELES DEPT OF PW	27624 Old Rd excavation permit	995.00
COUNTY OF LOS ANGELES DEPT OF PW Total		995.00
DATALINK NETWORKS INC.	Huawei 900 Gb disk units (12)	12,346.21
	I/T support svc, Aug overage	10,333.75
	I/T support svc, Sept retainer	4,000.00
	Datto b/u & recovery svc, Sept	968.66
	Evault b/u & recovery, Sept	3,510.00
DATALINK NETWORKS INC. Total		31,158.62
DATAPROSE, LLC	Customer billing, August	12,179.83
	High consumption letters, Aug	126.17
DATAPROSE, LLC Total		12,306.00

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DCSE, INC.	2018 Water Smart Application Support	2,400.00
DCSE, INC. Total		2,400.00
DICKENS, MATTHEW	MD Tuition, Aug	5,000.00
	Conservation Dept Lunch	94.84
DICKENS, MATTHEW Total		5,094.84
EBIX, INC.	Base fee August, CPI adj	451.49
EBIX, INC. Total		451.49
ENTERPRISE FLEET SERVICES	Fleet svcs, Sept	17,838.34
ENTERPRISE FLEET SERVICES Total		17,838.34
EUROFINS EATON ANALYTICAL INC	NPDES testing 08/01/18	675.00
EUROFINS EATON ANALYTICAL INC Total		675.00
FERGUSON WATERWORKS	5 Gal dechlor solution (24)	2,455.84
FERGUSON WATERWORKS Total		2,455.84
GRAINGER	Towelette station, V-belt	64.52
GRAINGER Total		64.52
HACH COMPANY	Water quality testing supplies	2,847.32
HACH COMPANY Total		2,847.32
HARRINGTON INDUSTRIAL PLASTICS LLC	Hydra cell pump,motor rebuilds	5,411.35
HARRINGTON INDUSTRIAL PLASTICS LLC Total		5,411.35
HERMOSILLO, GIL	GH Ops cross training W7 Lunch	54.84
HERMOSILLO, GIL Total		54.84
HOME DEPOT CREDIT SERVICES	Water quality testing supplies	11.73
	Maintenance tools, supplies	367.03
	Vacuum Truck nozzles,coupler	103.62
	IT Office - S hooks, shelves	123.92
HOME DEPOT CREDIT SERVICES Total		606.30
HUERTA, JOSE	JH, GIS Pro conference 10/218	350.00
	JH SoCal URISA membership fee	30.00
HUERTA, JOSE Total		380.00
INDOOR PLANT PROFESSIONALS	Interior plant svc, Sept	105.00
INDOOR PLANT PROFESSIONALS Total		105.00
IRJ ENGINEERS, INC.	Well E-17 Engineering Services for El	460.00
IRJ ENGINEERS, INC. Total		460.00
JENSEN DESIGN & SURVEY, INC.	Mission Village 4MG Storage Tanks Eng	20,461.25
	Magic Mtn Pkwy Phasing Study & Pipeline	4,240.00
JENSEN DESIGN & SURVEY, INC. Total		24,701.25
KENNEDY/JENKS CONSULTANTS, INC.	V201 Treatment Add'l DDW Permitting	1,757.60
KENNEDY/JENKS CONSULTANTS, INC. Total		1,757.60
LANDCARE	Landscape mgmt svc, Sept	644.70
LANDCARE Total		644.70
MARICO MAIL SERVICE	Banking, inter-ofc svc August	675.00
MARICO MAIL SERVICE Total		675.00

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MCMASTER-CARR COMPANY	Flange, adapter for Wells	51.34
MCMASTER-CARR COMPANY Total		51.34
NEWHALL WATER DIVISION	Phase 2C Recycled Water Design	13,030.10
	Paine Cir 1" svc repair	1,817.46
	VWD HQ - Cut in valve	447.12
NEWHALL WATER DIVISION Total		15,294.68
PEREZ, CRIS	CP tuition reimbursement	4,066.52
PEREZ, CRIS Total		4,066.52
PETERSON PRINTING	8.5x3 Irrigation Door Hangers	213.53
	Shut-off notices	1,519.86
PETERSON PRINTING Total		1,733.39
PITNEY BOWES	Postage machine lease Sept-Dec	820.20
PITNEY BOWES Total		820.20
PRES-TECH	Vacuum hoses for Vac Truck	704.63
PRES-TECH Total		704.63
QUINN POWER SYSTEMS	Generac inspect'n,loadbank svc	1,373.72
QUINN POWER SYSTEMS Total		1,373.72
RED WING BUSINESS ADVANTAGE ACCOUNT	JM safety work boots	231.53
	JF safety work boots	250.00
	WA safety work boots	240.83
RED WING BUSINESS ADVANTAGE ACCOUNT Total		722.36
REFUND CUSTOMER	J5375 refund Keane Constructor	1,092.70
	J6698 refund City of SC	548.06
	J6706 refund FivePoint	143.88
	J4325 refund Fountainhead	1,142.00
	082118 Customer refunds	70.00
	J6704 refund FivePoint	702.00
	City of Santa Clarita HELIUM	3,087.64
	082118 Customer refund	1,718.74
REFUND CUSTOMER Total		8,505.02
RISEN BREAD LLC	Competent Person training	504.77
RISEN BREAD LLC Total		504.77
RMR EQUIPMENT RENTAL INC	J4326 Water trucks 07/30/18	1,920.00
	Wiley Cyn Rd/valve replacemnt	1,200.00
RMR EQUIPMENT RENTAL INC Total		3,120.00
ROYAL INDUSTRIAL SOLUTIONS	Time delay fuses,600V TD fuses	2,013.18
ROYAL INDUSTRIAL SOLUTIONS Total		2,013.18
RYAN PROCESS INC	55# ACL90 disinfecting tablets	9,671.04
	50# Constant Chlor+ briquettes	8,554.14
RYAN PROCESS INC Total		18,225.18

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SANTA CLARITA VALLEY WATER AGENCY	Well V201 Lab fee, August	1,600.00
	Lab fee, August	2,670.00
	Variable water charge, August	452,231.87
	Fixed water charge, August	468,260.07
	Water softening lab fee, Aug	80.00
	Recycled water, August	45,142.20
SANTA CLARITA VALLEY WATER AGENCY Total		969,984.14
SANTA CLARITA WATER DIVISION	J6692 July charges	1,238.85
SANTA CLARITA WATER DIVISION Total		1,238.85
SERVICE BRASS FITTINGS	Hydrant meter repair parts	1,140.28
SERVICE BRASS FITTINGS Total		1,140.28
SHUTTER WORLD INC	Motorized rollr shades install	3,840.00
SHUTTER WORLD INC Total		3,840.00
SMART & FINAL	Vending machine supplies	138.26
SMART & FINAL Total		138.26
SOUTHERN CALIFORNIA EDISON CO	VWD Office 081318-091218	4,920.75
	Purchased power, June	11,021.82
	Purchased power	274,469.52
SOUTHERN CALIFORNIA EDISON CO Total		290,412.09
SPATIAL WAVE, INC.	Field Mapplet 9 upgrade	1,250.00
SPATIAL WAVE, INC. Total		1,250.00
STAATS CONSTRUCTION INC.	Potholing - two locations	6,414.00
	Ave Stanford/Technology-paving	2,087.00
	Blakely Pl - paving	2,283.00
	27251 Blakely-saw cut	431.00
	Tripointe-06 A/V & svc repairs	1,800.00
	Quincy St - pave after repair	7,533.00
	VWD yard trash to landfill	320.00
	Pothole VWD line, 5 locations	25,319.00
	Ave Crocker paving	2,667.00
	30124 Desert Rose 1"svc repair	3,934.00
	27918 Dexter Dr paving	2,312.00
	30124 Desert Rose paving	2,216.00
	Via Novia paving	2,216.00
	Ave Crocker 4" svc repair	3,907.00
STAATS CONSTRUCTION INC. Total		63,439.00
SWRCB-DWOCP	Joe A T2 cert renewal fee	60.00
	JG - T1 cert renewal fee	55.00
SWRCB-DWOCP Total		115.00
TECHNOFLO SYSTEMS	Carnegie BS meter troubleshoot	183.92
TECHNOFLO SYSTEMS Total		183.92

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TRENCH SHORING COMPANY	Competent Person training	6,000.00
TRENCH SHORING COMPANY Total		6,000.00
UNDERGROUND SERVICE ALERT	New tix charges; database mtce	293.80
UNDERGROUND SERVICE ALERT Total		293.80
UNIQUE SERVICES	Warehouse gate-receiver instal	568.00
	I/T Office-Flat screen install	836.00
UNIQUE SERVICES Total		1,404.00
UNITED RECORDS MANAGEMENT, INC.	Filepath Cloud svc, August	282.00
	Scanning svc misc acctg docs	1,311.33
UNITED RECORDS MANAGEMENT, INC. Total		1,593.33
VALLEY COURIERS, INC	Exchange for W/Fargo, August	247.03
VALLEY COURIERS, INC Total		247.03
VERIZON WIRELESS	Service 081618-091518	416.20
	Service 08/16/18-09/15/18	2,307.29
VERIZON WIRELESS Total		2,723.49
WELLS FARGO BANK, N.A.	Office supplies	207.29
	EOC comm 082518-092518	202.65
	DC,CP training, workshops	869.00
	CP lodging, park'g fee	376.31
WELLS FARGO BANK, N.A. Total		1,655.25
WILLSON, KATHLEEN	KW Business lunches	340.49
	KW mileage 06/25/18-08/23/18	78.37
WILLSON, KATHLEEN Total		418.86
WORK BOOT WAREHOUSE	GG safety boots	185.00
	SF safety boots	250.00
	JE safety boots	250.00
WORK BOOT WAREHOUSE Total		685.06
WRIGHT EXPRESS FINANCIAL SERVICES	Fuel purchases, Sept	7,516.93
WRIGHT EXPRESS FINANCIAL SERVICES Total		7,516.93
Grand Total		1,599,996.86

Large Disbursement Check Registers

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SCVWA-Regional Division
Regional Division's Ten Largest Disbursements
Sep 1, 2018 to Sep 30, 2018

No.	Vendor Name	Check Number	Check Date	Account Title	Amount
	DEPARTMENT OF WATER RESOURCES	36451	09/06/2018	STATE WATER CONTRACT PYMT-CO #160213-SEPTEMBER 2018	1,004,152.00
1	DEPARTMENT OF WATER RESOURCES				1,004,152.00
	DEPARTMENT OF WATER RESOURCES	36497	9/13/18	DWR VARIABLE WATER JULY	920,718.00
2	DEPARTMENT OF WATER RESOURCES				920,718.00
	CALPERS / CERBT	36621	09/25/2018	OPEB CONTRIBUTION - JUN THROUGH SEPT 2018	373,401.13
3	CALPERS				373,401.13
	SOUTHERN CALIFORNIA EDISON	36470	09/07/2018	ELECTRICITY-OTHER	6,294.19
				ELECTRICITY-PUMPING	285,632.70
				ELECTRICITY-TRTMENT PLANT	21,004.68
				ELECTRICITY-WELLS	21,585.65
4	SOUTHERN CALIFORNIA EDISON				334,517.22
	SOUTHERN CALIFORNIA EDISON	36618	09/25/2018	ELECTRICITY-OTHER	6,442.56
				ELECTRICITY-PUMPING	279,244.85
				ELECTRICITY-TRTMENT PLANT	22,704.83
				ELECTRICITY-WELLS	21,195.34
5	SOUTHERN CALIFORNIA EDISON				329,587.58
	GSE CONSTRUCTION COMPANY INC.	36506	09/13/2018	FOOTHILL FEEDER PROJECT #200905E	122,503.45
6	GSE CONSTRUCTION COMPANY INC.				122,503.45
	SOLAR STAR CA. XXVIII,LLC/SUNPOWER	36552	09/28/2018	AUGUST 2018 SERVICE	56,717.70
				AUGUST 2018 SERVICE	1,134.35
				AUGUST 2018 SERVICE	40,836.75
				AUGUST 2018 SERVICE	10,209.19
				AUGUST 2018 SERVICE	4,537.42
7	SOLAR STAR CA. XXVIII, LLC/SUNPOWER				113,435.41
	CLARK BROS. INC.	36548	09/18/2018	CLEARWELL CT IMPROVEMENTS PROJECT 200105E	77,550.00
				RETENTION-CLEARWELL CT IMPROVEMENTS	-3,877.50
8	CLARK BROS. INC.				73,672.50
	HACH COMPANY	36583	09/21/2018	TURBIDITY MTRS CONTROLER/LAB SUPPLIES	47,276.55
				LABORATORY SUPPLIES	341.92
				PARTS & MATERIALS	4,803.01
				PERFORMANCE TEST. SAMPLES	490.40
9	HACH COMPANY				52,911.88
	SAM HILL & SONS, INC.	36603	09/21/2018	DD LANDOWNER EXPENDITURES-PIPE REPAIR	48,832.76
10	SAM HILL & SONS, INC.				48,832.76
	Summary				\$ 3,373,731.93
Largest Ten Disbursements as compared to Total Monthly Check Register					78%
Summary-All checks Issued During September 2018					\$ 4,314,574.26

SCV Water-Newhall Water Division
 Ten Largest Disbursements
 September 1, 2018 to September 30, 2018

Vendor Name	Check Number	Check Date	Description	Amount
SCV WATER	111731	09/12/2018	PURCHASED WATER 8/18	205,318.90
			PURCHASED WATER 8/18 - SAUGUS WELL #1 & #2	14,392.19
			FIXED WATER CHARGES 8/18	130,046.35
			LAB FEES 8/18	855.00
1 SCV WATER				350,612.44
CITY NATIONAL BANK	111784	09/26/2018	2645-00 CNB 2012 #07-047	39,929.07
			2255-00 CNB 2012 #07-047	186,975.51
2 CITY NATIONAL BANK				226,904.58
SCV WATER	ACH	09/19/2018	SHARED PAYROLL AND SERVICES	140,098.37
3 SCV WATER				85,839.46
EDISON CO.	111789	09/26/2018	A/C #2-40-708-3856 & 2-40-708-3344 9/18	91,438.93
4 EDISON CO.				91,438.93
ACWA-JPIA/CB&T	111739	09/19/2018	HEALTH BENEFITS 10/18	59,901.05
5 ACWA-JPIA/CB&T				59,901.05
RMC , A WOODWARD & CURRAN CO.	111706	09/07/2018	PHASE 2C RECYCLED WATER MAIN EXTENSION	52,120.39
6 RMC , A WOODWARD & CURRAN CO.				52,120.39
CORE & MAIN LP	111746	09/19/2018	INVENTORY	20,862.95
7 CORE & MAIN LP				20,862.95
EDISON CO.	111683	09/04/2018	A/C #2-40-708-3344 7/18	19,519.75
8 EDISON CO.				19,519.75
NOSSAMAN LLP	111764	09/19/2018	PERCHLORATE CLAIM 8/18	12,158.92
9 NOSSAMAN LLP				12,158.92
FAMCON PIPE AND SUPPLY INC.	111751	09/19/2018	8" CLAMPS	722.70
			INVENTORY	10,707.18
10 FAMCON PIPE AND SUPPLY INC.				11,429.88
Summary				930,788.35

Santa Clarita Valley Water Agency

Santa Clarita Water Division

Ten Largest Disbursements

September 1, 2018 to September 30, 2018

Vendor Name	Check Number	Check Date	Transaction Description	Transaction Amount
SANTA CLARITA VALLEY WATER	91845	09/12/2018	AUGUST FIXED	\$623,915.16
			AUGUST SAUGUS	\$39,250.00
1 SANTA CLARITA VALLEY WATER				\$663,165.16
SANTA CLARITA VALLEY WATER	91846	09/12/2018	AUGUST VARIABLE	\$568,296.62
2 SANTA CLARITA VALLEY WATER				\$568,296.62
SANTA CLARITA VALLEY WATER	91877	09/19/2018	A T & T	\$1,740.32
			AUG PAYROLL	\$456,104.72
			AUG SHARED EMPLOYEE	\$22,905.11
			CREDIT SHOES	(\$238.94)
			DMV CHARGE	\$500.00
			INSURANCE	\$68,861.22
			MAINTENANCE	\$2,652.12
			RETIREE INSURANCE	\$9,730.85
			STAINLESS STL BOTTLES	\$475.70
			SUNPOWER, CREDIT	(\$81,439.79)
			US BANK COP 2010A	\$1,396.89
			VIA MEMBERSHIP	\$206.82
3 SANTA CLARITA VALLEY WATER				\$482,895.02
AQUA METRIC SALES CO.	91811	09/12/2018	3" REGISTERS - OMNI C2 REG TR/PL	\$1,010.62
			S18721 - AMR (IPEARL & OMNI METERS)	\$177,433.16
4 AQUA METRIC SALES CO.				\$178,443.78
SO. CALIFORNIA EDISON CO.	91847	09/12/2018	AUGUST CHARGES	\$158,351.72
5 SO. CALIFORNIA EDISON CO.				\$158,351.72
AQUA METRIC SALES CO.	91778	09/05/2018	S18802 - AGED METER CHANGE OUTS (METERS & PORTS)	\$59,839.89
			S18802 - AGED METER CHANGE OUTS (SINGLE PORT)	\$30,698.19
6 AQUA METRIC SALES CO.				\$90,538.08
WOODARD & CURRAN INC	91927	09/26/2018	S16702-POTHOLING-VISTA CYN PH 2B RECY WATER MAIN	\$65,432.02
7 WOODARD & CURRAN INC				\$65,432.02
CIVILTEC ENGINEERING INC.	91785	09/05/2018	S16604 - VISTA CYN RECYCLED WATER DESIGN PHASE 2	\$9,042.50
			S16606 - RECYCLED WATER DESIGN PHASE 1	\$3,366.25
			S16610 - 69164 VISTA CYN PH 1 POTABLE WATER DESIGN	\$1,498.75
			S16611 - VISTA CYN POTABLE/RECYCLED DESIGN PH 2	\$24,338.75
			S16623 - SKYLINE RANCH ZONE 16" PIPELINE DESIGN	\$9,802.50
			S16702 - RECYCLED WATER DESIGN PHASE 1	\$420.00
8 CIVILTEC ENGINEERING INC.				\$48,468.75
AQUA METRIC SALES CO.	91900	09/26/2018	S18721 - AMR (METERS - 130TR, 150TR & OMNIT11-2)	\$35,088.75
			S18721 - METERS - 1" IPERL TR/PL 100CFT	\$7,002.18
9 AQUA METRIC SALES CO.				\$42,090.93
PUMP DESIGN & SUPPLY CO.	91874	09/19/2018	S18707 - SC-4 BOOSTER STATION	\$17,995.16
			S18707 - GREGORY BOOSTER, 75 HP SUBMERSIBLE MOTOR 3450 RPM	\$17,108.76
10 PUMP DESIGN & SUPPLY CO.				\$35,103.92
Summary - Largest Ten Payments Made During the Month				\$2,332,786.00
Largest Ten Vendor Payments as Compared to Total Monthly Check Register				86%
Summary - All Vendors Paid During the Month				\$2,726,619.46

Santa Clarita Valley Water Agency
Valencia Water Division
Top Ten Checks Paid Report
September 2018

	Vendor Name	Check #	Check Date	Description	Total
	SANTA CLARITA VALLEY WATER AGENCY	218669	9/10/2018	Variable water charge, August	452,231.87
				Fixed water charge, August	468,260.07
				Water softening lab fee, Aug	80.00
1	SANTA CLARITA VALLEY WATER AGENCY				920,571.94
	SOUTHERN CALIFORNIA EDISON CO	218608	9/4/2018	Purchased power, June	11,021.82
				Purchased power	274,469.52
2	SOUTHERN CALIFORNIA EDISON CO				285,491.34
	SANTA CLARITA VALLEY WATER AGENCY	218721	9/24/2018	Recycled water, August	45,142.20
3	SANTA CLARITA VALLEY WATER AGENCY				45,142.20
	STAATS CONSTRUCTION INC.	218620	9/4/2018	VWD yard trash to landfill	320.00
				Pothole VWD line, 5 locations	25,319.00
				Ave Crocker paving	2,667.00
				30124 Desert Rose 1"svc repair	3,934.00
				27918 Dexter Dr paving	2,312.00
				30124 Desert Rose paving	2,216.00
				Via Novia paving	2,216.00
				Ave Crocker 4" svc repair	3,907.00
4	STAATS CONSTRUCTION INC.				42,891.00
	CONVERGEONE, INC.	218613	9/4/2018	Phone system support 2018-2019	25,357.16
5	CONVERGEONE, INC.				25,357.16
	JENSEN DESIGN & SURVEY, INC.	218692	9/18/2018	Mission Village 4MG Storage Tanks Eng	20,461.25
				Magic Mtn Pkwy Phasing Study & Pipeline	4,240.00
6	JENSEN DESIGN & SURVEY, INC.				24,701.25
	DATALINK NETWORKS INC.	218639	9/10/2018	I/T support svc, Aug overage	10,333.75
				I/T support svc, Sept retainer	4,000.00
				Datto b/u & recovery svc, Sept	968.66
				Evault b/u & recovery, Sept	3,510.00
7	DATALINK NETWORKS INC.				18,812.41
	RYAN PROCESS INC	218699	9/18/2018	55# ACL90 disinfecting tablets	9,671.04
				50# Constant Chlor+ briquettes	8,554.14
8	RYAN PROCESS INC				18,225.18
	ENTERPRISE FLEET SERVICES	218688	9/18/2018	Fleet svcs, Sept	17,838.34
9	ENTERPRISE FLEET SERVICES				17,838.34
	CORE & MAIN LP	218638	9/10/2018	Freight charge, meter #145 rpr	23.80
				Hydrant meter #201 testing	124.37
				Meter #188 test & repair	275.51
				CLA-VAL repair kits	9,475.96
				Blue marking chalk (12 boxes)	77.92
				5Gal Dechlorinate (48)	3,666.07
				Concrete meter boxes, lids	2,741.00
10	CORE & MAIN LP				16,384.63
Grand Total					1,415,415.45

Total Monthly Check Register Payments	1,599,996.86
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Top Ten Percentage Compared to Total Monthly Check Payments	88%
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Credit Card Registers

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Santa Clarita Valley Water Agency - Regional Division
Credit Card Charges
Paid in September 2018

Merchant Name	Description	Total
8870 ROYAL	Barrel Crimps, Wire, Circuit Breakers - Panel LP-4 Reconfigured	353.29
	Cat-5 cable, wire, outlet box, box cover	457.21
	Contacto, Overload - Filter Gallery Sump Pump Repair	157.19
	Contacto, Overloads, wire terminal components - New analyzer waste water tank controls.	356.54
	Outlet box, Cover, fitting and receptacle - New power outlet at Ammonia Injection Structure	49.05
	SO Cord, Wire Terminal parts - Tracer Study instrument connections.	81.15
	tool to install turbidity meters	32.12
	Turbidity meter - small parts	67.71
	Weather proof outlet and switch covers - Replacement covers	164.73
8870 ROYAL Total		1,718.99
ADOBE STOCK	stock photos	79.99
ADOBE STOCK Total		79.99
AMAZON.COM	1 Twinings Earl Grey Tea Bags - 100 Count, 3 Packs of Avery Print Apple Clear Label Dividers	190.18
	3 Otterbox Defender Series Phone Cases for Buildings and Grounds	81.66
	Avery Index Maker Clear Label Dividers - JY/ENG	90.61
	Pilot G2 Gel Ink Roller Ball Pens, 1 Dozen - AA/ACCTG	36.09
	Quartet Dry Erase Markers, 12 Pack - WR	18.33
	Quartet Glass Dry Erase Board 6x4 - WR	361.34
	Swingline 2-Hole Punch, 20 Sheet - RP	19.38
AMAZON.COM Total		797.59
AMZN MKTP US	Ice Machine Filters for SCWD.	154.95
	Pratt MJ-4 Self Seal Flat Mailer Pack of 100 - Supplies	49.28
	Redi-Tag Removable Index Tabs, Pack of 48 , Bigelow Green Tea - Pack of 3, Uniclee 4- pack Touch Key Tags,	
	AdirOffice Key Steel Security Storage Holder Cabinet - WR	44.31
	Zone Valve for SCWD Building.	179.23
AMZN MKTP US Total		427.77
AMZN MKTP US AMZN.COM/BIL	Portable Water Station supplies for Pilot Program	71.10
	Powerful Rare Earth Dry Erase Board Magnets - 18 Pack, Project Planner Notebooks - 4 - WR	67.83
	Quartet Glass Board Eraser - WR	16.94
AMZN MKTP US AMZN.COM/BIL Total		155.87
AQUA-FLO SUPPLY INC #3	sample-line and drain-line plumbing parts for new 5500sc Mono Analyzer at RV-ValveVault2	95.91
	SCH80 PVC parts, valves and fittings - Connections for Tracer Study Instruments	51.51
	Sch80 PVC pipe - Fluoride Study Analyzer plumbing	32.46
	Sch-80 PVC valves and fittings - New 5500 analyzer waste water tank plumbing	219.83
AQUA-FLO SUPPLY INC #3 Total		399.71
ASSOCIATION OF CALIFORNI	ACWA 2018 Fall Conference - Registration - 11/27-30/18 - San Diego - B. Folsom	699.00
	ACWA 2018 Fall Conference - Registration - 11/27-30/18 - San Diego - D. Marks	699.00
	ACWA 2018 Fall Conference - Registration - 11/27-30/18 - San Diego - Director Atkins	699.00
	ACWA 2018 Fall Conference - Registration - 11/27-30/18 - San Diego - Director Campbell	699.00
	ACWA 2018 Fall Conference - Registration - 11/27-30/18 - San Diego - Director Cooper	699.00
	ACWA 2018 Fall Conference - Registration - 11/27-30/18 - San Diego - Director DiPrimo	699.00
	ACWA 2018 Fall Conference - Registration - 11/27-30/18 - San Diego - Director Efstathiou	699.00
	ACWA 2018 Fall Conference - Registration - 11/27-30/18 - San Diego - Director Kelly	699.00
	ACWA 2018 Fall Conference - Registration - 11/27-30/18 - San Diego - Director Martin	699.00
	ACWA 2018 Fall Conference - Registration - 11/27-30/18 - San Diego - Director McMillan	699.00
	ACWA 2018 Fall Conference - Registration - 11/27-30/18 - San Diego - Director Plambeck	555.00
	ACWA 2018 Fall Conference - Registration - 11/27-30/18 - San Diego - J. Koelewyn	699.00
	ACWA 2018 Fall Conference - Registration - 11/27-30/18 - San Diego - Kathie Martin	699.00
	ACWA 2018 Fall Conference - Registration - 11/27-30/18 - San Diego - M. Stone	699.00
	ACWA 2018 Fall Conference - Registration - 11/27-30/18 - San Diego - S. Cole	699.00
ASSOCIATION OF CALIFORNI Total		10,341.00
AUTOMATIONDIRECT.COM	Ethernet Switches	190.00
	PLC enclosure materials	261.00
AUTOMATIONDIRECT.COM Total		451.00
AWWA.ORG	M17 - Fire Hydrants: Installation, Field Testing and Maintenance Fifth Edition	136.50
AWWA.ORG Total		136.50
CALIFORNIA LANDSCAPE CONT	SoCal Land Water Conference Registration - attendee: Janet Keith 8/23/18	50.00
CALIFORNIA LANDSCAPE CONT Total		50.00
CA-NV SECTION, AWWA	Backflow Refresher Class - Exam Registration - 11/10/18 - Rancho Cucamonga - C. Alexander	180.00
	Backflow Refresher Class - Registration - 11/8-9/18 - Rancho Cucamonga - C. Alexander	195.00
CA-NV SECTION, AWWA Total		375.00
CHEMBAR INC	Sealant for RVWTP.	50.84
CHEMBAR INC Total		50.84
COSTCO DELIVERY 653	Costco Order - Office Supplies	992.59
	Costco return - Dixie paper cups	(26.47)
	Snacks - Meetings	91.82
COSTCO DELIVERY 653 Total		1,057.94
COSTCO WHSE #0447	WR Kitchen Supplies	93.66
COSTCO WHSE #0447 Total		93.66
CSMFO	CSMFO Capital Asset Cont Ed-AA	25.00
CSMFO Total		25.00
DAPPER DANS CARWASH	Car wash	16.00
	Car wash. - Unit #N73	7.00
DAPPER DANS CARWASH Total		23.00
DARIOS MEXICAN RESTAURANT	Joshua Gilliam lunch with Tom Wise from Oltmans Needham Ranch Re: Onsite Fire Flow issues	33.31
DARIOS MEXICAN RESTAURANT Total		33.31
DT DULUTH TRADING CO	T-shirts for Pete Z	245.00
DT DULUTH TRADING CO Total		245.00

**Santa Clarita Valley Water Agency - Regional Division
Credit Card Charges
Paid in September 2018**

EB 2018 SANTA CLARITA	State of the City Luncheon - Registration - 10/25/18 - Directors Atkins, Efstathiou, Gladbach, Gitzeit, Martin and McMillan	240.00
	State of the City Luncheon - Registration - 10/25/18 - K. Martin	40.00
	State of the City Luncheon - Registration - 10/25/18 - R. Patterson	40.00
EB 2018 SANTA CLARITA Total		320.00
EB SOUTHERN CALIFORNI	SCWC Annual Dinner - Registration - 10/25/18 - Director Atkins	225.00
EB SOUTHERN CALIFORNI Total		225.00
ENGINEERS BD	Dirk Marks - Prof. Civil Engineer License Renewal - \$115.00 renewal	115.00
ENGINEERS BD Total		115.00
FACEBK 7Q2MLGJJH2	Gardening Classes ad	24.79
FACEBK 7Q2MLGJJH2 Total		24.79
FACEBK 8Q2MLGJJH2	smart controller ad	15.07
FACEBK 8Q2MLGJJH2 Total		15.07
FERGUSON FAC&SPLY5350	Lavatory Faucet for VWD.	681.51
FERGUSON FAC&SPLY5350 Total		681.51
FERGUSON.COM 9009	Lavatory Faucet for VWD.	225.65
FERGUSON.COM 9009 Total		225.65
FIBEROPTIC COM	Fiber Optic Electrician Kit.	6,684.74
FIBEROPTIC COM Total		6,684.74
GATE HOUSE SUPPLIES	Gate Transmitters	664.27
GATE HOUSE SUPPLIES Total		664.27
GRAINGER	Float level switches - Filter Gallery Sump Pump Repair	207.42
GRAINGER Total		207.42
GRANTWRITIN	Grant Writing USA - Grant Management Class - Registration - 8/15-16/18 - Ontario - S. Fleury	595.00
GRANTWRITIN Total		595.00
HILTON SAN DIEGO RESORT	UWI Annual Conference - Lodqing - 8/22-23/18 - San Diego - M.Stone	231.02
HILTON SAN DIEGO RESORT Total		231.02
HIRSCH PIPE & SUPPLY 013	Lavatory faucet and basin wrench. Return lavatory faucet. Water filters for ESFP.	331.23 (278.42) 265.91
HIRSCH PIPE & SUPPLY 013 Total		318.72
IN LEPIDE USA INC.	Password reminder software	150.00
IN LEPIDE USA INC. Total		150.00
JOINT POWERS INSURANCE AU	ACWA/JPIA Training - Registration - 9/26-27/18 - Del Mar - J. Hithe ACWA/JPIA Training - Registration - 9/26-27/18 - Del Mar - J. Joo ACWA/JPIA Training - Registration - 9/26-27/18 - Del Mar - K. Denkinger	190.00 190.00 190.00
JOINT POWERS INSURANCE AU Total		570.00
L A SUPERIOR COURT	Employee record search - current employee	4.75
L A SUPERIOR COURT Total		4.75
LOGMEIN GOTOMEETING	Open voice for Goto Meeting	21.03
LOGMEIN GOTOMEETING Total		21.03
LOWES #01510	2 x 2 plywood - temporary cover for plant water pump 3 20A 277V Light Toggle Switch - Replace lighting switches in switch gear room. 5 Heavy Duty utility carts Blinds for monas office. chemical gloves scouring pads 5 gallon Buckets Ethernet cable Fitting for Camera ESFP project. Hand tools, Patch cable Hardware - Mounting Fluoride Analyzer nipple for VV2 5500 sc Analyzer Paint Prep Materials, Paint - SC12 Cabinet plumbing parts VV2 Portable Water Station supplies Restock truck supplies. Unit # I61 sample-line and drain-line plumbing parts for new 5500sc Mono Analyzer at RV-ValveVault2 Strut nuts for Cal sense antenna. Strut springs and bolts for antenna .For Irrigation hub installation. VV2 part to install 5500 Sc analyzer wire nuts and ring lugs	9.88 10.91 496.04 93.06 156.72 173.12 4.91 112.70 31.40 1.94 120.25 20.81 139.14 196.84 118.80 4.36 12.93 33.20 37.84
LOWES #01510 Total		1,774.85
LYFT RIDE THU 3PM	Taxi - Sites Reservoir Mtg - 8/16/18	20.83
LYFT RIDE THU 3PM Total		20.83
LYFT RIDE THU 8AM	Taxi - Sites Reservoir Mtg - 8/30/18	19.35
LYFT RIDE THU 8AM Total		19.35
MCMaster-CARR	Brass parts, Magnesium Anodes - Ozone Generator Maintenance and Protection Hardware, O-Rings, O-Ring Lubricant - Ozone Generator Maintenance	248.20 67.29
MCMaster-CARR Total		315.49
METROLINK	Metrolink 8/2/18 - CA WaterFix Meeting	15.00
METROLINK Total		15.00
MICROSOFT STORE	Office and One Drive Subscription	99.99
MICROSOFT STORE Total		99.99
NAPA AUTO PARTS	10 cases of Latex xl gloves,2 windshield wiper blades,1 battery cable. Motor Pool supply stock of Motor Oil, windshield wiper fluid and radiator fluid for all agency vehicles. Torque wrench	243.88 296.31 27.36
NAPA AUTO PARTS Total		567.55
NATIONAL CONTRACT MANAGE	Contract Management Body of Knowledge Book	69.56
NATIONAL CONTRACT MANAGE Total		69.56
NEWHALL VALENCIA LOCK K	Keys	267.73
NEWHALL VALENCIA LOCK K Total		267.73
OFFICEMAX/DEPOT 6391	Cartridges for P-Touch Labeler - Truck I58	88.66
OFFICEMAX/DEPOT 6391 Total		88.66
OPC CA ENGINEERS BOARD	Dirk Marks - Prof. Civil Engineer License Renewal - \$1.00 convenience fee	1.00
OPC CA ENGINEERS BOARD Total		1.00

Santa Clarita Valley Water Agency - Regional Division
Credit Card Charges
Paid in September 2018

PANERA BREAD #204229	CSDA Meeting 8/7/18 - w/ K.M., Dir. McMillan, Chris Palmer-CSDA Public Affairs Field Coordinator	45.72
PANERA BREAD #204229 Total		45.72
PAYPAL EMKA INC	Swing Handle for ESFP Ozone Building.	73.17
PAYPAL EMKA INC Total		73.17
PEPBOYS STORE 808	Cleaning Supplies - Truck I58	16.40
	Wipers, Wash Fluid-Unit #163	58.87
PEPBOYS STORE 808 Total		75.27
PIHRA	PIHRA Mixer Registration 8/28/18 - A. Mantis	45.00
PIHRA Total		45.00
RALPHS #0147	Landscape Education class 8/9/18 - Assorted Desserts	40.11
RALPHS #0147 Total		40.11
SOR INC	Pressure switch	547.20
SOR INC Total		547.20
SOUTHWES 5261474090716	SWCs Monthly Meeting - Airfare - Sacramento - 9/12/18 - M. Stone	479.96
SOUTHWES 5261474090716 Total		479.96
SOUTHWES 5261476500633	Sites Pre-Meeting and Meeting w/ DWR Director - Airfare - 8/16/18 - Sacramento - D. Marks	479.96
SOUTHWES 5261476500633 Total		479.96
SOUTHWES 5261481181334	Sites Meeting - Airfare - 8/30/18 - Sacramento - D. Marks	379.96
SOUTHWES 5261481181334 Total		379.96
SOUTHWES 5261481184098	OME Meeting - Airfare - 9/6/18 - Sacramento - D. Marks	479.96
SOUTHWES 5261481184098 Total		479.96
SPUDNUTS BAKERY CROISSANT	CAST for Kids donuts 8/25/18	94.96
	Landscape Education Class 8/11/18 - Donuts	38.31
SPUDNUTS BAKERY CROISSANT Total		133.27
SWAGELOK-VENTURA	for VV2 5500 Sc analyzer	226.03
SWAGELOK-VENTURA Total		226.03
TARGET 00002576	Agency Logo Contest - gift card	25.00
TARGET 00002576 Total		25.00
THE HOME DEPOT #0653	gloves kept on truck # I10	14.20
	Lumber, hardware - Tracer study temporary backboard	72.10
	sample-line and drain-line plumbing parts for new 5500sc Mono Analyzer at RV-ValveVault2	37.90
THE HOME DEPOT #0653 Total		124.20
THE HOME DEPOT #1055	Sand Bags, Trash Bags - Secure Tracer Study Backboards	31.68
	Shielded wire for ESFP project Camera install.	196.77
THE HOME DEPOT #1055 Total		228.45
THE HOME DEPOT 1055	Hand tools, Wire	390.90
	lumber, hardware - temporary backboard for tracer study	98.69
	sample-line and drain-line plumbing parts for new 5500sc Mono Analyzer at RV-ValveVault2	94.03
THE HOME DEPOT 1055 Total		583.62
UBER TRIP UGF7Z	SWCs Board Meeting - Taxi - 8/29/18 - Burbank Airport - M. Stone	18.21
UBER TRIP UGF7Z Total		18.21
UCLA SELF-SERVE PARK	Meeting for copier demonstration - parking fee	4.00
UCLA SELF-SERVE PARK Total		4.00
V.S.P. PARKING BURBANK	Parking at Burbank Airport - Sites Reservoir Mtg - 8/16/18	12.00
	SWCs Board Meeting - Parking - 8/29/18 - Burbank Airport - M. Stone	15.00
V.S.P. PARKING BURBANK Total		27.00
WESTERN BAGEL TOO 4	Landscape Education Class 8/11/18 - Bagels	50.40
WESTERN BAGEL TOO 4 Total		50.40
WWW.AMANET.ORG	All Access Pass for AMA Seminars - J. Yim	4,995.00
WWW.AMANET.ORG Total		4,995.00
Subtotal		39,817.64

Employee Meals

Merchant Name	Description	Total
ALBERTSONS 1360	8/27/2018 Team building BBQ - Regional	150.30
ALBERTSONS 1360 Total		150.30
CHEESECAKE VALENCIA	Monthly Meeting with Management Staff - M. Stone and C. Perez - Re: IT Issues	38.59
CHEESECAKE VALENCIA Total		38.59
CHI CHI PIZZA	WR Dept. planning mtg 8/15/18	84.81
CHI CHI PIZZA Total		84.81
EGG PLANTATION	Breakfast Meeting with S. Cole, K. Petersen, M. Stone and E. Campbell re: Interview	85.56
EGG PLANTATION Total		85.56
LA COCINA BAR AND GRILL	Monthly Meeting with Management Staff - M. Stone and R. Patterson - Re: Administration Issues	25.48
LA COCINA BAR AND GRILL Total		25.48
PANERA BREAD #204228	WR Monthly Team Building Mtg 8/9/18	214.77
PANERA BREAD #204228 Total		214.77
RATTLERS BAR B QUE - 1	Lunch with Steve Cole, Chris Helm - Watershed Issues Discussion	31.00
RATTLERS BAR B QUE - 1 Total		31.00
SADDLE RANCH - VALENCIA	Monthly Meeting with Management Staff - M. Stone and R. Patterson - Re: Administration Issues	47.39
SADDLE RANCH - VALENCIA Total		47.39
STONEFIRE GRILL - 1	Monthly Meeting with Management Staff - M. Stone and M. Alvord - Re: Operational Issues	25.20
STONEFIRE GRILL - 1 Total		25.20
TEXACO 0309201	Lunch Mtg. w/ Tim Wheeler, Paul Halushka, Joshua Gilliam Re: Devils Den Repairs	30.90
TEXACO 0309201 Total		30.90
VALLARTA SUPERMARK	8/13/18 Team building BBQ - Regional	132.93
VALLARTA SUPERMARK Total		132.93
WOLF CREEK RESTAURANT & B	B.Johnson, K.Martin, discuss new agency organizational / transition issues	37.76
	Monthly Meeting with Management Staff - M. Stone and B. Johnson - Re: Finance Issues	40.75
	Water Resources Staff Luncheon - 8/1/18 - DSM, EV,SF,RDV,RV,CF	101.42
WOLF CREEK RESTAURANT & B Total		179.93
Subtotal		1,046.86

Grant Total

40,864.50

NWD Credit Card Register - American Express
For the month ending September 30, 2018

Merchant Name	Description	Total
LAZ Parking	DDW Parking- M. Alvord	7.00
Dapper Dan's Carwash	Car Wash #40	7.00
US Flag Store	Flag for Office	324.37
Rubber Stamp Champ	Wells Fargo Bank Endorsement Stamp	335.56
Sage Software	Annual Business Care - ACCPAC Financial System	4,303.53
GoDaddy.com	Web Hosting	2.99
CTC*Constant Contact	Monthly Electronic Newsletter Database	95.00
X-ACT Technology	Monthly IT Support Service	3,000.00
Aestiva Software, Inc.	Purchasing Software	845.00
WEB*Networksolutions	Web Hosting & Web Forwarding	15.97
Amazon.com	Service Charge	7.17
	Office Supplies	20.30
	Cables for Radio Reads	30.16
	Phone Charging Cables	32.88
	Cordless Headset	179.95
Amazon.com Total		270.46
Identisys	Additional Key Fobs - Production and Water Quality	784.16
Cummins Pacific	Castaic Hydro Station Generator replacement	743.12
Subtotal American Express		10,734.16
Employee Meals- American Express		
Panini Kabob Grill	Business lunch meeting DDW - M. Alvord & J. O'Keefe	37.50
Mom Can Cook Thai Kitchen	Business lunch meeting to discuss Admin Responsibilities - M. Alvord, C. Villegas & L. Terranova	37.30
Subtotal		74.80
Grand Total American Express		10,808.96

NWD Credit Card Register - US Bank Visa
For the month ending September 30, 2018

Merchant Name	Description	Total
Target	Office Supplies	
Dapper Dan's Carwash	Car Wash #55	29.95
	Car Wash #73	19.95
Dapper Dan's Carwash Total		49.90
Government Finance Officers Association	GFOA Budget Submission	550.00
Benny's Tire Service	Tire Repair - Backhoe	60.00
Harbor Freight Tools	6 Tape Measures	32.76
Western Bagel Too	First Aid Training - Breakfast	36.00
The UPS Store	Ship Locator	24.96
Amazon.com	Auto Supplies	139.91
PepBoys Store	Auto Parts	73.78
Panera Bread	First Aid Training - Lunch	118.24
Sam's Club	Office Supplies	268.84
	Office/Kitchen Supplies	169.87
Sam's Club Total		438.71
McDonald's	Breakfast - Crew Working on Leak	90.98
The Home Depot	Supplies for Leak Repair	17.49
Subtotal US Bank Visa		1,632.73
Employee Meals- US Bank Visa		
Rattler's BBQ	Business lunch meeting - J. Jenkins & R. Hitchen	26.09
Subtotal		26.09
Grand Total US Bank Visa		1,658.82

SCWD Credit Card Register For the Month Ended September 30, 2018		
Merchant Name	Description	Total
Amazon Total	Hex bit socket	\$10.56
Canon Solutions America Inc. Total	Office Supplies	\$294.83
CA-NV Section, AWWA Total	Membership Renewal - K. Abercrombie	\$55.00
Costco Total	Snacks for Meetings	\$69.36
Denny's Total	JPIA Training - L. Quintero	\$13.46
Hilton San Diego Del Mar	JPIA Training Conference Dinner - E. Blanford	\$58.92
	JPIA Training Conference Hotel - L. Quintero	\$335.84
	JPIA Training Conference Hotel - R. Chan	\$335.84
	JPIA Training Conference Hotel - J. Moreno	\$335.84
	JPIA Training Conference Hotel - N. Pipiharut	\$355.84
	JPIA Training Conference Hotel - E. Blanford	\$355.84
	JPIA Training Conference Hotel - L. Terranova	\$578.96
	JPIA Training Conference Hotel - R. Hitchen	\$606.38
	JPIA Training Conference - E. Blanford & L. Quintero	\$102.14
	Hilton Parking - L. Quintero	\$20.00
Hilton San Diego Del Mar Total		\$3,085.60
Lumberyard Tavern Grill Total	JPIA Training Dinner - N. Oliphant & L. Quintero - 9/25/18	\$41.00
Pacific Coast Grill Total	JPIA Training Dinner - R. Hitchen & L. Terranova - 9/26/18	\$98.12
Panera Bread Total	Executive Staff Meeting	\$149.12
PayPal	Association of Water Agencies of Ventura County - for 9/11/18 - Training - K. Abercrombie, G. Haggin & R. Pulido	\$143.00
	Association of Water Agencies of Ventura County - for 10/10/18 - Training - G. Haggin & R. Pulido	\$98.00
PayPal Total		\$241.00
Poseidon Restaurant Total	JPIA Training Dinner - R. Hitchen & L. Terranova - 9/25/18	\$126.75
Stater Brothers Total	Executive Staff Meeting	\$9.51
Time Clocks Total	Engineering Supplies	\$524.89
Walmart Total	Executive Staff Meeting	\$7.43
Wells Fargo Total	Refund of Over limit Fee	-\$39.00
Employee Meals		
Iconic Eats	Water Quality lunch meeting with R. Bye, J. Anderson, M. Alvord & K. Abercrombie	\$82.18
Red Robin	Finance Lunch Meeting with B. Johnson & K. Abercrombie	\$33.66
Subtotal		115.84
Grand Total		\$4,803.47

**Santa Clarita Valley Water Agency
Valencia Water Division
Credit Card Register
As of September 30, 2018**

Wells Fargo MasterCard

Merchant Name	Description	Total
California Society of Municipal Finance Officers	Intermediate Govt Acctg registration fee (DC)	150.00
Fred Pryor Career Track	Grammar & Proofreading registration fee (DC)	69.00
Home Depot	Step stool, bench top for IT dept.	207.29
HughesNet.com	EOC internet comm service fee, 08/25/18-09/25/18	202.65
Municipal Information Systems Association of California	Conference registration (CP)	650.00
Priceline	Lodging for MISAC conference (CP)	356.31
World Trade Center Los Angeles	Parking fee, Tech Summit 081818-081918 (CP)	20.00
Grand Total - Wells Fargo MasterCard		1,655.25

Wire Disbursements

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Santa Clarita Valley Water Agency

All Divisions

Outgoing Wire Transfers / ACH's

From: September 1, 2018 to September 30, 2018

<u>Regional Division</u>		
<u>Wire/ACH Recipient</u>	<u>Description</u>	<u>Amount</u>
LAIF	Wire transfer to LAIF General	\$ 1,000,000.00
CalPERS	Medical Insurance - October	197,897.19
IRS/EDD	Taxes & Withholdings - 9/21 Pay date	151,702.90
IRS/EDD	Taxes & Withholdings - 9/7 Pay date	139,349.99
CalPERS	Retirement - 8/10 Pay date	90,715.68
CalPERS	Retirement - 8/24 Pay date	89,953.86
CalPERS	Retirement - 9/7 Pay date	89,470.60
Lincoln	Deferred Comp - 9/21 Pay date	73,518.17
Lincoln	Deferred Comp - 9/7 Pay date	73,241.85
Wells Fargo	August P-card charges; paid in Sept	40,864.50
Reliance	Long Term Disability Prem - Sept	6,253.88
So CA Gas	Natural Gas charges - Sept	2,019.80
	Total	<u>\$ 1,954,988.42</u>

<u>Newhall Water Division</u>		
<u>Wire Recipient</u>	<u>Description</u>	<u>Amount</u>
LAIF	Wire transfer to LAIF	\$ 1,500,000.00
CalPERS	Retirement 8/24/18 Pay date	16,263.65
M. Stambaugh	Mammoth Cell Lease	6,115.62
Transaction Warehouse	Web Payment Fee	3,409.00
Infosend, INC	Bill Preparation and Postage	2,739.36
Infosend, INC	Bill Preparation and Postage	2,472.43
	Total	<u>\$ 1,531,000.06</u>

<u>Santa Clarita Water Division</u>		
<u>Wire Recipient</u>	<u>Description</u>	<u>Amount</u>
		N/A
	Total	<u>\$ -</u>

<u>Valencia Water Division</u>		
<u>Wire Recipient</u>	<u>Description</u>	<u>Amount</u>
SCVWA Regional	June Due From Reimbursement	\$ 541,446.93
SCVWA Regional	July Due From Reimbursement	753,294.30
SCVWA Regional	August Due from Reimbursement	775,751.07
SCVWA Regional	Various Small Balances Due	22,180.70
	Total	<u>\$ 2,092,673.00</u>

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Director Stipends

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DIRECTORS STIPENDS PAID OCTOBER 2018
For the Month of September 2018

Director B. J. Atkins

Date	Meeting	Amount
09/04/18	Regular Board Meeting	\$228.15
09/13/18	Special Public Outreach and Legislation Committee Meeting	\$228.15
09/17/18	Finance and Administration Committee Meeting	\$228.15
09/18/18	Regular Board Meeting	\$228.15
09/18/18	VIA Monthly Luncheon	\$0.00
	Stipend Total	\$912.60
	Total Paid Days	4
	Total Meetings	5

Director Ed Colley

Date	Meeting	Amount
09/04/18	Regular Board Meeting	\$228.15
09/06/18	Engineering and Operations Committee Meeting	\$228.15
09/17/18	Finance and Administration Committee Meeting	\$228.15
09/18/18	Regular Board Meeting	\$228.15
09/20/18	AWAVC Annual Elected Officials Reception	\$228.15
	Stipend Total	\$1,140.75
	Total Paid Days	5
	Total Meetings	5

Director William Cooper

Date	Meeting	Amount
09/04/18	Regular Board Meeting	\$228.15
09/06/18	Engineering and Operations Committee Meeting	\$228.15
09/12/18	Water Resources and Watershed Committee Meeting	\$228.15
09/17/18	Meeting with Joe Byrne and Tom Bunn	\$228.15
09/18/18	Regular Board Meeting	\$228.15
09/20/18	ACWA Groundwater Committee Meeting	\$228.15
09/27/18	ACWA Budget Workshop	\$228.15
09/28/18	ACWA Board Meeting	\$228.15
	Stipend Total	\$1,825.20
	Total Paid Days	8
	Total Meetings	8

Director Tom Campbell

Date	Meeting	Amount
09/04/18	Regular Board Meeting	\$228.15
09/06/18	Engineering and Operations Committee Meeting	\$228.15
09/12/18	Water Resources and Watershed Committee Meeting	\$228.15
09/18/18	Regular Board Meeting	\$228.15
	Stipend Total	\$912.60
	Total Paid Days	4
	Total Meetings	4

Director Kathy Colley

Date	Meeting	Amount
09/04/18	Regular Board Meeting	\$228.15
09/12/18	Water Resources and Watershed Committee Meeting	\$228.15
09/13/18	Special Public Outreach and Legislation Committee Meeting	\$228.15
09/18/18	Regular Board Meeting	\$0.00
	Stipend Total	\$684.45
	Total Paid Days	3
	Total Meetings	4

Director Robert DiPrimio

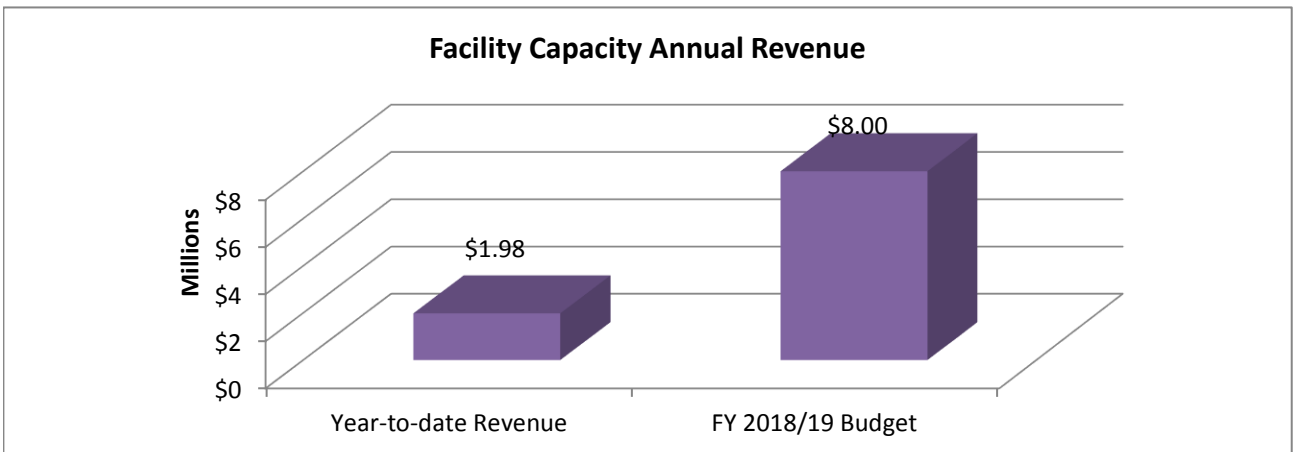
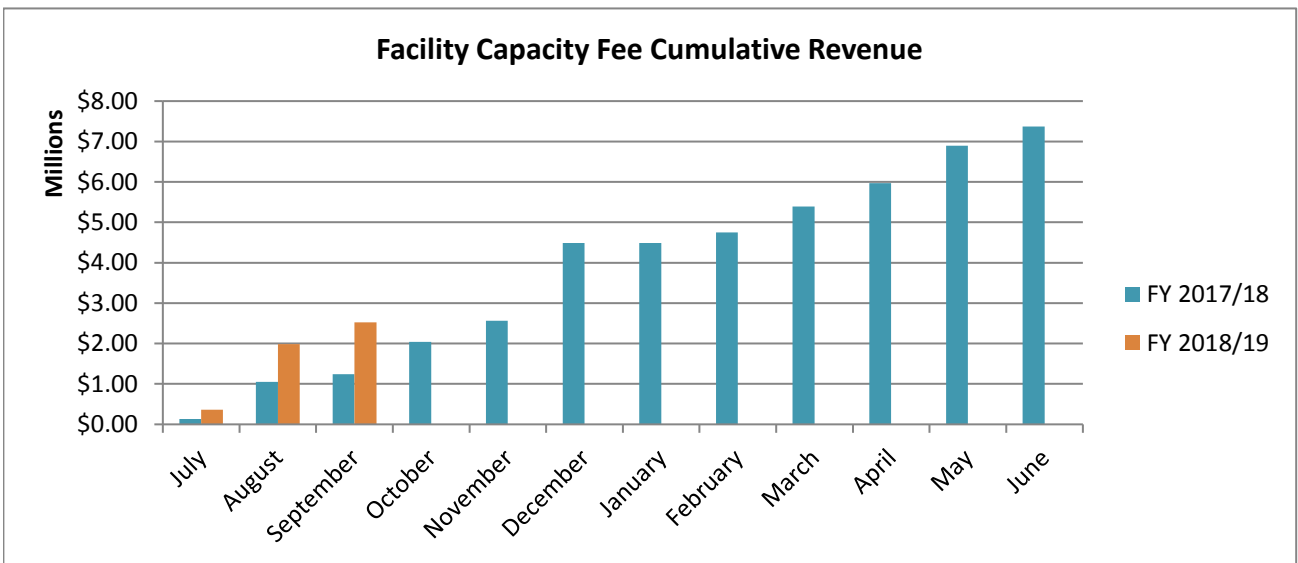
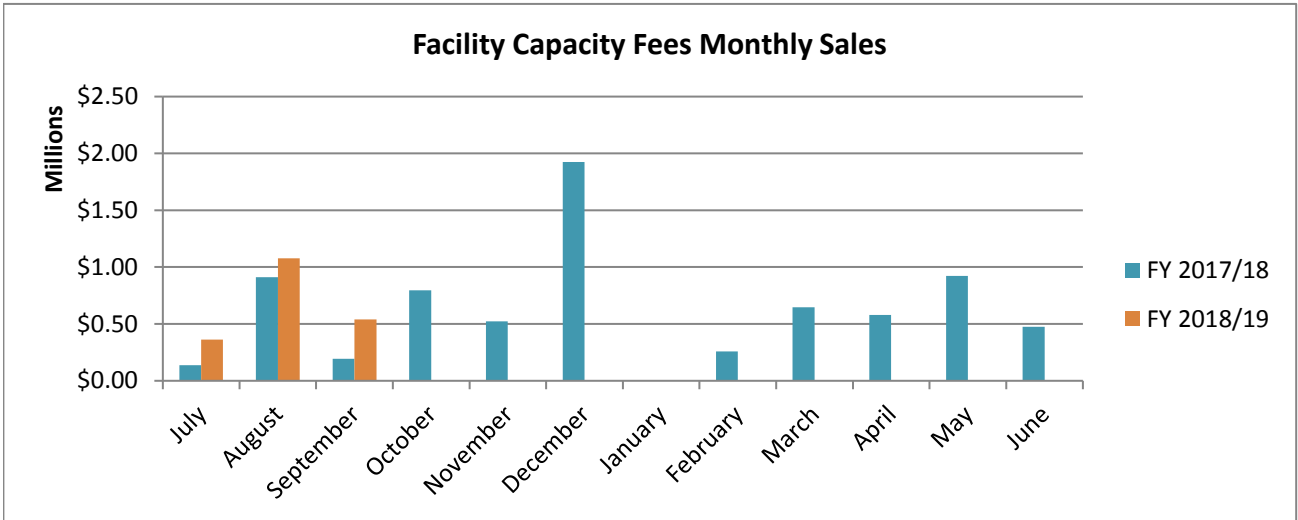
Date	Meeting	Amount
09/04/18	Regular Board Meeting	\$228.15
09/12/18	Water Resources and Watershed Committee Meeting	\$228.15
09/17/18	Finance and Administration Committee Meeting	\$228.15
09/18/18	Regular Board Meeting	\$228.15
	Stipend Total	\$912.60
	Total Paid Days	4
	Total Meetings	4

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Facility Capacity Fee Revenues

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REGIONAL DIVISION FACILITY CAPACITY FEE REVENUES FY 2018/19 as of September 30, 2018



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Variable Rate Demand Obligations

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2008A VRDO Performance

Date	Bond Rate	Bond Rate including fees	Rate Decrease**
7/16/2014	0.04%	4.10%	
7/23/2014	0.05%	4.11%	
7/30/2014	0.05%	0.60%	Swap termination.
11/9/2016	0.50%	1.05%	3.06%
11/16/2016	0.50%	1.05%	3.06%
11/23/2016	0.50%	1.05%	3.06%
11/30/2016	0.55%	1.10%	3.01%
12/7/2016	0.58%	1.13%	2.98%
12/14/2016	0.66%	1.21%	2.90%
12/21/2016	0.69%	1.24%	2.87%
12/28/2016	0.69%	1.24%	2.87%
1/4/2017	0.64%	1.19%	2.92%
1/11/2017	0.64%	1.19%	2.92%
1/18/2017	0.64%	1.19%	2.92%
1/25/2017	0.64%	1.19%	2.92%
2/1/2017	0.64%	1.19%	2.92%
2/8/2017	0.63%	1.18%	2.93%
2/15/2017	0.63%	1.18%	2.93%
2/22/2017	0.62%	1.17%	2.94%
3/1/2017	0.60%	1.15%	2.96%
3/8/2017	0.62%	1.17%	2.94%
3/15/2017	0.72%	1.27%	2.84%
3/22/2017	0.80%	1.35%	2.76%
3/29/2017	0.87%	1.42%	2.69%
4/5/2017	0.87%	1.42%	2.69%
4/12/2017	0.86%	1.41%	2.70%
4/19/2017	0.90%	1.45%	2.66%
4/26/2017	0.90%	1.45%	2.66%
5/3/2017	0.82%	1.37%	2.74%
5/10/2017	0.77%	1.32%	2.79%
5/17/2017	0.75%	1.30%	2.81%
5/24/2017	0.75%	1.30%	2.81%
5/31/2017	0.73%	1.28%	2.83%
6/7/2017	0.72%	1.27%	2.84%
6/14/2017	0.78%	1.33%	2.78%
6/21/2017	0.81%	1.36%	2.75%
6/28/2017	0.86%	1.41%	2.70%
7/5/2017	0.81%	1.36%	2.75%
7/12/2017	0.78%	1.33%	2.78%
7/19/2017	0.78%	1.33%	2.78%
7/26/2017	0.83%	1.38%	2.73%
8/2/2017	0.74%	1.29%	2.82%
8/9/2017	0.74%	1.29%	2.82%
8/16/2017	0.73%	1.28%	2.83%
8/23/2017	0.75%	1.30%	2.81%
8/30/2017	0.75%	1.30%	2.81%
9/6/2017	0.75%	1.30%	2.81%
9/13/2017	0.80%	1.35%	2.76%
9/20/2017	0.85%	1.40%	2.71%
9/27/2017	0.91%	1.46%	2.65%
10/4/2017	0.89%	1.44%	2.67%
10/11/2017	0.89%	1.44%	2.67%
10/18/2017	0.89%	1.44%	2.67%

2008A VRDO Performance

Date	Bond Rate	Bond Rate including fees	Rate Decrease**
10/25/2017	0.90%	1.45%	2.66%
11/1/2017	0.90%	1.45%	2.66%
11/8/2017	0.90%	1.45%	2.66%
11/15/2017	0.90%	1.45%	2.66%
11/22/2017	0.94%	1.49%	2.62%
11/29/2017	0.94%	1.49%	2.62%
12/6/2017	0.96%	1.51%	2.60%
12/13/2017	1.08%	1.63%	2.48%
12/20/2017	1.38%	1.93%	2.18%
12/27/2017	1.60%	2.15%	1.96%
1/3/2018	1.40%	1.95%	2.16%
1/10/2018	1.28%	1.83%	2.28%
1/17/2018	1.15%	1.70%	2.41%
1/24/2018	1.04%	1.59%	2.52%
1/31/2018	0.99%	1.54%	2.57%
2/7/2018	0.88%	1.43%	2.68%
2/14/2018	0.93%	1.48%	2.63%
2/21/2018	1.00%	1.55%	2.56%
2/28/2018	1.03%	1.58%	2.53%
3/7/2018	1.04%	1.59%	2.52%
3/14/2018	1.11%	1.66%	2.45%
3/21/2018	1.28%	1.83%	2.28%
3/28/2018	1.46%	2.01%	2.10%
4/4/2018	1.53%	2.08%	2.03%
4/11/2018	1.58%	2.13%	1.98%
4/18/2018	1.67%	2.22%	1.89%
4/25/2018	1.64%	2.19%	1.92%
5/2/2018	1.51%	2.06%	2.05%
5/9/2018	1.35%	1.90%	2.21%
5/16/2018	1.20%	1.75%	2.36%
5/23/2018	0.95%	1.50%	2.61%
5/30/2018	0.83%	1.38%	2.73%
6/6/2018	0.83%	1.38%	2.73%
6/13/2018	1.15%	1.70%	2.41%
6/20/2018	1.30%	1.85%	2.26%
6/27/2018	1.30%	1.85%	2.26%
7/4/2018	0.95%	1.50%	2.61%
7/11/2018	0.90%	1.45%	2.66%
7/18/2018	0.85%	1.40%	2.71%
7/25/2018	0.69%	1.24%	2.87%
8/1/2018	1.09%	1.64%	2.47%
8/8/2018	1.22%	1.77%	2.34%
8/15/2018	1.26%	1.81%	2.30%
8/22/2018	1.28%	1.83%	2.28%
8/29/2018	1.28%	1.83%	2.28%
9/5/2018	1.25%	1.80%	2.31%
9/12/2018	1.24%	1.79%	2.32%
9/19/2018	1.24%	1.79%	2.32%
9/26/2018	1.29%	1.84%	2.27%
10/3/2018	1.27%	1.82%	2.29%
10/10/2018	1.26%	1.81%	2.30%
10/17/2018	1.29%	1.84%	2.27%
10/24/2018	1.29%	1.84%	2.27%
10/31/2018	1.28%	1.83%	2.28%

Director Reimbursements

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CA Govt. Code Section 53065.5
 List of Reimbursement for "Individual Charges" = \$100 or more

Updated as of: 11/6/18

Annual Disclosure for Fiscal Year 18/19

DIRECTORS

Date of Reimbursement	Recipient of Reimbursement	Reason for Reimbursement	Amount of Reimbursement
09/13/18	Efstathiou, Dean	UWI Conference, 8/22-8/24/18 - Expense (Meals and Lodging)	\$ 296.99
09/13/18	Efstathiou, Dean	UWI Conference, 8/22-8/24/18 - Travel Expense (Mileage and Parking)	156.26
09/13/18	Gladbach, Edward	ACWA Conference, 7/27/18 - Travel Expense (Mileage, Parking, Taxi and Airfare)	664.16
09/13/18	Gladbach, Edward	ACWA Conference, 8/10/18 - Travel Expense (Mileage, Parking, Shuttle and Airfare)	606.66
09/13/18	Gladbach, Edward	ACWA Conference, 8/28/18 - Travel Expense (Mileage, Parking, Auto Rental and Airfare)	651.68
09/21/18	Gladbach, Edward	NWRA Seminar, 7/31-8/4/18 - Expense (Meals and Lodging)	984.82
09/21/18	Gladbach, Edward	NWRA Seminar, 7/31-8/4/18 - Travel Expense (Mileage, Gasoline and Airfare)	885.37
09/21/18	Gladbach, Edward	NWRA Seminar, 7/31-8/4/18 - Registration	625.00
08/08/18	McMillan, Jacquelyn	SCWD Luncheon 7/20 & 7/25/18 - Registration	75.00
08/08/18	McMillan, Jacquelyn	SCWD Luncheon 7/20 & 7/25/18 - Expense (Meal)	13.70
08/08/18	McMillan, Jacquelyn	SCWD Luncheon 7/20 & 7/25/18 - Mileage	173.31
09/13/18	McMillan, Jacquelyn	UWI Conference, 8/22-8/24/18 - Expense (Meals and Lodging)	531.18
09/13/18	McMillan, Jacquelyn	UWI Conference, 8/22-8/24/18 - Travel Expense (Mileage)	239.29
09/13/18	McMillan, Jacquelyn	UWI Conference, 8/22-8/24/18 - Registration	425.00

\$ 6,328.42

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**FINANCE AND ADMINISTRATION COMMITTEE
PLANNING CALENDAR FY 2018/19**

NOVEMBER 2018

COMMITTEE (November 19)

1. Recommend Receiving and Filing NCWD December 31, 2017 Financial Statements
2. Recommend Approval of an Underwriter for Issuance of 2019 Revenue Bonds
3. Discuss Authorizing Amendment No. 21 (the Contract Extension Amendment) to Water Supply Contract between the State of California Department of Water Resources and the Santa Clarita Valley Water Agency for Continued Service and the Terms and Conditions Thereof
4. Recommend Receiving and Filing of September 2018 Monthly Financial Report
5. Committee Planning Calendar

DECEMBER 2018

BOARD (1st meeting, December 4)

1. Approve a Resolution for SCV Water to Participate in CalPERS
2. Approve an Underwriter for Issuance of 2019 Revenue Bonds
3. Approve a Resolution Authorizing Amendment No. 21 (the Contract Extension Amendment) to Water Supply Contract between the State of California Department of Water Resources and the Santa Clarita Valley Water Agency for Continued Service and the Terms and Conditions Thereof
4. Approve Receiving and Filing NCWD December 31, 2017 Financial Statements (consent)
5. Approve Receiving and Filing of September 2018 Monthly Financial Report (consent)

JPA Meeting (1st meeting, December 4) – MAY BE CANCELLED

COMMITTEE (December 17)

1. Recommend Approval of a Safety Incentive Policy
2. Recommend Approval of Resolution Authorizing Professional Services Agreement with AAC Utility Partners for Selection Services for New Financial Management System
3. Discuss Financing of Developer-Contributed Capital and/or Facility Capacity Fees through Community Facilities Districts (CFDs)
4. Recommend Receiving and Filing CLWA and SCWD December 31, 2017 Financial Statements
5. Recommend Receiving and Filing of October 2018 Monthly Financial Report
6. Committee Planning Calendar

BOARD (2nd meeting, December 18)

JANUARY 2019

SPECIAL BOARD (1st meeting, January 2)

1. Approve a Safety Incentive Policy
2. Approve Receiving and Filing CLWA and SCWD December 31, 2017 Financial Statements (consent)
3. Approve Receiving and Filing of October 2018 Monthly Financial Report (consent)

JPA Meeting (1st meeting, January 1) – MAY BE CANCELLED



**FINANCE AND ADMINISTRATION COMMITTEE
PLANNING CALENDAR FY 2018/19**

FINANCING CORPORATION (tbd)

1. Annual meeting

SPECIAL COMMITTEE (January 14)

1. Recommend Approval of an Emergency Preparedness (TBD?) Specialist Classification
2. Recommend Approval of a Resolution Authorizing the Issuance of Revenue Bonds and Approving the Execution and Delivery of Certain Documents in Connection Therewith and Certain Other Matters *(This is a placeholder to approve the legal documents for new bond proceeds – actual need and timing will be based on progress of the CIP, Agency finances and market conditions)*
3. Recommend Receiving and Filing SCV Water June 30, 2018 Financial Statements
4. Recommend Receiving and Filing of November 2018 Monthly Financial Report
5. Committee Planning Calendar

JPA Meeting (1st meeting, January 15) – MAY BE CANCELLED

1. Approve a Resolution Authorizing Professional Services Agreement with AAC Utility Partners for Selection Services for New Financial Management System
2. Recommend Approval of a Resolution Authorizing the Issuance of Revenue Bonds and Approving the Execution and Delivery of Certain Documents in Connection Therewith and Certain Other Matters *(This is a placeholder to approve the legal documents for new bond proceeds – actual need and timing will be based on progress of the CIP, Agency finances and market conditions)*

FEBRUARY 2019

BOARD (1st meeting, February 5)

1. Approve an Emergency Preparedness (TBD?) Specialist Classification
2. Approve a Resolution Authorizing the Issuance of Revenue Bonds and Approving the Execution and Delivery of Certain Documents in Connection Therewith and Certain Other Matters *(This is a placeholder to approve the legal documents for new bond proceeds – actual need and timing will be based on progress of the CIP, Agency finances and market conditions)*
3. Approve Receiving and Filing SCV Water June 30, 2018 Financial Statements (consent)
4. Approve Receiving and Filing of November 2018 Monthly Financial Report

JPA Meeting (1st meeting, February 5) – MAY BE CANCELLED

SPECIAL COMMITTEE (February 11)

1. Recommend Approval of a Derivatives Policy
2. Recommend Approval of a Disclosure Procedures Policy
3. Review Annual List of Professional Services Contracts
4. Recommend Receiving and Filing of FY 2018/19 Midyear Budget Report
5. Recommend Receiving and Filing of December 2018 Monthly Financial Report
6. Semi-annual Review of State Water Contract Fund
7. Committee Planning Calendar



**FINANCE AND ADMINISTRATION COMMITTEE
PLANNING CALENDAR FY 2018/19**

BOARD (2nd meeting, February 19)

JPA Meeting (2nd meeting, February 19) – MAY BE CANCELLED

1. Re-adopt Investment Policy
2. Elect officers

MARCH 2019

BOARD (1st meeting, March 5)

1. Approve a Derivatives Policy
2. Approve a Disclosure Procedures Policy
3. Approve Receiving and Filing of December 2018 Monthly Financial Report (consent)
4. Approve Receiving and Filing of FY 2018/19 Midyear Budget Report (consent)

JPA Meeting (1st meeting, March 5) – MAY BE CANCELLED

COMMITTEE (March 18)

1. Recommend Approval of a Resolution Approving an Official Statement and Authorizing Certain Other Documents and Actions in Connection with the Issuance of the Series 2019A Revenue Bonds (*This is a placeholder to approve the legal documents for new bond proceeds – actual need and timing will be based on progress of the CIP, Agency finances and market conditions*)
2. Review Proposed FY 2019/20 Actions for the Administration Section
3. Recommend Receiving and Filing of January 2019 Monthly Financial Report
4. Committee Planning Calendar

APRIL 2019

BOARD (1st meeting, April 2)

1. Review and Provide Direction for Budget Baseline and Baseline Options
2. Approve Receiving and Filing of January 2019 Monthly Financial Report (consent)
3. Approve a Resolution of the Santa Clarita Valley Water Agency Authorizing the Preparation and Distribution of the Preliminary Official Statement in Connection with the Issuance of the Series 2019A Revenue Bonds and Authorizing Certain Other Actions in Connection Therewith (*This is a placeholder to approve the legal documents for new bond proceeds – actual need and timing will be based on progress of the CIP, Agency finances and market conditions*)

JPA Meeting (1st meeting, April 2) – MAY BE CANCELLED

1. Approve POS and 2019A Revenue Bonds (*This is a placeholder to approve the legal documents for new bond proceeds – actual need and timing will be based on progress of the CIP, Agency finances and market conditions*)



**FINANCE AND ADMINISTRATION COMMITTEE
PLANNING CALENDAR FY 2018/19**

COMMITTEE (April 15)

1. Continued Review of Policies (Annual)
2. Finalize Proposed FY 2019/20 Actions for the Administration Division
3. Provide Direction for a Proposed Employee Salary Adjustment for FY 2019/20
4. Review Draft FY 2019/20 Budget
5. Quarterly Review of State Water Contract Fund
6. Recommend Receiving and Filing of February 2019 Monthly Financial Report
7. Committee Planning Calendar

MAY 2019

BOARD (1st meeting, May 7)

1. Approve Proposed Employee Salary Adjustment for FY 2019/20
2. Approve Receiving and Filing of February 2019 Monthly Financial Report (consent)

JPA Meeting (1st meeting, May 7) – MAY BE CANCELLED

COMMITTEE (May 20)

1. Recommend Approval of a Resolution Adopting the FY 2019/20 Budget
2. Recommend Approval of a Resolution Adopting the Appropriation of All As-Yet Unappropriated Funds for FY 2018/19
3. Recommend Approval of a Resolution Adopting the Appropriation Limit for FY 2019/20
4. Recommend Receiving and Filing of March 2019 Monthly Financial Report
5. Committee Planning Calendar

JUNE 2019

BOARD (1st meeting, June 4)

1. Approve a Resolution Adopting the FY 2019/20 Budget
2. Approve a Resolution Adopting the Appropriation of All As-Yet Unappropriated Funds for FY 2018/19 (consent)
3. Approve a Resolution Adopting the Appropriation Limit for FY 2019/20 (consent) Approve Receiving and Filing of March 2019 Monthly Financial Report (consent)

JPA Meeting (1st meeting, June 4) – MAY BE CANCELLED

1. Approve a Resolution Adopting the Fiscal Year 2019/20 Budget

COMMITTEE (June 17)

1. Recommend Approval of Resolutions Setting Santa Clarita Valley Water Agency Tax Rate for FY 2019/20 and Requesting Levy of Tax by Los Angeles County and Ventura County
2. Recommend Approval of Resolution Authorizing July 2019 Water Supply Contract Payment
3. Recommend Receiving and Filing of April 2019 Monthly Financial Report
4. Committee Planning Calendar