

**SANTA MARIA VALLEY PUBLIC WATER PURVEYOR WATER MANA**

**AGREEMENT**



**FILED**

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The CITY OF SANTA MARIA (“Santa Maria”), the CITY OF GUADALUPE (“Guadalupe”), and SOUTHERN CALIFORNIA WATER COMPANY (“SCWC”) enter into this SANTA MARIA VALLEY PUBLIC WATER PURVEYOR WATER MANAGEMENT AGREEMENT (“Agreement”) on this \_\_\_ day of \_\_\_\_\_. Santa Maria, Guadalupe and SCWC are referred to individually as a “Party” and collectively as the “Parties”.

**RECITALS**

A. Santa Maria is a Charter City, providing potable water service to customers within and adjacent to its municipal boundaries.

B. Guadalupe is a general law city, providing potable water service to customers.

C. SCWC is an investor-owned public utility within the meaning of Public Utilities Code section 2400 *et seq.* and operates pursuant to the California Public Utility Act, Public Utilities Code section 200 *et seq.* SCWC provides potable water service to customers within its certificated service area in Santa Barbara County, generally referred to as the “Santa Maria Customer Service Area,” which includes four unincorporated areas of Santa Barbara County, commonly known as “Orcutt,” “Tanglewood,” “Lake Marie,” and “Sisquoc,” and one unincorporated area in San Luis Obispo County, commonly referred to as the “Nipomo Mesa.”

D. On July 20, 2004, Santa Maria and SCWC entered into a Water Management Agreement (“2004 Agreement”), which formalized certain efforts to coordinate the provision of potable water service within their respective service areas. The 2004 Agreement is incorporated herein by reference and remains in full force and effect and is attached as Exhibit A.

E. The Parties have historically relied on local groundwater to provide potable water service to their respective customers and hold rights to pump groundwater (“Groundwater Rights”) from the Santa Maria Groundwater Basin (“Basin”).

F. The Parties also each hold contracts to receive water from the State Water Project (“SWP Entitlement,” collectively, and “Santa Maria SWP Entitlement,” “Guadalupe SWP Entitlement,” or “SCWC SWP Entitlement,” individually). Santa Maria’s contract is for 17,800

acre feet, SCWC's contract is for 550 acre feet and Guadalupe's contract is for 610 acre feet. Collectively, the SWP Entitlement totals 18,960 acre-feet per year.

G. The Parties are also litigants in the Santa Maria groundwater basin (*Santa Maria Valley Water Conservation District v. City of Santa Maria, et al.*, Superior Court, County of Santa Clara, Lead Case No. CV 770214 ("Basin Adjudication")).

H. The Parties, along with a large number of other litigants, intend to enter into a stipulation ("Stipulation") which will settle the Basin Adjudication among the stipulating parties.

I. This Agreement is that agreement described as Exhibit F in the Stipulation.

**NOW THEREFORE**, in consideration of the foregoing recitals and the promises and covenants contained herein, the Parties agree as follows:

**Section 1. Definitions.** The terms used in this Agreement shall have the same definition as provided in the Stipulation, unless expressly provided otherwise in this Agreement.

**Section 2. Purpose.** The purpose of this Agreement is to provide the mechanism through which the Parties shall meet their obligations as intended in the Stipulation, through that certain agreement designated as Exhibit F.

**Section 3. Term.** This Agreement shall be effective concurrently with and on the same terms as the Stipulation, and shall remain in effect concurrent with the Stipulation.

**Section 4. Twitchell Yield.**

4.1 Division. The Parties agree that the 80% of the 32,000 acre-feet of Twitchell Yield shall be allocated as follows: Santa Maria 14,300 acre-feet; Guadalupe 1,300 acre-feet and SCWC 10,000 acre-feet. The Parties acknowledge that the remaining 20% of the Twitchell Yield (6,400 acre-feet) is allocated to the Overlying Owners within the District who are Stipulating Parties, subject to the terms of the Stipulation.

4.2 Transfer of Twitchell Yield. The Parties agree that any proposed transfer of Twitchell Yield to one of the Parties shall be made available to all Parties. Each Party shall be given 30 days advance notice to elect to participate in any proposed transfer. The amount of transferred Twitchell Yield shall be divided between the Parties participating in the transfer in proportion to those Parties' then existing Twitchell Yield. If only one Party participates in the transfer, that Party shall be entitled to the full amount of transferred Twitchell Yield.

**Section 5. Twitchell Management Authority.**

5.1 All decision making of the TMA shall be conducted, to the extent reasonably practical, on a consensus basis. Provided, however, if consensus cannot be achieved, TMA decisions shall be made by majority vote. Unless otherwise specified, the weight of each Party's voting rights shall be equivalent to its then-existing Twitchell Yield.

5.2 The Parties will work with the other Twitchell Participants to develop rules and regulations governing the TMA.

5.3 Budget. Each Stipulating Party holding Twitchell Yield shall be obligated to fund the TMA in proportion to that Party's then existing Twitchell Yield.

5.3.1 The TMA shall establish its members' funding obligations through a duly adopted budget, which shall project the TMA funding needs in 3-5 year increments, as it deems necessary to meet its obligations to preserve Twitchell Yield. Any TMA budget shall be adopted at least 18 months in advance of its intended implementation to provide adequate time for SCWC to secure PUC approval to fulfill its financial obligations as a member of the TMA. The Parties will to work cooperatively to achieve consensus on the TMA operating budget. If Santa Maria and SCWC are unable to agree on the operating budget, SCWC shall grant Santa Maria a proxy for purposes of the TMA vote on the operating budget. If SCWC grants such a proxy and an operating budget is subsequently approved, SCWC retains the right to challenge any such operating budget through the Court's reserved jurisdiction provided in the Stipulation. SCWC's obligations with respect to any such operating budget is subject to final approval by the PUC.

5.3.2 Consistent with Section V(D)(3)(c) of the Stipulation, the TMA's annual budget for the first five years following PUC approval of the Stipulation shall be as provided in Exhibit B to this Agreement. As provided in Exhibit B, the TMA budget shall include anticipated costs necessary to fund:

5.3.2.1 The Management Area Engineer activities for the Valley Management Area, including the implementation of the Valley Management Area Monitoring Program and the associated preparation of the Annual Report; and

5.3.2.2 The preparation and implementation of the Twitchell Project Manual; and

5.3.2.3 The funding of Twitchell Project operations and capital funds that the TMA determines are necessary to preserve the Twitchell Yield. The requirements for the Twitchell operational fund shall take into account the amount collected by the District from its current operation and maintenance assessment. The Twitchell capital fund shall consist of any unused revenues from the Twitchell operating fund, plus other funds necessary to implement approved Capital Improvement Projects.

#### 5.4 Capital Improvement Projects.

5.4.1 The Parties agree that if one Party proposes a TMA Capital Improvement Project, that Party shall make available to the other Parties the opportunity to participate in the funding of the TMA Capital Improvement Project in proportion to the Parties' share of Twitchell Yield.

5.4.1.1 If a Party chooses not to participate in the funding of the TMA Capital Improvement Project, and that Party's participation is required to implement the Project, the Parties may petition the Court to resolve the issue on an expedited basis.

5.4.1.2 If a Party chooses not to participate in the funding of the TMA Capital Improvement Project, and that Party's participation is not required to implement the Project, the Party or Parties choosing not to participate in the Project shall grant the Party proposing the Project a proxy for purposes of the TMA vote to approve the Project, so long as the proposed Project will not adversely affect a Party's share of Twitchell Yield or otherwise cause material injury to a Party.

5.4.1.3 If fewer than all Parties participate in the funding of a TMA Capital Improvement Project, the Parties who participate in the funding of the Project shall be entitled to the benefits received from the Project in proportion to their financial contribution.

5.4.2 If an emergency situation exists such that a TMA Capital Improvement Project is necessary to abate the emergency, the Parties may petition the Court for an order approving the Project on an expedited basis.

**Section 6. New Urban Uses - SCWC.** The 2004 Agreement is expressed modified only as follows:

6.1 All new customers of SCWC, or existing customers proposing to increase their water use through a change in land use requiring a discretionary land use permit or other form of land use entitlement, as specified in Section X(D)(2) of the Stipulation ("SCWC Project Santa Maria Valley Water Management Agreement

Proponents”) shall provide Supplemental Water to offset the demand associated with that prospective use, through the protocol provided in the 2004 Agreement. The entities that have entered into the Reservation/Purchase Agreements identified on Exhibit C to this Agreement and Exhibit B to the 2004 Agreement are deemed to have satisfied the requirements of this Section and are exempt from the requirements of Section 6.2, below.

6.2 In addition to the fee paid to secure Supplemental Water pursuant to the 2004 Agreement, an additional 20% shall be charged to the SCWC Project Proponent by Santa Maria and shall be placed into either the Twitchell operational fund or the Twitchell capital fund. That incremental charge deposited in the applicable fund, shall be deemed a SCWC contribution to offset any SCWC TMA funding requirements.

**Section 7. New Urban Uses – Guadalupe.**

7.1 Guadalupe and Santa Maria agree that it is within their mutual interests to cooperate and coordinate their efforts to provide retail water service within their respective service areas.

7.2 Guadalupe and Santa Maria mutually acknowledge the benefits of importing SWP supplies to augment their use of local groundwater.

7.3 It is to the mutual advantage of Guadalupe and Santa Maria to have several alternatives for making use of their SWP Entitlements, Return Flows and Twitchell Yield to create flexibility, reliability, and cost effectiveness in their water supply systems. Santa Maria and Guadalupe shall each have the right to use the other’s unused Twitchell Yield in any given year if needed.

7.4 Guadalupe and Santa Maria agree to work cooperatively to provide a reliable and cost effective mechanism through which Santa Maria and Guadalupe can maximize the use of their respective SWP supplies and Return Flows within the Basin. Santa Maria agrees not to oppose any effort by Guadalupe that is based on reliable data to increase the fixed percentage of Guadalupe’s SWP Return Flow.

7.5 Santa Maria agrees to work cooperatively with Guadalupe to provide Guadalupe with additional SWP supplies. Guadalupe shall compensate Santa Maria through a specified dollar amount or through an exchange of water resources, as Guadalupe and Santa Maria deem appropriate. As further consideration, Santa Maria shall have a right of first refusal to purchase any SWP Return Flows that Guadalupe elects to sell from its existing SWP Entitle-

ment, and any future SWP Entitlement, that are not for use within or adjacent to Guadalupe's service area.

**Section 8. Representations or Warranties of Guadalupe.** Guadalupe makes the following representations, warranties and covenants to SCWC and Santa Maria:

8.1 Power and Authority to Execute and Perform this Agreement. Guadalupe has the power and authority to enter into this Agreement and to perform its obligations and all necessary approvals and authorizations have been obtained.

8.2 Enforceability. This Agreement constitutes a legal, valid and binding obligation of Guadalupe, and is enforceable against Guadalupe in accordance with its terms.

**Section 9. Representations or Warranties of Santa Maria.** Santa Maria makes the following representations, warranties and covenants to SCWC and Guadalupe:

9.1 Power and Authority to Execute and Perform this Agreement. Santa Maria has the power and authority to enter into this Agreement and to perform its obligations and all necessary approvals and authorizations have been obtained.

9.2 Enforceability. This Agreement constitutes a legal, valid and binding obligation of Santa Maria, and is enforceable against Santa Maria in accordance with its terms.

**Section 10. Representations or Warranties of SCWC.** SCWC makes the following representations, warranties and covenants to Santa Maria and Guadalupe:

10.1 Power and Authority to Execute and Perform this Agreement. SCWC is a corporation duly formed and in good standing in the State of California. Subject to California Public Utility Commission approval, expressly including the ability to recover the costs of implementing this agreement through its authorized regulated utility rates, SCWC has the corporate power and authority to enter into this Agreement and to perform its obligations and all necessary corporate approvals and authorizations have been obtained.

10.2 Enforceability. Subject to California Public Utility Commission approval as provided in section 10.1, this Agreement constitutes a legal, valid and binding obligation of SCWC, enforceable against SCWC in accordance with its terms.

**Section 11. Remedies Not Exclusive.** Remedies provided in this Agreement for enforcement of its terms are intended and shall be construed as cumulative rather than exclusive and shall not be deemed to deprive any Party from also using any other remedies provided by this Agreement or by law.

**Section 12. Subject to Applicable Law.** The Parties acknowledge and agree that this Agreement and the rights and obligations of the Parties shall be subject to the laws governing municipal corporations as they now exist and as they may be amended or codified by the Legislature of the State of California.

**Section 13. Integration.** This Agreement shall be integrated with, and interpreted in companion with the 2004 Agreement, the Stipulation, and the final judgment entered in the Basin Adjudication that is based upon the Stipulation. These set of agreements contain the entire understanding between SCWC, Santa Maria and Guadalupe with respect to the subject matter, and supersede all prior agreements, oral or written, and all prior or contemporaneous discussions or negotiations between SCWC, Santa Maria and Guadalupe. This Agreement cannot be amended except in writing signed by all Parties.

**Section 14. No Waiver.** Any failure or delay on the part any Party to exercise any right under this Agreement shall not constitute a waiver of the right, and shall not preclude such Party from exercising or enforcing the right, or any other provision of this Agreement, on any subsequent occasion.

**Section 15. Notices.** All notices or other communications required or desired to be given pursuant to this Agreement shall be in writing and shall be hand-delivered, or mailed by certified mail, return receipt requested, or sent by a reputable overnight courier service providing delivery confirmation. Each such notice or communication shall be deemed to be duly given when hand-delivered, or three (3) days after being mailed in any depository maintained by the United States Postal Service, with prepaid postage, certified, return receipt requested or one (1) day after being deposited for next day delivery with Federal Express or other reputable overnight courier. Each such notice or communication shall be addressed to the Parties at their respective addresses set forth next to their signatures below, or such other address as a Party notifies the other in writing.

**Section 16. Headings; Section References.** Captions and headings appearing in this Agreement are inserted solely as reference aids for the ease and convenience; they shall not be deemed to define or limit the scope or substance of the provisions they introduce, nor shall they be used in construing the intent or effect of such provisions.

**Section 17. Separability.** If any provision of this Agreement is finally determined by a court to be invalid or unenforceable as written, the provision shall, if possible, be enforced to

the extent reasonable under the circumstances and otherwise shall be deemed deleted from this Agreement. The other provisions of this Agreement shall remain in full force and effect so long as the material purposes of the Agreement and understandings of the Parties are not impaired.

**Section 18. Binding Effect Assignment.** This Agreement shall only be binding on and inure to the benefit of the Parties, and their respective successors and permitted assigns. No Party shall assign this Agreement except with the prior written approval of the other Parties. Any unauthorized attempt to assign this Agreement shall be null and void. Notwithstanding the foregoing, SCWC shall have the right to assign this Agreement to any affiliate.

**Section 19. Attorneys Fees.** In the event that any action or proceeding is brought to enforce one or more of the terms of this Agreement, to restrain an alleged violation of this Agreement, or to determine the validity of this Agreement or any part, the prevailing Party in any such action or proceeding shall be entitled to recover from the other its reasonable costs and attorneys' fees, in addition to any other remedies available to it in law or equity. If all Parties are successful in one or more causes of action during any such proceeding, the costs and fees shall be apportioned as determined by the Court.

**Section 20. Force Majeure.** If by reason of acts of God, earthquakes, floods, storms, explosion, fires, labor troubles, strikes, insurrection, riots, acts of the public enemy, or federal, state, or local law, order, rule, or regulation, any Party is prevented from complying with any condition of this Agreement, then while so prevented the condition shall be suspended and the Party shall be relieved of the obligation of complying with such covenant and shall not be liable for damages for failure to comply with it. Any obligation of any Party shall be extended for as long as it is so prevented from complying with any condition or covenant in the Agreement.

**Section 21. Dispute Resolution, Governing Law and Venue.** This Agreement is a contract governed in accordance with the laws of the State of California. The Parties agree that if any dispute arises with respect to any provision of this Agreement, the Parties shall meet and confer in an attempt to resolve any such disputes. If, after 90 days, the meet and confer process is unsuccessful, the dispute shall be presented for Court review and determination pursuant to the Court's reserved jurisdiction and judicial review provisions provided in the Stipulation.

**Section 22. Counterparts.** This Agreement may be signed in any number of counterparts, including counterparts by facsimile signature, each of which shall be deemed an original,



but all of which shall together constitute one and the same instrument. The original signature pages shall be filed with the Court as Exhibit F to the Stipulation.

IN WITNESS WHEREOF, the parties have executed this agreement as of the date first written above.

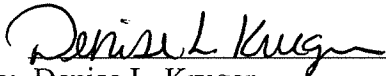
CITY OF SANTA MARIA:

SCWC:

City of Santa Maria  
a California municipal corporation

Southern California Water Company,  
a California corporation

By: \_\_\_\_\_

By:  \_\_\_\_\_

Name: \_\_\_\_\_

Name: Denise L. Kruger

Title: \_\_\_\_\_

Title: Senior Vice President of Operations

Address: \_\_\_\_\_  
\_\_\_\_\_

Address: 3035 Prospect Park, Suite 60  
Rancho Cordova, CA 95670

Fax: \_\_\_\_\_

Fax: (916) 853-3674

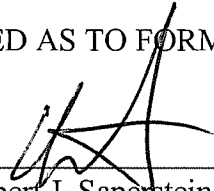
Phone: \_\_\_\_\_

Phone: (916) 853-3606

Attest:

APPROVED AS TO FORM:

By: \_\_\_\_\_  
\_\_\_\_\_, City Clerk

By:  \_\_\_\_\_  
Robert J. Saperstein,  
Hatch & Parent  
Attorneys for SCWC

APPROVED AS TO FORM:

By: \_\_\_\_\_  
Eric Garner,  
Best Best & Krieger  
Attorneys for City of Santa Maria

(Signatures continued on following page)