

# Exhibit 1

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

SUPERIOR COURT OF THE STATE OF CALIFORNIA  
COUNTY OF SANTA CLARA

SANTA MARIA VALLEY WATER  
CONSERVATION DISTRICT,

Plaintiff,

v.

CITY OF SANTA MARIA, et al.,

Defendants.

AND RELATED CROSS-ACTIONS AND  
ACTIONS CONSOLIDATED FOR ALL  
PURPOSES

) SANTA MARIA GROUNDWATER  
) LITIGATION  
) Lead Case No. CV 770214  
) (CONSOLIDATED FOR ALL PURPOSES)

) [Consolidated With Case Numbers:  
) CV 784900; CV 785509; CV 785522;  
) CV 787150; CV 784921; CV 785511;  
) CV 785936; CV 787151; CV 784926;  
) CV 785515; CV 786791; CV 787152;  
) CV 036410]

) San Luis Obispo County Superior Court Case  
) Nos. 990738 and 990739

) [Assigned to Judge Jack Komar for All  
) Purposes]

**STIPULATION (JUNE 30, 2005 VERSION)**

**TABLE OF CONTENTS**

|    | <u>Page</u>   |
|----|---|
| 1  |   |
| 2  |   |
| 3  | I. INTRODUCTION -- ALL MANAGEMENT AREAS ..... 1   |
| 4  | A. Parties and Jurisdiction ..... 1   |
| 5  | B. Further Trial ..... 2  |
| 6  | C. Definitions..... 2   |
| 7  | II. EXHIBITS ..... 6  |
| 8  | III. DECLARATION OF RIGHTS -- ALL MANAGEMENT AREAS ..... 6                                  |
| 9  | A. Recognition of Priority of Overlying Rights..... 7                                       |
| 10 | B. Prescriptive Rights ..... 7  |
| 11 | C. Appropriative Rights ..... 7   |
| 12 | D. Developed Water Rights ..... 7   |
| 13 | E. Rights to Storage Space ..... 7  |
| 14 | F. Other Surface Water Rights ..... 7   |
| 15 | IV. PHYSICAL SOLUTION – ALL MANAGEMENT AREAS ..... 8  |
| 16 | A. Authority ..... 8  |
| 17 | B. Purposes and Objectives ..... 8  |
| 18 | C. Basin Management Areas ..... 8   |
| 19 | D. Groundwater Monitoring ..... 9   |
| 20 | E. New Developed Water ..... 10   |
| 21 | F. Severe Water Shortage Response ..... 11  |
| 22 | V. PHYSICAL SOLUTION: PROVISIONS SPECIFIC TO SANTA MARIA<br>VALLEY MANAGEMENT AREA ..... 11 |
| 23 | A. Water Rights to Sources of Supply ..... 11   |
| 24 | B. Monitoring and Management..... 14  |
| 25 | C. Response to Varying Conditions..... 15   |
| 26 | D. Management and Administration of the Twitchell Project..... 17                           |
| 27 | E. New Urban Uses – Santa Maria Valley Management Area..... 20                              |
| 28 | VI. PHYSICAL SOLUTION: PROVISIONS SPECIFIC TO NIPOMO MESA<br>MANAGEMENT AREA ..... 21       |
| 29 | A. Supplemental Water..... 21   |
| 30 | B. Rights to Use Groundwater..... 23  |
| 31 | C. NMMA Technical Group ..... 24  |
| 32 | D. Potentially Severe and Severe Water Shortage Conditions ..... 25                         |
| 33 | E. New Urban Uses ..... 27  |
| 34 | VII. PHYSICAL SOLUTION: PROVISIONS SPECIFIC TO NORTHERN CITIES<br>MANAGEMENT AREA ..... 28  |
| 35 | VIII. INJUNCTION – ALL MANAGEMENT AREAS ..... 29  |
| 36 | A. Use Only Pursuant to Stipulation..... 29   |
| 37 | B. Injunction Against Transportation From the Basin..... 29                                 |

|    |     |  |    |
|----|-----|--|----|
| 1  | C.  | No Third Party Beneficiaries .....                                     | 29 |
| 2  | IX. | RESERVED JURISDICTION – ALL MANAGEMENT AREAS .....                     | 30 |
| 3  | A.  | Reserved Jurisdiction; Modifications, Cancellations, Amendments.....   | 30 |
| 4  | B.  | Noticed Motion .....   | 31 |
| 5  | C.  | <i>De Novo</i> Nature of Proceeding .....                              | 31 |
| 6  | D.  | Filing and Notice.....   | 31 |
| 7  | X.  | MISCELLANEOUS PROVISIONS – ALL MANAGEMENT AREAS .....                  | 31 |
| 8  | A.  | Unenforceable Terms .....  | 31 |
| 9  | B.  | Water Quality .....  | 32 |
| 10 | C.  | Duty to Cooperate .....  | 32 |
| 11 | D.  | Stipulating Parties Under Public Utilities Commission Regulation ..... | 32 |
| 12 | E.  | Designation of Address, for Notice and Service.....                    | 33 |
| 13 | F.  | No Loss of Rights .....  | 33 |
| 14 | G.  | Intervention After Judgment .....                                      | 33 |
| 15 | H.  | Stipulation and Judgment Binding on Successors, Assigns, etc. ....     | 34 |
| 16 | I.  | Costs.....   | 34 |
| 17 | J.  | Non-Stipulating Parties .....  | 34 |
| 18 | K.  | Counterparts .....   | 35 |
| 19 | L.  | Effective Date.....  | 35 |

13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

1 **I. INTRODUCTION -- ALL MANAGEMENT AREAS**

2 The Stipulating Parties hereby stipulate and agree to entry of judgment containing the  
3 terms and conditions of this Stipulation.

4 **A. Parties and Jurisdiction**

5 1. Plaintiff and Cross-Defendant Santa Maria Valley Water Conservation District  
6 ("District") is a water conservation district organized under California Water Code section 74000,  
7 *et seq.* The District does not pump Groundwater from the Basin.

8 2. Defendants, Cross-Complainants and Cross-Defendants the City of Santa Maria  
9 ("Santa Maria"), City of Guadalupe ("Guadalupe"), Southern California Water Company  
10 ("SCWC"), Nipomo Community Services District ("NCSD"), Rural Water Company ("RWC"),  
11 City of Arroyo Grande ("Arroyo Grande"), City of Pismo Beach ("Pismo Beach"), City of Grover  
12 Beach ("Grover Beach") and Oceano Community Services District ("Oceano") rely, in part, on  
13 Groundwater to provide public water service to customers within the Basin.

14 3. Cross-Defendant County of San Luis Obispo ("San Luis Obispo") is a subdivision  
15 of the State of California. Cross-Defendant San Luis Obispo County Flood Control and Water  
16 Conservation District ("SLO District") is a public entity organized pursuant to the laws of the  
17 State of California. Neither San Luis Obispo nor SLO District pumps Groundwater from the  
18 Basin.

19 4. Cross-Defendant County of Santa Barbara ("Santa Barbara") is a subdivision of  
20 the State of California. Santa Barbara does not pump Groundwater from the Basin.

21 5. Numerous other Cross-Defendants and Cross-Complainants are Overlying  
22 Owners. Many of these Overlying Owners pump Groundwater from the Basin, while others do  
23 not currently exercise their Overlying Rights. Those Overlying Owners who are Stipulating  
24 Parties are identified on Exhibit "A".

25 6. This action presents an *inter se* adjudication of the claims alleged between and  
26 among all Parties. This Court has jurisdiction over the subject matter of this action and over the  
27 Parties herein.

28 ///

1           **B.     Further Trial**

2           The Stipulating Parties recognize that not all Parties have entered into this Stipulation and  
3 that a trial will be necessary as to all non-Stipulating Parties. No Stipulating Party shall interfere  
4 or oppose the effort of any other Stipulating Party in the preparation and conduct of any such  
5 trial. All Stipulating Parties agree to cooperate and coordinate their efforts in any trial or hearing  
6 necessary to obtain entry of a judgment containing the terms and conditions of this Stipulation.  
7 No Stipulating Party shall have any obligation to contribute financially to any future trial.

8           **C.     Definitions**

9           As used in this Stipulation, the following terms shall have the meanings herein set forth:

- 10                   1.     Annual or Year – That period beginning January 1 and ending December  
11 31.
- 12                   2.     Annual Report – The report prepared and filed with the Court annually for  
13 each Management Area.
- 14                   3.     Appropriative Rights – The right to use surplus Native Groundwater for  
15 reasonable and beneficial use.
- 16                   4.     Available State Water Project Water – The amount of SWP Water an  
17 Importer is entitled to receive in a given Year based upon the California Department of Water  
18 Resources final Table A allocation.
- 19                   5.     Basin - The groundwater basin described in the Phase I and II orders of the  
20 Court, as modified, and presented in Exhibit “B”.
- 21                   6.     Developed Water – Groundwater derived from human intervention as of  
22 the date of this Stipulation, which shall be limited to Twitchell Yield, Lopez Water, Return  
23 Flows, and recharge resulting from storm water percolation ponds.
- 24                   7.     Groundwater – Twitchell Yield, Lopez Water, Return Flows, storm water  
25 percolation, Native Groundwater and all other recharge percolating within the Basin.
- 26                   8.     Importer(s) – Any Party who brings Imported Water into the Basin. At the  
27 date of this Stipulation, the Importers are Santa Maria, SCWC, Guadalupe, Pismo Beach, and  
28 Oceano.

1           9.     Imported Water – Water within the Basin, originating outside the Basin  
2 that absent human intervention would not recharge or be used in the Basin.

3           10.    Lopez Project – Lopez Dam and Reservoir located on Arroyo Grande  
4 Creek, together with the associated water treatment plant, delivery pipeline and all associated  
5 facilities, pursuant to State Water Resources Control Board permit No. 12814 (A-18375) and  
6 pending application No. A-30826.

7           11.    Lopez Water – Groundwater within the Basin derived from the operation of  
8 the Lopez Project.

9           12.    Management Areas – The three areas within the Basin that have sufficient  
10 distinguishing characteristics to permit the water resources and facilities of each area to be  
11 individually managed. The Management Areas are: the Northern Cities Management Area, the  
12 Nipomo Mesa Management Area, and the Santa Maria Valley Management Area, as shown on  
13 Exhibit "C".

14           13.    Management Area Engineer – The individual(s) or consulting firm(s) that  
15 are hired to prepare the Monitoring Plan(s) and Annual Report(s) for one or more of the  
16 Management Areas.

17           14.    Monitoring Parties – Those Parties responsible for conducting and funding  
18 each Monitoring Program.

19           15.    Monitoring Program – The data collection and analysis program to be con-  
20 ducted within each Management Area sufficient to allow the preparation of the Annual Report.

21           16.    Native Groundwater – Groundwater within the Basin, not derived from  
22 human intervention, that replenishes the Basin through precipitation, stream channel infiltration,  
23 tributary runoff, or other natural processes.

24           17.    New Developed Water – Groundwater derived from human intervention  
25 through programs or projects implemented after the date of this Stipulation.

26           18.    New Urban Uses – Municipal and industrial use which may occur on land  
27 that, as of January 1, 2005, was located: 1) within the boundaries of a municipality or its sphere of  
28 influence, or within the process of inclusion in its sphere of influence; or 2) within the certificated

1 service area of a publicly regulated utility. The New Urban Use areas are identified in Exhibit  
2 "D". New Urban Uses does not include the current DJ Farms development within Guadalupe  
3 City limits (including Santa Barbara County APN 113-080-18, 113-080-24).

4 19. Nipomo Mesa Management Area or NMMA – That Management Area  
5 shown on Exhibit "C".

6 20. Nipomo Mesa Management Area Technical Group – The committee  
7 formed to administer the relevant provisions of the Stipulation regarding the Nipomo Mesa  
8 Management Area.

9 21. Northern Cities Management Area – That Management Area which is part  
10 of Zone #3 of the San Luis Obispo County Flood Control and Water Conservation District as  
11 shown on Exhibit "C".

12 22. Northern Cities – Arroyo Grande, Pismo Beach, Grover Beach and  
13 Oceano.

14 23. Northern Parties – The Northern Cities, the Overlying Owners within the  
15 Northern Cities Management Area, San Luis Obispo and the SLO District.

16 24. Overlying Right – The appurtenant right of an Overlying Owner to use  
17 Native Groundwater for overlying, reasonable and beneficial use.

18 25. Overlying Owner(s) – Owners of land overlying the Basin who hold an  
19 Overlying Right.

20 26. Party – Each Person in this consolidated action, whether a Stipulating  
21 Party or a non-Stipulating Party.

22 27. Person – Any natural person, firm, association, organization, joint venture,  
23 partnership, business, trust, corporation, or public entity.

24 28. Public Hearing – A hearing after notice to all Parties and to any other  
25 person legally entitled to notice.

26 29. Return Flows – Groundwater derived from use and recharge within the  
27 Basin of water delivered through State Water Project facilities.

28 ///



- 1                   30.    Santa Maria Valley Management Area – That Management Area shown on  
2 Exhibit “C”.
- 3                   31.    Severe Water Shortage Conditions – Those conditions, as separately  
4 defined in a Severe Water Shortage Response Plan for each Management Area, that trigger  
5 certain discretionary and mandatory responses by the Stipulating Parties upon order of the Court.
- 6                   32.    Severe Water Shortage Response Plan – The discretionary and mandatory  
7 responses for each Management Area that are to be implemented when Severe Water Shortage  
8 Conditions exist.
- 9                   33.    State Water Project Water or SWP Water – Water imported through the  
10 State of California State Water Resources Development System pursuant to Division 6, Part 6,  
11 Chapter 8, of the California Water Code.
- 12                   34.    Stipulating Party – A Party that has signed this Stipulation, as listed in  
13 Exhibit “A”, or its heirs, executors, administrators, trustees, successors, assigns, and agents.
- 14                   35.    Storage Space – The portion of the Basin capable of holding water for sub-  
15 sequent reasonable and beneficial uses.
- 16                   36.    SWP Contract(s) – Those series of contracts that entitle the Importers to  
17 use SWP facilities to bring Imported Water into the Basin.
- 18                   37.    Twitchell Management Authority or TMA – The committee formed to  
19 administer the relevant provisions of the Stipulation regarding the Santa Maria Valley Manage-  
20 ment Area.
- 21                   38.    Twitchell Participants – Those Stipulating Parties holding rights to  
22 Twitchell Yield.
- 23                   39.    Twitchell Project – Dam and reservoir authorized by Congress as the  
24 “Santa Maria Project” on September 3, 1954 (Public Law 774, 83d Congress, ch. 1258, 2d  
25 session, 68 Stat. 1190) and located on the Cuyama River, approximately six miles upstream from  
26 its junction with the Sisquoc River, pursuant to that certain License For Diversion And Use of  
27 Water, License No. 10416, issued by the State Water Resources Control Board.

28    ///

1                   40.    Twitchell Water – Groundwater derived from operation of the Twitchell  
2 Project.

3                   41.    Twitchell Yield – The total amount of Groundwater allocated annually to  
4 the Twitchell Participants.

5    **II.    EXHIBITS**

6                   The following Exhibits are attached to this Stipulation and incorporated herein:

7                   1.    *Exhibit "A"*, list identifying the Stipulating Parties and the parcels of land  
8 bound by the terms of this Stipulation.

9                   2.    *Exhibit "B"*, Phase I and II Orders, as modified, and the attached map  
10 depicting the Santa Maria Basin.

11                  3.    *Exhibit "C"*, map of the Basin and boundaries of the three Management  
12 Areas.

13                  4.    *Exhibit "D"*, map identifying those lands as of January 1, 2005: 1) within  
14 the boundaries of a municipality or its sphere of influence, or within the process of inclusion in its  
15 sphere of influence; or 2) within the certificated service area of a publicly regulated utility; and a  
16 list of selected parcels that are nearby these boundaries which are excluded from within these  
17 areas.

18                  5.    *Exhibit "E"*, 2002 Settlement Agreement between the Northern Cities and  
19 Northern Landowners.

20                  6.    *Exhibit "F"*, the agreement among Santa Maria, SCWC and Guadalupe  
21 regarding the Twitchell Project and the TMA.

22                  7.    *Exhibit "G"*, the Court's Order Concerning Electronic Service of Pleadings  
23 and Electronic Posting of Discovery Documents dated June 27, 2000.

24                  8.    *Exhibit "H"*, the form of memorandum of agreement to be recorded.

25    **III.    DECLARATION OF RIGHTS -- ALL MANAGEMENT AREAS**

26                   The terms and conditions of this Stipulation set forth a physical solution concerning  
27 Groundwater, SWP Water and Storage Space, consistent with common law water rights priorities.

28    ///

1           **A. Recognition of Priority of Overlying Rights**

2           Except as expressly modified by the settlement agreement among the Northern Parties  
3 (Exhibit "E"), all Overlying Owners that are also Stipulating Parties have a prior and paramount  
4 Overlying Right, whether or not yet exercised.

5           **B. Prescriptive Rights**

6           As to the Stipulating Parties, no Party has proved prescriptive rights to any Native  
7 Groundwater. Future use by the Stipulating Parties will not be adverse and will not ripen into a  
8 prescriptive right as between the Stipulating Parties.

9           **C. Appropriative Rights**

10           Consistent with the specific provisions governing each Management Area, the Stipulating  
11 Parties owning and exercising Appropriative Rights have the right to the reasonable and bene-  
12 ficial use of Native Groundwater that is surplus to the reasonable and beneficial uses of the  
13 Stipulating Parties that are Overlying Owners. New appropriative uses shall be subordinate to  
14 existing appropriations and shall be prioritized on a first in time, first in right basis.

15           **D. Developed Water Rights**

16           The Stipulating Parties owning Developed Water or New Developed Water have the right  
17 to its reasonable and beneficial use, consistent with the specific provisions governing each  
18 Management Area. The right to use Developed Water is a right to use commingled Groundwater  
19 and is not limited to the corpus of that water.

20           **E. Rights to Storage Space**

21           The Court shall reserve jurisdiction over the use of the Storage Space, and any Party may  
22 apply to the Court for the approval of a project using Storage Space. The Court must approve any  
23 project using Storage Space before any Party can claim a right to stored water from that project.  
24 The Stipulating Parties agree that Groundwater derived from Developed Water is exempt from  
25 the Court approval requirements of this Paragraph.

26           **F. Other Surface Water Rights**

27           Nothing in this Stipulation affects or otherwise alters common law riparian rights or any  
28 surface water rights, unless expressly provided in this Stipulation.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

**IV. PHYSICAL SOLUTION – ALL MANAGEMENT AREAS**

**A. Authority**

Pursuant to Article X, section 2 of the California Constitution, the Stipulating Parties agree that the Court has the authority to enter a judgment and physical solution containing the terms and conditions of this Stipulation. Unless the Court imposes this physical solution, potential changes in water use could affect Basin adequacy and integrity. The Declaration of Rights is a component of this physical solution.

**B. Purposes and Objectives**

The terms and conditions of this Stipulation are intended to impose a physical solution establishing a legal and practical means for ensuring the Basin's long-term sustainability. This physical solution governs Groundwater, SWP Water and Storage Space, and is intended to ensure that the Basin continues to be capable of supporting all existing and future reasonable and beneficial uses. This physical solution is: 1) a fair and equitable basis for the allocation of water rights in the Basin; 2) in furtherance of the mandates of the State Constitution and the water policy of the State of California; and 3) a remedy that gives due consideration to applicable common law rights and priorities to use Groundwater and Storage Space, without substantially impairing any such right.

**C. Basin Management Areas**

Development and use of Groundwater, SWP Water and Storage Space have historically been financed and managed separately in three Management Areas. For example, only the Northern Parties have paid for, managed, and benefited from the Lopez Project; whereas only Santa Maria Valley parties have paid for, managed, and benefited from the Twitchell Project. In contrast, the Nipomo Mesa parties have not been involved in the funding or management of either the Twitchell or Lopez Projects.

The Stipulating Parties agree that Groundwater, SWP Water and Storage Space can be more efficiently allocated and managed in three Management Areas, given the physical, geographical, political, economic, and historic conditions. The three Management Areas, as shown on Exhibit "C," are as follows: Northern Cities Management Area; Nipomo Mesa Management

1 Area; and Santa Maria Valley Management Area. The Stipulating Parties intend that manage-  
2 ment through three Management Areas will preserve the Basin's integrity.

3 **D. Groundwater Monitoring**

4 1. Monitoring Program. A Monitoring Program shall be established in each  
5 of the three Management Areas to collect and analyze data regarding water supply and demand  
6 conditions. Data collection and monitoring shall be sufficient to determine land and water uses in  
7 the Basin, sources of supply to meet those uses, groundwater conditions including groundwater  
8 levels and quality, the amount and disposition of Developed Water supplies, and the amount and  
9 disposition of any other sources of water supply in the Basin. The Northern Cities Management  
10 Area shall not be required to include in its Monitoring Program or Annual Reports quantification  
11 of groundwater recharge from the Lopez Project or storm water percolation ponds, unless the  
12 Court orders inclusion of this information.

13 Within one hundred and eighty days after entry of judgment, representatives of the Moni-  
14 toring Parties from each Management Area will present to the Court for its approval their  
15 proposed Monitoring Program. The Management Area Engineers shall freely share available well  
16 data, groundwater models, and other products and tools utilized in monitoring and analysis of  
17 conditions in the three Management Areas, consistent with the confidentiality provisions of this  
18 Stipulation.

19 Absent a Court order to the contrary, all Stipulating Parties shall make available relevant  
20 information regarding groundwater elevations and water quality data necessary to implement the  
21 Monitoring Program approved for their respective Management Area. The Monitoring Parties  
22 shall coordinate with the Stipulating Parties to obtain any needed data on reasonable terms and  
23 conditions. Metering may only be imposed on Stipulating Parties upon a Court order following a  
24 showing that such data is necessary to monitor groundwater conditions in the Basin, and in the  
25 case of an Overlying Owner, that Overlying Owner has failed to provide information comparable  
26 to that provided by other Overlying Owners. The confidentiality of well data from individual  
27 owners and operators will be preserved, absent a Court order or written consent.

28 ///

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

2. Monitoring Parties. The Monitoring Parties are as follows:

- (a) Santa Maria Valley Management Area – The Twitchell Management Authority.
- (b) Northern Cities Management Area – The Northern Cities.
- (c) Nipomo Mesa Management Area – The NMMA Technical Group.

3. Annual Reports. Within one hundred and twenty days after each Year, the Management Area Engineers will file an Annual Report with the Court. The Annual Report will summarize the results of the Monitoring Program, changes in groundwater supplies, and any threats to Groundwater supplies. The Annual Report shall also include a tabulation of Management Area water use, including Imported Water availability and use, Return Flow entitlement and use, other Developed Water availability and use, and Groundwater use. Any Stipulating Party may object to the Monitoring Program, the reported results, or the Annual Report by motion.

4. Management Area Engineer. The Monitoring Parties may hire individuals or consulting firms to assist in the preparation of the Monitoring Programs and the Annual Reports. Except as provided below for the Santa Maria Valley Management Area, the Monitoring Parties, in their sole discretion, shall select, retain and replace the Management Area Engineer.

**E. New Developed Water**

1. Stipulating Parties in each Management Area may prepare and implement plans to develop, salvage or import additional water supplies.

2. The Stipulating Parties that pay, or otherwise provide consideration, for New Developed Water are entitled to use it to the extent the New Developed Water augments the water supplies in that Management Area. If more than one Stipulating Party finances or participates in generating New Developed Water, rights to the supply of New Developed Water shall be proportional to each Stipulating Party’s financial contribution or other consideration, or as otherwise mutually agreed to by the participating Stipulating Parties. This paragraph does not apply to Return Flows.

///

1           3.       The Stipulating Parties who desire to claim New Developed Water supplies  
2 must bring a motion, and obtain an order from the Court, quantifying and allocating the rights to  
3 the New Developed Water, before they have the prior right to the New Developed Water.

4           **F.       Severe Water Shortage Response**

5           This physical solution sets forth a Severe Water Shortage Plan for each Management Area  
6 which is intended to provide an effective response to Severe Water Shortage Conditions that may  
7 develop within each or all of the Management Areas. The specific Severe Water Shortage Plans  
8 for each Management Area are incorporated herein and made a part of the physical solution.

9           **V.       PHYSICAL SOLUTION: PROVISIONS SPECIFIC TO SANTA MARIA VALLEY**  
10           **MANAGEMENT AREA**

11           As supplemented by the provisions of this Stipulation that apply to all Management Areas,  
12 the following terms govern rights to Groundwater, SWP Water and Storage Space in the Santa  
13 Maria Valley Management Area.

14           **A.       Water Rights to Sources of Supply**

15           1.       Overlying Rights. The Stipulating Parties who are Overlying Owners  
16 within the Santa Maria Valley Management Area each have the prior and paramount right to use  
17 Native Groundwater. Subject to Paragraph V(C)(2)(b)(vi), all Overlying Rights are appurtenant  
18 to the overlying land and cannot be assigned or conveyed separate or apart from those lands.

19           2.       Appropriative Rights. The Parties listed in Exhibit "A" are the owners of  
20 Appropriative Rights exercised in the Santa Maria Valley Management Area. Each Appropriative  
21 Right is limited to Native Groundwater that is surplus to reasonable and beneficial uses of the  
22 Stipulating Parties that are Overlying Owners in the Santa Maria Valley Management Area. New  
23 appropriative uses shall be subordinate to existing Appropriative Rights and shall be prioritized  
24 on a first in time, first in right basis.

25           3.       Developed Water. The Stipulating Parties owning Developed Water have  
26 the right to its reasonable and beneficial use, subject only to the Severe Water Shortage Plan. On  
27 an annual basis, the Stipulating Parties shall have the right to the reasonable and beneficial use of  
28 Developed Water that is surplus to the reasonable and beneficial uses of the owners of that

1 Developed Water. The right to use Developed Water is a right to use commingled Groundwater  
2 and is not limited to the corpus of that water.

3 (a) New Developed Water. The ownership and use of New Developed  
4 Water shall be subject to Court order.

5 (b) Twitchell Water.

6 (i) *Amount*. The Twitchell Project annually provides a variable  
7 amount of Developed Water that augments the Groundwater in the Santa Maria Valley Manage-  
8 ment Area. Twitchell Yield is thirty-two thousand acre-feet per year (“afy”).

9 (ii) *Division of Twitchell Yield*. Twitchell Yield shall be  
10 divided as follows: 80% to Santa Maria, SCWC and Guadalupe, and 20% to the Overlying  
11 Owners within the District who are Stipulating Parties.

12 a. The Twitchell Yield allocated to Santa Maria,  
13 SCWC and Guadalupe is suballocated pursuant to the agreement among Santa Maria, SCWC and  
14 Guadalupe, as attached and incorporated herein as Exhibit “F”.

15 b. The Twitchell Yield allocated to the Overlying  
16 Owners who are Stipulating Parties within the District shall be equally allocated to each acre of  
17 land within the District owned by these Stipulating Parties. Concurrently with the execution of  
18 this Stipulation, each of these Stipulating Parties shall report their acreage of overlying land  
19 within the District on a parcel specific basis. Within one hundred and twenty days of the effec-  
20 tive date of this Stipulation, the Management Area Engineer shall create a list of all the Stipu-  
21 lating Parties and their respective allocation of the Twitchell Yield.

22 (iii) *Recapture of Twitchell Yield*. The right to use Twitchell  
23 Yield is a right to use commingled Groundwater and is not limited to the corpus of that water.

24 (iv) *Transfer of Twitchell Yield*. Twitchell Yield may be trans-  
25 ferred, temporarily or permanently, only between Stipulating Parties and the transfer market shall  
26 be as open and competitive as practical. A memorandum of agreement summarizing each transfer  
27 shall be filed with the Court and provided to the TMA. Any such memorandum of agreement  
28 shall state the Parties to the transfer, the amount of Twitchell Yield transferred, the price per acre-



1 foot, and the Party responsible for the financial obligation associated with the Twitchell Yield.

2 (v) *Carryover.* Any portion of Twitchell Yield that is not used  
3 in a given Year shall not be carried over into the following Year.

4 (c) State Water Project Water.

5 (i) *Import and Use of State Water Project Water.* Santa Maria,  
6 SCWC and Guadalupe all have SWP Contracts. Santa Maria will import and use within the Santa  
7 Maria Valley Management Area not less than 10,000 acre-feet each Year of Available SWP  
8 Water, or the full amount of Available SWP Water if the amount physically available is less than  
9 10,000 acre-feet in a given Year under Santa Maria's SWP Contract. Guadalupe will import and  
10 use within the Santa Maria Valley Management Area a minimum of 75% of its Available SWP  
11 Water. SCWC will import and use within the Basin all its Available SWP Water. Santa Maria,  
12 SCWC and Guadalupe will not voluntarily relinquish or terminate their current SWP Contracts,  
13 and shall seek renewal of these SWP Contracts.

14 (ii) *Return Flows.*

15 a. *Fixed Amount.* The Return Flows available to each  
16 Importer is fixed based on a percentage of the annual amount of SWP Water the Importer uses  
17 within the Basin. The fixed percentage for each importer is as follows: (a) Santa Maria 65%; (b)  
18 SCWC 45%; and (c) Guadalupe 45%. The percentage provided to SCWC and Guadalupe shall  
19 be adjusted through a Court order if: a) either entity increases its use of water imported into the  
20 Basin, b) the applicable method of wastewater treatment and discharge to the Basin is altered, or  
21 c) good cause is shown.

22 b. *Recapture.* The right to use Return Flows does not  
23 attach to the corpus of SWP water deliveries or the treated SWP wastewater discharged into the  
24 Basin but is a right to use the commingled Groundwater. The Importer's right to Return Flows is  
25 assignable in whole or in part, subject to necessary accounting.

26 c. *Quantification of Return Flows.* Return Flows equal  
27 the total amount of SWP Water used by the Importer in the prior five Years, divided by five, and  
28 then multiplied by the Importer's percentage as provided in Paragraph V(A)(3)(c)(ii)(a) above.

1 d. Carryover. Any portion of Return Flows that is not  
2 used in a given Year shall not be carried over into the following Year.

3 **B. Monitoring and Management**

4 1. Status of Management Area. Current Groundwater and SWP Water sup-  
5 plies are sustaining existing water uses. Changes in land and water use and demographic con-  
6 ditions can be expected to occur, possibly resulting in changes in water supply or demand  
7 requirements.

8 2. Need for Monitoring. Monitoring and reporting of changes in land and  
9 water use and demographic conditions are necessary to ensure that water supplies continue to be  
10 sufficient to support water uses.

11 3. Monitoring Program.

12 (a) Annual Report: Content and Processing.

13 The Annual Report shall include an analysis of the relationship between projected water demands  
14 and projected water supplies.

15 (i) The Annual Report shall be prepared and signed by the  
16 Management Area Engineer, and shall be simultaneously submitted to the Court and the TMA.

17 (ii) Within forty-five days of submission, the TMA shall hold a  
18 noticed public hearing to take comments on and consider for adoption the Annual Report. No  
19 later than forty-five days from the date of the public hearing, the TMA shall submit to the Court  
20 its recommendations regarding the Annual Report.

21 (iii) Within one hundred and twenty days of the date of the  
22 submission of the Annual Report to the Court, it shall conduct a noticed hearing on the Annual  
23 Report. Any Party may submit comments on the Annual Report. After the hearing, the Court  
24 shall accept the Annual Report or direct its modification.

25 (b) Management Area Engineer

26 (i) Absent the unanimous consent of the TMA, the Manage-  
27 ment Area Engineer shall not concurrently be employed by any Party holding rights to use  
28 Groundwater in the Santa Maria Valley Management Area.

1 (ii) The Management Area Engineer shall initially be the engin-  
2 eering firm of Luhdorff & Scalmanini. Luhdorff & Scalmanini shall be the Management Area  
3 Engineer for a minimum of the shorter of five years from the date of this Stipulation or the date  
4 upon which Mr. Joseph Scalmanini discontinues full time work for that firm.

5 (iii) The TMA shall employ the following process to replace the  
6 Management Area Engineer:

7 a. The TMA shall solicit candidates for Management  
8 Area Engineer through a public process. All submissions and candidate materials shall be avail-  
9 able to any Party upon request. The TMA shall conduct its interview through a public process to  
10 the extent practical, and include District and Overlying Owner representatives in the candidate  
11 review process.

12 b. Once a short list of candidates (less than five) for  
13 Management Area Engineer is obtained, the TMA shall hold a noticed public hearing to take  
14 comments on and consider the candidates for Management Area Engineer. The TMA shall make  
15 a reasonable effort to select the Management Area Engineer with a unanimous vote. If the TMA  
16 unanimously endorses a candidate, that nominee shall be recommended to the Court. Otherwise,  
17 the short list of candidates shall be submitted.

18 c. The Court shall appoint the Management Area  
19 Engineer following a noticed hearing.

20 4. *Funding.* The TMA shall pay for the Monitoring Program for the Santa  
21 Maria Valley Management Area, which includes the cost of the Management Area Engineer and  
22 the Annual Report. The cost of the Monitoring Program shall be divided among the Twitchell  
23 Participants on the same basis as the allocation of their Twitchell Yield.

24 **C. Response to Varying Conditions**

25 1. *Early Response to Avoid Severe Water Shortage Conditions.* If the Man-  
26 agement Area Engineer determines that projected demands are expected to materially exceed  
27 projected water supplies, then the Management Area Engineer may recommend programs and  
28 projects to augment the Management Area's water supplies. The Stipulating Parties will collabo-

1 rate on a response based upon current conditions, but absent Severe Water Shortage Conditions,  
2 implementation of programs and projects will not be mandated.

3 The Stipulating Parties may voluntarily participate in any recommended program or  
4 project, either through financial or other contributions. The Stipulating Parties that contribute to  
5 such a program or project shall have a priority to the water supplies generated by that program or  
6 project with Court approval. The Stipulating Parties agree to aggressively pursue New  
7 Developed Water sources, including necessary funding.

8 2. Severe Water Shortage Conditions and Response.

9 (a) Determination. Severe Water Shortage Conditions shall be found  
10 to exist when the Management Area Engineer, based on the results of the ongoing Monitoring  
11 Program, finds the following: 1) groundwater levels in the Management Area are in a condition of  
12 chronic decline over a period of not less than five Years; 2) the groundwater decline has not been  
13 caused by drought; 3) there has been a material increase in Groundwater use during the five-Year  
14 period; and 4) monitoring wells indicate that groundwater levels in the Santa Maria Valley  
15 Management Area are below the lowest recorded levels.

16 (b) Response.

17 (i) If the Management Area Engineer determines that Severe  
18 Water Shortage Conditions exist within the Santa Maria Valley Management Area, the Manage-  
19 ment Area Engineer shall file and serve, as part of its Annual Report, findings and recommen-  
20 dations to alleviate such shortage conditions or the adverse effects caused by such water shortage.

21 (ii) Upon the filing of the Annual Report, the Court shall hold a  
22 noticed hearing regarding the existence and appropriate response to the Severe Water Shortage  
23 Conditions. If, after that hearing, the Court finds that Severe Water Shortage Conditions exist in  
24 the Santa Maria Valley Management Area, the Court shall first order all use of Groundwater to be  
25 limited to: (a) for Guadalupe, Santa Maria and SCWC, their Developed Water; (b) entitled  
26 Stipulating Parties to their New Developed Water; and (c) for the Overlying Owners, the Native  
27 Groundwater plus any Developed Water to which individual Overlying Owners are entitled.

28 ///

1 (iii) The Court may also order Stipulating Parties to address  
2 specific adverse effects caused by the Severe Water Shortage Conditions. The responses may  
3 include, but are not limited to: (a) measures recommended in the Annual Report and the related  
4 Court proceedings; and (b) other measures intended to address localized problems in the Santa  
5 Maria Valley Management Area directly related to the Severe Water Shortage Conditions.

6 (iv) The Court may adjust the Groundwater use limitations  
7 imposed on any Stipulating Party(ies) who implement programs or projects providing additional  
8 water supplies within the Santa Maria Valley Management Area.

9 (v) If the Court finds that Management Area conditions have  
10 deteriorated since it first found Severe Water Shortage Conditions, the Court may impose further  
11 limitations on Groundwater use. If the Court imposes further limitations on Groundwater use, a  
12 Stipulating Party shall be exempt from those limitations to the extent: (a) the Stipulating Party can  
13 demonstrate that it has already implemented limitations in its Groundwater use, equivalent to  
14 those ordered by the Court; or (b) the Stipulating Party can demonstrate that further limitations  
15 would not avoid or reduce the deteriorating conditions.

16 (vi) During Severe Water Shortage Conditions, the Stipulating  
17 Parties may make agreements for temporary transfer of rights to pump Native Groundwater,  
18 voluntary fallowing, or the implementation of extraordinary conservation measures. Transfers of  
19 Native Groundwater must benefit the Management Area and be approved by the Court.

20 **D. Management and Administration of the Twitchell Project**

21 1. Operational Parameters. All Twitchell Project operations (operation and  
22 maintenance and capital projects) will be performed consistent with the following parameters  
23 (Operational Parameters):

24 (a) Maximize recharge of the Santa Maria Valley Management Area  
25 from Twitchell Water, including without limitation, the avoidance of impacts on recharge  
26 resulting from ongoing accumulation of silt to the maximum extent practical.

27 (b) Operate the Twitchell Project in accordance with the requirements  
28 of applicable law including, without limitation, the requirements of the Bureau of Reclamation

1 and Army Corps of Engineers.

2 (c) Operate the Twitchell Project in accordance with industry standards  
3 and best management practices.

4 2. Twitchell Project Manual.

5 (a) The TMA will hire and pay for a professional engineering con-  
6 sulting firm with expertise in dam and reservoir operations and maintenance, acceptable to the  
7 District and the TMA, to develop an integrated operation and maintenance procedure manual  
8 ("Twitchell Project Manual") and provide recommendations for capital and maintenance projects  
9 that are consistent with the Operational Parameters.

10 (b) The District shall hold one or more public hearings to solicit input  
11 regarding the content of the Twitchell Project Manual.

12 (c) Within eighteen months of entry of the judgment, the TMA and the  
13 District shall adopt a final Twitchell Project Manual.

14 (d) Any disagreement between the District and the TMA regarding the  
15 content of the final Twitchell Project Manual shall be presented for Court review and determina-  
16 tion pursuant to the judicial review provisions provided in this Stipulation.

17 (e) The District will exercise its discretionary authority to conduct all  
18 its operation and maintenance activities for the Twitchell Project in accordance with the Twitchell  
19 Project Manual.

20 3. Twitchell Project Funding.

21 (a) District will maintain its current operation and maintenance (O&M)  
22 assessments. These funds will be used for District staff salaries, property, equipment, rent,  
23 expenses, and other day-to-day operations, and will be expended consistent with the Twitchell  
24 Project Manual to the extent it is applicable.

25 (b) The TMA will separately fund, administer, construct and manage  
26 any additional Twitchell Project expenses or projects, including Capital Improvement Projects  
27 (see below) and O&M, (Extraordinary Project Operations) consistent with the Twitchell Project  
28 Manual. The TMA and the District will make reasonable efforts to work cooperatively to imple-

1 ment Extraordinary Project Operations.

2 (c) Consistent with the provisions of this Paragraph V(D), the District  
3 and the TMA shall be responsible for ensuring the ongoing operational integrity of the Twitchell  
4 Project and the maintenance of the Twitchell Yield. The Stipulating Parties expect that this  
5 ongoing responsibility may involve significant expenditures. Within 120 days of the effective  
6 date of this Stipulation, and annually thereafter, the Twitchell Participants shall establish an  
7 operating budget for the TMA to fund its responsibilities set forth in this Stipulation. For the first  
8 five years following the PUC approval as provided below, the TMA's annual budget shall be  
9 established at an amount between \$500,000 to \$700,000. Following the initial budgeting period,  
10 the TMA shall set its budget in three- to five-year increments, as it deems necessary to meet its  
11 obligations to preserve the Twitchell Yield. Any unused revenues shall be segregated into a  
12 reserve account, for future funding needs of the Twitchell Project. The Stipulating Parties agree  
13 to cooperate and coordinate their efforts to enable the TMA to fulfill its responsibilities as pro-  
14 vided in this Stipulation.

15 4. Twitchell Management Authority.

16 (a) The TMA shall be comprised of one representative of each of the  
17 following parties: Santa Maria, Guadalupe, Southern California Water Company, the District, and  
18 Overlying Landowners holding rights to Twitchell Yield.

19 (b) Only those parties holding an allocation of Twitchell Yield shall be  
20 voting members of the TMA. Voting shall be based on each party's proportionate allocation of  
21 Twitchell Yield.

22 (c) The TMA shall be responsible for all the Extraordinary Project  
23 Operations.

24 (d) The TMA shall be responsible for developing proposals for Capital  
25 Improvement Projects relating to the Twitchell Project. Capital Improvement Projects shall mean  
26 projects involving the expenditure of funds for the improvement or enhancement of the Twitchell  
27 Project, but shall not include normal operation, maintenance or repair activities.

28 ///

1 (e) Upon the development of a proposal for a Capital Improvement  
2 Project, the TMA shall, in cooperation with the District, hold one or more public hearings to  
3 solicit input.

4 (f) Following the public hearing process, the TMA may vote on  
5 whether to implement the Capital Improvement Project.

6 (g) The cost of TMA-sponsored Extraordinary Project Operations and  
7 Capital Improvement Projects shall be divided among Twitchell Participants on the same basis as  
8 the allocation of their Twitchell Yield.

9 (h) The District shall assume operation and maintenance responsibility  
10 for any TMA sponsored Capital Improvement Project to the extent practical within the District's  
11 day-to-day operations.

12 5. Regulatory Compliance. The TMA or the District shall provide advance  
13 notice to the Court and all Parties of the initiation of any regulatory proceeding relating to the  
14 Twitchell Project.

15 6. Existing Contracts. The Twitchell Reservoir Project will continue to be  
16 governed by and subject to the terms and conditions of the December 1955 agreement between  
17 the District and the Santa Barbara County Water Agency and nothing in this Stipulation is  
18 intended to modify the rights or obligations provided in that agreement. To the extent that the  
19 approval of Santa Barbara County Water Agency or the United States Bureau of Reclamation is  
20 required in connection with the implementation of this Stipulation, the Stipulating Parties agree to  
21 work cooperatively to obtain such approval(s).

22 **E. New Urban Uses – Santa Maria Valley Management Area**

23 1. New Urban Uses shall obtain water service from the local public water  
24 supplier. The local public water supplier shall provide water service on a reasonable and non-  
25 discriminatory basis.

26 2. New municipal and industrial uses on land adjacent to or within one-  
27 quarter mile of the boundary line depicted in Exhibit D shall comply with any applicable Cor-  
28 porations Code provisions and negotiate in good faith to obtain water service from the local



1 public water supplier, before forming a mutual water company to provide water service.

2 3. No modification of land use authority. This Stipulation does not modify  
3 the authority of the entity holding land use approval authority over the proposed New Urban  
4 Uses.

5 4. New Urban Uses shall provide a source of supplemental water to offset the  
6 water demand associated with that development. For the purposes of this section, supplemental  
7 water shall include all sources of Developed Water, except: i) Twitchell Water, ii) storm water  
8 percolation ponds existing as of the date of entry of the judgment, or iii) Overlying Owners' right  
9 to use of surplus Developed Water.

10 **VI. PHYSICAL SOLUTION: PROVISIONS SPECIFIC TO NIPOMO MESA MAN-**  
11 **AGEMENT AREA**

12 As supplemented by the provisions of this Stipulation that apply to all Management Areas,  
13 the following terms shall apply to the Nipomo Mesa Management Area.

14 **A. Supplemental Water**

15 1. MOU. NCS D has entered into a Memorandum of Understanding  
16 ("MOU") with Santa Maria which contemplates the wholesale purchase and transmission from  
17 Santa Maria to the NMMA of a certain amount of water each Year (the "Nipomo Supplemental  
18 Water"). All water delivered pursuant to the MOU for delivery by NCS D to its ratepayers shall  
19 be applied within the NCS D or the NCS D's sphere of influence as it exists at the time of the  
20 transmission of that water.

21 2. The NCS D agrees to purchase and transmit to the NMMA a minimum of  
22 2,500 acre-feet of Nipomo Supplemental Water each Year. However, the NMMA Technical  
23 Group may require NCS D in any given Year to purchase and transmit to the NMMA an amount  
24 in excess of 2,500 acre-feet and up to the maximum amount of Nipomo Supplemental Water  
25 which the NCS D is entitled to receive under the MOU if the Technical Group concludes that such  
26 an amount is necessary to protect or sustain Groundwater supplies in the NMMA. The NMMA  
27 Technical Group also may periodically reduce the required amount of Nipomo Supplemental  
28 Water used in the NMMA so long as it finds that groundwater supplies in the NMMA are not

1 endangered in any way or to any degree whatsoever by such a reduction.

2           3.     The Stipulating Parties agree to support (and, conversely, not to oppose in  
3 any way or to encourage or assist any other Person or party in opposing or challenging) the imple-  
4 mentation of the MOU, which includes environmental and regulatory permits and approvals, the  
5 approval of a wholesale water supply agreement between Santa Maria and NCSD, and the  
6 alignment and construction of a pipeline and related infrastructure necessary to deliver the  
7 Nipomo Supplemental Water from Santa Maria to the NMMA (“Nipomo Supplemental Water  
8 Project”). ConocoPhillips retains the right to object to or provide input on the alignment of any  
9 pipelines associated with the Nipomo Supplemental Water Project if they might interfere with the  
10 location of existing ConocoPhillips pipelines. The Stipulating Parties retain their rights to be  
11 compensated for any interest or property acquired in implementing the Nipomo Supplemental  
12 Water Project.

13           4.     NCSD and Santa Maria shall employ their best efforts to timely implement  
14 the Nipomo Supplemental Water Project, subject to their quasi-judicial obligations specified for  
15 administrative actions and in the California Environmental Quality Act.

16           5.     The enforcement of the provisions of Paragraph VI(D) below is condi-  
17 tioned upon the full implementation of the Nipomo Supplemental Water Project, including the  
18 Yearly use of at least 2,500 acre-feet of Nipomo Supplemental Water (subject to the provisions of  
19 Paragraph VI(A)(2) above) within the NMMA. In the event that Potentially Severe Water  
20 Shortage Conditions or Severe Water Shortage Conditions are triggered as referenced in Para-  
21 graph VI(D) before Nipomo Supplemental Water is used in the NMMA, NCSD, SCWC,  
22 Woodlands and RWC agree to develop a well management plan that is acceptable to the NMMA  
23 Technical Group, and which may include such steps as imposing conservation measures, seeking  
24 sources of supplemental water to serve new customers, and declaring or obtaining approval to  
25 declare a moratorium on the granting of further intent to serve or will serve letters. In the event  
26 that it becomes apparent that the Nipomo Supplemental Water will not be fully capable of being  
27 delivered, any Stipulating Party may apply to the Court, pursuant to a noticed motion, for appro-  
28 priate modifications to this portion of the Stipulation and the judgment entered based upon the

1 terms and conditions of this Stipulation, including declaring this Paragraph VI to be null and void,  
2 and of no legal or binding effect.

3           6.     Once the Nipomo Supplemental Water is capable of being delivered, those  
4 certain Stipulating Parties listed below shall purchase the following portions of the Nipomo  
5 Supplemental Water Yearly:

6                 NCS D - 66.68%

7                 Woodlands Mutual Water Company - 16.66%

8                 SCWC - 8.33%

9                 RWC - 8.33%

10           **B.     Rights to Use Groundwater**

11                 1.     ConocoPhillips and its successors-in-interest shall have the right to the  
12 reasonable and beneficial use of Groundwater on the property it owns as of the date of this Stipu-  
13 lation located in the NMMA ("ConocoPhillips Property") without limitation, except in the event  
14 the mandatory action trigger point (Severe Water Shortage conditions) described in Paragraph  
15 VI(D) (2) below is reached. Further, any public water supplier which provides water service to  
16 the ConocoPhillips Property may exercise that right subject to the limitation described in Para-  
17 graph VI(D)(2).

18                 2.     Overlying Owners that are Stipulating Parties that own land located in the  
19 NMMA as of the date of this Stipulation shall have the right to the reasonable and beneficial use  
20 of Groundwater on their property within the NMMA without limitation, except in the event the  
21 mandatory action trigger point (Severe Water Shortage Conditions) described in Paragraph  
22 VI(D)(2) below is reached.

23                 3.     The Woodlands Mutual Water Company shall not be subject to restriction  
24 in its reasonable and beneficial use of Groundwater, provided it is concurrently using or has made  
25 arrangements for other NMMA parties to use within the NMMA, the Nipomo Supplemental  
26 Water allocated to the Woodlands in Paragraph VI(A)(5). Otherwise, the Woodlands Mutual  
27 Water Company shall be subject to reductions equivalent to those imposed on NCS D, RWC and  
28 SCWC, as provided in Paragraph VI(D)(1-2).

1    ///

2           **C.    NMMA Technical Group**

3           1.       The NMMA Technical Group shall include representatives appointed by  
4    NCS D, SCWC, ConocoPhillips, Woodlands Mutual Water Company and an agricultural Over-  
5    lying Owner who is also a Stipulating Party.

6           2.       The NMMA Technical Group shall develop a Monitoring Program for the  
7    NMMA (“NMMA Monitoring Program”), which shall be consistent with the Monitoring  
8    Program described in Paragraph IV(D). The NMMA Monitoring Program shall also include the  
9    setting of well elevation and water quality criteria that trigger the responses set forth in Paragraph  
10   D below. The Stipulating Parties shall provide monitoring and other production data to the  
11   NMMA Technical Group at no charge, to the extent that such data has been generated and is  
12   readily available. The NMMA Technical Group shall adopt rules and regulations concerning  
13   measuring devices and production reports that are, to the extent feasible, consistent with the  
14   Monitoring Programs for other Management Areas. If the NMMA Technical Group is unable to  
15   agree on any aspect of the NMMA Monitoring Program, the matter may be resolved by the Court  
16   pursuant to a noticed motion.

17          3.       The NMMA Technical Group meetings shall be open to any Stipulating  
18    Party. NMMA Technical Group files and records shall be available to any Stipulating Party upon  
19    written request. Notices of the NMMA Technical Group meetings, as well as all its final work  
20    product (documents) shall be posted to [groups.yahoo.com/group/NipomoCommunity/](http://groups.yahoo.com/group/NipomoCommunity/)

21          4.       The NMMA Technical Group functions shall be funded by contribution  
22    levels to be negotiated by NCS D, SCWC, RWC, ConocoPhillips, and Woodlands Mutual Water  
23    Company. In-lieu contributions through engineering services may be provided, subject to agree-  
24    ment by those parties. The budget of the NMMA Technical Group shall not exceed \$75,000 per  
25    year without prior approval of the Court pursuant to a noticed motion.

26          5.       Any final NMMA Technical Group actions shall be subject to *de novo*  
27    Court review by motion.

28    ///

1 ///

2 **D. Potentially Severe and Severe Water Shortage Conditions**

3 1. Caution trigger point (Potentially Severe Water Shortage Conditions)

4 (a) Characteristics. The NMMA Technical Group shall develop  
5 criteria for declaring the existence of Potentially Severe Water Shortage Conditions. These  
6 criteria shall be approved by the Court and entered as a modification to this Stipulation or the  
7 judgment to be entered based upon this Stipulation. Such criteria shall be designed to reflect that  
8 water levels beneath the NMMA as a whole are at a point at which voluntary conservation  
9 measures, augmentation of supply, or other steps may be desirable or necessary to avoid further  
10 declines in water levels.

11 (b) Responses. If the NMMA Technical Group determines that Potentially Severe Water Shortage Conditions have been reached, the Stipulating Parties shall coordinate their efforts to implement voluntary conservation measures, adopt programs to increase the supply of Nipomo Supplemental Water if available, use within the NMMA other sources of Developed Water or New Developed Water, or implement other measures to reduce Groundwater use.

17 2. Mandatory action trigger point (Severe Water Shortage Conditions)

18 (a) Characteristics. The NMMA Technical Group shall develop the  
19 criteria for declaring that the lowest historic water levels beneath the NMMA as a whole have  
20 been reached or that conditions constituting seawater intrusion have been reached. These criteria  
21 shall be approved by the Court and entered as a modification to this Stipulation or the judgment to  
22 be entered based upon this Stipulation.

23 (b) Responses. As a first response, subparagraphs (i) through (iii) shall  
24 be imposed concurrently upon order of the Court. The Court may also order the Stipulating  
25 Parties to implement all or some portion of the additional responses provided in subparagraph (iv)  
26 below.

27 (i) For Overlying Owners other than Woodlands Mutual Water  
28 Company and ConocoPhillips, a reduction in the use of Groundwater to no more than 110% of

1 the highest pooled amount previously collectively used by those Stipulating Parties in a Year,  
2 prorated for any partial Year in which implementation shall occur, unless one or more of those  
3 Stipulating Parties agrees to forego production for consideration received. Such forbearance shall  
4 cause an equivalent reduction in the pooled allowance. The base Year from which the calculation  
5 of any reduction is to be made may include any prior single Year up to the Year in which the  
6 Nipomo Supplemental Water is transmitted. The method of reducing pooled production to 110%  
7 is to be prescribed by the NMMA Technical Group and approved by the Court. The quantifica-  
8 tion of the pooled amount pursuant to this subsection shall be determined at the time the manda-  
9 tory action trigger point (Severe Water Shortage Conditions) described in Paragraph VI(D)(2) is  
10 reached. The NMMA Technical Group shall determine a technically responsible and consistent  
11 method to determine the pooled amount and any individual's contribution to the pooled amount.  
12 If the NMMA Technical Group cannot agree upon a technically responsible and consistent  
13 method to determine the pooled amount, the matter may be determined by the Court pursuant to a  
14 noticed motion.

15 (ii) ConocoPhillips shall reduce its Yearly Groundwater use to  
16 no more than 110% of the highest amount it previously used in a single Year, unless it agrees in  
17 writing to use less Groundwater for consideration received. The base Year from which the calcu-  
18 lation of any reduction is to be made may include any prior single Year up to the Year in which  
19 the Nipomo Supplemental Water is transmitted. ConocoPhillips shall have discretion in deter-  
20 mining how reduction of its Groundwater use is achieved.

21 (iii) NCS D, RWC, SCWC, and Woodlands (if applicable as  
22 provided in Paragraph VI(B)(3) above) shall implement those mandatory conservation measures  
23 prescribed by the NMMA Technical Group and approved by the Court.

24 (iv) If the Court finds that Management Area conditions have  
25 deteriorated since it first found Severe Water Shortage Conditions, the Court may impose further  
26 mandatory limitations on Groundwater use by NCS D, SCWC, RWC and the Woodlands. Manda-  
27 tory measures designed to reduce water consumption, such as water reductions, water restrictions,  
28 and rate increases for the purveyors, shall be considered.

1    ///

2                                   (v)    During Severe Water Shortage Conditions, the Stipulating  
3 Parties may make agreements for temporary transfer of rights to pump Native Groundwater,  
4 voluntary fallowing, or the implementation of extraordinary conservation measures. Transfer of  
5 Native Groundwater must benefit the Management Area and be approved by the Court.

6           **E.    New Urban Uses**

7                   1.    Within the sphere of influence or service area. New Urban Uses shall  
8 obtain water service from the local public water supplier. The local public water supplier shall  
9 provide water service on a reasonable and non-discriminatory basis.

10                   2.    Outside the sphere of influence or service area. New municipal and indus-  
11 trial uses on land adjacent to or within one quarter mile of the boundary line depicted in Exhibit D  
12 shall comply with any applicable Corporations Code provisions, including good faith negotiations  
13 with the local water purveyor(s), prior to forming a mutual water company to provide water  
14 service.

15                   3.    The ConocoPhillips property, owned as of the date of this Stipulation and  
16 located within the NMMA, is not in the sphere of influence or service area, nor is it in the process  
17 of being included in the sphere of influence, of a municipality or within the certificated service  
18 area of a publicly regulated utility as of the date of this Stipulation, nor is it adjacent to or in close  
19 proximity to the sphere of influence of a municipality or the certificated service area of a publicly  
20 regulated utility as of the date of this Stipulation, as those terms are used in Paragraphs VI(E)(1  
21 and 2).

22                   4.    No modification of land use authority. This Stipulation does not modify the  
23 authority of the entity holding land use approval authority over the proposed New Urban Uses.

24                   5.    New Urban Uses as provided in Paragraph VI(E)(1) above and new muni-  
25 cipal and industrial uses as provided in Paragraph VI(E)(2) above shall provide a source of  
26 supplemental water, or a water resource development fee, to offset the water demand associated  
27 with that development. For the purposes of this Paragraph, supplemental water shall include all  
28 sources of Developed Water or New Developed Water.

1 **VII. PHYSICAL SOLUTION: PROVISIONS SPECIFIC TO NORTHERN CITIES**  
2 **MANAGEMENT AREA**

3 These terms, supplemented by the provisions of this Stipulation that apply to all  
4 Management Areas, govern water rights and resources in the Northern Cities Management Area.

5 1. Groundwater Monitoring. Groundwater monitoring in the Northern Cities  
6 Management Area will be conducted by the Northern Cities in the manner described above.

7 2. Lopez Project. The Lopez Project will continue to be managed by the SLO  
8 District. The Northern Cities and Landowners will continue to bear costs of the Lopez Reservoir  
9 and no costs of the Twitchell Reservoir.

10 3. Independent Management Per Settlement Agreement.

11 (a) Existing Groundwater, SWP Water and Storage Space in the  
12 Northern Cities Management Area will continue to be allocated and independently managed by  
13 the Northern Parties in accordance with the Northern Cities and Northern Landowners' 2002  
14 Settlement Agreement (Exhibit "E") for the purpose of preserving the long-term integrity of water  
15 supplies in the Northern Cities Management Area. That Settlement Agreement initially allocates  
16 57% of the safe yield of groundwater in Zone 3 to the farmers and 43% to the cities; and it  
17 provides *inter alia* that any increase or decrease in the safe yield will be shared by the cities and  
18 landowners on a pro rata basis. That Settlement Agreement is reaffirmed as part of this Stipula-  
19 tion and its terms are incorporated into this Stipulation, except that the provisions regarding con-  
20 tinuing jurisdiction (§ 4), groundwater monitoring, reporting, and the Technical Oversight  
21 Committee (§§ 7-20) are canceled and superseded by the provisions of this Stipulation dealing  
22 with those issues.

23 (b) Without the written agreement of each of the Northern Cities, no  
24 party other than Northern Parties shall have any right to:

25 (i) pump, store, or use Groundwater or surface water within the  
26 Northern Cities Management Area; or

27 (ii) limit or interfere with the pumping, storage, management or  
28 usage of Groundwater or surface water by the Northern Parties within the Northern Cities



1 Management Area.

2 (c) For drought protection, conservation, or other management pur-  
3 poses, the Northern Parties may engage in contractual transfers, leases, licenses, or sales of any of  
4 their water rights, including voluntary fallowing programs. However, no Groundwater produced  
5 within the Northern Cities Management Area may be transported outside of the Northern Cities  
6 Management Area without the written agreement of each of the Northern Cities.

7 4. Current and future deliveries of water within the spheres of influence of the  
8 Northern Cities as they exist on January 1, 2005 shall be considered existing uses and within the  
9 Northern Cities Management Area.

10 **VIII. INJUNCTION – ALL MANAGEMENT AREAS**

11 **A. Use Only Pursuant to Stipulation**

12 Each and every Stipulating Party, their officers, agents, employees, successors and  
13 assigns, are enjoined and restrained from exercising the rights and obligations provided through  
14 this Stipulation in a manner inconsistent with the express provisions of this Stipulation.

15 **B. Injunction Against Transportation From the Basin**

16 Except upon further order of the Court, each and every Stipulating Party and its officers,  
17 agents, employees, successors and assigns, is enjoined and restrained from transporting Ground-  
18 water to areas outside the Basin, except for those uses in existence as of the date of this Stipula-  
19 tion; provided, however, that Groundwater may be delivered for use outside the Basin as long as  
20 the wastewater generated by that use of water is discharged within the Basin, or agricultural  
21 return flows resulting from that use return to the Basin.

22 **C. No Third Party Beneficiaries**

23 This Stipulation is intended to benefit the Stipulating Parties and no other Parties. Only a  
24 Stipulating Party may enforce the terms of this Stipulation or assert a right to any benefits of, or  
25 enforce any obligations contained in this Stipulation.

26 ///

27 ///

28 ///

1 **IX. RESERVED JURISDICTION – ALL MANAGEMENT AREAS**

2 **A. Reserved Jurisdiction; Modifications, Cancellations, Amendments**

3 Jurisdiction, power and authority are retained by and reserved to the Court as set forth in  
4 this Paragraph. Nothing in the Court's reserved jurisdiction shall authorize modification, cancel-  
5 lation or amendment of the rights provided under Paragraphs III; V(A, E); VI(A, B, D); VII(2, 3);  
6 VIII(A); IX(A, C); and X(A, D) of this Stipulation. Subject to this limitation, the Court shall  
7 make such further or supplemental orders as may be necessary or appropriate regarding the  
8 following:

- 9 1. enforcement of this Stipulation;
- 10 2. claims regarding waste/unreasonable use of water;
- 11 3. disputes between Stipulating Parties across Management Area boundaries;
- 12 4. interpretation and enforcement of the judgment;
- 13 5. consider the content or implementation of a Monitoring Program;
- 14 6. consider the content, conclusions, or recommendations contained in an  
15 Annual Report;
- 16 7. consider Twitchell Project operations, including, but not limited to: i) the  
17 content of the Twitchell Project Manual; ii) TMA or District compliance  
18 with the Twitchell Project Manual; iii) decisions to implement Extraor-  
19 dinary Project Operations; or iv) the maintenance of Twitchell Yield;
- 20 8. claims of localized physical interference between the Stipulating Parties in  
21 exercising their rights pursuant to this Stipulation; provided, however,  
22 rights to use Groundwater under this Stipulation shall have equal status;  
23 and
- 24 9. modify, clarify, amend or amplify the judgment and the Northern Parties  
25 Settlement Agreement; Provided, however, that all of the foregoing shall  
26 be consistent with the spirit and intent of this Stipulation.

27 ///

28 ///

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

**B. Noticed Motion**

Any party that seeks the Court’s exercise of reserved jurisdiction shall file a noticed motion with the Court. Any noticed motion shall be made pursuant to the Court’s Order Concerning Electronic Service of Pleadings and Electronic Posting of Discovery Documents dated June 27, 2000, attached and incorporated as Exhibit “G”. Any request for judicial review shall be filed within sixty days of the act or omission giving rise to the claim. Upon a showing of good cause, the Court may extend the sixty-day time limitation.

**C. De Novo Nature of Proceeding**

The Court shall exercise *de novo* review in all proceedings. The actions or decisions of any Party, the Monitoring Parties, the TMA, or the Management Area Engineer shall have no heightened evidentiary weight in any proceedings before the Court.

**D. Filing and Notice**

As long as the Court’s electronic filing system remains available, all Court filings shall be made pursuant to Exhibit “G”. If the Court’s electronic filing system is eliminated and not replaced, the Stipulating Parties shall promptly establish a substitute electronic filing system and abide by the same rules as contained in the Court’s Order.

**X. MISCELLANEOUS PROVISIONS – ALL MANAGEMENT AREAS**

**A. Unenforceable Terms**

The Stipulating Parties agree that if any provision of this Stipulation or the judgment entered based on this Stipulation is held to be invalid, void, or unenforceable, the remaining provisions shall nevertheless continue in full force and effect; provided, however, any order which invalidates, voids, deems unenforceable, or materially alters those Paragraphs enumerated in Paragraph IX(A) or any of them, shall render the entirety of the Stipulation and the judgment entered based on this Stipulation voidable and unenforceable, as to any Stipulating Party who files and serves a motion to be released from the Stipulation and the judgment based upon the Stipulation within sixty days of entry of that order, and whose motion is granted upon a showing of good cause.

///

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

**B. Water Quality**

Nothing in the Stipulation shall be interpreted as relieving any Stipulating Party of its responsibilities to comply with state or federal laws for the protection of water quality or the provisions of any permits, standards, requirements, or orders promulgated thereunder.

**C. Duty to Cooperate**

The Stipulating Parties agree not to oppose, or in any way encourage or assist any other party in opposing or challenging, any action, approval, or proceeding necessary to obtain approval of or make effective this Stipulation or the judgment to be entered on terms consistent with this Stipulation.

**D. Stipulating Parties Under Public Utilities Commission Regulation**

1. To the extent allowed by law, SCWC and RWC shall comply with this Stipulation, prior to obtaining California Public Utilities Commission ("PUC") approval. If the PUC fails to approve SCWC's and RWC's participation or fails to provide approval of the necessary rate adjustments so that SCWC and RWC may meet their respective financial obligations, including the participation in Developed Water projects, Monitoring Programs, TMA and as otherwise provided in this Stipulation, shall render the entirety of the Stipulation and those terms of any judgment based on this Stipulation invalid, void and unenforceable, as to any Stipulating Party who files and serves a notice of rescission within sixty days of notice by SCWC or RWC of a final PUC Order.

2. Any Party, or its successors or assigns, agreeing to become a new customer of SCWC or RWC, or an existing customer proposing to increase its water use through a change in land use requiring a discretionary land use permit or other form of land use entitlement, that has not executed reservation contracts for supplemental water as specified in Exhibit F will provide the following, once approved by the PUC:

(a) If in the Santa Maria Valley Management Area, a water resource development fee as specified in Exhibit F or a source of supplemental water sufficient to offset the consumptive demand associated with the new use as provided in Paragraph V(E); or

///

1 (b) If in the NMMA, a water resource development fee, or a source of  
2 supplemental water sufficient to offset the consumptive demand associated with the new use.

3 3. Any Person who is not engaged in a New Urban Use and who agrees to  
4 become a customer of SCWC or RWC shall retain its right to contest the applicable water  
5 resource development fee, should that fee ever become applicable to that Person.

6 **E. Designation of Address, for Notice and Service**

7 Each Stipulating Party shall designate the name, address and e-mail address, if any, to be  
8 used for purposes of all subsequent notices and service, either by its endorsement on the Stipula-  
9 tion for entry of judgment or by a separate designation to be filed within thirty days after execu-  
10 tion of this Stipulation. This designation may be changed from time to time by filing a written  
11 notice with the Court. Any Stipulating Party desiring to be relieved of receiving notices may file  
12 a waiver of notice on a form approved by the Court. The Court shall maintain at all times a  
13 current list of Parties to whom notices are to be sent and their addresses for purposes of service.  
14 The Court shall also maintain a full current list of names, addresses, and e-mail addresses of all  
15 Parties or their successors, as filed herein. Copies of such lists shall be available to any Person.  
16 If no designation is made, a Stipulating Party's designee shall be deemed to be, in order of  
17 priority: i) the Party's attorney of record; ii) if the Party does not have an attorney of record, the  
18 Party itself at the address specified.

19 **F. No Loss of Rights**

20 Nothing in this Stipulation shall be interpreted to require or encourage any Stipulating  
21 Party to use more water in any Year than is actually required. As between the Stipulating Parties,  
22 failure to use all of the water to which a Stipulating Party is entitled hereunder shall not, no matter  
23 how long continued, be deemed or constitute an abandonment or forfeiture of such Stipulating  
24 Party's rights, in whole or in part.

25 **G. Intervention After Judgment**

26 Any Person who is not a Party or successor to a Party, who proposes to use Groundwater  
27 or Storage Space, may seek to become a Party to the judgment through a petition for intervention.  
28 The Court will consider an order confirming intervention following thirty days notice to the

1 Parties. Thereafter, if approved by the Court, such intervenor shall then be a Party bound by the  
2 judgment as provided by the Court.

3 **H. Stipulation and Judgment Binding on Successors, Assigns, etc.**

4 The Stipulating Parties agree that all property owned by them within the Basin is subject  
5 to this Stipulation and the judgment to be entered based upon the terms and conditions of this  
6 Stipulation. This Stipulation and the judgment will be binding upon and inure to the benefit of  
7 each Stipulating Party and their respective heirs, executors, administrators, trustees, successors,  
8 assigns, and agents. This Stipulation and the judgment to be entered based the terms and condi-  
9 tions of this Stipulation shall not bind the Stipulating Parties that cease to own property within the  
10 Basin, or cease to use Groundwater. As soon as practical after the effective date of this Stipula-  
11 tion, a memorandum of agreement referencing this Stipulation shall be recorded in Santa Barbara  
12 and San Luis Obispo Counties by Santa Maria, in cooperation with the Northern Cities and  
13 SCWC. The document to be recorded shall be in the format provided in Exhibit "H".

14 **I. Costs**

15 No Stipulating Party shall recover any costs or attorneys fees from another Stipulating  
16 Party incurred prior to the entry of a judgment based on this Stipulation.

17 **J. Non-Stipulating Parties**

18 It is anticipated that the Court will enter a single judgment governing the rights of all  
19 Parties in this matter. The Stipulating Parties enter into this Stipulation with the expectation that  
20 the Court will enter, as a part of the judgment, the terms and conditions of this Stipulation. This  
21 Stipulation shall not compromise, in any way, the Court's legal and equitable powers to enter a  
22 single judgment that includes provisions applicable to the non-Stipulating Parties that may  
23 impose differing rights and obligations than those applicable to the Stipulating Parties. As against  
24 non-Stipulating Parties, each Stipulating Party expressly reserves and does not waive its right to  
25 appeal any prior or subsequent ruling or order of the Court, and assert any and all claims and  
26 defenses, including prescriptive claims. The Stipulating Parties agree they will not voluntarily  
27 enter into a further settlement or stipulation with non-Stipulating Parties that provides those non-  
28 Stipulating Parties with terms and conditions more beneficial than those provided to similarly

1 situated Stipulating Parties.

2 **K. Counterparts**

3 This Stipulation may be signed in any number of counterparts, including counterparts by  
4 facsimile signature, each of which shall be deemed an original, but all of which shall together  
5 constitute one and the same instrument. The original signature pages shall be filed with Court.

6 **L. Effective Date**

7 This Stipulation shall be effective when signed by the Stipulating Parties listed on Exhibit  
8 "A" and accepted by the Court.

9

| Party                     | Signature, title, and date                              | Parcels Subject to Stipulation |
|---------------------------|---|--------------------------------|
|                           |   |                                |
|                           |   |                                |
|                           |   |                                |
| <b>Attorney of Record</b> | <b>Approved as to form:</b><br>By: _____<br>Date: _____ |                                |

10  
11  
12  
13  
14  
15  
16

17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

**PROOF OF SERVICE**

I am a resident of the State of California, over the age of eighteen years, and not a party to the within action. My business address is HATCH & PARENT, 21 E. Carrillo Street, Santa Barbara, California 93101.

Pursuant to the Court's Order dated June 28, 2000, I, Gina Lane, did the following:

- Posted the following document at approximately 4:30 p.m. on June 30, 2005.

STIPULATION (JUNE 30, 2005 VERSION)

- Mailed a Notice of Availability to all parties (designating or defaulting to mail service) on the current website's service list.

I am readily familiar with the firm's practice of collection and processing correspondence for mailing. Under that practice it would be deposited with the U.S. Postal Service on that same day with postage thereon fully prepaid in the ordinary course of business. I am aware that on motion of the party served, service is presumed invalid if postal cancellation date or postage meter date is more than one day after date of deposit for mailing in affidavit.

I declare under penalty of perjury under the laws of the State of California that the above is true and correct.

Executed on June 30, 2005, at Santa Barbara, California.

  
\_\_\_\_\_  
GINA M. LANE



**EXHIBIT A**

**Stipulating Parties and Parcels of Land  
Bound by Terms of Stipulation**

*Santa Maria Valley Water Conservation District v. City of Santa Maria*  
Santa Clara County Superior Court Case No. CV 770214

Awaiting complete list of Stipulating Parties

**EXHIBIT B**

**Phase I and II Orders (as modified)  
and Santa Maria Basin Map**

*Santa Maria Valley Water Conservation District v. City of Santa Maria*  
Santa Clara County Superior Court Case No. CV 770214

IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA  
IN AND FOR THE COUNTY OF SANTA CLARA  
DEPARTMENT 17

|                                  |   |                               |
|----------------------------------|---|-------------------------------|
| SANTA MARIA VALLEY WATER         | ) | Case No. CV 770214            |
| CONSERVATION DISTRICTS, A PUBLIC | ) |                               |
| ENTITY,                          | ) | ORDER AFTER HEARING GRANTING  |
| ) NIPOMO COMMUNITY SERVICES      | ) |                               |
| Plaintiff,                       | ) | DISTRICT'S MOTION FOR SUMMARY |
|                                  | ) | ADJUDICATION                  |
| vs.                              | ) |                               |
|                                  | ) |                               |
| CITY OF SANTA MARIA, A MUNICIPAL | ) |                               |
| CORPORATION, ET AL.              | ) |                               |
|                                  | ) |                               |
| _____                            | ) |                               |
| AND RELATED CROSS-ACTIONS.       | ) |                               |
|                                  | ) |                               |
| _____                            | ) |                               |

The above-entitled matter came on regularly for hearing on January 8, 2001, at 1:30 p.m., the Honorable Conrad L. Rushing presiding. Counsel Robert Dougherty appeared on behalf of the Land Owner Group Parties and Steven Saxton, appeared on behalf of Plaintiffs and James Markman appeared on behalf of Nipomo Community Services District, Henry Weinstock appeared on behalf of Northern Cities and Ryan Bezzera appeared on behalf of Rancho Maria, et al. The Court, having read and considered the supporting and opposing papers, and having heard and considered the arguments of counsel, and good cause appearing therefor, makes the following order:

IT IS ORDERED THAT:

Nipomo Community Services District's Motion for Summary Adjudication is GRANTED. The Court grants all joinders. Based on the Land Owner Group's concession that the adoption of the "Foreman Line" is appropriate, as well as the concession offered by Mr. Slade that he does not disagree with Mr. Foreman on the "outermost" basin boundary, the Court finds that there is no triable issue of material fact as to the "outermost" basin boundary as articulated in the Declaration of Terry Foreman, dated December 8, 2000, and as depicted on Exhibit 1 thereto<sup>1</sup>. (See Nipomo's Statement of Material Fact #3, evidence in support and in opposition thereto.) Therefore, the moving parties are entitled to judgment on all affirmative defenses dealing with uncertainty of the basin boundaries.

The Court finds that the outermost lateral boundary of the Santa Maria Valley Groundwater Basin ("the Basin") lies along a type of material that does not readily transmit water, that is, for the purposes of this case, it is impermeable (impermeable is used here to mean only that the rocks, sediments and other materials do not readily transmit water). Thus, material (rock, sediments, sand, etc.) that do readily transmit water are within the basin.

Those that do not readily store and transmit water are the Foxen Formation or older, including the Franciscan Formation, the Knoxville Formation, the Monterey Formation, the Obispo Formation, and the Sisquoc Formation; and those that do readily store and transmit water are the Careaga Sandstone or younger, including the Careaga Formation, the Pismo Formation, the Paso Robles Formation, time-

<sup>1</sup>The boundary described herein is shown on that certain map marked Exhibit 1, by a black dash double dot line and said Exhibit is in evidence and a part of this Order.



CMS  
**FILED**  
DEC 21 2001  
JIM TORRE  
Clerk of the Court  
County of Santa Clara  
DEPUTY

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

**SUPERIOR COURT OF CALIFORNIA  
COUNTY OF SANTA CLARA  
DEPARTMENT 17C**

|  |   |   |
|--|---|---|
| <b>SANTA MARIA VALLEY WATER<br/>CONSERVATION DISTRICTS, a<br/>public entity,</b> | } | Case No. CV 770214                                  |
| <b>Plaintiff,</b>  |   | <b>ORDER AFTER HEARING RE:<br/>TRIAL (PHASE II)</b> |
| <b>vs.</b>   |   | Hearing Date: October 9, 2001                       |
| <b>CITY OF SANTA MARIA, a municipal<br/>corporation, et al.,</b>                 | } | Time: 8:45 a.m.                                     |
| <b>Defendants,</b>   |   | Dept.: 17C  |
| <b>AND RELATED CROSS-ACTIONS</b>   |   | Judge: Hon. Conrad L. Rushing                       |

Trial of Phase II of the above-entitled matter came on regularly on October 9, 2001, at 10:00 a.m., the Honorable Conrad L. Rushing presiding. The Court, having considered the testimony, declarations and exhibits, and good cause appearing therefor, issues the following decision and order:

Plaintiff's motion for an order establishing the geographic area constituting the Santa Maria Groundwater Basin (hereinafter "Basin"), for the purposes of this case, is hereby GRANTED.

The Court finds that the boundary of the Basin is that described on the map filed as Exhibit 5 with the Declaration of Robert C. Wagner dated November 20, 2001 (which can be found currently at <http://www.sccomplex.org/docfiles/QD0CB28E06D5.pdf>), hereinafter referred to as the

1 "Boundary Line." Each of the parties to the Phase II proceedings on October 9, 2001, stipulated to  
2 the Court's determining the Boundary Line of the Basin. The Basin shall also include for purposes  
3 of adjudication herein all those parcels of land, which are shown on the said Exhibit 5 and listed on  
4 Exhibit 6 to the said Declaration of Robert C. Wagner, which either touch or are intersected by the  
5 Boundary Line, to the full extent of the perimeter of such parcels. The Court has not at this time  
6 received full briefing as to whether there are legal issues as to such parcels which touch or are  
7 intersected by the Boundary Line, concerning whether owners of such parcels may appropriate water  
8 from the Basin for the use of the remainder of the subject parcels, whether the owners of such parcels  
9 are considered to be landowners or purveyors, or whether their rights to extract or export water are  
10 affected by their parcels not being fully within the Basin. Thus, at this time, until further order, the  
11 Court orders that those parcels are to be considered within the Basin.

12 The Court finds on the basis of the evidence presented that the Boundary Line demarcates  
13 the boundary of the Basin, and that the Basin constitutes the area beneath which groundwater exists  
14 in sufficient quantities to be meaningfully included in this lawsuit. The Court also finds that the  
15 area previously included in the "outermost basin boundary," but excluded by the Boundary Line,  
16 contains potentially water-bearing materials, but nevertheless lacks actual groundwater in amounts  
17 sufficient to justify including that area in this case for purposes of adjudicating the various claims  
18 to groundwater in the Basin. Owners of lands beneath which no significant groundwater supply  
19 exists do not have property right claims concerning such water that present a justiciable issue.  
20 Similarly, owners of lands beneath which no significant groundwater supply exists should not be  
21 permitted to assert, by virtue of their ownership of such lands, claims respecting groundwater  
22 supplies underlying adjacent or nearby lands.

23 The Court further finds that the Declaration of Robert C. Wagner dated November 20, 2001,  
24 attached to this Order, along with Mr. Wagner's map and table of parcels, attached as Exhibits 5 and  
25 6, set forth sufficient detail regarding the specific parcels traversed by the Basin Boundary Line so  
26 as to apprise potentially affected landowners and other interested parties of the location of the Basin  
27 and Boundary Line fixed by this Order. A digital rendition of the map prepared by Mr. Wagner to  
28 depict affected parcels is posted for inspection on the Court's website.

2 The Court determines that only the lands, groundwater extraction claims and claims to  
3 groundwater storage rights within the Boundary Line shall be subject to claims in this lawsuit. The  
4 Court has considered the possibility that ground water charging and storage might extend the  
5 boundaries of the basin but finds at this point that there is insufficient evidence of that affecting the  
6 prospective orders to be made by this Court.

7 The motion of the Northern Cities (joined by other parties) that the Northern Cities Area be  
8 conditionally severed from this litigation, is denied. The Northern Cities Area is also shown on the  
9 map which is attached as Exhibit 5 to the Declaration of Wagner. That area shall remain within the  
10 Basin and Boundary Line fixed in this Order. The Court finds that a comprehensive judgment in this  
11 litigation is advisable and necessary, in that only such a comprehensive judgment would prevent later  
12 litigation of the same issues, prevent the risk of rulings which are inconsistent, and prevent erroneous  
13 rulings which may be affected by facts which would be adduced if the interests of all parties who  
14 may be affected by these rulings were represented and involved throughout this litigation. Cases  
15 cited by the proponents of severance can also be read as indicating that retaining the Northern Cities  
16 Area in the litigation is necessary to render an effective judgment. Orange County Water District  
17 v. City of Riverside (1959) 173 Cal.App.2d 137, 173 ("Undoubtedly the preferable course is, so  
18 far at least as is practicable, to have all owners of lands on the watershed and all appropriators who  
19 use water in court at the same time"); City of Chino v. Superior Court (1967) 255 Cal.App.2d  
20 747, 752 ("Because of the failure of OCWD in that earlier suit to join as defendants all claimants to  
21 prescriptive rights to water from the Upper and Middle Basins, many questions were left  
22 unanswered").

23 The Court has listened to the testimony and read the exhibits submitted, and additionally the  
24 supplemental memorandum of Richard C. Slade and supplemental declaration of Terry L. Foreman.  
25 The Court finds that there is no substantial controversy that the Northern Cities Area, the Nipomo  
26 Mesa and the Santa Maria Valley area all overlie one large groundwater basin. Each area is subject  
27 to the same general climatologic and hydrologic conditions. The Court concludes there are no  
28 geologic or hydrologic features that separate the Northern Cities Area from the remainder of the  
Basin encompassed by this litigation. The Court must consider that the water rights to be




1 determined in this litigation will apply to situations that might occur in other than a "best case"  
2 scenario. Future conditions could produce adverse impacts, such as drought, earthquake, failure of  
3 the Lopez Reservoir, or failure of the Northern Cities for other reasons to adhere to the so-called  
4 'gentlemen's agreement' governing groundwater pumping in the Northern Cities Area.  
5 Representatives of the Northern Cities failed to stipulate to quieting title in other parties who have  
6 sued the Northern Cities for whatever rights they may possess, and failed to stipulate that they would  
7 desist from claiming water rights in the remainder of the Basin in such an eventuality. Indeed, it  
8 appears from the testimony that groundwater pumping in the Northern Cities area can potentially  
9 increase the flow of water to it from other parts of the Basin.

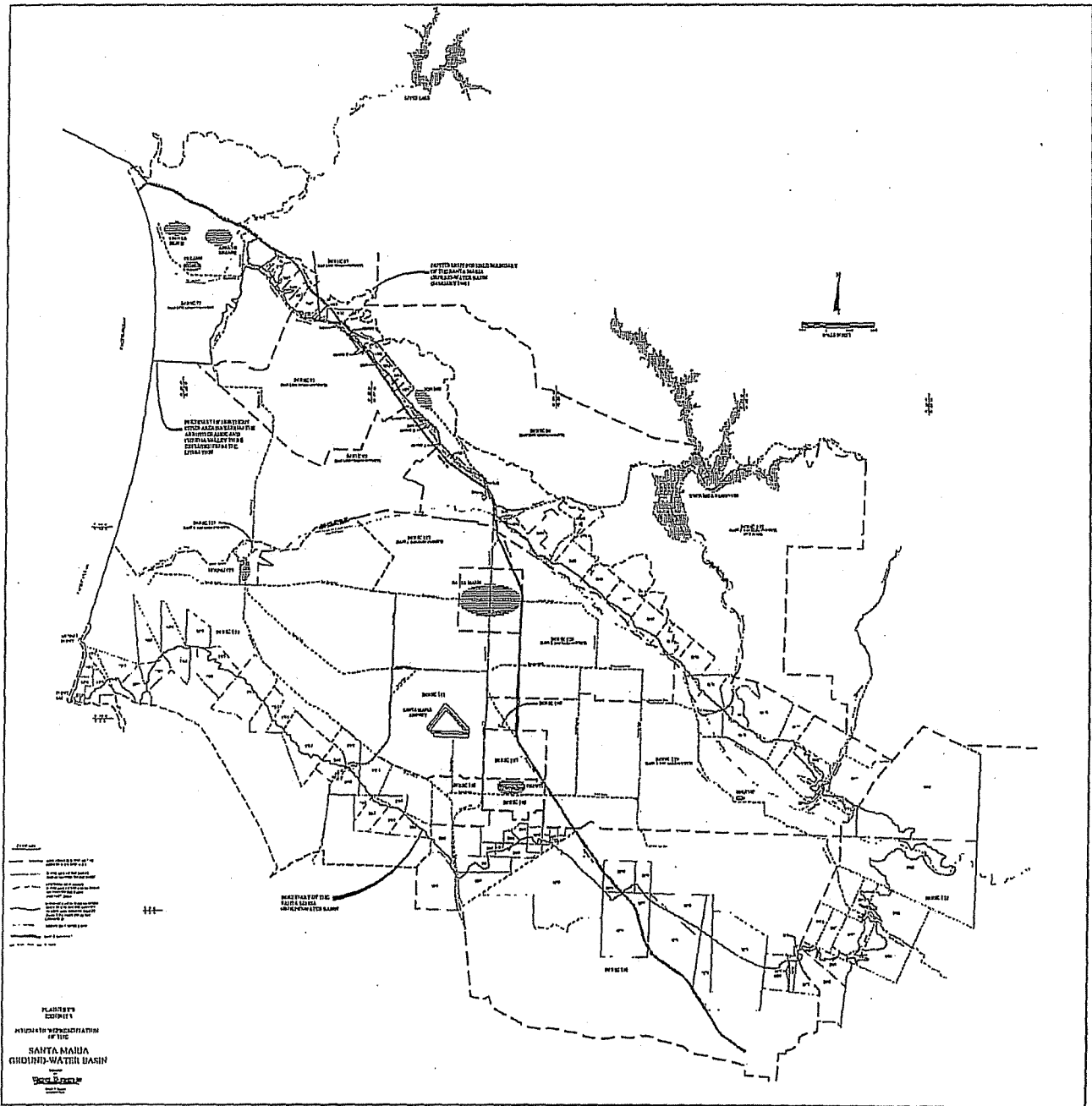
10 The parties reluctance to retain the Northern Cities area in the litigation appears to stem from  
11 the prospect of joining and serving all landowners in the Northern Cities area whose rights may  
12 potentially be affected. It may be possible, however, to obtain effective representation and due  
13 process for such landowners by means of a class action, after due notice is provided, in which such  
14 landowners are a defendant class. United States v. Truckee-Carson Irrigation District (D.Nev. 1975)  
15 71 F.R.D. 10. The Court would entertain a motion to amend the cross-complaints or other pleadings  
16 to join the landowners in that area as a defendant class, represented by a handful of interested  
17 landowners who are similarly situated, in lieu of joinder of each owner. The Court would also  
18 entertain a motion, briefing and argument as to why it may be inappropriate or inconvenient to  
19 adjudicate the matter by means of a defendant class.

20 Any litigant now in the action who is asserting a quiet title claim concerning property outside  
21 of the Boundary Line must move for severance of that claim from this action and must file such a  
22 motion on or before thirty (30) days following service of this Order. Any such claims for which no  
23 motion to sever is filed will be dismissed without prejudice on motion of any party or by the Court  
24 on its own motion.

25 SO ORDERED.

26  
27 Dated DEC 21 2001

28   
CONRAD L. RUSHING  
Judge of the Superior Court



AMS  
**FILED**

JAN 25 2002

KEITH GRIFF  
County Clerk  
Superior Court of California Santa Clara  
1000 BUCKLEUP DRIVE, SAN JOSE, CALIFORNIA 95128

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

**SUPERIOR COURT OF CALIFORNIA  
COUNTY OF SANTA CLARA  
DEPARTMENT 17C**

**SANTA MARIA VALLEY WATER  
CONSERVATION DISTRICTS, a  
public entity,**

**Plaintiff,**

**vs.**

**CITY OF SANTA MARIA, a municipal  
corporation, et al.,**

**Defendants,**

Case No. CV 770214

**ORDER WITH RESPECT TO BRIEF OF  
CONOCO, INC., NUEVO ENERGY  
COMPANY, AERA ENERGY LLC,  
TEXACO EXPLORATION AND  
PRODUCTION, INC. AND CHEVRON  
USA, INC.**

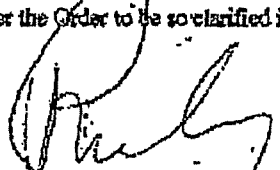
**AND RELATED CROSS-ACTIONS**

**IT IS HEREBY ORDERED:**

The Court shall not be holding a hearing with respect to the brief of Conoco, Inc., Nuevo Energy Company, Aera Energy LLC, Texaco Exploration And Production Inc., and Chevron USA Inc., or request for clarification requested therein. The Court finds that the request for clarification found in the Conclusion section of the said Brief appears to restate what was intended by the Court's Order filed December 21, 2002. The parties may consider the Order to be so clarified if it aids in further proceedings in this matter.

**SO ORDERED.**

Dated: JAN 25 2002

  
**CONRAD L. RUSHING**  
Judge of the Superior Court

TOTAL P.05

1 SCOTT K. KUNEY, Esq., SB# 111115  
2 ERNEST A. CONANT, Esq., SB# 89111  
3 STEVEN M. TORIGIANI, Esq., SB# 166773  
4 LAW OFFICES OF YOUNG WOOLDRIDGE  
5 1800 30<sup>th</sup> Street, Fourth Floor  
6 Bakersfield, California 93301  
7 (661) 327-9661

8 Attorneys for Cross-Defendants, Conoco Inc.,  
9 Nuevo Energy Company, Aera Energy LLC  
10 and ChevronTexaco

ENCLOSED  
FILED  
JAN 17 2002  
BY \_\_\_\_\_

11 SUPERIOR COURT OF THE STATE OF CALIFORNIA  
12 IN AND FOR THE COUNTY OF SANTA CLARA

13 SANTA MARIA VALLEY WATER )  
14 CONSERVATION DISTRICT, a public )  
15 entity, )  
16 )  
17 )  
18 )  
19 )  
20 )  
21 )  
22 )  
23 )  
24 )  
25 )  
26 )  
27 )  
28 )

Plaintiff,

vs.

13 CITY OF SANTA MARIA, et al )  
14 )  
15 )  
16 )  
17 )  
18 )  
19 )  
20 )  
21 )  
22 )  
23 )  
24 )  
25 )  
26 )  
27 )  
28 )

Defendants.

AND RELATED CROSS-ACTIONS

SANTA MARIA GROUNDWATER LITIGATION

Lead Case No. CV 770214

Judge Conrad L. Rushing

21 BRIEF OF CONOCO, INC., NUEVO ENERGY COMPANY,  
22 AERA ENERGY LLC, TEXACO EXPLORATION AND  
23 PRODUCTION INC., AND CHEVRON USA INC.

I.

24 INTRODUCTION

25 This Brief is filed on behalf of Defendants/Cross-Complainants Conoco Inc., Nuevo Energy  
26 Company, Aera Energy LLC and Texaco Exploration and Production Inc. and Chevron USA Inc,  
27

1 (recently merged and hereinafter known as ChevronTexaco), (collectively referred to as "Oil  
2 Group") parties.

3  
4 On January 8, 2001, this Court entered its order after hearing granting the Santa Maria Valley  
5 Water Conservation District and Nipomo Community Service District's motion for summary  
6 judgment. The Oil Group joined in that motion as a moving party. The Court ruled that "the  
7 moving parties are entitled to judgment on all affirmative defenses dealing with uncertainty of  
8 the basin boundaries.<sup>1</sup> (Summary Judgment Order, page 2.) More particularly, this Court  
9 adjudged, declared and decreed in its January 9, 2001 Order that the "outermost lateral boundary  
10 of the Santa Maria Valley Groundwater Basin ("Basin") lies along a type of material that does  
11 not readily transmit water . . . [and that] material (rock, sediments, sand, etc.) that do readily  
12 transmit water are within the basin". (Id.) Further, that there was "no triable issue of material  
13 fact as to the 'outermost' basin boundary as articulated in the Declaration of Terry Foreman,  
14 dated December 8, 2000, and as depicted on Exhibit 1 thereto".<sup>2</sup> (Id.)

15  
16 The Court's Case Management Order No. 6, dated January 9, 2001, provided that "this Court  
17 ordered that the hydrogeological boundaries of the . . . Basin . . . be adjudicated separately as the  
18 Phase I; of this action. The Court now finds that there is need to determine the boundaries of the  
19 area to be adjudicated in this case in order to determine which parties should be excluded from or  
20 included in it." (Case Management Order No. 6, page 1) Further, that "Phase II, will decide the  
21 limits of the area that will be included in this groundwater adjudication and the areas . . . that  
22 may be excluded from this case . . .". (Id.)

23  
24  
25  
26 <sup>1</sup> The Oil Group parties alleged as a affirmative defense, as against each cross-complainant, that  
27 the Santa Maria Basin boundary as alleged in the cross-complaints were insufficiently described  
28 and were therefore insufficient on grounds of uncertainty. The Oil Group requests this Court to  
take judicial notice of such affirmative defenses alleged in each answer to the cross-complaints  
on file with this Court pursuant to Evidence Code Section 452(d).

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

This Court has now rendered its decision and order, in part providing, that the Santa Maria Valley Conservation District's motion for an order "establishing the geographic area constituting the . . . Basin . . . for the purposes of this case, is hereby GRANTED." (Order, page 2) In sum, the Court stated that it "finds the boundary of the Basin is that described on the map field as Exhibit 5 with the Declaration of Robert C. Wagner, dated November 20, 2001." (Id.)

This brief is prepared pursuant to this Court's December 21, 2001 Order After Hearing Re: Trial (Phase II) ("Order") requesting receipt of full briefing as to whether there are legal issues raised with regard to parcels which touch or are intersected by the Boundary Line adjudicated as part of the Phase II proceedings. No other provision or issue addressed in the Order is addressed in this Brief.

Without waiving further objections, the Oil Group parties request this Court to reevaluate and correct its Decision and Order as stated in this Brief. California Code of Civil Procedure Section 128(a)(8); Darling, Hall & Rae v. Kritt (1999) 75 Cal.App. 4<sup>th</sup> 1148, 1156; Berstein v. Consolidated American Ins. Co. (1995) 37 Cal.App. 4<sup>th</sup> 763, 774; and Nave v. Taggart (1995) 34 Cal.App. 4<sup>th</sup> 1173, 1177.

II.  
BRIEFING

With regard to that portion of the Court's Order determining the boundary of the Basin, the Court addressed two (2) separate and distinct issues. First, a determination of the boundary line of the Basin. Second, a conditional provision for potential further adjudication of certain parcels identified to be proximate to the boundary line of the Basin.

---

<sup>2</sup> The summary judgment order incorporated the map depicting the "outermost" boundary as part of that January 8, 2001 Order.

1 Fundamentally, the Order finds and specifically determines that the boundary of the Basin is  
2 that line described in Mr. Wagner's Declaration and depicted as the solid magenta line on the  
3 incorporated map, Exhibit 5. In Mr. Wagner's Declaration he declared that,

4  
5 "The line identified as the boundary of the Santa Maria Ground-Water basin is  
6 based on geologic and hydrologic considerations and represents the extent of the  
7 aquifers comprising the groundwater basin. This line was developed in part  
8 during the meetings of the Technical Committee and to the extent that the  
9 boundary encompasses the water bearing sediments with the basin, represents the  
10 view of the Technical Committee and its members. This is the same line that was  
11 presented to the Court on October 9, 2001 on maps prepared by Mr. Joseph  
12 Scalmanini." (Emphasis added.)

13  
14 Specifically, the Court has stated that it "... finds that the boundary of the Basin is that  
15 described on the map filed as Exhibit 5 . . . hereinafter referred to as the Boundary Line."

16 (Order, page 2) (Emphasis added.) More particularly, the "... Court finds on the basis of the  
17 evidence presented that the Boundary Line demarcates the boundary of the Basin, and that the  
18 Basin constitutes the area beneath which groundwater exists in sufficient quantities to be  
19 meaningfully included in this lawsuit." (Order, page 2.) "The Court determines that only the  
20 lands, groundwater extraction claims and claims to groundwater storage rights within the  
21 Boundary Line shall be subject to claims in this lawsuit." (Order, page 3.) (Emphasis added.)

22  
23 Finally with regard to issues of notice and due process the Court decreed that it "... finds that  
24 the Declaration of Robert C. Wagner . . . map and table to parcels, attached as Exhibits 5 and 6,  
25 set forth sufficient detail regarding the specific parcels traversed by the Basin Boundary Line so  
26 as to apprise potentially affected landowners and other interested parties of the location of the  
27 Basin and Boundary Line fixed by this Order." (Order, page 3.) (Emphasis added.) Based on  
28

1 these specific findings and determinations, the Court has clearly held that the Basin boundary is  
2 that area interior to the solid magenta line depicted on Exhibit 5.

3  
4 However, in that portion of the Order addressing those parcels which are touched or  
5 intersected by the adjudicated Boundary Line, the Court utilizes a significantly different  
6 definition. For example, the Order provides that the "Basin shall also include for purposes of  
7 adjudication herein all those parcels of land, which are shown on Exhibit 5 and listed on Exhibit  
8 6 . . . to the full extent of the perimeter of such parcels." (Order, page 2). (Emphasis added.)

9  
10 "Thus, at this time, until further order, the Court orders that those parcels are to be considered  
11 within the Basin." (Order, page 2). (Emphasis added.) Under this definition, the Basin  
12 boundary could be construed to be that area interior to the solid orange line representative of the  
13 several Assessors' Parcel Lines depicted on the Exhibit 5 and not the solid magenta identified by  
14 Mr. Wagner and Mr. Scalmanini. Such a construction is directly contradicted by the Court's  
15 specific findings and determinations regarding the Basin Boundary and this Court's earlier order  
16 adjudicating the "outermost lateral boundary" of the Basin. (Summary Judgment Order, page 2.)

17  
18 Further, such a construction is not consistent with the Court's stated rationale for  
19 conditionally including the entirety of such parcels in this adjudication. Specifically, the Court's  
20 Order provides that, at this time and pending further briefing and order from the Court, that such  
21 parcels should be included in the area adjudicated by this groundwater litigation. Importantly,  
22 the Court has indicated that, while not deciding any such matters, such parcels may raise further  
23 legal issues regarding the use of water from the Basin. Therefore, while the Court has held that  
24 the full extent of the perimeter of such parcels should, at this time, be included in the area the  
25 subject of this groundwater adjudication, not all such lands have been found by the Court to be  
26 within the limits of the adjudged Basin Boundary as depicted on Exhibit 5. Importantly, the  
27  
28



1 Court has made no determination with regard to the rights of such parcels and landowners to the  
2 use of water from the Basin.

3 This Court has the ability, on its own motion, to reevaluate its own interim rulings, or to  
4 correct an erroneous ruling. Darling, Hall & Rae v. Kritt (1999) 75 Cal.App. 4<sup>th</sup> 1148, 1156;  
5 Berstein v. Consolidated American Ins. Co. (1995) 37 Cal.App. 4<sup>th</sup> 763, 774; California Code of  
6 Civil Procedure Section 128(a)(8). "Until entry of judgment, the court retains complete power to  
7 change its decision as the court may determine; it may change its conclusions of law or findings  
8 of fact". Nave v. Taggart (1995) 34 Cal.App. 4<sup>th</sup> 1173, 1177.  
9

### 10 III.

### 11 CONCLUSION

12 In light of this Court's prior orders and decrees, the provisions of the Order, and the above-  
13 cited authorities, the Oil Group parties respectfully request confirmation from the Court that the  
14 December 21, 2001 order and decision provides, with regard to the issues raised in this Brief, as  
15 follows:  
16

17 (1) That the boundary of the Basin is as depicted on the Exhibit 5 to the Declaration of  
18 Robert C. Wagner, dated November 20, 2001. Specifically, the boundary of the Basin is that line  
19 identified on the legend to the map as "boundary of the Santa Maria Ground-Water Basin"  
20 depicted on the map as a solid magenta colored line;  
21

22 (2) That the Basin boundary is not that line identified on the legend to the map as the  
23 "Assessors' Parcel Lines" depicted on the map as a solid orange colored line;  
24

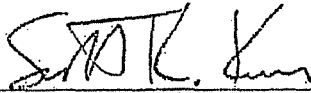
25 (3) that those parcels identified on Exhibit 5, which either touch or are intersected by the  
26 Boundary Line, are until further order of this Court, provisionally included for purposes of  
27 adjudication in this case; and  
28

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

(4) that any further order of this Court regarding the adjudication of the rights and duties of such parcels will be determined in subsequent proceedings of this litigation following presentation of evidence and legal briefing on any such issues.

Dated: December 31, 2001

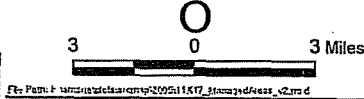
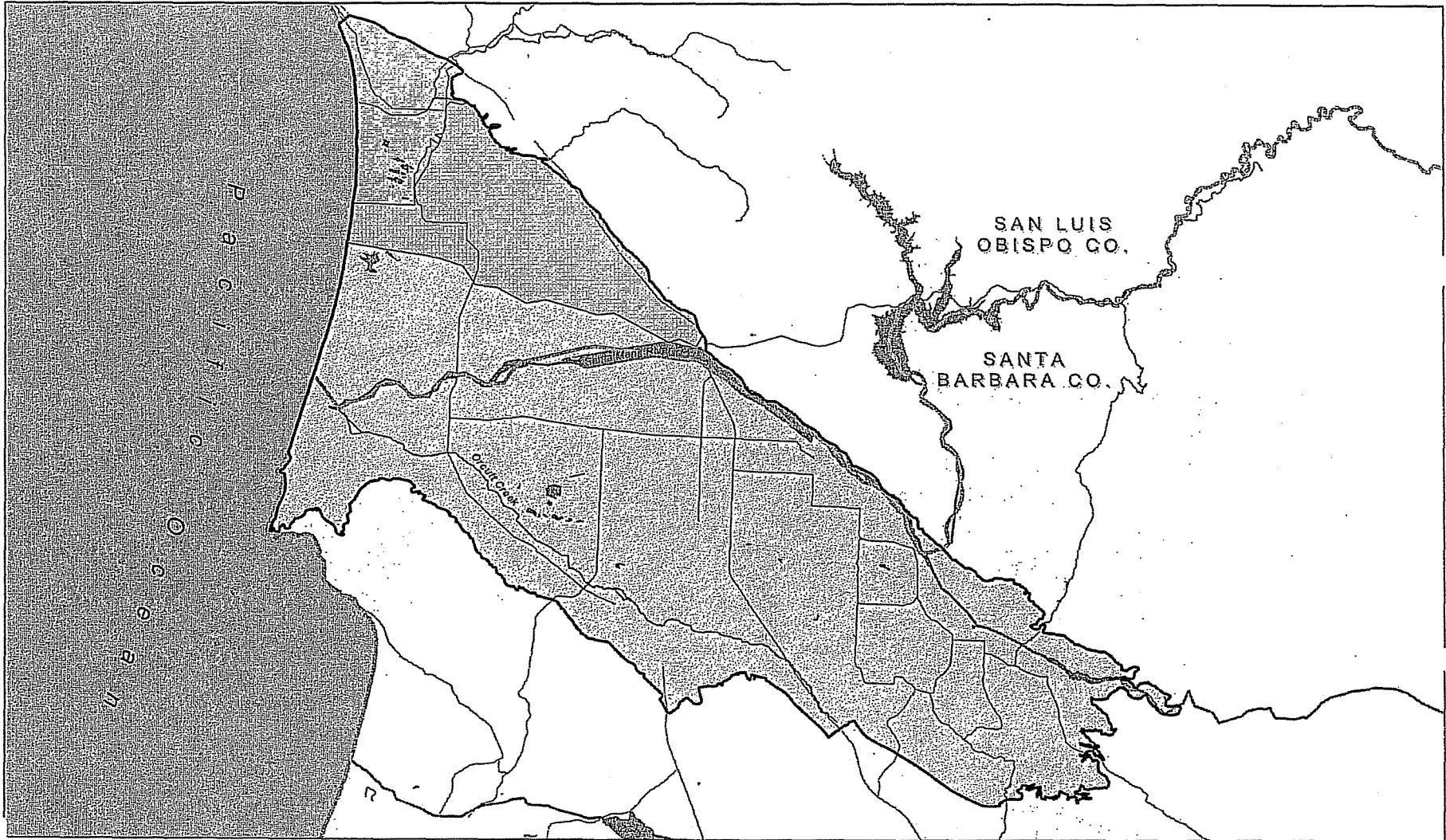
THE LAW OFFICES OF YOUNG WOOLDRIDGE LLP

By:   
SCOTT K. KUNEY, Esq.  
Attorneys for Cross-Defendants, Conoco, Inc.,  
ChevronTexaco, Nuevo Energy Company, and  
Aera Energy LLC

**EXHIBIT C**

**Map of the Basin and Boundaries  
of the Three Management Areas**

*Santa Maria Valley Water Conservation District v. City of Santa Maria*  
Santa Clara County Superior Court Case No. CV 770214



**Legend**

|                                    |                                 |                             |
|------------------------------------|---------------------------------|-----------------------------|
| Santa Maria Groundwater Basin      | Northern Cities Management Area | Nipomo Mesa Management Area |
| Santa Maria Valley Management Area |                                 |                             |

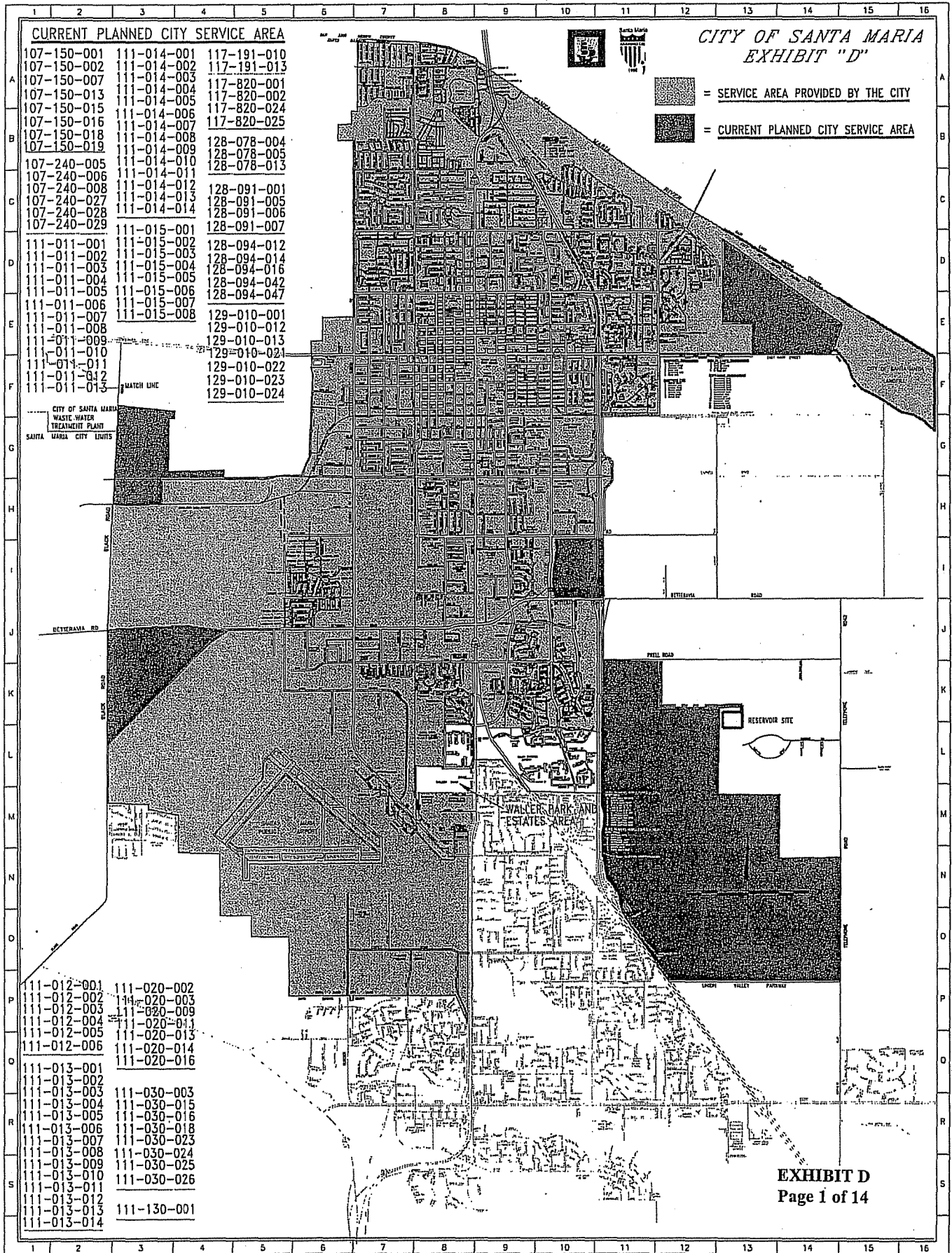
*Note: Management Area boundaries are approximate*

**Management Areas**  
Santa Maria Groundwater Basin

## **EXHIBIT D**



*Santa Maria Valley Water Conservation District v. City of Santa Maria*  
Santa Clara County Superior Court Case No. CV 770214

- I. Maps Identifying Those Lands as of January 1, 2005:
  - a. within the boundaries of a municipality or its sphere of influence, or within the process of inclusion in its sphere of influence; or
  - b. within the certificated service area of a publicly regulated utility.
  
- II. List of selected parcels that are nearby the boundaries identified on the incorporated maps, which in addition to more distant parcels, are excluded from these new urban use areas.



**CURRENT PLANNED CITY SERVICE AREA**

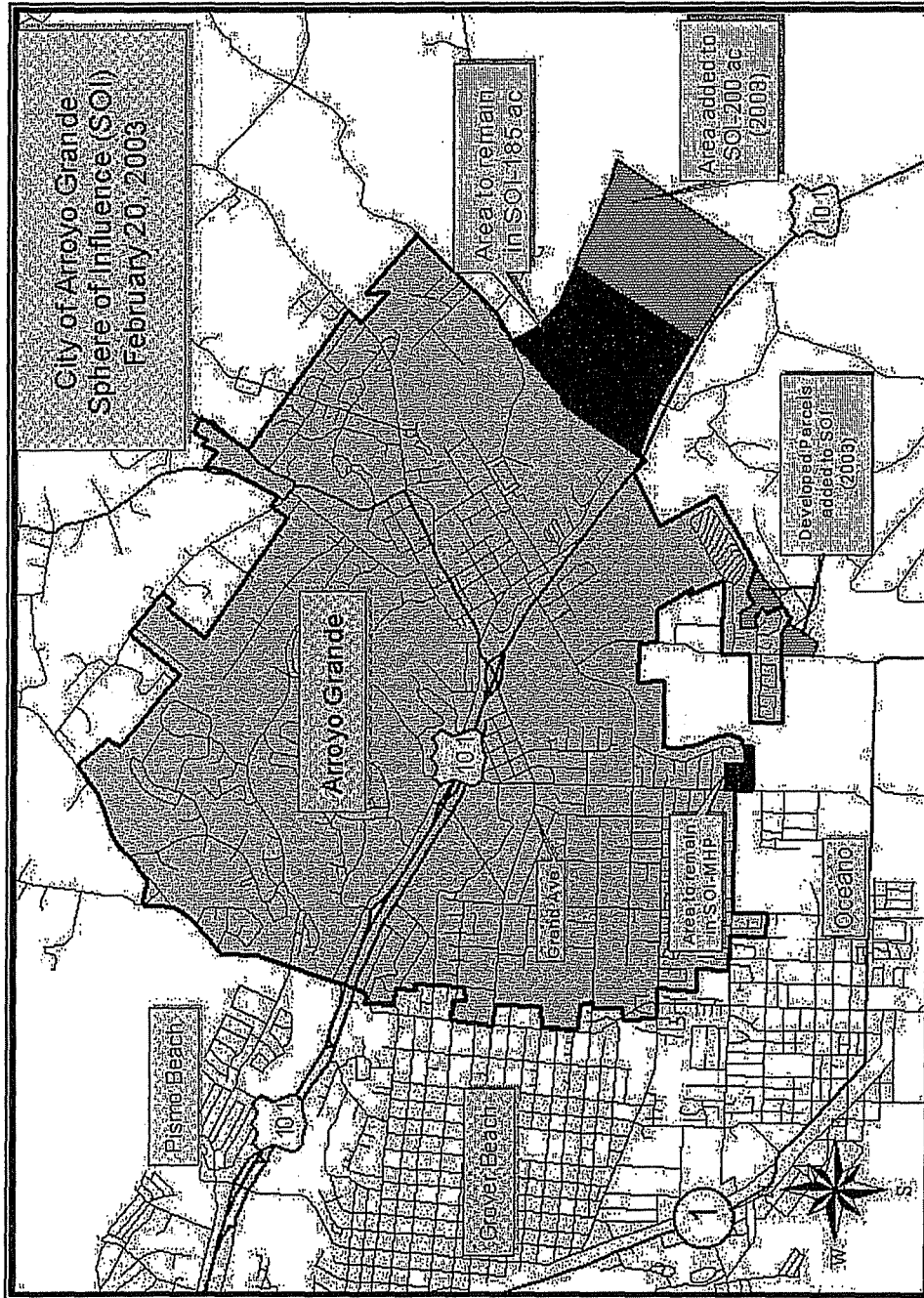
**CITY OF SANTA MARIA  
EXHIBIT "D"**

 = SERVICE AREA PROVIDED BY THE CITY  
 = CURRENT PLANNED CITY SERVICE AREA

- 107-150-001 111-014-001 117-191-010
- 107-150-002 111-014-002 117-191-013
- 107-150-007 111-014-003 117-820-001
- 107-150-013 111-014-004 117-820-002
- 107-150-015 111-014-005 117-820-024
- 107-150-016 111-014-006 117-820-025
- 107-150-018 111-014-007 117-820-025
- 107-150-019 111-014-008 128-078-004
- 107-240-005 111-014-009 128-078-005
- 107-240-006 111-014-010 128-078-013
- 107-240-008 111-014-011
- 107-240-008 111-014-012 128-091-001
- 107-240-027 111-014-013 128-091-005
- 107-240-028 111-014-014 128-091-006
- 107-240-029 111-014-014 128-091-007
- 111-011-001 111-015-001 128-094-012
- 111-011-002 111-015-002 128-094-014
- 111-011-003 111-015-003 128-094-016
- 111-011-004 111-015-004 128-094-042
- 111-011-005 111-015-005 128-094-047
- 111-011-006 111-015-006
- 111-011-007 111-015-007 129-010-001
- 111-011-008 111-015-008 129-010-012
- 111-011-009 129-010-013
- 111-011-010 129-010-021
- 111-011-011 129-010-022
- 111-011-012 129-010-023
- 111-011-013 129-010-024

- 111-012-001 111-020-002
- 111-012-002 111-020-003
- 111-012-003 111-020-009
- 111-012-004 111-020-011
- 111-012-005 111-020-013
- 111-012-006 111-020-014
- 111-013-001 111-020-016
- 111-013-002
- 111-013-003 111-030-003
- 111-013-004 111-030-015
- 111-013-005 111-030-016
- 111-013-006 111-030-018
- 111-013-007 111-030-023
- 111-013-008 111-030-024
- 111-013-009 111-030-025
- 111-013-010 111-030-026
- 111-013-011
- 111-013-012
- 111-013-013 111-130-001
- 111-013-014

Figure 1 – Sphere of Influence  
 City of Arroyo Grande



# CITY OF GROVER BEACH Sphere of Influence and City Boundary As of January 1, 2005

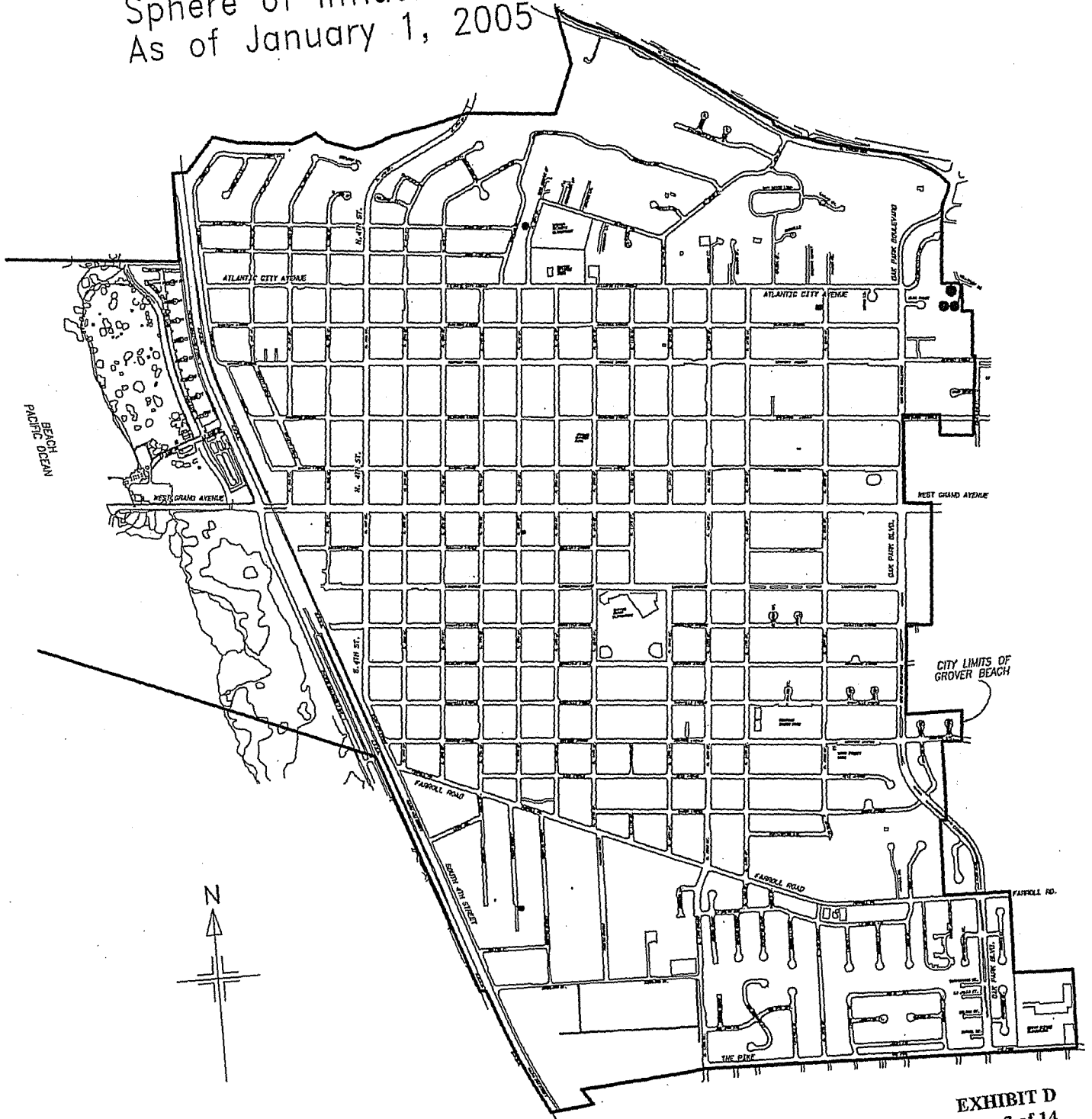


EXHIBIT D  
Page 3 of 14



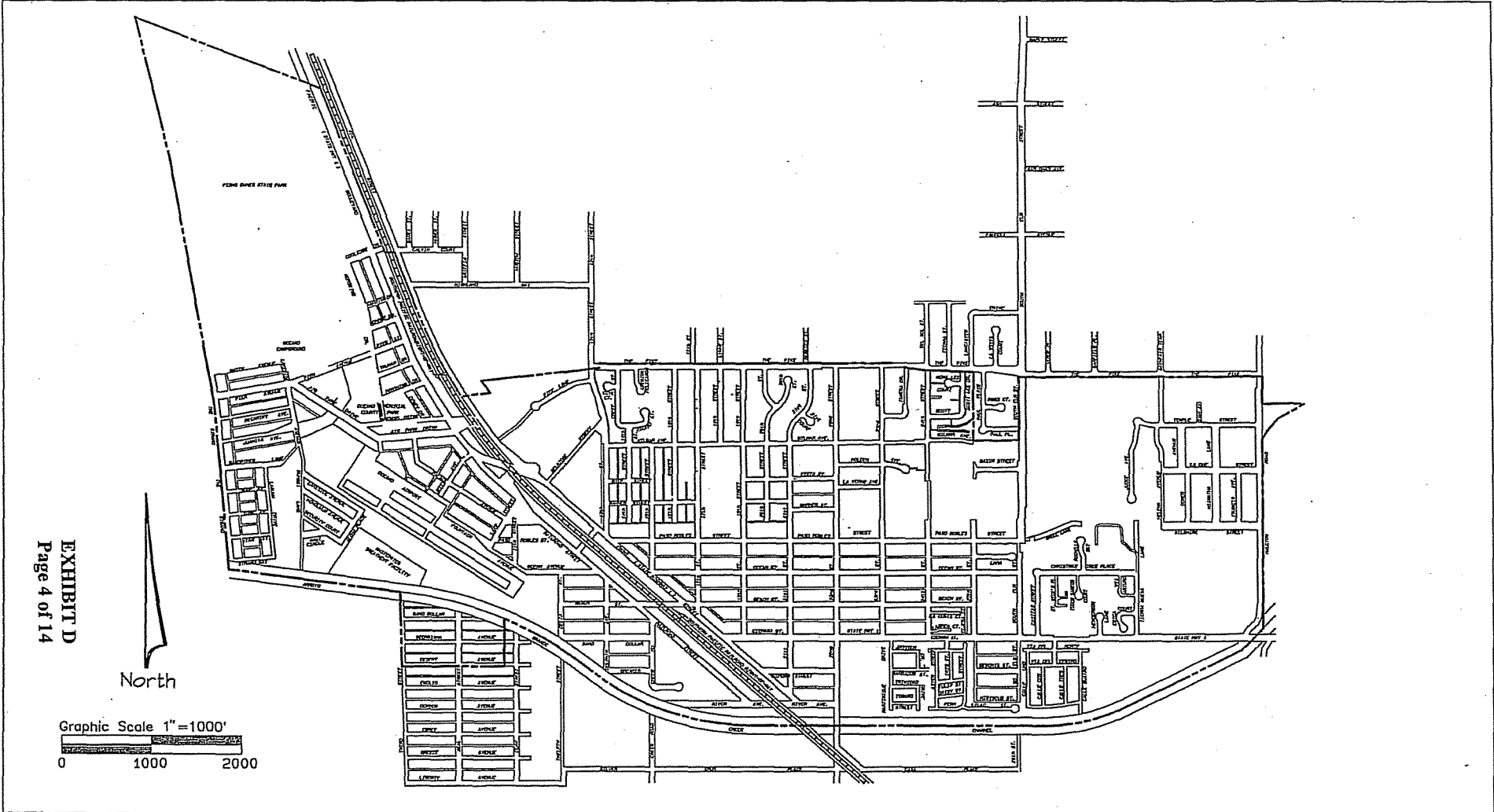


EXHIBIT D  
Page 4 of 14

North

Graphic Scale 1"=1000'  
0 1000 2000

Oceano Community  
Services District  
P.O. Box 599  
1655 Front Street  
Oceano, CA 93445-0599  
tel (805)481-6130

Service Area and Sphere of Influence January 1, 2005  
**OCEANO COMMUNITY SERVICES DISTRICT**



Civil Engineering  
Surveying  
Project Development  
141 South Elm Street  
Arroyo Grande, CA 93420  
805/489-1321

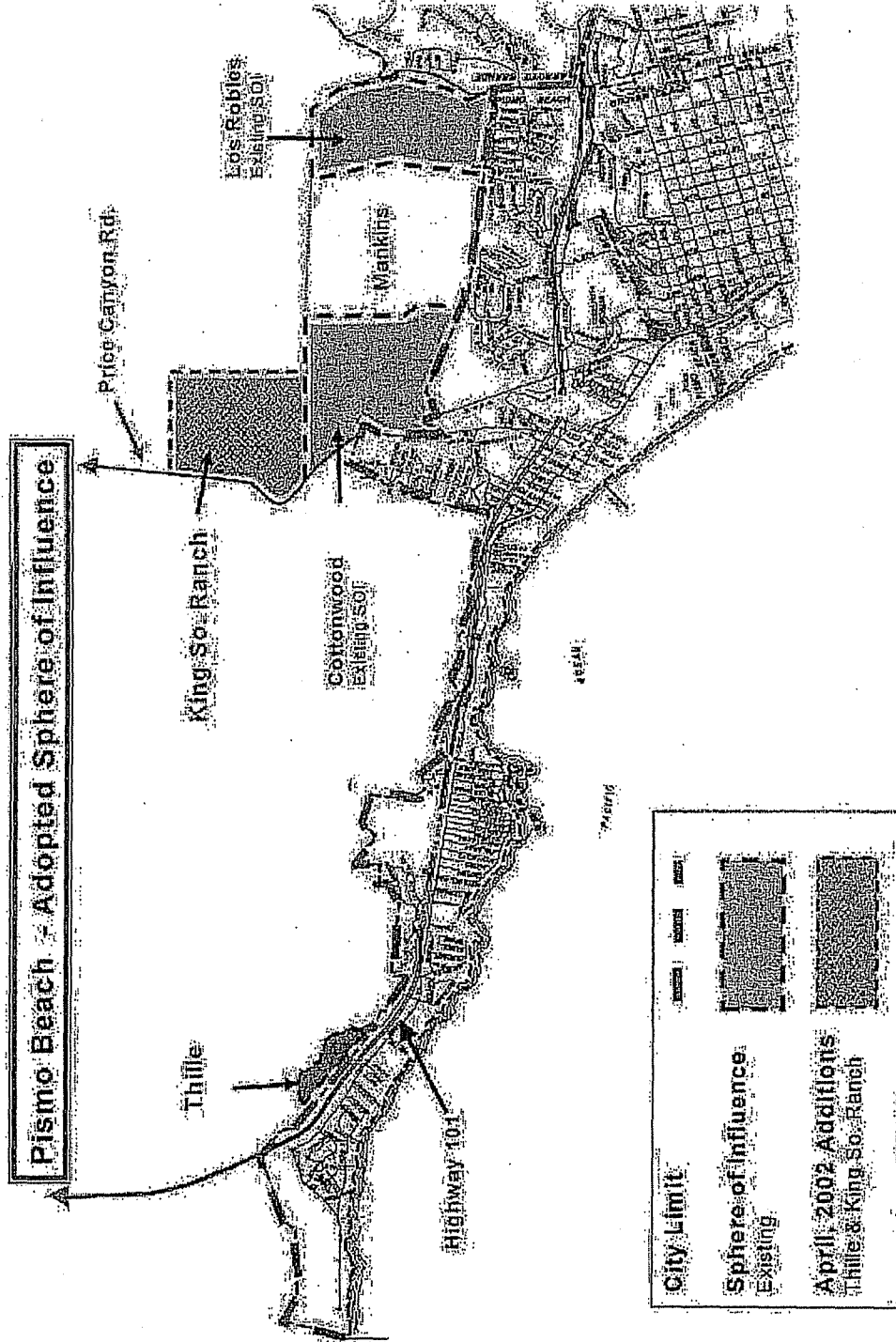
Scale: 1" = 1000'

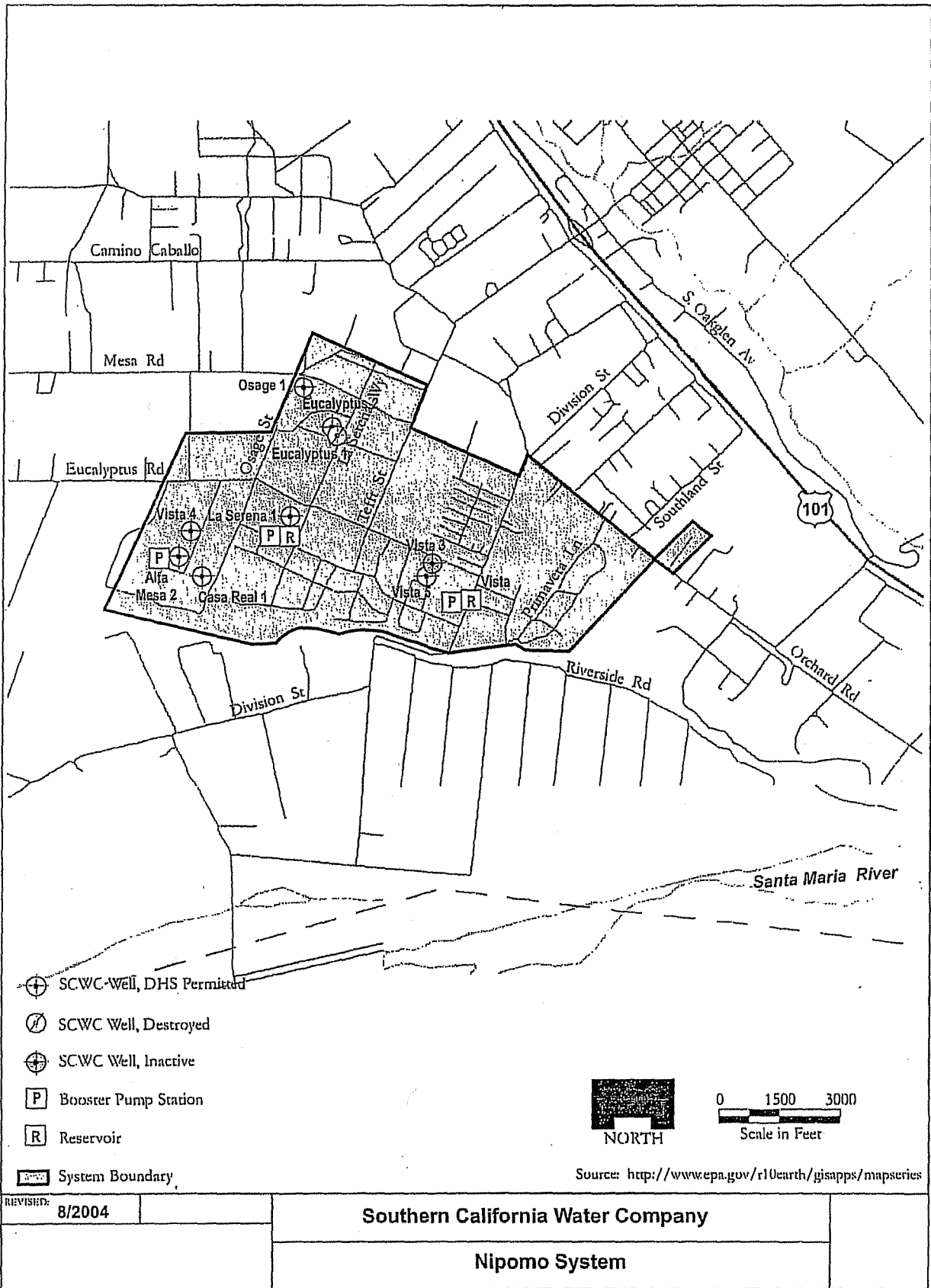
W.O. No. 0001-007

File Name  
OCSD\_Boundary\_and\_SOI  
\_01-01-2005.pro

Plot date 6/20/2005

Figure 1 - Existing SOI and Proposed Additions

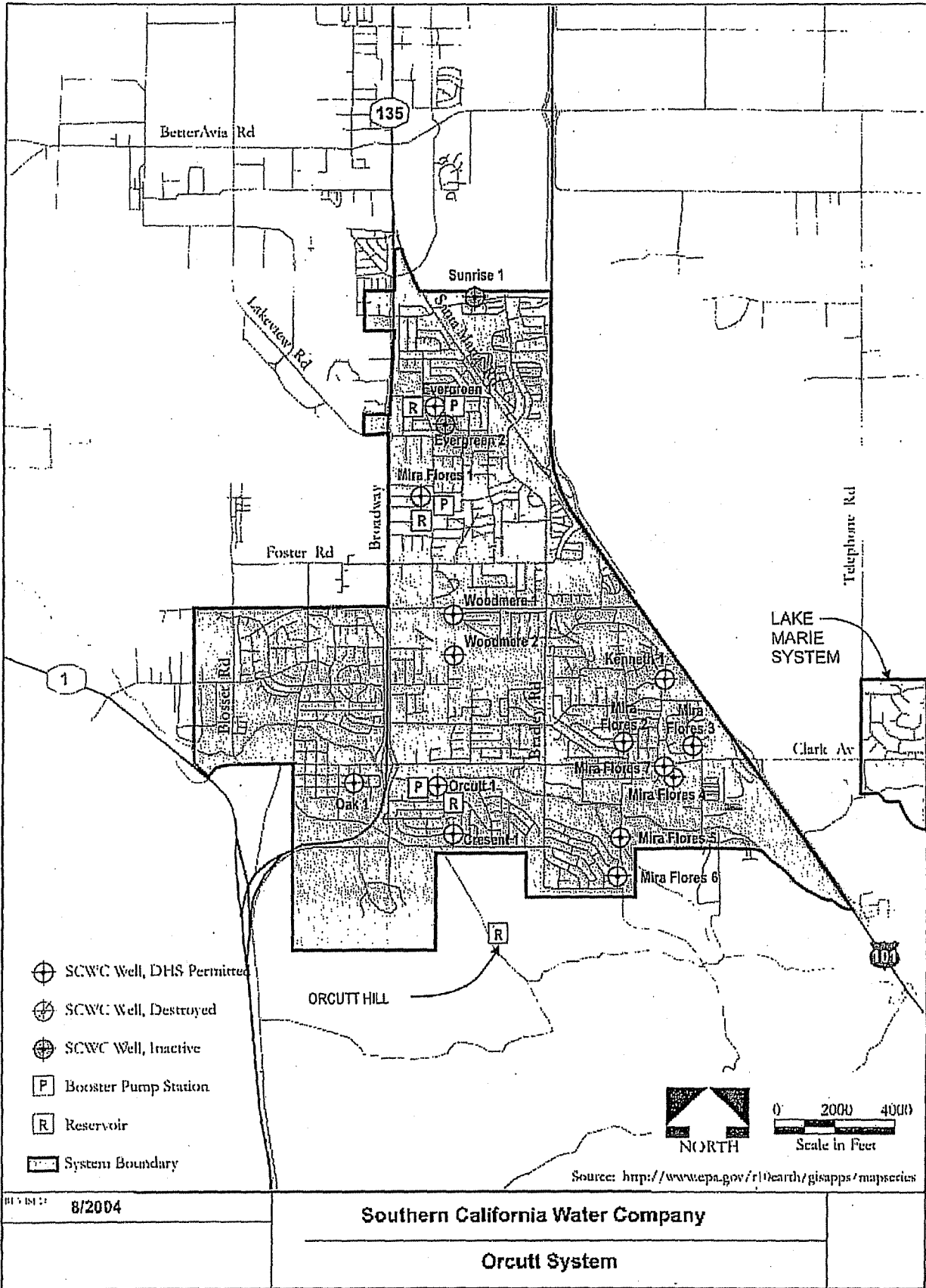


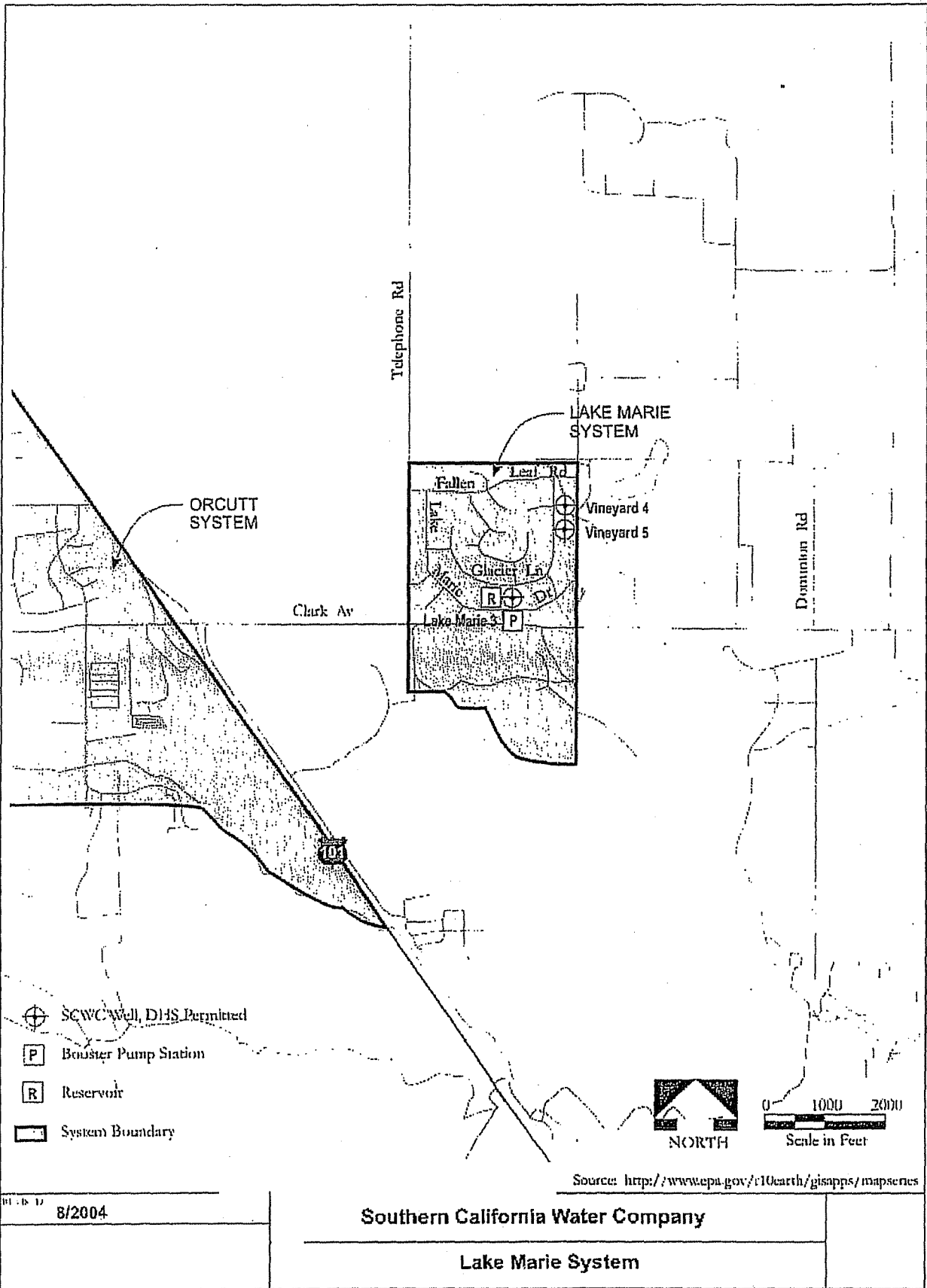


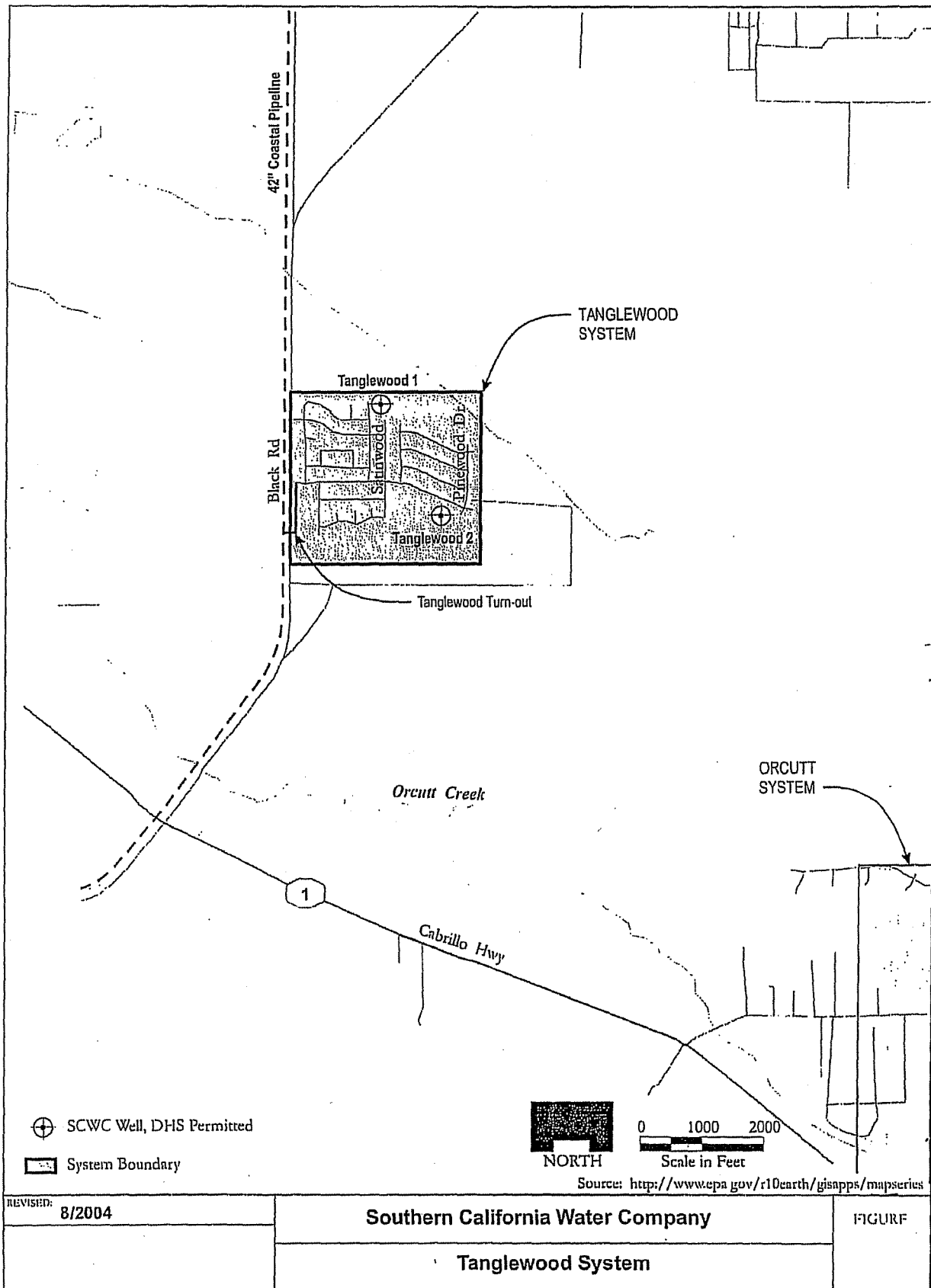
REVISED: 8/2004

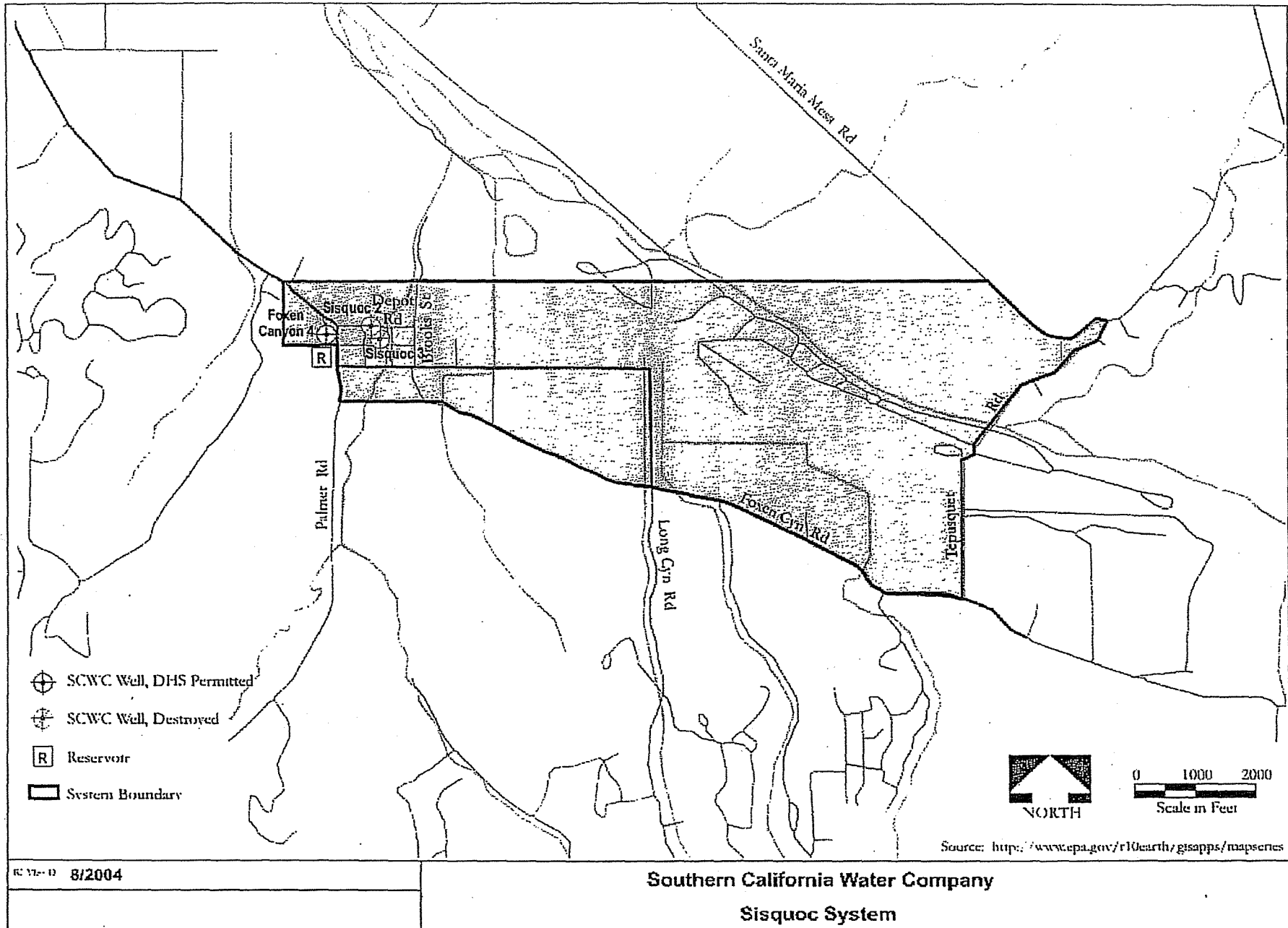
Southern California Water Company

Nipomo System



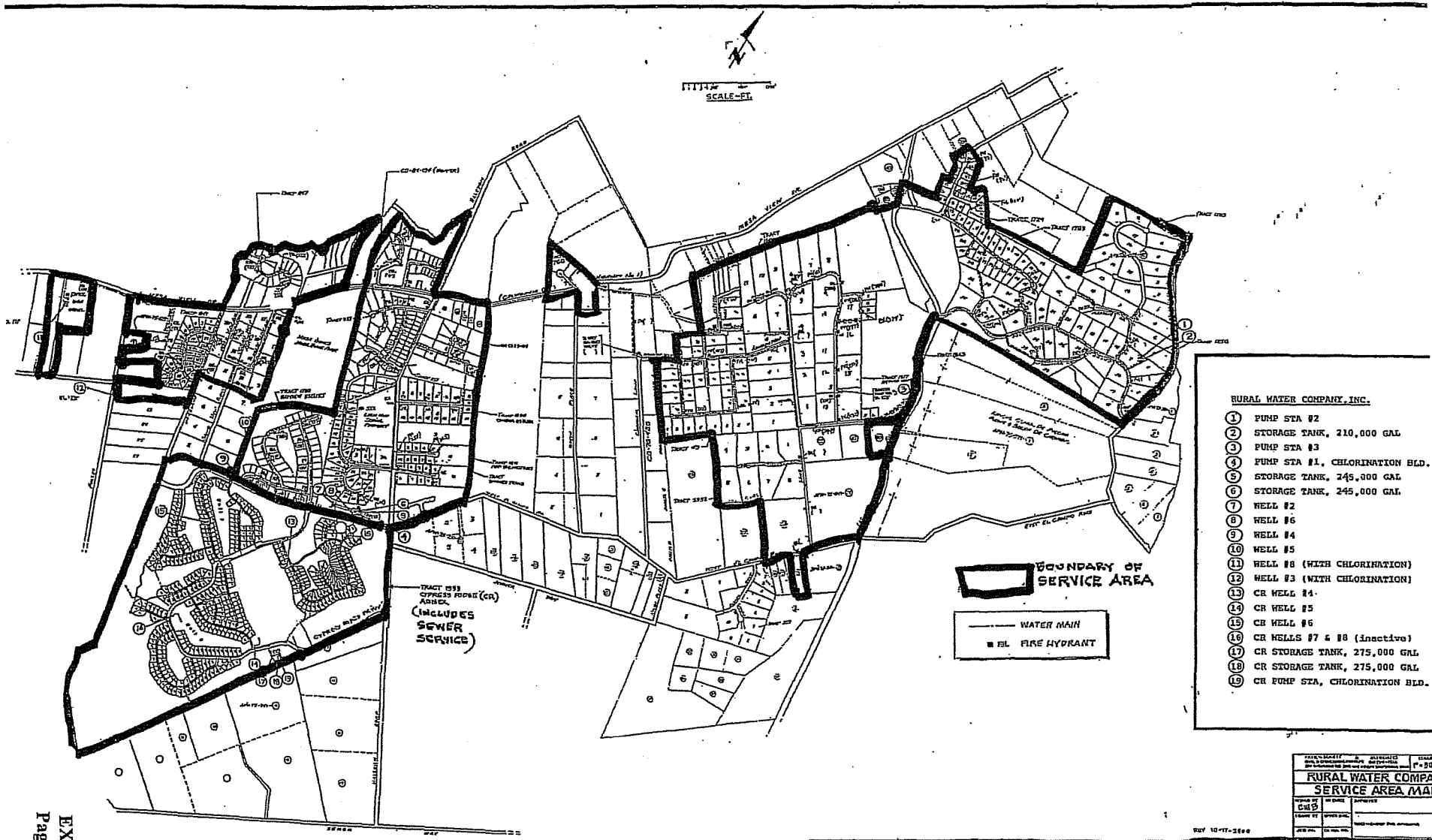






RC 17-11 8/2004

**Southern California Water Company**  
**Sisquoc System**



- RURAL WATER COMPANY, INC.**
- ① PUMP STA #2
  - ② STORAGE TANK, 210,000 GAL
  - ③ PUMP STA #3
  - ④ PUMP STA #1, CHLORINATION BLD.
  - ⑤ STORAGE TANK, 245,000 GAL
  - ⑥ STORAGE TANK, 245,000 GAL
  - ⑦ WELL #2
  - ⑧ WELL #6
  - ⑨ WELL #4
  - ⑩ WELL #5
  - ⑪ WELL #8 (WITH CHLORINATION)
  - ⑫ WELL #3 (WITH CHLORINATION)
  - ⑬ CR WELL #1.
  - ⑭ CR WELL #5
  - ⑮ CR WELL #6
  - ⑯ CR WELLS #7 & #8 (inactive)
  - ⑰ CR STORAGE TANK, 275,000 GAL
  - ⑱ CR STORAGE TANK, 275,000 GAL
  - ⑲ CR PUMP STA, CHLORINATION BLD.

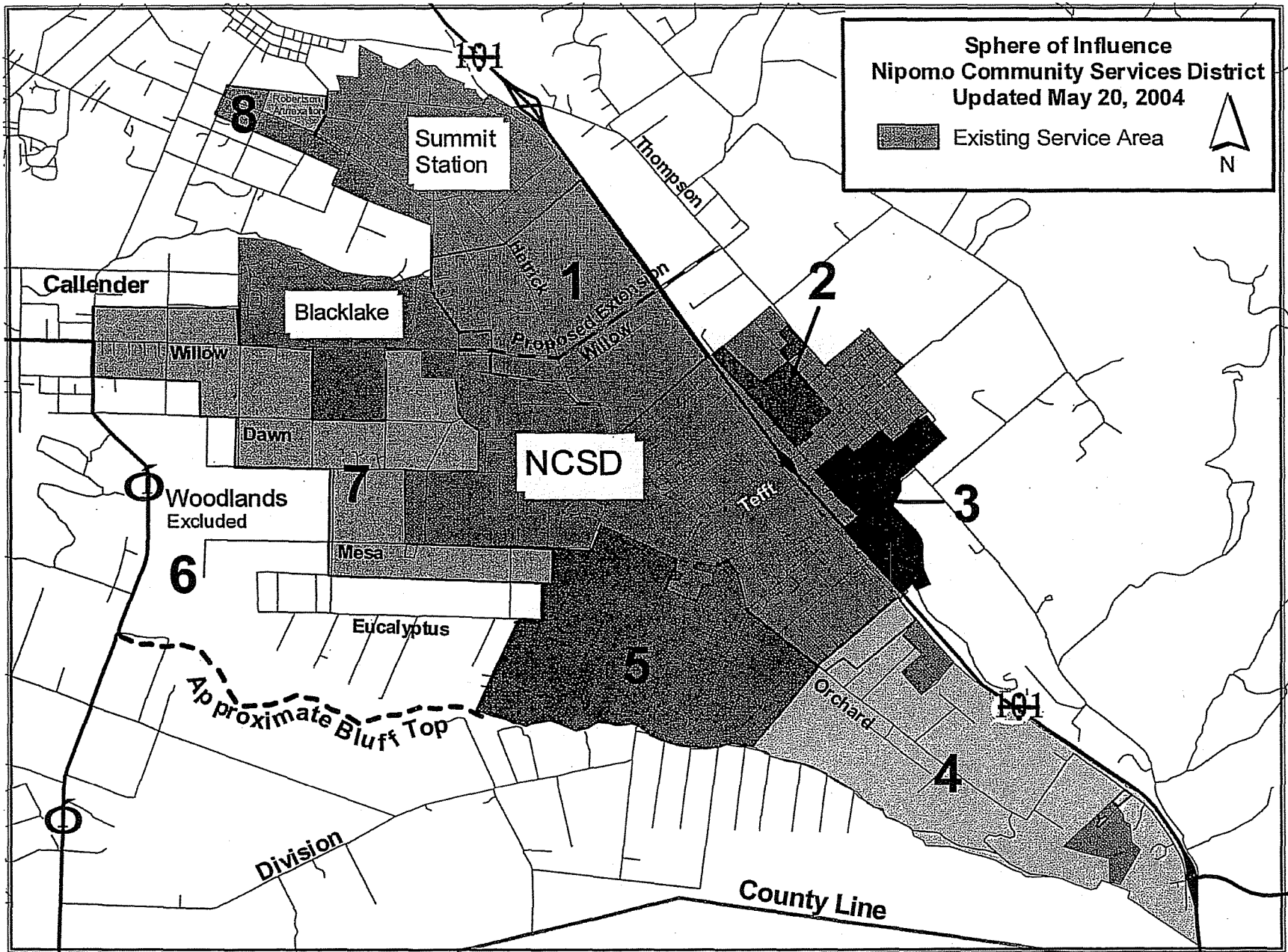
**BOUNDARY OF SERVICE AREA**

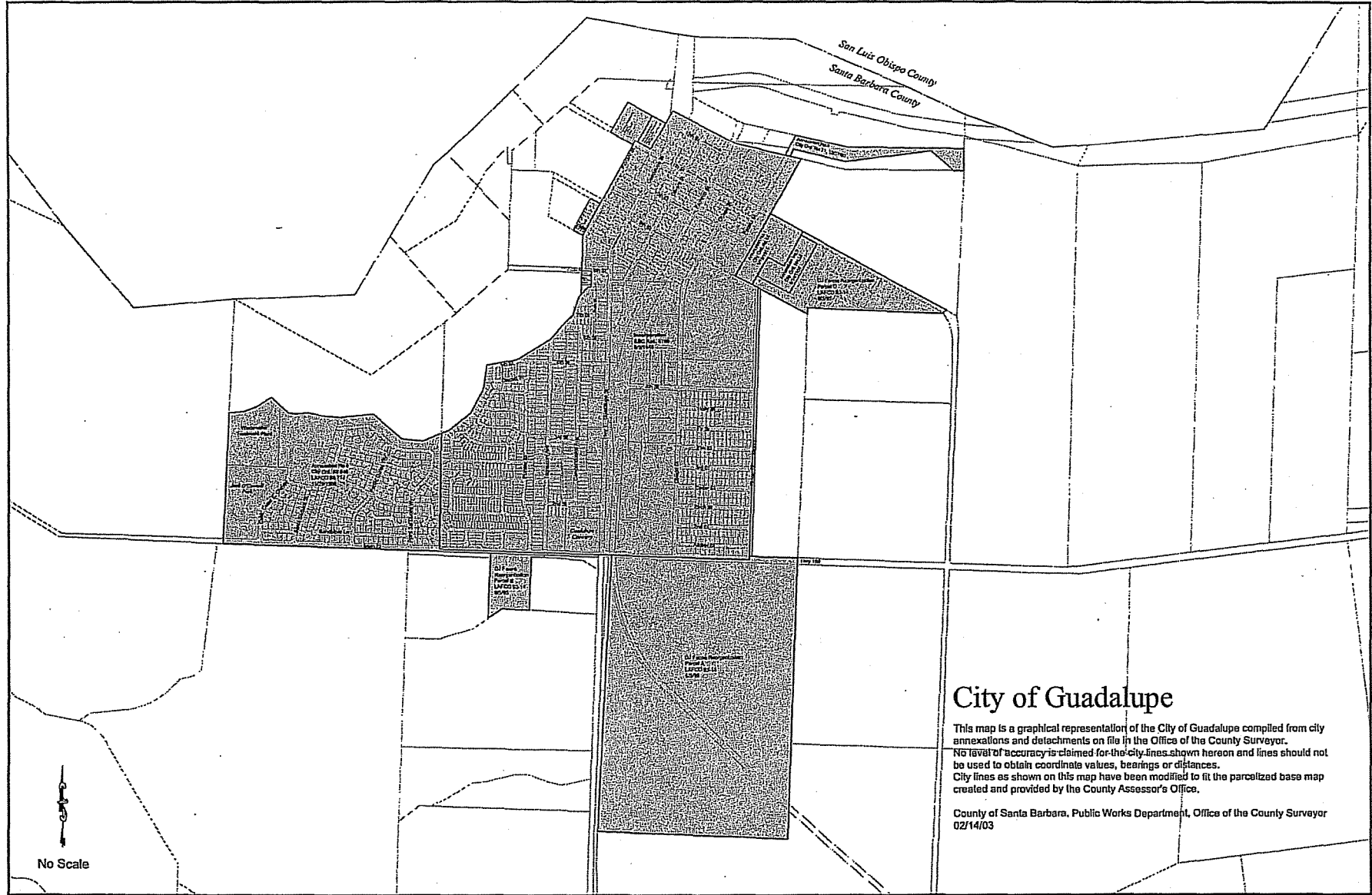
— WATER MAIN

■ FIRE HYDRANT

|                           |             |        |
|---------------------------|-------------|--------|
| RURAL WATER COMPANY, INC. |             | DATE   |
| RURAL WATER COMPANY       |             | NO. 30 |
| <b>SERVICE AREA MAP</b>   |             |        |
| PROJECT NO.               | DATE        | BY     |
| CHG                       |             |        |
| ISSUED BY                 | APPROVED BY |        |
|                           |             |        |
| DATE                      | SCALE       |        |







## City of Guadalupe

This map is a graphical representation of the City of Guadalupe compiled from city annexations and detachments on file in the Office of the County Surveyor. No level of accuracy is claimed for the city lines shown hereon and lines should not be used to obtain coordinate values, bearings or distances. City lines as shown on this map have been modified to fit the parcelized base map created and provided by the County Assessor's Office.

County of Santa Barbara, Public Works Department, Office of the County Surveyor  
02/14/03

No Scale

Stipulation  
*Santa Maria Valley Water Conservation District v. City of Santa Maria*

**EXHIBIT D**

**List of Selected Excluded Parcels Nearby the Boundaries of New Urban Use Areas**

|             |             |
|-------------|-------------|
| 103-070-004 | 128-099-001 |
| 107-300-007 | 128-100-001 |
| 107-300-008 | 128-100-003 |
| 107-300-012 | 128-100-020 |
| 128-056-024 | 128-100-021 |
| 128-094-018 | 128-100-022 |
| 128-094-019 | 128-100-027 |
| 128-094-020 | 128-100-028 |
| 128-094-021 | 128-100-029 |
| 128-094-023 | 128-100-030 |
| 128-094-024 | 128-100-031 |
| 128-094-029 | 128-101-010 |
| 128-094-031 | 128-101-012 |
| 128-095-001 | 129-100-008 |
| 128-095-002 | 129-110-020 |
| 128-095-003 | 129-120-001 |
| 128-095-004 | 129-120-023 |
| 128-095-006 | 129-151-029 |
| 128-095-008 | 129-151-031 |
| 128-096-001 | 129-151-032 |
| 128-096-002 | 129-151-033 |
| 128-096-003 | 129-180-010 |
| 128-096-004 | 129-180-011 |
| 128-096-006 | 129-210-017 |
| 128-096-009 |             |
| 128-098-005 |             |

**EXHIBIT E**

**2002 Settlement Agreement  
between the Northern Cities and Northern Landowners**

*Santa Maria Valley Water Conservation District v. City of Santa Maria*  
Santa Clara County Superior Court Case No. CV 770214

1 NOSSAMAN, GUTHNER, KNOX & ELLIOTT, LLP  
Frederic A. Fudacz, State Bar No. 50546  
2 Henry S. Weinstock, State Bar No. 89765  
Alfred E. Smith, State Bar No. 186257  
3 445 South Figueroa Street, 31<sup>st</sup> Floor  
Los Angeles, California 90071  
4 Telephone: (213) 612-7800  
Facsimile: (213) 612-7801

5  
6 Attorneys for Defendants City of Arroyo Grande,  
City of Grover Beach, City of Pismo Beach,  
7 Oceano Community Services District

8 SUPERIOR COURT OF THE STATE OF CALIFORNIA  
9 FOR THE COUNTY OF SANTA CLARA

10  
11 SANTA MARIA VALLEY WATER  
CONSERVATION DISTRICT, a public  
12 entity,

13 Plaintiff,

14 v.

15 CITY OF SANTA MARIA, et al.,

16 Defendants.

SANTA MARIA GROUNDWATER  
LITIGATION, LEAD CASE No. CV 770214  
(Consolidated with CV 784900, 784921,  
784926, 785509, 785511, 785515, 785522,  
785936, 786971, 787150, 787151, 787152,  
990738, 990739)

SETTLEMENT AGREEMENT BETWEEN  
NORTHERN CITIES, NORTHERN  
LANDOWNERS, AND OTHER PARTIES

17  
18 AND ALL RELATED ACTIONS.

19  
20 PARTIES AND EFFECTIVE DATE

21 This Agreement is entered into among the Cities of Arroyo Grande, Pismo  
22 Beach, Grover Beach and the Oceano Community Services District (collectively "Northern  
23 Cities"), owners/lessors of land located in the Northern Cities Area ("Northern Landowners"),  
24 and other parties who execute this Agreement. This Agreement is entered into as of April 30,  
25 2002.

26 STIPULATIONS OF FACT

27 A. In 1997, the Santa Maria Valley Water Conservation District initiated this  
28 action, Santa Clara Superior Court Case Number CV 770214, consolidated with Case

1 Numbers 784900, 784921, 784926, 785509, 785511, 785515, 785522, 785936, 786971,  
2 787150, 787151, 787152, 990738, and 990739 (the "Action"), to adjudicate groundwater rights  
3 in the Santa Maria Groundwater Basin;

4 B. Numerous parties have filed complaints and/or cross-complaints in the  
5 Action with respect to rights to produce water in the Santa Maria Groundwater Basin;

6 C. By Order dated December 21, 2001, the Court determined the geographic  
7 area constituting the Santa Maria Groundwater Basin ("Basin") and ruled that the Northern  
8 Cities Area (identified on the map attached hereto as Exhibit A) is within the Basin;

9 D. Under current water supply and demand conditions, the groundwater  
10 basin in the Northern Cities Area is in rough equilibrium, and groundwater pumping in the  
11 Northern Cities Area does not negatively affect water supplies in the remainder of the Basin;

12 E. For more than 30 years, there have been separate funding, management  
13 and usage of groundwater in the Northern Cities Area from groundwater in the Santa Maria  
14 Valley. For example, the Northern Cities and Northern Landowners have paid and are paying  
15 tens of millions of dollars for the construction and retrofit of the Lopez Reservoir, which  
16 benefits the Northern Cities Area; whereas the Twitchell Reservoir has been paid for by parties  
17 in the Santa Maria Valley who benefit from it.

18 F. The Northern Cities and Northern Landowners have agreed among  
19 themselves and do hereby reaffirm their agreement to cooperatively share and manage  
20 groundwater resources in the Northern Cities Area in accordance with a "Gentlemen's  
21 Agreement" that was originally developed in 1983 and amended thereafter. Said Agreement  
22 confers no rights on any third parties;

23 G. It is in the interest of all of the parties to this litigation that the parties settle  
24 their claims and potential claims on the basis of the continued separate funding, management,  
25 and usage of the waters conserved by the Lopez Reservoir in the Northern Cities Area and by  
26 the Twitchell Reservoir in the remainder of the Basin, to preserve and protect water resources  
27 in those separate management areas.

28 H. This Settlement Agreement is also intended to provide the parties with

1 advance notice of changes in the groundwater conditions in the Northern Cities Area and  
2 Nipomo Mesa, as water supplies and demands may change with time. (The Nipomo Mesa is  
3 southeast of the Zone 3 Line, and north of the Santa Maria River.); and

4           1.       The parties to this Settlement Agreement have agreed to settle and  
5 resolve their cross-claims and potential cross-claims on the conditions set forth below:

6                   **NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS**

7           1.       Separate Management Areas. Subject to the conditions set forth below,  
8 water resources and water production facilities in the Northern Cities Area shall continue to be  
9 independently managed by the Northern Cities, the San Luis Obispo County Flood Control and  
10 Water Conservation District, and the Northern Landowners, with the intention of preserving the  
11 long-term integrity of water supplies in the Northern Cities Area. For example, the Northern  
12 Cities and Northern Landowners will not be responsible to pay for any of the costs of the  
13 Twitchell Reservoir; and the parties outside of the Northern Cities Area (Zone 3) shall not be  
14 responsible to pay any of the costs relating to the Lopez Reservoir.

15           2.       Effects on Litigation. Except as provided below, the parties in the  
16 Northern Cities Area, on the one hand, and the other parties hereto, on the other hand, agree  
17 not to pursue or assert any claims against one another relating to water rights in the Santa  
18 Maria Groundwater Basin. Each of the Northern Landowners who execute this Agreement will  
19 be deemed to have been served by each of the water purveyor parties in this action who have  
20 signed this Agreement with cross-complaints seeking declaratory and other relief in the form of  
21 the cross-complaints previously filed by the City of Santa Maria; and each of the Northern  
22 Landowners who execute this Agreement shall be deemed to have served and filed answers to  
23 said cross-complaints denying all of their material allegations and asserting all available  
24 affirmative defenses. The Northern Cities and Landowners shall continue to be subject to  
25 reasonable discovery requests that are relevant to the remaining issues in the case.

26           3.       Court Approval. This Settlement Agreement shall be submitted to the  
27 Court for approval. If approved, this Settlement Agreement shall be included in and attached  
28 as an exhibit to the final judgment in this Action, and the Northern Cities Area shall be treated

1 separately under the judgment in accordance with the provisions set forth herein. Paragraphs  
2 4 and 7-20 of this Agreement shall take effect only upon Court approval of this Agreement.

3 4. Consent to Continuing Jurisdiction. Prior to this Agreement, there has  
4 been no adjudication of the water rights of the Northern Cities, Northern Landowners, or any  
5 other party, other than the determination of the boundaries of the Basin. Except ¶ 5 below,  
6 nothing in this Agreement authorizes the Court to restrict or affect the right of any party to  
7 pump, divert, use, or store groundwater or surface water without first according that party all of  
8 its substantive, procedural, and due process rights under constitutional, statutory, and common  
9 law requirements. Subject to the above and to the limitations of paragraphs 5-6 below, the  
10 parties hereto agree that the Court reserves and retains full jurisdiction, power, and authority  
11 over the Northern Cities Area, the Northern Cities, and the Northern Landowners, to enable the  
12 Court, upon motion of any party, to make such further orders or directions (1) to interpret,  
13 enforce, amend, or amplify any of the provisions of this Agreement; (2) to enforce, protect, or  
14 preserve the rights of the respective parties, consistent with the rights herein decreed; or (3) to  
15 issue such additional orders and/or injunctions to prevent injury to any party that might result  
16 from any material adverse change in the availability or quality of the water supplies in the  
17 Northern Cities Area, or the Nipomo Mesa Area, or any part of the Basin.

18 5. Reaffirmation of Gentlemen's Agreement. The Northern Cities and  
19 Northern Landowners hereby reaffirm their Agreement to cooperatively share and manage  
20 groundwater resources in the Northern Cities' Area in accordance with their AGREEMENT  
21 REGARDING MANAGEMENT OF THE ARROYO GRANDE GROUNDWATER BASIN, aka  
22 the "Gentlemen's Agreement." (A copy of the current version of this Agreement is attached  
23 hereto as Exhibit B.) In particular, the Northern Cities and the Northern Landowners agree  
24 with each other to continue to divide the safe yield of groundwater in the Northern Cities' Area,  
25 including any increases or decreases of the safe yield, in accordance with ¶ 1 of Exhibit B  
26 hereto. Said water-sharing Agreement and this paragraph 5 shall only be binding on and  
27 enforceable by the Northern Cities and Northern Landowners.

28 6. No Effect on Water Rights. Except as provided in ¶ 5 above, nothing in



1 this Agreement shall be construed to create, eliminate, increase, or reduce any substantive  
2 right of any party to pump, divert, use, or store groundwater or surface water; and nothing in  
3 this Agreement shall be construed to prove or disprove, directly or indirectly, any element of  
4 prescriptive rights to groundwater.

#### 5 **TECHNICAL OVERSIGHT COMMITTEE**

6 7. Formation. A Technical Oversight Committee (TOC) shall be established  
7 to carry out the ongoing monitoring and analysis program ("MAP," see below).

8 8. Composition. The TOC shall be comprised of two voting representatives  
9 of the Northern Cities and two voting representatives of parties providing public water service  
10 on the Nipomo Mesa ("Mesa Parties," which include the Nipomo Community Services District,  
11 Rural Water Company and Southern California Water Company, and their successors or  
12 assigns). At least one of the two representatives from the Northern Cities and the Mesa  
13 Parties shall be technically qualified to carry out the MAP duties described below. The other  
14 TOC representatives may be technical, policy, managerial, or legal in nature. The voting  
15 representatives shall attempt to operate by consensus. However, if consensus cannot be  
16 achieved, TOC decisions may be made by majority vote of the voting representatives.

17 9. Responsibility. The TOC shall implement and carry out the MAP.

18 10. Meetings. The TOC shall meet at least semi-annually for the first five (5)  
19 years of implementing the MAP, and at least annually thereafter.

20 11. Procedures of the TOC. The TOC shall establish procedures for the  
21 fulfillment of its responsibilities under this Agreement.

#### 22 **MONITORING AND ANALYSIS PROGRAM**

23 12. Purpose and Legal Effect. A monitoring and analysis program (MAP) shall  
24 be established to provide ongoing data collection and analysis of water supplies and demands  
25 in the Northern Cities Area and the Nipomo Mesa. The purpose of the MAP is to regularly  
26 assess the potential impact on the water supplies on either side of the Zone 3 boundary line  
27 resulting from changing conditions regarding the water supplies and demands in the Northern  
28 Cities Area and the Nipomo Mesa, and the resulting changes in the surface and groundwater

1 flow conditions adjacent to and across the Zone 3 boundary line.

2           13. The Water Management Plans and the Annual Reports (collectively  
3 "Plans") prepared pursuant to this Agreement are for information purposes only. They shall  
4 not independently create in the party(ies) preparing them any affirmative obligation to act, or  
5 implement any part of the Plans, nor shall they independently provide any other party or the  
6 Court any right to compel Action or enforce any obligation. However, any party may challenge  
7 the sufficiency of any Plan produced pursuant to this Agreement by showing that it has not  
8 been completed in substantial compliance with the requirements of this Agreement, except that  
9 any challenge to a Water Management Plan created pursuant to Paragraph 15 below may only  
10 be undertaken in a proceeding and under the standards set forth under Water Code sections  
11 10650, *et seq.*

12           14. The Parties shall be excused from the preparation of the Plans required in  
13 this Agreement when the Court enters a final judgment in this litigation.

14           15. Water Supply Planning and Reports. Within two years after Court  
15 approval of this Settlement, each of the Northern Cities and the Mesa Parties shall evaluate  
16 their current and future water supplies and prepare a Water Management Plan. The Water  
17 Management Plan shall generally include the content and analysis described in Water Code  
18 sections 10630 through 10635, and shall also include an analysis of the ongoing availability of  
19 groundwater in the Northern Cities Area given the changing urban and agricultural water  
20 demands in the Northern Cities Area. Each of the Northern Cities and the Mesa Parties shall  
21 update and revise their previously prepared Water Management Plans prior to December 31,  
22 2006, and every five years thereafter; provided however, that this requirement to prepare a  
23 Water Management Plan is not intended to expand or impose upon any party rights or  
24 obligations with respect to such Water Management Plans, other than those specifically stated  
25 in this Section. Copies of the Water Management Plans shall be provided to the Northern  
26 Cities, the Mesa Parties, the Santa Maria Valley Water Conservation District and the City of  
27 Santa Maria.

28           16. Monitoring and Data Collection. The TOC shall implement a MAP that

1 shall include the data collection and analysis elements described below, and any other  
2 monitoring and analysis, if the TOC deems them appropriate and cost-effective to fulfill the  
3 purpose of this Agreement. The data collection and database development shall be created so  
4 that the data can be shared and transferred between the TOC members for review and  
5 evaluation in electronic format. The MAP shall include the following elements.

6 a. Design. Within six months after Court approval of this Agreement,  
7 the TOC shall review existing data to select existing wells to include in the MAP. The TOC  
8 shall define the list of wells to be monitored and specific information to be obtained from each  
9 well, such as groundwater levels and groundwater quality constituents. The MAP shall also  
10 include data collection to provide for early detection of seawater intrusion and collection of  
11 other related data (e.g., deliveries of supplemental water, precipitation, discharge of treated  
12 waste water, etc.) as are necessary for preparation of the analyses and reports required by this  
13 Agreement. To the extent practical to adequately meet the purpose of this Agreement, the  
14 TOC shall use existing facilities, rather than new facilities, in the design of the MAP.

15 b. Data Collection. As soon as the design of the MAP is complete, the  
16 TOC shall commence collection of groundwater monitoring data, with data collection to occur  
17 at intervals determined by the TOC.

18 c. Changing Groundwater Use Patterns. The TOC may also monitor  
19 the groundwater pumping patterns in the Northern Cities Area and the Nipomo Mesa. The  
20 monitoring shall be based on either observed changes (municipal pumping) or estimated  
21 changes (private or agricultural pumping). The TOC may review the changes in pumping to  
22 assess the potential impacts on groundwater flow conditions along the Zone 3 boundary line  
23 and include its findings in the Annual Report, described below.

24 d. MAP Assessment. Within two years of Court approval of this  
25 Agreement, and annually thereafter, the TOC shall evaluate data from the monitoring program,  
26 assess data gaps, and make recommendations to revise the monitoring program, including the  
27 use of other wells or installation of new monitoring wells, as appropriate. The TOC may  
28 recommend to the Northern Cities and the Mesa Parties or to the Court any additional

1 monitoring of hydrologic characteristics that may be prudent and cost-effective to meet the  
2 goals of this Agreement, to provide a higher level of confidence in the data and analyses than  
3 that which is based on existing wells, stream gages, etc.

4           17. Annual Report. Based upon the MAP and other relevant information, the  
5 TOC shall annually prepare a Report on Water Supply and Groundwater Conditions (Annual  
6 Report) for the Northern Cities Area and Nipomo Mesa. The Annual Report shall be filed with  
7 the Court, posted on the Court's website, and served on the Northern Cities, the Mesa Parties,  
8 the Santa Maria Valley Water Conservation District, and the City of Santa Maria. The first  
9 Annual Report shall be completed, filed and served, as described in the previous sentence, on  
10 or before the second (2nd) anniversary of this Court's approval of this Agreement, and  
11 annually thereafter. The Annual Report shall assess the adequacy of the water supplies in  
12 each area in comparison to the corresponding demands, and shall include an analysis and  
13 discussion of the estimates of the volume of groundwater in storage, an updated water budget  
14 assessment, and anticipated water supply constraints, if any.

15           18. Cost Sharing. Unless otherwise agreed, each of the Northern Cities and  
16 the Mesa Parties shall bear their own costs in participating in the TOC, gathering and  
17 analyzing data, and producing any written documents as may be required by this Agreement.  
18 To the extent the construction of new facilities may be required to implement this Agreement,  
19 the Northern Cities and the Mesa Parties shall develop an equitable cost sharing agreement.  
20 The parties will use their best efforts to minimize the costs of compliance in undertaking the  
21 obligations of this Agreement.

22           19. Cooperation of all Parties. All parties to this litigation and this Agreement  
23 shall provide any documents, information, access to wells, and well data, and take any other  
24 actions reasonably requested to implement the MAP, subject to prior protective orders and  
25 reasonable confidentiality restrictions.

#### 26                           **ADVANCE NOTICE OF INCREASED WATER PRODUCTION**

27           20. The Mesa Parties, the Northern Cities, and the Northern Landowners shall  
28 provide prior written notice to each other of their intent to drill new wells, materially increase

1 the production capacity of existing wells or take over the use of an existing well, if the well is to  
2 be used for water production (not monitoring). The notice must be served prior to or  
3 concurrent with the initiation of environmental review under the California Environmental  
4 Quality Act (CEQA), if required, or at least ninety (90) days prior to the construction of a new  
5 well or the takeover or increase in capacity of an existing well. This ninety (90) day notice  
6 requirement shall not apply in the event of emergencies, such as replacement of a collapsed  
7 well, in which case notice will be provided as promptly as possible. The notice should provide  
8 a description of the location, intended capacity and use of the well.

### 9 GENERAL PROVISIONS

10 21. No Third Party Beneficiary. Nothing in this Agreement, whether express  
11 or implied, shall confer any rights or remedies under this Agreement on any persons other than  
12 the Parties to it and their respective successors and assigns. Nothing in this Agreement shall  
13 relieve or discharge the obligation or liability of any third parties to any Party to this Agreement.

14 22. Legal Capacity. The Parties warrant that all necessary approvals and  
15 authorizations have been obtained to bind them to all terms of this Agreement, and further  
16 warrant that the persons signing have authority to sign on behalf of their respective Parties.

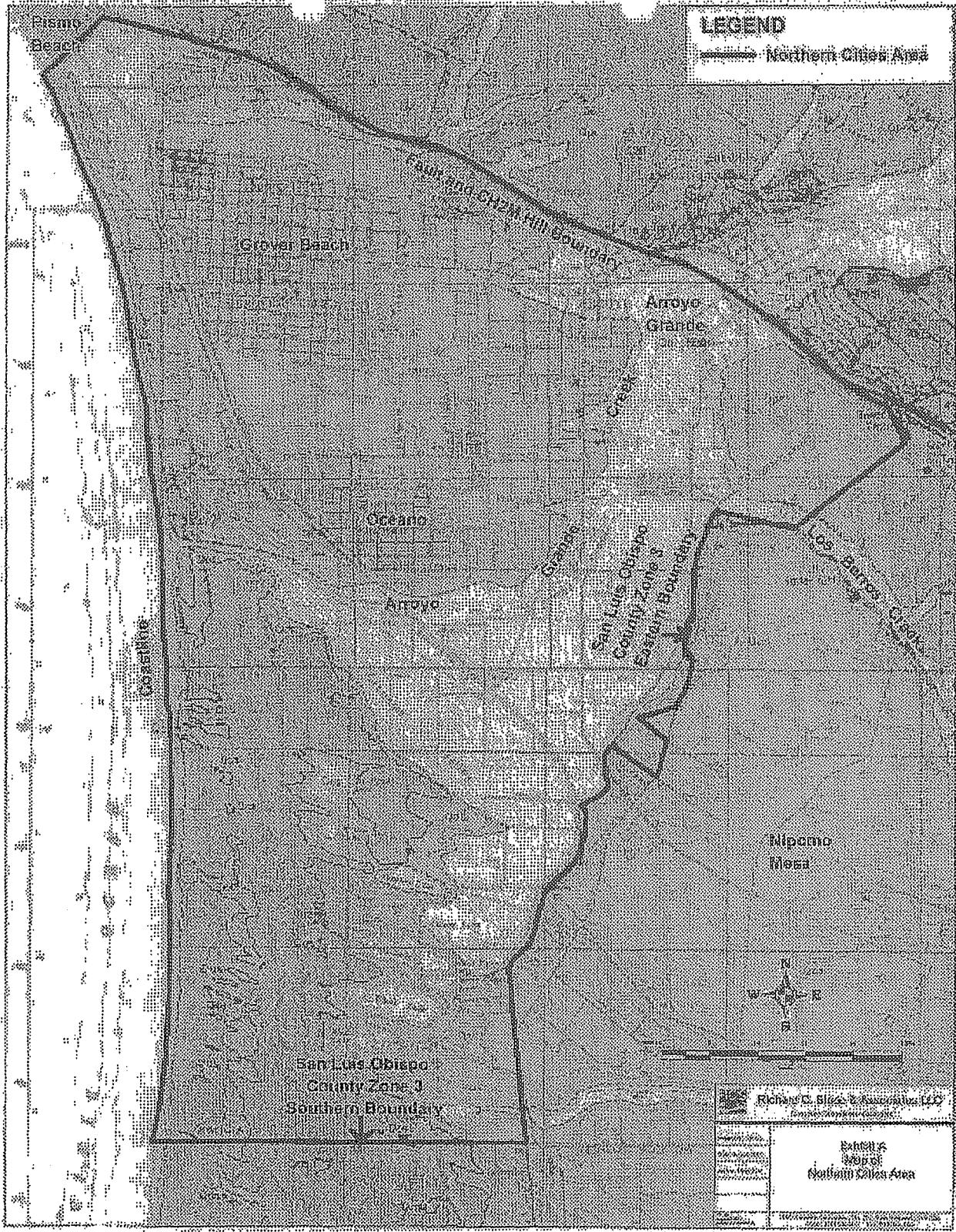
17 23. Amendment. No amendment to this Agreement will be binding unless it  
18 is either signed by an authorized representative of all of the Parties or approved by the Court.

19 24. Governing Law. This Agreement will be construed in accordance with,  
20 and governed by, the laws of the State of California as applied to contracts that are executed  
21 and performed entirely in California.

22 25. Severability. If any provision of this Agreement is held invalid or  
23 unenforceable by any court, it is the intent of the Parties that all other provisions of this  
24 Agreement be construed so as to remain fully valid, enforceable, and binding on the Parties.

25 26. Counterparts. This Agreement may be executed in one or more  
26 counterparts, each of which will be considered an original, but all of which together will  
27 constitute one and the same instrument. Any party that is currently a party to this Action and  
28 any Northern Landowner may become a party to this Agreement by agreeing in writing to be





**AGREEMENT REGARDING  
MANAGEMENT OF THE  
ARROYO GRANDE GROUNDWATER BASIN**

A. Parties

This Agreement is entered into among the Cities of Arroyo Grande, Pismo Beach, Grover Beach and the Oceano Community Services District (collectively referred to hereinafter as "Parties" or "Urban Parties").

B. Recitals

WHEREAS, in January 1983, a Technical Advisory Committee consisting of representatives of Arroyo Grande, Grover City, Pismo Beach, Oceano Community Services District, Port San Luis Harbor District, the Farm Bureau, Avila Beach County Water District and the County of San Luis Obispo ("Committee") determined in reliance on the 1979 Report of the Department of Water Resources entitled Ground Water in the Arroyo Grande Area that the safe yield of the Arroyo Grande Groundwater Basin ("Basin") is 9,500 acre feet per year;

WHEREAS, in or about February 1983, the Parties agreed to enter into a voluntary groundwater management plan to provide for effective management of groundwater resources in the Basin through which each party was given sufficient water to meet its needs as then projected; such needs being met in part by the City of Arroyo Grande foregoing 358 acre feet per year of its historical use and the City of Pismo Beach foregoing 20 acre feet per year of its historical use;

WHEREAS, this management plan provided a reasonable division of the safe yield of the Basin without court imposed groundwater basin adjudication;

WHEREAS, on February 9, 1983, the terms of the management plan were incorporated into Resolution No. 83-1 of the South San Luis Obispo County Water Association Approving the Recommendations of the Committee relating to the Basin (the "Resolution");

WHEREAS, each of the Parties have adopted individual resolutions endorsing the provisions of the Resolution;

WHEREAS, the Parties have generally complied with the terms and conditions of the Resolution; and

WHEREAS, general compliance with the Resolution has proven to be a fair and efficient means of managing and protecting groundwater resources in the Basin as confirmed by the revised final draft report prepared by the Department of Water Resources entitled, Water Resources of Arroyo Grande and Nipomo Mesa, January 2000.



NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

1. Division of Safe Yield.

a. The Parties agree to a division of the safe yield of the Basin as follows:

Applied Irrigation 5,300 acre feet

Subsurface flow to ocean 200 acre feet

Urban Use:

City of Arroyo Grande 1,202 acre feet

City of Grover Beach 1,198 acre feet

City of Pismo Beach 700 acre feet

Oceano Community Services District 900 acre feet

b. Any increase or decrease in the safe yield of the Basin attributable to changed operation of the Lopez Reservoir, or any other cause, shall first be divided between the Urban Parties and applied irrigation on a pro rata basis using the formula from the 1983 Gentlemen's Agreement, fifty-seven percent (57%) to applied irrigation and forty-three percent (43%) to the Urban Parties. Thereafter, the first 378 acre feet per year of any increase of safe yield allocated to the Urban Parties shall be divided between the City of Arroyo Grande and the City of Pismo Beach on a pro rata basis (95% to Arroyo Grande and 5% to Pismo Beach).

c. The entitlements of each respective Urban Party may be increased based upon the conversion of irrigated agricultural lands to urban use. An Urban Party to this Agreement may increase its entitlement for urban use by a factor of three (3) acre feet per acre per year minus the calculated urban usage per acre per year upon the conversion of irrigated agricultural land to urban usage. "Irrigated agricultural land" shall be that land within the corporate limits of the party that was identified as irrigated agricultural land in the 1979 Department of Water Resources Report entitled Ground Water in the Arroyo Grande Area. This agricultural conversion factor may be applied to all acreage converted to urban use from January 1, 1983, throughout the life of this Agreement. Such an agricultural conversion factor is in the best interests of the overall Basin in that it will not result in any decline in the groundwater service over time. The Parties agree that no water should be converted to urban use within the Basin without establishing that it was irrigated agricultural land as defined in the 1979 Department of Water Resources Report, Groundwater in the Arroyo Grande Area.

d. The Parties agree and understand that the safe yield figures utilized in this Agreement are a product of the 1979 Department of Water Resources Report regarding the Arroyo Grande Basin as adjusted by the 1983 ad hoc Technical Advisory Committee and that the division of the resources is based upon the historical use of each party and a practical accommodation of each Party's needs as they existed at the time of the adoption of the 1983

agreement. It is agreed that the Parties will meet and confer on issues related to safe yield and division of existing water resources upon the final adoption of the new Arroyo Grande Basin study performed by the Department of Water Resources, which is currently in draft.

2. Shared Information and Monitoring: The Urban Parties to this Agreement shall freely share information with each other regarding each of their respective uses of groundwater in the Basin, including all pumping data such as amounts of water extracted, well static water levels, and water quality. The Urban Parties to this Agreement shall meet on a quarterly basis to share this information and to discuss water usage and impacts upon the Basin. The Parties shall conduct a review of water usage and the impacts on Basin hydrology in 2010 and 2020.

3. Term:

a. This Agreement shall bind the Parties indefinitely absent a significant change of circumstances as to available water, water quality, or hydrogeology of the Arroyo Grande Basin. A significant change of circumstances shall allow any Party to opt out of this Agreement if the significant change of circumstances put that Party at risk of not being able to meet its potable water needs.

b. Significant changed circumstances shall include changes within the Basin or outside of the Basin, including but not restricted to, a change in the Lopez Reservoir safe yield or an increase in Lopez Reservoir discharges for conservation purposes that threatens the ability of the Urban Parties to obtain their contractual allotments under their Lopez agreements, or a significant change in groundwater yields or quality, or a reduction in foreign water imported by any Urban Party. The Parties recognize that rainfall within the watershed is the most significant factor affecting the yield of Lopez Reservoir and the Basin.

c. The Parties shall revisit the issue of the allocation of groundwater resources within the Arroyo Grande Basin in 2010 and 2020 in the context of the review provided for in section 2 of this Agreement. The Parties shall make new allocations of groundwater resources at that time if circumstances justify it and if no harm will result to other groundwater users. Priority shall be given to reallocation of historical use of groundwater to Arroyo Grande and Pismo Beach that those agencies chose not to pursue in the entering into of the original Gentlemen's Agreement in 1983 should such new allocations be made.

d. A Party may opt out of this Agreement if significant changed circumstances arise as defined in this section. Such a party shall give all other parties to the agreement not less than six months written notice of its intention to opt out. The written notice shall describe in detail the significant changed circumstances upon which the Party bases its election to opt out of the Agreement.

4. Mediation Agreement: The Parties agree to mediate any disputes that arise out of the Parties' performance under this Agreement, or the interpretation of the terms of this Agreement, prior to instituting any litigation against or between any other Party to this Agreement. Should a Party institute litigation without first offering in good faith to mediate any such dispute, any Party may move for an order compelling mediation and staying the proceedings in the litigation until

after mediation has been completed. The prevailing party on a motion to compel mediation shall be entitled to recover its attorney's fees against any resisting party or any party who filed litigation without first making a good faith attempt to mediate the dispute. This mediation requirement shall not apply where the health and safety of any of the Parties, or any of the Parties' residents, is threatened and they must seek, and have obtained, preliminary relief for the purposes of preserving health and safety.

5. No Third Party Beneficiaries: The Parties are entering into this Agreement in order to reasonably allocate existing groundwater resources between themselves and not to benefit any third parties. This agreement shall only be enforceable between the Parties themselves. This Agreement does not create any right enforceable by any person or entity that is not a party to this Agreement.

6. General Provisions:

a. The Parties warrant that all necessary approvals and authorizations have been obtained to bind them to all terms of this Agreement, and further warrant that the persons signing have authority to sign on behalf of their respective Parties.

b. Written notice under this Agreement shall be given by placing such notice in the first class mail, postage prepaid, or by hand delivery to the current address of the office of any Party to this Agreement.

c. No amendment to this Agreement will be binding on any of the Parties unless it is in writing and signed by an authorized representative of all of the Parties.

d. This Agreement will be construed in accordance with, and governed by, the laws of the State of California as applied to contracts that are executed and performed entirely in California.

e. If any provision of this Agreement is held invalid or unenforceable by any final judgment, it is the intent of the Parties that all other provisions of this Agreement be construed to remain fully valid, enforceable, and binding on the Parties.

f. This Agreement may be executed simultaneously in one or more counterparts, each of which will be considered an original, but all of which together will constitute one and the same instrument.

g. The Parties represent that prior to the execution of this Agreement, they consulted independent legal counsel of their own selection regarding the substance of this Agreement.

WHEREFORE, the Parties publicly consent to the terms and conditions of this Agreement by executing the same as set forth below.

Dated: \_\_\_\_\_, 2001. City of Arroyo Grande

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

Print Name and Title: \_\_\_\_\_

Dated: \_\_\_\_\_, 2001. City of Pismo Beach

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

Print Name and Title: \_\_\_\_\_

Dated: \_\_\_\_\_, 2001. City of Grover Beach

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

Richard W. Neufeld, Mayor

Dated: \_\_\_\_\_, 2001. Oceano Community Services District

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

Print Name and Title: \_\_\_\_\_

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

**EXHIBIT C – NORTHERN LANDOWNER SIGNATURE PAGE FOR  
SETTLEMENT AGREEMENT**

1. I am the owner and/or lessor (*circle one or both*) of at least ten acres of agricultural land in the Northern Cities Area (the area so designated on Exhibit A to this Settlement Agreement).

2. Describe the parcel(s) of agricultural land that you own or lease:

- (a) Address(es): \_\_\_\_\_
- (b) Assessor's Parcel Number(s): \_\_\_\_\_
- (c) Number of acres of agricultural land that you own or lease: \_\_\_\_\_
- (d) Approximate number of acre-feet of water pumped annually: \_\_\_\_\_.

3. I have read this Settlement Agreement. I have obtained such legal advice or other counsel regarding its terms as I deem appropriate. I understand and agree to its terms.

Dated: \_\_\_\_\_, 2002

Print Name of Owner/Lessor: \_\_\_\_\_

Title of Signer: \_\_\_\_\_

Signature: \_\_\_\_\_ *Signature Page Filed with Court*

1                    **EXHIBIT D – SIGNATURE PAGE FOR OTHER PARTIES – WATER PURVEYORS**  
2                    **AND LANDOWNERS OUTSIDE NORTHERN CITIES AREA**

3                    1.        I am a party to the Santa Maria Groundwater Litigation, or the legal  
4 representative of such a party.

5                    2.        I have read this Settlement Agreement. I have obtained such legal advice  
6 or other counsel regarding its terms as I deem appropriate. I understand and agree to its  
7 terms.  
8

9  
10 Dated: \_\_\_\_\_, 2002

11  
12 Print Name of Party(ies): \_\_\_\_\_  
13

14 Title of Signer: \_\_\_\_\_  
15

16 Signature: \_\_\_\_\_ *Signature Page Filed with Court*  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

**EXHIBIT F**

**Agreement Among City of Santa Maria, Southern California  
Water Company and City of Guadalupe  
Regarding the Twitchell Project and the TMA**

*Santa Maria Valley Water Conservation District v. City of Santa Maria*  
Santa Clara County Superior Court Case No. CV 770214

**SANTA MARIA VALLEY PUBLIC WATER PURVEYOR WATER MANAGEMENT  
AGREEMENT**

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 decisionmaking 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

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:

City of Santa Maria  
a California municipal corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_  
Fax: \_\_\_\_\_  
Phone: \_\_\_\_\_

SCWC:

Southern California Water Company,  
a California corporation

By: \_\_\_\_\_  
Name: Denise L. Kruger  
Title: Senior Vice President of Operations  
Address: 3035 Prospect Park, Suite 60  
Rancho Cordova, CA 95670  
Fax: (916) 853-3674  
Phone: (916) 853-3606

CITY OF GUADALUPE

City of Guadalupe,  
a California municipal corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_  
Fax: \_\_\_\_\_  
Phone: \_\_\_\_\_

APPROVED AS TO FORM:

By: \_\_\_\_\_  
Guadalupe City Attorney



**EXHIBIT A**  
**to**  
**STIPULATION EXHIBIT F**

## WATER MANAGEMENT AGREEMENT

This Water Management Agreement ("Agreement") is made and entered into this ~~20th~~ day of July 2004, by and between the CITY OF SANTA MARIA ("City"), a California municipal corporation, and SOUTHERN CALIFORNIA WATER COMPANY, a California corporation ("SCWC"). The City and SCWC are referred to individually as a "Party" and collectively as the "Parties".

### RECITALS

A. The City is a Charter City. The City provides potable water service to customers within the greater Santa Maria area of Santa Barbara County.

B. 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 Northern 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."

C. The City and SCWC have historically cooperated and coordinated their efforts to provide retail water service within their respective service areas.

D. Both the City and SCWC have historically relied on local groundwater to provide potable water service to their respective customers and both hold rights to pump groundwater ("Groundwater Rights") from the Santa Maria Groundwater Basin ("Basin").

E. The City and SCWC also each hold contracts to receive water from the State Water Project ("SWP Entitlement," collectively, and "City SWP Entitlement" or "SCWC SWP Entitlement," individually). Collectively, their contract entitlements total 18,350 acre-feet per year.

F. Both the City and SCWC are legally entitled to retain and recapture that portion of their respective SWP Entitlement that recharges the Basin after the consumptive use of the SWP Entitlement ("Return Flows").

G. The City and SCWC mutually acknowledge the benefits of importing SWP supplies to augment their use of local groundwater.

H. It is to the mutual advantage of the City and SCWC to have several alternatives for making use of their SWP Entitlements, Return Flows and Groundwater Rights, to create flexibility, reliability and cost-effective redundancy in their water supply systems.

I. The County of Santa Barbara ("County") regulates the land use activities within Orcutt. In 1997, the County adopted the Orcutt Community Plan ("OCP"), which establishes, among other things, certain policies regarding water supplies to be secured for new development projects in Orcutt ("Project" or "Projects"). The OCP was amended in 2001. In particular, the OCP requires that the water demand associated with Projects be offset by "supplemental" water supplies that do not result in further overdraft of the Basin ("OCP Water Policies").

J. As of the date of this Agreement, SCWC has fully reserved the SCWC SWP Entitlement for the benefit of Projects (See Section 3 below). In addition, without significant investment in and construction of additional capital facilities and/or the access to City facilities as provided in this Agreement, SCWC is unable to take delivery of the full extent of its SCWC SWP Entitlement.

K. Without the construction of additional capital facilities that extend the SCWC SWP turnout from Tanglewood to Orcutt, SCWC is unable to take delivery of any additional alternative sources of water that may comply with the OCP Water Policies, except as provided in this Agreement.

L. The City has elected to make available to certain Project proponents within Orcutt supplemental water supplies that will satisfy the OCP Water Policies applicable to Projects. (See City Resolution 2003-150, attached as Exhibit "A" ("Resolution 2003-150").)

M. SCWC and the City are also parties to litigation regarding water rights 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"))

N. The Parties intend that this Agreement provide a reliable and cost effective mechanism through which the City and SCWC can maximize the use of their respective SWP supplies within the Basin, while making the most efficient use of existing facilities to take delivery of the Parties' respective SWP supplies.

O. The Parties also intend that this Agreement establish a mechanism through which potential new SCWC customers in Orcutt may access supplemental water through the City, consistent with the OCP Water Policies.

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

**Section 1. Purpose.** The purposes of this Agreement are to: (a) provide a reliable and cost effective mechanism through which the City and SCWC can maximize the use of their respective SWP supplies within the Basin, (b) make the most efficient use of existing facilities to take delivery of the Parties' respective SWP supplies, (c) secure a reliable means of accessing Supplemental Water (defined below), and (d) fairly allocate the costs of obtaining and using Supplemental Water within the Basin. Nothing in this Agreement shall be interpreted to impose on either Party any obligation that might arise out of the final judgment entered in the Basin Adjudication, other than as expressly provided in this Agreement.

**Section 2. Term.**

2.1 This Agreement shall be effective on the date first written above ("Effective Date") and shall continue to February 25, 2038, and thereafter shall remain in effect for so long as both the City and SCWC remain SWP contractors ("Term").

2.2 While the Parties contend PUC approval of this Agreement is not required, should the PUC rule that PUC approval is required and that approval of the Agreement as written is denied, the Parties shall make every reasonable effort to modify the Agreement in a manner that the PUC will approve and that also preserves its original, essential terms.

**Section 3. Right to Acquire Water.**

3.1 The Parties acknowledge that given the limits of existing facilities, SCWC is unable to take full delivery of the SCWC SWP Entitlement through its existing SWP facilities because the water demand in the area with direct access to the SCWC SWP Entitlement (Tanglewood) is significantly less than the full SCWC SWP Entitlement. Further, SCWC has fully committed to those Projects listed in Exhibit "B" ("Committed Projects") SCWC's SWP Entitlement and the use of SCWC's existing facilities to make use of the SCWC SWP Entitlement reserved to the benefit of the Committed Projects. To take delivery of the entirety of the SCWC SWP Entitlement, SCWC must either construct additional capital facilities to extend the

SWP turnout from Tanglewood to Orcutt, and/or obtain the rights to rely on the interconnection between the SCWC and City systems, as provided in this Agreement.

3.2 SCWC agrees that, given its geographic proximity to and existing interconnection with SCWC, the City provides the best, most cost effective, and logical source of Supplemental Water for the benefit of Projects in Orcutt to which SCWC would provide retail potable water service.

3.3 For the purpose of this Agreement, "Supplemental Water" shall mean a portion of the yield of the SWP Entitlement held by the City, or a portion of the historic groundwater rights to the Basin held by the City in accordance with the final judgment entered in the Basin Adjudication.

3.4 In working with Project proponents, SCWC agrees that prior to accepting any water that is intended to satisfy the OCP Water Policies, other than the SCWC SWP Entitlement, Supplemental Water and that obtained under Section 7.1, SCWC shall:

3.4.1 Refer to the City any Project proponent that requests water service from SCWC that is also subject to the OCP Water Policies; and

3.4.2 Allow sufficient time for the City and the Project proponent to attempt to make arrangements consistent with the OCP Water Policies, this Agreement and other applicable considerations.

3.5 The City shall make available Supplemental Water to Projects in Orcutt pursuant to Resolution 2003-150 or a substantially similar policy. The City shall not unreasonably withhold Supplemental Water from Projects in Orcutt.

3.6 If any portion of SCWC's SWP Entitlement becomes uncommitted (i.e., a Committed Project is not approved for development or if the County adjusts upward the reliability factor it applies to SCWC SWP Entitlement), SCWC shall use the uncommitted SCWC SWP Entitlement as specified in this Section 3.6 and the Parties shall undertake the following:

3.6.1 SCWC shall provide written notice to the City of the availability of the SCWC SWP Entitlement ("Notice of Availability"), specifying the quantity of SCWC SWP Entitlement that has become available. Within 45 days of the Notice of Availability, the City shall pay to SCWC \$22,000 per acre foot, adjusted annually based on the consumer price index (Los Angeles-Riverside-Orange County), for the SCWC SWP Entitlement specified in the Notice of Availability. Upon provision of payment to SCWC, the City, at its sole discretion, may make

available to Project(s) in Orcutt, as otherwise provided in this Agreement, this SCWC SWP Entitlement as though it is Supplemental Water. SCWC shall continue to use the SCWC SWP Entitlement as though it is fully committed for the benefit of Projects in Orcutt.

3.7 SCWC shall be relieved of its obligation to refer the Project proponent to the City as provided in subsection 3.4, during any period which:

3.7.1 The City determines that the City has no additional Supplemental Water available for use in Orcutt, or the County determines that the City has no additional Supplemental Water available for use in Orcutt. If the Parties disagree with the County's determination, the Parties agree to use their reasonable best efforts to convince the County that the City does have available Supplemental Water.

3.8 After January 1, 2014, SCWC shall be relieved of its obligation to refer the Project Proponent to the City as provided in subsection 3.4, if one or more of the following conditions applies:

3.8.1 A source of water becomes available to SCWC for use in the Basin at a cost less than the cost of the City's Supplemental Water, on a per acre foot basis;

3.8.2 The Parties agree to meet and confer in good faith to attempt to resolve any issues that arise pursuant to this Section 3.8 prior to SCWC seeking an alternative source of water.

3.9 The Parties acknowledge and agree that this Agreement is not a mechanism through which SCWC may use the City's water distribution system to access alternative sources of water, either directly or indirectly, except as expressly provided in this Agreement.

**Section 4. Interconnection.** The Parties have previously established an interconnection between their respective water distribution facilities, consisting of a two-way meter, meter vault and appurtenances located inside the meter vault ("Interconnection"). The Interconnection is located at Miller Street and Santa Maria Way. The maintenance, repair and improvements to the Interconnection shall be managed as follows:

4.1 The Parties shall share equally the costs of all maintenance and repairs on the Interconnection. SCWC shall be responsible for physically implementing the ongoing maintenance and repair of the Interconnection, subject to the City's prior review of the maintenance and repair plans.

4.2 The Parties shall share the costs of any needed improvements to the Interconnection one-fourth ( $\frac{1}{4}$ ) by the City and three-fourths ( $\frac{3}{4}$ ) by SCWC. Unless otherwise arranged between the Parties, SCWC shall be responsible for physically implementing any improvements to the Interconnection. The City shall provide prior input and approval of any improvements to the Interconnection.

4.3 Both the City and SCWC shall have reasonable access to the meter at the Interconnection.

**Section 5. Delivery of Water Through the Interconnection.** Either Party may take delivery of water through the Interconnection subject to the following conditions (for the purpose of this Agreement, the Party taking delivery shall be referred to as the "Receiving Party" and the Party supplying the water shall be referred to as the "Supplying Party"):

5.1 As a Receiving Party, SCWC shall have a first priority right to use the Interconnection to take delivery each Year (defined below) of only that amount of SCWC SWP Entitlement that SCWC cannot take delivery of through SCWC's own facilities. In addition, each Year, SCWC's receipt of water through the Interconnection pursuant to this Section shall be limited to that quantity of SCWC's SWP Entitlement SCWC has made available for the City's receipt during that Year, at the City's SWP turnout within the City. The City may impose reasonable limitations on the rate of water SCWC takes through the Interconnection subject to this subsection 5.1.

5.2 Subject to SCWC's use of the Interconnection as provided in Section 5.1, either Party may use the Interconnection to take delivery of water by providing the Supplying Party at least 48 hours advance notice of the quantity and rate at which water will be taken.

5.3 Other than as provided in subsection 5.1, the Supplying Party may impose reasonable limitations on the rate and quantity of water to be taken through the Interconnection. Each Party is under an affirmative obligation to accommodate reasonable requests for use of the Interconnection, subject to SCWC's priority right provided in Section 5.1. Unless otherwise agreed between the Parties, the use of the Interconnection other than as provided in Section 5.1 shall be interim and temporary in nature.

5.4 Payment for receipt of water through the Interconnection shall be made in accordance with Section 6.

**Section 6. Payments for Delivered Water.** The Receiving Party shall pay to the Supplying Party for receipt of water through the Interconnection, as follows:

6.1 Section 5.1 deliveries. For use of the Interconnection as provided in Section 5.1, SCWC shall pay to the Central Coast Water Authority ("CCWA") all costs associated with making available to the City, at the City's SWP turnout within the City, that quantity of the SCWC SWP Entitlement equivalent to that amount of water SCWC intends to receive through the Interconnection. Payment shall be made in accordance with applicable CCWA policies.

6.2 Section 5.2 deliveries. For delivery of water obtained through the Interconnection pursuant to Section 5.2, the Receiving Party shall pay the Supplying Party a per acre-foot charge equivalent to the Supplying Party's cost of producing the water for that Year. The Supplying Party shall determine cost of producing water and shall provide the Receiving Party with an itemized statement summarizing those costs. The Parties agree to meet and confer in good faith regarding any dispute in determining the cost of producing water.

6.3 Neither Party shall be obligated to pay any charge, other than as provided in this Section.

6.4 For the purpose of this Agreement, a "Year" shall refer to a water year commencing on October 1 and ending in the subsequent year on September 30. The Payments required in Section 6.2 shall be made annually, on or before November 1 of each Year, based on actual metered receipt of water through the Interconnection.

**Section 7. Additional Supplemental Water.** In exchange for the commitments in Section 3 and as an element of consideration for those commitments, the City hereby provides to SCWC, upon the Effective Date, the right to take delivery of 20 acre-feet of Supplemental Water annually for the Term of this Agreement, at no cost to SCWC. The City provides these 20 acre-feet of Supplemental Water under the same terms and conditions provided in Resolution 2003-150. If the County determines that Supplemental Water provided pursuant to Resolution 2003-150 does not satisfy the OCP Water Policies, the City shall provide SCWC at no cost, 20 acre-feet per year of water through the Interconnection, in addition and subject to the same priority as that amount of water SCWC can obtain under Section 5.1. SCWC shall have the right to use 20 acre-feet of water provided in this Section 7 for the benefit of any residential Project.



**Section 8. Service Area Integrity.** Nothing in this Agreement is intended nor shall it be interpreted to waive either Party's rights to provide water service to current or future areas within or adjacent to their existing service areas. Should the City seek to acquire (by any means) any portion of, or all of the SCWC certificated service area in SCWC's Santa Maria Customer Service Area, the City shall pay as fair compensation, the greater of 10 times the SCWC rate base or the court-approved fair compensation.

**Section 9. Representations or Warranties of City.** The City makes the following representations, warranties and covenants to SCWC:

9.1 Power and Authority to Execute and Perform this Agreement. The City 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 the City, and is enforceable against the City in accordance with its terms.

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

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 the conditions of Section 2.2, 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. The City agrees that nothing in this representation, warranty or covenant shall be interpreted or applied to negate the City's indemnity obligations provided in Section 12.

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

**Section 11. Termination.** This Agreement shall terminate as described in Section 2. If this Agreement is terminated prior to the expiration of the Term, its termination shall not impact: (a) any other agreements regarding Supplemental Water between the City and Project proponents, and SCWC and Project proponents, (b) the provision of water to SCWC pursuant to Section 7 and (c) the payments and associated commitments, if any, regarding the SCWC SWP Entitlement between the City and SCWC made pursuant to Section 3.6.

**Section 12. Indemnity.**

12.1 The City shall hold harmless, defend and indemnify SCWC, its directors, employees, agents, successors and assigns (all of which are herein referred to as the "SCWC Indemnified Parties") from and against all liabilities, obligations, claims, damages, losses, actions, judgments, suits, costs and expenses, including but not limited to reasonable attorneys' fees (collectively, "Damages"), which may be imposed on, incurred by, or asserted against the SCWC Indemnified Parties as a result of or arising out of the restrictions placed on SCWC's access to Supplemental Water as provided in Section 3, and/or the implementation of this Agreement as of the Effective Date as provided in Section 2. This indemnification shall survive termination of the Agreement.

12.2 Promptly following notice of any claim for which SCWC is indemnified, SCWC shall notify the City of such claim in writing. The City shall thereafter defend against such claim, in consultation with SCWC, in a manner the Parties mutually deem appropriate, including settlement on such terms as SCWC and the City both approve. The City and SCWC shall mutually select counsel. SCWC may also elect to have separate representation at its sole discretion and cost. If the City fails to promptly defend such claim, SCWC may defend the claim in any manner it deems appropriate and with counsel of its choice, including without limitation, settlement of the claim on terms SCWC deems appropriate, and to pursue such remedies as may be available to SCWC against the City.

**Section 13. 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 either Party from also using any other remedies provided by this Agreement or by law.

**Section 14. No Transfer of Water Rights or Contracts.** The rights granted pursuant to this Agreement constitute the right to take delivery of water only and shall not be interpreted as a sale, transfer, or assignment of either Party's water rights or contract entitlements.

**Section 15. 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 16. Entire Agreement.** This Agreement contain the entire understanding between SCWC and the City with respect to the subject matter, and supersedes all prior agreements, oral or written, and all prior or contemporaneous discussions or negotiations between SCWC and the City. This Agreement cannot be amended except in writing signed by both Parties.

**Section 17. No Waiver.** Any failure or delay on the part either 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 18. 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 19. 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 20. 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 21. Binding Effect Assignment.** This Agreement shall be binding on and inure to the benefit of the Parties, and their respective successors and permitted assigns. Neither Party shall assign this Agreement except with the prior written approval of the other Party. 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 22. 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 both 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 23. 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, either 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 either Party shall be extended for as long as it is so prevented from complying with any condition or covenant in the Agreement.

**Section 24. Governing Law and Venue.** This Agreement is a contract governed in accordance with the laws of the State of California. THE PARTIES HEREBY AGREE THAT VENUE FOR ANY ACTION BROUGHT TO ENFORCE THE TERMS OF THIS AGREEMENT SHALL BE IN A COURT OF COMPETENT JURISDICTION IN THE COUNTY OF SANTA BARBARA, CALIFORNIA, AND CONSENT TO THE JURISDICTION THEREOF.


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

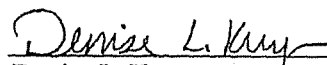
CITY:

SCWC:

City of Santa Maria  
a California municipal corporation

Southern California Water Company,  
a California corporation

By:   
Name: L. J. Lavagnino  
Title: Mayor

By:   
Name: Denise L. Kruger  
Title: Senior Vice President of Operations

Address: 110 E. Cook Street  
Santa Maria, CA 93454

Fax: (805) 349-0657

Phone: (805) 925-0951, ext. 200

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

Fax: (916) 853-3674

Phone: (916) 853-3606

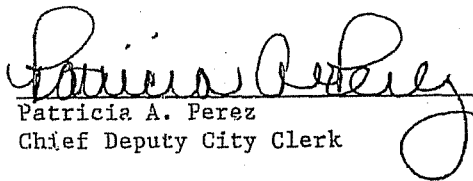
APPROVED AS TO FORM:

Best Best & Krieger LLP

By:

  
Eric Garner, Partner

ATTEST:

  
Patricia A. Perez  
Chief Deputy City Clerk

**EXHIBIT A**

**RESOLUTION NO. 2003 - 150**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF  
SANTA MARIA, CALIFORNIA APPROVING THE SALE OF UP  
TO 400 ACRE-FEET ANNUALLY OF SUPPLEMENTAL STATE  
WATER PROJECT YIELD AND AUTHORIZING THE CITY  
MANAGER TO EXECUTE AGREEMENTS FOR THE SALE OF  
UP TO 400 ACRE-FEET ANNUALLY OF SUPPLEMENTAL  
STATE WATER PROJECT YIELD**

WHEREAS, the City of Santa Maria ("City") holds contracts to receive water from the State Water Project ("Project"), and can import up to 17,820 acre feet of water per year from the Project; and

WHEREAS, the City also holds rights to pump groundwater from the Santa Maria Valley Groundwater Basin ("Basin"); and

WHEREAS, the County of Santa Barbara ("County") regulates the land use activities within the Orcutt area. In 1997, the County adopted the Orcutt Community Plan ("OCP"), which establishes, among other things, certain policies regarding water supplies to be secured for new development projects in Orcutt. The OCP requires that the water demand associated with projects be offset by "supplemental" water supplies that do not result in further overdraft of the Basin; and

WHEREAS, the City has water available for use in the Orcutt area pursuant to the OCP, that is surplus to that needed to serve the City's current and long-term future anticipated demands; and

WHEREAS, "Supplemental Water" shall mean a portion of the yield of the SWP entitlement held by the City, or a portion of the historic groundwater rights to the Basin held by the City in accordance with the final judgment entered in *Santa Maria Valley Water Conservation District v. City of Santa Maria, et al.*, Superior Court, County of Santa Clara, Lead Case No. CV 770214; and

WHEREAS, the sale of up to 400 acre-feet of Project water will not change the existing setting and will not affect the net amount of water that will be extracted from the Basin; and

WHEREAS, the City is willing to enter into agreements to provide up to 400 acre-feet annually of supplemental water to individual property owners for the benefit of the individual property owners and their associated Projects.

**NOW, THEREFORE, IT IS HEREBY RESOLVED** by the City Council of the City of Santa Maria as follows:

1. The City Council approves the sale of up to 400 acre-feet annually of Supplemental water.

2. The City Manager is authorized and directed to execute agreements substantially in the form provided for the sale of up to 400 acre-feet of Supplemental water per year for municipal use for the purpose of satisfying the Orcutt Community Plan's policies regarding water supplies.

3. City staff is hereby authorized to make minor changes to the final agreement and directed to file any and all notices that may be required by law.

**PASSED AND ADOPTED** at a regular meeting of the City Council of the City of Santa Maria held August 5, 2003.

/S/ L. J. LAVAGNINO

Mayor

ATTEST:

/s/PATRICIA A. PEREZ

City Clerk

APPROVED AS TO FORM:

BY: [Signature]  
CITY ATTORNEY

CONTENTS:

BY: [Signature]  
DEPARTMENT HEAD

BY: [Signature]  
CITY MANAGER



STATE OF CALIFORNIA            )  
COUNTY OF SANTA BARBARA    ) ss.  
CITY OF SANTA MARIA            )

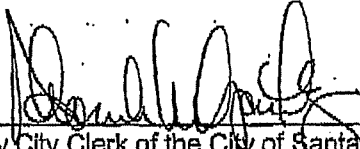
I, **RHONDA M. GARIETZ**, Deputy City Clerk of the City of Santa Maria and ex officio Clerk of the City Council DO HEREBY CERTIFY that the foregoing is a full, true and correct copy of **Resolution No. 2003-150** which was duly and regularly introduced and adopted by said City Council at a regular meeting held **August 5, 2003**, by the following vote:

**AYES:**       **Councilmembers Mariscal, Orach, Patino, Trujillo and Mayor Lavagnino.**

**NOES:**       **None.**

**ABSENT:** **None.**

**ABSTAIN:** **None.**

  
\_\_\_\_\_  
Deputy City Clerk of the City of Santa Maria  
and ex officio Clerk of the City Council

## EXHIBIT B

### SCWC SWP ENTITLEMENT: PROJECT LIST

| PROJECT                             | TYPE                   | QUANTITY        |
|-------------------------------------|------------------------|-----------------|
| Oak Knolls<br>South                 | Residential            | 3.36 af         |
| Mesa Verde                          | Residential            | 33 af           |
| Orthodox<br>Church                  | Commercial             | 1.6 af          |
| Fundamental<br>Baptist<br>Church    | Commercial             | 0.6 af          |
| Orcutt<br>Marketplace               | Commercial             | 37 af           |
| Rice Ranch                          | Residential            | 350 af          |
| Eskridge Lot<br>Split               | Residential            | 0.5 af          |
| Diamante<br>Estates                 | Residential            | 9 af            |
| Hummel<br>Village/Senior<br>Housing | Commercial/Residential | 3.5 af          |
| <b>TOTAL</b>                        |                        | <b>438.6*af</b> |

\* Because the County of Santa Barbara considers State Water Project water less than 100% reliable, the County applies a reliability factor to the SCWC SWP Entitlement. For the purposes of the projects on this Exhibit B, the County has adopted a 79% reliability factor for the SCWC SWP Entitlement. Based on this reliability factor, the County considers the entirety of the SCWC SWP Entitlement fully committed.

**EXHIBIT B**  
**to**  
**STIPULATION EXHIBIT F**

**DRAFT: Subject to Ratification by the TMA**

**Exhibit B**

**SANTA MARIA VALLEY PUBLIC WATER PURVEYOR WATER  
MANAGEMENT AGREEMENT**

**Twitchell Management Authority  
Annual Budget  
Applicable for 2006-2011**

| <b>Item</b>  | <b>Amount</b> |
|--|---------------|
| Administration   | \$50,000      |
| Management Area<br>Engineer                                    | \$100,000     |
| Twitchell Operation<br>(including Twitchell<br>Project Manual) | \$300,000     |
| Monitoring<br>Program/Annual Report                            | \$100,000     |
| Reserves   | \$100,000     |

**EXHIBIT C**  
**to**  
**STIPULATION EXHIBIT F**

## SUPPLEMENTAL WATER PURCHASE AGREEMENTS

City of Santa Maria and OakGlen General Partnership dated July 31, 2003 – Project known as OakGlen – 22 afy.

City of Santa Maria and Ronald Chappell and Raymond Gonzales dated July 31, 2003 – Project known as 1374 Solomon – 1 afy.

City of Santa Maria and SB Clark LLC dated July 31, 2003 – Project known as Clark Ranch Estates – 200 afy.

City of Santa Maria and Wellmack dated August 18, 2003 – Project known as Jensen's Crossing/Cobblestone Creek – 59 afy.

City of Santa Maria and Harpstone Parntership LP dated August 18, 2003 – Project known as Harp Springs – 26.5 afy.

City of Santa Maria and Stonegate Development LP dated August 18, 2003 – Project StoneGate – 11 afy.

City of Santa Maria and Old Mill Orcutt Venture, LLC dated August 18, 2003 – Project known as Old Mill – 26 afy.

City of Santa Maria and Andy Fetyko dated January 15, 2004 – Project known as Keysite 10 – 10 afy.

City of Santa Maria and Steve LeBard and Debbie LeBard dated February 11, 2004 – Project known as LeBard Project – 2 afy.

City of Santa Maria and Knollwood Properties LP dated March 23, 2004 – Project known as Knollwood Meadows Phase II – 10 afy.

City of Santa Maria and Walter Mendoza dated May 19, 2003 – 1 afy.

City of Santa Maria and Darren Hulstine dated November 17, 2004 – Property located at 1430 Solomon Road – 1 afy.

City of Santa Maria and Cameron Realty Partners dated July 28, 2004 – Project known as Keysite 10 – 10 afy.

City of Santa Maria and David Daniels undated – Project known as 520 W. Rice Ranch Road – ½ afy.

City of Santa Maria and Chris Henderson dated November 30, 2004 – Project known as 295 Siles Lane -- +/- ½ afy.

City of Santa Maria and Simonsen & Associates dated March 1, 2005 – Project known as

Hummel Village II – 3.01 afy.

City of Santa Maria and East Clark Avenue Partnership undated but returned signed on May 9, 2005 – Project known as 250 E. Clark Avenue – 4 afy.

City of Santa Maria and Thor Gjerdrum dated May 12, 2005 – Project known as Rice Oak -- .75 afy

**EXHIBIT G**

**Court's Order Concerning Electronic Service of Pleadings  
and Electronic Posting of Discovery Documents  
dated June 27, 2000**

*Santa Maria Valley Water Conservation District v. City of Santa Maria*  
Santa Clara County Superior Court Case No. CV 770214





1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

the attorneys) and transcripts of Court proceedings (when they are brief) and access to such transcripts by the parties.

B. The Website address is <http://www.sccomplex.org>. A dedicated link to the Santa Maria Groundwater Litigation is contained on the home page of this site.

C. The Court's Website will be maintained, and the tasks required of the Website will be conducted by, the Court's outside Website Vendor:

Andy Jamieson  
Global Transactions, Inc.  
519 17<sup>th</sup> St., Oakland, CA 94612  
Telephone: 510-548-9050  
Email: [ajam@glotans.com](mailto:ajam@glotans.com)

D. This Order supercedes and entirely replaces parts VII ("Document Repository") and VIII ("Filing and Service of Papers") of the Court's Case Management Order No. 4. All other parts of Case Management Order No. 4 remain unaffected.

E. The term "Document Repository" as used in Case Management Order No. 4 shall mean the Court's Website.

II. SERVICE LISTS

A. The firm of Hatch & Parent shall compile an initial service list consisting of the service addresses of all parties to the case.

B. On or before July 7, 2000, all parties shall submit to Hatch & Parent the address at which they wish to receive service. Service addresses may be submitted electronically to: [GLane@HatchParent.com](mailto:GLane@HatchParent.com), or by facsimile to Gina Lane, Hatch & Parent, 805-965-4333.

Parties must elect one of the following three service options. All parties who are able must opt for email service.

1. Parties receiving service electronically shall provide a current electronic mail address, and a backup facsimile number.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

- 2. Parties without email who elect fax service shall provide a current facsimile number.
- 3. Other parties receiving service by U.S. Mail shall provide a current U.S. Mail address.

The court will notify email recipients that a document has been posted; parties must serve other parties by fax and mail.

- C. On or before July 10, 2000, Hatch & Parent shall transmit the initial electronic, facsimile and U.S. Mail service lists to the Website Vendor, based on the addresses submitted by the parties.
- D. All parties are obligated to check their email addresses on the website and notify the vendor immediately of any errors.
- E. New parties, upon making their first appearance in this case, will be required to elect their preferred method of service (i.e. electronic, facsimile, or U.S. Mail).
- F. Parties making any additions, corrections or changes to the electronic, facsimile, or U.S. Mail service lists after June 26, 2000, shall submit their changes directly to the Website Vendor. The Website Vendor shall post and keep current the electronic, facsimile, and U.S. Mail service lists on the Website.
- G. Once a party posts a document, the court, through its website, will make email service. The parties are under a continuing obligation to make fax and mail service of the notice of posting in the normal manner.

///  
///  
///  
///  
///

1 III. PLEADING DOCUMENTS

2 A. POSTING OF PLEADING DOCUMENTS

- 3 1. Commencing on July 11, 2000, all parties, including parties who elect service  
4 options two (2) and three (3), will be required to serve all Pleading Documents<sup>1</sup>  
5 by posting them on the Website. Parties without Internet access will have to  
6 seek it out at the public library or at copy stores.
- 7 2. Instructions for posting will be provided on the Website itself. Documents  
8 posted shall be catalogued according to the instructions provided. The posting  
9 party shall provide: its name, the complete title of the document, and the date of  
10 posting. All Pleading Documents will be posted to the Website in xml text  
11 format (with a copy in PDF format being optional). All Adobe Acrobat  
12 resources can be obtained from [www.abode.com](http://www.abode.com).
- 13 3. Once a Pleading Document has been posted to the Website, no change shall be  
14 made to that document by any party. No Pleading Document posted to the  
15 Website shall be removed from the Website except upon further Order of the  
16 Court.
- 17 4. Exhibits attached to Pleading Documents shall be submitted as image file  
18 attachments in .GIF or .JPG form.
- 19 5. For all Pleading Documents in this case served prior to July 11, 2000, the  
20 serving party shall post a copy of that document to the Website no later than  
21 August 10, 2000.

22 ///

23 \_\_\_\_\_  
24 1 "Pleading Document" means: pleadings or any other documents produced in the course of this  
25 action and required to be filed with the Court, including, but not limited to: (1) all  
complaints, cross-complaints and answers, including amendments thereto; (2) all demurrers,  
opposition to demurrers and replies; (3) all writ petitions and orders thereon; (4) all  
motions, oppositions to motions and replies; (5) all proposed orders; (6) all expert  
designations; and (7) all trial briefs.

1 6. Nothing in this Order modifies the manner of obtaining personal jurisdiction  
2 (through service of process) over a party who has not appeared in these  
3 consolidated actions. Service of process shall proceed in the regular manner  
4 provided under California law.

5 B. ELECTRONIC SERVICE AND CONFIRMATION OF RECEIPT

- 6 1. The Website will be configured to transmit automatically an electronic "Notice  
7 of Availability" to all parties on the electronic service list notifying them that a  
8 Pleading Document has been served on them and is available for their review on  
9 the Website.
- 10 2. Any party posting a Pleading Document on the Website who does not receive  
11 electronic notice indicating that service of their document has been made shall,  
12 within 12 hours of its posting, notify the Website Vendor of this problem.
- 13 3. All Parties electronically served shall confirm receipt of electronic service by  
14 replying to the electronic mail "Notice of Availability" message received by no  
15 later than 5:00 p.m. on the next business day following posting of the document  
16 served, not including weekends and holidays. (For instance, an electronic  
17 "Notice of Availability" transmitted at 4:59 p.m. on a Thursday must be  
18 confirmed by 5:00 p.m. on Friday. Electronic Notice of Availability transmitted  
19 at 5:01 p.m. on a Thursday must be confirmed by 5:00 p.m. on the following  
20 Monday.) To confirm receipt, simply select "Reply" and then "Send."
- 21 4. Parties who fail to confirm receipt of electronic service within the time period  
22 specified above will automatically receive a "Notice of Availability" by  
23 facsimile from the Court's Website Vendor. A party's repeated failure to timely  
24 confirm receipt of electronic service will be reported to the Court, and the court  
25

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

will require the party to personally appear to explain his failure to comply with the court's electronic service requirements.

C. FACSIMILE AND U.S. MAIL SERVICE

1. Commencing on July 11, 2000, in addition to posting all Pleading Documents on the Website, all parties shall serve, by facsimile and U.S. Mail as applicable, a "Notice of Availability" on all parties electing to receive service by facsimile or U.S. Mail shall be sufficient to constitute service of the Pleading Document itself.
2. The "Notice of Availability" shall contain; (1) the serving party's name and contact information; (2) the title of the document posted on the Website; and (3) the date of posting; and shall indicate that the document served is available for viewing on the Website.

D. PROOF OF SERVICE

3. All Pleading Documents posted to the Website shall contain a Proof of Service. The Proof of Service shall be sufficient if it indicates: (1) the title of the Pleading Document posted; (2) the date and time of posting; (3) that a "Notice of Availability" has been faxed to all parties on the Website's current facsimile service list; and (4) that a "Notice of Availability" has been mailed to all parties on the Website's current U.S. Mail service list.

///  
///  
///  
///  
///

1 IV. DISCOVERY DOCUMENTS

2 A. POSTING OF DISCOVERY DOCUMENTS

3 1. Commencing on July 11, 2000, Discovery Documents<sup>2</sup> that are written requests  
4 for discovery or written responses to those requests shall be posted to the  
5 Website and served in the same manner as Pleading Documents. For all  
6 Discovery Documents that are written requests for discovery or written  
7 responses to those requests that are produced prior to July 11, 2000, the  
8 producing party shall post a copy of that document to the Website no later than  
9 August 10, 2000.

10 2. Commencing on July 11, 2000, Discovery Documents that are deposition  
11 transcripts (including exhibits), whether party or non-party, shall be posted to the  
12 Website and served by the noticing party in the same manner as Pleading  
13 Documents. Deposition transcripts shall be posted promptly after receipt of the  
14 transcript. For all Discovery Documents that are deposition transcripts  
15 (including exhibits) that are produced prior to July 11, 2000, the noticing party  
16 shall post a copy of that document to the Website no later than August 10, 2000.

17 3. Commencing on July 11, 2000, documents produced in response to a demand for  
18 inspection and copying of documents shall be produced by the  
19 producing/responding party as follows:

- 20 a. All parties are required to produce documents electronically.  
21 b. To ensure quality control and uniformity of imaging and indexing, all  
22 parties are required to utilize the Document Services Vendor approved  
23

24  
25 <sup>2</sup>"Discovery Documents" means: non-pleading, discovery documents, including, but limited to:  
(1) all written discovery requests; (2) all written responses to discovery requests; (3)  
documents produced in response to requests or demands for production of documents; (4) all  
deposition transcripts; (5) all privilege logs; and (6) all trial exhibits.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

by the Court: APS, 3485 Sacramento Drive, Suite H, San Luis Obispo, California 93401, (805) 545-9100. All parties shall contact APS directly to establish their individual accounts with the Document Services Vendor.

- c. Documents produced by a party shall be provided to the Document Services Vendor not later than 15 days after the date of service of the written response (unless another time is set by agreement of the parties or by Order of Court).
- d. Upon production of document(s) to the Document Services Vendor, the producing/responding party shall post on the Website a "Notice of Submission of Discovery Documents to the Document Services Vendor" indicating: (1) the name of the producing/responding party; (2) the name of the propounding party; (3) the title of the document requesting the production; and (4) the date of the production.
- e. The Document Services Vendor will apply a standard indexing protocol (including electronic "Bates" stamping and bibliographic fields).
- f. The Document Services Vendor will transmit electronic images of the documents produced directly to the Website Vendor. The Website Vendor will then post those documents to the Website on behalf of the producing/responding party, and will notify the producing/responding party of this fact.
- g. Documents previously produced shall be submitted to the Document Services Vendor on or before July 17, 2000.

**B. COSTS**

- 1. Each party producing Discovery Documents shall be responsible for the scanning/imaging and indexing costs charged by the Document Services Vendor



1 for those services, and any and all costs associated with transmitting these  
2 documents to the Website Vendor, as described below.

3 2. A party utilizing the Document Services Vendor for any other services (e.g.,  
4 obtaining electronic images of produced documents on CD Rom) shall be  
5 responsible for all costs associated with those other services.

6 3. For non-party document productions, the requesting party shall be responsible  
7 for posting the documents and for the costs charged by the Document Services  
8 Vendor to scan/image and index the documents.

9 **C. PROTECTIVE ORDERS**

10 1. The Court's standard procedures shall apply to any party seeking to protect or  
11 limit disclosure of information in a Discovery Document. In lieu of posting of  
12 electronic images for documents subject to Court-ordered protection or  
13 limitations on disclosure, the Website shall contain a listing of the document and  
14 identifying information (including at least the title and description of the  
15 document), information on the nature of the protection or limitation ordered by  
16 the Court, and information on how to obtain the document.

17 **V. FILING OF DOCUMENTS WITH THE COURT AND EFFECTIVE DATE OF**  
18 **SERVICE**

19 A. Notwithstanding the procedures for posting Pleading Documents on the Website  
20 provide by this Order, no party is relieved of its responsibility to file any and all  
21 documents required by law with this Court.

22 B. All Pleading Documents and any other documents required to be filed with the Court  
23 may be filed with the Court by facsimile.

24 C. For purposes of a party's obligation to produce and/or serve upon another party a  
25 document, that party shall be deemed to have produced/served the document on the date  
on which the document was posted to the Website or submitted to the Document

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

Services Vendor (as applicable). Documents posted to the Website or submitted to the Document Services Vendor after the close of a business day (5:00 p.m.) shall be deemed to have been produced/served on the next business day.

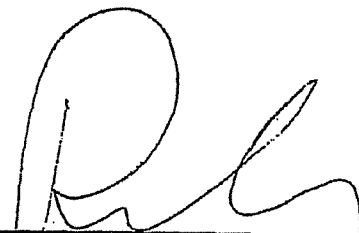
D. For purposes of a party's obligation to respond to any document served on him, service by electronic posting, facsimile and U.S. Mail in accordance with this Order shall be deemed to be service by facsimile transmission in accordance with Code of Civil Procedure section 1013(e), and the time obligations and duties of the parties shall be governed as if such service had been made by facsimile transmission.

E. All parties are under a continuing obligation to post all Pleading Documents and Discovery Documents to the Website, in the manner described in this Order.

VI. STAY

A. The stay on responsive pleadings imposed by the court at the May 12, 2000 hearing is lifted. Responsive pleadings are due July 17, 2000 and shall be posted in accordance with section III.A.2. of this order.

Dated this 27<sup>th</sup> day of June, 2000

  
\_\_\_\_\_  
CONRAD L. RUSHING  
Judge of the Superior Court

**EXHIBIT H**

**Form of Memorandum of Agreement to be Recorded**

*Santa Maria Valley Water Conservation District v. City of Santa Maria*  
Santa Clara County Superior Court Case No. CV 770214

**Attached are two draft forms of Exhibit H. One form is intended to be used for recordation of notice of the Stipulation for properties located within Santa Barbara County, and the other form for properties located within San Luis Obispo County.**

**RECORDING REQUESTED BY:**

**XYZ CORPORATION**

**WHEN RECORDED MAIL TO:**

**CITY OF SANTA MARIA  
A California municipal corporation  
110 E. Cook Street  
Santa Maria, CA 903454**

**THIS SPACE RESERVED FOR RECORDER ONLY  
(Gov. Code 27361.6)**

---

**NOTICE OF AGREEMENT BY STIPULATION**

---

**THIS NOTICE** ("Notice") is authorized and required to be recorded in Santa Barbara County by order of the Superior Court of the County of Santa Clara and Government Code Section 27201.

Effective \_\_\_\_\_, 2005 the Clerk of the Court for Santa Clara County has entered a written stipulation in the matter of *Santa Maria Valley Water Conservation District v. City of Santa Maria*, Santa Clara County Superior Court, Lead Case No. CV 770214 (hereinafter "Stipulation") affecting the use of water rights in the Santa Maria Groundwater Basin as more particularly described in the Stipulation. A copy of the Stipulation is on file with and may be viewed at the Santa Clara County Superior Court, City of Santa Maria, City of Guadalupe, and County of Santa Barbara. The below stated Stipulating Party and its real property located in Santa Barbara County bound by the terms of the Stipulation is identified in Exhibit "A" attached hereto and incorporated herein.

**XYZ CORPORATION  
A California corporation**

By:  
Name:  
Title:

# EXHIBIT "A"

## STIPULATING PARTY AND PROPERTY DESCRIPTION (Santa Barbara County)

| <u>Stipulating Party</u> | <u>Property Description</u>  |
|--------------------------|--|
| XYZ Corporation          | (APN 101-040-014)<br><br>NW ¼ of SW ¼, Section 1, R 29E, T<br>30S, MDB&M<br><br>(APN 101-040-019)<br><br>As described in that certain recorded<br>instrument No. 123, Recorded June<br>29, 2001, Book 123, Page 111, Santa<br>Barbara County Recorder. |



**RECORDING REQUESTED BY:**

**XYZ CORPORATION**

**WHEN RECORDED MAIL TO:**

**NIPOMO COMMUNITY SERVICES  
DISTRICT**

**A California CSD  
148 South Wilson Street  
Nipomo, CA 93444**

**THIS SPACE RESERVED FOR RECORDER ONL  
(Gov. Code 27361.6)**

---

**NOTICE OF AGREEMENT BY STIPULATION**

---

**THIS NOTICE** ("Notice") is authorized and required to be recorded in San Luis Obispo County by order of the Superior Court of the County of Santa Clara and Government Code Section 27201.

Effective \_\_\_\_\_, 2005 the Clerk of the Court for Santa Clara County has entered a written stipulation in the matter of *Santa Maria Valley Water Conservation District v. City of Santa Maria*, Santa Clara County Superior Court, Lead Case No. CV 770214 (hereinafter "Stipulation") affecting the use of water rights in the Santa Maria Groundwater Basin as more particularly described in the Stipulation. A copy of the Stipulation is on file with and may be viewed at the Santa Clara County Superior Court, Nipomo Community Services District, Oceano Community Services District, City of Arroyo Grande, City of Grover Beach, City of Pismo Beach, and County of San Luis Obispo. The below stated Stipulating Party and it's real property located in San Luis Obispo County bound by the terms of the Stipulation are identified in Exhibit "A" attached hereto and incorporated herein.

**XYZ CORPORATION**  
A California corporation

By:  
Name:  
Title:

# EXHIBIT "A"

## STIPULATING PARTY AND PROPERTY DESCRIPTION (San Luis Obispo County)

| <u>Stipulating Party</u> | <u>Assessors Parcel Number</u>   |
|--------------------------|--|
| XYZ Corporation          | (APN 101-040-014)<br><br>NW ¼ of SW ¼, Section 1, R 29E, T<br>30S, MDB&M<br><br>(APN 101-040-019)<br><br>As described in that certain recorded<br>instrument No. 123, Recorded June<br>29, 2001, Book 123, Page 111, San<br>Luis Obispo County Recorder. |





1 Scott S. Slater (State Bar No. 117317)  
 Robert J. Saperstein (State Bar No. 166051)  
 2 Stephanie Osler Hastings (State Bar No. 186716)  
 HATCH & PARENT, A LAW CORPORATION  
 3 21 E. Carrillo Street  
 Santa Barbara, CA 93101  
 4 Telephone No.: (805) 963-7000  
 Facsimile No.: (805) 965-4333

5 Attorneys for Defendants, Cross-Complainants and Cross-Defendants  
 6 SOUTHERN CALIFORNIA WATER COMPANY, RURAL  
 WATER COMPANY and OAK- GLEN PARTNERSHIP

8 **SUPERIOR COURT OF THE STATE OF CALIFORNIA**  
 9 **COUNTY OF SANTA CLARA**

11 SANTA MARIA VALLEY WATER )  
 12 CONSERVATION DISTRICT, a public entity,) )  
 13 Plaintiff, )  
 14 v. )  
 15 CITY OF SANTA MARIA, etc., et al., )  
 16 Defendants. )

**SANTA MARIA GROUNDWATER  
 LITIGATION  
 LEAD CASE NO. CV 770214  
 (CONSOLIDATED FOR ALL PURPOSES)**

[Consolidated with Case Nos.:  
 CV 784900 CV 784921 CV 784926  
 CV 785509 CV 785511 CV 785515  
 CV 785522 CV 785936 CV 786971  
 CV 787150 CV 787151 CV 787152  
 CV 790597 CV 790599 CV 036410

17 AND RELATED CROSS-ACTIONS AND )  
 18 ACTIONS CONSOLIDATED FOR ALL )  
 19 PURPOSES )

San Luis Obispo County Superior Court Case  
 Nos. 990738 and 990739]  
 [Assigned to Judge Jack Komar for All  
 Purposes]

21 **NOTICE OF AVAILABILITY**

22 Pursuant to the Court's Order dated June 28, 2000, the following documents were posted onto  
 23 the complex litigation website of the Santa Clara County Superior Court ([www.sccomplex.org](http://www.sccomplex.org)):

- 24 • Stipulation (June 30, 2005 Version)
- 25 • Amendments to Stipulated Posted on June 23, 2005

26 The above-named documents were posted on June 30, 2005, at approximately 4:30 p.m. on  
 27 behalf of Hatch & Parent, attorneys of record for Southern California Water Company, Rural Water  
 28 Company and Oak-Glen Partnership in the above-referenced case. The documents are available for

**HATCH AND PARENT**  
 21 East Carrillo Street  
 Santa Barbara, CA 93101

1 viewing on the website at any time.

2 This Notice of Availability has been faxed or mailed, depending on each party's elected  
3 method of service, to all parties on the Service List.

4 I declare under penalty of perjury under the laws of the State of California that the above is  
5 true and correct. Executed on June 30, 2005, at Santa Barbara, California.

6

7

*Gina Lane*  
\_\_\_\_\_  
Gina Lane

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

**HATCH AND PARENT**  
21 East Carrillo Street  
Santa Barbara, CA 93101