

TO: BOARD OF DIRECTORS

FROM: MARIO E. IGLESIAS 
GENERAL MANAGER

DATE: JANUARY 4, 2018

**AGENDA ITEM
E-1
JANUARY 10, 2018**

RATIFY 2018 BOARD COMMITTEE ASSIGNMENTS

ITEM

Ratify 2018 Committee/Delegate assignments [RECOMMEND APPROVE ASSIGNMENTS]

BACKGROUND

In accordance with Board By-laws section 12.2(a), the Board President is tasked with defining committees, committee members, and delegate assignments. President Eby will review his proposed 2018 assignments with your Board.

FISCAL IMPACT

None

RECOMMENDATION

Staff recommends that the Board by motion and roll call vote ratify the proposed assignments and direct staff to post Committee assignments in compliance with state law.

ATTACHMENTS

- A. Draft 2018 Committee Assignments

January 10, 2018

ITEM E-1

ATTACHMENT A

**Nipomo Community Services District
Board of Directors
2018 COMMITTEE ASSIGNMENTS**

Standing Committee Assignments

Chairperson **Member**

Finance and Audit

Armstrong

Gaddis

Administration

Blair

Armstrong

(Includes personnel/parks/solid waste/conservation)

Facilities/Water Resources

Eby

Woodson

(Includes physical facilities/ resources)

Delegates

Member

Alternate

South County Advisory Council (SCAC)

Woodson

Not Allowed by SCAC By Laws

Water Resources Advisory Committee (WRAC)

Armstrong

Eby

Regional Water Management Group (RWMG)

Gaddis

General Manager

Chamber of Commerce

Assigned as required

Olde Towne Nipomo Association

Assigned as required

Blacklake Village Council/Committees

Eby

Woodson

NOTES:

Delegates are appointed by the president of the Board of Directors.

Subject to other requirements of the Brown Act, Committee appointments are not to be interpreted as limiting contacts between individual Board Members or any other person or persons.

Approved by motion and roll call vote of Board on January 10, 2018:

Mario Iglesias
General Manager

TO: BOARD OF DIRECTORS

FROM: MARIO IGLESIAS
GENERAL MANAGER *MIG*

DATE: JANUARY 4, 2018

AGENDA ITEM

E-2

JANUARY 10, 2018

**ADOPT AN ORDINANCE OF THE BOARD OF DIRECTORS OF NIPOMO
COMMUNITY SERVICES DISTRICT ADDING SECTION 3.05.080 TO
THE NIPOMO COMMUNITY SERVICES DISTRICT CODE REQUIRING
THE ABANDONMENT OF WATER WELLS UNDER CERTAIN
CIRCUMSTANCES**

ITEM

Adopt an ordinance of the Board of Directors of the Nipomo Community Services District ("Nipomo CSD") adding Nipomo CSD District Code Sections 3.05.080 [RECOMMEND ADOPT ORDINANCE BY READING TITLE ONLY AND WAIVING FULL READING (BY MOTION AND ROLL CALL VOTE)]

BACKGROUND

At your Board's December 13, 2017 Meeting, an Ordinance of the Board of Directors of Nipomo Community Services District adding SECTION 3.05.080 to the Nipomo Community Services District Code requiring the abandonment of water wells under certain circumstances was introduced for your honorable Board's consideration. At that meeting your Board introduced the Ordinance by reading title only, waiving the full reading, and set January 10, 2018 for the second reading and adoption of the Ordinance.

Your Board took this action in order to protect and preserve the sustainability of Nipomo Mesa Management Area ("NMMA") groundwater resources. The Court specified that Nipomo CSD purchase and transmit to the NMMA a prescribed amount of supplemental water pursuant to an agreement with the City of Santa Maria. Nipomo CSD customers continue to pay for the capital investment costs of the project needed to accomplish this and continue to pay the City of Santa Maria for water brought into the NMMA in order to meet the Court's demands. The positive impact of the project to NMMA groundwater resources would be diminished if Nipomo CSD's water recipients also were able to produce well water on property benefitted by the application of Nipomo CSD water.

All Nipomo CSD ratepayers financially support the supplemental water supply project through their rates and, arguably, should not be allowed to increase the need and demand for supplemental water by supplementing their existing demand with groundwater. The proposed ordinance takes into consideration those individuals who utilized both sources of supply prior to the ordinance. These individuals invested in both sources of supply and may logically be able to continue to use both sources in consideration of prior investment based expectations.

The Courts, through the 2008 Judgment, requires a person who proposes new urban uses within the District to obtain water to meet that demand from the District rather than satisfying that demand through independent well water production. The District requires water service applicants to abandon all wells on their parcel prior to receiving District water service. This has

been the District's practice since 2013. The proposed Ordinance is consistent with the District's current practice and provides clarity to applicants and staff by identifying specific, logical exemptions. The ordinance also defines the consequence for any parcel or parcels of property found to be in violation.

FINANCIAL IMPACT

Minor staff time administrating Ordinance and preparing Board materials.

STRATEGIC PLAN

Goal 4. FINANCE. Maintain conservative, long-term financial management to minimize rate impacts on customers while meeting program financial needs.

4.1 Ensure that purveyors and others pay their fair share of financing water supply, supplemental water, conservation, and sustainability of the regional water supply. Purveyors should pay their share up front before getting water in order to help finance next phases of supplemental water program.

Goal 6. GOVERNANCE AND ADMINISTRATION. Conduct District activities in an efficient, equitable and cost-effective manner.

6.4 Periodically review, update and reaffirm District policies and procedures.

RECOMMENDATION

Recommend second reading of Ordinance by title only and waiving full reading (by motion and roll call vote), and adopt Ordinance.

Suggested motion:

"I move that we adopt the Ordinance, AN ORDINANCE OF THE BOARD OF DIRECTORS OF THE NIPOMO COMMUNITY SERVICES DISTRICT ADDING SECTION 3.05.080 TO THE NIPOMO COMMUNITY SERVICES DISTRICT CODE REQUIRING THE ABANDONMENT OF WATER WELLS UNDER CERTAIN CIRCUMSTANCES, and waive the full reading of the ordinance."

ATTACHMENTS

A. Ordinance 2018-XXX Adding Subsection in Chapter 3.05

January 10, 2018

ITEM E-2

ATTACHMENT A

ORDINANCE. NO. _____

**AN ORDINANCE OF THE BOARD OF DIRECTORS OF NIPOMO
COMMUNITY SERVICES DISTRICT ADDING SECTION 3.05.080
TO THE NIPOMO COMMUNITY SERVICES DISTRICT CODE
REQUIRING THE ABANDONMENT OF WATER WELLS UNDER
CERTAIN CIRCUMSTANCES**

WHEREAS, the Nipomo Mesa Management Area (“NMMA”) is the subject of water management requirements imposed and maintained by the Court pursuant to the Judgment in effect in *Santa Maria Water Conservation District v. City of Santa Maria, et al* (“the Judgment”);

WHEREAS, in order to protect and preserve the sustainability of NMMA groundwater resources, the Judgment specifies that this District purchase and transmit to the NMMA a prescribed amount of supplemental water pursuant to an agreement with the City of Santa Maria;

WHEREAS, the positive impact of the above-referenced project to NMMA groundwater resources would be diminished if this District’s water recipients also were able to produce well water on Property benefitted by the application of District water;

WHEREAS, the Judgment requires a person who proposes new urban uses within the District to obtain water to meet that demand from the District rather than satisfying that demand through independent well water production; and

WHEREAS, in accordance with the above stated facts, this Board desires to adopt this Ordinance No. _____ to preclude well production from property which benefits or will benefit from District water service.

NOW, THEREFORE, the Board of Directors of Nipomo Community Services District does hereby find, determine and ordain as follows:

SECTION 1. This Board finds and determines that all of the facts stated above in this ordinance are true and correct.

SECTION 2. Section 3.05.080 hereby is added to the Nipomo Community Services District Code to read as follows:

3.05.080. District Water Users Required To Abandon Water Wells

A. Upon being directed to do so by this District’s General Manager or his or her designee, any person who owns a parcel or parcels of real property which receives District water service, or may receive District water service in accordance with an application filed or authorized to be filed by that owner, shall abandon and is precluded from drilling any and all water wells located on that parcel or parcels of real property.

B. The abandonment of any well pursuant to this section shall be commenced and completed no more than six (6) months after the District has set a meter to serve the parcel or parcels and

shall be accomplished in conformance with all applicable state, county, and District statutes, ordinances, resolutions, rules, and regulations.

C. The District shall not be required to serve any parcel or parcels of property with District water until the required water well abandonments are properly completed pursuant to this section.

D. Any parcel or parcels of property found to be in violation of this ordinance shall be disconnected from the District's water supply system and subject to all applicable fees and charges as defined in the District Code for disconnecting and reconnecting the service.

E. Exceptions. This section shall not apply to the following:

1. A parcel with both a connection to the District's water supply system and an operating well as of the effective date of this ordinance, for so long as the well remains operational.
2. The re-drilling of a well in existence and in use as of January 25, 2008, so long as the re-drilled well will not enable more water to be drawn from the well than was historically drawn prior to January 25, 2008, as determined by the District General Manager.
3. Any wells owned or operated by the District.

SECTION 3. This Ordinance shall take effect and be in full force and effect thirty (30) days after its passage. Before the expiration of the fifteenth (15th) day after passage, this Ordinance shall be published once with the names of the members of the Board of Directors voting for or against the Ordinance in a newspaper of general circulation with the District.

INTRODUCED at its regular meeting of the Board of Directors held on December 13, 2017 and PASSED and ADOPTED by the Board of Directors of the Nipomo Community Services District and its regular meeting on the 10th day of January, 2018, by the following roll call vote, to wit:

AYES:
NOES:
ABSENT:
CONFLICTS:

ED EBY
President, Board of Directors

ATTEST:

APPROVED AS TO FORM AND LEGAL
EFFECT

MARIO IGLESIAS
General Manager and
Secretary to the Board

WHITNEY G. McDONALD
District Legal Counsel

TO: BOARD OF DIRECTORS

FROM: MARIO E. IGLESIAS
GENERAL MANAGER



DATE: JANUARY 4, 2018

AGENDA ITEM
E-3
JANUARY 10, 2018

**CONSIDER APPROVAL OF AMENDMENT NO. 1 TO NIPOMO
SUPPLEMENTAL WATER PROJECT SUPPLEMENTAL WATER
MANAGEMENT AND GROUNDWATER REPLENISHMENT
AGREEMENT**

ITEM

Consider approval of Amendment No. 1 to Nipomo Supplemental Water Project ("NSWP") Supplemental Water Management and Groundwater Replenishment Agreement ("Agreement") [RECOMMEND APPROVAL OF AMENDMENT NO. 1 TO THE NIPOMO SUPPLEMENTAL WATER PROJECT SUPPLEMENTAL WATER MANAGEMENT AND GROUNDWATER REPLENISHMENT AGREEMENT]

BACKGROUND

On October 16, 2015, the Nipomo Community Services District ("NCSD"), Golden State Water Company ("GSWC"), and Woodlands Mutual Water Company ("WMWC") entered into an agreement titled Nipomo Supplemental Water Project Supplemental Water Management and Groundwater Replenishment Agreement ("Agreement"). The purpose of the Agreement as stated therein can be found in Section I. Recitals: P. "The purpose of this Agreement is to implement the Parties' obligations with respect to the NSWP as provided in the Stipulation and the Judgement."

The Agreement specifically states the amount of water the purveyors are obligated to take when the NSWP is capable of delivering 2,500 acre-feet per year ("AFY"). To the extent the NSWP is not capable of delivering 2,500 AFY, the Agreement states the Purveyors shall adhere to the percentage allocation found in Section I. Recitals: K. The Agreement does not provide for a means to alter the allocated percentage each Purveyor is obligated to take.

Amendment No.1 to the Agreement provides NCSD, GSWC, and WMWC with the opportunity to craft and enter into a temporary water sales agreement specific to the water brought onto the Nipomo Mesa through the NSWP. While not the temporary water sales agreement itself, Amendment No. 1 provides the mechanism for altering the allocation percentage. A separate and distinct temporary water sales agreement will be negotiated and brought before the NCSD Board of Directors for review and approval prior to any temporary transfer or sales of water from the NSWP by NCSD to either WMWC or GSWC.

FISCAL IMPACT

In the event Amendment No.1 is executed and either WMWC or GSWC exercises the provisions therein and temporarily purchase additional water from NCSD, NCSD would reduce its costs of import water and shift those cost obligations to the purchasing purveyor as stated in the Agreement.

STRATEGIC PLAN

Goal 1. WATER SUPPLIES. Actively plan to provide reliable water supply of sufficient quality and quantity to serve both current customers and those in the long-term future.

RECOMMENDATION

It is recommended that your Board review and discuss Amendment No.1 as provided and approve the amendment with any edits by motion and roll call vote.

ATTACHMENTS

- A. Nipomo Supplemental Water Project, Supplemental Water Management and Groundwater Replenishment Agreement
- B. Amendment No. 1 to Nipomo Supplemental Water Project, Supplemental Water Management and Groundwater Replenishment Agreement

January 10, 2018

ITEM E-3

ATTACHMENT A

NIPOMO SUPPLEMENTAL WATER PROJECT
SUPPLEMENTAL WATER MANAGEMENT AND GROUNDWATER
REPLENISHMENT AGREEMENT

This Nipomo Supplemental Water Project Supplemental Water Management and Groundwater Replenishment Agreement ("Agreement") is made this 16th day of ~~September~~ ^{October}, 2015, between the Nipomo Community Services District, Rural Water Company, The Woodlands Mutual Water Company of San Luis Obispo County and Golden State Water Company with regards to the following facts:

I. RECITALS:

- A. The Nipomo Community Services District ("NCSD") is a public entity, independent special district organized and operated pursuant to Govt. Code section 61000 et seq. NCSD provides water and related services within the NCSD boundary located in the southern portion of San Luis Obispo County, within an area generally referred to as the Nipomo Mesa.
- B. Golden State Water Company ("GSWC") is a California corporation and a public utility water corporation as defined by Public Utilities Code §§ 216 and 241 providing water service to customers within the Nipomo Mesa subject to California Public Utilities Commission ("PUC") regulation.
- C. Rural Water Company ("RWC") is a California corporation and a public utility water corporation as defined by Public Utilities Code §§ 216 and 241 providing water service to customers within the Nipomo Mesa subject to PUC regulation.
- D. The Woodlands Mutual Water Company of San Luis Obispo County ("WMWC") is a California corporation and a mutual water company providing water service to its shareholder – customers within the Nipomo Mesa.
- E. Collectively, GSWC, RWC and WMWC, are referred to as the "Water Companies" and individually as a "Water Company". NCSD, GSWC, RWC and WMWC are collectively referred to as the "Parties" and individually as a "Party".
- F. The Parties, along with hundreds of other individuals and entities are parties to a certain legal proceedings entitled "*Santa Maria Valley Water Conservation District v. City of Santa Maria, et al.*", Superior Court of the State of California, County of Santa Clara, Consolidated Cases CV770214 ("Santa Maria Litigation"), regarding the respective rights of the litigants to groundwater resources in the Santa Maria Groundwater Basin ("Basin").
- G. After lengthy proceedings, the court entered an amended judgment

("Judgment") on April 17, 2014, which provides for the long-term management of the Basin water resources.

H. The court retained jurisdiction over the Judgment to ensure the parties manage the Basin water resources consistently with the Judgment.

I. Incorporated into and made a part of the Judgment is a Stipulation dated June 30, 2005 ("Stipulation"), which establishes a detailed management plan for three subareas within the Basin. The Nipomo Mesa is included in the subarea called the Nipomo Mesa Management Area ("NMMA").

J. The Judgment (through the Stipulation) requires NCSD to purchase and transmit to the NMMA a minimum of 2,500 acre-feet of "Nipomo Supplemental Water" each year. NCSD is further required to employ its best efforts to timely implement the Nipomo Supplemental Water Project (NSWP).

K. The Judgment further provides that once the Nipomo Supplemental Water is capable of being delivered, the Parties shall purchase the following portions of the Nipomo Supplemental Water each year to offset groundwater pumping within the NMMA.

Entity	Percent Allocation	AFY (2,500 AF NSWP Yield)
NCSD	66.68	1667.00
GSWC	8.33	208.25
RWC	8.33	208.25
WMWC	16.66	416.50
Total	100.00	2500.00

L. NCSD has entered into a Wholesale Water Supply Agreement with the City of Santa Maria (City), dated May 7, 2013, ("NCSD-City Agreement," attached and incorporated as Exhibit "A"). The NCSD-City Agreement provides a mechanism through which NCSD may purchase Nipomo Supplemental Water for sale and distribution in the NSWP, consistent with the obligations in the Judgment.

M. NCSD has completed construction of the first stage of the NSWP such that NCSD is taking delivery of Nipomo Supplemental Water as of July 1, 2015. The additional stages of the NSWP to allow increased water delivery of a minimum of 2,500 AFY, as required under the Judgment, are currently being planned.

N. On or about June 25, 2015, the PUC approved GSWC's acquisition of RWC. Upon completion of GSWC's acquisition of RWC, GSWC will assume the entirety of RWC's benefits and obligations under this Agreement.

O. NCSD has designed the NSWP to deliver 3,000 AFY. All costs associated with

NSWP Supplemental Water Management and Groundwater Replenishment Agreement

the capacity in excess of 2,500 AFY are solely assigned to NCSD. Should the Parties, or any faction thereof, elect to expand NSWSP facilities to deliver water in excess of 3,000 AFY, further negotiation and agreement among the participating Parties will be required.

P. The purpose of this Agreement is to implement the Parties' obligations with respect to the NSWSP as provided in the Stipulation and the Judgment.

In consideration of the foregoing recitals that are incorporated herein by reference and the mutual terms and conditions set forth herein, the Parties agree as follows:

II. DEFINITIONS:

Terms used herein with initial capitalization, whether in singular or plural, shall have the following meanings:

A. "AFY" shall mean acre-feet per year.

B. "Costs" shall mean all the administrative, planning, design, permitting, capital, financing, construction, operation, maintenance, repair, replacement and overhead allocation costs associated with and arising out of the construction and ongoing operation of the NSWSP, excluding costs of Points of Interconnection, which shall be funded as provided in Section VII. Costs shall include both actual expenses and reasonably anticipated NSWSP related expenses expected to be incurred for the completion of the NSWSP and for the ongoing operations of the NSWSP. Costs include future financing of phases of the NSWSP and future changes in water costs resulting from renegotiation of the NCSD-City Agreement.

C. "Effective Date" shall mean July 1, 2015.

D. "Fiscal Year" shall mean the twelve (12) month period commencing each July 1st during the term of this Agreement and ending the following June 30th.

E. "NSWP Enterprise Fund" shall mean the NSWSP Enterprise Fund used by NCSD to account for, budget and track the Costs.

F. "Judgment" shall mean the amended judgment entered by the Court in that case entitled *Santa Maria Valley Water Conservation District v. City of Santa Maria, et al.*, Superior Court of the State of California, County of Santa Clara, consolidated cases CV770214.

G. "NCSD-City Agreement" shall mean the agreement between the City of Santa Maria and Nipomo Community Services District titled "Wholesale Water Supply Agreement," dated May 7, 2013.

H. "Nipomo Mesa Management Area" or "NMMA" shall mean the area so defined and described in the Judgment.

I. "Nipomo Supplemental Water" shall mean up to 2,500 AFY of water delivered within the NMMA to offset groundwater pumping.

J. "Nipomo Supplemental Water Project" or "NSWP" shall mean the facilities and appurtenances, including each Point of Interconnection, necessary to deliver Nipomo Supplemental Water as provided in Section VI.(A) of the Stipulation.

K. "NMMA Technical Group" is the group formed pursuant to the requirements of the Stipulation and Judgment.

L. "Point of Interconnection" shall mean those components of the NSWP extending from NCSD's water distribution system to each Water Company through which Nipomo Supplemental Water may be delivered to each Water Company.

M. "Prudent Utility Practice" shall mean the practices, methods, and acts which, in the exercise of reasonable judgment in light of the facts (including but not limited to the practices, methods, and acts engaged in or approved by a significant portion of the water utility industry prior thereto) known at the time the decision was made, would have been expected to accomplish the desired result at the lowest reasonable cost consistent with good business practices, reliability, safety, and expedition, taking into account the fact that Prudent Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be a spectrum of possible practices, methods, or acts which could have been expected to accomplish the desired result. Prudent Utility Practice includes due regard for manufacturers' warranties and requirements of agencies of competent jurisdiction.

N. "PUC" shall mean the California Public Utilities Commission, the entity with regulatory oversight responsibility for RWC and GSWC.

O. "PUC Application" shall mean those materials and testimony required so that GSWC and RWC may obtain PUC approval adequate to satisfy the conditions subsequent set forth in Section V below.

P. "Stipulation" shall mean the agreement dated June 30, 2005, by and between the majority of the litigants in the Santa Maria Litigation, settling their disputes and imposing a physical solution on the management of water resources in the Santa Maria Basin. The Stipulation is incorporated in and is a part of the Judgment.

Q. "Uncontrollable Force" shall mean any cause or event which is beyond the control of the Party affected, including, but not restricted to, failure of or threat of failure of facilities, flood, earthquake, storm, fire, lightning, epidemic, war, riot, civil disturbance or disobedience, labor dispute or strike, labor or material shortage, sabotage, restraint by court order or public authority and action or non-action by or

failure to obtain the necessary authorizations or approvals from any governmental agency or authority which by exercise of due diligence such party could not reasonably have been expected to avoid and which by exercise of due diligence it shall be unable to overcome.

III. PURPOSE:

A. The purpose of this Agreement is to enable the Parties to meet their respective obligations under the Judgment, based on the percentage allocations presented in Section I.K, regarding the NSWP. In particular, the Parties intend this Agreement to provide for: (1) payment to NCSD for each Party's allocation of Costs, and (2) distribution and use of Nipomo Supplemental Water.

B. The underlying premise of the NSWP is to use Nipomo Supplemental Water within the NMMA to offset 2,500 AFY of groundwater pumping in those areas within the NMMA where groundwater levels are most depressed and thus augment the replenishment of groundwater in those critical areas within the NMMA. As described herein, the Parties will use the Nipomo Supplemental Water to increase groundwater replenishment within the NMMA and improve the long-term reliability and integrity of groundwater availability within the NMMA. The Nipomo Supplemental Water delivered to the Parties pursuant to this Agreement shall be used exclusively for the benefit of properties within the existing jurisdictions and service areas of the Parties and in accordance with the Judgment and Stipulation.

IV. EFFECTIVE DATE AND TERM:

A. This Agreement shall be effective on July 1, 2015 and shall terminate on June 30, 2035 ("Term").

B. Notwithstanding the Term, the delivery of Nipomo Supplemental Water to the Parties subsequent to June 30, 2035, is subject to the renewal of the contract for state water between the City and the Central Coast Water Authority. The NCSD-City Agreement provides that it is subject to renegotiation in the event that the City's contract with the Central Coast Water Authority is not renewed as of June 30, 2035 or if the renewal terms would create a significant financial burden to the City or impair the ability of the City to provide Nipomo Supplemental Water in the quantities set forth in the NCSD-City Agreement.

C. Should renegotiation of the NCSD-City Agreement be required, NCSD and the City are required to negotiate and use their best efforts to equitably amend the terms of the NCSD-City Agreement to allow for the continued delivery of Nipomo Supplemental Water on terms mutually beneficial to both parties for the duration of the Term. NCSD will consult and confer with the Water Companies prior to entering into any material amendments to the NCSD-City Agreement.

D. Obligations incurred hereunder but not satisfied prior to termination of this Agreement shall survive such termination until fully discharged, including any payments due by one Party to another Party hereunder.

V. CONDITIONS SUBSEQUENT:

This Agreement shall terminate and shall be of no further force and effect as to either or both GSWC and RWC, subject to the following conditions.

A. As promptly as is reasonably practicable and in no event later than October 30, 2015, GSWC shall apply for PUC approval for imposition of the necessary rate adjustments so that GSWC may meet its financial obligations provided under this Agreement. GSWC shall provide NCSD with written notice of the satisfaction or waiver of this provision. If GSWC fails to obtain this PUC approval, through a PUC decision or order that is no longer subject to appeal, on or before December 31, 2017, either NCSD or GSWC may, each in its sole discretion, declare a failure to satisfy this condition and terminate this agreement as to GSWC. If either NCSD or GSWC exercises this termination right, the provisions of Article X(D)(1) of the Stipulation shall apply.

B. As promptly as is reasonably practicable and in no event later than October 30, 2015, RWC shall apply to for PUC approval for imposition of the necessary rate adjustments so that RWC may meet its financial obligations provided under this Agreement. RWC shall provide NCSD with written notice of the satisfaction or waiver of this provision. If RWC fails to obtain this PUC approval, through a PUC decision or order that is no longer subject to appeal, on or before December 31, 2017, either NCSD or RWC may, each in its sole discretion, declare a failure to satisfy this condition and terminate this agreement as to RWC. If either NCSD or RWC exercises this termination right, the provisions of Article X(D)(1) of the Stipulation shall apply.

C. The Parties shall make every reasonable business effort to coordinate and cooperate in providing any necessary data, information and testimony to support the PUC approval processes contemplated in this Section.

D. GSWC and RWC shall each be responsible for its own PUC Application. However, each entity expects its PUC Application to be substantially the same in its content. Each PUC Application shall include a request for full financial participation in the NSWP as provided in this Agreement, as of the Effective Date. RWC and GSWC shall make their reasonable best efforts to obtain a prompt and reasonable response to the PUC Application from the PUC, including making every reasonable attempt to reach an acceptable settlement of the PUC Application in lieu of processing the PUC Application through a contested administrative hearing at the PUC. The Parties acknowledge that obtaining PUC approval of each PUC Application may take 12 months or more, following the date of submission of the PUC Application, and that neither GSWC nor RWC have control over the time it takes the PUC to process and

resolve each PUC Application. Notwithstanding the Effective Date, neither GSWC's, nor RWC's financial obligations provided in this Agreement accrue and are enforceable as to either entity, unless and until the PUC provides GSWC and RWC approval to make the necessary customer water rate adjustments equal to each entity's respective share of the Costs provided in this Agreement as of the Effective Date and otherwise consistent with Section IX.B.

E. Until the conditions subsequent in this section are satisfied with written notice, or waived, neither NCSD, RWC, nor GSWC waive their rights to exercise the provisions of Article X(D)(1) of the Stipulation.

VI. USE OF NIPOMO SUPPLEMENTAL WATER.

NCSD shall be responsible for the distribution and use of the Nipomo Supplemental Water between and among the Parties subject to the following:

A. Subject to the groundwater management and recharge protocols provided in this Agreement, the presumed quantity and rate of delivery of Nipomo Supplemental Water for each Party shall be as provided in the table below, based upon an assumed delivery of 2,500 AFY. To the extent Nipomo Supplemental Water is not available for delivery at the volumes or rates shown, each Party's deliveries shall be reduced on a proportional basis. To the extent the implementation of groundwater management and recharge protocols provide for alternative deliveries, each Party shall be responsible for its portion of the Costs as otherwise provided in this Agreement.

Entity	Annual (AF)	Quarterly (AF)	Maximum per Month (AF)
NCSD	1668	417	139
GSWC	208	52	17
RWC	208	52	17
WMWC	416	104	35

B. The highest priority use of Nipomo Supplemental Water shall be to offset groundwater pumping within those regions within the NMMA where depressed groundwater levels exist.

C. Provided that such reduction does not materially and adversely affect its ability to provide water for the reasonable and beneficial use of its customers, for each AF of the 2,500 AFY Nipomo Supplemental Water used within the NMMA, the user shall reduce its groundwater pumping by the same amount. The Parties shall develop a method of confirming this reduction in groundwater use.

D. Over the term of this Agreement, the Advisory Committee (as defined in XII.A) shall periodically meet and confer with the NMMA Technical Group regarding the distribution of the Nipomo Supplemental Water between the Parties, given the priority

specified in subsections VI.A and B, above. Based on the input from the Advisory Committee and the NMMA Technical Group, the status of Points of Interconnection as provided in the Section VII.A below and other relevant hydrologic conditions, NCSD shall determine the distribution of Nipomo Supplemental Water among the Parties. NCSD shall make its determination regarding the distribution of Nipomo Supplemental Water, following the consultation described in this subsection and based upon a reasonable, good faith interpretation of how best to manage the then existing hydrologic conditions within the NMMA, the availability of Nipomo Supplemental Water and the ability to rely on existing Points of Interconnection and establish a new Point of Interconnection with RWC, if one has not yet been established.

E. Pursuant to section VI(B)(3) of the Stipulation, provided WMWC is concurrently using or has made arrangements for other Parties to use within the NMMA the Nipomo Supplemental Water allocated to the WMWC under Section VI(A), above, WMWC shall not be subject to restriction in the reasonable and beneficial use of groundwater necessary for full development of its service area; provided however, nothing in this Agreement is intended to modify or amend the benefits and obligations provided in the Stipulation and the Judgment applicable to WMWC, or the court's retained jurisdiction pursuant to the Stipulation and the Judgment.

VII. POINTS OF INTERCONNECTION, CONTROL AND MEASUREMENT OF NIPOMO SUPPLEMENTAL WATER DELIVERIES.

A. Point(s) of Interconnection. As of the Effective Date, NCSD's water system is interconnected with GSWC and WMWC water systems. Each of these existing interconnections will require improvements, and possibly reconstruction, to be fully functional "Point(s) of Interconnection." No Point of Interconnection is in place between NCSD and RWC. If, pursuant to Section VI.D, the Parties determine each or all Points of Interconnection are necessary to make optimal use of Nipomo Supplemental Water, NCSD and each Water Company shall develop the most cost effective design and arrange for the construction of the Points of Interconnection as promptly as practical. The Cost of each Point of Interconnection, including the improvements required for existing Points of Interconnection with WMWC and GSWC, shall be incorporated into the NSWP Costs and NSWP Enterprise Fund as provided in this Agreement. The Parties acknowledge and agree that the Point of Interconnection with RWC, if and when established, will be included as a component of the NWSP. However, the Parties agree that allocation of Costs for the pipeline portion of the RWC Point of Interconnection may differ from the allocation set forth in Section I.K above, to be agreed upon by the Parties once those Costs are determined. The Costs for the RWC Point of Interconnection, excluding the Costs of the pipeline portion of the RWC Point of Interconnection, shall be shared consistent with the allocation set forth in Section I.K in a magnitude equivalent to that included in the Costs for the WMWC and GSWC Points of Interconnection.

B. Each Point of Interconnection shall include flow control and metering devices

used to control and measure the delivery of Nipomo Supplemental Water at the Point of Interconnection. Each Point of Interconnection and the appurtenant facilities shall be considered part of the NSWP and shall be owned, operated and maintained by NCSD.

C. NCSD shall arrange for the inspection and testing of the metering devices at least once per calendar year, unless more frequent testing and inspection is appropriate as a result of repairs to or replacements of a metering device. NCSD shall provide reasonable advance notice to and coordinate with each Water Company to accomplish required testing or inspection activities.

D. The operation and maintenance of any Point of Interconnection will be detailed in an Operation Memorandum of Understanding that will be approved by the NCSD and other affected parties prior to connection. If the Parties cannot agree on the terms of the Operations Memorandum of Understanding then the disputed terms will be subject to the dispute resolution procedures referenced in XII of this Agreement.

VIII. NSWP ENTERPRISE FUND BUDGET:

A. NCSD shall operate the NSWP as an enterprise fund ("NSWP Enterprise Fund"), separating all Costs related to the NSWP within and only to that NSWP Enterprise Fund. Prudent Utility Practices shall apply to NCSD's management of the NSWP Enterprise Fund and the NSWP.

B. Each Fiscal Year NCSD shall prepare a NSWP Enterprise Fund Budget ("Budget") for all revenues and expenditures related to the NSWP Enterprise Fund. The Budget shall include a summary of projected Nipomo Supplemental Water deliveries and the Costs associated with those deliveries. A draft of the Budget shall be available to each Water Company for review by May 1st of each year. NCSD shall make every reasonable effort to adopt the final Budget during June of each year at a regularly scheduled NCSD board meeting. The Advisory Committee shall determine the most effective content, format and reporting frequency for financial and budget reports for the NSWP Enterprise Fund.

C. The Budget shall provide the basis for and detail the cost allocations and quarterly billings described in Section IX.

D. Unless the Parties agree otherwise, every five years, a third party expert accounting firm shall perform an overhead allocation analysis for NCSD, including the NSWP Enterprise Fund. The overhead allocation recommendations of that study shall be applied in the next annual budgeting cycle for the NSWP Enterprise Fund. The cost of this study shall be included in the administrative overhead allocated to the NSWP Enterprise Fund. The Advisory Committee shall appoint the accounting firm to perform the overhead allocation analysis.

E. The Water Companies acknowledge and agree that NCSD has incurred

NSWP Supplemental Water Management and Groundwater Replenishment Agreement

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substantial Costs related to the completed portions of the NSWSP as of the Effective Date and will incur additional Costs to complete the NSWSP. These costs include, but are not limited to, planning, environmental reviews, legal fees, acquisition of easements, an assessment election, and the construction and financing of the primary distribution pipeline extending from the City to NCSD facilities and future stages of the NSWSP project. These Costs have been funded by NCSD, with very limited contributions from the Water Companies.

F. The Budget shall include the amortized recovery of the NSWSP capital costs (whether funded by NCSD with internal funds or borrowed funds) attributable to each Water Company, pursuant to Section I.K above, plus interest on the unamortized balance of such costs. The capital costs to be amortized in each Budget shall include amounts expended to date and the additional costs necessary to complete the NSWSP. NCSD shall not recover interest on the capital portion of NSWSP Costs that are funded through the use of NSWSP Enterprise Fund assets or reserves.

G. The amortization period for capital costs shall be 30 years beginning July 1, 2015. Interest will be charged monthly on the remaining unamortized balance as of the prior month end.

H. Each Water Company may elect to make early payments of its amortized portion of the capital costs and such early payments shall be credited against the capital obligation of that Water Company.

I. The interest rates to be charged to each Water Company will be determined as follows:

1. For GSWC and RWC, the interest rate charged will be equal to the interest rate on amounts NSCD has borrowed to finance a portion of the project Costs plus one-half of one percent. In the event GSWC's credit rating drops materially below its current rating of A+, and such change would have a material impact on any expected borrowing or financial security related to the NSWSP Enterprise Fund, the interest rate charged will be subject to renegotiation between GSWC, RWC and NCSD. The interest specified in this subsection applicable to RWC is predicated on expectation that GSWC will complete its acquisition of RWC prior to the PUC approval of this Agreement. The interest rate and security assurance applicable to RWC's capital obligation shall be subject to renegotiation should GSWC fail to complete its acquisition prior to the PUC's approval of this Agreement.

2. For WMWC, the interest rate charged will be equal to the interest rate on amounts NSCD has borrowed to finance a portion of the project Costs plus two percent. In the event there is a material change in WMWC's financial condition, the interest rate charged will be subject to renegotiation between NCSD and WMWC. WMWC acknowledges that its agreement to amend its bylaws to authorize recordation and enforcement of liens under Corporations

Code § 14304 ("Section 14304 Lien Rights") constitutes a material inducement to NCSD to forego other forms of security for repayment of WMWC's capital obligations, and agrees that it shall not subsequently revise its bylaws to relinquish its Section 14304 Lien Rights without having previously agreed to provide alternate security reasonably acceptable to NCSD.

3. In the event NCSD makes additional borrowings to finance subsequent stages of the NSWP, the interest rates charged GSWC, RWC and WMWC will be adjusted based on the weighted average of the interest rates attributable to unamortized balances of prior stages of the NSWP and the interest rate attributable to the capital costs of the new stage.

J. The NSWP Enterprise Fund shall include a funded replacement reserve ("NSWP Enterprise Fund Reserve") to accumulate funds for the future replacement of NSWP equipment and facilities. The initial NSWP Enterprise Fund Reserve amount shall be set at one percent of total project Costs. Thereafter, the NSWP Enterprise Fund Reserve shall be increased annually based upon the percentage increase in the Consumer Price Index (CPI) – All Urban Consumers (Los Angeles-Riverside-Orange Co., CA area) for the immediately preceding calendar year, subject to the following.

1. The maximum balance in the NSWP Enterprise Fund Reserve shall be \$3,000,000. The NSWP Enterprise Fund Reserve maximum shall be increased annually based upon the percentage increase in the Consumer Price Index (CPI) – All Urban Consumers (Los Angeles-Riverside-Orange Co., CA area) for the immediately preceding calendar year. Once the balance in the NSWP Enterprise Fund Reserve reaches the maximum then in effect, the annual reserve shall cease to be collected until such time as the NSWP Enterprise Fund Reserve balance drops below the maximum. Should required expenditures exceed the balance then in the NSWP Enterprise Fund Reserve, the Advisory Committee will establish a plan for funding the deficit in a timely manner. The maximum balance in the NSWP Enterprise Fund Reserve may be increased or decreased subject to unanimous approval by the Advisory Committee.

2. Subject to approval by the Advisory Committee, the balance in the NSWP Enterprise Fund Reserve can be used to fund extraordinary unbudgeted operations and maintenance expenses in those cases where the NSWP Enterprise Fund does not have sufficient operating funds to cover the expenditure.

3. Interest income earned on the NSWP Enterprise Fund Reserve shall remain in the NSWP Enterprise Fund.

IX. RATES AND CHARGES: Based on the Budget, NCSD shall allocate Costs to and invoice the Water Companies as follows:

A. Each Water Company shall be responsible for its share of the Costs of Nipomo Supplemental Water and the NSWP based on the pro-rata shares of the NSWP as provided in Section I.K and the Budget. The Cost allocations shall take into account all Costs for the NSWP. An energy (pumping) credit shall be provided to each Party for any portion of its Nipomo Supplemental Water not delivered directly to that Party, but instead used by another Party pursuant to Section VI.

B. During the term of this Agreement, and where applicable subject to the jurisdiction and approval by the PUC, each Water Company shall charge and collect rates and charges for the water services furnished in its service area which will yield gross revenues sufficient to pay all costs of operating and maintaining the water system within the designated area, including all payments due under this Agreement, as they become due and payable.

C. Following each calendar quarter, NCSD shall provide a written invoice to each Water Company for its share of the Costs during the prior quarter. All invoices will be payable within thirty (30) days of delivery of the invoice. NCSD shall have the right to charge late fees of up to five (5) percent of the overdue amount for any invoice that is not paid within such period.

D. Until such time as GSWC and RWC receive approval from the PUC as provided in Section V, NCSD will not charge late fees on outstanding GSWC and RWC invoices; however, interest will accrue on outstanding charges at the rate specified in Section VIII.

E. In the event a Party disputes any charges on an invoice, the undisputed amount shall be paid and no late fee will be assessed pending resolution of the disputed amount. Along with payment of the undisputed amount, the Party shall provide a detailed written description of the nature and amount in dispute. NCSD and the Party with the dispute shall make every reasonable business effort to resolve the dispute promptly.

F. Within 90 days after the end of each fiscal year, NCSD shall compare prior year actual Costs to the total amount billed to the Parties for that year. If actual Costs exceed the amount billed for that year, each Party will be billed for its allocated share of the excess costs. If actual Costs are less than the amount billed for that year, each party will have the option to have its allocated share of the difference be (1) credited against any unamortized capital costs then due NCSD or (2) be refunded.

X. CONTINUITY OF SERVICE:

A. NCSD reserves the right to temporarily interrupt or curtail delivery of Nipomo Supplemental Water to make repairs, replacements, modifications, or to perform maintenance work on the NSWP, or to respond to an existing or impending Uncontrollable Force, as determined in NCSD's sole judgment. NCSD shall use its

reasonable best business efforts to provide advance written notice to the Water Companies of any restriction or interruption in the use of the NSWSP or planned deliveries of Nipomo Supplemental Water.

B. In addition to limitations specified in X.A. above, NCS D may interrupt or curtail the use of the NSWSP to the extent that the continued use of the NSWSP could: (i) materially and adversely affect the reliability of the NSWSP; or (ii) cause NCS D to violate the terms of any rule, regulation, or binding obligation it may otherwise have with respect to the production, treatment or delivery of Nipomo Supplemental Water.

XI. DEVELOPMENT OF EXPANDED GROUNDWATER MANAGEMENT AND RECHARGE CAPABILITY:

The Parties acknowledge and agree that the availability of additional Nipomo Supplemental Water would be beneficial for use within the NMMA. The Parties agree to negotiate an amendment to this Agreement to include the expanded use of Nipomo Supplemental Water for the benefit of the groundwater resources water balance within the NMMA. The Parties shall use their reasonable best efforts to complete the negotiation as promptly as practical.

XII. RESOLUTION OF DISPUTES:

The Parties' shall attempt to amicably and promptly resolve any dispute arising between the Parties and under this Agreement. Nothing in this Agreement shall preclude any Party from taking any lawful action it deems appropriate to enforce its rights under this Agreement. The Parties shall initially attempt to resolve any dispute by the means set forth below:

A. Advisory Committee. The Parties shall exercise best efforts to resolve disputes through consensus. An Advisory Committee shall be established and be comprised of two representatives of each Party. The Advisory Committee shall be convened whenever necessary to ensure this Agreement is being administered and implemented consistent with the intentions of all the Parties. An NCS D representative shall chair the Advisory Committee. The Chair shall be responsible for scheduling all meetings under this section. Any Party may request a meeting of the Advisory Committee.

B. Annual Meeting. The Advisory Committee shall meet annually, or as often as necessary, to review the administration and implementation of this Agreement. The Advisory Committee shall use its best efforts to obtain consensus on the resolution of technical, administrative, financial, legal and operational issues that may arise from time to time with regard to this Agreement.

C. Dispute Resolution Procedure. The Parties shall submit any dispute related to or arising out of this Agreement to the Advisory Committee for consideration. The

Chair may request the Party or Parties to any dispute to submit a description of the dispute in writing prior to convening the Advisory Committee. As soon as practical, and within 14 days of the submission of a written description of a dispute, the Chair shall schedule a meeting of the Advisory Committee. The Advisory Committee shall convene within 30 days of the submission of a written description of a dispute and shall make every reasonable effort to resolve the dispute.

D. Failure of the Advisory Committee to Resolve the Dispute. If the Advisory Committee fails to resolve a dispute, the Parties may elect to refer the dispute to mediation. If the Parties are unable to agree promptly upon a mediator or a mediation process, each Party may freely pursue any equitable and legal remedy.

E. Emergencies. Where an unresolved dispute may pose an imminent danger to the public, health, safety or welfare, the Parties shall not be subject to the provisions of this Section.

XIII. LIABILITY AND INDEMNIFICATION:

A. Limitation of Liability: Except as to the negligent or willful misconduct of a Party, each Party shall release and hold harmless the other Parties from and against any and all liability, loss, damage and expense arising from, alleged to arise from, in connection with, or incident to the services rendered under this Agreement.

B. Indemnification and Defense: Each Party shall indemnify, defend and hold harmless the other Parties, its directors, members, officers, employees and agents from and against any and all third-party claims, suits or actions instituted on account of personal injuries or death of any person (including but not limited to workers and the public) or physical damage to property resulting from or arising out of the indemnitor's willful misconduct or negligent act or omission while engaged in the performance of obligations or exercise of rights under this Agreement.

C. Limitation on Damages: No Party shall be liable to any other Party for any consequential, incidental, punitive, special or exemplary damages or lost opportunity costs, lost profit or other business interruption damages, by statute or in tort or contract, under any provision of this Agreement.

D. Water Quality. NCS D shall be responsible for ensuring that the quality of the Nipomo Supplemental Water made available for delivery is of the same pressure and quality of water that NCS D delivers to its residential customers. The quality of water which is delivered by NCS D to its residents shall comply with all federal, state and local laws, regulations and permit requirements which are applicable to NCS D, including standards applicable to wastewater discharge, as amended from time to time and subject to any compliance waiver granted to NCS D ("Quality Standards"). NCS D shall provide GSWC, RWC and WMWC with a copy of the Quality Standards (and any change thereto) which are applicable to NCS D and GSWC, RWC and WMWC shall be solely responsible for ensuring that the Quality Standards meet the federal, state and local laws, regulations and

permit requirements for potable water delivery by GSWC, RWC and WMWC to its customers, including the discharge of such water. To the extent that the quality standards which are applicable to GSWC, RWC and WMWC exceed the Quality Standards, then GSWC, RWC and WMWC shall be responsible for any necessary additional treatment of the Nipomo Supplemental Water. NCS D agrees to indemnify and hold GSWC, RWC and WMWC harmless from any liability which arises as a result of the failure of the Nipomo Supplemental Water which is delivered to the GSWC, RWC and WMWC to meet the Quality Standards. GSWC, RWC and WMWC shall be solely responsible for any actual liability resulting from a change in water quality following the Point of Interconnection (including any additional treatment undertaken by GSWC, RWC and WMWC) and shall indemnify and hold NCS D harmless from any actual liability which arises from any such change. NCS D and GSWC, RWC and WMWC shall promptly notify the other in the event that either becomes aware of a material adverse change in the quality of the Nipomo Supplemental Water and shall cooperate to identify the cause of such change.

XIV RELATIONSHIP OF THE PARTIES:

The covenants, obligations and liabilities of the Parties are intended to be several and not joint or collective and nothing herein contained shall ever be construed to create an association, joint venture, trust or partnership, or to impose a trust or partnership covenant, obligation or liability on or with regard to any Party. Each Party shall be individually responsible for its own covenants, obligations and liabilities as herein provided. No Party shall be under the control of or shall be deemed to control another Party. No Party shall be the agent of or have a right or power to bind another Party without such other Party's express written consent, except as provided in this Agreement.

XV. UNCONTROLLABLE FORCES:

If the existence of an Uncontrollable Force, as defined in Section II.Q above, disables a Party from performing its obligations under this Agreement (except for such Party's obligations to make payments hereunder), such Party shall not be considered to be in default in the performance of any such obligations while such disability of performance exists. A Party rendered unable to fulfill any of its obligations under this Agreement by reason of an Uncontrollable Force shall exercise due diligence to remove such inability with all reasonable dispatch. Nothing contained herein shall be construed so as to require a Party to settle any strike or labor dispute in which it may be involved.

XVI. AUDITS:

Each Party shall have the right to audit any costs, payments, settlements or other supporting information pertaining to this Agreement, including the Costs and the Budget. Any such audit shall be undertaken by the requesting Party or its representative at reasonable times and in conformance with generally accepted auditing standards. The audited Party shall fully cooperate with any such audit, the cost of which shall be paid by the requesting Party. The right to audit a billing shall extend for a period of three (3) years

following the rendering of the bill. Each Party shall retain all necessary records or documentation for the entire length of such three (3) year period and shall, to the extent permitted by law, take all steps reasonably available to assure the confidentiality of the audited Party's accounting records and supporting documents.

XVII. THIRD PARTY BENEFICIARIES:

There are no third Party beneficiaries to this Agreement. This Agreement shall not confer any right or remedy upon any person or entity other than the Parties and their respective successors and assigns permitted under Section XVIII. This Agreement shall not release or discharge any obligation or liability of any third party to any Party or give any third party any right of subrogation or action over or against a Party.

XVIII. ASSIGNMENT OF INTERESTS:

A. No Party shall assign this Agreement without the prior written consent of the other Parties, which consent shall not be unreasonably withheld or delayed. Each Water Company expressly understands and agrees that it shall not be unreasonable for NCSD to withhold or delay its consent to any proposed or purported assignment to any person or entity ("Assignee") that has not demonstrated to NCSD's reasonable satisfaction that NCSD's interests as contemplated herein will not be adversely affected thereby.

B. Any assignment by a Party of its interest in this Agreement which is made without the prior written consent of the other Parties shall not relieve the assigning Party from primary liability for any of its duties and obligations under this Agreement, and in the event of any such assignment, the assigning Party shall continue to remain primarily liable for payment of any and all money due the other Parties as provided under this Agreement, and for the performance and observance of all covenants, duties and obligations to be performed and observed under this Agreement by the Party to the same extent as though no assignment had been made.

C. Whenever an assignment of a Party's interest in this Agreement is made with the written consent of the other Parties, the assigning Party's assignee shall expressly assume in writing the duties and obligations under this Agreement of the assigning party and, within thirty (30) days after any such assignment and assumption of duties and obligations, the assigning Party shall furnish, or cause to be furnished, to the other Party a true and correct copy of such assignment and assumption of duties and obligations. Upon the effective date of such assignment, the assigning Party shall be relieved of its obligations and duties under this Agreement.

D. Subject to the foregoing restrictions on assignment, this Agreement shall be binding upon, inure to the benefit of and be enforceable by the Parties and their respective successors and assigns.

XIX. NO DEDICATION OF FACILITIES:

Any undertaking by a Party to another Party under this Agreement shall not constitute the dedication of the system, or any portion thereof, of that Party to the public or to another Party, nor affect the status of that Party as an independent system.

XX. COMPLETE AGREEMENT:

This Agreement contains the entire agreement and understanding between the Parties as to the subject matter of this Agreement and supersedes all prior commitments, representations and discussions between the Parties.

XXI. CONSTRUCTION OF AGREEMENT:

Ambiguities or uncertainties in the wording of this Agreement shall not be construed for or against any Party, but shall be construed in a manner that most accurately reflects the intent of the Parties when this Agreement was executed and is consistent with the nature of the rights and obligations of the Parties with respect to the matter being construed.

XXII. NON-DISCRIMINATION:

During the performance of this Agreement, no Party shall deny the Agreement's benefits to any person, nor shall any Party discriminate unlawfully against any employee or applicant for employment, on the grounds of or because of race, color, creed, national origin, ancestry, age, sex, sexual orientation, marital status or disability, including the medical condition of Acquired Immune Deficiency Syndrome (AIDS) or any condition related thereto. Each party shall insure that the evaluation and treatment of employees and applicants for employment are free of such discrimination.

XXIII. EVENTS OF DEFAULT:

In the event that a Party shall materially default in the performance of its obligations under this Agreement, the Authorized Representatives of the non-defaulting Parties may give written notice of the default to the Authorized Representative of the defaulting Party. If within thirty (30) days after the non-defaulting Parties' Authorized Representative shall have given such written notice to the defaulting Party's Authorized Representative, the defaulting Party shall have failed to cure the default in its performance of this Agreement, or if such default requires more than thirty (30) days to cure and the defaulting Party fails to commence such cure and diligently prosecute such cure to completion, in addition to any other remedies provided by law, the non-defaulting Parties may terminate this Agreement by written notice of termination as provided for in Section **XXVIII**. In addition to any other cause of default arising hereunder, a Party shall be in a default if:

- A. It becomes insolvent; or

B. It makes a general assignment of substantially all of its assets for the benefit of its creditors, files a petition for bankruptcy or reorganization or seeks other relief under any applicable insolvency laws; or

C. It has filed against it a petition for bankruptcy, reorganization or other relief under any applicable insolvency laws and such petition is not dismissed within sixty (60) days after it is filed.

D. In the event of a default and termination of the Agreement as to the defaulting Party, the non-defaulting Parties shall use commercially reasonable best efforts to negotiate any revisions to this Agreement that are necessary or appropriate in light of such termination, which revisions shall be consistent with the purpose and intent of this Agreement and shall preserve, to the maximum extent possible, all material consideration to the remaining parties. Termination of this Agreement, either in its entirety or as to one or more Parties, shall not affect the validity or enforceability of the Stipulation and Judgment or the rights and obligations of any Party thereunder.

XXIV. AMENDMENTS:

This Agreement may be modified, supplemented or amended only by a writing duly executed by the Parties.

XXV. WAIVERS:

A. Any waiver at any time by any Party of its rights with respect to a default under this Agreement, or with respect to any other matter arising in connection with this Agreement, shall not be deemed a waiver with respect to any subsequent default or other matter arising in connection therewith. Any delay, short of the statutory period of limitation in asserting or enforcing any right, shall not be deemed a waiver of such right.

B. Nothing in this Agreement shall limit, nor act as a waiver, of any Party's rights or defenses in pursuing or defending against any legal or equitable claim or remedy that may be asserted regarding each Party's rights and obligations to participate in the NSWP and bear its percentage allocation of the Costs of the NSWP (as presented in Recital K).

XXVI. SECTION HEADINGS:

All captions and headings appearing in this Agreement are inserted to facilitate reference and shall not govern, except where logically necessary, the interpretations of the provisions hereof.

XXVII. GOVERNING LAW:

This Agreement shall be interpreted, governed by and construed under the laws of the State of California or the laws of the United States as applicable, as if executed and to be performed wholly within the State of California.

XXVIII. NOTICES:

A. Any notice, demand or request provided for in this Agreement, or served, given or made in connection with it, shall be in writing and shall be deemed properly served, given or made if delivered in person, by email or sent by United States mail, postage prepaid, to the persons specified below, unless otherwise provided for in this Agreement:

Nipomo Community Services District
Attention: General Manager
P.O. Box 326
Nipomo, California 93444-326
generalmanager@ncsd.ca.gov

Golden State Water Company
Attention: Senior Vice President of Regulated Utilities
630 East Foothill Blvd
San Dimas, CA 91773

Rural Water Company
c/o Frank B. & Associates
Attention: Frank Brommenschenkel
134 Davis Street
Santa Paula, CA 93060

Woodlands Mutual Water Company
c/o Wallace Group
Attention: Robert S. Miller
612 Clarion Ct.
San Luis Obispo, CA 93401

B. Any Party may at any time, by written notice to the other Parties, change the designation or address of the person so specified as the one to receive notices pursuant to this Agreement.

[signatures on following page]

XXIX. SIGNATURE CLAUSE:

The signatories hereto represent that they have been appropriately authorized to enter into this Agreement on behalf of the Party for whom they sign.

NIPOMO COMMUNITY SERVICES DISTRICT

Michael S. LeBrun
Date: October 16, 2015
By: MICHAEL S. LEBRUN
GENERAL MANAGER

GOLDEN STATE WATER COMPANY

Date: _____, 2015
BY: _____

RURAL WATER COMPANY

Date: _____, 2015
BY: _____

WOODLANDS MUTUAL WATER COMPANY

Date: _____, 2015
BY: _____

XXIX. SIGNATURE CLAUSE:

The signatories hereto represent that they have been appropriately authorized to enter into this Agreement on behalf of the Party for whom they sign.

NIPOMO COMMUNITY SERVICES DISTRICT

Date: _____, 2015
By: MICHAEL S. LEBRUN
GENERAL MANAGER

GOLDEN STATE WATER COMPANY

Date: Robert J. Spronks
September 10, 2015
BY: Robert J. Spronks
PRESIDENT & CEO

RURAL WATER COMPANY

Date: _____, 2015
BY:

WOODLANDS MUTUAL WATER COMPANY

Date: _____, 2015
BY:

XXIX. SIGNATURE CLAUSE:

The signatories hereto represent that they have been appropriately authorized to enter into this Agreement on behalf of the Party for whom they sign.

NIPOMO COMMUNITY SERVICES DISTRICT

Date: _____, 2015
By: MICHAEL S. LEBRUN
GENERAL MANAGER

GOLDEN STATE WATER COMPANY

Date: _____, 2015
BY:

RURAL WATER COMPANY

Date: Charles M Baker
Sept 9, 2015
BY: Chuck Baker

WOODLANDS MUTUAL WATER COMPANY

Date: _____, 2015
BY:

XXIX. SIGNATURE CLAUSE:

The signatories hereto represent that they have been appropriately authorized to enter into this Agreement on behalf of the Party for whom they sign.

NIPOMO COMMUNITY SERVICES DISTRICT

Date: _____, 2015
By: MICHAEL S. LEBRUN
GENERAL MANAGER

GOLDEN STATE WATER COMPANY

Date: _____, 2015
BY:

RURAL WATER COMPANY

Date: _____, 2015
BY:

WOODLANDS MUTUAL WATER COMPANY

Date: Don R. Go Parsons
10 / 11, 2015
BY:

January 10, 2018

ITEM E-3

ATTACHMENT B

**AMENDMENT NO. 1 TO NIPOMO SUPPLEMENTAL WATER PROJECT
SUPPLEMENTAL WATER MANAGEMENT AND GROUNDWATER
REPLENISHMENT AGREEMENT**

This Amendment No. 1 to Nipomo Supplemental Water Project - Supplemental Water Management and Groundwater Replenishment Agreement (“the Agreement” hereinafter) is made and entered into this ___ day of _____ 2017 by and between the Nipomo Community Services District (“NCS D” hereinafter), Woodlands Mutual Water Company of San Luis Obispo County (“WMWC” hereinafter), and Golden State Water Company (“GSWC” hereinafter).

I. Recitals.

A. The parties hereto entered into the Agreement to allocate the benefits and costs of the provision of Supplemental Water through NCS D to the Nipomo Mesa Management Area through the implementation of an agreement referred to as the NCS D-City Agreement.

B. Subsequent to the consummation of the Agreement, GSWC succeeded to the position of Rural Water Company provided for in the Agreement.

C. The parties now desire to amend the Agreement to provide flexibility in the short term allocation of the benefits and costs in the Agreement.

II. Amendment No. 1.

A. Section VI. of the Agreement hereby is amended to read as follow:

“VI. USE OF NIPOMO SUPPLEMENTAL WATER.

NCS D shall be responsible for the distribution and use of the Nipomo Supplemental Water between and among the Parties subject to the following:

A. Subject to the groundwater management and recharge protocols provided in this Agreement, the presumed quantity and rate of delivery of Nipomo Supplemental Water for each Party shall be as provided in the table below, based upon an assumed delivery of 2,500 AFY. To the extent Nipomo Supplemental Water is not available for delivery at the volumes of rates shown, each Party’s deliveries shall be reduced on a proportional basis or on a basis specified in a Temporary Water Sales Agreement between NCS D and either or both GSWC and WMWC. Any such Temporary Sales Agreement shall be effective for one year and shall require the parties to pay the cost obligation provided in Sections VIII, IX.A. hereof, modified to reflect the changed delivery or attribution percentage, and a corresponding percentage of the annual capital costs of the NSWP applicable during the Temporary Water Sales Agreement term. Any Temporary Water Sales Agreement may contain other terms and conditions agreed to by the parties thereto which are consistent with the terms stated in this Agreement. To the extent the implementation of groundwater management and recharge protocols provide for alternative deliveries, each Party

shall be responsible for its portion of the Costs as otherwise provided in this Agreement.

Entity	Annual (AF)	Quarterly (AF)	Maximum per Month (AF)
NCSD	1668	417	139
GSWC – Nipomo Div.	208	52	17
GSWC – Cypress Ridge Div.	208	52	17
Woodlands Mutual Water Co.	416	104	35

C. The highest priority use of Nipomo Supplemental Water shall be to offset groundwater pumping within those regions within the NMMA where depressed groundwater levels exist.

D. Provided that such reduction does not materially and adversely affect its ability to provide water for the reasonable and beneficial use of its customers, for each AF of the 2,500 AFY Nipomo Supplemental Water used within the NMMA, the user shall reduce its groundwater pumping by the same amount. The Parties shall develop a method of confirming this reduction in groundwater use.

E. Over the term of this Agreement, the Advisory Committee (as defined in XII.A) shall periodically meet and confer with the NMMA Technical Group regarding the distribution of the Nipomo Supplemental Water between the Parties, given the priority specified in subsections VI.A and B, above. Based on the input from the Advisory Committee and the NMMA Technical Group, the status of Points of Interconnection as provided in the Section VII.A below and other relevant hydrologic conditions, NCSD shall determine the distribution of Nipomo Supplemental Water among the Parties. NCSD shall make its determination regarding the distribution of Nipomo Supplemental Water following the consultation described in this subsection and based upon a reasonable, good faith interpretation of how best to manage the then existing hydrologic conditions within the NMMA, the availability of Nipomo Supplemental Water and the ability to rely on existing Points of Interconnection and establish a new Point of Interconnection with GSWC, if one has not yet been established.

F. Pursuant to Section VI(B)(3) of the Stipulation, provided WMWC is concurrently using or has made arrangements for other Parties to use within the NMMA the Nipomo Supplemental Water allocated to the WMWC under Section VI(A), above, WMWC shall not be subject to restriction in the reasonable and beneficial use of groundwater necessary for full development of its service area; provided however, nothing in this Agreement is intended to modify or amend the benefits and obligations provided in the Stipulation and the Judgment applicable

to WMWC, or the court's retained jurisdiction pursuant to the Stipulation and the Judgment.”

B. Other than as expressly amended by this Amendment No. 1, the Agreement and each and every term and provision contained therein shall remain in full force and effect.

III. Signature Clause.

The signatories hereto represent that they have been appropriately authorized to enter into this Amendment No. 1 on behalf of the Party for whom they sign.

NIPOMO COMMUNITY SERVICES DISTRICT

By: _____
MARIO IGLESIAS
GENERAL MANAGER

Date: _____

GOLDEN STATE WATER COMPANY

By: _____

Date: _____

WOODLANDS MUTUAL WATER COMPANY

By: _____

Date: _____