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Contract Between the State of California Department of Water Resources and the Metropolitan Water District of Southern California for a Water Supply

Department of Water Resources

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STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES

CONTRACT BETWEEN
THE STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES
AND THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA
FOR A WATER SUPPLY

November 4, 1960
(As amended to February 1, 1973)

KFC
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C65

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STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES

CONTRACT
BETWEEN THE STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES AND THE
METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
FOR A WATER SUPPLY

THIS CONTRACT, made this 4th day of November, 1960, pursuant to the provisions of the California Water Resources Development Bond Act, the State Central Valley Project Act, and other applicable laws of the State of California, between the State of California, acting by and through its Department of Water Resources, herein referred to as the "State", and The Metropolitan Water District of Southern California, a public agency in the State of California, duly organized, existing, and acting pursuant to the laws thereof with its principal place of business in Los Angeles, California, herein referred to as the "District",

WITNESSETH, That:

WHEREAS, the State is authorized to construct and operate facilities for the storage and conveyance of water, certain of which facilities will make water available to the District; and

WHEREAS, funds will be provided under the California Water Resources Development Bond Act for the construction of said facilities; and

WHEREAS, the District is desirous of obtaining a supply of water from the State;

NOW THEREFORE, it is mutually agreed as follows:

A. INTRODUCTORY PROVISIONS

1. *Definitions.* When used in this contract, the following terms shall have the meanings hereinafter set forth:

(a) "*Bond Act*" shall mean the California Water Resources Development Bond Act, comprising Chapter 8, commencing at Section 12930, of Part 6 of Division 6 of the Water Code, as enacted in Chapter 1762 of the Statutes of 1959.

(b) "*System*" shall mean the State Water Resources Development System as defined in Section 12931 of the Water Code.

(c) "*Delta*" shall mean the Sacramento-San Joaquin Delta as defined in Section 12220 of the Water Code on the date of approval of the Bond Act by the voters of the State of California.

(d) "*Contractor*" shall mean any entity contracting with the State for a dependable supply of water made available by the System, except such water as is made available by the facilities specified in Section 12934(d) (6) of the Water Code.

(e) "*Project facilities*" shall mean those facilities of the System which will, in whole or in part, serve the purposes of this contract by conserving water and making it available for use in and above the Delta and for export from the Delta, and by conveying water to the District. Said project facilities shall consist

specifically of “project conservation facilities” and “project transportation facilities”, as hereinafter defined.

(f) “*Project conservation facilities*” shall mean such project facilities as are presently included, or as may be added in the future, under (g) and (h) below.

(g) “*Initial project conservation facilities*” shall mean the following project facilities specified in Section 12934(d) of the Water Code:

(1) All those facilities specified in subparagraph (1) thereof.

(2) Those facilities specified in subparagraph (3) thereof to the extent that they serve the purposes of water conservation in the Delta, water supply in the Delta, and transfer of water across the Delta.

(3) A reservoir near Los Banos in Merced County as specified in subparagraph (2) thereof.

(4) The reach of the San Joaquin Valley-Southern California Aqueduct extending from the Delta to a reservoir near Los Banos in Merced County, to the extent required for water conservation through conveyance of water diverted from the Delta to offstream storage in said reservoir as determined by the State.

(5) Those facilities specified in subparagraph (5) thereof which are incidental to the facilities included under (1), (2), (3), and (4) above.

(6) Those facilities specified in subparagraph (7) thereof which are necessary and appurtenant to the facilities included under (1), (2), (3), (4), and (5) above.

(h) “*Additional project conservation facilities*” shall mean those project facilities provided for in Section 12938 of the Water Code which will serve the purpose of preventing any reduction in the minimum project yield, as hereinafter defined.

(i) “*Project transportation facilities*” shall mean the following project facilities specified in Section 12934(d) of the Water Code:

(1) All those facilities specified in subparagraph (2) thereof except: The reservoir near Los Banos in Merced County; the reach of the San Joaquin Valley-Southern California Aqueduct extending from the Delta to the reservoir near Los Banos in Merced County, to the extent required for water conservation as determined by the State; the North Bay Aqueduct extending to a terminal reservoir in Marin County; the South Bay Aqueduct extending to terminal reservoirs in the Counties of Alameda and Santa Clara; the Pacheco Pass Tunnel Aqueduct extending from a reservoir near Los Banos in Merced County to a terminus in Pacheco Creek in Santa Clara County; and the Coastal Aqueduct beginning on the San Joaquin Valley-Southern California aqueduct in the vicinity of Avenal, Kings County, and extending to a terminus at the Santa Maria River.

(2) Those facilities specified in subparagraph (5) thereof which are incidental to the facilities included under (1) above.

(3) Those facilities specified in subparagraph (7) thereof which are necessary and appurtenant to the facilities included under (1) and (2) above.

(j) “*East Branch Aqueduct*” shall mean that portion of the San Joaquin Valley-Southern California Aqueduct specified in Section 12934(d) (2) of the Water Code extending from the South Portal of the Tehachapi Tunnels to a terminus in the vicinity of Perris, Riverside County.

(k) “*West Branch Aqueduct*” shall mean that portion of the San Joaquin Valley-Southern California Aqueduct specified in Section 12934(d) (2) of the Water Code extending from the South Portal of the Tehachapi Tunnels to a terminus in the vicinity of Newhall, Los Angeles County.

(l) "*Project water*" shall mean water made available for delivery to the contractors by the project conservation facilities and the transportation facilities included in the System.

(m) ¹ "*Minimum project yield*" shall mean the dependable annual supply of project water to be made available, estimated to be 4,230,000 acre-feet per year, said amount to be determined by the State on the basis of coordinated operation studies of initial project conservation facilities and additional project conservation facilities, which studies shall be based upon:

(1) The estimated relative proportion of deliveries for agricultural use to deliveries for municipal use for the year 1990, and the characteristic distributions of demands for these two uses throughout the year.

(2) An allowable reduction in the agricultural use portion of the minimum project yield, due to drought, of not to exceed fifty percent (50%) in any one year, nor a total of one hundred percent (100%) of one year's supply in any series of seven consecutive years.

(3) Agreements now in effect or as hereafter amended or supplemented between the State and the United States and others regarding the diversion or utilization of waters of the Delta or streams tributary thereto.

(n) "*Annual entitlement*" shall mean the amount of project water to be made available to a contractor during the respective year, at the delivery structures provided for such contractor, under the terms of its contract with the State.

(o) "*Maximum annual entitlement*" shall mean the maximum amount of project water to be made available to a contractor in any one year, at the delivery structures provided for such contractor, under the terms of its contract with the State.

(p) "*Supplemental conservation facilities*" shall mean those facilities provided for in Section 12938 of the Water Code which will serve the purpose of supplying water in addition to the minimum project yield and for meeting local needs.

(q) "*Supplemental water*" shall mean water made available by supplemental conservation facilities, in excess of the minimum project yield.

(r) "*Year*" shall mean the 12-month period from January 1 through December 31, both dates inclusive.

(s) "*Year of initial water delivery*" shall mean the year when project water will first be available for delivery to a contractor pursuant to its contract with the State.

(t) ² "*Project interest rate*" shall mean the weighted average interest rate of (1) through (6) below computed by dividing (i) the total interest cost required to be paid or credited by the State during the life of the indebtedness or advance by (ii) the total of the products of the various principal amounts and the respective terms in years of all such amounts:

(1) general obligation bonds issued by the State under the Bond Act,

(2) revenue bonds issued by the State under the Central Valley Project Act after May 1, 1969,

(3) bonds issued by the State under any other authority granted by the Legislature or the voters,

(4) bonds issued by any agency, district, political subdivision, public corporation, or nonprofit corporation of this State,

(5) funds advanced by any contractor without the actual incurring of bonded debt therefor, for which the net interest cost and terms shall be those which would have resulted if the contractor had sold bonds for the purpose of funding the advance, as determined by the State, and

(6) funds borrowed from the General Fund or other funds in the Treasury of the State of California, for which the total interest cost shall be computed at the interest rate earned over the period of such borrowing by moneys in the Pooled Money Investment Account of such Treasury invested in securities, to the extent the proceeds of any such bonds, advances or loans are for construction of the State Water

¹ Amended: Amendment 1.

² Amended: Amendment 9.

Facilities defined in Section 12934 (d) of the Water Code, the additional project conservation facilities, and the supplemental conservation facilities (except advances for delivery structures, measuring devices and excess capacity) and without regard to any premiums received on the sale of bonds under item (1) above. The "project interest rate" shall be computed as a decimal fraction to five places.

(u) "*Capital costs*" shall mean all costs incurred subsequent to authorization of a facility for construction by the Legislature or by administrative action pursuant to Section 11290 of the Water Code and to the Bond Act, including those so incurred prior to the beginning of the project repayment period as herein defined and any accrued unpaid interest charges thereon at the rates specified herein, which are properly chargeable to the construction of and the furnishing of equipment for the facilities of the System, including the costs of surveys, engineering studies, exploratory work, designs, preparation of construction plans and specifications, acquisition of lands, easements and rights-of-way, and relocation work, all as shown upon the official records of the Department of Water Resources.

(v) "*Project revenues*" shall mean revenues derived from the service of project water to contractors and others, and from the sale or other disposal of electrical energy generated in connection with operation of project facilities.

(w) "*Project repayment period*" shall mean that period of years commencing on the first day of the year which immediately follows the year in which the State, after approval of the Bond Act by the voters of the State of California, first expends money for construction of any facility of the System, and extending until all bonds secured by the pledge of revenues provided for by the Bond Act have been repaid.

(x) "*Municipal use*" shall mean all those uses of water common to the municipal water supply of a city, town, or other similar population group, including uses for domestic purposes, uses for the purposes of commerce, trade or industry, and any other use incidental thereto for any beneficial purpose.

(y) "*Manufacturing use*" shall mean any use of water primarily in the production of finished goods for market.

(z) "*Agricultural use*" shall mean any use of water primarily in the production of plant crops or livestock for market, including any use incidental thereto for domestic or stock-watering purposes.

(aa) "*Subject to approval by the State*" shall mean subject to the determination and judgment of the State as to acceptability.

(bb) "*Area of origin statutes*" shall mean Sections 10505 and 11460 through 11463 of the Water Code as now existing or hereafter amended.

2. *Term of Contract.* In the event that the Bond Act is not approved by the voters of the State of California at the election to be held on November 8, 1960, this contract shall be of no further force or effect. In the event that the Bond Act is approved by the voters at said election, this contract shall become fully effective on the ninety-first (91st) day after the adjournment of the 1961 Regular Session of the State Legislature and shall remain in effect throughout the entire project repayment period, or for seventy-five (75) years from the effective date of this contract, whichever period is longer: *Provided*, That if, by any legislative process initiated during said session of the Legislature, there is enacted into law any legislation which is inconsistent with any of the terms and conditions of this contract or which would require changes therein, this contract shall be subject to such legislation and thereupon shall become void and shall be of no further force or effect unless the District, within a period of one hundred eighty (180) days after the effective date of such legislation agrees to and executes appropriate amendments incorporating necessary modifications in this contract consistent with such legislation: *Provided further*, That unless otherwise specifically directed by the Legislature, Article 17 (d) of this contract, limiting the sale of bonds and expenditure of funds under the authority of the Bond Act, shall not be so modified: *Provided further*, That no bonds shall be sold nor funds expended under the authority of the Bond Act until the expiration of said period of one hundred eighty (180) days after the effective date of such legislation: *Provided further*, That no financial obligation of the District to the State shall arise or be enforceable hereunder unless and until the validity of this contract is established by final judgment or decree of a court of competent jurisdiction.

3. *Validation.* Within one (1) year after the effective date of this contract, the District shall submit this contract to a court of competent jurisdiction for determination of its validity by a proceeding in

mandamus or other appropriate proceeding or action, which proceeding or action shall be diligently prosecuted to final decree or judgment. In the event that this contract is determined to be invalid by such final decree or judgment, the State shall make all reasonable efforts to obtain validating legislation at the next session of the Legislature empowered to consider such legislation, and within six (6) months after the close of such session, if such legislation shall have been enacted, the District shall submit this contract to a court of competent jurisdiction for redetermination of its validity by appropriate proceeding or action, which proceeding or action shall be diligently prosecuted to final decree or judgment.

4. *Option for Continued Service.* By written notice to the State at least six (6) months prior to the expiration of the term of this contract, the District may elect to receive continued service after expiration of said term under the following conditions unless otherwise agreed to:

- (1) Service of water in annual amounts up to and including the district's maximum annual entitlement hereunder.
- (2) Service of water at no greater cost to the district than would have been the case had this contract continued in effect.
- (3) Service of water under the same physical conditions of service, including time, place, amount and rate of delivery, as are provided for hereunder.
- (4) Retention of the same chemical quality objective provision as is set forth herein.
- (5) Retention of the same options to utilize the project transportation facilities as are provided for in Articles 18(b) and 18(c), to the extent such options are then applicable. Other terms and conditions of the continued service shall be reasonable and equitable and shall be mutually agreed upon. In the event that said terms and conditions provide for continued service for a limited number of years only, the District shall have the same option to receive continued service here provided for upon the expiration of that and each succeeding period of continued service.

5. *Pledge of Revenues.* This contract is entered into for the direct benefit of the holders and owners of all general obligation bonds issued under the Bond Act, and the income and revenues derived from this contract are pledged to the purposes and in the priority set forth in that act.

B. WATER SERVICE PROVISIONS

6. *Annual Entitlements.*

- (a) The year of initial water delivery to the District is presently estimated to be 1972. To the extent practicable, the State shall notify the District of any change in this estimate.
- (b) Commencing with the year of initial water delivery to the District, the State each year shall make available for delivery to the District the amounts of project water designated in the following table, which amounts shall be subject to change as provided for in Article 7(a) hereof and are referred to in this contract as the District's annual entitlements:

TABLE A¹
 ANNUAL ENTITLEMENTS
 THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

<u>Year</u>	<u>Total Annual Amount in Acre-feet</u>
1	154,772
2	354,600
3	454,900
4	555,200
5	655,600
6	755,900
7	856,300
8	956,600
9	1,057,000
10	1,157,300
11	1,257,600

12	1,358,000
13	1,458,300
14	1,558,700
15	1,659,300
16	1,759,800
17	1,860,400
18	1,961,000
19	2,011,500
And each succeeding year thereafter, for the term of this contract:	2,011,500

(c) Subject to the availability of funds, the State shall make all reasonable efforts consistent with sound fiscal policies, reasonable construction schedules, and proper operating procedures to complete the project facilities necessary for delivery of project water to the District in such manner and at such times that said delivery can commence in or before the year specified in subdivision (a) of this article, and continue in the amounts designated in Table A.

7. Change in Annual Entitlements; Maximum Annual Entitlement.

(a) The District may, at any time or times during the term of this contract, by timely written notice furnished to the State, request that project water be made available to it thereafter in annual amounts greater or less than the amounts designated in Table A included in Article 6(b). Subject to approval by the State of any such request, the State's construction schedule shall be adjusted to the extent necessary to satisfy the request, and the requested increases or decreases in the annual amounts of project water to be made available shall be incorporated in said Table A by amendment thereof: *Provided*, That no such change shall be approved if it would impair the financial feasibility of the project facilities.

(b) ² The maximum amount of project water to be made available to the District in any one year under this contract shall be 2,011,500 acre-feet, referred to in this contract as the District's maximum annual entitlement, and in no event shall such maximum amount of project water to be made available to the District be increased over this amount, except as is provided for in Articles 8 and 15(c).

(c) In the event that the State enters into a contract with a contractor for service of project water to an area outside the District, which area, as shown upon the official records of the District as of the date of execution of this contract, is proposed to be served by the District with project water made available pursuant to this contract, provision being made therefor in Table A included in Article 6(b), the District's annual entitlements and maximum annual entitlement hereunder shall be appropriately reduced, effective on the effective date of said contract for service of project water by the State to such area outside the District, by amendment of said Table A and subdivision (b) of this article respectively: *Provided*, That such reductions shall not exceed the amounts of said contractor's annual entitlements and maximum annual entitlement under its contract. Upon any reduction in the District's annual entitlements and maximum annual entitlement pursuant to this subdivision, the State shall appropriately reduce: (1) the delivery capabilities to be provided in the project transportation facilities for service to the District, and (2) the District's payment obligations hereunder.

8. Option to Increase Maximum Annual Entitlement. In the event that the maximum annual entitlements under all contracts executed by the State on or before December 31, 1963, do not aggregate the amount of the minimum project yield as herein defined, the State shall immediately notify the District and all other contractors, and the District may elect to become entitled to the uncontracted for portion of the minimum project yield in or up to an amount which bears the same ratio to such uncontracted for portion as the District's maximum annual entitlement bears to the total of the maximum annual entitlements of all contractors as of that date: *Provided*, That such option may be exercised only to the extent that the water involved can be put to beneficial use within a reasonable period of time. Such option shall become effective on the date that the District receives said notice from the State and shall remain in effect

¹ Amended: Amendment 1; Amendment 3, 15.

² Amended: Amendment 1, 3.

through September 30, 1964. If the full amount of such uncontracted for portion of the minimum project yield is not preempted by the District under this option and by other contractors through the exercise of similar options on or before September 30, 1964, the District may request that it become entitled to any amount of such water not so preempted. Such request shall be subject to approval by the State and shall be considered in the light of all similar requests from other contractors. The State shall approve such request only to the extent that the water involved can be put to beneficial use within a reasonable period of time. Upon the exercise of such option or upon the approval of such request the District's maximum annual entitlement under Article 7(b) shall be increased by the amount of the additional entitlement thereby obtained by amendment of that article, and the District shall become obligated and hereby agrees to pay to the State a proportionate share of the costs attributable to such increase in accordance with cost allocation principles and procedures set forth in this contract. The service of and payment for said increased entitlement shall in all respects be subject to the terms and conditions of this contract.

9. *Obligation to Deliver Water Made Available.* Project water made available to the District pursuant to Article 6(b) shall be delivered to the District by the State at the delivery structures established in accordance with Article 10. At any time or times the District may refuse to accept delivery of water made available to it: *Provided*, That the District shall remain obligated to make all payments required under this contract.

10. *Delivery Structures.*

(a) Project water made available to the District pursuant to this contract shall be delivered to the District at such locations and times and through delivery structures of such capacities as are requested by the District and approved by the State.

(b) Pursuant to subdivision (a) of this article, the District shall furnish to the State on or before June 30, 1963, its written requests as to:

(1) The location of delivery structures for delivery of project water to it.

(2) The time at which project water is first to be delivered through each such delivery structure.

(3) The maximum instantaneous flow capacity in cubic feet per second to be provided in each such delivery structure.

(4) The maximum amount of water in acre-feet to be delivered in any one month through each such delivery structure.

(5) The total combined maximum instantaneous flow capacity in cubic feet per second to be provided by all such delivery structures.

(6) The total maximum amount of water in acre-feet to be delivered in any one month through all such delivery structures.

(c) From time to time the District may request delivery structures in addition to those requested pursuant to subdivision (b) of this article.

(d) The District shall pay all of the costs of delivery structures for the delivery of project water to it, and shall deposit with the State, prior to the commencement of construction of any such delivery structure, an amount of money estimated by the State to be sufficient to cover the costs thereof.

11. *Measurement of Water Delivered.*

(a) The State shall measure all project water delivered to the District and shall keep and maintain accurate and complete records thereof. For this purpose, the State shall install, operate, and maintain at all delivery structures for delivery of project water to the District such measuring devices and equipment as are satisfactory and acceptable to both parties. Said devices and equipment shall be examined, tested, and serviced regularly to insure their accuracy. At any time or times, the District or any other contractor may inspect such measuring devices and equipment, and the measurements and records taken therefrom.

(b) The District shall pay all of the costs of acquiring and installing the measuring devices and equipment provided for in subdivision (a) of this article, and shall deposit with the State, prior to such acquisition and installation, an amount of money estimated by the State to be sufficient to cover such costs.

12. *Amounts, Times, and Rates of Delivery.*

(a) The amounts, times, and rates of delivery of project water to the District during any year shall

be in accordance with a water delivery schedule for that year, such schedule to be determined in the following manner:

(1) On or before October 1 of each year, the District shall submit in writing to the State a preliminary water delivery schedule, subject to the provisions of this article and Articles 6(b), 7(b), 10 and 17, indicating the amounts of water desired by the District during each month of the succeeding five (5) years.

(2) Upon receipt of a preliminary schedule the State shall review it and, after consultation with the District, shall make such modifications in it as are necessary to insure that the amounts, times, and rates of delivery to the District will be consistent with the State's overall delivery ability, considering the then current delivery schedules of all contractors. On or before December 1 of each year, the State shall determine and furnish to the District the water delivery schedule for the next succeeding year which shall show the amounts of water to be delivered to the District during each month of that year.

(3) A water delivery schedule may be amended by the State upon the District's written request. Proposed amendments shall be submitted by the District within a reasonable time before the desired change is to become effective, and shall be subject to review and modification by the State in like manner as the schedule itself.

(b) ¹ In no event shall the State be obligated to deliver to any contractor through all delivery structures provided for such contractor a total amount of project water in any year greater than the contractor's annual entitlement for that year; nor to deliver to any contractor from the project transportation facilities downstream from Pumping Plant VI in any one month of any year a total amount of project water greater than eleven percent (11%) of such contractor's annual entitlement for that year; nor to deliver to any contractor from the project transportation facilities upstream from said Pumping Plant VI in any one month of any year a total amount of project water greater than the sum of eighteen percent (18%) of that portion of such contractor's annual entitlement for that year to be devoted to agricultural use, as determined by the State, and eleven percent (11%) of that portion of such contractor's annual entitlement for that year to be devoted to municipal use, as determined by the State: *Provided*, That if the state delivers project water to any contractor through delivery structures both downstream and upstream from said Pumping Plant VI, the foregoing limitations on monthly deliveries to such contractor shall be based on an appropriate apportionment of such contractor's annual entitlement for that year to the respective portions of such contractor's service area to which delivery is made from the project transportation facilities downstream from said Pumping Plant VI and from the project transportation facilities upstream therefrom: *Provided further*, That the respective percentages set forth hereinabove may be revised by amendment of this subdivision after submission to the State of the respective contractor's requests with respect to maximum monthly deliveries, such revision being subject to approval by the State and subject to advancement to the State by the respective contractor of funds sufficient to cover any additional costs of the project transportation facilities occasioned thereby, as such costs are determined pursuant to Article 24(d): *Provided further*, That with respect to deliveries to the District from the project transportation facilities downstream from Pumping Plant VI the percentage of eleven percent (11%) is revised to the extent provided in Article 47(c) of this contract.

(c) ² In no event shall the State be obligated to deliver water to the District through all delivery structures at a total combined instantaneous rate of flow exceeding three thousand six hundred seventy-one (3,671) cubic feet per second, except as this rate of flow may be revised by amendment of this article after submission to the State of the District's requests with respect to maximum flow capacities to be provided in said delivery structures, pursuant to Article 10.

(d) If in any year the State, as a result of causes beyond its control, is unable to deliver any portion of the District's annual entitlement for such year under Table A included in Article 6(b) as provided for in the delivery schedule established for that year, the District may elect to receive the amount of water which otherwise would have been delivered to it during such period at other times during the year or the next succeeding year, to the extent that such water is then available and such election is consistent

¹ Amended: Amendment 2.

² Amended: Amendment 1, 3.

with the State's overall delivery ability, considering the then current delivery schedules of all contractors.

13. *Responsibilities for Delivery and Distribution of Water.*

(a) Neither the State nor any of its officers, agents, or employees shall be liable for the control, carriage, handling, use, disposal, or distribution of project water supplied to the District after such water has passed the delivery structures established in accordance with Article 10; nor for claim of damage of any nature whatsoever, including but not limited to property damage, personal injury or death, arising out of or connected with the control, carriage, handling, use, disposal or distribution of such water beyond said delivery structures; and the District shall indemnify and hold harmless the State and its officers, agents, and employees from any such damages or claims of damages.

(b) Neither the District nor any of its officers, agents, or employees shall be liable for the control, carriage, handling, use, disposal, or distribution of project water before such water has passed the delivery structures established in accordance with Article 10; nor for claim of damage of any nature whatsoever, including but not limited to property damage, personal injury or death, arising out of or connected with the control, carriage, handling, use, disposal, or distribution of such water before it has passed said delivery structures.

14. *Temporary Discontinuance or Reduction of Delivery.*

(a) The State may temporarily discontinue or reduce the delivery of project water to the District hereunder for the purposes of necessary investigation, inspection, maintenance, repair, or replacement of any of the project facilities necessary for the delivery of project water to the District. The State shall notify the District in advance of any such discontinuance or reduction, except in cases of emergency, in which case notice need not be given.

(b) In the event of any discontinuance or reduction of delivery of project water pursuant to subdivision (a) of this article, the District may elect to receive the amount of water which otherwise would have been delivered to it during such period under the water delivery schedule for that year at other times during the year or the next succeeding year, to the extent that such water is then available and such election is consistent with the State's overall delivery ability, considering the then current delivery schedules of all contractors.

15. *Use of Water.*

(a) No sale or other disposal of project water delivered to the District pursuant to this contract shall be made by the District for use of such water outside the District which would, in the judgment of the State, materially impair the District's capacity to make payments to the State as provided for in this contract. Except insofar as such water is sold by the District to the United States, the State of California, or to purchasers for use within areas which are outside the areas proposed to be served by the State with water made available by the system, project water delivered to the District pursuant to this contract shall not be sold or otherwise disposed of by the District for use outside the District without the prior written consent of the State. The District shall notify the State as promptly as feasible of all sales or other disposals of project water made or proposed to be made by the District for use outside the District.

(b) While this contract is in effect, no change shall be made in the organization of the District which would materially impair the District's capacity to make payments to the State as provided for herein. The District shall notify the State as promptly as feasible of any change or proposed change in the District's boundaries.

(c) In the event of annexation by the District of territory lying within an area served or to be served by the State with project water pursuant to a contract between the State and another contractor, and subject to the consummation of appropriate agreements between the State, the District, and such other contractor, the District's annual entitlements and maximum annual entitlement under this contract shall be increased by the amounts of the annual entitlements and maximum annual entitlement contracted for by said contractor for use in said annexed territory. In the event of annexation by the District of territory lying within an area proposed to be served by the State with project water, but for which no contract has been executed by the State for service of project water for use in such annexed territory, the District's annual entitlements and maximum annual entitlement under this contract, at the request of either the State or the District, shall be increased by the amounts of the prospective annual entitlements and maximum annual entitlement to project water allocated or assigned by the State for use in said annexed

territory. Upon any increase in the District's annual entitlements and maximum annual entitlement pursuant to this subdivision, Table A included in Article 6(b), and Article 7(b) shall be amended accordingly and the District shall become obligated and hereby agrees to pay to the State a proportionate share of the costs attributable to such increase in accordance with cost allocation principles and procedures set forth in this contract. The service of and payment for such increased annual entitlements and maximum annual entitlement shall in all respects be subject to the terms and conditions of this contract.

(d) ¹ The State shall make no other contract to supply project water for use within the boundaries of the District without the consent of the District, and shall not authorize any other contractor to supply project water for use outside such other contractor's boundaries and within the boundaries of the District without the consent of the District.

16. *Continuity and Dependability of Water Supply.*

(a) ² The District's maximum annual entitlement hereunder, together with the maximum annual entitlements of all other contractors, shall aggregate no more than the minimum project yield as defined herein and in no event more than 4,230,000 acre-feet of project water.

(b) The State shall make all reasonable efforts to perfect and protect water rights necessary for the System and for the satisfaction of water supply commitments under this contract.

(c) Commencing within two (2) years from the year of initial water delivery to the District, the State shall submit to the District at five-year intervals a report on the State's ability to meet future demands for project water and for supplemental water, and on the State's plans for constructing additional project conservation facilities and supplemental conservation facilities. Such reports shall include all estimates, projections, and other data which the State deems relevant thereto.

(d) Bond funds required to be expended for the construction of additional facilities of the System under the provisions of Section 12938 of the Water Code shall be expended only for construction of additional project conservation facilities as defined herein, and related, appurtenant facilities necessary and desirable to meet local needs: *Provided*, That if at any time after 1985 the State finds that a part or all of such bond funds are not then required for the above purpose, and will not be so required within the next succeeding ten (10) years, such bond funds may be used, to the extent permitted in the Bond Act, to construct supplemental conservation facilities as defined herein.

(e) In planning and designing supplemental conservation facilities the State shall give consideration to the requirements and demands for supplemental water of the District and others who have contracted for project water. Entitlements to supplemental water shall be obtained, and repayment therefor shall be arranged, in contracts separate from contracts for project water.

17. *Construction of Project Facilities.*

(a) ³ Subject to the rights of the District under subdivision (b) of this article and the other provisions of this contract, the State shall provide in each aqueduct reach of the project transportation facilities, other than the East Branch Aqueduct and the West Branch Aqueduct, such maximum monthly delivery capability for the transport and delivery of project water to the District as, in the judgment of the State, will best serve the interests of the District and all other contractors entitled to delivery of project water from or through said facilities: *Provided*, That within three (3) months after either the effective date of this contract or the execution of any amendments to this contract pursuant to the first proviso in Article 2, whichever is later, the District shall furnish to the State a written request specifying such maximum monthly delivery capabilities, and the State shall give full consideration to such request in planning and designing said facilities. On or before June 30, 1963, the District shall furnish to the State its written request specifying, subject to Articles 6(b), 7(b), 12(b) and 12(c), the maximum monthly delivery capability to be provided in each reach, including reservoirs, of the East Branch Aqueduct and of the West Branch Aqueduct for the transport and delivery of project water to the District, and specifying from which of

¹ Added: Amendment 12.

² Amended: Amendment 1.

³ Amended: Amendment 3.

said Branch Aqueducts the District shall receive water in the year of initial water delivery to the District and the year in which the first delivery of project water from the other of said Branch Aqueducts shall be made to the District. Such maximum monthly delivery capabilities and timing of first deliveries of project water from said Branch Aqueducts shall be as so requested by the District: *Provided*, That the District shall not specify less than a total maximum monthly delivery capability of sixty-one thousand two hundred and sixty-five (61,265) acre-feet in each of said Branch Aqueducts for the transport and delivery of project water to the District, and the District's payment obligation under the Transportation Charge for said Branch Aqueducts shall be in accordance therewith unless the District requests a greater total maximum monthly delivery capability in either or both of said Branch Aqueducts pursuant to this subdivision: *Provided further*, That in the event said request by the District with respect to the timing of first deliveries of project water to the District from said Branch Aqueducts is, in the judgment of the State, incompatible with similar requests received from other contractors to be served from or through said Branch Aqueducts, which contractors have executed contracts with the State on or before June 30, 1963, the timing of first deliveries of project water to the District and such other contractors from said Branch Aqueducts shall be as established by mutual agreement among the State, the District, and said contractors: *Provided further*, That if such agreement has not been reached on or before December 31, 1963, the State may then construct said Branch Aqueducts in accordance with such construction schedules as, in the judgment of the State, will best serve the interests of all those contractors whose service areas are located south of the South Portal of the Tehachapi Tunnels and which have executed contracts with the State on or before June 30, 1963.

(b) ¹ The State shall design and construct the project transportation facilities so as to provide for each reach thereof, including reservoirs, the capacity necessary to enable delivery of project water in each year to the District and to other contractors in the maximum monthly amounts and at the locations, times, and maximum rates specified or provided for in their respective contracts for such year, and shall include in each such reach such capacity as is economically justified in the judgment of the State to compensate for scheduled outages for purposes of necessary investigation, inspection, maintenance, repair or replacement of project facilities, and for losses of water due to evaporation, leakage, seepage, or other causes. Subject to Articles 6(b), 7(b), 12(b), and 12(c), the capacity so to be provided by the State for each reach of the project transportation facilities necessary for transporting water to the District shall be sufficient to enable delivery to the District in each month of any year of an amount of water up to but not exceeding eleven percent (11%) of the District's annual entitlement for the respective year and, upon completion of the project facilities, to enable delivery to the District in each month of any year of an amount of water up to but not exceeding eleven percent (11%) of the District's maximum annual entitlement: *Provided*, That regulatory storage reservoirs included in the project transportation facilities may be utilized in conjunction with conveyance capacity provided in said facilities for delivery to the District of the foregoing monthly amounts, subject to the retention at all times, except during periods of emergency, in each reservoir on the East Branch Aqueduct and the West Branch Aqueduct, respectively, of an amount of stored water reasonably sufficient to meet emergency requirements of the District for project water during the respective year: *Provided further*, That excess capacity shall be provided in accordance with Article 47(c) of this contract.

(c) The District shall have a reasonable opportunity to inspect and study the State's plans and specifications for all project facilities during the planning stage and prior to the solicitation of bids for the construction thereof, and may make comments and recommendations thereon to the State. Such privilege shall also extend to any plans and specifications or proposed agreements for the use by the State, in conjunction with the project facilities, of facilities owned by an entity other than the State. The State shall not enter into any such agreement which would impair the State's ability to perform fully its obligations under this contract.

(d) No bonds shall be sold nor funds expended under the authority of the Bond Act for the construction of any aqueduct or appurtenance thereto included in the System unless and until contracts are executed which will insure the recovery by the State of at least seventy-five percent (75%) of those capital costs of the particular aqueduct and any appurtenances thereto which shall be reimbursable by the contractors as determined by the State; nor shall any bonds be sold or funds expended under the authority

¹ Amended: Amendment 2.

of the Bond Act for the construction of any project conservation facility or supplemental conservation facility, unless and until contracts are executed which, together with estimated revenues from the sale or other disposal of electrical energy generated in connection with operation of project conservation facilities and supplemental conservation facilities, will insure the recovery by the State of at least seventy-five percent (75%) of those capital costs of the particular facility which shall be reimbursable by the contractors as determined by the State: *Provided*, That the foregoing limitations shall not apply with respect to: (1) surveys, engineering studies, exploratory work, designs, preparation of construction plans and specifications, acquisition of lands, easements and rights of way, relocation work, and essential administrative work in connection therewith; (2) construction for which appropriations had been made prior to approval of the Bond Act by the voters of the State of California; and (3) construction of facilities pursuant to an agreement between the State and the United States.

(e) The State shall make all reasonable efforts to commence construction of the project transportation facilities on or before June 30, 1963. In the event that no contract for construction of project transportation facilities south of the San Luis Canal of the San Luis unit of the Federal Central Valley Project has been let on or before December 31, 1964, and that no bonds have been issued nor funds expended for construction of said facilities by that date, the District at any time after December 31, 1964, may at its option terminate this contract by giving notice of such termination to the State, such termination to be effective six (6) months after the giving of such notice, whereupon both parties hereto shall be relieved of all further obligations hereunder: *Provided*, That if the District has not theretofore given such notice, this option shall expire upon the letting by the State of a contract for construction of said facilities at any time after March 31, 1965.

(f) In the event that the State fails or is unable to complete construction of any portion or portions of the project transportation facilities necessary to deliver water to the District as provided in this contract, and gives the District written notice thereof, or by reason of such failure or inability construction of said facilities has ceased for a period of two and one-half (2½) years, the District, if it be not then in default and without exclusion of such other rights as it may have under this contract, may exercise the following options:

(1) The District may provide funds to the State in such amounts and at such times as may be necessary to enable the State to complete construction of such incompleated portion or portions of the project transportation facilities to the extent necessary for the transport and delivery of water to the District as provided for in this contract: *Provided*, That the State shall be and remain the owner of such project transportation facilities or portions thereof constructed in whole or in part with funds provided by the District, and shall be and remain obligated to operate, maintain, repair and replace such facilities to the full extent contemplated in this contract: *Provided further*, That the amount of any funds so provided by the District shall be credited by the State against the District's payment obligation under the capital cost component of the Transportation Charge, but the District shall be and remain obligated to pay its share of any capital costs of the above-described facilities not paid for with such funds, together with its proportionate share of the operation, maintenance, power and replacement costs of such facilities.

(2) The District may at its own expense, and on a joint venture basis if such an arrangement is made with other contractors having similar options, connect to the project transportation facilities constructed by the State for the purpose of receiving project water to which it is entitled under this contract. In such event and notwithstanding any other provisions of this contract, the structures for delivery of project water to the District pursuant hereto shall thereafter be deemed to be located at such point of connection. Specific arrangements for acquiring, constructing, operating, maintaining and replacing the District's facilities at the point of connection thereof with the State's facilities shall be in accordance with terms and conditions mutually agreed upon by the parties: *Provided*, That the State shall be and remain the owner of all facilities constructed by it to said point of connection, and the District shall be and remain obligated to pay its proportionate share of the costs thereof.

(g) ¹ *Adjustments Due to Supplemental Financing Costs*

(1) If a contractor, with approval of the State, advances funds to the State to assist the State in financing construction of project facilities (except advances for delivery structures, measuring devices and

¹ Added: Amendment 9.

excess capacity and also excepting advances made under Article 47(m) of this contract), such advance shall be amortized by means of annual credits to the contractor having made such advance of funds to the State, with such credits being equal to the actual bond service obligations payable by such contractor by reason of such advance or, if no bonded debt was incurred, then such credits shall be sufficient to cover the repayment of principal and interest costs which would have resulted if the contractor had sold bonds for the purpose of funding the advance as determined by the State.

(2) If, after May 1, 1969, any source of funds other than those provided by the Bond Act is employed to finance construction of specific project facilities, any additional costs incurred because of such financing will not be charged to the contractors, except for adjustments to the "project interest rate".

18. *Shortage in Water Supply.*

(a) In any year in which there may occur a shortage due to drought or other temporary cause in the supply of project water available for delivery to the contractors, with the result that such supply is less than the total of the annual entitlements of all contractors for that year, the State shall, before reducing deliveries of project water to all contractors, reduce the delivery of project water to each contractor using such water for agricultural purposes by a percentage, not to exceed fifty percent (50%) in any one year or a total of one hundred percent (100%) in any series of seven consecutive years, of that portion of the contractor's annual entitlement for the respective year which is to be put to agricultural use as determined by the State: *Provided*, That such percentage shall be the same for all such contractors. The maximum total reduction in deliveries allowable under the above provision shall be made before any reduction is made in project water deliveries for other uses. Any necessary reduction in deliveries of project water beyond said maximum total reduction allowable under the foregoing provision shall be apportioned among all contractors irrespective of the uses to which such water is to be put. In such event, the State shall reduce deliveries to each contractor in an amount which bears the same proportion to the total amount of such necessary further reduction that the contractor's annual entitlement bears to the total of the annual entitlements of all contractors for that year, all as determined by the State: *Provided*, That the State may apportion on some other basis if such is required to meet minimum demands for domestic supply, fire protection, or sanitation during the year. The foregoing provisions of this subdivision shall be inoperative to the extent that a contractor's annual entitlement for the respective year reflects established rights under the area of origin statutes precluding a reduction in deliveries to such contractor.

(b) In the event that the State is unable to construct sufficient additional conservation facilities to prevent a reduction in the minimum project yield, or if for any other reason there is a reduction in the minimum project yield, which, notwithstanding preventive or remedial measures taken or to be taken by the State, threatens a permanent shortage in the supply of project water to be made available to the contractors:

(1) The annual entitlements and the maximum annual entitlements of all contractors, except to the extent such entitlements may reflect established rights under the area of origin statutes, shall, by amendment of Table A included in Article 6(b), and of Article 7(b), respectively, be reduced proportionately by the State to the extent necessary so that the sum of the revised maximum annual entitlements of all contractors will then equal such reduced minimum project yield: *Provided*, That appropriate adjustment in the contractors' respective financial obligations to the State under the Transportation Charge shall be made in accordance with such reduced entitlements if such reductions have not been strictly proportionate throughout.

(2) The District, at its option, shall have the right to use any of the project transportation facilities which by reason of such reduction in the minimum project yield are not required for delivery of project water to the District, to transport water procured by it from any other source: *Provided*, That such use shall be within the limits of the capacities provided in the project transportation facilities for service to the District under this contract: *Provided further*, That except to the extent such limitation in Section 12931 of the Water Code be changed, the District shall not use the project transportation facilities under this option to transport water the right to which was secured by the District through eminent domain unless such use be approved by the Legislature by concurrent resolution with a majority of the members elected to each house voting in favor thereof.

(c) In the event that the State, because of the establishment by a party of a prior right to water under the provisions of Sections 11460 through 11463 of the Water Code, enters into a contract with such party

for a dependable supply of project water, which contract will cause a permanent shortage in the supply of project water to be made available to the District hereunder:

(1) The State shall: (i) equitably redistribute the costs of all transportation facilities included in the System among all contractors for project water, taking into account the diminution of the supply to the District and other prior contractors and the payments theretofore made by the District and other prior contractors in accordance with the terms of their contracts, and (ii) revise the District's annual entitlements and maximum annual entitlement, by amendment of Table A included in Article 6(b) and of Article 7(b), respectively, to correspond to the reduced supply of project water to be made available to the District: *Provided*, That such redistribution of costs of transportation facilities shall not be made until there has been reasonable opportunity for the District to exercise the option provided for in (2) below, and for other prior contractors to exercise similar options.

(2) The District, at its option, shall have the right to use any of the project transportation facilities which by reason of such permanent shortage in the supply of project water to be made available to the District are not required for delivery of project water to the District, to transport water procured by it from any other source: *Provided*, That such use shall be within the limits of the capacities provided in the project transportation facilities for service to the District under this contract: *Provided further*, That, except to the extent such limitation in Section 12931 of the Water Code be changed, the District shall not use the project transportation facilities under this option to transport water the right to which was secured by the District through eminent domain unless such use be approved by the Legislature by concurrent resolution with a majority of the members elected to each house voting in favor thereof. This option shall terminate upon a redistribution of costs of transportation facilities by the State pursuant to (1) above. In the event that this option is exercised, the State shall take such fact into account in making such redistribution of costs, and shall offset such use as is made of the project transportation facilities pursuant thereto against any reduction in the District's payment obligation hereunder resulting from such redistribution of costs.

(d) If after any revision of annual entitlements and maximum annual entitlements pursuant to subdivisions (b) or (c) of this article, circumstances arise which, in the judgment of the State, justify a revision upward of the same, the State shall, with the consent of the affected contractor, reinstate proportionately the previously reduced entitlements of such contractor to the extent deemed justified, and shall equitably redistribute the costs of the project transportation facilities if inequities would otherwise occur as a result of such reinstatement of entitlements.

(e) The State shall give the District written notice as far in advance as possible of any reduction in deliveries to it which is to be made under subdivision (a) of this article and, to the extent possible, shall give the District written notice five (5) years in advance of any reduction in its annual entitlements and maximum annual entitlement under subdivisions (b) or (c) of this article. Reports submitted to the District pursuant to Article 16 (c) may constitute such notices.

(f) Neither the State nor any of its officers, agents, or employees shall be liable for any damage, direct or indirect, arising from shortages in the amount of water to be made available for delivery to the District under this contract caused by drought, operation of area of origin statutes, or any other cause beyond its control.

19. *Water Quality.*

(a) It shall be the objective of the State and the State shall take all reasonable measures to make available, at all delivery structures for delivery of project water to the District, project water of such quality that the following constituents do not exceed the concentrations stated as follows:

WATER QUALITY OBJECTIVES FOR
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Constituent	Unit	Monthly Average	Average for any 10-year Period	Maximum
Total dissolved solids	ppm.	440	220	—
Total hardness	ppm.	180	110	—

Chlorides.....	ppm.	110	55	—
Sulfates	ppm.	110	20	—
Sodium percentage	%	50	40	—
Fluoride.....	ppm.	—	—	1.5
Lead	ppm.	—	—	0.1
Selenium	ppm.	—	—	0.05
Hexavalent Chromium	ppm.	—	—	0.05
Arsenic.....	ppm.	—	—	0.05
Iron and Manganese together.....	ppm.	—	—	0.3
Magnesium	ppm.	—	—	125.
Copper.....	ppm.	—	—	3.0
Zinc	ppm.	—	—	15.
Phenol	ppm.	—	—	0.001

(b) The State shall regularly take samples of water at each delivery structure for delivery of project water to the District, and shall make chemical and physical analyses and tests of such samples. The State shall keep accurate and complete records of all such analyses and tests, which records shall be available for inspection by the District at any time or times.

(c) If through no negligence of the State or its officers, agents, or employees, the State is unable to attain the quality objectives set forth in subdivision (a) of this article, neither the State nor any of its officers, agents, or employees shall be liable in any manner whatsoever for such deviation from said quality objectives.

20. *Suspension of Service.* In the event of any default by the District in the payment of any money required to be paid to the State hereunder, the State may, upon not less than six months' notice to the District, suspend deliveries of water under this contract for so long as such default continues: *Provided*, That during such period the District shall remain obligated to make all payments required under this contract. Action taken pursuant to this article shall not deprive the State of or limit any remedy provided by this contract or by law for the recovery of money due or which may become due under this contract.

21. *Interim Sale of Surplus Water.* If during any year the supply of project water, after appropriate allowance for holdover storage, exceeds the total of annual entitlements of all contractors for that year, the State shall offer to sell and deliver such surplus water for periods expiring not later than the end of such year, without right of renewal, and in a manner and at prices which will return to the State the largest net revenues practicable, and at the minimum, revenues equal to the variable operation, maintenance and power costs incurred in such service of surplus water: *Provided*, That such service of surplus water shall not interfere with the delivery of their respective annual entitlements to those contractors which do not receive surplus water in such year: *Provided further*, That not until a contractor accepts delivery during such year of its annual entitlement for that year and either pays or incurs a payment obligation for such annual entitlement in accordance with the payment provisions of its contract, shall surplus water be sold to such contractor at prices less than those which would result under the application of the payment provisions of its contract: *Provided further*, That if, in the judgment of the State, the annual entitlement of a contractor desiring to purchase surplus water is unrealistically low for the year in which such purchase is to be made, the State shall, for the purpose of pricing such water in accordance with the second proviso above, consider such annual entitlement to be an increased amount determined by the State to accurately correspond to such contractor's actual requirements for project water in that year. All net revenues from the service of surplus water shall be applied in such manner that all contractors which contribute to the payment of the costs of any System facilities by which surplus water was conserved and transported in connection with such service will receive credit for a share of such net revenues in the proportion that each such contractor contributes to payment of such costs. The service of surplus water shall, in every case, be subject to the paramount right and obligation of the State to discontinue the same, in whole or in part, when required for service of project water to contractors.

C. PAYMENT PROVISIONS

22. Delta Water Charge.

(a) The payments to be made by each contractor for project water shall include an annual charge designated as the Delta Water Charge. This charge, together with the total revenues derived during the project repayment period from the sale or other disposal of electrical energy generated in connection with operation of project conservation facilities, shall return to the State during the project repayment period all costs of the project conservation facilities incurred during the project repayment period, including capital, operation, maintenance, power, and replacement costs, which are allocated to the purpose of water conservation in, above, and below the Delta pursuant to subdivision (e) of this article. Wherever reference is made, in connection with the computation or determination of the Delta Water Charge, to the costs of any facility or facilities included in the System, such reference shall be only to those costs of such facility or facilities which are reimbursable by the contractors as determined by the State.

(b) ¹ For each contractor receiving project water in any year through December 31, 1969, the Delta Water Charge shall be the product of \$3.50 and the contractor's annual entitlement to project water for the respective year. For each contractor receiving project water in the year 1970, the Delta Water Charge shall be the product of \$6.65 and the contractor's annual entitlement to project water for that year. The \$6.65 rate for the year 1970 shall consist of a capital cost component of \$5.04 and a minimum operation, maintenance, power and replacement component of \$1.61. For each contractor receiving project water in the year 1971, the Delta Water Charge shall be the product of \$7.24 and the contractor's annual entitlement to project water for that year. The \$7.24 rate for the year 1971 shall consist of a capital cost component of \$5.44 and a minimum operation, maintenance, power and replacement component of \$1.80. After December 31, 1971, the Delta Water Charge shall consist and be the sum of the following components as these are computed in accordance with subdivisions (c) and (d) of this article: a capital cost component; a minimum operation, maintenance, power and replacement component; and a variable operation, maintenance, power and replacement component.

(c) The capital cost, the minimum operation, maintenance, power, and replacement, and the variable operation, maintenance, power, and replacement components of the Delta Water Charge, together with that portion of the revenues derived during the project repayment period from the sale or other disposal of electrical energy generated in connection with operation of project conservation facilities which is allocated by the State to repayment of the respective category of costs, shall return to the State during the project repayment period, respectively, the following categories of the costs allocated to the purpose of water conservation in, above, and below the Delta pursuant to subdivision (e) of this article: (1) capital costs; (2) operation, maintenance, power, and replacement costs incurred irrespective of the amount of project water delivered to the contractors; and (3) operation, maintenance, power, and replacement costs incurred in an amount which is dependent upon and varies with the amount of project water delivered to the contractors: *Provided*, That each of the above categories of costs shall be inclusive of the appropriate costs properly chargeable to the generation and transmission of electrical energy in connection with operation of project conservation facilities. Each component of the Delta Water Charge shall be computed on the basis of a rate which, when charged during the project repayment period for each acre-foot of the sum of the yearly totals of annual entitlements of all contractors, will be sufficient, together with that portion of the revenues derived during the project repayment period from the sale or other disposal of electrical energy generated in connection with operation of project conservation facilities which is allocated by the State to repayment of the respective category of costs, to return to the State during the project repayment period all costs included in the respective category of costs covered by that component. Each such rate shall be computed in accordance with the following formula:

$$\frac{(c_1 - r_1) (1 + i)^{-1} + (c_2 - r_2) (1 + i)^{-2} + \dots + (c_n - r_n) (1 + i)^{-n}}{e_1 (1 + i)^{-1} + e_2 (1 + i)^{-2} + \dots + e_n (1 + i)^{-n}}$$

Where:

i = The project interest rate.

c = The total costs included in the respective category of costs and incurred during the respective year of the project repayment period.

r = That portion of the revenues derived from the sale or other disposal of electrical energy allocated by the State

¹ Amended: Amendment 9, 10.

to repayment of the costs included in the respective category and incurred during the respective year of the project repayment period.

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r = The respective year of the project repayment period during which the costs included in the respective category are incurred, n being the last year of the project repayment period.

e = With respect to the capital cost and minimum operation, maintenance, power, and replacement components, the total of annual entitlements to project water of all contractors for the respective year of the project repayment period.

e = With respect to the variable operation, maintenance, power, and replacement component, the total of the amounts of project water delivered to all contractors for the respective year of the expired portion of the project repayment period, together with the total of annual entitlements to project water of all contractors for the respective year of the unexpired portion of the project repayment period.

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e = The respective year of the project repayment period in which the annual entitlements or project water deliveries occur, n being the last year of the project repayment period.

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= The number of years in the project repayment period.

(d) The capital cost and minimum operation, maintenance, power, and replacement components of the Delta Water Charge shall be the product of the appropriate rate computed under subdivision (c) of this article, and the contractor's annual entitlement to project water for the respective year. The variable operation, maintenance, power, and replacement component of the charge shall be the product of the appropriate rate computed under subdivision (c) of this article and the number of acre-feet of project water delivered to the contractor during the respective year: *Provided*, That when project water has been requested by a contractor and delivery thereof has been commenced by the State, and, through no fault of the State, such water is wasted as a result of failure or refusal by the contractor to accept delivery thereof, said variable component during such period shall be the product of said rate per acre-foot and the sum of the number of acre-feet of project water delivered to the contractor and the number of acre-feet wasted.

(e) ¹ Prior to the time that additional project conservation facilities or supplemental conservation facilities are constructed, the Delta Water Charge shall be determined on the basis of an allocation to project purposes, by the separable cost-remaining benefits method, of all actual and projected costs of all those initial project conservation facilities located in and above the Delta, and upon an allocation to the purposes of water conservation and water transportation, by the proportionate use of facilities method, of all actual and projected costs of the following project facilities located below the Delta: The aqueduct intake facilities at the Delta, Pumping Plant I (Delta Pumping Plant), the aqueduct from the Delta to San Luis Forebay (O'Neill Forebay), San Luis Forebay (O'Neill Forebay), and San Luis Reservoir: *Provided*, That all of the actual and projected costs properly chargeable to the generation and transmission of electrical energy in connection with operation of project conservation facilities shall be allocated to the purpose of water conservation in, above, and below the Delta: *Provided further*, That allocations to purposes the cost of which are to be paid by the United States shall be as determined by the United States.

Commencing in the year in which the State first awards a major construction contract for construction of a major feature of additional project conservation facilities, or first commences payments under a contract with a federal agency in the event a major feature of additional project conservation facilities is constructed by such federal agency under an agreement requiring the State to pay all or part of the

¹ Amended: Amendment 11.

costs of such construction, the Delta Water Charge shall be determined on the basis of the foregoing allocations and upon an allocation to project purposes, by the separable costs-remaining benefits method and subject to the foregoing provisos, of all projected costs of such feature of the additional project conservation facilities: *Provided*, That if the agreement with such federal agency allows repayment of costs of a portion of a facility to be deferred, the associated costs of such portion shall be excluded from the Delta Water Charge computations until repayment of such deferred costs or interest thereon is commenced by the State: *Provided further*, That all costs of additional project conservation facilities incurred prior to the award of a major construction contract, shall be included in the Delta Water Charge computations in the year in which they are incurred.

(f) The rates to be used in determining the components of the Delta Water Charge pursuant to subdivision (d) of this article and to become effective on January 1, 1970, shall be computed by the State in accordance with subdivision (c) of this article prior to that date. Such computation shall include an adjustment which shall account for the difference, if any, between revenues received by the State under the Delta Water Charge prior to January 1, 1970, and revenues which would have been received under the charge prior to that date had it been computed and charged in accordance with subdivisions (c) and (d) of this article. Upon such computation, a document establishing such rates shall be prepared by the State and attached to this contract as an amendment of this article. The State shall recompute such rates each year thereafter, and each such recomputation shall take account of and reflect increases or decreases from year to year in projected costs, outstanding reimbursable indebtedness of the State incurred to construct the project conservation facilities described in subdivision (e) of this article, annual entitlements, deliveries of project water, project interest rate, revenues from the sale or other disposal of electrical energy, and all other factors which are determinative of such rates. In addition, each such recomputation shall include an adjustment of the rates for succeeding years which shall account for the differences, if any, between projections of costs used by the State in determining said rates for all preceding years, and actual costs incurred by the State during such years. Upon each such recomputation, an appropriately revised copy of the document establishing such rates shall be prepared by the State and attached to this contract as an amendment of this article.

(g) ¹ Upon the construction of the supplemental conservation facilities, the Delta Water Charge shall be paid by all contractors for supplemental water, as well as by contractors for project water, and, together with revenues derived from the sale or other disposal of electrical energy generated in connection with operation of project conservation facilities and supplemental conservation facilities, shall return to the State, in addition to those costs of the project conservation facilities allocated to the purpose of water conservation, in, above, and below the Delta pursuant to subdivision (e) of this article, all costs of such supplemental conservation facilities, including capital, operation, maintenance, power, and replacement costs which are allocated to the purpose of water conservation, in, above, and below the Delta pursuant hereto. Commencing in the year in which the State first awards a major construction contract for construction of a major feature of any supplemental conservation facilities, or first commences payments under a contract with a federal agency in the event a major feature of supplemental conservation facilities is constructed by such federal agency under an agreement requiring the State to pay all or part of the costs of such construction, the Delta Water Charge shall be determined on the basis of the allocations made pursuant to subdivision (e) of this article, and upon an allocation to project purposes, by the separable costs-remaining benefits method and subject to provisos corresponding to those contained in said subdivision (e), of all projected costs of such feature of the supplemental conservation facilities. Commencing in the same year, the computation of the rates to be used in determining the components of the Delta Water Charge shall include the annual entitlements to water under all contracts for supplemental water. If the repayment period of any bonds sold to construct supplemental conservation facilities or the repayment period under any agreement with a federal agency for repayment of the costs of supplemental conservation facilities constructed by such federal agency extends beyond the repayment period of the contract, the Delta Water Charge shall be determined and redetermined on the basis of such extended repayment period as the State determines to be appropriate: *Provided*, That if the agreement with such federal agency allows repayment of costs of a portion of a facility to be deferred, the associated costs of such portion shall be excluded from the Delta Water Charge computations until repayment of

¹ Amended: Amendment 11.

such deferred costs or interest thereon is commenced by the State.

23. *Transportation Charge.* The payments to be made by each contractor entitled to delivery of project water from the project transportation facilities shall include an annual charge under the designation Transportation Charge. This charge shall return to the State during the project repayment period those costs of all project transportation facilities necessary to deliver project water to the contractor incurred during the project repayment period, including capital, operation, maintenance, power, and replacement costs, which are allocated to the contractor in accordance with the cost allocation principles and procedures hereinafter set forth. Wherever reference is made, in connection with the computation, determination, or payment of the Transportation Charge, to the costs of any facility or facilities included in the System, such reference shall be only to those costs of such facility or facilities which are reimbursable by the contractors as determined by the State. The Transportation Charge shall consist of a capital cost component; a minimum operation, maintenance, power, and replacement component; and a variable operation, maintenance, power, and replacement component, as these components are defined in and determined under Articles 24, 25, and 26, respectively. For the purpose of allocations of costs pursuant to said articles, the project transportation facilities shall be segregated into such aqueduct reaches as are determined by the State to be necessary for such allocations of costs. Subject to such modifications as are determined by the State to be required by reason of any request furnished by the District to the State pursuant to Article 17(a) of this contract, or by reason of contracts entered into by the State with other contractors, the aqueduct reaches of the project transportation facilities are established as follows: *Provided*, That those costs of the aqueduct reaches from the Delta through the outlet of San Luis Reservoir which are allocated to the purpose of water conservation in, above, and below the Delta for the purpose of determining the Delta Water Charge, as hereinbefore set forth, shall not be included in the Transportation Charge.

Aqueduct Reach

Major Features of Reach

Delta to Discharge Pumping Plant I:

Intake Canal
Fish Protective Facilities
Pumping Plant I

Discharge Pumping Plant I to
San Luis Forebay:

Aqueduct

San Luis Forebay to Outlet San
Luis Reservoir:

San Luis Forebay and Dam
Pumping Plant II
San Luis Reservoir and Dam

Outlet San Luis Reservoir to
Avenal Gap:

Aqueduct

Avenal Gap to Pumping Plant III:
Pumping Plant III to Pumping
Plants IV-V:

Aqueduct

Pumping Plant III
Aqueduct

Pumping Plants IV-V to
Pumping Plant VI:

Pumping Plant IV
Pumping Plant V
Aqueduct

Pumping Plant VI to South
Portal Tehachapi Tunnels:

Pumping Plant VI
Tehachapi Tunnels

East Branch Aqueduct
South Portal Tehachapi Tunnels
to Cottonwood Power Plant:

Aqueduct
Cottonwood Power Plants 1
and 2

Cottonwood Power Plant to a
point near Fairmont Reservoir:

Aqueduct

Near Fairmont Reservoir to
Little Rock Creek:

Aqueduct

Little Rock Creek to West
Fork Mojave River:

Pumping Plant VII
Aqueduct

West Fork Mojave River to
Perris Reservoir:

Cedar Springs Reservoir
and Dam
Devil Canyon Power Plants
1 and 2
Aqueduct
Perris Reservoir and Dam

West Branch Aqueduct
South Portal Tehachapi Tunnels
to West Branch Terminal
Reservoir:

Aqueduct

West Branch Terminal Reservoir:

Dam, reservoir, and outlet
facilities

24. *Transportation Charge—Capital Cost Component.*

(a) The capital cost component of the Transportation Charge shall be sufficient to return to the State those capital costs of the project transportation facilities necessary to deliver water to the contractor which are allocated to the contractor pursuant to subdivision (b) of this article. The amount of this component shall be determined in two steps as follows: (1) an allocation of capital costs to the contractor, and (2) a computation of annual payment of such allocated capital costs and interest thereon, computed at the project interest rate, to be made by the contractor.

(b) In the first step, the total amount of capital costs of each aqueduct reach to be returned to the State shall be allocated among all contractors entitled to delivery of project water from or through the reach by the proportionate use of facilities method of cost allocation and in accordance with (1) and (2) below. The measure of the proportionate use of each contractor of each reach shall be the average of the following two ratios: (i) the ratio of the contractor's maximum annual entitlement to be delivered from or through the reach to the total of the maximum annual entitlements of all contractors to be delivered from or through the reach; and (ii) the ratio of the capacity provided in the reach for the transport and delivery of project water to the contractor to the total capacity provided in the reach for the transport and delivery of project water to all contractors served from or through the reach. Allocations of capital costs to the District pursuant hereto shall be on the basis of relevant values which will be set forth in Table B by the State as soon as designs and cost estimates are prepared by it subsequent to receipt of requests from the District as to the maximum monthly delivery capability to be provided in each aqueduct reach of the project transportation facilities for the transport and delivery of project water to the District, pursuant to Article 17(a): *Provided*, That these values shall be subject to redetermination by the State in accordance with Article 28: *Provided further*, That the principles and procedures set forth in this subdivision shall be controlling as to allocations of capital costs to the District.

TABLE B

PROPORTION OF COSTS OF PROJECT TRANSPORTATION FACILITIES
ALLOCATED TO THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Aqueduct reach	Total for project transportation facilities				District participation				
	Total of max. annual entitlements of all contractors, thousands of acre-ft. per yr. ¹	Total of maximum capacities in cubic feet ¹ per second ⁴	Total capital costs, thousands of dollars	Minimum annual operating cost, thousands of dollars ²	Maximum annual entitlement, thousands of acre-feet per year ¹	Ratio of maximum annual entitlement to total of max. annual entitlements	Maximum capacity in cubic feet per second ¹	Ratio of maximum capacity to total capacity	Average of ratios
Delta to Discharge Pumping Plant I ³									
Discharge Pumping Plant I to San Luis Forebay ³									
San Luis Forebay to Outlet San Luis Reservoir ³									
Outlet San Luis Reservoir to Avenal Gap									
Avenal Gap to Pumping Plant III									
Pumping Plant III to Pumping Plant IV-V									
Pumping Plant IV-V to Pumping Plant VI									
Pumping Plant VI to South Portal Tehachapi Tunnels									
South Portal Tehachapi Tunnels to Tailrace Cottonwood Power Plant									
Tailrace Cottonwood Power Plant to near Fairmont Reservoir									
West Branch Aqueduct Terminal Dam, Reservoir and outlet facilities									
Near Fairmont Reservoir to Little Rock Creek									
Little Rock Creek to West Fork Mojave River									
West Fork Mojave River to Perris Reservoir									

¹ As increased by an allowance to compensate for losses as provided in Article 24(b) (2)

² Based on values as of the end of the construction period

³ Costs allocated to water transportation

⁴ State capacity only

(1) The total amount of capital costs allocated to a contractor shall be the sum of the products obtained when there is multiplied, for each aqueduct reach necessary to deliver water to the contractor, the total amount of the capital costs of the reach to be returned to the State under the Transportation Charge by the average of the two foregoing ratios for such reach as said average is set forth in the appropriate table included in its contract.

(2) In the event that excess capacity is provided in any aqueduct reach for the purpose of making project water available in the future to an agency or agencies with which the State has not executed contracts at the time of any allocation of costs pursuant to this subdivision, the prospective maximum annual entitlement or entitlements to be supplied by such excess capacity, as determined by the State, shall be deemed to be contracted for by said agency or agencies for the purpose of such allocation of costs, to the end that the capital costs of providing such excess capacity are not charged to any contractor entitled by virtue of an executed contract to the delivery of project water from or through that aqueduct reach at the time of such allocation. Where additional capacity is provided in any aqueduct reach to compensate for loss of water due to evaporation, leakage, seepage, or other causes, or to compensate for scheduled outages for purposes of necessary investigation, inspection, maintenance, repair or replacement of the facilities of the project facilities, then, for the purpose of any allocation of costs pursuant to this subdivision: (i) the maximum annual entitlement to be delivered from or through the reach of each contractor entitled to delivery of project water from or through the reach shall be increased by an amount which bears the same proportion to the maximum annual delivery capability provided by such additional capacity that the contractor's maximum annual entitlement to be delivered from or through the reach bears to the total of the maximum annual entitlements to be delivered from or through the reach under all contracts; and (ii) the capacity provided in the reach for each contractor entitled to delivery of project water from or through the reach shall be increased in the same proportion that the contractor's maximum annual entitlement to be delivered from or through the reach is increased pursuant to (i) above.

(3) The projected amounts of capital costs to be allocated annually to the District under the capital cost component of the Transportation Charge shall be determined by the State in accordance with the cost allocation principles and procedures set forth in this subdivision, which principles and procedures shall be controlling as to allocations of capital costs to the District. Such amounts will be set forth in Table C by the State as soon as designs and cost estimates are prepared by it subsequent to receipt of requests

from the District as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of project water to the District, pursuant to Article 17(a):

TABLE C
PROJECTED ALLOCATIONS OF CAPITAL
COST OF PROJECT TRANSPORTATION FACILITIES TO
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Year	Projected Allocation in Thousands of Dollars
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* Year in which State commences construction of project transportation facilities.

Provided, That these amounts shall be subject to redetermination by the State in accordance with Article 28.

(c) In the second step, the District's annual payment of its allocated capital costs and interest thereon, computed at the project interest rate and compounded annually, shall be determined in accordance with a repayment schedule established by the State and determined in accordance with the principles set forth in (1), (2), and (3) below, which principles shall be controlling as to the District's payment of its allocated capital costs. The District's repayment schedule will be set forth in Table D by the State as soon as designs and cost estimates are prepared by it subsequent to receipt of requests from the District as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of project water to the District, pursuant to Article 17(a): *Provided*, That the amounts set forth in Table D shall be subject to redetermination by the State, pursuant to Article 28.

(1) The District's annual payment shall be the sum of the amounts due from the District on the District's allocated capital costs for the then current year and for each previous year where each such amount will pay, in not more than fifty (50) equal annual installments of principal and interest, the District's allocated capital costs for the respective year and interest thereon, computed at the project interest rate and compounded annually.

(2) The District may make payments at a more rapid rate if approved by the State.

(3) Such annual payments shall cease when all allocated capital costs and interest thereon, computed at the project interest rate and compounded annually, are repaid.

TABLE D
TRANSPORTATION CHARGE—CAPITAL COST COMPONENT
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
(In thousands of dollars)

Year	Annual Payment of Principal	Annual Interest Payment	Total Annual Payment by District
1*			
2**			
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7			
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TOTAL

* Year in which the State commences construction of the project transportation facilities.
** Year of first payment.

(d) In the event that any contractor, pursuant to Article 12(b), requests delivery capacity in any aqueduct reach which will permit maximum monthly deliveries to such contractor in excess of the percentage amounts specified in said Article 12(b) for the uses designated therein, such contractor shall furnish to the State, in advance of the construction of such aqueduct reach, funds sufficient to cover the costs of providing such excess capacity, which funds shall be in an amount which bears the same proportion to the total capital costs of such reach, including the costs of providing such excess capacity, as such excess capacity bears to the total capacity of such reach, including such excess capacity. For the purpose of any allocation of costs pursuant to subdivision (b) of this article, the total capital costs of such aqueduct reach shall be allocated among all contractors entitled to delivery of project water from or through the reach in the following manner: (1) The costs which would have been incurred for such reach had no such excess capacity been provided shall be estimated by the State and allocated among all such contractors in the manner provided in said subdivision (b); and (2) the amount of the difference between said estimated costs and the projected actual costs of such reach shall be allocated to the contractor or contractors for which such excess capacity is provided. Where such excess capacity is provided for more than one contractor, the costs allocated to them under (2) above shall be further allocated between or among them in amounts which bear the same proportion to the total of said allocated costs as the amount of such excess capacity provided for the respective contractor bears to the total of such excess capacity provided in such reach. In the event that the funds advanced by a contractor pursuant to this subdivision are more or less than the costs so allocated to such contractor under (2) above, the account of such contractor shall be credited or debited accordingly.

25. *Transportation Charge—Minimum Operation, Maintenance, Power, and Replacement Component.*

(a) The minimum operation, maintenance, power, and replacement component of the Transportation Charge shall return to the State those costs of the project transportation facilities necessary to deliver water to the contractor which constitute operation, maintenance, power, and replacement costs incurred irrespective of the amount of project water delivered to the contractor and which are allocated to the

contractor pursuant to (b) below: *Provided*, That to the extent permitted by law, the State may establish reserve funds to meet anticipated minimum replacement costs; and deposits in such reserve funds by the State: (1) shall be made in such amounts that such reserve funds will be adequate to meet such anticipated costs as they are incurred, and (2) shall be deemed to be a part of the minimum replacement costs for the year in which such deposits are made.

(b) The total projected minimum operation, maintenance, power, and replacement costs of each aqueduct reach of the project transportation facilities for the respective year shall be allocated among all contractors entitled to delivery of project water from said facilities by the proportionate use of facilities method of cost allocation, in the same manner and upon the same bases as are set forth for the allocation of capital costs in Article 24: *Provided*, That such minimum operation, maintenance, power, and replacement costs as are incurred generally for the project transportation facilities first shall be allocated to each aqueduct reach in an amount which bears the same proportion to the total amount of such general costs that the amount of the costs incurred directly for the reach bears to the total of all direct costs for all aqueduct reaches.

(c) The amount to be paid each year by the District under the minimum operation, maintenance, power, and replacement component of the Transportation Charge shall be determined in accordance with subdivision (b) of this article on the basis of the relevant values to be set forth for the respective aqueduct reaches in Table B, included in Article 24: *Provided*, That these values shall be subject to redetermination by the State in accordance with Article 28. Such amounts and any interest thereon shall be set forth by the State in Table E as soon as designs and cost estimates have been prepared by it subsequent to receipt of requests from the District as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of project water to the District, pursuant to Article 17(a): *Provided*, That the amounts set forth in Table E shall be subject to redetermination by the State in accordance with Article 28.

TABLE E
TRANSPORTATION CHARGE—MINIMUM OPERATION
MAINTENANCE, POWER, AND REPLACEMENT COMPONENT
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Year	Total Annual Payment by District* (In thousands of dollars)
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and each succeeding year
thereafter, for the term
of this contract.

* Payment shall start with respect to each aqueduct reach in the year following the year in which the State completes construction of the respective reach.

** Year in which the State commences construction of the project transportation facilities.

26. *Transportation Charge—Variable Operation, Maintenance, Power, and Replacement Component.*

(a) The variable operation, maintenance, power, and replacement component of the Transportation Charge shall return to the State those costs of the project transportation facilities necessary to deliver water to the contractor which constitute operation, maintenance, power and replacement costs incurred in an amount which is dependent upon and varies with the amount of project water delivered to the contractor and which are allocated to the contractor pursuant to (1) and (2) below: *Provided*, That to the extent permitted by law, the State may establish reserve funds to meet anticipated variable replacement costs; and deposits in such reserve funds by the State: (1) shall be made in such amounts that such reserve funds will be adequate to meet such anticipated costs as they are incurred, and (2) shall be deemed to be a part of the variable replacement costs for the year in which such deposits are made. The amount of this component shall be determined as follows:

(1) There shall be computed for each aqueduct reach of the project transportation facilities a charge per acre-foot of water which will return to the State the total projected variable operation, maintenance, power, and replacement costs of the reach for the respective year. This computation shall be made by dividing said total by the number of acre-feet of project water estimated to be delivered from or through the reach to all contractors during the year.

(2) The amount of the variable component shall be the product of the sum of the charges per acre-foot of water, determined under (1) above, for each aqueduct reach necessary to deliver water to the contractor, and the number of acre-feet of project water delivered to the contractor during the year: *Provided*, That when project water has been requested by a contractor and delivery thereof has been commenced by the State, and, through no fault of the State, such water is wasted as a result of failure or refusal by the contractor to accept delivery thereof, the amount of said variable component to be paid by such contractor during such period shall be the product of the above sum and the sum of the number of acre-feet of project water delivered to the contractor and the number of acre-feet wasted.

(b) There shall be credited against the amount of the variable component to be paid by each contractor, as determined pursuant to subdivision (a) of this article, a portion of the projected net value of any power recovered during the respective year at project aqueduct power recovery plants located upstream on the particular aqueduct from the delivery structures for delivery of project water to the contractor. Such portion shall be in an amount which bears the same proportion to said projected net value that the number of acre-feet of project water delivered to the contractor through said plants during the year bears to the number of acre-feet of project water delivered to all contractors through said plants during the year.

(c) The amount to be paid each year by the District under the variable operation, maintenance, power, and replacement component of the Transportation Charge shall be determined in accordance with subdivision (a) of this article for the respective aqueduct reaches in Table B, included in Article 24. Such amounts and any interest thereon shall be set forth by the State in Table F as soon as designs and cost estimates are prepared by it subsequent to receipt of requests from the District as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of project water to the District, pursuant to Article 17(a): *Provided*, That the amounts set forth in Table F shall be subject to redetermination by the State in accordance with Article 28.

TABLE F
TRANSPORTATION CHARGE—ESTIMATED VARIABLE OPERATION,
MAINTENANCE, POWER, AND REPLACEMENT COMPONENT
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Year	Total Annual Payment by district* (In thousands of dollars)
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and each succeeding year
thereafter, for the term
of this contract.

* Payments start with year of initial water delivery.

** Year in which State commences construction of project conservation facilities.

27. *Transportation Charge—Repayment Schedule.* The amounts to be paid by the District for each year of the project repayment period under the capital cost and minimum operation, maintenance, power, and replacement components of the Transportation Charge, and under the variable operation, maintenance, power, and replacement component of said charge on the basis of then estimated deliveries, shall be set forth by the State in Table G as soon as designs and cost estimates have been prepared by it subsequent to receipt of requests from the District as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of project water to the District, pursuant to Article 17 (a), which Table G shall constitute a summation of Tables D, E, and F: *Provided*, That each of the amounts set forth in Table G shall be subject to redetermination by the State in accordance with Article 28: *Provided further*, That the principles and procedures set forth in Articles 24, 25, and 26 shall be controlling as to such amounts. Such amounts shall be paid by the District in accordance with the provisions of Article 29.

TABLE G
REPAYMENT SCHEDULE
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
(In thousands of dollars)

Year	Transportation Charge			Total
	Capital Cost Component	Minimum Component	Variable Component	
1*				
2**				
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* Year in which State commences construction of project transportation facilities.

** Year of first payment.

28. ¹ *Transportation Charge—Redetermination.*

(a) *Determinative Factors Subject to Retroactive Change.*

The State shall redetermine the values and amounts set forth in Tables B, C, D, E, F, and G of this contract in the year following the year in which the State commences construction of the project transportation facilities and each year thereafter in order that the Transportation Charge to the Agency and the components thereof may accurately reflect the increases or decreases from year to year in projected costs, outstanding reimbursable indebtedness of the State incurred to construct the project transportation facilities described in Table I of this contract, annual entitlements, estimated deliveries, project interest rate, and all other factors which are determinative of such charges. In addition, each such redetermination shall include an adjustment of the components of the Transportation Charge to be paid by the Agency for succeeding years which shall account for the differences, if any, between those factors used by the State in determining the amounts of such components for all preceding years and the factors as then currently known by the State. Such adjustment shall be computed by the State and paid by the Agency or credited to the Agency's account in the manner described in (b) and (c) below.

(b) *Adjustment: Transportation Charge—Capital Cost Component*

Adjustments for prior underpayments or overpayments of the capital cost component of the Transportation Charge to the Agency, together with accrued interest charges or credits thereon computed at the then current project interest rate on the amount of the underpayment or overpayment and compounded annually for the number of years from the year the underpayment or overpayment occurred to and including the year following the redetermination, shall be paid in the year following the redetermination: *Provided*, That the Agency may elect to exercise the option whereby when the redetermined Transportation Charge for the following year, with adjustments, including adjustments of the operation, maintenance, power, and replacement components provided for in subdivision (c) of this article, is more or less than the last estimate of the Charge provided pursuant to Article 27 for the corresponding year, without adjustments, an amount equal to the total of such difference shall be deducted from or added to the adjusted capital cost component for that year and paid or credited in accordance with the following schedule:

Percent that Transportation Charge differs from last estimate (+ or -)	Period, in years, for amortizing the difference in indicated charge
for 10% or less	no amortization
more than 10%, but not more than 20%	2
more than 20%, but not more than 30%	3
more than 30%, but not more than 40%	4
more than 40%.	5

¹ Amended: Amendment 14.

Such payments or credits shall be in equal semi-annual amounts of principal and interest on or before the 1st day of January and the 1st day of July, with interest computed at the project interest rate and compounded annually, during varying amortization periods as set forth in the preceding schedule: *Provided*, That for the purpose of determining the above differences in the Transportation Charge, the variable operation, maintenance, power, and replacement component shall be computed on the basis of the same estimated project water deliveries as was assumed in computing pursuant to Article 26(c).

(c) *Adjustment: Transportation Charge—Minimum and Variable Components*

One-twelfth of the adjustments for prior underpayments or overpayments of the Agency's minimum and variable operation, power, and replacement components for each year shall be added or credited to the corresponding components to be paid in the corresponding month of the year following the redetermination, together with accrued interest charges or credits thereon computed at the then current project interest rate on the amount of the underpayment or overpayment and compounded annually for the number of years from the year the underpayment or overpayment occurred to and including the year following the redetermination.

(d) *Exercise of Option*

The option provided for in subdivision (b) above shall be exercised in writing on or before the January 1 due date of the first payment of the capital cost component of the Transportation Charge for the year in which the option is to become effective.

Such option, once having been exercised, shall be applicable for all of the remaining years of the project repayment period.

29. *Time and Method of Payment.*

(a) Payments by the District under the Delta Water Charge shall commence in the year of initial water delivery to the District.

(b) Payments by the District under the capital cost component of the Transportation Charge shall commence in the year following the year in which the State commences construction of the project transportation facilities.

(c) Payments by the District under the minimum operation, maintenance, power and replacement component of the Transportation Charge shall commence for each aqueduct reach in the year following the year in which construction of that reach is completed.

(d) Payments by the District under the variable operation, maintenance, power and replacement component of the Transportation Charge shall commence in the year of initial water delivery to the District.

(e) The State shall, on or before July 1 of each year, commencing with the year preceding the year in which payment of the respective charge is to commence pursuant to this article, furnish the District with a written statement of: (1) the charges to the District for the next succeeding year under the capital cost and minimum operation, maintenance, power and replacement components of the Delta Water Charge and Transportation Charge; (2) the unit charges to the District for the next succeeding year under the variable operation, maintenance, power and replacement components of said Delta Water Charge and Transportation Charge; and (3) the total charges to the District for the preceding year under the variable operation, maintenance, power and replacement components of said Delta Water Charge and Transportation Charge: *Provided*, That through December 31, 1969, the Delta Water Charge shall be based upon a unit rate of \$3.50 per acre-foot and shall be paid by the contractors on the basis of their respective annual entitlements to project water, as provided in Article 22(b). All such statements shall be accompanied by the latest revised copies of the document amendatory to Article 22 and of the tables included in Articles 24 through 27 of this contract, together with such other data and computations used by the State in determining the amounts of the above charges as the State deems appropriate. The State shall, on or before the fifteenth day of each month of each year, commencing with the year of initial water delivery to the District, furnish the District with a statement of the charges to the District for the preceding month under the variable operation, maintenance, power and replacement components of the Delta Water Charge and Transportation Charge. Such charges shall be determined by the State in

accordance with the relevant provisions of Articles 22 and 26 of this contract, upon the basis of metered deliveries of project water to the District, except as otherwise provided in those articles.

(f) The District shall pay to the State, on or before January 1 of each year, commencing with the year in which payment of the respective charge is to commence pursuant to this article, one-half ($\frac{1}{2}$) of the charge to the District for the year under the capital cost component of the Delta Water Charge and one-half ($\frac{1}{2}$) of the charge to the District for the year under the capital cost component of the Transportation Charge, as such charges are stated pursuant to subdivision (e) of this article; and shall pay the remaining one-half ($\frac{1}{2}$) of each of said charges on or before July 1 of that year.

(g) The District shall pay to the State, on or before the first day of each month of each year, commencing with the year of initial water delivery to the District, one-twelfth ($\frac{1}{12}$) of the sum of the charges to the District for the year under the minimum operation, maintenance, power, and replacement components of the Delta Water Charge and Transportation Charge, respectively, as such charges are stated pursuant to subdivision (e) of this article.

(h) The District shall pay to the State on or before the fifteenth day of each month of each year, commencing with the year of initial water delivery to the District, the charges to the District under the variable operation, maintenance, power, and replacement components of the Delta Water Charge and Transportation Charge, respectively, for which a statement was received by the District during the preceding month pursuant to subdivision (e) of this article, as such charges are stated in such statement.

(i) In the event that the District in good faith contests the accuracy of any statement submitted to it pursuant to subdivision (e) of this article, it shall give the State notice thereof at least ten (10) days prior to the day upon which payment of the stated amounts is due. To the extent that the State finds the District's contentions regarding the statement to be correct, it shall revise the statement accordingly, and the District shall make payment of the revised amounts on or before the due date. To the extent that the State does not find the District's contentions to be correct, or where time is not available for a review of such contentions prior to the due date, the District shall make payment of the stated amounts on or before the due date, but may make the contested part of such payment under protest and seek to recover the amount thereof from the State.

30. *Surcharge for Excess Use of Project Water. (Deleted.)*¹

31. *Adjustment for Overpayment or Underpayment.* If in any year, by reason of errors in computation or other causes, there is an overpayment or underpayment to the State by the District of the charges provided for herein, which overpayment or underpayment is not accounted for and corrected in the annual redetermination of said charges, the amount of such overpayment or underpayment shall be credited or debited, as the case may be, to the District's account for the next succeeding year and the State shall notify the District thereof in writing.

32. *Delinquency in Payment.*

(a) The governing body of the District shall provide for the punctual payment to the State of payments which become due under this contract.

(b) Upon every amount of money required to be paid by the District to the State pursuant to this contract which remains unpaid after it becomes due and payable, interest shall accrue at the rate of one-half ($\frac{1}{2}$) of one (1) percent per month of the amount of such delinquent payment from and after the due date until it is paid, and the District hereby agrees to pay such interest: *Provided*, That no interest shall be charged to or be paid by the District unless such delinquency continues for more than thirty (30) days.

33. *Obligation of District to Make Payments.*

(a) The District's failure or refusal to accept delivery of project water to which it is entitled under Article 6(b) shall in no way relieve the District of its obligation to make payments to the State as provided for in this contract. The State, however, shall make reasonable efforts to dispose of any water made available to but not required by the District, and any net revenues from such disposal shall be credited to the District's account hereunder.

¹ Deleted—Amendment 13.

(b) The District as a whole is obligated to pay to the State the payments becoming due under this contract, notwithstanding any individual default by its constituents or others in the payment to the District of assessments, tolls, or other charges levied by the District.

34. *Obligation of District to Levy Taxes and Assessments.*

(a) If in any year the District fails or is unable to raise sufficient funds by other means, the governing body of the District shall levy upon all property in the District not exempt from taxation, a tax or assessment sufficient to provide for all payments under this contract then due or to become due within that year.

(b) Taxes or assessments levied by the governing body of the District pursuant to subdivision (a) of this article shall be enforced and collected by all officers of the District charged with the duty of enforcing and collecting taxes or assessments levied by the District.

(c) All money collected for taxes or assessments under this article shall be kept in a separate fund by the treasurer or other officer of the District charged with the safekeeping and disbursement of funds of the District, and, upon the written demand of the State, the treasurer or other officer shall pay over to the State all such money in his possession or control then due the State under this contract, which money shall be applied by the State to the satisfaction of the amount due under this contract.

(d) In the event of failure, neglect, or refusal of any officer of the District to levy any tax or assessment necessary to provide payment by the District under this contract, to enforce or to collect the tax or assessment, or to pay over to the State any money then due the State collected on the tax or assessment, the State may take such action in a court of competent jurisdiction as it deems necessary to compel the performance in their proper sequence of all such duties. Action taken pursuant hereto shall not deprive the State of or limit any remedy provided by this contract or by law for the recovery of money due or which may become due under this contract.

D. GENERAL PROVISIONS

35. *Remedies Not Exclusive.* The use by either party of any remedy specified herein for the enforcement of this contract is not exclusive and shall not deprive the party using such remedy of, or limit the application of, any other remedy provided by law.

36. *Amendments.* This contract may be amended at any time by mutual agreement of the parties, except insofar as any proposed amendments are in any way contrary to applicable law.

37. *Reservation With Respect to State Laws.* Nothing herein contained shall be construed as estopping or otherwise preventing the District or any person, firm, association, corporation, or public body or agency claiming by, through, or under the District from contesting by litigation or other lawful means the validity, constitutionality, construction or application of any law of this State, including laws referred to in the Bond Act, or as preventing or prejudicing the amendment or repeal of any such law, and each contract executed by the State for a dependable supply of project water shall contain a similar reservation with respect to State laws.

38. *Opinions and Determinations.* Where the terms of this contract provide for action to be based upon the opinion, judgment, approval, review, or determination of either party hereto, such terms are not intended to be and shall never be construed as permitting such opinion, judgment, approval, review, or determination to be arbitrary, capricious, or unreasonable.

39. *Contracting Officer of the State.* The contracting officer of the State shall be the Director of Water Resources of the State of California and his successors, or their duly authorized representatives. The contracting officer shall be responsible for all discretionary acts, opinions, judgments, approvals, reviews, and determinations required of the State under the terms of this contract.

40. *Successors and Assigns Obligated.* This contract and all of its provisions shall apply to and bind the successors and assigns of the parties hereto.

41. *Assignment.* No assignment or transfer of this contract or any part hereof, rights hereunder, or interest herein by the District shall be valid unless and until it is approved by the State and made subject to such reasonable terms and conditions as the State may impose. No assignment or transfer of this contract

or any part hereof, rights hereunder, or interest herein by the State shall be valid except as such assignment or transfer is made pursuant to and in conformity with applicable law.

42. *Waiver of Rights.* Any waiver at any time by either party hereto of its rights with respect to a default or any other matter arising in connection with this contract, shall not be deemed to be a waiver with respect to any other default or matter.

43. *Notices* All notices that are required either expressly or by implication to be given by one party to the other under this contract shall be signed for the State by its contracting officer, and for the District by its General Manager and Chief Engineer and his successors or their duly authorized representatives. All such notices shall be deemed to have been given if delivered personally or if enclosed in a properly addressed envelope and deposited in a United States Post Office for delivery by registered or certified mail. Unless and until formally notified otherwise, the District shall address all notices to the State as follows:

Director of Water Resources
P. O. Box 388
Sacramento 2, California

and the State shall address all notices to the District as follows:

The Metropolitan Water District
of Southern California
306 West Third Street
Los Angeles 13, California

44. *Maintenance and Inspection of Books, Records, and Reports.* During regular office hours, each of the parties hereto and their duly authorized representatives shall have the right to inspect and make copies of any books, records, or reports of the other party pertaining to this contract or matters related hereto. Each of the parties hereto shall maintain and make available for such inspection accurate records of all of its costs, disbursements and receipts with respect to its activities under this contract and the Bond Act.

45. *Contracts to be Uniform.* Contracts executed by the State for a dependable supply of project water shall be substantially uniform with respect to basic terms and conditions, except as otherwise provided in this article with respect to payment of the capital cost component of the Transportation Charge. Schedules for all contractors for payment of the capital cost component of the Transportation Charge shall provide as a minimum for payment currently of interest on all allocated capital costs at the project interest rate, and for commencement of payment of the principal of such allocated costs in the year following the year in which capital costs allocated to the respective contractor are first incurred by the State, subject only to (1) through (4) below:

(1) The commencement of payment of the principal of such allocated costs may be deferred up to a maximum of nine (9) years following the year in which such costs are first incurred by the State, to the extent that in the judgment of the State such delay in commencement of payment is necessary to prevent unreasonable financial hardship on the contractor.

(2) The payment of such principal and interest may be made, subject to approval by the State, in installments which vary in magnitude during the project repayment period.

(3) In the case of any contractor to which the delivery of project water for agricultural use as of 1990 is estimated by the State to be in excess of twenty-five percent (25%) of such contractor's maximum annual entitlement, payment of any portion or all of the capital costs allocated to such contractor which are attributed by the State to agricultural use of project water, together with payment of interest on said capital costs, may be commenced by such contractor in the year of initial water delivery, to the extent that in the judgment of the State such delay in commencing payment is necessary to prevent unreasonable financial hardship on such contractor.

(4) All unpaid interest shall be accumulated at the project interest rate, compounded annually, and added to the contractor's allocated capital costs.

Notwithstanding (1) through (4) above, all contractors shall completely pay their total allocated capital costs, together with interest thereon, within the project repayment period, and payments under the

schedule of payment of capital costs for each contractor, including interest over the project repayment period, shall have a present value, when discounted at the project interest rate to the first day of the project repayment period, equal to the present value of the payments under that schedule which would be derived for such contractor on the bases provided in this contract when so discounted at the project interest rate to the same date.

46. *Suit on Contract.* Each of the parties hereto may sue and be sued with respect to this contract.

47. *Amendatory Provisions*

(a) ¹*Surplus Water*

Notwithstanding other provisions of this contract, surplus water for agricultural and ground water replenishment use shall be offered to contractors on the following basis. Before surplus water is sold for other than agricultural and ground water replenishment use, each contractor shall have the right, subject to the ability of the State to deliver such water and to the provisions of the next succeeding paragraph, to contract for agricultural and ground water replenishment use for a portion of the total amount of surplus water available in any year, in an amount which bears the same ratio to the total amount of surplus water available in that year as the sum of the annual entitlements, set forth in Table A of this contract, delivered to the contractor for agricultural and ground water replenishment use during the preceding three years bears to the total amount of such annual entitlements delivered for agricultural and ground water replenishment use during the preceding three years of all contractors requesting surplus water: *Provided*, That if its proportion of such surplus water is not required by or cannot be delivered to any contractor, such amount of additional surplus water shall be offered to other contractors for agricultural and ground water replenishment use. During the first three years in which project water is delivered to a contractor, the State shall determine the amount of surplus water which the contractor may obtain based on the contractor's maximum annual entitlement and the estimated percentage of its annual entitlement to be delivered for agricultural and ground water replenishment use; but quantities so determined shall not exceed the contractor's annual entitlement for that year. For the purpose of computing the portion of the surplus water for agricultural and ground water replenishment use to which each contractor is entitled, the State shall determine the amounts of water used for agricultural and ground water replenishment use by each contractor in each year: *Provided*, That each contractor shall furnish certified copies of such records and data concerning the use of water within its boundaries as the State may request.

The provisions of this paragraph shall be applicable only to contractors in the San Joaquin Valley Service Area, contractors in the Southern California Service Area, and contractors in the Central Coastal Service Area. Before surplus water is sold for other than agricultural and ground water replenishment use, each such contractor shall have the right, subject to the ability of the State to deliver such water, to contract for agricultural and ground water replenishment use in accordance with the following formula: contractors in the San Joaquin Valley Service Area shall have a right to contract for sixty-nine percent (69%) of the surplus water available at the Mile 18 Pumping Plant; contractors in the Southern California Service Area shall have a right to contract for twenty-nine percent (29%) of such water; and contractors in the Central Coastal Service Area shall have a right to contract for two percent (2%) of such water: *Provided*, That within each of these service areas, each contractor shall have the right to contract for agricultural and ground water replenishment use for a portion of the total amount of surplus water available to that service area in any year, in an amount which bears the same ratio to the total amount of surplus water available to the service area in that year as the sum of the annual entitlements, set forth in Table A of this contract, delivered to the contractor for agricultural and ground water replenishment use during the preceding three years bears to the total amount of such annual entitlements delivered for agricultural and ground water replenishment use during the preceding three years of all contractors in that service area requesting surplus water: *Provided further*, That if its proportion of such surplus water is not required by or cannot be delivered to any contractor, such amount of additional surplus water shall be offered to other contractors for agricultural and ground water replenishment use. During the first three years in which project water is delivered to a contractor, the State shall determine the amount of surplus water which the contractor may obtain based on the contractor's maximum annual entitlement and the estimated percentage of its annual entitlement to be delivered for agricultural and ground water replen-

¹ Added; Amendment 1; Amended, Amendment 13

ishment use; but quantities so determined shall not exceed the contractor's annual entitlement for that year. As used in this paragraph, "contractors in the San Joaquin Valley Service Area" shall mean: Devil's Den Water District, Dudley Ridge Water District, Empire West Side Irrigation District, Hacienda Water District, Kern County Water Agency, and Tulare Lake Basin Water Storage District; "contractors in the Southern California Service Area" shall mean: Antelope Valley-East Kern Water Agency, City of West Covina, Coachella Valley County Water District, Crestline-Lake Arrowhead Water Agency, Desert Water Agency, Littlerock Creek Irrigation District, Mojave Water Agency, Palmdale Irrigation District, San Bernardino Valley Municipal Water District, San Gabriel Valley Municipal Water District, San Geronimo Pass Water Agency, The Metropolitan Water District of Southern California, Upper Santa Clara Valley Water Agency, and Ventura County Flood Control District; "contractors in the Central Coastal Service Area" shall mean: San Luis Obispo County Flood Control and Water Conservation District and Santa Barbara County Flood Control and Water Conservation District.

The provision of this paragraph shall be applicable only to a contractor to which the delivery of project water for municipal use as of 1990 is estimated by the State to be in excess of fifty percent (50%) of such contractor's maximum annual entitlement. For the purpose of fixing such contractor's right to delivery of surplus water, water from a watershed not tributary to the contractor's area which is delivered within the contractor's boundaries for agricultural or ground water replenishment use shall be deemed to be part of the contractor's annual entitlement delivered for such use in computing the quantity of surplus water to which the contractor is entitled under this subdivision: *Provided*, That the contractor shall not be deemed to have used more than its annual entitlement, as set forth in Table A, for such use. Surplus water shall be deemed to be used by the contractor for agricultural or ground water replenishment use if an equal quantity of water imported from a watershed not tributary to the contractor's area is delivered within the contractor's boundaries for such use.

In providing for the delivery of surplus water to contractors pursuant to this subdivision, the State shall refuse to deliver such surplus water to any contractor to the extent that the State determines that such delivery would tend to encourage the development of an economy within the area served by such contractor which would be dependent upon the sustained delivery of water in excess of the contractor's maximum annual entitlement. In no event shall the quantity of surplus water made available in any year prior to 1986 to any contractor under this subdivision exceed the difference between its annual entitlement for that year and its maximum annual entitlement, except that, subject to provisions of the immediately preceding sentence, with respect to any contractor which under Table A of its contract is scheduled to receive its maximum annual entitlement prior to 1978, the quantity of surplus water made available in any year prior to 1986 under this subdivision may exceed such difference by not more than 3,000 acre-feet.

Surplus water for agricultural and ground water replenishment use shall be furnished at prices which will return to the State the variable operation, maintenance, power, and replacement components of the Delta Water Charge and Transportation Charge incurred in such service of surplus water as determined by the State. Surplus water delivered under this subdivision shall be limited to the quantity of water which can be delivered without adversely affecting the reliability, or increasing the cost, of service to meet annual entitlements. Contracts made pursuant to this subdivision may exceed one year in duration.

Except as herein modified, the provisions of Article 21 of this contract are hereby confirmed, and all surplus water not specifically allocated pursuant to this subdivision shall be sold under the provisions of Article 21. Nothing in this subdivision shall limit the right of the District to increase its annual entitlements as otherwise provided in this contract.

As used in this subdivision "ground water replenishment use" shall mean the use of project water exclusively by direct application to spreading basins, streambeds, or through other means of direct artificial recharge for the purpose of replenishing overdrawn ground water basins.

(b) ¹ *Surcharge Credit (Deleted.)*

(c) ² *Excess Capacity*

The State shall provide: (i) in each reach of the project transportation facilities from Kettleman City

¹ Added: Amendment 1; deleted: Amendment 13

² Added: Amendment 2; amended: Amendments 6, 7

to the South Portal of the Tehachapi Tunnels excess capacity in the amount of one hundred eighty-eight (188) cubic feet per second, and (ii) in the reach of the project transportation facilities from Silverwood Lake to South Portal San Bernardino Tunnel excess capacity in the amount of seven hundred eighty-seven (787) cubic feet per second. To the extent made possible by the excess capacity provided in accordance with the preceding sentence, the State shall comply with requests of the District to deliver from the project transportation facilities downstream from Tehachapi Pumping Plant in any one month of any year a total amount of project water greater than eleven percent (11%) of the District's annual entitlement for that year: *Provided*, That in any year the District may request, and, to the extent made possible by capacity provided by the State, the State shall comply with the requests of the District for delivery of water through the West Branch Aqueduct in an amount up to the District's annual entitlement for such year. In no event shall the State be obligated to deliver to the District from the project transportation facilities downstream from Tehachapi Pumping Plant in any one month of any year a total amount of project water greater than eleven percent (11%) of the District's annual entitlement for that year except insofar as the excess provided in accordance with the first sentence of this subdivision (c) makes possible such greater delivery: *Provided further*, That in any year the State shall not be obligated to deliver to the District through the main California Aqueduct and the West Branch Aqueduct in combination an amount of water in excess of the District's annual entitlement for such year.

(d) ³ *Advance Payment for Excess Capacity*

The District shall furnish to the State each year, in advance of the construction of the aqueduct reaches from Kettleman City to the South Portal of the Tehachapi Tunnels, and from Silverwood Lake to South Portal San Bernardino Tunnel, funds sufficient to cover the costs incurred during that year in providing for the excess capacity described in subdivision (c) of this Article. Such yearly funds shall be in an amount which bears the same proportion to the total capital costs of each such reach to be incurred during that year, including the costs of providing for such excess capacity, as such excess capacity bears to the total capacity of such reach, including such excess capacity. Upon completion of construction of each aqueduct reach in which excess capacity is provided but prior to completion of all such aqueduct reaches, there shall be a determination as to such reach, of: (1) each annual cost attributable to such excess capacity, determined by the annual differences between the estimated cost which would have been incurred had no excess capacity been provided and the actual cost incurred, and (2) each annual payment as determined above. The amount by which each such annual payment exceeds the associated annual cost shall be credited to the installment for other excess capacities due January 1 of the following year, with interest on separate halves of such amount from the dates payments were made on the respective installments of such annual payment at the applicable apportionment rate of the Surplus Money Investment Fund, compounded semiannually. The amount by which each such annual cost exceeds the associated annual payment shall be debited to the installment for other excess capacities due January 1 of the following year, with interest on separate halves of such amount from January 1 and July 1, respectively, of the year such insufficient annual payment was made at the project interest rate, compounded annually. The State shall furnish the District, on or before July 1 of each year, a written statement of the charges to the District pursuant to this subdivision for the next year. Each such statement shall account for any change in the factors which are determinative of these charges. Included in each statement shall be a redetermination of charges, in compliance with the provisions of Article 28 of this contract, accounting for all accumulated overpayments or underpayments attributable to such proposed increase in capacity incurred in prior years, together with interest thereon from the respective dates of such payments. Overpayments by the District shall be credited to the installment for excess capacities due in the year following the year of the redetermination, with interest at the applicable apportionment rate of the Surplus Money Investment Fund, compounded semiannually. Underpayments shall be debited to the installment for excess capacities due in the year following the year of the redetermination, with interest at the project interest rate, compounded annually. Statements submitted by the State on each July 1 for the estimated costs for the next year shall be payable in two equal installments, the first installment being due on January 1 of such next year and the second installment being due on July 1 of such next year. All adjustments for prior overpayments or underpayments together with interest thereon shall be credited to the installment due January 1 of such statement: *Provided*, That the annual charges included in

³ Added: Amendment 2; amended: Amendments 6, 7

Statement Nos. 68-128-T, dated June 30, 1967, and 69-166-T, dated June 30, 1968, shall incorporate adjustments to the extent necessary to include credits for payments made by the District in prior years for capacity that by reason of this Amendment No. 7 will no longer be considered excess capacity, together with interest on such prior payments from the respective dates thereof at the applicable apportionment rate of the Surplus Money Investment Fund, compounded semiannually: *Provided further*, That if such credit, including interest, to be made by reason of this Amendment No. 7 is greater than the total of the first annual charge for excess capacity to be furnished the District following the date of this Amendment No. 7, the difference shall be credited to the District's annual payment of the Capital Cost Component of the Transportation Charge for the year of such first annual charge.

(e) ¹*Allocation of Capital Costs of Reaches in Which Excess Capacity is Provided*

The total capital costs of each aqueduct reach in which excess capacity is provided for the District pursuant to subdivision (c) of this article shall be allocated among all contractors entitled to delivery of project water from or through the reach in accordance with the provisions of Article 24(d). The values and amounts so allocated shall be subject to redetermination by the State in accordance with Article 28. Such redetermination shall include, without limitation as to other proper adjustments, a recalculation, based on actual costs incurred by the State, of both the estimated costs which would have been incurred had no excess capacity been provided and of the projected actual costs.

(f) ^{1 2}*Reconciliation of Advance Payments with Cost Allocation*

Upon completion of construction of the excess capacities provided pursuant to subdivision (c) of this Article and in the event that the funds advanced for such excess capacities by the District pursuant to subdivision (d) of this Article are more or less than the costs allocated to the District pursuant to subdivision (e) of this Article, the account of the District under the capital cost component of the Transportation Charge shall be credited or debited accordingly, together with interest on such resultant overpayment or required advance of funds at the appropriate interest rate in accordance with subdivision (d) of this Article.

(g) ²*Allocation of Minimum Operation, Maintenance, Power, and Replacement Costs of Reaches in Which Excess Capacity is Provided*

Subject to the provisions of subdivision (i) of this article, the minimum operation, maintenance, power, and replacement costs for the respective year of each aqueduct reach of the project transportation facilities in which excess capacity has been provided pursuant to subdivision (c) of this article shall be allocated among contractors by the proportionate use of facilities method of cost allocation, in accordance with the provisions of Article 25: *Provided*, That in making such allocation with respect to all such costs other than those for any connected-load charges for power the capacity provided in each reach for the transport and delivery of project water to the District and the total capacity provided in each reach shall include the excess capacity provided pursuant to subdivision (c) of this article.

(h) ¹*Allocation of Variable Operation, Maintenance, Power, and Replacement Costs of Reaches in Which Excess Capacity is Provided*

Subject to the provisions of subdivision (i) of this article, the variable operation, maintenance, power, and replacement costs for the respective year of each aqueduct reach of the project transportation facilities in which excess capacity has been provided pursuant to subdivision (c) of this article shall be allocated among contractors in accordance with the provisions of Article 26: *Provided*, That the District shall make such additional payments with respect to such variable component as may be necessary in order that the present value, when discounted at the project interest rate to the first day of the project repayment period, of payments of any other contractor under the variable operation, maintenance, power, and replacement component of the Transportation Charge will not be greater than the present

¹ Added: Amendment 2

² Amended: Amendment 7

value, when discounted at the project interest rate to the first day of the project repayment period, of payments under that component of the Transportation Charge that would have been derived for such contractor on the bases provided in its contract in the absence of subdivisions (c) to (i), inclusive, of this article in this contract.

(i) ¹*Connected-Load Charges for Power*

The connected-load charges for power resulting from the excess capacity provided pursuant to subdivision (c) of this article shall be paid entirely by the District and such costs shall not be included in the minimum operation, maintenance, power, and replacement component or the variable operation, maintenance, power, and replacement component of the Transportation Charge to be allocated among contractors: *Provided*, That such costs shall be paid by the District at the same times and under the same procedures as the minimum operation, maintenance, power, and replacement component as provided in Article 29.

(j) ²*Special Provisions Implementing Article 15(c) Upon Annexation of the City of West Covina by the District.*

The State shall credit the account of the District hereunder in the amounts of the payments made by the City of West Covina to the State pursuant to the water supply contract between such City and the State executed on December 2, 1963, as if such payments, in their respective amounts and on their respective dates, had been made by the District in satisfaction of obligations owing the State from the District hereunder.

The statement of charges furnished by the State to the District pursuant to Article 29(e) of this contract on July 1, 1965 shall be revised, and all future such statements shall be prepared, to take into account the increase in the District's annual entitlements and maximum annual entitlement upon the annexation of the City of West Covina by the District.

The State shall deliver project water made available to the District pursuant to the increase in the District's annual entitlements and maximum annual entitlement upon the annexation of the City of West Covina by the District from such delivery structures on either the East Branch Aqueduct or West Branch Aqueduct as hereafter may be specified pursuant to Article 10(c) of this contract: *Provided*, the District shall specify maximum monthly delivery capabilities in each of said branch aqueducts in accordance with Article 17(a) of this contract.

(k) ³*Acquisitions and Planning for Perris Reservoir Enlargement.*

(1) As heretofore requested by the District, the State shall acquire all lands, easements, and rights-of-way which in its judgment are necessary for the construction of a reservoir with a capacity of up to five hundred thousand (500,000) acre-feet at the site of the Perris Reservoir, being the terminal reservoir on the East Branch of the California Aqueduct as specified in Section 12934(d) (2) of the Water Code. It is agreed that all lands in the watershed below the crest of the Bernasconi and other hills, which bound the reservoir site on three sides, and any other lands necessary in the opinion of the State for the construction of the dam and reservoir and for optimization of other project purposes associated with the reservoir, should be acquired.

(2) As heretofore requested by the District, the State shall commence immediately to do or prepare the necessary preliminary exploratory work, surveys, geologic studies, alternative designs, and any and all other engineering and administrative work required to enable the District to select and request an appropriate plan and schedule for the construction, in one or two stages, of a reservoir at the Perris Reservoir site to sizes to be designated by the District, which sizes may be larger than the optimum project size but not exceeding five hundred thousand (500,000) acre-feet.

(3) In furtherance of the work performed under paragraph (2), the State shall also do or prepare any necessary revision of studies, surveys, designs, plans and specifications for facilities associated with the Perris Reservoir project, including those for other project purposes, but excluding plans and specifications

¹ Added: Amendment 2

² Added: Amendment 3

³ Added: Amendment 4

for construction of the dam.

(4) The District shall pay to the State, each year in advance, funds sufficient to cover all costs which the State estimates will be occasioned in such year by reason of the State's complying with the requests of the District covered by this subdivision. Within thirty (30) days after the date of this Amendment No. 4, the State shall furnish the District a written statement of such charges for costs attributable to such proposed increase in capacity in the year 1965 and in the year 1966, with all 1965 charges and one-half ($\frac{1}{2}$) of the 1966 charges payable on or before January 1, 1966, and the remaining one-half ($\frac{1}{2}$) of such 1966 charges payable on or before July 1, 1966. The State shall furnish the District on or before July 1 of each year, commencing in 1966, a written statement of such charges for the next year. Each such statement shall reflect all accumulated costs attributable to such proposed increase in capacity incurred in prior years, together with interest thereon at the project interest rate, compounded annually; and shall give credit for all payments by the District, together with interest thereon from the respective dates of such payments at the applicable apportionment rate of the Surplus Money Investment Fund, compounded semi-annually. Statements submitted by the State on each July 1 for the estimated costs for the next year shall be payable in two equal installments, the first installment being due on January 1 of such next year and the second installment being due on July 1 of such next year.

(5) The District may notify the State at any time after the date of this agreement that it does not wish Perris Reservoir to be enlarged to a capacity in excess of the optimum project size, and the State shall not thereafter incur costs occasioned by the requests of the District pertaining to such enlarged capacity, provided that the District shall remain liable for and shall reimburse the State for all costs of the State then made or committed in connection with the requests of the District covered by this subdivision.

(6) If, as a result of information developed pursuant to this subdivision, the District submits a request to the State for a change in the plan and schedule for the construction of Perris Reservoir, it is the intention of the District and the State that a subsequent contract amendment will be entered into for such change. If the District does not submit such a request prior to the date on which the State commences the final design of the dam for Perris Reservoir, the State shall design for a reservoir of a capacity of the optimum project size and shall not make any additional expenditures not then committed in connection with the enlargement of such reservoir to a capacity in excess of the optimum project size. The State shall notify the District in writing at least ninety (90) days prior to such date.

(7) If the District fails to request that Perris Reservoir be enlarged to a greater capacity than the optimum project size in accordance with paragraph (6), the State shall credit to the District any moneys advanced by the District for such enlargement which are then unexpended or uncommitted. Such unexpended and uncommitted moneys shall be credited to the next payment or payments (as they come due) of the capital cost component of the Transportation Charge. Such refund shall include interest from the dates of the respective advances of such moneys at the applicable apportionment rate of the Surplus Money Investment Fund, compounded semi-annually. If and when the State sells or otherwise disposes of the excess lands acquired for the enlargement of the reservoir and not required for the reservoir actually constructed, including lands used for all project purposes, in addition to crediting the District with such unexpended and uncommitted moneys, the State shall credit to the District on the next payment or payments due of the capital cost component of the Transportation Charge all net amounts (after deducting all costs connected with the sale or disposal) received by the State. In the event the State utilizes all or part of such excess lands for purposes which would fall into the category of costs which are nonreimbursable by the District in accordance with the principles for allocating costs under this contract, the State shall credit the District in such manner with an amount equal to the purchase price (or condemnation award) paid for such lands, plus interest on such amount at the project interest rate compounded annually from the dates of the acquisition of the lands so utilized by the State.

(8) Notwithstanding anything in this subdivision to the contrary, it is understood that the State shall not be required to construct a dam and reservoir at the Perris site of a capacity in excess of that which it determines to be feasible under its standards of safety, nor to delay the construction of project transportation facilities necessary to meet the scheduled delivery dates as set forth in Article 6(a) of the water supply contracts for other contractors served through project facilities affected by the provisions of this subdivision.

(1) ¹ *Option of District to Have Perris Reservoir Enlarged.*

(1) The State agrees to modify its present design for Perris Reservoir Dam and to construct the dam in the manner and to the extent necessary so that when completed the dam will have the capability of being enlarged in two or more stages of construction to a size or sizes required for a reservoir with a capacity of up to and including five-hundred thousand (500,000) acre-feet.

(2) The State will continue the geological explorations instigated by and being conducted under the provisions of Amendment No. 4 to this contract to determine the location of all borrow materials required to construct Perris Reservoir with a storage capacity of up to and including five-hundred thousand (500,000) acre-feet, and will proceed to acquire those lands and other properties necessary to preserve and protect the availability and character of such borrow materials so that they can be used for the enlargement of the dam embankment, for saddle dams and for other related purposes at such time as it is deemed necessary to expand Perris Reservoir to a capacity of up to and including five-hundred thousand (500,000) acre-feet.

(3) At any time or times during the term of this contract, the District has the option, but not the duty, to require the State to increase the size and capability of the Perris Reservoir embankment and other necessary appurtenant facilities and to do other work required to create and maintain a reservoir at this site which will have such storage capacity, not to exceed five-hundred thousand (500,000) acre-feet, as shall be designated by the District, and the State agrees to comply with the District's requirements in this respect: *Provided*, That the State shall not be required to enlarge the dam and reservoir at the Perris site to a capacity in excess of that which it determines to be feasible under its standards of safety.

(4) The State agrees to modify its present design for the reaches of the California Aqueduct from Devil Canyon Power Plant to Perris Reservoir and to construct such reaches in the manner and to the extent necessary so that when completed such reaches will have the capability which is required to convey that portion of the District's maximum annual entitlement which will be delivered from Perris Reservoir if and when such reservoir has been enlarged to a storage capacity of five-hundred thousand (500,000) acre-feet. The State further agrees that any capital costs incurred by reason of such modification and allocated to the District for payment shall be paid by the District in accordance with the provisions of subdivision (a), (b) and (c) of Article 24 of this contract: *Provided*, That at the same time as such payments are made, the District shall make such additional payments as may be necessary in order that the costs to any other contractor for its capacity in such reaches will not be greater than the costs that would have been derived for such contractor on the bases provided in its contract in the absence of this paragraph (4) of this subdivision (1) of this article.

(5) If and when the District requires the State to increase the size of Perris Reservoir to a capacity exceeding one-hundred thousand (100,000) acre-feet, the customary and reasonable costs of relocating recreational and visitor facilities and of constructing substitute facilities to replace those which will be rendered unuseable by reason of such increased capacity, shall be included in the costs to be paid by the District in advance in accordance with paragraph (6) below.

(6) The capital costs for the modification of the California Aqueduct referred to in paragraph (4) above, shall be paid by the District in accordance with the provisions of subdivision (a), (b) and (c) of Article 24. The District shall pay to the State, each year in advance, funds sufficient to cover all costs which the State estimates will be occasioned in such year by reason of the provisions of paragraphs (1), (2) and (5) above and the requirements of the District covered by paragraph (3) above. Within sixty (60) days after the date of this Amendment No. 5, the State shall furnish the District a written statement of such charges for costs the State estimates will be attributable to such provisions and requirements in the year 1966 and in the year 1967, with all 1966 charges and one-half ($\frac{1}{2}$) of the 1967 charges payable on or before January 1, 1967, and the remaining one-half ($\frac{1}{2}$) of such 1967 charges payable on or before July 1, 1967. The State shall furnish the District on or before July 1 of each year, commencing in 1967, a written statement of such charges for the next year. Each such statement shall reflect all accumulated costs so attributable which may have been incurred in prior years, together with interest thereon at the project interest rate, compounded annually; and shall give credit for all payments by the District, together with interest thereon from the respective dates of such payments at the applicable apportionment rate of the Surplus Money Investment Fund, compounded semiannually. Statements submitted by the State on each July 1 for the estimated costs for the next year shall be payable in two equal installments, the first

¹ Added: Amendment 5

installment being due on January 1 of such next year and the second installment being due on July 1 of such next year.

(7) If the District at any time notifies the State that it will not thereafter require that Perris Reservoir be enlarged or further enlarged under the terms of this subdivision (1), and relinquishes its option to have the reservoir enlarged or further enlarged, the State shall credit to the District any moneys advanced by the District for such enlargement which are then unexpended or uncommitted. Such unexpended and uncommitted moneys shall be credited to the next payment or payments (as they come due) of the capital cost component of the Transportation Charge. Such credit shall include interest from the dates of the respective advances of such moneys at the applicable apportionment rate of the Surplus Money Investment Fund, compounded semi-annually. If and when the State sells or otherwise disposes of the excess lands acquired for the enlargement of the reservoir and not required for the reservoir actually constructed, including lands used for all project purposes, in addition to crediting the District with such unexpended and uncommitted moneys, the State shall credit to the District on the next payment or payments due of the capital cost component of the Transportation Charge all net amounts (after deducting all costs connected with the sale or disposal) received by the State. In the event the State utilizes all or part of such excess lands for purposes which would fall into the category of costs which are nonreimbursable by the District in accordance with the principles for allocating costs under this contract, the State shall credit the District in such manner with an amount equal to the purchase price (or condemnation award) paid for such lands, plus interest on such amount at the project interest rate compounded annually from the dates of the acquisition of the lands so utilized by the State.

(8) Except as modified or otherwise affected by this Amendment No. 5, the provisions of subdivision (k) of Article 47, added by Amendment No. 4 to this contract, shall remain in full force and effect.

(m) ¹*Advance Payment of Capital Cost Component of the Transportation Charge*

At least twenty-four (24) months prior to the beginning of a calendar year in which the State desires that the District pay to the State an advance payment pursuant to Article 24(c) (2) of the District's contract, the State shall transmit a written request to the District for such payment, and the District shall pay to the State at the same time and in the same manner as it makes payments on the capital cost component of the Transportation Charge, one-half ($\frac{1}{2}$) of the requested amount on or before January 1 of the calendar year in which payment is requested to be made, and shall pay the remaining one-half ($\frac{1}{2}$) of such amount on or before July 1 of that year: *Provided*, That the amounts to be paid in advance will not exceed sixteen million three hundred thousand dollars (\$16,300,000) prior to construction of the Pyramid Power Development and an additional amount not to exceed eight million dollars (\$8,000,000) if construction of the Pyramid Power Development is to be completed prior to 1976 with funds provided by the sale of bonds issued by the State under the bond act: *Provided further*, That such request from the State is made between December 1, 1969, and January 1, 1975, and no such payment or any portion thereof shall be requested to be made subsequent to July 1, 1977.

¹ Added: Amendment 7

IN WITNESS WHEREOF, the parties hereto have executed this contract on the date first above written.

STATE OF CALIFORNIA

By: /s/ Edmund G. (Pat) Brown
Governor

STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES

By: /s/ Harvey O. Banks
Director

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

By: /s/ R. A. Skinner
Assistant Chief Engineer

Approved as to legal form
and sufficiency:

/s/ P. A. Towner
Chief Counsel
Department of Water Resources

Attest:

(SEAL)

/s/ A. L. Gram
Executive Secretary
The Metropolitan Water District
of Southern California

Approved as to form
and execution:

/s/ Charles C. Cooper, Jr.
General Counsel
The Metropolitan Water District
of Southern California

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