

Exhibit 4

Draft Water Accounting Provisions

AGREEMENT FOR THE LONG-TERM PURCHASE OF WATER FROM YUBA
COUNTY WATER AGENCY BY THE DEPARTMENT OF WATER
RESOURCES AND THE BUREAU OF RECLAMATION

EXHIBIT 4 - ACCOUNTING

OVERVIEW

Monitoring, measuring, and accounting of the Water that will be transferred under this Agreement can be generally described as consisting of two fundamental parts: (1) measuring the increased releases from New Bullards Bar Reservoir that are greater than the baseline, without-transfer flows; and (2) measuring the ability of the Buyers to apply these flows to beneficial uses. The amounts of increased releases will be determined by measuring the outflow of the Yuba River at the Marysville Gage, and in some instances by comparing New Bullards Bar Reservoir storage with Baseline Storage, and by measuring groundwater substitution pumping associated with this Agreement. The Buyers' ability to use the Water will be determined by the ability of the Projects to export the Water at the Projects' Delta pumping facilities. That is, Water accounted for as transfer water under this Exhibit will include Released Transfer Water that is deemed to be Delivered Transfer Water, as those terms are defined in this Exhibit.

The transfer amount will be the amount of Water released by Yuba, as measured at the Marysville Gage, that can be exported by the Projects given the amount of "excess"¹ export capacity available, E/I ratio constraints and the April 15 through May 15 Vernalis Adaptive Management Plan export constraints. The Contracting Parties have expressly agreed that the transfer amount will include carriage water in the Delta. The Buyers' ability to divert Water also will be determined by first measuring the Projects' ability to utilize Released Transfer Water for some other Project purpose, such as to meet a Delta outflow requirement, which in turn would allow for a reduction of releases from Project reservoirs, thereby increasing storage in these reservoirs by the Released Transfer Water amount. This swapping of transfer water for some downstream use in the place of Project reservoir releases is referred to as "backing" water into Project storage. Once the reduction in releases from Project storage results in an increased storage amount, if this stored transfer amount then can be released at a later time for export before it is spilled

¹ Excess capacity available is the amount of capacity at the Banks and Tracy pumping plants not being used to pump Project water, Cross Valley Canal CVP contract water and, in the case of transfer water available as an option, Project water available via the Sacramento Valley Water Management Agreement.

DRAFT: SUBJECT TO REVISION

from upstream Project reservoirs due to flood control releases, then the water so exported will be treated as Yuba transfer water pumped by the Projects.

As described above, Yuba transfer flows will be determined by comparing the with-transfer total flow at the Marysville Gage with the computed without-transfer total flows at the same measuring point, and accounting for the increased flow above the without-transfer baseline as Released Transfer Water. Delivered Transfer Water will be the amounts of Released Transfer Water that can be subsequently diverted at the Projects' Delta pumping facilities, plus the carriage water that supports these diversions. The amounts of increased releases will be determined by measuring the outflow of the Yuba River at the Marysville Gage, and in some instances by comparing New Bullards Bar Reservoir storage with Baseline Storage, and by measuring groundwater substitution pumping associated with this Agreement.

1. DEFINITIONS

Terms used in this Exhibit have the same meaning as the terms listed in the Agreement. When used in this Exhibit, the following terms have the following definitions:

"Accord Flows" means the schedule of instream flow requirements listed in Exhibit 1 of the Fisheries Agreement.

"Agreement" means the "Agreement for the Long-Term Purchase of Water from Yuba County Water Agency by the Department of Water Resources and the Bureau of Reclamation."

"Balanced Conditions" means the hydrologic condition of the Delta as defined in the November 24, 1986 "Agreement between the United States of America and the State of California for Coordinated Operations of the Central Valley Project and the State Water Project."

"Baseline Conditions" means conditions deemed under this Exhibit to represent the current conditions without implementation of the Agreement or the Fisheries Agreement, which define the without-transfer condition for use in comparison with the flows that will occur with these agreements to account for the transfer amounts.

"Baseline Diversions" means the diversions that are defined in section 2.3.1.1 of this Exhibit.

"Baseline Flows" means flows that would have been present at the Marysville Gage under Decision 1644 interim instream flow requirements and all other Baseline Conditions, without implementation of the Yuba River Accord.

"Baseline Storage" means the amount of water that would have been stored in New Bullards Bar Reservoir under Baseline Conditions.

DRAFT: SUBJECT TO REVISION

“Baseline Storage Target” means the storage targets that are defined in section 2.4 of this Exhibit.

“Carriage Water” means the water losses in the Delta, including additional Delta outflows, associated with the Delivered Transfer Water from the Yuba River or from Stored Yuba Water that is exported at the Projects’ Delta pumping facilities.

“Delivered Transfer Water” means Released Transfer Water that is accounted as being exported by the Buyers, or contributing to exports, as described in section 5 of this Exhibit.

“Groundwater Substitution Component” means the quantity of Released Transfer Water that Yuba decides to make available from releases from New Bullards Bar Reservoir as a result of Yuba’s groundwater substitution pumping program, and that is not related to releases for the Storage Component of Water. Groundwater Substitution Component water will be made available under the Conjunctive Use Agreements by Member Units forgoing surface water deliveries and instead pumping groundwater as a replacement water supply for local irrigation needs.

“Negative Transfer Flows” means the flows defined in section 4.4 of this Exhibit.

“North Yuba Index” means the index used to determine the applicable Fisheries Agreement flow schedule for the Lower Yuba River. This index is defined in Exhibit 4 of the Fisheries Agreement.

“Refill” is a condition of reduced releases from New Bullards Bar Reservoir as compared with the releases that would occur with Baseline Flows. These reduced releases will be a result of diversions to storage to fill storage space evacuated as a result of releases that created the Storage Component.

“Released Transfer Water” means the average daily flows measured at the Marysville Gage that are greater than the Baseline Flows, and as further described in Section 4.2 of this Exhibit.

“Storage Component” means the quantity of Released Transfer Water that Yuba makes available from storage releases from New Bullards Bar Reservoir, and that is not related to releases for the Groundwater Substitution Component of Released Transfer Water.

“Stored Yuba Water” means the stored water as defined in section 4.3 of the Exhibit.

“Total Uncontrolled Flows” means the total amount of flows entering Englebright Reservoir, other than from releases from the New Colgate Powerhouse, plus flows from Deer Creek and Dry Creek into the lower Yuba River below Englebright Reservoir.

2. BASELINE CONDITIONS

Baseline Conditions for the accounting of Released Transfer Water during the term of this Agreement include the following:

2.1. Regulatory Instream Flow Requirements:

DRAFT: SUBJECT TO REVISION

- 2.1.1. Decision 1644 interim instream flow requirements.
- 2.1.2. FERC License 2246 instream flow requirements of 400 cfs at the Marysville Gage (below Daguerre Point Dam) for the period of October 1-14.

2.2. Operational Agreements:

- 2.2.1. The PG&E Power Contract, as modified by the July 16, 2002 Agreement Concerning Power Purchase Contract of 1966 and Consolidated Operations of the Narrows I and Narrows II Powerhouses, and as further modified by the agreement dated ____, which provides for revised winter operations under certain conditions. The 2002 Agreement removes the generation quota terms of the PG&E Power Contract for the months of January to June.

2.3. Water Supply Agreements:

- 2.3.1. Water supply agreements between Yuba and the following Member Units: Browns Valley Irrigation District, Hallwood Irrigation Company, Cordua Irrigation District, Ramirez Irrigation District, Brophy Water District, South Yuba Water District, Dry Creek Mutual Water Company and Wheatland Water District.

- 2.3.1.1. Baseline diversions that are made under the agreements listed in section 2.3.1 of this Exhibit are the measured diversions as reported by Yuba, excluding any reduced diversions to provide Water for the Groundwater Substitution Component, and excluding other diversion reductions that are implemented as part of defined water efficiency or conservation programs or projects.

- 2.3.1.1.1. If a defined water efficiency or conservation plan is implemented, and the implemented plan can be demonstrated to produce greater flows from the Yuba River into the Feather River than would have occurred without the plan, then some or all of the reduced diversions may be accounted as Released Transfer Water. Determination of the amounts of Released Transfer Water that are results of defined water efficiency or conservation plans will be incorporated into the plans, subject to agreement by the Contracting Parties.

- 2.3.1.2. To continue to provide the higher flows on the Yuba River called for in the Fisheries Agreement after April 30, 2016, Yuba may need to construct the Feather River Diversion Facility. If this facility is constructed and operated, then it could reduce the amount of Released Transfer Water, because the measurement point of the Released Transfer Water is at the Marysville Gage, and the diversions at the new

DRAFT: SUBJECT TO REVISION

facility: (1) would be downstream of the Marysville Gage; and (2) would not occur under Baseline Conditions.

2.3.1.3. If the Feather River Diversion Facility is constructed, then the amount of Released Transfer Water calculated under section 4.2 of this Exhibit will be reduced by the amount of the diversions at the new facility. However, if water is diverted at the new facility that otherwise under Baseline Conditions would have been diverted above the Marysville Gage, then the reduction in Released Transfer Water will occur only when, under Baseline Conditions, the flows at the Marysville Gage would have been at the applicable Decision 1644 interim instream flow requirement.

2.4. **Baseline Storage Target Line** is a graphical line of the maximum storage levels during the year at which Yuba would normally operate New Bullards Bar Reservoir under Baseline Conditions. These levels are:

September 30: 705,000 acre-ft;

October 1 to October 30: linearly ramped from 705,000 acre-ft to 700,000 acre-ft;

November 1 to February 15: 700,000 acre-ft;

February 16 through March 31: linearly ramped from 700,000 acre-feet to 796,000 acre-feet;

April 1 through April 30: linearly ramped from 796,000 acre-feet to 896,000 acre-feet;

May 1 through May 31: linearly ramped from 896,000 acre-feet to 966,000 acre-feet; and

June 1 through June 30: 966,000 acre-feet.

July 1 to September 29: no Baseline Target Storage levels are provided for this period, because the maximum storage levels during this period at which Yuba would normally operate New Bullards Bar Reservoir under Baseline Conditions are governed by the runoff hydrology conditions of the Yuba River.

3. BASELINE FLOW DETERMINATION

Baseline Flows will be determined as mean daily flows in cfs, with a separate determination for each day of the accounting period. The procedure for determining the Baseline Flows utilizes five seasonal time periods. Each time period has a separate set of criteria for determining the Baseline Flows, as defined in section 3.2 of this Exhibit.

DRAFT: SUBJECT TO REVISION

Due to the complex nature of the controlling operational criteria of the Yuba Project and the hydrology of the Yuba River watershed, there may be time periods when conditions will not allow for use of the accounting procedures listed for these five time periods. Technical representatives from each Contracting Party will work together to attempt to resolve the transfer accounting for such periods. If the Contracting Parties cannot agree upon the accounting for such periods, then the dispute resolution process of the Agreement will be followed.

3.1. Seasonal Time Periods for Baseline Flows Determination

- 3.1.1. **Early Winter Period**– The Early Winter Period consists of the months of December and January, and is characterized by Baseline Flows being released to meet the instream flow requirements at the Smartville Gage (below Englebright) in accordance with the Decision 1644 interim instream flow requirements under all hydrologic conditions until winter precipitation starts, at which time varied uncontrolled flows can begin, and Refill conditions can occur.
- 3.1.2. **Late Winter Period** - The Late Winter Period consists of the months of February and March, when transfer flows rarely occur, but when Refill conditions can occur.
- 3.1.3. **Spring Period** – The Spring period consists of the months of April, May and June, when Released Transfer Water, Negative Transfer Flows, or Refill conditions can occur. Negative Transfer Flows will occur during this time period when the Decision 1644 interim instream flow requirements are higher than the flow requirements of the Fisheries Agreement. “Negative Transfer Flows” are defined in section 4.4 of this Exhibit. Transfer Water is produced when conditions are dry enough under Baseline Conditions that releases would be made to provide the Decision 1644 interim instream flow requirements at the Marysville Gage. If conditions are wet enough, and if storage management operations govern under both the Baseline Conditions and the Yuba River Accord, then Released Transfer Water may be produced by accelerated storage releases under the Yuba River Accord to meet an end-of-September target storage that is lower than the Baseline Storage Target of 705 TAF in New Bullards Bar Reservoir.
- 3.1.4. **Summer Transfer Period** – The Summer Transfer Period consists of the months of July and August, when Released Transferred Water occurs. During the Summer Transfer Period, Released Transfer Water always will be provided under the Yuba River Accord unless a Conference Year is in effect or unless the provisions of section 12.2 of this Exhibit are in effect,

which would cause a temporary suspension of releases of Released Transfer Water.

3.1.5. **Fall Transfer Period** – The Fall Transfer Period consists of the months of September, October and November, when under most hydrologic conditions, flows under Baseline Conditions will be at the Decision 1644 interim instream flow requirements. Occasionally, precipitation events occur during the Fall Transfer Period that create uncontrolled flow conditions that are greater than the Decision 1644 interim instream flow requirements.

3.2. **Seasonal Time Period Baseline Flow**

3.2.1.1. **Transfer Periods with Wet Conditions; Baseline Flows defined by operations to meet target storage.** In the spring and summer months of wetter hydrologic years, Baseline Flows will be governed by the amount of water that must be released to meet the end-of-September Baseline Storage Target amount of 705,000 acre-ft in New Bullards Bar Reservoir. This amount is the contractual storage amount specified in the PG&E Power Contract. Because, under these conditions, runoff patterns dictate the release schedule to meet the end-of-September Storage Target, there is no defined instream flow requirement for these operations, and the flows needed to meet the Baseline Storage Target amount instead must be determined by calculation. The Baseline Flows for these time periods when Baseline Storage Target operational conditions control will be determined by Yuba and reviewed by the Buyers. For these time periods, Yuba will prepare estimates of monthly Baseline Storage Target amounts and resulting flows. If the Buyers do not agree with the calculated flows, then the Technical Committee will review the data and calculations and make a recommendation to the Policy Committee regarding the Baseline Flows to be used in the transfer accounting.

3.2.2. **Early Winter Period:**

3.2.2.1. If Baseline Storage would have been below the Baseline Storage Target line, then the Baseline Flows for this time period will be greatest of the following: (1) the Decision 1644 interim instream flow requirements at the Marysville Gage; (2) the Decision 1644 interim instream flow requirements at Smartville, minus Baseline Diversions at Daguette Point Dam; and (3) the Total Uncontrolled Flows to the Lower Yuba River minus diversions. Recognizing that there are some day-to-day storage operations at Englebright Reservoir, the calculated uncontrolled flows into Englebright Reservoir will be averaged over several days to provide more uniform flow amounts.

DRAFT: SUBJECT TO REVISION

- 3.2.2.2. If Baseline Storage would have been above the Baseline Storage Target Line, then the Baseline Flows will be governed by storage management and power generation criteria, and no Released Transfer Water will be produced.
- 3.2.2.3. Refill accounting during the Early Winter Period – Baseline Refill operations will be defined by Refill accounting, and will be based on the Baseline Storage Target line when inflow into New Bullards Bar Reservoir is sufficient to maintain storage at a high level. Refill accounting is set forth in **Exhibit 2** of this Agreement.
- 3.2.3. **Late Winter Period:** For the months of February and March, Released Transfer Water will rarely be produced, and Refill accounting procedures often will be in effect. If hydrologic conditions are extremely dry, and if storage in New Bullards Bar Reservoir is below the Baseline Storage Target Line, then the Baseline Flows will be determined under section 3.2.2.1 of this Exhibit. If Baseline Storage would have been above the Baseline Storage Target Line, then the Baseline Flows will be governed by storage management and power generation criteria, and no Released Transfer Water will be produced. Baseline Refill operations are defined by Refill accounting in **Exhibit 2** of this Agreement.
- 3.2.4. **Spring Period:**
- 3.2.4.1. Refill conditions – Flow reductions below the Baseline Flows that are a result of reservoir Refill from previous releases of Released Transfer Water will be determined by the Refill accounting procedures set forth in **Exhibit 2** of this Agreement.
- 3.2.4.2. Actual flows in the spring months of April, May and June can be less than Baseline Flows because the Yuba River Accord flow schedules for this time period will sometimes be less than the Decision 1644 interim instream flow requirements. If actual flows during this time period are less than the Decision 1644 interim instream flow requirements, then Baseline Flows will be the Decision 1644 interim instream flow requirements.
- 3.2.4.3. For times other than when actual flows are less than the Decision 1644 interim instream flow requirements, Baseline Flows for this period will be the greater of: (1) Decision 1644 interim instream flow requirements; or (2) flows resulting from reservoir operations to evacuate storage to meet the September 30th Baseline Storage Target listed in section 2.4 of this Exhibit, plus uncontrolled flows. Such Baseline Storage management driven flows will be determined by Yuba, and submitted to the Buyers for review. Section 3.2.1.1 of this

DRAFT: SUBJECT TO REVISION

Exhibit describes the process for addressing any disagreements between the Contracting Parties on the determination of Baseline Flows under these conditions.

3.2.5. Summer Transfer Period: Baseline Flows for this period can be either flows determined by Decision 1644 interim instream flow requirements or the flows needed to evacuate storage in New Bullards Bar Reservoir to meet an end-of-September Baseline Storage Target of 705,000 acre-feet.

3.2.5.1. If the end-of-September storage in New Bullards Bar Reservoir under Baseline Conditions would have been at or below 705,000 acre-feet with releases from New Bullards Bar Reservoir minimized to meet the Decision 1644 interim instream flow requirements flows plus diversions, then the Baseline Flows for this period will be the Decision 1644 interim instream flow requirements.

3.2.5.2. If the end-of-September storage in New Bullards Bar Reservoir under Baseline Conditions would have been above 705,000 acre-feet with releases from New Bullards Bar Reservoir minimized to meet the Decision 1644 interim instream flow requirements and diversions, then the Baseline Flows will be the flow rate schedule that would have been needed to release sufficient water from New Bullards Bar Reservoir to meet an end-of-September storage of 705,000 acre-feet.

3.2.6. Fall Transfer Period: Baseline Flows during the fall transfer period are defined by the greatest of: (1) the Decision 1644 interim instream flow requirements at the Marysville Gage; (2) the Decision 1644 interim instream flow requirements at Smartville minus Baseline Diversions at Daguerre Point Dam; and (3) Total Uncontrolled Flows minus Baseline Diversions. When Total Uncontrolled Flows are greater than the instream flows required under Yuba River Accord at the Marysville Gage, plus the Baseline Diversions, no Released Transfer Water will be released.

4. TRANSFER WATER DELIVERY AND FLOW MEASUREMENT

4.1. Point of Measurement and Delivery - The point of delivery and the point for measurement of Released Transfer Water, and the point for determination of Baseline Flows, all are USGS Gaging Station No. 11421000 near Marysville on the Yuba River, as reported by the USGS. The amount of flows for Released Transfer Water and for Baseline Flows will be mean daily flows in cfs.

4.2. Released Transfer Water is the amount of water in the actual mean daily flows that have been measured under section 4.1 of this Exhibit minus the mean daily Baseline Flows. The mean daily Baseline Flows will be determined as described in section 3 of this Exhibit.

DRAFT: SUBJECT TO REVISION

- 4.3. **Stored Yuba Water** - When the Delta is in Balanced Conditions and there is no available pumping capacity at Project Delta pumping facilities, but releases from Project storage reservoirs can be reduced, or when it is not necessary to increase releases from Project reservoirs for Project purposes because of the flow of the Released Transfer Water from the Yuba River into the Feather River, Water accounted for under this section will be added to a temporary account of Stored Yuba Water for future determination if the Water can subsequently be released from storage and exported by the Projects under section 5.1.5 of this Exhibit, and thus be accounted for as Delivered Transfer Water.
- 4.4. **Negative Transfer Flows** – During certain portions of the year the amount of actual measured flow under section 4.2 of this Exhibit may be lower than the applicable Decision 1644 interim instream flow requirement. During these time periods, the Baseline Flows will be the Decision 1644 interim instream flow requirements. During these time periods when the actual flows are less than the Decision 1644 interim instream flow requirements, the Decision 1644 interim instream flow requirements minus the measured flows under section 4.2 of this Exhibit will be accounted for as Negative Transfer Flows. If Negative Transfer Flows occur on a day when all or a portion of the Negative Transfer Flows amount could have been accounted for as Delivered Transfer Water as described in section 5.1.5. of this Exhibit, then this amount will be deducted from the total Delivered Transfer Water for the Water Accounting Year in which the Negative Transfer Flows occurred.
- 4.5. **Groundwater Substitution Component Flow** – Released Transfer Water may be fully or partially derived from Groundwater Substitution Component water. **Exhibit 3** of this Agreement defines the monitoring and reporting that will be provided by Yuba for Groundwater Substitution Component operations.
- 4.5.1. **Delivery and Measurement** – Groundwater Substitution Component water will be delivered at the Marysville Gage, and measured as Released Transfer Water under section 4.2 of this Exhibit.
- 4.5.2. Water that is released as Groundwater Substitution Component water will not be included in the transfer amount for Refill accounting in **Exhibit 2** of this Agreement.

5. DETERMINATION OF DELIVERED TRANSFER WATER

- 5.1.1. Delivered Transfer Water may only occur when the Delta is determined to be in “Balance Conditions”.
- 5.1.2. For this Agreement, it is assumed that water measured at the Marysville Gage reaches the Project exports two days after the date of measurement.

DRAFT: SUBJECT TO REVISION

- 5.1.3. For this Agreement, Released Transfer Water that is used as Carriage Water by the Projects will be accounted as Delivered Transfer Water as described in section 5.1.6 of this Exhibit.
- 5.1.4. For this Agreement, it is assumed that there will be no conveyance losses between the Marysville Gage and the Project's Delta pumping facilities, besides Carriage Water.
- 5.1.5. Each day that Released Transfer Water is accounted for under section 4.2 of this Exhibit, Stored Yuba Water accounted for under section 4.3 of this Exhibit is released from Project storage, or Negative Transfer Flows are accounted for under section 4.4 of this Exhibit, a determination will be made regarding whether or not there was capacity available at the Project's Delta pumping facilities to export this water, or in the case of Negative Transfer Flows, a determination will be made regarding the reduced amount of flow that was exported.
- 5.1.5.1. Stored Yuba Water only will be released from Project storage if capacity at the Project's Delta pumping facilities is available to export the water, unless the water "spills" from Project storage as defined in section 5.1.7 of this Exhibit before such capacity becomes available to export this water.
- 5.1.6. The lesser of the following two amounts will be accounted for as Delivered Transfer Water:
- 5.1.6.1. The Released Transfer Water amount determined under section 4.2 of this Exhibit, ; or
- 5.1.6.2. The amount of available pumping capacity at the Project's Delta pumping facilities not being used to pump Project Water plus the associated Carriage Water. As example, if only 500 cfs of Project export pumping capacity is available, and if the Carriage Water percentage is determined to be 20%, then the total Delivered Transfer Water amount would be 625 cfs ($500 \text{ cfs} / (1-.2)$), if not limited by the Released Transfer Water amount.
- 5.1.6.2.1. Available Project export pumping capacity will be based on the Released Transfer Water having a priority for diversion as the first transfer water to be exported, with the exception that, for Component 4, water Sacramento Valley Water Management Agreement "Phase 8" water may take priority, at the Buyers' discretion.
- 5.1.7. Stored Yuba Water will be accounted as Delivered Transfer Water in the same manner as Released Transfer Water if, before Stored Yuba Water spills

from Project storage, available export capacity exists, as described in section 5.1.6 of this Exhibit, for a portion or all of the Stored Yuba Water amount.

5.1.7.1. The Projects' ability to release and then divert Stored Yuba Water that has been backed into upstream Project storage will be based on the Stored Yuba Water having a diversion priority equal to the diversion priority that Released Transfer Water would have if it were being released from the Yuba River. The priority for Project release or export of the Stored Yuba Water will not be diminished by future transfer agreements, except as provided for "Phase 8" in section 5.1.6.2.1 of this Exhibit.

5.1.8. Some or all of the Stored Yuba Water will be deemed to have been spilled from Project storage and will be debited from the account defined in section 2.4 of this Exhibit if the Project reservoir in which the Stored Yuba Water is stored makes flood control releases. The Stored Yuba Water will be the last transfer water spilled after all other transfer water has spilled. The debit amount will equal to the amount of flood control releases after all other transfer water has been released, or the amount of Stored Yuba Water, whichever is less.

5.1.9. Delivered Transfer Water may be accounted for and credited to one of the four Components of Water when the Delta is in Balanced Conditions but the E/I ratio is controlling and the increased flow of the Released Transfer Water provides an incremental increase in Project Delta exports. Under this condition, when the E/I ratio is controlling, incremental increase in Project exports resulting from the Released Transfer Water amount, will be the Delivered Transfer Amount. Under this condition, this amount will be determined on a case-by-case basis by the Contracting Parties.

5.1.10. Negative Transfer Flows will be accounted for as debits to Delivered Transfer Water if export capacity exists under section 5.1.6.2 of this Exhibit at the time of the Negative Transfer Flows. The total debit amount will be the lesser of: (1) the Negative Transfer Flows amount; or (2) the Project's export capacity plus Carriage Water.

6. BASELINE FLOWS AND TRANSFER AMOUNT ACCOUNTING PROCEDURES

6.1. The Water Accounting Year and provisions of the Agreement pertaining to notice and invoicing for Delivered Transfer Water govern the timing of transfer accounting.

6.2. **Calculation of Baseline Flows.** Yuba will calculate a preliminary estimate of the Baseline Flows for each seasonal flow period, as described in section 3 of this

DRAFT: SUBJECT TO REVISION

Exhibit, before the first day of the start of each period. The preliminary estimate of the Baseline Flows will be made using forecasted hydrologic conditions for the period, based on Yuba River unimpaired flows forecasted in the most-recent DWR Bulletin 120 and any updates. Within 14 days after the end of the period, Yuba will calculate draft final Baseline Flows.

6.2.1. Yuba will provide the preliminary and draft final calculations of Baseline Flows to the Buyers for their review and concurrence. The calculation of preliminary Baseline Flows will be used to predict the amount and timing of Released Transfer Water that will be generated for the coming period when compared to the release schedule. During the period, Yuba may update the preliminary calculation of Baseline Flows as hydrologic conditions change and affect the accuracy of the calculation. Yuba will provide to the Buyers all backup information and calculations, excluding models, that were the bases of the calculation of Baseline Flows, as Buyers may request, so that the Buyers may review the calculation. If the Buyers concur with the preliminary calculation of Baseline Flows, then such preliminary Baseline Flows will be used in coordinating operations and for any initial allocation of Released Transfer Water to the various Components of Water. If the Buyers do not concur with the preliminary calculation of Baseline Flows, then the accounting issue resolution procedures as described in section 3.2.1.1 of this Exhibit will be followed.

6.2.2. Due to the timing of final USGS reporting of flows at the Marysville Gage, Yuba's transfer accounting will use the mean daily flows as reported by Yuba to the USGS. If any final USGS published mean daily flow is different from the mean daily flow used in the Transfer Accounting, then the Transfer Accounting will be adjusted when the USGS published mean daily flow becomes available.

6.3. Calculation of Transfer Amount. At the time that Yuba develops a preliminary estimate of Baseline Flows and provides it to the Buyers, Yuba also will develop and provide to the Buyers a preliminary release schedule and a resulting forecast of daily Released Transfer Water. Yuba will update the release schedule and resulting forecast of daily Released Transfer Water no less than every two weeks, unless an alternate time period is agreed to by the Contracting Parties. Within fourteen days after the end of the period, Yuba will calculate a draft final Transfer Accounting under section 6.3.5 of this Exhibit. Section 12.3 describes the scheduling and coordination of sharing operational information.

6.3.1. Because of the variability of hydrologic conditions in some periods, and because of the uncertainty regarding whether or not the Buyers will call for option water in some periods, Yuba will prepare a matrix of one or more

DRAFT: SUBJECT TO REVISION

forecasted Baseline Flows, one or more release schedules and the resulting estimated quantities of Released Transfer Water. Yuba will provide indications of the relative probability of the potential for each Baseline Flows scenario that is provided in the matrix.

- 6.3.2. The Buyers will notify Yuba periodically, as information is available, when Project conditions are such that any of the forecasted Released Transfer Water may not be exported.
- 6.3.3. Calculation of the amount of Released Transfer Water will utilize the determination of export capacity and Carriage Water, which will be provided to Yuba by the Buyers no later than ten days after the end of the period.
- 6.3.4. If the Buyers concur with Yuba's draft final calculation of Baseline Flows, then it will become the final Baseline flows, and will be used for all final transfer accounting for the corresponding period. If the Buyers do not concur with Yuba's draft final calculation of Baseline Flows, then the accounting dispute resolution procedures described in section 3.2.1.1 of this Exhibit will be followed.
- 6.3.5. Along with the calculation of the draft final Baseline Flows, Yuba also will calculate and submit to the Buyers a draft final accounting of the components of the transfer for the period. This draft final accounting of will include entries for the following:
 - (a) Actual daily releases, as measured according to section 4.1 of this Exhibit;
 - (b) Daily schedule of resulting Released Transfer Water according to section 4.2 of this Exhibit and accounting for Negative Transfer Flows amounts under section 4.4 of this Exhibit;
 - (c) Calculation of Delivered Transfer Water under section 5 of this Exhibit, including the impacts of Negative Transfer Flows amounts and accounting of Stored Yuba Water delivered and remaining in storage, using export capacities submitted by the Buyers;
 - (d) Calculation of Components of Transfer Amounts under section 7 of this Exhibit; and
 - (e) Breakdown of Storage Component and Groundwater Component Water for the period.

7. ACCOUNTING FOR COMPONENTS OF TRANSFER WATER

- 7.1. Water that has been determined to be Delivered Transfer Water will be credited towards one of four components of Water.

DRAFT: SUBJECT TO REVISION

- 7.2. Delivered Transfer Water will be credited to one of the four components of Water in the following priorities:
- 7.2.1. The first 60,000 acre-ft of Storage Component water comprising Delivered Transfer Water in each Water Accounting Year will be credited to Component 1 Water.
 - 7.2.2. In Dry and Critical Water Years, the first 60,000 acre-ft of Storage Component water will be credited to Component 1 Water, and the next 15,000 acre-ft in Dry Water Years, and 30,000 acre-ft in Critical Water Years of Storage Component water will be credited to Component 2 Water. If the total amount of Delivered Transfer Water from the Storage Component water in a Water Accounting Year is less than the total of commitment for Component 1 Water (i.e., 60,000 acre-ft), and for Component 2 Water (i.e., 15,000 acre-ft in Dry Water Years and 30,000 acre-ft in Critical Water Years), then Yuba will provide Groundwater Component water to complete the balance of Yuba's commitment for Component 2 Water.
 - 7.2.3. In years when Yuba has a commitment to provide 40,000 acre-ft of Component 3 Water, after Component 1 Water and Component 2 Water (if any is required) is fully accounted for, any remaining Storage Component water will be credited as Component 3 Water, and then any remaining unfulfilled commitment for Component 3 Water will be accounted from the Groundwater Substitution Component.
 - 7.2.4. Any remaining balance of Storage Component water, and then Groundwater Substitution Component water, will be credited as Component 4 Water after all other commitments of Water have been credited from Delivered Transfer Water.
- 7.3. In years when there is no commitment for Component 2 or Component 3 Water, any Storage Component water that is accounted for as Delivered Transfer Water that is more than 60,000 acre-ft (i.e., the Component 1 Water obligation), will be credited as Component 4 or Holding Account Water as described below.
- 7.4. If water has been credited as Component 4 Water under sections 7.2.4 or 7.3 of this Exhibit, and the Buyers have not taken some or all of the credited Component 4 Water under the option provisions of the Agreement, then the uncommitted portion of Component 4 Water will be credited to a Holding Account that Yuba can use to meet any previous-year's unfulfilled Component 1 Water commitment, or a future-year's Component 1 Water commitment, or a Refill repayment under section 7.5 of this Exhibit, and the amount so credited will not be accounted for as Component 4 Water.

DRAFT: SUBJECT TO REVISION

7.5. Holding Accounts and Makeup Provisions; [DRAFTING NOTE – THE USE OF AND PROVISIONS FOR A HOLDING ACCOUNT REQUIRED FURTHER POLICY REVIEW]

7.5.1. Component 1 Water Accounting. In very wet years, Yuba may release the full amount of Component 1 Water, but due to Delta conditions, the Released Transfer Water cannot be accounted for as Delivered Transfer Water under section 5 of this Exhibit. In such years, this amount of Component 1 Water will not be accounted for as Delivered Transfer Water, and Yuba will be obligated to provide this amount of Component 1 Water in a subsequent Water Accounting Year. This amount of Component 1 Water will be noted as a Component 1 Water account deficit for that Water Accounting Year, and Yuba will repay the deficit amount in a subsequent Water Accounting Year in the following manner:

7.5.1.1. Yuba may apply some or the entire amount in the Holding Account from the previous year to the unfulfilled Component 1 Water amount of the current Water Accounting Year. Water from the Holding Account can be applied only to the unfulfilled Component 1 Water obligation if it is water that was delivered in the year previous to the year of the unfulfilled Component 1 Water obligation.

7.5.1.2. Yuba will apply Component 4 Water Storage Component water from the current Water Accounting Year to any deficit in the Component 1 Water account from a previous year, as long as the current Water Year type is not a Dry or Critical Water Year.

8. CONFERENCE YEAR ACCOUNTING

8.1. No Negative Transfer Flows amounts will be accounted for in a Conference Year if there is no Delivered Transfer Water.

8.2. In a Conference Year, the obligation to provide Component 1 Water may be suspended by Yuba, and instead Yuba will incur a deficit in Component 1 Water Delivered Transfer Water that must be repaid in a non-Conference Year as provided in the Agreement.

8.3. Makeup provisions and repayment of Refill provisions of the accounting will be suspended during a Conference Year. Any amounts of water in Holding Accounts or repayment amounts will be carried forward to the next year non-Conference Year following a Conference Year.

8.4. If the Contracting Parties agree to some amount of transfer of Water in a Conference Year, then the Conference Year Baseline Conditions will be agreed to by the Contracting Parties.

DRAFT: SUBJECT TO REVISION

8.5. Transfer of C4 water may only occur if Negative Transfer Flow and Refill impacts are repaid first.

9. GROUNDWATER SUBSTITUTION COMPONENT WATER

- 9.1. Yuba, at Yuba's sole discretion, may decide to enter into agreements with Member Units under which the Member Units will arrange for their respective water users to reduce their use of surface water diversions by amounts to be determined by Yuba and its Member Units during the Water Accounting Year, and to pump equivalent amounts of groundwater from approved wells as replacement supplies for the Groundwater Substitution Component of Released Transfer Water. Yuba will provide the Buyers with one or more lists of the locations of the wells that may be pumped for the Groundwater Substitution Component. In no case will groundwater pumping commence from a well for the Groundwater Substitution Component before approval of the well by the Buyers. Wells that are located within two miles of the Yuba River and Feather River will be subject to review and approval by the Buyers. All other listed wells will be approved by the Buyers upon demonstration by Yuba that all required local permits for these wells have been obtained. The Buyers will review the list of wells, their locations and any other pertinent information provided by Yuba and the Member Units, and will notify Yuba and the Member Units within ten working days after the submittal of a list by Yuba of any well that the Buyers reasonably determine is not acceptable for pumping under this Agreement, and will inform Yuba and the applicable Member Units of the basis for the determination of the Buyers. Upon receipt of supplemental information from Yuba or the Member Units, the Buyers may reconsider their denial of a well and reverse their determination. Groundwater pumped for the Groundwater Substitution Component must be put to reasonable use for irrigation on lands that otherwise would have been served with surface water within the Member Unit's service area between March 1 and December 31.
- 9.2. Yuba will comply with the Groundwater Monitoring Plan and Reporting Program, which is **Exhibit 3** to the Agreement.
- 9.3. Yuba will ensure that flow-measuring devices are acquired, installed and maintained to measure the quantities of groundwater actually being pumped for the Groundwater Substitution Component from wells identified in section 9.1 of this Exhibit. Yuba and the Member Units will be responsible for the distribution of water pumped under this Agreement within the Member Units' boundaries. The Buyers will not be responsible for any costs of installing, operating or maintaining groundwater pumping facilities or flow-measuring devices, or for any costs of conveying groundwater pumped to places of use within the Member

DRAFT: SUBJECT TO REVISION

Units' service areas pursuant to this Agreement. By the fifteenth day of every other month, Yuba will provide a report to the Buyers of the quantities of groundwater pumped from each well for the Groundwater Substitution Component during the previous reporting period under this Agreement.

- 9.4. Yuba will make arrangements for the Buyers and their representatives to have access to facilities and records of Yuba and its Member Units to the extent reasonably necessary to verify that the groundwater pumping, the management of such pumping and the implementation of the Groundwater Monitoring and Reporting Program for the Groundwater Substitution Component meet the requirements of this section.

10. ACCOUNTING PREPARATION AND NOTIFICATIONS

- 10.1. **Accounting preparation for invoicing** - Yuba will prepare a draft accounting of the quantities of Released Transfer Water and the Delivered Transfer Water, and the quantities credited to Components 1, 2, 3 and 4 Water under section 7 of this Exhibit, and submit these calculations in a standard form to be developed by the Contracting Parties for review by the Technical Committee according to the schedules set forth in this Agreement. The Technical Committee will provide written notification to Yuba and the Buyers within 20 days of receipt of the Transfer Accounting from Yuba whether they agree with the accounting. If the Technical Committee agrees with the accounting, or if there has been no written notification by the 20th day, then Yuba will submit invoices to the Buyers as provided in the Agreement. **[DRAFTING NOTE – TIME PERIOD FOR RESPONSE BY THE TECHNICAL COMMITTEE IS STILL AN OPEN ITEM]**
- 10.2. **Disputes on accounting amounts** – If there is a dispute between the Contracting Parties regarding accounting, then the Technical Committee will first meet and attempt to resolve the dispute, and submit the disputed accounting for final resolution by the Policy Committee. For accounting disputes only, if the dispute cannot be resolved by the Policy Committee, then the Contracting Parties will submit the accounting dispute to binding arbitration.
- 10.3. **Maintaining Records of Accounting and Accounts** – Yuba will maintain a set of records for all accountings, and all back-up materials used in the derivation of the accounting, at Yuba's offices, and Yuba will make these records available to the Buyers upon request during normal business hours. The Buyers will maintain records of the Buyers' determination of Delta conditions and Project export capacity as described in section 6.3.2 of this Exhibit and make them available to Yuba upon request during normal business hours.

11. COORDINATION AND SCHEDULING OF RELEASES FOR TRANSFER

11.1. Yuba and the Buyers will coordinate the scheduling, notification and operations for Released Transfer Water. The Contracting Parties will establish regular coordination procedures that allow for the exchange of operational planning and hydrologic information.

11.2. **Temporary suspension of storage releases for transfer in very wet conditions** – During very-wet hydrologic conditions in the Sacramento Valley, the Projects may not have the capacity to divert Released Transfer Water or the capacity to reduce storage releases from the Projects' reservoirs to utilize Stored Yuba Water. These conditions can prevail during the entire primary transfer season of the late portion of the Spring Period and the Summer Period. If the Contracting Parties agree, then Yuba may reduce its releases of Released Transfer Water so that the end-of-September storage amount in New Bullards Bar Reservoir will be greater than 650,000 acre-feet. If Yuba has provided for more than 650,000 acre-feet of storage in New Bullards Bar Reservoir at the end of September in this manner, and if the following Water Year is dry, then this additional amount of stored water in New Bullards Bar Reservoir can be provided by Yuba as additional Released Transfer Water during the following Water Year. This decision to maintain higher storage in New Bullards Bar Reservoir will be based on a projection that any Released Transfer Water will not be able to be accounted for as Delivered Transfer Water under section 5 of this Exhibit. The Contracting Parties will coordinate the exchange of information and forecasts of Delta conditions and Project delivery capacity to ensure the decision to maintain this additional storage in New Bullards Bar Reservoir is made in a timely fashion.

11.3. **Coordination and Exchange of Information regarding Delta conditions and operations - [DRAFTING NOTE- PARTIES TO DEVELOP PROTOCOLS]**

Exhibit 5

Draft Reservoir Refill Provisions

AGREEMENT FOR THE LONG-TERM PURCHASE OF WATER FROM YUBA
COUNTY WATER AGENCY BY THE DEPARTMENT OF WATER
RESOURCES AND THE BUREAU OF RECLAMATION

EXHIBIT 5 – REFILL ACCOUNTING

1. Refill Accounting will be based on the accounting procedures defined in the 2004 DWR/EWA – Yuba 2004 Transfer Agreement, with the following modifications;
 - 1.1. Refill accounting is not limited to the January 1 to June 30 time period;
 - 1.2. The Target Line may be modified to reflect revised Baseline Storage Target amounts; **[DRAFTING NOTE – THE TARGET LINE IS STILL UNDER REVIEW AND CONSIDERATION BY THE TECHNICAL COMMITTEE]**
 - 1.3. Determination of whether a refill impact has occurred due to a decrease in New Bullards Bar Reservoir releases as a result of refill will be based on the Delta conditions three days after the refill account increase occurs;
 - 1.4. Impacts will be accounted for if the subsequent effect of a flow reduction from the Yuba River causes a water supply reduction to the Projects;
 - 1.5. The potential daily impact amount will be limited to the difference between the actual flow and the Colgate maximum release capacity. Colgate release capacity is the maximum amount of flow that could be produced under the baseline; and
 - 1.6. Determination of the amount of the Delivered Transfer Water that must be tracked for Refill purposes will be more complex than a single-year transfer. Therefore, a formula must be developed to determine the amount of storage reduction that was caused by the Delivered Transfer Water and that would be in New Bullards Bar Reservoir going into the winter Refill period. This storage reduction should not include any storage reductions associated with Delivered Transfer Water during the fall and early winter time periods, when New Bullards Bar Reservoir storage has been “reset” due to winter and spring inflow. The storage reduction amount to be tracked will also be limited to the difference between 705,000 acre-feet and the actual storage amount in New Bullards Bar Reservoir at the end of September, plus the transfer amount from October 1 until Refill accounting begins.
2. **Repayment of Refill Impacts** - Yuba will repay Refill impacts by one of the following methods: (Repayment provisions would be similar to the provisions that have been included in previous short-term transfer agreements between YCWA and DWR, such as the 2004 YCWA-EWA/DWR transfer contract)
 - 2.1. Applying Component 4 Water provided from the Storage Component as Delivered Transfer Water during the current Water Year; or

DRAFT: SUBJECT TO REVISION

2.2. Applying a previous-year's Component 4 Water provided from the Storage Component that has been accounted for and applied to the Holding Account, as described in section 6.6 of this Exhibit.

APPENDIX B3

SIGNED MEMORANDA OF UNDERSTANDING FOR CONJUNCTIVE USE AGREEMENTS

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding ("MOU") is entered into as of ~~September 8, 2004~~ ^{APRIL 21, 20} by and between Yuba County Water Agency ("Agency") and Brophy Water District, ("District" or "Company") in the County of Yuba, California.

RECITALS

A. For more than a year, the Agency has been engaged in a collaborative, interest-based initiative with numerous stakeholders, known as the Yuba River Accord Process (the "Accord"), to resolve issues associated with operation of the Agency's Yuba River Development Project ("YRDP") in a way that protects local water-supply reliability, enhances lower Yuba River fisheries, provides revenues for local flood control projects and increases statewide water supplies. The Accord would include three major elements: (a) an agreement among the Agency and the California Department of Fish and Game and environmental-interest groups, and supported by the United States Fish and Wildlife Service and NOAA Fisheries (all of whom were parties to the State Water Resources Control Board's ("SWRCB") proceedings on Decision 1644 ("D-1644") involving the operation of the YRDP), under which the Agency would revise the operations of the YRDP to provide higher flows in the lower Yuba River to protect and enhance fisheries, and to increase downstream water supplies (the "Fishery Agreement"); (b) an agreement between the Agency and its Member Units (including water districts and water companies within Yuba County) for implementation of a comprehensive program of conjunctive use and water use efficiency (the "Conjunctive Use Agreement"); and (c) an agreement between the Agency and water users who divert water supplies for use downstream from Yuba County (such as the Department of Water Resources, the United States Bureau of Reclamation, and State Water Project and Central Valley Project contractors) for transfer of the enhanced lower Yuba River flows that would result from the other two agreements (the "Long-Term Transfer Agreement").

B. All three of these agreements would have to be in place for the implementation of the Accord, i.e., the Agency and its Member Units must implement operations and water management initiatives to produce the desired flow regimes: the fishery resource agencies and environmental groups must agree that this revised flow regime would produce environmental protection and benefits in the lower Yuba River at least as great as D-1644; and the downstream water users must be willing to compensate the Agency for the new water supplies that would result from implementing these water management measures and changed system operations. All parties to the Accord must agree to support a proposal to the SWRCB for a revised water right decision that adopted the Accord as an alternative to D-1644.

C. A list of "Principles of Agreement" that sets forth the major provisions of the proposed Conjunctive Use Agreement between the Agency and the District/Company is attached to this MOU as **Exhibit A**. The Agency and the District/Company intend to draft a Conjunctive Use Agreement consistent with the Principles of Agreement.

D. The ability of the District/Company to participate in the conjunctive use program provided for in the Conjunctive Use Agreement will depend on the extent to which the District/Company can make arrangements with landowners within its service area to provide the groundwater pumping capacity required for the conjunctive use program.

E. Prior to entering into the Fishery Agreement, the Conjunctive Use Agreement or the Long-Term Transfer Agreement, the Agency would comply with applicable environmental laws (including the California Environmental Quality Act ("CEQA") and the National Environmental Policy Act ("NEPA"), as necessary. The Agency would be the lead agency under CEQA for such environmental compliance, and the District would be the responsible agency.

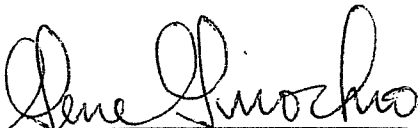
In consideration of the mutual covenants contained therein, the Agency and the District/Company agree as follows:

1. The foregoing recitals are incorporated by reference.

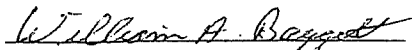
2. The Agency and the District approve the Principles of Agreement, and: (a) the Agency and the District/Company will prepare a Conjunctive Use Agreement consistent with the Principles of Agreement; (b) the Agency will prepare an environmental impact report in compliance with CEQA for the implementation of the Accord, including the proposed Conjunctive Use Agreement, and comply with other applicable environmental laws; (c) the Agency and the District/Company will consider the findings of the environmental impact report prior to making a final decision to approve and execute the Conjunctive Use Agreement; and (d) subject to the foregoing, approval and execution of the Fishery Agreement and the Long-Term Transfer Agreement, and SWRCB approval of the Accord as an alternative to D-1644, the Agency and the District/Company intend to execute the Conjunctive Use Agreement.

The foregoing is hereby agreed to by the Agency and the District/Company.

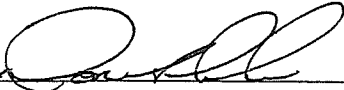
September 8, 2004


Gene Ginochio, President

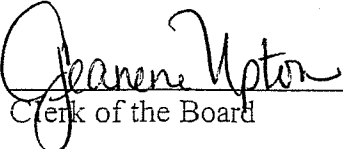
Attest:


Bill Baggett, Secretary

_____, 2004



Chairman, Board of Directors
Yuba County Water Agency
Attest:



Clerk of the Board

**EXHIBIT A
PRINCIPLES OF AGREEMENT**

**YUBA COUNTY WATER AGENCY
Outline of Proposed Principles of Agreement with the Agency Member Units
in connection with the Proposed Settlement of SWRCB Decision-1644**

INTRODUCTION

The Agency is proposing to enter into a comprehensive settlement that would involve (1) an agreement with state and federal fishery agencies and environmental groups on Lower Yuba River instream flows, which would settle the State Water Resources Control Board's Decision -1644; (2) an agreement with export interests for a long-term water transfer; and (3) an agreement with the Agency's Member Units to implement a program for the conjunctive use of surface and groundwater supplies in furtherance of the settlement. The Agency would not complete the overall settlement without each of these elements.

PROPOSED PRINCIPLES OF THE AGREEMENT WITH THE AGENCY MEMBER UNITS

1. **Voluntary Participation.** All of the Member Units (including Wheatland Water District) would be invited to participate in the settlement by entering into conjunctive use agreements with the Agency.

2. **Term of Agreement.** The term of the agreement between the Agency and each participating Member Unit would be the same as the term of the agreements on the instream flow and long-term water transfer components of the settlement (i.e., until 2016).

3. **Support for Settlement.** The Member Units would support the settlement, including the instream flow and long-term transfer components.

4. **Pumping in Schedule 6 Years.** The instream flow settlement would have seven different year types, from wet to dry (i.e., schedules 1 through 6, and "conference years," which would be 1-in-100 critically-dry years). In Schedule 6 years (about 4 percent of the years of record), the participating Member Units would agree to pump a specified percentage of 30,000 acre-feet of groundwater to supplement storage releases to provide the agreed-to instream flows.

5. **Allocation of Schedule 6 Pumping.** The allocation of Schedule 6 pumping would be specified in the conjunctive use agreements, as determined by the participating Member Units. The proposed allocation of pumping capacity among the Member Units is as follows:

Brophy Water District:	18.8%
Browns Valley Irrigation District:	9.7%

Cordua Irrigation District:	16.6%
Dry Creek Mutual Water Company:	7.4%
Hallwood Irrigation Company:	15.3%
Ramirez Water District:	9.9%
South Yuba Water District:	12.3%
Wheatland Water District:	<u>10.0%</u>
	100%

The ability of a Member Unit to participate in the conjunctive use program will depend on the extent to which the Member Unit can make arrangements with landowners within its service area to provide the groundwater pumping capacity required for the conjunctive use program. The proposed groundwater pumping allocation set forth in this section could be adjusted to reflect the ability of Member Units to provide this pumping capacity.

6. Payments for the Schedule 6 Pumping Commitment and Schedule 6 Pumping. The Agency would pay the participating Member Units: (a) a one-time, upfront payment of \$50 per acre-foot (payable in two equal installments the first two years of the agreement) for the commitment to pump groundwater in Schedule 6 years; and (b) \$50 per acre-foot when a Member Unit pumped groundwater in a Schedule 6 year.

7. Pumping to Implement the Phase 8 Settlement. The Agency has supported a settlement of Phase 8 of the SWRCB's Bay-Delta Hearings, which would obligate the Agency to pump 15,000 acre-feet of groundwater to substitute for surface water during certain years. Participating Member Units would agree to pump a specified percentage (the same percentage used for allocating pumping in Schedule 6 years) of 15,000 acre-feet per year in below-normal, dry and critical years to satisfy the Phase 8 settlement obligation.

8. Payments for Phase 8 Pumping. The Agency would pay the participating Member Units \$20 per acre-foot (i.e., an amount to reimburse for groundwater pumping energy costs) when they pumped this water. Payments under this settlement agreement for groundwater pumping energy costs would escalate at the rate provided for in the Phase 8 settlement implementation agreement. Any revenues received by the Agency for this pumping under the Phase 8 settlement implementation agreement that exceeded these payments for pumping costs would be deposited in an account to fund the cost of the ongoing groundwater management program. If there were any unused revenues in this account, they would be split between the Member Units and Agency.

9. Payments for Pumping to Mitigate for Deficiencies in Supplemental Water Supplies. The settlement would result in deficiencies in deliveries of supplemental water supplies under the Agency's water supply contracts with the Member Units. To mitigate for these deficiencies in supplemental water supplies, the Agency would pay a Member Unit \$20 per acre-foot (i.e., an amount to reimburse for groundwater pumping energy costs) when the Member Unit pumped groundwater to make up for a deficiency in the supplemental water supply under the Member Unit's water supply contract with the Agency.

10. **Participation in Groundwater Substitution Water Transfer Program.** Participating Member Units would have the first priority over non-participating Member Units to participate in the Agency's groundwater substitution water transfers.

11. **CEQA Compliance for and SWRCB Approval of the Groundwater Substitution Water Transfer Program.** The Agency expects that the long-term water transfer agreement with the export interests will include the purchase of groundwater substitution transfer water when it is made available in dry and critical years at prices specified in the agreement. The Agency's (a) environmental review document for the settlement, and (b) petition to the SWRCB for approval of a long-term water transfer, adding the State Water Project and the Central Valley Project to the place of use under the Agency's water rights, would include the long-term groundwater substitution water transfer program.

12. **Payments for Pumping for Groundwater Substitution Water Transfers.** The Agency would pay to the participating Member Units the purchase price for transferred groundwater substitution water as specified in the long-term water transfer agreement, except that, the Agency would retain \$10 per acre-foot.

13. **Mitigation for Fishery Impacts from Groundwater Substitution Water Transfers.** The Agency would seek agreement with state and federal fishery agencies on measures to mitigate instream impacts from groundwater substitution water transfers. In Schedule 2 and 3 years, 10 percent of the groundwater substitution water would be dedicated to mitigating instream impacts. In Schedule 4 and 5 years, 20 percent of the groundwater substitution water would be dedicated to mitigating instream impacts. These mitigation quantities would probably be released during times when the water could not be transferred for export from the Delta. The Agency would attempt to arrange for transfers of these mitigation quantities, and pay any such transfer revenues to the Member Units, except that, the Agency would retain \$10 per acre-foot.

14. **Conference Years.** In "conference years," the Agency would meet with the Member Units, and the parties to the instream flow agreement and the long-term water transfer agreement, to develop an operating plan for that year that will balance water supply and instream flow needs for that year.

15. **The Conjunctive Use Program.** The Agency's conjunctive use program would monitor groundwater pumping to avoid long-term impacts to the safe yield of the aquifer and impacts to domestic and municipal wells. The maximum annual amount of groundwater pumping for the Schedule 6 year commitments, for the Phase 8 settlement commitments, to mitigate for deficiencies in supplemental water supplies, and for groundwater substitution transfers would not exceed approximately 120,000 acre-feet per year, to avoid long-term impacts to the safe yield of the aquifer. The Agency would coordinate with the Member Units in developing a program for efficiently providing the groundwater needed to implement the settlement (including the designation of wells that would participate in the program). To avoid air quality impacts from the implementation of the settlement (including the groundwater substitution water transfer program), the Agency

would coordinate with the Member Units in the development and implementation of a program to convert certain diesel pumps to electrical pumps. The Agency would reimburse the Member Units for electricity standby charges incurred to implement the conjunctive use program if the wells were not used to provide water for a groundwater substitution water transfer during the period of years that the standby charge is incurred. The Agency would work with the Member Units to avoid (or mitigate for) impacts to domestic and municipal wells. The Agency would use funds from the Phase 8 settlement implementation agreement to fund the conjunctive use program.

16. Reasonable and Beneficial Use of Agency Water Supplies. In accordance with the terms of the water supply contracts between the Agency and the Member Units, water deliveries to the Member Units would be limited to amounts that could be put to reasonable and beneficial use within the Member Unit's service area. The Member Units would pursue water use efficiency actions to help maintain water supply reliability.

17. Implementation of these Principles of Agreement. The Agency and the participating Member Units would draft agreements to implement the principles of agreement. Execution of these agreements would be subject to compliance with the California Environmental Quality Act, and execution of the instream flow agreement and the long-term transfer agreement. This agreement between the Agency and the Member Units would not affect the provisions of the existing water supply agreements between the Agency and the Member Units except to the extent provided for in the agreement.

MEMORANDUM OF UNDERSTANDING

APRIL 21, 2005

This Memorandum of Understanding ("MOU") is entered into as of ~~May 27, 2004~~ by and between Yuba County Water Agency ("Agency") and Browns Valley Irrigation District, ("District") in the County of Yuba, California.

RECITALS

A. For more than a year, the Agency has been engaged in a collaborative, interest-based initiative with numerous stakeholders, known as the Yuba River Accord Process (the "Accord"), to resolve issues associated with operation of the Agency's Yuba River Development Project ("YRDP") in a way that protects local water-supply reliability, enhances lower Yuba River fisheries, provides revenues for local flood control projects and increases statewide water supplies. The Accord would include three major elements: (a) an agreement among the Agency and the California Department of Fish and Game and environmental-interest groups, and supported by the United States Fish and Wildlife Service and NOAA Fisheries (all of whom were parties to the State Water Resources Control Board's ("SWRCB") proceedings on Decision 1644 ("D-1644") involving the operation of the YRDP), under which the Agency would revise the operations of the YRDP to provide higher flows in the lower Yuba River to protect and enhance fisheries, and to increase downstream water supplies (the "Fishery Agreement"); (b) an agreement between the Agency and its Member Units (including water districts and water companies within Yuba County) for implementation of a comprehensive program of conjunctive use and water use efficiency (the "Conjunctive Use Agreement"); and (c) an agreement between the Agency and water users who divert water supplies for use downstream from Yuba County (such as the Department of Water Resources, the United States Bureau of Reclamation, and State Water Project and Central Valley Project contractors) for transfer of the enhanced lower Yuba River flows that would result from the other two agreements (the "Long-Term Transfer Agreement").

B. All three of these agreements would have to be in place for the implementation of the Accord, i.e., the Agency and its Member Units must implement operations and water management initiatives to produce the desired flow regimes; the fishery resource agencies and environmental groups must agree that this revised flow regime would produce environmental protection and benefits in the lower Yuba River at least as great as D-1644; and the downstream water users must be willing to compensate the Agency for the new water supplies that would result from implementing these water management measures and changed system operations. All parties to the Accord must agree to support a proposal to the SWRCB for a revised water right decision that adopted the Accord as an alternative to D-1644.

C. A list of "Principles of Agreement" that sets forth the major provisions of the proposed Conjunctive Use Agreement between the Agency and the District is attached to this MOU as **Exhibit A**. The Agency and the District intend to draft a Conjunctive Use Agreement consistent with the Principles of Agreement.

D. The ability of the District to participate in the conjunctive use program provided for in the Conjunctive Use Agreement will depend on the extent to which the District can make arrangements with landowners within its service area to provide the groundwater pumping capacity required for the conjunctive use program.

E. Prior to entering into the Fishery Agreement, the Conjunctive Use Agreement or the Long-Term Transfer Agreement, the Agency would comply with applicable environmental laws (including the California Environmental Quality Act ("CEQA") and the National Environmental Policy Act ("NEPA"), as necessary. The Agency would be the lead agency under CEQA for such environmental compliance, *[insert as to Districts: and the District would be a responsible agency under CEQA for such environmental compliance.]*

In consideration of the mutual covenants contained therein, the Agency and the District agree as follows:

1. The foregoing recitals are incorporated by reference.
2. The Agency and the District approve the Principles of Agreement, and: (a) the Agency and the District will prepare a Conjunctive Use Agreement consistent with the Principles of Agreement; (b) the Agency will prepare an environmental impact report in compliance with CEQA for the implementation of the Accord, including the proposed Conjunctive Use Agreement, and comply with other applicable environmental laws; (c) the Agency and the District will consider the findings of the environmental impact report prior to making a final decision to approve and execute the Conjunctive Use Agreement; and (d) subject to the foregoing, approval and execution of the Fishery Agreement and the Long-Term Transfer Agreement, and SWRCB approval of the Accord as an alternative to D-1644, the Agency and the District intend to execute the Conjunctive Use Agreement.

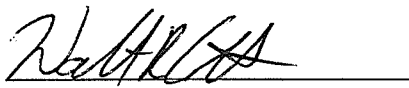
The foregoing is hereby agreed to by the Agency and the District.

May 27, 2004




President, Board of Directors

Attest:



Secretary

May 28, 2004



Chairman, Board of Directors
Yuba County Water Agency
Attest:



Clerk of the Board

**EXHIBIT A
PRINCIPLES OF AGREEMENT**

**YUBA COUNTY WATER AGENCY
Outline of Proposed Principles of Agreement with the Agency Member Units
in connection with the Proposed Settlement of SWRCB Decision-1644**

INTRODUCTION

The Agency is proposing to enter into a comprehensive settlement that would involve (1) an agreement with state and federal fishery agencies and environmental groups on Lower Yuba River instream flows, which would settle the State Water Resources Control Board's Decision - 1644; (2) an agreement with export interests for a long-term water transfer; and (3) an agreement with the Agency's Member Units to implement a program for the conjunctive use of surface and groundwater supplies in furtherance of the settlement. The Agency would not complete the overall settlement without each of these elements.

PROPOSED PRINCIPLES OF THE AGREEMENT WITH THE AGENCY MEMBER UNITS

1. Voluntary Participation. All of the Member Units (including Wheatland Water District) would be invited to participate in the settlement by entering into conjunctive use agreements with the Agency.

2. Term of Agreement. The term of the agreement between the Agency and each participating Member Unit would be the same as the term of the agreements on the instream flow and long-term water transfer components of the settlement (i.e., until 2016).

3. Support for Settlement. The Member Units would support the settlement, including the instream flow and long-term transfer components.

4. Pumping in Schedule 6 Years. The instream flow settlement would have seven different year types, from wet to dry (i.e., schedules 1 through 6, and "conference years," which would be 1-in-100 critically-dry years). In Schedule 6 years (about 4 percent of the years of record), the participating Member Units would agree to pump a specified percentage of 30,000 acre-feet of groundwater to supplement storage releases to provide the agreed-to instream flows.

5. Allocation of Schedule 6 Pumping. The allocation of Schedule 6 pumping would be specified in the conjunctive use agreements, as determined by the participating

Member Units. The proposed allocation of pumping capacity among the Member Units is as follows:

Brophy Water District:	18.8%
Browns Valley Irrigation District:	9.7%
Cordua Irrigation District:	16.6%
Dry Creek Mutual Water Company:	7.4%
Hallwood Irrigation Company:	15.3%
Ramirez Water District:	9.9%
South Yuba Water District:	12.3%
Wheatland Water District:	10.0%
	100%

The ability of a Member Unit to participate in the conjunctive use program will depend on the extent to which the Member Unit can make arrangements with landowners within its service area to provide the groundwater pumping capacity required for the conjunctive use program. The proposed groundwater pumping allocation set forth in this section could be adjusted to reflect the ability of Member Units to provide this pumping capacity.

6. Payments for the Schedule 6 Pumping Commitment and Schedule 6 Pumping. The Agency would pay the participating Member Units: (a) a one-time, upfront payment of \$50 per acre-foot (payable in two equal installments the first two years of the agreement) for the commitment to pump groundwater in Schedule 6 years; and (b) \$50 per acre-foot when a Member Unit pumped groundwater in a Schedule 6 year.

7. Pumping to Implement the Phase 8 Settlement. The Agency has supported a settlement of Phase 8 of the SWRCB's Bay-Delta Hearings, which would obligate the Agency to pump 15,000 acre-feet of groundwater to substitute for surface water during certain years. Participating Member Units would agree to pump a specified percentage (the same percentage used for allocating pumping in Schedule 6 years) of 15,000 acre-feet per year in below-normal, dry and critical years to satisfy the Phase 8 settlement obligation.

8. Payments for Phase 8 Pumping. The Agency would pay the participating Member Units \$20 per acre-foot (i.e., an amount to reimburse for groundwater pumping energy costs) when they pumped this water. Payments under this settlement agreement for groundwater pumping energy costs would escalate at the rate provided for in the Phase 8 settlement implementation agreement. Any revenues received by the Agency for this pumping under the Phase 8 settlement implementation agreement that exceeded these payments for pumping costs would be deposited in an account to fund the cost of the ongoing groundwater management program. If there were any unused revenues in this account, they would be split between the Member Units and Agency.

9. Payments for Pumping to Mitigate for Deficiencies in Supplemental Water Supplies. The settlement would result in deficiencies in deliveries of supplemental water

supplies under the Agency's water supply contracts with the Member Units. To mitigate for these deficiencies in supplemental water supplies, the Agency would pay a Member Unit \$20 per acre-foot (i.e., an amount to reimburse for groundwater pumping energy costs) when the Member Unit pumped groundwater to make up for a deficiency in the supplemental water supply under the Member Unit's water supply contract with the Agency.

10. Participation in Groundwater Substitution Water Transfer Program. Participating Member Units would have the first priority over non-participating Member Units to participate in the Agency's groundwater substitution water transfers.

11. CEQA Compliance for and SWRCB Approval of the Groundwater Substitution Water Transfer Program. The Agency expects that the long-term water transfer agreement with the export interests will include the purchase of groundwater substitution transfer water when it is made available in dry and critical years at prices specified in the agreement. The Agency's (a) environmental review document for the settlement, and (b) petition to the SWRCB for approval of a long-term water transfer, adding the State Water Project and the Central Valley Project to the place of use under the Agency's water rights, would include the long-term groundwater substitution water transfer program.

12. Payments for Pumping for Groundwater Substitution Water Transfers. The Agency would pay to the participating Member Units the purchase price for transferred groundwater substitution water as specified in the long-term water transfer agreement, except that, the Agency would retain \$10 per acre-foot.

13. Mitigation for Fishery Impacts from Groundwater Substitution Water Transfers. The Agency would seek agreement with state and federal fishery agencies on measures to mitigate instream impacts from groundwater substitution water transfers. In Schedule 2 and 3 years, 10 percent of the groundwater substitution water would be dedicated to mitigating instream impacts. In Schedule 4 and 5 years, 20 percent of the groundwater substitution water would be dedicated to mitigating instream impacts. These mitigation quantities would probably be released during times when the water could not be transferred for export from the Delta. The Agency would attempt to arrange for transfers of these mitigation quantities, and pay any such transfer revenues to the Member Units, except that, the Agency would retain \$10 per acre-foot.

14. Conference Years. In "conference years," the Agency would meet with the Member Units, and the parties to the instream flow agreement and the long-term water transfer agreement, to develop an operating plan for that year that will balance water supply and instream flow needs for that year.

15. The Conjunctive Use Program. The Agency's conjunctive use program would monitor groundwater pumping to avoid long-term impacts to the safe yield of the aquifer and impacts to domestic and municipal wells. The maximum annual amount of groundwater

pumping for the Schedule 6 year commitments, for the Phase 8 settlement commitments, to mitigate for deficiencies in supplemental water supplies, and for groundwater substitution transfers would not exceed approximately 120,000 acre-feet per year, to avoid long-term impacts to the safe yield of the aquifer. The Agency would coordinate with the Member Units in developing a program for efficiently providing the groundwater needed to implement the settlement (including the designation of wells that would participate in the program). To avoid air quality impacts from the implementation of the settlement (including the groundwater substitution water transfer program), the Agency would coordinate with the Member Units in the development and implementation of a program to convert certain diesel pumps to electrical pumps. The Agency would reimburse the Member Units for electricity standby charges incurred to implement the conjunctive use program if the wells were not used to provide water for a groundwater substitution water transfer during the period of years that the standby charge is incurred. The Agency would work with the Member Units to avoid (or mitigate for) impacts to domestic and municipal wells. The Agency would use funds from the Phase 8 settlement implementation agreement to fund the conjunctive use program.

16. Reasonable and Beneficial Use of Agency Water Supplies. In accordance with the terms of the water supply contracts between the Agency and the Member Units, water deliveries to the Member Units would be limited to amounts that could be put to reasonable and beneficial use within the Member Unit's service area. The Member Units would pursue water use efficiency actions to help maintain water supply reliability.

17. Implementation of these Principles of Agreement. The Agency and the participating Member Units would draft agreements to implement the principles of agreement. Execution of these agreements would be subject to compliance with the California Environmental Quality Act, and execution of the instream flow agreement and the long-term transfer agreement. This agreement between the Agency and the Member Units would not affect the provisions of the existing water supply agreements between the Agency and the Member Units except to the extent provided for in the agreement.

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding ("MOU") is entered into as of APRIL 21, 2005 ~~2004~~ by and between Yuba County Water Agency ("Agency") and Dry Creek Mutual Water Company, ("District" or "Company") in the County of Yuba, California.

RECITALS

A. For more than a year, the Agency has been engaged in a collaborative, interest-based initiative with numerous stakeholders, known as the Yuba River Accord Process (the "Accord"), to resolve issues associated with operation of the Agency's Yuba River Development Project ("YRDP") in a way that protects local water-supply reliability, enhances lower Yuba River fisheries and increases statewide water supplies. The Accord would include three major elements: (a) an agreement between the Agency and the California Department of Fish and Game, the United States Fish and Wildlife Service, NOAA Fisheries, and environmental-interest groups (all of whom were parties to the State Water Resources Control Board's ("SWRCB") proceedings on Decision 1644 ("D-1644") involving the operation of the YRDP), under which the Agency would revise the operations of the YRDP to provide higher flows in the lower Yuba River to protect and enhance fisheries, and to increase downstream water supplies (the "Fishery Agreement"); (b) an agreement between the Agency and its Member Units (including water districts and water companies within Yuba County) for implementation of a comprehensive program of conjunctive use and water use efficiency (the "Conjunctive Use Agreement"); and (c) an agreement between the Agency and water users who divert water supplies for use downstream from Yuba County (such as the Department of Water Resources, the United States Bureau of Reclamation, and State Water Project and Central Valley Project contractors) for transfer of the enhanced lower Yuba River flows that would result from the other two agreements (the "Long-Term Transfer Agreement").

B. All three of these agreements would have to be in place for the implementation of the Accord, i.e., the Agency and its Member Units must implement operations and water management initiatives to produce the desired flow regimes; the fishery resource agencies and environmental groups must agree that this revised flow regime would produce environmental benefits in the lower Yuba River; and the downstream water users must be willing to compensate the Agency for the new water supplies that would result from implementing these water management measures and changed system operations. All parties to the Accord must agree to support a proposal to the SWRCB for a revised water right decision that adopted the Accord as an alternative to D-1644.

C. A list of "Principles of Agreement" that sets forth the major provisions of the proposed Conjunctive Use Agreement between the Agency and the District/Company is attached to this MOU as **Exhibit A**. The Agency and the District/Company intend to draft a Conjunctive Use Agreement consistent with the Principles of Agreement.

D. The ability of the District/Company to participate in the conjunctive use program provided for in the Conjunctive Use Agreement will depend on the extent to which the District/Company can make arrangements with landowners within its service area to provide the groundwater pumping capacity required for the conjunctive use program.

E. Prior to entering into the Fishery Agreement, the Conjunctive Use Agreement or the Long-Term Transfer Agreement, the Agency would comply with applicable environmental laws (including the California Environmental Quality Act ("CEQA") and the National Environmental Policy Act ("NEPA"), as necessary. The Agency would be the lead agency under CEQA for such environmental compliance, *[insert as to Districts: and the District would be a responsible agency under CEQA for such environmental compliance.]*

In consideration of the mutual covenants contained therein, the Agency and the District/Company agree as follows:

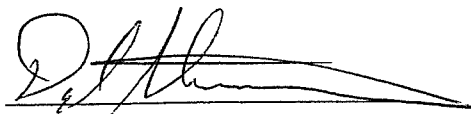
1. The foregoing recitals are incorporated by reference.
2. The Agency and the District approve the Principles of Agreement, and: (a) the Agency and the District/Company will prepare a Conjunctive Use Agreement consistent with the Principles of Agreement; (b) the Agency will prepare an environmental impact report in compliance with CEQA for the implementation of the Accord, including the proposed Conjunctive Use Agreement, and comply with other applicable environmental laws; (c) the Agency and the District/Company will consider the findings of the environmental impact report prior to making a final decision to approve and execute the Conjunctive Use Agreement; and (d) subject to the foregoing, approval and execution of the Fishery Agreement and the Long-Term Transfer Agreement, and SWRCB approval of the Accord as an alternative to D-1644, the Agency and the District/Company intend to execute the Conjunctive Use Agreement.

The foregoing is hereby agreed to by the Agency and the District/Company.

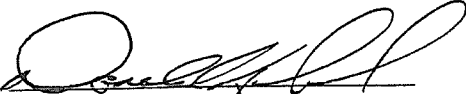
September 10, 2004



Attest:



May __, 2004



Chairman, Board of Directors
Yuba County Water Agency

Attest:



Clerk of the Board

**EXHIBIT A
PRINCIPLES OF AGREEMENT**

**YUBA COUNTY WATER AGENCY
Outline of Proposed Principles of Agreement with the Agency Member Units
in connection with the Proposed Settlement of SWRCB Decision-1644**

INTRODUCTION

The Agency is proposing to enter into a comprehensive settlement that would involve (1) an agreement with state and federal fishery agencies and environmental groups on Lower Yuba River instream flows, which would settle the State Water Resources Control Board's Decision -1644; (2) an agreement with export interests for a long-term water transfer; and (3) an agreement with the Agency's Member Units to implement a program for the conjunctive use of surface and groundwater supplies in furtherance of the settlement. The Agency would not complete the overall settlement without each of these elements.

PROPOSED PRINCIPLES OF THE AGREEMENT WITH THE AGENCY MEMBER UNITS

1. Voluntary

Participation. All of the Member Units (including Wheatland Water District) would be invited to participate in the settlement by entering into conjunctive use agreements with the Agency.

2. Term of Agreement. The term of the agreement between the Agency and each participating Member Unit would be the same as the term of the agreements on the instream flow and long-term water transfer components of the settlement (i.e., until 2016).

3. Support for Settlement. The Member Units would support the settlement, including the instream flow and long-term transfer components.

4. Pumping in Schedule 6 Years. The instream flow settlement would have seven different year types, from wet to dry (i.e., schedules 1 through 6, and "conference years," which would be 1-in-100 critically-dry years). In Schedule 6 years (about 4 percent of the years of record), the participating Member Units would agree to pump a specified percentage of 30,000 acre-feet of groundwater to supplement storage releases to provide the agreed-to instream flows.

5. Allocation of Schedule 6 Pumping. The allocation of Schedule 6 pumping would be specified in the conjunctive use agreements, as determined by the participating Member Units. The proposed allocation of pumping capacity among the Member Units is as follows:

Brophy Water District:	18.8%
Browns Valley Irrigation District:	9.7%
Cordua Irrigation District:	16.6%
Dry Creek Mutual Water Company:	7.4%
Hallwood Irrigation Company:	15.3%
Ramirez Water District:	9.9%
South Yuba Water District:	12.3%
Wheatland Water District:	<u>10.0%</u>
	100%

The ability of a Member Unit to participate in the conjunctive use program will depend on the extent to which the Member Unit can make arrangements with landowners within its service area to provide the groundwater pumping capacity required for the conjunctive use program. The proposed groundwater pumping allocation set forth in this section could be adjusted to reflect the ability of Member Units to provide this pumping capacity.

6. Payments for the Schedule 6 Pumping Commitment and Schedule 6 Pumping. The Agency would pay the participating Member Units: (a) a one-time, upfront payment of \$50 per acre-foot (payable in two equal installments the first two years of the agreement) for the commitment to pump groundwater in Schedule 6 years; and (b) \$50 per acre-foot when a Member Unit pumped groundwater in a Schedule 6 year.

7. Pumping to Implement the Phase 8 Settlement. The Agency has supported a settlement of Phase 8 of the SWRCB's Bay-Delta Hearings, which would obligate the Agency to pump 15,000 acre-feet of groundwater to substitute for surface water during certain years. Participating Member Units would agree to pump a specified percentage (the same percentage used for allocating pumping in Schedule 6 years) of 15,000 acre-feet per year in below-normal, dry and critical years to satisfy the Phase 8 settlement obligation.

8. Payments for Phase 8 Pumping. The Agency would pay the participating Member Units \$20 per acre-foot (i.e., an amount to reimburse for groundwater pumping energy costs) when they pumped this water. Payments under this settlement agreement for groundwater pumping energy costs would escalate at the rate provided for in the Phase 8 settlement implementation agreement. Any revenues received by the Agency for this pumping under the Phase 8 settlement implementation agreement that exceeded these payments for pumping costs would be deposited in an account to fund the cost of the ongoing groundwater management program. If any there were any unused revenues in this account, they would be split between the Member Units and Agency.

9. Payments for Pumping to Mitigate for Deficiencies in Supplemental Water Supplies. The settlement would result in deficiencies in deliveries of supplemental water supplies under the Agency's water supply contracts with the Member Units. To mitigate for these deficiencies in supplemental water supplies, the Agency would pay a Member Unit \$20 per acre-foot (i.e., an amount to reimburse for groundwater pumping energy costs) when the Member Unit pumped groundwater to make up for a deficiency in the supplemental water supply under the Member Unit's water supply contract with the Agency.

10. Participation in Groundwater Substitution Water Transfer Program. Participating Member Units would have the first priority over non-participating Member Units to participate in the Agency's groundwater substitution water transfers.

11. CEQA Compliance for and SWRCB Approval of the Groundwater Substitution Water Transfer Program. The Agency expects that the long-term water transfer agreement with the export interests will include the purchase of groundwater substitution transfer water when it is made available in dry and critical years at prices specified in the agreement. The Agency's (a) environmental review document for the settlement, and (b) petition to the SWRCB for approval of a long-term water transfer, adding the State Water Project and the Central Valley Project to the place of use under the Agency's water rights, would include the long-term groundwater substitution water transfer program.

12. Payments for Pumping for Groundwater Substitution Water Transfers. The Agency would pay to the participating Member Units the purchase price for transferred groundwater substitution water as specified in the long-term water transfer agreement, except that, the Agency would retain \$10 per acre-foot.

13. Mitigation for Fishery Impacts from Groundwater Substitution Water Transfers. The Agency would seek agreement with state and federal fishery agencies on measures to mitigate instream impacts from groundwater substitution water transfers. In Schedule 2 and 3 years, 10 percent of the groundwater substitution water would be dedicated to mitigating instream impacts. In Schedule 4 and 5 years, 20 percent of the groundwater substitution water would be dedicated to mitigating instream impacts. These mitigation quantities would probably be released during times when the water could not be transferred for export from the Delta. The Agency would attempt to arrange for transfers of these mitigation quantities, and pay any such transfer revenues to the Member Units, except that, the Agency would retain \$10 per acre-foot.

14. Conference Years. In "conference years," the Agency would meet with the Member Units, and the parties to the instream flow agreement and the long-term water transfer agreement, to develop an operating plan for that year that will balance water supply and instream flow needs for that year.

15. The Conjunctive Use Program. The Agency's conjunctive use program would monitor groundwater pumping to avoid long-term impacts to the safe yield of the aquifer and impacts to domestic and municipal wells. The maximum annual amount of

groundwater pumping for the Schedule 6 year commitments, for the Phase 8 settlement commitments, to mitigate for deficiencies in supplemental water supplies, and for groundwater substitution transfers would not exceed approximately 120,000 acre-feet per year, to avoid long-term impacts to the safe yield of the aquifer. The Agency would coordinate with the Member Units in developing a program for efficiently providing the groundwater needed to implement the settlement (including the designation of wells that would participate in the program). To avoid air quality impacts from the implementation of the settlement (including the groundwater substitution water transfer program), the Agency would coordinate with the Member Units in the development and implementation of a program to convert certain diesel pumps to electrical pumps. The Agency would reimburse the Member Units for electricity standby charges incurred to implement the conjunctive use program if the wells were not used to provide water for a groundwater substitution water transfer during the period of years that the standby charge coverage. The Agency would work with the Member Units to avoid (or mitigate for) impacts to domestic and municipal wells. The Agency would use funds from the Phase 8 settlement implementation agreement to fund the conjunctive use program.

16. Reasonable and Beneficial Use of Agency Water Supplies. In accordance with the terms of the water supply contract to mean the Agency and the Member Units, Water deliveries to the Member Units would be limited to amounts that could be put to reasonable and beneficial use within the Member Unit's service area. The Member Units would pursue water use efficiency actions to help maintain the reliability.

17. Implementation of these Principles of Agreement. The Agency and the participating Member Units would draft agreements to implement the principles of agreement. Execution of these agreements would be subject to compliance with the California Environmental Quality Act, and execution of the instream flow agreement and the long-term transfer agreement. This agreement between the Agency and the Member Units would not affect the provisions of the existing water supply agreements between the Agency and the Member Units except to the extent provided for in the agreement.

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding ("MOU") is entered into as of ~~7-8-2004~~ ^{APRIL 21, 2005}, 2004 by and between Yuba County Water Agency ("Agency") and Hallwood Irrigation Co. ("District" or "Company") in the County of Yuba, California.

RECITALS

A. For more than a year, the Agency has been engaged in a collaborative, interest-based initiative with numerous stakeholders, known as the Yuba River Accord Process (the "Accord"), to resolve issues associated with operation of the Agency's Yuba River Development Project ("YRDP") in a way that protects local water-supply reliability, enhances lower Yuba River fisheries, provides revenues for local flood control projects and increases statewide water supplies. The Accord would include three major elements: (a) an agreement among the Agency and the California Department of Fish and Game and environmental-interest groups, and supported by the United States Fish and Wildlife Service and NOAA Fisheries (all of whom were parties to the State Water Resources Control Board's ("SWRCB") proceedings on Decision 1644 ("D-1644") involving the operation of the YRDP), under which the Agency would revise the operations of the YRDP to provide higher flows in the lower Yuba River to protect and enhance fisheries, and to increase downstream water supplies (the "Fishery Agreement"); (b) an agreement between the Agency and its Member Units (including water districts and water companies within Yuba County) for implementation of a comprehensive program of conjunctive use and water use efficiency (the "Conjunctive Use Agreement"); and (c) an agreement between the Agency and water users who divert water supplies for use downstream from Yuba County (such as the Department of Water Resources, the United States Bureau of Reclamation, and State Water Project and Central Valley Project contractors) for transfer of the enhanced lower Yuba River flows that would result from the other two agreements (the "Long-Term Transfer Agreement").

B. All three of these agreements would have to be in place for the implementation of the Accord, i.e., the Agency and its Member Units must implement operations and water management initiatives to produce the desired flow regimes; the fishery resource agencies and environmental groups must agree that this revised flow regime would produce environmental protection and benefits in the lower Yuba River at least as great as D-1644; and the downstream water users must be willing to compensate the Agency for the new water supplies that would result from implementing these water management measures and changed system operations. All parties to the Accord must agree to support a proposal to the SWRCB for a revised water right decision that adopted the Accord as an alternative to D-1644.

C. A list of "Principles of Agreement" that sets forth the major provisions of the proposed Conjunctive Use Agreement between the Agency and the District/Company is attached to this MOU as **Exhibit A**. The Agency and the District/Company intend to draft a Conjunctive Use Agreement consistent with the Principles of Agreement.

D. The ability of the District/Company to participate in the conjunctive use program provided for in the Conjunctive Use Agreement will depend on the extent to which the District/Company can make arrangements with landowners within its service area to provide the groundwater pumping capacity required for the conjunctive use program.

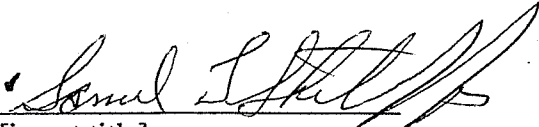
E. Prior to entering into the Fishery Agreement, the Conjunctive Use Agreement or the Long-Term Transfer Agreement, the Agency would comply with applicable environmental laws (including the California Environmental Quality Act ("CEQA") and the National Environmental Policy Act ("NEPA"), as necessary. The Agency would be the lead agency under CEQA for such environmental compliance, *[insert as to Districts: and the District would be a responsible agency under CEQA for such environmental compliance.]*

In consideration of the mutual covenants contained therein, the Agency and the District/Company agree as follows:

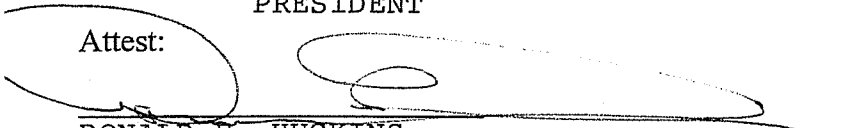
1. The foregoing recitals are incorporated by reference.
2. The Agency and the District approve the Principles of Agreement, and: (a) the Agency and the District/Company will prepare a Conjunctive Use Agreement consistent with the Principles of Agreement; (b) the Agency will prepare an environmental impact report in compliance with CEQA for the implementation of the Accord, including the proposed Conjunctive Use Agreement, and comply with other applicable environmental laws; (c) the Agency and the District/Company will consider the findings of the environmental impact report prior to making a final decision to approve and execute the Conjunctive Use Agreement; and (d) subject to the foregoing, approval and execution of the Fishery Agreement and the Long-Term Transfer Agreement, and SWRCB approval of the Accord as an alternative to D-1644, the Agency and the District/Company intend to execute the Conjunctive Use Agreement.

The foregoing is hereby agreed to by the Agency and the District/Company.

July 8, 2004


[insert title] SAMUEL L. SHINTAFFER,
PRESIDENT

Attest:


DONALD E. HUCKINS


ATTORNEY

[insert title]

May __, 2004



Chairman, Board of Directors
Yuba County Water Agency
Attest:


Clerk of the Board

**EXHIBIT A
PRINCIPLES OF AGREEMENT**

**YUBA COUNTY WATER AGENCY
Outline of Proposed Principles of Agreement with the Agency Member Units
in connection with the Proposed Settlement of SWRCB Decision-1644**

INTRODUCTION

The Agency is proposing to enter into a comprehensive settlement that would involve (1) an agreement with state and federal fishery agencies and environmental groups on Lower Yuba River instream flows, which would settle the State Water Resources Control Board's Decision -1644; (2) an agreement with export interests for a long-term water transfer; and (3) an agreement with the Agency's Member Units to implement a program for the conjunctive use of surface and groundwater supplies in furtherance of the settlement. The Agency would not complete the overall settlement without each of these elements.

PROPOSED PRINCIPLES OF THE AGREEMENT WITH THE AGENCY MEMBER UNITS

1. Voluntary Participation. All of the Member Units (including Wheatland Water District) would be invited to participate in the settlement by entering into conjunctive use agreements with the Agency.

2. Term of Agreement. The term of the agreement between the Agency and each participating Member Unit would be the same as the term of the agreements on the instream flow and long-term water transfer components of the settlement (i.e., until 2016).

3. Support for Settlement. The Member Units would support the settlement, including the instream flow and long-term transfer components.

4. Pumping in Schedule 6 Years. The instream flow settlement would have seven different year types, from wet to dry (i.e., schedules 1 through 6, and "conference years," which would be 1-in-100 critically-dry years). In Schedule 6 years (about 4 percent of the years of record), the participating Member Units would agree to pump a specified percentage of 30,000 acre-feet of groundwater to supplement storage releases to provide the agreed-to instream flows.

5. Allocation of Schedule 6 Pumping. The allocation of Schedule 6 pumping would be specified in the conjunctive use agreements, as determined by the participating Member Units. The proposed allocation of pumping capacity among the Member Units is as follows:

Brophy Water District:	18.8%
Browns Valley Irrigation District:	9.7%

10. Participation in Groundwater Substitution Water Transfer Program. Participating Member Units would have the first priority over non-participating Member Units to participate in the Agency's groundwater substitution water transfers.

11. CEQA Compliance for and SWRCB Approval of the Groundwater Substitution Water Transfer Program. The Agency expects that the long-term water transfer agreement with the export interests will include the purchase of groundwater substitution transfer water when it is made available in dry and critical years at prices specified in the agreement. The Agency's (a) environmental review document for the settlement, and (b) petition to the SWRCB for approval of a long-term water transfer, adding the State Water Project and the Central Valley Project to the place of use under the Agency's water rights, would include the long-term groundwater substitution water transfer program.

12. Payments for Pumping for Groundwater Substitution Water Transfers. The Agency would pay to the participating Member Units the purchase price for transferred groundwater substitution water as specified in the long-term water transfer agreement, except that, the Agency would retain \$10 per acre-foot.

13. Mitigation for Fishery Impacts from Groundwater Substitution Water Transfers. The Agency would seek agreement with state and federal fishery agencies on measures to mitigate instream impacts from groundwater substitution water transfers. In Schedule 2 and 3 years, 10 percent of the groundwater substitution water would be dedicated to mitigating instream impacts. In Schedule 4 and 5 years, 20 percent of the groundwater substitution water would be dedicated to mitigating instream impacts. These mitigation quantities would probably be released during times when the water could not be transferred for export from the Delta. The Agency would attempt to arrange for transfers of these mitigation quantities, and pay any such transfer revenues to the Member Units, except that, the Agency would retain \$10 per acre-foot.

14. Conference Years. In "conference years," the Agency would meet with the Member Units, and the parties to the instream flow agreement and the long-term water transfer agreement, to develop an operating plan for that year that will balance water supply and instream flow needs for that year.

15. The Conjunctive Use Program. The Agency's conjunctive use program would monitor groundwater pumping to avoid long-term impacts to the safe yield of the aquifer and impacts to domestic and municipal wells. The maximum annual amount of groundwater pumping for the Schedule 6 year commitments, for the Phase 8 settlement commitments, to mitigate for deficiencies in supplemental water supplies, and for groundwater substitution transfers would not exceed approximately 120,000 acre-feet per year, to avoid long-term impacts to the safe yield of the aquifer. The Agency would coordinate with the Member Units in developing a program for efficiently providing the groundwater needed to implement the settlement (including the designation of wells that would participate in the program). To avoid air quality impacts from the implementation of the settlement (including the groundwater substitution water transfer program), the Agency

would coordinate with the Member Units in the development and implementation of a program to convert certain diesel pumps to electrical pumps. The Agency would reimburse the Member Units for electricity standby charges incurred to implement the conjunctive use program if the wells were not used to provide water for a groundwater substitution water transfer during the period of years that the standby charge is incurred. The Agency would work with the Member Units to avoid (or mitigate for) impacts to domestic and municipal wells. The Agency would use funds from the Phase 8 settlement implementation agreement to fund the conjunctive use program.

16. Reasonable and Beneficial Use of Agency Water Supplies. In accordance with the terms of the water supply contracts between the Agency and the Member Units, water deliveries to the Member Units would be limited to amounts that could be put to reasonable and beneficial use within the Member Unit's service area. The Member Units would pursue water use efficiency actions to help maintain water supply reliability.

17. Implementation of these Principles of Agreement. The Agency and the participating Member Units would draft agreements to implement the principles of agreement. Execution of these agreements would be subject to compliance with the California Environmental Quality Act, and execution of the instream flow agreement and the long-term transfer agreement. This agreement between the Agency and the Member Units would not affect the provisions of the existing water supply agreements between the Agency and the Member Units except to the extent provided for in the agreement.

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding ("MOU") is entered into as of ~~September~~ ^{APRIL 21, 2005}, 2004 by and between Yuba County Water Agency ("Agency") and Ramirez Water District, ("District") in the County of Yuba, California.

RECITALS

A. For more than a year, the Agency has been engaged in a collaborative, interest-based initiative with numerous stakeholders, known as the Yuba River Accord Process (the "Accord"), to resolve issues associated with operation of the Agency's Yuba River Development Project ("YRDP") in a way that protects local water-supply reliability, enhances lower Yuba River fisheries, provides revenues for local flood control projects and increases statewide water supplies. The Accord would include three major elements: (a) an agreement among the Agency and the California Department of Fish and Game and environmental-interest groups, and supported by the United States Fish and Wildlife Service and NOAA Fisheries (all of whom were parties to the State Water Resources Control Board's ("SWRCB") proceedings on Decision 1644 ("D-1644") involving the operation of the YRDP), under which the Agency would revise the operations of the YRDP to provide higher flows in the lower Yuba River to protect and enhance fisheries, and to increase downstream water supplies (the "Fishery Agreement"); (b) an agreement between the Agency and its Member Units (including water districts and water companies within Yuba County) for implementation of a comprehensive program of conjunctive use and water use efficiency (the "Conjunctive Use Agreement"); and (c) an agreement between the Agency and water users who divert water supplies for use downstream from Yuba County (such as the Department of Water Resources, the United States Bureau of Reclamation, and State Water Project and Central Valley Project contractors) for transfer of the enhanced lower Yuba River flows that would result from the other two agreements (the "Long-Term Transfer Agreement").

B. All three of these agreements would have to be in place for the implementation of the Accord, i.e., the Agency and its Member Units must implement operations and water management initiatives to produce the desired flow regimes; the fishery resource agencies and environmental groups must agree that this revised flow regime would produce environmental protection and benefits in the lower Yuba River at least as great as D-1644; and the downstream water users must be willing to compensate the Agency for the new water supplies that would result from implementing these water management measures and changed system operations. All parties to the Accord must agree to support a proposal to the SWRCB for a revised water right decision that adopted the Accord as an alternative to D-1644.

C. A list of "Principles of Agreement" that sets forth the major provisions of the proposed Conjunctive Use Agreement between the Agency and the District is attached to this MOU as **Exhibit A**. The Agency and the District intend to draft a Conjunctive Use Agreement consistent with the Principles of Agreement.

D. The ability of the District to participate in the conjunctive use program provided for in the Conjunctive Use Agreement will depend on the extent to which the District can make arrangements with landowners within its service area to provide the groundwater pumping capacity required for the conjunctive use program.

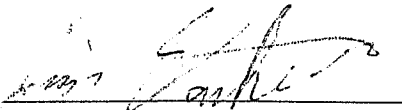
E. Prior to entering into the Fishery Agreement, the Conjunctive Use Agreement or the Long-Term Transfer Agreement, the Agency would comply with applicable environmental laws (including the California Environmental Quality Act ("CEQA") and the National Environmental Policy Act ("NEPA"), as necessary. The Agency would be the lead agency under CEQA for such environmental compliance, and the District would be a responsible agency under CEQA for such environmental compliance.

In consideration of the mutual covenants contained therein, the Agency and the District agree as follows:

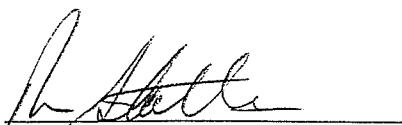
1. The foregoing recitals are incorporated by reference.
2. The Agency and the District approve the Principles of Agreement, and: (a) the Agency and the District will prepare a Conjunctive Use Agreement consistent with the Principles of Agreement; (b) the Agency will prepare an environmental impact report in compliance with CEQA for the implementation of the Accord, including the proposed Conjunctive Use Agreement, and comply with other applicable environmental laws; (c) the Agency and the District will consider the findings of the environmental impact report prior to making a final decision to approve and execute the Conjunctive Use Agreement; and (d) subject to the foregoing, approval and execution of the Fishery Agreement and the Long-Term Transfer Agreement, and SWRCB approval of the Accord as an alternative to D-1644, the Agency and the District intend to execute the Conjunctive Use Agreement.

The foregoing is hereby agreed to by the Agency and the District.

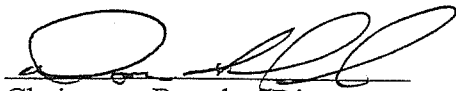
September __, 2004


Board President

Attest:


Board Secretary

_____, 2004



Chairman, Board of Directors
Yuba County Water Agency
Attest:



Clerk of the Board

EXHIBIT A

PRINCIPLES OF AGREEMENT

YUBA COUNTY WATER AGENCY

Outline of Proposed Principles of Agreement with the Agency Member Units
in connection with the Proposed Settlement of SWRCB Decision-1644

INTRODUCTION

The Agency is proposing to enter into a comprehensive settlement that would involve (1) an agreement with state and federal fishery agencies and environmental groups on Lower Yuba River instream flows, which would settle the State Water Resources Control Board's Decision -1644; (2) an agreement with export interests for a long-term water transfer; and (3) an agreement with the Agency's Member Units to implement a program for the conjunctive use of surface and groundwater supplies in furtherance of the settlement. The Agency would not complete the overall settlement without each of these elements.

PROPOSED PRINCIPLES OF THE AGREEMENT WITH THE AGENCY
MEMBER UNITS

1. **Voluntary Participation.** All of the Member Units (including Wheatland Water District) would be invited to participate in the settlement by entering into conjunctive use agreements with the Agency.

2. **Term of Agreement.** The term of the agreement between the Agency and each participating Member Unit would be the same as the term of the agreements on the instream flow and long-term water transfer components of the settlement (i.e., until 2016).

3. **Support for Settlement.** The Member Units would support the settlement, including the instream flow and long-term transfer components.

4. **Pumping in Schedule 6 Years.** The instream flow settlement would have seven different year types, from wet to dry (i.e., schedules 1 through 6, and "conference years," which would be 1-in-100 critically-dry years). In Schedule 6 years (about 4 percent of the years of record), the participating Member Units would agree to pump a specified percentage of 30,000 acre-feet of groundwater to supplement storage releases to provide the agreed-to instream flows.

5. **Allocation of Schedule 6 Pumping.** The allocation of Schedule 6 pumping would be specified in the conjunctive use agreements, as determined by the participating Member Units. The proposed allocation of pumping capacity among the Member Units is as follows:

Brophy Water District: 18.8%

Browns Valley Irrigation District:	9.7%
Cordua Irrigation District:	16.6%
Dry Creek Mutual Water Company:	7.4%
Hallwood Irrigation Company:	15.3%
Ramirez Water District:	9.9%
South Yuba Water District:	12.3%
Wheatland Water District:	<u>10.0%</u>
	100%

The ability of a Member Unit to participate in the conjunctive use program will depend on the extent to which the Member Unit can make arrangements with landowners within its service area to provide the groundwater pumping capacity required for the conjunctive use program. The proposed groundwater pumping allocation set forth in this section could be adjusted to reflect the ability of Member Units to provide this pumping capacity.

6. Payments for the Schedule 6 Pumping Commitment and Schedule 6 Pumping. The Agency would pay the participating Member Units: (a) a one-time, upfront payment of \$50 per acre-foot (payable in two equal installments the first two years of the agreement) for the commitment to pump groundwater in Schedule 6 years; and (b) \$50 per acre-foot when a Member Unit pumped groundwater in a Schedule 6 year.

7. Pumping to Implement the Phase 8 Settlement. The Agency has supported a settlement of Phase 8 of the SWRCB's Bay-Delta Hearings, which would obligate the Agency to pump 15,000 acre-feet of groundwater to substitute for surface water during certain years. Participating Member Units would agree to pump a specified percentage (the same percentage used for allocating pumping in Schedule 6 years) of 15,000 acre-feet per year in below-normal, dry and critical years to satisfy the Phase 8 settlement obligation.

8. Payments for Phase 8 Pumping. The Agency would pay the participating Member Units \$20 per acre-foot (i.e., an amount to reimburse for groundwater pumping energy costs) when they pumped this water. Payments under this settlement agreement for groundwater pumping energy costs would escalate at the rate provided for in the Phase 8 settlement implementation agreement. Any revenues received by the Agency for this pumping under the Phase 8 settlement implementation agreement that exceeded these payments for pumping costs would be deposited in an account to fund the cost of the ongoing groundwater management program. If there were any unused revenues in this account, they would be split between the Member Units and Agency.

9. Payments for Pumping to Mitigate for Deficiencies in Supplemental Water Supplies. The settlement would result in deficiencies in deliveries of supplemental water supplies under the Agency's water supply contracts with the Member Units. To mitigate for these deficiencies in supplemental water supplies, the Agency would pay a Member Unit \$20 per acre-foot (i.e., an amount to reimburse for groundwater pumping energy costs) when the Member Unit pumped groundwater to make up for a deficiency in the supplemental water supply under the Member Unit's water supply contract with the Agency.

10. Participation in Groundwater Substitution Water Transfer Program. Participating Member Units would have the first priority over non-participating Member Units to participate in the Agency's groundwater substitution water transfers.

11. CEQA Compliance for and SWRCB Approval of the Groundwater Substitution Water Transfer Program. The Agency expects that the long-term water transfer agreement with the export interests will include the purchase of groundwater substitution transfer water when it is made available in dry and critical years at prices specified in the agreement. The Agency's (a) environmental review document for the settlement, and (b) petition to the SWRCB for approval of a long-term water transfer, adding the State Water Project and the Central Valley Project to the place of use under the Agency's water rights, would include the long-term groundwater substitution water transfer program.

12. Payments for Pumping for Groundwater Substitution Water Transfers. The Agency would pay to the participating Member Units the purchase price for transferred groundwater substitution water as specified in the long-term water transfer agreement, except that, the Agency would retain \$10 per acre-foot.

13. Mitigation for Fishery Impacts from Groundwater Substitution Water Transfers. The Agency would seek agreement with state and federal fishery agencies on measures to mitigate instream impacts from groundwater substitution water transfers. In Schedule 2 and 3 years, 10 percent of the groundwater substitution water would be dedicated to mitigating instream impacts. In Schedule 4 and 5 years, 20 percent of the groundwater substitution water would be dedicated to mitigating instream impacts. These mitigation quantities would probably be released during times when the water could not be transferred for export from the Delta. The Agency would attempt to arrange for transfers of these mitigation quantities, and pay any such transfer revenues to the Member Units, except that, the Agency would retain \$10 per acre-foot.

14. Conference Years. In "conference years," the Agency would meet with the Member Units, and the parties to the instream flow agreement and the long-term water transfer agreement, to develop an operating plan for that year that will balance water supply and instream flow needs for that year.

15. The Conjunctive Use Program. The Agency's conjunctive use program would monitor groundwater pumping to avoid long-term impacts to the safe yield of the aquifer and impacts to domestic and municipal wells. The maximum annual amount of groundwater pumping for the Schedule 6 year commitments, for the Phase 8 settlement commitments, to mitigate for deficiencies in supplemental water supplies, and for groundwater substitution transfers would not exceed approximately 120,000 acre-feet per year, to avoid long-term impacts to the safe yield of the aquifer. The Agency would coordinate with the Member Units in developing a program for efficiently providing the groundwater needed to implement the settlement (including the designation of wells that would participate in the program). To avoid air quality impacts from the implementation of the settlement (including the groundwater substitution water transfer program), the Agency

would coordinate with the Member Units in the development and implementation of a program to convert certain diesel pumps to electrical pumps. The Agency would reimburse the Member Units for electricity standby charges incurred to implement the conjunctive use program if the wells were not used to provide water for a groundwater substitution water transfer during the period of years that the standby charge is incurred. The Agency would work with the Member Units to avoid (or mitigate for) impacts to domestic and municipal wells. The Agency would use funds from the Phase 8 settlement implementation agreement to fund the conjunctive use program.

16. Reasonable and Beneficial Use of Agency Water Supplies. In accordance with the terms of the water supply contracts between the Agency and the Member Units, water deliveries to the Member Units would be limited to amounts that could be put to reasonable and beneficial use within the Member Unit's service area. The Member Units would pursue water use efficiency actions to help maintain water supply reliability.

17. Implementation of these Principles of Agreement. The Agency and the participating Member Units would draft agreements to implement the principles of agreement. Execution of these agreements would be subject to compliance with the California Environmental Quality Act, and execution of the instream flow agreement and the long-term transfer agreement. This agreement between the Agency and the Member Units would not affect the provisions of the existing water supply agreements between the Agency and the Member Units except to the extent provided for in the agreement.

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding ("MOU") is entered into as of APRIL 21, 2005 by and between Yuba County Water Agency ("Agency") and South Yuba Water District, ("District") in the County of Yuba, California.

RECITALS

A. For more than a year, the Agency has been engaged in a collaborative, interest-based initiative with numerous stakeholders, known as the Yuba River Accord Process (the "Accord"), to resolve issues associated with operation of the Agency's Yuba River Development Project ("YRDP") in a way that protects local water-supply reliability, enhances lower Yuba River fisheries, provides revenues for local flood control projects and increases statewide water supplies. The Accord would include three major elements: (a) an agreement among the Agency and the California Department of Fish and Game and environmental-interest groups, and supported by the United States Fish and Wildlife Service and NOAA Fisheries (all of whom were parties to the State Water Resources Control Board's ("SWRCB") proceedings on Decision 1644 ("D-1644") involving the operation of the YRDP), under which the Agency would revise the operations of the YRDP to provide higher flows in the lower Yuba River to protect and enhance fisheries, and to increase downstream water supplies (the "Fishery Agreement"); (b) an agreement between the Agency and its Member Units (including water districts and water companies within Yuba County) for implementation of a comprehensive program of conjunctive use and water use efficiency (the "Conjunctive Use Agreement"); and (c) and an agreement between the Agency and water users who divert water supplies for use downstream from Yuba County (such as the Department of Water Resources, the United States Bureau of Reclamation, and State Water Project and Central Valley Project contractors) for transfer of the enhanced lower Yuba River flows that would result from the other two agreements (the "Long-Term Transfer Agreement").

B. All three of these agreements would have to be in place for the implementation of the Accord, i.e., the Agency and its Member Units must implement operations and water management initiatives to produce the desired flow regimes; the fishery resource agencies and environmental groups must agree that this revised flow regime would produce environmental protection and benefits in the lower Yuba River at least as great as D-1644; and the downstream water users must be willing to compensate the Agency for the new water supplies that would result from implementing these water management measures and changed system operations. All parties to the Accord must agree to support a proposal to the SWRCB for a revised water right decision that adopted the Accord as an alternative to D-1644.

C. A list of "Principles of Agreement" that sets forth the major provisions of the proposed Conjunctive Use Agreement between the Agency and the District is attached to this MOU as **Exhibit A**. The Agency and the District intend to draft a Conjunctive Use Agreement consistent with the Principles of Agreement.

D. The ability of the District to participate in the conjunctive use program provided for in the Conjunctive Use Agreement will depend on the extent to which the District can make arrangements with landowners within its service area to provide the groundwater pumping capacity required for the conjunctive use program.

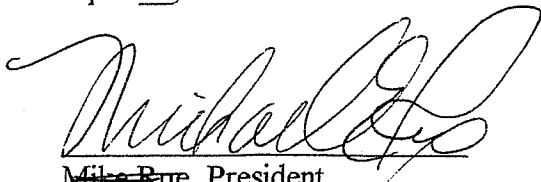
E. Prior to entering into the Fishery Agreement, the Conjunctive Use Agreement or the Long-Term Transfer Agreement, the Agency would comply with applicable environmental laws (including the California Environmental Quality Act ("CEQA") and the National Environmental Policy Act ("NEPA"), as necessary. The Agency would be the lead agency under CEQA for such environmental compliance, and the District would be a responsible agency under CEQA for such environmental compliance.

In consideration of the mutual covenants contained therein, the Agency and the District agree as follows:

1. The foregoing recitals are incorporated by reference.
2. The Agency and the District approve the Principles of Agreement, and: (a) the Agency and the District will prepare a Conjunctive Use Agreement consistent with the Principles of Agreement; (b) the Agency will prepare an environmental impact report in compliance with CEQA for the implementation of the Accord, including the proposed Conjunctive Use Agreement, and comply with other applicable environmental laws; (c) the Agency and the District will consider the findings of the environmental impact report prior to making a final decision to approve and execute the Conjunctive Use Agreement; and (d) subject to the foregoing, approval and execution of the Fishery Agreement and the Long-Term Transfer Agreement, and SWRCB approval of the Accord as an alternative to D-1644, the Agency and the District intend to execute the Conjunctive Use Agreement.

The foregoing is hereby agreed to by the Agency and the District.

April __, 2005

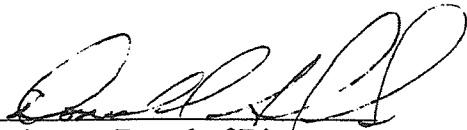


~~Mike Rere~~, President

MICHAEL E RERE

Attest:

_____, 2005


Chairman, Board of Directors
Yuba County Water Agency

Attest:

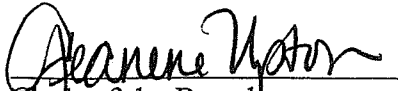

Clerk of the Board

EXHIBIT A

PRINCIPLES OF AGREEMENT

YUBA COUNTY WATER AGENCY

Outline of Proposed Principles of Agreement with the Agency Member Units in connection with the Proposed Settlement of SWRCB Decision-1644

INTRODUCTION

The Agency is proposing to enter into a comprehensive settlement that would involve (1) an agreement with state and federal fishery agencies and environmental groups on Lower Yuba River instream flows, which would settle the State Water Resources Control Board's Decision -1644; (2) an agreement with export interests for a long-term water transfer; and (3) an agreement with the Agency's Member Units to implement a program for the conjunctive use of surface and groundwater supplies in furtherance of the settlement. The Agency would not complete the overall settlement without each of these elements.

PROPOSED PRINCIPLES OF THE AGREEMENT WITH THE AGENCY MEMBER UNITS

1. **Voluntary Participation.** All of the Member Units (including Wheatland Water District) would be invited to participate in the settlement by entering into conjunctive use agreements with the Agency.
2. **Term of Agreement.** The term of the agreement between the Agency and each participating Member Unit would be the same as the term of the agreements on the instream flow and long-term water transfer components of the settlement (i.e., until 2016).
3. **Support for Settlement.** The Member Units would support the settlement, including the instream flow and long-term transfer components.
4. **Pumping in Schedule 6 Years.** The instream flow settlement would have seven different year types, from wet to dry (i.e., schedules 1 through 6, and "conference years," which would be 1-in-100 critically-dry years). In Schedule 6 years (about 4 percent of the years of record), the participating Member Units would agree to pump a specified percentage of 30,000 acre-feet of groundwater to supplement storage releases to provide the agreed-to instream flows.
5. **Allocation of Schedule 6 Pumping.** The allocation of Schedule 6 pumping would be specified in the conjunctive use agreements, as determined by the participating Member Units. The proposed allocation of pumping capacity among the Member Units is as follows:

Brophy Water District:	18.8%
------------------------	-------

Browns Valley Irrigation District:	9.7%
Cordua Irrigation District:	16.6%
Dry Creek Mutual Water Company:	7.4%
Hallwood Irrigation Company:	15.3%
Ramirez Water District:	9.9%
South Yuba Water District:	12.3%
Wheatland Water District:	<u>10.0%</u>
	100%

The ability of a Member Unit to participate in the conjunctive use program will depend on the extent to which the Member Unit can make arrangements with landowners within its service area to provide the groundwater pumping capacity required for the conjunctive use program. The proposed groundwater pumping allocation set forth in this section could be adjusted to reflect the ability of Member Units to provide this pumping capacity.

6. Payments for the Schedule 6 Pumping Commitment and Schedule 6 Pumping. The Agency would pay the participating Member Units: (a) a one-time, upfront payment of \$50 per acre-foot (payable in two equal installments the first two years of the agreement) for the commitment to pump groundwater in Schedule 6 years; and (b) \$50 per acre-foot when a Member Unit pumped groundwater in a Schedule 6 year.

7. Pumping to Implement the Phase 8 Settlement. The Agency has supported a settlement of Phase 8 of the SWRCB's Bay-Delta Hearings, which would obligate the Agency to pump 15,000 acre-feet of groundwater to substitute for surface water during certain years. Participating Member Units would agree to pump a specified percentage (the same percentage used for allocating pumping in Schedule 6 years) of 15,000 acre-feet per year in below-normal, dry and critical years to satisfy the Phase 8 settlement obligation.

8. Payments for Phase 8 Pumping. The Agency would pay the participating Member Units \$20 per acre-foot (i.e., an amount to reimburse for groundwater pumping energy costs) when they pumped this water. Payments under this settlement agreement for groundwater pumping energy costs would escalate at the rate provided for in the Phase 8 settlement implementation agreement. Any revenues received by the Agency for this pumping under the Phase 8 settlement implementation agreement that exceeded these payments for pumping costs would be deposited in an account to fund the cost of the ongoing groundwater management program. If there were any unused revenues in this account, they would be split between the Member Units and Agency.

9. Payments for Pumping to Mitigate for Deficiencies in Supplemental Water Supplies. The settlement would result in deficiencies in deliveries of supplemental water supplies under the Agency's water supply contracts with the Member Units. To mitigate for these deficiencies in supplemental water supplies, the Agency would pay a Member Unit \$20 per acre-foot (i.e., an amount to reimburse for groundwater pumping energy costs) when the Member Unit pumped groundwater to make up for a deficiency in the supplemental water supply under the Member Unit's water supply contract with the Agency.

10. Participation in Groundwater Substitution Water Transfer Program. Participating Member Units would have the first priority over non-participating Member Units to participate in the Agency's groundwater substitution water transfers.

11. CEQA Compliance for and SWRCB Approval of the Groundwater Substitution Water Transfer Program. The Agency expects that the long-term water transfer agreement with the export interests will include the purchase of groundwater substitution transfer water when it is made available in dry and critical years at prices specified in the agreement. The Agency's (a) environmental review document for the settlement, and (b) petition to the SWRCB for approval of a long-term water transfer, adding the State Water Project and the Central Valley Project to the place of use under the Agency's water rights, would include the long-term groundwater substitution water transfer program.

12. Payments for Pumping for Groundwater Substitution Water Transfers. The Agency would pay to the participating Member Units the purchase price for transferred groundwater substitution water as specified in the long-term water transfer agreement, except that, the Agency would retain \$10 per acre-foot.

13. Mitigation for Fishery Impacts from Groundwater Substitution Water Transfers. The Agency would seek agreement with state and federal fishery agencies on measures to mitigate instream impacts from groundwater substitution water transfers. In Schedule 2 and 3 years, 10 percent of the groundwater substitution water would be dedicated to mitigating instream impacts. In Schedule 4 and 5 years, 20 percent of the groundwater substitution water would be dedicated to mitigating instream impacts. These mitigation quantities would probably be released during times when the water could not be transferred for export from the Delta. The Agency would attempt to arrange for transfers of these mitigation quantities, and pay any such transfer revenues to the Member Units, except that, the Agency would retain \$10 per acre-foot.

14. Conference Years. In "conference years," the Agency would meet with the Member Units, and the parties to the instream flow agreement and the long-term water transfer agreement, to develop an operating plan for that year that will balance water supply and instream flow needs for that year.

15. The Conjunctive Use Program. The Agency's conjunctive use program would monitor groundwater pumping to avoid long-term impacts to the safe yield of the aquifer and impacts to domestic and municipal wells. The maximum annual amount of groundwater pumping for the Schedule 6 year commitments, for the Phase 8 settlement commitments, to mitigate for deficiencies in supplemental water supplies, and for groundwater substitution transfers would not exceed approximately 120,000 acre-feet per year, to avoid long-term impacts to the safe yield of the aquifer. The Agency would coordinate with the Member Units in developing a program for efficiently providing the groundwater needed to implement the settlement (including the designation of wells that would participate in the program). To avoid air quality impacts from the implementation of the settlement (including the groundwater substitution water transfer program), the Agency

would coordinate with the Member Units in the development and implementation of a program to convert certain diesel pumps to electrical pumps. The Agency would reimburse the Member Units for electricity standby charges incurred to implement the conjunctive use program if the wells were not used to provide water for a groundwater substitution water transfer during the period of years that the standby charge is incurred. The Agency would work with the Member Units to avoid (or mitigate for) impacts to domestic and municipal wells. The Agency would use funds from the Phase 8 settlement implementation agreement to fund the conjunctive use program.

16. Reasonable and Beneficial Use of Agency Water Supplies. In accordance with the terms of the water supply contracts between the Agency and the Member Units, water deliveries to the Member Units would be limited to amounts that could be put to reasonable and beneficial use within the Member Unit's service area. The Member Units would pursue water use efficiency actions to help maintain water supply reliability.

17. Implementation of these Principles of Agreement. The Agency and the participating Member Units would draft agreements to implement the principles of agreement. Execution of these agreements would be subject to compliance with the California Environmental Quality Act, and execution of the instream flow agreement and the long-term transfer agreement. This agreement between the Agency and the Member Units would not affect the provisions of the existing water supply agreements between the Agency and the Member Units except to the extent provided for in the agreement.

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding ("MOU") is entered into as of APRIL 21 2005 ~~2004~~ by and between Yuba County Water Agency ("Agency") and Wheatland Water Dist. ("District" or "Company") in the County of Yuba, California.

RECITALS

A. For more than a year, the Agency has been engaged in a collaborative, interest-based initiative with numerous stakeholders, known as the Yuba River Accord Process (the "Accord"), to resolve issues associated with operation of the Agency's Yuba River Development Project ("YRDP") in a way that protects local water-supply reliability, enhances lower Yuba River fisheries, provides revenues for local flood control projects and increases statewide water supplies. The Accord would include three major elements: (a) an agreement among the Agency and the California Department of Fish and Game and environmental-interest groups, and supported by the United States Fish and Wildlife Service and NOAA Fisheries (all of whom were parties to the State Water Resources Control Board's ("SWRCB") proceedings on Decision 1644 ("D-1644") involving the operation of the YRDP), under which the Agency would revise the operations of the YRDP to provide higher flows in the lower Yuba River to protect and enhance fisheries, and to increase downstream water supplies (the "Fishery Agreement"); (b) an agreement between the Agency and its Member Units (including water districts and water companies within Yuba County) for implementation of a comprehensive program of conjunctive use and water use efficiency (the "Conjunctive Use Agreement"); and (c) an agreement between the Agency and water users who divert water supplies for use downstream from Yuba County (such as the Department of Water Resources, the United States Bureau of Reclamation, and State Water Project and Central Valley Project contractors) for transfer of the enhanced lower Yuba River flows that would result from the other two agreements (the "Long-Term Transfer Agreement").

B. All three of these agreements would have to be in place for the implementation of the Accord, i.e., the Agency and its Member Units must implement operations and water management initiatives to produce the desired flow regimes; the fishery resource agencies and environmental groups must agree that this revised flow regime would produce environmental protection and benefits in the lower Yuba River at least as great as D-1644; and the downstream water users must be willing to compensate the Agency for the new water supplies that would result from implementing these water management measures and changed system operations. All parties to the Accord must agree to support a proposal to the SWRCB for a revised water right decision that adopted the Accord as an alternative to D-1644.

C. A list of "Principles of Agreement" that sets forth the major provisions of the proposed Conjunctive Use Agreement between the Agency and the District/Company is attached to this MOU as **Exhibit A**. The Agency and the District/Company intend to draft a Conjunctive Use Agreement consistent with the Principles of Agreement.

D. The ability of the District/Company to participate in the conjunctive use program provided for in the Conjunctive Use Agreement will depend on the extent to which the District/Company can make arrangements with landowners within its service area to provide the groundwater pumping capacity required for the conjunctive use program.

E. Prior to entering into the Fishery Agreement, the Conjunctive Use Agreement or the Long-Term Transfer Agreement, the Agency would comply with applicable environmental laws (including the California Environmental Quality Act ("CEQA") and the National Environmental Policy Act ("NEPA"), as necessary. The Agency would be the lead agency under CEQA for such environmental compliance, *[insert as to Districts: and the District would be a responsible agency under CEQA for such environmental compliance.]*

In consideration of the mutual covenants contained therein, the Agency and the District/Company agree as follows:

1. The foregoing recitals are incorporated by reference.

2. The Agency and the District approve the Principles of Agreement, and: (a) the Agency and the District/Company will prepare a Conjunctive Use Agreement consistent with the Principles of Agreement; (b) the Agency will prepare an environmental impact report in compliance with CEQA for the implementation of the Accord, including the proposed Conjunctive Use Agreement, and comply with other applicable environmental laws; (c) the Agency and the District/Company will consider the findings of the environmental impact report prior to making a final decision to approve and execute the Conjunctive Use Agreement; and (d) subject to the foregoing, approval and execution of the Fishery Agreement and the Long-Term Transfer Agreement, and SWRCB approval of the Accord as an alternative to D-1644, the Agency and the District/Company intend to execute the Conjunctive Use Agreement.

The foregoing is hereby agreed to by the Agency and the District/Company.

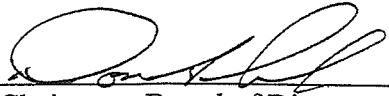
[Signature]
May 11, 2004

[Signature]
Chairman WWD
[insert title]

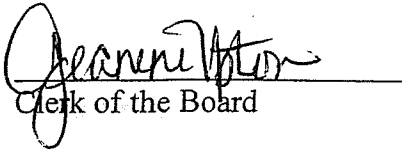
Attest:

[Signature]
[insert title] Secretary

May __, 2004



Chairman, Board of Directors
Yuba County Water Agency
Attest:



Clerk of the Board

EXHIBIT A

PRINCIPLES OF AGREEMENT

YUBA COUNTY WATER AGENCY

**Outline of Proposed Principles of Agreement with the Agency Member Units
in connection with the Proposed Settlement of SWRCB Decision-1644**

INTRODUCTION

The Agency is proposing to enter into a comprehensive settlement that would involve (1) an agreement with state and federal fishery agencies and environmental groups on Lower Yuba River instream flows, which would settle the State Water Resources Control Board's Decision -1644; (2) an agreement with export interests for a long-term water transfer; and (3) an agreement with the Agency's Member Units to implement a program for the conjunctive use of surface and groundwater supplies in furtherance of the settlement. The Agency would not complete the overall settlement without each of these elements.

PROPOSED PRINCIPLES OF THE AGREEMENT WITH THE AGENCY MEMBER UNITS

1. Voluntary Participation. All of the Member Units (including Wheatland Water District) would be invited to participate in the settlement by entering into conjunctive use agreements with the Agency.

2. Term of Agreement. The term of the agreement between the Agency and each participating Member Unit would be the same as the term of the agreements on the instream flow and long-term water transfer components of the settlement (i.e., until 2016).

3. Support for Settlement. The Member Units would support the settlement, including the instream flow and long-term transfer components.

4. Pumping in Schedule 6 Years. The instream flow settlement would have seven different year types, from wet to dry (i.e., schedules 1 through 6, and "conference years," which would be 1-in-100 critically-dry years). In Schedule 6 years (about 4 percent of the years of record), the participating Member Units would agree to pump a specified percentage of 30,000 acre-feet of groundwater to supplement storage releases to provide the agreed-to instream flows.

5. Allocation of Schedule 6 Pumping. The allocation of Schedule 6 pumping would be specified in the conjunctive use agreements, as determined by the participating Member Units. The proposed allocation of pumping capacity among the Member Units is as follows:

Brophy Water District: 18.8%

Browns Valley Irrigation District:	9.7%
Cordua Irrigation District:	16.6%
Dry Creek Mutual Water Company:	7.4%
Hallwood Irrigation Company:	15.3%
Ramirez Water District:	9.9%
South Yuba Water District:	12.3%
Wheatland Water District:	<u>10.0%</u>
	100%

The ability of a Member Unit to participate in the conjunctive use program will depend on the extent to which the Member Unit can make arrangements with landowners within its service area to provide the groundwater pumping capacity required for the conjunctive use program. The proposed groundwater pumping allocation set forth in this section could be adjusted to reflect the ability of Member Units to provide this pumping capacity.

6. Payments for the Schedule 6 Pumping Commitment and Schedule 6 Pumping. The Agency would pay the participating Member Units: (a) a one-time, upfront payment of \$50 per acre-foot (payable in two equal installments the first two years of the agreement) for the commitment to pump groundwater in Schedule 6 years; and (b) \$50 per acre-foot when a Member Unit pumped groundwater in a Schedule 6 year.

7. Pumping to Implement the Phase 8 Settlement. The Agency has supported a settlement of Phase 8 of the SWRCB's Bay-Delta Hearings, which would obligate the Agency to pump 15,000 acre-feet of groundwater to substitute for surface water during certain years. Participating Member Units would agree to pump a specified percentage (the same percentage used for allocating pumping in Schedule 6 years) of 15,000 acre-feet per year in below-normal, dry and critical years to satisfy the Phase 8 settlement obligation.

8. Payments for Phase 8 Pumping. The Agency would pay the participating Member Units \$20 per acre-foot (i.e., an amount to reimburse for groundwater pumping energy costs) when they pumped this water. Payments under this settlement agreement for groundwater pumping energy costs would escalate at the rate provided for in the Phase 8 settlement implementation agreement. Any revenues received by the Agency for this pumping under the Phase 8 settlement implementation agreement that exceeded these payments for pumping costs would be deposited in an account to fund the cost of the ongoing groundwater management program. If there were any unused revenues in this account, they would be split between the Member Units and Agency.

9. Payments for Pumping to Mitigate for Deficiencies in Supplemental Water Supplies. The settlement would result in deficiencies in deliveries of supplemental water supplies under the Agency's water supply contracts with the Member Units. To mitigate for these deficiencies in supplemental water supplies, the Agency would pay a Member Unit \$20 per acre-foot (i.e., an amount to reimburse for groundwater pumping energy costs) when the Member Unit pumped groundwater to make up for a deficiency in the supplemental water supply under the Member Unit's water supply contract with the Agency.

10. Participation in Groundwater Substitution Water Transfer Program. Participating Member Units would have the first priority over non-participating Member Units to participate in the Agency's groundwater substitution water transfers.

11. CEQA Compliance for and SWRCB Approval of the Groundwater Substitution Water Transfer Program. The Agency expects that the long-term water transfer agreement with the export interests will include the purchase of groundwater substitution transfer water when it is made available in dry and critical years at prices specified in the agreement. The Agency's (a) environmental review document for the settlement, and (b) petition to the SWRCB for approval of a long-term water transfer, adding the State Water Project and the Central Valley Project to the place of use under the Agency's water rights, would include the long-term groundwater substitution water transfer program.

12. Payments for Pumping for Groundwater Substitution Water Transfers. The Agency would pay to the participating Member Units the purchase price for transferred groundwater substitution water as specified in the long-term water transfer agreement, except that, the Agency would retain \$10 per acre-foot.

13. Mitigation for Fishery Impacts from Groundwater Substitution Water Transfers. The Agency would seek agreement with state and federal fishery agencies on measures to mitigate instream impacts from groundwater substitution water transfers. In Schedule 2 and 3 years, 10 percent of the groundwater substitution water would be dedicated to mitigating instream impacts. In Schedule 4 and 5 years, 20 percent of the groundwater substitution water would be dedicated to mitigating instream impacts. These mitigation quantities would probably be released during times when the water could not be transferred for export from the Delta. The Agency would attempt to arrange for transfers of these mitigation quantities, and pay any such transfer revenues to the Member Units, except that, the Agency would retain \$10 per acre-foot.

14. Conference Years. In "conference years," the Agency would meet with the Member Units, and the parties to the instream flow agreement and the long-term water transfer agreement, to develop an operating plan for that year that will balance water supply and instream flow needs for that year.

15. The Conjunctive Use Program. The Agency's conjunctive use program would monitor groundwater pumping to avoid long-term impacts to the safe yield of the aquifer and impacts to domestic and municipal wells. The maximum annual amount of groundwater pumping for the Schedule 6 year commitments, for the Phase 8 settlement commitments, to mitigate for deficiencies in supplemental water supplies, and for groundwater substitution transfers would not exceed approximately 120,000 acre-feet per year, to avoid long-term impacts to the safe yield of the aquifer. The Agency would coordinate with the Member Units in developing a program for efficiently providing the groundwater needed to implement the settlement (including the designation of wells that would participate in the program). To avoid air quality impacts from the implementation of the settlement (including the groundwater substitution water transfer program), the Agency

would coordinate with the Member Units in the development and implementation of a program to convert certain diesel pumps to electrical pumps. The Agency would reimburse the Member Units for electricity standby charges incurred to implement the conjunctive use program if the wells were not used to provide water for a groundwater substitution water transfer during the period of years that the standby charge is incurred. The Agency would work with the Member Units to avoid (or mitigate for) impacts to domestic and municipal wells. The Agency would use funds from the Phase 8 settlement implementation agreement to fund the conjunctive use program.

16. Reasonable and Beneficial Use of Agency Water Supplies. In accordance with the terms of the water supply contracts between the Agency and the Member Units, water deliveries to the Member Units would be limited to amounts that could be put to reasonable and beneficial use within the Member Unit's service area. The Member Units would pursue water use efficiency actions to help maintain water supply reliability.

17. Implementation of these Principles of Agreement. The Agency and the participating Member Units would draft agreements to implement the principles of agreement. Execution of these agreements would be subject to compliance with the California Environmental Quality Act, and execution of the instream flow agreement and the long-term transfer agreement. This agreement between the Agency and the Member Units would not affect the provisions of the existing water supply agreements between the Agency and the Member Units except to the extent provided for in the agreement.