

AGREEMENT

FOR GROUNDWATER STORAGE AND RECOVERY FROM

THE SOUTHERN PORTION OF THE WESTSIDE BASIN

BY AND AMONG

THE SAN FRANCISCO PUBLIC UTILITIES COMMISSION,

THE CITY OF DALY CITY,

THE CITY OF SAN BRUNO

AND

CALIFORNIA WATER SERVICE COMPANY

TABLE OF CONTENTS

RECITALS	1
ARTICLE 1: DEFINITIONS	4
1.1. "Aggregate Designated Quantity"	4
1.2. "Agreement"	4
1.3. "Basin"	4
1.4. "Basin Management Objectives"	4
1.5. "Conjunctive Use Pilot Program"	4
1.6. "Consumer Price Index"	4
1.7. "Designated Quantity"	4
1.8. "Emergency"	4
1.9. "Existing Facilities"	5
1.10. "Force Majeure Event"	5
1.11. "Hold Periods"	5
1.12. "In Lieu Water"	5
1.13. "Individual Water Supply Guarantee"	5
1.14. "Management Plan"	5
1.15. "Minimum Groundwater Requirements"	6
1.16. "Minimum Surface Water Requirements"	6
1.17. "New Well"	6
1.18. "Nonparticipating Pumpers"	6
1.19. "Operating Committee"	6
1.20. "Over Production"	6
1.21. "Participating Pumpers"	6
1.22. "Preexisting Conditions"	6
1.23. "Project"	6
1.24. "Project Capital Costs"	7
1.25. "Project Facilities"	7
1.26. "Project Operation and Maintenance Expenses"	7
1.27. "Project Wells"	7

1.28.	“Recovery Notice”	7
1.29.	“Recovery” or “Recovery Periods”	7
1.30.	“Replacement Water”	7
1.31.	“SFPUC System”	8
1.32.	“SFPUC System Water”	8
1.33.	“SFPUC Storage Account”	8
1.34.	“Shared Facilities”	8
1.35.	“Shortage”	8
1.36.	“Shortage Allocation”	8
1.37.	“Shortage Allocation Plan”	8
1.38.	“Storage” or “Storage Periods”	8
1.39.	“Supply Assurance”	8
1.40.	“Supply Year”	9
1.41.	“Undesirable Effects”	9
1.42.	“Wholesale Water”	9
1.43.	“WSA”	9
ARTICLE 2: EFFECTIVE DATE, TERM AND AMENDMENT		9
2.1.	Effective Date	9
2.2.	Term	9
2.3.	Amendment	9
2.4.	Conditions Precedent in Article 3; Termination	10
2.5.	Consequences of Non-Extension or Termination	10
ARTICLE 3: CONDITIONS PRECEDENT TO IMPLEMENTATION OF PROJECT ...		10
3.1.	Permits and Approvals	10
3.2.	No Force Majeure Event	11
ARTICLE 4: GROUNDWATER STORAGE PERIODS		11
4.1.	SFPUC Storage Through In Lieu Water Deliveries	11
4.2.	Notice of In Lieu Deliveries; Duty to Take Delivery of In Lieu Water	11
4.3.	Reduction in Pumping from Existing Facilities; Minimum Groundwater Requirements	11
4.4.	Location of Delivery of In Lieu Water to Participating Pumpers	12

4.5.	Aggregate Designated Quantity; Initial Designated Quantities Assigned to Participating Pumpers.....	12
4.6.	Increase of Aggregate Designated Quantity	13
4.7.	Reduction in Aggregate Designated Quantity; Provision of Replacement Water by the SFPUC.....	13
4.8.	Over Production of Water in Excess of Aggregate Designated Quantity.....	14
ARTICLE 5: RECOVERY OF SFPUC STORAGE ACCOUNT WATER FROM PROJECT WELLS.....		15
5.1.	Circumstances Triggering Recovery of SFPUC Storage Account Water by Participating Pumpers	15
5.2.	Timing of Recovery of Water from SFPUC Storage Account	15
5.3.	Issuance of Recovery Notice by the SFPUC.....	16
5.4.	Quantities of Water Available to Participating Pumpers from Project Facilities and SFPUC System Connections During Shortages Caused by Drought.....	16
5.5.	Minimum SFPUC System Water Deliveries to Participating Pumpers during Recovery Periods.....	16
5.6.	Recovery of Stored Water by the SFPUC.....	16
5.7.	Limitations on Recovery	17
ARTICLE 6: PROJECT WATER ACCOUNTING		17
6.1.	Accounting for Storage and Recovery	17
6.2.	Accounting for Wholesale Water	18
6.3.	Accounting for In Lieu Water Delivered during Conjunctive Use Pilot Program	18
6.4.	Deferred Payment for Stored In Lieu Water Supplies	20
6.5.	Accounting for Losses.....	20
ARTICLE 7: OWNERSHIP, OPERATION, MAINTENANCE AND REPLACEMENT OF EXISTING FACILITIES		21
7.1.	Ownership, Operation, Maintenance and Replacement of Existing Facilities.....	21
7.2.	Operation and Maintenance of Existing Facilities	21
7.3.	Failure to Maintain, Repair, or Replace Existing Facilities	22
7.4.	Measurement of Water Pumped Using Existing Facilities	22
7.5.	Drilling and Operation of New Wells by Parties	22

ARTICLE 8: OWNERSHIP, INSTALLATION, OPERATION, AND MAINTENANCE OF PROJECT FACILITIES	23
8.1. Project Facilities	23
8.2. Real Property Interests Required for Project Implementation	23
8.3. Ownership of Project Facilities	23
8.4. Installation of Project Facilities	23
8.5. Provision of As-Built Drawings; Modifications to Project Facilities Following Completion	24
8.6. Operation and Maintenance of Project Facilities; Potential Undesirable Effects Associated with Operation of Project Facilities as Designed	24
8.7. Modifications to Participating Pumpers' Water Supply Permits Issued by the California State Water Resources Control Board	24
8.8. Use of Project Facilities by Participating Pumpers for Non-Project Purposes	25
8.9. Use of Project Facilities During an Emergency	25
ARTICLE 9: PROJECT COST RECOVERY	26
9.1. Project Capital Costs	26
9.2. Project Operation and Maintenance Expenses	26
9.3. Use of Project Facilities by Participating Pumpers for Non-Project Purposes	27
9.4. Metering of Project Facilities Operated During Recovery Periods by the SFPUC	27
ARTICLE 10: OPERATING COMMITTEE	27
10.1. Composition of Operating Committee	27
10.2. Duties and Powers of Operating Committee	27
10.3. Operating Committee Decision-Making	29
10.4. Schedule for Meetings of Operating Committee	30
10.5. Minutes of Operating Committee Meetings	30
10.6. Duty of Each Party to Monitor Conjunctive Use Project Performance	30
ARTICLE 11: DEFAULTS AND REMEDIES	30
11.1. Remedies upon Termination	30
11.2. Remedies are Cumulative	31

ARTICLE 12: MISCELLANEOUS PROVISIONS	31
12.1. Dispute Resolution	31
12.2. Mutual Indemnity	31
12.3. Insurance and Indemnity Provisions Applicable to Construction of Project Facilities	32
12.4. Workers' Compensation Insurance for Project Operation	32
12.5. Right to Adjudicate; Limited Waiver of Prescriptive Rights Claims; No Intent to Abandon	32
12.6. Nonparticipating Pumpers	33
12.7. More Favorable Terms	33
12.8. Assignment	33
12.9. Successors	34
12.10. Entire Agreement	34
12.11. Severability	34
12.12. Counterparts	34
12.13. Notice	34
12.14. Force Majeure	35
12.15. Maintenance and Inspection of Books, Records and Reports	36
12.16. Governing Law; Venue	36
12.17. Effect of Agreement on WSA	36
12.18. Compliance with Raker Act	37
12.19. Cooperation in Implementation of Project Mitigation Measures	37

ATTACHMENT A

Map of southern portion of Westside Groundwater Basin	40
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ATTACHMENT B

Maps Showing Existing Facilities Within Service Areas of Each Participating Pumper ..	41
---	----

ATTACHMENT C

Map of southern portion of Westside Groundwater Basin showing Project Facilities	42
--	----

ATTACHMENT D – 1

Daly City	43
-----------------	----

ATTACHMENT D – 2

Cal Water – South San Francisco and Colma Service Areas	44
---	----

ATTACHMENT D – 3

San Bruno	45
-----------------	----

ATTACHMENT E

List of Project Facilities and Assets	46
---	----

ATTACHMENT F

Accounting of Joint Expenses	47
------------------------------------	----

ATTACHMENT F-1

Annual Report, Actual Project Operations and Maintenance Expenses.....	48
--	----

ATTACHMENT G

Form of Licenses Exchanged by Parties.....	50
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AGREEMENT FOR GROUNDWATER STORAGE AND RECOVERY FROM THE SOUTHERN PORTION OF THE WESTSIDE BASIN

This Agreement for Groundwater Storage and Recovery from the Southern Portion of the Westside Basin ("Agreement") is entered into by and among the San Francisco Public Utilities Commission ("SFPUC"), a department of the City and County of San Francisco ("San Francisco"), a California charter city, the City of Daly City ("Daly City"), a municipal corporation of the State of California, the City of San Bruno ("San Bruno"), a municipal corporation of the State of California, and California Water Service Company ("Cal Water"), a California investor-owned utility providing water service to the City of South San Francisco. Daly City, San Bruno and Cal Water are collectively referred to as "Participating Pumpers." The SFPUC and the Participating Pumpers are collectively referred to as "Parties" and individually as a "Party".

RECITALS

- A. The SFPUC provides water ("SFPUC System Water") to San Francisco retail customers and 26 Bay Area wholesale customers, including the Participating Pumpers, through the operation of an integrated local Bay Area surface water supply system and a Tuolumne River surface water supply system. Deliveries to suburban wholesale customers are pursuant to the Water Supply Agreement between the City and County of San Francisco and Wholesale Customers in Alameda, San Mateo and Santa Clara Counties dated July 1, 2009 ("WSA"). The SFPUC's wholesale customers extend from Daly City south through the Peninsula to Santa Clara County, and up the southeast side of San Francisco Bay through Alameda County to Hayward. Some wholesale customers, such as the Participating Pumpers, have also developed other water supplies, including local surface water and groundwater, and some import surface water from the State Water Project.
- B. The SFPUC has adopted a Water System Improvement Program (WSIP) to increase the reliability of the SFPUC water system through 2030 and to provide water to meet retail and wholesale water demands through the year 2018. The WSIP included the groundwater storage and recovery project ("Project") that is the subject of this Agreement, proposed by the SFPUC to benefit all customers purchasing SFPUC System Water. The environmental effects of WSIP implementation were analyzed in a Program environmental impact report (PEIR) certified by the San Francisco Planning Commission in Motion No. 17734 dated October 30, 2008, and approved by the SFPUC in Res. No. 08-200 dated October 30, 2008.
- C. On August 7, 2014, the San Francisco Planning Commission certified the completion of the Final Environmental Impact Report for the Project in its Motion No. M-19209, and the SFPUC approved the Project on August 12, 2014 in resolution no. 14-0127, including the adoption of a mitigation, monitoring and reporting program. SFPUC resolution no. 14-0127 authorized the SFPUC

General Manager to negotiate and execute this Agreement following approval by the Participating Pumpers.

- D. The Participating Pumpers supply water to retail customers within their respective service areas in San Mateo County through a combination of purchased water from the SFPUC ("Wholesale Water"); their own groundwater wells in the Basin; and recycled water. The Participating Pumpers purchase Wholesale Water pursuant to the terms of the WSA and Individual Water Supply Contracts. The southern portion of the Westside Groundwater Basin, shown on the map attached hereto as **Attachment A**, (hereinafter "Basin") has been a source of municipal and irrigation water supply for northern San Mateo County water users, including the Participating Pumpers. Groundwater from the Basin has also been a portion of the historical water supply for irrigation at golf courses in San Mateo County and around Lake Merced in San Francisco, and at cemeteries in Colma and San Bruno.
- E. Groundwater pumping from the Basin over the past half-century has from time to time lowered water levels within the Basin, resulting in vacant storage capacity in the Basin. The purpose of the Project described in this Agreement is to enhance the use of the Basin as an underground reservoir to store water during periods when surface water supply can be made available to offset pumping by the Participating Pumpers, leading to an accumulation of stored groundwater in the Basin. The SFPUC would augment recharge in the Basin by delivering surface water to the Participating Pumpers to be used in lieu of groundwater pumping, thus allowing groundwater to accumulate in the Basin. Stored water would be recaptured by pumping during periods of insufficient surface water supplies, thereby increasing the overall supply of potable water from the Basin.
- F. A Conjunctive Use Pilot Program conducted by the Parties demonstrated that water can be stored in the Basin through the SFPUC's delivery of In Lieu Water to replace groundwater that the Participating Pumpers refrain from pumping. The Project objective is to develop enough additional groundwater pumping capacity in order to produce up to an additional 8,100 acre feet per year (pumped at an annual average rate of 7.2 million gallons per day, or "mgd") for an anticipated total extraction of 61,000 acre feet of stored water under the Project to meet SFPUC System demands during a possible 8.5 year drought cycle.
- G. In addition to being available during shortages caused by drought, Project Facilities would be available for use during shortages caused by natural disasters, SFPUC System rehabilitation, scheduled maintenance, or malfunction of the SFPUC System as provided for in the WSA, as well as for certain non-Project purposes by Participating Pumpers, as described in this Agreement.
- H. The SFPUC, through its consulting engineering firm MWH, has completed the "*South Westside Basin Conjunctive Use Program Alternatives Analysis Report*" dated October 2007 ("AAR"), and the "*South Westside Basin Conjunctive Use Program Conceptual Engineering Report*" dated November 2008 ("CER"). The

AAR evaluated well sites and distribution connection alternatives for Project Well sites, taking into account the availability of disinfection and treatment facilities, water quality blending options, and costs. The CER recommended 16 Project Well sites, and included preliminary site layouts and a schedule for subsequent phases of project design and potential implementation (i.e., pre-design site investigations, environmental review, design, and construction). The configuration of Project Facilities and Project Wells reflects the technical and engineering analyses contained in the CER and DEIR, and is as shown on the map attached hereto as **Attachment C**.

- I. The CER updated the AAR well siting plan based upon well interference analyses conducted by the firm of Luhdorff & Scalmanini in a report entitled "*Conceptual Estimate of Static Water Level Response to Planned Conjunctive Use Operations South Westside Basin*" dated April 18, 2008. Based on this work, the Participating Pumpers and the SFPUC have improved their understanding of the possible effects associated with the operation of Project Wells.
- J. A Groundwater Management Plan ("Management Plan") has been developed for the South Westside Basin with participation by San Bruno, Daly City, and Cal Water, and in collaboration with the SFPUC, under California Water Code section 10750 et. seq. The Management Plan has been adopted by San Bruno and Daly City, accepted by Cal Water, and has been received by the SFPUC.
- K. It is the intent of the Parties that this Agreement be interpreted to apply only to the Groundwater Storage and Recovery Project contemplated herein and that this Agreement will have no effect whatsoever on the land use planning or land use permitting authority or decision-making of Daly City, San Bruno, South San Francisco or the City and County of San Francisco.
- L. It is the intent of the Parties that this Agreement, unless expressly stated otherwise, shall not create, alter or impact the rights of the Parties to pump or utilize water from the Basin or the rights of the Participating Pumpers or Nonparticipating Pumpers as overlying owners, pumpers, appropriators, prescriptors or otherwise.

NOW, THEREFORE, in consideration of the foregoing Recitals, the Parties hereby agree as follows:

ARTICLE 1

DEFINITIONS

As used in this Agreement, each of the following capitalized terms shall have the respective meaning given to it in this section unless expressly stated to the contrary where such term is used.

- 1.1. **"Aggregate Designated Quantity"** is the groundwater production allocation set forth in **Section 4.5** that the Participating Pumpers can pump from their Existing Facilities and any New Wells during the Term of this Agreement.
- 1.2. **"Agreement"** shall refer to this Agreement for Groundwater Storage and Recovery from the Southern Portion of the Westside Basin.
- 1.3. **"Basin"** shall refer solely to the 31 square mile southern portion of the Westside Groundwater Basin, as delineated on the map attached hereto as **Attachment A**.
- 1.4. **"Basin Management Objectives"** refers to the groundwater quality and quantity objectives set forth in the Management Plan.
- 1.5. **"Conjunctive Use Pilot Program"** is the program reflected in the First and Second Amendments to Individual Water Supply Contract between the City and County of San Francisco and the City of Daly City for Purposes of Conducting an Aquifer Recharge Study, along with any subsequent letter agreements between the SFPUC and the Participating Pumpers prior to the Effective Date of this Agreement, that authorized the continued delivery of In Lieu Water for study purposes. San Bruno and Cal Water also participated in the Conjunctive Use Pilot Program under respective amendments to their Individual Water Supply Contracts dated December 11, 2002 and December 20, 2002.
- 1.6. **"Consumer Price Index"** refers to the United States Department of Labor's Bureau of Labor Statistics Consumer Price Index for All Urban Consumers, San Francisco-Oakland-San Jose, California, excluding the shelter component of said index. If the aforesaid Consumer Price Index ceases to be published, any similar index published by any other branch or department of the U.S. government shall be used as the index in this Agreement, and if none is published, another index generally recognized as authoritative shall be substituted therefore by the Parties.
- 1.7. **"Designated Quantity"** refers to each Participating Pumper's initial production allocation of the Aggregate Designated Quantity identified in **Section 4.5**, subject to adjustment by agreement of the Participating Pumpers as provided in **Section 4.5**.
- 1.8. **"Emergency"** means a sudden, non-drought event, such as an earthquake or other catastrophic event that results in an insufficient supply of water available to all or part of a Party's service area, or to the combined SFPUC System

wholesale and retail service area, for basic human consumption, firefighting, sanitation, and fire protection.

- 1.9. **"Existing Facilities"** means those wells and associated infrastructure owned by the Participating Pumpers and in existence as of the Effective Date of this Agreement shown on **Attachment B**, and any replacements of Existing Facilities irrespective of location that may be required to pump the share of the Aggregate Designated Quantity allocated to each Participating Pumper during the Term of this Agreement.
- 1.10. **"Force Majeure Event"** means an event, conditions or circumstances not the fault of, and beyond the reasonable control of, the Party claiming excuse which makes it impossible or impracticable for such Party to operate Project Facilities, Shared Facilities or Existing Facilities for Project purposes, by virtue of its effect on (1) Project Facilities, Shared Facilities or Existing Facilities and their continued operation; (2) employees essential to such performance; or (3) the financial viability of a Party's continued operation of Project Facilities, Shared Facilities or Existing Facilities for Project purposes. Force Majeure Events include (a) an "act of God" such as an earthquake, flood, earth movement, or similar catastrophic event, (b) an act of the public enemy, terrorism, sabotage, civil disturbance or similar event, (c) a strike, work stoppage, picketing or similar concerted labor action, (d) delays in construction caused by unanticipated negligence or breach of contract by a third party or inability to obtain essential materials after diligent and timely efforts; or (e) adopted legislation or a decision, order or regulation issued by a federal or state court or regulatory agency during the Term of this Agreement.
- 1.11. **"Hold Periods"** refers to all time periods during the Term of this Agreement that are not declared to be Storage Periods by the SFPUC under **Section 4.2** or deemed to be Recovery Periods under the circumstances described in **Section 5.1**.
- 1.12. **"In Lieu Water"** is SFPUC System Water, subject to the limitations set forth in WSA section 9.02 for water delivered to Cal Water, that the SFPUC delivers at no charge on an interruptible basis to the Participating Pumpers, up to a maximum rate of delivery of 5.52 mgd, to replace groundwater that the Participating Pumpers refrain from pumping using their Existing Facilities during Storage Periods. In Lieu Water is referred to in the Conjunctive Use Pilot Program agreements as "Supplemental Water".
- 1.13. **"Individual Water Supply Guarantee"** is the amount of the 184 mgd Supply Assurance guaranteed to an individual wholesale customer under §3.02 of the WSA, as shown for the Participating Pumpers on **Attachments D-1 through D-3**.
- 1.14. **"Management Plan"** refers to the South Westside Basin Groundwater Management Plan prepared by WRIME, Inc. on behalf of San Bruno, Daly City,

Cal Water, and adopted by San Bruno and Daly City, accepted by Cal Water and received by the SFPUC.

- 1.15. **"Minimum Groundwater Requirements"** means either (1) the minimum quantity of groundwater pumping that cannot be replaced by delivery of In Lieu Water due to constraints in a Participating Pumper's distribution system that a Participating Pumper must continue to pump from its Existing Facilities combined with pumping from any New Wells during Storage Periods; or (2) the minimum quantity of groundwater pumping needed for Existing Facility or New Well maintenance in accordance with prudent operating parameters, as set forth on **Attachments D-1 through D-3**.
- 1.16. **"Minimum Surface Water Requirements"** means the minimum quantity of SFPUC System Water that must continue to be supplied to each Participating Pumper during Recovery Periods for purposes of (1) blending with groundwater as may be required to meet drinking water standards promulgated by the California State Water Resources Control Board; or (2) meeting demands in an individual Participating Pumper's service area whose distribution system may not be configured to permit delivery of groundwater to all of its customers, as set forth in **Attachments D-1 through D-3**.
- 1.17. **"New Well"** means a new groundwater production well in the Basin proposed by a Party that is not intended to replace an existing well, subject to any necessary environmental review under CEQA as set forth in **Section 7.5**.
- 1.18. **"Nonparticipating Pumpers"** are groundwater users pumping water from the Basin that are not participating in this Agreement.
- 1.19. **"Operating Committee"** is the committee of SFPUC and Participating Pumper representatives formed pursuant to **Article 10** of this Agreement.
- 1.20. **"Over Production"** refers to the combined average pumping rate of the Participating Pumpers using their Existing Facilities, including pumping from any proposed New Wells, that exceeds the Aggregate Designated Quantity over the course of a five year period, as explained in **Section 4.5**.
- 1.21. **"Participating Pumpers"** are the groundwater pumpers in the Basin that are participating in this Agreement: Daly City, San Bruno and Cal Water.
- 1.22. **"Preexisting Conditions"** refers to conditions in Existing Facilities that, if not properly managed by a Participating Pumper, have the potential to reduce the extraction of Designated Quantities from its Existing Facilities, irrespective of the intermittent operation of Project Wells.
- 1.23. **"Project"** refers to the proposed Groundwater Storage and Recovery Project described in this Agreement.

- 1.24. **"Project Capital Costs"** means costs incurred for the construction and acquisition of Project Facilities along with all Project-related planning costs, such as engineering costs, engineering services, costs to obtain Project-related regulatory permits, fees for environmental consultants, legal fees, and other costs that are required to construct and acquire Project Facilities.
- 1.25. **"Project Facilities"** includes all Project assets, such as Project Wells and all related fixed assets (e.g., real property, water treatment, connecting pipelines) that are acquired or constructed by the SFPUC pursuant to this Agreement and operated as Regional Water Enterprise assets for the allocation of capital costs and operation and maintenance expenses under the WSA, as shown on the map attached as **Attachment C** and listed on **Attachment E**.
- 1.26. **"Project Operation and Maintenance Expenses"** means the cost of operating and maintaining Project Facilities and Shared Facilities in good working order or repairing those Facilities when necessary, including all Project-related expenses, such as labor, materials and supplies, water treatment, permitting, energy, water quality monitoring and other expenses directly attributable to operation of Project Facilities for Project purposes. Project Operation and Maintenance Expenses may also include expenses incurred by the Participating Pumpers in operating Existing Facilities and new wells provided that such expenses are recommended in advance by the Operating Committee under **Section 9.2**.
- 1.27. **"Project Wells"** are the wells proposed to be installed for Project purposes, as shown on the map attached as **Attachment C**.
- 1.28. **"Recovery Notice"** is the written notice issued by the SFPUC declaring a forecasted shortage of water in the SFPUC Water System due to drought, scheduled maintenance, or an Emergency, triggering Recovery of water stored in the SFPUC Storage Account by the Parties to this Agreement at such time as the SFPUC may direct.
- 1.29. **"Recovery" or "Recovery Periods"** refers to the act of pumping or to periods of pumping of water from the SFPUC Storage Account for Project purposes using Project Facilities as may be directed by the SFPUC or recommended by the Operating Committee under **Section 5.1**. Recovery does not include the pumping of Project Wells for non-Project purposes as described in **Section 8.8**, the pumping of Project Wells for non-Project Emergency purposes under **Section 8.9**, or any volume of Over Production by a Participating Pumper.
- 1.30. **"Replacement Water"** means the quantity of SFPUC System Water made available by the SFPUC, in accordance with **Section 4.7**, to some or all of the Participating Pumpers based on a determination by the Operating Committee that the Aggregate Designated Quantity in **Section 4.5** should be reduced based on the criterion set forth in **Section 4.7**.

- 1.31. **"SFPUC System"** is the surface water importation system operated by the SFPUC that diverts, delivers, and accounts for SFPUC System Water to wholesale and retail customers in the SFPUC service area.
- 1.32. **"SFPUC System Water"** is the water the SFPUC diverts from local Bay Area watersheds and the Tuolumne River for use within the SFPUC service area, and includes any positive balance in the SFPUC Storage Account that is available for pumping using Project Wells connected to SFPUC System transmission mains or to the Participating Pumpers' water distribution systems.
- 1.33. **"SFPUC Storage Account"** means the book account maintained by the SFPUC showing the amount of water stored in the Basin during Storage Periods under this Agreement, and the amounts described in **Section 6.3** that were previously stored as a result of participation in the Conjunctive Use Pilot Project, less the amount of water pumped by the Participating Pumpers and the SFPUC from Project Wells during Recovery Periods and less losses from the Basin, as determined by the Operating Committee as provided in **Section 6.5**.
- 1.34. **"Shared Facilities"** refers to an Existing Facility that is owned by a Participating Pumper, as upgraded through the expenditure of Regional capital costs under section 5.04 of the WSA and operated in part as a Project Facility.
- 1.35. **"Shortage"** means a reduction in SFPUC System Water available to the SFPUC System or portions thereof caused by drought, Emergencies, scheduled maintenance activities, or malfunction of the SFPUC System.
- 1.36. **"Shortage Allocation"** refers to each Participating Pumper's allocation of SFPUC System Water during periods of mandatory rationing as determined by the wholesale customers in Tier 2 of the Shortage Allocation Plan or any successor plan that may be agreed to by the SFPUC and its wholesale customers during the Term of this Agreement.
- 1.37. **"Shortage Allocation Plan"** is the Water Shortage Allocation Plan attached as Attachment H to the WSA that describes a method for allocating water between the SFPUC retail and wholesale customer classes during system-wide water shortages that require an average system-wide reduction in water use of up to twenty percent.
- 1.38. **"Storage" or "Storage Periods"** refers to the act of storing water, or to periods of time when such storage occurs, through the provision of In Lieu Water to the Participating Pumpers, as may be directed by the SFPUC in accordance with **Section 4.3**.
- 1.39. **"Supply Assurance"** is the total amount (184 mgd) that the SFPUC guarantees it will make available to its wholesale customers on an annual average basis under §3.01 of the WSA.

- 1.40. **"Supply Year"** refers to the period from July 1 to June 30.
- 1.41. **"Undesirable Effects"** means a substantial adverse physical change to the Basin caused by Project operation that would result in (1) seawater intrusion, land subsidence, or water quality degradation; (2) material reductions in well yield at, or the inability to pump from, without experiencing excessive pump lifts, one or more wells owned and operated by a Participating Pumper; (3) lowering of groundwater levels such that there would be a substantial (greater than 5%) reduction in the amount of water available in the SFPUC Storage Account; (4) a substantial lowering of groundwater levels such that the impacts identified in subparts (1), (2) or (3) above would result, or any other material adverse physical change on the water supply or operations of a participating pumper. For purposes of this Agreement, "Undesirable Effects" also includes material increases in the cost of operation of Existing or Project Facilities.
- 1.42. **"Wholesale Water"** is SFPUC System Water that the SFPUC delivers to a Participating Pumper pursuant to the WSA within a Participating Pumper's Individual Water Supply Guarantee, and does not include supplies of In Lieu Water delivered to the Participating Pumps on an interruptible basis.
- 1.43. **"WSA"** refers to the Water Supply Agreement between the City and County of San Francisco and Wholesale Customers in Alameda, San Mateo and Santa Clara Counties dated July 1, 2009.

ARTICLE 2

EFFECTIVE DATE, TERM AND AMENDMENT

2.1. Effective Date

This Agreement shall be effective as of December 16, 2014, the date that the General Manager of the SFPUC signed this Agreement following approval by the Participating Pumps (the "Effective Date").

2.2. Term

The term ("Term") of this Agreement shall be co extant with the term of the WSA, subject to the limitations and terms and conditions set forth herein. The Term shall begin on the Effective Date, and shall end on the expiration of the WSA, June 30, 2034. If the term of the WSA is extended as provided in section 2.02 thereof through the addition of any Extension Term(s), the term of this Agreement shall be automatically extended for an identical Extension Term.

2.3. Amendment

The Parties may agree to amend this Agreement in writing from time to time following duly authorized approval of their governing bodies. The matters to be determined by the Operating Committee under **Section 10.2**, and amendments to **Attachments A through G**, do not require the approval of the Parties' governing bodies.

2.4. Conditions Precedent in Article 3; Termination

In the event of the failure or non-waiver of any of the conditions precedent in **Article 3**, the Parties shall meet and confer on the feasibility of satisfying or waiving the conditions. If, after reasonable efforts by the Parties, the conditions precedent in **Article 3** cannot be satisfied or waived, this Agreement shall terminate automatically.

2.5. Consequences of Non-Extension or Termination

If the term of the WSA is not extended pursuant to **Section 2.2**, or if this Agreement terminates pursuant to **Sections 11.1 or 12.14**, the SFPUC shall continue to own and have access to all Project Facilities, and shall have the right to direct the Participating Pumpers to extract and use any remaining water reflected as a credit balance in the SFPUC Storage Account as provided in **Article 5** of this Agreement, until there is no remaining water in the SFPUC Storage Account. Alternatively, the SFPUC may in its sole discretion pump any remaining stored water reflected as a credit balance in the SFPUC Storage Account, subject only to the limitations contained in this Agreement until there is no remaining water in the SFPUC Storage Account. The SFPUC shall allocate the water supply benefit that accrues as a result of such pumping in accordance with Section 3.17 of the WSA. Upon the expiration of this Agreement, the SFPUC shall otherwise have no right, claim or interest in the Basin, or to water in the Basin, pursuant to this Agreement.

ARTICLE 3

CONDITIONS PRECEDENT TO IMPLEMENTATION OF PROJECT

The construction of Project Facilities, the Parties' obligations to operate Project Facilities, Existing Facilities and Shared Facilities in accordance with this Agreement, and the taking of any discretionary actions by any Party in accordance with this Agreement, are subject to the following conditions precedent:

3.1. Permits and Approvals

Compliance with CEQA (California Public Resources Code Section 21000 et seq.) and any other authorizations, consents, licenses, permits and approvals from any governmental authority or person required by applicable law to construct and operate the Project shall have been obtained.

In considering any proposed future discretionary actions that may be proposed in this Agreement, the Parties retain absolute discretion to: (1) make such modifications to any of the proposed discretionary actions as may be necessary to mitigate significant environmental impacts; (2) select feasible alternatives to the proposed discretionary actions that avoid significant adverse impacts; (3) require the implementation of specific measures to mitigate the significant adverse environmental impacts as part of the decision to approve the discretionary actions; (4) balance the benefits of the proposed discretionary actions against any significant environmental impacts before taking final actions to approve the proposed discretionary actions if such significant impacts cannot otherwise be avoided; or (5) determine not to proceed with the proposed discretionary actions.

3.2. No Force Majeure Event

No Force Majeure Event (as defined in **Section 1.10**) shall have occurred and be continuing.

ARTICLE 4

GROUNDWATER STORAGE PERIODS

4.1. SFPUC Storage Through In Lieu Water Deliveries

During Storage Periods the SFPUC may require the Participating Pumpers to store In Lieu Water in the Basin up to a maximum rate of 5.52 mgd. All quantities of In Lieu Water stored in the Basin shall be added to the SFPUC Storage Account, up to a total maximum storage of 61,000 acre feet. All quantities of In Lieu Water delivered to Cal Water shall be in accordance with the terms of the Raker Act and the requirements of WSA section 9.02.

4.2. Notice of In Lieu Deliveries; Duty to Take Delivery of In Lieu Water

The amount of In Lieu Water available for delivery to the Participating Pumpers shall be at the sole discretion of the SFPUC, taking into account hydrologic, operational and other conditions of concern to the SFPUC as the operator of the SFPUC System. If the SFPUC elects to declare a Storage Period and deliver In Lieu Water, the Participating Pumpers shall accept In Lieu Water delivered by the SFPUC in accordance with the terms and conditions of this Agreement.

In accordance with the schedule set forth in the Shortage Allocation Plan, the SFPUC informs its wholesale customers, including the Participating Pumpers, of its final estimate of available SFPUC System Water by April 15th (or sooner if adequate snow survey measurement data is available) to form a robust estimate of the water supply available to the retail and wholesale customer classes for the coming Supply Year. As a part of that annual determination, the SFPUC will give written notice to the Participating Pumpers and the Operating Committee on or before April 15th of the availability, anticipated quantities, and timing of SFPUC In Lieu Water deliveries.

4.3. Reduction in Pumping from Existing Facilities; Minimum Groundwater Requirements

If the SFPUC's notice of available SFPUC System Water states that In Lieu Water is available for delivery to the Participating Pumpers at the maximum total rate of 5.52 mgd, the Participating Pumpers shall each respond to the SFPUC in writing by May 15th regarding whether and to what extent they can accept delivery of In Lieu Water over the course of the coming Supply Year by reducing pumping of their Designated Quantities from their Existing Facilities to the amounts of their respective Minimum Groundwater Requirements shown in **Attachments D-1, D-2 and D-3**.

The Participating Pumpers' may indicate in their responses that they elect to pump groundwater from their Existing Facilities at rates higher than their individual Minimum Groundwater Requirements, up to a cumulative total exceedance of 1.9 mgd, as may be allocated based on mutual agreement of the Participating Pumpers. The Participating Pumpers shall take delivery of a minimum of 5 mgd of In Lieu Water during Storage Periods, or of any smaller quantity of In Lieu Water that is made available by the SFPUC in the notice issued on or before April 15th.

The Participating Pumpers shall decrease pumping from their Existing Facilities on such date as the Parties may agree but no later than July 1, at which time the SFPUC will commence delivery of In Lieu Water up to the amount made available by the SFPUC, and as requested by the Participating Pumpers. All quantities of In Lieu Water delivered by the SFPUC up to a rate of 5.52 mgd will be accounted for as credits in the SFPUC Storage Account.

The Participating Pumpers may operate their Existing Facilities to pump less than their individual Minimum Groundwater Requirements during Storage Periods. Deliveries of SFPUC System Water to offset pumping reductions below a Participating Pumper's Minimum Groundwater Requirement shall not be considered In Lieu Water and are subject to the provisions of **Section 6.4**. Increases in Minimum Groundwater Requirements may be made only with the approval of the Operating Committee under **Section 10.2.5**.

4.4. Location of Delivery of In Lieu Water to Participating Pumpers

The SFPUC shall deliver In Lieu Water to the Participating Pumpers at the existing service connections detailed in each Participating Pumper's Individual Water Supply contract with the SFPUC. To the extent that delivery of In Lieu Water under the Project requires additional service connections to the SFPUC System, such connections shall be considered Project Facilities for cost allocation purposes under **Article 9** of this Agreement.

4.5. Aggregate Designated Quantity; Initial Designated Quantities Assigned to Participating Pumpers

The Participating Pumpers agree to restrict the pumping of groundwater from the Basin utilizing their Existing Facilities, combined with any pumping from proposed New Wells, to the Aggregate Designated Quantity of 7,724 acre feet per year, extracted at an annual cumulative rate of 6.9 mgd. Subject to the limitation on Over Production expressed in **Section 4.8**, the Participating Pumpers may in their sole discretion exceed the 6.9 mgd annual cumulative pumping rate provided that the five-year moving average cumulative pumping rate, computed solely with reference to the previous five years of Recovery and Hold periods, shall not exceed 6.9 mgd. The initial Designated Quantities assigned to each of the Participating Pumpers over the first Supply Year during the Term of this Agreement are as follows:

4.5.1. Daly City: 3,842 acre feet per year, extracted at an annual average rate of 3.43 mgd.

4.5.2. Cal Water: 1,534 acre feet per year, extracted at an annual average rate of 1.37 mgd.

4.5.3. San Bruno: 2,350 acre feet per year, extracted at an annual average rate of 2.1 mgd.

The Designated Quantities set forth in this section may be freely altered, transferred, adjusted or allocated by agreement (collectively, "adjustments") of the Participating Pumpers in each Supply Year during the Term of this Agreement, provided that (1) the Aggregate Designated Quantity is not increased above 6.9 mgd using the five-year moving average described in this section; (2) the adjustments in Designated Quantities are reflected, to the extent possible, in the annual operating plans developed by the Operating Committee under **Section 8.6**; and (3) such adjustments do not exceed 10%, of each Participating Pumper's agreed upon Designated Quantity, plus or minus, for that Supply Year. The Operating Committee may consider an increase to the 10% limitation on adjustments to Designated Quantities expressed in this section in accordance with the criteria set forth in **Sections 4.6.1** and **4.6.2**.

4.6. Increase of Aggregate Designated Quantity

The future operation of the Basin for Project purposes, and continued water level monitoring by the Parties in accordance with the Management Plan, may result in mutual agreement that the Aggregate Designated Quantity set forth in **Section 4.5** may be below the yield of the Basin. Requests by the Participating Pumpers to extract groundwater above the Aggregate Designated Quantity may be approved by the Operating Committee as set forth in **Section 10.2.12**. As of the Effective Date of this Agreement, the Participating Pumpers are not planning to extract groundwater above the Aggregate Designated Quantity, but are incorporating a process for adjusting the Aggregate Designated Quantity should the Operating Committee decide to exercise its discretion to do so in the future, following compliance with CEQA to the extent required. Potential increases in the Aggregate Designated Quantity may be considered by the Operating Committee under any of the following circumstances:

4.6.1. Based on actual water level data and operational experience, or changed conditions, following the completion and acceptance of Project Facilities as reflected in a resolution of the SFPUC.

4.6.2. At any time following the permanent replacement of groundwater pumped by a Nonparticipating Pumper with water from another source, e.g. recycled water.

4.7. Reduction in Aggregate Designated Quantity; Provision of Replacement Water by the SFPUC

The Operating Committee may determine under **Section 10.2.12** that it is necessary to reduce the Aggregate Designated Quantity set forth in **Section 4.5**. Any decision of the Operating Committee to reduce the Aggregate Designated Quantity shall be based solely on a determination that continued pumping of the Aggregate Designated Quantity will result in the long term decline of Basin water levels absent Project operations in a manner that substantially interferes with the ability to extract water from the SFPUC Storage Account during Recovery Periods.

The determination of each Participating Pumper's share of any reduction in the Aggregate Designated Quantity shall be by agreement of the Participating Pumpers. In the event the Participating Pumpers are unable to reach agreement, Section 12.1 shall apply. Following such agreement, the SFPUC agrees that it will provide a total of up to 500 acre feet of Replacement Water per year to the Participating Pumpers at a cost of \$226.53 per acre foot within 60 days of receipt of written notification by the affected Participating Pumper(s). The price of Replacement Water may be adjusted annually by the SFPUC based on the Consumer Price Index.

The supply of Replacement Water by the SFPUC shall not increase a Participating Pumper's Individual Water Supply Guarantee under the WSA and shall be consistent with section 9.02 of the WSA. In the event that the SFPUC offers to increase the Supply Assurance under section 4.06 of the WSA, and one or more Participating Pumpers receiving Replacement Water requests and receives an increase in its Individual Water Supply Guarantee, then the SFPUC's obligation to provide Replacement Water shall cease to the extent of the increase in the Participating Pumper's Individual Water Supply Guarantee that is offered by the SFPUC, and the corresponding amount of Replacement Water formerly supplied by the SFPUC shall be priced at the then-current SFPUC wholesale water rate. Alternatively, the SFPUC's obligation to provide a Replacement Water supply to one or more Participating Pumpers may be retired in whole or part if the SFPUC pays a mutually agreed upon one-time capital cost contribution towards a permanent replacement of groundwater pumped by a Nonparticipating Pumper with water from

another source in the Basin as provided in **Section 4.6.2**. Prior to making any decision to retire a Replacement Water obligation by making a capital cost contribution towards a permanent replacement of groundwater pumped from the Basin, the SFPUC agrees that it will solicit input and recommendations from the Bay Area Water Supply and Conservation Agency and the wholesale customers under WSA section 3.15.B. The provision of Replacement Water described in this section shall not be construed as precedent for the allocation of surface water by the SFPUC in any future water transfer or SFPUC System capital project involving other wholesale water customers of the SFPUC.

The notice(s) from the affected Participating Pumper(s) requesting delivery of Replacement Water shall, on an annual basis, select one of the following options:

4.7.1. An annual transfer of storage credits in the SFPUC Storage Account.

4.7.2. Provision of interruptible supplies of surface water from the SFPUC System, provided that the SFPUC determines, in its sole discretion, that such supplies are available.

4.8. Over Production of Water in Excess of Aggregate Designated Quantity

At the close of each Supply Year, beginning in the fifth year of Project operations, the Operating Committee will determine whether the Participating Pumpers engaged in Over Production, and if so, identify which Participating Pumper(s) were responsible for the Over Production by pumping more than its agreed upon Designated Quantity during the previous five year averaging period. Over Production shall never exceed an amount that is 10% over the Aggregate Designated Quantity (7.6 mgd) in any Supply Year or the five-year moving average amount of 6.9 mgd calculated as provided in **Section 4.5** above. No volume of Over Production shall result in any deduction of water from the SFPUC Storage Account. Any Participating Pumper determined by the Operating Committee to be responsible for Over Production shall take one of the following corrective actions:

4.8.1. reduce pumping below its Designated Quantity, not including Storage Periods, by a commensurate amount to restore water to the Basin in the amount of the Over Production which will result in the five year moving average basis of 6.9 mgd being achieved;

4.8.2. replace the quantity of water pumped in excess of the Designated Quantity with water from another source or supply, resulting in an equivalent amount of water being stored in the Basin, subject to the approval of the Operating Committee under **Section 10.2.12**; or

4.8.3. other appropriate measures proposed by the Parties, subject to the approval of the Operating Committee under **Section 10.2.12**.

A Participating Pumper that engages in Over Production shall propose its preferred method for remedying the Over Production by August 1st of the succeeding Supply Year and shall so inform the other members of the Operating Committee. If the proposed remedy for Over Production requires a decision of the Operating Committee under **Section 10.2.12**, the Operating Committee shall convene within 30 days of receipt of the proposal. The corrective measures set forth in **Sections 4.8.1 through 4.8.3** shall not be applicable to Over Production required solely due to an Emergency or for Project Management purposes as directed by the Operating Committee under **Section 5.2.3**.

ARTICLE 5

RECOVERY OF SFPUC STORAGE ACCOUNT WATER FROM PROJECT WELLS

5.1. Circumstances Triggering Recovery of SFPUC Storage Account Water by Participating Pumpers

Pursuant to **Section 5.2**, the SFPUC will determine the quantity of groundwater to be pumped from the SFPUC Storage Account using Project Wells in any of the following circumstances:

- 5.1.1. During Shortages caused by drought using the process set forth in the Shortage Allocation Plan, and as set forth in Section 5.2.1; or
- 5.1.2. During Shortages caused by an Emergency, SFPUC System rehabilitation, scheduled maintenance, or malfunction of the SFPUC System, any of which permit the SFPUC to temporarily reduce deliveries of Wholesale Water to all or some of its wholesale customers as set forth in WSA §3.11; or
- 5.1.3. Upon recommendation of the Operating Committee, including for purposes of managing the SFPUC Storage Account.

5.2. Timing of Recovery of Water from SFPUC Storage Account

5.2.1. Drought Recovery

The SFPUC may issue a Recovery Notice during droughts when the SFPUC determines that available water supplies from the SFPUC System are insufficient to meet customer purchase projections using the process set forth in the Shortage Allocation Plan. During Shortages caused by drought, the SFPUC may choose to exercise its dry year water supply options, including but not limited to Recovery of water from the SFPUC Storage Account; requesting voluntary reductions in water use or imposition of mandatory rationing; or any combination of these measures. Upon issuance of a Recovery Notice by the SFPUC, the Parties and the Operating Committee shall make plans and preparations for the possible Recovery of SFPUC Storage Account water commencing on July 1 or such later date as the Recovery Notice shall direct, pursuant to **Section 5.3** below. In successive dry years, the SFPUC's initial determination of water availability under the Shortage Allocation Plan shall include the remaining volume of water in the SFPUC Storage Account, and the SFPUC may direct the Participating Pumpers to continue Recovery from Project Wells under their operational control in each successive dry year until the total volume in the SFPUC Storage Account is exhausted.

5.2.2. Non-Drought Shortages

During Shortages that would be caused by SFPUC System rehabilitation or scheduled maintenance, the SFPUC's Recovery Notice shall provide not less than 60 days' advance notice to the Participating Pumpers and the Operating Committee that water must be pumped from the SFPUC Storage Account using Project Wells. During Emergencies or malfunctioning of the SFPUC System that

prevent the SFPUC from meeting water demands in its combined retail and wholesale service areas at established level of service goals for the delivery of SFPUC System Water, the SFPUC may issue a written Recovery Notice that requires Recovery by the Participating Pumpers as soon as is reasonably practicable.

5.2.3. Management of SFPUC Storage Account

For purposes of managing the SFPUC Storage Account, the Operating Committee may authorize pumping outside of Recovery Periods and shall develop a schedule of pumping pursuant to **Section 10.2.2** that provides adequate notice to the Parties of the need to pump water from the SFPUC Storage Account.

5.3. Issuance of Recovery Notice by the SFPUC

Based on the circumstances and timing set forth in **Sections 5.2.1 and 5.2.2**, the SFPUC may, in order to manage the limited supply of SFPUC System Water during Shortage, issue a Recovery Notice directing that groundwater be pumped by Participating Pumpers from Project Wells in the Basin, up to the cumulative total amount available in the SFPUC Storage Account and in accordance with the Operating Committee's (1) operating schedule developed pursuant to **Section 10.2.2** and (2) rules for accounting for storage losses from the Basin pursuant to **Sections 6.5 and 10.2.10**.

5.4. Quantities of Water Available to Participating Pumpers from Project Facilities and SFPUC System Connections During Shortages Caused by Drought

During Shortages caused by drought that require mandatory rationing, the quantity of groundwater pumped by each Participating Pumper from the SFPUC Storage Account using Project Facilities, plus each Participating Pumper's Minimum Surface Water Requirement, shall not exceed the volume of the Wholesale Water allocation that would have been available to that Participating Pumper under the methodology adopted by all of the wholesale customers under section 2.2 of the Shortage Allocation Plan. During Shortages caused by drought that require mandatory rationing, the Participating Pumpers may not take delivery of SFPUC Surface Water in excess of the volumes that would have been available to them under section 2.2 of the Shortage Allocation Plan as a substitute for reduced pumping from their Existing Facilities or from Project Wells under their operational control.

5.5. Minimum SFPUC System Water Deliveries to Participating Pumpers during Recovery Periods

During Recovery Periods, the SFPUC shall continue to supply each Participating Pumper with its Minimum Surface Water Requirements, as set forth in **Attachment D**. Changes in Minimum Surface Water Requirements may be made only with the approval of the SFPUC, which shall not be unreasonably withheld.

5.6. Recovery of Stored Water by the SFPUC

Project Facilities include Project Wells located on SFPUC System transmission line rights of way which may, in addition to Project Wells operated by the Participating Pumpers, be operated by the SFPUC for the Recovery of SFPUC Storage Account water pursuant to **Section 5.1**. These Project Wells are shown on **Attachment C**.

5.7. Limitations on Recovery

The Parties agree that Recovery will never exceed the cumulative amount of water available in the SFPUC Storage Account (taking into consideration Basin losses measured in accordance with the methodology adopted by the Operating Committee in accordance with **Section 6.5**), and that Recovery will never exceed 8,100 acre-feet per Supply Year withdrawn at an average rate of 7.2 mgd. The SFPUC further agrees that it will not pump or recover any water from the Basin unless there is a positive balance in the SFPUC Storage Account. If the SFPUC pumps or recovers any water from the Basin in excess of the balance available in the SFPUC Storage Account, the SFPUC must transfer a corresponding amount of SFPUC System Water to the Basin over the course of the succeeding Supply Year at no cost to the Participating Pumpers.

ARTICLE 6

PROJECT WATER ACCOUNTING

6.1. Accounting for Storage and Recovery

Accounting for Storage and Recovery of groundwater in the SFPUC Storage Account is to be performed on the following basis:

6.1.1. **Storage Period Accounting.** All quantities of In Lieu Water delivered to the Participating Pumpers will result in a corresponding credit to the SFPUC Storage Account. The SFPUC's calculation of Storage Account credits will be based on the volume of In Lieu Water delivered to each Participating Pumper through its service connections to the SFPUC System. The total volume of In Lieu Water delivered during Storage Periods will be measured based on the delta between the combined metered reductions in each Participating Pumper's annual Designated Quantity and its respective Minimum Groundwater Requirement. The Participating Pumpers will provide metered volumes of groundwater produced from their Existing Facilities to the SFPUC on a monthly basis. Quantities of In Lieu Water delivered to each Participating Pumper by the SFPUC will be reflected in the next SFPUC monthly billing to each Participating Pumper for Wholesale Water, along with the cumulative total of prior In Lieu Water deliveries during Storage Periods.

6.1.2. **Recovery Period Accounting.** All quantities of groundwater pumped from Project Wells by the Parties for Project purposes will result in a corresponding debit to the SFPUC Storage Account. Pumping for Project purposes includes pumping of up to 265 acre feet per year from Project Wells for purposes of maintaining well capacity when idle during Storage Periods and Hold Periods. The SFPUC's calculation of Storage Account debits will be based upon Project Well meter readings made by or provided to the SFPUC. During Recovery Periods, the SFPUC's monthly billings to each Participating Pumper for Wholesale Water will include the total metered extractions of SFPUC Storage Account Water from Project Wells by the Parties, along with the balance remaining in the SFPUC Storage Account.

6.1.3. Water Accounting for Use of Project Facilities for Non-Project Purposes or During Emergencies. The Participating Pumpers' use of Project Facilities for non-Project purposes under **Section 8.8** shall not result in a corresponding debit to the volume of water stored in the SFPUC Storage Account. A Participating Pumper's use of Project Facilities during a local Emergency under **Section 8.9** shall not result in a corresponding debit to the volume of water stored in the SFPUC Storage Account, unless the SFPUC determines, in its sole discretion, that such pumping is required under **Section 5.2.2** in order to maintain water deliveries from the SFPUC System to its combined wholesale and retail service area at the SFPUC's established level of service goals.

6.2. Accounting for Wholesale Water

Wholesale Water deliveries shall continue to be paid for by the Participating Pumpers pursuant to the WSA and shall not increase the credit balance in the SFPUC Storage Account. The SFPUC's delivery of Replacement Water, and interruptible supplies of In Lieu Water to a Participating Pumper in excess of its Individual Water Supply Guarantee, shall not be construed to create any liability, dedication to public use, or obligation on the part of the SFPUC to provide a greater volume of water to that Participating Pumper than its Individual Water Supply Guarantee, as set forth in Attachment C to the WSA.

Apart from changes in the timing of SFPUC System Water delivery and payment therefore in accordance with conjunctive operation of the Basin, and as is set forth in **Section 12.18** of this Agreement, nothing in this Agreement is intended to affect the Participating Pumpers' rights to, and payment for, Wholesale Water, including each Participating Pumper's share of payment for SFPUC System Regional asset capital costs and associated operating expense categories under the WSA.

6.3. Accounting for In Lieu Water Delivered during Conjunctive Use Pilot Program

During the Conjunctive Use Pilot Program, the SFPUC delivered In Lieu Water to the Participating Pumpers. The following quantities of water have been added to the SFPUC Storage Account as a result of the Conjunctive Use Pilot Program:

6.3.1. **Daly City** - During the Conjunctive Use Pilot Program, up until April 1, 2006, the SFPUC delivered 9,573 acre feet of In Lieu Water to Daly City, which paid for that water at the \$0.35 per unit rate established under the Conjunctive Use Pilot Program. That water, which is included as a credit balance to the SFPUC Storage Account, shall be pumped first at no charge to Daly City upon the future initiation of Recovery.

From April 1, 2006 through March 31, 2011, the SFPUC continued to periodically deliver In Lieu Water to Daly City at no charge, resulting in an additional credit of 7,864 acre feet in the SFPUC Storage Account. Those deliveries shall be credited to the SFPUC Storage Account, and, when Recovery is initiated, and after Daly City has received, at no charge, 9,573 acre feet stored under the Conjunctive Use Pilot Program, Daly City shall pay for groundwater

pumped from the SFPUC Storage Account as provided in **Section 6.4** of this Agreement.

6.3.2. Cal Water - During the first phase of the Conjunctive Use Pilot Program, between February 1, 2003 and November 30, 2003, the SFPUC delivered 802 acre feet of In Lieu Water to Cal Water, which paid for that water at the \$0.35 per unit rate established under the Conjunctive Use Pilot Program.

When the Conjunctive Use Pilot Program restarted on April 1, 2004, Cal Water did not participate and did not resume pumping any part of its Designated Quantity, but continued to rely on Wholesale Water for all of its water needs in its South San Francisco service area. This resulted in an increase in Basin water levels as if Cal Water had continued to participate in the Conjunctive Use Pilot Program, and a corresponding increase in the SFPUC Storage Account of 938 acre feet between April 1, 2004 and March 1, 2005. The SFPUC will reduce Cal Water's FY 2014-15 Wholesale Water billings by \$315,323 (three hundred fifteen thousand three hundred twenty three dollars), representing the difference between the rate charged for 938 acre feet of water delivered under the Conjunctive Use Pilot Program and the established FY 2003-04 and FY 2004-05 SFPUC Wholesale Water rates paid by Cal Water, as if Cal Water had continued to participate in the Conjunctive Use Pilot Program between April 1, 2004 and March 1, 2005. The SFPUC will make the credit adjustment to Cal Water's FY 2014-15 Wholesale Water account by no later than June 30, 2015. Following the SFPUC's adjustment of Cal Water's Wholesale Water payment balance to reflect the previous storage of 938 acre feet in the SFPUC Storage Account, the total quantity of water delivered to Cal Water between February 1, 2003 - November 30, 2003 and April 1, 2004 - March 1, 2005 (1,740 acre feet) shall be pumped first at no charge to Cal Water upon the future initiation of Recovery. The SFPUC shall reimburse Cal Water an amount not to exceed \$80,000 (eighty thousand dollars), based on invoices submitted and approved by the SFPUC, for design costs previously incurred by Cal Water as Project Capital Costs to evaluate the feasibility of co-locating Shared Facilities for Project Well no. 13 at Cal Water's existing South San Francisco water treatment facilities. Should Cal Water ultimately approve construction of these Shared Facilities, the SFPUC will contribute an additional amount not to exceed \$500,000 (five hundred thousand dollars) towards the total costs of Cal Water's Shared Facilities as a Project Capital Cost, and shall reimburse Cal Water for design and construction costs as a lump sum payment prior to construction, for a total potential not to exceed amount of \$580,000 (five hundred eighty thousand dollars). Operation and maintenance expenses incurred by Cal Water as a result of operating Shared Facilities for Project purposes as a Project Facility shall be reimbursed by the SFPUC as Project Operations and Maintenance Expenses in accordance with **Section 9.2**.

When Recovery is initiated, and after Cal Water has received, at no charge, 1,740 acre feet stored between February 1, 2003 and March 1, 2005, Cal Water shall

pay for groundwater pumped from the SFPUC Storage Account as provided in **Section 6.4** of this Agreement.

6.3.3. **San Bruno** - During the Conjunctive Use Pilot Program, up until March 1, 2005, the SFPUC delivered 3,915 acre feet of In Lieu Water to San Bruno, which paid for that water at the \$0.35 per unit rate established under the Conjunctive Use Pilot Program. That water, which is included as a credit balance to the SFPUC Storage Account, shall be pumped first at no charge to San Bruno upon the future initiation of Recovery.

When Recovery is initiated, after San Bruno has received, at no charge, 3,915 acre feet stored under the Conjunctive Use Pilot Program, San Bruno shall pay for groundwater pumped from the SFPUC Storage Account as provided in **Section 6.4** of this Agreement.

San Bruno and SFPUC agree to execute a memorandum of understanding that reflects the SFPUC's intent to provide for, or to construct at the SFPUC's expense, facilities for the emergency storage of one million gallons of water in pressure zone 1/4, or equivalent, during Storage Periods since San Bruno's Existing Facilities would not be immediately available to supply water during an emergency.

6.4. Deferred Payment for Stored In Lieu Water Supplies

Except as expressly provided in **Section 6.3** of this Agreement, a Participating Pumper will not pay for In Lieu Water at the time of delivery. Rather, payment will be deferred until Recovery by pumping. The SFPUC will bill, and the Participating Pumper will pay, for groundwater pumped by the Participating Pumper from the SFPUC Storage Account using Project Facilities at the then-applicable Wholesale Water rate established by the SFPUC. During Storage Periods, each Participating Pumper shall pay the established SFPUC Wholesale Water rate for all quantities of Wholesale Water that are delivered to it as a result of pumping from Existing Facilities at a rate less than its Minimum Groundwater Requirement.

6.5. Accounting for Losses

Groundwater modeling performed by the Parties as well as the Management Plan have determined that the Basin is not a closed basin. Therefore, the Operating Committee shall develop and adopt, and periodically revise, if necessary, a proposal for accounting for losses from the Basin under **Section 10.2.10**, including, if necessary, a reduction in the Aggregate Designated Quantity under **Section 4.7** or to the volume of water in the SFPUC Storage Account, which shall be consistent with generally accepted principles of groundwater accounting and management.

ARTICLE 7

OWNERSHIP, OPERATION, MAINTENANCE AND REPLACEMENT OF EXISTING FACILITIES

7.1. Ownership, Operation, Maintenance and Replacement of Existing Facilities

Each Participating Pumper will continue to own, operate, maintain and replace, if necessary, its Existing Facilities during the Term of this Agreement. This Agreement does not authorize nor prohibit the replacement of Existing Facilities, which shall be based solely on the discretion of each Participating Pumper following environmental review under CEQA, if necessary. Each Participating Pumper further agrees that it is solely responsible for all costs associated with the operation, maintenance, repair and replacement of its Existing Facilities, except to the extent authorized in **Section 9.2**.

7.2. Operation and Maintenance of Existing Facilities

Each Participating Pumper agrees, to the extent practicable and economically feasible, to operate, maintain, repair and replace its Existing Facilities (1) in accordance with this Agreement and applicable laws, rules, regulations, guidelines, well encrustation studies and prudent utility operator standards, including management of any Preexisting Conditions to avoid interference with Recovery of water from the SFPUC Storage Account; (2) in accordance with its agreed upon share of the Aggregate Designated Quantity set forth in **Section 4.5**; and (3) in a manner that will not cause Undesirable Effects on Project Wells or the wells of other Participating Pumps. The Participating Pumps agree to use best efforts to maintain their Existing Facilities in good repair so as to be fully capable of producing the Aggregate Designated Quantity set forth in **Section 4.5** during Recovery Periods.

7.2.1. During the period following the SFPUC's issuance of a Recovery Notice for a potential drought pursuant to **Section 5.2.1**, each Participating Pumper shall conduct such testing and perform all maintenance or rehabilitation work on its Existing Facilities that may be required to produce its agreed upon Designated Quantity by the date specified in the Recovery Notice and over successive years if the drought continues. Within 30 days of receipt of the initial Recovery Notice under **Section 5.2.1**, and during each successive drought year, each Participating Pumper shall submit a written report to the Operating Committee signed by its licensed system operator that describes (1) the condition of its Existing Facilities; (2) whether its Existing Facilities are capable of producing its Designated Quantity by the date specified in the Recovery Notice; and (3) what steps must be undertaken by the Participating Pumper to improve its Existing Facilities in the event that it cannot produce its Designated Quantity by the date specified in the Recovery Notice.

7.2.2. In the event that the initial or subsequent reports reveal that a Participating Pumper's Existing Facilities are not capable of producing its share of the Aggregate Designated Quantity, the Participating Pumper shall provide additional reports on a quarterly basis to the Operating Committee until it has resolved the problem, as certified by its licensed system operator.

7.2.3. In the event of the temporary outage of Existing Facilities, the Participating Pumper owning the Existing Facility shall notify the Operating Committee of the

nature and extent of the outage. To the extent the Participating Pumper is able to obtain permission for the use of alternative facilities owned by Nonparticipating Pumpers (such as cemetery or golf course wells) for the production of its Designated Quantity, the Participating Pumper may utilize such alternative facilities after notification to and review by the Operating Committee.

7.3. Failure to Maintain, Repair, or Replace Existing Facilities

In the event that a Participating Pumper cannot provide certification by its licensed system operator that it has undertaken and completed the work identified in the initial report to the Operating Committee under **Section 7.2** by the date specified in the SFPUC's Recovery Notice under **Section 5.2.1**, the SFPUC shall have no obligation to increase the quantity of Wholesale Water available to the Participating Pumper under the Shortage Allocation Plan to make up any shortfall in the production of that Participating Pumper's Designated Quantity caused by the unavailability of its Existing Facilities.

7.4. Measurement of Water Pumped Using Existing Facilities

All Parties shall install, maintain and use adequate measuring devices on all water pumped from Existing Facilities, New Wells, and Project Wells, and shall report accurate measurements of all water pumped from Existing Facilities, New Wells and Project Wells to any Party and the Operating Committee upon request. All meters shall be maintained to be accurate within plus or minus 2%.

7.5. Drilling and Operation of New Wells by Parties

The SFPUC agrees not to construct or operate New Wells in the Basin other than (1) pursuant to this Agreement; (2) the certified Project final environmental impact report, and any addenda or supplements thereto; and (3) with the approval and agreement of the Participating Pumpers following amendment of this Agreement as provided in **Section 2.3**. Prior to drilling a test hole that may result in construction of a New Well, each Party proposing to construct and operate a New Well shall (i) provide written notice to the Operating Committee and the other Parties of its intent to do so; (ii) conduct environmental review to the extent required under CEQA of the impacts associated with construction and operation of the proposed New Well; (iii) if necessary, provide the Operating Committee with an analysis of mutual pumping interference effects between the proposed New Well and potentially affected Project Facilities and Existing Facilities operated by other Parties; and (iv) obtain a well construction permit from San Mateo County or the public entity with jurisdiction over well construction permits for the proposed New Well, if necessary. The Parties shall be given written notice and opportunity to comment on any environmental documentation prepared for a New Well within the time frame allowed for public comment under CEQA, and shall also be copied on any CEQA notices of exemption or notices of determination filed by a Party in connection with carrying out the approval of a New Well. All New Wells proposed by the Parties shall be located, constructed and operated in a manner that will not cause Undesirable Effects. Once operational, New Wells installed by the Participating Pumpers shall be considered to be Existing Facilities.

ARTICLE 8

OWNERSHIP, INSTALLATION, OPERATION, AND MAINTENANCE OF PROJECT FACILITIES

8.1. Project Facilities

Project Facilities, shown on the map attached as **Attachment C** and listed on **Attachment E**, are required to make use of 61,000 acre feet per year of the available storage capacity in the Basin by facilitating the simultaneous extraction of the Aggregate Designated Quantity by the Participating Pumpers from their Existing Facilities and stored SFPUC System Water by the Parties from Project Wells during Recovery Periods.

8.2. Real Property Interests Required for Project Implementation

Project Facilities may be located on lands within the service areas of the Participating Pumpers and/or on lands owned or acquired by the SFPUC. The SFPUC will acquire all real property interests that are necessary for the installation of, and access to, Project Facilities. The SFPUC agrees to grant suitable licenses to each Participating Pumper to the extent required for access to Project Facilities connected to a Participating Pumper's water distribution system. Each Participating Pumper agrees to grant the SFPUC suitable licenses for all Project Facilities on or across land owned by that Participating Pumper. All licenses exchanged by the Parties will follow the format used in **Attachment G**, subject to modification as necessary to address site specific needs and conditions. Each Participating Pumper further agrees to use reasonable best efforts to assist the SFPUC in securing fee title or easements for Project Facilities that may be located on property owned by other governmental entities within the service areas of the Participating Pumpers.

8.3. Ownership of Project Facilities

All Project Facilities will be owned by the SFPUC, subject to the limitations and restrictions within this Agreement.

8.4. Installation of Project Facilities

The SFPUC shall be solely responsible for the permitting, licensing, design, construction, and installation of Project Facilities under this Agreement. Each Participating Pumper shall have the right to approve the location of Project Facilities on land owned by such Participating Pumper, along with the design and the construction schedule for installation of any Project Facilities in its service area, which approvals shall not be unreasonably delayed or withheld. At the 10, 35, 65, 95 and 100% stages of design, the SFPUC will provide each Participating Pumper with the plans and specifications of work to be performed on the Participating Pumper's property or within its service area. Pending completion of design, the proposed location of Project Facilities is generally shown on the map attached as **Attachment C** and described in **Attachment E**. As set forth in **Section 12.3** of this Agreement, the SFPUC will require in all construction contracts for Project Facilities that the Participating Pumpers, and their respective officers, agents and employees, be named (1) as additional insureds on all required insurance policies, and (2) as additional indemnitees in any contractual indemnity provisions. Project Facilities constructed on land owned or acquired by the SFPUC shall be immune from San Bruno and Daly City planning,

zoning and building permit requirements pursuant to the doctrine of intergovernmental immunity set forth in the case law interpreting California Government Code §§53090 et seq.

8.5. Provision of As-Built Drawings; Modifications to Project Facilities Following Completion

Within three (3) months of completion and acceptance of Project Facilities (as reflected in a Resolution adopted by the SFPUC), the SFPUC shall deliver to each Participating Pumper a complete set of as-built drawings and specifications for all Project Facilities located within its service area. Should improvements and/or modifications be made to Project Facilities, the SFPUC will provide each Participating Pumper with revised as-built drawings and specifications within three (3) months of completing the improvements and/or modifications to Project Facilities.

8.6. Operation and Maintenance of Project Facilities; Potential Undesirable Effects Associated with Operation of Project Facilities as Designed

The Operating Committee will develop annual operation, maintenance and monitoring plans under the Project pursuant to Section 10.2.1. The Operating Committee will also develop annual operating schedules for each Supply Year during Recovery Periods, including projected groundwater storage and/or Recovery from Project Wells of any water available in the SFPUC Storage Account and pursuant to Section 10.2.2. Each Participating Pumper agrees to operate, maintain, and repair Project Facilities (except those Project Facilities connected to the SFPUC System transmission mains) that are connected to its distribution system as necessary to comply with the terms of this Agreement and to further the aims of the Project in accordance with applicable laws, rules, regulations, guidelines, and prudent utility operator and asset management standards, and in accordance with the annual operation, maintenance and monitoring plans approved by the Operating Committee under **Sections 10.2.1 and 10.2.2**. The SFPUC will operate, maintain and repair all Project Facilities connected to SFPUC System transmission mains. When the Project Facilities reach the end of their useful service lives, the SFPUC shall reasonably determine whether to replace or abandon all or any portion of Project Facilities.

8.6.1. The estimated pumping level drawdown effects upon Existing Facilities resulting from the future operation of Project Wells over a hypothetical seven and one-half year drought are set forth in **Attachments D-1, D-2 and D-3**. The Participating Pumpers agree that the estimated pumping water levels shown in **Attachments D-1, D-2 and D-3** are acceptable and will not cause any Undesirable Effects to their Existing Facilities.

8.6.2. Should actual operating experience of Project Wells cause greater pumping level drawdown effects than estimated in **Attachments D-1, D-2 or D-3**, that are determined by the Operating Committee to be Undesirable Effects, the Operating Committee shall have the authority to require the measures outlined in **Section 10.2.8** in order to eliminate or reduce the Undesirable Effect(s) to a less than significant level.

8.7. Modifications to Participating Pumpers' Water Supply Permits Issued by the California State Water Resources Control Board

Installation and operation of Project Facilities may require amendments to the Parties' drinking water supply permits issued by the Division of Drinking Water and Environmental Management

(DDWEM). The Parties will be solely responsible for obtaining any DDWEM permit modifications and for permit compliance related to the operation of Project Facilities connected to their water transmission and distribution systems. The SFPUC will assist in preparing exhibits required for the Participating Pumpers' permit amendment packages submitted to DDWEM. All costs incurred by the Parties in obtaining such permit modifications shall be considered Project Capital Costs. Each Party that operates Project Wells, and the downstream facilities that receive water from those Project Wells, shall be named as the Operator of Record in the modified water supply permits issued by DDWEM.

8.8. Use of Project Facilities by Participating Pumpers for Non-Project Purposes

The Participating Pumpers may use Project Facilities for non-Project purposes upon satisfaction of all of the following conditions precedent:

(a) the SFPUC has not issued a Recovery Notice directing the Participating Pumpers to pump water from the SFPUC Storage Account under **Section 5.3** of this Agreement;

(b) use of Project Facilities for non-Project purposes does not interfere with future Recovery under the Project, as determined by the Operating Committee;

(c) the quantity of water pumped using Project Facilities for non-Project purposes does not, when combined with pumping from Existing Facilities, exceed the Participating Pumper's Designated Quantity; and

(d) the Operating Committee has approved the proposed use of Project Facilities for non-Project purposes.

The Operating Committee will consider all requests for use of Project Facilities for non-Project purposes within 30 days. As of the Effective Date of this Agreement, the Parties do not contemplate any specific use of Project Facilities for non-Project purposes, but the Parties desire to incorporate a process for allowing such use should they decide to exercise their discretion to do so in the future following compliance with CEQA to the extent required. Except as approved by the Operating Committee, use of Project Facilities for non-Project purposes pursuant to this section shall not exceed thirty (30) days' duration. The approved use of Project Facilities for non-Project purposes is not subject to the limitation on Recovery set forth in **Section 5.7**, and groundwater pumped pursuant to this section will not be debited against the SFPUC Storage Account as provided in **Section 6.1.3**.

8.9. Use of Project Facilities During an Emergency

The Parties may use Project Facilities within their service areas without the advance approval of the Operating Committee for non-Project purposes during a local Emergency that does not result in the SFPUC issuing Recovery Notice under **Section 5.3**, provided that the Project Facilities are capable of operation during an Emergency. Such pumping may continue only for the duration of the Emergency. Within 48 hours of such Emergency, the Party or Parties shall notify and explain to the Operating Committee the basis of the Emergency. The Party will, at intervals established by the Operating Committee, report on its efforts to resolve the Emergency.

ARTICLE 9

PROJECT COST RECOVERY

9.1. Project Capital Costs

The SFPUC will provide all funding required for payment of Project Capital Costs. To the extent that the Participating Pumpers directly provide in-kind services, real property, equipment assets in furtherance of the construction of Project Facilities, and Shared Facilities for Project purposes, the value of these contributions shall be included within Project Capital Costs. All Project Facilities listed on **Attachment E** will be classified as Regional SFPUC System assets for purposes of cost recovery under the WSA, unless indicated otherwise. The capital costs and operation expenses of Shared Facilities that are used and useful to a Participating Pumper irrespective of Project operations shall be allocated between the SFPUC and that Participating Pumper on the basis of mutual agreement or as otherwise specified in this Agreement. On an annual basis during construction of Project Facilities and Shared Facilities, the SFPUC will include information detailing estimated and actual Project Capital Costs in accordance with the requirements of WSA sections 5.04 and 6.08.

9.2. Project Operation and Maintenance Expenses

The SFPUC shall annually reimburse each Participating Pumper for all Project Operation and Maintenance Expenses actually incurred in the operation and maintenance of Project Facilities and Shared Facilities for Project purposes. The SFPUC's reimbursement obligation does not extend to Project Operation and Maintenance Expenses incurred by the Participating Pumpers for the operation of Project Facilities for non-Project purposes permitted in **Sections 8.8 and 8.9**. By November First of each year during the Term, each Participating Pumper shall provide an estimated Project Operations and Maintenance Expenses budget to the Operating Committee for the coming Supply Year as referenced in **Section 10.2.1**. The Operating Committee, on a case-by-case basis, may also recommend that the SFPUC reimburse the Participating Pumpers for operations and maintenance expenses incurred in the operation of Existing Facilities that are attributable to Undesirable Effects caused by Project operations. A Participating Pumper requesting reimbursement of expenses for the operation and maintenance of Existing Facilities shall certify that it has been operating and maintaining its Existing Facilities in a reasonable and prudent manner, including but not limited to management of the effects of Preexisting Conditions. All Project Operation and Maintenance Expenses, including expenses incurred by the SFPUC for the operation and maintenance of Project Wells connected to SFPUC System transmission mains, shall be considered Regional operation and maintenance expenses under WSA section 5.05, as further detailed in **Attachment F**. Project Operation and Maintenance Expenses incurred by a Participating Pumper in the operation of Shared Facilities shall be allocated based on the proportionate use of Shared Facilities for Project purposes. After the close of each Supply Year on June 30, each Participating Pumper shall submit an accounting, including invoices and other documentation, supporting its actual Project Operation and Maintenance Expenses over the preceding Supply Year to the SFPUC. Accounting detail submitted by a Participating Pumper for reimbursement of annual Project Operation and Maintenance Expenses shall be of sufficient detail to permit the SFPUC to properly allocate these expenses between (1) the SFPUC's retail and wholesale water customers under the WSA and (2) Project Facilities, Shared Facilities, and the Participating Pumper's Existing Facilities. The SFPUC shall reimburse each Participating Pumper for incurred Project Operation and Maintenance Expenses within sixty (60) days of receipt of the annual accounting. In the alternative, the SFPUC may, with the agreement of the Participating Pumper, reimburse the Participating Pumper for the previous fiscal year's Project Operation and Maintenance Expenses as one or more credits on monthly invoices for Wholesale Water over the course of the following

Fiscal Year. Disputes between the SFPUC and one or more Participating Pumpers concerning the reimbursement or accuracy of accounting of annual Project Operation and Maintenance Expenses will be resolved by the Operating Committee, or pursuant to **Section 12.1**.

9.3. Use of Project Facilities by Participating Pumpers for Non-Project Purposes

If the temporary use of Project Facilities by a Participating Pumper for non-Project purposes is approved by the Operating Committee under **Section 8.8** of this Agreement, or is approved by the SFPUC during a local Emergency under **Section 8.9**, the Participating Pumper shall deduct a proportionate share of operation and maintenance expenses reflecting such operation from the annual total of Project Operations and Maintenance Expenses submitted to the SFPUC for reimbursement under **Section 9.2**.

9.4. Metering of Project Facilities Operated During Recovery Periods by the SFPUC

The metered volume of water pumped from Project Wells connected to SFPUC transmission mains pursuant to **Section 5.6** shall be used to account for pumping of water for Project purposes as provided in **Section 6.1.2**. Meters that measure the flow of water pumped during Recovery Periods that is added to SFPUC transmission lines shall be considered new "System Input Meters" in accordance with Section 3.14 and Attachment J of the WSA.

ARTICLE 10

OPERATING COMMITTEE

10.1. Composition of Operating Committee

Upon the Effective Date of this Agreement, the Parties shall form a four member Operating Committee comprised of one representative each from the Participating Pumpers and the SFPUC. For decisions requiring a majority vote, the Operating Committee shall select a neutral fifth member not currently employed by or serving as a consultant to any of the Parties to serve as a tie-breaker as necessary in the event of a deadlock between the other members of the Operating Committee. The neutral fifth member may be employed by, or a consultant to, the Bay Area Water Supply and Conservation Agency. If a majority of members of the Operating Committee cannot agree to the identity of the neutral fifth member, the name shall be selected at random from the list of names proposed by members of the Operating Committee. The fifth member of the Operating Committee shall have no voting authority apart from serving as a tie-breaker. All 5 members of the Operating Committee shall have experience and technical expertise in water supply, groundwater wells and pump operations.

10.2. Duties and Powers of Operating Committee

The Management Plan contains Basin Management Objectives that are consistent with the sustainable management of the Basin. The Operating Committee will consider, but not be bound by, (1) the Basin Management Objectives and (2) the Mitigation, Monitoring and Reporting Program adopted by the SFPUC as a binding commitment in Resolution No. 14-0127 in making the decisions authorized in Article 10 of this Agreement. The duties and powers of the Operating Committee are limited to the following.

- 10.2.1. Development of annual Project operation, maintenance and monitoring plans, and estimated budgets for these activities, as set forth in **Section 8.6** and **Section 9.2**, to ensure proper management of the Project, including protocols for reporting collected data back to the Operating Committee by the Parties, review of operation, maintenance and monitoring plans submitted by the Parties, and recovery of Project Operations and Maintenance Expenses. The annual plans required by this section shall be completed by December 1 of each year.
- 10.2.2. Development of Project Well operating schedules during Recovery Periods by May 1st of each drought year that projects Recovery, including where such pumping shall occur, in what quantities, and any redirection or reduction in pumping to avoid Undesirable Effects or well interference impacts identified in the Project Mitigation, Monitoring and Reporting Program, subject to the sole discretion of the SFPUC to determine the volumes of In Lieu Water available for Storage and subsequent Recovery of any water available in the SFPUC Storage Account under **Articles 4** and **5** of this Agreement. Project Well operating schedules for non-drought Shortages under **Sections 5.2.2** and **5.2.3** shall be developed and approved by the Operating Committee on an as-needed basis.
- 10.2.3. Review of (1) annual reports submitted by the Participating Pumpers' licensed operators certifying that the Existing Facilities within their respective service areas are capable of operation during droughts in compliance with the standards set forth in **Section 7.2** of this Agreement; and (2) a Participating Pumper's proposed use of facilities owned by Nonparticipating Pumpers as required to pump Designated Quantities due to the unavailability of the Participating Pumper's Existing Facilities referenced in **Section 7.2** of this Agreement.
- 10.2.4. Review and approval of a request by a Participating Pumper to use Project Facilities for non-Project purposes, under the conditions set forth in **Section 8.8**.
- 10.2.5. Review and approval of a Participating Pumper's request for an increase in its Minimum Groundwater Requirement, pursuant to **Section 4.3**.
- 10.2.6. Monitoring pumping from all Existing and Project Facilities within the Basin to evaluate water quality trends and whether increases in the volume of water produced are occurring, including any Over Production in pumping from Existing Facilities resulting from higher Basin operating levels attributable to Storage under the Project. In response to changed conditions within the Basin, the Operating Committee may make recommendations to the Parties as to whether any action or changes in Project water accounting rules set forth in **Section 6.1** may be necessary to protect the Recovery of SFPUC Storage Account Water and Designated Quantities or to ensure the recovery of Project costs in accordance with Article 9 of this Agreement.
- 10.2.7. Approval of pumping Project Wells outside of Recovery Periods for Project management pursuant to **Section 5.2.3**.

- 10.2.8. Determining whether the operation of Project Wells caused Undesirable Effects on Existing Facilities under **Section 8.6** and identifying measures that the SFPUC must take to reduce or eliminate such Undesirable Effects and otherwise avoid harm to the Participating Pumpers and ensure long-term viability of the Basin as a drinking water supply. To the extent that the Operating Committee determines that the pumping of any Project Well caused Undesirable Effects, the Operating Committee may require one or more of the following actions, subject to necessary CEQA compliance: (1) redirect pumping to other Project Facilities; (2) reduce pumping at particular Project Well(s) while preserving the cumulative ability of the SFPUC to order the extraction of up to 8,100 acre feet annually from the SFPUC Storage Account; (3) modification of Existing Facilities as a Project Capital Cost (e.g., resetting pumps, installing water treatment facilities, vacuum pumps etc.); (4) reimbursement of additional cost as a Project Operation and Maintenance Expense under **Section 9.2**; or (5) such other remedy as may be appropriate.
- 10.2.9. Request and approval of studies and such technical support as is necessary to assist in Project management, conduct required monitoring, to refine Project goals and operations, to use the Basin more effectively, and to identify and address potential problems. Technical support may be provided by employees of the Parties or by third-party contractors. The costs of all technical support authorized by the Operating Committee shall be deemed a Project Operations and Maintenance Expense.
- 10.2.10. Determine the appropriate methodology of accounting for losses from the Basin under **Section 6.5**.
- 10.2.11. Review of information provided by the Parties required under **Section 7.5** concerning proposed New Wells.
- 10.2.12. Increases in the limitation on adjustments to Designated Quantities expressed in **Section 4.5** and the Aggregate Designated Quantity, using the criteria set forth in **Section 4.6**; reductions in the Aggregate Designated Quantity as provided in **Section 4.7**, and the approval of actions to remedy Over Production that is delegated to the Operating Committee under **Section 4.8.3**.

10.3. Operating Committee Decision-Making

The development of Project Well operating schedules under **Section 10.2.2** during Recovery Periods, and the decisions delegated to the Operating Committee in **Sections 10.2.5, 10.2.7, 10.2.10, and 10.2.12**, shall require unanimous approval of the Operating Committee. All other decisions of the Operating Committee shall be by majority vote of the members of the Operating Committee, utilizing the fifth tie-breaker vote as necessary. For all matters, each member of the Operating Committee shall: (a) act in good faith; (b) utilize the best available scientific evidence relevant to the matter including but not limited to data and analysis generated by numeric models that meet prevailing industry standards for accuracy and reliability; and (c) ensure that the Storage and Recovery of water under the Project avoids Undesirable Effects to the Basin as well as ensure the long-term viability of the Basin as a drinking water supply. A minority of Operating Committee members may request voluntary mediation of certain disputes as described in **Section 12.1** of this Agreement.

10.4. Schedule for Meetings of Operating Committee

The Operating Committee shall meet within thirty days after the Effective Date of this Agreement, and thereafter as often as necessary to implement operations and take other action under this Agreement, but shall meet at least twice a year.

10.5. Minutes of Operating Committee Meetings

Minutes of all Operating Committee Meetings shall be kept and shall reflect a summary of all proceedings, actions and recommendations taken by the Operating Committee. Copies thereof shall be furnished to all Parties.

10.6. Duty of Each Party to Monitor Conjunctive Use Project Performance

Each Party has an independent obligation to review all monitoring information reported to the Operating Committee. If any Party believes that the Storage and Recovery of water under the Project is causing Undesirable Effects to its Existing Facilities, that Party shall promptly advise the Operating Committee.

ARTICLE 11

DEFAULTS AND REMEDIES

11.1. Remedies upon Termination

Notwithstanding anything to the contrary herein, if one or more of the Participating Pumpers breaches any provision of this Agreement, or invokes the existence of a Force Majeure Event under **Section 12.14**, the SFPUC may terminate this Agreement with respect to the Party or Parties by written notice to the Participating Pumpers.

11.1.1. If the SFPUC terminates this Agreement due to the occurrence of a Force Majeure Event or breach by one or more of the Participating Pumpers, any credit balance in the SFPUC Storage Account shall remain the property of the SFPUC, along with the ownership of all Project Facilities within such Party or Party's service area(s). Upon such termination, the SFPUC may in its sole discretion extract any stored water reflected as a credit balance in the SFPUC Storage Account using the Project Wells referenced in **Section 5.6** of this Agreement until there is no remaining water in the SFPUC Storage Account. Alternatively, in its sole discretion, the SFPUC may require the breaching Party or Parties, or Party(ies) subject to a Force Majeure Event, to purchase from the SFPUC the remaining balance of any water in the SFPUC Storage Account that is attributable to Storage of In Lieu Water by that Party, based on the applicable wholesale water rate for that water as provided in **Section 6.4** of this Agreement.

11.1.2. In the event that this Agreement is terminated under this section 11.1 or Section 12.14, the provisions of WSA Section 3.17, as it may be amended by the SFPUC and its wholesale customers, shall govern (1) the disposition of the balance of water in the SFPUC Stored Water Account; (2) the allocation of outstanding eligible Project Operations and Maintenance Expenses; and (3) the disposition of investments in Project Capital Costs by the SFPUC should the Project Facilities no longer be used to benefit wholesale or retail customers of the

SFPUC System. Upon the termination of this Agreement the SFPUC shall otherwise have no right, claim or interest in the Basin, credit or storage balances in the Basin, or water in the Basin, pursuant to this Agreement.

11.2. Remedies are Cumulative

The rights and remedies of the Parties are cumulative, and the exercise by any Party of one or more of such rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same breach or any other breach by the other Party.

ARTICLE 12

MISCELLANEOUS PROVISIONS

12.1. Dispute Resolution

If (1) any dispute arises between or among the Parties regarding interpretation or implementation of this Agreement that does not concern a decision of the Operating Committee; or (2) one or more Parties file a written appeal with the Operating Committee within 14 days of an Operating Committee decision or action subject to majority vote; or (3) the members of the Operating Committee cannot achieve unanimity as described in **Section 10.3**; or (4) one or more Parties decline to follow a decision or action of the Operating Committee; or (5) one or more Parties asserts that the Operating Committee is acting beyond the scope of its authority as specified in this Agreement, the Parties will, in the first instance, attempt in good faith to resolve the dispute through their chief executive officers or their designees. If the chief executive officers cannot forge a consensus on the disputed issue, the matter shall be referred for non-binding mediation to a single mediator who will have technical expertise in groundwater management and/or public utility accounting practices. The mediator will be selected by unanimous consent of the Parties, but if unanimous consent of the Parties cannot be obtained the mediator will be selected by a majority vote of the Parties from a list of mediators maintained by the Operating Committee based on the qualifications set forth in this **Section 12.1**. Any Party may commence mediation by providing to the other Parties a written request for mediation, setting forth the subject of the dispute and the relief requested. The non-binding mediation will be governed by the American Arbitration Association's Commercial Mediation Procedures. If the dispute is not resolved by mediation, each Party will be free to pursue whatever legal or equitable remedies may be available. The fees and expenses incurred as a result of any dispute resolution activities, including attorney's fees, mediator fees and costs, expert costs, and other expenses, shall be borne solely by the Parties involved in the dispute. The Parties involved in the dispute will share the mediator's expenses on an equal basis.

12.2. Mutual Indemnity

Each Party agrees to indemnify, defend, and hold the other Parties and their respective officers, employees and agents free and harmless from and against any and all loss, liability, expense, claims, costs, suits and damages, including attorney's fees, arising out of that Party's willful misconduct or negligent acts, errors, or omissions in its operation and maintenance of Existing Facilities, Shared Facilities or Project Facilities under **Articles 7 and 8** of this Agreement.

12.3. Insurance and Indemnity Provisions Applicable to Construction of Project Facilities

The SFPUC and the Participating Pumpers agree to the following provisions concerning insurance coverage and indemnity during the construction of Project Facilities.

12.3.1. Commencing from the date of Project approval by the SFPUC, every contract issued by the SFPUC for construction of Project Facilities (including associated professional services, environmental consultants, and other contracts required for construction of Project Facilities) shall require the contractor to maintain in force during the course of the contract all customary insurance required by the SFPUC, and shall include coverage for worker's compensation, commercial general liability insurance, automobile liability insurance and professional liability insurance. Each contractor's general, automobile, and professional liability insurance policies shall name as additional insured each Participating Pumper, and its officers, agents and employees.

12.3.2. Commencing from the date of Project approval by the SFPUC, every contract issued by the SFPUC for construction of Project Facilities (including associated professional services, environmental consultants, and other contracts required for construction of the Project) shall contain language requiring the contractor to indemnify, defend and hold harmless the SFPUC and each Participating Pumper for any and all claims for bodily injury or property damage arising out of the contractor's performance of work in constructing or installing Project Facilities or providing support services required for Project implementation.

12.4. Workers' Compensation Insurance for Project Operation

Each Party will provide to the other Parties evidence of Workers' Compensation insurance prior to entering into this Agreement. With respect to employees of a particular Party who are employed as operators of Project Facilities, the other Parties shall not be considered joint employers of any such employees, who shall be solely managed and controlled by each individual Party. Each Party agrees to maintain in force, during the term of this Agreement, Workers' Compensation insurance, in statutory amounts, with Employers' Liability Limits of not less than \$1,000,000 each accident.

The cost of Workers' Compensation insurance applicable to the Parties' operation of Project Facilities shall be considered a Project Operations and Maintenance Expense. Approval of Workers' Compensation insurance by the SFPUC shall not relieve or decrease the liability of each Participating Pumper hereunder. In the event that any employee of a Party files a Workers' Compensation claim against another Party, the Party whose employee filed the claim agrees to indemnify, defend and hold harmless the other Parties for any such claims as provided in **Section 12.2** of this Agreement.

12.5. Right to Adjudicate; Limited Waiver of Prescriptive Rights Claims; No Intent to Abandon

12.5.1. Each Party reserves all rights to initiate or participate in a general adjudication of Basin groundwater rights. Nothing in this Agreement shall limit in any way any rights or interests that the Parties may assert related to the use or management of the Basin in the event of a general adjudication of Basin

groundwater rights, apart from the waiver of prescriptive rights claims set forth in section 12.5.2.

12.5.2. In the event of a general adjudication of Basin groundwater rights, including adjudication of issues pertaining to Basin use or management, (i) unless directed otherwise by a court or regulatory agency, the Participating Pumpers agree that the SFPUC will retain the right to any credit balance in the Storage Account, and the right to continue Storage and Recovery of up to 61,000 acre feet of water in the Basin using Project Facilities; (ii) the SFPUC expressly waives the right to store additional water in the Basin without the express written consent of all Parties effective through written amendment of this Agreement in accordance with **Section 2.2**; and (iii) each Party to this Agreement expressly waives any and all claims to prescriptive groundwater rights against the other Parties based on the production or use of groundwater pursuant to this Agreement; provided, however, that the Participating Pumpers reserve and retain all other claims to prescriptive groundwater rights which they may possess as of the Effective Date.

12.5.3. The failure of any Participating Pumper to use all of its Designated Quantity for any amount of time during periods of In Lieu Water delivery shall not be deemed to be or constitute an abandonment of such Participating Pumper's Designated Quantity.

12.5.4. The Parties agree that each Participating Pumper may file notices of reduction of groundwater use as a result of the use of an alternative supply of water from a nontributary source, pursuant to California Water Code Section 1005.1.

12.5.5. The SFPUC recognizes that it cannot and will not assert any claim to water in the Basin, including, but not limited to, as an overlying owner, pumper, or appropriator, except as expressly authorized under this Agreement or to the extent any such right exists as a result of the SFPUC's rights to the North Westside Basin.

12.6. Nonparticipating Pumpers

A Nonparticipating Pumper may become a Party to this Agreement if agreed to by all Parties in a written modification to this Agreement, as provided for in **Section 2.3**, subject to any additional terms or conditions agreed to by the Parties.

12.7. More Favorable Terms

If, at any time during the term of this Agreement, the SFPUC enters into an agreement with another party who is not signatory to this Agreement with respect to use of the Basin for a conjunctive use Project, and such agreement contains price, quantity, or other material terms that are more favorable than the terms extended to a Participating Pumper under this Agreement, the Parties will immediately modify this Agreement to extend the more favorable terms to Participating Pumpers.

12.8. Assignment

No Party shall transfer this Agreement, in whole or in part, or any of its interests, to any other person or entity without the prior written consent of the other Parties. Any attempt to transfer or

assign this Agreement, or any privilege hereunder, without such written consent shall be void and confer no right on any person or entity not a Party to this Agreement.

12.9. Successors

This Agreement shall bind and inure to the benefit of the Parties and their respective successors and permitted assigns.

12.10. Entire Agreement

This Agreement constitutes the entire agreement between the Parties pertaining to the matters provided for herein and, except as herein provided, supersedes all prior and/or contemporaneous agreements and understandings, whether written or oral, between the Parties related to the matters provided for herein.

12.11. Severability

Should any provision of this Agreement prove to be invalid or illegal, such invalidity or illegality shall in no way affect, impair or invalidate any other provisions hereof, and such remaining provisions shall remain in full force and effect; provided, however, if the illegality or invalidity of any provision undermines the intent of the Parties, then the Parties shall attempt in good faith to amend the Agreement in order to fulfill the intent of the Parties. If the Parties are unable to so amend the Agreement, then the Agreement shall terminate and be of no further force or effect.

12.12. Counterparts

This Agreement, and any document or instrument entered into, given or made pursuant to this Agreement or authorized hereby, and any amendment or supplement thereto, may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.

12.13. Notice

Formal written notices, demands, correspondence and communications between the Parties authorized by this Agreement shall be sufficiently given if personally delivered or dispatched by registered or certified mail, first-class, postage prepaid, return receipt requested, to the Parties as follows:

To the SFPUC: Steve Ritchie
Assistant General Manager, Water Enterprise
San Francisco Public Utilities Commission
525 Golden Gate Avenue, 13th Floor
San Francisco, CA 94102
email: sritchie@sfwater.org

With a copy to:
San Francisco City Attorney's Office
Attn.: Utilities General Counsel
Room 234 City Hall
1 Carlton B. Goodlett Place
San Francisco, CA 94102

To Daly City: Patrick Sweetland
Director of Water and Wastewater Resources
City of Daly City
153 Lake Merced Blvd.
Daly City, CA 94015
email: psweetland@dalycity.org

With a copy to:
Rose Zimmerman
City Attorney
City of Daly City
233 90th Street
Daly City, CA 94015
email: rzimmerman@dalycity.org

To San Bruno: Constance C. Jackson
City Manager
567 El Camino Real
San Bruno, CA 94066

With a copy to:
Marc Zafferano
City Attorney
567 El Camino Real
San Bruno, CA 94066

To Cal Water: Anthony Carrasco, District Manager
California Water Service Company
Bayshore District
341 North Delaware Avenue
San Mateo, CA 94401-1727
email: acarrasco@calwater.com

With a copy to:
Lynne McGhee, Corporate Secretary and Associate
Corporate Counsel
1720 North First Street
San Jose, CA 95112-4508

email: lmcghee@calwater.com

12.14. Force Majeure

12.14.1. Excuse from Performance. No Party shall be liable in damages to any other Party for delay in performance of, or failure to perform, its obligations under this Agreement, if such delay or failure is caused by a Force Majeure Event.

12.14.2. Notice. The Party claiming excuse shall deliver to the other Parties a written notice of intent to claim excuse from performance under this Agreement by reason of a Force Majeure Event. Notice required by this section shall be

given as promptly and as reasonably possible in light of the circumstances. Such notice shall describe the Force Majeure Event, the services impacted by the claimed event, the length of time that the Party expects to be prevented from performing, and any steps which the Party intends to take to attempt to restore its ability to perform.

12.14.3. Ability to Perform. Any suspension of performance by a Party pursuant to this section shall be only to the extent, and for a period of no longer duration than, required by the nature of the Force Majeure Event, and the Party claiming excuse shall use its best efforts to remedy its inability to perform as quickly as possible.

12.14.4. If the Party claiming a Force Majeure Event is not able to restore its ability to perform its obligations within one year after giving notice pursuant to Section 12.14.2, it may elect to terminate its participation in the Project. The Party claiming excuse will thereafter give an additional 60 days written notice of said termination to the Parties and the Operating Committee.

12.14.5. In the event that a Party terminates participation in this Agreement under section 12.14.4, the provisions of WSA Section 3.17 and section 11.1 of this Agreement shall govern the disposition of investments in Project Capital Costs, allocation of outstanding eligible Project Operations and Maintenance Expenses, and the balance of water in the SFPUC Storage Account.

12.15. Maintenance and Inspection of Books, Records and Reports

The Participating Pumpers shall maintain careful, accurate and complete records of all receipts and disbursements made for (1) reimbursable Project Operations and Maintenance Expenses authorized under **Section 9.2** and detailed in **Attachment F**; and (2) expenses related to use of Project Facilities for non-Project purposes authorized under **Section 9.3**. During regular office hours, and upon reasonable notice, the Parties shall have the right to inspect and make copies of any books, records, and reports pertaining to this Agreement or related matters in the possession of the other Parties at the inspecting Party's cost. The SFPUC and its agents may conduct audits of the Participating Pumpers during the term of this Agreement for the purpose of ensuring that Project Operations and Maintenance Expenses incurred by the Participating Pumpers are eligible for reimbursement in accordance with **Attachment F**, and to ensure that any expenses incurred by the SFPUC due to the Participating Pumpers' operation of Project Wells for non-Project purposes are repaid to the SFPUC. The Participating Pumpers agree to cooperate with the SFPUC in connection with any such audit. All costs incurred by the Participating Pumpers that are associated with responding to an audit by the SFPUC shall be considered Project Operation and Maintenance Expenses.

12.16. Governing Law; Venue

The laws of the State of California shall govern the interpretation and enforcement of this Agreement. The Parties agree that Santa Clara County is an appropriate neutral county in the event one Party seeks to change venue under Code of Civil Procedure section 394.

12.17. Effect of Agreement on WSA

The provisions of this Agreement do not affect, change or modify any section, term or condition of the WSA. In the event of any conflict between this Agreement and the terms of the WSA, the terms of the WSA shall control.

12.18. Compliance with Raker Act


Nothing in this Agreement shall be construed to authorize or result in delivery of SFPUC System Water to the California Water Service Company in violation of section 6 of the Raker Act (38 Stat. 242).

12.19. Cooperation in Implementation of Project Mitigation Measures

The Participating Pumpers acknowledge the mitigation measures set forth in the Project final environmental impact report and Mitigation, Monitoring and Reporting Program adopted by the SFPUC as part of Project approval, and agree to cooperate with the SFPUC in complying with such measures to the extent that they are under the control of, or are the responsibility of, one or more of the Participating Pumpers. Any costs or expenses associated with such compliance and cooperation shall be the responsibility of the SFPUC, and the SFPUC must reimburse the Participating Pumpers for such costs and expenses as a component of Project Capital Costs.

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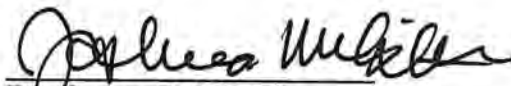
**SAN FRANCISCO PUBLIC UTILITIES
COMMISSION**

By: 
Harlan L. Kelly, Jr.
General Manager

Authorized by SFPUC Res. No. 14-0127 Dated August 12, 2014

Approved as to form:

DENNIS J. HERRERA
City Attorney



By: Joshua D. Milstein
Deputy City Attorney

CITY OF DALY CITY

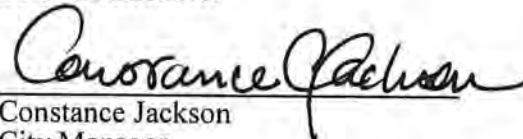
By: 
Patricia Martel
City Manager

Authorized by City Council Res. No. 14-153 Dated: September 8, 2014

Approved as to form:


Rose Zimmerman
City Attorney

CITY OF SAN BRUNO

By: 
Constance Jackson
City Manager

Authorized by City Council Res. No. 2014-103 Dated: September 23, 2014

Approved as to form:


Marc Zaffran
City Attorney

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CALIFORNIA WATER SERVICE COMPANY

By:



Martin Kropelnicki, President and Chief Executive Officer

Dated: 12-16-14

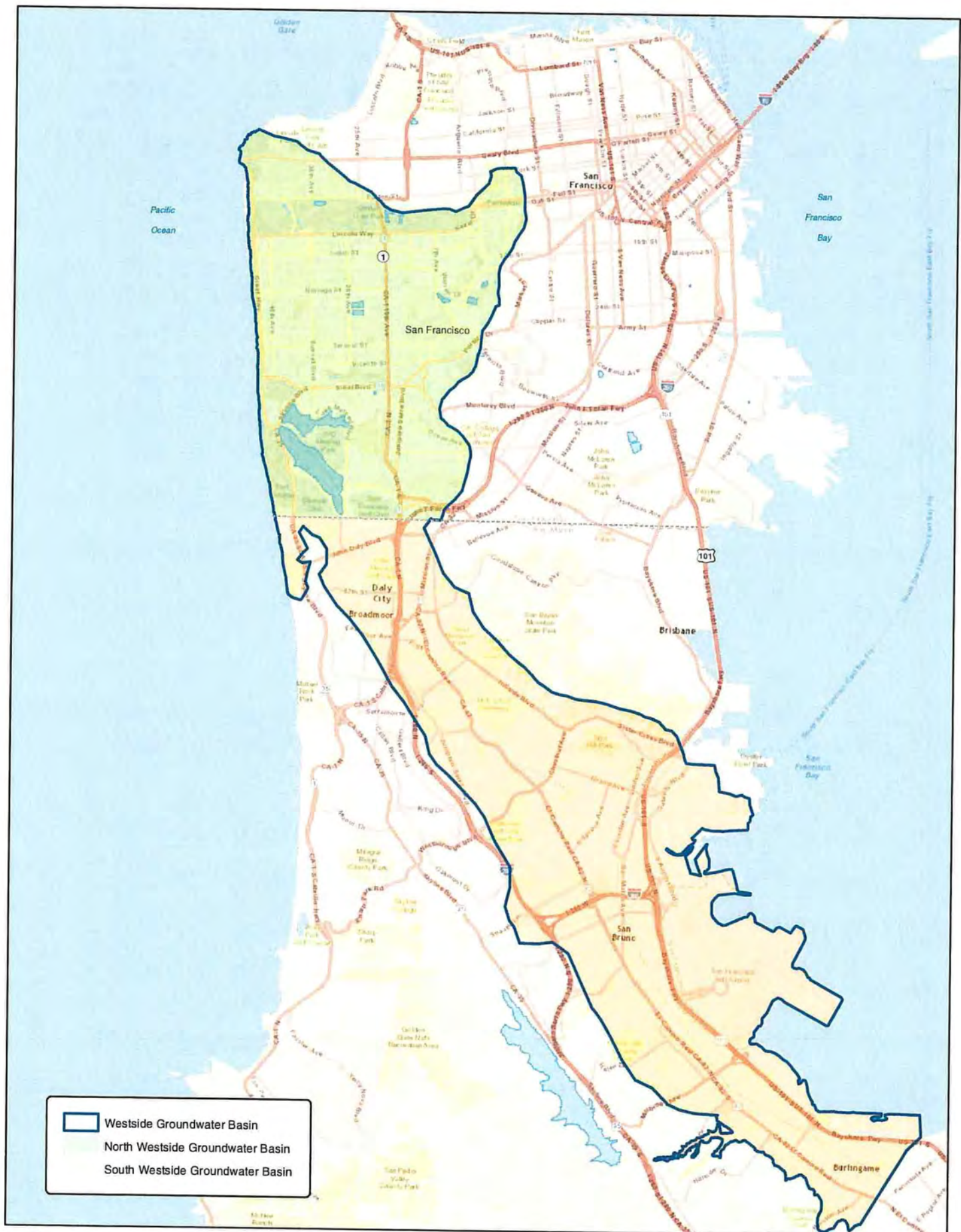
Approved as to form:



Lynne McGhee, Vice President and General Counsel

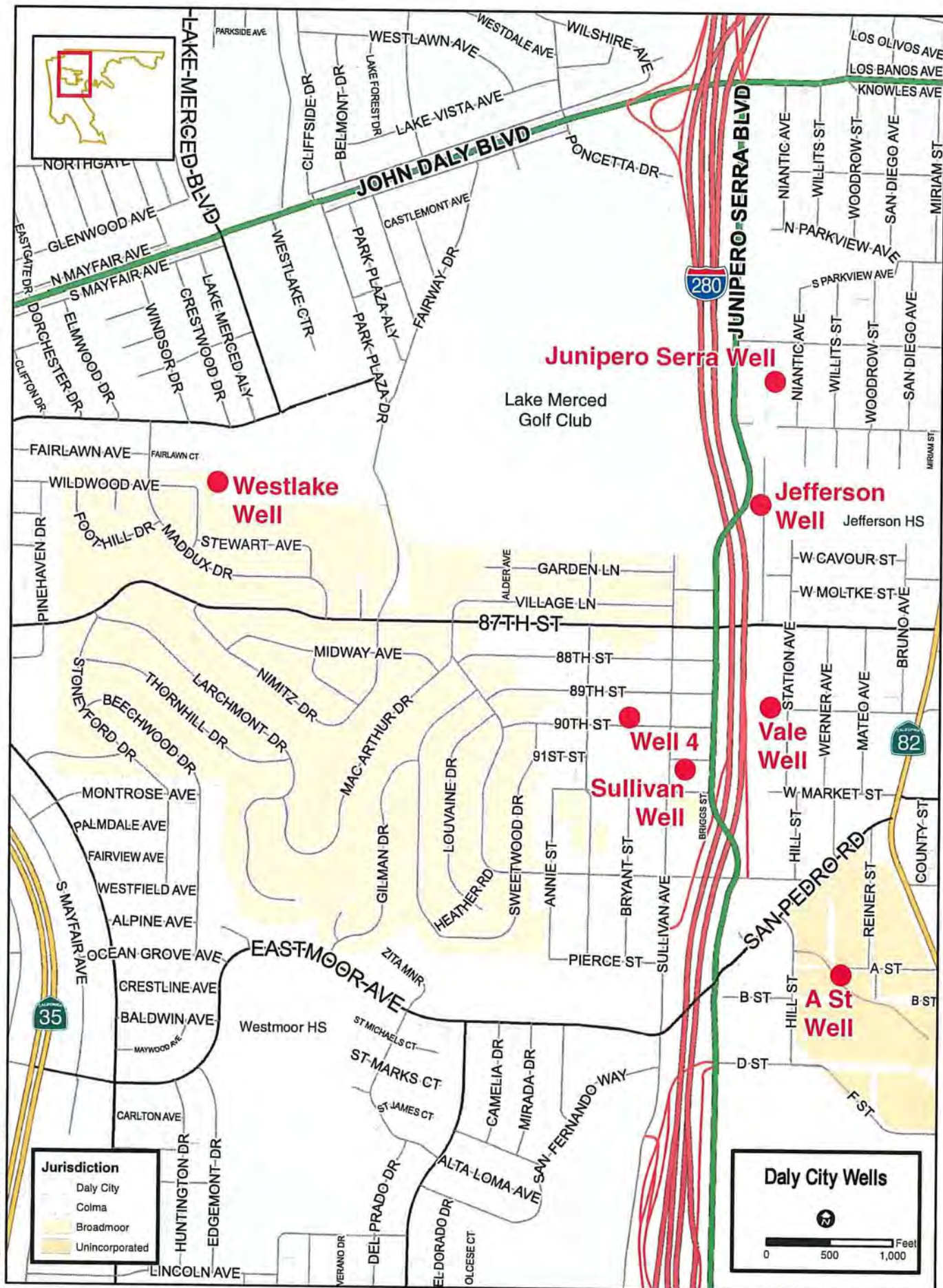
ATTACHMENT A

Map of southern portion of Westside Groundwater Basin



ATTACHMENT B

Maps Showing Existing Facilities Within the Service Area of Each Participating Pumper



ATTACHMENT C

Map of southern portion of Westside Groundwater Basin showing Project Facilities



Map & EIR No.	CUP SITE No.	Site Name	Operator / SWRCB Permittee	Planned Treatment
1	CUP-3A	Lake Merced Golf Club	SFPUC	Disinfection, Fluoridation and pH control
3	CUP-5	Ben Franklin Intermediate School	Daly City	Connection to Daly City's Existing Westlake Pump Station. Disinfection and Fluoridation at Westlake. (CUP-07 is on hold Pending results of CUP-5 and CUP-6)
2	CUP-6	Park Plaza Meter	Daly City	
4	CUP-7	Garden Village Elementary School	Daly City	
5	CUP-10	ROW at Serra Bowl	SFPUC	Connection at New Colma BART Well Station. Disinfection, pH Control, and Fluoridation.
6	CUP-11	ROW at Colma BART	SFPUC	
7	CUP-18	ROW at Colma Boulevard	SFPUC	
8	CUP-19	ROW at Serramonte Boulevard	Cal Water	Disinfection
9	CUP-22	ROW at Hickey Boulevard	Daly City	Disinfection and Fluoridation
10	CUP-23	Treasure Island Trailer Court	SFPUC	Disinfection, Fluoridation, pH Control, and Manganese Filtration
11	CUP-31	SSF Main Area	Cal Water	Disinfection and Manganese Filtration (Currently, working with Cal Water to design piping raw groundwater to Cal Water's Station 1 for treatment).
12	CUP-36-1	ROW at Funeral Home	SFPUC	Disinfection and pH Control
13	CUP-41-4	ROW at SSF Linear Park	San Bruno	Disinfection and Manganese Filtration
14	CUP-44-1	Golden Gate National Cemetery (South)	San Bruno	Disinfection and Manganese Filtration
15	CUP-44-2	Golden Gate National Cemetery (North)	San Bruno	Pipe raw groundwater to CUP-44-1. US Dept of VA indicates this site is not viable.
16	CUP-M-1	Orchard Supply Hardware	SFPUC	Disinfection and pH Control

ATTACHMENT D – 1

Daly City

Individual Water Supply Guarantee: 4.292 mgd

Initial Designated Quantity: 3,840 acre-feet per year (3.43 mgd)

Minimum Groundwater Requirements under Section 4.3 of this Agreement: 20% of 3.43 mgd, or 0.686 mgd

Minimum Surface Water Requirements under Section 5.5 of this Agreement: 28% of Wholesale Water deliveries

Well-by-well estimates of acceptable pumping water levels during simultaneous operation of Existing and Project Wells during Recovery Periods:

Well Name	Pumping Water Level(feet below ground surface)
Sullivan Avenue	TBD
Well No. 4 (well is planned for replacement by Daly City)	358
Jefferson	460
Junipero Serra	433
Vale	405
Westlake	411

Reference: Daly City Well and Pump Operations During Planned Conjunctive Use Program Implementation (LSCE, June 27, 2008).

ATTACHMENT D – 2

Cal Water – South San Francisco and Colma Service Areas

Individual Water Supply Guarantee: 35.68 mgd (applies to all Cal Water Service Areas)

Initial Designated Quantity: 1,534 acre-feet per year (1.37 mgd)

Minimum Groundwater Requirements under Section 4.3 of this Agreement: 20% of 1.37 mgd or 0.27 mgd

Minimum Surface Water Requirements under Section 5.5 of this Agreement: 1.37 mgd

Well-by-well estimates of acceptable pumping water levels during simultaneous operation of Existing and Project Wells during Recovery Periods:

Well Name	Pumping Water Level (feet below ground surface)
SS 1-20	405
SS 1-21	450
SS 1-22	430
SS 1-23	440
SS 1-24 (replaces well 1-15 in 2015)	440
SS 1-25 (replaces 1-19 in future)	440

Reference: Estimated Pumping Water Levels for Cal Water Well and Pump Operations to Meet Operational Demands During SFPUC Groundwater Storage and Recovery Project Operations (LSCE, July 31, 2014)

ATTACHMENT D – 3

San Bruno

Individual Water Supply Guarantee: 3.246 mgd

Designated Quantity: 2,350 acre-feet per year (2.1 mgd)

Minimum Groundwater Requirements under Section 4.3 of this Agreement: 20% of 2.1 mgd (.42 mgd)

Minimum Surface Water Requirements under Section 5.5 of this Agreement: 2 mgd

Well-by-well estimates of acceptable pumping water levels during simultaneous operation of Existing and Project Wells during Recovery Periods:

Well Name	Pumping Water Level (feet below ground surface)
SB-15	TBD
SB-16	TBD
SB-17	TBD
SB-18	TBD
SB-20	TBD
SB-21	TBD

Well-by-well estimates of acceptable pumping water levels were proposed in a technical memo titled “San Bruno Well and Pump Operations During Planned Conjunctive Use Program Implementation” (LSCE, June 11, 2008) based on the locations of Project Wells analyzed in the Project EIR. However, the SFPUC desires to relocate the two Project Wells in San Bruno. Following the SFPUC's identification of the final Project Well locations in San Bruno, the pumping water levels in the table will be inserted based on mutual agreement between San Bruno and the SFPUC using standard well interference calculations that are suitable for the composition of the aquifer beneath San Bruno.

ATTACHMENT E

List of Project Facilities and Assets

[The SFPUC will provide the list at the end of the construction phase which will include details on major equipment (manufacturer, model number, serial number, etc.)]

ATTACHMENT F

Accounting of Joint Expenses

Section 1 – Expenditures

In accordance with Section 9.2 of this Agreement, the San Francisco Public Utilities Commission (SFPUC) shall reimburse the Participating Pumpers for all expenses incurred in the operations and maintenance of the Project Facilities.

These expenses shall include:

1. Cost of labor for supervision, engineering and operations
2. Water treatment chemicals
3. Water quality materials and supplies
4. Vehicle Mileage
5. Other services and supplies such as laboratory services and other miscellaneous expenses

Section 2 – Annual Reporting

Each Participating Pumper shall submit the following to claim for reimbursement from the SFPUC.

1. Annual report on actual project operations and maintenance expenses (Attachment F-1) with supporting documentation.
2. Copy of the estimated budget for the same period provided to the Operating Committee per Section 10.2.1 of this Agreement.

If a Participating Pumper operates more than one well, it shall submit a claim reimbursement for each well that it operates. Expenses for all wells may not be consolidated in documentation submitted for reimbursement of Project related operations and maintenance expenses, except where it is impractical to separate or segregate such expenses.

Documentation of Project related operations and maintenance expenses shall be submitted to SFPUC by November 1 of each year to the attention of:

David Briggs, Local-Regional Water System, Manager
525 Golden Gate Avenue, 13th floor
San Francisco, CA 94102
Re: GSR Section 9.2 Form Attachment F-1

Section 3 – Inspection of Records

Each Participating Pumper shall maintain careful, accurate and complete records of all Project related operations and maintenance expenses, which records shall be open to inspection by SFPUC during normal business hours. SFPUC may audit any costs for up to five years following the end of each fiscal year.

Attachment F-1
Annual Report
Actual Project Operations and Maintenance Expenses
(Section 9.2)

Reporting Period: July 1, 2015 to June 30, 2016

Name of Participating Pumper: _____

Address: _____ **Telephone No.** _____

Contact Person: _____ **Title:** _____

Well Location: _____ **Well No.** _____ **Site Name:** _____

Summary of Expenditures:

	Category	Amount
Section 1	Labor	
Section 2	Materials and supplies	
Section 3	Contract services	
Section 4	Mileage	
Total Amount Being Claimed		
Total Budget Amount (for similar reporting period)		

Details of Expenditures:

Section 1: Labor

Name	Position	Description of Work Performed	No. of Hours (Col. A)	Hourly Rate (Col. B)	Fringes (Col. C)	Total Col. D = (A+B+C)	Asset Number
Total						xxx	

Section 2: Materials and Supplies

Vendor Name	Description	Date Incurred	Amount	Asset Number
Total			xxx	

Section 3: Contract Services

Contractor Name	Purpose of Service	Date	Amount	Asset Number
Total			XXX	

Section 4: Mileage

Name	Purpose of Trip	Date of Trip	Number of Miles (Col. A)	IRS Standard Mileage Rate (Col. B)	Total (Col. C=A x B)
Total					XXX

Certified Correct by:_____
Name_____
Title_____
Signature_____
Date**For SFPUC Purpose Only:****Reviewed and Approved for Payment by Authorized Person:**_____
Name/Position_____
Signature_____
Date

ATTACHMENT G

Form of Licenses Exchanged by Parties (Section 8.2)

ATTACHMENT G

LICENSE TO ENTER AND USE PROPERTY

This LICENSE TO ENTER AND USE PROPERTY (this "**License**"), dated as of _____, 20____ for reference purposes, is made by and between the CITY AND COUNTY OF SAN FRANCISCO, a California municipal corporation ("**Licensor**"), by and through the San Francisco Public Utilities Commission ("**SFPUC**"), and _____ ("**Licensee**"), a California _____.

RECITALS

A. Licensee and Licensor have entered into an agreement entitled "Agreement for Groundwater Storage and Recovery from the Southern Portion of the Westside Basin" dated as of _____, 2014 (the "**Operating Agreement**"). Capitalized terms used in this License that are not otherwise defined shall have the meaning assigned to such terms in the Operating Agreement and the terms of the Operating Agreement are hereby incorporated into this License as if fully set forth in this License.

B. Article 8 of the Operating Agreement contemplates that, after SFPUC constructs _____ Project Wells within Licensee's water service area, Licensee will operate and maintain the Project Wells for the benefit of the SFPUC's Regional Water System (the "**Work**"), and that the SFPUC will annually reimburse Licensee for incurred operations and maintenance expenses.

C. Licensor owns _____ parcels of real property in the County of San Mateo, located at _____, California (the "**Licensor's Well Sites**").

D. Licensee and Licensor desire to enter into this License to allow Licensee to enter upon Licensor's Well Sites and operate and maintain the Project Wells and appurtenant facilities on Licensor's Well Sites in accordance with the terms of the Operating Agreement.

LICENSE

Licensee and Licensor agree as follows:

1. ENTRY; PERMISSION TO ENTER

Licensor grants Licensee and all of Licensee's agents, employees, contractors, subcontractors, representatives, and other persons designated by Licensee, including their respective employees (collectively, Licensee's "**Agents**"), reasonable nonexclusive access to the Licensor's Well Sites shown on the attached **Exhibit A** to perform the Work, subject to, and in accordance with, the terms and conditions of this License and the Operating Agreement. The Work consists of routine operation and maintenance of Licensor's Well Sites only. At all relevant times, Licensee shall conduct the Work in accordance with annual operating plans approved by Licensor and otherwise as required by the Operating Agreement. Licensee's entry and use of the Licensor's Well Sites shall be for the sole purpose of conducting the Work. This License gives Licensee a license only and notwithstanding anything to the contrary in this License or the Operating Agreement, does not constitute a grant by Licensor of any ownership, leasehold, easement, or other property interest or estate whatsoever in any portion of the License Area.

2. TERM OF LICENSE

The term (the “**Term**”) of this License shall commence on the date it is executed and delivered by the parties and shall continue during the term of the Operating Agreement until June 30, 2034, or such later date that the term of the Operating Agreement is extended pursuant to its terms or such earlier date that the Operating Agreement is terminated pursuant to its terms.

3. COMPLIANCE WITH LAWS

Licensee shall conduct and cause to be conducted all activities on the Licensor’s Well Sites allowed pursuant to this License in a safe and prudent manner and in compliance with the terms of the Operating Agreement, decisions by the Operating Committee established under Article 10 of the Operating Agreement, and all laws, regulations, codes, ordinances, and orders of any governmental or other regulatory entity. Licensee shall use, and shall cause its Agents to use, due care at all times to avoid damage or harm to Project Facilities within Licensor’s Well Sites, and shall maintain Licensor’s Well Sites in a good, clean, safe, secure, sanitary, and sightly condition.

4. RESTRICTIONS ON USE

(a) Improvements. Licensee shall not conduct any excavation activities, plant trees or other vegetation, or construct or place any temporary or permanent structures or improvements in, on, under, or about the Licensor’s Well Sites, nor shall Licensee make any alterations or additions to any Project Facilities on Licensor’s Well Sites, unless Licensee first obtains SFPUC’s prior written consent, which SFPUC may give or withhold at its sole and absolute discretion. All Work performed by contractors, subcontractors, and third party consultants on Project Facilities at Licensor’s Well Sites shall be subject to the SFPUC’s prior written consent.

(b) Dumping. Licensee shall not cause or permit the dumping or other disposal in, on, under or about Licensor’s Well Sites of landfill, refuse, Hazardous Material (as defined below) or any other materials, including but not limited to materials that are unsightly or could pose a hazard to the human health or safety, native vegetation or wildlife, or the environment.

(c) Hazardous Materials. Except as specifically approved by the SFPUC in writing, Licensee shall not cause, nor allow any of its Agents to cause, any Hazardous Material (as defined below) to be brought upon, kept, used, stored, generated, released, or disposed of in, on, under, or about Licensor’s Well Sites, or transported to, from, or over Licensor’s Well Sites. Licensee shall immediately notify the SFPUC when Licensee learns of, or has reason to believe that, a release of Hazardous Material has occurred in, on, under, or about any of Licensor’s Well Sites. Licensee shall further comply with all laws, statutes, ordinances, rules, regulations, policies, orders, edicts, and the like (collectively, “**Laws**”) requiring notice of such releases or threatened releases to governmental agencies, and shall take all action necessary or desirable to mitigate the release or minimize the spread of contamination. If Licensee or its Agents cause a release of Hazardous Material, without cost to the SFPUC and in accordance with all Laws and using the highest and best technology available, Licensee shall promptly return Licensor’s Well Sites to the condition immediately prior to such release. In connection with any such release, Licensee shall afford the SFPUC a full opportunity to negotiate and participate in any discussion with governmental agencies and environmental consultants regarding any settlement agreement, cleanup or abatement agreement, consent decree, or other compromise proceeding involving Hazardous Material, and any other abatement or clean-up plan, strategy, or related procedure.

For purposes of this License, "**Hazardous Material**" means material that, because of its quantity, concentration, or physical or chemical characteristics, is at any time now or hereafter deemed by any federal, state, or local governmental authority to pose a present or potential hazard to public health, welfare, or the environment. Hazardous Material includes, without limitation, the following: any material or substance defined as a "hazardous substance, pollutant or contaminant" pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. Sections 9601 *et seq.*, or pursuant to Section 25316 of the California Health & Safety Code or any other federal, state, or local Law; and any "hazardous waste" listed pursuant to Section 25140 of the California Health & Safety Code. The term "**release**" or "**threatened release**" when used with respect to Hazardous Material shall include any actual or imminent spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, or disposing in, on, under, or about Licensors' Well Sites but does not include the routine, authorized use of water treatment chemicals required to conduct the Work.

(d) Use of Adjoining Land. Licensee acknowledges that the privilege given under this License shall be limited strictly to Licensors' Well Sites. Licensee shall not traverse over or otherwise use any adjoining lands of City.

(e) Signs. Licensee shall not place, erect, or maintain any sign, advertisement, banner, or similar object in, on, or about Licensors' Well Sites without the SFPUC's prior written consent.

5. SURRENDER

Upon the expiration of this License or within ten (10) days after any sooner revocation or other termination of this License, Licensee shall surrender Licensors' Well Sites in the same condition as received, and broom clean, free from hazards and clear of all debris. Licensee's obligations under this Section shall survive any termination of this License.

6. INDEMNITY

The indemnity clause in section 12.2 of the Operating Agreement applies to Licensee's operation and maintenance activities on Licensors' Well Sites authorized by this license, and, to the extent applicable, to Licensors' activities.

7. WORKER'S COMPENSATION INSURANCE

Licensee shall maintain Worker's Compensation Insurance for its employees conducting the Work, as required by section 12.4 of the Operating Agreement.

8. NOTICES

Except as otherwise expressly provided in this License, any notices given under this License shall be effective only if in writing and given by delivering the notice in person, by sending it first class mail or certified mail with a return receipt requested, or nationally-recognized overnight courier that guarantees next day delivery and provides a receipt therefor, with postage prepaid, addressed as follows (or such alternative address as may be provided in writing):

To Licensee: _____

with a copy to: _____

To Licensors: _____

with a copy
to: _____

A properly addressed notice transmitted by one of the foregoing methods shall be deemed received upon confirmed delivery, attempted delivery, or rejected delivery. Any fax numbers are provided for convenience of communication only; neither party may give official or binding notice by fax. The effective time of a notice shall not be affected by the receipt, prior to receipt of the original, of a faxed copy of a notice.

9. MACBRIDE PRINCIPLES - NORTHERN IRELAND

City urges companies doing business in Northern Ireland to move toward resolving employment inequities and encourages them to abide by the MacBride Principles as expressed in San Francisco Administrative Code Section 12F.1 et seq. City also urges San Francisco companies to do business with corporations that abide by the MacBride Principles. Licensee acknowledges that it has read and understands the above statement of City concerning doing business in Northern Ireland.

10. TROPICAL HARDWOOD AND VIRGIN REDWOOD BAN

City urges companies not to import, purchase, obtain or use for any purpose, any tropical hardwood, tropical hardwood wood product, virgin redwood, or virgin redwood wood product, except as expressly permitted by the application of Sections 802(b) and 803(b) of the San Francisco Environment Code.

11. DISCLOSURE

Licensee understands and agrees that City's Sunshine Ordinance (San Francisco Administrative Code Chapter 67) and the State Public Records Law (Gov't. Code Sections 6250 et seq.) apply to this License and any and all records, information, and materials submitted to City in connection with this License. Accordingly, any and all such records, information, and materials may be subject to public disclosure in accordance with City's Sunshine Ordinance and the State Public Records Law. Licensee hereby authorizes City to disclose any records, information, and materials submitted to the City in connection with this License.

12. CONFLICT OF INTEREST

Through its execution of this License, Licensee acknowledges that it is familiar with the provisions of **(a)** San Francisco Charter Section 15.103; **(b)** Article III, San Francisco Campaign and Governmental Conduct Code, Chapter 2; and **(c)** California Government Code Sections 87100 et seq. and Sections 1090 et seq. and certifies that it does not know of any facts that would constitute a violation of said provisions. Licensee shall immediately notify City if Licensors become aware of any such fact during the term of this License.

13. NOTIFICATION OF LIMITATIONS ON CONTRIBUTIONS

Through its execution of this License, Licensee acknowledges that it is familiar with Section 1.126 of the San Francisco Campaign and Governmental Conduct Code, which prohibits any person who contracts with City for the selling or leasing of any land or building to or from City whenever such transaction would require the approval by a City elective officer, the board on which that City elective officer serves, or a board on which an appointee of that City elective officer serves, from making any campaign contribution to **(a)** the City elective officer, **(b)** a candidate for the office held by such individual, or **(c)** a committee controlled by such individual or candidate, at any time from the commencement of negotiations for the contract until the later of either the termination of negotiations for such contract or six months after the date the contract is approved. Licensee acknowledges that the foregoing restriction applies only if the contract or a combination or series of contracts approved by the same individual or board in a fiscal year have a total anticipated or actual value of \$50,000 or more. Licensee further acknowledges that the prohibition on contributions applies to each Licensors; each member of Licensee's governing body, and Licensee's chief executive officers; any contractor or subcontractor retained by Licensee to perform Work pursuant to this License; and any committee that is sponsored or controlled by Licensee. Additionally, Licensee acknowledges that Licensee must inform each of the persons described in the preceding sentence of the prohibitions contained in Section 1.126. Licensee further agrees to provide to City the names of each person, entity, or committee described above.

14. NONDISCRIMINATION

In the performance of this agreement, licensee shall not discriminate against any employee, subcontractor, applicant for employment with licensee, or against any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social, or other establishments or organizations, on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, height, weight, sex, sexual orientation, gender identity, domestic partner status, marital status, disability or acquired immune deficiency syndrome, or HIV status (AIDS/HIV status), or association with members of such protected classes, or in retaliation for opposition to discrimination against such classes.

15. NO ASSIGNMENT

This License is personal to Licensee and shall not be assigned, conveyed, or otherwise transferred by Licensee under any circumstances. Any attempt to assign, convey, or otherwise transfer this License shall be null and void and cause the immediate termination and revocation of this License.

16. SEVERABILITY

If any provision of this License or its application to any person, entity, or circumstance shall be invalid or unenforceable, the remainder of this License, or the application of such provision to persons, entities, or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each other provision of this License shall be valid and enforceable to the fullest extent permitted by law, except to the extent that enforcement of this License without the invalidated provision would be unreasonable or inequitable under all the circumstances or would frustrate a fundamental purpose of this License.

17. COOPERATIVE DRAFTING

This License has been drafted through a cooperative effort of both parties, and both parties have had an opportunity to have the License reviewed and revised by legal counsel. No party shall be considered the drafter of this License, and no presumption or rule that an ambiguity shall be construed against the party drafting the clause shall apply to the interpretation or enforcement of this License.

18. GENERAL PROVISIONS

(a) This License may be amended or modified only by a writing signed by Licensee and Licensor. (b) No waiver by any party of any of the provisions of this License shall be effective unless in writing and signed by an officer or other authorized representative, and only to the extent expressly provided in such written waiver. No waiver shall be deemed a subsequent or continuing waiver of the same, or any other, provision of this License. (c) This instrument (including the exhibit(s) hereto) contains the entire agreement between the parties with respect to the access rights granted by this License and all prior written or oral negotiations, discussions, and understandings are merged in this License. (d) The sections and other headings of this License are for convenience of reference only and shall be disregarded in the interpretation of this License. (e) Time is of the essence in all matters relating to this License. (f) This License shall be governed by California law and City's Charter. (h) If either party commences an action against the other or a dispute arises under this License, the prevailing party shall be entitled to recover from the other reasonable attorneys' fees and costs. For purposes hereof and for purposes of the indemnifications set forth in this License, City's reasonable attorneys' fees shall be based on the fees regularly charged by private attorneys in San Francisco with comparable experience notwithstanding City's use of its own attorneys. (i) This License may be executed in counterparts, each of which is deemed to be an original, and all such counterparts constitute one and the same instrument.

[SIGNATURES ON FOLLOWING PAGE]

In witness whereof, Licensor and Licensor have executed this License on the date set forth below, effective as of the date first set forth above.

LICENSOR:

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Harlan L. Kelly, Jr.
General Manager,
San Francisco Public Utilities Commission

Dated: _____, 20__

Approved as to form:
DENNIS J. HERRERA
City Attorney

By: _____
Joshua D. Milstein
Deputy City Attorney

LICENSEE:

By: _____

Name: _____

Dated: _____, 20__

EXHIBIT A
LICENSOR'S WELL SITES

