STATE OF CALIFORNIA
THE RESOURCES AGENCY
DEPARTMENT OF WATER RESOURCES
AND
YUBA COUNTY WATER AGENCY

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

This Agreement is entered into as of December 4, 2007 between the Department of Water Resources of the State of California, pursuant to the provisions of the California Water Resources Development Bond Act, the Central Valley Project Act and other applicable laws of the State of California, and Yuba County Water Agency, pursuant to the Yuba Act (California Statutes 1959, Chapter 788, as amended) and other applicable laws of the State of California. Defined terms are set forth in section 1 of this Agreement.

RECITALS

A. DWR operates and maintains the SWP pursuant to the laws of the State of California, involving the development and conveyance of water supplies to water supply agencies throughout the State of California.

B. Reclamation has constructed and is operating the CVP for the diversion, storage, carriage, and distribution of waters of the State of California for irrigation, municipal, domestic, industrial water supplies, for fish and wildlife mitigation, protection and restoration, and for generation and distribution of electric energy, salinity control, navigation, flood control, recreation and other beneficial uses.

C. Yuba is a public agency created and existing pursuant to the provisions of the Yuba Act. Yuba owns and operates the Yuba River Development Project, including the Yuba Project.

D. Yuba is engaged in the Yuba River Accord initiative to resolve issues associated with operation of the Yuba Project in a way that protects lower Yuba River fisheries and local water-supply reliability, while providing revenues for local flood control projects, water to use for protection and restoration of Delta fisheries, and improvements in state-wide water supply management.

E. The Yuba River Accord includes three major elements, all of which must be in place for the Yuba River Accord to become effective: (1) the Fisheries Agreement, under which Yuba would revise the operations of the Yuba Project to provide higher flows in the lower Yuba River under certain conditions to improve fisheries protection and enhancement; (2) the Conjunctive Use Agreements between Yuba and water districts within Yuba County for implementing a conjunctive use and water use efficiency program; and (3) this Agreement between Yuba and DWR, pursuant to which DWR will have rights to beneficially use water flows made available by Yuba through the Fisheries Agreement, the Conjunctive Use Agreements, and additional water releases from the Yuba Project, which Yuba asserts it would not and could not make available from the Yuba Project in the absence of the Yuba River Accord and without the revenues provided to Yuba under this Agreement.

F. DWR supports the Yuba River Accord, and is willing to enter into this Agreement because it will enable the Yuba River Accord to become effective, thereby improving fishery conditions on the Yuba River and improving water supplies to DWR for: (1) the EWA; (2) the SWP contractors pursuant to DWR's dry-year supplemental water supply programs; and (3) the members of the San Luis & Delta-Mendota Water Authority pursuant to DWR's dry-year supplemental water supply programs.

G. The Parties believe that this Agreement is consistent with: (1) Yuba's commitments to utilize water management tools (such as conjunctive use of groundwater), to create operational efficiencies, and manage water shortage risks in new ways that would benefit the fisheries and augment water supplies for downstream users; and (2) the Projects' need for additional water supplies.

H. Yuba is authorized under the Yuba Act to enter into long-term contracts to sell water for use outside of Yuba County, subject to the provision of Section 5.2 of the Yuba Act. Yuba has determined, after compliance with the procedures set forth in Section 5.2 of the Yuba Act, that the water subject to sale or disposition under this Agreement will not be needed during the term of this Agreement by or for the Member Units of Yuba. Yuba has further determined that Yuba is willing, in exchange for the consideration described in this Agreement, to enter into this Agreement.

I. The Parties, in coordination and consultation with Reclamation, the SWP contractors and the San Luis & Delta-Mendota Water Authority, carried out pilot water transfer programs during the 2006 and 2007 Water Accounting Years, and, based on the success of these pilot programs, desire to move forward with this Agreement, as part of the Yuba River Accord.

J. A portion of the Water delivered under this Agreement will be paid for with funds appropriated pursuant to Chapter 7(d) of Proposition 50, California Water Code Section 79550(d).

K. DWR will enter into separate agreements with the SWP contractors and the San Luis & Delta-Mendota Water Authority for the allocation of, and payment for, the Water to the extent determined necessary by DWR to satisfy payment obligations of this Agreement. Reclamation has

determined to not be a party to this Agreement. Yuba and DWR will amend this Agreement at such time as Reclamation is willing to become a party, subject to Reclamation and DWR entering into a separate agreement for the allocation of, and payment for, Water under this Agreement.

L. The Parties have determined that this Agreement does not conflict with Section 25 of the Short-Term Phase 8 Settlement Agreement.

M. In consideration of potential changes that may occur in SWP and CVP Delta operations and implementation of this Agreement related to orders of the United States District Court in *NRDC v. Kempthorne* (Case no. 05-CV-01207, OWW, E.D. Cal.): (1) Yuba revised the environmental analyses in the Yuba River Accord final environmental impact report/environmental impact statement to consider potential effects of the orders from the United States District Court; and (2) the Parties revised the payment provisions for Component 2 Water in Section 6B1 of this Agreement (to $75 per acre foot in a Water Year that has a Final Classification as Dry, instead of $50 per acre foot, and to $93.75 per acre foot in a Water Year that has a Final Classification as Critical, instead of $62.50 per acre foot).

AGREEMENT

The Parties agree as follows:

1. Definitions.

When used herein, the term:

"Buyer" means DWR.

"CALFED" means the joint federal and California program, intended to develop and implement a long-term comprehensive plan that will, among other purposes, restore ecological health of the Bay-Delta System and improve water project management..

"CEQA" means the California Environmental Quality Act.

"Component 1 Water" means the water supplies described in Section 5 of this Agreement.

"Component 2 Water" means the water supplies described in Section 6 of this Agreement.

"Component 3 Water" means the water supplies described in Section 7 of this Agreement.

"Component 4 Water" means the water supplies described in Section 8 of this Agreement.

"Conference Year" means a Water Year for which the North Yuba Index is less than 500,000 acre-feet, calculated according to the procedures and formulas set forth in Exhibits 4 and 5 of the Fisheries Agreement, and using the latest available forecasts for the Water Year.

"Conjunctive Use Agreements" means those agreements (if any) for implementing a conjunctive use and water use efficiency program between Yuba and a sufficient number of Member Units that Yuba determines is satisfactory for Yuba to meet Yuba's obligations under this Agreement, the Fisheries Agreement, and the Yuba Act.

"CVP" means the Central Valley Project, operated by Reclamation.

"Decision 1644" means Revised Water-Right Decision 1644 of the State Board, adopted on July 16, 2003.

"DWR" means the Department of Water Resources of the State of California.

"Effective Date" means the date that this Agreement will take effect, as provided in Section 3 ("Effective Date").

"ESA" means the federal Endangered Species Act of 1973, as amended (16 U.S.C. sections 1531-1544).

"EWA" means the environmental water account program described in the CALFED Record of Decision and the EWA Operating Principles Agreement (August 28, 2000, as extended in September 2004), as extended by amendment and supplemental approvals, or a long-term environmental water account program.

"Feather River Diversion Facility" means an intake structure, pumping facilities, a fish screen that meets State and Federal fish screen criteria, and related facilities that Yuba may consider constructing at some future time at or below the confluence of the Yuba River and the Feather River for the diversion of water under Yuba's existing water rights for use within Yuba County. Yuba has no current plans to develop or construct the Feather River Diversion facility. If this project were developed, the Feather River Diversion Facility would be added as a point of re-diversion under Yuba's existing water rights. On a real-time basis, diversions by Yuba at the Feather River Diversion Facility: (1) would not exceed the quantity of water that would have been available to Yuba for diversion from Yuba River flows upstream of its confluence with the Feather River; (2) when added to the quantity of water diverted by Yuba at Yuba's Daguerre Point of Diversion, would not exceed the quantities of water under Yuba's water rights that Yuba had diverted to beneficial use under applicable provisions of law (including Chapter 1 of Part 1 of Division 2 of the Water Code)

prior to the initiation of water diversions at the Feather River Diversion Facility; and (3) would not cause adverse impacts to, or interfere with, DWR or Reclamation's operations of the SWP and CVP, or cause DWR or Reclamation to have to modify operations of their respective SWP or CVP facilities.

"FERC" means the Federal Energy Regulatory Commission.

"FERC License" means the license, as amended, issued to Yuba by FERC for the operation of the power facilities of the Yuba Project, the term of which expires on April 30, 2016.

"FERC Annual License" means one or more annual licenses issued to Yuba by FERC for the operation of the power facilities of the Yuba Project following the expiration of the term of the FERC License.

"FERC Long-Term License" means the long-term license issued to Yuba by FERC for the operation of the power facilities of the Yuba Project following the expiration of the term of the FERC License and the last FERC Annual License.

"Final Classification" means the year-type classification for the Sacramento River region in the May issue of DWR's Bulletin 120.

"Fisheries Agreement" means the agreement among Yuba, the California Department of Fish and Game, and other parties, under which Yuba operates the Yuba Project to provide higher flows in the lower Yuba River under certain conditions to improve fisheries protection.

"*Force Majeure* Event" means any: (1) flood; (2) earthquake; (3) failure of the California Aqueduct, the Delta-Mendota Canal, levees, other conveyance facilities, or other major components of the SWP, CVP or the Yuba Project; (4) act of God (other than drought); or (5) any other event (other than a Regulatory Action) beyond the reasonable control of DWR, Reclamation, or Yuba that significantly affects the ability to divert or use Water delivered by Yuba under this Agreement, or that significantly affects Yuba's ability to deliver Water under this Agreement while also meeting its obligations to its Member Units or its obligations under the Fisheries Agreement.

"Groundwater O&M Costs" means the costs related to pumping groundwater as described in Section 12 ("Other Payments to Yuba by Buyers") of this Agreement.

"Groundwater Substitution Transfer Monitoring and Operations Program" means the program, set forth in Exhibit 3 to this Agreement, pursuant to which Yuba will monitor and report groundwater pumping to implement this Agreement.

"Management Committee" means the committee, consisting of one representative each from Yuba, DWR, Reclamation, the CALFED fishery agencies on behalf of EWA, SWP contractors, and the San Luis & Delta-Mendota Water Authority, established under Section 14 ("Technical Committee and Management Committee") of this Agreement.

"Member Units" means a "Member Unit" as defined in Section 2(g) of the Yuba Act.

"NEPA" means the National Environmental Policy Act.

"Parties" means DWR and Yuba.

"PG&E" means Pacific Gas and Electric Company.

"PG&E Power Contract" means the power purchase contract between Yuba and PG&E related to the operation of the Yuba Project for the generation of hydroelectric power, dated May 13, 1966.

"Projects" means the SWP and the CVP.

"Reclamation" means the United States Department of the Interior, Bureau of Reclamation.

"Regulatory Action" means a court order, regulatory action or change in applicable law that significantly affects the Parties' or Reclamation's ability to divert or use Water, or that significantly affects Yuba's ability to deliver Water while also meeting its obligations to its Member Units or its obligations under the Fisheries Agreement.

"Short-Term Phase 8 Settlement Agreement" means the "Short-Term Agreement to Guide Implementation of Short-Term Water Management Actions to Meet Local Water Supply Needs and to Make Water Available to the SWP and CVP to Assist in Meeting the Requirements of the 1995 Water Quality Control Plan and to Resolve Phase 8 Issues" (effective date March 24, 2003).

"State Board" means the California State Water Resources Control Board.

"SWP" means the State Water Project operated by DWR. The SWP is also known as the State Water Facilities, as defined in California Water Code section 12934(d).

"Technical Committee" means the committee, consisting of technical representatives from Yuba, DWR, Reclamation, the CALFED fishery agencies on behalf of EWA,

SWP contractors and the San Luis & Delta-Mendota Water Authority, established under Section 14 ("Technical Committee and Management Committee") of this Agreement.

"Water" means Component 1 Water through Component 4 Water delivered by Yuba in a manner consistent with the provisions of Section 11 ("General Provisions Applicable to Water") of this Agreement.

"Water Accounting Year" means the twelve-month period from January 1 to December 31. The Water Accounting Year will be used to account for Water.

"Water Year" means the twelve-month period from October 1 of one year through September 30 of the following year. For this Agreement, each Water Year will be classified: (1) as "Wet," "Above-Normal," "Below-Normal," "Dry" or "Critical," based on the Sacramento Valley Water Year Hydrologic Classification in Figure 1 on page 188 of the State Board's March 15, 2000, Revised Water-Right Decision 1641; or (2) as a "Conference Year," based on the procedures and formulas set forth in Exhibits 4 and 5 of the Fisheries Agreement, using the latest available forecast for the Water Year.

"Yuba" means the Yuba County Water Agency.

"Yuba Act" means the Yuba County Water Agency Act, California Statutes 1959, Chapter 788, as amended.

"Yuba Project" means the Yuba River Development Project, including New Bullards Bar Dam and Reservoir on the North Yuba River.

"Yuba River Accord" means Yuba's initiative as described in Recitals D and E of this Agreement.

2. Term of Agreement.

This Agreement will terminate on December 31, 2025, or when all obligations under this Agreement have been satisfied, whichever is later, unless this Agreement is terminated earlier as provided herein.

3. Effective Date.

This Agreement will become effective when all of the following have occurred: (1) full execution of this Agreement; (2) full execution of the Fisheries Agreement; (3) full execution of the Conjunctive Use Agreements (if any, unless Yuba provides DWR written notification of Yuba's waiver of this condition); (4) full execution of an agreement between Yuba and PG&E to amend provisions of the PG&E Power Contract, and approval of the California Public Utilities Commission

of such an amendment, if determined necessary by Yuba (unless Yuba provides DWR written notification of Yuba's waiver of this condition); (5) receipt of all State Board approvals that may be necessary to enable the Fisheries Agreement and this Agreement to be fully implemented; and (6) full execution of the agreements between DWR and one or more SWP contractors, and an agreement between DWR and the San Luis & Delta-Mendota Water Authority, referred to in Recital K of this Agreement. The Parties will support the actions described in this section.

4. Actions Taken by Yuba to Make Water Available.

A. In accordance with Section 5.2 of the Yuba Act, all sales of Water are subject to the prior right to the use of such water or Yuba facilities by or for the Member Units. Yuba has taken the following measures to assure that the quantities of Water will be available to DWR during all Water Year types, as provided in this Agreement, for the term of this Agreement:

1. Yuba has entered into the Conjunctive Use Agreements (if any) under which the contracting Member Units have agreed to provide groundwater supplies in substitution for surface water supplies to assist Yuba in implementing this Agreement, to the extent (if any) determined by Yuba to be satisfactory for Yuba to meet Yuba's obligations under this Agreement, the Fisheries Agreement, and the Yuba Act; and

2. Yuba is implementing a groundwater monitoring program within its service area to ensure that the groundwater supply developed pursuant to the Conjunctive Use Agreements (if any) is within the long-term safe yield of the affected aquifer; and

3. The Board of Directors of Yuba has adopted a resolution making findings concerning Yuba's compliance with Section 5.2 of the Yuba Act, and determining that the Water exceeds the needs of its Member Units and that Yuba can and will perform its obligations under this Agreement.

B. In addition, Yuba may consider the installation and operation of the Feather River Diversion Facility at some future time in the event that Yuba determines that operation of the Feather River Diversion Facility would assist Yuba in making water supplies available within Yuba County. Subject to Yuba agreeing to operate this facility in the manner described in the definition of Feather River Diversion Facility, DWR will not oppose the installation and operation of the Feather River Diversion Facility for this purpose, and will not object to Yuba obtaining regulatory permits and approvals for the Feather River Diversion Facility.

5. Component 1 Water

A. Component 1 Water Quantity.

1. In each of the first eight Water Accounting Years of this Agreement (January 1, 2008 through December 31, 2015), Yuba will deliver to the Buyer, for use by the EWA, and the Buyer will pay for, 60,000 acre-feet of Component 1 Water, subject to Section 11 ("General Provisions Applicable to Water") of this Agreement. The total quantity of Component 1 Water that Yuba will deliver to the Buyer during the first eight Water Accounting Years of this Agreement will be 480,000 acre-feet, subject to extending the delivery period beyond the eight years if needed pursuant to subsection 2 below and Section 11G. Unless conditions under Section 23D ("As to Termination of the EWA Program") apply, Component 1 Water will be used to support continued implementation of EWA.

2. In certain years, and pursuant to the accounting principles set forth in Exhibit 1, operational limitations of the Yuba Project, the CVP, and/or the SWP may cause the quantity of Component 1 Water that Yuba can deliver to the Buyer to be reduced below 60,000 acre-feet during a Water Accounting Year. Under those circumstances, unless the Parties agree otherwise, Yuba will deliver the undelivered Component 1 Water so that the remaining quantity of the 480,000 acre-feet will be delivered during subsequent years under the following conditions: (a) during the next Water Accounting Year that is not a Dry or Critical Water Year; (b) when such make-up water can be delivered from Yuba's available surface-water supply; and (c) on a schedule that is acceptable to the Buyer and Yuba that would not impair the ability of Yuba to make Components 2 through Components 4 Water available, as provided in this Agreement.

3. The Buyer and Yuba will schedule Component 1 Water pursuant to Section 9 ("Scheduling of Water") of this Agreement.

4. In all Water Accounting Years that include all or part of the term of any FERC Annual License, Yuba will deliver to the Buyer, and the Buyer will pay for, 60,000 acre-feet of Component 1 Water, subject to Sections 15A(2) and 15B of this Agreement.

5. The quantities of Component 1 Water delivered by Yuba to the Buyer during all Water Accounting Years that include the term of the FERC Long-Term License, and do not include any part of the term of any FERC Annual License, will be subject to Sections 15A(3) and 15C of this Agreement.

B. Component 1 Water Pricing.

1. As full compensation to Yuba for making Component 1 Water in Section 5A available during each of the first eight Water Accounting Years of this Agreement, or in subsequent years under Section 5A2 and 11G, the Buyer will pay Yuba $30,900,000. This payment will be made as described in Section 5C and Section 10 ("Invoicing") of this Agreement.

2. The pricing provisions applicable to additional Component 1 Water delivered by Yuba to the Buyer during all Water Accounting Years after the first eight Water

Accounting Years will be those set forth in Section 15 ("Quantities of and Pricing Provisions for Water During a FERC Annual License and During the FERC Long-Term License") of this Agreement.

C. Component 1 Water Payment Provisions.

In accordance with Section 10 ("Invoicing") of this Agreement, Yuba will, within thirty days of the Effective Date, submit an invoice to DWR for the payment of $30,900,000 for the 480,000 acre-feet Component 1 Water. DWR will make payment to Yuba within sixty days of the date the invoice has been received by both the DWR Contract Manager and the Accounting Office.

6. Component 2 Water.

A. Component 2 Water Quantity.

1. In addition to Component 1, 3, or 4 Water, Yuba will deliver to the Buyer, subject to Section 11 ("General Provisions Applicable to Water") of this Agreement, and the Buyer will pay for:

a. In any Water Year that has a Final Classification as Dry, 15,000 acre-feet of Component 2 Water; and

b. In any Water Year that has a Final Classification as Critical, 30,000 acre-feet of Component 2 Water.

2. The Buyer and Yuba will schedule Component 2 Water pursuant to Section 9 ("Scheduling of Water") of this Agreement.

3. In all Water Accounting Years that include all or part of the term of any FERC Annual License, Yuba will deliver to the Buyer Component 2 Water, subject to Sections 15A(2) and 15B of this Agreement.

4. The quantities of Component 2 Water delivered by Yuba to the Buyer during all Water Accounting Years that include the term of the FERC Long-Term License, and do not include any part of the term of any FERC Annual License, will be subject to Sections 15A(3) and 15C of this Agreement.

B. Component 2 Water Pricing.

1. The Buyer will pay Yuba for Component 2 Water as follows:

a. In any Water Year that has a Final Classification as Dry, $75.00 per acre-foot;

b. In any Water Year that has a Final Classification as Critical, $93.75 per acre-foot; and

c. The payment adjustments (if any) provided for in Section 12C of this Agreement.

2. The Buyer will pay Yuba for Component 2 Water pursuant to Section 6C and Section 10 ("Invoicing") of this Agreement.

3. The pricing provisions applicable to Component 2 Water delivered by Yuba to Buyer during all Water Accounting Years that include all or part of the term of any FERC Annual License or the term of the FERC Long-Term License are set forth in Section 15 ("Quantities of and Pricing Provisions for Water During a FERC Annual License and During the FERC Long-Term License") of this Agreement.

C. Component 2 Payment Provisions.

1. For each Water Year that Component 2 Water is being delivered to the Buyer, Yuba will submit an invoice to the Buyer on or after June 1 for fifty percent of the amount due for Component 2 Water scheduled to be delivered to the Buyer pursuant to this Agreement, adjusted by an amount equal to fifty percent of any credits due from Yuba to the Buyer. By January 7 of the subsequent year, Yuba will submit an invoice to the Buyer for the remaining fifty percent of the amount due for Component 2 Water scheduled to be delivered to the Buyer pursuant to this Agreement, less the remaining amount of any credits due the Buyer. The invoices will contain all of the information and be transmitted to Buyer as set forth in Section 10 ("Invoicing") of this Agreement.

2. DWR will pay Yuba within sixty days of the date that both the DWR Contract Manager and the Accounting Office receive invoices containing all of the information required by Section 10(B) of this Agreement. With respect to the first invoice from Yuba, the Buyer will pay Yuba an amount equal to fifty percent of the price for the Component 2 Water that has been scheduled for delivery during the current Water Accounting Year in accordance with Section 9 ("Scheduling of Water") of this Agreement, minus fifty percent of any credit due from Yuba to the Buyer pursuant to Section 12 ("Payments for Fixed Annual Costs") of this Agreement. With respect to the second invoice from Yuba, the Buyer will pay the remaining amount due to Yuba for Component 2 Water, based on an accounting of actual Water deliveries in the previous Water Accounting Year, less the remaining amount of any credit due the Buyer pursuant to Section 12 ("Payments for Fixed Annual Costs") of this Agreement. With respect to both invoices from Yuba, DWR will pay Yuba within sixty days of the date both the DWR Contract Manager and the

Accounting Office have received the appropriate invoices containing all of the information required by Section 10(B) of this Agreement.

7. Component 3 Water.

A. Component 3 Water Quantity.

1. In addition to Component 1, 2, or 4 Water, and subject to Section 11 ("General Provisions Applicable to Water") of this Agreement:

a. When the allocations as of April 21:

(i) For CVP South of Delta agricultural contractors are at or below thirty-five percent of their CVP contractual entitlements, and for SWP contractors are at or below forty percent of their SWP water supply contract Table A Amounts, Yuba will deliver to the Buyer, and the Buyer will pay for, 40,000 acre-feet of Component 3 Water; or

(ii) For CVP South of Delta agricultural contractors are at or below forty-five percent and above thirty-five percent of their CVP contractual entitlements, or for SWP contractors are at or below sixty percent and above forty percent of their SWP water supply contract Table A Amounts the Buyer, on or before April 21, the Buyer may request that Yuba deliver up to 40,000 acre-feet of Component 3 Water, and Yuba will deliver to Buyer the quantity of Component 3 Water requested.

2. The Buyer and Yuba will schedule Component 3 Water pursuant to Section 9 ("Scheduling of Water") of this Agreement. In addition:

a. If after April 21, but prior to May 21, allocations to CVP South of Delta agricultural contractors or SWP contractors decrease, then:

(i) if section 7A(1)(a)(ii) of this Agreement remains applicable notwithstanding the decreased allocation(s), the Buyer will have the right to call for Component 3 Water or additional Component 3 Water up to the maximum amount authorized by section 7A(1)(a)(ii); provided, however, that the quantity or increased quantity of Component 3 Water Yuba is required to deliver will be reduced to reflect any reduction in the amount of groundwater pumping availability between April 21 and May 21.

(ii) if section 7A(1)(a)(i) of this Agreement becomes applicable due to the decreased allocations, and the Buyer had opted to have less than 40,000 acre feet of Component 3 Water delivered, Yuba will deliver to the Buyer, and the Buyer will pay for 40,000 acre feet of Component 3 Water reduced by an amount that reflects any reduction in the amount of groundwater pumping availability between April 21 and May 21.

b. If after April 21, but prior to May 21, allocations to CVP South of Delta agricultural contractors or SWP contractors increase, then the Buyer may, on or before May 21, reduce their request for Component 3 Water to the greater of zero or the quantity of water already delivered by Yuba plus the quantity of water already stored by Yuba through the substitution of groundwater for surface water in anticipation of Component 3 Water deliveries originally requested by the Buyer. This section will not apply to circumstances where, notwithstanding an increase in the Buyer' May water supply allocations, Section 7(A)(1)(a)(i) of this Agreement remains applicable.

3. In all Water Accounting Years that include all or part of the term of any FERC Annual License, Yuba will deliver to the Buyer, and the Buyer will pay for, Component 3 Water, subject to Section 15B of this Agreement.

4. The quantities of Component 3 Water delivered by Yuba to the Buyer during Water Accounting Years that include the term of the FERC Long-Term License, and do not include any part of the term of any FERC Annual License, will be subject to Section 15C of this Agreement.

B. Component 3 Water Pricing.

1. The Buyer will pay Yuba for Component 3 Water as follows:

a. In any Water Year that has a Final Classification as Wet, $25.00 per acre-foot;

b. In any Water Year that has a Final Classification as Above-Normal, $50.00 per acre-foot;

c. In any Water Year that has a Final Classification as Below-Normal, $75.00 per acre-foot;

d. In any Water Year that has a Final Classification as Dry, $100.00 per acre-foot;

e. In any Water Year that has a Final Classification as Critical, $125.00 per acre-foot; and

f. The payment adjustments (if any) provided for in Section 12C ("Payments for Adjustments in Groundwater O&M Costs) of this Agreement.

2. The Buyer will pay Yuba for Component 3 Water pursuant to Section 7C and Section 10 ("Invoicing") of this Agreement.

3. The pricing provisions applicable to Component 3 Water delivered by Yuba to Buyer during all Water Accounting Years that include all or part of the term of any FERC Annual License or the term of the FERC Long-Term License are set forth in Sections 15B and C of this Agreement.

C. Component 3 Payment Provisions

1. In accordance with Section 10 ("Invoicing") of this Agreement, Yuba will submit an invoice to the Buyer on or after June 1 each Water Accounting Year for fifty percent of the amount due for Component 3 Water scheduled to be delivered to the Buyer pursuant to this Agreement, adjusted by an amount equal to fifty percent of any credits due from Yuba to the Buyer. By January 7 of the subsequent year, Yuba will submit an invoice to the Buyer for the remaining fifty percent of the amount due for Component 3 Water scheduled to be delivered to the Buyer pursuant to this Agreement, less the remaining amount of any credits due the Buyer.

2. In accordance with Section 10 ("Invoicing") of this Agreement, DWR will pay Yuba within sixty days of the date that both the DWR Contract Manager and the Accounting Office receive the appropriate invoices and verification that the amount of Component 3 Water specified therein has been scheduled in accordance with Section 9 ("Scheduling of Water") of this Agreement. The Buyer will pay Yuba an amount equal to fifty percent of the price for the Component 3 Water that has been scheduled for delivery during the current Water Accounting Year in accordance with Section 9 ("Scheduling of Water") of this Agreement, minus fifty percent of any credit due from Yuba to the Buyer pursuant to Section 12 ("Payments for Fixed Annual Costs") of this Agreement. On or before March 7 of the subsequent year, the Buyer will pay the remaining amount due to Yuba for Component 3 Water, based on an accounting of actual Water deliveries in the previous Water Accounting Year, less the remaining amount of any credit due the Buyer pursuant to Section 12 ("Payments for Fixed Annual Costs") of this Agreement.

8. Component 4 Water.

A. Component 4 Water Quantity.

1. In addition to Component 1, 2, or 3 Water, Yuba will provide to the Buyer, subject to Section 11 ("General Provisions Applicable to Water") of this Agreement, Component 4 Water as follows:

a. On or before April 10 of each year, Yuba will inform the Buyer of the quantity of Component 4 Water that Yuba could make available from Yuba's available surface and groundwater that Water Accounting Year.

b. By May 15 the Buyer will notify Yuba if it will take delivery of any or all of the Component 4 Water that Yuba informed the Buyer that Yuba will make available.

2. The Buyer and Yuba will schedule Component 4 Water pursuant to Section 9 ("Scheduling of Water") of this Agreement.

3. In all Water Accounting Years that include all or a part of the term of any FERC Annual License, Yuba will deliver to the Buyer, and the Buyer will pay for, Component 4 Water pursuant to Section 15B of this Agreement.

4. The quantities of Component 4 Water delivered by Yuba to the Buyer during all Water Accounting Years that include the term of the FERC Long-Term License, and do not include any part of the term of any FERC Annual License, will be subject to Section 15C of this Agreement.

B. Component 4 Water Pricing.

1. The Buyer will pay Yuba for Component 4 Water as follows:

a. In any Water Year that has a Final Classification as Wet, $25.00 per acre-foot;

b. In any Water Year that has a Final Classification as Above-Normal, $50.00 per acre-foot;

c. In any Water Year that has a Final Classification as Below-Normal, $75.00 per acre-foot;

d. In any Water Year that has a Final Classification as Dry, $100.00 per acre-foot;

e. In any Water Year that has a Final Classification as Critical, $125.00 per acre-foot

f. The payment adjustments (if any) provided for in Section 12C ("Payments for Adjustments in Groundwater O&M Costs") of this Agreement.

2. The Buyer will pay Yuba for Component 4 Water pursuant to the payment and invoicing provisions of this Section.

3. The pricing provisions applicable to Component 4 Water delivered by Yuba to Buyer during all Water Accounting Years that include all or part of the term of any FERC

Annual License or the term of the FERC Long-Term License are set forth in Sections 15B and C of this Agreement.

C. Component 4 Payment Provisions.

1. In accordance with Section 10 ("Invoicing") of this Agreement, Yuba will submit an invoice to the Buyer on or after June 1 each Water Accounting Year for fifty percent of the amount due for Component 4 Water scheduled to be delivered to the Buyer pursuant to this Agreement, adjusted by an amount equal to fifty percent of any credits due from Yuba to the Buyer. By January 7 of the subsequent year, Yuba will submit an invoice to the Buyer for the remaining fifty percent of the amount due for Component 4 Water scheduled to be delivered to the Buyer pursuant to this Agreement, less the remaining amount of any credits due the Buyer.

2. In accordance with Section 10 ("Invoicing") of this Agreement, DWR will pay Yuba within sixty days of the date that both the DWR Contract Manager and the Accounting Office receive the appropriate invoices and verification that the amount of Component 4 Water specified therein has been scheduled in accordance with Section 9 ("Scheduling of Water") of this Agreement. The Buyer will pay Yuba an amount equal to fifty percent of the price for the Component 4 Water that has been scheduled for delivery during the current Water Accounting Year in accordance with Section 9 ("Scheduling of Water") of this Agreement, minus fifty percent of any credit due from Yuba to the Buyer pursuant to Section 12 ("Payments for Fixed Annual Costs") of this Agreement. On or before March 7 of the subsequent year, the Buyer will pay the remaining amount due to Yuba for Component 4 Water, based on an accounting of actual Water deliveries in the previous Water Accounting Year, less the remaining amount of any credit due the Buyer pursuant to Section 12 ("Payments for Fixed Annual Costs") of this Agreement.

9. Scheduling of Water.

On or about April 10 of each Water Accounting Year, or as soon thereafter as practicable, the Parties will agree on a proposed delivery schedule for Component 1, 2, 3 and 4 Water. The proposed schedule may be revised periodically thereafter, and the Parties will agree on a final schedule no later than May 21. The final schedule will be updated to accommodate any changes in the North Yuba Index or the Yuba River Index and may be adjusted to account for changes in Bay-Delta conditions, including hydrologic or regulatory conditions, that affect the delivery of Water, and for changes in the flow schedule for the lower Yuba River as provided for in the Fisheries Agreement. The proposed and final schedules will also show the scheduling of water delivered by Yuba under the Short-Term Phase 8 Settlement Agreement. The scheduling of Water, and any adjustments to the schedule, will be in accordance with the water scheduling and accounting provisions set forth in Exhibit 1 ("Scheduling and Accounting Principles") of this Agreement.

10. Invoicing.

A. Reserved.

B. Yuba's invoices to DWR will contain the following information:

i) Federal and State Agreement numbers;
ii) Yuba's Taxpayer Identification Number;
iii) remittance address;
iv) point of contact;
v) for estimated payments, verification that the Water has been scheduled in accordance with Section 9 ("Scheduling of Water") of this Agreement; and
vi) for year-end payments, certification that the Water has been delivered.

C. Yuba will submit, at the same time, two copies of each invoice to DWR State Water Project Analysis Office and one copy to DWR Accounting office at the following addresses:

Department of Water Resources
Chief, State Water Project Analysis Office
1416 Ninth Street
Post Office Box 942836
Sacramento, California 94236-0001

Department of Water Resources
Accounting Office, Contracts Payable Unit
Post Office Box 942836
Sacramento, California 94236-0001

11. General Provisions Applicable to Water.

A. Accounting for Water.

Water delivered by Yuba to the Buyer will be accounted for in the manner set forth in Exhibit 1 ("Scheduling and Accounting Principles") of this Agreement. To the extent a conflict exists between the provisions of this Agreement and Exhibit 1, the provisions of this Agreement will control. Notwithstanding any other provision of this Agreement, the Buyer will only pay for water delivered by Yuba to the Buyer that is accounted for as Delivered Transfer Water pursuant to Exhibit 1.

B. Reservoir Refill Impact Accounting.

Yuba will provide assurance to the Buyer and Reclamation that the refilling of reservoir storage in the Yuba Project resulting from the delivery of Water under this Agreement will not adversely impact the Projects. Yuba will avoid adverse impacts to the Projects by complying with the

provisions of Exhibit 2 ("Reservoir Refill Accounting Provisions") of this Agreement. The provisions of Exhibit 2 will not apply to Water made available as a result of Yuba delivering groundwater instead of surface water to its Member Units to implement this Agreement.

C. Yuba's Conjunctive Use Program.

To the extent that Yuba delivers groundwater instead of surface water to its Member Units in order to deliver Water to the Buyer pursuant to this Agreement, Yuba will comply with the provisions of Exhibit 3 ("Groundwater Substitution Transfer Monitoring and Operations Program") of this Agreement.

D. Conference Year Principles.

During any Conference Year, the Parties will meet (along with the parties to the Fisheries Agreement and the Conjunctive Use Agreements) to determine how to address the circumstances, and to discuss the operation of the Yuba Project during that Water Accounting Year. During a Conference Year: (1) Yuba will have no obligation to deliver any quantity of Components 1 through 4 Water; (2) Yuba will not have to refund any part of the payment received for Component 1 Water; and (3) Yuba will deliver in a subsequent Water Accounting Year on a schedule that is acceptable to the Buyer and Yuba the quantity of Component 1 Water that was not delivered during the Conference Year.

E. Efforts to Maximize the Beneficial Use of Water.

Yuba will optimize to the extent feasible the operation of the Yuba Project to meet Yuba's obligations to supply Water under this Agreement. DWR will coordinate with Reclamation in the operation of the Projects to maximize the beneficial use of Water released by Yuba under this Agreement, including without limitation using all reasonable efforts to store water in Project facilities when Delta pumping is constrained and to avoid spills of water stored as result of the release of Water.

F. Sale to Third Parties.

To the extent the Water is otherwise transferable under California law, in those years when Yuba offers Components 3 or 4 Water, but the Buyer decline to take all of the Water offered, Yuba may sell the Water not taken by Buyer to a third party, provided that such sale to the third party will not impair Yuba's ability to meet its obligations to deliver Components 1 through 4 Water in the current or any future Water Accounting Year. In addition, to the extent the water is otherwise transferable under California law, Yuba may sell to a third party any quantity of Components 1, 3 or 4 Water released by Yuba that would have been accounted for as Water except for the inability of the Buyer to take delivery (e.g., during times when the Bay-Delta was out of balance). Yuba will provide the Buyer ten days' advance notice of a sale to a third party under this section.

G. Periodic Accounting of Water Delivered by Yuba.

After the first eight years of operations under this Agreement, and as appropriate thereafter, the Parties, with the assistance of the Technical Committee and the Management Committee, will develop a comprehensive accounting of all Water delivered under this Agreement. If it is determined that less than the quantities of Water required to be delivered during the first eight years have been delivered, and the Buyer has paid for quantities of Water that have not been delivered, then Yuba will deliver supplies of Water to the Buyer to make up for such deficiencies, on a schedule that is acceptable to the Buyer and Yuba that would not impair the ability of Yuba to make other deliveries of Water under this Agreement.

12. Other Payments to Yuba by the Buyer.

A. Diesel Conversions.

In furtherance of the mitigation of potential impacts to air quality from implementation of the Accord, Yuba has implemented a program to convert certain pumps used to pump groundwater from diesel to electric, or to other forms of energy that reduce air quality impacts. Conversion of pumps to electricity or other forms of energy that reduce air quality impacts has been and will be performed by Yuba for purposes of this Agreement. Prior to submitting invoices under this section to the Buyer under Section 10 ("Invoicing") of this Agreement, Yuba will: (1) submit to the Technical Committee for review documentation of the diesel conversion work performed and costs incurred from and after September 1, 2004 for purposes of this Agreement and the Accord; and (2) confirm to the Management Committee that the work performed and costs incurred were in furtherance of mitigation of potential impacts on air quality from implementation of the Accord. Subject to receipt of such information and concurrence by the Management Committee, the Buyer will pay Yuba the amount of such invoices, but not more than a total of $1,000,000.00.

B. Payments for Fixed Annual Costs and for Environmental Compliance.

1. During the term of this Agreement, on or before April 1 each year, the Buyer will pay to Yuba up to $250,000.00 to pay a portion of Yuba's annual costs for implementing the Yuba River Accord. On or before February 1, Yuba will submit to DWR invoices with documentation of costs incurred by Yuba to implement the Yuba River Accord, up to $250,000 per year. The Buyer will pay Yuba the amount of such invoice, but not more than $250,000 per year, pursuant to this Section and Section 10 ("Invoicing") of this Agreement. Yuba will provide to the Buyer, for payments made under this subsection, a credit against future payments due for Components 2, 3 and 4 Water. Yuba will record and accrue these credits from year to year until Yuba makes Component 2, 3 or 4 Water available, in which time such credits will be applied toward payments due.

2. Under separate agreements among them, Yuba, DWR and Reclamation have paid the costs of environmental compliance for implementing the Yuba River Accord, which is referred to in Section 16 ("Environmental Compliance") of this Agreement.

C. Payments for Adjustments in Groundwater O&M Costs.

During the term of this Agreement, the Buyer will pay Yuba, based on itemized invoices of work done and costs incurred, an amount to compensate for any annual increases above actual 2006 Groundwater O&M Costs using the Consumer Price Index, including those costs necessary for upkeep, power, and operation of those fixed assets that are dedicated to making Water available to the Buyer under this Agreement from groundwater sources, and recurring costs or payments required to obtain consents necessary to make Water available under this Agreement from groundwater sources. Groundwater O&M Costs will exclude general district overhead charges. Yuba will submit to the Technical Committee for a thirty-day review the documentation of work done and costs incurred prior to submitting invoices to the Buyer in accordance with the payment and invoicing provisions for Components 2, 3, or 4 Water under this Agreement. The Technical Committee will review invoices to ensure that payments made under the payment and invoicing provisions for Components 1 through 4 Water do not duplicate payments made under this subsection. Annual increases above the 2006 baseline will be computed based on the Consumer Price Increase as provided by the United States Department of Labor, Bureau of Labor Statistics.

13. Certain Payments Contingent on Appropriation or Allotment of Funds.

A. General.

In consideration of Yuba's eight-year commitment to deliver Component 1 Water, the Buyer confirm that the funds required to pay Yuba for Component 1 Water during that period have been appropriated, and DWR will encumber the funds to pay Yuba for Component 1 Water during that period on the schedule provided for in Section 5C1 of this Agreement. The Buyer intend that the payments due to Yuba under this Agreement for Components 2, 3, and 4 Water that is made available to the SWP and the San Luis & Delta-Mendota Water Authority will be paid from DWR funds received from the SWP and/or the San Luis & Delta-Mendota Water Authority. The Buyer will make contractual arrangements with the SWP and the San Luis & Delta-Mendota Water Authority under which the SWP and the San Luis & Delta-Mendota Water Authority would have an opportunity to make payments due to Yuba under this Agreement, in the event that the Buyer fails to make such payments when due, in order to avoid an interruption in Yuba making Water available to the Buyer under this Agreement. To the extent that the Buyer defaults in making the payments due to Yuba under this Agreement, then: (1) Yuba's obligation to make Water available to the Buyer under this Agreement will be excused to the extent and for the duration of the Buyer' default; (2) Yuba may attempt to mitigate its damages by selling Component 3 and Component 4 Water made available under this Agreement to other parties to the extent and for the duration of the Buyer'

default; and (3) the Buyer will be obligated to pay Yuba to the extent that Yuba is unable to mitigate Yuba's damages resulting from the Buyer' default.

B. State Funding Contingency.

Except to the extent that DWR uses funds from sources that do not require legislative budgetary appropriation, DWR's payment obligations under this Agreement are contingent on appropriation or allotment of funds through the State Budget process.

14. Technical Committee and Management Committee

A. Technical Committee.

The Technical Committee will: (1) collect, review and analyze information relevant to accounting for Water consistent with Exhibits 1 through 3, and information related to advances, payments and cost adjustments; (2) identify and attempt to resolve technical implementation issues; (3) periodically report to the Management Committee on the information gathered and any technical implementation issues identified; and (4) make recommendations to the Management Committee for resolution of any policy issues that arise or for any required factual determinations. If the Technical Committee is unable to agree on a recommendation to the Management Committee, the Technical Committee will cooperate to provide a balanced presentation of the facts, opinions and other information underlying the various positions on the issue to be determined.

B. Management Committee.

The Management Committee will: (1) provide policy guidance in implementing this Agreement; (2) make any factual determinations required to implement this Agreement; (3) consider information provided by the Technical Committee, if applicable, when making decisions; and (4) identify and resolve any policy-related implementation issues. If agreement among the representatives to the Management Committee cannot be reached on any issue necessary to the ongoing implementation of the Agreement, the Buyer and Yuba will meet and confer in a good faith effort to reach agreement. In the event that agreement cannot be reached among the Buyer and Yuba on an issue, that issue will be subject to Section 22 ("Remedies and Dispute Resolution") of this Agreement.

C. Interaction with River Management Team.

DWR will designate a representative to actively participate in the River Management Team established under the Fisheries Agreement. Reclamation may also designate a representative to participate in the River Management Team established under the Fisheries Agreement.

15. Quantities of and Pricing Provisions for Water During a FERC Annual License and During the FERC Long-Term License.

A. Intent of the Parties.

1. Yuba expects that, upon the expiration of the term of the FERC License, FERC will issue to Yuba one or more FERC Annual Licenses, before it issues to Yuba the FERC Long-Term License.

2. The Parties desire that Yuba continue to deliver, and the Buyer continue to pay for, additional quantities of Components 1 through 4 Water in accordance with Section 11 ("General Provisions Applicable to Water") of this Agreement during any Water Year beginning after September 30, 2015 for which either the FERC License or a FERC Annual License is in effect, if: (a) these quantities of Water can be delivered by Yuba consistent with the terms of the FERC License or any FERC Annual License; and (b) subject to a pricing agreement between the Parties. The Parties further intend that, other than the pricing provisions, there will be no change in the other provisions of this Agreement (including the provisions regarding the annual quantities of Components 1 through 4 Water delivered by Yuba, and paid for by the Buyer) during any Water Year beginning after September 30, 2015 that includes all or part of the term of any FERC Annual License, if the terms of the FERC Annual License do not significantly affect Yuba's ability to make these water supplies available.

3. The Parties desire that Yuba continue to deliver, and the Buyer continue to pay for, additional quantities of Components 1 through 4 Water in accordance with Section 11 ("General Provisions Applicable to Water") of this Agreement during any Water Year that is within the term of a FERC Long-Term License, and not within the term of any FERC Annual License, if these quantities of Water can be delivered by Yuba consistent with: (a) the terms of the FERC Long-Term License; (b) the water supply needs within the service area of Yuba; and (c) the ability of the Buyer and Yuba to agree to pricing provisions. The Buyer and Yuba further intend that, other than the quantity and pricing provisions, there will be no change in the other provisions of this Agreement during any Water Year that is within the term of a FERC Long-Term License.

B. Quantities of Water and Pricing Provisions Applicable During the Term of the FERC Annual Licenses.

During any Water Accounting Year beginning after December 31, 2015 during which either the FERC License or any FERC Annual License is in effect, Yuba will deliver, and the Buyer will pay for, additional quantities of Components 1 through 4 Water, in accordance with Section 11 ("General Provisions Applicable to Water") of this Agreement, subject to the following: (1) Yuba may adjust the quantities of Water that Yuba will deliver to the Buyer (but the quantity will not be less than 20,000 acre-feet of Water in each such Water Accounting Year, other than a Conference

Year), but only to the extent needed to reflect the ability of Yuba to deliver these quantities of Water consistent with the terms of the FERC Annual License; and (2) the Buyer and Yuba intend to negotiate in good faith the quantity and pricing provisions applicable to Components 1 though 4 during such Water Accounting Years, but under no circumstance will the price for the Water be less than the pricing provisions applicable to Components 1 through 4 Water, as set forth in Sections 5 through 8 of this Agreement.

C. Quantities of Water and Pricing Provisions Applicable During the Term of the FERC Long-Term License.

During any Water Accounting Year that is within the term of the FERC Long-Term License, and for which no part of the Water Accounting Year is within the term of any FERC Annual License, Yuba will deliver, and the Buyer will pay for, additional quantities of Components 1 through 4 Water, in accordance with Section 11 ("General Provisions Applicable to Water") of this Agreement, subject to the following: the Buyer and Yuba reach agreement as to the quantities of Components 1 through 4 Water that Yuba will deliver to the Buyer (but which quantities will not be less than 20,000 acre-feet of Water in any Water Accounting Year through December 31, 2025, other than during a Conference Year), to reflect the ability of Yuba to deliver these quantities of Water consistent with: (a) the terms of the FERC Long-Term License; (b) the water supply needs within the service area of Yuba; and (c) the Buyer and Yuba's intent to negotiate in good faith the quantity and pricing provisions applicable to Components 1 through 4 Water during the term of the FERC Long-Term License.

16. Environmental Compliance.

Yuba, as lead agency under CEQA has approved and filed a notice of determination concerning the implementation of the Yuba River Accord and its environmental effects. DWR as a responsible agency under CEQA will file a notice of determination concerning its responsibilities as to environmental effects of implementing this Agreement for the Yuba River Accord.

17. Approvals and Conditions Precedent to Performance of this Agreement.

A. Section 5.2 of the Yuba Act.

Yuba represents that Yuba has complied with the provisions of Section 5.2 of the Yuba Act, which requires that, prior to entering into this Agreement, the Board of Directors of Yuba to: (1) determine that water to be purchased under this Agreement would be surplus to the amount of water available to meet the contractual requirements of Member Units; (2) hold a public hearing to receive and consider comments on and objections to this Agreement; (3) confirm that a majority in number of registered voters residing within Yuba County have not filed written protests against this Agreement; and (4) find that the long-term purchase of water under this Agreement may be carried

out without injuring any legal user of water, without unreasonably affecting fish, wildlife or other instream beneficial uses, and without unreasonably affecting the overall economy of Yuba County.

B. Compliance with Water Code Section 1745.10.

Yuba represents that Yuba has complied with the provisions of Water Code Section 1745.10.

C. Other Approvals by Yuba.

Yuba will be responsible for obtaining approval of the State Board as necessary to enable this Agreement to be fully implemented, and for obtaining any other permits and approvals necessary for Yuba to make Water available for diversion by the Buyer under this Agreement. Pursuant to Section 24H of this Agreement, the Buyer will provide reasonable assistance to Yuba in Yuba's actions to obtain any permits or approvals that may be necessary for Yuba to make Water available for diversion by the Buyer under this Agreement.

D. Other Approvals by Buyer.

Except as otherwise addressed in this Agreement, the Buyer will be responsible for complying with State and Federal laws necessary for the Buyer to divert and use the Water made available under this Agreement. Pursuant to Section 24H of this Agreement, Yuba will provide reasonable assistance to the Buyer in the Buyer's actions to obtain any permits or approvals that may be necessary for the Buyer to divert and use Water that Yuba will make available under this Agreement.

18. Place of Use of Water.

Water made available under this Agreement will be not used outside of the place of use specified in the State Board order approving this delivery of Water from Yuba to the Buyer, without the written consent of Yuba.

19. Hold Harmless.

A. DWR will not assert that Yuba, its officers, agents or employees, are liable for damages of any nature whatsoever arising out of any actions or omissions by DWR, its officers, agents or employees, related to DWR's performance of this Agreement, where such liability is caused by an act, error or omission of DWR, its officers, agents or employees.

B. Yuba will not assert that DWR, its officers, agents or employees, are liable for damages of any nature whatsoever arising out of any actions or omissions by Yuba, its officers,

agents or employees, related to Yuba's performance of this Agreement, where such liability is caused by an act, error or omission of Yuba, its officers, agents or employees.

C. To the extent permitted by California law, Yuba will indemnify, defend and hold DWR and its officers, agents and employees safe and harmless from any and all claims, judgments, damages, penalties, costs, liabilities and losses (including without limitation, sums paid in settlement of claims, actual attorney's fees, paralegal fees, consultant fees, engineering fees, expert fees and any other professional fees) that arise from or are related in any way to Yuba's activities under this Agreement that are under the exclusive control of Yuba, including but not limited to the release, conveyance, use or distribution of water released by Yuba from the Yuba Project for purposes of this Agreement.

D. To the extent permitted by California law, DWR will indemnify, defend and hold Yuba and its officers, agents and employees safe and harmless from any and all claims, judgments, damages, penalties, costs, liabilities and losses (including without limitation, sums paid in settlement of claims, actual attorney's fees, paralegal fees, consultant fees, engineering fees, expert fees and any other professional fees) that arise from or are related in any way to DWR's activities under this Agreement that are under the exclusive control of DWR, including but not limited to the conveyance, use or distribution of water made available by Yuba from the Yuba Project for purposes of this Agreement.

E. Yuba and its officers, agents, employees and insurers will not be responsible for the quality of water made available by Yuba from the Yuba Project for purposes of this Agreement.

20. *Force Majeure Event*.

A. A *Force Majeure* Event will excuse or suspend performance as provided in this section for the duration of the *Force Majeure* Event. To the extent that *Force Majeure* Event prevents the Buyer from using the Water delivered by Yuba, then: (a) the Buyer will be excused from paying for Components 2 through 4 Water during the duration of the *Force Majeure* Event; and (b) Yuba will retain the payments received for Component 1 Water with no obligation to deliver this Component 1 Water again at some later time.

B. To the extent that a *Force Majeure* Event prevents Yuba from providing Components 1 through 4 Water, then: (a) Yuba's performance will be excused during the duration of the *Force Majeure* Event; (b) Yuba will not be required to refund payments for Component 1 Water; and (c) Yuba will deliver this Component 1 Water supply at some later time on a schedule that is acceptable to the Buyer and Yuba.

C. During a *Force Majeure* Event, each of the Parties will, to the extent practicable, take actions to minimize the impacts of the *Force Majeure* Event on the other Parties.

21. Regulatory Action.

In the event of a Regulatory Action during the term of this Agreement: (a) the affected Party will promptly notify the other Parties of the Regulatory Action and the manner in which it affects performance under this Agreement; and (b) the Parties will proceed under the process provided for in Section 22 ("Remedies and Dispute Resolution"), to the extent applicable. This section does not affect the other rights and remedies of the parties under this Agreement.

22. Remedies and Dispute Resolution.

A. Should any material disputes arise concerning any provision of this Agreement, or the rights and obligations of the Parties thereunder, including those involving possible termination or those that might cause the initiation of any administrative or judicial proceeding to enforce or interpret this Agreement, the Parties will present the issue to the Management Committee (which may request assistance from the Technical Committee) for a recommendation for resolving the dispute.

B. If the Process described in the preceding subsection fails to resolve the dispute within thirty days, the Parties will submit the dispute to a mediator who has experience in water-related disputes. The costs of any such mediation will be borne one-third each by the Parties. Initiation of this mediation process will be through written notice by one Party to the other Parties. The Parties reserve all of their other remedies that may be provided by law or equity in the event that such mediation fails to resolve a dispute. The Parties, in consultation with the mediator, will use their best efforts to resolve the dispute within thirty days. Under no circumstances, however, will mediation under this Section 22 result in a requirement that diminishes, limits or contravenes the discretion, authority or any delegated authority of the Director of DWR under State law.

C. If mediation fails to resolve the dispute, and prior to commencing any legal action to resolve the dispute, the Party proposing to commence legal action will provide the other Party thirty days' written notice of such action, provided that such notice will not be required where a delay in commencing an action would prejudice the interests of the Party that intends to file suit. During the thirty-day notice period, the Parties will continue to attempt to resolve the dispute.

23. Effect of this Agreement on other Matters.

A. As a Precedent.

Nothing in this Agreement is intended or will be construed as a precedent or other basis for any argument that the Parties have waived or compromised their rights that may be available under State or federal law, except as to matters addressed in this Agreement.

B. As to Water Rights.

The only rights granted to the Parties as a result of this Agreement are those expressly set forth in this Agreement. The providing of water by Yuba under this Agreement will not confer any appropriative, public trust or other right to water on any person or entity. Nothing in this Agreement is intended or will be construed to act as a forfeiture, diminution or impairment of any water right of Yuba. Consistent with the provisions of California Water Code sections 109, 475, 1011, 1014 through 1017, 1244 and 11961, the delivery of water under this Agreement will not be evidence of or used to demonstrate either the existence of surplus water after this Agreement expires, or the lack of beneficial use of the water supplies referred to in this Agreement, and the Parties will not contend otherwise. In accordance with Water Code section 1016, and other applicable provisions of California law, at the conclusion of the term of the water transfers provided for under this Agreement, all rights in, and the use of, the water supplies referred to in this Agreement will revert back to Yuba, and DWR or any beneficiary of this Agreement, will not do either of the following: (1) bring any claim for continuation of the water supply made available by this Agreement; or (2) claim any right to a continued supply of water made available under this Agreement, based on reliance, estoppel, intervening public use, prescription, water shortage emergency, or unforeseen or unforeseeable increases in demand, or any other cause.

C. As to the Phase 8 Settlement

Nothing contained in this Agreement affects the Parties' respective rights and obligations under the Short-Term Phase 8 Agreement. The Parties agree that water provided by Yuba under the Short-term Phase 8 Agreement will be accounted for and delivered on a higher priority than water delivered under this Agreement.

D. As to Termination of the EWA Program

1. DWR intends that Component 1 Water will be dedicated to the EWA, and that in the future, upon completion of environmental documentation for a long-term EWA, the EWA would be sized sufficiently to accommodate the proposed South Delta Improvement Program, including the proposal to increase the maximum diversion rate into Clifton Court Forebay for the SWP Bank's Pumping Plant. If the EWA terminates, DWR agrees that Component 1 Water remaining to be delivered under this Agreement will be managed annually, as follows: (a) Component 1 Water in any year will be used to enhance water supply reliability of the Delta export facilities by off-setting new mandatory restrictions imposed on the CVP and SWP, including those imposed by the federal court order in *NRDC v. Kempthorne,* or through a subsequent biological opinion for conservation or protection of fish, and (b) if any Component 1 Water remains after off-setting the restrictions set forth in subsection (a) above, then the remaining Component 1 Water will be used as determined by DWR in close coordination with the California Department of Fish and Game and consistent with the water supply reliability project requirements of the funding source

from which this water was purchased (Chapter 7(d) of Proposition 50, California Water Code Section 79550(d)).

2. Except as provided in the previous subsection, none of the rights and obligations of the Parties under this Agreement will be affected in the event that the EWA program terminates prior to the expiration of the term of this Agreement.

E. As to the Fisheries Agreement.

None of the rights and obligations of the Parties under this Agreement will be affected in the event that the Fisheries Agreement terminates prior to the expiration of the term of this Agreement.

F. As to the Application of Section 27 of the Federal Power Act.

Section 27 of the Federal Power Act limits the licensing authority of FERC with respect to a law regarding the control, appropriation, use or distribution of water used in irrigation or for municipal or other uses. The Parties, and the SWP and the San Luis & Delta-Mendota Water Authority, will not contend or bring any claim that any provision of this Agreement is a law regarding the control, appropriation, use or distribution of water used in irrigation or for municipal or industrial uses, as these terms are used in Section 27 of the Federal Power Act.

24. General Contracting Provisions.

A. Notices.

The time for providing any notices specified in this Agreement may be extended within the term of this Agreement with the consent of the Parties, confirmed in writing, without requiring an amendment to this Agreement. All notices and other communications required under this Agreement will be in writing, and will be deemed to have been duly given upon the date of service, if: (a) served personally on the Party to whom notice is to be given; (b) sent by electronic mail, and the Party to whom notice is to be given confirms receipt; or (c) on the third day after mailing, if mailed to the Party to whom notice is to be given by first-class mail, postage prepaid, and properly addressed to the designated representatives of the Parties set forth below. A Party may notify the other Parties in writing of a change in its designated representatives, without requiring an amendment to this Agreement.

DWR: Director
Department of Water Resources
1416 Ninth Street, Room 1115-1
P.O. Box 942836
Sacramento, CA 94236-0001

With Copy to:
Chief, State Water Project Analysis Office
1416 Ninth Street, Room 1620-A
P.O. Box 942836
Sacramento, CA 94236-0001

Yuba: General Manager
Yuba County Water Agency
1402 D Street
Marysville, CA 95901

B. Signatories' Authority.

The signatories to this Agreement represent that they have authority to execute this Agreement and to bind the Party on whose behalf they execute this Agreement. Yuba will provide to DWR a copy of a resolution or minute order authorizing execution of this Agreement.

C. Counterparts of this Agreement.

This Agreement may be signed in any number of counterparts by the Parties, each of which will be deemed to be an original, and all of which together will be deemed to one and the same instrument. This Agreement, if executed in counterparts, will be valid and binding on a party as if fully executed all in one copy.

D. Binding on Successors/Assignment.

This Agreement will bind and inure to the benefit of the respective successors and assigns of the Parties, except that, none of the obligations of the Parties set forth in this Agreement will be assigned without the prior, written approval of the other Parties, which approval will not unreasonably be withheld.

E. No Third-Party Beneficiaries, Except as Expressly Provided.

This Agreement will not be construed to create any third-party beneficiaries, except as set forth in this section. This Agreement is for the sole benefit of the Parties, their respective successors and assigns, and no other person or entity will be entitled to rely on or receive any benefit from this Agreement or any of its terms.

F. Amendments.

This Agreement may be amended or modified only by a subsequent written agreement

approved and executed by the Parties.

G. Opinions and Determinations.

Where the terms of this Agreement provide for action to be based upon the opinion, determination, approval or review of either Party, such terms are not intended to be, and will not be construed as permitting such actions to be arbitrary, capricious or unreasonable. Any opinion, determination, approval or review required of a Party under this Agreement will be provided in a timely manner.

H. Reasonable Cooperation.

The Parties will reasonably cooperate with each other, including the execution of all necessary documents and providing assistance in obtaining approvals and permits from regulatory agencies required to perform the obligations under this Agreement and to carry out the purpose and intent of this Agreement.

I. Construction and Interpretation.

This Agreement is entered into freely and voluntarily. This Agreement has been arrived at through negotiation, and each Party has had a full and fair opportunity to revise the terms of this Agreement. Consequently, the normal rule of construction that any ambiguities are to be resolved against the drafting party will not apply in construing or interpreting this Agreement.

J. Complete Contract.

This Agreement constitutes the sole, final, complete, exclusive and integrated expression and statement of the terms of this Agreement among the Parties concerning the subject matter, and supersedes all prior negotiations, representations or agreement, either oral or written, that may be related to the subject matter of this Agreement, except as to those other agreements that are expressly referred to in this Agreement.

K. Determination of Unenforceable Provisions.

If any term or provision of this Agreement is deemed invalid or unenforceable by any court of final jurisdiction, the Parties will meet and attempt to address this situation pursuant to the provisions of Section 22 ("Remedies and Dispute Resolution") of this Agreement.

L. Waiver.

The waiver at any time by a Party of its rights with respect to a default or other matter arising in connection with this Agreement will not be deemed a waiver with respect to any other

default or matter.

M. Time.

Time is of the essence in this Agreement. Any date specified in this Agreement may be changed with the written consent of the Parties.

N. Applicable Law.

This Agreement will be construed under and will be deemed to be governed by the laws of the United States and the State of California.

O. Venue.

Any appropriate County under California law will be venue for any state court litigation concerning the enforcement or interpretation of this Agreement.

P. Remedies Not Exclusive.

The remedies provided in this Agreement are cumulative and not exclusive, and are in addition to any other remedies that may be provided by law or equity. The exercise by the Party of any remedy under this Agreement will be without prejudice to the enforcement of any other remedy.

Q. Officials Not To Benefit.

No member or delegate to Congress, Resident Commissioner, or Federal or State official will be admitted to any share or part of this Agreement or to any benefit that may arise therefrom.

R. Standard Clauses.

Yuba will comply with the State of California, Department of Water Resources, Standard Clauses as shown on Exhibit 4 ("State of California, Department of Water Resources, Standard Clauses") to this Agreement.

S. Exhibits Incorporated.

Each exhibit to which reference is made is deemed incorporated in this Agreement, whether or not actually attached.

The foregoing is hereby agreed to by the Parties.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement on the date first written above.

Approved as to legal form
and sufficiency:

Chief Counsel
Department of Water Resources

STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES

Director
Department of Water Resources

YUBA COUNTY WATER AGENCY
A Political Subdivision of the
State of California

Attest:

Secretary
Yuba County Water Agency

By:
Chairman of the Board

List of Exhibits

Exhibit 1 **Scheduling and Accounting Principles**

Exhibit 2 **Reservoir Refill Accounting Provisions**

Exhibit 3 **Groundwater Substitution Transfer Monitoring and Operations**

Program

Exhibit 4 **State of California, Department of Water Resources, Standard Clauses**

EXHIBIT 1

Scheduling and Accounting Principles

OVERVIEW

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

1. DEFINITIONS

Terms used in this Exhibit have the same definitions as the definitions listed in Section 1 of this Agreement. When used in this Exhibit, the following terms have the following definitions:

"Accord Flows" mean the schedule of instream flows listed in Exhibit 1 of the Fisheries Agreement.
"**Accounting Year**" means January 1 to December 31.
"Agreement" means the "Agreement for the Long-Term Purchase of Water from Yuba County Water Agency by the Department of Water Resources."
"Balanced Conditions" mean the hydrologic condition of the Delta as defined in the November 24, 1986 "Agreement between the United States of America and the State of California for Coordinated Operations of the Central Valley Project and the State Water Project." ("COA")
"Baseline Conditions" mean the conditions deemed under this Exhibit to represent the conditions that would have occurred without implementation of this Agreement or the Fisheries Agreement. "Baseline Conditions" define the without-transfer conditions and would result in the Baseline Flows.
"Baseline Diversions" mean the diversions that are defined in section 2.3.1.1 of this exhibit.
"Baseline Flows" mean the flows that would have been present at the Marysville Gage under the Decision 1644 interim instream flow requirements and all other Baseline Conditions, without implementation of the Yuba River Accord.

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

"Baseline Storage Target" means the storage targets that are defined in section 2.4 of this exhibit.

"Carriage Water" means the water losses due to increased Delta outflow necessary to maintain baseline Delta salinity conditions as determined by DWR, that are associated with Delivered Transfer Water or Stored Released Transfer Water that is exported at the Projects' Delta pumping facilities.

"Delivered Transfer Water" means Released Transfer Water that is accounted as being exported by the Projects, or contributing to exports, as described in Section 5 of this exhibit.

"**Delta Export Facilities**" means the Banks and Jones pumping facilities as determined to be available for export by the Projects

"Flow Fluctuation Operations" means operations driven by flow fluctuation criteria rather than minimum flow requirements or storage operations.

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

"Marysville Gage" refers to USGS Gaging Station No. 11421000, Yuba River near Marysville.

"Minimum Flows" is the required minimum instream flows specified in Decision 1644 page 176 table titled "Interim Instream Flow Requirements"

"Negative Transfer Flows" means the additional amount of flows above the Accord Flows that would have been released as part of a Baseline Flows when the Baseline Conditions Decision 1644 interim instream flow requirement is greater than the Accord Flows. "Negative Transfer Flows" are further defined in Section 4.4 of this exhibit.

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

"Percent Inflow Diversion Loss" means the amount of Released Transfer Water that is lost due to the restrictions imposed by the "maximum percent of Delta inflow diverted" standard as described in the SWRCB Revised Decision 1641 when that standard is generally 35% from February 1 to April 30.

"Projects" mean the CVP and the SWP.

"Refill" is a condition of reduced releases from New Bullards Bar Reservoir as compared with the releases that would occur under Baseline Conditions. These reduced releases could result from diversions to storage to fill storage space evacuated as a result of releases that created the Storage Component of Released Transfer Water.

"Released Transfer Water" means the average daily flows measured at the Marysville Gage that are greater than the Baseline Flows. "Released Transfer Water" is further described in Section 4.2 of this exhibit.

"Section" refers to sections of this Exhibit, unless otherwise stated.

"**Smartville Gage**" refers to USGS Gaging Station No. 11418000, Yuba River below Englebright Dam, near Smartville

"Storage Component" means the quantity of Released Transfer Water that Yuba makes available from storage releases from New Bullards Bar Reservoir, and which storage is not a result of storage releases resulting from Groundwater Substitution Component operations.

"Stored Released Transfer Water" means the stored water in Project upstream reservoirs. "Stored Released Transfer Water" is further defined in Section 4.3 of this Exhibit.

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

2. BASELINE CONDITIONS

Baseline Conditions are the controlling constraints and criteria for operation of the Yuba Project that determine Baseline Flows for the accounting of Released Transfer Water during the term of this Agreement. Baseline Conditions include the following:

2.1. Regulatory Instream Flow Requirements:

2.1.1. Decision 1644 interim instream flow requirements.

2.1.2. FERC License 2246 instream flow requirement of 400 cfs at the Marysville Gage (below Daguerre Point Dam) for the period of October 1-14, including the dry year reductions of this flow requirement that are authorized in the License.

2.1.3. Flow reduction restrictions required by FERC License 2246.

2.1.4. Flow fluctuation restrictions specified in the November 22, 2005 FERC Order Modifying and Approving Amendment of License (at page 11 of that order).

2.2. Operational Agreements:

2.2.1. The PG&E Power Contract, as modified by the July 16, 2002 Agreement Concerning Power Purchase Contract of 1966 and Consolidated Operations of the Narrows I and

Narrows II Powerhouses. The 2002 Agreement removed the generation quota terms of the PG&E Power Contract for the months of January to June.

2.3. **Water Supply Agreements:**

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

2.3.1.1. Baseline Diversions that are made under the agreements listed in Section 2.3.1 are the measured diversions as reported by Yuba, including any reduced diversions that are made to provide water for the Groundwater Substitution Component, and including other reduced diversions that are implemented as part of defined water efficiency or conservation programs or projects.

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

2.4.1. These levels are:

- September 30: 705,000 acre-ft;
- October 1 to October 31: linearly ramped from 705,000 acre-ft to 700,000 acre-ft;
- November 1 to February 15: 700,000 acre-ft;
- February 16 through March 31: linearly ramped from 700,000 acre-feet to 796,000 acre-feet;
- April 1 through April 30: linearly ramped from 796,000 acre-feet to 896,000 acre-feet;
- May 1 through May 31: linearly ramped from 896,000 acre-feet to 966,000 acre-feet; and
- June 1 through June 30: 966,000 acre-feet.
- July 1 to September 29: no fixed Baseline Storage Target amounts are provided for this period, because the maximum storage levels during this period at which Yuba would normally operate New Bullards Bar Reservoir under Baseline Conditions are governed by the runoff hydrology conditions of the Yuba River.

3. BASELINE FLOWS DETERMINATION

3.1. Baseline Flows will be determined as mean daily flows in cubic feet per second (cfs), with a separate determination for each day of the accounting period. Baseline operations will be

characterized by four categories of operation, each of which are governed by the overriding operational constraint for the applicable time period. The four categories of operation are: (1) Operation to Minimum Flows; (2) Operation to Baseline Storage Target release; (3) Transitional Operations; and (4) Flow Fluctuation Restricted Operations. The four categories and the calculation to determine the Baseline Flows under each category of operation as well as a general description of when each category will occur are described below. Once one of the four categories of operation has been determined to be in effect, the procedures of this section will be used to determine the resulting Baseline Flows that would have occurred at the Marysville Gage. Yuba will prepare a guideline description of baseline operations that can be used by the Parties and others to understand the operations of the Yuba Project that would occur under Baseline Conditions.

3.2. Due to the complex nature of the controlling operational criteria for the Yuba Project and the hydrology of the Yuba River watershed, there may be periods when conditions will not allow for use of the accounting procedures listed for any of these four categories of operations to determine the Baseline Flows. Technical representatives from each Party will work together to attempt to resolve the transfer accounting for such periods. If the Parties cannot agree upon the accounting for such periods, then the dispute resolution process of section 10.2 of this exhibit will be followed.

3.3. **Operation to Minimum Flows** is the controlling category of operation when releases under Baseline Conditions would have been made to maintain the minimum required flows at the Marysville Gage or at the Smartville Gage, whichever is the controlling location. The flow requirements listed in the table titled "Interim Instream Flow Requirements" on page 176 of Decision 1644 are the regulatory minimum required flows under Baseline Conditions and are the Baseline Flows that would occur when this category of operation is controlling.

3.3.1. **Determination of When Operation to Minimum Flows Would Occur -**

3.3.1.1. Beginning October 1, operations under Baseline Conditions will be considered to be at Minimum Flows unless or until there is a need to increase releases to manage storage levels at or below the Baseline Storage Targets. In the late winter and spring, forecasted runoff and resulting New Bullards Bar Reservoir storage govern when releases would exceed the minimum flows. For the winter and spring, if storage in New Bullards Bar Reservoir would have been at or above the Baseline Storage Targets with continued operations to minimum flows then a transition to releases above the minimum flow requirements would occur.

3.3.1.2. For the months of March through September, if, with releases from New Bullards Bar Reservoir to meet the Decision 1644 Interim Instream Flow Requirements and

Baseline Diversions, the end-of-September Baseline Storage Target in New Bullards Bar Reservoir would have been at or below 705,000 acre-feet, then the Baseline Flows for this period will be the Decision 1644 Interim Instream Flow Requirements.

3.3.2. **Calculation of Baseline Flow under Operations to Minimum Flows.** If operations to minimum flows has been determined to occur as described in Section 3.3 then Baseline Flows will be calculated as follows:

3.3.2.1. Calculate the River Balance – The River Balance includes intervening accretions or depletions of the Yuba River between the Smartville Gage and the Marysville Gage. The River Balance equals the measured flow at the Marysville Gage plus the measured Yuba diversions minus the measured flow at the Smartville Gage

3.3.2.2. Calculate the Baseline Flow – The Baseline Flows equal the greater of the required Decision 1644 Interim Instream Flow Requirement at the Smartville Gage minus the sum of the measured Yuba diversion plus the River Balance or the required Decision 1644 Interim Instream Flow Requirement at the Marysville Gage plus any adjustments for Total Uncontrolled Flows that would not have been offset by a reduction in releases from Englebright Reservoir. The adjustment of Total Uncontrolled Flows will include short-duration increases in releases from the Narrows II Powerhouse due to short-term increases in power demands, power outages resulting in loss of control of releases from Englebright Dam and short duration uncontrolled runoff downstream of Englebright Dam that occurs when there is no Decision 1644 Interim Instream Flow Requirement at the Smartville Gage.

3.4. Operations to Target Storage Release

3.4.1. For all times of the year, Operations to Target Storage Release is the controlling category of operation if operation to Minimum Flows would result in New Bullards Bar Reservoir storage above the Baseline Storage Target. If Operations to Target Storage Release would have occurred, then the Baseline Flow is the rate of release that would have been needed to meet the monthly Baseline Storage Target amount in New Bullards Bar Reservoir.

3.4.2. In the months of December through March, forecasts of future inflow and actual inflow are used to develop release decisions. During these months, operations are to

manage storage to meet the springtime Baseline Storage Target, while avoiding spills of water from New Bullards Bar Reservoir.

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

3.4.4. The accounting in wetter years in the summer period is based on reaching storage in New Bullards Bar Reservoir on September 30 as described in and subject to the provisions above. The water storage volume in New Bullards Bar Reservoir is affected by natural inflow, and the scheduled release of water from New Bullards Bar Reservoir is predicated on an estimate of this inflow. Because the release of water to achieve the target storage is relatively fixed as of mid-summer, Yuba and the Projects may revise the target storage volume in New Bullards Bar Reservoir if mutual agreement is reached.

3.5. **Transition Operations** would have occurred when Baseline Releases would have previously been governed by either Operation to Minimum Flows or Operation to Target Storage Release and the operational constraint would have shifted to the other type of operation. Under this condition, a period of transition would have occurred and flows would have been based on the specific conditions at that time, including actual runoff, forecasts of runoff, and planned operations. Because each circumstance of Transition Operations would have been different, Yuba will prepare forecasted Baseline Flows for the transition time period and provide supporting data to show why the Baseline Flows would have been expected to have occurred. Maximum hourly and daily rates of flow change are prescribed in FERC License 2246 and the "November 22, 2005 FERC Order Modifying and Approving Amendment of License" for the Baseline Flows operations.

3.6. **Flow Fluctuation Operations** would have occurred when the FERC License 2246 restriction on flow reductions in the months of October to March, or the restriction on flow reductions in the November 22, 2005 FERC Order Modifying and Approving Amendment of License would have required flows to be maintained above the minimum flows. Flow Fluctuation Operations would have been managed the same as Operations for Minimum Flows except that the minimum instream flow requirement would be prescribed by the flow reduction restrictions in FERC License 2246 or the flow fluctuation restrictions in the November 22, 2005 FERC Order Modifying and Approving Amendment of License, rather

than the Decision 1644 Interim Instream Flow Requirements. As early as practical, Yuba will provide the minimum allowable flows for flow fluctuation operations as the Baseline Flows to DWR, along with an explanation of the determination of these Baseline Flows.

3.7. **Fishery Study Flows -** The Fishery Agreement calls for the development of fishery studies. Some of the studies to be conducted could involve fluctuation of flows during some periods. If a defined flow release schedule is planned as part of a fishery study administered by Yuba or the River Management Team (a group defined in the Fisheries Agreement) under the Fisheries Agreement, then these flows in this schedule will not be part of Baseline Flows and, if all other aspects of this exhibit are satisfied, then the amounts of these flows that exceed Baseline Flows will be accounted as Released Transfer Water. Any reduced releases as part of a fishery study will be accounted as a Negative Transfer Flow if the conditions of Section 4.4 of this exhibit Negative Transfer Flow are met. At a minimum of 14 days prior to the start of any such study, and as early as possible, Yuba will provide notice of any Fishery Study Flows to DWR.

3.8. **Baseline Storage -**Yuba will use the Baseline Flow amounts to determine the daily storage in New Bullards Bar Reservoir that would have occurred under Baseline Conditions. The calculation of Baseline Storage will use the actual inflows into New Bullards Bar Reservoir and Total Uncontrolled Flows into the lower Yuba River, along with a daily calculation of the releases from New Bullards Bar Reservoir that would have been made to meet the Baseline Flows, to determine the daily Baseline Storage amount. The Baseline Storage amount will be used to calculate the Base Transfer amount for Refill accounting in **Exhibit 2** of this Agreement.

4. TRANSFER WATER DELIVERY AND FLOW MEASUREMENT

4.1. **Point of Measurement and Delivery** - The point of delivery and the point of measurement of Released Transfer Water, and the point for determination of Baseline Flows, all will be at the Marysville Gage. The flows used for calculating Released Transfer Water and Baseline Flows will be mean-daily flows in cfs.

4.2. **Released Transfer Water** will be the amount of the actual mean-daily flow that has been measured at the Marysville Gage minus the mean daily Baseline Flows for the same day. The mean daily Baseline Flow will be determined according to the methods described in Section 3 of this exhibit.

4.3. **Stored Released Transfer Water** is water that has been accounted for as Released Transfer Water and that results in increased storage in an upstream Project reservoir (that is, water that is "backed into storage"). Released Transfer water will be deemed to have been stored

in an upstream Project reservoir when the Delta is in Balanced Conditions, there is no available pumping capacity at Project Delta pumping facilities, and releases from Project storage reservoirs would have been greater in the absence of Released Transfer Water. The incrementally greater Project release necessary under Baseline Conditions will be accounted for as Stored Released Transfer Water in Project storage. This accounting of Stored Released Transfer Water will be kept to determine whether Stored Released Transfer Water can subsequently be released from Project storage and exported by the Projects under Section 5.5 of this exhibit, and thus be accounted for as Delivered Transfer Water. Every effort will be made to account for Stored Released Transfer Water as backing into Oroville Reservoir as a first preference. This will necessitate an adjustment in the COA between the two Projects.

4.4. **Negative Transfer Flows** – During certain periods, the amount of the actual measured flow under Section 4.1 of this exhibit may be lower than the applicable Decision 1644 Interim Instream Flow Requirement. During these periods, the Baseline Flows will be the applicable Decision 1644 Interim Instream Flow Requirement. During these periods, the amount of the applicable Decision 1644 Interim Instream Flow Requirement minus the measured flow under Section 4.1 of this exhibit will be accounted for as a Negative Transfer Flow. If a Negative Transfer Flow occurs on a day when all or a portion of the Negative Transfer Flow amount could have been accounted for as Delivered Transfer Water as described in Section 5.5 of this exhibit, then this amount will be deducted from the total Delivered Transfer Water for the Water Accounting Year in which the Negative Transfer Flow occurred.

4.5. **Groundwater Substitution Component Flow** – Released Transfer Water may be fully or partially derived from Groundwater Substitution Component water. **Exhibit 3** of this Agreement describes the process that will be used to determine the planned amount of Groundwater Substitution Component water that will be provided each year and the monitoring and reporting that will be conducted by Yuba and participating Member Units for Groundwater Substitution Component operations.

4.5.1. Delivery and Measurement – Groundwater Substitution Component water will be delivered at the Marysville Gage, and measured as Released Transfer Water under Section 4.2 of this exhibit.

4.5.2. Water released as Groundwater Substitution Component water will not be included in the transfer amount for Refill accounting in **Exhibit 2** of this Agreement.

4.5.3. The total amount of Released Transfer Water that will be designated as Groundwater Substitution Component water will be limited to the amount of groundwater pumping that is measured by the procedures described in **Exhibit 3** of this Agreement.

5. DETERMINATION OF DELIVERED TRANSFER WATER

5.1. Delivered Transfer Water may only occur when the Delta is determined by DWR to be in Balanced Conditions.

5.2. For this Agreement, it is assumed that Released Transfer Water measured at the Marysville Gage will reach the Projects' Delta export pumps two days after the date of measurement at the Marysville Gage.

5.3. For this Agreement, Released Transfer Water used as Carriage Water or used as Delta outflow when the E/I ratio is controlling in the time period of July 1 to January 31 by the Projects will be accounted as Delivered Transfer Water as described in Section 5.11 of this exhibit. For this Agreement, Percent Inflow Diversion Loss will not be accounted as Delivered Transfer Water.

5.4. For this Agreement, it is assumed that there will be no conveyance losses between the Marysville Gage and the Projects' Delta pumping facilities.

5.5. For each day that Released Transfer Water is accounted for under Section 4.2 of this exhibit, Stored Released Transfer Water accounted for under Section 4.3 of this exhibit is released from Project storage, a determination will be made, utilizing information provided by DWR that is described in Section 5.11 of this exhibit, regarding whether or not there was capacity available at the Projects' Delta export facilities.

5.6. Stored Released Transfer Water will be released from Project storage only if capacity at the Projects' Delta pumping facilities is available unless the water "spills" from Project storage before such export capacity becomes available and therefore will not be accounted for as Delivered Transfer Water.

5.7. The lesser of the following two amounts will be accounted for as Delivered Transfer Water if DWR has determined that capacity is available at the Delta export facilities as described in Section 5.11.

5.7.1. The Released Transfer Water amount determined under Section 4.2 of this exhibit, or

5.7.2. The incremental increase in exports that occurs as a result of Released Transfer Water during a period when Percent Inflow Diversion Loss is occurring.

5.8. For each day that there are Negative Transfer Flows as accounted for under Section 4.4 of this exhibit, a determination will be made regarding the amount of reduced Delta exports or

increased Project releases that resulted from the Negative Transfer Flow. A Negative Transfer Flow will be accounted for as a debit to the total amount of Stored Released Transfer Water if the effect of the Negative Transfer Flow is that it causes an increase in Project releases or reduces Delta exports.

5.9. Some or all of the Stored Released Transfer Water will be deemed to have been spilled from Project reservoir storage and will be debited from the account described in Section 4.3 of this exhibit, if the Project reservoir in which the Stored Released Transfer Water is stored makes flood control releases. The debit amount will equal the actual amount of Stored Released Transfer Water spilled, or the total amount of Stored Released Transfer Water, whichever is less.

5.10. Along with the accounting of Delivered Transfer Water, Yuba will maintain an accounting of the Base Transfer amount for Refill accounting. The Base Transfer amount for refill accounting will be calculated as the difference in volume of actual New Bullards Bar Reservoir storage and the Baseline Storage that is directly attributable to the release of Delivered Transfer Water from New Bullards Bar Reservoir storage.

5.11. DWR will make every effort to export Released Transfer Water and Stored Yuba Water based on the available export capacity at the Projects' Delta pumping facilities, as determined by DWR, which includes a determination of capacity available after delivery of SWP water and water for regulatory, water right and contractual obligations.

6. PROCEDURES FOR ACCOUNTING OF BASELINE FLOWS AND TRANSFER AMOUNTS

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

6.2. **Calculation of Forecasted Baseline Flows.** Yuba will calculate a preliminary forecast of Baseline Flows, as described in Section 3 of this exhibit on a monthly basis unless more frequent forecasted Baseline Flows are requested by DWR or provided by Yuba. The forecasted Baseline Flows along with forecasted flows will be used by DWR to plan Project operations to export Released Transfer Water. The preliminary forecast of the Baseline Flows will be made using forecasted hydrologic conditions for the month, based on Yuba River unimpaired flows forecasted in the most-recent DWR Bulletin 120 and any updates. Within 14 days after the end of the month, Yuba will provide DWR with its draft calculations of Baseline Flows.

6.2.1. Yuba will provide preliminary and draft final calculations of Baseline Flows to DWR for its review and concurrence. The calculation of preliminary Baseline Flows will be

used to predict the amount and timing of Released Transfer Water that will be generated for the upcoming period. During that period, Yuba may update the preliminary calculation of Baseline Flows as changes in hydrologic conditions affect the accuracy of the calculation. Yuba will provide to DWR all requested backup information and calculations, excluding any models that were the bases of the calculation of Baseline Flows, so that DWR may verify the calculation. If DWR concurs with the preliminary calculation of Baseline Flows, then such preliminary Baseline Flows will be used in coordinating operations and for any initial allocation of Released Transfer Water to Components 1, 2, 3 and 4 Water as described in Section 7 of this exhibit. Yuba will also provide a calculation of Baseline Storage for Refill accounting (**Exhibit 2**) and comparison with the Baseline Storage Target Line.

6.2.2. Due to the delayed release of final USGS reporting of flows at the Marysville Gage, Yuba's transfer accounting will use the mean-daily flows as reported by Yuba to the USGS. DWR will be given timely notice if this information subsequently changes due to re-rating or shifts in the Marysville Gage, as reported by Yuba to the USGS.

6.3. **Calculation of Final Baseline Flows and Delivered Transfer Water Amount.** At the time that Yuba develops a preliminary estimate of Baseline Flows and provides it to DWR, Yuba also will develop and provide to DWR a preliminary release schedule and forecast of daily Released Transfer Water. Yuba will update the release schedule and resulting forecast of daily Released Transfer Water no less than once per month, unless an alternative time period is agreed to by the Parties. Within fourteen days after the end of each month or within 14 days of an export period, Yuba will calculate a draft final Transfer Accounting under Section 6.3.5 of this exhibit. Section 11 of this exhibit describes the scheduling and coordination of sharing operational information.

6.3.1. Because of the variability of hydrologic conditions, and because of the uncertainty regarding whether or not DWR will call for option water in some periods, Yuba will prepare a matrix of one or more forecasted Baseline Flows, one or more release schedules and the resulting estimated quantities of Released Transfer Water. Yuba will provide indications of the relative probability of each Baseline Flows scenario that is provided in the matrix.

6.3.2. DWR will notify Yuba periodically, as information is available, when Project conditions are such that any of the forecasted Released Transfer Water may not be exported.

6.3.3. Calculation of the amount of Released Transfer Water will utilize the determination of export capacity and the Percent Inflow Diversion Loss provided to Yuba by DWR no

later than 14 days after the end of the assumed export period. An export period ends following a verifiable point in time at which Baseline Flows can be verified against the Baseline Storage Target Line as described in Section 3 of this exhibit.

6.3.4. If DWR concurs with Yuba's draft final calculation of Baseline Flows, then it will become the final Baseline Flows, and will be used for all final transfer accounting for the corresponding period.

6.3.5. Along with the calculation of the draft final Baseline Flows, Yuba will also calculate and submit to DWR a draft final accounting of the amounts of Components 1, 2, 3 and 4 Water that were Delivered Transfer Water during the accounting period. This draft final accounting will include entries for the following:

(a) Mean daily flow at the Marysville Gage, as measured according to Section 4 of this exhibit;

(b) Daily schedule of resulting Released Transfer Water according to Section 4.2 of this exhibit and accounting for Negative Transfer Flows under Section 4.4 of this exhibit;

(c) Calculation of Delivered Transfer Water under Section 5 of this exhibit, including any necessary reductions for Negative Transfer Flows and an accountings of Stored Released Transfer Water delivered and Stored Released Transfer Water remaining in storage, using the export capacities submitted DWR;

(d) Calculation of the amounts of Components 1, 2, 3 and 4 Water that were Delivered Transfer Water, as calculated under Section 7 of this exhibit; and

(e) A breakdown of the Storage Component and the Groundwater Substitution Component of the Delivered Transfer Water for the period.

(f) A calculation of the amount of reduced storage in New Bullards Bar Reservoir that resulted from releases of Storage Component Delivered Transfer Water. The resulting amount of reduced storage calculated at the start of the Refill Period will be the Base Transfer amount used for Refill accounting as described in **Exhibit 2.**

7. ACCOUNTING FOR COMPONENTS OF TRANSFER WATER

7.1. Water that has been determined to be Delivered Transfer Water will be credited towards one of four components of Water: Component 1, Component 2, Component 3, or Component 4.

7.2. Delivered Transfer Water will be credited to one of these four components of Water in the following priorities:

7.2.1. The first 60,000 acre-ft of Delivered Transfer Water that also is Storage Component water in each Water Accounting Year will be credited to Component 1 Water.

7.2.2. In Dry and Critical Water Years, the first 60,000 acre-ft of Storage Component water will be credited to Component 1 Water, and the next 15,000 acre-ft in Dry Water Years,[1] and 30,000 acre-ft in Critical Water Years, of Storage Component water will be credited to Component 2 Water. If the total amount of Delivered Transfer Water that also is Storage Component water in any Water Accounting Year is less than the total commitment for Component 1 Water (i.e., 60,000 acre-ft), Yuba will not be obligated to provide Groundwater Substitution Water to complete delivery of the 60,000 acre-feet. If the total amount of Delivered Transfer Water from the Storage Component water in a Water Accounting Year is less than the total commitment for Component 2 Water (i.e., 15,000 acre-ft in Dry Water Years and 30,000 acre-ft in Critical Water Years), then Yuba will provide Groundwater Substitution Component water, but subject to the provisions of **Exhibit 3** of this Agreement, to complete the balance of Yuba's commitment for Component 2 Water.

7.2.3. In years when Yuba has a commitment to provide 40,000 acre-ft of Component 3 Water, after Component 1 Water and Component 2 Water (if any is required) is fully accounted for, any remaining Storage Component water will be credited as Component 3 Water, and then any remaining unfulfilled commitment for Component 3 Water will be provided and accounted from Groundwater Substitution Component water, but subject to the provisions of **Exhibit 3** of this Agreement.

7.2.4. Any remaining balance of Storage Component water, and then Groundwater Substitution Component water, will be credited as Component 4 Water after all other commitments of Water have been credited from the total Delivered Transfer Water for the Water Accounting Year.

7.3. In years when there is no commitment for Component 2 or Component 3 Water, any Delivered Transfer Water that also is Storage Component water, and that exceeds the 60,000 acre-ft of the Component 1 Water obligation, will first be credited to repay any accrued deficit in Component 1 Water deliveries and then to repay any accrued deficit in Component 2 and Component 3 Water deliveries and finally accounted as Component 4 Water, subject to the provisions of Section 5A2 of this Agreement.

7.4. **Holding Account.** If Delivered Transfer Water Storage Component has been credited as Component 4 Water under Section 7.2.4 or Section 7.3 of this exhibit, and if DWR has not

[1] These water-year types are defined by the Sacramento Valley Index in SWRCB Decision 1641.

committed to pay for some or all of the credited Component 4 Water under the option provisions of this Agreement, then the uncommitted portion of Component 4 Water will be addressed in the following manner:

7.4.1. By September 30 of any year where there is Delivered Transfer Water that is uncommitted to one of the four Components of water, Yuba will notify DWR of the availability of the uncommitted Delivered Transfer Water for purchase as Component 3 or Component 4 water prior to accounting for the water in the Holding Account.

7.4.2. Water credited to the Holding Account will be available first as the following year's Component 3 or 4 Water and second as a credit to the following year's Component 1 Water, provided that the Holding Account water is not spilled from San Luis reservoir. The applicable purchase price for the water will be determined by the Water Year in which the water is accounted for as Delivered Transfer Water, even if the credit is applied in a subsequent year.

7.5. **Component 1 Water Accounting Deficit**. There are two conditions under which an account deficit of Component 1 Water can occur: (1) in very wet years, Yuba may release sufficient Released Transfer Water to provide the full required amount of Component 1 Water, but due to Delta conditions, some or all of this Released Transfer Water may not be able to be accounted for as Delivered Transfer Water under Section 5 of this exhibit. In such years, the amount of Delivered Transfer Water will be less than Yuba's obligation to provide Component 1 during that Water Accounting Year; and (2) in addition, under section 7.2.2 of this exhibit, there may be years in which there are less than 60,000 acre-feet of Storage Component Water available to meet Yuba's Component 1 obligation. In both of these cases, the amount of outstanding Component 1 Water will be noted as a Component 1 Water account deficit for that Water Accounting Year, and Yuba will be obligated to provide the remaining amount of Component 1 Water in a subsequent Water Accounting Year, subject to the provisions of Section 5A2 of this Agreement.

7.6 **Component 1 Water Makeup Provisions.** Yuba will apply Storage Component water in excess of the 60,000 acre-foot amount of Component 1 Water to be delivered during the current Water Accounting Year to any deficit in the Component 1 Water account from a previous year, as long as the current Water Year type is not a Dry or Critical Water Year. If the current Water Year type is a Dry or Critical Water Year, then Storage Component water may be applied to a deficit in the Component 1 Water account at Yuba's discretion, subject to the provisions of Section 5A2 of this Agreement.

7.7 **Components 2 and 3 Water Accounting Deficit and Makeup Provisions.** A deficit in providing Component 2 and/or Component 3 Water could occur if there is not enough Storage Component water accounted for as Delivered Transfer Water to meet the total obligations to provide Components 1, 2 and 3 Water, and due to the provisions of **Exhibit 3** for determining the amount of Groundwater Substitution Component water that may be provided, the amount of Groundwater Substitution Component water is not sufficient to make up the entire remainder of the commitment to provide Components 1, 2 and 3 Water. If there is a deficit in Component 2 or Component 3 Water the Parties will meet and confer under Section 22 ("Remedies and Dispute Resolution") of this Agreement to determine what actions should be taken.

8. CONFERENCE YEAR ACCOUNTING

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

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

8.3. There will be no obligation to provide Component 2 or Component 3 Water in a Conference Year.

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

8.5. If Yuba and DWR agree to transfer some amount of Water in a Conference Year, then the Conference Year Baseline Conditions will be agreed to by Yuba and DWR.

8.6. Transfer of Component 4 Water may occur in a Conference Year only if Negative Transfer Flows and Refill impacts are accounted for and, in the case of Refill impacts, repaid first.

9. GROUNDWATER SUBSTITUTION COMPONENT WATER

9.1. Yuba, at Yuba's sole discretion, may decide to enter into agreements with participating Member Units under which the participating Member Units will arrange for their respective water users to reduce their use of surface water diversions by amounts to be determined by Yuba and the participating Member Units during the Water Accounting Year, and to pump equivalent amounts of groundwater from approved wells as replacement supplies for the

Groundwater Substitution Component of Released Transfer Water. Yuba will provide DWR with one or more lists of the locations of the wells that may be pumped for the Groundwater Substitution Component. In no case will groundwater pumping commence from a well for the Groundwater Substitution Component before approval of the well by DWR. Wells that are located within two miles of the Yuba River or the Feather River will be subject to review and approval by DWR. All other listed wells will be approved by DWR upon demonstration by Yuba that all required local permits for these wells have been obtained. DWR will review the list of wells, their locations and any other pertinent information provided by Yuba and the participating Member Units, and will notify Yuba and the participating Member Units within ten working days after the submittal of a list by Yuba of any well that DWR reasonably determines is not acceptable for pumping under this Agreement, and will inform Yuba and the Member Unit in which the well is located of the basis for the determination by DWR. Upon receipt of supplemental information from Yuba or the Member Unit in which the well is located, DWR may reconsider its refusal to allow the well to provide Groundwater Substitution Component water and reverse its determination. Groundwater pumped for the Groundwater Substitution Component must be put to reasonable use for irrigation on lands that otherwise would have been served with surface water within the participating Member Unit's service area between March 1 and December 31.

9.2. Yuba will comply with the Groundwater Monitoring, Reporting and Operations Program, which is **Exhibit 3** to this Agreement.

9.3. Yuba will ensure that flow-measuring devices are acquired, installed and maintained to measure the quantities of groundwater actually being pumped for the Groundwater Substitution Component from wells identified in Section 9.1 of this exhibit. Yuba and the participating Member Units will be responsible for the distribution of water pumped under this Agreement within each participating Member Unit's boundaries. The Projects will not be responsible for any costs of installing, operating or maintaining groundwater pumping facilities or flow-measuring devices, or for any costs of conveying groundwater pumped to places of use within the participating Member Units' service areas pursuant to this Agreement. By the fifteenth day of every other month, Yuba will provide a report to DWR of the quantities of groundwater pumped from each well for the Groundwater Substitution Component during the previous reporting period under this Agreement.

9.4. Yuba will make arrangements for DWR and its representatives to have access to facilities and records of Yuba and its participating Member Units to the extent reasonably necessary to verify that the groundwater pumping, the management of such pumping and the

implementation of the Groundwater Monitoring and Reporting Program for the Groundwater Substitution Component meet the requirements of Section 9 of this exhibit.

10. ACCOUNTING PREPARATION AND NOTIFICATIONS

10.1. **Accounting preparation for invoicing** - Yuba will prepare a draft accounting of the quantities of Released Transfer Water and the Delivered Transfer Water, utilizing information provided by DWR, as described in Section 6 of this exhibit, and Yuba will submit these calculations in a standard form to be developed by the Parties for review by the Technical Committee according to the schedules set forth in this Agreement. The Technical Committee will provide written notification to Yuba and DWR within 20 days of receipt of the Transfer Accounting from Yuba whether it agrees with the accounting. If the Technical Committee agrees with the accounting, or if there has been no written notification by the 20th day, then Yuba will submit invoices to DWR as provided in this Agreement.

10.2. **Disputes on accounting amounts** – If there is a dispute between the Parties regarding accounting, then the Technical Committee will first meet and attempt to resolve the dispute, and submit the disputed accounting for final resolution by the Management Committee. For accounting disputes only, if the dispute cannot be resolved by the Management Committee, then the Parties will resolve the accounting dispute as provided in Section 22 ("Remedies and Dispute Resolution") of this Agreement.

10.3. **Maintaining Records of Accounting and Accounts** – Yuba will maintain a set of records for all accountings, and all back-up materials used to prepare the accountings, at Yuba's offices, and Yuba will make these records available to DWR upon request during normal business hours. DWR will maintain records of DWR's determination of Delta conditions and Project export capacity as described in Section 6.3.2, and make these records available to Yuba upon request during normal business hours.

11. FORECASTING AND EXCHANGE OF INFORMATION FOR TRANSFER

11.1. Yuba and DWR will exchange operations forecasts and other data deemed useful for purposes of enhancing the usefulness of the water to be made available under this Agreement. The forecasts will identify and substantiate the quantities and timing of forecasted transfer flows over a range of possible hydrologic conditions, and identify forecasted periods of Balanced Conditions and water allocations for the CVP and SWP. Additionally, the operations forecasts to be provided will assist the CVP and SWP to

efficiently integrate the Yuba flows in their operations plans, and will assist EWA in planning asset acquisition and management.

11.2. Yuba will provide the following:

- Updated forecasts of operations, monthly from February through June.
- Updated forecasts as necessary, but not less than monthly, depending on changing conditions, from July through January.
- The operations forecast should extend through the end of the current Water Year classification through January 31.
- Initially, each Water Year, separate operations forecasts will be provided based on hydrologic probability of exceedence levels of 90%, 10%, and 50%. Some forecasts may be deleted as the Water Year progresses, depending on need. Likewise, other forecasts may be added, if needed.
- Each Yuba forecast will include:
    1. Forecasted flows at Marysville Gage (daily for the first 30 days of forecasted flows and then monthly, or for a partial month if the dates of flow change within month are known)
    2. Forecasted Baseline Flows (daily for the first 30 day of forecasted flows and then monthly, or for a partial month if the dates of flow change within month are known)
    3. Forecasted New Bullards Bar reservoir storage
    4. New Bullards Bar forecasted inflow, outflow, diversions, evaporation
    5. Yuba River Index and Water Year classification
    6. North Yuba Index and computation details, North Yuba Year classification
    7. Forecasted transfer water quantities (monthly)
    8. Identification of any "make-up" flows or other flows planned.
    9. Amounts and timing of groundwater pumping contributing to availability of transfer flows.

DWR will provide to Yuba before the 1st of each month from February through June, and from July through January if updated Yuba forecasts are needed, the following information:

- Details of CVP and SWP forecasted reservoir and export operations through the end of the current calendar year.

- Forecasted periods of balanced conditions though the end of the current calendar year.

12. TECHNICAL COMMITTEE AND MANAGEMENT COMMITTEE

12.1. Technical Committee

The Technical Committee will: (1) collect, review and analyze information relevant to accounting of water consistent with **Exhibits 1, 2 and 3** of this Agreement, and information related to advances, payments and cost adjustments; (2) identify and attempt to resolve technical implementation issues; (3) periodically report to the Management Committee on the information gathered and any technical implementation issues identified; and (4) make recommendations to the Management Committee for resolution of any policy issues that arise or for any required factual determinations. If the Technical Committee is unable to agree on a recommendation to the Management Committee, then the Technical Committee will cooperate to provide a balanced presentation of the facts, opinions and other information underlying the various positions on the issue to be determined.

12.2. Management Committee.

The Management Committee will: (1) provide policy guidance in implementing this Agreement; (2) make any factual determinations required to implement this Agreement; (3) consider information provided by the Technical Committee, if applicable, when making decisions; and (4) identify and resolve any policy-related implementation issues.

EXHIBIT 2

Reservoir Refill Accounting Provisions

SECTION 1: GENERAL PRINCIPLES

DWR must be assured that the refilling of New Bullards Bar Reservoir resulting from purchase of water from Yuba by DWR will not impact the Projects. Such impacts could occur (according to DWR) if storage vacated by the transfer is refilled during Balanced Conditions in the Delta. Yuba agrees that if there is an outstanding account of impacts after the Water Year reservoir refill period, then Yuba will release additional water during subsequent Balanced Conditions in excess of normal operating requirements to compensate for refill impacts. The following procedures for determining refill impacts and conditions for additional releases will be used in accounting for refill. DWR will work with Reclamation to allocate the impact account between the Projects. This exhibit includes the definitions set forth in **Exhibit 1** to this Agreement. In addition, when used in this exhibit, the following terms have the following definitions:

1. "Base Transfer" is the amount of Delivered Transfer Water released from New Bullards Bar Reservoir, as determined by the accounting rules in **Exhibit 1** to this Agreement, and which results in a storage amount in New Bullards Bar Reservoir that is lower than the storage that would have occurred under Baseline Conditions. Calculation of this amount is described in Section 5 of **Exhibit 1** to this Agreement.

2. "Impact Account" is the amount of water DWR would have obtained from the Yuba River in the absence of the transfer releases, but which DWR did not receive due to refilling of New Bullards Bar Reservoir. The amount of Impact Account water will be computed daily during the Refill Period based on Balanced Conditions.

3. "Refill Period" is from October 1 through September 30.

4. "Target Storage" is the maximum storage volume during the Refill Period at which Yuba would normally operate New Bullards Bar Reservoir without a water transfer. The Target Storage levels are as follows:

   (a) October 1 through October 31: linearly ramped from 705,000 acre-feet to 700,000 acre- feet
   (b) November 1 through February 15: 700,000 acre-feet.

   (c) February 16 through March 31: linearly ramped from 700,000 acre-feet to 796,000 acre-feet.

   (d) April 1 through April 30: linearly ramped from 796,000 acre-feet to 896,000 acre-feet.

(e) May 1 through May 31: linearly ramped from 896,000 acre-feet to 966,000 acre-feet.

(f) June 1 through June 30: 966,000 acre-feet. This Target storage amount of 966,000 acre-ft may be slightly reduced because this amount is the top of conservation storage in New Bullards Bar Reservoir and releases may be made to avoid exceeding this storage amount. The Target Storage reduction will be made when releases from New Bullards Bar Reservoir are increased as storage reaches 996,000 acre-ft which demonstrates filling of the Reservoir.

(g) During July 1 through September 29, Target Storage must be determined on a case by case basis as described in **Exhibit 1** to this Agreement.

5. "Actual Storage" is the amount of water physically in storage in New Bullards Bar Reservoir at any time.

6. "Theoretical Storage" is the sum of: (1) Actual Storage on the day specified; and (2) Transfer Account Amount.

7. When Actual Storage exceeds the Target Storage during the Refill Period, there will be no further refill impacts.

8. The accounting procedure in Section 2 of this exhibit will be used to calculate the Impact Account. The general principles in Section 2 of this exhibit will be applied in accounting for any unusual operational conditions not set forth in the application example described below.

9. If the Transfer Amount Account is not zero on September 30, then the remaining balance of the account will be carried forward to the subsequent water year and the impact accounting will continue until the outstanding balance is eliminated.

10. If there is an Impact Account balance on September 30, then Yuba will release water during Balanced Conditions on a schedule that is agreed to by the Parties at a time when such releases will not create or affect deficiencies in local deliveries or instream flows, and these releases will be coordinated with releases for other (if any) water transfers of Yuba. The water released to offset refill impacts will be delivered as Delivered Transfer Water by Yuba and the accounting provisions and refill conditions of this section will apply to those quantities.

11. By July 31 of each year, the Parties will complete an accounting of the Impact Account.

12. If Project operations effectively reduce or eliminate a refill impact, the Impact Account balance may be adjusted to reflect that reduction or elimination subject to approval by the Projects.

SECTION 2: ACCOUNTING PROCEDURES FOR DETERMINING NEW BULLARDS BAR REFILL IMPACTS ON THE PROJECTS

The following columnar description sets forth the format, criteria, and procedures to be used for the determination of combined impacts to the Projects due to changes in refilling New Bullards Bar Reservoir caused by the transfer to DWR. An example of the application is attached.

COLUMNAR DESCRIPTION

Column 1 - Date

Column 2 - New Bullards Bar Reservoir Actual Storage at 2400 hours.

Column 3 - Transfer Amount Account (Base Transfer for the year) lists transfer water for which impact accounting is yet to be made. It is the previous day's amount minus the previous day's impact volume. Column 3_i = Column 3_{i-1} - Column 6_{i-1} any transfer amount account remaining after September 30 will be the initial (October 1) amount used in the subsequent water year.

Column 4 - Theoretical Storage indicates the operation of storage as it might have occurred in the absence of the transfer. It is the actual storage plus the Transfer Amount Account. Column 4_i = Column 2_i + Column 3_i.

Column 5 - Target Storage is a postulated level of storage, which New Bullards Bar Reservoir might not normally exceed. When Column 5 exceeds this level, it is postulated that the storage would be reduced to the Target Storage amount. The Target Storage is defined as follows: October 1 (705,000); October 2-October 31 (ramped linearly to 700,000) November 1-February 15 (700,000); February 16-March 31 (ramped linearly to 796,000); April 1-30 (ramped linearly to 896,000); May 1-31 (ramped linearly to 966,000); June 1-30 (966,000); July 1-September 29 – determined by hydrology.

Column 6 - Impact Volume indicates daily amounts of water that would be released to achieve the Column 5 Target Storage. Column 6_i = (Column 4_i - Column 5_i) but not less than zero, and not greater than Column 3i.

Column 7 - Delta Conditions are determined jointly by DWR and Reclamation in accordance with the COA. A "1" is listed if the Delta is declared to be in Balanced Conditions three days after the daily amounts are calculated, a zero or null "-"is listed when the Delta is declared to be in excess conditions three days after the daily amounts are calculated. The amount of Theoretical Storage above the Target Storage on December 31, if any (Column 4 - Column 5), is deducted from the Transfer Amount Account (Column 3) on January 1.

Column 8 - Net Daily Impact is the daily impact volumes when the Delta is in Balanced Conditions as indicated in Column 7. Column 8_i = Column 6_i x Column 7.

Column 9 - Impact Account is the accumulation of Net Daily Impacts.
Column 9_i = Column 9_{i-1} + Column 8_i.

WATER TRANSFER REFILL ACCOUNTING EXAMPLE

(all units are acre-feet)

Yuba County Water Agency-DWR

Transfer Amount	
30-Sep-01	102,912

1 Date	2 Actual Storage	3 Transfer Amount Account	4 Theoretical Storage	5 Target Storage	6 Impact Volume	7 Delta Condition (Balanced = 1)	8 Net Daily Impact	9 Impact Account
Previous Year Balances	-	102,912	-	-	-	-	-	
1-Jan-02	597,293	102,912	700,205	700,000	205	1	205	205
2-Jan-02	605,353	102,707	708,060	700,000	8,060	1	8,060	8,265
3-Jan-02	618,678	94,647	713,325	700,000	13,325	1	13,325	21,590
4-Jan-02	625,781	81,322	707,103	700,000	7,103	1	7,103	28,693
5-Jan-02	630,711	74,219	704,930	700,000	4,930	-	-	28,693
6-Jan-02	639,084	69,289	708,373	700,000	8,373	-	-	28,693
7-Jan-02	644,927	60,916	705,843	700,000	5,843	-	-	28,693
8-Jan-02	651,145	55,073	706,218	700,000	6,218	-	-	28,693
9-Jan-02	657,360	48,855	706,215	700,000	6,215	-	-	28,693
10-Jan-02	660,890	42,640	703,530	700,000	3,530	-	-	28,693
11-Jan-02	662,008	39,110	701,118	700,000	1,118	-	-	28,693
12-Jan-02	664,488	37,992	702,480	700,000	2,480	-	-	28,693
13-Jan-02	666,069	35,512	701,581	700,000	1,581	-	-	28,693
14-Jan-02	667,476	33,931	701,407	700,000	1,407	-	-	28,693
15-Jan-02	667,628	32,524	700,152	700,000	152	-	-	28,693
16-Jan-02	665,268	32,372	697,640	700,000	-	-	-	28,693
17-Jan-02	664,036	32,372	696,408	700,000	-	-	-	28,693
18-Jan-02	661,451	32,372	693,823	700,000	-	-	-	28,693
19-Jan-02	660,292	32,372	692,664	700,000	-	-	-	28,693
20-Jan-02	659,197	32,372	691,569	700,000	-	-	-	28,693
21-Jan-02	658,299	32,372	690,671	700,000	-	-	-	28,693
22-Jan-02	658,635	32,372	691,007	700,000	-	-	-	28,693
23-Jan-02	658,686	32,372	691,058	700,000	-	-	-	28,693
24-Jan-02	658,238	32,372	690,610	700,000	-	-	-	28,693
25-Jan-02	658,187	32,372	690,559	700,000	-	-	-	28,693
26-Jan-02	659,197	32,372	691,569	700,000	-	-	-	28,693
27-Jan-02	660,882	32,372	693,254	700,000	-	-	-	28,693
28-Jan-02	661,600	32,372	693,972	700,000	-	-	-	28,693
29-Jan-02	661,304	32,372	693,676	700,000	-	-	-	28,693
30-Jan-02	660,508	32,372	692,880	700,000	-	-	-	28,693
31-Jan-02	659,758	32,372	692,130	700,000	-	-	-	28,693
1-Feb-02	658,985	32,372	691,357	700,000	-	-	-	28,693
2-Feb-02	658,455	32,372	690,827	700,000	-	-	-	28,693
3-Feb-02	657,940	32,372	690,312	700,000	-	-	-	28,693
4-Feb-02	656,783	32,372	689,155	700,000	-	-	-	28,693
5-Feb-02	654,026	32,372	686,398	700,000	-	-	-	28,693
6-Feb-02	652,128	32,372	684,500	700,000	-	-	-	28,693
7-Feb-02	651,570	32,372	683,942	700,000	-	-	-	28,693
8-Feb-02	652,128	32,372	684,500	700,000	-	-	-	28,693
9-Feb-02	652,128	32,372	684,500	700,000	-	-	-	28,693
10-Feb-02	652,259	32,372	684,631	700,000	-	-	-	28,693
11-Feb-02	651,591	32,372	683,963	700,000	-	-	-	28,693
12-Feb-02	650,922	32,372	683,294	700,000	-	-	-	28,693
13-Feb-02	650,232	32,372	682,604	700,000	-	-	-	28,693
14-Feb-02	649,824	32,372	682,196	700,000	-	-	-	28,693
15-Feb-02	649,624	32,372	681,996	700,000	-	-	-	28,693
16-Feb-02	650,032	32,372	682,404	702,182	-	-	-	28,693
17-Feb-02	651,405	32,372	683,777	704,364	-	-	-	28,693
18-Feb-02	652,575	32,372	684,947	706,545	-	-	-	28,693
19-Feb-02	653,281	32,372	685,653	708,727	-	-	-	28,693
20-Feb-02	658,598	32,372	690,970	710,909	-	-	-	28,693
21-Feb-02	666,786	32,372	699,158	713,091	-	-	-	28,693
22-Feb-02	674,144	32,372	706,516	715,273	-	-	-	28,693
23-Feb-02	680,727	32,372	713,099	717,455	-	-	-	28,693
24-Feb-02	685,322	32,372	717,694	719,636	-	-	-	28,693
25-Feb-02	687,811	32,372	720,183	721,818	-	-	-	28,693
26-Feb-02	691,643	32,372	724,015	724,000	15	-	-	28,693
27-Feb-02	694,386	32,357	726,743	726,182	561	-	-	28,693
28-Feb-02	698,917	31,796	730,713	728,364	2,349	-	-	28,693
1-Mar-02	703,159	29,447	732,606	730,545	2,060	-	-	28,693
2-Mar-02	707,155	27,386	734,541	732,727	1,814	-	-	28,693
3-Mar-02	710,373	25,572	735,945	734,909	1,036	-	-	28,693
4-Mar-02	711,120	24,536	735,656	737,091	-	-	-	28,693
5-Mar-02	710,805	24,536	735,341	739,273	-	-	-	28,693
6-Mar-02	721,130	24,536	745,666	741,455	4,212	-	-	28,693
7-Mar-02	722,717	20,325	743,042	743,636	-	-	-	28,693

WATER TRANSFER REFILL ACCOUNTING EXAMPLE

(all units are acre-feet)

Yuba County Water Agency-DWR

Transfer Amount	
30-Sep-01	102,912

1 Date	2 Actual Storage	3 Transfer Amount Account	4 Theoretical Storage	5 Target Storage	6 Impact Volume	7 Delta Condition (Balanced = 1)	8 Net Daily Impact	9 Impact Account
8-Mar-02	723,313	20,325	743,638	745,818	-	-	-	28,693
9-Mar-02	723,035	20,325	743,360	748,000	-	-	-	28,693
10-Mar-02	725,630	20,325	745,955	750,182	-	-	-	28,693
11-Mar-02	726,907	20,325	747,232	752,364	-	-	-	28,693
12-Mar-02	727,985	20,325	748,310	754,545	-	-	-	28,693
13-Mar-02	729,862	20,325	750,187	756,727	-	-	-	28,693
14-Mar-02	731,902	20,325	752,227	758,909	-	-	-	28,693
15-Mar-02	732,645	20,325	752,970	761,091	-	-	-	28,693
16-Mar-02	734,698	20,325	755,023	763,273	-	-	-	28,693
17-Mar-02	737,672	20,325	757,997	765,455	-	-	-	28,693
18-Mar-02	738,065	20,325	758,390	767,636	-	-	-	28,693
19-Mar-02	737,191	20,325	757,516	769,818	-	-	-	28,693
20-Mar-02	736,268	20,325	756,593	772,000	-	-	-	28,693
21-Mar-02	735,412	20,325	755,737	774,182	-	-	-	28,693
22-Mar-02	734,609	20,325	754,934	776,364	-	-	-	28,693
23-Mar-02	736,697	20,325	757,022	778,545	-	-	-	28,693
24-Mar-02	741,329	20,325	761,654	780,727	-	-	-	28,693
25-Mar-02	743,517	20,325	763,842	782,909	-	-	-	28,693
26-Mar-02	744,612	20,325	764,937	785,091	-	-	-	28,693
27-Mar-02	745,737	20,325	766,062	787,273	-	-	-	28,693
28-Mar-02	747,115	20,325	767,440	789,455	-	-	-	28,693
29-Mar-02	748,429	20,325	768,754	791,636	-	-	-	28,693
30-Mar-02	751,766	20,325	772,091	793,818	-	-	-	28,693
31-Mar-02	755,597	20,325	775,922	796,000	-	-	-	28,693
1-Apr-02	758,292	20,325	778,617	799,333	-	-	-	28,693
2-Apr-02	760,868	20,325	781,193	802,667	-	-	-	28,693
3-Apr-02	763,749	20,325	784,074	806,000	-	-	-	28,693
4-Apr-02	766,970	20,325	787,295	809,333	-	-	-	28,693
5-Apr-02	770,692	20,325	791,017	812,667	-	-	-	28,693
6-Apr-02	774,878	20,325	795,203	816,000	-	-	-	28,693
7-Apr-02	778,783	20,325	799,108	819,333	-	-	-	28,693
8-Apr-02	780,904	20,325	801,229	822,667	-	-	-	28,693
9-Apr-02	783,327	20,325	803,652	826,000	-	-	-	28,693
10-Apr-02	786,643	20,325	806,968	829,333	-	-	-	28,693
11-Apr-02	790,090	20,325	810,415	832,667	-	-	-	28,693
12-Apr-02	792,364	20,325	812,689	836,000	-	-	-	28,693
13-Apr-02	795,653	20,325	815,978	839,333	-	-	-	28,693
14-Apr-02	799,624	20,325	819,949	842,667	-	-	-	28,693
15-Apr-02	804,117	20,325	824,442	846,000	-	-	-	28,693
16-Apr-02	805,951	20,325	826,276	849,333	-	-	-	28,693
17-Apr-02	806,933	20,325	827,258	852,667	-	-	-	28,693
18-Apr-02	807,617	20,325	827,942	856,000	-	-	-	28,693
19-Apr-02	807,959	20,325	828,284	859,333	-	-	-	28,693
20-Apr-02	809,284	20,325	829,609	862,667	-	-	-	28,693
21-Apr-02	809,626	20,325	829,951	866,000	-	-	-	28,693
22-Apr-02	809,953	20,325	830,278	869,333	-	-	-	28,693
23-Apr-02	809,868	20,325	830,193	872,667	-	-	-	28,693
24-Apr-02	809,626	20,325	829,951	876,000	-	-	-	28,693
25-Apr-02	808,942	20,325	829,267	879,333	-	-	-	28,693
26-Apr-02	809,441	20,325	829,766	882,667	-	-	-	28,693
27-Apr-02	810,850	20,325	831,175	886,000	-	-	-	28,693
28-Apr-02	812,604	20,325	832,929	889,333	-	-	-	28,693
29-Apr-02	813,135	20,325	833,460	892,667	-	-	-	28,693
30-Apr-02	812,793	20,325	833,118	896,000	-	-	-	28,693
1-May-02	811,021	20,325	831,346	898,258	-	-	-	28,693
2-May-02	809,996	20,325	830,321	900,516	-	-	-	28,693
3-May-02	809,996	20,325	830,321	902,774	-	-	-	28,693
4-May-02	808,771	20,325	829,096	905,032	-	-	-	28,693
5-May-02	810,781	20,325	831,106	907,290	-	-	-	28,693
6-May-02	810,952	20,325	831,277	909,548	-	-	-	28,693
7-May-02	811,294	20,325	831,619	911,806	-	-	-	28,693
8-May-02	810,781	20,325	831,106	914,065	-	-	-	28,693
9-May-02	810,781	20,325	831,106	916,323	-	-	-	28,693
10-May-02	809,284	20,325	829,609	918,581	-	-	-	28,693
11-May-02	808,771	20,325	829,096	920,839	-	-	-	28,693
12-May-02	808,087	20,325	828,412	923,097	-	-	-	28,693

ACCOUNTING TO CONTINUE UNTIL SEPTEMBER 30 OR UNTIL REFILL IS NO LONGER POSSIBLE

EXHIBIT 3

GROUNDWATER MONITORING AND REPORTING PROGRAM

1. Groundwater Monitoring

In cooperation with DWR, Yuba has monitored Yuba County groundwater conditions for many years, and many aspects of the groundwater resources are well known. Yuba and DWR have worked cooperatively to develop a groundwater transfer monitoring and reporting program specific to Yuba County for past groundwater substitution water transfers. Yuba has also developed a Groundwater Management Plan ("GMP"), which was adopted on March 1, 2005 pursuant to Water Code Sections 10750 *et seq*. The GMP formalizes a monitoring program that includes measuring water levels in wells that are part of a dedicated monitoring well network, a plan to expand the network, annual reporting provisions and other groundwater monitoring activities. Since 2005, Yuba has constructed eight additional groundwater monitoring wells for this program. (See DWR, Memorandum Report, "Monitoring Well Construction Technical Assistance," April 2007.) Information gathered from the activities specified in the GMP, along with the activities described in this exhibit, will be used to assess effects of groundwater pumping on groundwater resources, and to provide reasonable assurances that any water pumped and accounted for as part of any groundwater substitution is in lieu of surface water delivered by Yuba to its Member Units. Yuba will continue to work with DWR and the Member Units to identify and resolve any new groundwater monitoring issues.

a. The water levels in selected production wells geographically dispersed throughout each Member Unit participating in the groundwater substitution program will be measured by the Member Unit prior to the initial pumping for each year during which a groundwater substitution transfer will take place. Selection of these wells will be by mutual agreement by DWR and Yuba, in consultation with the Member Unit. Upon termination of pumping for the year, the water levels will be measured by the Member Units, and such measurements will continue on a monthly basis until water levels have recovered to the pre-pumping levels, or have stabilized. In no case will water-level measurements be required following spring high water levels in the year following the year of the groundwater substitution pumping. The Member Units will provide the water-level readings to Yuba within 15 days of each reading.

b. To supplement the GMP-specified monitoring program, water levels in each monitoring well in the Yuba network will be measured at least every two months by Yuba in each year during which a groundwater substitution transfer is to take place, commencing no later than April. Upon termination of pumping, the monitoring well water levels will be measured, and such measurements will continue on a monthly basis until water levels have recovered to the pre-pumping levels, or have stabilized. In no case will water-level measurements be required following spring high water levels in the year following the year of the groundwater substitution pumping. DWR and Yuba will cooperate in obtaining these measurements.

c. Readings of flow meters on the discharges of the wells will be recorded every month during the pumping period by Member Units for each production well. In addition, electric meter readings and fuel consumption for diesel pumps will be recorded by the Member Units, and made available to Yuba upon request. The quantities of water pumped between successive readings will be calculated by Member Units and reported to Yuba.

d. Electrical Conductivity ("EC") will be measured for water pumped from selected production wells at the initiation of pumping (or as soon thereafter as practicable), two months after the initial EC measurements and at the termination of pumping.

e. For selected production wells (to be identified before the monitoring plan is finalized) near Yuba monitoring wells, drawdown analyses (of distance and time) will be completed, and comparisons made to monitoring well water levels.

All monitoring data will be reported on a semi-monthly basis, and in an annual final summary report prepared by Yuba that will evaluate the impacts of the groundwater substitution pumping transfer program for that year. The final report will include water-level contour maps for the groundwater basin showing initial water levels and final, recovered water levels.

2. Groundwater Pumping Operations Plan

This Agreement sets forth the procedures by which the total amount of water to be transferred will be determined. These amounts include Components 1, 2, 3 and 4 water. A portion of the Water will be from surface water and a portion may be provided through groundwater substitution pumping. Yuba will base the determination of the amount of water to be provided through groundwater substitution pumping (in consultation with the Member Units) by: (a) estimating the amount of surface water that will be transferred for the year by operation to the flow schedules in the Fisheries Agreement and the September 30 target New Bullards Bar Reservoir storage level; (b) determining the amount of water from groundwater substitution pumping that Member Units can make available through wells of farmers who are willing to participate in the program and whose farms are located within a participating Member Unit; and (c) determining the amount of water that can be pumped within the safe yield of the basin without contributing to long-term overdraft and without resulting in significant unmitigated impacts to other groundwater users in the basin.

This section sets forth the procedure that will be used to determine the amount of water that can be pumped within the safe yield of the basin without contributing to long-term overdraft, and without resulting in any significant unmitigated third-party ("Third Party" or "Third Parties") impacts to other groundwater users in the basin. Section 1 of this Exhibit describes the monitoring plan that will be used to obtain information from which the determination will be made of the condition of the groundwater basin in the spring of the year during which groundwater substitution pumping is planned. Based on this condition,

Yuba will determine the expected response of the basin to the proposed pumping for that year and the resulting condition of the basin at the conclusion of the pumping. Determination of the expected condition at the conclusion of the pumping will be made by examining the historic response of the basin during previous years when pumping occurred and by examining the recovery of the basin during pumping years and successive years, and by comparing these basin responses with the planned pumping. Analysis of the historical responses of the basin to pumping will be used to develop empirical relationships between pumping and basin drawdown and recovery. These empirically derived relationships will be the formulas that will be used to determine basin response to the proposed pumping.

The determination of basin response to the proposed pumping will result in an estimated basin condition at the end of pumping and an estimated condition for the spring of the next year. This estimated condition will be compared to historical groundwater levels in the basin. In 1991, Yuba and the Member Units completed a groundwater substitution transfer to provide water to other parts of California under the Governor's Emergency Drought Water Bank in response to a severe statewide drought. The groundwater levels that occurred in the fall of 1991 at the end of pumping did not result in any overdraft of the groundwater basin or any significant unmitigated Third-Party impacts. Groundwater levels had been lower than these levels during the 1980's, but the extent of effects of these lower levels on groundwater users in the basin is not well known. Therefore, the fall 1991 groundwater levels will be used for comparison with the estimated condition of the basin that will result from the proposed groundwater pumping under this Agreement and the Yuba River Accord.

If the estimated levels are above the fall 1991 levels, then significant unmitigated Third- Party impacts will not be expected. If the estimated levels are below the fall 1991 levels, then further examination of potential impacts and consultation with the Member Units and the GMP Water Advisory Group (discussed below) will be required. The GMP Water Advisory Group is a group that was formed under the GMP to provide input and guidance on groundwater issues. The GMP Water Advisory Group comprises representatives from local groundwater users, including municipal water purveyors, Member Units, reclamation districts and others. Groundwater substitution pumping that would result in levels near the fall 1991 levels will occur only if the Member Units agree to allow such pumping. Even if the determination is that estimated levels resulting from proposed pumping will be above the fall 1991 levels, the Member Units still will be consulted, and each Member Unit must individually approve the proposed pumping in its area or such pumping will not occur. If the amount of proposed pumping that will not cause fall groundwater levels to drop below 1991 levels cannot be confirmed using the procedures described above, then a lower amount of pumping that satisfies the conditions of this section will be determined using these procedures. The Yuba Board reserves the right to restrict the maximum amount of groundwater substitution pumping and the right to resolve any disputes in the Water Advisory Group regarding maximum amount of groundwater pumping.

If for any year the total amount of groundwater pumping that is determined to be acceptable under this section is less than the total amount of Components 1, 2 and 3 water

that is provided for in the Agreement, minus the amount of surface water to be transferred, then Yuba may either: (a) use additional surface water through supplemental surface water transfers to provide Components 1, 2 and 3 water; or (b) advise DWR that the total unmet amount of Components 1, 2 and 3 water will not be provided during the present year and instead will be owed to the Buyer and repaid in a manner detailed in **Exhibit 1** of this Agreement

3. Third-Party Impacts Action Plan

The purpose of this Third-Party impacts action plan is to describe actions that will be undertaken by Yuba and Member Units to respond to impacts to Third Parties that occur because of groundwater substitution pumping for transfers under this Agreement. Third Parties include local groundwater users that could be affected by fluctuations in groundwater levels because of the pumping of such groundwater substitution water. Yuba and the Member Units agree that prompt responses to and mitigation of potential impacts to Third Parties are an important requirement for Yuba's present and future groundwater substitution transfers.

This action plan includes a series of steps that will be taken to ensure that the groundwater substitution component of this Agreement and the Yuba River Accord does not cause significant, unmitigated impacts to Third Parties. Under this action plan, groundwater substitution pumping must not produce significant unmitigated impacts on Third Parties, impacts must be identified and mitigated as quickly as possible, and there must be ongoing, open communications with affected Third Parties. Because not all potential impacts can be known in advance, this plan provides a process for responding to concerns expressed by local groundwater users who believe that their water-production facilities are being or will be impacted by groundwater substitution pumping under this Agreement and the Yuba River Accord.

As a contractual condition of a Member Unit participating in the groundwater substitution component of this Agreement and the Yuba River Accord, the Member Unit will identify a contact person or persons who will be responsible for initially responding to a notification of a potential Third-Party impact, and take the other action specified in this section. The contact person for a Member Unit will be the person designated by the Member Unit. The responsibilities of Yuba under this action plan will be carried out by the General Manager, or by a person designated by the General Manager. The contact persons for the Member Units will also serve on a Yuba Groundwater Substitution Program Advisory Group ("Advisory Group") for either the area north of the Yuba River or the area south of the Yuba River.

Upon either Yuba or the Member Unit receiving notification of a potential Third-Party impact, Yuba or the Member Unit will immediately notify the other party of the nature of the potential impact. The Member Unit will promptly (within one day) contact the Third Party and obtain all available information regarding the nature and extent of the potential

impact, and provide that information to Yuba. The Member Unit also will regularly update Yuba on the status of the Member Unit's response.

If the Third Party is not within the boundaries of any Member Unit of Yuba, then Yuba will either: (a) determine if it is evident that the Third Party is in close proximity to the groundwater-production facilities within a Member Unit that are involved in the groundwater substitution program, and designate the Member Unit or Member Units responsible for responding to the potential impact; or (b) consult with the Advisory Group concerning which Member Unit or Member Units should be designated for responding to the potential impact.

After the Third Party has been contacted and the relevant information regarding the potential impact has been received, the Member Unit will develop an approach (subject to approval by Yuba) to: (a) determine whether the Third Party has actually been impacted by groundwater pumping by the Member Unit, and, if so; (b) mitigate for the impact. Yuba will be available to provide assistance to the Member Unit in developing the foregoing approach. Yuba and the Member Unit will consult with the applicable Advisory Group in developing the approach referred to in this section.

Yuba will resolve any dispute concerning implementation of this action plan, including which Member Unit will be responsible for mitigating a potential impact, whether it is reasonably likely that there was a Third-Party impact, and the measures to be taken by the Member Unit to mitigate the impact. If a Member Unit fails to carry out its responsibilities under this action plan, then Yuba will be authorized (but not required) to perform the responsibilities of the Member Unit and recover its reasonable costs in doing so from the Member Unit, including deducting these costs from payments due the Member Unit for the groundwater substitution transfer. Yuba will consult with the applicable Advisory Group in carrying out its responsibilities under this section.

It is the intention of this action plan that: (a) any Third-Party impact that is reasonably likely to have been caused by implementation of the groundwater substitution program will be promptly and substantially mitigated; (b) as to any Third-Party impact that is not reasonably likely to have been caused by implementation of the groundwater substitution program, the Third Party will be provided information to reasonably demonstrate the reasons that there were no impacts; and (c) Yuba, the Member Units and the Advisory Group will be involved in the implementation of this action plan. Actions that will be taken to mitigate an impact include, but are not limited to, deepening of the impacted Third Party's well or lowering of pump bowls, cessation of pumping in the area of the impacted well, and providing a temporary or permanent alternative water supply to the Third Party.

EXHIBIT 4

State of California – Department of Water Resources

Agreement for the Long-term Purchase of Water from Yuba County Water Agency by the Department of Water Resources

STANDARD CLAUSES

Worker's Compensation Clause. Contractor affirms that it is aware of the provisions of Section 3700 of the California Labor Code which require every employee to be insured against liability for worker's compensation or to undertake self-insurance in accordance with the provisions of that Code, and Contractor affirms that it will comply with such provisions before commencing the performance of work under this Agreement.

Nondiscrimination Clause. During the performance of this Agreement, Contractor and its subcontractors shall not unlawfully discriminate, harass, or allow harassment against any employee or applicant for employment because of sex, race, color, ancestry, religious creed, national origin, physical disability (including HIV and AIDS), mental disability, medical condition (cancer), age (over 40), marital status, and denial of family care leave. Contractor and subcontractors shall insure that the evaluation and treatment of their employees and applicants for employment are free from such discrimination and harassment. Contractor and subcontractors shall comply with the provisions of the Fair Employment and Housing Act (Gov. Code §12990 (a-f) et seq.) and the applicable regulations promulgated thereunder (California Code of Regulations, Title 2, Section 7285 et seq.). The applicable regulations of the Fair Employment and Housing Commission implementing Government Code Section 12990 (a-f), set forth in Chapter 5 of Division 4 of Title 2 of the California Code of Regulations, are incorporated into this Agreement by reference and made a part hereof as if set forth in full. Contractor and its subcontractors shall give written notice of their obligations under this clause to labor organizations with which they have a collective bargaining or other Agreement.

Contractor shall include the nondiscrimination and compliance provisions of this clause in all subcontracts to perform work under the Agreement.

Compliance with Laws, Regulations, Permit Requirements. Contractor shall at all times comply with, and require its contractors and subcontractors to comply with, all applicable federal and State laws, rules and regulations, permits and all applicable local ordinances, specifically including but not limited to environmental, procurement and safety laws, rules, regulations, permits and ordinances.

Availability of Funds. Work to be performed under this contract is subject to the availability of funds through the State's normal budget process.

Audit Clause. For contracts in excess of $10,000, the contracting parties shall be subject to the examination and audit of the State Auditor for a period of three years after the final payment under the contract (Government Code Section 8546.7).

Payment Retention Clause. Ten percent of any progress payments that may be provided under this contract shall be withheld per Public Contract Code Sections 10346 and 10379 pending satisfactory completion of all services under the contract.

Reimbursement Clause. If applicable, travel and per diem expenses to be reimbursed under this contract shall be at the same rates the State provides for unrepresented employees in accordance with the provisions of Title 2, Chapter 3, of the California Code of Regulations. Contractor's designated headquarters for the purpose of computing such expenses shall be: 1402 D Street, Marysville, California 95901-4226.

Drug-Free Workplace Certification. By signing this contract, the Contractor or grantee hereby certifies under penalty of perjury under the laws of the State of California that the Contractor or grantee will comply with the requirements of the Drug-Free Workplace Act of 1990 (Government Code Section 8350 et seq.) and will provide a drug-free workplace by taking the following actions:

1. Publish a statement notifying employees that unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited and specifying actions to be taken against employees for violations.

2. Establish a Drug-Free Awareness Program to inform employees about all of the following:

   (a) The dangers of drug abuse in the workplace,

   (b) The person's or organization's policy of maintaining a drug-free workplace,

   (c) Any available counseling, rehabilitation, and employee assistance programs; and

   (d) Penalties that may be imposed upon employees for drug abuse violations.

3. Every employee who works on the proposed contract or grant:

   (a) Will receive a copy of the company's drug-free policy statement, and

   (b) Will agree to abide by the terms of the company's statement as a condition of employment on the contract or grant.

This contract or grant may be subject to suspension of payments or termination, or both, and the contractor or grantee may be subject to debarment if the Department determines that: 1) the Contractor or grantee has made a false certification, or 2) the Contractor or grantee violates the certification by failing to carry out the requirements noted above.

Americans with Disabilities Act. By signing this contract, Contractor assures the State that it complies with the Americans With Disabilities Act (ADA) of 1990, 942 U.S.C.12101 et seq.), which prohibits discrimination on the basis of disability, as well as all applicable regulations and guidelines issued pursuant to the ADA.

Conflict of Interest. Current State Employees: a) No officer or employee shall engage in any employment activity or enterprise from which the officer or employee receives compensation or has a financial interest and which is sponsored or funded by any State agency, unless the employment, activity or enterprise is required as a condition of regular State employment. b) No State officer or employee shall contract on his or her own behalf as an independent contractor with any State agency to provide goods or services.

Former State Employees: a) For the two year period from the date he or she left State employment, no former State officer or employee may enter into a contract in which he or she engaged in any of the negotiations, transactions, planning, arrangements or any part of the decision-making process relevant to the contract while employed in any capacity by any State agency. b) For the twelve-month period from the date he or she left State employment, no former State officer or employee may enter into a contract with any State agency if he or she was employed by that State agency in a policy-making position in the same general subject area as the proposed contract within the twelve-month period prior to his or her leaving State service.

Child Support Compliance Act. For any agreement in excess of $100,000, the Contractor acknowledges in accordance herewith, that:

1. The Contractor recognizes the importance of child and family support obligations and shall full comply with all applicable State and federal laws relating to child and family support enforcement, including, but not limited to, disclosure of information and compliance with earning assignment orders, as provided in Chapter 8 (commencing with Section 5200) of Part 5 of Division 9 of the Family Code; and

2. The Contractor, to the best of its knowledge, is fully complying with the earnings assignment orders of all employees and is providing the names of all new employees to the New Hire Registry maintained by the Employment Development Department.

Air or Water Pollution Violation. Under the State laws, the Contractor shall not be: 1) in violation of any order or resolution not subject to review promulgated by the State Air Resources Board or an air pollution control district; 2) subject to cease and desist order not subject to review issued pursuant to Section 13301 of the Water Code for violation of waste

discharge requirements or discharge prohibitions; or 3) finally determined to be in violation of federal law relating to air or water pollution.

Union Organizing. For all contracts, except fixed price contracts of $50,000 or less, the Contractor acknowledges that: by signing this Agreement the Contractor hereby acknowledges the applicability of Government Code Section 16645 through Section 16649 to this Agreement and agrees to the following:

(a) Contractor will not assist, promote or deter union organizing by employees performing work on a State service contract, including a public works contract.

(b) No State funds received under this Agreement will be used to assist, promote or deter union organizing.

(c) Contractor will not, for any business conducted under this Agreement, use any State property to hold meetings with employees or supervisors, if the purpose of such meetings is to assist, promote or deter union organizing, unless the State property is equally available to the general public for holding meetings.

(d) If Contractor incurs costs or makes expenditures to assist, promote or deter union or organizing, Contractor will maintain records sufficient to show that no reimbursement from State funds has been sought for these costs, and that the Contractor shall provide those records to the Attorney General upon request.

Recycling Certification. Contractor shall certify in writing under penalty of perjury, the maximum, if not exact, percentage of recycled content, both post consumer water and secondary waste as defined in Public Contract Code, Section 12161 and 12200, in materials, goods, or supplies offered or products used in the performance of this Agreement, regardless of whether the product meets the required recycled product percentage as defined in Public Contract Code, Sections 12161 and 12200. Contractor may certify that the product contains zero content. (PCC 10233, 10308.5, 10354)