

COUNTY OF BUTTE

R 41460

CONTRACT NO.

AGREEMENT BETWEEN  
PALMDALE WATER DISTRICT AND COUNTY OF BUTTE  
FOR LONG-TERM LEASE OF A PORTION OF THE  
COUNTY'S STATE WATER PROJECT TABLE A

1. Identification. This Agreement is made and entered into as of the 23<sup>rd</sup> day of October, 2013, by and between the County of Butte, California ("Butte") and Palmdale Water District ("PWD" or "Palmdale") and is based upon the following recitals of fact. Palmdale and Butte are both State Water Project ("SWP") contractors.
2. Recitals and Definitions.
  - 2.1 PWD needs one hundred percent (100%) of the water derived from its SWP Table A amount (21,300 acre-feet) on a long-term basis. In January 2012, the Department of Water Resources ("DWR") issued The State Water Project Delivery Reliability Report 2011 that projected the long-term water delivery allocation of SWP Table A amount at sixty-one percent (61%) reliability. Based on DWR's projections, PWD needs an additional eight thousand five hundred and twenty (8,520) acre-feet of water supplies on average each year to offset the reduction in reliability from its SWP contract. PWD desires to lease a portion of Butte's Surplus Table A Amount to increase the quantity of SWP water Palmdale will receive during the Term of this Agreement.
  - 2.2 As a part of the settlement agreement by Butte in the case of Solano County Water Agency, et al. v. Department of Water Resources filed in Sacramento County Superior Court ("SCWA v. DWR"), DWR agreed to approve the lease under this Agreement subject to completion of an analysis under the California Environmental Quality Act ("CEQA") and approval of the settlement agreement by all parties to SCWA v. DWR, all of which has now occurred.
  - 2.3 Butte provides water to the Del Oro Water Company and the California Water Service Company for use within the county (collectively, "Butte's Wholesale Contractors"). Their respective water supply agreement allows each company to increase its fixed contracted water amount in five-year increments with the next five-year increments commencing January 1, 2016, January 1, 2021, January 1, 2026, and January 1, 2031.
  - 2.4 It is the expressed goal of each of the parties to maintain a long-term agreement that continues to be mutually beneficial to both parties.
  - 2.5 Definitions. As used in this Agreement, the following words and phrases shall have the following meanings:
    - 2.5.1 "Additional Water" shall have the meaning set forth in Section 4.2.3(a).

2.5.2 “Surplus Table A Amount” shall mean that portion of Butte’s twenty-seven thousand five hundred (27,500) acre-feet of SWP Table A amount, which Butte has determined to be surplus to Butte’s in-county needs during the Term of this Agreement and is available to be leased for use outside of the county, including as it may be limited by Butte’s particular settlement agreement in SCWA v. DWR. The Surplus Table A Amount shall be subject to future modification as provided in Section 4.3 of this Agreement, the addition of any Additional Water as determined in accordance with Section 4.2.3, and any other adjustment by mutual agreement of the parties.

Butte has determined that as of January 1, 2014, the Surplus Table A Amount, not including any Additional Water, is equal to twenty-four thousand (24,000) acre-feet of Butte’s Table A amount.

2.5.3 “Delta Water Charge” shall mean the sum of the per acre foot charges for the Capital Cost Component and Minimum O.M.P.&R. Component for the Delta Water Charge as shown on the applicable annual DWR Invoice for the County of Butte.

2.5.4 “DWR Agreement” shall mean that separate agreement among Palmdale, Butte, and DWR, which agreement governs the delivery of the SWP water derived from the Palmdale’s Leased Table A Amount to Palmdale.

2.5.5 “Extended Term” shall have the meaning set forth in Section 4.1.

2.5.6 “Force Majeure” shall have the meaning set forth in Section 4.8.

2.5.7 “SWP water derived from the Palmdale’s Leased Table A Amount” shall mean Palmdale’s Leased Table A Amount adjusted by the then current SWP Table A allocation and further adjusted by any losses or other water deductions to the extent authorized by Palmdale’s Water Supply Contract or by any agreement with DWR related to this Agreement.

2.5.8 “Palmdale’s Leased Table A Amount” shall mean forty-one and two-thirds percent (41.667%) of the Surplus Table A Amount without adjustment for any annual changes in SWP Table A allocations. During the Term of this Agreement, Palmdale’s Leased Table A Amount shall be adjusted as specified in Section 4.3 of this Agreement. Palmdale’s Leased Table A Amount shall also include any Additional Water pursuant to Section 4.2.3 of this Agreement.

Including Additional Water, Palmdale’s Leased Table A Amount as of January 1, 2014, shall equal ten thousand three hundred and forty-seven (10,347) acre-feet of Butte’s annual SWP Table A amount.

2.5.9. “Westside Districts” shall mean collectively Belridge Water Storage District (“BWSD”), Berrenda Mesa Water District (“BMWD”), Dudley

Ridge Water District (“DRWD”), Lost Hills Water District (“LHWD”), and Wheeler Ridge – Maricopa Water Storage District (“WRMWSO”).

3. DWR Agreement and CEQA Compliance as to this Agreement and DWR Agreement.
  - 3.1 The transfer of the SWP water derived from Palmdale’s Leased Table A Amount is internal to the SWP and covered by current licenses and permits. This Agreement is subject to entering into the DWR Agreement.
  - 3.2 DWR Agreement. Butte, with the assistance and cooperation of Palmdale, shall be responsible for obtaining DWR’s approval of the DWR Agreement. Butte and Palmdale shall each bear their own costs necessary to obtain such approval.
  - 3.3 CEQA Compliance.
    - 3.3.1 Palmdale, as lead agency for purposes of CEQA, completed an Initial Study under CEQA for both an existing two-year lease between Butte and Palmdale and the proposed long-term lease with Extended Terms under this Agreement and filed such Initial Study with the California Office of Planning and Research (the “State Clearinghouse”) on May 23, 2012 (SCH #2012051063). That Initial Study concluded that the Project would not have a significant effect on the environment. As a result, following the required public review and other proceedings, on July 11, 2012, Palmdale adopted certain findings and a Notice of Determination for the Project, which was filed with the State Clearinghouse and other appropriate agencies on or about July 17, 2012. Butte as a responsible agency concurred with Palmdale’s findings on July 31, 2012.
    - 3.3.2 DWR is the lead agency for the CEQA review of the four settlement agreements relating to SCWA v. DWR, which also considered this Agreement’s proposed eight-year lease and the Extended Terms. DWR’s CEQA review has also been successfully completed. A Notice of Determination for the four settlement agreements was filed with the State Clearinghouse and other appropriate agencies on October 15, 2013..
4. Agreement. In consideration of the mutual promises contained in this Agreement, the parties further agree:
  - 4.1 “Term of this Agreement” shall mean the period commencing January 1, 2014, and terminating on December 31, 2021, and including any and all Extended Terms, unless modified in accordance with this Agreement. After December 31, 2021, this Agreement shall continue for successive subsequent periods of five (5) years each (“Extended Term”) upon mutual agreement of the parties as to all relevant terms and conditions, including, but not limited to, the Section 4.4.1 Part (b) Water Rate and Water Rate Escalator and Section 4.4.1 Part (c). Commencement of any Extended Term is also subject to a determination by Butte of the quantity of Palmdale’s Leased Table A Amount available during the

Extended Term and Palmdale's written acceptance of that Extended Term quantity. Unless otherwise provided under this agreement, any notice to not commence any Extended Term shall be given in writing to the other party not later than January 1 of the year immediately preceding the commencement of the Extended Term. For example, any notice to not agree to an Extended Term commencing January 1, 2021, shall be given no later than January 1, 2020.

4.2 Lease of Table A Water.

4.2.1 Upon DWR's approval of the DWR Agreement, Butte agrees to lease to PWD Palmdale's Leased Table A Amount.

4.2.2 As between the parties, the SWP water derived from Palmdale's Leased Table A Amount shall be deemed to be delivered FOB Lake Oroville. Butte has no involvement in the actual delivery of Palmdale's Leased Table A Amount water to Palmdale pursuant to the DWR Agreement. By entering into this Agreement and the DWR Agreement, the parties agree that Butte has taken all actions required on Butte's part to ensure that the SWP water derived from Palmdale's Leased Table A Amount is delivered to Palmdale.

4.2.3 Additional Water.

(a) Butte shall determine in accordance with the following schedule when it has additional Table A water over and above the 24,000 acre-feet specified in Section 2.4.2 not needed to meet in-county water demands during the Term of this Agreement and, subject to Section 4.3, during any Extended Term ("Additional Water"):

Determination Date	For the Following Calendar Year Periods
September 20, 2015	2016 through 2020
September 20, 2020	2021 through 2025
September 20, 2025	2026 through 2030
September 20, 2030	2031 through 2035, subject to renewal or extension of State Water Contract

(b) Butte has determined that Additional Water of eight hundred thirty-two (832) acre-feet is available as of January 1, 2014, for calendar years 2014 and 2015.

(c) If Butte has Additional Water available in accordance with Subsection (a) above, Palmdale shall have the right of first refusal to lease up to and including 41.667% of such Additional Water on the same terms and conditions as set forth in this Agreement. Butte shall provide written notice to Palmdale of any Additional Water in accordance with the above schedule. Palmdale shall have thirty (30) calendar days after receipt of Butte's notice to notify Butte in writing of the percentage portion of the Additional Water it agrees to lease.

(d) Nothing in this Agreement is intended to prevent the Westside Districts and Palmdale from shifting Additional Water between themselves subject to the approval of DWR. Annual Payments to Butte shall not be adjusted or affected by any such arrangements.

4.3 Reductions in the Palmdale's Leased Table A Amount.

As described in Recital 2.3, Butte's water supply agreements with Butte's Wholesale Contractors allow each contractor to increase its contracted amount every five years. During the Term of this Agreement, each contractor can increase its contracted amount effective January 1, 2016, January 1, 2021, January 1, 2026, and January 1, 2031. The parties agree that Butte may reduce Palmdale's Leased Table A Amount due to increases in Butte's Wholesale Contractors' contracted amounts by the amount of such increases. Butte shall notify Palmdale by October 1 of the year prior to the year the reduced Palmdale's Leased Table A Amount shall take effect. Butte agrees that Palmdale's Leased Table A Amount shall not be reduced below 10,000 acre-feet through December 31, 2021.

4.4 Water Rates and Annual Payment to Butte.

4.4.1 Water Rate. The Water Rate component of the Annual Payment to Butte shall consist of the following: (a) the then-current Delta Water Charge (b) the then-current rate per acre-foot as set forth in Subsection 4.4.4, and (c) any new SWP charges allocable to Palmdale in accordance with subsection 4.9 and expressed as a rate per acre foot. The combination of (a) (b) and, if appropriate, (c) shall be referred to as the "Water Rate".

4.4.2. Annual Payment. The sum of the three Water Rate components times the applicable Palmdale's Leased Table A Amount equals the Annual Payment to Butte.

4.4.3. Part (b) Water Rate Escalator. Part (b) of the Water Rate shall be annually escalated by three and one-half percent (3.5%) for the years 2014 through 2017 and annually escalated by four percent (4.0%) for the years 2018 through 2021.

4.4.4. The following table sets forth the applicable Part (b) Water Rate per acre-foot for each year during the prior two-year lease and during the term of this Agreement:

Year	Part (b) Water Rate	Escalator
2012	\$50.00	
2013	\$51.75	3.50%
2014	\$53.56	3.50%

2015	\$55.44	3.50%
2016	\$57.38	3.50%
2017	\$59.38	3.50%
2018	\$61.76	4.00%
2019	\$64.23	4.00%
2020	\$66.80	4.00%
2021	\$69.47	4.00%

Note: Part (b) Water Rates are rounded to nearest cent.

- 4.5 The Annual Payment to Butte shall be made by Palmdale in two equal installments for each year: July 1 of the then current calendar year and January 1 of the immediately following calendar year. For example, for 2014, the first installment shall be due July 1, 2014, and the second installment shall be due January 1, 2015.
- 4.6 At all times, Butte shall be responsible for paying DWR the annual Delta Water Charge related to Butte's SWP Water Supply Contract.
- 4.7 In the event that DWR makes retroactive adjustments (credits or additional charges) to the Delta Water Charge for any calendar year, Butte shall adjust the amount of the second semi-annual installment payment due Butte so long as DWR provides notice of any such adjustment at least two months prior to the second installment payment due date. For example, if DWR provides notice of adjustment on June 1, 2016, then the adjustment shall not be made until the installment payment due January 1, 2017. For three (3) years following the termination of this Agreement, the amount of any DWR adjustment that increases Butte's Delta Water Charge during any year during the Term of this Agreement shall be paid by Palmdale to Butte and the amount of any DWR adjustment that reduces Butte's Delta Water Charges during any year during the Term of this Agreement shall be refunded to Palmdale by Butte.
- 4.8 Palmdale is obligated to pay Butte for Palmdale's Leased Table A Amount, even if the SWP water derived from Palmdale's Leased Table A Amount is not actually delivered to Palmdale. To the extent that Palmdale fails to take delivery of the full quantity of water derived from Palmdale's Leased Table A Amount because of events beyond the control of Palmdale that cause a failure in the DWR delivery system ("Force Majeure"), Palmdale shall only be required to pay for the percentage of the final SWP allocation declared by DWR that is actually delivered to or stored on behalf of Palmdale. For example, if Palmdale's Leased Table A Amount is 10,000 AF and the final SWP Table allocation for the then current year is 60% (i.e., the SWP water derived from the Palmdale's Leased Table A Amount = 6,000 AF) but a Force Majeure limits physical delivery or storage of the water to Palmdale to only 3,000 AF (i.e., delivery of 50% of the 6,000 AF allocated), then Palmdale shall be obligated to pay for 5,000 AF times the applicable Water Rate (i.e., payment for 50% of the 10,000 AF). Force Majeure shall include physical damage or destruction of conveyance facilities, natural catastrophes, or acts of a governmental authority other than any of the Parties hereto, but shall not

include inability for Palmdale to use the SWP water derived from Palmdale's Leased Table A Amount due to lack of demand, storage south of the Delta, or availability of alternate supplies.

- 4.9 In the event there is an increase in the fixed costs for operation of the State Water Project due to additional debt service obligations or other expenses imposed and Butte is obligated to pay such costs outside of the Delta Rate charge as discussed in §4.4.1 as Part (a) of the Water and §4.9.1 of this agreement; such additional costs will be borne by Palmdale in proportion to the Palmdales' Leased Table A Amount of Butte's total Table A Amount.

4.9.1 Acting reasonably and in good faith, with the goal for this lease to remain mutually beneficial to both parties and notwithstanding any other provision of this Agreement, Butte will assume the Water System Revenue Bond Surcharge as set forth each year in Table B-22 (titled 'Water System Revenue Bond Surcharge for Each Contractor') of Bulletin 132-12 through the term of this Agreement. Amounts exceeding the annual costs depicted in Table B-22 of Bulletin 132-12, shown as Exhibit A of this Agreement, shall be borne by Palmdale proportionate to the applicable Palmdale Leased Table A Amount to the total 27,500 acre-feet of Butte's Table A Amount. The Delta Water Charge and any costs that may be imposed as a result of the Bay Delta Conservation Plan ("BDCP") and Delta Habitat Conservation and Conveyance Plan ("DHCCP") will be borne by Palmdale. If additional charges are identified or the contemplated charges increase to where payment of those charges by Palmdale would impose a financial hardship, notice may be given by Palmdale to Butte County within 12 months of the latter of the following: (i) the effective date of the new or increased SWP charges or (ii) the date Palmdale determines that the new or increased SWP charges would impose a financial hardship. The notice shall set forth the basis of the calculation of the costs and resulting financial hardship. The parties shall thereafter meet and confer in good faith to determine if a resolution concerning such additional SWP charges, including, but not limited to, by an adjustment to the Water Rate Payment, can be reached. An example of the calculation of the Water Rate Payment is shown in Exhibit B.

4.9.2 If the parties are unable to agree on an adjustment to the Water Rate Payment, or any other suitable resolution, within 90 days after written notice is provided by Palmdale, then either party may terminate this lease upon giving a subsequent written notice to the other party. Such termination shall be effective beginning the next calendar year after the termination notice, unless the parties agree otherwise in writing.

- 4.10 Liability; Indemnity.

4.10.1. Except as provided in Section 4.16, each party shall be responsible for its own legal and consulting costs.

4.10.2 The parties acknowledge that the DWR Agreement may require Palmdale and Butte to defend, indemnify and/or hold DWR and its officers and employees harmless from lawsuits, costs, damages, judgments, attorney fees and/or liabilities that DWR and its officers and employees incur as a result of DWR providing services under the applicable DWR Agreement (each, an “indemnity obligation”). The costs of satisfying any such indemnity obligation shall be borne as between Palmdale and Butte based on comparative fault of the respective party or parties; provided, however, that in the event none of such parties is at fault, then the cost of satisfying any indemnity obligation shall be borne equally between Palmdale and Butte. If the same indemnity obligation is addressed in an agreement between DWR, Butte and Palmdale as well as a DWR Agreement with Kern County Water Agency (“KCWA”) or DRWD, and if Palmdale, Butte, and KCWA/DRWD are not at fault, then the cost of the indemnity obligation shall be borne one-third by Palmdale, one-third by Butte, and one-third by KCWA and DRWD acting jointly.

4.10.3. To the extent that a third-party initiates a claim challenging the adequacy of the CEQA review for this Agreement or the validity of this Agreement, Palmdale and Butte shall equally bear the cost to defend the claim. If a third-party initiates any such claim against Butte, the Westside Districts, and Palmdale, then all three parties shall equally bear the cost to defend the claim.

- 4.11 Each party represents and warrants to the other that no person or entity can properly claim a right to a commission, finder’s fee, or other compensation based upon the actions of that party.
- 4.12 Each of the undersigned individuals, by execution of this Agreement on behalf of Palmdale and Butte, as applicable, represents and warrants to the other that such individual has the legal power, right, and authority to execute this Agreement on behalf of Butte or Palmdale as the case may be. It is understood by all parties that the County of Butte Board of Supervisors and Palmdale’s Board of Directors must approve this Agreement prior to this Agreement becoming effective.
- 4.13 Each party represents and warrants that it has full capacity and authority to enter this Agreement; that the lease will not violate any existing agreements to which it is a party; and there is no pending litigation that would affect either party’s ability to perform under this Agreement. Each party will appear, defend, and hold harmless the other party against any liability resulting from the failure of these representations and warranties.
- 4.14 Notice under this Agreement shall be given by overnight delivery to the following addresses, and shall be effective on actual receipt:

Palmdale Water District  
Attention: General Manager  
2029 East Avenue Q  
Palmdale, California 93550

County of Butte  
Department of Water and Resource Conservation  
Attention: Director  
308 Nelson Avenue  
Oroville, California 95965

- 4.15 The parties agree to submit all disputes, claims or controversies to neutral, binding arbitration pursuant to the commercial rules and policies of JAMS, Inc. The parties hereby agree to give up any rights they might possess to have this matter litigated in a court or jury trial.
- 4.16 In any action or arbitration to interpret or enforce this Agreement, the prevailing party shall be entitled to recover its reasonable attorney's fees and costs.
- 4.17 This Agreement contains the entire agreement between the parties concerning its subject matter and supersedes all prior oral and written agreements, letters of intent, and representations. Any amendments to this Agreement must be in writing and signed by all parties.
- 4.18 The parties agree to execute any and all other documents reasonably necessary to carry out the purposes of this Agreement.
- 4.19 This Agreement was actively negotiated between the parties, and therefore the presumption of construction against the drafter shall not apply.
- 4.20 This Agreement shall be interpreted under and governed by California law.

**County of Butte, California**

By: Bill Connelly  
Its: Chairman of Board

**Palmdale Water District**

By: Robert MacGowan  
Its: President, Board of Directors

Approved for fiscal control, subject  
to budget appropriation  
Auditor's Office

By: Rebecca Petty 10/2/13

**APPROVED AS TO FORM**  
Butte County Counsel

By: Bruce A. Albert

**EXHIBIT A**  
to the  
**AGREEMENT BETWEEN**  
**PALMDALE WATER DISTRICT AND COUNTY OF BUTTE**  
**FOR LONG TERM LEASE OF A PORTION OF THE**  
**COUNTY'S STATE WATER PROJECT TABLE A**

Excerpt (page B-145 of Appendix B) from Bulletin 132-12

**TABLE B-22 Water System Revenue Bond Surcharge for Each Contractor**

(in dollars)

Sheet 4 of 4

Calendar Year	SOUTHERN CALIFORNIA AREA (continued)				FEATHER RIVER AREA				South Bay Area Future Contractor	GRAND TOTAL
	San Geronimo Pass Water Agency	The Metropolitan Water District of Southern California	Ventura County Watershed Protection District	Total	City of Yuba City	County of Butte	Plumas County FC&WCD	Total		
	[30]	[31]	[32]	[33]	[34]	[35]	[36]	[37]	[38]	[39]
1971	0	0	0	0	0	0	0	0	0	0
1972	0	0	0	0	0	0	0	0	0	0
1973	0	0	0	0	0	0	0	0	0	0
1974	0	0	0	0	0	0	0	0	0	0
1975	0	0	0	0	0	0	0	0	0	0
1976	0	0	0	0	0	0	0	0	0	0
1977	0	0	0	0	0	0	0	0	0	0
1978	0	0	0	0	0	0	0	0	0	0
1979	0	0	0	0	0	0	0	0	0	0
1980	0	0	0	0	0	0	0	0	0	0
1981	0	0	0	0	0	0	0	0	0	0
1982	0	0	0	0	0	0	0	0	0	0
1983	0	0	0	0	0	0	0	0	0	0
1984	0	0	0	0	0	0	0	0	0	0
1985	0	0	0	0	0	0	0	0	0	0
1986	0	0	0	0	0	0	0	0	0	0
1987	0	0	0	0	0	0	0	0	0	0
1988	24,019	2,642,354	18,118	3,150,527	1,336	552	853	2,741	0	4,317,328
1989	42,040	4,587,641	34,565	5,564,840	0	918	1,454	2,372	0	7,583,021
1990	38,023	4,037,980	34,994	4,917,308	2,535	800	1,283	4,618	0	6,750,020
1991	59,122	6,259,893	54,115	7,642,536	9,945	1,243	2,027	13,215	0	10,510,679
1992	80,131	8,435,312	72,882	10,351,553	13,671	1,710	2,806	18,187	0	14,255,669
1993	84,371	8,885,273	76,858	10,804,435	14,608	1,827	3,028	19,461	0	15,068,309
1994	85,698	8,328,755	76,794	10,369,041	14,409	1,801	3,070	19,280	0	15,145,690
1995	101,792	10,539,433	90,436	12,943,057	16,957	2,119	3,704	22,780	0	18,013,188
1996	124,074	12,810,381	108,783	15,730,703	20,640	2,580	4,621	27,841	0	21,369,058
1997	28,259	13,188,230	112,960	16,102,652	21,382	2,674	4,872	28,928	0	21,970,359
1998	27,174	12,582,268	108,619	15,483,941	20,562	2,571	4,685	27,818	0	21,126,182
1999	53,545	17,454,651	149,123	21,397,353	28,348	3,543	6,765	38,656	0	29,200,538
2000	70,117	19,805,800	168,259	25,135,976	32,271	9,794	7,996	50,061	0	33,735,389
2001	69,001	19,490,499	165,580	24,751,444	31,757	9,638	7,869	49,264	0	33,419,720
2002	71,126	20,091,004	170,682	25,534,301	32,736	9,935	8,112	50,783	0	34,452,492
2003	74,063	20,820,403	177,728	26,598,412	34,087	10,345	8,446	52,878	0	35,874,763
2004	74,138	20,941,743	177,910	26,815,534	34,121	10,356	8,456	52,933	0	35,911,363
2005	69,992	19,770,593	167,980	25,127,082	32,213	9,776	7,983	49,972	0	33,903,044
2006	75,738	20,330,228	181,750	27,239,381	34,858	10,579	8,638	54,075	0	36,735,870
2007	45,192	12,752,863	116,415	17,507,815	22,362	7,007	5,579	34,948	0	23,537,874
2008	250,631	19,303,204	173,561	26,204,054	32,180	9,751	7,973	49,904	0	35,188,221
2009	78,805	21,153,536	189,110	28,342,483	36,270	11,008	8,888	56,266	0	38,172,245
2010	75,405	20,240,944	180,952	27,252,635	34,705	10,532	8,600	53,837	0	36,525,441
2011	81,440	21,860,932	195,434	29,433,805	37,482	11,375	9,289	58,146	0	39,448,763
2012	365,251	38,530,015	324,481	49,837,373	59,976	171,804	20,968	252,745	0	69,650,427
2013	395,709	39,971,232	361,836	52,241,046	64,961	196,087	23,079	274,127	0	73,234,806
2014	418,587	42,282,199	371,965	55,261,401	68,717	196,846	24,413	289,976	0	77,468,722
2015	439,822	44,437,258	390,924	58,077,980	72,219	206,879	25,868	304,758	0	81,417,183
2016	442,004	44,947,579	392,774	58,392,873	72,561	207,858	25,779	306,198	0	81,802,531
2017	435,672	44,028,192	387,325	57,543,354	71,554	204,974	25,421	301,949	0	80,667,898
2018	391,474	39,543,460	347,872	51,681,961	64,268	184,095	22,832	271,193	0	72,450,848
2019	412,955	41,713,235	386,960	54,517,784	67,792	194,197	24,085	286,074	0	78,426,278
2020	389,133	39,307,026	345,792	51,372,949	63,982	182,995	22,696	269,572	0	72,017,658
2021	387,709	38,183,154	344,526	51,184,914	63,848	182,326	22,612	268,585	0	71,754,069
2022	374,031	37,781,477	332,371	49,379,110	61,402	178,893	21,815	260,110	0	69,222,574
2023	374,776	37,856,788	333,034	49,477,535	61,595	178,243	21,898	260,626	0	69,360,563
2024	363,861	36,754,246	323,335	48,036,552	59,733	171,110	21,222	252,065	0	67,349,497
2025	332,995	33,806,124	295,640	43,922,064	54,616	156,454	19,404	230,474	0	61,572,562
2026	311,804	31,475,611	276,897	41,137,557	51,164	148,535	18,174	218,863	0	57,969,077
2027	340,489	34,391,384	302,548	44,948,373	55,893	160,110	19,857	235,860	0	63,011,306
2028	296,659	28,825,536	236,869	38,190,783	43,758	125,352	15,547	184,658	0	49,330,504
2029	297,421	29,032,906	255,408	37,945,025	47,184	136,163	15,763	199,110	0	53,193,594
2030	24,946	2,428,988	21,368	3,174,577	3,949	11,308	1,402	16,658	0	4,450,312
2031	24,168	2,435,170	21,423	3,182,688	3,958	11,337	1,406	16,701	0	4,461,876
2032	24,079	2,432,282	21,367	3,178,910	3,953	11,324	1,404	16,681	0	4,456,387
2033	24,105	2,434,908	21,420	3,182,342	3,957	11,336	1,406	16,699	0	4,461,196
2034	24,078	2,432,183	21,396	3,176,783	3,953	11,323	1,404	16,680	0	4,458,221
2035	24,088	2,433,129	21,405	3,180,017	3,954	11,327	1,405	16,686	0	4,457,839
TOTAL	8,858,432	1,043,115,971	9,113,363	1,354,256,618	1,687,999	3,375,309	537,702	5,601,010	0	1,876,553,642

**EXHIBIT B**  
to the  
**AGREEMENT BETWEEN**  
**PALMDALE WATER DISTRICT AND COUNTY OF BUTTE**  
**FOR LONG-TERM LEASE OF A PORTION OF THE**  
**COUNTY'S STATE WATER PROJECT TABLE A**

**Estimated 2014 Water Rate Payment for Palmdale Water District<sup>3</sup>**

	DWR Charges to Butte	Water Rate reference	PWD Water Rate Payment to Butte
Delta Water Charge <sup>1</sup>	\$1,235,416	Part (a)	$(10,000 \text{ AF}/27,500 \text{ AF})(\$1,235,416) = \$449,242.18$
WSRB Surcharge <sup>2</sup>	\$198,959	Agreement §4.9.1	$(\$198,959 - \$196,846)(10,000/27,500) = \$768.28$
Section 4.4.4 Charge	NA	Part (b)	$(\$53.56/\text{AF})(10,000 \text{ AF}) = \$535,600$
Other SWP Charges	NA	Part (c)	0

<sup>1</sup> Per Table B-21, Bulletin 132-13

<sup>2</sup> Per Table B-22, Bulletin 132-13 (\$198,959) and Bulletin 132-12 (\$196,846)

<sup>3</sup> For simplification of calculation, table assumes no Additional Water per §4.2.3

**Hypothetical 2020 Water Rate Payment for Palmdale Water District<sup>3</sup>**

	DWR Charges to Butte	Water Rate reference	PWD Water Rate Payment to Butte
Delta Water Charge <sup>1</sup>	\$1,400,000	Part (a)	$(10,000 \text{ AF}/27,500 \text{ AF})(\$1,400,000) = \$509,040$
WSRB Surcharge <sup>2</sup>	\$200,000	Agreement §4.9.1	$(\$200,000 - \$182,995)(10,000/27,500) = \$6,183$
Section 4.4.4 Charge	NA	Part (b)	$(\$66.80/\text{AF})(10,000 \text{ AF}) = \$668,000$
Other SWP Charges <sup>4</sup>	NA	Part (c)	$\$300,000 (10,000/24,000) = \$109,080$

<sup>1</sup> Per Table B-21, Bulletin 132-19 (assumed)

<sup>2</sup> Assume Table B-22 in Bulletin 132-19 shows a \$200,000 charge to Butte for 2020; Bulletin 132-12 shows the charge of \$182,995, thus an overage of \$17,005 above Bulletin 132-12. Palmdale would pay for 10,000/27,500 of the overage; Westside Districts would pay for 14,000/27,500 of the overage; Butte would pay 3,500/27,500 of the overage.

<sup>3</sup> For simplification of calculation, assumes no Additional Water per §4.2.3

<sup>4</sup> Assumed \$300,000 BDCP/DHHCP charge imposed on transferred Butte water

COUNTY OF BUTTE

R 4 1 4 6 0

CONTRACT NO.

AMENDMENT 1 TO AGREEMENT BETWEEN  
PALMDALE WATER DISTRICT AND COUNTY OF BUTTE  
FOR LONG-TERM LEASE OF A PORTION OF THE  
COUNTY'S STATE WATER PROJECT TABLE A

1. Identification. This Amendment (Amendment) modifies the Agreement Between Westside Districts and County of Butte that was entered into as of October 23, 2013, by and between (i) the County of Butte, California (Butte) and (ii) Palmdale Water District (Palmdale). This Amendment incorporates two provisions into the Agreement: one which was unintentionally omitted from the original Agreement and expresses the intent expressed in the foundational Letter of Intent (LOI) and one which provides more flexibility for all parties relative to the availability of Additional Water.
  
2. Recitals.
  - 2.1 On January 12, 2012, Butte and Palmdale entered into a Letter of Intent (LOI) to establish the terms and conditions for a 10-year lease of Butte's State Water Project (SWP). Term 11 of the LOI stated that *"Once during the any ten-year period of the Term or extensions thereof, if the SWP allocation is below thirty-five percent (35.0%), Westside shall have the option of deferring the per acre-foot charge in paragraph 7(b). The Payment associated with the per acre foot charge shall be paid in equal installments of twenty percent (20.0%) each year over the subsequent 5 years; installment payments bear an interest rate equivalent to the escalator percentage in effect during the year that the paragraph 7(b) charge was deferred"*. The inadvertent omission of Term 11 from the Agreement was recognized and acknowledged by both parties in early 2014 when the SWP was facing a zero water allocation for 2014.
  
  - 2.2 Butte currently provides water to the Del Oro Water Company (Del Oro) and the California Water Service Company (Cal Water) for use within the County (collectively, Butte's Wholesale Contractors). Their historic water supply agreements allow each company to increase its fixed contracted water amount in five-year increments with the next five-year increments commencing January 1, 2016, January 1, 2021, January 1, 2026, and January 1, 2031; paragraph 4.2.3 of the Agreement recognized these scheduled dates relate to dates that Butte would provide Palmdale specific quantities of Additional Water that would be made available during each 5-year interval.
  
  - 2.3 Subsequent to the Agreement, on July 29, 2014, Butte approved agreements with the California Department of Water Resources and Cal Water to transport up to 3,000 acre feet of non-project water through SWP facilities, which will meet Cal Water's total current demand. In addition, pursuant to the 2014 Area of Origin Settlement Agreement, Butte has firmed up their local SWP supplies allowing Del Oro to order less Table A water from Butte. As a result, Butte's in-county Table A water needs fluctuate resulting in a varying quantity of water above local needs that could be classified as Additional Water.

2.3 In 2012, an Initial Study and Negative Declaration were prepared under CEQA that was consistent with the LOI for the 10-year lease with Extended Terms. The CEQA documents (SCH #2012051062) were distributed for public review and following board actions, a Notice of Determination was filed with the State Clearinghouse and other appropriate agencies on or about July 11, 2012.

4. Amendment. In consideration of the mutual promises contained in this Amendment, the parties agree:

4.1 Low SWP Allocation. Once during the any ten-year period of the Term or extensions thereof, if the SWP allocation is below thirty-five percent (35.0%), Palmdale shall have the option of deferring the per acre-foot charge in paragraph 4.4 of the Agreement. The Payment associated with the per acre foot charge shall be paid in equal installments of twenty percent (20.0%) each year over the subsequent 5 years; installment payments bear an interest rate equivalent to the escalator percentage in effect during the year that the paragraph 4.4 charge was deferred.

4.2 Paragraph 4.2.3 (Additional Water) of the Agreement shall be revised as follows:

- (a) By September 20 of each year, Butte shall notify Palmdale of the water needs of Butte's Wholesale Contractors for the following calendar year, such that any SWP water allocation above the needs of Butte's Wholesale Contractors shall be made available to Palmdale and/or the Westside Districts in accordance with their respective October 23, 2013 agreements with Butte.
- (b) Palmdale agrees to lease all Additional Water on the same terms and conditions as set forth in the Agreement, which allows Palmdale Right of First Refusal up to and including 41.667% of such Additional Water.
- (c) Nothing in this Agreement is intended to prevent the Westside Districts and Palmdale Water District from shifting Additional Water between themselves subject to the approval of DWR. Annual Payments to Butte shall not be adjusted or affected by any such arrangements.
- (d) Omission of Section 4.3 regarding available quantity of water reviewed and/or changed every five years due to new language in §4.2.a.

County of Butte, California

Palmdale Water District

By: [Signature]  
DOUG TEETER, Chair

By: [Signature]

Its: GENERAL MANAGER

Approved as to Form:  
By: [Signature] 8/16/14  
Bruce Alpert, County Counsel

Approved for fiscal control, subject  
to budget appropriation  
Auditor's Office  
By: [Signature]

EXTENSION OF AND SECOND AMENDMENT TO THE AGREEMENT BETWEEN PALMDALE WATER DISTRICT AND COUNTY OF BUTTE FOR LONG-TERM LEASE OF A PORTION OF THE COUNTY'S STATE WATER PROJECT TABLE A

1. Identification. This Extension of and Second Amendment to the 2013 Agreement Between the Palmdale Water District and the County of Butte for Long-Term Lease of a Portion of the County's State Water Project Table A ("Second Amendment") is made and entered into as of this 24<sup>th</sup> day of October, 2017, by and between the (i) County of Butte, California ("Butte") and (ii) Palmdale Water District ("PWD"), and is based upon the following recitals of fact.
  
2. Recitals.
  - 2.1 On October 23, 2013 PWD and Butte entered a long-term lease agreement wherein the Palmdale Water District leases a portion of Butte's Surplus Table A ("Agreement"). The term of the Agreement is for eight years ending December 31, 2021.
  
  - 2.2 As a part of the Agreement, it is the expressed goal of each of the parties to maintain a long-term agreement that continues to be mutually beneficial to both.
  
  - 2.3 Under Article 4.1 of the Agreement, after December 31, 2021 the term may continue for successive subsequent periods of five (5) years each ("Extended Terms") upon mutual agreement of the parties, unless a notice to not extend is provided by one party to the other.
  
  - 2.4 Butte has recently determined that its in-County surplus water demands are not expected to increase beyond the current use through the year 2031, therefore surplus water will be available for at least two Extended Terms under the Agreement.
  
  - 2.5 The Agreement has proven to be of mutual benefit for Butte and the PWD and it is therefore the desire of both parties to lengthen the current agreement for ten more years past 2021, which is twice the minimum extension of five years thereby extending the term of the Agreement through December 31, 2031.
  
3. Extension. Butte and the Palmdale Water District hereby agree to extend the Agreement for a total of two successive periods of five years each under Section 4.1 of the Agreement. The aggregate extension of ten years will begin on January 1, 2022 and end on December 31, 2031.
  
4. Amendment. In consideration of the mutual promises contained in this Second Amendment and in addition to the extension of the Agreement, the parties hereby agree to the following modifications to the Agreement:

4.1 Reductions in the Palmdale Water Districts' Leased Table A Amount. The last sentence only of Section 4.3 of the Agreement shall be revised to read "Butte agrees that the Palmdale Water Districts' Leased Table A Amount shall not be reduced below 10,000 acre-feet through the term of the Agreement, as extended."

4.2 Water Rate and Water Rate Escalator. The following shall be added at the end of Section 4.4.3 of the Agreement:

"Part (b) Water Rate Escalator shall be annually escalated by three and one half percent for the years 2022 through 2031."

4.3 The following shall be added at the end of the table set forth in Section 4.4.4 of the Agreement:

<u>Year</u>	<u>Part (b) Water Rate</u>	<u>Escalator</u>
2022	\$71.90	3.50%
2023	\$74.42	3.50%
2024	\$77.03	3.50%
2025	\$79.72	3.50%
2026	\$82.51	3.50%
2027	\$85.40	3.50%
2028	\$88.38	3.50%
2029	\$91.48	3.50%
2030	\$94.68	3.50%
2031	\$98.00	3.50%

5. Continuing Effect of Agreement. Except as amended by this Agreement, all provisions of the Agreement shall remain unchanged and in full force and effect. From and after the date of this Second Amendment, whenever the term "Agreement" appears in the Agreement, it shall mean the Agreement, as amended by this Second Amendment to the Agreement.

6. Authority. The persons executing this Second Amendment on behalf of the parties hereto warrant that (i) such party is duly organized and existing, (ii) they are duly authorized to execute and deliver this Second Amendment on behalf of said party, (iii) by so executing this Second Amendment, such party is formally bound to the provisions of this Second Amendment, and (iv) the entering into this Second Amendment does not violate any provision of any other Agreement to which said party is bound.

County of Butte, California

By: Bill Connelly

Its: Board Chairman

Palmdale Water District, California

By: Robert Alvarado  
Robert Alvarado

Its: President, Board of Directors

J. Heath 10/19/17

Reviewed For Contract Policy Compliance  
General Services Contracts

Tamara Ingersoll 11/2/17  
Date

Tamara Ingersoll, Deputy Director  
Butte County General Services Department

Approved for fiscal control, subject  
to budget appropriation  
Auditor's Office

By: [Signature]

APPROVED AS TO FORM  
Butte County Counsel

By: Kathleen Kehoe Greeson  
Chief Deputy County Counsel