

1 DONALD D. STARK  
A Professional Corporation  
2 Suite 201 Airport Plaza  
2061 Business Center Drive  
3 Irvine, California 92715  
Telephone: (714) 752-8971  
4

5 CLAYSON, ROTHROCK & MANN  
601 South Main Street  
6 Corona, California 91720  
Telephone: (714) 737-1910  
7 Attorneys for Plaintiff

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9 SUPERIOR COURT OF THE STATE OF CALIFORNIA  
FOR THE COUNTY OF SAN BERNARDINO  
10

11 CHINO BASIN MUNICIPAL WATER

12 DISTRICT,

13 Plaintiff,

No. RCV 51010<sup>1</sup>

14

v.

15 CITY OF CHINO, et al.

16 Defendants

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RESTATED JUDGMENT

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<sup>1</sup> Original Judgment signed January 27, 1978, Case # 164327 by Judge Howard B. Weiner. File transferred August 1989, by order of the Court and assigned new case number RCV 51010.

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1           10.    Rights of the State of California. The State of California, by and through its Department  
2 of Corrections, Youth Authority and Department of Fish and Game, is a significant producer of ground  
3 water from and the State is the largest owner of land overlying Chino Basin. The precise nature and  
4 scope of the claims and rights of the State need not be, and are not, defined herein. The State, through  
5 said departments, has accepted the Physical Solution herein decreed, in the interests of implementing the  
6 mandate of Section 2 of Article X of the California Constitution. For all purposes of this Judgment, all  
7 future production by the State or its departments or agencies for overlying use on State-owned lands shall  
8 be considered as agricultural pool use.

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10                           C. RIGHTS TO AVAILABLE GROUND WATER STORAGE CAPACITY

11           11.    Available Ground Water Storage Capacity. There exists in Chino Basin a substantial  
12 amount of available ground water storage capacity which is not utilized for storage or regulation of Basin  
13 Waters. Said reservoir capacity can appropriately be utilized for storage and conjunctive use of  
14 supplemental water with Basin Waters. It is essential that said reservoir capacity utilization for storage  
15 and conjunctive use of supplemental water be undertaken only under Watermaster control and regulation,  
16 in order to protect the integrity of both such Stored Water and Basin Water in storage and the Safe Yield  
17 of Chino Basin.

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19           12.    Utilization of Available Ground Water Capacity. Any person or public entity, whether a  
20 party to this action or not, may make reasonable beneficial use of the available ground water storage  
21 capacity of Chino Basin for storage of supplemental water; provided that no such use shall be made  
22 except pursuant to written agreement with Watermaster, as authorized by Paragraph 28. In the allocation  
23 of such storage capacity, the needs and requirements of lands overlying Chino Basin and the owners of  
24 rights in the Safe Yield or Operating Safe Yield of the Basin shall have priority and preference over  
25 storage for export.

1 III. INJUNCTION

2 13. Injunction Against Unauthorized Production of Basin Water. Each party in each of the  
3 respective pools is enjoined, as follows:  
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5 (a) Overlying Agricultural Pool. Each party in the Overlying (Agricultural) Pool, its  
6 officers, agents, employees, successors and assigns, is and they each are ENJOINED AND  
7 RESTRAINED from producing ground water from Chino Basin in any year hereafter in excess of  
8 such party's correlative share of the aggregate of 82,800 acre feet allocated to said Pool, except  
9 pursuant to the Physical Solution or a storage water agreement.

10 (b) Overlying Non-Agricultural Pool. Each party in the Overlying Non-Agricultural  
11 Pool, its officers, agents, employees, successors and assigns, is and they each are ENJOINED  
12 AND RESTRAINED from producing ground water of Chino Basin in any year hereafter in excess  
13 of such party's decreed rights in the Safe Yield, except pursuant to the provisions of the Physical  
14 Solution or a storage water agreement.

15 (c) Appropriative Pool. Each party in the Appropriative Pool, its officers, agents,  
16 employees, successors and assigns, is and they are each ENJOINED AND RESTRAINED from  
17 producing ground water of Chino Basin in any year hereafter in excess of such party's decreed  
18 share of Operating Safe Yield, except pursuant to the provisions of the Physical Solution or a  
19 storage water agreement.

20  
21 14. Injunction Against Unauthorized Storage or Withdrawal of Stored Water. Each party, its  
22 officers, agents, employees, successors and assigns is and they each are ENJOINED AND  
23 RESTRAINED from storing supplemental water in Chino Basin for withdrawal, or causing withdrawal of,  
24 water stored by that party, except pursuant to the terms of a written agreement with Watermaster and in  
25 accordance with Watermaster regulations. Any supplemental water stored or recharged in the Basin,  
26 except pursuant to such a Watermaster agreement, shall be deemed abandoned and not classified as  
27 Stored Water. This paragraph has no application, as such, to supplemental water spread or provided in  
28 lieu by Watermaster pursuant to the Physical Solution.

***PEACE AGREEMENT***

***CHINO BASIN***

***JUNE 29, 2000***

Judgment and Watermaster and consisting of: (i) a Producer's unproduced carry-over water or (ii) a party to the Judgment's Supplemental Water, up to a cumulative maximum of fifty thousand (50,000) acre-feet for all parties to the Judgment.

- (y) "Material Physical Injury" means material injury that is attributable to the Recharge, Transfer, storage and recovery, management, movement or Production of water, or implementation of the OBMP, including, but not limited to, degradation of water quality, liquefaction, land subsidence, increases in pump lift (lower water levels) and adverse impacts associated with rising groundwater. Material Physical Injury does not include "economic injury" that results from other than physical causes. Once fully mitigated, physical injury shall no longer be considered to be material;
- (z) "Metropolitan Water District" means the Metropolitan Water District of Southern California;
- (aa) "New Yield" means proven increases in yield in quantities greater than historical amounts from sources of supply including, but not limited to, capture of rising water, capture of available storm flow, operation of the Desalters (including the Chino I Desalter), induced Recharge and other management activities implemented and operational after June 1, 2000;
- (bb) "Non-Agricultural Pool" shall have the meaning as used in the Judgment for the Overlying (Non-Agricultural Pool) and shall include all its members;
- (cc) "OBMP Assessments" means assessments, other than the assessments levied as provided in Section 5.1(g), levied by Watermaster for the purpose of implementing the Optimum

parties to the Judgment. Moreover, Watermaster shall arrange, facilitate and provide for Recharge by entering into contracts with appropriate persons, which may provide facilities and operations for physical Recharge of water as required by the Judgment and this Agreement, or pursuant to the OBMP. Any such contracts shall include appropriate terms and conditions, including terms for the location and payment of costs necessary for the operation and maintenance of facilities, if any.

- (i) CBWCD's rights and obligations to obtain Replenishment Water are unaffected by the execution of this Agreement. Its obligation, rights and duties regarding Recharge may be set by arms length negotiation through separate agreement or as they otherwise exist under general law and the Judgment.
- (j) Watermaster shall provide an annual accounting of the amount of Recharge and the location of the specific types of Recharge.

5.2 Storage and Recovery. After the Effective Date and until the termination of this Agreement, the Parties expressly consent to Watermaster's performance of the following actions, programs or procedures regarding the storage and recovery of water:

- (a) In General.
  - (i) All storage capacity shall be subject to regulation and control by Watermaster;
  - (ii) No person shall store water in and recover water from the Chino Basin without an agreement with Watermaster;
  - (iii) Watermaster will ensure that any person, including but not limited to the State of California and the Department

of Water Resources may make application to Watermaster to store and recover water from the Chino Basin as provided herein in a manner that is consistent with the OBMP and the law. Watermaster shall not approve an application to store and recover water if it is inconsistent with the terms of this Agreement or will cause any Material Physical Injury to any party to the Judgment or the Basin. Any potential or threatened Material Physical Injury to any Party or the Basin caused by the storage and recovery of water shall be reasonably and fully mitigated as a condition of approval. In the event the Material Physical Injury cannot be mitigated, the request for storage and recovery must be denied.

- (iv) This Agreement shall not be construed to limit the State or its department or agencies from using available storage capacity in the Basin in accordance with the provisions of this Section under a storage and recovery agreement with Watermaster.

(b) Local Storage.

- (i) For a period of five years from the Effective Date, Watermaster shall ensure that: (a) the quantity of water actually held in Local Storage under a storage agreement with Watermaster is confirmed and protected and (b) each party to the Judgment shall have the right to store its un-Produced carry-over water. Thereafter, a party to the Judgment may continue to Produce the actual quantity of carry-over water and Supplemental Water held in its storage account, subject only to the loss provisions set forth in this Section 5.2. This means a party to the Judgment may increase the total volume of carry-over water it holds in Local Storage up to five years after the

Effective Date and as Watermaster may approve pursuant to a Local Storage agreement for Supplemental Water.

- (ii) For a period of five years from the Effective Date, any party to the Judgment may make application to Watermaster for a Local Storage agreement, whereby it may store Supplemental Water in the Chino Basin.
- (iii) Watermaster shall provide reasonable advance written notice to all interested parties of the proposed Local Storage agreement, prior to approving the agreement. The notice shall include the persons engaged in the Local Storage, the location of the Recharge and Production facilities and the potential for any Material Physical Injury, if any.
- (iv) Watermaster shall approve the Local Storage agreement so long as: (1) the total quantity of Supplemental Water authorized to be held in Local Storage under all then existing Local Storage agreements for all parties to the Judgment does not exceed the cumulative total of 50,000 acre-feet; (2) the party to the Judgment making the request provides their own Recharge facilities for the purpose of placing the Supplemental Water into Local Storage; (3) the agreement will not result in any Material Physical Injury to any party to the Judgment or the Basin. Watermaster may approve a proposed agreement with conditions that mitigate any threatened or potential Material Physical Injury.
- (v) There shall be a rebuttable presumption that the Local Storage agreement for Supplemental Water does not

result in Material Physical Injury to a party to the Judgment or the Basin.

- (vi) In the event any party to the Judgment, or Watermaster, objects to a proposed Local Storage agreement for Supplemental Water and submits evidence that there may be a Material Physical Injury to any party to the Judgment or the Basin, Watermaster shall hold a Public Hearing and allow the objecting party to the Judgment a reasonable opportunity to be heard.
- (vii) In the event more than one party to the Judgment submits a request for an agreement to store Supplemental Water pursuant to a Local Storage agreement, Watermaster shall give priority to the first party to file a bona fide written request which shall include the name of the party to the Judgment, the source, quantity and quality of the Supplemental Water, an identification of the party to the Judgment's access to or ownership of the Recharge facilities, the duration of the Local Storage and any other information Watermaster shall reasonably request. Watermaster shall not grant any person the right to store more than the then existing amount of available Local Storage. The amount of Local Storage available for the storage of Supplemental Water shall be determined by subtracting the previously approved and allocated quantity of storage capacity for Supplemental Water from the cumulative maximum of 50,000 acre-feet.
- (viii) Watermaster shall base any decision to approve or disapprove any proposed agreement upon the record.

- (ix) Any party to the Judgment may seek judicial review of Watermaster's decision.
- (x) Five years after the Effective Date, Watermaster shall have discretion to place reasonable limits on the further accrual of carry-over and Supplemental Water in Local Storage. However, Watermaster shall not limit the accrual of carry-over Local Storage for Fontana Union Mutual Water Company and Cucamonga County Water District when accruing carry-over storage pursuant to *Lease of Corporate Shares Coupled with Irrevocable Proxy, dated July 1, 1993 between Cucamonga County Water District and Fontana Water Resources Inc. and the Settlement Agreement Among Fontana Union Water Company, Kaiser Steel Reserves Inc., San Gabriel Valley Water Company and Cucamonga County Water Districts dated February 7, 1992*, to a quantity less than 25,000 acre-feet for the term of this Agreement.
- (xi) Watermaster shall evaluate the need for limits on water held in Local Storage to determine whether the accrual of additional Local Storage by the parties to the Judgment should be conditioned, curtailed or prohibited if it is necessary to provide priority for the use of storage capacity for those Storage and Recovery Programs that provide broad mutual benefits to the parties to the Judgment as provided in this paragraph and Section 5.2(c) below;
- (xii) Watermaster shall set the annual rate of loss from Local Storage for parties to the Judgment at zero until 2005. Thereafter the rate of loss from Local Storage for parties to the Judgment will be 2% until recalculated based upon the best available scientific information. Losses

shall be deducted annually from each party to the Judgment's storage account;

- (xiii) Watermaster shall allow water held in storage to be transferred pursuant to the provisions of Section 5.3 below. Storage capacity is not transferable by any party to the Judgment or any Party hereto.

(c) Storage and Recovery Program.

- (i) Watermaster will ensure that no person shall store water in and recover water from the Basin, other than pursuant to a Local Storage agreement, without a storage and recovery agreement with Watermaster;
- (ii) Watermaster shall prepare a list of basic information that a proposed applicant for a Storage and Recovery Program must submit to Watermaster prior to the execution of a storage and recovery agreement;
- (iii) As a precondition of any project, program or contract regarding the use of Basin storage capacity pursuant to a Storage and Recovery Program, Watermaster shall first request proposals from qualified persons.
- (iv) Watermaster shall be guided by the following criteria in evaluating any request to store and recover water from the Basin by a party to the Judgment or any person under a Storage and Recovery Program.
  - (a) The initial target for the cumulative quantity of water held in storage is 500,000 acre-feet in addition to the existing storage accounts;

- (b) Watermaster shall prioritize its efforts to regulate and condition the storage and recovery of water developed in a Storage and Recovery Program for the mutual benefit of the parties to the Judgment and give first priority to Storage and Recovery Programs that provide broad mutual benefits;
- (v) For the term of this Agreement, members of the Appropriative Pool and the Non-Agricultural Pool shall be exclusively entitled to the compensation paid for a Storage and Recovery Program irrespective of whether it be in the form of money, revenues, credits, proceeds, programs, facilities, or other contributions (collectively “compensation”) as directed by the Non-Agricultural and the Appropriative Pools;
- (vi) The compensation received from the use of available storage capacity under a Storage and Recovery Program, may be used to off-set the Watermaster’s cost of operation, to reduce assessments on the parties to the Judgment within the Appropriative and Non-Agricultural Pools, and to defray the costs of capital projects as may be requested by the members of the Non-Agricultural Pools and the Appropriative Pool;
- (xiii) Any potential or threatened Material Physical Injury to any party to the Judgment or the Basin caused by storage and recovery of water, whether Local Storage and recovery or pursuant to a Storage and Recovery Program, shall be reasonably and fully mitigated as a condition of approval;
- (ix) Watermaster reserves discretion to negotiate appropriate terms and conditions or to refuse to enter into a Storage

and Recovery or to deny any request. However, with respect to persons not parties to the Judgment, Watermaster reserves complete discretion. Watermaster shall base any decision to approve or disapprove any proposed Storage and Recovery Program upon the record. However, it may not approve a proposed Storage and Recovery Program unless it has first imposed conditions to reasonably and fully mitigate any threatened or potential Material Physical Injury;

- (x) Any party to the Judgment may seek review of the Watermaster's decision regarding a Storage and Recovery Program.
  
- (d) The specific terms and conditions for the use of the facilities of CBWCD in connection with Local Storage or Storage and Recovery Programs shall be covered under separate agreements reached by arms length bargaining between Watermaster and CBWCD. Watermaster and any other Party shall not be entitled to the income received by CBWCD for use of its facilities in connection with Local Storage or Storage and Recovery Programs without the consent of CBWCD. Nothing in this Agreement shall be construed as preventing CBWCD from entering into an agreement with others for use of its facilities in a manner consistent with Section 5.1(d) i-v of this Agreement.
  
- (e) Nothing herein shall be construed as prohibiting the export of Supplemental Water stored under a Storage and Recovery Program and pursuant to a storage and recovery agreement.
  
- (f) Watermaster shall exercise Best Efforts to undertake the following measures:

- (i) Complete the Short-term conjunctive use project, authorized by Watermaster and conducted by IEUA, TVMWD and MWD;
- (ii) Evaluate and develop a seasonal peaking program for in-Basin use and dry year yield to reduce the Basin's demand on the Metropolitan Water District for imported water;
- (iii) Evaluate and develop a dry year export program;
- (iv) Evaluate and develop a seasonal peaking export program;

5.3 Transfers. After the Effective Date and until the termination of this Agreement, the Parties expressly consent to Watermaster's performance of the following actions, programs or procedures regarding the Transfer of water:

- (a) Watermaster will ensure that any party to the Judgment may Transfer water in a manner that is consistent with this Agreement, the OBMP and the law. Watermaster shall not approve a Transfer if it is inconsistent with the terms of the Agreement, or will cause any Material Physical Injury to any party to the Judgment or the Basin. Any potential or threatened Material Physical Injury to any party to the Judgment or the Basin caused by the Transfer of water shall be fully and reasonably mitigated as a condition of approval. In the event the Material Physical Injury cannot be fully and reasonably mitigated, the request for Transfer must be denied.
- (b) A party to the Judgment may make application to Watermaster to Transfer water as provided in the Judgment.

**IMPLEMENTATION PLAN**  
**OPTIMUM BASIN MANAGEMENT PROGRAM**  
**FOR THE**  
**CHINO BASIN**

**INTRODUCTION**

This document describes the implementation plan for the Chino Basin Optimum Basin Management Program (OBMP). The goals and objectives for the OBMP are described in Section 3 of the Phase 1 OBMP report dated August 1999. Nine program elements were developed during the OBMP Phase 1 process to meet the goals of the OBMP. The program elements described herein include:

- Program Element 1 – Develop and Implement Comprehensive Monitoring Program
- Program Element 2 – Develop and Implement Comprehensive Recharge Program
- Program Element 3 – Develop and Implement Water Supply Plan for the Impaired Areas of the Basin
- Program Element 4 – Develop and Implement Comprehensive Groundwater Management Plan for Management Zone 1
- Program Element 5 – Develop and Implement Regional Supplemental Water Program
- Program Element 6 – Develop and Implement Cooperative Programs with the Regional Water Quality Control Board, Santa Ana Region (Regional Board) and Other Agencies to Improve Basin Management
- Program Element 7 – Develop and Implement Salt Management Program
- Program Element 8 – Develop and Implement Groundwater Storage Management Program
- Program Element 9 – Develop and Implement Storage and Recovery Programs

At the conclusion of the third year, the *water quality committee* will have met several times, developed and implemented a cooperative monitoring plan with the Regional Board, and developed a priority list and proposed schedule for cleaning up all known water quality anomalies.

***Years Four through Fifty (2003/04 to 2049/50).***

The following actions will be completed in years four through fifty, commencing fiscal year 2003/04:

- Continue monitoring and coordination efforts with the Regional Board.
- Annually update priority list and schedule for cleaning up all known water quality anomalies.
- Continue to seek funding from outside sources to accelerate clean up efforts.
- Implement projects of mutual interest.
- As part of periodic updates of the OBMP, re-compute the salt budget using the salt budget tool. The salt budget tool will be used to reassess future OBMP actions to ensure that salt management goals are attained.
- Watermaster will continue to monitor the nitrogen and salt management activities within the basin.

**PROGRAM ELEMENT 8 – DEVELOP AND IMPLEMENT GROUNDWATER STORAGE MANAGEMENT PROGRAM, PROGRAM ELEMENT 9 – DEVELOP AND IMPLEMENT STORAGE AND RECOVERY PROGRAMS**

Watermaster seeks to develop a storage and recovery program that will benefit all the parties in the Basin and ensure that Basin water and storage capacity are put to maximum beneficial use while causing no material physical injury to any Producer or the Basin.

The following definitions were developed by Watermaster:

*Operational Storage Requirement* - The operational storage requirement is the storage or volume in the Chino Basin that is necessary to maintain safe yield. In the context of this storage and recovery program, the operational storage is estimated to be about 5,300,000 acre feet. An engineering analysis will be

done to assess the operational storage requirement of the Basin as part of the implementation of this program.

*Safe Storage* – Safe storage is an estimate of the maximum storage in the Basin that will not cause significant water quality and high groundwater related problems. In the context of this storage management program, the safe storage is estimated to be about 5,800,000 acre-ft. An engineering analysis will be done to assess the safe storage requirement of the Basin as part of the implementation this plan.

*Safe Storage Capacity* – The safe storage capacity is the difference between safe storage and operational storage requirement and is the storage that can be safely used by Producers and Watermaster for storage programs. Based on the above, the safe storage capacity is about 500,000 acre-ft including water in the existing storage accounts. The allocation and use of storage in excess of safe storage will preemptively require mitigation, that is, mitigation must be defined and resources committed to mitigation prior to allocation and use.

Key Elements of the Storage and Recovery Program will include Watermaster taking the following actions:

Storage and Recovery.

After the Peace Agreement is effective Watermaster shall act in accordance with the following actions regarding the storage and recovery of water:

- (a) In General.
  - (i) All storage capacity shall be subject to regulation and control by Watermaster;
  - (ii) No person shall store water in and recover water from the Chino Basin without an agreement with Watermaster;
  - (iii) Watermaster will ensure that any person, including but not limited to the State of California and the Department of Water Resources may make application to Watermaster to store and recover water from the Chino Basin as provided herein in a manner that is consistent with the OBMP and the law. Watermaster shall not approve an application to store and

## 2015 SAFE YIELD RESET AGREEMENT

**WHEREAS**, the Parties to this 2015 Safe Yield Reset Agreement (hereinafter, the "Agreement") are Parties or successors to Parties in *Chino Basin Municipal Water District v. City of Chino* (San Bernardino Superior Court Case No. 51010) and the Judgment in that case set the Safe Yield of the Chino Basin at 140,000 acre-feet per year (AFY), but reserved continuing jurisdiction to the Court to amend the Judgment, inter alia, to redetermine the Safe Yield after the first 10 years of operation of the Physical Solution established under the Judgment;

**WHEREAS**, the Parties to the Judgment have executed; and Watermaster, with the advice and consent of the Pools and Advisory Committees, has endorsed; and the Court has approved, the following agreements to implement the Physical Solution ("Court Approved Management Agreements"):

[1] the Chino Basin Peace Agreement, dated June 29, 2000, as subsequently amended in September 2004 and December 2007;

[2] the Peace II Measures (Court approved on December 21, 2007);

[3] the OBMP Implementation Plan dated June 29, 2000, as supplemented in December 2007;

[4] the Recharge Master Plan, dated 1998, as updated in 2010 and amended in 2013;

[5] the Watermaster Rules and Regulations dated June 2000, as amended;

[6] the October 8, 2010 Order Approving Watermaster's Compliance with Condition Subsequent Number Eight and Approving Procedures to be used to Allocated Surplus Agricultural Pool Water in the Event of a Decline in Safe Yield and

[7] Watermaster Resolution 2010-04 ("Resolution of the Chino Basin Watermaster regarding Implementation of the Peace II Agreement and the Phase III Desalter Expansion in Accordance with the December 21, 2007 Order of the San Bernardino Superior Court);

**WHEREAS**, the parties to this Agreement have reviewed evidence that the conditions affecting the Safe Yield of the Basin have changed since the Judgment was entered in 1978 and evidence supporting reset of the Safe Yield of the Basin to 135,000 AFY;

**WHEREAS**, questions have arisen concerning the interpretation and implementation of the Judgment and the Court Approved Management Agreements, and the Parties to this Agreement intend to address those questions and settle their

negotiation of such a new and separate agreement among the Parties to the Judgment. Unless otherwise agreed by the Parties, during the extension term, Watermaster shall not consider such recharge to require supplementation by the reallocation of a portion of the unproduced Agricultural Pool's share of Safe Yield.

5.3 Post-2030 Priority among Land Use Conversion and Early Transfer Claims. At the expiration of the Peace II Agreement, the Peace II provisions relating to the distribution of surplus (unpumped) water by the Agricultural Pool requiring that claims for the Early Transfer of 32,800 AFY and for Land Use Conversion be treated equally are expressly repealed, including (i) the amendment to Section 6.3(c) of Watermaster's Rules and Regulations, pursuant to the Peace II measures, and (ii) Section III.(6) of the October 8, 2010 Order Approving Watermaster's Compliance with Condition Subsequent Number Eight and Approving Procedures to be used to Allocate Surplus Agricultural Pool Water in the Event of a Decline in Safe Yield. In any Peace Agreement extension term, the previous changes to Restated Judgment, Exhibit "H", Paragraph 10(b)(3)(i) effectuated by Paragraph 4.4(c) of the Peace Agreement, which, to the extent sufficient unallocated Safe Yield from the Agricultural Pool is available for conversion claims, allocate 2.0 acre-feet of unallocated Safe Yield water for each converted acre, shall remain in effect.

## **ARTICLE 6 SAFE STORAGE MANAGEMENT**

6.1 Safe Storage Management. The following measures ensure that withdrawals of groundwater from authorized storage accounts within the Basin are safe, sustainable, and will not cause Material Physical Injury or undesirable results.

6.2 Safe Storage Reserve. A Safe Storage Reserve is established in the amount of one hundred thirty thousand (130,000) AF. This quantity is sufficient to ensure protection against a precipitous drop in water levels, undesirable results, and Material Physical Injury while a Storage Management Plan is developed by the Parties.

- (a) The Safe Storage Reserve shall be composed of water in the non-Supplemental Water stored water accounts of members of the Appropriative Pool, apportioned among them in accordance with their relative percentages of their quantity of non-Supplemental Water held in groundwater storage on July 1, 2015, consistent with the illustration shown in Exhibit "C," attached hereto, which utilizes existing July 1, 2014 information. Watermaster will update Exhibit "C" and distribute the final table when the quantities of non-Supplemental water held in groundwater storage on July 1, 2015 become available. For the avoidance of doubt, the Safe

Storage Reserve shall not include water in the non-Supplemental Water stored water accounts of members of the Non-Agricultural Pool.

- (b) Watermaster shall annually report, in its Assessment Package, the quantity of water in non-Supplemental stored water accounts of the members of the Appropriative Pool. In any production year in which Watermaster determines that less than one hundred fifty thousand (150,000) AF exist in non-supplemental stored water accounts, each member of the Appropriative Pool shall maintain a stored water balance in their non-supplemental stored water accounts in an amount equal to or greater than the quantity set forth in Exhibit "C" by the close of that production year.
  - (i) Watermaster will provide written notice to the Chair of the Appropriative Pool within thirty (30) days of its determination that the cumulative quantity of non-supplemental stored water is less than one hundred fifty thousand (150,000) AF.
  - (ii) Members of the Appropriative Pool shall not be restricted in their transactions (withdrawals and transfers to and from storage) unless and until Watermaster has provided notice of its determination that the cumulative quantity of non-supplemental stored water is less than one hundred fifty thousand (150,000) AF. Thereafter, and until quantities of non-supplemental stored water again exceed 150,000 AF, withdrawals from non-supplemental storage shall be subject to the provisions of Paragraph 6.1(c) below.

If, within 24 months of the Effective Date, the Court has not approved a Storage Management Plan pursuant to Paragraph 6.3, below, Watermaster, with the recommendation and advice of the Pools and Advisory Committee, will develop rules and regulations for the administration of its obligations under this Paragraph 6.2(b).

- (c) Withdrawals from Safe Storage Reserve. Members of the Appropriative Pool may make temporary withdrawals from their portions of the Safe Storage Reserve, in the event of an emergency, and permanent withdrawals for Desalter Replenishment as set forth below:

- (i) Emergency. Each member of the Appropriative Pool shall be allowed to temporarily withdraw a quantity equal to 10/13 of its portion of the Safe Storage Reserve in the event that the member of the Appropriative Pool has made a finding, in its discretion, pursuant to Water Code section 350 or other applicable law, that the ordinary demands and requirements of its customers cannot be satisfied by its other supplies such that, without access to this water, it would have insufficient supplies for human consumption, sanitation, and fire protection. The availability of water for withdrawal pursuant to this provision is expressly conditioned upon the full replenishment, at the member's expense, of any temporary withdrawals within thirty six (36) months of the withdrawal, and upon a Watermaster finding that the withdrawal will not result in Material Physical Injury or undesirable results, consistent with the methodology defined in Exhibit "E" hereto.
- (ii) Withdrawal for Desalter Replenishment. After 2024, each member of the Appropriative Pool shall be allowed to withdraw a quantity equal to 3/13 of its portion of the Safe Storage Reserve for the exclusive purpose of replenishment of Desalter production, consistent with Peace II Agreement section 6.2, Watermaster Resolution 2010-04, dedication to Desalter Replenishment in furtherance of the OBMP Implementation Plan and the maintenance of Hydraulic Control. Any such withdrawal of this water is conditioned upon a Watermaster finding that the withdrawal will not result in Material Physical Injury or undesirable results, consistent with the methodology defined in Exhibit "E" hereto.
- (d) The provisions of this Paragraph 6.2 shall remain in effect only until the Court has approved a Storage Management Plan pursuant to Paragraph 6.3, below.

6.3 Development of Storage Management Plan. Within twenty four (24) months of the Effective Date, the Appropriative Pool, in coordination with other interested Pools and Parties to the Judgment, will exercise Best Efforts to develop and recommend, a Storage Management Plan to Watermaster and the Court for approval. Each of the Agricultural Pool Committee, the Non-Agricultural Pool Committee and the Appropriative Pool Committee must approve any Storage Management Plan before it may be presented to the Watermaster, provided that, at any time after exercising good faith and undertaking Best Efforts to reach a mutually acceptable agreement within one year from the initiation of negotiations, any Pool may submit

its proposal to Watermaster, and then to the Court, for review and approval. Pending the Court's approval of a Storage Management Plan, applications for the recharge, storage, and recovery of Supplemental Water will be administered in accordance with the Court Approved Management Agreements.

6.4 Storage Losses. After the Effective Date and until termination of this Agreement, consistent with Exhibit "D" hereto, the "Post-Hydraulic Control uniform loss percentage of less than 1 percent," as that terminology is used in Peace II Agreement 7.4(b), shall be a uniform annual storage loss of 0.07 percent. Storage losses for storage accounts held by persons other than Parties to the Judgment, if any, will be consistent with the requirements of the Peace Agreements. This Paragraph 6.4 shall have no effect on any agreements, in existence at the Effective Date, that provide for the exemption from storage losses of specific quantities of water resident in the Basin.

## **ARTICLE 7 SETTLEMENT AND RESERVATION OF RIGHTS**

7.1 Settlement. By execution of this Agreement, the Parties mutually and irrevocably fully settle their respective claims, rights and obligations, whatever they may be, regarding the timing and methodology of the 2015 Safe Yield Reset, and Watermaster's past and future accounting practices consistent with this Agreement for the apportionment of Basin recharge resulting from 2001-2014 Stormwater Recharge Program, Post-2014 Stormwater Recharge Projects, and Desalter-Induced Recharge.

7.2 Reservation of Rights: General. Nothing herein shall be construed as precluding any Party to the Judgment from seeking judicial review of any Watermaster action on the grounds that Watermaster has failed to act in accordance with the Peace Agreement as amended, the Peace II Agreement, this Agreement, the Amended Judgment, the OBMP Implementation Plan as amended, and applicable law.

7.3 Reservation of Rights: Desalter Replenishment. The Parties expressly reserve their respective rights and remedies arising from the Judgment and the Peace Agreements, whatever they may be, to pursue, promote, design, plan, finance and implement Desalter Replenishment in furtherance of the OBMP Implementation Plan and to allocate costs attributable thereto. Notwithstanding this reservation, the Parties expressly waive their right to seek a re-evaluation of Desalter Replenishment arising from Paragraph 6.2(b) of the Peace II Agreement.

The rights and obligations of the Parties regarding Replenishment Assessments attributable to all Desalters in any renewal term of the Peace Agreement are subject to the negotiation of a new and separate agreement among the Parties to the Judgment.