

NOTICE OF SPECIAL MEETING
Special Joint Meeting/Workshop
of the
Monterey County Water Resources Agency Board of Directors
and the
Monterey Regional Water Pollution Control Agency Board of Directors



Meeting Agenda

Thursday, October 8, 2015

4:30 PM

Meeting Location:

**MRWPCA Administration Office – Board Room
5 Harris Court, Building D
Monterey, CA**

WRA Board of Directors

**Claude Hoover, Chair
Mike Scattini, Vice Chair
Ken Ekelund
Mark Gonzalez
David Hart
John Huerta
Richard Ortiz
Deidre Sullivan
Abby Taylor-Silva**

David E. Chardavoyne, General Manager

MRWPCA Board of Directors

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Libby Downey
Tom Razzeca
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Ralph Rubio**

Paul Sciuto, General Manager

NOTICE OF SPECIAL MEETING

Thursday, October 8, 2015 @ 4:30 P.M.

SPECIAL JOINT MEETING/WORKSHOP OF THE MONTEREY COUNTY WATER RESOURCES AGENCY AND MONTEREY REGIONAL WATER POLLUTION CONTROL AGENCY BOARDS OF DIRECTORS

A G E N D A

- 1. CALL TO ORDER/ESTABLISH QUORUM**
- 2. PLEDGE OF ALLEGIANCE**
- 3. PUBLIC COMMENTS**

(Limited to three minutes per speaker on matters within the Monterey Regional Water Pollution Control Agency and/or the Monterey County Water Resources Agency jurisdiction and not listed on the agenda.)

- 4. PUBLIC WORKSHOP: REVIEW PROPOSED AMENDED AND RESTATED WATER RECYCLING AGREEMENT**
- 5. DIRECTORS' COMMENTS**
- 6. ADJOURNMENT**

Members of the public have the opportunity to directly address the legislative body concerning any item that has been described in the Notice for the Special Meeting before or during consideration of that item.

The Agenda will be available for public review on the Agency's website [http://www.mcwra.co.monterey.ca.us/BOD/BOD/AgendaCurrent_n.htm] by 7:00 PM on Monday, October 5, 2015 and at the Monterey County Water Resources Agency (Agency), 893 Blanco Circle, Salinas. For additional information, please contact Wini Chambliss, Clerk to the Board, at (831) 755-4896.

If requested, the agenda and associated documents shall be made available in appropriate alternative formats to persons with a disability, as required by Section 202 of the Americans with Disabilities Act of 1990 (42 USC Sec. 12132), and the federal rules and regulations adopted in implementation thereof. Individuals with a disability requiring a modification or accommodation, including auxiliary aids or services, in order to participate in the public meeting may make these requests to Wini Chambliss, Clerk to the Board, at (831) 755-4896. Please notify the Clerk to the Board at least 72 hours in advance to ensure availability of appropriate equipment.

**Amended and Restated Water Recycling Agreement Between
Monterey Regional Water Pollution Control Agency and
Monterey County Water Resources Agency**



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THIS AMENDED AND RESTATED AGREEMENT [hereinafter referred to as “Water Recycling Agreement”] is made this _____ day of _____ 2015, “Effective Date,” by and between Monterey Regional Water Pollution Control Agency (“PCA”) and Monterey County Water Resources Agency (“WRA”) hereinafter “parties.”

The PCA was formed as a California Joint Powers Agency by a Joint Exercise of Powers Agreement for the Monterey Regional Water Pollution Control Agency, effective June 29, 1979. The Monterey County Water Resources Agency (“WRA”) was established by the legislature in 1995 pursuant to the Monterey County Water Resources Agency Act.

WITNESSETH

WHEREAS, PCA and WRA entered into the Memorandum of Understanding Regarding Source Waters and Water Recycling, as amended, dated October 8, 2014, with the City of Salinas (“Salinas”), Marina Coast Water District (“MCWD”), and Monterey Peninsula Water Management District (“WMD”), hereinafter referred to as “Five Party MOU,” to provide a framework for provision of additional source waters that could be dedicated to the Pure Water Monterey Project and provide additional supply to the Castroville Seawater Intrusion Project; and,

WHEREAS, PCA had previously entered into an agreement with WRA, dated June 16, 1992, for construction and operation of a tertiary treatment system (the “1992 Agreement”), with subsequent amendments thereto, as follows: Amendment No. 1 on May 30, 1994; Amendment No. 2 on February 16, 1998; and Amendment No. 3 on May 28, 2002; and,

WHEREAS, PCA and WRA entered into the Agreement between the Monterey County Water Resources Agency and The Monterey Regional Water Pollution Control Agency for the Operation and Maintenance of the Salinas River Diversion Facility, dated February 3, 2011 (“SRDF Agreement”); and,

WHEREAS, in order to facilitate coordination of and accounting for operation and maintenance of Salinas Valley Reclamation Project, (SVRP), and Castroville Seawater Intrusion Project, (CSIP), and Salinas River Diversion Facility, (SRDF), it is desired by the parties to have one comprehensive agreement; and,

WHEREAS, the parties desire to facilitate acquisition of new source waters required for Pure Water Monterey Project and additional waters for CSIP, WRA applied to the California State Water Quality Control Board on May 19, 2014 for water rights to 25,000 acre-ft/year of Drainage Flows from Blanco Drain, Reclamation Ditch, and Tembladero Slough as defined in Section 1.0 D herein; and,

WHEREAS, on July 29, 2015 WRA requested that its water rights application be divided into five separate applications with the first 6,500 acre-ft/year allocated to Application Nos. 32263A, 32263B, and 32263C as part of New Incremental and Interruptible Allocations – Phase I, associated with the Pure Water Monterey Project; and,

WHEREAS, PCA and the City of Salinas (“City”) will enter into an agreement for primary and secondary treatment by PCA of the City’s industrial pond water; and,

WHEREAS, the 1992 Agreement, as amended, needs to be replaced in order to fulfill the terms and conditions of the Five-Party MOU, and to update specific terms and conditions, for current needs and realities, while preserving the parties original intentions to the maximum extent possible.

NOW, THEREFORE, for and in reliance of the foregoing, the parties hereby agree as follows:

1.0 Definitions

For the purposes of this Water Recycling Agreement, the following definitions are provided:

A. The term "Annexation Agreements" refers to the Annexation Agreement between MCWD and PCA dated April 25, 1989, and the Annexation Agreement between MCWD and WRA dated March 26, 1996. The individual Annexation Agreements are referenced herein by their respective dates.

B. The term “Bureau Loan Contract” is used to refer to the Contract Between the United States and the Monterey Regional Water Pollution Control Agency (MRWPCA) for A Loan for Construction of a Small Reclamation Plant,” dated June 2, 1995,

C. The terms “Castroville Irrigation System,” “Castroville Seawater Intrusion Project,” and “CSIP,” as used in this Water Recycling Agreement, refer to the tertiary treated water distribution system and are hereinafter collectively referred to simply as the “CSIP”, owned by WRA. Reclaimed water produced by the Salinas Valley Reclamation Plant for CSIP will be delivered to a distribution system, known as the Castroville Irrigation System, at the points indicated on Exhibit A, attached hereto, as may be amended by agreement of the parties, and through that system it will be delivered to growers in the Castroville area, for use in the irrigation of crops.

D. The term “Drainage Flows” refers to WRA’s portion of New Source Waters originating from Blanco Drain, Reclamation Ditch, and Tembladero Slough.

E. The term “Drought Reserve” shall refer to storage of up to 1,000 acre-ft of water for potential use during a drought.

F. The term “Interruptible Rate” applies to PCA charges for primary and secondary treatment of New Source Waters.

G. The term “New Source Water Facilities” applies to facilities required to be constructed to convey Blanco Drain, Reclamation Ditch and Tembladero Slough waters to the PCA Regional Treatment Facility, and those to be constructed to allow wintertime operation of the SVRP.

H. “New Source Waters” are defined as waters originating at the following:

1. Agricultural Wash Water
2. Blanco Drain Water
3. Reclamation Ditch/Tembladero Slough water
4. Monterey Storm Water
5. Salinas Storm Water

I. The term “Pure Water Monterey Facilities” refers to those advanced treatment facilities necessary to transform secondary treated wastewater from the Regional Treatment Facility into drinking water quality water, and are not included in this Water Recycling Agreement.

J. The terms "reclaimed water", "reclaimed wastewater", "recycled water", and "tertiary treated water" as used in the June 16, 1992 Agreement and Amendments No.1 and 2 all refer to the water produced by the 29.6 MGD (33,154 acre-ft per year) tertiary treatment system and are hereinafter collectively referred to as "tertiary treated water".

K. The term “Regional Treatment Facility” refers to the facilities sized to provide primary and secondary treatment for 29.6 mgd of wastewater flow and which is owned, operated and maintained by PCA.

L. The terms “SVRP” and “Salinas Valley Reclamation Plant” and “recycled water plant” refer to that part of the Salinas Valley Water Project containing the 29.6 mgd (33,154 acre-feet per year) tertiary treatment system that produces recycled water pursuant to Title 22 suitable for irrigation of crops eaten raw, hereinafter collectively referred to simply as the “SVRP,” which is owned, operated and maintained by PCA.

M. The terms “SRDF” and “the Salinas River Diversion Facility” both refer to the Salinas River Diversion Facility, which includes the chlorination system as a component, and are hereinafter referred to simply as the “SRDF”, owned by WRA.

N. The term “SWRCB Loan Contract” is used to refer to "Contract between the State Water Resources Control Board (SWRCB) and MRWPCA for a State Revolving Fund Loan for Construction of a Tertiary Treatment Facility Project" dated December 15, 1995.

O. Member entities of PCA are the following:

1. City of Salinas (“Salinas”)
2. City of Monterey
3. Castroville Community Services District
4. City of Seaside
5. City of Pacific Grove
6. Marina Coast Water District
7. County of Monterey
8. City of Del Rey Oaks
9. Sand City
10. Boronda County Sanitation District

I. CONSTRUCTION OF THE NEW SOURCE WATER FACILITIES

1.01. PCA to construct New Source Water Facilities.

Upon the receipt of final commitments for the financing described below by all applicable governmental agencies, PCA will finance, design, construct, and install the New Source Water Facilities, in substantial conformity with designs and plans approved by the parties in writing, when conditions precedent of Section 16.15 are met.

1.02. Change orders.

Change orders must be approved in writing. Any change order or related set of change orders that increases the New Source Water Facilities cost by \$100,000 or more shall require the written consent of both parties within 30 days of presentation. Any change order or related set of change orders that increases the New Source Water Facilities cost by less than \$100,000 or that lowers the New Source Water Facilities cost may be approved by PCA alone, without the consent of the WRA, except that a copy of any proposed or executed change order shall promptly be provided to WRA as soon as it is available to PCA. Each party's contract administrator shall be authorized to give consent to change orders for that party. Neither party's consent to a change order will be unreasonably withheld or delayed.

1.03. Location of the New Source Water Facilities.

The New Source Water Facilities shall be located on or near the site of the existing PCA regional treatment plant, on lands owned by PCA, all as shown in Exhibit A, attached hereto and made a part hereof. PCA will acquire any rights-of-way necessary for the construction and maintenance of pipelines from the sources points of delivery to the Regional Treatment Plant.

1.04. Future New Source Water Facilities.

New Source Water Facilities consist of, but are not limited to the following:

1. Blanco Drain Water
 - (a) 2,738 gpm (6.1 cfs) pump station
 - (b) 7,700 feet of 18 inch diameter HDPE, PVC, or Ductile Iron pipe
 - (c) Intake Screen/Wet Well with appropriate appurtenances
2. Reclamation Ditch Water
 - (a) 2,693 gpm (6.0 cfs) pump station
 - (b) 43 feet of 6 and 12 inch diameter DIP or PVC discharge pipe
3. Tembladero Slough Water
 - (a) 1,346 gpm (3 cfs) pump station
 - (b) 120 feet of 16 inch diameter DIP and PVC discharge pipe
 - (c) Intake screen/Wet Well with appropriate appurtenances
4. Monterey Storm Water (Lake El Estero)
 - (a) 2,500+/- gpm pump station
 - (b) 45 feet if 12+/- inch PVC pipe
5. Salinas Storm Water
 - (a) Diversion Point No. 1
 - i. 54" x 54" concrete diversion structure
 - ii. 24" x 24" concrete diversion structure plus weir
 - iii. Parshall Flume
 - iv. Intake Screen/Sluice Gate with appropriate appurtenances

- (b) Diversion Point No. 2
 - i. 66”x 66” concrete diversion structure
 - ii. 24”x 24” concrete diversion structure plus weir
 - iii. Rehabilitate or new 150 feet of -inch pipe
 - iv. Parshall Flume
 - v. Appropriate access points of appurtenances
- (c) Diversion Point No. 3
 - i. 30” x 30” concrete diversion structure
 - ii. Parshall Flume with 12”x 6’x 40 feet diversion structure
 - iii. Appropriate access points and appurtenances
- (d) Diversion Point No. 4
 - i. Cast in place diversion structure
 - ii. 80 feet of 30 inch pipe
 - iii. Parshall Flume and appropriate access points and appurtenances
- (e) Return from Ponds
 - i. Intake Structure
 - ii. 2 45 hp pumps
 - iii. Valve and Meter boxes
 - iv. 20-inch HDPE – 6200 ft
 - v. Appropriate access points and appurtenances
- (f) Return to Pump Station
 - i. 10’x16’ wet well
 - ii. 2 45 hp pumps
 - iii. 7,500 feet of HDPE pipe
 - iv. Appropriate access points and appurtenances
- 6. Modifications to Regional Treatment Facility
 - (a) Two 30-inch sluice gates in Chlorine Contact Basins
 - (b) One 72-inch motorized sluice gate at Storage Pond with access structure and stairs
 - (c) 860-feet of 30+/- inch HDPE, DIP, PVC, or concrete pipe

1.05. Cooperation between agencies.

PCA and WRA shall work cooperatively and with diligence to obtain all permits, approvals, and financing to construct the New Source Water Facilities.

1.06. Regular meetings.

After development of the implementation schedule, representatives of the parties will meet on a monthly basis, or more often if necessary, in order to ensure that the New Source Water Facilities is proceeding according to the schedule and in conformity with this contract and the approved plans and designs.

II. ESTIMATED COSTS AND FINANCING FOR NEW SOURCE WATER FACILITIES.

2.01. New Source Water Facilities.

PCA shall bear all the costs of design and construction of the New Source Water Facilities. PCA intends to finance these costs utilizing grants and low interest loans. WRA will repay its share of these costs as provided in Section VI.

2.02. Estimated design and construction costs of New Source Water Facilities.

Table 1.

Component	WRA	PCA	Monterey/Salinas	TOTAL
Blanco Drain Water	\$2.3 Million	\$2.7 Million	0	\$5 Million
Reclamation Ditch	\$0.5 Million	\$0.6 Million	0	\$1.1 Million
Tembladero Slough	\$0.5 Million	\$0.6 Million	0	\$1.1 Million
Monterey Storm Water	0	0	Not Estimated	
Salinas Storm Water	0	0	Not Estimated	
Modifications to Regional Treatment Facility	\$0.6 Million	\$0.7 Million		\$1.3 Million
TOTAL	\$3.9 Million	\$4.6 Million		

WRA’s share of capital costs is 45.1% and PCA’s share of capital costs is 54.9%. This same allocation of capital costs will be applied to Replacement and Renewal costs associated with the New Source Water Facilities, as identified in Section 9.02.

2.03. Source Water.

WRA shall obtain water rights to Drainage Flows from the California State Water Resources Control Board. Costs of obtaining and maintaining said water rights shall be reimbursed to WRA on a proportional basis for water used as a component of the New Source Facilities.

III. OWNERSHIP, OPERATION AND MAINTENANCE OF CSIP, SVRP, SRDF.

3.01. Ownership, operation, and maintenance, in general.

1. PCA will own, operate, and maintain the SVRP as described in Exhibit B “Operation and Maintenance of SVRP, CSIP, SRDF, and New Source Water Facilities”, and will keep the SVRP in good condition and repair for the term of this Water Recycling Agreement. WRA shall be required to reimburse PCA for such costs and expenses of ownership, operation, and maintenance of the SVRP as described in Article VI of this Water Recycling Agreement. After expiration of this Water Recycling Agreement and any extension thereof, the SVRP will remain the property of PCA, except that WRA will own the discharge pipeline from the flange on the discharge side of the storage pond to the connection with the CSIP.
2. WRA will own the CSIP facilities and PCA will operate and maintain the CSIP facilities as described in Exhibit B “Operation and Maintenance of SVRP, CSIP, SRDF, and New Source Water Facilities”, and will keep the CSIP in good condition and repair for the term of this Water Recycling Agreement. WRA shall be required to reimburse PCA for such costs and expenses of operation and maintenance of the CSIP as described in Article VI of this Water Recycling Agreement. After expiration of this Water Recycling Agreement, and any extension thereof, the CSIP will remain the property of WRA.
3. WRA will own, and PCA will operate and maintain the SRDF as described in Exhibit B

“Operation and Maintenance of SVRP, CSIP, SRDF, and New Source Water Facilities”, and will keep the SRDF in good condition and repair for the term of this Water Recycling Agreement. WRA shall be required to reimburse PCA for such costs and expenses of operation and maintenance of the SRDF as described in Article VI of this Water Recycling Agreement. After expiration of this Water Recycling Agreement and any extension thereof, the SRDF will remain the property of WRA.

4. PCA will own, operate, and maintain the New Source Water Facilities as described in Exhibit B “Operation and Maintenance of SVRP, CSIP, SRDF, and New Source Water Facilities”, and will keep the New Source Water Facilities in good condition and repair for the term of this Water Recycling Agreement. WRA shall be required to reimburse PCA proportionately for such costs and expenses of ownership, operation, and maintenance of the New Source Water Diversion Facilities as described in Article VI of this Water Recycling Agreement. After expiration of this Water Recycling Agreement and any extension thereof, the New Source Water Diversion Facilities will remain the property of PCA.
5. No changes in ownership, operation or maintenance of SVRP, CSIP or SRDF shall occur except with the mutual consent of both parties.

3.02. Safety and loss prevention program.

PCA will develop, maintain, and implement a safety and loss prevention program for the SVRP, CSIP, SRDF and New Source Water Facilities, and will provide appropriate training for its employees working on the SVRP. This program will conform with all requirements set forth in CAL OSHA’s Process Safety Management Program and US EPA's Risk Management Program, and will be revised and updated as new regulations are promulgated. All costs associated with the program will be included in the annual budget process to be reimbursed by WRA.

3.03. Warranties.

PCA warrants that all water committed to WRA pursuant to this Recycled Water Agreement shall be transferred to WRA free and clear of all claims by any person or entity, and that all water produced by the SVRP, up to the SVRP’s capacity of 29.6 MGD, shall be distributed in conformity with Section IV.

3.04. Right to inspect.

WRA shall have the right to inspect the SVRP and New Source Water Facilities, while under construction and at any time thereafter during the term of this contract, upon the giving of reasonable advance notice to PCA. Such inspections may take place at any time during the day or night; however, night time inspections will not take place without at least one week's notice, except in case of emergency or by agreement between the parties. However, PCA shall have the sole right to direct the construction work and the work of PCA's own employees. WRA's right to inspect is for the purpose of observation only and not for the purpose of supervision of the work observed.

3.05. Daily operation.

The SVRP, the CSIP, SRDF and New Source Water Diversion Facilities will be in operation and will supply water to WRA on a daily basis as described in Exhibit B “Operation and Maintenance of SVRP, CSIP, SRDF, and New Source Water Facilities”, except for temporary periods of shut-down authorized by this Water Recycling Agreement or made necessary by circumstances beyond the

control of PCA.

3.06. Incidental uses.

PCA may use such amounts of tertiary treated water from the SVRP as may be needed for the normal operation and maintenance of PCA's facilities, including, but not limited to, the SVRP and the primary and secondary treatment facilities.

3.07. Notice of temporary cessation of water deliveries.

PCA will give immediate notice to WRA, by telephone to WRA's General Manager, or to the person designated by the General Manager to receive such notices, with a prompt follow-up notice in writing, as soon as PCA becomes aware of the need to cease deliveries to the CSIP, whatever may be the reason for such interruption in service. Whenever an unforeseen cessation of deliveries occurs without prior notice to WRA, PCA shall immediately give notice to WRA as provided above. In addition, whenever a cessation of deliveries occurs, PCA shall use every reasonable effort to restore service as soon as possible.

3.08. Outside Contracts.

When PCA deems it more appropriate for someone other than PCA to make a repair directly, PCA will solicit bids for contracts to perform this work.

3.09. Access to CSIP and SRDF facilities.

WRA shall provide the necessary access arrangements for PCA personnel to carry out their required work on the CSIP and SRDF. WRA shall notify landowners, growers, and others who may be affected by this work in advance that PCA personnel will be entering onto and performing work on their property. Any disputes arising between PCA personnel and these effected parties will cause PCA to discontinue work on the effected facilities until WRA has established necessary access arrangements for the work to continue.

IV. PROVISION OF RECYCLED WATER TO WRA FROM PCA

4.01. Existing Allocations

1. WRA shall be entitled to tertiary treated recycled water for its CSIP Project during the agricultural growing season in a volume not less than total wastewater flows to the Regional Treatment Facility from all PCA members existing at the Effective Date of this Water Recycling Agreement, plus all other areas within PCA's 2001 boundaries less the following amounts:
 - (a) Amount claimed and utilized by MCWD pursuant to Section 4.05(a) as provided pursuant to the Annexation Agreements.
 - (b) Such flows as are lost or as must be diverted in the ordinary course of operating and maintaining the treatment plant and ocean outfall.
 - (c) Such flows as are not needed to meet WRA's authorized demand pursuant to this Water Recycling Agreement.
 - (d) 650 AF of water allocated by WRA to PCA in the following amounts per month:

Table 2.

Month	Typical Monthly Seasonal Spread (AF)
May	138 AF
June	172 AF
July	185 AF
August	155 AF
TOTAL:	650 AF

2. WRA shall be entitled to one-half of the volume of wastewater flows from areas outside of PCA's 2001 Boundary provided; however, at the request of WRA, PCA passes the wastewater flows through the tertiary treatment facility.
 - (a) PCA shall be responsible for incremental tertiary treatment operations, maintenance, repair and replacement costs for any and up to one-half of the flows from areas outside PCA's 2001 Boundary that pass through the tertiary treatment facility and that are utilized by PCA.
 - (b) WRA shall be responsible for incremental tertiary treatment operations, maintenance, repair and replacement costs for any and up to one-half of the flows from areas outside PCA's 2001 Boundary that pass through the tertiary treatment facility and that are utilized by WRA.
 - (c) PCA, for its flows pursuant to Section 4.02 (2)(a) above, will comply with all applicable requirements set forth in Contract No. 5-07-20-W1284, between the Bureau of Reclamation and WRA including, but not limited to, those contained in Paragraphs 10b and 10c, all at PCA's sole cost and expense.

4.02. New Incremental and Interruptible Allocations (New Source Water) – Phase I

1. WRA and PCA agree that Phase I consists of PCA constructing and operating New Source Water Facilities intended to provide New Source Water of approximately 4,320 acre-ft/year for PCA and at 4,381 acre-ft/year for WRA. Of the total volume of approximately 8,701 acre-ft/year, PCA's operation and maintenance cost share is 49.7% and WRA's operation and maintenance cost share is 50.3%. Said percentages shall be adjusted to reflect actual amounts, with such adjustments mutually agreed upon in writing following one year of operation of the Pure Water Monterey Project, and for each year thereafter.
2. PCA's 4,320 acre-ft/year share shall have first priority should any curtailments of the 8,701 acre-ft/year of New Source Water takes place. Said priority shall commence upon completion and operation of New Source Water Facilities.
3. Primary and secondary treatment of Agricultural Wash Water is managed by a separate agreement between the City of Salinas ("Salinas") and PCA, with Salinas making payments for aforesaid treatment. WRA will be responsible for only operations, maintenance, repair and replacement costs related to tertiary treatment of the volume of Agricultural Wash Water that is delivered to CSIP.

Prior to completion and operation of the Pure Water Monterey Project, PCA agrees that 100% of the Agricultural Wash Water delivered to it by Salinas will be dedicated to CSIP.
4. All New Source Waters shall be provided to CSIP, if desired by WRA, in a volume up to 50.3% of the total annual flow entering the Regional Treatment Plant from those sources, subject to the PCA first priority described in Section 4.02 (2) above. Flows not desired by WRA may be utilized by PCA for the Pure Water Monterey Project, other purposes, or be discharged.

- (a) With the exception of any other New Source Waters the primary and secondary treatment costs of which are paid by others, WRA will be proportionately assessed for the incremental operation and maintenance costs of the influent pump station, primary treatment and secondary treatment of its portion of New Source Water flows actually delivered to tertiary treatment.
- (b) WRA will be responsible for incremental tertiary treatment operations, maintenance, repair and replacement costs related to the volume of New Source Waters that are delivered to CSIP.

4.03. Operations and Maintenance Treatment Cost Allocation.

Table 3.

O&M Treatment Cost Allocation			
Source	Primary and Secondary	Tertiary	AWTP
Domestic W/W	Member Entities	WRA [†]	PCA-Winter
Ag Wash Water \$179 ²	Salinas (I.R)	WRA [†]	PCA
Blanco Drain \$74 ²	WRA 55%/PCA 45% (IR)	WRA [†]	PCA
Rec/Tembledero Ditch \$76/\$96 ²	WRA 55%/PCA 45% (IR)	WRA [†]	PCA
Storm Water – Monterey \$69 ²	Monterey (IR)	WRA [†]	PCA
Storm Water – Salinas \$76 ²	Salinas (IR)	WRA [†]	PCA
Future WW in 2001 PCA Bound.	Member Entities	WRA [†]	PCA – Winter
Future WW outside 2001 PCA Bound.	Member Entities	WRA (50% of Flow if through SVRP) [†]	PCA – Winter (50% of Flow if through SVRP; all flows otherwise)
MCWD – Delivery	Member Entities	MCWD	MCWD
Interruptible Rate (IR)			

[†]PCA – if through tertiary treatment; operations and maintenance and increased interest rate

²Interruptible rates are subject to change pursuant to **Section _____**.

All treatment costs associated with the New Source Waters will be incorporated into the annual WRA budget process, as identified in Section VII. Annual Source Water costs will be based on the demand schedule provided by WRA to PCA; and PCA’s Interruptible Rate Schedule for New Source Waters.

1. If any party utilizes tertiary treated water, other than water provided to PCA pursuant to Section 3.06, Incidental Uses, it shall be proportionately assessed by PCA for operation, maintenance, repair and replacement costs and increased interest costs, for the amount of water claimed and utilized from tertiary treatment facilities.
2. PCA agrees that it will cause MCWD, or itself, in use of its recycled water entitlements, to comply with all applicable requirements set forth in Contract No. 5-07-20-W1284, between the Bureau of Reclamation and WRA including, but not limited to, those contained in Paragraphs 10b and 10c, all at PCA’s or MCWD’s sole cost and expense.

4.04. New Incremental and Interruptible Allocations – Phase II.

PCA and WRA plan to acquire and treat additional flows up to the Regional Treatment Facility’s capacity of 33,154 acre-ft/year, (hereinafter described as “Additional Flows”). Terms and conditions for accommodating Phase II flows will be subject to a separate future agreement.

4.05. Provisions for Drought Reserve.

PCA commits to produce no greater than 200 acre-ft/year, up to a total quantity of 1000 acre-ft of Pure Water Monterey product water for delivery to WMD for storage as a Drought Reserve.

1. PCA may, from time to time, request that WMD establish a Drought Reserve in excess of 1000 acre-ft.
2. During any fiscal year, PCA will first provide 3,500 acre-ft of Pure Water Monterey product water for delivery to WMD for domestic drinking water requirements before water is produced and delivered to the Drought Reserve.
3. In addition to water supplies provided for this Section IV, WRA may request additional irrigation water from PCA sources. When such a request is made, WMD may make available water from the Drought Reserve to meet domestic drinking water needs, allowing PCA to deliver additional source waters of an equal amount to WRA. In no instance shall PCA be required to reduce deliveries to WMD to make available additional irrigation water to WRA from its sources in an amount exceeding the balance available in the Drought Reserve.

4.06. Water Quality Enhancement Options.

1. In order to protect against possible future recycled water quality deterioration, WRA desires that PCA undertake an expansion of the Pure Water Monterey 3,700 acre-ft/year advanced water treatment facility and construction of a pipeline.
 - (a) PCA shall adopt an amendment to the final EIR for the Pure Water Monterey Groundwater Replenishment Project within 90 days of the Effective Date of this Water Recycling Agreement, to provide for the aforesaid expansion and pipeline.
 - (b) PCA shall avail itself of any available financial grant opportunities to design and construct the aforesaid advanced water treatment facility expansion and pipeline.
 - (c) WRA shall provide written notice to PCA when it desires the aforesaid advanced water treatment facility and pipeline to be operational and the amount of additional treatment capacity desired.
 - (d) WRA and PCA shall negotiate a funding arrangement for the non-grant funded portion of the advanced water treatment facility expansion and pipeline. Related operation and maintenance costs shall be only incremental costs.
2. PCA will allow California-American Water Company to finance, design, construct, own, and operate pipeline facilities connecting its proposed desalination facility to the tertiary treatment facility ponds in order to supply desalination facility basin return water to CSIP.

V. DELIVERY OF WATER TO WRA.

5.01. Quantity of water to be delivered to WRA SVRP.

Each year during the term of this contract, PCA shall deliver tertiary treated water from the SVRP to the Castroville Irrigation System. Subject to PCA's and MCWD's rights to the water as set forth in Article IV, the quantity so delivered shall include water provided in response to WRA's demand, determined as set forth in this Water Recycling Agreement.

5.02. WRA's demand schedule.

For water which will be delivered during the term of this Water Recycling Agreement, WRA shall, not later than November 1 each year, submit to PCA a schedule of requested water deliveries for the next calendar year. The schedule may request water deliveries of amounts up

to amounts provided for WRA pursuant to Section 4.01 and 4.02 as WRA's demand. This demand schedule shall show the amount requested for each calendar month in the year.

5.03. WRA's demand.

It is understood and agreed that the wastewater committed by PCA, to which WRA is entitled pursuant to this Water Recycling Agreement, is dedicated for use by WRA for purposes of the CSIP as that sea water intrusion project may exist from time to time, and thereafter for direct application for such other non-urban agricultural irrigation projects in the Salinas Valley as WRA may develop for the purpose of curing saltwater intrusion and other severe impacts of the groundwater imbalance in the Salinas Valley which threaten the viability of the groundwater basin as a water supply for agricultural and municipal uses, and for no other purpose. Where otherwise consistent with WRA's entitlement pursuant to this Water Recycling Agreement, WRA may use tertiary treated water produced by the SVRP for non-agricultural irrigation applications in the Salinas Valley only if PCA declines in writing to undertake such applications in the Salinas Valley; provided, however, PCA consents in writing to WRA's doing so, which consent shall not be unreasonably withheld. In no event shall PCA's obligation to provide wastewater influent exceed the amount needed to produce the tertiary treated water to which WRA is entitled pursuant to this Water Recycling Agreement.

5.04. PCA'S duty to comply with WRA demand.

PCA shall supply the amount of water demanded in accordance with this Water Recycling Agreement and the demand schedule submitted by WRA, except when the SVRP and SRDF cannot produce enough water to satisfy the WRA's demand, PCA's demand, and MCWD's demand. All as limited by their respective entitlements, either because there is not enough wastewater flowing into the PCA Regional Treatment Plant, or because, for reasons beyond the reasonable control of PCA, the SVRP is unable to operate for a sufficient period of time or the SVRP fails to produce enough water of the quality described in Section 6.01, "Water Quality," for use in the CSIP.

VI. MAINTENANCE OF WATER QUALITY.

6.01. Water Quality.

1. General Water Quality: PCA will produce tertiary treated water of a quality suitable for the irrigation of edible crops, such as artichokes, Brussels sprouts, and row crops (e.g., lettuce, cauliflower, broccoli, and celery) that do not require cooking prior to human consumption. All water produced and delivered to WRA shall meet all applicable standards of quality prescribed by the State of California (including, but not limited to, the regulations promulgated by the State Health Department and set forth in the California Code of Regulations, Title 22), or by separate agreement of the parties, so that the water may be used for the purposes specified herein. The parties clarify in this section 6.01 their intent with regard to the required water quality and further agree that the SVRP has been designed to produce tertiary treated water for the irrigation of food crops where the recycled water comes in contact with the edible portions of the crop. The water quality which the SVRP was designed to produce is defined by the Recycled Water Criteria contained in Chapter 3 of Title 22 of the State of California's Administrative Code. In order to use this water for its intended purpose of irrigating food crops, the specifications contained in Water Reclamation Requirements Order No. 94-82, issued by the State of California Regional Water Quality Control Board, Central Coastal Region, on September 9, 1994, or as said water reclamation requirements may from time to time be revised and reissued by said Regional Water Quality

Control Board, must be met. PCA will conduct a source control program to help provide reclaimed water of the best quality for food crop irrigation. However, the water quality specifications described in this Section 6.01 Water Quality constitute the sole and complete definition of the water quality that the SVRP will be expected to produce under this Water Recycling Agreement. PCA makes no representations as to the water quality the SVRP will produce with respect to other quality parameters not specifically set forth in the documents referred to in this Section 6.01.

6.02. Duty to monitor water quality; cessation in deliveries.

PCA will monitor the quality of water produced by the SVRP and SRDF, in accordance with the Reclaimed Water Monitoring Requirements contained in the Water Reclamation Requirements Order No. 94-82, referred to in Section 6.01, to ensure that the water delivered to the CSIP meets the quality standards set forth in Section 6.01. PCA may perform additional monitoring which it deems appropriate. The parties understand that it may not be possible for the water produced by the SVRP and SRDF to meet these standards 100% of the time, and that water quality will vary from time to time. During periods when the PCA determines that water quality does not meet the standards, set forth in Section 6.01, flows will not be sent to the CSIP. For those occasions, the CSIP's backup water source will be the CSIP's supplemental wells. PCA will provide special attention to minimize any such events to the extent that it has control over them. PCA will notify WRA promptly, whenever it appears that there is or will soon be a change in the quality of water produced by the SVRP that may adversely affect the agricultural users of the water.

6.03. Regulations to protect water quality.

PCA will, to the extent feasible, enact reasonable and appropriate regulations governing the kinds of wastes and other materials that may be discharged into the sewerage system and/or agricultural wash water system, in order to protect the quality of water ultimately produced.

6.04. Water Quality and Operations Committee.

The parties shall maintain a Water Quality and Operations committee which membership shall consist of representatives of the parties and the areas receiving CSIP water. The committee shall have access to and shall share all pertinent information concerning the operation of the SVRP, SRDF, and CSIP, the quality of water produced, and the needs of the growers receiving water, in order to discuss and make recommendations for maintaining or improving the SVRP, SRDF, and CSIP so that it will continue to meet the needs of the agricultural operations served. No private sector member of the committee and no grower or private sector user of water shall be required to disclose proprietary information in connection with the committee's work. The SRDF Water Quality Monitoring Plan shall be presented to the Water Quality and Operations Committee at least once per year or prior to any significant changes, for committee review and input. Any financial changes approved by the Water Quality and Operations Committee at this meeting will be submitted to the WRA Board of Director's for approval and the approved Board Resolution will be forwarded to PCA for any budget modifications.

VII. PAYMENTS BY WRA TO PCA

7.01. Consideration paid by WRA.

As consideration for the water provided and the other obligations performed by PCA under this Water Recycling Agreement, WRA shall make payments to PCA pursuant to this Water Recycling

Agreement.

7.02. Amount to be paid.

The consideration paid by WRA shall be the dollar amount that equals 100% of the annual costs reasonably and necessarily incurred in connection with the SVRP, CSIP, and SRDF (including both direct and indirect expenses), and no more. PCA will make all reasonable efforts to stay within, or below, the amounts budgeted for the SVRP, CSIP and SRDF. All budgetary savings will be applied to the following year's budgets. The annual costs include the following:

1. Amortization of any loans (USBR, SWRCB, etc.), bonds, certificates of participation, and any interim or other financing;
2. The SVRP, CSIP, and SRDF operation, maintenance, repair, replacement, power, capitalized equipment, capital improvements, contingency, and reserve costs as are contained in the budgets for the SVRP, CSIP and the SRDF. WPCA will make all reasonable efforts to stay within the total budget amounts for these budgets, but will have the latitude to incur variances between individual budget accounts, so long as the total budget amounts are not exceeded.
3. Unused funds received from WRA will be placed by PCA in an interest bearing account. All interest earned on WRA accounts will be applied for WRA's benefit on a monthly basis. PCA will adjust the second semi-annual billing and year-end reconciliation statement by any interest earned on WRA accounts. PCA shall be reimbursed by WRA for the reasonable loss of interest earnings on PCA's monies used to cover any SVRP or CSIP operations and maintenance costs until such costs are reimbursed by WRA.

7.03. Payment schedule.

PCA will establish separate accounts for the SVRP, SRDF, and the CSIP. Each year, WRA will fund each account by June 30 with a payment that adjusts seed monies to 50% of the projected operations, maintenance, capital outlay, and reserve expenses for the next fiscal year. Thereafter, PCA will record into this account the payments noted in paragraph 7.04 (a)(iv) and (v) based on cost share estimates determined pursuant to Section 4.02 (1) herein.

1. WRA will make six payments to PCA each year as follows:
 - (a) Thirty (30) days before the date that PCA's annual payment on the USBR loan for the SVRP is due, WRA will pay an amount equal to the then current payment on the USBR loan;
 - (b) Thirty (30) days before the date that PCA's annual payment on the SWRCB loan for the SVRP is due, WRA will pay an amount equal to the current payment on the SWRCB loan;
 - (c) Thirty (30) days before the date the PCA's annual payment on the SWRCB loan for the Source Water Facilities/Pure Water Monterey Project is due, WRA will pay an amount equal to WRA's proportional share of capital costs for the New Source Water Facilities, as provided in Exhibit I.
 - (d) On March 1, WRA will pay the SVRP CSIP, and SRDF operation, maintenance, reserve, and all other SVRP and CSIP costs for the immediately preceding July-December that are allocable to WRA and payable hereunder;
 - (e) On September 1, WRA will pay the SVRP, CSIP, and SRDF operation, maintenance, reserve, and all other costs budgeted for the immediately preceding January-June that are in excess of the payments received allocable to WRA and payable hereunder. All surplus

costs related to SVRP, CSIP, and SRDF operations will be processed in accordance with Section 7.02(e).

- (f) On March 1, WRA pay PCA the proportional share of the amortized replacement/renewal costs of the New Source Water Facilities as identified in Exhibit J.
- (g) On September 1, WRA will pay the SVRP, CSIP, and SRDF operation, maintenance, reserve, and all other costs budgeted for the immediately preceding January-June that are in excess of the payments received allocable to WRA and payable hereunder. All surplus costs related to SVRP, CSIP, and SRDF operations will be processed in accordance with Section 7.02(e).
- (h) Debt Service and Amortization schedules are shown in Exhibit I.

7.04. Payment procedures.

1. At least thirty (30) days before the specified due date for the payments under paragraph 7.04(a), PCA will send to WRA a request for payment, indicating the amount due, the date payment from WRA is due, and the nature of the payment.
2. Payment requests for operation, maintenance, reserve and other costs shall contain the following information: Expenditure reports for SVRP, CSIP, and SRDF that describe year-to-date (YTD) expenditure, YTD encumbrance, and YTD total, for each account along with the YTD total for all accounts, including indirect costs and contingency, and the percentage used YTD of the budgeted amount. Back-up information (original paid invoices, payroll records, time sheets, and vehicle costs) will be maintained by PCA to support each direct charge.
3. WRA shall promptly review all requests for payments and shall approve for payment such requests or portion thereof that are in conformity with this Water Recycling Agreement and shall promptly submit such approved requests to the County Auditor for payment. WRA shall promptly notify PCA of any disputed payment request. Disputes over payments shall be resolved as provided in Article XII of this Water Recycling Agreement.

7.05. Reduction or termination of water delivery for lack of payment; judicial remedies.

1. Notwithstanding anything to the contrary in this Water Recycling Agreement (except for the provisions of paragraph (b), below), if WRA should fail to make any payment to PCA required under this Water Recycling Agreement for a period of ninety (90) days or more after the due date, then PCA, upon fifteen (15) days' written notice to WRA, may act to reduce or terminate the delivery and/or distribution of tertiary treated water from the SVRP and or discontinue operation of the CSIP. Such reduction or termination in the delivery of water or discontinuance of operations of CSIP may continue only for such period of time as payments from WRA to PCA remain delinquent, and may continue even though dispute resolution procedures pursuant to Article XIII are pending between the parties, unless WRA makes full payment of the amount in question, under protest, as provided in paragraph 13.01.
2. For as long as any notes or bonds issued to finance the SVRP or CSIP are outstanding, PCA will not exercise its right to terminate or reduce the water supply of the tertiary treated water to the CSIP, except that PCA may reduce the water supply to the extent that the failure of WRA leaves PCA without all necessary and sufficient funds to operate the SVRP.
3. In addition, if WRA should fail to make any payment to PCA required under this Water

Recycling Agreement for a period of ninety (90) days or more after the due date, the PCA shall have the right to seek any appropriate judicial relief, at law or in equity, for such default. Such relief may include, but need not be limited to, damages, injunctive relief, and the appointment of a receiver.

7.06. Prior approval of budget by WRA.

1. Each year, in accordance with its normal budgeting schedule, PCA will adopt budgets for the operation of the SVRP, CSIP, and SRDF, in advance of the operating year for which the budgets are proposed, including therein all costs to be paid by WRA. In preparing these budgets, the demand schedule approved by WRA's General Manager will be provided to PCA by November 1 of each year. Within six (6) weeks of receipt of the demand schedule, PCA will provide WRA with a preliminary budget estimate. Any additional costs associated with the New Source Waters will be calculated based on the demand schedule and PCA's Interruptible Rate; and will be included as a separate line item in the SVRP, CSIP, or SRDF budget. Upon receipt of the preliminary budget, both agencies will agree to meet in a timely manner sufficient to enable review and approval by both agencies respective boards.
2. Once the budgets are approved by WRA's Board of Directors, WRA's Board of Supervisors, and PCA's Board of Directors, PCA will not modify the budgets so as to exceed the amount of expenditures approved by WRA without first submitting the proposed changes to WRA's Board of Directors and WRA's Board of Supervisors for review and approval, except as provided for in Section 7.11. In addition, both agencies will provide advance notification of any proposed budgetary modifications that will be considered by each agencies respective boards.
3. In the event WRA's revenues to fund the CSIP, SVRP, and SRDF, budgets fall below projected amounts, WRA may request that PCA to revise the operations to incur lower operating costs to stay within the revised revenue projections.

7.07. SWRCB as third party beneficiary.

The State Water Resources Control Board (SWRCB) shall be a third party beneficiary of the WRA's payment obligations under this Article VII, to the extent that the WRA's payment obligations are intended to provide funds to PCA to repay the loan to the PCA from the SWRCB. In the event of default by the PCA in the repayment of said loan, the SWRCB may enforce the loan repayment obligations against the WRA, and to the extent that the WRA makes payment to the SWRCB, the WRA shall be relieved of its corresponding obligation to the PCA. If, through no fault of the WRA, the PCA defaults in its repayment obligation to the SWRCB, and the WRA thereby becomes obligated to pay any penalties, extra charges, or amounts in excess of the basic principal and interest on the loan, then PCA shall reimburse WRA for any such amounts paid by WRA.

7.08. Priorities of payment.

Notwithstanding anything to the contrary contained herein, WRA's obligations to make payments with respect to the SVRP, CSIP, and SRDF shall be prioritized as follows, and the obligations in each category shall be subordinate to the obligations in each prior category, shall be on a parity with all other obligations in such category, and shall be senior to the obligations in each subsequent category:

1. Operation and maintenance costs for the SVRP, CSIP, and SRDF;
2. debt service on obligations (other than USBR or SWRCB loans for the SVRP, CSIP, and the New Source Water Facilities) incurred to finance the SVRP, CSIP, and New Source Water Facilities, payments to replenish any reserve fund for such obligations, and payments to any provider of credit enhancement for such obligations;
3. debt service on the USBR and SWRCB loans for the SVRP;
4. debt service on the New Source Water Facilities;
5. repair, replacement, capital improvements, capitalized equipment, contingency and reserve costs of the SVRP, CSIP, and SRDF (to the extent the same do not constitute operation and maintenance costs);
6. WRA's share of the amortized replacement/renewal costs of the New Source Water Facilities as identified in Exhibit J.

7.09. Application of loan payments by PCA.

All payments made by WRA to PCA for the repayment of the USBR or SWRCB SVRP loans shall be used for such repayment. Upon termination of any loan agreement, any unused funds returned to PCA and retained by PCA shall be returned to WRA within 60 days from the date of the approved PCA audit for the fiscal year in which the agreement was terminated all in accordance with Section 9.01 and 9.02 herein.

7.10. Unanticipated events/Emergency situations

1. Unanticipated events. Circumstances or events may arise which were not anticipated in either the scopes of services or the budgets for SVRP, CSIP, and SRDF. In this case, PCA will submit its plans for addressing such circumstances or events, including justification and estimated amount of expenditures, to the Water Quality Committee, formed in accordance with Section 6.04, for its review and recommendations. Before proceeding with those plans, WRA must first give its written approval to incur any additional costs associated therewith.
2. Emergency situations. If the event or circumstance constitutes an emergency situation which threatens health and safety, damage to property, or injury to persons, PCA will act as promptly and as efficiently as possible to mitigate the situation without waiting for approval by the Water Quality and Operations Committee or WRA. PCA will advise the Water Quality and Operations Committee and WRA as soon thereafter as possible of the mitigating actions taken and of any further action that may be necessary.

7.11. Decision-making authority.

In order to provide for the smooth and efficient operation of SVRP, CSIP, and SRDF, PCA will have the full authority to make and implement decisions with regard to activities and expenditures for these purposes without prior approval of WRA. All such activities shall be within the scope of services described in Exhibit B "Operation and Maintenance of SVRP, CSIP, SRDF, and New Source Water Facilities", respectively. All such expenditures shall be within the overall budget amounts for the SVRP, CSIP and SRDF.

VIII. ACCOUNTING SYSTEM, REPORTS

8.01. Accounting system.

PCA will maintain an accounting system that is in conformity with generally accepted accounting principles (GAAP) and will allow for the segregation and tracking of all revenues and direct costs related to the SVRP, CSIP, and SRDF. The accounting system shall properly allocate costs to the SVRP, CSIP, and SRDF and to PCA's other activities that are not subject to reimbursement by WRA under this Water Recycling Agreement. The accounting system shall provide the ability to adequately identify indirect cost centers and establish allocation factors to assign indirect costs proportionally to the CSIP, SVRP, SRDF, and the Interruptible Rate for New Source Waters. Cost accounting, including any overhead distributions, shall be in accordance with GAAP. PCA shall make the details of such system available to or known to WRA and/or to WRA's auditor, at WRA's request.

8.02. Financial reports.

By the last day of each month PCA will provide to WRA a report on expenditures made during the previous month and year-to-date, for each line item in the SVRP, CSIP, and SRDF budgets. These reports will identify any line items which vary appreciably from anticipated budget to date. PCA will provide WRA an annual report of WRA's proportional share of Reserves retained in the Pure Water Monterey Fund for New Source Water Facilities. This report will be provided by PCA to WRA by September 30 of each year; and include WRA's deposits made to the Repair/Renewal Reserve, proportional interest earned, and the proportional share of any replacement/renewal costs.

8.03. Direct and indirect costs.

1. Direct costs of the SVRP, CSIP and SRDF are costs which can be tracked as costs of these particular activities through invoices, time cards, record keeping systems, and other records that specifically allocate a cost to these activities. Indirect costs are all other costs incurred by PCA in order to manage, maintain, support, and operate the SVRP or the CSIP.
2. PCA shall implement the accounting system described in Section 8.01 to uniformly identify and allocate all direct and indirect costs for the SVRP and the CSIP and for all the PCA's other activities. PCA shall identify the specific functions that are typically considered administrative or support in nature. These functions or departments shall include Human Resources, Finance, Administration, Information Technology, and Safety. The annual budgeted costs of these functions will be allocated proportionally to all operational activities based on a percentage relational to the services provided to SVRP, CSIP, SRDF and all other PCA activities. A sample overview is provided in Exhibit K. The budgets associated with the administrative or support functions will not be directly charged to the SVRP, SRDF, or CSIP. PCA will make reasonable efforts to maximize the extent to which costs to be paid by WRA can be identified as direct costs rather than as indirect costs.
3. For purposes of allocating indirect costs, PCA will not include as a direct cost the debt service (principle and interest) on the loans obtained for the project.
4. PCA and WRA retain the right to transition from the cost allocation plan identified in 8.02 (b) to a cost allocation model that is compliant with the Office of Management and Budget (OMB) Circular A-87 – Cost Principles for State, Local, and Indian Tribe Governments or a subsequent revision. Any cost allocation subject to this provision shall be accompanied by a Certificate of Cost Allocation Plan and be in compliance with Title 2 CFR, Part 200. All indirect costs charged to functional activities will be applied consistently with the results of this plan to ensure equity between costs centers and conformance with OMB standards; provided, however, no allocation of any indirect cost unrelated to SVRP, CSIP or SRDF shall

be made.

5. If PCA elects to engage a consultant to comply with OMB Circular A-87, PCA shall be primarily responsible for the costs associated with the Plan, and WRA shall pay for a portion of the plan consistent with the current year indirect cost allocation factor. If WRA requests that PCA engage a consultant to comply with OMB Circular A-87, the costs associated with the plan shall be divided equally.
6. Implementation of an OMB Circular A-87 Cost Allocation Plan will become effective in the new fiscal year immediately following the cost allocation study.
7. All OMB Circular A-87 Cost Plans will be subject to updates as consistent with industry standards. All costs associated with a consultant retained to update the plan shall be paid in accordance with Section 7.02 (e).

8.04. Annual audit.

The accounting for WRA's funds will be subject to PCA's Annual Audit. Information relating to WRA's activities will be classified as Restricted in PCA's Comprehensive Annual Financial Statement (CAFR). This Restricted classification will remain in effect through the term of this agreement, unless there are any new Governmental Accounting Standards Board (GASB) pronouncements or auditor comments that require a change in classification. A copy of PCA's CAFR will be provided to WRA by January following the close of the subsequent fiscal year.

8.05. Right to inspect and audit records.

WRA shall have the right to inspect PCA's records pertaining to the SVRP, CSIP, and SRDF, upon reasonable advance notice. WRA shall also have the right to audit PCA's records pertaining to the SVRP, CSIP, and SRDF, or to have them audited by an auditor selected by WRA, at WRA's sole cost and expense. Such audit may be performed at any time during regular business hours, upon the giving of reasonable advance notice. If the audit shows that PCA has overcharged annual costs to WRA by more than five percent, PCA shall promptly on demand by WRA reimburse WRA for the cost of the audit.

8.06. Reimbursement for overcharge or undercharge.

If any audit shows that an undercharge or an overcharge has occurred, each agency will have 90 days to comply with the audit findings.

IX. REPAIR AND MODIFICATION OF SVRP, CSIP, SRDF, AND NEW SOURCE WATER FACILITIES AND RELATED FACILITIES.

9.01. SVRP, CSIP, and SRDF Reserve Funds.

PCA shall at all times during the term of this Water Recycling Agreement accumulate and maintain a reclamation reserve fund for SVRP, CSIP, and SRDF. The loan reserve fund will be at a minimum in accordance with each loan agreement found in Exhibit H. The exact amount for each operating reserve shall be determined in the annual budget process. If insurance or self-insurance monies are available for any projects that are intended to be funded by reserves, the insurance monies will be used prior to accessing reserve funds. Upon termination of any agreement, any unused funds retained by PCA shall be returned to WRA within 60 days from the date of the approved PCA audit for the Fiscal Year in which the agreement was terminated.

9.02. Replacement and Renewal Costs Associated with New Source Water Facilities.

WRA shall pay PCA the proportional share of amortized capital renewal costs associated with the New Source Water Facilities. WRA's annual contribution is provided in Exhibit J. All funds received from WRA will be placed in the Pure Water Monterey Fund's Renewal and Replacement Reserve in accordance with Section VI. All funds will be held in the Reserve for the purpose of funding capital outlay projects for the New Source Water Facilities; assist in meeting any fiscal sustainability plan requirements for the Clean Water State Revolving Loans; and maintaining a proportional share of the Loan's debt covenant ratio. At the completion of the thirty-year loan cycle, WRA and PCA will develop a long-term Capital Improvement Plan, which includes establishing an appropriate level of Renewal and Replacement reserves. Any WRA funds that are held in Reserves in excess of the Capital Improvement Plan will be refunded within ninety (60) days of the Plan's establishment.

9.03. Expansion of treatment plant capacity.

PCA may expand the Regional Treatment Facility above the current capacity of 29.6 MGD and may construct additional reclamation facilities, at its sole cost and expense and without receiving the consent of WRA. Any increases in capacity and any additional reclamation facilities so constructed shall be used at PCA's discretion. Provided, however, that PCA is precluded from providing water to customers within WRA's jurisdiction.

9.04. Interruptions of service.

1. No work of construction, remodeling, renovation, replacement, repairs, addition, or expansion authorized under this Water Recycling Agreement and performed on the SVRP, CSIP and SRDF shall, either before, during, or after such work, interfere with, interrupt, or reduce the delivery of tertiary treated water and river water to WRA under this Water Recycling Agreement, except that minor interferences, interruptions, or reductions shall be allowed when necessary, unavoidable, or beyond the control of PCA.
2. PCA shall schedule its planned maintenance activities on the SVRP, CSIP and SRDF to minimize interruption of distribution of tertiary, river and/or well water by the CSIP. Unscheduled work to perform repairs or maintenance will be performed in the manner deemed by PCA to have the least impact on the distribution of tertiary, river and/or well water by the CSIP. In case of any interruption of service, PCA shall give notice in the same manner as required by paragraph 3.07.

9.05. Duty to apply insurance proceeds.

If either party recovers any insurance proceeds on account of loss or damage to the SVRP, CSIP, or SRDF, such proceeds shall be applied to repair or replace the damaged portion of the SVRP, CSIP, or SRDF, and not otherwise. If either party is self-insured and any loss or damage occurs that would have been covered by insurance otherwise required to be maintained by such party under this Water Recycling Agreement, then such party shall provide the funds that would have been recovered had the party been insured and shall apply the funds to repair or replace the damaged portion of the SVRP, CSIP, or SRDF.

9.06. Payment of uninsured losses.

If the SVRP, CSIP, or SRDF is damaged or destroyed during the term of this Water Recycling Agreement, not by an intentional or willful misconduct of a WRA employee, and the amount of available insurance and self-insurance monies plus replacement reserves is insufficient to repair or

replace the damage, then WRA shall pay the balance necessary to restore these facilities to their condition prior to the damage.

9.07. New Water Recycling Agreement on replacement of SVRP.

Should all, or part of, the SVRP, CSIP, or SRDF require replacement, whether from insurance or self-insurance monies or from the reserve for replacement, the parties will in a good faith attempt to reach agreement on a new Water Recycling Agreement on terms substantially in accord with the present Water Recycling Agreement.

X. INDEMNIFICATION.

10.01. Indemnification of WRA.

PCA shall indemnify, defend, and hold harmless WRA and the County of Monterey (the "County"), their officers, agents, and employees, from and against any and all claims, liabilities, and losses whatsoever against WRA or the County (including damages to property and injuries to or death of persons, court costs, and reasonable attorneys' fees) occurring or resulting to any and all persons, firms or corporations furnishing or supplying work, services, materials, or supplies in connection with the performance of this Water Recycling Agreement, and from any and all claims, liabilities, and losses occurring or resulting to any person, firm, or corporation for damage, injury, or death arising out of or connected with the PCA's performance of its obligations pursuant to this Water Recycling Agreement caused in whole or in part by any negligent act or omission of PCA, any subcontractor, anyone directly or indirectly employed by any of them or anyone for whose acts any of them may be liable, except where caused by the active negligence, sole negligence or willful misconduct of WRA.

10.02. Indemnification of PCA.

WRA shall indemnify, defend, and hold harmless PCA, their officers, agents, and employees, from and against any and all claims, liabilities, and losses whatsoever against PCA (including damages to property and injuries to or death of persons, court costs, and reasonable attorneys' fees) occurring or resulting to any and all persons, firms or corporations furnishing or supplying work, services, materials, or supplies in connection with the performance of this Water Recycling Agreement, and from any and all claims, liabilities, and losses occurring or resulting to any person, firm, or corporation for damage, injury, or death arising out of or connected with the WRA's performance of its obligations pursuant to this Water Recycling Agreement caused in whole or in part by any negligent act or omission of WRA, any subcontractor, anyone directly or indirectly employed by any of them or anyone for whose acts any of them may be liable, except where caused by the active negligence, sole negligence or willful misconduct of PCA.

10.03. Procedure for Indemnification.

1. If any legal or administrative proceedings are instituted, or any claim or demand is asserted, by any third party which may give rise to any damage, liability loss or cost or expense with respect to which either party has agreed to indemnify the other party in this contract, then the indemnified party shall give the indemnifying party written notice of the institution of such proceedings, or the assertion of such claim or demand, promptly after the indemnified party first becomes aware thereof. However, any failure by the indemnified party to give such notice on such prompt basis shall not affect any of its rights to indemnification hereunder unless such failure materially and adversely affects the ability of the indemnifying party to

- defend such proceeding.
2. The indemnifying party shall have the right, at its option and at its own expense, to utilize counsel of its choice in connection with such proceeding, claim or demand, subject to the approval of the indemnified party. The indemnifying party shall also have the right to defend against, negotiate with respect to, settle or otherwise deal with such proceeding, claim or demand. However, no settlement of such proceeding, claim or demand shall be made without the prior written consent of the indemnified party, which consent shall not be unreasonably withheld or delayed. The indemnified party may participate in any such proceeding with counsel of its choice at its own expense.
 3. In the event, or to the extent, the indemnifying party elects not to, or fails to, defend such proceeding, claim or demand and the indemnified party defends against, settles or otherwise deals with any such proceeding, claim or demand, any settlement thereof may be made without the consent of the indemnifying party if it is given written notice of the material terms and conditions of such settlement at least ten days before a binding agreement with respect to such settlement is executed.
 4. Each of the parties agrees to cooperate fully with each other in connection with the defense, negotiation or settlement or any such proceeding, claim or demand.

10.04. Payment of indemnified claims.

The indemnifying party shall forthwith pay all of the sums owing to or on behalf of the indemnified party, upon the happening of any of the following events:

1. Upon the rendition of a final judgment or award with respect to any proceeding described in paragraph 10.03, above, by a court, arbitration board or administrative agency of competent jurisdiction and upon the expiration of the time in which an appeal therefrom may be made; or
2. Upon the making of a settlement of such proceeding, claim or demand; or
3. Upon the parties' making of a mutually binding agreement with respect to each separate matter indemnified thereunder.

10.05. Contribution in the event of shared liability.

In the event any proceeding, claim or demand described in paragraph 10.03 is brought, in which allegations of fault are made against both the parties, the extent of indemnification shall be determined in accordance with the agreement of the parties, or, if there is no agreement, then in accordance with the findings of the court as to the relative contribution by each of the parties to the damage suffered by the party seeking indemnity with respect to such proceedings.

10.06. Exclusion from O&M costs.

Amounts payable by either party as indemnification shall not be included in the operations and maintenance costs of the SVRP, CSIP, SRDF, and New Source Water Facilities.

1. The indemnifying party shall have the right, at its option and at its own expense, to utilize counsel of its choice in connection with such proceeding, claim or demand, subject to the approval of the indemnified party, which approval shall not be unreasonably withheld or delayed. The indemnifying party shall also have the right to defend against, negotiate with respect to, settle or otherwise deal with such proceeding, claim or demand. However, no settlement of such proceeding, claim or demand shall be made without the prior written consent of the indemnified party, which consent shall not be unreasonably withheld or delayed, unless, pursuant to the terms and conditions of such settlement, the indemnified

party is released from any liability or other exposure with respect to such proceeding, claim or demand. The indemnified party may participate in any such proceeding with counsel of its choice at its own expense.

2. In the event, or to the extent, the indemnifying party elects not to, or fails to, defend such proceeding, claim or demand and the indemnified party defends against, settles or otherwise deals with any such proceeding, claim or demand, any settlement thereof may be made without the consent of the indemnifying party if it is given written notice of the material terms and conditions of such settlement at least ten days before a binding agreement with respect to such settlement is reached.
3. Each of the parties agrees to cooperate fully with each other in connection with the defense, negotiation or settlement of any such proceeding, claim or demand.

XI. INSURANCE.

11.01. General insurance requirements.

Without limiting PCA's duty to indemnify, PCA shall maintain in effect throughout the term of this Water Recycling Agreement a policy or policies of insurance meeting the requirements hereinafter set forth. All such insurance required by this article shall meet the following requirements:

1. Each policy shall be with a company authorized by law to transact insurance business in the State of California, and shall be written on an occurrence form.
2. Each policy shall provide that both parties shall be given notice in writing at least thirty days in advance of any change, cancellation or non-renewal thereof.
3. Except with respect to workers compensation insurance, each policy shall provide an endorsement naming both parties and its officers, agents and employees as additional insureds, or additional insureds, as applicable, and shall further provide that such insurance is primary to any other insurance maintained by the WRA.
4. Each policy shall provide identical coverage for each general contractor and sub-contractor performing construction work under this contract, or be accompanied by a certificate of insurance showing that the contractor or sub-contractor has identical insurance coverage or an appropriate substitute for such coverage approved by the parties hereto.

11.02. Commercial general liability insurance.

WRA and PCA shall maintain (and be named insured under) commercial general liability insurance covering all operations under this Water Recycling Agreement, with such coverages as the parties may agree upon from time to time. The County of Monterey shall be named as an additional insured. PCA will pay up to 40% of the annual cost, for the term of this Water Recycling Agreement. In addition, should this Water Recycling Agreement be terminated by the parties under Section 11.04 (b) with regard to the operation of the CSIP, the obligation of the PCA to pay for such insurance regarding the CSIP shall be accordingly reduced.

11.03. Motor vehicle insurance.

PCA shall maintain insurance covering all motor vehicles (including owned and non-owned) used in providing services under this Water Recycling Agreement, with a combined single limit of not less than \$2,000,000.

11.04. Property insurance.

1. PCA shall maintain insurance covering the SVRP against loss or damage due to fire and other perils to the extent that such insurance is readily and practically available and within available funds for the SVRP. The amount of the insurance shall not be less than the then-current replacement cost of the SVRP, without depreciation. Insurance coverage for the SVRP under this section shall be reviewed and approved by WRA, which shall not unreasonably withhold or delay its approval. PCA shall provide WRA with a copy of the insurance policy and shall give WRA thirty (30) days' advance notice of any cancellation or proposed change in the insurance required by this section, and any such change shall be subject to review and approval by WRA.
2. WRA shall maintain insurance covering the CSIP and SRDF against loss or damage due to fire and other perils to the extent that such insurance is readily and practically available and within available funds for the SRDF. The amount of the insurance shall be not less than the then-current replacement cost of the CSIP and SRDF, without depreciation. Insurance coverage for the CSIP and SRDF shall be reviewed and approved by PCA, which shall not unreasonably withhold or delay its approval. WRA shall provide PCA with a copy of the insurance policy and shall give PCA thirty (30) days' advance notice of any cancellation or proposed change in the insurance required by this section, and any such change shall be subject to review and approval by PCA.

11.05. Workers' compensation insurance.

PCA shall maintain a workers' compensation plan covering all of its employees as required by Labor Code Sec 3700, either (a) through workers' compensation insurance issued by an insurance company, with coverage meeting the statutory limits and with a minimum of \$100,000 per accident for employer's liability, or (b) through a plan of self-insurance certified by the State Director of Industrial Relations, with equivalent coverage. If PCA elects to be self-insured, the certificate of insurance otherwise required by this Water Recycling Agreement shall be replaced with a consent to self-insure issued by the State Director of Industrial Relations.

11.06. Certificate of insurance.

PCA shall file certificates of insurance with the WRA and with the Monterey County Risk Management Division, showing that PCA has in effect the insurance required by this contract. PCA shall file a new or amended certificate promptly after any change is made in any insurance policy which would alter the information on the certificate then on file.

11.07. Self-insurance.

Each party may, instead of obtaining the insurance required of it by this Water Recycling Agreement, elect to be self-insured or to participate in the self-insurance pool, provided the other party first gives its written consent, which will not be unreasonably withheld or delayed. The parties shall enter into a separate written memorandum of understanding specifying the proportionate amount or share of such self-insurance allocated to SVRP, CSIP, and SRDF.

11.08. Insurance costs.

Insurance expenses and equivalent self-insurance expenses are CSIP/SVRP costs, except for: costs excludable under indemnification, PCA's share of the liability insurance premium costs under Section 11.02; and costs of PCA's workers' compensation insurance covering work outside the scope of this Water Recycling Agreement. All deductibles under Section 11.02 liability insurance

and Section 11.04 property insurance, as well as any self-insured retention under excess insurance held by WRA, PCA, or Monterey County will be borne by WRA. All damages, liabilities, losses and costs, including fines and penalties, that are not covered under a policy of insurance, a self-insurance pool, or other self-insurance program shall be borne by the parties according to this Water Recycling Agreement (see, e.g., Sections 10.01 and 10.02).

11.09. Periodic increases in coverage requirements.

The coverage limits stated herein in dollar values shall be adjusted upwards by 15% for every 15% increase in the consumer price index for all urban consumers in the San Francisco Bay area over the level in effect on the date of this agreement or the previous level, or, if such index is not available, for any substitute or replacement index. Either party shall notify the other when such increase is requested or made.

XII. TERM OF AGREEMENT.

12.01. Term of Agreement.

This Water Recycling Agreement shall become effective on the date hereinabove entered and terminate on the latter of (i) December 31 of year 2045 or (ii) December 31 of the year in which full repayment of debt instruments utilized for financing of New Source Water Facilities.

12.02. Automatic extension.

This Water Recycling Agreement shall be automatically renewed for additional 10-year periods unless one Party provides the other Party written notice by December 31st of the year preceding the year of expiration.

12.03. Conditions of agreement during term.

All the terms of this Water Recycling Agreement shall remain in effect during any term, except as otherwise provided in this contract.

12.04. Rights on Termination.

1. Upon any termination of this Water Recycling Agreement, WRA shall have the continuing right to receive from PCA the same quantity of incoming wastewater flow as originating in the Salinas Valley. WRA shall provide facilities for treating the water beyond secondary treatment level at its sole cost and expense or through a cooperative agreement with PCA or any other entity. Upon any termination of this Water Recycling Agreement, PCA shall have the continuing right to receive the same quantity of tertiary treated water as PCA was or would have been entitled to receive during any term of this Water Recycling Agreement.
2. Upon written notice to PCA within 90 days of termination of this Water Recycling Agreement, WRA shall, at its sole discretion and to the extent permitted by law, have the option to lease or purchase (as determined by PCA) the SVRP and the land upon which it sits, and thereafter to operate, maintain and otherwise be responsible for the SVRP at WRA's sole cost and liability. Upon notice from WRA of its intent to exercise this option, PCA shall, within ninety days, inform WRA whether the land and the SVRP must be acquired, leased, or a combination thereof. WRA shall indemnify and defend PCA with respect to such facilities and lands.
3. If the parties are unable to agree on the fair market value for the sale or lease of the SVRP and of the underlying land, that dispute shall be decided in accordance with the alternative

dispute resolution provisions set forth in Article XIII.

4. PCA's rights to tertiary treated water in accordance with this Water Recycling Agreement shall also survive cancellation, regardless of whether WRA exercises the option pursuant to Section 12.04(2).

XIII. DISPUTE RESOLUTION.

13.01. Dispute resolution procedure.

If any dispute arises between the parties as to the proper interpretation or application of this Agreement and/or the proper operation of the facilities the parties shall first seek to resolve the dispute in accordance with this Article, and the parties must proceed through arbitration under this Article before filing any court action as set out below.

13.02. Duty to meet and confer.

If any dispute under this Agreement arises, the parties shall first meet and confer, in an attempt to resolve the matter between themselves. Each party shall make all reasonable efforts to provide to the other party all the information that the party has in its possession that is relevant to the dispute, so that both parties will have ample information with which to reach a decision.

13.03. Mediation and Arbitration.

1. If the dispute is not resolved by meeting and conferring, the matter may be submitted to mediation. The terms of mediation shall be set by the parties and the mediator. The parties agree that they may elect to convert the mediation into arbitration by or through consensus.
2. If the dispute is not resolved by meeting and conferring, and mediation is not chosen or is unsuccessful, the parties may agree to submit the matter to arbitration. In the event the parties will jointly select a single arbitrator, or, if the parties are unable to agree, they shall each select an arbitrator, and the matter shall be handled by two arbitrators. The two arbitrators may, if they deem it appropriate and warranted by the nature and significance of the dispute and after consultation with the parties, themselves select a third arbitrator. Any person selected as an arbitrator shall be a qualified professional with expertise in the area that is the subject of the dispute, unless the parties otherwise agree. The arbitration shall be conducted in accordance with the rules of the American Arbitration Association. The decision of the arbitrator or arbitrators shall be binding, unless within 30 days after issuance of the arbitrator's written decision, either party files an action in court.

XIV. ADDITIONAL RESPONSIBILITIES.

14.01. Compliance with water reclamation requirements for the CSIP.

PCA shall be responsible for compliance with all of the requirements contained in the "Recycled Water User Requirements for Monterey County Water Resources Agency (User), Castroville Seawater Intrusion Project, Monterey County," Order No. 97-52, issued by the State of California Regional Water Quality Control Board, Central Coast Region, on September 5, 1997, or as said Recycled Water User Requirements Order No. 97-52 may from time to time be revised and re-issued by said Regional Water Quality Control Board. PCA's responsibilities shall be limited to complying with the Water Reclamation Requirements for the SVRP, as described in Section 6.01, and for notifying WRA of any obvious violation of the CSIP requirements.

14.02. Grower and landowner requirements.

WRA shall require the growers and landowners to operate their irrigation systems and to use reclaimed water in accordance with the requirements of Water Reclamation Requirements Order No. 97-52, or as subsequently revised, referred to in Section 15.01.

14.03. Reports to U.S. Department of the Interior, Bureau of Reclamation.

WRA shall prepare and submit all reports required by the Bureau of Reclamation for CSIP, and SRDF and PCA shall submit all such reports for SVRP, as a condition of any loans made by the Bureau of Reclamation. These reports shall include, but not be limited to, the annual excess lands report, and any reports associated with use of reclaimed water for municipal or industrial purposes.

14.04. Permits and approvals.

WRA shall be responsible for obtaining and complying with all permits and approvals for the CSIP and SRDF that are necessary for PCA to perform its work under this Water Recycling Agreement.

14.05. Third-party damages.

WRA shall resolve and pay for all costs resulting from damages to CSIP and SRDF facilities caused by third parties and not covered by insurance maintained by either WRA or PCA. If such damages are caused by a grower who is being served by the CSIP, WRA shall determine whether the associated costs are to be recovered from the grower, or are to be absorbed by WRA, but in no case shall PCA have any cost or other liability with regard to repairing said damages, except that WRA may request PCA to make necessary repairs and reimburse PCA for all costs associated therewith. The budget for the CSIP does not include any amounts for making such repairs, and WRA shall fund the cost of such repairs outside of this Water Recycling Agreement.

14.06. Assessments.

WRA will prepare and submit, and resolve all questions and issues associated with billings for assessments levied in conjunction with SVRP, CSIP and SRDF.

14.07. Physical damage to crops.

Crop damage payments, except those attributed to PCA's failure to produce water which meets the water quality standards specified in Section 5.01 shall be reimbursable costs from the annual CSIP operating budget.

XV. DELIVERY OF WATER TO PCA.

15.01. PCA Demand.

PCA shall have the right to use, on an "as available" basis, amounts of tertiary treated water to which WRA and/or MCWD are entitled, but do not use. WRA shall similarly have the right to use, on an "as available" basis, amounts which PCA and/or MCWD are entitled, but do not use.

15.02. PCA Monthly Demand Schedule.

PCA shall, no later than December 15 of each year, provide to WRA a schedule of tertiary treated water deliveries for the next calendar year. This schedule shall show the amount requested for each calendar month of the year. The demand may vary from month to month, provided the demand neither exceeds PCA's entitlement nor the seasonal limitations set forth in section 17.03 where

applicable, except as otherwise specifically provided by this Water Recycling Agreement. PCA shall promptly inform WRA of any changes in the foregoing schedule.

15.03. PCA Payment.

1. PCA shall pay the Actual Costs of tertiary treated water it takes delivery of for its use, including portions of payments required pursuant to the Bureau Loan Contract and the SWRCB Loan Contract. The "Actual Costs" consist of the sum of: 1) the proportional SVRP operation and maintenance, plus 2) Supplemental Well Pumping Costs, if any plus 3) the proportional cost of SVRP debt service for the SWRCB Loan Contract, plus 4) the proportional cost of principal and interest payments for the SVRP due pursuant to Article 9 (b) of the Bureau Loan Contract, including any proportional interest due pursuant to Article 9 (b) (2) of the Bureau Loan Contract as a result of deliveries of tertiary treated water to the PCA for its M&I use.
2. PCA payments will be determined and made consistent with Exhibit I and, to the extent applicable, Articles VI and VII of this Water Recycling Agreement.

15.04. No Modification of MCWD Contract Entitlement.

Nothing in this Water Recycling Agreement is intended to, nor shall it be interpreted to, expand, limit or otherwise modify MCWD's existing contractual rights, entitlements, and obligations pursuant to either of the Annexation Agreements.

XVI. GENERAL PROVISIONS.

16.01. Compliance with laws.

PCA will comply with all permit and licensing requirements applicable to the SVRP, CSIP and SRDF, and will operate the SVRP in accordance with all requirements of law and governmental regulations. Compliance with water quality requirements will be limited strictly to those set forth in Section 6.01, "Water quality."

16.02. Attorney's fees.

In the event it shall become necessary to commence or defend litigation for purposes of enforcing this Agreement or rights hereunder, the prevailing party shall be entitled to recover reasonable attorney's fees and costs.

16.03. Amendments.

No amendment or modification shall be made to this Water Recycling Agreement, except in writing, approved by the respective Boards and duly signed by both parties.

16.04. Contract administrators.

1. WRA hereby designates its General Manager as its contract administrator for this Agreement. All matters concerning this Agreement which are within the responsibility of WRA shall be under the direction of or shall be submitted to the General Manager or such other WRA employee in the WRA as the General Manager may appoint. WRA may, in its sole discretion, change its designation of the contract administrator and shall promptly give written notice to PCA of any such change.
2. PCA hereby designates its General Manager as its contract administrator for this Agreement. All matters concerning this Agreement which are within the responsibility of PCA shall be

under the direction of or shall be submitted to the General Manager or such other PCA employee in the PCA as the General Manager may appoint. PCA may, in its sole discretion, change its designation of the contract administrator and shall promptly give written notice to WRA of any such change.

16.05. Assignment.

Any assignment of this Water Recycling Agreement shall be void without the written consent of the non-assigning party.

16.06. Negotiated Water Recycling Agreement.

This Water Recycling Agreement has been arrived at through negotiation between the parties. Neither party is to be deemed the party which prepared this Water Recycling Agreement within the meaning of Civil Code Sec. 1654.

16.07. Time is of essence.

Time is of the essence of this Water Recycling Agreement.

16.08. Headings.

The article and paragraph headings are for convenience only and shall not be used to limit or interpret the terms of this Water Recycling Agreement.

16.09. Entire Water Recycling Agreement.

This written Water Recycling Agreement, together with all exhibits attached hereto and incorporated by reference, is the complete and exclusive statement of the mutual understanding of the parties, except to the extent that this Water Recycling Agreement expressly refers to or requires the preparation of additional agreements. Any such additional agreement shall be in writing. This Water Recycling Agreement supersedes and cancels all previous written and oral agreements and communications relating to the subject matter of the contract. The 1992 Agreement Entitled _____, Amendments 1, 2, and 3 dated May 30, 1994, February 16, 1998, and May 28, 2002, respectively, and the SRDF Agreement are hereby rescinded.

16.10. Notices.

All notices and demands required under this Water Recycling Agreement shall be deemed given by one party when delivered personally to the principal office of the other party; when faxed to the other party, to the fax number provided by the receiving party; or five days after the document is placed in the US mail, certified mail and return receipt requested, addressed to the other party as follows:

To PCA:

General Manager
MRWPCA
5 Harris Court, Building D
Monterey, CA 93940
Fax: (831) 372-6178

To WRA:

General Manager
MCWRA
P.O. Box 930
Salinas, CA 93902-0930
Fax: (831) 424-7935

16.11. Execution of documents.

The parties will execute all documents necessary to complete their performance under this Water Recycling Agreement.

16.12. Exhibits.

The following exhibits are attached to this Water Recycling Agreement:

- EXHIBIT A: DIAGRAM OF PROJECT LOCATION AND RIGHTS OF WAY, ALSO SHOWING POINTS OF DELIVERY TO THE CSIP
- EXHIBIT B: OPERATION AND MAINTENANCE OF SVRP, CSIP, SRDF, AND NEW SOURCE WATER FACILITIES
- EXHIBIT C: SAMPLE WRA BASIC DEMAND SCHEDULE
- EXHIBIT D: WASTEWATER RECLAMATION SYSTEM PROJECT DESCRIPTION AND MITIGATION MEASURES
- EXHIBIT E: CALCULATION OF PAYMENTS PURSUANT TO SECTION 17.08 OF THIS WATER RECYCLING AGREEMENT
- EXHIBIT F: NEW SOURCE WATER FACILITY CAPITAL COSTS
- EXHIBIT G: OPERATION AND MAINTENANCE ESTIMATED TREATMENT COSTS
- EXHIBIT H: PROPOSED GWR PROJECT FACILITIES OVERVIEW FIGURE S-1
- EXHIBIT I: DEBT SERVICE OVERVIEW AND AMORTIZATION SCHEDULE
- EXHIBIT J: SCHEDULE OF AMORTIZED REPLACEMENT AND RENEWAL COSTS FOR NEW SOURCE WATER FACILITIES
- EXHIBIT K: SAMPLE COST ALLOCATION PLAN FOR INDIRECT COSTS

16.13. Severability.

If any provision of this Water Recycling Agreement is declared invalid or unenforceable by any court of competent jurisdiction, then such portion or provision shall be deemed to be severable, to the extent invalid or unenforceable, from this Water Recycling Agreement. Such declaration shall not affect the remainder of this contract, which shall remain in full force and effect, as though the invalid portion had never been included.

16.14. Waiver.

No waiver of any right or obligation of any of the parties shall be effective unless in a writing, specifying such waiver, executed by the party against whom such waiver is sought to be enforced. A waiver by any of the parties of any of its rights under this Water Recycling Agreement on any occasion shall not be a bar to the exercise of the same right on any subsequent occasion or of any other right at any time.

16.15. Conditions Precedent.

The portions of this Water Recycling Agreement applicable to the New Source Water Facilities shall not become effective until the following conditions are met:

1. Water Rights for the Blanco Drain and Reclamation Ditch are obtained from the California State Water Resources Control Board; and
2. A fully executed, and California Public Utilities Commission approved, Water Purchase Agreement, between PCA, WMD, and California-American Water; and
3. Written finding by the Regional Water Quality Control Board that utilization of the Blanco Drain dry weather flows as New Source Water meets all treatment requirements for the aforesaid dry weather flows; and
4. A successful 218 vote(s) for rates and charges related to the operation and maintenance of the New Source Water Facilities and proportional primary and secondary treatment charges; and

5. An independent third-party review of proposed capital and operating costs, approved by the WRA Board of Directors and Board of Supervisors. The costs of the aforesaid third party review shall be shared equally between WRA and PCA.

16.16. Use of New Source Water.

If Conditions Precedent in Section 16.15 (1) and 16.15 (2) are met, but Conditions Precedent in Section 16.15 (3) and/or Section 16.15 (4) and/or Section 16.15 (5) are not met:

1. WRA will allow use by PCA of its water rights of 6,500 acre-ft entitlement from Application Nos. 32263A, 32263B, and 32263C. PCA will pay WRA the cost of obtaining and maintaining those water rights.
2. WRA will retain the right to utilize the Agricultural Wash Water component from the City of Salinas.

16.17. Written Authorization.

For any action by PCA which requires written authorization from WRA, the written authorization shall be signed by WRA's General Manager, or the General Manager's written designee.

XVII. EXECUTION

In witness whereof, the parties execute this Water Recycling Agreement as follows:

PCA

WRA

Dated: _____

Dated: _____

Board Chair, Board of Directors

Chair, Board of Supervisors

Approved as to form:

Dated: _____

Dated: _____

Counsel, PCA

Deputy County Counsel, WRA

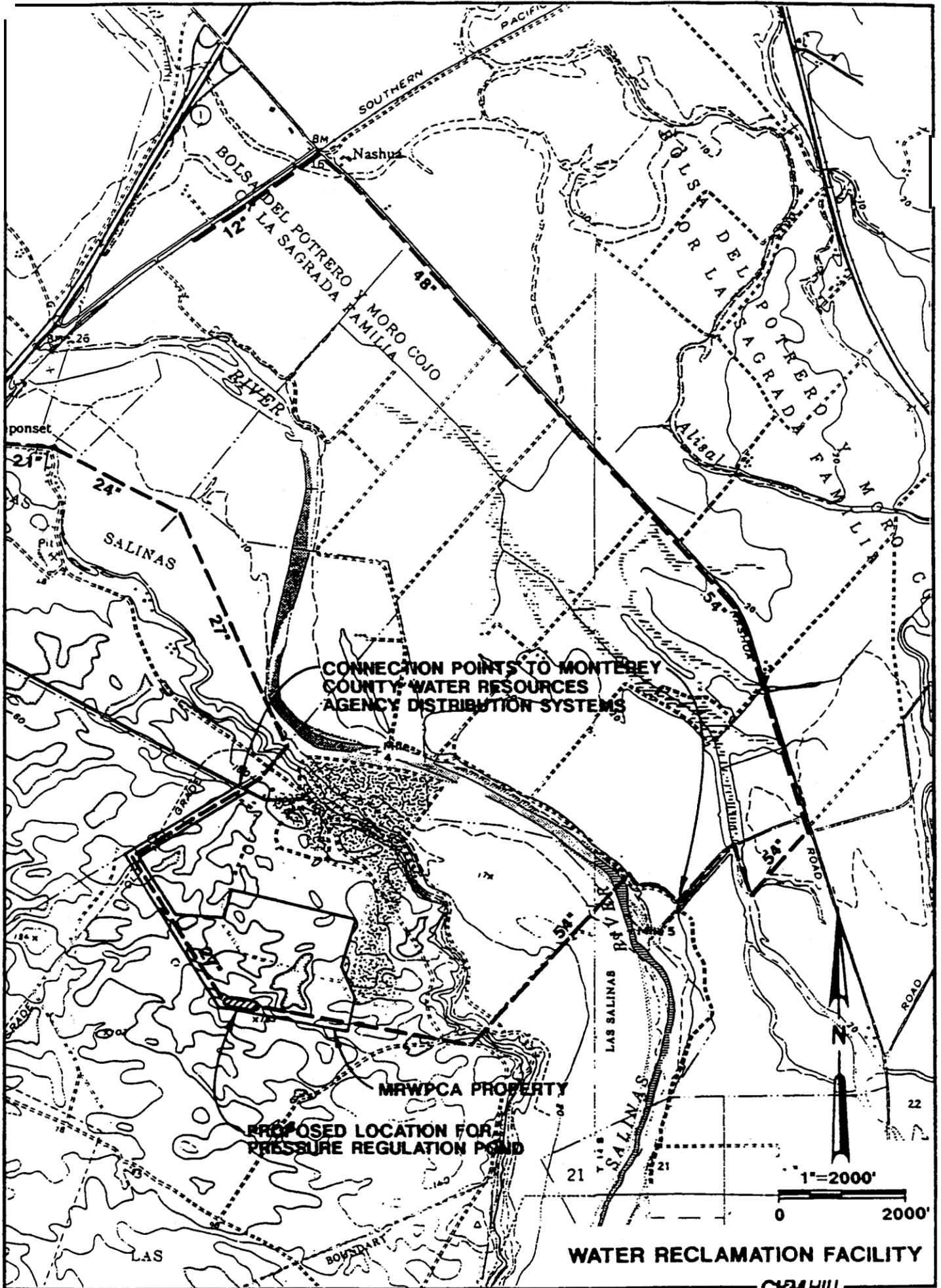


EXHIBIT "A"

EXHIBIT B

Operation and Maintenance of SVRP, CSIP, SRDF, and New Source Water Facilities

Operation and Maintenance of the SVRP

PCA agrees to perform the following minimum services to ensure the proper operation of the SVRP. Said services are subject to change by mutual written agreement.

- Operate mechanical equipment such as meters, pumps, filters and chemical feeders.
- Operate electrical and electronic equipment such as motors, controllers, automatic monitors, automatic samplers, chlorine residual analyzers, and standby power systems.
- Calibrate, maintain, service, repair, and replace various mechanical electrical, and electronic equipment such as chemical metering pumps and supporting chemical feed systems, automatic samplers, electrically and pneumatically operated valves, motors, flow meters, chemical mixers, and chlorine and sulfur dioxide equipment including evaporators, chlorine and sulfur dioxide feeders.
- Change one ton chlorine and sulfur dioxide tanks and abide by the PCA's safety and loss prevention program.
- Perform jar testing to determine and optimize chemical dosages and control chemical applications for various treatment processes.
- Inventory, order and store chemicals for the SVRP.
- Inventory, order and store spare parts and equipment for the SVRP.
- Maintain accurate and complete operational records and prepare monthly and any other reports as required by the Water Reclamation Requirements referred to in Section 5.01, paragraph (b) for the SVRP. Copies of Water Reclamation Requirements reports will be provided to WRA.
- Read meters, gauges, charts.
- Utilize computers and SCADA system to assist with the operation of the SVRP.
- Read and interpret SVRP construction schematics and plans.
- Maintain and monitor reclaimed water storage reservoir.
- Collect samples from throughout the various SVRP processes to ensure and optimize reclaimed water production.
- Perform laboratory analyses and studies as necessary to ensure compliance with Title 22 and water safety concerns.
- Abide by PCA's safety and loss prevention program policies and maintain a safe working environment.
- Perform regular preventive maintenance on the SVRP equipment.
- Perform general maintenance, housekeeping and grounds maintenance.
- Assist with, and provide support for, tours of the SVRP for members of the public.

Operation and maintenance of the CSIP

PCA agrees to perform the following minimum services to ensure the proper operation of the CSIP. Said services are subject to change by mutual written agreement.

Perform normal operation and maintenance on the distribution well pumps, booster stations,

pipelines, instrumentation, SCADA system and cathodic protection system. Perform repairs and major maintenance services as required due to wear and tear or failure of equipment. These will be performed as prescribed in the System Operations & Maintenance Manual prepared for the CSIP by WRA's design engineer, as well as the CSIP equipment manufacturers' manuals furnished in accordance with the CSIP construction contract documents, including:

- Inspect the pipelines, supplemental wells and booster stations.
- Inspect the pipelines for leaks.
- Inspect supplemental wells for general condition, log entries, fill pump bearing oilers, and perform general housekeeping.
- Inspect of booster stations for general condition, log entries, and perform general housekeeping.
- Inspect the turn-outs for serviceability.
- Inspect and calibrate conductivity meters.
- Read power and water meters at turnouts and supplemental wells once a month for records, and once a quarter at turnouts for billing purposes.
- Respond to after-hours problems on an on-call basis.
- Perform housekeeping of all assigned areas.
- Receive water orders and schedule water deliveries.
- Assess capability of the SVRP and the CSIP to supply water orders at the times and in the quantities requested.
- Notify growers as to whether each water order can or cannot be filled.
- Monitor turn-out flow rates to insure they conform with designed flow rate.
- Read water meters monthly.
- Monitor water quality within the distribution system and perform laboratory analyses and special studies as necessary to confirm the safety and public acceptance of the water.
- Maintain proper operation of air release and vacuum relief valves, and periodically exercise isolation valves.
- Maintain accurate and complete operational records and prepare reports as required by the recycled water user requirements referred to in Section 15.01 for the CSIP Copies of these reports will be provided to WRA.
- As necessary, replace motors, bearings and gaskets; repair valves and electrical or instrumentation equipment; and remove equipment from installed locations and transport to repair facilities.
- Work on warranty items will be performed in accordance with Section 14.05.

Operation and maintenance of the SRDF

The SRDF is a seasonally operated facility. WRA shall notify PCA when SRDF seasonal operations are to begin and cease. As governed by project permits, raising the inflatable dam and pumping and chlorinating of river water may occur no sooner than April 1 of each year. Cessation of pumping and chlorinating river water shall occur no later than October 31 of each year. At the end of each operational season, the river water impoundment shall be filled to capacity and allowed to drain at 2 cfs through November 29 of each year unless directed otherwise by WRA. Depending on service area water demand, river water availability, quality, or other circumstances, raising of

the inflatable dam and pumping of river water may begin after April 1, and cessation of pumping river water may occur before October 31.

The PCA agrees to perform the following services to ensure the proper operation of the SRDF (including the chlorination system): Perform repairs and maintenance services as required due to wear and tear or failure of equipment. These will be performed as prescribed in the Operations & Maintenance Manual prepared for the SRDF by WRA's design engineer, as well as equipment manufacturers' manuals furnished in accordance with Project construction contract documents, including chlorination system equipment manufacturer's manuals, and as described, but not limited to, below:

- Operate mechanical equipment such as inflatable dam gate and regulating weir, air compressors and compressed air system components; river intake screens, fish ladder regulating gates and associated hydraulic system; vertical turbine water pumps; hydraulic surge control system components; river water pipeline; pipeline standpipe and control valves; filter screen station, valves, backwash pumps and system components.
- Operate electrical and electronic equipment such as motors, controllers, automatic monitors, automatic samplers, chlorine residual analyzers, and standby power systems.
- Operate fish bypass system to conform to fishery agency bypass flow requirements. PCA shall periodically monitor the fish bypass system for flow verification. PCA shall not be responsible for determining fish bypass flow requirements, but shall be notified by WRA as to fish bypass flow requirements.
- Calibrate, maintain, service, repair, and replace various mechanical, electrical, and electronic equipment such as chemical metering pumps and supporting chemical feed systems, automatic samplers, electrically and pneumatically operated valves, motors, flow meters, chemical mixers, and chlorine equipment including evaporators and feeders.
- Prepare project components for operation prior to seasonal start up. This includes, but is not limited to, removing sediment from the river intake head wall area, fish ladder, and regulating weir, installing river intake screens, installing fish ladder grating, installing hand rails and safety equipment at the river head walls, initial operation of inflatable dam and hydraulic regulating gates, preparing hydraulic surge system for operation, opening and monitoring standpipe valve operation, preparing filter station components, preparing chlorination system components for operation, start up of air conditioning/ventilation systems, and installing debris boom.
- Close down project components after the operational season ends. This includes, but is not limited to, removing river intake screens, installing fish ladder cover plates, removing hand rails at the river head walls, lowering inflatable dam, closing hydraulic regulating gates, draining the river water pipeline, draining and decompressing hydraulic surge system, draining standpipe and closing valves, draining filter station components, draining chlorination system components, shut down of air conditioning/ventilation units, and removal of debris boom.
- Remove debris and sediment from any project component as needed to maintain adequate operation of project and prevent undue damage to project facilities.
- Regularly communicate forecast river water irrigation demand with WRA personnel. Such information will be used by WRA to assist determination of water releases from Nacimiento and/or San Antonio Reservoirs.
- Inspect and maintain painting and coatings to prevent atmospheric corrosion, and monitor and maintain buried facility corrosion protection equipment.
- Inspect or obtain proper inspection of pressure vessels.

- Perform testing as needed to determine and optimize chemical dosages and control chemical applications for river water treatment process.
- Inventory, order and store chemicals for the SRDF.
- Inventory, order and store spare parts and equipment for the SRDF.
- Maintain accurate and complete operational records and prepare monthly and any other reports as required by the WRA, or regulatory bodies.
- Read meters, gauges, and charts.
- Utilize computers and SCADA system to assist with the operation of the SRDF.
- Maintain and monitor reclaimed water storage reservoir.
- Collect samples from throughout the various SRDF processes to ensure and optimize river water production.
- Perform laboratory analyses and studies as necessary to ensure compliance with water safety concerns.
- Abide by PCA's safety and loss prevention program policies and maintain a safe working environment.
- Perform regular preventive maintenance on the SRDF equipment. Such maintenance may be performed in the off-season if determined to be more cost effective.
- Perform general maintenance, housekeeping and grounds maintenance of all assigned areas.
- Assist with, and provide support for, tours of the SRDF for members of the public.
- Inspect the pipelines for leaks.
- Assist WRA's grower liaison with the operation of the SRDF.
- Respond to after-hours problems on an on-call basis.
- Receive water orders and schedule water deliveries.
- Assess capability of the SRDF to supply water orders at the times and in the quantities requested.
- Notify growers as to whether water orders cannot be filled, and coordinate filling of the water orders as necessary.
- Monitor water quality within the delivery system and perform laboratory analyses and special studies as necessary to confirm the safety and public acceptance of the water.
- As necessary, replace motors, bearings and gaskets; repair valves and electrical or instrumentation equipment; and remove equipment from installed locations, transport to repair facilities and back to the project.
- PCA will be responsible for the care, maintenance, and use of additional equipment to be furnished by WRA for PCA's use in providing service under this agreement.
- Maintain and repair signage at SRDF site as needed. Signage will be supplied and installed by WRA.
- Implement the River Water Contaminant Response Plan as required by Plan criteria.

In addition to those services listed above, WPCA shall operate and maintain the SRDF river water chlorination system to conform to the following parameters:

- The chlorination system shall be capable of operation whenever the SRDF is operational, 24 hours per day, 7 days per week.
- The chlorination system shall be maintained to operate under normal flow capacity ranges from approximately 12 cubic feet per second (cfs) to 36 cfs. Maximum flow capacity is up to 48 cfs. Maximum flow capacity is intended only for short durations of significant water supply loss, such as when the SVRP is out of operation.
- A two-phase river water disinfection process including contact with free chlorine and

- contact with combined chlorine via mixing with recycled water.
- River water contact with free chlorine for a minimum often (10) minutes prior to mixing with recycled water at 36 cfs flow.
 - A free chlorine dosage capability up to 15 ppm.
 - Promote river water and recycled water mixing prior to distribution.
 - Prevent backflow of chlorinated water into the SRDF pipeline.
 - Minimize effects of hydraulic surge pressures on the SRDF pipeline and pump station.
 - Provide and maintain outlet for SRDF screen filter station backflush discharge water.
 - Oversee modifications to the system by registered professional engineers according to accepted engineering standards and applicable building codes and regulations.
 - Incorporate all appropriate safety features.
 - River water sampling and testing features and locations.
 - Maintain integrated river water disinfection system instrumentation and control features with the SRDF such that the SRDF operates in conjunction with the SVRP and CSIP under normal operating conditions.

Operation and maintenance of the New Source Water Facilities

PCA agrees to perform the following minimum services to ensure the proper operation of the new diversion structures. Said services are subject to change by mutual written agreement.

Perform normal operation and maintenance on the distribution well pumps, booster stations, pipelines, instrumentation, SCADA system and cathodic protection system. Perform repairs and major maintenance services as required due to wear and tear or failure of equipment. The service and repairs will be performed as prescribed in the System Operations & Maintenance Manual prepared for the facilities. These manuals will be similar to the equipment manufacturers' manuals furnished in accordance with the CSIP and SVRP construction contract documents. Some of the operation and maintenance items for the New Source Water Diversion Facilities include but not limited to:

- Calibrate, maintain, service, repair, and replace various mechanical, electrical, and electronic equipment
- As necessary, replace motors, bearings and gaskets; repair valves and electrical or instrumentation equipment; and remove equipment from installed locations, transport to repair facilities and back to the project.
- Read meters, gauges, charts.
- Utilize computers and SCADA system to assist with the operation of the diversion structures
- Abide by PCA's safety and loss prevention program policies and maintain a safe working environment.
- Perform regular preventive maintenance on the diversion equipment.
- Perform general maintenance, housekeeping and grounds maintenance
- Respond to after-hours problems on an on-call basis.

EXHIBIT C

SAMPLE MCWRA BASIC DEMAND SCHEDULE

Month	REGIONAL PLANT WASTEWATER AVAILABLE FOR RECLAMATION (in acre-feet)	MCWRA'S BASIC DEMAND SCHEDULE FOR RECLAIMED WASTEWATER
JANUARY	2,390	190
FEBRUARY	2,440	480
MARCH	2,410	1,620
APRIL	2,410	2,410
MAY	2,490	2,490
JUNE	2,480	2,480
JULY	2,500	2,500
AUGUST	2,520	2,520
SEPTEMBER	2,250	2,520
OCTOBER	2,490	1,650
NOVEMBER	2,450	340
DECEMBER	2,370	250
TOTAL	29,470	19,450

EXHIBIT D
WASTEWATER RECLAMATION SYSTEM
PROJECT DESCRIPTION AND MITIGATION MEASURES

PROJECT DESCRIPTION

General description of the system

The Wastewater Reclamation System will be implemented through a contract between the Monterey County Water Resources Agency (MCWRA) and the Monterey Regional Water Pollution Control Agency (MRWPCA), whereby the MRWPCA will have primary responsibility for construction of the Wastewater Reclamation System. The primary facility in the system is a 29.6 million-gallon-per-day (mgd) capacity reclamation plant, which will produce tertiary treated water suitable for irrigation of edible crops. Two pipelines will connect the reclamation plant to the Castroville Irrigation System, so that reclaimed water from the reclamation plant can be delivered to the Castroville system for irrigation uses. The ultimate goal of the Wastewater Reclamation system is to produce at least 19,500 acre-feet of tertiary treated water for use each year in the Castroville Irrigation System. The reclamation plant will be constructed on a site adjacent to the existing MRWPCA regional treatment plant. It will intercept wastewater flows after secondary treatment in the regional plant and process them to produce filtered effluent suitable for irrigation uses.

The following facilities will be constructed as part of the Wastewater Reclamation System, under the contract with the MRWPCA:

1. A structure to divert the flow of secondary treated wastewater from the effluent pipeline of the existing regional treatment plant;
2. A pump station and pipeline to pump treated effluent to the tertiary treatment plant;
3. The 29.6 mgd tertiary treatment plant, consisting of coagulation, flocculation, filtration, and disinfection facilities;
4. Storage and pressure-regulating ponds for tertiary treated water, with approximately 75 acre-feet of storage capacity;
5. A pump station to lift reclaimed water from the storage pond to the pressure-regulating pond for gravity flow to the Castroville Irrigation System; and
6. Two pipelines connecting the reclamation facilities to the Castroville Irrigation System.

Additional details concerning this project are included in the proposed contract between the MCWRA and the MRWPCA. The location of the various reclamation facilities is shown on the map attached hereto as Exhibit A.

Operational Goals of the Wastewater Reclamation System

Flows at the 1995 projected startup date of the reclamation project are estimated to average 23.0 mgd (25,763 af/yr). Flows are projected to increase gradually to 29.6 mgd (33,156 af/yr) by 2005. These flows, minus allowances for outfall flushing, are potentially available for reclamation. However, because wastewater flows are generally constant while irrigation demand varies seasonally, the plant will not treat all secondary effluent. Summaries of the irrigation demand and the resulting reclaimed wastewater usable for irrigation are given in Table 2-1 of the Draft EIR/EIS prepared for the Salinas Valley Seawater Intrusion Program and dated December 14, 1990. Secondary effluent in excess of that diverted for reclamation will be discharged through the existing ocean outfall.

To the fullest extent possible, reclaimed wastewater will be used to meet irrigation demand. The reclaimed wastewater pump station and pipeline, with a capacity of approximately 83 cfs, will be operated up to 24 hours a day or as required. A priority goal of the system will be to provide a minimum of 19,500 af/yr of reclaimed wastewater for use in the irrigation system; maximum monthly use will be about 2,500 af in July and August. It is possible that at some time in the future an amount averaging up to 3.5 mgd of reclaimed wastewater would be diverted to other MRWPCA member agencies, with approximately half of that amount taken during the period November through February. Reclaimed water could also be provided to the Lonestar and Sea Mist Farm properties. Diversion of reclaimed wastewater for such uses would be scheduled to minimize conflicts in use. Any such delivery to MRWPCA agencies, Sea Mist, and Lone star would require independent environmental review and U.S.B.R approval.

Castroville farmlands will rely exclusively on reclaimed wastewater most of the year and on a combination of reclaimed wastewater and groundwater during summer.

Pipelines to Castroville Irrigation System

The first pipeline connection to the tertiary treatment facility is a 54-inch diameter main line that will run adjacent to and parallel the MRWPCA and Monterey County landfill southern and eastern property boundaries to the Salinas River.

On the northeast side of the river, the pipeline alignment will be on the cultivated field side of the river levee. Here, there is cultivated field up to the connection with the

Castroville Irrigation system main pipeline. The alignment is on disturbed lands, existing roads, or cultivated lands along the entire route except for the Salinas River crossing and approximately 150 feet on the southwest side of the river. Scrub brush and trees in this area will need to be cleared for pipeline construction. Some brush and limb trimming and road widening of the 500 feet of scrub brush and trees along the southwest side of the river may be required. The proposed alignment on the southwest side of the river is located almost entirely on existing roads, most of which are on the landfill site. The proposed alignment will affect .8 acre of forest and scrub riparian habitat.

Construction of the river crossing will include driving interlocking sheet piles on each side of the trench with cross bracing as required, dewatering and removing the soil, placing the pipe and encasement, and replacing the soil. The sheet piles will be cut off at river bottom level and left in place to improve stability of the pipeline crossing. The crossing will be constructed in sections to permit water flow in the river during construction. Cranes located on the riverbanks are expected to be used to drive the sheet piles in the river. A construction easement of 30-50 feet in width will be required through the scrub brush and trees.

The second connection to the Castroville Irrigation System is a 27-inch diameter pipeline lateral to serve the Castroville Irrigation System service area southwest of the Salinas River.

MITIGATION MEASURES

The following mitigation measures will be implemented with the project. The MCWRA and MRWPCA will by contract allocate to one agency or the other the responsibility for completion of these measures:

1. MRWPCA will locate siting of facilities and schedule construction of pipelines to reduce agricultural production losses.

2. MRWPCA will implement the recommendations contained in seismicity and geotechnical reports prepared before final foundation designs are completed. These reports will include a detailed review of the seismic history of the project area, correlation of seismicity to faulting, details about soil conditions and constraints, and recommendations for foundations appropriate to the existing seismic risks and soil constraints.

3. MRWPCA will implement an erosion control plan prepared by a registered civil engineer. The erosion control plan will limit vegetation removal, call for revegetation and slope stabilization measures, and contain a drainage plan.

4. MRWPCA will require that steel corrosion be prevented by using plastic pipe, coated pipe, cathodic protection, or other corrosion prevention methods and materials.

5. A DFG 1601 or 1603 permit (Streambed or Lake Alteration Agreement) will be obtained to construct the pipeline crossing on the Salinas River. The permit will specify construction conditions to minimize impacts. MRWPCA will implement these conditions.

6. MRWPCA will require that construction activities in the Salinas River streambed be limited to low-flow periods and to summer and early fall, following and preceding peak spawning of resident and migratory species.

7. MRWPCA will require that construction-related byproducts (e.g., soil, oil or cement) will be prevented from entering the stream. Construction of temporary sedimentation basins and implementation of sediment stabilization measures may be necessary.

8. MRWPCA will require that sheet piles be placed around the construction site for the Salinas River crossing to prevent movement of disturbed sediments and other materials into the Salinas River.

9. MRWPCA will retain a qualified biologist to conduct preconstruction surveys of the pipeline alignments crossing the Salinas River. The surveys will be conducted to determine the presence of the California red-legged frog and the southwestern pond turtle. The surveys shall be conducted 1 day before pipeline construction in riparian habitat. If California red-legged frogs and southwestern pond turtles are found during the preconstruction surveys of the pipeline alignments, the qualified biologist will move them to an area of suitable habitat that will not be disturbed during project construction. Construction will not begin until all species have been moved.

10. MRWPCA will maintain a biological monitor during construction of the pipelines across the Salinas River. The monitor will ensure that red-legged frogs and southwestern pond turtles that may wander into the construction areas are not harmed during pipeline construction. The monitor will be provided with the authority to stop activities that would adversely affect these species until the species can be moved to a safe, suitable habitat.

11. MRWPCA will require contractors to take appropriate steps to reduce settlement and embankment cracking.

12. MRWPCA will require contractors to apply construction-period traffic management techniques.

These include using:

- * regulatory signs,
- * warning signs,
- * guide signs,
- * barricades,
- * channelization devices,
- * lighting, and
- * flaggers.

13. MRWPCA will require contractors to apply dust-reducing construction practices, including minimizing the time surfaces are left exposed, periodically sprinkling exposed areas and soil piles with water, and covering soil piles with plastic sheets or tarpaulins to limit emissions.

14. MRWPCA will require contractors to properly maintain construction equipment to reduce emissions from internal combustion engines.

15. MRWPCA will require contractors to limit to daytime hours the use of construction equipment powered by internal combustion engines, the use of impact equipment, or other construction activity that would disturb residents. When these construction activities occur within 800 feet of an occupied residential structure, they will be limited to between 7:00 am. and 7:00 p.m.

16. MRWPCA will require the contractor to inspect excavations and fills. Highly organic material, expansive soils, or clean sands will not be used in embankment construction.

17. For excavations in shallow groundwater areas, MRWPCA will require a dewatering system to maintain cutslope stability.

18. MRWPCA will require contractors for the tertiary treatment plant to remove organic layers and replace them with nonorganic soils or by recompacting existing soils. Other alternatives may be employed, including vibroflotation, grouting, or dynamic deep compaction.

19. MRWPCA will restore riparian scrub and forests removed during construction. During construction, 0.8 acres of riparian habitat will be permanently lost. MCWRA will replace these lost acres with 1.6 acres of new riparian habitat. Success criteria and monitoring procedures for riparian forest and scrub impacts are described in the Draft EIR/EIS. Restoration of the riparian habitat will be conducted at a site on the southwest side of the Salinas River near the wastewater pipeline crossing.

1997 UPDATE TO MITIGATION MEASURES

For the purposes of the record it is noted that the actual construction of the SVRP and the CSIP were completed under conditions that in some cases differed from those contemplated when the original "MITIGATION MEASURES" section was prepared. The impact of these differences on the mitigation work that was done, are described below. The numbered Mitigation Measures referred to correspond to those contained in Exhibit C of the June 16, 1992, Agreement.

MITIGATION MEASURE

1997 UPDATE

5, 6, 8

The pipeline crossings of the Salinas River were originally expected to require open excavations within the river bed. It was subsequently determined that directional drilling could be used to install these pipelines, and that this could be done without making any excavations within the river bed. Consequently, no DFG permits were required, construction activities did not have to be limited to certain times of the year, and sheet piling was not necessary.

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Construction of the pipelines crossing the Salinas River did not necessitate removal of any riparian scrub or forests, so no replacement or restoration was required.

EXHIBIT E**CALCULATION OF PCA PAYMENTS PURSUANT TO SECTION 17.08
OF THIS WATER RECYCLING AGREEMENT**

As required by Section 17.08 of this Water Recycling Agreement, PCA shall pay the Actual Costs of tertiary treated water to which it takes delivery for its use. The Actual Costs will be calculated from the cost components which comprise PCA's existing budget and actual spreadsheet model(s) for the annual SVRP and CSIP costs.

The four cost elements that compromise the Actual Costs will be computed as follows:

- (1) **SVRP O&M Costs:** The SVRP O&M budget will be calculated based on the Total Tertiary Treated Water Production needed to serve both the CSIP and M&I uses of tertiary treated water. The amount to be paid by PCA will be computed using the formula below, in which:
 A = Total Tertiary Treated Water Production, AFY
 B = Tertiary Treated Water Production delivered to PCA for PCA use, AFY
 C = Total O&M Expenditures from the SVRP O&M budget, excluding debt service
 D = Amount to be paid by PCA

$$D = \frac{B}{A} \times C$$

- (2) **Supplemental Well Pumping Cost:** The amount to be paid by PCA will be computed as indicated in Section 2.G. of Amendment No. 3.

$$S = \text{Amount to be paid by PCA}$$

- (3) **SWRCB Loan Contract Debt Service:** The amount to be paid by PCA will be computed using the formula below, in which:

A = Total Tertiary Treated Water Production, AFY
 B = Tertiary Treated Water Production delivered to PCA for its use, AFY
 E = SVRP SWRCB Loan Debt Service
 F = Amount to be paid by PCA

$$F = \frac{B}{A} \times E$$

- (4) **Bureau Loan Contract Debt Service:** The amount to be paid by PCA will be computed using the formula below, in which:

A = Total Tertiary Treated Water Production, AFY
 B = Tertiary Treated Water Production delivered to PCA for its use, AFY
 G = SVRP Bureau Loan Debt Service, computed pursuant to Article 9 (b) (1) and 9 (c) of Bureau Loan Contract
 H = Additional interest charged by the Bureau for the Bureau loan on the SVRP pursuant to Article 9 (b) (2) of Bureau Loan Contract
 I = Amount to be paid by PCA

$$I = \frac{B}{A} \times G + H$$

$$\text{TOTAL PCA PAYMENTS} = D + S + F + I$$

EXHIBIT H

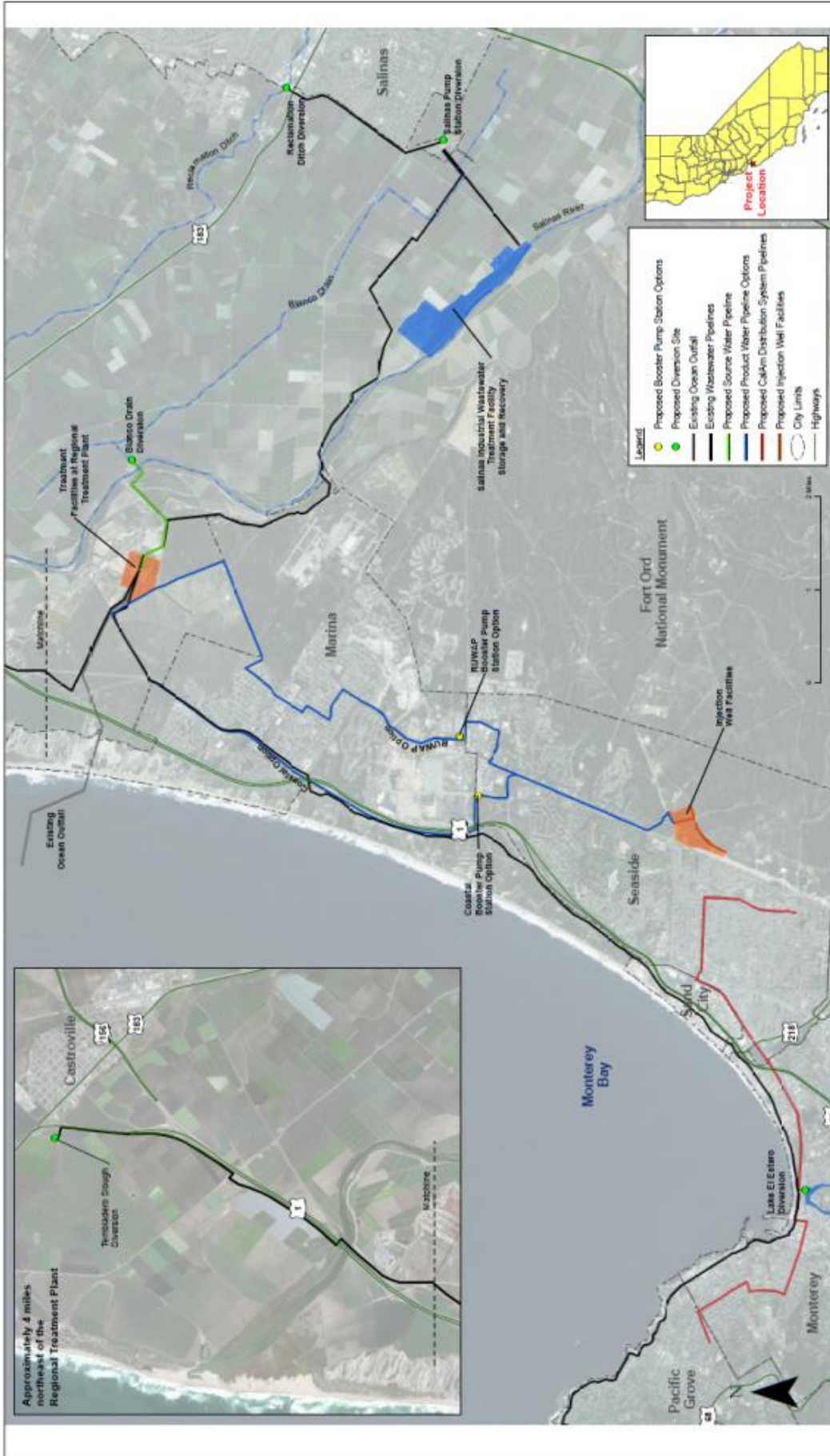


Figure S-1

Pure Water Monterey GWR Project Draft EIR

Proposed GWR Project Facilities Overview

April 2015

