

CF/60-62-21.5 MARIN MUNICIPAL WATER DISTRICT (NON-PRIME  
WATER SERVICE AGREE) TW NO (ID 1576)

June 23, 2015

Marin Municipal Water District  
Attn: Krishna Kumar, General Manager  
220 Nellen Avenue  
Corte Madera, CA 94925-1169

Dear Mr. Kumar:

**RE: RENEWAL OF WATER SUPPLY AGREEMENTS**

On June 16, 2015, the Sonoma County Water Agency Board of Directors approved the water supply agreements that are part of the *Renewal of the Third Offpeak Water Supply Agreement and the Amended Agreement for the Sale of Water between the Sonoma County Water Agency and Marin Municipal Water District*. The agreements are effective July 1, 2015 and shall remain in effect until June 30, 2025. Your copy of the executed agreements is enclosed.

If you have any questions, please contact me at (707) 524-1173.

Sincerely,

Todd J. Schram, P.E.  
Senior Water Agency Engineer

Encl

c: G. Davis, P. Jeane, J. Jasperse, D. Seymour —Sonoma County Water Agency  
C. O'Donnell, S. Shupe—Sonoma County Counsel  
Alan Lilly—Bartkiewicz, Kronick & Shanahan

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**Renewal of the Third Amended Offpeak Water Supply Agreement and the  
Amended Agreement for the Sale of Water between the Sonoma County Water  
Agency and Marin Municipal Water District**

This Renewal of the Third Amended Offpeak Water Supply Agreement and the Amended Agreement for the Sale of Water between the Sonoma County Water Agency and Marin Municipal Water District ("Renewal Agreement") is made by and between the Marin Municipal Water District ("MMWD") and the Sonoma County Water Agency ("Agency") and is effective as of July 1, 2015.

**Recitals**

A. Agency and MMWD are parties to a Supplemental Water Supply Agreement dated January 25, 1996, which incorporates two agreements between the Agency and MMWD that are attached as exhibits to the Supplemental Water Supply Agreement, the Third Amended Offpeak Water Supply Agreement (Exhibit A, referred to herein as the "Offpeak Agreement") and the Amended Agreement for the Sale of Water between the Sonoma County Water Agency and Marin Municipal Water District (Exhibit B, referred to herein as the "Water Sale Agreement").

B. The Offpeak Agreement and the Water Sale Agreement by their terms remain in effect until June 30, 2015 as provided in the Amendment To and Temporary Extension of the Supplemental Water Supply Agreement between MMWD and the Agency dated June 27, 2014.

C. MMWD has requested that the Offpeak Agreement and the Water Sale Agreement be renewed pursuant to Section 7 of the Offpeak Agreement and Section 18 of the Water Supply Agreement.

D. In September 2008, the National Marine Fisheries Service issued its *Russian River Biological Opinion*, which requires the Agency to implement certain activities and projects in the Russian River watershed to improve habitat for listed salmonid species as a condition to receiving "incidental take" authorization in connection with its operation of the Russian River Project and the Water transmission system. MMWD also has listed salmonid species present in streams within its water service area. The protection and recovery of listed salmonid species is a high priority for the Agency and for MMWD.

E. The Supplemental Water Supply Agreement recognized that one of the reasons for that agreement was "to accommodate the Agency's efforts to attempt to ensure a continuation of Pacific Gas and Electric Company's historic diversions of Eel

River water to the Russian River and to increase the reliability of the water supply deliverable to [MMWD].” The need to ensure the continuation of such flows was heightened by the amendments made by the Federal Energy Regulatory Commission in 2004 to Pacific Gas & Electric Company's license for the Potter Valley Project, which reduced such flows. By entering into this Renewal Agreement, the parties recognize the ongoing importance of the continuation of such flows.

#### Agreement

Wherefore, in consideration of the foregoing and the mutual promises set forth herein, Agency and MMWD agree as follows:

1. This Renewal Agreement shall be effective on July 1, 2015. On the effective date of this Renewal Agreement, the Offpeak Agreement shall be amended as indicated in the attached Exhibit A and the Water Sale Agreement shall be amended as indicated in the attached Exhibit B.

2. Pursuant to section 15051(d) of the CEQA Guidelines, MMWD is designated as the lead agency under the California Environmental Quality Act for the execution of this Renewal Agreement, and for any projects south of Kastania Reservoir that MMWD may construct to implement this Renewal Agreement. Agency is designated as the lead agency for any projects north of Kastania Reservoir that Agency may construct to implement this Renewal Agreement.

3. MMWD shall indemnify Agency and its officers, agents and employees for any and all liabilities, claims, demands, damages, losses, disabilities and expenses (including attorney fees and litigation costs) of every nature arising out of, or in connection with, any legal proceeding that is commenced against the Agency and that alleges that Agency's execution of this Renewal Agreement violates the California Environmental Quality Act or the CEQA Guidelines. MMWD shall provide such indemnification whether or not such liabilities, claims, demands, damages, losses, disabilities or expenses are based on Agency's negligence, unless such liabilities, claims, demands, damages, losses, disabilities or expenses are based on Agency's sole negligence, willful misconduct or violation of law. The provisions in this section regarding attorney fees shall not apply to any other section of this Renewal Agreement.

4. This writing is intended both as the final expression of the agreement between the parties hereto with respect to the included terms and conditions and as a complete and exclusive statement of the terms of the Renewal Agreement. Pursuant to Code of Civil Procedure section 1856, no modification of the Renewal Agreement shall be effective unless and until such modification is evidenced by a writing signed by all parties.

6. Agency and District each was represented by independent counsel in the negotiation and execution of this Renewal Agreement. For the purposes of interpretation of this Renewal Agreement, neither party shall be deemed to have been the drafter of this Renewal Agreement.

MARIN MUNICIPAL WATER DISTRICT

By:

John C. Gibson, President  
Board of Directors

Reviewed As To Form:

Mary R. Casey  
General Counsel

SONOMA COUNTY WATER AGENCY

By:

Chair, Board of Directors

DATE:

6/16/15

Reviewed As To Form:

Steven S. Shupe  
Deputy County Counsel

## **Exhibit A**

### **Amendments To Third Amended Offpeak Water Supply Agreement**

#### **FOURTH AMENDED OFFPEAK WATER SUPPLY AGREEMENT**

This Fourth Amended Offpeak Water Supply Agreement ("Offpeak Agreement") is made and entered into effective this July 1, 2015, by and between the Marin Municipal Water District, a public body, hereinafter called "Marin" and the Sonoma County Water Agency, a public body, hereinafter called "Agency".

#### **WITNESSETH:**

WHEREAS, Agency entered into contracts with the United States Government to secure the construction of Coyote Valley Dam on the East Fork Russian River and Warm Springs Dam on Dry Creek (hereinafter "Russian River Project"); and

WHEREAS, Agency entered into a contract with the cities of Cotati, Petaluma, Rohnert Park, Santa Rosa, and Sonoma, the Forestville County Water District, the Valley of the Moon Water District, and the North Marin Water District (hereinafter "North Marin") entitled, Agreement for Water Supply and Construction of Russian River-Cotati Intertie Project, dated October 25, 1974, and last amended June 23, 2006 (hereinafter "Restructured Agreement for Water Supply").

WHEREAS, said Restructured Agreement for Water Supply authorizes the use of certain water transmission facilities (hereinafter

"Transmission System") for the purpose of delivering to Marin, under prescribed terms and conditions, water which is available in the Russian River; and

WHEREAS, Agency entered into a contract with Marin entitled Second Amended Offpeak Water Supply Agreement, dated May 3, 1988, which provides for the delivery to Marin by Agency, under prescribed terms and conditions, of not to exceed 4,300 acre feet of Russian River water per fiscal year; and

WHEREAS, parts of the property taxes paid since 1971 by the taxpayers of Sonoma County have been paid into a sinking fund that was established to fund Agency's payment obligations to the United States Government for the Warm Springs Dam Project and parts of the property taxes that will be paid in the future by the taxpayers of Sonoma County will likewise be paid into this sinking fund; and WHEREAS pursuant to the Second Amended Offpeak Water Supply Agreement Marin has paid Agency a Russian River Conservation Charge, the proceeds of which were in the past paid into the sinking fund described in the previous recital; and

WHEREAS Agency entered into a contract with Marin dated October 22, 1991 and entitled Agreement for the Sale of Water between the Sonoma County Water Agency and the Marin Municipal Water District (now referred to as the "Water Sale Agreement"), which provides for the delivery to Marin by Agency, under prescribed terms and conditions, of up to 10,000 acre-feet of water per fiscal year; and

WHEREAS, Agency and Marin entered into a Supplemental Water Supply Agreement dated January 25, 1996, which amended and

incorporated two agreements between the Agency and Marin that are attached as exhibits to the Supplemental Water Supply Agreement, those agreements being known as the Third Amended Offpeak Water Supply Agreement and the Amended Agreement for the Sale of Water between the Sonoma County Water Agency and Marin Municipal Water District, to accommodate the Agency's efforts to attempt to ensure a continuation of the Pacific Gas and Electric Company's historic diversions of Eel River water to the Russian River and to increase the reliability of the water supply deliverable to Marin; and

WHEREAS, the Third Amended Offpeak Water Supply Agreement by its terms remain in effect until June 30, 2015 as provided in the Amendment To and Temporary Extension of the Supplemental Water Supply Agreement between Marin and the Agency dated June 27, 2014; and

WHEREAS, Marin has requested that the Third Amended Offpeak Water Supply Agreement be renewed.

NOW, THEREFORE, the parties hereto agree as follows:

1. Subject to all the terms and conditions of this Offpeak Agreement and the relevant provisions of the Restructured Agreement for Water Supply, Agency shall deliver water to Marin either through separately metered turnout at Agency's Kastania Reservoir or through North Marin's meter(s) at Marin's option. Should Marin desire a separate metered turnout, it shall pay to Agency the actual cost of installation of such metered turnout. Such water shall be made available to Marin in an amount not to exceed 4,300 acre feet per fiscal year and at delivery rates as requested by Marin but not to exceed 760 acre feet per calendar month. During the five

month period May 1 through September 30 the delivery rate shall not exceed 360 acre feet per calendar month without the prior written consent of the Agency and the total quantity of water delivered shall not exceed 1,800 acre feet. "Fiscal year" means the year beginning on July 1 and ending on the following June 30.

2. Marin shall pay for water delivered pursuant to this Offpeak Agreement at a rate equal to the highest rate per acre-foot then charged by the Agency to any party to the Restructured Agreement for Water Supply (or pursuant to any amendment or successor agreement to the Restructured Agreement for Water Supply) for water taken from either the Petaluma Aqueduct or the Santa Rosa Aqueduct, multiplied by 1.11; provided, however, that the 20% surcharge imposed on the Town of Windsor under Section 4.17(a) of the Restructured Agreement shall not be included in determining the highest rate per acre-foot for water taken from the Santa Rosa Aqueduct or Petaluma Aqueduct. Seven and four hundred thirty-two one-thousandths percent (7.432%) of this per-acre-foot charge shall be placed in the Russian River Projects Fund; two and four hundred seventy-seven thousandths percent (2.477%) of this per-acre-foot charge shall be used, at the discretion of the Agency, to pay for the costs of Common Facilities, to pay the Capital Costs of Aqueduct Facilities relating to the Santa Rosa or Petaluma Aqueducts, or to pay operations and maintenance costs; and the remainder shall be applied pursuant to the Restructured Agreement for Water Supply (or pursuant to any amendment or successor agreement to the Restructured Agreement for Water Supply), with the water delivered to Marin considered to be delivered from the Petaluma Aqueduct. Agency shall bill Marin monthly for the quantity of water

measured from Marin's metered turnout or from the accounting provided by North Marin and Marin shall pay the amount of such billing within 30 days after receipt of the bill. Notwithstanding any dispute between Agency and Marin, Marin shall pay all its bills when due and shall not withhold all or any part of any payment pending the final resolution of such dispute. In the event of a dispute, Marin may pay its bills under protest and if the resolution of the dispute results in a refund to Marin, Agency shall make refund plus any interest earned by investment of the disputed funds.

3. If the total amount of water delivered to Marin pursuant to this Offpeak Agreement is less than 4,300 acre-feet in any fiscal year, then Agency shall include in the bill for the month of July the difference between the actual amount of water delivered during the previous fiscal year and 4,300 acre-feet, and Marin shall pay for such amount at the same rate as though such water had been delivered, if and to the extent that such water was available to Marin. Water shall be deemed to have been available to Marin during the previous fiscal year if Marin could have taken delivery of such water at any time during such fiscal year at delivery rates not exceeding the rates specified in Section 1 of this Offpeak Agreement. Agency shall keep and make available for review by Marin operating records indicating the availability of water to Marin.

4. Except as otherwise provided herein, Agency shall release water from storage in Lake Mendocino or Lake Sonoma when necessary to make available in the Russian River sufficient water to make the deliveries provided for herein. If by reason of drought or other physical cause or legal impediment beyond the control of the Agency, a shortage in the water

available from the Russian River or the Russian River Project occurs, then Agency shall not be liable to Marin for any damage resulting therefrom.

In the event of shortage of water in the Russian River or the Russian River Project that requires the Agency to apportion available water, Agency shall apportion the available water so that it may make deliveries as follows:

First, Agency shall deliver to each of its regular customers, not in excess of the respective entitlements set forth in Sections 3.1, 3.2 and 3.3 of the Restructured Agreement for Water Supply or any amendments or successor agreements thereto, authorize Agency's Russian River customers to divert or redivert not in excess of the amounts for which those customers have contracted to purchase from the Agency, and deliver to Marin not in excess of the amounts set forth in Section 1 of this Offpeak Agreement and paragraph (f) of Section 8 of the Water Sale Agreement, the quantities of water required by each for human consumption, sanitation and fire protection, as determined by the Agency after taking into consideration all other sources of potable water then available to said customer;

Second, to the extent additional water is available to the Agency, Agency shall deliver such water to Agency's regular customers, authorize Agency's Russian River customers, to divert or redivert such water and deliver such water to Marin in proportion to the respective entitlements set forth in Sections 3.1, 3.2 and 3.3 of the Restructured Agreement for Water Supply, or any amendments or successor agreements, thereto, the agreements between the Agency and its Russian River customers, and Section 1 of this Offpeak Agreement and paragraph (f) of Section 8 of the Water Sale Agreement, provided, however, that no customer shall receive under subdivisions "First" and "Second" hereof a total quantity of water in

excess of its reasonable requirements or its said entitlement or contracted amount, whichever is less.

Agency shall make all reasonable efforts to deliver water to Marin at Kastania Reservoir or at North Marin's meter, as specified in Section 1 of this Offpeak Agreement, using all facilities available to Agency. However, Marin acknowledges that priorities of use of delivery capacity in Agency's facilities have been allocated to others who are not parties to this Offpeak Agreement, and that capacity to make deliveries of water to Marin at the rates in Section 1 of this Offpeak Agreement may not always be available to Agency. Agency shall keep, and make available to Marin on an annual basis in July of each year, records indicating the availability of capacity to deliver water to Marin, up to the limits set forth in Section 1 of this Offpeak Agreement and in Section 2 of the Water Sale Agreement, for each month of the previous fiscal year. During July of each year, Agency also shall provide Marin with an estimate of the capacity that will be available to deliver water to Marin pursuant to this Offpeak Agreement and the Water Sale Agreement during each remaining month of the then present fiscal year. If these reports indicate that delivery capacity is insufficient, or soon will be insufficient, to provide deliveries at the rates specified in Section 1 of this Offpeak Agreement, then Agency shall use its best efforts to secure an alternative means, solely at Marin's expense, to accomplish the purposes of this Offpeak Agreement.

In the event of an impairment of or limitation on the use or capacity of the Transmission System, or other facility that affects the Agency's ability to deliver water to Marin pursuant to this Offpeak Agreement, by reason of natural disaster, sabotage, legal impediment or other cause beyond the control of the Agency, the Agency shall not be liable to Marin for any damage

arising therefrom. In such event, the Agency shall use the available Transmission System capacity to make deliveries as follows:

First, deliver to each of its regular customers the quantity of water, not in excess of its respective entitlement set forth in Sections 3.1 and 3.2 of the Restructured Agreement for Water Supply, or any amendments or successor agreements thereto, required by it for human consumption, sanitation and fire protection as determined by the Agency after taking into consideration all other sources of potable water then available to said customer;

Second, to the extent additional Transmission System capacity is available to the Agency, deliver a quantity of water to the regular customers in proportion to their respective entitlements set forth in Section 3.1 and 3.2 of the Restructured Agreement for Water Supply, or any amendments or successor agreements thereto, provided, however, that no regular customer shall receive under the paragraphs "first" and "second" a total quantity of water in excess of its reasonable requirements or its said entitlement, whichever is less;

Third, to the extent additional Transmission System capacity is available, deliver water to regular customers in excess of their entitlements, pursuant to section 3.3 of the Restructured Agreement for Water Supply;

Fourth, to the extent additional Transmission System capacity is available, deliver water to Marin Municipal Water District, not in excess of the delivery limitations in Section 1 of this Offpeak Agreement;

Fifth, to the extent additional Transmission System capacity is available, deliver surplus water to the water contractors;

Sixth, to the extent additional Transmission System capacity is available, delivery surplus water to other Agency customers;

The terms "regular customers", "Russian River customers" and "water contractors" in this Offpeak Agreement shall have the same meanings that they have in the Restructured Agreement for Water Supply.

5. In addition to the rates and charges required to be paid by Marin pursuant to Section 2 hereof, Marin shall pay the following additional charges on or before each September 30 during the term of this Offpeak Agreement.

a. Marin shall pay a Russian River Conservation Charge in lieu of the property taxes levied by the Agency on property in Sonoma County, to pay the capital, operation and maintenance costs associated with the Warm Springs Dam Project. The Russian River Conservation Charge shall be a charge per acre foot which shall be applied to Marin's total 4,300 acre feet per annum entitlement under this Offpeak Agreement. The charge shall be determined annually on or before April 30 preceding each September 30. The Russian River Conservation Charge shall be determined by multiplying the tax rate levied by the Agency in the then current fiscal year to pay the costs associated with the Warm Springs Dam Project times the total assessed value of secured and unsecured property situated within the cities of Cotati, Petaluma, Rohnert Park, Santa Rosa and Sonoma, the Forestville County Water District, and the Valley of the Moon Water District, and dividing the product by the total number of acre feet of water delivered to said public agencies pursuant to Section 3.1 and 3.3 of the Restructured Agreement for Water Supply, or any amendments or successor agreements thereto, during the twelve month period ending on March 31.

b. Marin shall pay a Russian River Projects Charge in lieu of the property taxes levied on property in Sonoma County and other Agency

general fund monies which are transferred by the Agency to the Agency's Russian River Projects Fund and expended to pay for or partially pay for: (1) carrying out the Agency's Coyote Valley Dam Project and Warm Springs Dam Project channel-stabilization works obligations to the United States Government and the State of California under Agency Board of Directors Resolutions No. 6847 adopted May 24, 1955, No. 7798 adopted September 27, 1955, No. DR00793-1 adopted September 25, 1961 and Resolution No DR68485 adopted December 23, 1980; (2) securing and defending appropriative water rights which are necessary for the realization of the full benefits of the Coyote Valley Dam and Warm Springs Dam Projects; (3) the Agency's share of the United States Government's investment, operation and maintenance costs associated with the Coyote Valley Dam and Warm Springs Dam Projects; (4) the acquisition of all or part of the Potter Valley Project, or contributions made to the Project owner to insure the continued operation of all or part of the Project; and (5) fishery mitigation and enhancement projects undertaken by the Agency in the Russian River and Eel River and their tributaries. The Russian River Projects Charge shall be determined by dividing the total amount of Agency monies expended from the Agency's Russian River Projects Fund in the preceding ten fiscal years, exclusive of the funds contributed to the Fund by Marin and North Marin Water Districts and interest earnings attributable to funds contributed by Marin and North Marin Water District, by the sum of the total acre-feet of water delivered by the Agency to the cities of Cotati, Petaluma, Rohnert Park, Santa Rosa, and Sonoma, the Forestville County Water District, and the Valley of the Moon Water District pursuant to Section 3.1 and 3.3 of the Restructured Agreement for Water Supply, or any amendments or successor agreements thereto, during the preceding ten

fiscal years and multiplying the quotient by the ratio that the assessed value of secured and unsecured property situated within the cities of Cotati, Petaluma, Rohnert Park, Santa Rosa and Sonoma, the Forestville County Water District, and the Valley of the Moon Water District bears to the assessed value of all secured and unsecured property within Sonoma County, provided, however, in no event shall the Russian River Projects Charge exceed \$20.00 per acre-foot. Agency shall keep proper books, records and accounts in which complete and accurate entries shall be made of all Agency general fund monies transferred to the Agency's Russian River Projects Fund and all expenditures made from the fund for the purposes described in this paragraph. The Agency shall maintain a separate account within the Russian River Projects Fund for monies contributed by Marin and North Marin Water District. Monies expended from the Russian River Projects Fund shall be deemed to have been expended from the Marin and North Marin Water District account in the proportion that the balance of the account bears to the total Russian River Projects Fund balance at the end of the fiscal year quarter preceding the expenditure.

c. All money received by the Agency from the Russian River Conservation Charge and the Russian River Projects Charge on water sold to Marin shall be credited to the Agency's Russian River Projects Fund and shall be used only for the purposes set forth in Paragraph (b) of this section.

6. The annual quantity of water provided to Marin by Agency pursuant to this Offpeak Agreement shall be in addition to the annual quantity of water provided to Marin by Agency pursuant to the Sale of Water Agreement.

7. This Offpeak Agreement supersedes the Third Amended Offpeak Water Supply Agreement between Marin and Agency. This Offpeak Agreement shall be effective on July 1, 2015 and shall remain in effect until June 30, 2025. Upon the request of Marin, Agency agrees to enter into renewal agreements for periods not to exceed the then-existing term of the Restructured Agreement for Water Supply or any renewals, amendments or replacement agreements to the Restructured Agreement for Water Supply upon the same terms and conditions contained in this Offpeak Agreement, except that the Agency may make reasonable adjustments to the charges under Section 5 of this Offpeak Agreement, and any such reasonable adjustments then shall be included in any renewal agreement. If the Restructured Agreement for Water Supply has been terminated or has expired without being renewed, amended or replaced by another agreement pertaining to water supply, then upon the request of Marin, the Agency shall enter into renewal agreements for periods not to exceed forty (40) years upon the same terms and conditions contained in this Offpeak Agreement, except that the Agency may make reasonable adjustments to the charges under Section 5 of this Offpeak Agreement and any such reasonable adjustment then shall be included in any renewal agreement.

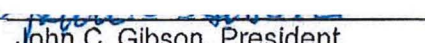
IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date hereinabove first written.

ATTEST:

MARIN MUNICIPAL WATER DISTRICT

  
Board Secretary

By:

  
John C. Gibson, President  
Board of Directors

Reviewed As To Substance By  
Marin Municipal Water District

\_\_\_\_\_  
Krishna Kumar  
General Manager

Reviewed As To Form:

\_\_\_\_\_  
Mary R. Casey  
General Counsel

ATTEST:

SONOMA COUNTY WATER AGENCY

\_\_\_\_\_  
Deputy Clerk of the  
Board of Directors

By: \_\_\_\_\_  
Chair, Board of Directors

DATE: \_\_\_\_\_

6/16/15

Reviewed As To Substance By  
Sonoma County Water Agency:

\_\_\_\_\_  
Grant Davis, General Manager

Reviewed As To Form:

\_\_\_\_\_  
Steven S. Shupe  
Deputy County Counsel

## **Exhibit B**

### **Amendments to Amended Agreement for the Sale of Water between the Sonoma County Water Agency and Marin Municipal Water District**

#### **SECOND AMENDED AGREEMENT FOR THE SALE OF WATER BETWEEN THE SONOMA COUNTY WATER AGENCY AND THE MARIN MUNICIPAL WATER DISTRICT**

This agreement is made this 22nd day of October, 1991, and is amended and effective this July 1, 2015, by and between the Sonoma County Water Agency, hereinafter called "Agency," and the Marin Municipal Water District, hereinafter called "District" hereinafter ("Water Sale Agreement.")

#### **RECITALS**

A. District operates a municipal water system to supply water to customers within its boundaries. District's water system is supplied by water from reservoirs owned and operated by District, and by water purchased from Agency pursuant to Fourth Amended Offpeak Water Supply Agreement ("Offpeak Agreement") and this Water Sale Agreement.

B. District and Agency now wish to revise this Water Sale Agreement to accommodate the Agency's effort to attempt to ensure a continuation of the Pacific Gas and Electric Company's historic diversions of Eel River water to the Russian River and to increase the reliability of the water supply deliverable to District.

C. The Coyote Valley Project was authorized by the Flood Control Act of 1950 (Pub. L. No. 81-516), and was completed by the U. S. Army Corps of Engineers in 1958. This project includes Lake Mendocino, which has a capacity of 122,500 acre-feet, of which 70,000 acre-feet is allocated to storage for water supply.

D. In 1955, Agency (then called the "Sonoma County Flood Control and Water Conservation District") sold general obligation bonds to raise \$5,650,000, which it then paid to the United States for the reimbursable costs of the water-storage element of the Coyote Valley Project. Parts of the property taxes paid since 1955 by the taxpayers of Sonoma County have been used to make payments on these bonds.

E. The Warm Springs Dam Project was authorized by the Flood Control Act of 1962 (Pub. L. No. 87-874), and was completed by the United States Army Corps of Engineers in 1984. This project includes Lake Sonoma, which has a capacity of 381,000 acre-feet, of which 212,000 acre-feet is allocated to storage for water supply.

F. Agency contracted with the United States to make annual payments to the United States for portions of the construction, operation, maintenance, major-replacement and major-rehabilitation costs of the Warm Springs Dam Project. Parts of the property taxes paid since 1971 by the taxpayers of Sonoma County have been paid into a sinking fund that was established to fund Agency's payment obligations to the United States for this project. Parts of the property taxes that will be paid in the future by the taxpayers of Sonoma County will likewise be paid into this sinking fund.

G. Pursuant to the Restructured Agreement for Water Supply, the North Marin Water District has paid Agency a Russian River Conservation Charge. Pursuant to the Offpeak Water Supply Agreement and its two amendments, District also has paid Agency a Russian River Conservation Charge. The proceeds of these payments were in the past paid into the sinking fund described in the preceding paragraph.

H. Agency currently utilizes the Transmission System to supply water to the Water Contractors and some of Agency's Other Customers and Contractors pursuant to the Restructured Agreement for Water Supply and other agreements. Payments made by the Water Contractors pursuant to the Restructured Agreement for Water Supply were and are being used to fund payments on the bonds sold to finance the construction of parts of the Transmission System and to fund directly the construction of other parts of the Transmission System.

I. Some of Agency's Other Customers and Contractors divert water purchased from Agency directly from the Russian River.

J. Agency holds Permits 12947A, 12949, 12950 and 16596, which were issued by the State Water Resources Control Board and its predecessors pursuant to Applications 12919A, 12920A, 15736, 15737 and 19351. These permits authorize Agency to divert Russian River water, and to red divert water previously stored in Lake Mendocino and Lake Sonoma, subject to specified terms and conditions.

K. On July 3, 1975, Agency and District entered into an agreement entitled, "Offpeak Water Supply Agreement." Agency and

District amended that agreement on August 28, 1984, May 3, 1988, January 25, 1995, and June 27, 2014. That agreement, now entitled "Fourth - Amended Offpeak Water Supply Agreement" and referred to herein as the "Offpeak Agreement" provides for Agency to deliver up to 4,300 acre-feet of water per year pursuant to Permits 12947A, 12949, 12950 and 16596, subject to specified terms and conditions.

L. In June 1980, Agency certified its final environmental impact report on Proposed Amendments of Permits on Applications 12919A, 15736, 15737 and 19351. In July 1984, Agency certified its supplemental environmental impact report covering Proposed Coordinated Use of the Water Supply of Lake Mendocino and Lake Sonoma, Russian River Project. On November 14, 1990, District certified its Water Supply Plan Program Final Environmental Impact Report. On September 24, 1991, District certified its Water Supply Project Final Environmental Impact Report. These reports together satisfy the environmental-impact-report requirements of the California Environmental Quality Act for this Water Sale Agreement.

M. Agency's January 1991 "Urban Water Management Plan" concluded that Agency's direct-diversion rights and its share of the Coyote Valley and Warm Springs Dam Projects together will have yield sufficient to supply District with additional water according to the terms of this Water Sale Agreement.

N. Agency has the capacity to produce water from groundwater wells and intends, if authorized by an amendment to the Restructured Agreement for Water Supply, to develop additional emergency groundwater wells, aquifer storage and recovery wells or other offstream

water-production facilities, to improve the reliability of the delivery capacity of the Transmission System.

O. At the present time and under normal circumstances, the Transmission System has excess capacity that may be used by Agency to supply District with water pursuant to this Water Sale Agreement. In order for the Transmission System in the future to continue to have such excess capacity under normal circumstances, Agency will need to construct elements of a new aqueduct from the Russian River to the Ely Pumping Plant, roughly paralleling portions of the existing Cotati Intertie and Petaluma Aqueduct, at an earlier date than would be necessary absent this Water Sale Agreement, and Agency will need to construct a new aqueduct from the Ely Pumping Plant to Kastania Reservoir, roughly paralleling portions of the existing Petaluma Aqueduct, which would not be necessary absent this Water Sale Agreement.

P. Agency and District entered into a Supplemental Water Supply Agreement dated January 25, 1996, which amended and incorporated two agreements between the Agency and MMWD that are attached as exhibits to the Supplemental Water Supply Agreement, the Third Amended Offpeak Water Supply Agreement and the Amended Agreement for the Sale of Water between the Sonoma County Water Agency and Marin Municipal Water District. The Amended Agreement for the Sale of Water by its terms remain in effect until June 30, 2015 as provided in the Amendment To and Temporary Extension of the Supplemental Water Supply Agreement between MMWD and the Agency dated June 27, 2014.

Q. District has requested that the Third Amended Offpeak Water Supply Agreement be renewed. Agency is willing to sell water to District,

and District is willing to purchase such water from Agency, pursuant to the terms and conditions of this Water Sale Agreement.

NOW, THEREFORE, in consideration of these recitals and the mutual promises made herein, Agency and District agree as follows:

Section 1. Definitions.

When used in this Water Sale Agreement, unless otherwise distinctly expressed or manifestly incompatible with the intent of this Water Sale Agreement, the following terms shall have the following meanings:

a. "Restructured Agreement for Water Supply" means the agreement between Agency and the Water Contractors entitled Restructured Agreement for Water Supply, executed on June 25, 2006.

b. "Fiscal Year" means each year that begins on July 1 and ends on the following June 30.

c. "Maximum Delivery Limit" means the maximum amount of water that Agency is required to deliver and that District may take pursuant to this Water Sale Agreement in any Fiscal Year, and which is described in Section 4 of this Water Sale Agreement.

d. "Other Customers and Contractors" means the North Marin Water District and all present and future Agency customers within Sonoma County, including all entities within Sonoma County that receive or will receive water from the Transmission System or other water conveyance facilities, and all entities within Sonoma County that divert or will divert water purchased from Agency directly from the Russian River or Dry Creek.

e. "Permits 12947A, 12949, 12950 and 16596" mean water rights permits 12947A, 12949, 12950 and 16596, which the State Water Resources Control Board and its predecessors issued to Agency pursuant

to Applications 12919A and 12920A, 15736, 15737 and 19351, as such permits now exist or in the future may exist (including any licenses that may be issued to replace these permits).

f. "Prudent Storage Reserve" means a quantity of water in storage in Lake Sonoma, Lake Mendocino and Lake Pillsbury sufficient to assure both that the level of Lake Sonoma would not drop below 292 feet and the level of Lake Mendocino would not drop below 685 feet, with reference to the National Geodetic Vertical Datum of 1929, during the fall of the calendar year following the calendar year in which the determination of availability is made under Section 7 of this Water Sale Agreement, if the most severe hydrologic period of record were to recur.

g. "Russian River Conservation Charge" means the charge that District pays and will pay Agency in lieu of the property taxes levied by the Agency on property in Sonoma County to pay the capital, operation and maintenance costs associated with the Warm Springs Dam Project, and which is described In Section 10 of this Water Sale Agreement.

h. "Russian River Projects Charge" means the charge which is described in Section 10 of this Water Sale Agreement that the District will pay Agency in lieu of the property taxes levied on property in Sonoma County and other Agency general fund monies which are transferred by the Agency to the Agency's Russian River Projects Fund and expended to pay for or partially pay for: (1) carrying out the Agency's Coyote Valley Dam Project and Warm Springs Dam Project channel-stabilization works obligations to the United States Government and the State of California under Agency Board of Directors Resolutions No. 6847 adopted May 24, 1955, No. 7798 adopted September 27, 1955, No. DR00793-1 adopted September 25, 1961 and Resolution

No. DR68485 adopted December 23, 1980; (2) securing and defending appropriative water rights which are necessary for the realization of the full benefits of the Coyote Valley Dam and Warm Springs Dam Projects; (3) the Agency's share of the United States Government's investment, operation and maintenance costs associated with the Coyote Valley Dam and Warm Springs Dam Projects; (4) the acquisition of all or part of the Potter Valley Project, or contributions made to the Project owner to insure the continued operation of all or part of the Project; and (5) fishery mitigation and enhancement projects undertaken by the Agency in the Russian River and Eel River and their tributaries.

i. "Offpeak Agreement" means the July 1, 2015 agreement between Agency and District that is described in recital K of this Water Sale Agreement.

j. "Transmission System" means the water-supply facilities financed and constructed pursuant to the Restructured Agreement for Water Supply and its predecessor agreements, including the remaining features of the Russian River-Cotati Intertie authorized by the Restructured Agreement for Water Supply but not yet constructed.

k. "Water Contractors" means the Cities of Cotati, Petaluma, Rohnert Park, Santa Rosa and Sonoma, the Town of Windsor, the Valley of the Moon Water District, and the North Marin Water District.

## Section 2. Agency Deliveries of Water to District.

Subject to all of the terms and conditions of this Water Sale Agreement, and subject to all relevant present and future provisions of the Restructured Agreement for Water Supply, District may purchase water from Agency pursuant to this Water Sale Agreement in any Fiscal Year in an

amount not to exceed either 10,000 acre-feet or the District's Maximum Delivery Limit for that Fiscal Year. Upon request by District and subject to all of the terms of this Water Sale Agreement, Agency shall make such water available to District at Agency's Kastania Reservoir at delivery rates specified by District, but not to exceed rates calculated by dividing the District's Maximum Delivery Limit by 10,000 acre feet and multiplying this quotient by the following amounts: (a) 9 million gallons per day between May 1 and October 31 of each year; (b) 12 million gallons per day during the months of April and November of each year; and (c) 15 million gallons per day during all other times.

To the extent permissible under the Offpeak Agreement, the first 360 acre-feet of water received by District from Agency in any month shall be accounted for as being received pursuant to that agreement.

District may not receive any water pursuant to this Water Sale Agreement in any month unless or until one of the following two events has occurred: (1) District already has received in that month at least 360 acre-feet pursuant to the Offpeak Agreement; or (2) District already has received in that Fiscal Year the maximum amount of water that it may receive pursuant to that Offpeak Agreement.

### Section 3. Meter, Connections and Delivery.

Agency will install a turnout, a meter, and appropriate appurtenances at its Kastania Reservoir so that the water delivered to District pursuant to this Water Sale Agreement may be accurately measured and delivered to District's water system. District shall take delivery of water purchased from Agency pursuant to this Water Sale Agreement immediately after the water has passed through this meter.

After installation of this turnout, meter and appurtenances, Agency shall bill District for their cost. District shall pay Agency the amount of this bill within 30 days after receipt of the bill.

Agency shall keep accurate records of the amounts of water delivered to District at this meter, and shall allow District to inspect these records during regular business hours.

#### Section 4. Maximum Delivery Limit.

a. In the Fiscal Year commencing July 1, 1995, District's Maximum Delivery Limit shall be 5,000 acre-feet. If District takes delivery of, or makes payments in lieu of delivery pursuant to Section 5 of this Water Sale Agreement for, at least 90 percent of the Maximum Delivery Limit in any Fiscal Year, then its Maximum Delivery Limit for the following Fiscal Year shall be increased by 1,000 acre-feet, but never to exceed 10,000 acre-feet.

b. Beginning with the Fiscal Year immediately following District's completion of transmission facilities sufficient to take delivery of at least 5,000 acre-feet of water pursuant to this Water Sale Agreement, or with the July 1, 1996 to June 30, 1997 Fiscal Year, whichever occurs first, if District does not take delivery pursuant to this Water Sale Agreement of, or make payments in lieu of delivery for, at least 90 percent of its Maximum Delivery Limit in any Fiscal Year, then District's Maximum Delivery Limit for the following Fiscal Year shall be decreased by 1,000 acre-feet, except:

The Maximum Delivery Limit shall not decrease for the Fiscal Year following any Fiscal Year in which District requests delivery of at least 90 percent of the Maximum Delivery Limit and either (1) Agency determines,

pursuant to Section 7 of this Water Sale Agreement, that less than 90 percent of the Maximum Delivery Limit is available; or (2) Agency determines pursuant to Section 9 of this Water Sale Agreement that Transmission System capacity will not be available to deliver District pursuant to this Water Sale Agreement at least 90 percent of the Maximum Delivery Limit.

Section 5. Payments In Lieu of Delivery.

District may elect to make payments to Agency in lieu of delivery to prevent any reduction of District's Maximum Delivery Limit for the following Fiscal Year.

Within 10 days after the end of any month in which District makes such an election, it shall notify Agency in writing of the number of acre-feet for which District elects to make payments in lieu of delivery. The total of this number of acre-feet plus the number of acre-feet of water actually delivered during the month pursuant to this Water Sale Agreement shall not exceed the volume equal to the number of days in the month times the applicable maximum daily delivery limit specified in Section 2 of this Water Sale Agreement. If at the end of May of any fiscal year District has not taken delivery pursuant to this Water Sale Agreement of at least 172 acre-feet of water during the fiscal year, District shall be deemed to have elected to make a payment in lieu of delivery during the month of May for the difference between 172 acre-feet and the amount of water for which delivery already has been taken, or for which payments in lieu of delivery already have been made, pursuant to this Water Sale Agreement. If at the end of June of any fiscal year District has not taken delivery pursuant to this Water Sale Agreement of at least 1000 acre-feet of water during the fiscal year, District

shall be deemed to have elected to make a payment in lieu of delivery during the month of June for the difference between 1000 acre-feet and the amount of water for which delivery already has been taken or payments in lieu of delivery already have been made, pursuant to this Water Sale Agreement.

After receipt of such notice from District, and in instances when District shall be deemed to have elected to make payments in lieu of deliveries, Agency shall bill District for the appropriate number of acre-feet at the rate determined pursuant to Section 10 of this Water Sale Agreement, less Agency's estimated average, system wide per-acre-foot costs (as calculated by Agency) for the energy and chemicals necessary to operate the Transmission system during the preceding month. When the actual average, system wide per-acre-foot costs (as calculated by Agency) for the energy and chemicals necessary to operate the Transmission System during any month in which District has elected to make payments in lieu of delivery are known, Agency shall make an appropriate adjustment to the amount previously billed to District pursuant to this section, and credit or debit the District for the adjustment.

District shall pay the amount of each bill made pursuant to this section within 30 days after receipt of the bill. No such billing or payment shall affect District's obligations to make payments to Agency pursuant to any other section of this Water Sale Agreement.

In calculating District's Maximum Delivery Limit for the following Fiscal Year, Agency shall add to the amount of water that District received pursuant to this Water Sale Agreement during the current Fiscal Year the number of acre-feet for which District made such payments in lieu of delivery during the current Fiscal Year.

Section 6. Annual Request by District.

On or before May 1 of each year, District shall submit a written request to Agency, stating the amount of water that District requests to purchase pursuant to this Water Sale Agreement and the Offpeak Agreement during the following Fiscal Year.

Section 7. Availability.

Except as otherwise provided in Section 8 of this Water Sale Agreement, water shall be deemed to be available for sale by Agency to District pursuant to this Water Sale Agreement if Agency has water in excess of the amounts that it needs to supply all of its Other Customers and Contractors, to meet its obligations under the Offpeak Agreement, to meet its obligations under any contract between Agency and the Mendocino County Russian River Flood Control and Water Conservation Improvement District in existence on October 22, 1991, to meet its obligations to appropriative water rights owners, to meet instream flow requirements, and to maintain a Prudent Storage Reserve; considering hydrologic conditions, Agency's offstream water production capacity, the probable effects of water conservation efforts on water demand and other relevant factors.

On or before March 1 of each year, Agency shall estimate the amount of water that will be available during the next Fiscal Year for sale to District pursuant to this Water Sale Agreement, and advise the District of this estimate. On or before June 1 of each year, Agency shall, to the extent that it can, make a final determination of the amount of water that will be available the next Fiscal Year for sale to District pursuant to this Water Sale Agreement, and advise the District of this amount.

If Agency notifies District pursuant to this section on March 1 of any year that the amount of water that will be available for delivery by Agency to District pursuant to this Water Sale Agreement during the following Fiscal Year will be less than District's Maximum Delivery Limit for that following Fiscal Year, then District may elect in writing to defer until July, August, September or October of the following Fiscal Year delivery of up to one-half of the undelivered water that District otherwise would be entitled to receive pursuant to this Water Sale Agreement during the current Fiscal Year. If District makes such an election, then none of the maximum daily delivery limits specified in Section 2 of this Water Sale Agreement shall be exceeded by the total of all water delivered by Agency to District pursuant to this Water Sale Agreement. If District makes such an election and receives the deferred-delivery water during the following Fiscal Year, then for the purposes of Section 4 of this Water Sale Agreement such water shall be treated as if District had taken delivery of it during the current Fiscal Year.

Section 8. Firm Water Supply.

a. No later than July 31, 1996, District shall pay to the Agency a lump sum representing a share of the Warm Springs Dam sinking fund and principal payments made to the United States Government by Agency for Lake Sonoma water storage space corresponding to 5,000 acre-feet per annum of the 75,000 acre-feet per annum net firm yield of the Warm Springs Dam Project.

b. At any time that is after District has made the payment described in paragraph (a) of this section and prior to July 1, 2005 District shall have the option to pay to the Agency a lump sum representing a share of the Warm Springs Dam sinking fund and principal payments made to the United

States Government by Agency for Lake Sonoma water storage space corresponding to an additional 5,000 acre-feet per annum of the 75,000 acre-feet per annum net firm yield of the Warm Springs Dam Project.

c. The amount of the lump sum payments referred to in paragraphs (a) and (b) of this section shall be determined by the following formula:

$$C = (A + B) \times O / (75,000 \text{ acre-feet} - O)$$

In this formula *C* is the lump sum payment representing a share of the Warm Springs sinking fund corresponding to an additional 5,000 acre-feet per annum of the 75,000 acre-feet per annum net firm yield of the Warm Springs Dam Project; *A* is the balance of cash and market value of investments held by the Agency's Warm Springs Dam Sinking fund on the last day of the fiscal year quarter immediately preceding the date of the payment provided for in paragraph (a) or (b) of this section; *B* is the total amount of the principal payments which have been made by the Agency to the United States Government for water storage space in Lake Sonoma as of the date of the payment provided for in paragraph (a) or (b) of this section; and *O* is the 5,000 acre-feet of annual firm water to be made available to MMWD pursuant to paragraphs (a) or (b) of this section.

d. In lieu of the determination of availability provided for in Section 7 of this Water Sale Agreement, Agency shall release water from storage in Lake Mendocino or Lake Sonoma when necessary to make available in the Russian River sufficient water to make deliveries of the first 5,000 acre-feet per annum of water provided for by this Water Sale Agreement, but subject to the provisions of paragraph (f) of this section.

e. If District makes the payment pursuant to paragraph (b) of this section, then in lieu of the determination of availability provided for in Section 7 of this Water Sale Agreement, Agency shall release water from storage in

Lake Mendocino or Lake Sonoma when necessary to make available in the Russian River sufficient water to make the deliveries of all the water provided for by this Water Sale Agreement, but subject to the provisions of paragraph (f) of this section.

f. With respect to the releases provided for in paragraphs (d) and (e) of this section, if by reason of drought or other physical cause or legal impediment beyond the control of the Agency, a shortage in the water available from the Russian River or the Russian River Project occurs, then Agency shall not be liable to District for any damage resulting therefrom. In the event of a shortage of water in the Russian River or the Russian River Project that requires the Agency to apportion available water, Agency shall apportion the available water so that it may make deliveries as follows:

First, Agency shall deliver to each of its regular customers, not in excess of the respective entitlements set forth in Sections 3.1, 3.2 and 3.3 of the Restructured Agreement for Water Supply, or any amendments or successor agreements thereto, authorize Agency's Russian River customers to divert or redivert not in excess of the amounts for which those customers have contracted to purchase from the Agency, and deliver to District not in excess of the amounts set forth in Section 1 of the Offpeak Agreement, paragraph (d) of this section, and (if District makes the payment pursuant to paragraph (b) of this section) paragraph (e) of this section, the quantities of water required by each for human consumption, sanitation and fire protection, as determined by the Agency after taking into consideration all other sources of potable water then available to said customer;

Second, to the extent additional water is available to the Agency, Agency shall deliver such water to Agency's regular customers, authorize

Agency's Russian River customers to divert or redivert such water, and deliver such water to the District, in proportion to the respective entitlements set forth in Sections 3.1, 3.2 and 3.3 of the Restructured Agreement For Water Supply, or any amendments or successor agreements thereto, the agreements between the Agency and its Russian River customers, Section 1 of the Offpeak Agreement, paragraph (d) of this section and (if District makes the payment pursuant to paragraph (b) of this section) paragraph (e) of this section, provided, however, that no customer shall receive under subdivisions "First" and "Second" hereof a total quantity of water in excess of its reasonable requirements or its said entitlement or contracted amount, whichever is less.

The terms "regular customers", "Russian River customers" and "water contractors" in this Water Sale Agreement shall have the same meanings that they have in the Restructured Agreement for Water Supply.

#### Section 9. Delivery Schedule.

Notwithstanding a determination of availability of water pursuant to Section 7 or Section 8 of this Water Sale Agreement, Agency shall be obligated to release water from storage or deliver water to District pursuant to this Water Sale Agreement only to the extent that the Transmission System has capacity in excess of that required by Agency to supply all of its Other Customers and Contractors, and District under the Offpeak Agreement. However, Agency shall not curtail deliveries pursuant to this section because of inadequate capacity in any new Ely-to-Kastania Aqueduct constructed pursuant to Section 13 of this Water Sale Agreement.

On or before June 1 of each year, Agency shall submit a written estimate to District of the capacity of the Transmission System that is

expected to be available to deliver water pursuant to this Water Sale Agreement for each month of the following Fiscal Year. Fifteen days before the first day of each month, District shall notify the Agency of its planned rate of delivery for that month pursuant to this Water Sale Agreement and the Offpeak Agreement. Such notice may be by telephone unless written notice is requested by Agency.

Section 10. Water Charges.

On or before April 30 of each year, Agency shall establish a per-acre-foot water rate applicable to all water delivered pursuant to this Water Sale Agreement for the following Fiscal Year. This rate shall be the sum of the following three per-acre-foot charges:

a. A per acre foot charge equal to the highest rate per acre-foot then charged by the Agency to any party to the Restructured Agreement for Water Supply (or pursuant to any amendment or successor agreement to the Restructured Agreement for Water Supply) for water taken from either the Petaluma Aqueduct or the Santa Rosa Aqueduct, multiplied by 1.11; provided, however, that the 20% surcharge imposed on the Town of Windsor under Section 4.17(a) of the Restructured Agreement shall not be included in determining the highest rate per acre-foot for water taken from the Santa Rosa Aqueduct or Petaluma Aqueduct. Seven and four hundred thirty-two one-thousandths percent (7.432%) of this per-acre-foot charge shall be placed in the Russian River Projects Fund; two and four hundred seventy-seven thousandths percent (2.477%) of this per-acre-foot charge shall be used, at the discretion of the Agency, to pay for the costs of Common Facilities, to pay the Capital Costs of Aqueduct Facilities relating to the Santa Rosa or Petaluma Aqueducts, or to pay

operations and maintenance costs; and the remainder shall be applied pursuant to the Restructured Agreement for Water Supply (or pursuant to any amendment or successor agreement to the Restructured Agreement for Water Supply), with the water delivered to Marin considered to be delivered from the Petaluma Aqueduct.

b. A Russian River Conservation charge which shall be paid in lieu of the property taxes levied by the Agency on property in Sonoma County, to pay the capital, operation and, maintenance costs associated with the Warm Springs Dam Project. The Russian River Conservation Charge shall be determined by multiplying the tax rate levied by the Agency in the then current fiscal year to pay the costs associated with the Warm Springs Dam Project times the assessed value of secured and unsecured property situated within the cities of Cotati, Petaluma, Rohnert Park, Santa Rosa and Sonoma, the Forestville County Water District, and the Valley of the Moon Water District, and dividing the product by the total number of acre-feet of water delivered to said public agencies pursuant to Section 3.1 and 3.3 of the Restructured Agreement for Water Supply, or any amendments or successor agreements thereto, during the twelve month period ending on March 31.

c. A Russian River Projects Charge which shall be paid in lieu of the property taxes levied on property in Sonoma County and other Agency general fund monies which are transferred to the Agency's Russian River Projects Fund and expended for the purposes enumerated in subsection (h) of Section 1. The Russian River Projects Charge shall be determined by dividing the total amount of Agency monies expended from the Agency's Russian River Projects Fund in the preceding ten fiscal years, exclusive of the funds contributed to the Fund by District and North Marin Water District,

and interest earnings attributable to funds contributed by District and North Marin Water District, by the sum of the total acre-feet of water delivered by the Agency to the cities of Cotati, Petaluma, Rohnert Park, Santa Rosa and Sonoma, the Forestville County Water District, and the Valley of the Moon Water District pursuant to Sections 3.1 and 3.3 of the Restructured Agreement for Water Supply, or any amendments or successor agreements thereto, during the preceding ten fiscal years and multiplying the quotient by the ratio that the assessed value of the secure and unsecured property situated within the cities of Cotati, Petaluma, Rohnert Park, Santa Rosa and Sonoma, the Forestville County Water District and the Valley of the Moon Water District bears to the assessed value of all secured and unsecured property within Sonoma County, provided, however, in no event shall the Russian River Projects Charge exceed \$20.00 per acre-foot. Agency shall keep proper books, records and accounts in which complete and accurate entries shall be made of all Agency general fund monies transferred to the Agency's Russian River Projects Fund and all expenditures made from the fund for the purposes described in this paragraph. The Agency shall maintain separate account within the Russian River Projects Fund for monies contributed by District and North Marin Water District. Monies expended from the Russian River Projects Fund shall be deemed to have been expended from the District and North Marin Water District account in the proportion that the balance of that account bears to the total Russian River Projects Fund balance at the end of the fiscal year quarter preceding the expenditure.

Agency shall bill District each month for all of these charges, based on the quantity of water delivered to District pursuant to this Water Sale

Agreement during the preceding month. District shall pay the amount of each such billing within 30 days after receipt of the bill.

If in any fiscal year the sum of the total amount of water delivered under this Water Sale Agreement plus the total amount of water for which payments are made in lieu of delivery pursuant to Section 5 of this Water Sale Agreement is less than the total amount of water for which District has made firm water supply payments pursuant to subsections (a) and (b) of Section 8 of this Water Sale Agreement, District shall pay the following additional payments:

d. An additional lump sum payment which shall be determined by multiplying the Russian River Conservation Charge times the difference between the total acre-feet of water for which District has made firm water supply payments pursuant to subsections (a) and (b) Section 8 of this Water Sale Agreement and the sum of the total acre-feet of water delivered under this Water Sale Agreement during the prior fiscal year plus the total acre-feet of water for which payments have been made in lieu of delivery pursuant to Section 5 of this Water Sale Agreement during the prior fiscal year.

e. An additional lump sum payment which shall be determined by multiplying the Russian River Projects Charge times the difference between the total acre-feet of water for which District has made firm water supply payments pursuant subsection (a) and (b) of Section 8 of this Water Sale Agreement and the sum of the total acre-feet of water delivered under this Water Sale Agreement during the prior fiscal year plus the total acre-feet of water for which payments have been made in lieu of delivery pursuant to Section 5 of this Water Sale Agreement during the prior fiscal year.

Agency shall bill District for these additional lump sum payments within 30 days after the end of each fiscal year. District shall pay the amount of each such billing within 30 days after receipt of the bill.

Section 11. Payment.

Notwithstanding any dispute between Agency and District, District shall pay all bills made by Agency pursuant to this Water Sale Agreement when due and shall not withhold all or any part of any amount billed pending the final resolution of such dispute. In the event of a dispute, District may pay its bills under protest, and if necessary under the ultimate resolution of the dispute, Agency shall make an appropriate refund to District, including interest on the overpaid amount at the rate obtained by Agency as a result of investment of the disputed amount. If District does not pay any bill by the due date for such bill, then, in addition to the principal amount due, District also shall pay Agency interest on this principal amount due, calculated from the due date until the payment date at the legal rate per annum established pursuant to Section 685.010 of the Code of Civil Procedure.

Section 12. Acceleration of Construction of New Aqueduct Elements.

If the financing and construction by Agency of a new aqueduct from the Russian River to the Ely Pumping Plant, roughly paralleling portions of the existing Cotati Intertie and Petaluma Aqueduct, is authorized by an amendment to the Restructured Agreement for Water Supply or successor agreement, then Agency shall annually provide District with a copy of its long-range capital improvement program. District may from time to time make written requests to Agency, requesting Agency to construct one or more elements of this new aqueduct at dates earlier than the dates planned

by Agency. If Agency, after considering the availability of funds and other relevant matters, agrees to accelerate the construction of any element or elements of this new aqueduct, then District shall commit in writing to reimburse Agency for the interest revenue foregone, or interest paid by Agency, as the result of such accelerated construction. Upon receipt of such written commitment acceptable to Agency in form and substance, Agency shall construct such element or elements. Agency shall bill District annually at least 30 days in advance of each bill's due date pursuant to such commitment and District shall pay each bill by its due date.

Construction of the new aqueduct elements shall be financed by Agency. Title to all elements of this new aqueduct shall vest with Agency, which shall operate and maintain this new aqueduct as part of the Transmission System. Construction of this new aqueduct shall not change any of the delivery limits, availability provisions or other terms of this Water Sale Agreement.

Section 13. Construction of New Ely-To-Kastania Aqueduct.

If Agency initiates construction of a new aqueduct roughly paralleling the portion of the existing Petaluma Aqueduct that extends from the junction of that aqueduct and the Cotati Intertie to the Ely Pumping Plant, then District may make a written request to Agency, requesting Agency to construct at District's expense an aqueduct roughly paralleling the portion of the existing Petaluma Aqueduct that extends from the Ely Pumping Plant to Kastania Reservoir, with sufficient capacity to meet the maximum delivery limits specified in Section 2 of this Water Sale Agreement and the maximum delivery limit specified in the Offpeak Agreement, taking into account surplus capacity in that portion of the existing Petaluma Aqueduct.

Construction of this new Ely-To-Kastania aqueduct shall be financed by cash deposits and payments from District. Title to this new aqueduct shall vest with Agency, which shall operate and maintain this new aqueduct as part of the Transmission system. Construction of this new aqueduct shall not change any of the delivery limits, availability provisions or other terms of this Water Sale Agreement.

Upon receipt of such a written request from District, Agency shall prepare and deliver to District design plans and a schedule for the construction of this new aqueduct, and a schedule for payment by District to Agency of appropriate deposits and payments for such plans and construction. If District commits in writing to pay such deposits and payments to Agency according to this payment schedule, then Agency shall construct this new aqueduct, and shall bill District for such deposits and payments according to this payment schedule. Agency shall bill District at least 30 days in advance of each bill's due date and District shall pay each bill by its due date.

Section 14. Place of Use.

Water received by District pursuant to this Water Sale Agreement and the Offpeak Agreement shall only be used within the sphere of influence (as such term is defined in Section 56076 of the Government Code) of the District on [insert effective date].

Section 15. Water Conservation.

District and Agency will comply with all applicable state laws related to water conservation planning and implementation, including the Urban Water Management Planning Act, Water Code Sections 10610-10655 (as such act now exists or in the future may exist). Whenever District files any urban water management plan, or any amendment or change to such a plan, with the Department of Water Resources or any other state agency, District shall, upon request from Agency, at the same time submit a copy of the plan amendment or change to Agency. Whenever Agency files any urban water management plan, or any amendment or change to such a plan, with the Department of Water Resources or any other state agency, Agency shall, upon request from District, at the same time submit a copy of the plan, amendment or change to District.

Section 16. California Environmental Quality Act.

Pursuant to Section 15051(d) of the State CEQA Guidelines, District is designated as the lead agency under the California Environmental Quality Act for the execution of this Water Sale Agreement, and for any projects south of Kastania Reservoir that District may construct to implement this Water Sale Agreement. Agency is designated as the lead agency for any projects north of Kastania Reservoir that Agency may construct to implement this Water Sale Agreement.

Section 17. Future Agency Application to Increase Limit on Diversions and Rediversions in Permit 16596.

District acknowledges that the 75,000 acre foot per year limit on diversions and rediversions in term 5 of Permit 16596 does not allow

Agency to utilize the entire yield of the Warm Springs Dam Project, and that Agency intends to file in the future an application with the State Water Resources Control Board to increase this limit. District recognizes and agrees that it will be in the public interest for the State Board to grant any such application.

Section 18. Effective Date, Term and Termination.

This Water Sale Agreement shall be effective July 1, 2015 and shall remain in effect until June 30, 2025. Upon the request of District, Agency shall enter into renewal agreements for periods not to exceed the then-existing term of the Restructured Agreement for Water Supply or any renewals, amendments or replacement agreements to the Restructured Agreement for Water Supply upon the same terms and conditions contained in this Water Sale Agreement, except that the Agency may make reasonable adjustments to the charges under Section 10 of this Water Sale Agreement, and any such reasonable adjustments then shall be included in any renewal agreement. If the Restructured Agreement for Water Supply has been terminated or has expired without being renewed, amended or replaced by another agreement pertaining to water supply, then upon the request of District, the Agency shall enter into renewal agreements for periods not to exceed forty (40) years upon the same terms and conditions contained in this Water Sale Agreement, except that the Agency may make reasonable adjustments to the charges under Section 10 of this Water Sale Agreement and any such reasonable adjustment then shall be included in any renewal agreement.

Section 19. Merger.

This writing is intended both as the final expression of the agreement between the parties hereto with respect to the included terms and conditions and as a complete and exclusive statement of the terms of the Water Sale Agreement. Pursuant to Code of Civil Procedure Section 1856, no modification of the Water Sale Agreement shall be effective unless and until such modification is evidenced by a writing signed by all parties.

Section 20. Equitable Remedies.

Because water is a scarce and precious resource, District will not have an adequate remedy at law, and thus may request a court of competent jurisdiction to order equitable remedies, to compel Agency to deliver the water that District is entitled to receive pursuant to this Water Sale Agreement. Such equitable remedies shall be District's sole and exclusive remedies in actions brought by District relating to the amounts of water that Agency must deliver to District pursuant to this Water Sale Agreement.

Section 21. Waiver and Indemnification.

District waives, releases and forever discharges Agency, its officers, agents and employees from any and all liabilities, claims, demands, losses and costs relating to any of the following: (1) any property damage or personal injury arising from any non-delivery of water requested by District pursuant to this Water Sale Agreement, or for any property damage or personal injury arising from the quality of water delivered pursuant to this Water Sale Agreement, if such property damage or personal injury is caused by lack of available capacity in the Transmission System, drought, earthquake or other Act of God, strike or other labor dispute, partial or total

dam, gate or tunnel loss, dam, gate or tunnel repairs, water pollution, or any factor beyond the control of Agency (whether or not such factor is listed in this sentence); and (2) any property damage or personal injury arising from any decision of Agency or the Water Contractors regarding:

(a) determinations of the availability of water for sale by Agency to District pursuant to this Water Sale Agreement; (b) allocation of Transmission System capacity; (c) proposed expansions of the Transmission System; or (d) repair (or non-repair) of the Potter Valley Project, Coyote Valley Dam or Warm Springs Dam. District's waiver, release and discharge described in this paragraph shall apply to any of the property damages or personal injuries described in this paragraph, whether or not such property damages or personal injuries were caused by Agency's negligence, unless such property damages or personal injuries resulted from Agency's sole negligence, willful misconduct or violation of law.

District shall indemnify, hold harmless, protect and defend Agency, its officers, agents and employees from and against any and all liabilities, claims, demands, damages, losses, disabilities or expenses (including attorney fees and litigation costs) of every nature arising out of, or in connection with: (1) the lack of quantity of water that has been delivered by Agency to District pursuant to this Water Sale Agreement; or (2) the control, conveyance and disposition of water that has been delivered by Agency to District pursuant to this Water Sale Agreement. For the purposes of this section, the point of delivery shall be as specified in Section 3 of this Water Sale Agreement. District shall provide such indemnification, holding harmless, protection and defense whether or not such liabilities, claims, demands, damages, losses, disabilities or expenses are based on Agency's negligence, unless such liabilities, claims,

demands, damages, losses, disabilities or expenses are based on Agency's sole negligence, willful misconduct or violation of law.

This section shall not apply to any construction activities, or construction contracts, relating to the construction described in Section 13 of this Water Sale Agreement. The provisions in this section regarding attorney fees shall not apply to any other section of this Water Sale Agreement.

Section 22. Water Quality.

Water delivered by Agency to District pursuant to this Water Sale Agreement shall be of the same general quality as water delivered by Agency from the Transmission System to the Water Contractors. Except as expressly stated in the preceding sentence, Agency does not make any express or implied warranty regarding the quality of the water delivered pursuant to this Water Sale Agreement.

Section 23. No Effect on Offpeak Agreement.

Except as stated in Section 14 of this Water Sale Agreement, nothing in this Water Sale Agreement shall be construed as affecting or amending the Offpeak Agreement.

Section 24. Method and Place of Giving Notice and Making Payments.

All notices shall be in writing and notices and payments may be given by personal delivery or by mail. Notices and payments sent by mail shall be addressed as follows;

Agency: General Manager  
Sonoma County Water Agency  
404 Aviation Boulevard  
Santa Rosa, CA 95403

District: General Manager  
Marin Municipal Water District  
220 Nellen Avenue  
Corte Madera, CA 94925

When so addressed, a notice shall be deemed given upon deposit in the United States Mail, postage prepaid. In all other instances, notices and payments shall be deemed given at the time of actual delivery. Changes may be made in the names and addresses of the person to who notices and payments are to be given by giving notice pursuant to this section.

Section 25. Demand for Assurance.

When reasonable grounds for insecurity arise with respect to the performance of either party, the other party may, in writing, demand adequate assurance of due performance and, until it receives such assurance, may, if commercially reasonable, suspend any performance for which the agreed return performance has not been received. "Commercially reasonable" includes not only the conduct of either party with respect to performance under this Water Sale Agreement, but also conduct with respect to other agreements with the other party to this Water Sale Agreement or others. After receipt of a justified demand, the failure to provide within a reasonable time, but not exceeding 30 days, such assurance of due performance as is adequate under the circumstances of the particular case is a repudiation of this Water Sale Agreement. Acceptance of any improper delivery, service, or payment does not

prejudice the aggrieved party's right to demand adequate assurance of future performance.

Section 26. Third Party Beneficiaries.


No third party beneficiaries are intended or established by this Water Sale Agreement.

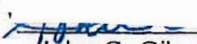
Section 27. Representation by Counsel.

Agency and District each was represented by independent counsel in the negotiation and execution of this Water Sale Agreement. For the purposes of interpretation of this Water Sale Agreement, neither party shall be deemed to have been the drafter of this Water Sale Agreement.


ATTEST:

MARIN MUNICIPAL WATER DISTRICT


  
Board Secretary

By:   
John C. Gibson, President  
Board of Directors

Reviewed as to Substance  
Marin Municipal Water District

  
Krishna Kumar  
General Manager

Reviewed As To Form:

  
Mary R. Casey  
General Counsel

SONOMA COUNTY WATER AGENCY

By: \_\_\_\_\_  
Chair, Board of Directors

DATE: 7/12/13

Grant Davis, General Manager

Steven S. Shupe  
Deputy County Counsel