

WATER SUPPLY AGREEMENT BETWEEN SAN LUIS OBISPO COUNTY
FLOOD CONTROL AND WATER CONSERVATION DISTRICT AND
CITY OF MORRO BAY

This agreement, made this 11th day of May, 1992, by and between the San Luis Obispo County Flood Control and Water Conservation District, hereinafter referred to as "District", and the City of Morro Bay, hereinafter referred to as the "Contractor".

WITNESSETH:

WHEREAS, the District and the State of California, on February 26, 1963, entered into an agreement entitled "Water Supply Contract Between the State of California Department of Water Resources and San Luis Obispo County Flood Control and Water Conservation District," which agreement has been amended from time to time, whereby the State of California will furnish a water supply to the District; and

WHEREAS, the lands and/or inhabitants of the Contractor are in need of additional water for municipal use and other beneficial uses; and

WHEREAS, because certain communities within the County of San Luis Obispo who desire to contract with the District for a water supply are now subject to water resource constraints and could, on receipt of said water supply, experience an increased rate of population growth, and, because certain of said communities are presently overdrafting their groundwater basins, this agreement requires that the governing body of each water purveyor accepting SWP water shall adopt a water management plan or program, the goal of which shall be to demonstrate that its project water shall be used first to offset its proportionate share of groundwater basin overdraft, if any, and to improve water quality for its consumers, if appropriate, and to provide an appropriate reserve available for a period of reduced water supply before being made available for other purposes. Such commitment may be manifested by the adoption of an ordinance or by the adoption of a resolution or by the adoption of a water management plan or program which brings its proportionate share of groundwater supply and demand into balance; and

WHEREAS, the Contractor desires to contract with the District for a water supply to be for the use and benefit of the inhabitants and lands of the Contractor and for which the Contractor will make payment to the District upon the terms and conditions hereinafter set forth;

WHEREAS, the District desires to make water available to Contractor, and others, under terms and conditions which are fair and equitable to all such entities and persons and consistent with the said "Water Supply Contract Between the State of California Department of Water Resources and San Luis Obispo County Flood Control and Water Conservation District."

NOW, THEREFORE, IT IS HEREBY MUTUALLY AGREED by District and Contractor as follows:

Article 1. Definitions.

- (a) "Master Contract" shall mean that agreement entitled "Water Supply Contract Between the State of California Department of Water Resources and the San Luis Obispo County Flood Control and Water Conservation District," dated February 26, 1963, and all amendments thereto.
- (b) "Project Water" shall mean all water, including District's Entitlement Water and District's Surplus Water, made available to the District by the State of California pursuant to the Master Contract.
- (c) "District's Entitlement Water" shall mean that part of the Project Water set forth in Table "A" of the Master Contract for San Luis Obispo County Flood Control and Water Conservation District.
- (d) "District's Surplus Water" shall mean that Project Water made available to District pursuant to the provisions of Articles 21 and 46 of the Master Contract.
- (e) "Contractor's Water Service Amount" shall mean that amount of District's Entitlement Water which District shall provide to Contractor during the term of this agreement and, specifically, in the amounts and at the times set forth in Article 6 and Article 8 of this agreement.
- (f) "Year" shall have the same meaning as the word "year" in the Master Contract.
- (g) "Year of initial water delivery" shall mean the year when District's Project Water is first available for delivery to the Contractor pursuant to the terms of this agreement.
- (h) "Municipal use" shall mean all those uses of water usual to the municipal water supply of a city, town, or other similar population group, including uses for domestic purposes, uses for the purposes of commerce, trade or industry, and any other use incidental thereto for any beneficial purpose.
- (i) "Repayment Reach" or "reach" shall mean reaches of the California Aqueduct designated by the Department of Water Resources for purposes of repayment of Project Transportation Facilities by District and other water contractors under the Master Contract.
- (j) "Other agency" or "other subcontractor" shall mean any other public water distribution agency having the power to do so, which executes a contract with the District for the purchase of a water supply from District's Project Water.
- (k) "District Administrative Costs" are the labor, equipment, materials and overhead costs of the District which are associated with the service of providing Project Water to Contractor under this agreement and to other agencies under similar agreements.

(1) "Central Coast Water Authority" shall mean and is a joint exercise of powers agency duly organized and validly existing under the Constitution and laws of the State of California.

Article 2. Term.

This agreement shall become effective on the date first above written and shall remain in effect throughout the term provided by Article 2 of the Master Contract; provided, that whenever the Master Contract is terminated or suspended in the manner and for a cause specified in the Master Contract, this contract shall also be terminated or suspended.

Article 3. Option for Continued Service.

By written notice delivered to District at least nine (9) months prior to the expiration of the term of this agreement, Contractor may elect to receive continued service after expiration of said term and under the conditions set forth in Article 4 of the Master Contract.

Article 4. Relationship to Master Contract.

Contractor acknowledges and agrees that this agreement is subject to the obligations and limitations imposed on District by the Master Contract and all existing and future amendments to the Master Contract and is intended to be in conformance and harmony with it. The Contractor hereby expressly agrees to the provisions of the Master Contract and all existing and future amendments thereto and further expressly agrees that nothing in this agreement shall be deemed to require the District to perform an obligation in conflict with the Master Contract. Contractor further agrees that District's rights to enter into amendments to the Master Contract is not, and shall not be restricted or impaired, in any way, by this agreement.

Article 5. Service Agreement.

Parties agree that this is an agreement for service, and only contractual rights are created by this agreement, and that it does not create an entitlement to, nor does it convey to the Contractor any property right or interest in District's Project Water.

Article 6. Contractor's Water Service Amount and Use of Project Water.

(a) Contractor's Water Service Amount

Commencing with the year that District first makes Project Water available for delivery to Contractor under this agreement, and subject to the shortage provisions of Article 10 of this agreement, District each year shall make available for delivery to the Contractor 1313 acre feet of Project Water which amount is referred to in this agreement as the Contractor's Water Service Amount.

~~(b) Use of Project Water~~

~~Contractor shall adopt a water management plan or program, which shall demonstrate that its project water shall be used first to offset its proportionate share of groundwater basin overdraft, if any, and to improve water quality for its consumers, if appropriate, and to provide an appropriate reserve available for a period of reduced water supply before being made available for other purposes. Such commitment shall be manifested by the adoption of an ordinance or by the adoption of a resolution or by the adoption of a water management plan or program which brings its proportionate share of groundwater supply and demand into balance.~~

Article 7. Measuring Devices; Treatment Facilities.

(a) Measuring Devices.

The District shall be responsible for the measuring of the amounts of all Project Water delivered to the Contractor and shall keep or cause to be kept accurate records thereof. For this purpose, the District shall install, operate, and maintain at all turnouts for delivery of Project Water to the Contractor such measuring devices and equipment as are satisfactory and acceptable to both District and Contractor, except that where measuring devices and equipment to be installed, operated and maintained by the State of California pursuant to the Master Contract will be sufficient for the measurement of Project Water delivered to the Contractor, the District need not duplicate such facilities and the parties hereto agree to accept the measurements and records of the State of California in such cases. Any measuring devices and equipment installed, operated and maintained by the District shall be examined, tested and serviced regularly to insure their accuracy. At any time or times, the Contractor or any other subcontractor may inspect such measuring devices installed, operated and maintained by the District and the measurements and records taken therefrom. Contractor shall pay to District all of the costs incurred by District for those said measuring devices reasonably necessary for measuring the delivery of Project Water to Contractor

(b) Water Treatment.

The treatment of project water supplied to Contractor hereunder shall be accomplished by the Central Coast Water Authority and pursuant to and in accordance with the provisions of that certain agreement between the District and Contractor which agreement is entitled "Water Treatment and Local Facilities Agreement." Upon notice to the District by the Central Coast Water Authority that Contractor has failed to make any payment, which failure the Central Coast Water Authority certifies constitutes a default under the said "Water Treatment and Local Facilities Agreement", the District shall discontinue water service and the delivery of project water to Contractor hereunder and District shall not recommence water service or the delivery of project water to the Contractor until the Central Coast Water Authority gives written notice to District that such default has been cured.

Article 8. Location and Rate of Delivery of Contractor's Water Service Amount.

Contractor's Water Service Amount shall be made available for delivery to the Contractor at the locations and rates hereinafter specified:

(a) The location and maximum instantaneous flow capacity to be provided in each delivery structure shall be:

Location: Reach No. 33A

Maximum instantaneous flow capacity: 1.84 cubic feet per second

(b) The maximum amount of water to be delivered by District to Contractor in any one month through the State's transportation facilities shall not exceed - 109.41 acre-feet.

(c) Procedure for Determining Water Delivery Schedule.

The amounts, times, and rates of delivery of Contractor's Water Service Amount to the Contractor during any year shall be in accordance with a District water delivery schedule for that year, with such schedule to be determined in the following manner:

(1) On or before September 1 of each year, the Contractor shall submit in writing to the District a preliminary water delivery schedule, subject to the provisions of this Article, Article 6, and Article 9, indicating the amounts of Project Water desired by the Contractor during each month of the succeeding five years (5) years.

(2) Upon receipt of said preliminary schedule, the District shall review it and, after consultation with the Contractor, shall make such modifications in it as it deems necessary to insure that the amounts, times, and rates of delivery to the Contractor will be consistent with the District's receipt of Project Water from the State of California pursuant to the Master Contract, considering the then current delivery schedules of all subcontractors; provided that the District shall not make any such modification which would provide for the delivery of water to the Contractor in any month in excess of the Contractor's total water demand for that month, or 8.333 percent of the Contractor's Water Service Amount for that year, whichever is the lesser. On or before December 15 of each year, after the District has been furnished a water delivery schedule from the State of California, pursuant to the terms of Article 12 of the Master Contract, the District shall determine and furnish to the Contractor a water delivery schedule for the next succeeding year which shall show the amounts of Project Water to be delivered to the Contractor during each month of that year.

(3) The water delivery schedule may be amended by the District upon the District's initiative or upon the Contractor's written request. Proposed amendments shall be submitted by the

Contractor within a reasonable time before the desired change is to become effective, and shall be subject to review and modification by the District in like manner as the schedule itself. The District shall approve all requests for changes in delivery from one delivery structure to another when there is sufficient capacity available in the transportation facilities, considering the then current delivery schedules of all subcontractors; provided, that the Contractor agrees to pay all increased costs incurred by the District as a result of such change.

(4) In the event that the dates provided for in Article 12 of the Master Contract are changed by amendment to the Master Contract, the dates provided for in this agreement shall also be automatically changed so that they have the same relative time span as they now have with those in the Master Contract.

(d) Temporarily Exceeding Limit on Peak Deliveries of Water.

While District is not required to deliver to the Contractor in any one month of any year a total amount of Project Water greater than eight and one-third percent (8.333%) of the Contractor's Water Service Amount for that year; however, in the event deliveries required to be made by the District to other agencies permit a higher monthly rate of delivery to the Contractor without the District exceeding the limitations imposed on the District by the State of California in the Master Contract, then the District shall have the discretion to temporarily exceed the maximum monthly deliveries provided for herein.

(e) Limitation of Rate of Delivery to Contractor.

In no event shall the District be obligated to deliver water to the Contractor through all delivery structures at a total combined instantaneous rate of flow exceeding 1.84 cubic feet per second.

Article 9. Limitations on Obligation of District to Furnish Water.

(a) Notwithstanding any provisions of this agreement to the contrary, the obligation of the District to furnish water hereunder shall be limited to the times and to the extent that water and facilities necessary for furnishing the same are available to the District pursuant to the Master Contract. Further, District shall have no obligation to Contractor to deliver Project Water at any particular head or pressure.

(b) The District shall not be liable for the failure to perform any portion of this agreement to the extent that such failure is caused by the failure of the State of California to perform any obligation imposed on the State of California by the Master Contract; provided, that to the extent that the District's obligations to the State are reduced by such failure on the part of the State, the District shall make appropriate reductions in the obligations of the Contractor under this agreement; provided further, that the District shall diligently and promptly pursue all rights and remedies available to it to enforce the rights of the District against the State of California under the Master Contract relative to such failure to perform and, provided further, that the

costs and expenses incurred by District in the enforcement or attempted enforcement of said rights under the Master Contract shall be considered to be Administrative costs under this agreement.

Article 10. Water Shortages

(a) No Liability for shortages.

There may occur from time to time a shortage or shortages in the quantity of Project Water available to the District pursuant to the Master Contract and for furnishing to the Contractor pursuant to this agreement. In any such event no liability shall accrue against the District or any of its respective officers, agents or employees for any damage, direct or indirect, arising from such shortage or shortages.

(b) Temporary Shortages; Delivery Priorities.

In any year in which there may occur a shortage, due to any cause, in the supply of Project Water available to the District with the result that there is insufficient Project Water available to District for District to provide to Contractor the Contractor's Water Service Amount, then District shall reduce deliveries to each subcontractor in an amount which bears the same proportion to the total amount of such reduction that the subcontractor's Water Service Amount bears to the total of all of the Contractor Water Service Amounts of all subcontractors for that year, all as determined by the District; provided, that the District may apportion on some other basis if such is required to meet minimum demands of any Contractor(s) for domestic supply, fire protection, or sanitation during the year.

(c) Permanent Shortage.

In the event that because of a permanent shortage in the supply of Project Water available for delivery to the District there is an amendment of Table A of the Master Contract with the result that the annual supply of District's Entitlement Water is less than the total of Contractor's Water Service Amount plus the water service amounts of all other Contractors, then Contractor's Water Service Amount and the Water Service Amount of all other subcontractors shall be reduced proportionately by the District to the extent necessary so that the sum of the reduced Contractor's Water Service Amount plus the reduced Water Service Amount of all other subcontractors will then equal such reduced annual supply of District's Entitlement water to be made available to the District by the State of California.

(d) Reinstatement of Reductions in Water Service Amounts.

If after any reduction of annual supply of District's Entitlement Water, pursuant to subdivision (c) of this Article, there is an amendment to Table A of the Master Contract which increases the annual supply of District's Entitlement Water, then the District shall, with the consent of the Contractor and to the extent possible, increase the previously reduced Contractor's Water Service Amount, in proportion to the water service amounts of all other subcontractors,

up to an amount equal to, but not exceeding the amount provided for in Article 6 of this agreement.

(e) Advance Notice of Delivery Reduction.

The District shall give the Contractor written notice, as far in advance as District reasonably may, of any reduction in deliveries to Contractor under subdivision (b) or subdivision (c) of this Article.

Article 11. Curtailment of Delivery for Maintenance Purposes.

The State of California or the District may temporarily discontinue or reduce the amount of Project Water to be furnished to the Contractor during such time as the State or District are maintaining, repairing, replacing, investigating or inspecting, any of the facilities necessary for the furnishing of water to the Contractor. Insofar as it is feasible, the District shall give the Contractor notice in advance of any such temporary discontinuance or reduction, except in the case of emergency, in which case no notice need be given. In the event of such discontinuance or reduction, the District will upon resumption of service, deliver, as nearly as may be feasible, and to the extent water is furnished to it by the State of California, the quantity of Project Water which would have been furnished to the Contractor in the absence of such discontinuance or reduction.

Article 12. Responsibilities for Delivery and Distribution of Water.

Neither the District nor its officers, agents or employees shall be liable for the control, carriage, handling, use, disposal, or distribution of Project Water supplied to the Contractor after such water has passed into the Contractor's delivery structures, nor for claim of damages of any nature whatsoever, including but not limited to property damage, personal injury or death, arising out of or connected with the control, carriage, handling, use, disposal or distribution of such water beyond said delivery structure; and the Contractor shall defend, indemnify and hold harmless the District and its officers, agents and employees from and against any such damages or claims of damages.

Article 13. Quality of Project Water Delivered.

Contractor acknowledges and agrees that inasmuch as District will neither operate nor control the sources, delivery facilities, or the water treatment facilities for the Project Water, the District shall not be responsible for the quality of the Project Water furnished to Contractor pursuant to this agreement.

Article 14. Payment for Water Service.

(a) Contractor's Annual Obligation.

In addition to the other payments to District by Contractor provided for herein, the Contractor shall pay to District each year during the term of this agreement a sum which shall consist of the total of the following, and which is referred to herein as Contractor's Annual Obligation:

(1) Delta Water Charge Reimbursement.

The Contractor shall reimburse District for a portion of the District's annual Delta Water Charge, as defined in the Master Contract. Contractor's reimbursement amount shall be the product of the Delta Water rate for the respective year times the amount of the Contractor's Water Service Amount specified in Article 6.

(2) Transportation Charge.

(i) Capital Cost Component Reimbursement.

The Contractor shall reimburse District for a portion of the District's annual Transportation Capital Charge, as defined in the Master Contract, for each repayment reach in which the Contractor has been provided capacity by the District, as determined by the District. The Contractor's percentage reimbursement shares of the District's Transportation Capital Charge, by repayment reach, are as follows:

<u>Repayment Reach</u>	<u>Contractor' Reimbursement Share (%)</u>	
1 through 33A	<u>16.35%</u>	<i>Subject to change in the event that the City of SLO or the Cajoncos Water Organization do not participate</i>
34	<u>0.00%</u>	
35	<u>0.00%</u>	

(ii) Transportation Minimum Operation Maintenance, Power and Replacement Component (Minimum OMP&R) Reimbursement.

The Contractor shall reimburse District for a portion of the District's annual Transportation Minimum OMP&R Charge (Minimum OMP&R), as defined in the Master Contract, for each repayment reach in which the Contractor has been provided capacity, as determined by the District. The Contractor's percentage reimbursement shares of the District's Minimum OMP&R Charge, by repayment reach, are as follows:

Repayment ReachContractor's Reimbursement Share (%)

1 through 33A

16.35 %

34

0.00 %

35

0.00 %

*Subject to change
in the event that the
City of SLO or the
Cayucos Water Ag. Organization
do not participate.*

(iii) Variable Operation, Maintenance, Power and Replacement Charge (Variable OMP&R) Reimbursement.

The Contractor shall reimburse District for a portion of the District's Variable OMP&R charge, as defined in the Master Contract, which shall be the product of the acre-feet of Project Water scheduled to be delivered during the respective year to the Contractor from or through said reach multiplied by the District's estimate of the charge per acre-foot to be made by the State to the District for said year for the Variable OMP&R component of the Transportation Charge applicable to transporting water through said reach.

(iv) Off-Aqueduct Power Facilities Reimbursement.

The Contractor shall reimburse District for its portion of the annual Off-Aqueduct Power Facilities charge to be paid by the District to the State, as defined in the Master Contract. Contractor's reimbursement share shall bear the same proportion to the District's annual Off-Aqueduct Power Facilities charge as the estimated electrical energy (kilowatt-hours) required to pump through project transportation facilities the Contractor's Water Allocation for that year, [as submitted pursuant to Article 8(c)(1) and as may be modified by the District pursuant to Article 8(c)(2)] bears to the total estimated electrical energy (kilowatt-hours) required to pump all such amounts for all Contractors through project transportation facilities for that year, all as determined by the District.

(3) Revenue Bond Surcharge Reimbursement.

The Contractor shall pay to the District its proportionate share as calculated by the District, of the annual Revenue Bond Surcharge to be paid by the District to the State.

(4) Administrative Cost Reimbursement.

The Contractor shall reimburse District for a portion of the District's administrative costs

associated with delivery of State Project Water under this agreement. The Contractor's share of the administrative costs shall be based upon the percentage of the Transportation Capital Cost component that the Contractor pays. This percentage multiplied by the total administrative cost shall be the Contractor's share of the administrative costs.

(b) Time of Payment.

Commencing with the year 1992, the Contractor shall pay to the District, either within 10 days after receipt by it of an annual statement from the District setting forth the Contractor's annual obligation or on January 1 of each year, whichever is later, sixty percent (60%) of its annual obligation. The Contractor shall pay the remainder of such annual obligation on or before July 1 of that year.

(c) Adjustments in Contractor's Annual Obligation.

At the end of each year the Contractor's annual obligation shall be recalculated by substituting as soon as possible the actual charges made by the State Department of Water Resources to the District for the variable operation, maintenance, power, and replacement components of said Delta Water Charge and Transportation Charge and the Off-Aqueduct Power Facilities charge for the District's estimates of these charges and the actual quantities of water delivered for any scheduled quantities used in calculating the annual obligation pursuant to the provisions of subdivision (a) of this Article. Any adjustment in the Contractor's payments required to reflect this recalculation shall be made in the Contractor's first payment to District due after said recalculation. Interest rates used in the computation of these adjustments shall be the same as those used by the State Department of Water Resources in the adjustments made for the District's obligation for that year.

(d) Additional Deliveries.

In the event that the Contractor requests the delivery during any year of Project Water in addition to the quantities set forth in Article 6 hereof and to the extent that other Contractors have requested less than their total annual water allocations, District may provide such requested additional Project Water to the Contractor. For such additional Project Water, the Contractor shall pay in advance of the delivery of such additional Project Water an amount to be determined as follows:

(1) For any such additional Project Water delivered to the Contractor, the Contractor shall pay for each acre-foot the applicable unit charges for the Variable Operation, Maintenance, Power and Replacement component of the Transportation Charge, the Off-Aqueduct Facilities charge attributable to such water, and one-half of the Delta Water rate times the amount of additional Project Water.

(e) Reduced Deliveries.

Upon reasonable notice to the District that the Contractor will not take all of Contractor's Water Service Amount for any year, the District shall adjust the payment required by the Contractor for such water as provided in Article 14(c), above. To the extent that deliveries so reduced are delivered to other subcontractors pursuant to Article 14(d) above, the District may reduce the Delta Water Charge to the Contractor in the amount of one-half of the Delta water rate times the amount of water so reduced, as determined by the District; however, Contractor shall otherwise pay to District the Contractor's annual obligation.

Article 15. Default; Suspension of Service.

In the event of any default by the Contractor in the payment of any money required to be paid to the District hereunder, the District in its discretion may suspend delivery of Project Water during the period when the Contractor is delinquent in its payment for or obligations due to the District under the terms of this agreement; provided, that during any such period of delinquency or suspension the Contractor shall remain obligated to make all payments required under this agreement. Action taken pursuant to this Article shall not deprive the District of or limit any remedy provided by this agreement or by law for the recovery of money due or which may become due under this agreement.

Article 16. Interest on Overdue Payments.

Upon each charge to be paid by the Contractor to the District pursuant to this agreement which remains unpaid after the same shall have become due and payable, interest shall accrue at an annual rate equal to that earned by the District on its funds invested through the County of San Luis Obispo by the County Treasurer calculated monthly on the amount of such delinquent payment from and after the due date when the same becomes due until paid, and the Contractor hereby agrees to pay such interest; provided, that no interest shall be charged to or be paid by the Agency unless such delinquency continues for more than (30) days. In addition, Contractor shall reimburse District for all of District's costs, expenses, and personnel costs and other overhead incurred in the collection of any past due payments owed by Contractor to District.

Article 17. Obligation of Contractor to Make Payment

(a) Character of Obligation.

The obligation of the Contractor arising out of or pursuant or incidental to this agreement including, without limiting the generality of the foregoing, the obligations of the Contractor to pay to the District the sums becoming due the District for water furnished hereunder, shall constitute a general obligation of the Contractor and the Contractor shall use all the powers and resources available to it under the law to collect the funds necessary for and to pay its obligations to the District under this contract including levying and collecting all necessary taxes, assessments and charges. The Contractor as a whole is obligated to pay to the District the payments becoming due under this agreement, notwithstanding any individual default by its water users, constituents or others

in the payment to the Contractor of assessments, tolls, or other charges levied by the Contractor.

(b) Refusal of Water Does Not Affect Obligation.

The Contractor's failure or refusal to accept delivery of Project Water under this agreement shall in no way relieve the Contractor of its obligation to make payments to the District except to the extent provided under Article 14 (e) hereof.

Article 18. Area Served by Contractor

Project Water delivered to the Contractor pursuant to this agreement shall not be sold or otherwise disposed of by the Contractor for use outside the District.

Article 19. Remedies not Exclusive.

The use by either party of any remedy specified herein for the enforcement of this agreement is not exclusive and shall not deprive the party using such remedy of, or limit the application of, any other remedy provided by law.

Article 20. Amendments.

This agreement may be amended at any time by mutual agreement of the parties, except insofar as any proposed amendments are in any way contrary to applicable law or inconsistent with the provisions of the Master Contract. The District shall make available to the Contractor at all times during the normal hours of business at the District offices for the Contractor's inspection copies of all agreements now or hereafter executed by the District with all other subcontractors or the State of California and of any amendments thereof.

Article 21. Opinions and Determinations.

Where the terms of this agreement provide for action to be based upon opinion, judgment, approval, review, or determination of either party hereto, such terms are not intended to be and shall never be construed as permitting such opinion, judgment, approval, review or determination to be arbitrary, capricious, or unreasonable.

Article 22. Waiver of Rights.

Any waiver at any time by either party hereto of its rights with respect to a default or any other matter arising in connection with this agreement, shall not be deemed to be a waiver with respect to any other default or matter.

Article 23. Notices.

All notices that are required either expressly or by implication to be given by either party to the other under this agreement shall be signed for the District and for the Contractor by such officers as they may, from time to time, authorize in writing to so act. All such notices shall be deemed to have been

given and delivered if delivered personally or if enclosed in a properly addressed envelope and deposited in a United States Post Office for delivery by registered or certified mail. Unless and until formally notified otherwise, all notices shall be addressed to the parties at their addresses as shown on the signature page of this agreement.

Article 24. Assignment.

The provisions of this agreement shall apply to and bind the successors and assigns of the respective parties, but no assignment or transfer of this agreement, or any part hereof or interest herein, shall be valid until and unless approved by the District.

Article 25. Contractor to Keep Books, Records and Other Data.

The Contractor shall establish and maintain accounts and other books and records sufficient to enable the District to furnish to the State of California reports and statements, to such extent and in such manner and form as may be prescribed by the District and the State of California pursuant to the terms of this agreement and the Master Contract. Reports required to be furnished by the Contractor to the District pursuant to the terms of this agreement and the Master Contract shall be furnished to the District within the period of time specified therefor.

Article 26. District to Keep Books, Records and Other Data.

The District shall establish and maintain accounts and other books and records sufficient to enable Contractor to determine the use and disposition of all monies paid by Contractor to District pursuant to this agreement.

Article 27. Inspection of Books and Records.

The officers or agents of the Contractor shall have full and free access at all reasonable times to the account books and official records of the District insofar as the same pertain to the matters and things provided for in this agreement, with the right at any time during office hours to make copies thereof, and the representatives of the District and the State of California shall have the same rights in respect to the account books and records of the Contractor.

Article 28. Good Faith.

Contractor and District shall each act in good faith in performing their respective obligations as set forth in this agreement.

Article 29. Water Rights.

No provision of this agreement shall be considered to be in derogation of any existing water right(s) or claim(s) to water right(s) by or any agreements concerning water rights of any party hereto, including but not limited to overlying, prescriptive, appropriative, riparian, or pueblo rights, nor shall it be construed to result in any relinquishment or adjustment of any such water rights or claims thereto; and, in particular, no provision of this agreement shall be considered to diminish, reduce or affect, in any way, any party's rights pursuant to California Government Code Section 1005.1 and/or Section 1005.2.

Article 30 Joint Powers Agreement and/or Authority.

No provision of this agreement is intended to prohibit the District and Contractor, in conjunction with other contractors, from entering into a joint powers agreement, or from forming a joint powers authority, concerning any subject matter contained in this agreement provided, however, that it is understood that this paragraph shall not be construed as requiring District or Contractor, or any other contractor, to enter into any such joint powers agreement or form such joint powers authority.

ARTICLE 31. Advisory Group.

District and Contractor shall use their best efforts to form, with other Contractors for Project Water, an advisory group, the membership of which shall be representatives of District and Contractor and of other Contractors. The purpose of the advisory group shall be to monitor all aspects of this agreement and related agreements and to advise the governing bodies of District and Contractor on the functioning of this agreement and related agreements, and to recommend to the governing bodies of District and Contractor any modifications to said agreements that may, from time to time, be appropriate.

Article 32. Agreements to be Uniform.

Agreements executed by the District with other agencies shall be substantially similar to this agreement with respect to basic terms and conditions, and shall differ primarily with respect to quantities and payment amounts; except that any such agreement(s) with San Luis Obispo County Waterworks District No. 8, Morro Rock Mutual Water Company and/or Paso Robles Beach Water Association may include provisions for exchange of water in lieu of participation in the construction of Local Facilities, and, also, conditions precedent concerning the construction of Local Facilities.

IN WITNESS WHEREOF, the parties hereto have executed this agreement on the date first above written.

ATTEST:

By 
County Clerk and Ex-Officio Clerk, Board of Supervisors
County of San Luis Obispo, State of California

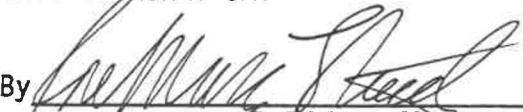
ATTEST:

By 
ARDITH DAVIS, City Clerk

SAN LUIS OBISPO COUNTY FLOOD CONTROL
AND WATER CONSERVATION DISTRICT

By 
Chairman, Board of Supervisors, County of
San Luis Obispo, State of California

CITY OF MORRO BAY

By 
ROSE MARIE SHEETZ, Mayor