

1 AGREEMENT

2 NOW, THEREFORE, IT IS AGREED by and between the parties hereto as follows:

3 1. Other Amendments Unaffected.

4 This Twentieth Amendment is in addition to other amendments to the 1981 Agreement,
5 including any subsequent amendments, and shall have no effect upon the rights and obligations
6 provided in any such amendments.

7 2. Definition of Additional Extractions.

8 As used herein, the term "additional extractions" means any extraction of the natural
9 groundwater supply by the plaintiffs in the action described in Paragraph 2 on page 1 of the
10 December 22, 1981 Agreement in excess of the amounts permitted by the Judgment in such
11 action, or by any amendments to such Agreement; and with respect to entities other than the
12 plaintiffs in such action, the term means any extractions of natural groundwater in excess of the
13 total amount of water that can be produced without any replenishment obligation, or produced
14 pursuant to any such amendments to the 1981 Agreement. No replenishment obligations shall be
15 incurred on account of any additional extractions made pursuant to this Amendment.

16 3. Total Additional Extractions for the Calendar Year Ending December 31, 2004.

17 It is agreed that there is an existing temporary surplus of natural groundwater supply in the
18 artesian zone of the San Bernardino Basin Area, in addition to the needs of the producers
19 therefrom, and that it is in the public interest and in the interest of sound groundwater resources
20 management that the production of water therefrom be increased for the calendar year ending
21 December 31, 2004 by up to 10,000 acre-feet of additional extractions. The water pumped and
22 delivered hereunder is part of the natural water supply to the San Bernardino Basin Area and shall
23 be so accounted for by the Watermaster under the Western Judgment. It is not water from the
24 State Water Project.

25 4. Authorized Producers.

26 The Valley District shall designate the entities authorized to make additional extractions
27 under this Amendment, and shall determine from time to time the amounts which any such entity
28 may be allowed or required to pump. The terms and conditions of such additional extractions

1 shall be in accord with this Twentieth Amendment, and shall be memorialized by written
2 agreement among the Valley District, Western, and each participating pumper.

3 5. Beneficial Use of Additional Extractions.

4 The groundwater pumped pursuant to this Amendment shall be discharged into the Santa
5 Ana River or its tributaries for use within the Orange County Water District (hereinafter called
6 "Orange County"). Responsibility for any construction or capital expenditures necessary to
7 deliver the water to the River or its tributaries shall be included in the agreement with the
8 pumping entity. Such agreement shall also provide for the measurement of both the quantity and
9 quality of such deliveries. To the extent feasible, the blended quality thereof shall be controlled
10 so as to meet the Objectives of the Regional Water Quality Control Plan. Orange County shall
11 pay to Valley District the sum of \$150.00 per acre-foot of water delivered to the Santa Ana River
12 or its tributaries. A separate agreement, including such terms and conditions as are necessary,
13 has been executed by Orange County, Valley District and Western for the delivery of such water.
14 The agreement, dated February 2, 2002, continues on an annual basis unless terminated, and such
15 agreement remains in force.

16 6. Application of Proceeds from Orange County.

17 Payments received by the Valley District from Orange County for such deliveries of water
18 shall be separately accounted for. Each pumping entity shall be reimbursed for the actual energy
19 costs which it incurs in pumping the additional extractions allowed under this Amendment,
20 together with a uniform sum of \$10.00 per acre-foot for the use of capital facilities and other
21 costs. The difference between the amounts received from Orange County and the amounts paid
22 to participating pumpers shall be used for water quality protection and improvements in the
23 Upper Basin, for conservation, or for other water management programs including the
24 implementation of this Amendment, all as agreed upon by Valley District and Western. The
25 collection, payment and expenditure of all such funds shall be administered by the Valley
26 District.

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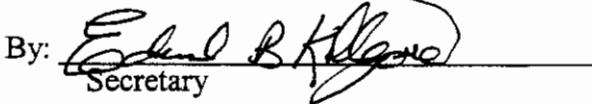
7. Regulatory Requirements.

Compliance with the California Environmental Quality Act, and any permits required by the Santa Ana Regional Water Quality Control Board or other regulatory agency, shall be the joint responsibility of the Valley District and Western.

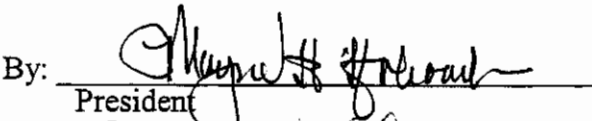
Dated: August 18, 2004

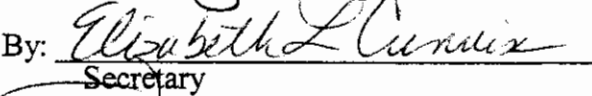
SAN BERNARDINO VALLEY
MUNICIPAL WATER DISTRICT

By: 
President

By: 
Secretary

WESTERN MUNICIPAL WATER
DISTRICT OF RIVERSIDE COUNTY

By: 
President

By: 
Secretary