

Decision _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Golden State Water Company (U133W) for an Order Authorizing Recovery of Costs Related to the Nipomo Supplemental Water Project From Customers in the Santa Maria Customer Service Area and an Increase in Rates for Water Service by \$391,900 or 2.9% in the Santa Maria Customer Service Area.

Application 15-11-010
(Filed November 16, 2015)

DECISION AUTHORIZING GOLDEN STATE WATER COMPANY TO RECOVER COSTS RELATING TO THE NIPOMO SUPPLEMENTAL WATER PROJECT

Summary

This decision authorizes Golden State Water Company (Golden State) to increase rates for water service in the Santa Maria Customer Service Area by \$391,000 or 2.9%, in order to recover costs associated with its participation in the Nipomo Supplemental Water Project (NSWP).

This decision also approves the Joint Motion of Golden State and the Office of Ratepayer Advocates (ORA) to approve a settlement agreement that resolves all issues in this proceeding between Golden State and ORA. Key terms of the settlement agreement other than the increase in rates mentioned above include treatment of costs associated with the NSWP as supply costs, recording of NSWP

costs in a balancing account, and the filing of Tier 2 advice letters for recovery of future construction costs.

1. Background

On November 16, 2015, Golden State Water Company (Golden State) filed Application (A.) 15-11-010 to request recovery of Golden State's share of costs associated with the first phase of the Nipomo Supplemental Water Project (NSWP). On this same day, Golden State filed Advice Letter 1642-W requesting authorization to establish a memorandum account to track Golden State's share of costs associated with the first phase of the NSWP. ORA protested Advice Letter 1642-W and the Water Division suspended the matter pending a decision in this proceeding.

The NSWP is a project to serve demand in the Nipomo Mesa Management Area, which otherwise would have inadequate access to water. The NSWP is operated by the Nipomo Community Services District (NCSD), which is responsible for billing Golden State for water supplied by the NSWP. Golden State's participation and recovery of costs associated the NSWP was authorized by the Commission in Decision (D.) 13-05-011 where the Commission authorized Golden State to participate in the construction and maintenance of the NSWP, to purchase water from the NSWP, and to request recovery of reasonable NSWP related capital costs, operation and maintenance costs, and purchased water costs, when such costs become known.

The NCSD has completed Phase I of the NSWP and construction costs totaled \$20,698,173.¹ Phases II and III are currently being planned with cost

¹ Construction costs were actually \$22,898,173 but the NCSD deducted \$2.2 million in grant money that it obtained for the NSWP project.

estimates of \$4,523,700 and \$4,373,400, respectively.

Golden State is requesting recovery of and authority to increase rates in its Santa Maria service territory by \$391,900 or 2.9%, representing its share of costs associated with the first phase of the NSWP. Golden State proposes that any future recovery of further NSWP costs, including Phase II and III costs, will be presented to the Commission in the context of a supply cost offset or in Golden State's next general rate case proceeding.

On December 18, 2015, the Office of Ratepayer Advocates (ORA) filed a protest to the application. ORA disagreed with Golden State's proposed methods for recovering future costs, and stated that the proposed methods are not consistent with the Commission's order in D.13-05-011.

A prehearing conference (PHC) was held on February 4, 2016, where the parties discussed the issues each believed were within the scope of the proceeding. At the PHC, the parties disclosed that they were engaged in settlement discussions and expressed optimism at being able to arrive at a settlement. The Parties convened a settlement conference beginning on February 16, 2016, with notice and opportunity to participate provided to all parties of record.

On February 19, 2016, Golden State and ORA filed a joint motion to adopt a settlement agreement between the two parties. The settlement (attached hereto as Attachment A) purports to resolve all issues raised by ORA in its protest.

2. The NSWP

Golden State is a public utility water corporation providing water service to customers within the Nipomo Mesa subject to Commission regulation. Golden State's Santa Maria customer service area is located in the company's Region 1 area, and is comprised of several non-contiguous water systems located

in the San Luis Obispo and Santa Barbara Counties. The Santa Maria service area includes Orcutt, Nipomo, Tanglewood, Lake Marie, and Sisquoc water systems.

The NCSD is an independent special district organized and operated pursuant to Government Code Section 61000, and provides water and related services within the NCSD boundary located in the southern portion of San Luis Obispo County, within an area generally referred to as the Nipomo Mesa.

In 1997, the Santa Maria Water Conservation District sued Golden State and other parties, in order to adjudicate groundwater rights in the Santa Maria basin.² The Santa Maria basin is a primary source of water for all of Golden State's systems in the Santa Maria customer service area and, according to Golden State, the sole water supply for its Nipomo water system.

After several years of litigation, a majority of the parties, including Golden State, settled the lawsuit through a stipulation that was approved by the trial court in 2005 (Stipulation). The Stipulation included a determination of the water rights of parties in the Santa Maria basin, including Golden State's right to rely on groundwater from the Santa Maria basin. The Stipulation also sets forth that the NCSD will build the NSWP and procure incremental water supply from the NSWP to serve demand in the Nipomo Mesa Management Area, which otherwise, would have inadequate access to water. Lastly, the Stipulation obligates Golden State to bear its proportionate share of NSWP-related costs,³

² Santa Maria Valley Water Conservation District v. City of Santa Maria, et al. (and related actions), Lead Case No. CV 770214, Superior Court of the State of California, County of Santa Clara.

³ These costs include capital, operations and maintenance costs.

and to purchase a proportionate share of the Nipomo Supplemental Water⁴ to offset groundwater pumping in the Nipomo Mesa Management Area.

The Commission approved Golden State's request to enter into the above Stipulation in D.13-05-011,⁵ finding that the Stipulation was in the best interest of Golden State's customers in the Santa Maria service area. Thus, Golden State was authorized to participate in the construction and maintenance of the NSWP, and to purchase water from the NSWP pursuant to the Stipulation.⁶ Because these costs were not known at the time D.13-05-011 was issued, Golden State was directed to file an application to request recovery of reasonable NSWP related capital costs, operation and maintenance costs, and purchased water costs, once those costs were known.⁷ Thus, Golden State filed this application in order to recover its share of costs associated with the completion of the first phase of the NSWP.

2.1. Rural Water Company's Participation in the NSWP

Rural Water Company (Rural) is a public utility water corporation that provides water service to its customers within the Nipomo Mesa area and is subject to Commission regulation.

Similar to Golden State, Rural is also a party to the Stipulation and is likewise obligated to bear its proportionate share of NSWP-related costs and has to purchase a proportionate share of the Nipomo Supplemental Water.

⁴ This water would be transported using the NSWP.

⁵ See D.13-05-011 issued on May 9, 2013.

⁶ D.13-05-011 Ordering Paragraph 44.

⁷ D.13-05-011 Ordering Paragraph 45.

On July 1, 2015, the Commission issued D.15-06-049 authorizing Golden State's purchase of the water utility assets of Rural. Additionally, D.15-06-049 also authorized Rural's participation in the Stipulation, including Rural's participation in the construction and maintenance of the NSWP. The Commission found that Rural's participation in the Stipulation is reasonable and beneficial to its customers.⁸

According to Golden State, its acquisition of Rural's water utility assets was completed on October 14, 2015. Thus, Golden State now bears all of Rural's obligations and responsibilities, including Rural's proportionate share of NSWP-related costs.

3. Requested Settlement Agreement

In this application, Golden State is requesting that the Commission authorize an increase of \$391,900, or 2.9%, of its annual revenue requirement for the Santa Maria service territory, representing its share of costs associated with the first phase of the NSWP. The requested increase includes Rural's share of NSWP costs.

In the settlement agreement between Golden State and ORA, the settling parties agree that the \$391,900 amount established by the NCSD as Golden State's annual share for Phase I of the NSWP is reasonable. In addition, the settling parties agree that it is appropriate for Golden State to treat NSWP-related costs and charges as supply costs. Thus, Golden State's share of costs and obligations relating to the NSWP under the Stipulation will be passed through to

⁸ D.15-06-049 at 19.

Golden State's customers at the lowest possible cost to Golden State's Santa Maria customers.

The settlement also contemplates that Golden State be allowed to file a supply costs offset to address any future increase or decrease in NSWSP costs, including Phase II and Phase III costs. Golden State has an existing Modified Cost Balancing Account (MCBA) for the Santa Maria service area that tracks purchased power, purchased water and pump tax costs. The settlement proposes that NSWSP costs be recorded and tracked in Golden State's MCBA, which is trued-up each year to reflect the difference between actual and adopted costs.

The settling parties agree that future costs relating to the construction of Phases II and III of the NSWSP, be recovered via the filing of the appropriate advice letter with the Commission, rather than through a separate application.

Finally, the settling parties agree that if the Commission adopts Sections 7, 8, and 9 of the Settlement Agreement, then Golden State will withdraw Advice Letter 1642-W. (Settlement Agreement at Section II, para. 11.)

4. Discussion

As discussed in the Prehearing Conference (PHC) on February 4, 2016, and as stated in the Assigned Commissioner's Scoping Ruling, the issues in this proceeding are limited to whether the amount requested by Golden State is its equitable share in NSWSP-related costs and whether those costs are reasonable. Other issues include the proper mechanism to recover future NSWSP costs and whether there are any safety aspects that the Commission should consider. It should be noted that any mention of Golden State's NSWSP-related costs includes Rural's costs relating to the NSWSP, following Golden State's acquisition of all of

Rural's public utility water assets and assumption of Rural's obligations as authorized by D.15-06-049.

Questions and issues relating to Golden State's participation in the Stipulation and whether Golden State has to pay its share of costs relating to the NSWP were resolved in D.13-05-011.

As stated in the background section of this decision, the application was protested by ORA, but parties to the proceeding were able to reach a settlement agreement.

A settlement under Rule 12.1(a)⁹ of the Rules of Practice and Procedure may be filed after the first PHC is held and within 30 days after the last hearing day. In this case, hearings were not held and the joint motion to approve settlement agreement filed by Golden State and ORA on February 19, 2016, subsequent to the February 4, 2016 PHC, was timely filed.

The proposed settlement involves all the parties to the proceeding and intends to fully resolve all issues raised by ORA in its protest. Key terms of the settlement are discussed in Section 3 of this decision.

4.1. Standard of Review

The Commission will only approve settlements that are reasonable in light of the record as a whole, consistent with the law, and is in the public interest. And, in order for the Commission to consider any possible proposed settlement in this proceeding as being in the public interest, the Commission must be convinced that the parties had a sound and thorough understanding of the

⁹ Rule 12.1(a) states that "Parties may, by written motion any time after the first pre-hearing conference and within 30 days after the last day of hearing, propose settlements on the resolution of any material issue of law or fact or on a mutually agreeable outcome to the proceeding..."

application and of all the underlying assumptions and data included in the record. This level of understanding of the application and development of an adequate record is necessary to meet our requirements for considering any settlement. In this regard, Golden State bears the burden of proof to show through a preponderance of the evidence that its requests are just and reasonable, and that the requested recovery of costs and increase in rates are fair and reasonable.

4.2. NSWP Costs

The settling parties agree that the cost for Golden State's participation in the NSWP for the 2015-2016 fiscal year is \$391,900,¹⁰ which is the same amount requested by Golden State in its application. In order to pay for this cost, Golden State will increase its annual revenue requirement in the Santa Maria service area by \$391,900.

We find the amount proposed in the settlement agreement of \$391,900, representing Golden State's cost for participation in the NSWP for the 2015-2016 fiscal year, to be reasonable and supported by the evidence.

Golden State's percentage share of NSWP costs is included in the Stipulation and according to information provided by the NCSD, Phase I costs for the NSWP totaled \$22,898,173 with Golden State's share of these costs being \$391,900 for fiscal year 2015-2016. Thus, the amount being recovered is simply what the NCSD is charging Golden State for participation in the NSWP. This annual rate includes a pass through charge for supplemental water costs including operations, maintenance and administrative costs, and a fixed charge

¹⁰ This amount includes Rural Water Co.'s participation in the NSWP.

based on the capital costs associated with Phase I amortized over 30 years. ORA examined and reviewed Golden State's responses to data requests and agrees with the figures presented in the settlement agreement and the amount of Golden State's equitable share for Phase I of the NSWP costs.

Based on the above, Golden State should be authorized to increase its annual revenue rate for the Santa Maria service area by \$391,900.

4.3. Treatment of NSWP as Supply Costs

The settling parties also agree that treatment of NSWP costs as supply costs is appropriate. We find this to be reasonable and should be adopted. According to Golden State, treatment of NSWP costs as supply costs, as opposed to including these costs in rate base, results in savings. In addition, such ratemaking treatment of passing through costs associated with the NSWP to customers allows Golden State to comply with its obligations under the Stipulation, at the lowest possible cost to its customers.

4.4. Future NSWP Costs

Under the settlement agreement, parties agree that future NSWP costs associated with Phase II and Phase III, and possible future costs associated with extending the NSWP to the Rural water system, be filed via the appropriate advice letter filings, instead of through applications. Current cost estimates for Phase II and Phase III of the NSWP are \$4,523,700 and \$4,373,400 respectively, and Golden State's share is expected to increase its annual revenue requirement for the Santa Maria service area by \$49,500 and \$47,800, or 0.4 percent each for Phase II and Phase III.

With respect to potential future costs of extending the NSWP to the Rural water system, appropriate members of the Nipomo Mesa Management Area Technical Group are still determining whether this is feasible and the schedule

and costs for the project are still unknown at this time. However, Golden State's costs would be limited to its equitable share in the NSWP and the project would be limited to construction of a pipeline and interconnection that would connect the NSWP to the Rural water system.

Based on the above, we find the agreement to recover the costs described above through an advice letter filing to be reasonable and should be adopted.

D.13-05-011 requires Golden State to file an application to recover costs for the NSWP when final construction schedule and costs are known.¹¹ Golden State filed this application to recover costs for Phase I, which has been completed. However, because costs for Phase I represent over 70 percent of projected costs for the NSWP, because costs for Phase II and Phase III have been estimated, because water is now being delivered to the Nipomo Mesa Management Area over the NSWP, and because treatment of NSWP costs as supply costs means that Golden State will no longer request NSWP costs to be included as capital costs to its rate base, we find that recovery of costs for Phase II and Phase III can be properly recovered through appropriate advice letter filings. Golden State must provide full documentation in support of such advice letter filings.

Possible costs to connect the NSWP to the Rural water system, if found to be necessary by the Nipomo Mesa Management Area Technical Group, should be addressed either through Golden State's next general rate case or appropriate advice letter filing. Golden State shall inform the Commission's Water Division prior to requesting recovery, how it intends to address such costs.

¹¹ D.13-05-011 Ordering Paragraph 45.

4.5. Recording NSWP Costs in a Balancing Account

In connection with the settling parties' agreement to treat NSWP costs as supply costs, the parties agree that Golden State should record current and future NSWP costs in its existing MCBA. The MCBA account is an approved balancing account that tracks purchased power, purchased water and pump tax costs. The MCBA is trued up each year to reflect differences between actual and adopted variable costs for purchased power.

We find that recording NSWP costs and including it in Golden State's existing MCBA account is reasonable. As discussed in Section 4.3, it is appropriate to treat NSWP costs as supply costs for purchasing water. Tracking these costs in Golden State's MCBA account ensures that Golden State does not recover more or less than actual costs associated with the NSWP. Purchased water costs are eligible for offsetting, and these costs should be tracked to account for future increases and decreases to ensure that Golden State only recovers actual costs associated with the NSWP and that only actual costs are passed on to ratepayers.

5. Conclusion

The Commission has historically favored settlements that are fair and reasonable in light of the record as a whole. We conclude that the proposed settlement agreement between Golden State and ORA is reasonable, in the public interest, consistent with the law, and will provide tangible benefits to ratepayers.

Golden State's participation in the NSWP has already been resolved in D.13-05-011 and that what is being resolved in this proceeding is the cost of Golden State's participation in the NSWP. The annual rate increase of \$391,900 for the Santa Maria service area contemplated in the settlement agreement

represents actual costs being billed to Golden State by the NCSD, for Golden State's equitable share of costs for participation and completion of Phase I of the NSW. Treatment of NSW costs as supply costs, as opposed to capital costs to be included in Golden State's ratebase, is reasonably projected to produce savings for Golden State's customers in the Santa Maria service area. In addition, tracking and recording NSW costs in Golden State's existing MCBA account assures that only actual costs are passed on to ratepayers. Lastly, because Phase I of the NSW has been completed and water is being delivered through the NSW, and because Phase I costs represent over 70 percent of projected NSW costs, it is reasonable to require that future recovery of Phase II and Phase III costs which have already been estimated,¹² be recovered through the filing of appropriate advice letter filings instead of separate applications.

The settlement agreement is also in the public interest. The settling parties, Golden State and ORA, fairly represent the interests of the public affected by the transaction. Golden State presented sufficient explanation and evidence regarding its proper share of costs for its participation in the NSW and that only actual costs are being passed on to ratepayers.

ORA, pursuant to its duty to obtain the lowest possible rate for service consistent with reliable and safe service levels, actively participated in settlement discussions, examined data regarding NSW costs, and supports the terms of the settlement.

The settlement agreement is also consistent with the Commission's well-established policy of supporting resolution of disputed matters through

¹² Golden State's share is projected to be annual increases in revenue requirement of \$49,500 and \$47,800, or a 0.4% increase each for Phase II and Phase III.

settlement, and avoids the time, expense, and uncertainty of further evidentiary hearings and further litigation. There are also no disputed facts between the parties. Further, the Commission finds that no part of the settlement agreement contravenes any statutory provisions or prior Commission decisions, and provides sufficient information for the Commission to discharge its future regulatory obligations with respect to the parties and their interests and obligations. The settlement agreement does not contradict current Commission rules and does not constitute a precedent regarding any principle or issue in this proceeding or any future proceeding.

Therefore, the Commission approves the Joint Motion of Golden State and ORA to approve the settlement agreement and adopts the settlement agreement. The settlement agreement is in the public interest, reasonable in light of the record as a whole, and consistent with law.

Golden State is authorized to increase its annual revenue requirement for the Santa Maria service area by \$391,900, treat NSWP costs as supply costs and record these costs in its existing MCBA account, and to file appropriate advice letters for recovery of future costs associated with the NSWP.

6. Safety

In response to the assigned Administrative Law Judge's (ALJ) request for information about safety issues affected in this proceeding, Golden State filed a response on February 19, 2016. In the response, Golden State explained that because the proceeding is limited to recovery of costs associated with the NSWP, it has determined that there are no safety issues affected in this proceeding and we agree.

7. Categorization and Need for Hearings

In Resolution ALJ 176-3368, dated December 3, 2015, the Commission preliminarily categorized this application as Ratesetting, and preliminarily determined that evidentiary hearings are necessary. Based on the record, we affirm that this is a ratesetting proceeding. However, because the settlement agreement between Golden State and ORA resolves all issues, and because there are no disputed factual issues, we are changing the preliminary determination regarding hearings to hearings are not necessary.

8. Waiver of Comment Period

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Section 311(g)(2) of the Public Utilities Code and Rule 14.6(c)(2), the otherwise applicable 30 day period for public review and comment is waived.

9. Assignment of Proceeding

Commissioner Liane M. Randolph is the assigned Commissioner and Rafael L. Lirag is the assigned ALJ in this proceeding.

Findings of Fact

1. In Resolution ALJ ALJ 176-3368, dated December 3, 2015, the Commission preliminarily categorized this application as ratesetting, and preliminarily determined that evidentiary hearings are necessary.
2. There are no disputed factual issues.
3. Golden State's participation in the construction and maintenance of the NSWP was authorized by the Commission in D.13-05-011.
4. The NCS D is responsible for billing Golden State for its proportionate share of water supplied by the NSWP.

5. Phase I of the NSWP has been completed and construction costs totaled \$20,698,173.
6. Golden State's requested increase of \$391,900 for its Santa Maria service area is to recover its share of costs associated with Phase I of the NSWP.
7. Rural's participation in the construction and maintenance of the NSWP was authorized by the Commission in D.15-06-049.
8. Rural's water utility assets, along with its obligations and responsibilities as a public utility, were acquired by Golden State.
9. The amount requested by Golden State for recovery of its proportionate share of NSWP costs includes Rural's proportionate share.
10. The amount of \$391,900 agreed upon in the settlement agreement representing Golden State's cost for participation in the NSWP for the 2015-2016 fiscal year is reasonable and supported by the evidence.
11. The agreement to treat NSWP costs as supply costs is reasonable.
12. Phase I of the NSWP represents over 70 percent of total projected NSWP costs.
13. The agreement to recover costs relating to Phase II and Phase III of the NSWP through appropriate advice letter filings is reasonable.
14. The agreement to recover costs relating to approval and completion of a pipeline interconnection project linking Rural's water systems to the NSWP either through an appropriate advice letter filing or in Golden State's next general rate case cycle, is reasonable.
15. Recording of NSWP related costs in Golden State's existing MCBA account is reasonable.
16. The settling parties fairly represent the interests of the public affected in the transaction.

17. Golden State filed Advice Letter 1642-W on November 16, 2015. ORA protested this filing and Water Division suspended the matter pending an outcome in this proceeding.

Conclusions of Law

1. Because there are no disputed factual issues, the Commission's preliminary determination that hearings are necessary should be changed to hearings are not necessary.
2. Because of its acquisition of Rural's water utility assets, Golden State is now responsible for Rural's proportionate share of construction and maintenance costs in the NSWP.
3. Golden State should be authorized to increase its revenue requirement for its Santa Maria service area by \$391,900, for recovery of costs associated with its participation in the NSWP.
4. Golden State should be authorized to treat NSWP costs as supply costs and to record such costs in its existing MCBA account.
5. Golden State should be allowed to recover future NSWP costs relating to Phase II and Phase III of the NSWP through the filing of appropriate advice letter filings.
6. Golden State should be allowed to recover future NSWP costs relating to the approval and completion of a pipeline interconnection project connecting the NSWP to the Rural water system either through the filing of an appropriate advice letter or including costs in its next general rate case cycle.
7. The settlement agreement between Golden State and ORA should be adopted.

8. Golden State should withdraw its request in Advice Letter 1642-W for the establishment of a memorandum account to track Golden State's share of costs associated with the first phase of the NSWP.

9. This proceeding should be closed.

O R D E R

IT IS ORDERED that:

1. The Commission's preliminary determination in Resolution ALJ 176-3368, dated December 3, 2015, that hearings are necessary, is changed to hearings are not necessary.

2. The February 19, 2016 Joint Motion of Golden State Water Company and the Office of Ratepayer Advocates to Approve Settlement Agreement is granted.

3. Golden State Water Company is authorized to increase its annual revenue requirement in the Santa Maria Customer Service Area by \$391,900, and increase rates by filing a Tier 1 Advice Letter.

4. Golden State Water Company must treat costs relating to the Nipomo Supplemental Water Project as supply costs and shall not treat these costs as capital costs for inclusion in its rate base.

5. Golden State Water Company shall record any increase or decrease in costs associated with the Nipomo Supplemental Water Project in its existing Modified Cost Balancing Account and is authorized to file a supply cost offset with the Commission's Water Division.

6. Golden State Water Company is authorized to record all invoices for the Nipomo Supplemental Water Project in its existing Modified Cost Balancing Account.

PROPOSED DECISION

7. Golden State Water Company is authorized to file Tier 2 Advice Letters to recover its proportionate share of costs associated with Phase II and Phase III of the Nipomo Supplemental Water Project.

8. Golden State Water Company is authorized to either file a Tier 2 Advice Letter or address in its next general rate case filing, recovery of costs in the event construction of a pipeline interconnection between the Nipomo Supplemental Water Project and the water systems of Rural Water Company, is approved by the Nipomo Mesa Management Area Technical Group and completed.

9. Golden State Water Company shall withdraw Advice Letter 1642-W within five days of the effective date of this decision.

10. Application 15-11-010 is closed.

This order is effective today.

Dated _____, at San Francisco, California.

ATTACHMENT A

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Golden State Water Company (U133W) for an Order Authorizing Recovery of Costs Related to the Nipomo Supplemental Water Project from Customers in the Santa Maria Customer Service Area and an Increase in Rates for Water Service by \$391,900 or 2.9% in the Santa Maria Customer Service Area

Application 15-11-010
(Filed November 16, 2015)

SETTLEMENT AGREEMENT OF THE PARTIES

This Settlement Agreement (“Settlement”) is entered into by and between Golden State Water Company (“Golden State”) and The Office of Ratepayer Advocates (“ORA”) of the California Public Utilities Commission (“Commission”).¹ Golden State and ORA are the only parties of record to this proceeding. This Settlement is the final and complete agreement and proposal to the Commission for the disposition of the proceeding in this docket.

The Parties intend that this Settlement shall be binding on their respective legal successors, purchasers, heirs, representatives, assignees, partners, parent or subsidiary corporation(s), Limited Liability Company, directors, officers, shareholders, divisions, units, employees, principals, agents, or affiliates.

I. BACKGROUND

The Nipomo Supplemental Water Project

In 1997, the Santa Maria Water Conservation District sued Golden State, along with many other parties, to adjudicate groundwater rights in the Santa Maria basin, which is a primary source of water for all of Golden State’s systems in the

¹ Hereinafter Golden State may also be referred to as “Applicant” and Golden State and ORA may individually be referred to as a “Party” and collectively be referred to as the “Parties.”

Santa Maria customer service area (“CSA”), and the sole water supply for Golden State’s Nipomo water system.² After several years of litigation, a majority of the parties, including Golden State, settled this lawsuit through a stipulation that was approved by the trial court in 2005 (“Stipulation”).

The Stipulation set forth a comprehensive resolution of the litigation, determining the water rights of hundreds of parties in the Santa Maria basin and securing Golden State’s right to rely on groundwater in the Santa Maria basin. The Stipulation also contemplated that the Nipomo Community Services District would build the Nipomo Supplemental Water Project (“NSWP”) and procure incremental water supplies from the NSWP to serve demand in the Nipomo Mesa Management Area which otherwise would have inadequate access to water. The Stipulation obligates Golden State to bear its proportionate share of NSWP-related costs, and to purchase a proportionate share of the Nipomo Supplemental Water that would be transported using the NSWP to offset groundwater pumping within the Nipomo Mesa Management Area.

Commission Decision No. 13-05-011

In 2011, Golden State filed Application 11-07-017, its 2011 company-wide general rate case (“GRC”). In Application 11-07-017, Golden State requested that the Commission approve its participation in the Stipulation, including participation in the construction, operation and maintenance of the NSWP. On May 13, 2013, the Commission issued Decision No. (“D.”) 13-05-011 which approved Golden State’s request for approval of its entry into the Stipulation and authorized Golden State to participate in the construction and maintenance of the NSWP, and to purchase water from the NSWP.

² *Santa Maria Valley Water Conservation District v. City of Santa Maria, et al.* (and related actions), Lead Case No. CV 770214, Superior Court of the State of California, County of Santa Clara.

Specifically, the Commission determined the Stipulation is beneficial to Golden State's customers in the Santa Maria CSA because it secures Golden State's water rights in the Santa Maria basin, provides mechanisms for ensuring the reliability of those rights, and requires Golden State to bear only its proportional share of the costs that must be incurred in order to preserve those rights.³ Furthermore, approval of Golden State's entry into the Stipulation secures Golden State's right to rely on the Santa Maria Basin for sufficient quantities of water needed to meet current and anticipated future demands of Santa Maria CSA customers and will limit the amount of and provide certainty about litigation costs.⁴

The Commission also determined that Golden State and its customers will further benefit from the Stipulation because (1) monitoring programs and annual reports required by the Stipulation ensure the long-term integrity of water resources, (2) the Stipulation's partitioning of the Santa Maria Basin into three management areas provides greater flexibility in the management of each area, (3) the costs to manage the Santa Maria Basin's water resources will be shared equitably, (4) the Stipulation's drought and water shortage management plan and allocation scheme equitably limits water allocations in the event of a severe water shortage, and (5) the Stipulation provides for continuing Court jurisdiction to protect and preserve water resources.⁵

Finally, the Commission determined that Golden State is required by the Stipulation to pay a portion of the costs to construct, operate, and maintain the NSWP because the voters in the region had rejected the Nipomo Mesa Special Assessment tax, which otherwise would have covered the cost of the NSWP.⁶ The Commission ordered Golden State to file an application at a later date to request

³ D.13-05-011, Conclusion of Law ("COL") No. 59 at p. 99.

⁴ *Ibid*, COL No. 60 at p. 99.

⁵ *Ibid*, COL No. 63 at p. 100.

⁶ *Ibid*, COL No. 58 at p. 99.

recovery of reasonable NSWP-related capital costs, O&M costs, and purchased water costs because the final construction schedule and costs for the NSWP were not yet known and because it was not known when costs of water purchased from the NSWP would be incurred.⁷

Commission Decision No. 15-06-049 (“D.15-06-049”)

In addition to Golden State, another Class D water utility under Commission jurisdiction, Rural Water Company, Inc. (“Rural”), is also a party to the Stipulation. The Stipulation likewise secures Rural’s right to rely upon the Santa Maria basin, and obligates Rural to bear its proportionate share of NSWP-related costs, and to purchase a proportionate share of the Nipomo Supplemental Water that would be transported using the NSWP to offset groundwater pumping within the Nipomo Mesa Management Area.

In D.15-06-049, the Commission approved Golden State’s acquisition of Rural’s water assets and also authorized Rural to participate in the Stipulation, including Rural’s participation in the NSWP and held that all costs associated with Rural’s participation in the Stipulation shall become Golden State’s costs upon acquisition by Golden State of Rural’s water assets.⁸ Further, D.15-06-049 concluded that upon the incorporation of the Rural water system into Golden State’s Santa Maria CSA, these costs, as well as Golden State’s other costs of participation in the Stipulation approved by the Commission in D.13-05-011, should be included in the revenue requirement of the Santa Maria CSA.⁹

Status of the NSWP

Nipomo Community Services District has completed construction of Phase 1 of the NSWP such that the Nipomo Community Services District is taking delivery

⁷ *Ibid*, Ordering Paragraph (“OP”) 45 at p. 116.

⁸ D.15-06-049 at p. 12.

⁹ *Ibid* at pp. 12-13.

of Nipomo Supplemental Water as of July 2, 2015. Golden State is therefore obligated to pay its and Rural's proportionate share of the costs of the Nipomo Supplemental Water being delivered to the Nipomo Mesa Management Area. Phase 1 of the NSWP construction costs, totaled \$20,698,173.¹⁰ These costs are reflected in the fixed cost portion of the Nipomo Supplemental Water costs. Phases 2 and 3 of the NSWP, which will allow for delivery of a minimum of 2,500 Acre Feet per Year of the Nipomo Supplemental Water, are currently being planned. The cost estimates for these two additional planned phases of the NSWP are \$4,523,700 and \$4,373,400, respectively.¹¹ These Phases 2 and 3 costs will be reflected in future purchased water rates when completed.

Nipomo Supplemental Water Project Supplemental Water Management and Groundwater Replenishment Agreement

In order to implement the NSWP-related reimbursement obligation in the Stipulation, among other things, Golden State, Rural and The Woodlands Mutual Water Company of San Luis Obispo County entered into the Nipomo Supplemental Water Project Supplemental Water Management and Groundwater Replenishment Agreement, dated October 16, 2015 ("NSWP Supplemental Agreement").¹² The NSWP Supplemental Agreement provides for payment to the Nipomo Community Services District for each party's allocation of costs set forth therein, describes each party's anticipated annual quantities of Nipomo Supplemental Water and provides for mechanisms to ensure that the Nipomo Supplemental Water is used in areas where it is most needed to offset low groundwater levels. On November 12, 2015, the Nipomo Community Services

¹⁰ See Attachment 1 (Table of NSWP Costs) (The \$20,698,173 in construction costs equals the Phase 1 costs of \$22,898,173 minus the \$2,200,000 in grant money Nipomo Community Services District secured for the NSWP project).

¹¹ *Ibid.*

¹² See Attachment 2 (NSWP Supplemental Agreement).

District adopted Resolution 2015-1394 setting forth the applicable Rates and Charges as described in Section IX of the NSWSP Supplemental Agreement.¹³

In addition to Phases 2 and 3 of the NSWSP, it is possible that an interconnection will be constructed between the Nipomo Community Services District and the Rural water system in the future as part of the NSWSP. Golden State and Rural are already realizing the benefits of the NSWSP as delivery of Nipomo Supplemental Water to the Nipomo Mesa Management Area reduces pumping of the underground water source and allows for recharge which provides a well-established benefit to the Rural water system. However, pursuant to the NSWSP Supplemental Agreement, as discussed in detail below, it may be determined at a later date that such interconnection is necessary to optimize the use of the Nipomo Supplemental Water. In the event that such Rural/ Nipomo Community Services District interconnection is pursued, the parties to the NSWSP Supplemental Agreement have agreed to develop the most cost effective design possible for this potential interconnection, and have agreed to allocate the costs of such physical connection to the Rural water system according to the terms of the NSWSP Supplemental Agreement.

Application No. 15-11-010

On November 16, 2015, Golden State filed this instant Application No. (“A.”) 15-11-010 in compliance with Ordering Paragraph 45 of D.13-05-011.¹⁴ A.15-11-010 requests that the Commission authorize Golden State to perform its obligations under the NSWSP Supplemental Agreement, authorize an increase in

¹³ See Attachment 3 (Nipomo Community Services District Resolution).

¹⁴ D.13-05-011, OP 45 at 116 (“Because the final construction schedule and costs for the Nipomo Supplemental Water Project (NSWP) are not yet known and because it is not known when costs of water purchased from the NSWSP will be incurred, Golden State Water Company must file an application at a later time to request recovery of reasonable NSWSP-related capital costs, Operation and maintenance costs, and purchased water costs.”).

Golden State's revenue requirement in the Santa Maria CSA to account for the rates and charges put in place by the Nipomo Community Services District pursuant to the NSWSP Supplemental Agreement, and to find that the corresponding rate increase in the Santa Maria CSA is just and reasonable. Concurrently with its application, on November 16, 2015, Golden State served the testimony of Mr. John Garon, director of regulatory affairs for Golden State, in support of A.15-11-010.

ORA's Protest

On December 23, 2015, ORA filed a timely protest to A.15-11-010. ORA raised a concern that Golden State's application lacks clarity regarding the proposed rate recovery structure for future costs associated with the NSWSP.¹⁵ Specifically, ORA identified the fact that the final costs are not yet known given that portions of the NSWSP remain to be completed. ORA raised an issue as to the lack of conclusiveness as to the future costs that may be incurred. ORA stated that this Application should address whether Golden State's future recovery of such costs will include the ratepayer protection of separately stating whether the increase in rates reflects and passes through to customers only the increased costs to Golden State.¹⁶ As a result, ORA argued the main issue that needs to be addressed is the rate recovery structure for the costs associated with the construction of future phases of the NSWSP, which are not yet known by Golden State. ORA acknowledged that its concern over future costs is not the fault of Golden State or the NSWSP.

¹⁵ See Commission Rules of Practice and Procedure, Rule 3.2, Authority to Increase Rates: Section (a) (3) states, "...shall set forth the proposed rate structure with reasonable clarity."

¹⁶ *Ibid*, (a) (10) "The application of ... water, ... corporations shall separately state whether or not the increase reflects and passes through to customers only increased costs to the corporation for the services or commodities furnished by it."

ORA requested in its Protest that the resulting Commission decision in this Application address Rule 3.2(a)(10) of the Commission's Rules of Practice and Procedure, and to confirm that this Application represents whether or not the increase reflects and passes through to customers only increased costs to the Golden State for the water purchased from the NSWP.

Finally, ORA's Protest indicated that Golden State and ORA may present a possible stipulation during the Prehearing Conference.

Golden State's Reply to ORA's Protest

On December 23, 2015 Golden State replied to the ORA Protest. Golden State addressed the issues raised in ORA's Protest, and stated that its approach to the future NSWP costs is in full compliance with Decision 13-05-011 and the Commission's other rules and policies. Golden State's reply also stated that the utility and ORA have begun discussions to address these issues and any remaining concerns ORA has with A.15-11-010. Golden State also agreed in its reply that Golden State and ORA should be able to present a possible stipulation resolving all or most issues during the Prehearing Conference.

The Parties submit the following settlement terms and conditions for Commission's consideration.

II. TERMS AND CONDITIONS

1. The Commission should approve A.15-11-010, subject to the additional terms and conditions set forth in this Settlement, and issue an order including the following:
 - a. Authorizing Golden State to perform under the Nipomo Supplemental Water Project Supplemental Water Management and Groundwater Replenishment Agreement, dated October 16, 2015;

- b. Authorizing Golden State to increase its annual revenue requirement in the Santa Maria CSA by \$391,900, and finding that the incremental increase in rates associated with this revenue increase as detailed in Schedules 1 and 2 attached to this instant Application¹⁷ are just and reasonable.
2. Ordering Paragraph 45 of D.13-05-011 states that Golden State should file an application to recover its costs when the “final” construction schedule and costs are known. The Parties agree that Golden State’s filing of A.15-11-010 is in compliance with D.13-05-011 because 1) a significant portion, 70% (\$20.7 million of the approximate \$29.6 million final costs)¹⁸ of the NSWP is complete and such costs are known, 2) water is now being delivered to the Nipomo Mesa Management Area over the NSWP, and 3) Golden State is now obligated to pay for its share of the Nipomo Supplemental Water being delivered. Also as noted below, Golden State is no longer requesting to include its share of NSWP related capital costs in its rate base.¹⁹
3. In its application and response to ORA’s data request Golden State has demonstrated that the rate increase requested in A.15-11-010 “reflects and passes through to customers only increased costs to the corporation for the services or commodities furnished by it.”²⁰ The Parties agree that the rate increase request as expressed in this Settlement should be approved.
4. The incremental increase in rates approved in this instant application should be added to the rates in effect at the time a decision is issued in this instant application.

¹⁷ See Attachment 4 (Schedules 1 and 2)

¹⁸ See Attachment 1 (Table of NSWP Costs) (adjusted for \$2.2 million IRWM Grant).

¹⁹ See Terms and Conditions Section II.6.

²⁰ See Commission Rules of Practice and Procedures, Rule 3.2. (a).10.

5. The Commission has not yet rendered a decision in Golden State's currently pending GRC, A.14-07-006. In the event that the Commission issues a decision in the instant application before a decision is issued in A. 14-07-006, the Commission should incorporate the incremental rate increase authorized in this application into the final rates authorized in A.14-07-006.
6. Golden State does not request in this Application that any of the NSWP related costs and charges be treated as capital costs for inclusion in its rate base. Therefore, the Parties agree that it is appropriate to treat the Nipomo Supplemental Water related costs and charges as supply costs in the same manner as any other supply cost incurred by Golden State are treated. Accordingly, in the event of any increase or decrease in supply costs associated with the Nipomo Supplemental that are imposed by the Nipomo Community Services District pursuant to the NSWP Supplemental Agreement, the Commission should authorize Golden State to file a supply costs offset consistent with the Division of Water and Audit's Standard Practice U-27-W, with any such increase or decrease in supply cost to be addressed in Golden State's next GRC proceeding following such supply cost offset filing. The Commission should also authorize Golden State to track any increase or decrease in such supply costs and corresponding rate increase or decrease in the Golden State Modified Cost Balancing Account ("MCBA") currently in existence. Tracking current and future NSWP purchased water costs and related rate increases or decreases in the MCBA ensures that net charges to ratepayers from any increase or decrease in rates, current or future, related to the NSWP and the Nipomo Supplemental Water "reflects and passes through to customers only increased costs to the corporation for the services or commodities furnished by it" as well as any decreased costs.

7. Effective with the date of the new rates approved in this Application, the Parties agree that Golden State should update the adopted supply costs reflected in its MCBA to include the costs adopted in this decision.
8. Given that the Commission has previously authorized Golden State to incur costs related to the NSWP,²¹ Phase 1 of the NSWP has been completed and NSWP water is being delivered to the Nipomo Mesa Management Area, the Parties agree that Golden State is authorized to record in its MCBA all Nipomo Supplemental Water related costs that Golden State is currently obligated to pay.²²
9. The Nipomo Community Services District started supplying Nipomo Supplemental Water on July 1, 2015. Per section IX.C of the NSWP Supplemental Agreement the Nipomo Community Services District started issuing quarterly invoices to Golden State and for Nipomo Supplemental Water in November of 2015. Golden State is authorized to record all invoices for the Nipomo Supplemental Water costs received on or after July 1, 2015, in its existing MCBA for recovery consistent with that balancing account.
10. Future costs related to Phases 2 and 3 of the NSWP are estimated to be \$4,523,700 and \$4,373,400, respectively.²³ When completed, the costs of Phases 2 and 3 will increase the annual fixed cost portion of the Nipomo Supplemental Water related costs by approximately \$49,500 and \$47,800, respectively, a 0.4% increase each in the Santa Maria CSA revenue requirement. The Parties agree these costs are only estimates, actual costs may vary and these estimates are not intended to put a cap on future

²¹ D.13-05-011 OP 42 and 45 at p. 116.

²² See Attachment 2 (NSWP Supplemental Agreement).

²³ See Attachment 1 (Table of NSWP Costs).

increases in the annual fixed cost portion of the Nipomo Supplemental Water related to Phases 2 and 3 of the NSWP. The exact timetable for completion of Phases 2 and 3 is not known at this time. Golden State will not be required to file an additional separate “Application” to address the completion of the NSWP costs. Instead, the Parties agree that when the Nipomo Supplemental Water related costs are increased due to the completion of Phase 2 and/or Phase 3, Golden State should file an Advice Letter in compliance with GO 96-B and Standard Practice U-27 to recover its costs and address the costs in its next GRC. Golden State will provide ORA with full and complete documentation in connection with any such Advice Letter filing.

11. The Parties agree that if the Commission adopts Sections 7, 8, and 9 of this Settlement in their totality, Golden State will withdraw Advice Letter 1642-W, which requests a memorandum account to track the NSWP related costs addressed in this Settlement. In the event that the Commission alters the Settlement in a manner that is not related to the subject matter of Advice Letter 1642-W, and the Parties consent to such changes pursuant to Paragraph IV.4 below, Golden State will still withdraw its Advice Letter 1642-W.
12. Pursuant to the NSWP Supplemental Agreement, the appropriate members of the Advisory Committee and Nipomo Mesa Management Area Technical Group²⁴ may determine in the future that hydrologic conditions warrant physical delivery of supplemental water to the Rural water system, and that a pipeline and interconnection connecting the Nipomo Community Services District and the Rural water systems should be constructed. Until such time

²⁴ See Attachment 2 (NSWP Supplemental Agreement) at Section VI.D.

that the need, exact alignment and flow capacity for the pipeline and interconnection have been determined, the design, schedule and costs of such a pipeline cannot be determined. In the event that this Nipomo Community Services District /Rural pipeline and interconnection is constructed, Golden State will be required to pay only its equitable share pursuant to the allocation methodology set forth in the NSWP Supplemental Agreement.²⁵ At the time of development of this interconnection, Golden State will address the increase in costs either through its next GRC or an appropriate level of advice letter as required by GO-96B and as set forth in the Commission's Division of Water and Audit's Standard Practice U-27-W.

III. THE SETTLEMENT SATISFIES THE COMMISSION'S RULES OF PRACTICE & PROCEDURE RULE 12.1 (d)

1. Pursuant to the Commission's Rules of Practice & Procedure, Rule 12.1(d), the Commission will not approve settlements unless they are "reasonable in light of the whole record, consistent with law, and in the public interest." The Parties agree that the Settlement overall is reasonable in light of the record, consistent with the law and serves the public interest by resolving competing concerns in a collaborative and cooperative manner.
2. Specifically, given that ORA represents the interests of ratepayers, the Settlement serves the public interest because it resolves ORA's protest through terms and conditions negotiated by the Parties, each having a thorough understanding of the issues and having made informed decisions in the settlement process. This Settlement is in the public interest because it produces a reasonable and acceptable result for all parties involved. The Settlement also bypasses the need for additional litigation, thereby

²⁵ *Ibid.*

conserving the Commission's valuable resources and serving the public interest.

3. In addition, there are no terms of the Settlement which limit this Commission's future discretion, the Settlement resolves issues within the scope of the proceeding and none of the outcomes set forth in the Settlement are inconsistent with the law.

IV. ENFORCEMENT OF THE SETTLEMENT

1. If any Party fails to perform its respective obligations under this Agreement, the other Party may come before the Commission to pursue a remedy including enforcement.
2. The Parties agree that the Commission has primary jurisdiction over any interpretation, enforcement, or remedies pertaining to this Settlement. No Party may bring an action pertaining to this Settlement in any local, State, Federal court or administrative agency, without first having exhausted its administrative remedies at the Commission. This Settlement shall be governed by and interpreted in accordance with the laws of the State of California and Commission rules and regulations.
3. The Parties agree that pursuant to Rule 12.5 of the Commission's Rules of Practice and Procedure, this Settlement shall constitute no approval of, or precedent regarding, any legal principle or issue of law or fact in this proceeding or in any future proceeding.
4. The Parties agree that (except as otherwise stated herein) the Commission's adoption of this Settlement should not be construed as an admission or waiver by any Party regarding any fact, matter of law, or issue thereof that pertains to the subject of this Settlement.
5. The Parties agree that no Party to this Settlement, or any Parties' legal successors, predecessors, assigns, partners, joint ventures, shareholders,

members, representatives, agents, attorneys, parent or subsidiary companies, affiliates, officers, directors, and/or employees thereof, assumes any personal liability as a result of this Settlement.

6. The Parties agree to support this Settlement and use their best efforts to secure the Commission's approval of this Settlement in its entirety and without condition or modification. The Parties agree to defend this Settlement and its implementation before the Commission if the Commission's adoption or implementation of this Settlement is opposed by anyone else.
7. This Settlement is subject to approval and adoption by the Commission. Each Party hereto agrees without further consideration to execute and deliver such other documents and take such other actions as may be necessary to achieve the purposes of this Settlement, including, without limitation, furnishing such additional information, documents, and/or testimony as the Commission may require (with due regard for confidentiality) in issuing an order adopting this Settlement.

V. EXECUTION OF SETTLEMENT

1. The Parties agree to execute (and/or cause to be executed) any other documents, or to take any other action as may be necessary to implement this Settlement.
2. This Settlement may be executed in any number of counterparts and by different Parties hereto in separate counterparts, with the same effect as if all Parties had signed the same document. All such counterparts shall be deemed an original and shall together constitute the same Settlement.
3. This Settlement constitutes the entire agreement and understanding between the Parties as to the subject of this Settlement, and supersedes any prior agreements, commitments, representations, or discussions between the

Parties. This Settlement cannot be amended or modified without the express written consent of all the Parties.

4. The provisions of this Settlement are not severable. If any modifications made to the Settlement by the Commission are not acceptable to one or more of the Parties, then the Settlement is deemed rescinded. A Party shall be deemed to have consented to the Commission modification unless within five (5) days following the date of issuance of the Commission proposed modification(s), that Party notifies in writing the other Parties and files with the Commission its objection to the modification(s).
5. Each Party represents that it has investigated the facts and law pertaining to the matters described in this Settlement. No Party has relied or presently relies upon any statement, promise, or representation by any other Party, whether oral or written, except as specifically set forth in this Settlement.
6. The Parties acknowledge and stipulate that this Settlement is fair and not the result of any fraud, duress, or undue influence by any other Party. Each Party hereby states that it has read and fully understands its rights, privileges, and duties under this Settlement. Moreover, each Party has had its respective attorney or other authorized person review the terms of this Settlement. By executing this Settlement each Party declares that the provisions herein are adequate, reasonable, and mutually agreed upon, and that they are entering this Settlement freely and voluntarily.
7. The Parties have determined that this Settlement is in their best interests, and more cost-effective than undertaking the expenses, delays, and uncertainties of further litigation. In executing this Settlement, each Party declares that the terms and conditions herein are reasonable, consistent with the law, and in the public interest. Therefore, the Parties jointly request that the Commission accept and adopt this Settlement in its entirety and without

modification or condition, as reasonable, consistent with the law, and in the public interest.

8. The Parties agree they will jointly file this Settlement for Commission approval by joint motion pursuant to Rule 12.1(a) of the Commission's Rules of Practice and Procedure. In their joint motion, the Parties will ask that the Commission expeditiously consider and approve this Settlement in its entirety and without condition or modification.
9. The undersigned hereby acknowledge and covenant that they have been duly authorized to execute this Settlement on behalf of their respective principals and that such execution is made within the course and scope of their respective agency and/or employment.

VI. CONCLUSION

IN WITNESS WHEREOF, the Parties hereto have caused this Settlement to be duly executed by their respective authorized representatives as of the date set forth below.

Dated: February 17, 2016


Linda Serizawa
Interim Director
Office of Ratepayer Advocates
California Public Utilities Commission
505 South Van Ness Ave
San Francisco, CA 94102
Telephone: (415) 703-5259

Dated: February 18, 2016


Keith Switzer
Vice President of Regulatory Affairs
Golden State Water Company
630 East Foothill Boulevard
San Dimas, CA 91773
Telephone: (909) 394-3600

ATTACHMENT 1

Attachment 1

The attached schedule reflects the costs of:

Phase 1 - Western River Crossing (800 AFY) before the reduction of \$2,200,000 in Integrated Regional Water Management (IRWM) Grant received from the California Department of Water Resources.

Total Phase 1 Cost	22,898,173
IRWM Grant	<u>(2,200,000)</u>
Phase 1 construction costs reflected in the fixed cost portion of the NSW costs	<u>20,698,173</u>

Estimated costs for Phase 2 and Phase 3 of the Nipomo Supplemental Water Project

Phase 2 - 1,600 AFY –

Total Phase 2 Cost	\$4,523,700
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Phase 3 - 3,000 AFY

Total Phase 3 Cost	\$4,373,400
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Table 4
Waterline Intertie Pipeline Cost Estimates

Line No.	Description	Pipeline Cost
	Phase 1 - Western River Crossing (800 AFY)	
1	Santa Maria River Crossing	\$7,197,140
2	Blosser Road Waterline and Flow Meter	2,575,710
3	Joshua Street Pump Station and Wellhead Chloramination	4,344,710
4	Subtotal	\$14,117,560
5	Contingency (5%)	706,000
6	Subtotal Construction Cost	\$14,823,560
7	ROW Acquisition	250,000
8	Design Engineering	450,000
9	Construction Management	1,736,000
10	Subtotal Non-Construction Cost	\$2,436,000
11	Non-Construction Contingency (10%)	243,600
12	Subtotal Project Cost	\$17,503,160
13	Other Costs ^[1]	5,395,013
14	Total Phase 1 Cost^[1]	\$22,898,173
	Phase 2 - 1,600 AFY	
15	Project Cost ^[2]	\$3,131,000
16	Subtotal Phase 2 Cost	\$3,131,000
17	Adjustment for Construction Cost Inflation ^[3]	219,900
18	Adjusted Subtotal	\$3,350,900
19	Engineering & Construction Management (15%)	502,600
20	Contingency (20%)	670,200
21	Total Phase 2 Cost	\$4,523,700
	Phase 3 - 3,000 AFY	
22	Project Cost ^[3]	\$3,027,000
23	Subtotal Phase 3 Cost	\$3,027,000
24	Adjustment for Construction Cost Inflation ^[3]	212,600
25	Adjusted Subtotal	\$3,239,600
26	Engineering & Construction Management (15%)	485,900
27	Contingency (20%)	647,900
28	Total Phase 3 Cost	\$4,373,400
29	Total Waterline Intertie Project Cost	\$31,795,273

^[1] Information provided by NCSD.

^[2] From AECOM Draft Technical Memorandum July 19, 2012.

^[3] Adjusted from July 2012 to Feb 2015 using the ENR 20-Cities Construction Cost Index.

ATTACHMENT 2

NIPOMO SUPPLEMENTAL WATER PROJECT

**SUPPLEMENTAL WATER MANAGEMENT AND GROUNDWATER
REPLENISHMENT AGREEMENT**

This Nipomo Supplemental Water Project Supplemental Water Management and Groundwater Replenishment Agreement ("Agreement") is made this 16th day of ~~September~~ ^{October}, 2015, between the Nipomo Community Services District, Rural Water Company, The Woodlands Mutual Water Company of San Luis Obispo County and Golden State Water Company with regards to the following facts:

I. RECITALS:

A. The Nipomo Community Services District ("NCS D") is a public entity, independent special district organized and operated pursuant to Govt. Code section 61000 et seq. NCS D provides water and related services within the NCS D boundary located in the southern portion of San Luis Obispo County, within an area generally referred to as the Nipomo Mesa.

B. Golden State Water Company ("GSWC") is a California corporation and a public utility water corporation as defined by Public Utilities Code §§ 216 and 241 providing water service to customers within the Nipomo Mesa subject to California Public Utilities Commission ("PUC") regulation.

C. Rural Water Company ("RWC") is a California corporation and a public utility water corporation as defined by Public Utilities Code §§ 216 and 241 providing water service to customers within the Nipomo Mesa subject to PUC regulation.

D. The Woodlands Mutual Water Company of San Luis Obispo County ("WMWC") is a California corporation and a mutual water company providing water service to its shareholder – customers within the Nipomo Mesa.

E. Collectively, GSWC, RWC and WMWC, are referred to as the "Water Companies" and individually as a "Water Company". NCS D, GSWC, RWC and WMWC are collectively referred to as the "Parties" and individually as a "Party".

F. The Parties, along with hundreds of other individuals and entities are parties to a certain legal proceedings entitled "*Santa Maria Valley Water Conservation District v. City of Santa Maria, et al.*", Superior Court of the State of California, County of Santa Clara, Consolidated Cases CV770214 ("Santa Maria Litigation"), regarding the respective rights of the litigants to groundwater resources in the Santa Maria Groundwater Basin ("Basin").

G. After lengthy proceedings, the court entered an amended judgment

NSWP Supplemental Water Management and Groundwater Replenishment Agreement

Page 1 of 20

(“Judgment”) on April 17, 2014, which provides for the long-term management of the Basin water resources.

H. The court retained jurisdiction over the Judgment to ensure the parties manage the Basin water resources consistently with the Judgment.

I. Incorporated into and made a part of the Judgment is a Stipulation dated June 30, 2005 (“Stipulation”), which establishes a detailed management plan for three subareas within the Basin. The Nipomo Mesa is included in the subarea called the Nipomo Mesa Management Area (“NMMA”).

J. The Judgment (through the Stipulation) requires NCSD to purchase and transmit to the NMMA a minimum of 2,500 acre-feet of “Nipomo Supplemental Water” each year. NCSD is further required to employ its best efforts to timely implement the Nipomo Supplemental Water Project (NSWP).

K. The Judgment further provides that once the Nipomo Supplemental Water is capable of being delivered, the Parties shall purchase the following portions of the Nipomo Supplemental Water each year to offset groundwater pumping within the NMMA.

Entity	Percent Allocation	AFY (2,500 AF NSWP Yield)
NCSD	66.68	1667.00
GSWC	8.33	208.25
RWC	8.33	208.25
WMWC	16.66	416.50
Total	100.00	2500.00

L. NCSD has entered into a Wholesale Water Supply Agreement with the City of Santa Maria (City), dated May 7, 2013, (“NCSD-City Agreement,” attached and incorporated as Exhibit “A”). The NCSD-City Agreement provides a mechanism through which NCSD may purchase Nipomo Supplemental Water for sale and distribution in the NSWP, consistent with the obligations in the Judgment.

M. NCSD has completed construction of the first stage of the NSWP such that NCSD is taking delivery of Nipomo Supplemental Water as of July 1, 2015. The additional stages of the NSWP to allow increased water delivery of a minimum of 2,500 AFY, as required under the Judgment, are currently being planned.

N. On or about June 25, 2015, the PUC approved GSWC’s acquisition of RWC. Upon completion of GSWC’s acquisition of RWC, GSWC will assume the entirety of RWC’s benefits and obligations under this Agreement.

O. NCSD has designed the NSWP to deliver 3,000 AFY. All costs associated with

NSWP Supplemental Water Management and Groundwater Replenishment Agreement

the capacity in excess of 2,500 AFY are solely assigned to NCSD. Should the Parties, or any faction thereof, elect to expand NSWP facilities to deliver water in excess of 3,000 AFY, further negotiation and agreement among the participating Parties will be required.

P. The purpose of this Agreement is to implement the Parties' obligations with respect to the NSWP as provided in the Stipulation and the Judgment.

In consideration of the foregoing recitals that are incorporated herein by reference and the mutual terms and conditions set forth herein, the Parties agree as follows:

II. DEFINITIONS:

Terms used herein with initial capitalization, whether in singular or plural, shall have the following meanings:

A. "AFY" shall mean acre-feet per year.

B. "Costs" shall mean all the administrative, planning, design, permitting, capital, financing, construction, operation, maintenance, repair, replacement and overhead allocation costs associated with and arising out of the construction and ongoing operation of the NSWP, excluding costs of Points of Interconnection, which shall be funded as provided in Section VII. Costs shall include both actual expenses and reasonably anticipated NSWP related expenses expected to be incurred for the completion of the NSWP and for the ongoing operations of the NSWP. Costs include future financing of phases of the NSWP and future changes in water costs resulting from renegotiation of the NCSD-City Agreement.

C. "Effective Date" shall mean July 1, 2015.

D. "Fiscal Year" shall mean the twelve (12) month period commencing each July 1st during the term of this Agreement and ending the following June 30th.

E. "NSWP Enterprise Fund" shall mean the NSWP Enterprise Fund used by NCSD to account for, budget and track the Costs.

F. "Judgment" shall mean the amended judgment entered by the Court in that case entitled *Santa Maria Valley Water Conservation District v. City of Santa Maria, et al.*, Superior Court of the State of California, County of Santa Clara, consolidated cases CV770214.

G. "NCSD-City Agreement" shall mean the agreement between the City of Santa Maria and Nipomo Community Services District titled "Wholesale Water Supply Agreement," dated May 7, 2013.

H. "Nipomo Mesa Management Area" or "NMMA" shall mean the area so defined and described in the Judgment.

I. "Nipomo Supplemental Water" shall mean up to 2,500 AFY of water delivered within the NMMA to offset groundwater pumping.

J. "Nipomo Supplemental Water Project" or "NSWP" shall mean the facilities and appurtenances, including each Point of Interconnection, necessary to deliver Nipomo Supplemental Water as provided in Section VI.(A) of the Stipulation.

K. "NMMA Technical Group" is the group formed pursuant to the requirements of the Stipulation and Judgment.

L. "Point of Interconnection" shall mean those components of the NSWP extending from NCSD's water distribution system to each Water Company through which Nipomo Supplemental Water may be delivered to each Water Company.

M. "Prudent Utility Practice" shall mean the practices, methods, and acts which, in the exercise of reasonable judgment in light of the facts (including but not limited to the practices, methods, and acts engaged in or approved by a significant portion of the water utility industry prior thereto) known at the time the decision was made, would have been expected to accomplish the desired result at the lowest reasonable cost consistent with good business practices, reliability, safety, and expedition, taking into account the fact that Prudent Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be a spectrum of possible practices, methods, or acts which could have been expected to accomplish the desired result. Prudent Utility Practice includes due regard for manufacturers' warranties and requirements of agencies of competent jurisdiction.

N. "PUC" shall mean the California Public Utilities Commission, the entity with regulatory oversight responsibility for RWC and GSWC.

O. "PUC Application" shall mean those materials and testimony required so that GSWC and RWC may obtain PUC approval adequate to satisfy the conditions subsequent set forth in Section V below.

P. "Stipulation" shall mean the agreement dated June 30, 2005, by and between the majority of the litigants in the Santa Maria Litigation, settling their disputes and imposing a physical solution on the management of water resources in the Santa Maria Basin. The Stipulation is incorporated in and is a part of the Judgment.

Q. "Uncontrollable Force" shall mean any cause or event which is beyond the control of the Party affected, including, but not restricted to, failure of or threat of failure of facilities, flood, earthquake, storm, fire, lightning, epidemic, war, riot, civil disturbance or disobedience, labor dispute or strike, labor or material shortage, sabotage, restraint by court order or public authority and action or non-action by or

failure to obtain the necessary authorizations or approvals from any governmental agency or authority which by exercise of due diligence such party could not reasonably have been expected to avoid and which by exercise of due diligence it shall be unable to overcome.

III. PURPOSE:

A. The purpose of this Agreement is to enable the Parties to meet their respective obligations under the Judgment, based on the percentage allocations presented in Section I.K, regarding the NSWP. In particular, the Parties intend this Agreement to provide for: (1) payment to NCSD for each Party's allocation of Costs, and (2) distribution and use of Nipomo Supplemental Water.

B. The underlying premise of the NSWP is to use Nipomo Supplemental Water within the NMMA to offset 2,500 AFY of groundwater pumping in those areas within the NMMA where groundwater levels are most depressed and thus augment the replenishment of groundwater in those critical areas within the NMMA. As described herein, the Parties will use the Nipomo Supplemental Water to increase groundwater replenishment within the NMMA and improve the long-term reliability and integrity of groundwater availability within the NMMA. The Nipomo Supplemental Water delivered to the Parties pursuant to this Agreement shall be used exclusively for the benefit of properties within the existing jurisdictions and service areas of the Parties and in accordance with the Judgment and Stipulation.

IV. EFFECTIVE DATE AND TERM:

A. This Agreement shall be effective on July 1, 2015 and shall terminate on June 30, 2085 ("Term").

B. Notwithstanding the Term, the delivery of Nipomo Supplemental Water to the Parties subsequent to June 30, 2035, is subject to the renewal of the contract for state water between the City and the Central Coast Water Authority. The NCSD-City Agreement provides that it is subject to renegotiation in the event that the City's contract with the Central Coast Water Authority is not renewed as of June 30, 2035 or if the renewal terms would create a significant financial burden to the City or impair the ability of the City to provide Nipomo Supplemental Water in the quantities set forth in the NCSD-City Agreement.

C. Should renegotiation of the NCSD-City Agreement be required, NCSD and the City are required to negotiate and use their best efforts to equitably amend the terms of the NCSD-City Agreement to allow for the continued delivery of Nipomo Supplemental Water on terms mutually beneficial to both parties for the duration of the Term. NCSD will consult and confer with the Water Companies prior to entering into any material amendments to the NCSD-City Agreement.

D. Obligations incurred hereunder but not satisfied prior to termination of this Agreement shall survive such termination until fully discharged, including any payments due by one Party to another Party hereunder.

V. CONDITIONS SUBSEQUENT:

This Agreement shall terminate and shall be of no further force and effect as to either or both GSWC and RWC, subject to the following conditions.

A. As promptly as is reasonably practicable and in no event later than October 30, 2015, GSWC shall apply for PUC approval for imposition of the necessary rate adjustments so that GSWC may meet its financial obligations provided under this Agreement. GSWC shall provide NCSD with written notice of the satisfaction or waiver of this provision. If GSWC fails to obtain this PUC approval, through a PUC decision or order that is no longer subject to appeal, on or before December 31, 2017, either NCSD or GSWC may, each in its sole discretion, declare a failure to satisfy this condition and terminate this agreement as to GSWC. If either NCSD or GSWC exercises this termination right, the provisions of Article X(D)(1) of the Stipulation shall apply.

B. As promptly as is reasonably practicable and in no event later than October 30, 2015, RWC shall apply to for PUC approval for imposition of the necessary rate adjustments so that RWC may meet its financial obligations provided under this Agreement. RWC shall provide NCSD with written notice of the satisfaction or waiver of this provision. If RWC fails to obtain this PUC approval, through a PUC decision or order that is no longer subject to appeal, on or before December 31, 2017, either NCSD or RWC may, each in its sole discretion, declare a failure to satisfy this condition and terminate this agreement as to RWC. If either NCSD or RWC exercises this termination right, the provisions of Article X(D)(1) of the Stipulation shall apply.

C. The Parties shall make every reasonable business effort to coordinate and cooperate in providing any necessary data, information and testimony to support the PUC approval processes contemplated in this Section.

D. GSWC and RWC shall each be responsible for its own PUC Application. However, each entity expects its PUC Application to be substantially the same in its content. Each PUC Application shall include a request for full financial participation in the NSWP as provided in this Agreement, as of the Effective Date. RWC and GSWC shall make their reasonable best efforts to obtain a prompt and reasonable response to the PUC Application from the PUC, including making every reasonable attempt to reach an acceptable settlement of the PUC Application in lieu of processing the PUC Application through a contested administrative hearing at the PUC. The Parties acknowledge that obtaining PUC approval of each PUC Application may take 12 months or more, following the date of submission of the PUC Application, and that neither GSWC nor RWC have control over the time it takes the PUC to process and

resolve each PUC Application. Notwithstanding the Effective Date, neither GSWC's, nor RWC's financial obligations provided in this Agreement accrue and are enforceable as to either entity, unless and until the PUC provides GSWC and RWC approval to make the necessary customer water rate adjustments equal to each entity's respective share of the Costs provided in this Agreement as of the Effective Date and otherwise consistent with Section IX.B.

E. Until the conditions subsequent in this section are satisfied with written notice, or waived, neither NCSD, RWC, nor GSWC waive their rights to exercise the provisions of Article X(D)(1) of the Stipulation.

VI. USE OF NIPOMO SUPPLEMENTAL WATER.

NCSD shall be responsible for the distribution and use of the Nipomo Supplemental Water between and among the Parties subject to the following:

A. Subject to the groundwater management and recharge protocols provided in this Agreement, the presumed quantity and rate of delivery of Nipomo Supplemental Water for each Party shall be as provided in the table below, based upon an assumed delivery of 2,500 AFY. To the extent Nipomo Supplemental Water is not available for delivery at the volumes or rates shown, each Party's deliveries shall be reduced on a proportional basis. To the extent the implementation of groundwater management and recharge protocols provide for alternative deliveries, each Party shall be responsible for its portion of the Costs as otherwise provided in this Agreement.

Entity	Annual (AF)	Quarterly (AF)	Maximum per Month (AF)
NCSD	1668	417	139
GSWC	208	52	17
RWC	208	52	17
WMWC	416	104	35

B. The highest priority use of Nipomo Supplemental Water shall be to offset groundwater pumping within those regions within the NMMA where depressed groundwater levels exist.

C. Provided that such reduction does not materially and adversely affect its ability to provide water for the reasonable and beneficial use of its customers, for each AF of the 2,500 AFY Nipomo Supplemental Water used within the NMMA, the user shall reduce its groundwater pumping by the same amount. The Parties shall develop a method of confirming this reduction in groundwater use.

D. Over the term of this Agreement, the Advisory Committee (as defined in XII.A) shall periodically meet and confer with the NMMA Technical Group regarding the distribution of the Nipomo Supplemental Water between the Parties, given the priority

specified in subsections VI.A and B, above. Based on the input from the Advisory Committee and the NMMA Technical Group, the status of Points of Interconnection as provided in the Section VII.A below and other relevant hydrologic conditions, NCSD shall determine the distribution of Nipomo Supplemental Water among the Parties. NCSD shall make its determination regarding the distribution of Nipomo Supplemental Water, following the consultation described in this subsection and based upon a reasonable, good faith interpretation of how best to manage the then existing hydrologic conditions within the NMMA, the availability of Nipomo Supplemental Water and the ability to rely on existing Points of Interconnection and establish a new Point of Interconnection with RWC, if one has not yet been established.

E. Pursuant to section VI(B)(3) of the Stipulation, provided WMWC is concurrently using or has made arrangements for other Parties to use within the NMMA the Nipomo Supplemental Water allocated to the WMWC under Section VI(A), above, WMWC shall not be subject to restriction in the reasonable and beneficial use of groundwater necessary for full development of its service area; provided however, nothing in this Agreement is intended to modify or amend the benefits and obligations provided in the Stipulation and the Judgment applicable to WMWC, or the court's retained jurisdiction pursuant to the Stipulation and the Judgment.

VII. POINTS OF INTERCONNECTION, CONTROL AND MEASUREMENT OF NIPOMO SUPPLEMENTAL WATER DELIVERIES.

A. Point(s) of Interconnection. As of the Effective Date, NCSD's water system is interconnected with GSWC and WMWC water systems. Each of these existing interconnections will require improvements, and possibly reconstruction, to be fully functional "Point(s) of Interconnection." No Point of Interconnection is in place between NCSD and RWC. If, pursuant to Section VI.D, the Parties determine each or all Points of Interconnection are necessary to make optimal use of Nipomo Supplemental Water, NCSD and each Water Company shall develop the most cost effective design and arrange for the construction of the Points of Interconnection as promptly as practical. The Cost of each Point of Interconnection, including the improvements required for existing Points of Interconnection with WMWC and GSWC, shall be incorporated into the NSWSP Costs and NSWSP Enterprise Fund as provided in this Agreement. The Parties acknowledge and agree that the Point of Interconnection with RWC, if and when established, will be included as a component of the NSWSP. However, the Parties agree that allocation of Costs for the pipeline portion of the RWC Point of Interconnection may differ from the allocation set forth in Section I.K above, to be agreed upon by the Parties once those Costs are determined. The Costs for the RWC Point of Interconnection, excluding the Costs of the pipeline portion of the RWC Point of Interconnection, shall be shared consistent with the allocation set forth in Section I.K in a magnitude equivalent to that included in the Costs for the WMWC and GSWC Points of Interconnection.

B. Each Point of Interconnection shall include flow control and metering devices

used to control and measure the delivery of Nipomo Supplemental Water at the Point of Interconnection. Each Point of Interconnection and the appurtenant facilities shall be considered part of the NSWP and shall be owned, operated and maintained by NCSD.

C. NCSD shall arrange for the inspection and testing of the metering devices at least once per calendar year, unless more frequent testing and inspection is appropriate as a result of repairs to or replacements of a metering device. NCSD shall provide reasonable advance notice to and coordinate with each Water Company to accomplish required testing or inspection activities.

D. The operation and maintenance of any Point of Interconnection will be detailed in an Operation Memorandum of Understanding that will be approved by the NCSD and other affected parties prior to connection. If the Parties cannot agree on the terms of the Operations Memorandum of Understanding then the disputed terms will be subject to the dispute resolution procedures referenced in XII of this Agreement.

VIII. NSWP ENTERPRISE FUND BUDGET:

A. NCSD shall operate the NSWP as an enterprise fund ("NSWP Enterprise Fund"), separating all Costs related to the NSWP within and only to that NSWP Enterprise Fund. Prudent Utility Practices shall apply to NCSD's management of the NSWP Enterprise Fund and the NSWP.

B. Each Fiscal Year NCSD shall prepare a NSWP Enterprise Fund Budget ("Budget") for all revenues and expenditures related to the NSWP Enterprise Fund. The Budget shall include a summary of projected Nipomo Supplemental Water deliveries and the Costs associated with those deliveries. A draft of the Budget shall be available to each Water Company for review by May 1st of each year. NCSD shall make every reasonable effort to adopt the final Budget during June of each year at a regularly scheduled NCSD board meeting. The Advisory Committee shall determine the most effective content, format and reporting frequency for financial and budget reports for the NSWP Enterprise Fund.

C. The Budget shall provide the basis for and detail the cost allocations and quarterly billings described in Section IX.

D. Unless the Parties agree otherwise, every five years, a third party expert accounting firm shall perform an overhead allocation analysis for NCSD, including the NSWP Enterprise Fund. The overhead allocation recommendations of that study shall be applied in the next annual budgeting cycle for the NSWP Enterprise Fund. The cost of this study shall be included in the administrative overhead allocated to the NSWP Enterprise Fund. The Advisory Committee shall appoint the accounting firm to perform the overhead allocation analysis.

E. The Water Companies acknowledge and agree that NCSD has incurred

NSWP Supplemental Water Management and Groundwater Replenishment Agreement

Page 9 of 20

substantial Costs related to the completed portions of the NSWP as of the Effective Date and will incur additional Costs to complete the NSWP. These costs include, but are not limited to, planning, environmental reviews, legal fees, acquisition of easements, an assessment election, and the construction and financing of the primary distribution pipeline extending from the City to NCSD facilities and future stages of the NSWP project. These Costs have been funded by NCSD, with very limited contributions from the Water Companies.

F. The Budget shall include the amortized recovery of the NSWP capital costs (whether funded by NCSD with internal funds or borrowed funds) attributable to each Water Company, pursuant to Section I.K above, plus interest on the unamortized balance of such costs. The capital costs to be amortized in each Budget shall include amounts expended to date and the additional costs necessary to complete the NSWP. NCSD shall not recover interest on the capital portion of NSWP Costs that are funded through the use of NSWP Enterprise Fund assets or reserves.

G. The amortization period for capital costs shall be 30 years beginning July 1, 2015. Interest will be charged monthly on the remaining unamortized balance as of the prior month end.

H. Each Water Company may elect to make early payments of its amortized portion of the capital costs and such early payments shall be credited against the capital obligation of that Water Company.

I. The interest rates to be charged to each Water Company will be determined as follows:

1. For GSWC and RWC, the interest rate charged will be equal to the interest rate on amounts NSCD has borrowed to finance a portion of the project Costs plus one-half of one percent. In the event GSWC's credit rating drops materially below its current rating of A+, and such change would have a material impact on any expected borrowing or financial security related to the NSWP Enterprise Fund, the interest rate charged will be subject to renegotiation between GSWC, RWC and NCSD. The interest specified in this subsection applicable to RWC is predicated on expectation that GSWC will complete its acquisition of RWC prior to the PUC approval of this Agreement. The interest rate and security assurance applicable to RWC's capital obligation shall be subject to renegotiation should GSWC fail to complete its acquisition prior to the PUC's approval of this Agreement.

2. For WMWC, the interest rate charged will be equal to the interest rate on amounts NSCD has borrowed to finance a portion of the project Costs plus two percent. In the event there is a material change in WMWC's financial condition, the interest rate charged will be subject to renegotiation between NCSD and WMWC. WMWC acknowledges that its agreement to amend its bylaws to authorize recordation and enforcement of liens under Corporations

Code § 14304 (“Section 14304 Lien Rights”) constitutes a material inducement to NCSD to forego other forms of security for repayment of WMWC’s capital obligations, and agrees that it shall not subsequently revise its bylaws to relinquish its Section 14304 Lien Rights without having previously agreed to provide alternate security reasonably acceptable to NCSD.

3. In the event NCSD makes additional borrowings to finance subsequent stages of the NSWP, the interest rates charged GSWC, RWC and WMWC will be adjusted based on the weighted average of the interest rates attributable to unamortized balances of prior stages of the NSWP and the interest rate attributable to the capital costs of the new stage.

J. The NSWP Enterprise Fund shall include a funded replacement reserve (“NSWP Enterprise Fund Reserve”) to accumulate funds for the future replacement of NSWP equipment and facilities. The initial NSWP Enterprise Fund Reserve amount shall be set at one percent of total project Costs. Thereafter, the NSWP Enterprise Fund Reserve shall be increased annually based upon the percentage increase in the Consumer Price Index (CPI) – All Urban Consumers (Los Angeles-Riverside-Orange Co., CA area) for the immediately preceding calendar year, subject to the following.

1. The maximum balance in the NSWP Enterprise Fund Reserve shall be \$3,000,000. The NSWP Enterprise Fund Reserve maximum shall be increased annually based upon the percentage increase in the Consumer Price Index (CPI) – All Urban Consumers (Los Angeles-Riverside-Orange Co., CA area) for the immediately preceding calendar year. Once the balance in the NSWP Enterprise Fund Reserve reaches the maximum then in effect, the annual reserve shall cease to be collected until such time as the NSWP Enterprise Fund Reserve balance drops below the maximum. Should required expenditures exceed the balance then in the NSWP Enterprise Fund Reserve, the Advisory Committee will establish a plan for funding the deficit in a timely manner. The maximum balance in the NSWP Enterprise Fund Reserve may be increased or decreased subject to unanimous approval by the Advisory Committee.

2. Subject to approval by the Advisory Committee, the balance in the NSWP Enterprise Fund Reserve can be used to fund extraordinary unbudgeted operations and maintenance expenses in those cases where the NSWP Enterprise Fund does not have sufficient operating funds to cover the expenditure.

3. Interest income earned on the NSWP Enterprise Fund Reserve shall remain in the NSWP Enterprise Fund.

IX. RATES AND CHARGES: Based on the Budget, NCSD shall allocate Costs to and invoice the Water Companies as follows:

NSWP Supplemental Water Management and Groundwater Replenishment Agreement

A. Each Water Company shall be responsible for its share of the Costs of Nipomo Supplemental Water and the NSWP based on the pro-rata shares of the NSWP as provided in Section I.K and the Budget. The Cost allocations shall take into account all Costs for the NSWP. An energy (pumping) credit shall be provided to each Party for any portion of its Nipomo Supplemental Water not delivered directly to that Party, but instead used by another Party pursuant to Section VI.

B. During the term of this Agreement, and where applicable subject to the jurisdiction and approval by the PUC, each Water Company shall charge and collect rates and charges for the water services furnished in its service area which will yield gross revenues sufficient to pay all costs of operating and maintaining the water system within the designated area, including all payments due under this Agreement, as they become due and payable.

C. Following each calendar quarter, NCSD shall provide a written invoice to each Water Company for its share of the Costs during the prior quarter. All invoices will be payable within thirty (30) days of delivery of the invoice. NCSD shall have the right to charge late fees of up to five (5) percent of the overdue amount for any invoice that is not paid within such period.

D. Until such time as GSWC and RWC receive approval from the PUC as provided in Section V, NCSD will not charge late fees on outstanding GSWC and RWC invoices; however, interest will accrue on outstanding charges at the rate specified in Section VIII.

E. In the event a Party disputes any charges on an invoice, the undisputed amount shall be paid and no late fee will be assessed pending resolution of the disputed amount. Along with payment of the undisputed amount, the Party shall provide a detailed written description of the nature and amount in dispute. NCSD and the Party with the dispute shall make every reasonable business effort to resolve the dispute promptly.

F. Within 90 days after the end of each fiscal year, NCSD shall compare prior year actual Costs to the total amount billed to the Parties for that year. If actual Costs exceed the amount billed for that year, each Party will be billed for its allocated share of the excess costs. If actual Costs are less than the amount billed for that year, each party will have the option to have its allocated share of the difference be (1) credited against any unamortized capital costs then due NCSD or (2) be refunded.

X. CONTINUITY OF SERVICE:

A. NCSD reserves the right to temporarily interrupt or curtail delivery of Nipomo Supplemental Water to make repairs, replacements, modifications, or to perform maintenance work on the NSWP, or to respond to an existing or impending Uncontrollable Force, as determined in NCSD's sole judgment. NCSD shall use its

reasonable best business efforts to provide advance written notice to the Water Companies of any restriction or interruption in the use of the NSWP or planned deliveries of Nipomo Supplemental Water.

B. In addition to limitations specified in X.A. above, NCSD may interrupt or curtail the use of the NSWP to the extent that the continued use of the NSWP could: (i) materially and adversely affect the reliability of the NSWP; or (ii) cause NCSD to violate the terms of any rule, regulation, or binding obligation it may otherwise have with respect to the production, treatment or delivery of Nipomo Supplemental Water.

XI. DEVELOPMENT OF EXPANDED GROUNDWATER MANAGEMENT AND RECHARGE CAPABILITY:

The Parties acknowledge and agree that the availability of additional Nipomo Supplemental Water would be beneficial for use within the NMMA. The Parties agree to negotiate an amendment to this Agreement to include the expanded use of Nipomo Supplemental Water for the benefit of the groundwater resources water balance within the NMMA. The Parties shall use their reasonable best efforts to complete the negotiation as promptly as practical.

XII. RESOLUTION OF DISPUTES:

The Parties' shall attempt to amicably and promptly resolve any dispute arising between the Parties and under this Agreement. Nothing in this Agreement shall preclude any Party from taking any lawful action it deems appropriate to enforce its rights under this Agreement. The Parties shall initially attempt to resolve any dispute by the means set forth below:

A. Advisory Committee. The Parties shall exercise best efforts to resolve disputes through consensus. An Advisory Committee shall be established and be comprised of two representatives of each Party. The Advisory Committee shall be convened whenever necessary to ensure this Agreement is being administered and implemented consistent with the intentions of all the Parties. An NCSD representative shall chair the Advisory Committee. The Chair shall be responsible for scheduling all meetings under this section. Any Party may request a meeting of the Advisory Committee.

B. Annual Meeting. The Advisory Committee shall meet annually, or as often as necessary, to review the administration and implementation of this Agreement. The Advisory Committee shall use its best efforts to obtain consensus on the resolution of technical, administrative, financial, legal and operational issues that may arise from time to time with regard to this Agreement.

C. Dispute Resolution Procedure. The Parties shall submit any dispute related to or arising out of this Agreement to the Advisory Committee for consideration. The

Chair may request the Party or Parties to any dispute to submit a description of the dispute in writing prior to convening the Advisory Committee. As soon as practical, and within 14 days of the submission of a written description of a dispute, the Chair shall schedule a meeting of the Advisory Committee. The Advisory Committee shall convene within 30 days of the submission of a written description of a dispute and shall make every reasonable effort to resolve the dispute.

D. Failure of the Advisory Committee to Resolve the Dispute. If the Advisory Committee fails to resolve a dispute, the Parties may elect to refer the dispute to mediation. If the Parties are unable to agree promptly upon a mediator or a mediation process, each Party may freely pursue any equitable and legal remedy.

E. Emergencies. Where an unresolved dispute may pose an imminent danger to the public, health, safety or welfare, the Parties shall not be subject to the provisions of this Section.

XIII. LIABILITY AND INDEMNIFICATION:

A. Limitation of Liability: Except as to the negligent or willful misconduct of a Party, each Party shall release and hold harmless the other Parties from and against any and all liability, loss, damage and expense arising from, alleged to arise from, in connection with, or incident to the services rendered under this Agreement.

B. Indemnification and Defense: Each Party shall indemnify, defend and hold harmless the other Parties, its directors, members, officers, employees and agents from and against any and all third-party claims, suits or actions instituted on account of personal injuries or death of any person (including but not limited to workers and the public) or physical damage to property resulting from or arising out of the indemnitor's willful misconduct or negligent act or omission while engaged in the performance of obligations or exercise of rights under this Agreement.

C. Limitation on Damages: No Party shall be liable to any other Party for any consequential, incidental, punitive, special or exemplary damages or lost opportunity costs, lost profit or other business interruption damages, by statute or in tort or contract, under any provision of this Agreement.

D. Water Quality. NCSD shall be responsible for ensuring that the quality of the Nipomo Supplemental Water made available for delivery is of the same pressure and quality of water that NCSD delivers to its residential customers. The quality of water which is delivered by NCSD to its residents shall comply with all federal, state and local laws, regulations and permit requirements which are applicable to NCSD, including standards applicable to wastewater discharge, as amended from time to time and subject to any compliance waiver granted to NCSD ("Quality Standards"). NCSD shall provide GSWC, RWC and WMWC with a copy of the Quality Standards (and any change thereto) which are applicable to NCSD and GSWC, RWC and WMWC shall be solely responsible for ensuring that the Quality Standards meet the federal, state and local laws, regulations and

permit requirements for potable water delivery by GSWC, RWC and WMWC to its customers, including the discharge of such water. To the extent that the quality standards which are applicable to GSWC, RWC and WMWC exceed the Quality Standards, then GSWC, RWC and WMWC shall be responsible for any necessary additional treatment of the Nipomo Supplemental Water. NCSO agrees to indemnify and hold GSWC, RWC and WMWC harmless from any liability which arises as a result of the failure of the Nipomo Supplemental Water which is delivered to the GSWC, RWC and WMWC to meet the Quality Standards. GSWC, RWC and WMWC shall be solely responsible for any actual liability resulting from a change in water quality following the Point of Interconnection (including any additional treatment undertaken by GSWC, RWC and WMWC) and shall indemnify and hold NCSO harmless from any actual liability which arises from any such change. NCSO and GSWC, RWC and WMWC shall promptly notify the other in the event that either becomes aware of a material adverse change in the quality of the Nipomo Supplemental Water and shall cooperate to identify the cause of such change.

XIV RELATIONSHIP OF THE PARTIES:

The covenants, obligations and liabilities of the Parties are intended to be several and not joint or collective and nothing herein contained shall ever be construed to create an association, joint venture, trust or partnership, or to impose a trust or partnership covenant, obligation or liability on or with regard to any Party. Each Party shall be individually responsible for its own covenants, obligations and liabilities as herein provided. No Party shall be under the control of or shall be deemed to control another Party. No Party shall be the agent of or have a right or power to bind another Party without such other Party's express written consent, except as provided in this Agreement.

XV. UNCONTROLLABLE FORCES:

If the existence of an Uncontrollable Force, as defined in Section II.Q above, disables a Party from performing its obligations under this Agreement (except for such Party's obligations to make payments hereunder), such Party shall not be considered to be in default in the performance of any such obligations while such disability of performance exists. A Party rendered unable to fulfill any of its obligations under this Agreement by reason of an Uncontrollable Force shall exercise due diligence to remove such inability with all reasonable dispatch. Nothing contained herein shall be construed so as to require a Party to settle any strike or labor dispute in which it may be involved.

XVI. AUDITS:

Each Party shall have the right to audit any costs, payments, settlements or other supporting information pertaining to this Agreement, including the Costs and the Budget. Any such audit shall be undertaken by the requesting Party or its representative at reasonable times and in conformance with generally accepted auditing standards. The audited Party shall fully cooperate with any such audit, the cost of which shall be paid by the requesting Party. The right to audit a billing shall extend for a period of three (3) years

following the rendering of the bill. Each Party shall retain all necessary records or documentation for the entire length of such three (3) year period and shall, to the extent permitted by law, take all steps reasonably available to assure the confidentiality of the audited Party's accounting records and supporting documents.

XVII. THIRD PARTY BENEFICIARIES:

There are no third Party beneficiaries to this Agreement. This Agreement shall not confer any right or remedy upon any person or entity other than the Parties and their respective successors and assigns permitted under Section XVIII. This Agreement shall not release or discharge any obligation or liability of any third party to any Party or give any third party any right of subrogation or action over or against a Party.

XVIII. ASSIGNMENT OF INTERESTS:

A. No Party shall assign this Agreement without the prior written consent of the other Parties, which consent shall not be unreasonably withheld or delayed. Each Water Company expressly understands and agrees that it shall not be unreasonable for NCSD to withhold or delay its consent to any proposed or purported assignment to any person or entity ("Assignee") that has not demonstrated to NCSD's reasonable satisfaction that NCSD's interests as contemplated herein will not be adversely affected thereby.

B. Any assignment by a Party of its interest in this Agreement which is made without the prior written consent of the other Parties shall not relieve the assigning Party from primary liability for any of its duties and obligations under this Agreement, and in the event of any such assignment, the assigning Party shall continue to remain primarily liable for payment of any and all money due the other Parties as provided under this Agreement, and for the performance and observance of all covenants, duties and obligations to be performed and observed under this Agreement by the Party to the same extent as though no assignment had been made.

C. Whenever an assignment of a Party's interest in this Agreement is made with the written consent of the other Parties, the assigning Party's assignee shall expressly assume in writing the duties and obligations under this Agreement of the assigning party and, within thirty (30) days after any such assignment and assumption of duties and obligations, the assigning Party shall furnish, or cause to be furnished, to the other Party a true and correct copy of such assignment and assumption of duties and obligations. Upon the effective date of such assignment, the assigning Party shall be relieved of its obligations and duties under this Agreement.

D. Subject to the foregoing restrictions on assignment, this Agreement shall be binding upon, inure to the benefit of and be enforceable by the Parties and their respective successors and assigns.

XIX. NO DEDICATION OF FACILITIES:

Any undertaking by a Party to another Party under this Agreement shall not constitute the dedication of the system, or any portion thereof, of that Party to the public or to another Party, nor affect the status of that Party as an independent system.

XX. COMPLETE AGREEMENT:

This Agreement contains the entire agreement and understanding between the Parties as to the subject matter of this Agreement and supersedes all prior commitments, representations and discussions between the Parties.

XXI. CONSTRUCTION OF AGREEMENT:

Ambiguities or uncertainties in the wording of this Agreement shall not be construed for or against any Party, but shall be construed in a manner that most accurately reflects the intent of the Parties when this Agreement was executed and is consistent with the nature of the rights and obligations of the Parties with respect to the matter being construed.

XXII. NON-DISCRIMINATION:

During the performance of this Agreement, no Party shall deny the Agreement's benefits to any person, nor shall any Party discriminate unlawfully against any employee or applicant for employment, on the grounds of or because of race, color, creed, national origin, ancestry, age, sex, sexual orientation, marital status or disability, including the medical condition of Acquired Immune Deficiency Syndrome (AIDS) or any condition related thereto. Each party shall insure that the evaluation and treatment of employees and applicants for employment are free of such discrimination.

XXIII. EVENTS OF DEFAULT:

In the event that a Party shall materially default in the performance of its obligations under this Agreement, the Authorized Representatives of the non-defaulting Parties may give written notice of the default to the Authorized Representative of the defaulting Party. If within thirty (30) days after the non-defaulting Parties' Authorized Representative shall have given such written notice to the defaulting Party's Authorized Representative, the defaulting Party shall have failed to cure the default in its performance of this Agreement, or if such default requires more than thirty (30) days to cure and the defaulting Party fails to commence such cure and diligently prosecute such cure to completion, in addition to any other remedies provided by law, the non-defaulting Parties may terminate this Agreement by written notice of termination as provided for in Section XXVIII. In addition to any other cause of default arising hereunder, a Party shall be in a default if:

- A. It becomes insolvent; or

B. It makes a general assignment of substantially all of its assets for the benefit of its creditors, files a petition for bankruptcy or reorganization or seeks other relief under any applicable insolvency laws; or

C. It has filed against it a petition for bankruptcy, reorganization or other relief under any applicable insolvency laws and such petition is not dismissed within sixty (60) days after it is filed.

D. In the event of a default and termination of the Agreement as to the defaulting Party, the non-defaulting Parties shall use commercially reasonable best efforts to negotiate any revisions to this Agreement that are necessary or appropriate in light of such termination, which revisions shall be consistent with the purpose and intent of this Agreement and shall preserve, to the maximum extent possible, all material consideration to the remaining parties. Termination of this Agreement, either in its entirety or as to one or more Parties, shall not affect the validity or enforceability of the Stipulation and Judgment or the rights and obligations of any Party thereunder.

XXIV. AMENDMENTS:

This Agreement may be modified, supplemented or amended only by a writing duly executed by the Parties.

XXV. WAIVERS:

A. Any waiver at any time by any Party of its rights with respect to a default under this Agreement, or with respect to any other matter arising in connection with this Agreement, shall not be deemed a waiver with respect to any subsequent default or other matter arising in connection therewith. Any delay, short of the statutory period of limitation in asserting or enforcing any right, shall not be deemed a waiver of such right.

B. Nothing in this Agreement shall limit, nor act as a waiver, of any Party's rights or defenses in pursuing or defending against any legal or equitable claim or remedy that may be asserted regarding each Party's rights and obligations to participate in the NSWP and bear its percentage allocation of the Costs of the NSWP (as presented in Recital K).

XXVI. SECTION HEADINGS:

All captions and headings appearing in this Agreement are inserted to facilitate reference and shall not govern, except where logically necessary, the interpretations of the provisions hereof.

XXVII. GOVERNING LAW:

NSWP Supplemental Water Management and Groundwater Replenishment Agreement

Page 18 of 20

This Agreement shall be interpreted, governed by and construed under the laws of the State of California or the laws of the United States as applicable, as if executed and to be performed wholly within the State of California.

XXVIII. NOTICES:

A. Any notice, demand or request provided for in this Agreement, or served, given or made in connection with it, shall be in writing and shall be deemed properly served, given or made if delivered in person, by email or sent by United States mail, postage prepaid, to the persons specified below, unless otherwise provided for in this Agreement:

Nipomo Community Services District
Attention: General Manager
P.O. Box 326
Nipomo, California 93444-326
generalmanger@ncsd.ca.gov

Golden State Water Company
Attention: Senior Vice President of Regulated Utilities
630 East Foothill Blvd
San Dimas, CA 91773

Rural Water Company
c/o Frank B. & Associates
Attention: Frank Brommenschenkel
134 Davis Street
Santa Paula, CA 93060

Woodlands Mutual Water Company
c/o Wallace Group
Attention: Robert S. Miller
612 Clarion Ct.
San Luis Obispo, CA 93401

B. Any Party may at any time, by written notice to the other Parties, change the designation or address of the person so specified as the one to receive notices pursuant to this Agreement.

[signatures on following page]

XXIX. SIGNATURE CLAUSE:

The signatories hereto represent that they have been appropriately authorized to enter into this Agreement on behalf of the Party for whom they sign.

NIPOMO COMMUNITY SERVICES DISTRICT

Michael S. LeBrun
Date: October 16, 2015
By: MICHAEL S. LEBRUN
GENERAL MANAGER

GOLDEN STATE WATER COMPANY

Date: _____, 2015
BY: _____

RURAL WATER COMPANY

Date: _____, 2015
BY: _____

WOODLANDS MUTUAL WATER COMPANY

Date: _____, 2015
BY: _____

XXIX. SIGNATURE CLAUSE:

The signatories hereto represent that they have been appropriately authorized to enter into this Agreement on behalf of the Party for whom they sign.

NIPOMO COMMUNITY SERVICES DISTRICT

Date: _____, 2015
By: MICHAEL S. LEBRUN
GENERAL MANAGER

GOLDEN STATE WATER COMPANY

Date: Robert J. Spronks
September 10, 2015
BY: Robert J. Spronks
President & CEO

RURAL WATER COMPANY

Date: _____, 2015
BY:

WOODLANDS MUTUAL WATER COMPANY

Date: _____, 2015
BY:

XXIX. SIGNATURE CLAUSE:

The signatories hereto represent that they have been appropriately authorized to enter into this Agreement on behalf of the Party for whom they sign.

NIPOMO COMMUNITY SERVICES DISTRICT

Date: _____, 2015
By: MICHAEL S. LEBRUN
GENERAL MANAGER

GOLDEN STATE WATER COMPANY

Date: _____, 2015
BY:

RURAL WATER COMPANY

Date: Charles M Baker
Sept 9, 2015
BY: Chuck Baker

WOODLANDS MUTUAL WATER COMPANY

Date: _____, 2015
BY:

XXIX. SIGNATURE CLAUSE:

The signatories hereto represent that they have been appropriately authorized to enter into this Agreement on behalf of the Party for whom they sign.

NIPOMO COMMUNITY SERVICES DISTRICT

Date: _____, 2015
By: MICHAEL S. LEBRUN
GENERAL MANAGER

GOLDEN STATE WATER COMPANY

Date: _____, 2015
BY:

RURAL WATER COMPANY

Date: _____, 2015
BY:

WOODLANDS MUTUAL WATER COMPANY

Date: Don R. Go President
10 / 15, 2015
BY:

ATTACHMENT 3

**NIPOMO COMMUNITY SERVICES DISTRICT
RESOLUTION 2015-1394**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF
THE NIPOMO COMMUNITY SERVICES DISTRICT
FORMALIZING CHARGES FOR NIPOMO SUPPLEMENTAL WATER**

WHEREAS, the Nipomo Community Services District (“NCSD”) is a public entity, independent special district organized and operated pursuant to Govt. Code section 61000 et seq.; and

WHEREAS, NCSD provides water and related services within the NCSD boundary located in the southern portion of San Luis Obispo County, within an area generally referred to as the Nipomo Mesa; and

WHEREAS, Golden State Water Company (“GSWC”) is a California corporation and a public utility water corporation as defined by Public Utilities Code §§ 216 and 241 providing water service to customers within the Nipomo Mesa subject to California Public Utilities Commission (“PUC”) regulation; and

WHEREAS, Rural Water Company (“RWC”) is a California corporation and a public utility water corporation as defined by Public Utilities Code §§ 216 and 241 providing water service to customers within the Nipomo Mesa subject to PUC regulation; and

WHEREAS, NCSD, GSWC, RWC, along with others are parties to certain legal proceedings entitled “Santa Maria Valley Water Conservation District v. City of Santa Maria, et al., Superior Court of the State of California, County of Santa Clara, Consolidated Cases CV770214 (“Santa Maria Litigation”), regarding the respective rights of the litigants to groundwater resources in the Santa Maria Groundwater Basin (“Basin”); and

WHEREAS, NCSC, GSWC, RWC and other parties entered into a stipulation (“Stipulation”) addressing the subject matter of the Santa Maria Litigation; and

WHEREAS, the court entered an amended judgment (“Judgment”) on April 17, 2014, which adopts the Stipulation and provides for the long-term management of the Basin water resources; and

WHEREAS, the Judgment (through the Stipulation) requires NCSD to purchase and transmit Nipomo Supplemental Water to the Nipomo Mesa Management Area; and

WHEREAS, the Judgment further provides that once the Nipomo Supplemental Water is capable of being delivered, GSWC and RWC each shall purchase 8.33% of the Nipomo Supplemental Water yearly up to 2,500 acre feet to offset groundwater pumping within the NMMA; and

WHEREAS, NCSD has completed construction of the first stage of the NSWP such that NCSD is taking delivery of Nipomo Supplemental Water (“NSW”) as of July 2, 2015 and expects to deliver 645 acre feet of NSW during the July 1, 2015 through June 30, 2016 fiscal year; and

WHEREAS, on September 10, 2015, GSWC signed the attached Nipomo Supplemental Water Project Supplemental Water Management and Groundwater Replenishment Agreement (“Agreement”); and

WHEREAS, on September 9, 2015, RWC signed the Agreement; and,

WHEREAS, On October 14, 2015 GSWC completed the acquisition of RWC and per the Agreement GSWC assumed the entirety of RWC’s benefits and obligations under the Agreement; and

WHEREAS, per the Agreement, Rates and Charges will be based on the Budget; and

NIPOMO COMMUNITY SERVICES DISTRICT
RESOLUTION 2015-1394

A RESOLUTION OF THE BOARD OF DIRECTORS OF
THE NIPOMO COMMUNITY SERVICES DISTRICT
FORMALIZING CHARGES FOR NIPOMO SUPPLEMENTAL WATER

WHEREAS, no later than ten working days after the adoption of this resolution, GSWC shall apply to the PUC for approval of the necessary rate adjustments so that GSWC may meet its financial obligations provided under the Agreement.

WHEREAS, if GSWC fails to obtain this PUC approval, through a PUC decision or order that is no longer subject to appeal, on or before December 31, 2017, either NCSD or GSWC may, each in its sole discretion, terminate the Agreement as to GSWC; and

WHEREAS, until the conditions of PUC approval are satisfied with written notice, or waived, neither NCSD nor GSWC waive their rights to exercise the provisions of Article X(D)(1) of the Stipulation.

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED BY THE NIPOMO COMMUNITY SERVICES BOARD OF DIRECTORS AS FOLLOWS:

1. GSWC is responsible for 16.66% of the NSWP Enterprise Fund Costs, as those terms are defined in Agreement, each fiscal year.
2. GSWC will be charged per the attached Rate Schedule.

Upon the motion of Director Eby, seconded by Director Gaddis, and on the following roll call vote, to wit:

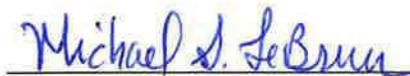
AYES: Directors Eby, Gaddis, Blair, Woodson, and Armstrong
NOES: None
ABSENT: None
CONFLICTS: None

the foregoing resolution is hereby adopted this 12th day of November, 2015.


 CRAIG ARMSTRONG
 President of the Board

ATTEST:

APPROVED AS TO FORM:


 MICHAEL S. LEBRUN
 General Manager and Secretary to the Board


 MICHAEL W. SEITZ
 District Legal Counsel

**NIPOMO COMMUNITY SERVICES DISTRICT
SUPPLEMENTAL WATER RATE SCHEDULE
FISCAL YEAR 2015-2016**

	Acre Feet Purchase	Cost per Acre Foot (FY 15-16)	Total Cost	
Water Purchase Fiscal Year 2015-2016	645	\$1,518.69	\$979,555.05	
NCSD Water O & M Cost per AF **	645	\$107.16	\$69,118.20	
NCSD Admin Fee per AF (15% of O & M per AF) **	645	\$16.07	\$10,367.73	
		<u>\$1,641.92</u>	<u>\$1,059,040.98</u>	
**To be adjusted annually based on actual costs				
	TOTAL	NCSD	WMWC	GSWC
1 Phase 1 Supplemental Water Annual Allocation (AF)	645	430.08	107.46	107.46
2 Phase 1 Supplemental Water Delivery Percentages	100.00%	66.68%	16.66%	16.66%
3 Pass-Through Supplemental Water Cost	\$979,555	\$653,167	\$163,194	\$163,194
4 Supplemental Water O & M Cost	\$69,118	\$46,088	\$11,515	\$11,515
5 Supplemental Water NCSD Admin Fee	\$10,368	\$6,913	\$1,727	\$1,727
6 Total Annual Supplemental Water Volume Cost	\$1,059,041	\$706,169	\$176,436	\$176,436

	TOTAL	NCSD	WMWC	GSWC
7 Allocated Project Capacity (AF)	3,000.00	2,167.00	416.50	416.50
8 Percentage of Fixed Capital Cost Allocation	100.00%	72.24%	13.88%	13.88%
9 Yearly Capital Recovery Charge-Principal (1)	\$70,036	\$0	\$30,397	\$39,639
10 Yearly Capital Recovery Charge-Interest (1)	\$358,911	\$0	\$200,990	\$157,921
11 Supplemental Water Project Yearly Replacement(2)	\$206,865	\$149,439	\$28,713	\$28,713
12 Total Annual Fixed Supplemental Charges	\$635,812	\$149,439	\$260,100	\$226,273

Total Volume and Annual Fixed Charges for Fiscal Year 2015-2016 (Line 6 + Line 12)				
13	\$1,694,853	\$855,608	\$436,536	\$402,709

14 Electrical Pumping Credit (\$100.57 per acre foot)	(\$21,614)	\$0	(\$10,807)	(\$10,807)
15 SUPPLEMENTAL WATER BUDGET FISCAL YEAR 2015-2016	\$1,673,239	\$855,608	\$425,729	\$391,902

- (1) Per applicable amortization schedule

Monthly replacement contribution of total Supplemental Water Project cost of \$20,686,509 assuming a 100 year project life = \$206,865 per year not to exceed \$3,000,000 adjusted

- (2) annually for CPI per agreement

ATTACHMENT 4

Incremental Increase Basic Tariffs

<u>Quantity Rates</u>	<u>Residential Non-Residential</u>	
Tier 1	\$0.062	\$0.062
Tier 2	\$0.071	
Tier 3	\$0.082	

<u>Service Charge</u>	<u>Residential Non-Residential</u>	
<u>Meter Size</u>		
5/8 x 3/4	\$0.51	\$0.55
3/4	\$0.76	\$0.82
1	\$1.27	\$1.37
1-1/2	\$2.55	\$2.75
2	\$4.07	\$4.40
3		\$8.25
4		\$13.75
6		\$27.49
8		\$43.99
10		\$63.23
Sprinkler 1" to 5/8"	\$0.54	
Sprinkler 1" to 3/4"	\$0.78	
Sprinkler 1 1/2" to 3/4"	\$0.91	
Sprinkler 2 " to 3/4"	\$0.96	
Sprinkler 1 1/2 " to 1"	\$1.41	
Sprinkler 2" to 1"	\$1.46	

Proposed SM-1-R Rates

		Current rates		Proposed w/NSWP
		AL1601	Increment	
Qty Rate	Tier 1	\$ 2.158	\$0.0620	\$2.220
	Tier 2	\$ 2.482	\$0.0710	\$2.553
	Tier 3	\$ 2.854	\$0.0820	\$2.936
Service Charge	5/8 x 3/4	\$ 17.64	\$0.5100	\$18.15
	3/4	\$ 26.45	\$0.7600	\$27.21
	1	\$ 44.10	\$1.2700	\$45.37
	1-1/2	\$ 88.20	\$2.5500	\$90.75
	2	\$ 141.11	\$4.0700	\$145.18
	Sprinkler 1" to 5/8"	\$ 18.70	\$0.5400	\$19.24
	Sprinkler 1" to 3/4"	\$ 26.99	\$0.7800	\$27.77
	Sprinkler 1 1/2" to 3/4"	\$ 31.48	\$0.9100	\$32.39
	Sprinkler 2 " to 3/4"	\$ 33.34	\$0.9600	\$34.30
	Sprinkler 1 1/2 " to 1"	\$ 48.95	\$1.4100	\$50.36
	Sprinkler 2" to 1"	\$ 50.71	\$1.4600	\$52.17

Proposed SM-1-NR Rates

		Current rates		Proposed w/NSWP
		AL1601	Increment	
Qty Rate		\$ 2.158	\$0.0620	\$2.220
Service Charge	5/8 x 3/4	\$18.57	\$0.5500	\$19.12
	3/4	\$27.85	\$0.8200	\$28.67
	1	\$46.42	\$1.3700	\$47.79
	1-1/2	\$92.85	\$2.7500	\$95.60
	2	\$148.56	\$4.4000	\$152.96
	3	\$278.54	\$8.2500	\$286.79
	4	\$464.23	\$13.7500	\$477.98
	6	\$928.47	\$27.4900	\$955.96
	8	\$1,485.55	\$43.9900	\$1,529.54
	10	\$2,135.48	\$63.2300	\$2,198.71

Proposed SM-3ML Rates

		Current rates	Increment	Proposed w/NSWP
Qty Rate		\$ 1.328	\$0.0370	\$1.365
Service Charge	3/4"	\$62.61	\$1.8100	\$64.42
	1"	\$74.28	\$2.1500	\$76.43
	3"	\$174.69	\$5.0500	\$179.74

Rural Residential

		Current rates AL74	Increment	Proposed w/NSWP
Qty Rate	Tier 1	\$ 2.060	\$0.0620	\$2.122
	Tier 2	\$ 2.470	\$0.0710	\$2.541
	Tier 3	\$ 2.890	\$0.0820	\$2.972
Service Charge	5/8 x 3/4	\$ 11.280	\$0.5100	\$11.79
	3/4	\$ 16.920	\$0.7600	\$17.68
	1	\$ 28.210	\$1.2700	\$29.48
	1-1/2	\$ 56.410	\$2.5500	\$58.96
	2	\$ 90.250	\$4.0700	\$94.32

Rural Non-Residential

		Current rates AL74	Increment	Proposed w/NSWP
Qty Rate	Tier 1	\$ 2.060	\$0.0620	\$2.122
	Tier 2	\$ 2.470	\$0.0620	\$2.532
	Tier 3	\$ 2.890	\$0.0620	\$2.952
Service Charge	5/8 x 3/4	\$ 11.280	\$0.55	\$11.83
	3/4	\$ 16.920	\$0.82	\$17.74
	1	\$ 28.210	\$1.37	\$29.58
	1-1/2	\$ 56.410	\$2.75	\$59.16
	2	\$ 90.250	\$4.40	\$94.65