

DRAFT Principles of Agreement
Submittal of Proposition 1 Application
and
Joint Investigation of Pacheco Reservoir Expansion

Parties: The parties to this Principles of Agreement (“Agreement”) are Pacheco Pass Water District (“Pacheco Pass”), San Benito County Water District (“San Benito”) and Santa Clara Valley Water District (“Santa Clara”), each referred to hereafter as “Party” or collectively as “Parties”.

1) Interests of the Parties:

- a) San Benito and Santa Clara are seeking alternatives that will improve the reliability of their respective water supplies in dry years and the ability to manage their water supply, water quality and operational risks.
- b) Pacheco Pass seeks to preserve the continued operational benefits it receives from Pacheco Dam and Reservoir, including groundwater recharge in Pacheco Creek upstream of the Highway 156 crossing.
- c) Pacheco Pass and San Benito seek a reduction of flood risk downstream of North Fork Dam and Pacheco Reservoir (“Pacheco Dam and Reservoir”).
- d) Pacheco Pass seeks to limit future liability regarding the operation and maintenance of Pacheco Dam and Reservoir.
- e) The Parties are interested in improving ecosystem conditions in the Sacramento/San Joaquin Bay Delta, local creeks and the Monterey Bay.
- f) The Parties are interested in submitting a Proposition 1 Water Storage Investment Program funding application (Proposition 1 Funding Application) to the California Water Commission to help fund the potential expansion of Pacheco Dam and Reservoir that will allow achievement of their respective interests.

2) Purposes of the Agreement: The purposes of this Agreement are to (i) establish commitments for coordination and participation to evaluate the potential expansion of Pacheco Dam and Reservoir; (ii) coordinate efforts to prepare and submit a Proposition 1 Funding Application; (iii) establish options for Santa Clara (or Santa Clara and San Benito jointly) to acquire fee title to Pacheco Dam and Reservoir, or to acquire a possessory interest of Pacheco Dam and Reservoir via a long-term lease or other arrangement, which would enable the expansion of Pacheco Dam and Reservoir, and thereafter, its operation to meet the Parties’ respective interests; and (iv) establish commitments to explore other mutually beneficial activities.

3) Term and Termination of Agreement: This Agreement becomes effective when signed by all the Parties, and expires three (3) years thereafter. Any Party may terminate this Agreement by providing at least thirty (30) days prior written notice.

4) Coordination:

- a) The Parties will: (i) coordinate efforts to develop and submit a Proposition 1 Funding Application; (ii) keep each other informed of progress; and (iii) make their related work products available for each Party’s review.
- b) The Parties will seek input from other potential partners and stakeholders on the range of issues that may be studied, on participation in workgroups to carry out investigations, and on review of work products.
- c) Pacheco Pass will provide a formal resolution from its board of directors and/or other assurances required by the California Water Commission to ensure that Pacheco Dam and Reservoir is available to support the Proposition 1 Funding Application.
- d) The Parties shall develop and execute a comprehensive cost sharing agreement that specifies

each Party's rights, interests and obligations regarding any potential expansion of Pacheco Dam and Reservoir.

- e) The Parties agree that feasible alternatives to expand Pacheco Dam and Reservoir: (i) must maintain operational benefits for Pacheco Pass, including groundwater recharge in Pacheco Creek upstream of the Highway 156 crossing, at least equal to the magnitude of recharge that would have existed absent expansion of the Pacheco Dam and Reservoir; (ii) will provide water supply benefits acceptable to Santa Clara and San Benito; and (iii) will include operations to improve the ecosystem and/or fishery benefits in both the Sacramento-San Joaquin Delta and local creeks.

5) Access for Investigations:

- a) Pacheco Pass will provide access to the existing Pacheco Dam and Reservoir and adjacent property that it owns or has rights of entry for the purpose of investigating structural, geologic, environmental and other aspects of proposed alternatives.
- b) Pacheco Pass will facilitate, to the extent they are able, access to property in the watershed owned by others, as necessary to carry out investigations.
- c) Pacheco Pass will provide access to any relevant records that may assist with the evaluation of alternatives, including records of Pacheco Dam and Reservoir operations and maintenance and diversions in the watershed.
- d) Santa Clara and San Benito will each provide any relevant records or previous studies that may assist with evaluation of alternatives, including records of San Felipe Division operations and maintenance and diversions in the watershed.

6) Cost Sharing of Consultant Contracts: Santa Clara and San Benito shall share in the cost of consulting services up to \$900,000 to prepare the Proposition 1 Funding Application at the following ratios:

- Santa Clara: 95%
- San Benito: 5%

PACHECO PASS WATER DISTRICT

By: _____ Date: _____

Name/Title: _____

SAN BENITO COUNTY WATER DISTRICT

By: _____ Date: _____

Name/Title: _____

SANTA CLARA VALLEY WATER DISTRICT

By: _____ Date: _____

Name/Title: _____