COOPERATIVE AGREEMENT TO ESTABLISH AND CARRY OUT A REGIONAL ALLIANCE IN ACCORDANCE WITH PART 2.55 OF THE CALIFORNIA WATER CODE

The Olivenhain Municipal Water District ("OMWD"), the Vallecitos Water District ("VWD"), the Rincon del Diablo Municipal Water District ("RDMWD"), and the San Dieguito Water District ("SDWD"), herein referred to individually or collectively as a "Party" or the "Parties," enter into this Cooperative Agreement to Establish and Carry Out a Regional Alliance in Accordance with Part 2.55 of the California Water Code (the "Agreement"), effective June 30, 2011 (the "Effective Date").

RECITALS

A. WHEREAS, Part 2.55 was added to Division 6 of the California Water Code pursuant to SBX7-7, as enacted, under the 2009-2010 Extraordinary Session of the California Legislature (herein referred to as "SBX7-7"); and

B. WHEREAS, SBX7-7 set a goal for, among other things, a 15 percent per capita reduction in urban water use statewide by the year 2015 and a 20 percent per capita reduction in urban water use statewide by the year 2020, and establishes methods for urban retail water suppliers to determine targets for achieving increased water use efficiency by the years 2015 and 2020 in accordance with the goal of reducing per capita water use statewide; and

C. WHEREAS, SBX7-7 requires each urban retail water supplier to develop an urban water use target and an interim urban water use target, as defined therein, and authorizes urban retail water suppliers to determine and report progress toward achieving these targets on an individual or regional basis as provided in Water Code section 10608.28(a); and

D. WHEREAS, SBX7-7 recognizes, among other things, that the factors used to formulate water use efficiency targets can vary significantly from location to location based on factors including weather, patterns of urban and suburban development, and past efforts to enhance water use efficiency; and

E. WHEREAS, the California Department of Water Resources Guidebook to Assist Urban Water Suppliers to Prepare a 2010 Urban Water Management Plan (March 2011) (herein, the "DWR Guidebook") and the California Department of Water Resources Methodologies for Calculating Baseline and Compliance Urban Per Capita Water Use (For the Consistent Implementation of the Water Conservation Act of 2009) (October 1, 2010) (herein, the "DWR Methodologies") provide guidance to urban retail water suppliers for purposes of forming and carrying out a Regional Alliance in accordance with Water Code section 10608.28(a) and related provisions of SBX7-7; and

F. WHEREAS, the DWR Guidebook and the DWR Methodologies provide that urban retail water suppliers are eligible to form a Regional Alliance in accordance

with Water Code section 10608.28(a) if the suppliers meet at least one of several specified criteria, such as (1) the suppliers are recipients of water from a common wholesale water supplier, or (2) the suppliers are located within the same hydrologic region, which for this purpose refers to the 10 hydrologic regions as shown in the California Water Plan; and

G. WHEREAS, each of the Parties hereto is an urban retail water supplier and required to develop an urban water use target and an interim urban water use target pursuant to SBX7-7; and

H. WHEREAS, all of the Parties are recipients of water from a common wholesale water supplier, which for this purpose is the San Diego County Water Authority, and all of the Parties are located within the same hydrologic region, which for this purpose is the South Coast Hydrologic Region as shown in the California Water Plan, and all of the Parties share other relevant commonalities; and

I. WHEREAS, the Parties are authorized to establish and carry out a Regional Alliance pursuant to Water Code section 10608.28(a), the DWR Guidebook, and the DWR Methodologies; and

J. WHEREAS, the Parties desire and intend in entering this Agreement to cooperatively establish and carry out a Regional Alliance for the purposes of determining and reporting progress toward achieving their water use targets on a regional basis.

NOW, THEREFORE, the Parties mutually agree as follows:

1. Formation of Regional Alliance. The Parties hereby agree to form a Regional Alliance and agree to send a joint letter to the California Department of Water Resources (hereinafter "DWR") no later than July 1, 2011, informing DWR that the Parties have formed a Regional Alliance. Notwithstanding the formation of a Regional Alliance and the undertaking of activities described in this Agreement, the Parties recognize and agree that each Party will prepare, adopt, and submit its own 2010 Urban Water Management Plan and that each Party is individually responsible for compliance with the requirements of the Urban Water Management Planning Act.

2. Development of Individual Water Use Targets. Each Party agrees to develop its own urban water use target ("Individual Urban Water Use Target") and its own interim urban water use target ("Individual Interim Urban Water Use Target") using Method 1 as set forth in Water Code section 10608.20(b)(1) and as further provided in the DWR Guidebook and the DWR Methodologies. Each Party agrees to develop its Individual Urban Water Use Target and its Individual Interim Urban Water Use Target and make that target information available to each of the other Parties no later than June 30, 2011.

3. Development of Regional Alliance Water Use Targets. The Parties agree that, pursuant to a collective and cooperative effort, and using the Individual Urban Water Use Target and Individual Interim Urban Water Use Target information developed pursuant to Paragraph 2, above, the Parties will develop a regional urban water use target

("Regional Alliance Urban Water Use Target") and a regional interim urban water use target ("Regional Alliance Interim Urban Water Use Target") using Method 1 as set forth in Water Code section 10608.20(b)(1) and as further provided in the DWR Guidebook and the DWR Methodologies. The Parties agree to develop the Regional Alliance Urban Water Use Target and the Regional Alliance Interim Urban Water Use Target no later than June 30, 2011.

4. Reporting in Individual Urban Water Management Plans. The Parties agree that, in addition to other information they will otherwise include in their individual 2010 Urban Water Management Plans, each Party will report the following information in its individual 2010 Urban Water Management Plan: (A) a copy of this Agreement; (B) a copy of the letter to DWR as referenced in Paragraph 1, above; (C) an identification of any other regional alliance to which the Party may be a member; (D) its baseline gross water use and service area population; (E) its Individual Urban Water Use Target and its Individual Interim Urban Water Use Target; (F) its compliance year gross water use and service area population, as applicable; and (G) the Regional Alliance Urban Water Use Target and the Regional Alliance Interim Urban Water Use Target.

5. Regional Alliance Reporting. The Parties agree to jointly prepare and submit a Regional Alliance Report in accordance with Water Code sections 10608.40 and 10608.52 and as further provided in the DWR Guidebook and the DWR Methodologies.

6. Assessing Compliance. The Parties mutually recognize and understand the following statement as set forth in the DWR Methodologies: "The following guidelines will be used to assess compliance: If a regional alliance meets its regional target, all suppliers in the alliance will be deemed compliant. . . . If a regional alliance fails to meet its regional target, water suppliers in the alliance that meet their individual targets will be deemed compliant. Water suppliers in alliances that meet neither their individual targets nor their regional targets will be deemed noncompliant. These suppliers can still apply for grant funds if their application is accompanied by a plan that demonstrates how the funds being sought will bring them into compliance with their targets (Section 10608.56)."

7. Withdrawal or Dissolution. Any Party may withdraw without penalty from the Regional Alliance formed under this Agreement upon sixty (60) days advance written notice to the other Parties. Any such withdrawal shall become effective upon the sixtieth (60th) day after the last non-withdrawing Party receives the notice required by this Paragraph. Any Party that withdraws from the Regional Alliance recognizes and agrees that it is thereafter individually responsible for timely compliance with the urban water use target and interim urban water use target requirements of SBX7-7. In the event that any Party to this Agreement withdraws from the Regional Alliance pursuant to this Paragraph, the non-withdrawing Parties agree to jointly notify DWR of such withdrawal within thirty (30) days of the effective date of the withdrawal. Furthermore, in the event of such a withdrawal, the non-withdrawing Parties may choose to either (A) develop a revised Regional Alliance Urban Water Use Target and a revised Regional Alliance Interim Urban Water Use Target or (B) dissolve the Regional Alliance. In the event the non-withdrawing Parties choose to develop a revised Regional Alliance Urban Water Use

Target and a revised Regional Alliance Interim Urban Water Use Target, the non-withdrawing Parties agree to develop said revised targets in accordance with Paragraph 3, above, within sixty (60) days of the effective date of a withdrawal and to submit such revised information to DWR within thirty (30) days of the completion of the revised information. In the event that (A) upon a Party's withdrawal, the non-withdrawing Parties choose to dissolve the Regional Alliance, or (B) absent a Party's withdrawal, the Parties choose to dissolve the Regional Alliance, the Parties agree to memorialize their decision in writing and to jointly notify DWR of such dissolution within thirty (30) days of the dissolution decision. The Parties further recognize and agree that, in the event of a dissolution of the Regional Alliance under this Paragraph, each Party is thereafter individually responsible for timely compliance with the urban water use target and interim urban water use target requirements of SBX7-7. A dissolution of the Regional Alliance in accordance with this Paragraph shall terminate the Agreement.

8. Notice. Any notice required by this Agreement shall be in writing and shall be made by personal delivery, certified mail, or other form of delivery for which a signature acknowledging receipt is required, and shall be provided as follows:

Olivenhain Municipal Water District
General Manager
1966 Olivenhain Road
Encinitas, CA 92024

Vallecitos Water District
General Manager
201 Vallecitos de Oro
San Marcos, CA 92069

Rincon del Diablo Municipal Water District
General Manager
1920 North Iris Lane
Escondido, CA 92026-1318

San Dieguito Water District
General Manager
160 Calle Magdalena
Encinitas, CA 92024

Any Party may change its contact information for purposes of this Paragraph by providing written notice to each of the other Parties within five (5) working days of said change.

9. Costs. The Parties recognize and agree that each Party shall bear all of its own costs, fees and expenses of whatever nature that may arise out of this Agreement, including, but not limited to, staffing, consulting, legal, and any other costs related to the preparation or implementation of this Agreement.

10. Hold Harmless. Each Party agrees to hold harmless each of the other Parties and its respective public officials, employees, officers, agents, successors and assigns from any and all losses, claims, liens, demands, judgments, and causes of action of every kind and character that may arise under this Agreement. Neither this Paragraph nor any other Paragraph or provision of this Agreement is intended to create any claim or cause of action in favor of any Party or any third party against any of the Parties. The obligations of each Party under this Paragraph shall survive any Party's withdrawal from the Regional Alliance, the dissolution of the Regional Alliance, and any other termination of this Agreement.

11. Term. Except as otherwise provided in Paragraph 6, above, or Paragraph 12, below, this Agreement shall remain in effect until December 31, 2020.

12. Amendments. This Agreement shall not be amended except by written agreement of Parties.

13. Authority and Counterparts. Each Party agrees that its respective signatory below is authorized to sign and enter this Agreement on behalf of the Party. This Agreement may be executed in counterparts.

Kimberly A Thorner — 6/16/2011

Name: Kimberly A. Thorner — Date
Olivenhain Municipal Water District

Name: _____ — Date
Vallecitos Water District

Name: _____ — Date
Rincon del Diablo Municipal Water District

Name: _____ — Date
San Dieguito Water District

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Name: _____ Olivenhain Municipal Water District	Date
Name: DENNIS O. LAMB Vallecitos Water District	6/16/2011 Date
Name: _____ Rincon del Diablo Municipal Water District	Date
Name: _____ San Dieguito Water District	Date

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Name: _____ Olivenhain Municipal Water District	Date
Name: _____ Vallecitos Water District	Date
Name: Mitchell S. Dion Rincon del Diablo Municipal Water District	16 Jan 11 Date
Name: _____ San Dieguito Water District	Date

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Name: _____ Date
Olivenhain Municipal Water District

Name: _____ Date
Vallecitos Water District

Name: _____ Date
Rincon del Diablo Municipal Water District

Name: Lawrence A. Watt Date 6/17/2011
San Dieguito Water District