

**SECOND AMENDED
JOINT EXERCISE OF POWERS AGREEMENT
AMENDING THE AGREEMENT CREATING THE
UPPER MOKELUMNE RIVER WATERSHED AUTHORITY**

By and Among

ALPINE COUNTY

and

ALPINE COUNTY WATER AGENCY

and

AMADOR COUNTY

and

AMADOR WATER AGENCY

and

CALAVERAS COUNTY

and

CALAVERAS COUNTY WATER DISTRICT

and

CALAVERAS PUBLIC UTILITY DISTRICT

and

EAST BAY MUNICIPAL UTILITY DISTRICT

and

JACKSON VALLEY IRRIGATION DISTRICT

Dated as of June 6, 2008

TABLE OF CONTENTS

	Page
ARTICLE I DEFINITIONS	2
ARTICLE II PURPOSE	3
ARTICLE III MEMBER ENTITY INTERESTS, OPERATIONAL PRIORITIES	4
Section 3.1 Member Entity Interests	4
Section 3.2 Associate Members	4
Section 3.3 Member Entity Projects	4
Section 3.4 Watershed and Water Supply Projects	5
ARTICLE IV TERM	5
ARTICLE V THE AUTHORITY	5
Section 5.1 Creation of Authority	5
Section 5.2 Governing Board	5
Section 5.3 Meetings of the Board	6
Section 5.4 Officers; Duties; Bonds	6
Section 5.5 Organization of Watershed Advisory Committee and Other Committees	7
Section 5.6 Executive Officer.	8
ARTICLE VI POWERS	8
Section 6.1 Powers	8
ARTICLE VII FINANCIAL PROVISIONS	9
Section 7.1 Accounts and Reports	9
Section 7.2 Fiscal Year.	9
Section 7.3 Budgets and Payments	9
Section 7.4 Payments in Lieu of Property Taxes	10
ARTICLE VIII BREACH	11
Section 8.1 Breach	11
Section 8.2 Resolution of Disputes	11
ARTICLE IX RELATIONSHIP OF AUTHORITY AND ITS MEMBER ENTITIES.....	11
Section 9.1 Separate Entity	11
Section 9.2 Principal Office	11
Section 9.3 Additional Parties	11
Section 9.4 Termination of a Member Entity’s Participation in the Authority	11
Section 9.5 Indemnification of Member Entities	12
Section 9.6 Disposition of Assets	12
ARTICLE X AMENDMENT OF AGREEMENT	12
ARTICLE XI MISCELLANEOUS	12
Section 11.1 Agreement Not Exclusive	12
Section 11.2 Conflict of Interest Code	12
Section 11.3 Severability	12

Section 11.4 Successors; Assignment; No Third Party Beneficiaries	12
Section 11.5 Form of Approvals	13
Section 11.6 Notices	13
Section 11.7 Counterpart or Duplicate Copies	14

Appendices

- A Upper Mokelumne River Watershed Map
- B Non-Exclusive List of Potential Watershed and Water Supply Projects
- C Watershed Restoration Principles and Principles of Watershed Community Involvement

SECOND AMENDED JOINT EXERCISE OF POWERS AGREEMENT AMENDING THE
AGREEMENT CREATING THE UPPER MOKELUMNE RIVER WATERSHED
AUTHORITY

This SECOND AMENDED JOINT EXERCISE OF POWERS AGREEMENT (this “Agreement”), dated as of June 6, 2008, amends and supersedes the First Amended Joint Exercise of Powers Agreement Amending the Agreement Creating the Upper Mokelumne River Watershed Authority dated April 22, 2005, and, as amended hereby, continues the existence, work and operations of the Authority. The Agreement is entered into by and among the following public entities:

Alpine County, a political subdivision of the State of California (“Alpine County”);

Alpine County Water Agency, a water agency formed pursuant to a special act of the California Legislature (“ACWA”);

Amador County, a political subdivision of the State of California (“Amador County”);

Amador Water Agency, a water agency formed pursuant to a special act of the California Legislature (“AWA”);

Calaveras County, a political subdivision of the State of California (“Calaveras County”);

Calaveras County Water District, a California water district (“CCWD”);

Calaveras Public Utility District, a California public utility district (“CPUD”);

East Bay Municipal Utility District, a California municipal utility district (“EBMUD”);
and

Jackson Valley Irrigation District, a California irrigation district (“JVID”).

Hereinafter said public entities are collectively referred to as “Member Entities” or individually as a “Member Entity.”

WITNESSETH:

WHEREAS, each of the Member Entities is a California public entity having the power to plan for, expend funds for, construct, operate, and take all other necessary actions in favor of water and watershed projects benefiting the inhabitants and customers of the respective Member Entities; and

WHEREAS, each Member Entity is vitally interested in securing dependable and affordable sources of water for its inhabitants and protecting the quality of water provided thereto as well as the environment of the Upper Mokelumne River Watershed from which the Mokelumne River emanates and each Member Entity has statutory authority to, *inter alia*, plan for, acquire, construct, operate and maintain reservoirs, plants and works for the purpose of conserving, storing, selling and distributing water and desires to exercise such authority in common with other Member Entities; and

WHEREAS, presently, Pacific Gas and Electric Company (“PG&E”) owns and operates on the Upper Mokelumne River a series of dams, reservoirs, tunnels, and facilities for the generation of hydropower licensed by the Federal Energy Regulatory Commission pursuant to the Federal Power Act as

amended (16 U.S.C. 791a *et seq.*) as Project No. 137, which project is also known as the “Mokelumne River Project” (“Project 137”); and

WHEREAS, the Member Entities believe that stewardship of the Upper Mokelumne River Watershed by such a joint exercise of powers authority with broadened objectives, including enhancement of all of the following: (i) watershed environmental values, (ii) water quality protection, (iii) recreation activities, and (iv) additional domestic water supply for all Member Entities, would serve the greatest good; and

WHEREAS, the Member Entities desire by means of this Agreement to amend the agreement establishing such a joint exercise of powers authority and to provide for the general direction of the policies of such joint exercise of powers authority;

NOW, THEREFOR, in consideration of the mutual promises, covenants, conditions, and benefits hereinafter set forth, it is agreed by and among the Member Entities hereto as follows:

ARTICLE I DEFINITIONS

Unless the context otherwise requires, the terms defined in this Article I and initially capitalized in the text shall for all purposes of this Agreement have the following meanings:

Act

The term “Act” means Chapter 5 of Division 7 of Title 1 of the Government Code of the State and all laws amendatory thereof or supplemental thereto.

Agreement

The term “Agreement” means this joint exercise of powers agreement, as it may from time to time be amended.

Alpine Entities

The term “Alpine Entities” means, collectively, Alpine County and Alpine County Water Agency.

Amador Entities

The term “Amador Entities” means, collectively, Amador County, AWA and JVID.

Associate Member

The term “Associate Member” means interested entities hereinafter admitted to the Authority as an Associate Member pursuant to Section 3.2 hereof.

Authority

The term “Authority” means the Upper Mokelumne River Watershed Authority created by the prior agreement dated August 15, 2000, as amended by the First Amended Joint Exercise of Powers Agreement dated as of April 22, 2005 and this Agreement.

Board

The term “Board” or “Board of Directors” means the governing body of the Authority.

Calaveras Entities

The term “Calaveras Entities” means, collectively, Calaveras County, CCWD and CPUD.

Director

The term “Director” means a member of the Board of Directors.

Member Entity; Member Entities

The term “Member Entity” means a party to this Agreement. The term “Member Entities” means all of the parties to this Agreement.

Project 137

The term “Project 137” means the series of dams, reservoirs, tunnels and facilities on the Upper Mokelumne River for the generation of hydropower licensed by FERC as Project 137, together with all property, facilities and interests appurtenant thereto.

State

The term “State” means the State of California.

Upper Mokelumne River Watershed

“Upper Mokelumne River Watershed” means the watershed located on the Mokelumne River east of Pardee Reservoir, as more fully described in the map set forth as Appendix A hereto.

Watershed Project and Water Supply Project

The terms “Watershed Project” and “Water Supply Project” mean a program of activities or a capital project or any interest therein undertaken by the Authority in the furtherance of its purpose as set forth in Article II hereof and all rights, properties and improvements necessary therefore, including, but not limited to, the programs or projects such as those listed in Appendix B hereto; provided that no such program or project shall be inconsistent with the terms of Section 11.1 (b) hereof.

ARTICLE II PURPOSE

Section 2.1 General Purpose and Goal. This Agreement is made pursuant to the provisions of the Act relating to the joint exercise of powers common to public agencies. Each of the Member Entities possesses the common power referred to in the recitals hereof. This Agreement and the Authority established hereby shall have as goals the enhancement of Mokelumne River water supply and the protecting of water quality and the environment.

Section 2.2 Specific Purposes. This Agreement is entered into in order to exercise such common power, and the additional powers granted to the Authority under the Act, or under any other

applicable law, for the purpose of effectuating the acquisition, operation and maintenance of any Watershed Projects and/or Water Supply Projects undertaken pursuant hereto. Such purpose will be accomplished and the powers exercised in the manner herein set forth.

Section 2.3 Additional Purposes. The Members also desire that the Authority provide services to the Members related to water and other utility-related matters such as technical and safety training, mutual aid, water project partnering, and legislative advocacy.

ARTICLE III MEMBER ENTITY INTERESTS, OPERATIONAL PRIORITIES

Section 3.1 Member Entity Interests. As signatories to the Agreement, the Member Entities expressly recognize there are both mutual and discrete Member Entity interests in the Mokelumne River and Upper Mokelumne River Watershed. The interests of the Member Entities are:

(a) Alpine Entities' interests are the protection of the Watershed in Alpine County, maintenance and enhancement of recreational uses and facilities, and construction of new facilities for increased storage on the Mokelumne, thus increasing the availability of water from the Stanislaus for consumptive uses in the Bear Valley area.

(b) Amador Entities' interests are additional consumptive water supply (10,000 afa safe yield) through, including, but not limited to, constructing new facilities, honoring existing water supply, storage and transmission agreements and other obligations, and obtaining revenues to be derived from said facilities, and working with PG&E to reach agreement that would benefit the Amador Entities and PG&E based on the improvement or enlargement of Project 137 facilities.

(c) Calaveras Entities' interests are additional consumptive water supply, recognition of the 27,000 afa water supply reservation, potential opportunities to use said 27,000 acre-feet, through, including, but not limited to, constructing new facilities, obtaining revenues to be derived from said facilities, and working with PG&E to reach agreement that would benefit the Calaveras Entities and PG&E based on the improvement or enlargement of Project 137 facilities.

(d) EBMUD's interests are ensuring project operations do not adversely affect water quality for its customers, honoring existing water supply entitlements and obligations, the opportunity to participate with Member Entities on enhanced water supply projects, obtain potential revenues to pay costs for watershed management programs and projects that enhance the quality of its source waters, and work with PG&E to reach agreement that would benefit EBMUD and PG&E.

Section 3.2 Associate Members. By separate agreement with the Authority, upon approval of the Board, the Authority may enter into an associate member agreement with interested entities with a significant stake in the Watershed. The Associate Members are not parties to this Agreement and shall not be entitled to representation on the Board; they shall, however, be entitled to receive advance notice of and attend all regular and special meetings of the Board, and shall be entitled to serve on any committee established pursuant to Section 5 .5(b) hereof.

Section 3.3 Member Entity Projects. The Member Entities agree that while the Authority exists and this Agreement is in effect, the Member Entities may separately or in combination with other Member Entities or any other person, firm or agency, take action to secure additional water from the Mokelumne River, for their separate interests, or undertake such other projects or programs or activities for their separate interests. The Authority and the other Member Entities, and each of them,

shall have all of the rights inuring to them to oppose any such action or other projects or programs or other activities by the Member Entity or Member Entities; provided, however, that no provision of this Agreement shall act as a prohibition on a Member Entity's or Member Entities' taking of any such action or undertaking with respect to such other projects or programs or activities. The Authority hereby acknowledges that Member Entities may, independent of the Authority, take such actions or undertake such projects or programs or other activities. Any Member Entity taking such action or undertaking any such project, program or other activity shall be responsible for all costs associated with any such action or project, program or other activity. Each of the Member Entities hereby agrees to provide to the Authority and to all other Member Entities, upon commencement or initiation of any such action or project, program or other activity which could impact the Authority, notice of any such action or project, program or other activity.

Section 3.4 Watershed Projects and Water Supply Projects. Watershed Projects and Water Supply Projects include but are not limited to those listed in Appendix B hereto.

ARTICLE IV TERM

This Agreement shall become effective as of the date hereof and shall continue in full force and effect until terminated by the Member Entities, but may not be terminated until such time as all bonds or other evidences of indebtedness of the Authority, and the interest thereon, shall have been paid in full or defeased in accordance with the documents related to their Issuance.

ARTICLE V THE AUTHORITY

Section 5.1 Creation of Authority. There is created pursuant to the Act an agency and public entity known as the "Upper Mokelumne River Watershed Authority." As authorized by the Act, the Authority is a public entity separate from the Member Entities and is responsible for the administration of this Agreement. The debts, liabilities and obligations of the Authority shall not constitute debts, liabilities or obligations of the Member Entities, unless assumed in a particular case by resolution or other action of the governing body of the Member Entity to be charged.

Within thirty (30) days after the effective date of this Agreement, or any amendment hereto, the Authority will cause a notice to be prepared and filed with the office of the Secretary of State in the manner set forth in Section 6503.5 of the Act. Within seventy (70) days after the effective date of this Agreement, and within ten (10) days after any change of facts required to be stated pursuant to California Government Code Section 53051 (b), the Authority shall cause a notice to be prepared and filed with the Secretary of State, and with the County Clerk of each county in which the Authority maintains an office, in the manner set forth in California Government Code Section 53051.

Section 5.2 Governing Board. The Authority shall be administered by a Board of Directors, which shall consist of eight (8) Directors, each serving in his or her individual capacity as a Director of the Board. One Director shall be appointed by and designated in writing from time to time by the governing bodies of each of the Member Entities; provided, however, that the Alpine Entities shall together appoint one (1) Director. Each Member Entity may also appoint, in the same manner, one or more alternate Directors, who may act in place of its Director in the Director's absence.

Each Director (and his or her alternate) shall serve at the pleasure of the governing body by whom such Director (or his or her alternate) was appointed.

No Director shall receive any compensation from the Authority for serving as such, but shall be entitled to reimbursement for any expenses actually incurred in connection with serving as a Director if the Board determines that such expenses shall be reimbursed and there are unencumbered funds available for such purpose.

Section 5.3 Meetings of the Board.

(a) Regular Meetings. The Board shall provide for its regular meetings; provided, however, it shall hold at least one regular meeting each calendar quarter. The date, hour and place of the holding of the regular meetings shall be fixed by resolution of the Board, but in any event shall be held at a location within the territory of any of the Member Entities. Special meetings of the Board may be called in accordance with the provisions of California Government Code Section 54956 and may be held anywhere within the territory of any of the Member Entities. Notwithstanding the foregoing, it is the expressed intention of the Authority that the principal meeting place of the Board shall be within the Upper Mokelumne River Watershed or at Pardee Center.

(b) Brown Act. All meetings of the Board shall be called, noticed, held and conducted subject to the provisions of the Ralph M. Brown Act (Chapter 9 of Part 1 of Division 2 of Title 5 of the Government Code of the State [Sections 54950-54961]) or any successor legislation.

(c) Minutes. The Secretary of the Authority shall cause minutes of all meetings of the Board to be kept and shall, as soon as possible after each meeting, cause a copy of the minutes to be forwarded to each Director and to each of the Member Entities and to each Associate Member.

(d) Quorum. Five (5) Directors shall constitute a quorum for the transaction of business, except that less than a quorum may adjourn a meeting.

(e) Voting. At regular or special meetings of the Board, an affirmative vote of five (5) Directors shall be required for action. Each Director's vote shall count equally.

(f) Bylaws. The Board may adopt such bylaws relating to procedural matters of the Board and the Authority as are necessary for the purposes hereof.

Section 5.4 Officers; Duties; Bonds.

(a) The officers of the Authority shall be the Chairperson and Vice-Chairperson of the Board, and the Secretary, Treasurer and Controller. The Chairperson and Vice-Chairperson of the Board shall be selected by the Board. The Secretary of EBMUD is designated Secretary. Unless otherwise provided by resolution of the Board, the Chairperson shall sign all contracts on behalf of the Authority, and the Secretary shall countersign all such contracts.

(b) The Treasurer of EBMUD is designated as Treasurer of the Authority and, as such, shall have the powers, duties and responsibilities specified in Section 6505.5 of the Act. Subject to the applicable provisions of any trust agreement, indenture or resolution providing for a trustee or other fiscal agent, the Treasurer is designated as the depository of the Authority to have custody of all the money of the Authority, from whatever source, and shall be responsible for the investment of funds of the Authority.

The Treasurer of the Authority is designated as the public officer or person who has charge of, handles, or has access to any property of the Authority, and such officer shall, in accordance with Section 6505.1 of the Act, file an official bond in the amount required by EBMUD for the official bond of the Treasurer of EBMUD; provided that such bond shall not be required if the Authority does not possess or own property or funds with an aggregate value of greater than \$500.00.

(c) The officer charged with the functions of the Director of Finance for EBMUD is designated as Controller of the Authority, and, as such, shall have the powers, duties and responsibilities specified in Sections 6505 and 6505.5 of the Act. The Controller shall draw checks to pay demands against the Authority when the demands have been approved by the Authority.

(d) An attorney shall be designated by the Board as the Attorney for the Authority. The Attorney for the Authority, or the designated deputy for such Attorney, shall attend all meetings of the Board, but the Attorney's absence shall not affect the validity of any meeting.

(e) Charges of any Member Entity to be made against the Authority for the services of the Secretary, Treasurer, Controller and Attorney of the Authority shall be subject to the approval of the Board, which approval shall be obtained before the services are provided.

(f) The Board shall have the power to appoint such other officers and employees as it may deem necessary and to retain independent counsel, consultants and accountants.

(g) All of the privileges and immunities from liability, exemptions from laws, ordinances and rules, all pension, relief, disability, worker's compensation and other benefits which apply to the activities of officers, agents or employees of the Member Entities when performing their respective functions within the territorial limits' of their respective Member Entities, shall apply to them to the same degree and extent while engaged in the performance of any of their functions and duties extraterritorially under the provisions of this Agreement.

(h) None of the officers, agents or employees directly employed by the Authority shall be deemed, by reason of their employment by the Authority, to be employed by any Member Entity or, by reason of their employment by the Authority, to be subject to any of the requirements of any Member Entity.

(i) No Director, officer or employee of the Authority or any Member Entity shall be individually or personally liable for any claims, losses, damages, costs, injury or liability of any kind, nature or description arising from the actions of the Authority or the actions undertaken pursuant to this Agreement, and the Authority shall defend such Directors, officers or employees against any such claims, losses, damages, costs, injury and liability.

Section 5.5 Organization of Watershed Advisory Committee and Other Committees.

(a) The Board may establish a Watershed Advisory Committee to provide a forum for interested persons and entities to provide input on Watershed matters to the Board. The membership of the Watershed Advisory Committee shall be composed of representatives of watershed environmental interests, watershed business/economic interests, watershed recreation interests, and citizens-at-large. Public agencies that have responsibilities within the Upper Mokelumne River Watershed shall be invited to serve as non-voting committee members. The Watershed Advisory Committee shall be guided in its work by the *Watershed Restoration Principles and Principles of Watershed Community Involvement* prepared by the Sierra Nevada Alliance/Regional Council of Rural Counties attached as Appendix C hereto.

(b) Other committees may from time to time be established as the Board shall find appropriate, to be composed in the manner and number as deemed appropriate by the Board.

Section 5.6 Executive Officer. An Executive Officer shall be appointed by the Board which Executive Officer shall serve at the pleasure of the Board. The Executive Officer shall be an ex-officio member of all Committees.

ARTICLE VI POWERS

Section 6.1 Powers. The Authority, for itself, or for the benefit of the Member Entities or together with one or more Member Entities, shall have the power to acquire, construct, operate and maintain any future Watershed Project, Water Supply Project or other project, subject to the conditions and restrictions contained in this Agreement.

The Authority is authorized in its own name to do all acts necessary or convenient to the exercise of said powers for said purposes, including but not limited to any or all of the following:

(a) To exercise jointly the common powers of its Member Entities in studying, planning and implementing water and watershed projects benefiting the inhabitants and customers of the respective Member Entities.

(b) To make and enter contracts.

(c) To contract for itself or for the benefit of a Member Entity or Member Entities for the services of engineers, attorneys, planners, financial consultants or other agents, and separate and apart therefrom, to employ such other persons, as it deems necessary.

(d) To acquire, construct, manage, maintain and operate any buildings, works, or improvements.

(e) To acquire, hold, lease and dispose of property.

(f) To incur debts, liabilities, or obligations subject to limitations herein set forth.

(g) To sue and be sued in its own name.

(h) To receive gifts, contributions and donations of property, funds, services and other forms of assistance from persons, firms, corporations and any governmental entity.

(i) To apply for an appropriate grant or grants and/or loan or loans under any federal, state or local programs for assistance in developing any Watershed Project, Water Supply Project or other projects.

(j) To enter into arrangements for the sale of water from any Watershed Project, Water Supply Project or other projects.

(k) To obtain in its own name all necessary permits and licenses, opinions and rulings.

(l) To procure public liability and other insurance as it deems advisable to protect the Authority and each of the parties hereto and to charge the costs thereof to the operating costs of the Authority.

(m) Whenever necessary to facilitate the exercise of its powers, form and administer nonprofit corporations to do any part of what the Authority could do, or to perform any proper corporate function, and enter into agreements with such a corporation.

(n) To issue revenue bonds in accordance with the following laws:

(i) Article 2, Chapter 5, Title 1, Division 7 of the California Government Code, commencing with Section 6540.

(ii) Chapter 6, Title 5, Division 2 of the California Government Code, commencing with Section 54300.

(o) To use other financing acts, including, but not limited to, the Mello-Roos Community Facilities District Act of 1982, the Municipal Improvement Act of 1913 and the Improvement Bond Act of 1915.

(p) To exercise any of the powers set forth in Section 6588 of Article 4 (Marks-Roos Local Bond Pooling Act of 1985) of the Act.

Such powers shall be exercised subject only to such restrictions upon the manner of exercising such powers as are imposed upon a municipal utility district in the exercise of its powers.

Notwithstanding the foregoing, the Authority shall have any additional powers conferred under the Act, insofar as such additional powers may be necessary or desirable to accomplish the purposes of the Authority as set forth herein.

ARTICLE VII FINANCIAL PROVISIONS

Section 7.1 Accounts and Reports.

(a) There shall be a strict accountability of all Authority funds and report of all receipts and disbursements in compliance with the Act. The Authority shall establish and maintain such funds and accounts as may be required in good accounting practice. The books and records of the Authority shall be open to inspection at all reasonable times by the Member Entities and the Associate Members and their representatives. The Authority shall give an unaudited written report of all financial activities for each fiscal year to each Member Entity within 150 days after the close of each fiscal year.

(b) So long as required by Section 6505 of the Act, the Controller of the Authority shall either make, or contract with a certified public accountant or public accountant to make, an annual audit of the accounts and records of the Authority. The minimum requirements of the audit shall be those prescribed by the State Controller for special districts under Section 26909 of the Government Code of the State and shall conform to generally accepted auditing standards. When such an audit of an account and records is made by a certified public accountant or public accountant, a report thereof shall be filed as a public record with each of the Member Entities, and, if required by Section 6505 of the Act, with the County Auditor/Controller of the County of Alameda. Each such report shall be filed within 12 months of the end of the fiscal year or fiscal years under examination.

Section 7.2 Fiscal Year. Unless and until changed by resolution of the Board, the fiscal year of the Authority shall be the period from July 1 of each year through the following June 30.

Section 7.3 Budgets and Payments.

(a) Budgets. At least thirty (30) days prior to the commencement of each fiscal year, Treasurer shall prepare, for consideration by the Board for the ensuing fiscal year, a general budget for Authority operations and administration, including capital expenditures. The budget presented to the Board for consideration shall be presented to the Board in at least a two-step process providing for at least one preliminary review by the Board prior to presentation for approval by the Board.

(b) Expenditures for the Approved Budget. No expenditures in excess of the total budgeted in any such budget shall be made without the approval of the Board.

(c) Contributions; Payments and Advances, Use of Personnel; Equipment or Property; Exchange of Services. It is hereby agreed that, subject to approval of the Board:

(i) contributions from a Member Entity's treasury may be made for the purposes set forth in this Agreement; provided, however, that no Member Entity shall be required by the Authority to contribute funds to or undertake liability on behalf of the Authority without the consent of the Member Entity;

(ii) payments of public funds of a Member Entity may be made to defray the cost of such purposes;

(iii) a Member Entity may make advances of public funds to the Authority;

(iv) personnel, equipment or property of a Member Entity may be used in lieu of other contributions or advances, however, the Member Entities must agree in advance upon the value to be assigned the personnel, equipment, property or services, with respect to any said contributions or advances; and

(v) the Member Entities may exchange services without payment of any consideration other than such services.

Section 7.4 Payments in Lieu of Property Taxes.

(a) In the event that the property of the Authority is not subject to the imposition of property taxes pursuant to Article 13 Section 11 of the California Constitution because the property is located within the boundaries of the Authority or a Member Entity, the Authority shall make annual payments to Alpine County, Amador County and Calaveras County in lieu of property taxes for the Authority's property located in those respective counties. Said "in lieu" payments are intended to preclude the loss to the counties of tax revenue which each county would have received had the property remained owned by the transferor.

(b) The tax year in which the Authority acquires such property may be a partial tax year (the "Base Year"). The Member Entities will determine from the County Assessors and the transferor the amount of taxes paid or to be paid to each County by the transferor on the property to be acquired by the Authority for the Base Year. The Member Entities shall agree on the amounts paid or to be paid to the counties by the transferor for the Base Year. If the Base Year is less than a full tax year, and the taxes paid or to be paid to each county by the transferor on the property to be acquired by the Authority for such Base Year is less than the full tax year's tax revenue which would have been received by the counties from the transferor, the Authority shall make "in lieu" payments to the counties in the amounts necessary to equal the tax revenue which would have been received by each of the counties from the transferor in a full tax year. The sum of tax revenue from the transferor and "in lieu" payments necessary to equal the full year's tax revenue to the counties in the Base Year is the "Base Year Revenue".

(c) In each tax year thereafter, the Authority shall make “in lieu” payments to each County in an amount equal to the Base Year Revenue escalated by an amount equal to the Consumer Price Index for San Francisco-Oakland-San Jose Urban Wage Earners; provided that such escalation factor shall in no event exceed three percent (3.0%).

(d) Improvements to property acquired by the Authority within the boundaries of the Authority or a Member Entity which would, except, for their location, be taxable pursuant to said Article 13 Section 11 shall be similarly subject to “in lieu” payments to the County where the improvements or additional property is located based on their cash value when constructed or acquired by the Authority.

ARTICLE VIII BREACH

Section 8.1 Breach. If default shall be made by a Member Entity in any covenant contained in this Agreement, such default shall not excuse any Member Entity from fulfilling its obligations under this Agreement and all Member Entities shall continue to be liable for the performance of all conditions herein contained.

Section 8.2 Resolution of Disputes. It is the intention of the Authority to establish an alternative dispute resolution process when and as deemed appropriate by the Board.

ARTICLE IX RELATIONSHIP OF AUTHORITY AND ITS MEMBER ENTITIES

Section 9.1 Separate Entity. The Authority shall be a public entity separate from the individual Member Entities. The debts, liabilities and obligations of the Authority shall not be debts, liabilities or obligations of the Member Entities, unless assumed in a particular case by resolution or other action of the governing body of the Member Entity to be charged. All property, equipment, supplies, funds and records of the Authority shall be owned by the Authority, except as otherwise provided in this Agreement.

Section 9.2 Principal Office. The principal office of the Authority shall be that of the General Manager of EBMUD, located at 375 11th Street, Oakland, California 94607. The Board may change said principal office from one location to another provided that the principal office shall be located within the territory comprising one of the Member Entities. Notwithstanding the foregoing, the Authority shall at all times maintain at least one satellite office within the Upper Mokelumne River Watershed or at Pardee Center.

Section 9.3 Additional Parties. Additional qualified public entities may join in this Agreement and become Member Entities upon the unanimous consent of the existing Member Entities. The terms and conditions allowing such joining shall be set forth in an amendment to this Agreement signed by all of the existing Member Entities.

Section 9.4 Termination of a Member Entity’s Participation in the Authority. Any Member Entity may withdraw from this Agreement by giving written notice of its election to do so, which notice shall be given to the Board and to each of the other Member Entities; provided, however, that any Member Entity so withdrawing shall waive, forfeit, and relinquish any claim or right to any funds or other property, rights, or interests of the Authority; and provided, further, that withdrawal by a Member Entity shall not terminate, or relieve the withdrawing Member Entity from, any express

contractual duty to the Authority or to another Member Entity set forth in a written contract different from this Agreement.

Section 9.5 Indemnification of Member Entities. The Authority shall, at Authority's sole cost and expense, indemnify, defend and save harmless the Member Entities, their governing board members, officers, employees and agents, from all costs, expenses (including, without limitation, attorneys' fees and costs of suit), claims, actions, proceedings, obligations, liabilities, or damages to persons or property or otherwise arising out of or in any way connected with the intentional or negligent act or omission or breach of duty or obligation of the Authority, its officers, employees, agents, Directors, contractors, subcontractors, or any officer, agent or employee thereof.

Section 9.6 Disposition of Assets. The Board is vested with all powers of the Authority for the purpose of concluding and dissolving the business affairs of the Authority. Upon termination of this Agreement, all property of the Authority, both real and personal, including any surplus funds of the Authority, shall be divided equally among the Member Entities.

ARTICLE X AMENDMENT OF AGREEMENT

This Agreement may be amended by a supplemental agreement executed by all parties hereto at any time.

ARTICLE XI MISCELLANEOUS

Section 11.1 Agreement Not Exclusive.

(a) This Agreement shall not be exclusive and shall not be deemed to amend or alter the terms of other agreements between or among the Member Entities.

(b) EBMUD entered into an agreement with CCWD on November 26, 1958, and an agreement with Amador County on August 22, 1958 (the "1958 Agreements"). It is understood and agreed that no action taken pursuant to this Agreement shall be construed to violate the 1958 Agreements, which remain in full force and effect. The Authority, through this Agreement, shall comply with the obligations set forth in the 1958 Agreements and shall not exercise any of the rights set forth in said 1958 Agreements. Nothing herein shall be construed to constitute an assignment to the Authority of any rights reserved to Amador County and to CCWD set forth in the 1958 Agreements.

Section 11.2 Conflict of Interest Code. The Authority shall, unless otherwise exempt, adopt a Conflict of Interest Code.

Section 11.3 Severability. Should any part, term, or provision of this Agreement be decided by the courts to be illegal or in conflict with any law of the State, or otherwise be rendered unenforceable or ineffectual, the validity of the remaining parts, terms or provisions hereof shall not be affected thereby.

Section 11.4 Successors; Assignment; No Third Party Beneficiaries. This Agreement shall be binding upon and shall inure to the benefit of the successors of the Member Entities. Except to the extent expressly provided herein, no Member Entity may assign any right or obligation hereunder without the consent of the other Member Entities. This Agreement is not intended to create rights or

obligations for any third parties, except for Associate Members that execute an associate member agreement with the Authority.

Section 11.5 Form of Approvals. Whenever an approval is required in this Agreement, unless the context specifies otherwise, it shall be given, in the case of a Member Entity, by resolution duly adopted by the legislative body of the Member Entity, and, in the case of the Authority, by resolution duly adopted by the Board. Whenever in this Agreement any consent or approval is required, the same shall not be unreasonably withheld.

Section 11.6 Notices. Any notice authorized or required to be given pursuant to this Agreement shall be in writing and shall be deemed to have been given: (i) if sent by mail, postage prepaid, on the date that such mail is received, (ii) if delivered in person or by courier, on the date it is delivered, or (iii) if sent by facsimile transmission, on the date that transmission is received by a responsible employee of the recipient in legible form. Notices shall be sent to the following addresses or facsimile numbers, or to such changed addresses or facsimile numbers as are communicated to the Authority and the Member Entities in writing:

Alpine County/Alpine County Water Agency
Office of County Counsel
P. O. Box 248
Markleeville, CA 96120
Telephone Number: (530) 694-2281
Facsimile Number: (530) 694-2980

Amador County
County Administrative Officer
810 Court Street
Jackson, CA 95642
Telephone Number: (209) 223-6472
Facsimile Number: (209) 257-0619

Amador Water Agency
12800 Ridge Road
Sutter Creek, CA 95685
Telephone Number: (209) 257-5240
Facsimile Number: (209) 257-5281

Calaveras County
County Administrative Officer
891 Mountain Ranch Road
San Andreas, CA 95249-9709
Telephone Number: (209) 754-6370
Facsimile Number: (209) 754-6333

Calaveras County Water District
P.O. Box 846
San Andreas, CA 95249
Telephone Number: (209) 754-3543
Facsimile Number: (209) 754-1069

Calaveras Public Utility District
P.O. Box 666
San Andreas, CA 95249
Telephone Number: (209) 794-9442
Facsimile Number: (209) 754-9432

East Bay Municipal Utility District
c/o Controller
P.O. Box 24055, M.S. 801
Oakland, CA 95623-1055
Telephone Number: (510) 287-0310
Facsimile Number: (510) 287-0293

Jackson Valley Irrigation District
6755 Lake Amador Drive
Ione, CA 95640
Telephone Number: (209) 274-2037
Facsimile Number: (209) 274-6755

Upper Mokelumne River Watershed Authority
Authority Secretary
5883 East Camanche Parkway
Valley Springs, CA 95252
Telephone Number: (209) 772-8340
Facsimile Number: (209) 772-8264

Section 11.7 Counterpart or Duplicate Copies. This Agreement may be executed in one or more counterpart or duplicate copies, each of which shall be deemed an original and all of which, when taken together, constitute one and the same document. The signature of any party to any counterpart shall be deemed a signature to, and may be appended to, any other counterpart.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

ALPINE COUNTY, a political subdivision of the State of California

ALPINE COUNTY WATER AGENCY, a California utility water agency

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

(signatures continued on following page)

AMADOR COUNTY, a political subdivision of the State of California

AMADOR WATER AGENCY, a California water agency

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

CALAVERAS COUNTY, a political subdivision of the State of California

CALAVERAS COUNTY WATER DISTRICT, a California water district

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

CALAVERAS PUBLIC UTILITY DISTRICT, a California public utilities district

EAST BAY MUNICIPAL UTILITY DISTRICT, a California municipal utility district

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

JACKSON VALLEY IRRIGATION DISTRICT, a California irrigation district

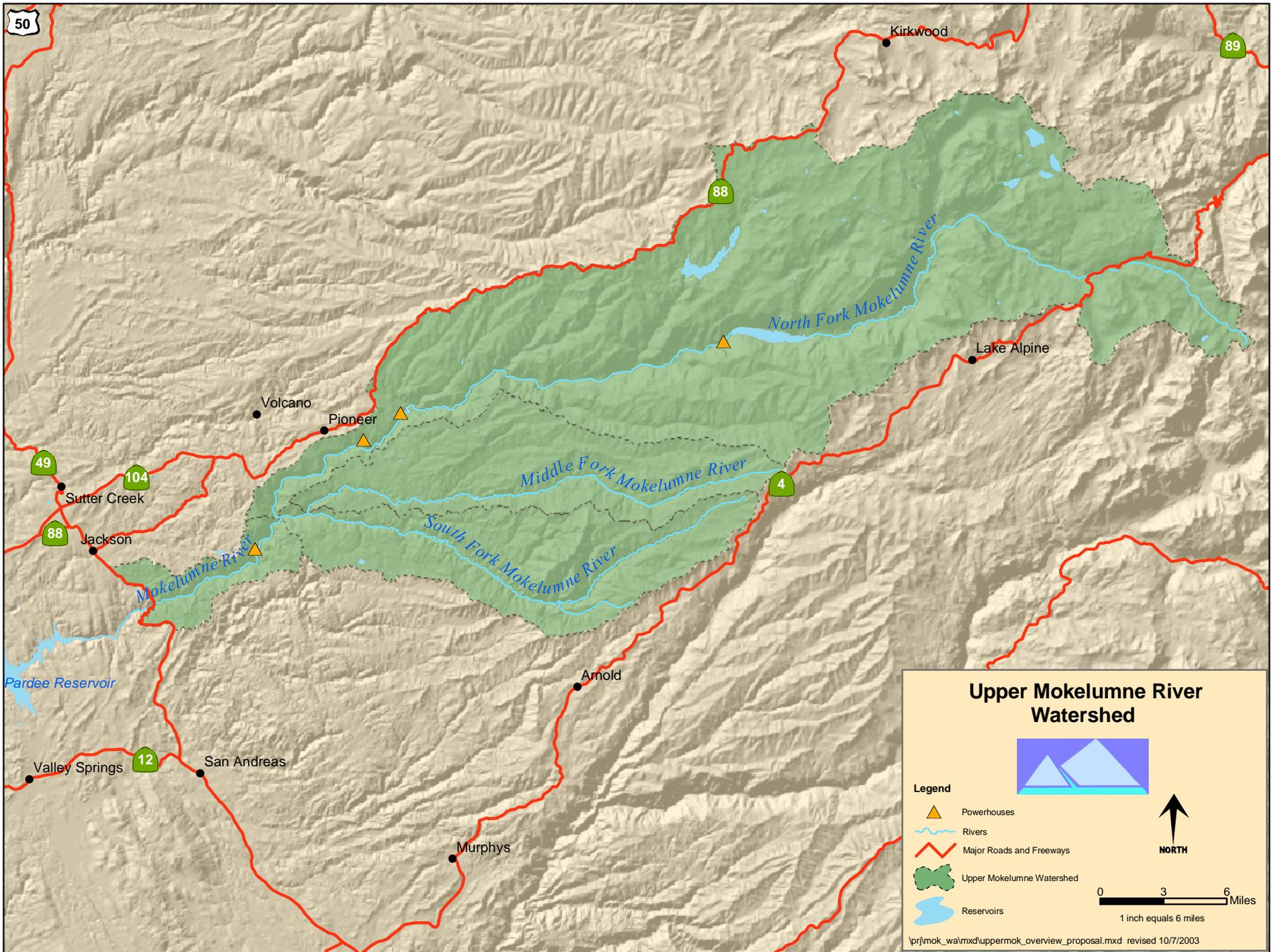
By: _____

Name: _____

Title: _____

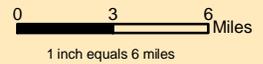
APPENDIX A

UPPER MOKELUMNE RIVER WATERSHED MAP



Upper Mokelumne River Watershed

- Legend**
-  Powerhouses
 -  Rivers
 -  Major Roads and Freeways
 -  Upper Mokelumne Watershed
 -  Reservoirs



prj\mok_wa\mxd\uppermok_overview_proposal.mxd revised 10/7/2003

APPENDIX B

NON-EXCLUSIVE LIST OF POTENTIAL WATERSHED PROJECTS AND WATER SUPPLY PROJECTS

Watershed and Water Supply Projects shall include, but not be limited to, projects or programs such as the following:

Watershed Restoration

- erosion control and prevention projects
- removal of defunct diversion structures
- remediation of point source pollution
- repair or removal of substandard forest roads
- habitat restoration for riparian-dependent wildlife species
- culvert upgrades

Watershed Assessment

- watershed management studies (silt reduction and erosion control)
- water quality monitoring
- landslide risk monitoring and mitigation
- channel dynamics investigation-sediment transport and spawning
- gravel relocation

Acquisition of Critical Watershed Lands

- fee simple purchase
- conservation easements

Public Education

- watershed education programs
- a water education center

Wildfire Management

- fire hazard assessment and mitigation plan
- ecologically sound fire prevention projects
- creation of strategic fire breaks

Water Conservation Projects

Recreational Activities

Water Supply Projects

- Integrated Conjunctive Use Project (IRCUP)
- Raise Lower Bear Project

Regional Water Supply Planning

APPENDIX C

WATERSHED RESTORATION PRINCIPLES AND PRINCIPLES OF WATERSHED COMMUNITY INVOLVEMENT

PRINCIPLES OF WATERSHED RESTORATION

- a) Restoration must be consistent with watershed level assessment, analysis and evaluation; restoration includes protection of existing healthy conditions,
- b) Restoration should assure the preservation of existing healthy conditions by removing known threats and protecting from future threats,
- c) Restoration must include eliminating continuing causes of watershed degradation,
- d) Restoration should be staged, moving outward and downward generally from the top of the watershed, from core healthy or restored areas; exceptions are limited to work designed to link core healthy areas,
- e) Restoration projects should be prioritized within each watershed for effectiveness on the basis of maximum ecological benefit and on the benefits to sustainable local community economics and/or revitalization,
- f) Restoration and stewardship decisions should be based on explicit objectives and benchmarks from an approved Watershed Restoration Strategic Plan,
- g) Restoration that alters environments should give highest priority to project results that use natural processes,
- h) Progress of restoration must be effectively monitored, using explicit objectives and benchmarks, in order to evaluate ongoing restoration and stewardship efforts,
- i) Restoration plans and/or projects must not sacrifice one ecosystem for another,
- j) Restoration must be accomplished consistent with existing applicable environmental laws.

PRINCIPLES OF WATERSHED COMMUNITY INVOLVEMENT

- a) Watershed strategic, annual and project planning must be open, public and involve communities in the watershed,
- b) Community involvement must include a comprehensive and inclusive public education component,
- c) Watershed restoration and stewardship should reflect a strong component of sustainable local economics and/or revitalization of local communities implementing projects,
- d) Advisory and/or oversight committees must include members residing in the watershed,

e) Watershed groups/JPAs administering restoration projects must deposit restoration funds in institutions that actively invest in local communities and economic revitalization within the Council's jurisdiction,

f) Watershed groups must adopt restoration strategies, and plans of action, that enhance and create local job and contracting opportunities,

g) Watershed policy, restoration and stewardship plans and projects must be consistent with principles and standards established by this Act.