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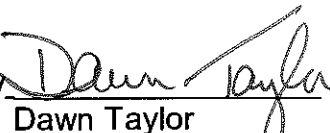
November 14, 2003

CALIFORNIA WATER SERVICE COMPANY  
3725 SOUTH H STREET  
BAKERSFIELD CA 93304

RE: City of Bakersfield Document # 03-316

Enclosed is (1) one executed original City of Bakersfield document for your files.  
If you have any questions you may reach me at (661) 326-3074.

Pamela McCarthy, CMC  
City Clerk

By   
Dawn Taylor  
Deputy City Clerk

Enclosure

PMC:dt

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City of Bakersfield · City Clerk's Office · 1501 Truxtun Avenue  
Bakersfield, California · 93301  
(661) 326-3767 · Fax (661) 323-3780

AGREEMENT NO. 03-316

**CUSTOMER SERVICE AGREEMENT**

NOV 05 2003

**KERN DELTA WATER DISTRICT,  
CALIFORNIA WATER SERVICE COMPANY,  
AND  
CITY OF BAKERSFIELD**

**RECITALS:**

- A. Kern Delta owns and operates certain canal systems diverting and delivering Kern River water. The canal systems are generally described as the Eastside Canal, Kern Island Canal System, Stine Canal, Farmers Canal, and Buena Vista Canal (collectively serving the "Kern Island Service Area"). These canal systems are unlined and seepage losses ("losses") are incurred in the delivery of diverted water. Kern Delta claims the benefit of such losses in its water balance calculations.
- B. The City of Bakersfield ("City") and the California Water Service Company ("Cal Water") (the City and Cal Water are collectively referred to herein as "Customers") provide water service to lands overlying the area traversed by the subject canal systems and, in doing so, produce water from the groundwater basin overlying such lands. The City and Cal Water benefit from the losses since the losses maintain the water quality and levels in the local groundwater aquifer.
- C. All parties have determined it would be mutually beneficial for the City and Cal Water to enter into a pilot program with Kern Delta whereby they will become customers of Kern Delta and thereafter purchase losses from Kern Delta to insure the continued availability of such water for the uses and purposes of Customers.
- D. All parties have determined that a non-precedent setting pilot program of limited duration would be appropriate to allow the parties to better assess their respective needs with respect to a long-term program.
- E. This agreement shall not constitute a precedent for any future agreements respecting the subject matter hereof, nor shall this agreement be used or usable in support of any claims that water rights of any party have been gained or lost as a result of the making or performance of this agreement.

## AGREEMENT:

1. On behalf of urbanized lands situated within the historic Kern Island Service Area, Customers will submit an application for utility water service to be provided by Kern Delta. Customers will comply with rules and regulations applicable generally to utility customers of Kern Delta.
2. During the term of this agreement, Kern Delta agrees to make available to Customers, and Customers agree to buy from Kern Delta, seepage losses attributable to the diversion and delivery of Kern River water (other than Kern River water acquired by exchange) through the canal systems from the headgate thereof to a point agreed upon by the parties, which generally will be the southern boundary of the urbanized area of the City.
3. The purchase price of water made available to Customers pursuant to this agreement shall be the utility rate established annually for each canal system by Kern Delta, plus an administrative charge of \$2.50 per acre foot of water sold. The administrative charge shall be subject to escalation annually using the same index as is applicable to charges imposed by the City for transportation of water from the Carrier Canal into the Arvin-Edison Canal.
4. The term of this agreement is five (5) years commencing January 1, 2004 and ending December 31, 2008; provided, however, if this agreement is not terminated by written notice given by one of the parties prior to the expiration of the initial term, this agreement shall continue in successive one-year terms thereafter until such notice is given and then it shall terminate on December 31 of the year in which the notice is given.
5. The amount of Kern River water to be purchased by Customers will be the actual amount of canal losses occurring in the urban area during each year of operation. In a given year the amount of water diverted into a canal system will be measured at the headgate and at the agreed urban boundary point and the difference (less upstream agricultural deliveries, if any) will be the amount purchased by Customers. In any year in which there is Kern River entitlement for a given canal system, including years in which the system may not operate for some reason, deliveries to Customers for that year will be based on historic activities representing a pro rata share of the annual canal entitlement. Deliveries to Customers can be made at any time during the **same** calendar year. It is intended that Kern Delta will have maximum flexibility in delivering water to Customers.
6. The delivery point of Kern River water made available to Customers is the point of percolation of such water into the groundwater aquifer via the unlined canals of Kern Delta. Kern Delta will not be required to deliver any water pursuant to this agreement to Customers as a surface supply, but this agreement does not preclude such deliveries in the future subject to separate arrangements.

7. It is understood that Kern Delta has and will continue to claim credit for losses in calculating its water balance and diversion right. The sale of water to Customers shall not diminish or defeat such claim.
8. This agreement does not, nor is it intended to, affect, alter or impair in any manner the water rights of the parties hereto, and this agreement will not and shall not act as a waiver, release, acknowledgment, confirmation or compromise of any rights or interests of the parties. This agreement is temporary in nature and is not precedent setting. In the future, the parties may not defend or assert that any claims, rights or causes of action are time barred or otherwise compromised, waived, released or prejudiced as a result of this agreement. This agreement is made and entered into pursuant to Evidence Code §1152 and may not be introduced in evidence in any legal proceeding, except a proceeding to enforce this agreement.
9. The parties agree that this agreement, and any actions taken pursuant to the agreement, are exempt from environmental review pursuant to the requirements of the California Environmental Quality Act ("CEQA"), under applicable exemptions.
10. The validity of this agreement is subject to and dependent upon the approval of the governing boards or bodies of the parties, and, Cal Water's obligations under this agreement may be further conditioned upon the approval by the California Public Utilities Commission of the terms and conditions of this agreement. The parties hereto may rescind this agreement if they are not able to obtain appropriate governmental approvals for the terms and conditions of the agreement.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have executed this document the respective signature dates set forth below.

**CITY OF BAKERSFIELD**

By: [Signature]  
HARVEY L. HALL  
Mayor

APPROVED AS TO CONTENT:

By: [Signature]  
for GENE BOGART  
Water Resources Manager

APPROVED AS TO FORM:  
BART J. THILTGEN, City Attorney

By: [Signature]  
ALAN DANIEL  
Deputy City Attorney

COUNTERSIGNED:

By: [Signature]  
GREGORY J. KLIMKO  
Finance Director

SIGNATURE DATE:  
NOV 07 2003

**KERN DELTA WATER DISTRICT**

By: [Signature]  
J. STANLEY ANTONGIOVANNI  
President

By: [Signature]  
DAVID C. COSYNS  
Secretary

APPROVED AS TO FORM:  
McMURTREY, HARTSOCK & WORTH

By: [Signature]  
GENE R. McMURTREY

SIGNATURE DATE:  
9-26-03

**CALIFORNIA WATER SERVICE CO.**

By: [Signature] - Vice Presid

By: [Signature]

SIGNATURE DATE:  
10/19/03