

**EXHIBIT LWL-12**

**MEMORANDUM OF UNDERSTANDING  
REGARDING  
COOPERATIVE PLANNING AND JOINT ANALYSIS  
FOR A  
MONTEREY REGIONAL WATER SUPPLY PROGRAM**

This Memorandum of Understanding (“MOU”) is made and entered into as of \_\_\_\_\_, 2009, by and between the Monterey Regional Water Pollution Control Agency (“MRWPCA”), Marina Coast Water District (“MCWD”), and Monterey County Water Resources Agency (“MCWRA”) (collectively, the “Parties”).

**RECITALS**

WHEREAS, MCWRA is the lead agency and MRWPCA and MCWD are responsible agencies for adopting this planning MOU; and

WHEREAS, the California Public Utilities Commission (“CPUC”) is presently considering a proposal from California American Water Company to construct the Coastal Water Project (“CWP”), and a Draft Environmental Impact Report (“DEIR”) has been prepared for that project and is now under consideration by the CPUC for preparation and certification of a Final Environmental Impact Report (“FEIR”); and,

WHEREAS, the CPUC is currently conducting two parallel proceedings for water supply in Monterey County, an environmental impact report process and a rate proceeding (CPUC proceeding number A.04-09-019 (“**Proceeding**”)), and the Parties believe that the establishment of a planning framework in accordance with this MOU will facilitate the resolution of issues now pending before the CPUC; and

WHEREAS, the Monterey Regional Water Supply Project (“**Regional Project**,”) has been identified in the DEIR as an alternative to the CWP, with components that may benefit cities on the Monterey Peninsula, the communities of North Monterey County; agricultural interests in North Monterey County, and the United States Army; and

WHEREAS, the Parties believe that the Regional Project has potential for the most benefit, least cost and least environmental impact of the alternatives being considered in the DEIR; and

WHEREAS, the DEIR states that the Regional Project has the support of staff at the CPUC; and

WHEREAS, the Parties support a collaborative institutional and political approach to facilitating analysis of the environmental, technical, managerial and financial feasibility of the Regional Project to foster and promote cost-effective, regionally beneficial and environmentally sensitive regional water supply planning; and

WHEREAS, the Parties recognize that water supply issues confronting north Monterey County and the Monterey Peninsula are significant, and require focused technical and cooperative political effort to resolve; and,

WHEREAS, the Parties further recognize that there is an urgency to identify and adequately analyze and plan, fully in accordance with all applicable laws, a water supply solution for North Monterey County, the MCWD service area and the Monterey Peninsula; and,

WHEREAS, the Parties have, the ability to furnish financial resources and in-kind assistance in support of the cooperative planning and joint analysis contemplated by this MOU ; and,

WHEREAS, the Parties wish by this MOU to provide a common planning framework to conduct planning-level analysis for the Regional Project and elements of the Regional Project, excepting surface water diversion and/or groundwater for use outside MCWRA Zone 2C, as to which the Parties have not yet analyzed and come to a common position; and

WHEREAS, nothing in this MOU is intended to infringe upon or otherwise restrict the independent authority of each Party; and,

WHEREAS, this MOU is intended as a preliminary agreement for planning-level activities relating to the Regional Project. This Agreement is not intended to and shall not be interpreted to constitute, directly or indirectly, a commitment by the Parties to undertake any project or action, including but not limited to a project or action involving any element of the Regional Project. The Parties acknowledge and agree that no commitment to undertake any project or action may occur until environmental review has been completed in accordance with CEQA. The Parties specifically intend to avoid any commitments or actions that would, in light of all surrounding circumstances, commit the Parties as a practical matter to any project or project element prior to the completion of environmental analysis in accordance with CEQA.

NOW, THEREFORE, in consideration of the mutual agreements made herein, and the mutual benefits to be provided, the sufficiency of which is hereby acknowledged, the Parties agree as follows:

1. The Parties <sup>may</sup> will negotiate in good faith agreements to analyze the feasibility of a) brackish water supply wells for a potential desalination plant; b) ocean outfall brine disposal; and, c) urban reuse of recycled water so that the FEIR can be used for future decisions by the Parties. The Parties' respective governing bodies <sup>may</sup> will consider adoption of these agreements within thirty (30) days after the Effective Date.

2. If the CPUC certifies an FEIR <sup>may</sup> for the Regional Project and approves a project based on the certified FEIR, the Parties will cooperate and use the certified FEIR as the basis for analyzing and acting on the implementation of a regional water supply project in compliance with all applicable laws.

3. The Parties shall further negotiate a cost sharing agreement for the equitable sharing of expenses for technical support and provision of in-kind assistance necessary to implement this MOU, the approval of such agreement to be a condition precedent to further performance pursuant to their MOU. Such negotiations shall commence immediately upon the Effective Date and either successfully conclude or terminate within sixty ( 60) days after the Effective Date.

4. The Parties support the negotiation and execution of an agreement between MRWPCA and MCWD to implement the project described in the environmental impact report certified by MCWD on October 27, 2004, by Resolution 2004-56 ("RUWAP EIR") for the Regional Urban Water Augmentation Project in accordance with CEQA, and Addendum No. 1 to the RUWAP EIR certified on November 15, 2006, and Addendum No. 2 certified on February 14, 2007.

5. The Effective date shall be the date this MOU is last executed by any of the Parties.

Dated: \_\_\_\_\_, 2009                      Monterey County Water Resources Agency  
  
by \_\_\_\_\_  
[Name and title]

Dated: \_\_\_\_\_, 2009                      Name and title]  
Marina Coast Water District  
  
by \_\_\_\_\_  
[Name and title]

Dated: \_\_\_\_\_, 2009                      Monterey Regional Water Pollution Control  
Agency  
  
by \_\_\_\_\_  
[Name and title]

APPROVED AS TO FORM AND CONTENT

CHARLES J. MCKEE, General Counsel, Monterey County Water Resources Agency

By \_\_\_\_\_  
Irv Grant, Deputy General Counsel