

EXHIBIT LWL-13

**Monterey Regional Water Supply Program
Recycled Water Three-Way
Memorandum of Understanding**

This Memorandum of Understanding (hereinafter referred to as "MOU") is made and entered into as of the first day of _____, among the Monterey Regional Water Pollution Control Agency (MRWPCA), Marina Coast Water District (MCWD), and Monterey County Water Resources Agency (MCWRA), referred to collectively in this MOU as the "Participating Entities."

WHEREAS, the Regional Water Supply Program is an alternative analyzed in California-American Water Company's (Cal-Am) Coastal Water Project (CWP) Draft Environmental Impact Report (DEIR), and has recycled water elements identified for urban reuse to benefit Cities on the Monterey Peninsula, the northern communities of Monterey County, agricultural interests and the United States Army; and,

WHEREAS, the recycled water elements of the Regional Water Supply Program appear to be cost effective for ratepayers and to reduce recycled water cost to the agricultural community; and,

WHEREAS, the Participating Entities believe it is necessary and appropriate and that there is an urgency to review and analyze the technical, managerial, financial and environmental feasibility of the recycled water elements for a Final Environmental Impact Report for the Regional Water Supply Program through the CWP process (FEIR); and,

WHEREAS, evaluation of the feasibility of the Regional Water Supply Program recycled water elements requires coordination and collaboration between the Participating Entities; and,

WHEREAS, the Participating Entities signatory to this MOU desire to cooperatively engage in recycled water supply planning and jointly analyze proposed project elements; and,

WHEREAS, Participating Entities have previously entered into bi-lateral agreements with each other concerning recycled water; and,

WHEREAS, Participating Entities recognize a need to memorialize a common interpretation of their existing agreements without changing any existing agreements, to facilitate analyzing the feasibility of proposed recycled water projects.

WHEREAS, this MOU is intended as a preliminary agreement for planning-level activities relating to the Regional Water Supply Program. 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 Water Supply Program. 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, BE IT RESOLVED, that for purposes of evaluating the feasibility of urban recycled water project elements of the Regional Water Supply Program for the FEIR, the Participating Entities will use and encourage others to use the recycled water demand schedules for irrigation season (typically March through October) recycled water supply and for recycled

water supply during the non-irrigation season (typically November through February as shown on Exhibit A and the schedule water for urban reuse as shown on Exhibit B (exclusive of the MCWD 300 acft irrigation season allocation); and,

BE IT FURTHER RESOLVED, that the recycled water elements of the Regional Water Supply Program shall be consistent with the Regional Urban Water Augmentation Project Environmental Impact Report certified by MCWD on October 27, 2004, Addendum No. 1 to the RUWAP EIR certified on November 15, 2006, and Addendum No. 2 certified on February 14, 2007; and,

BE IT FURTHER RESOLVED, that in evaluating the feasibility of future urban recycled water projects, the Participating Entities shall use and shall encourage others to use the concept that in addition to the demand schedules shown on Exhibits A and B each of the Participating Entities shall be able to make use of the available recycled water (approximately 6,500 afy currently and up to approximately 10,000 afy at plant capacity) from the remainder of the irrigation and non-irrigation season available recycled water consistent with all other agreements associated with recycled water allocations made between MCWD, MCWRA and MRWPCA. Preference shall be given in analysis of future projects for expansion of urban reuse to include groundwater replenishment projects, additional irrigation project storage, or other urban reuse projects. So long as non-irrigation season water is not used for urban reuse, then MCWRA may plan and analyze the feasibility of using such water to develop additional irrigation projects including storage for expansion of the existing Castroville Seawater Intrusion Project and other prospective agricultural irrigation projects; and,

BE IT FURTHER RESOLVED, that for planning and feasibility analysis, each proposed project that would use recycled water not allocated in schedules shown on Exhibits A and B shall be required to satisfy criteria jointly developed by a committee consisting of the Board Chair and General Manager from each Participating Entity that would include but not be limited to 1) confirming customers for the recycled water, 2) having a completed project description, 3) having completed environmental review under CEQA and 4) having an approved financing mechanism for the prospective project. Every two years the joint committee will review and recommend priorities and schedules for feasibility analysis; and,

BE IT FURTHER RESOLVED, that the payment of costs shall be consistent with Exhibit C (actual costs will be paid by the customers who use recycled water whether MCWD or MRWPCA) with the clarification that all infrastructure debt service paid prior to the date recycled water is delivered for prospective projects described above will also be subject to the same provisions for ongoing debt service payments identified in sections 3 and 4, of debt service paid by MCWRA for the Salinas Valley Reclamation Project bridge financing. The Committee, as referenced above, will review and clarify these costs to assure equity between all parties; and,

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

Monterey County Water Resources Agency

by _____
[Name and title]

Dated: _____, 2009

Monterey County Water Resources 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