

**MEMORANDUM OF AGREEMENT
BETWEEN
THE DEPARTMENT OF THE ARMY
AND
THE ORANGE COUNTY WATER DISTRICT
FOR
THE OPERATION OF THE BUFFER POOL AT
PRADO DAM, CALIFORNIA**

THIS AGREEMENT is entered into this 7th day of July, 2006, by and between the UNITED STATES OF AMERICA (hereinafter called the "Government") represented by the Assistant Secretary of the Army (Civil Works), and Orange County Water District (hereinafter called the "User") represented by its General Manager and Board President.

WITNESSETH THAT:

WHEREAS, pursuant to Public Law 74-738, the Flood Control Act of June 23, 1936, the Government constructed and is operating Prado Dam for flood control and water conservation (hereinafter called the "Project");

WHEREAS, the User desires to enter into an agreement with the Government whereby operation of the Project will enable increased recharge of the User's downstream groundwater aquifers;

WHEREAS, the User as shown in Exhibit 1, attached to and made a part of this Agreement, is empowered to enter into an agreement with the Government and is vested with all necessary powers of accomplishment of the purposes of this Agreement;

WHEREAS, Section 110 of Division C of the Consolidated Appropriations Act of 2005 (Public Law 108-447), provides that the Assistant Secretary of the Army for Civil Works shall enter into an agreement with the Orange County Water District, California for purposes of water conservation storage and operations at Prado Dam, California, and that the Orange County Water District shall pay to the Government only the separable costs associated with implementation and operation and maintenance of Prado Dam for water conservation;

WHEREAS, the Government and User entered into a previous Memorandum of Agreement, dated December 15, 1993, for water conservation operations on a smaller scale, which is being replaced by this Agreement;

WHEREAS, the April 5, 2005 Prado Basin Water Conservation Feasibility Study, Environmental Impact Statement, and Record of Decision provide information pertinent to the use of water in the Project by the User.

NOW THEREFORE, the parties mutually agree that the 1993 Memorandum of Agreement is hereby terminated pursuant to Article VII of that agreement, and superceded and replaced by this Agreement, as follows:

ARTICLE I - DEFINITIONS AND INTERPRETATION

Definition of Terms:

- i. "Flood Season" means the period October 1 to February 28, or February 29 during leap years.
- ii. "Non-flood Season" means the period March 1 to September 31.
- iii. "Buffer pool" means any pool of water above the debris pool (elevation 490 feet National Geodetic Vertical Datum) (NGVD)) up to 498 feet NGVD during the flood season, and up to 505 feet NGVD during the non-flood season.
- iv. "Water Control Manual" means the water control manual approved by the Government as the manual for the Project. The Water Control Manual forms the basis for the Government's regulation and real-time operation of the Project.
- v. "Consistent with the Water Control Manual" means consistency as determined by the Government in its sole discretion.
- vi. "Water Conservation Operations" means operation of the Project as specified in Article III of this Agreement.
- vii. "Separable Operations and Maintenance Costs" means costs incurred by the Government to operate the Project for water conservation purposes that would not have been incurred by the Government if water conservation operations pursuant to this Agreement were not occurring at the Project.

ARTICLE II - RESPONSIBILITIES OF THE PARTIES

a. Responsibilities of the User:

- i. The User shall pay all Separable Operations and Maintenance Costs, in accordance with Article VI of this Agreement. The User shall also be responsible for 100% of the cost and preparation of any additional or supplemental environmental documents necessary for water conservation operations of the Project or for releases of water at rates greater than those for water conservation that are necessary to draw down the buffer pool to allow for flood control operations of the Project. These costs are not included in the annual payment specified in Article VI of this Agreement. These costs will be billed to the User separately if, and when, they occur.

ii. The User shall pay all costs of revising the Project's Water Control Manual to reflect the water conservation operations described in this Agreement. These costs are not included in the annual payment specified in Article VI of this Agreement. These costs will be billed to the User separately if, and when, they occur.

iii. The User shall be responsible for 100% of the costs and performance of any acquisition of lands, easements, or rights of way, and performance of any removals or relocations as may be determined by the Government to be necessary to allow operation of the Project as specified in Article III of this Agreement. When undertaking a removal or relocation pursuant to this Agreement, the User shall comply with the applicable provisions of the Uniform Relocation and Assistance and Real Property Acquisition Act of 1970, 42 U.S.C. §§ 4601 *et seq.* These costs are not included in the annual payment specified in Article VI of this Agreement.

iv. The User shall implement a plan for conservation or resolution of adverse impacts on land uses in the area occurring as a result of operation of the Project for water conservation including, but not limited to, the following:

(1) Continuing to coordinate with the owner of Richardson's Dog Training facility on an annual basis regarding any adverse impacts to his business arising from operation of the Project for water conservation;

(2) Continuing to abide by the terms and conditions of the "Agreement between Orange County Water District and County of San Bernardino, California, setting forth coordinated policies regarding water conservation and land use at Prado Dam Basin," dated July 29, 1985.

v. The User shall continue to implement its annual endangered species mitigation obligations, as originally required under the 1993 Agreement, in accordance with the environmental commitments specified in the Environmental Impact Statement (EIS) of the Prado Dam Water Conservation Report, October 1992. Should further endangered species mitigation obligations for water conservation operations to elevation 494 feet NGVD or 505 feet NGVD be deemed necessary by the U.S. Fish and Wildlife Service in the future, the User shall implement appropriate measures to satisfy the required mitigation responsibilities. The User shall also continue to annually implement the mitigation measures, as originally required under the 1993 Agreement, for impacts other than to endangered species, including those for mosquito abatement and cultural resources, prior to the commencement of any water conservation operations at the Project.

These costs are not included in the annual payment specified in Article VI of this Agreement.

vi. The User shall implement a mitigation plan in accordance with the terms of the environmental commitments laid out in the EIS and Biological Opinion (BO) of the Prado Dam Water Conservation Feasibility Study and Record of Decision. The implementation plan detailed in the EIS and BO includes a one time set aside of land for habitat restoration, a one time contribution of funds to the Santa Ana River Conservation Trust Funds, an annual funding and mitigation for the endangered Santa Ana sucker and Least Bell's vireo. These costs are not included in the annual payment specified in Article VI of this Agreement.

vii. The User shall pay all additional costs of mosquito abatement efforts undertaken by the Northwest Mosquito Abatement District, the West Valley Vector Control District, or the Orange County Vector Control District that are made necessary by water conservation operation of the Project. These costs are not included in the annual payment specified in Article VI of this Agreement. The User shall provide funding when billed by the vector control districts.

viii. The User understands that the Government is currently engaged in a construction project to modify Prado Dam, and that as part of this work the Government is party to a contract with Yeager-Skanska. The Government's contract with Yeager-Skanska specifies that the highest elevation of non-flood waters the Government will hold behind Prado Dam from the period of October 1 to February 28/29 is 494 feet NGVD. The User agrees that this pre-existing contractual commitment shall take precedence over the Government's obligation to make a good faith effort to operate the Project in accordance with Article III of this Agreement.

ix. The User shall maintain such books, records, documents, or other evidence pertaining to costs and benefits of the water conservation operations undertaken pursuant to this Agreement to the extent and in such detail as will properly reflect the total costs and benefits of these operations.

b. Responsibilities of the Government:

i. The Government reserves the right to control and use all pool space in the Project in accordance with authorized Project purposes. The Government further reserves the right to take such measures as may be necessary in the operation of the Project to preserve life and/or property, and the right to not make downstream releases or to make releases at lesser or greater rates as necessary in its sole discretion, for the operation, maintenance, inspection, rehabilitation, or repair of the Project.

ii. The Government shall manage lands under its control at or below elevation 505 feet NGVD in the Project's basin so as not to unreasonably interfere with the opportunity to conserve water afforded to the User by this Agreement.

iii. The Government shall remain responsible for operation and maintenance of the Project and reserves the right to take such measures as may be necessary in its sole discretion to operate and maintain the Project in accordance with its authorized purposes.

iv. Upon compliance by the User with the provisions of this Agreement, the Government shall make a good faith effort to operate the Project as specified in Article III of this Agreement.

ARTICLE III - WATER CONSERVATION OPERATION

a. During the Period October 1 through February 28/29: Subject to the terms and conditions of this Agreement, the Government, when it determines such actions to be consistent with the Water Control Manual, shall operate the Project to maintain the buffer pool at an elevation not to exceed 498 feet NGVD. During this time period the Government, when it deems such operations to be consistent with the Water Control Manual and flood control operations of the Project, will coordinate water conservation releases with the User to maximize the conservation of water through ground water recharge, and will make releases normally ranging from 200 to 1,000 cubic feet per second (cfs). This agreement shall not be construed as giving the User any rights to have the water level of the buffer pool maintained at any particular elevation. The Government reserves the right to, in its sole discretion, draw down the pool at any time.

b. During the Period March 1 through August 31: Subject to the terms and conditions of, this Agreement, the Government, when it determines such actions to be consistent with the Water Control Manual, shall operate the Project to maintain the buffer pool at an elevation not to exceed 505 feet NGVD. Provided that sufficient inflows to the Project are available, between March 1 and March 10, the seasonally expanded buffer pool may be gradually increased from 498 to 505 feet NGVD at an incremental rate over a 10 day period from March 1 to March 10. During this time period the Government, when it deems such operations to be consistent with the Water Control Manual and flood control operations of the Project, will coordinate water conservation releases with the User to maximize the conservation of water through ground water recharge, and will make releases normally ranging from 200 to 1,000 cubic feet per second (cfs), but at all times maintaining a running average greater than or equal to 500 cfs to satisfy the fish and wildlife mitigation obligations of the Project. This agreement shall not be construed as giving the User any rights to have the water level of the buffer pool maintained at any particular elevation. The Government reserves the right to, in its sole discretion, draw down the pool at any time.

c. During the Period September 1 through September 30: The reservoir may be regulated so as to be empty during the month of September for maintenance purposes. In the event of rare summer flood runoff, the reservoir may, at the sole discretion of the Government, be operated for water conservation up to the maximum allowable water conservation elevation of 505 feet

NGVD, provided that it does not prevent the accomplishment of required maintenance. If the reservoir is operated for water conservation in September, an alternate maintenance period in October may be required at the sole discretion of the Government. The Government may also draw down or drain the reservoir during months other than September or October, as it deems necessary for the performance of emergency maintenance actions. The User agrees that it shall have no cause of action against the Government for such drawdowns or drainings of the reservoir.

d. During Periods of Construction: The User understands that the reservoir may need to be drawn down or emptied at various points in time to accommodate the construction of modifications to Prado Dam or of other elements of the Santa Ana River Mainstem Project. The Government reserves the right to draw down or drain the reservoir for construction purposes at any time. The Government will make a good faith attempt to notify the User at least 5 (five) days in advance of any construction related reservoir drawdowns or drainings. The User agrees that it shall have no cause of action against the Government for such drawdowns or drainings of the reservoir.

e. The User understands that this Agreement only provides for limiting the rate of releases from the Project and that it is not acquiring any right for the use of storage space in the Project or any right to withdraw water from the Project. The Government makes no representation with respect to the availability, quality, or treatment of water and assumes no responsibility therefore. The water levels of the Project will be maintained at elevations that the Government deems will best serve the authorized purposes of the Project.

ARTICLE IV - REGULATION OF THE USE OF WATER

The regulation of the use of and water rights needed for the water released from the Project shall be the sole responsibility of the User and under the sole authority of the User in accord with Federal, State, and local laws and shall not be considered a part of this Agreement. The Government shall not be responsible for the use of water by the User, nor will it become a party to any controversies involving the water use, except with its written consent and as such controversies may affect the operations of the Project.

ARTICLE V - OPERATION AND MAINTENANCE

The Government shall operate and maintain the Project and the User shall pay to the Government a share of the costs of such operation and maintenance as provided in Article VI. The User shall be responsible for operation and maintenance of all installations and facilities it may currently have or in the future install or construct for the diversion or other control of water released from the Project, and shall bear all costs of construction, operation and maintenance of such installations and facilities.

ARTICLE VI - PAYMENTS

a. The User shall pay to the Government all Separable Operations and Maintenance Costs of water conservation operations at the Project. As of the effective date of this Agreement, the annual amount to be paid for the separable operations and maintenance costs of water conservation operations at the Project is estimated to be \$82,500.00 (eighty-two thousand and five hundred dollars), which will be adjusted for inflation annually at the rate listed in the Composite Index for the Third Quarter found in the Engineers Manual 1110-2-134, as amended or replaced in the future.

b. Each year between July 1st and July 15th, the Government will bill the User for the prior year's water conservation operations at the Project. The User shall, within 90 calendar days after receipt of such notice, provide the Government the required payment. If the User fails to make any of the aforesaid payments when due, the overdue payments shall bear interest compounded annually until paid. The interest rate for overdue payments shall be that determined by the Department of the Treasury's Treasury Fiscal Requirements Manual. The amount charged on payments overdue for a period of less than one year shall be figured on a monthly basis. In the event the User fails to make payments prior to the October 1 beginning of the next year's period for water conservation operations, the Government shall have no obligation or responsibility to operate the Project for water conservation until all delinquent payments are received.

c. The dollar amounts set forth in this article and in the Prado Dam Water Conservation Feasibility Study, April 5, 2005, are based upon the Government's best estimates. Such cost estimates are subject to adjustments based upon costs actually incurred and are not to be construed as binding on the Government or as the total financial responsibilities of the User.

ARTICLE VII - RELEASE OF CLAIMS

The User shall hold and save the Government, including its officers, agents and employees, harmless from damages and claims for damages, including costs of defending such claims, which may arise by reason of operation and maintenance of the Project pursuant to this Agreement, and which would not have arisen if the operation and maintenance of the Project had not been pursuant to this Agreement. Upon written notice from the Government, the User shall take over the defense of any such claim. This Article shall not apply to damages caused exclusively by negligence of the Government, its employees, or its contractors. This Article shall apply to claims which arise after the termination of this Agreement, from operations as described in this Agreement.

The Government does not warrant delivery of any quantity of water and the failure of reservoir regulation, in accordance with this Agreement, to produce water for conservation in any quantity shall not be grounds for a claim for damages against the Government.

ARTICLE VIII - DURATION OF AGREEMENT

This Agreement shall become effective when approved by the Secretary of the Army or his duly authorized representative and shall continue in full force and effect from the effective date until terminated pursuant to Article XVI of this Agreement. The termination of this Agreement shall not extinguish any obligations of the User for monies owed or for costs incurred pursuant to Article VI of this Agreement, nor any obligations of the User pursuant to Articles II, IV, V, VII, X, or XI of this Agreement.

ARTICLE IX - TRANSFER OR ASSIGNMENT

The User shall not transfer or assign this Agreement nor any rights acquired thereunder, nor grant any interest, privilege or license whatsoever in connection with this agreement, without the approval of the Assistant Secretary of the Army (Civil Works) provided that, unless contrary to public interest this restriction shall not be construed to apply to any water which may be obtained by the User and furnished to any third party or parties or to the rates charged therefore.

ARTICLE X - ENVIRONMENTAL QUALITY

During any construction, operation, or maintenance by the User of any downstream installations and facilities it may currently have or in the future install or construct for the diversion or other control of water released from the Project pursuant to this Agreement, the User agrees to take specific actions to control environmental pollution which may result from such activities, and to comply with applicable Federal, State and local laws and regulations concerning environmental pollution.

User also agrees to bear any and all responsibility for the remediation of any violations of the various environmental laws of the United States, and to indemnify the Government from any liability arising from such violations, that may occur during any construction, operation, and maintenance by the User of any downstream installations and facilities it may currently have or in the future install or construct for the diversion or other control of water released from the Project pursuant to this Agreement.

ARTICLE XI - FEDERAL AND STATE LAWS

a. In acting under its rights and obligations hereunder, the User agrees to comply with all applicable Federal, State and local laws and regulations.

b. The User furnishes as part of this agreement, Exhibit 2, an "Assurance of Compliance" with Title VI of the Civil Rights Act of 1964 (78 Stat. 252; 42 U.S.C. 2000d *et seq.*) and Department of Defense Directive 5500.11 issued pursuant thereto and published in Part 195 of Title 32, Code of Federal Regulations.

c. Any discharges of water or pollutants into a navigable stream or tributary thereof resulting from facilities and operations of the User which utilize water released under this agreement shall be performed only in accordance with applicable Federal, State and local laws and regulations.

d. The User furnishes, as part of this agreement, a certification, Exhibit 3, that it will comply with Title 31 U.S.C. Section 1352 of the limitation on use of appropriated funds to influence certain Federal contracting and financial transactions (Public Law 101-121, October 23, 1989) and Federal Acquisition Regulation 52.203-12 issued pursuant thereto, and a Disclosure of Lobbying Activities, Exhibit 4.

ARTICLE XII - OFFICIALS NOT TO BENEFIT

No member of or delegate to Congress, or Resident Commissioner, shall be admitted to any share or part of this Agreement, or to any benefit that may arise therefrom; but this provision shall not be construed to extend to this Agreement if made with a corporation for its general benefit.

ARTICLE XIII - COVENANT AGAINST CONTINGENT FEES

The User warrants that no person or selling agency has been employed or retained to solicit or secure this Agreement upon an agreement or understanding for commission, percentage, brokerage, or contingent fee, excepting bona fide employees. For breach or violation of this warranty the Government shall have the right to annul this Agreement without liability or in its discretion to add to the payments made in accordance with this Agreement, or otherwise recover, the full amount of such commission, percentage, brokerage, or contingent fee.

ARTICLE XIV - NOTICES

All notices sent pursuant to this Agreement shall be addressed as follows:

If to the Government: U.S. Army Corps of Engineers
 ATTN: Chief of Operations, CESPL-CO-O
 P.O. Box 532711
 Los Angeles, CA 90053-2325

If to the User: Orange County Water District
 10500 Ellis Avenue
 Fountain Valley, CA 92708

Both parties shall notify each other in writing of any change in address. Upon receipt of such notice, the receiving party shall send all future notices pursuant to this Agreement to the new address.

ARTICLE XV - AMENDMENT

This agreement may be bilaterally amended by written agreement of the parties that shall be attached hereto. Any such bilateral agreement will become effective ten (10) days after being executed by both parties.

ARTICLE XVI - TERMINATION

This Agreement may be terminated by the User upon ninety (90) days' written notice of termination to the Government. Termination by the User shall take effect ninety (90) days from the date of the written notice to the Government.

This Agreement may be terminated by the Government upon ninety (90) days' written notice of termination to the User if the District Engineer determines that the User has breached any term of this Agreement, or that termination of this Agreement is necessary under Federal law, or that termination of this Agreement is necessary to operate Prado Dam in accordance with authorized project purposes. Termination by the Government shall take effect ninety (90) days from the date of the written notice to the User.

Termination by either party shall not extinguish any obligations of the User for monies owed or for costs incurred pursuant to Article VI of this Agreement, nor any obligations of the User pursuant to Articles II, IV, V, VII, X, or XI of this Agreement.

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

THE DEPARTMENT OF THE ARMY

ORANGE COUNTY WATER DISTRICT

BY: John Paul Woodley, Jr.
John P. Woodley, Jr.
Assistant Secretary of the Army
for Civil Works

BY: Philip L. Anthony
Philip L. Anthony
Board President

DATE: July 7, 2006

ATTEST: Virginia Grebbien
Virginia Grebbien
General Manager

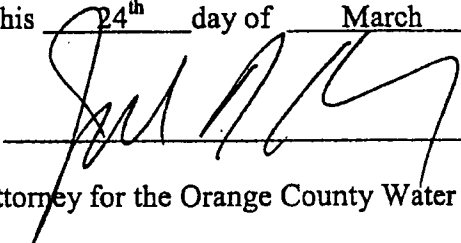
DATE: July 7, 2006

APPROVED AS TO FORM:

Joel Kuperberg
Joel Kuperberg
General Counsel

EXHIBIT 1
CERTIFICATION

I, Joel D. Kuperberg, Attorney for the Orange County Water District, have reviewed the foregoing agreement executed by President and General Manager of the Orange County Water District. And as principal legal officer of/for the Orange County Water District certify that [I have considered the legal effect of Section 221 of the 1970 Flood Control Act (Public Law 91-611) and find that] Orange County Water District is legally and financially capable of entering into contractual obligations contained in the foregoing agreement and that, upon acceptance, it will be legally enforceable. Given under my hand, this 24th day of March 2006.



Attorney for the Orange County Water District

**EXHIBIT 2
ASSURANCE OF COMPLIANCE**

ASSURANCE OF COMPLIANCE WITH THE DEPARTMENT OF DEFENSE DIRECTIVE UNDER TITLE VI OF THE CIVIL RIGHTS ACT OF 1964, AS AMENDED; THE AGE DISCRIMINATION ACT OF 1975; AND THE REHABILITATION ACT OF 1973, AS AMENDED

The party executing this assurance, being the applicant recipient of Federal financial assistance under the instrument to which this assurance is attached; HEREBY AGREES THAT, as a part of its obligations under the aforesaid instrument, it will comply with Title VI of the Civil Rights Act of 1964 (P.L. 88-352), as amended (42 U.S.C. 2000d), and all requirements imposed by or pursuant to the Directive of the Department of Defense (32 CER Part 300), issued as Department of Defense Directive 5500.11 (December 28, 1964), pursuant to that title; The Age Discrimination Act 1975 (42 U.S.C. 5102); the Rehabilitation Act of 1973, as amended (29U.S.C. 794), to the end that in accordance with the aforementioned Title, Directive and Acts, no person in the United States shall on the ground of race, color, age, sex, religion, handicap or national origin be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination under any program or activity for which the Applicant-Recipient receives Federal financial assistance from the Department of the Army and HEREBY GIVES ASSURANCE THAT it will immediately take measures necessary to effectuate this agreement.

If any personal property or real property, or interest therein, or structure thereon is provided or improved with the aid of Federal financial assistance extended to the applicant-recipient by the Department of the Army, or if such assistance is in the form of personal property or real property, or interest therein or structure thereon, then this assurance shall obligate the applicant-recipient or in the case of any transfer of such property, any transferee, for the period during which the property is used for a purpose for which the Federal financial assistance is extended or for another purpose involving the provision of similar services or benefits, or for the period during which it retains ownership or possession of the property whichever is longer. In all other cases, this assurance shall obligate the applicant-recipient for the period during which the Federal financial assistance is extended to it by the Department of the Army. The Department of the Army representatives will be allowed to visit the recipient's facilities. They will inspect facilities to ensure that there are no barriers to impede the handicap's accessibility in either programs or activities.

THIS ASSURANCE is given in consideration of and for the purpose of obtaining any and all Federal grants, loans, contracts, property, discounts or other Federal financial assistance extended after the date hereof to the applicant-recipient by the Department of the Army, including installment payments after such date on account of arrangements for Federal financial assistance which were approved before such date. The applicant-recipient recognizes and agrees that such Federal financial assistance will be extended in reliance on the representations and agreements made in this assurance, and that the United States shall have the right to seek judicial enforcement of this assurance. This assurance is binding on the applicant-recipient, its successors, transferees, and assignees, and the person or persons whose signatures appear below are authorized to sign this assurance on behalf of the applicant.

Date 3-24-2006

(Applicant-Recipient)

By Virginia Sebbien

Title GENERAL MANAGER

(Applicant-Recipient's Mailing Address)

EXHIBIT 3
CERTIFICATION REGARDING LOBBYING

Memorandum of Agreement between the Department of the Army and the Orange County Water District for the Operation of the Buffer Pool at Prado Dam, California

1. The undersigned certifies, to the best of their knowledge and belief, that:

a. No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

b. If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress or an employee of a Member of Congress in connection with the water supply agreement for the [project name], the undersigned shall complete and submit Standard Form-LLL, "Disclosure of lobbying Activities", in accordance with its instructions. This form is available to users by requesting it telephonically at (202) 761-0116, or by writing to HQUSACE (CECW-A), 20 Massachusetts Avenue, NW, Washington, D.C., 20314-1000.

c. The undersigned shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

2. This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by Section 1352, Title 31 U.S.C. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

SPONSOR

BY



EXHIBIT 4

DISCLOSURE OF LOBBYING ACTIVITIES

Complete this form to disclose lobbying activities pursuant to 31 U.S.C. 1352
(See continuation sheet for public burden disclosure)

<p>1. Type of Federal Action:</p> <p><input checked="" type="checkbox"/> A a. contract <input type="checkbox"/> b. grant <input type="checkbox"/> c. cooperative agreement <input type="checkbox"/> d. loan <input type="checkbox"/> e. loan guarantee <input type="checkbox"/> f. loan insurance</p>	<p>2. Status of Federal Action:</p> <p><input type="checkbox"/> N/A <input type="checkbox"/> a. bid/offer application <input type="checkbox"/> b. initial award <input type="checkbox"/> c. post-award</p>	<p>3. Report Type:</p> <p><input type="checkbox"/> Other - MOA <input type="checkbox"/> a. initial filing <input type="checkbox"/> b. material change</p>
<p>4. Name and address of Reporting Entity:</p> <p><input checked="" type="checkbox"/> Prime <input type="checkbox"/> Subawardee Orange County Water District 10500 Ellis Ave Fountain Valley, CA 92708 Congressional District, if known: 48th</p>		<p>5. If Reporting Entity in No. 4 is Subawardee, Enter Name and Address of Prime:</p> <p>Congressional District, if known:</p>
<p>6. Federal Department/Agency Army Corps of Engineers</p>	<p>7. Federal Program Name/Description N/A</p>	
<p>8. Federal Action Number, if known: N/A</p>	<p>9. Award Amount, if known: \$ N/A</p>	
<p>10 a. Name and Address of Lobbying Entity James McConnell 1130 Connecticut Ave NW Suite 300 Washington, DC 20036</p>	<p>10 b. Individuals Performing Services (Including address if different from No. 10a) (last name, first name, MI):</p> <p>(attach Continuation Sheet(s) if necessary)</p>	
<p>11. Amount of Payment (check all that apply): \$44,400 <input checked="" type="checkbox"/> actual <input type="checkbox"/> planned</p>	<p>13. Type of Payment (check all that apply): <input checked="" type="checkbox"/> a. retainer <input type="checkbox"/> b. one-time fee <input type="checkbox"/> c. commission <input type="checkbox"/> d. contingency fee <input type="checkbox"/> e. deferred <input type="checkbox"/> f. other; specify: _____</p>	
<p>12. Form of Payment (check all that apply): <input checked="" type="checkbox"/> a. cash <input type="checkbox"/> b. in-kind; specify: nature _____ value _____</p>		
<p>14. Brief Description of Services Performed and Date(s) of Service, including officer(s), employee(s), or members(s) contacted, for Payment Indicated in Item 11: Represent the Orange County Water District in Washington D.C. on a variety of federal issues including but not limited to: Annual appropriations for the Groundwater Replenishment System; Increasing GWRS authorization (HR 177/S 2106) Water conservation program at Prado Dam with the Army Corps of Engineers; General water issues (MTBE, CALFED, ESA, etc.); Coordination with other water agencies on federal issues; Relationship building with federal elected officials.</p>		
<p>15. Continuation Sheet(s) attached: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>		
<p>16. Information requested through this form is authorized by title 31 U.S.C. section 1352. This disclosure of lobbying activities is a material representation of fact upon which reliance was placed by the tier above when the transaction was made or entered into. This disclosure is required pursuant to 31 U.S.C. 1352. This information will be reported to the Congress semiannually and will be available for public inspection. Any person who fails to file the required disclosure shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.</p>	<p>Signature: <u>Virginia Grebbien</u> Print Name: <u>VIRGINIA GREBBIEN</u> Title: <u>GENERAL MANAGER</u> Telephone No.: <u>714-378-3220</u> Date: <u>3-24-2006</u></p>	
<p>Federal Use Only:</p>	<p>Authorized for Local Reproduction Standard Form - LLL</p>	

EXHIBIT 4

DISCLOSURE OF LOBBYING ACTIVITIES

Complete this form to disclose lobbying activities pursuant to 31 U.S.C. 1352
(See continuation sheet for public burden disclosure)

1. Type of Federal Action: <input checked="" type="checkbox"/> a. contract <input type="checkbox"/> b. grant <input type="checkbox"/> c. cooperative agreement <input type="checkbox"/> d. loan <input type="checkbox"/> e. loan guarantee <input type="checkbox"/> f. loan insurance		2. Status of Federal Action: <input type="checkbox"/> N/A <input type="checkbox"/> a. bid/offer application <input type="checkbox"/> b. initial award <input type="checkbox"/> c. post-award		3. Report Type: <input type="checkbox"/> Other - MOA <input type="checkbox"/> a. initial filing <input type="checkbox"/> b. material change	
4. Name and address of Reporting Entity: <input checked="" type="checkbox"/> Prime <input type="checkbox"/> Subawardee Orange County Water District 10500 Ellis Ave Fountain Valley, CA 92708 Congressional District, if known: 48th			5. If Reporting Entity in No. 4 is Subawardee, Enter Name and Address of Prime: Congressional District, if known:		
6. Federal Department/Agency Army Corps of Engineers			7. Federal Program Name/Description N/A		
8. Federal Action Number, if known: N/A			9. Award Amount, if known: \$ N/A		
10 a. Name and Address of Lobbying Entity Eric Sapirstein ENS Resources 1747 Pennsylvania Ave. NW Suite 420 Washington DC 20006			10 b. Individuals Performing Services (Including address if different from No. 10a) (last name, first name, MI): (attach Continuation Sheet(s) if necessary)		
11. Amount of Payment (check all that apply): \$ 48,400 _____ <input checked="" type="checkbox"/> actual <input type="checkbox"/> planned			13. Type of Payment (check all that apply): <input checked="" type="checkbox"/> a. retainer <input type="checkbox"/> b. one-time fee <input type="checkbox"/> c. commission <input type="checkbox"/> d. contingency fee <input type="checkbox"/> e. deferred <input type="checkbox"/> f. other; specify: _____		
12. Form of Payment (check all that apply): <input checked="" type="checkbox"/> a. cash <input type="checkbox"/> b. in-kind: specify: nature _____ value _____					
14. Brief Description of Services Performed and Date(s) of Service, including officer(s), employee(s), or members(s) contacted, for Payment Indicated in Item 11: Represent the Orange County Water District in Washington D.C. on a variety of federal issues including but not limited to: Annual appropriations for the Groundwater Replenishment System; Increasing GWRS authorization (HR 177/S 2106) Water conservation program at Prado Dam with the Army Corps of Engineers; General water issues (MTBE, CALFED, ESA, etc.); Coordination with other water agencies on federal issues; Relationship building with federal elected officials.					
15. Continuation Sheet(s) attached: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No					
16. Information requested through this form is authorized by title 31 U.S.C. section 1352. This disclosure of lobbying activities is a material representation of fact upon which reliance was placed by the tier above when the transaction was made or entered into. This disclosure is required pursuant to 31 U.S.C. 1352. This information will be reported to the Congress semiannually and will be available for public inspection. Any person who fails to file the required disclosure shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.			Signature: <u>Virginia Grebbien</u> Print Name: <u>VIRGINIA GREBBIEN</u> Title: <u>GENERAL MANAGER</u> Telephone No.: <u>714-378-3220</u> Date: <u>3-24-2006</u>		
Federal Use Only:			Authorized for Local Reproduction Standard Form - LLL		

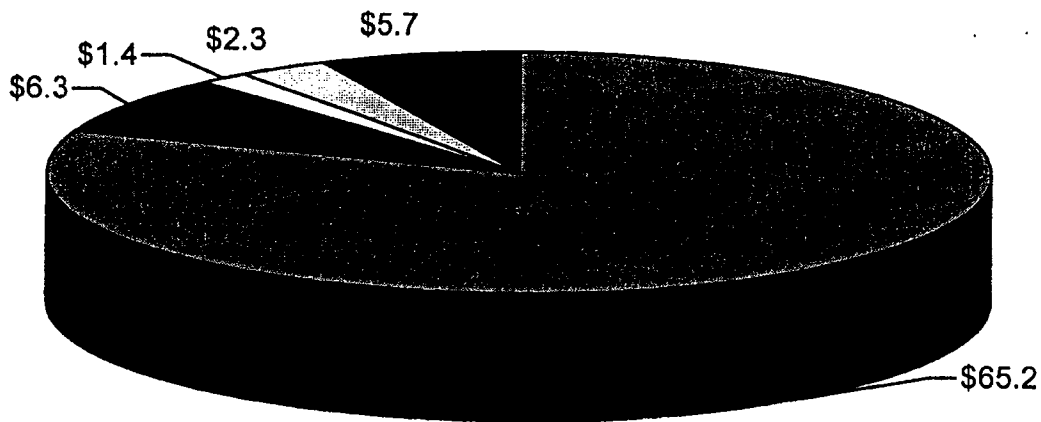
Orange County Water District

Financial Capability to Support the Water Conservation Agreement with the Army Corps of Engineers at Prado Dam

The District maintains a strong financial position and will be easily able to fund the annual operation and maintenance cost necessary to support the water conservation program behind Prado Dam. Additionally, in December 2003 the District paid to the Santa Ana River Conservation Trust Fund \$930,000 as part of a one time mitigation fee requirement for the conservation program.

Annual operating costs associated with the conservation of water at Prado Dam that are attributed to the District will be funding from our General Operating Fund. The District's budgeted operating revenues for Fiscal-Year 2005-06 are \$80.9 Million as shown below. They are primarily comprised of the Replenishment Assessment (RA), which is charged for each acre-foot of groundwater pumped from the groundwater basin. The RA is currently \$205/af.

OCWD FY05-06 Budgeted Operating Revenues (Millions)



■ Replenishment Assessment (\$65.2)	■ Property Tax Revenue (\$6.3)
□ Investment Revenues (\$1.4)	□ Reclaimed Water Program (\$2.3)
■ Other Misc Revenues (\$5.7)	

The District enjoys a competitive rate advantage with the cost of groundwater in that alternative imported water supplies from the Metropolitan Water District of Southern California cost over \$500/af. The local cities and water district's will always maximize their groundwater pumping before purchasing more expensive supplies to meet their water demands. Total water demands within the District are approximately 491,000 af while groundwater production is expected to be 318,000 afy in FY05-06. The large discrepancy between the cost of groundwater and imported water supplies provides the District the flexibility to increase the RA as necessary to fund new expenses.

The District also holds very high credit ratings of AA+ from Standard & Poor's and Fitch along with an aa2 rating from Moody's. These ratings are among the highest for any water agency in the State of California. The ratings reflect the District's fiscal management and competitive rate advantage and allow the District to borrow funds for capital projects at very low interest rates.

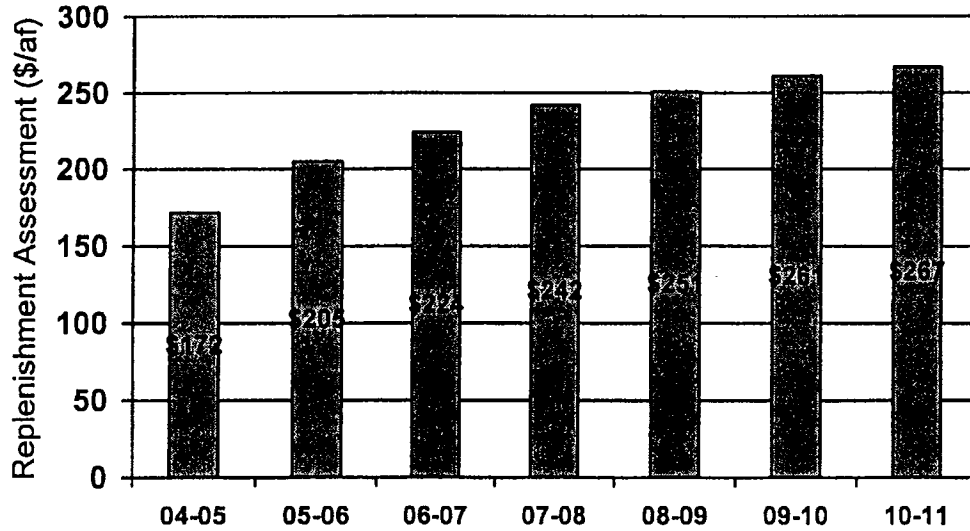
The District expects to have approximately \$51.8 million in operating reserves as shown on the following table by the end of the fiscal year. These reserves are subdivided into different categories but generally insure the District's fiscal integrity by providing funds to meet emergency situations if they arise.

OPERATING RESERVES

RESERVE	PROJECTED YEAR-END FY 05-06 (\$/MILLION)
Debt reserve required by bond covenants	4.6
Operating reserve	12.5
General Contingencies per District Act	3.0
Toxic Clean-up per Board Policy	3.1
Refurbishment and Replacement Fund per Board policy	28.6
OPERATING FUNDS	\$51.8

The District routinely prepares future estimates of the RA, and has the capability to annually modify the RA or deviate from the projections as necessary to accommodate changing conditions. As illustrated below the RA is projected to increase in the near-term.

FIVE-YEAR RATE PROJECTIONS



The District's most recent financial audit completed for the 2004-05 fiscal year by the firm of Leaf and Cole gave the District a "clean" audit indicating no financial irregularities existed.

Signature: Virginia Grebbien

Print Name: Virginia Grebbien

Title: General Manager

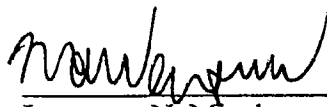
Date: 3-24-2006

Orange County, California
Prado Dam Water Supply Study

April 4, 2006

CERTIFICATION OF LEGAL REVIEW

As District Counsel, I have reviewed the Memorandum Of Agreement (MOA) for the Prado Dam Water Supply/Water Conservation Project, California, under the authority of Public Law 74-738, of the Flood Control Act of June 23, 1936 and Section 110 of Division C of the Consolidated Appropriations Act of 2005, (Public Law 108-447). Based on my review, I have determined that the MOA is legally sufficient and is consistent with the authority for this agreement.

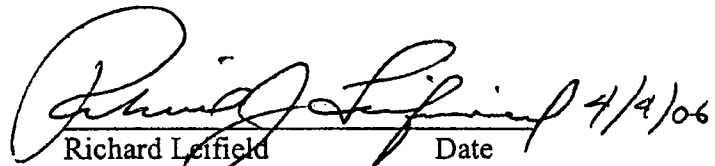

for Lawrence N. Minch 4 April 2006
District Counsel Date
Los Angeles District

Orange County, California
Prado Dam Water Supply Study

April 4, 2006

APPROVAL OF FINANCIAL PLAN

I have reviewed Orange County Water District's Financial Plan for funding the annual payments of this Water Supply/Conservation upgrade under Public Law 74-738, of the Flood Control Act of June 23, 1936 and Section 110 of Division C of the Consolidated Appropriations Act of 2005, (Public Law 108-447) and have found it to be sufficient and acceptable.


Richard Leifield Date 4/4/06
Chief, Civil Projects Branch

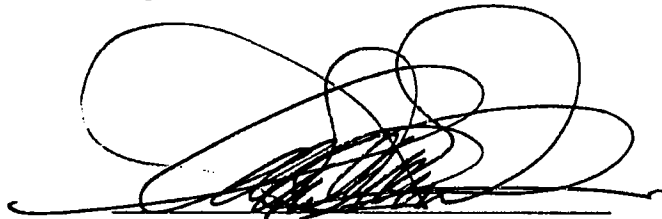
Orange County, California
Prado Dam Water Supply Study

April 4, 2006

ASSESSMENT OF FINANCIAL CAPABILITY
WATER SUPPLY PROJECT UPGRADE
ORANGE COUNTY, CALIFORNIA

The local sponsor for the Prado Water Supply/Conservation Project is Orange County Water District, Orange County, California. The sponsor is committed to providing the coordination and funding for this project. The County's funding for this project will be allocated through its approved annual budgets.

Given the sponsor's commitment to this project, together with the financial plan for the required funds, I am confident that the sponsor is fully capable of fulfilling the requirement under the terms of the Memorandum of Agreement.



Alex C. Dornstaeder
Colonel, U.S. Army
Commanding

Date: 5 APR 06