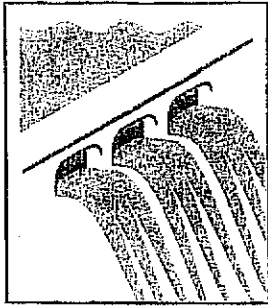


ATTACHMENT "C"



February 26, 2003

Mr. Harry Schueller
Chief Deputy Director
State Water Resources Control Board
P.O. Box 2000
Sacramento, CA 95812-2000

CACHUMA
CONSERVATION
RELEASE BOARD

Carpinteria Valley
Water District

City of Santa Barbara

Goleta Water District

Montecito Water District

Subject: Settlement Agreement Between Cachuma Conservation Release Board, Santa Ynez River Water Conservation District, Santa Ynez River Water Conservation District Improvement District No. 1, and the City of Lompoc, Relating to the Operation of the Cachuma Project

Dear Mr. Schueller:

For some time, the Cachuma Project Member Units have been preparing for the State Water Resources Control Board (SWRCB) hearing on Cachuma Project water right permits 11308 and 11310 to assist the State Water Resources Control Board in determining whether downstream water rights and public trust resources, primarily Southern Steelhead, were adequately protected. As part of that preparation, settlement discussions among several local water agencies have occurred with the objective of reaching resolution of downstream water rights issues, agreement on water releases for fish, and other important issues relating to operation of the Cachuma Project.

I am very pleased to inform you that on December 17, 2002, a comprehensive Settlement Agreement (Settlement Agreement) was entered into by Cachuma Conservation Release Board¹, Santa Ynez River Water Conservation District, Santa Ynez River Water Conservation District Improvement District No. 1, and the City of Lompoc, which resolved longstanding issues among the parties, including some issues related to the Board's continued hearings under Order WR 94-5. The Settlement Agreement took more than two years to negotiate, and includes changes to Cachuma operations that all the signatories fully support.

An executed copy of the Settlement Agreement is enclosed for your information. The Settlement Agreement covers a number of topics. The basic provisions include support of WR 89-18 (with proposed modifications) and the Terms and Conditions of the Cachuma Project Biological Opinion and

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CANYON ROAD
SANTA BARBARA
CALIFORNIA
93105-2017

¹ The Cachuma Conservation Release Board (CCRB) is comprised of the Goleta Water District, the City of Santa Barbara, the Montecito Water District and the Carpinteria Valley Water District.

TEL 805 569-1391
FAX 805 569-5825

Mr. Harry Schueller
Chief Deputy Director
State Water Resources Control Board
February 26, 2003
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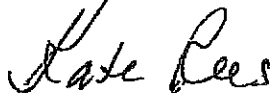
Lower Santa Ynez River Fish Management Plan, as appropriate mechanisms to resolve issues relating to water rights and public trust resources, respectively. Issues relating to the conjunctive operation of water rights and fish releases, as well as water quality issues, are resolved by scheduling arrangements. Additionally, Lompoc has agreed to withdraw its protest to the Cachuma Project Change in Place and Purpose of Use, and the Parties agree to support the Bureau of Reclamation's adoption and continued use of modified winter storm operations during peak flow conditions.

As described in Exhibit C to the Settlement Agreement, we believe the only modifications to WR 89-18 necessitated by the Agreement involve changes to Conditions 5 and 6 and Attachments E, F and H of the Bureau of Reclamation's prior submittal. The Settlement Agreement allows for a ten-year trial period, and reserves the rights of the Parties to return to the State Water Board if water rights issues persist.

We believe the Settlement Agreement is a significant document that will eliminate or greatly reduce the number of issues to be considered at Phase 2 of the hearing relative to the water rights and public trust key issues identified in the Notice of Public Hearing for the Cachuma Project. It is also fully endorsed by the Bureau of Reclamation, holder of the Cachuma Project water rights permits, which they will confirm by a separate letter.

If you have any questions or if I can provide anything further, please contact me at (805) 569-1391.

Very truly yours,



Kate Rees
Manager

Enclosure

cc: Mailing List (each w/encl)

Settlement Agreement Mailing List

Art Kidman
McCormick, Kidman & Behrens
695 Town Center Drive, Suite 1400
Costa Mesa, CA 92626-1924

Gary Keefe, City Administrator (2)
City of Lompoc, City Hall
P. O. Box 8001
Lompoc, CA 93438-8001

Bruce Wales, General Manager
Santa Ynez River Water Conservation District
P. O. Box 719
Santa Ynez, CA 93460

Ernest Conant
Young, Wooldridge, Paulden, Self, Farr & Conant
1800 30th Avenue, 4th Floor
Bakersfield, CA 93301

Chris Dahlstrom, District Manager
Santa Ynez River Water Conservation District, ID#1
P. O. Box 157
Santa Ynez, CA 93460

Greg Wilkinson
Best, Best & Krieger
3750 University Avenue, Suite 400
Riverside, CA 92501

Harry Schueller, Chief
Division of Water Rights
State Water Resources Control Board
P. O. Box 2000
Sacramento, CA 95812-2000

Steve Mack, Water Supply Manager
City of Santa Barbara
P. O. Box 1990
Santa Barbara, CA 93102

Bill Carroll, City Attorney's Office
City of Santa Barbara
P. O. Box 1990
Santa Barbara, CA 93102

Kevin Walsh, General Manager
Goleta Water District
4699 Hollister Avenue
Santa Barbara, CA 93110

Chuck Evans, Director
Cachuma Conservation Release Board
1040 Randolph Road
Santa Barbara, CA 93111

Kate Rees, Manager
Cachuma Conservation Release Board
3301 Laurel Canyon Road
Santa Barbara, CA 93105

Russell Ruiz
Hill & Associates
800 Presidio Avenue
Santa Barbara, CA 93101

Fred Adjarian, General Manager
Montecito Water District
P. O. Box 5037
Santa Barbara, CA 93150

Chip Wullbrandt
Price, Postel & Parma
P. O. Box 99
Santa Barbara, CA 93102

Charles Hamilton, General Manager
Carpinteria Valley Water District
P. O. Box 578
Carpinteria, CA 93104

William Hair
Nordman, Cormany, Hair & Compton
1000 Town Center Drive, 6th Floor
Oxnard, CA 93030

Michael Jackson, Deputy Area Manager
U.S. Bureau of Reclamation
1243 N Street
Fresno, CA 93721

Jo Ann Struebing
U.S. Bureau of Reclamation-MP 440
2800 Cottage Way
Sacramento, CA 95825-1898

Sheryl Carter
U.S. Bureau of Reclamation
1243 N Street
Fresno, CA 93721

Steve Palmer
Office of the Solicitor
U.S. Bureau of Reclamation
2800 Cottage Way
Sacramento, CA 95825-1898

Jan Abel, President
Cachuma Conservation Release Board
1103 Camino Viejo
Santa Barbara, CA 93108

Settlement Agreement Mailing List

Tony Buelna
U.S. Bureau of Reclamation
1243 N. Street
Fresno, CA 93721

Bill Mills
5141 Siesta Lane
Yorba Linda, CA 92886

Don Mooney
Law Office of Donald B. Mooney
129 C Street, Suite 2
Davis, CA 95616

Ali Shahroody
Stetson Engineers
2171 E. Francisco Blvd. , Suite K
San Rafael, CA 94901

Chuck Howard
U.S. Bureau of Reclamation
2800 Cottage Way
Sacramento, CA 95825-1898

Bill Brennan
Central Coast Water Authority
255 Industrial Way
Buellton, CA 93427-9565