

**Appendix 10. Permanent Entitlement
Transfer Policy**

LOST HILLS WATER DISTRICT

**PERMANENT ENTITLEMENT TRANSFER POLICY
(As Amended July 16, 1998)**

The District's policy with respect to the permanent transfer of entitlement to State Water Project ("SWP") water is as follows:

1. The District's entitlement to SWP water ("entitlement") will be allocated among the tracts of land in Service Areas 1 through 9 to determine the amount of entitlement that may be permanently transferred by each holder of title thereto ("landowner") out of the District on the following basis:
 - (a) First, 1.88 acre feet per acre ("AF/Ac") will be allocated to landowners in Service Areas 1 through 9 with the exception of the following landowners: (1) the District; (2) landowners in Service Areas 6E, 8 and 9 who have previously declined to contract for entitlement, (3) landowners of lands which have been stripped of any right to entitlement as a result of the permanent transfer of entitlement for the Kern Water Bank transaction ("KWB Lands"), and (4) landowners of lands previously owned by the District which have been stripped of any right to entitlement.
 - (b) Second, any entitlement in excess of 1.88 AF/Ac will be allocated to the landowners described in paragraph 1(a) hereof who wish to contract for more than 1.88 AF/Ac pro rata on the basis of acreage.

A landowner who contracts for entitlement allocated under paragraph 1(b) hereof will not be allowed to permanently transfer any entitlement out of the District unless and until the entitlement allocated under paragraph 1(b) hereof is first offered to the District at the price the landowner paid the District with no allowance for interest thereon.
2. Permanent transfers of entitlement out of the District will be allowed in the following order:
 - (a) First, the District with respect to entitlement not under contract to any landowner.

- (b) Second, landowners in Zone of Benefit 2 of Improvement District 9 who do not contract for more than 1.88 AF/Ac.
 - (c) Third, landowners in Service Areas 1 through 7, other than landowners in Zone of Benefit 2 of Improvement District 9, who do not contract for more than 1.88 AF/Ac.
 - (d) Fourth, landowners in Service Areas 8 and 9.
 - (e) Fifth, each landowner who contracts for more than 1.88 AF/Ac for any tract of land owned by such landowner or any person closely affiliated with such landowner, as determined by the District.
- 3. Outstanding District debt will be allocated among the service areas in the District pro rata on the basis of the indebtedness originally incurred by the District for each service area. The outstanding debt within a service area will be allocated among the tracts of land in the service area pro rata on the basis of acreage.
 - 4. Any landowner who contracts for more than 1.88 AF/Ac will be required to pay the District at the time of entering into the contract an amount equal to the pro rata share of the outstanding District debt associated with such entitlement.
 - 5. An O&M charge, an ID9 charge, and an administration charge will be established by the District for each transfer.
 - 6. A landowner who wishes to permanently transfer his, her, or its entitlement to SWP water out of the District ("transferor") must pay the following charges to the District prior to the transfer:
 - (a) The transferor's share of the outstanding District debt.
 - (b) The O&M charge, the ID9 charge and the administration charge established by the District.
 - (c) Any charges imposed by the Kern County Water Agency (the "Agency") attributable to the transfer.
 - (d) Any charges imposed by the State of California, acting by and through its Department of

Water Resources (the "State"), attributable to the transfer.

- (e) All due but unpaid District assessments, water charges, or like charges and any penalties, interest and like charges associated therewith.
- (f) Any other transactional costs that the District has or will incur in connection with the transfer.

- 7. A transferor may continue to farm the land from which the entitlement was transferred so long as such farming does not adversely affect other landowners in the District and the District so agrees. If the District delivers water to such lands and has not otherwise established charges for such delivery, the District will establish reasonable charges for such delivery and, in establishing such charges, will consider the payments previously made by the transferor to the District pursuant to paragraph 6 hereof.

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