

Attachment B

Overview of First Amendment Tolling Agreement

In calendar year 2007, DWR and the State water project contractors (individually) entered into tolling and waiver agreements related DWR's financing of certain recreation facility costs. Pursuant to State law, these recreation facility costs must be paid by the State of California general fund and may not be billed or charged to the State Water Project Contractors. The tolling and waiver agreement was executed because of the Contractors disagreed with certain actions undertaken by DWR to cure the impacts of the previously financed recreation costs.

The Water Supply Agreements between DWR and the individual Contractors states that the Contractors must file a letter of protest for those costs and charges included in the annual Statement of Charges to which the Contractors believe are incorrect or inconsistent with the Contract, and that the protest letter must be submitted to DWR within 10 days of the due date of the first payment, which is December 21st.

One of the items included in the previously executed tolling agreement was the extension of time necessary to file a letter of protest on the calendar year 2007 Statement of Charges for any charges the Contractors believe are calculated or included incorrectly. Therefore, the actions undertaken by DWR in the 2007 Statement of Charges to address the financed recreation facility costs were tolled until the December 31, 2008 expiration of the tolling agreement.

DWR will be distributing the calendar year 2008 Statement of Charges in late December 2007. The 2008 Statement of Charges also includes certain costs and charges related to the actions taken by DWR to cure the financed recreation facility costs previously described. As such, the Contractors have requested that DWR include the 2008 Statement of Charges in the tolling and waiver agreement as an amendment to that agreement, so that the time to file a protest letter on the 2008 Statement of Charges is also extended to the December 31, 2008 expiration of the tolling agreement. DWR has agreed to the Contractors request and the amendment to the tolling agreement is attached.