

DELIVERY AND EXCHANGE AGREEMENT
BETWEEN METROPOLITAN AND COACHELLA
FOR 35,000 ACRE-FEET

This Delivery and Exchange Agreement ("Agreement") is entered into this tenth day of October, 2003, by and between the Coachella Valley Water District, a public agency ("CVWD"), and The Metropolitan Water District of Southern California, a public agency ("Metropolitan"). CVWD and Metropolitan are sometimes referred to individually as a "Party" or collectively as the "Parties."

RECITALS

- A. On July 7, 1983 the Parties, along with the Desert Water Agency ("Desert") entered into separate agreements for delivery by Metropolitan of Colorado River water to Desert and CVWD in exchange for an equal amount of Desert's and CVWD's water from the State Water Project (the "1983 Exchange Agreements");
- B. Subject to an early cancellation provision, the 1983 Exchange Agreements extended the exchange of Metropolitan's Colorado River water for Desert's and CVWD's State Water Project water that had been in effect under agreements executed in 1967 until the end of the term of CVWD's and Desert's State Water Contracts, but in no event beyond the year 2035;
- C. On June 28, 1984 the Parties, including Desert, entered into an agreement which allowed Metropolitan to deliver exchange water to Desert and CVWD in advance of Metropolitan receiving their State Water Project water ("1984 Advance Delivery Agreement");
- D. This Agreement is independent of the 1983 Exchange Agreements and 1984 Advance Delivery Agreement;
- E. The Quantification Settlement Agreement entered into on or about October 10, 2003 ("Quantification Settlement Agreement"), among Imperial Irrigation District ("Imperial"), CVWD and Metropolitan provides that Metropolitan is to transfer to CVWD for a specified time period the right to utilize thirty-five thousand acre-feet (35,000 AF) of water available from Metropolitan's State Water Project entitlement ("Annual Table A Amount") pursuant to Metropolitan's State Water Project contract dated November 4, 1960, as amended from time to time, in return for which the transfer water will be exchanged for Colorado River water ("Delivery and Exchange");
- F. This Delivery and Exchange is separate and apart from a potential transfer for a specified time period of Table A water resulting from a transfer of one-hundred thousand acre feet ("100,000 AF") of Metropolitan's State Water Project Table A Amount amongst Metropolitan, CVWD and Desert. The Parties hereto and Desert shall meet in good faith from time to time, to conclude negotiations regarding the potential utilization and

exchange of the aforesaid 100,000 AF. The foregoing potential transfer shall not be contingent upon a proposed Metropolitan-CVWD conjunctive use program; and

- G. Except as specifically provided herein, the Parties do not intend to, and under the Agreement do not in any way, transfer, assign, encumber, or grant to each other any ownership interest in or control over each other's water rights, nor do they intend in any way to define, modify or agree on the proper use, purposes or limits of each other's water rights.

ARTICLE 1

DEFINITIONS

1.1 **Incorporated Definitions.** For purposes of this Agreement, the terms with initial capital letters shall have the meanings set forth in the Quantification Settlement Agreement or in the Acquisition Agreement Between CVWD and Metropolitan, dated on or about October 10, 2003, and Metropolitan's and Coachella's State Water Contracts, unless the context otherwise requires.

1.2 **Coachella's State Water Contract.** Contract between Coachella and State Department of Water Resources for a water supply dated March 29, 1963, as amended from time to time prior to this Agreement.

1.3 **Costs of Supply Payment** shall have the meaning set forth in Section 2.7 (Costs of Supply).

1.4 **Due Date.** Payment of amounts shall be due and owing on the tenth (10th) business day of the month following the receipt of such invoice.

1.5 **DWR.** California Department of Water Resources.

1.6 **Effective Date** shall have the meaning set forth in Section 3.1 (Term).

1.7 **Entitlement Water** has the meaning set forth in Section 2.1 (Delivery).

1.8 **Exchange Water** shall have the meaning set forth in Section 2.5 (Exchange Water).

1.9 **Metropolitan's State Water Contract.** That contract between Metropolitan and the State Department of Water Resources for a water supply dated November 1, 1960, as amended from time to time prior to and subsequent to this Agreement.

1.10 **Metropolitan's State Water Project Water.** Water which Metropolitan has a right to receive pursuant to Metropolitan's State Water Contract.

1.11 **Points of Delivery** shall have the meaning set forth in Section 2.6 (Points of Delivery).

1.12 **State Water Project**. Part of the State Water Resources Development System, authorized and constructed pursuant to Section 12930, *et seq.*, of the Water Code, to deliver water to various public agencies throughout the State, including Metropolitan and CVWD.

1.13 **Supplemental Energy**. Discretionary energy purchases made by Metropolitan in excess of the energy obtained by Metropolitan from Hoover and Parker Dam Power Plants, Southern California Edison contractual benefit energy or Southern California Edison and/or DWR Exchange Energy to pump water on the Colorado River Aqueduct.

1.14 **Whitewater Service Connections**. Those water delivery service connections located along the Colorado River Aqueduct at Station 09704+56 and Station 09380+55, or at other locations as mutually agreed upon by the parties.

1.15 **Annual Table A Amount and Entitlement** are interchangeable terms.

ARTICLE 2

DELIVERY AND EXCHANGE

2.1 **Delivery**. Pursuant to and subject to Metropolitan's State Water Contract and this Agreement, Metropolitan shall deliver to CVWD as of January 1 of the first year following the Effective Date and ending on the Termination Date, thirty-five thousand acre-feet (35,000 AF) of water available from Metropolitan's State Water Project Annual Table A Amount ("Entitlement Water").

2.2 **Consent of DWR**. CVWD and Metropolitan shall jointly seek the approval of DWR for the delivery of Metropolitan Entitlement Water under the terms and conditions of this Agreement. CVWD and Metropolitan shall also jointly seek any other approvals needed for the delivery of this Entitlement Water. Each party shall bear its own costs in procuring any such necessary approvals.

2.3 **Consultation**. Metropolitan and CVWD staff shall meet and consult by September 1st of each calendar year to discuss scheduling of water deliveries, and other operational issues as needed.

2.4 **Transfer Water Order**. On or by October 1st of each calendar year, Metropolitan shall include in its order to DWR 35,000 AF of Entitlement Water, unless eliminated or reduced pursuant to Section 2.10 (Requests to Eliminate or Reduce Water Delivered).

2.5 **Exchange Water**. All deliveries of Entitlement Water, of whatever amount is made available by DWR as a result of the order made pursuant to Section 2.4 (Transfer Water

Order), shall be exchanged with Metropolitan for 35,000 AF of Metropolitan's Colorado River water ("Exchange Water").

2.6 Points of Delivery. For purposes of this Agreement, the Entitlement Water shall be considered as delivered to CVWD by Metropolitan as Exchange Water at Imperial Dam, the Whitewater Service Connections, or through the Advance Delivery Agreement ("Points of Delivery"). CVWD shall be responsible for arranging delivery of the Exchange Water to CVWD's Service Area from these points of delivery. Except when, as permitted by this Agreement, Exchange Water is delivered through the Advance Delivery Agreement it shall be delivered at Imperial Dam unless CVWD and MWD agree that a delivery shall be made at the Whitewater Service Connections. In making the determination regarding delivery of Exchange Water at Imperial Dam or at the Whitewater Service Connections, the Parties shall cooperate to deliver Exchange Water at the point of delivery which provides the maximum flexibility to CVWD, except that delivery shall be arranged at Imperial Dam when Metropolitan determines that it needs to optimize the use of the Colorado River Aqueduct.

2.7 Costs of Supply. CVWD shall purchase the Entitlement Water from Metropolitan at a payment ("Costs of Supply Payment"), equivalent to \$60 per acre-foot in year 1999. This Costs of Supply Payment shall be annually adjusted according to the percentage change in State Water Project variable water delivery costs incurred compared to those costs incurred in the base year 1999. State Water Project variable water delivery costs shall include variable OMP&R, off-aqueduct power facilities charges, and future State Water Project costs paid by Metropolitan for variable water delivery costs and associated credits. An example of this adjustment is attached and incorporated into this Agreement as Exhibit "A."

2.8 Costs of Delivery of Entitlement Water. Metropolitan shall request DWR, as operator of the State Water Project, to deliver the Entitlement Water to Metropolitan at the Devil Canyon Afterbay (Reach 26A). Metropolitan shall pay to DWR all costs for the delivery of Entitlement Water.

2.9 Costs of Delivery of Exchange Water. Metropolitan shall arrange for the delivery of Exchange Water to CVWD at the points of delivery set forth in Section 2.6 (Points of Delivery). CVWD shall be responsible for any costs and arrangements associated with the transportation of the Exchange Water from Imperial Dam through the All American and Coachella Canals after delivery at Imperial Dam. If the Exchange Water is delivered at the Whitewater Service Connections, CVWD shall pay Metropolitan the Supplemental Energy Cost for delivery of the Exchange Water.

2.10 Requests to Eliminate or Reduce Water Deliveries.

2.10.1 CVWD Requests. CVWD may request that Metropolitan not deliver all or a portion of Exchange Water for a given year. Such request shall be made by September 1st of each year for deliveries to be made and/or arranged in the following calendar year. At its option, Metropolitan may accept or deny such request with Metropolitan's response due 30 days from CVWD's request. If Metropolitan accepts the request, Metropolitan shall not deliver the amount of the reduction in Exchange Water to CVWD in the following year and CVWD shall only make

the Costs of Supply Payment and the payment otherwise required by Section 2.9 (Costs of Delivery of Exchange Water) for the accepted reduced amount. If Metropolitan denies the request, CVWD shall remain obligated for making the Costs of Supply Payment to Metropolitan whether or not CVWD takes physical delivery of the Exchange Water for that year, as well as any payment otherwise required by Section 2.9 (Costs of Delivery of Exchange Water). If CVWD requests an increase in the amount of the Exchange Water during the calendar year, CVWD shall pay Metropolitan the Costs of Supply Payment and the payment otherwise required by Section 2.9 (Costs of Delivery of Exchange Water) no later than 10 days after Metropolitan's approval of the request, which shall be the Due Date for such payments.

2.10.2 Metropolitan Requests. Metropolitan may request that CVWD not take delivery of all or a portion of Exchange Water for a given year due to water shortages in Metropolitan's service area. Such request may be made at any time. At its option, CVWD may accept or deny such request with CVWD's response due 30 days from Metropolitan's request. If CVWD accepts such request or fails to respond within thirty (30) days, Metropolitan shall not be obligated to deliver Exchange Water for that year and CVWD shall not be obligated to make costs of supply payment to Metropolitan. If CVWD denies such request, Metropolitan shall be obligated to deliver Exchange Water under the terms of this Agreement.

2.11 Payment.

2.11.1 Payment Schedule. Metropolitan shall pay DWR the costs associated with the Entitlement Water including delivery. Metropolitan shall, on or after June 30 of each year invoice CVWD for the adjusted \$60.00 per acre-foot for 35,000 AF of water for that calendar year pursuant to Section 2.7 (Costs of Supply) plus all other costs pursuant to Section 2.9 (Costs of Delivery of Exchange Water). If less than 35,000 AF are delivered or adjustments are made by DWR to past billings, those additional costs or credits will be incorporated by Metropolitan into a subsequent billing of CVWD. Metropolitan shall provide billings and adjustments on an annual basis.

2.11.2 Method of Payment to CVWD. Every payment to CVWD required under this Agreement must be made in lawful money of the United States of America, to the order of CVWD and paid by wire transfer. The initial wire transfer instructions are as follows:

COACHELLA VALLEY WATER DISTRICT

Wire to:

Union Bank of California
445 S. Figueroa Street
Los Angeles, CA 90071
ABA No. 122000496
Contact Person: Donna Tredway

Credit to:

Coachella Valley Water District
Account No. 2740013028

CVWD may change these wire transfer instructions by giving notice in accordance with Section 4.9 (Notices) below.

2.11.3 Method of Payment to Metropolitan. Any payment to Metropolitan that may be required under this Agreement must be made in lawful money of the United States of America, to the order of Metropolitan and paid by wire transfer. The initial wire transfer instructions are as follows:

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Wire to:

Bank of America

Metropolitan Water District of Southern California

Credit to:

Account No. 1459350937

ABA No. 121000358

Metropolitan may change these wire instructions by giving notice in accordance with Section 4.9 (Notices) below.

2.11.4 Delinquent Payments. Payment of the amounts required by this Agreement shall be delinquent if not received by CVWD or Metropolitan, as appropriate before the close of crediting activity on the Due Date. In the event that a Party is delinquent in the payment of any amount required, that Party shall pay an additional charge equal to two percent (2%) of the delinquent payment each month or portion thereof that such payment remains delinquent, provided however, that if the total period of delinquency does not exceed five (5) business days, the additional charge shall be equal to one percent (1%) of the delinquent payment.

2.12 Use of Water. CVWD shall not, absent the express written consent of Metropolitan, transfer, sell or permit usage of the Entitlement Water or the Exchange Water outside of its boundaries.

2.13 Reliability of Exchange Water. The Parties hereto acknowledge that DWR cannot guarantee the delivery of State Water Project Water, including the Entitlement Water, due to acts of God or reasons beyond the control of DWR, including without limitation dry hydrology. Notwithstanding the foregoing, Metropolitan shall be obligated to deliver annually to CVWD the full 35,000 AF of Exchange Water provided that CVWD is in compliance with its obligations under this Agreement and that CVWD has not made a request pursuant to Section 2.10 (Request to Eliminate or Reduce Deliveries). If CVWD has requested a reduction which has been approved by Metropolitan, Metropolitan shall be subject to the requirements of this Section as to such approved reduced amount.

2.14 **Advance Delivery of Exchange Water.** Metropolitan may opt to deliver to CVWD its full allocation of Exchange Water from stored advance delivery water as provided for in the 1984 Advance Delivery Agreement (including any future amendments). In such case, such stored advance delivery water shall be deemed delivered to CVWD. It shall be CVWD's obligation to access such water.

2.15 **Operational Discretion.** If deliveries are at the Whitewater Service Connections, Metropolitan's Chief Executive Officer shall have the right, upon giving reasonable written notice in advance thereof to CVWD, to control, curtail, interrupt or suspend the delivery of the Exchange Water to CVWD through the Colorado River Aqueduct whenever he/she shall reasonably determine that any such action is required for the proper inspection, repair, maintenance or operation of the Colorado River Aqueduct. Such notice shall be given to CVWD in the same manner as Metropolitan would notify a member agency pursuant to Metropolitan's Administrative Code. Metropolitan shall if possible deliver to CVWD the full 35,000 AF of Exchange Water in a year where there is such a shutdown of the Colorado River Aqueduct.

2.16 **Measurements of Deliveries.**

2.16.1 **Entitlement Water.** Deliveries of Entitlement Water shall be measured by measuring devices and equipment installed at the delivery structures for delivery of water from the State Water Project pursuant to Metropolitan's State Water Contract. All costs with respect to such measuring devices and equipment shall be borne by Metropolitan as provided in Article 11 of Metropolitan's State Water Contract, except that costs incurred for inspection of such devices and equipment made by or at the request of CVWD shall be paid or reimbursed to Metropolitan by CVWD.

2.16.2 **Exchange Water.** All Exchange Water delivered by Metropolitan to CVWD at the Whitewater Service Connections shall be measured by measuring devices and equipment installed at the delivery structure or structures at which Exchange Water is delivered by Metropolitan to CVWD. CVWD shall have the right, at any time, to require that any such device at the Whitewater Service Connections be tested for accuracy. Costs of testing measuring devices for Exchange Water shall be at the expense of the requesting party.

2.17 **Cessation of Deliveries.**

2.17.1 **Exchange Water.** Metropolitan shall not be liable to CVWD for any damages or liability arising from a failure of Metropolitan to deliver Exchange Water, which failure results either from a cessation or reduction of flow of water in the Colorado River Aqueduct below the quantities required from time to time for delivery to CVWD under this Agreement or from Metropolitan's exercise of rights pursuant to Section 2.14 (Advance Delivery of Exchange Water). CVWD shall defend and indemnify Metropolitan, its directors, officers, employees, agents, and representatives from and against any and all claims and liabilities which may result in any manner or to any extent from any such failure, or from any action or inaction by CVWD or its directors, officers, employees, agents or representatives done or made with respect to the receipt and

distribution by CVWD of the Exchange Water, including but not limited to, the construction, reconstruction, operation, maintenance, removal and repair of facilities necessary or used therefor.

2.17.2 **Entitlement Water.** CVWD shall not be liable to Metropolitan for any damages or liability arising from a failure of DWR to deliver the Entitlement Water to Metropolitan, which failure results from a cessation or reduction of flow of water in the State Water Project below the quantities required from time to time for delivery to Metropolitan under this Agreement. Metropolitan shall defend and indemnify CVWD, its directors, officers, employees, agents and representatives from and against any and all claims and liability which may result in any manner or to any extent from any such failure, or from any action or inaction by Metropolitan, its directors, officers, employees, agents or representatives done or made with respect to the receipt and distribution by Metropolitan of the Entitlement Water, including but not limited to, the construction, reconstruction, operation, maintenance, removal and repair of facilities necessary or used therefore.

ARTICLE 3

TERM

3.1 **Term.** The term of this Agreement shall commence on the effective date ("Effective Date") of the Quantification Settlement Agreement and shall end, on the earlier of the termination of the Quantification Settlement Agreement, or the expiration of Metropolitan's State Water Project Contract. So long as the Quantification Settlement Agreement has not terminated and Metropolitan's State Water Project Contract has been extended or replaced with a longer term agreement, this Agreement will automatically renew for a period coincident with the Quantification Settlement Agreement or the term of Metropolitan's State Water Project Contract, whichever terminates earlier.

3.2 **Effect of Termination.** At the end of the term of this Agreement, Metropolitan's obligation to deliver the Entitlement Water shall end. If a claim arising under this Agreement has not been resolved such provisions of this Agreement shall continue in full force and effect as are necessary for the purpose of resolving such claims to satisfy the rights and obligations of the Parties hereto. Upon resolution of any such claims, this Agreement shall terminate.

GENERAL PROVISIONS

4.1 **Force Majeure.** If the performance, in whole or in part, of the obligations of the respective parties under this Agreement is hindered, interrupted or prevented by wars, strikes, lockouts, fire, acts of God or by other acts of military authority, or by any cause beyond the control of the respective parties hereto, whether similar to the causes herein specified or not, such obligations of the respective parties under this Agreement shall be suspended to the extent and for the time the performance thereof is affected by any such act. Upon the cessation of any such hindrance, interruption or prevention, both parties shall become obligated to resume and continue performance of their respective obligations under this Agreement. Notwithstanding any

act described in this Section, the parties shall diligently undertake all reasonable effort to perform this Agreement.

4.2 **Inspection of Records.** Each Party shall maintain and make available for inspection by the other Party, during regular office hours, accurate records pertaining to the times and amounts of Exchange Water and Entitlement Water deliveries and to the costs, disbursements and receipts with respect to the delivery of the Exchange Water and the Transfer Water.

4.3 **Ambiguities.** Each Party and its counsel have participated fully in the drafting, review and revision of this Agreement. A rule of construction to the effect that ambiguities are to be resolved against the drafting Party will not apply in interpreting this Agreement, including any amendments or modifications.

4.4 **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of California.

4.5 **Binding Effect; No Assignment.** This Agreement is and will be binding upon and will inure to the benefit of the Parties and, upon dissolution, the legal successors and assigns of their assets and liabilities. Neither Party may assign any of its rights or delegate any of its duties under this Agreement. Any assignment or delegation made in violation of this Agreement is void and of no force or effect.

4.6 **Representations.** Any person signing this Agreement represents that he/she has full power and authority to do so, and, that his/her signature is legally sufficient to bind the Party on whose behalf he/she is signing.

4.7 **Enforceability; Waiver.** In the event that any term or condition of this Agreement is determined to be invalid, illegal or otherwise unenforceable, such determination shall have no effect on the other terms and conditions which shall continue to be binding on the Parties hereto. Lack of enforcement of any term or condition of this Agreement shall not be construed as a waiver of any rights conferred by such term or condition. Unless otherwise agreed to in writing, the failure of any Party to require the performance by any other Party of any provision hereof shall in no way affect the full right to require such performance at any time thereafter, nor shall the waiver of any provision hereof on one occasion be taken or held to be a waiver of the provision itself.

4.8 **Entire Agreement.** This Agreement contains the entire understanding of the Parties with respect to the 35,000 AF Entitlement Delivery and Exchange between Metropolitan and CVWD that is the subject of this Agreement, and supercedes any prior and contemporaneous understandings or agreements of the Parties. Neither Party has been induced to enter into this Agreement by, nor is either Party relying on, any representation or warranty outside those expressly set forth in this Agreement. This Agreement can be amended only in writing signed by both Parties.

4.9 **Notices.** Any communication, notice or demand of any kind whatsoever which any Party may be required or may desire to give to or serve upon the other Party, shall be in writing and delivered by personal service (including express or courier service), by electronic communication, whether by telex, telegram or telecopying, if confirmed in writing, sent by registered or certified mail, postage prepaid, return receipt requested, or by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

CVWD: Coachella Valley Water District
Attention: General Manager-Chief Engineer
P.O. Box 1058
Coachella, California 92236

For personal or overnight delivery:

Coachella Valley Water District
Attention: General Manager-Chief Engineer
Avenue 52 and Highway 111
Coachella, California 92236

Telephone: 760-398-2651
Fax: 760-398-3711

Metropolitan: The Metropolitan Water District of
Southern California
Attention: Chief Executive Officer
P.O. Box 54153
Los Angeles, California 90054-0153

For personal or overnight delivery:

The Metropolitan Water District of
Southern California
Attention: Chief Executive Officer
700 N. Alameda Street
Los Angeles, California 90012

Telephone: 213-217-6000
Fax: 213-217-6650

Any Party may change its address for notice by written notice given to the other Party in the manner provided in this section. Any such communication, notice or demand shall be deemed to have been duly given or served on the day personally served, if by personal service; one (1) day after the date of confirmed dispatch, if by electronic communication, or three (3) days after being placed in the U.S. mail, if mailed. A correctly addressed notice that is refused, unclaimed, or undeliverable because of an act or omission by the Party to be notified will be deemed effective

as of the first date that that notice was refused, unclaimed, or deemed undeliverable by the postal authorities, messenger, or overnight delivery service.

4.10 **Further Performance.** Each Party agrees to perform any further acts and to execute and deliver any documents, which may be reasonably necessary to carry out the provisions of this Agreement.

4.11 **Time of the Essence.** Time is of the essence of and under this Agreement and of every provision thereof.

4.12 **Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which, when taken together, shall constitute one and the same instrument. The signature page of any counterpart may be detached therefrom without impairing the legal effect of the signature(s) thereon, provided such signature page is attached to another counterpart identical thereto, except for having additional signature pages executed by other Parties to this Agreement attached thereto.

4.13 **No Third-Party Rights.** This Agreement is made solely for the benefit of the Parties and their respective permitted successors and assigns, if any. Except for such a permitted successor or assign, no other person or entity may have or acquire any right by virtue of this Agreement.

4.14 **Attorney's Fees.** In the event of any legal action or proceeding arising from or related in any way to breach of or enforcement or interpretation of this Agreement, the prevailing party shall be entitled to recover from the other party or parties reasonable attorney's fees and court costs in such amounts as shall be allowed by the court.

4.15 **Retention of Water Rights.** Except as specifically provided for herein, this Agreement shall not be construed as a conveyance, abandonment or waiver of any water right, nor shall it be construed as conferring any right whatsoever upon any person, firm, corporation or other public or private entity not a party to this Agreement.

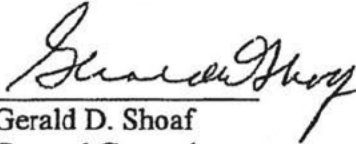
4.16 **Recitals.** All of the Recitals are hereby incorporated by this reference to the same extent as though herein set forth.

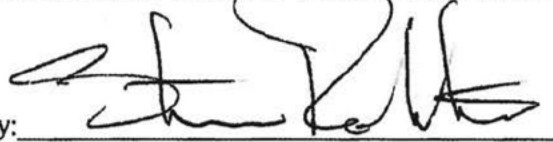
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4.17 **Dispute Resolution.** In the event of a dispute, within thirty (30) days of the Parties identifying the existence of a dispute, the General Manager of CVWD and the Chief Executive Officer of Metropolitan shall meet and attempt to resolve the dispute to their mutual satisfaction. Any such resolution shall be in writing and be binding on the Parties.

Approved as to Form:

COACHELLA VALLEY WATER DISTRICT

By: 
Gerald D. Shoaf
General Counsel

By: 
Steve Robbins
General Manager-Chief Engineer

Approved as to Form

THE METROPOLITAN WATER DISTRICT OF
SOUTHERN CALIFORNIA

By: 
Jeffrey Kightlinger
General Counsel

By: 
Ronald R. Gastelum
Chief Executive Officer

EXHIBIT A

Adjustment to Cost of Supply

Basic Formula/Definition of Terms

Adjusted Cost of Supply = (35,000 AF) x (\$60/AF) x (Adjustment Factor)

Adjustment Factor = (Current Year's Unit Power Costs / 1999 Unit Power Cost)

Current Year's Unit Power Costs = Melded Variable OMP&R and Off-Aqueduct Power
Facility Costs + Future (Unidentified) Variable Cost

1999 Unit Power Cost = 1999 Melded Variable OMP&R and
Off-Aqueduct Power Facility Costs

Example Calculation for Year 2001

Assumptions:

Melded Variable OMP&R and
Off-Aqueduct Power Facility Cost for 2001 = 25.0 Mills/KWhr

Future (Unidentified) Variable Cost = 0 Mills/KWhr

Melded Variable OMP&R and
Off-Aqueduct Power Facility Cost for 1999 = 19.43 Mills/KWhr

Adjustment Factor Calculation:

$(25.0 \text{ Mills/KWhr} + 0 \text{ Mills/KWhr}) / (19.43 \text{ Mills/KWhr}) = 1.287$

Adjustment Cost of Supply Calculation:

$(35,000 \text{ AF}) \times (\$60/\text{AF}) \times (1.287) = \$2,702,007$

THE HIGH AND LOW DESERT REGIONS STATE WATER PROJECT

A Robust Water Grid Driving Economic Growth and Quality of Life



California's High and Low Desert Regions would not be the same without the State Water Project (SWP), a foundational network woven into the fabric of the community.

THE SWP PROVIDES



30%

of the High Desert's average annual water supply



15%

of the Low Desert's average annual water supply



1.2
million residents

in the High and Low Desert regions with high-quality water daily for their homes and businesses



186,500
acre-feet

of high-quality, clean drinking water in an average year

THE STATE WATER PROJECT PROVIDES WATER THAT THE HIGH AND LOW DESERT REGIONS CAN COUNT ON



High and Low Desert legislative districts representing areas that depend on the SWP

Assembly Districts (AD) Senate Districts (SD)

AD 33 - Obernolte	SD 16 - Grove
AD 36 - Lackey	SD 21 - Wilk
AD 40 - Ramos	SD 23 - Morrell
AD 41 - Holden	SD 28 - Stone
AD 42 - Mayes	SD 40 - Hueso
AD 47 - Reyes	
AD 56 - Garcia	
AD 61 - Medina	

The SWP fuels the High Desert's booming aerospace and defense industries and the Low Desert's thriving agriculture and tourism economy.

THE SWP SUPPORTS



30,000+
jobs annually

in the High Desert aerospace industry*



\$3
billion annually*

in economic activity from Edwards Air Force Base and the China Lake Naval Air Weapons Station, adding 12,500 jobs to the High Desert region**



\$7
billion annually

from tourism in the Low Desert, supporting over 51,000 jobs***

*Greater Antelope Valley Economic Alliance **Edwards Air Force Base Economic Impact Analysis, Fiscal Year 2014 ***Greater Palm Springs Convention & Visitors Bureau Study, 2017
©2019 GAVEA Economic Roundtable Report at: www.socalleadingedge.org/resources/studies

CONSISTENTLY BRINGING CLEAN WATER HOME TO YOU

The SWP is California's most critical infrastructure and must be maintained for future generations. Because of the system's significance, it is vital to appreciate the momentous work being done behind the scenes every day to keep water running in the High and Low Desert regions. ***We must not underestimate the important management and operation efforts in place to make the SWP possible for most of California.***

AN IRREPLACEABLE SOURCE OF AFFORDABLE, HIGH-QUALITY WATER

One acre-foot is equivalent to 326,000 gallons, or enough water to supply 1-2 households for an entire year. Without the SWP, the Desert regions would need to replace about

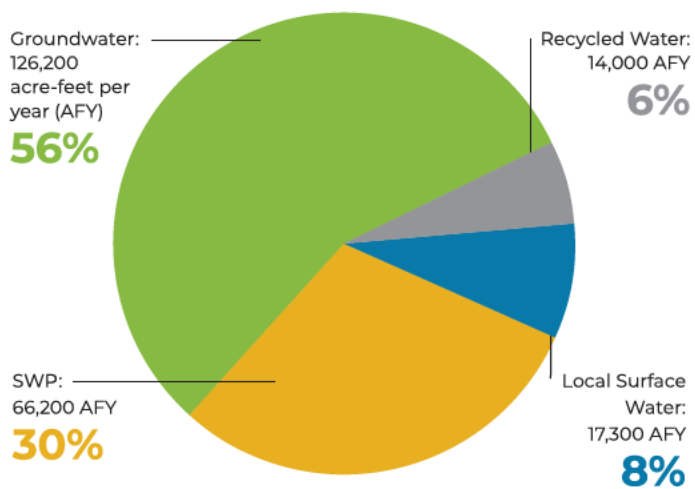
186,500 acre-feet per year of high-quality water supply. **That's enough water to fill the Indian Wells Tennis Garden over 5,000 times.**

THE STATE WATER PROJECT SYSTEM

A Foundational Source of Water Supply for the High Desert

The High Desert sits within an adjudicated groundwater basin, with limits on the amount of water that can be pumped from the ground. Not only does the SWP help replenish the groundwater basins that the entire region depends on, surplus imported water from the SWP is banked in the basins during wet years so that it can be used to help meet demand in dry years.

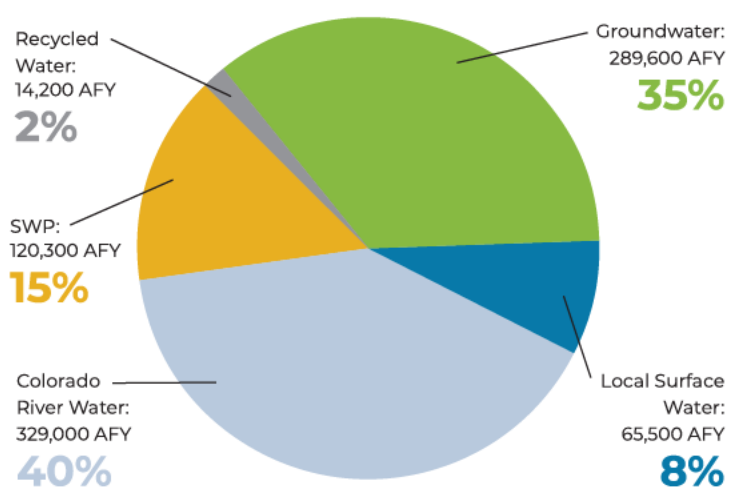
HIGH DESERT REGIONAL WATER SUPPLY SOURCES



A Vital Part of Regional Water Supply Now and Well Into the Future

California's Low Desert region relies heavily on imported water. Public water agencies in the Low Desert are hard at work increasing their water management efficiencies and conservation measures. With reductions in Colorado River water continuing, the SWP will remain critical as the region diversifies and expands its sources of water supplies.

LOW DESERT REGIONAL WATER SUPPLY SOURCES



Imported SWP water and local surface water replenish the groundwater aquifer supply to replace groundwater pumped throughout the year. The Desert Water Agency and the Coachella Valley Water District have a combined total SWP Table A allotment of 194,100 AFY. On average, 120,342 AFY is delivered for groundwater recharge.

DEPARTMENT OF WATER RESOURCES

1416 NINTH STREET, P.O. BOX 942836
SACRAMENTO, CA 94236-0001
(916) 653-5791



October 10, 2003

Mr. Steve Robbins
General Manager - Chief Engineer
Coachella Valley Water District
Post Office Box 1058
Coachella, California 92236-1058

Mr. Ron Gastelum
President and CEO
Metropolitan Water District of Southern California
700 North Alameda Street
Los Angeles, California 90012

I am in receipt of your proposed "Transfer and Exchange Agreement for 35,000 acre-feet" that will be entered into between your two agencies. This Agreement will be one of the agreements related to the implementation of the Quantification Settlement Agreement executed among Imperial Irrigation District, Coachella Valley Water District and Metropolitan Water District of Southern California. Because the QSA sets aside longstanding disputes regarding the transfer and use of Colorado River water in California, the Department of Water Resources supports the 35,000 af Transfer Agreement.

The Agreement will provide for the delivery of a portion of MWD's Colorado River supply to CVWD to facilitate a transfer of MWD's State Water Project water. Under the terms of this Agreement, the Department will continue to deliver the SWP water under the long-term water supply contract between DWR and MWD to an existing point of delivery in MWD's service area at MWD's request. MWD will continue to meet all its obligations, including financial, for the 35,000 af, as required under the long-term water supply contract. The point of delivery and the amount and rate of delivery permitted under MWD's contract would not be changed by this proposal. Accordingly, the proposal comports with existing contractual terms and does not require the Department to take any action.

Congratulations on your accomplishment. If you have any questions or need further information, please call me at (916) 653-7007 or Dan Flory, Chief of DWR's State Water Project Analysis Office, at (916) 653-4313.

Sincerely,

A handwritten signature in black ink that reads "Stephen M. Spear".
for Michael J. Spear
Interim Director

cc: Mr. John Coburn
General Manager
State Water Contractors
455 Capitol Mall, Suite 220
Sacramento, California 95814