

SYSTEM CONSERVATION IMPLEMENTATION AGREEMENT ("SCIA")
BETWEEN THE UNITED STATES BUREAU OF RECLAMATION AND
THE SOUTHERN NEVADA WATER AUTHORITY TO IMPLEMENT A PILOT SYSTEM
CONSERVATION PROGRAM ("PILOT PROGRAM")

This SCIA to implement a Pilot Program is entered into this 17th day of October, 2016, by and between the United States Bureau of Reclamation ("Reclamation") and the Southern Nevada Water Authority ("SNWA"), hereinafter referred to singularly as "Party" or collectively as "Parties."

1. EXPLANATORY RECITALS

1.1 On July 30, 2014, Reclamation and four municipal entities, the Central Arizona Water Conservation District ("CAWCD"), The Metropolitan Water District of Southern California ("MWD"), Denver Water ("DW"), and SNWA (collectively "Funding Agreement Parties"), entered into Agreement No. 14-XX-30-W0574 for a Pilot Program for funding the creation of Colorado River System water through voluntary water conservation and reductions in use ("Funding Agreement").

1.2 On August 12, 2015, the Funding Agreement was amended to increase Reclamation's funding ceiling for the Pilot Program.

1.3 Under the Funding Agreement, as amended above, the Funding Agreement Parties will fund up to \$14 million for a Pilot Program to conserve Colorado River System water for storage in Lakes Powell and Mead.

1.4 On March 8, 2016, the Funding Agreement was further amended to allow the Funding Agreement Parties to provide additional funding for the Pilot Program.

1.5 The Pilot Program provides funding to develop short-term pilot projects that keep water in Lakes Powell and Mead through temporary, voluntary, and compensated conservation mechanisms.

1.6 Participation in System Conservation activities as part of the Pilot Program in the Lower Division States is limited to Entitlement Holders as defined in the Funding Agreement, as amended.

1.7 SNWA holds entitlements to Colorado River water under Contract No. 7-07-30-W0004, as amended, Contract No. 2-07-30-W0266, as amended, and Contract No. 09-07-30-W0011.

1.8 SNWA also owns or otherwise controls agricultural water rights on the Muddy and Virgin Rivers, all or a portion of which are not being used for agricultural irrigation, but instead, are being conveyed through the Muddy and Virgin River systems to the Colorado River mainstem to create Tributary Conservation Intentionally Created Surplus ("ICS") credits in

accordance with the ICS Program established in the December 2007 *Colorado River Interim Guidelines for Lower Basin Shortages and the Coordinated Operations for Lake Powell and Lake Mead* ("2007 Interim Guidelines").

1.9 Some of the agricultural water rights that are owned or otherwise controlled by SNWA are from shares of stock in the Bunkerville Irrigation Company ("BIC") that are owned or leased by SNWA for the purposes of creating ICS credits (water is leased for the water year which is October 1 through September 30 the following year). The majority of the leases expire at the end of water year 2016. Only those water rights perfected prior to June 25, 1929, are eligible for the creation of ICS and are referred to as "pre-1929" water rights. The water rights that are not perfected prior to June 25, 1929, are not eligible to create ICS credits and are referred to as "post-1929" water rights. Each of the owned or leased shares of stock controlled by SNWA in BIC represent approximately 7.82 acre-feet of pre-1929 water rights and 1.44 acre-feet of post-1929 water rights annually.

1.10 During the lease negotiations between SNWA and BIC for the upcoming period beginning October 1, 2016, BIC expressed a desire to fully utilize all water resources, more specifically the post-1929 water rights, thereby potentially increasing agricultural consumptive use from the Virgin River. BIC has the ability to use the post-1929 water rights that would increase agricultural consumptive use from the Virgin River in comparison to the consumptive use from 2008-2016 (the period of time that SNWA has been creating ICS with BIC shares).

1.11 SNWA submitted to Reclamation a Pilot Program proposal to dedicate to the Colorado River System, the Virgin River water from the post-1929 water rights that it leases from BIC in lieu of BIC utilizing the post-1929 water rights, for a 3-year period beginning October 1, 2016 through September 30, 2019 (which are water years 2017, 2018, and 2019), with optional renewals to extend the Pilot Program for up to 7 additional water years to September 30, 2026. SNWA anticipates conserving up to 860 acre-feet per year for the 3 water years for a total amount of 2,580 acre-feet.

1.12 SNWA's Pilot Program proposal was evaluated independently and collectively by Reclamation, CAWCD, MWD and DW, pursuant to the factors provided in Section 5.5 of the Funding Agreement.

1.13 SNWA's Pilot Program proposal was selected by Reclamation, CAWCD, MWD, and DW for inclusion in the Pilot Program.

1.14 A copy of SNWA's Pilot Program proposal dated July 21, 2016, is attached hereto as Exhibit A and made a part of this SCIA.

1.15 SNWA desires to augment Colorado River System storage in Lake Mead by implementing the Pilot Program through this voluntary SCIA in exchange for financial compensation.

1.16 Prior to entering into this voluntary SCIA, as required in Section 5.3 of the Funding Agreement, Reclamation and the participating Funding Agreement Parties are required to enter into a project specific funding agreement providing for, among other things, the timing

of the Funding Agreement Parties' contributions, and the project specific performance metrics.

1.17 The project specific funding agreement ("Project Funding Agreement No. 16-XX-30-W0613") was entered into and a copy is attached hereto as Exhibit B and made part of this SCIA.

NOW, THEREFORE, in consideration of the terms and conditions set forth herein, Reclamation and SNWA agree as follows:

2. DEFINITIONS

2.1 Definitions included in the Funding Agreement, as amended, are applicable to this SCIA.

2.2 Colorado River Basin States means the states of Arizona, California, Colorado, Nevada, New Mexico, Utah, and Wyoming.

2.3 Exhibit A is a copy of the SNWA Pilot Program proposal dated July 21, 2016. Exhibit A is attached hereto and made a part of this SCIA.

2.4 Exhibit B is a copy of Project Funding Agreement No. 16-XX-30-W0613 among Reclamation and the participating Funding Agreement Parties, which is a project specific funding agreement providing for, among other things, the amount and timing of Funding Agreement Parties' contributions, and project specific performance metrics. Exhibit B is attached hereto and made a part of this SCIA.

2.5 System Conservation Water means Virgin River water controlled by SNWA from its leased post-1929 water rights that is conveyed to the Colorado River mainstem and is conserved in Lake Mead for the benefit of the Colorado River System pursuant to this SCIA.

3. DESCRIPTION OF THE SNWA PILOT PROGRAM PROJECT

3.1 SNWA owns or otherwise controls agricultural water rights on the Muddy and Virgin Rivers. These agricultural water rights fall under the jurisdiction of the State of Nevada's Division of Water Resources. The agricultural water rights owned or otherwise controlled by SNWA are not being used for agricultural irrigation and instead are being conveyed through the Muddy and Virgin Rivers system to the Colorado River mainstem to create Tributary Conservation ICS credits.

3.1.1 Some of the agricultural water rights that are owned or otherwise controlled by SNWA are from shares of stock in BIC that are owned or leased by SNWA for the purposes of creating ICS credits. Each of the owned or leased shares of stock controlled by SNWA in BIC represents approximately 7.82 acre-feet of pre-1929 water rights and 1.44 acre-feet of post-1929 water rights annually. Only the pre-1929 water rights are eligible for the creation of ICS. The majority of these leases expire at the end of water year 2016.

3.1.2 SNWA elected to compensate shareholders for the lease of the post-1929

water rights for a 10-year period beginning in October 2016 and make such water available for the Pilot Program, thereby decreasing the potential agricultural consumptive use from the Virgin River.

3.2 SNWA submitted to Reclamation a Pilot Program proposal to dedicate to the Colorado River System, the Virgin River water from the post-1929 water rights that it leases from BIC for a 3-year period beginning October 1, 2016 through September 30, 2019 (which are water years 2017, 2018, and 2019), with optional renewals to extend the project for up to 7 additional water years through September 30, 2026. SNWA anticipates conserving up to 860 acre-feet per year for the 3 water years for a total amount of 2,580 acre-feet.

4. IMPLEMENTATION

4.1 The 3-year implementation period will begin October 1, 2016, and will end September 30, 2019 (which covers water years 2017, 2018, and 2019), unless the option is exercised by Reclamation, on behalf of the Funding Partners, in Section 4.4 herein.

4.2 For the purpose of creating System Conservation Water through participation in the Pilot Program, SNWA will conserve up to 860 acre-feet of Virgin River water and dedicate it to the Colorado River System from this Pilot Program for a 3-year period beginning October 1, 2016 through September 30, 2019, for a total of 2,580 acre-feet, with optional renewals for Reclamation, on behalf of the Funding Agreement Parties, to extend this SCIA for up to 7 additional water years through September 30, 2026, as provided in Section 4.4 herein.

4.3 SNWA issued Requests for Offers to Lease in late July 2016. SNWA anticipates all leases will be executed by the end of September 2016. SNWA will notify Reclamation in writing of the actual amount of leased water rights acquired, not to exceed 860 acre-feet. To the extent SNWA leases less than 860 acre-feet of post-1929 water rights, the payments in this SCIA for any year shall be adjusted by Reclamation to reflect the actual amount of water rights leased. For example, if SNWA leases 850 acre-feet of post-1929 water rights, the total payment to SNWA for the year beginning October 1, 2016 shall be \$63,750 (850 acre-feet times \$75 per acre-foot) rather than the amount specified in Section 7.5.

4.4 SNWA agrees that Reclamation, on behalf of the Funding Agreement Parties, will have the option to renew this SCIA for up to 7 additional years through September 30, 2026, in order to conserve additional System Conservation Water. In the event that Reclamation, on behalf of the Funding Agreement Parties, desires to exercise the option for the next water year(s), Reclamation shall notify SNWA in writing by letter or electronic mail dated on or before June 1 preceding the beginning of the water year the option will be exercised. Reclamation may exercise the option for multiple successive years through one notification. At such time as Reclamation does not elect by June 1 to exercise the option for a water year, this SCIA shall terminate upon Reclamation making the final payment for the last year water is being conserved under this SCIA.

4.5 In the event that Reclamation, on behalf of the Funding Agreement Parties, exercises the option(s) under Section 4.4 herein, the terms and conditions of this SCIA shall apply in the option year(s) in the same manner as they do in the initial 3 years of this SCIA,

except as otherwise provided herein.

4.6 Forbearance is not required for this Pilot Program. SNWA will not need to reduce its approved Colorado River water order to ensure this quantity of water is conserved and remains in the Colorado River System.

4.7 SNWA will use the existing ICS Program process for creating and certifying Tributary Conservation ICS and System Conservation Water. This process requires transmittal of an annual ICS Plan of Creation and ICS Certification Report by SNWA to Reclamation (Section XI.G. 3.B.1 and Section XI.G. 3.D of the 2007 Interim Guidelines).

4.8 SNWA will use the approved methods consistent with the ICS Program and documented in Exhibit A to the Lower Colorado River Basin Intentionally Created Surplus Forbearance Agreement to create System Conservation Water.

4.9 SNWA will amend the section in its Tributary Conservation ICS Plans of Creation entitled "Estimated Water Conserved" for the years this SCIA is in effect, to describe the volumes of water that will be dedicated as System Conservation Water resulting from this Pilot Program, along with the quantity of Tributary Conservation ICS to be created.

4.10 When the final conservation volumes created by the Virgin River Pilot Program have been determined for any year, SNWA will submit the required ICS certification reports to Reclamation. SNWA's Certification Reports, for the years this SCIA is in effect, will identify the respective conservation water volumes dedicated as System Conservation Water to remain in Lake Mead and the Tributary Conservation ICS within the section entitled "Flows Entering Lake Mead and SNWA Tributary Conservation ICS" for the Muddy River, and the section entitled, "Conclusions" for the Virgin River.

4.11 After consultation with the Colorado River Basin States, Reclamation will use the existing ICS Program process established in the 2007 Interim Guidelines to review and approve SNWA's ICS Plans of Creation for the years this SCIA is in effect, in which SNWA proposes and certifies, respectively, the quantity of Tributary Conservation ICS created pursuant to the ICS Program and the quantity of System Conservation Water created under this SCIA.

4.12 SNWA, in consultation with the Nevada State Engineer and Reclamation, will use the methods consistent with the last 8 years of the ICS Program to account for the conservation of water from BIC.

5. MONITORING

5.1 Pursuant to Section 5.3 of the Funding Agreement, as amended, Reclamation is required to verify and document reductions in consumptive use of Colorado River water under the Pilot Program.

5.2 By entering into this SCIA, SNWA grants access to Reclamation, or will provide for such access, to perform periodic on-site inspections of this Pilot Program to verify

compliance with this SCIA.

5.3 Reclamation and SNWA will use, among other methods, their existing periodic on-field verification process to determine that the Virgin River water rights owned or otherwise controlled by SNWA are being used for ICS and creation of System Conservation Water in lieu of BIC or SNWA utilizing the post-1929 water rights.

6. EVALUATION

6.1 SNWA agrees that Reclamation's annual *Colorado River Accounting and Water Use Report, Arizona, California, and Nevada* will serve as the basis for documenting the amount of System Conservation Water created by SNWA.

6.2 Reclamation and SNWA agree that the System Conservation Water created pursuant to this SCIA shall accrue to the benefit of the Colorado River System and shall not accrue to the individual benefit of any Funding Agreement Party, SNWA, or any third party.

7. COMPENSATION AND PAYMENTS

7.1 Compensation for System Conservation Water created under this SCIA shall be paid by Reclamation from the amounts contributed by Funding Agreement Parties for the Pilot Program.

7.2 As required by Section 5.3 of the Funding Agreement, prior to entering into this SCIA, Reclamation and the Funding Agreement Parties entered into Project Funding Agreement No. 16-XX-30-W0613, a copy of which is Exhibit B.

7.3 For the initial period from October 1, 2016 through September 30, 2019, and for not to exceed 860 acre-feet per year, Reclamation will pay SNWA \$75.00 per acre-foot for System Conservation Water created in water year 2017, \$77.25 per acre-foot for System Conservation Water created in water year 2018, and \$79.57 per acre-foot for System Conservation Water created in water year 2019. Actual compensation will be determined by SNWA lease enrollment as specified in Section 4.3.

7.4 The total Pilot Project cost for the initial period is estimated to be \$199,365.

7.5 The total maximum payments to be made by Reclamation to SNWA for water conserved in water years 2017, 2018, and 2019 will be as follows:

Payments	Payment Amounts (rounded to the nearest dollar)
Payment 1	\$64,500
Payment 2	\$66,435
Payment 3	\$68,430
Total Payments	(estimated amount) \$199,365

7.5.1 For water year 2017, Payment 1 will be made by Reclamation to SNWA no later than 60 days following the date of the letter to SNWA from the Regional Director, Lower Colorado Region, Bureau of Reclamation, in accordance with Section 3.D.1 of the 2007 Interim Guidelines (Final Verification Letter), verifying the amount of ICS created in 2017, which is anticipated to be issued during calendar year 2018.

7.5.2 For water year 2018, Payment 2 will be made by Reclamation to SNWA no later than 60 days following the date of the Final Verification Letter to SNWA from the Regional Director, Lower Colorado Region, Bureau of Reclamation, verifying the amount of ICS created in 2018, which is anticipated to be issued during calendar year 2019.

7.5.3 For water year 2019, Payment 3 will be made by Reclamation to SNWA no later than 60 days following the date of the Final Verification Letter to SNWA from the Regional Director, Lower Colorado Region, Bureau of Reclamation, verifying the amount of ICS created in 2019, which is anticipated to be issued during calendar year 2020.

8. COMPENSATION AND PAYMENTS FOR ADDITIONAL OPTION YEARS

8.1 In the event Reclamation, on behalf of the Funding Agreement Parties, exercises the additional option years, as provided in Section 4.4 herein, SNWA will be compensated in accordance with Table 1 below, subject to adjustment by Reclamation based on actual leased acreage, and payments will be made by Reclamation to SNWA no later than 60 days following the date of the Final Verification Letter to SNWA from the Regional Director, Lower Colorado Region, Bureau of Reclamation, verifying the amount of ICS created in the respective year.

Table 1

Water Year	2020	2021	2022	2023	2024	2025	2026
Compensation per acre-foot	\$81.96	\$84.42	\$86.95	\$89.56	\$92.25	\$95.02	\$97.87
Maximum Annual Cost (rounded to the nearest dollar)	\$70,486	\$72,601	\$74,777	\$77,022	\$79,335	\$81,717	\$84,168

9. GENERAL TERMS

9.1 SNWA agrees to remain in compliance with applicable Federal, State, and local environmental, cultural, and paleontological resource protection laws and regulations throughout the term of this SCIA.

9.2 Reclamation shall be responsible for ensuring that System Conservation Water created by SNWA under this SCIA does not inure to the benefit of any individual Entitlement Holder.

9.3 The System Conservation Water created by SNWA under this SCIA will not be charged against SNWA's use of Colorado River water or charged to Nevada's Colorado River apportionment.

9.4 Except as otherwise provided in this SCIA, SNWA hereby releases and agrees that it will indemnify and hold harmless the United States and its officers, agents, employees, and successors or assigns, from every claim for damages to persons or property, direct or indirect, and of whatever nature, arising by reason of the creation of System Conservation Water under this SCIA. The United States shall be liable only for negligence on the part of its officers and employees in accordance with the Federal Tort Claims Act, as amended.

9.5 None of the provisions of this SCIA shall be considered waived, except when such waiver is given in writing. The failure of a party to this SCIA to insist in any one or more instances upon strict performance of any of the provisions, or to take advantage of any of its rights hereunder shall not be construed as a waiver of any such provisions or that party's relinquishment of any such rights for the future, but such provisions and rights shall continue and remain in full force and effect.

9.6 This SCIA is not intended nor shall it be construed to create any third-party beneficiary rights to enforce the terms of this SCIA in any person or entity that is not a party, other than CAWCD, MWD, and DW. CAWCD, MWD, and DW are expressly designated as third-party beneficiaries to this SCIA.

9.7 The Parties do not intend that any right or remedy given to a Party on the breach of any provision under this SCIA be exclusive; each such right or remedy is cumulative and in addition to any other remedy provided in this SCIA or otherwise available at law or in equity. If the non-breaching Party fails to exercise or delays in exercising any such right or remedy, the non-breaching party does not thereby waive that right or remedy. In addition, no single or partial exercise of any right, power or privilege precludes any other or further exercise of a right, power or privilege granted by this SCIA or otherwise.

9.8 Each Party to this SCIA represents that the person executing on behalf of such Party 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.

9.9 This SCIA constitutes a valid and binding SCIA of each Party, enforceable against each Party in accordance with its terms. This SCIA 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.

9.10 This SCIA may be supplemented, amended, or modified only by the written agreement of the Parties. No supplement, amendment, or modification will be binding unless it is in writing and signed by the Parties.

9.11 Any notice, demand, or request shall be deemed properly served, given, or made if delivered in person; sent by registered or certified mail, postage prepaid; or overnight delivery, charges prepaid or charged to the sender's account to the persons in the positions executing this SCIA.

9.12 All information and data obtained or developed with the performance of duties mentioned in this SCIA shall be available upon request to a Party, subject to the provisions of the

Freedom of Information Act or other applicable law. However, use of said reports, data and information shall appropriately reference the source for the respective documents.

9.13 The expenditure or advance of any money or the performance of any obligation by the United States under this SCIA shall be contingent upon the appropriation or allotment of funds. No monetary liability shall accrue to the United States in case funds are not appropriated or allocated or received from the Funding Agreement Parties as provided in Project Funding Agreement No. 16-XX-30-W0613.

9.14 No member of or Delegate to Congress, Resident Commissioner, or official of SNWA shall benefit from this SCIA other than as a water user or landowner in the same manner as other water users or landowners.

9.15 This SCIA is entered into under the Reclamation Act of 1902 as supplemented and amended and, in particular, the Boulder Canyon Project Act (45 Stat. 1057), the Colorado River Basin Salinity Control Act (88 Stat. 266), as amended, and consistent with Section 206 of Title II of Division D of the Consolidated and Further Continuing Appropriations Act, 2015 (Public Law 113-235) constitutes a pilot project designed to increase Colorado River System water in Lake Mead to address the effects of historic drought conditions. Nothing in this SCIA diminishes or abrogates the authority of the Secretary of the Interior under applicable Federal law, regulations, or the Consolidated Decree of the Supreme Court of the United States in the case of *Arizona v. California, et al.*, entered March 27, 2006, (547 U.S. 150 (2006)), or as it may be further modified. This SCIA is subject to and controlled by the Colorado River Compact.

10. EFFECTIVE DATE


10.1 This SCIA shall become effective upon the date of its execution by both Parties. Once effective, this SCIA will remain in effect until all terms and conditions are satisfied.

10.2 The Parties hereto have executed this SCIA on the day and year first written above.

Approved as to form:

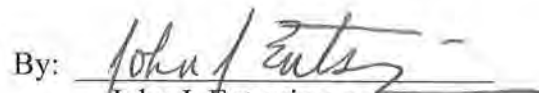
**SOUTHERN NEVADA WATER
AUTHORITY**

By:



Gregory J. Walch, Esq.
General Counsel

By:




John J. Entsminger
General Manager

Signatures continued on next page.

Approved as to form:

UNITED STATES OF AMERICA

By: 
Robert Snow, Esq.
Attorney-Advisor


By: 
Terrance J. Fulp, Ph.D.
Regional Director
Lower Colorado Region
Bureau of Reclamation

EXHIBIT A

1. A copy of the Southern Nevada Water Authority's Pilot Program proposal dated July 21, 2016, is attached.



SOUTHERN NEVADA WATER AUTHORITY

1001 South Valley View Boulevard • Las Vegas, NV 89153
(702) 258-3939 • snwa.com

July 21, 2016

Mr. Steven C. Hvinden
Chief, Boulder Canyon Operations Office
Bureau of Reclamation
Lower Colorado Regional Office
PO Box 61470
Boulder City, NV 89006-1470

Subject: Revised Response to Funding Opportunity for Voluntary Participation in a Pilot System Water Conservation Program (Pilot Program)

Dear Mr. Hvinden

Thank you for meeting with our staff on July 14, 2016, to discuss the Southern Nevada Water Authority's (SNWA) proposal. We are interested in participating in the above Pilot Program and have revised our proposal below to address concerns raised at the July 14th meeting.

Party: SNWA

Background: SNWA leases shares of stock in the Bunkerville Irrigation Company (BIC) to create Tributary Conservation Intentionally Created Surplus (ICS) credits. The majority of these leases expire at the end of water year 2016. In addition, SNWA owns stock in BIC. Each of the 1,038 shares in BIC represents approximately 7.82 acre-feet of pre-1929 water and 1.44 acre-feet of post-1929 water annually. Only those water rights perfected prior to June 25, 1929, are eligible for the creation of ICS. There are also several different duties for the different water rights. During the lease negotiations for the upcoming period, beginning October 1, 2016, BIC expressed a desire to fully utilize all water resources – more specifically the post-1929 water rights for which SNWA does not receive ICS credit. BIC has several options for utilizing the post-1929 water that would increase agricultural consumptive use on the Virgin River in comparison to the consumptive use from 2008-2016 (the period of time that SNWA has been creating ICS with BIC shares).

Project Description: SNWA will be issuing a new request for offers to lease shares to BIC shareholders. The proposed leases will be for a 10-year period that will begin in October 2016. SNWA will receive compensation for the leased post-1929 water and will convey this water to Lake Mead for system conservation purposes. SNWA will not seek compensation for the post-1929 water represented by shares SNWA already owns.

Proposed Conservation Amount: SNWA anticipates conserving up to 860 acre-feet per year for three water years with optional renewals to extend the project for seven additional water years (October 2016-September 2026). (Water is leased for the water-year which is October 1 – September 30 of the following year.)

SNWA MEMBER AGENCIES

Big Bend Water District • Boulder City • Clark County Water Reclamation District • City of Henderson • City of Las Vegas • City of North Las Vegas • Las Vegas Valley Water District

Mr. Steven C. Hvinden

June 22, 2016

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Verification Method: SNWA will use the existing process of accounting for Tributary Conservation ICS, which will include referencing the system conservation water in the ICS Plan of Creation and the ICS Certification Report (Section 3.B.1 and Section 3.D of the *Colorado River Interim Guidelines for Lower Basin Shortages and Coordinated Operation for Lake Powell and Lake Mead*) to account for all water on the Virgin River that enters Lake Mead for system conservation and ICS purposes. SNWA, in consultation with the Nevada State Engineer and the Bureau of Reclamation, will use the methods consistent with the last eight years of the ICS program.

Implementation Timing: The agreements necessary to implement this conservation project will be executed prior to October 1, 2016.

Project Duration: The project's initial period will be for three years, beginning on October 1, 2016, with optional renewals to extend the project for seven additional water years through September 30, 2026.

Funding Requested: SNWA will lease shares in BIC for \$1,242 per share with annual escalation. SNWA requests Pilot Program compensation of \$75 per acre-foot per year (for the 1.44 acre-feet per share of post-1929 water) with 3 percent annual escalation, as shown in Table 1 below, for a maximum project cost of \$739,471. Actual compensation will be determined by lease enrollments. SNWA will not seek reimbursement for personnel or accounting costs, and the numbers above do not include these costs.

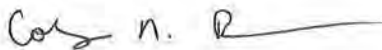
Table 1

Water Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Total
Compensation per acre-foot (\$)	75.00	77.25	79.57	81.96	84.42	86.95	89.56	92.25	95.02	97.87	
Maximum Annual Cost (\$)	64,500	66,435	68,430	70,486	72,601	74,777	77,022	79,335	81,717	84,168	739,471

Methodology for water to remain in Lake Mead: Water conveyed to Lake Mead from the Virgin River does not require forbearance by SNWA since it is not a portion of SNWA's Colorado River basic apportionment. As such, SNWA will not need to reduce its approved water order to ensure this quantity of water remains in Lake Mead.

If you have any questions regarding our proposal, please contact me at 702-822-3378.

Sincerely,



Colby N. Pellegrino

Colorado River Program Manager

EXHIBIT B

1. A copy of Project Funding Agreement No. 16-XX-30-W0613 is attached.



United States Department of the Interior

BUREAU OF RECLAMATION
Lower Colorado Regional Office
P.O. Box 61470
Boulder City, NV 89006-1470

IN REPLY REFER TO:
LC-4405

WTR-4.00

SEP 26 2016

VIA OVERNIGHT MAIL

Project Funding Agreement No. 16-XX-30-W0613

Mr. Jeffrey Kightlinger
General Manager
The Metropolitan Water District of
Southern California
700 North Alameda Street
Los Angeles, CA 90012

Mr. Jim Lochhead
CEO/Manager
Denver Water
1600 West 12th Avenue
Denver, CO 80204

Mr. Theodore C. Cooke
General Manager
Central Arizona Water Conservation District
23636 North 7th Street
Phoenix, AZ 85024

Mr. John J. Entsminger
General Manager
Southern Nevada Water Authority
1001 South Valley View Blvd., MS 480
Las Vegas, NV 89153

Subject: Project Specific Funding Agreement for the Southern Nevada Water Authority (SNWA) System Conservation Project Consistent With Agreement No. 14-XX-30-W0574, Dated July 30, 2014, as Amended (2014 Funding Agreement), Among the United States, the Central Arizona Water Conservation District (CAWCD), The Metropolitan Water District of Southern California (MWD), the City and County of Denver Acting by and Through its Board of Water Commissioners (DW), and the Southern Nevada Water Authority (SNWA) (Collectively, the Funding Agreement Parties)

Dear Gentlemen:

SNWA provided a proposal to implement a pilot system water conservation program created by the 2014 Funding Agreement (Pilot Program). SNWA's proposal was approved by the Funding Agreement Parties to be part of the Pilot Program, subject to the successful negotiation and execution of a System Conservation Implementation Agreement (SCIA). SNWA proposes to dedicate to the Colorado River System, the Virgin River water from the post-1929 water rights that it leases from Bunkerville Irrigation Company (BIC) in lieu of BIC utilizing the post-1929 water rights for a 3-year period beginning October 1, 2016 through September 30, 2019 (which are water years 2017, 2018, and 2019), with optional renewals to extend the project for up to 7 additional water years to September 30, 2026. SNWA anticipates conserving up to 860 acre-feet per year for the 3 water years for a total amount of 2,580 acre-feet. SNWA will be paid for System Conservation Water created of up to 860 acre-feet, \$75.00 per acre-foot in water year

2017, \$77.25 per acre-foot for water year 2018, and \$79.57 per acre-foot for water year 2019 for a total amount estimated to be \$199,365 (rounded to the nearest dollar).

The Bureau of Reclamation (Reclamation) and SNWA, pursuant to Sections 4.11 and 5.3 of the 2014 Funding Agreement, will enter into a SCIA relating to SNWA's proposal upon approval by the Funding Agreement Parties of a project specific funding agreement providing for, among other things, the timing of the Funding Agreement Parties' contributions and project specific performance metrics. This letter serves as the project specific funding agreement (Project Funding Agreement). If optional renewals are exercised by Reclamation, on behalf of the Funding Agreement Parties, as described above, a new project specific funding agreement will be executed for each year the optional renewal is exercised.

The Funding Agreement Parties agree as follows:

1. Project Costs: The total cost for water conserved during water years 2017, 2018, and 2019 is estimated to be \$199,365 (rounded to the nearest dollar).
2. Contributions - For Water Conserved in Water Years 2017, 2018, and 2019: The contributions to be made by the Funding Agreement Parties under this Project Funding Agreement for water conserved in water years 2017, 2018, and 2019 will be as shown in the table below (rounded to the nearest dollar). In the event that SNWA leases less than 860 acre-feet, these amounts will be proportionally adjusted by Reclamation during the invoicing process.

Invoices	Reclamation's Contributions	Water Conservation CAWCD, MWD, DW, and SNWA Contributions			
		CAWCD	MWD	DW	SNWA
Invoice 1	\$64,500	\$0	\$0	\$0	\$0
Invoice 2	\$2,435	\$0	\$0	\$0	\$64,000
Invoice 3	\$1,930	\$2,500	\$64,000	\$0	\$0
Total by Entity	\$68,865	\$2,500	\$64,000	\$0	\$64,000
<i>Total Estimated Amount: \$199,365</i>					

3. Invoicing:

3.1 Reclamation will invoice CAWCD, MWD, and SNWA for their contributions at least 45 days before payments are to be made by Reclamation to SNWA under the SCIA entered into between Reclamation and SNWA.

3.2 Invoices must be paid within 30 days of the date of the invoice.

4. Payments to Reclamation: CAWCD, MWD, and SNWA will submit their contributed shares to Reclamation using the payment options listed on the invoice.

5. Payments to SNWA: Payments from Reclamation to SNWA will be made in accordance with the SCIA entered into between Reclamation and SNWA.
6. Performance Metrics: Project Specific Performance Metrics are set forth in Sections 3, 4, 5, and 6 of the SCIA entered into between Reclamation and SNWA.
7. Approval of Form of SCIA: Consistent with the goal set forth in Section 5.6 of the 2014 Funding Agreement, the Funding Agreement Parties' execution of this Project Funding Agreement also provides their approval of the form of the SCIA entered into between Reclamation and SNWA.
8. Effective Date: This Project Funding Agreement will be effective upon the date of execution of the SCIA entered into between Reclamation and SNWA.

CAWCD, MWD, DW, and SNWA agree to the provisions of this Project Funding Agreement and their formal concurrence with this Project Funding Agreement is evidenced by their signatures below, as provided herein. Reclamation's signature on this Project Funding Agreement provides its formal concurrence, subject to the execution of this Project Funding Agreement by CAWCD, MWD, DW, and SNWA. This Project Funding Agreement may be signed in counterparts, each of which shall be an original and all of which, together, shall constitute only one Project Funding Agreement.

If you agree with the terms of this Project Funding Agreement, please sign as indicated below and return it to Reclamation. Reclamation will then forward to each party a fully executed original of the Project Funding Agreement. If you have questions, please contact Mr. Steven C. Hvinden, Chief, Boulder Canyon Operations Office, at 702-293-8414.

Sincerely,




Terrance J. Fulp, Ph.D.
Regional Director


In Quintuple

Signatures continued on next page.

CAWCD:

Approved as to form:

By: 
 Its: Theodore C. Cooke
 General Manager

By: 
 Its: Jay M. Johnson
 General Counsel

MWD:

Approved as to form:

By: _____
 Jeffrey Kightlinger
 Its: General Manager

By: _____
 Marcia L. Scully
 Its: General Counsel

CITY AND COUNTY OF DENVER,
 acting by and through its BOARD OF
 WATER COMMISSIONERS:

Approved as to form:

By: _____
 James S. Lochhead
 Its: CEO/Manager

By: _____
 Its: Office of General Counsel

SNWA:

Approved as to form:

By: _____
 John J. Entsminger
 Its: General Manager

By: _____
 Gregory J. Walch, Esq.
 Its: General Counsel

CAWCD:

Approved as to form:


By: _____
 Theodore C. Cooke
 Its: General Manager

By: _____
 Jay M. Johnson
 Its: General Counsel

MWD:

Approved as to form:

By: 
 Jeffrey Kightlinger
 Its: General Manager

By: 
 Marcia L. Scully
 Its: General Counsel

CITY AND COUNTY OF DENVER,
 acting by and through its BOARD OF
 WATER COMMISSIONERS:

Approved as to form:

By: _____
 James S. Lochhead
 Its: CEO/Manager

By: _____
 Its: Office of General Counsel

SNWA:

Approved as to form:

By: _____
 John J. Entsminger
 Its: General Manager

By: _____
 Gregory J. Walch, Esq.
 Its: General Counsel

CAWCD:

Approved as to form:

By: _____
 Theodore C. Cooke
 Its: General Manager

By: _____
 Jay M. Johnson
 Its: General Counsel

MWD:

Approved as to form:


By: _____
 Jeffrey Kightlinger
 Its: General Manager

By: _____
 Marcia L. Scully
 Its: General Counsel

CITY AND COUNTY OF DENVER,
 acting by and through its BOARD OF
 WATER COMMISSIONERS:

Approved as to form:

By: 
 James S. Lochhead
 Its: CEO/Manager

By: 
 Daniel J. Buechel
 Its: Office of General Counsel

SNWA:

Approved as to form:

By: _____
 John J. Entsminger
 Its: General Manager

By: _____
 Gregory J. Walch, Esq.
 Its: General Counsel

CAWCD:

Approved as to form:

By: _____
Theodore C. Cooke
Its: General Manager

By: _____
Jay M. Johnson
Its: General Counsel

MWD:

Approved as to form:

By: _____
Jeffrey Kightlinger
Its: General Manager

By: _____
Marcia L. Scully
Its: General Counsel

CITY AND COUNTY OF DENVER,
acting by and through its BOARD OF
WATER COMMISSIONERS:

Approved as to form:

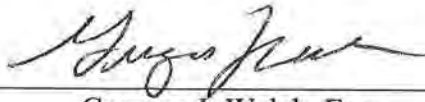
By: _____
James S. Lochhead
Its: CEO/Manager

By: _____
Its: Office of General Counsel

SNWA:

Approved as to form:

By:  _____
John J. Entsminger
Its: General Manager

By:  _____
Gregory J. Walch, Esq.
Its: General Counsel