SYSTEM CONSERVATION IMPLEMENTATION AGREEMENT (SCIA) BETWEEN THE UNITED STATES BUREAU OF RECLAMATION AND THE COACHELLA VALLEY WATER DISTRICT TO IMPLEMENT THE LOWER COLORADO CONSERVATION AND EFFICIENCY PROGRAM (LC CONSERVATION PROGRAM)

1. PREAMBLE This SCIA to implement the LC Conservation Program is entered into this 28th day of March, 2024, by and between the United States, Department of the Interior, Bureau of Reclamation ("Reclamation"), acting through the Regional Director of the Lower Colorado Basin Region of the Bureau of Reclamation, and Coachella Valley Water District ("CVWD"), a County Water District created, organized, and existing under and by virtue of the County Water District Law of the State of California, hereinafter referred to singularly as "Party" or collectively as "Parties" and pursuant to the Act of Congress approved June 17, 1902 (32 Stat. 388), designated the Reclamation Act, and acts amendatory thereof or supplementary thereto, the Act of December 21, 1928 (45 Stat. 1057), designated the Boulder Canyon Project Act, the Act of September 30, 1968 (82 Stat. 885), designated the Colorado River Basin Project Act, Public Law 116-14, the Colorado River Drought Contingency Plan Authorization Act dated April 16, 2019, and Public Law 117-169, the Inflation Reduction Act of 2022.

2. EXPLANATORY RECITALS

2.1 WHEREAS, the Colorado River Basin is experiencing the driest 23-year period in the historical record, and Lake Mead's elevation has dropped to levels where the Secretary of the Interior ("Secretary") determined shortage conditions for Lake Mead in calendar years 2022 and 2023;

2.2 WHEREAS, prior to the Secretary declaring shortage conditions for Lake Mead in calendar years 2022 and 2023, Public Law 116-14, the Colorado River Drought Contingency Plan Authorization Act ("Act") was signed into law on April 16, 2019. This Act directed the Secretary to execute several agreements hereinafter referred to collectively as ("DCP Agreements"), and the DCP Agreements were subsequently executed on May 20, 2019;

2.3 WHEREAS, one of the DCP Agreements that was executed on May 20, 2019, was an agreement between the United States and the Colorado River Basin States entitled, *Agreement Concerning the Colorado River Drought Contingency Management and Operations* ("Companion Agreement"), that provided implementation of several interstate agreements including the *Lower Basin Drought Contingency Plan Agreement* ("LB DCP Agreement") which is Attachment B to the Companion Agreement, that included Exhibit 1 entitled, *Lower Basin Drought Contingency Operations* ("LBOps") that was designed to create new flexibility to incentivize additional voluntary conservation of water to be stored in Lake Mead;

2.4 WHEREAS, Section 3 b. of the LB DCP Agreement, among other things, provides that, subject to appropriations, (1) the Secretary will take affirmative actions to implement Lower Basin programs designed to create or conserve 100,000 acre-feet per annum or more of Colorado

River System water to contribute to conservation of water supplies in Lake Mead and other Colorado River reservoirs in the Lower Basin and (2) the other Parties to the LB DCP shall not request delivery of, and the Secretary shall not deliver to any Party or Contractor the volumes of Colorado River System water conserved through such programs;

2.5 WHEREAS, on September 22, 2022, the Department of the Interior ("Department") announced that it is taking additional steps to address drought in the Colorado River Basin;

2.6 WHEREAS, the Department, through Reclamation, created a new LC Conservation Program, similar to the previous program entitled, *Pilot System Conservation Program* and Colorado River System water conservation activities under the LB DCP;

2.7 WHEREAS, the purpose of the LC Conservation Program is to increase system conservation and efficiency opportunities to address the unprecedented drought in the Lower Colorado River Basin and it is a part of the commitment made by the Department on August 16, 2022, to address the drought crisis with prompt and responsive actions and investment to ensure the entire Colorado River Basin can function and support all who rely on it;

2.8 WHEREAS, the LC Conservation Program is funded in part by the Inflation Reduction Act of 2022 that provides $4 billion in funding specifically for water management and conservation efforts in the Colorado River Basin and other basins experiencing comparable levels of long-term drought;

2.9 WHEREAS, as a follow-up to the Department's September 22, 2022, announcement, by letter dated October 12, 2022, to interested parties having a Colorado River water delivery contract or entitlement holders and Central Arizona Project ("CAP") water delivery contract or entitlement holders, Reclamation announced the funding opportunity for voluntary participation in the new LC Conservation Program which included an enclosure entitled, "*Enclosure 1 - Requirements for Lower Basin System Conservation and Efficiency Project Proposals*" ("Enclosure 1") that described the proposal and selection requirements under a set fixed price (Program 1.a. in the letter) and under an agreed upon price (Program 1.b. in the letter);

2.10 WHEREAS, on October 28, 2022, the Department announced its intent to begin a process for a Supplemental Environmental Impact Statement ("SEIS") to the 2007 Record of Decision associated with the *Colorado River Interim Guidelines for Lower Basin Shortages and Coordinated Operations for Lake Powell and Lake Mead* that may result in a reduction in Lower Basin deliveries in calendar years 2024, 2025, and potentially 2026 thereby impacting the amount of System Conservation Water that can be created by CVWD in those years and how that water is accounted for under this SCIA;

2.11 WHEREAS, CVWD shares priorities 3a and 6a to Colorado River water in accordance with Contract No. Ilr-781 dated October 15, 1934, as amended and supplemented ("CVWD Contract"), as modified (or quantified) by the terms of the Colorado River Water Delivery Agreement ("CRWDA") dated October 10, 2003, specifically Exhibit B of the CRWDA, while the CRWDA remains in effect;

2.12 WHEREAS, CVWD submitted to Reclamation a LC Conservation Program proposal received on November 15, 2022, that included two proposals one of which is Exhibit 2 –

Proposal 1 – "Colorado River Water Conservation Program", ("Exhibit 2 – Proposal 1") to make available a portion of CVWD's water entitlement for the LC Conservation Program in calendar years 2024, 2025, and 2026, in exchange for monetary compensation;

2.13 WHEREAS, CVWD's LC Conservation Program Exhibit 2 - Proposal 1 was evaluated by Reclamation pursuant to the proposal and selection requirements as shown in Enclosure 1 to Reclamation's October 12, 2022, letter;

2.14 WHEREAS, CVWD's LC Conservation Program Exhibit 2 - Proposal 1 was selected by Reclamation for inclusion in the LC Conservation Program under a set fixed price of $400.00 per acre-foot (Program 1.a.in the October 12, 2022, letter);

2.15 WHEREAS, a copy of CVWD's LC Conservation Program Exhibit 2 - Proposal 1 received by Reclamation on November 15, 2022, is attached hereto as Exhibit B and made part of this SCIA;

2.16 WHEREAS, Exhibit 2 – Proposal 1 – "Colorado River Water Conservation Program" has been modified through negotiation of this SCIA because by email dated May 7, 2023, CVWD informed Reclamation that it has decided instead to establish and administer an agricultural conservation program in the CVWD service area to create up to 10,000 acre-feet of System Conservation Water, separate from and in addition to the amount of conserved water created under the System Conservation Implementation Agreement (SCIA) between the United States Bureau of Reclamation and the Coachella Valley Water District to Implement the Lower Colorado River Conservation and Efficiency Program (LC Conservation Program, SCIA No. 23-XX-30-W0764, dated July 24, 2023;

2.17 WHEREAS, CVWD has a history of working with the United States in calendar years 2022 and 2023 by entering into agreements to help mitigate the impacts of the drought by conserving water in Lake Mead as system water in exchange for financial compensation; and

2.18 WHEREAS, Reclamation and CVWD desire to enter into this SCIA whereby CVWD agrees, among other things, to create System Conservation Water in exchange for financial compensation.

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

3. DEFINITIONS

3.1 Colorado River Compact means the document signed on November 24, 1922, at Santa Fe, New Mexico, pursuant to an act of Congress approved August 19, 1921 (42 Stat. 171). The Colorado River Compact was approved in Section 13(a) of the Boulder Canyon Project Act.

3.2 Colorado River System shall have the meaning ascribed to such term in the Colorado River Compact.

3.3 Exhibit A means for calendar years 2024, 2025, and 2026, a Technical Memorandum as defined in Section 3.6. Exhibit A will be attached hereto and made part of this SCIA once the Technical Memorandum for each calendar year is submitted to Reclamation by

CVWD and is reviewed approved by Reclamation.

3.4 Exhibit B is a copy of CVWD's LC Conservation Program Exhibit 2 - Proposal 1 received by Reclamation on November 15, 2022, as modified through negotiation of this SCIA. Exhibit A is attached hereto and part of this SCIA.

3.5 System Conservation Water means Colorado River water that is conserved by CVWD under the SCIA and left in Lake Mead to benefit the Colorado River System pursuant to this SCIA.

3.6 Technical Memorandum means a memorandum that CVWD submits to Reclamation for review and approval describing the fallowing CVWD is undertaking to create System Conservation Water during calendar years 2024, 2025, and 2026 to include, among other things, (1) the annual fallowing plan including the acreages proposed with accompanying maps and cropping history, 2) the estimated volume of water conserved and the volume of diversion reduction, 3) water conservation quantification methodology, and 4) the verification activities that CVWD routinely conducts and the verification information that CVWD will provide to Reclamation.

4. PURPOSE

4.1 The purpose of this SCIA is for Reclamation to compensate CVWD for the System Conservation Water that is created in calendar years 2024, 2025, and 2026 by CVWD farmers fallowing lands within its service area and not irrigating the lands thereby allowing such water to remain in Lake Mead as System Conservation Water. In the absence of this SCIA, CVWD attests that it used such water in previous years, and it would have used such water in calendar years 2024, 2025, and 2026 covered under this SCIA.

5. SYSTEM CONSERVATION IMPLEMENTATION

5.1 The term of this SCIA begins upon execution of this SCIA and continues until the final payment in accordance with Section 8 herein is made to CVWD and all terms and conditions are satisfied.

5.2 CVWD is establishing and administering an agricultural land fallowing program in the CVWD service area to create up to 10,000 acre-feet System Conservation Water each year in calendar years 2024, 2025, and 2026, under this SCIA. CVWD will solicit applications from farmers within the CVWD service area for participation in the agricultural land fallowing program. CVWD will enter into agreements with such participants and will provide Reclamation copies of such agreements, if requested.

5.3 For the agricultural land fallowing program, CVWD agrees to submit to Reclamation a Calendar Year 2024 Technical Memorandum, a Calendar Year 2025 Technical Memorandum, and a Calendar Year 2026 Technical Memorandum, as defined in Section 3.6, as soon as practicable. Following CVWD's submission of its annual Technical Memorandum to Reclamation, the Parties will meet and confer to discuss the Technical Memorandum. The Parties shall agree in writing to, among other things, the number of acres participating in the agricultural land fallowing program, the consumptive use quantification methodology, and the estimated volume of System Conservation Water to be created in each calendar year.

6. MONITORING

6.1 The Parties agree that Reclamation shall (1) quantify, verify, and document reductions in consumptive use of Colorado River water under this SCIA and (2) report the verified volume of System Conservation Water created in calendar years 2024, 2025, and 2026 under this SCIA in the annual *Colorado River Accounting and Water Use Report: Arizona, California, and Nevada.* ("Water Accounting Report").

6.2 Reclamation will use its existing Colorado River water order approval process and other authorities to ensure that CVWD's Colorado River water under this SCIA is not ordered or used by other Colorado River water entitlement holders.

6.3 CVWD agrees to furnish and install padlocks to lock the irrigation service meters on fields participating within the fallowing program under the terms of this SCIA to the extent possible to do so. CVWD will lockout these irrigation service meters within CVWD's water ordering computer software application so that these turnouts are unable to order or be delivered water. If an irrigation service meter services multiple fields of which not all are being fallowed, other practical mechanisms, including, but not limited to dirt berms in the portion of any irrigation ditch serving the fallowed field, or sealing the turnouts onto fallowed fields will be used to the extent possible to assure that no water deliveries can be made onto the fallowed fields.

6.4 CVWD agrees to report any identified discrepancy in the lands being fallowed under this SCIA, such as the period (time) of fallowing or the total acres fallowed to Reclamation during the year or at year end.

6.5 System Conservation Water will be created by reductions in water delivery to agricultural fields due to the agricultural land fallowing program.

6.6 CVWD will continue to conduct its own initial and ongoing monitoring and documentation of the agricultural land fallowing program.

6.6.1 Verification of fallowing will require CVWD documentation that proposed fallowing or cessation of irrigation, is implemented on fields enrolled in a System Conservation Water activity provided for in this SCIA.

6.6.2 CVWD staff or its designees will visit enrolled fields to verify that land fallowing conservation measures are constructed, operated and/or implemented according to program standards in accordance with CVWD's requirements.

6.6.3 The frequency of field visits by CVWD staff, its designees, or other monitoring procedures will be at CVWD's discretion.

6.7 By entering into this SCIA, CVWD grants access to Reclamation, or will provide such access, to perform periodic on-site inspections of the enrolled fields to verify that agricultural land fallowing conservation measures practices have been initiated and are occurring. CVWD will facilitate such inspections by providing a tabulation of participants in the agricultural land fallowing program provided by this SCIA.

6.7.1 In addition, CVWD will provide field location information via appropriate maps to allow Reclamation to conduct remote sensing field-level verification as further discussed in Section 6.8 below.

6.7.2 The information to be provided in each map will consist of such data as Reclamation and CVWD agree is appropriate to allow administration of this SCIA in a prudent and practical manner.

6.8 Reclamation will use its existing in-person periodic in-field verification process, and satellite imagery in conjunction with its *Remotely Sensed Data Acquisition Program* to determine that the farmlands associated with this SCIA are being fallowed and that conservation measures have been implemented and are being operated/used to create System Conservation Water.

6.9 Subject to Reclamation review and approval in writing, CVWD can rotate fields for cropping purposes if substitute equivalent fallowed acres are maintained without a reduction in payment. Modification of maps will be made and provided to Reclamation to reflect any substitution of lands.

6.10 The Parties agree that the terms of this SCIA shall not establish a precedent for potential future water conservation activities.

6.11 The Parties agree that implementation of this SCIA including all payments from Reclamation under this SCIA is contingent upon the forbearance of the California Colorado River water contractors for the creation of System Conservation Water under this SCIA.

7. IDENTIFICATION AND TRACKING OF COLORADO RIVER SYSTEM WATER

7.1 Reclamation will document the quantity of System Conservation Water created by CVWD through the reductions in consumptive use described in this SCIA in the annual Water Accounting Report. The quantity of System Conservation Water to remain in Lake Mead, as determined by Reclamation, will be reported in the section of the annual Water Accounting Report titled, "Conservation, Transfers and Exchanges."

7.2 Reclamation and CVWD agree that the water left in Lake Mead pursuant to this SCIA shall accrue to the benefit of the Colorado River System and shall not accrue to the individual benefit of CVWD or any third party.

8. PAYMENTS

8.1 CVWD will establish an agricultural land fallowing program to create System Conservation Water. CVWD will provide Reclamation a written Technical Memorandum each year as defined in Section 3.6 and provided in Section 5.3 herein that will be reviewed and approved in writing by Reclamation.

8.2 PAYMENTS FOR LAND FALLOWING CALENDAR YEARS 2024, 2025, AND 2026

8.2.1 For calendar years 2024, 2025, and 2026 land fallowing, Reclamation will pay CVWD a fixed price of $400.00 per acre-foot of System Conservation Water.

8.2.2 CVWD will implement coordination and reporting activities to identify the amount of system conservation implemented through land fallowing. CVWD will provide this information to Reclamation upon request.

8.3 PAYMENTS FOR CALENDAR YEAR 2024: For land fallowing in calendar year 2024, Reclamation will pay CVWD a total payment calculated by multiplying $400.00 per acre-foot times the estimated volume of conserved water in acre-feet on a consumptive use basis for 2024, as agreed to by the Parties in Section 5.3 ("Total Payment") as follows:

8.3.1 Payment 1 is 1/2 of the Total Payment and will be made by Reclamation to CVWD no later than 60 days following these actions: (1) execution of this SCIA, (2) receipt and subsequent review and approval by Reclamation in writing of a calendar year 2024 Technical Memorandum and (3) receipt by Reclamation of an adjusted water order for calendar year 2024 reducing its Priority 3a water diversion request, whichever (1), (2), or (3) occurs last.

8.3.2 Payment 2 is 1/3 of the Total Payment will be made to CVWD no later than 60 days after Reclamation's confirmation during its December 2024 field verification inspection that the farmlands associated with this SCIA as shown in the Technical Memorandum Exhibit A map for calendar year 2024 are being fallowed in substantial compliance with this SCIA; provided, the payment process for any alleged non-compliance is pursuant to Section 12.2 herein.

8.3.3 Payment 3 is 1/6 of the Total Payment and will be made to CVWD no later than 60 days after publication in calendar year 2025 of the annual Water Accounting Report verifying the amount of System Conservation Water created in calendar year 2024. Such publication normally occurs in mid-May.

8.4 If Reclamation finds any portion of the farmlands associated with this SCIA as shown in the Technical Memorandum Exhibit A map for calendar year 2024 have not been fallowed during the entire fallowing period, thereby reducing the volume of System Conservation Water created by CVWD, Payment 3 in Section 8.3.3 herein shall be reduced accordingly and/or CVWD will be required to reimburse Reclamation as provided in Section 11 herein.

8.5 PAYMENTS FOR CALENDAR YEAR 2025: For land fallowing in calendar year 2025, Reclamation will pay CVWD a total payment calculated by multiplying $400.00 per acre-foot times the estimated volume of conserved water in acre-feet on a consumptive use basis for 2025, as agreed to by the Parties in Section 5.3, ("Total Payment") as follows:

8.5.1 Payment 1 is 1/3 of the Total Payment and will be made by Reclamation to CVWD no later than 60 days following: (1) receipt and subsequent review and approval by Reclamation in writing of a calendar year 2025 Technical Memorandum and (2) receipt by Reclamation of an adjusted water order for calendar year 2025 reducing its Priority 3a water diversion request, whichever (1) or (2) occurs last.

8.5.2 Payment 2 is 1/3 of Total Payment and will be made to CVWD no later than 60 days following Reclamation's confirmation during its July 2025 field verification inspection

that the farmlands associated with this SCIA as shown in the Technical Memorandum Exhibit A map for calendar year 2025 are being fallowed in substantial compliance with this SCIA; provided, the payment process for any alleged non-compliance is pursuant to Section 12.2 herein.

8.5.3 Payment 3 is 1/6 of the Total Payment will be made to CVWD no later than 60 days after Reclamation's confirmation during its December 2025 field verification inspection that the farmlands associated with this SCIA as shown in the Technical Memorandum Exhibit A map for calendar year 2025 are being fallowed in substantial compliance with this SCIA; provided, the payment process for any alleged non-compliance is pursuant to Section 12.2 herein.

8.5.4 Payment 4 is 1/6 of the Total Payment and will be made to CVWD no later than 60 days after publication in calendar year 2026 of the annual Water Accounting Report verifying the amount of System Conservation Water created in calendar year 2025. Such publication normally occurs in mid-May.

8.6 If Reclamation finds any portion of the farmlands associated with this SCIA as shown in the Technical Memorandum Exhibit A map for calendar year 2025 have not been fallowed during the entire fallowing period thereby reducing the volume of System Conservation Water created by CVWD, Payment 4 in Section 8.5.4 herein shall be reduced accordingly and/or CVWD will be required to reimburse Reclamation as provided in Section 11 herein.

8.7 PAYMENTS FOR CALENDAR YEAR 2026: For fallowing in calendar year 2026, Reclamation will pay CVWD a total payment calculated by multiplying $400.00 per acre-foot times the estimated volume of conserved water in acre-feet on a consumptive use basis for 2026, as agreed to by the Parties in Section 5.3, ("Total Payment") as follows:

8.7.1 Payment 1 is 1/3 of the Total Payment and will be made by Reclamation to CVWD no later than 60 days following: (1) receipt and subsequent review and approval by Reclamation in writing of a calendar year 2026 Technical Memorandum and (2) receipt by Reclamation of an adjusted water order for calendar year 2026 reducing its Priority 3a water diversion request whichever (1) or (2) occurs last.

8.7.2 Payment 2 is 1/3 of Total Payment and will be made to CVWD no later than 60 days following Reclamation's confirmation during its July 2026 field verification inspection that the farmlands associated with this SCIA as shown in the Technical Memorandum Exhibit A map for calendar year 2026 are being fallowed in substantial compliance with this SCIA; provided, the payment process for any alleged non-compliance is pursuant to Section 12.2 herein.

8.7.3 Payment 3 is 1/6 of the Total Payment will be made to CVWD no later than 60 days after Reclamation's confirmation during its December 2026 field verification inspection that the farmlands associated with this SCIA as shown in the Technical Memorandum Exhibit A map for calendar year 2026 are being fallowed in substantial compliance with this SCIA; provided, the payment process for any alleged non-compliance is pursuant to Section 12.2 herein.

8.7.4 Payment 4 is 1/6 of the Total Payment and will be made to CVWD no later than 60 days after publication in calendar year 2027 of the annual Water Accounting Report verifying the amount of System Conservation Water created in calendar year 2026. Such publication normally occurs in mid-May.

8.8 If Reclamation finds any portion of the farmlands associated with this SCIA as shown in the Technical Memorandum Exhibit A map for calendar year 2026 have not been fallowed during the entire fallowing period, thereby reducing the volume of System Conservation Water created by CVWD, Payment 4 in Section 8.7.4 herein shall be reduced accordingly and/or CVWD will be required to reimburse Reclamation as provided in Section 11 herein.

9. ADDITIONAL COLORADO RIVER WATER DELIVERY REDUCTIONS

9.1 CVWD and Reclamation agree that changes to Lake Mead operations in calendar years 2024, 2025, and potentially 2026, due to implementation of shortage conditions under the 2007 *Colorado River Interim Guidelines for Lower Basin Shortages and Coordinated Operations for Lake Powell and Lake Mead* (2007 Interim Guidelines) and the 2019 LBDCP and/or the outcome of the SEIS process, may result in additional Colorado River water delivery reductions during those years in the Lower Basin. Such additional Colorado River water delivery reductions would require Reclamation to reduce approved water orders which would impact the amount of System Conservation Water that can be created by CVWD, paid for by Reclamation, and accounted for under this SCIA as provided below.

9.1.1 Mid-Year Reductions: If Reclamation reduces the available amount of Colorado River water for delivery to CVWD mid-year and CVWD already reduced its adjusted water order at Imperial Dam pursuant to Sections 8.3.1, 8.5.1, and 8.7.1 herein, Reclamation and CVWD agree that: (1) the amount of System Conservation Water created will be accounted towards the additional Colorado River water reduction by Reclamation and (2) CVWD will retain the payment made by Reclamation as provided in Section 8 herein for the amount of System Conservation Water created by CVWD as provided by CVWD's adjusted water order at Imperial Dam as required in Section 5.4.2 herein, and CVWD will not be required to reimburse Reclamation as required in Section 11 herein.

9.1.2 For Calendar Years 2024, 2025, and 2026: If, prior to the applicable calendar year, Reclamation reduces the available amount of Colorado River water for delivery to CVWD water in calendar years 2024, 2025 or 2026, Reclamation and CVWD agree (1) that only water available to CVWD under Priority 3(a) after such additional Colorado River water delivery reduction in calendar year 2024, 2025, or 2026 can be used by CVWD to create System Conservation Water under this SCIA (see Section 9.1.3 herein), and (2) that CVWD's adjusted water order at Imperial Dam as required in Sections 8.3.1, 8.5.1, and 8.7.1 herein will be further amended by CVWD accordingly.

9.1.3 Water Available After The Additional Colorado River Water Delivery Reduction: If CVWD has Priority 3(a) water available in calendar year 2024, 2025, or 2026 to create System Conservation Water after the required additional Colorado River water delivery reductions are made by Reclamation in those years, CVWD and Reclamation agree that: (1) CVWD may create System Conservation Water under this SCIA for an acre-foot amount available after the required Colorado River water delivery reduction, or (2) CVWD has the option to not create System Conservation Water under this SCIA in which case CVWD's adjusted water order at Imperial Dam as required in Sections 8.3.1, 8.5.1, and 8.7.1 herein would show 0 acre-feet for the creation of System Conservation Water; therefore, no compensation would be paid to CVWD by Reclamation. CVWD agrees that its adjusted water order at Imperial Dam as required in Sections 8.3.1, 8.5.1, and 8.7.1 herein will reflect the outcome of either (1) or (2) above, and its

adjusted water order at Imperial Dam as required in Sections 8.3.1, 8.5.1, and 8.7.1 herein will be further amended by CVWD accordingly.

9.1.4 Water Not Available After The Additional Colorado River Water Delivery Reduction: If CVWD does not have water available under Priority 3(a) in calendar year 2024, 2025, or 2026 to create System Conservation Water after the required additional Colorado River water delivery reductions are made by Reclamation in those years, CVWD and Reclamation agree that CVWD is not required to create System Conservation Water under this SCIA; therefore, CVWD will not receive compensation from Reclamation in that year under this SCIA. For example, CVWD's adjusted water order at Imperial Dam for calendar year 2024, 2025 and/or 2026, as required in Sections 8.3.1, 8.5.1, and 8.7.1 herein, would show 0 acre-feet for the creation of System Conservation Water; therefore, no compensation would be paid by Reclamation to CVWD.

10. CVWD COSTS

10.1 CVWD agrees to bear all costs for implementation of this SCIA in return for the payments to be made by Reclamation, as specified in this SCIA.

11. REIMBURSEMENT FOR OVERPAYMENT

11.1 Unless otherwise provided in this SCIA, in the unanticipated and unforeseen event the total amount of water under this SCIA is not added to Lake Mead as System Conservation Water as was paid for by Reclamation, due to CVWD taking an action that interferes with the foregoing objective, CVWD agrees to reimburse for the overpayment for the water that was not added to Lake Mead within 30 days of receipt of a bill for collection from Reclamation.

12. DISPUTE RESOLUTION

12.1 If any Party disputes any compliance with or performance under this SCIA by the other Party, the Party claiming such dispute shall notify the other Party in writing, specifically identifying the claimed deficiency in compliance or performance. Upon such notice, the Parties shall timely meet and confer regarding the claim and use good faith efforts to resolve the claim informally.

12.2 To the extent any claim of non-compliance or non-performance affects any payment from Reclamation to CVWD hereunder, amounts of such payment that are not associated with such non-compliance or non-performance shall be paid in a timely manner, and any remaining balance shall be held pending resolution of the claim of non-compliance or non-performance.

13. SYSTEM CONSERVATION WATER IS NOT A DCP CONTRIBUTION

13.1 The Parties to this SCIA agree that the System Conservation Water created under this SCIA shall be additive to the total conserved water volume associated with the LC Conservation Program and shall not be used to satisfy any Lower Division States' DCP contribution required under the LBOps.

14. ENVIRONMENTAL COMPLIANCE

14.1 Because implementation of this SCIA may result in reduced flows in the Colorado River, CVWD agrees to consult with Reclamation on measures to fulfill any of its environmental obligations resulting from reduction in river flows including, any conservation measures required by the Endangered Species Act; provided, any funding obligations between the Parties for the Endangered Species Act compliance shall be pursuant to the Lower Colorado River Multi-Species Conservation Program Funding Agreements.

15. THIRD PARTY BENEFICIARIES

15.1 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 that is not a Party.

16. GENERAL TERMS

16.1 CVWD 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.

16.2 The Parties agree that consistent with the provisions of 3(b) of the LB DCP Agreement, and Section IV F. of the Lower Basin Drought Contingency Operations, water intentionally conserved pursuant to this SCIA will remain in Lake Mead and shall not be subject to release pursuant to Article II of the Consolidated Decree in the year in which the conservation occurs.

16.3 The water left in Lake Mead under this SCIA will not be reported as a CVWD diversion or consumptive use but will be a deduction from CVWD's and California's allowed maximum consumptive use.

16.4 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 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.

16.5 The Parties do not intend that any right or remedy given to a Party on the breach of any provision under this SCIA to 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.

16.6 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.

16.7 This SCIA constitutes a valid and binding agreement 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.

16.8 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.

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

If to Reclamation:

Bureau of Reclamation
Interior Region 8: Lower Colorado Basin
Attn: Regional Director
500 Date Street, Building 900
Boulder City, NV 89005
Email: jgould@usbr.gov

With a copy to:

Bureau of Reclamation
Interior Region 8: Lower Colorado Basin
Attn: Chief, Boulder Canyon Operations Office
500 Date Street, Building 900
Boulder City, NV 89005
Email: dbunk@usbr.gov

If to CVWD:

Coachella Valley Water District
Attn: General Manager
75-515 Hovley Lane
East Palm Desert, CA 92236
Email: jbarrett@cvwd.org

16.10 All information and data obtained, books, and other records or developed with the performance of duties mentioned in this SCIA shall be available for inspection and audit upon request to a Party for five years after completion of this SCIA, subject to the provisions of the Freedom of Information Act and California public records law, if applicable, or other applicable law. However, use of said reports, data and information shall appropriately reference the source for the respective documents.

16.11 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. Nothing in this SCIA shall bind the United States to expenditures in excess of funds appropriated and allotted for the purposes outlined in this SCIA.

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

16.13 Nothing in this SCIA diminishes or abrogates the authority of the Secretary 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. The Parties understand that Reclamation is conducting an analysis of potential changes to operations of Lake Mead for calendar years 2023-2026, inclusive; the Parties reserve all rights and defenses if the outcome of such an analysis affects the water at issue in the LC DCP or the LC DCP Implementation Agreement between The Metropolitan Water District of Southern California and CVWD dated May 20, 2019.

16.14 If a dispute arises regarding this SCIA, the Parties agree to meet and attempt to resolve the dispute before seeking any remedy. The Parties agree to engage in any alternative dispute resolution procedures authorized by their statutes, regulation and court rules.

16.15 The Parties agree to comply with all applicable federal or state laws relating to equal opportunity and non-discrimination.

16.16 This SCIA shall be interpreted, governed by, and construed under applicable Federal law and any relevant provisions of California state law. In case of conflict between Federal law and California state law, Federal law controls. To the extent permissible under the Federal Rules of Civil Procedure and other applicable Federal authority, venue for adjudication of any disputes under this SCIA shall be in appropriate Federal Court.

16.17 Should any third party challenge the legality, validity or enforceability of this SCIA, the Parties agree to coordinate.

17. COUNTERPARTS

17.1 This SCIA may be executed in counterparts, each of which shall be an original and all of which, together, shall constitute only one agreement.

18. EFFECTIVE DATE

18.1 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.

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

Signatures next page.

Approved as to form:

COACHELLA VALLEY WATER DISTRICT

By: _____

By: _____ 3.11.2024

Signatures continued next page.

THE UNITED STATES OF AMERICA

By: _____

Jacklynn L. Gould, P.E.
Regional Director
Interior Region 8: Lower Colorado Basin
Bureau of Reclamation

Exhibit A

1. A copy of CVWD's Technical Memorandum for calendar years 2024, 2025, and 2026 will be attached once they are reviewed and approved by Reclamation in accordance with this SCIA.

Exhibit B

1. A copy of CVWD's LC Conservation Program Exhibit 2 - Proposal 1 received by Reclamation on November 15, 2022, as modified through negotiation of this SCIA is attached.

EXHIBIT 2

COACHELLA VALLEY WATER DISTRICT
PROPOSAL 1
COLORADO RIVER WATER CONSERVATION PROGRAM

PLAN DESCRIPTION

Purpose

To assist in a coordinated effort to protect critical reservoir water levels in the Colorado River Basin during the current drought, Coachella Valley Water District (CVWD) is proposing to establish a Colorado River Water Conservation Program (CRW Conservation Program) to reduce the consumptive use of Colorado River water for a three-year term for calendar years (CYs) 2023 through 2025. This program is based on voluntary, temporary, and compensated conservation of Colorado River water historically used for the irrigation of lands within CVWD's service area. The conserved water shall not be consumptively used by CVWD or other Colorado River contractors and shall instead be made available by forbearance to assist in the management of reservoir levels in the Colorado River in the Lower Basin during the current drought conditions.

CVWD Responsibilities

If the proposal is accepted, CVWD, upon authorization by the Board and compliance with the California Environmental Quality Act (CEQA), will execute a system conservation agreement with the U.S Bureau of Reclamation (Reclamation) and agree not to divert the conserved water. The CVWD's Board will also amend its current program regulations to implement the CRW Conservation Program and to conform to the requirements of the agreement.

CVWD shall (1) administer the CRW Conservation Program, (2) review applications from growers willing to participate in the CRW Conservation Program, (3) determine from CVWD records the baseline historical use against which conserved water volumes will be measured, (4) select the eligible applicants in accordance with program regulations to enter into contracts with CVWD, (5) verify the volume of conserved water and (6) pay participants in the CRW Conservation Program for each volume (measured in acre-foot (af) of verified conserved water).

Reclamation Responsibilities

Reclamation shall reimburse CVWD for the volume of actual verified conserved water at the fixed price. Reclamation may also provide technical assistance in the review of applications and verification of the volume of water conserved.

Other Parties' Responsibilities

The Metropolitan Water District of Southern California and Imperial Irrigation District will need to agree to forbear diverting and using the water conserved under this Program.

Applications for Participation in the Program

CVWD customers desiring to participate in the CRW Conservation Program shall submit a completed application to CVWD in accordance with the program regulations.

Evaluation of Applications and Selection of Applicants for Agreements with CVWD

CVWD, in its sole discretion, may decline to proceed with an application if the records and data or the varied history of irrigation of the lands set forth in the application and/or other land owned or farmed by a customer within CVWD's service area are insufficient in CVWD's sole judgment, to determine a historical baseline of water use that shall provide an accurate determination of the volume of water saved by conservation and/or provide an accurate determination of compliance with the obligation of a customer.

CVWD shall select and prepare a schedule of qualified applications ranked in accordance with the program regulations and accordingly determine which applications may be offered an agreement.

Agreements between CVWD and Customers for Participation in the CRW Conservation Program

Successful applicants shall sign Grower agreements in the form prescribed the program regulations and return to CVWD for execution by the General Manager. No agreement shall be effective until executed by CVWD's General Manager.

Suspension or Termination of Participation in the Program

CVWD may elect to terminate or suspend a Grower's participation in the Program as it shall be provided in the Grower agreement and Program regulations, and any disputes by a customer over suspension or termination of their agreement shall be resolved pursuant to the Program regulations.

CVWD will reimburse the participant for any volume of conserved water from the commencement of the participation period until the termination date of the Grower agreement. Understanding that unanticipated events may occur, a participant may elect to terminate their agreement. However, recognizing that Reclamation incentivizes for longer-term conservation efforts ($330/af for one year vs. $400/af for three years), the Grower Agreement may require the participant to make reimbursement up to $70/af for early termination (for example, if a participant terminates after the first year of a three-year agreement, but has already been paid).

Payments for Conserved Water

Actual Conserved Water

Upon verification by CVWD of the volume of conserved water, CVWD shall pay the participant in the CRW Conservation Program according to the following schedule (all payments are net to participants):

- One-year agreement - $270/af
- Two-year agreement - $305/af
- Three-year agreement - $340/af

These figures were calculated based on the payment from Reclamation minus $60/af for CVWD's administrative costs. CVWD shall make payments twice per calendar year, which will be provided in the Grower agreement. If the participation period is for less than one calendar year payment, a single payment shall be made at the end of the participation period.

Use Credit for Satisfaction of Irrigation Water Availability Assessment

As additional consideration for conservation, CVWD shall, for purposes of satisfying the Irrigation Water Availability Assessment (IWAA), presume a participant in the Program has paid irrigation water service charges each month during the participation period as if the participant had used irrigation service for the land enrolled in the program. This is part of the administrative costs for which CVWD is reimbursed.

Invoices to Reclamation

CVWD shall invoice Reclamation for conserved water in a timely manner for which payments have been made to a participant and shall provide supporting documentations of baseline calculation, verification, and proof of volumes of conserved water.

AMOUNT OF COLORADO RIVER SYSTEM WATER CONSERVED

The CRW Conservation Program is not intended to be a long-term program and to permanently change or reduce agricultural land use designations; it is intended to operate temporarily, conserving up to 10,000 acre-feet per year (10 taf/yr.) for a three-year term, CY 2023 through 2025. Any future extension of the CRW Conservation Program beyond the three-year term shall be contingent upon future approval and authorization by the Board.

The total volume of conserved water shall not exceed 10 taf per calendar year and shall not exceed 30 taf over the three-year life of the proposed plan. The volume of verified conserved water shall be deducted from CVWD's water orders and properly accounted for by Reclamation staff to ensure that it is not counted as underused water (e.g. underrun).

METHODOLOGY FOR ESTIMATED CONSUMPTIVE USE REDUCTION AND SUPPORTING INFORMATION THAT DOCUMENTS THE ESTIMATE

CVWD shall, using CVWD's records, as supplemented by other available data, determine the historical baseline of water use for the land enrolled in the CRW Conservation Program for each month of the year. CVWD will review the monthly water use history for five calendar years preceding 2023 and if needed, solicit further information from participants regarding significant changes in water use during that period and the explanation for those changes.

CVWD will determine the Historical Baseline of Water Use for each month by using an average of three years of consumption, selected by dropping the lowest and highest consumption years. CVWD will provide participants and Reclamation with CVWD's written determination for the volume of conserved water for the payment period.

DESCRIPTION OF HOW THE PROPONENT WILL VERIFY AND DOCUMENT THE CONSUMPTIVE USE REDUCTION

After an agreement for participation in the CRW Conservation Program has been signed by both a customer and CVWD's General Manager, the customer shall be deemed enrolled in the Program.

- **Closure of Meters.** Irrigation service meters to lands enrolled in the Program shall be locked by CVWD staff at the beginning of the participation period. Exception may be made in cases where this may not be practical, for example, where the method of conservation is crop substitution or if the meter serves multiple accounts not enrolled in the Program.
- **Inspection of Land and Meters.** CVWD staff shall inspect irrigation service meters, well meters, and the land fallowed to ensure compliance with the agreement during the following times:
  (1) Commencement of the participation period
  (2) Mid-term
  (3) End of the participation period, and
  (4) Randomly, as needed
- **Verification of bills.** CVWD staff shall conduct quarterly or as often as needed reviews of the participant's canal water bills as part of the verification process.
- **Determination of Volume of Conserved Water.** CVWD shall calculate the volume of conserved water as follows:
  1. Canal water consumption data: CVWD staff shall generate canal water consumption report for all lands/meters (including those that are not enrolled in the Program) owned and/or leased by the participant, for the period for which the participant shall be reimbursed for conserved water. Reimbursement shall be determined using the historical baseline of water use for each month and subtracting the volume of water that was applied to the participant's land in each month during the participation period. Calculations shall include all lands (including ones that are not enrolled in the Program) owned and/or leased by the participant.
  2. Well production data: CVWD shall generate well production report for all lands/meters (including those that are not enrolled in the Program) owned and/or leased by the participant, for the period for which the participant shall be reimbursed for conserved water.

  The well production for all lands (including ones that are not enrolled in the Program) owned and/or leased by the participant shall not increase during the participation period.
  - ✓ If there is no significant change in in well production during the participation period as compared to the well production history, calculated in the same

manner as for the canal water use, the volume of conserved water shall be equal to the volume calculated in 1.) above.

- ✓ If there is an increase in well production during the participation period as compared to the well production history, the volume of conserved water shall be equal to the volume calculated in 1.) above less the increase in well production.
- ✓ If there is a decrease in well production during the participation period, the volume of conserved water shall be equal to the volume calculated in 1.) above.

3. CVWD staff shall review the calculations and methodology used to determine the volume of conserved water with the participant and the participant shall sign off on the agreed volume prior to initiating any payment.

- **Resolution of Disputes.** Any dispute by the participant over the volume of conserved water determined shall be resolved pursuant to sections 14.4 (Appeals) and 14.5 (Exhaustion of Administrative Remedies) of Part 14 of CVWD's Canal Irrigation and Drainage System Rules and Regulations.