

Colorado River Water Transfer Agreement



DIVERSIFICATION Enhancing Water Supply Reliability

Overview

A critical component of the 2003 Colorado River Quantification Settlement Agreement was the Water Transfer Agreement between the Imperial Irrigation District and the San Diego County Water Authority. The transfer agreement established that the San Diego region would receive up to 200,000 acre-feet of water per year for up to 75 years through a combination of land fallowing and efficiency-based water conservation measures.

The water transfer is considered the cornerstone of the broader QSA plan to reduce California's use of Colorado River water to its basic annual apportionment of 4.4 million acre-feet. Now in its 15th year of implementation, 100,000 acre-feet of water is scheduled to be transferred to the Water Authority in 2017. The transfer schedule will ramp up to 200,000 acre feet by 2021.

U.S. Department of Interior, also included projects to conserve water from lining portions of the All-American and Coachella canals. The Water Authority served as the project manager on both canal lining projects, which are complete and producing at least 77,700 acre-feet of conserved water per year for the Water Authority.

AF = acre-foot

One acre-foot is approximately 325,900 gallons, enough to supply two single-family households of four for a year.

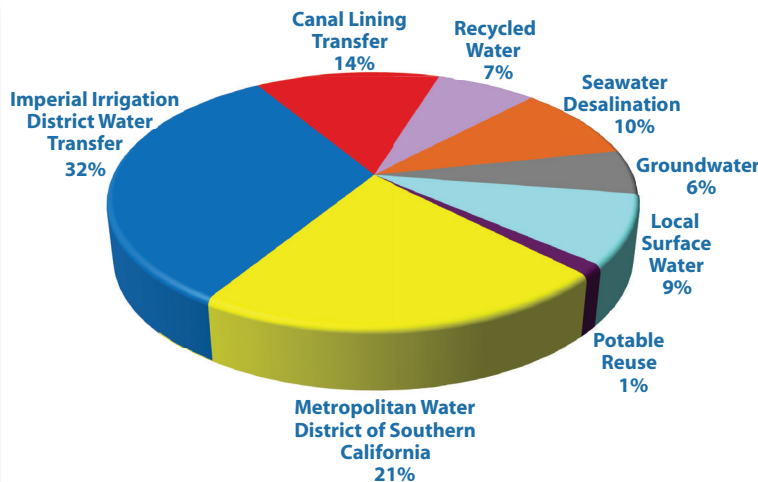
Water Authority-IID Water Transfer

Term - The initial term of the Water Authority-IID Water Transfer Agreement is 45 years. If both parties agree, the agreement can be renewed for an additional 30 years. The Water Authority may elect to terminate the agreement after 35 years. In the event of a non-renewal, each party has a right of first refusal on transfers for a period of 15 years following the initial term.

Conservation method - IID is responsible for determining how to produce the conserved water, except that fallowing will only be a permitted method of saving water during the initial 15 years. IID, in developing its conservation measures for the period when the fallowing program ends, is moving forward with a plan that calls for a combination of system conservation and on-farm conservation. In 2010, the Water Authority provided IID \$50 million to assist in these efforts, which IID will use for the exclusive purpose of constructing system-conservation capital improvement projects. Between 2003 and 2017, the Water Authority is also providing \$30 million to IID to help diversify the Imperial Valley economy and mitigate socioeconomic impacts of the water transfer.

Quantity - The delivery quantity increases according to a schedule until reaching

Water Supply Diversification in 2020



The QSA, signed Oct. 10, 2003, by the Water Authority, IID, the Metropolitan Water District of Southern California, the Coachella Valley Water District, the California State Water Resources Control Board and the

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200,000 acre-feet in 2021.

Delivery - MWD takes delivery of transfer water via the Colorado River Aqueduct and delivers to the Water Authority a like quantity and quality of water in exchange.

Price - The price paid to IID for conserved water in 2017 is \$641 per acre-foot. Through 2034, the price per acre-foot will be based on the annual increase in the Gross Domestic Product Implicit Price Deflator as published by the Bureau of Economic Analysis of the U. S. Department of Commerce and applied to the prior year price per acre-foot. Beginning in 2035, either the Water Authority or IID can, if certain criteria are met, elect a market price through a formula described in the water transfer agreement.

In addition, a shortage premium price can be imposed, under certain conditions, after 2035.

Benefits

California - Water transfers are key components of the QSA, allowing California to implement measures to reduce its overdependence on Colorado River water.

Southern California - The transfers provide water to replace Colorado River water

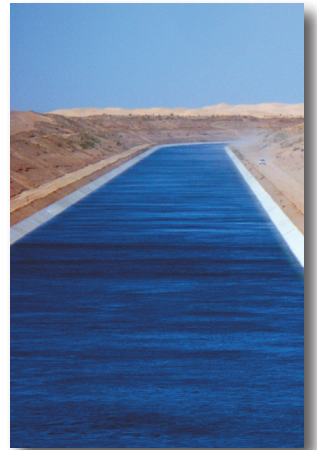
that is lost to the region as California complies with the mandate to live within its basic Colorado River annual apportionment of 4.4 million acre-feet. For many years, more than half the water MWD received from the Colorado River was a surplus supply. With the execution of the QSA, Southern California weaned itself from overdependence on the Colorado River.

San Diego County - San Diego County has gained a vast, new and highly reliable water supply that helps to diversify and ensure the reliability of the region's supply for generations to come. The transfers protect against shortages and stabilize the price of a significant portion of the Water Authority's overall supplies.

Imperial Valley - The Imperial Valley protects its historic water rights. The transfer funds pay the costs of the conservation program. Moreover, funding helps diversify the valley's economy.

Summary

The Water Authority-IID water transfer provides benefits to San Diego and Imperial counties and, indeed, the entire state of California. The All-American and Coachella canal lining projects also provide a reliable new long-term supply of water. These programs are key to the QSA. ■



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Water Transfers 2003 - 2021

