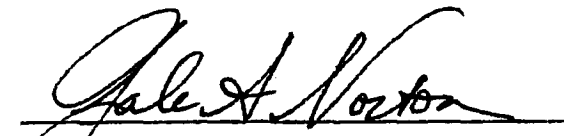
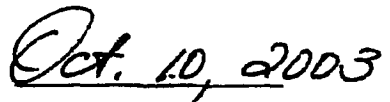


THE SECRETARY OF THE INTERIOR
WASHINGTON

**Colorado River Water Delivery Agreement:
Federal Quantification Settlement Agreement**
for purposes of Section 5(B) of
Interim Surplus Guidelines

Approved:


Gale A. Norton
Secretary of the Interior


Date

COLORADO RIVER WATER DELIVERY AGREEMENT

The United States by and through the Secretary of the Interior (Secretary) hereby enters into this Colorado River Water Delivery Agreement (Agreement) with the Imperial Irrigation District (IID), the Coachella Valley Water District (CVWD), The Metropolitan Water District of Southern California (MWD) (these three districts are collectively referred to herein as the Districts), and the San Diego County Water Authority (SDCWA). The Secretary, IID, CVWD, MWD and SDCWA hereby agree as follows:

RECITALS

- A. By regulations dated September 28, 1931, the Secretary incorporated the schedule of priorities provided in the Seven Party Agreement dated August 18, 1931, and established priorities One through Seven for use of the waters of the Colorado River within the State of California. The regulations were promulgated pursuant to the Boulder Canyon Project Act (BCPA) and required that contracts be entered into for the delivery of water within those priorities.
- B. The Secretary has entered into contracts with, among others, the Palo Verde Irrigation District (PVID), IID, CVWD, and MWD, for the delivery of Colorado River water pursuant to Section 5 of the BCPA (Section 5 Contracts). Under those Section 5 Contracts, PVID, IID, CVWD and MWD have certain rights to the delivery of Colorado River water, which for PVID and IID include the satisfaction of present perfected rights in accordance with Section 6 of the BCPA. MWD and CVWD also have surplus water delivery contracts with the Secretary.
- C. IID, CVWD, MWD and SDCWA have entered into agreements relating to, among other matters, their respective beneficial consumptive use of Colorado River water and desire that, for the term of this Agreement, Colorado River water be delivered by the Secretary in the manner contemplated in this Agreement.
- D. The Secretary has the authority to enter into this Agreement on behalf of the United States pursuant to the BCPA, the 1964 Decree in Arizona v. California, and other applicable authorities.

OPERATIVE TERMS

1. WATER DELIVERY CONTRACTS

- a. Priorities 1, 2, 3(b), 6(b), and 7 of current Section 5 Contracts for the delivery of Colorado River water in the State of California and Indian and miscellaneous Present Perfected Rights (PPRs) within the State of California and other existing surplus water contracts are not affected by this Agreement.

- b. The Secretary agrees to deliver Colorado River water in the manner set forth in this Agreement during the term of this Agreement. The Secretary shall cease delivering water pursuant to this Agreement at the end of the term of this Agreement; provided, however, that the Secretary's delivery commitment to the San Luis Rey Indian Water Rights Settlement Parties (SLR) shall not terminate at the end of the term but shall instead continue, pursuant to Section 106 of Public Law 100-675, 102 Stat. 4000 et seq., as amended, subject to the terms and conditions of any applicable agreement to which the Secretary is a party concerning the allocation of water to be conserved from the lining of the All-American and Coachella Canals.
- c. The Districts' respective Section 5 Contracts shall remain in full force and effect and, with this Agreement, shall govern the delivery of Colorado River water.

2. QUANTIFICATION OF PRIORITY 3(a)

- a. Except as otherwise determined under the Inadvertent Overrun and Payback Policy identified in Section 9 of this Agreement, the Secretary shall deliver Priority 3(a) Colorado River water to IID in an amount up to but not more than a consumptive use amount of 3.1 million acre-feet per year (AFY) less the amount of water equal to that to be delivered by the Secretary for the benefit of CVWD, MWD, SDCWA, SLR, and Indian and miscellaneous PPRs as set forth in Exhibits A and B hereto. Colorado River water acquired by IID after the date of this Agreement, and where necessary approved by the Secretary, shall not count against this cap.
- b. Except as otherwise determined under the Inadvertent Overrun and Payback Policy, the Secretary shall deliver Priority 3(a) Colorado River water to CVWD in an amount up to but not more than a consumptive use amount of 330,000 AFY less the amount of water equal to that to be delivered by the Secretary for the benefit of IID, MWD, SDCWA, SLR, and Indian and miscellaneous PPRs as set forth in Exhibits A and B hereto. Colorado River water acquired by CVWD in any transaction to the extent agreed upon prior to or concurrent with the execution of this Agreement by IID and MWD and, where necessary approved by the Secretary, shall not count against this cap.

3. QUANTIFICATION OF PRIORITY 6(a)

- a. Subject to any rights that PVID may have, and except as otherwise provided under the Interim Surplus Guidelines, or under the agreements contemplated by those guidelines, the Secretary shall deliver Priority 6(a) water to MWD, IID and CVWD in the following order and consumptive use volumes: (i) 38,000 AFY to MWD; (ii) 63,000 AFY to IID; and (iii) 119,000 AFY to CVWD, or as those parties may agree to occasionally forbear.
- b. Any water not used by MWD, IID or CVWD as set forth above will be available to satisfy the next listed amount in Section 3.a. above. Any additional water available for Priority 6(a) shall

be delivered by the Secretary in accordance with IID and CVWD's entitlements under their respective Section 5 Contracts in effect as of the date of this Agreement.

4. TRANSFERS AND OTHER WATER DELIVERY COMMITMENTS

- a. The Secretary shall deliver IID's Priority 3(a) entitlement for the benefit of IID and others as specified in Exhibits A and B hereto and in the amounts and to the points of delivery set forth therein.
- b. The Secretary shall deliver CVWD's Priority 3(a) entitlement for the benefit of the CVWD and others as specified in Exhibits A and B hereto and in the amounts and to the points of delivery set forth therein.
- c. At SDCWA's election, the Secretary shall deliver water made available for SDCWA's benefit as set forth in Exhibits A and B hereto to the intake facilities for the Colorado River Aqueduct and SDCWA may then exchange up to 277,700 AFY of Colorado River water with MWD at Lake Havasu.
- d. If in any given calendar year that the use of Colorado River water in accordance with Priorities 1 and 2, together with the use of Colorado River water on PVID Mesa lands in accordance with Priority 3(b), exceeds the consumptive use amount of 420,000 AFY, the Secretary will reduce the amount of water otherwise available to MWD in Priorities 4, 5 or 6(a) by the amount that such use exceeds 420,000 AFY. To the extent that the amount of water used in accordance with Priorities 1, 2 and 3(b) is less than 420,000 AFY, the Secretary shall deliver to MWD the difference.
- e.
 1. The Secretary shall deliver to CVWD at Imperial Dam the consumptive use amount of 20,000 AFY or such lesser consumptive use amount as may be requested by CVWD of Priority 3(a) Colorado River water made available to MWD under the Agreement for the Implementation of a Water Conservation Program and Use of Conserved Water between IID and MWD dated December 22, 1988, as amended.
 2. Beginning in 2048 and in each year thereafter, the Secretary shall deliver to CVWD at Imperial Dam the consumptive use amount of 50,000 AFY or such lesser consumptive use amount as may be requested by CVWD from the Colorado River water available to MWD.
 3. When requested by MWD for the purpose of satisfying an exchange obligation to CVWD under an agreement between CVWD and MWD for exchange of CVWD's State Water Project water, the Secretary shall deliver to CVWD at Imperial Dam the consumptive use amount of 135,000 AFY or such lesser amount as may be requested by MWD.

- f. CVWD may decline to take a portion of the water to be conserved by IID for CVWD. In this event, the Secretary shall instead deliver such portion of the water to IID or MWD, or to other unspecified water users provided, further, that any such delivery to an unspecified user is, where necessary, subject to Secretarial approval.
- g. Colorado River water will be made available to MWD through forbearance under the existing priority system as a result of a proposed land management program between PVID landowners and MWD. Neither IID nor CVWD will make any claim to or object to delivery to MWD of PVID program water to the extent agreed upon prior to or concurrent with the execution of this Agreement by IID and CVWD. If the transfer of PVID program water is not implemented, then IID has agreed to transfer for the benefit of MWD/SDCWA amounts necessary to meet the minimum Benchmark Quantities as set forth in Section 5(C) of the Interim Surplus Guidelines, not to exceed 145,000 AF in the aggregate.
- h. CVWD may utilize Colorado River water outside of Improvement District No. 1 to the extent consented to and agreed upon prior to or concurrent with the execution of this Agreement by IID and MWD.
- i. Notwithstanding the transfers set forth in this section and Exhibit B, IID, CVWD, MWD and SDCWA recognize and agree that at the conclusion of the effective period of the Interim Surplus Guidelines, they shall have implemented sufficient measures to be able to limit total uses of Colorado River water within California to 4.4 million AFY, unless the Secretary determines a surplus under a 70R strategy.

5. SHORTAGES

- a. The Secretary's authority under II.B.3 of the 1964 Decree in Arizona v. California is not limited in any way by this Agreement.
- b. If for any reason there is less than 3.85 million AFY available under Priorities 1, 2 and 3 during the term of this Agreement, any water which is made available by the Secretary to IID and CVWD shall be delivered to IID, CVWD, MWD, and SDCWA in accordance with the shortage sharing provisions agreed upon prior to or concurrent with the execution of this Agreement by IID, CVWD, MWD and SDCWA.

6. TERM

- a. This Agreement will become effective upon execution of this Agreement by all Parties.
- b. This Agreement will terminate on December 31, 2037, if the 1998 IID/SDCWA transfer program terminates in that year.

- c. If this Agreement does not terminate on December 31, 2037, then this Agreement will terminate on December 31, 2047 unless extended by agreement of all parties until December 31, 2077, in which case this Agreement will terminate on December 31, 2077.
- d. The Secretary's delivery commitment to the SLR and the Districts' recognition and acceptance of that delivery commitment, shall not terminate but shall instead continue, pursuant to Section 106 of Public Law 100-675, 102 Stat. 4000 et seq., as amended.

7. INTERIM SURPLUS GUIDELINES

The Secretary finds that execution of this Agreement constitutes "all required actions" that the relevant California Colorado River water contractors are required to undertake pursuant to Section 5(B) of the Interim Surplus Guidelines. Accordingly, upon execution of this Agreement by all parties, the interim surplus determinations under Sections 2(B)(1) and 2(B)(2) of the Interim Surplus Guidelines are reinstated.

8. BENCHMARKS FOR THE STATE OF CALIFORNIA'S AGRICULTURAL USE

- a. The parties to this Agreement agree to carry out the transfers identified in Section 4 above and in Exhibit A hereto in accordance with the schedule set forth in Exhibit B hereto. Nothing in this Agreement authorizes or precludes carrying out the transfers on a timetable sooner than provided in the schedule set forth in Exhibit B hereto. The transfers in the schedule set forth in Exhibit B hereto are undertaken to allow California agricultural usage (by PVID, Yuma Project Reservation Division, IID, and CVWD) plus 14,500 af of PPR use to be at or below the Benchmark Quantities as set forth in Section 5(C) of the Interim Surplus Guidelines. Nothing in this Agreement authorizes or precludes additional transfers of Colorado River water as agreed upon prior to or concurrent with the execution of this Agreement by the Districts to meet the Benchmark Quantities as set forth in Section 5(C) of the Interim Surplus Guidelines. All determinations by the Secretary with respect to this section shall be based upon Decree Accounting. Repayment of overrun amounts shall not count toward compliance with the transfers in the schedule set forth in Exhibit B hereto or toward compliance with the Benchmark Quantities set forth in Section 5(C) of the Interim Surplus Guidelines.
- b. In the event that i) the transfers are carried out as set forth in the schedule in Exhibit B hereto or additional Colorado River transfers as agreed upon prior to or concurrent with the execution of this Agreement by the Districts are carried out and ii) California's Agricultural usage plus 14,500 af of PPR use is at or below the Benchmark Quantities as set forth in Section 5(C) of the Interim Surplus Guidelines, the provisions of this subparagraph shall apply.
 - 1. Notwithstanding the provisions of the November 22, 2002 Supplement to the 2002 Annual Operating Plan, any existing overruns in calendar years 2001 and 2002 by parties to this Agreement must be repaid within an eight-year period beginning in calendar year 2004 in

accordance with the schedule attached in Exhibit C hereto, except that in the event that any Annual Operating Plan 24-Month Study indicates that a shortage will occur within months 13 through 24, any remaining balance of the 2001 and 2002 overruns shall be fully repaid during the next calendar year. Repayment of any overruns other than from calendar years 2001 and 2002 shall be pursuant to the Inadvertent Overrun and Payback Policy identified in Section 9 below.

2. The Secretary has considered the quantification of Priority 3(a) as set forth in Section 2 of this Agreement and the water transfers set forth in the schedule in Exhibit B hereto. These water transfers were developed to assist the Districts and SDCWA to meet the provisions of Section 4(i) of this Agreement and to reduce the occurrence of future reasonable and beneficial use reviews under 43 C.F.R. Pt. 417 to unique circumstances. These water transfers are based upon water conservation activities to be implemented over the term of this Agreement. For these reasons, the Secretary does not anticipate any further review of the reasonable and beneficial use of Colorado River water by IID pursuant to the annual 43 C.F.R. Pt. 417 reviews that are conducted during the initial term of this Agreement as set forth in Section 6.b. (December 31, 2037). Should the Secretary engage in any further review of the reasonable and beneficial use of Colorado River water by IID pursuant to 43 C.F.R. Pt. 417 under this Section, the Secretary will base her decision on (i) the purpose of the quantification of Priority 3(a) and the reductions and transfers set forth on Exhibit B hereto, and (ii) the implementation of the water transfers by IID as set forth in the schedule in Exhibit B, in addition to the consideration of the factors in 43 C.F.R. § 417.3

c. Notwithstanding any other provision of this Agreement, and in addition to any applicable provisions of the Interim Surplus Guidelines, in the event that either i) the transfers are not carried out as set forth in Exhibit B hereto or additional Colorado River transfers as agreed upon prior to or concurrent with the execution of this Agreement by the Districts are not carried out, or ii) California's Agricultural usage plus 14,500 af of PPR use is above the Benchmark Quantities as set forth in Section 5(C) of the Interim Surplus Guidelines, the provisions of this subparagraph shall apply.

1. For each District that has not implemented the water transfers to which it is a party upon the agreed upon schedule as set forth in Exhibit B hereto, the Inadvertent Overrun and Payback Policy identified in Section 9 below will be immediately suspended. During suspension of the Inadvertent Overrun and Payback Policy, for previously incurred overruns, the payback period shall be as provided in the existing Inadvertent Overrun and Payback Policy were such Policy not suspended. The Inadvertent Overrun and Payback Policy will be reinstated at such time as a District has implemented the water transfers to which it is a party upon the agreed upon schedule as set forth in Exhibit B hereto.

2. Any remaining existing overruns from calendar years 2001 and 2002 by parties to this Agreement must be repaid within a three-year period.

3. In addition to any applicable provisions of the Interim Surplus Guidelines, in the event that the transfers are not implemented in accordance with Column 23 in Exhibit B hereto, MWD shall not place any order to the Secretary for any Colorado River water otherwise available pursuant to sections 2(B)(1) and 2(B)(2) as set forth in the Interim Surplus Guidelines.

4. The Secretary anticipates that a further review of the reasonable and beneficial use of Colorado River water by the Districts will be required pursuant to the annual 43 C.F.R. Pt. 417 reviews that are conducted during the initial term of this Agreement as set forth in Section 6.b. (December 31, 2037). In any such review, the Secretary will base her decision on the factors set forth in Section 8.b.2 above as well as the basis for any District's non-implementation of the transfers set forth in Exhibit B hereto, in addition to the consideration of the factors in 43 C.F.R. § 417.3

9. INADVERTENT OVERRUN AND PAYBACK POLICY

For so long as the provisions of Section 8.b of this Agreement are applied, the Secretary will not materially modify the Inadvertent Overrun and Payback Policy for a 30-year period, absent extraordinary circumstances such as significant Colorado River infrastructure failures, and subject to the provisions of Section 5 of this Agreement. In the event that extraordinary circumstances arise, the Secretary will consult with the Districts and other interested parties before initiating any material change.

10. ADDITIONAL PROVISIONS

- a. Imperial Irrigation District v. United States of America, et al., CV 0069W (JFS) (D. Cal. filed January 10, 2003) (JFS), is dismissed pursuant to Stipulation under Fed. R. Civ. P. 41(a)(1). Nothing in this Agreement shall affect the preclusive and non-preclusive effects of the Stipulation during the term of this Agreement and thereafter.
- b. Upon dismissal of Imperial Irrigation District v. United States, et al., as provided in subsection 10(a) above, the Secretary will irrevocably terminate the *de novo* "Recommendations and Determinations Authorized by 43 C.F.R. Pt. 417, Imperial Irrigation District" for 2003, and IID's water order for 2003 is approved subject to the terms of this Agreement.
- c. 1. IID, CVWD, MWD, and SDCWA do not agree on the nature or scope of rights to the delivery, use or transfer of Colorado River water within the State of California. Furthermore, the Districts and SDCWA agree not to use this Agreement or any provision hereof, as precedence for purposes of evidence, negotiation or agreement on any issue of California or federal law in any administrative, judicial or legislative proceeding, including without limitation,

any attempt by IID and SDCWA to obtain further approval of any water transaction.


2. The terms of this Agreement do not control or apply to the nature or scope of rights to the delivery, use or transfer of Colorado River water within the State of California, except as those rights are defined and addressed in this Agreement during the term hereof.

3. By executing this Agreement, the Districts and SDCWA are not estopped from asserting in any administrative, judicial or legislative proceeding, including those involving the United States, that neither this Agreement nor any of its terms was necessary or required to effectuate the transactions contemplated herein.

4. Nothing herein waives the ability of any party to challenge the exercise of particular miscellaneous and Indian PPRs.


- d. This Agreement shall not be deemed to be a new or amended contract for the purpose of Section 203(a) of the Reclamation Reform Act of 1982 (Public Law 97-293, 93 Stat. 1263).
- e. This Agreement does not (i) guarantee or assure any water user a firm supply for any specified period, (ii) change or expand existing authorities under applicable federal law, except as specifically provided herein with respect to the Districts, (iii) address interstate distribution of water; (iv) change the apportionments made for use within individual States, (v) affect any right under the California Limitation Act (Act of March 4, 1929; Ch. 16, 48th Sess.), or any other provision of applicable federal law.
- f. This Agreement is not intended nor shall it be construed to create any third party beneficiary rights to enforce the terms of this Agreement in any person or entity that is not a party.
- g. Each party to this Agreement represents that the person executing this Agreement 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.
- h. This Agreement shall remain in full force and effect according to its terms regardless of whether the Interim Surplus Guidelines are in effect or terminated.
- i. This Agreement with the United States is subject to and controlled by the Colorado River Compact of 1922.

UNITED STATES SECRETARY OF THE INTERIOR


Gale A. Norton

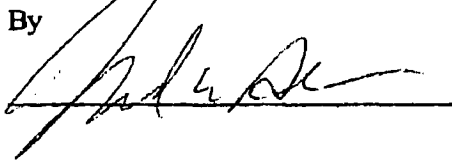
Oct. 10, 2003
Date

COACHELLA VALLEY WATER DISTRICT

By 
General Manager/Chief Engineer

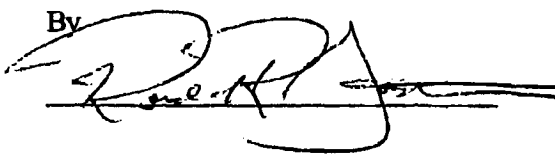
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Date

IMPERIAL IRRIGATION DISTRICT

By 

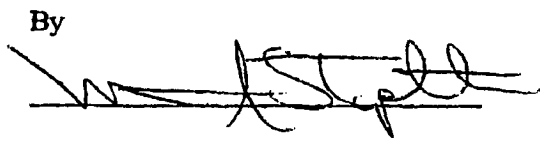
10-10-03
Date

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

By 

10/10/03
Date

SAN DIEGO COUNTY WATER AUTHORITY

By 

10-10-03
Date

Exhibit A: Delivery of Priority 3(a) consumptive use entitlement to the Imperial Irrigation District and the Coachella Valley Water District

Imperial Irrigation District

The Secretary of the Interior shall deliver Imperial Irrigation District's Priority 3(a) consumptive use entitlement under this Colorado River Water Delivery Agreement, pursuant to this Exhibit A and Exhibit B hereto as follows:

Delivered to (entity):	At (point of diversion):	Amount not to exceed (af):	Notes
CVWD	Imperial Dam	103,000	---
MWD	Lake Havasu	110,000	1
SDCWA	Lake Havasu	56,200	2
SDCWA	Lake Havasu	200,000	3
SLR	<i>see note 4</i>	<i>see note 4</i>	4
Misc. & Indian PPRs	Current points of delivery	11,500	5
For benefit of MWD/SDCWA	Lake Havasu	145,000	6
IID	Imperial Dam	Remainder	---
IID's Priority 3(a) Total		3,100,000	---

Notes to Imperial Irrigation District:

1. Agreement for the Implementation of a Water Conservation Program and Use of Conserved Water, dated December 22, 1988; Approval Agreement, dated December 19, 1989. Of amount identified: up to 90,000 af to MWD and 20,000 af to CVWD.
2. Water conserved from the construction of a new lined canal parallel to the All-American Canal from Pilot Knob to Drop 3.
3. Agreement for Transfer of Conserved Water, dated April 29, 1998, as amended. As set forth in Exhibit B, delivery amounts shall be 205,000 AF in calendar year 2021 and 202,500 AF in calendar year 2022.
4. Water conserved from All-American Canal lining project and made available for benefit of San Luis Rey Settlement Parties under applicable provisions of Pub. L. No. 100-675, as amended. Quantity may vary, not to exceed 16,000 afy, as may the point of diversion, subject to the terms of the Allocation Agreement.
5. Water to be delivered to miscellaneous and Indian PPRs identified in the Decree in Arizona v. California, as supplemented. The delivery of water will be to current points of delivery unless modified in accordance with applicable law.
6. As provided in subsection 4(g) of this Agreement.

Coachella Valley Water District

The Secretary of the Interior shall deliver Coachella Valley Water District's Priority 3(a) consumptive use entitlement under this Colorado River Water Delivery Agreement pursuant to this Exhibit A and Exhibit B hereto as follows:

Delivered to (entity):	At (point of diversion):	Amount not to exceed (af):	Notes
SLR	<i>see note 1</i>	<i>see note 1</i>	1
SDCWA	Lake Havasu	21,500	2
Misc. & Indian PPR	Current points of delivery	3,000	3
CVWD	Imperial Dam	Remainder	---
Coachella Valley Water District's Priority 3(a) Total		330,000	---

Notes:

1. Water conserved from Coachella Canal lining project and made available for benefit of San Luis Rey Settlement Parties under applicable provisions of Pub. L. No. 100-675, as amended. Quantity may vary, not to exceed 16,000 afy, as may the point of diversion, subject to the terms of the Allocation Agreement.
2. Water conserved from lining the unlined portion of the Coachella Canal.
3. Water to be delivered to miscellaneous and Indian PPRs identified in the Decree in Arizona v. California, as supplemented. The delivery of water will be to current points of delivery unless modified in accordance with applicable law.

Exhibit C: Payback Schedule of Overruns for Calendar Years 2001 and 2002

<i>Year</i>	<i>IID</i>	<i>CVWD</i>	<i>MWD</i>	<i>Total</i>
2004	18,900	9,100	11,000	39,000
2005	18,900	9,100	11,000	39,000
2006	18,900	9,100	11,100	39,100
2007	18,900	9,100	11,100	39,100
2008	18,900	9,200	11,100	39,200
2009	18,900	9,200	11,100	39,200
2010	19,000	9,200	11,100	39,300
2011	19,000	9,200	11,100	39,300
Cumulative	151,400	73,200	88,600	313,200

Note: Each district may, at its own discretion, elect to accelerate paybacks to retire its payback obligation before the end of the eight-year period ending in calendar year 2011. Each district's payback obligation is subject to acceleration in anticipation of a shortage in the Lower Colorado River Basin as provided for in section 8(b).