

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 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 17th year of implementation, 160,000 acre-feet of water is scheduled to be transferred to the Water Authority in 2019. 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 approximately 80,000 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 2.5 single-family households of four for a year.

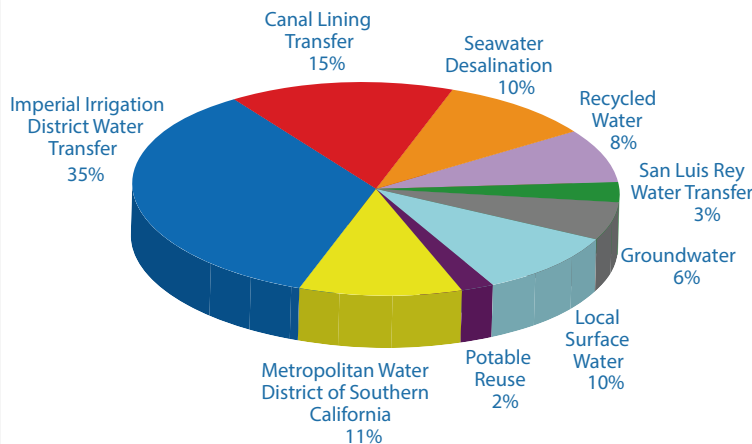
Water Authority-IID Water Transfer

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 methods - IID is responsible for determining how to produce the conserved water. Fallowing was a permitted method of saving water through the initial 15 years of the transfer. IID now conserves through a combination of system conservation and on-farm conservation methods. In 2010, the Water Authority provided IID with \$50 million to assist in these efforts. IID will use the money for the exclusive purpose of constructing system-conservation capital improvement projects. Between 2003 and 2017, the Water Authority also provided \$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 200,000 acre-feet in 2021.

Water Supply Diversification in 2020



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

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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 2018 is \$652 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 a key component 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

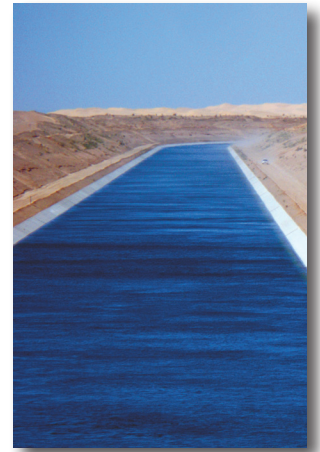
with the mandate to live within its basic Colorado River annual apportionment of 4.4 million acre-feet. For many years, more than half the water MWD received from the Colorado River was a surplus supply. With the execution of the QSA, Southern California weaned itself from overdependence on the Colorado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

San Diego County - San Diego County has gained a 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 long-term supply of water. These programs are key to the QSA. ■



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Water Transfers 2003 - 2021

