



March 18, 2026

Attention: Board of Directors

Exchange Water Delivery Agreement with Western Municipal Water District (Action)

Staff recommendation

Ratify an Exchange Water Delivery Agreement between the San Diego County Water Authority and Western Municipal Water District.

Alternative

Do not ratify an Exchange Water Delivery Agreement between the San Diego County Water Authority and Western Municipal Water District, and direct staff to renegotiate price and/or terms. Not ratifying the agreement may result in a potential loss of a partner agency, and the inability of the Water Authority to optimize supplies over the long-term.

Executive Summary

- In line with the 2025 amended Exchange Agreement with the Metropolitan Water District of Southern California (Metropolitan), the Water Authority has made water supplies available for regional exchange.
- This provides the Water Authority with the ability to optimize its water supply investments, while providing other regions with reliability and resilience.
- Since October 2025, the Water Authority has been in negotiations with the Western Municipal Water District (Western).
- Today, the Board is asked to approve an agreement to supply an annual quantity of 10,000 acre-feet to Western for 21 years at a rate in year one of \$1,350 per acre-foot.
- In addition, Western will pre-purchase an additional 30,000 acre-feet of the Water Authority's exchange supplies for approximately \$39 million.
- Over the initial five years, this agreement will generate \$100 million in revenue for the Water Authority.
- This agreement is the first of its kind in Southern California and is expected to be the first of several agreements with other Metropolitan member agencies.

Background

As climate change and extended periods of drought continue to impact imported water resources from the Colorado River to the Bay Delta, the San Diego region's investments in a diversified water supply portfolio over the past 30 years have created resiliency that can both meet local needs while helping other regions strengthen their own reliability. Investments in highly reliable conserved water supplies and the nation's largest seawater desalination plant have positioned the region to share the benefits of those reliability investments with other agencies in California and

other Basin states. This ability to make supplies available to others is increasingly important as uncertainty grows around the development of the Colorado River's the post-2026 operating guidelines. Against that backdrop the Water Authority and the Metropolitan Water District of Southern California (Metropolitan) have charted a new path for managing water supplies in a mutually beneficial manner through an amended Exchange Agreement that enables the Water Authority to make a portion of its exchange supplies available for delivery to Metropolitan member agencies. Such exchanges would occur in accordance with the amended Exchange Agreement between the Water Authority and Metropolitan dated June 2, 2025.

Under the amended Exchange Agreement, the Water Authority has engaged Metropolitan member agencies to assess interest in receiving exchange supplies beginning in calendar year 2026. Western Municipal Water District (Western), which provides water, sewer and recycled water services to nearly 1 million people in Riverside County, was among the agencies that expressed interest. Since October 2025, the Water Authority and Western have negotiated the proposed Exchange Water Delivery Agreement between the two agencies (Agreement) presented to the Water Authority Board today. If adopted, the Agreement, would provide Western with a reliable water supply for 21 years while generating a new revenue source for the Water Authority and meaningful long-term financial benefits for its member agencies. Western's board of directors will consider approval of the Agreement at its March 18, 2026 board meeting.

This Agreement is not a "Project" under the California Environmental Quality Act ("CEQA"). Under CEQA, a "Project" is defined as the whole of an action, which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. (Cal. Code Regs. Tit. 14, § 15378). This Agreement is administrative in nature and does not authorize or approve any construction, operational changes, or activities that could otherwise result in a direct or reasonably foreseeable indirect physical change in the environment. Because this Agreement does not create a potential for environmental impacts, it does not constitute a "Project" under CEQA and is therefore not subject to environmental review.

Discussion

Agreement Key Terms

Under the Agreement, Western commits to receiving 10,000 acre-feet of water annually. The price is set at \$1,350 per acre-foot in 2026, including the Metropolitan exchange rate. Historical amortized costs that are captured early in the agreement term are applied beginning in 2031. Western may request additional water above this baseline amount, and if the Water Authority determines during its annual process that supplies are available, that additional volume becomes part of Western's ongoing annual commitment for the remainder of the term. Following execution of the agreement, Western will have a 120-day window to elect to add up to 5,000 acre-feet to its annual commitment for delivery in 2027, consistent with the member agency first right in the amended Exchange Agreement. The Agreement also provides that if water is offered to other Metropolitan member agencies or to Metropolitan under its second right of refusal and is not taken, Western will accept that water at Metropolitan's untreated rate.

The Agreement also includes a pre-purchase of 30,000 acre-feet at the 2026 price. Western will make four equal payments of \$9,780,000 between 2026 and 2029, creating a dry year supply for

future delivery. After the pre-purchase is fully paid, Western can request up to 10,000 acre-feet per year from this deferred amount in addition to its 10,000 acre-foot annual commitment. This structure gives Western predictable future access to water while providing upfront financial compensation to the Water Authority.

The Agreement remains effective through December 31, 2047, and may be automatically extended if certain conditions are met.

Financial Impacts

The proposed Agreement is projected to generate more than \$100 million in new revenue for the Water Authority during its first five years, reducing the amount that would otherwise need to be collected from regional ratepayers. Over the full 21-year term, the financial benefits are significant: the Agreement is estimated to produce present-value savings exceeding \$330 million.

Staff will provide additional analysis of the financial impacts of this and future exchange agreements during upcoming Board meetings in advance of the June adoption of the CY 2027 Rates and Charges. Later this year, staff also anticipates issuing an addendum to the recently adopted 2026 Long-Range Financing Plan to outline updated impacts and incorporate Board direction.

Regional Water Supply Benefits

This Agreement reflects a shared commitment by the Water Authority and Western to serve as responsible stewards of public resources while strengthening regional water reliability and resilience. By pairing Western's demands with the Water Authority's diversified, drought resilient supply portfolio, both agencies can make more efficient use of long-established conservation programs, supply programs, and infrastructure investments. The partnership allows each agency to better plan for changing conditions, improve long-term certainty, and manage supplies in a manner that aligns with California's broader goals for sustainable, cooperative water management.

From a water resources perspective, the Agreement and potential future exchanges help balance the San Diego region's resource mix and leverage all supply sources available to the Water Authority. The flexibility allows for contractual obligations to be met and expands access to the region's stored water reserves without sacrificing the supply resiliency achieved over the last three decades. Western's pre-purchase of 30,000 acre-feet for future delivery provides additional flexibility to access stored water that accumulated after back-to-back wet years in 2023 and 2024. Staff will continue to monitor the region's water resource mix and supply flexibility in consideration of potential future exchanges and will ensure the San Diego region has the water it needs under all plausible hydrologic conditions.

Long-Term Benefits

The proposed Agreement with Western is the first step of an innovative approach to managing water supplies in California. Additional agreements with other agencies are anticipated later this calendar year. Made possible through the collaborative spirit that has become a hallmark for how California agencies can work together provides a framework for building water resilience

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throughout the state and demonstrates the kind of flexibility required to manage our water supplies in the face of climate change uncertainty.

For the Water Authority and its member agencies, the Agreement is a first step toward ensuring the nearly 30 years of investment in reliability provide the greatest possible benefit to the region, including meeting local water supply needs during challenging conditions and providing rate stability through new revenue. Looking ahead, the steps taken through the proposed Agreement with Western can serve as a model for future intrastate exchanges and interstate water transfers.

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Reviewed by: Meena Westford, Director of Imported Water

Approved by: Dan Denham, General Manager

Attachments:

Attachment 1 – Exchange Water Delivery Agreement between the San Diego County Water Authority and Western Municipal Water district.

EXCHANGE WATER DELIVERY AGREEMENT BETWEEN SAN DIEGO COUNTY WATER AUTHORITY AND WESTERN MUNICIPAL WATER DISTRICT

This Agreement is entered into as of April 1, 2026 (the “Effective Date”), by and between the San Diego County Water Authority (“Seller” or “SDCWA”) and the Western Municipal Water District (“Buyer” or “Western”). As used herein, Seller and Buyer are each a “Party” and collectively the “Parties.”

RECITALS

- A. Seller is a county water authority incorporated under the California County Water Authority Act, Stats. 1943, Ch. 545, as amended, codified at Section 45-1 *et seq.* of the Appendix to the California Water Code.
- B. Buyer is a municipal water district organized and operating pursuant to the Municipal Water District Law of 1911 as set forth in Section 71000 *et seq.* of the California Water Code.
- C. MWD is a metropolitan water district incorporated under the Metropolitan Water District Act, Stats. 1969, Ch. 209, as amended, codified at Section 109.1 *et seq.* of the Appendix to the California Water Code. Buyer and Seller are each MWD member agencies.
- D. Seller is a party to the 2025 Settlement Agreement and 2025 Exchange Agreement, under which Seller will make available to MWD up to 277,700 AFY of Water and MWD will deliver Exchange Water to MWD member agencies in any year at the times, locations, and amounts as Seller requests, with a first right of refusal to MWD member agencies and a second right of refusal to MWD.
- E. Seller provided MWD member agencies the first right of refusal to receive Exchange Water in accordance with the 2025 Settlement Agreement and as announced in Seller’s September 29, 2025 notice to MWD member agencies.
- F. Buyer desires to purchase and receive such long-term Exchange Water supplies to enhance reliability and meet customer demands within Buyer’s service area, subject to the terms and conditions of this Agreement.
- G. Since October 2025, Seller and Buyer have engaged in discussions and negotiations on the terms identified herein, resulting in memorialized joint concepts on the delivery of Exchange Water to Buyer.
- H. The Parties intend that the Exchange Water deliveries herein will be scheduled and effected through MWD and/or other applicable conveyance, storage, and delivery facilities pursuant to the terms of this Agreement and the 2025 Exchange Agreement.

- I. The Parties do not intend to and do not in any way transfer, assign, encumber, or grant any ownership interest in or control over any water rights under this Agreement. This Agreement does not impact or modify any other agreement.

NOW, THEREFORE, in consideration of the mutual covenants herein, the Parties agree as follows:

AGREEMENT

1. DEFINITIONS AND RULES OF CONSTRUCTION

1.1 Definitions

- a. “Additional Quantity” means the amount of Exchange Water in excess of the current Contract Year’s Annual Quantity which Seller will direct MWD to deliver to Buyer in accordance with Section 5(b). Additional Quantity purchased by Buyer shall be added to Buyer’s Annual Quantity,
- b. "AF” and AFY” mean acre-feet and acre-feet per year, respectively.
- c. “Agreement” means this Exchange Water Delivery Agreement between Seller and Buyer, when standing alone.
- d. “Annual Quantity” means the minimum amount of Exchange Water Seller will direct MWD to deliver to Buyer during a Contract Year, as set forth in Section 5(a).
- e. “Available Supplies” means the amount of Exchange Water that Seller has available to direct MWD to deliver to MWD member agencies as a first right of refusal, or MWD as a second right of refusal, under the 2025 Exchange Agreement and 2025 Settlement Agreement.
- f. “Contract Year” means the period from January 1 through December 31 of any year during this Agreement. However, during the first year of the Agreement, Contract Year means April 1 through December 31.
- g. “Exchange Water” has the same definition as Exchange Water under Paragraph 3.2 of the 2025 Exchange Agreement. For the avoidance of doubt, all water delivered under this Agreement will be characterized as “local water” for purposes of MWD’s ordinances, plans, programs, rules and regulations, including any then-effective Water Surplus & Drought Management Plan, and for calculation of any MWD Readiness-to-Serve Charge share, in the same manner as for other local water of MWD’s member agencies.
- h. “MWD” means the Metropolitan Water District of Southern California.
- i. “MWD Exchange Costs” means the Exchange Unit Price as defined in Paragraph 5.2 of the 2025 Exchange Agreement.

- j. “Option Quantity” means the amount of Exchange Water offered for purchase by another MWD member agency at terms matched by Buyer, then added to Buyer’s Annual Quantity, as set forth in Section 5(c).
- k. “Prepaid Quantity” means the 30,000 AF of Exchange Water that Seller will direct MWD to deliver to Buyer after payment of the Prepaid Quantity Price, which Buyer may then call upon for delivery at a maximum of 10,000 AF per Contract Year, as set forth in Section 5(e).
- l. “Regulatory Curtailment” means actions taken by the United States or State of California, or agencies and courts thereof, directly or indirectly reducing the Exchange Water supply of Seller.
- m. “Remainder Quantity” means the amount of Exchange Water that MWD has declined to purchase pursuant to its second right of refusal under the 2025 Exchange Agreement, and which Seller directs MWD to deliver to Buyer, up to an annual cumulative 50,000 AF, less then-current Annual Quantity and Option Quantity amounts of water, as set forth in Section 5(d).
- n. “Table 1 Price” means the price per AF or per unit for Annual Quantity which is equal to the price provided in Table 1 in Paragraph 3.2(d)(ii)(A) of the 2025 Exchange Agreement, notwithstanding any future amendments to the same by MWD and Seller. Table 1 Price does not apply to Option Quantity Price or Remainder Quantity Price, the prices of which are set forth in Section 8(a).
- o. “Term” means the initial term of this Agreement, as set forth in Section 4(a), together with any and all extensions effectuated under this Agreement, so that any such extension is deemed part of the Term.
- p. “Transfer Agreement” means the Agreement for Transfer of Conserved Water between Imperial Irrigation District (IID) and Seller, executed April 29, 1998, as amended.
- q. “2025 Exchange Agreement” means the Second Amended and Restated Agreement between MWD and Seller, executed June 2, 2025, which is attached hereto and incorporated herein as *Exhibit A*.
- r. “2025 Settlement Agreement” means the Final Settlement Agreement between Seller and MWD, dated June 2, 2025, which is attached hereto and incorporated herein as *Exhibit B*.

1.2 Rules of Construction

- a. Unless the context clearly requires otherwise:
 - i. The plural and singular forms include the other;

- ii. “Shall,” “will,” “must,” and “agrees” are each mandatory;
 - iii. “May” and “can” are permissive;
 - iv. “And” is inclusive;
 - v. “Or” is not exclusive;
 - vi. “Includes” and “including” are not limiting; and
 - vii. “From,” “to,” and “until” include the ends of the identified range.
- b. Headings at the beginning of paragraphs and subparagraphs of this Agreement are solely for the convenience of the Parties, are not a part of this Agreement, and will not be used in construing it.
 - c. Reference to any agreement (including this Agreement), document, or instrument means such agreement, document, instrument as amended or modified and in effect from time to time in accordance with the terms thereof and, if applicable, the terms hereof.
 - d. Except as specifically provided herein, reference to any law, statute, ordinance, regulation, or the like means such law as amended, modified, codified, or reenacted, in whole or in part, and in effect from time to time, including any rules and regulations promulgated thereunder.

2. PURPOSE; SCOPE

- a. Purpose. The purpose of this Agreement is to set forth the terms and conditions under which Seller will direct MWD to deliver, and Buyer will purchase and receive, Exchange Water, subject to inter-agency coordination and other limitations as detailed herein.
- b. Scope. Deliveries will be conducted through MWD’s facilities or other facilities as may be mutually agreed upon. The Parties will comply with all applicable MWD operational and scheduling protocols.

3. REPRESENTATIONS AND WARRANTIES

- a. Seller’s Representations.
 - i. Seller is a county water authority, duly organized, validly existing and in good standing under the laws of the State of California.
 - ii. Seller is a party to the 2025 Settlement Agreement and 2025 Exchange Agreement. Pursuant these agreements, Seller has the authority to offer to a MWD member agency, or agencies, the right to receive a specified amount of Exchange Water deliveries as provided in those Agreements.

- iii. Seller has authority to perform its obligations hereunder on the terms set forth in this Agreement.
- b. Buyer's Representations.
 - i. Buyer is a municipal water district organized and operating pursuant to the Municipal Water District Law of 1911 as set forth in Section 71000 *et seq.* of the California Water Code.
 - ii. Buyer has authority to perform its obligations hereunder on the terms set forth in this Agreement.

4. TERM

- a. Term. The Term will commence on the Effective Date and continue through December 31, 2047, unless earlier terminated or extended as provided for herein.
- b. Extensions. The Term will automatically extend to run coterminous to the 2025 Exchange Agreement upon satisfaction of the conditions set forth below:
 - i. Seller and IID have agreed to extend the term of the Transfer Agreement beyond 2047.
 - ii. Seller and MWD have agreed to extend the term of the 2025 Exchange Agreement beyond 2047.
- c. If Seller's available Exchange Water supply is reduced under an extension to the 2025 Exchange Agreement, Buyer's Annual Quantity amount in the extended term will be proportionally reduced absent an alternative arrangement mutually agreed-upon by the Parties in writing.
- d. Even if the conditions in subsections (b)(i) and (b)(ii) above are satisfied, Buyer may, at its discretion, elect not to extend the Term if the proposed Table 1 Price per AF of Exchange Water during the first contract year of the proposed extension term would be an 8% increase or more above the Table 1 Price during the prior Contract Year. In such event, Buyer will notify Seller of its decision not to extend this Agreement by October 1, 2047.

5. QUANTITY DIRECTED FOR DELIVERY

- a. Annual Quantity. Seller agrees to direct MWD to deliver and Buyer agrees to purchase and receive delivery of 10,000 AFY of Exchange Water during each Contract Year of the Term, subject to the terms and conditions identified herein.

- b. Additional Quantity. Pursuant to the 2025 Settlement Agreement, Seller will notify Buyer and the other MWD member agencies each Contract Year if Seller has Available Supplies it wishes to make available for purchase during the following Contract Year. If Seller provides such annual notice, Buyer must notify Seller each Contract Year of its desire to purchase and receive delivery of Available Supplies and increase its Annual Quantity for the duration of the Term (e.g., 10,000 AFY of Annual Quantity + 2,000 AFY of Additional Quantity for a new Annual Quantity of 12,000 AFY). If Seller has Available Supplies and provides annual notice of the same, Buyer will be entitled to 20% of such Available Supplies to be purchased and received as Additional Quantity at the Table 1 Price (e.g., 2,000 AFY of 10,000 AFY of Available Supplies) if notification is made from Buyer to Seller within three (3) business days of Seller's annual notice electing to add that Additional Quantity, or if such notification from Buyer is made before other MWD member agencies make offers for quantities in excess of the remaining 80% of that Contract Year's Available Supplies. If Available Supplies remain after Buyer purchases the 20% share above, and the other MWD member agencies have the opportunity to purchase the remaining Available Supplies but decline to do so, Buyer may purchase any portion of the that Contract Year's remaining Available Supplies as Additional Quantity at the Table 1 Price. Additionally, Buyer may add any Available Supplies declined to be purchased by MWD per its second right of refusal as Additional Quantity at the Table 1 Price. The dates and processes governing this Additional Quantity notification procedure are set out in *Exhibit D*, which is attached hereto and incorporated herein by reference.
- i. For the first Contract Year, Buyer will also have 120 days from the Effective Date (i.e., July 30, 2026) to notify Seller of Additional Quantity, up to 5,000 AF, to be added to its Annual Quantity for delivery beginning in Contract Year 2027, subject to Seller making Additional Supplies available in Contract Year 2026 for Contract Year 2027. Additional Quantity above 5,000 AF may be added by Buyer if mutually agreed to by Seller.
- c. Option Quantity. If Seller receives an offer from another MWD member agency for delivery of Exchange Water, Buyer will have the option to match that offer at the same price, quantity, quality, delivery terms, and reliability within twenty-one (21) days of receiving notice from Seller. If Buyer elects to match the offer, the annual Option Quantity AF amount will be delivered during each Contract Year thereafter through the end of the Term at the Option Quantity Price.
- d. Remainder Quantity. If Exchange Water is offered to MWD in accordance with Paragraph 3.2(d) of the 2025 Exchange Agreement, and MWD elects not to exercise its second right of refusal, Buyer agrees to accept delivery of the Remainder Quantity as directed by Seller at the Remainder Quantity Price (see Section 8(c) below) for the applicable contract year.

- e. Prepaid Quantity. Seller will sell and Buyer will make a one-time pre-purchase of 30,000 AF of future additional Exchange Water at the 2026 Table 1 Price, minus Seller's amortized historical litigation and mitigation costs, as provided below and as more particularly described in *Exhibit C*, which is attached hereto and incorporated herein by reference:
- i. Buyer will make four equal payments of \$9,780,000 by May 1, 2026, January 1, 2027, January 1, 2028, and January 1, 2029.
 - (i) The payments listed in this subsection are for the Prepaid Quantity. Payments for Buyer's Annual Quantity, Option Quantity, and Remainder Quantity will be made separately through regular monthly invoicing as detailed herein.
 - ii. After payment of all installments for the Prepaid Quantity, Buyer may request deliveries of the Prepaid Quantity pursuant to Section 6(a), up to a maximum of 10,000 AF per year.
 - iii. Subject to Section 5(e)(ii) above and Section 5(e)(iv) below, Prepaid Quantity may be requested for delivery during any Contract Year through 2047, including years with wet or dry hydrologic conditions.
 - iv. Buyer must request deliveries of the Prepaid Quantity as follows:
 - (i) no less than a cumulative total of 10,000 AF of Prepaid Quantity by September 1, 2043;
 - (ii) no less than a cumulative total of 20,000 AF of Prepaid Quantity by September 1, 2044; and
 - (iii) no less than a cumulative total of 30,000 AF of Prepaid Quantity by September 1, 2045.
 - v. Subject to Section 9, Seller must deliver the Prepaid Quantity, in coordination with Buyer, as follows:
 - (i) no less than a cumulative total of 10,000 AF of Prepaid Quantity by September 1, 2044;
 - (ii) no less than a cumulative total of 20,000 AF of Prepaid Quantity by September 1, 2045; and
 - (iii) no less than a cumulative total of 30,000 AF of Prepaid Quantity by September 1, 2046.
- f. If Seller identifies other Exchange Water as available for potential purchase and delivery in future contract years, Seller may make Exchange Water

available for pre-purchase in one or more transactions in a substantially similar manner as the Prepaid Quantity above. The Parties agree to meet-and-confer in good faith to attempt to negotiate a separate agreement for such transaction(s).

6. DELIVERY SCHEDULING

- a. Annual Plan. No later than October 15 of each Contract Year, the Parties will prepare an annual delivery and exchange plan identifying targeted monthly delivery volumes, flow rates, and operational assumptions of all Annual Quantity, Option Quantity (if any), Remainder Quantity (if any), and Prepaid Quantity (if any) volumes for the following Contract Year.
- b. Priority and Conflicts. In the event of conflicting constraints, the Parties will prioritize deliveries based on operational demands of Seller and MWD.
- c. Scheduling Standards. The Parties will adhere to MWD scheduling requirements.

7. POINT OF DELIVERY

- a. Delivery Point. The delivery point for all Exchange Water delivered under this Agreement will be through MWD service connections, or as coordinated between MWD, Seller, and Buyer.
- b. Alternative Delivery Points. Alternative delivery points may be used upon mutual written agreement of the Parties, subject to any applicable charges associated with the same.

8. PRICE AND PAYMENT

- a. Annual Quantity Price. The price for Annual Quantity will be the Table 1 Price, which will be computed on an annual basis, as more particularly described in *Exhibit C*. From the Effective Date through December 31, 2031, the Table 1 Price will exclude Seller's amortized historical transfer implementation costs of \$40/acre-foot. Notification of the Annual Quantity Price for the subsequent Contract Year will be provided from Seller to Buyer by November 1 on an annual basis, including the calculation for the rate.
- b. Option Quantity Price. The price for Option Quantity will be the price offered by the other MWD member agency, subject to Buyer's agreement to the same.
- c. Remainder Quantity Price. The price for Remainder Quantity will be the MWD full service untreated rate that is in place at the time of Buyer's purchase of the Remainder Quantity, as more particularly described in *Exhibit C*.

- d. Third-Party Charges. If Seller becomes subject to any charges from MWD for Exchange Water that are not in effect as of the Effective Date, the Parties agree to meet-and-confer to discuss potential amendments to this Agreement (if any) that may be needed to effectuate the terms of this Agreement.
- e. Invoices. Seller will invoice monthly in arrears for delivered Exchange Water volumes and applicable charges. Each invoice will show: (a) AF delivered by Seller to Buyer; (b) price; (c) third-party charges (if any), and (d) total amount due. Seller will invoice for Prepaid Quantity payments on an annual basis.
- f. Payment Terms. Seller will provide an invoice mailing no later than the 10th working day of the month following the invoice month. Buyer will pay undisputed amounts by 2:00 p.m. on the 10th business day of the month following invoice mailing. "Business day" means any day other than a Saturday, Sunday, a bank holiday, or a Party holiday.
- g. Delinquency Charge. Payment is to be made by the stated due date. The amount due will be delinquent if not received in investable funds in full by 5:00 p.m. on the due date. There will be a delinquency charge of two percent (2%) on the unpaid amount for each month, or any portion thereof, that the payment remains delinquent. If the delinquency does not exceed five (5) business days, the delinquency charge will be reduced to one percent (1%) of the delinquent amount. A payment remains delinquent and will continue to be assessed a delinquency charge on the unpaid amount so long as any portion of the original payment amount or of the delinquency charge, remains unpaid. Any protest of a payment must be filed concurrently with full payment of the amount due.

9. DELIVERY AND RELIABILITY SAFEGUARDS

- a. Minimum Reliability/Year-Round Delivery Assurance. Seller will use reasonable efforts to deliver scheduled water volumes in a timely manner pursuant to the Parties' agreed-upon schedule, subject to Sections 9(b) and 9(c) herein. Exchange Water made available under this Agreement is intended to be deliverable to Buyer in all Contract Years and in both wet and dry hydrologic conditions.
- b. Regulatory Curtailments. Regulatory Curtailments in any Exchange Water supplies imposed on Seller resulting in underdelivery of Exchange Water to Seller in a Contract Year will result in proportional reductions by Seller to Buyer's Exchange Water for the same Contract Year unless an alternative arrangement is agreed to by the Parties in writing.
- c. Operational Constraints and Shortfall Protocol. If Seller or MWD forecasts a shortfall or experiences an operational constraint in advance of or during a Contract Year that will or may cause underdelivery of Water to Buyer, it

will notify Buyer within five (5) business days of such a forecast, and the Parties will meet and confer on rescheduling deliveries within the same Contract Year, if feasible, or in future Contract Years, all subject to capacity and other limitations in this Agreement. In no event will Buyer be required to pay for Exchange Water not delivered. If feasible, Seller will direct delivery of Exchange Water to Buyer within three (3) years of Buyer's payment for the same, unless a longer timeframe is mutually agreed to by the Parties; if it cannot do so, Seller will refund Buyer the amounts paid within thirty (30) days of Buyer's request for the same. Such an event will not serve to terminate this Agreement or relieve either Party of its obligations herein.

10. ADJUSTMENTS FOR MWD RATE VARIABILITY

- a. MWD Exchange Rate Adjustment. If Seller and MWD amend the Exchange Agreement at any point in the future to raise the MWD Exchange Rate, Buyer will not be responsible for any increases above the Table 1 Price calculated based on the 2025 Exchange Agreement in effect as of the Effective Date, as provided herein.

11. PERIODIC REVIEWS

- a. Periodic Review. The Parties will meet throughout the Contract Year as necessary and/or reasonably requested by either Party to review operational performance, forecasts, deliveries, and related matters for the present and following Contract Year. If either Party learns of a material fact that will or may affect its performance under this Agreement, that Party will set a meeting with the other Party within thirty (30) days, or as soon thereafter as reasonably practicable, to discuss the matter and find a solution.

12. TRANSPARENCY AND DATA REQUIREMENTS

- a. Operational Data. Upon reasonable request, each Party will provide the other with monthly delivery logs, meter reads, scheduling confirmations, agency statements relevant to volumes and charges, and any other documents or information reasonably requested by either Party as they relate to this Agreement.
- b. Cost Data. Upon reasonable request, Seller will provide documentation sufficient to substantiate all amounts invoiced to Buyer, including those charges and adjustments that may arise from third parties like MWD.
- c. Audit Rights. Buyer may audit Exchange Agreement invoices and supporting data upon thirty (30) business days' notice, during normal business hours, at Buyer's expense.

13. FORCE MAJEURE

- a. Definition. Force Majeure means any event beyond the Parties' control that prevents performance under this Agreement despite reasonable efforts, including, without limitation, major damage to or destruction of essential infrastructure, natural disasters, pandemics, war, or terrorism.
- b. Suspension. Performance obligations impacted by a Force Majeure event are suspended for the duration of the event.
- c. Notice and Mitigation. However, the suspending Party will provide prompt notice, describe the reasons for the suspension, and use all reasonable efforts to mitigate the effects on the other Party and resume performance as quickly as possible.

14. THIRD-PARTY DISPUTES

- a. Third-Party Disputes. If litigation, protests, or administrative disputes materially affect deliveries under this Agreement, the Parties will meet and confer to adjust schedules or arrange substitute performance where feasible.
- b. Cost and Risk Allocation. Each Party bears its own internal costs from such disputes.

15. SUSPENSION AND TERMINATION

- a. Suspension for Cause. Either Party may suspend performance of this Agreement upon sixty (60) business days' written notice for a material breach by the other Party that remains uncured after sixty (60) days.
- b. Termination for Cause. Upon issuing the 60-day notice specified in Section 15(a), the Party in breach will have a 180-day cure period. Upon expiration of that 180-day cure period, if Party is still in breach, the other Party may terminate this Agreement upon written notice.
- c. 2035 Pricing Reset. The Parties acknowledge and agree that Seller's Exchange Water supplies may be subject to a price increase under the Transfer Agreement in or about 2035. If the Table 1 Price per AF of Exchange Water in Contract Year 2035 would be an increase of 8% or more from Contract Year 2034, Buyer may terminate its obligations to pay for Annual Quantity Exchange Water from 2035 through the end of the Term.
- d. Effect of Termination. Upon termination, undisputed amounts accrued through the termination date will be paid within 30 days. Surviving provisions include Sections 14, 16, and 23, and any other provisions that by their nature should survive.

16. RISK OF LOSS/LIMITATION OF LIABILITY

- a. Risk of Loss. Buyer bears all risk of loss after Exchange Water is directed for delivery from Seller to Buyer to the MWD delivery point(s) identified in Section 7(a) and 7(b).
- b. Limitation of Liability. Seller will not be liable to Buyer for any monetary damages of any kind or nature whatsoever, whether based on contract, warranty, tort (including negligence or strict liability), or otherwise, resulting from a failure to deliver Exchange Water under this Agreement. The only remedy available to Buyer will be specific performance of Seller's obligations under this Agreement; however, if, in a Contract Year, Seller is unable to perform on its obligations under this Agreement due to Regulatory Curtailments or Operational Constraints under Sections 9(b) or 9(c) of this Agreement, Buyer's exclusive remedy, and Seller's sole liability, for Seller's breach of this Agreement will be a refund from Seller to Buyer of payments made for Exchange Water not delivered.

17. MEASUREMENT

- a. Metering. Measurement will be by certified meters at or upstream of the delivery point identified in Sections 7(a) and 7(b), in AF to two decimal places.
- b. Standards and Testing. Meters are MWD-owned and operated, and will be maintained, tested, and calibrated per their standards. Either Party may request testing upon five (5) business days' notice.
- c. Estimation. If measurement is unavailable, volumes will be estimated using corroborating records (e.g., inflow/outflow, SCADA logs) and mutually agreed-upon methodologies.

18. INVOICING DISPUTES

- a. Dispute Notice. Buyer will provide written notice of any invoice dispute within thirty (30) days of receipt, identifying disputed amounts and the basis.
- b. Undisputed amounts. Buyer will timely pay undisputed amounts.
- c. Resolution. Finance representatives will meet and confer within 10 business days to resolve disputes. Any unresolved dispute proceeds under Section 24.

19. COMPLIANCE WITH LAWS

- a. General Compliance. Each Party will comply with all applicable laws, regulations, permits, and orders, including Party-specific rules governing

conveyance, exchange, and water quality, to the extent such rules are consistent with this Agreement.

- b. No Impairment. Neither Party will take actions that would knowingly cause the other Party to violate applicable laws or permits in connection with this Agreement.

20. NOTICES

- a. Method. Notices will be sent in writing and delivered by personal delivery, nationally recognized overnight courier, certified mail (return receipt), or email with confirmation, to the addresses below or as updated by notice.
- b. Addresses. Seller: San Diego County Water Authority, 4677 Overland Ave, San Diego, CA 92123, Attn: General Manager. Buyer: Western Municipal Water District, 14205 Meridian Pkwy, Riverside, CA 92518, Attn: General Manager.
- c. Effectiveness. Notices are effective upon receipt.

21. ASSIGNMENT

- a. No Assignment Without Consent. Neither Party may assign this Agreement or any rights or obligations hereunder without the prior written consent of the other Party. Buyer may not transfer any Exchange Water purchased under this Agreement to any other MWD member agency without Seller's prior written consent.
- b. Binding Effect. Subject to the foregoing, this Agreement binds and benefits the Parties and their permitted successors and assigns.

22. INSURANCE

- a. Coverage. Each Party will maintain, at its expense, insurance with financially sound insurers: (a) Commercial General Liability with limits not less than \$2,000,000 per occurrence and \$4,000,000 aggregate; (b) Workers' Compensation as required by law; and (c) Automobile Liability with limits not less than \$1,000,000 combined single limit.
- b. Certificates. Upon request, a Party will provide certificates evidencing required coverage and endorsements naming the other Party as additional covered party for ongoing operations to the extent of contractual liabilities.
- c. Changes. A Party will provide thirty (30) days' prior notice of cancellation or material reduction in coverage, where available.

23. INDEMNITY

- a. Buyer shall indemnify, defend, and hold harmless Seller and its officers, directors, employees, and agents from and against third-party claims connected with or resulting from the delivery of Exchange Water, or the failure to deliver Exchange Water, under this Agreement, including claims related to water quality, wildfire, decreased property values, seismic events, emergency, or reduced agricultural production.
- b. Except for claims subject to Buyer’s obligations in Section 23.1 above, each Party (“Indemnitor”) will indemnify, defend, and hold harmless the other Party and its officers, directors, employees, and agents (collectively, “Indemnitees”) from and against other third-party claims to the extent arising out of Indemnitor’s negligence, willful misconduct, or breach of this Agreement. However, Seller’s duty to indemnify, defend, and hold harmless Buyer will not extend to third-party claims arising from the performance of Seller’s obligations under this Agreement once the Exchange Water has reached any MWD facility for delivery to Buyer.
- c. Exclusions. No Party will be liable for consequential, incidental, exemplary, or punitive damages, except to the extent awarded to a third party and subject to indemnity hereunder.
- d. Procedure. Indemnitees will provide prompt notice of any claim, and the Parties will cooperate in the defense to the extent there is no direct conflict of interest between the Parties. Indemnitor will control the defense subject to Indemnitee’s right to participate with its own counsel at its expense.

24. DISPUTE RESOLUTION

- a. Informal Resolution. The Parties will first seek to resolve disputes through good faith negotiations between executive representatives.
- b. Mediation. If the dispute remains unresolved within thirty (30) days of negotiations beginning between executive representatives, either Party may demand nonbinding mediation with a mutually agreed-upon mediator in San Diego County, with costs shared equally between the Parties.
- c. Venue; Relief. If mediation fails, disputes will be resolved in accordance with law and if litigation is initiated, the Parties consent to jurisdiction and venue in the state or federal courts in San Diego County, State of California. Either Party may seek provisional or injunctive relief where appropriate.

25. MISCELLANEOUS

- a. Entire Agreement. This Agreement constitutes the entire agreement and supersedes prior understandings regarding the subject matter.

- b. Amendments. Amendments must be in writing and signed by both Parties.
- c. No Third-Party Beneficiaries. Except as expressly provided, no third party is an intended beneficiary of this Agreement.
- d. Independent Public Agencies. The Parties are independent public agencies; this Agreement does not create a partnership, joint venture, or agency.
- e. Severability. If any provision is held invalid or unenforceable, it will be modified to the minimum extent necessary to be enforceable, and the remainder remains in effect.
- f. Waiver. No waiver is effective unless in writing. Failure to enforce any term of this Agreement is not a waiver of enforcement or future enforcement.
- g. Counterparts; Electronic Signatures. This Agreement may be executed in counterparts and by electronic signatures, each deemed an original and together one instrument.
- h. Further Assurances. Each Party will execute further documents as reasonably necessary to effectuate the purpose of this Agreement.
- i. Governing Law. This Agreement is governed by the laws of the State of California, without regard to conflict of law rules.

26. COORDINATION

- a. Agency Coordination. The Parties will timely submit required forms, data, and confirmations to MWD and other applicable agencies for conveyance, delivery, storage, and exchange accounting.
- b. Records Retention. Each Party will retain relevant records for at least four (4) years after the Contract Year to which they relate.

27. EXHIBITS

- Exhibit A: 2025 Exchange Agreement*
- Exhibit B: 2025 Settlement Agreement*
- Exhibit C: Pricing*
- Exhibit D: Scheduling Protocols*
- Exhibit E: Insurance Requirements and Certificate Form*

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the Effective Date.

SELLER:

By: _____

Name: _____

Title: _____

Date: _____

APPROVED AS TO FORM:

Date: _____

BUYER:

By: _____

Name: _____

Title: _____

Date: _____

APPROVED AS TO FORM:

Date: _____

**SECOND AMENDED AND RESTATED AGREEMENT BETWEEN THE
METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA AND
THE SAN DIEGO COUNTY WATER AUTHORITY FOR THE EXCHANGE OF
WATER**

THIS SECOND AMENDED AND RESTATED AGREEMENT FOR THE EXCHANGE OF WATER (“Agreement”) is made and entered into as of June 2, 2025 between The Metropolitan Water District of Southern California (hereinafter “Metropolitan”) and the San Diego County Water Authority (hereinafter “SDCWA”) (the “2025 Exchange Agreement” or “Agreement”). Metropolitan and SDCWA are sometimes referred to as the “Parties”.

RECITALS

A. SDCWA is a county water authority incorporated under the California County Water Authority Act, Stats. 1943, c.545 as amended, codified at Section 45-1 *et seq.* of the Appendix to the California Water Code, for the purpose of providing its member agencies in San Diego County with a safe, reliable, and sufficient supply of imported water.

B. Metropolitan is a metropolitan water district incorporated under the Metropolitan Water District Act, Stats. 1969, ch. 209, as amended, codified at Section 109.1 *et seq.* of the Appendix to the California Water Code, engaged in developing, transporting, storing and distributing water for the benefit of its service area in the counties of Los Angeles, Orange, Riverside, San Bernardino, San Diego and Ventura, within the State of California.

C. SDCWA is a member agency of Metropolitan.

D. On April 29, 1998, SDCWA and the Imperial Irrigation District (“IID”) entered into an Agreement for Transfer of Conserved Water, as amended by the Revised Fifth Amendment dated as of December, 21, 2009, between SDCWA and IID (as thereby amended, the “Transfer Agreement”).

E. On November 10, 1998, SDCWA and Metropolitan executed a Contract for the Exchange of Water to be acquired by SDCWA under the Transfer Agreement.

F. In 2003, SDCWA, Metropolitan, and other agencies, including IID, MWD and Coachella Valley Water District (“CVWD”) executed and delivered several agreements, including the Amended and Restated Agreement Between the Metropolitan Water District of Southern California and the San Diego County Water Authority for the Exchange of Water (“2003 Exchange Agreement”), pursuant to the Quantification Settlement Agreement among IID, MWD and CVWD dated as of October 10, 2003 (the “QSA”), which settled a variety of long-standing disputes regarding the priority, use, and transfer of Colorado River water and established the terms for the further distribution of Colorado River water among these entities for up to seventy-five (75) years based upon the water budgets set forth therein.

G. Also, on October 10, 2003, as contemplated by the QSA, SDCWA entered into the Allocation Agreement with the United States of America, IID, CVWD, MWD and other parties named therein (the “Allocation Agreement”) pertaining to the allocation and distribution of water to be conserved from the All-American Canal Lining Project and the Coachella Canal Lining Project (as such terms are defined therein), which, among other things, allocated water to

SDCWA in consideration for amendments by MWD and SDCWA to the price term of the 2003 Exchange Agreement.

H. On June 2, 2025, following litigation, trials, and appeals in cases filed by SDCWA against Metropolitan in 2010 (Case No. CPF-10-510830), 2012 (Case No. CPF-12-512466), 2014 (Case No. CPF-14-514004), 2016 (CPF-16-515282), 2017 (Case No. CGC-17-563350), and 2018 (CPF-18-516389) (all filed in Los Angeles Superior Court and subsequently transferred to San Francisco Superior Court), and Metropolitan's Cross-Complaints in the same cases filed in 2014, 2016, and 2018, the parties reached a settlement fully and finally resolving all disputes among and between them relating to the claims and cross-claims (i) remaining in the cases filed in 2014, 2016, and 2018 (the "Pending Cases"), (ii) that were asserted in the Pending Cases and in the case filed in 2017 that were subsequently dismissed or removed without prejudice, and (iii) that could have been asserted in any of the cases relating to the subject matter of those cases (the "2025 Settlement Agreement"), and agreed to amend the 2003 Exchange Agreement as reflected in the 2025 Settlement Agreement and incorporated in this 2025 Exchange Agreement.

I. This 2025 Exchange Agreement amends and restates the 2003 Exchange Agreement in its entirety.

AGREEMENT

NOW THEREFORE, the Parties in consideration of the foregoing recitals and the representations, warranties, covenants and agreements contained in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which the Parties hereby

acknowledge, Metropolitan and SDCWA agree to the following terms and conditions of this Agreement:

I.

DEFINITIONS AND RULES OF CONSTRUCTION

1.1 Definitions. As used in this Agreement these terms, including any grammatical variations thereof, have the following meanings:

(a) “Administrative Code” means the Metropolitan Water District Administrative Code adopted on April 8, 2025, as amended from time to time thereafter, and as in existence on the date of this Agreement, subject to modification to the extent provided in Paragraph 13.12 of this Agreement.

(b) “Allocation Agreement” is as defined in Recital G, subject to modification for purposes of this Agreement after the date hereof to the extent provided in Paragraph 13.13 of this Agreement.

(c) “Alternative Facilities” means facilities other than facilities owned and operated by Metropolitan.

(d) “Bureau” means the Bureau of Reclamation of the United States Department of the Interior.

(e) “California Plan” means the draft plan dated May 11, 2000, to ensure that California can live within the state’s apportionment of Colorado River water; provided, however, if any final California Plan is approved by the Colorado River Board of California and all the public agencies represented on the Colorado River Board of

California, "California Plan" means such final California Plan.

(f) "Canal Lining Water" means the quantity of Colorado River water allocated each Year to SDCWA in accordance with the Allocation Agreement.

(g) "Colorado River Aqueduct" means the aqueduct system owned and operated by Metropolitan and transporting water from Lake Havasu on the Colorado River to Lake Mathews in Riverside County, California.

(h) "Conserved Water" means Conserved Water as such term is defined in Section 1.1 of the QSA.

(i) "Drought Management Plan" means any plan for the allocation and management of water resources of Metropolitan during a water shortage, as adopted by Metropolitan and in effect at pertinent times during the term of this Agreement.

(j) "Effective Date" means the date upon which all parties execute this Agreement.

(k) "Exchange Unit Price" means the applicable amount to be paid per acre-foot of Exchange Water delivered by Metropolitan at the Metropolitan Point(s) of Delivery under this Agreement pursuant to Paragraph 5.2. In Years that SDCWA Makes Available to Metropolitan 227,000 acre-feet or less for exchange, SDCWA will pay to Metropolitan the total Baseline Exchange Payment set forth in Paragraph 5.1.

(l) "Exchange Water" means, for each Year, water that is delivered by Metropolitan to SDCWA or as directed by SDCWA at the Metropolitan Point(s) of Delivery in a like quantity as the quantity of water that SDCWA has Made Available to Metropolitan under the Transfer Agreement and/or the Allocation Agreement and this

Agreement for the same Year. The Exchange Water may be from whatever source or sources and shall be delivered using such facilities as may be determined by Metropolitan, provided that the Exchange Water delivered in each Year is of like quality to the Conserved Water and/or the Canal Lining Water which is Made Available to Metropolitan at the SDCWA Point of Transfer in such Year.

(m) "IID" is as defined in Recital D.

(n) "Implementation Agreement" is as defined in Section 1.1 of the QSA.

(o) "Local Water" means water supplies not served by Metropolitan. Such Local Water includes, for example, ground water, surface water production, recycled water, desalinated water and other water acquired, owned or produced by any of Metropolitan's member agencies, water retailers or other local agencies within Metropolitan's service area (including supplies from projects participating in Metropolitan's Local Projects Program).

(p) "Made Available," "Make Available" or "Making Available." As used herein, Conserved Water and Canal Lining Water will be deemed to have been Made Available to Metropolitan when (1) such water has been transferred to SDCWA pursuant to the Transfer Agreement and/or allocated to SDCWA pursuant to the Allocation Agreement, (2) valid and continuing authorization has been given by the Bureau legally entitling Metropolitan to divert, for the Year in question, Conserved Water and/or Canal Lining Water at the SDCWA Point of Transfer, in addition to the water that Metropolitan is otherwise authorized to divert from the Colorado River, (3) all other necessary legal rights, entitlements, approvals and permissions, under the laws of the United States

and the State of California for diversions from the Colorado River by Metropolitan, if any, have been obtained and are in full force and effect, and (4) SDCWA has designated that water for exchange or transfer under this Agreement. Metropolitan owns the Conserved Water and Canal Lining Water once it has been Made Available to Metropolitan as defined herein. The transfer of ownership does not change the decision in *San Diego County Water Authority v. Metropolitan Water District of Southern California*, 12 Cal. App. 5th 1124 (2017) ("*SDCWA I*") holding that "[t]he exchange agreement cannot fairly be construed to constitute a purchase of water from Metropolitan within the meaning of the preferential rights statute," and therefore, concluding the Water Authority's "payments under the exchange agreement must be included in the preferential rights calculation." "Make Available" and "Making Available" are grammatical variations of "Made Available."

(q) "Metropolitan Point(s) of Delivery" is as defined in Paragraph 3.5(b).

(r) "SDCWA Point of Transfer" is as defined in Paragraph 3.5(a).

(s) "Secretary" means the United States Secretary of the Interior.

(t) "Termination Date" means the termination date determined under Paragraph 7.1, subject to the provisions of Paragraph 7.2.

(u) "Transfer Agreement" is as defined in Recital D, subject to modification to the extent provided in Paragraph 13.13 hereof.

(v) "Treated Exchange Water" means Exchange Water that has been treated by filtration and disinfection at a Metropolitan water filtration facility for delivery to SDCWA.

(w) "Year" means the period commencing on the Effective Date and ending on the immediately following December 31 (the first (1st) Year), and each consecutive calendar year thereafter during the term of this Agreement.

1.2 Rules of Construction

(a) Unless the context clearly requires otherwise:

- (i) The plural and singular forms include the other;
- (ii) "Shall," "will," "must," and "agrees" are each mandatory;
- (iii) "May" is permissive;
- (iv) "Or" is not exclusive;
- (v) "Includes" and "including" are not limiting; and
- (vi) "Between" includes the ends of the identified range.

(b) Headings at the beginning of paragraphs and subparagraphs of this Agreement are solely for the convenience of the Parties, are not a part of this Agreement and shall not be used in construing it.

(c) The masculine gender shall include the feminine and neutral genders and vice versa.

(d) The word "person" shall include individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, governmental authority, water district and other entity of whatever nature, except either Metropolitan or SDCWA or an officer or employee thereof.

(e) Reference to any agreement (including this Agreement), document, or instrument means such agreement, document, instrument as amended or modified and in effect from time to time in accordance with the terms thereof and, if applicable, the terms hereof.

(f) Except as specifically provided herein, reference to any law, statute, ordinance, regulation or the like means such law as amended, modified, codified or reenacted, in whole or in part, and in effect from time to time, including any rules and regulations promulgated thereunder.

II.

REPRESENTATIONS AND WARRANTIES

2.1 Representations and Warranties of Metropolitan. As a material inducement to SDCWA to enter into this Agreement, Metropolitan represents and warrants as follows:

(a) Metropolitan is a metropolitan water district, duly organized, validly existing and in good standing under the laws of the State of California', Metropolitan has all necessary power and authority to perform its obligations hereunder on the terms set forth in this Agreement, and the execution and delivery hereof by Metropolitan and the performance by Metropolitan of its obligations hereunder will not violate or constitute an event of default under the terms or provisions of any agreement, document or instrument to which Metropolitan is a party or by which Metropolitan is bound.

(b) The Parties entered into the 2003 Exchange Agreement subject to the execution and delivery of the QSA and the Related Agreements (as defined in Section 1.1 of the QSA).

The QSA and the Related Agreements were executed and delivered in 2003 and therefore this Agreement is not subject to the execution and delivery of those agreements. This Agreement is entered concurrently with the 2025 Settlement Agreement and is a valid and binding obligation of Metropolitan, enforceable in accordance with its terms, subject to the requirements of applicable law.

2.2 Representations and Warranties of SDCWA. As a material inducement to Metropolitan to enter into this Agreement, SDCWA represents and warrants as follows:

(a) SDCWA is a county water authority, duly organized, validly existing and in good standing under the laws of the State of California, SDCWA has all necessary power and authority to perform its obligations hereunder on the terms set forth in this Agreement, and the execution and delivery hereof by SDCWA and the performance by SDCWA of its obligations hereunder will not violate or constitute an event of default under the terms or provisions of any agreement, document or instrument to which SDCWA is a party or by which SDCWA is bound.

(b) The Parties entered into the 2003 Exchange Agreement subject to the execution and delivery of the QSA and the Related Agreements (as defined in Section 1.1 of the QSA). The QSA and the Related Agreements were executed and delivered in 2003 and therefore this Agreement is not subject to the execution and delivery of those agreements. This Agreement is entered concurrently with the 2025 Settlement Agreement and is a valid and binding obligation of SDCWA enforceable in accordance with its terms, subject to the requirements of applicable law.

(c) SDCWA will have obtained such approvals and permissions as may be necessary, under applicable laws of the United States and the State of California, to Make Available to Metropolitan Conserved Water and Canal Lining Water pursuant to this Agreement.

III.

QUANTITY, DELIVERY AND SCHEDULING

3.1 Conserved Water and Canal Lining Water.

(a) SDCWA will Make Available up to 277,700 acre-feet of Conserved Water and/or the Canal Lining Water to Metropolitan at the SDCWA Point of Transfer each Year. Metropolitan owns the Conserved Water and Canal Lining Water once it has been Made Available to Metropolitan as defined herein. The transfer of ownership does not change the *SDCWA I* decision holding that “[t]he exchange agreement cannot fairly be construed to constitute a purchase of water from Metropolitan within the meaning of the preferential rights statute,” and therefore, concluding SDCWA’s “payments under the exchange agreement must be included in the preferential rights calculation.” The Conserved Water and/or the Canal Lining Water Made Available in each Year shall be deemed to have been Made Available to Metropolitan in the month that it is delivered to Metropolitan at the SDCWA Point of Transfer.

(b) SDCWA will provide to Metropolitan annual written notice by November 1st each Year (or, in the case of the first Year, reasonable advance written notice) of the quantity of Conserved Water to be transferred to SDCWA in accordance with the Transfer

Agreement, and of the quantity of Canal Lining Water to be allocated to SDCWA in accordance with the Allocation Agreement, and in each case to be Made Available to Metropolitan at the SDCWA Point of Transfer during the immediately following Year. The Conserved Water and/or the Canal Lining Water will be Made Available to Metropolitan by SDCWA in a manner consistent with the Bureau's operations schedule and will be measured as provided in Paragraph 3.4.

3.2 Exchange Water.

(a) Provided that the Conserved Water and/or the Canal Lining Water has been Made Available to Metropolitan at the SDCWA Point of Transfer pursuant to Paragraph 3.1, Metropolitan shall deliver Exchange Water to SDCWA at the Metropolitan Point(s) of Delivery, in compliance with this Agreement, and in the manner and to the extent set forth below. In any Year, Metropolitan will not be required to deliver an amount of Exchange Water that is greater than the aggregate amount of Conserved Water and Canal Lining Water Made Available to Metropolitan in that Year pursuant to Paragraph 3.1, minus any amount sold to Metropolitan, subject to the provisions of subparagraphs (b) and (c) of Paragraph 7.2.

(b) Metropolitan's delivery of Exchange Water at the Metropolitan Point(s) of Delivery shall be governed by its rules and regulations for delivery of water set forth in Chapter 5 of Division IV of the Administrative Code, as amended over time, in the same manner as other water delivered by Metropolitan, except as may otherwise be provided in this Agreement.

(c) The Exchange Water to be delivered in any Year shall be delivered at the times, locations, and in the amounts as SDCWA requests, subject to the Parties' operational constraints, in the same manner Metropolitan delivers full-service water purchases. The cumulative total Exchange Water Metropolitan delivers at the end of the Year at the Metropolitan Point(s) of Delivery shall be equal to the aggregate quantity of Conserved Water and Canal Lining Water SDCWA Makes Available to Metropolitan at the SDCWA Point of Transfer for that Year, minus any water Metropolitan purchases from SDCWA.

(d) In addition to 3.2(a) through (c), SDCWA may elect to make offers in the manner set forth in this Paragraph. First, SDCWA will offer to a Metropolitan member agency or agencies the right to receive a specified amount of Exchange Water deliveries. If accepted by a Metropolitan member agency, nothing in this Exchange Agreement changes other than the Metropolitan Point(s) of Delivery designated by SDCWA. If no member agency accepts SDCWA's offer, SDCWA will offer to Metropolitan the right to purchase a specified amount of Conserved Water and/or Canal Lining Water. The offers and agreements must be made in the manner set forth herein.

- i. First Right of Refusal to a Metropolitan Member Agency or Agencies. SDCWA will offer to a Metropolitan member agency or agencies the right to receive Exchange Water deliveries and shall notify Metropolitan of any offer by November 1st prior to the Year the Conserved Water and/or Canal Lining Water will be Made Available to Metropolitan by SDCWA for exchange under this Agreement (the "Purchase Year"). SDCWA must notify Metropolitan by December 30th of the Year prior to the Purchase

Year of any agreement with a member agency or agencies to acquire the right to receive Exchange Water deliveries pursuant to this Paragraph. The terms of the right to receive Exchange Water deliveries will be determined by SDCWA and the Metropolitan member agency or agencies acquiring the right (the "Contracting Member Agency or Agencies") subject to subparagraphs A through C below.

- A. The agreement between SDCWA and the Contracting Member Agency or Agencies transfers the right to receive the Exchange Water deliveries from Metropolitan so long as SDCWA Makes Available to Metropolitan an equivalent amount of Conserved Water and/or Canal Lining Water to allow for the exchange between SDCWA and the Contracting Member Agency or Agencies.
- B. Metropolitan will deliver to the Contracting Member Agency or Agencies Exchange Water at the designated Metropolitan Point(s) of Delivery. Exchange Water deliveries to the Contracting Member Agency or Agencies are subject to Metropolitan's operational constraints, in the same manner Metropolitan delivers full-service water purchases. The Contracting Member Agency or Agencies takes ownership of the water at the service connection in the same manner as full-service water deliveries.
- C. Metropolitan will bill SDCWA for all Exchange Water deliveries to the Contracting Member Agency or Agencies in the same manner as Exchange Water deliveries to SDCWA. However, for purposes of any Metropolitan rate

or charge measured by deliveries to a specific service connection, the delivery of Exchange Water to the Contracting Member Agency or Agencies will be attributed to the service connection where the delivery was made. As of the effective date of this Agreement, that includes Metropolitan's Capacity Charge.

ii. Second Right of Refusal to Metropolitan. If SDCWA does not enter into an agreement with any Metropolitan member agency pursuant to Paragraph 3.2(d)(i) by December 30th, SDCWA will notify Metropolitan by the next day, December 31st, that it will offer Conserved and/or Canal Lining Water for purchase by Metropolitan during the Purchase Year. The terms of the purchase will be subject to subparagraphs A through C below.

A. Metropolitan has the right to purchase the Conserved Water and/or Canal Lining Water at the unit price in Table 1. Unit Sale Price (Flow Weighted Average Price).

Table 1. Unit Sale Price (Flow Weighted Average Price)

The Unit Price for Water Sale by SDCWA to Metropolitan is equal to the total annual IID Transfer Agreement actual costs to SDCWA, as documented by SDCWA (Conserved Water Costs) in the prior Year plus the total annual Canal Lining actual costs to SDCWA, as documented by SDCWA (Canal Lining Water Costs) in the prior Year, divided by the total Conserved Water available for transfer to SDCWA from IID and total Canal Lining Water allocated to SDCWA in the same Year.

Flow Weighted Average Price Formula	Price \$ per Acre-Foot
(Conserved Water Costs + Canal Lining Water Costs)/ Total Conserved Water available for transfer to SDCWA from IID and total Canal Lining Water allocated to SDCWA in the same Year	\$/acre-foot

- B. Metropolitan shall have the exclusive right of refusal for sixty (60) days from the date SDCWA provides notice of the offer.
- C. Metropolitan will reconcile all deliveries to SDCWA at the end of the Purchase Year with the December Metropolitan billing to SDCWA. Under no circumstances will Metropolitan purchase water from SDCWA in the same Year that SDCWA purchases water from Metropolitan even if Metropolitan has exercised its right to purchase pursuant to this Paragraph. Payment for any Metropolitan purchase of Conserved Water and/or Canal Lining Water pursuant to this Paragraph will be due after the Purchase Year at the same time as SDCWA's payment is due to Metropolitan for Metropolitan's December bill.

- iii. Notwithstanding the timing obligations for the first right and second right of refusals in Paragraphs 3.2(b)(i) and (ii) above, the parties may agree to different time periods for notice or for exercising/not exercising a right of refusal upon mutual written agreement of the SDCWA General Manager and Metropolitan General Manager.
- iv. This Exchange Agreement is not applicable to SDCWA, Metropolitan, or any other party's rights or obligations with respect to any water transaction, including the right to sell, exchange, transfer, or trade any water, except as provided specifically in this Agreement between SDCWA and Metropolitan.

3.3 Temporary Shutdown of Metropolitan Facilities. Metropolitan's General Manager shall have the right to control, curtail, interrupt or suspend the delivery of Exchange Water to

SDCWA in accordance with the Administrative Code. SDCWA understands that any number of factors, including emergencies, inspection, maintenance or repair of Metropolitan facilities or the State Water Project facilities, may result in a temporary and incidental modification of the delivery schedule contemplated in Paragraph 3.2. Metropolitan shall notify SDCWA of any control, curtailment, interruption or suspension of delivery of Exchange Water in accordance with and to the extent set forth in the Administrative Code, as if the Exchange Water were water served by Metropolitan. Metropolitan agrees that delivery of Exchange Water shall be resumed as soon as possible following any such curtailment, interruption or suspension of delivery. Unless Metropolitan is otherwise relieved of its obligations under the provisions of this Agreement, a curtailment, interruption or suspension of the delivery of Exchange Water pursuant to this Paragraph 3.3 shall not change the amount of Exchange Water Metropolitan is obligated to deliver during any Year.

3.4 Measurement of Deliveries. The quantity of Exchange Water delivered in each Year by Metropolitan at the applicable Metropolitan Point(s) of Delivery, which amount will be metered at such Point(s) of Delivery as provided in the Administrative Code, shall be equal to the aggregate quantity of Conserved Water and Canal Lining Water Made Available to Metropolitan in such Year at the SDCWA Point of Transfer, minus any water sold to Metropolitan. The Parties agree that they will be bound by such meter readings.

3.5. Points of Transfer or Delivery.

(a) The SDCWA Point of Transfer. As used herein, the "SDCWA Point of Transfer" shall be Metropolitan's intake at Lake Havasu.

(b) The Metropolitan Point(s) of Delivery. As used herein, the "Metropolitan

Point(s) of Delivery” shall be any or all Metropolitan existing connections to SDCWA , or another Metropolitan connection to another Metropolitan member agency as designated by SDCWA pursuant to Section 3.2(d)(i).

3.6. Quality of Exchange Water. Metropolitan in its sole discretion shall have the right to deliver Exchange Water of a quality which exceeds the quality of the Conserved Water and/or Canal Lining Water that Metropolitan receives, and such Exchange Water shall fully satisfy Metropolitan’s obligation to deliver Exchange Water of like quality to such Conserved Water and Canal Lining Water. In such event, Metropolitan’s election shall not operate as or be construed to be a commitment to deliver Exchange Water of better quality in the future, and in no event shall SDCWA be deemed to have any right to receive Exchange Water of better quality than the Conserved Water and/or Canal Lining Water.

3.7. Alternative Facilities. SDCWA may determine, in its sole discretion, permanently to reduce the aggregate quantity of Conserved Water and Canal Lining Water to be Made Available to Metropolitan under this Agreement to the extent SDCWA decides continually and regularly to transport Conserved Water and/or Canal Lining Water in an amount equal to such reduction in quantity to San Diego County through Alternative Facilities; provided, however, that SDCWA shall furnish to Metropolitan a minimum of five (5) years’ advance written notice of such determination. The written notice shall confirm the quantity of Conserved Water and/or Canal Lining Water (if any) which SDCWA will continue to Make Available to Metropolitan. If SDCWA exercises its right under this Paragraph 3.7, Metropolitan’s obligation to deliver Exchange Water shall be limited to that specified quantity of Conserved Water and/or Canal Lining Water that SDCWA continues to Make

Available to Metropolitan pursuant to this Agreement.

IV.

CHARACTERIZATION OF EXCHANGE WATER

4.1 Exchange Water as an Independent Local Supply. The Exchange Water shall be characterized for the purposes of all of Metropolitan's ordinances, plans, programs, rules and regulations, including any then-effective Drought Management Plan, and for calculation of any Readiness-to-Serve Charge share, in the same manner as the Local Water of other Metropolitan member agencies.

V.

PRICING AND PAYMENTS

5.1 Payments. As of January 1, 2026, SDCWA shall pay to Metropolitan the Baseline Exchange Payment, equal to the Exchange Unit Price for each Year multiplied by 227,000 acre-feet, even if SDCWA Makes Available to Metropolitan less than 227,000 acre-feet for exchange and without regard to what month water is Made Available to Metropolitan. SDCWA shall pay the Baseline Exchange Payment in 12 equal monthly installments. If SDCWA Makes Available more than 227,000 acre-feet to Metropolitan for exchange, SDCWA shall pay to Metropolitan the Exchange Unit Price for each additional acre-foot above 227,000 of Exchange Water delivered by Metropolitan at the Metropolitan Point(s) of Delivery. Payments due for Exchange Water deliveries above 227,000 acre-feet will be billed in the month following the delivery by Metropolitan to SDCWA at the Metropolitan Point(s) of Delivery.

5.2 The Exchange Unit Price. The price per acre-foot for deliveries of Exchange Water (the "Exchange Unit Price") shall be as follows for purposes of calculation of the Baseline Exchange Payment and for each additional acre-foot of Exchange Water deliveries above 227,000 acre-feet:

- (a) Year 2026: The Exchange Unit Price in Year 2026 shall be \$671.
- (b) Years 2027 through 2034: The Exchange Unit Price for Years 2027 through 2034 shall be as reflected in Table 2.

Table 2. Exchange Unit Price Calendar Years 2027 - 2034

Effective Date of Exchange Unit Price	Exchange Unit Price per Acre-Foot
January 1, 2027	\$671
January 1, 2028	\$703
January 1, 2029	\$737
January 1, 2030	\$772
January 1, 2031	\$809
January 1, 2032	\$848
January 1, 2033	\$888
January 1, 2034	\$930

(c) The Exchange Unit Price for 2026 through 2034 reflects a bargained-for amount between the Parties and is not subject to or related to the validity of Metropolitan's rates, charges, rate structure, or costs. The Parties mutually agreed to the fixed dollar amount in this Agreement for the Exchange Unit Price with the intent of separating the price term from Metropolitan's rate structure, rate-setting process, and budget. The Exchange Unit Price from 2026 through 2034 and subsequent increases are not intended and shall not be interpreted to be subject to or related to Metropolitan's rates, charges, rate structure, costs, or budgets.

(d) Years 2035 Through Remainder of Term: The Exchange Unit Price every Year as of January 1, 2035, shall be equal to the prior Year's Exchange Unit Price increased by a percentage equal to the Consumer Price Index for All Urban Consumers (CPI-U) for water and sewerage, as published by the U.S. Bureau of Labor Statistics, measured from October of two years prior to October of the prior year. For example, as of January 1, 2035, the Exchange Unit Price shall be \$930 (from 2034), increased by the CPI-U for water and sewerage, measured from October 2033 to October 2034.

i. The applicable index, series, and item are:

Index: Consumer Price Index for All Urban Consumers (CPI-U)

Series ID: CUUR0000SEHG01

Series Title: Water and sewerage maintenance in U.S. city average, all urban consumers, not seasonally adjusted

Area: U.S. city average

Item: Water and sewerage maintenance

Base Period: 1982-84 = 100

ii. In the event the CPI-U for water and sewerage is no longer published, the Exchange Unit Price will increase on a yearly basis based on the average annual percentage of the index over the ten years prior to the date it is no longer published.

(e) Prevailing Party in Dispute. In the event that SDCWA contests the Baseline Exchange Payment or Exchange Unit Price, the prevailing Party shall be entitled to

recovery of all reasonable costs, including non-statutory costs directly associated with litigating the dispute, and attorneys' fees incurred in prosecuting or defending against such contest.

5.3 Billing and Payments. Metropolitan shall mail monthly invoices to SDCWA in accordance with the Metropolitan Administrative Code, and SDCWA shall make monthly payments of amounts due pursuant to Paragraphs 5.1 and 5.2 in accordance with the Metropolitan Administrative Code.

5.4 Treatment Surcharge. SDCWA may choose to receive treated water as part of its Exchange Water deliveries. Such deliveries of treated water shall be subject to an additional charge for Metropolitan's treated water service, which is Metropolitan's Treatment Surcharge (or successor rate or charge for treated water service) in effect as of the date of delivery of the Treated Exchange Water. Metropolitan's treated water service and billing for that service will be provided to SDCWA outside of the obligations of this Agreement in the same manner as is provided to all member agencies for full-service deliveries. This Agreement does not create a contractual right for SDCWA to challenge any of Metropolitan's rates and/or charges or the validity of this Agreement based upon the charge for treated water service.

VI.

ADDITIONAL NOTIFICATIONS

6.1 Confirmation of Water Conservation. SDCWA will provide a written report to Metropolitan, prior to March 31 of each Year, describing the method by which any Conserved Water

that was Made Available to Metropolitan in the prior Year was conserved by IID, including a description of conservation projects resulting in the Conserved Water and the quantity of Conserved Water conserved by each project.

6.2 Notice of Developments.

(a) After the execution of this Agreement, SDCWA agrees to give prompt notice to Metropolitan if it discovers that any of its own representations and warranties herein were untrue when made or determines that any of its own representations and warranties will be untrue as of any date during the term of this Agreement.

(b) After the execution of this Agreement, Metropolitan agrees to give prompt notice to SDCWA if it discovers that any of its own representations and warranties herein were untrue when made or determines that any of its own representations and warranties will be untrue as of any date during the term of this Agreement.

VII.

TERM

7.1 Commencement and Expiration. This Agreement shall become effective on the Effective Date and shall expire on the Termination Date, which shall be the later of the dates determined pursuant to subparagraph (a) and (b) below.

(a) Metropolitan and SDCWA's rights and obligations under this Agreement pertaining to Conserved Water Made Available to Metropolitan pursuant to the Transfer Agreement and this Agreement shall expire on December 31, 2047. In the event that SDCWA and IID extend the term of their Transfer Agreement to December 31, 2077 or

earlier, and the terms of the Transfer Agreement in the extension period do not change except as to duration and if applicable, price, and any reduction in the amount to be transferred each year is not greater than 50,000 acre-feet, upon SDCWA providing notice to Metropolitan within three days of SDCWA and IID's agreement to the Transfer Agreement extension described herein, the obligation under this Agreement pertaining to Conserved Water will be deemed to match the new Transfer Agreement termination date but not later than December 31, 2077, with all other terms of this Agreement remaining unchanged. Any other amendment to the term of this Agreement requires approval by each party's Board of Directors. If the amount to be transferred in each year under the extended Transfer Agreement is reduced by more than 50,000 acre-feet, the extension will require the approval of Metropolitan's Board.

(b) Metropolitan's and SDCWA's rights and obligations under this Agreement pertaining to the Canal Lining Water shall expire and shall thereupon terminate on December 31 of the same Year in which the Allocation Agreement terminates, or shall terminate as otherwise provided in Paragraph 7.2.

(c) Check-in Meetings of the Parties. The Parties agree to meet every five years during the term of this Agreement to discuss the ongoing implementation of this Agreement. This provision does not create and shall not be interpreted to create a unilateral right of either party to an amendment or modification of this Agreement in any way.

7.2 Force Majeure.

(a) If the performance, in whole or in part, of the obligations of the respective Parties, or either of them, to Make Available Conserved Water or Canal Lining Water or to

deliver Exchange Water (as the case may be) under this Agreement is prevented: by acts or failure to act of any agency, court or other government authority, or any other person; by natural disaster (such as earthquake, fire, drought or flood), contamination or outbreak of a water borne disease, war, strikes, lockouts, act of God, or acts of civil or military authority; by the operation of applicable law; or by any other cause beyond the control of the affected Party or Parties, whether similar to the causes specified herein or not, then, in any such circumstance, the obligation of the affected Party or Parties to cause the delivery of the Conserved Water or Canal Lining Water or to deliver the Exchange Water (as the case may be) under this Agreement shall be suspended from the time and to the extent that the performance thereof is prevented, but reasonable diligence shall be observed by the affected Party or Parties, so far as it lies in their power, in performing such respective obligations in whole or in part under this Agreement. In the event such performance of either of the Parties under this Agreement is prevented as described above, then during the period of such prevention, performance by the non-affected Party under this Agreement shall be excused until such prevention ceases, at which time both the Parties shall become obligated to resume and continue performance of their respective obligations hereunder during the term of this Agreement. Notwithstanding the foregoing, no such prevention shall suspend or otherwise affect any payment obligations for Exchange Water actually delivered or any obligation of either Party to indemnify the other pursuant to Paragraph 13.10, or shall extend the term of this Agreement beyond the Termination Date, except as provided in Paragraph 7.2(c) below.

(b) In the event the performance by Metropolitan or SDCWA is prevented as

described above, the Parties agree actively to cooperate and use their reasonable best efforts, without diminution of any storage or other rights Metropolitan or SDCWA may have, to support a request to the Bureau for emergency storage in Lake Mead or Lake Havasu for the Conserved Water and/or the Canal Lining Water, if it would avoid the waste or loss of the Conserved Water and/or the Canal Lining Water.

(c) In the event the delivery of Exchange Water by Metropolitan is prevented as described in Paragraph 7.2(a) above, and in the event Conserved Water and/or the Canal Lining Water has been stored as contemplated by Paragraph 7.2(b) above, and such stored Conserved Water and/or the Canal Lining Water is Made Available to Metropolitan, the term of this Agreement shall be extended, for a period not to exceed five (5) Years, without the necessity for further action by either Party, if and to the extent necessary to permit Metropolitan to complete the delivery of Exchange Water in a quantity equal to such stored Conserved Water and/or the Canal Lining Water.

7.3 Survival. Notwithstanding the foregoing or anything to the contrary in this Agreement, any remaining payment obligation of SDCWA under Article V, and the provisions in Paragraphs 12.5, 13.2, 13.3, 13.8, 13.10 and 13.15 and Articles X and XI, shall survive the termination of this Agreement.

VIII.

RELATED AGREEMENTS

8.1 QSA and the Related Agreements. Metropolitan's obligations under the 2003 Exchange Agreement were subject to the execution and delivery of the QSA and the Related

Agreements (as defined in Section 1.1 of the QSA), which were executed and delivered in 2003. References to those agreements in this Agreement are to the fully executed versions.

IX.

COMPLIANCE WITH APPLICABLE LAWS

9.1 Applicable Laws. This Agreement and the activities described herein are contingent upon and subject to compliance with all applicable laws.

X.

ADDITIONAL COVENANTS

10.1 Impact on Transfer Agreement. Nothing in this Agreement shall be construed to amend the Transfer Agreement.

10.2 Covenants of Good Faith. This Agreement is subject to reciprocal obligations of good faith and fair dealing.

10.3 SDCWA Consent and Waiver. Notwithstanding any limitations set forth in the Transfer Agreement otherwise restricting IID's right to transfer water to Metropolitan, SDCWA hereby consents to IID's transfer of water to Metropolitan as provided in Articles 5 and 6 of the IID/MWD Acquisition Agreement (as defined in Section 1.1 of the QSA) and waives any right to object thereto. SDCWA shall provide to IID, and shall be bound by, a written acknowledgement of its consent and waiver set forth in the preceding sentence above in such form and to such effect as Metropolitan may reasonably request.

10.4 Allocation Agreement Responsibilities. SDCWA shall indemnify Metropolitan

and defend and hold it harmless at SDCWA's sole cost and expense from and against any obligation, liability or responsibility of any kind assigned to SDCWA under and pursuant to the Allocation Agreement and any claim by any person that MWD has any continuing obligation, liability or responsibility of any kind with respect to the matters assigned to SDCWA under the Allocation Agreement.

XI.

DISPUTE RESOLUTION

11.1 Reasonable Best Efforts to Resolve by Negotiation. The Parties shall exercise reasonable best efforts to resolve all disputes, including price disputes, arising under this Agreement through negotiation". In the event negotiation is unsuccessful, then the Parties reserve their respective rights to all legal and equitable remedies.

XII.

EVENTS OF DEFAULT; REMEDIES

12.1 Events of Default by SDCWA. Each of the following constitutes an "Event of Default" by SDCWA under this Agreement if not cured within 30 days of receiving written notice from Metropolitan of such matter:

- (a) Subject to Paragraphs 7.2 and 9.1, SDCWA fails to Make Available to Metropolitan Conserved Water or Canal Lining Water, as required under this Agreement.
- (b) SDCWA fails to perform or observe any other term, covenant or undertaking that it is to perform or observe under this Agreement.

(c) Any representation, warranty or statement made by or on behalf of the SDCWA and contained in this Agreement or in any exhibit, certificate or other document furnished pursuant to this Agreement is on the date made or later proves to be false, misleading or untrue in any material respect.

12.2 Events of Default by Metropolitan. Each of the following constitutes an "Event of Default" by Metropolitan under this Agreement if not cured within 30 days of receiving written notice from SDCWA of such matter:

(a) Subject to Paragraphs 7.2 and 9.1, Metropolitan fails to deliver the Exchange Water as required under this Agreement.

(b) Metropolitan fails to perform or observe any other term, covenant or undertaking that it is to perform or observe under this Agreement.

(c) Any representation, warranty or statement made by or on behalf of Metropolitan and contained in this Agreement or in any exhibit, certificate or other document furnished pursuant to this Agreement is on the date made or later proves to be false, misleading or untrue in any material respect.

12.3 Remedies Generally. If an Event of Default occurs, the non-breaching Party will have all rights and remedies provided at law or in equity against the breaching Party.

12.4 Enforcement of Transfer and Exchange Obligations.

(a) Any Event of Default as defined in Paragraph 12.1(a) or 12.2(a) may be remedied by an order of specific performance.

(b) So long as no Event of Default as defined in Paragraph 12.1(a) has occurred

and is continuing, and so long as SDCWA tenders to Metropolitan full payment of the Payments when due, Metropolitan shall not suspend or delay, in whole or in part, delivery of Exchange Water as required under this Agreement on account of any breach, or alleged breach, by SDCWA unless first authorized to do so by a final judgment. So long as no Event of Default as defined in Paragraph 12.2(a) has occurred and is continuing, SDCWA shall not suspend or delay, in whole or in part, Making Available Conserved Water and/or Canal Lining Water as required under this Agreement on account of any breach, or alleged breach, by Metropolitan unless first authorized to do so by a final judgment. A violation of the provisions of this subparagraph (b) may be remedied by an order of specific performance.

(c) In the event of a dispute over the Baseline Exchange Payment or Exchange Unit Price, SDCWA shall pay when due the full amount claimed by Metropolitan until final resolution of the dispute through litigation or otherwise, whether the dispute concerns the Baseline Exchange Payment and/or payment for deliveries over 227,000 acre-feet. Metropolitan may treat and use the funds from the disputed payments in the same manner as non-disputed payments.

12.5 Cumulative Rights and Remedies. The Parties do not intend that any right or remedy given to a Party on the breach of any provision under this Agreement be exclusive; each such right or remedy is cumulative and in addition to any other remedy provided in this Agreement 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 Agreement or otherwise.

12.6. Action or Proceeding Between the Parties. Each Party acknowledges that it is a “local agency” within the meaning of § 394(c) of the California Code of Civil Procedure (“CCP”). Each Party further acknowledges that any action or proceeding commenced by one Party against the other would, under § 394(a) of the CCP, as a matter of law be subject to

- (a) being transferred to a “Neutral County,” or instead
- (b) having a disinterested judge from a Neutral County assigned by the

Chairman of the Judicial Council to hear the action or proceeding.

(c) A “Neutral County” is any county other than Imperial, Los Angeles, Orange, Riverside, San Bernardino, San Diego or Ventura. In the event an action is filed by either party against the other to enforce this Agreement and to obtain damages for its alleged breach, each Party hereby:

- (i) Stipulates to the action or proceeding being transferred to a Neutral County or to having a disinterested judge from a Neutral County assigned to hear the action;
- (ii) Waives the usual notice required under the law-and-motion provisions of Rule 317 of the California Rules of Court;
- (iii) Consents to having any motion under § 394(c) heard with notice as an ex parte matter under Rule 379 of the California Rules of Court; and
- (iv) Acknowledges that this Agreement, and in particular this section, may be submitted to the court as part of the moving papers.

(d) Nothing in this Paragraph 12.6, however, impairs or limits the ability of a Party to contest the suitability of any particular county to serve as a Neutral County, or operates to waive any other rights.

XIII.

GENERAL PROVISIONS

13.1 No Third-Party Rights. This Agreement is made solely for the benefit of the Parties and their respective permitted successors and assigns (if any). Except for such a permitted successor or assign, no other person or entity may have or acquire any right by virtue of this Agreement.

13.2 Ambiguities. Each Party and its counsel have participated fully in the drafting, review and revision of this Agreement. A rule of construction to the effect that ambiguities are to be resolved against the drafting Party will not apply in interpreting this Agreement, including any amendments or modifications.

13.3 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California, without giving effect to conflict of laws provisions; provided, however, that federal law shall be applied as appropriate to the extent it bears on the resolution of any claim or issue relating to the permissibility of the transfers or the Making Available of Colorado River water, as contemplated herein.

13.4 Binding Effect; Termination Upon Dissolution; No Assignment. This Agreement is and will be binding upon and will inure to the exclusive benefit of the Parties. Any change in law, regulation, rule, or any legal or administrative action or any other event or occurrence that results in dissolution of either Party shall result in termination of this Agreement and render this Agreement

void. Further, neither Party may assign any of its rights or delegate any of its duties under this Agreement. Any assignment or delegation made in violation of this Agreement is void and of no force or effect.

13.5 Notices. All notices, requests, demands, or other communications under this Agreement must be in writing, and sent to both addresses of each Party. Notice will be sufficiently given for all purposes as follows:

- *Personal Delivery.* When personally delivered to the recipient. Notice is effective on delivery.
- *First-Class Mail.* When mailed first-class, postage prepaid, to the last address of the recipient known to the Party giving notice. Notice is effective five mail delivery days after it is postmarked by the United States Postal Service office or authorized device.
- *Certified Mail.* When mailed certified mail, return receipt requested. Notice is effective on receipt, if a return receipt confirms delivery.
- *Overnight Delivery.* When delivered by an overnight delivery service such as Federal Express, charges prepaid or charged to the sender's account. Notice is effective on delivery, if delivery is confirmed by the delivery service.

Addresses for purpose of giving notice are as follows:

To Metropolitan:

Metropolitan Water District of Southern California

Attn: General Manager

Address for U.S. mail:

P.O. Box 54153

Los Angeles, CA 90054-0153

Address for personal or overnight delivery:

700 North Alameda Street

Los Angeles, CA 90012-2944

Telephone: 213-217-6000

Fax: 213-217-6950

With a copy delivered by the same means and at the same address to:

Metropolitan Water District of Southern California

Attn: General Counsel

To SDWCA:

San Diego County Water Authority

Attn.: General Manager

4677 Overland Avenue

San Diego, California 92123-1233

Telephone: 858-522-6780

Fax: 858-522-6262

With a copy to:

San Diego County Water Authority

Attn.: General Counsel

4677 Overland Avenue

San Diego, California 92123-1233

Telephone: 858-522-6790

Fax: 858-522-6566

(a) A correctly addressed notice that is refused, unclaimed, or undeliverable because of an act or omission by the Party to be notified will be deemed effective as of the first date that notice was refused, unclaimed, or deemed undeliverable by the postal authorities, messenger, or overnight delivery service.

(b) A Party may change its address by giving the other Party notice of the change in any manner permitted by this Agreement.

13.6 Entire Agreement. This Agreement constitutes the final, complete, and exclusive statement of the terms of the Agreement between the Parties pertaining to its subject matter and supersedes all prior and contemporaneous understandings or agreements of the Parties. Neither Party has been induced to enter into this Agreement by, nor is either Party relying on, any representation or warranty outside those expressly set forth in this Agreement.

13.7 Time of the Essence. If the day on which performance of any act or the occurrence of any event hereunder (except the delivery of Exchange Water) is due is not a business day, the time when such performance or occurrence shall be due shall be the first business day (which excludes a

Saturday, Sunday, or a federal or state holiday) occurring after the day on which performance or occurrence would otherwise be due hereunder. All times provided in this Agreement for the performance of any act will be strictly construed, time being of the essence of this Agreement.

13.8 Modification. This Agreement 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 both Parties.

13.9 Waiver. No waiver of a breach, failure of condition, or any right or remedy contained in or granted by the provisions of this Agreement is effective unless it is in writing and signed by the Party waiving the breach, failure, right, or remedy. No waiver of a breach, failure of condition, or right or remedy is or may be deemed a waiver of any other breach, failure, right or remedy, whether similar or not. In addition, no waiver will constitute a continuing waiver unless the writing so specifies.

13.10 Indemnification.

(a) SDCWA shall indemnify Metropolitan pursuant to Section 4502 of the Administrative Code, as may be amended over time, against liability in connection with acts of SDCWA after Metropolitan's delivery of the Exchange Water, to the same extent as is required with respect to full-service water deliveries. Such indemnification shall be in addition to any indemnification rights available under applicable law and to any other remedy provided under this Agreement.

(b) Metropolitan shall indemnify SDCWA pursuant to Section 4502 of the Administrative Code, as may be amended over time, against liability in connection with

Metropolitan's delivery of the Exchange Water to the same extent as is required with respect to full-service water deliveries. Such indemnification shall be in addition to any indemnification rights available under applicable law and to any other remedy provided under this Agreement.

(c) Notwithstanding anything in this Agreement to the contrary, each Party agrees to proceed with reasonable diligence and use reasonable good faith efforts to jointly defend any lawsuit or administrative proceeding by any person other than the Parties challenging the legality, validity, or enforceability of this Agreement.

13.11 Authority of the Legislature. Nothing in this Agreement will limit any authority of the Legislature of the State of California to allocate or reallocate water.

13.12 Right to Amend the Administrative Code. Metropolitan's obligations under this Agreement are contractual obligations contained herein. Accordingly, notwithstanding anything to the contrary in this Agreement, express or implied, Metropolitan has the right to amend the Administrative Code at its sole discretion, except that, for the purposes of this Agreement, no such amendment shall have the effect of changing or modifying the obligation of Metropolitan to deliver Exchange Water as provided in this Agreement.

13.13 Right to Amend Transfer Agreement and Allocation Agreement. Notwithstanding anything to the contrary in this Agreement, express or implied, SDCWA shall have the right to amend the Transfer Agreement and/or the Allocation Agreement at its sole discretion, except that, for purposes of this Agreement, no such amendment shall have the effect of changing or modifying the obligation of SDCWA to Make Available Conserved Water and/or Canal Lining Water

hereunder, or the Price payable by SDCWA with respect to any Exchange Water, or be binding on Metropolitan, unless such effect is first approved by the Board of Directors of Metropolitan.

13.14 Counterparts. This Agreement may be executed in two or more counterparts, each of which, when executed and delivered, shall be an original and all of which together shall constitute one instrument, with the same force and effect as though all signatures appeared on a single document.

13.15 Audit. Each Party shall be responsible for assuring the accuracy of its books, records and accounts of billings, payments, metering of water, and other records (whether on hard copy or in electronic or other format) evidencing the performance of its obligations pursuant to this Agreement and shall maintain all such records for not less than three years. Each Party will have the right to audit the other Party's books and records relating to this Agreement for purposes of determining compliance with this Agreement during the term hereof and for a period of three years following termination of this Agreement. Upon reasonable notice, each Party shall cooperate fully with any such audit and shall permit access to its books, records and accounts as may be necessary to conduct such audit.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

Approved as to Form:

The Metropolitan Water District of Southern California

By: Mscully
Marcia Scully, General Counsel

By: Deven Upadhyay
Deven Upadhyay, General Manager

Date: 6/2/2025

Date: 6/2/25

Approved as to Form:

The San Diego County Water Authority

By: David Edwards
David Edwards, General Counsel

By: Dan Denham
Dan Denham, General Manager

Date: 6-2-2025

Date: 6-2-25

FINAL SETTLEMENT AGREEMENT

This Final Settlement Agreement (“Settlement Agreement”) is made and entered into by and between San Diego County Water Authority (the “Water Authority” or “SDCWA”) and Metropolitan Water District of Southern California (“Metropolitan”). As used herein, “Party” refers to the Water Authority or to Metropolitan; and “Parties” refers to the Water Authority and Metropolitan, collectively. The effective date of this Settlement Agreement shall be June 2, 2025.

WHEREAS, the Water Authority is a county water authority incorporated under the California County Water Authority Act, Stats. 1943, ch. 545 as amended, codified at Sections 45-1 through 45-16 of the Appendix to the California Water Code;

WHEREAS, Metropolitan is a metropolitan water district incorporated under the Metropolitan Water District Act, Stats. 1969, ch. 209, as amended, codified at Sections 109.1 through 134 of the Appendix to the California Water Code;

WHEREAS, in 1998, Metropolitan and the Water Authority entered into a water exchange agreement that was subsequently amended in 2003 and, as amended, is the currently operative agreement between the Parties (the “2003 Exchange Agreement”);

WHEREAS, in 2010 and 2012, the Water Authority brought actions against Metropolitan, Case No. CPF-10-510830 (San Francisco Superior Court) (the “2010 Case”) and Case No. CPF-12-512466 (San Francisco Superior Court) (the “2012 Case”), including among other claims, rate challenges and causes of action for breach of the 2003 Exchange Agreement;

WHEREAS, following a trial court judgment and appeals by both Parties in the 2010 and 2012 Cases, the California Court of Appeal, First Appellate District issued an opinion, *San Diego County Water Authority v. Metropolitan Water District of Southern California*, 12 Cal. App. 5th 1124 (2017) (“*SDCWA I*”), which is final and binding on all Parties;

WHEREAS, on August 12 and 13, 2020, following remand of certain remaining claims and trial court remand proceedings, the Superior Court entered final judgment and a peremptory writ of mandate in the 2010 and 2012 Cases;

WHEREAS, on February 16, 2021, Metropolitan paid to the Water Authority \$44,373,872.29, in satisfaction of the Superior Court’s final damages judgment on the Water Authority’s breach of contract cause of action in the 2010 and 2012 Cases and Metropolitan has satisfied all monetary damages and interest ordered in the 2010 and 2012 Cases;

WHEREAS, the Superior Court issued an order determining the Water Authority to be the prevailing party for purposes of attorneys’ fees and costs in the 2010 and 2012 Cases, which was followed by an order awarding the Water Authority \$326,918.34 in costs and a stipulation to the amount of \$13,397,575.66 in attorneys’ fees, with post-judgment interest accruing at 7 percent per annum that was affirmed by the Court of Appeal and which Metropolitan has paid in full;

INITIALS: PP DKA

WHEREAS, on September 21, 2021, in response to Metropolitan's appeal of the writ and judgment in the 2010 and 2012 Cases, the California Court of Appeal, First Appellate District issued an opinion, *San Diego County Water Authority v. Metropolitan Water District of Southern California*, No. A161144, 2021 WL 4272331 (unpublished) (*SDCWA II*), which is final and binding on all Parties;

WHEREAS, in 2014, 2016, and 2018, the Water Authority brought actions against Metropolitan, Case No. CPF-14-514004 (San Francisco Superior Court) (the "2014 Case"), Case No. CPF-16-515282 (San Francisco Superior Court) (the "2016 Case"), and Case No. CPF-18-516389 (San Francisco Superior Court) (the "2018 Case"), including, among other claims, rate challenges and causes of action for breach of the 2003 Exchange Agreement, and Metropolitan filed cross-complaints in each case, also including claims related to rates and the 2003 Exchange Agreement; all of which actions were consolidated and tried resulting in a final judgment that has been appealed by the Parties and which appeal is pending in the First District Court of Appeal;

WHEREAS, in light of the *SDCWA II* opinion, Metropolitan returned to the Water Authority the full amount the Water Authority paid for the Water Stewardship Rate portion of Exchange Water deliveries from calendar years 2015 to 2017, plus prejudgment interest, totaling \$35,871,153.70, and the parties resolved the Water Authority's breach-of-contract claims relating to the Water Stewardship Rate in the 2014, 2016, and 2018 Cases (Metropolitan did not charge the Water Stewardship Rate on deliveries under the Exchange Agreement from 2018 to the present) by stipulation and court order;

WHEREAS, on April 3, 2024, the Superior Court entered final judgment and a writ of mandate in the 2014, 2016 and 2018 Cases;

WHEREAS, the Superior Court issued an order determining Metropolitan to be the prevailing party for purposes of attorneys' fees and costs in the 2014, 2016, and 2018 Cases, which was followed by a stipulation by the Parties and court order awarding Metropolitan \$372,788.64 in costs and \$3,402,408.71 in attorneys' fees, with post-judgment interest accruing at 7 percent per annum;

WHEREAS, in 2017, the Water Authority brought an action against Metropolitan, Case No. CGC-17-563350 (San Francisco Superior Court) (the "2017 Case"), challenging Metropolitan's charges, and later dismissed the 2017 Case without prejudice;

WHEREAS, the Parties have now, on the terms stated below, reached a settlement of all disputes among and between them relating to the following claims and cross-claims, including any and all causes of actions, appeals, and appealable issues, related to the claims and cross-claims: (i) those in the 2014, 2016, and 2018 Cases (collectively, the "Pending Cases"), (ii) that were asserted, or could have been asserted, in the Pending Cases and the 2017 Case and were subsequently dismissed or not pursued without prejudice, or (iii) that could have been asserted in any of the 2010 and 2012 Cases, the Pending Cases, or the 2017 Case relating to the subject matter of any of those cases (collectively, (i) through (iii) are referred to as the "Collective Claims"), and the Parties now desire to execute a final settlement and to fully and finally resolve, in accordance with this Settlement Agreement, the Collective Claims;

INITIALS: 

NOW, THEREFORE, in consideration of the above facts and the mutual covenants contained herein, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, agree to the terms of this Settlement Agreement and to amend and restate the 2003 Exchange Agreement as provided for in this Settlement Agreement, reflected in **Attachment 1** – the Second Amended and Restated Exchange Agreement (the “2025 Exchange Agreement”) – and outlined here.

1. Ownership. The Parties confirm that all Conserved Water¹ and Canal Lining Water that SDCWA Makes Available to Metropolitan at Lake Havasu for exchange pursuant to the Exchange Agreement is owned by Metropolitan at that point of transfer and shall be interpreted in that manner for Paragraphs 1.1(r), 3.1(a), and any other relevant portion of the 2025 Exchange Agreement. This section does not change the *SDCWA I* decision holding that “[t]he exchange agreement cannot fairly be construed to constitute a purchase of water from Metropolitan within the meaning of the preferential rights statute,” and therefore, concluding the Water Authority’s “payments under the exchange agreement must be included in the preferential rights calculation.”

The definition at Paragraph 1.1(r) is amended to add the express recognition of the transfer of ownership of water when SDCWA makes the water available to Metropolitan at Lake Havasu, as follows:

~~(p)~~ “Made Available,” “Make Available” or “Making Available.” As used herein, Conserved Water and Canal Lining Water will be deemed to have been Made Available to Metropolitan when (1) such water has been transferred to SDCWA pursuant to the Transfer Agreement and/or allocated to SDCWA pursuant to the Allocation Agreement, (2) valid and continuing authorization has been given by the Bureau legally entitling Metropolitan to divert, for the Year in question, Conserved Water and/or Canal Lining Water at the SDCWA Point of Transfer, in addition to the water that Metropolitan is otherwise authorized to divert from the Colorado River, ~~and~~ (3) all other necessary legal rights, entitlements, approvals and permissions, under the laws of the United States and the State of California for diversions from the Colorado River by Metropolitan, if any, have been obtained and are in full force and effect., and (4) SDCWA has designated that water for exchange or transfer under this Agreement. Metropolitan owns the Conserved Water and Canal Lining Water once it has been Made Available to Metropolitan as defined herein. The transfer of ownership does not change the decision in *San Diego County Water Authority v. Metropolitan Water District of Southern California*, 12 Cal. App. 5th 1124 (2017) (“*SDCWA I*”) holding that “[t]he exchange agreement cannot fairly be construed to constitute a purchase of water from Metropolitan within the meaning of the preferential rights statute,” and therefore, concluding SDCWA’s “payments under the exchange agreement must

¹ All capitalized terms in this outline of amendments that are not defined herein, are defined in **Attachment 1**, the 2025 Exchange Agreement.

INITIALS: JD, Dra

be included in the preferential rights calculation.” “Make Available” and “Making Available” are grammatical variations of “Made Available.”

Paragraph 3.1(a) is amended to add the express recognition of the transfer of ownership of water when SDCWA Makes Available the water to Metropolitan at Lake Havasu, as follows:

(a) SDCWA will Make Available up to 277,700 acre-feet of ~~the~~ Conserved Water and/or the Canal Lining Water to Metropolitan at the SDCWA Point of Transfer each Year, ~~in the manner set forth below. The quantity of Conserved Water and/or Canal Lining Water Made Available to Metropolitan by SDCWA at the SDCWA Point of Transfer each Year shall be the lesser of: (1) the sum of the quantity of water which HD transfers to SDCWA under the Transfer Agreement in such Year and the quantity of Canal Lining Water allocated to SDCWA under the Allocation Agreement in such Year; or (2) 277,700 acre-feet.~~ Metropolitan owns the Conserved Water and/or Canal Lining Water once it has been Made Available to Metropolitan as provided herein. The transfer of ownership does not change the SDCWA I decision holding that “[t]he exchange agreement cannot fairly be construed to constitute a purchase of water from Metropolitan within the meaning of the preferential rights statute,” and therefore, concluding SDCWA’s “payments under the exchange agreement must be included in the preferential rights calculation.”

For additional edits to Paragraph 3.1(a), see Section 3.

2. Baseline Exchange Payment. SDCWA will pay Metropolitan a fixed amount per Year (as defined in the 2025 Exchange Agreement) set by the Exchange Price at Paragraph 5.2 multiplied by 227,000 acre-feet. The fixed amount constitutes the Baseline Exchange Payment and will be made by SDCWA to Metropolitan each Year in 12 equal monthly installments. The Baseline Exchange Payment will be made as a minimum payment, whether SDCWA Makes Available to Metropolitan 227,000 acre-feet of water for exchange or not and without regard to what month water is Made Available to Metropolitan. No carryover credit for any portion of the Baseline Exchange Payment shall be provided to SDCWA in the event SDCWA Makes Available to Metropolitan less than 227,000 acre-feet for exchange in any Year.

Paragraphs 5.1 and 5.3 are amended to conform to the Baseline Exchange Payment, any additional exchange, and the Exchange Unit Price as agreed in this Settlement Agreement.

5.1 Payments. As of January 1, 2026, SDCWA shall pay to Metropolitan the Baseline Exchange Payment, equal to the Exchange Unit Price for each Year multiplied by 227,000 acre-feet, even if SDCWA Makes Available to Metropolitan less than 227,000 acre-feet for exchange and without regard to what month water is Made Available to Metropolitan. SDCWA shall pay the Baseline Exchange Payment in 12 equal monthly installments. If SDCWA Makes Available more than 227,000 acre-feet to Metropolitan for exchange, SDCWA shall pay to Metropolitan the Exchange Unit Price for each additional acre-foot above 227,000 of Exchange Water (including Early Exchange Water, if applicable) delivered by Metropolitan

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at the Metropolitan Point(s) of Delivery. Payments due for Exchange Water deliveries above 227,000 acre-feet will be billed in the month following the delivery by Metropolitan at the Metropolitan Point(s) of Delivery.

5.3 Billing and Payments. Metropolitan shall mail monthly invoices to SDCWA in accordance with the Metropolitan Administrative Code, and SDCWA shall make monthly payments of amounts due pursuant to Paragraphs 5.1 and 5.2 in accordance with the Metropolitan Administrative Code. ~~The amount of each monthly billing and payment pursuant to this Agreement shall be the quantity in acre-feet of Exchange Water to be delivered by Metropolitan at the Metropolitan Point(s) of Delivery during the applicable Year, multiplied by the Price as of the commencement of the Year, divided by twelve (12).~~

3. Delivery. Metropolitan will deliver Exchange Water within the Year in the timing and pattern SDCWA requests, subject to the Parties' operational constraints, in the same manner full-service purchases are delivered. Accordingly, water will be deemed to have been Made Available to Metropolitan as received and Metropolitan and SDCWA will then agree upon a schedule for delivery of Exchange Water within the Year. Accordingly, the following relevant provisions are amended as follows:

Paragraph 3.1(a) is amended, in part, as follows:

... The Conserved Water and/or Canal Lining Water Made Available in each Year shall be deemed to have been Made Available to Metropolitan in the month that it is delivered to Metropolitan at the SDCWA Point of Transfer. ~~in monthly installments, with one-twelfth (1/12) of such water deemed to have been Made Available in each calendar month of such Year (provided that, in the first Year, the quantity of such water deemed to have been Made Available in each month shall be determined by dividing the total quantity for that Year by the number of calendar months or portions thereof in that Year).~~

Paragraph 3.2(c) is amended as follows:

(c) The Exchange Water to be delivered in any Year shall be delivered ~~in approximately equal monthly installments over the Year so that at the end of the twelfth month the aggregate quantity of Exchange Water delivered by Metropolitan will be equal to the aggregate quantity of Conserved Water (including Early Transfer Water, if applicable) and Canal Lining Water Made Available to Metropolitan at the SDCWA Point of Transfer for that Year, or~~ at the times, locations, and in the amounts as ~~the Parties may otherwise agree~~ SDCWA requests, subject to the Parties' operational constraints, in the same manner Metropolitan delivers full-service water purchases. The cumulative total Exchange Water Metropolitan delivers at the end of the Year at the Metropolitan Point(s) of Delivery shall be equal to the aggregate quantity of Conserved Water and Canal Lining Water SDCWA Makes Available to Metropolitan at the SDCWA Point of Transfer for that Year, minus any water Metropolitan purchases from SDCWA. ~~If~~

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~~Metropolitan purchases water from SDCWA, Metropolitan's Exchange Water deliveries will be reduced by an amount equal to the water purchased by Metropolitan from SDCWA.~~

4. **Rights of First and Second Refusal.** SDCWA may elect to make offers in the manner set forth here. Accordingly, Paragraph 3.2 (d) is added as follows:

(d) In addition to 3.2(a) through (c), SDCWA may elect to make offers in the manner set forth in this Paragraph. First, SDCWA will offer to a Metropolitan member agency or agencies the right to receive a specified amount of Exchange Water deliveries. If accepted by a Metropolitan member agency, nothing in this Exchange Agreement changes other than the Metropolitan Point(s) of Delivery designated by SDCWA. If no member agency accepts SDCWA's offer, SDCWA will offer to Metropolitan the right to purchase a specified amount of Conserved Water and/or Canal Lining Water. The offers and agreements must be made in the manner set forth herein.

i. First Right of Refusal to a Metropolitan Member Agency or Agencies. SDCWA will offer to a Metropolitan member agency or agencies the right to receive Exchange Water deliveries and shall notify Metropolitan of any offer by November 1st prior to the Year the Conserved Water and/or Canal Lining Water will be Made Available to Metropolitan by SDCWA for exchange under this Agreement (the "Purchase Year"). SDCWA must notify Metropolitan by December 30th of the Year prior to the Purchase Year of any agreement with a member agency or agencies to acquire the right to receive Exchange Water deliveries pursuant to this Paragraph. The terms of the right to receive Exchange Water deliveries will be determined by SDCWA and the Metropolitan member agency or agencies acquiring the right (the "Contracting Member Agency or Agencies") subject to subparagraphs A through C below.

A. The agreement between SDCWA and the Contracting Member Agency or Agencies transfers the right to receive the Exchange Water deliveries from Metropolitan so long as SDCWA Makes Available to Metropolitan an equivalent amount of Conserved Water and/or Canal Lining Water to allow for the exchange between SDCWA and the Contracting Member Agency or Agencies.

B. Metropolitan will deliver to the Contracting Member Agency or Agencies Exchange Water at the designated Metropolitan Point(s) of Delivery. Exchange Water deliveries to the Contracting Member Agency or Agencies are subject to Metropolitan's operational constraints, in the same manner Metropolitan delivers full-service water purchases. The Contracting Member Agency or Agencies

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takes ownership of the water at the service connection in the same manner as full-service water deliveries.

C. Metropolitan will bill SDCWA for all Exchange Water deliveries to the Contracting Member Agency or Agencies in the same manner as Exchange Water deliveries to SDCWA. However, for purposes of any Metropolitan rate or charge measured by deliveries to a specific service connection, the delivery of Exchange Water to the Contracting Member Agency or Agencies will be attributed to the service connection where the delivery was made. As of the effective date of this Agreement, that includes Metropolitan's Capacity Charge.

ii. Second Right of Refusal to Metropolitan. If SDCWA does not enter into an agreement with any Metropolitan member agency pursuant to Paragraph 3.2(d)(i) by December 30th, SDCWA will notify Metropolitan by the next day, December 31st, that it will offer Conserved and/or Canal Lining Water for purchase by Metropolitan during the Purchase Year. The terms of the purchase will be subject to subparagraphs A through C below.

A. Metropolitan has the right to purchase the Conserved Water and/or Canal Lining Water at the unit price in Table 1. Unit Sale Price (Flow Weighted Average Price).

Table 1. Unit Sale Price (Flow Weighted Average Price)

The Unit Price for Water Sale by SDCWA to Metropolitan is equal to the total annual IID Transfer Agreement actual costs to SDCWA, as documented by SDCWA (Conserved Water Costs) in the prior Year plus the total annual Canal Lining actual costs to SDCWA, as documented by SDCWA (Canal Lining Water Costs) in the prior Year, divided by the total Conserved Water available for transfer to SDCWA from IID and total Canal Lining Water allocated to SDCWA in the same Year.

<u>Flow Weighted Average Price Formula</u>	<u>Price \$ per Acre-Foot</u>
<u>(Conserved Water Costs + Canal Lining Water Costs)/ Total Conserved Water available for transfer to SDCWA from IID and total Canal Lining Water allocated to SDCWA in the same Year</u>	<u>\$/acre-foot</u>

B. Metropolitan shall have the exclusive right of refusal for sixty (60) days from the date SDCWA provides notice of the offer.

C. Metropolitan will reconcile all deliveries to SDCWA at the end of the Purchase Year with the December Metropolitan billing to

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SDCWA. Under no circumstances will Metropolitan purchase water from SDCWA in the same Year that SDCWA purchases water from Metropolitan even if Metropolitan has exercised its right to purchase pursuant to this paragraph. Payment for any Metropolitan purchase of Conserved Water and/or Canal Lining Water pursuant to this paragraph will be due after the Purchase Year at the same time as SDCWA's payment is due to Metropolitan for Metropolitan's December bill.

iii. Notwithstanding the timing obligations for the first right and second right of refusals in Paragraphs 3.2(d)(i) and (ii) above, the parties may agree to different time periods for notice or for exercising/not exercising a right of refusal upon mutual written agreement of the SDCWA General Manager and Metropolitan General Manager.

iv. This Exchange Agreement is not applicable to SDCWA, Metropolitan, or any other party's rights or obligations with respect to any water transaction, including the right to sell, exchange, transfer, or trade any water, except as provided specifically in this Agreement between SDCWA and Metropolitan.

Paragraph 1.1 (n) is amended as follows to conform to the potential delivery to a Contracting Member Agency or Agencies pursuant to the first right of refusal at Paragraph 3.1(b)(i):

~~(n)~~(l) "Exchange Water" means, for each Year, water that is delivered by Metropolitan to SDCWA or as directed by SDCWA by Metropolitan at the Metropolitan Point(s) of Delivery in a like quantity as the quantity of water that SDCWA has Made Available to Metropolitan under the Transfer Agreement and/or the Allocation Agreement and this Agreement for the same Year. The Exchange Water may be from whatever source or sources and shall be delivered using such facilities as may be determined by Metropolitan, provided that the Exchange Water delivered in each Year is of like quality to the Conserved Water and/or the Canal Lining Water which is Made Available to Metropolitan at the SDCWA Point of Transfer in such Year.

5. Metropolitan Point(s) of Delivery. To allow for delivery of Exchange Water to a Metropolitan Member Agency pursuant to Paragraph 3.1(b)(i), Paragraph 3.5(b) is amended as follows:

(b) The Metropolitan Point(s) of Delivery. As used herein, the "Metropolitan Point(s) of Delivery" shall be any or all Metropolitan existing connections to SDCWA San Diego Pipelines one through five (inclusive) or at similar facilities that may be constructed in the future at a point near the San Luis Rey River in Northern San Diego County, or another Metropolitan connection to another Metropolitan Member Agency as designated by SDCWA pursuant to Paragraph 3.2(d)(i).

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6. **Exchange Agreement Price Term.** The Price term shall be set as a fixed dollar amount per acre-foot exchanged and delivered as stated and escalated by the identified index and shall also include the Baseline Exchange Payment. The Treatment Surcharge, as defined in the Exchange Agreement, continues to apply. Accordingly, the following relevant provisions are amended as set forth herein.

Paragraph 1.1(t) is amended as follows:

~~(t)~~(k) "Exchange Unit Price" means the applicable amount to be paid per acre-foot of Exchange Water delivered by Metropolitan ~~to SDCWA~~ at the Metropolitan Point(s) of Delivery under this Agreement pursuant to Paragraph 5.2. In Years that SDCWA Makes Available to Metropolitan 227,000 acre-feet or less for exchange, SDCWA will pay to Metropolitan the total Baseline Exchange Payment set forth in Paragraph 5.1.

Paragraph 5.2 shall be deleted in its entirety and replaced as follows:

~~5.2 — The Price. The Price on the date of Execution of this Agreement shall be Two Hundred Fifty Three Dollars (\$253.00). Thereafter, the Price shall be equal to the charge or charges set by Metropolitan's Board of Directors pursuant to applicable law and regulation and generally applicable to the conveyance of water by Metropolitan on behalf of its member agencies. For the term of this Agreement, neither SDCWA nor Metropolitan shall seek or support in any legislative, administrative or judicial forum, any change in the form, substance or interpretation of any applicable law or regulation (including the Administrative Code) in effect on the date of this Agreement and pertaining to the charge or charges set by Metropolitan's Board of Directors and generally applicable to the conveyance of water by Metropolitan on behalf of its member agencies; provided, however, that Metropolitan may at any time amend the Administrative Code in accordance with Paragraph 13.12, and the Administrative Code as thereby amended shall be included within the foregoing restriction; and, provided, further, that (a) after the conclusion of the first five (5) Years, nothing herein shall preclude SDCWA from contesting in an administrative or judicial forum whether such charge or charges have been set in accordance with applicable law and regulation; and (b) SDCWA and Metropolitan may agree in writing at any time to exempt any specified matter from the foregoing limitation.~~

5.2 The Exchange Unit Price. The price per acre-foot for deliveries of Exchange Water (the "Exchange Unit Price") shall be as follows for purposes of calculation of the Baseline Exchange Payment and for each additional acre-foot of Exchange Water deliveries above 227,000 acre-feet:

(a) Year 2026: The Exchange Unit Price in Year 2026 shall be \$671.

(b) Years 2027 through 2034: The Exchange Unit Price for Years 2027 through 2034 shall be as reflected in Table 2.

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Table 2.
Exchange Unit Price Calendar Years 2027 – 2034

Effective Date of Exchange Unit Price	Exchange Unit Price \$ per Acre-Foot
January 1, 2027	\$671
January 1, 2028	\$703
January 1, 2029	\$737
January 1, 2030	\$772
January 1, 2031	\$809
January 1, 2032	\$848
January 1, 2033	\$888
January 1, 2034	\$930

(c) The Exchange Unit Price for 2026 through 2034 reflects a bargained-for amount between the Parties and is not subject to or related to the validity of Metropolitan’s rates, charges, rate structure, or costs. The Parties mutually agreed to the fixed dollar amount in this Agreement for the Exchange Unit Price with the intent of separating the price term from Metropolitan’s rate structure, rate-setting process, and budget. The Exchange Unit Price from 2026 through 2034 and subsequent increases are not intended and shall not be interpreted to be subject to or related to Metropolitan’s rates, charges, rate structure, costs, or budgets.

(d) Years 2035 Through Remainder of Term: The Exchange Unit Price every Year as of January 1, 2035, shall be equal to the prior Year’s Exchange Unit Price increased by a percentage equal to the Consumer Price Index for All Urban Consumers (CPI-U) for water and sewerage, as published by the U.S. Bureau of Labor Statistics, measured from October of two years prior to October of the prior year. For example, as of January 1, 2035, the Exchange Unit Price shall be \$930 (from 2034), increased by the CPI-U for water and sewerage, measured from October 2033 to October 2034.

i. The applicable index, series, and item are:

Index: Consumer Price Index for All Urban Consumers (CPI-U)
Series ID: CUUR0000SEHG01
Series Title: Water and sewerage maintenance in U.S. city average, all urban consumers, not seasonally adjusted
Area: U.S. city average
Item: Water and sewerage maintenance
Base Period: 1982-84 = 100

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ii. In the event the CPI-U for water and sewerage is no longer published, the Exchange Unit Price will increase on a yearly basis based on the average annual percentage of the index over the ten years prior to the date it is no longer published.

(e) Prevailing Party in Dispute. In the event SDCWA contests ~~a matter pursuant to the foregoing sentence~~ the Baseline Exchange Payment or Exchange Unit Price, the Prevailing Party shall be entitled to recovery of all reasonable costs, including non-statutory costs directly associated with litigating the dispute, and attorneys' fees incurred in prosecuting or defending against such contest.

Paragraph 1.1(z) is deleted in its entirety to conform to the new Price term and Paragraph 5.4 is amended as follows:

~~(z) —“Treatment Surcharge” means the rate(s), charge(s) and/or other fee(s) as determined pursuant to the Administrative Code for the provision of treated water service.~~

5.4 Treatment Surcharge. ~~SDCWA shall pay to Metropolitan an amount equal to the Treatment Surcharge, in addition to the Price, for each acre-foot of Treated Exchange Water.~~ SDCWA may choose to receive treated water as part of its Exchange Water deliveries. Such deliveries of treated water shall be subject to an additional charge for Metropolitan’s treated water service, which is Metropolitan’s Treatment Surcharge (or successor rate or charge for treated water service) in effect as of the date of delivery of the Treated Exchange Water. Metropolitan’s treated water service and billing for that service will be provided to SDCWA outside of the obligations of this Agreement in the same manner as is provided to all member agencies for full-service deliveries. This Agreement does not create a contractual right for SDCWA to challenge any of Metropolitan’s rates and/or charges or the validity of this Agreement based upon the charge for treated water service.

Paragraphs 1.1(u) is stricken entirely to conform to the new Price term.

~~(u) —“Price Dispute” is defined in Paragraph 11.1.~~

Paragraph 4.1 is amended to conform to the new Price term as follows:

4.1 Exchange Water as an Independent Local Supply. The Exchange Water shall be characterized for the purposes of all of Metropolitan's ordinances, plans, programs, rules and regulations, including any then-effective Drought Management Plan, and for calculation of any Readiness-to-Serve Charge share, in the same manner as the Local Water of other Metropolitan member agencies, ~~except as provided in Paragraphs 4.2 and 5.2.~~

Paragraph 4.2 is stricken entirely to conform to the new Price term.

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~~4.2 — Exception for Interim Agricultural Water Program and Determination of Price. Notwithstanding the provisions of Paragraph 4.1, the Exchange Water delivered to SDCWA shall be characterized as Metropolitan water and not as Local Water only for the limited purposes of Paragraph 5.2 and the Interim Agricultural Water Program.~~

Paragraph 11.1 is amended to conform to the new Price term as follows:

~~11.1 Reasonable Best Efforts to Resolve by Negotiation. The Parties shall exercise reasonable best efforts to resolve all disputes, including Pprice Disputes, arising under this Agreement through negotiation; ~~provided, however, that SDCWA shall not dispute whether the Price determined pursuant to Paragraph 5.2 for the first five (5) Years of this Agreement was determined in accordance with applicable law or regulation (a "Price Dispute").~~ In the event negotiation is unsuccessful, then the Parties reserve their respective rights to all legal and equitable remedies.~~

Paragraph 12.4 (c) is amended to conform to the new Price term.

~~(c) In the event of a dispute over the Baseline Exchange Payment or Exchange Unit Price, SDCWA shall pay when due the full amount claimed by Metropolitan until final resolution of the dispute through litigation or otherwise, whether the dispute concerns the Baseline Exchange Payment and/or payment for deliveries over 227,000 acre-feet. Metropolitan may treat and use the funds from the disputed payments in the same manner as non-disputed payments.; ~~provided, however, that, during the pendency of the dispute, Metropolitan shall deposit the difference between the Price asserted by SDCWA and the Price claimed by Metropolitan in a separate interest bearing account. If SDCWA prevails in the dispute, Metropolitan shall forthwith pay the disputed amount, plus all interest earned thereon, to SDCWA. If Metropolitan prevails in the dispute, Metropolitan may then transfer the disputed amount, plus all interest earned thereon, into any other fund or account of Metropolitan.~~~~

7. **Exchange Agreement Term.** The term as to the exchange of Conserved Water shall be amended by deleting Paragraph 7.1(a) in its entirety and replaced as follows:

~~(a) — Metropolitan's and SDCWA's rights and obligations under this Agreement pertaining to Conserved Water Made Available to Metropolitan pursuant to the Transfer Agreement and this Agreement shall expire and shall thereupon terminate on December 31 of the thirty-fifth (35th) Year, unless SDCWA elects by written Notice to Metropolitan no later than the end of the fifteenth (15th) Year to extend this Agreement to December 31 of the forty-fifth (45th) Year, or shall terminate as otherwise provided in Paragraph 7.2.~~

(a) Metropolitan and SDCWA's rights and obligations under this Agreement pertaining to Conserved Water Made Available to Metropolitan pursuant to the Transfer Agreement and this Agreement shall expire on December 31, 2047. In the event that SDCWA and IID extend the term of their Transfer Agreement to

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December 31, 2077 or earlier, and the terms of the Transfer Agreement in the extension period do not change except as to duration and if applicable, price, and any reduction in the amount to be transferred each year is not greater than 50,000 acre-feet, upon SDCWA providing notice to Metropolitan within three days of SDCWA and IID's agreement to the Transfer Agreement extension described herein, the obligation under this Agreement pertaining to Conserved Water will be deemed to match the new Transfer Agreement termination date but not later than December 31, 2077, with all other terms of this Agreement remaining unchanged. Any other amendment to the term of this Agreement requires approval by each party's Board of Directors. If the amount to be transferred in each year under the extended Transfer Agreement is reduced by more than 50,000 acre-feet, the extension will require the approval of Metropolitan's Board.

8. Check-in Meetings of the Parties. The Parties agree to meet every five years during the term of the Exchange Agreement to discuss the ongoing implementation of the Exchange Agreement. This provision does not create and shall not be interpreted to create a unilateral right of either party to an amendment or modification of the Exchange Agreement in any way. Accordingly, Paragraph 7.1 (c) is added as follows:

(c) Check-in Meetings of the Parties. The Parties agree to meet every five years during the term of this Agreement to discuss the ongoing implementation of this Agreement. This provision does not create and shall not be interpreted to create a unilateral right of either party to an amendment or modification of this Agreement in any way.

9. Other Amendments. The Parties agree to additional amendments, as shown in **Attachment 1** (the 2025 Exchange Agreement) to conform the agreement to the litigation and settlement between the parties, to reflect obsolete or outdated references, and to update grammatically where necessary. The Parties further acknowledge and agree that nothing in this Settlement Agreement or in the attached 2025 Exchange Agreement is intended to arrange a wheeling transaction.

10. Water Authority's Release and Waiver of Collective Claims. In exchange for the consideration, mutual promises, and undertakings provided herein, upon filing of a Dismissal With Prejudice of the Pending Cases as set forth further in Section 12, the Water Authority for and on behalf of itself and any and all of its past, present, and future directors, officers, successors, agents, representatives, employees, and assigns, hereby forever releases, waives, and discharges Metropolitan and its directors, officers, successors, agents, representatives, employees, and assigns (collectively, the "Metropolitan Released Entities"), whether or not a Metropolitan Released Entity is a named party in any pending legal proceeding involving the Water Authority, from any and all of the following: claims, debts, demands, claims for relief, causes of action, writ proceedings, appeal proceedings, loss, costs, attorneys' fees, and liability of every type and nature whatsoever arising under federal, state, or local law or regulation, whether direct, indirect, fixed, contingent or consequential, known or unknown, suspected or unsuspected, relating to any and all Collective Claims. This waiver includes, but is not limited to, a waiver of all claims by the Water Authority that Metropolitan is required to and/or has

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failed to determine "Offsetting Benefits" in connection with any of its prior rates, and/or that Metropolitan is required to and/or has failed to apply Offsetting Benefits to the Exchange Agreement, including to the price for any water delivered under the Exchange Agreement, through the Termination Date of the Exchange Agreement. Notwithstanding the foregoing, if Metropolitan sues the Water Authority in connection with the Exchange Agreement, the Water Authority does not waive, and expressly preserves, any and all claims of judicial estoppel and other applicable claims and defenses with respect to any future claim by Metropolitan in connection with the Exchange Agreement, other than any claimed entitlement to Offsetting Benefits with respect to the Exchange Agreement.

11. Metropolitan's Release and Waiver of Collective Claims. In exchange for the consideration, mutual promises, and undertakings provided herein, upon filing of a Dismissal With Prejudice of its cross-complaints in the Pending Cases as set forth further in Section 12, Metropolitan for and on behalf of itself and any and all of its past, present and future directors, officers, successors, agents, representatives, employees, and assigns, hereby forever releases, waives, and discharges the Water Authority and its directors, officers, successors, agents, representatives, employees, and assigns (collectively, the "Water Authority Released Entities"), whether or not a Water Authority Released Entity is a named party in any pending legal proceeding involving Metropolitan, from any and all of the following: claims, debts, demands, claims for relief, causes of action, writ proceedings, appeal proceedings, loss, costs and attorneys' fees (after SDCWA pays the costs and fees as agreed in Paragraph 12), and liability of every type and nature whatsoever arising under federal, state, or local law or regulation, whether direct, indirect, fixed, contingent or consequential, known or unknown, suspected or unsuspected, relating to any and all Collective Claims. Notwithstanding the foregoing, if Water Authority sues Metropolitan in connection with the Exchange Agreement, Metropolitan does not waive, and expressly preserves, any and all claims of judicial estoppel and other applicable claims and defenses with respect to any future claim by the Water Authority in connection with the Exchange Agreement, other than the applicability of the *SDCWA I* holding that "[t]he exchange agreement cannot fairly be construed to constitute a purchase of water from Metropolitan within the meaning of the preferential rights statute," and therefore, concluding the Water Authority's "payments under the exchange agreement must be included in the preferential rights calculation."

12. Dismissal of the Pending Cases. In exchange for the consideration, mutual promises and undertakings in this Agreement, each Party hereby agrees to dismiss the Pending Cases with prejudice, including all complaints, cross-complaints, claims, and cross-claims brought therein, and the appeal of the Pending Cases. Within twenty-one (21) days of the full execution of this Agreement, the Parties shall jointly file a request to dismiss with prejudice the Pending Cases in the Court of Appeal, in the form attached hereto as **Attachment 3** (the "Dismissal"), with each side to bear its fees and costs except as otherwise provided in this Agreement. Within twenty-one (21) days after the date that the last Order of Dismissal is on file with the respective court, the Water Authority shall pay to Metropolitan all costs and fees due to Metropolitan as Prevailing Party in the Pending Cases with applicable interest.

Notwithstanding the foregoing, the Parties understand and agree that the dismissals with prejudice set forth in this Section are not intended to, and will not, preclude any Party from challenging, on any grounds, any acts or omissions that occur after the date of full execution of

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this Agreement, or defending against such challenges; provided, however, that future challenges shall not include any claim by the Water Authority that Metropolitan is required to and/or has failed to determine "Offsetting Benefits" in connection with any of its prior rates, and/or that Metropolitan is required to and/or has failed to apply "Offsetting Benefits" to the Exchange Agreement, including to the price for any water delivered under the Exchange Agreement, through the Termination Date of the Exchange Agreement. These dismissals shall not affect in any way payments previously made by Metropolitan in connection with the Pending Cases, and the Water Authority shall not be obligated to return any such payments.

13. Enforcement of Agreement. Nothing in sections 10 through 12 of this Settlement Agreement shall be construed as a waiver of, or in any way limit, contradict or prohibit any Party from enforcing this Settlement Agreement, or any terms or provisions hereof.

14. No Effect on Final Judgments in the 2010, 2012, 2014, 2016, and 2018 Cases. The Parties understand and agree that neither this Settlement Agreement nor the above dismissals with prejudice of the Pending Cases shall change the effect of, invalidate, or has any impact on, the final judgments and writs of mandate in the 2010, 2012, 2014, 2016, and 2018 Cases, *SDCWA I*, or *SDCWA II*, including the holdings and rulings: (1) in *SDCWA I*, that "[t]he exchange agreement cannot fairly be construed to constitute a purchase of water from Metropolitan within the meaning of the preferential rights statute," and therefore, concluding the Water Authority's "payments under the exchange agreement must be included in the preferential rights calculation."; (2) in the 2014, 2016, and 2018 Cases that "Metropolitan must comply with Proposition 26 in setting its rates and charges"; and (3) in the 2014, 2016, and 2018 Cases that *SDCWA* has no entitlement to Offsetting Benefits with respect to the Exchange Agreement.

15. Dissolution. To address the potential for a dissolution of either of the Parties, Paragraph 13.4 is amended as follows:

13.4 Binding Effect; Termination Upon Dissolution; No Assignment. This Agreement is and will be binding upon and will inure to the exclusive benefit of the Parties ~~and, upon dissolution, the legal successors and assigns of their assets and liabilities.~~ Any change in law, regulation, rule, or any legal or administrative action or any other event or occurrence that results in dissolution of either Party shall result in termination of this Agreement and render this Agreement void. Further, neither Party may assign any of its rights or delegate any of its duties under this Agreement. Any assignment or delegation made in violation of this Agreement is void and of no force or effect.

16. Second Amended and Restated Agreement. The Parties agree to execute the attached Second Amended and Restated Exchange Agreement (the "2025 Exchange Agreement") with an updated Effective Date consistent with the execution of this Settlement Agreement. Accordingly, Paragraph 1.1(l) is amended as follows:

~~(j)~~ **(j)** "Effective Date" means the date upon which all parties execute this Agreement ~~Effective Date as such term is defined in Section I.1 of the QSA.~~

INITIALS: DD, JWA

17. **Mutually Agreeable Press Statement.** Within 5 days of executing this Agreement, unless a later date is mutually approved by the Parties, the Parties shall issue the mutually agreeable press statement attached hereto as **Attachment 2**.

18. **Non-Admission.** It is understood and agreed that this is a compromise settlement of a disputed claim or claims, and that neither this Agreement itself nor the furnishing of consideration for this Agreement shall be deemed or construed as an admission of liability or wrongdoing of any kind by any Party or any entity or individual affiliated with any Party. Each of the Parties acknowledges that the promises made herein in consideration of the claims referred to herein do not constitute an admission or concession of liability by any Party on account of any said claims or matters, liability for which is expressly denied.

19. **Governing Law.** This Agreement shall be governed by the laws of California in all respects, without regard to the conflict of laws provisions thereof.

20. **Voluntary and Informed Agreement.** The Parties hereby represent and warrant that each of them has carefully read and fully understands all of the provisions of this Agreement, is agreeing to all of its terms, and is executing this Agreement, including the release and waiver provisions, knowingly and voluntarily, after having had the full opportunity to receive from independent legal counsel full legal advice as to their rights. In executing this Agreement, the Parties knowingly and voluntarily intend to be forever legally bound by its terms and conditions.

21. **Joint Preparation.** The Parties and respective counsel for the Water Authority and Metropolitan have cooperated in the drafting and preparation of this Agreement, and this Agreement therefore shall not be construed against either the Water Authority or Metropolitan based upon any claim of unequal sophistication or bargaining power, or based on any argument for a construction for or against the drafter.

22. **Exclusive Authority.** The Parties represent and warrant that they have the sole right and exclusive authority to execute this Agreement and receive the consideration specified in it. No party other than the Parties hereto shall have any rights or be entitled to exercise any remedies under this Agreement, such rights belonging exclusively to the Parties thereto. This Agreement required the approval of the Parties' respective Boards of Directors, and both Parties have sought and received such approval in advance of executing this Agreement.

23. **Meet and Confer.** Should any provision of this Agreement be declared or be determined by any court to be illegal or invalid, the Parties shall meet and confer as to the validity of the remaining parts, terms, or provisions, and do not waive the right to seek legal or equitable remedies, including but not limited to judicial reformation of this Agreement, if such meet and confer process is unsuccessful.

24. **Further Assurances.** Each Party shall take all actions and do all things, and execute, with acknowledgment or affidavit if required, any and all documents and writings that may be necessary and proper to carry out the terms of this Agreement and achieve its purposes and objectives.

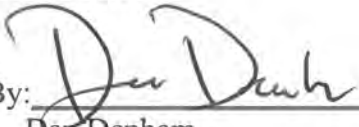
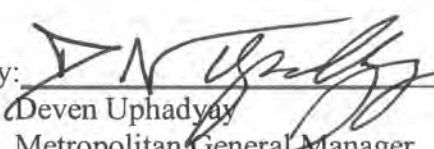
INITIALS: DD JMA

25. **Entire Agreement.** This Agreement constitutes the entire agreement between the Parties as to the matters addressed herein and supersedes all prior and contemporaneous contracts, agreements, promises, and understandings between the Parties with respect to the matters set forth herein. No representations, circumstances or conditions existing before the Agreement shall be used in any way by any Party to the Agreement to modify the Agreement.

26. **Amendments in Writing.** This Agreement may not be altered, modified, or otherwise changed in any respect except by a writing, duly executed by the Parties.

27. **Counterparts.** This Agreement may be executed in counterparts and as executed, shall constitute one agreement binding on all the parties hereto, even if all the parties are not signatories to the original or the same counterparts. Facsimile copies or PDF copies of signatures shall be accepted as valid and binding.

BY AFFIXING THEIR INITIALS ON EACH PAGE AND THEIR SIGNATURE BELOW, EACH OF THE PERSONS SIGNING THIS AGREEMENT REPRESENTS THAT THEY HAVE READ AND UNDERSTAND THIS AGREEMENT, THAT THEY ARE AUTHORIZED TO SIGN THIS AGREEMENT, AND THAT THE PARTY OR PARTIES ON BEHALF OF WHOM THEY SIGN THIS AGREEMENT AGREES TO BE BOUND BY ITS TERMS.

SAN DIEGO COUNTY WATER AUTHORITY By: <u></u> <u>6-2-25</u> Dan Denham Date SDCWA General Manager	METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA By: <u></u> <u>6/2/25</u> Deven Uphadyay Date Metropolitan General Manager
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APPROVED AS TO FORM By: <u></u> <u>6-2-2025</u> David Edwards Date SDCWA General Counsel	APPROVED AS TO FORM By: <u></u> <u>6/2/25</u> Marcia Scully Date Metropolitan General Counsel
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INITIALS: DT DK

Exhibit C - Pricing

Table 1 Price

The price for Annual Quantity Exchange Water is the Table 1 Price, which is equal to the total annual Transfer Agreement actual costs to Seller, as documented by Seller (Conserved Water Costs as defined in Exhibit A) in the prior year plus the total annual Canal Lining actual costs to Seller, as documented by Seller (Canal Lining Water Costs as defined in *Exhibit A*) in the prior Contract Year, divided by the total Conserved Water available for transfer to Seller from IID and total Canal Lining Water allocated to Seller in the same Contract Year.

Annual Quantity Price Formula	Price \$ per acre-foot
$\frac{\text{(Conserved Water Costs + Canal Lining Water Costs)}}{\text{Total Conserved Water Available for transfer to Seller from IID}} + \text{MWD Exchange Unit Price}^1$ <p style="margin-left: 20px;"><i>Canal lining water allocated to Seller in the same year</i></p>	\$/ acre-foot

From the Effective Date through December 31, 2031, the Table 1 Price will exclude the Seller's amortized historical transfer implementation costs of \$40/acre-foot. For the purposes of this Agreement, the historical transfer implementation costs (\$40/acre-foot) shall be included, not subject to inflation, from January 1, 2032 through December 31, 2045. The Table 1 Price for Year 1 will be \$1,304/acre-foot.

Remainder Quantity Price

The Remainder Quantity Price shall be the rate as adopted by MWD for the calendar year for which the Exchange Water is to be delivered.

Remainder Quantity Price – Formula

MWD Full Service Untreated Volumetric Cost² X Quantity of unallocated supply in af

Prepaid Quantity Price

May 1, 2026 – 7,500 af x \$1,304 = \$9,780,000

January 1, 2027 - 7,500 af x \$1,304 = \$9,780,000

January 1, 2028 -7,500 af x \$1,304 = \$9,780,000

January 1, 2029 -7,500 af x \$1,304 = \$9,780,000

¹ As outlined in Section 5.2 of the 2025 Exchange Agreement.

² Or the equivalent MWD rate in effect at the time of delivery.

Exhibit D – Scheduling Protocols

Schedule for Delivery Coordination in Contract Year 2026

1. By April 15 – Delivery Coordination Meeting
2. By May 1 – Western provides requested Delivery Schedule to SDCWA
3. By June 1 – SDCWA provides request to MWD of to modify delivery schedule

Schedule for Delivery Coordination in Contract Years 2027 – 2047¹

1. By September 15 – Periodic Review meeting, if necessary
2. By October 1 – Western provides requested Delivery Schedule to SDCWA
3. By November 1 – SDCWA provides notice to MWD of delivery schedule

Schedule for Notices and Quantity Periods

Approximate Dates²	Proposed Actions
March 1 – July 30 ³	Western to notice SDCWA if Additional Quantity is desired during current Contract Year and SDCWA will inform Western whether it may add Additional Quantity in accordance with Section 5(b) of the Agreement.
July 31	SDCWA to provide notice to MWD member agencies of Exchange Water to be made available commencing in the following Contract Year.
August 1- October 14	SDCWA to negotiate with interested MWD member agencies on potential Exchange Water delivery agreements.
October 15 – November 7	SDCWA to notice Western of MWD member agency offers and Western to exercise or not exercise its option to match in accordance with Section 5(c) of the Agreement.
November 8 – November 30	Western to notice SDCWA if Additional Quantity is desired and SDCWA will inform whether it may add Additional Quantity in accordance with Section 5(b) of the Agreement.
December 30 – February 28/29	SDCWA to notify MWD of any agreement with a MWD member agency to receive Exchange Water deliveries during following Contract Year per the Paragraph 3.2(d)(i) of the Exchange Agreement. SDCWA to notify MWD that it will offer available water for purchase by MWD per the Paragraph 3.2(d)(ii) of the Exchange Agreement.

¹ If the Parties extend the Agreement, this Exhibit D will coterminously extend.

² Approximate dates are for reference and informational purposes only. All dates in the Exchange Agreement are subject to change per Exchange Agreement Paragraph 3.2(d)(iii)

³ If not elected by Western to purchase additional quantity, SDCWA may, at its discretion, direct delivery of Remainder Quantity during this time period.

Exhibit D – Scheduling Protocols

	MWD to elect to exercise, or not exercise, its Second Right of Refusal per Paragraph 3.2(d)(ii)(B) of the Exchange Agreement. ⁴
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Notwithstanding the schedule noted above, the Parties may agree to different time periods for upon mutual written agreement of SDCWA's General Manager and Western's General Manager.

⁴ If not elected by Western to purchase additional quantity, SDCWA may, at its discretion, direct delivery of Remainder Quantity during this time period.



March 18, 2026

Attention: Imported Water Committee

Amend Agreement for Consulting Services with M Strategic Communications. (Action)

Staff recommendation

Amend the agreement with M Strategic Communications for continued consulting services for the Water Authority through February 29, 2028, by \$192,000 for a period of 24 additional months with total contract funding not to exceed \$2,562,000.

Alternative

Do not amend the contract with M Strategic Communications. Funding under the current contract expired on February 28, 2026.

Fiscal Impact

If staff's recommendation is approved, the contract would be amended to increase the not-to-exceed contract amount by \$192,000 to allow for 24 additional months of service at \$8,000 per month, over the biennial. If approved, the total not-to-exceed amount of the contract would be \$2,562,000, which encompasses twelve years of services dating back to May 2014. Funds are available in the adopted General Manager's Office operating budget for fiscal years 2026 and 2027.

Discussion

The San Diego County Water Authority (Water Authority) uses consultants to assist in accomplishing Board directed priorities and programs. M Strategic Communications is an important component of the Water Authority's comprehensive approach to advancing governmental affairs, education, and outreach efforts within and outside of the San Diego region. Since May 2014, M Strategic Communications (M Strategic) has provided highly specialized consulting services to support the Water Authority in educating civic leaders and key stakeholder groups in Los Angeles County on Water Authority board objectives and positions. This work has effectively enabled the Water Authority to engage with and inform key policymakers and stakeholders in the Greater Los Angeles area and has played a significant role in communicating the Water Authority's priorities and programs.

With the significant evolution in the Water Authority's relationship with the Metropolitan Water District of Southern California and its member agencies, the level of consultant support required over the upcoming contract term is expected to be lower than in previous amendments. This adjustment reflects both the stabilization of key policy issues and a reduced need for intensive engagement efforts. As a result, the previously board approved contract amount has been reduced from \$15,000 per month to \$8,000 per month, which results in \$168,000 in savings over the next two years. The recommended reduction demonstrates responsible fiscal management by ensuring

consultant expenditures remain proportionate to strategic engagement needs while preserving the Water Authority's ability to respond effectively to emerging issues in Southern California.

Over the prior contract cycle, M Strategic Communications played a central role in advancing several major Water Authority objectives in Southern California. Most recently they were an essential partner in navigating sensitive interagency matters within Metropolitan that helped lead to the successful settlement of long-standing litigation. As Metropolitan proceeds with major long-term planning efforts such as the Climate Adaptation Master Plan for Water (CAMP4W) and associated multi-billion-dollar projects, M Strategic will continue to serve as a key partner to the Water Authority's Metropolitan Program Team, and additionally supplement efforts to exchange water with MWD member agencies and pursue interstate transfers in the Lower Colorado River Basin.

Prepared by: Sofia Almeida, Management Analyst

Reviewed by: Meena Westford, Director of Imported Water

Approved by: Dan Denham, General Manager

Attachments:

Attachment 1 – Professional Services Agreement with M Strategic Communications

Attachment 2 – Contract Amendment No. 15

Attachment 3 – Draft Contract Amendment No. 16

PROFESSIONAL SERVICES CONTRACT

1. PARTIES:

The parties to this contract are the SAN DIEGO COUNTY WATER AUTHORITY, a county water authority, (the Water Authority) and M. Strategic Communications, a California S Corporation (Contractor).

2. SCOPE OF SERVICES:

The services to be provided by Contractor are described in Attachment A.

3. PAYMENT:

(a) The Water Authority shall pay for services performed in accordance with this contract according to the payment and fee schedule contained in Attachment B.

(b) Contractor will be reimbursed for actual, reasonable and necessary expenses incurred in the performance of services in accordance with the expense reimbursement schedule included in Attachment B.

(c) Maximum payment. The maximum payment under this contract for services and, if authorized, reimbursement of expenses, shall not exceed \$150,000.

(d) Invoices. All invoices for services will be submitted on a monthly basis to the Contract Manager. The Water Authority generally will process and pay bills within thirty (30) days from receipt. Each bill shall include an invoice showing the amount of services rendered during the billing period and the fee for such services. If reimbursement of expenses is authorized, Contractor shall submit monthly invoices for such expenses, including full documentation of each expense incurred. Payments are subject to a final audit upon completion of services or other termination of this contract.

(e) Audit of Records. Contractor shall maintain complete and accurate records of all payrolls, expenditures, disbursements and other cost items charged to the Water Authority for establishing the basis of an invoice, for a minimum of four (4) years from the date of final payment to Contractor. All such records shall be clearly identifiable. Contractor shall allow Water Authority representative to inspect, examine, copy and audit such records during regular business hours upon 24 hours' notice.

4. TIME FOR PERFORMANCE:

(a) Contractor will perform the services according to the schedule contained in Attachment C. If the schedule calls for the services to be performed in phases or discrete increments, Contractor shall not proceed from one phase or increment to the next without written authorization from the Contract Manager. Contractor will complete all services by December

31, 2014.

(b) Extension of time for unforeseen circumstances. In the event that the Contractor is unable to meet the completion date or schedule of services, if any, due to circumstances beyond Contractor's reasonable control, such as war, riots, strikes, lockouts, work slow down or stoppage, except strikes, lockouts, or work slow down or stoppage of Contractor's employees or subcontractors, acts of God, such as floods or earthquakes, and electrical blackouts or brownouts, Contractor shall inform the Contract Manager of the additional time required to perform the work and the Contract Manager may adjust the schedule.

5. STANDARD OF PERFORMANCE:

Contractor's services shall be performed in accordance with generally accepted professional practices and principles and in a manner consistent with the level of care and skill ordinarily exercised by members of Contractor's profession currently practicing under similar conditions. Whenever the scope of work requires or permits approval by the Water Authority, it is understood to be approval solely for the purposes of conforming to the requirements of the scope of work and not acceptance of any professional or other responsibility for the work. Such approval does not relieve the Contractor of responsibility for complying with the standard of performance or laws, regulations, industry standards, or from liability for damages caused by negligent acts, errors, omissions, noncompliance with industry standards, or the willful misconduct of Contractor or its subcontractors. By delivery of completed work, Contractor certifies that the work conforms to the requirements of this contract and all applicable federal, state and local laws. If Contractor is retained to perform services requiring a license, certification, registration or other similar requirement under California law, Contractor shall maintain that license, certification, registration or other similar requirement throughout the term of this Contract.

6. INDEPENDENT CONTRACTOR:

Contractor is an independent contractor. Neither Contractor nor any of Contractor's officers, employees, agents or subcontractors, if any, is an employee of the Water Authority by virtue of this contract or performance of any work under this contract.

7. ASSIGNMENT:

Contractor shall not assign or transfer voluntarily or involuntarily any of its rights, duties, or obligations under this contract without the express written consent of the Water Authority in each instance.

8. SUBCONTRACTORS:

Contractor will perform the work personally or through Contractor's employees. Contractor may subcontract work only upon prior approval of the Water Authority and in compliance with provisions of the Water Authority's Small Contractor Outreach and Opportunities Program, if

the Water Authority determines that the program provisions are applicable.

9. CONTRACTOR'S EMPLOYEES:

(a) Immigration Reform and Control Act of 1986. Contractor is aware of the requirements of the Immigration Reform and Control Act of 1986 and shall comply with those requirements, including, but not limited to, verifying the eligibility for employment of all of Contractor's agents, employees, subcontractors and Contractors that are included in this contract.

(b) Limitation of Water Authority Liability. The payment made to Contractor pursuant to this contract shall be the full and complete compensation to which Contractor and Contractor's officers, employees, agents and subcontractors are entitled for performance of any work under this contract. Neither Contractor nor Contractor's officers or employees are entitled to any salary or wages, or retirement, health, leave or other fringe benefits applicable to employees of the Water Authority. The Water Authority will not make any federal or state tax withholdings on behalf of Contractor. The Water Authority shall not be required to pay any workers' compensation insurance on behalf of Contractor.

(c) Indemnification for Employee Payments. Contractor agrees to defend and indemnify the Water Authority for any obligation, claim, suit or demand for tax, retirement contribution including any contribution to the Public Employees Retirement System (PERS), social security, salary or wages, overtime payment, or workers' compensation payment which the Water Authority may be required to make on behalf of Contractor or any employee of Contractor, or any employee of Contractor construed to be an employee of the Water Authority, for work done under this contract. This is a continuing obligation that survives the termination of this contract.

10. FAIR EMPLOYMENT PRACTICES:

(a) Administrative Code Provisions. Contractor acknowledges and agrees to abide by the following provision of the Water Authority Administrative Code Section 2.24.010 that states:

“(a) It is the policy of the Authority to protect and safeguard the right and opportunity of all persons to seek, obtain, and hold employment without discrimination or abridgment on account of race, color, ethnicity, national origin, ancestry, religion, creed, veteran status, physical disability, mental disability, medical condition, marital status, sex, sexual orientation, age, or other status protected from workplace discrimination by state or federal law. Authority officers, employees and Contractors shall not knowingly deny an Authority opportunity or benefit, discriminate against or harass, any Authority employee, applicant for employment, contractor, vendor, or recipient of Authority services on account of the person's race, color, ethnicity, national origin, ancestry, religion, creed, veteran status, physical disability, mental disability, medical condition, marital status, sex, sexual orientation, age, or other status protected from workplace discrimination by state or federal law. Authority officers, employees and Contractors shall not knowingly give preferential treatment to any applicant for employment, bidder, contractor, vendor, or recipient of Authority services on the basis of race, color, ethnicity,

national origin, ancestry, religion, creed, physical disability, mental disability, medical condition, marital status, sex, or sexual orientation.

“(b) This section shall be interpreted in a manner that is consistent with the California and United States Constitutions and applicable state and federal statutes governing workplace discrimination. The terms used in this section shall have the same meaning as defined in state statutes governing the same subject matter.

“(c) Nothing in this section shall be interpreted as prohibiting bona fide occupational qualifications consistent with applicable state and federal law and reasonably necessary to the normal operation of Authority employment or contracting. Nothing in this section shall be interpreted as prohibiting regulations and policies to prevent nepotism or conflicts of interest.

“(d) Nothing in this section shall be interpreted as prohibiting action taken to establish or maintain eligibility for any federal program, where ineligibility would result in a loss of federal funds to the Authority.”

(b) Civil Rights Act. Contractor agrees to comply with Title VII of the Civil Rights Act of 1964, as amended, the California Fair Employment Practices Act, the Americans with Disabilities Act of 1990, any other applicable federal and state laws and regulations hereinafter enacted, and the Water Authority’s Small Contractor Outreach and Opportunities Program.

(c) Water Authority Discrimination/Harassment Policy. Contractor and its officers, employees, agents and subcontractors shall comply with the Water Authority’s Discrimination/Harassment Prohibition Policy in performance of this contract.

(d) Indemnification. To the fullest extent permitted by law and without limitation by the provisions of Section 19 relating to insurance, the Contractor shall also indemnify, defend and hold harmless the Water Authority, and its directors, officers, employees and agents from and against all liability (including without limitation all claims, damages, penalties, fines, and judgments, associated investigation and administrative expenses, and defense costs, including but not limited to reasonable attorneys’ fees, court costs, and costs of alternative dispute resolution) resulting from any claim of discrimination or harassment, including but not limited to sexual harassment, arising from the conduct of the Contractor or any of the Contractor’s officers, employees, agents, licensees, or subcontractors. In the event of a discrimination or harassment complaint against any employee, agent, licensee or subcontractor of the Contractor or its subcontractors, the Contractor shall take immediate and appropriate action in response to such complaint, including, but not limited to termination or appropriate discipline of any responsible employee, agent, licensee or subcontractor. The provisions of this Section survive completion of the services or termination of the Contract.

11. WORKPLACE CONDUCT AND BEHAVIOR:

Contractor and Contractor’s officers, employees, agents and subcontractors shall comply with

the Water Authority's Substance-free Work Place Policy, Information and Communications Systems Policy, and other rules and regulations governing work place safety, conduct, and behavior, for any portion of the work performed on the premises of the Water Authority or using Water Authority facilities or equipment.

12. OWNERSHIP OF WORK PRODUCT:

Upon delivery, the work product, including without limitation, all original reports, writings, recordings, and files, developed under this contract are the property of the Water Authority. Contractor agrees that all copyrights which arise from creation of the work pursuant to this contract shall be vested in the Water Authority and waives and relinquishes all claims to copyright or other intellectual property rights in favor of the Water Authority. Water Authority acknowledges that its use of the work product is limited to the purposes contemplated by the scope of work and that the Contractor makes no representation of the suitability of the work product for use in or application to circumstances not contemplated by the scope of work.

13. FORMAT OF DOCUMENTS:

Documents submitted to the Water Authority in electronic format shall be formatted according to specifications provided by the Water Authority, or if not otherwise specified, in Microsoft Word, Excel, PowerPoint or other Microsoft Office Professional 2010 format as appropriate for the particular work product or, if directed by the Contract Manager in Adobe Acrobat pdf format.

14. CHANGES IN WORK:

No payment for changed or additional work shall be made unless the changed or additional work has first been approved in writing by the Contract Manager and the parties have agreed upon the appropriate adjustment, if any, to the payment schedule and maximum payment amount for the changed or additional work. The Contract Manager may order changes or additions to the scope of work. Whether a change or addition to the scope of work is proposed by the Contractor or ordered by the Contract Manager, the parties shall in good faith negotiate an appropriate adjustment, if any, to the payment schedule and maximum payment for the changed or additional work. An approved change or addition, along with the payment adjustment, if any, will be effective upon an amendment to this contract executed by both parties. The amendment shall not render ineffective or invalidate unaffected portions of this contract. All changes in work that increase the amount of payment shall be subject to Section 4.04.040 of the Water Authority Administrative Code.

15. CONFIDENTIALITY:

(a) Confidential Nature of Information. Contractor shall treat all information obtained from the Water Authority in the performance of this contract as confidential and proprietary to the Water Authority. Contractor shall treat all records and work product prepared or maintained by Contractor in the performance of this contract as confidential.

(b) Limitation on use and disclosure. Contractor agrees that it will not use any information obtained as a consequence of the performance of work for any purpose other than fulfillment of Contractor's scope of work. Contractor will not disclose any information prepared for the Water Authority, or obtained from the Water Authority or obtained as a consequence of the performance of work to any person other than the Water Authority, or its own employees, agents or subcontractors who have a need for the information for the performance of work under this contract unless such disclosure is specifically authorized in writing by the Water Authority.

(c) Security plan. If requested by the Contract Manager, Contractor shall prepare a security plan to assure that information obtained from the Water Authority or as a consequence of the performance of work is not used for any unauthorized purpose or disclosed to unauthorized persons. Contractor shall advise the Water Authority of any request for disclosure of information or of any actual or potential disclosure of information.

(d) Survival. Contractor's obligations under this paragraph shall survive the termination of this contract.

16. PROHIBITED INTEREST:

No official or employee of the Water Authority who is authorized in such capacity on behalf of the Water Authority to negotiate, make, accept, or approve, or take part in negotiating, making, accepting, or approving this contract, shall become directly or indirectly interested in this contract or in any part thereof. No officer or employee of the Water Authority who is authorized in such capacity and on behalf of the Water Authority to exercise any executive, supervisory, or similar functions in connection with the performance of this contract shall become directly or indirectly interested personally in this contract or any part thereof.

17. CONFLICT OF INTEREST:

(a) Local Conflict of Interest Code Compliance. The Water Authority has determined, based on the scope of the services to be provided by Contractor under this contract, that this contract does not confer on Contractor or any of Contractor's employees the status of a "designated employee" or "Consultant" of the Water Authority for the purposes of the Water Authority's Local Conflict of Interest Code and the California Political Reform Act. This contract does not require or permit Contractor to make a governmental decision as specified in 2 Cal. Code of Regs. § 18701, subdiv. (a)(2)(A), or serve in a staff capacity as specified in 2 Cal. Code of Regs. § 18701, subdiv. (a)(2)(B).

(b) Disqualification. Contractor shall not make or participate in making or in any way attempt to use Contractor's position to influence a governmental decision in which Contractor knows or has reason to know Contractor has a direct or indirect financial interest other than the compensation promised by this contract. Contractor will not have such interest during the term of this contract. Contractor will immediately advise the General Counsel of the Water Authority if Contractor learns of a financial interest of Contractor's during the term of this contract. If Contractor's participation in another Water Authority project would create an actual or potential

conflict of interest, in the opinion of the Water Authority, the Water Authority may disqualify Contractor from participation in such other project during the term of this Contract.

18. INDEMNIFICATION:

(a) To the fullest extent permitted by law, the Contractor shall (1) immediately defend, and (2) indemnify the Water Authority, and its directors, officers, and employees from and against all liabilities regardless of nature or type arising out of or resulting from Contractor's performance of services under this contract, or any negligent or wrongful act or omission of the Contractor or Contractor's officers, employees, agents, or subcontractors. Liabilities subject to the duties to defend and indemnify include, without limitation all claims, losses, damages, penalties, fines, and judgments; associated investigation and administrative expenses; defense costs, including but not limited to reasonable attorneys' fees; court costs; and costs of alternative dispute resolution. The Contractor's obligation to indemnify applies unless it is adjudicated that its liability was caused by the sole active negligence or sole willful misconduct of an indemnified party. If it is finally adjudicated that liability is caused by the comparative active negligence or willful misconduct of an indemnified party, the Contractor's indemnification obligation shall be reduced in proportion to the established comparative liability of the indemnified party.

(b) The duty to defend is a separate and distinct obligation from the Contractor's duty to indemnify. The Contractor shall be obligated to defend, in all legal, equitable, administrative, or special proceedings, with counsel approved by the Water Authority, the Water Authority and its directors, officers, and employees, immediately upon tender to the Contractor of the claim in any form or at any stage of an action or proceeding, whether or not liability is established. An allegation or determination of comparative active negligence or willful misconduct by an indemnified party does not relieve the Contractor from its separate and distinct obligation to defend Water Authority. The obligation to defend extends through final judgment, including exhaustion of any appeals. The defense obligation includes an obligation to provide independent defense counsel if the Contractor asserts that liability is caused in whole or in part by the negligence or willful misconduct of the indemnified party. If it is finally adjudicated that liability was caused by the sole active negligence or sole willful misconduct of an indemnified party, Contractor may submit a claim to the Water Authority for reimbursement of reasonable attorneys' fees and defense costs.

(c) The review, acceptance or approval of the Contractor's work or work product by any indemnified party shall not affect, relieve or reduce the Contractor's indemnification or defense obligations. This Section survives completion of the services or the termination of this contract. The provisions of this Section are not limited by and do not affect the provisions of this contract relating to insurance.

19. INSURANCE:

(a) Requirement. Contractor shall procure and maintain during the period of performance of this contract insurance from insurance companies authorized to do business in the State of California, as set forth in this section. These policies shall be primary insurance as to the Water

Authority so that any other coverage held by the Water Authority shall not contribute to any loss under Contractor's insurance.

General liability: (with coverage at least as broad as ISO form CG 00 01 10 01) coverage in an amount not less than \$500,000 per occurrence for general liability, bodily injury, personal injury, and property damage.

Automobile liability: (with coverage at least as broad as ISO form CA 00 01 10 01, for "any auto") coverage in an amount not less than \$500,000 per accident for personal injury, including death, and property damage.

Workers' compensation and employer's liability: coverage shall comply with the laws of the State of California. Provide a waiver of subrogation.

A deductible or retention may be utilized, subject to approval by the Water Authority. All policies that include a self-insured retention shall include a provision that payments of defense costs and damages (for bodily injury, property damage, personal injury or any other coverages included in the policy) by any party including additional insureds or insurers, shall satisfy the self-insured retention limits.

(b) Endorsements. The insurance policies shall be endorsed as follows:

For the commercial general liability insurance, the Water Authority (including its directors, officers, employees, and agents) shall be named as additional insured, and the policy shall be endorsed with a form equivalent to ISO form CG 20 10 10 93, that contain the provisions required by this contract.

Contractor's insurance is primary to any other insurance available to the Water Authority with respect to any claim arising out of this Agreement. Any insurance maintained by the Water Authority shall be excess of the Contractor's insurance and shall not contribute with it. The Contractor's endorsement of insurance shall include a waiver of any rights of subrogation against the Water Authority, and its directors, officers, employees and agents.

Contractor's insurance will not be canceled, limited, amended, reduced in coverage amount, or allowed to expire without renewal until after thirty (30) days' written notice has been given to the Water Authority, or after ten (10) days' written notice in the case of cancellation for non-payment of premium.

(c) Qualifications of Insurer. The insurance shall be provided by an acceptable insurance provider, as determined by the Water Authority, which satisfies the following minimum requirements: An insurance carrier admitted to do business in California and maintaining an agent for process within the state. Such insurance carrier shall maintain a current A.M. Best rating classification of "A-" or better and a financial size of "\$10 million to \$24 million (Class V) or better", or A Lloyds of London program provided by syndicates of Lloyds of London and other London insurance carriers, providing all participants are qualified to do business in

California and the policy provides for an agent for process in the state. Workers' Compensation and Employer's Liability shall be provided by an A-V rated carrier or by the California State Compensation Fund. If provided by a carrier other than California State Compensation Fund, Contractor shall provide proof of the carrier's A-V rating to Water Authority.

(d) Provision of Insurance Prior to Commencement of Services. Before commencing any services, Contractor shall furnish certificates of insurance and endorsements affecting coverage on forms provided by Water Authority, or on equivalent ISO forms that contain provisions required by this contract.

20. ACCIDENT REPORTS:

Contractor shall immediately report (as soon as feasible, but not more than 24 hours) to the Water Authority any accident or other occurrence causing injury to persons or property during the performance of this Contract. If required by the Water Authority's Risk Manager, the report shall be made in writing and shall include, at a minimum: (a) the names, addresses, and telephone numbers of the persons involved, (b) the names, addresses and telephone numbers of any known witnesses, (c) the date, time and description of the accident or other occurrence.

21. COVENANT AGAINST CONTINGENT FEES:

Contractor agrees that its firm has not employed or retained any company or person, other than a bona fide employee working for Contractor, to solicit or secure this contract, and that Contractor has not paid or agreed to pay any company or person, other than a bona fide employee, any fee, commission, percentage, brokerage fee, gift, or any other consideration contingent upon, or resulting from, the award or making of this contract. For breach or violation of this provision, the Water Authority shall have the right to terminate this contract without liability, or, in its discretion, to deduct from the contract price or consideration, or otherwise recover, the full amount of such fee, commission, percentage, brokerage fees, gift, or contingent fee.

22. TERMINATION OR ABANDONMENT:

(a) Water Authority's Rights. The Water Authority has the right to terminate or abandon any portion or all of the work by giving ten (10) days' written notice. Upon receipt of a notice of termination, Contractor shall perform no further work except as specified in the notice. Before the date of termination, Contractor shall deliver to Water Authority all work product, whether completed or not, as of the date of termination and not otherwise previously delivered. The Water Authority shall pay Contractor for services performed in accordance with this contract before the date of termination. If this contract provides for payment of a lump sum for all services or by task and termination occurs before completion of the work or any defined task which according to the performance schedule was commenced before the notice of termination, the fee for services performed shall be based on an amount mutually agreed to by the Water Authority and Contractor for the portion of work completed in conformance with this contract before the date of termination. In addition, the Water Authority will reimburse Contractor for authorized expenses incurred and not previously reimbursed. The Water Authority shall not be

liable for any fees or costs associated for the termination or abandonment except for the fees, and reimbursement of authorized expenses, payable pursuant to this section.

(b) **Contractor's Rights.** Contractor, if Contractor is not in default or breach, may terminate Contractor's obligation to provide further services under this contract upon thirty (30) days' written notice only in the event of a material default by the Water Authority, which default has not been cured within thirty (30) days following the written notice.

23. SUCCESSORS OR ASSIGNS:

All terms, conditions, and provisions of this contract shall apply to and bind the respective heirs, executors, administrators, successors, and assigns of the parties. Nothing in this paragraph is intended to affect the limitation on assignment.

24. DAMAGE OR LOSS OF EQUIPMENT OR FACILITIES:

General Obligation. Contractor shall pay to the Water Authority the replacement cost of any equipment or repair cost of any facilities provided by the Water Authority for Contractor's use in performance of services that is lost or damaged by Contractor or Contractor's officers, employees, agents or subcontractors.

25. ELECTRONIC COMMUNICATIONS:

During the course of this contract, communications may occur through sending, receiving or exchanging electronic versions of documents and e-mails using commercially available computer software and Internet access. Contractor and the Water Authority acknowledge that the Internet is occasionally victimized by the creation and dissemination of so-called viruses, or similar destructive electronic programs. Contractor and the Water Authority view the issues raised by these viruses seriously and have invested in document and e-mail scanning software that identify and reject files containing known viruses. Contractor agrees to update its system with the software vendor's most current releases at regular intervals. Because of the virus scanning software, the respective computer systems of the parties may occasionally reject a communication. The parties acknowledge that this occurrence is to be expected as part of the ordinary course of business. Because the virus protection industry is generally one or two steps behind new viruses, neither party can guarantee that its respective communications and documents will be virus free. Occasionally, a virus will escape and go undetected as it is passed from system to system. Although each party will use all reasonable efforts to assure that its communications are virus free, neither party warrants that its documents will be virus free. Each party agrees to advise the other if it discovers a virus in its respective system that may have been communicated to the other party.

26. LAWS AND VENUE:

This contract and disputes arising out of or relating to the contract or the parties' relationship are

governed by the laws of the State of California. Any action or proceeding arising out of or relating to the contract or the parties' relationship shall be brought in a state or federal court situated in the County of San Diego, State of California.

27. ADMINISTRATION:

(a) Contractor's principal place of business and agent for service of process. Contractor's principal place of business is 550 South Hope St., Suite 1910, Los Angeles, CA 90071. Contractor's agent for service of process is Andrew Chapkis, 16633 Ventura Boulevard, Suite 905, Encino, CA 91436.

(b) Water Authority's Representative. The Water Authority's representative for administration of this contract is Maureen A. Stapleton, general manager, who is the designated Contract Manager. The Water Authority may change the Contract Manager at any time upon notice to the Contractor.

(c) Contractor's Representative. The Contractor's representative for administration of this contract is Chris Modrzejewski, who is designated as the Project Manager. The Contractor may change the Project Manager upon written notice to and approval by the Contract Manager.

(d) Notices. Any notice or instrument required to be given or delivered by law or this contract shall be effective upon receipt thereof and shall be by personal service or delivered by depositing the same in any United States Post Office, registered or certified, postage prepaid, addressed to:

San Diego County Water Authority
4677 Overland Avenue
San Diego, CA 92123-1233

Attn: Maureen A. Stapleton

Contractor:
M Strategic Communications
550 South Hope St., Suite 1910
Los Angeles, CA 90071

Attn: Chris Modrzejewski

Either party may change the address or identity of the person for notices under this paragraph by written notice to the other delivered in accordance with this paragraph.

(e) Routine Administrative Communications. Routine administrative communication required to be in writing may be by personal delivery, mail, facsimile transmission or electronic mail as agreed between the Contractor and Contract Manager.

28. INTEGRATION AND MODIFICATION:

This contract represents the entire understanding of the Water Authority and Contractor as to those matters contained herein. No prior oral or written understanding shall be of any force or effect with respect to those matters covered hereunder. This contract may not be modified, amended, or altered except in writing signed by the Water Authority and Contractor.

29. ADVICE OF COUNSEL:

The parties agree that they are aware that they have the right to be advised by counsel with respect to the negotiations, terms, and conditions of this contract, and that the decision of whether or not to seek the advice of counsel with respect to this contract is a decision which is the sole responsibility of each of the parties hereto. This contract shall not be construed in favor or against either party by reason of the extent to which each party participated in the drafting of the contract.

30. INDEPENDENT REVIEW:

Each party hereto declares and represents that in entering this contract it has relied and is relying solely upon its own judgment, belief and knowledge of the nature, extent, effect and consequence relating thereto. Each party further declares and represents that this contract is being made without reliance upon any statement or representation not contained herein of any other party, or any representative, agent, or attorney of any other party.

31. TIME:

Time is of the essence in this contract. Any reference to days means calendar days unless otherwise specifically stated.

32. ASSIGNMENT OF ANTI-TRUST CLAIMS:

The Contractor offers and agrees to assign to the Water Authority all rights, title and interest in and to all causes of action it may have under Section 4 of the Clayton Act (15 U.S.C. Sec. 15) or under the Cartwright Act [Chapter 2 (commencing with § 16700) of Part 2 of Division 7 of the Business and Professions Code], arising from purchases of goods, services, or materials pursuant to the contract. This assignment shall become effective at the time the Water Authority tenders final payment to Contractor, without further acknowledgment by the parties. The Contractor shall have the rights set forth in Sections 4553 and 4554 of the Government Code.

33. TAXES:

The Contractor shall pay all applicable federal, state, and local excise, sales, consumer use, and other similar taxes required by law for the execution of the work.


34. SIGNATURES:

The individuals executing this contract represent and warrant that they have the legal capacity and authority to do so on behalf of their respective legal entities.

IN WITNESS WHEREOF, the parties have executed this contract on the following date.

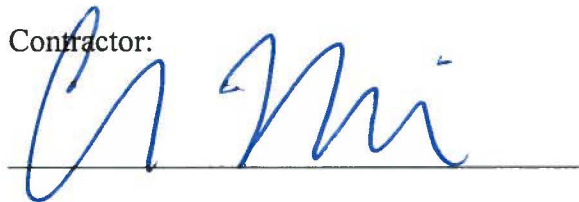
DATED: 06/14, 2014

San Diego County Water Authority



By: Maureen A. Stapleton

Contractor:



By: Chris Modrzejewski

Approved as to form:
DANIEL S. HENTSCHKE
General Counsel
San Diego County Water Authority

By: Corann Jallen

ATTACHMENT A

SCOPE OF WORK

Contractor shall develop and implement a public education program in the City and County of Los Angeles.

1. Work with the Water Authority to identify the relevant information that should be made available to educate Los Angeles elected officials and the public about Metropolitan Water District's water rates, fiscal policies, and practices. This will include a broad dissemination of information to elected officials and the public.
2. Implement a strategic plan for the effective dissemination of this information.
3. Water Authority contract manager will approve all information and plans before dissemination.

ATTACHMENT B

PAYMENT and FEE SCHEDULE

For the scope of work outlined in Attachment A, Consultant will be paid a flat monthly retainer fee of \$15,000, representing a level of effort of between 40 and 50 hours per month, and inclusive of expenses, except for authorized travel outside of Los Angeles County. Authorized travel outside of Los Angeles County will be reimbursed according to the Water Authority's standard travel policies.

ATTACHMENT B

REIMBURSEMENTS

1. The administrative, overhead, payroll and similar charges, secretarial time or secretarial overtime, word processing, photocopying, in-house printing, insurance, long distance telephone, cellular phone, facsimile transmission, postage charges, Federal Express and similar delivery services and other ordinary business expenses are included within the scope of payment for services and are not reimbursable expenses.
2. Travel costs, including transportation and meals, will be reimbursed at actual cost subject to the Water Authority's policy for reimbursement of travel and meal expenses for Water Authority employees. Any travel with an estimated expense of \$1,000 or more requires advance approval of the Contract Manager. Travel expenses incurred for services within the county of the home office of the Contractor or the Contractor's employee or subcontractors incurring the travel expense are not reimbursable. Meals are not billable to the Water Authority, except for meals necessarily incurred in connection with approved travel. The Water Authority does not reimburse for the cost of alcoholic beverages.

ATTACHMENT C

PERFORMANCE SCHEDULE

The term of this agreement is May 1, 2014 through December 31, 2014.

Contract Amendment No. 15

The contract between M Strategic Communications LLC, a California S Corporation (Contractor), and the San Diego County Water Authority, a county water authority (Water Authority), for development and implementation of a public education program in the City and County of Los Angeles, which was executed by the parties on June 14, 2014, and amended on December 3, 2014, February 17, 2015, January 14, 2016, January 4, 2017, June 27, 2018, August 22, 2018, October 18, 2018, December 21, 2018, July 1, 2019, August 2, 2019, June 23, 2021, August 5, 2021, July 1, 2022, and July 3, 2023, is amended as follows:

1. The term of the contract is extended for 24 months, and the termination date is changed from February 29, 2024, to February 28, 2026, for continued services as provided in Attachment A. Section 4(a) and Attachment C are amended to reflect this change.
2. The total maximum amount payable is increased by \$370,000 from \$2,000,000 (former maximum) to \$2,370,000 (new maximum) for continued services. Section 3(c) is amended to reflect this change.
3. All other terms, covenants, and conditions in the original contract as amended shall remain in full force and effect and shall be applicable to this amendment.

The individuals executing this amendment to the contract represent and warrant that they have the legal capacity and authority to do so on behalf of their respective legal entities.

IN WITNESS WHEREOF, the parties have executed this Contract Amendment No. 15 on the following date.

DATED: January 12, 2024

San Diego County Water Authority

M Strategic Communications LLC

By Amy Chen
Amy Chen
MWD Program Director

By Chris Modrzejewski
Chris Modrzejewski
Principal

Approved as to form:

By Michael J. McDonnell
Michael J. McDonnell
Assistant General Counsel

Contract Amendment No. 16

The contract between M Strategic Communications LLC, a California S Corporation (Contractor), and the San Diego County Water Authority, a county water authority (Water Authority), for development and implementation of a public education program in the City and County of Los Angeles, which was executed by the parties on June 14, 2014, and amended on December 3, 2014, February 17, 2015, January 14, 2016, January 4, 2017, June 27, 2018, August 22, 2018, October 18, 2018, December 21, 2018, July 1, 2019, August 2, 2019, June 23, 2021, August 5, 2021, July 1, 2022, July 3, 2023, and January 12, 2024, is amended as follows:

1. The term of the contract is extended for 24 months, and the termination date is changed from February 28, 2026, to February 29, 2028, for continued services as provided in Attachment A. Section 4(a) and Attachment C are amended to reflect this change.
2. The total maximum amount payable is increased by \$192,000 from \$2,370,000 (former maximum) to \$2,562,000 (new maximum) for continued services. Section 3(c) is amended to reflect this change.
3. Attachment B, Payment and Fee Schedule, is amended to decrease the flat monthly retainer fee from \$15,000 to \$8,000, representing an unchanged level of effort of between 40 and 50 hours per month. This monthly fee decrease is effective as of March 2026.
4. All other terms, covenants, and conditions in the original contract as amended shall remain in full force and effect and shall be applicable to this amendment.

The individuals executing this amendment to the contract represent and warrant that they have the legal capacity and authority to do so on behalf of their respective legal entities.

IN WITNESS WHEREOF, the parties have executed this Contract Amendment No. 16 on the following date.

DATED: _____

San Diego County Water Authority

M Strategic Communications LLC

By _____
Dan Denham
General Manager

By _____
Chris Modrzejewski
Principal

Approved as to form:

By _____
Michael J. McDonnell
Assistant General Counsel



March 18, 2026

Attention: Imported Water Committee

Metropolitan Water District Delegates' Report. (Information)¹

Purpose

This report summarizes key activities at the Metropolitan Water District of Southern California (Metropolitan) committee and board meetings on March 9 and 10, 2026. Metropolitan will meet next on March 24 and April 13 and 14.

Discussion

Metropolitan key issues of interest to the Water Authority include:²

- Held budget and rate workshop #3 on the proposed fiscal years (FY) 2027 and 2028 biennial budget, rates and charges; 10-year rate forecast; and cost of service report.
- Held a public hearing for its proposed calendar years 2027 and 2028 water rates and charges.
- Received a presentation on Metropolitan's Integrated Strategy for Infrastructure Reliability (ISIR) progress.
- Received a quarterly update on Metropolitan's Climate Adaptation Master Plan for Water (CAMP4W).
- Received a second quarter financial report for FY 2026.

Financial Management

Quarterly Financial Report

During the Finance, Affordability, Asset Management, and Efficiency (FAAME) Committee meeting, staff presented second quarter FY 2026 results. Water transactions for FY 2026 were projected to be about 1.22 million acre-feet (AF), second lowest only to 2024 at 1.17 million AF and about 123,000 AF below budget. Sales revenues were about \$132 million below budget. However, property tax revenue was above budget by about \$62 million, and expenditures were about \$227 million below budget. Metropolitan projects collecting \$47.5 million in revenue from selling State Water Project supplies outside the sales area that would be added to reserves. Ultimately, Metropolitan projected adding \$98 million to unrestricted reserves, raising them to \$675 million, or \$388 million above the minimum level and only \$75 million below the maximum.

Director Miller noted that Metropolitan's sales seemed to be stabilizing, which could help provide more confidence in sales projections. The board chair said sales may still decline

¹ This document provides a summary of certain discussions as summarized and understood by the Water Authority and is not intended to be any form of official transcript.

² The Water Authority's Metropolitan Delegates (Delegates) supported all 10 action items the Metropolitan board took at its March 10, 2026, meeting.

because Metropolitan could lose some supply from the Colorado River as part of ongoing negotiations for post-2026 operating guidelines and worsening hydrology. He urged Metropolitan to continue developing alternative sources of revenue to cover lower sales within the service area.

Proposed Biennial Budget and Rates: Workshop #3

Metropolitan held its third budget and rate workshop for its proposed FYs 2027 and 2028 biennial budget and rates during the FAAME Committee meeting, focused mainly on staffing, Pay-As-You-Go funding, and reserves. Staff also sought suggested budget alternatives from board members to evaluate and present during their March 24 budget workshop. Several board members suggested alternatives including increasing the ad valorem property tax rate, only funding Pure Water Southern California with existing grant funds, reducing the staff request, and reducing conservation funding. Miller suggested that Metropolitan prepare a minimum budget to which the board could then add. He also suggested keeping the ad valorem property tax at the current rate of 0.007% and potentially increasing it in the future if Metropolitan needs to contribute to California Aqueduct subsidence repair, as is expected. The board chair requested Metropolitan evaluate not funding Delta Conveyance Project planning in 2027 and that Metropolitan sell two of the four islands it owns in the Sacramento-San Joaquin Bay-Delta.

Regarding staff increases, Metropolitan reported that the growth in overtime over the past two years was the equivalent of 28 full-time employees. It also reported that temporary employees had increased about 11% per year since 2016. Director Fong-Sakai asked if hiring more staff would reduce the amount of overtime. Staff said overtime would not decrease in the next two years, but staff would monitor it over time. Two other board members urged Metropolitan to reduce overtime as a justification for new positions, with one remarking that Metropolitan cannot only keep adding, it also needs to consider expenditures. Fong-Sakai asked about the long-term financial comparison of having temporary versus full-time employees. Staff said the cost was the same but turnover and time to retrain was higher with temporary employees because they may stay on the payroll for only 18 months. Director Katz noted that using temporary employees for long-term projects is inefficient and more expensive. He urged Metropolitan's general manager to look at the Capital Investment Plan and its staffing needs and return with realistic staff numbers to determine how much Metropolitan can save. The general manager said he could refine the staff request, but it would not be without risk due to lower administrative support.

Long-Term Planning

Integrated Strategy for Infrastructure Reliability

During the Engineering, Operations, and Technology Committee meeting, staff provided a presentation on its ISIR progress. ISIR is meant to increase infrastructure reliability and reduce system vulnerabilities, improve efficiency, and streamline efforts through collaboration with member agencies and coordination of studies. The process evolved out of Metropolitan's CAMP4W process to update Metropolitan's business model. Studies underway include an operational system investigation that integrates needs from operations, supply management, water resources, engineering, and member agency input and a storage study to assess spatial

distribution of emergency storage. Staff reported the finalized reports will be evaluated in the CAMP4W process.

Board members expressed confusion about how ISIR would inform CAMP4W. One board member suggested the board needs to evaluate concepts before spending time on feasibility studies. Staff said the board needs certain basic information before evaluating potential projects in CAMP4W. Another board member asked if the storage study would help determine how Metropolitan could manage potential unmanaged supplies as are projected may happen in a changing climate. Staff said a different Metropolitan group would identify potential projects to capture unmanaged supplies. The board chair expressed concern over how the ISIR work would inform the board's budget decisions. He noted that Metropolitan developed CAMP4W to inform project and budget decisions based on risk identified in scenario planning, but the board still does not have information on how projects and member agency local supply capacity work together to mitigate risk. Fong-Sakai agreed that the board has many decisions and not enough data about potential costs and the location of gaps. Staff said it would not have all studies done before the board adopts the next budget. The general manager said CAMP4W has informed inclusion of projects in the budget to take them to the next step.

Climate Adaptation Master Plan for Water Quarterly Update

During the One Water and Adaptation Committee meeting, staff provided an update on Metropolitan's CAMP4W process. Staff said that CAMP4W cannot and should not define a set of projects and programs for implementation but does support incremental decision-making, adding that the process is iterative and adaptive, and staff would continue to assess risk. One director asked how staff would present potential project portfolios to the board to help it with decision-making. Staff said it was trying to figure out how best to assess projects together and would bring information to the CAMP4W task force in the next few months. Miller noted Metropolitan was spending millions of dollars to keep projects alive before getting to an implementation decision. He urged staff to provide the board updates even if the analyses are incomplete because conditions change regularly, and information from six months ago may be stale. Staff said it takes a lot of time to do the analyses, and it may be more efficient to use what it created previously and refine its approach.

Other Items of Interest

- Approved the creation of an Ethics Committee with Katz as a member.³
- Went into closed session on two Equal Employment Opportunity litigation cases and approved a total increase of \$900,000 for contracts to a combined amount of \$1.7 million.
- Authorized a contract increase of \$250,000 to a new total amount of \$500,000 for legal advice on Colorado River matters.
- Held a public hearing and received a presentation from one of Metropolitan's unions on job vacancies and recruitment/retention efforts as required by state law.

³ The board appointed Director Seckel (Municipal Water District of Orange County) as committee chair; Director Cordero (Long Beach) as vice chair; and Directors Douglas (Los Angeles), Lewitt (Las Virgenes), McCoy (Compton), Paule (Eastern), Ramos (Burbank), and Shepherd Romey (San Marino) as members.

Imported Water Committee

March 18, 2026

Page 4 of 4

Attachments 1 includes a copy of the March 2026 committee and board meetings' agendas and board summary.

Prepared by: Emily Novak, Water Resources Specialist

Reviewed by: Engineering, Operations, and Technology Committee by Lois Fong-Sakai and Marty Miller

Legislation and Communications Committee by Mel Katz

Organization, Personnel, and Effectiveness Committee by Mel Katz

Audit Committee by Lois Fong-Sakai

One Water and Adaptation Committee by Dan Denham, Mel Katz and Marty Miller

Finance, Affordability, Asset Management, and Efficiency Committee by Lois Fong-Sakai and Marty Miller

Legal and Claims Committee by Mel Katz and Marty Miller

Attachments:

Attachment 1 – Metropolitan's committee and board meetings agendas and summary dated March 9 and 10, 2026

The Metropolitan Water District of Southern California

Agenda

The mission of the Metropolitan Water District of Southern California is to provide its service area with adequate and reliable supplies of high-quality water to meet present and future needs in an environmentally and economically responsible way.

EOT Committee

D. Erdman, Chair
S. Faessel, Vice Chair
D. Alvarez
G. Bryant
J. Crawford
B. Dennstedt
L. Fong-Sakai
R. Jay
J. Lewitt
J. McMillan
C. Miller
M. Petersen
K. Seckel

Engineering, Operations, and Technology Committee - Final - Revised 1

Meeting with Board of Directors *

March 9, 2026

9:00 a.m.

Monday, March 9, 2026 Meeting Schedule

09:00 a.m. EOT
11:00 a.m. LEG
12:30 p.m. BREAK
01:00 p.m. OPE
02:00 p.m. AUDIT
03:30 p.m. OWA

Written public comments received by 3:00 p.m. the business day before the meeting is scheduled will be posted under the Submitted Items and Responses tab available here: <https://mwdh2o.legistar.com/Legislation.aspx>.

The listen-only phone line is available at 1-877-853-5257; enter meeting ID: 862 4397 5848.

Members of the public may present their comments to the Board on matters within their jurisdiction as listed on the agenda via teleconference and in-person. To provide public comment by teleconference dial 1-833-548-0276 and enter meeting ID: 815 2066 4276 or to join by computer [click here](#).

Disclaimer: Written and oral public comments are received in compliance with the Ralph M. Brown Act. Please note that Metropolitan does not endorse or ensure the accuracy or reliability of the information provided as public comment or by third parties.

MWD Headquarters Building • 700 N. Alameda Street • Los Angeles, CA 90012

Teleconference Locations:

3008 W. 82nd Place • Inglewood, CA 90305

11973 Fuerte Drive • El Cajon, CA 92020

806 North Camden Drive • Beverly Hills, CA 90210

* The Metropolitan Water District's meeting of this Committee is noticed as a joint committee meeting with the Board of Directors for the purpose of compliance with the Brown Act. Members of the Board who are not assigned to this Committee may participate as members of the Board, whether or not a quorum of the Board is present. In order to preserve the function of the committee as advisory to the Board, members of the Board who are not assigned to this Committee will not vote on matters before this Committee.

1. **Opportunity for members of the public to address the committee on matters within the committee's jurisdiction (As required by Gov. Code Section 54954.3(a))**

**** CONSENT CALENDAR ****

2. **COMMITTEE ACTION (ONLY)**

- A. Approval of the Minutes of the Engineering, Operations, and Technology Committee for February 9, 2026 [21-5471](#)

Attachments: [03092026 EOT 2A \(02092026\) Minutes](#)

3. **COMMITTEE ITEMS (FOR BOARD CONSIDERATION)**

NONE

**** END OF CONSENT CALENDAR ****

4. **COMMITTEE ITEMS (ACTION FOR BOARD CONSIDERATION)**

NONE

5. **COMMITTEE ITEMS (INFORMATIONAL FOR BOARD CONSIDERATION)**

- 9-1 Capital Investment Plan Quarterly Report for period ending December 2025 [21-5454](#)

Attachments: [03102026 EOT 9-1 B-L](#)
[03102026 EOT 9-1 Presentation](#)

6. **COMMITTEE ITEMS (INFORMATIONAL)**

- a. State Water Project Invasive Mussels Mitigation and Control Update [21-5475](#)

Attachments: [03092026 EOT 6a C-L](#)
[03092026 EOT 6a Presentation](#)

- b. Assessment of alternatives to stage the development of the Pure Water Southern California program. [SUBJECT DEFERRED on 3/3/2026] [21-5522](#)

- c. Integrated Strategy for Infrastructure Reliability Progress Update [21-5473](#)

Attachments: [03092026 EOT 6c C-L](#)
[03092026 EOT 6c Presentation](#)

7. MANAGEMENT ANNOUNCEMENTS AND HIGHLIGHTS

- a. Engineering Services activities [21-5514](#)
Information Technology activities
Water System Operations activities

Attachments: [03092026 EOT 7a Engineering Services activities](#)
[03092026 EOT 7a Information Technology activities](#)
[03092026 EOT 7a Presentation](#)

8. FOLLOW-UP ITEMS

NONE

9. FUTURE AGENDA ITEMS

10. ADJOURNMENT

NOTE: This committee reviews items and makes a recommendation for final action to the full Board of Directors. Final action will be taken by the Board of Directors. Committee agendas may be obtained on Metropolitan's Web site <https://mwdh2o.legistar.com/Calendar.aspx>. This committee will not take any final action that is binding on the Board, even when a quorum of the Board is present.

Writings relating to open session agenda items distributed to Directors less than 72 hours prior to a regular meeting are available for public inspection at Metropolitan's Headquarters Building and on Metropolitan's Web site <https://mwdh2o.legistar.com/Calendar.aspx>.

Requests for a disability-related modification or accommodation, including auxiliary aids or services, in order to attend or participate in a meeting should be made to the Board Executive Secretary in advance of the meeting to ensure availability of the requested service or accommodation.

The Metropolitan Water District of Southern California

Agenda

The mission of the Metropolitan Water District of Southern California is to provide its service area with adequate and reliable supplies of high-quality water to meet present and future needs in an environmentally and economically responsible way.

LEG Committee

J. Lewitt, Chair
A. Fellow, VC
Communication
G. Shepherd Romey, VC
Legislation
L. Ackerman
M. Camacho
R. Crane
B. Dennstedt
G. Gray, Emeritus
R. Jay
F. Jung
A. Kassakhian
M. Katz
P. Paule
M. Ramos

Legislation and Communications Committee

Meeting with Board of Directors *

March 9, 2026

11:00 a.m.

**Monday, March 9, 2026
Meeting Schedule**

**09:00 a.m. EOT
11:00 a.m. LEG
12:30 p.m. BREAK
01:00 p.m. OPE
02:00 p.m. AUDIT
03:30 p.m. OWA**

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Disclaimer: Written and oral public comments are received in compliance with the Ralph M. Brown Act. Please note that Metropolitan does not endorse or ensure the accuracy or reliability of the information provided as public comment or by third parties.

MWD Headquarters Building • 700 N. Alameda Street • Los Angeles, CA 90012

Teleconference Locations:

3008 W. 82nd Place • Inglewood, CA 90305

Fullerton City Hall • 303 W. Commonwealth Avenue, Chambers • Fullerton, CA 92832

11973 Fuerte Drive • El Cajon, CA 92020

806 North Camden Drive • Beverly Hills, CA 90210

Conference Room • 1545 Victory Boulevard, 2nd Floor • Glendale, CA 91201

* The Metropolitan Water District's meeting of this Committee is noticed as a joint committee meeting with the Board of Directors for the purpose of compliance with the Brown Act. Members of the Board who are not assigned to this Committee may participate as members of the Board, whether or not a quorum of the Board is present. In order to preserve the function of the committee as advisory to the Board, members of the Board who are not assigned to this Committee will not vote on matters before this Committee.

1. Opportunity for members of the public to address the committee on matters within the committee's jurisdiction (As required by Gov. Code Section 54954.3(a))

**** CONSENT CALENDAR ****

2. COMMITTEE ACTION (ONLY)

- A. Approval of the Minutes of the Legislation and Communications Committee for the February 9, 2026 [21-5479](#)

Attachments: [03092026 LEG 2A \(02092026\) Minutes](#)

3. COMMITTEE ITEMS (FOR BOARD CONSIDERATION)

NONE

**** END OF CONSENT CALENDAR ****

4. COMMITTEE ITEMS (ACTION FOR BOARD CONSIDERATION)

NONE

5. COMMITTEE ITEMS (INFORMATIONAL FOR BOARD CONSIDERATION)

- 9-5 Information on Facilities Naming Criteria and Procedures [21-5481](#)

Attachments: [03102026 LEG 9-5 B-L](#)

6. COMMITTEE ITEMS (INFORMATIONAL)

- a. East Bay Municipal Utility District H2Flow Campaign: Presented by Kathryn Horn, East Bay Municipal Utility District Senior Community Affairs Representative [21-5480](#)

Attachments: [03092026 LEG 6a C-L](#)
[03092026 LEG 6a Presentation](#)

- b. Report on Activities from Washington, D.C. [21-5483](#)

Attachments: [03092026 LEG 6b Federal Legislative Matrix](#)
[03092026 LEG 6b Presentation](#)

- c. Report on Activities from Sacramento [21-5482](#)

Attachments: [03092026 LEG 6c State Legislative Matrix](#)
[03092026 LEG 6c Presentation](#)

7. MANAGEMENT ANNOUNCEMENTS AND HIGHLIGHTS

- a. External Affairs activities [21-5511](#)

Attachments: [03092026 LEG 7a External Affairs activities](#)
[03092026 LEG 7a Presentation](#)

8. FOLLOW-UP ITEMS

NONE

9. FUTURE AGENDA ITEMS

10. ADJOURNMENT

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The Metropolitan Water District of Southern California

Agenda

The mission of the Metropolitan Water District of Southern California is to provide its service area with adequate and reliable supplies of high-quality water to meet present and future needs in an environmentally and economically responsible way.

OPE Committee

M. Katz, Chair
G. Bryant, Vice Chair
L. Ackerman
B. Dennstedt
C. Douglas
D. Erdman
S. Faessel
J. Lewitt
J. McMillan
B. Pressman
M. Ramos
N. Sutley

Organization, Personnel, and Effectiveness Committee - Final - Revised 2

Meeting with Board of Directors *

March 9, 2026

1:00 p.m.

**Monday, March 9, 2026
Meeting Schedule**

**09:00 a.m. EOT
11:00 a.m. LEG
12:30 p.m. BREAK
01:00 p.m. OPE
02:00 p.m. AUDIT
03:30 p.m. OWA**

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11973 Fuerte Drive • El Cajon, CA 92020

Conference Room • 1545 Victory Boulevard, 2nd Floor • Glendale, CA 91201

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1. **Opportunity for members of the public to address the committee on matters within the committee's jurisdiction (As required by Gov. Code Section 54954.3(a))**

**** CONSENT CALENDAR ****

2. **COMMITTEE ACTION (ONLY)**

- A. Approval of the minutes of the Organization, Personnel, and Effectiveness Committee for February 10, 2026 [21-5490](#)

Attachments: [03092026 OPE 2A \(02102026\) Minutes](#)

3. **COMMITTEE ITEMS (FOR BOARD CONSIDERATION)**

NONE

**** END OF CONSENT CALENDAR ****

4. **COMMITTEE ITEMS (ACTION FOR BOARD CONSIDERATION)**

NONE

5. **COMMITTEE ITEMS (INFORMATIONAL FOR BOARD CONSIDERATION)**

NONE

6. **COMMITTEE ITEMS (INFORMATIONAL)**

- a. Apprenticeship Program Overview and Update [21-5491](#)

Attachments: [03092026 OPE 6a C-L](#)
[03092026 OPE 6a Presentation](#)

- b. Update on Labor Negotiations [Conference with Labor Negotiators; to be heard in closed session pursuant to Gov. Code 54957.6; Metropolitan representatives: Katano Kasaine, Assistant General Manager, Chief Financial Officer, Adam Benson, Finance Group Manager, Gifty J. Beets, Human Resources Section Manager and Mark Brower, Human Resources Group manager. Employee Organization(s): The Employees Association of The Metropolitan Water District of Southern California/AFSCME Local 1902; the Management and Professional Employees Associations MAPA/AFSCME Chapter 1001; the Supervisors Association; and the Association of Confidential Employees]. [SUBJECT WITHDRAWN on 3/2/2026] [21-5493](#)

- c. Conference with Tomer Benito, Unit Manager- Security, Office of Safety, Security, and Protection; Charles Eckstrom, Group Manager Information Technology; Jacob Margolis, Director of Info Tech Services, Information Technology; on potential threats to public services or facilities; to be heard in closed session pursuant to Gov. Code Section 54957(a). [SUBJECT ADDED on 3/3/2026] [21-5660](#)

7. MANAGEMENT ANNOUNCEMENTS AND HIGHLIGHTS

- a. Human Resources activities [21-5515](#)
Safety, Security, and Protection activities

Attachments: [03092026 OPE 7a Human Resources activities](#)
[03092026 OPE 7a Safety, Security, and Protection activities](#)

8. FOLLOW-UP ITEMS

NONE

9. FUTURE AGENDA ITEMS

10. ADJOURNMENT

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The Metropolitan Water District of Southern California

Agenda

The mission of the Metropolitan Water District of Southern California is to provide its service area with adequate and reliable supplies of high-quality water to meet present and future needs in an environmentally and economically responsible way.

Audit Committee

M. Ramos, Chair
R. Crane, Vice Chair
D. De Jesus
L. Fong-Sakai
G. Gray, Emeritus

Audit Committee - Final

Meeting with Board of Directors *

March 9, 2026

2:00 p.m.

**Monday, March 9, 2026
Meeting Schedule**

**09:00 a.m. EOT
11:00 a.m. LEG
12:30 p.m. BREAK
01:00 p.m. OPE
02:00 p.m. AUDIT
03:30 p.m. OWA**

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11973 Fuerte Drive • El Cajon, CA 92020

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1. Opportunity for members of the public to address the committee on matters within the committee's jurisdiction (As required by Gov. Code Section 54954.3(a))

2. MANAGEMENT ANNOUNCEMENTS AND HIGHLIGHTS

A. General Auditor's Quarterly Report

[21-5463](#)

Attachments: [03092026 AUDIT 2A Report](#)
[03092026 AUDIT 2A Presentation](#)

**** CONSENT CALENDAR ****

3. COMMITTEE ACTION (ONLY)

A. Approval of the Minutes of the Audit Committee for December 8, 2025

[21-5464](#)

Attachments: [03092026 AUDIT 3A \(12082025\) Minutes](#)

4. COMMITTEE ITEMS (FOR BOARD CONSIDERATION)

NONE

**** END OF CONSENT CALENDAR ****

5. COMMITTEE ITEMS (ACTION FOR BOARD CONSIDERATION)

NONE

6. COMMITTEE ITEMS (INFORMATIONAL FOR BOARD CONSIDERATION)

NONE

7. COMMITTEE ITEMS (INFORMATIONAL)

a. Discussion on Cybersecurity Audit: Inventory & Control of Operational Technology Assets [Any discussion of threats to public services or facilities to be heard in closed session; conference with Keith Nobriga, Group Manager, Integrated Operations Planning & Support Services, Tae Yun, Section Manager, Water Operations & Planning, and Scott Suzuki, General Auditor - may be heard in closed session pursuant to Government Code Section 54957(a)]

[21-5470](#)

Attachments: [03092026 AUDIT 7a C-L](#)

- b. Independent Auditor Macias Gini & O'Connell, LLP's Report on the Single Audit [21-5520](#)
Attachments: [03092026 AUDIT 7b C-L](#)
[03092026 AUDIT 7b Presentation](#)
- c. Discussion on amendments to the Metropolitan Water District Administrative Code Section 6451 regarding the Audit Department Charter [21-5448](#)
Attachments: [03092026 AUDIT 7c C-L](#)
[03092026 AUDIT 7c Presentation](#)
- d. Discussion on the results of the Audit Department's internal Quality Assurance & Improvement Program for Fiscal Year 2024/25 [21-5521](#)
Attachments: [03092026 AUDIT 7d C-L](#)
[03092026 AUDIT 7d Presentation](#)
- e. Overview of the Institute of Internal Auditors' Three Lines Model [21-5467](#)
Attachments: [03092026 AUDIT 7e C-L](#)
[03092026 AUDIT 7e Presentation](#)
- f. Annual Internal Audit Plan and Risk & Control Discussion [21-5465](#)
Attachments: [03092026 AUDIT 7f C-L](#)
[03092026 AUDIT 7f Presentation](#)
- g. Study, advise, or recommend on Board member/Board committee audit assignment requests [21-5469](#)
Attachments: [03092026 AUDIT 7g C-L](#)

8. FOLLOW-UP ITEMS

NONE

9. FUTURE AGENDA ITEMS

10. ADJOURNMENT

Audit Committee

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The Metropolitan Water District of Southern California

Agenda

The mission of the Metropolitan Water District of Southern California is to provide its service area with adequate and reliable supplies of high-quality water to meet present and future needs in an environmentally and economically responsible way.

OWA Committee

- T. Quinn, Chair
- K. Seckel, Vice Chair
- L. Ackerman
- D. Alvarez
- G. Cordero
- R. Crane
- D. Denham
- D. Erdman
- M. Gold
- M. Katz
- C. Kurtz
- J. Lewitt
- J. McMillan
- C. Miller
- B. Pressman
- G. Shepherd Romey

One Water and Adaptation Committee

Meeting with Board of Directors *

March 9, 2026

3:30 p.m.

**Monday, March 9, 2026
Meeting Schedule**

- 09:00 a.m. EOT
- 11:00 a.m. LEG
- 12:30 p.m. BREAK
- 01:00 p.m. OPE
- 02:00 p.m. AUDIT
- 03:30 p.m. OWA

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11973 Fuerte Drive • El Cajon, CA 92020

Scripps Institution of Oceanography • MESOM 208 • 8885 Biological Grade • La Jolla, CA 92037

Conference Room • 1545 Victory Boulevard, 2nd Floor • Glendale, CA 91201

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1. Opportunity for members of the public to address the committee on matters within the committee's jurisdiction (As required by Gov. Code Section 54954.3(a))

**** CONSENT CALENDAR ****

2. COMMITTEE ACTION (ONLY)

- A. Approval of the Minutes of the One Water and Adaptation Committee of February 9, 2026 [21-5484](#)

Attachments: [03092026 OWA 2A \(02092026\) Minutes](#)

3. COMMITTEE ITEMS (FOR BOARD CONSIDERATION)

NONE

**** END OF CONSENT CALENDAR ****

4. COMMITTEE ITEMS (ACTION FOR BOARD CONSIDERATION)

- 8-1 Authorize the General Manager to develop and enter into an Agreement with the Los Angeles Department of Water and Power and the Los Angeles County Department of Public Works for Multi-Benefit Program Funding Pilot; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA [21-5451](#)

Attachments: [03102026 OWA 8-1 B-L](#)
[03102026 OWA 8-1 Presentation](#)

5. COMMITTEE ITEMS (INFORMATIONAL FOR BOARD CONSIDERATION)

- 9-4 Information on Implementing a Modified Operational Shift Cost Offset Program [21-5486](#)

Attachments: [03102026 OWA 9-4 B-L](#)
[03102026 OWA 9-4 Presentation](#)

6. COMMITTEE ITEMS (INFORMATIONAL)

- a. Provide an update on the current groundwater storage programs in the central valley and efforts to identify and evaluate potential new groundwater storage partnerships [21-5485](#)

Attachments: [03092026 OWA 6a C-L](#)
[03092026 OWA 6a Presentation](#)

- b. CAMP4W Quarterly Update [21-5487](#)

Attachments: [03092026 OWA 6b C-L](#)
[03092026 OWA 6b Presentation](#)

- c. Update on Water Surplus and Drought Management [21-5488](#)

Attachments: [03092026 OWA 6c C-L](#)
[03092026 OWA 6c Presentation](#)

- d. Update on Conservation Program [21-5489](#)

Attachments: [03092026 OWA 6d C-L](#)

7. MANAGEMENT ANNOUNCEMENTS AND HIGHLIGHTS

- a. Bay-Delta Resources activities [21-5508](#)
Colorado River Resources activities
Sustainability, Resilience and Innovation activities
Water Resources Management activities

Attachments: [03092026 OWA 7a Bay-Delta Resources activities](#)
[03092026 OWA 7a Colorado River Resources activities](#)
[03092026 OWA 7a Sustainability, Resilience and Innovation activities](#)
[03092026 OWA 7a Water Resources Management activities](#)

8. SUBCOMMITTEE REPORTS AND DISCUSSION

- a. Report from Subcommittee on Imported Water [21-5509](#)
- b. Discuss and provide direction on Subcommittee on Imported Water [21-5510](#)

9. FOLLOW-UP ITEMS

NONE

10. FUTURE AGENDA ITEMS

11. ADJOURNMENT

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The Metropolitan Water District of Southern California

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FAAME Committee

C. Miller, Chair
D. Alvarez, VC Budget
G. Bryant
R. Crane
B. Dennstedt
L. Fong-Sakai
J. McMillan
P. Paule
M. Petersen
B. Pressman
T. Quinn
K. Seckel

Finance, Affordability, Asset Management, and Efficiency Committee

Meeting with Board of Directors *

March 10, 2026

8:30 a.m.

**Tuesday, March 10, 2026
Meeting Schedule**

**08:30 a.m. FAAME
11:30 a.m. BREAK
12:00 p.m. LEGAL
02:00 p.m. BOD**

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1. Opportunity for members of the public to address the committee on matters within the committee's jurisdiction (As required by Gov. Code Section 54954.3(a))

**** CONSENT CALENDAR ****

2. COMMITTEE ACTION (ONLY)

- A. Approval of the Minutes of the Finance, Affordability, Asset Management, and Efficiency Committee Meeting of February 10, 2026 [21-5477](#)

Attachments: [03102026 FAAME 2A \(02102026\) Minutes](#)

3. COMMITTEE ITEMS (FOR BOARD CONSIDERATION)

NONE

**** END OF CONSENT CALENDAR ****

4. COMMITTEE ITEMS (ACTION FOR BOARD CONSIDERATION)

NONE

5. COMMITTEE ITEMS (INFORMATIONAL FOR BOARD CONSIDERATION)

NONE

6. COMMITTEE ITEMS (INFORMATIONAL)

- a. Quarterly Financial Report [21-5478](#)

Attachments: [03102026 FAAME 6a C-L](#)
[03102026 FAAME 6a Presentation](#)

7. MANAGEMENT ANNOUNCEMENTS AND HIGHLIGHTS

- a. Finance, Affordability, Asset Management, and Efficiency activities [21-5516](#)

Attachments: [03102026 FAAME 7a Finance, Affordability, Asset Management, and Efficiency activities](#)

8. BOARD WORKSHOP ITEMS

- a. Proposed biennial budget, which includes the Capital Investment Plan and revenue requirements for fiscal years 2026/27 and 2027/28; proposed water rates and charges for calendar years 2027 and 2028 to meet revenue requirements for fiscal years 2026/27 and 2027/28; ten-year financial forecast; and Cost of Service Report (Workshop 3) [21-5503](#)

Attachments: [03102026 FAAME 8a Presentation](#)

9. FOLLOW-UP ITEMS

NONE

10. FUTURE AGENDA ITEMS

11. ADJOURNMENT

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The Metropolitan Water District of Southern California

Agenda

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L&C Committee

- A. Kassakhian, Chair
- J. McMillan, Vice Chair
- M. Camacho
- J. Crawford
- D. De Jesus
- C. Douglas
- M. Katz
- C. Kurtz
- C. Miller
- M. Ramos
- G. Shepherd Romey

Legal and Claims Committee - Final - Revised 2

Meeting with Board of Directors *

March 10, 2026

12:00 p.m.

**Tuesday, March 10, 2026
Meeting Schedule**

08:30 a.m. FAAME
11:30 a.m. BREAK
12:00 p.m. LEGAL
02:00 p.m. BOD

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1. Opportunity for members of the public to address the committee on matters within the committee's jurisdiction (As required by Gov. Code Section 54954.3(a))

2. MANAGEMENT ANNOUNCEMENTS AND HIGHLIGHTS

A. General Counsel's report of monthly activities [21-5513](#)

Attachments: [03102026 LC 2A Report](#)

**** CONSENT CALENDAR ****

3. COMMITTEE ACTION (ONLY)

A. Approval of the Minutes of the Legal and Claims Committee of February 9, 2026 [21-5462](#)

Attachments: [03102026 LC 3A \(02092026\) Minutes](#)

4. COMMITTEE ITEMS (FOR BOARD CONSIDERATION)

7-1 Amend the Metropolitan Administrative Code to conform to current policy, law, and practice, and to make other minor, non-substantive changes; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA [21-5446](#)

Attachments: [03102026 LC 7-1 B-L](#)
[03102026 LC 7-1 Presentation](#)

7-2 Approve amendments to the Metropolitan Water District Administrative Code to modify the structure and duties of existing committees to accommodate a new committee, and make other minor non-substantive changes; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA [21-5507](#)

Attachments: [03102026 LC 7-2 B-L](#)
[03102026 LC 7-2 Presentation](#)

- 7-3** Authorize an increase in the maximum amount payable under contract with Van Ness Feldman, LLP, for legal advice on Colorado River matters by \$250,000 to an amount not-to-exceed \$500,000; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA [21-5450](#)

Attachments: [03102026 LC 7-3 B-L](#)
[03102026 LC 7-3 Presentation](#)

**** END OF CONSENT CALENDAR ****

5. COMMITTEE ITEMS (ACTION FOR BOARD CONSIDERATION)

- 8-2** Report on litigation in Systems Integrated, LLC v. Metropolitan Water District of Southern California, Los Angeles County Superior Court Case No. 21STCV18292 and consider authorizing settlement [Conference with legal counsel—existing litigation; to be heard in closed session pursuant to Government Code Section 54956.9(d)(1)] [21-5518](#)
- 8-3** Report on litigation in Encarnacion Gutierrez v. Metropolitan Water District of Southern California, Los Angeles County Superior Court Case No. 23STCV11052; and authorize an increase in the maximum amount payable under contract for legal services with BDG Law Group, APLC, in the amount of \$400,000 for a total amount not to exceed \$900,000; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA [Conference with legal counsel—existing litigation; to be heard in closed session pursuant to Government Code Section 54956.9(d)(1)]. [SUBJECT REVISED on 3/3/2026] [21-5506](#)
- 8-4** Report on litigation in Katano Kasaine v. Metropolitan Water District of Southern California; Adel Hagekhalil, an individual; Los Angeles Superior Court Case No. 25STCV05250, and authorize increase in the maximum amount payable under a contract for legal services with Davis Wright Tremaine LLP in the amount of \$500,000 for a total amount not to exceed \$750,000; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA [Conference with legal counsel – existing litigation; to be heard in closed session pursuant to Gov. Code Section 54956.9(d)(1)]. [SUBJECT ADDED on 3/6/2026] [21-5692](#)

6. COMMITTEE ITEMS (INFORMATIONAL FOR BOARD CONSIDERATION)

NONE

7. COMMITTEE ITEMS (INFORMATIONAL)

NONE

8. FOLLOW-UP ITEMS

NONE

9. FUTURE AGENDA ITEMS

10. ADJOURNMENT

NOTE: This committee reviews items and makes a recommendation for final action to the full Board of Directors. Final action will be taken by the Board of Directors. Committee agendas may be obtained on Metropolitan's Web site <https://mwdh2o.legistar.com/Calendar.aspx>. This committee will not take any final action that is binding on the Board, even when a quorum of the Board is present.

Writings relating to open session agenda items distributed to Directors less than 72 hours prior to a regular meeting are available for public inspection at Metropolitan's Headquarters Building and on Metropolitan's Web site <https://mwdh2o.legistar.com/Calendar.aspx>.

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The Metropolitan Water District of Southern California

Agenda

The mission of the Metropolitan Water District of Southern California is to provide its service area with adequate and reliable supplies of high-quality water to meet present and future needs in an environmentally and economically responsible way.

Board of Directors - Final - Revised 2

March 10, 2026

2:00 PM

Tuesday, March 10, 2026 Meeting Schedule
08:30 a.m. FAAME
11:30 a.m. BREAK
12:00 p.m. LEGAL
02:00 p.m. BOD

Written public comments received by 3:00 p.m. the business day before the meeting is scheduled will be posted under the Submitted Items and Responses tab available here: <https://mwdh2o.legistar.com/Legislation.aspx>.

The listen-only phone line is available at 1-877-853-5257; enter meeting ID: 891 1613 4145.

Members of the public may present their comments to the Board on matters within their jurisdiction as listed on the agenda via teleconference and in-person. To provide public comment by teleconference dial 1-833-548-0276 and enter meeting ID: 815 2066 4276 or to join by computer [click here](#).

Disclaimer: Written and oral public comments are received in compliance with the Ralph M. Brown Act. Please note that Metropolitan does not endorse or ensure the accuracy or reliability of the information provided as public comment or by third parties.

MWD Headquarters Building • 700 N. Alameda Street • Los Angeles, CA 90012

Teleconference Locations:

3008 W. 82nd Place • Inglewood, CA 90305

Fullerton City Hall • 303 W. Commonwealth Avenue, Chambers • Fullerton, CA 92832

Santa Ana City Hall • 20 Civic Center Plaza, 8th Floor • Santa Ana, CA 92701

11973 Fuerte Drive • El Cajon, CA 92020

Scripps Institution of Oceanography • MESOM 208 • 8885 Biological Grade • La Jolla, CA 92037

Allendale Insurance Agency • 337 West Foothill Boulevard • Glendora, CA 91740

1. Call to Order

- a. Invocation: Chair Adán Ortega, Jr., City of San Fernando
- b. Pledge of Allegiance: Vice Chair Barry D. Pressman, City of Beverly Hills

2. Roll Call

3. **Determination of a Quorum**
4. **Opportunity for members of the public to address the Board on matters within the Board's jurisdiction. (As required by Gov. Code §54954.3(a))**

PUBLIC HEARING

- a. Public Hearing regarding the proposed water rates and changes for calendar years 2027 and 2028 necessary to meet the revenue requirements for fiscal years 2026/27 and 2027/28 [21-5504](#)
- b. Public Hearing to receive staff and recognized employee organizations presentations on the status of job vacancies and recruitment/retention efforts, as required by Government Code Section 3502.3 (Assembly Bill 2561), and to receive public comment [21-5452](#)

Attachments: [03102026 BOD 4b B-L](#)
[03102026 BOD 4b Presentation](#)

5. **OTHER MATTERS AND REPORTS**

- A. Report on Director's Metropolitan Expenses [21-5459](#)
Attachments: [03102026 BOD 5A Report](#)
- B. Chair's Monthly Activity Report [21-5460](#)
- C. General Manager's summary of activities [21-5455](#)
Attachments: [03102026 BOD 5C Report](#)
- D. General Counsel's summary of activities [21-5461](#)
Attachments: [03102026 BOD 5D Report](#)
- E. General Auditor's summary of activities [21-5456](#)
Attachments: [03102026 BOD 5E Report](#)
- F. Ethics Officer's summary of activities [21-5457](#)
Attachments: [03102026 BOD 5F Report](#)

- G.** Presentation of 5-year Service Pin to Director Dennis Erdman, Municipal Water District of Orange County [21-5501](#)
- H.** Presentation of 5-year Service Pin to Chair Adán Ortega, Jr., City of San Fernando [21-5502](#)

**** CONSENT CALENDAR ****

6. BOARD CONSENT ITEMS

- A.** Approval of the Minutes of the Special Joint Meeting of the Executive Committee and Board of Directors of November 18, 2025 and December 9, 2025; and Board of Directors of January 13, 2026. [21-5458](#)

Attachments: [03102026 BOD 6A \(11182025 - Exec and BOD\) Minutes](#)
[03102026 BOD 6A \(12092025 - Exec and BOD\) Minutes](#)
[03102026 BOD 6A \(01132026 BOD\) Minutes](#)

- B.** Approve Committee Assignments [21-5523](#)

7. BOARD LETTERS CONSENT

- 7-1** Amend the Metropolitan Administrative Code to conform to current policy, law, and practice, and to make other minor, non-substantive changes; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA (LC) [21-5446](#)

Attachments: [03102026 LC 7-1 B-L](#)
[03102026 LC 7-1 Presentation](#)

- 7-2** Approve amendments to the Metropolitan Water District Administrative Code to modify the structure and duties of existing committees to accommodate a new committee, and make other minor non-substantive changes; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA (LC) [21-5507](#)

Attachments: [03102026 LC 7-2 B-L](#)
[03102026 LC 7-2 Presentation](#)

- 7-3** Authorize an increase in the maximum amount payable under contract with Van Ness Feldman, LLP, for legal advice on Colorado River matters by \$250,000 to an amount not-to-exceed \$500,000; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA (LC) [21-5450](#)

Attachments: [03102026 LC 7-3 B-L](#)
[03102026 LC 7-3 Presentation](#)

**** END OF CONSENT CALENDAR ITEMS ****

8. BOARD LETTERS ACTION

- 8-1** Authorize the General Manager to develop and enter into an Agreement with the Los Angeles Department of Water and Power and the Los Angeles County Department of Public Works for Multi-Benefit Program Funding Pilot; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA (OWA) [21-5451](#)

Attachments: [03102026 OWA 8-1 B-L](#)
[03102026 OWA 8-1 Presentation](#)

- 8-2** Report on litigation in Systems Integrated, LLC v. Metropolitan Water District of Southern California, Los Angeles County Superior Court Case No. 21STCV18292 and consider authorizing settlement [Conference with legal counsel—existing litigation; to be heard in closed session pursuant to Government Code Section 54956.9(d)(1)] (LC) [21-5518](#)

- 8-3** Report on litigation in Encarnacion Gutierrez v. Metropolitan Water District of Southern California, Los Angeles County Superior Court Case No. 23STCV11052; and authorize an increase in the maximum amount payable under contract for legal services with BDG Law Group, APLC, in the amount of \$400,000 for a total amount not to exceed \$900,000; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA [Conference with legal counsel—existing litigation; to be heard in closed session pursuant to Government Code Section 54956.9(d)(1)]. [SUBJECT REVISED on 3/3/2026] (LC) [21-5506](#)

- 8-4** Report on litigation in Katano Kasaine v. Metropolitan Water District of Southern California; Adel Hagekhalil, an individual; Los Angeles Superior Court Case No. 25STCV05250, and authorize increase in the maximum amount payable under a contract for legal services with Davis Wright Tremaine LLP in the amount of \$500,000 for a total amount not to exceed \$750,000; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA [Conference with legal counsel – existing litigation; to be heard in closed session pursuant to Gov. Code Section 54956.9(d)(1)]. [SUBJECT ADDED on 3/6/2026] (LC) [21-5692](#)

9. BOARD INFORMATION ITEMS

- 9-1** Capital Investment Plan Quarterly Report for period ending December 2025 (EOT) [21-5454](#)
- Attachments:** [03102026 EOT 9-1 B-L](#)
[03102026 EOT 9-1 Presentation](#)
- 9-2** Equal Employment Opportunity activities [21-5519](#)
- Attachments:** [03102026 BOD 9-2 Equal Employment Opportunity activities](#)
- 9-3** Diversity, Equity, and Inclusion activities [21-5505](#)
- Attachments:** [03102026 BOD 9-3 Diversity, Equity, and Inclusion activities](#)
- 9-4** Information on Implementing a Modified Operational Shift Cost Offset Program (OWA) [21-5486](#)
- Attachments:** [03102026 OWA 9-4 B-L](#)
[03102026 OWA 9-4 Presentation](#)
- 9-5** Information on Facilities Naming Criteria and Procedures (LEG) [21-5481](#)
- Attachments:** [03102026 LEG 9-5 B-L](#)

10. OTHER MATTERS

NONE

11. FOLLOW-UP ITEMS

NONE

12. FUTURE AGENDA ITEMS

13. ADJOURNMENT

NOTE: Each agenda item with a committee designation will be considered and a recommendation may be made by one or more committees prior to consideration and final action by the full Board of Directors. The committee designation appears in parenthesis at the end of the description of the agenda item, e.g. (EOT). Board agendas may be obtained on Metropolitan's Web site <https://mwdh2o.legistar.com/Calendar.aspx>

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**Summary Report for
The Metropolitan Water District of Southern California
Board Meeting
March 10, 2026**

CONSENT CALENDAR OTHER ITEMS - ACTION

Approved Committee Assignments and appointed:

Director Kurtz as a member of the Audit Committee.

Director Lewitt as a member of the Ad Hoc Committee on Colorado River Negotiations.

Director Seckel as Chair, Director Cordero as Vice Chair, Directors Douglas, Katz, Lewitt, McCoy, Paule, Ramos, and Shepherd Romey as members on the Ethics Committee. **(Agenda Item 6B)**

CONSENT CALENDAR ITEMS – ACTION

Approved amendments to the Metropolitan Water District Administrative Code to modify the structure and duties of existing committees to accommodate a new committee, and make other minor non-substantive changes. **(Agenda Item 7-2)**

Authorized an increase in the maximum amount payable under contract with Van Ness Feldman, LLP, for legal advice on Colorado River matters by \$250,000 to an amount not to exceed \$500,000. **(Agenda Item 7-3)**

OTHER BOARD ITEMS - ACTION

Approved option 1 as presented in the confidential board letter. **(Agenda Item 8-2)**

Authorized an increase in the maximum amount payable under contract for legal services with BDG Law Group, APLC, in the amount of \$400,000 for a total amount not to exceed \$900,000. **(Agenda Item 8-3)**

Authorized increase in the maximum amount payable under a contract for legal services in *Katano Kasaine v. Metropolitan Water District of Southern California; Adel Hagekhalil, an individual*; with Davis Wright Tremaine LLP in the amount of \$500,000 for a total amount not to exceed \$750,000. **(Agenda Item 8-4)**

THIS INFORMATION SHOULD NOT BE CONSIDERED THE OFFICIAL MINUTES OF THE MEETING.

All current month materials, and materials after July 1, 2021 are available on the public website here: <https://mwdh2o.legistar.com/Calendar.aspx>

This database contains archives from the year 1928 to June 30, 2021:
<https://bda.mwdh2o.com/Pages/Default.aspx>



March 18, 2026

Attention: Imported Water Committee

Colorado River Board Representative's report. (Discussion)

Purpose

The Colorado River Board Representative's report summarizes monthly activities of the Colorado River Board of California for March.

Executive Summary

- This report covers activities and items reported from the March 11, 2026, Colorado River Board of California (CRB) meeting in Palm Desert, CA.
- Public comment for the U.S. Bureau of Reclamation's (Reclamation) January 2026 draft environmental impact statement for post-2026 operations were due on March 2, 2026.
- CRB's comment letter called for expansion of system flexibility through programs that enable and facilitate exchange opportunities.
- The Water Authority's comment letter called on Reclamation to include operational flexibility through market-based transactions as it develops the post-2026 guidelines.
- The Basin states continue to meet to develop a consensus agreement but remain divided over significant issues, including shortages in the Lower Basin.

Discussion

California Department of Water Resources CRB Representative Commemorated

Jeanine Jones, who recently stepped down from her role as the California Department of Water Resources (DWR) representative on the Colorado River Board of California (CRB), was honored by her fellow board members. She served on CRB on behalf of DWR for nearly 30 years and played an important role in the discussions that led to the 2003 Quantification Settlement Agreement and the 2007 Interim Guidelines. In honoring her, CRB board members spoke of her intellectual curiosity, expertise, and tireless commitment to the board.

Member Agency Water Supply Reports

- DWR reported that as of March 5, 2026, statewide precipitation was 111% of average, statewide snowpack was 54% of average, and statewide reservoir storage was 123% of average.
- The Los Angeles Department of Water and Power reported that as of March 1, 2026, the Eastern Sierra snowpack was 100% of normal to date.

Member Agency Monthly Reports

- The Water Authority reported that the city of Poway is nearing completion of Phase 2 of its three-phased water infrastructure program, the largest capital improvement program in the city's history. Phase 1, finished in 2022, built temporary storage tanks to bypass an

aging clearwell so that it could be taken offline. Phase 2, launched in 2023, is replacing that clearwell with two four-million-gallon concrete tanks designed with updated industry standards that will allow for uninterrupted service during maintenance. The Phase 2 facilities are on track for commissioning in spring 2026. Phase 3, expected to begin in 2027, will add Poway’s first treated-water connection to the Water Authority, increasing operational flexibility.

- Metropolitan reported on its conservation efforts, including its turf replacement program that has replaced millions of square feet of water-intensive lawns with drought-tolerant landscaping since the program began. Metropolitan also highlighted its Dennis Underwood Conservation Area, over 600 acres of former farmland next to the Colorado River that is being transformed into natural habitat by the U.S. Bureau of Reclamation (Reclamation) for the Lower Colorado River Multi-Species Conservation Program.
- The Imperial Irrigation District (IID) reported that it launched its Funding Local Opportunities for Water (FLOW) matching grant program in honor of the 125th anniversary of Colorado River water flowing into the Imperial Valley. The FLOW grant program will advance water and agricultural-related community projects by establishing a 50-50 cost-share partnership with local government entities. IID will provide \$7.5 million to fund the program.
- The Coachella Valley Water District (CVWD) CRB representative Peter Nelson announced that he will step down from the CVWD board in April 2026. Mr. Nelson intends to continue serving on CRB while the CVWD board determines whether to retain him or to appoint another representative.

Colorado River Basin Water Supply Conditions Report

Water supply and storage conditions from Reclamation’s Weekly Water Supply Report are shown in Table 1.

Table 1. Colorado River Reservoir Conditions

Conditions as of March 8, 2026	Volume (MAF)	% of Capacity	Elevation (feet)
Lake Powell	5.85	25%	3,530
Lake Mead	8.85	34%	1,066
Total System Storage	21.6*	37%	---
Water Year (WY) 2026 Precipitation	90% of normal		
Current Basin Snowpack	68% of normal		
Unregulated Inflow to Lake Powell (WY 2026 Forecast)	52% of normal		

**Approximately 2.5 MAF less than total system storage this time last year.*

Post-2026 Operating Guidelines

Public comments for Reclamation’s draft environmental impact statement (Draft EIS) for post-2026 operations were due on March 2, 2026. CRB submitted a comment letter calling for

analysis of 1922 Colorado River Compact (Compact) compliance, modifications to Lake Powell infrastructure, and impacts to the Salton Sea and urban areas. CRB's letter also called for Reclamation to expand system flexibility through robust programs that enable and facilitate augmentation, storage, and exchange opportunities. California water users, including the Water Authority, submitted separate letters that aligned with CRB's comments. The Water Authority's letter urged Reclamation to adopt a framework that maximizes the possibility for individual parties to enter into market-based water transactions. The other six Basin states also submitted letters that echoed the divide between the Upper and Lower basins on who should bear the burden of drought and climate impacts beyond 2026. Final operating guidelines are needed by October 1, 2026, to ensure certainty and stability for the river system. To meet that target, Reclamation, on behalf of the Department of the Interior (Interior), needs to issue a Final EIS and record of decision by summer 2026.

The Basin states continue to meet despite missing Reclamation's February 14, 2026, milestone to reach agreement on key terms for post-2026 operations. The Basin states remain divided on significant issues, including the volume and certainty of Upper Basin conservation, shortage volumes and storage in the Lower Basin, and potential suspension of 1922 Compact flow obligations attached to any consensus agreement. Current discussions are focused on a short-term deal that would provide some operational certainty and potentially defer litigation.

Lower Colorado River Multi-Species Conservation Program

Reclamation reported to the Lower Colorado River Multi-Species Conservation Program (LCR MSCP) Financial Work Group that fiscal year (FY) 2025 expenditures (\$19.7 million) were below the FY 2025 budget (\$26.5 million) due in part to reduction-in-force efforts and other efforts to reduce the size of the federal government during FY 2025.

Salinity Control Program

Reclamation reported to the Colorado River Basin Salinity Control Forum Work Group that the Paradox Valley Unit (PVU), the largest non-agricultural salinity control measure on the river, prevented over 64,000 tons of salt from entering the Colorado River in 2025. Reclamation expressed support for exploring options for future salinity control in place of the PVU and noted that salinity control in Paradox Valley is a major priority for the Trump administration.

Washington, D.C. Update

Interior finalized revisions to the National Environmental Policy Act (NEPA) procedures to align the department's environmental review process with recent court decisions, congressional direction, and Trump administration policy priorities. Changes include limits on the length of and completion timeframe for EIS documents and removal of the requirement for public comment on draft EIS documents. Environmental reviews that are already underway, such as the process for the post-2026 guidelines, will continue to be evaluated under prior NEPA procedures.

Prepared by: Dennis Davis, Senior Water Resources Specialist
Reviewed by: Eric Heidemann, Alternate CRB Representative