



NOTICE TO THE PUBLIC
SPECIAL BOARD OF DIRECTORS' MEETING
1:30 P.M. APRIL 9, 2026
BOARD ROOM
WATER AUTHORITY HEADQUARTERS BUILDING
4677 OVERLAND AVENUE, SAN DIEGO, CALIFORNIA

The meeting is open to the public and accessible electronically by going to the web link at [SDCWA.org](https://www.sdcwa.org) and then clicking the link listed below "LIVE STREAM" on the right hand side of the page.

1. **DOCUMENTS**: Staff reports, and any other public information provided to the Board or Committee before the meeting relating to items on the agenda are available for public review on the Water Authority website at <https://www.sdcwa.org/meetings-and-documents>. Additional documents may be distributed at the meeting electronically and will be made available. Copies of individual items are available through the Clerk of the Board at (858) 522-6614.
2. **MEETING TIMES**: The meeting will commence at 1:30 p.m. on April 9, 2026.
3. **PUBLIC COMMENTS**: Public comments may be provided before the meeting by submitting written comment to: publiccomments@sdcwa.org. Written correspondence will be read as time allows and will be dispersed to the Board of Directors via email.

Speaker request forms will be available to the public attending in person.

The meeting can be monitored and public comments can also be made by joining via zoom here: [ZOOM LINK](#).

or joining by phone at 1-669-444-9171. Enter the meeting id 838 8344 4061# when prompted. Use the raise hand feature in Zoom to be recognized by the Clerk to speak. If joining by phone dial *9 to raise your hand.

Each speaker is allotted up to three minutes to provide their public comment. The Presiding Officer shall, however, exercise discretion to determine if time should be reduced or extended based upon such factors as length and substance of agenda, the number of public comment speakers, the need for the Board to conclude business as expeditiously as is practicable, and whether the Board is at risk of losing a quorum, among other factors.

During the Special Board of Directors Meeting, at the Public Comment period stated on the agenda, members of the public are given an opportunity to address the Board on items of interest within the subject matter of the Board, or on any item on the Special Board Agenda.

4. **INFORMATION ITEMS**: Items are listed on the agenda as information based on staff's judgment. Circumstances or the committee's or Board's judgments may require deliberation or, if necessary, action on these items. Any member of the public with an interest in one of these items should review the background material and request information on the possible action that could be taken.
5. **ASSISTANCE FOR THE DISABLED**: If you are disabled in any way and need accommodation to participate in the Board meeting, please call the Clerk of the Board at (858) 522-6614 for assistance at least three (3) working days prior to the meeting so the necessary arrangements can be made.

6. **RULES GOVERNING MEETINGS**: The Water Authority's Administrative Code Chapter 2.00 governs the conduct of meetings of the Board and the Committees. The Administrative Code is available online at www.sdcwa.org.



AGENDA
SPECIAL BOARD OF DIRECTORS' MEETING

April 9, 2026
1:30 pm

1. Call to Order.
2. Salute to the flag.
3. Roll call, determination of quorum.
3-A Report on proxies received.
4. Opportunity for members of the public who wish to address the Board on matters within the Board's jurisdiction.
5. Additions to Agenda. (Government code Sec. 54954.2(b)).
6. **CLOSED SESSION(S)** David Edwards
 - 6-A Conference with Real Property Negotiator
Government Code §54956.8
Property: QSA Portion of Colorado River Water/Carlsbad
Desalination Water
Agency Negotiators: Dan Denham
Negotiating Parties: San Diego County Water Authority and Eastern
Municipal Water District
Under Negotiations: Terms and Price
7. **ACTION/DISCUSSION/INFORMATION**
 - 7-A Exchange Water Delivery Agreement with Eastern Municipal Water District. Dan Denham
Staff recommendation: Ratify an Exchange Water Delivery Agreement between the San Diego County Water Authority and Eastern Municipal Water District. (Action)
8. **OTHER COMMUNICATIONS**
9. **ADJOURNMENT**

NOTE: All public documents provided to the Board for this meeting including materials related to an item on this agenda and submitted to the Board of Directors within 72 hours prior to this meeting may be reviewed at the San Diego County Water Authority headquarters located at 4677 Overland Avenue, San Diego, CA 92123 at the reception desk during normal business hours..

Kelly Cole-Walker, CMC, CPMC



April 2, 2026

Attention: Board of Directors

CLOSED SESSION:

Conference with Real Property Negotiator

Government Code §54956.8

Property: QSA Portion of Colorado River Water/Carlsbad Desalination Water

Agency Negotiators: Dan Denham

Negotiating Parties: San Diego County Water Authority and Eastern Municipal Water District

Under Negotiations: Terms and Price

Purpose

This memorandum is to recommend a closed session, pursuant to Government Code §54956.8 to discuss the above-referenced matter at the April 9, 2026 special meeting.

Prepared by: David J. Edwards, General Counsel



April 2, 2026

Attention: Board of Directors

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

Staff recommendation

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

Alternative

Do not ratify an Exchange Water Delivery Agreement between the San Diego County Water Authority and Eastern 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

- The 2025 amended Exchange Agreement with the Metropolitan Water District of Southern California (Metropolitan) enables the Water Authority to make 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 December 2025, the Water Authority has been in negotiations with the Eastern Municipal Water District (Eastern).
- Today, the Board is asked to approve an agreement to supply an annual quantity of 10,000 acre-feet to Eastern for 21 years at a rate in year one of approximately \$1,350 per acre-foot.
- In addition, Eastern will pre-purchase an additional 30,000 acre-feet of the Water Authority's exchange supplies for approximately \$19 million.
- Over the initial five years, this agreement will generate \$74 million in new revenue (present value) for the Water Authority.
- The Western and Eastern delivery agreements show a continued and growing recognition of the value of the Water Authority's reliable supplies.
- These agreements, totaling 20,000 acre-feet per year, substantially mitigate the near-term risk that sales will fall below the Water Authority's contractual supply commitments.

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 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 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 available exchange supplies beginning in calendar year 2026. Eastern Municipal Water District (Eastern), which provides water, sewer, and recycled water services to nearly 1 million people in Riverside County, was among the agencies that expressed interest. Since December 2025, the Water Authority and Eastern have been negotiating the proposed Exchange Water Delivery Agreement (Agreement). If approved, the Agreement would provide Eastern 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. Eastern's board of directors approved the Agreement at its April 1, 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, Eastern commits to receiving 10,000 acre-feet of water annually. Eastern will ramp up to this quantity, starting with 6,240 acre-feet in 2026, then adding approximately 950 acre-feet per year until the full annual quantity is reached in 2030. Eastern may request additional water above this baseline amount, and if the Water Authority determines that supplies are available, that additional volume may become part of Eastern's ongoing annual commitment for the remainder of the term. The price is set at approximately \$1,350 per acre-foot in 2026, including the Metropolitan exchange rate. Following execution of the Agreement, Eastern will have an approximately 120-day window to elect to add additional quantity to its annual commitment for delivery in a future year, 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, Eastern will accept delivery of that water at Metropolitan's untreated rate.

The Agreement also includes a pre-purchase of 30,000 acre-feet at the 2026 price. Eastern will make three equal payments of \$6,330,000 between 2026 and 2028, creating a dry year supply for future delivery. After the pre-purchase is fully paid, Eastern 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 Eastern predictable future access to water while providing upfront financial compensation to the Water Authority. Eastern will pay the Metropolitan Exchange Unit Cost at the time the pre-purchase water is delivered.

The term of the Agreement expires on December 31, 2047, unless earlier terminated under the terms of the Agreement, and may be extended by negotiation.

Financial Impacts

The proposed Agreement is projected to generate approximately \$74 million in new revenue (present value) for the Water Authority during its first five years, reducing the amount that would otherwise need to be collected from regional ratepayers. During the entire 21-year period, the Agreement is expected to result in substantial ratepayer savings, with present-value benefits estimated at over \$330 million.

Staff will provide additional analysis of the financial impact of approved 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 Eastern to serve as responsible stewards of public resources while strengthening regional water reliability and resilience. By pairing Eastern'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. Eastern'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

In March, the Water Authority Board adopted a similar agreement with Western Municipal Water District (Western) that, together with this proposed Agreement, further validates the value of the Water Authority's highly reliable supply portfolio. Viewed collectively, that action and the Agreement with Eastern demonstrate growing recognition amongst Metropolitan member agencies of the long-term value and dependability of the Water Authority's investments.

These paired agreements reflect a continued positive shift in the Water Authority's collaborative standing within the Metropolitan community, reinforcing the agency's role in helping meet regional needs. Collectively, they advance the Water Authority's strategy to mitigate the risk associated with its contracted supplies by securing predictable and durable long-term agreements, generating stable revenue, and strengthening long-term operational flexibility. At the same time, they support the Water Authority's broader effort to expand exchange capacity so that the region remains well positioned to balance supply and demand under a wide range of future hydrologic conditions. Looking ahead, the steps taken through the agreements with Western and Eastern can serve as a model for future intrastate exchanges and interstate water transfers.

Prepared by: Alex Heide, Principal Water Resources Specialist
Jeremy Crutchfield, Manager of Water Resources
Pierce Rossum, Financial Planning Manager

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 Eastern Municipal Water district.

**EXCHANGE WATER DELIVERY AGREEMENT BETWEEN SAN DIEGO COUNTY
WATER AUTHORITY AND EASTERN 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 Eastern Municipal Water District (“Buyer” or “Eastern”). 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, subject to the terms and conditions of this Agreement.
- G. Since December 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). Approved Additional Quantity purchased by Buyer shall be added to Buyer’s Annual Quantity, as set forth in Section 5.
- b. “Adjusted Price” means the adjustment to the Table 1 Price in 2035 as more particularly described in Section 15 and Exhibit C.
- c. “AF” and “AFY” mean acre-feet and acre-feet per year, respectively.
- d. “Agreement” means this Exchange Water Delivery Agreement between Seller and Buyer, when standing alone.
- e. “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.
- f. “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.
- g. “Capped Rate Price” means the adjustment to the Table 1 Price in 2035 as more particularly described in Section 15 and Exhibit C.
- h. “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 May 1 through December 31.
- i. “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.
- j. “Full Service Untreated Volumetric Rate” means the rate identified by that same term in MWD’s biennial resolutions fixing and adopting water rates.
- k. “MWD” means the Metropolitan Water District of Southern California.

- l. “MWD Exchange Costs” means the Exchange Unit Price as defined in Paragraph 5.2 of the 2025 Exchange Agreement.
- m. “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).
- n. “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 8(d).
- o. “Remainder Price” means the Full Service Untreated Volumetric Rate as adopted by MWD for the calendar year for which the Exchange Water is to be delivered.
- p. “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.
- q. “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).
- r. “Table 1 Price” means the price per AF or per unit for Annual Quantity and Additional Quantity water which is equal to the price provided in Table 1 in Paragraph 3.2(d)(ii)(A) of the 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 Sections 8(b) and 8(c).
- s. “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.
- t. “Transfer Agreement” means the Agreement for Transfer of Conserved Water between Imperial Irrigation District and Seller, executed April 29, 1998, as amended.
- u. “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.
- v. “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. If Seller and MWD agree to extend the term of the 2025 Exchange Agreement, Seller shall notify Buyer and the parties shall meet-and-confer, in good faith, to attempt to negotiate an extension for the Term of this Agreement.

5. QUANTITY

- a. Annual Quantity. Seller agrees to direct MWD to deliver and Buyer agrees to purchase and receive delivery of the following Exchange Water during each Contract Year of the Term, subject to the terms and conditions identified herein:
 - i. **6,240** AFY in 2026
 - ii. **7,200** AFY in 2027
 - iii. **8,100** AFY in 2028
 - iv. **9,060** AFY in 2029
 - v. **10,000** AFY in 2030 and each subsequent Contract Year through the end the Term.
- 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 at the Table 1 Price for a portion of or the remainder of the duration of the Term (e.g., 10,000 AFY of Annual Quantity + 5,000 AFY of Additional Quantity for a new Annual Quantity of 15,000 AFY). If approved by Seller, Buyer will purchase such Additional Quantity to be added to its Annual Quantity at the Table 1 Price for a portion of or the remainder of the duration of the Term.

- i. For the first Contract Year, Buyer will also have 120 days from the Effective Date to notify Seller of Additional Quantity 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 and Seller approving, in its sole discretion, the requested addition to Buyer's Annual Quantity..
- c. Option Quantity. If Seller receives an offer from another MWD member agency for delivery of Exchange Water, and Western Municipal Water District ("Western") elects not to exercise its first option right under the Exchange Water Delivery Agreement between Seller and Western entered into as of April 1, 2026, Buyer will have a secondary option right 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 Seller will direct MWD to deliver the annual Option Quantity amount during each applicable Contract Year for 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 for the applicable Contract Year.

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. The annual delivery and exchange plan for each Contract Year may be amended by mutual agreement of the Parties, subject to the concurrence of MWD, at any point until the California Department of Water Resources adopts its final State Water Project allocations for that 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 shall adhere to MWD scheduling manuals, deadlines, and formatting 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 Exchange Water will be the Table 1 Price, which will be computed on an annual basis, as more particularly described in *Exhibit C*. 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. 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 and the MWD Exchange Unit Price, as provided below and as more particularly described in *Exhibit C*, which is attached hereto and incorporated herein by reference. The prepaid quantity is not subject to MWD's readiness-to-serve fees.
 - i. Buyer will make three equal payments of \$6,330,000 by June 1, 2026, January 1, 2027, and January 1, 2028.
 - (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. In addition to the payments in Section 8(d)(i), Buyer will also pay the MWD Exchange Unit Price identified in Exhibit C in the year the Prepaid Quantity is delivered at the then in effect MWD Exchange Unit Price.

- iii. After payment of all installments for the Prepaid Quantity, Buyer may request deliveries of the Prepaid Quantity pursuant to Section 8(d)(vi), up to a maximum of 10,000 AF per year.
- iv. Notwithstanding Section 8(d)(iii) above, Buyer may request a one-time delivery of up to 1,000 AF of the Prepaid Quantity pursuant to Section 6(a) after the first installment payment has been made.
- v. Subject to Section 8(d)(iii) above and Section 8(d)(vi) below, Prepaid Quantity may be requested for delivery during any Contract Year through 2047, including years with wet or dry hydrologic conditions.
- vi. 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.
- vii. Subject to Section 9 below, 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.
- e. 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).
- f. **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, including any new charges or changes to existing charges, 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.

- g. 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.
- h. 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.
- i. 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), and Section 13, 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 shall 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 adjustment under the Transfer Agreement in or about 2035. The Table 1 Price may be adjusted as more specifically described below:
 - 1. If the Table 1 Price determined by the 2035 Pricing Reset results in an increase of less than 15% above the Table 1 Price during Contract Year 2034, the Table 1 Price shall be adjusted by the 2035 Pricing Reset ("Reset Price").
 - 2. If the Table 1 Price determined by the 2035 Pricing Reset is: (i) an increase of 15% or more above the Table 1 Price during Contract Year 2034 and (ii) is at or below ninety percent (90%) of Full Service Untreated Volumetric Rate minus the MWD Exchange Unit Price for 2035, that price shall apply (the "Adjusted Price").
 - 3. If the Table 1 Price determined by the 2035 Pricing Reset exceeds the price in Section 15(c)(2)(ii) above, then the Table 1 Price will be adjusted to the greater of: (a) 15% above the Contract Year 2034 Table 1 Price after adjusted by applicable escalator or (b) 90% of the Full Service Untreated Volumetric Rate minus the MWD Exchange Unit Price for 2035 (the "Capped Rate Price").
- d. **Termination for Buyer (Pricing Reset).** If the Table 1 Price determined by the 2035 Pricing Reset results in an increase of fifteen percent (15%) or more above the Contract Year 2034 Table 1 Price, Buyer may terminate its

obligations to pay for the Annual Quantity from Contract Year 2035 through the end of the Term.

- e. **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 Sections 7(a) and (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 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: Eastern Municipal Water District, 2270 Trumble Road, Perris, CA 92570, 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's Indemnity.** 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. **Mutual Indemnity.** Except for claims subject to Buyer's obligations in Section 23(a) 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: 
Marcia Scully, General Counsel

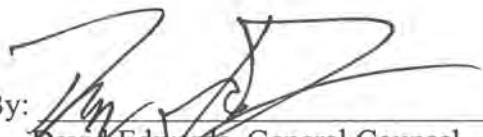
By: 
Deven Upadhyay, General Manager


Date: 6/2/2025

Date: 6/2/25

Approved as to Form:

The San Diego County Water Authority

By: 
David Edwards, General Counsel

By: 
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;

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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;

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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.

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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 ~~P~~price ~~D~~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. I of the QSA.~~

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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.

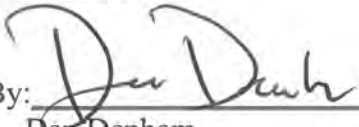
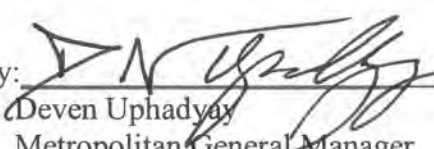
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25. **Entire Agreement.** This Agreement constitutes the entire agreement between the Parties as to the matters addressed herein and supersedes all prior and contemporaneous contracts, agreements, promises, and understandings between the Parties with 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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Exhibit C - Pricing

Table 1 Price plus MWD Exchange Unit Price

The Price for Annual Quantity Exchange Water is equal to: 1) the Table 1 Price per Paragraph 3.2(d)(ii)(A) of the Exchange Agreement, 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, plus the MWD Exchange Unit Price per Paragraph 5.2 of the Exchange Agreement.

Annual Quantity Price Formula	Price \$ per acre-foot
$\frac{\text{(Conserved Water Costs + Canal Lining Water Costs)}}{\text{Total Conserved Water Available for transfer to Seller from IID Canal lining water allocated to Seller in the same year}} + \text{MWD Exchange Unit Price}^1$	\$/ AF

The Table 1 Price will include the Seller’s amortized historical transfer implementation costs of \$40/AF, not subject to inflation, through December 31, 2039. The Price for Contract Year 2026 will be \$1,344/AF.

Table 1 Price plus MWD Exchange Unit Price - Example Formula

$$\frac{\$178,972,997 + \$7,919,103}{277,700} = \$673/AF + \$671/AF = \$1,344/AF$$

Reset Price – Example Formula

$$\text{Reset Price} = \{PricingReset \text{ if } PricingReset < 1.15 \times Table1Price_{2034}$$

Adjusted Rate Price – Example Formula

$$\text{Adjusted Price} = \{PricingReset \text{ if } 1.15 \times Table1Price_{2034} \leq PricingReset \leq 0.90 \times MWDu - MWDe$$

This first example assumes that the 2034 Table 1 Price is \$866/AF.

The example then assumes a 2035 Pricing Reset of \$995/AF. This 2035 Pricing Reset is 15% or greater than the 2034 Table 1 Price.

The example checks to see if this would also exceed the 90% of the 2035 MWD Full Service Untreated Volumetric Rate. This is calculated by first looking at the 2035 MWD Full Service Untreated Volumetric Rate: \$2,048 – Exchange Unit Price (\$930/AF) = \$1,118

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

Exhibit C - Pricing

The example then calculates 90% of the MWD Full Service Untreated Volumetric Rate = \$1,006/AF

Because the 2035 Pricing Reset is 15% or greater than the 2034 Table 1 Price, but is still under 90% of the MWD Full Service Untreated Volumetric Rate, then the Adjusted Price shall apply = \$995/AF

Capped Rate Price – Example Formula

Capped Rate Price

= $\{\max(1.15 \times Table1Price_{2035}, 0.90 \times MWDu - MWDe) \text{ if } PricingReset \geq 0.90 MWDu - MWDe$

This second example assumes that the 2034 Table 1 Price is \$866/AF.

The example then assumes a 2035 Pricing Reset of \$1,082/AF. This 2035 Pricing Reset is 15% or greater than the 2034 Table 1 Price (it is 25% greater).

The example checks to see if this would also exceed 90% of the 2035 MWD Full Service Untreated Volumetric Rate. This is calculated by first looking at the 2035 MWD Full Service Untreated Volumetric Rate: \$2,048/AF – Exchange Unit Price (\$930/AF) = \$1,118/AF.

The example then calculates 90% of the MWD Full Service Untreated Volumetric Rate = \$1,118/AF x 0.90 = \$1,006/AF.

Because the 2035 Pricing Reset is greater than 90% of the MWD Full Service Untreated Volumetric Rate, then we must calculate the Capped Rate Price.

The first step in calculating the Capped Rate Price is to escalate the 2034 Table 1 Price, which can be calculated as 2034 Table 1 Price adjusted for inflation: \$866/AF x 1.04 = \$900/AF.

The second step in calculating the Capped Rate Price is to apply a 15% increase to the 2034 Table 1 Price adjusted for inflation: \$900/AF x 1.15 = \$1,035/AF.

The Capped Rate Price is the greater of (1) 15% above the 2034 Table 1 Price adjusted for inflation (\$1,035/AF), or (2) 90% of MWD Full Service Untreated Volumetric Rate (\$1,006/AF). Here, the greater of the two is the former, so the Capped Rate Price is \$1,035/AF.

Remainder Quantity Price

The Remainder Quantity Price shall be the Full Service Untreated Volumetric Rate as adopted by MWD for the calendar year for which the Exchange Water is to be delivered. For Contract Year 2026, the Remainder Quantity Price is \$984/AF.

Remainder Quantity Price – Formula

*MWD Full Service Untreated Volumetric Rate*² X Quantity of unallocated supply in af

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

Exhibit C - Pricing

Prepaid Quantity Price

June 1, 2026 – 10,000 *af x* \$633 = \$6,330,000

January 1, 2027 - 10,000 *af x* \$633 = \$6,330,000

January 1, 2028 -10,000 *af x* \$633 = \$6,330,000

Exhibit D – Scheduling Protocols

Schedule for Delivery Coordination in Contract Year 2026

1. By May 15 – Delivery Coordination Meeting
2. By June 1 – Eastern provides requested Delivery Schedule to SDCWA
3. By July 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 – Eastern 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	Eastern to notice SDCWA if Additional Quantity is desired during current Contract Year and SDCWA will inform Eastern 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 Eastern of MWD member agency offers and Eastern to exercise or not exercise its option to match in accordance with Section 5(c) of the Agreement.
November 8 – November 30	Eastern 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 Eastern 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 Eastern's General Manager.

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