

- **Board of Directors**

September 23, 2003 Board Meeting

5-1

Subject

Authorize execution of Quantification Settlement Agreement and related agreements pertaining to California's Colorado River Water Use Plan

Description

The proposed Quantification Settlement Agreement is a key component to California's Colorado River Water Use Plan, providing for the transfer of water from the Imperial Irrigation District (IID) to the San Diego County Water Authority (SDCWA) and providing a reliable mechanism for additional agricultural to urban water transfers benefiting Metropolitan. Execution of the QSA would also restore the opportunity for Metropolitan's access to any special surplus water provided under the Interim Surplus Guidelines, which was suspended by the Department of Interior when California did not execute the QSA by the December 31, 2002 federally imposed deadline. Lastly, the QSA would set aside several existing disputes between California's Colorado River water agencies, allowing for the cooperative development of additional Colorado River water supply programs.

In December 2002, the boards of directors from Metropolitan and Coachella Valley Water District (CVWD) authorized execution of the QSA, but because of concerns with potential environmental mitigation costs, IID's board of directors did not authorize the then existing version of the QSA. Between January and September 2003, the three water agencies and the SDCWA, along with assistance from state and federal officials, have been working to develop a QSA that would be acceptable to all parties. In September, negotiators from each involved agency indicated that the QSA terms developed were acceptable and that they would recommend the revised QSA to their respective boards of directors. Additionally, the California State Legislature approved legislation (SB 277, SB 317, and SB 654) providing needed assurances to the agencies and facilitating QSA implementation, provided that all three water agencies execute the QSA by October 12, 2003.

Quantification of rights and uses of Colorado River water with respect to Priority 3 and Priority 6 of the 1931 California Seven-Party Agreement (**Attachment 1**) would help facilitate the implementation of cooperative water supply programs and provide a needed baseline by which conservation and transfer programs can be measured. The QSA, which would be in effect for up to 75 years, allows the long-term transfer of Colorado River water from agricultural to urban use to move forward within California, thereby contributing toward the goal sought by the other Colorado River Basin states and the federal government to reduce California's use of Colorado River water towards its annual basic apportionment of 4.4 million acre-feet. Progressive water management actions such as the IID/SDCWA water transfer and the Palo Verde Irrigation District/Metropolitan transfer become viable under the QSA. It resolves a decades-long dispute over interpretation of a 1934 contract between IID and CVWD over the relative rights of third priority water that they share. The QSA also provides that CVWD and Metropolitan will put aside, for the term of the agreement, a long-standing dispute over beneficial use of water by IID.

Attachment 2 is a matrix of the QSA-related agreements proposed for board consideration. Summaries of the agreement terms are contained in **Attachment 3**. The agreements are in the process of being finalized; therefore board action today would authorize the CEO to execute the final agreements if they conform to the summarized terms as approved to form by the General Counsel.

Policy

By Minute Item 43767, dated October 18, 1999, the Board approved the use of the Key Terms as the basis for drafting the Proposed QSA among the parties to the Key Terms.

By Minute Item 44278, dated December 12, 2000, the Board authorized execution of the joint CVWD, IID, and Metropolitan resolution releasing the proposed QSA, the three basic conserved water Acquisition Agreements, and the Secretarial Implementation Agreement for public review pending resolution of the remaining outstanding issues.

By Minute Item 45056, dated October 22, 2002, the Board ratified the negotiated changes to the QSA as expressed in the "Summary Term Sheet -- Principal QSA Revisions" dated October 15, 2002.

California Environmental Quality Act (CEQA)

As a co-lead agency, Metropolitan's Board certified the Final Program Environmental Impact Report (Final PEIR) for the QSA on June 24, 2002. Subsequent to that action, negotiations were held among the co-lead agencies (i.e., Metropolitan, CVWD, IID, and SDCWA) to further clarify the terms of the QSA and related agreements. As a result of those negotiations, an Addendum to the QSA Final PEIR was prepared to document the proposed modifications to the proposed QSA and related agreements. At its December 2002 meeting, the Board adopted the Addendum to the QSA Final PEIR. The Board also adopted at that time the Findings of Fact and Statement of Overriding Considerations, and the Mitigation Monitoring and Reporting Program.

Subsequent to the Board's action on the Addendum and related environmental documents, there were further negotiations among the parties that have resulted in changes to the proposed QSA and related agreements. An Addendum to the Final PEIR has been prepared to document these proposed changes as detailed in this board letter. These changes have not resulted in any substantive modifications to the Finding of Facts and Statement of Overriding Considerations or the Mitigation Monitoring and Reporting Program.

CEQA and the State CEQA Guidelines require the preparation of an Addendum to a previously certified EIR if changes or additions are necessary but none of the conditions described in Section 15162 of the State CEQA Guidelines calling for the preparation of a subsequent EIR have occurred (Section 15164 of the State CEQA Guidelines). The proposed modifications to the previously approved project also do not meet any of the conditions requiring the preparation of a supplement to an EIR (State CEQA Guidelines, Section 15163). Instead, the proposed modifications require only minor changes or additions to the evaluation in the certified Final EIR to make it adequate under CEQA. None of the proposed modifications would result in significant adverse impacts beyond those impacts already disclosed in the original Final EIR.

The CEQA determination is: Consider the information contained in the Addendum with the Final EIR and find that there is no substantial evidence that the proposed modifications to the QSA and related agreements will create any new significant impacts; approve the Addendum; and re-adopt the Findings of Fact and Statement of Overriding Considerations, and the Mitigation Monitoring and Reporting Program.

Board Options/Fiscal Impacts

Option #1

Adopt the CEQA determination and

- a. Approve the QSA and related agreements; and
- b. Authorize the CEO to execute the finalized QSA and related agreements listed in [Attachment 2](#) as approved to form by the General Counsel.

Fiscal Impact: Present value costs through year 2016 of \$517 million to \$561 million. Rate impacts by 2016 of QSA and a no QSA alternative are equivalent to each other considering forecast uncertainty.


Option #2

Adopt the CEQA determination and provide direction to the CEO regarding the development of an alternative action plan.

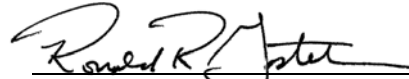
Fiscal Impact: Depends on cost of alternative action plan.

Staff Recommendation

Option #1


Jeffrey Kightlinger
General Counsel

9/18/2003
Date


Ronald R. Gastelum
Chief Executive Officer

9/18/2003
Date

Attachment 1 – Priorities Under the 1931 California Seven-Party Agreement

Attachment 2 – Matrix of Proposed Quantification Settlement Agreement Related Agreements

Attachment 3 – Proposed Agreement Summaries

BLA #2566

Priorities Under the 1931 California Seven-Party Agreement

Priority	Description	Acre-Feet Annually
1	Palo Verde Irrigation District gross area of 104,500 acres of land on the Palo Verde Valley	{ 3,850,000
2	Yuma Project in California not exceeding a gross area of 25,000 acres in California	
3(a)	Imperial Irrigation District and other lands in Imperial and Coachella valleys ¹ to be served by All-American Canal	
3(b)	Palo Verde Irrigation District - 16,000 acres of land on the Lower Palo Verde Mesa	
4	Metropolitan Water District of Southern California for use on coastal plain	550,000
Subtotal		4,400,000
5(a)	Metropolitan Water District of Southern California for use on coastal plain	550,000
5(b)	Metropolitan Water District of Southern California for use on coastal plain ²	112,000
6(a)	Imperial Irrigation District and other lands in Imperial and Coachella valleys to be served by the All American Canal	{ 300,000
6(b)	Palo Verde Irrigation District - 16,000 acres of land on the Lower Palo Verde Mesa	
Total		5,362,000
7	Agricultural use in the Colorado River Basin in California	

¹ The Coachella Valley Water District now serves Coachella Valley.

² In 1946, the City of San Diego, the San Diego County Water Authority, Metropolitan, and the Secretary of the Interior entered into a contract that merged and added the City and County of San Diego's rights to storage and delivery of Colorado River water to the rights of Metropolitan. The conditions of that agreement have since been satisfied.

Matrix of Proposed Quantification Settlement Agreement Related Agreements

Proposed Agreement	Signatories	Description of Significant Provisions
1. Quantification Settlement Agreement	Metropolitan, CVWD, IID	Establishes Colorado River water budgets for CVWD, IID, and Metropolitan and provides for specific conserved water acquisitions, other water supply arrangements, Colorado River Interim Surplus Guidelines, and an inadvertent water use overrun and payback program.
2. Colorado River Water Delivery Agreement	Metropolitan, DOI, CVWD, IID, SDCWA	Obligates the Secretary of the Interior to deliver Colorado River water in the manner set forth in the Quantification Settlement Agreement during its term.
3. IID/Metropolitan Acquisition Agreement	Metropolitan, IID	Provides Metropolitan with a right of first refusal to acquire up to 100,000 AFY of conserved water made available by IID to CVWD that CVWD elects not to acquire.
4. Amendment to IID/Metropolitan 1988 Agreement	Metropolitan, IID	Extends the term of the 1988 Water Conservation Agreement for up to 110,000 AFY from September 30, 2033 to December 31, 2041, or 270 days beyond the termination of the Quantification Settlement Agreement, whichever is later, plus any extension applicable under the 1988 Water Conservation Agreement.
5. Amendment to IID/Metropolitan/PVID/CVWD 1989 Approval Agreement	Metropolitan, IID, PVID, CVWD	Amends the provisions governing reductions in use by Metropolitan of water conserved by IID under the 1988 Water Conservation Agreement to provide for reductions in use by Metropolitan of up to 20,000 AF per year. Deletes IID flexibility to modify the scope/substitute projects currently implemented. Amends administrative provisions to conform to the Quantification Settlement Agreement.
6. Amendment to Metropolitan/CVWD 1989 Supplemental Agreement	Metropolitan, CVWD	Extends the term of the 1989 Supplemental Agreement to December 31, 2041, or 270 days beyond the termination of the Quantification Settlement Agreement, whichever is later. Eliminates the 450,000 AF limitation on CVWD's use of Colorado River water as defined in the 1989 Supplemental Agreement for the term of the amendment.
7. Metropolitan/SDCWA Exchange Agreement Amendment Incl. SDCWA Waiver of Rights	Metropolitan, SDCWA	Requires Metropolitan to exchange up to 200,000 AF annually of conserved water annually with SDCWA subject to SDCWA arranging through the Secretary for the delivery of such water to Metropolitan's Colorado River Aqueduct intake facilities. Metropolitan to make available to SDCWA up to 390,000 AF of water over a 15-year period on a schedule determined by Metropolitan to the extent an equivalent amount of water is made available to Metropolitan from the PVID agreement with SDCWA paying a proportionate share of Metropolitan's program cost.

Proposed Agreement	Signatories	Description of Significant Provisions
8. CVWD/Metropolitan Acquisition Agreement	Metropolitan, CVWD	Grants Metropolitan options to conserved water made available by IID to CVWD if not used by CVWD. Requires Metropolitan to reimburse CVWD for a portion of its costs associated with its acquisition of the second 50,000 AF from IID. After 2046, Metropolitan to provide up to 50,000 AF of replacement water annually for use by CVWD.
9. 35,000 AFY Transfer and Exchange Agreement	Metropolitan, CVWD	Requires Metropolitan to transfer 35,000 AFY of its SWP entitlement to CVWD. CDWR would deliver 35,000 AFY of CVWD's SWP entitlement water to Metropolitan at the Devil Canyon Afterbay; in return, Metropolitan would exchange 35,000 AFY of Colorado River water to CVWD for its use.
10. Exchange Agreement with San Luis Rey Settlement Parties	Metropolitan, DOI, SLR Settlement Parties	Requires Metropolitan to exchange up to 16,000 AF of water conserved from the lining of the All American and Coachella Canals with an equal amount of water at specified rates with the United States for use by the San Luis Rey Settlement parties for as long as the conserved water is delivered to Metropolitan by the United States. Prior to implementation of the settlement by the United States and the SLR Settlement Parties, Metropolitan acquires the water for its own purposes for \$200/AF indexed to the annual change in the sum of Metropolitan's volumetric rates for water service,. Also, Metropolitan acquires energy from the United States or the San Luis Rey River Indian Water Authority for pumping the water at the average off-peak energy price.
11. DWR/Metropolitan Acquisition Agreement for up to 1.6 MAF	Metropolitan, CDWR	Requires Metropolitan to purchase water acquired by DWR from IID, up to a total of 1.6 MAF, at \$250/AF. Net proceeds from such sale of water to be deposited into the Salton Sea Restoration Fund.
12. DWR/Metropolitan Agreement for Special Surplus Water Fee	Metropolitan, CDWR	Requires Metropolitan to pay \$20/AF into the Salton Sea Restoration Fund for all special surplus water that MWD elects to take, minus any payback Metropolitan incurs in reducing Arizona Colorado River water shortages. Metropolitan to receive credit for such payments against future Metropolitan contributions for the Lower Colorado River Multi-Species Conservation Program.
13. DWR/Metropolitan Salton Sea Restoration and Liability Agreement	Metropolitan, CDWR	Metropolitan would make payments into the Salton Sea Restoration Fund pursuant to agreements Nos. 11 and 12 and DWR to indemnify and hold MWD harmless from any environmental liability associated with Salton Sea.
14. Priority System Waiver Agreement re: Metropolitan/PVID Program	Metropolitan, IID, CVWD	IID and CVWD agree not to interfere with Metropolitan's receipt of water from a PVID/MWD agreement even if the QSA prematurely terminates.

Proposed Agreement	Signatories	Description of Significant Provisions
15. Allocation Agreement	Metropolitan, DOI, IID, CVWD, and SLR Settlement Parties	Allocates water from the All American and Coachella Canal Lining Projects for at least 110 years to Metropolitan (or SDCWA if it chooses that QSA-related option prior to October 12, 2003), the SLR Settlement Parties, and under certain circumstances IID. The Secretary determines the amount of water available for allocation. Specifies how net additional operation, maintenance, and repair costs are to be determined.

Abbreviations:

- CDWR State of California Department of Water Resources
- CVWD Coachella Valley Water District
- DOI United States Department of the Interior
- IID Imperial Irrigation District
- Metropolitan The Metropolitan Water District of Southern California
- PVID Palo Verde Irrigation District
- QSA Quantification Settlement Agreement
- SDCWA San Diego County Water Authority
- SLR Settlement Parties San Luis Rey Settlement Parties (La Jolla, Pala, Pauma, Rincon and San Pasqual Bands of Mission Indians, San Luis Rey River Indian Water Authority, City of Escondido, and Vista Irrigation District)
- USBR United States Bureau of Reclamation
- USFWS United States Fish and Wildlife Service

1.
Major Terms of
Quantification Settlement Agreement
among Imperial Irrigation District,
Coachella Valley Water District, and Metropolitan

Basic Provisions

1. Set aside longstanding disputes regarding the priority, use and transfer of Colorado River water in California.
2. Establish Colorado River water budgets for the agencies, provides for specific conserved water acquisitions, other Colorado River water supply arrangements, Colorado River Interim Surplus Guidelines (ISG), and a Colorado River water use/overrun and payback program.
3. Facilitate other agreements and actions that will maintain certainty and reliability of Colorado River water supplies available and assist in meeting water demands.

Water Transfer Provisions

4. Provide for Imperial Irrigation District's Priority 3a annual consumptive use entitlement to be capped at 3.1 million acre-feet (maf) less:
 - a. conserved water made available for use by others, and
 - b. up to 11,500 acre-feet (af) forborne for holders of miscellaneous and Indian present perfected rights;

plus any water made available from the All American and Coachella Canal lining projects in accordance with the terms of the proposed Allocation Agreement, and subject to adjustment pursuant to the proposed Inadvertent Overrun and Payback Program implementation.
5. Require IID to forebear annual use under Priority 6a:
 - a. first, 38,000 af to Metropolitan, and
 - b. after its use of 63,000 af, then 119,000 af to Coachella Valley Water District.
6. Specify that IID's use and conservation of water is to:
 - a. assure achievement of Salton Sea salinity goals for the first 15 years, and
 - b. satisfy resource agency approval requirements while making conserved water available for the entire quantification period.
7. Provide for CVWD's Priority 3a annual consumptive use entitlement to be capped at 330,000 af less:
 - a. conserved water made available from the lining of the Coachella Canal in accordance with the proposed Allocation Agreement, and

- b. up to 3,000 af forborne for holders of miscellaneous and Indian present perfected rights;

subject to adjustment pursuant to the proposed Inadvertent Overrun and Payback Program implementation.
8. Require CVWD to forebear annual use under Priority 6a:
 - a. first, 38,000 af to Metropolitan, and
 - b. second, 63,000 af to IID,

before its use of 119,000 af.
9. Require Metropolitan and IID, however, to forebear use of Priority 6a water in any year from 2008 through 2018, in an amount up to the amount of conserved water to be acquired that year by CVWD from IID. The aggregate amount of Priority 6a water to be made available to CVWD from 2008 through 2018 under this provision would not exceed 160,000 af, and this water would be available in lieu of a like amount of conserved water from IID, which water would remain available to IID for irrigation purposes, contributing to the maintenance of Salton Sea salinity levels. Should additional Priority 6a water or Priority 7 water be available to CVWD in any year, CVWD would forebear use of such water to permit such water to be made available to Metropolitan and then IID, in the amounts which Metropolitan and IID had forborne that year.
10. Specify that CVWD and Metropolitan would each have the exclusive right to use half of any water below 420,000 af unused by Palo Verde Irrigation District (PVID) and the Yuma Project (Reservation Division), and be responsible for repayment of half of any use by PVID and the Yuma Project (Reservation Division) in excess of 420,000 af in a year prior to 2018, with Metropolitan having the exclusive right and being solely responsible for repayment beginning in 2018.
11. Provide for Metropolitan's Priorities 4 and 5 entitlement to be capped at 550,000 af and 662,000 af respectively, less an amount forborne for use by holders of present perfected rights in excess of the amounts forborne by IID and CVWD, plus any amount of Colorado River water acquired from:
 - a. IID or CVWD, or
 - b. anyone as long as such acquisition does not materially reduce the water available to IID and/or CVWD, and

subject to adjustment pursuant to the proposed Inadvertent Overrun and Payback Program implementation.
12. Specify, in addition, that IID and CVWD would not object to consumptive use by Metropolitan of water saved by other Colorado River water arrangements, e.g., the Palo Verde Land Management, Crop Rotation, and Water Supply Program.
13. Limit CVWD's use of Colorado River water outside of its Improvement District No. 1 other than for direct and in lieu groundwater recharge, and require CVWD to use its best efforts to utilize Colorado River water to address the groundwater overdraft problem in Improvement District No. 1 and implement a program designed to achieve safe yield within Improvement District No. 1 by year 30 of the quantification period.

14. Require Metropolitan to assume responsibility for any required payback of use of water by IID and CVWD resulting from a reduction in the availability of Priority 3a water due to the ISG. Metropolitan's aggregate payback obligation would be limited to an amount equal to the aggregate amount of surplus water used by Metropolitan under Full Domestic Surplus and/or Partial Domestic Surplus conditions.

Termination Provisions

15. Specify an Agreement termination date of:
 - a. Year 35 if SDCWA does not accept Metropolitan's transportation rate for the conveyance of its IID/SDCWA Transfer water;
 - b. Year 45 if SDCWA and IID do not renew the IID/SDCWA Transfer Agreement for an additional 30 years.

Other Major Provisions

16. Metropolitan, CVWD, and Desert Water Agency are to meet in good faith to conclude negotiations on a proposed transfer and exchange of 100,000 af of State Project Water from Metropolitan to CVWD and DWA.

2.
Major Terms of
Colorado River Water Delivery Agreement
among the Department of the Interior,
Coachella Valley Water District, Imperial Irrigation District,
Metropolitan and San Diego County Water Authority

Basic Provisions

1. Determine that appropriate environmental review and compliance for the Agreement has been completed under federal law.
2. Find that the water budget components of the QSA and the water budget components of the other related agreements facilitate and will benefit the Secretary of the Interior's (Secretary) management of the Colorado River.

Water

3. Provide that the Secretary agrees to deliver Colorado River water:
 - a. To the San Luis Rey Indian Water Rights Settlement Parties beyond the quantification period pursuant to Public Law 100-675,
 - b. To IID up to 3.1 mafy less the amount of Priority 3a water conserved by IID for the benefit of others as follows:
 - (1) Metropolitan and CVWD--equal to the amount conserved in accordance with the terms of the Amended 1988 and 1989 Agreements,
 - (2) SDCWA--equal to the amount conserved in accordance with the terms of the 1998 IID/SDCWA Transfer Agreement,
 - (3) CVWD--in an amount equal to the amount conserved for CVWD,
 - (4) San Luis Rey Indian Water Rights Settlement Parties, and Metropolitan (and/or retained by IID under conditions which would not adversely affect Metropolitan) from the All American Canal lining projects.
 - c. To CVWD up to 330,000 afy less an amount of Priority 3a water equal to that conserved by CVWD for the benefit of others, as follows
 - (1) San Luis Rey Indian Water Rights Settlement Parties, and Metropolitan (and/or IID under conditions which would not adversely affect Metropolitan) from the Coachella Canal Lining Project.
- plus (to CVWD):
- (2) 20,000 afy of Priority 3a water made available by Metropolitan under the Amended 1989 Agreement,

- (3) 50,000 afy of water made available by Metropolitan in year 46 under the CVWD/Metropolitan Acquisition Agreement, and
 - (4) 35,000 afy under the terms of the Metropolitan/ CVWD Transfer and Exchange Agreement.
- d. To Metropolitan up to 550,000 afy under Priority 4 and 662,000 afy under Priority 5:
- (1) less the amount in any calendar year that Priorities 1 and 2 use, together with Priority 3b use on the PVID Mesa lands, exceeds 420,000 afy, or as determined by the Inadvertent Overrun and Payback Program,
 - (2) plus the difference in any calendar year between that used within Priorities 1, 2, and 3b and 420,000 afy.
4. Provide that the Secretary agrees to deliver:
- a. water that CVWD declines to IID, Metropolitan, or subject to the approval of the Secretary an unspecified user, in accordance with the IID/Metropolitan Acquisition Agreement.
 - b. priority 6a water: 38,000 afy to Metropolitan, 63,000 afy to IID, and 119,000 afy to CVWD.
5. Provide that in any year the Secretary may reduce the amount of water otherwise available to:
- a. IID by up to 11,500 af,
 - b. CVWD by up to 3,000 af, and
 - c. Metropolitan by up to the remainder needed in order to satisfy miscellaneous and Indian present perfected rights within the State of California.

Other Major Provisions

6. Provides that the Secretary does not anticipate any need to assess IID's reasonable and beneficial use of water during the quantification period as long as the transfers are proceeding as planned.
7. Provides that the Secretary will not material modify the Inadvertent Overrun and Payback Program for a 30-year period, absent extraordinary circumstances. The Program will be suspended if the QSA transfers are not proceeding pursuant to the agreed upon schedule.

3.
Major Terms of
Agreement for Acquisition of Conserved Water
between Imperial Irrigation District and Metropolitan

Basic Provisions (up to 75 years to):

1. amend the 1988 Agreement for the Implementation of a Water Conservation Program and Use of Conserved Water between IID and Metropolitan and the 1989 Approval Agreement among IID, Metropolitan, Coachella Valley Water District, and the Palo Verde Irrigation District,
2. work cooperatively to cause portions of the All American Canal to be lined in order to create conserved water for acquisition by Metropolitan,
3. give Metropolitan a right of first refusal on certain conserved water made available by IID to CVWD, and
4. give Metropolitan options to acquire certain conserved water.

Water Quantity

5. Give Metropolitan a right of first refusal to acquire conserved water made available by IID to CVWD that CVWD elects not to acquire, which will be made available incrementally beginning in 2008.

Cost to Metropolitan

6. Pay IID for acquisition of conserved CVWD/Metropolitan option water in the following amounts:
 - a. \$125 per acre-foot, in 1999 dollars; and
 - b. any and all incremental environmental review process and mitigation costs attributed to exercise of the right of first refusal.

Peace Treaty

7. Agree not to challenge IID's reasonable and beneficial use for the term of the Agreement unless and until IID enters into an agreement or seeks to transfer water that is not permitted under the IID/MWD Acquisition Agreement.
8. Place limits on the position that Metropolitan might take on IID's use of water for the term of the Agreement.
9. Limit IID's ability to make transfers of water for the first 21 years other than:
 - a. transfers permitted by the QSA,
 - b. defensive transfers that IID proposes, subject to Metropolitan's right of first refusal to acquire such water, and

- c. transfers of 30,000 af per year (afy) within Imperial County.

Term

- 10. Terminate with the QSA.

4.
Major Terms of
Amendment to 1988 Water Conservation Agreement
between Imperial Irrigation District and Metropolitan

Basic Provision

1. Extend the term of the 1988 Water Conservation Agreement to December 31, 2041, or 270 days beyond the termination of the QSA, whichever is later, plus any extension applicable under the 1988 Water Conservation Agreement.

Remaining Provisions

2. Amend administrative provisions of the 1988 Water Conservation Agreement to conform with the QSA.

Term of the Amendments

3. Terminate with the QSA except for item 1.

5.
Major Terms of
Amendment to 1989 Approval Agreement
among Imperial Irrigation District, Metropolitan,
Palo Verde Irrigation District and Coachella Valley Water District

Basic Provisions

1. Amend the provisions governing reductions in use by Metropolitan of water conserved by IID under the 1988 Water Conservation Agreement for the benefit of CVWD and PVID to simply provide for reductions in use by Metropolitan of up to 20,000 afy.
2. Continue the agreement by PVID not to divert, pump, use or demand the water conserved by IID under the 1988 Water Conservation Agreement for the term of the QSA.

Modification and Substitution of Projects

3. Delete provisions that provided IID flexibility to modify the scope of projects or substitute projects currently implemented under the 1988 Water Conservation Agreement.

Remaining Provisions

4. Amend administrative provisions of the 1989 Approval Agreement to conform with the QSA.

Term of the Amendments

5. Terminate with the QSA.

6.
Major Terms of
Amendment to the Agreement to Supplement Approval Agreement
between Coachella Valley Water District and Metropolitan

Basic Provisions

1. Extend the term of the 1989 Supplemental Agreement to December 31, 2041, or 270 days beyond the termination of the QSA, whichever is later.
2. Eliminate the 450,000 af limitation on CVWD use of Colorado River water for the term of the amendment in view of the QSA's quantification requirement.

Term of the Amendments

3. Terminate with the QSA except for item 2.

7.
**Major Terms of
Amendment to the Exchange Agreement
between Metropolitan and San Diego County Water Authority**

Basic Provisions

1. Make available up to 390,000 af from the Palo Verde Land Management, Crop Rotation and Water Supply Program to SDCWA within the first 15 years.

Payment

2. Receive from SDCWA proportionate payment of Metropolitan's costs under the agreement with PVID, including a proportional share of the total socioeconomic costs incurred under that agreement.
3. Specify that the contract price in the event of force majeure of any early exchange water provided by Metropolitan subsequent to 2022 will be in accordance with the Exchange Agreement.

Term

4. Provide that the proposed Amendment Agreement will become effective upon the Effective Date of the QSA.
5. Provide that the proposed Amendment Agreement will terminate on the earlier of 35 years or the exchange of 5.1 maf.

Other Major Provisions

6. Recognize that SDCWA consents to and waives any right to object to acquisition of water by Metropolitan from IID under the terms of the IID/Metropolitan Acquisition Agreement.
7. Exchange water made available from the Palo Verde Program under the 1998 Metropolitan/SDCWA Exchange Agreement.
8. SDCWA and MWD will not lobby for or support any legislation relating to wheeling laws.

8.
Major Terms of
Agreement for Acquisition of Conserved Water
between Coachella Valley Water District and Metropolitan

Basic Provisions

1. Up to 75 years to:
 - a. amend the 1989 Approval Agreement among IID, CVWD, Metropolitan, and PVID,
 - b. work cooperatively to cause portions of the Coachella Canal to be lined in order to create conserved water for acquisition by Metropolitan,
 - c. provide replacement water for use by CVWD in return for payments by CVWD, and
 - d. give Metropolitan options to acquire certain conserved water as provided in the IID/Metropolitan Acquisition Agreement.

Cost to Metropolitan

2. Pay CVWD a portion of the amount actually paid by CVWD to IID for its acquisition of the second 50,000 afy from IID in the following amounts:
 - a. \$75 per acre-foot in 1999 dollars for the first 20,000 af of the second 50,000 acre-foot acquisition,
 - b. \$42.50 per acre-foot in 1999 dollars for the amount of water exceeding 20,000 af of the second 50,000 acre-foot per year acquisition up to a maximum of 30,000 af; and

Replacement Water Provided by Metropolitan for Use by CVWD

3. Obligate Metropolitan beginning in 2047 to provide up to 50,000 af of water annually for use by CVWD to replace the second 50,000 af of conserved water previously provided by IID to CVWD as follows:
 - a. reduce diversions from the Colorado River below that which it would otherwise have been absent this obligation to make water available for CVWD.
 - b. provide non-Colorado River water, subject to Metropolitan and CVWD completing all necessary arrangements.
4. Receive right to use or transfer the replacement water that may not be acquired by CVWD.
5. Receive payment from CVWD for the replacement water in an amount equal to:
 - a. \$50 in 1999 dollars per acre-foot for the first 20,000 af of replacement water,
 - b. \$82.50 in 1999 dollars per acre-foot for replacement water exceeding 20,000 af of water, up to a maximum of 30,000 af, and

Term

6. Terminate with the QSA.

9.
Major Terms of
Transfer and Exchange Agreement
between Coachella Valley Water District
and Metropolitan for 35,000 Acre-Feet per Year

Basic Provisions

1. Transfer to CVWD 35,000 af of Metropolitan's State Water Project (SWP) Table A annual entitlement.
2. Take delivery of this entitlement transfer water at Devil Canyon Afterbay.
3. Provide Colorado River Exchange Water to CVWD, in return for receiving the entitlement transfer water.
4. Forebear use of the exchange water at the Colorado River water to permit the Secretary to deliver the water at Imperial Dam or deliver the water to the Whitewater Service Connections.

Term, Costs and Payments

5. Commence term on the effective date of the QSA and end, on the earlier of the termination of the QSA, or the expiration of Metropolitan's SWP contract.
6. Contingent upon compliance with the CEQA, and the approval of the California Department of Water Resources.
7. Pay all costs for the delivery of entitlement transfer water and receive \$60 per af adjusted biannually from CVWD. CVWD is to pay any costs associated with the exchange water from Imperial Dam through the All American and Coachella Canals. If the exchange water is delivered at the Whitewater Service Connections, CVWD pays Metropolitan the Supplemental Energy Cost for delivery of the Exchange Water.

Other Major Provisions

8. Obligate Metropolitan to exchange the full 35,000 af annually for CVWD's benefit, subject to certain indemnifying conditions.

10.
Major Terms of
Allocation Agreement
among the United States Department of the Interior, Imperial Irrigation District,
Coachella Valley Water District, Metropolitan, and San Luis Rey Indian Water Rights
Settlement Parties

Basic Provisions

1. Allocates water from the All American and Coachella Canal Lining Projects for at least 110 years to Metropolitan (or San Diego County Water Authority if it chooses that Quantification Settlement Agreement [QSA]-related option prior to October 1, 2003), the San Luis Rey Indian Water Rights Settlement Parties (Settlement Parties), and under certain circumstances Imperial Irrigation District.
2. Specifies that the Secretary of the Interior determines the amount of water available for allocation on a reach by reach basis upon completion of construction based on the amounts estimated in the Bureau of Reclamation's Final Environmental Impact Statements (FEISs).
3. Requires that net additional operation, maintenance, and repair costs are to be determined by the Project's respective Operation, Maintenance, and Repair (OM&R) Coordinating Committee composed of a representative from Imperial Irrigation District (IID) (for the All American Canal [AAC] Lining Project only), Coachella Valley Water District (CVWD), Metropolitan, the Settlement Parties, and a Chairman selected by the other Committee representatives.

Water Availability

4. Determines that 67,700 and 26,000 acre-feet per year (AFY) is available from the completed All American and Coachella Canal lining projects, respectively, provided that the projects are completed as proposed in the FEISs.
5. Specifies that the Secretary determines the amount of water available for allocation if projects are only partially completed, if uncontrollable forces (e.g. earthquake) reduce the amount conserved, or if as a result of a shortage condition, All American Canal diversions are reduced affecting the amount of water conserved.
6. States the amount of water to be made available as a result of the All American Canal Lining (AACL) Project and the Coachella Canal Lining (CCL) Project following execution of a settlement agreement among the Settlement Parties, and:
 - a. following completion of construction during the term of the QSA:
 - (1) for the benefit of the Settlement Parties—11,500 AFY from the AACL Project and 4,500 AFY from the CCL Project, unless less than these amounts are conserved by one of the Projects, then up to 16,000 AFY from the other Project to offset the difference
 - (2) to Metropolitan during the term of this Agreement—the lesser of:
 - i. 77,700 AFY, or

- ii. the amount conserved minus 16,000 AFY
subject to IID's right to call on water.
- b. prior to completion of construction:
 - (1) for the benefit of the Settlement Parties during the term of the QSA—17 percent of the amount conserved, up to 11,500 AFY from the AACL Project and 4,500 AFY from the CCL Project, unless less than these amounts are conserved by one of the Projects, then up to 16,000 AFY from the other Project to offset the difference, and
 - (2) to Metropolitan during the term of this Agreement—83 percent, subject to IID's right to call on water.
- c. following termination of the QSA in proportionate amounts from each of the Projects:
 - (1) for the benefit of the Settlement Parties:
 - i. an amount not to exceed 16,000 AFY in total following completion of construction of both Projects, and
 - ii. 17 percent of the amounts respectively conserved by the AACL and CCL Projects, to be determined annually not to exceed 16,000 AFY in total prior to completion of construction or in the event of partial completion of either Project.
- 7. Includes extension of Agreement term should less than 93,700 AFY be conserved during a shortage condition until Metropolitan receives an amount of water equal to the difference between 77,700 AFY and the amounts received during shortage years.
- 8. Allocates water in accordance with priorities contained in then existing water delivery contracts with the Secretary following termination of this Agreement, subject to allocation to the Settlement Parties in perpetuity.
- 9. Includes CWVD waiver to call on water conserved by the Projects.
- 10. Limits IID's right to call on water when IID pays a proportionate share of the Project's annual Net Additional OM&R Costs and Mitigation Costs:
 - a. beginning in year 46 of the QSA to:
 - (1) half of the water available to Metropolitan, or
 - (2) 38,350 acre-feetwhichever is less when no surplus water is available, with the Agreement being extended until Metropolitan receives the amount of water called by IID;
 - b. during the term of the QSA to:
 - (1) increments of 5,000 AFY, and

- (2) when there is no adverse effect on Metropolitan
in years in which the Secretary makes surplus water available.
 - c. Following termination of the QSA when IID pays a proportionate share of the Projects' capital costs to Metropolitan.
12. Assigns water available to but unused by IID to Metropolitan. Assigns water available to but unused by Metropolitan during the term of the QSA in accordance with the terms of the Colorado River Delivery Agreement.
 13. Requires IID and CVWD to compensate MWD for the State and MWD's collective participation in the funding of the All-American Canal Lining Project and Coachella Canal Lining Project in the event the Agreement is terminated early due to litigation filed by third party, or an administrative decision by a third party. Specifies the compensation to be equal to the replacement value of the Projects less depreciation.

Net Additional Operation, Maintenance, and Repair Costs

14. Specifies the manner by which any net additional OM&R costs resulting from the projects are to be determined and requires Metropolitan, the Settlement Parties, and IID to pay their proportionate share. Unexpended payments are to be refunded to the respective parties upon termination of the Agreement.

Other Major Provisions

15. Includes a dispute resolution process with:
 - a. attempted resolution by parties' chief executives as a first step,
 - b. mediation as the second step except for cost determination disputes,
 - c. arbitration of cost determination, and
 - d. arbitration of disputes related to whether there is an adverse effect on Metropolitan due to IID diversion of canal lining projects' related water.

11.
Major Terms of
Agreement between the Metropolitan Water District of Southern California and the
California Department of Water Resources for the Acquisition of Up to 1.6 Million Acre-
feet of Conserved Colorado River Water

Basic Provisions

1. The Department and the Imperial Irrigation District have entered into a separate agreement for the conservation and transfer by IID of up to 1.6 million acre-feet of Colorado River Water.
2. The Department will make this water conserved by IID available to Metropolitan annually for purchase based on a mutually agreed upon schedule.
3. To the extent that conserved water is made available on the approved schedule under this agreement, Metropolitan will be obligated to purchase all conserved water made available.
4. Metropolitan will purchase the conserved water from the Department at a cost of \$250 per acre-foot (escalated annually). Of this per acre-foot purchase cost paid to the Department, \$175 would be provided to IID and \$75 would be placed into the Salton Sea Restoration Fund.
5. If the quantity of conserved water made available to Metropolitan in any year is less than the amount specified in the invoices for that year, Metropolitan will receive a credit or refund, as elected by Metropolitan.
6. The agreement will commence upon execution and will terminate when the Department has completed delivery of all conserved water pursuant to the agreed upon delivery schedule.
7. Metropolitan's obligation to purchase conserved water is conditioned upon the QSA legislation remaining in full force and effect.
8. Metropolitan's will not have or incur any liability for restoration of the Salton Sea.
9. The Department will credit any Salton Sea Restoration Fund expenditures funded by Metropolitan that contribute to the conservation or mitigation for species identified in the Lower Colorado River Multi-Species Plan. Any such credits will offset dollar for dollar the cost of satisfying Metropolitan obligations for the MSCP.

12.
Major Terms of
Agreement between the Metropolitan Water District of Southern California and the
California Department of Water Resources for the Payment by Metropolitan of Twenty
Dollars per Acre-foot of Special Surplus Colorado River Water Received by Metropolitan

Basic Provisions

1. Beginning in 2004, Metropolitan will be obligated to pay to the Salton Sea Restoration Fund \$20 for each acre-foot of special surplus water it receives under the Interim Surplus Guidelines
2. The agreement will terminate in 2016, the last year that special surplus water would be made available under the Interim Surplus Guidelines.
3. Metropolitan's obligation to pay for special surplus water is conditioned upon the QSA legislation remaining in full force and effect.
4. Metropolitan's will not have or incur any liability for restoration of the Salton Sea.
5. The Department will credit any Salton Sea Restoration Fund expenditures funded by Metropolitan that contribute to the conservation or mitigation for species identified in the Lower Colorado River Multi-Species Plan. Any such credits will offset dollar for dollar the cost of satisfying Metropolitan obligations for the MSCP.

13.
Major Terms of
DWR/MWD Salton Sea
Restoration and Liability Agreement

Basic Provisions

1. Provides that in consideration for Metropolitan's commitment to contribute to the Salton Sea Restoration Fund by (a) the purchase of up to 1.6 MAF of conserved Colorado River water from the State of California at \$250/AF, and (b) Metropolitan's commitment to pay \$20/AF for Special Surplus water escalated annually during the Interim Surplus Guidelines period (minus any required payback to Arizona), the State of California agrees to take on all environmental responsibility for the conservation and transfer of such conserved water and for any restoration or further environmental obligation required for the Salton Sea.

Term

2. This agreement shall last in perpetuity regardless of the amounts that are eventually contributed by Metropolitan to the Salton Sea Restoration Fund.

**14.
Major Terms of
Waiver Agreement Regarding
PVID/MWD Agreement**

Basic Provisions

IID and CVWD agree that upon commencement of the QSA and the proposed PVID/MWD Agreement, neither IID nor CVWD will interfere with Metropolitan's ability to receive water from the PVID/MWD Agreement for the term of that Agreement, even if the QSA is terminated early.

15.
Major Terms of
Exchange Agreement
among Metropolitan, the San Luis Rey Settlement Parties and the United States

Basic Provisions

1. Requires United States to furnish Metropolitan with up to 16,000 acre-feet of supplemental water per year, in an amount equivalent to the portion of the water conserved from the All American and Coachella Canal Lining Projects for the benefit of the Settlement Parties, for a term coincident with the availability of such water.
2. Specifies that the United States is to furnish to Metropolitan at no cost and at no further expense to Metropolitan 2,000 kilowatt-hours of electrical energy for each acre-foot of water exchanged. Permits the San Luis Rey Indian Water Rights Settlement Parties (Settlement Parties) to furnish energy should the United States not provide it. Requires Metropolitan to furnish energy if the United States does not provide it with energy costs to be paid from funds advanced by the Settlement Parties. Energy costs are charged at the average daily costs to procure supplemental energy.
3. Requires Metropolitan to provide, by exchange, a quantity of water to the United States for use by the Settlement Parties in an amount equal to the quantity of supplemental water furnished to Metropolitan.

Payments

4. Specifies that the United States is to pay Metropolitan \$97.19 for each acre-foot (AF) of water Metropolitan provides to the United States for use by the Settlement Parties in 2003 in exchange for Supplemental Water furnished to Metropolitan. The amount paid by the United States will increase at a rate of 1.55 percent per year.
5. Requires United States to pay Metropolitan treatment charges for each AF of treated water Metropolitan provides to the United States for use by the Settlement Parties
6. Permits Metropolitan to terminate deliveries if payments are not made by the United States or the Settlement Parties within a specified period of time.

Sale of Other Water

7. Requires Metropolitan to sell to the United States any water needed by the Indian Bands for their use, in the event provision of Supplemental Water by the United States is temporarily disrupted, up to the amount of the disruption, to the extent that providing such water will not result in shortages to Metropolitan's member public agencies. Such sales are made at Metropolitan's then current water rates and charges.

Limitations on Metropolitan's Obligations

8. Specifies that Metropolitan provides the water either at the terminus of Metropolitan's water distribution system in San Diego County or at a direct connection to the system to the extent it is operationally feasible, such connection to be constructed at no cost to Metropolitan following completion of applicable environmental compliance.

9. Allows Metropolitan to provide water to the United States for use by the Settlement Parties in the same manner as water deliveries to member public agencies which receive water from the same pipelines, including an event of a failure or malfunction in Metropolitan's distribution or conveyance system.
10. Permits Metropolitan to suspend deliveries whenever repairs or maintenance of Metropolitan's distribution system requires it without liability on the part of Metropolitan, provided that except in cases of emergency, notice of such suspension will be given to the Settlement Parties in advance.
11. Obligates Metropolitan only to provide water of the same quality as is or would be provided to its member public agencies at the same point.

Limitations on Disposition of Water Provided

12. Limits the disposition of water provided by Metropolitan by exchange to the United States to only be:
 - a. used by the La Jolla, Pala, Pauma, Rincon, and San Pasqual Bands of Mission Indians (Bands) on their reservations,
 - b. used by the City of Escondido and Vista Irrigation District (Local Entities) within their service areas,
 - c. exchanged for water from other sources for use on the Bands' reservations or in the Local Entities' service areas, and/or
 - d. leased by the Bands for use by the Local Entities in their service areas.
13. Prohibits water provided by Metropolitan from being used in any manner that results in such water or water exchanged for such water being used outside of the Bands' reservations, or outside of the Local Entities' service areas, or in a manner that would permit or result in a displacement of a sale of Metropolitan water to persons other than the Settlement Parties.

Other Major Provisions

14. Includes a dispute resolution process with:
 - a. attempted resolution by parties' chief executives as a first step,
 - b. mediation as the second step, and
 - c. arbitration as a third step.
15. Includes a waiver of sovereign immunity from lawsuit by the Indian Bands and the Indian Water Authority for:
 - a. an action to compel arbitration, and
 - b. enforcement of a determination by the arbitrators that the Indian Water Authority or the Indian Bands owe money pursuant to the terms of this Agreement.