

**Lower Colorado River Basin Intentionally Created Surplus Forbearance Agreement**

The State of Arizona, acting through the Arizona Department of Water Resources (“ADWR”); the Palo Verde Irrigation District (“PVID”); the Imperial Irrigation District (“IID”); The City of Needles; the Coachella Valley Water District (“CVWD”); The Metropolitan Water District of Southern California (“MWD”); the Southern Nevada Water Authority (“SNWA”); and the Colorado River Commission of Nevada enter into this Lower Colorado River Basin Intentionally Created Surplus Forbearance Agreement (“Forbearance Agreement”) as follows:

**Recitals**

- A. The purposes of this Forbearance Agreement are to:
1. Encourage the efficient use and management of Colorado River water, and to increase the water supply in Colorado River system reservoirs, through the creation, release, and use of Intentionally Created Surplus (“ICS”);
  2. Help avoid shortages to the Lower Basin;
  3. Benefit both Lake Mead and Lake Powell;
  4. Increase the surface elevations of both Lakes Powell and Mead to higher levels than would have otherwise occurred; and
  5. Assure any Contractor that invests in conservation or augmentation to create ICS under this Forbearance Agreement that no Contractor within another state will claim the ICS created by the Contractor.
- B. The Parties to the Forbearance Agreement and their respective authority to forbear are as follows:
1. The Arizona Department of Water Resources, through its Director, is the successor to the signatory agency of the State for the 1922 Colorado River Compact, and the 1944 Contract for Delivery of Water with the United States, both authorized and ratified by the Arizona Legislature, A.R.S. §§ 45-1301 and 1311. Pursuant to A.R.S. § 45-107, the Director is authorized and directed, subject to the limitations in A.R.S. § 45-106, for and on behalf of the State of Arizona, to consult, advise and cooperate with the Secretary of the Interior of the United States (“Secretary”) with respect to the exercise by the Secretary of Congressionally authorized authority relative to the waters of the Colorado River (including, but not limited to, the Boulder Canyon Project Act of 1928, 43 U.S.C. § 617, and the Colorado River Basin Project Act of 1968, 43 U.S.C. § 1501) and with respect to the development, negotiation and execution of interstate agreements. Additionally, under A.R.S. § 45-

105(A)(9), the Director is authorized to “prosecute and defend all rights, claims and privileges of this state respecting interstate streams.”

2. SNWA is a Nevada joint powers agency and political subdivision of the State of Nevada, created by agreement dated July 25, 1991, as amended November 17, 1994, and January 1, 1996, pursuant to N.R.S. §§ 277.074 and 277.120. SNWA is authorized by N.R.S. § 538.186 to enter into this Forbearance Agreement and, pursuant to its contract issued under Section 5 of the Boulder Canyon Project Act of 1928, SNWA has the right to divert ICS released by the Secretary for use within the State of Nevada pursuant to the Consolidated Decree.
3. The Colorado River Commission of the State of Nevada (CRCN) is an agency of the State of Nevada, authorized generally by N.R.S. §§ 538.041 and 538.251. CRCN is authorized by N.R.S. § 538.161 (6), (7) to enter into this Agreement. The CRCN, in furtherance of the State of Nevada’s responsibility to promote the health and welfare of its people in Colorado River matters, makes this Agreement to supplement the supply of water in the Colorado River which is available for use in Nevada, augment the waters of the Colorado River, and facilitate the more flexible operation of dams and facilities by the Secretary.
4. PVID is an irrigation district created under the Palo Verde Irrigation District Act, codified at Section 33-1 *et seq.* of the Appendix to the California Water Code, and delivers Colorado River water in Riverside and Imperial Counties, California, pursuant to its contract issued under Section 5 of the Boulder Canyon Project Act of 1928.
5. IID is an irrigation district created under the California Irrigation District Law, codified at Section 20500 *et seq.* of the California Water Code, and delivers Colorado River water in Imperial County, California, pursuant to its contract issued under Section 5 of the Boulder Canyon Project Act of 1928.
6. CVWD is a county water district created under the California County Water District Law, codified at Section 30000 *et seq.* of the California Water Code, and delivers Colorado River water to portions of its service area in Imperial, Riverside, and San Diego Counties, California, pursuant to its contract issued under Section 5 of the Boulder Canyon Project Act of 1928 and the California Quantification Settlement Agreement.
7. MWD is a metropolitan water district created under the California Metropolitan Water District Act, codified at Section 109-1 *et seq.* of the Appendix to the California Water Code; and delivers Colorado River water to portions of its service area in Los Angeles, Orange, Riverside, San Bernardino, San Diego and Ventura Counties, California, pursuant to its contracts issued under Section 5 of the Boulder Canyon Project Act of 1928.

8. The City of Needles is a charter city duly authorized and existing under and by virtue of the laws of the State of California and delivers Colorado River water, either directly or by exchange, to portions of Imperial, Riverside, and San Bernardino Counties, California, pursuant to its contracts issued under Section 5 of the Boulder Canyon Project Act of 1928,

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

## **Article 1 Definitions and Term**

### 1.1 Definitions.

The definitions in the Interim Surplus Guidelines (“ISG”) described in the Record of Decision dated January 16, 2001, and modified by the ROD are hereby incorporated in this Forbearance Agreement. In addition, each of the following terms shall have the meaning defined here. All defined terms shall be identified by initial letter capitalization.

- A. “Certification Report” shall mean the written documentation provided by a Contractor pursuant to Article 2.5(B) that provides the Secretary with sufficient information to verify the quantity of ICS created and that the creation was consistent with the approved project exhibit, this Forbearance Agreement, the applicable Delivery Agreement, and the ROD.
- B. “Colorado River System” shall have the same meaning as defined in the 1922 Colorado River Compact.
- C. “Consolidated Decree” shall mean the Consolidated Decree entered by the United States Supreme Court in *Arizona v. California*, 126 S.Ct. 1543, 547 U.S. 150 (2006).
- D. “Contractor” shall mean a Boulder Canyon Project Act Section 5 Contractor or an entity receiving Mainstream water pursuant to other applicable federal statute or the Consolidated Decree.
- E. “Delivery Agreement” shall mean an agreement entered into by the Secretary of the Interior and one or more Contractors seeking to create ICS, providing for delivery of ICS according to the terms of this Forbearance Agreement and the ROD.
- F. “Forbearance Agreement” shall mean this Lower Colorado River Basin Intentionally Created Surplus Forbearance Agreement.

- G. “ICS” shall mean intentionally created surplus available for use under the terms and conditions of this Forbearance Agreement and a Delivery Agreement.
1. ICS created through extraordinary conservation, as provided for in Article 2.1 herein, shall be referred to as “Extraordinary Conservation ICS.”
  2. ICS created through tributary conservation, as provided for in Article 2.2 herein, shall be referred to as “Tributary Conservation ICS.”
  3. ICS created through system efficiency projects, as provided for in Article 2.3 herein, shall be referred to as “System Efficiency ICS.”
  4. ICS created through the importation of non-Colorado River System Water, as provided for in Article 2.4 herein, shall be referred to as “Imported ICS.”
- H. “ICS Account” shall mean a record established by the Secretary under the terms of this Forbearance Agreement, a Delivery Agreement, and the ROD.
- I. “ICS Declaration” shall mean a declaration of ICS made by the Secretary pursuant to the ROD, one or more Delivery Agreements and the provisions of this Forbearance Agreement.
- J. “Lower Division States” shall mean the Colorado River Basin States of Arizona, California, and Nevada.
- K. “Mainstream” shall have the same meaning as defined in the Consolidated Decree.
- L. “Parties” shall mean all of the signatories to this Forbearance Agreement.
- M. “ROD” shall mean the Record of Decision issued by the Secretary for the Development of Lower Basin Shortage Guidelines and Coordinated Management Strategies for Lake Powell and Lake Mead, Particularly Under Low Reservoir Conditions, and including the policy for implementation of ICS.
- N. “Year” shall mean calendar year.

1.2 Term of the Forbearance Agreement.

This Forbearance Agreement shall commence on the date of execution by all Parties and shall terminate December 31, 2025; provided, however, that any ICS remaining in an ICS

Account on December 31, 2025, may be released as provided herein until December 31, 2035.

1.3 Extended Term for Tributary Conservation ICS and Imported ICS.

Notwithstanding Article 1.2, the provisions of this Forbearance Agreement for creation, and release in the Year of creation, of Tributary Conservation ICS under Article 2.2 and Imported ICS under Article 2.4, shall continue in full force and effect after termination of this Forbearance Agreement until the earlier of (1) the termination of the period provided in the ROD for the creation, release, and use of Tributary Conservation ICS and Imported ICS, or (2) fifty years from the date of execution of this Forbearance Agreement. The amount of Tributary Conservation ICS and Imported ICS that may be created, released, and used through the end of the extended term provided by this Article 1.3 shall not exceed the amount shown in, and shall be consistent with, the attached Exhibits A and B for Tributary Conservation ICS and Imported ICS. Such ICS may be released during the extended term as provided herein. The obligations of the Parties under Articles 2.5, 2.6, 3, 4, and 5 shall continue with regard to such ICS.

1.4 Seven Colorado River Basin States' Agreement

Notwithstanding Articles 1.2 and 1.3 above, if one or more states withdraw from the agreement dated April 23, 2007, executed by the seven Colorado River Basin states, the Parties to this Forbearance Agreement shall consult to determine whether to continue this Forbearance Agreement in effect or to amend or terminate this Forbearance Agreement. In such event, the terms of this Forbearance Agreement shall continue in effect until the Parties have consulted and agreed to continue, amend, or terminate this Forbearance Agreement. In the event of termination, all Parties shall be relieved from the terms hereof and this Forbearance Agreement shall be of no further force or effect.

**Article 2  
Creation and Release of ICS**

2.1 Extraordinary Conservation ICS

Pursuant to procedures set forth in the ROD, any applicable Delivery Agreements, and this Forbearance Agreement, Extraordinary Conservation ICS may be created only through the following activities:

- A. Fallowing of land that currently is, historically was, and otherwise would have been irrigated in the next Year.
- B. Canal lining programs.
- C. Desalination programs in which the desalinated water is used in lieu of Mainstream water.
- D. Extraordinary conservation programs that existed on January 1, 2006.

- E. Demonstration Extraordinary Conservation ICS programs pursuant to a letter agreement entered into between the United States Bureau of Reclamation and the Contractor prior to the effective date of the ROD.
- F. Tributary Conservation ICS created under Article 2.2 hereto and not released in the Year created.
- G. Imported ICS created under Article 2.4 hereto and not released in the Year created.
- H. Other extraordinary conservation measures, including development and acquisition of a non-Colorado River System water supply used in lieu of Mainstream water within the same state, as agreed upon by the Parties pursuant to this Forbearance Agreement.

## 2.2 Tributary Conservation ICS

Pursuant to procedures set forth in the ROD, a Contractor may create Tributary Conservation ICS by purchasing documented water rights on Colorado River System tributaries within the Contractor's state if there is documentation that the water rights have been used for a significant period of years and that the water rights were perfected prior to June 25, 1929 (the effective date of the Boulder Canyon Project Act of 1928). The quantity of Tributary Conservation ICS that may be created shall be limited to the quantity of water set forth in Exhibit A, and shall in no event be more than the quantity of such water the Secretary verifies actually flows into Lake Mead. Any Tributary Conservation ICS not released or deducted pursuant to Article 2.5(C) in the Year it was created will be converted to Extraordinary Conservation ICS at the request of the Contractor and will be subject to all provisions of this Forbearance Agreement applicable to Extraordinary Conservation ICS.

## 2.3 System Efficiency ICS

Pursuant to procedures set forth in the ROD, a Contractor may make contributions of capital to the Secretary for use in Secretarial projects designed to realize efficiencies that save water that would otherwise be lost from the Mainstream in the United States. An amount of water equal to a portion of the water saved may be made available to contributing Contractors by the Secretary as System Efficiency ICS. System efficiency projects are only intended to provide temporary water supplies and System Efficiency ICS will not be available for permanent use. The System Efficiency ICS will be released to the capital contributor on a predetermined schedule of annual deliveries for a period of years as agreed by the Parties.

## 2.4 Imported ICS

Pursuant to procedures set forth in the ROD, a Contractor may create Imported ICS by introducing non-Colorado River System water in that Contractor's state into the Mainstream. Contractors proposing to create Imported ICS shall make sufficient arrangements with the Secretary, contractual or otherwise, to guarantee that the creation of Imported ICS shall cause no harm to the Secretary's management of the Colorado River System. These arrangements shall provide that the Contractor must obtain appropriate permits or other authorizations required by state law and that the actual amount of water introduced to the Mainstream

would be reported to the Secretary on an annual basis. Any Imported ICS not released or deducted pursuant to Article 2.5(C) in the Year it was created will be converted to Extraordinary Conservation ICS at the request of the Contractor and will be subject to all provisions of this Forbearance Agreement applicable to Extraordinary Conservation ICS.

## 2.5 Creation of ICS

A Contractor may create ICS subject to the following conditions:

- A. Pursuant to procedures set forth in the ROD, a Contractor shall submit a plan for the creation of ICS to the Secretary and the Lower Division States demonstrating how all requirements of this Forbearance Agreement will be met in the Contractor's creation of ICS. System Efficiency ICS with an approved multi-year plan shall not require annual approval by the Secretary or consultation with the Lower Division States. Until such plan is reviewed and approved by the Secretary annually in consultation with the Lower Division States, such ICS plan, or any ICS purportedly created through it, cannot be a basis for an ICS Declaration. A Contractor may modify its plan for creation of ICS during any Year, subject to approval by the Secretary in consultation with the Lower Division States.
- B. Pursuant to procedures set forth in the ROD, a Contractor that creates ICS shall submit a Certification Report to the Secretary demonstrating the amount of ICS created and that its creation was consistent with this Forbearance Agreement and the ROD. The Secretary shall verify the information in the Certification Report in consultation with the Lower Division States, and provide a final written decision to the Parties. Any Party may appeal the Secretary's verification of the Certification Report through administrative and judicial processes.
- C. There shall be a one-time deduction of five percent (5%) from the amount of ICS in the Year of its creation. This deduction results in additional water in storage in Lake Mead for future use in accordance with the Consolidated Decree, the Interim Surplus Guidelines, and the ROD. This provision shall not apply to:
  1. System Efficiency ICS created pursuant to Article 2.3 of this Forbearance Agreement because a large portion of the water saved by this type of project will increase the quantity of water in storage.
  2. Extraordinary Conservation ICS created by conversion of Tributary Conservation ICS that was not released in the Year created, pursuant to Article 2.1(F) of this Forbearance Agreement, because 5% of the ICS is deducted at the time the Tributary Conservation ICS is created.
  3. Extraordinary Conservation ICS created by conversion of Imported ICS that was not released in the Year created, pursuant to Article 2.1(G) of this Forbearance Agreement, because 5% of the ICS is deducted at the time the Imported ICS is created.
- D. In addition to the conditions described above, creation of Extraordinary Conservation ICS is subject to the following conditions:

1. Except as provided in Articles 2.2 and 2.4, Extraordinary Conservation ICS can only be created if such water would have otherwise been beneficially used.
2. The maximum total amount of Extraordinary Conservation ICS that can be created during any Year is limited to the following:
  - a. 400,000 acre-feet for California Contractors;
  - b. 125,000 acre-feet for Nevada Contractors; and
  - c. 100,000 acre-feet for Arizona Contractors.
3. The maximum quantity of Extraordinary Conservation ICS that may be accumulated in all ICS Accounts, at any time, is limited to the following:
  - a. 1,500,000 acre-feet for California Contractors;
  - b. 300,000 acre-feet for Nevada Contractors; and
  - c. 300,000 acre-feet for Arizona Contractors.
4. Except as provided in Articles 2.2 and 2.4, no category of surplus water can be used to create Extraordinary Conservation ICS.
5. The quantity of Extraordinary Conservation ICS remaining in an ICS Account at the end of each Year shall be diminished by annual evaporation losses, as determined by the Secretary in consultation with the Lower Division States, provided that such losses shall not exceed three percent (3%). Losses shall be applied annually to the end-of-the-Year balance of Extraordinary Conservation ICS beginning in the Year after the ICS is created and continuing until no Extraordinary Conservation ICS remains in Lake Mead. No evaporation losses shall be assessed during a Year in which the Secretary has declared a shortage.
6. Extraordinary Conservation ICS from a project within a state may only be credited to the ICS Account of a Contractor within that state that has funded or implemented the project creating the ICS, or to the ICS Account of a Contractor within the same state as the funding entity and project and with written agreement of the funding entity.

## 2.6 Request for Release of ICS

A Contractor that has created ICS may request that the Secretary release its ICS subject to the following conditions:

- A. If a Contractor has an overrun payback obligation, as described in the October 10, 2003 Inadvertent Overrun and Payback Policy or Exhibit C to the October 10, 2003 Colorado River Water Delivery Agreement, the Contractor must pay the overrun payback obligation in full before requesting or receiving a release of any ICS. The Contractor may request that the amount of ICS in the Contractor's ICS Account be reduced by the amount of the overrun payback obligation in order to pay the overrun payback obligation.
- B. ICS shall only be released pursuant to an ICS Declaration.

- C. In addition to the conditions described above, a Contractor's request for release of Extraordinary Conservation ICS is subject to the following conditions:
1. The total amount of Extraordinary Conservation ICS that may be released in any Year is limited to the following:
    - a. 400,000 acre-feet for California Contractors;
    - b. 300,000 acre-feet for Nevada Contractors; and
    - c. 300,000 acre-feet for Arizona Contractors;
  2. If the May, 24-month study for that Year indicates that a shortage condition would be declared in the succeeding Year if the requested amounts for the current Year under Article 2.6 were released, the Secretary may release less than the amounts of ICS requested to be released.
  3. If the Secretary releases Flood Control Surplus water, Extraordinary Conservation ICS accumulated in ICS Accounts shall be reduced by the amount of the Flood Control Surplus on an acre-foot for acre-foot basis until no Extraordinary Conservation ICS remains. The reductions to the ICS Accounts shall be shared on a pro-rata basis among all Contractors that have accumulated Extraordinary Conservation ICS unless otherwise agreed to by the Contractors.

#### 2.7 Additional Terms Regarding Creation and Release of ICS

It is the specific intent of the Parties that the terms, conditions and procedures regarding the creation and release of ICS contained in this Article 2 will be applied in conformance with additional terms, conditions and procedures governing the creation and release of ICS contained in any Delivery Agreement.

### **Article 3 Forbearance**

- 3.1 In the absence of forbearance, surplus water is apportioned for use according to the percentages provided in Article II(B)(2) of the Consolidated Decree. The Parties respectively agree as follows:
- A. ADWR hereby forbears:
    1. Any right the State of Arizona may have to delivery of any ICS released in accordance with the terms and conditions set forth in this Forbearance Agreement and any applicable Delivery Agreement for use within the State of California or the State of Nevada.
    2. Any right the State of Arizona may have to the release and delivery of water for direct delivery domestic use to entities in California or Nevada under a Domestic Surplus as described in any applicable Delivery Agreement and the ROD.
  - B. PVID, IID, CVWD, the City of Needles and MWD hereby forbear:

1. Any right they may have to delivery of any ICS released in accordance with the terms and conditions set forth in this Forbearance Agreement and any applicable Delivery Agreement for use within the State of Arizona or the State of Nevada.
  2. Any right they may have to the release and delivery of water for direct delivery domestic use to entities in Arizona or Nevada under a Domestic Surplus as described in any applicable Delivery Agreement and the ROD.
- C. SNWA and CRCN hereby forbear:
1. Any right SNWA or the State of Nevada may have to delivery of any ICS released in accordance with the terms and conditions set forth in this Forbearance Agreement and any applicable Delivery Agreement for use within the State of Arizona or the State of California.
  2. Any right SNWA or the State of Nevada may have to the release and delivery of water for direct delivery domestic use to entities in Arizona or California under a Domestic Surplus as described in any applicable Delivery Agreement and the ROD.
- 3.2 Notwithstanding the foregoing forbearance of ICS, the Parties only forbear with respect to ICS that is created pursuant to exhibits attached to and incorporated within this Forbearance Agreement. This Forbearance Agreement incorporates Exhibits A through O as of the date of execution. Additional exhibits may be added to this Forbearance Agreement after written approval of all of the Parties. Such approval shall not be unreasonably withheld.
- 3.3 The Parties do not forbear any right to the release or delivery of any water that is not described in Article 3.1.
- 3.4 Forbearance of all Parties is conditioned on the following:
- A. The execution, by the Secretary and any Contractor seeking to create ICS, of a Delivery Agreement providing that the Parties to this Forbearance Agreement are third-party beneficiaries of such Delivery Agreement.
  - B. The adoption by the Secretary of a ROD implementing an ICS program in substantial conformance with the provisions of this Forbearance Agreement and any Delivery Agreement.
  - C. The continued implementation of an ICS program that is in substantial conformance with this Forbearance Agreement and any Delivery Agreement, including:
    1. The availability of the verification and appeal process described in Article 2.5(B);
    2. The establishment and use of an ICS accounting procedure by the Secretary consistent with this Forbearance Agreement and any Delivery Agreement;
    3. The Secretary's annual declaration of Normal, Surplus (other than Quantified Surplus), or Shortage conditions based on conditions in Lake Mead with consideration of the amount of ICS accumulated by the Parties. The determination of the amount of Quantified

- Surplus shall not include the volume of accumulated Extraordinary Conservation ICS; and
4. The termination of Partial Domestic Surplus as defined in the Record of Decision dated January 16, 2001, upon issuance of the ROD.

#### **Article 4 General Provisions**

- 4.1 The records of any Party to this Forbearance Agreement that relate to the creation of ICS shall be open to inspection by any other Party.
- 4.2 The Parties to this Forbearance Agreement are hereby notified of A.R.S. § 38-511.
- 4.3 The Parties agree to comply with all applicable federal or state laws relating to equal opportunity and non-discrimination.
- 4.4 Except as provided in Article 3, including additional exhibits agreed upon by the Parties pursuant to Article 3.2, nothing in this Forbearance Agreement shall be deemed to diminish or waive the rights of any Party. The failure of any Party to enforce a provision of this Forbearance Agreement shall not be deemed to constitute a waiver of that provision. The execution of, and forbearance in compliance with, this Forbearance Agreement shall not be admissible against any Party in any action except for an action to enforce the terms of this Forbearance Agreement or a Delivery Agreement.
- 4.5 No Party to this Forbearance Agreement shall be considered to be in default in the performance of any obligations under this Forbearance Agreement when a failure of performance shall be due to uncontrollable forces. The term “uncontrollable force” shall mean any cause beyond the control of the party unable to perform such obligation, including but not limited to failure or threat of failure of facilities, flood, earthquake, storm, fire, lightning, and other natural catastrophes, epidemic, war, civil disturbance or disobedience, strike, labor dispute, labor or material shortage, sabotage, restraint by order of a court or regulatory agency of competent jurisdiction, and action or non-action by, or failure to obtain the necessary authorizations or approvals from, a federal governmental agency or authority, which by exercise of due diligence and foresight such party could not reasonably have been expected to overcome. Nothing contained herein shall be construed to require any party to settle any strike or labor dispute in which it is involved.
- 4.6 The Colorado River Board of California is created by, and operates under, California Water Code sections 12500 et seq. The California Water Code charges the CRB and its officers with the duty to confer with representatives of other States in the Colorado River basin, representatives of the United States, and others

concerning problems and measures relating to the development of the Colorado River Basin, the use of the water of the Colorado River System, and the protection of the interests therein of the State, and to negotiate and to make recommendations respecting such problems and measures. Under this authority, the CRB through its officers has participated in the negotiation of, and has made recommendations concerning, this Agreement and its exhibits. Although the CRB and the State of California are not Parties to this Agreement, the Parties agree to include the CRB and its officers in any consultations under this Agreement and in any negotiations related to amendment of this Agreement and its exhibits, including the addition of exhibits under Article 3.2.

## **Article 5** **Notices**

### 5.1 Notices and Requests

A. All notices and requests required or allowed under the terms of this Forbearance Agreement shall be in writing and shall be mailed first class postage paid to the following entities at the following addresses:

CRCN:  
Colorado River Commission of Nevada  
555 E. Washington Ave., Suite 3100  
Las Vegas, NV 89101  
Attn: Executive Director, Colorado River Commission

SNWA:  
Southern Nevada Water Authority  
1001 S. Valley View Boulevard  
Las Vegas, NV 89153  
Attn: General Manager

PVID:  
Palo Verde Irrigation District  
180 West 14<sup>th</sup> Avenue  
Blythe, CA 92225  
Attn: General Manager

IID:  
Imperial Irrigation District  
333 E. Barioni Boulevard  
Imperial, CA 92251  
Attn: General Manager

CVWD:  
Coachella Valley Water District  
P. O. Box 1058  
Coachella, CA 92236  
Attn: General Manager/Chief Engineer

City of Needles:  
City of Needles  
817 Third Street  
Needles, CA 92363-2933  
Attention: City Manager

MWD:  
The Metropolitan Water District of Southern California  
700 North Alameda Street  
Los Angeles, CA 90012  
Attn: General Manager

State of California:  
Colorado River Board of California  
770 Fairmont Avenue, Suite 100  
Glendale, CA 91203-1068  
Attn: Executive Director

State of Arizona:  
Arizona Department of Water Resources  
3550 North Central Avenue  
Phoenix, AZ 85012  
Attn: Director

B. Any Party may, at any time, change its mailing address by notice to the other Parties.

## 5.2 Notices and Requests by Facsimile

A. Notices and requests may be given by facsimile among the Parties in lieu of first class mail as provided in Article 5.1. Such facsimiles shall be deemed complete upon a receipt from the sender's facsimile machine indicating that the transmission was satisfactorily completed and after phone communication with administrative offices of the recipient notifying the recipient that a facsimile has been sent.

B. The facsimile numbers of the entities listed in Article 5.1(A) are as follows:

State of Arizona: (602) 771-8681 (Attn: Director)

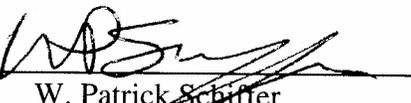
SNWA	(702) 258-3268 (Attn: General Manager)
CRCN	(702) 486-2670 (Attn: Executive Director, Colorado River Commission)
PVID	(760) 922-8294 (Attn: General Manager)
IID	(760) 339-9392 (Attn: General Manager)
CVWD	(760) 398-3711 (Attn: General Manager/Chief Engineer)
City of Needles	(760) 326-6765 (Attn: Mayor/City Manager)
MWD	(213) 217-5704 (Attn: General Manager)
CRB	(818) 543-4685 (Attn: Executive Director)

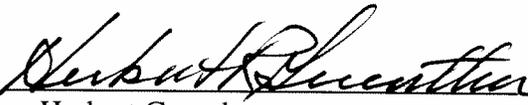
C. Any Party may, at any time, change its facsimile number by notice to the other Parties.

In Witness of this Forbearance Agreement, the Parties affix their official signatures below, acknowledging execution of this document on the 13 day of December, 2007.

Approved as to form:

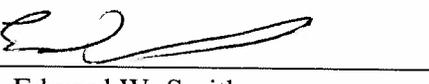
**THE STATE OF ARIZONA acting  
through the ARIZONA  
DEPARTMENT OF WATER  
RESOURCES**

By:   
W. Patrick Schiffer  
Chief Counsel

By:   
Herbert Guenther  
Director

Attest:

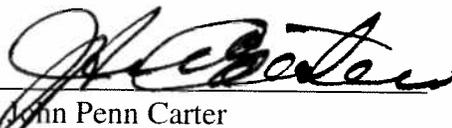
**PALO VERDE IRRIGATION  
DISTRICT**

By:   
Edward W. Smith  
General Manager

By:   
Charles VanDyke  
Chair

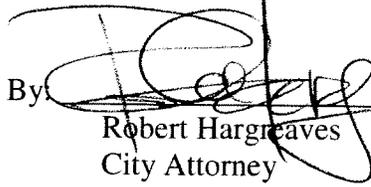
Attest and Approved:

**IMPERIAL IRRIGATION DISTRICT**

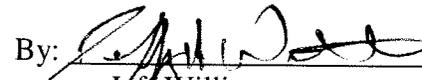
By:   
John Penn Carter  
Legal Counsel

By:   
Stella Altamirano-Mendoza  
President

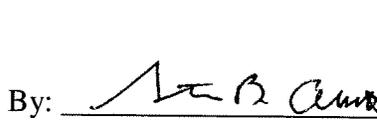
Approved as to form:

By:   
Robert Hargreaves  
City Attorney

**THE CITY OF NEEDLES**

By:   
Jeff Williams  
Mayor

Approved as to form:

By:   
Steven B. Abbott  
Legal Counsel

**COACHELLA VALLEY WATER DISTRICT**

By:   
Steven B. Robbins  
General Manager/Chief Engineer

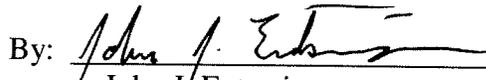
Approved as to form:

By:   
Karen L. Tachiki  
General Counsel

**THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA**

By:   
Jeffrey Hightlinger  
General Manager

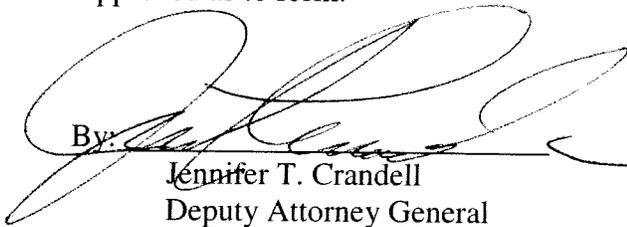
Approved as to form:

By:   
John J. Entsminger  
Deputy General Counsel

**SOUTHERN NEVADA WATER AUTHORITY**

By:   
Patricia Mulroy  
General Manager

Approved as to form:

By:   
Jennifer T. Crandell  
Deputy Attorney General

**COLORADO RIVER COMMISSION OF NEVADA**

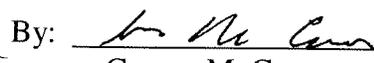
By:   
George M. Caan  
Executive Director

Exhibit A  
Southern Nevada Water Authority  
Virgin and Muddy Rivers Tributary Conservation,  
Intentionally Created Surplus (ICS) Project

**Summary:** Nevada state water rights that predate the Boulder Canyon Project Act (BCPA) on the Virgin River have a priority date of pre-1905 and were decreed by the Nevada Supreme Court in 1927. The decree allocated 17,785 acre-feet per year (afy) to the Bunkerville and Mesquite Irrigation Companies, which represents approximately 10% of the annual average flow in the Virgin River above the Irrigation Companies.<sup>1</sup> The Southern Nevada Water Authority (SNWA) currently owns shares in the Bunkerville Irrigation Company representing approximately 3,700 afy of surface water rights.

On the Muddy River, water rights were decreed in 1920 and that decree allocated the entire flow of the Muddy River. On the Lower Muddy River, the entire flow of the river is diverted by the Muddy Valley Irrigation Company (MVIC) for agricultural use. SNWA currently owns shares in the Muddy Valley Irrigation Company representing approximately 7,000 afy of surface water rights and leases approximately 2,000 afy from the LDS Church, which are not represented by MVIC shares. The LDS Church lease is for a term of 20 years, with the option to renew the lease for an additional 20 years.

SNWA anticipates acquiring a total of approximately 30,000 afy of pre-BCPA water rights from entities with rights on the Virgin and Muddy Rivers. Approximately one-third of this amount is expected to come from the Virgin River and two-thirds from the Muddy River. This is consistent with the flow volumes that were analyzed in the Final Environmental Impact Statement, Colorado River Interim Guidelines for Lower Basin Shortages and Coordinated Operations for Lake Powell and Lake Mead and in the analysis for Lake Mead for the Lower Colorado River Multi-Species Conservation Program.

Retired agricultural water rights will be conveyed to Lake Mead's Overton Arm. The pre-BCPA water rights conveyed to Lake Mead represent the full right that is and has been historically used for agricultural purposes and could have otherwise been diverted from the Virgin or Muddy River and fully consumed by SNWA for municipal purposes.

Virgin and Muddy River rights conveyed to Lake Mead will either pass through their historic points of diversion, flow through the irrigation company ditches and return to the mainstream of the Virgin or Muddy River further downstream or will remain in the mainstream of the Virgin or Muddy River. The full right documented to flow to Lake Mead will be accounted for as Tributary Conservation ICS.

Virgin and Muddy River water rights that will be utilized to create Tributary Conservation pursuant to this Exhibit A of this Forbearance Agreement include both decreed Nevada state water rights that have been in continuous use since at least 1927 and decreed Nevada state water rights with an established history of use prior to 1927 but that have experienced periods of non-

---

<sup>1</sup> Annual average Virgin River flow for water years 1931 to 2006 at the U.S. Geological Survey (USGS) Virgin River at Littlefield, AZ gage, No. 09415000 was 176,000 afy.

use in the interim. Per this Exhibit A of this Forbearance Agreement, SNWA is specifically allowed to utilize any and all pre-BCPA Virgin and Muddy River water rights decreed by a Nevada State Court prior to 1928 to create Tributary Conservation ICS regardless of those water rights history of use after 1928.

**Specific Water Rights:** The sources of water that would create Tributary Conservation ICS credits covered by these two projects include:

- i. Estimated 5,702 afy pursuant to 682 preferred shares in the Muddy Valley Irrigation Company<sup>2</sup>
- ii. Estimated 1,460 afy pursuant to 1,921 common shares in the Muddy River Irrigation Company
- iii. 2,001 afy pursuant to Certificate Nos. 6419, 25861, 26316, 26317 and 26318 (decreed Muddy River right not represented by MVIC shares).
- iv. 3,710 afy pursuant to 350 shares of Bunkerville Irrigation Company stock<sup>3</sup>
- v. Any other water rights represented by shares in the Bunkerville, Mesquite and Muddy Valley Irrigation Companies and other pre-1929 decreed rights to the Muddy and Virgin Rivers purchased or contractually acquired by SNWA.

Annual variations in the flow of the Muddy River from any cause will cause fluctuations in the quantity of water available per share in the Muddy Valley Irrigation Company and reduce or increase the quantity of Tributary Conservation ICS that is available.

**Nevada State Approval:** SNWA will acquire necessary approvals from the Nevada Division of Water Resources to allow the Nevada state water rights to be conveyed to Lake Mead to create Tributary Conservation ICS.

**Plan for Creation and Verification of ICS:** Pursuant to Sections 3.B. and 3.D. of the Interim Guidelines for the Operation of Lake Powell and Lake Mead, SNWA shall annually submit a plan to the Secretary of Interior. The annual plan will demonstrate the volume of water rights

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<sup>2</sup> Muddy River water rights were decreed in 1920 by the Tenth (now Eighth) Judicial District Court. Water rights on the lower Muddy River are divided into 2,432 preferred and 5,044 common shares of stock in the Muddy Valley Irrigation Company.

<sup>3</sup> Uses of surface water in Nevada prior to the water law of 1905 are considered vested rights, the quantification of which can only be judicially determined by a Nevada District Court in an adjudication proceeding. The Virgin River surface water uses prior to 1905 have been adjudicated by the Virgin River Decree pursuant to Proof No. 02038 filed by the Bunkerville Irrigation Company, and Proof No. 01968 filed by the Mesquite Irrigation Company. The Virgin River Decree was entered by the Tenth (now Eighth) Judicial District Court on May 14, 1927.

The Decree adjudicated water rights to Virgin River surface flow for irrigation of 1,963.08 acres for a total of 17,785.50 acre feet per year (AFY). The summer duty equals 1.0 cfs of flow for each 70 acres and the winter duty equals 1.0 cfs of flow for each 100 acres for a total duty of 9.06 afy per acre. The summer period is the months of March through September and the winter period is the months of October through February.

owned and/or contractually controlled by SNWA on the Virgin and Muddy Rivers, including any water rights in addition to those specified above that SNWA acquires subsequent to the execution of this Forbearance Agreement. The annual plan will also demonstrate how the Tributary Conservation ICS, as described in this Exhibit A will be created and accounted for to Lake Mead. Such verification plan will, at a minimum, include:

*Muddy River*

The 1920 Muddy River Decree allocated the entire flow of the Muddy River; therefore it is anticipated that accounting for Muddy River water at Lake Mead will require an annual accounting of the rights owned by SNWA based on actual USGS gage flows and a water budget of the flows on the Lower Muddy River as follows:

A. *Muddy River Rights Owned by SNWA:*

1. Upper Muddy River rights owned or contractually controlled by SNWA as quantified in the Muddy River Decree.
2. Shares of the Muddy Valley Irrigation Company owned or contractually controlled by SNWA. MVIC shares are quantified based on a percentage of the total flows (divided by total shares) in the Muddy River at the USGS Muddy River near Glendale, NV gage less the Upper Muddy River rights owned or controlled by SNWA that reach the gage.
3. Nos. 1 and 2 represent the water SNWA would release into the Lower Muddy River for the creation of ICS credits.

B. *Muddy River Flows reaching Lake Mead will be calculated as follows:*

Flows measured by USGS at Muddy River near Glendale, NV gage  
- (minus) consumptive uses by agriculture below the Glendale gage  
- (minus) direct uses by industry below the Glendale gage  
- (minus) channel evapotranspiration below Glendale gage to Lake Mead  
- (minus) evapotranspiration from the managed acreage on the Overton  
Wildlife Management Area (WMA)  

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= Total Flow to Lake Mead

C. If the total amount represented in A is equal to or greater than the amount calculated to reach Lake Mead in B, then SNWA shall be credited with the amount in B.

D. If the total amount in A is less than the amount in B, SNWA shall be credited with the amount in A.

E. Because the total volume of water SNWA currently owns and controls on the Muddy River represents a relatively small percentage of the total flow, conveyance losses of SNWA's current rights are negligible.

F. The total Muddy River flow reaching Lake Mead as calculated in B Above includes flows at the USGS Muddy River at Lewis Avenue at Overton, NV gage located just upstream of the Overton Wildlife Management Area and unmeasured underflow.

*Virgin River*

Because the Virgin River Decree allocated just 10% of the average annual flow in the Virgin River (17,785.50 afy) to irrigate 1,963.08 acres, Tributary Conservation ICS from the Virgin River can be calculated based on the reduction in agricultural acreage as follows:

Virgin River Calculation:

$$\begin{array}{l} \text{Decrease in total agricultural acreage decreed in the Bunkerville or} \\ \text{Mesquite Irrigation Companies calculated using remote sensing and a} \\ \text{Geographic Information System (as limited by the shares controlled by} \\ \text{SNWA and the acreage it represents)} \\ \hline \text{x the decreed duty per acre (9.06 acre-feet per acre)} \\ \hline \text{= Flows to Lake Mead} \end{array}$$

**Maximum ICS Created Under this Exhibit:** Maximum amount of ICS that may be created by SNWA from these projects in one calendar year is limited to 50,000 acre-feet of Virgin and Muddy River water.

**Use of SNWA 1989 Virgin River Rights:** SNWA will not use Permit Nos. 54077 and 58591 (Nevada state permits for combined duty of 113,000 afy) in the future to support new development on the lands being fallowed near the Virgin River, excepting 5,000 acre-feet of such rights that SNWA is obligated to transfer to the Virgin Valley Water District and which SNWA cannot encumber.

In Witness of this Exhibit A to the Forbearance Agreement executed contemporaneously herewith, the Parties affix their official signatures below, acknowledging approval of this document on the 13 day of December, 2007.

Approved as to form:

**THE STATE OF ARIZONA acting  
through the ARIZONA  
DEPARTMENT OF WATER  
RESOURCES**

By:

  
W. Patrick Schiffer  
Chief Counsel

By:

  
Herbert Guenther  
Director

Attest:

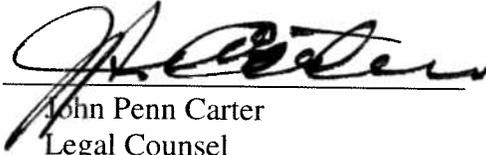
**PALO VERDE IRRIGATION DISTRICT**

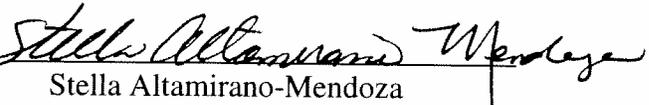
By:   
Edward W. Smith  
General Manager

By:   
Charles VanDyke  
Chair

Attest and Approved:

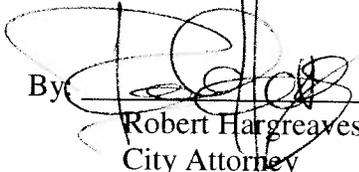
**IMPERIAL IRRIGATION DISTRICT**

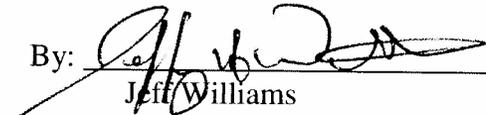
By:   
John Penn Carter  
Legal Counsel

By:   
Stella Altamirano-Mendoza  
President

Approved as to form:

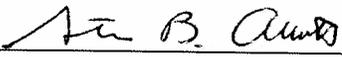
**THE CITY OF NEEDLES**

By:   
Robert Hargreaves  
City Attorney

By:   
Jeff Williams  
Mayor

Approved as to form:

**COACHELLA VALLEY WATER DISTRICT**

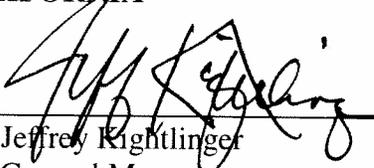
By:   
Steven B. Abbott  
Legal Counsel

By:   
Steven B. Robbins  
General Manager/Chief Engineer

Approved as to form:

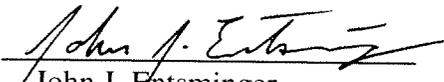
**THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA**

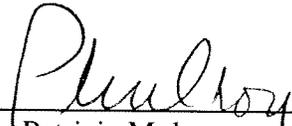
By:   
Karen L. Tachiki  
General Counsel

By:   
Jeffrey Rightlinger  
General Manager

Approved as to form:

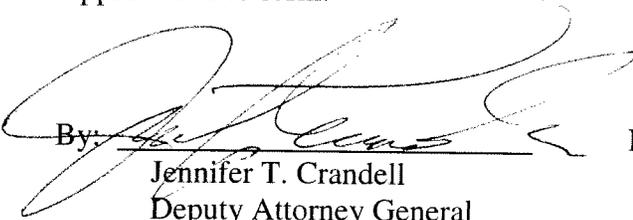
**SOUTHERN NEVADA WATER  
AUTHORITY**

By:   
John J. Entsminger  
Deputy General Counsel

By:   
Patricia Mulroy  
General Manager

Approved as to form:

**COLORADO RIVER COMMISSION  
OF NEVADA**

By:   
Jennifer T. Crandell  
Deputy Attorney General

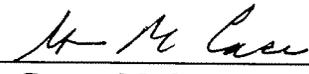
By:   
George M. Caan  
Executive Director

Exhibit B  
Southern Nevada Water Authority  
Coyote Spring Valley Groundwater, Imported Intentionally Created Surplus (ICS) Project

**Summary:** The Southern Nevada Water Authority (SNWA) plans to construct and operate a water transmission system from new and existing wells in Coyote Spring Valley into the existing Moapa Valley Water District (MVWD) storage reservoir in upper Moapa Valley. Major components of the Coyote Spring Project, which would be located on both federal and non-federal lands, include several wells, approximately 16 miles of pipeline, a regulating tank, less than 1 mile of power line, and system improvements by MVWD.

SNWA will convey its 9,000 afy of permitted water rights (see below) and possibly additional water rights granted by the Nevada Division of Water Resources, through the Coyote Spring Project. The water will then be conveyed through the MVWD's municipal supply system and discharged at a point to be determined either on the Muddy River or within the Muddy Valley Irrigation Company's irrigation system. The water would then be allowed to flow down the Muddy River to Lake Mead at which point the water becomes Imported ICS credited to SNWA's ICS Account.

**Specific Nevada State Water Rights:**

1. 9,000 afy pursuant to Permit Nos. 49414, 49660 to 49662 and 49978 to 49987.
2. Water permitted for appropriation by the Nevada State Engineer pursuant to Application Nos. 54055 through 54059, inclusive.
3. Any effluent generated by the direct use of water rights specified in paragraphs 1 and 2 above by the Moapa Valley Water District or other municipal agency outside of the Las Vegas Valley and treated and discharged to Lake Mead in accordance with all applicable state and federal laws.

**Nevada State Approval:** SNWA will acquire necessary approvals from the Nevada Division of Water Resources to permit the Nevada state water rights to be conveyed to Lake Mead to create Imported ICS and Developed Shortage Supply. SNWA's state groundwater rights are subject to a monitoring plan mandated by the Nevada State Engineer that will determine effects, if any, of SNWA's groundwater development in the Coyote Spring Valley on the Muddy River.

**Verification Plan:** Pursuant to Sections 3.B. and 3.D. of the Interim Guidelines for the Operation of Lake Powell and Lake Mead, SNWA shall annually submit a plan to the Secretary of the Interior demonstrating how the Imported ICS described in this Exhibit B will be accounted for at Lake Mead. Coyote Spring water introduced into the Muddy River Channel in the Lower Moapa Valley will be metered and will be in addition to SNWA Muddy River Tributary Conservation ICS that will be in the channel as derived from the flows in the Muddy River at the U.S. Geological Survey Glendale gage.

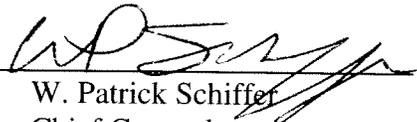
Consumptive use by evapotranspiration in the Muddy River Channel and Overton Wildlife Management Area will be accounted for in the Muddy River Verification Plan for the Tributary Conservation ICS.

**Maximum ICS Created Under this Exhibit:** Maximum amount of water that may be created by SNWA from these projects in one calendar year is limited to 15,000 acre-feet.

In Witness of this Exhibit B to the Forbearance Agreement executed contemporaneously herewith, the Parties affix their official signatures below, acknowledging approval of this document on the 13 day of December, 2007.

Approved as to form:

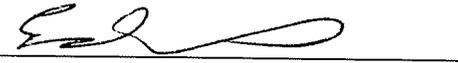
**THE STATE OF ARIZONA acting  
through the ARIZONA  
DEPARTMENT OF WATER  
RESOURCES**

By:   
W. Patrick Schiffer  
Chief Counsel

By:   
Herbert Guenther  
Director

Attest:

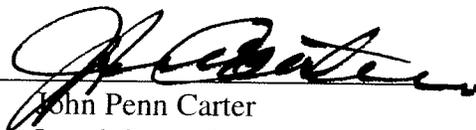
**PALO VERDE IRRIGATION  
DISTRICT**

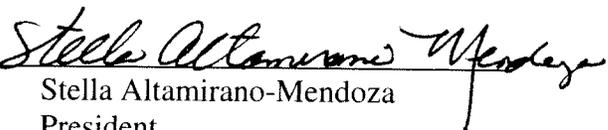
By:   
Edward W. Smith  
General Manager

By:   
Charles VanDyke  
Chair

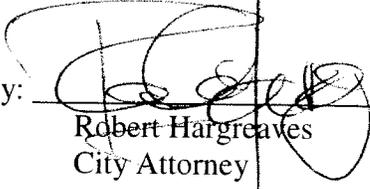
Attest and Approved:

**IMPERIAL IRRIGATION DISTRICT**

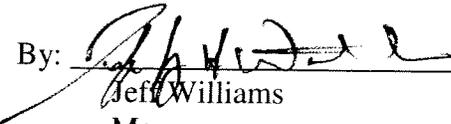
By:   
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Legal Counsel

By:   
Stella Altamirano-Mendoza  
President

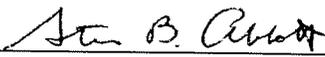
Approved as to form:

By:   
Robert Hargreaves  
City Attorney

**THE CITY OF NEEDLES**

By:   
Jeff Williams  
Mayor

Approved as to form:

By:   
Steven B. Abbott  
Legal Counsel

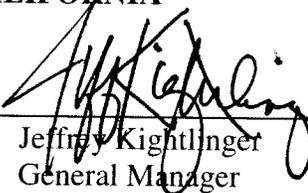
**COACHELLA VALLEY WATER DISTRICT**

By:   
Steven B. Robbins  
General Manager/Chief Engineer

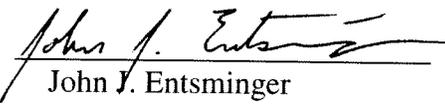
Approved as to form:

By:   
Karen L. Tachiki  
General Counsel

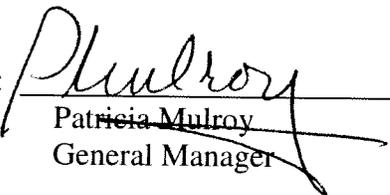
**THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA**

By:   
Jeffrey Kightlinger  
General Manager

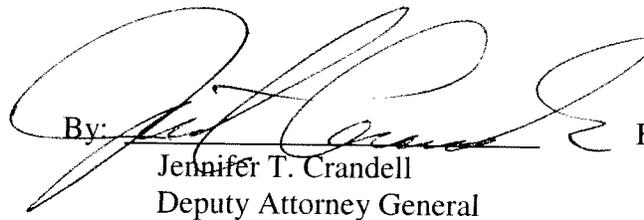
Approved as to form:

By:   
John J. Entsminger  
Deputy General Counsel

**SOUTHERN NEVADA WATER AUTHORITY**

By:   
Patricia Mulroy  
General Manager

Approved as to form:

By:   
Jennifer T. Crandell  
Deputy Attorney General

**COLORADO RIVER COMMISSION OF NEVADA**

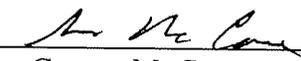
By:   
George M. Caan  
Executive Director

Exhibit C  
Drop 2 Reservoir System Efficiency Project

1. **Type:** System Efficiency ICS project that will save water that would otherwise be non-storable and lost to the Colorado River Mainstream in the United States through the construction of Drop 2 Reservoir near the All-American Canal in California (*see* §3(A)(3) of the *Interim Guidelines for the Operation of Lake Powell and Lake Mead*).
2. **Purpose:** Provide Southern Nevada Water Authority (SNWA) with an assured interim water supply in accordance with §8 of the Agreement Concerning Colorado River Management and Operations effective as of April 23, 2007. In addition, provide interim supplies to others as discussed below.
3. **Project Description:** In 2005, Reclamation completed a study to identify potential alternatives for replacing lost storage capacity at Senator Wash Dam, reduce excess deliveries to Mexico, improve lower river operational control, and avoid mismatches in water orders and diversions from the river below Parker Dam. The study determined that building a small reservoir near the All-American Canal was the best alternative to meet these objectives for saving Colorado River water. This reservoir would allow Reclamation to store water that would be otherwise un-storable so it is available to augment the water supply available for use in the lower basin.

In general, the Project consists of (i) a reservoir approximately 615 acres in size with a capacity of about 8,000 acre-feet, (ii) an inlet canal about 6.5 miles long to connect the All-American Canal and the reservoir, and (iii) inverted siphon and outlet canal connecting the reservoir to the All-American Canal. Location: Former Brock Ranch Research Center.

The Project is currently estimated to (i) cost \$172 million to design and construct (ii) have a useful life of at least 50 years, and (iii) generate at least 3.5 million acre-feet of saved water over its estimated useful life.

In December 2006, Congress directed the Secretary to design and provide for the construction, operation, and maintenance of a regulated water storage facility at or near the All-American Canal to provide additional storage capacity to reduce non-storable Colorado River flows below Parker Dam. The Project is this facility. Congress directed the Secretary to do so “without delay,” “upon the date of enactment of this Act,” and “notwithstanding any other provision of law.”

4. **Capital Contribution:** Negotiated among the Secretary, SNWA, and Colorado River Commission of Nevada (CRC). Central Arizona Water Conservation District (CAWCD) and Metropolitan Water District of California (Metropolitan) can each elect to participate at a later date based on the terms and conditions of the agreement for the construction and funding of the Project, Contract No. 07-XX-30-W0516, as executed December 13, 2007, hereinafter referred to as the “Drop 2 Funding Agreement.”

5. **Quantity of System Efficiency ICS:** The total amount of System Efficiency ICS credited to SNWA, CAWCD, and Metropolitan's ICS Accounts from this Project will be determined as follows:

A. If actual Project costs total \$172 million or less:

1. SNWA will be credited 600,000 acre-feet;
2. If CAWCD and Metropolitan elect to participate, each will be credited 100,000 acre-feet and contribute 1/6 of actual Project costs, not to exceed \$28,666,667. SNWA's account will be deducted the same amount (200,000 acre-feet);
3. If either Metropolitan or CAWCD elect not to participate and the other elects to additionally participate, then that party will be credited an additional 50,000 acre-feet and contribute an additional 1/12 of the actual project costs, not to exceed \$14,333,333 for a total contribution of 1/4 of the actual project costs, not to exceed \$43,000,000. SNWA's account will be deducted the same amount (50,000 acre-feet for additional participation and 150,000 acre-feet in total).

B. If actual Project costs total more than \$172 million but less than \$206 million CAWCD and/or Metropolitan's contribution and benefit will remain the same and SNWA will:

1. Receive an additional acre-foot for every \$600 contributed above and beyond \$172 million;
2. SNWA will solely fund any Project costs in excess of \$172 million, not to exceed \$206 million.

6. **Availability of ICS to SNWA, CAWCD, and Metropolitan:** As provided in the Drop 2 Funding Agreement, the Secretary shall credit each Contractor's ICS Account at the time of the capital contribution. Also, the Secretary shall deliver ICS to the Contractors pursuant to the attached "Schedule for Annual Deliveries of System Efficiency ICS" below.

7. **System Benefit:** Amount of water by which Lake Mead will be enhanced because of this Project: Full system advantage of Drop 2 Reservoir Project (estimated to be at least 3.5 million acre feet over the life of the Project), less maximum amount of System Efficiency ICS credited to SNWA, CAWCD, and Metropolitan pursuant to paragraph 5.

8. **Reclamation Authority:** Authority: Reclamation Act of 1902, 32 Stat. 388, as amended and supplemented, including in particular, Boulder Canyon Project Act, 45 Stat. 1057, Act of March 4, 1921, 41 Stat. 1404, Act of January 21, 1927, 44 Stat. 1010, chapter 47, designated

the Colorado River Front Work and Levee System, as amended and P.L. 109-432, 120 Stat. 2922 §396.

### Schedule for Annual Deliveries of System Efficiency ICS

Year	Maximum Delivery to Each Party (acre-feet)		
	SNWA	Metropolitan	CAWCD
2008	0	100,000 total (annual maximum: see notes 2 and 3 below)	0
2009			
2010			
2011			
2012	100,000 total (annual maximum of 40,000)	100,000 total (annual maximum: see notes 2 and 3 below)	0
2013			
2014			
2015			
2016			
2017	Remaining balance in SNWA's ICS Account per the Drop 2 Funding Agreement (annual maximum of 40,000)	Remaining balance in Metropolitan's ICS Account per the Drop 2 Funding Agreement (annual maximum of 25,000; see note 4 below)	100,000 total (annual maximum of 65,000 less any water used by SNWA and/or Metropolitan in any year)
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
<b>Total Maximum</b>	See note 4 below	100,000 (see note 5 below)	100,000 (see note 5 below)

1. All annual maximum values represent the calendar year maximum annual consumptive use of System Efficiency ICS. The actual System Efficiency ICS ordered and used may be less.

2. 2008-2010: If Metropolitan elects to participate, only Metropolitan may take delivery of System Efficiency ICS with an annual maximum use of 34,000 acre-feet. In accordance with Section 3.C.5. of the Guidelines, if the May 24-Month Study indicates that any ICS requested to

be delivered by Metropolitan will cause a Shortage Condition to be determined in the succeeding year, then the Secretary may deliver less than the amount of ICS requested to be delivered to Metropolitan. If a shortage is declared by the Secretary in accordance with Section 2.D. of the Guidelines in 2011 or 2012, then Metropolitan must payback any System Efficiency ICS used by Metropolitan from 2008 through 2010 in the shortage year. Metropolitan shall effect payback in the same manner as provided in Reclamation's Inadvertent Overrun and Payback Policy, 69 FR 12202, March 15, 2004, unless the Parties agree on an alternative method of payback. If Metropolitan has implemented a shortage allocation plan to reduce deliveries to its member agencies or the return of such water would cause Metropolitan to implement such a shortage allocation plan in that year, then the Parties shall meet and confer to discuss alternative methods of payback. Any System Efficiency ICS that is paid back under this provision shall be restored to Metropolitan's ICS Account. If Metropolitan does not elect to participate, no parties may request delivery of System Efficiency ICS during this period.

3. 2011-2015: SNWA may take delivery of System Efficiency ICS with an annual maximum use of 40,000 acre-feet not to exceed 100,000 acre-feet in total. If Metropolitan elects to participate and has not received delivery of 100,000 acre-feet of System Efficiency ICS from 2008 through 2010, or has paid back any System Efficiency ICS in 2011 or 2012, Metropolitan may use an additional 25,000 acre-feet per year of System Efficiency ICS, not to exceed 100,000 acre-feet in total from 2008 through 2015. The only years in which delivery of System Efficiency ICS would exceed 40,000 acre-feet per year are the years in which Metropolitan is using System Efficiency ICS as described above. The total amount of System Efficiency ICS used by SNWA and Metropolitan will not exceed 200,000 acre-feet. CAWCD will not request delivery of System Efficiency ICS during this period if CAWCD elects to participate.

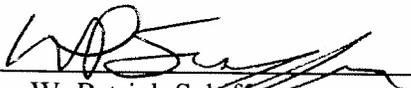
4. 2016-2036: The annual maximum delivery of System Efficiency ICS is 65,000 acre-feet. SNWA may take delivery of System Efficiency ICS with an annual maximum use of 40,000 acre-feet up to 500,000 acre-feet plus any unused System Efficiency ICS from 2011 to 2015 plus any System Efficiency ICS available as a result of the Project costs exceeding \$172 million pursuant to Section 7 of the Drop 2 Funding Agreement, minus any System Efficiency ICS used by CAWCD and/or Metropolitan if they elect to participate. If Metropolitan and CAWCD elect to participate and Metropolitan has not received delivery of 100,000 acre-feet of System Efficiency ICS from 2008 through 2015, after accounting for any System Efficiency ICS payback in 2011 or 2012, Metropolitan may use an additional 25,000 acre-feet per year of System Efficiency ICS, not to exceed 100,000 acre-feet in total from 2008 through 2036. CAWCD may take delivery of an annual maximum of 65,000 acre-feet of System Efficiency ICS less any System Efficiency ICS used by SNWA and/or Metropolitan in any year not to exceed 100,000 acre-feet in total from 2016 through 2036. The only years in which delivery of System Efficiency ICS would exceed 40,000 acre-feet are the years in which Metropolitan and/or CAWCD are using System Efficiency ICS as described above.

5. If either CAWCD and/or Metropolitan do not elect to participate, and the other Elector executes an additional Notice of Election to Participate, that Elector's Maximum Delivery increases from 100,000 acre-feet in total to 150,000 acre-feet in total and that total is deemed substituted in Notes 3 and 4 above. SNWA will not request delivery of System Efficiency ICS associated with the Project in an amount greater than 40,000 acre-feet in any year.

In Witness of this Exhibit C to the Forbearance Agreement executed contemporaneously herewith, the Parties affix their official signatures below, acknowledging approval of this document on the 13 day of December, 2007.

Approved as to form:

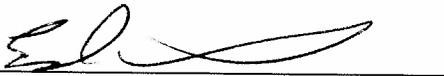
**THE STATE OF ARIZONA acting  
through the ARIZONA  
DEPARTMENT OF WATER  
RESOURCES**

By:   
W. Patrick Schiffer  
Chief Counsel

By:   
Herbert Guenther  
Director

Attest:

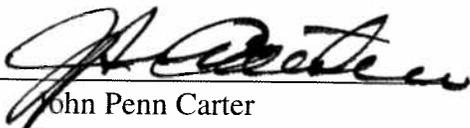
**PALO VERDE IRRIGATION  
DISTRICT**

By:   
Edward W. Smith  
General Manager

By:   
Charles VanDyke  
Chair

Attest and Approved:

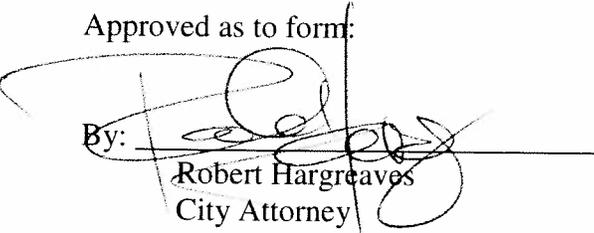
**IMPERIAL IRRIGATION DISTRICT**

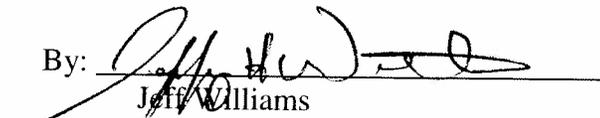
By:   
John Penn Carter  
Legal Counsel

By:   
Stella Altamirano-Mendoza  
President

Approved as to form:

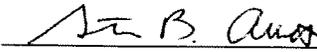
**THE CITY OF NEEDLES**

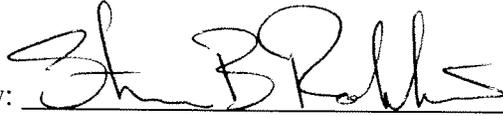
By:   
Robert Hargreaves  
City Attorney

By:   
Jeff Williams  
Mayor

Approved as to form:

**COACHELLA VALLEY WATER DISTRICT**

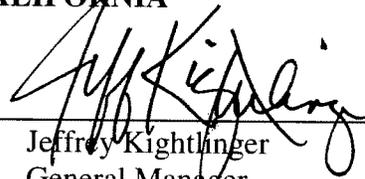
By:   
Steven B. Abbott  
Legal Counsel

By:   
Steven B. Robbins  
General Manager/Chief Engineer

Approved as to form:

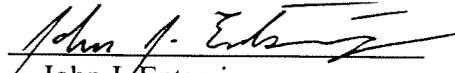
**THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA**

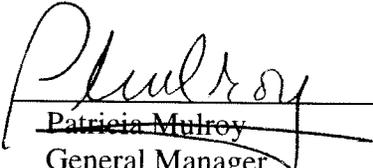
By:   
Karen L. Tachiki  
General Counsel

By:   
Jeffrey Kightlinger  
General Manager

Approved as to form:

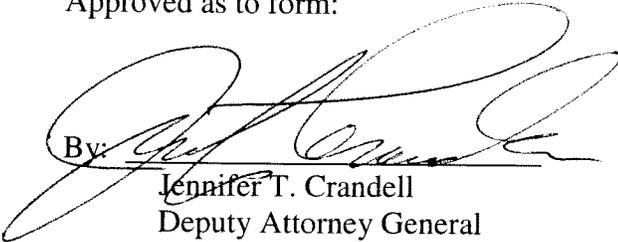
**SOUTHERN NEVADA WATER AUTHORITY**

By:   
John J. Entsminger  
Deputy General Counsel

By:   
~~Patricia Mulroy~~  
General Manager

Approved as to form:

**COLORADO RIVER COMMISSION OF NEVADA**

By:   
Jennifer T. Crandell  
Deputy Attorney General

By:   
George M. Caan  
Executive Director

Exhibit P  
Yuma Desalting Plant Pilot Run

In accordance with Paragraph 3.2 of the Lower Colorado River Basin Intentionally Created Surplus Forbearance Agreement (Forbearance Agreement) dated December 13, 2007, the State of Arizona, acting through the Arizona Department of Water Resources (ADWR); the Palo Verde Irrigation District (PVID); the Imperial Irrigation District (IID); the City of Needles; the Coachella Valley Water District (CVWD); The Metropolitan Water District of Southern California (MWD); the Southern Nevada Water Authority (SNWA); and the Colorado River Commission of Nevada (CRCN) (collectively, "the Parties") hereby agree to the addition of this Exhibit "P" to the Forbearance Agreement.

1. **Type:** System Efficiency Intentionally Created Surplus (ICS) project that will conserve water that would otherwise be delivered from lower Colorado River system storage to replace water conveyed through the bypass drain to the Ciénega de Santa Clara. Absent this System Efficiency ICS project, the water conveyed through the bypass drain is not counted as part of the U.S. treaty delivery to Mexico.
2. **Purpose:** Test operation of the Yuma Desalting Plant (YDP) and, among other things, evaluate maintenance and repair needs, replacement requirements, operational challenges and costs of potential future long-term YDP operation. Although not the purpose of test operation a benefit of test operation of the YDP is the production of desalinated Main Outlet Drain Extension (MODE) water to be released to the Colorado River with additional MODE water to be released to the Gila River Pilot Channel to then flow into the Colorado River for delivery to Mexico under the Mexican Water Treaty of 1944 (Treaty) in a Pilot Run. Any subsequent operation of the YDP will be the subject of a separate decision process. This Exhibit P provides forbearance solely for the Pilot Run.
3. **Project Description:** The YDP was built to desalt saline water to permit this water to be used in the United States or delivered to Mexico in accordance with International Boundary and Water Commission, United States and Mexico Minute 242. Currently, the United States does not operate the YDP and instead conveys saline water through the bypass drain to Mexico. An equivalent amount of water is released from lower Colorado River system storage to replace the water entering the bypass drain.

Pilot Run operation of the YDP will provide cost and operational information that can only be obtained through actual YDP operation. Pilot Run operation of the YDP will occur for 365 operation days which may be non-continuous within 12 to 18 months from the first date of Pilot Run operation. MODE water from Wellton Mohawk Irrigation and Drainage District will be the source of water for desalting at the YDP during Pilot Run operation. Desalinated MODE water will be

released to the Colorado River approximately concurrent with releases of untreated MODE water to the Gila River Pilot Channel.

Proposed Pilot Run operation of the YDP, if approved, is expected to begin in 2010 and continue into 2011 and to produce approximately 29,000 acre-feet of desalinated and untreated MODE water.

4. **Capital Contribution:** As described in Contract No. 09-XX-30-W0538 and Contract No. 09-XX-30-W0541 among the U.S. Bureau of Reclamation, MWD, SNWA, CRCN and the Central Arizona Water Conservation District (CAWCD).
5. **Quantity of System Efficiency ICS:** A volume of ICS equivalent to: the total volume of treated MODE water released to the Colorado River during Pilot Run operation and untreated MODE water released to the Gila River Pilot Channel for delivery under the Treaty will be credited to MWD, SNWA and CAWCD's ICS Accounts in proportion to the capital contribution of each Contractor after MODE water has been desalinated, measured and released to the Colorado River with untreated MODE water. This constitutes a portion of the total water conserved under the Pilot Run in that the release of the desalinated water to the Colorado River during Pilot Run operation immediately upstream of the point of delivery for Treaty obligations and untreated water released to the Gila River Pilot Channel results in a savings in conveyance losses otherwise incurred by the release of water from lower Colorado River system storage for delivery to Mexico.

ICS will be created for up to 365 YDP Pilot Run operation-days and must be created within 18 months of the first day of operation. Based on projections calculated from currently existing data, Reclamation anticipates that the total amount of System Efficiency ICS developed under the Pilot Run will be 29,000 acre-feet. This projection is subject to variable plant operating recovery rates during the course of the 365-day YDP operation and therefore Reclamation will calculate ICS credits on the basis of the total actual amount of treated and untreated water released for delivery to Mexico under Pilot Run operation. Because plant operating recovery rates cannot be predicted with precision based on existing data, and because of the necessity of certainty in determining the scope of forbearance, the forbearance provided for the Pilot Run under this Exhibit P is capped at 31,000 acre-feet.

6. **Schedule of Deliveries:** MWD, SNWA, and CAWCD may request delivery of any volume of ICS created pursuant to this Exhibit P at any time after the ICS is created.
7. **System Benefit:** It is expected that system benefits will be gained as the Pilot Run is anticipated to increase Colorado River system storage until CAWCD, SNWA, and MWD call on all of their accrued System Efficiency ICS credits. Also, making direct delivery of the water to Mexico in lieu of releasing the water

from lower Colorado River system storage reduces conveyance losses. Finally, the YDP Pilot Run is designed to gather benchmark performance and cost information and determine whether any additional corrective actions to plant design or equipment would be necessary for potential future long-term operation. This information will permit informed decisions to be made regarding potential future long-term operation of the YDP, potentially increasing Colorado River system storage over time. Any future ICS projects involving YDP operation may be subject to different assessments for system benefits.

8. **Reclamation Authority:** Reclamation Act of 1902, 32 Stat. 388, as amended and supplemented, including in particular, Boulder Canyon Project Act, 45 Stat. 1057, Act of March 4, 1921, 41 Stat. 1404, Act of January 21, 1927, 44 Stat. 1010, chapter 47, designated the Colorado River Front Work and Levee System, as amended and P.L. 109-432, 120 Stat. 2922 §396.
9. **Counterparts:** This Exhibit P to the Forbearance Agreement may be executed in counterparts, each of which shall be an original and all of which, together, shall constitute only one Exhibit P to the Forbearance Agreement.

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In Witness of this Exhibit P to the Forbearance Agreement executed on December 13, 2007, the Parties affix their official signatures below, acknowledging approval of this document on this 28th day of October, 2009.

Approved as to form:

THE STATE OF ARIZONA acting through  
the ARIZONA DEPARTMENT OF  
WATER RESOURCES

By: Nicole D. Klobas  
Nicole D. Klobas  
Deputy Counsel

By: Herbert R. Guenther  
Herbert R. Guenther  
Director

Attest:

PALO VERDE IRRIGATION DISTRICT

By: Edward W. Smith  
Edward W. Smith  
General Manager

By: Charles H. Van Dyke  
Charles H. Van Dyke  
Chairman

Attest and Approved:

IMPERIAL IRRIGATION DISTRICT

By: John Penn Carter  
John Penn Carter  
Legal Counsel

By: James C. Hanks  
James C. Hanks  
President

Approved as to form:

THE CITY OF NEEDLES

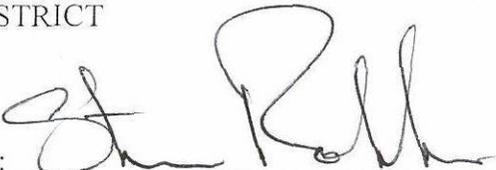
By: John Pinkney  
John Pinkney  
City Attorney

By: Patrick Murch  
~~Jeff Williams~~ Patrick Murch  
Mayor-Vice

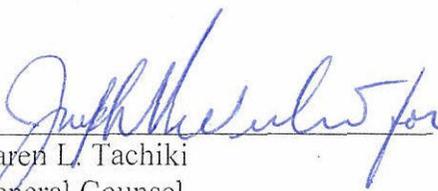
Approved as to form:

By:   
Steven B. Abbott  
Legal Counsel

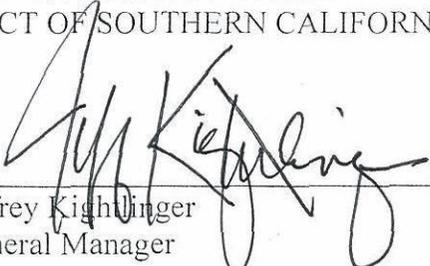
COACHELLA VALLEY WATER DISTRICT

By:   
Steven B. Robbins  
General Manager/Chief Engineer

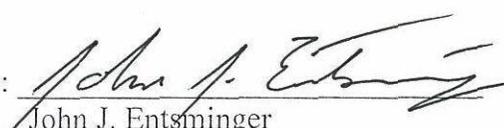
Approved as to form:

By:   
Karen L. Tachiki  
General Counsel

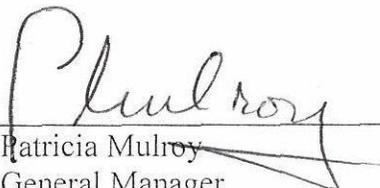
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

By:   
Jeffrey Kightlinger  
General Manager

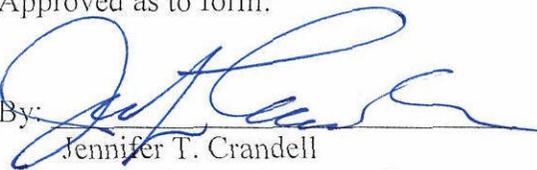
Approved as to form:

By:   
John J. Entsminger  
Deputy General Counsel

SOUTHERN NEVADA WATER AUTHORITY

By:   
Patricia Mulroy  
General Manager

Approved as to form:

By:   
Jennifer T. Crandell  
Senior Deputy Attorney General

COLORADO RIVER COMMISSION OF NEVADA

By:   
George M. Caan  
Executive Director