



Special Legal and Claims Committee

Overview Settlement of SDCWA v. Metropolitan, et al.

Item 7a

June 23, 2025

SDCWA v. MWD, et al. Settlement Overview

Exchange Agreement Price Term

Previous Agreement: Unit price tied to MWD transportation rate elements - equivalent to MWD's generally applicable rates for conveyance adopted "pursuant to applicable laws and regulations"

Current Agreement:

- Fixed unit price at specified \$ amount
- 10-year price schedule, escalated at 4.6% average annual increase through 2034
 - 2025: \$622/AF – 2034: \$930/AF
- Neutral index for escalation beyond 10 years

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New Price through 2034

Exchange Price Term CYs 2025 – 2034

Effective Date	Exchange Price \$ per AF
January 1, 2025	\$622 (Already paying this)
January 1, 2026	\$671
January 1, 2027	\$671
January 1, 2028	\$703
January 1, 2029	\$737
January 1, 2030	\$772
January 1, 2031	\$809
January 1, 2032	\$848
January 1, 2033	\$888
January 1, 2034	\$930

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New Price Escalator

Years 11 Through Remainder of Term: Price per AF adjustment per Consumer Price Index for All Urban Consumers (CPI-U) for water and sewerage, as published by the U.S. Bureau of Labor Statistics

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

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New Fixed Revenue for Metropolitan

Previous Agreement: All volumetric unit price for water exchanged

Current Agreement: Minimum annual payment for a fixed amount

- Beginning Jan. 1, 2026– SDCWA to pay minimum Exchange Unit Price for 227,000 AF each year regardless of amount of water actually exchanged
- Fixed amount billed in 12 equal installments

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Flexibility in Deliveries for SDCWA

Previous Agreement: Deliveries in 12 equal installments

Current Agreement: SDCWA has flexibility to take deliveries as needed and as operationally feasible for MWD and SDCWA

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Potential Term Extension

Previous Agreement: Term for IID Transfer Water ends in 2047

Current Agreement: Potential for automatic extension to match IID Transfer Agreement extension. Otherwise, MWD Board must approve

- Automatic extension, unless:
 - Amount of transfer is reduced by more than 50,000/AF
- The term of the Exchange Agreement for canal lining water remains through 2112

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SDCWA Transfers to Benefit Metropolitan Service Area

Previous Agreement: All IID conserved water transferred or canal lining water allocated to SDCWA will be made available for exchange

Current Agreement: SDCWA may transfer water as follows:

- First Right of Refusal – to MWD Member Agencies
 - May transfer right to receive exchange water deliveries to MA; price to be negotiated between SDCWA and MA; nothing else changes in the exchange of water
- Second Right of Refusal – to MWD
 - May transfer IID and/or canal lining water to MWD at Lake Havasu @ designated price

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Metropolitan's Second Right of Refusal – Applicable Purchase Price

Price set at Melded Price of IID and Canal Lining Water Costs

Flow Weighted Average Price Formula	Price \$ per AF
<div>Total Annual Transfer Agreement Water Costs ± Total Annual Canal Lining Costs</div> <div><u>Divided by</u></div> <div>Total water available for transfer to SDCWA from IID and total canal water allocated to SDCWA in the year of the offer</div>	<div></div> <div>\$/AF</div>

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SDCWA Transfers to Benefit Metropolitan Service Area – Process and Scope

- Notice timing and process outlined in agreement
- Rights to transfer pertain to the Exchange Agreement between the parties—nothing in the new Exchange Agreement governs SDCWA's ability to make such transfers under IID Agreement, Allocation Agreement for canal lining water, or Colorado River laws, rules, or regulations.

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Overview of Other Terms

- Water Ownership - Clarified further nature of exchange transaction by confirming MWD owns the water when Made Available at Lake Havasu.
- Waivers and Releases - SDCWA and Metropolitan each release and waive all claims whether known or unknown
- Dismissals - Pending cases will be dismissed within 21 days of agreement, with prejudice including all complaints, cross-complaints, claims and cross-claims and the cases pending in the Court of Appeal

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Overview of Other Terms – Offsetting Benefits

- Any future challenge by SDCWA of any acts or omissions shall not include any claim by SDCWA that Metropolitan is required to and/or has failed to determine “Offsetting Benefits” in connection with any of its prior rates, and/or that Metropolitan is required to and/or has failed to apply “Offsetting Benefits” to the Exchange agreement including to the price for any water delivered under the Exchange Agreement through the Termination Date of the Exchange Agreement.

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Overview of Other Terms (Cont'd)

- Payment to MWD – SDCWA to pay attorneys' fees and costs for 2014-2018 cases ~ \$3.77 million within 21 days of filing of dismissals
- The Parties agree to meet every five years during the term of the Agreement to discuss ongoing implementation of the Agreement.
- This does not create a unilateral right of either party to an amendment or modification of the Agreement.

