THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Board Action

- **Board of Directors**
  Finance and Asset Management Committee

4/9/2024 Board Meeting

8-2

Subject

Approve and authorize the distribution of Appendix A for use in the issuance and remarketing of Metropolitan's Bonds; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

This board letter requests authorization to finalize and include Appendix A in Metropolitan's bond offering statements for use with future financings. With Board approval, staff will finalize Appendix A for distribution to potential investors as part of an offering statement. The first of three or more potential financings for calendar year 2024 is expected to price on or about April 24, 2024; however, distribution of the preliminary offering statement to investors is expected to occur on April 17, 2024. This window of time, between the distribution of the preliminary offering statement and the pricing date, enables Metropolitan and its underwriting team to market the bonds for broad investor participation to achieve the best pricing execution that produces the lowest debt service costs.

Proposed Action(s)/Recommendation(s) and Options

Staff Recommendation: Option #1

Option #1

a. Approve the draft of Appendix A attached to this board letter (**Attachment 1.**)

b. Authorize the General Manager, or other designee of the Ad Hoc Committee, to finalize, with changes approved by the General Manager and General Counsel, Appendix A.

c. Authorize distribution of Appendix A, finalized by the General Manager or other designee of the Ad Hoc Committee, in connection with the sale and/or remarketing of bonds.

Fiscal Impact: Approval will enable Metropolitan to undertake bond issuances and remarketings to meet the District's commitments for existing debt obligations, including mandatory tenders, in the most cost-effective manner in the current market.
Business Analysis: It is Metropolitan's practice to actively manage its debt portfolio in an efficient and cost-effective manner. This approval will enable staff to accomplish this objective and to transition certain short-term obligations to long-term bonds, thereby relieving cashflow pressures.

Option #2

Do not approve Option #1
Fiscal Impact: Metropolitan would not have a current disclosure in order to participate in bond financings and, therefore, would not be able to meet Metropolitan's commitments for existing debt obligations in the most cost-effective manner in the current market. Instead, Metropolitan would be required to use reserves on hand to meet its existing debt obligations, lowering reserve balances below the required minimums.
Business Analysis: Metropolitan would forgo the opportunity to take advantage of favorable market conditions to actively manage its debt portfolio in an efficient and cost-effective manner.

Alternatives Considered

Not Applicable.

Applicable Policy

Metropolitan Water District Disclosure Procedures

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

Related Board Action(s)/Future Action(s)

Not Applicable.

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA (Public Resources Code Section 21065, State CEQA Guidelines Section 15378) because the proposed action will not cause either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment and involves continuing administrative activities, such as general policy and procedure making (Section 15378(b)(2) of the State CEQA Guidelines). In addition, the proposed action is not defined as a project under CEQA because it involves government funding mechanisms or other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment (Section 15378(b)(4) of the State CEQA Guidelines).

CEQA determination for Option #2:

None required

Details and Background

Background

Metropolitan's bond disclosures provide information to investors about Metropolitan's water supply, conservation and water shortage measures, regional water resources, water delivery system, capital investment plan, governance and management, revenues and expenses (including historical and projected), and power sources and costs in an appendix to its offering statements titled Appendix A, which is included as **Attachment 1**. Federal securities regulations require that bond disclosures not misstate facts that would be material to a reasonable investor in Metropolitan's bonds or omit material facts that, if undisclosed, would mislead investors.

Metropolitan's procedures to ensure compliance with federal securities regulations include, among others, board review and approval of Appendix A. Metropolitan's procedures provide for the Board's biannual approval of Appendix A, unless there are no financial transactions requiring an update. The Board's approval of the disclosures in Appendix A will support offering statements for financings through the next biannual update. Appendix A may be updated to describe events that occur after the distribution of this letter. However, material updates to Appendix A for financings made before the Board's next biannual update will be provided to the Board for review and comment in advance of its use.

Attachment 2 reflects changes to Appendix A that have been made to the disclosure since the Board's prior approval of Appendix A on April 11, 2023. With respect to financial information contained in Metropolitan's biennial budget, Appendix A reflects staff's current proposed budget for fiscal years 2024-25 and 2025-26. The final version of Appendix A distributed in connection with the sale of and/or remarkeing of bonds will be updated to reflect any changes to the budget ultimately adopted by the Board.

After Appendix A is approved, staff will work with a finance team, including disclosure counsel, bond counsel, underwriters, a municipal advisor, counsel for underwriters, and remarketing agents, where applicable, to finalize bond offering statements that include or incorporate Appendix A. Once completed, the General Manager, or other designee of the Ad Hoc Committee authorized in Metropolitan's bond resolutions, will

authorize distribution of the bond offering statements. The Ad Hoc Committee is comprised of the Chair of the Board, the Chair of the Finance and Asset Management Committee, and the General Manager.

The bond offering statements will then be electronically distributed to potential investors to provide material information concerning the issuance of bonds and the financial and operating condition of Metropolitan to assist with investment decisions concerning the bonds. As part of Metropolitan's most recent offering statements, Appendix A will be posted on the Budget & Finance page of Metropolitan's website (**MWD | Financial Reports & Documents (mwdh2o.com)**), on our investor relations portal (**Bonds, Documents, Resources | Metropolitan | BondLink (buymetwaterbonds.com)**) and on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System (**Municipal Securities Rulemaking Board::EMMA (msrb.org)**).

4/2/2024
Katano Kasaine *Date*
Assistant General Manager/
Chief Financial Officer

4/2/2024
Adel Hagekhalil *Date*
General Manager

Attachment 1 – Appendix A

Attachment 2 – Appendix A (redline marked against prior approved Appendix A of April 11, 2023).

Ref# cfo12695998

Board Distribution Draft, 04/02/24

APPENDIX A

The Metropolitan Water District of Southern California

THIS PAGE INTENTIONALLY LEFT BLANK

TABLE OF CONTENTS

TABLE OF CONTENTS

INTRODUCTION

This Appendix A provides general information regarding The Metropolitan Water District of Southern California ("Metropolitan"), including information regarding Metropolitan's operations and finances. Certain statements included or incorporated by reference in this Appendix A constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "project," "expect," "estimate," "budget" or other similar words. Such statements are based on facts and assumptions set forth in Metropolitan's current planning documents including, without limitation, its most recent biennial budget. The achievement of results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Actual results may differ from Metropolitan's forecasts. Metropolitan is not obligated to issue any updates or revisions to the forward-looking statements in any event.

Metropolitan maintains a website that may include information on programs or projects described in this Appendix A; however, none of the information on Metropolitan's website is incorporated by reference or intended to assist investors in making an investment decision or to provide any additional information with respect to the information included in this Appendix A. The information presented on Metropolitan's website is not part of the Official Statement and should not be relied upon in making investment decisions.

Formation and Purpose

Metropolitan is a metropolitan water district created in 1928 under the authority of the Metropolitan Water District Act (California Statutes 1927, Chapter 429, as reenacted in 1969 as Chapter 209, as amended (the "Act")). The Act authorizes Metropolitan to: levy property taxes within its service area; establish water rates; impose charges for water standby and service availability; incur general obligation bonded indebtedness and issue revenue bonds, notes and short-term revenue certificates; execute contracts; and exercise the power of eminent domain for the purpose of acquiring property. In addition, Metropolitan's Board of Directors (the "Board") is authorized to establish terms and conditions under which additional areas may be annexed to Metropolitan's service area.

Metropolitan's primary purpose is to provide a supplemental supply of water for domestic and municipal uses at wholesale rates to its member agencies. If additional water is available, such water may be sold for other beneficial uses. As a water wholesaler, Metropolitan has no retail customers.

The mission of Metropolitan, as promulgated by the Board, is to provide its service area with adequate and reliable supplies of high-quality water to meet present and future needs in an environmentally and economically responsible way.

Metropolitan's rates and charges for water transactions and availability are set by its Board and are not subject to regulation or approval by the California Public Utilities Commission or any other state or federal agency. Metropolitan imports water from two principal sources: northern California via the Edmund G. Brown California Aqueduct (the "California Aqueduct") of the State Water Project owned by the State of California (the "State" or "California") and the Colorado River via the Colorado River Aqueduct ("CRA") owned by Metropolitan. See "METROPOLITAN'S WATER SUPPLY" in this Appendix A.

Member Agencies

Metropolitan is comprised of 26 member agencies, all of which are public entities, including 14 cities, 11 municipal water districts, and one county water authority, which collectively serve the residents and businesses of more than 300 cities and unincorporated communities. Member agencies request water

from Metropolitan at various delivery points within Metropolitan's system and pay for such water at uniform rates established by the Board for each class of water service. Metropolitan's water is a supplemental supply for its member agencies, most of whom have local supplies and other sources of water. See "METROPOLITAN REVENUES–Principal Customers" in this Appendix A for a listing of the ten member agencies representing the highest level of water transactions and revenues of Metropolitan during the fiscal year ended June 30, 2023. No member is required to purchase water from Metropolitan, but all member agencies are required to pay readiness-to-serve charges whether or not they purchase water from Metropolitan. See "METROPOLITAN REVENUES–Rate Structure," "–Member Agency Purchase Orders" and "–Other Charges" in this Appendix A. Local supplies include water produced by local agencies from various sources including but not limited to groundwater, surface water, locally-owned imported supplies, recycled water, and seawater desalination (see "REGIONAL WATER RESOURCES" in this Appendix A). Metropolitan's member agencies may develop additional sources of water and Metropolitan provides support for several programs to develop these local resources. See also "REGIONAL WATER RESOURCES–Local Water Supplies" in this Appendix A.

The following table lists the 26 member agencies of Metropolitan.

Municipal Water Districts		Cities		County Water Authority
Calleguas	Las Virgenes	Anaheim	Los Angeles	San Diego[1]
Central Basin	Orange County	Beverly Hills	Pasadena	
Eastern	Three Valleys	Burbank	San Fernando	
Foothill	West Basin	Compton	San Marino	
Inland Empire Utilities Agency		Fullerton	Santa Ana	
Upper San Gabriel Valley		Glendale	Santa Monica	
Western of Riverside County		Long Beach	Torrance	

[1] The San Diego County Water Authority, Metropolitan's largest customer based on water transactions for fiscal year 2022-23, is a plaintiff in litigation challenging certain rates adopted by the Board and asserting other claims against Metropolitan. See "METROPOLITAN REVENUES–Litigation Challenging Rate Structure" in this Appendix A.

Service Area

Metropolitan's service area comprises approximately 5,200 square miles and includes all or portions of the six counties of Los Angeles, Orange, Riverside, San Bernardino, San Diego, and Ventura. When Metropolitan began delivering water in 1941, its service area consisted of approximately 625 square miles. Its service area has increased by 4,575 square miles since that time. The expansion was primarily the result of annexation of the service areas of additional member agencies.

Metropolitan estimates that approximately 18.6 million people lived in Metropolitan's service area (as of July 2023), based on official estimates from the California Department of Finance and on population distribution estimates from the Southern California Association of Governments ("SCAG") and the San Diego Association of Governments ("SANDAG"). The economy of Metropolitan's service area is exceptionally diverse. In 2022, the economy of the six counties which contain Metropolitan's service area had a gross domestic product larger than all but eleven nations of the world. Metropolitan has historically provided between 40 and 60 percent of the water used annually within its service area. For additional economic and demographic information concerning the six county area containing Metropolitan's service area, see Appendix E–"SELECTED DEMOGRAPHIC AND ECONOMIC INFORMATION FOR METROPOLITAN'S SERVICE AREA."

The climate in Metropolitan's service area ranges from moderate temperatures throughout the year in the coastal areas to hot and dry summers in the inland areas. Since 2000, annual rainfall has ranged from

approximately 4 to 23 inches along the coastal area, 6 to 42 inches in foothill areas, and 5 to 22 inches in inland areas. See also "METROPOLITAN'S WATER SUPPLY–General Overview," "–Water Conditions in Recent Years," "–Current Water Conditions, "–Climate Action Planning and Other Environmental, Social and Governance Initiatives," and "–Drought Response Actions."

GOVERNANCE AND MANAGEMENT

Board of Directors

Metropolitan is governed by a 38-member Board of Directors, made up of representatives from all of Metropolitan's 26 member agencies. Each member agency is entitled to have at least one representative on the Board, plus an additional representative for each full five percent of the total assessed valuation of property in Metropolitan's service area that is within the member agency. Changes in relative assessed valuation do not terminate any director's term. In 2019, California Assembly Bill 1220 (Garcia) amended the Act to provide that "A member public agency shall not have fewer than the number of representatives the member public agency had as of January 1, 2019." Accordingly, the Board may, from time to time, have more than 38 directors.

The Board includes business, professional, and civic leaders. Directors are appointed by member agencies in accordance with those agencies' processes and the Act. They serve on the Board without compensation from Metropolitan. Voting is based on assessed valuation, with each member agency being entitled to cast one vote for each $10 million or major fractional part of $10 million of assessed valuation of property within the member agency, as shown by the assessment records of the county in which the member agency is located. The Board administers its policies through the Metropolitan Water District Administrative Code (the "Administrative Code"), which was adopted by the Board in 1977. The Administrative Code is periodically amended to reflect new policies or changes to existing policies that occur from time to time.

Management

Metropolitan's day-to-day management is under the direction of its General Manager, who serves at the pleasure of the Board, as do Metropolitan's General Counsel, General Auditor, and Ethics Officer. Following are biographical summaries of Metropolitan's principal executive officers.

Adel Hagekhalil, General Manager – Mr. Hagekhalil was appointed as General Manager in June 2021. Before joining Metropolitan, Mr. Hagekhalil was appointed in 2018 by Los Angeles Mayor Eric Garcetti to serve as the executive director and general manager of the City of Los Angeles' Bureau of Street Services. His responsibilities included oversight of the management, maintenance and improvement of the city's network of streets, sidewalks, trees and bikeways. Mr. Hagekhalil also focused on climate change adaptation and multi-benefit integrated active transportation corridors. Previously, he served nearly 10 years as assistant general manager of the Los Angeles' Bureau of Sanitation, overseeing the city's wastewater collection system, stormwater and watershed protection program, water quality compliance, advance planning and facilities. He also helped develop the city's 2040 One Water LA Plan, a regional watershed approach to integrate water supply, reuse, conservation, stormwater management and wastewater facilities planning. Mr. Hagekhalil is a member of the American Public Works Association as well as the Water Environment Federation ("WEF"), which recognized him in 2019 as a WEF Fellow for his contribution to enhancing and forwarding the water industry. He also served for more than a decade as a board member of the National Association of Clean Water Agencies, including a term as president. Mr. Hagekhalil is a registered civil engineer and national board-certified environmental engineer. He earned his bachelor's and master's degrees in civil engineering from the University of Houston, Texas.

Marcia Scully, General Counsel – Ms. Scully was appointed as Metropolitan's General Counsel in March 2012. She previously served as Metropolitan's Interim General Counsel from March 2011 to March 2012. Ms. Scully joined Metropolitan in 1995, after a decade of private law practice, providing legal representation to Metropolitan on construction, employment, Colorado River and significant litigation matters. From 1981 to 1985 she was assistant city attorney for the City of Inglewood. Ms. Scully served as president of the University of Michigan's Alumnae Club of Los Angeles and is a recipient of the 1996 State Bar of California, District 7 President's Pro Bono Service Award and the Southern California Association of Non-Profit Housing Advocate of the Year Award. She is also a member of the League of Women Voters for Whittier and was appointed for two terms on the City of Whittier's Planning Commission, three years of which were served as chair. Ms. Scully earned a bachelor's degree in liberal arts from the University of Michigan, a master's degree in urban planning from Wayne State University and her law degree from Loyola Law School.

Scott Suzuki, General Auditor – Mr. Suzuki assumed the position of General Auditor in February 2023. As general auditor, Mr. Suzuki will independently review internal controls, financial records and reports, develop a flexible annual audit plan, ensure that assets and resources are properly accounted for and safeguarded against waste, loss or misuse, and administer Metropolitan's contract for audit services with an independent public accounting firm. Prior to joining Metropolitan, Mr. Suzuki served the County of Orange for almost 21 years in various auditing and accounting roles, concluding as assistant director of internal audit. He also held auditor positions at Home Base Deloitte, and the California State University system. Mr. Suzuki holds a Bachelor of Arts degree in business economics from the University of California, Los Angeles. He holds a certified public accountant (CPA) license and certified internal auditor (CIA), certified information systems auditor (CISA), and certified fraud examiner (CFE) designations.

Abel Salinas, Ethics Officer – Mr. Salinas was appointed as Metropolitan's Ethics Officer in July 2019. He is responsible for leading an independent oversight department, which includes ethics related policymaking, education, advice, compliance, and investigations. Prior to joining Metropolitan, Mr. Salinas worked as a Special Agent in Charge at the U.S. Department of Labor-Office of Inspector General. Mr. Salinas holds a bachelor's degree in criminal justice from Pan American University and a master's degree in policy management from Georgetown University.

Deven Upadhyay, Executive Officer and Assistant General Manager, Water Resources and Engineering – Mr. Upadhyay focuses primarily on key Metropolitan strategies and innovative planning efforts for the Colorado River and the State Water Project. He is responsible for managing the engineering services and water resource management groups, and the Colorado River and Bay Delta programs. Prior to his current position, Mr. Upadhyay was formerly Metropolitan's Chief Operating Officer from November 2017. He has over 25 years of experience in the water industry. He joined Metropolitan in 1995, beginning as a Resource Specialist and then left Metropolitan in 2005 to work at the Municipal Water District of Orange County. In 2008, he returned to Metropolitan as a Budget and Financial Planning Section Manager and became a Water Resource Management Group Manager in 2010. Mr. Upadhyay has a Bachelor of Arts degree in economics from the California State University, Fullerton and a master's degree in public administration from the University of La Verne.

Katano Kasaine, Assistant General Manager/Chief Financial Officer – Ms. Kasaine is responsible for directing Metropolitan's financial activities, including accounting and financial reporting, debt issuance and management, financial planning and strategy, managing Metropolitan's investment portfolio, budget administration, financial analysis, financial systems management, and developing rates and charges. In addition, she is responsible for human resources, the diversity, equity and inclusion office, administrative services, risk management, and business continuity activities. Before joining Metropolitan in August 2019, Ms. Kasaine worked at the City of Oakland for 25 years, holding various leadership positions, notably as the city's Finance Director/Treasurer. She holds a bachelor's degree in business administration from

Dominican University in San Rafael, California and a master's degree in public health from Loma Linda University.

Shane Chapman, Assistant General Manager, Operations – Mr. Chapman is responsible for the strategic direction and management of Metropolitan's operations. His primary responsibilities include managing water system operations, information technology and cybersecurity. Prior to his current position, Mr. Chapman previously was Metropolitan's Chief Administrative Officer from January 2018 until September 2022. He joined Metropolitan as a Resource Specialist in 1991, progressing to the level of Program Manager in 2001. He became the Revenue, Rates and Budget Manager in 2003 and Assistant Group Manager in Water System Operations in 2006. Mr. Chapman previously served as General Manager of the Upper San Gabriel Valley Municipal Water District for seven years. Mr. Chapman has a Bachelor of Arts degree in economics from Claremont McKenna College and a master's degree in public administration from the University of Southern California.

Dee Zinke, Assistant General Manager, External Affairs – Ms. Zinke has been responsible for Metropolitan's communications, public outreach, education, member services, and legislative matters since January 2016. She joined Metropolitan in 2009 as Manager of the Legislative Services Section. Before coming to Metropolitan, Ms. Zinke was the Manager of Governmental and Legislative Affairs at the Calleguas Municipal Water District. Prior to her public service, she worked in the private sector as the Executive Officer and Senior Legislative Advocate for the Building Industry Association of Greater Los Angeles and Ventura Counties and as Director of Communications for E-Systems, a defense contractor specializing in communication, surveillance and navigation systems, based in Washington, D.C. Ms. Zinke holds a Bachelor of Arts degree in communication and psychology from Virginia Polytechnic Institute and State University.

Employee Relations

General. The total number of budgeted regular full-time Metropolitan employees for fiscal year 2023-24 is 1,929. Seventeen additional positions were subsequently authorized by the Board to support Metropolitan's work on a regional recycled water program, now referred to as Pure Water Southern California. See "REGIONAL WATER RESOURCES–Local Water Supplies – *Recycled Water-Metropolitan Pure Water Southern California Program*" in this Appendix A. With these 17 additions, the total number of regular full-time Metropolitan employee positions is 1,946. As of March 2024, 1,798 positions were filled. Of the filled positions, 1,232 were represented by AFSCME Local 1902, 91 by the Supervisors Association, 307 by the Management and Professional Employees Association and 128 by the Association of Confidential Employees. The remaining 40 employees are unrepresented. The four bargaining units represent 98 percent of Metropolitan's current employees. The Memorandum of Understanding ("MOU") with AFSCME Local 1902 extends through December 31, 2026. The MOUs with the Management and Professional Employees Association and the Supervisors Association has also been extended through December 31, 2026. The MOU with the Association of Confidential Employees extends through December 31, 2024.

State Audit of Workplace Concerns. The acting California State Auditor ("State Auditor") conducted an audit of Metropolitan's personnel and hiring practices after Metropolitan was the subject of allegations of discrimination and harassment in the workplace. The State Auditor reviewed Metropolitan's handling of equal employment opportunity ("EEO") complaints from 2004 to 2021, as well as hiring practices, the independence and authority of Metropolitan's Ethics office, safety program, and maintenance of workforce housing at Metropolitan's desert facilities.

The State Auditor issued its audit report on April 21, 2022. The audit report identified a number of deficiencies in Metropolitan's personnel and hiring practices. The findings of the audit report included that: (i) Metropolitan's EEO policy and procedures did not align with best practices in certain key areas and did

not ensure timely investigation of and response to EEO complaints; (ii) Metropolitan's hiring processes did not include appropriate safeguards to consistently ensure or demonstrate that its hiring decisions were equitable and reasonable and sufficiently protected applicants from potential discrimination; (iii) Metropolitan had not taken adequate actions to ensure its Ethics office is able to independently conduct its duties; and (iv) Metropolitan had not instituted adequate procedures to timely respond to employee workforce housing maintenance issues, and Metropolitan's implementation of a comprehensive, long-term solution to address employee workforce housing has been slow.

The State audit report included several recommendations to address its key findings. Metropolitan accepted and implemented all the recommendations identified in the State audit by the April 2023 deadline. In addition, Metropolitan is implementing certain policies and procedures recommended by a Workplace Climate Assessment that Metropolitan commissioned from an outside law firm and received in 2021. Among other things, Metropolitan hired its first Chief Equal Employment Opportunity Officer in March 2022 to help implement a suite of changes that will be designed to build and reaffirm a workplace culture of inclusion, respect, safety and accountability. Metropolitan also created a Diversity, Equity, and Inclusion Office and hired its first Chief Diversity, Equity and Inclusion Officer in May 2022. The Diversity, Equity and Inclusion Office has established programs to support Metropolitan's workforce.

Risk Management

Metropolitan is exposed to various risks of loss related to, among other things, the design and construction of facilities, and the treatment and delivery of water. With the assistance of third-party claims administrators, Metropolitan is self-insured for property losses, liability, and workers' compensation. Metropolitan self-insures the first $25 million per liability occurrence, with commercial general liability coverage of $75 million in excess of the self-insured retention. The $25 million self-insured retention is maintained as a separate restricted reserve. Metropolitan is also self-insured for loss or damage to its property, with the $25 million self-insured retention also being accessible for emergency repairs and Metropolitan property losses. In addition, Metropolitan obtains other excess and specialty insurance coverages such as directors' and officers' liability, fiduciary liability and aircraft hull and liability coverage.

Metropolitan self-insures the first $5 million for workers' compensation with statutory excess coverage. The self-insurance retentions and reserve levels currently maintained by Metropolitan may be modified by the Board at its sole discretion.

Cybersecurity

Metropolitan has adopted and maintains an active Cybersecurity Program ("CSP") that includes policies reviewed by Metropolitan's Office of Enterprise Cybersecurity, Audit department and independent third-party auditors and consultants. Metropolitan has appointed an Information Security Officer who is responsible for overseeing the annual review of the CSP and its alignment with Metropolitan's Strategic Plan. Metropolitan's policies and procedures on information governance, risk management, and compliance are consistent with best practices outlined by the Cybersecurity and Infrastructure Security Agency (CISA) Shields Up initiative and are consistent with the requirements prescribed by the America's Water Infrastructure Act (AWIA) for risk assessment and emergency response. Metropolitan's Cybersecurity Team is responsible for identifying cybersecurity risks to Metropolitan, preventing, investigating, and responding to any cybersecurity incidents, and providing guidance and education on the implementation of new technologies at Metropolitan. All persons or entities authorized to use Metropolitan's computer resources are required to participate in Metropolitan's Cybersecurity Awareness Training, which is conducted annually. See also "RISK FACTORS – Cybersecurity; Other Safety and Security Risks" in the front part of this Official Statement.

Business Continuity

Metropolitan maintains a Business Continuity Program that aligns with industry best practices to ensure that plans are in place across the District to mitigate, respond to and recover from disruptive events that may impact normal operations. In accordance with its Operating Policy A-06, Emergency Management and Business Continuity, Metropolitan's plans ensure that resiliency strategies are in place to continue critical operations in the event of impacts to information technology systems, facilities and infrastructure, staffing levels, key vendors and resources. Using a continuous improvement model, Business Continuity Plans are reviewed, updated and exercised on a regular basis.

METROPOLITAN'S WATER SUPPLY

General Overview

Metropolitan's principal sources of water supplies are the State Water Project and the Colorado River. See "–State Water Project" and "–Colorado River Aqueduct." Metropolitan receives water delivered from the State Water Project under provisions of a State water supply contract, including contracted supplies, use of carryover storage in the San Luis Reservoir, and surplus supplies. Metropolitan holds rights to a basic apportionment of Colorado River water and has priority rights to an additional amount depending on the availability of surplus supplies. Water management programs supplement these Colorado River supplies. To secure additional supplies, Metropolitan also has groundwater banking partnerships and water transfer and storage arrangements within and outside its service area. Metropolitan's principal water supply sources, and other supply arrangements and water management programs are more fully described in this Appendix A.

Metropolitan's water supply contract with the State (as amended, the "State Water Contract") provides for up to 1,911,500 acre-feet contracted amount of State Water Project supplies annually as set forth in "Table A" of Metropolitan's State Water Contract ("Table A State Water Project water" as further described under "–State Water Project – State Water Contract"). The amount of State Water Project water available for allocation under the State Water Contract each year is determined by the California Department of Water Resources ("DWR") based on existing supplies in storage, forecasted hydrology, and other factors, including water quality and environmental flow obligations and other operational considerations. Over the ten-year period 2014 through 2023, Metropolitan's State Water Project allocation ranged from five percent to 100 percent of contracted amounts, averaging approximately 41 percent, which is equal to roughly 784,000 acre feet annually. (An acre foot is the amount of water that will cover one acre to a depth of one foot and equals approximately 325,851 gallons, which represents the needs of three average families in and around the home for one year within Metropolitan's service area.)

From calendar year 2014 through 2023, the amount of water delivered to Metropolitan's service area via the State Water Project infrastructure, including water from allocated supplies, human health and safety supplies, carryover, flexible storage from Castaic Lake and Lake Perris, water transfer, groundwater banking and exchange programs delivered through the California Aqueduct varied from a low of 457,000 acre-feet in calendar year 2022 to a high of 1,374,000 acre-feet in 2017. See also "–Water Conditions in Recent Years" and –Current Water Conditions."

Metropolitan's rights to Colorado River water include a fourth priority right to 550,000 acre-feet of Colorado River water annually (its basic apportionment) and a fifth priority right to an additional 662,000 acre-feet annually (when surplus is available, which availability has been limited since 2003). Metropolitan has additional available Colorado River supplies, totaling up to 526,000 acre-feet per year, under water supply programs, transfer, exchanges, and certain conservation and storage agreements. Over the ten-year period 2014 through 2023, Metropolitan's net diversions of Colorado River water have averaged

approximately 917,020 acre-feet annually, with annual volumes dependent primarily on programs to augment supplies, including transfers of conserved water from agriculture.

Stored water is a critical component of Metropolitan's annual water supply and year-to-year operations. Metropolitan's storage capacity, which includes reservoirs, conjunctive use and other groundwater storage programs within Metropolitan's service area and groundwater and surface storage accounts delivered through the State Water Project or CRA, is approximately 6.0 million acre feet. Storage capacity provides the water system with year-to-year water supply carry-over capability and a mechanism to assist Metropolitan in providing consistent water supply reliability notwithstanding fluctuations in available supply. Metropolitan's storage as of January 1, 2024 was estimated to be 4.15 million acre-feet. See "–Storage Capacity and Water in Storage."

The water supply for Metropolitan's service area is provided in part by Metropolitan and in part by non-Metropolitan sources available to Metropolitan's member agencies. The demand for supplemental water supplies provided by Metropolitan is dependent on water use at the retail consumer level and the amount of locally supplied and conserved water. From calendar years 2014 through 2023, Metropolitan's water transactions (including water sales, exchanges and wheeling) with member agencies have averaged approximately 1.56 million acre-feet annually.

Metropolitan faces a variety of long-term challenges in providing adequate, reliable and high-quality supplemental water supplies for Southern California. These challenges include, among others: (1) population changes within the service area; (2) increased competition for low-cost water supplies; (3) variable weather conditions, including extended drought periods; (4) increased environmental regulations; and (5) climate change. Metropolitan's resources and strategies for meeting these long-term challenges are set forth in its Integrated Water Resources Plan, as updated from time to time. See "–Integrated Water Resources Plan and Climate Adaptation Master Plan for Water." In addition, Metropolitan manages water supplies in response to the prevailing hydrologic conditions by implementing its Water Surplus and Drought Management ("WSDM") Plan, and in times of prolonged or severe shortages, the Water Supply Allocation Plan (the "Water Supply Allocation Plan"). See "CONSERVATION AND WATER SHORTAGE MEASURES–Water Surplus and Drought Management Plan" and "–Water Supply Allocation Plan" in this Appendix A. The Water Supply Allocation Plan provides for the equitable distribution of available limited water supplies region-wide in case of extreme water shortages within Metropolitan's service area. Implementation of the Water Supply Allocation Plan for fiscal year 2023-24 is not expected. See also "–Current Water Conditions,"

Hydrologic conditions can have a significant impact on Metropolitan's imported water supply sources. California's climate is such that most of the annual precipitation occurs during late fall and winter. For Metropolitan's State Water Project supplies, precipitation in the form of rain in the Feather River watershed helps replenish storage levels in Lake Oroville, a key State Water Project facility, during fall and winter. Precipitation in the form of snow in California's Northern Sierra provides the additional storage for the subsequent runoff from the spring snowmelt that helps satisfy regulatory requirements in the San Francisco Bay/Sacramento-San Joaquin River Delta ("Bay-Delta") bolstering water supply reliability in the same year. See "–State Water Project – Bay-Delta Proceedings Affecting State Water Project." The source of Metropolitan's Colorado River supplies is primarily the watersheds of the Upper Colorado River Basin in the states of Colorado, Utah, and Wyoming. See "–Colorado River Aqueduct." Although precipitation in the Upper Colorado River Basin is primarily observed in the winter and spring, summer storms are common and can affect water supply conditions.

Uncertainties from potential future temperature and precipitation changes in a climate driven by increased concentrations of atmospheric carbon dioxide and other greenhouse gases ("GHGs") also present challenges. Areas of concern to California water planners identified by researchers include: reduction in Sierra Nevada and Colorado Basin snowpack; increased intensity and frequency of extreme weather events;

shifting runoff patterns to earlier in the year when reservoir storage is more constrained due to flood protection; saltwater intrusion to groundwater supplies; and rising sea levels resulting in increased risk of damage from storms, high-tide events, and the erosion of levees and potential cutbacks of deliveries of imported water. While the range of potential impacts from climate change remain subject to study and debate, climate change is among the uncertainties that Metropolitan seeks to address through its planning processes. See "–Integrated Water Resources Plan and Climate Adaptation Master Plan for Water" and "–Climate Action Planning and Other Environmental, Social and Governance Initiatives."

Water Conditions in Recent Years

A Water Year begins on October 1 and ends on the following September 30. Water Years 2020 through 2022 represented a record dry period in California's statewide precipitation. In calendar years 2021 and 2022, DWR's allocation to State Water Project contractors was five percent of contracted amounts, or 95,575 acre-feet for Metropolitan per year, and it was the first time in the history of the State Water Project with two consecutive years at five percent of contracted amounts. In addition to its allocation of State Water Project contracted amounts, in 2022, due to the historically dry conditions, Metropolitan received delivery from DWR of an additional approximately 134,000 acre-feet of human health and safety supplies under a provision of the State water supply contract. This additional supply was returned to DWR by Metropolitan in calendar year 2023. See "CONSERVATION AND WATER SHORTAGE MEASURES –Drought Response Actions."

Water Year 2023 (October 1, 2022 through September 30, 2023) also started as a dry year but a series of atmospheric rivers occurred in California during the winter of 2023, bringing extreme precipitation and a massive amount of snowfall. On April 20, 2023, DWR established the final State Water Project allocation for calendar year 2023 at 100 percent of contracted amounts, or 1,911,500 acre-feet for Metropolitan. This made calendar year 2023 the first time since 2006 that DWR was able to allocate the full contracted amounts of the State Water Project. Such extreme hydrology following a severe multi-year drought may become more common in the future in California due to the effects of climate change.

The amount of water delivered to Metropolitan's service area from its available State Water Project supplies can be constrained by local conditions, preventive maintenance or emergency outages of physical facilities, operational considerations due to water quality, and the State Water Project allocation. In calendar year 2023, Metropolitan took delivery into its service area of 1.06 million acre-feet of supplies via the State Water Project infrastructure, excluding supplies taken on behalf of Desert Water Agency ("DWA") and Coachella Valley Water District ("CVWD") pursuant to a set of agreements between and/or among Metropolitan, DWA and CVWD (see "–State Water Project and Colorado River Aqueduct Arrangements – Metropolitan/CVWD/Desert Water Agency Amended and Restated Agreement for the Exchange and Advance Delivery of Water"). After the sequence of atmospheric rivers that occurred during the winter of 2023, in March 2023, DWR made available interruptible supplies in addition to the then-applicable allocation of 75 percent of contracted amounts. Metropolitan took delivery of approximately 134,000 acre-feet of those interruptible supplies and used them to start refilling Diamond Valley Lake (approximately 32,000 acre-feet included in the deliveries to Metropolitan's service area) and start replenishment of the Castaic Lake and Lake Perris flexible storage accounts. With the increased State Water Project allocation to 100 percent, Metropolitan was also able to repay the 134,000 acre-feet of human health and safety water provided by DWR in 2022 (described above), further replenish the Castaic Lake and Lake Perris flexible accounts and add maximum contractual storage in San Luis Reservoir as Article 56c carryover. See "–Water Transfer, Storage and Exchange Programs – State Water Project Agreements and Programs – *Metropolitan Article 56 Carryover*." Metropolitan further stored approximately 55,000 acre-feet in the groundwater banks in the San Joaquin valley. The volume able to be stored in the groundwater banks was somewhat limited by the historic flooding in the San Joaquin valley that hindered the groundwater banks' operations. In addition, of Metropolitan's available State Water Project supplies, approximately 8,000 acre-feet could not be delivered to one of Metropolitan's member agencies for groundwater replenishment due to local

conditions and approximately 19,000 acre-feet could not be delivered in the East Branch of the California Aqueduct due to DWR outages in late 2023. These 27,000 acre-feet of undelivered volumes were approved by DWR for delivery in 2024 and are included in Metropolitan's State Water Project carryover storage. See the table entitled "Metropolitan's Water Storage Capacity and Water in Storage" under "–Storage Capacity and Water in Storage."

Current Water Conditions

After a slow start to Water Year 2024 with below-average hydrologic conditions, a series of atmospheric rivers in January and early February brought much-needed precipitation to the northern Sierra. The State Water Project allocation for calendar year 2024 started at ten percent of contracted amounts on December 1, 2023, but has subsequently been increased to 30 percent as of March 22, 2024, or 573,450 acre-feet for Metropolitan. This allocation takes into account snow survey measurements and data through March 1 and may be revised if hydrologic conditions change.

As of March 18, 2024, northern Sierra precipitation was 115 percent of the 30-year average for the time of year, while the snowpack was at 113 percent of the 30-year April 1st peak average (April 1st is typically considered the peak of the snowpack, after which it starts to melt). As of March 12, 2024, the median water year unimpaired runoff forecast for the Sacramento River was 16.9 million acre-feet or 96 percent of the 30-year average. As of March 17, 2024, Lake Oroville, a key State Water Project facility, was at 3.01 million acre-feet or 126 percent of the historical average for the date, while San Luis Reservoir was at 520,224 acre-feet for the State Water Project or 49 percent of the State Water Project capacity in the shared San Luis Reservoir. Environmental and regulatory constraints are limiting DWR's ability to export water from the Delta, even when releases are being made from Lake Oroville for flood control. See "–State Water Project – Bay-Delta Proceedings Affecting State Water Project" and "–Endangered Species Act and Other Environmental Considerations Relating to Water Supply."

As of March 18, 2024, the Upper Colorado River Basin snowpack measured 103 percent of the 30-year median, while as of March 18, 2024, the water year runoff forecast into Lake Powell was 80 percent of the 30-year median. Despite normal conditions at such point in time, the Colorado River Basin is still experiencing an extended drought. On March 18, 2024, the total system storage in the Colorado River Basin was 42 percent of capacity or 24.8 million acre-feet. See "–Colorado River Aqueduct – Colorado River Operations: Surplus and Shortage Guidelines." As of March 19, 2024, Metropolitan estimates approximately 843,000 acre-feet of Colorado River water in calendar year 2024, which includes approximately 277,700 acre-feet pursuant to the Exchange Agreement (defined below) between Metropolitan and San Diego County Water Authority ("SDCWA"), to be available to Metropolitan. Additional Colorado River supply tends to be available from higher priority water users as the year progresses. Based on recent higher priority water use, Metropolitan expects final Colorado River supplies to be approximately 960,000 acre-feet.

Metropolitan's storage as of January 1, 2024 was estimated to be 4.15 million acre-feet. This is the highest beginning-of-year total water storage in Metropolitan's history. See "–Storage Capacity and Water in Storage." As of March 26, 2024, Metropolitan's projected supply/demand gap for calendar year 2024 is approximately 30,000 acre-feet based upon its demand estimate of 1.45 million acre-feet, and its supply estimate of 1.42 million acre-feet.

Integrated Water Resources Plan and Climate Adaptation Master Plan for Water

Overview and Background. The Integrated Water Resources Plan (the "IRP") is Metropolitan's principal water resources planning document. Metropolitan, its member agencies, sub-agencies and groundwater basin managers developed Metropolitan's first IRP as a long-term planning guideline for resources and capital investments over a 25-year planning cycle. The purpose of the IRP was the

development of a portfolio of preferred resources to meet the water supply reliability and water quality needs for the region in a cost-effective and environmentally sound manner. The first IRP was adopted by the Board in January 1996 to cover a planning cycle through 2020. An IRP update has been subsequently undertaken approximately every five years (*i.e.*, in 2004, 2010 and 2015). In February 2020, Metropolitan initiated a new process for the development of the 2020 IRP, which will guide a 25-year planning cycle through 2045. The development of the 2020 IRP utilizing this new process is ongoing, and was intended to include two phases: (i) a Regional Needs Assessment (which was completed in April 2022), and (ii) a Phase 2 One Water Implementation Phase. This intended second phase subsequently became the development process for the Climate Adaption Master Plan for Water ("CAMP4W") process, which is currently in progress. The Regional Needs Assessment and CAMP4W are described below. See "*–2020 IRP Regional Needs Assessment*" and "*–Climate Adaptation Master Plan for Water."*

2020 IRP Regional Needs Assessment. Metropolitan's new process for the 2020 IRP builds upon Metropolitan's adaptive management strategy by utilizing a scenario planning approach. Under this approach, Metropolitan anticipates ranges for how much water Southern California can expect from its imported and local supplies, as well as regional water demands, across four plausible scenarios through 2045.

The initial development of the 2020 IRP utilizing this approach was completed in April 2022, with the adoption by the Board of the 2020 IRP Regional Needs Assessment. The Regional Needs Assessment analyzed potential gaps between the expected supplies and the forecasted demands in Southern California across the four IRP scenarios characterized by divergent outcomes of imported supply stability and water demands on Metropolitan.

The Regional Needs Assessment outcomes can be summarized through a set of findings grounded in the scenario reliability analysis. The findings fall within five key focus areas:

- SWP Dependent Areas – addressing identified vulnerabilities in the portion of Metropolitan's service area dependent upon State Water Project deliveries (the "SWP Dependent Areas");

- Storage – storage capacity, put/take capabilities, and accessibility as critical considerations in reliability and reducing the need for new core supply development;

- Retail Demand/Demand Management – managing variability in demand through appropriate regional measures and efficient water use;

- Metropolitan Imported Supplies – maintaining existing imported supply reliability and addressing risks to existing imported supplies from various drivers of uncertainty; and

- Local Supply – maintaining existing and developing new local supplies as a critical element of managing demands on Metropolitan.

The Regional Needs Assessment presents key technical findings and examines the effectiveness of generalized portfolio categories. The Regional Needs Assessment also frames and guides the establishment of more specific targets to maintain reliability over the planning period and informs Metropolitan's Board on resource investment decisions as well as the establishment of a plan to fund them. In light of the future uncertainties inherent in long-term resource planning, including uncertainties about climate change and regulatory requirements, as well as Southern California's population and economy, this scenario planning approach better prepares the region for a wider range of potential outcomes by identifying solutions and policies across a variety of possible future conditions. This strategy is designed to enable Metropolitan and

its member agencies to manage future challenges and changes in California's water conditions and to balance investments with water reliability benefits.

The Board's adoption of the 2020 IRP Regional Needs Assessment allows the analysis and findings to serve as a foundation for the CAMP4W process, which is described below.

Climate Adaptation Master Plan for Water. The current phase of water resource planning expands the intended 2020 IRP implementation into a more comprehensive CAMP4W. CAMP4W will integrate water resource, climate resilience and financial planning into a cohesive strategy and approach. Metropolitan incorporates the results and findings of the Regionals Needs Assessment into a collaborative process to identify integrated regional solutions. The intent of CAMP4W is to translate the high-level portfolio analysis from the 2020 IRP Regional Needs Assessment into guidance for specific policies, programs, and projects to address the findings and mitigate the potential shortages. Comprehensive, adaptive management strategy and evaluation criteria will be developed to guide these specific actions. Criteria are being developed through a climate lens with the goal of ensuring that climate resilience and water supply reliability are the primary focus areas. The adaptive management strategy will also establish a process for monitoring key reliability indicators to support decision-making.

Information and materials relating to Metropolitan's 2020 IRP Regional Needs Assessment and ongoing development of its CAMP4W are available at: https://www.mwdh2o.com/how-we-plan/integrated-resource-plan/. The materials and other information set forth on Metropolitan's website are not incorporated into this Appendix A and should not be construed to be a part of this Appendix A by virtue of the foregoing reference to such materials and website.

Specific projects identified by Metropolitan in connection with the implementation of the 2020 IRP and CAMP4W are subject to Board consideration and approval, as well as environmental and regulatory documentation and compliance.

Climate Action Planning and Other Environmental, Social and Governance Initiatives

General; Background. Metropolitan has long supported sustainability efforts, dating back to its founding in 1928, when planners and engineers designed the CRA to deliver water primarily by gravity across 242 miles of California desert to the State's south coastal plain. Metropolitan recognized the need for a reliable supply of power by investing in the construction of Hoover Dam and Parker Dam. Together, these dams produce clean, carbon-free energy that have historically supplied more than half of the energy needed to power the CRA pumps. See "METROPOLITAN EXPENSES–Power Sources and Costs; Related Long-Term Commitments – *Colorado River Aqueduct*" in this Appendix A.

In the decades that followed, Metropolitan has continued to make investments in clean energy and energy-efficient design to reduce GHG emissions, as well as climate adaptation investments to bolster water supply availability, particularly during times of drought. In addition, Metropolitan has partnered with the scientific community, including academic research institutions and the private sector, to test and ultimately implement advanced technologies that monitor and enhance Metropolitan's water supplies. Metropolitan's efforts to date in this area have focused not only on the goal of achieving broad environmental sustainability and efficiency objectives but also environmental risk mitigation.

Metropolitan has adopted several planning documents that address the core issues of environmental sustainability, improving climate resiliency of operations, and advancing the goal of carbon neutrality. These documents include the Climate Action Plan (discussed below), the Energy Sustainability Plan, Metropolitan's Capital Investment Plan, and its IRP and CAMP4W discussed above. Metropolitan coordinates its ongoing sustainability efforts through its Chief Sustainability, Resilience, and Innovation Officer ("SRI Officer").

Information and materials related to Metropolitan's planning actions associated with climate change are available at: https://www.mwdh2o.com/planning-for-tomorrow/addressing-climate-change/. The materials and other information set forth on Metropolitan's website are not incorporated into this Appendix A and should not be construed to be a part of this Appendix A by virtue of the foregoing reference to such materials and website.

Climate Change Adaptation. Climate change is expected to increase average temperatures across the western United States. In the Colorado River Basin, that is expected to result in decreased runoff and lower flows as less snow is coupled with increased evapotranspiration from trees and plants. In the Sierra Nevada, precipitation is anticipated to increasingly fall as rain in a few large storms, rather than as snow. Sierra snowpack, a critical storage tool in California's water management as it holds water high in the mountains until peak summer demand, has been projected to decrease by up to 65 percent by the end of the century. In the local Southern California region, climate change threatens groundwater basins with saltwater intrusion and less natural replenishment. These factors are expected to reduce the reliability of Metropolitan's imported water supply for Southern California.

Metropolitan has long recognized the threat to its water supply posed by these long-term impacts and has been addressing climate change for 25 years through its IRP. Pursuant to its IRP, Metropolitan has invested in local supplies, developed new storage, and increased the flexibility of its water system facilities to be able to take delivery of water from diverse sources when available. Below are a few examples:

- Metropolitan has increased the water storage capacity of its dams and reservoirs by more than 13-fold since 1990 and has built the Inland Feeder, a large conveyance pipeline that allows for the movement of water into that storage. See "METROPOLITAN'S WATER DELIVERY SYSTEM" in this Appendix A. With snowpack dwindling, these investments provide a valuable opportunity to capture water in wet years and save it for dry ones.

- Metropolitan has increased the operational flexibility of its water delivery system through infrastructure improvements, such as the Inland Feeder, which provides the ability to capture and store high allocations of State Water Project supplies when available, and agreements to deliver Colorado River water supplies when State supplies are in drought, and vice versa. See "–Water Transfer, Storage and Exchange Programs."

- Metropolitan has invested approximately $910 million in conservation programs, which have helped decrease potable per capita water consumption over time in Metropolitan's service area from 209 gallons per person per day in 1990 to 126 gallons per person per day in 2022 – a 40 percent reduction. Metropolitan plans to continue to expand these efforts into the future. See "CONSERVATION AND WATER STORAGE MEASURES" in this Appendix A.

- Metropolitan's Local Resources Program accelerates the development of local water supply reliability projects by incentivizing agencies within Metropolitan's service area to construct recycled water, groundwater recovery and seawater desalination projects. Since 1982, Metropolitan has invested approximately $542 million in recycled water projects and $199 million in groundwater recovery projects. See "REGIONAL WATER RESOURCES–Local Water Supplies" in this Appendix A.

- Metropolitan has partnered with other utilities and organizations across the nation to understand both the effects of climate change and potential opportunities to build resilience. These collaborators include the Water Utility Climate Alliance, a collaboration of large water providers working on climate issues affecting the country's water agencies, and the California Resilience Challenge, a collaboration of businesses, utilities, and non-profit organizations developing climate adaptation planning projects.

Climate Action Plan. In May 2022, Metropolitan adopted a Climate Action Plan, a comprehensive planning document that outlines Metropolitan's strategy for reducing GHG emissions associated with Metropolitan's future construction, operation, and maintenance activities. The Climate Action Plan includes an analysis of Metropolitan's historical GHG emissions, a forecast of future GHG emissions, sets a GHG reduction target for reducing emissions consistent with applicable state policies, and identifies a suite of specific GHG reduction actions that Metropolitan can implement to achieve its adopted targets. The Climate Action Plan establishes a GHG emissions reduction goal of 40 percent by 2030 and carbon neutrality by 2045. The Climate Action Plan includes nine strategies that target the reduction of direct emissions from natural gas and fuel combustion by supporting the transition to a zero emissions vehicle fleet and reduction of natural gas combustion; reducing indirect emissions associated with electricity consumption through improved energy efficiency and utilizing low-carbon and carbon-free electricity; and implementing GHG reduction measures that incentivize sustainable employee commutes and increase waste diversion; increasing water conservation and local water supply; and investigating and implementing carbon capture and carbon sequestration opportunities on Metropolitan-owned lands.

Metropolitan's Climate Action Plan includes an implementation strategy, annual GHG inventories, a public-facing tracking and monitoring tool to ensure progress towards meeting its goal, and five-year updates to capture new and emerging technologies for GHG emissions reductions. The strategies included in the Climate Action Plan provide the co-benefits of improved infrastructure reliability, greater energy resiliency, and expected reduced costs associated with energy procurement and maintenance.

Energy Sustainability. Metropolitan meets its energy demands through its investments in hydroelectric and solar power and the purchase of more than 2,000 GWh of electricity annually from the regional power grid. In November 2020, Metropolitan developed an Energy Sustainability Plan. The Energy Sustainability Plan includes a framework of sustainable actions focused on energy cost containment, reliability, affordability, conservation and adaptation, including reconfiguring certain existing power plants and variable-speed pump drives at pumping stations, and assessing the integration of islanded operations for microgrid purposes. Metropolitan invests in renewable energy resources, including buying and generating hydroelectric power to help meet much of its electricity needs. Currently, over three-quarters of Metropolitan's pumping and water treatment energy needs are met through renewable/sustainable energy resources. In addition to using power generated at Parker and Hoover Dams, Metropolitan has built 15 in-stream hydroelectric plants throughout its distribution system with a total capacity of about 130 megawatts. Metropolitan has also installed 3.5 megawatts of photovoltaic solar power at its facilities and is implementing a project to add battery energy storage at three of its water treatment plants to store green energy when power rates are low and discharge that energy when rates are higher. The completion of construction of the project to add battery storage at the three treatment plants is expected to occur by the end of 2026.

Diversity, Equity and Inclusion and Governance. In its dedication to improving workplace culture for all employees, in October 2021, Metropolitan's Board adopted a statement pledging its support of diversity, equity and inclusion initiatives. The Statement of Commitment is the result of a collaborative discussion among the 38-member board and provides guidance so that staff can develop, implement and maintain policies and practices to support diversity, equity and inclusion. In May 2022, Metropolitan hired its first Chief Diversity, Equity and Inclusion officer to help plan, develop, and implement strategies and initiatives designed to ensure that Metropolitan is a diverse and inclusive organization. See "GOVERNANCE AND MANAGEMENT–Management" and "–Employee Relations" in this Appendix A.

State Water Project

Background and Current Supply

One of Metropolitan's two major sources of water is the State Water Project, which is owned by the State, and managed and operated by DWR. The State Water Project is the largest state-built, multipurpose, user-financed water project in the country. It was designed and built primarily to deliver water, but also provides flood control, generates power for pumping, is used for recreation, and enhances habitat for fish and wildlife. The State Water Project provides irrigation water to 750,000 acres of farmland, mostly in the San Joaquin Valley, and provides municipal and industrial water to approximately 27 million of California's estimated 39.2 million residents, including the population within the service area of Metropolitan.

The State Water Project's watershed encompasses the mountains and waterways around the Feather River, the principal tributary of the Sacramento River, in the Sacramento Valley of Northern California. Through the State Water Project, Feather River water stored in and released from Oroville Dam (located about 70 miles north of Sacramento, east of the city of Oroville, California) and unregulated flows diverted directly from the Bay-Delta are transported south through the Central Valley of California, over the Tehachapi Mountains and into Southern California, via the California Aqueduct, to three delivery points near the northern and eastern boundaries of Metropolitan's service area. The total length of the California Aqueduct is approximately 444 miles. See "METROPOLITAN'S WATER DELIVERY SYSTEM–Primary Facilities and Method of Delivery –*State Water Project*" in this Appendix A.

From calendar year 2014 through 2023, the amount of water delivered to Metropolitan's service area via the State Water Project infrastructure, including water from allocated supplies, human health and safety supplies, carryover, flexible storage from Castaic Lake and Lake Perris, water transfer, groundwater banking and exchange programs delivered through the California Aqueduct varied from a low of 457,000 acre-feet in calendar year 2022 to a high of 1,374,000 acre-feet in 2017.

As more fully described under "– State Water Contract – General Terms of the Contract," under the terms of the State Water supply contract, DWR provides the initial allocation estimate of State Water Project water for the following calendar year by each December 1. Based upon updated runoff forecast and environmental, regulatory and operational constraints, DWR's total water supply availability projections are refined during the calendar year and allocations to the State Water Project contractors are adjusted accordingly. On December 1, 2023, DWR announced an initial calendar year 2024 allocation of ten percent of contracted amounts, based on DWR's assessment of reservoir storage and an assumption of dry conditions. On February 21, 2024, DWR increased the State Water Project annual allocation to 15 percent of State Water Project contractors' requested Table A amounts. DWR again increased the allocation estimate on March 22, 2024 to 30 percent of State Water Project contractors' requested Table A amounts. Further changes to the 2024 allocation may occur and are dependent on the developing hydrologic conditions. In addition, Metropolitan began 2024 with approximately 227,000 acre-feet of State Water Project carryover supplies from calendar year 2023. See "–Water Transfer, Storage and Exchange Programs" and "–Storage Capacity and Water in Storage." See also "–Water Conditions in Recent Years" and "–Current Water Conditions."

State Water Contract

General Terms of the Contract. In 1960, Metropolitan signed a water supply contract (as amended, the "State Water Contract") with DWR to receive water from the State Water Project. Metropolitan is one of 29 agencies and districts that have long-term contracts for water service from DWR (known collectively as the "State Water Project contractors" and sometimes referred to herein as "Contractors"). Metropolitan is the largest of the State Water Project contractors in terms of the number of people it serves (approximately 19 million), the share of State Water Project water that it has contracted to receive (approximately

46 percent), and the percentage of total annual payments made to DWR by agencies with State water supply contracts (approximately 50 percent for calendar year 2024). Metropolitan received its first delivery of State Water Project water in 1972.

Pursuant to the terms of the State water supply contracts, all water-supply related expenditures for capital and operations, maintenance, power, and replacement costs associated with the State Water Project facilities are paid for by the State Water Project contractors as components of their annual payment obligations to DWR. In exchange, Contractors have the right to participate in the system, with an entitlement to water service from the State Water Project and the right to use the portion of the State Water Project conveyance system necessary to deliver water to them. Each year DWR estimates the total State Water Project water available for delivery to the State Water Project contractors and allocates the available project water among the State Water Project contractors in accordance with the State Water Project supply contracts.

Under its State Water Contract, Metropolitan has a contractual right to its proportionate share of the State Water Project water that DWR determines annually is available for allocation to the Contractors. This determination is made by DWR each year based on existing supplies in storage, forecasted hydrology, and other factors, including water quality and environmental flow obligations and other operational considerations. Available State Water Project water is then allocated to the Contractors in proportion to the amounts set forth in "Table A" of their respective State water supply contract (sometimes referred to herein as Table A State Water Project water); provided, that in accordance with the terms of the State water supply contracts, the State may allocate on some other basis if such action is required to meet minimum demands of contractors for domestic supply, fire protection, or sanitation during the year. Pursuant to Table A of its State Water Contract, Metropolitan is entitled to approximately 46 percent of the total annual allocation made available to State Water Project contractors each year. Metropolitan's State Water Contract, under a 100 percent allocation, provides Metropolitan 1,911,500 acre-feet of water. The 100 percent allocation is referred to as the contracted amount. See also "–Current Water Conditions" for information regarding Metropolitan's allocation of State Water Project water for 2024.

The term of Metropolitan's State Water Contract currently extends to December 31, 2085, or until all DWR bonds issued to finance construction of project facilities are repaid, whichever is longer. Upon expiration of the State Water Contract term, Metropolitan has the option to continue service under substantially the same terms and conditions. See also "*–Amendment of Contract Term*."

Project Improvement Amendments. Metropolitan's State Water Contract has been amended a number of times since its original execution and delivery. Several of the amendments, entered into by DWR and various subsets of State Water Project contractors, relate to the financing and construction of a variety of State Water Project facilities and improvements and impose certain cost responsibility therefor on the affected Contractors, including Metropolitan. For a description of Metropolitan's financial obligations under its State Water Contract, including with respect to such amendments, see "METROPOLITAN EXPENSES–State Water Contract Obligations" in this Appendix A.

Water Management Amendments. Metropolitan and other State Water Project contractors have undertaken negotiations with DWR to amend their State water supply contracts to clarify the criteria applicable to certain water management tools including single and multi-year water transfers and exchanges. The water management provisions amendment allows for greater flexibility for transfers and exchanges among the State Water Project contractors. Specifically, the amendment confirms existing practices for exchanges, allows more flexibility for non-permanent water transfers, and allows for the transfer and exchange of certain portions of Article 56 carryover water (see "–Water Transfer, Storage and Exchange Programs – State Water Project Agreements and Programs – *Metropolitan Article 56 Carryover*"). DWR certified a final EIR for the water management amendments in August 2020. In September 2020, North Coast Rivers Alliance, California Water Impact Network and others separately filed

two lawsuits challenging DWR's final EIR and approval of the State water supply contract water management provisions amendment under the California Environmental Quality Act ("CEQA"). North Coast Rivers Alliance also alleges violations of the Delta Reform Act, and public trust doctrine, and seeks declaratory and injunctive relief. The cases were deemed related and assigned to the same judge. DWR filed notice of certification of the administrative record and filed answers in both cases on December 20, 2022. Any adverse impact of this litigation and rulings on Metropolitan's State Water Project supplies cannot be determined at this time. Despite the pending litigation, enough of the State Water Project contractors approved and executed the amendment as required by DWR for it to be deemed fully executed. The amendments went into effect on February 28, 2021. The State Water Contractors association, made up of 27 State Water Project contractors, has intervened in the two related cases to protect the interests of the Contractors.

Amendment of Contract Term. In 2014, DWR and the State Water Project contractors reached an Agreement in Principle (the "Agreement in Principle") on an amendment to extend their State water supply contracts to December 31, 2085 and to make certain other changes related to financial management of the State Water Project. The Agreement in Principle served as the "proposed project" for purposes of the environmental review required under CEQA, which such review was completed in December 2018. Following DWR's approval of the proposed project, three separate lawsuits were filed: one by DWR seeking to validate the contract extension amendment, and two by environmental groups and other entities challenging DWR's approval of the amendment and the adequacy of the underlying environmental review. These cases were deemed related by the court and assigned to a single judge. After a three-day trial in January 2022, the court issued a final statement of decision on March 9, 2022, in which it ruled that the amendments were valid and rejected all other challenges and claims. On January 5, 2024, the Third District Court of Appeal affirmed the decision. Appellants have filed petitions for review by the California Supreme Court. Any potential adverse impact of the appeals on Metropolitan's State Water Project supplies cannot be determined at this time. As of May 1, 2023, 27 of the 29 State Water Project contractors, including Metropolitan, had executed the amendment, exceeding the DWR established thresholds needed for the amendment to become effective. These Contractors also executed waivers allowing the amendment to be implemented notwithstanding the pending litigation. As a result, the contract extension amendment became effective on January 1, 2023 and the term of the water supply contracts of the State Water Project contractors executing the amendment was extended to December 31, 2085. While an adverse outcome in the pending appeal could potentially affect the ongoing validity and future implementation of the amendment, Metropolitan considers the risk to be low given the favorable outcome at trial and the Court of Appeal.

Amendments for Allocation of Conveyance Costs. Metropolitan and other State Water Project contractors embarked on a third public process to further negotiate proposed amendments to their State water supply contracts related to cost allocation for a potential Delta Conveyance project. Pursuant to the terms of a prior settlement, negotiations for this State Water Project contract amendment were completed in public. In March 2021, DWR and the State Water Project contractors concluded public negotiations and reached an Agreement in Principle (the "Delta Conveyance AIP") that will be the basis for amendment of the State water supply contracts. The future contract amendment contemplated by the Delta Conveyance AIP would provide a mechanism that would allow for the costs related to any Delta Conveyance project to be allocated and collected by DWR. The Delta Conveyance AIP also provides for the allocation of benefits for any Delta Conveyance project in proportion to each State Water Project contractor's participation. DWR will maintain a table reflecting decisions made by public agency governing boards regarding that agency's participation. Contract language for the proposed amendments is under development. See "*–Bay-Delta Planning Activities*" and "*–Delta Conveyance*" under "Bay-Delta Proceedings Affecting State Water Project" below.

Coordinated Operations with Central Valley Project

DWR operates the State Water Project in coordination with the federal Central Valley Project, which is operated by the Bureau of Reclamation. Since 1986, the coordinated operations have been undertaken pursuant to a Coordinated Operations Agreement for the Central Valley Project and State Water Project (the "COA"). The COA defines how the State and federal water projects share water quality and environmental flow obligations imposed by regulatory agencies. The agreement calls for periodic review to determine whether updates are needed in light of changed conditions. After completing a joint review process, DWR and the Bureau of Reclamation agreed to amend the COA to reflect water quality regulations, biological opinions and hydrology updated since the 1986 agreement was signed. On December 13, 2018, DWR and the Bureau of Reclamation executed an Addendum to the COA (the "COA Addendum"). The COA Addendum provides for DWR's adjustment of State Water Project operations to modify pumping operations, as well as project storage withdrawals to meet in-basin uses, pursuant to revised calculations based on Water Year types. The COA Addendum will shift responsibilities for meeting obligations between the Central Valley Project and the State Water Project, resulting in a shift of approximately 120,000 acre-feet in long-term average annual exports from the State Water Project to the Central Valley Project.

In executing the COA Addendum, DWR found the agreement to be exempt from environmental review under CEQA as an ongoing project and that the adjustments in operations are within the original scope of the project. On January 16, 2019, commercial fishing groups and an American Indian tribe ("petitioners") filed a lawsuit against DWR alleging that entering the COA Addendum violated CEQA, the Delta Reform Act, and the public trust doctrine. Westlands Water District ("Westlands") and North Delta Water Agency have been granted approval to intervene in the lawsuit. The petitioners are still in the process of preparing the administrative record. The effect of this lawsuit on the COA Addendum and State Water Project operations cannot be determined at this time.

2017 Oroville Dam Spillway Incident

Oroville Dam, the earthfill embankment dam on the Feather River which impounds Lake Oroville, is operated by DWR as a facility of the State Water Project. On February 7, 2017, the main flood control spillway at Oroville Dam, a gated and concrete lined facility, experienced significant damage as DWR released water to manage higher inflows driven by continued precipitation in the Feather River basin. The damaged main spillway impaired DWR's ability to manage lake levels causing water to flow over the emergency spillway structure, an ungated, 1,730-foot-long concrete barrier located adjacent to the main flood control spillway structure. Use of the emergency spillway structure resulted in erosion that threatened the stability of the emergency spillway structure. This concern prompted the Butte County Sheriff to issue an evacuation order for approximately 200,000 people living in Oroville and the surrounding communities.

On November 1, 2018, DWR completed reconstruction of the main spillway to its original design capacity of approximately 270,000 cubic feet per second ("cfs"), a capacity almost twice its highest historical outflow. Work on the emergency spillway was substantially completed in April 2019. Mitigation measures such as slope revegetation were completed in 2021. DWR has estimated the total costs of the recovery and restoration project prior to any federal or other reimbursement to be approximately $1.2 billion. As of January 2024, DWR had received or expected to receive reimbursement of a total of approximately $617 million of these costs under the Public Assistance Program of the Federal Emergency Management Agency ("FEMA"). Remaining costs of about $567 million were charged to the State Water Project contractors under the State water supply contracts, of which Metropolitan's share totaled about $259 million. DWR financed these remaining costs with DWR bonds.

Various lawsuits were filed against DWR asserting claims for property damage, economic losses, environmental impacts and civil penalties related to this incident. Neither Metropolitan nor any other State Water Project contractor was named as a defendant in any of these lawsuits. These cases, which were

coordinated in Sacramento Superior Court (Case No. JCCP 4974), have now been resolved, either through decisions in favor of DWR or settlements with terms favorable to DWR.

The most significant lawsuit was one filed by the Butte County District Attorney ("DA"), which sought up to $51 billion in civil penalties. This lawsuit asserted a single claim under California Fish and Game Code section 5650, *et seq.*, which makes it unlawful to deposit or place certain substances into the waters of the State, including lime, slag and "any substance or material deleterious to fish, plant life, mammals, or bird life." Among other things, the statute provides for the assessment of civil penalties of up to $25,000 a day and $10 per pound of material deposited in violation of its strictures. On September 3, 2020, DWR filed a motion for summary judgment in the Butte County DA case. On December 18, 2020, the court granted the motion, ruling that DWR is not subject to the penalty provisions of the California Fish and Game Code sections at issue. Accordingly, the matter was dismissed and judgment was entered on January 11, 2021. On October 5, 2023, the Third District Court of Appeal affirmed the trial court's dismissal. Finally, on December 20, the California Supreme Court denied a petition for review filed by the Butte County District Attorney. As a result, the Court of Appeal's decision is final. Cumulative payments for all claims related to the Oroville Dam spillway incident totaled less than $40 million.

The State water supply contracts provide that Metropolitan and the other State Water Project contractors are not liable for any claim of damage of any nature arising out of or connected to the control, carriage, handling, use, disposal or distribution of State Water Project water prior to the point where it reaches their turnouts. However, DWR has asserted that regardless of legal liability all costs of the State Water Project system must be borne by State Water Project contractors. Thus, DWR indicated its intent to bill the State Water Project contractors for any expenditures related to litigation (cost of litigation, settlements, damages awards/verdicts) arising from the Oroville Dam spillway incident and costs incurred by DWR to date have been reflected in DWR charges. Metropolitan has established that all charges related to this litigation are being paid under protest, and it has an existing tolling agreement with DWR to preserve its legal right to seek recovery of these charges and/or dispute any future charges that DWR may seek to assess related to such litigation.

Bay-Delta Proceedings Affecting State Water Project

General. In addition to being a source of water for diversion into the State Water Project, the Bay-Delta is the source of water for local agricultural, municipal, and industrial needs. The Bay-Delta also supports significant resident and anadromous fish and wildlife resources, as well as recreational uses of water. Both the State Water Project's upstream reservoir operations and its Bay-Delta diversions can at times affect these other uses of Bay-Delta water directly, or indirectly, through impacts on Bay-Delta water quality. A variety of proceedings and other activities are ongoing with the participation of various State and federal agencies, as well as California's environmental, urban and agricultural communities, in an effort to develop long-term, collectively negotiated solutions to the environmental and water management issues concerning the Bay-Delta. Metropolitan actively participates in these proceedings. Metropolitan cannot predict the outcome of any of the litigation or regulatory processes described below but believes that a materially adverse impact on the operation of State Water Project pumps could negatively impact Metropolitan's State Water Project deliveries and/or Metropolitan's water reserves.

SWRCB Regulatory Activities and Decisions. The State Water Resources Control Board (the "SWRCB") is the agency responsible for setting water quality standards and administering water rights throughout California. The SWRCB exercises its regulatory authority over the Bay-Delta by means of public proceedings leading to regulations and decisions that can affect the availability of water to Metropolitan and other users of State Water Project water. These include the Water Quality Control Plan ("WQCP") for the San Francisco Bay/Sacramento-San Joaquin Delta Estuary, which establishes the water quality objectives and proposed flow regime of the estuary, and water rights decisions, which assign

responsibility for implementing the objectives of the WQCP to users throughout the system by adjusting their respective water rights permits.

Since 2000, SWRCB's Water Rights Decision 1641 ("D-1641") has governed the State Water Project's ability to export water from the Bay-Delta for delivery to Metropolitan and other agencies receiving water from the State Water Project. D-1641 allocated responsibility to water rights holders for meeting flow requirements and salinity and other water quality objectives established earlier by the WQCP.

The WQCP gets reviewed periodically and new standards and allocations of responsibility can be imposed on the State Water Project as a result. The SWRCB's current review and update of the WQCP is being undertaken in phased proceedings. In December 2018, the SWRCB completed Phase 1 of the WQCP proceedings, adopting the plan amendments and environmental documents to support new flow standards for the Lower San Joaquin River tributaries and revised southern Delta salinity objectives. The Phase 1 plan amendments include certain "unimpaired flow" requirements on the three San Joaquin River tributaries. The term unimpaired flow is used to describe a theoretically available water supply assuming existing river channel conditions in the absence of storage and stream diversions. It is theoretical and it does not represent such conditions as they have occurred historically. Various stakeholders filed suit against the SWRCB challenging these Phase 1 plan amendments.

Plan amendments being considered as part of Phase 2 of the WQCP proceedings are focused on the Sacramento River and its tributaries, Delta eastside tributaries, Delta outflows, and interior Delta flows. The SWRCB has also encouraged all stakeholders to work together to reach one or more Voluntary Agreements for consideration by the SWRCB that could implement the proposed amendments to the WQCP through a variety of tools, including non-flow habitat restoration for sensitive salmon and smelt species, while seeking to protect water supply reliability. Metropolitan is participating in the Phase 2 proceedings and Voluntary Agreement negotiations. On March 29, 2022, Metropolitan's General Manager signed a Memorandum of Understanding Advancing a Term Sheet for the Voluntary Agreements to Update and Implement the Bay-Delta Water Quality Control Plan, and Other Related Actions (the "VA MOU"). Other parties include the California Natural Resources Agency ("Natural Resources"), the California Environmental Protection Agency, the California Department of Fish and Wildlife ("CDFW"), the Bureau of Reclamation, DWR, the State Water Contractors association and additional agricultural and municipal water users. Under the VA MOU, the parties "seek to take a comprehensive approach to integrate flow and non-flow measures, including habitat restoration, subject to ongoing adaptive management based on a science program" as described in an attached term sheet. The proposed approach under the VA MOU provides for implementation over eight years with a potential extension to up to 15 years. To be implemented any Voluntary Agreement package of agreed upon flow and non-flow measures would need to be reviewed by the SWRCB and formally considered and adopted as part of a comprehensive update to the WQCP.

In September 2023, the staff for the SWRCB released a Draft Staff Report/Substitute Environmental Document (the "Draft Staff Report") for the WQCP Phase 2 updates for the Sacramento River watershed, Delta eastside tributaries, interior Delta, and Delta. The Draft Staff Report analyzes several alternatives for WQCP updates, including the proposed Healthy Rivers and Landscapes (HRL) proposal (previously referred to as "Voluntary Agreements"), several variations of unimpaired hydrograph outflow objectives, several modular alternatives that would limit State Water Project and Central Valley Project operations, and several narrative objectives. As described in the Draft Staff Report, the SWRCB could adopt more than one alternative, providing for layered implementation. The Draft Staff Report's Proposed Action includes a flow objective of 55 percent of the unimpaired hydrograph. The Draft Staff Report's Proposed Action flow objective is predicted to result in an annual average reduction of 446,000 acre-feet for southern California municipal supplies, which provides an estimate of the potential water cost for Metropolitan. The public comment period for the Draft Staff Report closed on January 19, 2024. Metropolitan provided comments individually and through the State Water Contractors association. The

SWRCB staff will consider public comments and finalize the Staff Report later in 2024. The eventual consideration by the SWRCB of adoption of Phase 2 updates to the WQCP is expected to occur in December 2024 or later.

Bay-Delta Planning Activities. In 2000, several State and federal agencies released the CALFED Bay-Delta Programmatic Record of Decision and Environmental Impact Report/Environmental Impact Statement ("EIR/EIS") that outlined and disclosed the environmental impacts of a 30-year plan to improve the Bay-Delta's ecosystem, water supply reliability, water quality, and levee stability. CALFED is the consortium of State and federal agencies with management and regulatory responsibilities in the San Francisco Bay/ Sacramento-San Joaquin Delta Estuary. The CALFED Record of Decision remains in effect and many of the State, federal, and local projects begun under CALFED continue.

In 2006, multiple State and federal resource agencies, water agencies, and other stakeholder groups entered into a planning agreement for the Bay-Delta Conservation Plan ("BDCP"). The BDCP was originally conceived as a comprehensive conservation strategy for the Bay-Delta designed to restore and protect ecosystem health, water supply, and water quality within a stable regulatory framework to be implemented over a 50-year time frame with corresponding long-term permit authorizations from fish and wildlife regulatory agencies. The BDCP includes both alternatives for new water conveyance infrastructure and extensive habitat restoration in the Bay-Delta.

The existing State Water Project Delta water conveyance system needs to be improved and modernized to address operational constraints on pumping in the south Delta as well as risks to water supplies and water quality from climate change, earthquakes, and flooding. Operational constraints are largely due to biological opinions and incidental take permits to which the State Water Project is subject that substantially limit the way DWR operates the State Water Project.

In 2015, the State and federal lead agencies proposed an alternative implementation strategy and new alternatives to the BDCP to provide for the protection of water supplies conveyed through the Bay-Delta and the restoration of the ecosystem of the Bay-Delta, termed "California WaterFix" and "California EcoRestore," respectively. Planned water conveyance improvements, California WaterFix (a proposed project that was subsequently withdrawn and reconfigured as an alternative delta conveyance project as described under "*–Delta Conveyance*" below), would have been implemented by DWR and the Bureau of Reclamation as a stand-alone project with the required habitat restoration limited to that directly related to construction mitigation. Ecosystem improvements and habitat restoration more generally, California EcoRestore, would be undertaken under a more phased approach.

California EcoRestore. As part of California EcoRestore, which was initiated in 2015, the State is pursuing more than 30,000 acres of Delta habitat restoration. As of the end of the first five-year period of 2015 through December 2020, California EcoRestore was on track to restore 3,500 acres of non-tidal wetland and projected to restore 14,000 acres of tidal and subtidal habitat, 18,580 acres of floodplain, and 1,650 acres of riparian and upland habitat, exceeding initial estimates. Over such period, California EcoRestore represented an investment of approximately $500 million for implementation and planning costs. This includes certain amounts being paid by the State Water Project contractors, including Metropolitan, for the costs of habitat restoration required to mitigate State and federal water project impacts pursuant to the biological opinions. Work on several California EcoRestore projects is ongoing. The overall estimated cost to complete the current list of 32 California EcoRestore projects is $750 to $950 million, with approximately half expected to be paid from the State Water Project by State Water Project contractors and half from other funding sources. See also "–Endangered Species Act and Other Environmental Considerations Relating to Water Supply – Endangered Species Act Considerations – State Water Project."

Delta Conveyance. On April 29, 2019, Governor Newsom issued an executive order directing identified State agencies to develop a comprehensive statewide strategy to build a climate-resilient water

system, directing the State agencies to inventory and assess the current planning for modernizing conveyance through the Bay-Delta with a new single tunnel project (rather than the previously contemplated two-tunnel California WaterFix). Consistent with the Governor's direction, in January 2020, DWR commenced a formal environmental review process under CEQA for a proposed single tunnel Delta Conveyance Project. On July 27, 2022, DWR released the Delta Conveyance Draft EIR for public and agency comment under CEQA. DWR certified its Final EIR on December 8, 2023 and approved the single tunnel Delta Conveyance Project on December 21, 2023. The approved conveyance facilities include intake structures on the Sacramento River, with a total capacity of 6,000 cfs, and a single tunnel to convey water to a new pumping facility in the south Delta that would lift water into the existing Bethany Reservoir, part of the California Aqueduct. Additional permitting processes, including federal and State Endangered Species Act ("ESA") permits, the SWRCB Change in Point of Diversion petition and the Delta Stewardship Council Delta Plan Consistency certification, are expected to continue into 2027. Nine lawsuits have been filed by various organizations, including Tulare Lake Basin Water Storage District, Sierra Club, City of Stockton, County of San Joaquin, County of Butte, Sacramento Area Sewer District, County of Sacramento, San Francisco Baykeeper, and South Delta Water Agency, challenging the adequacy of DWR's Final EIR under CEQA.

On August 20, 2020, the U.S. Army Corps of Engineers ("Army Corps"), the lead agency for the Delta Conveyance Project under the National Environmental Policy Act ("NEPA"), issued a notice of intent of the development of the EIS for the Delta Conveyance Project. On December 16, 2022, the Army Corps released the Draft EIS for public and agency comment under NEPA. The comment period closed on March 16, 2023. Certification of the Final EIS by the Army Corps is not expected before the middle of 2024.

Metropolitan's Board has previously authorized Metropolitan's participation in two joint powers agencies relating to a Bay-Delta conveyance project (originally formed in connection with California WaterFix): the Delta Conveyance Design and Construction Authority (the "DCA"), formed by the participating water agencies to actively participate with DWR in the design and construction of the conveyance project in coordination with DWR and under the control and supervision of DWR; and the Delta Conveyance Finance Authority (the "Financing JPA"), formed by the participating water agencies to facilitate financing for the conveyance project. The DCA is providing engineering and design activities to support the DWR's planning and environmental analysis for the potential new Delta Conveyance Project.

In August 2020, the DCA released preliminary cost information for the proposed Delta Conveyance Project based on an early cost assessment prepared by the DCA. The DCA's early assessment is based on preliminary engineering, not a full conceptual engineering report, and includes project costs for construction, management, oversight, mitigation, planning, soft costs, and contingencies. Based on these assumptions, the DCA's early project cost assessment estimate was approximately $15.9 billion in 2020 non-discounted dollars, which includes a 44 percent overall contingency applied to the preliminary construction costs.

Approximately $340.7 million of investment was estimated to be needed over four years (2021 through 2024) to fund planning and pre-construction costs for the proposed Delta Conveyance Project. At its December 8, 2020 Board meeting, Metropolitan's Board authorized the General Manager to execute a funding agreement with DWR and commit funding for a Metropolitan participation level of 47.2 percent of such costs of preliminary design, environmental planning and other pre-construction activities to assist in the environmental process for the proposed Delta Conveyance Project. Metropolitan's 47.2 percent share represents an estimated funding commitment of $160.8 million over the four years 2021 through 2024. Eighteen other State Water Project contractors also have approved funding a share of the planning and pre-construction costs. Like prior agreements for BDCP and California WaterFix, the funding agreement provides that funds would be reimbursed to Metropolitan if the project is approved and when the first bonds, if any, for the project are issued. In connection with approving the funding agreement, at its December 2020

Board meeting, the Board also authorized the General Manager to execute an amendment to the DCA joint exercise of powers agreement. The amendment was developed to address changes in the anticipated participation structure for the proposed Delta Conveyance Project from that contemplated for California WaterFix.

Metropolitan's December 8, 2020 action to approve the funding of planning and pre-construction costs does not commit Metropolitan to participate in the Delta Conveyance Project. Any additional funding for planning and pre-construction costs would require Board approval, a vote on which is expected to be considered in 2024 or later. Any final decision to commit to the project and incur final design and construction costs would require further Board approval, a vote on which is not expected to occur until after key permits are obtained, likely in 2025 or later.

On August 6, 2020, DWR adopted certain resolutions to authorize the issuance of bonds to finance costs of the Delta Conveyance Project environmental review, planning, design and, if and when such a project is approved, the costs of acquisition and construction thereof. The same day, it filed a complaint in Sacramento County Superior Court seeking to validate its authority to issue the bonds. Fourteen answers were filed in the validation action. In May 2023, a bench trial was conducted by the court in connection with the validation action. On January 16, 2024, the Sacramento County Superior Court denied DWR's request for a validation order, finding that DWR exceeded its statutorily delegated authority when it adopted the bond resolutions to authorize the issuance of its bonds to finance the Delta Conveyance Project. On February 14, 2024, Metropolitan and four other supporting public water agencies filed a Notice of Appeal in California's Court of Appeal, Third Appellate District, of the Sacramento County Superior Court's ruling denying DWR's request for an order validating bond resolutions to finance the Delta Conveyance Project. DWR filed a Notice of Appeal on February 16, 2024.

Additional lawsuits could be filed in the future with respect to the proposed new Bay-Delta conveyance project and may impact the anticipated timing and costs of any proposed single tunnel Delta Conveyance Project. A cost estimate for the proposed single tunnel Delta Conveyance Project is expected to be released by DWR later in 2024.

Colorado River Aqueduct

Background

The Colorado River was Metropolitan's original source of water after Metropolitan's establishment in 1928. Metropolitan has a legal entitlement to receive water from the Colorado River under a permanent service contract with the Secretary of the Interior. Water from the Colorado River and its tributaries is also available to other users in California, as well as users in the states of Arizona, Colorado, Nevada, New Mexico, Utah, and Wyoming (collectively, the "Colorado River Basin States"), resulting in both competition and the need for cooperation among these holders of Colorado River entitlements. In addition, under a 1944 treaty, Mexico has the right to delivery of 1.5 million acre-feet of Colorado River water annually except as provided under shortage conditions described in Treaty Minute 323. The United States and Mexico agreed to conditions for reduced deliveries of Colorado River water to Mexico in Treaty Minute 323, adopted in 2017. Treaty Minute 323 established the rules under which Mexico agreed to take shortages and create reservoir storage in Lake Mead. Those conditions are in parity with the requirements placed on the Lower Basin States (defined below) in the Lower Basin Drought Contingency Plan (described under "– Colorado River Operations: Surplus and Storage Guidelines – *Lower Basin Shortage Guidelines and Coordinated Management Strategies for Lake Powell and Lake Mead*"). Mexico can also schedule delivery of an additional 200,000 acre-feet of Colorado River water per year if water is available in excess of the requirements in the United States and the 1.5 million acre-feet allotted to Mexico.

Construction of the CRA, which is owned and operated by Metropolitan, was undertaken by Metropolitan to provide for the transportation of its Colorado River water entitlement to its service area. The CRA originates at Lake Havasu on the Colorado River and extends approximately 242 miles through a series of pump stations and reservoirs to its terminus at Lake Mathews in Riverside County. Up to 1.25 million acre-feet of water per year may be conveyed through the CRA to Metropolitan's member agencies, subject to the availability of Colorado River water for delivery to Metropolitan as described below. Metropolitan first delivered CRA water to its member agencies in 1941.

Colorado River Water Apportionment and Seven-Party Agreement

Pursuant to the federal Boulder Canyon Project Act of 1928, California is apportioned the use of 4.4 million acre-feet of water from the Colorado River each year plus one-half of any surplus that may be available for use collectively in the Lower Basin States of Arizona, California and Nevada. Under an agreement entered into in 1931 among the California entities that expected to receive a portion of California's apportionment of Colorado River water (the "1931 Seven-Party Agreement") and which has formed the basis for the distribution of Colorado River water made available to California, Metropolitan holds the fourth priority right to 550,000 acre-feet per year. This is the last priority within California's basic apportionment. In addition, Metropolitan holds the fifth priority right to 662,000 acre-feet of water, which is in excess of California's basic apportionment. Until 2003, Metropolitan had been able to take full advantage of its fifth priority right as a result of the availability of surplus water and water apportioned to Arizona and Nevada that was not needed by those states. However, during the 1990s Arizona and Nevada increased their use of water from the Colorado River, and by 2002 no unused apportionment was available for California. As a result, California has limited its annual use to 4.4 million acre-feet since 2003, not including supplies made available under water supply programs such as Intentionally Created Surplus ("ICS") and certain conservation and storage agreements. In addition, a severe drought in the Colorado River Basin from 2000-2004 reduced storage in system reservoirs, ending the availability of surplus deliveries to Metropolitan. Prior to 2003, Metropolitan could divert over 1.25 million acre feet in any year. Since 2003, Metropolitan's net diversions of Colorado River water have ranged from a low of 537,607 acre feet in 2019 to a high of approximately 1,179,000 acre feet in 2015. Average annual net diversions over the ten-year period 2014 through 2023 were 917,020 acre-feet, with annual volumes dependent primarily on programs to augment supplies, including transfers of conserved water from agriculture and water made available to Metropolitan pursuant to the Exchange Agreement, in exchange for which Metropolitan delivers a like amount to SDCWA from any Metropolitan supply. See "– Quantification Settlement Agreement", "— Metropolitan and San Diego County Water Authority Exchange Agreement", and "– Colorado River Operations: Surplus and Shortage Guidelines." See also "–Current Water Conditions" and "–Water Transfer, Storage and Exchange Programs – Colorado River Aqueduct Agreements and Programs." In 2023, based upon preliminary estimates, Metropolitan's total available Colorado River supply was just over 1.1 million acre-feet. A portion of the available supply was stored in Metropolitan's Lake Mead ICS supplies. See also "–Storage Capacity and Water in Storage."

The following table sets forth the existing priorities of the California users of Colorado River water established under the 1931 Seven-Party Agreement.

[Remainder of page intentionally left blank.]

PRIORITIES UNDER THE CALIFORNIA 1931 SEVEN-PARTY AGREEMENT[1]

Priority	Description	Acre-Feet Annually
1	Palo Verde Irrigation District gross area of 104,500 acres of land in 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[2] 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 the coastal plain	550,000
	SUBTOTAL	4,400,000
5(a)	Metropolitan Water District of Southern California for use on the coastal plain	550,000
5(b)	Metropolitan Water District of Southern California for use on the coastal plain[3]	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	Remaining surplus

Source: Metropolitan.

(1) Agreement dated August 18, 1931, among Palo Verde Irrigation District, Imperial Irrigation District, Coachella Valley County Water District, Metropolitan, the City of Los Angeles, the City of San Diego and the County of San Diego. These priorities were memorialized in the agencies' respective water delivery contracts with the Secretary of the Interior.

(2) The Coachella Valley Water District serves Coachella Valley.

(3) 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.

Quantification Settlement Agreement

The Quantification Settlement Agreement ("QSA"), which was executed by the Coachella Valley Water District ("CVWD"), Imperial Irrigation District ("IID"), and Metropolitan in October 2003, together with various QSA-related agreements including those in which SDCWA is a party, established Colorado River water use limits for IID and CVWD, and provided for specific acquisitions of conserved water and water supply arrangements. The QSA and related agreements provide a framework for Metropolitan to enter into other cooperative Colorado River supply programs and set aside several disputes among California's Colorado River water agencies.

Specific programs under the QSA and related agreements include lining portions of the All-American and Coachella Canals, which were completed in 2009 and conserve over 98,000 acre-feet annually. Metropolitan receives this water and delivers over 77,000 acre-feet of exchange water annually to SDCWA, and provides 16,000 acre-feet of water annually by exchange to the United States for use by the La Jolla, Pala, Pauma, Rincon, and San Pasqual Bands of Mission Indians, the San Luis Rey River Indian Water Authority, the City of Escondido, and the Vista Irrigation District. Water became available for exchange with the United States following a May 17, 2017 notice from the Federal Energy Regulatory Commission ("FERC") satisfying the last requirement of Section 104 of the San Luis Rey Indian Water Rights Settlement Act (Title I of Public Law 100-675, as amended). The QSA and related agreements also authorized the transfer of conserved water annually by IID to SDCWA (up to a maximum amount in 2021 of 205,000 acre-feet, then stabilizing to 200,000 acre-feet per year). Metropolitan receives this water and delivers an equal amount of exchange water annually to SDCWA. See description under "– Metropolitan and San Diego County Water Authority Exchange Agreement" below; see also "METROPOLITAN REVENUES–Principal Customers" in this Appendix A. Also included under the QSA related agreements is a delivery and exchange agreement between Metropolitan and CVWD that provides for Metropolitan, when requested, to deliver annually up to 35,000 acre-feet of Metropolitan's State Water Project contractual water to CVWD by exchange with Metropolitan's available Colorado River supplies.

Metropolitan and San Diego County Water Authority Exchange Agreement

No facilities exist to deliver conserved water acquired by SDCWA from IID and water allocated to SDCWA that has been conserved as a result of the lining of the All-American and Coachella Canals. See "–Quantification Settlement Agreement." Accordingly, in 2003, Metropolitan and SDCWA entered into an exchange agreement (the "Exchange Agreement"), pursuant to which SDCWA makes available to Metropolitan at its intake at Lake Havasu on the Colorado River the conserved Colorado River water SDCWA receives under the QSA related agreements. Metropolitan delivers an equal volume of water from its own sources of supply through its delivery system to SDCWA. The Exchange Agreement limits the amount of water that Metropolitan delivers to 277,700 acre-feet per year, except that an additional 5,000 acre-feet was exchanged in 2021 and an additional 2,500 acre-feet was exchanged in 2022. In consideration for the exchange of the conserved water made available to Metropolitan by SDCWA with the exchange water delivered by Metropolitan, SDCWA pays the agreement price. The price payable by SDCWA is calculated using the charges set by Metropolitan's Board from time to time to be paid by its member agencies for the conveyance of water through Metropolitan's facilities. See "METROPOLITAN REVENUES–Litigation Challenging Rate Structure" in this Appendix A for a description of Metropolitan's charges for the conveyance of water through Metropolitan's facilities and litigation in which SDCWA is challenging such charges. The term of the Exchange Agreement, as it relates to conserved water transferred by IID to SDCWA, extends through 2047, and as it relates to water allocated to SDCWA that has been conserved as a result of the lining of the All-American and Coachella Canals, extends through 2112; subject, in each case, to the right of SDCWA, upon a minimum of five years' advance written notice to Metropolitan, to permanently reduce the aggregate quantity of conserved water made available to Metropolitan under the Exchange Agreement to the extent SDCWA decides continually and regularly to transport such conserved water to SDCWA through alternative facilities (which do not presently exist). In 2023, the preliminary estimate of water delivered to Metropolitan by SDCWA for exchange was approximately 227,700 acre-feet, consisting of 150,000 acre-feet of IID conservation plus 77,700 acre-feet of conserved water from the Coachella Canal and All-American Canal lining projects. The volume from IID conservation exchanged under the agreement in 2023 was less than the stabilized volume of 200,000 acre-feet described above because 50,000 acre-feet were left in Lake Mead as a part of 2023 system conservation agreements among the Bureau of Reclamation, Metropolitan, SDCWA, and IID under the Bureau of Reclamation's Lower Colorado River Basin System Conservation and Efficiency Program.

Colorado River Operations: Surplus and Shortage Guidelines

General. The Secretary of the Interior is vested with the responsibility of managing the mainstream waters of the lower Colorado River pursuant to federal law. Each year, the Secretary of the Interior is required to declare the Colorado River water supply availability conditions for the Lower Basin States in terms of "normal," "surplus" or "shortage" and has adopted operations criteria in the form of guidelines to determine the availability of surplus or potential shortage allocations among the Lower Basin States and reservoir operations for such conditions.

Interim Surplus Guidelines. In January 2001, the Secretary of the Interior adopted guidelines (the "Interim Surplus Guidelines"), initially for use through 2016, in determining the availability and quantity of surplus Colorado River water available for use in California, Arizona and Nevada. The Interim Surplus Guidelines were amended in 2007 and now extend through 2026. The purpose of the Interim Surplus Guidelines was to provide mainstream users of Colorado River water, particularly those in California and Nevada who had been utilizing surplus flows, a greater degree of predictability with respect to the availability and quantity of surplus water. Under the Interim Surplus Guidelines, Metropolitan initially expected to divert up to 1.25 million acre-feet of Colorado River water annually under foreseeable runoff and reservoir storage scenarios from 2004 through 2016. However, as described above, an extended drought in the Colorado River Basin reduced these initial expectations, and Metropolitan has not received any surplus water since 2002 and does not expect to receive any surplus water in the foreseeable future.

Lower Basin Shortage Guidelines and Coordinated Management Strategies for Lake Powell and Lake Mead. In May 2005, the Secretary of the Interior directed the Bureau of Reclamation to develop additional strategies for improving coordinated management of the reservoirs of the Colorado River system. In November 2007, the Bureau of Reclamation issued a Final EIS regarding new federal guidelines concerning the operation of the Colorado River system reservoirs, particularly during drought and low reservoir conditions. These guidelines provide water release criteria from Lake Powell and water storage and water release criteria from Lake Mead during shortage and surplus conditions in the Lower Basin, provide a mechanism for the storage and delivery of conserved system and non-system water in Lake Mead, and extend the Interim Surplus Guidelines through 2026 (as noted above). The Secretary of the Interior issued the final guidelines through a Record of Decision signed in December 2007. The Record of Decision and accompanying agreement among the Colorado River Basin States protect reservoir levels by reducing deliveries during low inflow periods, encouraging agencies to develop conservation programs and allowing the Colorado River Basin States to develop and store new water supplies. The Colorado River Basin Project Act of 1968 insulates California from shortages in all but the most extreme hydrologic conditions. Consistent with these legal protections, under the guidelines, Arizona and Nevada are first subject to the initial annual shortages identified by the Secretary in a shared amount of up to 500,000 acre-feet.

The guidelines also created the ICS program, which allows water contractors in the Lower Basin States to store conserved water in Lake Mead. Under this program, ICS water (water that has been conserved through an extraordinary conservation measure, such as land fallowing) is eligible for storage in Lake Mead by Metropolitan. ICS can be created through 2026 and delivered through 2036. See the table entitled "Metropolitan's Water Storage Capacity and Water in Storage" under "–Storage Capacity and Water in Storage." Under the guidelines and the subsequent Colorado River Drought Contingency Plan Authorization Act, California can create and deliver up to 400,000 acre-feet of extraordinary conservation ICS ("EC ICS") annually and accumulate up to 1.5 million acre-feet of EC ICS in Lake Mead. In December 2007, California contractors for Colorado River water executed the California Agreement for the Creation and Delivery of Extraordinary Conservation Intentionally Created Surplus (the "California ICS Agreement"), which established terms and conditions for the creation, accumulation, and delivery of EC ICS by California contractors receiving Colorado River water. Under the California ICS Agreement, the State's EC ICS creation, accumulation, and delivery limits provided to California under the 2007 interim shortage guidelines are apportioned between IID and Metropolitan. No other California contractors were

permitted to create or accumulate ICS. Under the terms of the agreement, IID is allowed to store up to 25,000 acre-feet per year of EC ICS in Lake Mead with a cumulative limit of 50,000 acre-feet, in addition to any acquired Binational ICS water (water that has been conserved through conservation projects in Mexico). Metropolitan is permitted to use the remaining available ICS creation, delivery, and accumulation limits provided to California.

The Secretary of the Interior delivers the stored ICS water to Metropolitan in accordance with the terms of December 13, 2007, January 6, 2010, and November 20, 2012 Delivery Agreements between the United States and Metropolitan. As of January 1, 2024, Metropolitan had an estimated 1,544,000 acre-feet in its ICS accounts. These ICS accounts include water conserved by fallowing in the Palo Verde Valley, projects implemented with IID in its service area, groundwater desalination, the Warren H. Brock Reservoir Project, and international agreements that converted water conserved by Mexico to the United States.

Colorado River Drought Contingency Plans. Since the 2007 Lower Basin shortage guidelines were issued for the coordinated operations of Lake Powell and Lake Mead, the Colorado River has continued to experience drought conditions. The seven Colorado River Basin States, the U.S. Department of the Interior ("Department of the Interior") through the Bureau of Reclamation, and water users in the Colorado River Basin, including Metropolitan, began developing Drought Contingency Plans ("DCPs") to reduce the risk of Lake Powell and Lake Mead declining below critical elevations through 2026.

In April 2019, the President of the United States signed the Colorado River Drought Contingency Plan Authorization Act (referenced above), directing the Secretary of the Interior to sign and implement four DCP agreements related to the Upper and Lower Basin DCPs without delay. The agreements were executed and the Upper and Lower Basin DCPs became effective on May 20, 2019. The Lower Basin Drought Contingency Plan Agreement requires California, Arizona and Nevada to store defined volumes of water in Lake Mead at specified lake levels. California would begin making contributions if Lake Mead's elevation is projected to be 1,045 feet above sea level or below on January 1. Depending on the lake's elevation, California's contributions would range from 200,000 to 350,000 acre-feet a year ("DCP Contributions"). Pursuant to intrastate implementation agreements and a settlement agreement with IID, Metropolitan will be responsible for 90 percent of California's DCP Contributions under the Lower Basin DCP. CVWD will be responsible for 7 percent of California's required DCP Contributions. While IID is not a party to the DCP, if Metropolitan is required to make a DCP contribution, IID will assist Metropolitan in making DCP contributions by contributing the lesser of either: (a) three percent of California's DCP contribution or (b) the amount of water IID has stored with Metropolitan. The terms of the settlement agreement with IID referenced above and the mechanism by which IID will contribute to California's DCP Contributions is described in more detail under "–Water Transfer, Storage and Exchange Programs – Colorado River Aqueduct Agreements and Programs – *California ICS Agreement Intrastate Storage Provisions"* in this Appendix A. No DCP contribution is required by California in 2024.

Implementation of the Lower Basin DCP enhances Metropolitan's ability to store water in Lake Mead and ensures that water in storage can be delivered later. The Lower Basin DCP increases the total volume of water that California may store in Lake Mead by 200,000 acre-feet, for a total of 1.7 million acre-feet, which Metropolitan will have the right to use. However, under the September 12, 2019 DCP Contributions and ICS Accumulation Limits Sharing Agreement, California agreed to make up to 50,000 acre-feet of its accumulation space available to Arizona through 2026. Arizona has used this accumulation space, therefore making the effective increase in the volume of water California may store 1.65 million acre-feet. Both EC ICS and Binational ICS count towards the total volume of water that California may store in Lake Mead. Water stored as ICS will be available for delivery as long as Lake Mead's elevation remains above 1,025 feet. Previously, that water would likely have become inaccessible below a Lake Mead elevation of 1,075 feet. DCP Contributions may be made through conversion of existing ICS, including at times when Lake Mead's elevation falls below 1,025 feet, allowing Metropolitan to deliver the full amount of its basic apportionment and available water under its CRA water transfer and exchange programs even

in years when a DCP Contribution is required. DCP Contributions made through conversion of existing ICS become DCP ICS. DCP Contributions may also be made by leaving water in Lake Mead that there was a legal right to have delivered. This type of DCP Contribution becomes system water and may not be recovered. Rules are set for delivery of DCP ICS through 2026 and between 2027-2057. The Lower Basin DCP will be effective through 2026, however, the SEIS (which is described under *"–Ongoing Activities Relating to Colorado River Operations*" below) could alter provisions of the DCP.

Lake Mead 500+ Plan. In December 2021, Metropolitan, the Department of the Interior, the Arizona Department of Water Resources, the Central Arizona Project, and the Southern Nevada Water Authority ("SNWA") executed a memorandum of understanding for an agreement to invest up to $200 million in projects over the two years 2022 and 2023 to keep Lake Mead from dropping to critically low levels. The agreement, known as the "500+ Plan," aimed to add 500,000 acre-feet of additional water to Lake Mead in both 2022 and 2023 by facilitating actions to conserve water across the Lower Colorado River Basin through voluntary measures such as creation of system conservation, creation of ICS and decreases in planned ICS releases. The additional water, enough water to serve about 1.5 million households per year, would add about 16 feet total to the reservoir's level. Under the memorandum of understanding, the Arizona Department of Water Resources committed to provide up to $40 million to the initiative over two years, with Metropolitan, the Central Arizona Project and SNWA each agreeing to contribute up to $20 million. The federal government planned to match those commitments, providing an additional $100 million. As of the end of calendar year 2022 over 500,000 acre-feet of additional water was added to Lake Mead. Metropolitan's financial contribution through the end of calendar year 2022 totaled approximately $4 million. In 2023, existing conservation projects for the Lower Colorado River Basin were terminated to allow the programs to enroll in Reclamation's Lower Colorado River Basin System Conservation and Efficiency Program as part of the Inflation Reduction Act of 2022 (the "IRA"), which included funds (described below) to assist in addressing the Lower Colorado River drought conditions. California Lower Colorado River Basin contract and entitlement holders continue to pursue a goal of conserving 400,000 acre-feet annually in 2023 through 2026. See also "–Endangered Species Act and Other Environmental Considerations Relating to Water Supply – Endangered Species Act Considerations - Colorado River."

Lower Colorado River Basin System Conservation and Efficiency Program. The United States Congress appropriated $4 billion for drought mitigation in the IRA. Using funds made available through the IRA, the Bureau of Reclamation established the Lower Colorado River Basin System Conservation and Efficiency Program as part of a commitment made by the U.S. Department of the Interior on August 16, 2022 to take actions designed to address the unprecedented drought in the Lower Colorado River Basin. The program is in the process of selecting projects for funding proposed by Colorado River water delivery contract or entitlement holders for system conservation and efficiencies in the Lower Colorado River Basin that also lead to additional conservation and bridge the immediate conservation need while moving toward improved system efficiency and more durable long-term solutions. Metropolitan submitted several proposals for funding system conservation in both the short- and long-term.

In the short-term, Metropolitan has executed contracts with the Bureau of Reclamation pursuant to which the Bureau of Reclamation, rather than Metropolitan, will pay for conserved water from Metropolitan's PVID Land Management, Crop Rotation and Water Supply Program from August 1, 2023 to July 31, 2026 and from the Quechan Forbearance Program for calendar years 2023 through 2025. Water generated from these programs and these time periods will benefit Lake Mead as system water rather than accrue to Metropolitan. Later in 2024, Metropolitan also anticipates executing an additional contract with Reclamation where Reclamation will pay for conserved water from Metropolitan's Bard Seasonal Fallowing Program for calendar years 2024 through 2026 and water generated from that program during that time period will benefit Lake Mead as system water rather than accrue to Metropolitan.

In the long-term, Metropolitan has submitted a proposal for the creation of system water through adoption of new conservation and local supply programs, or enhancements of existing programs. Negotiations on long-term system conservation are still on-going.

Ongoing Activities Relating to Colorado River Operations. Before the DCP and 2007 Lower Basin shortage guidelines terminate in 2026, the U.S. Department of the Interior through the Bureau of Reclamation, the seven Colorado River Basin States, and water users in the Colorado River Basin, including Metropolitan, are expected to develop new shortage guidelines for the management and operation of the Colorado River.

In a process separate from the post-2026 guidelines development process, in November 2022, the Bureau of Reclamation initiated an expedited process to modify the 2007 interim guidelines for Colorado River operations in 2023, 2024, and possibly through 2026 to address the potential for continued low-runoff conditions and water shortages in the Colorado River Basin. In April 2023, the Bureau of Reclamation released a draft Supplemental Environmental Impact Statement ("SEIS") for public comment to modify the 2007 interim guidelines for proposed changes to operations starting in 2024 and to inform potential operations in 2025 and 2026 that would include reduced releases from Glen Canyon Dam and increased lower basin shortages. On May 22, 2023, representatives of the States of Arizona, California, and Nevada (the "Lower Basin States") sent a letter to the Bureau of Reclamation outlining the terms of a consensus proposal to conserve an additional volume of at least three million acre-feet of Colorado River water in the lower basin by the end of calendar year 2026, with at least 1.5 million acre-feet of that additional total being conserved by the end of calendar year 2024 (the "Lower Basin Plan"). This conservation would be in addition to existing shortage apportionments and DCP contribution obligations under the current 2007 interim guidelines, Lower Basin DCP, and Treaty Minute 323. On May 22, 2023, the Department of the Interior announced that it was temporarily withdrawing the draft SEIS so that it could fully analyze the effects of the proposal submitted by the Lower Basin States. In October 2023, the Bureau of Reclamation released a revised draft SEIS, which was published in the Federal Register on October 27, 2023. The revised draft SEIS analyzed two alternatives in detail: a "No Action Alternative" and the Lower Basin Plan proposal as the "Proposed Action" alternative. The revised draft SEIS also reflected the improved hydrology in the Colorado River Basin since the original draft SEIS analysis. In light of these improved conditions, the probability of Lake Powell and Lake Mead falling below critical elevation levels during the 2024 through 2026 timeframe that any adopted modifications of the 2007 interim guidelines would be operable has been reduced. On March 5, 2024, the Bureau of Reclamation released its Final SEIS selecting the Lower Basin Plan as the "Preferred Alternative" for Colorado River operations through 2025. The Bureau of Reclamation is expected to issue a Record of Decision to modify the 2007 interim guidelines consistent with the Lower Basin Plan by May 2024. The modified guidelines will also be used to set operating conditions in 2026.

Under the Lower Basin Plan, California is anticipated to conserve at least 1.6 million acre-feet of the additional three million acre-feet by the end of 2026. It is expected that up to 2.3 million acre-feet of the conservation will be made through projects submitted to, and if awarded, implemented under the Bureau of Reclamation's Lower Colorado River Basin System Conservation and Efficiency Program and funded through the IRA (as referenced above under "–Lake Mead 500+ Plan"), with the remainder achieved through other compensated and uncompensated conservation. Uncompensated conservation commitments may be met with the use of newly created EC ICS. Any ICS designated as meeting the new conservation goal cannot be delivered, transferred or assigned through December 31, 2026.

On October 11, 2023, the Bureau of Reclamation also submitted a request for initiation of formal consultation to the U.S. Fish and Wildlife Service ("USFWS") for short-term additional reduction in Colorado River flows and activities provided under the Lower Colorado River Multi-Species Conservation Program beginning in water accounting year 2023 and ending with the issuance of a new biological opinion to cover new or revised post-2026 Colorado River operating guidelines. This new biological opinion would provide the additional ESA coverage for flow reductions anticipated in the SEIS Proposed Action

alternative. See also "–Endangered Species Act and Other Environmental Considerations Relating to Water Supply – Endangered Species Act Considerations - Colorado River."

On June 16, 2023, the Department of the Interior formally initiated the process for the development of new post-2026 operating guidelines to replace the 2007 interim shortage guidelines and coordinated management strategies and published a Notice of Intent in the Federal Register to prepare the EIS related to such post-2026 guidelines and to solicit comments and hold public scoping meetings on their development. The public scoping period closed on August 15, 2023. The Bureau of Reclamation is currently developing alternatives for evaluation in the EIS. On March 6, 2024, the Upper Basin states of Wyoming, Colorado, New Mexico and Utah submitted a proposal for evaluation by the Bureau of Reclamation in the EIS (the "Upper Division States Alternative"). The Upper Division States Alternative proposed water supply reductions would be made on the Lower Basin States based on the combined volume in Lake Mead and Lake Powell, with reductions to be determined using actual water conditions in October, rather than predictions in August as currently employed under the 2007 interim shortage guidelines. The Upper Division States Alternative also include rules for Glen Canyon Dam releases. The Lower Division States (California, Arizona, and Nevada) submitted a joint proposal for evaluation on March 6, 2024. The proposal submitted by the Lower Basin States for evaluation by the Bureau of Reclamation (the "Lower Basin Alternative") includes new higher reductions in water supply across a wider range of system conditions than those implemented in the 2007 interim guidelines, including reductions for California. Under this proposal, reductions to water users in the Lower Basin would be determined based on the total live storage in seven reservoirs in the Colorado River Basin (referred to as total system contents), including Lakes Powell, Mead, Mohave, Havasu as well as Flaming Gorge, Blue Mesa, and Navajo Reservoirs. Reductions for Lower Basin water users are proposed to phase-in starting when the collective volume at these reservoirs was less than 69 percent of water that can be withdrawn. Reductions for Lower Basin water users are proposed to reach a static level of 1.5 million acre-feet when the collective volume at these reservoirs was less than 58 percent and California's proposed share of this 1.5 million acre-foot reduction was 440,000 acre-feet. Further reductions are assumed when the collective volume at these reservoirs is less than 38 percent, however the proposal did not include details for how those additional reductions would be shared at a state level. The Lower Basin Alternative also includes rules for Glen Canyon Dam releases.

The impacts to California and Metropolitan of the current alternatives proposed for consideration by the Bureau of Reclamation in the development of the post-2026 operating guidelines are still unknown and subject to analysis by the Bureau of Reclamation, the selection of a Preferred Alternative, and continued negotiations. The draft Environmental Impact Statement ("DEIS") is expected to be published in December 2024.

Related Litigation–Navajo Nation Suit. In 2003, the Navajo Nation filed litigation against the Department of the Interior, specifically the Bureau of Reclamation and the Bureau of Indian Affairs, alleging that the Bureau of Reclamation has failed to determine the extent and quantity of the water rights of the Navajo Nation in the Colorado River and that the Bureau of Indian Affairs has failed to otherwise protect the interests of the Navajo Nation. The complaint challenged the adequacy of the environmental review for the Interim Surplus Guidelines (described under " –Colorado River Operations: Surplus and Shortage Guidelines – *Interim Surplus Guidelines*") and sought to prohibit the Department of the Interior from allocating any "surplus" water until such time as a determination of the rights of the Navajo Nation is completed. Metropolitan and other California water agencies filed motions to intervene in this action. In October 2004, the court granted the motions to intervene and stayed the litigation to allow negotiations among the Navajo Nation, federal defendants, Central Arizona Water Conservation District, State of Arizona and Arizona Department of Water Resources. After years of negotiations, a tentative settlement was proposed in 2012 that would have provided the Navajo Nation with specified rights to water from the Little Colorado River and groundwater basins under the reservation, along with federal funding for the development of water supply systems on the tribe's reservation. The proposed agreement was rejected by tribal councils for both the Navajo and the Hopi, who were seeking to intervene. In June 2013, the Navajo

Nation amended its complaint and added a legal challenge to the Lower Basin Shortage Guidelines adopted by the Secretary of the Interior in 2007 that allow Metropolitan and other Colorado River water users to store water in Lake Mead (described under "– Colorado River Operations: Surplus and Shortage Guidelines – *Lower Basin Shortage Guidelines and Coordinated Management Strategies for Lake Powell and Lake Mead*"). Metropolitan has used these new guidelines to store over 1,000,000 acre-feet of water in Lake Mead, a portion of which has been delivered, and the remainder of which may be delivered at Metropolitan's request in future years.

Following years of procedural challenges and appeals, on June 22, 2023, the U.S. Supreme Court issued its ruling in the *Department of Interior v. Navajo Nation* and State of *Arizona v. Navajo Nation* consolidated cases. The Court held that the 1868 treaty establishing the Navajo Reservation reserved necessary water to accomplish the purpose of the Navajo Reservation, but did not require the United States to take affirmative steps to secure the water for the Navajo Nation. As a result the Lower Basin Shortage Guidelines remain in effect and unchanged.

Endangered Species Act and Other Environmental Considerations Relating to Water Supply

Endangered Species Act Considerations - State Water Project

General. DWR has altered the operations of the State Water Project to accommodate species of fish listed as threatened or endangered under the federal ESA and/or California ESA.

The federal ESA requires that before any federal agency authorizes, funds, or carries out an action that may affect a listed species or designated critical habitat, it must consult with the appropriate federal fishery agency (either the National Marine Fisheries Service ("NMFS") or the USFWS depending on the species) to determine whether the action would jeopardize the continued existence of any threatened or endangered species, or adversely modify habitat critical to the species' needs. The result of the consultation is known as a "biological opinion." In a biological opinion, a federal fishery agency determines whether the action would cause jeopardy to a threatened or endangered species or adverse modification to critical habitat; and if jeopardy or adverse modification is found, recommends reasonable and prudent alternatives that would allow the action to proceed without causing jeopardy or adverse modification. If no jeopardy or adverse modification is found, the fish agency issues a "no jeopardy opinion." The biological opinion also includes an "incidental take statement." The incidental take statement allows the action to go forward even though it will result in some level of "take," including harming or killing some members of the species, incidental to the agency action, provided that the agency action does not jeopardize the continued existence of any threatened or endangered species and complies with reasonable mitigation and minimization measures recommended by the federal fishery agency or as incorporated into the project description.

The California ESA generally requires an incidental take permit or consistency determination for any action that may cause take of a State-listed species of fish or wildlife. To issue an incidental take permit or consistency determination, CDFW must determine that the impacts of the authorized take will be minimized and fully mitigated and will not cause jeopardy.

Federal ESA–Biological Opinions. On August 2, 2016, DWR and the Bureau of Reclamation requested that USFWS and NMFS reinitiate federal ESA consultation on the coordinated operations of the State Water Project and the federal Central Valley Project to update them with the latest best available science and lessons learned operating under the prior 2008 and 2009 biological opinions. In January 2019, the Bureau of Reclamation submitted the initial biological assessment to USFWS and NMFS. The biological assessment contains a description of the Bureau of Reclamation's and DWR's proposed long-term coordinated operations plan (the "2019 Long-Term Operations Plan"). On October 22, 2019, USFWS and NMFS issued new federal biological opinions (the "2019 biological opinions") that provide incidental take coverage for the 2019 Long-Term Operations Plan. On February 18, 2020, the Bureau of Reclamation

signed a Record of Decision, pursuant to NEPA, completing its environmental review and adopting the 2019 Long-Term Operations Plan.

The 2019 Long-Term Operations Plan incorporates and updates many of the requirements contained in the previous 2008 and 2009 biological opinions. It also includes over $1 billion over a ten-year period in costs for conservation, monitoring and new science, some of which is in the form of commitments carried forward from the previous biological opinions. Those costs are shared by the State Water Project and the federal Central Valley Project. The prior 2008 and 2009 biological opinions resulted in an estimated reduction in State Water Project deliveries of 0.3 million acre-feet during critically dry years to 1.3 million acre-feet in above normal Water Years as compared to the previous baseline. The 2019 Long-Term Operations Plan and 2019 biological opinions were originally expected to increase State Water Project deliveries by an annual average of 200,000 acre-feet as compared to the previous biological opinions, although this possible increase in supply was never realized due to State permit requirements.

On January 20, 2021, President Biden issued an Executive Order on Protecting Public Health and the Environment and Restoring Science to Tackle the Climate Crisis (the "President's Executive Order on Public Health and the Environment") directing all executive departments and agencies to immediately review, and, as appropriate and consistent with applicable law, take action to address the promulgation of federal regulations and other actions during the prior four years for consistency with the new administration's policies. Among numerous actions identified for review, the U.S. Department of Commerce and the Department of the Interior heads reviewed the 2019 biological opinions. On September 30, 2021, the Bureau of Reclamation Regional Director for Interior Region 10 sent a letter to the USFWS and NMFS re-initiating consultation on the long-term operations of the state and federal water projects. The consultation process requires the Bureau of Reclamation and DWR to develop a biological assessment describing the proposed operating criteria and perform an effects analysis. NMFS and USFWS are required to review the biological assessment and determine whether the proposed operating criteria would cause jeopardy or adverse modification of critical habitat. On February 28, 2022, the Notice of Intent was published in the Federal Register officially starting the federal ESA and NEPA process.

Federal ESA–Litigation. On December 2, 2019, a group of non-governmental organizations, including commercial fishing groups and the Natural Resources Defense Council (the "NGOs"), sued USFWS and NMFS, alleging the 2019 biological opinions were arbitrary and capricious, later amending the lawsuit to include claims under the federal ESA and NEPA related to decisions made by the Bureau of Reclamation. On February 20, 2020, Natural Resources, the California Environmental Protection Agency, and the California Attorney General (collectively, the "State Petitioners") sued the federal agencies, making similar allegations. The State Water Contractors association intervened in both cases to defend the 2019 biological opinions. After a series of State motions for injunctive relief in 2020 and 2021, the State and federal governments agreed on an interim operations plan ("IOP") in 2022 and 2023 to address drought conditions and to better align Central Valley Project operations with the State Water Project, as it is operated under its California ESA incidental take permit. After extensive briefing, the court ultimately approved the IOP as a consent decree in 2022 and 2023, and a decision is pending in regard to the 2024 IOP. As part of the IOP orders, the court has stayed the litigation in anticipation of a new biological opinions by the end of 2024. Metropolitan is unable to predict the outcome of any litigation or any potential effect on Metropolitan's State Water Project water supplies.

California ESA–DWR Permit Litigation. As described above, operations of the State Water Project require both federal ESA and California ESA authorizations. DWR described and analyzed its proposed State Water Project long-term operations plan for purposes of obtaining a new California ESA permit in its November 2019 Draft EIR under CEQA. Its 2019 Draft EIR proposed essentially the same operations plan as for the federal 2019 biological opinions, with the addition of operations for the State-only listed species, Longfin smelt. In December 2019, DWR submitted its application for an incidental take permit under the California ESA to CDFW, with a modified State operation plan that added new outflow and environmental

commitments. On March 27, 2020, DWR released its final EIR and Notice of Determination, describing and adopting a State operation plan with additional operational restrictions and additional conservation commitments. On March 31, 2020, CDFW issued an incidental take permit for the State Water Project that included further operational restrictions and outflow. As issued, the incidental take permit reduces State Water Project deliveries by more than 200,000 acre-feet on an average annual basis as compared to the 2019 biological opinions and includes $218 million over a ten-year period in environmental commitments for the State Water Project.

On April 28, 2020, Metropolitan and the Mojave Water Agency ("Mojave") jointly sued CDFW, DWR and Natural Resources, alleging that the new California ESA permit and final EIR violate CEQA and the California ESA. Metropolitan and Mojave also allege that DWR breached the State Water Contract and the implied covenant of good faith and fair dealing by, among other things, accepting an incidental take permit containing mitigation requirements in excess of that required by law. Subsequently, two State Water Project contractors and a Metropolitan member agency joined with Metropolitan and Mojave in a first amended complaint. Various other water agencies, including the State Water Contractors association, also filed CEQA and CESA actions, or subsequently joined in a first amended complaint in which the individual water contractors allege causes of action for breach of contract and the implied covenant of good faith and fair dealing. In addition, another State Water Project contractor, the San Bernardino Valley Municipal Water District ("SBVMWD"), filed a complaint alleging violations of CEQA and CESA, as well as breach of contract and the implied covenant of good faith and fair dealing, unconstitutional takings, and anticipatory repudiation of contract. Several federal Central Valley Project water contractors also filed a CEQA challenge. Four other lawsuits have been filed by certain commercial fishing groups and an American Indian tribe, several environmental groups, and two in-Delta water agencies challenging the final EIR as inadequate under CEQA and alleging violations of the Delta Reform Act, public trust doctrine and, in one of the cases, certain water right statutes.

All eight cases have been coordinated in Sacramento County Superior Court. On May 7, 2021 the coordination trial judge ordered the CEQA and CESA causes of action as well as certain other administrative record-based claims alleged by petitioners in several other cases bifurcated from the State Water Project contractors' respective contractual and unconstitutional takings causes of action, with the CEQA and CESA causes of action to be tried first. The administrative records were certified in the fall of 2023. The parties are currently meeting and conferring on a merits briefing schedule for the CEQA and CESA claims. Metropolitan is unable to assess at this time the likely outcome of litigation relating to the California ESA permit, including any future litigation or any future claims that may be filed, or any potential effect on Metropolitan's State Water Project water supplies.

Endangered Species Act Considerations - Colorado River

Federal and state environmental laws protecting fish species and other wildlife species have the potential to affect Colorado River operations. A number of species that are on either "endangered" or "threatened" lists under the federal and state ESAs are present in the area of the Lower Colorado River, including among others, the bonytail chub, razorback sucker, southwestern willow flycatcher, and Yuma clapper rail. To address this issue, a broad-based state/federal/tribal/private regional partnership that includes water, hydroelectric power and federal and state wildlife management agencies in Arizona, California, and Nevada have developed a multi-species conservation program for the main stem of the Lower Colorado River (the Lower Colorado River Multi-Species Conservation Program or "MSCP"). The MSCP provides Metropolitan federal and state ESA compliance for any incidental take of protected species resulting from current and future water and power operations of its Colorado River facilities and to minimize any uncertainty from additional listings of endangered species. The MSCP also covers operations of federal dams and power plants on the river that deliver water and hydroelectric power for use by Metropolitan and other agencies. The MSCP covers 27 species and habitat in the Lower Colorado River from Lake Mead to the Mexican border for a term of 50 years (commencing in 2005). Over the 50-year

term of the program, the total cost to Metropolitan is estimated to be about $88.5 million (in 2003 dollars), with annual costs ranging between $0.8 million and $4.7 million (in 2003 dollars).

On December 7, 2023, the USFWS issued a biological opinion to the Bureau of Reclamation that provided additional incidental take due to reductions in Colorado River flows in excess of flow-related covered actions and activities provided under the Lower Colorado River Multi-Species Conservation Program, beginning October 1, 2023 and ending with the issuance of a future biological opinion to cover new or revised post-2026 Colorado River operating guidelines. The consultation for this biological opinion was initiated due to the anticipated reduction in flow between Hoover Dam and the Imperial Dam due to the proposed 500+ Plan conservation activities described under "–Colorado River Aqueduct – Colorado River Operations: Surplus and Shortage Guidelines – Lake Mead 500+ Plan." This biological opinion is currently being utilized by the Bureau of Reclamation as part of the MSCP.

Invasive Species - Mussel Control Programs

Zebra and quagga mussels are established in many regions of the United States. Mussels can reproduce quickly and, if left unmanaged, can reduce flows by clogging intakes and raw water conveyance systems, alter or destroy fish habitats, and affect lakes and beaches. Mussel management activities may require changes in water delivery protocols to reduce risks of spreading mussel populations and increase operation and maintenance costs.

In January 2007, quagga mussels were discovered in Lake Mead. All pipelines and facilities that transport raw Colorado River water are considered to be infested with quagga mussels. Metropolitan has a quagga mussel control plan, approved by the CDFW to address the presence of mussels in the CRA system and limit further spread of mussels. Year-round monitoring for mussel larvae is conducted at various locations in the CRA system and at select non-infested areas of Metropolitan's system and some locations in the State Water Project. Shutdown inspections have demonstrated that control activities effectively limit mussel infestation in the CRA and prevent the further spread of mussels to other bodies of water and water systems. Metropolitan's costs for controlling quagga mussels in the CRA system have been approximately $5 million per year.

An established mussel population is located within ten miles of the State Water Project. A few adult mussels were also detected in the West Branch of the State Water Project in 2016 and 2021. Since 2023, veligers (larval stage of quagga mussels) have been repeatedly detected in water leaving Castaic Lake and more adult mussels were found in Pyramid Lake and Castaic Lake. While the number of adult mussels and veligers detected so far is relatively low, these recent monitoring results indicate that a reproducing population of quagga mussels is established in the West Branch of the State Water Project. However, the eventual extent of infestation and magnitude of impacts cannot be easily predicted at this early stage.

Water Transfer, Storage and Exchange Programs

General

To supplement its State Water Project and Colorado River water supplies, Metropolitan has developed and actively manages a portfolio of water supply programs, including water transfers, storage, and exchange agreements. Supplies are conveyed through the California Aqueduct, utilizing Metropolitan's rights under its State Water Contract to use the portion of the State Water Project conveyance system necessary to deliver water to it, or through available CRA capacity. Consistent with its long-term planning efforts, Metropolitan continues to pursue voluntary water transfer and exchange programs with State, federal, public and private water districts, and individuals to help mitigate supply/demand imbalances and provide additional dry-year supply sources. A summary description of Metropolitan's supply programs is set forth below. In addition to the arrangements described below, Metropolitan is entitled to storage and access to stored water in connection with various storage programs and facilities. See "–Colorado River

Aqueduct" above, as well as the table entitled "Metropolitan's Water Storage Capacity and Water in Storage" under "–Storage Capacity and Water in Storage" below.

State Water Project Agreements and Programs

In addition to the basic State Water Project contract provisions, Metropolitan has other contract rights that accrue to the overall value of the State Water Project. Because each Contractor is paying for physical facilities, they also have the right to use the facilities to move water supplies associated with agreements, water transfers and water exchanges. Metropolitan has entered into agreements and exchanges with third parties that provide additional water supplies.

Existing and potential water transfers and exchanges are an important element for improving the water supply reliability within Metropolitan's service area and accomplishing the reliability goal set by Metropolitan's Board. Under voluntary water transfers and exchanges with agricultural users, agricultural communities may periodically sell or conserve a portion of their agricultural water supply to make it available to support the State's urban areas. The portfolio of supplemental supplies that Metropolitan has developed to be conveyed through the California Aqueduct extend from north of the Bay-Delta to Southern California. Certain of these arrangements are described below.

Castaic Lake and Lake Perris. Metropolitan has contractual rights to withdraw up to 65,000 acre-feet of water in Lake Perris (East Branch terminal reservoir) and 153,940 acre-feet of water in Castaic Lake (West Branch terminal reservoir), in addition to the annual "Table A" allocation. Any water used must be returned to the State Water Project within five years or it is deducted from allocated amounts in the sixth year. Metropolitan's storage balance as of January 1, 2024, is shown in the table entitled "Metropolitan's Water Storage Capacity and Water in Storage" under "–Storage Capacity and Water in Storage" below.

Metropolitan Article 56 Carryover. Metropolitan has the right to store in San Luis Reservoir, its allocated contract amount for delivery in subsequent years. Metropolitan can store between 100,000 and 200,000 acre-feet per year, depending on the final "Table A" allocation. Metropolitan's storage balance as of January 1, 2024, is shown in the table entitled "Metropolitan's Water Storage Capacity and Water in Storage" under "–Storage Capacity and Water in Storage" below.

Yuba River Accord. Metropolitan entered into an agreement with DWR in December 2007 to purchase a portion of the water released by the Yuba County Water Agency ("YCWA"). YCWA was involved in a SWRCB proceeding in which it was required to increase Yuba River fishery flows. Within the framework of agreements known as the Yuba River Accord, DWR entered into an agreement for the long-term purchase of water from YCWA. The agreement permits YCWA to transfer additional supplies at its discretion. Metropolitan, other State Water Project contractors, and the San Luis & Delta-Mendota Water Authority entered into separate agreements with DWR for the purchase of portions of the water made available. Metropolitan's agreement allows Metropolitan to purchase, in dry years through 2025, available water supplies which have ranged from approximately 8,135 acre-feet to 67,068 acre-feet per year.

Metropolitan has also developed other groundwater storage and exchange programs, certain of which are described below. See "METROPOLITAN'S WATER DELIVERY SYSTEM–Water Quality and Treatment" in this Appendix A for information regarding certain water quality regulations and developments that impact or may impact some of Metropolitan's groundwater storage programs.

Arvin-Edison/Metropolitan Water Management Program. In December 1997, Metropolitan entered into an agreement with the Arvin-Edison Water Storage District ("Arvin-Edison"), an irrigation agency located southeast of Bakersfield, California. Under the program, Arvin-Edison stores water on behalf of Metropolitan. In January 2008, Metropolitan and Arvin-Edison amended the agreement to enhance the program's capabilities and to increase the delivery of water to the California Aqueduct. To facilitate the program, new wells, spreading basins and a return conveyance facility connecting Arvin-

Edison's existing facilities to the California Aqueduct have been constructed. The agreement also provides Metropolitan priority use of Arvin-Edison's facilities to convey high-quality water available on the east side of the San Joaquin Valley to the California Aqueduct. Up to 350,000 acre-feet of Metropolitan's water may be stored, and Arvin-Edison is obligated to return up to 75,000 acre-feet of stored water in any year to Metropolitan, upon request. The agreement will terminate in 2035 unless extended. Metropolitan's estimated storage account balance under the Arvin-Edison/Metropolitan Water Management Program as of January 1, 2024 is shown in the table entitled "Metropolitan's Water Storage Capacity and Water in Storage" under "–Storage Capacity and Water in Storage" below. As a result of detecting 1,2,3-trichloropropane ("TCP") in Arvin-Edison wells above the maximum contaminant level ("MCL") in 2018, Metropolitan has suspended the return of groundwater from the program until the water quality concerns can be further evaluated and managed. Instead, Metropolitan has requested that Arvin-Edison provide only surface water that can satisfy DWR's standards for direct pump-back into the California Aqueduct, or alternative methods satisfactory to Metropolitan, in order to meet both the DWR pump-in requirements and Metropolitan's request for the return of water. In 2021 and 2022, Metropolitan recovered in aggregate 23,130 acre-feet from Arvin-Edison by exchanges with surface water. In 2023, Metropolitan recovered 19,000 acre-feet from surface water supplies. Staff are exploring opportunities for exchanges in 2024 but the estimated recovery of surface water supplies has yet to be determined.

In October 2021, Arvin-Edison sued The Dow Chemical Company, Shell Oil Company, and others regarding TCP in Arvin-Edison's groundwater. According to Arvin-Edison's complaint, the defendants are the manufacturers and distributors of the TCP that caused the contamination of Arvin-Edison's groundwater supplies. Arvin-Edison alleges that the widespread presence of TCP at concentrations above the MCL in its wells has caused certain of its water banking partners (including Metropolitan) to reduce and/or suspend their water banking and management programs. Based upon a mitigation feasibility study dated November 4, 2021 prepared for Arvin-Edison, Arvin-Edison estimates that treatment would cost approximately $465 million, which includes capital costs and the present worth of operation and maintenance treatment costs over a 50-year period. Arvin-Edison participated in mediations on March 30, 2023 and January 18, 2024, but no settlement has been reached. If Arvin-Edison prevails in its litigation, a monetary recovery, if any, would be available to offset costs associated with treatment facilities to remediate the groundwater contamination.

Semitropic/Metropolitan Groundwater Storage and Exchange Program. In 1994, Metropolitan entered into an agreement with the Semitropic Water Storage District ("Semitropic"), located adjacent to the California Aqueduct north of Bakersfield, to store water in the groundwater basin underlying land within Semitropic. The minimum annual yield available to Metropolitan from the program is 38,200 acre-feet of water, and the maximum annual yield is 239,700 acre-feet of water depending on the available unused capacity and the State Water Project allocation. The agreement extends to November 2035. Metropolitan's estimated storage account balance under the Semitropic program as of January 1, 2024 is shown in the table entitled "Metropolitan's Water Storage Capacity and Water in Storage" under "–Storage Capacity and Water in Storage" below. TCP has been detected in the groundwater supplies within Semitropic; however, detection levels at the turn-in locations for the Semitropic program have remained below the MCL and, to date, the return of groundwater to Metropolitan under the program has not been impacted.

In October 2021, Semitropic, as well as its several affiliated improvement districts (collectively referred to in this paragraph as "Semitropic"), sued The Dow Chemical Company, Shell Oil Company, and others regarding TCP in Semitropic's groundwater. According to Semitropic's complaint, the defendants are the manufacturers and distributors of the TCP that caused the contamination of Semitropic's groundwater supplies. Metropolitan's PMQ deposition was taken on February 10, 2023, and mediation was scheduled for the end of May 2023. The parties are working with the mediator to schedule the next mediation for March or April 2024. If Semitropic prevails in its litigation, a monetary recovery, if any, would be available to offset costs associated with any needed treatment facilities to remediate the groundwater contamination.

Kern Delta Storage Program. Metropolitan entered into an agreement with Kern Delta Water District ("Kern Delta") in May 2003, for a groundwater banking and exchange transfer program to allow Metropolitan to store up to 250,000 acre-feet of State Water Contract water in wet years and to permit Metropolitan, at Metropolitan's option, a return of up to 50,000 acre-feet of water annually during hydrologic and regulatory droughts. The agreement extends through 2028. Metropolitan's estimated storage account balance under this program as of January 1, 2024 is shown in the table entitled "Metropolitan's Water Storage Capacity and Water in Storage" under "–Storage Capacity and Water in Storage" below.

Mojave Storage Program. Metropolitan entered into a groundwater banking and exchange transfer agreement with Mojave in October 2003. The agreement allows for Metropolitan to store water in an exchange account for later return. The agreement allows Metropolitan to annually withdraw Mojave State Water Project contractual amounts, after accounting for local needs. Under a 100 percent allocation, the State Water Contract provides Mojave 89,800 acre-feet of water. This agreement was amended in 2011 to allow for the cumulative storage of up to 390,000 acre-feet. The term of this agreement extends through 2035. Metropolitan's estimated storage account balance under this program as of January 1, 2024, is shown in the table entitled "Metropolitan's Water Storage Capacity and Water in Storage" under "–Storage Capacity and Water in Storage" below.

Antelope Valley-East Kern Storage and Exchange Program. In 2016, Metropolitan entered into an agreement with the Antelope Valley-East Kern Water Agency ("AVEK"), the third largest State Water Project contractor, to both exchange supplies and store water in the Antelope Valley groundwater basin. Under the exchange, AVEK would provide at least 30,000 acre-feet over ten years of its unused Table A State Water Project water to Metropolitan. For every two acre-feet provided to Metropolitan as part of the exchange, AVEK would receive back one acre-foot in the future. For the one acre-foot that is retained by Metropolitan, Metropolitan would pay AVEK under a set price schedule based on the State Water Project allocation at the time. Under this agreement, AVEK also provides Metropolitan up to 30,000 acre-feet of storage. Metropolitan's estimated storage account balance under this program as of January 1, 2024, is shown in the table entitled "Metropolitan's Water Storage Capacity and Water in Storage" under "–Storage Capacity and Water in Storage" below.

Antelope Valley-East Kern High Desert Water Bank Program. In 2019, Metropolitan entered into an agreement with AVEK for a groundwater banking program referred to as the High Desert Water Bank Program. The original estimated cost of construction of the facilities to be funded by Metropolitan to implement the program was $131 million, but the estimated cost has increased to $211 million due to inflation, finalization of the off-site power distribution design, and revisions to the design. In September 2023, Metropolitan's Board authorized $80 million for the additional costs. Water quality testing of the deeper recovery wells installed in 2021 revealed that arsenic levels in all four wells were above the federal and State MCL of 10 micrograms per liter ("µg/L"), ranging from 11 to 19 µg/L. Arsenic naturally occurs in the Antelope Valley groundwater basin, with levels detected throughout the basin but such levels are generally higher in the deeper aquifer. Based on the current water quality data, recovered water from the High Desert Water Bank Program requires treatment before delivery to the California Aqueduct. Metropolitan is working with AVEK to complete additional groundwater modeling and analysis to understand arsenic's behavior in the basin, identify other constituents of concern, and optimize the design of the remaining recovery wells and treatment system. Staff will return to the Board to request authorization for additional costs related to the recommended treatment system in Fall 2024. Following completion of construction, which is expected by the end of 2027, Metropolitan would have the right to store up to 70,000 acre-feet per year of its unused Table A State Water Project water or other supplies in the Antelope Valley groundwater basin for later return. The maximum storage capacity for Metropolitan supplies would be 280,000 acre-feet. At Metropolitan's direction, up to 70,000 acre-feet of stored water annually would be available for return by direct pump back into the East Branch of the California Aqueduct. In 2023, a portion of the recharge facilities were completed and Metropolitan began storing water in September. Metropolitan's estimated storage account balance under this program as of January 1, 2024, is shown in the

table entitled "Metropolitan's Water Storage Capacity and Water in Storage" under "–Storage Capacity and Water in Storage" below. Upon full completion of construction (expected by the end of 2027), this program would provide additional flexibility to store and recover water for emergency or water supply needs through 2057.

San Gabriel Valley Municipal Water District and Other Exchange Programs. In 2013, Metropolitan entered into an agreement with the San Gabriel Valley Municipal Water District ("SGVMWD"). Under this agreement, Metropolitan delivers treated water to a SGVMWD subagency in exchange for twice as much untreated water in the groundwater basin. Metropolitan's member agencies can then use the groundwater supplies to meet their needs. Metropolitan can exchange and purchase at least 5,000 acre-feet per year. This program has the potential to increase Metropolitan's reliability by providing 115,000 acre-feet through 2035.

Irvine Ranch Water District Strand Ranch Banking Program. In 2011, Metropolitan entered into an agreement with the Municipal Water District of Orange County ("MWDOC") and the Irvine Ranch Water District ("IRWD") to authorize the delivery of State Water Project supplies from IRWD's Strand and Stockdale Ranches into Metropolitan's service area. IRWD facilitates Metropolitan entering into unbalanced exchanges with other State Water Project contractors. A portion of the water is returned to the partnering State Water Project contractor with the remaining balance delivered to Metropolitan's service area. MWDOC/IRWD takes delivery of the water through Metropolitan's distribution system and pays the Metropolitan full-service water rate. Metropolitan can call on stored supplies; in return, Metropolitan is obliged to return an equal amount of water to MWDOC in future years for IRWD's benefit. This agreement extends to November 2035 and enhances regional reliability by providing Metropolitan with access to additional supplies.

San Bernardino Valley Municipal Water District Exchange Program. In 2020, Metropolitan signed a coordinated operating and surplus water agreement with SBVMWD. In 2021, in accordance with the terms of such agreement, Metropolitan's Board authorized an agreement with SBVMWD that provides a framework which allows for the exchange of both local and State Water Project supplies. The exchanges are equal if they occur within the same calendar year and up to two-to-one if water is returned in a subsequent calendar year. The agreement, which extends through 2031, provides for improved coordination to respond to outages and emergencies of either party.

San Diego County Water Authority Semitropic Agreement. In 2021, Metropolitan's Board approved an agreement with SDCWA for the purchase by Metropolitan of 4,200 acre-feet and a lease of 5,000 acre-feet of return capacity from SDCWA's Semitropic Program for 2022. See "–*Semitropic/Metropolitan Groundwater Storage and Exchange Program*." Similarly, in 2023, Metropolitan and SDCWA executed an agreement for Metropolitan to purchase 4,200 acre-feet and lease of 4,381 acre-feet of delivery capacity from SDCWA's Semitropic Program. The agreement provided for improved regional reliability and also allows for the exchange of previously stored water with Metropolitan in the future.

Sites Reservoir Storage Project. The Sites Reservoir is a proposed reservoir project of approximately 1.5 million acre-feet to be located in Colusa County, that is being developed by the Sites Project Authority, a joint powers agency. The water stored in the proposed project would be diverted from the Sacramento River. As currently proposed, the Sites Reservoir would have dedicated water storage and yield that would be used for fishery enhancement, water quality, and other environmental purposes. The proposed project could also provide an additional water supply that could be used for dry-year benefits. Metropolitan is a member of the Sites Reservoir Committee, a group of 22 agencies that are participating in certain planning activities in connection with the proposed development of the project, including project permitting and proposed reservoir operations. The Sites Project Authority Board, with recommendation from the Sites Reservoir Committee, approved the Final EIR and approved the Sites Reservoir project on

November 17, 2023. In April 2022, Metropolitan's Board approved $20 million in funding for Metropolitan's continued participation in such planning activities through the end of 2024. Metropolitan's agreement to participate in the funding of this phase of project development does not commit Metropolitan to participate in the Sites Reservoir project in the future.

Other Ongoing Activities. Metropolitan has been negotiating, and will continue to pursue, water purchase, storage and exchange programs with other agencies in the Sacramento and San Joaquin Valleys. These programs involve the storage of both State Water Project supplies and water purchased from other sources to enhance Metropolitan's dry-year supplies and the exchange of normal year supplies to enhance Metropolitan's water reliability and water quality, in view of dry conditions and potential impacts from the ESA considerations discussed above under the heading "–Endangered Species Act and Other Environmental Considerations Relating to Water Supply– Endangered Species Act Considerations – State Water Project." In January 2023, the Board authorized the General Manager to secure additional one-year transfer supplies from various water districts and private water purveyors throughout the State at a maximum cost of up to $100 million. Under this authority, Metropolitan executed an agreement with SDCWA to purchase water and lease delivery capacity from SDCWA's Semitropic Storage Program, as described above under "*–San Diego County Water Authority Semitropic Agreement*." In February 2024, the Board authorized the General Manager to secure additional one-year transfer supplies from various water districts and private water purveyors throughout the State at a maximum cost of up to $50 million.

Colorado River Aqueduct Agreements and Programs

Metropolitan has taken steps to augment its share of Colorado River water through agreements with other agencies that have rights to use such water, including through cooperative programs with other water agencies to conserve and develop supplies and through programs to exchange water with other agencies. These supplies are conveyed through the CRA. Metropolitan determines the delivery schedule of these supplies throughout the year based on changes in the availability of State Water Project and Colorado River water. Under certain of these programs, water may be delivered to Metropolitan's service area in the year made available or in a subsequent year as ICS water from Lake Mead storage. See "–Colorado River Aqueduct –Colorado River Operations: Surplus and Shortage Guidelines – *Lower Basin Shortage Guidelines and Coordinated Management Strategies for Lake Powell and Lake Mead*."

IID/Metropolitan Conservation Agreement. Under a 1988 water conservation agreement, as amended in 2003 and 2007 (the "1988 Conservation Agreement") between Metropolitan and IID, Metropolitan provided funding for IID to construct and operate a number of conservation projects that have conserved up to 109,460 acre-feet of water per year that has been provided to Metropolitan. As amended, the agreement's initial term has been extended to at least 2041 or 270 days after the termination of the QSA. Under a 2014 letter agreement, starting in 2016, 105,000 acre-feet of conserved water is made available by IID to Metropolitan each year. Under the QSA and related agreements, Metropolitan, at the request of CVWD, forgoes up to 20,000 acre-feet of this water each year for diversion by CVWD from the Coachella Canal. In each of 2018 and 2019, CVWD's requests were for 0 acre-feet, leaving 105,000 acre-feet in 2018 and 2019 for Metropolitan. In December 2019, Metropolitan signed a revised agreement with CVWD in which CVWD will limit its annual request of water from this program to 15,000 acre-feet through 2026. See "–Colorado River Aqueduct –Quantification Settlement Agreement."

Palo Verde Land Management, Crop Rotation and Water Supply Program. In August 2004, Metropolitan and Palo Verde Irrigation District ("PVID") signed the program agreement for a Land Management, Crop Rotation and Water Supply Program. Under this program, participating landowners in the PVID service area are compensated for reducing water use by not irrigating a portion of their land. This program provides up to 133,000 acre-feet of water to be available to Metropolitan in certain years. The term of the program is 35 years. Fallowing began on January 1, 2005. The following table shows annual volumes

of water saved and made available to Metropolitan during the 10 calendar years 2014 through 2023 under the Land Management, Crop Rotation and Water Supply Program with PVID:

WATER AVAILABLE FROM PVID LAND MANAGEMENT, CROP ROTATION AND WATER SUPPLY PROGRAM

Calendar Year	Volume (acre-feet)
2014	43,000
2015	94,500
2016	125,400
2017	111,800
2018	95,800
2019	44,500
2020	43,900
2021	42,305
2022	29,736
2023	20,000 (est)

Source: Metropolitan.

Bard Water District Seasonal Fallowing Program. In 2019, Metropolitan entered into agreements with Bard Water District ("Bard") and farmers within Bard Unit, to provide incentives for land fallowing under the Bard Seasonal Fallowing Program. The program reduces water consumption in Bard and that helps augment Metropolitan's Colorado River supplies. It incentivizes farmers to fallow their land for four months in exchange for a fixed payment per irrigable acre (initially, $452), escalated annually. Metropolitan estimates water savings of approximately 2.0 acre-feet per fallowed acre. Bard diverts Colorado River water for crop irrigation grown year-round in the warm dry climate. Farmers typically grow high-value crops in the winter (vegetable crops) followed by a lower-value, water-intensive, field crop (such as Bermuda and Sudan grass, small grains, field grains, or cotton) in the spring and summer. Participating farmers will reduce their water consumption through land fallowing of up to 3,000 acres in aggregate annually between April and July. In calendar year 2024, Metropolitan will provide an incentive payment of $530.61 per irrigable acre fallowed. The program is currently scheduled to end on December 31, 2026.

Quechan Forbearance Program. In 2005, Metropolitan entered into a settlement agreement in Arizona v. California with the Quechan Indian Tribe (the "Quechan Tribe") and other parties. The Quechan Tribe uses Colorado River water on the Fort Yuma Indian Reservation. In addition to the amount of water decreed for the benefit of the Reservation in the 1964 Arizona v. California decree, under the 2005 settlement agreement, the Quechan Tribe is entitled to (a) 20,000 acre-feet of diversions from the Colorado River or (b) the amount necessary to supply the consumptive use required for irrigation of a specified number of acres, and for the satisfaction of related uses, whichever is less. Of the additional diversions, 13,000 acre-feet became available to the Quechan Tribe in 2006. An additional 7,000 acre-feet will become available to the Quechan Tribe in 2035. Metropolitan agreed to provide annual incentive payments to the Quechan Tribe if the tribe forbore diversion of the additional water, thereby allowing Metropolitan to divert it. The value of these payments was $125 per acre-foot in 2006 and is escalated at 2.5 percent per year. In 2024, the payment is $190.20 per acre-foot.

Quechan Tribe of the Fort Yuma Indian Reservation Seasonal Fallowing Pilot Program. In December 2021, Metropolitan entered into a two-year agreement with the Quechan Tribe to launch the voluntary Quechan Seasonal Fallowing Pilot Program (the "Pilot Program") for fallowing in 2022 and 2023. In December 2023, Metropolitan and the Quechan Tribe amended the agreement to extend the Pilot

Program for an additional three years through 2026. Under the Pilot Program, Metropolitan provides incentives to farmers on Quechan tribal land for land fallowing that reduces water consumption to help augment Metropolitan's Colorado River supplies. Desert agriculture realizes a market advantage in the winter for high-value vegetables such as lettuce and broccoli. In the hot summer, farmers typically grow lower-value, water-intensive commodities such as grains and grasses. Farmers participating in the Pilot Program agree to decrease their water consumption through land fallowing of up to 1,600 acres annually during April through July. In calendar year 2022, 118.3 acres were fallowed and in calendar year 2023, 148 acres were fallowed. Metropolitan provided $472.40 and $503.29 per irrigable acre fallowed, respectively. The payment is escalated annually. Metropolitan estimates water savings between 1.5 and 2.0 acre-feet per irrigable acre fallowed, with actual savings to be determined throughout the Pilot Program.

Lake Mead Storage Program. As described under "–Colorado River Aqueduct –Colorado River Operations: Surplus and Shortage Guidelines – *Lower Basin Shortage Guidelines and Coordinated Management Strategies for Lake Powell and Lake Mead*," Metropolitan has entered into agreements to set forth the guidelines under which ICS water is developed and stored in and delivered from Lake Mead. The amount of water stored in Lake Mead must be created through extraordinary conservation, system efficiency, tributary, imported, or binational conservation methods. Metropolitan has participated in projects to create ICS as described below:

Drop 2 (Warren H. Brock) Reservoir. In 2008, Metropolitan, CAWCD and SNWA provided funding for the Bureau of Reclamation's construction of an 8,000 acre-foot off-stream regulating reservoir near Drop 2 of the All-American Canal in Imperial County (officially named the Warren H. Brock Reservoir). Construction was completed in October 2010. The Warren H. Brock Reservoir conserves about 70,000 acre-feet of water per year by capturing and storing water that would otherwise be lost from the system. In return for its funding, Metropolitan received 100,000 acre-feet of water that was stored in Lake Mead for its future use and has the ability to receive up to 25,000 acre-feet of water in any single year. Besides the additional water supply, the addition of the Warren H. Brock reservoir adds to the flexibility of Colorado River operations by storing underutilized Colorado River water orders caused by unexpected canal outages, changes in weather conditions, and high tributary runoff into the Colorado River. As of January 1, 2024, Metropolitan had taken delivery of 35,000 acre-feet of this water and had 65,000 acre-feet remaining in storage.

International Water Treaty Minutes 319 and 323. In November 2012, as part of the implementation of Treaty Minute 319, Metropolitan executed agreements in support of a program to augment Metropolitan's Colorado River supply between 2013 through 2017 through an international pilot project in Mexico. Metropolitan's total share of costs was $5 million for 47,500 acre-feet of project supplies. In December 2013, Metropolitan and IID executed an agreement under which IID paid half of Metropolitan's program costs, or $2.5 million, in return for half of the project supplies, or 23,750 acre-feet. As such, 23,750 acre-feet of Intentionally Created Mexican Allocation was converted to Binational ICS and credited to Metropolitan's binational ICS water account in 2017. See "–Colorado River Aqueduct –Colorado River Operations: Surplus and Shortage Guidelines – *Lower Basin Shortage Guidelines and Coordinated Management Strategies for Lake Powell and Lake Mead*." In September 2017, as part of the implementation of Treaty Minute 323, Metropolitan agreed to fund additional water conservation projects in Mexico that will yield approximately 27,275 acre-feet of additional supply for Metropolitan by 2026 at a cost of approximately $3.75 million. In 2020, Metropolitan made the first payment related to Treaty Minute 323 of $1.25 million, and 9,092 acre-feet of Intentionally Created Mexican Allocation was converted to Binational ICS and credited to Metropolitan's binational ICS water account. In October 2023, the next payment of $1.25 million was made, however the crediting of 9,092 acre-feet of Binational ICS was delayed until 2026 to preserve ICS accumulation space. The final payment of $1.25 million is expected to be made in 2026 and an additional 9,091 acre-feet of Intentionally Created Mexican Allocation will be converted to Binational ICS and credited to Metropolitan's binational ICS water account.

Storage and Interstate Release Agreement with Nevada. In May 2002, SNWA and Metropolitan entered into an Agreement Relating to Implementation of Interim Colorado River Surplus Guidelines, in which SNWA and Metropolitan agreed to the allocation of unused apportionment as provided in the Interim Surplus Guidelines and on the priority of SNWA for interstate banking of water in Arizona. SNWA and Metropolitan entered into a storage and interstate release agreement on October 21, 2004. Under this agreement, SNWA can request that Metropolitan store unused Nevada apportionment in California. The amount of water stored through 2014 under this agreement was approximately 205,000 acre-feet. In October 2015, SNWA and Metropolitan executed an additional amendment to the agreement under which Metropolitan paid SNWA approximately $44.4 million and SNWA stored an additional 150,000 acre-feet with Metropolitan during 2015. Of that amount, 125,000 acre-feet have been added to SNWA's storage account with Metropolitan, increasing the total amount of water stored to approximately 330,000 acre-feet. In subsequent years, SNWA may request recovery of the stored water. When SNWA requests the return of any of the stored 125,000 acre-feet, SNWA will reimburse Metropolitan for an equivalent proportion of the $44.4 million plus inflation based on the amount of water returned. SNWA has not yet requested the return of any of the water stored with Metropolitan and it is not expected that SNWA will request a return of any of the stored water before 2026.

California ICS Agreement Intrastate Storage Provisions. As described under "–Colorado River Aqueduct –Colorado River Operations: Surplus and Shortage Guidelines – Lower Basin Shortage Guidelines and Coordinated Management Strategies for Lake Powell and Lake Mead," in 2007, IID, Metropolitan and other Colorado River contractors in California executed the California ICS Agreement, which divided California's ICS storage space in Lake Mead between Metropolitan and IID. It also allowed IID to store up to 50,000 acre-feet of conserved water in Metropolitan's system. In 2015, the California ICS Agreement was amended to allow IID to store additional amounts of water in Metropolitan's system during 2015 through 2017. Under the 2015 amendment, IID was permitted to store up to 100,000 acre-feet per year of conserved water within Metropolitan's system with a cumulative limit of 200,000 acre-feet, for the three-year term. When requested by IID, Metropolitan has agreed to return to IID the lesser of either 50,000 acre-feet per year, or in a year in which Metropolitan's member agencies are under a shortage allocation, 50 percent of the cumulative amount of water IID has stored with Metropolitan under the 2015 amendment. IID currently has 154,000 acre-feet of water stored with Metropolitan pursuant to the terms of the California ICS Agreement and its amendment.

In 2018, IID had reached the limit on the amount of water it was able to store in Metropolitan's system under the California ICS Agreement and entered into discussions with Metropolitan to further amend the agreement, but no such agreement was reached. On December 4, 2020, IID filed a complaint against Metropolitan alleging that Metropolitan breached the California ICS Agreement, breached the implied covenant of good faith and fair dealing, and that Metropolitan converted IID's intentionally created surplus for its own use. IID's complaint sought the imposition of a constructive trust over 87,594 acre-feet of water in Lake Mead that was received by Metropolitan in 2018.

In October 2021, Metropolitan and IID agreed to settle the dispute, and on December 6, 2021, the lawsuit was dismissed with prejudice. Under the terms of the settlement agreement, Metropolitan will, after applying storage losses, retain approximately 40 percent of the disputed 87,594 acre-feet that Metropolitan received in 2018 and will have stored the remaining approximately 60 percent for IID to be returned to IID in 2026. If Metropolitan does not have sufficient ICS to make a DCP contribution in 2026, Metropolitan may use the remaining stored water to do so. From 2021 through 2026, IID may store up to an additional 25,000 acre-feet per year (with an accumulation limit of an additional 50,000 acre-feet) of conserved water in Metropolitan's Lake Mead ICS account. While IID will still not be a party to the DCP, if Metropolitan is required to make a DCP contribution, IID will assist Metropolitan in making DCP contributions by contributing the lesser of either: (a) three percent of California's DCP contribution; or (b) the amount of water IID has stored with Metropolitan. Between 2021 and 2022, IID has stored and accumulated 34,528 acre-feet of conserved water in Metropolitan's Lake Mead ICS account. Although a final determination has

not yet been made, IID may elect to fill its remaining accumulation limit in Metropolitan's Lake Mead ICS account for 2023.

State Water Project and Colorado River Aqueduct Arrangements

Metropolitan/CVWD/Desert Water Agency Amended and Restated Agreement for the Exchange and Advance Delivery of Water. Metropolitan has agreements with CVWD and the Desert Water Agency ("DWA") under which Metropolitan exchanges its Colorado River water for the agencies' State Water Project contractual water and other State Water Project water acquisitions on an annual basis. Because CVWD and DWA do not have a physical connection to the State Water Project, Metropolitan takes delivery of CVWD's and DWA's State Water Project supplies and delivers a like amount of Colorado River water to the agencies. In accordance with these agreements, Metropolitan may deliver Colorado River water in advance of receiving State Water Project supplies to these agencies for storage in the Upper Coachella Valley groundwater basin. In years when it is necessary to augment available supplies to meet local demands, Metropolitan may meet the exchange delivery obligation through drawdowns of the advance delivery account, in lieu of delivering Colorado River water in that year. Metropolitan's estimated storage account under the CVWD/DWA program as of January 1, 2024 is shown in the table entitled "Metropolitan's Water Storage Capacity and Water in Storage" under "–Storage Capacity and Water in Storage" below. In addition to the storage benefits of the CVWD/DWA program, Metropolitan receives water quality benefits with increased deliveries of lower salinity water from the State Water Project in lieu of delivering higher saline Colorado River water. In December 2019, the exchange agreements were amended to provide more flexibility and operational certainty for the parties involved. Additionally, under the amended agreements, CVWD and DWA pay a portion of Metropolitan's water storage management costs in wet years, up to a combined total of $4 million per year.

Operational Shift Cost Offset Program. In 2021, Metropolitan's Board approved the Operational Shift Cost Offset Program ("OSCOP") to help Metropolitan maximize resources available from Colorado River and State Water Project storage in calendar years 2021 and 2022. In October 2022, Metropolitan's Board extended the OSCOP through the end of calendar year 2023. Metropolitan worked with member agencies that have service connections to both State Water Project supplies and Colorado River water to shift their points of delivery to meet demands wherever possible to preserve State Water Project storage during the recent drought. Although member agencies can make some shifts in delivery locations, these shifts may result in additional operational costs. Under the OSCOP, Metropolitan offset costs member agencies accrued due to shifting deliveries at Metropolitan's request. In calendar year 2023, Metropolitan offset incurred costs of up to $359 per acre-foot for shifts made at Metropolitan's request. This allowed Metropolitan to fully utilize its diverse portfolio and increased reliability for the entire region by improving the availability of State Water Project storage reserves to supplement supplies during dry years.

Storage Capacity and Water in Storage

Metropolitan's storage capacity, which includes reservoirs, conjunctive use and other groundwater storage programs within Metropolitan's service area and groundwater and surface storage accounts delivered through the State Water Project or CRA, is approximately 6.0 million acre-feet. In 2023, approximately 750,000 acre-feet of total stored water in Metropolitan's reservoirs and other storage resources was emergency storage. Metropolitan's emergency storage is a regional planning objective established periodically to prevent severe water shortages for the region in the event of supply interruptions from catastrophic earthquakes or similar events (see "METROPOLITAN'S WATER DELIVERY SYSTEM–Seismic Considerations and Emergency Response Measures" in this Appendix A). The current emergency storage objective of 750,000 acre-feet is based on an outage duration of 6 to 12 months, retail water demand reduction of 25 to 35 percent based on achievable conservation actions, and aggregated loss of 10 to 20 percent of local production. Retail demand calculations for purposes of the emergency storage objective were based on a 2015 IRP forecast of demand for the year 2018 under average conditions.

Metropolitan replenishes its storage accounts when available imported supplies exceed demands. Metropolitan's ability to replenish water storage, both in the local groundwater basins and in surface storage and banking programs, has been limited by Bay-Delta pumping restrictions under the biological opinions issued for listed species. See "–Endangered Species Act and Other Environmental Considerations Relating to Water Supply –Endangered Species Act Considerations – State Water Project – *Federal ESA-Biological Opinions*." Effective storage management is dependent on having sufficient years of excess supplies to store water so that it can be used during times of shortage. See "CONSERVATION AND WATER SHORTAGE MEASURES–Water Supply Allocation Plan" in this Appendix A. Metropolitan's storage as of January 1, 2024 was estimated to be 4.15 million acre-feet. This is the highest beginning-of-year total water storage in Metropolitan's history. The following table shows three years of Metropolitan's water in storage as of January 1, including emergency storage.

[Remainder of page intentionally left blank.]

METROPOLITAN'S WATER STORAGE CAPACITY AND WATER IN STORAGE[1]
(in Acre-Feet)

Water Storage Resource	Storage Capacity	Water in Storage January 1, 2024	Water in Storage January 1, 2023	Water in Storage January 1, 2022
Colorado River Aqueduct				
DWA/CVWD Advance Delivery Account	800,000	205,000	281,000	293,000
Lake Mead ICS[2]	1,657,000	1,544,000[10]	1,140,000[10]	1,251,500[10]
Subtotal	**2,457,000**	**1,749,000**	**1,421,000**	**1,544,500**
State Water Project				
Arvin-Edison Storage Program[3]	350,000	100,000	119,000	136,000
Semitropic Storage Program	350,000	190,000	158,000	218,000
Kern Delta Storage Program	250,000	114,000	137,000	149,000
Mojave Storage Program	330,000[6]	19,000[6]	19,000[6]	19,000[6]
AVEK Storage Program	30,000	27,000	27,000	27,000
AVEK High Desert Water Bank	112,000[11]	11,000	N/A	N/A
Castaic Lake and Lake Perris[4]	219,000	219,000	3,000	49,000
State Water Project Carryover[5]	350,000[7]	325,000	31,000	38,000
Emergency Storage	381,000	381,000	381,000	381,000
Subtotal	**2,372,000**	**1,386,000**	**875,000**	**1,017,000**
Within Metropolitan's Service Area				
Diamond Valley Lake	810,000	753,000	494,000	600,000
Lake Mathews	182,000	168,000	155,000	140,000
Lake Skinner	44,000	39,000	39,000	39,000
Subtotal[8]	**1,036,000**	**960,000**	**688,000**	**779,000**
Member Agency Storage Programs				
Conjunctive Use	210,000	56,000	10,000	16,000
Total	**6,075,000**	**4,151,000**	**2,994,000**	**3,356,500**

Source: Metropolitan.

(1) Water storage capacity and water in storage are measured based on engineering estimates and are subject to change.

(2) See "–Colorado River Aqueduct – Colorado River Operations: Surplus and Shortage Guidelines – *Lower Basin Shortage Guidelines and Coordinated Management Strategies for Lake Powell and Lake Mead"* and "–*Colorado River Drought Contingency Plans"* for additional information regarding the Lake Mead ICS program and use of ICS water.

(3) Metropolitan has suspended the return of groundwater from the Arvin-Edison storage program. Stored supplies can still be recovered via surface water exchange. See "–Water Transfer, Storage and Exchange Programs – State Water Project Agreements and Programs – *Arvin-Edison/Metropolitan Water Management Program*." See also "METROPOLITAN'S WATER DELIVERY SYSTEM–Water Quality and Treatment" in this Appendix A.

(4) Flexible storage allocated to Metropolitan under its State Water Contract. Withdrawals must be returned within five years.

(5) Includes Article 56 Carryover of Metropolitan, Coachella Valley Water District, and Desert Water Agency, prior-year carryover, non-project carryover, and carryover of curtailed deliveries pursuant to Article 14(b) and Article 12(e) of Metropolitan's State Water Contract. See "–Water Transfer, Storage and Exchange Programs – State Water Project Agreements and Programs – *Metropolitan Article 56 Carryover*."

(6) The Mojave storage agreement was amended in 2011 to allow for cumulative storage of up to 390,000 acre-feet. Since January 1, 2011, Metropolitan has stored 60,000 acre-feet, resulting in a remaining balance of storage capacity of 330,000 acre-feet. 41,000 acre-feet of the 60,000 acre-feet stored have been returned, leaving a remaining balance in storage of 19,000 acre-feet. See "–Water Transfer, Storage and Exchange Programs – State Water Project Agreements and Programs – *Mojave Storage Program*."

(7) A capacity of 350,000 acre-feet is estimated to be the practical operational limit for carryover storage considering Metropolitan's capacity to take delivery of carryover supplies before San Luis Reservoir fills.

(8) Includes 369,000 acre-feet of emergency storage in Metropolitan's reservoirs in 2022, 2023, and 2024.

(9) Represents Metropolitan's historical highest level of water in storage.

(10) This amount does not include water Metropolitan stored for IID in Lake Mead an ICS sub-account.

(11) Currently constructed storage capacity. The storage capacity at completion of construction is anticipated to be 280,000 acre-feet. See "Water Transfer, Storage and Exchange Programs –- State Water Project Agreements and Programs – *Antelope Valley-East Kern High Desert Water Bank Program*."

CONSERVATION AND WATER SHORTAGE MEASURES

General

The central objective of Metropolitan's water conservation program is to help ensure adequate, reliable and affordable water supplies for Southern California by actively promoting efficient water use. The importance of conservation to the region has increased in recent years because of occurring drought conditions in the State Water Project watershed and court-ordered restrictions on Bay-Delta pumping, as described under "METROPOLITAN'S WATER SUPPLY–State Water Project –Bay-Delta Proceedings Affecting State Water Project" and "–Endangered Species Act and Other Environmental Considerations Relating to Water Supply –Endangered Species Act Considerations-State Water Project – *Federal ESA-Biological Opinions*" in this Appendix A. Ongoing drought conditions in the Colorado River have further emphasized the need for additional conservation efforts. See "METROPOLITAN'S WATER SUPPLY–Colorado River Aqueduct –Colorado River Operations: Surplus and Shortage Guidelines" in this Appendix A. Conservation reduces the need to import water to deliver to member agencies through Metropolitan's system. Water conservation is an integral component of Metropolitan's IRP, WSDM Plan, and Water Supply Allocation Plan.

Metropolitan's conservation program has largely been developed to assist its member agencies in meeting the conservation goals established by the 2015 IRP Update. See "METROPOLITAN'S WATER SUPPLY–Integrated Water Resources Plan and Climate Adaptation Master Plan for Water" in this Appendix A. All users of Metropolitan's system benefit from the reduced infrastructure costs and system capacity made available by investments in demand management programs like the Conservation Credits Program. Under the terms of Metropolitan's Conservation Credits Program, Metropolitan administers regional conservation programs and co-funds member agency conservation programs designed to achieve greater water use efficiency in residential, commercial, industrial, institutional and landscape uses. Spending by Metropolitan and its member agencies on active conservation incentives, including rebates for water-saving plumbing fixtures, appliances and equipment totaled about $57 million in fiscal year 2022-23. During fiscal year 2022-2023, water savings achieved through new and prior-year conservation investments under Metropolitan's Conservation Credits Program were approximately 207,000 acre-feet.

Metropolitan has worked proactively with its member agencies to conserve water supplies in its service area, and significantly expanded its water conservation and outreach programs and increased funding for conservation incentive programs. Historically, revenues collected by Metropolitan's Water Stewardship Rate and available grant funds funded conservation incentives, local resource development incentives, and other water demand management programs. Until December 31, 2020, the Water Stewardship Rate was charged on every acre-foot of water conveyed by Metropolitan, except on water delivered to SDCWA pursuant to the Exchange Agreement (see "METROPOLITAN REVENUES–Water Rates" and "–Litigation Challenging Rate Structure" in this Appendix A) in calendar years 2018, 2019, and 2020. Beginning with calendar year 2021, the Water Stewardship Rate has no longer been incorporated into Metropolitan's rates and charges. See "METROPOLITAN REVENUES–Rate Structure – *Water Stewardship Rate*" in this Appendix A.

In addition to ongoing conservation, Metropolitan has developed a WSDM Plan, which splits resource actions into two major categories: Surplus Actions and Shortage Actions. See "–Water Surplus and Drought Management Plan." Conservation and water efficiency programs are part of Metropolitan's resource management strategy which makes up these surplus and shortage actions.

The Water Supply Allocation Plan allocates Metropolitan's water supplies among its member agencies, based on the principles contained in the WSDM Plan, to reduce water use and drawdowns from water storage reserves. See "–Water Supply Allocation Plan." Metropolitan's member agencies and retail water suppliers in Metropolitan's service area also can implement water conservation and allocation

programs, and some of the retail suppliers in Metropolitan's service area have initiated conservation measures.

State legislation has provided an additional catalyst for conservation by member agencies and retail suppliers. Legislation approved in November 2009 set a statewide conservation target for urban per capita potable water use of 20 percent reductions (from a baseline per capita use determined utilizing one of four State-approved methodologies) by 2020 (with credits for existing conservation) at the retail level. Legislation approved in 2018 (Assembly Bill 1668 and Senate Bill 606) directed the SWRCB to adopt water use efficiency standards for all residential water use and outdoor commercial, industrial, and institutional water use and also performance measures for indoor commercial, industrial, and institutional water use. Pursuant to such directive, the SWRCB has proposed a new regulation, termed "Making Conservation a California Way of Life," which would require urban retail water suppliers to calculate a water use objective annually, beginning January 1, 2025, based on the characteristics of the supplier's service area, and beginning January 1, 2027, demonstrate compliance with its objective, implement established performance standards, and submit annual progress reports.

Metropolitan's water transactions projections incorporate an estimate of conservation savings that will reduce retail demands. Current projections include an estimate of additional water use efficiency savings resulting from Metropolitan's 2015 IRP Update goals that included the reduction of overall regional per capita water use by 20 percent by 2020 from a baseline of average per capita water use from 1996-2005 in Metropolitan's service area. As of calendar year 2020, per capita water use in Metropolitan's service area had reached the 20 percent reduction by 2020 target.

Water Surplus and Drought Management Plan

In addition to the long-term planning guidelines and strategy provided by its IRP, Metropolitan has developed its WSDM Plan for the on-going management of its resources and water supplies in response to hydrologic conditions. The WSDM Plan, which was adopted by Metropolitan's Board in April 1999, evolved from Metropolitan's experiences during the droughts of 1976-77 and 1987-92. The WSDM Plan is a planning document that Metropolitan uses to guide inter-year and intra-year storage operations, and splits resource actions into two major categories: surplus actions and shortage actions. The surplus actions emphasize storage of surplus water inside the region, followed by storage of surplus water outside the region. The shortage actions emphasize critical storage programs and facilities and conservation programs that make up part of Metropolitan's response to shortages. Implementation of the plan is directed by a WSDM team, made up of Metropolitan staff, that meets regularly throughout the year and more frequently between November and April as hydrologic conditions develop. The WSDM team develops and recommends storage actions to senior management on a regular basis and provides updates to the Board on hydrological conditions, storage levels and planned storage actions through detailed reports.

Water Supply Allocation Plan

In times of prolonged or severe water shortages, Metropolitan manages its water supplies through the implementation of its Water Supply Allocation Plan. The Water Supply Allocation Plan was originally approved by Metropolitan's Board in February 2008, and has been implemented three times since its adoption, including most recently in April 2015. The Water Supply Allocation Plan provides a formula for equitable distribution of available water supplies in case of extreme water shortages within Metropolitan's service area and if needed is typically approved in April with implementation beginning in July. In December 2014, the Board approved certain adjustments to the formula for calculating member agency supply allocations during subsequent periods of implementation of the Water Supply Allocation Plan. Although the Act gives each of Metropolitan's member agencies a preferential entitlement to purchase a portion of the water served by Metropolitan (see "METROPOLITAN REVENUES–Preferential Rights" in this Appendix A), historically, these rights have not been used in allocating Metropolitan's water.

Metropolitan's member agencies and retail water suppliers in Metropolitan's service area also may implement water conservation and allocation programs within their respective service territories in times of shortage. See also "–Drought Response Actions" below. Based upon current hydrology and Metropolitan's available storage balances, the Water Supply Allocation Plan has not been implemented for fiscal year 2023-24.

Drought Response Actions

The most recent drought in California occurred in 2020 through 2022. The Water Years 2020 through 2022 combined ranked as the three driest years in California's statewide precipitation record. Beginning in April 2021, Governor Newsom issued a series of drought emergency proclamations affecting various counties throughout the State, culminating in an October 19, 2021 proclamation declaring a drought state of emergency to be in effect statewide and directing local water suppliers to implement water shortage contingency plans at a level appropriate to local conditions. On March 28, 2022, Governor Newsom issued an executive order directing the SWRCB to consider adopting regulations by May 25, 2022, to require urban water suppliers with water shortage contingency plans to implement, at a minimum, shortage response actions for a shortage level of up to 20 percent (a "Level 2" shortage). On May 24, 2022, in response to the executive order, the SWRCB adopted an emergency water conservation regulation. The adopted regulation temporarily banned irrigating turf with potable water at commercial, industrial, and institutional properties, such as grass in front of or next to large industrial or commercial buildings. The ban did not include watering turf used for recreation or other community purposes, water used at residences or water to maintain trees. The regulation also required all urban water suppliers to implement conservation actions under Level 2 of their water shortage contingency plans.

From early 2021, in response to dry conditions, Metropolitan implemented certain operational measures and programs to minimize State Water Project deliveries, such as delivering Diamond Valley Lake water for the first time to the Henry J. Mills Treatment Plant, and expanding the delivery of Colorado River water. These measures were made possible by Metropolitan's continued investment in facility upgrades and improvements. Metropolitan also paid for several member agencies to shift from service connections that utilize State Water Project supplies to service connections that use Colorado River water to conserve State Water Project supplies.

Following the Governor's October 2021 proclamation of a statewide drought emergency, on November 9, 2021, Metropolitan's Board of Directors declared a drought emergency and called on its member agencies in the portion of Metropolitan's service area that can only receive Metropolitan's supplies through the State Water Project system (referred to herein as the SWP Dependent Area) to use increased conservation measures or other means to reduce their use of those supplies. To assist in these conservation efforts, Metropolitan's Board also approved a series of measures to expand various rebate and water-efficiency programs. On April 26, 2022 Metropolitan's Board approved the framework of an Emergency Water Conservation Program for the SWP Dependent Area to further reduce demand on State Water Project supplies. In 2022, due to historically dry conditions, DWR exercised a provision of the State water supply contract that allowed DWR to provide State Water Project water to certain State Water Project contractors, that was in addition to the contracted amounts, to meet minimum demands for domestic supply, fire protection or sanitation. The human health and safety supplies received were required to be returned within five calendar years of the calendar year of delivery, with certain mandatory returns to be made in years when State Water Project allocations were 40 percent of contracted amounts or greater. Under this provision, Metropolitan requested and received from DWR delivery of an additional 133,842 acre-feet of certain human health and safety supplies to the SWP Dependent Area. In addition to the human health and safety supplies and mandatory water use reductions for the SWP Dependent Area agencies, Metropolitan met the water demands in its service area in calendar year 2022 using a combination of CRA deliveries, storage reserves and supplemental water transfers and purchases. In 2022, approximately 28,000 acre-feet of water transfers were secured.

Metropolitan has planned and prepared for dry conditions by investing in vital infrastructure to increase its storage capacity and enhance operational flexibility. The Emergency Water Conservation Program was intended as a short-term policy in response to the severe drought conditions that existed and infrastructure constraints that severely limited the delivery of State Water Project supplies. Metropolitan has committed to providing equitable reliability to the SWP Dependent Area by increasing access to existing supplies and storage, and development of new supplies and storage. Metropolitan was awarded $50 million in reimbursement grant funding from the State of California in the State's fiscal year 2022-23 budget for a set of drought emergency mitigation projects to move locally stored water into the SWP Dependent Area.

Due to improved hydrologic conditions and an increased State Water Project allocation for 2023, the Board voted to rescind the Emergency Water Conservation Program on March 14, 2023. On March 24, 2023, the Governor announced that several of the Statewide water conservation measures previously imposed would be eased. All of the 133,842 acre-feet of health and safety supplies received by Metropolitan in 2022 were returned by the end of June 2023. Metropolitan continues to encourage responsible and efficient water use.

Actions taken in response to the 2020-2022 drought by the State, Metropolitan's Board and Metropolitan's member agencies, as well as the subsequent extreme precipitation in 2023, have contributed to reduced water demands in Metropolitan's service area. Such significant variances in hydrology may become more common in the future due to the effects of climate change. Metropolitan's financial reserve policy provides funds to manage through periods of reduced sales. See "METROPOLITAN REVENUES– Financial Reserve Policy" in this Appendix A. In years when actual sales are less than projections, Metropolitan uses various tools to manage reductions in revenues, such as reducing expenditures below budgeted levels, reducing funding of capital projects from revenues, and drawing on reserves. See also "MANAGEMENT'S DISCUSSION OF HISTORICAL AND PROJECTED REVENUES AND EXPENSES" in this Appendix A.

REGIONAL WATER RESOURCES

General

The water supply for Metropolitan's service area is provided in part by Metropolitan and in part by non-Metropolitan sources available to members. Non-Metropolitan sources include water imported by the City of Los Angeles (the "City") from the Owens Valley/Mono Basin east of the Sierra Nevada through the City's Los Angeles Aqueduct to serve customers of the City. See "– Los Angeles Aqueduct." The balance of water within the region is produced locally, from sources that include groundwater and surface water production, recycled water and recovery of contaminated or degraded groundwater, and seawater desalination. Programs to develop these local resources include projects funded by Metropolitan's Local Resources Program (the "LRP"), as well as local agency funded programs. See "–Local Water Supplies."

Based on a ten-year average from calendar years 2013 through 2022 (the most recent full year information available), non-Metropolitan sources met about 54 percent of the region's water needs. These non-Metropolitan sources of supply fluctuate in response to variations in rainfall. During prolonged periods of below-normal rainfall, local water supplies decrease. Conversely, prolonged periods of above-normal rainfall increase local supplies. Sources of groundwater basin replenishment include local precipitation, runoff from the coastal ranges, and artificial recharge with imported water supplies. In addition to runoff, recycled water provides an increasingly important source of replenishment water for the region.

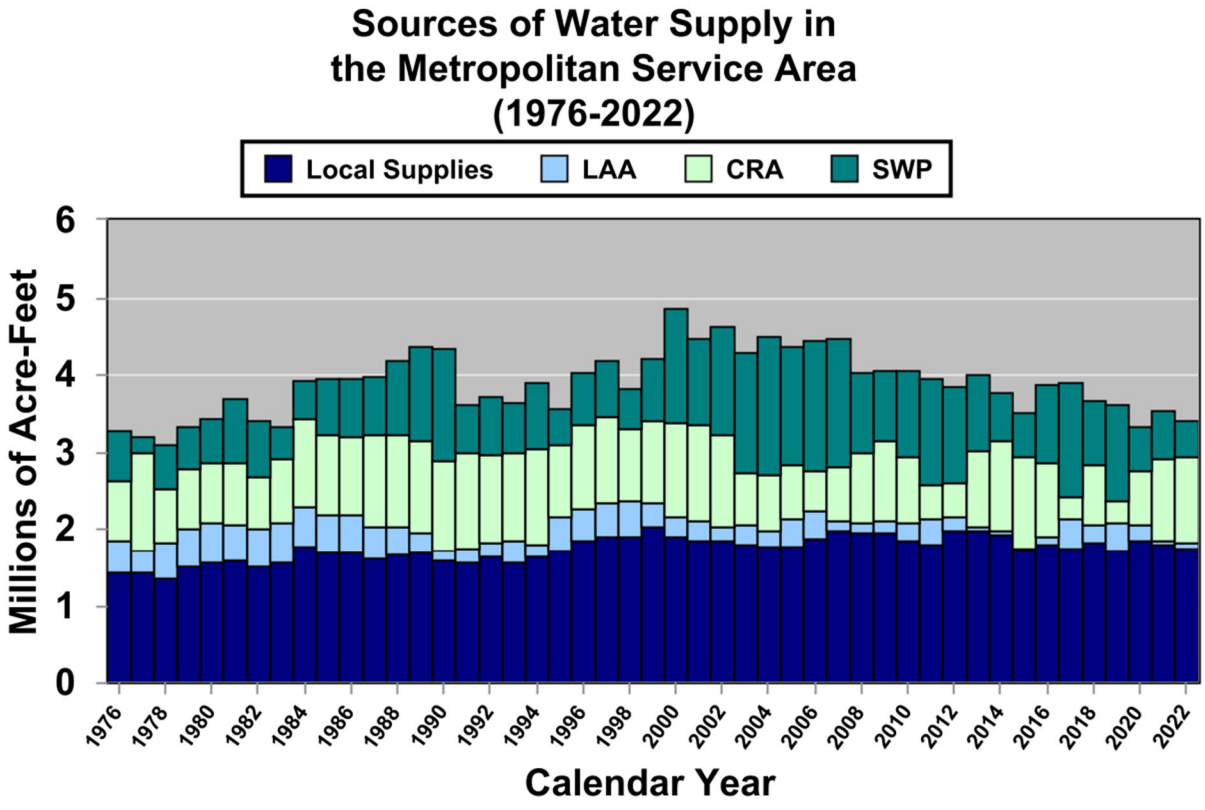
Metropolitan's member agencies are not required to purchase or use any of the water available from Metropolitan. Some agencies depend on Metropolitan to supply nearly all of their water needs, regardless of the weather. Other agencies, with local surface reservoirs or aqueducts that capture rain or snowfall, rely on Metropolitan more in dry years than in years with heavy rainfall, while others, with ample groundwater

supplies, purchase Metropolitan water only to supplement local supplies and to recharge groundwater basins. Consumer demand and locally supplied water vary from year to year, resulting in variability in the volume of Metropolitan's water transactions.

In recent years, supplies and demands have been affected by drought, water use restrictions, economic conditions, weather conditions and environmental laws, regulations and judicial decisions, as described in this Appendix A under "METROPOLITAN'S WATER SUPPLY." The demand for supplemental supplies provided by Metropolitan is dependent on water use at the retail consumer level and the amount of locally supplied and conserved water. See "CONSERVATION AND WATER SHORTAGE MEASURES" in this Appendix A and "–Local Water Supplies" below.

Future reliance on Metropolitan supplies will depend on, among other things, current and future local projects that may be developed and the amount of water that may be derived from sources other than Metropolitan. For information on Metropolitan's water revenues, see "METROPOLITAN REVENUES" and "MANAGEMENT'S DISCUSSION OF HISTORICAL AND PROJECTED REVENUES AND EXPENSES" in this Appendix A.

The following graph shows a summary of the regional sources of water supply for calendar years 1976 to 2022 (the most recent full year information available). In the graph below, LAA refers to the Los Angeles Aqueduct. See "–Los Angeles Aqueduct." The graph below includes updated local supply numbers that include Santa Ana River baseflow below Prado Dam, which was previously not included from 1980 through 2009.



Source: Metropolitan.

The major sources of water available to some or all of Metropolitan's member agencies in addition to supplies provided by Metropolitan are described below.

Los Angeles Aqueduct

The City of Los Angeles, through its Department of Water and Power ("LADWP"), operates its Los Angeles Aqueduct system to import water from the Owens Valley and the Mono Basin on the eastern slopes of the Sierra Nevada in eastern California. Water imported by the City on the Los Angeles Aqueduct system comes primarily from surface water rights of the City in eastern Sierra Nevada watersheds along various streams, creeks and rivers in the Mono Basin, Long Valley and Owens Valley, and groundwater resources in the Owens Valley from the City's ownership of approximately 330,000 acres of land and associated water rights. This water supply of the City, which serves LADWP's customers, currently meets about five percent of the region's water needs based on a ten-year average from calendar years 2013 through 2022 (the most recent full year information available).

Surface runoff (snowmelt) is subject to substantial annual variability, which influences the amount of water delivered by the Los Angeles Aqueduct. In addition, the City is subject to several environmental commitments in the Mono Basin and Owens Valley which impact the availability of water to the City for import on the Los Angeles Aqueduct. These include: (i) the SWRCB's Mono Lake Basin Water Rights Decision 1631, which limits the City's water exports from the Mono Basin based on Mono Lake's surface elevation; and (ii) the City's legal obligations under a long-term groundwater management plan relating to the City's groundwater resources in the Owens Valley.

Los Angeles Aqueduct water deliveries to the City vary from one year to the next. Since calendar year 2013, Los Angeles Aqueduct water deliveries to the City have varied from as little as 33,000 acre-feet in calendar year 2015 to as much as 380,000 acre-feet of water in calendar year 2017. Average water deliveries to the City from the Los Angeles Aqueduct were approximately 186,000 acre-feet per calendar year between calendar years 2018 and 2022 (meeting approximately 37 percent of the City's annual water needs). However, during calendar year 2022, water deliveries to the City from the Los Angeles Aqueduct were approximately 71,000 acre-feet (meeting approximately 15 percent of the City's water need for calendar year 2022). Consequently, the amount of water purchased by the City from Metropolitan also varies with the fluctuations of Los Angeles Aqueduct supply. During the past five calendar years 2018 through 2022, the City's water purchases from Metropolitan (billed water transactions) ranged from a low of 103,000 in calendar year 2019 to a high of 368,000 in calendar year 2021.

Local Water Supplies

Local water supplies are made up of groundwater, groundwater recovery, surface runoff, recycled water, and seawater desalination. Metropolitan supports local resources development through its LRP, which provides financial incentives of up to $340 per acre-foot of water production (based on actual project unit costs that exceed Metropolitan's water rates) from local water recycling, groundwater recovery, and seawater desalination projects. LRP agreement terms are for 25 years and terminate automatically if construction does not commence within two full fiscal years of agreement execution or if water deliveries are not realized within four full fiscal years of agreement execution. Metropolitan utilizes conjunctive use of groundwater to encourage storage in groundwater basins. Member agencies and other local agencies have also independently funded and developed additional local supplies, including groundwater clean-up, recycled water and desalination of brackish or high salt content water. See also "METROPOLITAN'S WATER DELIVERY SYSTEM–Water Quality and Treatment" in this Appendix A for information regarding certain water quality regulations and developments that impact or may impact certain local groundwater supplies.

Metropolitan's water transaction projections are based in part on projections of locally-supplied water. Projections of future local supplies are based on estimated yields of projects that are currently producing water or are under construction at the time a water transaction projection is made. Estimated yields of projects currently producing water are calculated based on the projects' previous four-year production average. Estimated yields of projects that are under construction at the time a water transaction projection is made are based on data provided by the member agencies. See "MANAGEMENT'S DISCUSSION OF HISTORICAL AND PROJECTED REVENUES AND EXPENSES–Water Transactions Projections" and "METROPOLITAN'S WATER SUPPLY–Integrated Water Resources Plan and Climate Adaptation Plan for Water" in this Appendix A.

Groundwater. Local groundwater basins are the region's largest source of local supply. Since 2013, approximately 1.14 million acre-feet per year, about one-third of the annual water demands for approximately 19 million residents of Metropolitan's service area, are met through local groundwater production. Local groundwater basins are supported by recycled water and imported water used for replenishing basins and for creating seawater barriers that protect coastal aquifers from seawater intrusion.

Member Agency Storage Programs. Metropolitan has developed a number of local programs to work with its member agencies to increase storage in groundwater basins. Metropolitan has encouraged storage through its cyclic and conjunctive use storage programs. These programs allow Metropolitan to deliver water into a groundwater basin in advance of agency demands. Metropolitan has drawn on dry-year supply from nine contractual conjunctive use storage programs to address shortages from the State Water Project and the CRA.

Cyclic storage agreements allow pre-delivery of imported water for recharge into groundwater basins in excess of an agency's planned and budgeted deliveries making best use of available capacity in conveyance pipelines, use of storm channels for delivery to spreading basins, and use of spreading basins. This water is then purchased at a later time when the agency has a need for groundwater replenishment deliveries.

Conjunctive use agreements provide for storage of imported water that can be called for use by Metropolitan during dry, drought, or emergency conditions. During a dry period, Metropolitan has the option to call water stored in the groundwater basins pursuant to its contractual conjunctive use agreements. At the time of the call, the member agency pays Metropolitan the prevailing rate for that water. Nine conjunctive use projects provide about 210,000 acre-feet of groundwater storage and have a combined extraction capacity of about 70,000 acre-feet per year. See the table entitled "Metropolitan's Water Storage Capacity and Water in Storage" under "METROPOLITAN'S WATER SUPPLY–Storage Capacity and Water in Storage" in this Appendix A.

Reverse Cyclic Program. In 2022, Metropolitan's Board authorized the General Manager to enter into reverse-cyclic agreements with participating member agencies to preserve the availability of Metropolitan's State Water Project supplies. Metropolitan's General Manager initiated deferrals under the Reverse-Cyclic Program ("RCP") when the General Manager determined that the supply conditions warranted deferring the use of State Water Project supplies due to the risk of shortage of these supplies. Metropolitan executed agreements with Calleguas Municipal Water District, Three Valleys Municipal Water District, and Upper San Gabriel Valley Municipal Water District in 2022. Under these agreements and at Metropolitan's request, participating member agencies agreed to defer Metropolitan deliveries of 25,000 acre-feet of water (in aggregate) purchased in calendar year 2022 to allow Metropolitan to preserve its State Water Project supplies. Metropolitan billed participating member agencies the 2022 full-service rate and applicable treatment charge. In doing so, the participating member agencies avoid paying the projected higher service rate that would be in place when Metropolitan makes the deferred delivery. Metropolitan will deliver water to the participating member agencies no later than December 2027, which is five full calendar years from the date of purchase. This program was not reauthorized for 2023 nor 2024.

Recovered Groundwater. Contamination of groundwater supplies is a growing threat to local groundwater production. Metropolitan has been supporting increased groundwater production and improved regional supply reliability by offering financial incentives to agencies for the production and treatment of degraded groundwater since 1989 through the LRP. Metropolitan has executed LRP agreements with local agencies to provide financial incentives to 28 projects that recover contaminated groundwater with total contract yields of about 125,000 acre-feet per year. Total groundwater recovery use under executed agreements with Metropolitan was estimated to be approximately 53,700 acre-feet in calendar year 2022. Additionally, 81,000 acre-feet of recovered groundwater was produced by local agencies through other independently funded and developed sources in 2022.

Surface Runoff. Local surface water resources consist of runoff captured in storage reservoirs and diversions from streams. Since 2013, agencies have used an average of 76,000 acre-feet per calendar year of local surface water. Local surface water supplies are heavily influenced by year to year local weather conditions, varying from a high during such period of 124,000 acre-feet in calendar year 2020 to a low of 37,500 acre-feet in calendar year 2016.

Stormwater is another local water supply and is surface runoff that is captured and contained on-site as opposed to captured in storage reservoirs or diverted from streams. In 2020, Metropolitan launched two pilot programs to better understand the costs and benefits of stormwater capture, yield, and use. One program examines opportunities to capture stormwater for direct use and the other explores stormwater capture for groundwater recharge. The programs accepted applications through December 31, 2021. Together, Metropolitan committed up to $12.5 million under these programs. The projects funded under these programs are in either the design, construction, or monitoring phase. The pilot programs are expected to last at least five years, including the construction and monitoring phases. The data collected during the pilot programs will assist Metropolitan in evaluating the water supply benefits of stormwater capture and provide guidance for future funding strategies.

Recycled Water-Local Agency Projects. Metropolitan has supported recycled water use to offset water demands and improve regional supply reliability by offering financial incentives to agencies for production and sales of recycled water since 1982 through the LRP. Since the inception of the LRP, Metropolitan has executed agreements with local agencies to provide financial incentives to 88 recycled water projects with total expected contract yields of about 357,000 acre-feet per year. During fiscal year 2022-23, Metropolitan provided incentives for approximately 56,500 acre-feet of recycled water under these agreements. Additionally, 422,000 acre-feet of recycled water (including wastewater discharged to the Santa Ana River that percolates into downstream groundwater basins) was produced in fiscal year 2022-23 by local agencies through other independently funded and developed sources. Total recycled water use under executed agreements with Metropolitan currently in place is estimated to be approximately 54,000 acre-feet in calendar year 2024.

Metropolitan also supports recycled water conversions for property owners through the On-Site Retrofit Program. The On-Site Retrofit Program provides a financial incentive of $195 per acre-foot of estimated offset water for ten years to property owners who convert an imported water demand to a recycled water system. In January 2022, Metropolitan's Board authorized staff to increase the incentive term from five to ten years ($195/acre-foot for 10 years) in recognition of the long lifespan of recycled water infrastructure. As of March 1, 2024, the On-Site Retrofit Program has provided $13.17 million to 499 projects that offset approximately 14,010 acre-feet per year of imported water supplies.

Recycled Water-Metropolitan Pure Water Southern California Program. Since 2010, Metropolitan has been evaluating the potential and feasibility of implementing a regional recycled water program, now referred to as Pure Water Southern California ("PWSC"). Chronic drought conditions have resulted in significant reductions in local surface supplies and groundwater production and have increased the need for recharge supplies to groundwater and surface water reservoirs to improve their sustainable

yields and operating integrity. In 2015, Metropolitan executed an agreement with the Los Angeles County Sanitation Districts ("LACSD") to implement a demonstration project and to establish a framework of terms and conditions of PWSC. The objectives of PWSC are to enable the potential reuse of up to 150 million gallons per day ("mgd") of cleaned wastewater effluent from LACSD's A.K. Warren Facility (formerly the Joint Water Pollution Control Plant). Purified water from a new advanced treatment plant could be delivered through pipelines to the region's groundwater basins, industrial facilities, and two of Metropolitan's water treatment plants.

Construction of a 0.5-mgd advanced water treatment demonstration plant was approved in 2017 and was completed in September 2019. Testing and operation of the plant began in October 2019 to confirm treatment costs and provide the basis for regulatory approval of the proposed treatment process. The tertiary membrane bioreactor ("MBR") first testing phase was completed in 2021 and has been followed by secondary MBR testing which was completed in 2023. The testing will form the basis for the design, operation, and optimization of the advanced treatment plant and will help inform Metropolitan's Board decision whether to move forward with, the potential full-scale program. If approved, design and construction of PWSC would be expected to take approximately eight years and occur in two phases. Phase 1, which, if completed, would be expected to have a capacity of approximately 115 million gallons per day ("mgd"); and Phase 2, which if completed, would be expected to increase capacity by approximately 35 mgd, for a total of treatment plant capacity of 150 mgd.

If implemented, PWSC as proposed would have the flexibility to produce purified water suitable for Direct Potable Reuse ("DPR") through raw water augmentation at two of Metropolitan's treatment plants (Weymouth and Diemer). The SWRCB Division of Drinking Water ("DDW") has proposed new regulations for DPR in California that would allow recycled water to be used directly in the potable water system without first passing through an environmental buffer, such as groundwater or a lake, prior to using it as potable water. If the regulations are adopted, a greater percentage of water produced by PWSC will be available for potable water systems.

On November 10, 2020, Metropolitan's Board voted to begin environmental planning work on PWSC. The Notice of Preparation was published in September 2022 with scoping meetings held in October 2022. The draft EIR is scheduled for completion in the fourth quarter of 2024, with an action requesting board approval anticipated in the fall/winter of 2025.

Metropolitan has also been active in pursuing partnerships with other agencies. In November 2020, Metropolitan and LACSD executed an amendment to the existing collaboration agreement to contribute up to approximately $4.4 million for the environmental planning phase costs. In December 2020, Metropolitan and SNWA executed a funding agreement under which SNWA will contribute up to $6 million for the environmental planning costs for PWSC. In the event either SNWA or Metropolitan decides not to proceed or participate in PWSC in the future, SNWA's financial contribution to PWSC's environmental planning would be returned by Metropolitan. In 2021, Metropolitan signed an agreement with the Arizona Parties (Central Arizona Project and Arizona DWR) for a $6 million financial contribution similar to the SNWA agreement. Overall, Metropolitan has received ten letters of interest in the project from 15 different agencies. In addition, Metropolitan received $80 million in grant funding for PWSC from the State of California in the State's fiscal year 2022-23 budget. Work performed under this funding will continue into 2026.

Environmental planning phase work for PWSC began in fiscal year 2020-21 and is expected to continue through fiscal year 2025-26. The proposed biennial budget for fiscal years 2024-25 and 2025-26 includes $9 million for planning costs of PWSC as part of the operations and maintenance budget.

If approved, the total costs of design and construction of PWSC are currently estimated to be approximately $6.4 billion (in 2023 dollars). If ultimately undertaken, the amount of the costs of design and

construction of PWSC costs that may be incurred by Metropolitan would be dependent on, among other things, the ultimate design and timing of any approved project, the availability and receipt of potential grant funding sources, and the level of contributions from potential PWSC partners that may participate in any such approved project. The amount of any partner carried costs has not been determined at this time.

Metropolitan's Board has not approved PWSC and the costs of design and construction are not included in Metropolitan's Capital Investment Plan ("CIP"). However, for planning purposes, Metropolitan has made certain assumptions about the potential capital costs that may be incurred by Metropolitan over the ten-year financial forecast provided in its proposed biennial budget for fiscal year 2024-25 and 2025-26, including with respect to projected future debt financing for a portion of PWSC costs, certain assumptions regarding the potential amounts of and sources of funding for PWSC that may be available from grants and contributions by potential partners. Metropolitan's financial projections for fiscal years 2024-25 through 2028-29 assume that if PWSC is approved and implemented a portion of the capital costs incurred by Metropolitan in connection with any approved project would be financed with proceeds of revenue bonds to be issued by Metropolitan during the five-year projection period. See "CAPITAL INVESTMENT PLAN" for additional information regarding the capital expenditures Metropolitan has assumed may be incurred with respect to PWSC (if approved) in addition to its projected CIP expenditures for fiscal years 2023-24 through 2028-29. See also "HISTORICAL AND PROJECTED REVENUES AND EXPENSES" in this Appendix A for additional information regarding the future debt financing Metropolitan has assumed may be incurred with respect to PWSC (if approved).

Seawater Desalination. Metropolitan supports seawater desalination as a part of the region's supply portfolio as well as a mechanism to increase regional supply resiliency under different climate change and population growth scenarios.

In 2007, the Board approved Metropolitan's role as a regional facilitator for seawater desalination. This includes supporting local projects during permitting and providing technical assistance when requested. Metropolitan's regional facilitation includes active participation in organizations advocating for desalination and salinity management, including CalDesal and the Southern California Salinity Coalition within California, and the Multi-State Salinity Coalition nationally. Metropolitan also participates in the National Alliance for Water Innovation ("NAWI"). NAWI is a Department of Energy-led, $100 million research effort focused on accelerating the commercialization of early-stage desalination technologies. New technologies developed by NAWI could reduce cost and environmental barriers to seawater desalination in California.

In October 2014, seawater desalination projects became eligible for funding under Metropolitan's LRP. There is currently one local seawater desalination project in the permitting stage that could receive LRP incentives. South Coast Water District ("South Coast") is proposing a 5-mgd Doheny Ocean Desalination project (the "Doheny Project") in south Orange County. South Coast has obtained key State permits for the Doheny Project and is expected to award a contract to a progressive design build consultant in 2024. The 50-mgd Huntington Beach Seawater Desalination is no longer under development after failing to obtain a coastal development permit. LRP applications for potential projects would be considered by Metropolitan's Board after they are permitted, free of litigation, and authorized to proceed by their developing agencies.

In 2015, Poseidon Resources LLC ("Poseidon") began operating the 56,000 acre-foot per year (50-mgd) Carlsbad Desalination Project and associated pipeline. SDCWA has a purchase agreement with Poseidon for a minimum of 48,000 acre-feet per year with an option to purchase an additional 8,000 acre-feet per year.

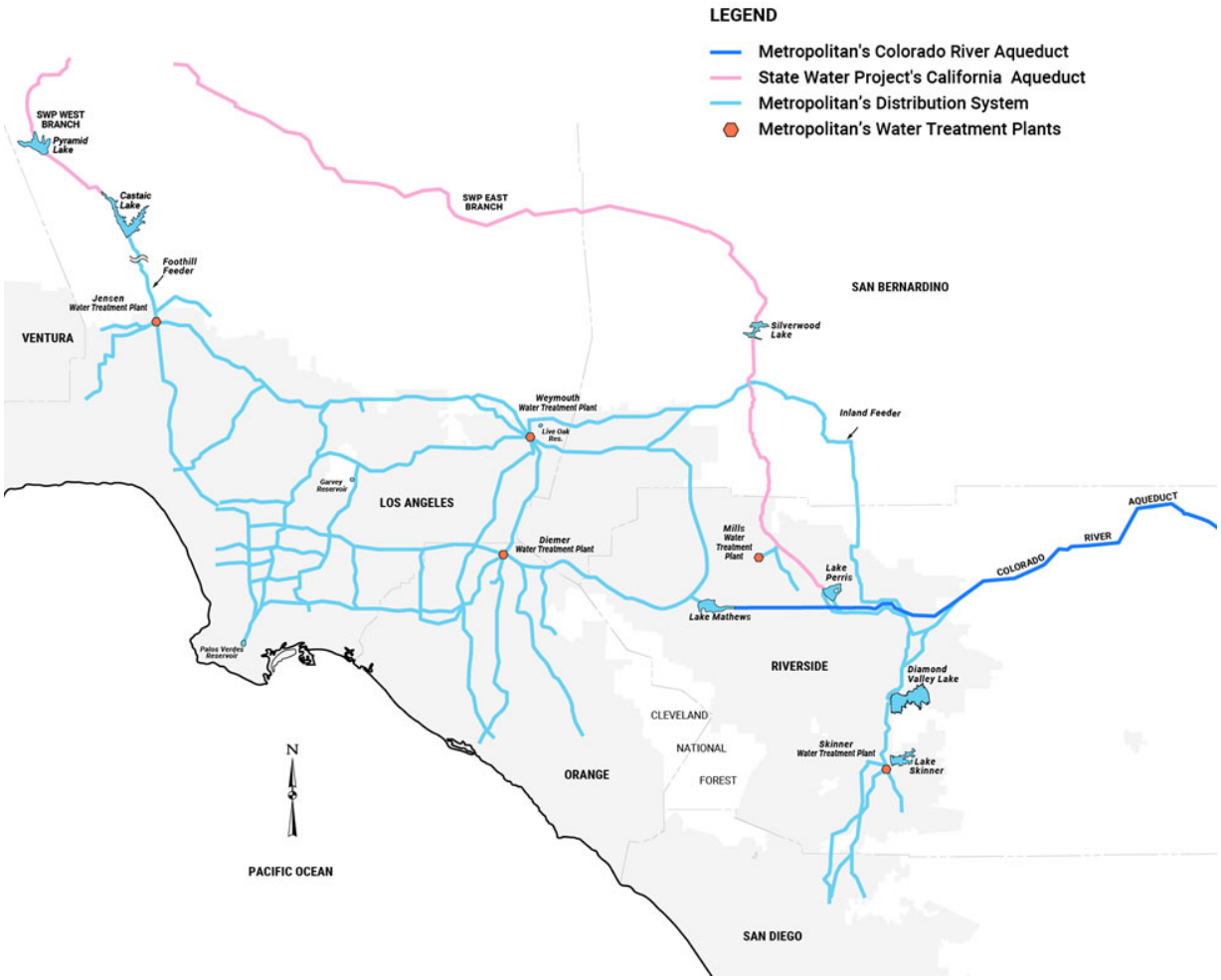
METROPOLITAN'S WATER DELIVERY SYSTEM

Primary Facilities and Method of Delivery

Metropolitan's water delivery system is made up of three basic components: the Colorado River Aqueduct (CRA), the California Aqueduct of the State Water Project, and Metropolitan's water distribution system. Metropolitan's delivery system is integrated and designed to meet the differing needs of its member agencies. Metropolitan seeks redundancy in its delivery system to assure reliability in the event of an outage. Improvements are designed to increase the flexibility of the system. Since local sources of water are generally used to their maximum each year, growth in the demand for water is partially met by Metropolitan. The operation of Metropolitan's water system is being made more reliable through the rehabilitation of key facilities as needed, improved preventive maintenance programs and the upgrading of Metropolitan's operational control systems. See "CAPITAL INVESTMENT PLAN" in this Appendix A.

The graphic that follows depicts Metropolitan's water delivery system, which is further described below.

METROPOLITAN'S WATER DELIVERY SYSTEM



Source: Metropolitan.

Colorado River Aqueduct. Work on the CRA commenced in 1933 and water deliveries started in 1941. Additional facilities were completed by 1961 to meet additional requirements of Metropolitan's member agencies. The CRA is 242 miles long, starting at the Lake Havasu intake and ending at the Lake Mathews terminal reservoir. Metropolitan owns all the components of the CRA, which include five pumping plants, 64 miles of canal, 92 miles of tunnels, 55 miles of concrete conduits, four reservoirs, and 144 underground siphons totaling 29 miles in length. The pumping plants lift the water approximately 1,617 feet over several mountain ranges to Metropolitan's service area. See "METROPOLITAN'S WATER SUPPLY–Colorado River Aqueduct" in this Appendix A.

State Water Project. The initial portions of the State Water Project serving Metropolitan were completed in 1973. The State Water Project, managed and operated by DWR, is one of the largest water supply projects undertaken in the history of water development. The State Water Project facilities dedicated to water delivery consist of a complex system of dams, reservoirs, power plants, pumping plants, canals and aqueducts to deliver water. Water from rainfall and snowmelt runoff is captured and stored in State Water Project conservation facilities and then delivered through State Water Project transportation facilities to water agencies and districts located throughout the Upper Feather River, Bay Area, Central Valley, Central Coast, and Southern California. Metropolitan receives water from the State Water Project through the main stem of the aqueduct system, the California Aqueduct, which is 444 miles long and includes 381 miles of canals and siphons, 49 miles of pipelines or tunnels and 13 miles of channels and reservoirs.

As described herein, Metropolitan is the largest (in terms of number of people it serves, share of State Water Project water it has contracted to receive, and percentage of total annual payments made to DWR therefor) of 29 agencies and districts that have entered into contracts with DWR to receive water from the State Water Project. Contractors pay all costs of the facilities in exchange for participation rights in the system. Thus, Contractors also have the right to use the portion of the State Water Project conveyance system necessary to deliver water to them at no additional cost as long as capacity exists. See "METROPOLITAN'S WATER SUPPLY–State Water Project" in this Appendix A.

Distribution System. Metropolitan's distribution system is a complex network of facilities which routes water from the CRA and State Water Project to Metropolitan's member agencies. The water distribution system includes components that were built beginning in the 1930s and through the present. Metropolitan owns all of these components, including nine reservoirs, five regional treatment plants, over 800 miles of transmission pipelines, feeders and canals, and 15 hydroelectric plants with an aggregate capacity of 130 megawatts.

In 2022, Metropolitan committed to equivalent water supply reliability for all member agencies. Based on performance during the 2020-2022 drought, improvements to the distribution system are planned or underway to achieve this commitment.

Diamond Valley Lake. Diamond Valley Lake, a man-made reservoir, built, owned and operated by Metropolitan, is located southwest of the city of Hemet, California. Excavation at the project site began in May 1995. Diamond Valley Lake was completed in March 2000, at a total cost of $2 billion, and was in full operation in December 2001. It covers approximately 4,410 acres and has capacity to hold approximately 810,000 acre-feet or 265 billion gallons of water. Imported water is delivered to Diamond Valley Lake during surplus periods. The reservoir provides more reliable delivery of imported water from the State Water Project during summer months, droughts and emergencies. In addition, Diamond Valley Lake can provide more than one-third of Southern California's water needs from storage for approximately six months after a major emergency (assuming that there has been no impairment of Metropolitan's internal distribution network). See the table entitled "Metropolitan's Water Storage Capacity and Water in Storage" under "METROPOLITAN'S WATER SUPPLY–Storage Capacity and Water in Storage" in this Appendix A for the amount of water in storage at Diamond Valley Lake.

Inland Feeder. Metropolitan's Inland Feeder is a 44-mile-long conveyance system that connects the State Water Project to Diamond Valley Lake and the CRA. Construction of the Inland Feeder was completed in September 2009 at a total cost of $1.14 billion. The Inland Feeder provides greater flexibility in managing Metropolitan's major water supplies and allows additional 1,000 cfs from the East Branch of the California Aqueduct to be moved into Metropolitan's service area, primarily into Diamond Valley Lake for storage.

Operations Control Center. Metropolitan's water conveyance and distribution system operations are coordinated from the Eagle Rock Operations Control Center (the "OCC") centrally located in Los Angeles County. The OCC plans, balances and schedules daily water and power operations to meet member agencies' demands, taking into consideration the operational limits of the entire system.

Water Quality and Treatment

General. Metropolitan filters and disinfects water at five water treatment plants: the F.E. Weymouth Treatment Plant in La Verne, the Joseph Jensen Treatment Plant in Granada Hills, the Henry J. Mills Treatment Plant in Riverside, the Robert B. Diemer Treatment Plant in Yorba Linda, and the Robert A. Skinner Treatment Plant in Winchester. In recent years, the plants typically treat between 0.8 billion and 1.0 billion gallons of water per day and have a maximum capacity of approximately2.4 billion gallons per day. Approximately 50 percent of Metropolitan's water deliveries are treated water.

Metropolitan is operating in compliance with current State and federal drinking water regulations and permit requirements.

Federal and state regulatory agencies routinely identify potential contaminants and establish new water quality standards. Metropolitan continually monitors new water quality laws and regulations and frequently comments on new legislative proposals and regulatory rules. New water quality standards could affect the availability of water and impose significant compliance costs on Metropolitan. The federal Safe Drinking Water Act ("SDWA") establishes drinking water quality standards, monitoring, and public notification and enforcement requirements for public water systems. To achieve these objectives, the U.S. Environmental Protection Agency (the "USEPA"), as the lead regulatory authority, promulgates national drinking water regulations and develops the mechanism for individual states to assume primary enforcement responsibilities. The SWRCB DDW has primary responsibility for the regulation of public water systems in the State. Drinking water delivered to customers must comply with statutory and regulatory water quality standards designed to protect public health and safety. Metropolitan operates its five water treatment plants under a domestic water supply permit issued by DDW, which is amended, as necessary, such as when significant facility modifications occur. Metropolitan operates and maintains water storage, treatment and conveyance facilities, implements watershed management and protection activities, performs inspections, monitors drinking water quality, and submits monthly and annual compliance reports. In addition, public water system discharges to state and federal waters are regulated under general National Pollutant Discharge Elimination System ("NPDES") permits. These NPDES permits, which the SWRCB issued to Metropolitan, contain numerical effluent limitations, monitoring, reporting, and notification requirements for water discharges from the facilities and pipelines of Metropolitan's water supply and distribution system.

Groundwater. As described herein, Metropolitan has established five groundwater storage programs with other water agencies that allow Metropolitan to store available supplies in the Central Valley for return later. These programs help manage supplies by putting into storage surplus water in years when it is available and converting that to dry year supplies to be returned when needed. These programs can also provide emergency supplies. See "METROPOLITAN'S WATER SUPPLY–Water Transfer, Storage and Exchange Programs –State Water Project Agreements and Programs" and "–Storage Capacity and Water in Storage" in this Appendix A. Generally, water returned to Metropolitan under these groundwater storage

programs ("return water") may be made available in one of two ways: by direct pump back from a groundwater well to the California Aqueduct or, when available, by an exchange with a supply already in the aqueduct. Water quality issues can arise in water returned by direct pumping as a result of the presence of a water quality contaminant in the groundwater storage basin and due to the imposition of stricter water quality standards by federal or State regulation.

In 2017, the SWRCB adopted a regulation setting an MCL for TCP of five parts per trillion ("ppt") based upon a running annual average. TCP is a manufactured chemical used as a cleaning and degreasing solvent and has been found at industrial and hazardous waste sites. It is also associated with pesticide products used in agricultural practices. TCP has been recognized by the State of California as a likely human carcinogen. In January 2018, the new regulation went into effect. Under the new regulation, drinking water agencies are required to perform quarterly monitoring of TCP. There have been no detections of this chemical in Metropolitan's system. However, TCP has been detected above the MCL in groundwater wells of three of Metropolitan's groundwater storage program partners through monitoring performed by these agencies. Levels detected in groundwater wells of Arvin-Edison are the highest and impact Metropolitan's ability to put water into storage and take return water under that program. As noted under "METROPOLITAN'S WATER SUPPLY–Water Transfer, Storage and Exchange Programs –State Water Project Agreements and Programs – *Arvin-Edison/Metropolitan Water Management Program*" in this Appendix A, Metropolitan has suspended the return of groundwater by direct pump back into the State Water Project from this program until the water quality concerns can be further evaluated and managed. When surface water storage is available to Arvin-Edison, it may provide that water to Metropolitan in lieu of groundwater and deduct an equivalent amount from Metropolitan's groundwater storage account. In 2023, Metropolitan took return of approximately 18,900 acre-feet via surface water exchanges under this arrangement. In 2024, Metropolitan is exploring opportunities to access stored water via surface water exchanges. However, the potential exchange amount to be available through surface water exchanges is significantly less than Metropolitan's contractual capacity. The levels of TCP detected at Metropolitan's other groundwater storage programs are much lower and impact fewer groundwater wells. Metropolitan is evaluating the effects of TCP on the return capability of those programs.

Possible remediation measures include, for example, return water with other surface water supplies, removal of wells from service, return water by exchange, or treatment. Additional capital and/or operation and maintenance costs could be incurred by Metropolitan in connection with remediation options, but the magnitude of such costs is not known at this time. To the extent return water under one or more groundwater storage programs could not be utilized due to groundwater quality, the available supply of stored water during extended drought or emergency periods would be reduced.

Perchlorate. Perchlorate is both a naturally occurring and man-made chemical used in the production of rocket fuel, missiles, fireworks, flares and explosives. It is also sometimes present in bleach and in some fertilizers. Groundwater in the Henderson, Nevada area has been contaminated with perchlorate as a result of two former chemical manufacturing facilities, and there are ongoing remediation programs to mitigate its release into the Las Vegas Wash and the downstream Colorado River. On July 21, 2020, the USEPA withdrew its 2011 determination to regulate perchlorate under the SDWA and issued a new determination that perchlorate does not meet the statutory criteria for regulation. Thus, there is currently no federal drinking water standard for perchlorate, which could potentially affect remediation efforts at two sites in the Henderson area (described below). The Natural Resources Defense Council challenged the USEPA's action, and the U.S. Court of Appeals for the District of Columbia ruled in May 2023 that the USEPA must regulate perchlorate. In January 2024, the USEPA agreed to propose a maximum contaminant level goal ("MCLG") and a national primary drinking water regulation ("NPDWR") for perchlorate by November 21, 2025, and to publish a final MCLG and NPDWR for perchlorate by May 21, 2027.

California is reviewing its MCL for perchlorate in light of a revised Public Health Goal ("PHG") of 1 μg/L adopted in February 2015. PHGs are established by the California Office of Environmental Health

Hazard Assessment ("OEHHA") and used as the basis for the development of a State regulation setting an MCL. The SWRCB is required to set an MCL for a chemical as close to the PHG as is technologically and economically feasible, placing primary emphasis on the protection of public health. DDW is conducting an in-depth risk management analysis to determine whether to revise the perchlorate MCL of 6 µg/L. The detection limit for purposes of reporting ("DLR") for perchlorate was lowered to 2 µg/L in July 2021, and it was further reduced to 1 µg/L in January 2024. With a revised DLR, new occurrence data can be collected to support the development of a revised California MCL for perchlorate, if appropriate. If California's MCL for perchlorate is revised to a level less than 6 µg/L, it will be important for the oversight agencies, the USEPA and the Nevada Division of Environmental Protection, to ensure that the perchlorate contamination originating at the two former chemical manufacturing facilities in Henderson, Nevada is remediated to a level that minimizes impacts to the Colorado River and that perchlorate concentrations at Metropolitan's Whitsett Intake at Lake Havasu stay at levels below California's MCL. Metropolitan was successful in 2023 in convincing the USEPA and the Nevada Division of Environmental Protection to require the Nevada Environmental Response Trust ("NERT, "which is responsible for cleaning up the former site of one of the chemical manufacturers in Henderson, Nevada) to use California's current MCL of 6 µg/L for perchlorate, California's PHG for perchlorate of 1 µg/L, California's current MCL of 50 µg/L for total chromium, and California's proposed MCL of 10 µg/L for hexavalent chromium as to-be-considered criteria ("TBCs") for remedial action objectives. The designation of these regulatory levels as TBCs requires the NERT to explicitly consider these values throughout the upcoming feasibility study and to follow all applicable guidance related to doing so. The feasibility study is the mechanism for the development, screening, and detailed evaluation of alternative remedial actions. Metropolitan will continue to monitor the cleanup of the two former chemical manufacturing facilities in Henderson, Nevada and to monitor and participate in federal and state rulemaking proceedings.

PFAS. Per- and poly-fluoroalkyl substances ("PFAS") are substances widely used in consumer and industrial products such as fabrics, carpets, firefighting foams, food packaging, and nonstick cookware and are known for their nonstick, waterproof, and heat and stain resistant properties. Perfluorooctane sulfonate ("PFOS") and perfluorooctanoic acid ("PFOA") are the two most common synthetic organic chemicals in the group of compounds referred to as PFAS. In August 2019, DDW lowered the notification levels ("NLs") for PFOS from 13 ppt to 6.5 ppt and for PFOA from 14 ppt to 5.1 ppt. NLs are non-regulatory, precautionary health-based measures for concentrations of chemicals in drinking water that warrant notification and further monitoring and assessment. If a chemical concentration is greater than its NL in drinking water that is provided to consumers, DDW recommends that the utility inform its customers and consumers about the presence of the chemical, and about health concerns associated with exposure to it. In February 2020, DDW lowered the response levels ("RLs") for PFOA and PFOS from 70 ppt for individual or combined concentrations to 10 ppt for PFOA and 40 ppt for PFOS. An RL is set higher than an NL and represents a chemical concentration level at which DDW recommends a water system consider taking a water source out of service or providing treatment if that option is available to them. Legislation that took effect on January 1, 2020 (California Assembly Bill 756) requires that water systems that receive a monitoring order from the SWRCB and detect levels of PFAS that exceed their respective RL must either take a drinking water source out of use or provide specified public notification if they continue to supply water above the RL. In March 2021, DDW issued an NL of 0.5 parts per billion ("ppb") and an RL of 5 ppb for perfluorobutane sulfonic acid ("PFBS"), another PFAS chemical. In July 2021, OEHHA proposed PHGs for PFOA at 0.007 ppt and PFOS at 1 ppt, the next step in the process of establishing MCLs in drinking water. In July 2023, OEHHA released, for a second public comment period, proposed draft PHGs for PFOA at 0.007 ppt and PFOS at 1 ppt. In October 2022, the SWRCB issued an NL of 3 ppt and an RL of 20 ppt for perfluorohexane sulfonic acid ("PFHxS"). Also in October 2022, the SWRCB issued a general order requiring select public water systems to monitor for PFAS.

There are currently no federal regulations on the level of PFAS allowed in treated drinking water. The USEPA established non-enforceable and non-regulatory health advisories in 2016 for PFOA and PFOS at single or combined concentrations of 70 ppt in treated drinking water. These advisories indicate the level

of drinking water contamination below which adverse health effects are not expected to occur. On January 19, 2021, the USEPA announced that it is considering whether to designate PFOA and PFOS as hazardous substances under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 ("CERCLA") and/or hazardous waste under the Resource Conservation and Recovery Act ("RCRA"). On February 22, 2021, the USEPA announced its proposed revisions to the Fifth Unregulated Contaminant Monitoring Rule ("UCMR 5") for public water systems which includes monitoring for 29 PFAS in drinking water. On March 3, 2021, the USEPA published its final regulatory determination to regulate PFOA and PFOS in drinking water. Following such determination, the USEPA had 24 months to propose MCLGs and MCLs for PFOA and PFOS. On March 14, 2023, the USEPA announced proposed regulations for six PFAS, including PFOA, PFOS, perfluorononanoic acid ("PFNA"), hexafluoropropylene oxide dimer acid (commonly known as "GenX chemicals"), PFHxS, and PFBS. The USEPA is proposing: (1) legally enforceable MCLs of 4 ppt for PFOA and PFOS; (2) non-enforceable health-based MCLGs for PFOS and PFOS at 0; and (3) a hazard index of 1.0 as MCLs and MCLGs for PFNA, PFHxS, PFBS, and/or GenX chemicals and any mixture containing one or more of these four PFAS. The hazard index is a tool used to evaluate health risks from simultaneous exposure to mixtures of certain chemicals. To determine the hazard index for these four PFAS, water systems would monitor and compare the amount of each PFAS in drinking water to its associated Health Based Water Concentration ("HBWC"), which is the level below which no health effects are expected for that PFAS. Water systems would add the comparison values for each PFAS contained within the mixture. If the value is greater than 1.0, it would be an exceedance of the proposed hazard index MCL for PFHxS, GenX chemicals, PFNA, and PFBS. The proposed rule would require public water systems to monitor for these PFAS, notify the public if monitoring detects such PFAS at levels that exceed the proposed regulatory standards, and reduce the levels of such PFAS in drinking water if they exceed the proposed standards. The USEPA requested public comment on the proposed regulation, and the public comment period on the proposed regulation closed on May 30, 2023, 60 days after the date of publication in the Federal Register. The proposed PFAS regulation does not require any action until it is finalized. The USEPA has until September 2024 to finalize the MCLs for these six PFAS.

On October 18, 2021, the USEPA published a "PFAS Strategic Roadmap: EPA's Commitments to Action, 2021-2024" (PFAS Roadmap). The document outlines four main drinking water actions that the USEPA intends to complete from 2021 to 2024: (1) conduct nationwide monitoring for PFAS in drinking water as part of the UCMR 5 process; (2) establish national primary drinking water regulations for PFOA and PFOS by Fall 2023; (3) publish health advisories for GenX chemicals and PFBS by Spring 2022; and (4) publish updates to PFAS analytical methods to monitor drinking water by Fall 2024. On December 27, 2021, the USEPA published the final UCMR 5 for public water systems which includes monitoring for 29 PFAS in drinking water. UCMR 5 requires pre-sampling preparations in 2022, sample collection from 2023-2025, and reporting of final results through 2026. On June 15, 2022, the USEPA established new interim, updated drinking water health advisories for PFOA and PFOS to replace the health advisories established in 2016. The non-enforceable and non-regulatory interim, updated lifetime health advisories for PFOA and PFOS in drinking water are established at concentrations of 0.004 ppt and 0.02 ppt, respectively. In its announcement, the USEPA noted that such concentrations are below the ability to detect under current detection methods. On June 15, 2022, the USEPA also established final health advisories for GenX and PFBS of 10 ppt and 2,000 ppt, respectively. On September 6, 2022, the USEPA issued a proposed rule designating PFOA and PFOS as hazardous substances under CERCLA. On April 13, 2023, EPA requested public input on whether to designate: (i) seven additional PFAS (PFBS, PFHxS, PFNA, GenX, PFBA, PFHxA, and perfluorodecanoic acid ("PFDA"), (ii) precursors to these seven PFAS and to PFOA and PFOS, and (iii) groups or categories of PFAS, as hazardous substances under CERCLA. Metropolitan provided comments on these proposals and urged USEPA to further evaluate the potentially significant impacts of the proposed CERCLA designation on water and wastewater utilities. On February 8, 2024, the USEPA issued two proposed rules: (1) listing 9 PFAS (PFOA, PFOS, PFBS, HFPO–DA or GenX, PFNA, PFHxS, PFDA, PFHxA, and PFBA) as hazardous constituents under the RCRA; and (2) amending RCRA's definition of "hazardous waste" to clarify the USEPA's authority to address releases of all substances that meet the definition of hazardous waste under RCRA. These two proposed rules may be the first step in the

USEPA possibly naming these PFAS as RCRA hazardous waste. Listing any PFAS as hazardous waste under RCRA would result in the automatic designation of that PFAS as a hazardous substance under CERCLA. Metropolitan will continue to monitor and participate in federal and state rulemaking proceedings.

PFOA and PFBS have not been detected in Metropolitan's imported or treated water supplies. In 2019, 2020, 2021, and 2022, Metropolitan detected in its supplies low levels of PFHxA, which is not acutely toxic or carcinogenic and is not currently regulated in California or at the federal level. In 2021, Metropolitan detected for the first time in its supplies low levels of perfluorobutanoic acid ("PFBA"), perfluoropentanoic acid ("PFPeA"), and PFOS. Low levels of PFBA and PFPeA were again detected in Metropolitan's supplies in 2022. Metropolitan has not identified any specific sources of these PFAS that have reached its water supplies, and the concentrations detected to date are well below the State's required reporting values.

Although Metropolitan has not identified any specific sources of these PFAS in its supplies, PFHxA is a common PFAS believed to be an impurity that is inadvertently produced during the manufacture of other PFAS. It is also a breakdown product from lubricants, coatings on food packaging, and household products. PFOS is widely used in surface treatments of carpets, textiles, leather, paper, and cardboard, as a surfactant in extinguishing foams, as a mist suppressant in chrome plating, and as a surfactant in the mining and oil industries. PFBA is a breakdown product of other PFAS that are used in stain-resistant fabrics, paper food packaging, and carpets; it is also used for manufacturing photographic film. It has been used as a substitute for longer chain perfluoroalkyl carboxylic acids in consumer products. PFPeA is a breakdown product of stain- and grease-proof coatings on food packaging, couches, and carpets. PFOA and PFOS have also been detected in groundwater wells in the region, including those of certain member agencies. Metropolitan may experience increased demands for its imported water to help offset the potential loss of any affected local supplies.

More than 5,600 cases regarding PFAS in aqueous film-forming foams ("AFFF") have been filed in the AFFF Multi-District Litigation ("MDL") Master Docket No. 2:18-mn-2873-RMG (the "AFFF MDL") since 2018. On June 2, 2023, E.I. Du Pont de Nemours and Company (n/k/a EIDP, Inc.), DuPont de Nemours Inc., The Chemours Company, The Chemours Company FC, LLC, and Corteva, Inc. (collectively, "DuPont") announced a proposed settlement with all eligible public water systems ("PWSs") in which DuPont agreed to pay $1.185 billion (the "DuPont Settlement"). On June 22, 2023, the 3M Company ("3M") announced a proposed settlement with eligible PWSs in which, starting in July 2024, 3M would pay between $10.5 billion and $12.5 billion ("3M Settlement"), which would be the largest contaminated drinking water settlement in U.S. history. All eligible PWSs will be automatically included in the settlements and bound by the settlements' very broad release provisions unless they "opt out" by the deadlines. The funds in both settlement proposals would then be allocated among all eligible PWSs that do not "opt out" and who submit claims to the funds. It is estimated the settlement class could include over 12,000 PWSs. The methodology for the allocation of settlement funds among claimants has not yet been established.

In order to preserve its rights to pursue independent legal action for potential future claims, on November 14, 2023, Metropolitan's Board voted to opt out of both the DuPont and 3M Settlements. Metropolitan submitted its opt-out requests by the deadlines, has confirmed its request to opt out of the 3M Settlement has been accepted, and is in the process of confirming its request to opt out of the DuPont Settlement was accepted. However, Metropolitan continues to evaluate the potential impact of one of the parties' guidance documents regarding the settlements which the judge approved and which indicates that even if a wholesaler opts out of the settlements, if its retail customer is a settlement class member, the broad releases would extend to the wholesaler as to the water it provided to the settlement class member except to the extent the wholesaler shows it had the obligation for and bore unreimbursed PFAS-treatment costs

for that water independent of the retail customer. The judge granted final approval of the DuPont Settlement on February 8, 2024, but has not yet granted final approval of the 3M Settlement.

Seismic Considerations and Emergency Response Measures

General. Metropolitan's system overlays a region of high seismicity. The conveyance and distribution systems traverse numerous faults capable of generating large magnitude earthquakes and some of Metropolitan's treatment plants, pressure control facilities, and other structures have the potential of experiencing high levels of earthquake-induced shaking. To mitigate this risk, Metropolitan routinely assesses the seismic hazards and potential risks to its facilities. It makes strategic investments through projects to limit overall system damage, improve post-earthquake recovery time, and reduce the impacts felt by the population and businesses. Metropolitan's strategy utilizes a defense-in-depth approach to prepare for and respond to the event adequately. Metropolitan's defense-in-depth approach includes the following priorities: (1) provide a diversified water supply portfolio, increase system flexibility, and maintain adequate levels of emergency storage to be able to withstand the potential disruption of imported supplies; (2) prevent damage to water delivery infrastructure in probable seismic events and limit damage in extreme events through the systematic review and upgrade of facilities for which deficiencies are identified; and (3) minimize the duration of water delivery interruptions through a dedicated emergency response and recovery organization, including in-house design, construction, and fabrication capability.

As part of its goal to increase the diversification of the local water portfolio, Metropolitan has provided monetary assistance to member agencies to develop new local water supplies. Increased and improved diversification of local supplies also improves the region's reliability in the event of a significant seismic event. In addition, Metropolitan is evaluating the feasibility of implementing a regional recycled water program referred to as PWSC. See "REGIONAL WATER RESOURCES–Local Water Supplies – *Recycled Water-Metropolitan Pure Water Southern California Program*" in this Appendix A. If completed, it is expected that PWSC would provide up to 150 million gallons per day of advanced treated recycled water for groundwater replenishment. The program, if completed, could provide an additional reliable water source within Metropolitan's service area in the event of an interruption of imported supplies.

In 2000, Metropolitan completed Diamond Valley Lake, an 810,000-acre-foot capacity reservoir located on the coastal side of the San Andreas Fault. With the completion of Diamond Valley Lake, Metropolitan nearly doubled its available in-region surface storage and improved its ability to capture water from Northern California in wet years. Water from Diamond Valley Lake can supply four of Metropolitan's five water treatment plants. Planned system flexibility improvements currently in design and construction will make it possible to transport water from Diamond Valley Lake throughout Metropolitan's distribution system. Diamond Valley Lake, along with the other in-region reservoirs, are used to maintain a six-month emergency storage reserve outside of the operational storage in case of disruption of the imported water supplies. See "–Primary Facilities and Method of Delivery *–Diamond Valley Lake*."

Metropolitan has developed a Seismic Upgrade Program to systematically evaluate its above-ground facilities for seismic risk and prioritize its upgrade effort. Structures undergo an initial rapid evaluation and, if a potential deficiency is identified, will then undergo a detailed structural evaluation to assess the required upgrades. Deficient facilities are upgraded to meet current seismic standards based on criticality to the water delivery system. Previous projects include seismic upgrades to the pump plant buildings for the CRA and upgrades to various facilities at Metropolitan's treatment plants, such as wash water tanks, filter basins, and administration buildings. For existing pipelines, seismic resilience will be incorporated as a component of pipeline rehabilitation projects. Metropolitan will evaluate each upgrade individually to balance risk, performance, and cost-effectiveness. Metropolitan is currently implementing a long-term program to replace or reline its prestressed concrete cylinder pipe with a welded steel pipe to extend its service life. Providing a steel liner insert will also improve the seismic performance of these pipelines. Another example of Metropolitan's continued effort to enhance the seismic resilience of its

pipelines is the completion in early 2023 of a project to install earthquake-resistant ductile iron pipe at a location where the CRA crosses the Casa Loma Fault.

Metropolitan has an ongoing surveillance program that monitors the safety and structural performance of its dams and reservoirs permitted by DWR's Division of Safety of Dams. Operating personnel perform regular inspections that include monitoring and analyzing seepage flows and pressures. Engineers responsible for dam safety review the inspection data and monitor each dam's horizontal and vertical movements. Major on-site inspections are performed at least twice each year. Instruments that transmit seismic acceleration time histories for analysis are installed at critical sites when a dam is subjected to strong motion during an earthquake.

Metropolitan has developed an emergency plan that calls for specific response levels appropriate to an earthquake's magnitude and location. Included in this plan are various communication tools, as well as a structured plan of management that varies with the severity of the event. Pre-designated personnel follow detailed steps for field facility inspection and distribution system patrol. Approximately 200 employees are designated to respond immediately if seismic events exceed a certain magnitude. An Emergency Operations Center ("EOC") is maintained at the OCC. The OCC/EOC, specifically designed to be earthquake resistant, contains communication equipment, including a radio transmitter, microwave capability, and a response line linking Metropolitan with its member agencies, and DWR. The OCC/EOC also has the capability of communicating with other utilities, County EOCs, and the State's Office of Emergency Services. Metropolitan also maintains in-house capability to address two major pipeline breaks simultaneously as part of its emergency response plan to restore operation shortly after a significant seismic event.

In conjunction with DWR and LADWP, Metropolitan has formed the Seismic Resilience Water Supply Task Force to collaborate on studies and mitigation measures aimed at improving the reliability of imported water supplies to Southern California. Specific task force goals include revisiting historical assumptions regarding potential aqueduct outages after a seismic event; establishing a common understanding about individual agency aqueduct vulnerability assessments, projected damage scenarios, and planning assumptions; and discussing ideas for improving the resiliency of Southern California's imported water supplies through multi-agency cooperation. The task force has established multi-year goals and will continue to meet on these issues and develop firm plans for mitigating seismic vulnerabilities.

Metropolitan's resiliency efforts include manufacturing, pipe fabrication, and coating capabilities in La Verne, California. Investments to upgrade the La Verne shop facilities in order to enhance and expand Metropolitan's capacity to provide fabrication, manufacturing, and coating services for rehabilitation work, maintenance activities, and capital projects are ongoing, with currently approved projects anticipated to be completed in early 2025. Metropolitan can also provide manufacturing, coating, and fabrication services upon request through reimbursable agreements to member agencies and DWR. These agreements have enhanced timely and cost-effective emergency response capabilities. Materials to fabricate pipe and other appurtenant fittings are kept on site. In the event of earthquake damage, Metropolitan has taken measures to provide the capacity to design and fabricate pipe and manufacture fittings. Metropolitan is also staffed to perform emergency repairs.

DWR has in place a seismic assessment program that evaluates the State Water Project's vulnerability to seismic events and makes recommendations for improvements. The assessment is important because the California Aqueduct crosses many major faults. The State Water Project delivers water supplies from Northern California that must traverse the Bay-Delta through hundreds of miles of varying levels of engineered levees that are potentially susceptible to significant damage due to flood and seismic risk. In the event of a failure of the Bay-Delta levees, the quality of the Bay-Delta's water could be severely compromised as saltwater comes in from the San Francisco Bay. Metropolitan's supply of State Water Project water would be adversely impacted if pumps that move Bay-Delta water southward to the Central

Valley and Southern California are shut down to contain the saltwater intrusion. Metropolitan estimates that stored water supplies, CRA supplies and local water resources that would be available in case of a levee breach or other interruption in State Water Project supplies would meet demands in Metropolitan's service area for approximately six months. See "METROPOLITAN'S WATER SUPPLY–Storage Capacity and Water in Storage" in this Appendix A.

Metropolitan, in cooperation with the other State Water Project contractors, developed recommendations to DWR for emergency preparedness measures to maintain continuity in export water supplies and water quality during seismic and other emergency events. These measures include improvements to emergency construction materials stockpiles in the Bay-Delta, improved emergency contracting capabilities, strategic levee improvements and other structural measures of importance to Bay-Delta water export interests, including development of an emergency freshwater pathway to export facilities in a severe earthquake.

Wildfires Risk Management Response

Wildfires are an ever-present reality in Southern California. Metropolitan continues to actively prepare for wildfires by collaborating with partner agencies such as the California Department of Forestry and Fire Protection (Cal Fire), DWR, and counties to implement preparedness measures to protect watersheds. Examples of these efforts include removing brush from fire prone areas, as well as removing by-products of large fires such as ash, fire retardant, and other debris that could negatively affect water quality. Metropolitan also collaborates frequently with its member agencies and first-responders from other public agencies. This collaboration includes coordination with local fire departments during and after nearby wildfire events, as well as participating in joint training and exercises throughout the year. Additionally, Metropolitan has a five-year exercise plan that provides member agencies the opportunity to exercise together before a disaster happens. Metropolitan tests its emergency communications processes through regular tests of emergency radio networks, satellite phones, mass-communication alerting systems, and online information sharing systems.

Metropolitan has also implemented measures to protect employees from the impacts of wildfires such as upgrading HVAC systems in control centers to improve the filtration of smoke and other pollutants; and sending emergency notifications to employees to warn them of unhealthy air quality due to nearby fires.

Security Measures

Metropolitan's water and energy facilities are federally-determined critical infrastructure. Metropolitan deploys multiple layers of physical security and collaborates with federal and state partners to mitigate malevolent threats. It manages a physical security system consisting of electronic access controls, a surveillance and intrusion warning system, and a round-the-clock security watch center. Metropolitan maintains professional, in-house security specialists and retains a 200+ contract security guard force. It directs a capital improvement program to harden physical infrastructure. Metropolitan collaborates with key federal and state security partners, which entails on-site consultations, inter-agency mock exercises, real-time monitoring, and first response coordination. It follows the chain-of-custody protocols of the FERC and the North American Electric Reliability Corporation. Finally, Metropolitan complies with regulations authorized under the Bioterrorism Response Act of 2002, the Aviation and Transportation Security Act of 2001, and the America's Water Infrastructure Act of 2018.

CAPITAL INVESTMENT PLAN

General Description

Metropolitan's current Capital Investment Plan (the "Capital Investment Plan" or "CIP") describes Metropolitan's infrastructure and system reliability projects, either as new assets, upgrades to existing capital assets or refurbishment and replacements of existing facilities. The CIP is Metropolitan's planning document to ensure asset reliability, enhance operational efficiency and flexibility, and ensure compliance with water quality regulations.

Metropolitan's CIP is regularly reviewed and updated. Metropolitan's biennial budget process includes a review of the projected long-term capital needs and the development of a capital expenditure forecast for the next ten years, as well as the identification of the capital priorities of Metropolitan over the biennial budget term. The award of major contracts and professional services agreements are subject to approval by Metropolitan's Board. Pursuant to the Administrative Code, following the adoption of the biennial budget, a Board action is presented to (1) appropriate the total amount of approved biennial CIP expenditures and (2) authorize the General Manager to initiate or proceed with work on capital projects identified in the CIP for such biennial period. The amount and timing of borrowings to fund capital expenditures will depend upon the status of construction activity and water demands within Metropolitan's service area, among other factors. From time to time, projects that have been undertaken are delayed, redesigned, or deferred by Metropolitan for various reasons, and no assurance can be given that a project in the CIP will be completed in accordance with its original schedule or that any project will be completed as currently planned. In addition, from time to time, when circumstances warrant, Metropolitan's Board may approve capital expenditures other than or in addition to those contemplated by the CIP at the time of the then current biennial budget.

Projection of Capital Investment Plan Expenditures

The table below sets forth the projected CIP expenditures by project type for the fiscal years ending June 30, 2024 through 2029, as reflected in the latest CIP quarterly report for the current fiscal year and the proposed biennial budget for fiscal years 2024-25 and 2025-26.

In addition to the projected CIP expenditures, a projection of estimated capital expenditures by Metropolitan for PWSC for the fiscal years ending June 30, 2024 through June 30, 2029 has been provided in the table below in the event PWSC is approved by Metropolitan's Board as a CIP project, as reflected in the ten-year expenditures projection provided in Metropolitan's proposed biennial budget for fiscal years 2024-25 and 2025-26. The PWSC program is not currently included in Metropolitan's CIP as a capital program. It is currently anticipated that Metropolitan's Board will consider whether to include PWSC in the CIP in fall or winter of 2025. For a description of PWSC, see "REGIONAL WATER RESOURCES – Local Water Supplies – Recycled Water-Metropolitan Pure Water Southern California Program" in this Appendix A.

Metropolitan's actual capital expenditures are subject to change as projects progress or are advanced. The biennial budget is updated every two years as a result of the periodic review and adoption of the capital budget by Metropolitan's Board. See "HISTORICAL AND PROJECTED REVENUES AND EXPENSES" in this Appendix A.

CAPITAL INVESTMENT PLAN
PROJECTION OF EXPENDITURES[1]
(Fiscal Years Ending June 30 - Dollars in Thousands)

	2024	2025	2026	2027	2028	2029	Total
Infrastructure R&R	$ 263,987	$ 223,275	$ 254,200	$ 276,461	$ 296,624	$ 297,679	$1,612,226
Infrastructure Upgrade	8,897	6,799	5,076	8,100	1,861	9,163	39,896
Regulatory Compliance	0	1,047	1,141	1,135	1	7,195	10,519
Stewardship	8,012	19,633	13,108	16,299	36,917	16,028	109,997
Supply Reliability	21,354	3,275	11,315	8,118	8	0	44,070
System Flexibility	48,781	55,084	27,007	19,271	15,186	32,871	198,200
Water Quality	908	2,887	12,633	8,075	361	2,060	26,924
CIP Total	$ 351,939	$ 312,000	$ 324,480	$ 337,459	$ 350,958	$ 364,996	$2,041,832
PWSC[2]	0	0	0	1,052,057	1,333,219	1,805,740	4,191,016
Total CIP and PWSC[2]	$ 351,939	$ 312,000	$ 324,480	$1,389,516	$1,684,177	$2,170,736	$6,232,848

Source: Metropolitan.

(1) Fiscal year 2023-24 is based on current projections as of December 2023 and fiscal years 2024-25 through 2028-29 are based on the ten-year financial forecast provided in the proposed biennial budget for fiscal years 2024-25 and 2025-26.

(2) PWSC is not a capital program in Metropolitan's CIP, but the projected capital expenditures based on the most recent cost estimates have been included for planning purposes. Approval by Metropolitan's Board is required to include PWSC in the CIP, which has not occurred. The projected capital expenditures for PWSC, if approved, as set forth in the table above reflect the total estimated capital costs expected to be incurred for the project in the specified years without any offset for potential grant funding sources or contributions from potential partners. Metropolitan's projections of future debt financing in the event PWSC is approved (as described under "–Capital Investment Plan Financing" below) assume that a portion of the projected capital expenditures for PWSC (approximately $325.3 million in fiscal year 2026-27, $482.4 million in fiscal year 2027-28, and $653.4 million in fiscal year 2028-29) will be funded from other sources, including grants and contributions from potential partners.

In developing the CIP, projects are reviewed, scored, and prioritized towards the objectives of ensuring the sustainable delivery of reliable, high-quality water, while meeting all regulatory requirements and maintaining affordability. Additional capital costs may arise in the future as a result of, among other things, federal and state water quality regulations, project changes and mitigation measures necessary to satisfy environmental and regulatory requirements, and additional facilities' needs. See "METROPOLITAN'S WATER DELIVERY SYSTEM–Water Quality and Treatment" in this Appendix A.

Construction projects included in the CIP are subject to ordinary construction risks and delays, including but not limited to: inclement weather or natural hazards affecting work and timeliness of completion; contractor claims or nonperformance; work stoppages or slowdowns; unanticipated project site conditions encountered during construction; errors or omissions in contract documents requiring change orders; and/or higher than anticipated construction bids or costs (including as a result of steeper inflationary increases), any of which could affect the costs and availability of, or delivery schedule for, equipment, components, materials, labor or subcontractors, and result in increased CIP costs. The majority of Metropolitan's construction projects exceeding $5 million over the next five years will be covered by a project labor agreement between labor unions and construction contractors, which will reduce the risk of work stoppages or slowdowns. While the construction schedules for certain Metropolitan projects were initially delayed because of continued impacts due to COVID-19, more recently, normal construction activities and schedules have generally resumed. However, some projects continue to be impacted by supply chain issues, particular electrical components such as transformers, switchgear, and other highly specialized

equipment. Although not currently anticipated, additional delays in the future are possible. See "GOVERNANCE AND MANAGEMENT–COVID-19 Pandemic" in this Appendix A.

Capital Investment Plan Financing

The CIP requires debt financing (see "HISTORICAL AND PROJECTED REVENUES AND EXPENSES" in this Appendix A) as well as pay-as-you-go funding. In connection with the biennial budget process and the development of the ten-year financial forecast provided therein, an internal funding objective is established for the funding of capital program expenditures from current revenues. An internal funding objective to fund 45 percent of capital program expenditures from current revenues was established in connection with the adoption of the biennial budget for fiscal years 2022-23 and 2023-24. This objective is updated every two years as a result of the periodic review and adoption of the capital budget by Metropolitan's Board. The internal funding objective for the proposed biennial budget for fiscal years 2024-25 and 2025-26 is to fund 40 percent and 54 percent, respectively, of capital program expenditures from current revenues. The remainder of capital program expenditures are expected to be funded through the issuance from time to time of water revenue bonds, which are payable from Net Operating Revenues. However, as in prior years, pay-as-you-go funding or debt financing may be reduced or increased by the Board at any time.

For planning purposes, Metropolitan has estimated the potential capital costs of PWSC that may be incurred by Metropolitan over the ten-year financial forecast provided in its proposed biennial budget for fiscal year 2024-25 and 2025-26 as set forth for the fiscal years 2026-27 through 2028-29 in the table above. In addition, Metropolitan's financial forecast includes assumptions with respect to future debt financing for a portion of the costs of PWSC, including assumptions regarding the potential amounts of and sources of funding for the PWSC that may be available from grants and contributions by potential partners.

Projections for fiscal years 2024-25 through 2028-29 assume approximately $690 million of the projected CIP expenditures (excluding any projected capital expenditures associated with PWSC) will be funded by revenue bonds over such period, which may include remaining proceeds from prior bond issuances. Projections for the same period with PWSC assume $3,430 million in additional water revenue bonds over such period to finance a portion of the CIP, and Metropolitan's estimated share of the projected capital costs of PWSC if it is approved as a capital project, taking into account Metropolitan's assumptions with respect to the amount of funding that may be available from grants and contributions from potential partners. These revenue bonds may be issued either as Senior Revenue Bonds under the Senior Debt Resolutions or as Subordinate Revenue Bonds under the Subordinate Debt Resolutions (each as defined under "METROPOLITAN EXPENSES–Limitations on Additional Revenue Bonds" in this Appendix A). The cost of these projected bond issues is reflected in the financial projections under "HISTORICAL AND PROJECTED REVENUES AND EXPENSES" in this Appendix A.

Major Projects of Metropolitan's Capital Investment Plan

Colorado River Aqueduct Facilities. As previously noted, deliveries through the CRA began in 1941. Through annual inspections and maintenance activities, the performance and reliability of the various components of the CRA are regularly evaluated. Projects under the CRA facilities program are designed to replace or refurbish facilities and components on the CRA system in order to reliably convey water from the Colorado River to Southern California. The current projected cost estimate for all prior and planned refurbishment or replacement projects under the CRA facilities program from fiscal year 1998-99 through fiscal year 2033-34 is $1.03 billion. Costs through January 2024 were $483.5 million. Budgeted aggregate capital expenditures for improvements on the CRA for fiscal years 2022-23 and 2023-24 are $76.2 million.

Distribution System – Prestressed Concrete Cylinder Pipe. Metropolitan's distribution system is comprised of approximately 830 miles of pipelines ranging in diameter from 30 inches to over 200 inches.

(See "METROPOLITAN'S WATER DELIVERY SYSTEM" in this Appendix A.) There are 163 miles of the distribution system that is made up of prestressed concrete cylinder pipe ("PCCP"). In response to PCCP failures experienced by several water agencies, Metropolitan initiated the PCCP Assessment Program in December 1996 to evaluate the condition of Metropolitan's PCCP lines and investigate inspection and refurbishment methods. As part of this program, Metropolitan made improvements to several sections of PCCP. Rather than continue to make spot repairs to the pipe segments, Metropolitan initiated a long-term capital program to rehabilitate approximately 100 miles of PCCP in five pipelines by relining with a welded steel liner. Significant projects over the next several years include relining of portions of Second Lower and Sepulveda Feeders. Pipeline rehabilitation is prioritized based on the condition of the pipe segment and the criticality of the pipeline. The estimated cost to reline all 100 miles of PCCP is approximately $5.1 billion. Through January 2024, approximately 12.7 miles have been re-lined and it is expected to take over 30 years to complete the remainder of the pipelines. Costs through January 2024 for all PCCP work (including the prior repairs) were $376.2 million. Budgeted aggregate capital expenditures for PCCP rehabilitation for fiscal years 2022-23 and 2023-24 are $104.4 million.

Distribution System – Refurbishments and Improvements. In addition to the long-term program to rehabilitate Metropolitan's PCCP lines, several other components of the distribution system, including dams and reservoirs, are being refurbished and/or improved. Significant projects over the next several years include retrofitting of the distribution system to improve resiliency against earthquake; rehabilitation of reservoirs, relining of pipelines; and refurbishment of pump stations, pressure control structures, hydroelectric plants, and service connections. The projected cost estimate for refurbishment or replacement projects, other than the PCCP relining, from fiscal year 2004-05 through fiscal year 2033-34 is $1.4 billion. Costs through January 2024 totaled approximately $562.6 million. For fiscal years 2022-23 and 2023-24, budgeted aggregate capital expenditures for refurbishing and improvements on the distribution system, other than PCCP rehabilitation, are $114.0 million.

Drought Response and System Flexibility. In response to the recent historic statewide drought that ended in 2023, several drought response projects that address decreasing water supplies both in specific parts of Metropolitan's service area and across the entire district have been added to the CIP. This is in addition to the ongoing projects to increase the system flexibility of Metropolitan's water supply and delivery infrastructure to meet service demands. Metropolitan continues investigating capital improvements that mitigate drought impacts and more projects are expected to be developed in the coming years. Some of the projects commenced in the last two years. Significant projects in this category include Inland Feeder-Rialto Pipeline Intertie, Inland Feeder-Foothill Pump Station Intertie, Wadsworth Pumping Plant Bypass Pipeline, Badlands Tunnel Surge Protection Facility, Sepulveda Feeder Pump Stations, Sepulveda Feeder West Area Water Supply Reliability Pipeline Improvements, Sepulveda Canyon PCS to Venice PCS Valve Replacements and Perris Valley Pipeline Tunnels. The current projected cost estimate for the prior and planned drought response and system flexibility projects from fiscal year 2004-05 through fiscal year 2033-34 is $536.9 million, with $246.5 million spent through January 2024 for improving system flexibility. Budgeted aggregate capital expenditures for drought response and system flexibility projects for fiscal years 2022-23 and 2023-24 are $75.0 million.

System Reliability. System Reliability projects are implemented at facilities throughout Metropolitan's system to utilize new processes or technologies, to improve safety, or to increase overall reliability. Significant projects in this category include seismic strengthening of Metropolitan's headquarters building, construction or improvement of operations support facilities, security system enhancements, control system upgrades, and information technology infrastructure projects. The total estimated cost for all prior and projected system reliability improvements under this program from fiscal year 2004-05 to fiscal year 2033-34 is approximately $968.8 million, with $375.2 million spent through January 2024. Budgeted aggregate capital expenditures for improvements on system reliability projects for fiscal years 2022-23 and 2023-24 are $86.2 million.

Water Treatment Plant Improvements. The F. E. Weymouth Water Treatment Plant, which was placed into service in 1941, is Metropolitan's oldest water treatment facility. Four more water treatment plants were constructed throughout Metropolitan's service area with the Henry J. Mills Water Treatment Plant being the newest water treatment facility, which was placed into service in 1978. These plants treat water from the CRA and/or the State Water Project. These plants have been subsequently expanded since their original construction. Metropolitan has completed numerous upgrades and refurbishment/replacement projects to maintain the plants' reliability and improve efficiency. Significant projects over the next several years include refurbishment of settling basins and strengthening of inlet channels at the Weymouth plant, rehabilitation of filtration system at the Robert B. Diemer Water Treatment Plant, second stage of electrical upgrades at the Mills plant, ozonation system upgrade at the Joseph Jensen Water Treatment Plant, and chemical system rehabilitation at the Robert A. Skinner Plant. The cost estimate for all prior and projected improvements at all five plants, not including the ozone facilities and water treatment capacity expansions, from fiscal year 2004-05 through fiscal year 2033-34 is approximately $1.7 billion, with $1.2 billion spent through January 2024. Budgeted aggregate capital expenditures for improvements at all five plants for fiscal years 2022-23 and 2023-24 are $42.1 million.

METROPOLITAN REVENUES

General

Until water deliveries began in 1941, Metropolitan's activities were, by necessity, supported entirely through the collection of *ad valorem* property taxes. Since the mid-1980s, water revenues, which includes revenues from water sales, wheeling and exchanges, have provided approximately 80 percent of total revenues annually. Over that period, *ad valorem* property taxes have accounted for about 11 percent of total revenues, and in the fiscal year 2022-23, *ad valorem* property taxes accounted for approximately 10 percent of total revenues. See "–Revenue Allocation Policy and Tax Revenues." The remaining revenues have been derived principally from the sale of hydroelectric power, interest on investments, and additional revenue sources (water standby charges and availability of service charges) beginning in 1992. *Ad valorem* taxes do not constitute a part of Operating Revenues and are not available to make payments with respect to the water revenue bonds issued by Metropolitan.

The basic rate for untreated water service for domestic and municipal uses is $903 per acre-foot at the Tier 1 level, which became effective January 1, 2024. See "–Rate Structure" and "–Water Rates." The *ad valorem* tax rate for Metropolitan purposes has gradually been reduced from a peak equivalent rate of 0.1250 percent of full assessed valuation in fiscal year 1945-46 to 0.0035 percent of full assessed valuation for fiscal year 2023-24. The rates charged by Metropolitan represent the cost of Metropolitan's wholesale water service to its member agencies, and not the cost of water to the ultimate consumer. Metropolitan does not exercise control over the rates charged by its member agencies or their subagencies to their customers.

Summary of Revenues by Source

The following table sets forth Metropolitan's sources of revenues for the five fiscal years ended June 30, 2023. Data for the four fiscal years ended on or prior to June 30, 2022 is presented on a modified accrual basis, consistent with Metropolitan's budgetary reporting for such fiscal years. In fiscal year 2022-23, the basis for budgeting was changed, therefore data for the fiscal year ended June 30, 2023 is presented on a cash basis. For comparative purposes, Metropolitan has provided a summary of its revenues and expenditures for fiscal year 2021-22 on both a modified accrual basis and a cash basis under "HISTORICAL AND PROJECTED REVENUES AND EXPENSES" in this Appendix A. All information is unaudited. Audited financial statements for the fiscal years ended June 30, 2023, and June 30, 2022, are included in APPENDIX B–"THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND JUNE 30, 2022 AND BASIC FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED DECEMBER 31, 2023 AND 2022 (UNAUDITED)."

SUMMARY OF REVENUES BY SOURCE[1]
Fiscal Years Ended June 30
(Dollars in Millions)

	Modified Accrual				Cash
	2019	2020	2021	2022	2023
Water Revenues[2]	$ 1,149	$ 1,188	$ 1,405	$ 1,515	$ 1,323
Taxes, Net[3]	145	147	161	147	136
Additional Revenue Sources[4]	170	165	165	172	184
Interest on Investments	34	20	10	7	21
Hydroelectric Power Sales	18	16	19	8	6
Other Revenues[5]	22	14	14	39	166
Total Revenues	$ 1,538	$ 1,550	$ 1,774	$ 1,888	$ 1,836

_____
Source: Metropolitan.

(1) Does not include any proceeds from the sale of bonded indebtedness.
(2) Water revenues include revenues from water sales, exchanges, and wheeling.
(3) *Ad valorem* taxes levied by Metropolitan are applied solely to the payment of outstanding general obligation bonds of Metropolitan and to State Water Contract obligations; taxes available to pay for SWC O&M costs are reflected as Other Revenue.
(4) Includes revenues derived from water standby charges, readiness-to-serve, and capacity charges.
(5) Includes miscellaneous revenues and Build America Bonds (BABs) subsidy payments of $2.9 million in fiscal years 2018-19 and 2019-20, and $0 in fiscal year 2020-21 and thereafter. All of Metropolitan's then-outstanding BABs were retired as of July 1, 2020. Includes property taxes applied to SWC O&M Costs of $21.0 million in fiscal year 2021-22 and $62.4 million in fiscal year 2022-23. Fiscal year 2022-23 also includes $80 million in grant funding from the State for PWSC.

Revenue Allocation Policy and Tax Revenues

The Board determines the water revenue requirement for each fiscal year after first projecting the *ad valorem* tax levy for that year. The tax levy for any year is subject to limits imposed by the State Constitution, the Act and Board policy and to the requirement under the State Water Contract that in the event that Metropolitan fails or is unable to raise sufficient funds by other means, Metropolitan must levy upon all property within its boundaries not exempt from taxation a tax or assessment sufficient to provide for all payments under the State Water Contract. See "HISTORICAL AND PROJECTED REVENUES AND EXPENSES" in this Appendix A. The Act limits Metropolitan's tax levy to the amount needed to pay debt service on Metropolitan's general obligation bonds and to satisfy a portion of Metropolitan's State Water Contract obligations. However, Metropolitan has the authority to impose a greater tax levy if, following a public hearing, the Board finds that such revenue is essential to Metropolitan's fiscal integrity. For each fiscal year since 2013-14, the Board has exercised that authority and voted to suspend the tax limit clause in the Act, maintaining the fiscal year 2012-13 *ad valorem* tax rate to pay for a greater portion of Metropolitan's State Water Contract obligations. Most recently, in 2022, the Board exercised its authority under the Act to suspend the tax limit clause for each of fiscal years 2022-23 through 2025-26. Any deficiency between tax levy receipts and Metropolitan's State Water Contract obligations is expected to be paid from Operating Revenues, as defined in the Senior Debt Resolutions (defined in this Appendix A under "METROPOLITAN EXPENSES–Limitations on Additional Revenue Bonds").

Water Revenues

General; Authority. Water rates are established by the Board and are not subject to regulation or approval by the California Public Utilities Commission or by any other local, State, or federal agency. In

accordance with the Act, water rates must be uniform for like classes of service. Metropolitan, a wholesaler, provides one type of service: full-service water service (treated or untreated). See "–Classes of Water Service."

No member agency of Metropolitan is obligated to purchase water from Metropolitan. However, 21 of Metropolitan's 26 member agencies have entered into 10-year voluntary water supply purchase orders ("Purchase Orders") effective through December 31, 2024. See "–Member Agency Purchase Orders." Consumer demand and locally supplied water vary from year to year, resulting in variability in water revenues. See "REGIONAL WATER RESOURCES" in this Appendix A. Metropolitan uses its financial reserves and budgetary tools to manage the financial impact of the variability in revenues due to fluctuations in annual water transactions. See "MANAGEMENT'S DISCUSSION OF HISTORICAL AND PROJECTED REVENUES AND EXPENSES" in this Appendix A.

Payment Procedure. Water is delivered to the member agencies on demand and is metered at the point of delivery. Member agencies are billed monthly and a late charge of one percent of the delinquent payment is assessed for a payment that is delinquent for no more than five business days. A late charge of two percent of the amount of the delinquent payment is charged for a payment that is delinquent for more than five business days for each month or portion of a month that the payment remains delinquent. Metropolitan has the authority to suspend service to any member agency delinquent for more than 30 days. Delinquencies have been rare; in such instances late charges have been collected. No service has been suspended because of delinquencies.

Water Revenues. The following table sets forth water transactions (which includes water sales, exchanges, and wheeling) in acre-feet and water revenues (which includes revenues from water sales, exchanges, and wheeling) for the five fiscal years ended June 30, 2023. As reflected in the table below, water revenues for the fiscal year ended June 30, 2023, aggregated $1,322.7 million, of which $1,173.9 million was generated from water sales and $148.8 million was generated from exchanges and wheeling. Water revenues of Metropolitan for the fiscal years ended June 30, 2023, and June 30, 2022, on an accrual basis, are shown in Metropolitan's audited financial statements included in Appendix B.

SUMMARY OF WATER TRANSACTIONS AND REVENUES
Fiscal Years Ended June 30[(1)]

Fiscal Year	Water Transactions in Acre-Fee Member Agencies	Water Transactions in Acre-Feet Other	Water Transactions in Acre-Feet Total[(2)]	Water Revenues[(3)] (in millions)	Dollars Per Acre-Foot	Average Dollars Per 1,000 Gallons
2019	1,374,644	43,680	1,418,324	1,148.7	810	2.49
2020	1,367,819	51,337	1,419,156	1,188.0	837	2.57
2021	1,573,965	75,551	1,649,516	1,404.7	892	2.61
2022	1,645,805	36,027	1,681,833	1,515.1	921	2.76
2023	1,385,776	13,076	1,398,852	1,322.7	954	2.93

Source: Metropolitan.

(1) Information for the fiscal years 2018-19 through 2021-22 is presented on a modified accrual basis; information for fiscal year 2022-23 is presented on a cash basis.

(2) Water transactions include water sales, exchanges and wheeling with member agencies and third parties.

(3) Water Revenues include revenues from water sales, exchanges, and wheeling. Water Revenues from wheeling and exchange transactions were $102.2 million, $140.1 million, $167.0 million, $165.0 million and $148.8 million in the fiscal years ended June 30, 2019 through 2023, respectively.

Principal Customers

Total water transactions accrued for the fiscal year ended June 30, 2023, were 1.29 million acre-feet, generating $1.24 billion in water revenues for such period. Metropolitan's ten largest water customers for the year ended June 30, 2023 are shown in the following table, on an accrual basis. SDCWA has filed litigation challenging Metropolitan's rates. See "–Litigation Challenging Rate Structure."

TEN LARGEST WATER CUSTOMERS
Year Ended June 30, 2023
Accrual Basis

Agency	Water Revenues [1] (in Millions)	Percent of Total	Water Transactions in Acre Feet[2]	Percent of Total
San Diego CWA	$ 223.0	18.1%	335,495	25.9%
City of Los Angeles	207.5	16.8	219,454	17.0
MWD of Orange County	140.1	11.3	135,592	10.5
West Basin MWD	111.3	9.0	94,870	7.3
Eastern MWD	84.4	6.8	86,783	6.7
Calleguas MWD	67.9	5.5	57,825	4.5
Western MWD of Riverside County	60.5	4.9	59,374	4.6
Three Valleys MWD	48.5	3.9	45,665	3.5
Upper San Gabriel Valley MWD	39.3	3.2	47,458	3.7
City of Anaheim	38.6	3.1	36,573	2.8
Total	$ 1,021.1	82.6%	1,119,089	86.5%
Total Water Revenues [1]	$ 1,236.4	**Total Acre-Feet [2]**	1,294,092	

Source: Metropolitan.

(1) Water Revenues include revenues from water sales, exchanges, and wheeling.
(2) Water Transactions include water sales, exchanges, and wheeling with member agencies.
(3) All information in this table is presented on an accrual basis.

Rate Structure

The following rates and charges are elements of Metropolitan's unbundled rate structure. See also "–Water Rates."

Tier 1 and Tier 2 Water Supply Rates. The rate structure effective through calendar year 2024 recovers supply costs through a two-tiered price structure. The Tier 1 Supply Rate supports a regional approach through the uniform, postage stamp rate. The Tier 1 Supply Rate is calculated as the amount of the total supply revenue requirement that is not covered by the Tier 2 Supply Rate divided by the estimated amount of Tier 1 water sales. The Tier 2 Supply Rate is a volumetric rate that reflects Metropolitan's costs of Tier 1 and Metropolitan's cost of purchasing water transfers north of the Delta. The higher costs reflected in the Tier 2 Supply Rate encourages the member agencies and their customers to maintain existing local supplies and develop cost-effective local supply resources and conservation. Pursuant to Board direction in November 2021, all demand management costs comprise a portion of the costs of supply and are collected on the Tier 1 and Tier 2 supply rates. Member agencies are charged the Tier 1 or Tier 2 Water Supply Rate for water purchases, as described under "–Member Agency Purchase Orders" below. The Tier 2 rate is not

included in the proposed biennial budget for fiscal years 2024-25 and 2025-26 and proposed calendar year 2025 and 2026 rates.

System Access Rate. The System Access Rate recovers the cost of the conveyance, distribution, and storage of water on an average annual basis through a uniform, volumetric rate. The System Access Rate is charged for each acre-foot of water transported by Metropolitan, regardless of the ownership of the water being transported. The System Access Rate is charged for each acre-foot of water transported by Metropolitan to its member agencies and delivered as a full-service water transaction.

Water Stewardship Rate. The Water Stewardship Rate was designed to provide a dedicated source of funding for conservation and local resources development through a uniform, volumetric rate. The Water Stewardship Rate was charged on each acre-foot of water delivered by Metropolitan through December 31, 2020, except on SDCWA Exchange Agreement deliveries as explained below, and allocated to Metropolitan's transportation rates. All users (including member agencies and third-party wheelers) benefited from avoided system infrastructure costs through conservation and local resources development, and from the system capacity made available by investments in demand management programs like Metropolitan's Conservation Credits Program and LRP. Therefore, all users paid the Water Stewardship Rate, except on water delivered to SDCWA pursuant to the Exchange Agreement (see "–Water Rates" and "–Litigation Challenging Rate Structure" below) in calendar years 2018, 2019, and 2020. Beginning with calendar year 2021, the Water Stewardship Rate has no longer been incorporated into Metropolitan's rates and charges and therefore has not been collected on any water transactions after December 31, 2020. In November 2021, the Board directed staff to allocate all demand management costs as an element of Metropolitan's supply costs. See also "CONSERVATION AND WATER SHORTAGE MEASURES–General" in this Appendix A.

In 2017, in *San Diego County Water Authority v. Metropolitan Water District of Southern California, et al.* (see "–Litigation Challenging Rate Structure" below), the Court of Appeal held that the administrative record before it for the rates in calendar years 2011 through 2014 did not support Metropolitan's Water Stewardship Rate full allocation to transportation rates, but the court did not address the allocation in subsequent years based on a different record. On April 10, 2018, the Board suspended the billing and collection of the Water Stewardship Rate on Exchange Agreement deliveries to SDCWA in calendar years 2018, 2019, and 2020, pending Metropolitan's completion of a cost allocation study of its demand management costs recovered through the Water Stewardship Rate. For calendar year 2018, the suspension was retroactive to January 1, 2018.

Having completed a demand management cost allocation process, on December 10, 2019, Metropolitan's Board directed staff to incorporate the use of the 2019-20 fiscal year-end balance of the Water Stewardship Fund to fund demand management costs in the proposed biennial budget for fiscal years 2020-21 and 2021-22 and to not incorporate the Water Stewardship Rate (or any other rates or charges to recover demand management costs), with the proposed rates and charges for calendar years 2021 and 2022, to allow the Board to consider demand management funding in relation to the 2020 IRP and to undergo a rate structure refinement process.

In 2021, in *San Diego County Water Authority v. Metropolitan Water District of Southern California*, *et al.*, the Court of Appeal clarified that its Water Stewardship Rate ruling applied to years after 2014 as well. In November 2021, the Board voted to allocate demand management costs to supply rate elements in calendar year 2023 forward. The 2021-22 fiscal year-end balance of the Water Stewardship Fund was applied to partially offset demand management expenditures in the fiscal year 2022-23.

System Power Rate. The System Power Rate recovers the cost of energy required to pump water to Southern California through the State Water Project and CRA. The cost of power is recovered through a

uniform, volumetric rate. The System Power Rate is applied to all deliveries of Metropolitan water to member agencies.

Treatment Surcharge. The Treatment Surcharge recovers all of the costs of providing treatment capacity and operations through a uniform, volumetric rate per acre-foot of treated water transactions. The Treatment Surcharge is charged for all treated water transactions.

The amount of each of these rates since January 1, 2020, is shown in the table entitled "SUMMARY OF WATER RATES" under "–Water Rates" below.

Member Agency Purchase Orders

The rate structure effective through calendar year 2024 allows member agencies to choose to purchase water from Metropolitan by means of a Purchase Order. Purchase Orders are voluntary agreements that determine the amount of water that a member agency can purchase at the Tier 1 Supply Rate. Under the Purchase Orders, member agencies have the option to purchase a greater amount of water (based on past purchase levels) over the term of the Purchase Order. Such agreements allow member agencies to manage costs and provide Metropolitan with a measure of secure revenue.

In November 2014, Metropolitan's Board approved Purchase Orders effective January 1, 2015 through December 31, 2024 (the "Purchase Order Term"). Twenty-one of Metropolitan's 26 member agencies have Purchase Orders, which commit the member agencies to purchase a minimum amount of supply from Metropolitan (the "Purchase Order Commitment").

The key terms of the Purchase Orders include:

- A ten-year term, effective January 1, 2015 through December 31, 2024;
- A higher Tier 1 limit based on the Base Period Demand, determined by the member agency's choice between (1) the Revised Base Firm Demand, which is the highest fiscal year purchases during the 13-year period of fiscal year 1989-90 through fiscal year 2001-02, or (2) the highest year purchases in the most recent 12-year period of fiscal year 2002-03 through 2013-14. The demand base is unique for each member agency, reflecting the use of Metropolitan's system water over time;
- An overall Purchase Order Commitment by the member agency based on the demand base period chosen, times ten to reflect the ten-year Purchase Order Term. Those agencies choosing the more recent 12-year period may have a higher Tier 1 Maximum and commitment. The commitment is also unique for each member agency;
- The opportunity to reset the Base Period Demand using a five-year rolling average;
- Any obligation to pay the Tier 2 Supply Rate will be calculated over the ten-year period, consistent with the calculation of any Purchase Order Commitment obligation; and
- An appeal process for agencies with unmet purchase commitments that will allow each acre-foot of unmet commitment to be reduced by the amount of production from a local resource project that commences operation on or after January 1, 2014.

Member agencies that do not have Purchase Orders in effect are subject to Tier 2 Supply Rates for amounts exceeding 60 percent of their base amount (equal to the member agency's highest fiscal year demand between 1989-90 and 2001-02) annually.

On November 14, 2023, staff presented to the Board the status of the current Purchase Order commitments, which will end on December 31, 2024. Staff proposed to not renew the Purchase Order commitments. As a result, the Tier 2 rate is not included in the proposed biennial budget for fiscal year 2024-25 and fiscal year 2025-26 and proposed calendar years 2025 and 2026 rates. Metropolitan will revisit Purchase Order commitments and structure as needed through the business model review during the CAMP4W planning process. See "METROPOLITAN'S WATER SUPPLY–Integrated Resources Plan and Climate Adaptation Master Plan for Water – *Climate Adaptation Master Plan for Water*."

Other Charges

The following paragraphs summarize the additional charges for the use of Metropolitan's distribution system:

Readiness-to-Serve Charge. The Readiness-to-Serve Charge ("RTS") recovers the cost of the portion of the system that is available to provide emergency service and available capacity during outages and hydrologic variability. The RTS is a fixed charge that is allocated among the member agencies based on a ten-fiscal year rolling average of firm demands. Water transfers and exchanges, except SDCWA Exchange Agreement transactions, are included for purposes of calculating the ten-fiscal year rolling average. The Standby Charge, described below, will continue to be collected at the request of a member agency and applied as a direct offset to the member agency's RTS obligation. The RTS (including RTS charge amounts collected through the Standby Charge described below) generated $133.0 million in fiscal year 2020-21, $135.0 million in fiscal year 2021-22, and $144.4 million in fiscal year 2022-23. Based on the adopted rates and charges, the RTS (including RTS charge amounts expected to be collected through the Standby Charge described below) is projected to generate $161 million in fiscal year 2023-24.

Water Standby Charges. The Standby Charge is authorized by the State Legislature and has been levied by Metropolitan since fiscal year 1992-93. Metropolitan will continue to levy the Standby Charge only within the service areas of the member agencies that request that the Standby Charge be utilized to help fund a member agency's RTS obligation. See "– Readiness-to-Serve Charge" above. The Standby Charge for each acre or parcel of less than an acre will vary from member agency to member agency, reflecting current rates, which have not exceeded the rates set in fiscal year 1993-94, and range from $5 to $15 for each acre or parcel less than an acre within Metropolitan's service area, subject to specified exempt categories. Standby charges are assessments under the terms of Proposition 218, a State constitutional ballot initiative approved by the voters on November 5, 1996, but Metropolitan's current standby charges are exempt from Proposition 218's procedural requirements. See "–California Ballot Initiatives."

Twenty-two of Metropolitan's member agencies collect their RTS charges through Standby Charges. RTS charges, on a cash basis, collected by means of such Standby Charges were $41.9 million in fiscal year 2020-21, $42.0 million in fiscal year 2021-22, and $43.7 million in fiscal year 2022-23.

Capacity Charge. The Capacity Charge recovers costs incurred to provide peak capacity within Metropolitan's distribution system. The Capacity Charge provides a price signal to encourage agencies to reduce peak demands on the distribution system and to shift demands that occur during the May 1 through September 30 period into the October 1 through April 30 period. This results in more efficient utilization of Metropolitan's existing infrastructure and deferring capacity expansion costs. Each member agency will pay the Capacity Charge per cfs based on a three-year trailing peak (maximum) day demand, measured in cfs. Each member agency's peak day is likely to occur on different days; therefore, this measure approximates peak week demands on Metropolitan. The Capacity Charge was $12,200 per cfs effective as of January 1, 2022, $10,600 per cfs effective as of January 1, 2023 and $11,200 per cfs effective as of January 1, 2024. The Capacity Charge will be $10,800 per cfs effective as of January 1, 2025. The Capacity Charge generated $31.7 million in fiscal year 2020-21, $37.0 million in fiscal year 2021-22, and $37.8

million in fiscal year 2022-23. Based on the adopted rates and charges, the Capacity Charge is projected to generate $35 million in fiscal year 2023-24.

Classes of Water Service

Metropolitan, a wholesaler, provides one type of service: full-service water service (treated or untreated). Metropolitan has one class of customers: its member agencies. On August 18, 2020, the Board of Directors repealed the Administrative Code sections that established the wheeling service it previously made available to its member agencies (short-term wheeling service under one year) and the pre-set wheeling rate for that wheeling service. As a result of the Board's action, short-term wheeling to member agencies is now determined on a case-by-case basis by contract, as has been done for wheeling service for member agencies lasting more than one year and wheeling for third parties. The level of rate unbundling in Metropolitan's rate structure provides transparency to show that rates and charges recover only those functions involved in the applicable service, and that no cross-subsidy of costs exists. Metropolitan's cost of service process and resulting unbundled rate structure ensures that its wholesale customers pay for only those services they elect to receive.

The applicable rate components and fixed charges for each class of water service are shown in the chart below.

Current Services and Rate Components

	Rates & Charges That Apply						
Service	**System Access**	**Water Stewardship[(1)]**	**System Power**	**Tier 1/ Tier 2[(2)]**	**Readiness to Serve**	**Capacity Charge**	**Treatment Surcharge**
Full Service Untreated	Yes	No	Yes	Yes	Yes	Yes	No
Full Service Treated	Yes	No	Yes	Yes	Yes	Yes	Yes

(1) As described under "–Rate Structure –Water Stewardship Rate," the Water Stewardship Rate has not been collected on water transactions after December 31, 2020. In November 2021, the Board directed staff to allocate all demand management costs as an element of Metropolitan's supply costs.

(2) As described under "–Member Agency Purchase Orders," the Tier 2 rate is not included in the proposed biennial budget for fiscal years 2024-25 and 2025-26 and proposed calendar years 2025 and 2026 rates. Metropolitan will revisit Purchase Order commitments and structure as needed through the business model review during the CAMP4W planning process.

Metropolitan offers five programs that encourage the member agencies to increase groundwater and emergency storage and for which certain Metropolitan charges are inapplicable.

(1) Conjunctive Use Program. The Conjunctive Use Program is operated through individual agreements with member and retail agencies for groundwater storage within Metropolitan's service area. Wet year imported supplies are stored to enhance reliability during dry, drought, and emergency conditions. Metropolitan has the option to call water stored in the groundwater basins for the participating member agency pursuant to its contractual conjunctive use agreement. At the time of the call, the member agency pays the prevailing rate for that water, but the deliveries are excluded from the calculation of the Capacity Charge because Conjunctive Use Program deliveries are made at Metropolitan's discretion. Conjunctive use programs may also contain cost-sharing terms related to operational costs. See "REGIONAL WATER RESOURCES–Local Water Supplies" in this Appendix A.

(2) Cyclic Program. The Cyclic Program refers collectively to the existing Cyclic Program agreements and the Cyclic Cost-Offset Program approved in 2019. This Program is operated through individual agreements with member agencies for groundwater or surface water storage or pre-deliveries

within Metropolitan's service area. Wet-year imported supplies are stored to enhance reliability during dry, drought, and emergency conditions. Deliveries to the cyclic accounts are at Metropolitan's discretion while member agencies have discretion on whether they want to accept the water. At the time the water is delivered from the cyclic account, the prevailing full service rate applies, but deliveries are excluded from the calculation of the Capacity Charge because Cyclic Program deliveries are made at Metropolitan's discretion. Cyclic agreements may also contain a credit payable to the member agencies under terms approved by the Board in April 2019 and amended by the Board in August 2023 for the Cyclic Cost-Offset Program. See "REGIONAL WATER RESOURCES–Local Water Supplies" in this Appendix A.

(3) Reverse-Cyclic Program. The Reverse-Cyclic Program is operated through individual agreements with member agencies. These agreements allowed member agencies to purchase water in calendar year 2022 for delivery in a future wet year. Metropolitan will deliver the water within five years at its sole discretion. Under the Program, billing occurs before delivery is made at the full-service water rate, plus the treatment surcharge, if applicable, and the purchases are counted towards the member agency's Readiness-to-Serve Charge. However, deliveries are excluded from the calculation of the Capacity Charge because Reverse-Cycle Program deliveries are made at Metropolitan's discretion.

(4) Emergency Storage Program. The Emergency Storage Program is used for delivering water for emergency storage in surface water reservoirs and storage tanks. Emergency Storage Program purposes include initially filling a newly constructed reservoir or storage tank and replacing water used during an emergency. Because Metropolitan could interrupt delivery of this water, Emergency Storage Program Deliveries are excluded from the calculation of the RTS Charge, the Capacity Charge, and the Tier 1 maximum.

(5) Operational Shift Cost Offset Program. The OSCOP is operated through individual agreements with member agencies. Through these agreements, cost-offset credits are offered to member agencies to offset the estimated additional costs and risks incurred by an agency as a result of voluntary operational changes requested by Metropolitan for the purpose of maximizing Metropolitan's water resources. All water delivered under the OSCOP is billed at Metropolitan's applicable full-service rate. Credits are reported as supply program costs.

The applicable rate components and fixed charges applicable for each such program are shown in the following chart.

Current Programs and Rate Components

	Rates & Charges That Apply					
Program	**Supply**	**System Access**	**System Power**	**Readiness to Serve**	**Capacity Charge**	**Tier 1 Maximum**
Full Service	Yes	Yes	Yes	Yes	Yes	Yes
Conjunctive Use	Yes	Yes	Yes	Yes	No	Yes
Cyclic	Yes	Yes	Yes	Yes	No	Yes
Reverse-Cyclic	Yes	Yes	Yes	Yes	No	Yes
Emergency Storage	Yes	Yes	No	Yes	No	No[(1)]
Operational Shift Cost Offset	Yes	Yes	Yes	Yes	Yes	Yes

(1) Emergency Storage Program pays the Tier 1 Supply Rate; purchases under Emergency Storage program do not count towards a member agency's Tier 1 Maximum.

Water Rates

The following table sets forth Metropolitan's water rates by category beginning January 1, 2020. See also "MANAGEMENT'S DISCUSSION OF HISTORICAL AND PROJECTED REVENUES AND EXPENSES–Water Revenues" in this Appendix A. In addition to the base rates for untreated water sold in the different classes of service, the columns labeled "Treated" include the surcharge that Metropolitan charges for water treated at its water treatment plants. See "–Rate Structure" and "–Classes of Water Service" for descriptions of current rates. See also "–Litigation Challenging Rate Structure" for a description of litigation challenging Metropolitan's water rates.

[Remainder of page intentionally left blank.]

SUMMARY OF WATER RATES
(Dollars Per Acre-Foot)

	SUPPLY RATE		SYSTEM ACCESS RATE	WATER STEWARDSHIP RATE[1]	SYSTEM POWER RATE	TREATMENT SURCHARGE
	Tier 1	Tier 2[4]				
January 1, 2020	$ 208	$ 295	$ 346	$ 65	$ 136	$ 323
January 1, 2021	$ 243	$ 285	$ 373	$ —	$ 161	$ 327
January 1, 2022	$ 243	$ 285	$ 389	$ —	$ 167	$ 344
January 1, 2023*	$ 321	$ 530	$ 368	$ —	$ 166	$ 354
January 1, 2024*	$ 332	$ 531	$ 389	$ —	$ 182	$ 353
January 1, 2025**	$ 353	$ —	$ 463	$ —	$ 190	$ 459
January 1, 2026**	$ 375	$ —	$ 491	$ —	$ 203	$ 518

	FULL SERVICE TREATED[2]		FULL SERVICE UNTREATED[3]	
	Tier 1	Tier 2[4]	Tier 1	Tier 2[4]
January 1, 2020	$ 1,078	$ 1,165	$ 755	$ 842
January 1, 2021	$ 1,104	$ 1,146	$ 777	$ 819
January 1, 2022	$ 1,143	$ 1,185	$ 799	$ 841
January 1, 2023*	$ 1,209	$ 1,418	$ 855	$ 1,064
January 1, 2024*	$ 1,256	$ 1,455	$ 903	$ 1,102
January 1, 2025**	$ 1,465	$ —	$ 1,006	$ —
January 1, 2026**	$ 1,587	$ —	$ 1,069	$ —

Source: Metropolitan.

* Rates effective January 1, 2023 and January 1, 2024 were adopted by Metropolitan's Board on April 12, 2022.

** Rates effective January 1, 2025 and January 1, 2026 were proposed to Metropolitan's Board on April 14, 2024.

(1) As described under "–Rate Structure –*Water Stewardship Rate*," the Water Stewardship Rate has not been collected on water transactions after December 31, 2020. In November 2021, the Board directed staff to allocate all demand management costs to Metropolitan's supply elements.

(2) Full service treated water rates are the sum of the applicable Supply Rate, System Access Rate, Water Stewardship Rate, System Power Rate and Treatment Surcharge.

(3) Full service untreated water rates are the sum of the applicable Supply Rate, System Access Rate, Water Stewardship Rate and System Power Rate.

(4) As described under "–Member Agency Purchase Orders," the Tier 2 rate is not included in the proposed biennial budget for fiscal years 2024-25 and 2025-26 and proposed calendar years 2025 and 2026 rates. Metropolitan will revisit Purchase Order commitments and structure as needed through the business model review during the CAMP4W planning process.

Financial Reserve Policy

Metropolitan's reserve policy provides for a minimum reserve requirement and target amount of unrestricted reserves at June 30 of each year. The minimum reserve requirement at June 30 of each year is equal to the portion of fixed costs estimated to be recovered by water revenues for the 18 months beginning with the immediately succeeding July. Funds representing the minimum reserve requirement are held in the Revenue Remainder Fund. Any funds in excess of the minimum reserve requirement are held in the Water Rate Stabilization Fund. The target amount of unrestricted reserves is equal to the portion of the fixed costs estimated to be recovered by water revenues during the two years immediately following the 18-month period used to calculate the minimum reserve requirement. Funds in excess of the target amount are to be utilized for capital expenditures in lieu of the issuance of additional debt, or for the redemption, defeasance or purchase of outstanding bonds or commercial paper as determined by the Board. Provided that the fixed charge coverage ratio is at or above 1.2, amounts in the Water Rate Stabilization Fund may be expended for any lawful purpose of Metropolitan, as determined by the Board. See "CAPITAL INVESTMENT PLAN–Capital Investment Plan Financing" in this Appendix A.

At June 30, 2023, unrestricted reserves, which consist of the Water Rate Stabilization Fund and the Revenue Remainder Fund, totaled $554.2 million on a cash basis. As of June 30, 2023, the minimum reserve requirement was $254.5 million, and the target reserve level was $625.8 million.

Due to SDCWA's litigation challenging Metropolitan's rates and pursuant to the Exchange Agreement between Metropolitan and SDCWA, Metropolitan is required to set aside funds based on the quantities of exchange water that Metropolitan provides to SDCWA and the amount of charges disputed by SDCWA. In April 2016, Metropolitan transferred these funds from unrestricted financial reserves to a new designated fund, the Exchange Agreement Set-Aside Fund. In 2021, Metropolitan paid to SDCWA the final judgment contract damages amount in the 2010 and 2012 SDCWA v. Metropolitan cases for Water Stewardship Rate payments under the Exchange Agreement in 2011 through 2014, plus interest. Following the 2021 Court of Appeal opinion clarifying that its Water Stewardship Rate ruling applies to later years, Metropolitan paid to SDCWA Water Stewardship Rate payments from 2015 to 2017, plus pre-judgment interest. These payments include all amounts sought related to breach of the Exchange Agreement resulting from the inclusion of the Water Stewardship Rate in the contract price for Exchange Agreement transactions occurring from 2010 until the Water Stewardship Rate was no longer charged in the contract price for Exchange Agreement transactions, beginning in 2018. Accordingly, there are no amounts held in the Exchange Agreement Set-Aside Fund. See "–Litigation Challenging Rate Structure."

Metropolitan projects that its unrestricted reserves as of June 30, 2024 will be approximately $327 million on a cash basis. This projection is based on the assumptions set forth in the table entitled "HISTORICAL AND PROJECTED REVENUES AND EXPENSES" under "HISTORICAL AND PROJECTED REVENUES AND EXPENSES" in this Appendix A.

California Ballot Initiatives

Proposition 218, a State ballot initiative known as the "Right to Vote on Taxes Act," was approved by the voters on November 5, 1996 adding Articles XIIIC and XIIID to the California Constitution. Article XIIID provides substantive and procedural requirements on the imposition, extension or increase of any "fee" or "charge" levied by a local government upon a parcel of real property or upon a person as an incident of property ownership. As a wholesaler, Metropolitan serves water to its member agencies, not to persons or properties as an incident of property ownership. Thus, water rates charged by Metropolitan to its member agencies are not property related fees and charges and therefore are exempt from the requirements of Article XIIID. Fees for retail water service by Metropolitan's member agencies or their agencies are subject to the requirements of Article XIIID.

Article XIIID also imposes certain procedures with respect to assessments. Under Article XIIID, "standby charges" are considered "assessments" and must follow the procedures required for "assessments," unless they were in existence on the effective date of Article XIIID. Metropolitan has imposed its water standby charges since 1992 and therefore its current standby charges are exempt from the Article XIIID procedures. Changes to Metropolitan's current standby charges could require notice to property owners and approval by a majority of such owners returning mail-in ballots approving or rejecting any imposition or increase of such standby charge. Twenty-two of Metropolitan's member agencies have elected to collect all or a portion of their readiness-to-serve charges through standby charges. See "–Other Charges – *Readiness-to-Serve Charge*" and "– *Water Standby Charges*" above. Even if Article XIIID is construed to limit the ability of Metropolitan and its member agencies to impose or collect standby charges, the member agencies will continue to be obligated to pay the readiness-to-serve charges.

Article XIIIC makes all taxes either general or special taxes and imposes voting requirements for each kind of tax. It also extends the people's initiative power to reduce or repeal previously authorized local taxes, assessments, fees and charges. This extension of the initiative power is not limited by the terms of Article XIIIC to fees imposed after November 6, 1996 or to property-related fees and charges and absent other authority could result in retroactive reduction in existing taxes, assessments or fees and charges.

Proposition 26, a State ballot initiative aimed at restricting regulatory fees and charges, was approved by a majority of California voters on November 2, 2010. Proposition 26 broadens the definition of "tax" in Article XIIIC of the California Constitution to include: levies, charges and exactions imposed by local governments, except for charges imposed for benefits or privileges or for services or products granted to the payor (and not provided to those not charged) that do not exceed their reasonable cost; regulatory fees that do not exceed the cost of regulation and are allocated in a fair or reasonable manner; fees for the use of local governmental property; fines and penalties imposed for violations of law; real property development fees; and assessments and property-related fees imposed under Article XIIID of the California Constitution. Special taxes imposed by local governments including special districts are subject to approval by two-thirds of the electorate. Proposition 26 applies to charges imposed or increased by local governments after the date of its approval. Metropolitan believes its water rates and charges are not taxes under Proposition 26. SDCWA's lawsuit challenging the rates adopted by Metropolitan in April 2012 (part of which became effective January 1, 2013 and part of which became effective January 1, 2014) alleged that such rates violate Proposition 26. On June 21, 2017, the California Court of Appeal ruled that whether or not Proposition 26 applies to Metropolitan's rates, the System Access Rate and System Power Rate challenged by SDCWA in such lawsuit comply with Proposition 26. SDCWA's lawsuits challenging the rates adopted by Metropolitan in April 2014, April 2016, and April 2018 also alleged that such rates violate Proposition 26. On May 11, 2022, the San Francisco Superior Court ruled that Proposition 26 applies to Metropolitan's rates and charges. See "–Litigation Challenging Rate Structure." The trial court decision is subject to appeal. Under Proposition 26, the agency holds the burden of proof in a rate or charge challenge. Otherwise, due to the uncertainties of evolving case law and potential future judicial interpretations of Proposition 26, Metropolitan is unable to predict at this time the extent to which Proposition 26, if ultimately determined to apply to Metropolitan's rates and charges, would impose stricter standards on Metropolitan's setting of rates and charges.

Propositions 218 and 26 were adopted as measures that qualified for the ballot pursuant to the State's initiative process. Other initiative measures have been proposed from time to time, or could be proposed in the future, which if qualified for the ballot, could be adopted, or legislative measures could be approved by the Legislature, which may place limitations on the ability of Metropolitan or its member agencies to increase revenues or to increase appropriations. Such measures may further affect Metropolitan's ability to collect taxes, assessments or fees and charges, which could have an adverse effect on Metropolitan's revenues.

A voter initiative, designated as Initiative 1935 and otherwise known as "The Taxpayer Protection and Government Accountability Act" ("Initiative 1935"), has been determined to be eligible for the State's November 5, 2024 statewide general election, and, unless withdrawn by its proponent prior to June 27, 2024, or removed pursuant to the emergency petition for writ of mandate filed by the Governor of California seeking such removal, will be certified as qualified for the ballot in such election. If it were to be approved by the voters in the election, Initiative 1935 would amend Article XIIIC of the State Constitution to, among other things, provide that every levy, charge or exaction of any kind imposed by a local government after January 1, 2022 is either a tax or an exempt charge. Charges for government services provided directly to the payor would be "taxes" subject to voter approval unless the local government can prove by clear and convincing evidence that the charge is reasonable and does not exceed the "actual cost" of providing the service or product to the payor. "Actual cost" is defined in Initiative 1935 to mean "(i) the minimum amount necessary to reimburse the government for the cost of providing the service or product to the payor and (ii) where the amount charged is not used by the government for any purpose other than reimbursing that cost." Initiative 1935 further states that "[i]n computing "actual cost" the maximum amount that may be imposed is the actual cost less all other sources of revenue including, but not limited to taxes, other exempt charges, grants, and state or federal funds received to provide such service or product." Initiative 1935 would also amend Article XIIIC to state that any tax or exempt charge adopted after January 1, 2022, but prior to the effective date of Initiative 1935, which was not adopted in compliance with the requirements of Initiative 1935 is void 12 months after the effective date of Initiative 1935, if adopted, unless the tax or exempt charge is reenacted in compliance with the provisions of Initiative 1935. Initiative 1935 would require an exempt charge to be imposed by ordinance of the local government's governing body.

Metropolitan's rates are currently adopted by the Board to be reasonable and follow cost of service. Accordingly, Metropolitan's rate structure would still be subject to the exemptions provided for charges that are not subject to voter approval. However, the Board would now be required to adopt the rates for service by a 2/3 majority. Additionally, the new scope of exempt charges as limited to recover "actual" costs and the heightened burden of proof to demonstrate the applicability of an exemption, would place greater burden on Metropolitan in defending litigation challenging the validity of its rates and charges. If submitted to, and approved by the voters, Initiative 1935 would be subject to judicial interpretation.

Preferential Rights

Section 135 of the Act gives each of Metropolitan's member agencies a preferential right to purchase for domestic and municipal uses within the agency a portion of the water served by Metropolitan, based upon a ratio of all payments on tax assessments and otherwise, except purchases of water, made to Metropolitan by the member agency compared to total payments made by all member agencies on tax assessments and otherwise since Metropolitan was formed, except purchases of water. Historically, these rights have not been used in allocating Metropolitan's water. In 2004, the California Court of Appeal upheld Metropolitan's methodology for calculation of the respective member agencies' preferential rights under Section 135 of the Act. SDCWA's litigation challenging Metropolitan's rate structure also challenged Metropolitan's exclusion of payments for Exchange Agreement deliveries from the calculation of SDCWA's preferential right. On June 21, 2017, the California Court of Appeal held that SDCWA's payments under the Exchange Agreement must be included in the preferential rights calculation. See "–Litigation Challenging Rate Structure."

Litigation Challenging Rate Structure

Through several lawsuits filed by SDCWA since 2010, SDCWA has challenged the rates adopted by Metropolitan's Board in 2010, 2012, 2014, 2016 and 2018. Each of these lawsuits and the status thereof are briefly described below.

The 2010 and 2012 Cases. SDCWA filed *San Diego County Water Authority v. Metropolitan Water District of Southern California, et al.* on June 11, 2010 challenging the rates adopted by the Board on April 13, 2010, which became effective January 1, 2011 and January 1, 2012 (the "2010 Case"). The complaint requested a court order invalidating the rates adopted April 13, 2010, and that Metropolitan be mandated to allocate certain costs associated with the State Water Contract and the Water Stewardship Rate to water supply rates and not to transportation rates.

As described under "METROPOLITAN'S WATER SUPPLY–Colorado River Aqueduct – Metropolitan and San Diego County Water Authority Exchange Agreement" in this Appendix A, the contract price payable by SDCWA under the Exchange Agreement between Metropolitan and SDCWA is Metropolitan's transportation rates. Therefore, SDCWA also alleged that Metropolitan breached the Exchange Agreement by allocating certain costs related to the State Water Contract and the Water Stewardship Rate to its transportation rates because it resulted in an overcharge to SDCWA for water delivered pursuant to the Exchange Agreement.

On June 8, 2012, SDCWA filed a new lawsuit challenging the rates adopted by Metropolitan on April 10, 2012 and effective on January 1, 2013 and January 1, 2014 (the "2012 Case") based on similar claims, and further alleging that Metropolitan's rates adopted in 2012 violated Proposition 26.

Following a trial of both lawsuits in two phases and subsequent trial court ruling, the parties appealed. On June 21, 2017, the California Court of Appeal ruled that Metropolitan may lawfully include its State Water Project transportation costs in the System Access Rate and System Power Rate that are part of the Exchange Agreement's price term, and that Metropolitan may also lawfully include the System Access Rate in its wheeling rate, reversing the trial court decision on this issue. The court held Metropolitan's allocation of the State Water Project transportation costs as its own transportation costs is proper and does not violate the Wheeling Statutes (Water Code, §1810, *et seq.*), Proposition 26 (Cal. Const., Article XIIIC, §1, subd. (e)), whether or not that Proposition applies to Metropolitan's rates, California Government Code section 54999.7, the common law, or the terms of the parties' Exchange Agreement.

The Court of Appeal also ruled that the record did not support Metropolitan's inclusion of its Water Stewardship Rate as a transportation cost in the Exchange Agreement price or the wheeling rate, under the common law and the Wheeling Statutes. The court noted that its holding does not preclude Metropolitan from including the Water Stewardship Rate in Metropolitan's full-service rate. See also "–Rate Structure – *Water Stewardship Rate*" above.

The Court of Appeal held that because the Water Stewardship Rate was included in the Exchange Agreement price, there was a breach by Metropolitan of the Exchange Agreement in 2011 through 2014 and remanded the case to the trial court for a redetermination of damages in light of its ruling concerning the Water Stewardship Rate. The Court of Appeal also found that the Exchange Agreement may entitle the prevailing party to attorneys' fees for both phases of the case, and directed the trial court on remand to make a new determination of the prevailing party, if any.

On September 27, 2017, the California Supreme Court denied SDCWA's petition for review, declining to consider the Court of Appeal's decision. The Court of Appeal's decision is therefore final.

After tendering payment in 2019 which SDCWA rejected, in February 2021, Metropolitan paid to SDCWA the same amount previously tendered of $44.4 million for contract damages for SDCWA's Water Stewardship Rate payments from 2011 to 2014 and pre-judgment and post-judgment interest. In September 2021, following a 2021 Court of Appeal opinion clarifying that its Water Stewardship Rate ruling applies to later years, Metropolitan paid to SDCWA the amount of $35.9 million for SDCWA's Water Stewardship Rate payments from 2015 to 2017 and pre-judgment interest. These payments include all amounts sought related to breach of the Exchange Agreement resulting from the inclusion of the Water Stewardship Rate in

the contract price for Exchange Agreement transactions occurring from 2010 until the Water Stewardship Rate was no longer charged in the contract price for Exchange Agreement transactions, beginning in 2018 (See "–Rate Structure" above). The payments included $58.1 million withdrawn from the Exchange Agreement Set-Aside Fund (See "–Financial Reserve Policy" above) and $22.1 million withdrawn from reserves (the remainder of the statutory interest).

Following the issuance of an order of the Superior Court and Metropolitan's appeal, on March 17, 2022, the Court of Appeal held that SDCWA was the prevailing party in the 2010 and 2012 cases and was therefore entitled to attorney's fees under the parties' Exchange Agreement and litigation costs. On March 21, 2022, Metropolitan paid to SDCWA $14,296,864.99 ($13,397,575.66 fees award, plus statutory interest) and $352,247.79 for costs ($326,918.34 costs award, plus statutory interest).

On July 27, 2022, Metropolitan paid SDCWA $411,888.36 for attorneys' fees on appeals of post-remand orders.

The 2014, 2016 and 2018 Cases. SDCWA has also filed lawsuits challenging the rates adopted in 2014, 2016 and 2018 and asserting breach of the Exchange Agreement. Metropolitan filed cross-complaints in the three cases, asserting claims relating to rates and the Exchange Agreement, including reformation.

The operative Petitions for Writ of Mandate and Complaints allege the same Water Stewardship Rate claim and breach of the Exchange Agreement as in the 2010 and 2012 cases, but because Metropolitan paid the amounts sought to SDCWA, and the writ in the 2010 and 2012 cases encompasses these claims, these claims and cross-claims are moot. They also claim Metropolitan's wheeling rate fails to provide wheelers a reasonable credit for "offsetting benefits" pursuant to Water Code Section 1810, *et seq.*, and that Metropolitan has breached the Exchange Agreement by failing to reduce the price for an "offsetting benefits" credit. The cases also alleged that in 2020 and 2021, Metropolitan misallocated its California WaterFix costs as transportation costs and breached the Exchange Agreement by including those costs in the transportation rates charged. In April 2022, the parties requested the court's dismissal with prejudice of the claims and cross-claims relating to California WaterFix. The cases also request a judicial declaration that Proposition 26 applies to Metropolitan's rates and charges, and a judicial declaration that SDCWA is not required to pay any portion of a judgment in the litigation. Metropolitan filed cross-complaints in each of these cases, asserting claims relating to rates and the Exchange Agreement.

The cases were stayed pending resolution of the 2010 and 2012 cases, but the stays have been lifted and the cases have been consolidated in the San Francisco Superior Court.

Metropolitan and SDCWA each filed motions for summary adjudication of certain issues in the 2014, 2016 and 2018 cases with the court. Summary adjudication is a procedure by which a court may determine the merits of a particular claim or affirmative defense, a claim for damages, and/or an issue of duty before trial.

On May 4, 2022, the San Francisco Superior Court issued an order granting Metropolitan's motion for summary adjudication on its cross-claim for declaratory relief that the conveyance facility owner, Metropolitan, determines fair compensation, including any offsetting benefits; and denying its motion on certain other cross-claims and an affirmative defense.

On May 11, 2022, the San Francisco Superior Court issued an order granting SDCWA's motion for summary adjudication on: Metropolitan's cross-claim in the 2018 case for a declaration with respect to the lawfulness of the Water Stewardship Rate's inclusion in the wheeling rate and transportation rates in 2019 and 2020; certain Metropolitan cross-claims and affirmative defenses on the ground that Metropolitan has a duty to charge no more than fair compensation, which includes reasonable credit for any offsetting benefits pursuant to Water Code section 1811(c), with the court also stating that whether that duty arose and whether

Metropolitan breached that duty are issues to be resolved at trial; Metropolitan's affirmative defenses that SDCWA's claims are untimely and SDCWA has not satisfied claims presentation requirements; Metropolitan's affirmative defense in the 2018 case that SDCWA has not satisfied dispute resolution requirements under the Exchange Agreement; SDCWA's claim, Metropolitan's cross-claims, and Metropolitan's affirmative defenses regarding the applicability of Proposition 26, finding that Proposition 26 applies to Metropolitan's rates and charges, with the court also stating that whether Metropolitan violated Proposition 26 is a separate issue; and Metropolitan's cross-claims and affirmative defenses regarding the applicability of Government Code section 54999.7, finding that section 54999.7 applies to Metropolitan's rates. The court denied SDCWA's motion on certain other Metropolitan cross-claims and affirmative defenses.

Damages sought by SDCWA in connection with its claims for offsetting benefits credit under the Exchange Agreement exceed $334 million for the six years (2015 through 2020) at issue in these cases. In the event that SDCWA were to prevail in a final adjudication of this issue, a determination of offsetting benefits credit due to SDCWA, if any, could impact the Exchange Agreement price in future years.

Trial of the 2014, 2016 and 2018 cases occurred May 16 to July 1, 2022. Subsequent to the July 1, 2022 trial closing date of the 2014, 2016 and 2018 cases, the parties filed post-trial briefs on August 19, 2022. On September 14, 2022, the court granted in part and denied in part SDCWA's motion for partial judgment; the rulings did not resolve any claims or cross-claims. Trial closing arguments were held on September 27, 2022. As directed by the court, the parties filed proposed statements of decision on December 16, 2022.

On December 27, 2022, the court entered the parties' stipulation memorializing the earlier resolution of the Water Stewardship Rate claims in SDCWA's favor, except a cross-claim that Metropolitan withdrew via the stipulation.

On March 14, 2023, the court issued an amended order on SDCWA's motion for partial judgment to address Metropolitan's request for a declaration on Metropolitan's cost causation obligations when setting rates. The court ruled that Metropolitan cannot demonstrate that a declaration regarding cost causation is the proper subject for declaratory relief.

After issuing a tentative statement of decision on March 14, 2023, and receiving SDCWA's objections on March 29, 2023, on April 25, 2023, the court issued its final statement of decision concerning the trial in the 2014, 2016, and 2018 cases. For each claim litigated at trial, the court ruled in favor of Metropolitan or found the claim to be moot based on the rulings in Metropolitan's favor. The court concluded: (1) the duty to include a reasonable credit for any offsetting benefits pursuant to the Wheeling Statutes did not arise and Metropolitan did not breach the Exchange Agreement by failing to calculate a reasonable credit for any offsetting benefits; (2) because Metropolitan did not breach the Exchange Agreement, the court need not address damages; (3) Metropolitan's conditional claims to reform the Exchange Agreement, if SDCWA prevailed, are moot; (4) Metropolitan's conditional claim for a declaration of its rights and duties under the Wheeling Statutes, if SDCWA prevailed on its claim that the Wheeling Statutes apply to the Exchange Agreement is moot (the court stated that while it finds offsetting benefits under the Wheeling Statutes do not apply to the Exchange Agreement's price term, the court "has made no express finding whether the Wheeling Statutes apply"); (5) SDCWA's rate challenges are rejected; and (6) SDCWA's request for a declaration that it could not be required to contribute to a damages, fees, or costs award in the cases is moot.

The court will issue a final judgment in the 2014, 2016, and 2018 cases, which will be subject to appeal. The parties dispute the appropriate form of final judgment and whether a writ should issue. Following briefing, a hearing on the matter occurred on March 13, 2024. Thereafter, the court will determine the prevailing party, if any, for purposes of fees and costs. Either party may appeal from the final judgment.

Metropolitan is unable to assess at this time the likelihood of success of the pending cases, any possible appeals, settlements or any future claims.

Other Revenue Sources

Hydroelectric Power Revenues. Metropolitan has constructed 15 small hydroelectric plants on its distribution system. The combined generating capacity of these plants is approximately 130 megawatts, and is dependent on available water sources. The plants are located in Los Angeles, Orange, Riverside, and San Diego Counties at existing pressure control structures and other locations. In addition, the power requirements for the CRA are offset, in part, by Metropolitan's hydroelectric power generation entitlements from Hoover and Parker dams. A net revenue stream results when the CRA power needs are less than Metropolitan's Hoover and Parker power entitlements, and in which the excess energy is imported and sold into the California Independent System Operator ("CAISO") market.

Since 2000, annual energy generation sales revenues have ranged between $6.0 million and nearly $29.6 million, fluctuating with available water supplies. Hydroelectric power revenues were $6.0 million in fiscal year 2022-23.

Investment Income. In fiscal years 2020-21, 2021-2022, and 2022-23, Metropolitan's earnings on investments, including adjustments for gains and losses and premiums and discounts, including construction account and trust fund earnings, excluding gains and losses on swap terminations, on a cash basis (unaudited) were $12.7 million, $11.3 million, and $27.3 million, respectively.

Investment of Moneys in Funds and Accounts

The Board has delegated to the Treasurer the authority to invest funds. All moneys in any of the funds and accounts established pursuant to Metropolitan's water revenue or general obligation bond resolutions are managed by the Treasurer in accordance with Metropolitan's Statement of Investment Policy. All Metropolitan funds available for investment are currently invested in United States Treasury and agency securities, supranationals, commercial paper, negotiable certificates of deposit, banker's acceptances, corporate notes, municipal bonds, government-sponsored enterprise, money market funds, California Asset Management Program ("CAMP") and the California Local Agency Investment Fund ("LAIF"). CAMP is a program created through a joint powers agency as a pooled short-term portfolio and cash management vehicle for California public agencies. CAMP is a permitted investment for all local agencies under California Government Code Section 53601(p). LAIF is a voluntary program created by statute as an investment alternative for California's local governments and special districts. LAIF permits such local agencies to participate in an investment portfolio, which invests billions of dollars, managed by the State Treasurer's Office.

The Statement of Investment Policy provides that in managing Metropolitan's investments, the primary objective shall be to safeguard the principal of the invested funds. The secondary objective shall be to meet all liquidity requirements and the third objective shall be to achieve a return on the invested funds. Although the Statement of Investment Policy permits investments in some government-sponsored enterprise, the portfolio does not include any of the special investment vehicles related to sub-prime mortgages. Metropolitan's current investments comply with the Statement of Investment Policy.

As of February 29, 2024, the total market value (cash-basis) of all Metropolitan invested funds was $1.1 billion. The market value of Metropolitan's investment portfolio is subject to market fluctuation and volatility and general economic conditions. Over the three years ended February 29, 2024, the market value of the month-end balance of Metropolitan's investment portfolio (excluding bond reserve funds) averaged approximately $1.3 billion. The minimum month-end balance of Metropolitan's investment portfolio (excluding bond reserve funds) during such period was approximately $969.0 million on October 31, 2023.

See Note 3 to Metropolitan's audited financial statements in Appendix B for additional information on the investment portfolio.

Metropolitan's Administrative Code requires that (1) the Treasurer provide an annual Statement of Investment Policy for approval by Metropolitan's Board, (2) the Treasurer provide a monthly investment report to the Board and the General Manager showing by fund the description, maturity date, yield, par, cost and current market value of each security, and (3) the General Counsel review as to eligibility the securities invested in by the Treasurer for that month and report his or her determinations to the Board. The Board approved the Statement of Investment Policy for fiscal year 2023-24 on June 13, 2023.

Subject to the provisions of Metropolitan's water revenue or general obligation bond resolutions, obligations purchased by the investment of bond proceeds in the various funds and accounts established pursuant to a bond resolution are deemed at all times to be a part of such funds and accounts and any income realized from investment of amounts on deposit in any fund or account therein will be credited to such fund or account. The Treasurer is required to sell or present for redemption any investments whenever it may be necessary to do so in order to provide moneys to meet required payments or transfers from such funds and accounts. For the purpose of determining at any given time the balance in any such funds, any such investments constituting a part of such funds and accounts will be valued at the then estimated or appraised market value of such investments.

All investments, including those authorized by law from time to time for investments by public agencies, contain certain risks. Such risks include, but are not limited to, a lower rate of return than expected and loss or delayed receipt of principal. The occurrence of these events with respect to amounts held under Metropolitan's water revenue or general obligation revenue bond resolutions, or other amounts held by Metropolitan, could have a material adverse effect on Metropolitan's finances. These risks may be mitigated, but are not eliminated, by limitations imposed on the portfolio management process by Metropolitan's Statement of Investment Policy.

The Statement of Investment Policy requires that investments have a minimum credit rating of "A-1/P-1/F1" for short-term securities and "A" for longer-term securities, without regard to modifiers, at the time of purchase. If a security is downgraded below the minimum rating criteria specified in the Statement of Investment Policy, the Treasurer shall determine a course of action to be taken on a case-by-case basis considering such factors as the reason for the downgrade, prognosis for recovery, or further rating downgrades, and the market price of the security. The Treasurer is required to note in the Treasurer's monthly report any securities which have been downgraded below Policy requirements and the recommended course of action.

The Statement of Investment Policy also limits the amount of securities that can be purchased by category, as well as by issuer, and prohibits investments that can result in zero interest income. Metropolitan's securities are settled on a delivery versus payment basis and are held by an independent third-party custodian. See Metropolitan's financial statements included in APPENDIX B– "THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND JUNE 30, 2022 AND BASIC FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED DECEMBER 31, 2023 AND 2022 (UNAUDITED)" for a description of Metropolitan's investments at June 30, 2023, and December 31, 2023.

Metropolitan retains an outside investment firm to manage its core portfolio, a portion of the liquidity portfolio, and the Endowment Portfolio. The Endowment Portfolio includes the Lake Matthews Trust, DVR Multi-Species Reserve Fund, Habitat Maintenance Fund-Lower Colorado, Water Utility Climate Alliance Membership, and the HCP Remedial Measures Fund. This firm managed approximately

$778.3 million in total investments on behalf of Metropolitan as of February 29, 2024. All outside managers are required to adhere to Metropolitan's Statement of Investment Policy.

Metropolitan's Statement of Investment Policy may be changed at any time by the Board (subject to State law provisions relating to authorized investments). There can be no assurance that State law and/or the Statement of Investment Policy will not be amended in the future to allow for investments that are currently not permitted under State law or the Statement of Investment Policy, or that the objectives of Metropolitan with respect to investments or its investment holdings at any point in time will not change.

METROPOLITAN EXPENSES

General

The following table sets forth a summary of Metropolitan's expenses, by major function, for the five years ended June 30, 2023. Data for the four fiscal years ended on or prior to June 30, 2022 is presented on a modified accrual basis, consistent with Metropolitan's budgetary reporting for such fiscal years. In fiscal year 2022-23, the basis for budgeting was changed, therefore data for the fiscal year ended June 30, 2023 is presented on a cash basis. For comparative purposes, Metropolitan has provided a summary of its revenues and expenditures for fiscal year 2021-22 on both a modified accrual basis and a cash basis under "HISTORICAL AND PROJECTED REVENUES AND EXPENSES" in this Appendix A. All information is unaudited. Expenses of Metropolitan for the fiscal years ended June 30, 2023 and June 30, 2022, on an accrual basis, are shown in Metropolitan's audited financial statements included in Appendix B.

SUMMARY OF EXPENSES
Fiscal Years Ended June 30
(Dollars in Millions)

	Modified Accrual				Cash
	2019	**2020**	**2021**	**2022**	**2023**
Operation and Maintenance Costs[1][2]	$ 569	$ 641	$ 636	$ 797	$ 940
Total State Water Project[3]	482	519	547	547	578
Total Debt Service	347	285	286	283	301
Construction Expenses from Revenues[4]	128	39	110	135	135
Other[5]	6	6	6	55	7
Total Expenses (net of reimbursements)	$ 1,532	$ 1,490	$ 1,585	$ 1,817	$ 1,961

Source: Metropolitan.

(1) Includes operation and maintenance, debt administration, conservation and local resource programs, CRA power, and water supply expenses. Fiscal year 2020-21, fiscal year 2021-22, and fiscal year 2022-23 include $25 million, $25 million, and $34.5 million for Delta Conveyance expenses, respectively. See "METROPOLITAN'S WATER SUPPLY–State Water Project – Bay-Delta Proceedings Affecting State Water Project – *Delta Conveyance*."

(2) The higher level of increases in Operation and Maintenance costs in fiscal years 2021-22 and 2022-23 over prior years primarily reflects significant increases in the costs of chemicals and other materials resulting from shortages or supply chain issues and higher than average CRA power and supply program costs.

(3) Includes operating and capital expense portions and Delta Conveyance.

(4) At the discretion of the Board, in any given year, Metropolitan may increase or decrease funding available for construction disbursements to be paid from revenues. Does not include expenditures of bond proceeds.

(5) Includes operating equipment. Fiscal year 2021-22 includes $51 million for SDCWA litigation payments.

Revenue Bond Indebtedness and Other Obligations

As of April 1, 2024, Metropolitan had total outstanding indebtedness secured by a lien on Net Operating Revenues of $3.90 billion. This indebtedness was comprised of (a)(i) $2.63 billion of Senior Revenue Bonds issued under the Senior Debt Resolutions (each as defined below), which includes $2.30 billion of fixed rate Senior Revenue Bonds, and $331.9 million of variable rate Senior Revenue Bonds; and (ii) $176.4 million of senior lien short-term notes issued pursuant to Metropolitan's Short-Term Revolving Credit Facility (described below), which bear interest at a variable rate, and which are Senior Parity Obligations (which includes all obligations payable from Net Operating Revenues on parity with the Senior Revenue Bonds) (see "–Outstanding Senior Revenue Bonds and Senior Parity Obligations –Senior Parity Obligations"); and (b) $1.09 billion of Subordinate Revenue Bonds issued under the Subordinate Debt Resolutions (each as defined below), which includes $599.6 million of fixed rate Subordinate Revenue Bonds, and $493.4 million of variable rate Subordinate Revenue Bonds. In addition, Metropolitan has $338.1 million of fixed-payor interest rate swaps which provides a fixed interest rate hedge to an equivalent amount of variable rate debt. Metropolitan's revenue bonds and other revenue obligations are more fully described below.

REVENUE BOND INDEBTEDNESS AND OTHER OBLIGATIONS
(as of April 1, 2024)

	Variable Rate	Fixed Rate	Total
Senior Lien Revenue Bonds	$ 331,875,000	$ 2,301,600,000	$ 2,633,475,000
Senior Lien Short-Term Notes	176,400,000	—	176,400,000
Subordinate Lien Revenue Bonds	493,415,000	599,595,000	1,093,010,000
Total	**$ 1,001,690,000**	**$ 2,901,195,000**	**$ 3,902,885,000**
Fixed-Payor Interest Rate Swaps	(338,060,000)	338,060,000	—
Net Amount (after giving effect to Swaps)	**$ 663,630,000**	**$ 3,239,255,000**	**$ 3,902,885,000**

_____
Source: Metropolitan.

As described under "–Outstanding Senior Revenue Bonds and Senior Parity Obligations–Senior Parity Obligations," in March 2024, Metropolitan entered into a Short-Term Revolving Credit Facility pursuant to which Metropolitan may issue senior lien short-term notes from time-to-time, bearing interest at a variable rate, and payable on parity with Metropolitan's Senior Revenue Bonds. As of April 1, 2024, $176,400,000 of senior lien short-term notes were outstanding under such Short-Term Revolving Credit Facility. A portion of the outstanding senior lien short-term notes are being refunded with proceeds of Metropolitan's Water Revenue Refunding Bonds, 2024 Series A (the "2024A Bonds").

Limitations on Additional Revenue Bonds

Resolution 8329, adopted by Metropolitan's Board on July 9, 1991, as amended and supplemented (the "Master Senior Resolution," and collectively with all such supplemental resolutions, the "Senior Debt Resolutions"), provides for the issuance of Metropolitan's senior lien water revenue bonds. The Senior Debt Resolutions establish limitations on the issuance of additional obligations payable from Net Operating Revenues. Under the Senior Debt Resolutions, no additional bonds, notes or other evidences of indebtedness payable out of Operating Revenues may be issued having any priority in payment of principal, redemption premium, if any, or interest over any water revenue bonds authorized by the Senior Debt Resolutions ("Senior Revenue Bonds") or other obligations of Metropolitan having a lien and charge upon, or being payable from, the Net Operating Revenues on parity with such Senior Revenue Bonds ("Senior Parity Obligations"). No additional Senior Revenue Bonds or Senior Parity Obligations may be issued or incurred unless the conditions of the Senior Debt Resolutions have been satisfied.

Resolution 9199, adopted by Metropolitan's Board on March 8, 2016, as amended and supplemented (the "Master Subordinate Resolution," and collectively with all such supplemental resolutions, the "Subordinate Debt Resolutions," and together with the Senior Debt Resolutions, the "Revenue Bond Resolutions"), provides for the issuance of Metropolitan's subordinate lien water revenue bonds and other obligations secured by a pledge of Net Operating Revenues that is subordinate to the pledge securing Senior Revenue Bonds and Senior Parity Obligations. The Subordinate Debt Resolutions establish limitations on the issuance of additional obligations payable from Net Operating Revenues. Under the Subordinate Debt Resolutions, with the exception of Senior Revenue Bonds and Senior Parity Obligations, no additional bonds, notes or other evidences of indebtedness payable out of Operating Revenues may be issued having any priority in payment of principal, redemption premium, if any, or interest over any subordinate water revenue bonds authorized by the Subordinate Debt Resolutions ("Subordinate Revenue Bonds" and, together with Senior Revenue Bonds, "Revenue Bonds") or other obligations of Metropolitan having a lien and charge upon, or being payable from, the Net Operating Revenues on parity with the Subordinate Revenue Bonds ("Subordinate Parity Obligations"). No additional Subordinate Revenue Bonds or Subordinate Parity Obligations may be issued or incurred unless the conditions of the Subordinate Debt Resolutions have been satisfied.

The laws governing Metropolitan's ability to issue water revenue bonds currently provide two additional limitations on indebtedness that may be incurred by Metropolitan. The Act provides for a limit on general obligation bonds, water revenue bonds and other evidences of indebtedness of 15 percent of the assessed value of all taxable property within Metropolitan's service area. As of April 1, 2024, outstanding general obligation bonds, water revenue bonds and other evidences of indebtedness in the amount of $3.92 billion represented approximately 0.10 percent of the fiscal year 2023-24 taxable assessed valuation of $3,861.4 billion. The second limitation under the Act specifies that no revenue bonds may be issued, except for the purpose of refunding, unless the amount of net assets of Metropolitan as shown on its balance sheet as of the end of the last fiscal year prior to the issuance of such bonds, equals at least 100 percent of the aggregate amount of revenue bonds outstanding following the issuance of such bonds. The net assets of Metropolitan at June 30, 2023 were $7.45 billion. The aggregate amount of revenue bonds outstanding as of April 1, 2024 was $3.73 billion. The limitation does not apply to other forms of financing available to Metropolitan. Audited financial statements including the net assets of Metropolitan as of June 30, 2023 and June 30, 2022 are shown in Metropolitan's audited financial statements included in APPENDIX B–"THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND JUNE 30, 2022 AND BASIC FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED DECEMBER 31, 2023 AND 2022 (UNAUDITED)."

Metropolitan provides no assurance that the Act's limitations on indebtedness will not be revised or removed by future legislation. Limitations under the Revenue Bond Resolutions respecting the issuance of additional obligations payable from Net Operating Revenues on parity with the Senior Revenue Bonds and Subordinate Revenue Bonds of Metropolitan will remain in effect so long as any Senior Revenue Bonds and Subordinate Revenue Bonds authorized pursuant to the applicable Revenue Bond Resolutions are outstanding, provided however, that the Revenue Bond Resolutions are subject to amendment and supplement in accordance with their terms.

Variable Rate Exposure Policy

As of April 1, 2024, Metropolitan had outstanding $508.3 million of variable rate obligations issued as Senior Revenue Bonds under the Senior Debt Resolutions and variable rate short-term notes incurred as Senior Parity Obligations under Metropolitan's Short-Term Revolving Credit Facility (described under "–Outstanding Senior Revenue Bonds and Senior Parity Obligations" below). In addition, as of April 1, 2024, $493.4 million of variable rate Subordinate Revenue Bonds issued under the Subordinate Debt Resolutions were outstanding (described under "–Outstanding Subordinate Revenue Bonds and Subordinate Parity Obligations" below).

As of April 1, 2024, of Metropolitan's $1.00 billion of variable rate obligations, $338.1 million of such variable rate demand obligations are treated by Metropolitan as fixed rate debt, by virtue of interest rate swap agreements (described under "–Outstanding Senior Revenue Bonds and Senior Parity Obligations –Variable Rate and Swap Obligations – *Interest Rate Swap Transactions*" below), for the purpose of calculating debt service requirements. The remaining $663.6 million of variable rate obligations represent approximately 17.0 percent of total outstanding water revenue secured indebtedness (including Senior Revenue Bonds and Senior Parity Obligations and Subordinate Revenue Bonds and Subordinate Parity Obligations), as of April 1, 2024.

Metropolitan's variable rate exposure policy requires that variable rate debt be managed to limit net interest cost increases within a fiscal year as a result of interest rate changes to no more than $5 million. In addition, the maximum amount of variable interest rate exposure (excluding variable rate bonds associated with interest rate swap agreements) is limited to 40 percent of total outstanding water revenue bond debt. Variable rate debt capacity will be reevaluated as interest rates change and managed within these parameters.

Outstanding Senior Revenue Bonds and Senior Parity Obligations

Senior Revenue Bonds

The water revenue bonds issued under the Senior Debt Resolutions outstanding as of April 1, 2024 are set forth below:

Outstanding Senior Revenue Bonds

Name of Issue	Principal Outstanding
Water Revenue Refunding Bonds, 2011 Series C	$ 29,315,000
Water Revenue Refunding Bonds, 2014 Series E	3,560,000
Water Revenue Bonds, 2015 Authorization, Series A	50,860,000
Water Revenue Refunding Bonds, 2016 Series A	112,415,000
Special Variable Rate Water Revenue Refunding Bonds, 2016 Series B-2[(1)]	25,325,000
Water Revenue Bonds, 2017 Authorization, Series A[(1)]	24,275,000
Water Revenue Refunding Bonds, 2018 Series B	114,615,000
Water Revenue Refunding Bonds, 2019 Series A	218,090,000
Water Revenue Bonds, 2020 Series A	207,355,000
Special Variable Rate Water Revenue Refunding Bonds, 2020 Series B[(2)]	271,815,000
Water Revenue Refunding Bonds, 2020 Series C	255,900,000
Water Revenue Bonds, 2021 Series A	188,890,000
Water Revenue Refunding Bonds, 2021 Series B	74,465,000
Water Revenue Refunding Bonds, 2022 Series A	268,360,000
Water Revenue Refunding Bonds, 2022 Series B	253,365,000
Special Variable Rate Water Revenue Refunding Bonds, 2022 Series C-1 and C-2[(2)]	282,275,000
Water Revenue Bonds, 2023 Series A	252,595,000
Total	**$ 2,633,475,000**

Source: Metropolitan.

(1) Outstanding variable rate obligation.

(2) Effective as of April 2, 2024, to bear interest at a variable rate in a long mode to July 1, 2024. Expected to be refunded from proceeds of Metropolitan's 2024A Bonds.

Variable Rate Bonds and Swap Obligations

As of April 1, 2024, of Metropolitan's $2.63 billion of outstanding Senior Revenue Bonds, $331.9 million were variable rate Senior Revenue Bonds issued under the Senior Debt Resolutions (described under this caption "–Variable Rate Bonds and Swap Obligations") in either a daily mode or a weekly mode and supported by standby bond purchase agreements between Metropolitan and various liquidity providers ("Liquidity Supported Senior Revenue Bonds").

Liquidity Supported Senior Revenue Bonds. Metropolitan's outstanding variable rate demand obligations issued under the Senior Debt Resolutions, totaling $331.9 million as of April 1, 2024, consisted of $49.6 million principal amount of variable rate Senior Revenue Bonds, the interest rates on which are currently reset on a daily basis, and $282.3 million principal amount of variable rate Senior Revenue Bonds, the interest rates on which are reset on a weekly basis. The variable rate demand obligations bearing interest at a daily rate are subject to optional tender on any business day with same day notice by the owners thereof and mandatory tender upon specified events. The variable rate demand obligations bearing interest at a weekly rate are subject to optional tender on any business day upon seven days' notice by the owners thereof and mandatory tender upon specified events. Such variable rate demand obligations are supported by standby bond purchase agreements between Metropolitan and liquidity providers that provide for purchase of variable rate bonds by the applicable liquidity provider upon tender of such variable rate bonds and a failed remarketing. Metropolitan has secured its obligation to repay principal and interest advanced under the standby bond purchase agreements as Senior Parity Obligations. A decline in the creditworthiness of a liquidity provider will likely result in an increase in the interest rate of the applicable variable rate bonds, as well as an increase in the risk of a failed remarketing of such tendered variable rate bonds. Variable rate bonds purchased by a liquidity provider ("bank bonds") would initially bear interest at a per annum interest rate equal to, depending on the liquidity facility, either: (a) the highest of (i) the Prime Rate, (ii) the Federal Funds Rate plus one-half of a percent, or (iii) seven and one-half percent (with the spread or rate increasing in the case of each of (i), (ii) and (iii) of this clause (a) by one percent after 60 days); or (b) the highest of (i) the Prime Rate plus one percent, (ii) Federal Funds Rate plus two percent, and (iii) seven percent (with the spread or rate increasing in the case of each of (i), (ii) and (iii) of this clause (b) by one percent after 90 days). To the extent such bank bonds have not been remarketed or otherwise retired as of the earlier of the 60th day following the date such bonds were purchased by the liquidity provider or the stated expiration date of the related liquidity facility, Metropolitan's obligation to reimburse the liquidity provider may convert the term of the variable rate bonds purchased by the liquidity provider into a term loan payable under the terms of the current liquidity facilities in semi-annual installments over a period ending on the third anniversary of the date on which the variable rate bonds were purchased by the liquidity provider. In addition, upon an event of default under any such liquidity facility, including a failure by Metropolitan to perform or observe its covenants under the applicable standby bond purchase agreement, a default in other specified indebtedness of Metropolitan, or other specified events of default (including a reduction in the credit rating assigned to Senior Revenue Bonds issued under the Senior Debt Resolutions by any of Fitch, S&P or Moody's below "A–" or "A3"), the liquidity provider could require all bank bonds to be subject to immediate mandatory redemption by Metropolitan.

The following table lists the current liquidity providers, the current expiration date of each facility, and the principal amount of outstanding variable rate demand obligations covered under each facility as of April 1, 2024.

Liquidity Facilities and Expiration Dates

Liquidity Provider	Bond Issue	Principal Outstanding	Facility Expiration
TD Bank, N.A.	2016 Series B-2	$ 25,325,000	January 2026
TD Bank, N.A.	2022 Series C-1	147,650,000	January 2026
PNC Bank, N.A.	2017 Authorization Series A	24,275,000	January 2026
PNC Bank, N.A.	2022 Series C-2	134,625,000	January 2026
Total		**$ 331,875,000**	

Source: Metropolitan.

Interest Rate Swap Transactions. By resolution adopted on September 11, 2001, Metropolitan's Board authorized the execution of interest rate swap transactions and related agreements in accordance with a master swap policy, which was subsequently amended by resolutions adopted on July 14, 2009 and May 11, 2010. Metropolitan may execute interest rate swaps if the transaction can be expected to reduce exposure to changes in interest rates on a particular financial transaction or in the management of interest rate risk derived from Metropolitan's overall asset/liability balance, result in a lower net cost of borrowing or achieve a higher net rate of return on investments made in connection with or incidental to the issuance, incurring or carrying of Metropolitan's obligations or investments, or manage variable interest rate exposure consistent with prudent debt practices and Board-approved guidelines. The Assistant General Manager, Finance & Administration reports to the Finance, Audit, Insurance and Real Estate Committee of Metropolitan's Board each quarter on outstanding swap transactions, including notional amounts outstanding, counterparty exposures and termination values based on then-existing market conditions.

Metropolitan currently has one type of interest rate swap, referred to in the table below as "Fixed Payor Swaps." Under this type of swap, Metropolitan receives payments that are calculated by reference to a floating interest rate and makes payments that are calculated by reference to a fixed interest rate.

Metropolitan's obligations to make regularly scheduled net payments under the terms of the interest rate swap agreements are payable on a parity with the Senior Parity Obligations. Termination payments under the 2002A and 2002B interest rate swap agreements would be payable on a parity with the Senior Parity Obligations. Termination payments under all other interest rate swap agreements would be on parity with the Subordinate Parity Obligations.

The periodic payments due to Metropolitan from counterparties under its outstanding interest rate swap agreements were previously calculated by reference to the London interbank offering rate ("LIBOR"). On June 30, 2023, LIBOR rates for all tenors used to determine the periodic payments due to Metropolitan from swap counterparties ceased to be published. Prior to such date, Metropolitan adopted the terms of the ISDA 2020 IBOR Fallbacks Protocol for its existing swap agreements. Under the terms of the ISDA 2020 IBOR Fallbacks Protocol, the floating rate calculations based on a USD LIBOR rate switched to a term-adjusted Secured Overnight Financing rate ("SOFR") plus an adjustment. For Metropolitan swaps that had used one-month and three-month LIBOR, the new floating rate for one-month LIBOR will be SOFR plus 0.11448 basis points ("bps"), and the new floating rate for three-month LIBOR will be SOFR plus 0.26161 basis points ("bps").

The following swap transactions were outstanding as of April 1, 2024:

FIXED PAYOR SWAPS:

Designation	Notional Amount Outstanding	Swap Counterparty	Fixed Payor Rate	Metropolitan Receives	Maturity Date
2002 A	$ 23,648,450	Morgan Stanley Capital Services, Inc.	3.300%	57.74% x (SOFR plus 11.448 bps)	7/1/2025
2002 B	8,846,550	JPMorgan Chase Bank	3.300	57.74% x (SOFR plus 11.448 bps)	7/1/2025
2003	122,317,500	Wells Fargo Bank	3.257	61.20% x (SOFR plus 11.448 bps)	7/1/2030
2003	122,317,500	JPMorgan Chase Bank	3.257	61.20% x (SOFR plus 11.448 bps)	7/1/2030
2004 C	4,672,250	Morgan Stanley Capital Services, Inc.	2.980	61.55% x (SOFR plus 11.448 bps)	10/1/2029
2004 C	3,822,750	Citigroup Financial Products, Inc.	2.980	61.55% x (SOFR plus 11.448 bps)	10/1/2029
2005	26,217,000	JPMorgan Chase Bank	3.360	70% x (SOFR plus 26.161 bps)	7/1/2030
2005	26,217,000	Citigroup Financial Products, Inc.	3.360	70% x (SOFR plus 26.161 bps)	7/1/2030
Total	**$ 338,060,000**				

Source: Metropolitan.

These interest rate swap agreements entail risk to Metropolitan. One or more counterparties may fail or be unable to perform, interest rates may vary from assumptions, Metropolitan may be required to post collateral in favor of its counterparties and Metropolitan may be required to make significant payments in the event of an early termination of an interest rate swap. Metropolitan seeks to manage counterparty risk by diversifying its swap counterparties, limiting exposure to any one counterparty, requiring collateralization or other credit enhancement to secure swap payment obligations, and by requiring minimum credit rating levels. Initially, swap counterparties must be rated at least "Aa3" or "AA-", or equivalent by any two of the nationally recognized credit rating agencies; or use a "AAA" subsidiary as rated by at least one nationally recognized credit rating agency. Should the credit rating of an existing swap counterparty drop below the required levels, Metropolitan may enter into additional swaps if those swaps are "offsetting" and risk-reducing swaps. Each counterparty is initially required to have minimum capitalization of at least $150 million. See Note 5(e) in Metropolitan's audited financial statements in Appendix B.

Early termination of an interest rate swap agreement could occur due to a default by either party or the occurrence of a termination event (including defaults under other specified swaps and indebtedness, certain acts of insolvency, if a party may not legally perform its swap obligations, or, with respect to Metropolitan, if its credit rating is reduced below "BBB–" by Moody's or "Baa3" by S&P (under most of the interest rate swap agreements) or below "BBB" by Moody's or "Baa2" by S&P (under one of the interest rate swap agreements)). As of December 31, 2023, Metropolitan would have been required to pay to its counterparties termination payments if its swaps were terminated on that date. Metropolitan's net exposure to its counterparties for all such termination payments on that date was approximately $7.1 million. Metropolitan does not presently anticipate early termination of any of its interest rate swap agreements due to default by either party or the occurrence of a termination event. However, Metropolitan has previously

exercised, and may in the future exercise, from time to time, optional early termination provisions to terminate all or a portion of certain interest rate swap agreements.

Metropolitan is required to post collateral in favor of a counterparty to the extent that Metropolitan's total exposure for termination payments to that counterparty exceeds the threshold specified in the applicable swap agreement. Conversely, the counterparties are required to release collateral to Metropolitan or post collateral for the benefit of Metropolitan as market conditions become favorable to Metropolitan. As of December 31, 2023, Metropolitan had no collateral posted with any counterparty. The highest, month-end, amount of collateral posted was $36.8 million, on June 30, 2012, which was based on an outstanding swap notional amount of $1.4 billion at that time. The amount of required collateral varies from time to time due primarily to interest rate movements and can change significantly over a short period of time. See "METROPOLITAN REVENUES–Financial Reserve Policy" in this Appendix A. In the future, Metropolitan may be required to post additional collateral, or may be entitled to a reduction or return of the required collateral amount. Collateral deposited by Metropolitan is held by the counterparties; a bankruptcy of any counterparty holding collateral posted by Metropolitan could adversely affect the return of the collateral to Metropolitan. Moreover, posting collateral limits Metropolitan's liquidity. If collateral requirements increase significantly, Metropolitan's liquidity may be materially adversely affected. See "METROPOLITAN REVENUES–Financial Reserve Policy" in this Appendix A.

Direct Purchase Long Mode Bonds

In April 2020, Metropolitan entered into a Bond Purchase Agreement, dated as of April 1, 2020, which was amended in March 2024 (as so amended, the "2020 Direct Purchase Agreement") with Wells Fargo Municipal Capital Strategies, LLC ("WFMCS"), for the purchase by WFMCS and sale by Metropolitan of Metropolitan's $271.8 million Special Variable Rate Water Revenue Refunding Bonds 2020 Series B (the "2020B Senior Revenue Bonds"). The 2020B Senior Revenue Bonds were issued for the purpose of refunding all of Metropolitan's then outstanding variable rate Senior Revenue Bonds that were designated as self-liquidity bonds as part of Metropolitan's self-liquidity program ("Self-Liquidity Bonds").

The 2020B Senior Revenue Bonds were issued under the Senior Debt Resolutions and are further described in a related paying agent agreement, dated as of April 1, 2020, as amended (as so amended, the "2020B Paying Agent Agreement"), by and between Metropolitan and Wells Fargo Bank, National Association, as paying agent. Pursuant to the 2020B Paying Agent Agreement, the 2020B Senior Revenue Bonds may bear interest from time to time in any one of several interest rate modes at the election of Metropolitan. The 2020B Senior Revenue Bonds currently bear interest in a Long Mode under the 2020B Paying Agent Agreement. For the period that commenced on April 2, 2024 and will end on July 1, 2024, unless earlier terminated (the "new Long Period"), the 2020B Senior Revenue Bonds bear interest at a variable per annum interest rate equal to the sum of (1) 0.33%, plus (2) the product of (i) 80% and (ii) SOFR as administered by the Federal Reserve Bank of New York (or a successor administrator) as determined for each day in accordance with the 2020B Paying Agent Agreement. If not earlier prepaid or redeemed pursuant to the terms of the 2020 Direct Purchase Agreement and the 2020B Paying Agent Agreement, the 2020B Senior Revenue Bonds are subject to mandatory tender for purchase on July 1, 2024 (the "Mandatory Tender Date"), the last day of the new Long Period. The 2020B Senior Revenue Bonds were initially designated as Self-Liquidity Bonds pursuant to the 2020B Paying Agent Agreement and no standby bond purchase agreement or other liquidity facility is in effect for the purchase of such bonds.

The 2020B Senior Revenue Bonds are expected to be refunded with proceeds of Metropolitan's 2024A Bonds.

In the event the 2020B Senior Revenue Bonds are not refunded or otherwise converted to another interest rate mode or remarketed to a purchaser or purchasers other than WFMCS prior to the Mandatory

Tender Date, Metropolitan is obligated under the 2020 Direct Purchase Agreement to cause 2020B Senior Revenue Bonds that have not been refunded or otherwise converted or remarketed ("Unremarketed 2020B Bonds") to be redeemed on the Mandatory Tender Date; provided, that if no default or event of default under the 2020 Direct Purchase Agreement shall have occurred and be continuing and the representations and warranties of Metropolitan shall be true and correct on the Mandatory Tender Date, then the principal amount of the Unremarketed 2020B Senior Revenue Bonds shall be due and payable on the date that is 30 days following the Mandatory Tender Date and shall accrue interest at the Purchaser Rate, a fluctuating interest per annum equal to, the greatest of the (i) the Prime Rate, (ii) Federal Funds Rate plus one-half of one percent, and (iii) five percent, as specified in the 2020 Direct Purchase Agreement. If no default or event of default under the 2020 Direct Purchase Agreement shall have occurred and be continuing and the representations and warranties of Metropolitan shall be true and correct at the end of such 30-day period, the Unremarketed 2020B Senior Revenue Bonds will continue to bear interest at the Purchaser Rate plus, after 180 days from the Mandatory Tender Date, a spread of one percent, and the principal amount of such Unremarketed 2020B Senior Revenue Bonds may, at Metropolitan's request, instead be subject to mandatory redemption in substantially equal installments payable every six months over an amortization period commencing six months after the Mandatory Tender Date and ending on the third anniversary of the Mandatory Tender Date.

Under the 2020 Direct Purchase Agreement, upon a failure by Metropolitan to pay principal or interest of any 2020B Senior Revenue Bonds, a failure by Metropolitan to perform or observe its covenants, a default in other specified indebtedness of Metropolitan, certain acts of bankruptcy or insolvency, or other specified events of default (including if S&P shall have assigned a credit rating below "BBB–," or if any of Fitch, S&P or Moody's shall have assigned a credit rating below "A–" or "A3," to Senior Revenue Bonds issued under the Senior Debt Resolutions), WFMCS has the right to cause a mandatory tender of the 2020B Senior Revenue Bonds and accelerate (depending on the event, seven days after the occurrence, or for certain events, only after 180 days' notice) Metropolitan's obligation to repay the 2020B Senior Revenue Bonds.

In connection with the execution of the 2020 Direct Purchase Agreement, Metropolitan designated the principal payable on the 2020B Senior Revenue Bonds on the Mandatory Tender Date as Excluded Principal Payments under the Senior Debt Resolutions and thus, for purposes of calculating Maximum Annual Debt Service, included the amount of principal and interest due and payable in connection therewith on a schedule of Assumed Debt Service. This schedule of Assumed Debt Service assumes that Metropolitan will pay the principal of the 2020B Senior Revenue Bonds over a period of 30 years at a fixed interest rate of approximately 5.00 percent.

Metropolitan has previously, and may in the future, enter into one or more self-liquidity revolving credit agreements which may be drawn upon for the purpose of paying the purchase price of any Self-Liquidity Bonds issued by Metropolitan, the repayment obligations of Metropolitan under which may be secured as either Senior Parity Obligations or Subordinate Parity Obligations.

Senior Parity Obligations

Short-Term Revolving Credit Facility. In March 2024, Metropolitan entered into a note purchase and continuing covenant agreement with Bank of America, N.A. ("BANA"), for the purchase by BANA and sale by Metropolitan from time-to-time of short-term flexible rate revolving notes (the "Short-Term Revolving Credit Facility"). Pursuant to the Short-Term Revolving Credit Facility, Metropolitan may borrow, pay down and re-borrow amounts, through the issuance and sale from time to time of short-term notes (with maturity dates not exceeding one year from their delivery date), in an aggregate principal amount not to exceed $400 million (including, subject to certain terms and conditions, notes to refund maturing notes) to be purchased by BANA during the term of BANA's commitment to purchase notes thereunder, which commitment currently extends to March 19, 2027. The Short-Term Credit Agreement

with BANA was entered into by Metropolitan in replacement of a previously existing short-term revolving credit facility. On the date of delivery of the Short-Term Revolving Credit Facility with BANA, all then-outstanding notes issued under the prior short-term revolving credit facility were purchased by BANA, and the prior short-term revolving credit facility was terminated. As of April 1, 2024, Metropolitan had $176.4 million principal amount of short-term notes outstanding under the Short-Term Revolving Credit Facility, consisting of $158.4 million of tax-exempt notes and $18.0 million of taxable notes. On or about [May ___], 2024, Metropolitan expects to make a draw on the Short-Term Revolving Credit Facility and issue an additional $35,640,000 principal amount of short-term notes thereunder to fund, together with certain other amounts provided by Metropolitan, an escrow deposit for the purpose of defeasing and redeeming its outstanding Subordinate Water Revenue Refunding Bonds, 2017 Series B maturing on August 1, 2024. A portion of the proceeds of Metropolitan's 2024A Bonds will be applied on the date of delivery of such bonds to repay and redeem the short-term notes issued for such purpose. In addition, approximately $120.0 million principal amount of the then outstanding tax-exempt notes previously issued under the Short-Term Revolving Credit Facility are expected to be repaid and redeemed with proceeds of Metropolitan's 2024A Bonds on the date of their delivery. Accrued interest on the notes due on the date of their repayment and redemption is to be paid from other funds provided by Metropolitan. Metropolitan also expects to make a draw on the Short-Term Revolving Credit Facility on or about [May ___], 2024 and issue $271,255,000 principal amount of short-term notes thereunder to redeem all of Metropolitan's outstanding Subordinate Water Revenue Bonds, 2017 Series C, Subordinate Water Revenue Refunding Bonds, 2017 Series D and Subordinate Water Revenue Refunding Bonds, 2017 Series E on their mandatory tender date of May 21, 2024. A portion of the proceeds of Metropolitan's Subordinate Water Revenue Refunding Bonds, 2024 Series B (the "2024B Subordinate Bonds") are expected to be applied on the date of delivery of such bonds to repay and redeem the short-term notes issued for such purpose. Accrued interest on the notes due on the date of their repayment and redemption is to be paid from other funds provided by Metropolitan.

Notes under the Short-Term Revolving Credit Facility bear interest at a fluctuating rate of interest per annum equal to: (A) for taxable borrowings, SOFR as administered by the Federal Reserve Bank of New York (or a successor administrator) as determined for each day in accordance with the Short-Term Revolving Credit Facility ("Daily Simple SOFR" as further defined in the Short-Term Credit Facility) plus a spread of 0.80 percent (so long as the current credit ratings on Metropolitan's Senior Revenue Bonds issued under the Senior Debt Resolutions are maintained); and (B) for tax-exempt borrowings, 80 percent of Daily Simple SOFR plus a spread of 0.60 percent (so long as the current credit ratings on Metropolitan's Senior Revenue Bonds issued under the Senior Debt Resolutions are maintained), subject, in each case to an applicable maximum interest rate, which shall not, in any case, exceed 18 percent. Subject to the satisfaction of certain terms and conditions, any unpaid principal borrowed under the Short-Term Revolving Credit Facility remaining outstanding at the March 19, 2027 stated commitment expiration date of the Short-Term Revolving Credit Facility may be refunded by and exchanged for term notes payable by Metropolitan in approximately equal semi-annual principal installments over a period of approximately three years. Any such term notes will bear interest at a fluctuating rate of interest per annum equal to, for each day: (A) for taxable borrowings, (1) the greatest of (i) the Prime Rate plus one percent, (ii) the Federal Funds Rate in effect at such time plus two percent, and (iii) ten percent (such rate as from time to time in effect, the "Taxable Base Rate"), plus (2) a spread of two percent; and (B) for tax-exempt borrowings, (1) the greatest of (i) the Prime Rate plus one percent, (ii) the Federal Funds Rate in effect at such time plus two percent, and (iii) seven percent (such rate as from time to time in effect, the "Tax-Exempt Base Rate"), plus (2) a spread of two percent.

Under the Short-Term Revolving Credit Facility, upon a failure by Metropolitan to pay principal or interest of any note thereunder, a failure by Metropolitan to perform or observe its covenants, a default in other specified indebtedness of Metropolitan, certain acts of bankruptcy or insolvency, or other specified events of default (including if any of Fitch, S&P or Moody's shall have assigned a credit rating below "A-" or "A3," or if each of Fitch, S&P and Moody's shall have assigned a credit rating below "BBB–" or "Baa3," to Senior Revenue Bonds issued under the Senior Debt Resolutions), BANA has the right to terminate its

commitments and may accelerate (depending on the event, seven days after the occurrence, or for certain events, only after 180 days' notice, or, in connection with certain acts of bankruptcy or insolvency or in the event of an acceleration of Metropolitan debt by another lender, credit enhancer or swap counterparty, immediately) Metropolitan's obligation to repay its borrowings.

Metropolitan has secured its obligation to pay principal and interest on notes evidencing borrowings under the Short-Term Revolving Credit Facility as Senior Parity Obligations.

In connection with the execution of the Short-Term Revolving Credit Facility, Metropolitan designated the principal and interest payable on the notes thereunder as Excluded Principal Payments under the Senior Debt Resolutions and thus, for purposes of calculating Maximum Annual Debt Service, included the amount of principal and interest due and payable under the Short-Term Revolving Credit Facility on a schedule of Assumed Debt Service for any outstanding draws.

Metropolitan has previously, and may in the future, enter into one or more other or alternative short-term revolving credit facilities, the repayment obligations of Metropolitan under which may be secured as either Senior Parity Obligations or Subordinate Parity Obligations.

Outstanding Subordinate Revenue Bonds and Subordinate Parity Obligations

Subordinate Revenue Bonds

The water revenue bonds issued under the Subordinate Debt Resolutions outstanding as of April 1, 2024, are set forth below:

Outstanding Subordinate Revenue Bonds

Name of Issue	Principal Outstanding
Subordinate Water Revenue Refunding Bonds, 2017 Series A	$ 182,745,000
Subordinate Water Revenue Refunding Bonds, 2017 Series B[2]	35,640,000
Subordinate Water Revenue Bonds, 2017 Series C[1][3]	80,000,000
Subordinate Water Revenue Refunding Bonds, 2017 Series D[1][3]	95,630,000
Subordinate Water Revenue Refunding Bonds, 2017 Series E[1][3]	95,625,000
Subordinate Water Revenue Bonds, 2018 Series B	57,740,000
Subordinate Water Revenue Refunding Bonds, 2019 Series A	184,280,000
Subordinate Water Revenue Refunding Bonds, 2020 Series A	139,190,000
Subordinate Water Revenue Refunding Bonds, 2021 Series A[1]	222,160,000
Total	**$ 1,093,010,000**

Source: Metropolitan.

(1) Outstanding variable rate obligation.

(2) Metropolitan expects to refund the $35,640,000 principal amount of these bonds maturing on August 1, 2024 on their July 1, 2024 optional call date with proceeds of a draw made under its Short-Term Revolving Credit Facility. See "–Outstanding Senior Revenue Bonds and Senior Parity Obligations– Senior Parity Obligations – *Short-Term Revolving Credit Facility*.

(3) Metropolitan expects to refund the $271,255,000 aggregate principal amount of these bonds on their May 21, 2024 scheduled mandatory tender date with proceeds of a draw made under its Short-Term Revolving Credit Facility. See "–Outstanding Senior Revenue Bonds and Senior Parity Obligations– Senior Parity Obligations – *Short-Term Revolving Credit Facility*.

Variable Rate Bonds

As of April 1, 2024, of the $1.09 billion outstanding Subordinate Revenue Bonds, $493.4 million were variable rate obligations. The outstanding variable rate obligations include Subordinate Revenue Bonds that are variable rate demand obligations supported by a standby bond purchase agreement between Metropolitan and a liquidity provider ("Liquidity Supported Subordinate Revenue Bonds") and Subordinate Revenue Bonds that are bonds bearing interest in a SIFMA Index Mode and subject to mandatory tender for purchase by Metropolitan under certain circumstances, including on certain scheduled mandatory tender dates (unless earlier remarketed or otherwise retired) ("Index Tender Bonds").

Liquidity Supported Subordinate Revenue Bonds. As of April 1, 2024, Metropolitan had $222.16 million of outstanding Liquidity Supported Subordinate Revenue Bonds issued under the Subordinate Debt Resolutions, consisting of Metropolitan's Variable Rate Subordinate Water Revenue Refunding Bonds, 2021 Series A (Federally Taxable) (the "Subordinate 2021A Bonds").

The interest rate on Metropolitan's variable rate Subordinate 2021A Bonds is reset on a weekly basis. While bearing interest at a weekly rate, such variable rate demand obligations are subject to optional tender on any business day upon seven days' notice by the owners thereof and mandatory tender upon specified events. Such variable rate demand obligations are supported by a standby bond purchase agreement by and between Metropolitan and Bank of America, N.A., as liquidity provider, that provides for the purchase of the variable rate Subordinate 2021A Bonds by the liquidity provider upon tender of such variable rate Subordinate 2021A Bonds and a failed remarketing. The current expiration date of such liquidity facility is in June 2025. Metropolitan has secured its obligation to repay principal and interest advanced under the standby bond purchase agreement as a Subordinate Parity Obligation. A decline in the creditworthiness of the liquidity provider will likely result in an increase in the interest rate of the variable rate Subordinate 2021A Bonds, as well as an increase in the risk of a failed remarketing of such tendered variable rate Subordinate 2021A Bonds. Variable rate Subordinate 2021A Bonds purchased by the liquidity provider ("bank bonds") would initially bear interest at a per annum interest rate equal to, the highest of (i) the Prime Rate plus one percent, (ii) Federal Funds Rate plus two percent, and (iii) seven percent (with the spread or rate increasing in the case of each of (i), (ii) and (iii) of this clause by one percent after 90 days). To the extent such bank bonds have not been remarketed or otherwise retired as of the earlier of the 90th day following the date such bonds were purchased by the liquidity provider or the stated expiration date of the liquidity facility, Metropolitan's obligation to reimburse the liquidity provider may convert the term of the variable rate bonds purchased by the liquidity provider into a term loan payable under the terms of the liquidity facility in ten equal semi-annual installments over a period ending on the fifth anniversary of the date on which the variable rate Subordinate 2021A Bonds were purchased by the liquidity provider. In addition, upon an event of default under the liquidity facility, including a failure by Metropolitan to pay principal or interest due to the liquidity provider, failure by Metropolitan to perform or observe its covenants under the standby bond purchase agreement, a default in other specified indebtedness of Metropolitan, or other specified events of default (including a reduction in the credit rating assigned to Senior Revenue Bonds issued under the Senior Debt Resolutions by any of Fitch, S&P or Moody's below "A–" or "A3," as applicable), the liquidity provider could require all bank bonds to be subject to immediate mandatory redemption by Metropolitan.

SIFMA Mode Index Tender Bonds. Metropolitan's Subordinate Water Revenue Bonds, 2017 Series C, Subordinate Water Revenue Refunding Bonds, 2017 Series D and Subordinate Water Revenue Refunding Bonds, 2017 Series E (collectively, the "Subordinate 2017 Series C, D and E Bonds") bear interest at a rate that fluctuates weekly based on the SIFMA Municipal Swap Index plus a spread. The Subordinate 2017 Series C, D and E Bonds are Index Tender Bonds and are subject to mandatory tender under certain circumstances, including on certain scheduled mandatory tender dates (unless earlier remarketed or otherwise retired). Metropolitan's obligation to pay the purchase price of any such tendered Subordinate 2017 Series C, D and E Bonds is a special limited obligation of Metropolitan payable solely

from Net Operating Revenues subordinate to the Senior Revenue Bonds and Senior Parity Obligations and on parity with the other outstanding Subordinate Revenue Bonds and Subordinate Parity Obligations. Metropolitan has not secured any liquidity facility or letter of credit to support the payment of the purchase price of Subordinate 2017 Series C, D and E Bonds in connection with a scheduled mandatory tender. Failure to pay the purchase price of any Subordinate 2017 Series C, D and E Bonds on a scheduled mandatory tender date for such Index Tender Bonds for a period of five business days following written notice by any Owner of such Subordinate 2017 Series C, D and E Bonds will constitute an event of default under the Subordinate Debt Resolutions, upon the occurrence and continuance of which the owners of 25 percent in aggregate principal amount of the Subordinate Revenue Bonds then outstanding may elect a bondholders' committee to exercise rights and powers of such owners under the Subordinate Debt Resolutions, including the right to declare the entire unpaid principal of the Subordinate Revenue Bonds then outstanding to be immediately due and payable.

The current mandatory tender dates and related tender periods for the Index Tender Bonds outstanding as of April 1, 2024, are summarized in the following table:

Index Tender Bonds

Series	Date of Issuance	Original Principal Amount Issued	Next Scheduled Mandatory Tender Date	Maturity Date
Subordinate 2017 Series C	July 3, 2017	$ 80,000,000	May 21, 2024	July 1, 2047
Subordinate 2017 Refunding Series D	July 3, 2017	95,630,000	May 21, 2024	July 1, 2037
Subordinate 2017 Refunding Series E	July 3, 2017	95,625,000	May 21, 2024	July 1, 2037
Total		**$ 271,255,000**		

Source: Metropolitan.

As described under "–Outstanding Senior Revenue Bonds and Senior Parity Obligations – Senior Parity Obligations – *Short-Term Revolving Credit Facility*," the Subordinate 2017 Series C, D and E Bonds are expected to be refunded on their Scheduled Mandatory Tender Date with proceeds of a draw made and short-term notes issued under Metropolitan's Short-Term Revolving Credit Facility, which short-term notes are expected to be refunded with proceeds of Metropolitan's Subordinate 2024B Bonds.

Other Junior Obligations

Metropolitan currently is authorized to issue up to $400,000,000 of Commercial Paper Notes payable from Net Operating Revenues on a basis subordinate to both the Senior Revenue Bonds and Senior Parity Obligations and to the Subordinate Revenue Bonds and Subordinate Parity Obligations. Although no Commercial Paper Notes are currently outstanding, the authorization remains in full force and effect and Metropolitan may issue Commercial Paper Notes from time to time.

General Obligation Bonds

As of April 1, 2024, $18,210,000 aggregate principal amount of general obligation bonds payable from *ad valorem* property taxes were outstanding. See "METROPOLITAN REVENUES–General" and "–Revenue Allocation Policy and Tax Revenues" in this Appendix A. Metropolitan's revenue bonds are not payable from the levy of *ad valorem* property taxes.

General Obligation Bonds	Amount Issued[(1)]	Principal Outstanding
Waterworks General Obligation Refunding Bonds, 2019 Series A	$16,755,000	$4,545,000
Waterworks General Obligation Refunding Bonds, 2020 Series A	13,665,000	13,665,000
Total	**$30,420,000**	**$18,210,000**

Source: Metropolitan.

(1) Voters authorized Metropolitan to issue $850,000,000 of Waterworks General Obligation Bonds, Election 1966, in multiple series, in a special election held on June 7, 1966. This authorization has been fully utilized. This table lists bonds that refunded such Waterworks General Obligation Bonds, Election 1966.

State Water Contract Obligations

General. As described herein, in 1960, Metropolitan entered into its State Water Contract with DWR to receive water from the State Water Project. All expenditures for capital and operations, maintenance, power and replacement costs associated with the State Water Project facilities used for water delivery are paid for by the 29 Contractors that have executed State water supply contracts with DWR, including Metropolitan. Contractors are obligated to pay allocable portions of the cost of construction of the system and ongoing operating and maintenance costs, regardless of quantities of water available from the project. Other payments are based on deliveries requested and actual deliveries received, costs of power required for actual deliveries of water, and offsets for credits received. In exchange, Contractors have the right to participate in the system, with an entitlement to water service from the State Water Project and the right to use the portion of the State Water Project conveyance system necessary to deliver water to them at no additional cost as long as capacity exists. Metropolitan's State Water Contract accounts for nearly one-half of the total entitlement for State Water Project water contracted for by all Contractors.

DWR and other State Water Project contractors, including Metropolitan, have executed an amendment to extend their State water supply contracts from 2035 to 2085 and to make certain changes related to the financial management of the State Water Project in the future. See "METROPOLITAN'S WATER SUPPLY–State Water Project – State Water Contract" in this Appendix A.

Metropolitan's payment obligation for the State Water Project for the fiscal year ended June 30, 2023 was $577.5 million, which amount reflects prior year's credits of $59.2 million. For the fiscal year ended June 30, 2023, Metropolitan's payment obligations under the State Water Contract were approximately 29.5 percent of Metropolitan's total annual expenses. A portion of Metropolitan's annual property tax levy is for payment of State Water Contract obligations, as described above under "METROPOLITAN REVENUES–Revenue Allocation Policy and Tax Revenues" in this Appendix A. Any deficiency between tax levy receipts and Metropolitan's State Water Contract obligations is expected to be paid from Operating Revenues, as defined in the Senior Debt Resolutions. See Note 11(a) to Metropolitan's audited financial statements in Appendix B for an estimate of Metropolitan's payment obligations under the State Water Contract. See also "–Power Sources and Costs; Related Long-Term Commitments" for a description of current and future costs for electric power required to operate State Water Project pumping systems and a description of litigation involving the federal relicensing of the Hyatt-Thermalito hydroelectric generating facilities at Lake Oroville.

Metropolitan capitalizes its share of the State Water Project capital costs as participation rights in State Water Project facilities as such costs are billed by DWR. Unamortized participation rights essentially represent a prepayment for future water deliveries through the State Water Project system. Metropolitan's share of system operating and maintenance costs are annually expensed.

DWR and various subsets of the State Water Project contractors have entered into amendments to the State water supply contracts related to the financing of certain State Water Project facilities. The amendments establish procedures to provide for the payment of construction costs financed by DWR bonds by establishing separate subcategories of charges to produce the revenues required to pay all of the annual financing costs (including coverage on the allocable bonds) relating to the financed project. If any affected Contractor defaults on payment under certain of such amendments, the shortfall may be collected from the non-defaulting affected Contractors, subject to certain limitations.

These amendments represent additional long-term obligations of Metropolitan, as described below.

Devil Canyon-Castaic Contract. On June 23, 1972, Metropolitan and five other Southern California public agencies entered into a contract (the "Devil Canyon-Castaic Contract") with DWR for the financing and construction of the Devil Canyon and Castaic power recovery facilities, located on the aqueduct system of the State Water Project. Under this contract, DWR agreed to build the Devil Canyon and Castaic facilities, using the proceeds of revenue bonds issued by DWR under the State Central Valley Project Act. DWR also agreed to use and apply the power made available by the construction and operation of such facilities to deliver water to Metropolitan and the other contracting agencies. Metropolitan, in turn, agreed to pay to DWR 88 percent of the debt service on the revenue bonds issued by DWR. The bonds matured and were fully retired on July 1, 2022. Additionally, Metropolitan agreed to pay 78.5 percent of the ongoing operation and maintenance expenses of the Devil Canyon facilities and 96 percent of the operation and maintenance expenses of the Castaic facilities.

Off-Aqueduct Power Facilities. In addition to system "on-aqueduct" power facilities costs, DWR has, either on its own or by joint venture, financed certain off-aqueduct power facilities. The power generated is utilized by the system for water transportation and other State Water Project purposes. Power generated in excess of system needs is marketed to various utilities and the CAISO. Metropolitan is entitled to a proportionate share of the revenues resulting from sales of excess power. By virtue of a 1982 amendment to the State Water Contract and the other water supply contracts, Metropolitan and the other water Contractors are responsible for paying the capital and operating costs of the off-aqueduct power facilities regardless of the amount of power generated.

East Branch Enlargement Amendment. In 1986, Metropolitan's State Water Contract and the water supply contracts of certain other State Water Project contractors were amended for the purpose, among others, of financing the enlargement of the East Branch of the California Aqueduct. Under the amendment, enlargement of the East Branch can be initiated either at Metropolitan's request or by DWR finding that enlargement is needed to meet demands. In March 2022, DWR prepared a draft report for East Branch Enlargement cost reallocation methods. The report describes the methods used to determine the East Branch Enlargement cost allocation with the distinction between enlargement and improvement categories and the associated cost recovery methodology. Discussions among Metropolitan, the other State Water Project contractors on the East Branch, and DWR on any timetable and plan for future East Branch enlargement actions have been deferred.

The amendment establishes a separate subcategory of the Transportation Charge under the State water supply contracts for the East Branch Enlargement and provides for the payment of costs associated with financing and operating the East Branch Enlargement. Under the amendment, the annual financing costs for such facilities financed by bonds issued by DWR are allocated among the participating State Water Project contractors based upon the delivery capacity increase allocable to each participating contractor. Such costs include, but are not limited to, debt service, including coverage requirements, deposits to reserves, and certain operation and maintenance expenses, less any credits, interest earnings or other moneys received by DWR in connection with this facility.

If any participating Contractor defaults on payment of its allocable charges under the amendment, among other things, the non-defaulting participating Contractors may assume responsibility for such charges and receive delivery capability that would otherwise be available to the defaulting participating Contractor in proportion to the non-defaulting Contractor's participation in the East Branch Enlargement. If participating Contractors fail to cure the default, Metropolitan will, in exchange for the delivery capability that would otherwise be available to the defaulting participating Contractor, assume responsibility for the capital charges of the defaulting participating Contractor.

Water System Revenue Bond Amendment. In 1987, Metropolitan's State Water Contract and other water supply contracts were amended for the purpose of financing State Water Project facilities through revenue bonds. This amendment establishes a separate subcategory of the Delta Water Charge and the Transportation Charge under the State water supply contracts for projects financed with DWR water system revenue bonds. This subcategory of charge provides the revenues required to pay the annual financing costs of the bonds and consists of two elements. The first element is an annual charge for repayment of capital costs of certain revenue bond financed water system facilities under the existing water supply contract procedures. The second element is a water system revenue bond surcharge to pay the difference between the total annual charges under the first element and the annual financing costs, including coverage and reserves, of DWR's water system revenue bonds.

If any Contractor defaults on payment of its allocable charges under this amendment, DWR is required to allocate a portion of the default to each of the non-defaulting Contractors, subject to certain limitations, including a provision that no non-defaulting Contractor may be charged more than 125 percent of the amount of its annual payment in the absence of any such default. Under certain circumstances, the non-defaulting Contractors would be entitled to receive an allocation of the water supply of the defaulting Contractor.

The following table sets forth Metropolitan's projected costs of State Water Project water based upon DWR's Appendix B to Bulletin 132-22 (an annual report (for this purpose, the 2022 report) produced by DWR setting forth data and computations used by the State in determining State Water Project contractors' Statements of Charges), Metropolitan's share of the forecasted costs associated with the planning of a single tunnel Bay-Delta conveyance project (see "METROPOLITAN'S WATER SUPPLY– State Water Project –Bay-Delta Proceedings Affecting State Water Project – *Bay-Delta Planning Activities"* and " – *Delta Conveyance*" in this Appendix A), and power costs forecasted by Metropolitan.

The projections for fiscal years 2024-25 through 2028-29 reflect Metropolitan's proposed biennial budget for fiscal years 2024-25 and 2025-26, which includes a ten-year financial forecast, and are on a cash basis. See also "HISTORICAL AND PROJECTED REVENUES AND EXPENSES" in this Appendix A. The projections reflect certain assumptions concerning future events and circumstances which may not occur or materialize. Actual costs may vary from these projections if such events and circumstances do not occur as expected or materialize, and such variances may be material.

PROJECTED COSTS OF METROPOLITAN
FOR STATE WATER CONTRACT AND DELTA CONVEYANCE
(Dollars in Millions)

Year Ending June 30	Capital Costs[1]	Minimum OMP&R[1]	Power Costs[2]	Refunds & Credits[1]	Delta Conveyance[3]	Total[4]
2024	$ 186	$ 349	$ 300	$ (61)	$ 65	$ 838
2025	$ 188	$ 331	$ 245	$ (75)	$ 12	$ 701
2026	$ 193	$ 345	$ 242	$ (76)	$ —	$ 704
2027	$ 200	$ 365	$ 240	$ (58)	$ —	$ 747
2028	$ 210	$ 387	$ 239	$ (59)	$ —	$ 777
2029	$ 228	$ 406	$ 237	$ (57)	$ —	$ 813

Source: Metropolitan.

(1) Capital Costs, Minimum Operations, Maintenance, Power and Replacement ("OMP&R") and Refunds and Credits projections are based on DWR's Appendix B to Bulletin 132-22.

(2) Power costs are forecasted by Metropolitan based on a 40 percent State Water Project allocation in calendar 2023, and a 50 percent State Water Project allocation thereafter. Availability of State Water Project supplies vary, and deliveries may include transfers and storage. All deliveries are based upon availability, as determined by hydrology, water quality and wildlife conditions. See "METROPOLITAN'S WATER SUPPLY–State Water Project" and "–Endangered Species Act and Other Environmental Considerations Relating to Water Supply" in this Appendix A.

(3) Based on Metropolitan's share of the forecasted planning costs for a single tunnel project. Does not include any capital costs associated with any future proposed Bay-Delta conveyance project. Fiscal year 2023-24 costs will be offset by $30 million by the use of the California WaterFix refund.

(4) Totals may not add due to rounding.

Power Sources and Costs; Related Long-Term Commitments

Current and future costs for electric power required for operating the pumping systems of the CRA and the State Water Project are a substantial part of Metropolitan's overall expenses. Metropolitan's power costs include various ongoing fixed annual obligations under its contracts with the U.S. Department of Energy Western Area Power Administration and the Bureau of Reclamation for power from the Hoover Power Plant and Parker Power Plant, respectively. Under the terms of the Hoover Power Plant and Parker Power Plat contracts, Metropolitan purchases energy to pump water through the CRA. Expenses for electric power for the CRA for the fiscal years 2021-22 and 2022-23 were approximately $91.1 million and $161.9 million, respectively. Payments made under the Hoover Power Plant and Parker Power Plant contracts are operation and maintenance expenses. Expenses for electric power and transmission service for the State Water Project for fiscal years 2021-22 and 2022-23 were approximately $126.5 million and $138.2 million, respectively. Electricity markets are subject to volatility and Metropolitan is unable to give any assurance with respect to the magnitude of future power costs.

Colorado River Aqueduct. Approximately 50 percent of the annual power requirements for pumping at full capacity (1.25 million acre-feet of Colorado River water) in Metropolitan's CRA are secured through long-term contracts for energy generated from federal facilities located on the Colorado River (Hoover Power Plant and Parker Power Plant). Payments made under the Hoover Power Plant and Parker Power Plant contracts are operation and maintenance expenses. These contracts provide Metropolitan with reliable and economical power resources to pump Colorado River water to Metropolitan's service area.

As provided for under the Hoover Power Allocation Act of 2011 (H.R. 470), Metropolitan has executed a 50-year agreement with the Western Area Power Administration for the continued purchase of electric energy generated at the Hoover Power Plant through September 2067, succeeding Metropolitan's prior Hoover contract that expired on September 30, 2017.

Depending on pumping conditions, Metropolitan can require additional energy in excess of the base resources available to Metropolitan from the Hoover Power Plant and Parker Power Plant. The remaining up to approximately 50 percent of annual pumping power requirements for full capacity pumping on the CRA is obtained through energy purchases from municipal and investor-owned utilities, third party suppliers, or the CAISO markets. Metropolitan is a member of the Western Systems Power Pool ("WSPP") and utilizes its industry standard form contract to make wholesale power purchases at market cost. The current drought conditions have reduced the water level of Lake Mead and led to declining generation output from Hoover Dam, a condition that is expected to remain for the next several years. This, combined with continued high pumping demand on the CRA, will likely lead to increased reliance on supplemental energy purchases from the WSPP or CAISO markets and continued higher than normal energy costs for the CRA.

Gross diversions of water from Lake Havasu for fiscal years 2021-22 and 2022-23 were approximately 1,104,264 acre-feet and 956,382 acre-feet, respectively, including Metropolitan's basic apportionment of Colorado River water and supplies from water transfer and storage programs. In fiscal years 2021-22 and 2022-23, Metropolitan purchased approximately 1,181,000 megawatt-hours and 962,595 megawatt-hours, respectively, of additional energy.

Metropolitan has agreements with the Arizona Electric Power Cooperative ("AEPCO") to provide transmission and energy purchasing services to support CRA power operations. The term of these agreements extends to December 31, 2035. AEPCO's subsidiary, ACES, provides energy scheduling services for Metropolitan's share of Hoover and Parker generation and CRA pumping load.

State Water Project. The State Water Project's power requirements are met from a diverse mix of resources, including State-owned hydroelectric generating facilities and short-term contracts entered into by DWR. These resources represent approximately 46% of the State Water Project's estimated power requirements for 2024. The remainder of the State Water Project power needs is met by purchases from the CAISO.

DWR is seeking renewal of the license issued by FERC for the State Water Project's Hyatt-Thermalito hydroelectric generating facilities at Lake Oroville. A Settlement Agreement containing recommended conditions for the new license was submitted to FERC in March 2006. That agreement was signed by over 50 stakeholders, including Metropolitan and other State Water Project contractors. With only a few minor modifications, FERC staff recommended that the Settlement Agreement be adopted as the condition for the new license. DWR issued a final EIR for the relicensing project on July 22, 2008.

Butte County and Plumas County filed separate lawsuits against DWR challenging the adequacy of the final EIR. This lawsuit also named all of the signatories to the Settlement Agreement, including Metropolitan, as "real parties in interest," since they could be adversely affected by this litigation. On April 7, 2023, the Court of Appeal ruled that the EIR complied with CEQA. On June 28, 2023, the California Supreme Court denied petitioner's request to review. The Court of Appeal's decision is therefore final and the litigation is complete.

Regulatory permits and authorizations are also required before the new license can take effect. In December 2016, NMFS issued a biological opinion setting forth the terms and conditions under which the relicensing project must operate in order to avoid adverse impacts to threatened and endangered species. This was the last major regulatory requirement prior to FERC issuing a new license. Following the 2017

Oroville Dam spillway incident, Butte County, the City of Oroville, and others requested that FERC not issue a new license until an Independent Forensic Team ("IFT") delivered their final report to FERC and FERC has had adequate time to review the report. The Final IFT report was delivered on January 5, 2018. DWR submitted a plan to address the findings of the report to FERC on March 12, 2018. See "METROPOLITAN'S WATER SUPPLY–State Water Project –2017 Oroville Dam Spillway Incident" in this Appendix A Metropolitan anticipates that FERC will issue the new license; however, the timeframe for FERC approval is not currently known. However, FERC has issued one-year renewals of the existing license since its initial expiration date on January 31, 2007 and is expected to issue successive one-year renewals until a new license is obtained.

DWR receives transmission service from the CAISO. The transmission service providers participating in the CAISO may seek increased transmission rates, subject to the approval of FERC. DWR has the right to contest any such proposed increase. DWR may also be subject to increases in the cost of transmission service as new electric grid facilities are constructed.

Numerous legislative bills and Executive Orders have been enacted over the years addressing California's GHG emissions that ultimately affect energy prices. The California Global Warming Solutions Act of 2006 (AB 32, Núñez), required California to reduce its GHG emissions to 1990 levels by 2020. SB 32 (2016, Pavley) extended AB 32 by requiring the State to reduce GHG emissions to 40 percent below 1990 levels by 2030. In 2018, Governor Brown signed SB 100 (de León) and Executive Order B-55-18, establishing the policy of the State that eligible renewable energy resources and zero-carbon resources supply 100 percent clean energy to all California end-use customers and State agencies by December 31, 2045. SB 100 also increased the 2030 Renewables Portfolio Standard ("RPS") requirement for retail electric utilities from 50 percent to 60 percent. Metropolitan and DWR are not subject to the RPS requirements. However, as a State agency, DWR is subject to the Executive Order. DWR has an existing climate action plan in order to achieve carbon neutrality by 2045. SB 1020 (2022, Laird) accelerated the date by which State agencies, including DWR, must procure 100 percent of electricity from eligible renewable energy resources and zero-carbon resources from December 31, 2045 to December 31, 2035, and would mandate certain criteria and process requirements that would apply to DWR in connection with its procurement of renewable and zero-carbon resources for the State Water Project.

On October 9, 2019, Governor Newsom signed SB 49 into law. SB 49 requires Natural Resources, in collaboration with the California Energy Commission and DWR, to assess by January 1, 2022 the opportunities and constraints for potential operational and structural upgrades to the State Water Project to aid California in achieving its climate and energy goals, and to provide associated recommendations consistent with California's energy goals. DWR submitted its draft SB 49 report to the Governor's office for review in April 2022.

Defined Benefit Pension Plan and Other Post-Employment Benefits

Metropolitan is a member of the California Public Employees' Retirement System ("PERS"), a multiple-employer pension system that provides a contributory defined-benefit pension for substantially all Metropolitan employees. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State. PERS is a contributory plan deriving funds from employee contributions as well as from employer contributions and earnings from investments. A menu of benefit provisions is established by State statutes within the Public Employees' Retirement Law. Metropolitan selects optional benefit provisions from the benefit menu by contract with PERS.

Metropolitan makes contributions to PERS based on actuarially determined employer contribution rates. The actuarial methods and assumptions used are those adopted by the PERS Board of Administration ("PERS Board"). Employees hired prior to January 1, 2013 are required to contribute 7.00 percent of their

earnings (excluding overtime pay) to PERS. Pursuant to the current memoranda of understanding, Metropolitan contributes the requisite 7.00 percent contribution for all employees represented by the Management and Professional Employees Association, the Association of Confidential Employees, Supervisors and Professional Personnel Association and AFSCME Local 1902 and who were hired prior to January 1, 2012. Employees in all four bargaining units who were hired on or after January 1, 2012, pay the full 7.00 percent contribution to PERS for the first five years of employment. After the employee completes five years of employment, Metropolitan contributes the requisite 7.00 percent contribution. Metropolitan also contributes the entire 7.00 percent on behalf of unrepresented employees. Employees hired on or after January 1, 2013 and who are "new" PERS members as defined by Public Employees' Pension Reform Act of 2013 pay a member contribution of 8.00 percent in fiscal year 2023-24. In addition, Metropolitan is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members.

The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by PERS. The fiscal year contributions were/are based on the following actuarial reports and discount rates:

Fiscal Year	Actuarial Valuation	Discount Rate
2020-21	June 30, 2018	7.00%
2021-22	June 30, 2019	7.00%
2022-23	June 30, 2020	7.00%
2023-24	June 30, 2021	6.80%
2024-25	June 30, 2022	6.80%

The most recent actuarial valuation reports of PERS, as well as other information concerning benefits and other matters, are available on the PERS website at https://www.calpers.ca.gov/page/employers/actuarial-resources/public-agency-actuarial-valuation-reports. Such information is not incorporated by reference herein. Metropolitan cannot guarantee the accuracy of such information. Actuarial valuations are "forward-looking" information that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future. Actuarial valuations will change with the future experience of the pension plans.

In July 2021, PERS' Funding Risk Mitigation Policy triggered an automatic discount rate reduction from 7.00 percent to 6.80 percent due to the double-digit investment return for fiscal year 2021 to offset the cost of reducing the expected volatility of future investment returns. In November 2021, the PERS Board voted to retain the 6.80 percent discount rate, which will increase Metropolitan's contribution levels beginning fiscal year 2023-24.

Metropolitan was required to contribute 34.39 percent and 35.74 percent of annual projected payroll for fiscal years 2021-22 and 2022-23, respectively. Metropolitan's actual contribution for fiscal years 2021-22 and 2022-23 were $81.5 million or 33.79 percent of annual covered payroll and $88.2 million or 35.31 percent of annual covered payroll, respectively. The fiscal years 2021-22 and 2022-23 actual contribution included $11.0 million or 4.56 percent and $10.6 million or 4.24 percent of annual covered payroll, respectively, for Metropolitan's pick-up of the employees' 7.00 percent share. For fiscal years 2023-24 and 2024-25, Metropolitan is required to contribute 33.98 percent and 37.52 percent of annual projected payroll, respectively, in addition to member contributions paid by Metropolitan.

Metropolitan's required contributions to PERS fluctuate each year and include a normal cost component and a component equal to an amortized amount of the unfunded liability. Many assumptions are used to estimate the ultimate liability of pensions and the contributions that will be required to meet those obligations. The PERS Board has adjusted and may in the future further adjust certain assumptions used in the PERS actuarial valuations, which may increase Metropolitan's required contributions to PERS in future years. Accordingly, Metropolitan cannot provide any assurances that its required contributions to PERS in future years will not significantly increase (or otherwise vary) from any past or current projected levels of contributions.

The PERS Board adopted a new amortization policy effective with the June 30, 2019 actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed using a level dollar amount. In addition, the new policy removes the five-year ramp-up and ramp-down on unfunded accrued liability bases attributable to assumption changes and non-investment gains/losses. The new policy removes the five-year ramp-down on investment gains/losses. These changes apply only to new unfunded accrued liability bases established on or after June 30, 2019.

On November 17, 2021, the PERS Board adopted new actuarial assumptions based on the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study reviewed the retirement rates, termination rates, mortality rates, rate of salary increases, and inflation assumption for public agencies. The PERS Board also changed the strategic asset allocation, capital market assumptions, and economic assumptions all of which support the new 6.80 percent discount rate. In addition, the PERS Board reduced the inflation assumption from 2.50 percent to 2.30 percent. These changes were incorporated in the June 30, 2021 valuation and will impact Metropolitan's required contribution for fiscal year 2023-24.

The following table shows the funding progress of Metropolitan's pension plan.

Valuation Date	Accrued Liability ($ in billions)	Market Value of Assets ($ in billions)	Unfunded Accrued Liability ($ in billions)	Funded Ratio
6/30/22 [(1)]	$2.875	$2.015	$(0.859)	70.1%
6/30/21	$2.752	$2.228	$(0.524)	81.0%
6/30/20	$2.625	$1.848	$(0.777)	70.4%
6/30/19	$2.534	$1.810	$(0.724)	71.4%
6/30/18	$2.433	$1.744	$(0.689)	71.7%

Source: California Public Employees' Retirement System

(1) Most recent actuarial valuation available.

The market value of assets reflected above is based upon the most recent actuarial valuation as of June 30, 2022. The actuarial valuation as of June 30, 2023 has not yet been released. The June 30, 2022 valuation report will be used to establish the contribution requirements for fiscal year 2024-25. Increased volatility has been experienced in the financial markets in recent years. Significant losses in market value or failure to achieve projected investment returns could substantially increase unfunded pension liabilities and future pension costs.

The following tables show the changes in Net Pension Liability and related ratios of Metropolitan's pension plan.

(Dollars in thousands)	06/30/23	6/30/22	Increase/ (Decrease)
Total Pension Liability	$ 2,807,458	$ 2,669,675	$ 137,783
Plan Fiduciary Net Position	2,016,832	2,229,075	(212,243)
Plan Net Pension Liability	$ 790,626	$ 440,600	$ 350,026
Plan fiduciary net positions as a % of the total pension liability	71.84%	83.50%	
Covered payroll	$ 241,288	$ 235,294	
Plan net pension liability as a % of covered payroll	327.67%	187.26%	

(Dollars in thousands)	06/30/22	6/30/21	Increase/ (Decrease)
Total Pension Liability	$ 2,669,675	$ 2,578,818	$ 90,857
Plan Fiduciary Net Position	2,229,075	1,854,231	374,844
Plan Net Pension Liability	$ 440,600	$ 724,587	$ (283,987)
Plan fiduciary net positions as a % of the total pension liability	83.50%	71.90%	
Covered payroll	$ 235,294	$ 225,707	
Plan net pension liability as a % of covered payroll	187.26%	321.03%	

Source: GASB 68 Accounting Report for the respective measurement date prepared for Metropolitan by the California Public Employees' Retirement System.

The Net Pension Liability for Metropolitan's Miscellaneous Plan for the fiscal years ended June 30, 2022 and 2023 were measured as of June 30, 2021 and June 30, 2022, respectively, and the Total Pension Liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of June 30, 2020 and June 30, 2021, respectively.

For more information on the plan, see APPENDIX B–"THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND JUNE 30, 2022 AND BASIC FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED DECEMBER 31, 2023 AND 2022 (UNAUDITED)."

Metropolitan currently provides post-employment medical insurance to retirees and pays the post-employment medical insurance premiums to PERS. On January 1, 2012, Metropolitan implemented a longer vesting schedule for retiree medical benefits, which applies to all new employees hired on or after January 1, 2012. Payments for this benefit were $23.2 million in fiscal year 2020-21, $23.9 million in fiscal year 2021-22 and $14.9 million in fiscal year 2022-23. Employees are not required to contribute to the plan.

Under Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, Metropolitan is required to account for and report the outstanding obligations and commitments related to such benefits, commonly referred to as other post-employment benefits ("OPEB"), on an accrual basis.

The actuarial valuations dated June 30, 2019 and June 30, 2021, were released in June of 2020 and May of 2022, respectively. The 2019 valuation indicated that the Actuarially Determined Contribution ("ADC") in fiscal years 2021-22 and 2022-23 were $23.9 million and $14.9 million, respectively, and the 2021 valuation indicated that the ADC will be $15.3 million in fiscal year 2023-24. The ADC consists of two parts: (1) the normal cost, which represents the annual cost attributable to service earned in a given year and (2) the layered amortization of Unfunded Actuarial Liability as a level percentage of payroll.

The actuarial assumptions included the following:

	June 30, 2021 Valuation	**June 30, 2019 Valuation**
Actuarial Cost Method	Entry Age, level percentage of payroll	Entry age, level percentage of payroll
Amortization Method/Period	Level percentage of payroll over 23 year closed period (15 years remaining on measurement date 6/30/20)	Level percentage of payroll over 23 year closed period (17 years remaining on measurement date 6/30/20)
Asset Valuation Method	Investment gains/losses spread over 5 year rolling period with corridor of 80% and 120% of fair value	Investment gains/losses spread over 5 year rolling period with corridor of 80% and 120% of fair value
Investment Rate of Return	6.75%	6.75%
Inflation	3.00%	2.75%
Mortality, Disability, Termination, Retirement	CalPERS 2000-2019 Experience Study	CalPERS 1997-2015 Experience Study
Health Care Cost Trends	Pre-Medicare - 6.8% for 2023, grading down to 3.83% for 2076 and later. Medicare –5.4% for 2022, grading down to 3.83% for 2076 and later	Pre-Medicare – 7.0% for 2022, grading down to 4.00% for 2076 and later. Medicare – 6.1% for 2022, grading down to 4.00% for 2076 and later
Mortality Improvement	Mortality projected fully generational with Scale MP-2021	Mortality projected fully generational with Scale MP-2019

As of June 30, 2021, the date of the most recent OPEB actuarial valuation report, the unfunded actuarial liability was estimated to be $94.3 million and projected to be $69.7 million at June 30, 2022.

In September 2013, Metropolitan's Board established an irrevocable OPEB trust fund with the California Employers' Retiree Benefit Trust Fund. The market value of assets in the trust as of June 30, 2023 was $345.8 million. As part of its biennial budget process, the Board approved the full funding of the ADC for fiscal years 2022-23 and 2023-24.

Increased volatility in the financial markets has been experienced in recent years. Declines in the market value of the OPEB trust fund or failure to achieve projected investment returns could negatively affect the funding status of the trust fund and increase ADCs in the future.

The following tables show the changes in Net OPEB Liability and related ratios of Metropolitan's OPEB plan.

(Dollars in thousands)	06/30/23	6/30/22	Increase/ (Decrease)
Total OPEB Liability	$ 443,189	$ 429,603	$ 13,586
Plan Fiduciary Net Position	328,536	377,321	(48,785)
Plan Net OPEB Liability	$ 114,653	$ 52,282	$ 62,371
Plan fiduciary net positions as a % of the total OPEB liability	74.13%	87.83%	
Covered payroll	$ 241,288	$ 235,294	
Plan net OPEB liability as a % of covered payroll	47.52%	22.22%	

(Dollars in thousands)	06/30/22	6/30/21	Increase/ (Decrease)
Total OPEB Liability	$ 429,603	$ 452,293	$ (22,690)
Plan Fiduciary Net Position	377,321	287,562	89,759
Plan Net OPEB Liability	$ 52,282	$ 164,731	$ (112,449)
Plan fiduciary net positions as a % of the total OPEB liability	87.83%	63.58%	
Covered payroll	$ 235,294	$ 225,707	
Plan net OPEB liability as a % of covered payroll	22.22%	72.98%	

Source: GASB Statement No. 74/75 Report for the respective fiscal year prepared for Metropolitan by its actuary for the Retiree Healthcare Plan.

The Net OPEB Liability for the years ended June 30, 2022 and 2023 were measured as of June 30, 2021 and June 30, 2022, respectively, and the Total OPEB Liability used to calculate the Net OPEB Liability as of such dates were determined by an annual actuarial valuation as of June 30, 2021.

For more information on the OPEB plan, see APPENDIX B–"THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND JUNE 30, 2022 AND BASIC FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED DECEMBER 31, 2023 AND 2022 (UNAUDITED)."

HISTORICAL AND PROJECTED REVENUES AND EXPENSES

The "Historical and Projected Revenues and Expenses" table below for fiscal years 2019-20 through 2021-22, provides a summary of revenues and expenses of Metropolitan prepared on a modified accrual basis. This is consistent with Metropolitan's budgetary reporting for such fiscal years, including the biennial budget for fiscal years 2020-21 and 2021-22. Under the modified accrual basis of accounting, revenues are recognized in the fiscal year in which they are earned, and expenses are recognized when incurred. Thus, water revenues are recognized in the month the water transaction occurs and expenses are recognized when goods have been received and services have been rendered.

Metropolitan's accounting method for budgetary purposes changed from modified accrual basis to cash basis beginning with fiscal year 2022-23. Consistent with its biennial budget for fiscal years 2022-23 and 2023-24, Metropolitan's proposed biennial budget for fiscal years 2024-25 and 2025-26, which includes a ten-year financial forecast, has been prepared on a cash basis, and financial projections for fiscal years 2024-25 through 2028-29 prepared from the ten-year financial forecast on a cash basis are set forth in the table below. Under cash basis accounting, water sales revenues are recorded when received (two months after billed) and expenses when paid (approximately one month after invoiced). For comparative purposes only, Metropolitan has provided in the table below its fiscal year 2021-22 results on both a modified accrual basis and a cash basis. Fiscal year 2022-23 results are prepared on a cash basis consistent with Metropolitan's budgetary reporting for such fiscal year. The financial projection for fiscal year 2023-24 reflects results through December 2023. The table does not reflect the accrual basis of accounting, which is used to prepare Metropolitan's annual audited financial statements. Under accrual accounting, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of the timing of related cash flows. The change to cash basis accounting is for budgetary purposes. Metropolitan will continue to calculate compliance with its rate covenants, limitations on additional bonds and other financial covenants in the Resolutions in accordance with their terms.

The projections are based on assumptions concerning future events and circumstances that may impact revenues and expenses and represent management's best estimates of results at this time. See the footnotes to the table below entitled "HISTORICAL AND PROJECTED REVENUES AND EXPENSES" and "MANAGEMENT'S DISCUSSION OF HISTORICAL AND PROJECTED REVENUES AND EXPENSES" for relevant assumptions, including projected water transactions and the average annual increase in the effective water rate, and "MANAGEMENT'S DISCUSSION OF HISTORICAL AND PROJECTED REVENUES AND EXPENSES" for a discussion of potential impacts. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur. Therefore, the actual results achieved during the projection period will vary from the projections and the variations may be material. The budget and projection information, and all other forward-looking statements in this Appendix A, are based on current expectations and are not intended as representations of facts or guarantees of future results.

The presentation below differs from that previously presented in certain of Metropolitan's prior offering documents and continuing disclosure annual report filings with respect to the actual and expected use of certain funds on hand and the application of Reserve Transfers as offsets to operating and maintenance expenses and as Additional Revenues, respectively. Metropolitan now consistently applies these funds as set forth in the table below, which impacted the bond and fixed-charge coverage calculation in fiscal year 2019-20 through fiscal year 2024-25. O&M, CRA Power and Water Transfer Costs were updated to reflect the set-aside of $1.2 million in fiscal year 2019-20 and $12.8 million in fiscal year 2020-21, and the use of $26.5 million in fiscal year 2021-22 from the Exchange Agreement Set-Aside Fund to offset the $50.5 million payment to SDCWA in connection with the litigation challenging Metropolitan's rates. See "METROPOLITAN REVENUES–Litigation Challenging Rate Structure" in this Appendix A. Lastly, a Reserve Transfer of $153 million in fiscal year 2022-23, and a projected Reserve Transfer of $204 million in 2023-24 are reflected in the table below.

As noted herein, for comparative purposes in connection with Metropolitan's change in accounting method for budgetary purposes, financial results for fiscal year 2021-22 are provided on both a modified accrual basis and a cash basis. Beginning with fiscal year 2022-23, the results and projections are prepared on a cash basis. The financial projection for fiscal year 2023-24 reflects results through December 2023. The financial projections for fiscal years 2024-25 through 2028-29 in the table below reflect the proposed biennial budget for fiscal years 2024-25 and 2025-26 as well as a ten-year financial forecast provided therein on a cash basis. The financial projections include Metropolitan's share of the forecasted costs associated with the planning of a single tunnel Bay-Delta conveyance project and certain costs associated with PWSC. See "METROPOLITAN'S WATER SUPPLY–State Water Project –Bay-Delta Proceedings Affecting State Water Project – *Bay-Delta Planning Activities"* and "– *Delta Conveyance*" and "REGIONAL WATER RESOURCES–Local Water Supplies – *Recycled Water-Metropolitan Pure Water Southern California Program*" in this Appendix A.

Metropolitan's resource planning projections are developed using a comprehensive analytical process that incorporates demographic growth projections from recognized regional planning entities, historical and projected data acquired through coordination with local agencies, and the use of generally accepted empirical and analytical methodologies. Due to the unpredictability of future hydrologic conditions, Metropolitan's projected supplemental wholesale water transactions may vary considerably. Metropolitan's Water Resource Management provided the projections of the volume of annual water transactions for the proposed biennial budget for fiscal years 2024-25 and 2025-26 and ten-year financial forecast provided therein. The water transactions projections used to determine water rates and charges assume a transition from dry conditions to average year hydrology. Actual water transactions are likely to vary from projections. As shown in the chart entitled "Historical Water Transactions" below, water transactions can vary significantly from average and demonstrates the degree to which Metropolitan's commitments to meet supplemental demands can impact water transactions. In years when actual transactions exceed projections, the revenues from water transactions during the fiscal year will exceed budget, potentially resulting in an increase in financial reserves. In years when actual transactions are less than projections, Metropolitan uses various tools to manage reductions in revenues, such as reducing expenses below budgeted levels, reducing funding of capital projects from revenues, and drawing on reserves. See "METROPOLITAN REVENUES–Financial Reserve Policy" in this Appendix A. See also "—Projected Fiscal Year 2023-24 Financial Results." Metropolitan considers actual transactions, revenues and expenses, and financial reserve balances in setting rates for future fiscal years.

As described above, for comparative purposes, fiscal year 2021-22 results are presented on both a modified accrual basis and a cash basis. Projections in the following table reflect results through December 2023 for fiscal year 2023-24. Financial projections for fiscal years 2024-25 through 2028-29 reflect the proposed biennial budget for Fiscal Years 2024-25 and 2025-26 and ten-year financial forecast provided therein on a cash basis. This includes the issuance of $3,430 million of bonds for fiscal years 2024-25 through 2028-29 to finance a portion of the costs of the CIP including, for planning purposes, certain projected costs of PWSC if a project is approved. The projections also assume the issuance of an additional $48 million of bonds during the same period to finance other capital expenditures of Metropolitan relating to conservation and supply programs. See "MANAGEMENT'S DISCUSSION OF HISTORICAL AND PROJECTED REVENUES AND EXPENSES" and "CAPITAL INVESTMENT PLAN–Capital Investment Plan Financing" in this Appendix A.

Water transactions with member agencies were 1.65 million acre-feet in fiscal year 2021-22 and 1.39 million acre-feet for fiscal year 2022-23. Water transactions with member agencies are projected to be 1.22 million acre-feet for fiscal years 2023-24 and 1.44 million acre-feet for fiscal year 2024-25, 1.44 million acre-feet for fiscal year 2025-26, 1.44 million acre-feet for fiscal years 2026-27, 1.45 million acre-feet for fiscal year 2027-28 and 1.45 million acre-feet for fiscal year 2028-29. Rates and charges increased by 5.0 percent on January 1, 2023 and 5.0 percent on January 1, 2024. Rates and charges are projected to increase 13.0 percent for calendar year 2025, and 8.0 percent for calendar year 2026, 12.0

percent for calendar year 2027, 8.0 percent for calendar year 2028, and 5.0 percent for calendar year 2029. Actual rates and charges to be effective in calendar year 2025 and thereafter are subject to adoption by Metropolitan's Board.

The projections were prepared by Metropolitan and have not been reviewed by independent certified public accountants or any entity other than Metropolitan. Dollar amounts are rounded.

[Remainder of page intentionally left blank.]

HISTORICAL AND PROJECTED REVENUES AND EXPENSES[a]
Fiscal Years Ended June 30
(Dollars in Millions)

	Modified Accrual			Cash Basis							
	2020	2021	2022	2022	2023	2024	2025	2026	2027	2028	2029
	Actual	Actual	Actual	Actual	Actual	Projected	Proposed Budget	Proposed Budget	10-Yr. Forecast	10-Yr. Forecast	10-Yr. Forecast
Water Revenues[b]	$1,188	$1,405	$1,515	$1,523	$1,323	$1,222	$1,524	$1,711	$1,865	$2,085	$2,374
Other Charge Revenues[c]	165	165	172	171	182	196	203	216	233	255	282
Total Operating Revenues	1,353	1,569	1,687	1,693	1,505	1,417	1,727	1,927	2,098	2,340	2,655
O&M, CRA Power and Water Transfer Costs[d]	(643)	(648)	(796)	(770)	(864)	(743)	(909)	(946)	(1,019)	(1,076)	(1,198)
Total SWC OMP&R and Power Costs[e]	(384)	(393)	(411)	(374)	(412)	(624)	(507)	(503)	(541)	(566)	(620)
Total Operation and Maintenance	(1,027)	(1,042)	(1,207)	(1,144)	(1,275)	(1,367)	(1,416)	(1,449)	(1,560)	(1,642)	(1,818)
Net Operating Revenues	$ 326	$ 528	$ 479	$ 549	$ 229	$ 51	$ 311	$ 478	$ 537	$ 698	$ 838
Additional Revenue Sources											
Miscellaneous Revenue[f]	13	13	18	23	24	72	98	99	52	48	49
Reserve Transfers[g]	—	—	—	—	153	204	—	—	—	—	—
Sales of Hydroelectric Power[h]	16	19	8	9	6	8	17	14	13	13	13
Interest on Investments[i]	20	10	7	10	21	31	49	43	40	43	51
Total Additional Revenues	49	42	33	42	204	315	165	155	105	103	112
Adjusted Net Operating Revenues[j]	$375	$570	$513	$591	$434	$366	$476	$634	$642	$801	$950
Senior Obligations	(232)	(222)	(178)	(178)	(172)	(196)	(200)	(200)	(237)	(283)	(430)
Subordinate Obligations	(40)	(57)	(97)	(97)	(121)	(126)	(135)	(151)	(134)	(138)	(104)
Senior and Subordinate Obligations[k]	(272)	(279)	(275)	(275)	(293)	(322)	(336)	(351)	(371)	(421)	(534)
Funds Available from Operations	$ 104	$ 292	$ 238	$ 316	$ 141	$ 44	$ 140	$ 283	$ 271	$ 380	$ 416
Debt Service Coverage (DSC) on all Senior Bonds	1.62	2.57	2.88	3.32	2.52	1.87	2.37	3.17	2.71	2.83	2.21
DSC on all Senior and Subordinate Bonds[l]	1.38	2.05	1.86	2.15	1.48	1.14	1.42	1.80	1.73	1.90	1.78
Operating Equipment Expense	(6)	(6)	(4)	(4)	(7)	$ (9)	$ (10)	$ (10)	$ (11)	$ (11)	$ (13)
Pay-As-You Go Construction	(39)	(110)	(135)	(135)	(135)	(35)	(125)	(175)	(175)	(250)	(275)
Pay-As-You Go Funded from Replacement & Refurbishment Fund Reserves	1	—	1	1	2	—		—	—	—	—
Total SWC Capital Costs Paid from Current Year Operations	(1)	—	—	—	—	—	—	—	—	—	—
Remaining Funds Available from Operations	$ 59	$ 176	$ 100	$ 177	$ —	$ —	$ 5	$ 97	$ 85	$ 118	$ 128
Fixed Charge Coverage[m]	1.38	2.05	1.86	2.15	1.48	1.14	1.42	1.80	1.73	1.90	1.78
Property Taxes	$ 147	$ 161	$ 168	$ 160	$ 198	$ 186	$ 196	$ 203	$ 208	$ 213	$ 227
General Obligation Bonds Debt Service Paid from Property Taxes	(13)	(7)	(8)	(8)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
SWC Capital Costs Paid from Property Taxes	(134)	(131)	(140)	(140)	(133)	(124)	(113)	(117)	(142)	(151)	(188)
SWC O&M Costs Paid from Property Taxes	—	(23)	(21)	(12)	(62)	(59)	(81)	(84)	(64)	(60)	(38)

Source: Metropolitan.

(Footnotes to table are on next pages)

(Footnotes to table on prior page)

(a) Unaudited. Totals may not add due to rounding. Prepared on a modified accrual basis through fiscal year 2021-22 and prepared and projected on a cash basis fiscal year 2021-22 forward. Fiscal year 2021-22 results are presented on both a modified accrual and cash basis for comparative purposes. Projected revenues and expenses in fiscal year 2023-24 are based on results through December 2023. Projections for fiscal year 2024-25 through fiscal year 2028-29 are based on assumptions and estimates used in the proposed biennial budget for fiscal years 2024-25 and 2025-26 and ten-year financial forecast provided therein and reflect the projected issuance of additional bonds. See "MANAGEMENT'S DISCUSSION OF HISTORICAL AND PROJECTED REVENUES AND EXPENSES" in this Appendix A.

(b) Water Revenues include revenues from water sales, exchanges, and wheeling. During the fiscal years ended June 30, 2020 through June 30, 2023, annual water transactions with member agencies (in acre-feet) were 1.37 million, 1.57 million, 1.65 million, and 1.39 million, respectively. See the table entitled "Summary of Water Transactions and Revenues" under "METROPOLITAN REVENUES–Water Revenues" in this Appendix A. The water transactions projections (in acre-feet) are 1.22 million acre-feet for fiscal years 2023-24, 1.44 million acre-feet for 2024-25, 1.44 million acre-feet for fiscal year 2025-26, 1.44 million acre-feet for fiscal years 2026-27, 1.45 million acre-feet for 2027-28, and 1.45 million acre-feet for fiscal years 2028-29. Projections reflect adopted overall rate and charge increase of 5.0 percent for each of the calendar years 2023 and 2024. Rates and charges are projected to increase 13.0 percent for calendar year 2025, 8.0 percent for calendar year 2026, 12.0 percent for calendar year 2027, 8.0 percent for calendar year 2028, and 5.0 percent for calendar year 2029, subject to adoption by Metropolitan's Board. See "MANAGEMENT'S DISCUSSION OF HISTORICAL AND PROJECTED REVENUES AND EXPENSES" in this Appendix A.

(c) Includes revenues from water standby, readiness-to-serve, and capacity charges. The term Operating Revenues excludes *ad valorem* taxes. See "METROPOLITAN REVENUES–Other Charges" in this Appendix A.

(d) Water Transfer Costs and PWSC planning costs (described under "REGIONAL WATER RESOURCES–Local Water Supplies – *Recycled Water-Metropolitan Pure Water Southern California Program*" in this Appendix A) are included in operation and maintenance expenses for purposes of calculating the debt service coverage on all Obligations. Operation and maintenance expenses also include $1.2 million in fiscal year 2019-20, $12.8 million in fiscal year 2020-21 and $24.0 million in fiscal year 2021-22 in connection with the SDCWA litigation challenging Metropolitan's rates ($50.5 million is the total paid in fiscal year 2021-2022, with the balance paid from the Exchange Agreement Set-Aside Fund). See METROPOLITAN REVENUES–Litigation Challenging Rate Structure" in this Appendix A. O&M, CRA Power and Water Transfer Costs are net of grant funds to be applied to fund planning costs of PWSC (see "REGIONAL WATER RESOURCES–Local Water Supplies – Recycled Water-Metropolitan Pure Water Southern California Program") and California WaterFix refund monies held and applied to offset Delta Conveyance costs ($4.5 million in fiscal year 2022-23 and $30 million in fiscal year 2023-24). Also net of conservation and supply programs expenses expected to be paid from bond proceeds. See footnote (k) below.

(e) Includes on- and off-aqueduct power and operation, maintenance, power and replacement costs payable under the State Water Contract and Delta Conveyance planning costs. See "METROPOLITAN EXPENSES–State Water Contract Obligations" in this Appendix A. See also "METROPOLITAN'S WATER SUPPLY–State Water Project –Bay-Delta Proceedings Affecting State Water Project – *Bay-Delta Planning Activities*" and "– *Delta Conveyance*" in this Appendix A. SWC OMP&R costs are net of (offset by) amounts paid from property taxes as detailed in the table above.

(f) May include lease and rental net proceeds, net proceeds from sale of surplus property, reimbursements, PWSC contributions, and in fiscal years 2019-20 and 2020-21, federal interest subsidy payments for Build America Bonds.

(g) Reflects transfers from the Water Stewardship Fund, the Water Treatment Surcharge Stabilization Fund, and the Water Rate Stabilization Fund of $153 million in fiscal year 2022-23, and transfers from the Water Rate Stabilization Fund of $204 million in fiscal year 2023-24.

(h) Includes CRA power sales.

(i) Does not include interest applicable to Bond Construction Funds, the Excess Earnings Funds, other trust funds and the Deferred Compensation Trust Fund. Includes net gain or loss on investments.

(j) Adjusted Net Operating Revenues is the sum of all available revenues that the revenue bond resolutions specify may be considered by Metropolitan in setting rates and issuing additional Senior Revenue Bonds and Senior Parity Obligations and Subordinate Revenue Bonds and Subordinate Parity Obligations.

(Footnotes continue on next page)

(Footnotes continued from prior page)

(k) Includes debt service on outstanding Senior Revenue Bonds, Senior Parity Obligations, Subordinate Revenue Bonds, Subordinate Parity Obligations, and additional Revenue Bonds (projected). Assumes the issuance of approximately $180 million in fiscal year 2024-25, approximately $150 million in fiscal year 2025-26, approximately $900 million in fiscal year 2026-27, approximately $950 million in fiscal year 2027-28, and approximately $1,250 million in fiscal year 2028-29. Also assumes the issuance of approximately $215 million of bonds for other capital expenditures relating to conservation and supply programs in calendar year 2024, and $29 million and $19 million of bonds for other capital expenditures relating to conservation in fiscal years 2024-25 and 2025-26, respectively . Fiscal year 2019-20 debt service was reduced by $28.5 million due to the prepayment of $28.5 million in June 2019 of debt service due on July 1, 2019, as such the payment was reflected in fiscal year 2018-19. See "CAPITAL INVESTMENT PLAN–Capital Investment Plan Financing" in this Appendix A. See also "METROPOLITAN WATER SUPPLY–Water Transfer, Storage and Exchange Programs –State Water Project Agreements and Programs – *Antelope Valley-East Kern High Desert Water Bank Program*" in this Appendix A.

(l) Adjusted Net Operating Revenues, divided by the sum of debt service on outstanding Senior Revenue Bonds, Senior Parity Obligations, Subordinate Revenue Bonds and Subordinate Parity Obligations and additional Revenue Bonds (projected). See "METROPOLITAN EXPENSES–Outstanding Senior Revenue Bonds and Senior Parity Obligations" and "–Outstanding Subordinate Revenue Bonds and Subordinate Parity Obligations" in this Appendix A.

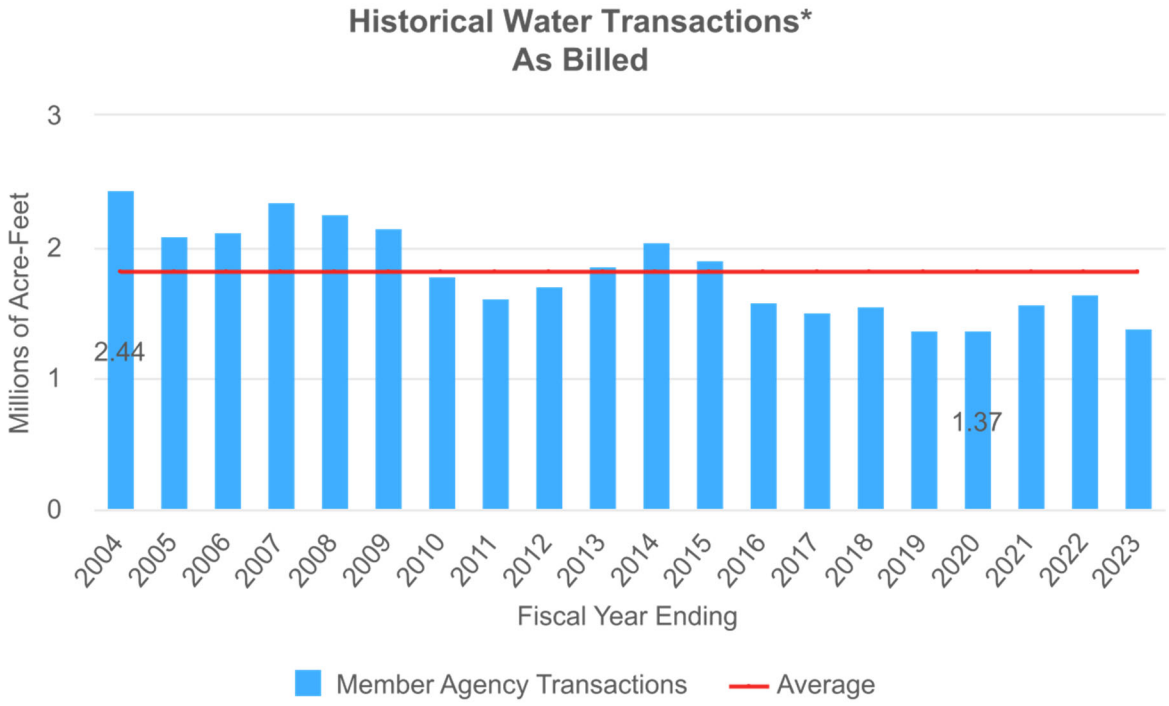
(m) Adjusted Net Operating Revenues, divided by the sum of State Water Contract capital costs paid from current year operations and debt service on outstanding Senior Revenue Bonds, Senior Parity Obligations, Subordinate Revenue Bonds and Subordinate Parity Obligations, and additional Revenue Bonds (projected).

[Remainder of page intentionally left blank.]

MANAGEMENT'S DISCUSSION OF HISTORICAL AND PROJECTED REVENUES AND EXPENSES

Water Transactions Projections

The water transactions with member agencies in the table above for fiscal year 2021-22 were 1.65 million acre-feet, and 1.39 million acre-feet for fiscal year 2022-23. The water transactions forecast for fiscal year 2023-24 is 1.22 million acre-feet, about 21 percent lower compared to budget projections. The water transaction forecast is 1.44 million acre-feet for fiscal year 2024-25, 1.44 million acre-feet for fiscal year 2025-26, 1.44 million acre-feet for fiscal year 2026-27, 1.45 million acre-feet for 2027-28, and 1.45 million acre-feet for fiscal year 2028-29, consistent with the proposed biennial budget and ten-year financial forecast. For purposes of comparison, Metropolitan's highest level of water transactions during the past 20 fiscal years was approximately 2.44 million acre-feet in fiscal year 2003-04 and the lowest was 1.37 million acre-feet in fiscal year 2019-20. The chart below shows the volume of water transactions with member agencies over the last 20 fiscal years.



* Water transactions include sales, exchanges, and wheeling with member agencies.

Water Revenues

Metropolitan relies on revenues from water transactions for about 80 percent of its total revenues. In adopting the budget and rates and charges for each fiscal year, Metropolitan's Board reviews the anticipated revenue requirements and projected water transactions to determine the rates necessary to produce the required revenues to be derived from water transactions during the fiscal year. Metropolitan sets rates and charges estimated to provide operating revenues sufficient, with other sources of funds, to provide for payment of its expenses. See "HISTORICAL AND PROJECTED REVENUES AND EXPENSES" in this Appendix A.

Metropolitan's Board has adopted annual increases in water rates each year beginning with the rates effective January 1, 2004. See "METROPOLITAN REVENUES–Rate Structure" and "–Classes of Water Service" in this Appendix A. On April 12, 2022, the Board adopted average increases in rates and charges of 5.0 percent, which became effective on January 1, 2023 and January 1, 2024. Rates and charges are projected to increase 13.0 percent for calendar year 2025, 8.0 percent for calendar year 2026, 12.0 percent for calendar year 2027, 8.0 percent for calendar year 2028, and 5.0 percent for calendar year 2029. Actual rates and charges to be effective in calendar year 2025 and thereafter are subject to adoption by Metropolitan's Board.

Projected Fiscal Year 2023-24 Financial Results

Projections for fiscal year 2023-24, in the table above (on a cash basis), are based on results through December 2023. Projected Water Revenues for fiscal year 2023-24 is $1,222 million, approximately $317 million lower than budget projections. This reduction in projected water revenues is primarily due to the impact of recent wet weather on demand for supplies by member agencies.

Operation and maintenance expenses in fiscal year 2023-24 are projected to be $1,367 million, which represents approximately 67 percent of total projected costs. These expenditures include the costs of labor, electrical power, materials and supplies of both Metropolitan and its contractual share of the State Water Project. Metropolitan's operation and maintenance expenses are projected to be $20 million lower than budget in fiscal year 2023-24. Comparatively, operations and maintenance expenditures in fiscal year 2022-23 were $1,275 million, which represents approximately 66.9 percent of total costs. Overall, projected expenditures for the twelve months ending June 30, 2024 are $2,043 million, which is under budget by $46 million.

Metropolitan maintains cash reserves as a tool to manage the fluctuations in revenues and/or increases in expenses. Water revenues vary based on Metropolitan's water transactions, which are primarily driven by demand for Metropolitan's water supplies. Expenses may vary on a host of factors, including but not limited to construction costs, chemical costs for treatment, power costs, hydroelectric power production, variable rate debt costs, among other potential types of costs Metropolitan incurs. Metropolitan's unrestricted reserves provide the flexibility to increase rates on a scheduled basis as opposed to when additional revenues are needed intermittently. Metropolitan has determined that it is appropriate to use a portion of its unrestricted reserves and other available funds in fiscal year 2023-24 to pay for permitted expenditures as a result of the rapid change in hydrology that is projected to reduce demand for Metropolitan supplies, and hence projected water revenues. Projected results for fiscal year 2023-24 reflect the use of approximately $227 million of reserves related to operating and maintenance.

Fiscal year 2023-24 senior revenue bond debt service coverage (on a cash basis) is projected to be 1.87x. Fiscal year 2023-24 aggregate revenue bond debt service coverage (on a cash basis) is projected to be 1.14x and fixed charge coverage to be 1.14x. Fiscal year 2023-24 capital expenditures, estimated (as of the end of the second quarter of fiscal year 2023-24) at $353 million, are being partially funded by the proceeds of bonds issued for fiscal year 2022-23 for such purpose, a portion of Metropolitan's short-term senior lien notes issued under its Short-Term Revolving Credit Facility (which amount is expected to be refunded by Metropolitan's 2024A Bonds) and the remainder from pay-as-you-go funding. Metropolitan's unrestricted reserves are projected to be approximately $327 million on a cash basis at June 30, 2024. See "METROPOLITAN REVENUES–Financial Reserve Policy" in this Appendix A.

Financial projections for fiscal years 2024-25 through 2028-29 are reflected in the proposed biennial budget for fiscal years 2024-25 and 2025-26 and ten-year financial forecast provided therein. The fiscal year 2024-25 and 2025-26 proposed biennial budget and rates set the stage for predictable and reasonable rate increases over the ten-year planning period, with proposed overall rate increases of 13.0 percent for calendar year 2025 and 8.0 percent for calendar year 2026. The proposed biennial budget for

fiscal years 2024-25 and 2025-26 and ten-year financial forecast includes rate increases of 12.0 percent for calendar year 2027, 8.0 percent for calendar year 2028 and 5.0 percent for calendar year 2029. Actual rates and charges to be effective in calendar year 2025 and thereafter are subject to adoption by Metropolitan's Board as part of the biennial budget process, at which point the ten-year forecast will be updated as well. Increases in rates and charges reflect the impact of reduced water transactions projections, increasing operations and maintenance costs, and increasing State Water Project costs, when compared to prior fiscal years.

Metropolitan's financial results during the fiscal years 2023-24 through 2028-29 may be impacted by current and subsequent developments relating to the recent pandemic, the effects of changing hydrological conditions (including drought and extreme wet weather), as well as other unforeseen events.

See also the "Management's Discussion and Analysis" contained in APPENDIX B– "THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND JUNE 30, 2022 AND BASIC FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED DECEMBER 31, 2023 AND 2022 (UNAUDITED)."

Board Distribution Draft, ~~04/06/23~~04/02/24

APPENDIX A

The Metropolitan Water District of Southern California

THIS PAGE INTENTIONALLY LEFT BLANK

TABLE OF CONTENTS

TABLE OF CONTENTS

TABLE OF CONTENTS

Page

INTRODUCTION

This Appendix A provides general information regarding The Metropolitan Water District of Southern California ("Metropolitan"), including information regarding Metropolitan's operations and finances. Certain statements included or incorporated by reference in this Appendix A constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "project," "expect," "estimate," "budget" or other similar words. Such statements are based on facts and assumptions set forth in Metropolitan's current planning documents including, without limitation, its most recent biennial budget. The achievement of results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Actual results may differ from Metropolitan's forecasts. Metropolitan is not obligated to issue any updates or revisions to the forward-looking statements in any event.

Metropolitan maintains a website that may include information on programs or projects described in this Appendix A; however, none of the information on Metropolitan's website is incorporated by reference or intended to assist investors in making an investment decision or to provide any additional information with respect to the information included in this Appendix A. The information presented on Metropolitan's website is not part of the Official Statement and should not be relied upon in making investment decisions.

Formation and Purpose

Metropolitan is a metropolitan water district created in 1928 under the authority of the Metropolitan Water District Act (California Statutes 1927, Chapter 429, as reenacted in 1969 as Chapter 209, as amended (~~herein referred to as~~ the "Act")). The Act authorizes Metropolitan to: levy property taxes within its service area; establish water rates; impose charges for water standby and service availability; incur general obligation bonded indebtedness and issue revenue bonds, notes and short-term revenue certificates; execute contracts; and exercise the power of eminent domain for the purpose of acquiring property. In addition, Metropolitan's Board of Directors (the "Board") is authorized to establish terms and conditions under which additional areas may be annexed to Metropolitan's service area.

Metropolitan's primary purpose is to provide a supplemental supply of water for domestic and municipal uses at wholesale rates to its member agencies. If additional water is available, such water may be sold for other beneficial uses. As a water wholesaler, Metropolitan has no retail customers.

The mission of Metropolitan, as promulgated by the Board, is to provide its service area with adequate and reliable supplies of high-quality water to meet present and future needs in an environmentally and economically responsible way.

Metropolitan's rates and charges for water transactions and availability are set by its Board and are not subject to regulation or approval by the California Public Utilities Commission or any other state or federal agency. Metropolitan imports water from two principal sources: northern California via the Edmund G. Brown California Aqueduct (the "California Aqueduct") of the State Water Project owned by the State of California (the "State" or "California") and the Colorado River via the Colorado River Aqueduct ("CRA") owned by Metropolitan. See "METROPOLITAN'S WATER SUPPLY" in this Appendix A.

TABLE OF CONTENTS

Page

Member Agencies

Metropolitan is comprised of 26 member agencies, all of which are public entities, including 14 cities, 11 municipal water districts, and one county water authority, which collectively serve the residents and businesses of more than 300 cities and ~~numerous~~ unincorporated communities. Member agencies request water from Metropolitan at various delivery points within Metropolitan's system and pay for such water at uniform rates established by the Board for each class of water service. Metropolitan's water is a supplemental supply for its member agencies, most of whom have local supplies and other sources of water. See "METROPOLITAN REVENUES–Principal Customers" in this Appendix A for a listing of the ten member agencies representing the highest level of water transactions and revenues of Metropolitan during the fiscal year ended June 30, ~~2022~~2023. No member is required to purchase water from Metropolitan, but all member agencies are required to pay readiness-to-serve charges whether or not they purchase water from Metropolitan. See "METROPOLITAN REVENUES–Rate Structure," "–Member Agency Purchase Orders" and "–Other Charges" in this Appendix A. Local supplies include water produced by local agencies from various sources including but not limited to groundwater, surface water, locally-owned imported supplies, recycled water, and seawater desalination (see "REGIONAL WATER RESOURCES" in this Appendix A). Metropolitan's member agencies may develop additional sources of water and Metropolitan provides support for several programs to develop these local resources. See also "REGIONAL WATER RESOURCES–Local Water Supplies" in this Appendix A.

The following table lists the 26 member agencies of Metropolitan.

Municipal Water Districts		Cities		County Water Authority
Calleguas	Las Virgenes	Anaheim	Los Angeles	San Diego[(1)]
Central Basin	Orange County	Beverly Hills	Pasadena	
Eastern	Three Valleys	Burbank	San Fernando	
Foothill	West Basin	Compton	San Marino	
Inland Empire Utilities Agency		Fullerton	Santa Ana	
Upper San Gabriel Valley		Glendale	Santa Monica	
Western of Riverside County		Long Beach	Torrance	

(1) The San Diego County Water Authority, Metropolitan's ~~second~~ largest customer based on water transactions for fiscal year ~~2021-22~~2022-23, is a plaintiff in litigation challenging certain rates adopted by the Board and asserting other claims against Metropolitan. See "METROPOLITAN REVENUES–Litigation Challenging Rate Structure" in this Appendix A.

Service Area

Metropolitan's service area comprises approximately 5,200 square miles and includes all or portions of the six counties of Los Angeles, Orange, Riverside, San Bernardino, San Diego, and Ventura. When Metropolitan began delivering water in 1941, its service area consisted of approximately 625 square miles. Its service area has increased by 4,575 square miles since that time. The expansion was primarily the result of annexation of the service areas of additional member agencies.

Metropolitan estimates that approximately ~~19~~18.6 million people lived in Metropolitan's service area (as of July ~~2022~~2023), based on official estimates from the California Department of Finance and on population distribution estimates from the Southern California Association of Governments ("SCAG") and the San Diego Association of Governments ("SANDAG"). The economy of Metropolitan's service area is exceptionally diverse. In ~~2021~~2022, the economy of the six counties which contain Metropolitan's service area had a gross domestic product larger than all but eleven nations of the world. Metropolitan has

TABLE OF CONTENTS

Page

historically provided between 40 and 60 percent of the water used annually within its service area. For additional economic and demographic information concerning the six county area containing Metropolitan's service area, see Appendix E–"SELECTED DEMOGRAPHIC AND ECONOMIC INFORMATION FOR METROPOLITAN'S SERVICE AREA."

The climate in Metropolitan's service area ranges from moderate temperatures throughout the year in the coastal areas to hot and dry summers in the inland areas. Since 2000, annual rainfall has ranged from approximately 4 to ~~21~~23 inches along the coastal area, 6 to ~~38~~42 inches in foothill areas, and 5 to 22 inches in inland areas. See also "~~METROPOLITAN"S~~METROPOLITAN'S WATER SUPPLY–General Overview," "–Water Conditions in Recent Years," "–Current Water Conditions~~ and Drought Response Actions," and "~~, "–Climate Action Planning and Other Environmental, Social and Governance Initiatives," and "–Drought Response Actions."

GOVERNANCE AND MANAGEMENT

Board of Directors

Metropolitan is governed by a 38-member Board of Directors, made up of representatives from all of Metropolitan's 26 member agencies. Each member agency is entitled to have at least one representative on the Board, plus an additional representative for each full five percent of the total assessed valuation of property in Metropolitan's service area that is within the member agency. Changes in relative assessed valuation do not terminate any director's term. In 2019, California Assembly Bill 1220 (Garcia) amended the Act to provide that "A member public agency shall not have fewer than the number of representatives the member public agency had as of January 1, 2019." Accordingly, the Board may, from time to time, have more than 38 directors.

The Board includes business, professional, and civic leaders. Directors are appointed by member agencies in accordance with those agencies' processes and the Act. They serve on the Board without compensation from Metropolitan. Voting is based on assessed valuation, with each member agency being entitled to cast one vote for each $10 million or major fractional part of $10 million of assessed valuation of property within the member agency, as shown by the assessment records of the county in which the member agency is located. The Board administers its policies through the Metropolitan Water District Administrative Code (the "Administrative Code"), which was adopted by the Board in 1977. The Administrative Code is periodically amended to reflect new policies or changes to existing policies that occur from time to time.

Management

Metropolitan's day-to-day management is under the direction of its General Manager, who serves at the pleasure of the Board, as do Metropolitan's General Counsel, General Auditor, and Ethics Officer. Following ~~is a~~are biographical ~~summary~~summaries of Metropolitan's principal executive officers.

Adel Hagekhalil, General Manager – Mr. Hagekhalil was appointed as General Manager in June 2021. Before joining Metropolitan, Mr. Hagekhalil was appointed in 2018 by Los Angeles Mayor Eric Garcetti to serve as the executive director and general manager of the City of Los Angeles' Bureau of Street Services. His responsibilities included oversight of the management, maintenance and improvement of the city's network of streets, sidewalks, trees and bikeways. Mr. Hagekhalil also focused on climate change adaptation and multi-benefit integrated active transportation corridors. Previously, he served nearly 10 years as assistant general manager of the Los Angeles' Bureau of Sanitation, overseeing the city's wastewater collection system, stormwater and watershed protection program, water quality compliance, advance planning and facilities. He also helped develop the city's 2040 One Water LA Plan, a regional watershed

TABLE OF CONTENTS

Page

approach to integrate water supply, reuse, conservation, stormwater management and wastewater facilities planning. Mr. Hagekhalil is a member of the American Public Works Association as well as the Water Environment Federation ("WEF"), which recognized him in 2019 as a WEF Fellow for his contribution to enhancing and forwarding the water industry. He also served for more than a decade as a board member of the National Association of Clean Water Agencies, including a term as president. Mr. Hagekhalil is a registered civil engineer and national board-certified environmental engineer. He earned his bachelor's and master's degrees in civil engineering from the University of Houston, Texas.

Marcia Scully, General Counsel – Ms. Scully was appointed as Metropolitan's General Counsel in March 2012. She previously served as Metropolitan's Interim General Counsel from March 2011 to March 2012. Ms. Scully joined Metropolitan in 1995, after a decade of private law practice, providing legal representation to Metropolitan on construction, employment, Colorado River and significant litigation matters. From 1981 to 1985 she was assistant city attorney for the City of Inglewood. Ms. Scully served as president of the University of Michigan's Alumnae Club of Los Angeles and is a recipient of the 1996 State Bar of California, District 7 President's Pro Bono Service Award and the Southern California Association of Non-Profit Housing Advocate of the Year Award. She is also a member of the League of Women Voters for Whittier and was appointed for two terms on the City of Whittier's Planning Commission, three years of which were served as chair. Ms. Scully earned a bachelor's degree in liberal arts from the University of Michigan, a master's degree in urban planning from Wayne State University and her law degree from Loyola Law School.

Scott Suzuki, General Auditor – Mr. Suzuki assumed the position of General Auditor ~~on~~in February ~~6,~~ 2023. As general auditor, Mr. Suzuki will independently review internal controls, financial records and reports, develop a flexible annual audit plan, ensure that assets and resources are properly accounted for and safeguarded against waste, loss or misuse, and administer Metropolitan's contract for audit services with an independent public accounting firm. Prior to joining Metropolitan, Mr. Suzuki served the County of Orange for almost 21 years in various auditing and accounting roles, concluding as assistant director of internal audit. He also held auditor positions at Home Base Deloitte, and the California State University system. Mr. Suzuki holds a Bachelor of Arts degree in business economics from the University of California, Los Angeles. He holds a certified public accountant (CPA) license and certified internal auditor (CIA), certified information systems auditor (CISA), and certified fraud examiner (CFE) designations.

Abel Salinas, Ethics Officer – Mr. Salinas was appointed as Metropolitan's Ethics Officer in July 2019. He is responsible for ~~making recommendations regarding rules and policies related to lobbying, conflicts of interest, contracts, campaign contributions and internal disclosures, while providing~~leading an independent oversight department, which includes ethics related policymaking, education ~~and~~, advice ~~about these rules~~, compliance, and investigations. Prior to joining Metropolitan, Mr. Salinas worked as ~~the~~a Special Agent in Charge ~~in~~at the U.S. Department of ~~Labor's Office~~Labor-Office of Inspector General. ~~Before joining that agency, he served for three years in the U.S. Office of Personnel Management~~. Mr. Salinas holds a bachelor's degree in criminal justice from ~~University of Texas~~ Pan American University and a master's degree in policy management from Georgetown University.

Deven Upadhyay, Executive Officer and Assistant General Manager, Water Resources and Engineering – Mr. Upadhyay focuses primarily on key Metropolitan strategies and innovative planning efforts for the Colorado River and the State Water Project. He is responsible for managing the engineering services and water resource management groups, and the Colorado River and Bay Delta programs. Prior to his current position, Mr. Upadhyay was formerly Metropolitan's Chief Operating Officer from November 2017. He has over 25 years of experience in the water industry. He joined Metropolitan in 1995, beginning as a Resource Specialist and then left Metropolitan in 2005 to work at the Municipal Water District of

TABLE OF CONTENTS

Page

Orange County. In 2008, he returned to Metropolitan as a Budget and Financial Planning Section Manager and became a Water Resource Management Group Manager in 2010. Mr. Upadhyay has a Bachelor of Arts degree in economics from the California State University, Fullerton and a master's degree in public administration from the University of La Verne.

Katano Kasaine, Assistant General Manager/Chief Financial Officer – Ms. Kasaine is responsible for directing Metropolitan's financial activities, including accounting and financial reporting, debt issuance and management, financial planning and strategy, managing Metropolitan's investment portfolio, budget administration, financial analysis, financial systems management, and developing rates and charges. In addition, she is responsible for human resources, the diversity, equity and inclusion office, administrative services, risk management, and business continuity activities. Before joining Metropolitan in August 2019, Ms. Kasaine worked at the City of Oakland for 25 years, holding various leadership positions, notably as the city's Finance Director/Treasurer. She holds a bachelor's degree in business administration from Dominican University in San Rafael, California and a master's degree in public health from Loma Linda University.

Shane Chapman, Assistant General Manager, Operations – Mr. Chapman is responsible for the strategic direction and management of Metropolitan's operations. His primary responsibilities include managing water system operations, information technology~~,~~ and cybersecurity~~, real property, and security~~. Prior to his current position, Mr. Chapman previously was Metropolitan's Chief Administrative Officer from January 2018 until September 2022. He joined Metropolitan as a Resource Specialist in 1991, progressing to the level of Program Manager in 2001. He became the Revenue, Rates and Budget Manager in 2003 and Assistant Group Manager in Water System Operations in 2006. Mr. Chapman previously served as General Manager of the Upper San Gabriel Valley Municipal Water District for seven years. Mr. Chapman has a Bachelor of Arts degree in economics from Claremont McKenna College and a master's degree in public administration from the University of Southern California.

Dee Zinke, Assistant General Manager, External Affairs – Ms. Zinke has been responsible for Metropolitan's communications, public outreach, education, member services, and legislative matters since January 2016. She joined Metropolitan in 2009 as Manager of the Legislative Services Section. Before coming to Metropolitan, Ms. Zinke was the Manager of Governmental and Legislative Affairs at the Calleguas Municipal Water District. Prior to her public service, she worked in the private sector as the Executive Officer and Senior Legislative Advocate for the Building Industry Association of Greater Los Angeles and Ventura Counties and as Director of Communications for E-Systems, a defense contractor specializing in communication, surveillance and navigation systems, based in Washington, D.C. Ms. Zinke holds a Bachelor of Arts degree in communication and psychology from Virginia Polytechnic Institute and State University.

Employee Relations

General. The total number of budgeted regular full-time Metropolitan employees for fiscal year ~~2022-23 is 1,929.~~ 2023-24 is 1,929. Seventeen additional positions were subsequently authorized by the Board to support Metropolitan's work on a regional recycled water program, now referred to as Pure Water Southern California. See "REGIONAL WATER RESOURCES–Local Water Supplies – *Recycled Water-Metropolitan Pure Water Southern California Program*" in this Appendix A. With these 17 additions, the total number of regular full-time Metropolitan employee positions is 1,946. As of March 2024, 1,798 positions were filled. Of the filled positions, ~~1,260~~1,232 were represented by AFSCME Local 1902, ~~93~~91 by the Supervisors Association, ~~310~~307 by the Management and Professional Employees Association and ~~126~~128 by the Association of Confidential Employees. The remaining ~~39~~40 employees are unrepresented. The four bargaining units represent 98 percent of Metropolitan's current employees. The Memorandum of Understanding ("MOU") with AFSCME Local 1902 extends through December 31,

TABLE OF CONTENTS

Page

~~2024~~2026. The MOUs with the Management and Professional Employees Association and the Supervisors Association ~~of Confidential Employees have~~has also been extended through December 31, ~~2024~~2026. The MOU with the ~~Supervisors~~ Association ~~expired on~~ of Confidential Employees extends through December 31, ~~2021 and is currently being negotiated. Until a successor contract is executed, the terms of the expired MOU will continue to govern.~~ 2024.

State Audit of Workplace Concerns. The acting California State Auditor ("State Auditor") conducted an audit of Metropolitan's personnel and hiring practices after Metropolitan was the subject of allegations of discrimination and harassment in the workplace. The State Auditor reviewed Metropolitan's handling of equal employment opportunity ("EEO") complaints from 2004 to 2021, as well as hiring practices, the independence and authority of Metropolitan's Ethics office, safety program, and maintenance of workforce housing at Metropolitan's desert facilities.

The State Auditor issued its audit report on April 21, 2022. The audit report identified a number of deficiencies in Metropolitan's personnel and hiring practices. The findings of the audit report included that: (i) Metropolitan's EEO policy and procedures did not align with best practices in certain key areas and did not ensure timely investigation of and response to EEO complaints; (ii) Metropolitan's hiring processes did not include appropriate safeguards to consistently ensure or demonstrate that its hiring decisions were equitable and reasonable and sufficiently protected applicants from potential discrimination; (iii) Metropolitan had not taken adequate actions to ensure its Ethics office is able to independently conduct its duties; and (iv) Metropolitan had not instituted adequate procedures to timely respond to employee workforce housing maintenance issues, and Metropolitan's implementation of a comprehensive, long-term solution to address employee workforce housing has been slow.

The State audit report included several recommendations to address its key findings. ~~In addition to recommendations made to Metropolitan, the audit report recommends that the State Legislature enact legislation requiring Metropolitan to formally adopt procedures for hiring and promoting employees and establishing certain additional requirements to support the independence and autonomy of Metropolitan's Ethics office.~~ Metropolitan accepted and implemented all the recommendations identified in the State audit ~~and anticipates all recommendations will be fully implemented~~ by the April 2023 deadline. In addition, Metropolitan is implementing certain policies and procedures recommended by a Workplace Climate Assessment that Metropolitan commissioned from an outside law firm and received in 2021. Among other things, Metropolitan hired its first Chief Equal Employment Opportunity Officer in March 2022 to help implement a suite of changes that will be designed to build and reaffirm a workplace culture of inclusion, respect, safety and accountability. Metropolitan also created a Diversity, Equity, and Inclusion Office and hired its first Chief Diversity, Equity and Inclusion Officer in May 2022. The Diversity, Equity and Inclusion Office has established programs to support Metropolitan's workforce.

Risk Management

Metropolitan is exposed to various risks of loss related to, among other things, the design and construction of facilities, and the treatment and delivery of water. With the assistance of third-party claims administrators, Metropolitan is self-insured for property losses, liability, and workers' compensation. Metropolitan self-insures the first $25 million per liability occurrence, with commercial general liability coverage of $75 million in excess of the self-insured retention. The $25 million self-insured retention is maintained as a separate restricted reserve. Metropolitan is also self-insured for loss or damage to its property, with the $25 million self-insured retention also being accessible for emergency repairs and Metropolitan property losses. In addition, Metropolitan obtains other excess and specialty insurance coverages such as directors' and officers' liability, fiduciary liability and aircraft hull and liability coverage.

TABLE OF CONTENTS

Page

Metropolitan self-insures the first $5 million for workers' compensation with statutory excess coverage. The self-insurance retentions and reserve levels currently maintained by Metropolitan may be modified by the Board at its sole discretion.

Cybersecurity

Metropolitan has adopted and maintains an active Cybersecurity Program ("CSP") that includes policies reviewed by Metropolitan's Office of Enterprise Cybersecurity, Audit department and independent ~~third party~~third-party auditors and consultants. Metropolitan has appointed an Information Security Officer who is responsible for overseeing the annual review of the CSP and its alignment with Metropolitan's Strategic Plan. Metropolitan's policies and procedures on information governance, risk management, and compliance are consistent with best practices outlined by the Cybersecurity and Infrastructure Security Agency (CISA) Shields Up initiative and are consistent with the requirements prescribed by the America's Water Infrastructure Act (AWIA) for risk assessment and emergency response. Metropolitan's Cybersecurity Team is responsible for identifying cybersecurity risks to Metropolitan, preventing, investigating, and responding to any cybersecurity incidents, and providing guidance and education on the implementation of new technologies at Metropolitan. All persons or entities authorized to use Metropolitan's computer resources are required to participate in Metropolitan's Cybersecurity Awareness Training, which is conducted annually. See also "RISK FACTORS – Cybersecurity; Other Safety and Security Risks" in the front part of this Official Statement.

Business Continuity

Metropolitan maintains a Business Continuity Program that aligns with industry best practices to ensure that plans are in place across the District to mitigate, respond to and recover from disruptive events that may impact normal operations. ~~The~~In accordance with its Operating Policy A-06, Emergency Management and Business Continuity, Metropolitan's plans ensure that resiliency strategies are in place to continue critical operations in the event of impacts to information technology systems, facilities and infrastructure, staffing levels, key vendors and resources. Using a continuous improvement model, Business Continuity Plans are reviewed, updated and exercised on a regular basis.

~~**COVID-19 Pandemic**~~

~~Metropolitan continues to monitor and respond to the COVID-19 pandemic and developments surrounding it. As of the date of this Official Statement, Metropolitan does not expect that the COVID-19 pandemic and its impacts will have a material adverse effect on its ability to pay debt service on its bonds or other obligations.~~

~~During the COVID-19 pandemic, Metropolitan implemented a number of steps to maintain continuity of its critical and essential business functions and avoid widespread impacts to its workforce from the COVID-19 outbreak. Metropolitan has transitioned to a formal hybrid working environment with employees reporting to work facilities for a minimum of two days a week. Metropolitan is working with its labor and management association representatives to adopt a formal teleworking operating policy and to develop other specifics of return to work protocols.~~

~~Metropolitan's ability to treat and deliver water was not interrupted or impaired as a result of the COVID-19 pandemic. COVID-19 is not believed to present a threat to the safety of Metropolitan's treated water supplies. While Metropolitan initially paused certain construction work on non-essential capital projects at the onset of the COVID-19 outbreak, such activity has generally resumed. Metropolitan continues~~

TABLE OF CONTENTS

Page

~~to advance a variety of infrastructure and system reliability projects, although some projects continue to be impacted by supply chain issues.~~

~~On February 28, 2023, the Governor of the State of California issued a proclamation terminating the State's COVID-19 state of emergency, as had been previously announced. While the major impacts of the COVID-19 pandemic appear to be lessening, the ultimate effects of the COVID-19 pandemic and its aftermath, including inflation and the possibility of recession, on global, national, and local economies remain uncertain. As of the date of this Official Statement, Metropolitan has not experienced a material adverse impact to its finances or operations as a result of COVID-19. However, given the uncertainties surrounding the COVID-19 pandemic, its aftermath, and the effect of widespread public health emergencies in general, there can be no assurances that the impact of the COVID-19 pandemic, the worsening of the current state of the COVID-19 pandemic, or the outbreak of another infectious disease in the region, will not materially adversely impact the financial condition of Metropolitan in the future.~~

METROPOLITAN'S WATER SUPPLY

General Overview

Metropolitan's principal sources of water supplies are the State Water Project and the Colorado River. See "–State Water Project" and "–Colorado River Aqueduct." Metropolitan receives water delivered from the State Water Project under provisions of a State water supply contract, including contracted supplies, use of carryover storage in the San Luis Reservoir, and surplus supplies. Metropolitan holds rights to a basic apportionment of Colorado River water and has priority rights to an additional amount depending on the availability of surplus supplies. Water management programs supplement these Colorado River supplies. To secure additional supplies, Metropolitan also has groundwater banking partnerships and water transfer and storage arrangements within and outside its service area. Metropolitan's principal water supply sources, and other supply arrangements and water management programs are more fully described in this Appendix A.

Metropolitan's water supply contract with the State (as amended, the "State Water Contract") provides for up to 1,911,500 ~~acre-feet~~acre-feet contracted amount of State Water Project supplies annually as set forth in "Table A" of Metropolitan's State Water Contract ("Table A State Water Project water" as further described under "–State Water Project – State Water Contract"). The amount of State Water Project water available for allocation under the State Water Contract each year is determined by the California Department of Water Resources ("DWR") based on existing supplies in storage, forecasted hydrology, and other factors, including ~~human health and safety needs,~~ water quality and environmental flow obligations and other operational considerations. Over the ten-year period ~~2013~~2014 through ~~2022~~2023, Metropolitan's State Water Project allocation ~~averaged~~ ranged from five percent to 100 percent of contracted amounts, averaging approximately ~~35~~41 percent, which is equal to roughly ~~670,000~~784,000 acre~~-~~ feet annually. (An acre~~-~~ foot is the amount of water that will cover one acre to a depth of one foot and equals approximately 325,851 gallons, which represents the needs of three average families in and around the home for one year within Metropolitan's service area.) ~~Over the ten-year period 2013~~

From calendar year 2014 through ~~2022~~2023, the amount of water ~~received by Metropolitan from~~delivered to Metropolitan's service area via the State Water Project infrastructure, including water from allocated supplies, human health and safety supplies, ~~and~~carryover, flexible storage from Castaic Lake and Lake Perris, water transfer, groundwater banking~~,~~ and exchange programs delivered through the California Aqueduct varied from a low of ~~468,000 acre-feet~~457,000 acre-feet in calendar year 2022 to a high of

TABLE OF CONTENTS

Page

~~1,473,000 acre-feet in calendar year 2017.~~ 1,374,000 acre-feet in 2017. See also "–Water Conditions in Recent Years" and –Current Water Conditions."

Metropolitan's rights to Colorado River water include a fourth priority right to 550,000 ~~acre-feet~~acre-feet of Colorado River water annually (its basic apportionment) and a fifth priority right to an additional 662,000 ~~acre-feet~~acre-feet annually (when surplus is available, which availability has been limited since 2003). Metropolitan has additional available Colorado River supplies, totaling up to 526,000 ~~acre-feet~~acre-feet per year, under water supply programs, transfer, exchanges, and certain conservation and storage agreements. Over the ten-year period ~~2013~~2014 through ~~2022~~2023, Metropolitan's ~~total available~~net diversions of Colorado River ~~supplies~~water have averaged approximately ~~988,000 acre-feet~~917,020 acre-feet annually, with annual volumes dependent primarily on programs to augment supplies, including transfers of conserved water from agriculture.

~~Metropolitan's principal water supply sources, and other supply arrangements and water management programs are more fully described herein. See also " Current Water Conditions and Drought Response Actions" in this Appendix A.~~

Stored water is a critical component of Metropolitan's annual water supply and year-to-year operations. Metropolitan's storage capacity, which includes reservoirs, conjunctive use and other groundwater storage programs within Metropolitan's service area and groundwater and surface storage accounts delivered through the State Water Project or CRA, is approximately 6.0 million acre feet. Storage capacity provides the water system with year-to-year water supply carry-over capability and a mechanism to assist Metropolitan in providing consistent water supply reliability notwithstanding fluctuations in available supply. Metropolitan's storage as of January 1, 2024 was estimated to be 4.15 million acre-feet. See "–Storage Capacity and Water in Storage."

The water supply for Metropolitan's service area is provided in part by Metropolitan and in part by non-Metropolitan sources available to Metropolitan's member agencies. The demand for supplemental water supplies provided by Metropolitan is dependent on water use at the retail consumer level and the amount of locally supplied and conserved water. From calendar years ~~2013~~2014 through ~~2022~~2023, Metropolitan's water transactions (including water sales, exchanges and wheeling) with member agencies have averaged approximately ~~1.64~~1.56 million ~~acre-feet~~acre-feet annually.

~~Metropolitan's water supplies in calendar year 2023 comprise a combination of available State Water Project supplies allocated to it based upon its proportional contracted entitlement amount as set forth in "Table A" of its State water supply contract ("Table A State Water Project water" as further described herein), CRA deliveries, storage reserves, and supplemental water transfers and purchases. See " Current Water Conditions and Drought Response Actions."~~

Metropolitan faces a variety of long-term challenges in providing adequate, reliable and high-quality supplemental water supplies for Southern California. These challenges include, among others: (1) population ~~growth~~changes within the service area; (2) increased competition for low-cost water supplies; (3) variable weather conditions, including extended drought periods; (4) increased environmental regulations; and (5) climate change. Metropolitan's resources and strategies for meeting these long-term challenges are set forth in its Integrated Water Resources Plan, as updated from time to time. See "–Integrated Water Resources Plan and Climate Adaptation Master Plan for Water." In addition, Metropolitan manages water supplies in response to the prevailing hydrologic conditions by implementing its Water Surplus and Drought Management ("WSDM") Plan, and in times of prolonged or severe shortages, the Water Supply Allocation Plan (the "Water Supply Allocation Plan"). See "CONSERVATION AND WATER SHORTAGE MEASURES–Water Surplus and Drought Management Plan" and "–Water Supply

TABLE OF CONTENTS

Page

Allocation Plan" in this Appendix A. The Water Supply Allocation Plan provides for the equitable distribution of available limited water supplies ~~regionwide~~region-wide in case of extreme water shortages within Metropolitan's service area. Implementation of the Water Supply Allocation Plan for fiscal year ~~2022-23~~2023-24 is not expected. ~~In April 2022, in response to minimal supplies of State Water Project water being available in 2022 to meet normal demands in parts of Metropolitan's service area that cannot be supplied with Colorado River water, Metropolitan's Board approved the framework of an Emergency Water Conservation Program to be implemented to reduce demands for State Water Project water in those areas. In March 2023, in light of improved State Water Project water supply conditions, Metropolitan's Board terminated the Emergency Water Conservation Program. See "CONSERVATION AND WATER SHORTAGE MEASURES–Emergency Water Conservation Program for the State Water Project Dependent Area" in this Appendix A.~~ See also "–Current Water Conditions,"

Hydrologic conditions can have a significant impact on Metropolitan's imported water supply sources. California's climate is such that most of the annual precipitation occurs during late fall and winter. For Metropolitan's State Water Project supplies, precipitation in ~~California's northern Sierra Nevada during the fall and winter~~the form of rain in the Feather River watershed helps replenish storage levels in Lake Oroville, a key State Water Project facility~~. The~~, during fall and winter. Precipitation in the form of snow in California's Northern Sierra provides the additional storage for the subsequent runoff from the spring snowmelt that helps satisfy regulatory requirements in the San Francisco Bay/Sacramento-San Joaquin River Delta ("Bay-Delta") bolstering water supply reliability in the same year. See "–State Water Project – Bay-Delta Proceedings Affecting State Water Project." The source of Metropolitan's Colorado River supplies is primarily the watersheds of the Upper Colorado River Basin in the states of Colorado, Utah, and Wyoming. See "–Colorado River Aqueduct." Although precipitation in the Upper Colorado River Basin is primarily observed in the winter and spring, summer storms are common and can affect water supply conditions. ~~See also "–Current Water Conditions and Drought Response Actions."~~

Uncertainties from potential future temperature and precipitation changes in a climate driven by increased concentrations of atmospheric carbon dioxide and other greenhouse gases ("GHGs") also present challenges. Areas of concern to California water planners identified by researchers include: reduction in Sierra Nevada and Colorado Basin snowpack; increased intensity and frequency of extreme weather events; shifting runoff patterns to earlier in the year when reservoir storage is more constrained due to flood protection; saltwater intrusion to groundwater supplies; and rising sea levels resulting in increased risk of damage from storms, high-tide events, and the erosion of levees and potential cutbacks of deliveries of imported water. While the range of potential impacts from climate change remain subject to study and debate, climate change is among the uncertainties that Metropolitan seeks to address through its planning processes. See "–Integrated Water Resources Plan and Climate Adaptation Master Plan for Water" and "–Climate Action Planning and Other Environmental, Social and Governance Initiatives."

Water Conditions in Recent Years

A Water Year begins on October 1 and ends on the following September 30. Water Years 2020 through 2022 represented a record dry period in California's statewide precipitation. In calendar years 2021 and 2022, DWR's allocation to State Water Project contractors was five percent of contracted amounts, or 95,575 acre-feet for Metropolitan per year, and it was the first time in the history of the State Water Project with two consecutive years at five percent of contracted amounts. In addition to its allocation of State Water Project contracted amounts, in 2022, due to the historically dry conditions, Metropolitan received delivery from DWR of an additional approximately 134,000 acre-feet of human health and safety supplies under a provision of the State water supply contract. This additional supply was returned to DWR by Metropolitan

TABLE OF CONTENTS

Page

in calendar year 2023. See "CONSERVATION AND WATER SHORTAGE MEASURES –Drought Response Actions."

Water Year 2023 (October 1, 2022 through September 30, 2023) also started as a dry year but a series of atmospheric rivers occurred in California during the winter of 2023, bringing extreme precipitation and a massive amount of snowfall. On April 20, 2023, DWR established the final State Water Project allocation for calendar year 2023 at 100 percent of contracted amounts, or 1,911,500 acre-feet for Metropolitan. This made calendar year 2023 the first time since 2006 that DWR was able to allocate the full contracted amounts of the State Water Project. Such extreme hydrology following a severe multi-year drought may become more common in the future in California due to the effects of climate change.

The amount of water delivered to Metropolitan's service area from its available State Water Project supplies can be constrained by local conditions, preventive maintenance or emergency outages of physical facilities, operational considerations due to water quality, and the State Water Project allocation. In calendar year 2023, Metropolitan took delivery into its service area of 1.06 million acre-feet of supplies via the State Water Project infrastructure, excluding supplies taken on behalf of Desert Water Agency ("DWA") and Coachella Valley Water District ("CVWD") pursuant to a set of agreements between and/or among Metropolitan, DWA and CVWD (see "–State Water Project and Colorado River Aqueduct Arrangements – Metropolitan/CVWD/Desert Water Agency Amended and Restated Agreement for the Exchange and Advance Delivery of Water"). After the sequence of atmospheric rivers that occurred during the winter of 2023, in March 2023, DWR made available interruptible supplies in addition to the then-applicable allocation of 75 percent of contracted amounts. Metropolitan took delivery of approximately 134,000 acre-feet of those interruptible supplies and used them to start refilling Diamond Valley Lake (approximately 32,000 acre-feet included in the deliveries to Metropolitan's service area) and start replenishment of the Castaic Lake and Lake Perris flexible storage accounts. With the increased State Water Project allocation to 100 percent, Metropolitan was also able to repay the 134,000 acre-feet of human health and safety water provided by DWR in 2022 (described above), further replenish the Castaic Lake and Lake Perris flexible accounts and add maximum contractual storage in San Luis Reservoir as Article 56c carryover. See "–Water Transfer, Storage and Exchange Programs – State Water Project Agreements and Programs – *Metropolitan Article 56 Carryover*." Metropolitan further stored approximately 55,000 acre-feet in the groundwater banks in the San Joaquin valley. The volume able to be stored in the groundwater banks was somewhat limited by the historic flooding in the San Joaquin valley that hindered the groundwater banks' operations. In addition, of Metropolitan's available State Water Project supplies, approximately 8,000 acre-feet could not be delivered to one of Metropolitan's member agencies for groundwater replenishment due to local conditions and approximately 19,000 acre-feet could not be delivered in the East Branch of the California Aqueduct due to DWR outages in late 2023. These 27,000 acre-feet of undelivered volumes were approved by DWR for delivery in 2024 and are included in Metropolitan's State Water Project carryover storage. See the table entitled "Metropolitan's Water Storage Capacity and Water in Storage" under "–Storage Capacity and Water in Storage."

Current Water Conditions ~~and Drought Response Actions~~

~~The water years 2020 through 2022 combined ranked as the three driest years in California's statewide precipitation record. (A water year begins on October 1 and ends on the following September 30.) Beginning in April 2021, Governor Newsom issued a series of drought emergency proclamations affecting various counties throughout the State, culminating in an October 19, 2021 proclamation declaring a drought state of emergency to be in effect statewide and directing local water suppliers to implement water shortage contingency plans at a level appropriate to local conditions. On March 28, 2022, Governor Newsom issued an executive order directing the State Water Resources Control Board (the "SWRCB") to consider adopting regulations by May 25, 2022, to require urban water suppliers with water shortage contingency plans to~~

TABLE OF CONTENTS

Page

implement, at a minimum, shortage response actions for a shortage level of up to 20 percent (a "Level 2" shortage). On May 24, 2022, in response to the executive order, the SWRCB adopted a new emergency water conservation regulation. The new regulation temporarily bans irrigating turf with potable water at commercial, industrial, and institutional properties, such as grass in front of or next to large industrial or commercial buildings. The ban does not include watering turf that is used for recreation or other community purposes, water used at residences or water to maintain trees. The regulation also requires all urban water suppliers to implement conservation actions under Level 2 of their water shortage contingency plans.

After a slow start to Water year 2023 began as a dry year. However,Year 2024 with below-average hydrologic conditions improved significantly as the months progressed and between late December 2022 and mid-March 2023, a series of 11 atmospheric rivers occurred in California, bringing extremein January and early February brought much-needed precipitation and a massive amount of snowto the northern Sierra. The State Water Project annual allocation for 2023calendar year 2024 started at fiveten percent of contracted amounts on December 1, 20222023, but has subsequently been increased (through three increases) to 75to 30 percent of contracted amounts (1,433,625as of March 22, 2024, or 573,450 acre-feet for Metropolitan) as of March 24, 2023. See " State Water Project – Background and Current Supply.". This allocation takes into account snow survey measurements and data through March 1 and may be revised if hydrologic conditions change.

As of March 1418, 20232024, northern Sierra precipitation was 132115 percent of the 30-year average for the time of year, while the snowpack was at 169113 percent of the 30-year April 1st peak average and still growing(April 1st is typically considered the peak of the snowpack, after which it starts to melt). As of March 112, 20232024, the median water year unimpaired runoff forecast for the Sacramento River was 20.216.9 million acre-feet or 11496 percent of the 30-year average. On March 10, 2023, DWR increased releases from Lake Oroville using the main spillway to reduce the volume of water stored and make way for increased inflow due to incoming storms. As of March 1417, 20232024, Lake Oroville, a key State Water Project facility, was at 2.743.01 million acre-feet or 117% of126 percent of the historical average for the date, while San Luis Reservoir was at 994,000520,224 acre-feet for the State Water Project or 94%49 percent of the State Water Project capacity in the shared San Luis Reservoir. Due to the full reservoirs and additional inflows as a result of the atmospheric rivers experienced in California in March 2023, on March 10, 2023, DWR indicated that certain interruptible Environmental and regulatory constraints are limiting DWR's ability to export water from the Delta, even when releases are being made from Lake Oroville for flood control. See "–State Water Project supplies that may be made available pursuant to the terms of the State water supply contracts when such water is not needed to fulfill the Bay-Delta Proceedings Affecting State Water Project contractors' annual entitlements or for meeting State Water Project operational requirements, including storage goals (referred to as "Article 21 water") would potentially become available in the following weeks. As of March 14, 2023, Metropolitan has signed the guideline agreeing to the terms of receiving Article 21 water, and on March 21, 2023, Metropolitan received confirmation of the initial availability of these Article 21 supplies. DWR will notify Metropolitan and the other State Water Project contractors on a weekly basis as to the availability of Article 21 supplies for the succeeding week." and "–Endangered Species Act and Other Environmental Considerations Relating to Water Supply."

As of March 618, 20232024, the Upper Colorado River Basin snowpack was 132measured 103 percent of the 30-year median, while as of March 18, 2024, the water year runoff forecast into Lake Powell was 11380 percent of the 30-year median. Despite above normal conditions at thissuch point in time, the Colorado River Basin is still experiencing an extended drought. On March 518, 20232024, the total system storage in the Colorado River Basin was 3242 percent of capacity, which is a decrease of 4 percent, or 2.5 or 24.8 million acre-feet, from the same time last year. On August 16, 2022, the United States Bureau of Reclamation (the "Bureau of Reclamation") declared a Tier 2 Shortage condition for the Colorado River

TABLE OF CONTENTS

Page

Basin for 2023, as the storage level of Lake Mead behind Hoover Dam was projected to be below 1,050 feet at the end of 2022. This shortage condition results in reduced deliveries to Arizona, Nevada, and Mexico. Because of its higher priority, California, including Metropolitan, is not affected by this shortage declaration and will be able to take ICS (defined below) out of Lake Mead, if needed, to augment Metropolitan's Colorado River supplies to meet demands in its service area. As of March 6, 2023, the Bureau of Reclamation is projecting a supply . See "–Colorado River Aqueduct – Colorado River Operations: Surplus and Shortage Guidelines." As of March 19, 2024, Metropolitan estimates approximately 843,000 acre-feet of Colorado River water in calendar year 2023 of 909,000 acre feet2024, which includes approximately 277,700 acre-feet pursuant to the Exchange Agreement (defined below) between Metropolitan and San Diego County Water Authority ("SDCWA"), to be available to Metropolitan. Additional Colorado River supply tends to be available from higher priority water users as the year progresses. Based on recent higher priority water use, Metropolitan expects final Colorado River supplies to be approximately 991,000960,000 acre-feet. In the event that actual supply is less than Metropolitan's projection, Metropolitan expects to augment such supply with water stored in Lake Mead to meet local water demands.

Lake Powell has declined to the lowest elevation since it was filled nearly sixty years ago. On May 4, 2022, the Department of Interior announced that it would reduce releases of water from Glen Canyon Dam from the planned amount of 7.48 million acre feet to 7.0 million acre feet during the 2022 water year in order to reduce or delay Lake Powell declining below critically low elevations. Operation of Glen Canyon Dam below certain reservoir elevations may threaten dam infrastructure, would interrupt hydropower generation and would interrupt water supplies for two communities near Glen Canyon Dam. This action was taken to avoid these outcomes. The Bureau of Reclamation will address the future release of these 480,000 acre feet with input from the Colorado River Basin States (hereinafter defined). In a separate effort to protect critical reservoir elevations at Lake Powell, the Bureau of Reclamation and the States of the Upper Division of the Colorado River Basin approved the 2022 Drought Response Operations Plan to release 500,000 acre feet of water from Flaming Gorge Reservoir to Lake Powell between May 2022 and April 2023.

On June 14, 2022, in testimony before the United States Senate, the Commissioner of the Bureau of Reclamation announced that the Bureau of Reclamation estimates that between two and four million acre feet of additional conservation is needed in the Colorado River system in 2023 in order to prevent further declines in Lake Mead and Lake Powell below critical levels. The Commissioner called upon the Colorado River Basin States to develop a plan for the needed conservation measures within 60 days. The Commissioner further indicated that the Bureau of Reclamation was prepared to use its emergency authority to mandate measures if agreement among the states could not be reached. While the Colorado River Basin States did not develop a consensus plan within that timeline, two proposed alternatives have been submitted to the Bureau of Reclamation for the Supplemental Environmental Impact Statement ("SEIS") being prepared to modify the 2007 interim guidelines for Colorado River operations in 2023, 2024, and possibly through 2026. The Bureau of Reclamation is expected to develop its own alternative that will be modeled in the SEIS based on its emergency authority. The Colorado River Basin States will continue working toward a single proposal for a preferred alternative for the final SEIS. The Bureau of Reclamation plans to issue a draft SEIS for public comment in the spring of 2023 and a final SEIS and Record of Decision in the summer of 2023. See " Colorado River Aqueduct – Colorado River Operations: Surplus and Shortage Guidelines – *Ongoing Activities Relating to Colorado River Operations*."

Metropolitan has planned and prepared for dry conditions by investing in vital infrastructure to increase its storage capacity and enhance operational flexibility. However, conditions in calendar year 2022, the third consecutive dry year and the second year of a five percent allocation from the State Water Project, exposed the issue that certain areas within Metropolitan service area are dependent exclusively on the State Water Project. During calendar year 2022, DWR invoked for the first in time in history, an article of the

TABLE OF CONTENTS

Page

State Water Project contract and allocated water for human health and safety in addition to the normal allocation process. Metropolitan took delivery of approximately 134,000 acre-feet of human health and safety supplies that must be returned within five calendar years of the calendar year of delivery, with mandatory return amounts to be made in years when State Water Project allocations are 40 percent of contracted amounts or greater. See " State Water Project – Background and Current Supply." In addition to the human health and safety supplies and mandatory water use reductions for the State Water Project dependent area agencies, Metropolitan met the water demands in its service area in calendar year 2022 using a combination of CRA deliveries, storage reserves and supplemental water transfers and purchases. In 2022, approximately 28,000 acre-feet of water transfers were secured.

Metropolitan's storage as of January 1, 2023 is2024 was estimated to be 2.994.15 million acre-feet. This is the highest beginning-of-year total water storage in Metropolitan's history. See "–Storage Capacity and Water in Storage." On January 9, 2023, the Board authorized the General Manager to secure additional water in 2023 pursuant to one-year water transfers from various water districts and private water purveyors throughout the State at a maximum cost of up to $100 million. As of February 28, 2023As of March 26, 2024, Metropolitan's projected supply/demand estimategap for calendar year 20232024 is approximately 119,00030,000 acre-feet of surplus supplies based upon its demand estimate of 1.441.45 million acre-feet, and its supply estimate of 1.561.42 million acre-feet.

From early 2021, in response to the dry conditions, Metropolitan implemented certain operational measures and programs to minimize State Water Project deliveries, such as delivering Diamond Valley Lake water for the first time in history to the Henry J. Mills Treatment Plant, and expanding the delivery of Colorado River water. These measures were made possible by Metropolitan's continued investment in facility upgrades and improvements. Metropolitan also paid for several member agencies to shift from service connections that utilize State Water Project supplies to service connections that use Colorado River water to conserve State Water Project supplies. With the current 75 percent State Water Project allocation and the perspective for additional increases in the upcoming months, these drought measures are being phased out, starting with stopping deliveries from Diamond Valley Lake on March 16, 2023 and beginning the rebuilding of surface storage in Castaic Lake and Lake Perris. See " Water Transfer, Storage and Exchange Programs – State Water Project and Colorado River Aqueduct Arrangements – *Operational Shift Cost Offset Program.*"

Metropolitan continues to encourage responsible and efficient water use to lower demands. Following the Governor's October 2021 proclamation of a statewide drought emergency, on November 9, 2021, Metropolitan's Board of Directors declared a drought emergency and called on its member agencies dependent on State Water Project water to use increased conservation measures or other means to reduce their use of those supplies. To assist in these conservation efforts, Metropolitan's Board also approved a series of measures to expand various rebate and water efficiency programs. On April 26, 2022 Metropolitan's Board approved the framework of an Emergency Water Conservation Program for the State Water Project dependent area to further reduce demand on State Water Project supplies. Due to the improved hydrologic conditions and the increased State Water Project allocation for 2023, the Board voted to rescind the Emergency Water Conservation Program on March 14, 2023. See "CONSERVATION AND WATER SHORTAGE MEASURES–Emergency Water Conservation Program for the State Water Project Dependent Area" in this Appendix A. On March 24, 2023, the Governor announced that certain of the Statewide water conservation measures previously imposed would be eased.

Metropolitan's financial reserve policy provides funds to manage through periods of reduced sales. See "METROPOLITAN REVENUES–Financial Reserve Policy" in this Appendix A. In years when actual sales are less than projections, Metropolitan uses various tools to manage reductions in revenues, such as reducing expenditures below budgeted levels, reducing funding of capital projects from revenues, and

TABLE OF CONTENTS

Page

drawing on reserves. See also "MANAGEMENT'S DISCUSSION OF HISTORICAL AND PROJECTED REVENUES AND EXPENSES" in this Appendix A.

Integrated Water Resources Plan and Climate Adaptation Master Plan for Water

Overview and Background. The Integrated Water Resources Plan (the "IRP") is Metropolitan's principal water resources planning document. Metropolitan, its member agencies, subagencies sub-agencies and groundwater basin managers developed Metropolitan's first IRP as a long-term planning guideline for resources and capital investments over a 25-year planning cycle. The purpose of the IRP was the development of a portfolio of preferred resources to meet the water supply reliability and water quality needs for the region in a cost-effective and environmentally sound manner. The first IRP was adopted by the Board in January 1996 and to cover a planning cycle through 2020. An IRP update has been subsequently updated undertaken approximately every five years (*i.e.*, in 2004, 2010 and 2015). Work on Metropolitan's 2020 IRP commenced in February 2020 and is ongoing as described under "*2020 IRP*" below.

Metropolitan's last IRP update (the "2015 IRP Update") was adopted by the Board on January 12, 2016 as a strategy to set goals and a framework for water resources development. The strategy reflected in the 2015 IRP Update was aimed at providing regional reliability through 2040 by stabilizing Metropolitan's traditional imported water supplies and continuing to develop additional conservation programs and local resources, with an increased emphasis on regional collaboration. It also advances long-term planning for potential future contingency resources, such as potable reuse, storm water capture and seawater desalination.

Specifically, the 2015 IRP Update identifies the goals, approaches and regional targets for water resource development that are needed to ensure reliability under planned conditions through the year 2040, focusing on the following primary resource areas: (i) State Water Project, (ii) Colorado River Aqueduct, (iii) water transfers and exchanges; (iv) water conservation, and (v) local water supplies. It provides an adaptive management approach to address future uncertainty, including uncertainty from climate change. Adaptive water management, as opposed to a rigid set of planned actions over future decades, is designed to be a systematic process for improving management policies and practices by learning from the outcomes of implemented management strategies. An adaptive management approach began to evolve with Metropolitan's first IRP in 1996, after drought-related shortages in 1991 prompted a rethinking of Southern California's long-term water strategy. Reliance on imported supplies to meet future water needs has decreased steadily over time, replaced by plans for local actions to meet new demands. The 2015 IRP Update continues a diversified portfolio approach to water management.

2020 IRP. In February 2020, Metropolitan initiated a new process for the development of the 2020 IRP. The year 2020 marked the conclusion of the, which will guide a 25-year planning cycle envisioned by the original 1996 IRP.through 2045. The development of the 2020 IRP utilizing this new process is ongoing. The 2020 IRP , and was intended to include two phases: (i) a Regional Needs Assessment (which was completed in April 2022), and (ii) a Phase 2 One Water Implementation Phase. This intended second phase subsequently became the development process for the Climate Adaption Master Plan for Water ("CAMP4W") process, which is currently in progress. The Regional Needs Assessment and CAMP4W are described below. See "*–2020 IRP Regional Needs Assessment*" and "*–Climate Adaptation Master Plan for Water.*"

2020 IRP Regional Needs Assessment. Metropolitan's new process for the 2020 IRP builds upon Metropolitan's adaptive management strategy by usingutilizing a scenario planning approach. The 2020 IRPUnder this approach, Metropolitan anticipates ranges for how much water Southern California can

TABLE OF CONTENTS

Page

expect from its imported and local supplies, as well as regional water demands, across four plausible scenarios through 2045.

~~Development~~The initial development of the 2020 IRP ~~is being undertaken in two phases (i) Phase 1:~~ utilizing this approach was completed in April 2022, with the adoption by the Board of the 2020 IRP Regional Needs Assessment~~, and (ii) Phase 2: One Water Implementation. As the first phase of the 2020 IRP's development, the~~. The Regional Needs Assessment analyzed potential gaps between the expected supplies and the forecasted demands in Southern California across the four IRP scenarios~~. The Regional Needs Assessment~~ characterized by divergent outcomes of imported supply stability and water demands on Metropolitan.

The Regional Needs Assessment outcomes can be summarized through a set of findings grounded in the scenario reliability analysis. The findings fall within five key focus areas:

- SWP Dependent Areas – addressing identified vulnerabilities in the portion of Metropolitan's service area dependent upon State Water Project deliveries (the "SWP Dependent Areas");
- Storage – storage capacity, put/take capabilities, and accessibility as critical considerations in reliability and reducing the need for new core supply development;
- Retail Demand/Demand Management – managing variability in demand through appropriate regional measures and efficient water use;
- Metropolitan Imported Supplies – maintaining existing imported supply reliability and addressing risks to existing imported supplies from various drivers of uncertainty; and
- Local Supply – maintaining existing and developing new local supplies as a critical element of managing demands on Metropolitan.

The Regional Needs Assessment presents key technical findings and examines the effectiveness of generalized portfolio categories. The Regional Needs Assessment also frames and guides the establishment of more specific targets to maintain reliability over the planning period and informs Metropolitan's Board on resource investment decisions as well as the establishment of a plan to fund them. In light of the future uncertainties inherent in long-term resource planning, including uncertainties about climate change and regulatory requirements, as well as Southern California's population and economy, ~~the 2020 IRP's~~this scenario planning approach better prepares the region for a wider range of potential outcomes by identifying solutions and policies across a variety of possible future conditions. This strategy is designed to enable Metropolitan and its member agencies to manage future challenges and changes in California's water conditions and to balance investments with water reliability benefits.

The ~~Board adopted~~Board's adoption of the 2020 IRP ~~Regional Needs Assessment Report in April 2022, thus completing the IRP Regional Needs Assessment phase. The 2020 IRP Regional Needs Assessment outcomes can be summarized through a set of findings grounded in the scenario reliability analysis. The findings fall within five key focus areas: SWP Dependent Areas, Storage, Retail Demand/Demand Management, Metropolitan Imported Supplies, and Local Supply. Adopting the~~ Regional Needs Assessment allows the analysis and findings to serve as ~~both~~ a foundation ~~and as guardrails for the One Water Implementation phase~~for the CAMP4W process, which is described below.

TABLE OF CONTENTS

Page

The One Water Implementation phase will take***Climate Adaptation Master Plan for Water***. The current phase of water resource planning expands the intended 2020 IRP implementation into a more comprehensive CAMP4W. CAMP4W will integrate water resource, climate resilience and financial planning into a cohesive strategy and approach. Metropolitan incorporates the results and findings of Phase 1the Regionals Needs Assessment into a collaborative process to identify integrated regional solutions. Using a One Water approach, the implementation phase willThe intent of CAMP4W is to translate the high-level portfolio analysis from Phase 1 intothe 2020 IRP Regional Needs Assessment into guidance for specific policies, programs, and projects to address the findings and mitigate the potential shortages. Comprehensive, adaptive management strategy and evaluation criteria will be developed to guide these specific actions. Criteria are being developed through a climate lens with the goal of ensuring that climate resilience and water supply reliability are the primary focus areas. The adaptive management strategy will also establish a process for monitoring key reliability indicators to support decision-making.

Information and materials relating to Metropolitan's 2020 IRP Regional Needs Assessment and ongoing development of its 2020 IRPCAMP4W are available at: https://www.mwdh2o.com/how-we-plan/integrated-resource-plan/. The materials and other information set forth on Metropolitan's website are not incorporated into this Appendix A and should not be construed to be a part of this Appendix A by virtue of the foregoing reference to such materials and website.

Specific projects identified by Metropolitan in connection with the implementation of itsthe 2020 IRP and CAMP4W are subject to Board consideration and approval, as well as environmental and regulatory documentation and compliance.

Climate Action Planning and Other Environmental, Social and Governance Initiatives

General; Background. Metropolitan has long supported sustainability efforts, dating back to its founding in 1928, when planners and engineers designed the CRA to deliver water primarily by gravity across 242 miles of California desert to the State's south coastal plain. Metropolitan recognized the need for a reliable supply of power by investing in the construction of Hoover Dam and Parker Dam. Together, these dams produce clean, carbon-free energy that have historically supplied more than half of the energy needed to power the CRA pumps. See "METROPOLITAN EXPENSES–Power Sources and Costs; Related Long-Term Commitments – *Colorado River Aqueduct*." in this Appendix A.

In the decades that followed, Metropolitan has continued to make investments in clean energy and energy-efficient design to reduce GHG emissions, as well as climate adaptation investments to bolster water supply availability, particularly during times of drought. In addition, Metropolitan has partnered with the scientific community, including academic research institutions and the private sector, to test and ultimately implement advanced technologies that monitor and enhance Metropolitan's water supplies. Metropolitan's efforts to date in this area have focused not only on the goal of achieving broad environmental sustainability and efficiency objectives but also environmental risk mitigation.

Metropolitan has adopted several planning documents that address the core issues of environmental sustainability, improving climate resiliency of operations, and advancing the goal of carbon neutrality. These documents include the Climate Action Plan (discussed below), the Energy Sustainability Plan, Metropolitan's Capital Investment Plan, and its IRP and CAMP4W discussed above. Metropolitan coordinates its ongoing sustainability efforts through its Chief Sustainability, Resilience, and Innovation Officer ("SRI Officer").

Information and materials relatingrelated to Metropolitan's planning actions relating toassociated with climate change are available at:

TABLE OF CONTENTS

Page

https://www.mwdh2o.com/planning-for-tomorrow/addressing-climate-change/. The materials and other information set forth on Metropolitan's website are not incorporated into this Appendix A and should not be construed to be a part of this Appendix A by virtue of the foregoing reference to such materials and website.

Climate Change ~~and Climate Action Plan~~Adaptation. Climate change is expected to increase average temperatures across the western United States. In the Colorado River Basin, that is expected to result in decreased runoff and lower flows as less snow is coupled with increased evapotranspiration from trees and plants. In the Sierra Nevada, precipitation is anticipated to increasingly fall as rain in a few large storms, rather than as snow. Sierra snowpack, a critical storage tool in California's water management as it holds water high in the mountains until peak summer demand, has been projected to decrease by up to 65 percent by the end of the century. In the local Southern California region, climate change threatens groundwater basins with saltwater intrusion and less natural replenishment. These factors are expected to reduce the reliability of Metropolitan's imported water supply for Southern California.

Metropolitan has long recognized the threat to its water supply posed by these long-term impacts and has been addressing climate change for ~~more than two decades~~25 years through its IRP. Pursuant to its IRP ~~(originally adopted in January 1996 and subsequently updated in 2004, 2010 and 2015)~~, Metropolitan has invested in local supplies, developed new storage, and increased the flexibility of its water system facilities to be able to take delivery of water from diverse sources when available. Below are a few examples:

- ~~•~~ Metropolitan has increased the water storage capacity of its dams and reservoirs by more than 13-fold since 1990 and has built the Inland Feeder, a large conveyance pipeline that allows for the movement of water into that storage. See "METROPOLITAN'S WATER DELIVERY SYSTEM" in this Appendix A. With snowpack dwindling, these investments provide a valuable opportunity to capture water in wet years and save it for dry ones.

- ~~•~~ Metropolitan has increased the operational flexibility of its water delivery system through infrastructure improvements, such as the Inland Feeder, which provides the ability to capture and store high allocations of State Water Project supplies when available, and agreements to deliver Colorado River water supplies when State supplies are in drought, and vice versa. See "–Water Transfer, Storage and Exchange Programs."

- ~~•~~ Metropolitan has invested approximately $~~840~~910 million in conservation programs, which have helped decrease potable per capita water consumption over time in Metropolitan's service area from 209 gallons per person per day in 1990 to ~~129~~126 gallons per person per day in ~~2021~~2022 – a ~~38~~40 percent reduction. Metropolitan plans to continue to expand these efforts into the future. See "CONSERVATION AND WATER STORAGE MEASURES" in this Appendix A.

- ~~•~~ Metropolitan's Local Resources Program accelerates the development of local water supply reliability projects by incentivizing agencies within Metropolitan's service area to construct recycled water, groundwater recovery and seawater desalination projects. Since 1982, Metropolitan has invested approximately $~~534~~542 million in recycled water projects and $199 million in groundwater recovery projects. See "REGIONAL WATER RESOURCES–Local Water Supplies" in this Appendix A.

- ~~•~~ Metropolitan has partnered with other utilities and organizations across the nation to understand both the effects of climate change and potential opportunities to build resilience. These collaborators include the Water Utility Climate Alliance, a collaboration of large water providers working on climate issues affecting the country's water agencies, and the California Resilience Challenge, a

TABLE OF CONTENTS

Page

collaboration of businesses, utilities, and non-profit organizations developing climate adaptation planning projects.

Climate Action Plan. In May 2022, Metropolitan adopted a Climate Action Plan, a comprehensive planning document that outlines Metropolitan's strategy for reducing GHG emissions associated with Metropolitan's future construction, operation, and maintenance activities. The Climate Action Plan includes an analysis of Metropolitan's historical GHG emissions, a forecast of future GHG emissions, sets a GHG reduction target for reducing emissions consistent with applicable state policies, and identifies a suite of specific GHG reduction actions that Metropolitan can implement to achieve its adopted targets. The Climate Action Plan establishes a GHG emissions reduction goal of 40 percent by 2030 and carbon neutrality by 2045. ~~Metropolitan's~~The Climate Action Plan includes nine strategies that target the reduction of direct emissions from natural gas and fuel combustion by supporting the transition to a zero emissions vehicle fleet and reduction of natural gas combustion; reducing indirect emissions associated with electricity consumption through improved energy efficiency and utilizing low-carbon and carbon-free electricity; and implementing GHG reduction measures that incentivize sustainable employee commutes~~,~~ and increase waste diversion~~, increase~~; increasing water conservation and local water supply~~,~~; and investigating and implementing carbon capture and carbon sequestration opportunities on Metropolitan-owned lands.

Metropolitan's Climate Action Plan includes an implementation strategy, annual GHG inventories, a public-facing tracking and monitoring tool to ensure progress towards meeting its goal, and five-year updates to capture new and emerging technologies for GHG emissions reductions. The strategies included in the Climate Action Plan provide the co-benefits of improved infrastructure reliability, greater energy resiliency, and expected reduced costs associated with energy procurement and maintenance.

Energy Sustainability. Metropolitan meets its energy demands through its investments in hydroelectric and solar power and the purchase of more than 2,000 GWh of electricity annually from the regional power grid. In November 2020, Metropolitan developed an Energy Sustainability Plan. The Energy Sustainability Plan includes a framework of sustainable actions focused on energy cost containment, reliability, affordability, conservation and adaptation, including reconfiguring certain existing power plants and variable-speed pump drives at pumping stations, and assessing the integration of islanded operations for microgrid purposes. Metropolitan invests in renewable energy resources, including buying and generating hydroelectric power to help meet much of its electricity needs. Currently, over three-quarters of Metropolitan's pumping and water treatment energy needs are met through renewable/sustainable energy resources. In addition to using power generated at Parker and Hoover Dams, Metropolitan has built 15 in-stream hydroelectric plants throughout its distribution system with a total capacity of about 130 megawatts. Metropolitan has also installed ~~5.5~~3.5 megawatts of photovoltaic solar power at its facilities and is implementing a project to add battery energy storage at three of its water treatment plants to store green energy when power rates are low and discharge that energy when rates are higher. The completion of construction of the project to add battery storage at the three treatment plants is expected to occur by the end of 2026.

Diversity, Equity and Inclusion and Governance. In its dedication to improving workplace culture for all employees, in October 2021, Metropolitan's Board ~~has~~ adopted a statement pledging its support of diversity, equity and inclusion initiatives. The Statement of Commitment is the result of a collaborative discussion among the 38-member board and provides guidance so that staff can develop, implement and maintain policies and practices to support diversity, equity and inclusion. In May 2022, Metropolitan hired its first Chief Diversity, Equity and Inclusion officer to help plan, develop, and implement strategies and initiatives designed to ensure that Metropolitan is a diverse and inclusive organization. See "GOVERNANCE AND MANAGEMENT–Management" and "–Employee Relations" in this Appendix A.

TABLE OF CONTENTS

Page

State Water Project

Background and Current Supply

One of Metropolitan's two major sources of water is the State Water Project, which is owned by the State, and managed and operated by DWR. The State Water Project is the largest state-built, multipurpose, user-financed water project in the country. It was designed and built primarily to deliver water, but also provides flood control, generates power for pumping, is used for recreation, and enhances habitat for fish and wildlife. The State Water Project provides irrigation water to 750,000 acres of farmland, mostly in the San Joaquin Valley, and provides municipal and industrial water to approximately 27 million of California's estimated 39.2 million residents, including the population within the service area of Metropolitan.

The State Water Project's watershed encompasses the mountains and waterways around the Feather River, the principal tributary of the Sacramento River, in the Sacramento Valley of Northern California. Through the State Water Project, Feather River water stored in and released from Oroville Dam (located about 70 miles north of Sacramento, east of the city of Oroville, California) and unregulated flows diverted directly from the Bay-Delta are transported south through the Central Valley of California, over the Tehachapi Mountains and into Southern California, via the California Aqueduct, to ~~four~~three delivery points near the northern and eastern boundaries of Metropolitan's service area. The total length of the California Aqueduct is approximately 444 miles. See "METROPOLITAN'S WATER DELIVERY SYSTEM–Primary Facilities and Method of Delivery –*State Water Project*" in this Appendix A.

From calendar year ~~2013~~2014 through ~~2022~~2023, the amount of water ~~received by Metropolitan from~~delivered to Metropolitan's service area via the State Water Project infrastructure, including water from allocated supplies, human health and safety supplies, ~~and~~carryover, flexible storage from Castaic Lake and Lake Perris, water transfer, groundwater banking and exchange programs delivered through the California Aqueduct ~~(described under "–Water Transfer, Storage and Exchange Programs" below),~~ varied from a low of ~~468,000 acre-feet in the~~457,000 acre-feet in calendar year 2022 to a high of ~~1,473,000 acre-feet in 2017. In calendar years 2021 and 2022, DWR's allocation to State Water Project contractors (defined below) was five percent of contracted amounts, or 95,575 acre-feet, for Metropolitan.~~1,374,000 acre-feet in 2017.

As more fully described under "– State Water Contract – General Terms of the Contract," under the terms of the State Water supply contract, DWR provides the initial allocation estimate of State Water Project water for the following calendar year by each December 1. Based upon updated runoff forecast and environmental, regulatory and operational constraints, DWR's total water supply availability projections are refined during the calendar year and allocations to the State Water Project contractors are adjusted accordingly. On December 1, ~~2022~~2023, DWR announced an initial calendar year ~~2023~~2024 allocation of ~~five~~ten percent of contracted amounts, based on DWR's ~~expectation of continued extreme drought~~assessment of reservoir storage and an assumption of dry conditions ~~in the region~~. On ~~January 26, 2023~~February 21, 2024, DWR increased the State Water Project annual allocation to 15 percent of State Water Project contractors' requested Table A amounts. DWR again increased the allocation estimate on March 22, 2024 to 30 percent of ~~contracted amounts, based on increased precipitation experienced in December 2022 and January 2023 and estimates of future runoff. On February 22, 2023, DWR announced a further increase in the annual allocation estimate to 35 percent of contracted amounts, and on March 24, 2023, DWR announced an additional increase in the annual allocation estimate to 75 percent of contracted amounts, or 1,433,625 acre-feet for Metropolitan, based on improved snowpack conditions and reservoir storage levels~~State Water Project contractors' requested Table A amounts. Further changes to the ~~2023~~2024 allocation may occur ~~depending on the amount of additional precipitation experienced in the State. See also~~ and are dependent on the developing hydrologic conditions. In addition, Metropolitan began 2024 with approximately 227,000 acre-feet of State Water Project carryover supplies from calendar year 2023. See "–Water Transfer, Storage and Exchange Programs" and "–Storage Capacity and Water in Storage." See

TABLE OF CONTENTS

Page

also "–Water Conditions in Recent Years" and "–Current Water Conditions~~ and Drought Response Actions~~."

~~In 2022, due to historically dry conditions, DWR exercised a provision of the State water supply contract that allowed DWR State Water Project to provide State Water Project Water to certain State Water Project contractors, that was in addition to the contracted amounts, to meet minimum demands for domestic supply, fire protection or sanitation. Under this provision, Metropolitan requested and received from DWR delivery of an additional 133,842 acre feet of certain human health and safety supplies to the State Water Project dependent portion of Metropolitan's service area ("SWP Dependent Area"). The human health and safety supplies received by Metropolitan in 2022 are to be returned within five calendar years of the calendar year of delivery, with mandatory returns to be made in years when State Water Project allocations are 40 percent of contracted amounts or greater, thus creating a water supply debt that effectively reduces future allocations and slows storage recovery once the drought eases. Metropolitan is required to return 95,575 acre feet in 2023 so long as the State Water Project allocation remains at 40 percent or higher. Due to the increase in State Water Project allocation for 2023, Metropolitan has determined not to request additional supplies for human health and safety purposes for 2023.~~

State Water Contract

General Terms of the Contract. In 1960, Metropolitan signed a water supply contract (as amended, the "State Water Contract") with DWR to receive water from the State Water Project. Metropolitan is one of 29 agencies and districts that have long-term contracts for water service from DWR (known collectively as the "State Water Project contractors" and sometimes referred to herein as "Contractors"). Metropolitan is the largest of the State Water Project contractors in terms of the number of people it serves (approximately 19 million), the share of State Water Project water that it has contracted to receive (approximately 46 percent), and the percentage of total annual payments made to DWR by agencies with State water supply contracts (approximately ~~53~~50 percent for calendar year ~~2023~~2024). Metropolitan received its first delivery of State Water Project water in 1972.

Pursuant to the terms of the State water supply contracts, all water-supply related expenditures for capital and operations, maintenance, power, and replacement costs associated with the State Water Project facilities are paid for by the State Water Project contractors as components of their annual payment obligations to DWR. In exchange, Contractors have the right to participate in the system, with an entitlement to water service from the State Water Project and the right to use the portion of the State Water Project conveyance system necessary to deliver water to them. Each year DWR estimates the total State Water Project water available for delivery to the State Water Project contractors and allocates the available project water among the State Water Project contractors in accordance with the State Water Project supply contracts. ~~On or about December 1 of each year, DWR announces an initial allocation estimate for the upcoming year, but periodically provides subsequent estimates throughout the year if warranted by developing precipitation and water supply conditions. Based upon the updated rainfall and snowpack values, DWR's total water supply availability projections are refined during each calendar year and allocations to the State Water Project contractors are adjusted accordingly.~~

Under its State Water Contract, Metropolitan has a contractual right to its proportionate share of the State Water Project water that DWR determines annually is available for allocation to the Contractors. This determination is made by DWR each year based on existing supplies in storage, forecasted hydrology, and other factors, including water quality and environmental flow obligations and other operational considerations. Available State Water Project water is then allocated to the Contractors in proportion to the amounts set forth in "Table A" of their respective State water supply contract (sometimes referred to herein as ~~"~~Table A State Water Project water~~"~~); provided, that in accordance with the terms of the State water supply contracts, the State may allocate on some other basis if such action is required to meet minimum

TABLE OF CONTENTS

Page

demands of contractors for domestic supply, fire protection, or sanitation during the year. Pursuant to Table A of its State Water Contract, Metropolitan is entitled to approximately 46 percent of the total annual allocation made available to State Water Project contractors each year. Metropolitan's State Water Contract, under a 100 percent allocation, provides Metropolitan 1,911,500 ~~acre feet~~acre-feet of water. The 100 percent allocation is referred to as the contracted amount. See also "–Current Water Conditions~~ and Drought Response Actions~~" for information regarding Metropolitan's allocation of State Water Project water for ~~2023~~2024.

The term of Metropolitan's State Water Contract currently extends to December 31, 2085, or until all DWR bonds issued to finance construction of project facilities are repaid, whichever is longer. Upon expiration of the State Water Contract term, Metropolitan has the option to continue service under substantially the same terms and conditions. See also "*–Amendment of Contract Term*."

Project Improvement Amendments. Metropolitan's State Water Contract has been amended a number of times since its original execution and delivery. Several of the amendments, entered into by DWR and various subsets of State Water Project contractors, relate to the financing and construction of a variety of State Water Project facilities and improvements and impose certain cost responsibility therefor on the affected Contractors, including Metropolitan. For a description of Metropolitan's financial obligations under its State Water Contract, including with respect to such amendments, see "METROPOLITAN EXPENSES–State Water Contract Obligations" in this Appendix A.

Water Management Amendments. Metropolitan and other State Water Project contractors have undertaken negotiations with DWR to amend their State water supply contracts to clarify the criteria applicable to certain water management tools including single and multi-year water transfers and exchanges. The water management provisions amendment allows for greater flexibility for transfers and exchanges among the State Water Project contractors. Specifically, the amendment confirms existing practices for exchanges, allows more flexibility for non-permanent water transfers, and allows for the transfer and exchange of certain portions of Article 56 carryover water (see "–Water Transfer, Storage and Exchange Programs – State Water Project Agreements and Programs – *Metropolitan Article 56 Carryover*"). DWR certified a final EIR for the water management amendments in August 2020. In September 2020, North Coast Rivers Alliance, California Water Impact Network and others separately filed two lawsuits challenging DWR's final EIR and approval of the State water supply contract water management provisions amendment under the California Environmental Quality Act ("CEQA"). North Coast Rivers Alliance also alleges violations of the Delta Reform Act, and public trust doctrine, and seeks declaratory and injunctive relief. The cases were deemed related and assigned to the same judge. DWR ~~is in the process of compiling~~filed notice of certification of the administrative record and filed answers in both cases on December 20, 2022. Any adverse impact of this litigation and rulings on Metropolitan's State Water Project supplies cannot be determined at this time. Despite the pending litigation, enough of the State Water Project contractors approved and executed the amendment as required by DWR for it to be deemed fully executed. The amendments went into effect on February 28, 2021. The State Water ~~Project contractors~~Contractors association, made up of 27 State Water Project contractors, has intervened in the two related cases to protect the interests of the Contractors.

Amendment of Contract Term. In 2014, DWR and the State Water Project contractors reached an Agreement in Principle (the "Agreement in Principle") on an amendment to extend their State water supply contracts to December 31, 2085 and to make certain other changes related to financial management of the State Water Project. The Agreement in Principle served as the "proposed project" for purposes of the environmental review required under CEQA, which such review was completed in December 2018. Following DWR's approval of the proposed project, three separate lawsuits were filed: one by DWR seeking to validate the contract extension amendment, and two by environmental groups and other entities challenging DWR's approval of the amendment and the adequacy of the underlying environmental review.

TABLE OF CONTENTS

Page

These cases were deemed related by the court and assigned to a single judge. After a three-day trial in January 2022, the court issued a final statement of decision on March 9, 2022, in which it ruled that the amendments were valid and rejected all other challenges and claims. ~~In late April 2022, final judgments were entered in all three cases and served on the parties. In May 2022, two separate appeals were filed. Briefing on these appeals is expected to be complete by summer 2023~~On January 5, 2024, the Third District Court of Appeal affirmed the decision. Appellants have filed petitions for review by the California Supreme Court. Any potential adverse impact of the appeals on Metropolitan's State Water Project supplies cannot be determined at this time. As of ~~January~~May 1, 2023, ~~25~~27 of the 29 State Water Project contractors, including Metropolitan, had executed the amendment, exceeding the DWR established thresholds needed for the amendment to become effective. These Contractors also executed waivers allowing the amendment to be implemented notwithstanding the pending litigation. As a result, the contract extension amendment became effective on January 1, 2023 and the term of the water supply contracts of the State Water Project contractors executing the amendment was extended to December 31, 2085. While an adverse outcome in the pending ~~appeals~~appeal could potentially affect the ongoing validity and future implementation of the amendment, Metropolitan considers the risk to be low given the favorable outcome at trial and the Court of Appeal.

Amendments for Allocation of Conveyance Costs. Metropolitan and other State Water Project contractors embarked on a third public process to further negotiate proposed amendments to their State water supply contracts related to cost allocation for a potential Delta Conveyance project. Pursuant to the terms of a prior settlement, negotiations for this State Water Project contract amendment were completed in public. In March 2021, DWR and the State Water Project contractors concluded public negotiations and reached an Agreement in Principle (the "Delta Conveyance AIP") that will be the basis for amendment of the State water supply contracts. The future contract amendment contemplated by the Delta Conveyance AIP would provide a mechanism that would allow for the costs related to any Delta Conveyance project to be allocated and collected by DWR. The Delta Conveyance AIP also provides for the allocation of benefits for any Delta Conveyance project in proportion to each State Water Project contractor's participation. DWR will maintain a table reflecting decisions made by public agency governing boards regarding that agency's participation. Contract language for the proposed amendments is under development. ~~Consideration of the amendments for approval by DWR and the State Water Project contractors would not occur until after DWR's completion of the Delta Conveyance project environmental review, which is not expected before 2024.~~ See "*–Bay-Delta Planning Activities*" and "*–Delta Conveyance*" under "Bay-Delta Proceedings Affecting State Water Project" below.

Coordinated Operations with Central Valley Project

DWR operates the State Water Project in coordination with the federal Central Valley Project, which is operated by the Bureau of Reclamation. Since 1986, the coordinated operations have been undertaken pursuant to a Coordinated Operations Agreement for the Central Valley Project and State Water Project (the "COA"). The COA defines how the State and federal water projects share water quality and environmental flow obligations imposed by regulatory agencies. The agreement calls for periodic review to determine whether updates are needed in light of changed conditions. After completing a joint review process, DWR and the Bureau of Reclamation agreed to amend the COA to reflect water quality regulations, biological opinions and hydrology updated since the 1986 agreement was signed. On December 13, 2018, DWR and the Bureau of Reclamation executed an Addendum to the COA (the "COA Addendum"). The COA Addendum provides for DWR's adjustment of State Water Project operations to modify pumping operations, as well as project storage withdrawals to meet in-basin uses, pursuant to revised calculations based on ~~water year~~Water Year types. The COA Addendum will shift responsibilities for meeting obligations between the Central Valley Project and the State Water Project, resulting in a shift of

TABLE OF CONTENTS

Page

approximately 120,000 ~~acre-feet~~acre-feet in long-term average annual exports from the State Water Project to the Central Valley Project.

In executing the COA Addendum, DWR found the agreement to be exempt from environmental review under CEQA as an ongoing project and that the adjustments in operations are within the original scope of the project. On January 16, 2019, commercial fishing groups and an American Indian tribe ("petitioners") filed a lawsuit against DWR alleging that entering the COA Addendum violated CEQA, the Delta Reform Act, and the public trust doctrine. ~~On April 11, 2019,~~ Westlands Water District ("Westlands") ~~filed a motion to intervene, which was not opposed by any party. The court granted Westlands' motion on June 7, 2019. On October 7, 2019, the~~and North Delta Water Agency ~~filed a motion~~have been granted approval to intervene~~. On November 19, 2019, the court granted North Delta Water Agency's motion~~ in the lawsuit. The petitioners are still in the process of preparing the administrative record. The effect of this lawsuit on the COA Addendum and State Water Project operations cannot be determined at this time.

2017 Oroville Dam Spillway Incident

Oroville Dam, the earthfill embankment dam on the Feather River which impounds Lake Oroville, is operated by DWR as a facility of the State Water Project. On February 7, 2017, the main flood control spillway at Oroville Dam, a gated and concrete lined facility, experienced significant damage as DWR released water to manage higher inflows driven by continued precipitation in the Feather River basin. The damaged main spillway impaired DWR's ability to manage lake levels causing water to flow over the emergency spillway structure, an ungated, 1,730-foot-long concrete barrier located adjacent to the main flood control spillway structure. Use of the emergency spillway structure resulted in erosion that threatened the stability of the emergency spillway structure. This concern prompted the Butte County Sheriff to issue an evacuation order for approximately 200,000 people living in Oroville and the surrounding communities.

On November 1, 2018, DWR completed reconstruction of the main spillway to its original design capacity of approximately 270,000 cubic feet per second ("cfs"), a capacity almost twice its highest historical outflow. Work on the emergency spillway was substantially completed in April 2019. Mitigation measures such as slope revegetation were completed in 2021. DWR has estimated the total costs of the recovery and restoration project prior to any federal or other reimbursement to be approximately $1.2 billion. As of January ~~2023~~2024, DWR ~~has~~had received or ~~expects~~expected to receive reimbursement of a total of approximately $617 million of these costs under the Public Assistance Program of the Federal Emergency Management Agency ("FEMA"). Remaining costs of about $567 million were charged to the State Water Project contractors under the State water supply contracts, of which Metropolitan's share totaled about $259 million. DWR financed these remaining costs with DWR bonds.

Various lawsuits were filed against DWR asserting claims for property damage, economic losses, environmental impacts and civil penalties related to this incident. Neither Metropolitan nor any other State Water Project contractor was named as a defendant in any of these lawsuits. ~~Most of these~~These cases, which were coordinated in Sacramento Superior Court (Case No. JCCP 4974), have now been resolved, either through decisions in favor of DWR or settlements with terms favorable to DWR. ~~With one exception discussed below, cumulative payments for all claims related to the Oroville Dam spillway incident are anticipated to be less than $40 million.~~

The ~~primary outstanding~~most significant lawsuit ~~is~~was one ~~that was~~ filed by the Butte County District Attorney ("DA"), which ~~seeks~~sought up to $51 billion in civil penalties. This lawsuit ~~asserts~~asserted a single claim under California Fish and Game Code section 5650, *et seq.*, which makes it unlawful to deposit or place certain substances into the waters of the State, including lime, slag and "any substance or material deleterious to fish, plant life, mammals, or bird life." Among other things, the statute provides for the assessment of civil penalties of up to $25,000 a day and $10 per pound of material deposited in violation

TABLE OF CONTENTS

Page

of its strictures. On September 3, 2020, DWR filed a motion for summary judgment in the Butte County DA case. On December 18, 2020, the court granted the motion, ruling that DWR is not subject to the penalty provisions of the California Fish and Game Code sections at issue. Accordingly, the matter was dismissed and judgment was entered on January 11, 2021. ~~The Butte County DA filed a notice of appeal on February 9, 2021. On March 30, 2021~~On October 5, 2023, the Third District Court of Appeal ~~ordered this case to mediation, but no settlement was reached. As a result, the court terminated the mediation on January 6, 2022. On October 25, 2022, the Butte County DA filed its opening brief in the appeal. DWR filed a responsive brief on February 22, 2023. All briefing is expected to complete by summer 2023. At this time, Metropolitan cannot predict the outcome of this litigation or the amount of civil penalties that might be assessed in the event the Butte County DA prevails on an appeal of the decision.~~ affirmed the trial court's dismissal. Finally, on December 20, the California Supreme Court denied a petition for review filed by the Butte County District Attorney. As a result, the Court of Appeal's decision is final. Cumulative payments for all claims related to the Oroville Dam spillway incident totaled less than $40 million.

The State water supply contracts provide that Metropolitan and the other State Water Project contractors are not liable for any claim of damage of any nature arising out of or connected to the control, carriage, handling, use, disposal or distribution of State Water Project water prior to the point where it reaches their turnouts. However, DWR has asserted that regardless of legal liability all costs of the State Water Project system must be borne by State Water Project contractors. Thus, DWR ~~has~~ indicated ~~that it intends~~its intent to bill the State Water Project contractors for any expenditures related to litigation (cost of litigation, settlements, damages awards/verdicts) arising from the Oroville Dam spillway incident and costs incurred by DWR to date have been reflected in DWR charges. Metropolitan has established that all charges related to this litigation are being paid under protest, and it has an existing tolling agreement with DWR to preserve its legal right to seek recovery of these charges and/or dispute any future charges that DWR may seek to assess related to such litigation.

Bay-Delta Proceedings Affecting State Water Project

General. In addition to being a source of water for diversion into the State Water Project, the Bay-Delta is the source of water for local agricultural, municipal, and industrial needs. The Bay-Delta also supports significant resident and anadromous fish and wildlife resources, as well as recreational uses of water. Both the State Water Project's upstream reservoir operations and its Bay-Delta diversions can at times affect these other uses of Bay-Delta water directly, or indirectly, through impacts on Bay-Delta water quality. A variety of proceedings and other activities are ongoing with the participation of various State and federal agencies, as well as California's environmental, urban and agricultural communities, in an effort to develop long-term, collectively negotiated solutions to the environmental and water management issues concerning the Bay-Delta. Metropolitan actively participates in these proceedings. Metropolitan cannot predict the outcome of any of the litigation or regulatory processes described below but believes that a materially adverse impact on the operation of State Water Project pumps could negatively impact Metropolitan's State Water Project deliveries and/or Metropolitan's water reserves.

SWRCB Regulatory Activities and Decisions. The State Water Resources Control Board (the "SWRCB") is the agency responsible for setting water quality standards and administering water rights throughout California. The SWRCB exercises its regulatory authority over the Bay-Delta by means of public proceedings leading to regulations and decisions that can affect the availability of water to Metropolitan and other users of State Water Project water. These include the Water Quality Control Plan ("WQCP") for the San Francisco Bay/Sacramento-San Joaquin Delta Estuary, which establishes the water quality objectives and proposed flow regime of the estuary, and water rights decisions, which assign responsibility for implementing the objectives of the WQCP to users throughout the system by adjusting their respective water rights permits.

TABLE OF CONTENTS

Page

Since 2000, SWRCB's Water Rights Decision 1641 ("D-1641") has governed the State Water Project's ability to export water from the Bay-Delta for delivery to Metropolitan and other agencies receiving water from the State Water Project. D-1641 allocated responsibility to water rights holders for meeting flow requirements and salinity and other water quality objectives established earlier by the WQCP.

The WQCP gets reviewed periodically and new standards and allocations of responsibility can be imposed on the State Water Project as a result. The SWRCB's current review and update of the WQCP is being undertaken in phased proceedings. In December 2018, the SWRCB completed Phase 1 of the WQCP proceedings, adopting the plan amendments and environmental documents to support new flow standards for the Lower San Joaquin River tributaries and revised southern Delta salinity objectives. The Phase 1 plan amendments include certain "unimpaired flow" requirements on the three San Joaquin River tributaries. The term unimpaired flow is used to describe a theoretically available water supply assuming existing river channel conditions in the absence of storage and stream diversions. It is theoretical and it does not represent such conditions as they have occurred historically. Various stakeholders filed suit against the SWRCB challenging these Phase 1 plan amendments. ~~As~~

Plan amendments being considered as part of Phase 2 of the WQCP proceedings~~, a framework document for the second plan amendment process,~~ are focused on the Sacramento River and its tributaries, Delta eastside tributaries, Delta outflows, and interior Delta flows~~, was released in July 2018. The framework describes changes that will likely be proposed by the SWRCB through formally proposed amendments and supporting environmental documents unless it approves an alternative. The proposed changes include certain unimpaired flow requirements for the Sacramento River and its salmon bearing tributaries~~. The SWRCB has also encouraged all stakeholders to work together to reach one or more ~~voluntary agreements~~Voluntary Agreements for consideration by the SWRCB that could implement the proposed amendments to the WQCP through a variety of tools, including non-flow habitat restoration for sensitive salmon and smelt species, while seeking to protect water supply reliability. Metropolitan is participating in the Phase 2 proceedings and ~~voluntary agreement~~Voluntary Agreement negotiations. On March 29, 2022, Metropolitan's General Manager signed a Memorandum of Understanding Advancing a Term Sheet for the Voluntary Agreements to Update and Implement the Bay-Delta Water Quality Control Plan, and Other Related Actions (the "VA MOU"). Other parties include the California Natural Resources Agency ("Natural Resources"), the California Environmental Protection Agency, the California Department of Fish and Wildlife ("CDFW"), the Bureau of Reclamation, DWR, the State Water Contractors association and additional agricultural and municipal water users. Under the VA MOU, the parties "seek to take a comprehensive approach to integrate flow and non-flow measures, including habitat restoration, subject to ongoing adaptive management based on a science program" as described in an attached term sheet. The proposed approach under the VA MOU provides for implementation over eight years with a potential extension to up to 15 years. ~~In January 2023, the SRWCB projected a consideration of adoption of the voluntary agreements by the end of 2024.~~To be implemented any Voluntary Agreement package of agreed upon flow and non-flow measures would need to be reviewed by the SWRCB and formally considered and adopted as part of a comprehensive update to the WQCP.

In September 2023, the staff for the SWRCB released a Draft Staff Report/Substitute Environmental Document (the "Draft Staff Report") for the WQCP Phase 2 updates for the Sacramento River watershed, Delta eastside tributaries, interior Delta, and Delta. The Draft Staff Report analyzes several alternatives for WQCP updates, including the proposed Healthy Rivers and Landscapes (HRL) proposal (previously referred to as "Voluntary Agreements"), several variations of unimpaired hydrograph outflow objectives, several modular alternatives that would limit State Water Project and Central Valley Project operations, and several narrative objectives. As described in the Draft Staff Report, the SWRCB could adopt more than one alternative, providing for layered implementation. The Draft Staff Report's Proposed Action includes a flow objective of 55 percent of the unimpaired hydrograph. The Draft Staff Report's Proposed Action flow objective is predicted to result in an annual average reduction of 446,000 acre-feet for southern California

TABLE OF CONTENTS

Page

municipal supplies, which provides an estimate of the potential water cost for Metropolitan. The public comment period for the Draft Staff Report closed on January 19, 2024. Metropolitan provided comments individually and through the State Water Contractors association. The SWRCB staff will consider public comments and finalize the Staff Report later in 2024. The eventual consideration by the SWRCB of adoption of Phase 2 updates to the WQCP is expected to occur in December 2024 or later.

Bay-Delta Planning Activities. In 2000, several State and federal agencies released the CALFED Bay-Delta Programmatic Record of Decision and Environmental Impact Report/Environmental Impact Statement ("EIR/EIS") that outlined and disclosed the environmental impacts of a 30-year plan to improve the Bay-Delta's ecosystem, water supply reliability, water quality, and levee stability. CALFED is the consortium of State and federal agencies with management and regulatory responsibilities in the San Francisco Bay/ Sacramento-San Joaquin Delta Estuary. The CALFED Record of Decision remains in effect and many of the State, federal, and local projects begun under CALFED continue.

In 2006, multiple State and federal resource agencies, water agencies, and other stakeholder groups entered into a planning agreement for the Bay-Delta Conservation Plan ("BDCP"). The BDCP was originally conceived as a comprehensive conservation strategy for the Bay-Delta designed to restore and protect ecosystem health, water supply, and water quality within a stable regulatory framework to be implemented over a 50-year time frame with corresponding long-term permit authorizations from fish and wildlife regulatory agencies. The BDCP includes both alternatives for new water conveyance infrastructure and extensive habitat restoration in the Bay-Delta.

The existing State Water Project Delta water conveyance system needs to be improved and modernized to address operational constraints on pumping in the south Delta as well as risks to water supplies and water quality from climate change, earthquakes, and flooding. Operational constraints are largely due to biological opinions and incidental take permits to which the State Water Project is subject that substantially limit the way DWR operates the State Water Project.

In 2015, the State and federal lead agencies proposed an alternative implementation strategy and new alternatives to the BDCP to provide for the protection of water supplies conveyed through the Bay-Delta and the restoration of the ecosystem of the Bay-Delta, termed "California WaterFix" and "California EcoRestore," respectively. Planned water conveyance improvements, California WaterFix~~, would be~~ (a proposed project that was subsequently withdrawn and reconfigured as an alternative delta conveyance project as described under "*–Delta Conveyance*" below), would have been implemented by DWR and the Bureau of Reclamation as a stand-alone project with the required habitat restoration limited to that directly related to construction mitigation. Ecosystem improvements and habitat restoration more generally, California EcoRestore, would be undertaken under a more phased approach.

California EcoRestore. As part of California EcoRestore, which was initiated in 2015, the State is pursuing more than 30,000 acres of Delta habitat restoration. ~~During~~As of the end of the first five-year period of 2015 through December 2020, California EcoRestore was on track to restore 3,500 acres of non-tidal wetland~~;~~ and projected to restore 14,000 acres of tidal and subtidal habitat, 18,580 acres of floodplain, and 1,650 acres of riparian and upland habitat, exceeding initial estimates. Over such period, California EcoRestore represented an investment of approximately $500 million for implementation and planning costs. This includes certain amounts being paid by the State Water Project contractors, including Metropolitan, for the costs of habitat restoration required to mitigate State and federal water project impacts pursuant to the biological opinions. Work on several California EcoRestore projects is ongoing. The overall estimated cost to complete the current list of 32 California EcoRestore projects is $750 to $950 million, with approximately half expected to be paid from the State Water Project by State Water Project contractors and half from other funding sources. ~~Over the first five years (which was 2015-2020), California EcoRestore represents an investment of approximately $500 million for implementation and planning costs. This~~

TABLE OF CONTENTS

Page

~~includes certain amounts being paid by the State Water Project contractors, including Metropolitan, for the costs of habitat restoration required to mitigate State and federal water project impacts pursuant to the biological opinions.~~ See also "–Endangered Species Act and Other Environmental Considerations Relating to Water Supply – Endangered Species Act Considerations – State Water Project."

Delta Conveyance. On April 29, 2019, Governor Newsom issued an executive order directing identified State agencies to develop a comprehensive statewide strategy to build a climate-resilient water system, directing the State agencies to inventory and assess the current planning for modernizing conveyance through the Bay-Delta with a new single tunnel project (rather than the previously contemplated two-tunnel California WaterFix). Consistent with the Governor's direction, in January 2020, DWR commenced a formal environmental review process under CEQA for a proposed single tunnel Delta Conveyance Project. ~~The new~~ On July 27, 2022, DWR released the Delta Conveyance Draft EIR for public and agency comment under CEQA. DWR certified its Final EIR on December 8, 2023 and approved the single tunnel Delta Conveyance Project on December 21, 2023. The approved conveyance facilities ~~being reviewed~~ include intake structures on the Sacramento River, with a total capacity of 6,000 cfs, and a single tunnel to convey water to ~~the existing pumping plants in the south Delta. On July 27, 2022, DWR released the Delta Conveyance Draft EIR for public and agency comment under CEQA. The proposed project would convey water to~~ a new pumping facility in the south Delta that would lift water into the existing Bethany Reservoir, part of the California Aqueduct. ~~The public comment period closed on December 16, 2022, and DWR is now preparing responses to comments. Planning, environmental review and conceptual design work by DWR are expected to be completed over the 2023-2024 timeframe.~~ Additional permitting processes, including federal and State Endangered Species Act ("ESA") permits, the SWRCB Change in Point of Diversion petition and the Delta Stewardship Council Delta Plan Consistency certification, are expected to continue into 2027. Nine lawsuits have been filed by various organizations, including Tulare Lake Basin Water Storage District, Sierra Club, City of Stockton, County of San Joaquin, County of Butte, Sacramento Area Sewer District, County of Sacramento, San Francisco Baykeeper, and South Delta Water Agency, challenging the adequacy of DWR's Final EIR under CEQA.

On August 20, 2020, the U.S. Army Corps of Engineers ("Army Corps"), the lead agency for the Delta Conveyance Project under the National Environmental Policy Act ("NEPA"), issued a notice of intent of the development of the EIS for the Delta Conveyance Project. On December 16, 2022, the Army Corps released the Draft EIS for public and agency comment under NEPA. The comment period closed on March 16, 2023. Certification of the Final EIS by the Army Corps is not expected before the middle of 2024.

Metropolitan's Board has previously authorized Metropolitan's participation in two joint powers agencies relating to a Bay-Delta conveyance project (originally formed in connection with California WaterFix): the Delta Conveyance Design and Construction Authority (the "DCA"), formed by the participating water agencies to actively participate with DWR in the design and construction of the conveyance project in coordination with DWR and under the control and supervision of DWR; and the Delta Conveyance Finance Authority (the "Financing JPA"), formed by the participating water agencies to facilitate financing for the conveyance project. The DCA is providing engineering and design activities to support the DWR's planning and environmental analysis for the potential new Delta Conveyance Project.

In August 2020, the DCA released preliminary cost information for the proposed Delta Conveyance Project based on an early cost assessment prepared by the DCA. The DCA's early assessment is based on preliminary engineering, not a full conceptual engineering report, and includes project costs for construction, management, oversight, mitigation, planning, soft costs, and contingencies. Based on these assumptions, the DCA's early ~~assessment estimated a~~ project cost ~~of~~assessment estimate was approximately $15.9 billion in 2020 non-discounted dollars, which includes a 44 percent overall contingency applied to the preliminary construction costs.

TABLE OF CONTENTS

Page

Approximately $340.7 million of investment ~~is~~was estimated to be needed over four years (2021 through 2024) to fund planning and pre-construction costs for the proposed Delta Conveyance Project. At its December 8, 2020 Board meeting, Metropolitan's Board authorized the General Manager to execute a funding agreement with DWR and commit funding for a Metropolitan participation level of 47.2 percent of such costs of preliminary design, environmental planning and other pre-construction activities to assist in the environmental process for the proposed Delta Conveyance Project. Metropolitan's 47.2 percent share ~~amounts to~~represents an estimated funding commitment of $160.8 million over the four years 2021 through 2024. Eighteen other State Water Project contractors also have approved funding a share of the planning and pre-construction costs. Like prior agreements for BDCP and California WaterFix, the funding agreement provides that funds would be reimbursed to Metropolitan if the project is approved and when the first bonds, if any, for the project are issued. In connection with approving the funding agreement, at its December 2020 Board meeting, the Board also authorized the General Manager to execute an amendment to the DCA joint exercise of powers agreement. The amendment was developed to address changes in the anticipated participation structure for the proposed Delta Conveyance Project from that contemplated for California WaterFix.

Metropolitan's December 8, 2020 action to approve the funding of planning and pre-construction costs does not commit Metropolitan to participate in the Delta Conveyance Project. Any additional funding for planning and pre-construction costs would require Board approval, a vote on which is expected to be considered in 2024 or later. Any final decision to commit to the project and incur final design and construction costs would require further Board approval ~~following completion of the environmental review for the proposed Delta Conveyance Project~~, a vote on which is not expected to occur until ~~2024~~after key permits are obtained, likely in 2025 or later.

On August 6, 2020, DWR adopted certain resolutions to authorize the issuance of bonds to finance costs of the Delta Conveyance Project environmental review, planning, design and, if and when such a project is approved, the costs of acquisition and construction thereof. The same day, it filed a complaint in Sacramento County Superior Court seeking to validate its authority to issue the bonds. Fourteen answers ~~have been~~were filed in the validation action. ~~Trial is scheduled for May 15, 2023. DWR, joined by~~ In May 2023, a bench trial was conducted by the court in connection with the validation action. On January 16, 2024, the Sacramento County Superior Court denied DWR's request for a validation order, finding that DWR exceeded its statutorily delegated authority when it adopted the bond resolutions to authorize the issuance of its bonds to finance the Delta Conveyance Project. On February 14, 2024, Metropolitan and ~~several~~four other supporting ~~parties, filed its opening brief on January 13, 2023~~public water agencies filed a Notice of Appeal in California's Court of Appeal, Third Appellate District, of the Sacramento County Superior Court's ruling denying DWR's request for an order validating bond resolutions to finance the Delta Conveyance Project. DWR filed a Notice of Appeal on February 16, 2024.

Additional lawsuits could be filed in the future with respect to ~~any~~the proposed new Bay-Delta conveyance project and may impact the anticipated timing and costs of any proposed ~~new~~ single tunnel Delta Conveyance Project. A cost estimate for the proposed single tunnel Delta Conveyance Project is expected to be released by DWR later in 2024.

Colorado River Aqueduct

Background

The Colorado River was Metropolitan's original source of water after Metropolitan's establishment in 1928. Metropolitan has a legal entitlement to receive water from the Colorado River under a permanent service contract with the Secretary of the Interior. Water from the Colorado River and its tributaries is also available to other users in California, as well as users in the states of Arizona, Colorado, Nevada, New

TABLE OF CONTENTS

Page

Mexico, Utah, and Wyoming (collectively, the "Colorado River Basin States"), resulting in both competition and the need for cooperation among these holders of Colorado River entitlements. In addition, under a 1944 treaty, Mexico has the right to delivery of 1.5 million ~~acre-feet~~acre-feet of Colorado River water annually except as provided under shortage conditions described in Treaty Minute 323. The United States and Mexico agreed to conditions for reduced deliveries of Colorado River water to Mexico in Treaty Minute 323, adopted in 2017. Treaty Minute 323 established the rules under which Mexico agreed to take shortages and create reservoir storage in Lake Mead. Those conditions are in parity with the requirements placed on the Lower Basin States (defined below) in the Lower Basin Drought Contingency Plan (described under "– Colorado River Operations: Surplus and Storage Guidelines – *Lower Basin Shortage Guidelines and Coordinated Management Strategies for Lake Powell and Lake Mead*"). Mexico can also schedule delivery of an additional 200,000 ~~acre-feet~~acre-feet of Colorado River water per year if water is available in excess of the requirements in the United States and the 1.5 million ~~acre-feet~~acre-feet allotted to Mexico.

Construction of the CRA, which is owned and operated by Metropolitan, was undertaken by Metropolitan to provide for the transportation of its Colorado River water entitlement to its service area. The CRA originates at Lake Havasu on the Colorado River and extends approximately 242 miles through a series of pump stations and reservoirs to its terminus at Lake Mathews in Riverside County. Up to 1.25 million ~~acre-feet~~acre-feet of water per year may be conveyed through the CRA to Metropolitan's member agencies, subject to the availability of Colorado River water for delivery to Metropolitan as described below. Metropolitan first delivered CRA water to its member agencies in 1941.

Colorado River Water Apportionment and Seven-Party Agreement

Pursuant to the federal Boulder Canyon Project Act of 1928, California is apportioned the use of 4.4 million ~~acre-feet~~acre-feet of water from the Colorado River each year plus one-half of any surplus that may be available for use collectively in the Lower Basin States of Arizona, California and Nevada ~~(the "Lower Basin States")~~. Under an agreement entered into in 1931 among the California entities that expected to receive a portion of California's apportionment of Colorado River water (the "1931 Seven-Party Agreement") and which has formed the basis for the distribution of Colorado River water made available to California, Metropolitan holds the fourth priority right to 550,000 ~~acre-feet~~acre-feet per year. This is the last priority within California's basic apportionment. In addition, Metropolitan holds the fifth priority right to 662,000 ~~acre-feet of~~acre-feet of water, which is in excess of California's basic apportionment. Until 2003, Metropolitan had been able to take full advantage of its fifth priority right as a result of the availability of surplus water and water apportioned to Arizona and Nevada that was not needed by those states. However, during the 1990s Arizona and Nevada increased their use of water from the Colorado River, and by 2002 no unused apportionment was available for California. As a result, California has limited its annual use to 4.4 million ~~acre-feet~~acre-feet since 2003, not including supplies made available under water supply programs such as Intentionally Created Surplus ("ICS") and certain conservation and storage agreements. In addition, a severe drought in the Colorado River Basin from 2000-2004 reduced storage in system reservoirs, ending the availability of surplus deliveries to Metropolitan. Prior to 2003, Metropolitan could divert over 1.25 million acre feet in any year. Since 2003, Metropolitan's net diversions of Colorado River water have ranged from a low of 537,607 acre feet in 2019 to a high of approximately 1,179,000 acre feet in 2015. Average annual net diversions ~~for 2013~~ over the ten-year period 2014 through ~~2022 (based on preliminary estimates) were 948,682 acre-feet~~2023 were 917,020 acre-feet, with annual volumes dependent primarily on programs to augment supplies, including transfers of conserved water from agriculture and water made available to ~~and owned by~~ Metropolitan pursuant to the Exchange Agreement, in exchange for which Metropolitan delivers a like amount to SDCWA from any Metropolitan supply. See "– Quantification Settlement Agreement", "— Metropolitan and San Diego County Water Authority Exchange Agreement", and "– Colorado River Operations: Surplus and Shortage Guidelines." See also "–Current Water Conditions ~~and Drought Response Actions~~" and "–Water Transfer, Storage and Exchange Programs – Colorado River Aqueduct Agreements and Programs." In ~~2022~~2023, based upon preliminary estimates, Metropolitan's total

TABLE OF CONTENTS

Page

available Colorado River supply was just over 1.1 million ~~acre-feet~~acre-feet. A portion of the available supply was ~~supply from~~stored in Metropolitan's Lake Mead ICS supplies. See also "–Storage Capacity and Water in Storage."

The following table sets forth the existing priorities of the California users of Colorado River water established under the 1931 Seven-Party Agreement.

[Remainder of page intentionally left blank.]

PRIORITIES UNDER THE ~~1931~~ CALIFORNIA 1931 SEVEN-PARTY AGREEMENT[1]

Priority	Description		Acre-Feet ~~Acre-Feet~~ Annually
1	Palo Verde Irrigation District gross area of 104,500 acres of land in the Palo Verde Valley	(Add)	
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[2] to be served by All-American Canal		3,850,000
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 the coastal plain		550,000
	~~SUBTOTAL~~SUBTOTAL		4,400,000
5(a)	Metropolitan Water District of Southern California for use on the coastal plain		550,000
5(b)	Metropolitan Water District of Southern California for use on the coastal plain[3]		112,000
6(a)	Imperial Irrigation District and other lands in Imperial and Coachella Valleys to be served by the All-American Canal	(Add	
6(b)	Palo Verde Irrigation District – 16,000 acres of land on the Lower Palo Verde Mesa		300,000
	~~TOTAL~~TOTAL		5,362,000
7	Agricultural use in the Colorado River Basin in California		Remaining surplus

Source: Metropolitan.

(1) Agreement dated August 18, 1931, among Palo Verde Irrigation District, Imperial Irrigation District, Coachella Valley County Water District, Metropolitan, the City of Los Angeles, the City of San Diego and the County of San Diego. These priorities were memorialized in the agencies' respective water delivery contracts with the Secretary of the Interior.

(2) The Coachella Valley Water District serves Coachella Valley.

TABLE OF CONTENTS

Page

(3) 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.

Quantification Settlement Agreement

The Quantification Settlement Agreement ("QSA"), which was executed by the Coachella Valley Water District ("CVWD"), Imperial Irrigation District ("IID"), and Metropolitan~~, and others~~ in October 2003, ~~establishes~~together with various QSA-related agreements including those in which SDCWA is a party, established Colorado River water use limits for IID and CVWD, and ~~provides~~provided for specific acquisitions of conserved water and water supply arrangements. The QSA and related agreements provide a framework for Metropolitan to enter into other cooperative Colorado River supply programs and set aside several disputes among California's Colorado River water agencies.

Specific programs under the QSA and related agreements include lining portions of the All-American and Coachella Canals, which were completed in 2009 and conserve over 98,000 ~~acre-feet~~acre-feet annually. Metropolitan receives this water and delivers over 77,000 ~~acre-feet~~acre-feet of exchange water annually to ~~the San Diego County Water Authority ("~~SDCWA~~")~~, and provides 16,000 ~~acre-feet~~acre-feet of water annually by exchange to the United States for use by the La Jolla, Pala, Pauma, Rincon, and San Pasqual Bands of Mission Indians, the San Luis Rey River Indian Water Authority, the City of Escondido, and the Vista Irrigation District. Water became available for exchange with the United States following a May 17, 2017 notice from the Federal Energy Regulatory Commission ("FERC") satisfying the last requirement of Section 104 of the San Luis Rey Indian Water Rights Settlement Act (Title I of Public Law 100-675, as amended). The QSA and related agreements also authorized the transfer of conserved water annually by IID to SDCWA (up to a maximum amount in 2021 of 205,000 ~~acre-feet~~acre-feet, then stabilizing to 200,000 ~~acre-feet~~acre-feet per year). Metropolitan receives this water and delivers an equal amount of exchange water annually to SDCWA. See description under "– Metropolitan and San Diego County Water Authority Exchange Agreement" below; see also "METROPOLITAN REVENUES–Principal Customers" in this Appendix A. Also included under the QSA related agreements is a delivery and exchange agreement between Metropolitan and CVWD that provides for Metropolitan, when requested, to deliver annually up to 35,000 ~~acre-feet~~acre-feet of Metropolitan's State Water Project contractual water to CVWD by exchange with Metropolitan's available Colorado River supplies.

Metropolitan and San Diego County Water Authority Exchange Agreement

No facilities exist to deliver conserved water acquired by SDCWA from IID and water allocated to SDCWA that has been conserved as a result of the lining of the All-American and Coachella Canals. See "–Quantification Settlement Agreement." Accordingly, in 2003, Metropolitan and SDCWA entered into an exchange agreement (the "Exchange Agreement"), pursuant to which SDCWA makes available to Metropolitan at its intake at Lake Havasu on the Colorado River the conserved Colorado River water SDCWA receives under the QSA related agreements. Metropolitan delivers an equal volume of water from its own sources of supply through its delivery system to SDCWA. The Exchange Agreement limits the amount of water that Metropolitan delivers to 277,700 ~~acre-feet~~acre-feet per year, except that an additional 5,000 ~~acre-feet~~acre-feet was exchanged in 2021 and an additional 2,500 ~~acre-feet~~acre-feet was exchanged in 2022. In consideration for the exchange of the conserved water made available to Metropolitan by SDCWA with the exchange water delivered by Metropolitan, SDCWA pays the agreement price. The price payable by SDCWA is calculated using the charges set by Metropolitan's Board from time to time to be paid by its member agencies for the conveyance of water through Metropolitan's facilities. See "METROPOLITAN REVENUES–Litigation Challenging Rate Structure" in this Appendix A for a description of Metropolitan's charges for the conveyance of water through Metropolitan's facilities and litigation in which SDCWA is challenging such charges. The term of the Exchange Agreement, as it relates to conserved water transferred by IID to SDCWA, extends through 2047, and as it relates to water allocated to SDCWA that has been conserved as a result of the lining of the All-American and Coachella Canals, extends through 2112; subject, in each case, to the right of SDCWA, upon a minimum of five years' advance written notice to Metropolitan, to permanently reduce the aggregate quantity of conserved water made available to Metropolitan under the Exchange

Agreement to the extent SDCWA decides continually and regularly to transport such conserved water to SDCWA through alternative facilities (which do not presently exist). In ~~2022,~~2023, the preliminary ~~estimates~~estimate of water delivered to Metropolitan by SDCWA for exchange was approximately ~~280,200 acre-feet~~227,700 acre-feet, consisting of ~~202,500 acre-feet~~150,000 acre-feet of IID conservation plus 77,700 ~~acre-feet~~acre-feet of conserved water from the Coachella Canal and All-American Canal lining projects. The volume from IID conservation exchanged under the agreement in 2023 was less than the stabilized volume of 200,000 acre-feet described above because 50,000 acre-feet were left in Lake Mead as a part of 2023 system conservation agreements among the Bureau of Reclamation, Metropolitan, SDCWA, and IID under the Bureau of Reclamation's Lower Colorado River Basin System Conservation and Efficiency Program.

Colorado River Operations: Surplus and Shortage Guidelines

General. The Secretary of the Interior is vested with the responsibility of managing the mainstream waters of the lower Colorado River pursuant to federal law. Each year, the Secretary of the Interior is required to declare the Colorado River water supply availability conditions for the Lower Basin States in terms of "normal," "surplus" or "shortage" and has adopted operations criteria in the form of guidelines to determine the availability of surplus or potential shortage allocations among the Lower Basin States and reservoir operations for such conditions.

Interim Surplus Guidelines. In January 2001, the Secretary of the Interior adopted guidelines (the "Interim Surplus Guidelines"), initially for use through 2016, in determining the availability and quantity of surplus Colorado River water available for use in California, Arizona and Nevada. The Interim Surplus Guidelines were amended in 2007 and now extend through 2026. The purpose of the Interim Surplus Guidelines was to provide mainstream users of Colorado River water, particularly those in California and Nevada who had been utilizing surplus flows, a greater degree of predictability with respect to the availability and quantity of surplus water. Under the Interim Surplus Guidelines, Metropolitan initially expected to divert up to 1.25 million ~~acre-feet~~acre-feet of Colorado River water annually under foreseeable runoff and reservoir storage scenarios from 2004 through 2016. However, as described above, an extended drought in the Colorado River Basin reduced these initial expectations, and Metropolitan has not received any surplus water since 2002 and does not expect to receive any surplus water in the foreseeable future.

Lower Basin Shortage Guidelines and Coordinated Management Strategies for Lake Powell and Lake Mead. In May 2005, the Secretary of the Interior directed the Bureau of Reclamation to develop additional strategies for improving coordinated management of the reservoirs of the Colorado River system. In November 2007, the Bureau of Reclamation issued a Final EIS regarding new federal guidelines concerning the operation of the Colorado River system reservoirs, particularly during drought and low reservoir conditions. These guidelines provide water release criteria from Lake Powell and water storage and water release criteria from Lake Mead during shortage and surplus conditions in the Lower Basin, provide a mechanism for the storage and delivery of conserved system and non-system water in Lake Mead, and extend the Interim Surplus Guidelines through 2026 (as noted above). The Secretary of the Interior issued the final guidelines through a Record of Decision signed in December 2007. The Record of Decision and accompanying agreement among the Colorado River Basin States protect reservoir levels by reducing deliveries during low inflow periods, encouraging agencies to develop conservation programs and allowing the Colorado River Basin States to develop and store new water supplies. The Colorado River Basin Project Act of 1968 insulates California from shortages in all but the most extreme hydrologic conditions. Consistent with these legal protections, under the guidelines, Arizona and Nevada are first subject to the initial annual shortages identified by the Secretary in a shared amount of up to 500,000 ~~acre-feet~~acre-feet.

The guidelines also created the ICS program, which allows water contractors in the Lower Basin States to store conserved water in Lake Mead. Under this program, ICS water (water that has been

conserved through an extraordinary conservation measure, such as land fallowing) is eligible for storage in Lake Mead by Metropolitan. ICS can be created through 2026 and delivered through 2036. See the table entitled "Metropolitan's Water Storage Capacity and Water in Storage" under "–Storage Capacity and Water in Storage." Under the guidelines and the subsequent Colorado River Drought Contingency Plan Authorization Act, California can create and deliver up to 400,000 ~~acre-feet~~acre-feet of extraordinary conservation ICS ("EC ICS") annually and accumulate up to 1.5 million ~~acre-feet~~acre-feet of EC ICS in Lake Mead. In December 2007, California contractors for Colorado River water executed the California Agreement for the Creation and Delivery of Extraordinary Conservation Intentionally Created Surplus (the "California ICS Agreement"), which established terms and conditions for the creation, accumulation, and delivery of EC ICS by California contractors receiving Colorado River water. Under the California ICS Agreement, the State's EC ICS creation, accumulation, and delivery limits provided to California under the 2007 interim shortage guidelines are apportioned between IID and Metropolitan. No other California contractors were permitted to create or accumulate ICS. Under the terms of the agreement, IID is allowed to store up to 25,000 ~~acre-feet~~acre-feet per year of EC ICS in Lake Mead with a cumulative limit of 50,000 ~~acre-feet~~acre-feet, in addition to any acquired Binational ICS water (water that has been conserved through conservation projects in Mexico). Metropolitan is permitted to use the remaining available ICS creation, delivery, and accumulation limits provided to California.

The Secretary of the Interior delivers the stored ICS water to Metropolitan in accordance with the terms of December 13, 2007, January 6, 2010, and November 20, 2012 Delivery Agreements between the United States and Metropolitan. As of January 1, ~~2023~~2024, Metropolitan had an estimated ~~1,139,000 acre-feet~~1,544,000 acre-feet in its ICS accounts. These ICS accounts include water conserved by fallowing in the Palo Verde Valley, projects implemented with IID in its service area, groundwater desalination, the Warren H. Brock Reservoir Project, and international agreements that converted water conserved by Mexico to the United States.

Colorado River Drought Contingency Plans. Since the 2007 Lower Basin shortage guidelines were issued for the coordinated operations of Lake Powell and Lake Mead, the Colorado River has continued to experience drought conditions. The seven Colorado River Basin States, the U.S. Department of the Interior ("Department of the Interior") through the Bureau of Reclamation, and water users in the Colorado River Basin, including Metropolitan, began developing Drought Contingency Plans ("DCPs") to reduce the risk of Lake Powell and Lake Mead declining below critical elevations through 2026.

In April 2019, the President of the United States signed the Colorado River Drought Contingency Plan Authorization Act (referenced above), directing the Secretary of the Interior to sign and implement four DCP agreements related to the Upper and Lower Basin DCPs without delay. The agreements were executed and the Upper and Lower Basin DCPs became effective on May 20, 2019. The Lower Basin Drought Contingency Plan Agreement requires California, Arizona and Nevada to store defined volumes of water in Lake Mead at specified lake levels. California would begin making contributions if Lake Mead's elevation is projected to be 1,045 feet above sea level or below on January 1. ~~For the calculation in 2023, the Bureau of Reclamation assumed that the 480,000 acre-feet that remained in Powell to protect critical infrastructure was released to Lake Mead. See "Current Water Conditions and Drought Response Action." Under that assumption, on January 1, 2023, elevation for Lake Mead was projected to be 1,052 feet and no DCP contribution is required by California in 2023. It is expected that the 480,000 acre-feet will be returned to the Lower Basin when available and DCP contribution amounts will return to being determined based on actual elevation of Lake Mead.~~ Depending on the lake's elevation, California's contributions would range from 200,000 to 350,000 ~~acre-feet~~acre-feet a year ("DCP Contributions"). Pursuant to intrastate implementation agreements and a settlement agreement with IID, Metropolitan will be responsible for 90 percent of California's DCP Contributions under the Lower Basin DCP. CVWD will be responsible for 7 percent of California's required DCP Contributions. While IID is not a party to the DCP, if Metropolitan is required to make a DCP contribution, IID will assist

Metropolitan in making DCP contributions by contributing the lesser of either: (a) three percent of California's DCP contribution or (b) the amount of water IID has stored with Metropolitan. The terms of the settlement agreement with IID referenced above and the mechanism by which IID will contribute to California's DCP Contributions is described in more detail under "–Water Transfer, Storage and Exchange Programs –Colorado River Aqueduct Agreements and Programs – *California ICS Agreement Intrastate Storage Provisions"* in this Appendix A. No DCP contribution is required by California in 2024.

Implementation of the Lower Basin DCP enhances Metropolitan's ability to store water in Lake Mead and ensures that water in storage can be delivered later. The Lower Basin DCP increases the total volume of water that California may store in Lake Mead by 200,000 ~~acre-feet~~acre-feet, for a total of 1.7 million ~~acre-feet~~acre-feet, which Metropolitan will have the right to use. However, under the September 12, 2019 DCP Contributions and ICS Accumulation Limits Sharing Agreement, California agreed to make up to 50,000 acre-feet of its accumulation space available to Arizona through 2026. Arizona has used this accumulation space, therefore making the effective increase in the volume of water California may store 1.65 million acre-feet. Both EC ICS and Binational ICS count towards the total volume of water that California may store in Lake Mead. Water stored as ICS will be available for delivery as long as Lake Mead's elevation remains above 1,025 feet. Previously, that water would likely have become inaccessible below a Lake Mead elevation of 1,075 feet. DCP Contributions may be made through conversion of existing ICS~~. These types of~~, including at times when Lake Mead's elevation falls below 1,025 feet, allowing Metropolitan to deliver the full amount of its basic apportionment and available water under its CRA water transfer and exchange programs even in years when a DCP Contribution is required. DCP Contributions made through conversion of existing ICS become DCP ICS. DCP Contributions may also be made by leaving water in Lake Mead that there was a legal right to have delivered. This type of DCP Contribution becomes system water and may not be recovered. Rules are set for delivery of DCP ICS through 2026 and between 2027-2057. The Lower Basin DCP will be effective through 2026, however, the SEIS (which is described under *"–Ongoing Activities Relating to Colorado River Operations*" below) could alter provisions of the DCP.

~~***Ongoing Activities Relating to Colorado River Operations***. Before the DCP and 2007 Lower Basin shortage guidelines terminate in 2026, the U.S. Department of Interior through the Bureau of Reclamation, the seven Colorado River Basin States, and water users in the Colorado River Basin, including Metropolitan, are expected to develop new shortage guidelines for the management and operation of the Colorado River. In a process separate from the post-2026 guidelines development process, in November 2022, the Bureau of Reclamation initiated an expedited process to modify the 2007 interim guidelines for Colorado River operations in 2023, 2024, and possibly through 2026. The Bureau of Reclamation suggested modifications may include additional shortage provisions and reductions in allowable annual Lake Powell release volumes. The Bureau of Reclamation will consider three alternatives in the SEIS for these modifications: a "No Action Alternative," a "Reservoir Operations Modification Alternative" developed by the Bureau of Reclamation, and a potential "Framework Agreement Alternative" developed by the seven Colorado River Basin States through a consensus-based process. Representatives from water agencies in the Colorado River Basin States, including Metropolitan, have been negotiating over a possible Framework Agreement Alternative, but they did not reach agreement by the Bureau of Reclamation's January 31, 2023 deadline. As described under "Current Water Conditions and Drought Response Actions," two proposed alternatives have been submitted to the Bureau of Reclamation. One such proposal was submitted on behalf of the States of Arizona, Colorado, Nevada, New Mexico, Utah, and Wyoming. The other alternative was submitted by the Colorado River Board of California on behalf of California. The Bureau of Reclamation is expected to develop its own alternative that will be modeled in the SEIS based on its emergency authority. The Colorado River Basin States will continue working toward a single proposal for a preferred alternative~~

~~for the final SEIS. The Bureaus of Reclamation plans to issue the draft SEIS for public comment in spring of 2023 and a final SEIS and Record of Decision in the summer of 2023.~~

Lake Mead 500+ Plan. In December 2021, Metropolitan, the ~~U.S.~~ Department of the Interior, the Arizona Department of Water Resources, the Central Arizona Project, and the Southern Nevada Water Authority ("SNWA") executed a memorandum of understanding for an agreement to invest up to $200 million in projects over the two years 2022 and 2023 to keep Lake Mead from dropping to critically low levels. The agreement, known as the "500+ Plan," ~~aims~~aimed to add 500,000 ~~acre-feet~~acre-feet of additional water to Lake Mead in both 2022 and 2023 by facilitating actions to conserve water across the Lower Colorado River Basin~~.~~ through voluntary measures such as creation of system conservation, creation of ICS and decreases in planned ICS releases. The additional water, enough water to serve about 1.5 million households per year, would add about 16 feet total to the reservoir's level. Under the memorandum of understanding, the Arizona Department of Water Resources committed to provide up to $40 million to the initiative over two years, with Metropolitan, the Central Arizona Project and SNWA each agreeing to contribute up to $20 million. The federal government ~~plans~~planned to match those commitments, providing an additional $100 million. As of the end of calendar year 2022 over 500,000 ~~acre-feet~~acre-feet of additional water was added to Lake Mead. ~~The Bureau of Reclamation, using funding from the 2022 Inflation Reduction Act, has established, and requested proposals for, a new Lower~~ Metropolitan's financial contribution through the end of calendar year 2022 totaled approximately $4 million. In 2023, existing conservation projects for the Lower Colorado River Basin were terminated to allow the programs to enroll in Reclamation's Lower Colorado River Basin System Conservation and Efficiency Program~~, which has effectively superseded the Lake Mead 500+ Plan.~~ as part of the Inflation Reduction Act of 2022 (the "IRA"), which included funds (described below) to assist in addressing the Lower Colorado River drought conditions. California Lower Colorado River Basin contract and entitlement holders continue to pursue a goal of conserving 400,000 acre-feet annually in 2023 through 2026. See also "–Endangered Species Act and Other Environmental Considerations Relating to Water Supply – Endangered Species Act Considerations - Colorado River."

Lower Colorado River Basin System Conservation and Efficiency Program. The United States Congress appropriated $4 billion for drought mitigation in the IRA. Using funds made available through the IRA, the Bureau of Reclamation established the Lower Colorado River Basin System Conservation and Efficiency Program as part of a commitment made by the U.S. Department of the Interior on August 16, 2022 to take actions designed to address the unprecedented drought in the Lower Colorado River Basin. The program is in the process of selecting projects for funding proposed by Colorado River water delivery contract or entitlement holders for system conservation and efficiencies in the Lower Colorado River Basin that also lead to additional conservation and bridge the immediate conservation need while moving toward improved system efficiency and more durable long-term solutions. Metropolitan submitted several proposals for funding system conservation in both the short- and long-term.

In the short-term, Metropolitan has executed contracts with the Bureau of Reclamation pursuant to which the Bureau of Reclamation, rather than Metropolitan, will pay for conserved water from Metropolitan's PVID Land Management, Crop Rotation and Water Supply Program from August 1, 2023 to July 31, 2026 and from the Quechan Forbearance Program for calendar years 2023 through 2025. Water generated from these programs and these time periods will benefit Lake Mead as system water rather than accrue to Metropolitan. Later in 2024, Metropolitan also anticipates executing an additional contract with Reclamation where Reclamation will pay for conserved water from Metropolitan's Bard Seasonal Fallowing Program for calendar years 2024 through 2026 and water generated from that program during that time period will benefit Lake Mead as system water rather than accrue to Metropolitan.

In the long-term, Metropolitan has submitted a proposal for the creation of system water through adoption of new conservation and local supply programs, or enhancements of existing programs. Negotiations on long-term system conservation are still on-going.

Ongoing Activities Relating to Colorado River Operations. Before the DCP and 2007 Lower Basin shortage guidelines terminate in 2026, the U.S. Department of the Interior through the Bureau of Reclamation, the seven Colorado River Basin States, and water users in the Colorado River Basin, including Metropolitan, are expected to develop new shortage guidelines for the management and operation of the Colorado River.

In a process separate from the post-2026 guidelines development process, in November 2022, the Bureau of Reclamation initiated an expedited process to modify the 2007 interim guidelines for Colorado River operations in 2023, 2024, and possibly through 2026 to address the potential for continued low-runoff conditions and water shortages in the Colorado River Basin. In April 2023, the Bureau of Reclamation released a draft Supplemental Environmental Impact Statement ("SEIS") for public comment to modify the 2007 interim guidelines for proposed changes to operations starting in 2024 and to inform potential operations in 2025 and 2026 that would include reduced releases from Glen Canyon Dam and increased lower basin shortages. On May 22, 2023, representatives of the States of Arizona, California, and Nevada (the "Lower Basin States") sent a letter to the Bureau of Reclamation outlining the terms of a consensus proposal to conserve an additional volume of at least three million acre-feet of Colorado River water in the lower basin by the end of calendar year 2026, with at least 1.5 million acre-feet of that additional total being conserved by the end of calendar year 2024 (the "Lower Basin Plan"). This conservation would be in addition to existing shortage apportionments and DCP contribution obligations under the current 2007 interim guidelines, Lower Basin DCP, and Treaty Minute 323. On May 22, 2023, the Department of the Interior announced that it was temporarily withdrawing the draft SEIS so that it could fully analyze the effects of the proposal submitted by the Lower Basin States. In October 2023, the Bureau of Reclamation released a revised draft SEIS, which was published in the Federal Register on October 27, 2023. The revised draft SEIS analyzed two alternatives in detail: a "No Action Alternative" and the Lower Basin Plan proposal as the "Proposed Action" alternative. The revised draft SEIS also reflected the improved hydrology in the Colorado River Basin since the original draft SEIS analysis. In light of these improved conditions, the probability of Lake Powell and Lake Mead falling below critical elevation levels during the 2024 through 2026 timeframe that any adopted modifications of the 2007 interim guidelines would be operable has been reduced. On March 5, 2024, the Bureau of Reclamation released its Final SEIS selecting the Lower Basin Plan as the "Preferred Alternative" for Colorado River operations through 2025. The Bureau of Reclamation is expected to issue a Record of Decision to modify the 2007 interim guidelines consistent with the Lower Basin Plan by May 2024. The modified guidelines will also be used to set operating conditions in 2026.

Under the Lower Basin Plan, California is anticipated to conserve at least 1.6 million acre-feet of the additional three million acre-feet by the end of 2026. It is expected that up to 2.3 million acre-feet of the conservation will be made through projects submitted to, and if awarded, implemented under the Bureau of Reclamation's Lower Colorado River Basin System Conservation and Efficiency Program and funded through the IRA (as referenced above under "–Lake Mead 500+ Plan"), with the remainder achieved through other compensated and uncompensated conservation. Uncompensated conservation commitments may be met with the use of newly created EC ICS. Any ICS designated as meeting the new conservation goal cannot be delivered, transferred or assigned through December 31, 2026.

On October 11, 2023, the Bureau of Reclamation also submitted a request for initiation of formal consultation to the U.S. Fish and Wildlife Service ("USFWS") for short-term additional reduction in Colorado River flows and activities provided under the Lower Colorado River Multi-Species Conservation Program beginning in water accounting year 2023 and ending with the issuance of a new biological opinion to cover new or revised post-2026 Colorado River operating guidelines. This new

biological opinion would provide the additional ESA coverage for flow reductions anticipated in the SEIS Proposed Action alternative. See also "–Endangered Species Act and Other Environmental Considerations Relating to Water Supply – Endangered Species Act Considerations - Colorado River."

On June 16, 2023, the Department of the Interior formally initiated the process for the development of new post-2026 operating guidelines to replace the 2007 interim shortage guidelines and coordinated management strategies and published a Notice of Intent in the Federal Register to prepare the EIS related to such post-2026 guidelines and to solicit comments and hold public scoping meetings on their development. The public scoping period closed on August 15, 2023. The Bureau of Reclamation is currently developing alternatives for evaluation in the EIS. On March 6, 2024, the Upper Basin states of Wyoming, Colorado, New Mexico and Utah submitted a proposal for evaluation by the Bureau of Reclamation in the EIS (the "Upper Division States Alternative"). The Upper Division States Alternative proposed water supply reductions would be made on the Lower Basin States based on the combined volume in Lake Mead and Lake Powell, with reductions to be determined using actual water conditions in October, rather than predictions in August as currently employed under the 2007 interim shortage guidelines. The Upper Division States Alternative also include rules for Glen Canyon Dam releases. The Lower Division States (California, Arizona, and Nevada) submitted a joint proposal for evaluation on March 6, 2024. The proposal submitted by the Lower Basin States for evaluation by the Bureau of Reclamation (the "Lower Basin Alternative") includes new higher reductions in water supply across a wider range of system conditions than those implemented in the 2007 interim guidelines, including reductions for California. Under this proposal, reductions to water users in the Lower Basin would be determined based on the total live storage in seven reservoirs in the Colorado River Basin (referred to as total system contents), including Lakes Powell, Mead, Mohave, Havasu as well as Flaming Gorge, Blue Mesa, and Navajo Reservoirs. Reductions for Lower Basin water users are proposed to phase-in starting when the collective volume at these reservoirs was less than 69 percent of water that can be withdrawn. Reductions for Lower Basin water users are proposed to reach a static level of 1.5 million acre-feet when the collective volume at these reservoirs was less than 58 percent and California's proposed share of this 1.5 million acre-foot reduction was 440,000 acre-feet. Further reductions are assumed when the collective volume at these reservoirs is less than 38 percent, however the proposal did not include details for how those additional reductions would be shared at a state level. The Lower Basin Alternative also includes rules for Glen Canyon Dam releases.

The impacts to California and Metropolitan of the current alternatives proposed for consideration by the Bureau of Reclamation in the development of the post-2026 operating guidelines are still unknown and subject to analysis by the Bureau of Reclamation, the selection of a Preferred Alternative, and continued negotiations. The draft Environmental Impact Statement ("DEIS") is expected to be published in December 2024.

Related Litigation–Navajo Nation Suit. In 2003, the Navajo Nation filed litigation against the Department of the Interior, specifically the Bureau of Reclamation and the Bureau of Indian Affairs, alleging that the Bureau of Reclamation has failed to determine the extent and quantity of the water rights of the Navajo Nation in the Colorado River and that the Bureau of Indian Affairs has failed to otherwise protect the interests of the Navajo Nation. The complaint ~~challenges~~challenged the adequacy of the environmental review for the Interim Surplus Guidelines (described under " –Colorado River Operations: Surplus and Shortage Guidelines – *Interim Surplus Guidelines*") and ~~seeks~~sought to prohibit the Department of the Interior from allocating any "surplus" water until such time as a determination of the rights of the Navajo Nation is completed. Metropolitan and other California water agencies filed motions to intervene in this action. In October 2004, the court granted the motions to intervene and stayed the litigation to allow negotiations among the Navajo Nation, federal defendants, Central Arizona Water Conservation District, State of Arizona and Arizona Department of Water Resources. After years of negotiations, a tentative settlement was proposed in 2012 that would ~~provide~~have provided the Navajo Nation with specified rights to water from the Little Colorado River and groundwater basins under the

reservation, along with federal funding for the development of water supply systems on the tribe's reservation. The proposed agreement was rejected by tribal councils for both the Navajo and the Hopi, who were seeking to intervene. In June 2013, the Navajo Nation amended its complaint and added a legal challenge to the Lower Basin Shortage Guidelines adopted by the Secretary of the Interior in 2007 that allow Metropolitan and other Colorado River water users to store water in Lake Mead (described under "– Colorado River Operations: Surplus and Shortage Guidelines – *Lower Basin Shortage Guidelines and Coordinated Management Strategies for Lake Powell and Lake Mead*"). Metropolitan has used these new guidelines to store over 1,000,000 ~~acre-feet~~acre-feet of water in Lake Mead, a portion of which has been delivered, and the remainder of which may be delivered at Metropolitan's request in future years.

Following years of procedural challenges and appeals, ~~in April 2021, the Ninth Circuit held that the Navajo Nation's claim for breach of trust against the United States was not barred and its legal challenges could continue. Appeals to the U.S. Supreme Court were due May 18, 2022. Certain intervenors, including Metropolitan, filed an appeal on May 17, 2022. The Department of the Interior requested an extension to July 25, 2022 to file any appeal. On July 15, 2022, the Department of the Interior filed a separate appeal and a response to intervenors' appeal, arguing that the U.S. Supreme Court should reverse the Ninth Circuit decision on the breach of trust issue. On November 4, 2022~~on June 22, 2023, the U.S. Supreme Court ~~granted both appeals and consolidated them. The parties have briefed the arguments, and matter is set for oral argument before the U.S. Supreme Court on March 20, 2023. Metropolitan is unable to assess at this time the likely outcome of this litigation or any future claims, or their potential effect on Colorado River water supplies.~~issued its ruling in the *Department of Interior v. Navajo Nation* and State of *Arizona v. Navajo Nation* consolidated cases. The Court held that the 1868 treaty establishing the Navajo Reservation reserved necessary water to accomplish the purpose of the Navajo Reservation, but did not require the United States to take affirmative steps to secure the water for the Navajo Nation. As a result the Lower Basin Shortage Guidelines remain in effect and unchanged.

Endangered Species Act and Other Environmental Considerations Relating to Water Supply

Endangered Species Act Considerations - State Water Project

General. DWR has altered the operations of the State Water Project to accommodate species of fish listed as threatened or endangered under the federal ~~Endangered Species Act ("~~ESA~~")~~ and/or California ESA.

The federal ESA requires that before any federal agency authorizes, funds, or carries out an action that may affect a listed species or designated critical habitat, it must consult with the appropriate federal fishery agency (either the National Marine Fisheries Service ("NMFS") or the ~~U.S. Fish and Wildlife Service ("~~USFWS~~")~~ depending on the species) to determine whether the action would jeopardize the continued existence of any threatened or endangered species, or adversely modify habitat critical to the species' needs. The result of the consultation is known as a "biological opinion." In a biological opinion, a federal fishery agency determines whether the action would cause jeopardy to a threatened or endangered species or adverse modification to critical habitat; and if jeopardy or adverse modification is found, recommends reasonable and prudent alternatives that would allow the action to proceed without causing jeopardy or adverse modification. If no jeopardy or adverse modification is found, the fish agency issues a "no jeopardy opinion." The biological opinion also includes an "incidental take statement." The incidental take statement allows the action to go forward even though it will result in some level of "take," including harming or killing some members of the species, incidental to the agency action, provided that the agency action does not jeopardize the continued existence of any threatened or endangered species and complies with reasonable mitigation and minimization measures recommended by the federal fishery agency or as incorporated into the project description.

The California ESA generally requires an incidental take permit or consistency determination for any action that may cause take of a State-listed species of fish or wildlife. To issue an incidental take permit or consistency determination, CDFW must determine that the impacts of the authorized take will be minimized and fully mitigated and will not cause jeopardy.

Federal ~~ESA--Biological~~ESA–Biological Opinions. On August 2, 2016, DWR and the Bureau of Reclamation requested that USFWS and NMFS reinitiate federal ESA consultation on the coordinated operations of the State Water Project and the federal Central Valley Project to update them with the latest best available science and lessons learned operating under the prior 2008 and 2009 biological opinions. In January 2019, the Bureau of Reclamation submitted the initial biological assessment to USFWS and NMFS. The biological assessment contains a description of the Bureau of Reclamation's and DWR's proposed long-term coordinated operations plan (the "2019 Long-Term Operations Plan"). On October 22, 2019, USFWS and NMFS issued new federal biological opinions (the "2019 biological opinions") that provide incidental take coverage for the 2019 Long-Term Operations Plan. On February 18, 2020, the Bureau of Reclamation signed a Record of Decision, pursuant to NEPA, completing its environmental review and adopting the 2019 Long-Term Operations Plan.

The 2019 Long-Term Operations Plan incorporates and updates many of the requirements contained in the previous 2008 and 2009 biological opinions. It also includes over $1 billion over a ten-year period in costs for conservation, monitoring and new science, some of which is in the form of commitments carried forward from the previous biological opinions. Those costs are shared by the State Water Project and the federal Central Valley Project. The prior 2008 and 2009 biological opinions resulted in an estimated reduction in State Water Project deliveries of 0.3 million ~~acre-feet~~acre-feet during critically dry years to 1.3 million ~~acre-feet~~acre-feet in above normal ~~water years~~Water Years as compared to the previous baseline. The 2019 Long-Term Operations Plan and 2019 biological opinions ~~are~~were originally expected to increase State Water Project deliveries by an annual average of 200,000 ~~acre-feet~~acre-feet as compared to the previous biological opinions, although this possible increase in supply was never realized due to State permit requirements.

On January 20, 2021, President Biden issued an Executive Order on Protecting Public Health and the Environment and Restoring Science to Tackle the Climate Crisis (the "President's Executive Order on Public Health and the Environment") directing all executive departments and agencies to immediately review, and, as appropriate and consistent with applicable law, take action to address the promulgation of federal regulations and other actions during the prior four years for consistency with the new administration's policies. Among numerous actions identified for review, the U.S. Department of Commerce and ~~U.S.~~the Department of the Interior heads ~~were directed to review~~reviewed the 2019 biological opinions. On September 30, 2021, the Bureau of Reclamation Regional Director for Interior Region 10 sent a letter to the USFWS and NMFS re-initiating consultation on the long-term operations of the state and federal water projects. The consultation process requires the Bureau of Reclamation and DWR to develop a biological assessment describing the proposed operating criteria ~~that would be analyzed under the biological permitting process~~ and perform an effects analysis. ~~The~~ NMFS and USFWS ~~would then~~are required to review the biological assessment and determine ~~what the operating requirements might be under a biological opinion if the 2019 biological opinion is modified in any way~~whether the proposed operating criteria would cause jeopardy or adverse modification of critical habitat. On February 28, 2022, the Notice of Intent was published in the Federal Register officially starting the federal ESA and NEPA process. ~~At this point, it is unclear what changes to the 2019 biological opinions will be made and their possible effect on Metropolitan.~~

Federal ESA–Litigation. On December 2, 2019, a group of non-governmental organizations, including commercial fishing groups and the Natural Resources Defense Council (the "NGOs"), sued USFWS and NMFS, alleging the 2019 biological opinions were arbitrary and capricious, later amending the lawsuit to include claims under the federal ESA and NEPA related to decisions made by the Bureau

of Reclamation. On February 20, 2020, Natural Resources, the California Environmental Protection Agency, and the California Attorney General (collectively, the "State Petitioners") sued the federal agencies, making similar allegations. The State Water ~~Project contractors~~Contractors association intervened in both cases to defend the 2019 biological opinions. ~~The NGOs and the State Petitioners filed a preliminary injunction seeking a court order imposing interim operations consistent with the prior 2008 and 2009 biological opinions pending rulings on the merits of plaintiffs' challenges to the two 2019 biological opinions. On May 11, 2020, the court granted, in part, the motions for preliminary injunction, thereby requiring the Central Valley Project to operate to one of the reasonable and prudent alternatives (referred to as the "inflow to export ratio") in the 2009 biological opinion through May 31, 2020. As noted above, on September 30, 2021, the federal defendants formally re-initiated consultation on the challenged biological opinions. In October 2021, the federal defendants and state plaintiffs issued a draft Interim Operations Plan ("IOP") that would govern Central Valley Project State Water Project coordinated operations through the 2021 2022 water year ending on September 30, 2022. In November 2021, the federal defendants moved for a remand of the biological opinions without vacating them, requested a stay through September 30, 2022, and requested that the court impose the IOP as equitable relief. The State Petitioners moved to have the IOP imposed as a preliminary injunction, while the NGOs moved for a preliminary injunction seeking an order imposing greater operational restrictions than under the IOP. On March 11, 2022, the court denied the State Petitioners' and NGO plaintiffs' motions for preliminary injunctive relief and granted the federal defendants' request for a remand without vacating the biological opinions, equitable relief imposing the IOP and a stay of the litigation through September 30, 2022. On September 30, 2022, the federal defendants and state plaintiffs filed a joint status report describing the status of the reinitiated~~ After a series of State motions for injunctive relief in 2020 and 2021, the State and federal governments agreed on an interim operations plan ("IOP") in 2022 and 2023 to address drought conditions and to better align Central Valley Project ~~and~~operations with the State Water Project ~~consultation; recommending an IOP for 2022-2023 water year similar to the 2021-22 water year IOP, and requesting a continued stay. On February 24, 2023, the court issued an order approving an IOP for 2023 and extended the stay through December 31, 2023. USFWS and NMFS have produced their respective administrative records. Once the administrative records are finalized, the parties anticipate stipulating to a briefing schedule to resolve the merits of the cases. However, considering the re-initiation of consultation and stay, the cases may be further stayed to allow completion of the reinitiated consultation and issuance of new or amended~~, as it is operated under its California ESA incidental take permit. After extensive briefing, the court ultimately approved the IOP as a consent decree in 2022 and 2023, and a decision is pending in regard to the 2024 IOP. As part of the IOP orders, the court has stayed the litigation in anticipation of a new biological opinions ~~without reaching~~by the ~~merits~~end of ~~the claims~~2024. Metropolitan is unable to predict the outcome of any litigation ~~relating to the federal 2019 biological opinions~~ or any potential effect on Metropolitan's State Water Project water supplies.

California ESA–DWR Permit Litigation. As described above, operations of the State Water Project require both federal ESA and California ESA authorizations. DWR described and analyzed its proposed State Water Project long-term operations plan for purposes of obtaining a new California ESA permit in its November 2019 Draft EIR under CEQA. Its 2019 Draft EIR proposed essentially the same operations plan as for the federal 2019 biological opinions, with the addition of operations for the State-only listed species, Longfin smelt. In December 2019, DWR submitted its application for an incidental take permit under the California ESA to CDFW, with a modified State operation plan that added new outflow and environmental commitments. On March 27, 2020, DWR released its final EIR and Notice of Determination, describing and adopting a State operation plan with additional operational restrictions and additional conservation commitments. On March 31, 2020, CDFW issued an incidental take permit for the State Water Project that included further operational restrictions and outflow. As issued, the incidental take permit reduces State Water Project deliveries by more than 200,000 ~~acre-feet on~~acre-feet on an average ~~annually and adds another~~ annual basis as compared to the 2019 biological

opinions and includes $218 million over a ten-year period in environmental commitments for the State Water Project.

On April 28, 2020, Metropolitan and the Mojave Water Agency ("Mojave") jointly sued CDFW, DWR and Natural Resources, alleging that the new California ESA permit and final EIR violate CEQA and the California ESA. Metropolitan and Mojave also allege that DWR breached the State Water Contract and the implied covenant of good faith and fair dealing by, among other things, accepting an incidental take permit containing mitigation requirements in excess of that required by law. Subsequently, two State Water Project contractors and a Metropolitan member agency joined with Metropolitan and Mojave in a first amended complaint. Various other water agencies, including the State Water Contractors association, also filed CEQA and CESA actions, or subsequently joined in a first amended complaint in which the individual water contractors allege causes of action for breach of contract and the implied covenant of good faith and fair dealing. In addition, another State Water Project contractor, the San Bernardino Valley Municipal Water District ("SBVMWD"), filed a complaint alleging violations of CEQA and CESA, as well as breach of contract and the implied covenant of good faith and fair dealing, unconstitutional takings, and anticipatory repudiation of contract. Several federal Central Valley Project water contractors also filed a CEQA challenge. Four other lawsuits have been filed by certain commercial fishing groups and an American Indian tribe, several environmental groups, and two in-Delta water agencies challenging the final EIR as inadequate under CEQA and alleging violations of the Delta Reform Act, public trust doctrine and, in one of the cases, certain water right statutes.

All eight cases have been coordinated in Sacramento County Superior Court. On May 7, 2021 the coordination trial judge ordered the CEQA and CESA causes of action as well as certain other administrative record-based claims alleged by petitioners in several other cases bifurcated from the State Water Project contractors' respective contractual and unconstitutional takings causes of action, with the CEQA and CESA causes of action to be tried first. The ~~court also ordered that a discovery stay remain in place pending final resolution of the CEQA, CESA and other administrative record claims. Metropolitan and the other State Water Project contractor petitioners have moved to augment the~~ administrative records were certified in the fall of 2023. The parties are currently meeting and conferring on a merits briefing schedule for the CEQA and CESA ~~causes of action, and a hearing was held on February 10, 2023~~claims. Metropolitan is unable to assess at this time the likely outcome of litigation relating to the California ESA permit, including any future litigation or any future claims that may be filed, or any potential effect on Metropolitan's State Water Project water supplies.

Endangered Species Act Considerations - Colorado River

Federal and state environmental laws protecting fish species and other wildlife species have the potential to affect Colorado River operations. A number of species that are on either "endangered" or "threatened" lists under the federal and state ESAs are present in the area of the Lower Colorado River, including among others, the bonytail chub, razorback sucker, southwestern willow flycatcher, and Yuma clapper rail. To address this issue, a broad-based state/federal/tribal/private regional partnership that includes water, hydroelectric power and federal and state wildlife management agencies in Arizona, California, and Nevada have developed a multi-species conservation program for the main stem of the Lower Colorado River (the Lower Colorado River Multi-Species Conservation Program or "MSCP"). The MSCP ~~allows~~provides Metropolitan ~~to obtain~~ federal and state ~~permits~~ESA compliance for any incidental take of protected species resulting from current and future water and power operations of its Colorado River facilities and to minimize any uncertainty from additional listings of endangered species. The MSCP also covers operations of federal dams and power plants on the river that deliver water and hydroelectric power for use by Metropolitan and other agencies. The MSCP covers 27 species and habitat in the Lower Colorado River from Lake Mead to the Mexican border for a term of 50 years (commencing in 2005). Over the 50-year term of the program, the total cost to Metropolitan is estimated

to be about $88.5 million (in 2003 dollars), with annual costs ranging between $0.8 million and $4.7 million (in 2003 dollars).

On December 7, 2023, the USFWS issued a biological opinion to the Bureau of Reclamation that provided additional incidental take due to reductions in Colorado River flows in excess of flow-related covered actions and activities provided under the Lower Colorado River Multi-Species Conservation Program, beginning October 1, 2023 and ending with the issuance of a future biological opinion to cover new or revised post-2026 Colorado River operating guidelines. The consultation for this biological opinion was initiated due to the anticipated reduction in flow between Hoover Dam and the Imperial Dam due to the proposed 500+ Plan conservation activities described under "–Colorado River Aqueduct – Colorado River Operations: Surplus and Shortage Guidelines – Lake Mead 500+ Plan." This biological opinion is currently being utilized by the Bureau of Reclamation as part of the MSCP.

Invasive Species - Mussel Control Programs

Zebra and quagga mussels are established in many regions of the United States. Mussels can reproduce quickly and, if left unmanaged, can reduce flows by clogging intakes and raw water conveyance systems, alter or destroy fish habitats, and affect lakes and beaches. Mussel management activities may require changes in water delivery protocols to reduce risks of spreading mussel populations and increase operation and maintenance costs.

In January 2007, quagga mussels were discovered in Lake Mead. All pipelines and facilities that transport raw Colorado River water are considered to be infested with quagga mussels. Metropolitan has a quagga mussel control plan, approved by the CDFW to address the presence of mussels in the CRA system and limit further spread of mussels. Year-round monitoring for mussel larvae is conducted at various locations in the CRA system and at select non-infested areas of Metropolitan's system and some locations in the State Water Project. Shutdown inspections have demonstrated that control activities effectively limit mussel infestation in the CRA and prevent the further spread of mussels to other bodies of water and water systems. Metropolitan's costs for controlling quagga mussels in the CRA system have been approximately $5 million per year.

~~Established~~An established mussel ~~populations are~~population is located within ten miles of the State Water Project. A few adult mussels ~~have~~were also ~~been~~ detected in the West Branch of the State Water Project in 2016 and 2021. ~~Also, in early~~Since 2023, ~~a single confirmed veliger~~veligers (larval stage of quagga mussels) ~~was detected at Metropolitan's Foothill Pressure Control Structure, which delivers water from Castaic Lake to the Joseph Jensen Treatment Plant. However, there is currently no evidence of established mussel populations, nor have they impacted Metropolitan's State Water Project deliveries. Metropolitan will coordinate with DWR for further monitoring of the southern portion~~ have been repeatedly detected in water leaving Castaic Lake and more adult mussels were found in Pyramid Lake and Castaic Lake. While the number of adult mussels and veligers detected so far is relatively low, these recent monitoring results indicate that a reproducing population of quagga mussels is established in the West Branch of the State Water Project~~ and discussion of potential control strategies, if they become necessary~~. However, the eventual extent of infestation and magnitude of impacts cannot be easily predicted at this early stage.

Water Transfer, Storage and Exchange Programs

General

To supplement its State Water Project and Colorado River water supplies, Metropolitan has developed and actively manages a portfolio of water supply programs, including water transfers, storage, and exchange agreements. Supplies are conveyed through the California Aqueduct, utilizing Metropolitan's rights under its State Water Contract to use the portion of the State Water Project

conveyance system necessary to deliver water to it, or through available CRA capacity. Consistent with its long-term planning efforts, Metropolitan continues to pursue voluntary water transfer and exchange programs with State, federal, public and private water districts, and individuals to help mitigate supply/demand imbalances and provide additional dry-year supply sources. A summary description of Metropolitan's supply programs is set forth below. In addition to the arrangements described below, Metropolitan is entitled to storage and access to stored water in connection with various storage programs and facilities. See "–Colorado River Aqueduct" above, as well as the table entitled "Metropolitan's Water Storage Capacity and Water in Storage" under "–Storage Capacity and Water in Storage" below.

State Water Project Agreements and Programs

In addition to the basic State Water Project contract provisions, Metropolitan has other contract rights that accrue to the overall value of the State Water Project. Because each Contractor is paying for physical facilities, they also have the right to use the facilities to move water supplies associated with agreements, water transfers and water exchanges. Metropolitan has entered into agreements and exchanges with third parties that provide additional water supplies.

Existing and potential water transfers and exchanges are an important element for improving the water supply reliability within Metropolitan's service area and accomplishing the reliability goal set by Metropolitan's Board. Under voluntary water transfers and exchanges with agricultural users, agricultural communities may periodically sell or conserve a portion of their agricultural water supply to make it available to support the State's urban areas. The portfolio of supplemental supplies that Metropolitan has developed to be conveyed through the California Aqueduct extend from north of the Bay-Delta to Southern California. Certain of these arrangements are described below.

Castaic Lake and Lake Perris. Metropolitan has contractual rights to withdraw up to 65,000 ~~acre-feet~~acre-feet of water in Lake Perris (East Branch terminal reservoir) and 153,940 ~~acre-feet~~acre-feet of water in Castaic Lake (West Branch terminal reservoir)~~. This storage provides Metropolitan with additional options for managing State Water Project deliveries to maximize yield from the project~~, in addition to the annual "Table A" allocation. Any water used must be returned to the State Water Project within five years or it is deducted from allocated amounts in the sixth year. Metropolitan's storage balance as of January 1, 2024, is shown in the table entitled "Metropolitan's Water Storage Capacity and Water in Storage" under "–Storage Capacity and Water in Storage" below.

Metropolitan Article 56 Carryover. Metropolitan has the right to store in San Luis Reservoir, its allocated contract amount for delivery in subsequent years. Metropolitan can store between 100,000 and 200,000 ~~acre-feet~~acre-feet per year, depending on the final ~~water supply~~"Table A" allocation ~~percentage.~~. Metropolitan's storage balance as of January 1, 2024, is shown in the table entitled "Metropolitan's Water Storage Capacity and Water in Storage" under "–Storage Capacity and Water in Storage" below.

Yuba River Accord. Metropolitan entered into an agreement with DWR in December 2007 to purchase a portion of the water released by the Yuba County Water Agency ("YCWA"). YCWA was involved in a SWRCB proceeding in which it was required to increase Yuba River fishery flows. Within the framework of agreements known as the Yuba River Accord, DWR entered into an agreement for the long-term purchase of water from YCWA. The agreement permits YCWA to transfer additional supplies at its discretion. Metropolitan, other State Water Project contractors, and the San Luis & Delta-Mendota Water Authority entered into separate agreements with DWR for the purchase of portions of the water made available. Metropolitan's agreement allows Metropolitan to purchase, in dry years through 2025, available water supplies which have ranged from approximately ~~6,555 acre-feet~~8,135 acre-feet to 67,068 ~~acre-feet~~acre-feet per year.

Metropolitan has also developed other groundwater storage and exchange programs, certain of which are described below. See "METROPOLITAN'S WATER DELIVERY SYSTEM–Water Quality and Treatment" in this Appendix A for information regarding certain water quality regulations and developments that impact or may impact some of Metropolitan's groundwater storage programs.

Arvin-Edison/Metropolitan Water Management Program. In December 1997, Metropolitan entered into an agreement with the Arvin-Edison Water Storage District ("Arvin-Edison"), an irrigation agency located southeast of Bakersfield, California. Under the program, Arvin-Edison stores water on behalf of Metropolitan. In January 2008, Metropolitan and Arvin-Edison amended the agreement to enhance the program's capabilities and to increase the delivery of water to the California Aqueduct. To facilitate the program, new wells, spreading basins and a return conveyance facility connecting Arvin-Edison's existing facilities to the California Aqueduct have been constructed. The agreement also provides Metropolitan priority use of Arvin-Edison's facilities to convey high-quality water available on the east side of the San Joaquin Valley to the California Aqueduct. Up to 350,000 ~~acre-feet~~acre-feet of Metropolitan's water may be stored, and Arvin-Edison is obligated to return up to 75,000 ~~acre-feet~~acre-feet of stored water in any year to Metropolitan, upon request. The agreement will terminate in 2035 unless extended. Metropolitan's estimated storage account balance under the Arvin-Edison/Metropolitan Water Management Program as of January 1, ~~2023~~2024 is shown in the table entitled "Metropolitan's Water Storage Capacity and Water in Storage" under "–Storage Capacity and Water in Storage" below. As a result of detecting 1,2,3-trichloropropane ("TCP") in Arvin-Edison wells above the maximum contaminant level ("MCL") in 2018, Metropolitan has suspended the return of groundwater from the program until the water quality concerns can be further evaluated and managed. Instead, Metropolitan has requested that Arvin-Edison provide only surface water that can satisfy DWR's standards for direct pump-back into the California Aqueduct, or alternative methods satisfactory to Metropolitan, in order to meet both the DWR pump-in requirements and Metropolitan's request for the return of water. In 2021 and 2022, Metropolitan recovered in aggregate 23,130 ~~acre-feet~~acre-feet from Arvin-Edison by exchanges with surface water. In ~~February~~ 2023, ~~Arvin-Edison began returning~~Metropolitan recovered 19,000 acre-feet from surface water supplies~~ to Metropolitan. The~~. Staff are exploring opportunities for exchanges in 2024 but the estimated recovery of surface water supplies ~~in 2023 is 20,000 acre-feet~~has yet to be determined.

In October 2021, Arvin-Edison sued The Dow Chemical Company, Shell Oil Company, and others regarding TCP in Arvin-Edison's groundwater. According to Arvin-Edison's complaint, the defendants are the manufacturers and distributors of the TCP that caused the contamination of Arvin-Edison's groundwater supplies. Arvin-Edison alleges that the widespread presence of TCP at concentrations above the MCL in its wells has caused certain of its water banking partners (including Metropolitan) to reduce and/or suspend their water banking and management programs. Based upon a mitigation feasibility study dated November 4, 2021 prepared for Arvin-Edison, Arvin-Edison estimates that treatment would cost approximately $465 million, which includes capital costs and the present worth of operation and maintenance treatment costs over a 50-year period. ~~Metropolitan's person most qualified ("PMQ") deposition was taken on January 27, 2023, and mediation is scheduled for the end of March 2023~~Arvin-Edison participated in mediations on March 30, 2023 and January 18, 2024, but no settlement has been reached. If Arvin-Edison prevails in its litigation, a monetary recovery, if any, would be available to offset costs associated with treatment facilities to remediate the groundwater contamination.

Semitropic/Metropolitan Groundwater Storage and Exchange Program. In 1994, Metropolitan entered into an agreement with the Semitropic Water Storage District ("Semitropic"), located adjacent to the California Aqueduct north of Bakersfield, to store water in the groundwater basin underlying land within Semitropic. The minimum annual yield available to Metropolitan from the program is 38,200 ~~acre-feet~~acre-feet of water, and the maximum annual yield is 239,700 ~~acre-feet of~~acre-feet of water depending on the available unused capacity and the State Water Project allocation. The agreement

extends to November 2035. Metropolitan's estimated storage account balance under the Semitropic program as of January 1, ~~2023~~2024 is shown in the table entitled "Metropolitan's Water Storage Capacity and Water in Storage" under "–Storage Capacity and Water in Storage" below. TCP has been detected in the groundwater supplies within Semitropic; however, detection levels at the turn-in locations for the Semitropic program have remained below the MCL and, to date, the return of groundwater to Metropolitan under the program has not been impacted.

In October 2021, Semitropic, as well as its several affiliated improvement districts (collectively referred to in this paragraph as "Semitropic"), sued The Dow Chemical Company, Shell Oil Company, and others regarding TCP in Semitropic's groundwater. According to Semitropic's complaint, the defendants are the manufacturers and distributors of the TCP that caused the contamination of Semitropic's groundwater supplies. Metropolitan's PMQ deposition was taken on February 10, 2023, and mediation ~~is~~was scheduled for the end of May 2023. The parties are working with the mediator to schedule the next mediation for March or April 2024. If Semitropic prevails in its litigation, a monetary recovery, if any, would be available to offset costs associated with any needed treatment facilities to remediate the groundwater contamination.

Kern Delta Storage Program. Metropolitan entered into an agreement with Kern Delta Water District ("Kern Delta") in May 2003, for a groundwater banking and exchange transfer program to allow Metropolitan to store up to 250,000 ~~acre-feet~~acre-feet of State Water Contract water in wet years and to permit Metropolitan, at Metropolitan's option, a return of up to 50,000 ~~acre-feet~~acre-feet of water annually during hydrologic and regulatory droughts. The agreement extends through 2028. Metropolitan's estimated storage account balance under this program as of January 1, ~~2023~~2024 is shown in the table entitled "Metropolitan's Water Storage Capacity and Water in Storage" under "–Storage Capacity and Water in Storage" below.

Mojave Storage Program. Metropolitan entered into a groundwater banking and exchange transfer agreement with Mojave in October 2003. The agreement allows for Metropolitan to store water in an exchange account for later return. The agreement allows Metropolitan to annually withdraw Mojave State Water Project contractual amounts, after accounting for local needs. Under a 100 percent allocation, the State Water Contract provides Mojave ~~82,800 acre-feet~~89,800 acre-feet of water. This agreement was amended in 2011 to allow for the cumulative storage of up to 390,000 ~~acre-feet~~acre-feet. The term of this agreement extends through 2035. Metropolitan's estimated storage account balance under this program as of January 1, ~~2023~~2024, is shown in the table entitled "Metropolitan's Water Storage Capacity and Water in Storage" under "–Storage Capacity and Water in Storage" below.

Antelope Valley-East Kern Storage and Exchange Program. In 2016, Metropolitan entered into an agreement with the Antelope Valley-East Kern Water Agency ("AVEK"), the third largest State Water Project contractor, to both exchange supplies and store water in the Antelope Valley groundwater basin. Under the exchange, AVEK would provide at least 30,000 ~~acre-feet~~acre-feet over ten years of its unused Table A State Water Project water to Metropolitan. For every two ~~acre-feet~~acre-feet provided to Metropolitan as part of the exchange, AVEK would receive back one ~~acre-foot~~acre-foot in the future. For the one ~~acre-foot~~acre-foot that is retained by Metropolitan, Metropolitan would pay AVEK under a set price schedule based on the State Water Project allocation at the time. Under this agreement, AVEK also provides Metropolitan up to 30,000 ~~acre-feet~~acre-feet of storage. Metropolitan's estimated storage account balance under this program as of January 1, ~~2023~~2024, is shown in the table entitled "Metropolitan's Water Storage Capacity and Water in Storage" under "–Storage Capacity and Water in Storage" below.

Antelope Valley-East Kern High Desert Water Bank Program. In 2019, Metropolitan entered into an agreement with AVEK for a groundwater banking program referred to as the High Desert Water Bank Program. The original estimated cost of construction of the facilities to be funded by Metropolitan

to implement the program was $131 million, but the estimated cost has increased to $~~210~~211 million ~~over the past four years~~ due to inflation, finalization of the off-site power distribution design, ~~the need for~~ and revisions to the design. In September 2023, Metropolitan's Board authorized $80 million for the additional ~~wells to achieve the recovery target of 70,000 acre-feet per year, and water quality issues~~costs. Water quality testing of the deeper recovery wells installed in 2021 revealed that arsenic levels in all four wells were above the federal and State MCL of 10 micrograms per liter ("µg/L"), ranging from 11 to 19 µg/L. Arsenic naturally occurs in the Antelope Valley groundwater basin, with levels detected throughout the basin but such levels are generally higher in the deeper aquifer. Based on the current water quality data, ~~it appears that~~ recovered water from the High Desert Water Bank Program requires treatment before delivery to the California Aqueduct. ~~Pursuant to the project agreement, Metropolitan and AVEK will agree in writing to the final design, construction and estimated budget for the program. At its option, Metropolitan may scale down the project to maintain the original estimated budget of $131 million or fund the~~ Metropolitan is working with AVEK to complete additional groundwater modeling and analysis to understand arsenic's behavior in the basin, identify other constituents of concern, and optimize the design of the remaining recovery wells and treatment system. Staff will return to the Board to request authorization for additional costs~~. Metropolitan staff is expected to present additional information and options to the Metropolitan Board for its consideration in April 2023~~ related to the recommended treatment system in Fall 2024. Following completion of construction, which is expected by ~~mid 2025~~the end of 2027, Metropolitan would have the right to store up to 70,000 ~~acre-feet~~acre-feet per year of its unused Table A State Water Project water or other supplies in the Antelope Valley groundwater basin for later return. The maximum storage capacity for Metropolitan supplies would be 280,000 ~~acre-feet~~acre-feet. At Metropolitan's direction, up to 70,000 ~~acre-feet~~acre-feet of stored water annually would be available for return by direct pump back into the East Branch of the California Aqueduct. ~~Upon~~ In 2023, a portion of the recharge facilities were completed and Metropolitan began storing water in September. Metropolitan's estimated storage account balance under this program as of January 1, 2024, is shown in the table entitled "Metropolitan's Water Storage Capacity and Water in Storage" under "–Storage Capacity and Water in Storage" below. Upon full completion of construction (expected by the end of 2027), this program would provide additional flexibility to store and recover water for emergency or water supply needs through 2057.

San Gabriel Valley Municipal Water District and Other Exchange Programs. In 2013, Metropolitan entered into an agreement with the San Gabriel Valley Municipal Water District ("SGVMWD"). Under this agreement, Metropolitan delivers treated water to a SGVMWD subagency in exchange for twice as much untreated water in the groundwater basin. Metropolitan's member agencies can then use the groundwater supplies to meet their needs. Metropolitan can exchange and purchase at least 5,000 ~~acre-feet~~acre-feet per year. This program has the potential to increase Metropolitan's reliability by providing 115,000 ~~acre-feet~~acre-feet through 2035.

Irvine Ranch Water District Strand Ranch Banking Program. In 2011, Metropolitan entered into an agreement with the Municipal Water District of Orange County ("MWDOC") and the Irvine Ranch Water District ("IRWD") to authorize the delivery of State Water Project supplies from IRWD's Strand ~~Ranch~~and Stockdale Ranches into Metropolitan's service area. IRWD facilitates Metropolitan entering into unbalanced exchanges with other State Water Project contractors. A portion of the water is returned to the partnering State Water Project contractor with the remaining balance delivered to Metropolitan's service area. MWDOC/IRWD takes delivery of the water through Metropolitan's distribution system and pays the Metropolitan full-service water rate. Metropolitan can call on stored supplies; in return, Metropolitan is obliged to return an equal amount of water to MWDOC in future years for IRWD's benefit. This agreement extends to November 2035 and enhances regional reliability by providing Metropolitan with access to additional supplies.

San Bernardino Valley Municipal Water District Exchange Program. In 2020, Metropolitan signed a coordinated operating and surplus water agreement with SBVMWD. In 2021, in accordance

with the terms of such agreement, Metropolitan's Board authorized an agreement with SBVMWD that provides a framework which allows for the exchange of both local and State Water Project supplies. The exchanges are equal if they occur within the same calendar year and up to two-to-one if water is returned in a subsequent calendar year. The agreement, which extends through 2031, provides for improved coordination to respond to outages and emergencies of either party.

~~In April 2022, Metropolitan and SBVMWD entered into a 2022 exchange agreement that provided for the exchange of both local and State Water Project supplies in 2022. Under the agreement, during calendar year 2022, Metropolitan could request up to 3,000 acre-feet of carryover water stored in San Luis Reservoir and up to 1,000 acre-feet/month of groundwater. The additional supply was to be acquired to assist member agencies within the SWP Dependent Area. Under the agreement, Metropolitan and SBVMWD collaborated to test the feasibility of this exchange. Part of the test required Metropolitan to introduce temporary water at DWR's Devil Canyon Second Afterbay, in Pool 68, and Repayment Reach 26A. The test was completed successfully in August 2022. A similar agreement for 2023 is not currently anticipated.~~

San Diego County Water Authority Semitropic ~~Program~~ Agreement. In 2021, Metropolitan's Board approved an agreement with SDCWA for the purchase by Metropolitan of 4,200 ~~acre-feet~~acre-feet and a lease of 5,000 ~~acre-feet~~acre-feet of return capacity from SDCWA's Semitropic Program for 2022. See "*–Semitropic/Metropolitan Groundwater Storage and Exchange Program*." Similarly, in 2023, Metropolitan and SDCWA ~~are currently negotiating a similar agreement for calendar year 2023~~executed an agreement for Metropolitan to purchase 4,200 acre-feet and lease of 4,381 acre-feet of delivery capacity from SDCWA's Semitropic Program. The agreement ~~provides~~provided for improved regional reliability and also allows for the exchange of previously stored water with Metropolitan in the future.

Sites Reservoir Storage Project. The Sites Reservoir is a proposed reservoir project of approximately 1.5 million acre-feet to be located in Colusa County, that is being developed by the Sites Project Authority, a joint powers agency. The water stored in the proposed project would be diverted from the Sacramento River. As currently proposed, the Sites Reservoir would have dedicated water storage and yield that would be used for fishery enhancement, water quality, and other environmental purposes. The proposed project could also provide an additional water supply that could be used for dry-year benefits. Metropolitan is a member of the Sites Reservoir Committee, a group of 22 agencies that are participating in certain planning activities in connection with the proposed development of the project, including project permitting and proposed reservoir operations. The Sites Project Authority Board, with recommendation from the Sites Reservoir Committee, approved the Final EIR and approved the Sites Reservoir project on November 17, 2023. In April 2022, Metropolitan's Board approved $20 million in funding for Metropolitan's continued participation in such planning activities through the end of 2024. Metropolitan's agreement to participate in the funding of this phase of project development does not commit Metropolitan to participate in the Sites Reservoir project in the future.

Other Ongoing Activities. Metropolitan has been negotiating, and will continue to pursue, water purchase, storage and exchange programs with other agencies in the Sacramento and San Joaquin Valleys. These programs involve the storage of both State Water Project supplies and water purchased from other sources to enhance Metropolitan's dry-year supplies and the exchange of normal year supplies to enhance Metropolitan's water reliability and water quality, in view of dry conditions and potential impacts from the ESA considerations discussed above under the heading "–Endangered Species Act and Other Environmental Considerations Relating to Water Supply– Endangered Species Act Considerations – State Water Project." In ~~April 2022, in light of the persistent dry hydrological conditions, the Board authorized the General Manager to secure up to 75,000 acre-feet of additional water supplies pursuant to one-year water transfers from water districts located north of the Sacramento-San Joaquin River Delta, at a maximum cost of up to $60 million. Approximately 28,000 acre-feet of transfers were purchased pursuant to this authority. In~~ January 2023, the Board authorized the General Manager to secure

additional one-year transfer supplies from various water districts and private water purveyors throughout the State at a maximum cost of up to $100 million. Under this authority, Metropolitan executed an agreement with SDCWA to purchase water and lease delivery capacity from SDCWA's Semitropic Storage Program, as described above under "–*San Diego County Water Authority Semitropic Agreement*." In February 2024, the Board authorized the General Manager to secure additional one-year transfer supplies from various water districts and private water purveyors throughout the State at a maximum cost of up to $50 million.

~~The Sites Reservoir is a proposed reservoir project of approximately 1.3 to 1.5 million acre-feet, being analyzed by the Sites Reservoir Authority, to be located in Colusa County. The water stored in the proposed project would be diverted from the Sacramento River. As currently proposed, the Sites Reservoir project would have dedicated water storage and yield that would be used for fishery enhancement, water quality, and other environmental purposes. The proposed project could also provide an additional water supply that could be used for dry-year benefits. Metropolitan is a member of the Sites Reservoir Committee, a group of 22 agencies that are participating in certain planning activities in connection with the proposed development of the project, including the development of environmental planning documents, a federal feasibility report and project permitting. In April 2022, Metropolitan's Board approved $20 million in funding for Metropolitan's continued participation in such planning activities through the end of 2024. Metropolitan's agreement to participate in the funding of this phase of project development activities does not commit Metropolitan to participate in any actual reservoir project that may be undertaken in the future.~~

Colorado River Aqueduct Agreements and Programs

Metropolitan has taken steps to augment its share of Colorado River water through agreements with other agencies that have rights to use such water, including through cooperative programs with other water agencies to conserve and develop supplies and through programs to exchange water with other agencies. These supplies are conveyed through the CRA. Metropolitan determines the delivery schedule of these supplies throughout the year based on changes in the availability of State Water Project and Colorado River water. Under certain of these programs, water may be delivered to Metropolitan's service area in the year made available or in a subsequent year as ICS water from Lake Mead storage. See "–Colorado River Aqueduct –Colorado River Operations: Surplus and Shortage Guidelines – *Lower Basin Shortage Guidelines and Coordinated Management Strategies for Lake Powell and Lake Mead*."

IID/Metropolitan Conservation Agreement. Under a 1988 water conservation agreement, as amended in 2003 and 2007 (the "1988 Conservation Agreement") between Metropolitan and IID, Metropolitan provided funding for IID to construct and operate a number of conservation projects that have conserved up to 109,460 ~~acre-feet~~acre-feet of water per year that has been provided to Metropolitan. As amended, the agreement's initial term has been extended to at least 2041 or 270 days after the termination of the QSA. ~~In 2019~~Under a 2014 letter agreement, starting in 2016, 105,000 ~~acre-feet~~acre-feet of conserved water ~~was~~is made available by IID to Metropolitan each year. Under the QSA and related agreements, Metropolitan, at the request of CVWD, forgoes up to 20,000 ~~acre-feet~~acre-feet of this water each year for diversion by CVWD from the Coachella Canal. In each of 2018 and 2019, CVWD's requests were for 0 ~~acre-feet~~acre-feet, leaving 105,000 ~~acre-feet~~acre-feet in 2018 and 2019 for Metropolitan. In December 2019, Metropolitan signed a revised agreement with CVWD in which CVWD will limit its annual request of water from this program to 15,000 ~~acre-feet~~acre-feet through 2026. See "–Colorado River Aqueduct –Quantification Settlement Agreement."

Palo Verde Land Management, Crop Rotation and Water Supply Program. In August 2004, Metropolitan and Palo Verde Irrigation District ("PVID") signed the program agreement for a Land Management, Crop Rotation and Water Supply Program. Under this program, participating landowners in the PVID service area are compensated for reducing water use by not irrigating a portion of their land.

This program provides up to 133,000 ~~acre-feet~~acre-feet of water to be available to Metropolitan in certain years. The term of the program is 35 years. Following began on January 1, 2005. The following table shows annual volumes of water saved and made available to Metropolitan during the 10 calendar years ~~2013~~2014 through ~~2022~~2023 under the Land Management, Crop Rotation and Water Supply Program with PVID:

WATER AVAILABLE FROM PVID LAND MANAGEMENT, CROP ROTATION AND WATER SUPPLY PROGRAM

Calendar Year	Volume (~~acre-feet~~acre-feet)
~~2013~~	~~32,800~~
2014	43,000
2015	94,500
2016	125,400
2017	111,800
2018	95,800
2019	44,500
2020	43,900
2021	42,305
2022	~~29,000 (est.)~~ 29,736
2023	20,000 (est)

Source: Metropolitan.

Bard Water District Seasonal Fallowing Program. In 2019, Metropolitan entered into agreements with Bard Water District ("Bard") and farmers within Bard Unit, to provide incentives for land fallowing under the Bard Seasonal Fallowing Program. The program reduces water consumption in Bard and that helps augment Metropolitan's Colorado River supplies. It incentivizes farmers to fallow their land for four months ~~at $452~~in exchange for a fixed payment per irrigable acre (initially, $452), escalated annually. Metropolitan estimates water savings of approximately ~~2.2 acre-feet~~2.0 acre-feet per fallowed acre. Bard diverts Colorado River water for crop irrigation grown year-round in the warm dry climate. Farmers typically grow high-value crops in the winter (vegetable crops) followed by a lower-value, water-intensive, field crop (such as Bermuda and Sudan grass, small grains, field grains, or cotton) in the spring and summer. Participating farmers will reduce their water consumption through land fallowing of up to 3,000 acres in aggregate annually between April and July. In calendar year ~~2023~~2024, Metropolitan will provide an incentive payment of $~~503.29~~530.61 per irrigable acre fallowed. The program is currently scheduled to end on December 31, 2026.

Quechan Forbearance Program. In 2005, Metropolitan entered into a settlement agreement in Arizona v. California with the Quechan Indian Tribe (the "Quechan Tribe") and other parties. The Quechan Tribe uses Colorado River water on the Fort Yuma Indian Reservation. In addition to the amount of water decreed for the benefit of the Reservation in the 1964 Arizona v. California decree, under the 2005 settlement agreement, the Quechan Tribe is entitled to (a) 20,000 acre-feet of diversions from the Colorado River or (b) the amount necessary to supply the consumptive use required for irrigation of a specified number of acres, and for the satisfaction of related uses, whichever is less. Of the additional diversions, 13,000 acre-feet became available to the Quechan Tribe in 2006. An additional 7,000 acre-feet will become available to the Quechan Tribe in 2035. Metropolitan agreed to provide annual incentive payments to the Quechan Tribe if the tribe forbore diversion of the additional water,

thereby allowing Metropolitan to divert it. The value of these payments was $125 per acre-foot in 2006 and is escalated at 2.5 percent per year. In 2024, the payment is $190.20 per acre-foot.

Quechan Tribe of the Fort Yuma Indian Reservation Seasonal Fallowing Pilot Program. In December 2021, Metropolitan entered into ~~an~~a two-year agreement with the Quechan Tribe ~~of the Fort Yuma Indian Reservation~~ to launch the voluntary Quechan Seasonal Fallowing Pilot Program~~. Under the pilot program,~~ (the "Pilot Program") for fallowing in 2022 and 2023. In December 2023, Metropolitan and the Quechan Tribe amended the agreement to extend the Pilot Program for an additional three years through 2026. Under the Pilot Program, Metropolitan provides incentives to farmers on Quechan tribal land for land fallowing that reduces water consumption to help augment Metropolitan's Colorado River supplies. Desert agriculture realizes a market advantage in the winter for high-value vegetables such as lettuce and broccoli. In the hot summer, farmers typically grow lower-value, water-intensive commodities such as grains and grasses. Farmers participating in the ~~pilot program~~Pilot Program agree to decrease their water consumption through land fallowing of up to 1,600 acres annually during April through July~~ in 2022 and 2023~~. In calendar year 2022, 118.3 acres were fallowed~~. In~~ and in calendar year 2023, 148 acres were fallowed. Metropolitan ~~will provide an incentive payment of~~provided $472.40 and $503.29 per irrigable acre fallowed, respectively. The payment is escalated annually. Metropolitan estimates water savings between 1.5 and 2.0 ~~acre-feet~~acre-feet per irrigable acre fallowed, with actual savings to be determined throughout the ~~pilot program~~Pilot Program.

Lake Mead Storage Program. As described under "–Colorado River Aqueduct –Colorado River Operations: Surplus and Shortage Guidelines – *Lower Basin Shortage Guidelines and Coordinated Management Strategies for Lake Powell and Lake Mead*," Metropolitan has entered into agreements to set forth the guidelines under which ICS water is developed and stored in and delivered from Lake Mead. The amount of water stored in Lake Mead must be created through extraordinary conservation, system efficiency, tributary, imported, or binational conservation methods. Metropolitan has participated in projects to create ICS as described below:

Drop 2 (Warren H. Brock) Reservoir. In 2008, Metropolitan, CAWCD and SNWA provided funding for the Bureau of Reclamation's construction of an 8,000 ~~acre-foot~~acre-foot off-stream regulating reservoir near Drop 2 of the All-American Canal in Imperial County (officially named the Warren H. Brock Reservoir). Construction was completed in October 2010. The Warren H. Brock Reservoir conserves about 70,000 ~~acre-feet~~acre-feet of water per year by capturing and storing water that would otherwise be lost from the system. In return for its funding, Metropolitan received 100,000 ~~acre-feet~~acre-feet of water that was stored in Lake Mead for its future use and has the ability to receive up to 25,000 ~~acre-feet of~~acre-feet of water in any single year. Besides the additional water supply, the addition of the Warren H. Brock reservoir adds to the flexibility of Colorado River operations by storing underutilized Colorado River water orders caused by unexpected canal outages, changes in weather conditions, and high tributary runoff into the Colorado River. As of January 1, ~~2023~~2024, Metropolitan had taken delivery of 35,000 ~~acre-feet~~acre-feet of this water and had 65,000 ~~acre-feet~~acre-feet remaining in storage.

International Water Treaty Minutes 319 and 323. In November 2012, as part of the implementation of Treaty Minute 319, Metropolitan executed agreements in support of a program to augment Metropolitan's Colorado River supply between 2013 through 2017 through an international pilot project in Mexico. Metropolitan's total share of costs was $5 million for 47,500 ~~acre-feet~~acre-feet of project supplies. In December 2013, Metropolitan and IID executed an agreement under which IID ~~has~~ paid half of Metropolitan's program costs, or $2.5 million, in return for half of the project supplies, or 23,750 ~~acre-feet~~acre-feet. As such, 23,750 ~~acre-feet~~acre-feet of Intentionally Created Mexican Allocation was converted to Binational ICS and credited to Metropolitan's binational ICS water account in 2017. See "–Colorado River Aqueduct –Colorado River Operations: Surplus and Shortage Guidelines – *Lower Basin Shortage Guidelines and Coordinated Management Strategies for Lake Powell and Lake Mead*."

In September 2017, as part of the implementation of Treaty Minute 323, Metropolitan agreed to fund additional water conservation projects in Mexico that will yield approximately 27,275 ~~acre-feet~~acre-feet of additional supply for Metropolitan by 2026 at a cost of approximately $3.75 million. In 2020, Metropolitan made the first payment related to Treaty Minute 323 of $1.25 million, and 9,092 ~~acre-feet~~acre-feet of Intentionally Created Mexican Allocation was converted to Binational ICS and credited to Metropolitan's binational ICS water account. ~~The~~In October 2023, the next payment of $1.25 million was made, however the crediting of 9,092 acre-feet of Binational ICS was delayed until 2026 to preserve ICS accumulation space. The final payment of $1.25 million is expected to be made in ~~October 2023~~2026 and an additional 9,091 acre-feet of Intentionally Created Mexican Allocation will be converted to Binational ICS and credited to Metropolitan's binational ICS water account.

Storage and Interstate Release Agreement with Nevada. In May 2002, SNWA and Metropolitan entered into an Agreement Relating to Implementation of Interim Colorado River Surplus Guidelines, in which SNWA and Metropolitan agreed to the allocation of unused apportionment as provided in the Interim Surplus Guidelines and on the priority of SNWA for interstate banking of water in Arizona. SNWA and Metropolitan entered into a storage and interstate release agreement on October 21, 2004. Under this agreement, SNWA can request that Metropolitan store unused Nevada apportionment in California. The amount of water stored through 2014 under this agreement was approximately 205,000 ~~acre-feet~~acre-feet. In October 2015, SNWA and Metropolitan executed an additional amendment to the agreement under which Metropolitan paid SNWA approximately $44.4 million and SNWA stored an additional 150,000 ~~acre-feet~~acre-feet with Metropolitan during 2015. Of that amount, 125,000 ~~acre-feet~~acre-feet have been added to SNWA's storage account with Metropolitan, increasing the total amount of water stored to approximately 330,000 ~~acre-feet~~acre-feet. In subsequent years, SNWA may request recovery of the stored water. When SNWA requests the return of any of the stored 125,000 ~~acre-feet~~acre-feet, SNWA will reimburse Metropolitan for an equivalent proportion of the $44.4 million plus inflation based on the amount of water returned. SNWA has not yet requested the return of any of the water stored with Metropolitan and it is not expected that SNWA will request a return of any of the stored water before 2026.

California ICS Agreement Intrastate Storage Provisions. As described under "–Colorado River Aqueduct –Colorado River Operations: Surplus and Shortage Guidelines – Lower Basin Shortage Guidelines and Coordinated Management Strategies for Lake Powell and Lake Mead," in 2007, IID, Metropolitan and other Colorado River contractors in California executed the California ICS Agreement, which divided California's ICS storage space in Lake Mead between Metropolitan and IID. It also allowed IID to store up to 50,000 ~~acre-feet~~acre-feet of conserved water in Metropolitan's system. In 2015, the California ICS Agreement was amended to allow IID to store additional amounts of water in Metropolitan's system during 2015 through 2017. Under the 2015 amendment, IID was permitted to store up to 100,000 ~~acre-feet~~acre-feet per year of conserved water within Metropolitan's system with a cumulative limit of 200,000 ~~acre-feet~~acre-feet, for the three-year term. When requested by IID, Metropolitan has agreed to return to IID the lesser of either 50,000 ~~acre-feet~~acre-feet per year, or in a year in which Metropolitan's member agencies are under a shortage allocation, 50 percent of the cumulative amount of water IID has stored with Metropolitan under the 2015 amendment. IID currently has ~~158,000 acre-feet~~154,000 acre-feet of water stored with Metropolitan pursuant to the terms of the California ICS Agreement and its amendment.

In 2018, IID had reached the limit on the amount of water it was able to store in Metropolitan's system under the California ICS Agreement and entered into discussions with Metropolitan to further amend the agreement, but no such agreement was reached. On December 4, 2020, IID filed a complaint against Metropolitan alleging that Metropolitan breached the California ICS Agreement, breached the implied covenant of good faith and fair dealing, and that Metropolitan converted IID's intentionally

created surplus for its own use. IID's complaint sought the imposition of a constructive trust over 87,594 ~~acre-feet~~acre-feet of water in Lake Mead that was received by Metropolitan in 2018.

In October 2021, Metropolitan and IID agreed to settle the dispute, and on December 6, 2021, the lawsuit was dismissed with prejudice. Under the terms of the settlement agreement, Metropolitan will, after applying storage losses, retain approximately 40 percent of the disputed 87,594 ~~acre-feet~~acre-feet that Metropolitan received in 2018 and will have stored the remaining approximately 60 percent for IID to be returned to IID in 2026. If Metropolitan does not have sufficient ICS to make a DCP contribution in 2026, Metropolitan may use the remaining stored water to do so. From 2021 through 2026, IID may store up to an additional 25,000 ~~acre-feet~~acre-feet per year (with an accumulation limit of an additional 50,000 ~~acre-feet~~acre-feet) of conserved water in Metropolitan's Lake Mead ICS account. While IID will still not be a party to the DCP, if Metropolitan is required to make a DCP contribution, IID will assist Metropolitan in making DCP contributions by contributing the lesser of either: (a) three percent of California's DCP contribution; or (b) the amount of water IID has stored with Metropolitan. ~~On December 6, 2021, the lawsuit was dismissed with prejudice. In 2021, IID elected to store 25,000 acre-feet~~Between 2021 and 2022, IID has stored and accumulated 34,528 acre-feet of conserved water in Metropolitan's Lake Mead ICS account. Although a final determination has not yet been made, IID may elect to ~~store an additional 25,000 acre-feet of conserved water~~fill its remaining accumulation limit in Metropolitan's Lake Mead ICS account for ~~2022~~2023.

State Water Project and Colorado River Aqueduct Arrangements

Metropolitan/CVWD/Desert Water Agency Amended and Restated Agreement for the Exchange and Advance Delivery of Water. Metropolitan has agreements with CVWD and the Desert Water Agency ("DWA") under which Metropolitan exchanges its Colorado River water for the agencies' State Water Project contractual water and other State Water Project water acquisitions on an annual basis. Because CVWD and DWA do not have a physical connection to the State Water Project, Metropolitan takes delivery of CVWD's and DWA's State Water Project supplies and delivers a like amount of Colorado River water to the agencies. In accordance with these agreements, Metropolitan may deliver Colorado River water in advance of receiving State Water Project supplies to these agencies for storage in the Upper Coachella Valley groundwater basin. In years when it is necessary to augment available supplies to meet local demands, Metropolitan may meet the exchange delivery obligation through drawdowns of the advance delivery account, in lieu of delivering Colorado River water in that year. Metropolitan's estimated storage account under the CVWD/DWA program as of January 1, ~~2023~~2024 is shown in the table entitled "Metropolitan's Water Storage Capacity and Water in Storage" under "–Storage Capacity and Water in Storage" below. In addition to the storage benefits of the CVWD/DWA program, Metropolitan receives water quality benefits with increased deliveries of lower salinity water from the State Water Project in lieu of delivering higher saline Colorado River water. In December 2019, the exchange agreements were amended to provide more flexibility and operational certainty for the parties involved. Additionally, under the amended agreements, CVWD and DWA pay a portion of Metropolitan's water storage management costs in wet years, up to a combined total of $4 million per year.

Operational Shift Cost Offset Program. In 2021, Metropolitan's Board approved the Operational Shift Cost Offset Program ("OSCOP") to help Metropolitan maximize resources available from Colorado River and State Water Project storage in calendar years 2021 and 2022. In October 2022, Metropolitan's Board extended the OSCOP through the end of calendar year 2023. Metropolitan ~~has and continues to work~~worked with member agencies that have service connections to both State Water Project supplies and Colorado River water to shift their points of delivery to meet demands wherever possible to preserve State Water Project storage during the recent drought. Although member agencies can make some shifts in delivery locations, these shifts may result in additional operational costs. Under the OSCOP, Metropolitan ~~offsets~~offset costs member agencies ~~may accrue~~accrued due to shifting deliveries at Metropolitan's request. In calendar year 2023, Metropolitan ~~may~~ offset incurred costs of up

to $359 per ~~acre-foot~~acre-foot for shifts ~~in calendar year 2023. This allows~~made at Metropolitan's request. This allowed Metropolitan to fully utilize its diverse portfolio and ~~increases~~increased reliability for the entire region by improving the availability of State Water Project storage reserves to supplement supplies during dry years.

Storage Capacity and Water in Storage

Metropolitan's storage capacity, which includes reservoirs, conjunctive use and other groundwater storage programs within Metropolitan's service area and groundwater and surface storage accounts delivered through the State Water Project or CRA, is approximately 6.0 million ~~acre-feet~~acre-feet. In ~~2022~~2023, approximately 750,000 ~~acre-feet~~acre-feet of total stored water in Metropolitan's reservoirs and other storage resources was emergency storage. Metropolitan's emergency storage is a regional planning objective established periodically to prevent severe water shortages for the region in the event of supply interruptions from catastrophic earthquakes or similar events (see "METROPOLITAN'S WATER DELIVERY SYSTEM–Seismic Considerations and Emergency Response Measures" in this Appendix A). The current emergency storage objective of 750,000 ~~acre-feet~~acre-feet is based on an outage duration of 6 to 12 months, retail water demand reduction of 25 to 35 percent based on achievable conservation actions, and aggregated loss of 10 to 20 percent of local production. Retail demand calculations for purposes of the emergency storage objective were based on a 2015 IRP forecast of demand for the year 2018 under average conditions. Metropolitan replenishes its storage accounts when available imported supplies exceed demands. Metropolitan's ability to replenish water storage, both in the local groundwater basins and in surface storage and banking programs, has been limited by Bay-Delta pumping restrictions under the biological opinions issued for listed species. See "–Endangered Species Act and Other Environmental Considerations Relating to Water Supply –Endangered Species Act Considerations – State Water Project – *Federal ESA-Biological Opinions*." Effective storage management is dependent on having sufficient years of excess supplies to store water so that it can be used during times of shortage. See "CONSERVATION AND WATER SHORTAGE MEASURES–Water Supply Allocation Plan" in this Appendix A. Metropolitan's storage as of January 1, ~~2023 is~~2024 was estimated to be ~~2.99~~4.15 million ~~acre-feet~~acre-feet. This is the highest beginning-of-year total water storage in Metropolitan's history. The following table shows three years of Metropolitan's water in storage as of January 1, including emergency storage.

[Remainder of page intentionally left blank.]

METROPOLITAN'S WATER STORAGE CAPACITY AND WATER IN STORAGE[1] (in Acre-Feet)

~~METROPOLITAN'S WATER STORAGE CAPACITY AND WATER IN STORAGE[1] (in Acre-Feet)~~

Water Storage Resource	Storage Capacity	Water in Storage January 1, ~~2023~~ 2024	Water in Storage January 1, ~~2022~~ 2023	Water in Storage January 1, ~~2021~~ 2022
Colorado River Aqueduct				
DWA/CVWD Advance Delivery Account	800,000	~~281,000~~205,000	~~293,000~~281,000	~~313,000~~293,000
Lake Mead ICS[2]	1,657,000	~~—~~ ~~1,139,000~~ 1,544,000[~~9~~10]	~~—~~ ~~1,251,500~~ 1,140,000[~~9~~10]	~~—~~ ~~1,294,000~~ 1,251,500[10]
Subtotal	**2,457,000**	**~~1,420,000~~1,749,000**	**~~1,544,500~~1,421,000**	**~~1,607,000~~1,544,500**
State Water Project				
Arvin-Edison Storage Program[~~2~~3]	350,000	~~119,000~~100,000	~~136,000~~119,000	~~142,000~~136,000
Semitropic Storage Program	350,000	~~158,000~~190,000	~~218,000~~158,000	~~261,000~~218,000
Kern Delta Storage Program	250,000	~~137,000~~114,000	~~149,000~~137,000	~~183,000~~149,000
Mojave Storage Program	330,000[~~5~~6]	19,000[~~5~~6]	19,000[~~5~~6]	19,000[~~5~~6]
AVEK Storage Program	30,000	27,000	27,000	27,000
AVEK High Desert Water Bank	112,000[11]	11,000	N/A	N/A
Castaic Lake and Lake Perris[~~3~~4]	219,000	~~3,000~~219,000	~~49,000~~3,000	~~219,000~~49,000
State Water Project Carryover[~~4~~5]	350,000[~~6~~7]	~~31,000~~325,000	~~38,000~~31,000	~~207,000~~38,000
Emergency Storage	381,000	381,000	381,000	381,000
Subtotal	**~~2,260,000~~2,372,000**	**~~875,000~~1,386,000**	**~~1,017,000~~875,000**	**~~1,433,000~~1,017,000**
Within Metropolitan's Service Area				
Diamond Valley Lake	810,000	~~494,000~~753,000	~~600,000~~494,000	~~704,000~~600,000
Lake Mathews	182,000	~~155,000~~168,000	~~140,000~~155,000	~~86,000~~140,000
Lake Skinner	44,000	39,000	39,000	~~41,000~~ 39,000
Subtotal[~~7~~8]	**1,036,000**	**~~688,000~~960,000**	**~~779,000~~688,000**	**~~831,000~~779,000**
Member Agency Storage Programs				
Conjunctive Use	210,000	~~10,000~~ 56,000	~~16,000~~ 10,000	~~41,000~~ 16,000
Total	**~~5,963,000~~6,075,000**	**~~2,993,000~~4,151,000**	**~~3,356,500~~2,994,000**	**~~3,912,000~~[8] 3,356,500**

Source: Metropolitan.

[1] ~~(1)~~ Water storage capacity and water in storage are measured based on engineering estimates and are subject to change.

[2] See "–Colorado River Aqueduct – Colorado River Operations: Surplus and Shortage Guidelines – *Lower Basin Shortage Guidelines and Coordinated Management Strategies for Lake Powell and Lake Mead*" and "–*Colorado*

River Drought Contingency Plans" for additional information regarding the Lake Mead ICS program and use of ICS water.

(3) ~~(2)~~ Metropolitan has suspended the return of groundwater from the Arvin-Edison storage program. Stored supplies can still be recovered via surface water exchange. See "–Water Transfer, Storage and Exchange Programs – State Water Project Agreements and Programs – *Arvin-Edison/Metropolitan Water Management Program*." See also "METROPOLITAN'S WATER DELIVERY SYSTEM–Water Quality and Treatment" in this Appendix A.

(4) ~~(3)~~ Flexible storage allocated to Metropolitan under its State Water Contract. Withdrawals must be returned within five years.

(5) ~~(4)~~ Includes Article 56 Carryover of Metropolitan, Coachella Valley Water District, and Desert Water Agency, prior-year carryover, non-project carryover, and carryover of curtailed deliveries pursuant to Article 14(b) and Article 12(e) of Metropolitan's State Water Contract. See "–Water Transfer, Storage and Exchange Programs – State Water Project Agreements and Programs – *Metropolitan Article 56 Carryover*."

(6) ~~(5)~~ The Mojave storage agreement was amended in 2011 to allow for cumulative storage of up to 390,000 ~~acre-feet~~acre-feet. Since January 1, 2011, Metropolitan has stored 60,000 ~~acre-feet~~acre-feet, resulting in a remaining balance of storage capacity of 330,000 ~~acre-feet~~acre-feet. 41,000 ~~acre-feet~~acre-feet of the 60,000 ~~acre-feet~~acre-feet stored have been returned, leaving a remaining balance in storage of 19,000 ~~acre-feet~~acre-feet. See "–Water Transfer, Storage and Exchange Programs – State Water Project Agreements and Programs – *Mojave Storage Program*."

(7) ~~(6)~~ A capacity of 350,000 ~~acre-feet~~acre-feet is estimated to be the practical operational limit for carryover storage considering Metropolitan's capacity to take delivery of carryover supplies before San Luis Reservoir fills.

(8) ~~(7)~~ Includes 369,000 ~~acre-feet~~acre-feet of emergency storage in Metropolitan's reservoirs in ~~2021,~~ 2022, ~~and~~ 2023, and 2024.

(9) ~~(8)~~ Represents Metropolitan's historical highest level of water in storage.

(10) ~~(9)~~ This amount does not include water Metropolitan stored for IID in Lake Mead an ICS sub-account.

(11) Currently constructed storage capacity. The storage capacity at completion of construction is anticipated to be 280,000 acre-feet. See "Water Transfer, Storage and Exchange Programs –- State Water Project Agreements and Programs – *Antelope Valley-East Kern High Desert Water Bank Program*."

CONSERVATION AND WATER SHORTAGE MEASURES

General

The central objective of Metropolitan's water conservation program is to help ensure adequate, reliable and affordable water supplies for Southern California by actively promoting efficient water use. The importance of conservation to the region has increased in recent years because of occurring drought conditions in the State Water Project watershed and court-ordered restrictions on Bay-Delta pumping, as described under "METROPOLITAN'S WATER SUPPLY–State Water Project –Bay-Delta Proceedings Affecting State Water Project" and "–Endangered Species Act and Other Environmental Considerations Relating to Water Supply –Endangered Species Act Considerations-State Water Project – *Federal ESA-Biological Opinions*" in this Appendix A. Ongoing drought conditions in the Colorado River have further emphasized the need for additional conservation efforts. See "METROPOLITAN'S WATER SUPPLY–Colorado River Aqueduct –Colorado River Operations: Surplus and Shortage Guidelines" ~~and "–Current Water Conditions and Drought Response Actions"~~ in this Appendix A. Conservation reduces the need to import water to deliver to member agencies through Metropolitan's system. Water conservation is an integral component of Metropolitan's IRP, WSDM Plan, and Water Supply Allocation Plan.

Metropolitan's conservation program has largely been developed to assist its member agencies in meeting the conservation goals established by the 2015 IRP Update. See "METROPOLITAN'S WATER SUPPLY–Integrated Water Resources Plan and Climate Adaptation Master Plan for Water" in this Appendix A. All users of Metropolitan's system benefit from the reduced infrastructure costs and system capacity made available by investments in demand management programs like the Conservation Credits Program. Under the terms of Metropolitan's Conservation Credits Program, Metropolitan administers regional conservation programs and co-funds member agency conservation programs designed to achieve greater water use efficiency in residential, commercial, industrial, institutional and landscape uses. Spending by Metropolitan and its member agencies on active conservation incentives, including rebates for water-saving plumbing fixtures, appliances and equipment totaled about $~~24~~57 million in fiscal year ~~2021-22~~2022-23. During fiscal year ~~2021-22~~2022-2023, water savings achieved through new and prior-year conservation investments under Metropolitan's Conservation Credits Program were approximately ~~216,000 acre-feet~~207,000 acre-feet.

Metropolitan has worked proactively with its member agencies to conserve water supplies in its service area, and significantly expanded its water conservation and outreach programs and increased funding for conservation incentive programs. Historically, revenues collected by Metropolitan's Water Stewardship Rate and available grant funds ~~have~~ funded conservation incentives, local resource development incentives, and other water demand management programs. ~~The~~Until December 31, 2020, the Water Stewardship Rate was charged on every ~~acre-foot~~acre-foot of water conveyed by Metropolitan, except on water delivered to SDCWA pursuant to the Exchange Agreement (see "METROPOLITAN REVENUES–Water Rates" and "–Litigation Challenging Rate Structure" in this Appendix A) in calendar years 2018, 2019, and 2020. ~~The~~Beginning with calendar year 2021, the Water Stewardship Rate ~~was not~~has no longer been incorporated into Metropolitan's rates and charges ~~for calendar years 2021 and 2022 or 2023 and 2024~~. See "METROPOLITAN REVENUES–Rate Structure – *Water Stewardship Rate*" in this Appendix A.

In addition to ongoing conservation, Metropolitan has developed a WSDM Plan, which splits resource actions into two major categories: Surplus Actions and Shortage Actions. See "–Water Surplus and Drought Management Plan." Conservation and water efficiency programs are part of Metropolitan's resource management strategy which makes up these surplus and shortage actions.

The Water Supply Allocation Plan allocates Metropolitan's water supplies among its member agencies, based on the principles contained in the WSDM Plan, to reduce water use and drawdowns from water storage reserves. See "–Water Supply Allocation Plan." Metropolitan's member agencies and retail water suppliers in Metropolitan's service area also can implement water conservation and allocation programs, and some of the retail suppliers in Metropolitan's service area have initiated conservation measures. ~~The success of conservation measures in conjunction with the implementation of the Water Supply Allocation Plan in fiscal years 2009-10, 2010-11, 2011-12 and 2015-16 is evidenced as a contributing factor in the lower than budgeted water transactions during such drought periods.~~

State legislation has provided an additional catalyst for conservation by member agencies and retail suppliers. Legislation approved in November 2009 set a statewide conservation target for urban per capita potable water use of 20 percent reductions (from a baseline per capita use determined utilizing one of four State-approved methodologies) by 2020 (with credits for existing conservation) at the retail level~~, providing an additional catalyst for conservation by member agencies and retail suppliers.~~ . Legislation approved in 2018 (Assembly Bill 1668 and Senate Bill 606) directed the SWRCB to adopt water use efficiency standards for all residential water use and outdoor commercial, industrial, and institutional water use and also performance measures for indoor commercial, industrial, and institutional water use. Pursuant to such directive, the SWRCB has proposed a new regulation, termed "Making Conservation a California Way of Life," which would require urban retail water suppliers to calculate a water use objective annually, beginning January 1, 2025, based on the characteristics of the supplier's service area, and beginning January 1, 2027, demonstrate compliance with its objective, implement established performance standards, and submit annual progress reports.

Metropolitan's water transactions projections incorporate an estimate of conservation savings that will reduce retail demands. Current projections include an estimate of additional water use efficiency savings resulting from Metropolitan's 2015 IRP Update goals that included the reduction of overall regional per capita water use by 20 percent by 2020 from a baseline of average per capita water use from 1996-2005 in Metropolitan's service area. As of calendar year 2020, per capita water use in Metropolitan's service area had reached the 20 percent reduction by 2020 target.

Water Surplus and Drought Management Plan

In addition to the long-term planning guidelines and strategy provided by its IRP, Metropolitan has developed its WSDM Plan for the on-going management of its resources and water supplies in response to hydrologic conditions. The WSDM Plan, which was adopted by Metropolitan's Board in April 1999, evolved from Metropolitan's experiences during the droughts of 1976-77 and 1987-92. The WSDM Plan is a planning document that Metropolitan uses to guide inter-year and intra-year storage operations, and splits resource actions into two major categories: surplus actions and shortage actions. The surplus actions emphasize storage of surplus water inside the region, followed by storage of surplus water outside the region. The shortage actions emphasize critical storage programs and facilities and conservation programs that make up part of Metropolitan's response to shortages. Implementation of the plan is directed by a WSDM team, made up of Metropolitan staff, that meets regularly throughout the year and more frequently between November and April as hydrologic conditions develop. The WSDM team develops and recommends storage actions to senior management on a regular basis and provides updates to the Board on hydrological conditions, storage levels and planned storage actions through detailed reports.

Water Supply Allocation Plan

In times of prolonged or severe water shortages, Metropolitan manages its water supplies through the implementation of its Water Supply Allocation Plan. The Water Supply Allocation Plan was originally approved by Metropolitan's Board in February 2008, and has been implemented three times

since its adoption, including most recently in April 2015. The Water Supply Allocation Plan provides a formula for equitable distribution of available water supplies in case of extreme water shortages within Metropolitan's service area and if needed is typically approved in April with implementation beginning in July. In December 2014, the Board approved certain adjustments to the formula for calculating member agency supply allocations during subsequent periods of implementation of the Water Supply Allocation Plan. Although the Act gives each of Metropolitan's member agencies a preferential entitlement to purchase a portion of the water served by Metropolitan (see "METROPOLITAN REVENUES–Preferential Rights" in this Appendix A), historically, these rights have not been used in allocating Metropolitan's water. Metropolitan's member agencies and retail water suppliers in Metropolitan's service area also may implement water conservation and allocation programs within their respective service territories in times of shortage. See also "~~METROPOLITAN'S WATER SUPPLY Current Water Conditions and~~ Drought Response Actions" ~~in this Appendix A~~below. Based upon current hydrology and Metropolitan's available storage balances, the Water Supply Allocation Plan has not been implemented for fiscal year ~~2022-23. However, recognizing the need to preserve remaining storage reserves in light of the challenges projecting Metropolitan's State Water Project and Colorado River supplies in 2023, Metropolitan's Board adopted a resolution on December 13, 2022, declaring a Regional Drought Emergency for Metropolitan's entire service area and urged all cities and water suppliers to immediately take actions to reduce use of all imported water supplies. The December 2022 resolution also signaled that if drought conditions persist in the coming months, then the Board may consider action in April 2023 to implement mandatory regionwide restrictions on imported water use through the Water Supply Allocation Plan during fiscal year 2023-24. However, due to the improved hydrologic conditions in early 2023, staff does not anticipate a need for a regionwide supply allocation during fiscal year 2023-24. Staff continues to evaluate supply and demand conditions as they develop.~~2023-24.

~~**Emergency Water Conservation Program for the State Water Project Dependent Area**~~

~~As a result of record drought in California and extremely limited State Water Project allocations, Metropolitan had insufficient supplies in 2022 to meet normal demands in the SWP Dependent Area. The SWP Dependent Area is defined as the current portion of the service area that can only receive Metropolitan's supplies through the State Water Project system. These supplies include the annual State Water Project allocation, north of Delta water transfers and previously stored State Water Project supplies such as groundwater banking, carryover, and flexible supplies in Castaic Lake and Lake Perris. The boundaries of the SWP Dependent Area are not static. Metropolitan's drought mitigation actions since 2021 have reduced the SWP Dependent Area by increasing the ability to move more Colorado River and Diamond Valley Lake supplies to greater portions of the service area. However, with critical State Water Project supply conditions experienced in 2022 and the persistent drought that depleted supplies accessible to the SWP Dependent Area, Metropolitan determined that it was imperative to further reduce demands within the SWP Dependent Area.~~

~~Metropolitan's existing Water Supply Allocation Plan was designed to be used when a regionwide shortage exists. Staff determined that the Water Supply Allocation Plan, with its regional focus, would not effectively or efficiently alleviate the circumstances of the then existing drought emergency. Instead, an Emergency Water Conservation Program was developed in coordination with affected member agencies to preserve remaining supplies available to the SWP Dependent Area in a more expedient manner.~~

Drought Response Actions

The most recent drought in California occurred in 2020 through 2022. The Water Years 2020 through 2022 combined ranked as the three driest years in California's statewide precipitation record. Beginning in April 2021, Governor Newsom issued a series of drought emergency proclamations

affecting various counties throughout the State, culminating in an October 19, 2021 proclamation declaring a drought state of emergency to be in effect statewide and directing local water suppliers to implement water shortage contingency plans at a level appropriate to local conditions. On March 28, 2022, Governor Newsom issued an executive order directing the SWRCB to consider adopting regulations by May 25, 2022, to require urban water suppliers with water shortage contingency plans to implement, at a minimum, shortage response actions for a shortage level of up to 20 percent (a "Level 2" shortage). On May 24, 2022, in response to the executive order, the SWRCB adopted an emergency water conservation regulation. The adopted regulation temporarily banned irrigating turf with potable water at commercial, industrial, and institutional properties, such as grass in front of or next to large industrial or commercial buildings. The ban did not include watering turf used for recreation or other community purposes, water used at residences or water to maintain trees. The regulation also required all urban water suppliers to implement conservation actions under Level 2 of their water shortage contingency plans.

From early 2021, in response to dry conditions, Metropolitan implemented certain operational measures and programs to minimize State Water Project deliveries, such as delivering Diamond Valley Lake water for the first time to the Henry J. Mills Treatment Plant, and expanding the delivery of Colorado River water. These measures were made possible by Metropolitan's continued investment in facility upgrades and improvements. Metropolitan also paid for several member agencies to shift from service connections that utilize State Water Project supplies to service connections that use Colorado River water to conserve State Water Project supplies.

Following the Governor's October 2021 proclamation of a statewide drought emergency, on November 9, 2021, Metropolitan's Board of Directors declared a drought emergency and called on its member agencies in the portion of Metropolitan's service area that can only receive Metropolitan's supplies through the State Water Project system (referred to herein as the SWP Dependent Area) to use increased conservation measures or other means to reduce their use of those supplies. To assist in these conservation efforts, Metropolitan's Board also approved a series of measures to expand various rebate and water-efficiency programs. On April 26, 2022, ~~-~~ Metropolitan's Board ~~declared that a Water Shortage Emergency Condition existed for the SWP Dependent Area and unanimously adopted~~approved the framework of an Emergency Water Conservation Program~~. Metropolitan's Board also authorized the General Manager to finalize the program within 30 days consistent within the adopted framework. The purpose of the Emergency Water Conservation Program was to adaptively preserve supplies by reducing non-essential uses of water delivered through the State Water Project system.~~ for the SWP Dependent Area to further reduce demand on State Water Project supplies. In 2022, due to historically dry conditions, DWR exercised a provision of the State water supply contract that allowed DWR to provide State Water Project water to certain State Water Project contractors, that was in addition to the contracted amounts, to meet minimum demands for domestic supply, fire protection or sanitation. The human health and safety supplies received were required to be returned within five calendar years of the calendar year of delivery, with certain mandatory returns to be made in years when State Water Project allocations were 40 percent of contracted amounts or greater. Under this provision, Metropolitan requested and received from DWR delivery of an additional 133,842 acre-feet of certain human health and safety supplies to the SWP Dependent Area. In addition to the human health and safety supplies and mandatory water use reductions for the SWP Dependent Area agencies, Metropolitan met the water demands in its service area in calendar year 2022 using a combination of CRA deliveries, storage reserves and supplemental water transfers and purchases. In 2022, approximately 28,000 acre-feet of water transfers were secured.

~~The Emergency Water Conservation Program began implementation on June 1, 2022, and was authorized through June 30, 2023. The Emergency Water Conservation Program included two paths for affected member agencies to reduce use of Metropolitan's supplies delivered from the State Water Project system. Beginning on June 1, 2022, affected member agencies could either (i) comply with~~

~~enforced watering restrictions, or (ii) achieve compliance with agency-specific volumetric limits on State Water Project supply, subject to a volumetric penalty surcharge on the excess water deliveries over their limit, to be accrued and billed on a monthly basis. For the seven-month period between June and December 2022, the member agencies under the Emergency Conservation Program were able to achieve compliance and no penalties were issued in 2022. In January 2023, the SWP Dependent Area agencies received new volumetric limits for the second phase of the program from January through June 2023. Due to uncertainties in the available water supplies at the beginning of 2023, the volumetric limits set for the first half of 2023 were subject to fluctuation.~~

~~Following DWR's initial State Water Project allocation of five percent of contracted amounts for calendar year 2023 announced in December 2022, and as a result of improved hydrologic conditions, DWR increased the annual allocation estimate to 30 percent of contracted amounts in January 2023, and subsequently announced a further increase in the annual allocation estimate to 35 percent of contracted amounts in February 2023, and a further increase to 75 percent of contracted amounts in March 2023. Due to the improved State Water Project water supply conditions that alleviate the acute water shortage in the SWP Dependent Area, on March 14, 2023, Metropolitan's Board removed the Water Shortage Emergency Condition for the SWP Dependent Area and terminated the Emergency Water Conservation Program.~~

Metropolitan has planned and prepared for dry conditions by investing in vital infrastructure to increase its storage capacity and enhance operational flexibility. The Emergency Water Conservation Program was intended as a short-term policy in response to the severe drought conditions that existed and infrastructure constraints that severely limited the delivery of State Water Project supplies. Metropolitan has committed to providing equitable reliability to the SWP Dependent Area by increasing access to existing supplies and storage, and development of new supplies and storage. ~~In addition,~~ Metropolitan was awarded $50 million in reimbursement grant funding from the State of California in the State's fiscal year 2022-23 budget for a set of drought emergency mitigation projects to move locally stored water into the SWP Dependent Area.

Due to improved hydrologic conditions and an increased State Water Project allocation for 2023, the Board voted to rescind the Emergency Water Conservation Program on March 14, 2023. On March 24, 2023, the Governor announced that several of the Statewide water conservation measures previously imposed would be eased. All of the 133,842 acre-feet of health and safety supplies received by Metropolitan in 2022 were returned by the end of June 2023. Metropolitan continues to encourage responsible and efficient water use.

Actions taken in response to the 2020-2022 drought by the State, Metropolitan's Board and Metropolitan's member agencies, as well as the subsequent extreme precipitation in 2023, have contributed to reduced water demands in Metropolitan's service area. Such significant variances in hydrology may become more common in the future due to the effects of climate change. Metropolitan's financial reserve policy provides funds to manage through periods of reduced sales. See "METROPOLITAN REVENUES–Financial Reserve Policy" in this Appendix A. In years when actual sales are less than projections, Metropolitan uses various tools to manage reductions in revenues, such as reducing expenditures below budgeted levels, reducing funding of capital projects from revenues, and drawing on reserves. See also "MANAGEMENT'S DISCUSSION OF HISTORICAL AND PROJECTED REVENUES AND EXPENSES" in this Appendix A.

REGIONAL WATER RESOURCES

General

The water supply for Metropolitan's service area is provided in part by Metropolitan and in part by non-Metropolitan sources available to members. Non-Metropolitan sources include water imported by the City of Los Angeles (the "City") from the Owens Valley/Mono Basin east of the Sierra Nevada through the City's Los Angeles Aqueduct to serve customers of the City. See "– Los Angeles Aqueduct." The balance of water within the region is produced locally, from sources that include groundwater and surface water production, recycled water and recovery of contaminated or degraded groundwater, and seawater desalination. Programs to develop these local resources include projects funded by Metropolitan's Local Resources Program (the "LRP"), as well as local agency funded programs. See "–Local Water Supplies."

Based on a ten-year average from calendar years ~~2012~~2013 through ~~2021~~2022 (the most recent full year information available), non-Metropolitan sources met about 54 percent of the region's water needs. These non-Metropolitan sources of supply fluctuate in response to variations in rainfall. During prolonged periods of ~~below normal~~below-normal rainfall, local water supplies decrease. Conversely, prolonged periods of above-normal rainfall increase local supplies. Sources of groundwater basin replenishment include local precipitation, runoff from the coastal ranges, and artificial recharge with imported water supplies. In addition to runoff, recycled water provides an increasingly important source of replenishment water for the region.

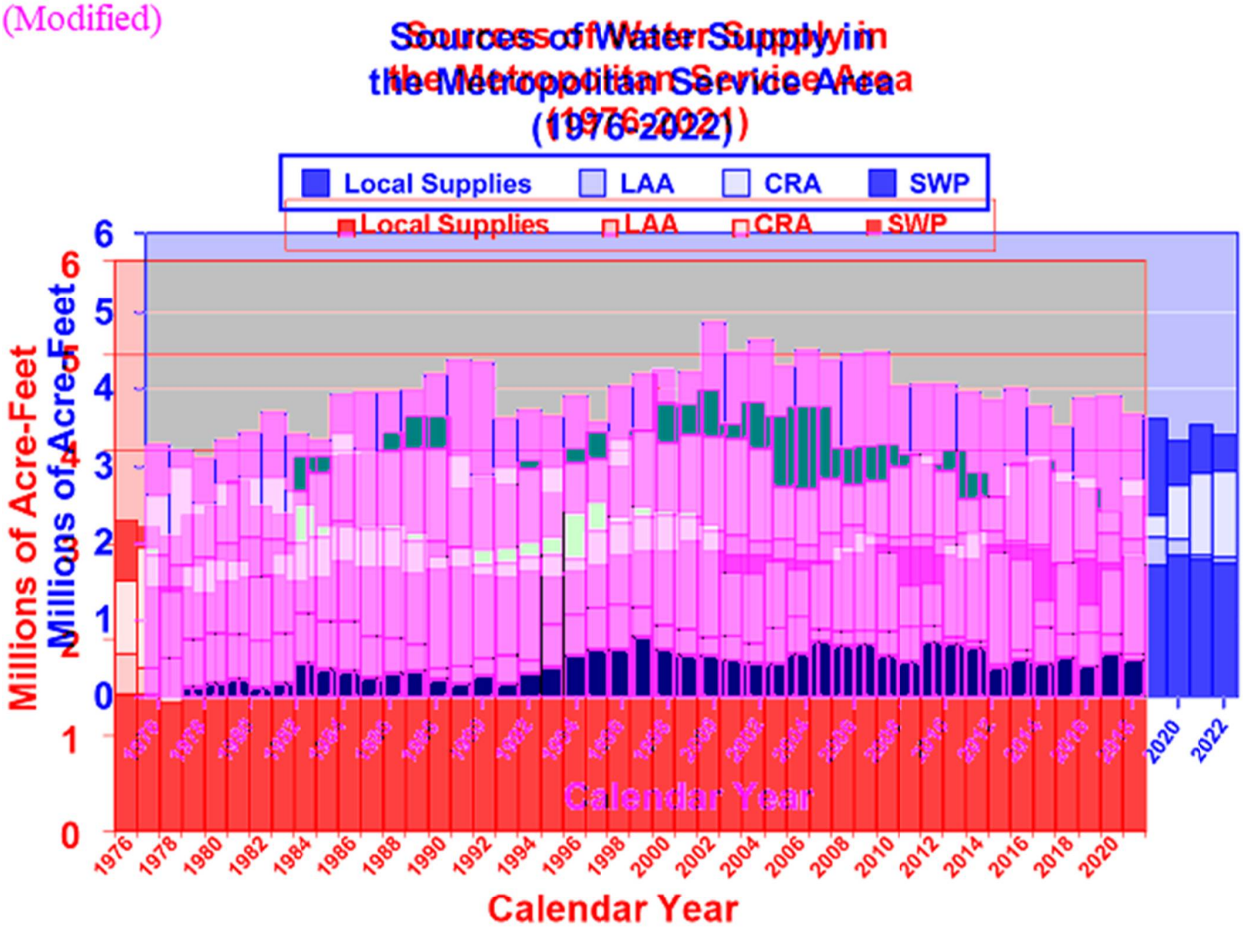
Metropolitan's member agencies are not required to purchase or use any of the water available from Metropolitan. Some agencies depend on Metropolitan to supply nearly all of their water needs, regardless of the weather. Other agencies, with local surface reservoirs or aqueducts that capture rain or snowfall, rely on Metropolitan more in dry years than in years with heavy rainfall, while others, with ample groundwater supplies, purchase Metropolitan water only to supplement local supplies and to recharge groundwater basins. Consumer demand and locally supplied water vary from year to year, resulting in variability in the volume of Metropolitan's water transactions.

In recent years, supplies and demands have been affected by drought, water use restrictions, economic conditions, weather conditions and environmental laws, regulations and judicial decisions, as described in this Appendix A under "METROPOLITAN'S WATER SUPPLY." The demand for supplemental supplies provided by Metropolitan is dependent on water use at the retail consumer level and the amount of locally supplied and conserved water. See "CONSERVATION AND WATER SHORTAGE MEASURES" in this Appendix A and "–Local Water Supplies" below.

Future reliance on Metropolitan supplies will depend on, among other things, current and future local projects that may be developed and the amount of water that may be derived from sources other than Metropolitan. For information on Metropolitan's water revenues, see "METROPOLITAN REVENUES" and "MANAGEMENT'S DISCUSSION OF HISTORICAL AND PROJECTED REVENUES AND EXPENSES" in this Appendix A.

The following graph shows a summary of the regional sources of water supply for calendar years 1976 to ~~2021~~2022 (the most recent full year information available). In the graph below, LAA refers to the Los Angeles Aqueduct. See "–Los Angeles Aqueduct." The graph below includes updated local supply numbers that include Santa Ana River baseflow below Prado Dam, which was previously not included from 1980 through 2009.

(Modified)



Source: Metropolitan.

The major sources of water available to some or all of Metropolitan's member agencies in addition to supplies provided by Metropolitan are described below.

Los Angeles Aqueduct

The City of Los Angeles, through its Department of Water and Power ("LADWP"), operates its Los Angeles Aqueduct system to import water from the Owens Valley and the Mono Basin on the eastern slopes of the Sierra Nevada in eastern California. Water imported by the City on the Los Angeles Aqueduct system comes primarily from surface water rights of the City in eastern Sierra Nevada watersheds along various streams, creeks and rivers in the Mono Basin, Long Valley and Owens Valley, and groundwater resources in the Owens Valley from the City's ownership of approximately 330,000 acres of land and associated water rights. This water supply of the City, which serves LADWP's customers, currently meets about five percent of the region's water needs based on a ten-year average from calendar years ~~2012~~2013 through ~~2021~~2022 (the most recent full year information available).

Surface runoff (snowmelt) is subject to substantial annual variability, which influences the amount of water delivered by the Los Angeles Aqueduct. In addition, the City is subject to several environmental commitments in the Mono Basin and Owens Valley which impact the availability of water to the City for import on the Los Angeles Aqueduct. These include: (i) the SWRCB's Mono Lake Basin Water Rights Decision 1631, which limits the City's water exports from the Mono Basin based on Mono

Lake's surface elevation; and (ii) the City's legal obligations under a long-term groundwater management plan relating to the City's groundwater resources in the Owens Valley.

Los Angeles Aqueduct water deliveries to the City vary from one year to the next. Since calendar year ~~2012~~2013, Los Angeles Aqueduct water deliveries to the City have varied from as little as 33,000 ~~acre-feet~~acre-feet in calendar year 2015 to as much as 380,000 ~~acre-feet~~acre-feet of water in calendar year 2017. Average water deliveries to the City from the Los Angeles Aqueduct were approximately ~~247,000 acre-feet~~186,000 acre-feet per calendar year between calendar years ~~2017~~2018 and ~~2021~~2022 (meeting approximately ~~50~~37 percent of the City's annual water needs). However, during calendar year ~~2021~~2022, water deliveries to the City from the Los Angeles Aqueduct were approximately ~~62,000 acre-feet~~71,000 acre-feet (meeting approximately ~~13~~15 percent of the City's water need for calendar year ~~2021~~2022). Consequently, the amount of water purchased by the City from Metropolitan also varies with the fluctuations of Los Angeles Aqueduct supply. During the past five calendar years ~~2017~~2018 through ~~2021~~2022, the City's water purchases from Metropolitan (billed water transactions) ranged from a low of ~~102,000~~103,000 in calendar year 2019 to a high of ~~346,000~~368,000 in calendar year 2021.

Local Water Supplies

Local water supplies are made up of groundwater, groundwater recovery, surface runoff, recycled water, and seawater desalination. Metropolitan supports local resources development through its LRP, which provides financial incentives of up to $340 per ~~acre-foot~~acre-foot of water production (based on actual project unit costs that exceed Metropolitan's water rates) from local water recycling, groundwater recovery, and seawater desalination projects. LRP agreement terms are for 25 years and terminate automatically if construction does not commence within two full fiscal years of agreement execution or if water deliveries are not realized within four full fiscal years of agreement execution. Metropolitan utilizes conjunctive use of groundwater to encourage storage in groundwater basins. Member agencies and other local agencies have also independently funded and developed additional local supplies, including groundwater clean-up, recycled water and desalination of brackish or high salt content water. See also "METROPOLITAN'S WATER DELIVERY SYSTEM–Water Quality and Treatment" in this Appendix A for information regarding certain water quality regulations and developments that impact or may impact certain local groundwater supplies.

Metropolitan's water transaction projections are based in part on projections of locally-supplied water. Projections of future local supplies are based on estimated yields of projects that are currently producing water or are under construction at the time a water transaction projection is made. Estimated yields of projects currently producing water are calculated based on the projects' previous four-year production average. Estimated yields of projects that are under construction at the time a water transaction projection is made are based on data provided by the member agencies. See "MANAGEMENT'S DISCUSSION OF HISTORICAL AND PROJECTED REVENUES AND EXPENSES–Water Transactions Projections" and "METROPOLITAN'S WATER SUPPLY–Integrated Water Resources Plan and Climate Adaptation Plan for Water" in this Appendix A.

Groundwater. Local groundwater basins are the region's largest source of local supply. Since ~~2012~~2013, approximately ~~1.15~~1.14 million ~~acre-feet~~acre-feet per year, about one-third of the annual water demands for approximately 19 million residents of Metropolitan's service area, are met through local groundwater production. Local groundwater basins are supported by recycled water and imported water used for replenishing basins and for creating seawater barriers that protect coastal aquifers from seawater intrusion.

Member Agency Storage Programs. Metropolitan has developed a number of local programs to work with its member agencies to increase storage in groundwater basins. Metropolitan has encouraged storage through its cyclic and conjunctive use storage programs. These programs allow Metropolitan to

deliver water into a groundwater basin in advance of agency demands. Metropolitan has drawn on dry-year supply from nine contractual conjunctive use storage programs to address shortages from the State Water Project and the CRA.

Cyclic storage agreements allow pre-delivery of imported water for recharge into groundwater basins in excess of an agency's planned and budgeted deliveries making best use of available capacity in conveyance pipelines, use of storm channels for delivery to spreading basins, and use of spreading basins. This water is then purchased at a later time when the agency has a need for groundwater replenishment deliveries.

Conjunctive use agreements provide for storage of imported water that can be called for use by Metropolitan during dry, drought, or emergency conditions. During a dry period, Metropolitan has the option to call water stored in the groundwater basins pursuant to its contractual conjunctive use agreements. At the time of the call, the member agency pays Metropolitan the prevailing rate for that water. Nine conjunctive use projects provide about 210,000 ~~acre-feet~~acre-feet of groundwater storage and have a combined extraction capacity of about 70,000 ~~acre-feet~~acre-feet per year. See the table entitled "Metropolitan's Water Storage Capacity and Water in Storage" under "METROPOLITAN'S WATER SUPPLY–Storage Capacity and Water in Storage" in this Appendix A.

Reverse Cyclic Program. In 2022, Metropolitan's Board authorized the General Manager to enter into reverse-cyclic agreements with participating member agencies to preserve the availability of Metropolitan's State Water Project supplies. Metropolitan's General Manager initiated deferrals under the Reverse-Cyclic Program ("RCP") when the General Manager determined that the supply conditions warranted deferring the use of State Water Project supplies due to the risk of shortage of these supplies. Metropolitan executed agreements with Calleguas Municipal Water District, Three Valleys Municipal Water District, and Upper San Gabriel Valley Municipal Water District in 2022. Under these agreements and at Metropolitan's request, participating member agencies agreed to defer Metropolitan deliveries of 25,000 ~~acre-feet~~acre-feet of water (in aggregate) purchased in calendar year 2022 to allow Metropolitan to preserve its State Water Project supplies. Metropolitan billed participating member agencies the 2022 full-service rate and applicable treatment charge. In doing so, the participating member agencies avoid paying the projected higher service rate that would be in place when Metropolitan makes the deferred delivery. Metropolitan will deliver water to the participating member agencies no later than December 2027, which is five full calendar years from the date of purchase. This program was not reauthorized for 2023 nor 2024.

Recovered Groundwater. Contamination of groundwater supplies is a growing threat to local groundwater production. Metropolitan has been supporting increased groundwater production and improved regional supply reliability by offering financial incentives to agencies for the production and treatment of degraded groundwater since 1989 through the LRP. Metropolitan has executed LRP agreements with local agencies to provide financial incentives to 28 projects that recover contaminated groundwater with total contract yields of about 125,000 ~~acre-feet~~acre-feet per year. Total groundwater recovery use under executed agreements with Metropolitan ~~is~~was estimated to be approximately ~~60,000 acre-feet in calendar year 2021 and 38,000 acre-feet~~53,700 acre-feet in calendar year 2022. Additionally, ~~60,000 acre-feet~~81,000 acre-feet of recovered groundwater ~~were~~was produced by local agencies through other independently funded and developed sources in 2022.

Surface Runoff. Local surface water resources consist of runoff captured in storage reservoirs and diversions from streams. Since ~~2012~~2013, agencies have used an average of ~~84,000 acre-feet~~76,000 acre-feet per calendar year of local surface water. Local surface water supplies are heavily influenced by year to year local weather conditions, varying from a high ~~of 139,000 acre-feet~~during such period of 124,000 acre-feet in calendar year ~~2012~~2020 to a low of 37,500 ~~acre-feet~~acre-feet in calendar year 2016.

Stormwater is another local water supply and is surface runoff that is captured and contained on-site as opposed to captured in storage reservoirs or diverted from streams. In 2020, Metropolitan launched two pilot programs to better understand the costs and benefits of stormwater capture, yield, and use. One program examines opportunities to capture stormwater for direct use and the other explores stormwater capture for groundwater recharge. The programs accepted applications through December 31, 2021. Together, Metropolitan committed up to $12.5 million under these programs. The projects funded under these programs are in either the design, construction, or monitoring phase. The pilot programs are expected to last at least five years, including the construction and monitoring phases. The data collected during the pilot programs will assist Metropolitan in evaluating the water supply benefits of stormwater capture and provide guidance for future funding strategies.

Recycled Water-Local Agency Projects. Metropolitan has supported recycled water use to offset water demands and improve regional supply reliability by offering financial incentives to agencies for production and sales of recycled water since 1982 through the LRP. Since the inception of the LRP, Metropolitan has executed agreements with local agencies to provide financial incentives to 88 recycled water projects with total expected contract yields of about 357,000 ~~acre-feet~~acre-feet per year. During fiscal year ~~2021-22~~2022-23, Metropolitan provided incentives for approximately 56,500 ~~acre-feet~~acre-feet of recycled water under these agreements. Additionally, ~~393,000 acre-feet~~422,000 acre-feet of recycled water (including wastewater discharged to the Santa Ana River that percolates into downstream groundwater basins) was produced in fiscal year ~~2021-22~~2022-23 by local agencies through other independently funded and developed sources. Total recycled water use under executed agreements with Metropolitan currently in place is estimated to be approximately ~~55,000 acre-feet~~54,000 acre-feet in calendar year ~~2021 and 54,000 acre-feet in calendar year 2022~~2024.

Metropolitan also supports recycled water conversions for property owners through the On-Site Retrofit Program. The On-Site Retrofit Program provides a financial incentive of $195 per ~~acre-foot~~acre-foot of estimated offset water for ten years to property owners who convert an imported water demand to a recycled water system. In January 2022, Metropolitan's Board authorized staff to increase the incentive term from five to ten years ($195/~~acre-foot~~acre-foot for 10 years) in recognition of the long lifespan of recycled water infrastructure. As of March 1, ~~2023~~2024, the On-Site Retrofit Program has provided $~~11.75~~13.17 million to ~~474~~499 projects that offset approximately ~~13,241 acre-feet~~14,010 acre-feet per year of imported water supplies.

Recycled Water-Metropolitan Pure Water Southern California Program. Since 2010, Metropolitan has been evaluating the potential and feasibility of implementing a regional recycled water program, now referred to as Pure Water Southern California (~~the~~ "PWSC"~~) (previously identified as the Regional Recycled Water Program or RRWP~~). Chronic drought conditions have resulted in significant reductions in local surface supplies and groundwater production and have increased the need for recharge supplies to groundwater and surface water reservoirs to improve their sustainable yields and operating integrity. In 2015, Metropolitan executed an agreement with the Los Angeles County Sanitation Districts ("LACSD") to implement a demonstration project and to establish a framework of terms and conditions of ~~the~~ PWSC. The objectives of ~~the~~ PWSC are to enable the potential reuse of up to 150 million gallons per day ("mgd") of cleaned wastewater effluent from LACSD's A.K. Warren Facility (formerly the Joint Water Pollution Control Plant ~~("JWPCP"~~). Purified water from a new advanced treatment plant could be delivered through pipelines to the region's groundwater basins, industrial facilities, and two of Metropolitan's water treatment plants.

Construction of a 0.5-mgd advanced water treatment demonstration plant was approved in 2017 and was completed in September 2019. Testing and operation of the plant began in October 2019 to confirm treatment costs and provide the basis for regulatory approval of the proposed treatment process. The tertiary membrane bioreactor ("MBR") first testing phase was completed in 2021 and has been followed by secondary MBR testing which ~~will be~~was completed in 2023. The testing will form the basis

for the design, operation, and optimization of the advanced treatment plant and will help inform Metropolitan's Board decision whether to move forward with, ~~a~~the potential full-scale program. If approved, design and construction of PWSC would be expected to take approximately eight years and occur in two phases. Phase 1, which, if completed, would be expected to have a capacity of approximately 115 million gallons per day ("mgd"); and Phase 2, which if completed, would be expected to increase capacity by approximately 35 mgd, for a total of treatment plant capacity of 150 mgd.

If implemented, ~~the~~ PWSC ~~will~~as proposed would have the flexibility to produce purified water suitable for Direct Potable Reuse ("DPR") through raw water augmentation at two of Metropolitan's treatment plants (Weymouth and Diemer). The SWRCB Division of Drinking Water ("DDW") ~~is in the process of developing~~has proposed new regulations for DPR in California~~, with the statutorily-mandated deadline of December 31, 2023.~~ that would allow recycled water to be used directly in the potable water system without first passing through an environmental buffer, such as groundwater or a lake, prior to using it as potable water. If the regulations are adopted, a greater percentage of water produced by PWSC will be available for potable water systems.

On November 10, 2020, Metropolitan's Board voted to begin environmental planning work on ~~the~~ PWSC. The Notice of Preparation was published ~~on~~in September 2022 with scoping meetings held in October 2022. The draft EIR is scheduled for completion in the ~~first~~fourth quarter of ~~2023 with~~2024, with an action requesting board approval anticipated in the fall/winter of ~~2024~~2025.

Metropolitan has also been active in pursuing partnerships with other agencies. In November 2020, Metropolitan and LACSD executed an amendment to the existing collaboration agreement to contribute up to approximately $4.4 million for the environmental planning phase costs~~.~~. In December 2020, Metropolitan and SNWA executed a funding agreement under which SNWA will contribute up to $6 million for the environmental planning costs for ~~the~~ PWSC. In the event either SNWA or Metropolitan decides not to proceed or participate in ~~the~~ PWSC in the future, SNWA's financial contribution to ~~the~~ PWSC's environmental planning would be returned by Metropolitan. In 2021, Metropolitan signed an agreement with the Arizona Parties (Central Arizona Project and Arizona DWR) for a $6 million financial contribution similar to the SNWA agreement. Overall, Metropolitan has received ten letters of interest ~~representing~~in the project from 15 different agencies. In addition, Metropolitan ~~was awarded~~received $80 million in grant funding for ~~the~~ PWSC from the State of California in the State's fiscal year 2022-23 budget. Work performed under this funding will continue into 2026.

Environmental planning phase work for ~~the~~ PWSC began in fiscal year ~~2020-21~~2020-21 and is expected to continue through fiscal year ~~2023-24 into fiscal year 2024-25. The fiscal year 2022-23 and 2023-24~~ 2025-26. The proposed biennial budget for fiscal years 2024-25 and 2025-26 includes $~~20~~9 million for planning costs of ~~the~~ PWSC as part of the operations and maintenance budget. ~~Metropolitan's financial projections for the fiscal years ending June 30, 2023 through 2027 include approximately $273 million in fiscal years 2024-25 through 2026-27 for estimated future capital costs associated with a potential full-scale PWSC. If approved, design and construction would be expected to take approximately eight years, with total construction costs estimated at approximately $3.7 billion.~~

If approved, the total costs of design and construction of PWSC are currently estimated to be approximately $6.4 billion (in 2023 dollars). If ultimately undertaken, the amount of the costs of design and construction of PWSC costs that may be incurred by Metropolitan would be dependent on, among other things, the ultimate design and timing of any approved project, the availability and receipt of potential grant funding sources, and the level of contributions from potential PWSC partners that may participate in any such approved project. The amount of any partner carried costs has not been determined at this time.

Metropolitan's Board has not approved PWSC and the costs of design and construction are not included in Metropolitan's Capital Investment Plan ("CIP"). However, for planning purposes, Metropolitan has made certain assumptions about the potential capital costs that may be incurred by Metropolitan over the ten-year financial forecast provided in its proposed biennial budget for fiscal year 2024-25 and 2025-26, including with respect to projected future debt financing for a portion of PWSC costs, certain assumptions regarding the potential amounts of and sources of funding for PWSC that may be available from grants and contributions by potential partners. Metropolitan's financial projections for fiscal years 2024-25 through 2028-29 assume that if PWSC is approved and implemented a portion of the capital costs incurred by Metropolitan in connection with any approved project would be financed with proceeds of revenue bonds to be issued by Metropolitan during the five-year projection period. See "CAPITAL INVESTMENT PLAN" for additional information regarding the capital expenditures Metropolitan has assumed may be incurred with respect to PWSC (if approved) in addition to its projected CIP expenditures for fiscal years 2023-24 through 2028-29. See also "HISTORICAL AND PROJECTED REVENUES AND EXPENSES" in this Appendix A for additional information regarding the future debt financing Metropolitan has assumed may be incurred with respect to PWSC (if approved).

Seawater Desalination. Metropolitan supports seawater desalination as a part of the region's supply portfolio as well as a mechanism to increase regional supply resiliency under different climate change and population growth scenarios.

In 2007, the Board approved Metropolitan's role as a regional facilitator for seawater desalination. This includes supporting local projects during permitting and providing technical assistance when requested. Metropolitan's regional facilitation includes active participation in organizations advocating for desalination and salinity management, including CalDesal and the Southern California Salinity Coalition within California, and the Multi-State Salinity Coalition nationally. Metropolitan also participates in the National Alliance for Water Innovation ("NAWI"). NAWI is a Department of Energy-led, $100 million research effort focused on accelerating the commercialization of early-stage desalination technologies. New technologies developed by NAWI could reduce cost and environmental barriers to seawater desalination in California.

In October 2014, seawater desalination projects became eligible for funding under Metropolitan's LRP. There is currently one local seawater desalination project in the permitting stage that could receive LRP incentives. South Coast Water District ("South Coast") is proposing a 5-mgd Doheny Ocean Desalination project (the "Doheny Project") in south Orange County. South Coast has obtained key State permits for the Doheny Project and ~~will be initiating the 60 percent design phase in 2023~~is expected to award a contract to a progressive design build consultant in 2024. The 50-mgd Huntington Beach Seawater Desalination is no longer under development after failing to obtain a coastal development permit. LRP applications for potential projects would be considered by Metropolitan's Board after they are permitted, free of litigation, and authorized to proceed by their developing agencies.

In 2015, Poseidon Resources LLC ("Poseidon") began operating the 56,000 ~~acre-foot~~acre-foot per year (50-mgd) Carlsbad Desalination Project and associated pipeline. SDCWA has a purchase agreement with Poseidon for a minimum of 48,000 ~~acre-feet~~acre-feet per year with an option to purchase an additional 8,000 ~~acre-feet~~acre-feet per year.

METROPOLITAN'S WATER DELIVERY SYSTEM

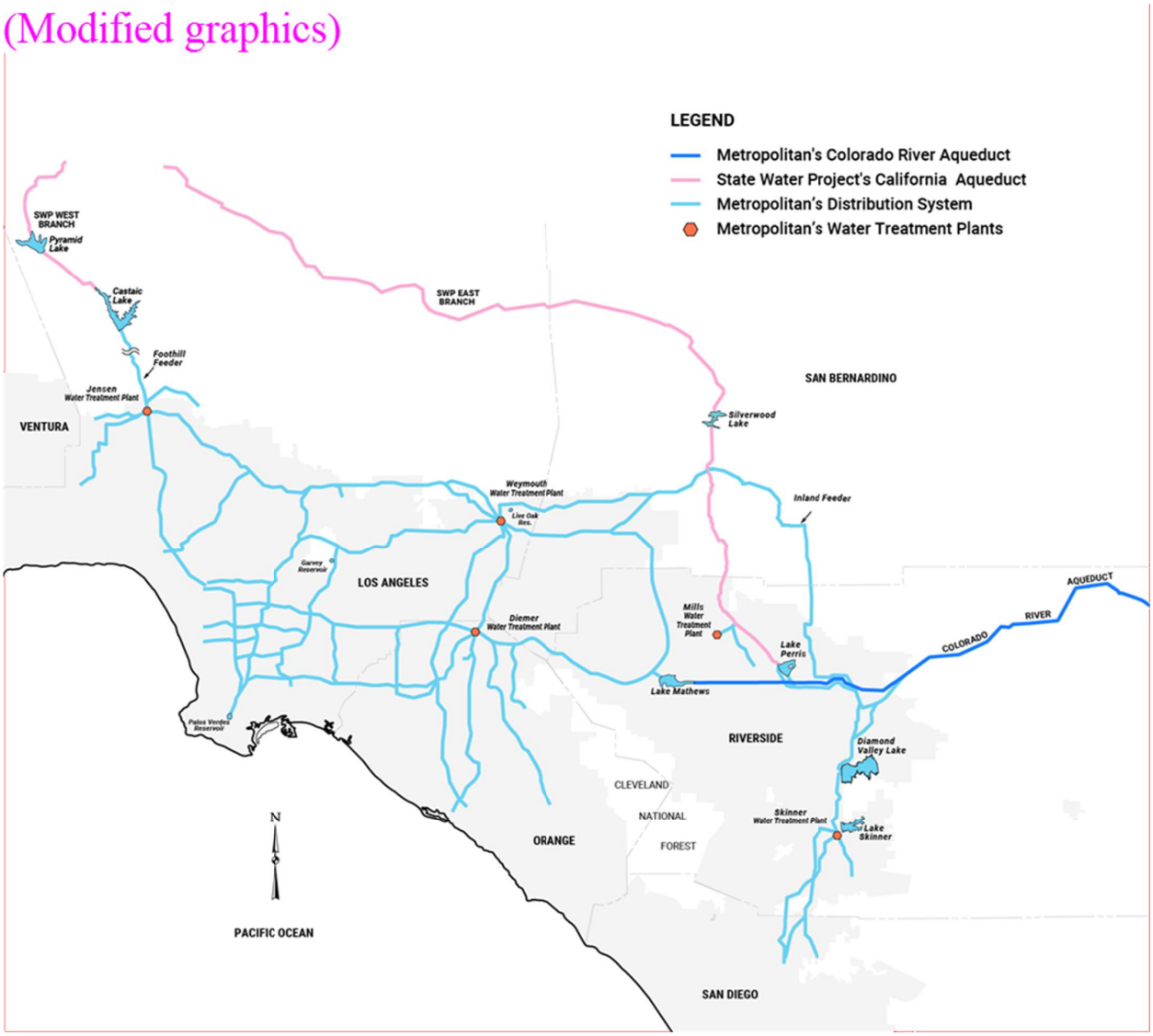
Primary Facilities and Method of Delivery

Metropolitan's water delivery system is made up of three basic components: the Colorado River Aqueduct (CRA), the California Aqueduct of the State Water Project, and Metropolitan's water distribution system. Metropolitan's delivery system is integrated and designed to meet the differing needs of its member agencies. Metropolitan seeks redundancy in its delivery system to assure reliability in the event of an outage. Improvements are designed to increase the flexibility of the system. Since local sources of water are generally used to their maximum each year, growth in the demand for water is partially met by Metropolitan. The operation of Metropolitan's water system is being made more reliable through the rehabilitation of key facilities as needed, improved preventive maintenance programs and the upgrading of Metropolitan's operational control systems. See "CAPITAL INVESTMENT PLAN" in this Appendix A.

The graphic that follows depicts Metropolitan's water delivery system, which is further described below.

METROPOLITAN'S WATER DELIVERY SYSTEM

(Modified graphics)



Source: Metropolitan.

Colorado River Aqueduct. Work on the CRA commenced in 1933 and water deliveries started in 1941. Additional facilities were completed by 1961 to meet additional requirements of Metropolitan's member agencies. The CRA is 242 miles long, starting at the Lake Havasu intake and ending at the Lake Mathews terminal reservoir. Metropolitan owns all the components of the CRA, which include five pumping plants, 64 miles of canal, 92 miles of tunnels, 55 miles of concrete conduits, four reservoirs, and 144 underground siphons totaling 29 miles in length. The pumping plants lift the water approximately 1,617 feet over several mountain ranges to Metropolitan's service area. See "METROPOLITAN'S WATER SUPPLY–Colorado River Aqueduct" in this Appendix A.

State Water Project. The initial portions of the State Water Project serving Metropolitan were completed in 1973. The State Water Project, managed and operated by DWR, is one of the largest water supply projects undertaken in the history of water development. The State Water Project facilities dedicated to water delivery consist of a complex system of dams, reservoirs, power plants, pumping plants, canals and aqueducts to deliver water. Water from rainfall and snowmelt runoff is captured and stored in State Water Project conservation facilities and then delivered through State Water Project transportation facilities to water agencies and districts located throughout the Upper Feather River, Bay Area, Central Valley, Central Coast, and Southern California. Metropolitan receives water from the State Water Project through the main stem of the aqueduct system, the California Aqueduct, which is 444 miles long and includes 381 miles of canals and siphons, 49 miles of pipelines or tunnels and 13 miles of channels and reservoirs.

As described herein, Metropolitan is the largest (in terms of number of people it serves, share of State Water Project water it has contracted to receive, and percentage of total annual payments made to DWR therefor) of 29 agencies and districts that have entered into contracts with DWR to receive water from the State Water Project. Contractors pay all costs of the facilities in exchange for participation rights in the system. Thus, Contractors also have the right to use the portion of the State Water Project conveyance system necessary to deliver water to them at no additional cost as long as capacity exists. See "METROPOLITAN'S WATER SUPPLY–State Water Project" in this Appendix A.

Distribution System. Metropolitan's distribution system is a complex network of facilities which routes water from the CRA and State Water Project to Metropolitan's member agencies. The water distribution system includes components that were built beginning in the 1930s and through the present. Metropolitan owns all of these components, including nine reservoirs, five regional treatment plants, over 800 miles of transmission pipelines, feeders and canals, and 15 hydroelectric plants with an aggregate capacity of 130 megawatts.

In 2022, Metropolitan committed to equivalent water supply reliability for all member agencies. Based on performance during the 2020-2022 drought, improvements to the distribution system are planned or underway to achieve this commitment.

Diamond Valley Lake. Diamond Valley Lake, a man-made reservoir, built, owned and operated by Metropolitan, is located southwest of the city of Hemet, California. Excavation at the project site began in May 1995. Diamond Valley Lake was completed in March 2000, at a total cost of $2 billion, and was in full operation in December 2001. It covers approximately 4,410 acres and has capacity to hold approximately 810,000 ~~acre-feet~~acre-feet or 265 billion gallons of water. Imported water is delivered to Diamond Valley Lake during surplus periods. The reservoir provides more reliable delivery of imported water from the State Water Project during summer months, droughts and emergencies. In addition, Diamond Valley Lake can provide more than one-third of Southern California's water needs from storage for approximately six months after a major emergency (assuming that there has been no impairment of Metropolitan's internal distribution network). See the table entitled "Metropolitan's Water Storage Capacity and Water in Storage" under "METROPOLITAN'S WATER SUPPLY–Storage Capacity and Water in Storage" in this Appendix A for the amount of water in storage at Diamond Valley Lake.

Inland Feeder. Metropolitan's Inland Feeder is a 44-mile-long conveyance system that connects the State Water Project to Diamond Valley Lake and the CRA. Construction of the Inland Feeder was completed in September 2009 at a total cost of $1.14 billion. The Inland Feeder provides greater flexibility in managing Metropolitan's major water supplies and allows ~~greater amounts of State Water Project water to be accepted during wet seasons for storage in Diamond Valley Lake. In addition, the Inland Feeder increases the conveyance capacity~~additional 1,000 cfs from the East Branch of the ~~State Water Project by 1,000 cfs, allowing the East Branch to operate up to its full capacity~~California Aqueduct to be moved into Metropolitan's service area, primarily into Diamond Valley Lake for storage.

Operations Control Center. Metropolitan's water conveyance and distribution system operations are coordinated from the Eagle Rock Operations Control Center (the "OCC") centrally located in Los Angeles County. The OCC plans, balances and schedules daily water and power operations to meet member agencies' demands, taking into consideration the operational limits of the entire system.

Water Quality and Treatment

General. Metropolitan filters and disinfects water at five water treatment plants: the F.E. Weymouth Treatment Plant in La Verne, the Joseph Jensen Treatment Plant in Granada Hills, the Henry J. Mills Treatment Plant in Riverside, the Robert B. Diemer Treatment Plant in Yorba Linda, and the Robert A. Skinner Treatment Plant in Winchester. In recent years, the plants typically treat between 0.8 billion and 1.0 billion gallons of water per day and have a maximum capacity of approximately2.4 billion gallons per day. Approximately 50 percent of Metropolitan's water deliveries are treated water.

~~During 2021, due to the ongoing COVID-19 pandemic, Metropolitan received force majeure notices from certain of its chemical vendors regarding their inability to fulfill orders as a result of competing demand and supply chain issues. Metropolitan's chemical supplies, however, were not impacted. In addition, the COVID-19 pandemic caused labor shortages, resulting in periodic delays in chemical deliveries. This issue continued in 2022. Metropolitan monitors its chemical inventories closely and did not experience interruptions in its supplies. However, limited supplies and inflationary pressures have resulted in cost increases, which are continuing.~~

Metropolitan is operating in compliance with current State and federal drinking water regulations and permit requirements.

Federal and state regulatory agencies routinely identify potential contaminants and establish new water quality standards. Metropolitan continually monitors new water quality laws and regulations and frequently comments on new legislative proposals and regulatory rules. New water quality standards could affect the availability of water and impose significant compliance costs on Metropolitan. The federal Safe Drinking Water Act ("SDWA") establishes drinking water quality standards, monitoring, and public notification and enforcement requirements for public water systems. To achieve these objectives, the U.S. Environmental Protection Agency (the "USEPA"), as the lead regulatory authority, promulgates national drinking water regulations and develops the mechanism for individual states to assume primary enforcement responsibilities. The SWRCB DDW has primary responsibility for the regulation of public water systems in the State. Drinking water delivered to customers must comply with statutory and regulatory water quality standards designed to protect public health and safety. Metropolitan operates its five water treatment plants under a domestic water supply permit issued by DDW, which is amended, as necessary, such as when significant facility modifications occur. Metropolitan operates and maintains water storage, treatment and conveyance facilities, implements watershed management and protection activities, performs inspections, monitors drinking water quality, and submits monthly and annual compliance reports. In addition, public water system discharges to state and federal waters are regulated under general National Pollutant Discharge Elimination System ("NPDES") permits. These NPDES permits, which the SWRCB issued to Metropolitan,

contain numerical effluent limitations, monitoring, reporting, and notification requirements for water discharges from the facilities and pipelines of Metropolitan's water supply and distribution system.

Groundwater. As described herein, Metropolitan has established five groundwater storage programs with other water agencies that allow Metropolitan to store available supplies in the Central Valley for return later. These programs help manage supplies by putting into storage surplus water in years when it is available and converting that to dry year supplies to be returned when needed. These programs can also provide emergency supplies. See "METROPOLITAN'S WATER SUPPLY–Water Transfer, Storage and Exchange Programs –State Water Project Agreements and Programs" and "–Storage Capacity and Water in Storage" in this Appendix A. Generally, water returned to Metropolitan under these groundwater storage programs ("return water") may be made available in one of two ways: by direct pump back from a groundwater well to the California Aqueduct or, when available, by an exchange with a supply already in the aqueduct. Water quality issues can arise in water returned by direct pumping as a result of the presence of a water quality contaminant in the groundwater storage basin and due to the imposition of stricter water quality standards by federal or State regulation.

In 2017, the SWRCB adopted a regulation setting an MCL for TCP of five parts per trillion ("ppt") based upon a running annual average. TCP is a manufactured chemical used as a cleaning and degreasing solvent and has been found at industrial and hazardous waste sites. It is also associated with pesticide products used in agricultural practices. TCP has been recognized by the State of California as a likely human carcinogen. In January 2018, the new regulation went into effect. Under the new regulation, drinking water agencies are required to perform quarterly monitoring of TCP. There have been no detections of this chemical in Metropolitan's system. However, TCP has been detected above the MCL in groundwater wells of three of Metropolitan's groundwater storage program partners through monitoring performed by these agencies. Levels detected in groundwater wells of Arvin-Edison are the highest and impact Metropolitan's ability to put water into storage and take return water under that program. As noted under "METROPOLITAN'S WATER SUPPLY–Water Transfer, Storage and Exchange Programs –State Water Project Agreements and Programs – *Arvin-Edison/Metropolitan Water Management Program*" in this Appendix A, Metropolitan has suspended the return of groundwater by direct pump back into the State Water Project from this program until the water quality concerns can be further evaluated and managed. When surface water storage is available to Arvin-Edison, it may provide that water to Metropolitan in lieu of groundwater and deduct an equivalent amount from Metropolitan's groundwater storage account. ~~However, in~~In 2023, Metropolitan ~~will take~~took return of approximately ~~10,000 to 20,000 acre-feet less of stored water (~~18,900 acre-feet via surface water ~~exchange) than it would otherwise request due to the elevated levels of TCP present in Arvin-Edison's groundwater wells~~exchanges under this arrangement. In 2024, Metropolitan is exploring opportunities to access stored water via surface water exchanges. However, the potential exchange amount to be available through surface water exchanges is significantly less than Metropolitan's contractual capacity. The levels of TCP detected at Metropolitan's other groundwater storage programs are much lower and impact fewer groundwater wells. Metropolitan is evaluating the effects of TCP on the return capability of those programs.

Possible remediation measures include, for example, return water with other surface water supplies, removal of wells from service, return water by exchange, or treatment. Additional capital and/or operation and maintenance costs could be incurred by Metropolitan in connection with remediation options, but the magnitude of such costs is not known at this time. To the extent return water under one or more groundwater storage programs could not be utilized due to groundwater quality, the available supply of stored water during extended drought or emergency periods would be reduced.

Perchlorate. Perchlorate is both a naturally occurring and man-made chemical used in the production of rocket fuel, missiles, fireworks, flares and explosives. It is also sometimes present in bleach and in some fertilizers. Groundwater in the Henderson, Nevada area has been contaminated with perchlorate as a result of two former chemical manufacturing facilities, and there are ongoing remediation programs to

mitigate its release into the Las Vegas Wash and the downstream Colorado River. On July 21, 2020, the USEPA withdrew its 2011 determination to regulate perchlorate under the SDWA and issued a new determination that perchlorate does not meet the statutory criteria for regulation~~, largely because of State MCLs in California, and the reduction of perchlorate entering the Colorado River and reducing the potential exposed population~~. Thus, there is currently no federal drinking water standard for perchlorate, which could potentially affect remediation efforts at two sites in the Henderson area (described below). ~~Whether the USEPA should issue a national drinking water standard for perchlorate is the subject of ongoing litigation by the~~The Natural Resources Defense Council ~~("NRDC"). On January 27, 2023, three judges of~~ challenged the USEPA's action, and the U.S. Court of Appeals for the District of Columbia ~~Circuit heard oral argument in NRDC's lawsuit. The court has not yet issued its decision.~~ ruled in May 2023 that the USEPA must regulate perchlorate. In January 2024, the USEPA agreed to propose a maximum contaminant level goal ("MCLG") and a national primary drinking water regulation ("NPDWR") for perchlorate by November 21, 2025, and to publish a final MCLG and NPDWR for perchlorate by May 21, 2027.

California is reviewing its MCL for perchlorate in light of a revised Public Health Goal ("PHG") of 1 µg/L adopted in February 2015. PHGs are established by the California Office of Environmental Health Hazard Assessment ("OEHHA") and used as the basis for the development of a State regulation setting an MCL. The SWRCB is required to set an MCL for a chemical as close to the PHG as is technologically and economically feasible, placing primary emphasis on the protection of public health. DDW is conducting an in-depth risk management analysis to determine whether to revise the perchlorate MCL of 6 µg/L. The detection limit for purposes of reporting ("DLR") for perchlorate was lowered to 2 µg/L in July 2021, and it ~~will~~was further ~~be~~ reduced to 1 µg/L in January 2024. With a revised DLR, new occurrence data can be collected to support the development of a revised California MCL for perchlorate, if appropriate. If California's MCL for perchlorate is revised to a level less than 6 µg/L, it will be important for the oversight agencies, the USEPA and the Nevada Division of Environmental Protection, to ensure that the perchlorate contamination originating at the two former chemical manufacturing facilities in Henderson, Nevada is remediated to a level that minimizes impacts to the Colorado River and that perchlorate concentrations at Metropolitan's Whitsett Intake at Lake Havasu stay at levels below California's MCL. Metropolitan was successful in ~~2022~~2023 in convincing the USEPA and the Nevada Division of Environmental Protection to require the Nevada Environmental Response Trust ("NERT, "which is responsible for cleaning up the former site of one of the chemical manufacturers in Henderson, Nevada) to use California's current MCL of 6 µg/L for perchlorate ~~as an applicable or relevant and appropriate requirement ("ARAR") and~~, California's PHG for perchlorate of 1 µg/L ~~as a~~, California's current MCL of 50 µg/L for total chromium, and California's proposed MCL of 10 µg/L for hexavalent chromium as to-be-considered ~~criterion~~criteria ("TBCs") for remedial action objectives ~~at the California state line~~. The designation of these regulatory levels as TBCs requires the NERT to explicitly consider these values throughout the upcoming feasibility study and to follow all applicable guidance related to doing so. The feasibility study is the mechanism for the development, screening, and detailed evaluation of alternative remedial actions. Metropolitan will continue to monitor the cleanup of the two former chemical manufacturing facilities in Henderson, Nevada and to monitor and participate in federal and state rulemaking proceedings.

PFAS. Per- and poly-fluoroalkyl substances ("PFAS") are substances widely used in consumer and industrial products such as fabrics, carpets, firefighting foams, food packaging, and nonstick cookware and are known for their nonstick, waterproof, and heat and stain resistant properties. Perfluorooctane sulfonate ("PFOS") and perfluorooctanoic acid ("PFOA") are the two most common synthetic organic chemicals in the group of compounds referred to as PFAS. In August 2019, DDW lowered the notification levels ("NLs") for PFOS from 13 ppt to 6.5 ppt and for PFOA from 14 ppt to 5.1 ppt. NLs are non-regulatory, precautionary health-based measures for concentrations of chemicals in drinking water that warrant notification and further monitoring and assessment. If a chemical concentration is greater than its NL in drinking water that is provided to consumers, DDW recommends that the utility inform its customers and consumers about the presence of the chemical, and about health concerns associated with exposure to it. In February 2020, DDW lowered the response levels ("RLs") for PFOA and PFOS from 70 ppt for individual or combined

concentrations to 10 ppt for PFOA and 40 ppt for PFOS. An RL is set higher than an NL and represents a chemical concentration level at which DDW recommends a water system consider taking a water source out of service or providing treatment if that option is available to them. Legislation ~~which~~that took effect on January 1, 2020 (California Assembly Bill 756) requires that water systems that receive a monitoring order from the SWRCB and detect levels of PFAS that exceed their respective RL must either take a drinking water source out of use or provide specified public notification if they continue to supply water above the RL. In March 2021, DDW issued an NL of 0.5 parts per billion ("ppb") and an RL of 5 ppb for perfluorobutane sulfonic acid ("PFBS"), another PFAS chemical. In July 2021, OEHHA proposed PHGs for PFOA at 0.007 ppt and PFOS at 1 ppt, the next step in the process of establishing MCLs in drinking water. In July 2023, OEHHA released, for a second public comment period, proposed draft PHGs for PFOA at 0.007 ppt and PFOS at 1 ppt. In October 2022, the SWRCB issued an NL of 3 ppt and an RL of 20 ppt for perfluorohexane sulfonic acid ("PFHxS"). Also in October 2022, the SWRCB issued a general order requiring select public water systems to monitor for PFAS.

There are currently no federal regulations on the level of PFAS allowed in treated drinking water. The USEPA established non-enforceable and non-regulatory health advisories in 2016 for PFOA and PFOS at single or combined concentrations of 70 ppt in treated drinking water. These advisories indicate the level of drinking water contamination below which adverse health effects are not expected to occur. On January 19, 2021, the USEPA announced that it is considering whether to designate PFOA and PFOS as hazardous substances under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 ("CERCLA") and/or hazardous waste under the Resource Conservation and Recovery Act ("RCRA"). On February 22, 2021, the USEPA announced its proposed revisions to the Fifth Unregulated Contaminant Monitoring Rule ("UCMR 5") for public water systems which includes monitoring for 29 PFAS in drinking water. On March 3, 2021, the USEPA published its final regulatory determination to regulate PFOA and PFOS in drinking water. Following such determination, the USEPA had 24 months to propose ~~maximum contaminant level goals ("~~MCLGs~~")~~ and MCLs for PFOA and PFOS. On March 14, 2023, the USEPA announced proposed regulations for six PFAS, including PFOA, PFOS, perfluorononanoic acid ("PFNA"), hexafluoropropylene oxide dimer acid (commonly known as "GenX chemicals"), PFHxS, and PFBS. The USEPA is proposing: (1) legally enforceable MCLs of 4 ppt for PFOA and PFOS; (2) non-enforceable health-based MCLGs for PFOS and PFOS at 0; and (3) a hazard index of 1.0 as MCLs and MCLGs for PFNA, PFHxS, PFBS, and/or GenX chemicals and any mixture containing one or more of these four PFAS. The hazard index is a tool used to evaluate health risks from simultaneous exposure to mixtures of certain chemicals. To determine the hazard index for these four PFAS, water systems would monitor and compare the amount of each PFAS in drinking water to its associated Health Based Water Concentration ("HBWC"), which is the level below which no health effects are expected for that PFAS. Water systems would add the comparison values for each PFAS contained within the mixture. If the value is greater than 1.0, it would be an exceedance of the proposed hazard index MCL for PFHxS, GenX chemicals, PFNA, and PFBS. The proposed rule would require public water systems to monitor for these PFAS, notify the public if monitoring detects such PFAS at levels that exceed the proposed regulatory standards, and reduce the levels of such PFAS in drinking water if they exceed the proposed standards. The USEPA ~~is requesting~~requested public comment on the proposed regulation~~. Public comments will be due~~, and the public comment period on the proposed regulation closed on May 30, 2023, 60 days after the ~~proposed regulation is published~~date of publication in the Federal Register. The proposed PFAS regulation does not require any action until it is finalized. The USEPA has ~~indicated that it anticipates finalizing the regulation by the end of 2023~~until September 2024 to finalize the MCLs for these six PFAS.

On October 18, 2021, the USEPA published a "PFAS Strategic Roadmap: EPA's Commitments to Action, 2021-2024" (PFAS Roadmap). The document outlines four main drinking water actions that the USEPA intends to complete from 2021 to 2024: (1) conduct nationwide monitoring for PFAS in drinking water as part of the UCMR 5 process; (2) establish national primary drinking water regulations for PFOA and PFOS by Fall 2023; (3) publish health advisories for GenX chemicals and PFBS by Spring 2022; and (4) publish updates to PFAS analytical methods to monitor drinking water by Fall 2024. On December 27,

2021, the USEPA published the final UCMR 5 for public water systems which includes monitoring for 29 PFAS in drinking water. UCMR 5 requires pre-sampling preparations in 2022, sample collection from 2023-2025, and reporting of final results through 2026. On June 15, 2022, the USEPA established new interim, updated drinking water health advisories for PFOA and PFOS to replace the health advisories established in 2016. The non-enforceable and non-regulatory interim, updated lifetime health advisories for PFOA and PFOS in drinking water are established at concentrations of 0.004 ppt and 0.02 ppt, respectively. In its announcement, the USEPA noted that such concentrations are below the ability to detect under current detection methods. On June 15, 2022, the USEPA also established final health advisories for GenX and PFBS of 10 ppt and 2,000 ppt, respectively. On September 6, 2022, the USEPA issued a proposed rule designating PFOA and PFOS as hazardous substances under CERCLA. On April 13, 2023, EPA requested public input on whether to designate: (i) seven additional PFAS (PFBS, PFHxS, PFNA, GenX, PFBA, PFHxA, and perfluorodecanoic acid ("PFDA"), (ii) precursors to these seven PFAS and to PFOA and PFOS, and (iii) groups or categories of PFAS, as hazardous substances under CERCLA. Metropolitan provided comments on ~~this proposal~~these proposals and urged USEPA to further evaluate the potentially significant impacts of the proposed CERCLA designation on water and wastewater utilities. On February 8, 2024, the USEPA issued two proposed rules: (1) listing 9 PFAS (PFOA, PFOS, PFBS, HFPO–DA or GenX, PFNA, PFHxS, PFDA, PFHxA, and PFBA) as hazardous constituents under the RCRA; and (2) amending RCRA's definition of "hazardous waste" to clarify the USEPA's authority to address releases of all substances that meet the definition of hazardous waste under RCRA. These two proposed rules may be the first step in the USEPA possibly naming these PFAS as RCRA hazardous waste. Listing any PFAS as hazardous waste under RCRA would result in the automatic designation of that PFAS as a hazardous substance under CERCLA. Metropolitan will continue to monitor and participate in federal and state rulemaking proceedings.

PFOA and PFBS have not been detected in Metropolitan's imported or treated water supplies. In 2019, 2020, ~~and~~ 2021, and 2022, Metropolitan detected in its supplies low levels of PFHxA, which is not acutely toxic or carcinogenic and is not currently regulated in California or at the federal level. In 2021, Metropolitan detected for the first time in its supplies low levels of perfluorobutanoic acid ("PFBA"), perfluoropentanoic acid ("PFPeA"), and PFOS. Low levels of PFBA and PFPeA were again detected in Metropolitan's supplies in 2022. Metropolitan has not identified any specific sources of these PFAS that have reached its water supplies, and the concentrations detected to date are well below the State's required reporting values.

Although Metropolitan has not identified any specific sources of these PFAS in its supplies, PFHxA is a common PFAS believed to be an impurity that is inadvertently produced during the manufacture of other PFAS. It is also a breakdown product from lubricants, coatings on food packaging, and household products. PFOS is widely used in surface treatments of carpets, textiles, leather, paper, and cardboard, as a surfactant in extinguishing foams, as a mist suppressant in chrome plating, and as a surfactant in the mining and oil industries. PFBA is a breakdown product of other PFAS that are used in stain-resistant fabrics, paper food packaging, and carpets; it is also used for manufacturing photographic film. It has been used as a substitute for longer chain perfluoroalkyl carboxylic acids in consumer products. PFPeA is a breakdown product of stain- and grease-proof coatings on food packaging, couches, and carpets. PFOA and PFOS have also been detected in groundwater wells in the region, including those of certain member agencies. Metropolitan may experience increased demands for its imported water to help offset the potential loss of any affected local supplies.

More than 5,600 cases regarding PFAS in aqueous film-forming foams ("AFFF") have been filed in the AFFF Multi-District Litigation ("MDL") Master Docket No. 2:18-mn-2873-RMG (the "AFFF MDL") since 2018. On June 2, 2023, E.I. Du Pont de Nemours and Company (n/k/a EIDP, Inc.), DuPont de Nemours Inc., The Chemours Company, The Chemours Company FC, LLC, and Corteva, Inc. (collectively, "DuPont") announced a proposed settlement with all eligible public water systems ("PWSs") in which DuPont agreed to pay $1.185 billion (the "DuPont Settlement"). On June 22, 2023, the 3M Company

("3M") announced a proposed settlement with eligible PWSs in which, starting in July 2024, 3M would pay between $10.5 billion and $12.5 billion ("3M Settlement"), which would be the largest contaminated drinking water settlement in U.S. history. All eligible PWSs will be automatically included in the settlements and bound by the settlements' very broad release provisions unless they "opt out" by the deadlines. The funds in both settlement proposals would then be allocated among all eligible PWSs that do not "opt out" and who submit claims to the funds. It is estimated the settlement class could include over 12,000 PWSs. The methodology for the allocation of settlement funds among claimants has not yet been established.

In order to preserve its rights to pursue independent legal action for potential future claims, on November 14, 2023, Metropolitan's Board voted to opt out of both the DuPont and 3M Settlements. Metropolitan submitted its opt-out requests by the deadlines, has confirmed its request to opt out of the 3M Settlement has been accepted, and is in the process of confirming its request to opt out of the DuPont Settlement was accepted. However, Metropolitan continues to evaluate the potential impact of one of the parties' guidance documents regarding the settlements which the judge approved and which indicates that even if a wholesaler opts out of the settlements, if its retail customer is a settlement class member, the broad releases would extend to the wholesaler as to the water it provided to the settlement class member except to the extent the wholesaler shows it had the obligation for and bore unreimbursed PFAS-treatment costs for that water independent of the retail customer. The judge granted final approval of the DuPont Settlement on February 8, 2024, but has not yet granted final approval of the 3M Settlement.

Seismic Considerations and Emergency Response Measures

General. Metropolitan's system overlays a region of high seismicity. The conveyance and distribution systems traverse numerous faults capable of generating large magnitude earthquakes and some of Metropolitan's treatment plants, pressure control facilities, and other structures have the potential of experiencing high levels of earthquake-induced shaking. To mitigate this risk, Metropolitan routinely assesses the seismic hazards and potential risks to its facilities. It makes strategic investments through projects to limit overall system damage, improve post-earthquake recovery time, and reduce the impacts felt by the population and businesses. Metropolitan's strategy utilizes a defense-in-depth approach to prepare for and respond to the event adequately. Metropolitan's defense-in-depth approach includes the following priorities: (1) provide a diversified water supply portfolio, increase system flexibility, and maintain adequate levels of emergency storage to be able to withstand the potential disruption of imported supplies; (2) prevent damage to water delivery infrastructure in probable seismic events and limit damage in extreme events through the systematic review and upgrade of facilities for which deficiencies are identified; and (3) minimize the duration of water delivery interruptions through a dedicated emergency response and recovery organization, including in-house design, construction, and fabrication capability.

As part of its goal to increase the diversification of the local water portfolio, Metropolitan has provided monetary assistance to member agencies to develop new local water supplies. Increased and improved diversification of local supplies also improves the region's reliability in the event of a significant seismic event. In addition, Metropolitan is evaluating the feasibility of implementing a regional recycled water program referred to as ~~the~~ PWSC. See "REGIONAL WATER RESOURCES–Local Water Supplies –*Recycled Water-Metropolitan Pure Water Southern California Program*" in this Appendix A. If completed, it is expected that ~~the~~ PWSC would provide up to 150 million gallons per day of advanced treated recycled water for groundwater replenishment. The program, if completed, could provide an additional reliable water source within Metropolitan's service area in the event of an interruption of imported supplies.

In 2000, Metropolitan completed Diamond Valley Lake, an 810,000-~~acre-foot~~acre-foot capacity reservoir located on the coastal side of the San Andreas Fault. With the completion of Diamond Valley Lake, Metropolitan nearly doubled its available in-region surface storage and improved its ability to capture water from Northern California in wet years. Water from Diamond Valley Lake can supply four of

Metropolitan's five water treatment plants. Planned system flexibility improvements currently in design and construction will make it possible to transport water from Diamond Valley Lake throughout Metropolitan's distribution system. Diamond Valley Lake, along with the other in-region reservoirs, are used to maintain a six-month emergency storage reserve outside of the operational storage in case of disruption of the imported water supplies. See "–Primary Facilities and Method of Delivery –*Diamond Valley Lake*."

Metropolitan has developed a Seismic Upgrade Program to systematically evaluate its above-ground facilities for seismic risk and prioritize its upgrade effort. Structures undergo an initial rapid evaluation and, if a potential deficiency is identified, will then undergo a detailed structural evaluation to assess the required upgrades. Deficient facilities are upgraded to meet current seismic standards based on criticality to the water delivery system. Previous projects include seismic upgrades to the pump plant buildings for the CRA and upgrades to various facilities at Metropolitan's treatment plants, such as wash water tanks, filter basins, and administration buildings. For existing pipelines, seismic resilience will be incorporated as a component of pipeline rehabilitation projects. Metropolitan will evaluate each upgrade individually to balance risk, performance, and ~~cost~~cost-effectiveness. Metropolitan is currently implementing a ~~20-year~~long-term program to replace or reline its prestressed concrete cylinder pipe with a welded steel pipe to extend its service life. Providing a steel liner insert will also improve the seismic performance of these pipelines. ~~In addition, Metropolitan is currently installing~~ Another example of Metropolitan's continued effort to enhance the seismic resilience of its pipelines is the completion in early 2023 of a project to install earthquake-resistant ductile iron pipe at a location where the CRA crosses the Casa Loma Fault.

Metropolitan has an ongoing surveillance program that monitors the safety and structural performance of its dams and reservoirs permitted by DWR's Division of Safety of Dams. Operating personnel perform regular inspections that include monitoring and analyzing seepage flows and pressures. Engineers responsible for dam safety review the inspection data and monitor each dam's horizontal and vertical movements. Major on-site inspections are performed at least twice each year. Instruments that transmit seismic acceleration time histories for analysis are installed at critical sites when a dam is subjected to strong motion during an earthquake.

Metropolitan has developed an emergency plan that calls for specific response levels appropriate to an earthquake's magnitude and location. Included in this plan are various communication tools, as well as a structured plan of management that varies with the severity of the event. Pre-designated personnel follow detailed steps for field facility inspection and distribution system patrol. Approximately 200 employees are designated to respond immediately if seismic events exceed a certain magnitude. An Emergency Operations Center ("EOC") is maintained at the OCC. The OCC/EOC, specifically designed to be earthquake resistant, contains communication equipment, including a radio transmitter, microwave capability, and a response line linking Metropolitan with its member agencies, and DWR. The OCC/EOC also has the capability of communicating with other utilities, County EOCs, and the State's Office of Emergency Services. Metropolitan also maintains in-house capability to address two major pipeline breaks simultaneously as part of its emergency response plan to restore operation shortly after a significant seismic event.

In conjunction with DWR and LADWP, Metropolitan has formed the Seismic Resilience Water Supply Task Force to collaborate on studies and mitigation measures aimed at improving the reliability of imported water supplies to Southern California. Specific task force goals include revisiting historical assumptions regarding potential aqueduct outages after a seismic event; establishing a common understanding about individual agency aqueduct vulnerability assessments, projected damage scenarios, and planning assumptions; and discussing ideas for improving the resiliency of Southern California's imported water supplies through multi-agency cooperation. The task force has established multi-year goals and will continue to meet on these issues and develop firm plans for mitigating seismic vulnerabilities.

Metropolitan's resiliency efforts include manufacturing, pipe fabrication, and coating capabilities in La Verne, California. ~~Over $47 million has been invested and an additional $25 million is planned over the~~

~~next three years~~Investments to upgrade the La Verne shop facilities in order to enhance and expand Metropolitan's capacity to provide fabrication, manufacturing, and coating services for rehabilitation work, maintenance activities, and capital projects are ongoing, with currently approved projects anticipated to be completed in early 2025. Metropolitan can also provide manufacturing, coating, and fabrication services upon request through reimbursable agreements to member agencies and DWR. These agreements have enhanced timely and cost-effective emergency response capabilities. Materials to fabricate pipe and other appurtenant fittings are kept on site. In the event of earthquake damage, Metropolitan has taken measures to provide the capacity to design and fabricate pipe and manufacture fittings. Metropolitan is also staffed to perform emergency repairs.

DWR has in place a seismic assessment program that evaluates the State Water Project's vulnerability to seismic events and makes recommendations for improvements. ~~An example of a recently completed project under this program is the Perris Dam Retrofit.~~ The assessment is important because the California Aqueduct crosses many major faults. The State Water Project delivers water supplies from Northern California that must traverse the Bay-Delta through hundreds of miles of varying levels of engineered levees that are potentially susceptible to significant damage due to flood and seismic risk. In the event of a failure of the Bay-Delta levees, the quality of the Bay-Delta's water could be severely compromised as saltwater comes in from the San Francisco Bay. Metropolitan's supply of State Water Project water would be adversely impacted if pumps that move Bay-Delta water southward to the Central Valley and Southern California are shut down to contain the saltwater intrusion. Metropolitan estimates that stored water supplies, CRA supplies and local water resources that would be available in case of a levee breach or other interruption in State Water Project supplies would meet demands in Metropolitan's service area for approximately six months. See "METROPOLITAN'S WATER SUPPLY–Storage Capacity and Water in Storage" in this Appendix A.

Metropolitan, in cooperation with the other State Water Project contractors, developed recommendations to DWR for emergency preparedness measures to maintain continuity in export water supplies and water quality during seismic and other emergency events. These measures include improvements to emergency construction materials stockpiles in the Bay-Delta, improved emergency contracting capabilities, strategic levee improvements and other structural measures of importance to Bay-Delta water export interests, including development of an emergency freshwater pathway to export facilities in a severe earthquake.

Wildfires Risk Management Response

Wildfires are an ever-present reality in Southern California. Metropolitan continues to actively prepare for wildfires by collaborating with partner agencies such as the California Department of Forestry and Fire Protection (Cal Fire), DWR, and counties to implement preparedness measures to protect watersheds. Examples of these efforts include removing brush from fire prone areas, as well as removing by-products of large fires such as ash, fire retardant, and other debris that could negatively affect water quality. Metropolitan also collaborates frequently with its member agencies and first-responders from other public agencies. This collaboration includes coordination with local fire departments during and after nearby wildfire events, as well as participating in joint training and exercises throughout the year. Additionally, Metropolitan has a five-year exercise plan that provides member agencies the opportunity to exercise together before a disaster happens. Metropolitan tests its emergency communications processes through regular tests of emergency radio networks, satellite phones, mass-communication alerting systems, and online information sharing systems.

Metropolitan has also implemented measures to protect employees from the impacts of wildfires such as upgrading HVAC systems in control centers to improve the filtration of smoke and other pollutants; and sending emergency notifications to employees to warn them of unhealthy air quality due to nearby fires.

Security Measures

Metropolitan's water and energy facilities are federally-determined critical infrastructure. Metropolitan deploys multiple layers of physical security and collaborates with federal and state partners to mitigate malevolent threats. It manages a physical security system consisting of electronic access controls, a surveillance and intrusion warning system, and a round-the-clock security watch center. Metropolitan maintains professional, in-house security specialists and retains a 200+ contract security guard force. It directs a capital improvement program to harden physical infrastructure. Metropolitan collaborates with key federal and state security partners, which entails on-site consultations, inter-agency mock exercises, real-time monitoring, and first response coordination. It follows the chain-of-custody protocols of the FERC and the North American Electric Reliability Corporation. Finally, Metropolitan complies with regulations authorized under the Bioterrorism Response Act of 2002, the Aviation and Transportation Security Act of 2001, and the America's Water Infrastructure Act of 2018.

CAPITAL INVESTMENT PLAN

General Description

Metropolitan's current Capital Investment Plan (the "Capital Investment Plan" or "CIP") describes Metropolitan's infrastructure and system reliability projects, either as new assets, upgrades to existing capital assets or refurbishment and replacements ~~and refurbishments~~ of existing facilities. The CIP is Metropolitan's planning document to ensure asset reliability, enhance operational efficiency and flexibility, and ensure compliance with water quality regulations.

Metropolitan's CIP is regularly reviewed and updated. Metropolitan's biennial budget process includes a review of the projected long-term capital needs and the development of a capital expenditure forecast for the ~~ten-year financial forecast~~next ten years, as well as the identification of the capital priorities of Metropolitan over the biennial budget term. The award of major contracts and professional services agreements are subject to approval by Metropolitan's Board. Pursuant to the Administrative Code, following the adoption of the biennial budget, a Board action is presented to (1) appropriate the total amount of approved biennial CIP expenditures and (2) authorize the General Manager to initiate or proceed with work on capital projects identified in the CIP for such biennial period. The amount and timing of borrowings to fund capital expenditures will depend upon the status of construction activity and water demands within Metropolitan's service area, among other factors. From time to time, projects that have been undertaken are delayed, redesigned, or deferred by Metropolitan for various reasons, and no assurance can be given that a project in the CIP will be completed in accordance with its original schedule or that any project will be completed as currently planned. In addition, from time to time, when circumstances warrant, Metropolitan's Board may approve capital expenditures other than or in addition to those contemplated by the CIP at the time of the then current biennial budget.

Projection of Capital Investment Plan Expenditures

The table below sets forth the projected CIP expenditures by project type for the fiscal years ending June 30, ~~2023~~2024 through ~~2028~~2029, as reflected in the latest CIP quarterly report for the current fiscal year and the proposed biennial budget for fiscal years ~~2022-23 and 2023-24. The projection for the current biennium, which covers fiscal years 2022-23 and 2023-24, is updated quarterly. As shown in the table below, planned capital expenditures of $300 million per year were appropriated for fiscal years 2022-23 and 2023-24. Based upon the last quarterly update, projected capital expenditures for fiscal years 2022-23 and 2023-24 are approximately $247.2 million and $319.8 million, respectively. The~~ 2024-25 and 2025-26.

In addition to the projected CIP expenditures, a projection of estimated capital expenditures by Metropolitan for PWSC for the fiscal years ending June 30, 2024 through June 30, 2029 has been provided in the table below in the event PWSC is approved by Metropolitan's Board as a CIP project, as reflected in the ten-year expenditures projection provided in Metropolitan's proposed biennial budget for fiscal years 2024-25 and 2025-26. The PWSC program is not currently included in Metropolitan's CIP as a capital program. It is currently anticipated that Metropolitan's Board will consider whether to include PWSC in the CIP in fall or winter of 2025. For a description of PWSC, see "REGIONAL WATER RESOURCES – Local Water Supplies – Recycled Water-Metropolitan Pure Water Southern California Program" in this Appendix A.

Metropolitan's actual capital expenditures are subject to change as projects progress or are advanced. The biennial budget is updated every two years as a result of the periodic review and adoption of the capital budget by Metropolitan's Board. See "HISTORICAL AND PROJECTED REVENUES AND EXPENSES" in this Appendix A.

CAPITAL INVESTMENT PLAN
PROJECTION OF EXPENDITURES[1]
(Fiscal Years Ending June 30 - Dollars in Thousands)

	20232024	20242025	20252026	20262027	20272028	20282029	Total
Infrastructure R&R	$ 86,978 263,987	$ 69,899 223,275	$ 93,869 254,200	$ 90,736 276,461	$ 82,979 296,624	$ 141,007 297,679	$ 565,468 1,612,226
Infrastructure Upgrade	161,0808,897	162,7136,799	158,9395,076	166,0688,100	181,0001,861	135,2969,163	965,09639,896
Regulatory Compliance	5610	01,047	01,141	01,135	01	07,195	56110,519
Stewardship	11,9078,012	6,83019,633	8,56813,108	12,51416,299	21,23036,917	17,30016,028	78,349109,997
Supply Reliability[2]	4,96721,354	2,6973,275	68,94511,315	63,4028,118	147,9958	510,2170	798,22344,070
System Flexibility	30,53148,781	41,58255,084	40,56627,007	48,26219,271	42,13115,186	33,92032,871	236,992198,200
Water Quality	3,976908	16,2792,887	93512,633	1108,075	0361	832,060	21,38326,924
CIP Total	$300,000 351,939	$300,000 312,000	$371,822 324,480	$381,092 337,459	$475,335 350,958	$837,823 364,996	$2,666,0722,041,832
PWSC[2]	0	0	0	1,052,057	1,333,219	1,805,740	4,191,016
Total CIP and PWSC[2]	$ 351,939	$ 312,000	$ 324,480	$1,389,516	$1,684,177	$2,170,736	$6,232,848

Source: Metropolitan.

(1) Fiscal year 2023-24 is based on current projections as of December 2023 and fiscal years 2024-25 through 2028-29 are based on the ten-year financial forecast provided in the proposed biennial budget for fiscal years 2024-25 and 2025-26.

(2) PWSC is not a capital program in Metropolitan's CIP, but the projected capital expenditures based on the most recent cost estimates have been included for planning purposes. Approval by Metropolitan's Board is required to include PWSC in the CIP, which has not occurred. The projected capital expenditures for PWSC, if approved, as set forth in the table above reflect the total estimated capital costs expected to be incurred for the project in the specified years without any offset for potential grant funding sources or contributions from potential partners. Metropolitan's projections of future debt financing in the event PWSC is approved (as described under "–Capital Investment Plan Financing" below) assume that a portion of the projected capital expenditures for PWSC (approximately $325.3 million in fiscal year 2026-27, $482.4 million in fiscal year 2027-28, and $653.4 million in fiscal year 2028-29) will be funded from other sources, including grants and contributions from potential partners.

(1) Based on the ten-year financial forecast provided in the biennial budget for fiscal years 2022-23 and 2023-24.

(2) Projected capital expenditures starting in fiscal year 2024-25 include expenditures on the PWSC.

In developing the CIP, projects are reviewed, scored, and prioritized towards the objectives of ensuring the sustainable delivery of reliable, high-quality water, while meeting all regulatory requirements and maintaining affordability. Additional capital costs may arise in the future as a result of, among other things, federal and state water quality regulations, project changes and mitigation measures necessary to satisfy environmental and regulatory requirements, and additional facilities' needs. See "METROPOLITAN'S WATER DELIVERY SYSTEM–Water Quality and Treatment" in this Appendix A.

Construction projects included in the CIP are subject to ordinary construction risks and delays, including but not limited to: inclement weather or natural hazards affecting work and timeliness of completion; contractor claims or nonperformance; work stoppages or slowdowns; unanticipated project site conditions encountered during construction; errors or omissions in contract documents requiring change orders; and/or higher than anticipated construction bids or costs (including as a result of steeper inflationary increases), any of which could affect the costs and availability of, or delivery schedule for, equipment, components, materials, labor or subcontractors, and result in increased CIP costs. The majority of Metropolitan's construction projects exceeding $5 million over the next five years will be covered by a project labor agreement ~~with~~between labor unions and construction ~~contracts~~contractors, which will reduce the risk of work stoppages or slowdowns. While the construction schedules for certain Metropolitan projects were initially delayed ~~as a result of the COVID-19 outbreak, such activity has~~ because of continued impacts due to COVID-19, more recently, normal construction activities and schedules have generally resumed. However, some projects continue to be impacted by supply chain issues, particular electrical components such as transformers, switchgear, and other highly specialized equipment. Although not currently anticipated, additional delays in the future are possible. See "GOVERNANCE AND MANAGEMENT–COVID~~-19~~-19 Pandemic" in this Appendix A.

Capital Investment Plan Financing

The CIP requires debt financing (see "HISTORICAL AND PROJECTED REVENUES AND EXPENSES" in this Appendix A) as well as pay-as-you-go funding. In connection with the biennial budget process and the development of the ten-year financial forecast provided therein, an internal funding objective is established for the funding of capital program expenditures from current revenues. An internal funding objective to fund 45 percent of capital program expenditures from current revenues was established in connection with the adoption of the biennial budget for fiscal years ~~2022-23~~2022-23 and ~~2023-24~~2023-24. This objective is updated every two years as a result of the periodic review and adoption of the capital budget by Metropolitan's Board. The internal funding objective for the proposed biennial budget for fiscal years 2024-25 and 2025-26 is to fund 40 percent and 54 percent, respectively, of capital program expenditures from current revenues. The remainder of capital program expenditures are expected to be funded through the issuance from time to time of water revenue bonds, which are payable from Net Operating Revenues. However, as in prior years, pay-as-you-go funding or debt financing may be reduced or increased by the Board at any time.

For planning purposes, Metropolitan has estimated the potential capital costs of PWSC that may be incurred by Metropolitan over the ten-year financial forecast provided in its proposed biennial budget for fiscal year 2024-25 and 2025-26 as set forth for the fiscal years 2026-27 through 2028-29 in the table above. In addition, Metropolitan's financial forecast includes assumptions with respect to future debt financing for a portion of the costs of PWSC, including assumptions regarding the potential amounts of and sources of funding for the PWSC that may be available from grants and contributions by potential partners.

Projections for fiscal years ~~2022-23 through 2027-28 assume the issuance of approximately $1,710 million of~~2024-25 through 2028-29 assume approximately $690 million of the projected CIP expenditures (excluding any projected capital expenditures associated with PWSC) will be funded by

revenue bonds over such period, which may include remaining proceeds from prior bond issuances. Projections for the same period with PWSC assume $3,430 million in additional water revenue bonds over such period to finance a portion of the CIP, and Metropolitan's estimated share of the projected capital costs of PWSC if it is approved as a capital project, taking into account Metropolitan's assumptions with respect to the amount of funding that may be available from grants and contributions from potential partners. These revenue bonds may be issued either as Senior Revenue Bonds under the Senior Debt Resolutions or as Subordinate Revenue Bonds under the Subordinate Debt Resolutions (each as defined under "METROPOLITAN EXPENSES–Limitations on Additional Revenue Bonds" in this Appendix A). The cost of these projected bond issues is reflected in the financial projections under "HISTORICAL AND PROJECTED REVENUES AND EXPENSES" in this Appendix A.

Major Projects of Metropolitan's Capital Investment Plan

Colorado River Aqueduct Facilities. As previously noted, deliveries through the CRA began in 1941. Through annual inspections and maintenance activities, the performance and reliability of the various components of the CRA are regularly evaluated. Projects under the CRA facilities program are designed to replace or refurbish facilities and components on the CRA system in order to reliably convey water from the Colorado River to Southern California. The current projected cost estimate for all prior and planned refurbishment or replacement projects under the CRA facilities program from fiscal year 1998-99 through fiscal year ~~2032-33~~2033-34 is $~~865.6 million~~1.03 billion. Costs through ~~December 2022~~January 2024 were $~~441.5~~483.5 million. Budgeted aggregate capital expenditures for improvements on the CRA for fiscal years ~~2022-23~~2022-23 and 2023-24 are $76.2 million.

Distribution System – Prestressed Concrete Cylinder Pipe. Metropolitan's distribution system is comprised of approximately 830 miles of pipelines ranging in diameter from 30 inches to over 200 inches. (See "METROPOLITAN'S WATER DELIVERY SYSTEM" in this Appendix A.) There are 163 miles of the distribution system that is made up of prestressed concrete cylinder pipe ("PCCP"). In response to PCCP failures experienced by several water agencies, Metropolitan initiated the PCCP Assessment Program in December 1996 to evaluate the condition of Metropolitan's PCCP lines and investigate inspection and refurbishment methods. As part of this program, Metropolitan made improvements to several sections of PCCP. Rather than continue to make spot repairs to the pipe segments, Metropolitan initiated a long-term capital program to rehabilitate approximately 100 miles of PCCP in five pipelines by relining with a welded steel liner. Significant projects over the next several years include relining of portions of Second Lower and Sepulveda Feeders. Pipeline rehabilitation is prioritized based on the condition of the pipe segment and the criticality of the pipeline. The estimated cost to reline all 100 miles of PCCP is approximately $~~4.3~~5.1 billion. Through ~~December 2022~~January 2024, approximately ~~11.5~~12.7 miles have been re-lined and it is expected to take ~~approximately~~over 30 years to complete the remainder of the pipelines. Costs through ~~December 2022~~January 2024 for all PCCP work (including the prior repairs) were $~~322.8~~376.2 million. Budgeted aggregate capital expenditures for PCCP rehabilitation for fiscal years ~~2022-23~~2022-23 and 2023-24 are $104.4 million.

Distribution System – Refurbishments and Improvements. In addition to the long-term program to rehabilitate Metropolitan's PCCP lines, several other components of the distribution system, including dams and reservoirs, are being refurbished and/or improved. Significant projects over the next several years include retrofitting of the distribution system to improve resiliency against earthquake; rehabilitation of reservoirs, relining of pipelines; and refurbishment of pump stations, pressure control structures, hydroelectric plants, and service connections. The projected cost estimate for refurbishment or replacement projects, other than the PCCP relining, from fiscal year 2004-05 through fiscal year ~~2032-33~~2033-34 is $~~1.1~~1.4 billion. Costs through ~~December 2022~~January 2024 totaled approximately $~~496.5~~562.6 million. For fiscal years ~~2022-23~~2022-23 and 2023-24, budgeted aggregate capital

expenditures for refurbishing and improvements on the distribution system, other than PCCP rehabilitation, are $114.0 million.

Drought Response and System Flexibility. In response to the ~~ongoing~~recent historic statewide drought that ended in 2023, several drought response projects that address decreasing water supplies both in specific parts of Metropolitan's service area and across the entire district have been added to the CIP. This is in addition to the ongoing projects to increase the system flexibility of Metropolitan's water supply and delivery infrastructure to meet service demands. Metropolitan continues investigating capital improvements that mitigate drought impacts and more projects are expected to be developed in the coming years. Some of the projects commenced in ~~fiscal year 2021-22~~the last two years. Significant projects in this category include Inland Feeder-Rialto Pipeline Intertie, ~~Wadsworth Pump Discharge to Eastside Pipeline~~Inland Feeder-Foothill Pump Station Intertie, Wadsworth Pumping Plant Bypass Pipeline, Badlands Tunnel Surge ~~Tank~~Protection Facility, Sepulveda Feeder Pump Stations, Sepulveda Feeder West Area Water Supply Reliability Pipeline Improvements, Sepulveda Canyon PCS to Venice PCS Valve Replacements and Perris Valley Pipeline Tunnels. The current projected cost estimate for the prior and planned drought response and system flexibility projects from fiscal year 2004-05 through fiscal year ~~2032-33~~2033-34 is $~~670.2~~536.9 million, with $~~208.0~~246.5 million spent through ~~December 2022~~January 2024 for improving system flexibility. Budgeted aggregate capital expenditures for drought response and system flexibility projects for fiscal years ~~2022-23~~2022-23 and 2023-24 are $75.0 million.

System Reliability. System Reliability projects are implemented at facilities throughout Metropolitan's system to utilize new processes or technologies, to improve safety, or to increase overall reliability. Significant projects in this category include seismic strengthening of Metropolitan's headquarters building, construction or improvement of operations support facilities, security system enhancements, control system upgrades, and information technology infrastructure projects. The total estimated cost for all prior and projected system reliability improvements under this program from fiscal year 2004-05 to fiscal year ~~2031-32~~2033-34 is approximately $~~797.1~~968.8 million, with $~~332.7~~375.2 million spent through ~~December 2022~~January 2024. Budgeted aggregate capital expenditures for improvements on system reliability projects for fiscal years ~~2022-23~~2022-23 and 2023-24 are $86.2 million.

Water Treatment Plant Improvements. The F. E. Weymouth Water Treatment Plant, which was placed into service in 1941, is Metropolitan's oldest water treatment facility. Four more water treatment plants were constructed throughout Metropolitan's service area with the Henry J. Mills Water Treatment Plant being the newest water treatment facility, which was placed into service in 1978. These plants treat water from the CRA and/or the State Water Project. These plants have been subsequently expanded since their original construction. Metropolitan has completed numerous upgrades and refurbishment/replacement projects to maintain the plants' reliability and improve efficiency. Significant projects over the next several years include refurbishment of settling basins and strengthening of inlet channels at the Weymouth plant, rehabilitation of filtration system at the Robert B. Diemer Water Treatment Plant, second stage of electrical upgrades at the Mills plant, ozonation system upgrade at the Joseph Jensen Water Treatment Plant, and chemical system rehabilitation at the Robert A. Skinner Plant. The cost estimate for all prior and projected improvements at all five plants, not including the ozone facilities and water treatment capacity expansions, from fiscal year 2004-05 through fiscal year ~~2032-33~~2033-34 is approximately $~~1.4~~1.7 billion, with $~~1.1~~1.2 billion spent through ~~December 2022~~January 2024. Budgeted aggregate capital expenditures for improvements at all five plants for fiscal years ~~2022-23~~2022-23 and 2023-24 are $42.1 million.

METROPOLITAN REVENUES

General

Until water deliveries began in 1941, Metropolitan's activities were, by necessity, supported entirely through the collection of *ad valorem* property taxes. Since the mid-1980s, water revenues, which includes revenues from water sales, wheeling and exchanges, have provided approximately 80 percent of total revenues annually. Over that period, *ad valorem* property taxes have accounted for about ~~9~~11 percent of total revenues, and in the fiscal year ~~2021-22~~2022-23, *ad valorem* property taxes accounted for approximately ~~9~~10 percent of total revenues. See "–Revenue Allocation Policy and Tax Revenues." The remaining revenues have been derived principally from the sale of hydroelectric power, interest on investments, and additional revenue sources (water standby charges and availability of service charges) beginning in 1992. *Ad valorem* taxes do not constitute a part of Operating Revenues and are not available to make payments with respect to the water revenue bonds issued by Metropolitan.

The basic rate for untreated water service for domestic and municipal uses is $~~855~~903 per ~~acre-foot~~acre-foot at the Tier 1 level, which became effective January 1, ~~2023~~2024. See "–Rate Structure" and "–Water Rates." The *ad valorem* tax rate for Metropolitan purposes has gradually been reduced from a peak equivalent rate of 0.1250 percent of full assessed valuation in fiscal year 1945-46 to 0.0035 percent of full assessed valuation for fiscal year ~~2022-23~~2023-24. The rates charged by Metropolitan represent the cost of Metropolitan's wholesale water service to its member agencies, and not the cost of water to the ultimate consumer. Metropolitan does not exercise control over the rates charged by its member agencies or their subagencies to their customers.

Summary of Revenues by Source

The following table sets forth Metropolitan's sources of revenues for the five fiscal years ended June 30, 2023. Data for the four fiscal years ended on or prior to June 30, 2022~~,~~ is presented on a modified accrual basis, consistent with Metropolitan's budgetary reporting for such fiscal years. In fiscal year 2022-23, the basis for budgeting was changed, therefore data for the fiscal year ended June 30, 2023 is presented on a cash basis. For comparative purposes, Metropolitan has provided a summary of its revenues and expenditures for fiscal year 2021-22 on both a modified accrual basis and a cash basis under "HISTORICAL AND PROJECTED REVENUES AND EXPENSES" in this Appendix A. All information is unaudited. Audited financial statements for the fiscal years ended June 30, ~~2022~~2023, and June 30, ~~2021~~2022, are included in APPENDIX B–"THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA ~~INDEPENDENT AUDITORS' REPORT AND BASIC FINANCIAL~~

~~STATEMENTS~~ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEARS ENDED JUNE 30, ~~2022~~2023 AND JUNE 30, ~~2021~~2022 AND BASIC FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED DECEMBER 31, ~~2022~~2023 AND ~~2021~~2022 (UNAUDITED)."

SUMMARY OF REVENUES BY SOURCE[1]
Fiscal Years Ended June 30
(Dollars in Millions)

	Modified Accrual				Cash
	2019	2020	2021	2022	2023
Water Revenues[2]	$ 1,149	$ 1,188	$ 1,405	$ 1,515	$ 1,323
Taxes, Net[3]	145	147	161	147	136
Additional Revenue Sources[4]	170	165	165	172	184
Interest on Investments	34	20	10	7	21
Hydroelectric Power Sales	18	16	19	8	6
Other Revenues[5]	22	14	14	39	166
Total Revenues	$ 1,538	$ 1,550	$ 1,774	$ 1,888	$ 1,836

Source: Metropolitan.

(1) Does not include any proceeds from the sale of bonded indebtedness.
(2) Water revenues include revenues from water sales, exchanges, and wheeling.
(3) *Ad valorem* taxes levied by Metropolitan are applied solely to the payment of outstanding general obligation bonds of Metropolitan and to State Water Contract obligations; taxes available to pay for SWC O&M costs are reflected as Other Revenue.
(4) Includes revenues derived from water standby charges, readiness-to-serve, and capacity charges.
(5) Includes miscellaneous revenues and Build America Bonds (BABs) subsidy payments of $15.0 million, $12.5 million, $2.9 million and $2.9 million in fiscal years 2017-18 through 2018-19 and 2019-20, and $0 in fiscal year 2020-21, respectively and thereafter. All of Metropolitan's then-outstanding BABs were retired as of July 1, 2020. Fiscal year 2017-18 includes $1 million of water conservation and supply program expenses, funded from a like amount of funds transferred from the Water Management Fund. Fiscal year 2021-22 includes $21.0 million of Includes property taxes applied to SWC O&M Costs. of $21.0 million in fiscal year 2021-22

and $62.4 million in fiscal year 2022-23. Fiscal year 2022-23 also includes $80 million in grant funding from the State for PWSC.

Revenue Allocation Policy and Tax Revenues

The Board determines the water revenue requirement for each fiscal year after first projecting the *ad valorem* tax levy for that year. The tax levy for any year is subject to limits imposed by the State Constitution, the Act and Board policy and to the requirement under the State Water Contract that in the event that Metropolitan fails or is unable to raise sufficient funds by other means, Metropolitan must levy upon all property within its boundaries not exempt from taxation a tax or assessment sufficient to provide for all payments under the State Water Contract. See "HISTORICAL AND PROJECTED REVENUES AND EXPENSES" in this Appendix A. ~~Beginning with fiscal year 1990-91, the~~The Act limits Metropolitan's tax levy to the amount needed to pay debt service on Metropolitan's general obligation bonds and to satisfy a portion of Metropolitan's State Water Contract ~~obligation.~~obligations. However, Metropolitan has the authority to impose a greater tax levy if, following a public hearing, the Board finds that such revenue is essential to Metropolitan's fiscal integrity. For each fiscal year since 2013-14, the Board has exercised that authority and voted to suspend the tax limit clause in the Act, maintaining the fiscal year 2012-13 *ad valorem* tax rate to pay for a greater portion of Metropolitan's State Water Contract obligations. Most recently, in 2022, the Board exercised its authority under the Act to suspend the tax limit clause for each of fiscal years 2022-23 through 2025-26. Any deficiency between tax levy receipts and Metropolitan's State Water Contract obligations is expected to be paid from Operating Revenues, as defined in the Senior Debt Resolutions (defined in this Appendix A under "METROPOLITAN EXPENSES–Limitations on Additional Revenue Bonds").

Water Revenues

General; Authority. Water rates are established by the Board and are not subject to regulation or approval by the California Public Utilities Commission or by any other local, State, or federal agency. In accordance with the Act, water rates must be uniform for like classes of service. Metropolitan, a wholesaler, provides one type of service: full-service water service (treated or untreated). See "–Classes of Water Service."

No member agency of Metropolitan is obligated to purchase water from Metropolitan. However, 21 of Metropolitan's 26 member agencies have entered into 10-year voluntary water supply purchase orders ("Purchase Orders") effective through December 31, 2024. See "–Member Agency Purchase Orders." Consumer demand and locally supplied water vary from year to year, resulting in variability in water revenues. See "REGIONAL WATER RESOURCES" in this Appendix A. Metropolitan uses its financial reserves and budgetary tools to manage the financial impact of the variability in revenues due to fluctuations in annual water transactions. See "MANAGEMENT'S DISCUSSION OF HISTORICAL AND PROJECTED REVENUES AND EXPENSES" in this Appendix A.

Payment Procedure. Water is delivered to the member agencies on demand and is metered at the point of delivery. Member agencies are billed monthly and a late charge of one percent of the delinquent payment is assessed for a payment that is delinquent for no more than five business days. A late charge of two percent of the amount of the delinquent payment is charged for a payment that is delinquent for more than five business days for each month or portion of a month that the payment remains delinquent. Metropolitan has the authority to suspend service to any member agency delinquent for more than 30 days. Delinquencies have been rare; in such instances late charges have been collected. No service has been suspended because of delinquencies.

Water Revenues. The following table sets forth water transactions (which includes water sales, exchanges, and wheeling) in ~~acre-feet~~acre-feet and water revenues (which includes revenues from water sales, exchanges, and wheeling) for the five fiscal years ended June 30, ~~2022, on a modified accrual~~

~~basis~~2023. As reflected in the table below, water revenues for the fiscal year ended June 30, ~~2022~~2023, aggregated $~~1,515.1~~1,322.7 million, of which $~~1,350.1~~1,173.9 million was generated from water sales and $~~165.0~~148.8 million was generated from exchanges and wheeling. Water revenues of Metropolitan for the fiscal years ended June 30, ~~2022~~2023, and June 30, ~~2021~~2022, on an accrual basis, are shown in Metropolitan's audited financial statements included in Appendix B.

SUMMARY OF WATER TRANSACTIONS AND REVENUES
Fiscal Years Ended June 30[(1)]

Fiscal Year	Water Transactions in Acre-Fee Member Agencies	Water Transactions in Acre-Feet Other	Water Transactions in ~~Acre-Feet~~[(1)] Acre-Feet Total[(2)]	Water Revenues[(2)(3)] (in millions)	Dollars ~~Dollars Per Acre-Foot~~ Per Acre-Foot	Average Dollars Per 1,000 Gallons
~~2018~~	~~1,610,969~~	~~1,285.2~~	~~798~~	~~2.45~~		
2019	1,374,644	43,680	1,418,324	1,148.7	810	2.49
2020	1,367,819	51,337	1,419,156	1,188.0	837	2.57
2021	1,573,965	75,551	~~1,573,965~~1,649,516	1,404.7	892	~~2.74~~2.61
2022	1,645,805	36,027	~~1,645,805~~1,681,833	1,515.1	921	~~2.83~~2.76
2023	1,385,776	13,076	1,398,852	1,322.7	954	2.93

Source: Metropolitan.

(1) Information for the fiscal years 2018-19 through 2021-22 is presented on a modified accrual basis; information for fiscal year 2022-23 is presented on a cash basis.

(2) ~~(1)~~Water ~~Transactions~~transactions include water sales, exchanges~~,~~ and wheeling with member agencies and third parties. ~~Starting in fiscal year ended June 30, 2021, Water Transactions do not include third parties.~~

(3) ~~(2)~~Water Revenues include revenues from water sales, exchanges, and wheeling. Water Revenues from wheeling and exchange transactions were $~~96.1 million, $~~102.2 million, $140.1 million, $167.0 million, ~~and~~ $165.0 million and $148.8 million in the fiscal years ended June 30, ~~2018~~2019 through ~~2022~~2023, respectively.

Principal Customers

Total water transactions accrued for the fiscal year ended June 30, ~~2022~~2023, were ~~1.65~~1.29 million ~~acre-feet~~acre-feet, generating $~~1.52~~1.24 billion in water revenues for such period. Metropolitan's ten largest water customers for the year ended June 30, ~~2022~~2023 are shown in the following table, on an accrual basis. SDCWA has filed litigation challenging Metropolitan's rates. See "–Litigation Challenging Rate Structure."

TEN LARGEST WATER CUSTOMERS
Year Ended June 30, ~~2022~~2023
Accrual Basis

Agency	Water Revenues [(1)] (in Millions)	Percent of Total	Water Transactions in Acre Feet[(2)]	Percent of Total
San Diego CWA	$ 223.0	18.1%	335,495	25.9%

City of Los Angeles~~(3)~~	~~$ 326.5~~ 207.5	~~21.5%~~ 16.8	~~366,627~~ 219,454	~~22.3%~~ 17.0
~~San Diego CWA~~	~~212.9~~	~~14.1~~	~~335,476~~	~~20.4~~
MWD of Orange County	~~187.6~~ 140.1	~~12.4~~ 11.3	~~184,167~~ 135,592	~~11.2~~ 10.5
West Basin MWD	~~131.6~~ 111.3	~~8.7~~ 9.0	~~117,253~~ 94,870	~~7.1~~ 7.3
~~Calleguas~~Eastern MWD	~~99.5~~ 84.4	~~6.6~~ 6.8	~~88,731~~ 86,783	~~5.4~~ 6.7
~~Eastern~~Calleguas MWD	~~95.4~~ 67.9	~~6.3~~ 5.5	~~95,078~~ 57,825	~~5.8~~ 4.5
Western MWD of Riverside County	~~70.6~~ 60.5	~~4.7~~ 4.9	~~71,182~~ 59,374	~~4.3~~ 4.6
Three Valleys MWD	~~64.4~~ 48.5	~~4.2~~ 3.9	~~65,790~~ 45,665	~~4.0~~ 3.5
~~Inland Empire Utilities Agency~~	~~51.9~~	~~3.4~~	~~66,187~~	~~4.0~~
Upper San Gabriel Valley MWD	~~42.2~~ 39.3	~~2.8~~ 3.2	~~42,110~~ 47,458	~~2.5~~ 3.7
City of Anaheim	38.6	3.1	36,573	2.8
Total	~~$ 1,282.6~~ 1,021.1	~~84.7~~ 82.6%	~~1,432,601~~ 1,119,089	~~87.0~~ 86.5%
Total Water Revenues (1)	~~$1,515.1~~ 1,236.4	~~Acre-Feet~~**Acre-Feet** (2)	~~1,645,805~~ 1,294,092	

Source: Metropolitan.

(1) Water Revenues include revenues from water sales, exchanges, and wheeling.

(2) Water Transactions include water sales, exchanges, and wheeling with member agencies.

(3) ~~Water sales to the City of Los Angeles from Metropolitan can vary substantially from year to year. See "REGIONAL WATER RESOURCES Los Angeles Aqueduct" in this Appendix A~~All information in this table is presented on an accrual basis.

Rate Structure

The following rates and charges are elements of Metropolitan's unbundled rate structure. See also "–Water Rates."

Tier 1 and Tier 2 Water Supply Rates. The rate structure effective through calendar year 2024 recovers supply costs through a two-tiered price structure. The Tier 1 Supply Rate supports a regional approach through the uniform, postage stamp rate. The Tier 1 Supply Rate is calculated as the amount of the total supply revenue requirement that is not covered by the Tier 2 Supply Rate divided by the estimated amount of Tier 1 water sales. The Tier 2 Supply Rate is a volumetric rate that reflects Metropolitan's costs of Tier 1 and Metropolitan's cost of purchasing water transfers north of the Delta. The higher costs reflected in the Tier 2 Supply Rate encourages the member agencies and their customers to maintain existing local supplies and develop cost-effective local supply resources and conservation. Pursuant to Board direction in November 2021, all demand management costs comprise a portion of the costs of supply and are collected on the Tier 1 and Tier 2 supply rates. Member agencies are charged the

Tier 1 or Tier 2 Water Supply Rate for water purchases, as described under "–Member Agency Purchase Orders" below. The Tier 2 rate is not included in the proposed biennial budget for fiscal years 2024-25 and 2025-26 and proposed calendar year 2025 and 2026 rates.

System Access Rate. The System Access Rate recovers the cost of the conveyance, distribution, and storage of water on an average annual basis through a uniform, volumetric rate. The System Access Rate is charged for each ~~acre-foot~~acre-foot of water transported by Metropolitan, regardless of the ownership of the water being transported. The System Access Rate is charged for each ~~acre-foot~~acre-foot of water transported by Metropolitan to its member agencies and delivered as a full-service water transaction.

Water Stewardship Rate. The Water Stewardship Rate was designed to provide a dedicated source of funding for conservation and local resources development through a uniform, volumetric rate. The Water Stewardship Rate was charged on each ~~acre-foot~~acre-foot of water delivered by Metropolitan through December 31, 2020, except on SDCWA Exchange Agreement deliveries as explained below, and allocated to Metropolitan's transportation rates. All users (including member agencies and third-party wheelers) ~~benefitted~~benefited from avoided system infrastructure costs through conservation and local resources development, and from the system capacity made available by investments in demand management programs like Metropolitan's Conservation Credits Program and LRP. Therefore, all users paid the Water Stewardship Rate, except on water delivered to SDCWA pursuant to the Exchange Agreement (see "–Water Rates" and "–Litigation Challenging Rate Structure" below) in calendar years 2018, 2019, and 2020. ~~The~~Beginning with calendar year 2021, the Water Stewardship Rate ~~was not~~has no longer been incorporated into Metropolitan's rates and charges ~~for calendar years 2021 and 2022 or 2023 and 2024~~ and therefore has not been collected on any water transactions after December 31, 2020. In November 2021, the Board directed staff to allocate all demand management costs as an element of Metropolitan's supply costs. See also "CONSERVATION AND WATER SHORTAGE MEASURES–General" in this Appendix A.

In 2017, in *San Diego County Water Authority v. Metropolitan Water District of Southern California, et al.* (see "–Litigation Challenging Rate Structure" below), the Court of Appeal held that the administrative record before it for the rates in calendar years 2011 through 2014 did not support Metropolitan's Water Stewardship Rate full allocation to transportation rates, but the court did not address the allocation in subsequent years based on a different record. On April 10, 2018, the Board suspended the billing and collection of the Water Stewardship Rate on Exchange Agreement deliveries to SDCWA in calendar years 2018, 2019, and 2020, pending Metropolitan's completion of a cost allocation study of its demand management costs recovered through the Water Stewardship Rate. For calendar year 2018, the suspension was retroactive to January 1, 2018.

Having completed a demand management cost allocation process, on December 10, 2019, Metropolitan's Board directed staff to incorporate the use of the 2019-20 fiscal year-end balance of the Water Stewardship Fund to fund demand management costs in the proposed biennial budget for fiscal years 2020-21 and ~~2021-22~~2021-22 and to not incorporate the Water Stewardship Rate (or any other rates or charges to recover demand management costs), with the proposed rates and charges for calendar years 2021 and 2022, to allow the Board to consider demand management funding in relation to the 2020 IRP and to undergo a rate structure refinement process.

In 2021, in *San Diego County Water Authority v. Metropolitan Water District of Southern California*, *et al.*, the Court of Appeal clarified that its Water Stewardship Rate ruling applied to years after 2014 as well. In November 2021, the Board voted to allocate demand management costs to supply rate elements in calendar year 2023 forward. The 2021-22 fiscal year-end balance of the Water

Stewardship Fund was ~~$60.6 million as of June 30, 2022, which will be used~~applied to partially offset demand management expenditures in the fiscal year ~~2022-23 and 2023-24 budget~~2022-23.

System Power Rate. The System Power Rate recovers the cost of energy required to pump water to Southern California through the State Water Project and CRA. The cost of power is recovered through a uniform, volumetric rate. The System Power Rate is applied to all deliveries of Metropolitan water to member agencies.

Treatment Surcharge. The Treatment Surcharge recovers all of the costs of providing treatment capacity and operations through a uniform, volumetric rate per ~~acre-foot~~acre-foot of treated water transactions. The Treatment Surcharge is charged for all treated water transactions.

The amount of each of these rates since January 1, ~~2018~~2020, is shown in the table entitled "SUMMARY OF WATER RATES" under "–Water Rates" below.

Member Agency Purchase Orders

The ~~current~~ rate structure effective through calendar year 2024 allows member agencies to choose to purchase water from Metropolitan by means of a Purchase Order. Purchase Orders are voluntary agreements that determine the amount of water that a member agency can purchase at the Tier 1 Supply Rate. Under the Purchase Orders, member agencies have the option to purchase a greater amount of water (based on past purchase levels) over the term of the Purchase Order. Such agreements allow member agencies to manage costs and provide Metropolitan with a measure of secure revenue.

In November 2014, ~~the Metropolitan~~Metropolitan's Board approved ~~new~~ Purchase Orders effective January 1, 2015 through December 31, 2024 (the "Purchase Order Term"). Twenty-one of Metropolitan's 26 member agencies have Purchase Orders, which commit the member agencies to purchase a minimum amount of supply from Metropolitan (the "Purchase Order Commitment").

The key terms of the Purchase Orders include:

- ~~•~~ A ten-year term, effective January 1, 2015 through December 31, 2024;
- ~~•~~ A higher Tier 1 limit based on the Base Period Demand, determined by the member agency's choice between (1) the Revised Base Firm Demand, which is the highest fiscal year purchases during the 13-year period of fiscal year 1989-90 through fiscal year 2001-02, or (2) the highest year purchases in the most recent 12-year period of fiscal year 2002-03 through 2013-14. The demand base is unique for each member agency, reflecting the use of Metropolitan's system water over time;
- ~~•~~ An overall Purchase Order Commitment by the member agency based on the demand base period chosen, times ten to reflect the ten-year Purchase Order Term. Those agencies choosing the more recent 12-year period may have a higher Tier 1 Maximum and commitment. The commitment is also unique for each member agency;
- ~~•~~ The opportunity to reset the Base Period Demand using a five-year rolling average;
- ~~•~~ Any obligation to pay the Tier 2 Supply Rate will be calculated over the ten-year period, consistent with the calculation of any Purchase Order Commitment obligation; and

- ~~•~~ An appeal process for agencies with unmet purchase commitments that will allow each ~~acre-foot~~acre-foot of unmet commitment to be reduced by the amount of production from a local resource project that commences operation on or after January 1, 2014.

Member agencies that do not have Purchase Orders in effect are subject to Tier 2 Supply Rates for amounts exceeding 60 percent of their base amount (equal to the member agency's highest fiscal year demand between 1989-90 and 2001-02) annually.

On November 14, 2023, staff presented to the Board the status of the current Purchase Order commitments, which will end on December 31, 2024. Staff proposed to not renew the Purchase Order commitments. As a result, the Tier 2 rate is not included in the proposed biennial budget for fiscal year 2024-25 and fiscal year 2025-26 and proposed calendar years 2025 and 2026 rates. Metropolitan will revisit Purchase Order commitments and structure as needed through the business model review during the CAMP4W planning process. See "METROPOLITAN'S WATER SUPPLY–Integrated Resources Plan and Climate Adaptation Master Plan for Water – *Climate Adaptation Master Plan for Water*."

Other Charges

The following paragraphs summarize the additional charges for the use of Metropolitan's distribution system:

Readiness-to-Serve Charge. The Readiness-to-Serve Charge ("RTS") recovers the cost of the portion of the system that is available to provide emergency service and available capacity during outages and hydrologic variability. The RTS is a fixed charge that is allocated among the member agencies based on a ten-fiscal year rolling average of firm demands. Water transfers and exchanges, except SDCWA Exchange Agreement transactions, are included for purposes of calculating the ten-fiscal year rolling average. The Standby Charge, described below, will continue to be collected at the request of a member agency and applied as a direct offset to the member agency's RTS obligation. The RTS (including RTS charge amounts collected through the Standby Charge described below) generated $~~134.5 million in fiscal year 2019-20, $~~133.0 million in fiscal year 2020-21~~ and~~, $135.0 million in fiscal year ~~2021-22~~2021-22, and $144.4 million in fiscal year 2022-23. Based on the adopted rates and charges, the RTS (including RTS charge amounts expected to be collected through the Standby Charge described below) is projected to generate $~~147.0~~161 million in fiscal year ~~2022-23~~2023-24.

Water Standby Charges. The Standby Charge is authorized by the State Legislature and has been levied by Metropolitan since fiscal year 1992-93. Metropolitan will continue to levy the Standby Charge only within the service areas of the member agencies that request that the Standby Charge be utilized to help fund a member agency's RTS obligation. See "– Readiness-to-Serve Charge" above. The Standby Charge for each acre or parcel of less than an acre will vary from member agency to member agency, reflecting current rates, which have not exceeded the rates set in fiscal year 1993-94, and range from $5 to $15 for each acre or parcel less than an acre within Metropolitan's service area, subject to specified exempt categories. Standby charges are assessments under the terms of Proposition 218, a State constitutional ballot initiative approved by the voters on November 5, 1996, but Metropolitan's current standby charges are exempt from Proposition 218's procedural requirements. See "–California Ballot Initiatives."

Twenty-two of Metropolitan's member agencies collect their RTS charges through Standby Charges. RTS charges, on a cash basis, collected by means of such Standby Charges were $~~41.7 million in fiscal year 2019-20, $~~41.9 million in fiscal year 2020-21, ~~and~~ $42.0 million in fiscal year ~~2021-22~~2021-22, and $43.7 million in fiscal year 2022-23.

Capacity Charge. The Capacity Charge recovers costs incurred to provide peak capacity within Metropolitan's distribution system. The Capacity Charge provides a price signal to encourage agencies to reduce peak demands on the distribution system and to shift demands that occur during the May 1 through September 30 period into the October 1 through April 30 period. This results in more efficient utilization of Metropolitan's existing infrastructure and deferring capacity expansion costs. Each member agency will pay the Capacity Charge per cfs based on a three-year trailing peak (maximum) day demand, measured in cfs. Each member agency's peak day is likely to occur on different days; therefore, this measure approximates peak week demands on Metropolitan. The Capacity Charge was ~~$10,700 per cfs effective as of January 1, 2021, $~~12,200 per cfs effective as of January 1, 2022~~ and~~, $10,600 per cfs effective as of January 1, 2023~~. The Capacity Charge will be~~ and $11,200 per cfs effective as of January 1, 2024. The Capacity Charge will be $10,800 per cfs effective as of January 1, 2025. The Capacity Charge generated ~~$30.5 million in fiscal year 2019-20, $~~31.7 million in fiscal year 2020-21, ~~and~~ $37.0 million in fiscal year ~~2021-22~~2021-22, and $37.8 million in fiscal year 2022-23. Based on the adopted rates and charges, the Capacity Charge is projected to generate ~~$38.7~~35 million in fiscal year ~~2022-23~~2023-24.

Classes of Water Service

Metropolitan, a wholesaler, provides one type of service: full-service water service (treated or untreated). Metropolitan has one class of customers: its member agencies. On August 18, 2020, the Board of Directors repealed the Administrative Code sections that established the wheeling service it previously made available to its member agencies (short-term wheeling service under one year) and the pre-set wheeling rate for that wheeling service. As a result of the Board's action, ~~short term~~short-term wheeling to member agencies is now determined on a ~~case-by-case~~case-by-case basis by contract, as has been done for wheeling service for member agencies lasting more than one year and wheeling for third parties. The level of rate unbundling in Metropolitan's rate structure provides transparency to show that rates and charges recover only those functions involved in the applicable service, and that no cross-subsidy of costs exists. Metropolitan's cost of service process and resulting unbundled rate structure ensures that its wholesale customers pay for only those services they elect to receive.

The applicable rate components and fixed charges for each class of water service are shown in the chart below.

Current Services and Rate Components

	Rates & Charges That Apply						
Service	**System Access**	**Water Stewardship[1]**	**System Power**	**Tier 1/ Tier 2[2]**	**Readiness to Serve**	**Capacity Charge**	**Treatment Surcharge**
Full Service Untreated	Yes	No	Yes	Yes	Yes	Yes	No
Full Service Treated	Yes	No	Yes	Yes	Yes	Yes	Yes

(1) As described under "–Rate Structure –Water Stewardship Rate," the Water Stewardship Rate has not been collected on water transactions after December 31, 2020. In November 2021, the Board directed staff to allocate all demand management costs as an element of Metropolitan's supply costs.

(2) As described under "–Member Agency Purchase Orders," the Tier 2 rate is not included in the proposed biennial budget for fiscal years 2024-25 and 2025-26 and proposed calendar years 2025 and 2026 rates. Metropolitan will revisit Purchase Order commitments and structure as needed through the business model review during the CAMP4W planning process.

Metropolitan offers five programs that encourage the member agencies to increase groundwater and emergency storage and for which certain Metropolitan charges are inapplicable.

(1) Conjunctive Use Program. The Conjunctive Use Program is operated through individual agreements with member and retail agencies for groundwater storage within Metropolitan's service area. Wet year imported supplies are stored to enhance reliability during dry, drought, and emergency conditions. Metropolitan has the option to call water stored in the groundwater basins for the participating member agency pursuant to its contractual conjunctive use agreement. At the time of the call, the member agency pays the prevailing rate for that water, but the deliveries are excluded from the calculation of the Capacity Charge because Conjunctive Use Program deliveries are made at Metropolitan's discretion. Conjunctive use programs may also contain cost-sharing terms related to operational costs. See "REGIONAL WATER RESOURCES–Local Water Supplies" in this Appendix A.

(2) Cyclic ~~Storage~~ Program. The Cyclic ~~Storage~~ Program refers collectively to the existing Cyclic ~~Storage~~ Program agreements and the ~~Pre-Deliveries~~Cyclic Cost-Offset Program approved in 2019. ~~The~~This Program is operated through individual agreements with member agencies for groundwater or surface water storage or pre-deliveries within Metropolitan's service area. Wet-year imported supplies are stored to enhance reliability during dry, drought, and emergency conditions. Deliveries to the cyclic ~~storage~~ accounts are at Metropolitan's discretion while member agencies have discretion on whether they want to accept the water. At the time the water is delivered from the cyclic ~~storage~~ account, the prevailing full service rate applies, but deliveries are excluded from the calculation of the Capacity Charge because Cyclic ~~Storage~~ Program deliveries are made at Metropolitan's discretion. Cyclic agreements may also contain a credit payable to the member agencies under terms approved by the Board in April 2019 and amended by the Board in August 2023 for the Cyclic Cost-Offset Program. See "REGIONAL WATER RESOURCES–Local Water Supplies" in this Appendix A.

(3) Reverse-Cyclic Program. The Reverse-Cyclic Program is operated through individual agreements with member agencies. These agreements allowed member agencies to purchase water in calendar year 2022 for delivery in a future wet year. Metropolitan will deliver the water within five years at its sole discretion. Under the Program, billing occurs before delivery is made at the full-service water rate, plus the treatment surcharge, if applicable, and the purchases are counted towards the member agency's Readiness-to-Serve Charge. However, deliveries are excluded from the calculation of the Capacity Charge because Reverse-Cycle Program deliveries are made at Metropolitan's discretion.

(4) Emergency Storage Program. The Emergency Storage Program is used for delivering water for emergency storage in surface water reservoirs and storage tanks. Emergency Storage Program purposes include initially filling a newly constructed reservoir or storage tank and replacing water used during an emergency. Because Metropolitan could interrupt delivery of this water, Emergency Storage Program Deliveries are excluded from the calculation of the RTS Charge, the Capacity Charge, and the Tier 1 maximum.

(5) Operational Shift Cost Offset Program. The OSCOP is operated through individual agreements with member agencies. Through these agreements, cost-offset credits are offered to member agencies to offset the estimated additional costs and risks incurred by an agency as a result of voluntary operational changes requested by Metropolitan for the purpose of maximizing Metropolitan's water resources. All water delivered under the OSCOP is billed at Metropolitan's applicable full-service rate. Credits are reported as supply program costs.

The applicable rate components and fixed charges applicable for each such program are shown in the following chart.

Current Programs and Rate Components

	Rates & Charges That Apply

Program	Supply	System Access	System Power	Readiness to Serve	Capacity Charge	Tier 1 Maximum
Full Service	Yes	Yes	Yes	Yes	Yes	Yes
Conjunctive Use	Yes	Yes	Yes	Yes	No	Yes
Cyclic	Yes	Yes	Yes	Yes	No	Yes
Reverse-Cyclic	Yes	Yes	Yes	Yes	No	Yes
Emergency Storage	Yes	Yes	No	Yes	No	No(1)
Operational Shift Cost Offset	Yes	Yes	Yes	Yes	Yes	Yes

(1) ~~(1)~~ Emergency Storage Program pays the Tier 1 Supply Rate; purchases under Emergency Storage program do not count towards a member agency's Tier 1 Maximum.

Water Rates

The following table sets forth Metropolitan's water rates by category beginning January 1, ~~2018~~2020. See also "MANAGEMENT'S DISCUSSION OF HISTORICAL AND PROJECTED REVENUES AND EXPENSES–Water Revenues" in this Appendix A. In addition to the base rates for untreated water sold in the different classes of service, the columns labeled "Treated" include the surcharge that Metropolitan charges for water treated at its water treatment plants. See "–Rate Structure" and "–Classes of Water Service" for descriptions of current rates. See also "–Litigation Challenging Rate Structure" for a description of litigation challenging Metropolitan's water rates.

[Remainder of page intentionally left blank.]

SUMMARY OF WATER RATES
(Dollars Per ~~Acre-Foot~~Acre-Foot)

	SUPPLY ~~RATE~~RATE		SYSTEM ~~SYSTEM~~ ACCESS RATE	WATER STEWARDSHIP RATE[1]	SYSTEM POWER RATE	TREATMENT SURCHARGE
	Tier 1	Tier 2[4]				
~~January 1, 2018~~	~~$209~~	~~$295~~	~~$299~~	~~$55~~	~~$132~~	~~$320~~
~~January 1, 2019~~	~~$209~~	~~$295~~	~~$326~~	~~$69~~	~~$127~~	~~$319~~
January 1, 2020	$ 208	$ 295	$ 346	$ 65	$ 136	$ 323
January 1, 2021	$ 243	$ 285	$ 373	$~~–~~ —	$ 161	$ 327
January 1, 2022	$ 243	$ 285	$ 389	$~~–~~ —	$ 167	$ 344
January 1, 2023*	$ 321	$ 530	$ 368	$~~–~~ —	$ 166	$ 354
January 1, 2024*	$ 332	$ 531	$ 389	$~~–~~ —	$ 182	$ 353
January 1, 2025**	$ 353	$ —	$ 463	$ —	$ 190	$ 459
January 1, 2026**	$ 375	$ —	$ 491	$ —	$ 203	$ 518

	FULL SERVICE TREATED[2]		FULL SERVICE UNTREATED[3]	
	Tier 1	Tier 2[4]	Tier 1	Tier 2[4]
~~January 1, 2018~~	~~$1,015~~	~~$1,101~~	~~$695~~	~~$781~~
~~January 1, 2019~~	~~$1,050~~	~~$1,136~~	~~$731~~	~~$817~~
January 1, 2020	$ 1,078	$ 1,165	$ 755	$ 842
January 1, 2021	$ 1,104	$ 1,146	$ 777	$ 819
January 1, 2022	$ 1,143	$ 1,185	$ 799	$ 841
January 1, 2023*	$ 1,209	$ 1,418	$ 855	$ 1,064
January 1, 2024*	$ 1,256	$ 1,455	$ 903	$ 1,102
January 1, 2025**	$ 1,465	$ —	$ 1,006	$ —
January 1, 2026**	$ 1,587	$ —	$ 1,069	$ —

Source: Metropolitan.

* Rates effective January 1, 2023 and January 1, 2024 were adopted by Metropolitan's Board on April 12, 2022.

** Rates effective January 1, 2025 and January 1, 2026 were proposed to Metropolitan's Board on April 14, 2024.

(1) ~~(1)~~ As described under "–Rate Structure –*Water Stewardship Rate*," the Water Stewardship Rate has not been collected on water transactions after December 31, 2020. In November 2021, the Board directed staff to allocate all demand management costs to Metropolitan's supply elements.

(2) ~~(2)~~ Full service treated water rates are the sum of the applicable Supply Rate, System Access Rate, Water Stewardship Rate, System Power Rate and Treatment Surcharge.

(3) ~~(3)~~ Full service untreated water rates are the sum of the applicable Supply Rate, System Access Rate, Water Stewardship Rate and System Power Rate.

(4) As described under "–Member Agency Purchase Orders," the Tier 2 rate is not included in the proposed biennial budget for fiscal years 2024-25 and 2025-26 and proposed calendar years 2025 and 2026 rates.

Metropolitan will revisit Purchase Order commitments and structure as needed through the business model review during the CAMP4W planning process.

Financial Reserve Policy

Metropolitan's reserve policy provides for a minimum reserve requirement and target amount of unrestricted reserves at June 30 of each year. The minimum reserve requirement at June 30 of each year is equal to the portion of fixed costs estimated to be recovered by water revenues for the 18 months beginning with the immediately succeeding July. Funds representing the minimum reserve requirement are held in the Revenue Remainder Fund. Any funds in excess of the minimum reserve requirement are held in the Water Rate Stabilization Fund. The target amount of unrestricted reserves is equal to the portion of the fixed costs estimated to be recovered by water revenues during the two years immediately following the 18-month period used to calculate the minimum reserve requirement. Funds in excess of the target amount are to be utilized for capital expenditures in lieu of the issuance of additional debt, or for the redemption, defeasance or purchase of outstanding bonds or commercial paper as determined by the Board. Provided that the fixed charge coverage ratio is at or above 1.2, amounts in the Water Rate Stabilization Fund may be expended for any lawful purpose of Metropolitan, as determined by the Board. See "CAPITAL INVESTMENT PLAN–Capital Investment Plan Financing" in this Appendix A.

At June 30, ~~2022~~2023, unrestricted reserves, which consist of the Water Rate Stabilization Fund and the Revenue Remainder Fund, totaled $~~694.9~~554.2 million ~~on a modified accrual basis or $646.8~~ on a cash basis. As of June 30, ~~2022~~2023, the minimum reserve requirement was $~~276.0~~254.5 million, and the target reserve level was $~~673.8~~625.8 million.

Due to SDCWA's litigation challenging Metropolitan's rates and pursuant to the Exchange Agreement between Metropolitan and SDCWA, Metropolitan is required to set aside funds based on the quantities of exchange water that Metropolitan provides to SDCWA and the amount of charges disputed by SDCWA. In April 2016, Metropolitan transferred these funds from unrestricted financial reserves to a new designated fund, the Exchange Agreement Set-Aside Fund. In 2021, Metropolitan paid to SDCWA the final judgment contract damages amount in the 2010 and 2012 SDCWA v. Metropolitan cases for Water Stewardship Rate payments under the Exchange Agreement in 2011 through 2014, plus interest. Following the 2021 Court of Appeal opinion clarifying that its Water Stewardship Rate ruling applies to later years, Metropolitan paid to SDCWA Water Stewardship Rate payments from 2015 to 2017, plus pre-judgment interest. These payments include all amounts sought related to breach of the Exchange Agreement resulting from the inclusion of the Water Stewardship Rate in the contract price for Exchange Agreement transactions occurring from 2010 until the Water Stewardship Rate was no longer charged in the contract price for Exchange Agreement transactions, beginning in 2018. Accordingly, there are no amounts held in the Exchange Agreement Set-Aside Fund. See "–Litigation Challenging Rate Structure."

Metropolitan projects that its unrestricted reserves as of June 30, ~~2023~~2024 will be approximately $~~686~~327 million on a cash basis. This projection is based on the assumptions set forth in the table entitled "HISTORICAL AND PROJECTED REVENUES AND EXPENSES" under "HISTORICAL AND PROJECTED REVENUES AND EXPENSES" in this Appendix A. ~~In addition, this projection assumes that Metropolitan's Board will not authorize the use of any additional amounts in the unrestricted reserves.~~

California Ballot Initiatives

Proposition 218, a State ballot initiative known as the "Right to Vote on Taxes Act," was approved by the voters on November 5, 1996 adding Articles XIIIC and XIIID to the California Constitution. Article XIIID provides substantive and procedural requirements on the imposition, extension or increase of any "fee" or "charge" levied by a local government upon a parcel of real property or upon a person as an incident of property ownership. As a wholesaler, Metropolitan serves

water to its member agencies, not to persons or properties as an incident of property ownership. Thus, water rates charged by Metropolitan to its member agencies are not property related fees and charges and therefore are exempt from the requirements of Article XIIID. Fees for retail water service by Metropolitan's member agencies or their agencies are subject to the requirements of Article XIIID.

Article XIIID also imposes certain procedures with respect to assessments. Under Article XIIID, "standby charges" are considered "assessments" and must follow the procedures required for "assessments," unless they were in existence on the effective date of Article XIIID. Metropolitan has imposed its water standby charges since 1992 and therefore its current standby charges are exempt from the Article XIIID procedures. Changes to Metropolitan's current standby charges could require notice to property owners and approval by a majority of such owners returning mail-in ballots approving or rejecting any imposition or increase of such standby charge. Twenty-two of Metropolitan's member agencies have elected to collect all or a portion of their readiness-to-serve charges through standby charges. See "–Other Charges – *Readiness-to-Serve Charge*" and "– *Water Standby Charges*" above. Even if Article XIIID is construed to limit the ability of Metropolitan and its member agencies to impose or collect standby charges, the member agencies will continue to be obligated to pay the readiness-to-serve charges.

Article XIIIC makes all taxes either general or special taxes and imposes voting requirements for each kind of tax. It also extends the people's initiative power to reduce or repeal previously authorized local taxes, assessments, fees and charges. This extension of the initiative power is not limited by the terms of Article XIIIC to fees imposed after November 6, 1996 or to property-related fees and charges and absent other authority could result in retroactive reduction in existing taxes, assessments or fees and charges.

Proposition 26, a State ballot initiative aimed at restricting regulatory fees and charges, was approved by a majority of California voters on November 2, 2010. Proposition 26 broadens the definition of "tax" in Article XIIIC of the California Constitution to include: levies, charges and exactions imposed by local governments, except for charges imposed for benefits or privileges or for services or products granted to the payor (and not provided to those not charged) that do not exceed their reasonable cost; regulatory fees that do not exceed the cost of regulation and are allocated in a fair or reasonable manner; fees for the use of local governmental property; fines and penalties imposed for violations of law; real property development fees; and assessments and property-related fees imposed under Article XIIID of the California Constitution. Special taxes imposed by local governments including special districts are subject to approval by two-thirds of the electorate. Proposition 26 applies to charges imposed or increased by local governments after the date of its approval. Metropolitan believes its water rates and charges are not taxes under Proposition 26. SDCWA's lawsuit challenging the rates adopted by Metropolitan in April 2012 (part of which became effective January 1, 2013 and part of which became effective January 1, 2014) alleged that such rates violate Proposition 26. On June 21, 2017, the California Court of Appeal ruled that whether or not Proposition 26 applies to Metropolitan's rates, the System Access Rate and System Power Rate challenged by SDCWA in such lawsuit comply with Proposition 26. SDCWA's lawsuits challenging the rates adopted by Metropolitan in April 2014, April 2016, and April 2018 also alleged that such rates violate Proposition 26. On May 11, 2022, the San Francisco Superior Court ruled that Proposition 26 applies to Metropolitan's rates and charges. See "–Litigation Challenging Rate Structure." The trial court decision is subject to appeal. Under Proposition 26, the agency holds the burden of proof in a rate or charge challenge. Otherwise, due to the uncertainties of evolving case law and potential future judicial interpretations of Proposition 26, Metropolitan is unable to predict at this time the extent to which Proposition 26, if ultimately determined to apply to Metropolitan's rates and charges, would impose stricter standards on Metropolitan's setting of rates and charges.

Propositions 218 and 26 were adopted as measures that qualified for the ballot pursuant to the State's initiative process. Other initiative measures have been proposed from time to time, or could be

proposed in the future, which if qualified for the ballot, could be adopted, or legislative measures could be approved by the Legislature, which may place limitations on the ability of Metropolitan or its member agencies to increase revenues or to increase appropriations. Such measures may further affect Metropolitan's ability to collect taxes, assessments or fees and charges, which could have an adverse effect on Metropolitan's revenues.

A voter initiative, designated as Initiative 1935 and otherwise known as "The Taxpayer Protection and Government Accountability Act" ("Initiative 1935"), has been determined to be eligible for the State's November 5, 2024 statewide general election, and, unless withdrawn by its proponent prior to June 27, 2024, or removed pursuant to the emergency petition for writ of mandate filed by the Governor of California seeking such removal, will be certified as qualified for the ballot in such election. If it were to be approved by the voters in the election, Initiative 1935 would amend Article XIIIC of the State Constitution to, among other things, provide that every levy, charge or exaction of any kind imposed by a local government after January 1, 2022 is either a tax or an exempt charge. Charges for government services provided directly to the payor would be "taxes" subject to voter approval unless the local government can prove by clear and convincing evidence that the charge is reasonable and does not exceed the "actual cost" of providing the service or product to the payor. "Actual cost" is defined in Initiative 1935 to mean "(i) the minimum amount necessary to reimburse the government for the cost of providing the service or product to the payor and (ii) where the amount charged is not used by the government for any purpose other than reimbursing that cost." Initiative 1935 further states that "[i]n computing "actual cost" the maximum amount that may be imposed is the actual cost less all other sources of revenue including, but not limited to taxes, other exempt charges, grants, and state or federal funds received to provide such service or product." Initiative 1935 would also amend Article XIIIC to state that any tax or exempt charge adopted after January 1, 2022, but prior to the effective date of Initiative 1935, which was not adopted in compliance with the requirements of Initiative 1935 is void 12 months after the effective date of Initiative 1935, if adopted, unless the tax or exempt charge is reenacted in compliance with the provisions of Initiative 1935. Initiative 1935 would require an exempt charge to be imposed by ordinance of the local government's governing body.

Metropolitan's rates are currently adopted by the Board to be reasonable and follow cost of service. Accordingly, Metropolitan's rate structure would still be subject to the exemptions provided for charges that are not subject to voter approval. However, the Board would now be required to adopt the rates for service by a 2/3 majority. Additionally, the new scope of exempt charges as limited to recover "actual" costs and the heightened burden of proof to demonstrate the applicability of an exemption, would place greater burden on Metropolitan in defending litigation challenging the validity of its rates and charges. If submitted to, and approved by the voters, Initiative 1935 would be subject to judicial interpretation.

Preferential Rights

Section 135 of the Act gives each of Metropolitan's member agencies a preferential right to purchase for domestic and municipal uses within the agency a portion of the water served by Metropolitan, based upon a ratio of all payments on tax assessments and otherwise, except purchases of water, made to Metropolitan by the member agency compared to total payments made by all member agencies on tax assessments and otherwise since Metropolitan was formed, except purchases of water. Historically, these rights have not been used in allocating Metropolitan's water. In 2004, the California Court of Appeal upheld Metropolitan's methodology for calculation of the respective member agencies' preferential rights under Section 135 of the Act. SDCWA's litigation challenging Metropolitan's rate structure also challenged Metropolitan's exclusion of payments for Exchange Agreement deliveries from the calculation of SDCWA's preferential right. On June 21, 2017, the California Court of Appeal held

that SDCWA's payments under the Exchange Agreement must be included in the preferential rights calculation. See "–Litigation Challenging Rate Structure."

Litigation Challenging Rate Structure

Through several lawsuits filed by SDCWA since 2010, SDCWA has challenged the rates adopted by Metropolitan's Board in 2010, 2012, 2014, 2016 and 2018. Each of these lawsuits and the status thereof are briefly described below.

The 2010 and 2012 Cases. SDCWA filed *San Diego County Water Authority v. Metropolitan Water District of Southern California, et al.* on June 11, 2010 challenging the rates adopted by the Board on April 13, 2010, which became effective January 1, 2011 and January 1, 2012 (the "2010 Case"). The complaint requested a court order invalidating the rates adopted April 13, 2010, and that Metropolitan be mandated to allocate certain costs associated with the State Water Contract and the Water Stewardship Rate to water supply rates and not to transportation rates.

As described under "METROPOLITAN'S WATER SUPPLY–Colorado River Aqueduct – Metropolitan and San Diego County Water Authority Exchange Agreement" in this Appendix A, the contract price payable by SDCWA under the Exchange Agreement between Metropolitan and SDCWA is Metropolitan's transportation rates. Therefore, SDCWA also alleged that Metropolitan breached the Exchange Agreement by allocating certain costs related to the State Water Contract and the Water Stewardship Rate to its transportation rates because it resulted in an overcharge to SDCWA for water delivered pursuant to the Exchange Agreement.

On June 8, 2012, SDCWA filed a new lawsuit challenging the rates adopted by Metropolitan on April 10, 2012 and effective on January 1, 2013 and January 1, 2014 (the "2012 Case") based on similar claims, and further alleging that Metropolitan's rates adopted in 2012 violated Proposition 26.

Following a trial of both lawsuits in two phases and subsequent trial court ruling, the parties appealed. On June 21, 2017, the California Court of Appeal ruled that Metropolitan may lawfully include its State Water Project transportation costs in the System Access Rate and System Power Rate that are part of the Exchange Agreement's price term, and that Metropolitan may also lawfully include the System Access Rate in its wheeling rate, reversing the trial court decision on this issue. The court held Metropolitan's allocation of the State Water Project transportation costs as its own transportation costs is proper and does not violate the ~~wheeling statutes~~Wheeling Statutes (Water Code, §1810, *et seq.*), Proposition 26 (Cal. Const., Article XIIIC, §1, subd. (e)), whether or not that Proposition applies to Metropolitan's rates, California Government Code section 54999.7, the common law, or the terms of the parties' Exchange Agreement.

The Court of Appeal also ruled that the record did not support Metropolitan's inclusion of its Water Stewardship Rate as a transportation cost in the Exchange Agreement price or the wheeling rate, under the common law and the ~~wheeling statutes~~Wheeling Statutes. The court noted that its holding does not preclude Metropolitan from including the Water Stewardship Rate in Metropolitan's ~~full-service~~full-service rate. See also "–Rate Structure – *Water Stewardship Rate*" above.

The Court of Appeal held that because the Water Stewardship Rate was included in the Exchange Agreement price, there was a breach by Metropolitan of the Exchange Agreement in 2011 through 2014 and remanded the case to the trial court for a redetermination of damages in light of its ruling concerning the Water Stewardship Rate. The Court of Appeal also found that the Exchange Agreement may entitle the prevailing party to attorneys' fees for both phases of the case, and directed the trial court on remand to make a new determination of the prevailing party, if any.

On September 27, 2017, the California Supreme Court denied SDCWA's petition for review, declining to consider the Court of Appeal's decision. The Court of Appeal's decision is therefore final.

After tendering payment in 2019 which SDCWA rejected, in February 2021, Metropolitan paid to SDCWA the same amount previously tendered of $44.4 million for contract damages for SDCWA's Water Stewardship Rate payments from 2011 to 2014 and pre-judgment and post-judgment interest. In September 2021, following a 2021 Court of Appeal opinion clarifying that its Water Stewardship Rate ruling applies to later years, Metropolitan paid to SDCWA the amount of $35.9 million for SDCWA's Water Stewardship Rate payments from 2015 to 2017 and pre-judgment interest. These payments include all amounts sought related to breach of the Exchange Agreement resulting from the inclusion of the Water Stewardship Rate in the contract price for Exchange Agreement transactions occurring from 2010 until the Water Stewardship Rate was no longer charged in the contract price for Exchange Agreement transactions, beginning in 2018 (See "–Rate Structure" above). The ~~payment~~payments included $58.1 million withdrawn from the Exchange Agreement Set-Aside Fund (See "–Financial Reserve Policy" above) and $22.1 million withdrawn from reserves (the remainder of the statutory interest).

~~The~~Following the issuance of an order of the Superior Court ~~also issued an order finding SDCWA is the prevailing party on the contract in the 2010 and 2012 cases and is therefore entitled to its attorneys' fees and costs under the contract, and to statutory costs. On February 25, 2021, Metropolitan appealed both prevailing party determinations. The parties stipulated to $13,397,575.66 as the amount of SDCWA's attorneys' fees that may be awarded under the Exchange Agreement, in the event Metropolitan's appeal is unsuccessful. On~~and Metropolitan's appeal, on March 17, 2022, the Court of Appeal held that SDCWA ~~is~~was the prevailing party in the 2010 and 2012 cases and ~~is~~was therefore entitled to attorney's fees under the parties' Exchange Agreement and litigation costs. On March 21, 2022, Metropolitan paid to SDCWA $14,296,864.99 ($13,397,575.66 fees award, plus statutory interest) and $352,247.79 for costs ($326,918.34 costs award, plus statutory interest).

On July 27, 2022, Metropolitan paid SDCWA $411,888.36 for attorneys' fees on appeals of post-remand orders.

The 2014, 2016 and 2018 Cases. SDCWA has also filed lawsuits challenging the rates adopted in 2014, 2016 and 2018 and asserting breach of the Exchange Agreement. Metropolitan filed cross-complaints in the three cases, asserting claims relating to rates and the Exchange Agreement, including reformation.

The operative Petitions for Writ of Mandate and Complaints allege the same Water Stewardship Rate claim and breach of the Exchange Agreement as in the 2010 and 2012 cases, but because Metropolitan paid the amounts sought to SDCWA, and the writ in the 2010 and 2012 cases encompasses these claims, these claims and cross-claims are moot. They also claim Metropolitan's wheeling rate fails to provide wheelers a reasonable credit for "offsetting benefits" pursuant to Water Code Section 1810, *et seq.*, and that Metropolitan has breached the Exchange Agreement by failing to reduce the price for an "offsetting benefits" credit. The cases also alleged that in 2020 and 2021, Metropolitan misallocated its California WaterFix costs as transportation costs and breached the Exchange Agreement by including those costs in the transportation rates charged. In April 2022, the parties requested the court's dismissal with prejudice of the claims and cross-claims relating to California WaterFix. The cases also request a judicial declaration that Proposition 26 applies to Metropolitan's rates and charges, and a judicial declaration that SDCWA is not required to pay any portion of a judgment in the litigation. Metropolitan filed cross-complaints in each of these cases, asserting claims relating to rates and the Exchange Agreement.

The cases were stayed pending resolution of the 2010 and 2012 cases, but the stays have been lifted and the cases have been consolidated in the San Francisco Superior Court.

Metropolitan and SDCWA each filed motions for summary adjudication of certain issues in the 2014, 2016 and 2018 cases with the court. Summary adjudication is a procedure by which a court may determine the merits of a particular claim or affirmative defense, a claim for damages, and/or an issue of duty before trial.

On May 4, 2022, the San Francisco Superior Court issued an order granting Metropolitan's motion for summary adjudication on its cross-claim for declaratory relief that the conveyance facility owner, Metropolitan, determines fair compensation, including any offsetting benefits; and denying its motion on certain other cross-claims and an affirmative defense.

On May 11, 2022, the San Francisco Superior Court issued an order granting SDCWA's motion for summary adjudication on: Metropolitan's cross-claim in the 2018 case for a declaration with respect to the lawfulness of the Water Stewardship Rate's inclusion in the wheeling rate and transportation rates in 2019 and 2020; certain Metropolitan cross-claims and affirmative defenses on the ground that Metropolitan has a duty to charge no more than fair compensation, which includes reasonable credit for any offsetting benefits pursuant to Water Code section 1811(c), with the court also stating that whether that duty arose and whether Metropolitan breached that duty are issues to be resolved at trial; Metropolitan's affirmative defenses that SDCWA's claims are untimely and SDCWA has not satisfied claims presentation requirements; Metropolitan's affirmative defense in the 2018 case that SDCWA has not satisfied dispute resolution requirements under the Exchange Agreement; SDCWA's claim, Metropolitan's cross-claims, and Metropolitan's affirmative defenses regarding the applicability of Proposition 26, finding that Proposition 26 applies to Metropolitan's rates and charges, with the court also stating that whether Metropolitan violated Proposition 26 is a separate issue; and Metropolitan's cross-claims and affirmative defenses regarding the applicability of Government Code section 54999.7, finding that section 54999.7 applies to Metropolitan's rates. The court denied SDCWA's motion on certain other Metropolitan cross-claims and affirmative defenses.

Damages sought by SDCWA in connection with its claims for offsetting benefits credit under the Exchange Agreement exceed $334 million for the six years (2015 through 2020) at issue in these cases. In the event that SDCWA were to prevail in a final adjudication of this issue, a determination of offsetting benefits credit due to SDCWA, if any, could impact the Exchange Agreement price in future years.

Trial of the 2014, 2016 and 2018 cases occurred May 16 to July 1, 2022. Subsequent to the July 1, 2022 trial closing date of the 2014, 2016 and 2018 cases, the parties filed post-trial briefs on August 19, 2022. On September 14, 2022, the court granted in part and denied in part SDCWA's motion for partial judgment; the rulings did not resolve any claims or cross-claims. Trial closing arguments were held on September 27, 2022. As directed by the court, the parties filed proposed statements of decision on December 16, 2022.

On December 27, 2022, the court entered the parties' stipulation memorializing the earlier resolution of the Water Stewardship Rate claims in SDCWA's favor, except a cross-claim that Metropolitan withdrew via the stipulation.

On March 14, 2023, the court issued an amended order on SDCWA's motion for partial judgment to address Metropolitan's request for a declaration on Metropolitan's cost causation obligations when setting rates. The court ruled that Metropolitan cannot demonstrate that a declaration regarding cost causation is the proper subject for declaratory relief.

~~On~~After issuing a tentative statement of decision on March 14, 2023, and receiving SDCWA's objections on March 29, 2023, on April 25, 2023, the court issued its ~~tentative~~final statement of decision concerning the trial in the 2014, 2016, and 2018 cases. For each claim litigated at trial, the court ruled in favor of Metropolitan or found the claim to be moot based on the rulings in Metropolitan's favor. The court concluded: (1) the duty to ~~charge fair compensation~~include a reasonable credit for any offsetting benefits pursuant to the Wheeling Statutes did not arise and Metropolitan did not breach the Exchange Agreement by failing to calculate a reasonable credit for any offsetting benefits; (2) because Metropolitan did not breach the Exchange Agreement, the court need not address damages; (3) Metropolitan's conditional claims to reform the Exchange Agreement, if SDCWA prevailed, are moot; (4) Metropolitan's conditional claim for a declaration of its rights and duties under the Wheeling Statutes, if SDCWA prevailed on its claim that the Wheeling Statutes apply to the Exchange Agreement~~,~~ ~~are~~ is moot (the court stated that while it finds offsetting benefits under the Wheeling Statutes do not apply to the Exchange Agreement's price term, the court "has made no express finding whether the Wheeling Statutes apply"); (~~4~~5) SDCWA's rate challenges are rejected; and (~~5~~6) SDCWA's request for a declaration that it could not be required to contribute to a damages, fees, or costs award in the cases is moot. ~~The decision is tentative, pending SDCWA's statutory right to file an objection.~~

~~Also on March 14, 2023, the court issued an amended order on SDCWA's motion for partial judgment to address Metropolitan's request for a declaration on Metropolitan's cost causation obligations when setting rates. The court ruled that Metropolitan cannot demonstrate that a declaration regarding cost causation is the proper subject for declaratory relief.~~

The court will issue a final judgment in the 2014, 2016, and 2018 cases, which will be subject to appeal. The parties dispute the appropriate form of final judgment and whether a writ should issue. Following briefing, a hearing on the matter occurred on March 13, 2024. Thereafter, the court will determine the prevailing party, if any, for purposes of fees and costs. Either party may appeal from the final judgment.

Metropolitan is unable to assess at this time the likelihood of success of the pending cases, any possible appeals, settlements or any future claims.

Other Revenue Sources

Hydroelectric Power ~~Recovery~~ Revenues. Metropolitan has constructed 15 small hydroelectric plants on its distribution system. The combined generating capacity of these plants is approximately 130 megawatts, and is dependent on available water sources. The plants are located in Los Angeles, Orange, Riverside, and San Diego Counties at existing pressure control structures and other locations. ~~Since 2000, annual energy generation sales revenues have ranged between $7.3 million and nearly $29.6 million, fluctuating with available water supplies. Hydroelectric power sales revenues from the hydroelectric power plants were $7.7 million in fiscal year 2021-22.~~

In addition, the ***~~CRA Power Sale Revenues.~~*** ~~The~~ power requirements for the CRA are offset, in part, by Metropolitan's hydroelectric power generation entitlements from Hoover and Parker dams. A net revenue stream~~, referred to as CRA power sales,~~ results when the CRA power needs are less than Metropolitan's Hoover and Parker power entitlements, and in which the excess energy is imported and sold into the California Independent System Operator ("CAISO") market. ~~The total Hoover and Parker dam excess~~

Since 2000, annual energy generation sales revenues ~~were $11.4~~ have ranged between $6.0 million and nearly $29.6 million, fluctuating with available water supplies. Hydroelectric power revenues were $6.0 million in fiscal year ~~2020-21 and $3.25 million in fiscal year 2021-22~~2022-23.

Investment Income. In fiscal years ~~2019-20,~~ 2020-21, ~~and~~ 2021-2022, and 2022-23, Metropolitan's earnings on investments, including adjustments for gains and losses and premiums and discounts, including construction account and trust fund earnings, excluding gains and losses on swap terminations, on a cash basis (unaudited) were $~~18.1 million, $~~12.7 million, ~~and~~ $11.3 million, and $27.3 million, respectively.

Investment of Moneys in Funds and Accounts

The Board has delegated to the Treasurer the authority to invest funds. All moneys in any of the funds and accounts established pursuant to Metropolitan's water revenue or general obligation bond resolutions are managed by the Treasurer in accordance with Metropolitan's Statement of Investment Policy. All Metropolitan funds available for investment are currently invested in United States Treasury and agency securities, supranationals, commercial paper, negotiable certificates of deposit, banker's acceptances, corporate notes, municipal bonds, government-sponsored enterprise, money market funds, California Asset Management Program ("CAMP") and the California Local Agency Investment Fund ("LAIF"). CAMP is a program created through a joint powers agency as a pooled short-term portfolio and cash management vehicle for California public agencies. CAMP is a permitted investment for all local agencies under California Government Code Section 53601(p). LAIF is a voluntary program created by statute as an investment alternative for California's local governments and special districts. LAIF permits such local agencies to participate in an investment portfolio, which invests billions of dollars, managed by the State Treasurer's Office.

The Statement of Investment Policy provides that in managing Metropolitan's investments, the primary objective shall be to safeguard the principal of the invested funds. The secondary objective shall be to meet all liquidity requirements and the third objective shall be to achieve a return on the invested funds. Although the Statement of Investment Policy permits investments in some government-sponsored enterprise, the portfolio does not include any of the special investment vehicles related to sub-prime mortgages. Metropolitan's current investments comply with the Statement of Investment Policy.

As of February ~~28~~29, ~~2023~~2024, the total market value (cash-basis) of all Metropolitan invested funds was $~~1.3~~1.1 billion. The market value of Metropolitan's investment portfolio is subject to market fluctuation and volatility and general economic conditions. Over the three years ended February ~~28~~29, ~~2023~~2024, the market value of the month-end balance of Metropolitan's investment portfolio (excluding bond reserve funds) averaged approximately $1.3 billion. The minimum month-end balance of Metropolitan's investment portfolio (excluding bond reserve funds) during such period was approximately $~~887.3~~969.0 million on ~~July~~October 31, ~~2020~~2023. See Note 3 to Metropolitan's audited financial statements in Appendix B for additional information on the investment portfolio.

Metropolitan's Administrative Code requires that (1) the Treasurer provide an annual Statement of Investment Policy for approval by Metropolitan's Board, (2) the Treasurer provide a monthly investment report to the Board and the General Manager showing by fund the description, maturity date, yield, par, cost and current market value of each security, and (3) the General Counsel review as to eligibility the securities invested in by the Treasurer for that month and report his or her determinations to the Board. The Board approved the Statement of Investment Policy for fiscal year ~~2022-23~~2023-24 on June ~~14~~13, ~~2022~~2023.

Subject to the provisions of Metropolitan's water revenue or general obligation bond resolutions, obligations purchased by the investment of bond proceeds in the various funds and accounts established pursuant to a bond resolution are deemed at all times to be a part of such funds and accounts and any income realized from investment of amounts on deposit in any fund or account therein will be credited to such fund or account. The Treasurer is required to sell or present for redemption any investments whenever it may be necessary to do so in order to provide moneys to meet required payments or transfers

from such funds and accounts. For the purpose of determining at any given time the balance in any such funds, any such investments constituting a part of such funds and accounts will be valued at the then estimated or appraised market value of such investments.

All investments, including those authorized by law from time to time for investments by public agencies, contain certain risks. Such risks include, but are not limited to, a lower rate of return than expected and loss or delayed receipt of principal. The occurrence of these events with respect to amounts held under Metropolitan's water revenue or general obligation revenue bond resolutions, or other amounts held by Metropolitan, could have a material adverse effect on Metropolitan's finances. These risks may be mitigated, but are not eliminated, by limitations imposed on the portfolio management process by Metropolitan's Statement of Investment Policy.

The Statement of Investment Policy requires that investments have a minimum credit rating of "A-1/P-1/F1" for short-term securities and "A" for longer-term securities, without regard to modifiers, at the time of purchase. If a security is downgraded below the minimum rating criteria specified in the Statement of Investment Policy, the Treasurer shall determine a course of action to be taken on a case-by-case basis considering such factors as the reason for the downgrade, prognosis for recovery, or further rating downgrades, and the market price of the security. The Treasurer is required to note in the Treasurer's monthly report any securities which have been downgraded below Policy requirements and the recommended course of action.

The Statement of Investment Policy also limits the amount of securities that can be purchased by category, as well as by issuer, and prohibits investments that can result in zero interest income. Metropolitan's securities are settled on a delivery versus payment basis and are held by an independent third-party custodian. See Metropolitan's financial statements included in APPENDIX B– "THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA ~~INDEPENDENT AUDITORS' REPORT AND BASIC FINANCIAL STATEMENTS~~ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEARS ENDED JUNE 30, ~~2022~~2023 AND JUNE 30, ~~2021~~2022 AND BASIC FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED DECEMBER 31, ~~2022~~2023 AND ~~2021~~2022 (UNAUDITED)" for a description of Metropolitan's investments at June 30, ~~2022~~2023, and December 31, ~~2022~~2023.

Metropolitan retains an outside investment firm to manage its core portfolio, a portion of the liquidity portfolio, and the ~~Lake Matthews trust fund. This firm manages~~Endowment Portfolio. The Endowment Portfolio includes the Lake Matthews Trust, DVR Multi-Species Reserve Fund, Habitat Maintenance Fund-Lower Colorado, Water Utility Climate Alliance Membership, and the HCP Remedial Measures Fund. This firm managed approximately $~~990.2~~778.3 million in total investments on behalf of Metropolitan as of February ~~28~~29, ~~2023~~2024. All outside managers are required to adhere to Metropolitan's Statement of Investment Policy.

Metropolitan's Statement of Investment Policy may be changed at any time by the Board (subject to State law provisions relating to authorized investments). There can be no assurance that ~~the~~ State law and/or the Statement of Investment Policy will not be amended in the future to allow for investments that are currently not permitted under State law or the Statement of Investment Policy, or that the objectives of Metropolitan with respect to investments or its investment holdings at any point in time will not change.

METROPOLITAN EXPENSES

General

The following table sets forth a summary of Metropolitan's expenses, by major function, for the five years ended June 30, 2023. Data for the four fiscal years ended on or prior to June 30, 2022~~,~~ is presented on a modified accrual basis, consistent with Metropolitan's budgetary reporting for such fiscal years. In fiscal year 2022-23, the basis for budgeting was changed, therefore data for the fiscal year ended June 30, 2023 is presented on a cash basis. For comparative purposes, Metropolitan has provided a summary of its revenues and expenditures for fiscal year 2021-22 on both a modified accrual basis and a cash basis under "HISTORICAL AND PROJECTED REVENUES AND EXPENSES" in this Appendix A. All information is unaudited. Expenses of Metropolitan for the fiscal years ended June 30, ~~2022~~2023 and June 30, ~~2021~~2022, on an accrual basis, are shown in Metropolitan's audited financial statements included in Appendix B.

SUMMARY OF EXPENSES
Fiscal Years Ended June 30
(Dollars in Millions)

	Modified Accrual				Cash
	~~2018~~2019	2020	2021	2022	2023
Operation and Maintenance Costs[1][2]	$ ~~568~~ 569	$ 641	$ 636	$ 797	$ 940
Total State Water Project[2~~3~~]	~~527~~ 482	519	547	547	578
Total Debt Service	~~360~~ 347	285	286	283	301
Construction Expenses from Revenues[3~~4~~]	~~98~~ 128	39	110	135	135
Other[4~~5~~]	~~5~~ 6	6	6	55	7
Total Expenses (net of reimbursements)	$~~1,558~~ 1,532	$ 1,490	$ 1,585	$ 1,817	$ 1,961

Source: Metropolitan.

[1] ~~(1)~~ Includes operation and maintenance, debt administration, conservation and local resource programs, CRA power, and water supply expenses. Fiscal year ~~2017-18 includes $1 million of conservation and supply program expenses funded from transfers from the Water Management Fund.~~2020-21, fiscal year 2021-22, and fiscal year 2022-23 include $25 million, $25 million, and $34.5 million for Delta Conveyance expenses, respectively. See

"METROPOLITAN'S WATER SUPPLY–State Water Project – Bay-Delta Proceedings Affecting State Water Project – *Delta Conveyance*."

(2) The higher level of increases in Operation and Maintenance costs in fiscal years 2021-22 and 2022-23 over prior years primarily reflects significant increases in the costs of chemicals and other materials resulting from shortages or supply chain issues and higher than average CRA power and supply program costs.

(3) ~~(2)~~ Includes operating and capital expense portions and Delta Conveyance.

(4) ~~(3)~~ At the discretion of the Board, in any given year, Metropolitan may increase or decrease funding available for construction disbursements to be paid from revenues. Does not include expenditures of bond proceeds.

(5) ~~(4)~~ Includes operating equipment. Fiscal year ~~2021-22~~2021-22 includes $51 million for SDCWA litigation payments.

Revenue Bond Indebtedness and Other Obligations

As of April 1, ~~2023~~2024, Metropolitan had total outstanding indebtedness secured by a lien on Net Operating Revenues of $~~3.66~~3.90 billion. This indebtedness was comprised of (a)(i) $~~2.45~~2.63 billion of Senior Revenue Bonds issued under the Senior Debt Resolutions (each as defined below), which includes $~~2.12~~2.30 billion of fixed rate Senior Revenue Bonds, and $331.9 million of variable rate Senior Revenue Bonds; and (~~b) $1.21~~ ii) $176.4 million of senior lien short-term notes issued pursuant to Metropolitan's Short-Term Revolving Credit Facility (described below), which bear interest at a variable rate, and which are Senior Parity Obligations (which includes all obligations payable from Net Operating Revenues on parity with the Senior Revenue Bonds) (see "–Outstanding Senior Revenue Bonds and Senior Parity Obligations –Senior Parity Obligations"); and (b) $1.09 billion of Subordinate Revenue Bonds issued under the Subordinate Debt Resolutions (each as defined below), which includes $~~712.8~~599.6 million of fixed rate Subordinate Revenue Bonds, and $493.4 million of variable rate Subordinate Revenue Bonds. In addition, Metropolitan has $~~372.7~~338.1 million of fixed-payor interest rate swaps which provides a fixed interest rate hedge to an equivalent amount of variable rate debt. Metropolitan's revenue bonds and other revenue obligations are more fully described below.

REVENUE BOND INDEBTEDNESS AND OTHER OBLIGATIONS
(as of April 1, ~~2023~~2024)

	Variable Rate	Fixed Rate	Total
Senior Lien Revenue Bonds	$ 331,875,000	~~$2,120,335,000~~ 2,301,600,000	~~$2,452,210,000~~ 2,633,475,000
Senior Lien Short-Term Notes	176,400,000	—	176,400,000
Subordinate Lien Revenue Bonds	493,415,000	~~712,770,000~~ 599,595,000	~~1,206,185,000~~ 1,093,010,000
Total	**~~$ 825,290,000~~ 1,001,690,000**	**~~$2,833,105,000~~ 2,901,195,000**	**~~$3,658,395,000~~ 3,902,885,000**
Fixed-Payor Interest Rate Swaps	(~~372,690,000~~33 8,060,000)	~~372,690,000~~ 338,060,000	~~———~~ —
Net Amount (after giving effect to Swaps)	**~~$ 452,600,000~~ 663,630,000**	**~~$3,205,795,000~~ 3,239,255,000**	**~~$3,658,395,000~~ 3,902,885,000**

Source: Metropolitan.

As described under "–Outstanding Senior Revenue Bonds and Senior Parity ~~Obligations – Senior~~Obligations–Senior Parity Obligations," in ~~June 2022~~March 2024, Metropolitan entered into a ~~revolving credit facility~~Short-Term Revolving Credit Facility pursuant to which Metropolitan may issue senior lien short-term notes from time-to-time, bearing interest at a variable rate, and payable on parity with Metropolitan's Senior Revenue Bonds. As of April 1, 2024, $176,400,000 of senior lien short-term notes were outstanding under such Short-Term Revolving Credit Facility. A portion of the outstanding senior lien short-term notes are being refunded with proceeds of Metropolitan's Water Revenue Refunding Bonds, 2024 Series A (the "2024A Bonds").

Limitations on Additional Revenue Bonds

Resolution 8329, adopted by Metropolitan's Board on July 9, 1991, as amended and supplemented (the "Master Senior Resolution," and collectively with all such supplemental resolutions, the "Senior Debt Resolutions"), provides for the issuance of Metropolitan's senior lien water revenue bonds. The Senior Debt Resolutions establish limitations on the issuance of additional obligations payable from Net Operating Revenues. Under the Senior Debt Resolutions, no additional bonds, notes or

other evidences of indebtedness payable out of Operating Revenues may be issued having any priority in payment of principal, redemption premium, if any, or interest over any water revenue bonds authorized by the Senior Debt Resolutions ("Senior Revenue Bonds") or other obligations of Metropolitan having a lien and charge upon, or being payable from, the Net Operating Revenues on parity with such Senior Revenue Bonds ("Senior Parity Obligations"). No additional Senior Revenue Bonds or Senior Parity Obligations may be issued or incurred unless the conditions of the Senior Debt Resolutions have been satisfied.

Resolution 9199, adopted by Metropolitan's Board on March 8, 2016, as amended and supplemented (the "Master Subordinate Resolution," and collectively with all such supplemental resolutions, the "Subordinate Debt Resolutions," and together with the Senior Debt Resolutions, the "Revenue Bond Resolutions"), provides for the issuance of Metropolitan's subordinate lien water revenue bonds and other obligations secured by a pledge of Net Operating Revenues that is subordinate to the pledge securing Senior Revenue Bonds and Senior Parity Obligations. The Subordinate Debt Resolutions establish limitations on the issuance of additional obligations payable from Net Operating Revenues. Under the Subordinate Debt Resolutions, with the exception of Senior Revenue Bonds and Senior Parity Obligations, no additional bonds, notes or other evidences of indebtedness payable out of Operating Revenues may be issued having any priority in payment of principal, redemption premium, if any, or interest over any subordinate water revenue bonds authorized by the Subordinate Debt Resolutions ("Subordinate Revenue Bonds" and, together with Senior Revenue Bonds, "Revenue Bonds") or other obligations of Metropolitan having a lien and charge upon, or being payable from, the Net Operating Revenues on parity with the Subordinate Revenue Bonds ("Subordinate Parity Obligations"). No additional Subordinate Revenue Bonds or Subordinate Parity Obligations may be issued or incurred unless the conditions of the Subordinate Debt Resolutions have been satisfied.

The laws governing Metropolitan's ability to issue water revenue bonds currently provide two additional limitations on indebtedness that may be incurred by Metropolitan. The Act provides for a limit on general obligation bonds, water revenue bonds and other evidences of indebtedness of 15 percent of the assessed value of all taxable property within Metropolitan's service area. As of April 1, ~~2023~~2024, outstanding general obligation bonds, water revenue bonds and other evidences of indebtedness in the amount of $~~3.68~~3.92 billion represented approximately 0.10 percent of the fiscal year ~~2022-23~~2023-24 taxable assessed valuation of $~~3,624.8~~3,861.4 billion. The second limitation under the Act specifies that no revenue bonds may be issued, except for the purpose of refunding, unless the amount of net assets of Metropolitan as shown on its balance sheet as of the end of the last fiscal year prior to the issuance of such bonds, equals at least 100 percent of the aggregate amount of revenue bonds outstanding following the issuance of such bonds. The net assets of Metropolitan at June 30, ~~2022~~2023 were $~~7.46~~7.45 billion. The aggregate amount of revenue bonds outstanding as of April 1, ~~2023~~2024 was $~~3.66~~3.73 billion. The limitation does not apply to other forms of financing available to Metropolitan. Audited financial statements including the net assets of Metropolitan as of June 30, ~~2022~~2023 and June 30, ~~2021~~2022 are shown in Metropolitan's audited financial statements included in APPENDIX B–"THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA ~~INDEPENDENT AUDITORS' REPORT AND BASIC FINANCIAL STATEMENTS~~ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEARS ENDED JUNE 30, ~~2022~~2023 AND JUNE 30, ~~2021~~2022 AND BASIC FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED DECEMBER 31, ~~2022~~2023 AND ~~2021~~2022 (UNAUDITED)."

Metropolitan provides no assurance that the Act's limitations on indebtedness will not be revised or removed by future legislation. Limitations under the Revenue Bond Resolutions respecting the issuance of additional obligations payable from Net Operating Revenues on parity with the Senior Revenue Bonds and Subordinate Revenue Bonds of Metropolitan will remain in effect so long as any Senior Revenue Bonds and Subordinate Revenue Bonds authorized pursuant to the applicable Revenue

Bond Resolutions are outstanding, provided however, that the Revenue Bond Resolutions are subject to amendment and supplement in accordance with their terms.

Variable Rate Exposure Policy

As of April 1, ~~2023~~2024, Metropolitan had outstanding $~~331.9~~508.3 million of variable rate obligations issued as Senior Revenue Bonds under the Senior Debt Resolutions and variable rate short-term notes incurred as Senior Parity Obligations under Metropolitan's Short-Term Revolving Credit Facility (described under "–Outstanding Senior Revenue Bonds and Senior Parity Obligations~~ –Variable Rate and Swap Obligations~~" below). In addition, as of April 1, ~~2023~~2024, $493.4 million of ~~Metropolitan's $1.21 billion of outstanding~~variable rate Subordinate Revenue Bonds issued under the Subordinate Debt Resolutions ~~and other Subordinate Parity Obligations were variable rate obligations~~were outstanding (described under "–Outstanding Subordinate Revenue Bonds and Subordinate Parity Obligations" below).

As of April 1, ~~2023~~2024, of Metropolitan's $~~825.3 million~~1.00 billion of variable rate obligations, $~~372.7~~338.1 million of such variable rate demand obligations are treated by Metropolitan as fixed rate debt, by virtue of interest rate swap agreements (described under "–Outstanding Senior Revenue Bonds and Senior Parity Obligations –Variable Rate and Swap Obligations – *Interest Rate Swap Transactions*" below), for the purpose of calculating debt service requirements. The remaining $~~452.6~~663.6 million of variable rate obligations represent approximately ~~12.4~~17.0 percent of total outstanding water revenue secured indebtedness (including Senior Revenue Bonds and Senior Parity Obligations and Subordinate Revenue Bonds and Subordinate Parity Obligations), as of April 1, ~~2023~~2024.

Metropolitan's variable rate exposure policy requires that variable rate debt be managed to limit net interest cost increases within a fiscal year as a result of interest rate changes to no more than $5 million. In addition, the maximum amount of variable interest rate exposure (excluding variable rate bonds associated with interest rate swap agreements) is limited to 40 percent of total outstanding water revenue bond debt. Variable rate debt capacity will be reevaluated as interest rates change and managed within these parameters.

~~The periodic payments due to Metropolitan from counterparties under its outstanding interest rate swap agreements are calculated by reference to the London interbank offering rate ("LIBOR"). On July 27, 2017, the Financial Conduct Authority (the "FCA"), the U.K. regulatory body responsible for the regulation and supervision of LIBOR, announced that it would no longer persuade or compel banks to submit rates for the calculation of the LIBOR rates after 2021 (the "FCA Announcement"). Following a consultation announced in November 2020 by the Intercontinental Exchange Benchmark Administration ("IBA"), the administrator of LIBOR authorized and regulated by the FCA, with the support of the Federal Reserve Board and the FCA, made a formal announcement on March 5, 2021 that the date for the cessation of the publication of various tenors of USD LIBOR (or date on which any published USD LIBOR rate for such tenors would cease to be representative) would be: (1) December 31, 2021, for the one week and two month USD LIBOR, and (2) June 30, 2023, for all other tenors of USD LIBOR, including the one month LIBOR and three month LIBOR, the most widely used tenors of USD LIBOR and which are used to determine the periodic payments due to Metropolitan from swap counterparties. Metropolitan currently expects to adopt the terms of the ISDA 2020 IBOR Fallbacks Protocol for its existing swap agreements by June 30, 2023. Under the terms of the ISDA 2020 IBOR Fallbacks Protocol, the floating rate calculations based on a USD LIBOR rate will switch to a term adjusted Secured Overnight Financing Rate ("SOFR") rate plus a spread adjustment. Metropolitan does not expect a material change in its swap payments as a result of the transition to the new SOFR based alternate benchmark rate.~~

Outstanding Senior Revenue Bonds and Senior Parity Obligations

Senior Revenue Bonds

The water revenue bonds issued under the Senior Debt Resolutions outstanding as of April 1, ~~2023~~2024 are set forth below:

Outstanding Senior Revenue Bonds

Name of Issue	Principal Outstanding
Water Revenue Refunding Bonds, 2011 Series C	$ 29,315,000
Water Revenue Refunding Bonds, 2014 Series E	~~33,910,000~~ 3,560,000
Water Revenue Bonds, 2015 Authorization, Series A	~~54,880,000~~ 50,860,000
Water Revenue Refunding Bonds, 2016 Series A	112,415,000
Special Variable Rate Water Revenue Refunding Bonds, 2016 Series B-2[(1)]	25,325,000
Water Revenue Bonds, 2017 Authorization, Series A[(1)]	24,275,000
Water Revenue Refunding Bonds, 2018 Series B	~~119,690,000~~ 114,615,000
Water Revenue Refunding Bonds, 2019 Series A	218,090,000
Water Revenue Bonds, 2020 Series A	207,355,000
Special Variable Rate Water Revenue Refunding Bonds, 2020 Series B[(2)]	271,815,000
Water Revenue Refunding Bonds, 2020 Series C	~~263,230,000~~ 255,900,000
Water Revenue Bonds, 2021 Series A	188,890,000
Water Revenue Refunding Bonds, 2021 Series B	~~87,810,000~~ 74,465,000
Water Revenue Refunding Bonds, 2022 Series A	~~279,570,000~~ 268,360,000
Water Revenue Refunding Bonds, 2022 Series B	253,365,000
Special Variable Rate Water Revenue Refunding Bonds, 2022 Series C-1 and C-2[(~~1~~2)]	282,275,000
Water Revenue Bonds, 2023 Series A	252,595,000
Total	**$~~2,452,210,000~~ 2,633,475,000**

Source: Metropolitan.

[(1)] ~~(1)~~ Outstanding variable rate obligation.

~~(2) Currently in a long mode at a fixed interest rate to April 2, 2024.~~

[(2)] Effective as of April 2, 2024, to bear interest at a variable rate in a long mode to July 1, 2024. Expected to be refunded from proceeds of Metropolitan's 2024A Bonds.

Variable Rate Bonds and Swap Obligations

As of April 1, ~~2023, Metropolitan had~~ 2024, of Metropolitan's $2.63 billion of outstanding Senior Revenue Bonds, $331.9 million ~~of senior lien~~were variable rate ~~obligations. The outstanding variable rate obligations consist of~~ Senior Revenue Bonds issued under the Senior Debt Resolutions (described under this caption "–Variable Rate Bonds and Swap Obligations") ~~as variable rate demand obligations~~ in either a daily mode or a weekly mode and supported by standby bond purchase agreements between Metropolitan and various liquidity providers (~~the~~ "Liquidity Supported Senior Revenue Bonds").

Liquidity Supported Senior Revenue Bonds. Metropolitan's outstanding variable rate demand obligations issued under the Senior Debt Resolutions, totaling $331.9 million as of April 1, ~~2023~~2024, consisted of $49.6 million principal amount of variable rate Senior Revenue Bonds, the interest rates on which are currently reset on a daily basis, and $282.3 million principal amount of variable rate Senior Revenue Bonds, the interest rates on which are reset on a weekly basis. The variable rate demand obligations bearing interest at a daily rate are subject to optional tender on any business day with same day notice by the owners thereof and mandatory tender upon specified events. The variable rate demand obligations bearing interest at a weekly rate are subject to optional tender on any business day upon seven days' notice by the owners thereof and mandatory tender upon specified events. Such variable rate demand obligations are supported by standby bond purchase agreements between Metropolitan and liquidity providers that provide for purchase of variable rate bonds by the applicable liquidity provider upon tender of such variable rate bonds and a failed remarketing. Metropolitan has secured its obligation to repay principal and interest advanced under the standby bond purchase agreements as Senior Parity Obligations. A decline in the creditworthiness of a liquidity provider will likely result in an increase in the interest rate of the applicable variable rate bonds, as well as an increase in the risk of a failed remarketing of such tendered variable rate bonds. Variable rate bonds purchased by a liquidity provider ("bank bonds") would initially bear interest at a per annum interest rate equal to, depending on the liquidity facility, either: (a) the highest of (i) the Prime Rate, (ii) the Federal Funds Rate plus one-half of a percent, or (iii) seven and one-half percent (with the spread or rate increasing in the case of each of (i), (ii) and (iii) of this clause (a) by one percent after 60 days); or (b) the highest of (i) the Prime Rate plus one percent, (ii) Federal Funds Rate plus two percent, and (iii) seven percent (with the spread or rate increasing in the case of each of (i), (ii) and (iii) of this clause (b) by one percent after 90 days). To the extent such bank bonds have not been remarketed or otherwise retired as of the earlier of the 60th day following the date such bonds were purchased by the liquidity provider or the stated expiration date of the related liquidity facility, Metropolitan's obligation to reimburse the liquidity provider may convert the term of the variable rate bonds purchased by the liquidity provider into a term loan payable under the terms of the current liquidity facilities in semi-annual installments over a period ending on ~~either~~ the third anniversary of the date on which the variable rate bonds were purchased by the liquidity provider. In addition, upon an event of default under any such liquidity facility, including a failure by Metropolitan to perform or observe its covenants under the applicable standby bond purchase agreement, a default in other specified indebtedness of Metropolitan, or other specified events of default (including a reduction in the credit rating assigned to Senior Revenue Bonds issued under the Senior Debt Resolutions by any of Fitch, S&P or Moody's below "A–" or "A3"), the liquidity provider could require all bank bonds to be subject to immediate mandatory redemption by Metropolitan.

The following table lists the current liquidity providers, the current expiration date of each facility, and the principal amount of outstanding variable rate demand obligations covered under each facility as of April 1, ~~2023~~2024.

Liquidity Facilities and Expiration Dates

Liquidity Provider	Bond Issue	Principal Outstanding	Facility Expiration
TD Bank, N.A.	2016 Series B-2	$ 25,325,000	January 2026

TD Bank, N.A.	2022 Series C-1	147,650,000	January 2026
PNC Bank, N.A.	2017 Authorization Series A	24,275,000	January 2026
PNC Bank, N.A.	2022 Series C-2	134,625,000	January 2026
Total		**$ 331,875,000**	

Source: Metropolitan.

Interest Rate Swap Transactions. By resolution adopted on September 11, 2001, Metropolitan's Board authorized the execution of interest rate swap transactions and related agreements in accordance with a master swap policy, which was subsequently amended by resolutions adopted on July 14, 2009 and May 11, 2010. Metropolitan may execute interest rate swaps if the transaction can be expected to reduce exposure to changes in interest rates on a particular financial transaction or in the management of interest rate risk derived from Metropolitan's overall asset/liability balance, result in a lower net cost of borrowing or achieve a higher net rate of return on investments made in connection with or incidental to the issuance, incurring or carrying of Metropolitan's obligations or investments, or manage variable interest rate exposure consistent with prudent debt practices and Board-approved guidelines. The Assistant General Manager, Finance & Administration reports to the Finance, Audit, Insurance and Real Estate Committee of Metropolitan's Board each quarter on outstanding swap transactions, including notional amounts outstanding, counterparty exposures and termination values based on then-existing market conditions.

Metropolitan currently has one type of interest rate swap, referred to in the table below as "Fixed Payor Swaps." Under this type of swap, Metropolitan receives payments that are calculated by reference to a floating interest rate and makes payments that are calculated by reference to a fixed interest rate.

Metropolitan's obligations to make regularly scheduled net payments under the terms of the interest rate swap agreements are payable on a parity with the Senior Parity Obligations. Termination payments under the 2002A and 2002B interest rate swap agreements would be payable on a parity with the Senior Parity Obligations. Termination payments under all other interest rate swap agreements would be on parity with the Subordinate Parity Obligations.

The periodic payments due to Metropolitan from counterparties under its outstanding interest rate swap agreements were previously calculated by reference to the London interbank offering rate ("LIBOR"). On June 30, 2023, LIBOR rates for all tenors used to determine the periodic payments due to Metropolitan from swap counterparties ceased to be published. Prior to such date, Metropolitan adopted the terms of the ISDA 2020 IBOR Fallbacks Protocol for its existing swap agreements. Under the terms of the ISDA 2020 IBOR Fallbacks Protocol, the floating rate calculations based on a USD LIBOR rate switched to a term-adjusted Secured Overnight Financing rate ("SOFR") plus an adjustment. For Metropolitan swaps that had used one-month and three-month LIBOR, the new floating rate for one-month LIBOR will be SOFR plus 0.11448 basis points ("bps"), and the new floating rate for three-month LIBOR will be SOFR plus 0.26161 basis points ("bps").

The following swap transactions were outstanding as of April 1, ~~2023~~2024:

FIXED PAYOR SWAPS:

Designation	Notional Amount Outstanding	Swap Counterparty	Fixed Payor Rate	Metropolitan Receives	Maturity Date
2002 A	$ ~~34,553,750~~23,648,450	Morgan Stanley Capital Services, Inc.	3.300%	57.74% ~~of one-month LIBOR~~ x (SOFR	7/1/2025

				plus 11.448 bps)	
2002 B	~~12,926,250~~ 8,846,550	JPMorgan Chase Bank	3.300	57.74% ~~of one-month LIBOR~~x (SOFR	7/1/2025
				plus 11.448 bps)	
2003	~~131,912,500~~ 122,317,500	Wells Fargo Bank	3.257	61.20% ~~of one-month LIBOR~~x (SOFR	7/1/2030
				plus 11.448 bps)	
2003	~~131,912,500~~ 122,317,500	JPMorgan Chase Bank	3.257	61.20% ~~of one-month LIBOR~~x (SOFR	7/1/2030
				plus 11.448 bps)	
2004 C	4,672,250	Morgan Stanley Capital Services, Inc.	2.980	61.55% ~~of one-month LIBOR~~x (SOFR	10/1/2029
				plus 11.448 bps)	
2004 C	3,822,750	Citigroup Financial Products, Inc.	2.980	61.55% ~~of one-month LIBOR~~ x (SOFR	10/1/2029
				plus 11.448 bps)	
2005	~~26,445,000~~ 26,217,000	JPMorgan Chase Bank	3.360	70% ~~of 3-month LIBOR~~ x (SOFR	7/1/2030
				plus 26.161 bps)	
2005	26,217,000 ~~26,445,000~~	Citigroup Financial Products, Inc.	3.360	70% ~~of 3-month LIBOR~~ x (SOFR	7/1/2030
~~Total~~	~~$372,690,000~~			plus 26.161 bps)	
Total	**$ 338,060,000**				

Source: Metropolitan.

These interest rate swap agreements entail risk to Metropolitan. One or more counterparties may fail or be unable to perform, interest rates may vary from assumptions, Metropolitan may be required to post collateral in favor of its counterparties and Metropolitan may be required to make significant payments in the event of an early termination of an interest rate swap. Metropolitan seeks to manage counterparty risk by diversifying its swap counterparties, limiting exposure to any one counterparty, requiring collateralization or other credit enhancement to secure swap payment obligations, and by requiring minimum credit rating levels. Initially, swap counterparties must be rated at least "Aa3" or "AA-", or equivalent by any two of the nationally recognized credit rating agencies; or use a "AAA" subsidiary as rated by at least one nationally recognized credit rating agency. Should the credit rating of an existing swap counterparty drop below the required levels, Metropolitan may enter into additional swaps if those swaps are "offsetting" and risk-reducing swaps. Each counterparty is initially required to have minimum capitalization of at least $150 million. See Note 5(e) in Metropolitan's audited financial statements in Appendix B.

Early termination of an interest rate swap agreement could occur due to a default by either party or the occurrence of a termination event (including defaults under other specified swaps and indebtedness, certain acts of insolvency, if a party may not legally perform its swap obligations, or, with respect to Metropolitan, if its credit rating is reduced below "BBB–" by Moody's or "Baa3" by S&P (under most of the interest rate swap agreements) or below "BBB" by Moody's or "Baa2" by S&P (under one of the interest rate swap agreements)). As of December 31, ~~2022~~2023, Metropolitan would have been required to pay to its counterparties termination payments if its swaps were terminated on that date. Metropolitan's net exposure

to its counterparties for all such termination payments on that date was approximately $~~9.7~~7.1 million. Metropolitan does not presently anticipate early termination of any of its interest rate swap agreements due to default by either party or the occurrence of a termination event. However, Metropolitan has previously exercised, and may in the future exercise, from time to time, optional early termination provisions to terminate all or a portion of certain interest rate swap agreements.

Metropolitan is required to post collateral in favor of a counterparty to the extent that Metropolitan's total exposure for termination payments to that counterparty exceeds the threshold specified in the applicable swap agreement. Conversely, the counterparties are required to release collateral to Metropolitan or post collateral for the benefit of Metropolitan as market conditions become favorable to Metropolitan. As of December 31, ~~2022~~2023, Metropolitan had no collateral posted with any counterparty. The highest, month-end, amount of collateral posted was $36.8 million, on June 30, 2012, which was based on an outstanding swap notional amount of $1.4 billion at that time. The amount of required collateral varies from time to time due primarily to interest rate movements and can change significantly over a short period of time. See "METROPOLITAN REVENUES–Financial Reserve Policy" in this Appendix A. In the future, Metropolitan may be required to post additional collateral, or may be entitled to a reduction or return of the required collateral amount. Collateral deposited by Metropolitan is held by the counterparties; a bankruptcy of any counterparty holding collateral posted by Metropolitan could adversely affect the return of the collateral to Metropolitan. Moreover, posting collateral limits Metropolitan's liquidity. If collateral requirements increase significantly, Metropolitan's liquidity may be materially adversely affected. See "METROPOLITAN REVENUES–Financial Reserve Policy" in this Appendix A.

Direct Purchase Long Mode Bonds

In April 2020, Metropolitan entered into a Bond Purchase Agreement, dated as of April 1, 2020~~(~~, which was amended in March 2024 (as so amended, the "2020 Direct Purchase Agreement") with Wells Fargo Municipal Capital Strategies, LLC ("WFMCS"), for the purchase by WFMCS and sale by Metropolitan of Metropolitan's $271.8 million Special Variable Rate Water Revenue Refunding Bonds 2020 Series B (the "2020B Senior Revenue Bonds"). The 2020B Senior Revenue Bonds were issued for the purpose of refunding all of Metropolitan's then outstanding variable rate Senior Revenue Bonds that were designated as self-liquidity bonds as part of Metropolitan's self-liquidity program ("Self-Liquidity Bonds").

The 2020B Senior Revenue Bonds were issued under the Senior Debt Resolutions and are further described in a related paying agent agreement, dated as of April 1, 2020, as amended ~~by the Paying Agent Agreement Amendment No. 1, dated as of April 1, 2021 (together~~(as so amended, the "2020B Paying Agent Agreement"), by and between Metropolitan and Wells Fargo Bank, National Association, as paying agent. Pursuant to the 2020B Paying Agent Agreement, the 2020B Senior Revenue Bonds may bear interest from time to time in any one of several interest rate modes at the election of Metropolitan. The 2020B Senior Revenue Bonds currently bear interest in a Long Mode under the 2020B Paying Agent Agreement ~~at a Long Rate equal to 0.46 percent per annum for the Long Period ending on April 2, 2024~~. For the period that commenced on April 2, 2024 and will end on July 1, 2024, unless earlier terminated (the "new Long Period"), the 2020B Senior Revenue Bonds bear interest at a variable per annum interest rate equal to the sum of (1) 0.33%, plus (2) the product of (i) 80% and (ii) SOFR as administered by the Federal Reserve Bank of New York (or a successor administrator) as determined for each day in accordance with the 2020B Paying Agent Agreement. If not earlier prepaid or redeemed pursuant to the terms of the 2020 Direct Purchase Agreement and the 2020B Paying Agent Agreement, the 2020B Senior Revenue Bonds are subject to mandatory tender for purchase on ~~April 2~~July 1, 2024 (the "Mandatory Tender Date"), the last day of the new Long Period. The 2020B Senior Revenue Bonds were initially designated as Self-Liquidity Bonds pursuant to the 2020B Paying Agent Agreement and no standby bond purchase agreement or other liquidity facility is in effect for the purchase of such bonds.

The 2020B Senior Revenue Bonds are expected to be refunded with proceeds of Metropolitan's 2024A Bonds.

~~On or before the date 120 days prior to the end of the Long Period, Metropolitan may request WFMCS to purchase~~In the event the 2020B Senior Revenue Bonds ~~for another Long Period, or Metropolitan may seek to remarket the 2020B Senior Revenue Bonds to another bank or in the public debt markets in a new~~ are not refunded or otherwise converted to another interest rate mode or ~~at a fixed interest rate. In the event the 2020B Bonds are not purchased by WFMCS for a subsequent Long Period~~remarketed to a purchaser or purchasers other than WFMCS prior to the Mandatory Tender Date, Metropolitan is obligated under the 2020 Direct Purchase Agreement to cause 2020B Senior Revenue Bonds that have not been refunded or otherwise converted ~~to another interest rate mode~~ or remarketed ~~to a purchaser or purchasers other than WFMCS~~ ("Unremarketed 2020B Bonds") to be redeemed on the Mandatory Tender Date; provided, that if no default or event of default under the 2020 Direct Purchase Agreement shall have occurred and be continuing and the representations and warranties of Metropolitan shall be true and correct on the Mandatory Tender Date, then the principal amount of the Unremarketed 2020B Senior Revenue Bonds shall be due and payable on the date that is 30 days following the Mandatory Tender Date and shall accrue interest at the Purchaser Rate, a fluctuating interest per annum equal to, the greatest of the (i) the Prime Rate, (ii) Federal Funds Rate plus one-half of one percent, and (iii) five percent, as specified in the 2020 Direct Purchase Agreement. If no default or event of default under the 2020 Direct Purchase Agreement shall have occurred and be continuing and the representations and warranties of Metropolitan shall be true and correct at the end of such 30-day period, the Unremarketed 2020B Senior Revenue Bonds will continue to bear interest at the Purchaser Rate plus, after 180 days from the Mandatory Tender Date, a spread of one percent, and the principal amount of such Unremarketed 2020B Senior Revenue Bonds may, at Metropolitan's request, instead be subject to mandatory redemption in substantially equal installments payable every six months over an amortization period commencing six months after the Mandatory Tender Date and ending on the third anniversary of the Mandatory Tender Date.

Under the 2020 Direct Purchase Agreement, upon a failure by Metropolitan to pay principal or interest of any 2020B Senior Revenue Bonds, a failure by Metropolitan to perform or observe its covenants, a default in other specified indebtedness of Metropolitan, certain acts of bankruptcy or insolvency, or other specified events of default (including if S&P shall have assigned a credit rating below "BBB–," or if any of Fitch, S&P or Moody's shall have assigned a credit rating below "A–" or "A3," to Senior Revenue Bonds issued under the Senior Debt Resolutions), WFMCS has the right to cause a mandatory tender of the 2020B Senior Revenue Bonds and accelerate (depending on the event, seven days after the occurrence, or for certain events, only after 180 days' notice) Metropolitan's obligation to repay the 2020B Senior Revenue Bonds.

In connection with the execution of the 2020 Direct Purchase Agreement, Metropolitan designated the principal payable on the 2020B Senior Revenue Bonds on the Mandatory Tender Date as Excluded Principal Payments under the Senior Debt Resolutions and thus, for purposes of calculating Maximum Annual Debt Service, included the amount of principal and interest due and payable in connection therewith on a schedule of Assumed Debt Service. This schedule of Assumed Debt Service assumes that Metropolitan will pay the principal of the 2020B Senior Revenue Bonds over a period of 30 years at a fixed interest rate of approximately 5.00 percent.

Metropolitan has previously, and may in the future, enter into one or more self-liquidity revolving credit agreements which may be drawn upon for the purpose of paying the purchase price of any Self-Liquidity Bonds issued by Metropolitan, the repayment obligations of Metropolitan under which may be secured as either Senior Parity Obligations or Subordinate Parity Obligations.

Senior Parity Obligations

~~Wells Fargo~~Short-Term Revolving Credit Facility. In ~~June 2022~~March 2024, Metropolitan entered into a note purchase and continuing covenant agreement with ~~Wells Fargo~~ Bank~~, National Association (“Wells Fargo~~ of America, N.A. (“BANA”), for the purchase by ~~Wells Fargo~~BANA and sale by Metropolitan from time-to-time of short-term flexible rate revolving notes (the “~~Wells Fargo~~Short-Term Revolving Credit Facility”). Pursuant to the ~~Wells Fargo~~Short-Term Revolving Credit Facility, Metropolitan may borrow, pay down and re-borrow amounts, through the issuance and sale from time to time of short-term notes (with maturity dates not exceeding one year from their delivery date), in an aggregate principal amount not to exceed $~~225~~400 million (including, subject to certain terms and conditions, notes to refund maturing notes) to be purchased by ~~Wells Fargo~~BANA during the term of ~~Wells Fargo’s~~BANA’s commitment to purchase notes thereunder, which commitment currently extends to ~~May 31, 2024~~March 19, 2027. The Short-Term Credit Agreement with BANA was entered into by Metropolitan in replacement of a previously existing short-term revolving credit facility. On the date of delivery of the Short-Term Revolving Credit Facility with BANA, all then-outstanding notes issued under the prior short-term revolving credit facility were purchased by BANA, and the prior short-term revolving credit facility was terminated. As of April 1, ~~2023~~2024, Metropolitan had ~~no~~$176.4 million principal amount of short-term notes outstanding under the ~~Wells Fargo~~Short-Term Revolving Credit Facility~~.~~, consisting of $158.4 million of tax-exempt notes and $18.0 million of taxable notes. On or about [May ___], 2024, Metropolitan expects to make a draw on the ~~Wells Fargo~~Short-Term Revolving Credit Facility ~~on or about April 27, 2023~~ and issue an additional $~~35,645,000~~35,640,000 principal amount of short-term notes thereunder to fund, together with certain other amounts provided by Metropolitan, an escrow deposit for the purpose of defeasing and redeeming ~~the portion of~~ its outstanding Subordinate Water Revenue Refunding Bonds, 2017 Series B maturing on August 1, ~~2023~~2024. A portion of the proceeds of Metropolitan’s ~~2023A~~2024A Bonds will be applied on the date of delivery of such bonds to repay and redeem ~~all~~the short-term notes issued for such purpose. In addition, approximately $120.0 million principal amount of the then outstanding tax-exempt notes previously issued under the ~~Wells Fargo~~Short-Term Revolving Credit Facility are expected to be repaid and redeemed with proceeds of Metropolitan’s 2024A Bonds on the date of their delivery. Accrued interest on the notes due on the date of their repayment and redemption ~~will~~is to be paid from other funds provided by Metropolitan. Metropolitan also expects to make a draw on the Short-Term Revolving Credit Facility on or about [May ___], 2024 and issue $271,255,000 principal amount of short-term notes thereunder to redeem all of Metropolitan’s outstanding Subordinate Water Revenue Bonds, 2017 Series C, Subordinate Water Revenue Refunding Bonds, 2017 Series D and Subordinate Water Revenue Refunding Bonds, 2017 Series E on their mandatory tender date of May 21, 2024. A portion of the proceeds of Metropolitan’s Subordinate Water Revenue Refunding Bonds, 2024 Series B (the “2024B Subordinate Bonds”) are expected to be applied on the date of delivery of such bonds to repay and redeem the short-term notes issued for such purpose. Accrued interest on the notes due on the date of their repayment and redemption is to be paid from other funds provided by Metropolitan.

Notes under the ~~Wells Fargo~~Short-Term Revolving Credit Facility bear interest at a fluctuating rate of interest per annum equal to: (~~a~~A) for taxable borrowings, ~~the secured overnight financing rate~~SOFR as administered by the Federal Reserve Bank of New York (or a successor administrator) ~~(“SOFR”)~~ as determined for each day in accordance with the ~~Wells Fargo~~Short-Term Revolving Credit Facility ~~for each day~~ (“Daily Simple SOFR” as further defined in the Short-Term Credit Facility) plus a spread of ~~0.28~~0.80 percent (so long as the current credit ratings on Metropolitan’s Senior Revenue Bonds issued under the Senior Debt Resolutions are maintained); and (~~b~~B) for tax-exempt borrowings, 80 percent of Daily Simple SOFR plus a spread of ~~0.26~~0.60 percent (so long as the current credit ratings on Metropolitan’s Senior Revenue Bonds issued under the Senior Debt Resolutions are maintained), subject, in each case to an applicable maximum interest rate, which shall not, in any case, exceed 18 percent. Subject to the satisfaction of certain terms and conditions, any ~~future~~ unpaid principal borrowed under the ~~Wells Fargo~~Short-Term Revolving Credit Facility remaining outstanding at the ~~May 31, 2024~~March 19, 2027 stated commitment expiration date of the ~~Wells Fargo~~Short-Term Revolving Credit Facility may be refunded by and exchanged

for term notes payable by Metropolitan in approximately equal semi-annual principal installments over a period of approximately three years. Any such term notes will bear interest at a fluctuating rate of interest per annum equal to, for each day~~, the highest of: (~~: (A) for taxable borrowings, (1) the greatest of (i) the Prime Rate ~~in effect at such time~~ plus one percent~~;~~, (ii) the Federal Funds Rate in effect at such time plus two percent~~; or~~, and (iii) ~~in the case of taxable term notes,~~ ten percent~~, and in the case of tax-exempt term notes, seven percent; plus, for each of (i), (ii) or (iii),~~ (such rate as from time to time in effect, the "Taxable Base Rate"), plus (2) a spread of two percent; and (B) for tax-exempt borrowings, (1) the greatest of (i) the Prime Rate plus one percent, (ii) the Federal Funds Rate in effect at such time plus two percent, and (iii) seven percent (such rate as from time to time in effect, the "Tax-Exempt Base Rate"), plus (2) a spread of two percent.

Under the ~~Wells Fargo~~Short-Term Revolving Credit Facility, upon a failure by Metropolitan to pay principal or interest of any note thereunder, a failure by Metropolitan to perform or observe its covenants, a default in other specified indebtedness of Metropolitan, certain acts of bankruptcy or insolvency, or other specified events of default (including if any of Fitch, S&P or Moody's shall have assigned a credit rating below "A–" or "A3," or if each of Fitch, S&P and Moody's shall have assigned a credit rating below "BBB–" or "Baa3," to Senior Revenue Bonds issued under the Senior Debt Resolutions), ~~Wells Fargo~~BANA has the right to terminate its commitments and may accelerate (depending on the event, seven days after the occurrence, or for certain events, only after 180 days' notice, or, in connection with certain acts of bankruptcy or insolvency or in the event of an acceleration of Metropolitan debt by another lender, credit enhancer or swap counterparty, immediately) Metropolitan's obligation to repay its borrowings.

Metropolitan has secured its obligation to pay principal and interest on notes evidencing borrowings under the ~~Wells Fargo~~Short-Term Revolving Credit Facility as Senior Parity Obligations.

In connection with the execution of the ~~Wells Fargo~~Short-Term Revolving Credit Facility, Metropolitan designated the principal and interest payable on the notes thereunder as Excluded Principal Payments under the Senior Debt Resolutions and thus, for purposes of calculating Maximum Annual Debt Service, included the amount of principal and interest due and payable under the ~~Wells Fargo~~Short-Term Revolving Credit Facility on a schedule of Assumed Debt Service for any outstanding draws.

Metropolitan has previously, and may in the future, enter into one or more other or alternative short-term revolving credit facilities, the repayment obligations of Metropolitan under which may be secured as either Senior Parity Obligations or Subordinate Parity Obligations.

Outstanding Subordinate Revenue Bonds and Subordinate Parity Obligations

Subordinate Revenue Bonds

The water revenue bonds issued under the Subordinate Debt Resolutions outstanding as of April 1, ~~2023~~2024, are set forth below:

Outstanding Subordinate Revenue Bonds

Name of Issue	Principal Outstanding
Subordinate Water Revenue Refunding Bonds, 2017 Series A	$~~204,760,000~~ 182,745,000
Subordinate Water Revenue Refunding Bonds, 2017 Series B(2)	~~71,285,000~~ 35,640,000
Subordinate Water Revenue Bonds, 2017 Series C(1)(3)	80,000,000
Subordinate Water Revenue Refunding Bonds, 2017 Series D(1)(3)	95,630,000
Subordinate Water Revenue Refunding Bonds, 2017 Series E(1)(3)	95,625,000
~~Subordinate Water Revenue Refunding Bonds, 2018 Series A~~	~~10,865,000~~
Subordinate Water Revenue Bonds, 2018 Series B	~~64,345,000~~ 57,740,000
Subordinate Water Revenue Refunding Bonds, 2019 Series A	~~209,060,000~~ 184,280,000
Subordinate Water Revenue Refunding Bonds, 2020 Series A	~~152,455,000~~ 139,190,000
Subordinate Water Revenue Refunding Bonds, 2021 Series A(1)	222,160,000
Total	**$~~1,206,185,000~~ 1,093,010,000**

Source: Metropolitan.

(1) Outstanding variable rate obligation.

(2) Metropolitan expects to refund the $~~35,645,000~~35,640,000 principal amount of these bonds maturing on August 1, ~~2023~~2024 on their July 1, ~~2023~~2024 optional call date with proceeds of a draw made under its ~~Wells Fargo~~Short-Term Revolving Credit Facility. See "–Outstanding Senior Revenue Bonds and Senior Parity Obligations– Senior Parity Obligations – ~~*Wells Fargo*~~*Short-Term Revolving Credit Facility*.

(3) Metropolitan expects to refund the $271,255,000 aggregate principal amount of these bonds on their May 21, 2024 scheduled mandatory tender date with proceeds of a draw made under its Short-Term Revolving Credit Facility. See "–Outstanding Senior Revenue Bonds and Senior Parity Obligations– Senior Parity Obligations – *Short-Term Revolving Credit Facility.*

Variable Rate Bonds

As of April 1, ~~2023~~2024, of the $~~1.21~~1.09 billion outstanding Subordinate Revenue Bonds, $493.4 million were variable rate obligations. The outstanding variable rate obligations include Subordinate Revenue Bonds that are variable rate demand obligations supported by a standby bond purchase agreement between Metropolitan and a liquidity provider ("Liquidity Supported Subordinate Revenue Bonds") and Subordinate Revenue Bonds that are bonds bearing interest in a SIFMA Index Mode and subject to mandatory tender for purchase by Metropolitan under certain circumstances, including on certain scheduled mandatory tender dates (unless earlier remarketed or otherwise retired) ("Index Tender Bonds").

Liquidity Supported Subordinate Revenue Bonds. As of April 1, ~~2023~~2024, Metropolitan had $222.16 million of outstanding Liquidity Supported Subordinate Revenue Bonds issued under the

Subordinate Debt Resolutions, consisting of Metropolitan's Variable Rate Subordinate Water Revenue Refunding Bonds, 2021 Series A (Federally Taxable) (the "Subordinate 2021A Bonds").

The interest rate on Metropolitan's variable rate Subordinate 2021A Bonds is reset on a weekly basis. While bearing interest at a weekly rate, such variable rate demand obligations are subject to optional tender on any business day upon seven days' notice by the owners thereof and mandatory tender upon specified events. Such variable rate demand obligations are supported by a standby bond purchase agreement by and between Metropolitan and Bank of America, N.A., as liquidity provider, that ~~provide~~provides for the purchase of the variable rate Subordinate 2021A Bonds by the liquidity provider upon tender of such variable rate Subordinate 2021A Bonds and a failed remarketing. The current expiration date of such liquidity facility is in June 2025. Metropolitan has secured its obligation to repay principal and interest advanced under the standby bond purchase agreement as a Subordinate Parity Obligation. A decline in the creditworthiness of the liquidity provider will likely result in an increase in the interest rate of the variable rate Subordinate 2021A Bonds, as well as an increase in the risk of a failed remarketing of such tendered variable rate Subordinate 2021A Bonds. Variable rate Subordinate 2021A Bonds purchased by the liquidity provider ("bank bonds") would initially bear interest at a per annum interest rate equal to, the highest of (i) the Prime Rate plus one percent, (ii) Federal Funds Rate plus two percent, and (iii) seven percent (with the spread or rate increasing in the case of each of (i), (ii) and (iii) of this clause ~~(b)~~ by one percent after 90 days). To the extent such bank bonds have not been remarketed or otherwise retired as of the earlier of the 90th day following the date such bonds were purchased by the liquidity provider or the stated expiration date of the ~~related~~ liquidity facility, Metropolitan's obligation to reimburse the liquidity provider may convert the term of the variable rate bonds purchased by the liquidity provider into a term loan payable under the terms of the liquidity facility in ten equal semi-annual installments over a period ending on the fifth anniversary of the date on which the variable rate Subordinate 2021A Bonds were purchased by the liquidity provider. In addition, upon an event of default under ~~any such~~the liquidity facility, including a failure by Metropolitan to pay principal or interest due to the liquidity provider, failure by Metropolitan to perform or observe its covenants under the standby bond purchase agreement, a default in other specified indebtedness of Metropolitan, or other specified events of default (including a reduction in the credit rating assigned to Senior Revenue Bonds issued under the Senior Debt Resolutions by any of Fitch, S&P or Moody's below "A–" or "A3," as applicable), the liquidity provider could require all bank bonds to be subject to immediate mandatory redemption by Metropolitan.

SIFMA Mode Index Tender Bonds. Metropolitan's Subordinate Water Revenue Bonds, 2017 Series C, Subordinate Water Revenue Refunding Bonds, 2017 Series D and Subordinate Water Revenue Refunding Bonds, 2017 Series E (collectively, the "Subordinate 2017 Series C, D and E Bonds") bear interest at a rate that fluctuates weekly based on the SIFMA Municipal Swap Index plus a spread. The Subordinate 2017 Series C, D and E Bonds are Index Tender Bonds and are subject to mandatory tender under certain circumstances, including on certain scheduled mandatory tender dates (unless earlier remarketed or otherwise retired). ~~Metropolitan anticipates that it will pay the purchase price of tendered Subordinate 2017 Series C, D and E Bonds from the proceeds of remarketing such Index Tender Bonds or from other available funds.~~ Metropolitan's obligation to pay the purchase price of any such tendered Subordinate 2017 Series C, D and E Bonds is a special limited obligation of Metropolitan payable solely from Net Operating Revenues subordinate to the Senior Revenue Bonds and Senior Parity Obligations and on parity with the other outstanding Subordinate Revenue Bonds and Subordinate Parity Obligations. Metropolitan has not secured any liquidity facility or letter of credit to support the payment of the purchase price of Subordinate 2017 Series C, D and E Bonds in connection with a scheduled mandatory tender. Failure to pay the purchase price of any Subordinate 2017 Series C, D and E Bonds on a scheduled mandatory tender date for such Index Tender Bonds for a period of five business days following written notice by any Owner of such Subordinate 2017 Series C, D and E Bonds will constitute an event of default under the Subordinate Debt Resolutions, upon the occurrence and continuance of which the owners of 25 percent in aggregate principal amount of the Subordinate Revenue Bonds then outstanding may elect a bondholders' committee to exercise rights and powers of such owners under the Subordinate Debt

Resolutions, including the right to declare the entire unpaid principal of the Subordinate Revenue Bonds then outstanding to be immediately due and payable.

The current mandatory tender dates and related tender periods for the Index Tender Bonds outstanding as of April 1, ~~2023~~2024, are summarized in the following table:

Index Tender Bonds

Series	Date of ~~Issuance~~ Issuance	Original Principal Amount Issued	Next Scheduled Mandatory Tender Date	Maturity Date
Subordinate 2017 Series C	July 3, 2017	$ 80,000,000	May 21, 2024	July 1, 2047
Subordinate 2017 Refunding Series D	July 3, 2017	95,630,000	May 21, 2024	July 1, 2037
Subordinate 2017 Refunding Series E	July 3, 2017	95,625,000	May 21, 2024	July 1, 2037
Total		**$ 271,255,000**		

Source: Metropolitan.

As described under "–Outstanding Senior Revenue Bonds and Senior Parity Obligations – Senior Parity Obligations – *Short-Term Revolving Credit Facility*," the Subordinate 2017 Series C, D and E Bonds are expected to be refunded on their Scheduled Mandatory Tender Date with proceeds of a draw made and short-term notes issued under Metropolitan's Short-Term Revolving Credit Facility, which short-term notes are expected to be refunded with proceeds of Metropolitan's Subordinate 2024B Bonds.

Other Junior Obligations

Metropolitan currently is authorized to issue up to $400,000,000 of Commercial Paper Notes payable from Net Operating Revenues on a basis subordinate to both the Senior Revenue Bonds and Senior Parity Obligations and to the Subordinate Revenue Bonds and Subordinate Parity Obligations. Although no Commercial Paper Notes are currently outstanding, the authorization remains in full force and effect and Metropolitan may issue Commercial Paper Notes from time to time.

General Obligation Bonds

As of April 1, 20232024, $19,215,00018,210,000 aggregate principal amount of general obligation bonds payable from *ad valorem* property taxes were outstanding. See "METROPOLITAN REVENUES–General" and "–Revenue Allocation Policy and Tax Revenues" in this Appendix A. Metropolitan's revenue bonds are not payable from the levy of *ad valorem* property taxes.

General Obligation Bonds	Amount Issued[1]	Principal Outstanding
Waterworks General Obligation Refunding Bonds, 2019 Series A	$16,755,000	$ 5,550,0004,545,000
Waterworks General Obligation Refunding Bonds, 2020 Series A	13,665,000	13,665,000
Total	**$30,420,000**	**$19,215,00018,210,000**

Source: Metropolitan.

(1) Voters authorized Metropolitan to issue $850,000,000 of Waterworks General Obligation Bonds, Election 1966, in multiple series, in a special election held on June 7, 1966. This authorization has been fully utilized. This table lists bonds that refunded such Waterworks General Obligation Bonds, Election 1966.

State Water Contract Obligations

General. As described herein, in 1960, Metropolitan entered into its State Water Contract with DWR to receive water from the State Water Project. All expenditures for capital and operations, maintenance, power and replacement costs associated with the State Water Project facilities used for water delivery are paid for by the 29 Contractors that have executed State water supply contracts with DWR, including Metropolitan. Contractors are obligated to pay allocable portions of the cost of construction of the system and ongoing operating and maintenance costs through at least 2035 (which term has been extended to 2085 as referenced below), regardless of quantities of water available from the project. Other payments are based on deliveries requested and actual deliveries received, costs of power required for actual deliveries of water, and offsets for credits received. In exchange, Contractors have the right to participate in the system, with an entitlement to water service from the State Water Project and the right to use the portion of the State Water Project conveyance system necessary to deliver water to them at no additional cost as long as capacity exists. Metropolitan's State Water Contract accounts for nearly one-half of the total entitlement for State Water Project water contracted for by all Contractors.

DWR and other State Water Project contractors, including Metropolitan, have executed an amendment to extend their State water supply contracts from 2035 to 2085 and to make certain changes related to the financial management of the State Water Project in the future. See "METROPOLITAN'S WATER SUPPLY–State Water Project – State Water Contract" in this Appendix A.

Metropolitan's payment obligation for the State Water Project for the fiscal year ended June 30, 20222023 was $546.5577.5 million, which amount reflects prior year's credits of $54.459.2 million. For the fiscal year ended June 30, 20222023, Metropolitan's payment obligations under the State Water Contract were approximately 30.129.5 percent of Metropolitan's total annual expenses. A portion of Metropolitan's annual property tax levy is for payment of State Water Contract obligations, as described above under "METROPOLITAN REVENUES–Revenue Allocation Policy and Tax Revenues" in this Appendix A. Any deficiency between tax levy receipts and Metropolitan's State Water Contract obligations is expected to be paid from Operating Revenues, as defined in the Senior Debt Resolutions. See Note 1011(a) to Metropolitan's audited financial statements in Appendix B for an estimate of Metropolitan's payment obligations under the State Water Contract. See also "–Power Sources and Costs; Related Long-Term Commitments" for a description of current and future costs for electric power required to operate State Water Project pumping systems and a description of litigation involving the federal relicensing of the Hyatt-Thermalito hydroelectric generating facilities at Lake Oroville.

Metropolitan capitalizes its share of the State Water Project capital costs as participation rights in State Water Project facilities as such costs are billed by DWR. Unamortized participation rights essentially represent a prepayment for future water deliveries through the State Water Project system. Metropolitan's share of system operating and maintenance costs are annually expensed.

DWR and various subsets of the State Water Project contractors have entered into amendments to the State water supply contracts related to the financing of certain State Water Project facilities. The amendments establish procedures to provide for the payment of construction costs financed by DWR bonds by establishing separate subcategories of charges to produce the revenues required to pay all of the annual financing costs (including coverage on the allocable bonds) relating to the financed project. If any affected Contractor defaults on payment under certain of such amendments, the shortfall may be collected from the non-defaulting affected Contractors, subject to certain limitations.

These amendments represent additional long-term obligations of Metropolitan, as described below.

Devil Canyon-Castaic Contract. On June 23, 1972, Metropolitan and five other Southern California public agencies entered into a contract (the "Devil Canyon-Castaic Contract") with DWR for the financing and construction of the Devil Canyon and Castaic power recovery facilities, located on the aqueduct system of the State Water Project. Under this contract, DWR agreed to build the Devil Canyon and Castaic facilities, using the proceeds of revenue bonds issued by DWR under the State Central Valley Project Act. DWR also agreed to use and apply the power made available by the construction and operation of such facilities to deliver water to Metropolitan and the other contracting agencies. Metropolitan, in turn, agreed to pay to DWR 88 percent of the debt service on the revenue bonds issued by DWR. ~~For calendar year 2022, this represented a payment of $8.0 million. Metropolitan's obligations for debt service under the Devil Canyon-Castaic Contract continued until~~ The bonds matured and were fully retired on July 1, 2022 ~~when the bonds were fully retired. In addition~~. Additionally, Metropolitan agreed to pay 78.5 percent of the ongoing operation and maintenance expenses of the Devil Canyon facilities and 96 percent of the operation and maintenance expenses of the Castaic facilities.

Off-Aqueduct Power Facilities. In addition to system "on-aqueduct" power facilities costs, DWR has, either on its own or by joint venture, financed certain off-aqueduct power facilities. The power generated is utilized by the system for water transportation and other State Water Project purposes. Power generated in excess of system needs is marketed to various utilities and the CAISO. Metropolitan is entitled

to a proportionate share of the revenues resulting from sales of excess power. By virtue of a 1982 amendment to the State Water Contract and the other water supply contracts, Metropolitan and the other water Contractors are responsible for paying the capital and operating costs of the off-aqueduct power facilities regardless of the amount of power generated.

East Branch Enlargement Amendment. In 1986, Metropolitan's State Water Contract and the water supply contracts of certain other State Water Project contractors were amended for the purpose, among others, of financing the enlargement of the East Branch of the California Aqueduct. Under the amendment, enlargement of the East Branch can be initiated either at Metropolitan's request or by DWR finding that enlargement is needed to meet demands. In March 2022, DWR prepared a draft report for East Branch Enlargement cost reallocation methods. The report describes the methods used to determine the East Branch Enlargement cost allocation with the distinction between enlargement and improvement categories and the associated cost recovery methodology. Discussions among Metropolitan, the other State Water Project contractors on the East Branch, and DWR on any timetable and plan for future East Branch enlargement actions have been deferred.

The amendment establishes a separate subcategory of the Transportation Charge under the State water supply contracts for the East Branch Enlargement and provides for the payment of costs associated with financing and operating the East Branch Enlargement. Under the amendment, the annual financing costs for such facilities financed by bonds issued by DWR are allocated among the participating ~~Contractors~~State Water Project contractors based upon the delivery capacity increase allocable to each participating ~~Contractor~~contractor. Such costs include, but are not limited to, debt service, including coverage requirements, deposits to reserves, and certain operation and maintenance expenses, less any credits, interest earnings or other moneys received by DWR in connection with this facility.

If any participating Contractor defaults on payment of its allocable charges under the amendment, among other things, the non-defaulting participating Contractors may assume responsibility for such charges and receive delivery capability that would otherwise be available to the defaulting participating Contractor in proportion to the non-defaulting Contractor's participation in the East Branch Enlargement. If participating Contractors fail to cure the default, Metropolitan will, in exchange for the delivery capability that would otherwise be available to the defaulting participating Contractor, assume responsibility for the capital charges of the defaulting participating Contractor.

Water System Revenue Bond Amendment. In 1987, Metropolitan's State Water Contract and other water supply contracts were amended for the purpose of financing State Water Project facilities through revenue bonds. This amendment establishes a separate subcategory of the Delta Water Charge and the Transportation Charge under the State water supply contracts for projects financed with DWR water system revenue bonds. This subcategory of charge provides the revenues required to pay the annual financing costs of the bonds and consists of two elements. The first element is an annual charge for repayment of capital costs of certain revenue bond financed water system facilities under the existing water supply contract procedures. The second element is a water system revenue bond surcharge to pay the difference between the total annual charges under the first element and the annual financing costs, including coverage and reserves, of DWR's water system revenue bonds.

If any Contractor defaults on payment of its allocable charges under this amendment, DWR is required to allocate a portion of the default to each of the non-defaulting Contractors, subject to certain limitations, including a provision that no non-defaulting Contractor may be charged more than 125 percent of the amount of its annual payment in the absence of any such default. Under certain circumstances, the non-defaulting Contractors would be entitled to receive an allocation of the water supply of the defaulting Contractor.

The following table sets forth Metropolitan's projected costs of State Water Project water based upon DWR's Appendix B to Bulletin ~~132-20~~132-22 (an annual report (for this purpose, the ~~2020~~2022 report) produced by DWR setting forth data and computations used by the State in determining State Water Project contractors' Statements of Charges), Metropolitan's share of the forecasted costs associated with the planning of a single tunnel Bay-Delta conveyance project (see "METROPOLITAN'S WATER SUPPLY–State Water Project –Bay-Delta Proceedings Affecting State Water Project – *Bay-Delta Planning Activities"* and " – *Delta Conveyance*" in this Appendix A), and power costs forecasted by Metropolitan.

The projections for fiscal years ~~2022-23~~2024-25 through ~~2027-28~~2028-29 reflect Metropolitan's proposed biennial budget for fiscal years ~~2022-23~~2024-25 and ~~2023-24~~2025-26, which includes a ten-year financial forecast, and are on a cash basis. See also "HISTORICAL AND PROJECTED REVENUES AND EXPENSES" in this Appendix A. The projections reflect certain assumptions concerning future events and circumstances which may not occur or materialize. Actual costs may vary from these projections if such events and circumstances do not occur as expected or materialize, and such variances may be material.

PROJECTED COSTS OF METROPOLITAN
FOR STATE WATER CONTRACT AND DELTA CONVEYANCE
(Dollars in Millions)

Year Ending June 30	Capital Costs[1]	Minimum OMP&R[1]	Power Costs[2]	Refunds & Credits[1]	Delta Conveyance[3]	Total[4]
~~2023~~	~~$203.7~~	~~$304.2~~	~~$211.6~~	~~$(67.8)~~	~~$30.0~~	~~$681.7~~
2024	~~218.8~~$ 186	~~305.7~~$ 349	~~258.6~~$ 300	$ (~~56.3~~61)	~~34.5~~$ 65	~~761.2~~$ 838
2025	~~184.6~~$ 188	~~322.1~~$ 331	~~289.1~~$ 245	$ (~~59.5~~75)	~~11.6~~$ 12	~~747.9~~$ 701
2026	~~191.9~~$ 193	~~336.7~~$ 345	~~295.7~~$ 242	$ (~~51.2~~76)	~~–~~$ —	~~773.1~~$ 704
2027	~~201.1~~$ 200	~~352.0~~$ 365	~~298.8~~$ 240	$ (~~48.5~~58)	~~–~~$ —	~~803.4~~$ 747
2028	~~238.0~~$ 210	~~368.1~~$ 387	~~304.0~~$ 239	$ (~~51.2~~59)	~~–~~$ —	~~858.9~~$ 777
2029	$ 228	$ 406	$ 237	$ (57)	$ —	$ 813

Source: Metropolitan.

(1) ~~(1)~~ Capital Costs, Minimum Operations, Maintenance, Power and Replacement ("OMP&R") and Refunds and Credits projections are based on DWR's Appendix B to Bulletin ~~132-20~~132-22.

(2) Power costs are forecasted by Metropolitan based on a 40 percent State Water Project allocation in calendar 2023, and a 50 percent State Water Project allocation thereafter. Availability of State Water Project supplies vary, and deliveries may include transfers and storage. All deliveries are based upon availability, as determined by hydrology, water quality and wildlife conditions. See "METROPOLITAN'S WATER SUPPLY–State Water Project" and "–Endangered Species Act and Other Environmental Considerations Relating to Water Supply" in this Appendix A.

(3) Based on Metropolitan's share of the forecasted planning costs for a single tunnel project. Does not include any capital costs associated with any future proposed Bay-Delta conveyance project. Fiscal year 2023-24 costs will be offset by $30 million by the use of the California WaterFix refund.

(4) Totals may not add due to rounding.

Power Sources and Costs; Related Long-Term Commitments

Current and future costs for electric power required for operating the pumping systems of the CRA and the State Water Project are a substantial part of Metropolitan's overall expenses. Metropolitan's power costs include various ongoing fixed annual obligations under its contracts with the U.S. Department of Energy Western Area Power Administration and the Bureau of Reclamation for power from the Hoover Power Plant and Parker Power Plant, respectively. Under the terms of the Hoover Power Plant and Parker Power Plat contracts, Metropolitan purchases energy to pump water through the CRA. Expenses for electric power for the CRA for the fiscal years ~~2020-21~~2021-22 and ~~2021-22~~2022-23 were approximately $~~50.5 million and $~~91.1 million and $161.9 million, respectively. Payments made under the Hoover Power Plant and Parker Power Plant contracts are operation and maintenance expenses. Expenses for electric power and transmission service for the State Water Project for fiscal years ~~2020-21~~2021-22 and ~~2021-22~~2022-23 were approximately $~~118.3 million and $~~126.5 million and $138.2 million, respectively. Electricity markets are subject to volatility and Metropolitan is unable to give any assurance with respect to the magnitude of future power costs.

Colorado River Aqueduct. Approximately 50 percent of the annual power requirements for pumping at full capacity (1.25 million ~~acre-feet~~acre-feet of Colorado River water) in Metropolitan's CRA

are secured through long-term contracts for energy generated from federal facilities located on the Colorado River (Hoover Power Plant and Parker Power Plant). Payments made under the Hoover Power Plant and Parker Power Plant contracts are operation and maintenance expenses. These contracts provide Metropolitan with reliable and economical power resources to pump Colorado River water to Metropolitan's service area.

As provided for under the Hoover Power Allocation Act of 2011 (H.R. 470), Metropolitan has executed a 50-year agreement with the Western Area Power Administration for the continued purchase of electric energy generated at the Hoover Power Plant through September 2067, succeeding Metropolitan's prior Hoover contract that expired on September 30, 2017.

Depending on pumping conditions, Metropolitan can require additional energy in excess of the base resources available to Metropolitan from the Hoover Power Plant and Parker Power Plant. The remaining up to approximately 50 percent of annual pumping power requirements for full capacity pumping on the CRA is obtained through energy purchases from municipal and investor-owned utilities, third party suppliers, or the CAISO markets. Metropolitan is a member of the Western Systems Power Pool ("WSPP") and utilizes its industry standard form contract to make wholesale power purchases at market cost. The current drought conditions have reduced the water level of Lake Mead and led to declining generation output from Hoover Dam, a condition that is expected to remain for the next several years. This, combined with continued high pumping demand on the CRA, will likely lead to increased reliance on supplemental energy purchases from the WSPP or CAISO markets and continued higher than normal energy costs for the CRA.

Gross diversions of water from Lake Havasu for fiscal years ~~2020-21~~2021-22 and ~~2021-22~~2022-23 were approximately ~~1,026,000 acre-feet and~~ 1,104,264 ~~acre-feet~~acre-feet and 956,382 acre-feet, respectively, including Metropolitan's basic apportionment of Colorado River water and supplies from water transfer and storage programs. In fiscal years ~~2020-21and 2021-22~~2021-22 and 2022-23, Metropolitan ~~sold approximately 66,800 megawatt-hours and~~ purchased approximately 1,181,000 megawatt-hours and 962,595 megawatt-hours, respectively, of additional energy.

Metropolitan has agreements with the Arizona Electric Power Cooperative ("AEPCO") to provide transmission and energy purchasing services to support CRA power operations. The term of these agreements extends to December 31, 2035. AEPCO's subsidiary, ACES, provides energy scheduling services for Metropolitan's share of Hoover and Parker generation and CRA pumping load.

State Water Project. The State Water Project's power requirements are met from a diverse mix of resources, including State-owned hydroelectric generating facilities~~. DWR has~~ and short-term contracts ~~with Kern River Conservation District (hydropower), Northern California Power Agency (natural gas generation), Solar Star California XLIV, LLC (Solar), Dominion Solar Holdings (Solar), and Solverde I, LLC (Solar)~~entered into by DWR. These resources represent approximately 46% of the State Water Project's estimated power requirements for 2024. The remainder of the State Water Project power needs is met by purchases from the CAISO.

DWR is seeking renewal of the license issued by FERC for the State Water Project's Hyatt-Thermalito hydroelectric generating facilities at Lake Oroville. A Settlement Agreement containing recommended conditions for the new license was submitted to FERC in March 2006. That agreement was signed by over 50 stakeholders, including Metropolitan and other State Water Project contractors. With only a few minor modifications, FERC staff recommended that the Settlement Agreement be adopted as the condition for the new license. DWR issued a final EIR for the relicensing project on July 22, 2008.

Butte County and Plumas County filed separate lawsuits against DWR challenging the adequacy of the final EIR. This lawsuit also named all of the signatories to the Settlement Agreement, including Metropolitan, as "real parties in interest," since they could be adversely affected by this litigation. On ~~September 5~~April 7, ~~2019~~2023, the Court of Appeal ruled that ~~review pursuant to CEQA is preempted in certain respects by the Federal Power Act. The case is now before~~the EIR complied with CEQA. On June 28, 2023, the California Supreme Court~~. The case has been fully briefed and oral argument was completed. If the decision is affirmed, the case will be dismissed. If the California Supreme Court finds in favor of the plaintiffs, the case will be remanded to the California Court of Appeal for a determination of sufficiency regarding the merits of the CEQA petition.~~ denied petitioner's request to review. The Court of Appeal's decision is therefore final and the litigation is complete.

Regulatory permits and authorizations are also required before the new license can take effect. In December 2016, NMFS issued a biological opinion setting forth the terms and conditions under which the relicensing project must operate in order to avoid adverse impacts to threatened and endangered species. This was the last major regulatory requirement prior to FERC issuing a new license. Following the 2017 Oroville Dam spillway incident, Butte County, the City of Oroville, and others requested that FERC not issue a new license until an Independent Forensic Team ("IFT") delivered their final report to FERC and FERC has had adequate time to review the report. The Final IFT report was delivered on January 5, 2018. DWR submitted a plan to address the findings of the report to FERC on March 12, 2018. See "METROPOLITAN'S WATER SUPPLY–State Water Project –2017 Oroville Dam Spillway Incident" in this Appendix A Metropolitan anticipates that FERC will issue the new license; however, the timeframe for FERC approval is not currently known. However, FERC has issued one-year renewals of the existing license since its initial expiration date on January 31, 2007 and is expected to issue successive one-year renewals until a new license is obtained.

DWR receives transmission service from the CAISO. The transmission service providers participating in the CAISO may seek increased transmission rates, subject to the approval of FERC. DWR has the right to contest any such proposed increase. DWR may also be subject to increases in the cost of transmission service as new electric grid facilities are constructed.

Numerous legislative bills and Executive Orders have been enacted over the years addressing California's GHG emissions that ultimately affect energy prices. The California Global Warming Solutions Act of 2006 (AB 32, Núñez), required California to reduce its GHG emissions to 1990 levels by 2020. SB 32 (2016, Pavley) extended AB 32 by requiring the ~~state~~State to reduce GHG emissions to 40 percent below 1990 levels by 2030. In 2018, Governor Brown signed SB 100 (de León) and Executive Order B-55-18, establishing the policy of the State that eligible renewable energy resources and zero-carbon resources supply 100 percent clean energy to all California end-use customers and State agencies by December 31, 2045. SB 100 also increased the 2030 Renewables Portfolio Standard ("RPS") requirement for retail electric utilities from 50 percent to 60 percent. Metropolitan and DWR are not subject to the RPS requirements. However, as a State agency, DWR is subject to the Executive Order. DWR has an existing climate action plan in order to achieve carbon neutrality by 2045. SB 1020 (2022, Laird) accelerated the date by which State agencies, including DWR, must procure 100 percent of electricity from eligible renewable energy resources and zero-carbon resources from December 31, 2045 to December 31, 2035, and would mandate certain criteria and process requirements that would apply to DWR in connection with its procurement of renewable and zero-carbon resources for the State Water Project. ~~For 2023, two bills (AB 9, Muratsuchi and SB 12, Stern) have proposed changing the State's 2030 GHG reduction goal from 40 percent below 1990 levels to at least 55 percent below 1990 levels. Taken as a whole, these statutes and Executive Orders may result in higher energy costs to the State Water Project, and consequentially, higher costs for Metropolitan.~~

On October 9, 2019, Governor Newsom signed SB 49 into law. SB 49 requires Natural Resources, in collaboration with the California Energy Commission and DWR, to assess by January 1,

2022 the opportunities and constraints for potential operational and structural upgrades to the State Water Project to aid California in achieving its climate and energy goals, and to provide associated recommendations consistent with California's energy goals. DWR submitted its draft SB 49 report to the Governor's office for review in April 2022.

Defined Benefit Pension Plan and Other Post-Employment Benefits

Metropolitan is a member of the California Public Employees' Retirement System ("PERS"), a multiple-employer pension system that provides a contributory defined-benefit pension for substantially all Metropolitan employees. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State. PERS is a contributory plan deriving funds from employee contributions as well as from employer contributions and earnings from investments. A menu of benefit provisions is established by State statutes within the Public Employees' Retirement Law. Metropolitan selects optional benefit provisions from the benefit menu by contract with PERS.

Metropolitan makes contributions to PERS based on actuarially determined employer contribution rates. The actuarial methods and assumptions used are those adopted by the PERS Board of Administration ("PERS Board"). Employees hired prior to January 1, 2013 are required to contribute 7.00 percent of their earnings (excluding overtime pay) to PERS. Pursuant to the current memoranda of understanding, Metropolitan contributes the requisite 7.00 percent contribution for all employees represented by the Management and Professional Employees Association, the Association of Confidential Employees, Supervisors and Professional Personnel Association and AFSCME Local 1902 and who were hired prior to January 1, 2012. Employees in all four bargaining units who were hired on or after January 1, 2012~~ but before January 1, 2013~~, pay the full 7.00 percent contribution to PERS for the first five years of employment. After the employee completes five years of employment, Metropolitan contributes the requisite 7.00 percent contribution. Metropolitan also contributes the entire 7.00 percent on behalf of unrepresented employees. Employees hired on or after January 1, 2013 and who are "new" PERS members as defined by Public Employees' Pension Reform Act of 2013 pay a member contribution of 8.00 percent in fiscal year 2023-24. In addition, Metropolitan is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members.

The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by PERS. The fiscal year contributions were/are based on the following actuarial reports and discount rates:

Fiscal Year	Actuarial Valuation	Discount Rate
2020-21	June 30, 2018	7.00%
~~2021-22~~2021-22	June 30, 2019	7.00%
~~2022-23~~2022-23	June 30, 2020	7.00%
2023-24	June 30, 2021	6.80%
2024-25	June 30, 2022	6.80%

The most recent actuarial valuation reports of PERS, as well as other information concerning benefits and other matters, are available on the PERS website at https://www.calpers.ca.gov/page/employers/actuarial-resources/public-agency-actuarial-valuation-reports

. Such information is not incorporated by reference herein. Metropolitan cannot guarantee the accuracy of such information. Actuarial valuations are "forward-looking" information that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future. Actuarial valuations will change with the future experience of the pension plans.

In July 2021, PERS' Funding Risk Mitigation Policy triggered an automatic discount rate reduction from ~~7.0% to 6.8%~~7.00 percent to 6.80 percent due to the double-digit investment return for fiscal year 2021 to offset the cost of reducing the expected volatility of future investment returns. In November 2021, the PERS Board voted to retain the ~~6.8%~~6.80 percent discount rate, which will increase Metropolitan's contribution levels beginning fiscal year 2023-24.

Metropolitan was required to contribute ~~32.43~~34.39 percent and ~~34.39~~35.74 percent of annual projected payroll for fiscal years ~~2020-21~~2021-22 and ~~2021-22~~2022-23, respectively. Metropolitan's actual contribution for fiscal years ~~2020-21 and 2021-22 were $74.3 million or 31.59 percent of annual covered payroll and $~~2021-22 and 2022-23 were $81.5 million or 33.79 percent of annual covered payroll and $88.2 million or 35.31 percent of annual covered payroll, respectively. The fiscal years ~~2020-21~~2021-22 and ~~2021-22~~2022-23 actual contribution included ~~$11.4 million or 4.84 percent and $~~11.0 million or 4.56 percent and $10.6 million or 4.24 percent of annual covered payroll, respectively, for Metropolitan's pick-up of the employees' 7.00 percent share. For fiscal years ~~2022-23 and~~ 2023-24 and 2024-25, Metropolitan is required to contribute ~~35.74 percent and~~ 33.98 percent~~, respectively,~~ and 37.52 percent of annual projected payroll, respectively, in addition to member contributions paid by Metropolitan.

Metropolitan's required contributions to PERS fluctuate each year and include a normal cost component and a component equal to an amortized amount of the unfunded liability. Many assumptions are used to estimate the ultimate liability of pensions and the contributions that will be required to meet those obligations. The PERS Board has adjusted and may in the future further adjust certain assumptions used in the PERS actuarial valuations, which may increase Metropolitan's required contributions to PERS in future years. Accordingly, Metropolitan cannot provide any assurances that its required contributions to PERS in future years will not significantly increase (or otherwise vary) from any past or current projected levels of contributions.

~~On December 19, 2017, the PERS Board adopted new actuarial assumptions based on the recommendations in the December 2017 CalPERS Experience Study and Review of Actuarial Assumptions. This study reviewed the retirement rates, termination rates, mortality rates, rates of salary increases and inflation assumption for public agencies. These new assumptions were incorporated in the June 30, 2018 actuarial valuation and reflected in the required contribution for fiscal year 2020-21. In addition, the Board adopted a new asset portfolio as part of its Asset Liability Management. The new asset mix supports a 7.00 percent discount rate. The inflation rate used for the June 30, 2018 through June 30, 2020 valuation was 2.50 percent.~~

The PERS Board ~~has~~ adopted a new amortization policy effective with the June 30, 2019 actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed using a level dollar amount. In addition, the new policy removes the five-year ramp-up and ramp-down on unfunded accrued liability bases attributable to assumption changes and non-investment gains/losses. The new policy removes the five-year ramp-down on investment gains/losses. These changes apply only to new unfunded accrued liability bases established on or after June 30, 2019.

On November 17, 2021, the PERS Board adopted new actuarial assumptions based on the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study reviewed

the retirement rates, termination rates, mortality rates, rate of salary increases, and inflation assumption for public agencies. The PERS Board also changed the strategic asset allocation, capital market assumptions, and economic assumptions all of which support the new 6.80 percent discount rate. In addition, the PERS Board reduced the inflation assumption from 2.50 percent to 2.30 percent. These changes were incorporated in the June 30, 2021 valuation and will impact Metropolitan's required contribution for fiscal year 2023-24.

The following table shows the funding progress of Metropolitan's pension plan.

Valuation Date	Accrued Liability ($ in billions)	Market Value of Assets ($ in billions)	Unfunded Accrued Liability ($ in billions)	Funded Ratio
6/30/22 (1)	$2.875	$2.015	$(0.859)	70.1%
6/30/21~~(1)~~	$2.752	$2.228	$(0.524)	81.0%
6/30/20	$2.625	$1.848	$(0.777)	70.4%
6/30/19	$2.534	$1.810	$(0.724)	71.4%
6/30/18	$2.433	$1.744	$(0.689)	71.7%
~~6/30/17~~	~~$2.269~~	~~$1.651~~	~~$(0.618)~~	~~72.7%~~

Source: California Public Employees' Retirement System

(1) Most recent actuarial valuation available.

The market value of assets reflected above is based upon the most recent actuarial valuation as of June 30, ~~2021~~2022. The actuarial valuation as of June 30, 2023 has not yet been released. The June 30, 2022 valuation report will be used to establish the contribution requirements for fiscal year 2024-25. Increased volatility has been experienced in the financial markets in recent years. Significant losses in market value or failure to achieve projected investment returns could substantially increase unfunded pension liabilities and future pension costs.

The following tables show the changes in Net Pension Liability and related ratios of Metropolitan's pension plan.

(Dollars in thousands)	06/30/23	~~06/30/22~~6/30/22	~~6/30/21~~ Increase/ (Decrease)

Total Pension Liability	$ 2,807,458	$ 2,669,675	~~$ 2,578,811~~ $ 90,857	$ 137,783
Plan Fiduciary Net Position	2,016,832	2,229,075	~~854,231~~ 374,844	(212,243)
Plan Net Pension Liability	$ 790,626	$ 440,600	~~$ 724,580~~ ($ 283,987)	$ 350,026
Plan fiduciary net positions as a % of the total pension liability	71.84%	83.50%	~~71.90%~~	
Covered payroll	$ 241,288	$ 235,294	~~$ 225,707~~	

(Dollars in thousands)	06/30/22	06/30/216/30/21	Increase/ (Decrease)
Total Pension Liability	$ 2,669,675	$ 2,578,818	$ 99,511 90,857
Plan Fiduciary Net Position	2,229,075	1,854,231	43,919 374,844
Plan Net Pension Liability	$ 440,600	$ 724,587	$ 55,592 (283,987)
Plan net pension liability as a % of covered payroll	327.67%	187.26%	

Plan fiduciary net positions as a % of the total pension liability	83.50%	71.90%	~~73.02%~~	
Covered payroll	$ 235,294	$ 225,707	~~$ 212,558~~	
Plan net pension liability as a % of covered payroll	187.26%	321.03%	~~174.74%~~	

Source: GASB 68 Accounting Report for the respective measurement date prepared for Metropolitan by the California Public Employees' Retirement System.

The Net Pension Liability for Metropolitan's Miscellaneous Plan for the fiscal years ended June 30, ~~2021 and~~ 2022 and 2023 were measured as of June 30, ~~2020~~2021 and June 30, ~~2021~~2022, respectively, and the Total Pension Liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of June 30, ~~2019~~2020 and June 30, ~~2020~~2021, respectively.

For more information on the plan, see APPENDIX B–"THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA ~~INDEPENDENT AUDITORS' REPORT AND BASIC FINANCIAL STATEMENTS~~ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEARS ENDED JUNE 30, ~~2022~~2023 AND JUNE 30, ~~2021~~2022 AND BASIC FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED DECEMBER 31, ~~2022~~2023 AND ~~2021~~2022 (UNAUDITED)."

Metropolitan currently provides post-employment medical insurance to retirees and pays the post-employment medical insurance premiums to PERS. On January 1, 2012, Metropolitan implemented a longer vesting schedule for retiree medical benefits, which applies to all new employees hired on or after January 1, 2012. Payments for this benefit were $23.2 million in fiscal year 2020-21 ~~and~~, $23.9 million in fiscal year ~~2021-22~~2021-22 and $14.9 million in fiscal year 2022-23. Employees are not required to contribute to the plan. Under Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, Metropolitan is required to account for and report the outstanding obligations and commitments related to such benefits, commonly referred to as other post-employment benefits ("OPEB"), on an accrual basis.

The actuarial valuations dated June 30, 2019 and June 30, 2021, were released in June of 2020 and May of 2022, respectively. The 2019 valuation indicated that the Actuarially Determined Contribution ("ADC" ~~formerly referred to as the Annual Required Contribution~~) in fiscal years

~~2020-21~~2021-22 and ~~2021-22~~2022-23 were $~~23.2~~23.9 million and $~~23.9~~14.9 million, respectively, and the 2021 valuation indicated that the ADC will be $~~14.9 million and $~~15.3 million in fiscal ~~years 2022-23 and~~year 2023-24~~, respectively~~. The ADC ~~was based on the entry age~~consists of two parts: (1) the normal ~~actuarial~~ cost ~~method with contributions determined as a level percent of pay.~~, which represents the annual cost attributable to service earned in a given year and (2) the layered amortization of Unfunded Actuarial Liability as a level percentage of payroll.

The actuarial assumptions included the following:

	June 30, 2021 Valuation	**June 30, 2019 Valuation**
Actuarial Cost Method	Entry Age, level percentage of payroll	Entry age, level percentage of payroll
Amortization Method/Period	Level percentage of payroll over 23 year closed period (15 years remaining on measurement date 6/30/20)	Level percentage of payroll over 23 year closed period (17 years remaining on measurement date 6/30/20)
Asset Valuation Method	Investment gains/losses spread over 5 year rolling period with corridor of 80% and 120% of fair value	Investment gains/losses spread over 5 year rolling period with corridor of 80% and 120% of fair value
Investment Rate of Return	6.75%	6.75%
Inflation	~~2.30~~3.00%	2.75%
~~Salary Increases~~Mortality, Disability, Termination, Retirement	~~3.00%~~CalPERS 2000-2019 Experience Study	~~3.00%~~CalPERS 1997-2015 Experience Study
Health Care Cost Trends	~~Medicare – starting at 5.50%~~Pre-Medicare - 6.8% for 2023, grading down to 3.83% ~~over fifty-four years~~for 2076 and later. ~~Non-Medicare – starting at 7.00%~~Medicare –5.4% for 2022, grading down to 3.83% ~~over fifty-four years~~for 2076 and later	~~Medicare – starting at 6.30%~~Pre-Medicare – 7.0% for 2022, grading down to 4.00% ~~over fifty-five years~~for 2076 and later. ~~Non-Medicare – starting at 7.25%~~Medicare – 6.1% for 2022, grading down to 4.00% ~~over fifty-five years~~for 2076 and later
Mortality~~, Termination, Disability~~ Improvement	~~CalPERS Experience Study adopted in November 2021~~ Mortality projected fully generational with Scale MP-2021	~~CalPERS 1997-2015 Experience Study~~ Mortality projected fully generational with Scale MP-2019

As of June 30, 2021, the date of the most recent OPEB actuarial valuation report, the unfunded actuarial ~~accrued~~ liability was estimated to be $94.3 million and projected to be $69.7 million at June 30, 2022. ~~The amortization period for the unfunded actuarial accrued liability is 23 years closed and the amortization period of actuarial gains and losses is 15 years closed. Adjustments to the ADC include amortization of the unfunded actuarial accrued liability and actuarial gains and losses.~~

In September 2013, Metropolitan's Board established an irrevocable OPEB trust fund with the California Employers' Retiree Benefit Trust Fund. The market value of assets in the trust as of June 30, ~~2022~~2023 was $~~328.7~~345.8 million. As part of its biennial budget process, the Board approved the full funding of the ADC for fiscal years ~~2022-23~~2022-23 and 2023-24.

Increased volatility in the financial markets has been experienced in recent years. Declines in the market value of the OPEB trust fund or failure to achieve projected investment returns could negatively affect the funding status of the trust fund and increase ADCs in the future.

~~[Remainder of page intentionally left blank.]~~

The following tables show the changes in Net OPEB Liability and related ratios of Metropolitan's OPEB plan.

(Dollars in thousands)	06/30/23	~~06/30/22~~6/30/22	Increase/ (Decrease)
Total OPEB Liability	$ 443,189	$ 429,603	~~($ 22,690)~~13,586
Plan Fiduciary Net Position	328,536	377,321	~~89,759~~ (48,785)
Plan Net OPEB Liability	$ 114,653	$ 52,282	~~($ 112,449)~~62,371

Plan fiduciary net positions as a % of the total OPEB liability		74.13%	87.83%	~~63.58%~~
Covered payroll	$	241,288	$ 235,294	~~$ 225,707~~
Plan net OPEB liability as a % of covered payroll		47.52%	22.22%	~~72.98%~~

(Dollars in thousands)	~~06/30/21~~06/30/22	~~6/30/20~~6/30/21	Increase/ (Decrease)
Total OPEB Liability	~~$452,293~~ 429,603	~~$434,759~~ 452,293	~~($ 17,534~~(22,690)
Plan Fiduciary Net Position	~~287,562~~ 377,321	~~266,773~~ 287,562	~~20,789~~ 89,759
Plan Net OPEB Liability	~~$164,731~~ 52,282	~~$167,986~~ 164,731	~~($ 3,255~~(112,449)
Plan fiduciary net positions as a % of the total OPEB liability	~~63.58~~ 87.83%	~~61.36~~ 63.58%	
Covered payroll	~~$225,707~~ 235,294	~~$212,558~~ 225,707	
Plan net OPEB liability as a % of covered payroll	~~72.98~~ 22.22%	~~79.03~~ 72.98%	

Source: GASB Statement No. 74/75 Report for the respective fiscal year prepared for Metropolitan by its actuary for the Retiree Healthcare Plan.~~-~~

~~The total OPEB liability used to calculate the net OPEB liability as of June 30, 2022 and 2021 was measured as of June 30, 2021 and 2020, respectively, using an actuarial valuation as of June 30, 2021 and 2019, respectively. The actuarial valuation as of June 30, 2019 was rolled forward to the June 30, 2020 measurement date, using standard update procedures.~~

The Net OPEB Liability for the years ended June 30, 2022 and 2023 were measured as of June 30, 2021 and June 30, 2022, respectively, and the Total OPEB Liability used to calculate the Net OPEB Liability as of such dates were determined by an annual actuarial valuation as of June 30, 2021.

For more information on the OPEB plan, see APPENDIX B–"THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA ~~INDEPENDENT AUDITORS' REPORT AND BASIC FINANCIAL STATEMENTS~~ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEARS ENDED JUNE 30, ~~2022~~2023 AND JUNE 30, ~~2021~~2022 AND BASIC FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED DECEMBER 31, ~~2022~~2023 AND ~~2021~~2022 (UNAUDITED)."

HISTORICAL AND PROJECTED REVENUES AND EXPENSES

The "Historical and Projected Revenues and Expenses" table below for fiscal years 2019-20 through ~~2021-22~~2021-22, provides a summary of revenues and expenses of Metropolitan prepared on a modified accrual basis. This is consistent with Metropolitan's budgetary reporting for such fiscal years, including the biennial budget for fiscal years 2020-21 and ~~2021-22~~2021-22. Under the modified accrual basis of accounting, revenues are recognized in the fiscal year in which they are earned, and expenses are recognized when incurred. Thus, water revenues are recognized in the month the water transaction occurs and expenses are recognized when goods have been received and services have been rendered.

Metropolitan's accounting method for budgetary purposes changed from modified accrual basis to cash basis beginning with fiscal year ~~2022-23. Metropolitan's~~2022-23. Consistent with its biennial budget for fiscal years ~~2022-23~~2022-23 and 2023-24, Metropolitan's proposed biennial budget for fiscal years 2024-25 and 2025-26, which includes a ten-year financial forecast, has been prepared on a cash basis, and financial projections for fiscal years ~~2022-23~~2024-25 through ~~2027-28~~2028-29 prepared from the ten-year financial forecast on a cash basis are set forth in the table below. Under cash basis accounting, water sales revenues are recorded when received (two months after billed) and expenses when paid (approximately one month after invoiced). For comparative purposes only, Metropolitan has provided in the table below its fiscal year ~~2021-22~~2021-22 results on both a modified accrual basis and a cash basis. Fiscal year 2022-23 results are prepared on a cash basis consistent with Metropolitan's budgetary reporting for such fiscal year. The financial projection for fiscal year ~~2022-23~~2023-24 reflects results through December ~~2022~~2023. The table does not reflect the accrual basis of accounting, which is used to prepare Metropolitan's annual audited financial statements. Under accrual accounting, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of the timing of related cash flows. The change to cash basis accounting is for budgetary purposes. Metropolitan will continue to calculate compliance with its rate covenants, limitations on additional bonds and other financial covenants in the Resolutions in accordance with their terms.

The projections are based on assumptions concerning future events and circumstances that may impact revenues and expenses and represent management's best estimates of results at this time. See the footnotes to the table below entitled "HISTORICAL AND PROJECTED REVENUES AND EXPENSES" and "MANAGEMENT'S DISCUSSION OF HISTORICAL AND PROJECTED REVENUES AND EXPENSES" for relevant assumptions, including projected water transactions and the average annual increase in the effective water rate, and "MANAGEMENT'S DISCUSSION OF HISTORICAL AND PROJECTED REVENUES AND EXPENSES" for a discussion of potential impacts. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur. Therefore, the actual results achieved during the projection period will vary from the projections and the variations may be material. The budget and projection information, and all other forward-looking statements in this Appendix A, are based on current expectations and are not intended as representations of facts or guarantees of future results.

The presentation below differs from that previously presented in certain of Metropolitan's prior offering documents and continuing disclosure annual report filings with respect to the actual and expected use of certain funds on hand and the application of Reserve Transfers as offsets to operating and maintenance expenses and as Additional Revenues, respectively. Metropolitan now consistently applies these funds as set forth in the table below, which impacted the bond and fixed-charge coverage calculation in fiscal year 2019-20 through fiscal year 2024-25. O&M, CRA Power and Water Transfer Costs were updated to reflect the set-aside of $1.2 million in fiscal year 2019-20 and $12.8 million in fiscal year 2020-21, and the use of $26.5 million in fiscal year 2021-22 from the Exchange Agreement Set-Aside Fund to offset the $50.5 million payment to SDCWA in connection with the litigation challenging Metropolitan's rates. See "METROPOLITAN REVENUES–Litigation Challenging Rate Structure" in this Appendix A. Lastly, a Reserve Transfer of $153 million in fiscal year 2022-23, and a projected Reserve Transfer of $204 million in 2023-24 are reflected in the table below.

As noted herein, for comparative purposes in connection with Metropolitan's change in accounting method for budgetary purposes, financial results for fiscal year ~~2021-22~~2021-22 are provided on both a modified accrual basis and a cash basis. Beginning with fiscal year 2022-23, the results and projections are prepared on a cash basis. The financial projection for fiscal year ~~2022-23~~2023-24 reflects results through December ~~2022~~2023. The financial projections for fiscal years ~~2023-24~~2024-25 through ~~2027-28~~2028-29 in the table below reflect the proposed biennial budget for fiscal years ~~2022-23~~2024-25 and ~~2023-24~~2025-26 as well as a ten-year financial forecast provided therein on a cash basis. The financial projections include Metropolitan's share of the forecasted costs associated with the planning of a single tunnel Bay-Delta conveyance project and certain costs associated with ~~the~~ PWSC. See "METROPOLITAN'S WATER SUPPLY–State Water Project –Bay-Delta Proceedings Affecting State Water Project – *Bay-Delta Planning Activities"* and "– *Delta Conveyance*" and "REGIONAL WATER RESOURCES–Local Water Supplies – *Recycled Water-Metropolitan Pure Water Southern California Program*" in this Appendix A.

Metropolitan's resource planning projections are developed using a comprehensive analytical process that incorporates demographic growth projections from recognized regional planning entities, historical and projected data acquired through coordination with local agencies, and the use of generally accepted empirical and analytical methodologies. Due to the unpredictability of future hydrologic conditions, Metropolitan's projected supplemental wholesale water transactions may vary considerably. Metropolitan's Water Resource Management provided the projections of the volume of annual water transactions for the ~~fiscal years 2022-23 and 2023-24~~proposed biennial budget for fiscal years 2024-25 and 2025-26 and ten-year financial forecast provided therein. The water transactions projections used to determine water rates and charges assume a transition from dry conditions to average year hydrology. Actual water transactions are likely to vary from projections. As shown in the chart entitled "Historical Water Transactions" below, water transactions can vary significantly from average and demonstrates the degree to which Metropolitan's commitments to meet supplemental demands can impact water transactions. In years when actual transactions exceed projections, the revenues from water transactions during the fiscal year will exceed budget, potentially resulting in an increase in financial reserves. In years when actual transactions are less than projections, Metropolitan uses various tools to manage reductions in revenues, such as reducing expenses below budgeted levels, reducing funding of capital projects from revenues, and drawing on reserves. See "METROPOLITAN REVENUES–Financial Reserve Policy" in this Appendix A. See also "—Projected Fiscal Year 2023-24 Financial Results." Metropolitan considers actual transactions, revenues and expenses, and financial reserve balances in setting rates for future fiscal years.

As described above, for comparative purposes, fiscal year ~~2021-22~~2021-22 results are presented on both a modified accrual basis and a cash basis. Projections in the following table reflect results through December ~~2022~~2023 for fiscal year ~~2022-23~~2023-24. Financial projections for fiscal years ~~2023-24~~2024-25 through ~~2027-28~~2028-29 reflect the proposed biennial budget for ~~fiscal year 2022-23~~

~~and 2023-24~~Fiscal Years 2024-25 and 2025-26 and ten-year financial forecast provided therein on a cash basis. This includes the issuance of $~~1,710~~3,430 million of bonds for fiscal years ~~2022-23~~2024-25 through ~~2027-28~~2028-29 to finance ~~the CIP~~a portion of the costs of the CIP including, for planning purposes, certain projected costs of PWSC if a project is approved. The projections also assume the issuance of an additional $~~133.9~~48 million of bonds ~~in calendar year 2023 to~~during the same period to finance other capital expenditures of Metropolitan relating to conservation and supply programs. See "MANAGEMENT'S DISCUSSION OF HISTORICAL AND PROJECTED REVENUES AND EXPENSES" and "CAPITAL INVESTMENT PLAN–Capital Investment Plan Financing" in this Appendix A.

Water transactions with member agencies were 1.65 million ~~acre-feet~~acre-feet in fiscal year ~~2021-22~~2021-22 and 1.39 million acre-feet for fiscal year 2022-23. Water transactions with member agencies are projected to be ~~1.59~~1.22 million ~~acre-feet~~acre-feet for fiscal ~~year 2022-23, 1.54 million acre-feet for fiscal~~ years 2023-24 and 1.44 million acre-feet for fiscal year 2024-25, ~~1.51~~1.44 million ~~acre-feet~~acre-feet for fiscal year 2025-26, ~~and 1.53~~1.44 million ~~acre-feet~~acre-feet for fiscal years 2026-27~~and~~, 1.45 million acre-feet for fiscal year 2027-28 and 1.45 million acre-feet for fiscal year 2028-29. Rates and charges increased by 5.0 percent on January 1, 2023 and 5.0 percent on January 1, 2024. Rates and charges are projected to increase 13.0 percent for calendar year 2025, and 8.0 percent for calendar year 2026, 12.0 percent for calendar year 2027, 8.0 percent for calendar year 2028, and 5.0 percent for calendar year ~~2024, 7.0 percent for calendar year 2025, and 6.0 percent for each of calendar years 2026, 2027, and 2028~~2029. Actual rates and charges to be effective in calendar year 2025 and thereafter are subject to adoption by Metropolitan's Board.

The projections were prepared by Metropolitan and have not been reviewed by independent certified public accountants or any entity other than Metropolitan. Dollar amounts are rounded.

[Remainder of page intentionally left blank.]

HISTORICAL AND PROJECTED REVENUES AND EXPENSES[a]
Fiscal Years Ended June 30
(Dollars in Millions)

	Actual			Projected							
	Modified Accrual			Cash Basis							
	2020	2021	2022	2022	2023	2024	2025	2026	2027	2028	2029
	Actual	Actual	Actual	Actual	Actual	Projected	Proposed Budget	Proposed Budget	10-Yr. Forecast	10-Yr. Forecast	10-Yr. Forecast
Water Revenues[b]	$1,188	$1,405	$1,515	$1,523	$1,503 1,323	$1,522 1,222	$1,606 1,524	$1,677 1,711	$1,804 1,865	$1,926 2,085	$2,374
~~Additional Revenue Sources~~ Other Charge Revenues[c]	165	165	172	171	~~186~~ 182	196	~~206~~ 203	~~210~~ 216	~~213~~ 233	~~222~~ 255	282
Total Operating Revenues	1,353	~~1,570~~ 1,569	1,687	~~1,694~~ 1,693	~~1,689~~ 1,505	~~1,718~~ 1,417	~~1,812~~ 1,727	~~1,887~~ 1,927	~~2,017~~ 2,098	~~2,148~~ 2,340	2,655
O&M, CRA Power and Water Transfer Costs[d]	(~~642~~643)	(~~636~~648)	(~~823~~796)	(~~796~~770)	(~~803~~864)	(~~792~~743)	(~~818~~909)	(~~863~~946)	(~~903~~1,019)	(~~945~~1,076)	(1,198)
Total SWC OMP&R and Power Costs[e]	(384)	(393)	(411)	(374)	(~~521~~412)	(~~595~~624)	(~~575~~507)	(~~597~~503)	(~~620~~541)	(~~668~~566)	(620)
Total Operation and Maintenance	(~~1,026~~1,027)	(~~1,029~~1,042)	(~~1,234~~1,207)	(~~1,170~~1,144)	(~~1,324~~1,275)	(~~1,387~~1,367)	(~~1,393~~1,416)	(~~1,460~~1,449)	(~~1,523~~1,560)	(~~1,613~~1,642)	(1,818)
Net Operating Revenues	~~327~~326	~~541~~528	~~453~~479	~~524~~549	~~365~~229	$~~331~~51	~~419~~311	~~427~~478	~~494~~537	~~535~~698	$838
Additional Revenue Sources											
Miscellaneous Revenue[f]	~~14~~13	~~14~~13	18	~~22~~23	~~44~~24	~~47~~72	~~41~~98	~~42~~99	~~44~~52	~~40~~48	49
~~Transfer from~~ Reserve ~~Funds~~ Transfers[g]	~~–~~—	~~–~~—	~~–~~—	~~–~~—	~~–~~153	~~–~~204	~~–~~—	~~–~~—	~~–~~—	—	—
Sales of Hydroelectric Power[~~g~~h]	16	19	8	9	~~17~~6	~~14~~8	~~16~~17	~~16~~14	~~16~~13	~~16~~13	13
Interest on Investments[~~h~~i]	20	10	7	10	~~6~~21	~~10~~31	~~13~~49	~~16~~43	~~19~~40	~~20~~43	51
Total Additional Revenues	49	42	33	42	204	315	165	155	105	103	112
Adjusted Net Operating Revenues[~~i~~j]	~~377~~375	~~584~~570	~~486~~513	~~565~~591	~~432~~434	~~401~~366	~~489~~476	~~501~~634	~~574~~642	~~611~~801	$950
Senior Obligations	(232)	(222)	(178)	(178)	(172)	(196)	(200)	(200)	(237)	(283)	(430)
Subordinate Obligations	(40)	(57)	(97)	(97)	(121)	(126)	(135)	(151)	(134)	(138)	(104)
Senior and Subordinate Obligations[~~j~~k]	(272)	(279)	(275)	(275)	(~~283~~293)	(~~296~~322)	(~~300~~336)	(~~319~~351)	(~~333~~371)	(~~352~~421)	(534)
Funds Available from Operations	~~105~~104	~~305~~292	~~211~~ $238	~~290~~ $316	~~149~~141	$~~105~~44	~~189~~140	~~182~~283	~~240~~271	~~259~~380	$416
Debt Service Coverage (DSC) on all Senior Bonds	1.62	2.57	2.88	3.32	2.52	1.87	2.37	3.17	2.71	2.83	2.21
~~Debt Service Coverage~~ DSC on all Senior and Subordinate Bonds[~~k~~l]	~~1.39~~1.38	~~2.09~~2.05	~~1.77~~1.86	~~2.05~~2.15	~~1.53~~1.48	~~1.35~~1.14	~~1.63~~1.42	~~1.57~~1.80	~~1.72~~1.73	~~1.73~~1.90	1.78
~~Funds Available from Operations~~	~~$~~	~~$~~	~~$~~	~~$~~	~~$~~	~~$~~	~~$~~	~~$~~	~~$~~	~~$~~	
	~~105~~	~~305~~	~~211~~	~~290~~	~~149~~	~~105~~	~~189~~	~~182~~	~~240~~	~~259~~	
~~Other Revenues~~	(6)	(6)	(4)	(4)	(~~9~~7)	$ (9)	$(~~9~~10)	$(~~9~~10)	$	$(~~10~~11)	$(13)

~~(Expenses)~~Operating Equipment Expense									(~~10~~11)		
Pay-As-You Go Construction	(39)	(110)	(135)	(135)	(135)	(~~135~~35)	(~~175~~125)	(175)	(175)	(~~175~~250)	(275)
Pay-As-You Go Funded from Replacement & Refurbishment Fund Reserves	1	~~–~~ —	1	1	~~–~~2	~~–~~ —	~~–~~	~~–~~ —	~~–~~ —	~~–~~ —	—
Total SWC Capital Costs Paid from Current Year Operations	(1)	~~–~~ —	~~–~~ —	~~–~~ —	~~–~~ —	~~–~~ —	~~–~~ —	~~–~~ —	~~–~~ —	~~–~~ —	—
Remaining Funds Available from Operations	~~60~~$ 59	~~189~~$ 176	~~73~~$ 100	~~152~~$ 177	~~5~~$ —	~~(39)~~$ —	$ 5	~~(2)~~$97	~~55~~$85	~~74~~$118	$128
Fixed Charge Coverage[lm]	1.38	~~2.09~~2.05	~~1.77~~1.86	~~2.05~~2.15	~~1.53~~1.48	~~1.35~~1.14	~~1.63~~1.42	~~1.57~~1.80	~~1.72~~1.73	~~1.73~~1.90	1.78
Property Taxes	$ 147	$ 161	$ 168	$ 160	~~163~~$ 198	~~168~~$ 186	~~175~~$ 196	~~179~~$ 203	~~186~~$ 208	~~193~~$ 213	$ 227
General Obligation Bonds Debt Service Paid from Property Taxes	(13)	(7)	(8)	(8)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
SWC Capital Costs Paid from Property Taxes	(134)	(131)	(~~139~~140)	(~~139~~140)	(~~136~~133)	(~~163~~124)	(~~125~~113)	(~~141~~117)	(~~153~~142)	(~~187~~151)	(188)
SWC O&M Costs Paid from Property Taxes	~~–~~ —	(23)	(21)	(~~13~~12)	(~~25~~62)	(~~4~~59)	(~~48~~81)	(~~48~~84)	(~~36~~64)	(~~31~~60)	(38)
~~Net Funds Available from Current Year~~	~~$ 60~~	~~$189~~	~~$ 73~~	~~$152~~	~~$ 5~~	~~$(39)~~	~~$ 5~~		~~$ (2)~~		~~$ 55~~

Source: Metropolitan.

(Footnotes to table are on next ~~page~~pages)

(Footnotes to table on prior page)

(a) Unaudited. Totals may not add due to rounding. Prepared on a modified accrual basis through fiscal year ~~2021-22~~2021-22 and prepared and projected on a cash basis fiscal year ~~2021-22 forward.~~2021-22 forward. Fiscal year 2021-22 results are presented on both a modified accrual and cash basis for comparative purposes. Projected revenues and expenses in fiscal year ~~2022-23~~2023-24 are based on results through December ~~2022~~2023. Projections for fiscal year ~~2023-24~~2024-25 through fiscal year ~~2027-28~~2028-29 are based on assumptions and estimates used in the proposed biennial budget for fiscal years ~~2022-23~~2024-25 and ~~2023-24~~2025-26 and ten-year financial forecast provided therein and reflect the projected issuance of additional bonds. See "MANAGEMENT'S DISCUSSION OF HISTORICAL AND PROJECTED REVENUES AND EXPENSES" in this Appendix A.

(b) Water Revenues include revenues from water sales, exchanges, and wheeling. During the fiscal years ended June 30, 2020 through June 30, ~~2022~~2023, annual water transactions with member agencies (in ~~acre-feet~~acre-feet) were 1.37 million, 1.57 million, ~~and~~ 1.65 million, and 1.39 million, respectively. See the table entitled "Summary of Water Transactions and Revenues" under "METROPOLITAN REVENUES–Water Revenues" in this Appendix A. The water transactions projections (in ~~acre-feet~~acre-feet) are ~~1.59~~1.22 million ~~acre-feet for fiscal year 2022-23, 1.54 million acre-feet~~acre-feet for fiscal years 2023-24 ~~and~~, 1.44 million acre-feet for 2024-25, ~~1.51~~1.44 million ~~acre-feet~~acre-feet for fiscal year 2025-26, ~~and 1.53~~1.44 million ~~acre-feet~~acre-feet for fiscal years 2026-27 ~~and~~, 1.45 million acre-feet for 2027-28, and 1.45 million acre-feet for fiscal years 2028-29. Projections reflect adopted overall rate and charge increase of 5.0 percent for each of the calendar years 2023 and 2024. Rates and charges are projected to increase ~~7.0~~13.0 percent for calendar year 2025, ~~and 6.0~~8.0 percent for ~~each of the~~ calendar ~~years~~year 2026, 12.0 percent for calendar year 2027, ~~and~~8.0 percent for calendar year 2028, and 5.0 percent for calendar year 2029, subject to adoption by Metropolitan's Board. See "MANAGEMENT'S DISCUSSION OF HISTORICAL AND PROJECTED REVENUES AND EXPENSES" in this Appendix A.

(c) ~~(c)~~ Includes revenues from water standby, readiness-to-serve, and capacity charges. The term Operating Revenues excludes *ad valorem* taxes. See "METROPOLITAN REVENUES–Other Charges" in this Appendix A.

(d) ~~(d)~~ Water Transfer Costs and PWSC planning costs (described under "REGIONAL WATER RESOURCES–Local Water Supplies – *Recycled Water-Metropolitan Pure Water Southern California Program*" in this Appendix A) are included in operation and maintenance expenses for purposes of calculating the debt service coverage on all Obligations. ~~For fiscal year 2021-22, operation~~Operation and maintenance expenses also include $1.2 million in fiscal year 2019-20, $12.8 million in fiscal year 2020-21 and $24.0 million in ~~payments to SDCWA~~fiscal year 2021-22 in connection with the SDCWA litigation challenging Metropolitan's rates (~~of the total~~ $50.5 million is the total paid in fiscal year 2021-2022, with the balance paid from the Exchange Agreement Set-Aside Fund). See METROPOLITAN REVENUES–Litigation Challenging Rate Structure" in this Appendix A. O&M, CRA Power and Water Transfer Costs are net of grant funds to be applied to fund planning costs of PWSC (see "REGIONAL WATER RESOURCES–Local Water Supplies – Recycled Water-Metropolitan Pure Water Southern California Program") and California WaterFix refund monies held and applied to offset Delta Conveyance costs ($4.5 million in fiscal year 2022-23 and $30 million in fiscal year 2023-24). Also net of conservation and supply programs expenses expected to be paid from bond proceeds. See footnote (k) below.

(e) ~~(e)~~ Includes on- and off-aqueduct power and operation, maintenance, power and replacement costs payable under the State Water Contract and Delta Conveyance planning costs. See "METROPOLITAN EXPENSES–State Water Contract Obligations" in this Appendix A. See also "METROPOLITAN'S WATER SUPPLY–State Water Project –Bay-Delta Proceedings Affecting State Water Project – *Bay-Delta Planning Activities*" and "– *Delta Conveyance*" in this Appendix A. SWC OMP&R costs are net of (offset by) amounts paid from property taxes as detailed in the table above.

(f) ~~(f)~~ May include lease and rental net proceeds, net proceeds from sale of surplus property, reimbursements, ~~and historically~~PWSC contributions, and in fiscal years 2019-20 and 2020-21, federal interest subsidy payments for Build America Bonds.

(g) Reflects transfers from the Water Stewardship Fund, the Water Treatment Surcharge Stabilization Fund, and the Water Rate Stabilization Fund of $153 million in fiscal year 2022-23, and transfers from the Water Rate Stabilization Fund of $204 million in fiscal year 2023-24.

(h) ~~(g)~~ Includes CRA power sales.

(i) ~~(h)~~ Does not include interest applicable to Bond Construction Funds, the Excess Earnings Funds, other trust funds and the Deferred Compensation Trust Fund. Includes net gain or loss on investments.

(j) ~~(i)~~ Adjusted Net Operating Revenues is the sum of all available revenues that the revenue bond resolutions specify may be considered by Metropolitan in setting rates and issuing additional Senior Revenue Bonds and Senior Parity Obligations and Subordinate Revenue Bonds and Subordinate Parity Obligations.

(Footnotes continue on next page)

(Footnotes continued from prior page)

(k) ~~(j)~~ Includes debt service on outstanding Senior Revenue Bonds, Senior Parity Obligations, Subordinate Revenue Bonds, Subordinate Parity Obligations, and additional Revenue Bonds (projected). Assumes the issuance of approximately ~~$330.0 million in aggregate in additional Revenue Bonds for fiscal years 2022-23 and 2023-24 CIP expenditures, approximately $200~~180 million in fiscal year 2024-25, approximately $~~210~~150 million in fiscal year 2025-26, approximately $~~300~~900 million in fiscal year 2026-27, ~~and~~ approximately $~~670~~950 million in fiscal year 2027-28, and approximately $1,250 million in fiscal year 2028-29. Also assumes the issuance of approximately $~~133.9~~215 million of bonds for other capital expenditures relating to conservation and supply programs in calendar year ~~2023~~2024, and $29 million and $19 million of bonds for other capital expenditures relating to conservation in fiscal years 2024-25 and 2025-26, respectively. Fiscal year 2019-20 debt service was reduced by $28.5 million due to the prepayment of $28.5 million in June 2019 of debt service due on July 1, 2019, as such the payment was reflected in fiscal year 2018-19. See "CAPITAL INVESTMENT PLAN–Capital Investment Plan Financing" in this Appendix A. See also "METROPOLITAN WATER SUPPLY–Water Transfer, Storage and Exchange Programs –State Water Project Agreements and Programs – *Antelope Valley-East Kern High Desert Water Bank Program*" in this Appendix A.

(l) ~~(k)~~ Adjusted Net Operating Revenues, divided by the sum of debt service on outstanding Senior Revenue Bonds, Senior Parity Obligations, Subordinate Revenue Bonds and Subordinate Parity Obligations and additional Revenue Bonds (projected). See "METROPOLITAN EXPENSES–Outstanding Senior Revenue Bonds and Senior Parity Obligations" and "–Outstanding Subordinate Revenue Bonds and Subordinate Parity Obligations" in this Appendix A.

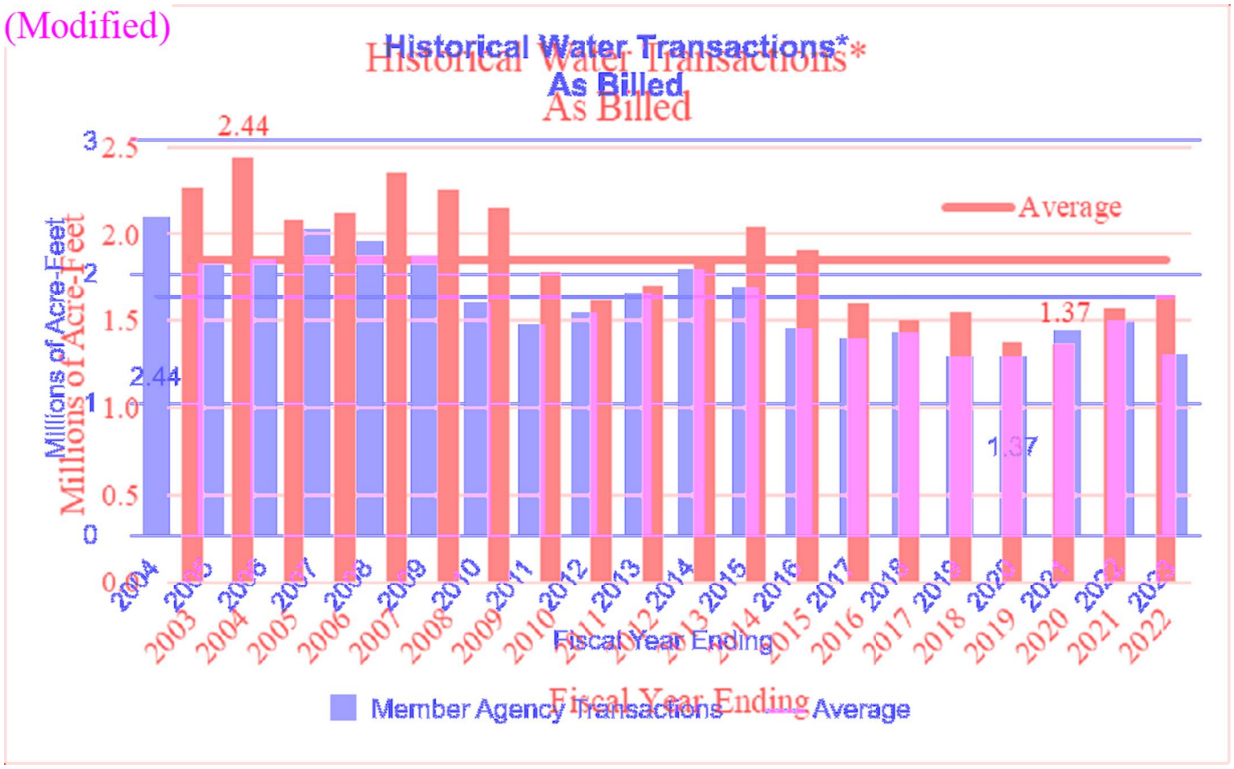
(m) ~~(l)~~ Adjusted Net Operating Revenues, divided by the sum of State Water Contract capital costs paid from current year operations and debt service on outstanding Senior Revenue Bonds, Senior Parity Obligations, Subordinate Revenue Bonds and Subordinate Parity Obligations, and additional Revenue Bonds (projected).

[Remainder of page intentionally left blank.]

MANAGEMENT'S DISCUSSION OF HISTORICAL AND PROJECTED REVENUES AND EXPENSES

Water Transactions Projections

The water transactions with member agencies in the table above for fiscal year ~~2021-22~~2021-22 were 1.65 million ~~acre-feet~~acre-feet, and 1.39 million acre-feet for fiscal year 2022-23. The water transactions forecast for fiscal year ~~2022-23 is 1.59 million acre-feet, 1.54 million acre-feet for fiscal years 2023-24 and 2024-25, 1.51 million acre-feet for~~ 2023-24 is 1.22 million acre-feet, about 21 percent lower compared to budget projections. The water transaction forecast is 1.44 million acre-feet for fiscal year 2024-25, 1.44 million acre-feet for fiscal year 2025-26, ~~and 1.53~~1.44 million ~~acre-feet~~acre-feet for fiscal ~~years~~year 2026-27~~ and~~, 1.45 million acre-feet for 2027-28, and 1.45 million acre-feet for fiscal year 2028-29, consistent with the proposed biennial budget and ten-year financial forecast. For purposes of comparison, Metropolitan's highest level of water transactions during the past 20 fiscal years was approximately 2.44 million ~~acre-feet~~acre-feet in fiscal year 2003-04 and the lowest was 1.37 million ~~acre-feet~~acre-feet in fiscal year 2019-20. The chart below shows the volume of water transactions with member agencies over the last 20 fiscal years.



** Water transactions include sales, exchanges, and wheeling with member agencies.

Water Revenues

Metropolitan relies on revenues from water transactions for about 80 percent of its total revenues. In adopting the budget and rates and charges for each fiscal year, Metropolitan's Board reviews the anticipated revenue requirements and projected water transactions to determine the rates necessary to produce the required revenues to be derived from water transactions during the fiscal year. Metropolitan sets rates and charges estimated to provide operating revenues sufficient, with other sources of funds, to

provide for payment of its expenses. See "HISTORICAL AND PROJECTED REVENUES AND EXPENSES" in this Appendix A.

Metropolitan's Board has adopted annual increases in water rates each year beginning with the rates effective January 1, 2004. See "METROPOLITAN REVENUES–Rate Structure" and "–Classes of Water Service" in this Appendix A. On April 12, 2022, the Board adopted average increases in rates and charges of 5.0 percent, ~~to become~~which became effective on January 1, 2023 and January 1, 2024. Rates and charges are projected to increase ~~7.0~~13.0 percent for calendar year 2025, ~~and 6.0~~8.0 percent for ~~each of~~ calendar ~~years~~year 2026, 12.0 percent for calendar year 2027, ~~and~~8.0 percent for calendar year 2028, and 5.0 percent for calendar year 2029. Actual rates and charges to be effective in calendar year 2025 and thereafter are subject to adoption by Metropolitan's Board.

Projected Fiscal Year ~~2022-23~~2023-24 Financial Results

Projections for fiscal year ~~2022-23~~2023-24, in the table above (on a cash basis), are based on results through December ~~2022.~~ 2023. Projected Water Revenues for fiscal year 2023-24 is $1,222 million, approximately $317 million lower than budget projections. This reduction in projected water revenues is primarily due to the impact of recent wet weather on demand for supplies by member agencies.

Operation and maintenance expenses in fiscal year ~~2022-23~~2023-24 are projected to be $~~1,324~~1,367 million, which represents approximately ~~69.2~~67 percent of total projected costs. These ~~expenses~~expenditures include the costs of labor, electrical power, materials and supplies of both Metropolitan and its contractual share of the State Water Project. Metropolitan's operation and maintenance expenses are projected to be ~~on~~$20 million lower than budget in fiscal year ~~2022-23~~2023-24. Comparatively, operations and maintenance expenditures in fiscal year ~~2021-22~~2022-23 were $~~1,234~~1,275 million ~~(on a modified accrual basis)~~, which represents approximately ~~67.9~~66.9 percent of total costs. Overall, projected expenditures for the twelve months ending June 30, ~~2023~~2024 are $~~1.9 billion~~2,043 million, which is ~~on~~under budget by $46 million.

Metropolitan maintains cash reserves as a tool to manage the fluctuations in revenues and/or increases in expenses. Water revenues vary based on Metropolitan's water transactions, which are primarily driven by demand for Metropolitan's water supplies. Expenses may vary on a host of factors, including but not limited to construction costs, chemical costs for treatment, power costs, hydroelectric power production, variable rate debt costs, among other potential types of costs Metropolitan incurs. Metropolitan's unrestricted reserves provide the flexibility to increase rates on a scheduled basis as opposed to when additional revenues are needed intermittently. Metropolitan has determined that it is appropriate to use a portion of its unrestricted reserves and other available funds in fiscal year 2023-24 to pay for permitted expenditures as a result of the rapid change in hydrology that is projected to reduce demand for Metropolitan supplies, and hence projected water revenues. Projected results for fiscal year 2023-24 reflect the use of approximately $227 million of reserves related to operating and maintenance.

Fiscal year ~~2022-23~~2023-24 senior revenue bond debt service coverage (on a cash basis) is projected to be ~~1.53x~~1.87x. Fiscal year 2023-24 aggregate revenue bond debt service coverage (on a cash basis) is projected to be 1.14x and fixed charge coverage to be ~~1.53x~~1.14x. Fiscal year ~~2022-23~~2023-24 capital expenditures, estimated ~~at $300.0~~ (as of the end of the second quarter of fiscal year 2023-24) at $353 million, ~~will be~~are being partially funded by the proceeds of bonds issued for fiscal year ~~2022-23~~2022-23 for such purpose, a portion of Metropolitan's short-term senior lien notes issued under its Short-Term Revolving Credit Facility (which amount is expected to be refunded by Metropolitan's 2024A Bonds) and the remainder from pay-as-you-go funding. Metropolitan's unrestricted reserves are

projected to be approximately $~~686~~327 million on a cash basis at June 30, ~~2023~~2024. See "METROPOLITAN REVENUES–Financial Reserve Policy" in this Appendix A.

Financial projections for fiscal years ~~2023-24~~2024-25 through ~~2027-28~~2028-29 are reflected in the ~~fiscal year 2022-23 and 2023-24~~proposed biennial budget for fiscal years 2024-25 and 2025-26 and ten-year financial forecast provided therein. The fiscal year ~~2022-23 and 2023-24~~2024-25 and 2025-26 proposed biennial budget and rates set the stage for predictable and reasonable rate increases over the ten-year planning period, with ~~Board adopted~~proposed overall rate increases of ~~5.0~~13.0 percent for ~~each of calendar years 2023 and 2024. The fiscal year 2022-23 and 2023-24~~calendar year 2025 and 8.0 percent for calendar year 2026. The proposed biennial budget for fiscal years 2024-25 and 2025-26 and ten-year financial forecast includes rate increases of ~~7.0~~12.0 percent for calendar year ~~2025, and 6.0~~2027, 8.0 percent for calendar ~~years 2026, 2027, and~~year 2028 and 5.0 percent for calendar year 2029. Actual rates and charges to be effective in calendar year 2025 and thereafter are subject to adoption by Metropolitan's Board as part of the biennial budget process, at which point the ten-year forecast will be updated as well. Increases in rates and charges reflect the impact of reduced water transactions projections, increasing operations and maintenance costs, and increasing State Water Project costs, when compared to prior fiscal years.

Metropolitan's financial results during the fiscal years ~~2022-23~~2023-24 through ~~2027-28~~2028-29 may be impacted by current and subsequent developments relating to the recent pandemic, the effects of ~~the ongoing~~changing hydrological conditions (including drought and extreme wet weather), as well as other unforeseen events.

See also the "Management's Discussion and Analysis" contained in APPENDIX B– "THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA ~~INDEPENDENT AUDITORS' REPORT AND BASIC FINANCIAL STATEMENTS~~ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEARS ENDED JUNE 30, ~~2022~~2023 AND JUNE 30, ~~2021~~2022 AND BASIC FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED DECEMBER 31, ~~2022~~2023 AND ~~2021~~2022 (UNAUDITED)."

Summary report: **Litera Compare for Word 11.7.0.54 Document comparison done on 3/27/2024 8:25:38 AM**	
Style name: Standard (Color) No Headers or Footers	
Intelligent Table Comparison: Active	
Original DMS: nd://4854-7373-4490/2/Board Distribution Draft APPENDIX A Spring 2023 (updated 4-6-23) v.10.docx	
Modified DMS: nd://4888-9824-9134/4/APPENDIX A Spring 2024 Draft (03-25-24).docx	
Changes:	
Add	2294
~~Delete~~	2182
~~Move From~~	355
Move To	355
Table Insert	646
~~Table Delete~~	21
Table moves to	0
~~Table moves from~~	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	3
Embedded Excel	0
Format changes	0
Total Changes:	5856