

AGENDA
IRVINE RANCH WATER DISTRICT
SPECIAL SUPPLY RELIABILITY PROGRAMS COMMITTEE
TUESDAY, MARCH 5, 2019

CALL TO ORDER 1:00 p.m., Committee Room, Second Floor, District Office
15600 Sand Canyon Avenue, Irvine, California

ATTENDANCE Committee Chair: Peer Swan _____
Member: Douglas Reinhart _____

<u>ALSO PRESENT</u>	Paul Cook	_____	Kellie Welch	_____
	Rob Jacobson	_____	Christine Compton	_____
	Ray Bennett	_____	Paul Weghorst	_____
	Jo Ann Corey	_____	Dane Johnson	_____
	Fiona Sanchez	_____	_____	_____
	_____	_____	_____	_____

NOTICE

If you wish to address the Committee on any item, please file your name with the Committee. Forms are provided on the table outside of the Committee Room. Remarks are limited to three minutes per speaker on each subject.

COMMUNICATIONS

1. Notes: Weghorst
2. Public Comments
3. Determine the need to discuss and/or take action on item(s) introduced that came to the attention of the District subsequent to the agenda being posted.
4. Determine which items may be approved without discussion.

ACTION

5. DRAFT TERMS FOR A 4-FOR-1 PILOT EXCHANGE PROGRAM WITH
MOJAVE WATER AGENCY – WELCH / SANCHEZ /WEGHORST

Recommendation: That the Board authorize the General Manager to execute a 4-for-1 pilot exchange letter agreement as well as a side agreement to compensate Mojave Water Agency for the water delivered into storage that incorporates the proposed draft exchange and compensation terms as revised based on input received at the Committee meeting, both subject to substantive changes approved by the Supply Reliability Programs Committee.

ACTION – Continued

6. DRAFT TERMS FOR ONE-YEAR RECHARGE PROGRAM WITH BUENA VISTA WATER STORAGE DISTRICT – WELCH / SANCHEZ / WEGHORST

Recommendation: That the Board authorize the General Manager to execute a letter agreement with Buena Vista Water Storage District based on the proposed draft terms for a one-year recharge program for 2019 to augment recharge on the Strand Ranch by utilizing the Stockdale West recharge basins as revised based on input received at the Committee meeting and subject to substantive changes approved by the Committee.

OTHER BUSINESS

7. Directors' Comments

8. Adjourn

Availability of agenda materials: Agenda exhibits and other writings that are disclosable public records distributed to all or a majority of the members of the above-named Committee in connection with a matter subject to discussion or consideration at an open meeting of the Committee are available for public inspection in the District's office, 15600 Sand Canyon Avenue, Irvine, California ("District Office"). If such writings are distributed to members of the Committee less than 72 hours prior to the meeting, they will be available from the District Secretary of the District Office at the same time as they are distributed to Committee Members, except that if such writings are distributed one hour prior to, or during, the meeting, they will be available at the entrance of the meeting room at the District Office. The Irvine Ranch Water District Committee Room is wheelchair accessible. If you require any special disability-related accommodations (e.g., access to an amplified sound system, etc.), please contact the District Secretary at (949) 453-5300 during business hours at least seventy-two (72) hours prior to the scheduled meeting. This agenda can be obtained in an alternative format upon written request to the District Secretary at least seventy-two (72) hours prior to the scheduled meeting.

March 5, 2019

Prepared by: K. Welch

Submitted by: F. Sanchez / P. Weghorst

Approved by: Paul A. Cook 

SPECIAL SUPPLY RELIABILITY PROGRAMS COMMITTEE

DRAFT TERMS FOR A 4-FOR-1 PILOT EXCHANGE PROGRAM WITH MOJAVE WATER AGENCY

SUMMARY:

In January 2019, staff reviewed with the Committee draft terms for a short-term unbalanced exchange program with Mojave Water Agency. Mojave considered the terms and indicated its preference for a revenue component to be part of any established program. Based on this, staff has prepared draft terms for a 4-for-1 pilot exchange program with Mojave that would result in IRWD receiving three acre-feet of water for every four acre-feet of State Water Project (SWP) water that Mojave delivers into storage at the Strand and Stockdale Integrated Banking Projects (IRWD Water Bank). The terms provide for Mojave receiving compensation for the water through a separate agreement. The expedited execution of an agreement based on the proposed pilot program terms would allow IRWD to secure wet-year water supplies expected to be available this year to Mojave. Staff recommends that the Board authorize the General Manager to execute a 4-for-1 pilot exchange letter agreement as well as a side agreement to compensate Mojave for the water delivered into storage, that incorporates the proposed draft exchange and compensation terms as revised based on input received at the Committee meeting, both subject to substantive changes approved by the Supply Reliability Programs Committee.

BACKGROUND:

Mojave Water Agency is an SWP Contractor that currently has Table A water supplies in excess of demands. These supplies also exceed the storage capacity of Mojave's water banking capacities that were developed through its Mojave Basin Conjunctive Use program. On November 28, 2018, IRWD staff met with the General Manager and staff from Mojave to discuss implementing a mutually beneficial short-term unbalanced exchange program that would allow Mojave to deliver SWP water into storage at the IRWD Water Bank. Subsequent to the meeting, staff prepared draft terms for a 2-for-1 exchange program with Mojave that were approved by the Committee on January 17, 2019. Mojave reviewed the draft terms and communicated its preference that a revenue component be incorporated into terms for any exchange program with IRWD.

Terms for 4-for-1 Exchange:

As a result of further discussions with Mojave, staff has prepared draft terms for a pilot 4-for-1 exchange agreement with Mojave, attached as Exhibit "A". Through this pilot program IRWD would receive three acre-feet of water for every four acre-feet of SWP water that Mojave delivers into storage at the IRWD Water Bank, with Mojave receiving compensation for the water through a separate agreement. The terms would allow Mojave to deliver up to 6,000 acre-feet of SWP Table A water to the IRWD Water Bank should the California Department of Water Resources (DWR) increase the SWP allocation for the year to 65% or greater. Within 10 years, IRWD would return 1,500 acre-feet, less a proportional share of losses, to Mojave through

the use of the IRWD Water Bank wells. The water would be returned when DWR declares an SWP allocation of 25% or below. At the Committee meeting, staff will present additional details associated with the terms for the proposed pilot exchange program with Mojave.

Need for Expedited Action:

Staff expects that there is high probability that DWR will soon increase the SWP allocation to at least 65%. Accordingly, there is a need to expedite execution of an agreement for the proposed 4-for-1 pilot program between IRWD and Mojave to allow adequate time for Metropolitan Water District of Southern California to provide its consent to the program and to work with DWR to prepare the exchange and point of delivery agreements that are needed to initiate the delivery of water by Mojave before the end of 2019.

FISCAL IMPACTS:

IRWD proposes to compensate Mojave for the SWP water it delivers into storage at the IRWD Water Bank. In addition, IRWD proposes to pay the costs associated with recharging the water and the costs of recovering Mojave's share of the water through the use of the IRWD Water Bank wells. Mojave would pay for all costs associated with the use of its capacities in the SWP to deliver water for recharge and to convey recovered return water to Mojave's service area. The net cost of the water to IRWD would be consistent with the cost of water from IRWD's programs in Dudley Ridge Water District. At the Committee meeting, staff will present details associated with the proposed compensation to Mojave and the expected net cost of water to IRWD from the implementation of the pilot 4-for-1 exchange program with Mojave.

ENVIRONMENTAL COMPLIANCE:

Final Environmental Impact Reports for the Strand Ranch and Stockdale Integrated Banking Project were prepared, certified and approved in compliance with the California Environmental Quality Act (CEQA) of 1970 as amended, codified at California Public Resources Code Sections 21000 et. seq., and the State CEQA Guidelines in the Code of Regulations, Title 14, Division 6, Chapter 3. Rosedale, as lead agency, filed Notice of Determinations for both the Strand Ranch and Stockdale Integrated Banking Projects with the County of Kern. IRWD, as a responsible agency, filed Notice of Determinations with the County of Orange and with the County of Kern.

RECOMMENDATION:

That the Board authorize the General Manager to execute a 4-for-1 pilot exchange letter agreement as well as a side agreement to compensate Mojave Water Agency for the water delivered into storage that incorporates the proposed draft exchange and compensation terms as revised based on input received at the Committee meeting, both subject to substantive changes approved by the Supply Reliability Programs Committee.

LIST OF EXHIBITS:

Exhibit "A" – Proposed Terms for a 4-for-1 Pilot Exchange Program between Irvine Ranch Water District and Mojave Water Agency

EXHIBIT "A"

DRAFT

Terms for a 4-For-1 Pilot Exchange Program
Between Irvine Ranch Water District and Mojave Water Agency
February 28, 2019

Parties	The Irvine Ranch Water District (IRWD) and the Mojave Water Agency (Mojave)
Description	IRWD and Mojave would implement a Pilot Exchange Program (Exchange Program) that would allow Mojave to schedule and deliver excess State Water Project (SWP) water into storage at IRWD's Strand and Stockdale Integrated Banking Projects (IRWD Water Bank) on a 4-to-1 exchange ratio basis. SWP water is available to Mojave through its existing SWP Contract with the Department of Water Resources (DWR). Recharge and recovery facilities at both the Strand Ranch and Stockdale Integrated Banking Projects could be used to deliver water in and out of storage at the IRWD Water Bank.
Term	Ten years from the date that Mojave's water is delivered into storage in the IRWD Water Bank under the Exchange Program. Delivery of the water into storage would be accomplished prior to the end of calendar year 2021.
IRWD's Water Bank	IRWD Water Bank, located in Kern County, is owned by IRWD and operated by Rosedale-Rio Bravo Water Storage District (Rosedale). IRWD holds first priority rights to the use of the recharge and recovery facilities except for when the Kern River Watermaster offers water to all takers willing to sign a notice/order or the Kern River Watermaster offers Kern River water to the California Aqueduct/Kern River Intertie. Under such conditions, Rosedale has first priority right to the use of the recharge facilities.
Quantity	Up to 6,000 acre-feet (AF) of Mojave's SWP water supplies may be delivered to the IRWD Water Bank for storage. The storage account balance to be allocated to Mojave would be equal to twenty-five percent (25%) of the amount of water delivered into storage. Seventy-five percent (75%) of the water delivered into storage would be deemed transferred to IRWD at the time the water has been recharged at the IRWD Water Bank.
Exchange Water	When the SWP allocation is equal to or greater than 65% (or less at Mojave's discretion), Mojave will notify IRWD of its intent to schedule and deliver up to 6,000 AF of SWP water (Exchange Water) to the IRWD Water Bank. Mojave shall schedule delivery of Exchange Water for recharge at the IRWD Water Bank during times when IRWD determines that recharge capacity is available. Within 30 days of DWR's approval of Mojave's delivery schedule, Mojave shall prepare an invoice for compensation by IRWD in an amount per AF as defined under separate agreement between the Parties.
Return Water	When the first year occurs with a final SWP allocation equal to or less than 25%, Mojave will notify IRWD of its request to take delivery of its share of the Exchange Water (Return Water). Return Water will occur by recovery of water from the IRWD Water Bank with subsequent delivery through the Cross Valley Canal (CVC) and California Aqueduct. IRWD shall use its first priority recovery well capacity in the IRWD Water Bank to recover Return Water for Mojave after meeting IRWD's own water supply needs. At IRWD's discretion, Mojave could be allowed to delay its request to take delivery of Return Water to a later year with a final SWP allocation

	equal to or less than 25%. Mojave's Return Water may not remain in storage beyond the end of the tenth calendar year after the delivery of water into storage in the IRWD Water Bank.
Quality	The quality of Exchange Water and Return Water will be limited as follows: If and to the extent that either party delivers water to and into the California Aqueduct, the quality of water shall meet the water quality standards established by DWR for pump-in to the California Aqueduct.
Delivery Points	Mojave will deliver Exchange Water to the IRWD point of delivery (IRWD POD) which will be the Strand Ranch and/or Stockdale West Turnouts on the CVC, other Rosedale diversion locations as specified by Rosedale, or as directed by Metropolitan Water District of Southern California (Metropolitan). IRWD will deliver Return Water to the Mojave point of delivery (Mojave POD) which will be Check ___ of the California Aqueduct or to another delivery point as determined by Mojave.
Losses	Water banking losses between 11 and 15% shall be shared proportionately between IRWD, with IRWD incurring 75% of the banking losses, and Mojave incurring 25% of the banking losses on the delivered Exchange Water. Mojave and IRWD each may incur additional conveyance losses of 1% to 2% in the CVC for conveyance of each agency's share of the water, as measured and assessed by Kern County Water Agency (KCWA).
Recharge Costs	IRWD will pay all costs assessed to IRWD by Rosedale for recharging water at the IRWD Water Bank. These costs may include Rosedale's administrative charge, charges assessed by the KCWA, Cross Valley Canal (CVC) Standby, applicable CVC pumping and O&M costs, and applicable fixed and variable O&M Water Bank costs.
Recovery Costs	IRWD will pay actual costs to recover Return Water from the IRWD Water Bank through pumping of IRWD Water Bank wells. These costs may include Rosedale's administrative charge, pumping costs, charges assessed by the KCWA, CVC Standby, O&M, and applicable CVC pumping costs, and applicable fixed and variable O&M Water Bank costs. IRWD will also pay any costs assessed by Rosedale under its Long Term Operations Plan for implementing provisions of the MOUs to prevent impacts from operations.
SWP Costs	For delivery of Exchange Water to IRWD POD, Mojave shall utilize its conveyance capacity in the Aqueduct and pay all DWR costs associated with the use of the capacity. Metropolitan will pay all DWR Variable OMP&R charges associated with the delivery of Exchange Water to IRWD POD consistent with the Coordinated Operating, Water Storage, Exchange and Delivery Agreement dated April 21, 2011. For delivery of Return Water to Mojave POD, Mojave will pay all DWR Variable OMP&R charges and shall utilize its conveyance capacity in the Aqueduct and pay all DWR costs associated with the use of the capacity.
Agency Coordination	IRWD and Mojave would cooperate with DWR, KCWA and Metropolitan in preparing all necessary agreements to facilitate the Exchange Program. IRWD and Mojave shall each be responsible for their own costs associated with such coordination.

Environmental Compliance	Both parties shall comply with California Environmental Quality Act (CEQA) and cooperate with one another with respect to CEQA compliance that may be required by the DWR for the proposed Exchange Program. IRWD has already conducted environmental review under CEQA for the Strand and Stockdale Integrated Banking Projects that takes into consideration the delivery, storage and recovery of SWP water. Rosedale certified and IRWD and approved the CEQA documents for the Strand and Stockdale Integrated Banking Projects. Corresponding Notices of Determinations were filed by both Rosedale and IRWD. IRWD and Mojave will share equally any additional costs associated with environmental review or permitting deemed necessary for delivering Mojave water into storage (however, none are expected). Both IRWD and Mojave shall each be responsible for any other environmental review or permitting necessary to implement the Exchange Program within their own respective service areas.
Water Rights	It is expressly agreed, understood, and acknowledged by IRWD and Mojave that any existing or future delivery of Exchange Water to the IRWD Water Bank by Mojave will not result in or be considered a sale or transfer of Mojave's contractual rights to SWP water or a sale or transfer of IRWD's ownership in the IRWD Water Bank.
General Expenses	Each Party would be responsible for its own fees and expenses arising out of the negotiation and execution of the Exchange Program Agreement, obtaining necessary approvals, and the like.

March 5, 2019

Prepared by: K. Welch

Submitted by: F. Sanchez / P. Weghorst

Approved by: Paul A. Cook 

SPECIAL SUPPLY RELIABILITY PROGRAMS COMMITTEE

DRAFT TERMS FOR ONE-YEAR RECHARGE PROGRAM WITH BUENA VISTA WATER STORAGE DISTRICT

SUMMARY:

Staff expects that current wet-year conditions will result in water supplies being made available for recharge at the Strand and Stockdale Integrated Banking Projects. In 2017, the Board approved an agreement for a one-year recharge program that allowed Buena Vista Water Storage District (BVWSD) to augment recharge on the Strand Ranch by utilizing IRWD's Stockdale West basins to recharge high-flow Kern River water. IRWD was able to realize an increase of over 6,800 acre-feet (AF) of water in 2017 as a result of the execution of the agreement. In the event that high-flow Kern River water may be available this year, staff recommends that the Board authorize the General Manager to execute a letter agreement with BVWSD with similar terms as the 2017 agreement, as revised, based on input received at the meeting and subject to substantive changes approved by the Committee.

BACKGROUND:

In 2010, IRWD and BVWSD entered into a long-term *Agreement for Water Acquisition by Irvine Ranch Water District from Buena Vista Water Management Program* (Exchange Agreement), which established an exchange program at the Strand Ranch Integrated Banking Project. The Exchange Agreement allows BVWSD to recharge up to 17,500 AF of high-flow Kern River water per year at the Strand Ranch on an unbalanced exchange basis, with IRWD receiving 50% of the water, less a proportional share of losses. BVWSD's allocated annual rate of recovery under the long-term program is 6,667 AF.

2011 Stockdale West Recharge Program:

After purchasing the Stockdale West property in December 2010, IRWD implemented a Pilot Project for recharge on the property by constructing recharge basins. In August 2011, IRWD and BVWSD entered into an agreement allowing BVWSD to use the Stockdale West Pilot Project recharge basins for one year to capture up to 10,000 AF of high-flow Kern River water on an unbalanced exchange basis. BVWSD recharged 3,268 AF of high flow Kern River water under the Pilot Project in addition to 17,500 AF at the Strand Ranch.

2017 Stockdale West Recharge Program:

In 2017, the Board approved an agreement with BVWSD for a one-year program to augment recharge using Stockdale West recharge facilities for up to an additional 12,500 AF. Based on a request from BVWSD, the Board approved several modifications from the terms of the Exchange Program, which only applied to water recharged in 2017 under the one-year program. These changes included providing BVWSD with an additional 833 AF per year of first priority recovery capacity to use in recovering water that was recharged in 2017. BVWSD was also

allowed additional time to request return deliveries before having to transfer additional water to IRWD. All other terms for the one-year program were consistent with the Exchange Agreement. In 2017, BVWSD recharged 13,654 AF utilizing the Strand and Stockdale West recharge basins with IRWD receiving 6,827 AF.

Proposed 2019 Stockdale West Recharge Program:

As a result of current wet year conditions, it is expected that the Kern River Watermaster may schedule an increase in outflows from Lake Isabella that could create high-flow conditions on the Kern River. In the event of the availability of high-flow Kern River water, staff has prepared draft terms for a one-year recharge program for 2019 that is similar to the program implemented in 2017. This proposed program would facilitate the maximum use of IRWD's recharge facilities on Strand and Stockdale West. The draft terms would allow BVWSD to recharge up to 12,500 AF of additional Kern River water supplies utilizing the Stockdale West recharge facilities in second priority to any deliveries of water made consistent with IRWD's exchange program with Antelope Valley-East Kern Water Agency (AVEK). The draft term sheet for the proposed 2019 recharge program with BVWSD is attached as Exhibit "A". These terms would also provide BVWSD an additional 833 AF per year of recovery capacity in second priority to the AVEK program to recover the water recharged in 2019.

FISCAL IMPACTS:

The total cost of the IRWD share of water under the proposed recharge program is estimated to range from \$55 AF to \$85 per AF, depending upon recovery costs. Pursuant to the terms, if after year 7 BVWSD has not recovered its water, IRWD shall compensate BVWSD for additional water transferred from BVWSD to IRWD in excess of 50% at BVWSD's then current State Water Project Table A Variable Operations, Maintenance, Power and Replacement unit cost rate for water. The current estimated cost of the additional water is approximately \$27 per AF.

ENVIRONMENTAL COMPLIANCE:

In compliance with the California Environmental Quality Act (CEQA), the California Public Resources Code Section 21000 et. seq., and per the California CEQA Guidelines in the Code of Regulations, Title 14, Division 6, Chapter 3, Rosedale as lead agency filed a Notice of Determination for the Stockdale Integrated Banking Project Final EIR with the County of Kern on December 8, 2015, and with the State Clearinghouse on December 9, 2015. IRWD, as a responsible agency, filed a Notice of Determination with the County of Orange on December 14, 2015, with the California State Clearinghouse on December 15, 2015, and with the County of Kern on December 21, 2015. The banking of BVWSD high flow Kern River water available from BVWSD pre-1914 water rights is consistent with the sources evaluated in the Stockdale Final EIR as well as the Final EIR for the Strand Ranch Integrated Banking Project. A Final EIR for the Buena Vista Water Management Project was prepared, certified and the project approved by BVWSD. The Buena Vista Water Management Project Final EIR covers the delivery of BVWSD high flow Kern River water to water banking facilities such as the Strand and Stockdale Integrated Banking Projects and including Rosedale facilities.

RECOMMENDATION:

That the Board authorize the General Manager to execute a letter agreement with Buena Vista Water Storage District based on the proposed draft terms for a one-year recharge program for 2019 to augment recharge on the Strand Ranch by utilizing the Stockdale West recharge basins, as revised, based on input received at the Committee meeting and subject to substantive changes approved by the Committee.

LIST OF EXHIBITS:

Exhibit "A" – Draft Term Sheet for a One-Year Recharge Program for 2019 Using Stockdale West Recharge Facilities

EXHIBIT "A"

Summary of Terms | 1
March 5, 2019

DRAFT

Terms for a One-Year Recharge Program to Augment Recharge Under the Agreement Between Irvine Ranch Water District and Buena Vista Water Storage District Using Stockdale West Recharge Facilities

GENERAL TERMS

Entities:	Irvine Ranch Water District ("IRWD"); Buena Vista Water Storage District ("BV")
Description:	IRWD and BV seek to carry out a one-year recharge program ("Recharge Program") to augment the recharge capacities under the IRWD Water Exchange Program established in the long-term Agreement for Water Acquisition by IRWD from BV Water Management Program that was executed on December 22, 2010 ("IRWD/BV Exchange Agreement"). Recharge would be augmented through the delivery of BV Exchange Water to IRWD's Stockdale West property on a 2-for-1 basis consistent with the IRWD/BV Exchange Agreement as described in this term sheet ("Term Sheet"). Capitalized terms used herein and not otherwise defined shall have the same meanings as are given to such terms in the IRWD/BV Exchange Agreement.
Effective Date:	April 1, 2019 (the "Effective Date").
Term:	One year from the Effective Date, terminating on March 30, 2020.
Stockdale West:	IRWD has constructed recharge facilities at its Stockdale West property in Kern County, California. These facilities consist of approximately 259 acres of recharge basins and appurtenant facilities to convey water to the Stockdale West property from the Strand Ranch Integrated Banking Project and a turnout from the Cross Valley Canal. By augmenting recharge abilities under the IRWD/BV Exchange Agreement, the Recharge Program will provide improved water management and reliability. The Recharge Program may include use of recovery wells on Stockdale West which have been constructed and are operational.
Exchange Program:	The IRWD/BV Exchange Agreement provides for storage of BV Exchange Water on a 2-for-1 basis consistent with the BV Water Management Program, which includes a Water Exchange Program that allows BV to more effectively and beneficially manage BV's water resources. The IRWD/BV Exchange Agreement allows BV to supply up to 17,500 acre-feet (AF) of BV Exchange Water in any given year for recharge at the Strand Ranch Integrated Banking Project and provides for IRWD to return fifty percent (50%) of the water less losses at a rate of no

more than 6,667 AF in any given year. As consideration, the remainder of the water is deemed transferred to IRWD with provisions for additional transfers that are dependent on time length of storage. The IRWD/BV Exchange Agreement has a term through January 13, 2039, extendable by its parties.

Non-Binding Effect: This Term Sheet is intended to be a statement of the terms of the proposed transaction. It is subject to the execution of a letter agreement ("Letter Agreement") by IRWD and BV inclusive of the terms and conditions set forth herein.

General Expenses: Each party shall be responsible for its own fees and expenses arising out of the negotiation and execution of agreements related to this transaction, obtaining necessary approvals, and the like.

CEQA Compliance: Both parties shall comply with CEQA and cooperate with one another with respect to CEQA compliance for the proposed Recharge Program. BV was the lead agency with respect to CEQA compliance for its BV Water Management Program, which included the Water Exchange Program, and adopted a Final Environmental Impact Report (EIR) on January 12, 2010. IRWD was a responsible agency with respect to CEQA compliance for the Stockdale Integrated Banking Project, including the delivery of BV Exchange Water to the Stockdale West, and adopted a Final EIR on December 14, 2015. IRWD was a responsible agency with respect to CEQA compliance for the Strand Ranch Integrated Banking Project, and adopted a Final EIR on May 27, 2008. BV and IRWD shall each be responsible for its own fees and costs associated with future or additional CEQA compliance regarding its participation in the Recharge Program, including litigation expenses if any.

Permit Costs: As provided in the IRWD/BV Exchange Agreement (Section 1(F)), however, no permit costs are expected for the Recharge Program.

Water Rights: As provided in the IRWD/BV Exchange Agreement (Section 1(G); Section 3(B) (ii) (4)).

RECHARGE AUGMENTATION TERMS

Source of Water: As provided in the IRWD/BV Exchange Agreement (Section 2(A)(i)).

Quantity: On a second priority basis, BV may deliver up to 12,500 additional acre-feet (AF) of water during the one year term hereof ("Augmentation Water"), to augment the 17,500 AF of BV Exchange Water that BV is allowed to supply to the Strand Ranch Integrated Banking Project as specified in the IRWD/BV Exchange Agreement, resulting in a total of 30,000 AF of BV Exchange Water to be recharged during the Recharge Program. The Augmentation Water is to be stored in an account within

the Stockdale Integrated Banking Project within the estimated storage capacity of 26,000. The use of this storage capacity in the Stockdale Integrated Banking Project will not increase the dedicated storage capacity amount as specified in the IRWD/BV Exchange Agreement. The Recharge Program shall augment or increase the existing annual recovery capacity of 6,667 AF as provided in the IRWD/BV Exchange Agreement for delivery of IRWD Return Water to BV by an annual amount of 833 AF. The 833 AF would be provided on a second priority basis. The resulting 7,500 AF augmented recovery capacity will be used to make IRWD Return Water deliveries to BV associated with this Recharge Program and shall not augment or increase future IRWD Return Water deliveries not associated with this Recharge Program.

- Quality: As provided in the IRWD/BV Exchange Agreement (Section 2(A)(iii)).
- Availability: As provided in the IRWD/BV Exchange Agreement (Section 2(A)(IV)).
- Delivery Points: As provided in the IRWD/BV Exchange Agreement (Section 2(A) (v)). Notwithstanding that recharge of the Augmentation Water will occur on the Stockdale West property, the location of storage, recovery, return and delivery points shall be the same as for water other than Augmentation Water.
- Consideration: The provisions governing the Additional Transferred Water specified in the IRWD/BV Exchange Agreement (Section 2(A) (vii)) shall apply but shall be modified with respect to the 30,000 AF of BV Exchange Water recharged through this Recharge Program as shown in the following table and shall not affect the future consideration provided to IRWD as a result of future BV Exchange Water deliveries in accordance with Section 2(A) (vii) of the IRWD/BV Exchange Agreement:

Modified Consideration for Recharge Program Only

Year Following Recharge Event	Percent Transferred to IRWD	Percent Returned to BV if Returned During or Before the Indicated Year
1	50	50
2	50	50
3	50	50
4	50	50
5	60 * 50	40 50
6	70 * 50	30 50
7	80 75*	20 25
8	90 100*	10 0
9	100*	0

* Additional Transferred Water is the amount of water over 50%

Other Terms:

Except where otherwise specified above or the context requires otherwise, all terms and conditions of the IRWD/BV Exchange Agreement are incorporated and will apply to this Term Sheet, the Letter Agreement and disposition of the Augmentation Water including without limitation the return of water to BV, construction of facilities, indemnifications and duties related to the operation, maintenance, power and repairs. For the purpose of this Term Sheet and the Letter Agreement, such terms and conditions of the IRWD/BV Exchange Agreement shall be read and construed as though references therein to the Agreement or the words "herein," "hereof," and the like were to this Term Sheet and the Letter Agreement, and references to water included the Augmentation Water.