

**PROTEST DISMISSAL AGREEMENT
BY AND AMONG**

**IMPERIAL IRRIGATION DISTRICT
SAN DIEGO COUNTY WATER AUTHORITY
COACHELLA VALLEY WATER DISTRICT
AND
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA**

This Protest Dismissal Agreement ("Agreement") is entered into and effective this _____ day of _____, 2002, by and among Petitioners, Imperial Irrigation District ("IID") and the San Diego County Water Authority ("SDCWA"), and Protestants, Coachella Valley Water District ("CVWD") and The Metropolitan Water District of Southern California ("MWD") (collectively "Parties").

RECITALS

A. On April 28, 1998, IID and SDCWA entered into an Agreement for Transfer of Conserved Water ("IID/SDCWA Agreement") for the purpose of creating and transferring conserved water from IID to SDCWA. The IID/SDCWA Agreement was conditioned upon, among other things, appropriate environmental review and approval by the State Water Resources Control Board ("SWRCB") and the Department of the Interior ("DOI").

B. On July 22, 1998, IID and SDCWA filed with the SWRCB a Petition for Approval of a Long-Term Conserved Water Transfer Agreement and to Change Point of Diversion and Place of Use under IID Permit 7643 (Application 7483) ("Petition"). A First Amendment to the Petition was filed on October 8, 1998. A Second Amendment to Petition was filed on December 11, 2001. The Petition, as amended, seeks approval of a transfer of up to 200,000 acre-feet per year ("afy") of conserved water from IID to SDCWA for municipal use within the SDCWA service area with a change in the point of diversion from Imperial Dam to Lake Havasu. The Petition, as amended, and pursuant to this Agreement between IID, SDCWA, CVWD and MWD, also requests findings of fact and conclusions of law regarding the conservation of an additional 100,000 afy of water by IID to be acquired by CVWD and/or MWD for irrigation or municipal use, respectively, within the CVWD and/or MWD service area, respectively, and regarding a change in the point of diversion from Imperial Dam to Lake Havasu with respect to the acquisition by MWD.

C. The Petition with amendments seeks SWRCB review pursuant to SWRCB Decision 1600; SWRCB Water Rights Order 88-20; Article X, § 2 of the California Constitution; and sections 100, 109, 1011, 1012, 1700 et seq. and 1735 et seq. of the California Water Code.

D. The SWRCB issued a Notice of Petition on October 15, 1998, requesting submission of comments, recommendations, or protests. The Notice described the transfer to SDCWA of up to 200,000 afy of water to be conserved by IID.

E. On December 20, 2001, the SWRCB issued a Notice of Public Hearing, Amendment to Long-Term Petition and Pre-hearing Conference in part to clarify that the Petition encompasses the conservation of up to 300,000 afy of Colorado River water, the transfer of up to 200,000 afy of conserved water to SDCWA, and the acquisition of an additional 100,000 afy of conserved water by CVWD and MWD, with the corresponding changes in the point of diversion, place of use, and purpose of use to be made to IID Permit 7643.

F. MWD and CVWD filed timely protests to the Petition. MWD indicated in its protest that it would withdraw the protest upon a final settlement being reached and becoming effective on Colorado River issues then under negotiation among the Parties, the DOI and the California Department of Water Resources ("DWR"). CVWD indicated in its protest that it would consider withdrawal of its protest if its concerns were comprehensively addressed and resolved through such settlement.

G. The Parties have worked to resolve the concerns set forth in the protests filed by MWD and CVWD through ongoing negotiations facilitated by the Deputy Secretary of the DOI and the Director of DWR during the 1998 to 2000 time frame. To implement the settlement of outstanding Colorado River issues, the Parties have negotiated a comprehensive, integrated set of agreements, including a Quantification Settlement Agreement among IID, CVWD and MWD, and specific Acquisition Agreements between IID and CVWD and IID and MWD. The Quantification Settlement Agreement and Acquisition Agreements provide for the conservation of water by IID, both to transfer to SDCWA and to make available for acquisition by CVWD and MWD pursuant to water budget components contained therein. A copy of the Quantification Settlement Agreement and Acquisition Agreements are attached hereto as Exhibits A, B and C and incorporated herein by this reference.

H. One of the substantial benefits of the transfer of conserved water to SDCWA and the acquisition of conserved water by CVWD and MWD is the resulting reduction in diversion of Colorado River water by California. Pursuant to the Interim Surplus Guidelines adopted by the DOI after consultation with the seven Colorado River basin states, California has been given until 2016 to reduce its diversions from the Colorado River by approximately 800,000 afy rather than reducing by that amount immediately. However, the Interim Surplus Guidelines will lapse if the Quantification Settlement Agreement does not become effective by December 31, 2002. Completion of the SWRCB's review and consideration of the Petition, as amended, is a condition precedent to the effective date of the Quantification Settlement Agreement.

I. IID and SDCWA will provide substantial evidence to the SWRCB to describe the conservation efforts to be undertaken by the IID in connection with its proposed transfer of conserved water to SDCWA and to make Colorado River conserved water available for acquisition by CVWD and MWD under the schedule as set forth in Exhibit D attached hereto and incorporated herein by this reference. IID and SDCWA will also provide substantial evidence in support of the requested findings of fact and conclusions of law and with regard to the terms and beneficial consequences of the Quantification Settlement Agreement. ▽

J. The Parties have settled their disputes over the delivery, use, acquisition and transfer of Colorado River water as expressed in the Quantification Settlement Agreement, but the Parties continue to disagree on the jurisdiction of the SWRCB over these issues. The Parties, pursuant to this Agreement, have set aside their dispute regarding the jurisdiction of the SWRCB over these issues by agreeing to jointly urge the SWRCB to make its decision, order and all findings of fact and conclusions of law non-precedential, other than with respect to matters of standing or the right to appear or object, and have agreed that such non-precedential status is a condition precedent to their settlement.

K. Water Code Sections 1735 et seq. set forth certain findings to be made by the SWRCB in connection with a long-term transfer of water (the "Statutory Findings"). In addition to the Statutory Findings, the IID/SDCWA Agreement and the Quantification Settlement Agreement contain as express conditions precedent that certain other additional findings of fact and conclusions of law be made, which the SWRCB is permitted to make under its retention of jurisdiction and the constitutional and statutory references cited in Recital C above.

L. Therefore, based on the continuing effectiveness of the Quantification Settlement Agreement, including performance of the water budget components contained in that agreement and the Acquisition Agreements, and based on the condition that all findings of fact and conclusions of law by the SWRCB be conditioned on the continuing effectiveness of the Quantification Settlement Agreement, and without resolving the disagreement among the Parties regarding SWRCB jurisdiction over these issues, CVWD and MWD will withdraw their protests to the Petition under the terms and conditions of this Agreement. CVWD and MWD will, however, retain the right to appear as interested parties, generally or specially, in the SWRCB hearing on the Petition.

AGREEMENT

The Parties agree to the following:

1. The Recitals to this Agreement are part of this Agreement.
2. The Parties will urge the SWRCB to schedule a hearing on the Petition as soon as all pertinent environmental review documents have been released for public comment. The scope of the hearing, as indicated in the Notice of Public Hearing, Amendment to Long-Term Petition and Pre-hearing Conference, should encompass the conservation of up to 300,000 afy of Colorado River water, the transfer of up to 200,000 afy of conserved water to SDCWA and the acquisition of an additional 100,000 afy of conserved water by CVWD and MWD, and the corresponding changes in point of diversion, place of use, and purpose of use to be made to IID Permit 7643. A hearing to consider the Statutory Findings under Water Code sections 1735 et seq. and to consider the additional requested findings of fact and conclusions of law pursuant to the SWRCB's retention of jurisdiction shall take place. Notwithstanding the continuing disagreement among the Parties about the jurisdiction of the SWRCB over these issues, and therefore the propriety of a SWRCB hearing concerning the transfer of conserved water to SDCWA and the acquisition of conserved water by CVWD and MWD, pursuant to the settlement agreements among the Parties, CVWD and MWD agree that a SWRCB hearing should take place to consider the conserved water transfer to SDCWA

and the conserved water acquisition by CVWD, and the conserved water acquisition by MWD at Lake Havasu, and the requested Statutory Findings and additional findings of fact and conclusions of law.

3. Notwithstanding the disagreement among the Parties as to the applicability of California law and the role and authority of the SWRCB regarding the Colorado River, CVWD and MWD will not oppose a SWRCB decision and order on the Petition regarding the transfer of up to 200,000 afy of conserved water to SDCWA, the conservation of 100,000 afy of water to be acquired by CVWD, or by MWD at Lake Havasu, and the corresponding changes to the IID permit pursuant to a final SWRCB order that is consistent in all material respects with the provisions of this Agreement. The Parties agree that the Statutory Findings and additional findings set forth in this Paragraph 3, below, are consistent with the provisions of this Agreement, and will satisfy the conditions precedent concerning the findings of the SWRCB found in the IID/SDCWA Agreement and the Quantification Settlement Agreement. IID and SDCWA will put on substantial evidence in support of the Statutory Findings and the additional findings of fact and conclusions of law.

The Parties will cooperate with each other to urge that the SWRCB include the following preamble and all the following findings of fact and conclusions of law in its decision and order on the Petition:

Based on the substantial evidence regarding the proposed conservation activities; the substantial evidence of the terms and benefits of the Quantification Settlement Agreement and Acquisition Agreements; the continuing effectiveness of the Quantification Settlement Agreement, with an automatic lapse causing all findings of fact and conclusions of law to be of no force or effect upon the termination date (as defined therein) of the Quantification Settlement Agreement; the terms and provisions of and the consent of CVWD and MWD under this Protest Dismissal Agreement; the SWRCB authority granted under the California Constitution Article X, § 2, Water Code sections 100, 109, 1011, 1012, 1700 et seq. and 1735 et seq.; and on the SWRCB retained jurisdiction under Decision 1600 and Water Rights Order 88-20:

a. The decision, order and all findings of fact and conclusions of law, with the exception of any decision, order, finding of fact or conclusion of law made with respect to standing or the right to appear or object, shall have no precedential effect (as defined in the California Administrative Procedures Act) in any other proceeding brought before the SWRCB and, specifically but without limitation, shall not establish the applicability or nonapplicability of California law or federal law to any of the matters raised by the Petition or to any other Colorado River transfer or acquisition.

b. There is no substantial injury to any legal user of water.

c. There is no unreasonable impact on fish, wildlife or other instream beneficial uses.

d. The SWRCB concerns, if any, with respect to IID's reasonable and beneficial use, are satisfied.

e. The SWRCB does not anticipate the need, absent any substantial material adverse change in IID's irrigation practices or advances in economically feasible technology associated with irrigation efficiency, to reassess the reasonable and beneficial use of water by the IID before the end of calendar year 2023.

f. Water Code sections 1011, 1012 and 1013 apply to and govern the transfer and acquisitions and IID's water rights are unaffected by the transfer and acquisitions.

g. - The conserved water transferred or acquired retains the same priority as if it were diverted and used by the IID.

h. The transfer and acquisitions are in furtherance of earlier SWRCB decisions and orders concerning the IID's reasonable and beneficial use of water, California Constitution Article X, § 2, and sections 100 and 109 of the Water Code.

i. IID shall report annually on conservation of water pursuant to its Petition, and such annual reports shall satisfy reporting obligations of IID under Decision 1600 and Water Rights Order 88-20. The quantity of conserved water transferred or acquired will be verified by the IID reporting that (i) the IID's diversions at Imperial Dam (less return flows) have been reduced below 3.1 million afy in an amount equal to the quantity of conserved water transferred or acquired, subject to variation permitted by the Inadvertent Overrun Program adopted by the DOI; and (ii) the IID has enforced its contracts with the participating farmers to produce conserved water and has identified the amount of reduced deliveries to participating farmers and has identified the amount of conserved water created by projects developed by the IID.

4. MWD and CVWD will formally withdraw their filed protests no later than the commencement of the hearing on the Petition. However, the Parties each reserve the right, exercisable in their discretion, to oppose any SWRCB decision or order that is not consistent in any material respect with the provisions of this Agreement. The Parties each reserve the right to petition for reconsideration and seek judicial review of any final SWRCB Order on the Petition to the extent such Order is not consistent in any material respect with the provisions of this Agreement.

5. IID and SDCWA agree, so long as the Quantification Settlement Agreement is in effect, not to assert before the SWRCB or in any other administrative, legislative, or judicial proceedings regarding a Quantification Settlement Agreement water budget component, that conservation of Colorado River water requires SWRCB approval in order that such conserved water can be made available for acquisition by CVWD or MWD as contemplated by the Quantification Settlement Agreement.

6. The Parties disagree as to the role and authority of the SWRCB regarding the Colorado River. The Parties covenant and agree that any decision, order, finding of fact or conclusion of law by the SWRCB concerning the Petition, other than as to matters involving standing or the right to appear and object, will have no precedential effect and will not be used by any Party adverse to any other Party in any matter presenting any issue of state or federal law arising in any context, including, without limitation, any attempt by IID and SDCWA to obtain future approval of any water transactions, and each Party will acknowledge and affirm the foregoing covenant and agreement from time to time upon the request of any other Party and will take no action or position inconsistent therewith.

7. Notwithstanding the disagreement of the Parties as to the applicability of California water law and the role and authority of the SWRCB regarding the Colorado River, CVWD and MWD agree, pursuant to the settlement between the Parties and for purposes of the Petition only, and subject to the provisions of Paragraphs 6 and 9 hereof, not to oppose a SWRCB ruling that Water Code Sections 1011, 1012, and 1013 apply to IID's conservation of water for transfer to SDCWA and to be made available for acquisition by CVWD and MWD, and not to oppose a SWRCB ruling that the conserved water transferred to SDCWA and made available for acquisition by CVWD and MWD is in furtherance of SWRCB Decision 1600, SWRCB Order 88-20, Article X, Section 2 of the California Constitution, and Water Code sections 100 and 109. CVWD and MWD further agree, under this Protest Dismissal Agreement, that IID's water rights are unaffected by its conservation, transfer, or acquisition activities, and that the conserved water transferred to SDCWA and made available for acquisition by CVWD and MWD retains the same priority as other water diverted by and used within IID.

8. IID and SDCWA shall submit this Agreement as an exhibit and request that the SWRCB accept this Agreement into evidence and reference it in the order on the Petition.

9. The provisions of this Agreement shall become effective upon its execution by the Parties and shall be coterminous with the Quantification Settlement Agreement, except that the covenants set forth in the second sentence of Paragraph 6 hereof shall survive the termination of the Quantification Settlement Agreement. If the Quantification Settlement Agreement does not become effective, or upon termination of the Quantification Settlement Agreement, IID and SDCWA agree either to withdraw the Petition, if the SWRCB has not yet acted on the Petition, or immediately terminate the transfer and acquisitions which are the subject of the Petition, and advise the SWRCB in writing that the transfer and acquisitions have stopped and that the Parties will take no further action to continue the transfer or acquisitions pursuant to the Petition. Upon termination of the Quantification Settlement Agreement, the existence of the Agreement (except for the second sentence of Paragraph 6 hereof) shall be considered an Offer of Compromise under California

Evidence Code section 1152 in any subsequent administrative or judicial proceeding, and shall not constitute admissible evidence against any party on the existence or absence of injury to the alleged vested rights of either MWD or CVWD, or as evidence of a waiver or estoppel to raise any claim that may now be asserted by any party hereto. Nothing in this paragraph is intended to preclude any Party from proceeding anew before the SWRCB with respect to matters contemplated by the Petition or any other matters

10. Each Party recognizes that the rights and obligations of the Parties under this Agreement are unique and of such a nature as to be inherently difficult or impossible to value monetarily. If one Party does not perform in accordance with this Agreement, the other Parties will likely suffer harm curable only by the imposition of an injunction requiring specific performance. Thus, each of the Parties agrees that any breach of this Agreement by any Party shall entitle the non-breaching Parties, or any one of them, to injunctive relief, including but not limited to a decree of specific performance, in addition to any other remedies at law or in equity that may be available in the circumstances.

11. No waiver of a breach, failure of condition, or any right or remedy contained in or granted by the provisions of this Agreement is effective unless it is in writing and signed by the Party waiving the breach, failure, right or remedy. No waiver of a breach, failure of condition or right or remedy is or may be deemed a waiver of any other breach, failure, right or remedy, whether similar or not. In addition, no waiver will constitute a continuing waiver unless the writing so specifies.

12. This Agreement may be executed in four or more counterparts, each of which, when executed and delivered, shall be an original and all of which together shall constitute one instrument, with the same force and effect as though all signatures appeared on a single document.

13. This Agreement is made for the benefit of the Parties and their respective permitted successors and assigns (if any). Except for such a permitted successor or assign, no other person or entity may have or acquire any right by virtue of this Agreement.

14. Each Party and its counsel have participated fully in the drafting, review and revision of this Agreement. A rule of construction to the effect that ambiguities are to be resolved against the drafting Party will not apply in interpreting this Agreement, including any amendments or modifications.

15. This Agreement shall be governed by and construed in accordance with the laws of the State of California, without giving effect to conflict of law provisions; provided, however, that federal law shall be applied as appropriate to the extent it bears on the resolution of any claim or issue relating to this Agreement.

16. This Agreement is and will be binding upon and will inure to the benefit of the Parties and, upon dissolution, the legal successors and assigns of their assets and liabilities. No Party may assign any of its rights or delegate any of its duties under this Agreement, and any such assignment or delegation made in violation of this section shall be void and of no force or effect.

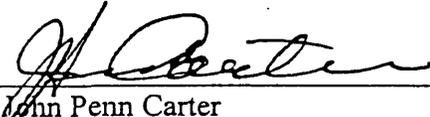
17. This Agreement (including the exhibits and other agreements attached to and referenced in this Agreement) constitutes the final, complete, and exclusive statement of the terms of the Agreement among the Parties pertaining to its subject matter and supersedes all prior and contemporaneous understandings or agreements of the Parties. No Party has been induced to enter into this Agreement by, nor is any Party relying on, any representation or warranty outside those expressly set forth in this Agreement.

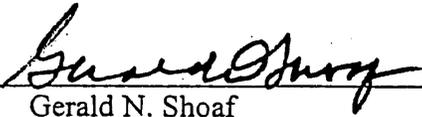
18. This Agreement may be supplemented, amended, or modified only by the written agreement of the Parties. No supplement, amendment, or modification will be binding unless it is in writing and signed by all Parties.

In Witness Whereof, the Parties have executed this Agreement as of the day and year first above written.

IMPERIAL IRRIGATION DISTRICT

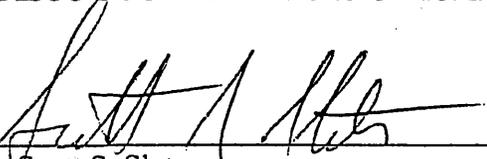
COACHELLA VALLEY WATER DISTRICT

By 
John Penn Carter
Its Chief Counsel

By 
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Its General Counsel

SAN DIEGO COUNTY WATER AUTHORITY

METROPOLITAN WATER DISTRICT OF
SOUTHERN CALIFORNIA

By 
Scott S. Slater
Its Counsel

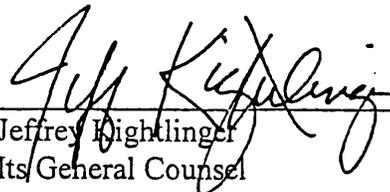
By 
Jeffrey Kightlinger
Its General Counsel

EXHIBIT A
QUANTIFICATION SETTLEMENT AGREEMENT

EXHIBIT B
IID/CVWD ACQUISITION AGREEMENT

EXHIBIT C
IID/MWD ACQUISITION AGREEMENT

EXHIBIT D

IID WATER TRANSFER AND ACQUISITION SCHEDULE