



Los Angeles
Department of
Water & Power

RESOLUTION NO. _____

BOARD LETTER APPROVAL

A handwritten signature in black ink, appearing to read 'M. Adams for', is written over a horizontal line.

MARTIN L. ADAMS
Senior Assistant General Manager
Water System

MARCIE L. EDWARDS
General Manager

DATE: July 12, 2016

SUBJECT: Water Supply Assessment - Crossroads Hollywood Project

SUMMARY

The Water Supply Assessment (WSA) will meet requirements of California State Water Code Sections 10910-10915. Governing body of each public water system is required to make a determination on WSAs for major projects. WSA is for Crossroads Hollywood Project (Proposed Project) located within the Hollywood Community Plan area of the City of Los Angeles (City). LADWP staff determined the total net additional water demand for Proposed Project is 440 acre-feet per year (AFY) and has concluded this additional water demand can be accommodated. Proposed Project's base water demand was further reduced by 116 AFY through implementation of the conservation ordinance and code requirements and an additional 10 AFY through the project implementing additional voluntarily conservation measures.

City Council approval is not required.

RECOMMENDATION

It is recommended that the Board of Water and Power Commissioners (Board) adopt the attached Resolution authorizing the WSA for Proposed Project.

ALTERNATIVES CONSIDERED

LADWP is required by state law, as set forth in California State Water Code Sections 10910-10915, to prepare this WSA for Proposed Project. There are no other alternatives.

FINANCIAL INFORMATION

CRE-HAR Crossroads SPV, LLC (Applicant) paid \$17,000 to cover LADWP's expenses for preparation of this WSA.

BACKGROUND

WSAs are prepared in conformance with California law and the City ordinances to ensure proposed projects that utilize water resources are consistent with the City's conservation goals and long-term water supply availability, as detailed in the Water System's 2015 Urban Water Management Plan (UWMP). UWMP is the water supply planning document for the City and is prepared by LADWP.

Each WSA performed by LADWP is carefully evaluated within the context of UWMP and current conditions, such as restrictions on State Water Project (SWP) pumping from the Sacramento-San Joaquin River Delta (Delta) imposed by a Federal Court. The Metropolitan Water District of Southern California (MWD), from whom the City purchases its SWP and Colorado River water supplies, has also been actively developing plans and making efforts to provide additional water supply reliability for the entire Southern California region. LADWP coordinates closely with MWD to ensure implementation of MWD's water resource development plans.

Part of MWD's planning effort is the update and implementation of its Integrated Water Resources Plan (IRP) and Urban Water Management Plan, which are designed to address potential reductions in water supply due to the effects of variable hydrologic conditions and regulatory restrictions on exports from the Delta. The 2015 IRP update resulted in the development of the following six main findings and conclusions: action is needed to minimize unacceptable level of shortage allocation frequency in the future, maintain Colorado River supplies, stabilize SWP supplies, develop/protect local supplies and water conservation, maximize effectiveness of storage and transfers, and continue with adaptive management approach.

LADWP's 2015 UWMP contains a water shortage contingency plan for multi-year dry hydrological periods. This water shortage contingency plan was implemented on June 1, 2009, when the Board adopted Shortage Year Rates and the City Council implemented the landscape irrigation and prohibited use restrictions contained in the City's Water Conservation Ordinance. The City's Water Rate Ordinance, adopted June 1995 was last amended by the Board, effective April 15, 2016. The new water rate structure increases the number of tiers from two to four for single-family residential customers. The goal is to incentivize conservation while recovering the higher costs of providing water to high volume users. In keeping with cost of service principles, the incremental pricing for the tiers is based on the cost of water supply and, for the third and fourth tiers, added pumping and storage costs.

Various conservation measures are also required through the following regulations: the City's Green Building Codes Revision / Use of Greywater Systems / Water Conservation Measures Ordinance No. 184248, the City's Water Efficiency Requirements Ordinance No. 180822, 2013 California Plumbing Code, 2013 California Green Building Code (CALGreen), 2014 Los Angeles Plumbing Code, and 2014 Los Angeles Green Building Code. All codes became effective January 1, 2014, except Ordinance No. 184248, effective June 2016 and Ordinance No. 180822, effective December 2009. For Proposed Project, these requirements resulted in a savings of approximately 116 AFY from baseline water demand. Additional voluntary conservation measures recommended by LADWP and committed to by Applicant yielded savings of approximately 10 AFY.

Projected Water Use and Conservation

On March 31, 2016, the Los Angeles Department of City Planning (Planning Department), lead agency for Proposed Project, requested LADWP perform a WSA. Based on information obtained from the Planning Department, Proposed Project will redevelop an approximate 8.0-acre site of residential and commercial land uses within the Hollywood Community Plan area of the City for residential and commercial land uses. Proposed Project is generally bounded by Selma Avenue to the north, the Blessed Sacrament Catholic Church and School to the east, Sunset Boulevard to the south, and Highland Avenue to the west.

Proposed Project's site currently consists of approximately 172,573 square feet (sq ft) residential, office, commercial/retail, restaurant, surface parking, and landscape. All existing uses will be removed except for 50,000 sq ft of Crossroads of the World, which will be retained and converted from office, retail, and recording studio uses to retail and restaurant uses. The existing water demand is approximately 13 AFY.

Proposed Project would develop approximately 950 new apartment and condominium units, a 308 room hotel, 11,800 sq ft of residential fitness and recreation spaces, 30,600 sq ft of hotel meeting facilities, 5,580 sq ft of hotel fitness space, 20,880 sq ft of pool/spa, 95,000 sq ft of office space, 61,800 sq ft of retail spaces, 40,000 sq ft of supermarket space, 83,200 sq ft of food service space, and various deck and terrace spaces. Proposed Project would also include approximately 1,191,339 sq ft of new subterranean parking, 31,507 sq ft of new landscaping, and a cooling tower. This scope includes 50,000 sq ft of Crossroads of the World to be retained and converted to retail and restaurant uses.

LADWP staff recommended implementation of additional voluntary water conservation measures to maximize the potential water-use efficiency for Proposed Project. Recommended voluntary conservation measures are in addition to those required by the City's current codes and ordinances. Based on LADWP staff recommendations, Applicant has voluntarily committed to implement the following additional measures that are beyond those required by law:

- High Efficiency Toilets with flush volume of 1.06 gallons of water per flush or less
- Waterless Urinals
- Showerheads with flow rate of 1.5 gallons per minute or less
- Domestic Water Heating System located close proximity to point(s) of use
- Tankless and on-demand Water Heaters
- Water-Saving Pool Filter
- Pool/Spa recirculating filtration equipment
- Pool splash troughs around the perimeter that drain back into the pool
- Leak Detection System for swimming pools and Jacuzzi
- Drip/Subsurface Irrigation (Micro-Irrigation) – The majority of planting will be irrigated by sub-surface drip irrigation. Trees will be irrigated with bubblers at 0.5 gallons per minute with an irrigation efficiency of 0.81.
- Micro-Spray
- Proper Hydro-zoning (groups plants with similar water requirements together)
- Zoned Irrigation
- Landscaping Contouring to minimize precipitation runoff – All excess runoff will be directed to a filtration planter before being discharged to the street.
- Drought Tolerant Plants – 78 percent of total landscaping
- Rainwater Harvesting

A written commitment of Proposed Project's planned voluntary water conservation measures was submitted by Applicant and is attached with WSA in Appendix B.

With the addition of these voluntary water conservation measures, which yield additional savings of approximately 10 AFY, the total net additional water demand is approximately 440 AFY.

Applicant has also committed to comply with the City of Los Angeles Low Impact Development Ordinance (City Ordinance Nos. 181899 and 183833) and to implement Best Management Practices that have stormwater recharge or reuse benefits for the entire Proposed Project as applicable:

- Infiltration Basin (drainage area of 5-50 acres) – captures first-flush stormwater, removes particulate pollutants and some soluble pollutants, and contributes toward recharging groundwater.
- Infiltration Trench (drainage area of less than 5 acres) – similar to infiltration basin but used for smaller drainage areas to capture and infiltrate rainwater.
- Catch Basin Insert – a device that can be inserted into an existing catch basin design to provide some level of runoff contaminant removal.
- Catch Basin Screens

Proposed Project is consistent with the demographic projection for the City from the 2012 Regional Transportation Plan (RTP) by the Southern California Association of Governments (SCAG). The City's water demand projection in 2015 UWMP was developed based on the 2012 RTP demographic projection using the 2010 U.S. Census

for the City. LADWP used a modified-unit-use approach to develop its service area-wide water demand projections. This methodology does not rely on individual development demands to determine area-wide growth. 2015 UWMP concluded there are adequate water supplies to meet projected water demand through 2040. Therefore, projected water supply available during normal, single-dry, and multiple-dry water years as included in the 25-year projection of 2015 UWMP is sufficient to meet the projected water demand associated with Proposed Project, in addition to the existing and planned future demand on LADWP.

ENVIRONMENTAL DETERMINATION

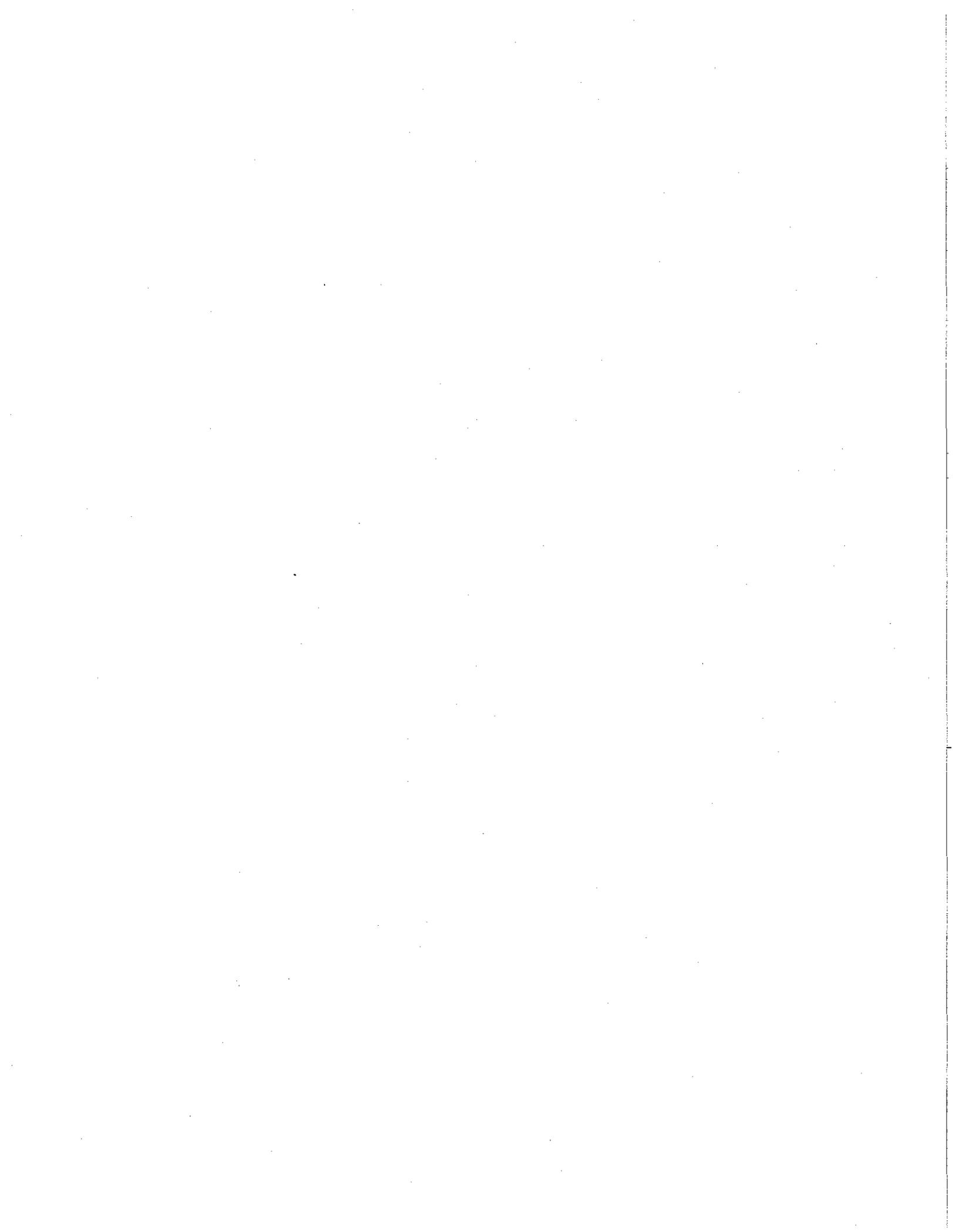
In accordance with the California Environmental Quality Act (CEQA), it has been determined that WSA is exempt from further requirements pursuant to the General Exemption described in CEQA Guideline Section 15268.

CITY ATTORNEY

The Office of the City Attorney reviewed and approved the Resolution as to form and legality.

ATTACHMENTS

- Resolution
- Water Supply Assessment



RESOLUTION NO. _____

WHEREAS, Los Angeles Department of Water and Power (LADWP) constitutes a "public water system" pursuant to California Water Code section 10912, subdivision (c); and

WHEREAS, the Crossroads Hollywood Project (Proposed Project) qualifies as a "project" under California Water Code section 10912, subdivision (a)(7); and

WHEREAS, Proposed Project is located in the service area of LADWP's water supply system, and LADWP would serve the area of Proposed Project development; and

WHEREAS, on March 31, 2016, the City of Los Angeles (City) Department of City Planning (Planning Department) requested the LADWP conduct a Water Supply Assessment (WSA) for the Proposed Project pursuant to California Water Code Sections 10910-10915; and

WHEREAS, Proposed Project will redevelop an approximately 8.0-acre site of residential and commercial land use within the Hollywood Community Plan area of the City for residential and commercial land uses; and

WHEREAS, LADWP's Water Resources Section has prepared a WSA for Proposed Project in compliance with California Water Code Sections 10910-10915; and

WHEREAS, Proposed Project is determined by Planning Department to be consistent with the demographic projection for the City from the 2012 Regional Transportation Plan by the Southern California Association of Governments; and

WHEREAS, LADWP staff performed the water demand analysis and determined the net increase in total water demand for Proposed Project is 440 acre-feet per year; and

WHEREAS, CRE-HAR Crossroads SPV, LLC (Applicant) has agreed to implement additional conservation measures, as described in WSA, that are in addition to those required by law; and

WHEREAS, LADWP anticipates that its projected water supply available during normal, single-dry, and multiple-dry water years as included in the 25-year projection contained in its adopted 2015 Urban Water Management Plan can accommodate the projected maximum water demand associated with Proposed Project, in addition to the existing and planned future demands on LADWP; and

WHEREAS, the Board of Water and Power Commissioners (Board) adopted a Water Rate Ordinance for water service effective April 15, 2016. The Board believes that the price signals contained in the Water Rate Ordinance encourages conservation and will help to contribute to reductions in City-wide demands to meet demand projections; and

WHEREAS, in accordance with Water Code Section 10910 (g) (1) the Board has the responsibility for approval and certification of WSA's prepared by LADWP; and

WHEREAS, the Board has independently reviewed and considered the WSA and documentation making up the administrative record; and

WHEREAS, a publicly noticed Board hearing was held with respect to this item on August 2, 2016, and the Board considered evidence presented by LADWP's Water Resources Section staff, the staff recommendation to approve the WSA, and other comments from interested parties at the public hearing.

NOW, THEREFORE, BE IT RESOLVED that the Board finds that LADWP can provide sufficient domestic water supplies to Proposed Project area and approves the WSA prepared for Proposed Project, now on file with the Secretary of the Board, and directs that WSA and a certified copy of Resolution be transmitted to Planning Department.

BE IT FURTHER RESOLVED that the Board finds that LADWP's total projected water supplies available during normal, single-dry, and multiple-dry water years during a 20-year projection will meet the projected water demands associated with Proposed Project in addition to existing and planned future uses including agricultural and industrial uses.

BE IT FURTHER RESOLVED that the Board has considered the WSA prior to making a decision to approve the WSA, and finds that the WSA is adequate and was prepared in accordance with Water Code Section 10910 (c) (2), and meets the requirements of Water Code Section 10910 (d), (e), (f), and (g).

I HEREBY CERTIFY that the foregoing is a full, true, and correct copy of a Resolution adopted by the Board of Water and Power Commissioners of the City of Los Angeles at its meeting held

APPROVED AS TO FORM AND LEGALITY
MICHAEL N. FEUER, CITY ATTORNEY

Secretary

JUN 06 2016
BY 
TINA SHIM
DEPUTY CITY ATTORNEY



WATER SUPPLY ASSESSMENT
FOR THE CROSSROADS HOLLYWOOD PROJECT

Prepared by:
Water Resources Section

August 2, 2016

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California Department of Water Resources California's Groundwater Bulletin
118 Update 2003

Upper Los Angeles River Area Watermaster Report, Dated December 2014

LADWP 2015 UWMP

MWD Integrated Water Resources Plan 2015 Update

MWD's 2015 Urban Water Management Plan

California Code of Regulations Title 23. Waters, Division 2. Department of
Water Resources, Chapter 2.7. Model Water Efficient Landscape Ordinance

City of Los Angeles Department of Public Works Bureau of Sanitation (LASAN)
Sewer Generation Rates Table

Appendices

- A. The City of Los Angeles Department of City Planning letter, Request for Water Supply Assessment, received on March 31, 2016, and Scope Confirmation e-mail received on June 9, 2016
- B. Water Conservation Commitment Letter
- C. Project Location Maps
- D. Adjudicated Groundwater Basin Judgments
- E. Water Supply Assessment Provisions – California Water Code Section 10910-10915
- F. MWD of Southern California (Appendix A)
- G. Water Supply Assessment Checklist

Introduction

Proposed major projects subject to certain requirements in the California Water Code Sections 10910-10915 require that a city or county identify any public water system that may supply water to the Crossroads Hollywood Project (Proposed Project) and request the public water system provide a Water Supply Assessment (WSA). The WSA is a determination by the water supplier that the demands associated with Proposed Project were included in its most recently adopted 2015 Urban Water Management Plan (UWMP) showing that there is an adequate 20-year water supply.

The City of Los Angeles (City) Department of City Planning (Planning Department), serving as the lead agency as prescribed by the California Environmental Quality Act (CEQA) (Public Resources Code Section 21000 et seq.), for Proposed Project, has identified the Los Angeles Department of Water and Power (LADWP) as the public water system that will supply water. In response to Planning Department's request for a WSA, LADWP has performed the assessment contained herein.

LADWP has supplied the City with a safe and reliable water supply for over a century. Over time, the City's water supplies have evolved from primarily local groundwater to predominantly imported supplies. Today, the City relies on over 85 percent of its water from imported sources. As such, LADWP has taken an active role in regional and statewide water management. The sustainability of Los Angeles' local water supplies are dependent on the City's ability to maximize water conservation, increase recycled water use, expand stormwater capture, and accomplish other local water resource goals.

WSA is prepared to meet the applicable requirements of state law as set forth in California State Water Code Sections 10910-10915. Significant references and data for WSA are from the City's 25-year water resource plan, entitled City of Los Angeles Department of Water and Power 2015 UWMP, adopted by the Board of Water and Power Commissioners (Board) on June 7, 2016. 2015 UWMP is incorporated by reference and is available for review through LADWP's Web site, www.ladwp.com/uwmp.

Findings

Proposed Project is estimated to increase the total net water demand within the site by 440 acre-feet (AF) annually based on review of information submitted by Planning Department. CRE-HAR Crossroads SPV, LLC (Applicant) has committed to implement additional water use efficiency measures that are beyond those required by current law.

LADWP's WSA finds adequate water supplies will be available to meet the total additional water demand of 440 AF annually for Proposed Project. LADWP anticipates the projected water demand from Proposed Project can be met during normal, single-dry, and multiple-dry water years, in addition to the existing and planned future demands on LADWP.

WSA approval addresses the City's long-term water supply and demand forecasts to accommodate Proposed Project, and is not an approval for water service connection. A separate request shall be made to LADWP requesting an evaluation of water service connection for Proposed Project.

The basis for approving WSAs for developments is LADWP's most recently adopted UWMP. LADWP's water demand forecast, as contained in UWMP, uses long-term demographic projections for population, housing, and employment. The California Urban Water Management Planning Act requires water suppliers to develop a UWMP every five years to identify short-term and long-term water resources management measures to meet growing water demands during normal, single-dry, and multiple-dry years. If the projected water demand associated with Proposed Project was not accounted for in the most recently adopted UWMP, WSA must include a discussion with regard to whether LADWP's total projected water supplies available during normal, single-dry, and multiple-dry water years during a 20-year projection will meet the projected water demand associated with Proposed Project, in addition to LADWP's existing and planned future uses.

The City's water demand projection in 2015 UWMP was developed based on the 2012 Regional Transportation Plan (RTP) demographic projection by the Southern California Association of Governments (SCAG) using the 2010 United States (U.S.) Census for the City. 2015 UWMP concluded there are adequate water supplies to meet projected water demands through 2040. Therefore, the City's water supply projections in the 2015 UWMP are sufficient to meet the City's water demand projections based on the 2012 RTP.

Planning Department has determined that Proposed Project conforms with the use and intensity of development permitted by the City's General Plan, and that it is consistent with the demographic projection for the City from the 2012 RTP. Therefore, anticipated water demand for Proposed Project falls within UWMP's projected water supplies for normal, single-dry, and multiple-dry years through the year 2040 and is within the UWMP's 25-year water demand growth projection. This WSA can be approved based on the fact that Proposed Project's water demand falls within UWMP's projected increase in citywide water demands, while anticipating multi-dry year water supply conditions occurring at the same time.

Additionally, UWMP contains a water shortage contingency plan for multi-year dry hydrological periods. This water shortage contingency plan was implemented on June 1, 2009, when the Board adopted Shortage Year Rates, and the City Council implemented the landscape irrigation and prohibited use restrictions contained in the City's Water Conservation Ordinance (Ordinance).

The City's Water Rate Ordinance, adopted in June 1995, was last amended by the Board, effective April 15, 2016. The revised rate ordinance restructured the rates to help further promote conservation. For example, single family rates switched to a four-tier system that sends a strong price signal to deter against wasteful water use. The Board finds that the price signals contained in the Water Rate Ordinance encourage conservation and support further reduction in City-wide demand. Past and current implementation of water rate price signals and higher ordinance phases have resulted in reducing the total customer water usage, on average, by approximately 18.4 percent over the time period from June 2009 to May 2016.

Proposed Project Description

The following project information was obtained from Planning Department's WSA Request Letter and the scope confirmation e-mail (Appendix A):

Project Name:	Crossroads Hollywood Project
Lead Agency:	Planning Department
Planning Community:	Hollywood Community Plan

Proposed Project will redevelop an approximate 8.0-acre site of residential and commercial land uses within the Hollywood Community Plan area of the City for residential and commercial land uses. Proposed Project is generally bounded by Selma Avenue to the north, the Blessed Sacrament Catholic Church and School to the east, Sunset Boulevard to the south, and Highland Avenue to the west.

Proposed Project's site currently consists of approximately 172,573 square feet (sq ft) residential, office, commercial/retail, restaurant, surface parking, and landscape. All existing uses will be removed except for 50,000 sq ft Crossroads of the World, which will be retained and converted from office, retail, and recording studio uses to retail and restaurant uses. The existing water demand is approximately 13 acre-feet per year (AFY).

Proposed Project would develop approximately 950 new apartment and condominium units, an 308 room hotel, 11,800 sq ft of residential fitness and recreation spaces, 30,600 sq ft of hotel meeting facilities, 5,580 sq ft of hotel fitness space, 20,880 sq ft of pool/spa, 95,000 sq ft of office space, 61,800 sq ft of retail spaces, 40,000 sq ft of supermarket space, 83,200 sq ft of food service space, and various deck and terrace spaces. Proposed Project would also include approximately 1,191,339 sq ft of new subterranean parking, 31,507 sq ft of new landscaping, and a cooling tower. This scope includes 50,000 sq ft of Crossroads of the World to be retained and converted to retail and restaurant uses.

LADWP staff performed the water demand analysis and determined the net increase in water demand for Proposed Project is 440 AFY.

A subsequent revised WSA may be required if one or more of the following occurs: (1) changes in Proposed Project result in a substantial increase in water demand for Proposed Project; (2) changes in the circumstances or conditions substantially affecting the ability of LADWP to provide a sufficient supply of water for Proposed Project; or (3) significant new information becomes available which was not known and could not have been known at the time when WSA was prepared. If deemed necessary, Applicant may request a revised WSA through lead agency.

Proposed Project Water Demand Estimate

Projected total net water demand increase for Proposed Project is estimated to be 440 AF annually which includes annual water conservation. Savings due to water conservation ordinances are approximately 116 AFY, and savings due to additional voluntary conservation measures are approximately 10 AFY.

In evaluating Proposed Project's water demand, the Sewer Generation Factors (SGF), published by City of Los Angeles Department of Public Works Bureau of Sanitation (LASAN) in 2012, are applied to Proposed Project scope for calculating indoor water use. SGFs are factors of how much wastewater is generated (gallons per day) per unit (per sq ft, per dwelling unit, per seat, etc.). LASAN publishes a list of SGFs for approximately 175 different building use types in the City, and updates factors to make adjustments necessary due to water conservation efforts and increased efficiencies in new appliances and plumbing fixtures. Outdoor landscape water demand is estimated per California Code of Regulations Title 23 Division 2 Chapter 2.7 Model Water Efficient Landscape Ordinance. Historical billing records are used to establish existing baseline water demand on the property. LADWP also encouraged Proposed Project to implement additional water conservation measures above and beyond the current water conservation ordinance requirements.

The net increase in water demand, which is the projected additional water demand of Proposed Project, is calculated by subtracting the existing baseline water demand and water saving amount from the total proposed water demand.

Table I shows a breakdown of the existing and proposed new types of uses for Proposed Project, and the corresponding estimated volume of water usage with the implementation of the conservation measures for Proposed Project.

Types of use were derived from WSA request letter and the scope confirmation e-mail in Appendix A.

Table II estimates the total volume of water conservation based on conservation measures the Applicant has committed to for Proposed Project (Appendix B).

TABLE I
Crossroads Hollywood Project
Calculated Total Additional Water Demand

Existing Use ¹	Quantity	Unit	Existing Water Use to be Removed				
			(gpd)	(af/y)			
Residential - multi-family	80	du					
Residential - duplex	4	du					
Office	79,107	sf					
Commercial / Retail	26,690	sf					
Restaurant	475	sf					
Existing to be Removed Total²	172,573	sf	11,891	13.32			
Proposed Use ¹	Quantity	Unit	Water Use Factor ³ (gpd/unit)	Base Demand (gpd)	Required Ordinances Water Savings ⁴ (gpd)	Proposed Water Demand	
						(gpd)	(af/y)
Residential: Apt./Condo Studio	323	du	75.00	24,225			
Residential: Apt./Condo 1 bd	146	du	110.00	16,060			
Residential: Apt./Condo 2 bd	291	du	150.00	43,650			
Residential: Apt./Condo 3 bd	190	du	190.00	36,100			
Base Demand Adjustment (Residential) ⁵				18,710			
Residential Units Total	950	du		138,745	35,933	102,812	115.17
Residential Interior Amenities ⁶	11,800	sf	0.65	7,670			
Residential Deck ⁷	75,123	sf	0.05	3,756			
Pool	5,170	sf		486			
Residential Common Total				11,912	1,286	10,626	11.90
Hotel Room	308	room	120.00	36,960			
Base Demand Adjustment (Hotel) ⁵				3,390			
Hotel Room Total				40,350	4,639	35,711	40.00
Hotel Meeting Facilities	30,600	sf	0.12	3,672			
Hotel Spa	8,620	sf	0.65	5,603			
Hotel Fitness Room	5,580	sf	0.65	3,627			
Pool	7,090	sf		666			
Hotel Common Total				13,568	3,256	10,312	11.55
Office	95,000	sf	0.12	11,400			
Retail	11,800	sf	0.025	295			
Retail ⁸	50,000	sf	0.08	4,000			
Supermarket	40,000	sf	0.10	4,000			
Coffee Shop (Serves Prepared Food)	416	seat	25	10,400			
Restaurant: High Quality	1,123	seat	30	33,690			
Restaurant: High Turnover	1,498	seat	25	37,450			
Commercial Deck and Terrace ⁷	3,769	sf	0.05	188			
Base Demand Adjustment (Commercial) ⁶				1,380			
Commercial Total				102,803	15,599	87,204	97.69
Landscaping ⁹	31,507	sf		2,943	1,378	1,565	1.75
Subterranean Parking ¹⁰	1,191,339	sf	0.02	783		783	0.88
Cooling Tower	5,760	ton	36	205,286	41,057	164,229	183.97
Proposed Sub Total				516,390	103,148	413,242	462.91
Less Existing to be Removed Total						-11,891	-13.32
Less Additional Conservation ¹¹						-8,897	-9.97
Net Additional Water Demand						392,454	gpd 439.62 af/y

- ¹ Provided by City of Los Angeles Department of City Planning in the Request for Water Supply Assessment letter and Scope Confirmation e-mail. See Appendix A.
- ² The existing water demand is based on the LADWP billing data (average of approximately August 2013 - May 2016), and includes water use for the surrounding parking lots and landscape, and 50,000 sf of Crossroads of the World to be retained and converted to Retail/Restaurant uses.
- ³ Proposed indoor water uses are based on 2012 City of Los Angeles Department of Public Works, Bureau of Sanitation Sewer Generation Rates table available at <http://www.lacitysan.org/fmd/pdf/sfcfeerates.pdf>.
- ⁴ The proposed development land uses will conform to City of Los Angeles Ordinance No. 184248, 2013 California Plumbing Code, 2013 California Green Building Code (CALGreen), 2014 Los Angeles Plumbing Code, and 2014 Los Angeles Green Building Code.
- ⁵ Base Demand Adjustment is the estimated ordinance savings already accounted for in the current version of Bureau of Sanitation Sewer Generation Rates.
- ⁶ Interior amenities includes fitness center and recreation rooms. Square footage breakdown is not available at this time, and all interior amenities are considered to be fitness center use for a conservative water demand estimate.
- ⁷ Deck and terrace are assumed to have water use similar to lobby waiting area.
- ⁸ Water demand for the 50,000 sf of Crossroads of the World to be retained and converted to Retail/Restaurant are assumed to be all Retail for a more conservative estimate, and is based on 1996 City of Los Angeles Department of Public Works, Bureau of Sanitation Sewer Generation Rates table available in Exhibit M.2-12 at <http://www.environmentla.org/programs/Thresholds/M-Public%20Utilities.pdf>.
- ⁹ Landscaping water use is estimated per California Code of Regulations Title 23. Division 2. Chapter 2.7. Model Water Efficient Landscape Ordinance.
- ¹⁰ Auto parking water uses are based on City of Los Angeles Department of Public Works, Bureau of Sanitation Sewer Generation Rates table, and 12 times/year cleaning assumption.
- ¹¹ Water conservation due to additional conservation commitments agreed by the Applicant. See Table II.

Abbreviations: Apt. - apartment bd - bedroom du - dwelling unit sf- square feet gpd - gallons per day af/y - acre feet per year

TABLE II
Crossroads Hollywood Project
Estimated Additional Water Conservation

Conservation Measures ¹	Quantity	Units	Water Saving Factor ² (gpd/unit)	Water Saved	
				(gpd)	(af/y)
Toilet - Residential: Studio	323	du	1.21	391	0.44
Toilet - Residential: 1 Bd	146	du	1.21	177	0.20
Toilet - Residential: 2 Bd	291	du	3.03	880	0.99
Toilet - Residential: 3 Bd	190	du	4.84	920	1.03
Showerhead - Residential: Studio	323	du	1.59	514	0.58
Showerhead - Residential: 1 Bd	146	du	1.59	232	0.26
Showerhead - Residential: 2 Bd	291	du	3.98	1,157	1.30
Showerhead - Residential: 3 Bd	190	du	6.36	1,208	1.35
Residential Unit Conservation Total				5,479	6.14
Toilet	38	ea	4.79	182	0.20
Urinal	10	ea	3.44	34	0.04
Showerheads	11	ea	7.50	83	0.09
Residential Common Conservation Total				299	0.33
Toilet	308	room	1.82	559	0.63
Showerhead	308	room	2.39	735	0.82
Hotel Rooms Conservation Total				1,294	1.45
Toilet	45	ea	4.79	215	0.24
Urinal	13	ea	3.44	45	0.05
Showerheads	27	ea	7.50	203	0.23
Hotel Common Conservation Total				463	0.52
Toilet	24	ea	4.79	115	0.13
Urinal	5	ea	3.44	17	0.02
Office Conservation Total				132	0.15
Toilet	88	ea	4.79	421	0.47
Urinal	20	ea	3.44	69	0.08
Restaurant / Bar Conservation Total				490	0.55
Toilet	27	ea	4.79	129	0.14
Urinal	1	ea	3.44	3	0.00
Retail / Commercial Conservation Total³				132	0.15
Landscaping Total Conservation⁴				608	0.68
Total Additional Water Conserved =				8,897	9.97

¹ Water conservation measures agreed to by the Applicant. See Appendix B.

² Based on LADWP estimates.

³ Plumbing fixture count in new Retail is estimated by applying the square footage proportions of the new Retail and total buildout Retail to the total buildout Retail plumbing fixture count.

⁴ Landscaping water conservation is estimated per California Code of Regulations Title 23, Division 2, Chapter 2.7, Model Water Efficient Landscape Ordinance.

Abbreviations: du - dwelling unit gpd - gallons per day af/y - acre feet per year ea - each

Water Demand Forecast

2015 UWMP projects yearly water demand to reach 675,700 acre-feet (AF) by fiscal-year-ending (FYE) 2040 with passive water conservation, or an increase of 31.6 percent from FYE 2015 actual water demand. Water demand projections in five-year increments through FYE 2040 are available in 2015 UWMP for each of the major customer classes: single-family, multifamily, commercial/governmental, and industrial. Demographic data from the Southern California Association of Government's 2012 RTP, as well as billing data for each major customer class, weather, conservation, price of water, personal income, family size, economy, and drought conservation effect were factors used in forecasting future water demand growth.

2015 UWMP used a modified-unit-use approach to develop its service area-wide water demand projections. This methodology does not rely on individual development demands to determine area-wide growth, because such an inventory in LADWP service area in the next 25 years is only a subset of the total development potential. Therefore, the growth or decline in population, housing units, and employment for the entire service area was considered in developing long-term water projections for the City through FYE 2040. The historical water demand for a unit of customer class, such as gallons-per-day per single family, is modified to account for future changes, including water conservation, and applied to the 2012 RTP demographic projections by SCAG. This modified-unit-use-approach has proven to be a reliable forecast historically, when compared with actual consumption, eluding the effects of conservation.

UWMP is updated every five years as required by California law. This process entails, among other requirements, an update of water supply and water demand projections for water agencies.

Collaboration between LADWP and Metropolitan Water District of Southern California (MWD) is critical in ensuring that the City's anticipated water demands are incorporated into the development of MWD's long-term Integrated Water Resources Plan (IRP). MWD's IRP directs a continuous regional effort to develop regional water resources involving all of MWD's member agencies including the City. Successful implementation of MWD's IRP has resulted in reliable supplemental water supplies for the City from MWD.

State law further regulates distribution of water in extreme dry weather conditions. Section 350-354 of the California Water Code states that when a governing body of a distributor of a public water supply declares a water shortage emergency within its service area, water will be allocated to meet needs for domestic use, sanitation, fire protection, and other priorities. This will be done equitably and without discrimination between customers using water for the same purpose(s).

LADWP – 2015 UWMP

The California Urban Water Management Planning Act (first effective on January 1, 1984) requires every urban water supplier prepare and adopt a UWMP every five years. The main goal of UWMP is to forecast future water demands and water supplies under average and dry year conditions, identify future water supply projects such as recycled water, provide a summary of water conservation Best Management Practices (BMP), and provide a single and multi-dry year management strategy.¹

LADWP's 2015 UWMP, available for reference through www.ladwp.com/uwmp, serves two purposes: (1) achieve full compliance with requirements of California's Urban Water Management Planning Act; and (2) serve as a master plan for water supply and resources management consistent with the City's goals and policy objectives.²

A number of important changes have occurred since LADWP prepared its 2010 UWMP. The year 2012 marked the start of the current multi-year drought in California. In January 2014, Governor Jerry Brown proclaimed a drought state of emergency. In July 2014, the State Water Resources Control Board (SWRCB) implemented its Emergency Water Conservation Regulation (Emergency Regulation), as directed by Governor Jerry Brown, to take actions to reduce water use by 20 percent Statewide, which was later increased to 25 percent statewide, with adjustments to account for different climates, expected growth, investment made to create drought-resilient water supplies by different cities through October 2016. In October 2014, Mayor Eric Garcetti issued Executive Directive No. 5 (ED5) Emergency Drought Response which set goals to reduce per capita water use, reduce purchases of imported potable water by 50 percent, and create an integrated water strategy to increase local supplies and improve water security considering climate change and seismic vulnerability. Lastly, in April 2015, the Mayor's Sustainable City pLAN (pLAN) was released establishing targets for the City over the next 20 years to strengthen and promote sustainability. The pLAN included a number of water resources goals, including reduce average per capita potable water use by 20 percent from Fiscal Year (FY) 2013/14 by 2017, reduce average per capita potable water use by 22.5 percent from FY 2013/14 by 2025, reduce imported water purchases from MWD by 50 percent from 2013/14 by 2025, reduce per capita potable water use by 25 percent from 2013/14 by 2035, and expand all local sources of water so that they account for at least 50 percent of the total supply by 2035. The pLAN included a multi-faceted approach to developing a locally sustainable water supply to reduce reliance on imported water, reducing per capita water use through conservation, and increasing local water supply availability.

A number of new requirements have been added to the Urban Water Management Planning Act since completion of the 2010 UWMP, including: an extension of the submittal deadline from December 31, 2015, to July 1, 2016, a narrative description of water demand measures implemented over the past five years and future measures planned to meet 20 percent demand reduction targets by 2020, implementation of a standard methodology for calculating system water loss, a mandatory electronic filing of UWMPs, a voluntary reporting of passive conservation savings, energy intensity, and climate change, and a requirement to analyze and define water features that are artificially supplied with water.

¹ *City of Los Angeles Department of Water and Power 2015 Urban Water Management Plan*, at ES-2.

² *Id.* at ES-2.

2015 UWMP projects a seven percent lower water demand trend than what was projected in the previous 2010 UWMP. It outlines plans, as described below, to provide a highly reliable water supply by FYE 2040, by implementing cost-effective conservation, recycled water, and stormwater capture programs, ultimately meeting the targets established in ED5 and pLAN, including reducing imported water purchases from MWD.

Near-Term Conservation Strategies

Enforcing prohibited uses of water. Prohibited uses of water are intended to eliminate waste and increase awareness of the need to conserve water. In effect at all times, prohibited uses have been in place since the early 1990s. Under enforcement, failure to comply would be subject to penalties, which can range from a written warning for a first violation to monetary fines and water service shutoff for continued non-compliance.

Expanding the prohibited uses of water. In August 2009, and again in August 2010, the City updated the Emergency Water Conservation Plan Ordinance (No. 181288) by clarifying prohibited uses of water, modifying certain water conservation requirements, and developing new phases of conservation depending on the severity of water shortages. In June 2015, the City amended Ordinance No. 181288 with the new Ordinance No. 183608. Ordinance No. 183608 clarified prohibited uses and added an additional phase to allow for outdoor watering two days a week. In April 2016, the City once again amended Ordinance No. 183608 with the Ordinance No. 184250, which defined and added fines for unreasonable uses of water. The Ordinance is expected to improve the City's ability to comply with current regulations and respond to the ongoing drought conditions. Prohibited uses in effect at all times (Phase I) include³:

- Water leaks allowed to go unattended
- Outdoor irrigation between the hours of 9:00 a.m. to 4:00 p.m.
- Outdoor irrigation that results in excess water flow leaving the property
- Outdoor irrigation during and 48 hours after rain events
- Outdoor irrigation with spray head sprinklers and bubblers for more than ten minutes per watering day per station
- Outdoor irrigation with standard rotors and multi-stream rotary heads for more than 15 minutes per cycle and up to two cycles per watering day per station
- Large landscape irrigation systems without automatic shutoff rain sensors
- Washing paved surfaces (sidewalks, walkways, driveways, or parking areas) unless using a LADWP-approved water conserving spray cleaning device
- Water for decorative fountains, ponds, or lakes unless the water is part of a recirculating system
- Installation of single-pass cooling systems in buildings requesting new water service
- Installation of non-recirculating systems in new commercial laundry facilities
- Installation of non-recirculating systems in new conveyor car washes
- Car washing with a hose, unless an automatic shut-off device is attached
- Water served to customers in eating establishments, unless requested
- Daily towel and linen service option must be offered to hotel and motel guests

³ *Id.* at 3-11.

Phase II of the Water Conservation Ordinance is currently in effect. In addition to the restrictions in Phase I, Phase II also limits landscape irrigation to three (3) days per week, Monday, Wednesday, and Friday for odd-numbered street addresses and Tuesday, Thursday, and Sunday for even-numbered street addresses. Watering times for non-conserving nozzles (spray head sprinklers and bubblers) are limited to eight minutes per watering day per station.

On January 17, 2014, with California facing water shortfalls in the driest year in recorded state history, Governor Jerry Brown proclaimed a Drought State of Emergency. Local urban water suppliers and municipalities were called upon to implement their local water shortage contingency plans immediately, and Californians were encouraged to reduce their water usage by 20 percent. For the City, Phase II restrictions of the Water Conservation Ordinance were implemented in August 2010, and remain in effect today.

SWRCB, through Resolution No. 2014-0038, adopted an emergency regulation for statewide urban water conservation. This SWRCB emergency regulation is intended to reduce outdoor urban water use by prohibiting and imposing fines on certain wasteful uses, such as: washing down sidewalks and driveways; using hoses without shut-off nozzles to wash motor vehicles; and using potable water in fountains and water features that do not include recirculation systems. The regulation also requires large water agencies to activate Water Shortage Contingency Plans to a level where outdoor irrigation restrictions are mandatory. SWRCB resolution was adopted on July 15, 2014, and the emergency regulation went into effect on July 28, 2014.

On April 1, 2015, with California's depleted water supplies and record low snowpack in the Sierra Nevada Mountains, Governor Jerry Brown through Executive Order B-29-15 directed SWRCB to impose further restrictions to achieve a statewide reduction in potable urban water usage of 25 percent through February 28, 2016, compared to water used in 2013. On May 5, 2015, SWRCB adopted a revised mandatory emergency regulation that went into effect on May 15, 2015. The 2014 adopted emergency regulation will continue and include new prohibitions, such as: irrigating turf or ornamental landscapes during and 48 hours following measurable precipitation, restaurants and other food service establishments can only serve water to customers on request, and operators of hotels and motels must provide guests with the option of choosing not to have towels and linens laundered daily and prominently display notice of this option. In addition to the aforementioned water use prohibitions, urban water suppliers are required to limit customers' outdoor irrigation and notify customers about detected leaks that are within the customers' control so necessary repairs can take place. It also required urban water suppliers to achieve a specific water conservation goal based on their previous water usage, ranging from four percent to 36 percent, and LADWP was required to reduce its water use by 16 percent compared to its 2013 usage level. From June 2015 to May 2016, LADWP met the state mandated reduction goal and saved 16.1 percent cumulatively compared to the 2013 usage level. On February 2, 2016, SWRCB extended the emergency regulations through October 2016, but allowed urban water suppliers to adjust their conservation standard based on hotter climates and other factors. LADWP's new conservation standard is 14 percent. On May 18, 2016, SWRCB further revised the emergency conservation regulations in consideration of improved hydrologic conditions. The prior percentage reduction-based water conservation standard was replaced by a localized "stress test" approach, which requires local water agencies to ensure a three-year supply under three more dry years like the state experienced from 2012 to 2015. Water agencies

that would face shortages under three additional dry years are required to meet a conservation standard equal to the amount of shortage. SWRCB will, by late summer 2016, re-consider conservation standards for each water supplier, including LADWP, that submits an assessment of its water supply projection for the next three years.

On October 14, 2014, Mayor Eric Garcetti issued ED5, which directed that the City achieve the following water resources related goals: a 20 percent reduction in per capita potable water consumption by 2017, a reduction in LADWP purchase of imported potable water by 50 percent by 2024, and creation of an integrated strategy that increases local water supplies and improves water security in the context of climate change and seismic vulnerability. 2015 UWMP includes existing plans by LADWP to develop local water supplies to reduce reliance on purchased water in the future. These goals include increased stormwater capture, groundwater clean-up, recycled water, and conservation. Most significant among them is an increased goal for conservation. As of the end of May 2016, City's per capita potable water consumption has been reduced to 104 gallons per capita per day, which equates to a 20 percent reduction compared to the baseline of fiscal year ending 2014 and is on track to meet ED5 goal of a 20 percent reduction in per capita potable water consumption by 2017. Continued water conservation is critical to maintaining this savings up to the Mayor's January 1, 2017 target date. Achieving ED5 goals of reduction in per capita potable water use will reduce City's reliance on imported water while providing drought-proof resource that is not subject to weather conditions.

Among the actions required by ED5 that have been implemented are the following:

- Increase rebates for rain barrels, including interconnection piping and control systems, to \$100 per barrel.
- Increase LADWP's California Friendly Landscape Incentive rebate funding to \$1.75 per square foot.

In addition to mandatory action items including those listed above, ED5 also calls for residents to:

- Voluntarily reduce their outdoor watering from three to two days.
- Replace turf lawns with native and climate-appropriate landscaping during the optimal Fall/Winter planting season, utilizing LADWP rebates for turf removal.
- Replace any remaining high water use plumbing fixtures and appliances with low-flow fixtures and appliances using consumer rebates provided by LADWP.
- Ensure swimming pools have covers to reduce water evaporation.

ED5 goals were later enhanced/modified by the Mayor's pLAN in April 2015. Strategies under pLAN sought to execute key conservation steps outlined in ED5 as well as expand the scope and financing for conservation programs and incentives. See further discussion in the following section.

Extending outreach efforts. Over the last several years, LADWP has expanded conservation outreach and education. Some activities to promote conservation include: increased communication with ratepayers through Twitter, Facebook, newspapers, radio, television, bus benches/shelters, and movie theaters, among other types of media; outreach to Homeowner Associations and Neighborhood Councils; distribution of hotel towel door

hangers and restaurant table tent cards; and ramping up marketing of expanded water conservation incentive and rebate programs.

On April 9, 2015, the new "Save the Drop" Water Conservation Outreach Campaign was launched. This campaign is a partnership between LADWP and the Mayor's Office. Outreach materials include new public service announcements, radio spots, event handouts, and signage on the sides of LASAN trucks. The campaign has partnered with celebrities such as Steve Carrell, Jaime Camil, and Moby for public service announcements airing on TV, cinema and radio.

Encouraging regional conservation measures. LADWP has worked with MWD to encourage all water agencies in the region to promote water conservation and adopt water conservation ordinances which include prohibited uses and enforcement.

Long-Term Local Supply Strategies

In April 2015, the Mayor released the City's first ever Sustainable City pLAN that focuses on sustainability, with special focus on the environment, the economy, and equity. The pLAN enhances ED5 goals, and incorporates water savings goals of reduction in per capita potable water by 20 percent by 2017, by 22.5 percent by 2025, and by 25 percent by 2035. The pLAN goals also include a reduction in imported water purchases from MWD by 50 percent from 2013/14 levels by 2025 and expansion of all local sources of water so that they account for at least 50 percent of the total supply by 2035. The pLAN includes specific strategies and desired outcomes for conservation, recycled water, and stormwater capture. Some of the strategies to meet these goals include investments in state-of-the art technology, rebates and incentives promoting water-efficient appliances, tiered water pricing, Technical Assistance Program for business and industry, and large landscape irrigation and efficiency programs, explained further below.

1.0 Increase Water Conservation Through Reduction of Outdoor Water Use and New Technology

Goal

Increase water conservation savings to achieve ED5 and pLAN water conservation goals by cutting back on outdoor water use, expanding rebates and incentives, improving water efficiency at public facilities, and enhancing savings through review of new developments. LADWP plans to achieve additional water conservation savings of 108,100 AFY during average years and 143,500 AFY during single/multi-dry years by year 2040⁴.

Action Plan

Conservation Rebates and Incentives. LADWP is continuing to expand rebates and incentives for homeowners and business owners to encourage them to purchase water-saving technology. Rebate and incentive programs include the following: Commercial Rebate Program, Residential Rebate Program, Direct Install Partnership Program, and Technical Assistance Program. In addition, as part of the City's ongoing effort to encourage customers

⁴ *Id.* at 11-11 to 11-13.

to adopt active water conservation measures (i.e., measures that can help customers conserve water on a daily basis without thinking about it) in their homes and businesses, LADWP continues to distribute water-saving bathroom and kitchen faucet aerators and shower heads free-of-charge. In an effort to reduce outdoor water use, LADWP launched the California Friendly Landscape Incentive Program (Program) in 2009. Between November 1, 2014, and July 9, 2015, this Program provided rebates for turf removal to residential customers of \$3.75 per sq ft for the first 1,500 sq ft and \$2.00 per sq ft with no cap thereafter, and to commercial customers of up to \$3.75 per sq ft. MWD is no longer offering turf removal incentives to new applicants, effective July 9, 2015, because available funding has been fully allocated.

LADWP has relaunched the Program to continue a utility-sponsored rebate program for its customers. Effective July 15, 2015, residential customers are eligible to receive a rebate of \$1.75 per sq ft for 1,500 sq ft maximum, while commercial customers are eligible for a rebate of \$1.00 per sq ft for the first 10,000 sq ft and \$0.50 per sq ft thereafter up to 43,560 sq ft maximum.

Some highlights from the list of LADWP's numerous water conservation accomplishments are:

- LADWP's Water Conservation Program has achieved a total cumulative hardware water savings of over 118,000 AFY, mainly through installation of conservation devices subsidized by rebates and incentives, since the inception of the program in FYE 1991 to FYE 2015 .
- Water conservation achievements have resulted in Los Angeles using just as much as it did 45 years ago despite a population increase of over one million people.
- California Friendly Landscape Incentive Program – In total (Residential and Commercial Turf removal), LADWP has removed over 31 million sq ft of turf, saving over one billion gallons of water per year.
- LADWP's 100-percent volumetric tiered rate structure has been providing financial incentives to all customers for efficient water use since 1993.
- Water Meter Replacement Program started in 2006 and is ongoing. The current program goal is to replace 25,000 meters per year out of approximately 698,000 existing small meters. This program provides customers with greater accuracy in metering water use and a higher degree of accountability for water that is delivered by the City's distribution system.
- Technical Assistance Programs (TAP) for business and industry have been created to provide incentives for retrofitting water-intensive industrial equipment with high efficiency devices. A large effort is currently being expended using TAP to increase water-efficiency of commercial cooling towers and expand the program for small business participation.

Action by Public Agencies. LADWP assists City Departments and other public agencies in leveraging incentive funds to retrofit their facilities with water-efficient hardware. Significant accomplishments include the following highlights:

- In an effort to reduce water waste and identify areas of potential water conservation, LADWP provided on-site water audit training for the City's Department of General Services (GSD) plumbers, Department of Recreation and

Parks (RAP) landscapers and Port of Los Angeles (POLA) staff, and conducted nearly 500 facility audits.

- In January 2009, a Memorandum of Understanding (MOU) was signed between LADWP and GSD to install 875 water-efficient urinals and 325 high-efficiency toilets in City facilities.
- Ten high-use City facilities have been retrofitted with water-efficient toilets, urinals, and faucets saving approximately 23 AFY. Locations include City Hall, City Hall East, Pershing Square, and LADWP headquarters.
- Utilizing a \$3 million per year grant from LADWP, RAP has retrofitted 23 parks with California Friendly landscape and water-efficient irrigation. Through this MOU, RAP completed the Los Feliz Golf Course project in July 2014. Golf course improvements include a fully automated recycled water system, and six acres of grass have been replaced with California Friendly landscaping. Annually 5.5 million gallons of water will be saved due to the changes.

Enhancing Conservation through New Developments. LADWP continues to work with the City's Green Building Team to pursue desired changes in local codes and standards to promote water efficiency in new construction projects and major building renovations. One of the significant accomplishments was the approval of the Water-Efficiency Requirements Ordinance No. 180822 by the City Council, which modifies City Municipal Code to establish new requirements for water conservation in construction of new buildings, and the installation of new plumbing fixtures in existing buildings to minimize the effects of any water shortages on the customers of the City, effective December 1, 2009. Additional conservation measures are also required through the following regulations which were effective January 1, 2014: 2013 California Plumbing Code, 2013 California Green Building Code (CALGreen), 2014 Los Angeles Plumbing Code, and 2014 Los Angeles Green Building Code. On April 8, 2015, the California Energy Commission adopted new efficiency standards for toilets, faucets and other appliances effective January 1, 2016. Also, on July 15, 2015, in response to Governor Jerry Brown's Executive Order B-29-15, the California Water Commission approved the revised Model Water Efficient Landscape Ordinance, which reduces the maximum amount of water allowed from the 2009 version of the ordinance. The California Department of Water Resources (DWR) estimates that a new home will use 20 percent less landscape water than allowed by the 2009 ordinance, and commercial landscape will cut water use by 35 percent. Also, Ordinance No. 184248, *Green Building Codes Revision, Use of Greywater Systems, Water Conservation Measures*, became effective June 6, 2016, and mandates a number of new fixture requirements and methods of construction for plumbing and irrigation systems. California Plumbing Code, Los Angeles City Plumbing Code and amending ordinances apply to all newly constructed buildings, additions and alterations whenever new fixtures are installed in existing buildings. CALGreen, the LA Green Building Code and the amending ordinances also apply to new construction projects, but are limited to additions and alterations to existing buildings that either increase the building's conditioned volume or have a valuation of \$200,000 or more. For this development, all requirements above resulted in savings of approximately 116 AFY.

In addition, the City adopted Ordinance No. 181899, also known as the "Low Impact Development" Ordinance, and Ordinance No. 183833, entitled "Stormwater and Urban Runoff Pollution Control." The purpose of these Ordinances includes rainwater harvesting and stormwater runoff management, water conservation, and recycled water reuse and gray

water use. Ordinance No. 181899 was effective as of November 14, 2011, and Ordinance No. 183833 was effective October 3, 2015.

Future Programs⁵. In December 2014, LADWP started its Home Water Use Report Pilot Study, which provides 72,000 single family customers bi-monthly home water use reports on their water usage, statistics on how they compare to similar households with average and efficient water use, and customized water saving tips and rebate recommendations. The pilot study group also has access to online on historical water use, estimated breakdown of how the customer is using their water, and additional information on how to save water in their homes. Upon completion of the pilot study by the end of 2017, LADWP will analyze results to determine the savings potential and cost-effectiveness of the program, which will assist LADWP in planning a long-term program that targets the entire single family customer sector.

Also, LADWP is currently working on pilot projects to test installation of Advanced Metering Infrastructure, which is the use of radio-based technology that would provide for two-way communication between water meters and LADWP's system. The Advanced Metering Infrastructure would provide real-time water meter data to both the end user and LADWP, which would allow LADWP to find leaks at an earlier stage and reduce non-revenue water losses. It would also allow customers to determine their water use more often than a traditional bi-monthly or monthly bill, and motivate them to proactively increase conservation sooner rather than after they receive their bill. Customers can also receive instant alerts if their usage is abnormally high.

LADWP Water Conservation Potential Study⁶. In fall of 2014, LADWP initiated the Water Conservation Potential Study, the largest and most comprehensive conservation study in the U.S. The study will provide a better understanding of how historical water conservation investment efforts have impacted existing water use efficiency and device saturation levels and help LADWP prioritize future water conservation investments in the City by identifying remaining water conservation opportunities to increase City's water use efficiency into the future. Phase 1 of the study estimated conservation potential, and data from extensive and comprehensive residential surveys were used to determine the current saturation of conserving devices and practices. For example, preliminary study results show that 80 percent of single family homes in LADWP have high efficiency toilets, indicating that toilet rebate programs are reaching a saturation threshold. For non-residential sectors, a combination of previous studies conducted by both LADWP and MWD were used, as well as expert judgement from water conservation professionals with substantial experience in commercial and industrial water use and efficiency. Phase 2, currently ongoing, will incorporate results from a comprehensive water survey of 100 City-owned facilities. City-owned facility water surveys are still being fully analyzed and will be incorporated into a revised conservation potential that will be presented in the final report.

Initial results of LADWP Water Conservation Potential Study show that the additional, naturally occurring water conservation potential, post FYE 2015, will reach approximately 71,000 AFY by FYE 2040. Naturally occurring savings represent conservation from natural replacement, new development adhering to building/plumbing codes, and ordinances for landscape water use. With increased LADWP funding for conservation programs, possibly requiring a level double of current program levels, conservation potential may increase to a

⁵ *Id.* at 3-33.

⁶ *Id.* at 3-34.

cost-effective maximum potential of approximately 120,000 AFY by FYE 2040, inclusive of the 71,000 AFY of naturally occurring conservation. The maximum achievable conservation level for FYE 2040, inclusive of and beyond cost-effective maximum potential, is projected to be 218,000 AFY.

2.0 Water Recycling

LADWP 2015 UWMP identifies the goal of delivering 75,400 AFY by 2040 to off-set imported water.⁷ This will increase recycled water use in the City more than six-fold as a percentage of supply, from the current two percent to 13 percent by 2040. Some of the examples of the steps the City is taking in order to achieve this goal are listed below. Other projects not listed below will also contribute to recycled water use in City's service area.

Recycled Water Master Planning (RWMP). In 2012, LADWP completed a three-year RWMP. RWMP documents guide near-term recycled water planning through 2035, as well as long-term recycled water planning for up to 50 years beyond the 2035 horizon. RWMP documents include an evaluation of recycling alternatives that integrate two strategies to increase recycling: Groundwater Replenishment (GWR), and non-potable reuse (NPR). GWR project will replenish San Fernando Basin (SFB) with up to 30,000 AFY of recycled water. NPR projects will increase NPR recycled water use to 45,400 AFY by 2040 by increasing deliveries to irrigation and industrial customers throughout the City.

pLAn. The Mayor's Sustainable City pLAn established goals to increase recycled water use by expanding recycled water by an additional 6 million gallons per day by 2017 at Terminal Island Water Reclamation Plant, converting 85 percent of public golf courses to recycled water, developing a strategy to convert the City's lakes to recycled water and implement a pilot project, and expanding recycled water production, treatment, and distribution to incorporate indirect potable reuse and direct potable reuse.⁸

GWR Environmental Documentation. In September 2013, City launched the environmental review process for the GWR project by issuing a notice of preparation of a Draft Environmental Impact Report (EIR) and releasing an Initial Study for public review. City released the Draft EIR for public review on May 12, 2016. This project would replenish SFB with up to 30,000 AFY of purified recycled water from the Donald C. Tillman Water Reclamation Plant (DCTWRP). Achieving this replenishment goal would entail operating DCTWRP at the plant's full existing capacity to treat up to 80 million gallons per day of wastewater.

Harbor Refineries Pipeline Project. Approximately 85 percent of the project's 40,400 feet of recycled water piping has already been installed in the Harbor Area. This piping will convey recycled water to potential industrial and irrigation customers and is anticipated to be completed in 2017. LADWP is aggressively working with the large industrial customers in the Harbor area to get on recycled water once available.

Elysian Park Water Recycling Project. The Elysian Park Water Recycling Project will not only irrigate the Elysian Fields Park and parts of the Elysian Park neighborhood, but also provide increased supply and reliability to the recycled water system overall. Project

⁷ *Id.* at 4-27.

⁸ *Id.* at 4-26.

proposes the installation of a nearly two miles of pipeline, two pump stations, and a one or two million gallon storage tank. Its construction will ensure dependable service to meet Los Angeles' growing demand for recycled water in the Metro area. Project will include demolition of the existing 500,000 gallon tank at Elysian Park and install separate new potable water pipelines for restrooms and drinking fountains in the park. Recycled water will be supplied from the Los Angeles-Glendale Water Reclamation Plant. Anticipated project completion is 2021.

Downtown Water Recycling Project. The Los Angeles-Glendale Water Reclamation Plant will supply recycled water for the Downtown Water Recycling Project. Project proposes installation of up to 86,500 linear feet of 16-inch purple pipe into and through Downtown Los Angeles. The project will supply up to 2,600 AFY (847 million gallons) of recycled water for non-potable demands – irrigation and industrial uses. Potential anchor customers include University of Southern California and Matchmaster. Anticipated project completion is 2021.

Recycled Water Outreach. The City developed RWMP documents with input from stakeholders through ongoing outreach activities beginning in 2009, including interaction with the Recycled Water Advisory Group (RWAG) and key stakeholders. Presentations were given to elected official, Kindergarten-12 grade students, and Neighborhood Councils and community groups. RWAG, made up of approximately 70 stakeholders representing neighborhood councils, environmental groups, business organizations, civic groups, and other interests has recently been integrated into the One Water L.A. Stakeholder Group. They provide the City with input and feedback on many water related issues including the water recycling program. The One Water L.A. Stakeholder Group continues to participate in workshops, facility tours, and update sessions, and provide insightful feedback to the City as projects are implemented.

3.0 Enhancing Stormwater Capture

Stormwater runoff from urban areas is an underutilized resource. Within the City, the majority of stormwater runoff is directed to storm drains and ultimately channeled into the ocean. Unused stormwater reaching the ocean carries with it many pollutants that are harmful to marine life. In addition, local groundwater aquifers that should be replenished by stormwater are receiving less recharge than in the past due to increased urbanization. Urbanization has increased the City's hardscape, which has resulted in less infiltration of stormwater and a decline in groundwater elevations. The estimated current stormwater capture in the City is approximately 64,000 AFY. UWMP projects to double the amount of stormwater capture under a conservative scenario. Centralized stormwater capture projects will increase stormwater capture by approximately 35,000 AFY by year 2035.⁹ Centralized stormwater capture projects are large-scale operated projects that are designed specifically to infiltrate large amounts of runoff into underlying groundwater aquifers. Distributed stormwater capture projects, such as dry-wells and cisterns, will also provide 33,000 AFY of additional stormwater capture and infiltration/reuse in the SFB, for a total of 68,000 AFY including centralized capture by year 2035.¹⁰ Distributed stormwater/runoff capture refers to capturing localized dry and wet weather runoff.

⁹ *Id.* at 7-10.

¹⁰ *Id.* at 7-10.

The Stormwater Capture Master Plan defines stormwater capture targets over the next 20 years in five-year increments to year 2035, and identifies future centralized stormwater capture projects and program types for distribution stormwater capture such as on-site infiltration, on-site direct use, green streets, sub-regional infiltration, and sub-regional direct use. LADWP began its initial research for the Stormwater Capture Master Plan in the fall of 2013 and completed a final plan in late 2015. Stormwater Capture Master Plan goals were integrated into LADWP's 2015 UWMP.

Specific strategies under the Mayor's pLAN to increase stormwater capture include identifying funding mechanisms to implement the Enhanced Watershed Management Plans necessary for MS4 permit compliance, expanding use of permeable pavement sites and green streets (e.g., bioswales, infiltration cut-outs, permeable pavement, and street trees), and expanding the Rain Barrel Program.

UWMP projects that there will be a minimum of 15,000 AFY of increased groundwater pumping in SFB due to water supply augmentation through centralized stormwater infiltration by year 2040. Anticipating that stored groundwater will rebound in response to enhanced groundwater replenishment, LADWP will work with the Upper Los Angeles River Area Watermaster to continue observing actual water levels and re-evaluate basin safe yield to allow additional increases in groundwater production over time as SFB elevations rebound.¹¹

In addition, development has encroached onto waterway floodplains requiring the channelization of these waterways that once recharged the groundwater aquifers with large volumes of stormwater runoff. When the floodplains were undergoing rapid development, LADWP and the Los Angeles County Flood Control District reserved several parcels of land for use as spreading facilities. These facilities are adjacent to some of the largest tributaries of the Los Angeles River, and the Pacoima and Tujunga Washes.

During average and below average years, these spreading facilities are very effective at capturing a large portion of the stormwater flowing down the tributaries. However, they are incapable of capturing a significant portion of the flows during wet and extremely wet years. Weather patterns in Los Angeles are highly variable, with many periods of dry years and wet years. Some climate studies predict that these patterns may become more extreme in the future.

LADWP is currently partnering with other government and non-governmental agencies in various stormwater enhancement studies and projects that include the following:

Completed Centralized Projects

Implemented centralized projects have increased the amount of stormwater captured by an average of 10,600 AFY since 2013. Below is a sample of recently implemented centralized projects:

- **Sheldon-Arleta Gas Management System**
Completed in 2009. Scope included the installation of a methane gas abatement system mitigating methane migration during groundwater recharge operations at

¹¹ *Id.* at 7-29.

Tujunga Spreading Grounds. Project increases regional annual average stormwater recharge by 4,000 AFY.

- **Big Tujunga Seismic Retrofit Project**
Completed in 2012. Scope included the retrofit of the Big Tujunga Dam to meet state seismic and spillway requirements and increase the reservoir's storage capacity. Project increases regional annual average stormwater capture by 4,500 AFY.
- **Hansen Spreading Grounds Upgrade**
Completed in 2013. Scope included combining and deepening the spreading basins as well as upgrading the intake structure to increase recharge capacity. Project increases regional annual average stormwater recharge by 2,100 AFY.

Completed Distributed Projects

LADWP's already implemented distributed projects that have increased the amount of stormwater captured by an average of 333 AFY. Below is a sample of recently implemented distributed projects:

- **Sun Valley Park Stormwater Infiltration Project**
Completed in 2010. Scope included installing a stormwater pretreatment system, infiltration gallery, and retention system for infiltration. Project increases regional annual average stormwater capture by 30 AFY.
- **Garvanza Park Stormwater Capture Use and Infiltration Project**
Completed in 2012. Scope included installing a stormwater pretreatment system, infiltration gallery, and retention system for use at the Garvanza Park. Project increases regional annual average stormwater capture by 51 AFY.
- **Elmer Avenue Neighborhood Green Street/Elmer Paseo Green Alley Stormwater Infiltration Projects**
Completed in 2011 and 2013. Scope for Elmer Avenue Green Street (completed in 2011) included installing stormwater underground retention infiltration system under the street, and vegetated swales and rain gardens in the parkway and private property. Scope for Elmer Paseo Green Alley (completed in 2013) included installing underground retention infiltration system and vegetated swales to increase stormwater capture. Combined projects increase regional annual average stormwater capture by 41 AFY.
- **North Hollywood Alley Retrofit BMP Demonstration Project**
Completed in 2013. Scope included retrofitting four alleys with pervious surfaces to facilitate stormwater infiltration. Project increases regional annual average stormwater capture by 29 AFY.
- **Glenoaks-Sunland Stormwater Infiltration Project**
Completed in 2013. This project included construction of dry wells and parkway infiltration swales along a portion of the sidewalks of Glenoaks Boulevard which currently have no storm drains. Project increases regional annual average stormwater capture by 28 AFY.

- **Woodman Avenue Median Stormwater Infiltration Project**
Completed in 2014. Scope included replacing an existing concrete median with vegetated swales and an underground retention system for infiltration. Project increases regional annual average stormwater capture by 55 AFY.
- **Hollywood/Los Angeles Beautification Stormwater Capture Project**
This is a demonstration project to encourage stormwater capture. The City of Los Angeles Department of Public Works, Bureau of Street Services and LASAN will provide in-kind design services, while the Sun Valley Beautiful Committee, Council District 6, and the Los Angeles Unified School District (LAUSD) are project sponsors and partners. Project increases regional annual average stormwater capture by six AFY.
- **Sun Valley Economic Development Administration Public Improvement Project**
Completed in 2016. Scope included the installation of 46 dry wells within the public right of way in an area with limited storm drainage. Project increases regional annual average stormwater capture by 93 AFY.

Future Centralized Projects

Within the next five years, the following centralized projects are expected to be implemented that will provide an estimated 25,279 AF of increased stormwater capture annually. Below is a short description of these future projects:

- Big Tujunga Dam Sediment Removal Project
- Pacoima Dam Sediment Removal Project
- Tujunga Spreading Grounds Upgrade
- Lopez Spreading Grounds Upgrade
- Branford Spreading Basin Upgrade
- Pacoima Spreading Grounds Upgrade
- Valley Generating Station Stormwater Capture Project
- Whitnall Highway Power Line Easement Stormwater Capture Project
- Rory M. Shaw Wetlands Park Project (Strathern Pit)
- Bull Creek Stormwater Capture Project
- Canterbury Power Line Easement Stormwater Capture Project
- East Valley Baseball Stormwater Capture Project
- Fernangeles Park Stormwater Capture Project
- Riviera County Club Stormwater Capture Project
- Penmar Water Quality Improvement Project

Future Distributed Projects

Within the next five years, the following distributed projects are expected to be implemented that will provide an estimated 1,659 AFY of increased stormwater capture. Below is a short description of these future projects:

- Laurel Canyon Boulevard Green Street Stormwater Infiltration Project
- Burbank Boulevard Stormwater Capture Project
- Arundo Donax Removal Project
- LAUSD Conserving for Our Kids Program
- Victory-Encino Stormwater Infiltration Project
- Victory-Goodland Median Stormwater Capture Project
- Glenoaks-Nettleton Stormwater Infiltration Project
- Van Nuys Blvd Median Stormwater Capture Project
- Branford Street – Laurel Canyon to Pacoima Wash Stormwater Capture Project
- Great Street – Lankershim Boulevard (Chandler to Victory) Project
- Great Street – Van Nuys Boulevard (Laurel Canyon to San Fernando) Project
- Glenoaks and Filmore Stormwater Capture Project
- Agnes Ave – Vanowen to Kittridge Stormwater Capture Project
- Water LA Phase 2
- Whitnall Gardens Project
- Great Street – Reseda Boulevard – Plummer to Parthenia Project
- Great Street – Hollywood Avenue – La Brea to Gower Project
- Great Street – Western Avenue – Melrose to 3rd Project
- Maclay Middle School – LAUSD Project
- Valley Center Stormwater Capture Project
- Northridge Middle School Project
- Tyrone Yard – New LADWP Valley Center Project
- Van Nuys Blvd Median Stormwater Capture Project

4.0 Accelerating Clean-Up of SFB

Over 70 percent of LADWP groundwater production wells in SFB have been impacted by contamination caused by improper storage, handling and disposal of hazardous chemicals used in the aircraft manufacturing industry, as well as commercial activities associated with automobile and equipment repair, dry cleaners, paint shops, chrome plating, textile manufacturing and fuel storage and dispensing dating back to the 1940s.

Since the 1980 discovery of volatile organic compound (VOC) contamination of groundwater in SFB, LADWP has been working with state and federal agencies to contain and remediate man-made contaminants in SFB. Chlorinated solvents such as trichloroethylene (TCE), perchloroethylene (PCE) and carbon tetrachloride account for the majority of this groundwater contamination.

In 2009, LADWP began an \$11.5 million, six-year study and development of a comprehensive remediation and cleanup strategy for all groundwater basin contamination in SFB. This study was completed in February 2015.¹²

¹² *Id.* at 6-9.

Development of State-of-the-Art Groundwater Basin Remediation Facilities

- Based on the available groundwater quality information, a groundwater basin remediation complex consisting of centralized as well as localized/well head remediation facilities will be needed for public and environmental benefits as well as to prevent further loss of groundwater.
- Design and construction of the groundwater basin remediation facilities is estimated to cost approximately \$600 million, and operation and maintenance is estimated to cost an additional \$50 million per year.
- Remediation utilizing only the existing United States Environmental Protection Agency (USEPA) North Hollywood Operable Unit (NHO) 2nd Interim Remedy (NHO2IR) is anticipated to take more than 200 years. In addition, NHO2IR containment zone covers a very small portion of SFB.

Groundwater and Treatment System Monitoring

- In order to fully characterize SFB groundwater quality as required by SWRCB Board's Division of Drinking Water guidelines and policies, LADWP has drilled 25 new monitoring wells in SFB.
- Cost to install the monitoring wells is approximately \$22 million.

With completion of SFB groundwater characterization, LADWP is proceeding with the necessary environmental reviews, design, permitting, construction, and start-up of the groundwater basin remediation complex to effectively clean and remove contaminants from SFB. The groundwater basin remediation complex is anticipated to be operational by FYE 2022.

LADWP's groundwater remediation facilities treatment facilities now operating within SFB include:

- ***The North Hollywood Operable Unit.*** Under the direction of USEPA, LADWP operates and maintains NHO pursuant to a Cooperative Agreement between the two agencies. Since the 1980 discovery of VOC contamination in SFB, LADWP worked closely with the state and federal regulators to implement facilities that will contain and remediate the contaminant plume. NHO began operations in the late-1980s utilizing an aeration tower for VOC removal followed by vapor-phase Granular Activated Carbon (GAC) to control air emissions. Unfortunately this remedy has not fulfilled its primary objective. Highly-concentrated contaminants have escaped NHO containment areas and reached LADWP groundwater production wells, forcing their closure. Newly emerging constituents, such as hexavalent chromium and 1,4-dioxane, have also reached NHO but these contaminants are not removed by the aeration process. This situation has forced the closure of two Operable Unit extraction wells, one of which is currently being pumped to contain the chromium plume with the untreated effluent being discharged to the sanitary sewer. Unfortunately the pumping of this well has failed to prevent the continued migration of this chromium plume. To address the deficiencies of NHO, USEPA conducted a Focused Feasibility study and issued its Record of Decision to replace NHO with NHO2IR. USEPA has

determined that this new remedy will target containment for only the highest concentrations of contaminants which exceed ten times the maximum contaminant levels (MCL) mandated by state and federal regulations. Unfortunately, this determination presents a continuing problem of allowing some lower-concentration contaminants which exceed the mandated MCLs to remain unaddressed by the new remedy. However, LADWP continues to work with USEPA on NHOU2IR. Concluding these negotiations will clear the way for LADWP to formulate an agreement with Potentially Responsible Parties on compensation, permitting, and operations of the new NHOU2IR.

- **Liquid-Phase GAC Pilot Treatment Plant at Tujunga Wellfield.** The Liquid-Phase GAC Pilot Treatment Plant removes VOC from two of the twelve production wells in the Tujunga Wellfield, and treats the extracted groundwater for potable use. The pilot facility treats approximately 8,000 gallons-per-minute of groundwater, removes contaminants, and discharges the treated effluent into LADWP's water distribution system for beneficial use pursuant to California Water Code. This pilot facility is a joint project with MWD to demonstrate the effectiveness of utilizing certain liquid phase GAC media for removal of VOC from the groundwater.
- **Pollock Wells Treatment Plant.** The plant provides four liquid-phase GAC vessels to remove VOC contamination from two groundwater wellheads. LADWP has identified hexavalent chromium as an emerging contaminant that may impair the operation of the Pollock Wells Treatment Plant. In response, LADWP has initiated studies and the development of additional remediation systems to remove the hexavalent chromium and other emerging contaminants that are not addressed by the GAC treatment system.

The overall purpose of the San Fernando Groundwater Basin Remediation Project is to restore and protect the full use of the San Fernando Groundwater Basin as a source of water consistent with LADWP's long-term water rights and historic groundwater use.

Water Supplies

The Los Angeles Aqueducts (LAA), local groundwater, purchased water from MWD, and recycled water are the primary sources of water supplies for the City. Table III shows LADWP water supplies from 2006 to 2015 from these sources. The total required water supply to meet water demand shows an overall declining trend over this time period due to reductions in total demand. However, sufficient water supplies were available in each of the years to meet the total demand. In 2009, the total water demand decreased due to conservation efforts by mandatory conservation imposed in the City following drier hydrologic conditions coinciding with an economic recession. In 2013, drought conditions returned and have triggered State and City mandatory conservation measures.

**TABLE III
LADWP Water Supply**

Calendar Year	Los Angeles Aqueducts	Local Groundwater	MWD	Recycled Water	Transfer, Spread, Spills, and Storage	Total
2006	380,235	67,299	188,585	3,893	-1,336	641,348
2007	127,392	88,041	439,353	3,595	-57	658,438
2008	148,407	64,604	427,422	7,048	1,664	645,817
2009	137,261	66,998	351,959	7,570	554	563,234
2010	251,126	68,346	205,240	6,900	-938	532,550
2011	357,752	49,915	119,481	7,708	-153	535,009
2012	166,858	59,109	326,122	5,965	1,182	556,872
2013	64,690	66,272	438,534	9,253	-2,404	581,153
2014	62,088	94,280	391,320	11,307	2,080	556,915
2015	26,828	81,618	378,439	9,844	432	496,297

Note: Units are in AF

Los Angeles Aqueducts

Snowmelt runoff from the Eastern Sierra Nevada Mountains is collected and conveyed to the City via LAA. LAA supplies come primarily from snowmelt and secondarily from groundwater pumping, and can fluctuate yearly due to the varying hydrologic conditions. In recent years, LAA supplies have been less than the historical average because of environmental restoration obligations in Mono and Inyo Counties.

The City holds water rights in the Eastern Sierra Nevada where LAA supplies originate. These supplies originate from both streams and from groundwater. In 1905, the City approved a bond measure for purchase of land and water rights in the Owens River Valley. By 1913, the first LAA began its deliveries of water to the City primarily from surface water diversions from the Owens River and its tributaries. Historically, these supplies were augmented from time to time by groundwater extractions from beneath the lands that the City had purchased in the Owens Valley.

In 1940, the first LAA was extended north to deliver Mono Basin water to the City pursuant to water rights permits and licenses granted by the SWRCB. In 1970, the second LAA was completed increasing total delivery capacity of the LAA system to approximately 561,000 AF per year. The second LAA was to be filled by completing the Mono Basin diversions originally authorized in 1940, by a more effective use of water for agricultural purposes on City-owned lands in the Owens Valley and Mono Basin and by increased groundwater pumping from the City's lands in the Owens Valley.

In 1972, Inyo County filed a CEQA lawsuit challenging the City's groundwater pumping program for the Owens Valley. The lawsuit was finally ended in 1997, with the County of Inyo and the City entering into a long-term water agreement for the management of groundwater in the Owens Valley. That water agreement, entered as a judgment of the Superior Court in the County of Inyo (County of Inyo vs. City of Los Angeles, Superior Court No. 12908)

outlines the management of the City's Owens Valley groundwater resources. As a result of this water agreement and subsequent MOU, LADWP has dedicated 37,000 AF of water annually for enhancement and mitigation projects throughout Owens Valley which includes the re-watering of 62 miles of the Lower Owens River. LADWP also provides approximately 80,000 AF of water annually for other uses in the Owens Valley such as irrigation, town water supplies, stockwater, wildlife and recreational purposes.

Further, in December 1989, the Superior Court entered an injunction, ordering LADWP to allow sufficient flow to pass through the Mono Basin diversion facilities to maintain water level in Mono Lake at 6,377 feet from sea level and also to restore streams and protection of fishery in these streams. As a result, the City did not export any water from Mono Basin until 1994, when SWRCB issued Decision 1631. In September 1994, by virtue of the public trust doctrine, the SWRCB issued Decision 1631, an amendment to the license for LADWP exports from Mono Basin which placed conditions on LADWP's water gathering activities from Mono Basin. Under Decision 1631, LADWP's allowable amount of export for a given runoff year (RY, April - March) is dependent on the Mono Lake elevation. For RY 2016-2017, LADWP plans to export approximately 4,500 AF of water from Mono Basin, the same amount as for RY 2015-2016, due to Mono Lake's elevation being projected to remain below 6,380 feet. LADWP has implemented an extensive restoration and monitoring programs in Mono Basin to increase the level of Mono Lake and to improve stream conditions, fisheries and waterfowl habitats in Walker, Parker, Rush and Lee Vining Creeks. With reduced diversions from the Mono Basin and favorable hydrologic conditions, Mono Lake's elevation has risen overtime. Once the elevation of Mono Basin reaches 6,391-feet above mean sea level, a moderate increase in water exports from the Mono Basin will be permitted pursuant to the Decision 1631.

In July 1998, LADWP and the Great Basin Unified Air Pollution Control District (GBUAPCD) entered into a Memorandum of Agreement to mitigate dust emissions from Owens Lake. Diversion of water from Owens River, first by farmers in the Owens Valley and then by the City beginning in 1913, resulted in the exposed lakebed becoming a major source of windblown dust. LADWP has spent \$1.6 billion and used substantial quantities of water since it started diverting water from LAA to mitigate dust emissions at Owens Lake. As of December 31, 2008, LADWP mitigated dust emissions from 29.8 square-miles of Owens Lake in accordance with GBUAPCD's 2003 revised State Implementation Plan. As of April 1, 2010, LADWP mitigated an additional 9.2 square- miles in accordance with GBUAPCD's 2008 State Implementation Plan. Upon completion of Phase 8 in October 2012, LADWP has mitigated dust emissions from a total of approximately 42 square-miles of Owens Lake. Phase 7a was completed by the regulatory compliance deadline of December 31, 2015, and upon its completion, LADWP has mitigated dust emissions on 45 square-miles. Phase 7a is a water neutral project.

On November 14, 2014, an historic agreement between LADWP and GBUAPCD was reached which for the first time established an upper limit of 53.4 square miles that LADWP could potentially be ordered to mitigate dust emissions from Owens Lake playa by the GBUAPCD. As part of this historic agreement, LADWP has agreed to mitigate dust emissions for an additional 3.62 square miles of Owens Lake playa. The Phase 9/10 Project is to be completed by December 31, 2017 and is anticipated to result in further water conservation at Owens Lake through increasing use of water efficient and waterless dust mitigation measures. Upon completion of Phase 9/10 Project, LADWP will mitigate

approximately 48.6 square miles of dust missions in Owens Lake playa. Hence, GBUAPCD's potential future dust mitigation orders to LADWP cannot exceed an additional 4.8 square miles. The agreement allows LADWP to use water efficient and waterless dust mitigation measures, while maintaining existing wildlife habitat on the lakebed. As a result, LADWP expects to save significant amounts of water in coming years with implementation of the Owens Lake Master Project and other water conservation projects.

Average deliveries from LAA system have been approximately 160,461 AF of water annually from FY 2010/11 to 2014/15. During this period, the record low snow pack for LAA watershed in the Eastern Sierra Nevada Mountains was recorded on April 1, 2015. The average annual long-term LAA delivery between 2015 and 2040, using the 50-year average hydrology from FY 1961/62 to 2010/11, is expected to be approximately 278,000 AFY and gradually decline to 267,000 AFY due to projected climate change impacts. However, with the anticipated completion of the Owens Lake Master Project by 2024, the projected LAA delivery may increase to 286,000 AFY due to water conserved at Owens Lake which would off-set most of the anticipated long-term losses.¹³

Groundwater

San Fernando and Sylmar Basins are subject to the judgment in the City of San Fernando vs. the City of Los Angeles. Pumping is reported to the court-appointed Upper Los Angeles River Area (ULARA) Watermaster. The Central Basin is also subject to court judgments. Pumping is reported to the Water Replenishment District of California (WRD), the administrative member of the Central Basin Water Rights Panel.

SFB is the largest of four basins within ULARA. The basin consists of 112,000-acres of land and comprises 91.2 percent of ULARA valley fill. The City has accumulated 537,453 AF of stored groundwater in SFB as of October 2013. This is water the City can withdraw from the basin during normal and dry years or in an emergency, in addition to the City's approximately 87,000 AF annual entitlement in the basin. With SFB remediation facilities in operation by FYE 2022, groundwater storage credit will be used to maximize pumping in the future above City's annual entitlement in SFB. The majority of the City's groundwater is extracted from SFB. Sylmar Basin is located in the northern part of ULARA, consists of 5,600 acres, and comprises 4.6 percent of ULARA valley fill. City's current annual entitlement per latest Sylmar Safe Yield is 3,570 AF. Sylmar Basin production will increase to 4,170 AFY from FYE 2016 to FYE 2039 to utilize groundwater the City has accumulated into storage and then return to the entitlement of 3,570 AFY in FYE 2040.¹⁴

A Court decision on pumping rights in ULARA was implemented in a judgment on January 26, 1979. Enclosed with the assessment are copies of those pages from the judgment showing the entitlements (see Appendix D). Further information about ULARA is in the ULARA Watermaster Report. ULARA Watermaster Report and some background information on the judgment are available for review at the office of the ULARA Watermaster or on-line at www.ularawatermaster.com.

¹³ *Id.* at 5-15.

¹⁴ *Id.* at 11-4.

City additionally has adjudicated rights to extract groundwater from the Central Basin. Annual entitlement to Central Basin is 17,236 AF. City has accumulated groundwater into storage in Central Basin, and pumping can be temporarily increased until stored water credits have been expended.¹⁵ See Appendix D for copies of relevant portions of the third amended judgment. Judgment is available for review on the WRD website at <http://wrwater.org/>.

For the period of July 2014 to June 2015, City extracted 80,097 AF and 6,948 AF from the San Fernando and Central Basins, respectively. City plans to continue production from its groundwater basins in the coming years to offset reductions in imported supplies. However, extraction from the basins may be limited by water quality, sustainable pumping practices, and groundwater elevation.

Groundwater produced by City from the San Fernando, Sylmar, and Central Basins for the last available five years are shown on Table IV, as well as groundwater pumping projections for average, single-dry, and multi-year dry weather conditions in five-year increments. Table IV excludes 15,000 AFY of anticipated pumping in SFB from stormwater recharge as well as 30,000 AFY of additional groundwater recharge with highly treated water from DCTWRP planned for 2024 and beyond.

**TABLE IV
Local Groundwater Basin Supply**

Fiscal Year (July-June)	San Fernando	Sylmar	Central
2010-2011	44,029	225	5,099
2011-2012	50,244	1,330	9,486
2012-2013	50,550	1,952	6,310
2013-2014	68,784	891	9,727
2014-2015	80,097	0	6,948
2019-2020*	90,000	4,170	18,500
2024-2025*	88,000	4,170	18,500
2029-2030*	84,000	4,170	18,500
2034-2035*	92,000	4,170	18,500
2039-2040*	92,000	3,570	18,500

Note: Units are in AF,

*projected production: 2015 UWMP Exhibit 6I

Metropolitan Water District of Southern California (MWD)

MWD is the largest water wholesaler for domestic and municipal uses in Southern California. As one of 26 member agencies, LADWP purchases supplemental water from MWD in addition to the supplies from local groundwater and LAA. MWD imports a portion of its water supplies from Northern California through the State Water Project's (SWP) California Aqueduct and from the Colorado River through MWD's own Colorado River Aqueduct (CRA). LADWP will continue to rely on MWD to meet its current and future water needs.

¹⁵ *Id.* at 6-24.

In ongoing efforts to evaluate MWD's own import reliability, an assessment was done to address changes in demand and supply conditions, and to provide additional resource reserves to mitigate against uncertainties in demand projections and risks in implementing supply programs. All these efforts went into MWD's regional UWMP.

All 26 member agencies have preferential rights to purchase water from MWD. Pursuant to Section 135 of MWD Act, "Each member public agency shall have a preferential right to purchase from the district for distribution by such agency, or any public utility therein empowered by such agency for the purpose, for domestic and municipal uses within the agency a portion of the water served by the district which shall, from time to time, bear the same ratio to all of the water supply of the district as the total accumulation of amounts paid by such agency to the district on tax assessments and otherwise, excepting purchase of water, toward the capital cost and operating expense of the district's works shall bear to the total payments received by the district on account of tax assessments and otherwise, excepting purchase of water, toward such capital cost and operating expense." This is known as preferential rights. As of June 30, 2015, LADWP has a preferential right to purchase 20.01 percent of MWD's total water supply.

LADWP has worked with MWD in developing a plan for allocating water supplies during periods of shortage. On February 12, 2008, MWD Board adopted its Water Supply Allocation Plan (WSAP). LADWP supported the adoption of this plan to acquire its dry weather condition supplies from MWD.

In response to 2009 regulatory restrictions on water supplies from Northern California, MWD Board announced on April 14, 2009, that supply deliveries to the member agencies would be reduced by 10 percent. Reduced supply allocation was to be effective from July 1, 2009 through June 30, 2010, but in April 2010, MWD Board approved an extension of the reduced supply allocation through June 30, 2011, primarily to restore storage balances in MWD's groundwater and surface storage facilities.

On March 31, 2011, California Governor Jerry Brown declared an end to the statewide drought emergency that had been proclaimed earlier on February 27, 2009, by then - Governor of California Arnold Schwarzenegger. MWD's Board subsequently voted on April 12, 2011, to end implementation of the 2010/11 water supply allocation. In the same decision, MWD Board also voted against implementing a water supply allocation for 2011/12. These actions restored full imported water deliveries to member agencies without risk of allocation penalties effective April 2011.

Extremely dry conditions have persisted since 2012 and have left Californians with water supply shortages. On January 17, 2014, Governor Jerry Brown proclaimed a drought State of Emergency. At the end of March 2015, state hydrologists measured a record low five percent of normal snow pack in the Sierra Nevada Mountains. As a result, on April 1, 2015, Governor Jerry Brown issued Executive Order B-29-15 to achieve a statewide 25 percent reduction compared to 2013 usage levels in urban water use through February 28, 2016. On May 18, 2016, due to improved hydrologic conditions, SWRCB adopted a revised emergency water conservation regulation, effective June 2016 through January 2017, requiring locally developed conservation standards based upon each agency's specific circumstances.

The record dry and hot conditions of 2014 significantly impacted the water resources of both the State of California and MWD. DWR limited supplies from SWP to only five percent of the contractors' SWP Table A amounts in 2014. This allocation was the lowest ever in the history of SWP. MWD was able to meet demands in 2014 by relying heavily on storage reserves to make up for the historically low allocation on SWP. MWD's dry-year storage reserves ended 2014 at approximately 1.2 million AF.

On April 14, 2015, to support Governor Jerry Brown's Executive Order B-29-15, and to reduce withdrawals from MWD's dry-year storage reserves, MWD implemented WSAP at a Level 3 Regional Shortage Level, effective July 1, 2015, though June 30, 2016. MWD's dry-year storage reserves ended 2015 at approximately 0.87 million AF.

On May 10, 2016, citing the improved water supply conditions and reduced water use due to conservation, MWD voted to end the current WSAP allocation and rescind WSAP Regional Shortage Level 3 for allocation year 2016/17. MWD, however, called for member agencies to continue with conservation efforts to safeguard against future dry years.

Purchases from MWD have averaged 57 percent of the City's water supply over a five-year period from FY 2010/11 to 2014/15. The sustainable pLAN calls for a reduction in purchased imported water by 50 percent by 2025 from the FY 2013/14 level, which was approximately 441,870 AF. To meet targets established by the pLAN, LADWP plans to reduce water demand through increased conservation as well as increase local supply development. Local supply development includes enhancing the ability for groundwater pumping through increased stormwater capture projects and groundwater replenishment with highly treated recycled water as well as remediation of contaminated groundwater supplies in SFB. LADWP also plans to increase recycled water use for non-potable purposes. With these initiatives and under average hydrologic conditions, 2015 UWMP projects MWD purchases to be approximately 65,930 AFY in 2025.

Recent Issues Related to the State Water Project

Federal Endangered Species Act (ESA) Litigation filed by several environmental interest groups in the United States District Court for the Eastern District of California alleged that existing biological opinions and incidental take statements inadequately analyzed impacts on listed species under the Federal ESA. On May 25, 2007, Federal District Judge Wanger issued a decision on summary judgment finding the United States Fish and Wildlife Service's (USFWS) biological opinion for Delta smelt was invalid. On December 14, 2007, Judge Wanger issued his Interim Remedial Order requiring that SWP and Central Valley Project operate according to certain specified criteria until a new biological opinion for the Delta smelt is issued. USFWS released the new biological opinion on December 15, 2008. Based on the Water Allocation Analysis released by DWR on December 19, 2008, which analyzed the biological opinion's effects on SWP operations, export restrictions under median hydrologic conditions reduce deliveries to MWD by approximately 500,000 AF.

MWD and other impacted agencies and stakeholders filed separate lawsuits in federal district court challenging the biological opinion, which the federal court consolidated under the caption "Delta Smelt Consolidated Cases." On December 14, 2010, Judge Wanger issued a decision on summary judgment finding that there were major scientific and legal flaws in the Delta smelt biological opinion and remanded the biological opinion to USFWS for

reconsideration. The court's decision invalidated some of the restrictions on project operations contained in the Delta smelt biological opinion. On May 18, 2011, Judge Wanger issued a final decision, amended judgment directing USFWS to complete a new draft biological opinion by October 1, 2011, and to complete a final biological opinion with environmental documentation by December 1, 2013. Later stipulations and orders changed the October 1, 2011, due date for a draft biological opinion to December 14, 2011, and changed the December 1, 2013, due date for the final biological opinion to December 1, 2014.

A draft biological opinion was issued on December 14, 2011. The draft biological opinion deferred specification of a reasonable and prudent alternative and an incidental take statement pending completion of environmental impact review under the National Environmental Policy Act (NEPA). The federal defendants and environmental interveners appealed the final judgment invalidating the 2008 Delta smelt biological opinion to the United States Court of Appeals for the Ninth Circuit. SWP and Central Valley Project contractor plaintiffs, including MWD, cross-appealed from the final judgment. Those appeals and cross-appeals were argued on September 10, 2012. On March 13, 2014, the Ninth Circuit reversed in part and affirmed in part the district court's decision. The Ninth Circuit reversed those portions of the district court decision which had found the 2008 Delta smelt biological opinion to be arbitrary and capricious, and held, instead, that the 2008 biological opinion was valid and lawful. MWD's deliveries from SWP were previously restricted under the 2008 biological opinion for a period prior to 2011. One practical result of the Ninth Circuit's decision was to legally approve the water supply restrictions in the 2008 biological opinion. These water supply restrictions could have a range of impacts on MWD's deliveries from SWP depending on hydrologic conditions. MWD and others subsequently filed motions for reconsideration of the Ninth Circuit's decision.

On May 25, 2010, the court granted the plaintiffs' request for a preliminary injunction in the Consolidated Salmon Cases, restraining enforcement of two requirements under the salmon biological opinion that limit exported water during the spring months based on San Joaquin River flows into the Bay-Delta and reverse flows on the Old and Middle Rivers. Hearings on motions for summary judgment in the Consolidated Salmon Cases were held on December 16, 2010. On September 20, 2011, Judge Wanger issued a decision on summary judgment, finding that the salmon biological opinion was flawed, and that some, but not all, of the project restrictions in the biological opinion were arbitrary and capricious. On December 12, 2011, Judge O'Neill (who was assigned to this case following Judge Wanger's retirement) issued a final judgment in the Consolidated Salmon Cases. The final judgment remands the 2009 salmon biological opinion to the National Marine Fisheries Service. It also directs that a new draft salmon biological opinion be issued by October 1, 2014, and that a final biological opinion be issued by February 1, 2016, after completion of environmental impact review under NEPA. The due date for the salmon biological opinion was later extended to February 1, 2017.

In January and February 2012, the federal defendants and environmental interveners filed appeals of the final judgment in the Consolidated Salmon Cases, and SWP and Central Valley Project contractors filed cross-appeals. On December 22, 2014, the Ninth Circuit reversed in part and affirmed in part the district court's decision. The Ninth Circuit reversed

those portions of the district court decision which had found the 2009 salmon biological opinion to be arbitrary and capricious, and held, instead, that the 2009 biological opinion was valid and lawful. Any adverse impacts of this ruling on MWD's SWP supplies have not been determined.

These events have highlighted the challenges that water suppliers throughout the state currently face regarding supplies from the Delta.

For 2015, DWR announced on December 1, 2014, an initial allocation of 10 percent based on current and projected hydrological conditions. On March 2, 2015, DWR increased the allocation to 20 percent. The final 2015 SWP allocation remained at the level of 20 percent. For MWD, 20 percent allocation equated to 382,300 AFY.

On December 1, 2015, DWR announced an initial SWP allocation of 10 percent for 2016. On January 26, 2016, DWR increased the allocation from ten percent to 15 percent, and on February 24, 2016, due to improved hydrologic conditions, DWR announced another increase from 15 to 30 percent. On March 17, 2016, the allocation was increased to 45 percent, and on April 21, 2016, due primarily to March storms, the allocation was increased to 60 percent. For MWD, 60 percent allocation equates to 1,146,900 AFY.

Delta Policy

In November 2009, the State Legislature and then Governor Arnold Schwarzenegger passed the 2009 Comprehensive Water Package, which consisted of four policy bills and an \$11.14 billion bond proposal designed to ensure a reliable water supply for California's future and to restore the Delta and other ecologically sensitive areas.

Senate Bill (SB) X7-1 (Simitian) of the 2009 Water Package established the coequal goals for the Delta: to provide a more reliable water supply for California, and to protect, restore, and enhance the Delta ecosystem. SB X7-1 also established a framework to achieve the co-equal goals for the Delta by creating a new Delta governance structure - including the Delta Stewardship Council, Delta Conservancy, and Delta Protection Commission - and laying out a process for determining the consistency of the Bay Delta Conservation Plan (BDCP) with the co-equal goals.

Implementation of the four policy bills in the 2009 Water Package achieved several major milestones. For example, the Delta Plan, a comprehensive, long-term management plan for the Delta, was adopted by the Delta Stewardship Council on May 16, 2013.

The goal of BDCP was to provide the basis for the issuance of endangered species permits for the operation of SWP and Central Valley Project, and for Delta conveyance improvements. BDCP will help to reduce the risk posed by seismic activities to water supplies from the Delta, protect drinking water quality and help to alleviate conflicts between water management and environmental protection. BDCP success is crucial to providing long-term solutions in the Delta and will help to improve and maximize SWP reliability and, consequently, MWD's overall reliability. These statewide initiatives, along with LADWP's local supply and efficiency programs, will ensure that LADWP is better prepared to deal with the natural variability of our local water supplies by having more reliable access to supplemental water supply purchases from MWD.

The draft BDCP and the associated draft environmental impact report/environmental impact statement (EIR/EIS) were made available to the public for review on December 13, 2013. Comments for these documents were due on July 29, 2014. On December 19, 2014, the Brown administration and its federal partners announced several significant changes to the water conveyance portion of BDCP, including the elimination of three pumping plants, to respond to concerns of Delta landowners and others.

On April 30, 2015, state and federal agencies proposed a new sub-alternative, Alternative 4A, which would replace Alternative 4 (the proposed BDCP) as the State's proposed project. Alternative 4A reflected the state's proposal to separate the conveyance facility and habitat restoration measures into two separate efforts: California WaterFix and California EcoRestore.

The environmental analysis of California WaterFix, as well as two other additional alternatives, and updated information from the 2013 BDCP Draft EIR/EIS were included in BDCP/California WaterFix Partially Recirculated Draft EIR/Supplemental Draft EIS (RDEIR/SDEIS). The RDEIR/SDEIS was released for public review on July 10, 2015. The comment period ended on October 30, 2015. The final planning documents are expected to be completed in late 2016.

Responsibilities of entities created by SB X7-1 are as follows:

- Delta Stewardship Council – Independent agency of the state composed of seven members with the responsibility to oversee and coordinate state agency actions within the Delta.
 - Develop a Delta Plan that will include all state and federal Delta ecosystem, flood management, water supply, and local economic sustainability efforts and serve as a guide for state and local agencies to ensure that their actions are consistent with their policies.
 - Develop performance measures to assess the progress of achieving the goals of the Delta Plan.
 - Determine compliance with the Delta Plan and serve as the appellate body in the event of disputes over the consistency of a project with the Delta Plan.
 - Ensure consistency of BDCP with the co-equal goals of water supply reliability and Delta restoration.

- Delta Conservancy – State entity governed by an eleven-member board with the responsibility to implement ecosystem restoration in the Delta and support efforts to advance environmental protection and the economic well-being of Delta residents.
 - Develop and adopt a strategic plan that will coordinate investments in the Delta's natural and cultural resources.
 - Promote the economic vitality in the Delta through increased tourism and the promotion of Delta legacy communities.
 - Promote environmental education about, and the public use of, public lands in the Delta.

- Delta Protection Commission – State commission with fifteen members charged with recognizing, preserving, protecting, and enhancing the unique resources of the Delta as an evolving place.

- Provide a forum for Delta residents to engage in decisions regarding actions to recognize and enhance the cultural, recreational, and agricultural resources of the Delta.
 - Adopt an economic sustainability plan for the Delta, which is to include flood protection recommendations to state and local agencies, and is to be included in the Delta Stewardship Council's Delta Plan.
- Delta Watermaster
 - Exercise authority of the SWRCB and monitor and enforce orders, as well as license and permit terms and conditions, relating to water diversions in the Delta.
 - Delta Independent Science Board – Standing board of no more than ten members made up of nationally or internationally prominent scientists with appropriate expertise to evaluate a broad range of scientific programs that support adaptive management of the Delta.
 - Provide oversight of the scientific research, monitoring, and assessment programs that support adaptive management of the Delta.
 - Delta Science Program – Led by a Delta Stewardship Council-appointed lead scientist.
 - Provide unbiased scientific information to inform decision-making in the Delta.

The \$11.14 billion “Water Bond” was originally scheduled to be on the 2010 statewide ballot for voter consideration, but was postponed twice – initially to 2012 and then to 2014. In 2014 the legislature replaced the 2010 Water Bond with a new bond measure to provide \$7.545 billion to fund investments in water projects and programs as part of a statewide, comprehensive water plan for California. This new measure, Proposition 1 – the Water Quality, Supply, and Infrastructure Improvement Act of 2014, was approved by the voters on November 4, 2014.

Colorado River

MWD owns and operates the CRA, which since 1942 has delivered water from the Colorado River to Southern California. The Colorado River currently supplies approximately 17 percent of Southern California’s water needs, and on average makes up about 15 percent of LADWP’s purchases from MWD. This source of supply has been secured to MWD through long-standing legal entitlements. However, extended drought conditions and increased demands by other users have recently impacted its reliability.

The Colorado River supplies come from watersheds of the Upper Colorado River Basin in the states of Colorado, Utah, and Wyoming. Due to the way that Colorado River supplies are apportioned, snowpack and runoff levels do not impact MWD water supplies in the current year. Instead, snowpack and runoff would impact storage levels at Lake Powell and Lake Mead, which would then affect the likelihood of surplus or shortage conditions in the future.

By MWD having two principal sources of supply that draw from two different watersheds, MWD is able to utilize supplies from the Colorado River to offset reductions in SWP supplies and buffer impacts of the California drought. MWD plans to use CRA deliveries, storage reserves and supplemental water transfers and purchases to meet regional demands.

Under a permanent service contract with the U.S. Secretary of the Interior (Secretary), MWD is entitled to receive water from the Colorado River and its tributaries. This water is also available to other users in California, as well as users in the states of Arizona, Colorado, Nevada, New Mexico, Utah, and Wyoming (Basin States). Under a 1944 treaty, Mexico is allotted 1.5 million acre-feet annually, except in extraordinary circumstances. There is long history of competition among users, but current conditions necessitate increased cooperation.

California is apportioned 4.4 million AF, annually, plus one-half of any surplus that may be available for use, collectively, in Arizona, California, and Nevada. In addition, California has historically been allowed to use Colorado River water apportioned to, but not used by, Arizona or Nevada. Since 2003, due to increased consumption, there has been no such unused, apportioned water available to California. Of the California apportionment, MWD holds the fourth priority right to 550,000 AFY under a 1931 priority system governing allotments to California. This is the last priority within California's basic apportionment of 4.4 million AF. Beyond the basic apportionment, MWD holds the fifth priority right to 662,000 AF of water. See Appendix F for more details.

Historically, MWD has been able to claim most of its legal entitlement of Colorado River water and could divert over 1.2 million AF in any year, but persistent drought conditions since 1999 have contributed to a decrease in these claims. The recent 16-year drought has been so severe that it has resulted in major reductions in water deliveries from the Colorado River. MWD's CRA supplies totaled approximately 923,000 AF in calendar year 2015.

Under the Colorado River Basin Project Act of 1968, the Secretary is required to issue an Annual Operating Plan describing CRA operations and projected releases. Considering drought conditions and declining storages, the 2014 release for Lake Powell was 7.48 million AF, which was the lowest since the filling of the reservoir in the 1960s. Moreover, reservoir storages along the CRA have declined dramatically.

The shortage predicament has increased management efforts by the Federal Government and states holding water rights. In May 2005, the Secretary directed the U. S. Bureau of Reclamation (BOR) to initiate the "Development of Lower Colorado River Basin Shortage Guidelines and Coordinated Management Strategies for Lakes Powell and Mead Under Low Reservoir Conditions." These were the first such guidelines to address shortage conditions, as opposed to normal and surplus conditions. Since May of 2005, and in response to the Secretary's directive, the seven Basin States have reached agreement to transform management of the Colorado River system water through conjunctive management of Lakes Mead and Powell, and the adoption of shortage guidelines.

In November 2007, BOR issued a Final EIS including new federal guidelines concerning the operation of the Colorado River system reservoirs. The Secretary 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 drought periods, encouraging agencies to develop conservation programs, and allowing the 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.

In May 2016, the 24-month look-ahead-study by BOR projected the end-of-water-year elevation at Lake Powell to be above 3,575 feet and the end-of-water-year elevation at Lake Mead to be below elevation 1,075 feet. As determined in the April 2016, 24-Month Study, and documented in the 2016 Annual Operating Plan, Lake Powell's operation in water year 2016 will be governed by the Upper Elevation Balancing Tier and will range from 8.23 to 9.0 million AF. The projected release from Lake Powell in water year 2016 will be updated each month throughout the remainder of the water year.

Reliability Efforts for Southern California

MWD has been developing plans and making efforts to provide additional water supply reliability for the entire Southern California region. LADWP coordinates closely with MWD to ensure implementation of these water resource development plans. MWD's long-term plans to meet its member agencies' growing reliability needs are through: improvements to SWP as outlined in the California WaterFix and EcoRestore plans, conjunctive management efforts on the Colorado River, water transfer programs, outdoor conservation measures, and development of additional local resources, such as recycling, brackish water desalination, and seawater desalination. These plans are contained in MWD's 2015 IRP and UWMP, which can be found through links shown below:

- MWD 2015 IRP:
[http://mwdh2o.com/PDF About Your Water/2015%20IRP%20Update%20Report%20\(web\).pdf](http://mwdh2o.com/PDF%20About%20Your%20Water/2015%20IRP%20Update%20Report%20(web).pdf)
- MWD 2015 UWMP:
[http://www.mwdh2o.com/PDF About Your Water/2.4.2 Regional Urban Water Management Plan.pdf](http://www.mwdh2o.com/PDF%20About%20Your%20Water/2.4.2%20Regional%20Urban%20Water%20Management%20Plan.pdf)

Additionally, MWD has more than 5.0 million AF of storage capacity available in reservoirs and banking/transfer programs, with approximately 1.21 million AF, inclusive of of Intentionally Created Surplus, in that storage, and 626,000 AF in emergency storage as of January 1, 2015. MWD storage level was about 0.87 million AF at the end of calendar year 2015. MWD has plans to add to storage in 2016. The resulting end-of-year 2016 storage balances are estimated to range from approximately 1.1 to 1.5 million AF depending on SWP and CRA supply conditions.

MWD's 2015 IRP builds upon the strong foundation of diversification and adaptation developed in previous IRPs. 2015 IRP reinforces MWD commitment to meeting the region's water supply needs through an evolving long-term strategy that calls for maintaining and stabilizing existing resources along with developing more conservation and new local supplies.

MWD's 2015 UWMP reports on water reliability and identifies projected supplies to meet the long-term demand within MWD's service area. Table V summarizes MWD's reliability in five-year increments extending to 2040 and is based on information contained in MWD's 2015 UWMP. As reported, MWD has supply capabilities that would be sufficient to meet expected demands from 2020 through 2040 under average year, single dry-year and multiple dry-year hydrologic conditions. An in depth discussion on MWD is attached in Appendix F.

Table V
MWD System Forecast Supplies and Demands, Average Year (1922 – 2012 Hydrology)

Forecast year	Supply (Thousands of AF per Year)				
	2020	2025	2030	2035	2040
<i>Current Programs</i>					
In-Region Supplies and Programs	693	774	852	956	992
State Water Project ¹	1,555	1,576	1,606	1,632	1,632
Colorado River Aqueduct					
Colorado River Aqueduct Supply ²	1,468	1,488	1,484	1,471	1,460
Aqueduct Capacity Limit ³	1,200	1,200	1,200	1,200	1,200
Colorado Aqueduct Capability	1,200	1,200	1,200	1,200	1,200
Capability of Current Programs	3,448	3,550	3,658	3,788	3,824
<i>Demands</i>					
Total Demands on MWD	1,586	1,636	1,677	1,726	1,765
Imperial Irrigation District - San Diego County Water Authority Transfers and Canal Linings ⁴	274	282	282	282	282
Total Demands on MWD	1,860	1,918	1,959	2,008	2,047
Surplus	1,588	1,632	1,699	1,780	1,777
<i>Programs Under Development</i>					
In-Region Supplies and Programs	43	80	118	160	200
State Water Project	20	20	268	268	268
Colorado River Aqueduct					
Colorado River Aqueduct Supply	5	25	25	25	25
Aqueduct Capacity Limit ²	0	0	0	0	0
Colorado River Aqueduct Capability	0	0	0	0	0
Capability of Programs Under Development	63	100	386	428	468
Maximum MWD Supply Capability	3,511	3,650	4,044	4,216	4,292
Potential Surplus	1,651	1,732	2,085	2,208	2,245

1. Includes water transfers and groundwater banking associated with SWP.

2. Includes 296 TAF of non-MWD supplies conveyed in CRA for Imperial Irrigation District - San Diego County Water Authority Transfers and Canal Linings.

3. CRA has a capacity constraint of 1.20 MAF per year.

4. Does not include 16 TAF subject to satisfaction of conditions specified in agreement among MWD, the US, and the San Luis Rey Settlement.

Secondary Sources and Other Considerations

Stormwater capture, water conservation, and recycling will play an increasing role in meeting future water demands. LADWP has implemented stormwater capture, conservation and recycling programs with efforts under way to further promote and increase the level of these programs. LADWP is committed to supply a higher percentage of the City's water demand through local water supply development.

LADWP works closely with MWD, LASAN (wastewater agency), other regional water providers, and various stakeholders to develop and implement programs that reduce overall water use. One example of such collaboration is an integrated resources planning process.

City's IRP is a unique approach of technical integration and community involvement to guide policy decisions and water resources facilities planning. IRP recognizes the inter-relationship of water, wastewater, and runoff management. Initiation of IRP began in 1999 and culminated in its adoption in 2006. Through the stakeholder driven IRP process, detailed facilities plans were developed for the City's wastewater and stormwater systems through the planning horizon of 2020.

One Water LA 2040 (One Water LA) plan is an initiative building upon the success of the IRP. One Water LA extends IRP planning period to year 2040 and takes into consideration an additional emphasis on environmental, social, and sustainability factors. The overarching goal of One Water LA is to maximize resources through the integration of multi-beneficial collaborative programs and projects to make the City greener and more sustainable. One Water LA will follow in the footsteps of IRP and will be a stakeholder driven process with a goal of increased public involvement to represent Los Angeles' diversity in geography, interests, and demographics.

Summary of Water Demand and Supply Projections for 20 Years

Table VI tabulates the service reliability assessment for average weather year. Existing water conservation has been subtracted already from projected demands, but new water conservation is included as a supply source.

**Table VI
Service Area Reliability Assessment for Average Weather Year**

Demand and Supply Projections (in acre-feet)	Average Weather Conditions (FY 1961/62 to 2010/11) Fiscal Year Ending on June 30				
	2020	2025	2030	2035	2040
Total Water Demand¹	611,800	644,700	652,900	661,800	675,700
pLAn Water Demand Target	485,600	533,000	540,100	551,100	565,600
Existing / Planned Supplies					
Conservation (Additional Active ² and Passive ³ after FY14/15)	125,800	110,900	111,600	109,100	108,100
Los Angeles Aqueduct ⁴	275,700	293,400	291,000	288,600	286,200
Groundwater ⁵ (Net)	112,670	110,670	106,670	114,670	114,070
Recycled Water					
- Irrigation and Industrial Use	19,800	29,000	39,000	42,200	45,400
- Groundwater Replenishment	0	30,000	30,000	30,000	30,000
Stormwater Capture					
- Stormwater Reuse (Harvesting)	400	800	1,200	1,600	2,000
- Stormwater Recharge (Increased Pumping)	<u>2,000</u>	<u>4,000</u>	<u>8,000</u>	<u>15,000</u>	<u>15,000</u>
Subtotal	536,370	578,770	587,470	601,170	600,770
MWD Water Purchases					
With Existing/Planned Supplies	75,430	65,930	65,430	60,630	74,930
Total Supplies	611,800	644,700	652,900	661,800	675,700
Potential Supplies					
Water Transfers ⁶	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>
Subtotal	40,000	40,000	40,000	40,000	40,000
MWD Water Purchases					
With Existing/Planned/Potential Supplies	35,430	25,930	25,430	20,630	34,930
Total Supplies	611,800	644,700	652,900	661,800	675,700

¹ Total Demand with existing passive conservation

² Cumulative hardware savings since late 1980s reached 118,034 AFY by 2014-15.

³ Additional non-hardware conservation required to meet water use reduction goals set in the Sustainable City pLAn.

⁴ LADWP anticipates conserving 20,000 AFY of water usage for dust mitigation on Owens Lake after the Master Project is implemented in FY 2023-24. Los Angeles Aqueduct supply is estimated to decrease 0.1652% per year due to climate change impact.

⁵ Net GW excludes Stormwater Recharge and Groundwater Replenishment supplies that contribute to increased pumping. The LADWP Groundwater Remediation project in the San Fernando Basin is expected in operation in 2021-22. Storage credit of 5,000 AFY will be used to maximize pumping in 2019-20 and thereafter. Sylmar Basin production will increase to 4,170 AFY from 2015-16 to 2038-39 to avoid the expiration of stored water credits, then go back to its entitlement of 3,570 AFY in 2039-40.

⁶ Potential water transfer occurs in dry years with stored water acquired in average and wet years.

Service area reliability assessments for single-dry year and multiple-dry year conditions are shown in 2015 UWMP Exhibits 11F through 11H. Demands are met by the available supplies under all scenarios.

Rates

Capital costs to finance facilities for the delivery of water supply to LADWP's service area are supported through customer-billed water rates. The Board sets rates subject to approval of City Council by ordinance. The Board is obligated by City Charter to establish water rates and collect charges in an amount sufficient to service the water system indebtedness and to meet its expenses for operation and maintenance.

On March 15, 2016, City Council approved the new water rates and rate structure. New water rates, which became effective April 15, 2016, through Ordinance 184130 provide for modest rate increases each year over a five-year period for infrastructure improvements, meeting regulatory water quality requirements, Owens Valley mitigation measures, and expanding the local water supply, which includes recycled water, stormwater capture, conservation, and groundwater remediation. New water rate structure increases the number of tiers from two to four for single-family residential customers. Goal is to incentivize conservation while recovering the higher costs of providing water to high volume users. In keeping with cost of service principles, the incremental pricing for the tiers is based on the cost of water supply.

Findings

Proposed Project is estimated to increase the total water demand within the site by 440 AF annually. This additional water demand has been accounted for in the City's overall total demand projections in the 2015 UWMP using a service area-wide approach that does not rely on individual development demand. The 2015 UWMP utilized SCAG's RTP data that provide for more reliable water demand forecasts, taking into account changes in population, housing units, and employment.

Based on Planning Department's determination that the Proposed Project is consistent with the demographic forecasts for the City from the 2012 SCAG RTP, LADWP finds that Proposed Project water demand is included in the City's 2015 UWMP water demand projection. Furthermore, the 2015 UWMP forecasts adequate water supplies to meet all projected water demands in the City through the year 2040.

LADWP therefore concludes that the 440 AFY increase in the total water demand for Proposed Project falls within the available and projected water supplies for normal, single-dry, and multiple-dry years through the year 2040, as described in LADWP's 2015 UWMP. LADWP finds it will be able to meet the proposed water demand of Proposed Project, as well as existing and planned future water demands of its service area.

Appendix A

City of Los Angeles Department of City Planning
Request for Water Supply Assessment,
and Scope Confirmation e-mail



**DEPARTMENT OF
CITY PLANNING**

CITY PLANNING COMMISSION

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INFORMATION
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March 31, 2016

Mr. James McDaniel, Chief Operating Officer—Water System
Mr. Delon Kwan, Water Resources Planning and Policy
CITY OF LOS ANGELES DEPARTMENT OF WATER AND POWER
111 North Hope Street, Room 1455
Los Angeles, California 90012

**Re: REQUEST FOR WATER SUPPLY ASSESSMENT—THE CROSSROADS
HOLLYWOOD PROJECT**

Dear Mr. McDaniel and Mr. Kwan:

California Senate Bill (SB) 610, effective January 1, 2002, states that a water supply assessment must be provided to local governments for inclusion in any environmental documentation for certain projects subject to the California Environmental Quality Act (CEQA). Specifically, SB 610 requires that for certain projects, the CEQA lead agency must identify any public water system that may supply water to the proposed project and request the public water system to determine the water demand associated with the project and whether such demand was included as part of the most recently adopted Urban Water Management Plan (UWMP). Per Section 10912 of the California Water Code (CWC), a project which is subject to the requirements of SB 610 includes: (1) a shopping center or business establishment that will employ more than 1,000 persons or have more than 500,000 square feet of floor space; (2) a commercial office building that will employ more than 1,000 persons or have more than 250,000 square feet of space; or (3) any mixed-use project that would demand an amount of water equal to or greater than the amount of water needed to serve a 500 dwelling unit project.

The Crossroads Hollywood Project (hereafter referred to as the Project) meets Criteria 1 and 3 above. The Los Angeles Department of Water and Power (LADWP) has been identified as the public water system (as defined in CWC Section 10912 and CEQA Guidelines Section 15083.5(e)) that would serve the Project. Accordingly, the Department of City Planning (CEQA lead agency for the Project) requests that the LADWP: (1) determine whether the estimated water demand associated with the

Project was included as part of LADWP's most recently adopted UWMP; and (2) prepare and approve a water supply assessment using the UWMP or new analyses for the Project pursuant to CWC Section 10910 et seq.

The requirements for a water supply assessment include the identification of existing water supply entitlements, water rights, or water service contracts held by LADWP's public water system, and prior years' water deliveries received by LADWP's public water system. Please refer to CWC Section 10910 (d)(2) for the documentation required to verify any identified rights to a water supply. If the LADWP has not received water in prior years as described in CWC Section 10910 (e) or if groundwater is a source of supply as described in CWC Section 10910 (f), please comply with the requirements of those sections.

The Department of City Planning, which is preparing an Environmental Impact Report (EIR) for the Project in accordance with CEQA, requests that the water supply assessment include a discussion of whether LADWP's public water system's total projected water supplies available during normal, single dry, and multiple dry water years will meet the projected water demand associated with the Project, in addition to LADWP's public water system's existing and planned future uses, including agricultural and manufacturing uses, pursuant to CWC Section 10910 (c)(3).

Project Location

The Project Site consists of 29 individual parcels across four City blocks in the Hollywood Community of the City of Los Angeles. The approximately 8.0-acre (348,419-square-foot) Project Site is generally bounded by Selma Avenue to the north; the Blessed Sacrament Catholic Church and School to the east; Sunset Boulevard to the south; and Highland Avenue to the west. The Project Site is currently developed with various uses including 84 multi-family residential dwelling units; one- and two-story structures used for commercial office and retail uses; and surface parking lots. Existing on-site uses include the Crossroads of the World complex (Crossroads of the World), which includes low-density commercial and office uses. Intermittent landscaping is dispersed throughout the Project Site and generally consists of ornamental trees and shrubs.

Project Description

The Project would remove all existing on-site uses except Crossroads of the World, which would be rehabilitated and converted back to retail/restaurant uses. Crossroads of the World would be integrated into a new mixed-use development comprised of eight new buildings housing residential, hotel, commercial/retail, office, and restaurant uses. Upon Project build-out, the Project (including existing uses to be retained) would include approximately 950 residential units, 308 hotel rooms, 95,000

square feet of office uses, and 185,000 square feet of commercial/retail uses, totaling approximately 1,432,500 square feet of floor area. Approximately 83,200 square feet of the proposed retail area would consist of restaurant uses, with a maximum total of 3,037 seats. Building heights would range from 3 to 32 floors with a maximum building height of approximately 402 feet above grade. New, below-grade parking would be provided for all portions of the Project with a maximum of five levels of subterranean parking. In total, the Project would provide approximately 2,596 vehicular parking spaces. A conceptual site plan is attached as part of the Notice of Preparation.

The Project would include open space and green space consisting of a series of integrated walkways that would connect the dynamic mixed-use district created by the Project with the Hollywood neighborhood. Proposed additional landscaped public walkways would also promote access and connectivity to and through the Project Site from Sunset Boulevard, Las Palmas Avenue, Selma Avenue, and McCadden Place. In addition, the Project would also include active and passive recreational spaces including roofdecks and pools, community rooms and recreational facilities, courtyards, landscaped gardens, and common open space with gathering and seating areas. In total, approximately 31,184 square feet of the open space provided would consist of landscaped surface area.

Existing Water Consumption

As discussed above, the Project Site is currently developed with various uses including 84 multi-family residential dwelling units; one- and two-story structures used for commercial/retail and office uses; and surface parking lots. Existing on-site uses include a total of approximately 172,573 square feet of floor area. As shown in Table 1 on page 4, the Project Site currently generates a water demand of approximately 20,000 gallons per day.

Forecast of Project Water Demand

Table 2 on page 4 provides the estimated water demand forecast for the Project using the City's Bureau of Sanitation standard factors for wastewater generation. As shown in Table 2, the Project is estimated to result in a domestic water demand of approximately 266,800 gallons per day, which represents an increase of approximately 246,800 gallons per day compared to existing conditions.

Table 1
Existing Water Consumption

Land Use	Floor Area (sf)	Water Demand Rate ^a	Demand (gpd)
Office	79,107	120/ksf	9,493
Commercial/Retail	26,690	25/ksf	667
Restaurant	475 (24 seats) ^b	25/seat	600
Residential	66,301 (84 du)	110/du ^c	9,240
Total			20,000
^a Based on sewage generation rates provided by the City of Los Angeles Bureau of Engineering (2012). ^b Assumes 60 percent of the restaurant area is available for patrons with 12 square feet of space per patron. ^c Conservatively assumes rate for 1-bedroom units for all existing dwelling units. Source: Eyestone Environmental, 2016.			

Table 2
Proposed Water Consumption

Land Use	Proposed Development	Water Demand Rate ^a	Demand (gpd)
Office	95,000 sf	170 gpd/1,000 sf	16,150
Commercial/Retail	101,800 sf	25 gpd/1,000 sf	2,545
Restaurant	3,037 seats	30 gpd/seat	91,110
Residential Studio	323 du	75 gpd/du	24,225
Residential 1-Bedroom	146 du	110 gpd/du	16,060
Residential 2-Bedroom	291 du	150 gpd/du	43,650
Residential 3-Bedroom	190 du	190 gpd/du	36,100
Hotel	308 rm	120 gpd/rm	36,960
Total			266,800
Net New Water Demand (Proposed - Existing)			246,800
^a Based on sewage generation rates provided by the City of Los Angeles Bureau of Sanitation (2012). Source: Eyestone Environmental, 2016.			

To further assist LADWP in the preparation of the Project's WSA, the Project would also include up to 12 outdoor swimming pools (not associated with a gym or health club). A copy of the Project's Notice of Preparation is also provided as Attachment B to this letter.

Project Conformance with Existing Zoning and the General Plan

The Project Site is located within the planning boundary of the Hollywood Community Plan (Community Plan), which was adopted in December 1988. The Project Site is designated as Regional Center Commercial by the Community Plan, which corresponds with the C2 (Commercial), C4 (Commercial), RAS4 (Residential/Accessory), R5 (Multiple Dwelling Residential), P (Automobile Parking—Surface and Underground), and PB (Parking Building) zones in the Los Angeles Municipal Code (LAMC). The Project Site is zoned C4-2D (Commercial, Height District 2 with Development Limitation) and C4-2D-SN (Commercial, Height District 2 with Development Limitation, Signage Supplemental Use District). With some limitations (as identified in the LAMC), the C4 zone permits any land use permitted in the C2 zone, which in turn permits any land use permitted in the C1.5 and C1 zones. The Commercial zones permit a wide array of land uses such as retail stores, offices, hotels, schools, parks, and theaters. The C4 zone also permits any land use permitted in the R4 (Multiple Residential) zone, which includes one-family dwellings, two-family dwellings, apartment houses, multiple dwellings, and home occupations at a maximum density of 108 dwelling units per acre (a minimum lot area of 400 sf per dwelling unit). The C4 zone also permits residential development at the density permitted in the R5 zone (a maximum density of 217 dwelling units per acre, based on a minimum lot area of 200 square feet per dwelling unit) when a mix of commercial and residential uses is being developed, pursuant to LAMC Section 12.22.A.18(a). Height District 2 within the C4 zone does not impose a height limitation and has a maximum Floor Area Ratio (FAR) of 6:1. The Development "D" Limitation in the zoning prefix indicates that development shall not exceed a FAR of 2:1 and 3:1 unless certain approvals are received. The Project would include uses that are compatible with the existing land use designation set forth in the Community Plan. However, the Project requests a height district change from 2D to 2 pursuant to LAMC Section 12.32 in order to allow development of the Project with an FAR of 4.7 averaged across the Project Site. Therefore, while the Project does generally conform to the uses permitted by the General Plan and Community Plan for the Project Site, the Project would generally not conform to the intensity of uses permitted by the LAMC without a land use entitlement to permit deviations from the LAMC.

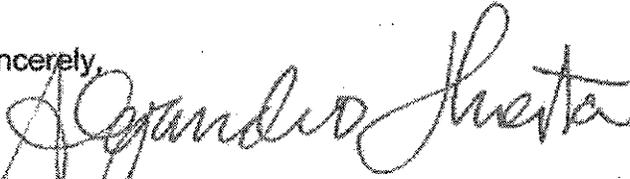
Approvals required for the Project would include, but may not be limited to:

- Zone and Height District change from C4-2D and C4-2D-SN to C4-2 and C4-2-SN;

- Site Plan Review;
- Major Development Project Conditional Use Permit pursuant to LAMC Section 12.24.U.14;
- Master Conditional Use Permit for the sale of alcoholic beverages and for live entertainment in connection with a total of 22 alcohol-related uses associated with the Project's proposed hotel and commercial uses;
- Conditional Use Permit to permit floor area and density averaging in a unified development;
- Development Agreement;
- Vesting Tentative Tract Map;
- Haul Route Approval;
- Street Vacation and Subsurface Vacation;
- Owner Participation Agreement;
- Findings of Consistency with the Redevelopment Plan; and
- Other discretionary and ministerial permits and approvals that may be deemed necessary, including but not limited to temporary street closure permits, waivers of dedication requirements, grading permits, excavation permits, foundation permits, and building permits.

Thank you for your assistance with this request. Your expert evaluation will help to ensure that our analysis of the Project's impacts on water demand is accurate and complete. CWC Section 10910 (g)(1) requires submission of the assessment within 90 days of this request. We would appreciate the receipt of the water assessment within that timeframe. If you have any questions or need additional information, please call me at (213) 978-1454 or call the environmental consultant, Stephanie Eyestone-Jones of Eyestone Environmental, at (424) 207-5333.

Sincerely,



Alejandro Huerta
City of Los Angeles Department of City Planning

Attachments: Notice of Preparation

**DEPARTMENT OF
CITY PLANNING**

CITY PLANNING COMMISSION:

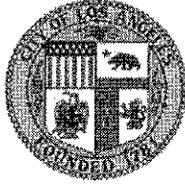
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INFORMATION
<http://planning.lacity.org>

October 22, 2015

**NOTICE OF PREPARATION OF AN
ENVIRONMENTAL IMPACT REPORT
AND PUBLIC SCOPING MEETING**

CASE NO.: ENV-2015-2026-EIR

PROJECT NAME: Crossroads Hollywood

PROJECT APPLICANT: CRE-HAR Crossroads SPV, LLC

PROJECT LOCATION/ADDRESS: 1540–1552 Highland Avenue; 6700–6760 Selma Avenue; 6663–6675 Selma Avenue; 1543–1553 McCadden Place; 1542–1546 McCadden Place; 1501–1573 Las Palmas Avenue; 1500–1570 Las Palmas Avenue; 1600–1608 Las Palmas Avenue; 6665–6713½ Sunset Boulevard, Los Angeles, California, 90028

COMMUNITY PLANNING AREA: Hollywood

COUNCIL DISTRICT: 13 - Mitch O'Farrell

DUE DATE FOR PUBLIC COMMENTS: 4:00 p.m., November 23, 2015

SCOPING MEETING: November 14, 2015. See more information below.

Pursuant to the California Environmental Quality Act (CEQA) Guidelines Section 15082, once the Lead Agency decides an Environmental Impact Report (EIR) is required for a project, a Notice of Preparation (NOP) describing the project and its potential environmental effects shall be prepared. You are being notified of the City of Los Angeles' intent, as Lead Agency, to prepare an EIR for this Project, which is located in an area of interest to you and/or the organization or agency you represent. This EIR will be prepared by outside consultants and submitted to the Department of City Planning, Environmental Analysis Section, for independent review and certification.

The Department of City Planning requests your comments as to the scope and content of the EIR. Comments must be submitted in writing pursuant to directions below. If you represent an agency, the City is seeking comments as to the scope and content of the environmental information in the document which is germane to your agency's statutory responsibilities in connection with the Proposed Project. Your agency will need to use the EIR prepared by our agency when considering your permit or other approval for the Project.

A Scoping Meeting will be held to receive input from the public as to what areas the EIR should study. No decisions about the Project are made at the Scoping Meeting. The project description, location, and the potential environmental effects identified thus far are set forth in this document. Also included below are the date, time, and location of the Scoping Meeting that will be held in order to solicit input regarding the content of the Draft EIR.

The Scoping Meeting is in an open house format. THIS IS NOT THE REQUIRED PUBLIC HEARING FOR MUNICIPAL CODE ENTITLEMENT REQUESTS which will be scheduled after the completion of the EIR. The environmental file is available for review at the Department of City Planning, 200 North Spring Street, Room 750, Los Angeles, CA 90012. A copy of the Initial Study prepared for the Project is not attached but may be viewed online at <http://planning.lacity.org> by clicking on the "Environmental Review" tab, then "Notice of Preparation & Public Scoping Meetings".

PROJECT LOCATION: The Project Site consists of 29 individual parcels across four City blocks and is generally bounded by Selma Avenue to the north; the Blessed Sacrament Catholic Church and School to the east; Sunset Boulevard to the south; and Highland Avenue to the west. The Project Site includes the Crossroads of the World complex (Crossroads of the World), which is a designated City Cultural-Historic Monument (Monument #134) and also appears on the National Register of Historic Places and the California Register of Historic Resources. Crossroads of the World includes low-density commercial and office uses. Other uses at the Project Site include two residential duplexes; three two-story, multi-family apartment buildings housing a total of 80 dwelling units; one- and two-story structures used for commercial office and retail uses; and surface parking lots. The surrounding area is urbanized and includes historic and modern low- to high-rise buildings occupied by neighborhood-serving commercial uses, tourist and entertainment-related uses, offices, hotels, educational institutions, and single-family and multi-family residences.

PROJECT DESCRIPTION: CRE-HAR Crossroads SPV, LLC, the Project Applicant, proposes to redevelop the Project Site with a cohesive, mixed-use development that blends the distinguishing character of Crossroads of the World with a collection of new buildings of modern design and creates an open-air pedestrian district with a mix of shopping, dining, and entertainment uses. The Project would retain, preserve, and rehabilitate Crossroads of the World and remove all other existing uses on the Project Site, including surface parking lots and approximately 86,947 square feet of existing floor area consisting of 84 residential units (including 80 multi-family dwelling units and two duplexes) and commercial/retail and office uses. The Project would integrate Crossroads of the World into a new, mixed-use development that would include eight new mixed-use buildings with residential, hotel, commercial/retail, office, entertainment, and restaurant uses. Upon build-out, the Project (including existing uses to be retained) would include approximately 1,432,000 square feet of floor area consisting of 950 residential units, 308 hotel rooms, approximately 95,000 square feet of office uses, and approximately 185,000 square feet of commercial/retail uses. The proposed floor area ratio (FAR) would be approximately 4.69:1 averaged across the Project Site. Building heights would range from 3 to 32 floors with a maximum building height of approximately 402 feet above grade.

REQUESTED PERMITS/APPROVALS: The City of Los Angeles has the principal responsibility for approving the Project. Approvals required for development of the Project may include, but are not limited to, the following:

- (1) Zone and Height District change from C4-2D and C4-2D-SN to C4-2 and C4-2-SN;

- (2) Site plan review;
- (3) Major Development Project Conditional Use Permit pursuant to LAMC Section 12.24.U.14;
- (4) Master Conditional Use Permit for the sale of alcoholic beverages and for live entertainment in connection with a total of 22 alcohol-related uses associated with the Project's proposed hotel and commercial uses;
- (5) Conditional Use Permit to permit floor area and density averaging in a unified development;
- (6) Zone variance to permit outdoor eating areas above the ground floor; and
- (7) Other discretionary and ministerial permits and approvals that may be deemed necessary, including but not limited to temporary street closure permits, grading permits, excavation permits, foundation permits, and building permits.

ENVIRONMENTAL FACTORS POTENTIALLY AFFECTED: Aesthetics (Visual Quality/ Views and Light/Glare/Shading); Air Quality; Cultural Resources; Geology and Soils; Greenhouse Gas Emissions; Hazards and Hazardous Materials; Hydrology and Water Quality; Land Use and Planning; Noise; Population and Housing; Public Services (Fire, Police, Schools, Parks, Libraries); Recreation; Traffic, Access, and Parking; and Utilities (Water, Wastewater, Solid Waste, and Energy).

PUBLIC SCOPING MEETING: A public scoping meeting in **an open house format** will be held to receive public comments regarding the scope and content of the environmental analysis to be included in the Draft EIR. City staff, environmental consultants and project representatives will be available, but no formal presentation is scheduled. You may stop by at any time between 1:00 P.M. and 3:00 P.M. to view materials, ask questions, and provide comments. The Department of City Planning encourages all interested individuals and organizations to attend this meeting. The location, date, and time of the public scoping meeting for this Project are as follows:

Date: Saturday, November 14, 2015

Time: 1:00 P.M. to 3:00 P.M.
Arrive any time between 1:00 P.M.—3:00 P.M. to speak one-on-one with City staff and Project consultants.

Location: Hollywood Constituent Center (Large Conference Room)
6501 Fountain Avenue
Los Angeles, CA 90028

The enclosed materials reflect the scope of the project (subject to change). The Department of City Planning welcomes and will consider all written comments regarding potential environmental impacts of the project and issues to be addressed in the EIR. **Written comments must be submitted to this office by 4:00 p.m., November 23, 2015.** Written comments will also be accepted at the public scoping meeting described above.

Please direct your responses to:

Mail: Alejandro Huerta
Environmental Analysis Section
Department of City Planning
200 N. Spring Street, Room 750
Los Angeles, CA 90012

Fax: (213) 978-1343

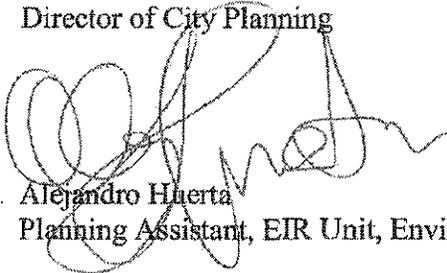
Email: alejandro.huerta@lacity.org

ACCOMODATIONS: As a covered entity under Title II of the Americans with Disabilities Act, the City of Los Angeles does not discriminate on the bases of disability. The scoping meeting facility and its parking are wheelchair accessible.

Sign language interpreters, assistive listening devices, or other auxiliary aids and/or services may be provided upon request. Other services, such as translation between English and other languages, may also be provided upon request.

To ensure availability of services, please make your request no later than three working days (72 hours) prior to the scoping meeting by calling Darlene Navarrete at (213) 978-1332.

Michael J. LoGrande
Director of City Planning



Alejandro Huerta
Planning Assistant, EIR Unit, Environmental Analysis Section

Enclosures:

Project Location Map
Conceptual Site Plan
500-foot Radius Map
Scoping Meeting Location Map

DEPARTMENT OF
CITY PLANNING

CITY PLANNING COMMISSION

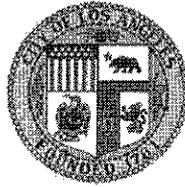
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INFORMATION
<http://planning.lacity.org>

22 de Octubre, 2015

AVISO DE PREPARACIÓN DE UN
INFORME DE IMPACTO AMBIENTAL
Y REUNIÓN PÚBLICA

NUMERO DE CASO.: ENV-2015-2026-EIR

NOMBRE DE PROYECTO: Crossroads Hollywood

CANDIDATE PARA EL PROYECTO: CRE-HAR Crossroads SPV, LLC

UBICACIÓN DEL PROYECTO/DIRECCIÓN: 1540-1552 Highland Avenue; 6700-6760 Selma Avenue; 6663-6675 Selma Avenue; 1543-1553 McCadden Place; 1542-1546 McCadden Place; 1501-1573 Las Palmas Avenue; 1500-1570 Las Palmas Avenue; 1600-1608 Las Palmas Avenue; 6665-6713½ Sunset Boulevard, Los Angeles, California, 90028

ÁREA DE PLANIFICACIÓN DE LA COMUNIDAD: Hollywood

DISTRITO DE CONSEJO: 13—Mitch O'Farrell

FECHA DE VENCIMIENTO PARA COMENTARIOS PÚBLICOS: 4:00 P.M., Viernes, 23 de Noviembre, 2015

REUNIÓN PÚBLICA: 14 de Noviembre, 2015. Ver más información abajo.

De conformidad con la Ley de Calidad Ambiental de California (CEQA) Directrices Sección 15082, una vez que el organismo director decide que un Informe de Impacto Ambiental (EIR) se requiere para un proyecto, un Aviso de Preparación (NOP) que describe el proyecto y sus posibles efectos ambientales deberá prepararse. Se le ha notificado de la intención de la Ciudad de Los Ángeles, como organismo director, para preparar un EIR para este proyecto, que se encuentra en un área de interés para usted y/o la organización o agencia que usted representa. Este EIR será preparado por consultores externos y presentado al Departamento de Planificación de la Ciudad (The Planning Department), Sección de Análisis Ambiental, para su revisión y certificación independiente.

El Departamento de Planificación de la Ciudad solicita sus comentarios sobre el alcance y el contenido del EIR. Los comentarios deben ser presentados por escrito de conformidad con las instrucciones de abajo. Si representas a una agencia, la Ciudad está buscando comentarios sobre el alcance y contenido de la información ambiental en el documento que es pertinente a las responsabilidades estatutarias de su agencia en relación con el proyecto propuesto. Su agencia tendrá que utilizar el EIR preparado por nuestra agencia al considerar su permiso u otra aprobación del Proyecto.

Una reunión pública se llevará a cabo para recibir la opinión del público en cuanto a qué áreas del EIR debe estudiar. Ninguna decisión sobre el proyecto se realizara en la reunión pública. La descripción del proyecto, la ubicación del proyecto, y los posibles efectos ambientales identificados hasta ahora se exponen en este documento. También se incluye a continuación la fecha, hora y lugar de la reunión pública que se realizará con el fin de solicitar información sobre el contenido del Proyecto de EIR.

La reunión pública está en un formato de casa abierta. ESTO NO ES LA AUDIENCIA PÚBLICA QUE SE REQUIERE PARA LAS PETICIONES derecho Código Municipal que se pueden programar después de la finalización del EIR. El archivo del medio ambiente está disponible para su revisión en el Departamento de Planificación de la Ciudad, 200 North Spring Street, Room 750, Los Angeles, CA 90012. Una copia del Estudio Inicial preparado para el Proyecto no está conectado, pero se puede ver en línea en <http://planning.lacity.org> haciendo clic en la ficha, a continuación, "Aviso de Preparación y alcance público Reuniones" "Revisión Ambiental."

UBICACIÓN DEL PROYECTO: El Sitio del Proyecto consiste de 29 parcelas individuales a través de cuatro bloques de la ciudad y está limitada generalmente por Selma Avenue hacia el norte; el Santísimo Sacramento Iglesia católica y escuela hacia el este; Sunset Boulevard hacia el sur; y Highland Avenue hacia el oeste. El Sitio del Proyecto el complejo Crossroads of the World (Crossroads of the World), que es una designada Ciudad Cultural-Histórico Monument (Monumento # 134) y también aparece en el Registro Nacional de Lugares Históricos y el Registro de Recursos Históricos de California. Crossroads of the World incluye utiliza de baja densidad de oficinas comerciales. Otros usos en el Sitio del Proyecto incluyen dos dúplex residenciales; tres de dos pisos, edificios de apartamentos multifamiliares que albergan un total de 80 unidades de vivienda; estructuras de uno y dos pisos utilizados para la oficina comercial y minorista usos; y estacionamientos de superficie. Los alrededores son urbanizados e incluye baja histórica y moderna de edificios de gran altura ocupados por usos vecinales que sirven comerciales, turismo y usos relacionados con el entretenimiento, oficinas, hoteles, instituciones educativas, y unifamiliares y multifamiliares residencias.

DESCRIPCIÓN DEL PROYECTO: CRE-HAR Crossroads SPV, LLC, el solicitante del proyecto, se propone reconstruir el lugar del proyecto con un desarrollo coherente, de uso mixto que combina el carácter distintivo de la Crossroads of the World con una colección de nuevos edificios de diseño moderno y crea una zona peatonal al aire libre con una mezcla de tiendas, restaurantes, y usos de ocio. El Proyecto conservaría, preservar y rehabilitar Crossroads of the World y eliminar todas las otras aplicaciones existentes en el lugar del proyecto, incluyendo los estacionamientos de superficie y aproximadamente 86,947 pies cuadrados de área de piso existente que consta de 84 unidades residenciales (incluyendo 80 unidades familiares de viviendas colectivas y dos dúplex) y comercial/comercial y de oficinas utiliza. El Proyecto integraría Crossroads of the World en un nuevo desarrollo de uso mixto que incluirá ocho nuevos edificios de uso mixto con residencial, hotelero, comercial/minorista, oficina, entretenimiento, y los usos de restaurantes. Tras la acumulación de salir, el Proyecto (incluyendo los usos que deben conservarse existente) incluiría aproximadamente 1.432 millones de pies cuadrados de superficie que consta de 950 unidades residenciales, 308 habitaciones de hotel, aproximadamente 95,000 pies cuadrados de usos de oficina, y aproximadamente 185,000 pies cuadrados de comercial/usos minoristas. La proporción de área de suelo propuesto (FAR) sería de aproximadamente 4.69:1 en promedio a través del Sitio del Proyecto. Alturas de construcción oscilarían entre 3 y 32 pisos con una altura máxima de edificación de la calificación de aproximadamente 402 pies por encima.

PERMISOS SOLICITADOS: La ciudad de Los Ángeles tiene la principal responsabilidad de aprobar el proyecto. Aprobaciones requeridas para el desarrollo del proyecto pueden incluir, pero no se limitan a, lo siguiente:

1. Zona y el cambio Distrito Altura desde C4-2D y C4-2D-SN de C4-2 y C4-2-SN;
2. La revisión del plan del sitio;
3. Proyecto de Desarrollo Mayor Permiso de Uso Condicional de conformidad con LAMC Sección 12.24.U.14;
4. Maestro Permiso de Uso Condicional para la venta de bebidas alcohólicas y de entretenimiento en vivo en conexión con un total de 22 usos relacionados con el alcohol asociados con hotel propuesto del Proyecto y los usos comerciales;
5. Permiso de Uso Condicional para permitir Superficie y promedio de densidad en un desarrollo unificado;
6. Zona de varianza para permitir zonas para comer al aire libre por encima de la planta baja; y
7. Otros permisos y aprobaciones discrecionales y ministeriales que se consideren necesarias, incluyendo pero no limitado a los permisos de la calle de cierre temporal, permisos de clasificación, permisos de excavación, cimentación, permisos y licencias de construcción.

FACTORES AMBIENTALES POTENCIALMENTE AFECTADAS: Estética (Visual Calidad/Puntos de vista y la luz/deslumbramiento/sombra); Calidad del aire; Recursos Culturales; Geología y Suelos; Emisiones de Gases de Efecto Invernadero; Peligros y materiales peligrosos; Hidrología y Calidad del Agua; Uso y Ordenación del Territorio; Ruido; Población y Vivienda; Servicios Públicos (bomberos, policía, escuelas, parques, bibliotecas); Recreación; Tráfico, Acceso y estacionamiento; y los servicios (agua, aguas residuales, residuos sólidos y energía).

REUNIÓN PÚBLICA: Una reunión pública en un **formato de puertas abiertas** se llevará a cabo para recibir comentarios del público sobre el alcance y el contenido del análisis ambiental que se incluirán en el Proyecto EIR. Personal de la Ciudad, consultores ambientales y representantes del proyecto estará disponible, pero no hay presentación formal está programada. Usted puede parar en cualquier momento entre la 1:00 P.M. y 3:00 P.M. para ver los materiales, hacer preguntas, y proporcionar comentarios. El Departamento de Planificación Urbana (The Department of City Planning) alienta a todos los individuos y organizaciones interesadas a asistir a esta reunión. El lugar, fecha y hora de la reunión pública para este proyecto son los siguientes:

Fecha: **Sabado, 14 de Noviembre, 2015**

Horario: **1:00 P.M. to 3:00 P.M.**

Llegar a cualquier hora entre 1:00 P.M.–3:00 P.M. para hablar de uno-a-uno con personal de la Ciudad y los consultores del proyecto.

Lugar: Hollywood Constituent Center (Gran sala de conferencias)
6501 Fountain Avenue
Los Angeles, CA 90028

Los materiales adjuntos reflejan el alcance del proyecto (sujeto a cambio). El Departamento de Planificación (The Department of City Planning) da la bienvenida y tendrá en cuenta todas las observaciones por escrito acerca de los posibles impactos ambientales del proyecto y las cuestiones que se abordarán en el EIR. Los comentarios escritos deben presentarse a esta oficina antes de las 4:00 de la tarde, 23 de Noviembre de 2015. Los comentarios escritos también serán aceptados en la reunión pública se ha descrito anteriormente.

Por favor, dirija sus respuestas a:

Alejandro Huerta
Sección de Análisis Ambiental (Environmental Analysis Section)
Departamento de Planificación Urbana (The Department of City Planning)
200 N. Spring Street, Room 750
Los Angeles, CA 90012

Fax: (213) 978-1343

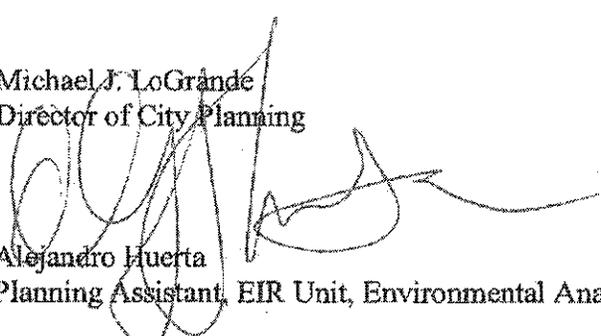
Email: alejandro.huerta@lacity.org

ALOJAMIENTOS: Como entidad cubierta bajo el Título II de la Ley de Estadounidenses con Discapacidades, la Ciudad de Los Angeles no discrimina sobre la base de la discapacidad. La sala de reuniones de alcance y su aparcamiento para minusválidos.

Intérpretes Lenguaje de signos, dispositivos de ayuda auditiva, u otras ayudas auxiliares y/o servicios pueden ser disponibles bajo petición. Otros servicios, como la traducción entre Inglés y otros idiomas, también pueden ser disponibles bajo petición.

Para garantizar la disponibilidad de servicios, por favor hacer su solicitud a más tardar tres días (72 horas) antes de la reunión de alcance llamando a Darlene Navarrete al (213) 978-1332.

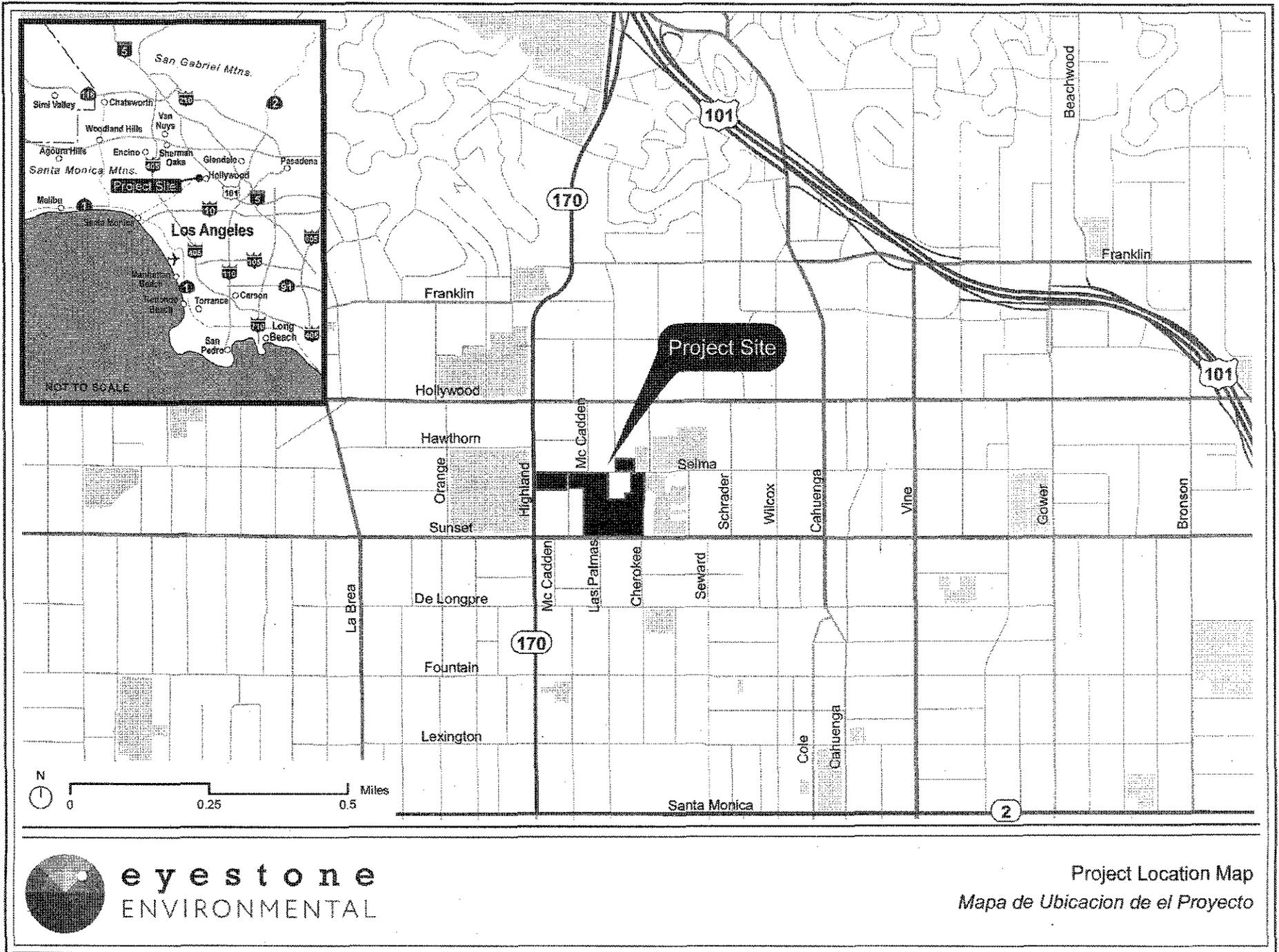
Michael J. LoGrande
Director of City Planning



Alejandro Huerta
Planning Assistant, EIR Unit, Environmental Analysis Section

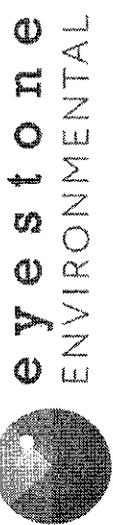
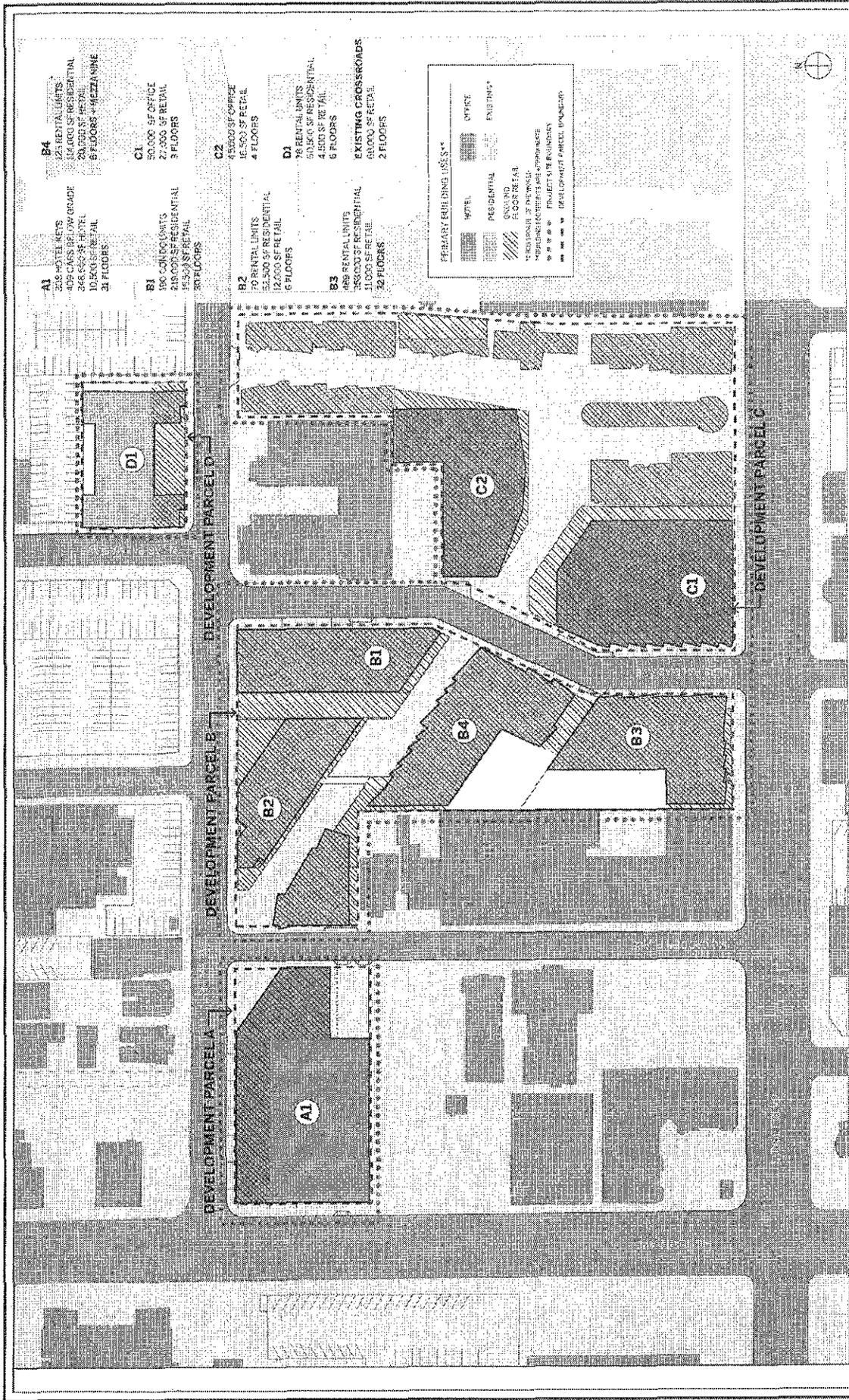
Enclosures:

Mapa de Ubicacion de el Proyecto
Plano del Sitio Conceptual
Mapa de Propiedad de 500 Pies de Radio
Mapa de Ubicacion de la Reunion Publica



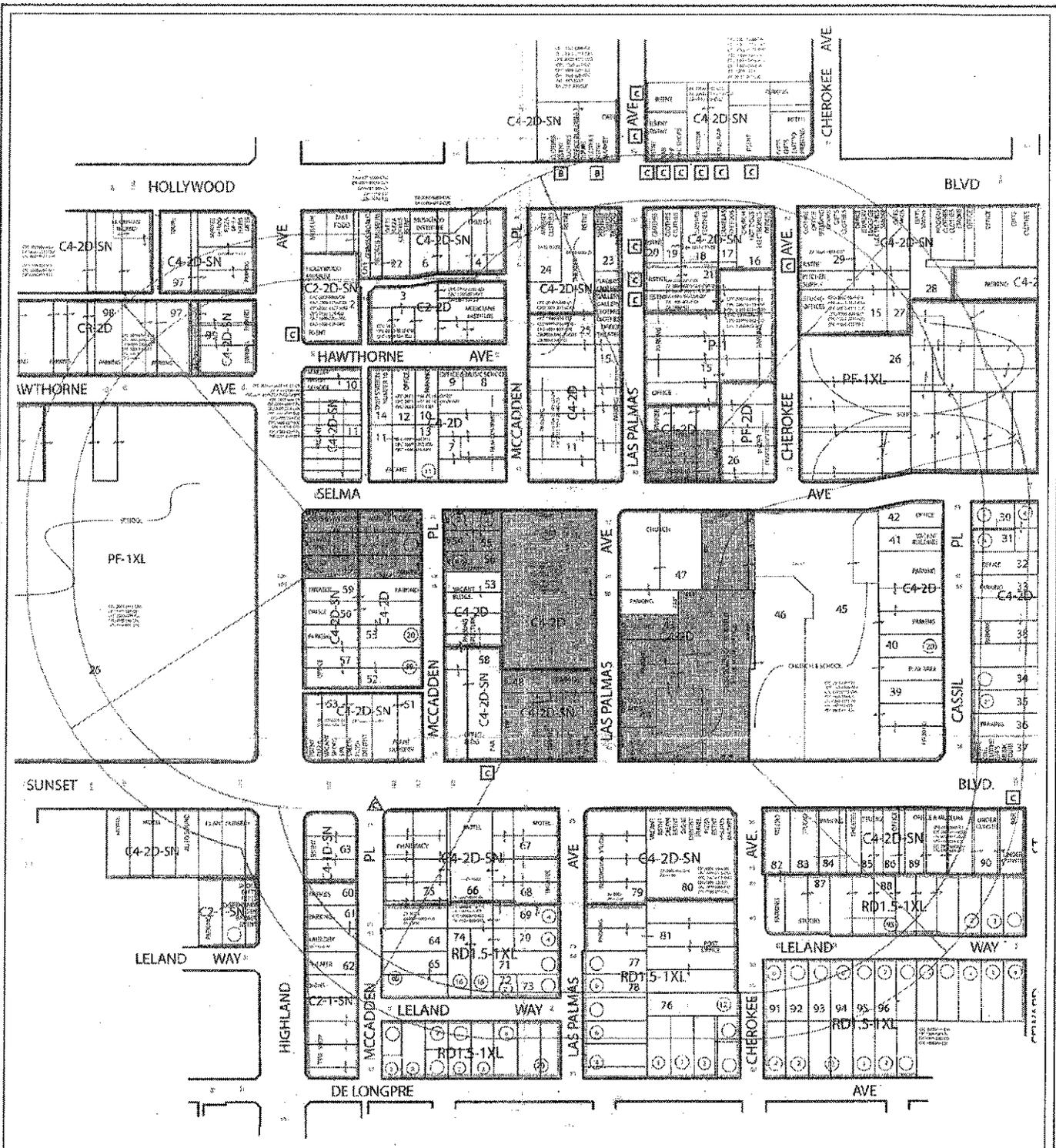
Project Location Map
 Mapa de Ubicacion de el Proyecto

Source: LA County GIS; Eystone Environmental, 2015.



Conceptual Site Plan
Plano del Sitio Conceptual

Source: Skidmore Ovington & Merrill LLP and Rios Clement Hale Studios, 2015.



ALCOHOL/LAND USE DATA SYMBOLS

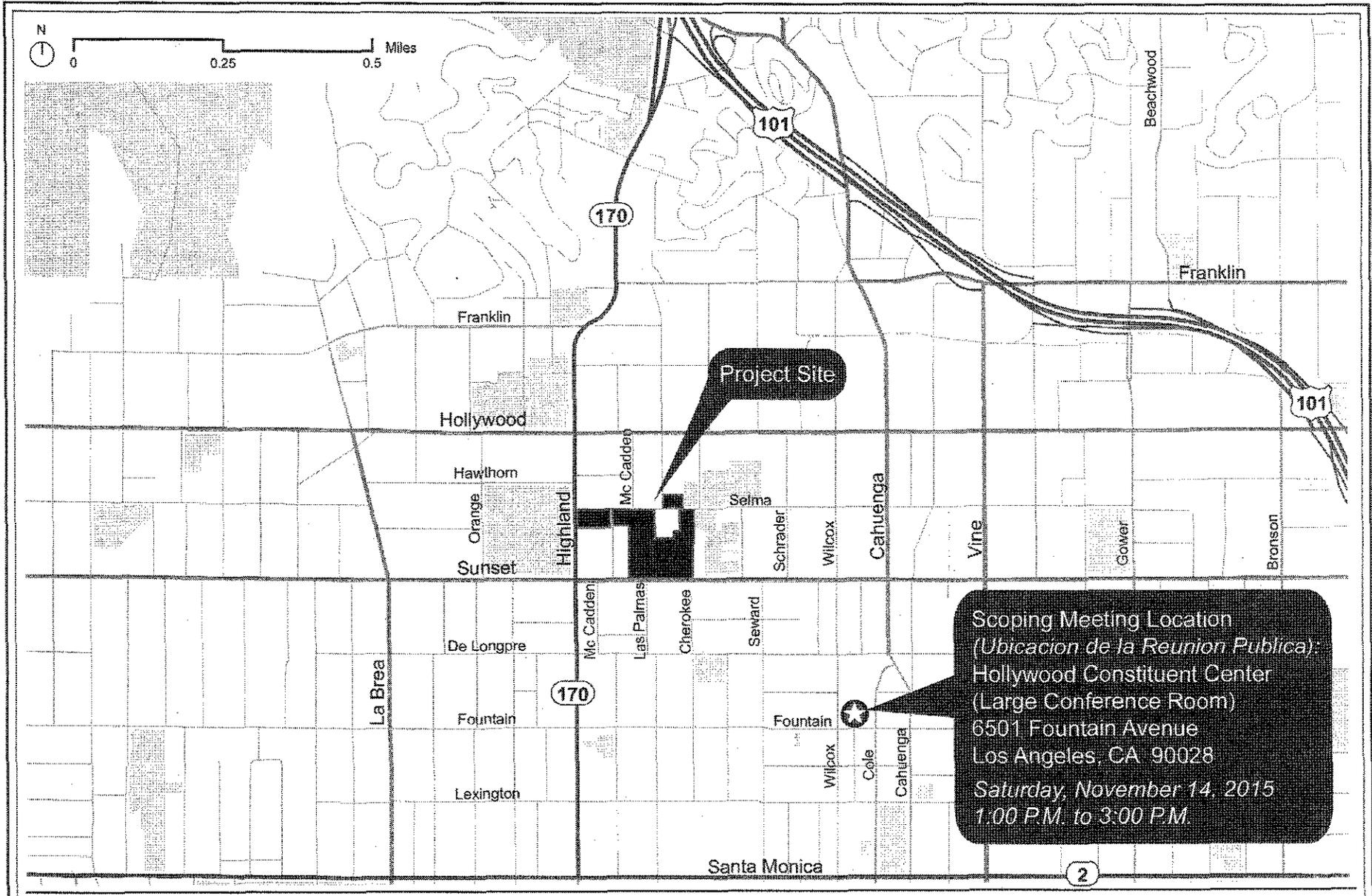
-  ON-SITE CONSUMPTION OF TIRE LINE ALCOHOLIC BEVERAGES
-  ON-SITE CONSUMPTION OF BEER AND CIDER
-  ON-SITE CONSUMPTION OF FUEL LINE ALCOHOLIC BEVERAGES
-  ON-SITE CONSUMPTION OF BEER AND CIDER

**REQUEST: C4-2D-SN TO C4-2-SN
C4-2D TO C4-2**



eyestone
ENVIRONMENTAL

500-foot Radius Map
Mapa de Propiedad de 500 Pies de Radio



Scoping Meeting Location
(Ubicacion de la Reunion Publica)
 Hollywood Constituent Center
 (Large Conference Room)
 6501 Fountain Avenue
 Los Angeles, CA 90028
 Saturday, November 14, 2015
 1:00 P.M. to 3:00 P.M.



Scoping Meeting Location Map
 Mapa de Ubicacion de la Reunion Publica

Source: LA County GIS: Eystone Environmental, 2015.

From: [Alejandro Huerta](#)
To: [Hwang, Jin](#)
Cc: [Kwan, Delon](#); [Moosbrugger, Earl](#); [Stephanie Evestone-Jones \(s.evestone@evestoneeir.com\)](#); [Madonna Marcelo \(m.marcelo@evestoneeir.com\)](#)
Subject: Re: Crossroads Hollywood Project WSA- Scope Confirmation
Date: Thursday, June 09, 2016 7:56:39 AM

Dear Ms. Hwang:

I confirm the scope in your email incorporated herein.

Graciously yours,
ALEJANDRO A. HUERTA
Los Angeles City Planning
Environmental Analysis
Major Projects
213-978-1454



On Thu, Jun 9, 2016 at 7:52 AM, Hwang, Jin <Jin.Hwang@ladwp.com> wrote:

Hello Alejandro,

We are in the process of completing the Water Supply Assessment (WSA) Board Package for the Crossroads Hollywood Project (Proposed Project). The Los Angeles Department of Water and Power (LADWP) requests that the Department of City Planning (Planning Department) confirm, by e-mail, the correct detailed scope (shown below) for the Proposed Project. Your scope confirming e-mail will be included as part of the WSA, and the confirmed scope will be used for calculating the water demand in the WSA.

LADWP has received the WSA Request Letter for the Proposed Project, dated March 31, 2016. The scope considered in LADWP's water demand calculations, as received in the WSA Request Letter and from the EIR consultant is as follows:

Existing use to be removed*:

Existing Use	Quantity
Residential - multi-family	80 du
Residential -duplex	4 du
Office	79,107 sf
Commercial / Retail	26,690 sf
Restaurant	475 sf
Total	172,573 sf

*Crossroads of the World (50,000 sf) out of the total existing (172,573 sf) will be retained, but its uses will be converted to retail and restaurant uses. Existing to be removed also includes surface parking lots.

Proposed:**

Proposed Use	Quantity
Residential: Apartment / Condo	
Studio	323 du
1 Bedroom	146 du
2 Bedroom	291 du
<u>3 Bedroom</u>	<u>190 du</u>
Residential Units Total	950 du
Residential Common	
Interior Amenities (Fitness and Recreation)	11,800 sf
Residential Deck	75,123 sf
Pool	5,170 sf
Hotel Room	308 room
Hotel Common	
Meeting Facilities	30,600 sf
Spa	8,620 sf
Fitness Room	5,580 sf
Pool	7,090 sf
Commercial	
Office	95,000 sf
Retail	61,800 sf
Supermarket	40,000 sf
Food Service	83,200 sf
Coffee Shop (Serves Prepared Food)	416 seat
Restaurant: High Quality	1,123 seat
Restaurant: High Turnover	1,498 seat
Deck and Terrace	3,769 sf
Landscaping	
<u>Residential:</u>	
Low Water Use Shrubs (PF = 0.2)	20,562 sf
Medium Water Use Shrubs (PF = 0.5)	5,140 sf
Trees (PF = 0.5)	112 sf
<u>Non-Residential:</u>	
Low Water Use Shrubs (PF = 0.2)	4,269.6 sf
Medium Water Use Shrubs (PF = 0.5)	1,067.4 sf
Trees (PF = 0.5)	356 sf
All proposed landscape IE is 0.81.	
Subterranean Parking	1,191,339 sf
Cooling Tower	
Chiller Capacity	5,760 ton
(Cooling Tower Ton)	(7,200 tons)
Operating Hours	24 hrs/day, 365 days/yr

** Proposed Uses include 50,000 sf to be retained and converted to retail and restaurant uses.

du = dwelling unit sf = square feet PF = Plant Factor IE = Irrigation Efficiency

hrs = hours yr = year

The Proposed Project does not require a General Plan amendment, and is consistent with the 2012 Regional Transportation Plan (RTP) demographic projection by Southern California Association of Governments (SCAG) for the City of Los Angeles.

If the above listed scope is accurate and consistent with the Proposed Project, please e-mail reply. If not, please edit the scope accordingly and send back to me by e-mail.

Thank you.

Jin Hwang

Civil Engineering Associate

Los Angeles Department of Water and Power

Water Executive / Water Resources

111 N. Hope St. Room 1468

Los Angeles, CA 90012

213-367-4845

-----Confidentiality Notice-----

This electronic message transmission contains information from the Los Angeles Department of Water and Power, which may be confidential. If you are not the intended recipient, be aware that any disclosure, copying, distribution or use of the content of this information is prohibited. If you have received this communication in error, please notify us immediately by e-mail and delete the original message and any attachment without reading or saving in any manner.

Appendix B

Water Conservation Commitment Letter

CRE-HAR Crossroads

June 8, 2016

Martin L. Adams
Senior Assistant General Manager for Water Systems
Los Angeles Department of Water & Power
111 North Hope Street, Room 1455
Los Angeles, CA 90012-5701

**Re: WATER CONSERVATION COMMITMENTS FOR THE CROSSROADS HOLLYWOOD
PROJECT**

Dear Mr. Adams:

CRE-HAR Crossroads SPV, LLC (Developer) proposes to develop the Crossroads Hollywood Project (hereafter referred to as the Project) within the Hollywood Community of the City of Los Angeles. The project site, which encompasses four City blocks in approximately 8.0 acres, is generally bounded by Selma Avenue to the north, the Blessed Sacrament Catholic Church and School to the east, Sunset Boulevard to the south, and Highland Avenue to the west.

The Project would remove all existing on-site uses except Crossroads of the World, which would be rehabilitated and converted back to retail/restaurant uses. Accordingly, approximately 122,573 square feet of floor area on-site would be removed (derived from a total of 172,573 square feet of existing uses minus the 50,000 square feet of uses at Crossroads of the World to be retained).

Crossroads of the World would be integrated into a new mixed-use development comprised of nine new buildings housing residential, hotel, commercial/retail, office, and restaurant uses. Upon Project buildout, the Project (including existing uses to be retained) would include approximately 950 residential units, 308 hotel rooms, 95,000 square feet of office uses, and 185,000 square feet of commercial/retail uses, totaling approximately 1,432,500 square feet of floor area.

Approximately 83,200 square feet of the proposed retail area would consist of restaurant uses, with a maximum total of 3,037 seats. New below-grade parking would be provided for all portions of the Project with a maximum of five levels of subterranean parking. In total, the Project would provide approximately 2,596 vehicular parking spaces.

The Project would include open space and green space consisting of a series of integrated walkways that would connect the dynamic mixed-use district created by the Project with the Hollywood neighborhood. Proposed additional landscaped public walkways would also promote access and connectivity to and through the Project Site from Sunset Boulevard, Las Palmas Avenue, Selma Avenue, and McCadden Place.

In addition, the Project would also include active and passive recreational spaces, such as roof decks and pools, community rooms and recreational facilities, courtyards, landscaped gardens,

and common open space with gathering and seating areas. In total, approximately 31,184 square feet of the open space provided would consist of landscaped surface area.

The Developer understands the City of Los Angeles' policy that future water needs shall be met by expanding water recycling and conservation. The Developer has committed to implement the following water conservation measures that are in addition to those required by codes and ordinances for the entire Project:

- High Efficiency Toilets with flush volume of 1.06 gallons of water per flush or less
- Kitchen Faucets with flow rate of 1.5 gallons per minute or less
- Residential Lavatory Faucet with flow rate of 1.2 gallons per minute or less
- Waterless Urinals
- Showerheads with flow rate of 1.5 gallons per minute or less
- Rotating Sprinkler Nozzles for Landscape Irrigation – 0.5 gallons per minute
- High Efficiency Clothes Washers (Residential) – water factor of 13 gallons/load or less
- High Efficiency Dishwasher (Residential) – 3.5 gallons/cycle or less
- Domestic Water Heating System located close proximity to point(s) of use
- Tankless and on-demand Water Heaters
- Cooling Tower Conductivity Controllers or Cooling Tower pH Conductivity Controllers
- Water-Saving Pool Filter
- Pool/Spa recirculating filtration equipment
- Pool splash troughs around the perimeter that drain back into the pool
- Leak Detection System for swimming pools and Jacuzzi
- Drip/Subsurface Irrigation (Micro-Irrigation) – The majority of planting will be irrigated by sub-surface drip irrigation. Trees will be irrigated with bubblers at 0.5 gallons per minute with an irrigation efficiency of 0.81.
- Micro-Spray
- Proper Hydro-zoning/ (groups plants with similar water requirements together)
- Zoned Irrigation
- Landscaping Contouring to minimize precipitation runoff – All excess runoff will be directed to a filtration planter before being discharged to the street.
- Drought Tolerant Plants – 78% of total landscaping
- Rainwater Harvesting
- Weather-based controller for irrigation

The Developer has also committed to comply with the City of Los Angeles Low Impact Development Ordinances (City Ordinance No. 181899 and No. 183833) and to implement Best Management Practices that have stormwater recharge or reuse benefits for the entire Project, as applicable:

- Infiltration Basin (drainage area of 5-50 acres) – captures first-flush stormwater, removes particulate pollutants and some soluble pollutants, and contributes toward recharging groundwater.
- Infiltration Trench (drainage area of less than 5 acres) – similar to infiltration basin but used for smaller drainage areas to capture and infiltrate rainwater.
- Catch Basin Insert - a device that can be inserted into an existing catch basin design to provide some level of runoff contaminant removal.
- Catch Basin Screens

The following is the information on plumbing fixture/appliance counts/estimates for the Project:

	Residential Dwelling Unit	Residential Common Area	Restaurant/Bar	Retail/Commercial	Office	Hotel Rooms	Hotel Common Facility
Toilets	1,431	38	88	53	24	328	45
Urinals	0	10	20	2	5	0	13
Bath Sink Faucets	1,873	22	36	53	12	369	49
Kitchen Faucets	950	0	132	8	5	3	0
Bathtub Faucets	1,393	0	0	0	0	310	0
Showerheads	1,393	11	0	0	0	310	27
Commercial Kitchen Pre-Rinse Spray Faucets	0	0	17	0	0	0	0
Mop Sink Faucets	0	0	19	5	0	17	1
Clothes washer (Residential)	253 ^a	0	0	0	0	0	0
Clothes washer (Commercial)	0	0	11	0	0	17 ^b	6
Dishwasher (Residential)	950	0	0	0	0	0	0
Dishwasher (Commercial) ^c	0	0	20	2	0	17	0

^a It was assumed that for the 190 condominium units in Building B1, each unit would be provided a private washer/dryer; for the remaining rental units, it was assumed that 1 shared washer/dryer would be provided per 12 units.

^b It was assumed that commercial-type clothes washer would be provided for the hotel.

^c It was assumed that commercial-type dishwashers would be provided for the restaurant, hotel, retail/commercial uses.

Should you have any questions, please do not hesitate to call Marc Annotti at (323) 658-1511.

Sincerely,

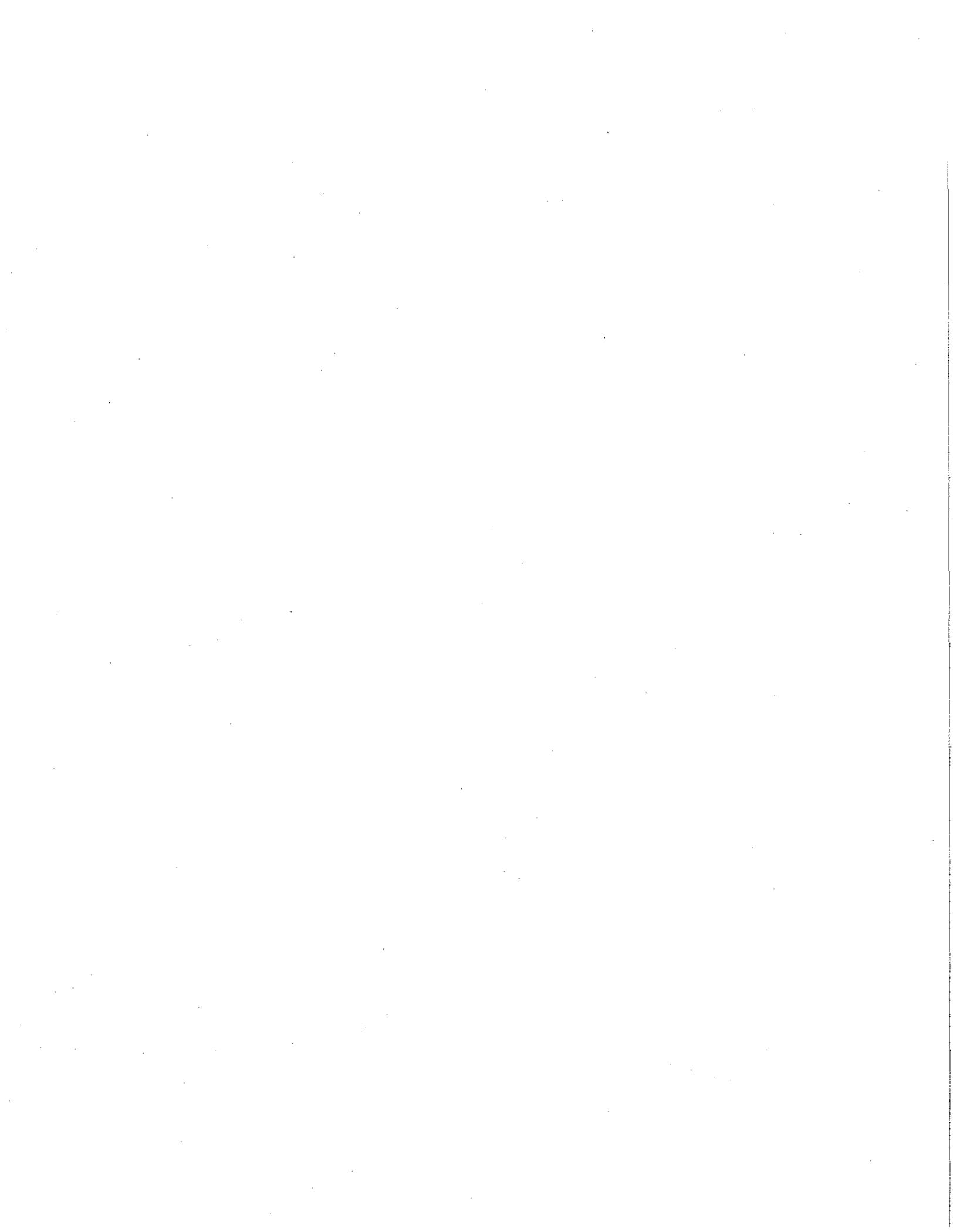


David Schwartzman
 President and Chief Executive Officer

CRE-HAR Crossroads SPV, LLC,
 a Delaware limited liability company

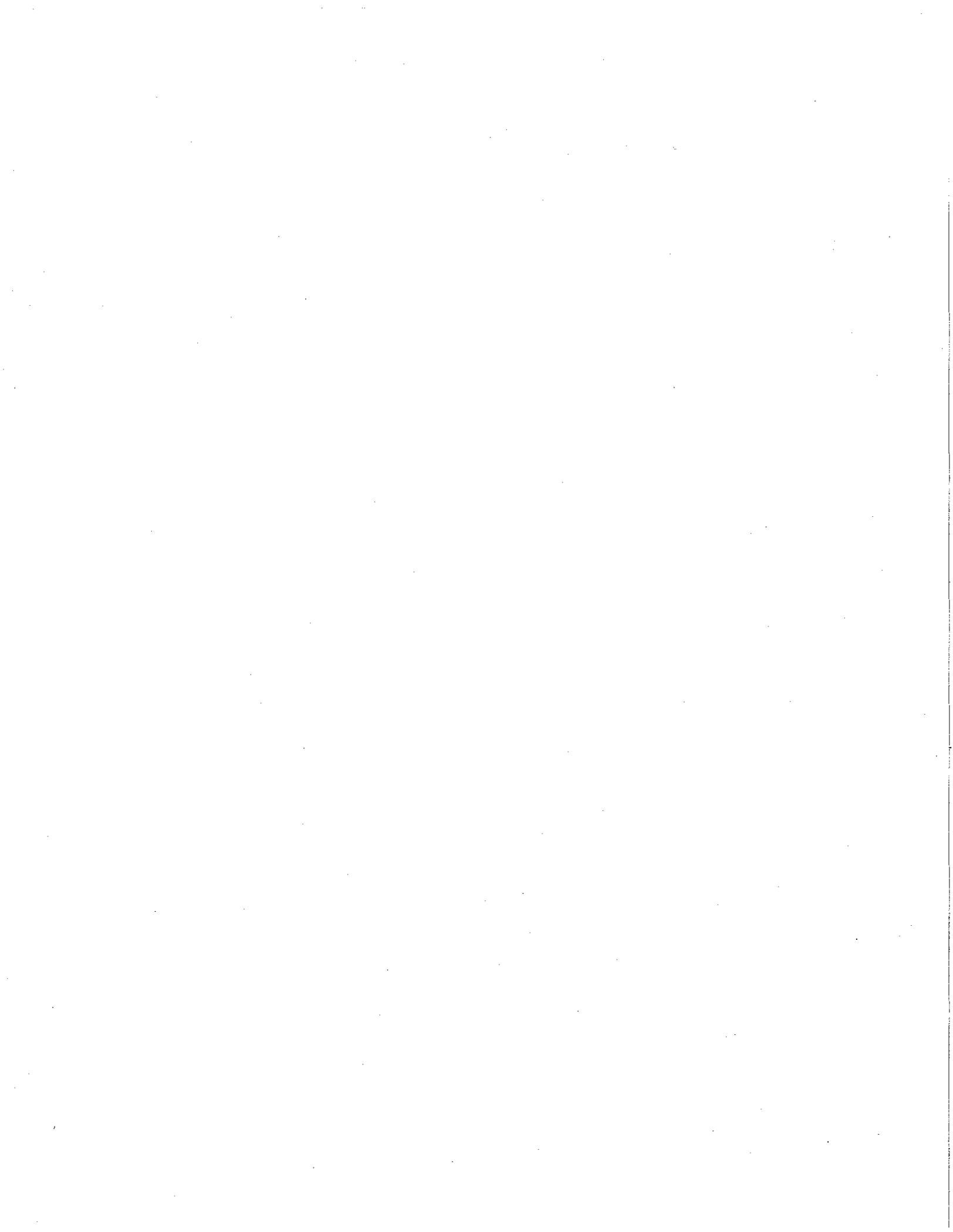
By: CRE-HAR Crossroads JV, LLC,
 a Delaware limited liability company,
 its sole member

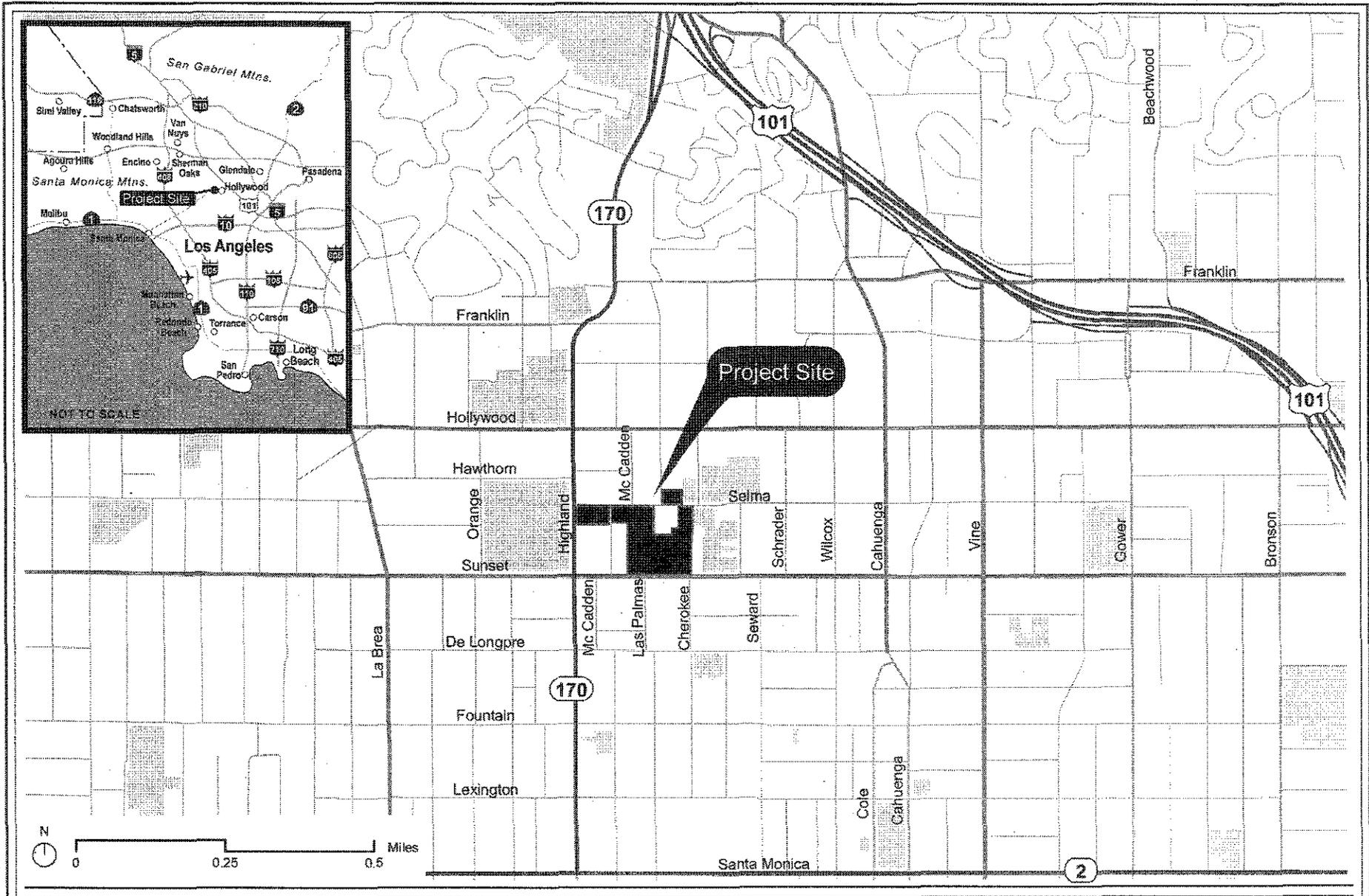
By: Crossroads Associates, LLC,
 a Delaware limited liability company,
 its managing member



Appendix C

Project Location Maps

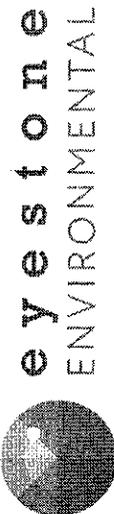
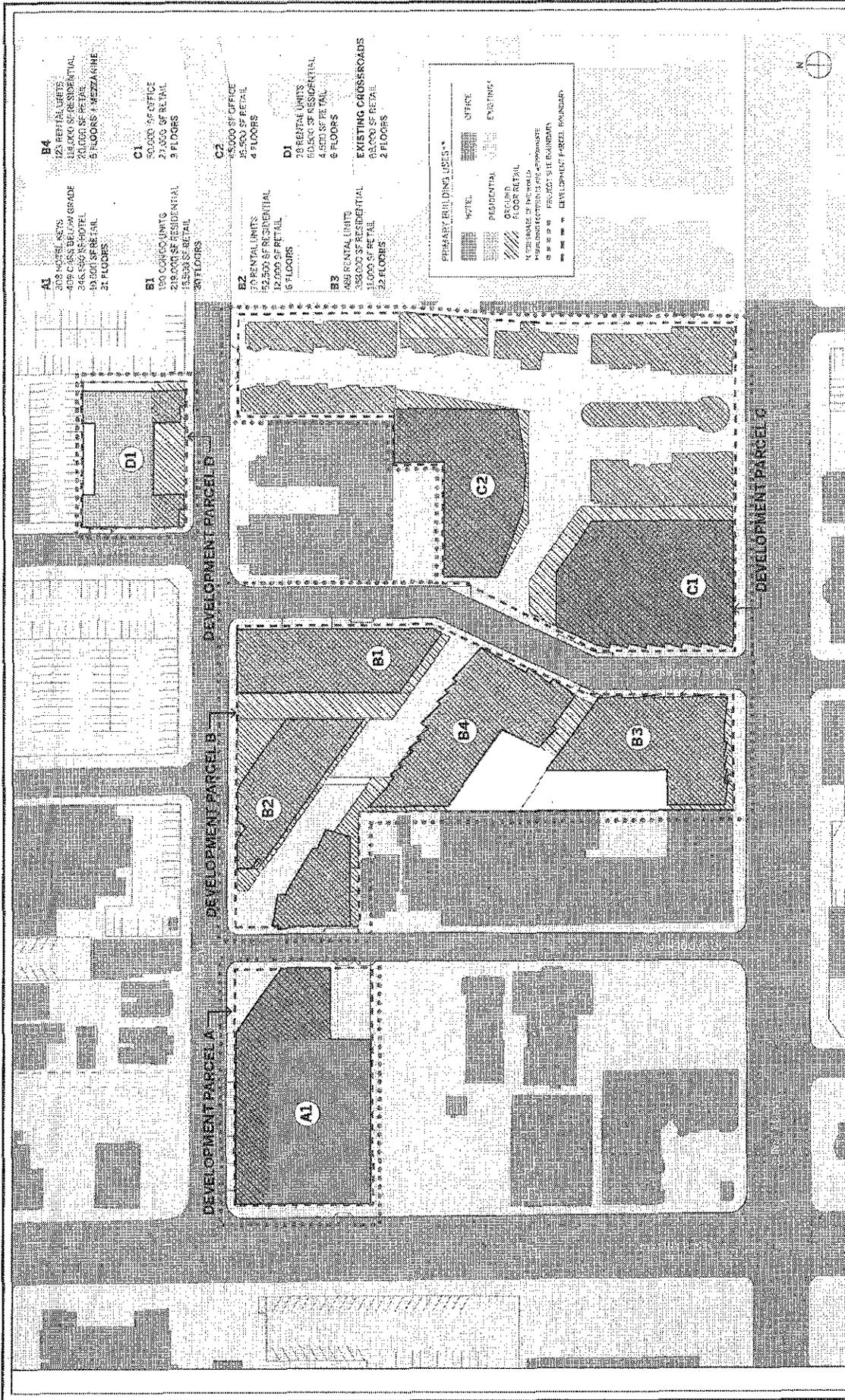




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ENVIRONMENTAL

Project Location Map
Mapa de Ubicacion de el Proyecto

Source: LA County GIS: Eystone Environmental, 2015.



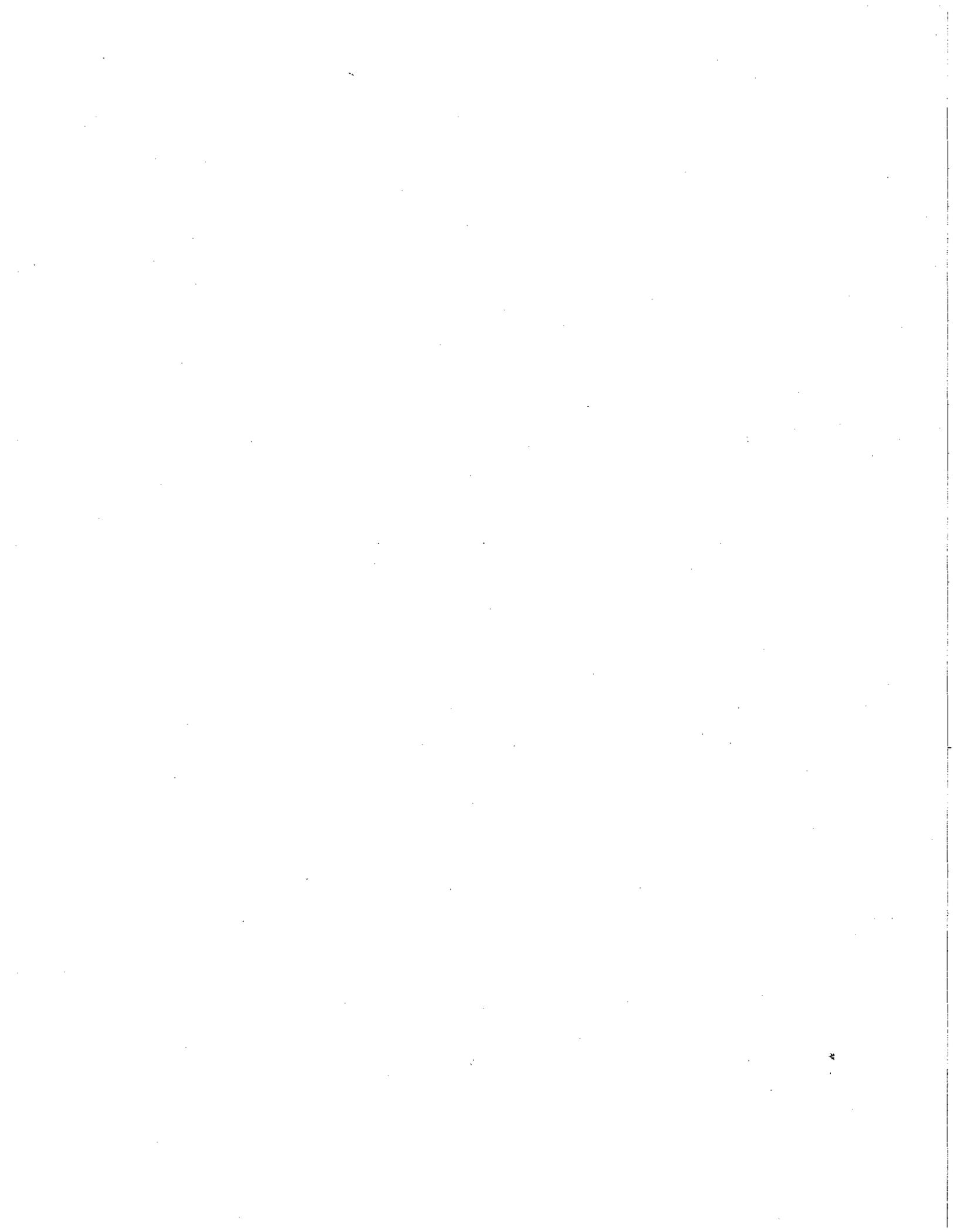
Conceptual Site Plan
 Plano del Sitio Conceptual

Source: Skidmore Owings & Merrill LLP and Ricos Clementi Hale Statos, 2016.

Appendix D

Adjudicated Groundwater Basin Judgments

- San Fernando Basin – Judgment No. 650079
- Sylmar Basin – Judgment No. 650079
- Central Basin – Judgment No. 786656



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SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF LOS ANGELES

THE CITY OF LOS ANGELES,)
)
 Plaintiff,)
)
 vs.)
)
 CITY OF SAN FERNANDO, ET AL.)
)
 Defendants.)

No. 650079
JUDGMENT

There follows by consecutive paging Recitals (page 1), Definitions and List of Attachments (pages 1 to 6), Designation of Parties (page 6), Declaration re Geology and Hydrology (pages 6 to 12), Declaration of Rights (pages 12 to 21), Injunctions (pages 21 to 22), Continuing Jurisdiction (page 23), Watermaster (pages 23 to 29), Physical Solution (pages 29 to 34), and Miscellaneous Provisions (pages 34 to 35), and Attachments (pages 36 to 46). Each and all of said several parts constitute a single integrated Judgment herein.

1 4.2.3 Separate Ground Water Basins. The physical and geologic characteristics of each
2 of the ground water basins, Eagle rock, Sylmar, Verdugo and San Fernando, cause impediments
3 to inter-basin ground water flow whereby there is created separate underground reservoirs. Each
4 of said basins contains a common source of water supply to parties extracting ground water from
5 each of said basins. The amount of underflow from Sylmar Basin, Verdugo Basin and Eagle
6 Rock Basin to San Fernando Basin is relatively small, and on the average has been
7 approximately 540 acre feet per year from the Sylmar Basin; 80 acre feet per year from Verdugo
8 Basin; and 50 acre feet per year from Eagle Rock Basin. Each has physiographic, geologic and
9 hydrologic differences; one from the other, and each meets the hydrologic definition of "basin".
10 The extractions of water in the respective basins affect the other water users within that basin but
11 do not significantly or materially affect the ground water levels in any of the other basins. The
12 underground reservoirs of Eagle Rock, Verdugo and Sylmar Basins are independent of one
13 another and of the San Fernando Basin.

14 4.2.4 Safe Yield and Native Safe Yield. The safe yield and native safe yield, stated in
15 acre feet, of the three largest basins for the year 1964-65 was as follows:

<u>Basin</u>	<u>Safe Yield</u>	<u>Native Safe Yield</u>
San Fernando	90,680	43,660
Sylmar	6,210	3,850
Verdugo	7,150	3,590

20 The safe yield of Eagle Rock Basin is derived from imported water delivered by Los Angeles.
21 There is no measurable native safe yield.

22 4.2.5 Separate Basins -- Separate Rights. The rights of the parties to extract ground
23 water within ULARA are separate and distinct as within each of the several ground water basins
24 within said watershed.

25 4.2.6 Hydrologic Condition of Basins. The several basins within ULARA are in varying
26 hydrologic conditions, which result in different legal consequences.

27 4.2.6.1 San Fernando Basin. The first full year of overdraft in San Fernando
28 Basin was 1954-55. It remained in overdraft continuously until 1968, when an injunction

1 LAGERLOF, SENICAL, DRESCHER & SWIFT
2 301 North Lake Avenue, 10th Floor
3 Pasadena, California 91101
4 (818) 793-9400 or (213) 385-4345
5
6
7

8 SUPERIOR COURT OF THE STATE OF CALIFORNIA
9 FOR THE COUNTY OF LOS ANGELES

10 CENTRAL AND WEST BASIN WATER) No. 786,656
11 REPLENISHMENT DISTRICT, etc.,) SECOND AMENDED
12) JUDGMENT
13) Plaintiff,) (Declaring and establishing water rights in
14) v.) Central Basin and enjoining extractions
15 CHARLES E. ADAMS, et al.,) therefrom in excess of specified quantities.)
16) Defendants.)
17 CITY OF LAKEWOOD, a municipal)
18 corporation,)
19) Cross-Complaint,)
20) v.)
21 CHARLES E. ADAMS, et al.,)
22) Cross-Defendants.)
23)
24)
25)
26)
27)

The above-entitled matter duly and regularly came on for trial in Department 73 of the above-entitled Court (having been transferred thereto from Department 75 by order of the presiding Judge), before the Honorable Edmund M. Moor, specially assigned Judge, on May 17, 1965, at 10:00 a.m. Plaintiff was represented by its attorneys BEWLEY, KNOOP,

1 of the close of the water year ending September 30, 1978 in accordance with the Watermaster
2 Reports on file with this Court and the records of the Plaintiff. This tabulation does not take into
3 account additions or subtractions from any Allowed Pumping Allocation of a producer for the
4 1978-79 water year, nor other adjustments not representing change in fee title to water rights,
5 such as leases of water rights, nor does it include the names of lessees of landowners where the
6 lessees are exercising the water rights. The exercise of all water rights is subject, however, to the
7 provisions of this Judgment is hereinafter contained. All of said rights are of the same legal
8 force and effect and are without priority with reference to each other. Each party whose name is
9 hereinafter set forth in the tabulation set forth in Appendix "2" of this judgment, and after whose
10 name there appears under the column "Total Water Right" the figure "0" owns no rights to
11 extract any ground water from Central Basin, and has no right to extract any ground water from
12 Central Basin.

13 (b) Defendant The City of Los Angeles is the owner of the right to extract fifteen
14 thousand (15,000) acre feet per annum of ground water from Central Basin. Defendant
15 Department of Water and Power of the City of Los Angeles has no right to extract ground water
16 from Central Basin except insofar as it has the right, power, duty or obligation on behalf of
17 defendant The City of Los Angeles to exercise the water rights in Central Basin of defendant The
18 City of Los Angeles. The exercise of said rights are subject, however, to the provisions of this
19 judgment hereafter contained, including but not limited to, sharing with other parties in any
20 subsequent decreases or increases in the quantity of extractions permitted from Central Basin,
21 pursuant to continuing jurisdiction of the Court, on the basis that fifteen thousand (15,000) acre
22 feet bears to the Allowed Pumping Allocations of the other parties.

23 (c) No party to this action is the owner of or has any right to extract ground water
24 from Central Basin except as herein affirmatively determined.

25 2. Parties Enjoyed as Regards Quantities of Extractions.

26
27

Appendix E

Water Supply Assessment Provisions
California Water Code Section 10910-10915

WATER CODE

SECTION 10910-10915

10910. (a) Any city or county that determines that a project, as defined in Section 10912, is subject to the California Environmental Quality Act (Division 13 (commencing with Section 21000) of the Public Resources Code) under Section 21080 of the Public Resources Code shall comply with this part.

(b) The city or county, at the time that it determines whether an environmental impact report, a negative declaration, or a mitigated negative declaration is required for any project subject to the California Environmental Quality Act pursuant to Section 21080.1 of the Public Resources Code, shall identify any water system that is, or may become as a result of supplying water to the project identified pursuant to this subdivision, a public water system, as defined in Section 10912, that may supply water for the project. If the city or county is not able to identify any public water system that may supply water for the project, the city or county shall prepare the water assessment required by this part after consulting with any entity serving domestic water supplies whose service area includes the project site, the local agency formation commission, and any public water system adjacent to the project site.

(c) (1) The city or county, at the time it makes the determination required under Section 21080.1 of the Public Resources Code, shall request each public water system identified pursuant to subdivision (b) to determine whether the projected water demand associated with a proposed project was included as part of the most recently adopted urban water management plan adopted pursuant to Part 2.6 (commencing with Section 10610).

(2) If the projected water demand associated with the proposed project was accounted for in the most recently adopted urban water management plan, the public water system may incorporate the requested information from the urban water management plan in preparing the elements of the assessment required to comply with subdivisions (d), (e), (f), and (g).

(3) If the projected water demand associated with the proposed project was not accounted for in the most recently adopted urban water management plan, or the public water system has no urban water management plan, the water supply assessment for the project shall include a discussion with regard to whether the public water system's

total projected water supplies available during normal, single dry, and multiple dry water years during a 20-year projection will meet the projected water demand associated with the proposed project, in addition to the public water system's existing and planned future uses, including agricultural and manufacturing uses.

(4) If the city or county is required to comply with this part pursuant to subdivision (b), the water supply assessment for the project shall include a discussion with regard to whether the total projected water supplies, determined to be available by the city or county for the project during normal, single dry, and multiple dry water years during a 20-year projection, will meet the projected water demand associated with the proposed project, in addition to existing and planned future uses, including agricultural and manufacturing uses.

(d) (1) The assessment required by this section shall include an identification of any existing water supply entitlements, water rights, or water service contracts relevant to the identified water supply for the proposed project, and a description of the quantities of water received in prior years by the public water system, or the city or county if either is required to comply with this part pursuant to subdivision (b), under the existing water supply entitlements, water rights, or water service contracts.

(2) An identification of existing water supply entitlements, water rights, or water service contracts held by the public water system, or the city or county if either is required to comply with this part pursuant to subdivision (b), shall be demonstrated by providing information related to all of the following:

(A) Written contracts or other proof of entitlement to an identified water supply.

(B) Copies of a capital outlay program for financing the delivery of a water supply that has been adopted by the public water system.

(C) Federal, state, and local permits for construction of necessary infrastructure associated with delivering the water supply.

(D) Any necessary regulatory approvals that are required in order to be able to convey or deliver the water supply.

(e) If no water has been received in prior years by the public water system, or the city or county if either is required to comply with this part pursuant to subdivision (b), under the existing water supply entitlements, water rights, or water service contracts, the public water system, or the city or county if either is required to comply with this part pursuant to subdivision (b), shall also include in its water supply assessment pursuant to subdivision (c), an

identification of the other public water systems or water service contractholders that receive a water supply or have existing water supply entitlements, water rights, or water service contracts, to the same source of water as the public water system, or the city or county if either is required to comply with this part pursuant to subdivision (b), has identified as a source of water supply within its water supply assessments.

(f) If a water supply for a proposed project includes groundwater, the following additional information shall be included in the water supply assessment:

(1) A review of any information contained in the urban water management plan relevant to the identified water supply for the proposed project.

(2) A description of any groundwater basin or basins from which the proposed project will be supplied. For those basins for which a court or the board has adjudicated the rights to pump groundwater, a copy of the order or decree adopted by the court or the board and a description of the amount of groundwater the public water system, or the city or county if either is required to comply with this part pursuant to subdivision (b), has the legal right to pump under the order or decree. For basins that have not been adjudicated, information as to whether the department has identified the basin or basins as overdrafted or has projected that the basin will become overdrafted if present management conditions continue, in the most current bulletin of the department that characterizes the condition of the groundwater basin, and a detailed description by the public water system, or the city or county if either is required to comply with this part pursuant to subdivision (b), of the efforts being undertaken in the basin or basins to eliminate the long-term overdraft condition.

(3) A detailed description and analysis of the amount and location of groundwater pumped by the public water system, or the city or county if either is required to comply with this part pursuant to subdivision (b), for the past five years from any groundwater basin from which the proposed project will be supplied. The description and analysis shall be based on information that is reasonably available, including, but not limited to, historic use records.

(4) A detailed description and analysis of the amount and location of groundwater that is projected to be pumped by the public water system, or the city or county if either is required to comply with this part pursuant to subdivision (b), from any basin from which the proposed project will be supplied. The description and analysis shall be based on information that is reasonably available,

including, but not limited to, historic use records.

(5) An analysis of the sufficiency of the groundwater from the basin or basins from which the proposed project will be supplied to meet the projected water demand associated with the proposed project.

A water supply assessment shall not be required to include the information required by this paragraph if the public water system determines, as part of the review required by paragraph (1), that the sufficiency of groundwater necessary to meet the initial and projected water demand associated with the project was addressed in the description and analysis required by paragraph (4) of subdivision (b) of Section 10631.

(g) (1) Subject to paragraph (2), the governing body of each public water system shall submit the assessment to the city or county not later than 90 days from the date on which the request was received. The governing body of each public water system, or the city or county if either is required to comply with this act pursuant to subdivision (b), shall approve the assessment prepared pursuant to this section at a regular or special meeting.

(2) Prior to the expiration of the 90-day period, if the public water system intends to request an extension of time to prepare and adopt the assessment, the public water system shall meet with the city or county to request an extension of time, which shall not exceed 30 days, to prepare and adopt the assessment.

(3) If the public water system fails to request an extension of time, or fails to submit the assessment notwithstanding the extension of time granted pursuant to paragraph (2), the city or county may seek a writ of mandamus to compel the governing body of the public water system to comply with the requirements of this part relating to the submission of the water supply assessment.

(h) Notwithstanding any other provision of this part, if a project has been the subject of a water supply assessment that complies with the requirements of this part, no additional water supply assessment shall be required for subsequent projects that were part of a larger project for which a water supply assessment was completed and that has complied with the requirements of this part and for which the public water system, or the city or county if either is required to comply with this part pursuant to subdivision (b), has concluded that its water supplies are sufficient to meet the projected water demand associated with the proposed project, in addition to the existing and planned future uses, including, but not limited to, agricultural and industrial uses, unless one or more of the following changes occurs:

(1) Changes in the project that result in a substantial increase

in water demand for the project.

(2) Changes in the circumstances or conditions substantially affecting the ability of the public water system, or the city or county if either is required to comply with this part pursuant to subdivision (b), to provide a sufficient supply of water for the project.

(3) Significant new information becomes available which was not known and could not have been known at the time when the assessment was prepared.

10911. (a) If, as a result of its assessment, the public water system concludes that its water supplies are, or will be, insufficient, the public water system shall provide to the city or county its plans for acquiring additional water supplies, setting forth the measures that are being undertaken to acquire and develop those water supplies. If the city or county, if either is required to comply with this part pursuant to subdivision (b), concludes as a result of its assessment, that water supplies are, or will be, insufficient, the city or county shall include in its water supply assessment its plans for acquiring additional water supplies, setting forth the measures that are being undertaken to acquire and develop those water supplies. Those plans may include, but are not limited to, information concerning all of the following:

(1) The estimated total costs, and the proposed method of financing the costs, associated with acquiring the additional water supplies.

(2) All federal, state, and local permits, approvals, or entitlements that are anticipated to be required in order to acquire and develop the additional water supplies.

(3) Based on the considerations set forth in paragraphs (1) and (2), the estimated timeframes within which the public water system, or the city or county if either is required to comply with this part pursuant to subdivision (b), expects to be able to acquire additional water supplies.

(b) The city or county shall include the water supply assessment provided pursuant to Section 10910, and any information provided pursuant to subdivision (a), in any environmental document prepared for the project pursuant to Division 13 (commencing with Section 21000) of the Public Resources Code.

(c) The city or county may include in any environmental document an evaluation of any information included in that environmental

document provided pursuant to subdivision (b). The city or county shall determine, based on the entire record, whether projected water supplies will be sufficient to satisfy the demands of the project, in addition to existing and planned future uses. If the city or county determines that water supplies will not be sufficient, the city or county shall include that determination in its findings for the project.

10912. For the purposes of this part, the following terms have the following meanings:

(a) "Project" means any of the following:

- (1) A proposed residential development of more than 500 dwelling units.
- (2) A proposed shopping center or business establishment employing more than 1,000 persons or having more than 500,000 square feet of floor space.
- (3) A proposed commercial office building employing more than 1,000 persons or having more than 250,000 square feet of floor space.
- (4) A proposed hotel or motel, or both, having more than 500 rooms.
- (5) A proposed industrial, manufacturing, or processing plant, or industrial park planned to house more than 1,000 persons, occupying more than 40 acres of land, or having more than 650,000 square feet of floor area.
- (6) A mixed-use project that includes one or more of the projects specified in this subdivision.
- (7) A project that would demand an amount of water equivalent to, or greater than, the amount of water required by a 500 dwelling unit project.

(b) If a public water system has fewer than 5,000 service connections, then "project" means any proposed residential, business, commercial, hotel or motel, or industrial development that would account for an increase of 10 percent or more in the number of the public water system's existing service connections, or a mixed-use project that would demand an amount of water equivalent to, or greater than, the amount of water required by residential development that would represent an increase of 10 percent or more in the number of the public water system's existing service connections.

(c) "Public water system" means a system for the provision of piped water to the public for human consumption that has 3000 or more service connections. A public water system includes all of the

following:

(1) Any collection, treatment, storage, and distribution facility under control of the operator of the system which is used primarily in connection with the system.

(2) Any collection or pretreatment storage facility not under the control of the operator that is used primarily in connection with the system.

(3) Any person who treats water on behalf of one or more public water systems for the purpose of rendering it safe for human consumption.

10914. (a) Nothing in this part is intended to create a right or entitlement to water service or any specific level of water service.

(b) Nothing in this part is intended to either impose, expand, or limit any duty concerning the obligation of a public water system to provide certain service to its existing customers or to any future potential customers.

(c) Nothing in this part is intended to modify or otherwise change existing law with respect to projects which are not subject to this part.

(d) This part applies only to a project for which a notice of preparation is submitted on or after January 1, 1996.

10915. The County of San Diego is deemed to comply with this part if the Office of Planning and Research determines that all of the following conditions have been met:

(a) Proposition C, as approved by the voters of the County of San Diego in November 1988, requires the development of a regional growth management plan and directs the establishment of a regional planning and growth management review board.

(b) The County of San Diego and the cities in the county, by agreement, designate the San Diego Association of Governments as that review board.

(c) A regional growth management strategy that provides for a comprehensive regional strategy and a coordinated economic development and growth management program has been developed pursuant to Proposition C.

(d) The regional growth management strategy includes a water element to coordinate planning for water that is consistent with the

requirements of this part.

(e) The San Diego County Water Authority, by agreement with the San Diego Association of Governments in its capacity as the review board, uses the association's most recent regional growth forecasts for planning purposes and to implement the water element of the strategy.

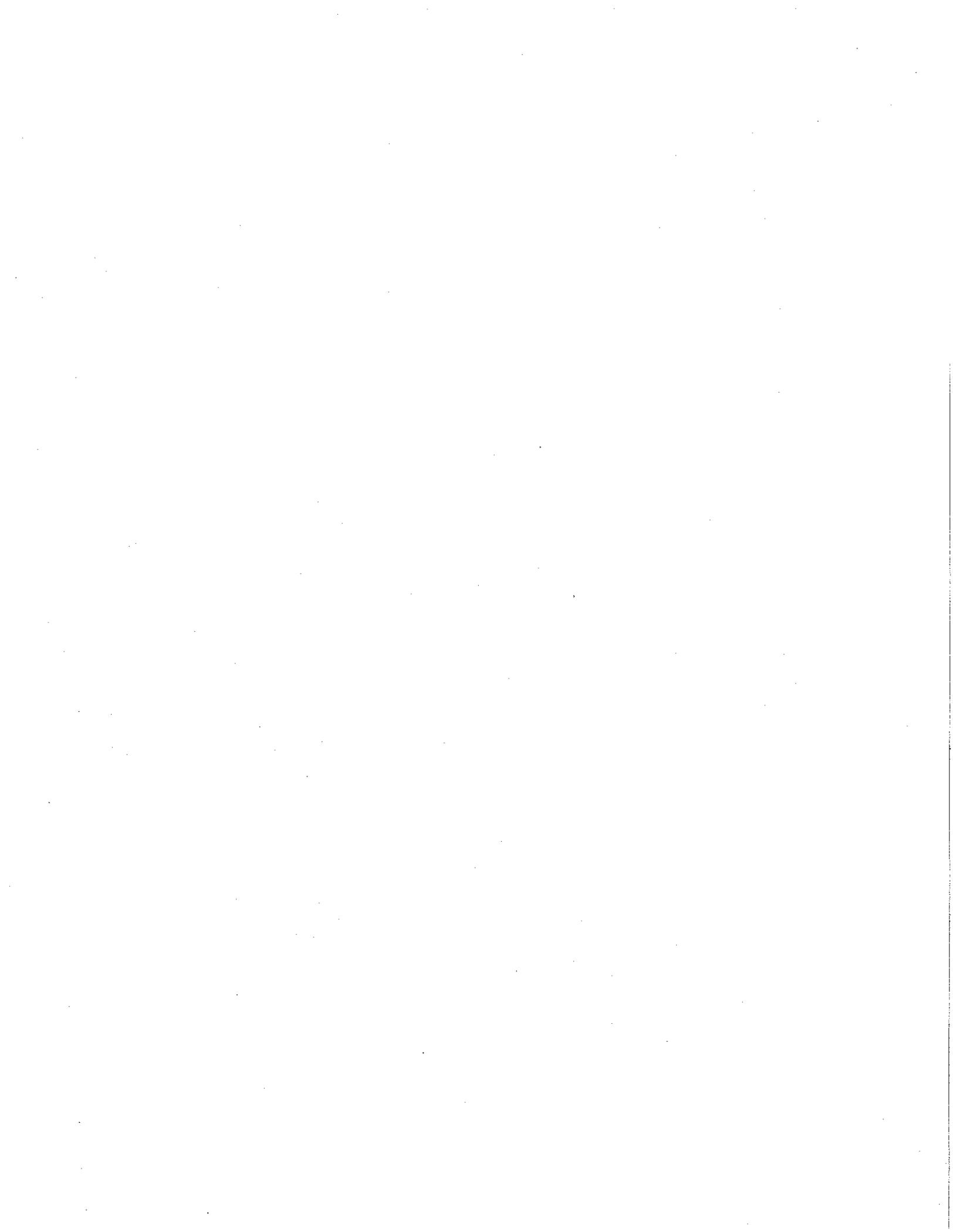
(f) The procedures established by the review board for the development and approval of the regional growth management strategy, including the water element and any certification process established to ensure that a project is consistent with that element, comply with the requirements of this part.

(g) The environmental documents for a project located in the County of San Diego include information that accomplishes the same purposes as a water supply assessment that is prepared pursuant to Section 10910.

Appendix F

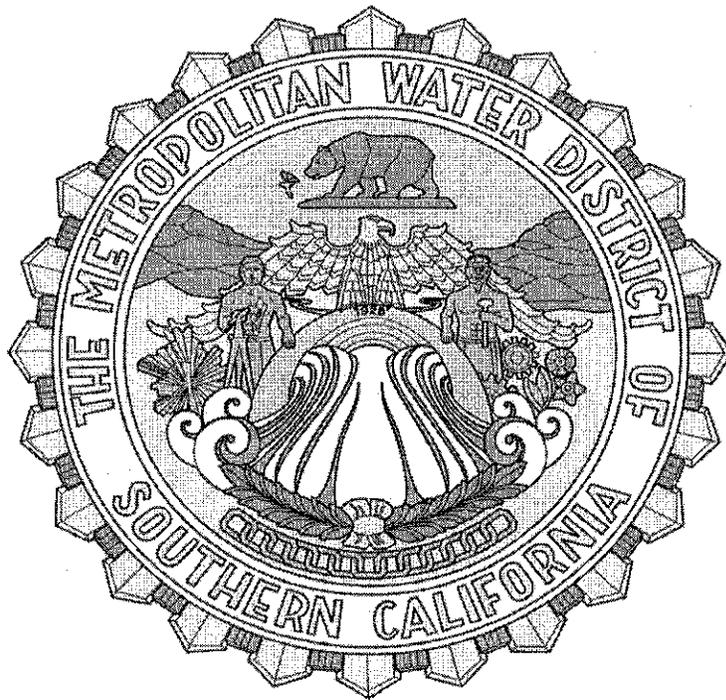
Metropolitan Water District of Southern California

(APPENDIX A)



APPENDIX A

The Metropolitan Water District of Southern California



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INTRODUCTION

This Appendix A provides general information regarding The Metropolitan Water District of Southern California ("Metropolitan"), including information regarding Metropolitan's operations and finances. 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 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 public agencies. If additional water is available, such water may be sold for other beneficial uses. Metropolitan serves its member agencies as a water wholesaler and 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 charges for water sales and availability are fixed 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.

Member Agencies

Metropolitan is comprised of 26 member public agencies, 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 other sources of water. See "METROPOLITAN REVENUES—Principal Customers" in this Appendix A for a listing of the ten member agencies with the highest water purchases from Metropolitan during the fiscal year ended June 30, 2015. Metropolitan's member agencies may, from time to time, develop additional sources of water. 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 "—Additional Revenue Components" in this Appendix A.

The following table lists the 26 member agencies of Metropolitan.

<u>Municipal Water Districts</u>		<u>Cities</u>		<u>County</u> <u>Water Authority</u>
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, currently Metropolitan's largest customer, is a plaintiff in litigation challenging the allocation of costs to certain rates adopted by Metropolitan's Board. 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 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 4,500 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 18.5 million people lived in Metropolitan's service area in 2014, 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"). Population projections prepared by SCAG in 2012 and SANDAG in 2010, as part of their planning process to update regional transportation and land use plans, show expected population growth of about 18 percent in Metropolitan's service area between 2010 and 2035. The 2010 Census population estimates are incorporated into SCAG's 2012 projections. The 2010 SANDAG regional growth projections do not incorporate the 2010 Census population estimates. The economy of Metropolitan's service area is exceptionally diverse. In 2014, the economy of the six counties which contain Metropolitan's service area had a gross domestic product larger than all but fifteen 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. Annual rainfall in an average year has historically been approximately 13 to 15 inches along the coastal area, up to 20 inches in foothill areas and less than 10 inches inland.

GOVERNANCE AND MANAGEMENT

Board of Directors

Metropolitan is governed by a 38-member Board of Directors. Each member public 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 public agency. Changes in relative assessed valuation do not terminate any director's term. Accordingly, the Board may, from time to time, have more or fewer than 38 directors.

The Board includes business, professional and civic leaders. Directors 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 in 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 biographical summary of Metropolitan's principal executive officers.

Jeffrey Kightlinger, General Manager – Mr. Kightlinger was appointed as General Manager in February 2006, leaving the position of General Counsel, which he had held since February 2002. Before becoming General Counsel, Mr. Kightlinger was a Deputy General Counsel and then Assistant General Counsel, representing Metropolitan primarily on Colorado River matters, environmental issues, water rights and a number of Metropolitan's water transfer and storage programs. Prior to joining Metropolitan in 1995, Mr. Kightlinger worked in private practice representing numerous public agencies including municipalities, redevelopment agencies and special districts. Mr. Kightlinger earned his bachelor's degree in history from the University of California, Berkeley, and his law degree from Santa Clara University.

Marcia Scully, General Counsel – Ms. Scully assumed the position of 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 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 law degree from Loyola Law School.

Gerald C. Riss, General Auditor – Mr. Riss was appointed as Metropolitan's General Auditor in July 2002 and is responsible for the independent evaluation of the policies, procedures and systems of control throughout Metropolitan. Mr. Riss is a certified fraud examiner, certified financial services auditor and certified risk professional with more than 25 years of experience in accounting, audit and risk management. Prior to joining Metropolitan, Mr. Riss was Vice President and Assistant Division Head of Risk Management Administration at United California Bank/Bank of the West. He also served as Senior Vice President, director of Risk Management and General Auditor of Tokai Bank of California from 1988 until its reorganization as United California Bank in 2001. He earned a bachelor's degree in accounting and master's degree in business administration from Wayne State University in Detroit, Michigan.

Deena Ghaly, Ethics Officer – Ms. Ghaly was appointed Ethics Officer in November 2012. Ms. Ghaly joined Metropolitan with over 20 years of legal and ethics-related experience. Prior to joining Metropolitan, she served as an administrative law judge for the California Office of Administrative Hearings. She previously was head of enforcement and general counsel for the Los Angeles City Ethics Commission, which administers and enforces the laws regarding campaign contributions, lobbying, and government ethics for the city of Los Angeles. Before moving to Southern California in 2001, Ms. Ghaly lived and worked in New York City, where she headed the labor department in the general counsel's office of a large city agency. Licensed to practice law in California, New York and New Jersey, Ms. Ghaly is knowledgeable in workplace investigations, government ethics, regulatory affairs, and labor and employment matters. She has lectured throughout the nation on various topics, including parallel criminal and administrative prosecution, due process in administrative procedures, and effective internal investigations. Ms. Ghaly earned a bachelor's degree in philosophy from Wellesley College in Massachusetts and a law degree from Cornell Law School.

Gary Breaux, Assistant General Manager/Chief Financial Officer – Mr. Breaux has had extensive experience working for local governments since 1983. From 1994 until joining Metropolitan in October 2011, he served as Director of Finance for East Bay Municipal Utility District ("EBMUD"). At EBMUD, he was responsible for all financial areas, including treasury operations, debt management, rates, internal audit, accounting and reporting, risk management and customer and community services. Prior to joining EBMUD, he was Director of Finance for the City of Oakland, California. A native of Colorado, Mr. Breaux received a Bachelor of Science degree in Business from the University of Colorado in 1977 and a master's degree in Public Administration in 1987 from Virginia Commonwealth University.

Debra Man, Assistant General Manager/Chief Operating Officer – Ms. Man was appointed to this position in December 2003. Ms. Man has worked at Metropolitan since 1986, beginning as an engineer and advancing to Chief of the Planning and Resources Division. As Chief of Planning and Resources she was responsible for major initiatives adopted by Metropolitan's Board, such as the Integrated Water Resources Plan, rate structure, and facility plans for expansion of Metropolitan's distribution system. In 1999, she was appointed as Vice President of Water Transfers and Exchanges, responsible for securing water supplies through agreements and partnerships with other water and agricultural interests in San Joaquin Valley and Southern California and demonstrating Metropolitan's water supply reliability in compliance with current laws. Ms. Man is a registered professional civil engineer in California and Hawaii. She has a master's degree in civil/environmental engineering from Stanford University and a bachelor's degree in civil engineering from the University of Hawaii.

Roger Patterson, Assistant General Manager/Strategic Initiatives – Mr. Patterson was appointed Assistant General Manager in March 2006. He is responsible for overseeing water supply and planning issues, including the Colorado River and State Water Project. He previously served as a consultant to Metropolitan on Colorado River issues. Mr. Patterson was the director of the Nebraska Department of Natural Resources from 1999 to 2005, where he was responsible for water administration, water planning, flood-plain delineation, dam safety and the state databank. Prior to his work in Nebraska, Mr. Patterson spent 25 years with the Bureau of Reclamation, retiring from the Bureau as the Regional Director for the Mid-Pacific Region. He is a registered professional engineer in Nebraska and Colorado, and earned bachelor's and master's degrees in engineering from the University of Nebraska.

Fidencio M. Mares, Interim Assistant General Manager/Chief Administrative Officer – Mr. Mares is the Interim Assistant General Manager/Chief Administrative Officer and is responsible for the strategic direction and management of Metropolitan's administrative functions. His primary responsibilities include managing human resources, information technology, business outreach, real property and administrative services. Prior to joining Metropolitan, Mr. Mares was the owner of the Mares Company, where he served as a consultant to companies in the overall assessment of their management programs and processes. Prior to becoming a consultant, Mares worked both in the private and public sectors, serving as vice president of human resources and corporate communications for Beckham Coulter and as chief administrative officer of BHP/Pacific Resources and President & CEO of Gas Operations. He worked for more than 15 years for The

Gas Company in Hawaii and Southern California Edison Company. A graduate of the California State University, Fresno, he also serves on the National Board of Visitors (Distinguished Graduates) for the University.

Dee Zinke, Deputy General Manager/External Affairs – Ms. Zinke is responsible for Metropolitan's communications, outreach, education and legislative matters. 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 for nearly 10 years, where she received recognition for her significant contributions to the Association of California Water Agencies, the Ventura County Special Districts Association and the Association of Water Agencies of Ventura County. During her tenure at Calleguas, she was named Chair of the Ventura County Watersheds Coalition and appointed by then-Secretary of Resources Mike Chrisman to the State Watershed Advisory Committee, a post she still holds today. Prior to her public service, she worked in the private sector as the Executive Officer and Senior Legislative Advocate for 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 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

The total number of regular full-time Metropolitan employees on October 15, 2015 was 1,771, of whom 1,236 were represented by AFSCME Local 1902, 91 by the Supervisors Association, 290 by the Management and Professional Employees Association and 139 by the Association of Confidential Employees. The remaining 15 employees are unrepresented. The four bargaining units represent 99 percent of Metropolitan's employees. The Memorandum of Understanding ("MOU") with the Association of Confidential Employees covers the period January 1, 2011 through December 31, 2015. The MOUs with the Management and Professional Employees Association and with AFSCME Local 1902 cover the period January 1, 2011 to December 31, 2016. The MOU with the Supervisors Association covers the period September 13, 2011 to December 31, 2016.

Risk Management

Metropolitan is exposed to various risks of loss related to the design, construction, treatment and delivery of water. With the assistance of third party claims administrators, Metropolitan is self-insured for liability, property and workers' compensation. Metropolitan self-insures the first \$25 million per liability occurrence, with commercial 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 coverage 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 Metropolitan's Board at its sole discretion.

METROPOLITAN'S WATER SUPPLY

Metropolitan's principal sources of water supplies are the State Water Project and the Colorado River. Metropolitan receives water delivered from the State Water Project under State Water Contract provisions, including contracted supplies, use of carryover storage in San Luis Reservoir, and surplus supplies. See "—State Water Project" below. Metropolitan holds rights to a basic apportionment of Colorado River water and has priority rights to an additional amount depending on availability of surplus supplies. See "—Colorado River Aqueduct" below. Water management programs supplement these Colorado River supplies.

Metropolitan stores State Water Project and Colorado River supplies in Metropolitan surface water reservoirs and through storage and water transfer agreements. See “—Water Transfer, Storage and Exchange Programs” and “—Storage Capacity and Water in Storage” below.

Metropolitan faces a number of challenges in providing adequate, reliable and high quality supplemental water supplies for southern California. These include, among others: (1) population growth within the service area; (2) increased competition for low-cost water supplies; (3) variable weather conditions; (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” below. 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. See “—Water Surplus and Drought Management Plan” and “—Water Supply Allocation Plan” below.

Hydrologic conditions can have a significant impact on Metropolitan’s imported water supply sources. For Metropolitan’s State Water Project supplies, precipitation in California’s northern Sierra Nevada during the fall and winter helps replenish storage levels in Lake Oroville, a key State Water Project facility. The subsequent runoff from the spring snowmelt 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—*Endangered Species Act Considerations*” below. 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. Although precipitation is primarily observed in the winter and spring, summer storms are common and can affect water supply conditions.

In 2015, California snowpack peaked in January at 17 percent of normal. This was the earliest peak and lowest snowpack in recorded history, resulting in the fourth year of drought in California. Storage levels in State reservoirs remain below normal, including storage levels in Lake Oroville, the principal State Water Project reservoir, and San Luis Reservoir, a critical reservoir south of the Bay-Delta. Consequently, the northern Sierra Nevada runoff for water year 2014-15 (October 1 – September 30) was 51 percent of normal. For calendar year 2015, the California Department of Water Resources’ (“DWR”) initial allocation to State Water Contractors on December 1, 2014 was 10 percent. On March 2, 2015, DWR increased the State Water Project allocation to 20 percent of contracted amounts. With no significant improvements in the State’s hydrology since March, the final State Water Project allocation for 2015 remained at 20 percent of contracted amounts. On December 1, 2015, DWR announced that the initial allocation estimate for 2016 is 10 percent of contracted amounts, or 191,150 acre-feet. DWR may increase or decrease allocations if warranted by the year’s developing hydrologic and water supply conditions. See “—State Water Project—*General*” below.

In 2015, the Upper Colorado River Basin snowpack peaked in March at 76 percent of normal. However, the Upper Colorado River Basin runoff measured 94 percent of normal due to above normal precipitation in the basin in May, June and July, which will avert Colorado River shortage conditions in 2016 and allowed Metropolitan to implement new water management programs in 2015. As of October 18, 2015, total system storage in the Colorado River Basin was 51 percent of capacity. See “—Colorado River Aqueduct” below.

Uncertainties from potential future temperature and precipitation changes in a climate driven by increased concentrations of atmospheric carbon dioxide 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; 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 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.

Drought Response Actions

To offset reductions in State Water Project supplies and mitigate impacts of the California drought, Metropolitan has utilized supplies from the Colorado River and storage reserves, and is also encouraging responsible and efficient water use to lower demands.

Metropolitan is prepared to meet water demands in its service area through calendar year 2016 using a combination of State Water Project and CRA deliveries, storage reserves and supplemental water transfers and purchases. Through 2015, the CRA is anticipated to operate near capacity. Operations to distribute Colorado River supplies into areas normally served by State Water Project supplies began in 2014. These measures have offset the low 2015 State Water Project supply allocation. Approximately 120,000 acre-feet were withdrawn from dry-year storage reserves in the first six months of 2015, leaving 1.72 million acre-feet in storage reserves as of July 1, 2015. (An acre-foot is the amount of water that will cover one acre to a depth of one foot and equals approximately 326,000 gallons, which represents the needs of two average families in and around the home for one year.) Metropolitan staff estimates that the overall storage reserve level as of December 31, 2015 will be about 1.5 million acre-feet.

On April 1, 2015, Governor Brown issued an Executive Order (“Order”) calling for a 25 percent reduction in consumer water use in response to the historically dry conditions throughout the State of California. As a wholesale water agency providing a supplemental water supply to its member agencies, Metropolitan is not subject to the requirements of the Governor’s Order, which applies to retail water agencies, however Metropolitan’s member agencies will need to reduce their water sales in order to comply with the Order. Metropolitan also relies upon its WSDM Plan to identify resource actions in times of shortage and its Water Supply Allocation Plan for equitable distribution of available water supplies in case of extreme shortages. On April 14, 2015, the Board declared the implementation of the Water Supply Allocation Plan at a Level 3 Regional Shortage Level for the allocation year, effective July 1, 2015 through June 30, 2016. Implementation of the Water Supply Allocation Plan at a Level 3 Regional Shortage Level and the Governor’s Order are anticipated to reduce supplies delivered by Metropolitan to Metropolitan’s member agencies in fiscal year 2015-16 to approximately 1.6 million acre-feet. See “—Storage Capacity and Water in Storage,” “—Water Conservation,” “—Water Surplus and Drought Management Plan” and “—Water Supply Allocation Plan” below.

In addition, since Governor Brown’s initial drought emergency proclamation in January 2014, Metropolitan has worked proactively with its member agencies to conserve water supplies in its service area. In February 2014, Metropolitan declared a Water Supply Alert, calling upon local cities and water agencies to immediately implement extraordinary conservation measures and institute local drought ordinances, and significantly expanded its water conservation and outreach programs and increased funding for conservation incentive programs by \$60 million, for a total of \$100 million for fiscal years 2014-15 and 2015-16. Metropolitan has also increased incentives for large landscape customers to convert from potable water to recycled water for irrigation. In May 2015, due to the strong response to the water conservation incentive programs, especially the turf replacement program, Metropolitan increased funding for these programs by \$350 million, for total funding of \$450 million over fiscal years 2014-15 and 2015-16. On May 26, 2015, Metropolitan’s Board approved the funding for this increase from the remaining balance in the Water Management Fund of \$140 million, the projected amounts over target financial reserve levels for fiscal year 2014-15 of \$160 million, and the remaining balance in the Water Stewardship Fund of \$50 million. This is a one-time only increase to the conservation incentive program, and it is expected to result in 172 million square feet of turf removed and water savings of 800,000 acre-feet over the next ten years. Funding of this program in future years will be determined as part of the next biennial budget and rates process in spring 2016.

Integrated Water Resources Plan

The Integrated Water Resources Plan (“IRP”) is Metropolitan’s principal water resources planning document. Metropolitan, its member agencies, sub-agencies and groundwater basin managers developed their

first IRP as a long-term planning guideline for resources and capital investments. The purpose of the IRP was the development of a portfolio of preferred resources (see “—The Integrated Resources Plan Strategy” below) 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 was updated in 2004 and 2010.

On October 12, 2010, Metropolitan’s Board adopted an IRP update (the “2010 IRP Update”) as a strategy to set goals and a framework for water resources development. This strategy enables 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 2010 IRP Update provides an adaptive management approach to address future uncertainty, including uncertainty from climate change. It was formulated with input from member agencies, retail water agencies, and other stakeholders including water and wastewater managers, environmental and business interests and the community. The framework places an emphasis on regional collaboration.

The 2010 IRP Update seeks to provide regional reliability through 2035 by stabilizing Metropolitan’s traditional imported water supplies and continuing to develop additional local resources, with an increased emphasis on regional collaboration. It also advances long-term planning for potential future contingency resources, such as storm water capture and seawater desalination, in close coordination with Metropolitan’s 26 member agencies and other utilities. Metropolitan is updating the IRP in two phases. The first phase is a technical update scheduled to be completed at the end of 2015. The second phase is development of policy and implementation approaches scheduled to begin at the conclusion of the technical update process.

The 2010 IRP Update approach serves as a foundation for the current IRP update process. Specific projects that may be developed by Metropolitan in connection with the implementation of the IRP will be subject to future Board consideration and approval, as well as environmental and regulatory documentation and compliance. The 2010 IRP Update, and all of the materials associated with the current IRP update process can be found on Metropolitan’s website at: www.mwdh2o.com/PDF/About_Your_Water/2.4.1_Integrated_Resources_Plan.pdf. The information set forth on Metropolitan’s website is not incorporated by reference.

The Integrated Resources Plan Strategy

The IRP Strategy identifies a balance of local and imported water resources within Metropolitan’s service area. Metropolitan expects that the core resource strategy, uncertainty buffers and foundational actions in the IRP Strategy will be continually reviewed and updated at least every five years to reflect changing demand and supply conditions. Foundational actions include technical studies and research (up to pilot projects, but not full-scale projects) that enable timely, future implementation of challenging resources, including, but not limited to, recycled water, seawater desalination, stormwater capture, and groundwater enhancement.

The following paragraphs describe several elements of the IRP Strategy.

State Water Project. The State Water Project is one of Metropolitan’s two major sources of water. In addition to municipal and industrial use of this core supply, State Water Project supplies are important for maximizing local groundwater potential and the use of recycled water since State Water Project water has lower salinity content than CRA water and can be used to increase groundwater conjunctive use applications. See “—State Water Project” below and “REGIONAL WATER RESOURCES—Local Water Supplies” in this Appendix A.

Colorado River Aqueduct. The CRA delivers water from the Colorado River, Metropolitan’s original source of supply. Metropolitan has helped to fund and implement agricultural conservation programs, improvements to river operation facilities, land management programs and water transfers and exchanges

through agreements with agricultural water districts in southern California and entities in Arizona and Nevada that use Colorado River water. See “—Colorado River Aqueduct” below.

Water Conservation. Conservation and other water use efficiencies are integral components of Metropolitan’s IRP. Metropolitan has invested in conservation programs since the 1980s. Historically, most of the investments have been in water efficient fixtures in the residential sector. Metropolitan has offered outdoor water conservation programs in both the residential and commercial sectors since the 1990s, but since the end of California’s last drought in 2010, Metropolitan has increased its conservation efforts targeting outdoor water use in these sectors. See “—Water Conservation” below and “—Drought Response Actions” above.

Recycled Water. Reclaimed or recycled municipal and industrial water is a valuable water resource and can be used for landscape irrigation, agriculture, protecting groundwater basins from saltwater intrusion, industrial processes, and recharging local aquifers. Metropolitan offers financial incentives to member agencies for developing economically viable reclamation projects. See “REGIONAL WATER RESOURCES—Local Water Supplies” in this Appendix A.

Conjunctive Use. Conjunctive use is the coordinated use of surface water supplies and groundwater storage. It entails storing surplus imported water during the winter months or wet years in local surface reservoirs and recharging local groundwater basins, then using the stored supplies during dry months and droughts. See “REGIONAL WATER RESOURCES—Local Water Supplies” in this Appendix A.

Water Transfers and Exchanges. Under voluntary water transfer or exchange agreements, agricultural communities using irrigation water may periodically sell or conserve some of their water allotments for use in urban areas. The water may be delivered through existing State Water Project or CRA facilities, or may be exchanged for water that is delivered through such facilities. Metropolitan’s policy toward potential transfers states that the transfers will be designed to protect and, where feasible, enhance environmental resources and avoid the mining of local groundwater supplies. See “—Water Transfer, Storage and Exchange Programs” below.

Groundwater Recovery. Natural groundwater reservoirs serve an important function as storage facilities for local and imported water. In cases where groundwater storage has become contaminated, water agencies have to rely more heavily on imported water supplies. Treatment for polluted groundwater is quite costly and poses environmental challenges. Metropolitan offers financial incentives to help fund member agency groundwater recovery projects. See “REGIONAL WATER RESOURCES—Local Water Supplies” in this Appendix A.

Seawater Desalination. Seawater desalination is the process of removing salts from ocean water to produce potable supplies. It is a potential new local supply that could help increase supply reliability in Metropolitan’s service area. Metropolitan offers financial incentives to member agencies for seawater desalination projects through its Seawater Desalination Program and Local Resource Program. See “REGIONAL WATER RESOURCES—Local Water Supplies” and “METROPOLITAN REVENUES—Rate Structure” in this Appendix A.

State Water Project

General. One of Metropolitan’s two major sources of water is the State Water Project, which is owned by the State and operated by DWR. This project transports Feather River water stored in and released from Oroville Dam and unregulated flows diverted directly from the Bay-Delta south via the California Aqueduct to four delivery points near the northern and eastern boundaries of Metropolitan’s service area. The total length of the California Aqueduct is approximately 444 miles.

In 1960, Metropolitan signed a water supply contract (as amended, the "State Water Contract") with DWR. Metropolitan is one of 29 agencies that have long-term contracts for water service from DWR, and is the largest agency in terms of the number of people it serves (approximately 18.5 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 contracts (approximately 54 percent for 2014). For information regarding Metropolitan's obligations under the State Water Contract, see "METROPOLITAN EXPENDITURES—State Water Contract Obligations" in this Appendix A. Upon expiration of the State Water Contract term (currently in 2035), Metropolitan has the option to continue service under substantially the same terms and conditions. Metropolitan and other agencies with state water supply contracts are currently in negotiations with DWR to extend the State Water Contract. In June 2014, DWR and the State Water Project Contractors reached an Agreement in Principle ("AIP") to extend the contract to 2085 and to make certain changes related to financial management of the State Water Project in the future. The AIP will serve as the "proposed project" for purposes of environmental review under the California Environmental Quality Act ("CEQA"). DWR issued a Notice of Preparation of an Environmental Impact Report ("EIR") for the proposed project on September 14, 2014. Following CEQA review, a State Water Project amendment will be prepared. Such amendment will be subject to review by the Legislature.

The 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. Late each year, DWR announces an initial allocation estimate for the upcoming year, but may revise the estimate throughout the year if warranted by developing precipitation and water supply conditions. From calendar years 2004 through 2014, the amount of water received by Metropolitan from the State Water Project, including water from water transfer, groundwater banking and exchange programs delivered through the California Aqueduct, described below under "—Water Transfer, Storage and Exchange Programs," varied from a low of 607,000 acre-feet in calendar year 2014 to a high of 1,800,000 acre-feet in 2004.

In calendar year 2013, DWR's allocation to State Water Project Contractors was 35 percent of contracted amounts, or 669,000 acre-feet of Metropolitan's 1,911,500 acre-foot contractual amount. In addition, Metropolitan began 2013 with approximately 281,000 acre-feet of carryover supplies from prior years. In calendar year 2014, DWR's allocation to State Water Project Contractors was five percent of contracted amounts, or 95,575 acre-feet. Metropolitan used all of its 223,000 acre-feet of carryover supplies from prior years, but was able to carry over 36,000 acre-feet of unused 2014 State Water Project supplies which will be available for use in 2015. See "—Water Transfer, Storage and Exchange Programs" and "—Storage Capacity and Water in Storage" below.

For calendar year 2015, DWR's initial allocation estimate to State Water Project Contractors was announced on December 1, 2014, as 10 percent of contracted amounts. Due to December 2014 and February 2015 storm runoff and storage in the State's major reservoirs, this allocation was increased on January 15, 2015 to 15 percent of contracted amounts, and increased again on March 2, 2015 to 20 percent, or 382,000 acre-feet. On December 1, 2015, DWR announced that the initial allocation estimate for 2016 is 10 percent of contracted amounts, or 191,150 acre-feet. This allocation reflects a fourth consecutive year of drought, low storage levels in the State's major reservoirs, and federally mandated environmental restrictions which have been imposed upon water deliveries from the Bay Delta, including the biological opinions as discussed below. As in previous dry years, Metropolitan is augmenting these deliveries using withdrawals from its storage programs along the State Water Project and through water transfer and exchange programs. See "METROPOLITAN'S WATER SUPPLY—Water Transfer, Storage and Exchange Programs" in this Appendix A.

State Water Project Operational Constraints. DWR has altered the operations of the State Water Project to accommodate species of fish listed under the federal or California Endangered Species Acts (respectively, the "Federal ESA" and the "California ESA" and, collectively, the "ESAs") and to comply with State Water Resources Control Board ("SWRCB") regulations and decisions. These changes in project operations have adversely affected State Water Project deliveries.

State Water Project operational requirements may be further modified under new biological opinions for listed species under the Federal ESA or by the California Department of Fish and Game's issuance of incidental take authorizations under the California ESA. Additionally, new litigation, listings of additional species or new regulatory requirements could further adversely affect State Water Project operations in the future by requiring additional export reductions, releases of additional water from storage or other operational changes impacting water supply operations. Operational constraints likely will continue until long-term solutions to the problems in the Bay-Delta are identified and implemented. Metropolitan cannot predict the ultimate outcome of any of the litigation or regulatory processes described below but believes they could have a materially adverse impact on the operation of State Water Project pumps, Metropolitan's State Water Project supplies and Metropolitan's water reserves.

Endangered Species Act Considerations

General. The listing of several fish species as threatened or endangered under the ESAs has adversely impacted State Water Project operations and limited the flexibility of the State Water Project. Currently, five species (the winter-run and spring-run Chinook salmon, Delta smelt, North American green sturgeon and Central Valley steelhead) are listed under the ESAs. In addition, on June 25, 2009, the California Fish and Game Commission declared the longfin smelt a threatened species under the California ESA.

The Federal ESA requires that before any federal agency authorizes funds or carries out an action it must consult with the appropriate federal fishery agency 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 the biological opinion the federal fishery agency determines whether the action would cause jeopardy to a threatened or endangered species or adverse modification to critical habitat and recommends reasonable and prudent alternatives or measures that would allow the action to proceed without causing jeopardy or adverse modification. 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.

Delta Smelt and Salmon Federal ESA Biological Opinions. The United States Fish and Wildlife Service released a biological opinion on the impacts of the State Water Project and Central Valley Project on Delta smelt on December 15, 2008. On June 4, 2009, the National Marine Fisheries Service released a biological opinion for salmonid species. These biological opinions on delta smelt and salmonid species contain water supply restrictions that could have a range of impacts on Metropolitan's deliveries from the State Water Project, depending on hydrologic conditions. The impact on total State Water Project deliveries attributable to the Delta smelt and salmonid species biological opinions combined is estimated to be one million acre-feet in an average year, reducing State Water Project deliveries from approximately 3.3 million acre-feet to approximately 2.3 million acre-feet for the year under average hydrology, and are estimated to range from 0.3 million acre-feet during critically dry years to 1.3 million acre-feet in above normal water years. State Water Project deliveries to contractors for calendar years 2008 through 2014 were reduced by a total of approximately 3.0 million acre-feet as a result of pumping restrictions. Pumping restrictions impacting the State Water Project allocation for calendar year 2014 reduced exports by approximately 100,000 acre-feet.

California ESA Litigation. In addition to the litigation under the Federal ESA, other environmental groups sued DWR on October 4, 2006 in the Superior Court of the State of California for Alameda County alleging that DWR was "taking" listed species without authorization under the California ESA. This litigation (*Watershed Enforcers, a project of the California Sportfishing Protection Alliance v. California Department of Water Resources*) requested that DWR be mandated to either cease operation of the State

Water Project pumps, which deliver water to the California Aqueduct, in a manner that results in such “taking” of listed species or obtain authorization for such “taking” under the California ESA. On April 18, 2007, the Alameda County Superior Court issued its Statement of Decision finding that DWR was illegally “taking” listed fish species through operation of the State Water Project export facilities. The Superior Court ordered DWR to “cease and desist from further operation” of those facilities within 60 days unless it obtained take authorization from the California Department of Fish and Game.

DWR appealed the Alameda County Superior Court’s order on May 7, 2007. This appeal stayed the order pending the outcome of the appeal. The Court of Appeal stayed processing of the appeal in 2009 to allow time for DWR to obtain incidental take authorization for the Delta smelt and salmon under the California ESA, based on the consistency of the federal biological opinions with California ESA requirements (“Consistency Determinations”). After the California Department of Fish & Game issued the Consistency Determinations under the California ESA, authorizing the incidental take of both Delta smelt and salmon, appellants DWR and State Water Contractors dismissed their appeals of the *Watershed Enforcers* decision. The Court of Appeal subsequently issued a decision finding that DWR was a “person” under the California ESA and subject to its take prohibitions, which was the only issue left in the case. The State Water Contractors and Kern County Water Agency have filed suit in state court challenging the Consistency Determinations under the California ESA that have been issued for both Delta smelt and salmon. Those lawsuits challenging the Consistency Determinations have been stayed and are awaiting the final rulings in federal court regarding the validity of the Delta smelt and salmon biological opinions. —See “*Delta Smelt and Salmon Federal ESA Biological Opinions*” above.

SWRCB Regulatory Activities. 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.

The WQCP gets reviewed periodically and new standards and allocations of responsibility can be imposed on the State Water Project as a result. The last review was completed in 2006, and current review has been ongoing since approximately 2010.

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 for meeting flow requirements and salinity and other water quality objectives established earlier by the WQCP. In response to the recent drought conditions, DWR and Reclamation requested temporary relief from certain WQCP standards and filed petitions in 2014 and 2015 requesting changes to D-1641 terms that govern outflows and salinity standards in the Bay-Delta. The SWRCB approved temporary urgency changes in the Bay-Delta in 2014 and 2015, enabling water to be conserved in reservoirs in case of continued drought.

Bay-Delta Planning Activities. In 2000, several State and federal agencies released the CALFED Bay Delta Programmatic Record of Decision (“ROD”) and Environmental Impact Report/Environmental Impact Statement (“EIR/EIS”) that outlined a 30-year plan to improve the Delta’s ecosystem, water supply reliability, water quality, and levee stability. The CALFED ROD remains in effect and many of the state, federal, and local projects begun under CALFED continue.

Building on CALFED and other Bay-Delta planning activities, 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.

In 2015, the State and federal lead agencies decided to consider an alternative implementation strategy and new alternatives to the BDCP associated with that strategy. In this alternative approach, DWR and the Bureau of Reclamation would implement planned water conveyance improvements as a stand-alone project termed California WaterFix that would seek incidental take authorization for an unspecified period and would include only limited amounts of habitat restoration. Preliminary cost estimates for this project alternative are approximately \$17 billion. When a decision selecting the final project has been made, costs will be updated and allocated. Metropolitan anticipates that it could bear approximately 25 percent of the costs of the project. A Partially Recirculated Draft EIR/Supplemental Draft EIS for the revised BDCP/California WaterFix alternatives has been circulated for public review. The public comment period ended on October 30, 2015. The final planning documents are expected to be completed in the spring of 2016.

State of California Water Bond. On November 4, 2014, California voters approved a state-wide ballot measure, Proposition 1, which authorized the issuance of up to \$7.545 billion of State of California, General Obligation Bonds. Proposition 1 also enacted the Water Quality, Supply, and Infrastructure Improvement Act of 2014, which provides for the funding of a broad range of water projects. Metropolitan is not able to assess at this time the impact that the water bond measure or the Water Quality, Supply, and Infrastructure Improvement Act of 2014 may have on Metropolitan.

California Water Impact Network Litigation. On September 3, 2010, the California Water Impact Network and two other non-profit organizations filed a petition for writ of mandate and for declaratory and injunctive relief in Sacramento Superior Court against the SWRCB and DWR. The petition alleges that by permitting and carrying out the export of large volumes of water from the Delta through the State Water Project, the SWRCB and DWR have failed to protect public trust fishery resources in the Delta; have been diverting water from the Bay-Delta wastefully and unreasonably in violation of the prohibition against waste and unreasonable use in the California Constitution; and have failed to enforce and comply with water quality and beneficial use standards in D-1641, the 1995 SWRCB Water Quality Control Plan, and the Porter-Cologne Act. Among the relief sought in the petition is an injunction against Bay-Delta exports by the State Water Project pending compliance with the various laws and administrative orders that are alleged to have been violated. The State Water Contractors filed a motion to intervene in this action, which was granted on March 25, 2011. The court has ordered the plaintiffs to include the Bureau of Reclamation as a party. In response, the Bureau of Reclamation has asserted that federal sovereign immunity bars their inclusion in the state court action. If the court determines that the Bureau of Reclamation is an indispensable party, the lawsuit, or portions of it, may be dismissed.

Monterey Agreement Litigation. On May 4, 2010, DWR completed an EIR and concluded a remedial CEQA review for the Monterey Agreement, which reflects the settlement of certain disputes regarding the allocation of State Water Project water. Following DWR's completion of the EIR, three lawsuits were filed challenging the project. Central Delta Water Agency, South Delta Water Agency, California Water Impact Network, California Sportfishing Protection Alliance, and the Center For Biological Diversity filed a lawsuit against DWR in Sacramento County Superior Court challenging the validity of the EIR under CEQA and the validity of underlying agreements under a reverse validation action (the "*Central Delta I*" case). These same plaintiffs filed a reverse validation lawsuit against the Kern County Water Agency in Kern County Superior Court ("*Central Delta II*"). This lawsuit targets a transfer of land from Kern County Water Agency to the Kern Water Bank, which was completed as part of the original Monterey Agreement. The third lawsuit is an EIR challenge brought by Rosedale-Rio Bravo Water Storage District and Buena Vista Water Storage District

against DWR in Kern County Superior Court (“*Rosedale*”). The *Central Delta II* and *Rosedale* cases were transferred to Sacramento Superior Court and the three cases were consolidated for trial.

In January 2013, the Court ruled that the validation cause of action in *Central Delta I* was time barred by the statute of limitations. On October 2, 2014, the court issued its final rulings in *Central Delta I* and *Rosedale*, holding that DWR must complete a limited scope remedial CEQA review addressing the potential impacts of the Kern Water Bank. However, the court’s ruling also allows operation of the State Water Project to continue under the terms of the Monterey Agreement while the remedial CEQA review is prepared and leaves in place the underlying project approvals while DWR prepares the remedial CEQA review. The *Central Delta II* case was stayed pending resolution of the *Central Delta I* case.

The plaintiffs have appealed the decision. Any adverse impact of this litigation and ruling on Metropolitan’s State Water Project supplies cannot be determined at this time.

Colorado River Aqueduct

General. 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 (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 an allotment of 1.5 million acre-feet of Colorado River water annually except in the event of extraordinary drought or serious accident to the delivery system in the United States, in which event the water allotted to Mexico would be curtailed. Mexico also can 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.

The CRA, which is owned and operated by Metropolitan, transports water from the Colorado River approximately 242 miles 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 availability of Colorado River water for delivery to Metropolitan as described below.

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 Arizona, California and Nevada. Under the 1931 priority system that 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. See the table “PRIORITIES UNDER THE 1931 CALIFORNIA SEVEN-PARTY AGREEMENT” below. 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. In addition, a severe drought in the Colorado River Basin reduced storage in system reservoirs, ending the availability of surplus deliveries to Metropolitan. As a result, California has been limited to 4.4 million acre-feet since 2003. Prior to 2003, Metropolitan could divert over 1.25 million acre-feet in any year, but since that time, Metropolitan’s net diversions of Colorado River water have ranged from a low of nearly 633,000 acre-feet in 2006 to a high of approximately 1,176,000 acre-feet in 2014. Projected net diversions of Colorado River water are estimated to be approximately 1.2 million acre-feet in 2015. Average annual net deliveries for 2004 through 2014 were approximately 883,000 acre-feet, with annual volumes dependent primarily on programs to augment supplies, including transfers of conserved water from agriculture. See “—*Quantification Settlement Agreement*” and “—*Interim Surplus Guidelines*” below.

PRIORITIES UNDER THE 1931 CALIFORNIA 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.

Metropolitan has taken steps to augment its share of Colorado River water through agreements with other agencies that have rights to use such water. Under a 1988 water conservation agreement (the "1988 Conservation Agreement") between Metropolitan and the Imperial Irrigation District ("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. In 2015, 107,820 acre-feet of conserved water is being made available by IID to Metropolitan. Under the October 2003 Quantification Settlement Agreement and related agreements, Metropolitan, at the request of Coachella Valley Water District ("CVWD"), forgoes up to 20,000 acre-feet of this water each year for diversion by CVWD. See "*Quantification Settlement Agreement*" below. In 2013 and 2014, CVWD's requests were for 6,693 and 19,795 acre-feet respectively, leaving 98,307 acre-feet in 2013 and 84,305 acre-feet in 2014 for Metropolitan.

Metropolitan and the Palo Verde Irrigation District (“PVID”) signed the program agreement for a Land Management, Crop Rotation and Water Supply Program in August 2004. 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. In March 2009, Metropolitan and PVID entered into a supplemental fallowing program within PVID that provided for the fallowing of additional acreage in 2009 and 2010. In calendar years 2009 and 2010, respectively, 24,100 acre-feet and 32,300 acre-feet of water were saved and made available to Metropolitan under the supplemental program. The following table shows annual volumes of water saved and made available to Metropolitan:

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

<u>Calendar Year</u>	<u>Volume (acre-feet)</u>
2005	108,700
2006	105,000
2007	72,300
2008	94,300
2009*	144,300
2010*	148,600
2011	122,200
2012	73,700
2013	32,750
2014	43,010

Source: Metropolitan.

* Includes water from the supplemental fallowing program that provided for fallowing of additional acreage in 2009 and 2010.

In May 2008, Metropolitan provided \$28.7 million to join the Central Arizona Water Conservation District (“CAWCD”) and the Southern Nevada Water Authority (“SNWA”) in funding 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 and the Bureau of Reclamation refunded approximately \$3.71 million in unused contingency funds to Metropolitan. 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. Besides the additional water supply, the new reservoir adds to the flexibility of Colorado River operations. As of September 1, 2015, Metropolitan had received 35,000 acre-feet of this water, and had 65,000 acre-feet remaining.

In September 2009, Metropolitan authorized participation with SNWA, the Colorado River Commission of Nevada, the CAWCD and the Bureau of Reclamation in the pilot operation of the Yuma Desalting Plant. The Bureau of Reclamation concluded the pilot operation of the Yuma Desalting Plant in March 2011. Metropolitan’s contribution for the funding agreement was \$8,395,313, of which \$1,087,687 was refunded to Metropolitan. Metropolitan’s yield from the pilot run of the project was 24,397 acre-feet. That water is stored in Lake Mead for Metropolitan’s future use.

In November 2012, Metropolitan executed agreements in support of a program to augment Metropolitan’s Colorado River supply from 2013 through 2017 through an international pilot project in Mexico. Metropolitan’s total share of costs will be \$5 million for 47,500 acre-feet of project supplies. The costs will be paid between 2015 and 2017, and the conserved water will be credited to Metropolitan’s intentionally-created surplus water account no later than 2017. See “— *Intentionally-Created Surplus Program*” below. In December 2013, Metropolitan and IID executed an agreement under which IID will pay

half of Metropolitan's program costs, or \$2.5 million, in return for half of the project supplies, or 23,750 acre-feet.

Quantification Settlement Agreement. The Quantification Settlement Agreement ("QSA"), executed by CVWD, IID and Metropolitan in October 2003, establishes Colorado River water use limits for IID and CVWD, and provides for specific acquisitions of conserved water and water supply arrangements for up to 75 years. 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 conserve approximately 96,000 acre-feet annually. As a result, about 80,000 acre-feet of conserved water is delivered to the San Diego County Water Authority ("SDCWA") by exchange with Metropolitan. Metropolitan also takes delivery of 16,000 acre-feet annually that will be made available for the benefit of 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, upon completion of a water rights settlement. Also included under the QSA is the 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. In 2021, the transfer of water conserved annually by IID to SDCWA is expected to reach 205,000 acre-feet. See description below under the caption "*—Sale of Water by the Imperial Irrigation District to San Diego County Water Authority*"; see also "METROPOLITAN REVENUES—Principal Customers" in this Appendix A. With full implementation of the programs identified in the QSA, at times when California is limited to its basic apportionment of 4.4 million acre-feet per year, Metropolitan expects to be able to annually divert to its service area approximately 850,000 acre-feet of Colorado River water plus water from other water augmentation programs it develops, including the PVID program, which provides up to approximately 133,000 acre-feet of water per year. (Amounts of Colorado River water received by Metropolitan in 2004 through 2014 are discussed under the heading "*—Colorado River Aqueduct—General*" above.)

A complicating factor in completing the QSA was the fate of the Salton Sea, an important habitat for a wide variety of fish-eating birds as a stopover spot along the Pacific flyway. Some of these birds are listed as threatened or endangered species under the California and Federal ESAs. Located at the lowest elevations of an inland basin and fed primarily by agricultural drainage with no outflows other than evaporation, the Salton Sea is trending towards hyper-salinity, which has already impacted the Salton Sea's fishery. Without mitigation, the transfer of water from IID to SDCWA, one of the core programs implemented under the QSA, would reduce the volume of agricultural drainage from IID's service area into the Salton Sea, which in turn would accelerate this natural trend of the Salton Sea to hyper-salinity. See "*—Sale of Water by the Imperial Irrigation District to San Diego County Water Authority*" below. In passing legislation to implement the QSA, the Legislature committed the State to undertake restoration of the Salton Sea ecosystem. Restoration of the Salton Sea is subject to selection and approval of an alternative by the Legislature and funding of the associated capital improvements and operating costs. The Secretary for the California Natural Resources Agency submitted an \$8.9 billion preferred alternative for restoration of the Salton Sea to the Legislature in May 2007. While withholding authorization of the preferred alternative, the Legislature has appropriated funds from Proposition 84 to undertake demonstration projects and investigations called for in the Secretary's recommendation. On September 25, 2010, then-Governor Schwarzenegger signed Senate Bill 51, establishing the "Salton Sea Restoration Council" as a state agency in the Natural Resources Agency to oversee restoration of the Salton Sea. The council was directed to evaluate alternative Salton Sea restoration plans and to report to the Governor and the Legislature by June 30, 2013 with a recommended plan. However, Governor Brown's 2012 Reorganization Plan, as modified by budget trailer bill SB 1018 (Leno), Chapter 39, Statutes of 2012, effective December 31, 2012, eliminated the council before it ever met. The QSA implementing legislation also established the Salton Sea Restoration Fund, to be funded in part by payments made by the parties to the QSA and fees on certain water transfers among the parties to the QSA.

Under the QSA agreements Metropolitan agreed to pay \$20 per acre-foot (in 2003 dollars) into the Salton Sea Restoration Fund for any special surplus Colorado River water that Metropolitan receives under the Interim Surplus Guidelines, if available. Metropolitan also agreed to acquire up to 1.6 million acre-feet of water conserved by IID, excluding water transferred from IID to SDCWA (see “—*Sale of Water by the Imperial Irrigation District to San Diego County Water Authority*” below), if such water can be transferred consistent with plans for Salton Sea restoration, at an acquisition price of \$250 per acre-foot (in 2003 dollars), with net proceeds to be deposited into the Salton Sea Restoration Fund. No conserved water has been made available to Metropolitan under this program. As part of an effort to mitigate the effects of the drought in the Colorado River Basin that began in 2000, Metropolitan elected not to take delivery of special surplus Colorado River water that was available from October 2003 through 2004 and from 2006 through 2007. No special surplus water has been available since 2007. Metropolitan may receive credit for the special surplus water payments against future contributions for the Lower Colorado River Multi-Species Conservation Program (see “—*Environmental Considerations*” below). In consideration of these agreements, Metropolitan will not have or incur any liability for restoration of the Salton Sea.

Sale of Water by the Imperial Irrigation District to San Diego County Water Authority. On April 29, 1998, SDCWA and IID executed an agreement (the “Transfer Agreement”) for SDCWA’s purchase from IID of Colorado River water that is conserved within IID. An amended Transfer Agreement, executed as one of the QSA agreements, set the maximum transfer amount at 205,000 acre-feet in 2021, with the transfer gradually ramping up to that amount over an approximately twenty-year period, then stabilizing at 200,000 acre-feet per year beginning in 2023.

No facilities exist to deliver water directly from IID to SDCWA. Accordingly, Metropolitan and SDCWA entered into an 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 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*” above. Metropolitan delivers an equal volume of water from its own sources of supply through portions of its delivery system to SDCWA. The deliveries to both Metropolitan and SDCWA are deemed to be made in equal monthly increments. In consideration for the conserved water made available to Metropolitan by SDCWA, a lower rate is paid by SDCWA for the exchange water delivered by Metropolitan. 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—Wheeling and Exchange Charges” and “—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 and IID are challenging such charges. In 2014, 180,123 acre-feet were delivered by SDCWA for exchange, consisting of 100,000 acre-feet of IID conservation plus 80,123 acre-feet of conserved water from the Coachella Canal and All-American Canal lining projects.

QSA Related Litigation. On November 5, 2003, IID filed a validation action in Imperial County Superior Court, seeking a judicial determination that thirteen agreements associated with the IID/SDCWA water transfer and the QSA are valid, legal and binding. Other lawsuits also were filed contemporaneously challenging the execution, approval and implementation of the QSA on various grounds. All of the QSA cases were coordinated in Sacramento Superior Court. Between early 2004 and late 2009, a number of pre-trial challenges and dispositive motions were filed by the parties and ruled on by the court, which reduced the number of active cases and narrowed the issues for trial, the first phase of which began on November 9, 2009 and concluded on December 2, 2009. One of the key issues in this first phase was the constitutionality of the QSA Joint Powers Agreement, pursuant to which IID, CVWD and SDCWA agreed to commit \$163 million toward certain mitigation and restoration costs associated with implementation of the QSA and related agreements, and the State agreed to be responsible for any costs exceeding this amount. A final judgment was issued on February 11, 2010, in which the trial court held that the State’s commitment was unconditional in nature and, as such, violated the appropriation requirement and debt limitation under the California Constitution. The trial court also invalidated eleven other agreements, including the QSA, because they were

inextricably interrelated with the QSA Joint Powers Agreement. Lastly, the trial court ruled that all other claims raised by the parties, including CEQA claims related to the QSA Programmatic EIR and the IID Transfer Project EIR, are moot.

In March 2010, Metropolitan, IID, CVWD, SDCWA, the State and others filed notices of appeal challenging various aspects of the trial court's ruling. On December 7, 2011, the court of appeal issued its ruling reversing, in part, the trial court's ruling. In particular, the court of appeal held that while the State's commitment to fund mitigation and restoration costs in excess of \$163 million was unconditional, actual payment of such costs was subject to a valid appropriation by the Legislature, as required under the California Constitution. Moreover, the State's commitment did not create a present debt in excess of the State Constitution's \$300,000 debt limit. Thus, the QSA Joint Powers Agreement was held to be constitutional. The court of appeal also rejected other challenges to this agreement, including that it was beyond the State's authority, there was no "meeting of the minds," and there was a conflict of interest. In light of its ruling, the court of appeal remanded the matter back to the trial court for further proceedings on the claims that had been previously dismissed as moot. A two-day bench trial was held on November 13, 2012. On June 4, 2013 the trial court issued its ruling, holding that IID had acted within its authority in executing these agreements and had complied with all substantive and procedural requirements imposed under State law. In addition, the court held that the environmental reviews conducted in support of the QSA and related agreements complied with CEQA and its implementing regulations in all respects. In short, the trial court rejected all of the claims asserted by opponents of the QSA. Parties challenging the QSA appealed and agencies supporting the QSA filed a cross-appeal.

Briefing by the parties to the appeals and cross-appeals was completed in August 2014. However, in late 2014 and early 2015, IID entered into settlement agreements with all of the appellants, resulting in dismissal of their appeals. The cross-appeals were then dismissed as moot, bringing to an end all litigation challenging the QSA and its related agreements.

Navajo Nation Litigation. The Navajo Nation filed litigation against the Department of the Interior, specifically the Bureau of Reclamation and the Bureau of Indian Affairs, in 2003, 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 the adequacy of the environmental review for the Interim Surplus Guidelines (as defined under "*Interim Surplus Guidelines*" below) and seeks 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, CAWCD, State of Arizona and Arizona Department of Water Resources. After years of negotiations, a tentative settlement was proposed in 2012 that would provide the Navajo Nation with specified rights to water from the Little Colorado River and groundwater basins under the reservation, along with federal funding for 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 are now seeking to intervene. On May 16, 2013, the stay of proceedings was lifted. On June 3, 2013, the Navajo Nation moved for leave to file a first amended complaint, which the court granted on June 27, 2013. The amended complaint 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. Metropolitan has used these new guidelines to store over 500,000 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. See "*Intentionally-Created Surplus Program*" below. On July 22, 2014, the district court dismissed the lawsuit in its entirety, ruling that the Navajo Nation lacked standing and that the claim was barred against the federal defendants. The district court denied a motion by the Navajo Nation for leave to amend the complaint further after the dismissal. On September 19, 2014, the Navajo Nation appealed the dismissal of its claims related to the Interim Surplus Guidelines, the Lower Basin Shortage Guidelines, and breach of the federal trust obligation to the tribe. Briefing by the parties was

completed by May 20, 2015. No date for oral argument has been set. Metropolitan is unable to assess at this time the likelihood of success of this appeal or any future claims, or their potential effect on Colorado River water supplies.

Interim Surplus Guidelines. In January 2001, the Secretary of the Interior adopted guidelines (the “Interim Surplus Guidelines”) for use through 2016 in determining if there is surplus Colorado River water available for use in California, Arizona and Nevada. The purpose of the Interim Surplus Guidelines is to provide a greater degree of predictability with respect to the availability and quantity of surplus water through 2016. The Interim Surplus Guidelines were amended in 2007 and now extend through 2026 (see “—*Lower Basin Shortage Guidelines and Coordinated Management Strategies for Lake Powell and Lake Mead*” below).

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, an extended drought in the Colorado River Basin reduced these initial expectations. On May 16, 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 program, SNWA can request that Metropolitan store unused Nevada apportionment in California. The amount of water stored through 2014 under this agreement is approximately 205,000 acre-feet. In subsequent years, SNWA may request recovery of this stored water. As part of a 2012 executed amendment, it is expected that SNWA will not request return of the water stored with Metropolitan before 2022. In October 2015, SNWA and Metropolitan executed an amendment under which MWD will pay SNWA approximately \$44.4 million and SNWA will store an additional 150,000 acre-feet with Metropolitan during 2015. Of that amount, 125,000 acre-feet will be added to SNWA’s storage account with Metropolitan, increasing the total amount of water stored to 330,000 acre-feet. 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 based on the amount of water returned plus inflation. The stored water will allow Metropolitan to have a full water supply from the Colorado River in 2015.

Lower Basin Shortage Guidelines and Coordinated Management Strategies for Lake Powell and Lake Mead. In November 2007, the Bureau of Reclamation issued a Final Environmental Impact Statement (“EIS”) regarding new federal guidelines concerning the operation of the Colorado River system reservoirs. These new 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. 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 drought periods, encourage agencies to develop conservation programs and allow 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.

Intentionally-Created Surplus Program. Metropolitan may store intentionally-created surplus water in Lake Mead under the federal guidelines for operation of the Colorado River system reservoirs described above under the heading “*Lower Basin Shortage Guidelines and Coordinated Management Strategies for Lake Powell and Lake Mead.*” Only “intentionally-created surplus” water (water that has been conserved through an extraordinary conservation measure, such as land fallowing) is eligible for storage in Lake Mead under this program. See the table “Metropolitan’s Water Storage Capacity and Water in Storage” under the heading “—Storage Capacity and Water in Storage” below. The Secretary of the Interior delivers

intentionally-created surplus water to Metropolitan in accordance with the terms of December 13, 2007 and January 6, 2010 Delivery Agreement between the United States and Metropolitan. As of January 2015, Metropolitan had approximately 151,000 acre-feet in its intentionally-created surplus accounts. These surplus accounts are made up of 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 the Yuma Desalting Plant pilot run.

Environmental Considerations. 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 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 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 Metropolitan to obtain federal and state permits 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. Over the 50 year term of the program, the total cost to Metropolitan will be about \$88.5 million (in 2003 dollars), and annual costs will range between \$0.8 million and \$4.7 million (in 2003 dollars).

Quagga Mussel Control Program. In January 2007 quagga mussels were discovered in Lake Mead. Quagga mussels can reproduce quickly and, if left unmanaged, can clog intakes and raw water conveyance systems, alter or destroy fish habitats and affect lakes and beaches. Quagga mussels were introduced in the Great Lakes in the late 1980s. These organisms infest much of the Great Lakes basin, the St. Lawrence Seaway, and much of the Mississippi River drainage system. The most likely source of the quagga mussel infestation in the Colorado River is recreational boats with exposure to water bodies around the Great Lakes. Metropolitan developed a program in 2007 to address the long term introduction of mussel larvae into the CRA from the Lower Colorado River, which is now heavily colonized from Lake Mead through Lake Havasu. The quagga mussel control program consists of surveillance activities and control measures. Surveillance activities are conducted annually in conjunction with regularly scheduled two- to three-week long CRA shutdowns, which have the added benefit of desiccating exposed quagga mussels. Control activities consist of continuous chlorination at Copper Basin, quarterly use of a mobile chlorinator at outlet towers and physical removal of mussels from the trash racks in Lake Havasu. Recent shutdown inspections have demonstrated that the combined use of chlorine and regularly scheduled shutdowns effectively control mussel infestation in the CRA. Metropolitan's costs for controlling quagga mussels are between \$4 million and \$5 million per year.

Water Transfer, Storage and Exchange Programs

General. California's agricultural activities consume approximately 34 million acre-feet of water annually, which is approximately 80 percent of the total water used for agricultural and urban uses and 40 percent of the water used for all consumptive uses, including environmental demands. Voluntary water transfers and exchanges can make a portion of this agricultural water supply available to support the State's urban areas. Such 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. Metropolitan is currently pursuing voluntary water transfer and exchange programs with State, federal, public and private water districts and individuals. The following are summary descriptions of some of these 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. 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. 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. Metropolitan’s current storage account under the Arvin-Edison/Metropolitan Water Management Program is shown in the table “Metropolitan’s Water Storage Capacity and Water in Storage” under the heading “—Storage Capacity and Water in Storage” below.

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 44,700 acre-feet of water and the maximum annual yield is 236,200 acre-feet of water depending on the available unused capacity and the State Water Project allocation. Metropolitan’s current storage account under the Semitropic program is shown in the table “Metropolitan’s Water Storage Capacity and Water in Storage” under the heading “—Storage Capacity and Water in Storage” below.

California Aqueduct Dry-Year Transfer Program. Through agreements with the Kern Delta Water District, the Mojave Water Agency and the San Bernardino Valley Municipal Water District (“SBVMWD”), the California Aqueduct Dry-Year Transfer Program insures against regulatory and operational uncertainties in the State Water Project system that could impact the reliability of existing supplies. The total potential yield from the three agreements is approximately 80,000 acre-feet of water per year when sufficient water is available.

Metropolitan entered into an agreement with SBVMWD in April 2001 to coordinate the use of facilities and State Water Project water supplies. The agreement allows Metropolitan a minimum purchase of 20,000 acre-feet on an annual basis with the option to purchase additional water when available. The program includes 50,000 acre-feet of storage capacity for the carryover of water purchased from SBVMWD. In addition to water being supplied using the State Water Project, the previously stored water can be returned using an interconnection between the San Bernardino Central Feeder and Metropolitan’s Inland Feeder. On October 14, 2014, the Board approved the extension of this agreement to December 31, 2035 and a one-time exchange of up to 11,000 acre-feet.

Metropolitan entered into an agreement with Kern Delta Water District on May 27, 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 permit Metropolitan, at Metropolitan’s option, a return of up to 50,000 acre-feet of water annually during hydrologic and regulatory droughts.

Additionally, Metropolitan entered into a groundwater banking and exchange transfer agreement with Mojave Water Agency on October 29, 2003. This agreement was amended in 2011 to allow for the cumulative storage of up to 390,000 acre-feet. The agreement allows for Metropolitan to store water in an exchange account for later return. Through 2021, and when the State Water Project allocation is 60 percent or less, Metropolitan can annually withdraw the Mojave Water Agency’s State Water Project contractual amounts in excess of a 10 percent reserve. When the State Water Project allocation is over 60 percent, the reserved amount for Mojave’s local needs increases to 20 percent. Under a 100 percent allocation, the State Water Contract provides Mojave Water Agency 82,800 acre-feet of water. Metropolitan’s current storage

account under these programs is shown in the table "Metropolitan's Water Storage Capacity and Water in Storage" under the heading "—Storage Capacity and Water in Storage" below.

Other Water Purchase, Storage and Exchange Programs in the San Joaquin and Sacramento Valleys. 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 cases discussed above under the heading "—State Water Project—*Endangered Species Act Considerations.*" In addition, in the fall of 2008 DWR convened the State Drought Water Bank (the "Drought Water Bank") as a one-year program to help mitigate water shortages in 2009. During 2009, Metropolitan purchased 36,900 acre-feet of Central Valley Water supplies through the Drought Water Bank, resulting in approximately 29,000 acre-feet of water deliveries after accounting for carriage and conveyance losses. In calendar year 2010, Metropolitan participated with other State Water Contractors as a group to purchase 88,137 acre-feet of water, resulting in approximately 68,000 acre-feet of deliveries to Metropolitan after carriage and conveyance losses. Additionally during 2010, Metropolitan entered into two transactions with the Westlands Water District and the San Luis Water District, neither of which is subject to carriage losses. Under the first transaction, Metropolitan purchased 18,453 acre-feet of water. In the second, Metropolitan accepted delivery of 110,692 acre-feet of water stored in the San Luis Reservoir, a joint use facility of the State Water Project and federal Central Valley Project, and returned two-thirds of that amount from Metropolitan's State Water Project supply in 2011 for a net yield of approximately 37,000 acre-feet. In 2015, Metropolitan participated with other State Water Contractors to purchase up to 20,340 acre-feet. Metropolitan's projected share of these supplies is up to 12,755 acre-feet, which would be subject to carriage losses resulting in deliveries of up to 10,204 acre-feet to Metropolitan.

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. 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 water made available. Metropolitan's agreement allows Metropolitan to purchase, in dry years through 2025, available water supplies, which have ranged from approximately 10,000 acre-feet to 67,068 acre-feet per year. The agreement permits YCWA to transfer additional supplies at its discretion. For calendar years 2008, 2009 and 2010, Metropolitan purchased 26,430 acre-feet, 42,915 acre-feet and 67,068 acre-feet of water, respectively, from YCWA under this program. No purchases were made in calendar years 2011 and 2012, due to favorable water supply conditions. In calendar years 2013 and 2014, Metropolitan purchased 10,209 acre-feet and approximately 11,000 acre-feet, respectively. Metropolitan's projected share of YCWA transfer supplies in 2015 is 8,192 acre-feet, which would be subject to carriage losses resulting in deliveries of up to 6,554 acre-feet to Metropolitan.

In 2013, in response to dry conditions, DWR established a new Multi-Year Water Pool Demonstration Program to allow two-year sales of State Water Project supplies between State Water Project Contractors. In 2013 and 2014, Metropolitan purchased 30,000 acre-feet and zero acre-feet of these supplies, respectively. DWR is administering a Multi-Year Water Pool during 2015 and 2016 because of continuing dry conditions. In 2015 Metropolitan purchased 1,374 acre-feet, which is not subject to carriage losses. The amount of water available for purchase in 2016 is not yet known.

Metropolitan/CVWD/Desert Water Agency Exchange and Advance Delivery Agreement. Metropolitan has agreements with the CVWD and the Desert Water Agency ("DWA") in which Metropolitan exchanges its Colorado River water for those agencies' State Water Project contractual water on an annual basis. Because DWA and CVWD do not have a physical connection to the State Water Project, Metropolitan

takes delivery of DWA's and CVWD's State Water Project supplies and delivers a like amount of Colorado River water to the agencies. In accordance with an advance delivery agreement executed by Metropolitan, CVWD and DWA, Metropolitan has delivered Colorado River water in advance 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 has the option to meet the exchange delivery obligation through drawdowns of the advance delivery account, rather than deliver its Colorado River supply. Metropolitan's current storage account under the CVWD/DWA program is shown in the table "Metropolitan's Water Storage Capacity and Water in Storage" under the heading "—Storage Capacity and Water in Storage" below. In addition to the CVWD/DWA exchange agreements, Metropolitan has entered into separate agreements with CVWD and DWA for delivery of non-State Water Project supplies acquired by CVWD or DWA. Similarly, Metropolitan takes delivery of these supplies from State Water Project facilities and incurs an exchange obligation to CVWD or DWA. From 2008 through 2014, Metropolitan has received a net additional supply of 61,965 acre-feet of water acquired by CVWD and DWA.

Other Agreements. Metropolitan is entitled to storage and access to stored water in connection with various storage programs and facilities. See "METROPOLITAN'S WATER SUPPLY—Colorado River Aqueduct" and "REGIONAL WATER RESOURCES—Local Water Supplies—*Conjunctive Use*" in this Appendix A, as well as the table "Metropolitan's Water Storage Capacity and Water in Storage" under the heading "—Storage Capacity and Water in Storage" below.

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 5.83 million acre-feet. In 2014, approximately 626,000 acre-feet of stored water was emergency storage that was reserved for use in the event of supply interruptions from earthquakes or similar emergencies (see "METROPOLITAN'S WATER DELIVERY SYSTEM—Seismic Considerations" in this Appendix A), as well as extended drought. Metropolitan's emergency storage requirement is established periodically to provide a six-month water supply at 75 percent of member agencies retail demand under normal hydrologic conditions. 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 "—State Water Project—*Endangered Species Act Considerations*" above. Metropolitan replenishes its storage accounts when imported supplies exceed demands. 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. Historically, excess supplies have been available in about seven of every ten years. Metropolitan forecasts that, with anticipated supply reductions from the State Water Project due to pumping restrictions, it will need to draw down on storage in about seven of ten years and will be able to replenish storage in about three years out of ten. This reduction in available supplies extends the time required for storage to recover from drawdowns and could require Metropolitan to implement its Water Supply Allocation Plan during extended dry periods.

As a result of increased State Water Project supplies and reduced demands from 2010 to 2012, Metropolitan rebuilt its storage after several years of withdrawals to approximately 3.375 million acre-feet, including emergency storage. This was the highest end-of-year total water reserves in Metropolitan's history. In 2013, Metropolitan drew 407,000 acre-feet from storage to meet demands, reducing overall storage to 2.968 million acre-feet. Metropolitan withdrew approximately 1.2 million acre-feet from storage in 2014 and 2014 year-end overall storage was approximately 1.8 million acre-feet. The following table shows three years of Metropolitan's water in storage as of January 1, including emergency storage. Approximately 127 thousand acre-feet were withdrawn from storage reserves in the first six months of 2015, leaving 1.72 million acre-feet in storage reserves as of July 1, 2015. Metropolitan staff estimates that the overall storage reserve level as of December 31, 2015 will be about 1.5 million acre-feet.

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

<u>Water Storage Resource</u>	<u>Storage Capacity</u>	<u>Water in Storage January 1, 2015</u>	<u>Water in Storage January 1, 2014</u>	<u>Water in Storage January 1, 2013</u>
<u>Colorado River Aqueduct</u>				
Desert / CVWD Advance Delivery Account	800,000	249,000	260,000	321,000
Lake Mead ICS	<u>1,500,000</u>	<u>151,000</u>	<u>474,000</u>	<u>580,000</u>
Subtotal	2,300,000	400,000	734,000	901,000
<u>State Water Project</u>				
Arvin-Edison Storage Program	350,000	165,000	180,000	220,000
Semitropic Storage Program	350,000	186,000	238,000	285,000
Kern Delta Storage Program	250,000	152,000	169,000	179,000
San Bernardino Valley MWD				
Coordinated Operating Agreement	50,000	-0-	-0-	-0-
Mojave Storage Program	390,000 ⁽⁵⁾	39,000	39,000	60,000
Castaic Lake and Lake Perris ⁽²⁾	219,000	-0-	219,000	219,000
Metropolitan Article 56 Carryover ⁽³⁾	200,000 ⁽⁶⁾	36,000	49,000	156,000
Other State Water Project Carryover ⁽⁴⁾	n/a	-0-	174,000	124,000
Emergency Storage	<u>334,000</u>	<u>328,000</u>	<u>334,000</u>	<u>334,000</u>
Subtotal	2,143,000	906,000	1,402,000	1,577,000
<u>Within Metropolitan's Service Area</u>				
Diamond Valley Lake	810,000	394,000	584,000	690,000
Lake Mathews	182,000	78,000	139,000	102,000
Lake Skinner	<u>44,000</u>	<u>30,000</u>	<u>36,000</u>	<u>38,000</u>
Subtotal⁽⁷⁾	1,036,000	502,000	759,000	830,000
<u>Member Agency Storage Programs</u>				
Cyclic Storage, Conjunctive Use, and Supplemental Storage	<u>352,000</u>	<u>28,000</u>	<u>73,000</u>	<u>67,000</u>
Total	<u>5,831,000</u>	<u>1,836,000</u>	<u>2,968,000</u>	<u>3,375,000</u>

Source: Metropolitan.

- (1) Water storage capacity and water in storage are measured based on engineering estimates and are subject to change.
- (2) Flexible storage allocated to Metropolitan under its State Water Contract. Withdrawals must be returned within 5 years.
- (3) Article 56 Carryover storage capacity is dependent on the annual State Water Project allocation, which varies from year to year. Article 56 supplies represent water that is allocated to a State Water Project contractor in a given year and carried over to the next year pursuant to the State Water Contract.
- (4) Includes Article 56 Carryover from prior years, non-project carryover, and carryover of curtailed deliveries pursuant to Article 14(b) of Metropolitan's State Water Contract.
- (5) The Mojave Storage Program agreement was amended in 2011 to allow for cumulative storage of up to 390,000 acre-feet.
- (6) Metropolitan's State Water Project carryover capacity ranges from 100,000 to 200,000 acre-feet, on a sliding scale that depends on the final State Water Project allocation. At allocations of 50 percent or less, Metropolitan may store 100,000 acre-feet, and at allocations of 75 percent or greater, Metropolitan may store up to 200,000 acre-feet. For the purposes of this table, the highest possible carryover capacity is displayed.
- (7) Includes 292,000 acre-feet of emergency storage in Metropolitan's reservoirs in 2013 and 2014, and 298,000 acre-feet in 2015.

Water Conservation

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 drought conditions in the State Water Project watershed and court-ordered restrictions on Bay-Delta pumping, as described under “—State Water Project” above. Water conservation is an integral component of Metropolitan’s IRP Strategy, WSDM plan and Water Supply Allocation Plan, each described in this Appendix A under “METROPOLITAN’S WATER SUPPLY.”

Metropolitan’s conservation program has largely been developed to assist its member agencies in meeting the “best management practices” (“BMP”) of the California Urban Water Conservation Council’s Memorandum of Understanding Regarding Urban Water Conservation in California (“CUWCC MOU”) and to meet the conservation goals of the 2010 IRP Update. See “—Integrated Water Resources Plan” above. Under the terms of the CUWCC MOU and Metropolitan’s Conservation Credits Program, Metropolitan assists and co-funds member agency conservation programs designed to achieve greater water use efficiency in residential, commercial, industrial, institutional and landscape uses. Metropolitan uses its Water Stewardship Rate, which is charged for every acre-foot of water conveyed by Metropolitan, together with available grant funds, to fund conservation incentives and other water management programs. All users of Metropolitan’s system benefit from the system capacity made available by investments in demand management programs like the Conservation Credits Program. See “METROPOLITAN REVENUES—Rate Structure—*Water Stewardship Rate*” in this Appendix A. Direct spending by Metropolitan on active conservation incentives, including rebates for water-saving plumbing fixtures, appliances and equipment, from fiscal year 1989-90 through fiscal year 2014-15 was about \$487 million. On May 26, 2015, the Board approved an additional \$350 million for Metropolitan’s conservation budget, resulting in total funding of \$450 million over fiscal years 2014-15 and 2015-16. As of September 2015, \$104 million was rebated and an additional \$143 million has been committed to the turf replacement program. The 2010 Integrated Water Resources Plan Update estimates that 1,037,000 acre-feet of water will be conserved annually in southern California by 2025. See “—Integrated Water Resources Plan” and “—Drought Response Actions” above.

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” below. Conservation and water efficiency programs are part of Metropolitan’s resource management strategy which makes up these Surplus and Shortage actions.

Metropolitan’s plan for allocation of water supplies in the event of shortage (the “Water Supply Allocation Plan”; see “—Water Supply Allocation Plan” below) 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. Metropolitan’s member agencies and retail water suppliers in Metropolitan’s service area also have the ability to 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 Water Supply Allocation Plan is evidenced as a contributing factor in the lower than budgeted water sales during fiscal years 2009-10, 2010-11 and 2011-12.

Legislation approved in November 2009 sets a statewide conservation target for urban per capita water use of 20 percent reductions by 2020 (with credits for existing conservation) at the retail level, providing an additional catalyst for conservation by member agencies and retail suppliers. Metropolitan’s water sales projections incorporate an estimate of conservation savings that will reduce retail demands. Current projections include an estimate of additional water use efficiency savings that would result from local agencies reducing their per capita water use in response to the 20 percent by 2020 conservation savings goals required by recent legislation as well as an estimate of additional conservation that would have to occur to reach Metropolitan’s IRP goal of reducing overall regional per capita water use by 20 percent by 2020.

Water Surplus and Drought Management Plan

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

The Water Supply Allocation Plan was approved by Metropolitan's Board in February 2008 and has since been implemented three times, including the most recent 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. 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"), 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.

On December 9, 2014, the Board approved adjustments to the formula for calculating member agency supply allocations for future implementation of the Water Supply Allocation Plan. On April 14, 2015, the Board declared a Water Supply Condition 3 and the implementation of the Water Supply Allocation Plan at a Level 3 Regional Shortage Level, effective July 1, 2015 through June 30, 2016. See "—Drought Response Actions" above. Implementation of the Water Supply Allocation Plan at a Level 3 Regional Shortage Level, and response to the Governor's Order (see "—Drought Response Actions" above) is anticipated to reduce supplies delivered by Metropolitan to Metropolitan's member agencies to approximately 1.6 million acre-feet in fiscal year 2015-16.

REGIONAL WATER RESOURCES

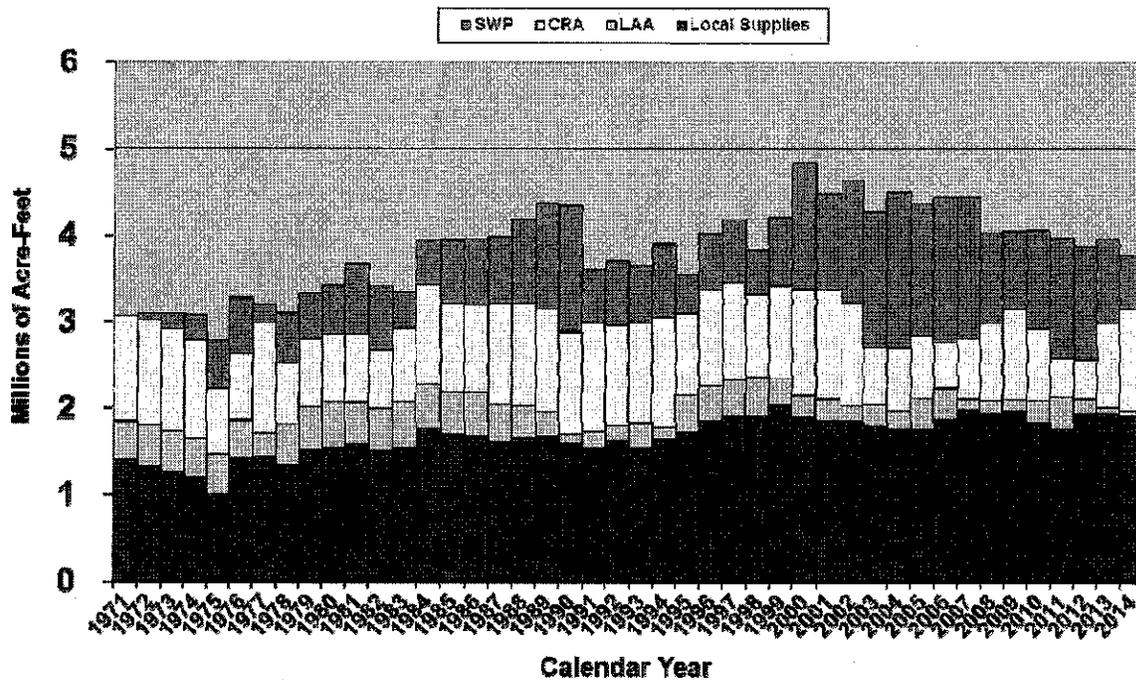
The water supply for Metropolitan's service area is provided in part by Metropolitan and in part by non-Metropolitan sources available to members. Approximately 60 percent of the water supply for Metropolitan's service area is imported water received by Metropolitan from the CRA and the State Water Project and by the City of Los Angeles (the "City") from the Los Angeles Aqueduct. While the City is one of the largest water customers of Metropolitan, it receives a substantial portion of its water from the Los Angeles Aqueduct and local groundwater supply. The balance of water within the region is produced locally, primarily from groundwater supplies and runoff.

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. 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 "METROPOLITAN'S WATER SUPPLY—Water Conservation" in this Appendix A and "—Local Water Supplies" below. Consumer demand and locally supplied water vary from year to year, resulting in variability in water sales. Future reliance on Metropolitan supplies will be dependent, among other things, on local projects and the amount of water, if any, that may be derived from sources other than Metropolitan. 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.” For information on Metropolitan’s water sales 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 the years 1971 to 2014. Local supplies available within Metropolitan’s service area are augmented by water imported by the City through the Los Angeles Aqueduct and Metropolitan supplies provided through the CRA and State Water Project.

Sources of Water Supply in the Metropolitan Service Area (1971-2014)



Source: Metropolitan.

The major sources of water for Metropolitan’s member agencies in addition to supplies provided by Metropolitan are described below.

Los Angeles Aqueduct

The City, 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. Prior to the 1990-1991 drought, the City had imported an average of 440,000 acre-feet of water annually from the combined Owens Valley/Mono Basin system, of which about 90,000 acre-feet came from the Mono Basin. Under the Mono Lake Basin Water Right Decision (Decision 1631) issued in September 1994, which revised LADWP’s water rights licenses in the Mono Basin, the City is limited to export 16,000 acre-feet annually from the Mono Basin until it reaches its target elevation of 6,391 feet above mean sea level.

Pursuant to the City’s turnout agreement with DWR, Antelope Valley-East Kern Water Agency (“AVEK”) and Metropolitan, LADWP commenced construction in 2010 of the turnout facilities along the California Aqueduct within AVEK’s service area. Upon completion, expected in 2016, the turnout will

enable delivery of water from the California Aqueduct to the Los Angeles Aqueduct. Conditions precedent to such delivery of water include obtaining agreements for the transfer of non-State Water Project water directly from farmers, water districts or others in Northern and Central California, available capacity in the California Aqueduct and compliance with State Water Project water quality requirements. The agreement allows for use of the turnout for delivery of non-State Water Project water to the City in amounts not to exceed the supplies lost to the City as a result of its Eastern Sierra environmental obligations.

Historically, the Los Angeles Aqueduct and local groundwater supplies have been nearly sufficient to meet the City's water demands during normal water supply years. As a result, prior to the 1990-1991 drought, only about 13 percent of the City's water needs (approximately 82,000 acre-feet) were supplied by Metropolitan. From fiscal year 2000-01 to fiscal year 2014-15, approximately 31 to 75 percent of the City's total water requirements were met by Metropolitan. For the five fiscal years ended June 30, 2015, the City's water deliveries from Metropolitan averaged approximately 314,000 acre-feet per year, which constituted approximately 57 percent of the City's total water supply. Deliveries from Metropolitan to the City during this period varied between approximately 166,000 acre-feet per year and approximately 442,000 acre-feet per year. See "METROPOLITAN REVENUES—Principal Customers" in this Appendix A. According to LADWP's Year 2010 Urban Water Management Plan, the City is planning to increase locally-developed supplies including recycled water, new conservation, stormwater capture and local groundwater from the average for the five-year period ending June 30, 2010 of 12 percent to 43 percent of its normal year supplies by fiscal year 2034-35. Accordingly, the City's reliance on Metropolitan supplies will decrease from the five year average ending June 30, 2010 of 52 percent to 24 percent of its normal year supplies by fiscal year 2034-35. However, the City may still purchase up to 511,000 acre-feet per year or 82 percent of its dry year supplies from Metropolitan until 2035. This corresponds to an increase from normal to dry years of approximately 257,000 acre-feet in potential demand for supplies from Metropolitan.

LADWP analyzed the additional impacts to the Los Angeles Aqueduct's water supply deliveries for various environmental projects aimed at improving air quality and fish and riparian habitat in the Owens Valley. LADWP reports that, in 2013, 62 percent of its Los Angeles Aqueduct water was devoted to dust and environmental mitigation projects in the Owens Valley and Eastern Sierra, resulting in the need to purchase an equivalent amount of Metropolitan supply. In November 2014, LADWP reached an agreement over implementation of dust control measures on Owens Lake, which is expected to save nearly 8,600 acre-feet of water in 2015 and expand water savings in the future.

Local Water Supplies

Local water resources include groundwater production, recycled water production and diversion of surface flows. While local water resources are non-Metropolitan sources of water supply, Metropolitan has executed agreements for storage of Metropolitan supplies in local groundwater basins and provided incentives for local supply development. Metropolitan's primary incentive program for local supply development is the Local Resource Program ("LRP"), which provides financial incentives up to \$340 per acre-foot of water production from local water recycling, groundwater recovery and seawater desalination projects. Member agencies and other local agencies have also independently funded and developed additional local supplies, including groundwater storage and clean-up, recycled water and desalination of brackish or high salt content water.

Metropolitan's water sales projections are based in part on projections of locally-supplied water. Projections of future local supplies are based on estimated yields from sources and projects that are currently producing water or are under construction at the time a water sales projection is made. Additional reductions in Metropolitan's water sales projections are made to account for future local supply augmentation projects, based on the 2010 IRP Update goals. See "MANAGEMENT'S DISCUSSION OF HISTORICAL AND PROJECTED REVENUES AND EXPENSES—Water Sales Projections" and "METROPOLITAN'S WATER SUPPLY—The Integrated Water Resources Plan" in this Appendix A.

Groundwater. Demands for about 1.5 million acre-feet per year, about one-third of the annual water demands for approximately 18.5 million residents of Metropolitan's service area, are met from groundwater production. Local groundwater supplies are supported by recycled water, which is blended with imported water and recharged into groundwater basins, and also used for creating seawater barriers that protect coastal aquifers from seawater intrusion.

Groundwater Storage Programs. Metropolitan has executed agreements with a number of agencies to develop groundwater storage projects in its service area. These projects are designed to help meet the water delivery reliability goals of storing surplus imported supplies when available so that local agencies can withdraw stored groundwater during droughts or other periods of water supply shortage. In 2000, Metropolitan was allocated \$45 million in State Proposition 13 bond proceeds to develop groundwater storage projects in Metropolitan's service area. The nine projects provide about 210,000 acre-feet of groundwater storage and have a combined extraction capacity of about 70,000 acre-feet per year. During fiscal year 2008-09, over 70,000 acre-feet of stored water was produced and sold from these storage accounts. Fiscal year 2009-10 sales from the nine accounts totaled nearly 41,000 acre-feet, leaving a balance of approximately 26,000 acre-feet in the storage accounts. Metropolitan began refilling the programs in fiscal year 2010-11. As of June 2015, the balance in the nine accounts was approximately 20,000 acre-feet. Metropolitan called the remaining acre-feet to be produced from these storage accounts during the 12-month period from July 2015 through June 2016. See table "Metropolitan's Water Storage Capacity and Water in Storage" under "METROPOLITAN'S WATER SUPPLY—Storage Capacity and Water in Storage" in this Appendix A.

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 production and treatment of degraded groundwater since 1991. Metropolitan has executed agreements with local agencies to provide financial incentives to 24 projects that recover contaminated groundwater with total contract yields of about 112,500 acre-feet per year. During fiscal year 2014-15, Metropolitan provided incentives for approximately 48,600 acre-feet of recovered water under these agreements. Total groundwater recovery use under executed agreements is expected to grow to 88,000 acre-feet in 2020.

Surface Runoff. Local surface water resources consist of runoff captured in storage reservoirs and diversions from streams. Since 1980, agencies have used an average of 116,000 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 188,000 acre-feet in calendar year 1998 to a low of 65,000 acre-feet in calendar year 2003.

Conjunctive Use. Conjunctive use is accomplished when groundwater basins are used to store imported supplies during water abundant periods. The stored water is used during shortages and emergencies with a corresponding reduction in surface deliveries to the participating agencies. Regional benefits include enhancing Metropolitan's ability to capture excess surface flows during wet years from both the State Water Project and Colorado River. Groundwater storage is accomplished using spreading basins, injection wells, and in-lieu deliveries where imported water is substituted for groundwater, and the groundwater not pumped is considered stored water.

Metropolitan has promoted conjunctive use at the local agency level under its Replenishment Service Program by discounting rates for imported water placed into groundwater or reservoir storage during wet months. The discounted rate and program rules encouraged construction of additional groundwater production facilities allowing local agencies to be more self-sufficient during shortages. (See "*Groundwater Storage Programs*" above.) In calendar year 2006, Metropolitan delivered approximately 247,000 acre-feet of water as replenishment water. In calendar year 2007, Metropolitan delivered approximately 46,000 acre-feet of water as replenishment water through May 1, 2007 then discontinued such deliveries until May 10, 2011 when Metropolitan's Board authorized sale of up to 225,000 acre-feet of discounted replenishment service deliveries to member agencies for the remainder of calendar year 2011. In calendar year 2011,

Metropolitan delivered approximately 225,000 acre-feet of this discounted replenishment water. No replenishment sales were budgeted for fiscal year 2012-13 and thereafter. The Replenishment Service Program was discontinued effective December 31, 2012. See "METROPOLITAN REVENUES—Classes of Water Service—*Replenishment*" and "MANAGEMENT'S DISCUSSION OF HISTORICAL AND PROJECTED REVENUES AND EXPENSES—Water Sales Projections" in this Appendix A.

Recycled Water. 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. Metropolitan has executed agreements with local agencies to provide financial incentives to 75 recycled water projects with total contract yields of about 306,400 acre-feet per year. During fiscal year 2014-15, Metropolitan provided incentives for approximately 184,500 acre-feet of reclaimed water under these agreements. Total recycled water use under executed agreements is expected to be approximately 166,000 acre-feet by 2020.

Seawater Desalination. Metropolitan's IRP includes seawater desalination as a core local supply and supports foundational actions to lay the groundwork for accelerating seawater desalination development as needed in the future. To encourage local development, Metropolitan has signed Seawater Desalination Program ("SDP") incentive agreements with three of its member agencies: Long Beach, Municipal Water District of Orange County ("MWDOC") and West Basin Municipal Water District. The SDP agreements provide incentives to the member agencies of up to \$250 per acre-foot when the desalinated supplies are produced. Agreement terms are for the earlier of 25 years or through 2040 and are designed to phase out if Metropolitan's rates surpass the unit cost of producing desalinated seawater. SDP agreements are subject to final approval by Metropolitan's Board after review of the complete project description and environmental documentation. These projects are currently in the development phase and collectively are anticipated to produce up to 46,000 acre-feet annually. In addition, in October 2014, seawater desalination projects became eligible for funding under Metropolitan's Local Resources Program.

In November 2012, SDCWA approved a water purchase agreement with Poseidon Resources LLC ("Poseidon Resources") for a seawater desalination project in Carlsbad (the "Carlsbad Project") to provide a minimum of 48,000 acre-feet and a maximum of 56,000 acre-feet of desalinated supplies to SDCWA per year. The Carlsbad Project is anticipated to be completed by the end of 2015.

Other seawater desalination projects that could provide supplies to Metropolitan's service area are under development or consideration. Poseidon Resources is developing a 56,000 acre-feet per year plant in Huntington Beach which is currently in the permitting phase. SDCWA is studying the potential for a seawater desalination plant in Camp Pendleton which would initially produce up to 56,000 acre-feet per year and potentially up to 168,000 acre-feet per year with a phased build out. Otay Water District, located in San Diego County along the Mexico border, is considering the feasibility of purchasing water from a privately-developed seawater desalination project in Rosarito Beach, Mexico. The 56,000 to 112,000 AFY project is in the pilot testing phase, and could also supply Metropolitan's service area through exchange agreements. Approvals from a number of U.S. and Mexican federal agencies, along with State and local approvals, would be needed for the cross-border project to proceed.

METROPOLITAN'S WATER DELIVERY SYSTEM

Method of Delivery

Metropolitan's water delivery system is made up of three basic components: the CRA, the California Aqueduct of the State Water Project and Metropolitan's internal 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. Current system expansion and other improvements will be 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. Accordingly, 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.

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 of the components of the CRA, which include five pump plants, 64 miles of canal, 92 miles of tunnels, 55 miles of concrete conduits 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. State Water Project facilities are owned and operated by DWR. Twenty-nine agencies have entered into contracts with DWR to receive water from the State Water Project. See "METROPOLITAN'S WATER SUPPLY—State Water Project" in this Appendix A.

Internal Distribution System. Metropolitan's internal water distribution system includes components that were built beginning in the 1930s and through the present. Metropolitan owns all of these components, including 14 dams and reservoirs, five regional treatment plants, over 800 miles of transmission pipelines, feeders and canals, and 16 hydroelectric plants with an aggregate capacity of 131 megawatts.

Diamond Valley Lake. Diamond Valley Lake, a man-made reservoir located southwest of the city of Hemet, California, covers approximately 4,410 acres and has capacity to hold approximately 810,000 acre-feet or 265 billion gallons of water. Diamond Valley Lake was constructed to serve approximately 90 percent of Metropolitan's service area by gravity flow. 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 and the CRA during summer months, droughts and emergencies. In addition, Diamond Valley Lake is capable of providing more than one-third of Southern California's water needs from storage for approximately six months after a major earthquake (assuming that there has been no impairment of Metropolitan's internal distribution network). See the table "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. 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.

Inland Feeder. The Inland Feeder is a 44-mile-long conveyance system that connects the State Water Project to Diamond Valley Lake and the CRA. 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 from the East Branch of the State Water Project by 1,000 cubic feet per second, allowing the East Branch to operate up to its full capacity. Construction of the Inland Feeder was completed in September 2009 at a total cost of \$1.14 billion.

Operations Control Center. Metropolitan's water conveyance and distribution system operations are coordinated from the Operations Control Center ("OCC") located in the Eagle Rock area of Los Angeles. 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 Treatment

Metropolitan filters and disinfects water at five water treatment plants: the F.E. Weymouth Treatment Plant, the Joseph Jensen Treatment Plant, the Henry J. Mills Treatment Plant, the Robert B. Diemer Treatment Plant and the Robert A. Skinner Treatment Plant. The plants treat an average of between 0.9 billion and 1.2 billion gallons of water per day, and have a maximum capacity of approximately 2.6 billion gallons per day. Approximately 55 percent of Metropolitan's water deliveries are treated water.

Federal and state regulatory agencies continually monitor and establish new water quality standards. New water quality standards could affect availability of water and impose significant compliance costs on Metropolitan. The Safe Drinking Water Act ("SDWA") was amended in 1986 and again in 1996. The SDWA establishes drinking water quality standards, monitoring, public notification and enforcement requirements for public water systems. To achieve these objectives, the U.S. Environmental Protection Agency ("USEPA"), as the lead regulatory authority, promulgates national drinking water regulations and develops the mechanism for individual states to assume primary enforcement responsibilities. For the first time in more than 30 years, the USEPA recently revised the federal Water Quality Standards ("WQS") regulation that helps to implement the Clean Water Act ("CWA"). As a result of the WQS changes, states and authorized tribes may need to consider and implement new provisions, or revise existing provisions, in their WQS. Also, WQS may be used in determining National Pollutant Discharge Elimination System permit limits or in implementing other CWA programs. The revised WQS regulation became effective on October 20, 2015. The SWRCB Division of Drinking Water ("DDW") has lead authority over California water agencies. Metropolitan continually monitors new water quality laws and regulations and frequently comments on new legislative proposals and regulatory rules.

Seismic Considerations

General. Although the magnitude of damages resulting from a significant seismic event are impossible to predict, Metropolitan's water conveyance and distribution facilities are designed to either withstand a maximum probable seismic event or to minimize the potential repair time in the event of damage. The five pumping plants on the CRA have been buttressed to better withstand seismic events. Other components of the CRA are monitored for any necessary rehabilitation and repair. Metropolitan personnel and independent consultants periodically reevaluate the internal water distribution system's vulnerability to earthquakes. As facilities are evaluated and identified for seismic retrofitting, they are prioritized, with those facilities necessary for delivering or treating water scheduled for upgrade before non-critical facilities. However, major portions of the California Aqueduct and the CRA are located near major earthquake faults, including the San Andreas Fault. A significant earthquake could damage structures and interrupt the supply of water, adversely affecting Metropolitan's revenues and its ability to pay its obligations. Therefore, emergency supplies are stored for use throughout Metropolitan's service area, and a six-month reserve supply of water normally held in local storage (including emergency storage in Diamond Valley Lake) provides reasonable assurance of continuing water supplies during and after such events.

Metropolitan has an ongoing surveillance program that monitors the safety and structural performance of its 14 dams and reservoirs. 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 the horizontal and vertical movements for each dam. Major on-site inspections are performed at least twice each year. Instruments that transmit seismic acceleration time histories for analysis any time a dam is subjected to strong motion during an earthquake are located at a number of selected sites.

In addition, Metropolitan has developed an emergency plan that calls for specific levels of response 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 40 employees are designated to respond immediately under certain identifiable seismic events. An emergency

operations center is maintained at the OCC. The OCC, which is 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, DWR, other utilities and the State's Office of Emergency Services.

Metropolitan also maintains machine, fabrication and coating shops at its facility in La Verne, California. Several construction contracts have been completed over the last few years to upgrade and expand these shops. A total of nearly \$37 million has been invested to enhance Metropolitan's capacity to not only provide fabrication and coating services for planned rehabilitation work, maintenance activities, and capital projects, but to also perform emergency fabrication support to Metropolitan and its member agencies. Metropolitan has also maintained reimbursable agreements with DWR to perform machining, fabrication, and coating services for critical repair and rehabilitation of State Water Project facilities. These agreements have enhanced timely and cost-effective emergency response capabilities. Materials to fabricate pipe and other appurtenant fittings are kept in inventory at the La Verne site. In the event of earthquake damage, Metropolitan has taken measures to provide the design and fabrication capacity to fabricate pipe and related fittings. Metropolitan is also staffed to perform emergency repairs and has pre-qualified contractors for emergency repair needs at various locations throughout Metropolitan's service area.

State Water Project Facilities. The California Aqueduct crosses all major faults either by canal at ground level or by pipeline at very shallow depths to ease repair in case of damage from movement along a fault. State Water Project facilities are designed to withstand major earthquakes along a local fault or magnitude 8.1 earthquakes along the San Andreas Fault without major damage. Dams, for example, are designed to accommodate movement along their foundations and to resist earthquake forces on their embankments. Earthquake loads have been taken into consideration in the design of project structures such as pumping and power plants. The location of check structures on the canal allows for hydraulic isolation of the fault-crossing repair.

While the dams, canals, pump stations and other constructed State Water Project facilities have been designed to withstand earthquake forces, the critical supply of water from Northern California must traverse the Bay-Delta through hundreds of miles of varying levels of engineered levees that are susceptible to major failures 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 salt water 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 salt water 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 twelve months. See "METROPOLITAN'S WATER SUPPLY—Storage Capacity and Water in Storage" in this Appendix A. Since the State and Federal governments control the Bay-Delta levees, repair of any levee failures would be the responsibility of and controlled by the State and Federal governments.

Metropolitan, in cooperation with the State Water Contractors, developed recommendations to DWR for emergency preparedness measures to maintain continuity in export water supplies and water quality during 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. DWR utilized \$12 million in fiscal year 2007-08 for initial stockpiling of rock for emergency levee repairs and development of Bay-Delta land and marine loading facilities and has identified future funding for expanded stockpiles.

Perris Dam. Perris Dam forms Lake Perris, the terminal reservoir for the State Water Project in Riverside County, with maximum capacity of approximately 130,000 acre-feet of water. DWR reported in July 2005 that seismic studies indicate that DWR's Perris Dam facility could sustain damage from moderate

earthquakes along the San Jacinto or San Andreas faults due to potential weaknesses in the dam's foundation. In late 2005, DWR lowered the water level in the reservoir by about 25 feet and reduced the amount of water stored in the reservoir to about 75,000 acre-feet as DWR evaluated alternatives for repair of the dam. In December 2006, DWR completed a study identifying various repair options, began additional geologic exploration along the base of Perris Dam and started preliminary design. DWR's preferred alternative is to repair the dam to restore the reservoir to its historical level. On November 11, 2011, DWR certified the final EIR and filed a Notice of Determination stating its intent to proceed with the preferred alternative. DWR estimates that repairs will cost approximately \$141 million to be completed in mid-2017. Under the original allocation of joint costs for this facility, the State would have paid approximately six percent of the repair costs. However, because of the recreational benefit this facility provides to the public, the Legislature has approved a recommendation from DWR that the State assume 32.2 percent of these repair costs. The remaining 67.8 percent of repairs costs will be paid for by the three agencies that use the water stored in Lake Perris: Metropolitan (42.9 percent), Desert Water Agency (3.0 percent) and Coachella Valley Water District (21.9 percent). See "METROPOLITAN EXPENDITURES—State Water Contract Obligations" in this Appendix A.

Security Measures

Metropolitan conducts ground and air patrols of the CRA and monitoring and testing at all treatment plants and along the CRA. Similarly, DWR has in place security measures to protect critical facilities of the State Water Project, including both ground and air patrols of the State Water Project.

Although Metropolitan has constructed redundant systems and other safeguards to ensure its ability to continually deliver water to its customers, and DWR has made similar efforts, a terrorist attack or other security breach against water facilities could materially impair Metropolitan's ability to deliver water to its customers, its operations and revenues and its ability to pay its obligations.

CAPITAL INVESTMENT PLAN

General Description

Metropolitan's current Capital Investment Plan (the "Capital Investment Plan" or "CIP") involves expansion and rehabilitation of existing facilities and construction of new facilities to meet future water demands, ensure system reliability as well as enhance operational efficiency and flexibility, and comply with water quality regulations. Metropolitan's CIP is regularly reviewed and updated. Implementation and construction of specific elements of the program are subject to Board approval, and the amount and timing of borrowings will depend upon, among other factors, status of construction activity and water demands within Metropolitan's service area. 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.

Projection of Capital Investment Plan Expenditures

The table below sets forth the projected CIP expenditures in the adopted biennial budget for fiscal years 2014-15 and 2015-16, including replacement and refurbishment expenditures, by project type for the fiscal years ending June 30, 2016 through 2020. This estimate is updated bi-annually as a result of the periodic review and adoption of the capital budget by Metropolitan's Board of Directors. See "HISTORICAL AND PROJECTED REVENUES AND EXPENSES" in this Appendix A.

**CAPITAL INVESTMENT PLAN
PROJECTION OF EXPENDITURES^{(1) (2)}
(Fiscal Years Ended June 30 - Dollars in Thousands)**

<u>Cost of Service</u>	<u>2016⁽³⁾</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Total</u>
Conveyance & Aqueduct	\$22,311	\$27,168	\$46,281	\$46,119	\$44,588	\$186,467
Storage	12,562	1,999	-	-	-	14,561
Distribution	51,642	69,826	112,699	135,673	157,608	527,448
Treatment	148,652	121,390	95,124	79,270	73,772	518,208
Administrative and General	30,393	50,357	26,484	23,214	16,719	147,167
Hydroelectric	<u>2,308</u>	<u>4,067</u>	<u>467</u>	<u>120</u>	<u>686</u>	<u>7,648</u>
Total⁽²⁾	\$267,868	\$274,807	\$281,055	\$284,396	\$293,373	\$1,401,499

Source: Metropolitan.

- (1) Fiscal years 2015-16 through 2019-20 based on the adopted biennial budget for fiscal years 2014-15 and 2015-16. Totals are rounded.
- (2) Annual totals include replacement and refurbishment expenditures for fiscal years 2015-16 through 2019-20 of \$162 million, \$159 million, \$223 million, \$250 million, and \$267 million, respectively, for a total of \$1.06 billion for fiscal years 2015-16 through 2019-20.
- (3) Total Capital Investment Plan expenditures for FY 2015-16 are currently estimated at \$225 million.

The above projections do not include amounts for contingencies, but include escalation at 2.77 percent per year for projects for which formal construction contracts have not been awarded. 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 for additional facilities. See "METROPOLITAN'S WATER DELIVERY SYSTEM—Water Treatment" in this Appendix A.

Capital Investment Plan Financing

The CIP requires funding from debt financing (see "HISTORICAL AND PROJECTED REVENUES AND EXPENSES" in this Appendix A) as well as from pay-as-you-go funding. The Board has adopted an internal funding objective to fund all capital program expenditures required for replacements and refurbishments of Metropolitan facilities from current revenues. However, in order to reduce drawdowns of reserve balances and to mitigate financial risks that could occur in upcoming years, actual pay-as-you-go funding was less than projected amounts during fiscal years 2007-08 through 2012-13. During this period, pay-as-you-go funding was reduced to \$256 million, rather than the \$521 million originally projected. For fiscal years 2013-14 and 2014-15, pay-as-you-go funding was not reduced and reflected amounts sufficient to fund the CIP in those years.

On April 8, 2014, Metropolitan's Board approved a total of \$466 million for pay-as-you-go expenditures as part of the biennial budget for fiscal year 2014-15 and fiscal year 2015-16. These pay-as-you-go funds, together with funds available in the Replacement and Refurbishment Fund, were expected to fund \$513 million in CIP expenditures for fiscal year 2014-15 and fiscal year 2015-16. As in prior years, pay-as-you-go funding may be reduced or increased by the Board during the fiscal year. To limit the accumulation of cash and investments in the Replacement and Refurbishment Fund, the maximum balance in this fund at the end of each fiscal year will be \$160 million. Amounts above the \$160 million limit will be transferred to the Revenue Remainder Fund and may be used for any lawful purpose. See "METROPOLITAN REVENUES—Financial Reserve Policy" in this Appendix A. The remainder of capital program expenditures will be funded through the issuance from time to time of water revenue bonds, which are payable from Net Operating Revenues. Metropolitan's budget assumptions for the adopted biennial budget for fiscal years

2014-15 and 2015-16 provide for the issuance of no additional water revenue bonds to fund the CIP in fiscal years 2014-15 through 2016-17, \$40 million of water revenue bonds in fiscal year 2017-18, \$100 million of water revenue bonds in fiscal year 2018-19 and \$110 million in fiscal year 2019-20. The cost of these projected bond issues are reflected in the financial projections under, "HISTORICAL AND PROJECTED REVENUES AND EXPENSES" in this Appendix A.

On July 14, 2015, Metropolitan's Board authorized the use of tax-exempt bond proceeds or other forms of indebtedness to reimburse up to \$300 million of CIP expenditures for projects funded from Metropolitan's General Fund and the Replacement and Refurbishment Fund. In addition, on July 14, 2015, Metropolitan's Board approved \$264 million to acquire various properties in Riverside and Imperial Counties, with \$160 million funded from the Replacement and Refurbishment Fund and the remaining amount from unrestricted reserves. On October 13, 2015, Metropolitan's Board adopted an ordinance that made certain findings that are required prior to the issuance of new revenue bonds in an amount not to exceed \$500 million. On November 10, 2015, Metropolitan's Board authorized the issuance of water revenue bonds, not to exceed \$250 million in total, that could be used to reimburse pay-as-you-go expenditures for the CIP as described above and for future CIP expenditures. Metropolitan is considering acquiring a line of credit for up to \$400 million that could be accessed on a revolving basis to fund capital expenditures, provide reimbursement for capital expenditures, refund outstanding obligations, or as a source for working capital on a short-term basis.

Major Projects of Metropolitan's Capital Investment Plan

Oxidation Retrofit Facilities. The oxidation retrofit facilities program includes the design and construction of oxidation facilities and appurtenances at all of Metropolitan's treatment plants. This program is intended to allow Metropolitan to meet drinking water standards for disinfection by-products and reduce taste and odor incidents. The first phase of the oxidation retrofit program, at Metropolitan's Henry J. Mills Treatment Plant in Riverside County, was completed in 2003. Oxidation retrofit at the Joseph Jensen Treatment Plant was completed July 1, 2005. The cost for these two projects was approximately \$236.4 million. Oxidation retrofit at the Robert A. Skinner plant was substantially completed in December 2009 and operational in 2010, with follow-up work completed in June 2014. Expenditures at the Skinner plant through June 2015 were \$243.3 million. Total oxidation program costs at the Skinner plant are estimated to be \$245.5 million. Construction of the oxidation retrofit facilities at the Robert B. Diemer Treatment Plant was completed in June 2013. All testing and start-up work was completed in 2015 and the new facilities are in full operation. Program expenditures at the Diemer plant through June 2015 were \$360.5 million and the total program cost is projected to be \$370.0 million. The construction contract for the Weymouth oxidation facilities, the last Metropolitan treatment plant to be retrofitted, was awarded in June 2012. Oxidation program costs at the F.E. Weymouth Treatment Plant, based upon the adopted budget, were estimated to be \$338.5 million. Due to the ongoing highly competitive bidding environment, the awarded construction contract was more than \$100 million below the budgeted amount. Expenditures at the Weymouth plant through June 2015 were \$190.2 million and completion is expected in fiscal year 2016-17. Total oxidation program costs at the F.E. Weymouth plant are estimated to be \$270.0 million.

F.E. Weymouth Treatment Plant Improvements. The F.E. Weymouth Treatment Plant was built in 1938 and subsequently expanded several times over the following 25 years. It is Metropolitan's oldest water treatment facility. Metropolitan has completed several upgrades and refurbishment/replacement projects to maintain the plant's reliability and improve its efficiency. These include power systems upgrades, a residual solids dewatering facility, refurbishment/replacement of the mechanical equipment in two of the eight flocculation and settling basins, a new plant maintenance facility, new chemical feed systems and storage tanks, replacement of the plant domestic/fire water system, seismic upgrades to the plant inlet structure, and a new chlorine handling and containment facility. During the past fiscal year, seismic retrofit of the filter buildings was completed. Planned projects over the next several years include refurbishment of the plant's filters and settling basins, seismic retrofits to the administration building, and replacement of the valves used to control filter operation. The cost estimate for all prior and projected improvements at the Weymouth plant, not including the ozone facilities, is approximately \$422.5 million, with \$210.8 million spent through June

2015. Budgeted aggregate capital expenditures for improvements at the Weymouth plant for fiscal years 2014-15 and 2015-16 are \$42.8 million.

Robert B. Diemer Treatment Plant Improvements. The Robert B. Diemer Treatment Plant was built in 1963 and subsequently expanded in 1968. It is Metropolitan's second oldest water treatment facility and has a capacity to treat 520 million gallons of water a day. Several upgrades and refurbishment/replacement projects have been completed at the Diemer plant, including power system upgrades, a new residual solids dewatering facility, new vehicle and plant maintenance facilities, new chemical feed systems and storage tanks, a new chlorine handling and containment facility, construction of a roller-compacted concrete slope stabilization system and a new secondary access road. Planned projects over the next several years include refurbishment of the plant's settling basins, seismic retrofits to the filter buildings and administration building, and replacement of the valves used to control filter operation. The current cost estimate for all prior and projected improvements at the Diemer Treatment Plant, not including the ozone facilities, is approximately \$384.3 million, with \$206.6 million spent through June 2015. Budgeted aggregate capital expenditures for improvements at the Diemer plant for fiscal years 2014-15 and 2015-16 are \$59.4 million.

Colorado River Aqueduct Facilities. 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. A major overhaul of the pump units at the five pumping plants was completed in 1988. Refurbishment or replacement of many of the electrical system components, including the transformers, circuit breakers and motor control centers, is currently under way. Projects completed over the past 10 years include replacement of high voltage circuit breakers and transformers at the five pumping plant switchyards, refurbishment of operators and power centers on the head gates downstream of the pumping plants, refurbishment/replacement of 15 isolation/control gates, replacement of cast iron pipe and other components at over 200 outlet structures with stainless steel components, replacement of pumping plant inlet trash racks, replacement of several miles of deteriorated concrete canal liner, and replacement of the outlet gates and appurtenant electrical, mechanical, and control systems at the Copper Basin Reservoir. Additionally, many of the mechanical components at all five pumping plants will be evaluated and replaced or refurbished over the next several years. The currently projected cost estimate for all prior and planned refurbishment or replacement projects is \$468.2 million. Costs through June 2015 were \$173.7 million. Budgeted aggregate capital expenditures for improvements on the CRA for fiscal years 2014-15 and 2015-16 are \$53.3 million.

Distribution System – Prestressed Concrete Cylinder Pipe. Metropolitan's distribution system (see "METROPOLITAN'S WATER DELIVERY SYSTEM" in this Appendix A) is comprised of approximately 830 miles of pipelines ranging in diameter from 30 inches to over 200 inches. 163 miles of the distribution system 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 a result, Metropolitan has identified and made repairs to several sections of PCCP. The costs for these repairs through June 2015 were \$72.8 million. Rather than continue to make spot repairs to pipe segments, Metropolitan has initiated a long-term capital program to rehabilitate approximately 100 miles of PCCP in five pipelines. This rehabilitation, which is currently planned to consist of relining the pipelines with a steel liner, will be performed in stages to minimize delivery impacts to customers. The first PCCP line planned for relining is the Second Lower Feeder. Approximately 30 miles of this line are constructed of PCCP, with diameters ranging from 78 to 84 inches. This effort is anticipated to take 8 to 10 years to complete at a cost of approximately \$500 million. Final design is currently underway. Design for rehabilitation of the remaining four pipelines will be initiated over the next several years. The estimated cost to reline all 100 miles of PCCP is approximately \$2.6 billion.

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 are being refurbished and/or improved. Past and ongoing projects to ensure the reliability of the distribution system,

primarily due to age, include multiple replacements or refurbishments of isolation and control valves and gates, refurbishment to pressure control and hydroelectric power facilities, and various other upgrades totaling approximately \$167.6 million through June 2015. The currently projected cost estimate for the prior and planned refurbishment or replacement projects is \$600 million. For fiscal years 2014-15 and 2015-16, budgeted aggregate capital expenditures for improvements on the distribution system, other than PCCP rehabilitation, are \$53.4 million.

Also, as a result of the current statewide drought, Metropolitan initiated a project to enable reverse-flow through a series of existing pipelines to deliver water stored in Diamond Valley Lake to Metropolitan's Henry J. Mills Treatment Plant, which has historically received only raw water from DWR's State Water Project. Construction contracts were awarded in June and August 2014 to complete this effort. The total estimated cost for this project was approximately \$37 million. The majority of the work to allow reverse-flow deliveries from Diamond Valley Lake was completed in April 2015. Costs through April 2015 were approximately \$31.6 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 sales revenues have provided approximately 75 to 85 percent of total revenues and *ad valorem* property taxes have accounted for about 10 percent of revenues, declining to six percent of revenues in fiscal year 2014-15. See "— Revenue Allocation Policy and Tax Revenues" below. 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 1993. *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.

Generally, Metropolitan has constitutional and statutory authority, and voter authorization, to levy *ad valorem* property taxes to pay its outstanding general obligation bonds and to satisfy its State Water Contract obligations. From fiscal year 1990-91 through 2012-13, *ad valorem* taxes were applied solely to pay annual debt service on Metropolitan's general obligation bonds and a small portion of State Water Contract obligations, pursuant to requirements in the Act that limit property tax collections to the amount necessary to pay annual debt service on Metropolitan's general obligation bonds plus the portion of its State Water Contract payment obligation outstanding as of 1990-91 attributable to the debt service on State general obligation bonds for facilities benefitting Metropolitan. Under this requirement, Metropolitan's *ad valorem* property tax revenue gradually decreases as the bonds are retired. However, the Act permits Metropolitan to set aside the prescribed reductions in the tax rate if the Board, following a public hearing with 10 days' prior written notice to the Speaker of the California Assembly and the President pro Tempore of the Senate, finds that revenue in excess of the restriction is "essential to the fiscal integrity of the district." On June 11, 2013, following such public hearing, the Board adopted a resolution finding that maintaining the *ad valorem* tax rate for fiscal year 2013-14 at the fiscal year 2012-13 tax rate was essential to the fiscal integrity of Metropolitan and suspending the tax limit clause in the Act. On August 19, 2014 and on August 18, 2015, following the required hearing and notice, the Board adopted a resolution finding that continuing the *ad valorem* tax rate at the rate levied for fiscal year 2013-14 and 2014-15, respectively, was essential to the fiscal integrity of Metropolitan and suspending the tax limit clause in the Act. Factors considered by the Board included current and future State Water Contract payment obligations and the proper mechanisms for funding them, the appropriate mix of property taxes and water rates and charges to enhance Metropolitan's fiscal stability and a fair distribution of costs across Metropolitan's service area. On August 20, 2013, August 19, 2014, and August 18, 2015, the Board adopted resolutions levying taxes for fiscal years 2013-14, 2014-15, and 2015-16, respectively, at the tax rate levied for fiscal year 2012-13 (0.0035 percent of assessed valuation, excluding annexation levies).

The basic rate for untreated water for domestic and municipal uses is \$593 per acre-foot for Tier 1 water, effective January 1, 2014. This rate decreased to \$582 effective January 1, 2015 and will increase to \$594 effective January 1, 2016. See “—Rate Structure” and “—Water Rates by Water Category” below. 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 2015-16. The rates charged by Metropolitan represent the wholesale cost of Metropolitan water 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 Receipts by Source

The following table sets forth Metropolitan’s sources of receipts for the five fiscal years ended June 30, 2015. The table provides cash basis information, which is unaudited. Audited financial statements for the fiscal years ended June 30, 2015 and June 30, 2014 are provided in Appendix B - “THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA INDEPENDENT AUDITOR’S REPORT AND BASIC FINANCIAL STATEMENTS FOR FISCAL YEARS ENDED JUNE 30, 2015 AND JUNE 30, 2014 AND BASIC FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014 (UNAUDITED).”

SUMMARY OF RECEIPTS BY SOURCE⁽¹⁾ Fiscal Years Ended June 30 (Dollars in Millions)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Water Sales ⁽²⁾	\$995.6	\$1,062.5	\$1,250.9	\$1,455.3	\$1,448.7
Net Tax Collections ⁽³⁾	88.0	90.1	96.5	98.4	103.0
Additional Revenue Sources ⁽⁴⁾	153.5	167.1	174.2	179.8	200.1
Interest on Investments	18.9	17.8	11.7	14.8	17.0
Hydroelectric Power Sales	22.1	31.0	26.3	15.2	8.3
Other Collections & Trust Funds ⁽⁵⁾	<u>61.0</u>	<u>53.6</u>	<u>19.9</u>	<u>20.6</u>	<u>85.0</u>
Total Receipts	\$1,339.1	\$1,422.1	\$1,579.5	\$1,784.1	\$1,862.1

Source: Metropolitan.

- (1) Does not include any proceeds from the sale of bonded indebtedness.
- (2) Gross receipts in each year are for sales in the twelve months ended April 30 of such year. Water sales revenues include revenues from water wheeling and exchanges. See “METROPOLITAN REVENUES—Wheeling and Exchange Charges” in this Appendix A. Includes \$25.7 million in fiscal year 2010-11 from the Calleguas Municipal Water District related to termination of the Las Posas water storage program.
- (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.
- (4) Includes receipts derived from water standby charges, readiness-to-serve, and capacity charges. See “—Rate Structure” and “—Additional Revenue Components” below.
- (5) In fiscal year 2010-11 includes \$10.8 million reimbursement from State Proposition 13 bond funds and \$28.2 million from the termination of the Las Posas water storage program. In fiscal year 2011-12, includes \$27.5 million from CVWD for delivery of 105,000 acre-feet under an exchange agreement between Metropolitan and CVWD. In fiscal year 2014-15, includes the transfer of \$78.1 million from the Water Management Fund, which funded a like amount of water conservation and water purchase expenditures. See the table entitled “Summary of Expenditures” in “METROPOLITAN EXPENDITURES—General” in this Appendix A.

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. From fiscal year 1990-91 through 2012-13, and pursuant to statute, the tax levy was set to not exceed 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. However, Metropolitan has authority to impose a greater tax levy to pay debt service on Metropolitan's general obligation bonds and to satisfy Metropolitan's State Water Contract obligations in full if, following a public hearing, the Board finds that such revenue is essential to its fiscal integrity. On June 11, 2013, August 19, 2014, and August 17, 2015, the Board suspended the tax limit clause in the Act and, for fiscal years 2013-14, 2014-15, and 2015-16, maintained the fiscal year 2012-13 *ad valorem* tax rate. See "METROPOLITAN REVENUES—General" above. Any deficiency between tax levy receipts and Metropolitan's share of debt service obligations on general obligation bonded debt issued by the State is expected to be paid from Operating Revenues, as defined in the Master Resolution.

Water Sales Revenues

Authority. Water rates are established by the Board and are not subject to regulation or approval by the Public Utilities Commission of California 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 has provided three classes of water service: (1) full service; (2) replenishment (discontinued effective December 31, 2012); and (3) interim agricultural (discontinued effective December 31, 2012). See "—Classes of Water Service" below.

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 effective through December 31, 2024. See "—Member Agency Purchase Orders" below. Consumer demand and locally supplied water vary from year to year, resulting in variability in water sales revenues. Metropolitan uses its financial reserves and budgetary tools to manage the financial impact of the variability in revenues due to fluctuations in annual water sales. 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 Sales. The following table sets forth the acre-feet of water sold and water sales (including sales from water wheeling and exchanges) for the five fiscal years ended June 30, 2015. Water sales revenues of Metropolitan for the two fiscal years ended June 30, 2015 and June 30, 2014, respectively, on an accrual basis, are shown in Appendix B - "THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA INDEPENDENT AUDITOR'S REPORT AND BASIC FINANCIAL STATEMENTS FOR FISCAL YEARS ENDED JUNE 30, 2015 AND JUNE 30, 2014 AND BASIC FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014 (UNAUDITED)."

SUMMARY OF WATER SOLD AND WATER SALES
Fiscal Years Ended June 30

<u>Year</u>	<u>Acre-Feet⁽¹⁾</u> <u>Sold</u>	<u>Water Sales⁽⁴⁾</u> <u>(in millions)</u>	<u>Dollars</u> <u>Per Acre Foot⁽⁵⁾</u>	<u>Average Dollars</u> <u>Per 1,000</u> <u>Gallons</u>
2011 ⁽²⁾	1,632,277	\$995.6	\$610	\$1.87
2012 ⁽³⁾	1,676,855	1,062.5	634	1.94
2013	1,856,685	1,282.5	691	2.12
2014	2,043,720	1,484.6	726	2.23
2015	1,905,502	1,383.0	726	2.23

Source: Metropolitan.

- (1) Year ended April 30 for fiscal years 2010-11 and 2011-12, water sales recorded on a cash-basis. Beginning fiscal year 2012-13, water sales recorded on an accrual basis, with water sales for the fiscal year ended June 30.
- (2) Includes the sale of 34,519 acre-feet and the receipt of \$25.7 million from the Calleguas Municipal Water District related to termination of the Las Posas water storage program.
- (3) Includes 225,000 acre-feet of replenishment sales.
- (4) Water Sales in fiscal years 2010-11 and 2011-12 are recorded on a cash basis for sales in the twelve months ended April 30 of such year, with rates and charges invoiced in May and payable by the last business day of June of each year. Water sales for fiscal years 2012-13 thru 2014-15 are recorded on a modified accrual basis for sales in the twelve months ended June 30 of such year, with rates and charges recorded as revenues in the same months as invoiced. Includes revenues from water wheeling and exchanges. See "METROPOLITAN REVENUES—Wheeling and Exchange Charges" in this Appendix A.
- (5) Gross water sales divided by acre-feet sold. An acre-foot is approximately 326,000 gallons. See table entitled "SUMMARY OF WATER RATES" under "-Water Rates by Water Category" below for a description of water rates and classes of service.

Rate Structure

The following rates and charges are elements of Metropolitan's rate structure for full service water deliveries:

Tier 1 and Tier 2 Water Supply Rates. The Tier 1 and Tier 2 Water Supply Rates are designed to recover Metropolitan's water supply costs. The Tier 2 Supply Rate is designed to reflect Metropolitan's costs of acquiring new supplies. Member agencies are charged the Tier 1 or Tier 2 Water Supply Rate for water purchases, as described under "-Member Agency Purchase Orders" below.

System Access Rate. The System Access Rate is intended to recover a portion of the costs associated with the conveyance and distribution system, including capital, operating and maintenance costs. All users (including member agencies and third-party entities wheeling or exchanging water; see "-Wheeling and Exchange Charges" below) of the Metropolitan system pay the System Access Rate.

Water Stewardship Rate. The Water Stewardship Rate is charged on a dollar per acre-foot basis to collect revenues to support Metropolitan's financial commitment to conservation, water recycling, groundwater recovery and other demand management programs approved by the Board. The Water Stewardship Rate is charged for every acre-foot of water conveyed by Metropolitan because all users of Metropolitan's system benefit from the system capacity made available by investments in demand management programs.

System Power Rate. The System Power Rate is charged on a dollar per acre-foot basis to recover the cost of power necessary to pump water from the State Water Project and Colorado River through the conveyance and distribution system for Metropolitan's member agencies. The System Power Rate is charged for all Metropolitan supplies. Entities wheeling non-Metropolitan water supplies will pay the actual cost of power to convey water on the State Water Project, the CRA or the Metropolitan distribution system, whichever is applicable.

Treatment Surcharge. Metropolitan charges a treatment surcharge on a dollar per acre-foot basis for treated deliveries. The treatment surcharge is set to recover the cost of providing treated water service, including capital and operating cost.

Delta Supply Surcharge. On April 13, 2010, Metropolitan's Board adopted a Delta Supply Surcharge of \$51 and \$58 per acre-foot, effective January 1, 2011 and January 1, 2012, respectively, and applicable to all Tier 1, Interim Agricultural Water Program and Replenishment water rates. The Delta Supply Surcharge was designed to recover the additional supply costs Metropolitan faces as a result of pumping restrictions associated with the United States Fish and Wildlife Service biological opinion on Delta smelt and other actions to protect endangered fish species. The Delta Surcharge was intended to remain in effect until a long-term solution for the Bay-Delta is achieved. Metropolitan anticipated that the Delta Supply Surcharge would be reduced or suspended as interim Delta improvements ease pumping restrictions, resulting in lower costs for additional supplies. On April 10, 2012, the Board suspended the Delta Supply Surcharge, effective January 1, 2013.

The amount of each of these rates since September 1, 2009, is shown in the table entitled "SUMMARY OF WATER RATES" under "—Water Rates by Water Category" below.

Litigation Challenging Rate Structure

SDCWA filed *San Diego County Water Authority v. Metropolitan Water District of Southern California, et al.* on June 11, 2010. The complaint alleges that the rates adopted by the Board on April 13, 2010, which became effective January 1, 2011 and January 1, 2012, misallocate State Water Contract costs to the System Access Rate and the System Power Rate, and thus to charges for transportation of water, and that this results in an overcharge to SDCWA by at least \$24.5 million per year. The complaint alleges that all State Water Project costs should be allocated instead to Metropolitan's Supply Rate, even though under the State Water Contract Metropolitan is billed separately for transportation, power and supply costs. It states additionally that Metropolitan will overcharge SDCWA by another \$5.4 million per year by including the Water Stewardship Rate in transportation charges. Eight of Metropolitan's member agencies (the Cities of Glendale, Los Angeles and Torrance, Municipal Water District of Orange County and Foothill, Las Virgenes, Three Valleys and West Basin Municipal Water Districts) answered the complaint in support of Metropolitan. IID joined the litigation in support of SDCWA's challenge to Metropolitan's charges for transportation of water, but withdrew and dismissed all claims against Metropolitan with prejudice on October 30, 2013.

The complaint requested a court order invalidating the rates and charges adopted April 13, 2010, and that Metropolitan be mandated to allocate costs associated with State Water Project supplies and the Water Stewardship Rate to water supply charges and not to transportation charges. Rates in effect in prior years are not challenged in this lawsuit. Metropolitan contends that its rates are reasonable, equitably apportioned among its member agencies and lawful, and were adopted under a valid rate structure and cost of service approach developed in a multi-year collaborative process with its member agencies that has been in place since 2002. Nevertheless, to the extent that a court invalidates Metropolitan's adopted rates and charges, Metropolitan will be obligated to reconsider and modify rates and charges to comply with any court rulings related to Metropolitan's rates. While components of the rate structure and costs may change as a result of any such rulings, Metropolitan expects that aggregate rates and charges would still recover Metropolitan's cost of service. As such, revenues would not be affected. If Metropolitan's rates are revised in the manner proposed by SDCWA in the complaint, other member agencies may pay higher rates unless other actions are taken by the Board.

SDCWA filed its First Amended Petition for Writ of Mandate and Complaint on October 27, 2011, adding five new claims to this litigation, two of which were eliminated from the case on January 4, 2012. The three remaining new claims are for breach of the water exchange agreement between Metropolitan and SDCWA (described herein under "METROPOLITAN'S WATER SUPPLY—Colorado River Aqueduct—

Sale of Water by the Imperial Irrigation District to San Diego County Water Authority”) based on allegedly illegal calculation of rates; improper exclusion of SDCWA’s payments under this exchange agreement from calculation of SDCWA’s preferential rights to purchase Metropolitan supplies (see “—Preferential Rights” below); and illegality of the “rate structure integrity” provision in conservation and local resources incentive agreements between Metropolitan and SDCWA. Such “rate structure integrity” provision permits the Board to terminate incentives payable under conservation and local resources incentive agreements between Metropolitan and a member agency due to certain actions by the member agency to challenge the rates that are the source of incentive payments. In June 2011, Metropolitan’s Board authorized termination of two incentive agreements with SDCWA under the “rate structure integrity” provision in such agreements after SDCWA filed its initial complaint challenging Metropolitan’s rates. SDCWA filed a Second Amended Petition for Writ of Mandate and Complaint on April 17, 2012, which contains additional allegations but no new causes of action.

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. See “—Rate Structure” above and “—Water Rates by Water Category” below for a description of Metropolitan’s water rate structure and the rates and charges adopted on April 10, 2012. The complaint contains allegations similar to those in the Second Amended Petition for Writ of Mandate and Complaint and new allegations asserting that Metropolitan’s rates, adopted in April 2012, violate Proposition 26. See “—California Ballot Initiatives” below for a description of Proposition 26. Metropolitan contends that its rates adopted on April 10, 2012 are reasonable, equitably apportioned among its member agencies and lawful and were adopted under a valid rate structure and cost of service approach. Ten of Metropolitan’s member agencies (the eight member agency parties to SDCWA’s first lawsuit, Eastern Municipal Water District and Western Municipal Water District of Riverside County) answered the complaint in support of Metropolitan and IID joined the litigation in support of SDCWA. Subsequently, IID dismissed all claims with prejudice in this second case too, and the City of Glendale withdrew from both cases.

SDCWA filed a Third Amended Petition for Writ of Mandate and Complaint on January 23, 2013, to add new allegations that Metropolitan’s rates adopted in April 2010 did not meet the requirements of Proposition 26, approved by California voters in November 2010. The court granted Metropolitan’s motion to strike allegations relating to Proposition 26 on March 29, 2013, expressly ruling that SDCWA may not allege a violation of Proposition 26 in its challenge to the rates adopted in April 2010. This ruling does not affect SDCWA’s separate challenge to Metropolitan’s rates adopted in April 2012, which also includes Proposition 26 allegations. On December 4, 2013, the court granted Metropolitan’s motion for summary adjudication of the cause of action alleging illegality of the “rate structure integrity” provision in conservation and local resources incentive agreements, dismissing this claim in the first lawsuit.

Trial of the first phase of both lawsuits before the Superior Court of California, County of San Francisco (Case Nos. CPF-10-510830 and CPF-12-512466) concluded January 23, 2014. This phase concerned the challenges to Metropolitan’s rates. On April 24, 2014, the court issued its “Statement of Decision on Rate Setting Challenges,” determining that SDCWA prevailed on two of its claims and that Metropolitan prevailed on the third claim. The court found that there was not sufficient evidence to support Metropolitan’s inclusion in its transportation rates, and hence in its wheeling rate, of 100 percent of (1) payments it makes to the California Department of Water Resources for the State Water Project, or (2) the costs incurred by Metropolitan for conservation and local water supply development programs recovered through the Water Stewardship Rate. The trial court decision stated that the System Access Rate, System Power Rate, Water Stewardship Rate and wheeling rate violate specified statutes and the common law and such rates effective in 2013 and 2014 violate Proposition 26. The court found that SDCWA failed to prove its “dry-year peaking” claim that Metropolitan’s rates do not adequately account for variations in member agency purchases.

SDCWA’s claims asserting breach of the exchange agreement and miscalculation of preferential rights were tried in a second phase of the case which concluded April 30, 2015. On August 28, 2015, the trial

court issued a final statement of decision for the second phase. The decision finds in favor of SDCWA on both claims and that SDCWA is entitled to damages in the amount of \$188,295,602 plus interest. On October 9, 2015 and October 30, 2015, the trial court granted SDCWA's motion for prejudgment interest at the statutory rate of 10 percent on these damages.

On November 18, 2015, the court issued the Final Judgment and a Peremptory Writ of Mandate for both phases of the 2010 and 2012 lawsuits, awarding SDCWA damages in the amount of \$188,295,602, plus prejudgment interest of \$46,637,180, for a total judgment of \$234,932,782. On November 19, 2015, Metropolitan filed a Notice of Appeal of the Judgment and Writ in each case. The Judgment and the Writ will be stayed while the appeal is pending. Post-judgment interest will accrue on the damages and prejudgment interest awards at the rate of seven percent. Metropolitan is unable to assess at this time the likelihood of success of this litigation, any possible appeal or any future claims.

Due to SDCWA's litigation challenging Metropolitan's rates, as of October 31, 2015, Metropolitan held \$220.6 million in its financial reserves pursuant to the exchange agreement between Metropolitan and SDCWA. Of that amount, \$191.7 million is associated with exchange water deliveries from January 2011 through December 2014, and \$28.9 million is associated with exchange water deliveries since January 2015. See "—Financial Reserve Policy" below. Amounts held pursuant to the exchange agreement will continue to accumulate based on the quantities of exchange water that Metropolitan provides to SDCWA and the amount of charges disputed by SDCWA. In conformance with the exchange agreement, the amounts held are SDCWA's payments under the exchange agreement that are in dispute and interest earned thereon, which is based on Metropolitan's investment portfolio. The amounts held do not include the statutory prejudgment interest award and, after judgment is entered, will not include statutory post-judgment interest, neither of which the exchange agreement requires to be held.

In May 2014, SDCWA filed a new lawsuit asserting essentially the same rate claims and breach of contract claim in connection with the Board's April 2014 rate adoption. Metropolitan filed its answer on June 30, 2014. On February 9, 2015, pursuant to stipulation by the parties, the court ordered that the case be stayed. On November 20, 2015, SDCWA filed a motion to partially lift the stay. A hearing on the motion is scheduled for December 21, 2015. Metropolitan is unable to assess at this time the likelihood of success of this case, any possible appeal or any future claims.

Member Agency Purchase Orders

Member Agency purchase orders are voluntary agreements that determine the amount of water that a member agency can purchase at the Tier 1 Supply Rate. On November 18, 2014, the Board approved the terms for purchase orders with a 10-year term to be effective from January 1, 2015 through December 31, 2024. Twenty-one purchase orders were executed. In consideration of executing a purchase order, each member agency whose purchase order is in effect is allowed to purchase up to 90 percent of its base amount at the Tier 1 Supply Rate in any fiscal year during the term of the purchase order. Member agencies chose a base amount of either (1) the member agency's highest fiscal year purchases during the 13-year period of fiscal year 1990 through fiscal year 2002, or (2) the highest year purchases in the most recent 12-year period of fiscal year 2003 through fiscal year 2014. Amounts purchased by such agencies over the applicable base amount will be priced at the Tier 2 Supply Rate. See "—Rate Structure—*Tier 1 and Tier 2 Water Supply Rates*" above. Member agencies that accrue a cumulative Tier 2 obligation by virtue of exceeding their Tier 1 maximum at the end of year five of the purchase order will pay their Tier 2 obligation annually. Otherwise, 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. 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.

Under each purchase order, a member agency agrees to purchase, over the term of the contract, an amount of water equal to at least 60 percent of the chosen base period demand multiplied by the number of

years in the contract. Member agencies are allowed to vary their purchases from year to year, but a member agency will be obligated to pay for the full amount committed under the purchase order, even if it does not take its full purchase order commitment by the end of the contract period.

Classes of Water Service

Full Service Water. Full service water service, formerly known as non-interruptible water service, includes water sold for domestic and municipal uses. 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. Full service untreated water rates are the sum of the applicable supply rate, system access rate, water stewardship rate and system power rate. Full service water sales are the major component of Metropolitan water sales.

Interim Agricultural Water Program. This program provided a discounted rate for agricultural water users that, pursuant to the Act, were permitted to receive only surplus water not needed for domestic or municipal purposes. Metropolitan delivered approximately 40,000 acre-feet of agricultural water under this program in fiscal year 2009-10, approximately 21,000 acre-feet in fiscal year 2010-11 and approximately 29,000 acre-feet in fiscal year 2011-12. On October 14, 2008, the Board approved annual reductions of the Interim Agricultural Water Program discount beginning January 1, 2010 and discontinuance of the program when the discount reached zero on January 1, 2013.

Replenishment. Under the Replenishment Service Program, water was sold at a discounted rate to member agencies, subject to interruption upon notice by Metropolitan. The program allowed Metropolitan to deliver surplus imported water to local groundwater basins and surface storage facilities when supplies were available, with the intent that member agencies could reduce imported water deliveries from Metropolitan during periods of high demand, emergencies or times of shortage. See table entitled "SUMMARY OF WATER RATES" below.

On December 11, 2012, Metropolitan's Board eliminated the Replenishment Service Program and approved adjustments to increase member agency Tier 1 limits to reflect the historical demand for water used for long-term groundwater and surface storage replenishment. See "*—Rate Structure—Tier 1 and Tier 2 Water Supply Rates*" above. Water for groundwater replenishment now is priced at applicable full service rates. This adjustment provides additional Tier 1 limits for member agencies that historically purchased water for long-term replenishment purposes and limits their exposure to the higher Tier 2 rates.

Water Rates by Water Category

The following table sets forth Metropolitan's water rates by category beginning January 1, 2010. See also "MANAGEMENT'S DISCUSSION OF HISTORICAL AND PROJECTED REVENUES AND EXPENSES—Water Sales 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*" above for a description of current rates. See "*—Litigation Challenging Rate Structure*" above for a description of litigation challenging Metropolitan's water rates.

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**SUMMARY OF WATER RATES
(Dollars per Acre-Foot)**

	<u>SUPPLY RATE</u>		<u>SYSTEM ACCESS RATE</u>	<u>WATER STEWARDSHIP RATE</u>	<u>SYSTEM POWER RATE</u>	<u>TREATMENT SURCHARGE</u>
	<u>Tier 1</u>	<u>Tier 2</u>				
	January 1, 2010	\$170 ⁽¹⁾	\$280	\$154	\$41	\$119
January 1, 2011	\$155 ⁽²⁾	\$280	\$204	\$41	\$127	\$217
January 1, 2012	\$164 ⁽²⁾	\$290	\$217	\$43	\$136	\$234
January 1, 2013	\$140	\$290	\$223	\$41	\$189	\$254
January 1, 2014	\$148	\$290	\$243	\$41	\$161	\$297
January 1, 2015*	\$158	\$290	\$257	\$41	\$126	\$341
January 1, 2016*	\$156	\$290	\$259	\$41	\$138	\$348

	<u>FULL SERVICE TREATED⁽³⁾</u>		<u>FULL SERVICE UNTREATED⁽⁴⁾</u>		<u>INTERIM AGRICULTURAL PROGRAM</u>		<u>REPLENISHMENT RATE</u>	
	<u>Tier 1</u>	<u>Tier 2</u>	<u>Tier 1</u>	<u>Tier 2</u>	<u>Treated</u>	<u>Untreated</u>	<u>Treated</u>	<u>Untreated</u>
	January 1, 2010	\$701	\$811	\$484	\$594	\$615	\$416	\$558
January 1, 2011	\$744	\$869	\$527	\$652	\$687	\$482	\$601	\$409
January 1, 2012	\$794	\$920	\$560	\$686	\$765	\$537	\$651	\$442
January 1, 2013	\$847	\$997	\$593	\$743	**	**	**	**
January 1, 2014	\$890	\$1,032	\$593	\$735	**	**	**	**
January 1, 2015*	\$923	\$1,055	\$582	\$714	**	**	**	**
January 1, 2016*	\$942	\$1,076	\$594	\$728	**	**	**	**

Source: Metropolitan.

* Rates effective January 1, 2015 and January 1, 2016 were adopted by Metropolitan's Board on April 8, 2014.

** The Interim Agricultural Water Program and Replenishment Service Program were discontinued after 2012.

(1) Includes \$69 per acre-foot Delta Supply Surcharge, which replaced Water Supply Surcharge.

(2) Includes \$51 and \$58 per acre-foot Delta Supply Surcharge for January 1, 2011 and January 1, 2012, respectively.

(3) 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.

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

Additional Revenue Components

The following paragraphs describe the additional charges for the availability of Metropolitan's water:

Readiness-to-Serve Charge. This charge is designed to recover the portion of capital expenditures for infrastructure projects needed to provide standby service and peak conveyance needs. The Readiness-to-Serve Charge ("RTS") is allocated to each member agency in proportion to the rolling ten-year share of firm deliveries through Metropolitan's system. The RTS generated \$144.0 million in fiscal year 2012-13, \$154.0 million in fiscal year 2013-14, and \$162.0 million in 2014-15. Based on the adopted rates and charges, the RTS is projected to generate \$156.1 million in fiscal year 2015-16.

Water Standby Charges. The Board is authorized to impose water standby or availability of service charges. In May 1993, the Board imposed a water standby charge for fiscal year 1993-94 ranging from \$6.94 to \$15 for each acre or parcel less than an acre within Metropolitan's service area, subject to specified exempt categories. Water standby charges have been continued at the same rate in each year since 1993-94. Standby charges are assessments under the terms of Proposition 218, a State constitutional ballot initiative approved by the voters on November 5, 1996. See "—California Ballot Initiatives" below.

Member agencies have the option to utilize Metropolitan's existing standby charge authority as a means to collect all or a portion of their RTS charge. Standby charge collections are credited against the member agencies' RTS charges. See "—Readiness-to-Serve Charge" above. Twenty-two member agencies collect their RTS charges through standby charges. For fiscal years 2012-13, 2013-14, and 2014-15, RTS charges collected by means of such standby charges were \$41.6 million, \$41.7 million, and \$41.7 million, respectively.

Capacity Charge. The Capacity Charge is a fixed charge intended to recover the cost of providing peak capacity within the distribution system. It is levied on the maximum summer day demand placed on Metropolitan's system between May 1 and September 30 for the three-calendar-year period ended December 31 two years prior to the date of the capacity charge. Effective January 1, 2014, the Capacity Charge was \$8,600 per cubic feet per second. The adopted Capacity Charge was \$11,100 per cubic feet per second on January 1, 2015, and will be \$10,900 per cubic feet per second on January 1, 2016.

Financial Reserve Policy

Metropolitan's reserve policy currently provides for a minimum unrestricted reserve balance at June 30 of each year that is based on probability studies of the wet periods that affect Metropolitan's water sales. The policy establishes a minimum targeted unrestricted reserve level based on an 18-month revenue shortfall estimate and a target level based on an additional two years revenue shortfall estimate. Funds representing the minimum reserve level are held in the Revenue Remainder Fund, and any funds in excess of the minimum reserve level are held in the Water Rate Stabilization Fund. Metropolitan established the Water Rate Stabilization Fund for the principal purpose of maintaining stable and predictable water rates and charges. Funds above the target reserve level may be utilized for pay-as-you-go funding of capital expenditures, for the redemption, defeasance or purchase of outstanding bonds or for any lawful purpose of Metropolitan, as determined by the Board, provided that Metropolitan's fixed charge coverage ratio, which measures the total coverage of all fixed obligations (which includes all revenue bond debt service obligations, State Water Contract capital payments paid from current year operations and subordinate obligations) after payment of operating expenditures, is at or above 1.2 times. See "CAPITAL INVESTMENT PLAN—Capital Investment Plan Financing" in this Appendix A.

On May 26, 2015, Metropolitan's Board approved the use of \$160 million of unrestricted reserves, above the target reserve level, for conservation incentives. In addition, \$50 million from the Water Stewardship Fund and \$140 million from the Water Management Fund funded conservation incentives. At June 30, 2015, unrestricted reserves, which consist of the Water Rate Stabilization Fund and the Revenue Remainder Fund, totaled \$476 million on a modified accrual basis. As of June 30, 2015, the minimum reserve requirement was \$205 million and the target reserve level was \$482 million. Metropolitan's unrestricted reserves as of June 30, 2015 included \$188 million held in Metropolitan's financial reserves pursuant to the exchange agreement between Metropolitan and SDCWA due to SDCWA's litigation challenging Metropolitan's rate structure.

On July 14, 2015, Metropolitan's Board approved \$264 million to acquire various properties in Riverside and Imperial Counties, with \$160 million funded from the Replacement and Refurbishment Fund and the remaining amount from unrestricted reserves. On September 22, 2015, Metropolitan's Board approved \$44.4 million to pay SNWA to store 150,000 acre-feet of water with Metropolitan. This amount will be funded from unrestricted reserves. This water will be available to Metropolitan during 2015. When

SNWA requests the return of any of the stored water, SNWA will reimburse Metropolitan for an equivalent proportion of the \$44.4 million, based on the amount of water returned plus inflation. See “METROPOLITAN’S WATER SUPPLY—*Interim Surplus Guidelines*” in this Appendix A.

As of October 31, 2015, Metropolitan held \$220.6 million in its financial reserves pursuant to the exchange agreement between Metropolitan and SDCWA. Of that amount, \$191.7 million is associated with exchange water deliveries from January 2011 through December 2014, and \$28.9 million is associated with exchange water deliveries since January 2015. Amounts held pursuant to the exchange agreement will continue to accumulate based on the quantities of exchange water that Metropolitan provides to SDCWA and the amount of charges disputed by SDCWA. See “METROPOLITAN’S WATER SUPPLY—Colorado River Aqueduct—*Sale of Water by the Imperial Irrigation District to San Diego County Water Authority*” and “METROPOLITAN REVENUES—Litigation Challenging Rate Structure” in this Appendix A. SDCWA has taken the position that the exchange agreement requires Metropolitan to hold such amounts in a restricted cash fund and not in unrestricted reserves. SDCWA sought to include this as a specific requirement by the court in the trial court judgment, which the court rejected. The exchange agreement requires Metropolitan to maintain the amounts in a separate interest bearing account during the pendency of the dispute.

Metropolitan projects that its unrestricted reserves as of June 30, 2016 will be approximately \$440 million, inclusive of amounts held pursuant to the exchange agreement between Metropolitan and SDCWA. 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 is based on the assumption that Metropolitan will obtain a reimbursement from expected bond proceeds and that the Board will not authorize the use of any additional amounts in the unrestricted reserves. Accordingly, the actual amount of unrestricted reserves as of June 30, 2016 may differ if these assumptions are not realized.

Wheeling and Exchange Charges

The process for the delivery of water not owned or controlled by Metropolitan is referred to as “wheeling.” Under the current rate structure, wheeling parties pay the System Access Rate and Water Stewardship Rate, Treatment Surcharge (if applicable) and power costs for wheeling transactions. See “—Rate Structure” above. These payments are included in Net Operating Revenues. Wheeling and exchange revenues totaled \$74.6 million during fiscal year 2012-13, \$81.3 million in fiscal year 2013-14, and \$78.8 million during fiscal year 2014-15. See “—Litigation Challenging Rate Structure” above for a description of litigation by the SDCWA and IID challenging Metropolitan’s System Access Rate and Water Stewardship Rate.

Hydroelectric Power Recovery Revenues

Metropolitan has constructed 16 small hydroelectric plants on its distribution system. The plants are located in Los Angeles, Orange, Riverside and San Diego Counties at existing pressure control structures and other locations. The combined generating capacity of these plants is approximately 131 megawatts. The total capital cost of these 16 facilities is approximately \$176.1 million. Since 2000, annual energy generation sales revenues have ranged between \$8.5 million and nearly \$29.6 million. Energy generation sales revenues were \$14.6 million in fiscal year 2013-14 and \$8.5 million in fiscal year 2014-15.

Principal Customers

All of Metropolitan’s regular customers are member agencies. Total water sales to the member agencies accrued for the fiscal year ended June 30, 2015 were 1.91 million acre-feet, generating \$1.38 billion in water sales revenues for such period. Metropolitan’s ten largest water customers in the year ended June 30, 2015 are shown in the following table, on an accrual basis. On June 11, 2010, the SDCWA filed litigation challenging Metropolitan’s rates. See “—Litigation Challenging Rate Structure” above.

TEN LARGEST WATER CUSTOMERS
Year Ended June 30, 2015
Accrual Basis (Dollars in Millions)

<u>Agency</u>	<u>Water Sales Revenues⁽¹⁾</u>	<u>Percent of Total</u>	<u>Water Sales in Acre-Feet⁽¹⁾</u>	<u>Percent of Total</u>
San Diego County Water Authority	\$ 323.54	23.4%	540,140	28.3%
City of Los Angeles	236.88	17.1	355,368	18.7
MWD of Orange County	182.94	13.2	228,482	12.0
West Basin MWD	102.22	7.4	112,893	5.9
Calleguas MWD	87.86	6.4	97,103	5.1
Eastern MWD	71.87	5.2	89,737	4.7
Western MWD	55.63	4.0	68,386	3.6
Three Valleys MWD	46.65	3.4	58,053	3.0
City of Long Beach	41.69	3.0	46,045	2.4
Central Basin MWD	<u>36.23</u>	<u>2.6</u>	<u>45,360</u>	<u>2.4</u>
Total	\$1,185.53	85.7%	1,641,567	86.2%
Total Water Sales Revenues		\$ 1,382.90	Total Acre-Feet 1,905,425	

Source: Metropolitan.

(1) Includes wheeling and exchange water sales, revenues and deliveries. See “—Wheeling and Exchange Charges” above.

Preferential Rights

Section 135 of the Act gives each of Metropolitan’s member agencies a preferential entitlement to purchase 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. The California Court of Appeal has 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 water rates also challenges Metropolitan’s exclusion of payments for exchange water from the calculation of SDCWA’s preferential right. On August 28, 2015, the trial court ruled that SDCWA “is entitled to a judicial declaration (a) that Metropolitan’s current methodology for calculating San Diego’s preferential rights violates Section 135 of the Metropolitan Water District Act; and (b) directing Metropolitan to include San Diego’s payments for the transportation of water under the Exchange Agreement in Metropolitan’s calculation of San Diego’s preferential rights.” This ruling is subject to appeal. See “—Litigation Challenging Rate Structure” above.

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 XIIC and XIID to the California Constitution. Article XIID 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 XIID. Fees for water service by Metropolitan’s member agencies or their agencies providing retail water service are subject to the requirements of Article XIID.

Article XIID also imposes certain procedures with respect to assessments. Under Article XIID, “standby charges” are considered “assessments” and must follow the procedures required for “assessments.” Metropolitan has imposed water standby charges since 1992. Any change 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 member agencies have elected to collect all or a portion of their readiness-to-serve charges through standby charges. See “—Additional Revenue Components—*Readiness-to-Serve Charge*” and “—*Water Standby Charges*” above. Even if Article XIID 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 XIIC 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 XIIC 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 the California voters on November 2, 2010. Proposition 26 broadens the definition of “tax” in Article XIIC 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; 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 XIID of the California Constitution. Taxes imposed by a special district such as Metropolitan are subject to approval by two-thirds of the voters voting on the ballot measure for authorization. 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 April 24, 2014, a trial court decision stated such rates, effective in 2013 and 2014, violate Proposition 26. The trial court’s rulings, including the decision that specific rates violate certain laws, are subject to appeal. (See “—Litigation Challenging Rate Structure” above.)

Propositions 218 and 26 were adopted as measures that qualified for the ballot pursuant to the State’s initiative process. From time to time, other initiative measures 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 effect on Metropolitan’s revenues.

Investment of Moneys in Funds and Accounts

All moneys in any of the funds and accounts established pursuant to Metropolitan’s water revenue or general obligation bond resolutions are invested 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, commercial paper, negotiable certificates of deposit, banker’s acceptances, corporate notes, municipal bonds, asset-backed, mortgage-backed securities and the California Local Agency Investment Fund (“LAIF”). The 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, using the investment expertise of 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 asset-backed securities, the portfolio does not include any of the special investment vehicles related to sub-prime mortgages. The Statement of Investment Policy allows Metropolitan to exceed the portfolio and single issuer limits for purchases of California local agency securities when purchasing Metropolitan tendered bonds in conjunction with its self-liquidity program. See "METROPOLITAN EXPENDITURES—Variable Rate and Swap Obligations" in this Appendix A. Metropolitan's current investments comply with the Statement of Investment Policy.

As of October 31, 2015, the total market value (cash-basis) of all Metropolitan funds was \$1.05 billion, including bond reserves of \$75.3 million. The market value of Metropolitan's investment portfolio is subject to market fluctuation and volatility and general economic conditions. In fiscal year 2014-15, Metropolitan's earnings on investments, including adjustments for gains and losses and premiums and discounts, including construction account and trust fund earnings, on a cash basis (unaudited) were \$21.4 million. In fiscal year 2013-14, Metropolitan's earnings on investments, on a cash basis (unaudited) were \$15.7 million. In fiscal year 2012-13, Metropolitan's earnings on investments, on a cash basis (unaudited) were \$9.4 million. Over the three years ended October 31, 2015, the market value of the month-end balance of Metropolitan's investment portfolio (excluding bond reserve funds) averaged approximately \$1.198 billion. The minimum month-end balance of Metropolitan's investment portfolio (excluding bond reserve funds) during such period was approximately \$941.2 million on July 31, 2013. See Footnote 3 to Metropolitan's audited financial statements in Appendix B for additional information on the investment portfolio.

Metropolitan's regulations require 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 2015-16 on June 9, 2015.

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 "A1/P1/F1" for short-term securities and "A" for longer-term securities at the time of purchase. If immediate liquidation of a security downgraded below these levels is not in the best interests of Metropolitan, the Treasurer or investment manager, in consultation with an ad hoc committee made up of the Chairman of the

Board, the Chairman of the Finance and Insurance Committee and the General Manager, and with the concurrence of the General Counsel, may dispose of the security in an orderly and prudent manner considering the circumstances, under terms and conditions approved by a majority of the members of such ad hoc committee. The Treasurer is required to include a description of any securities that have been downgraded below investment grade and the status of their disposition in the Treasurer's monthly report.

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 Appendix B - "THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA INDEPENDENT AUDITOR'S REPORT AND BASIC FINANCIAL STATEMENTS FOR FISCAL YEARS ENDED JUNE 30, 2015 AND JUNE 30, 2014 AND BASIC FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014 (UNAUDITED)" for a description of Metropolitan's investments at September 30, 2015.

Metropolitan retains two outside investment firms to manage the long-term portion of Metropolitan's portfolio. The outside managers are required to adhere to Metropolitan's Statement of Investment Policy. As of October 31, 2015, such managers were managing approximately \$339.1 million in investments on behalf of Metropolitan. 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 EXPENDITURES

General

The following table sets forth a summary of Metropolitan's expenditures, by major function, for the five years ended June 30, 2015. The table provides cash basis information, which is unaudited. Expenses of Metropolitan for the fiscal years ended June 30, 2014 and June 30, 2015, on an accrual basis, are shown in Appendix B - "THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA INDEPENDENT AUDITOR'S REPORT AND BASIC FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2015 AND JUNE 30, 2014 AND BASIC FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014 (UNAUDITED)."

SUMMARY OF EXPENDITURES

Fiscal Years Ended June 30

(Dollars in Millions)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Operation and Maintenance Costs ⁽¹⁾	\$ 430.8	\$ 425.3	\$ 413.6	\$ 561.3	\$ 640.6
Total State Water Project and Water Transfers ⁽²⁾	593.4	535.4	531.1	472.5	519.7
Total Debt Service ⁽³⁾	306.7	323.0	326.9	372.0	291.0
Construction Disbursements from Revenues ⁽⁴⁾	45.0	44.2	54.7	89.3	210.2
Other ⁽⁵⁾	<u>2.4</u>	<u>2.8</u>	<u>6.2</u>	<u>6.3</u>	<u>5.7</u>
Total Disbursements (net of reimbursements) ⁽⁶⁾	<u>\$1,378.3</u>	<u>\$1,330.7</u>	<u>\$1,332.5</u>	<u>\$1,501.4</u>	<u>\$1,667.2</u>

Source: Metropolitan.

(1) Includes inventories, undistributed payroll, local resource programs, conservation programs and CRA power. See the table headed "Summary of Receipts by Source" under "METROPOLITAN REVENUES" in this Appendix A. For fiscal year 2015, includes \$48.9 million of conservation projects funded from transfers from the Water Management Fund. See "METROPOLITAN'S REVENUES— Summary of Receipts by Source", in this Appendix A. (Footnotes continued on next page)

(Footnotes continued from prior page)

- (2) Includes both operating and capital expense portions. See "METROPOLITAN'S WATER SUPPLY—Water Transfer, Storage and Exchange Programs" and "POWER SOURCES AND COSTS" in this Appendix A. For fiscal year 2015, includes \$29.3 million of water purchases funded from transfers from the Water Management Fund. See "METROPOLITAN'S REVENUES—Summary of Receipts by Source", in this Appendix A.
- (3) Net of Build America Bond reimbursement of \$10.4 million, \$13.3 million, \$12.7 million, \$12.3 million, and \$12.3 million, in fiscal years 2011 thru 2015, respectively. See "METROPOLITAN EXPENDITURES—"Build America Bonds".
- (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 and arbitrage rebate.
- (6) Disbursements exceeded revenues in the fiscal year ended June 30, 2011. See "METROPOLITAN REVENUES—Financial Reserve Policy" in this Appendix A.

Revenue Bond Indebtedness

The water revenue bonds, outstanding as of November 1, 2015, are set forth below:

<u>Name of Issue</u>	<u>Principal Outstanding</u>
Water Revenue Refunding Bonds, 1993 Series A	\$86,540,000
Water Revenue Bonds, 2000 Authorization, Series B-3 ⁽¹⁾	88,800,000
Water Revenue Bonds, 2005 Authorization, Series C	175,000,000
Water Revenue Refunding Bonds, 2006 Series B	24,055,000
Water Revenue Bonds, 2006 Authorization, Series A	389,235,000
Water Revenue Refunding Bonds, 2008 Series A-2 ⁽¹⁾	62,465,000
Water Revenue Refunding Bonds, 2008 Series B	126,980,000
Water Revenue Refunding Bonds, 2008 Series C	34,700,000
Water Revenue Bonds, 2008 Authorization, Series A	183,525,000
Water Revenue Refunding Bonds, 2009 Series A-2 ⁽¹⁾	104,180,000
Water Revenue Refunding Bonds, 2009 Series B	106,690,000
Water Revenue Refunding Bonds, 2009 Series C	91,165,000
Water Revenue Bonds, 2008 Authorization, Series B	12,735,000
Water Revenue Bonds, 2008 Authorization, Series C ⁽²⁾	78,385,000
Water Revenue Bonds, 2008 Authorization, Series D ⁽²⁾	250,000,000
Water Revenue Refunding Bonds, 2009 Series D	58,860,000
Water Revenue Refunding Bonds, 2009 Series E	15,590,000
Water Revenue Bonds, 2010 Authorization, Series A ⁽²⁾	250,000,000
Water Revenue Refunding Bonds, 2010 Series B	79,330,000
Water Revenue Refunding Bonds, 2011 Series A1-A4 ⁽¹⁾	228,875,000
Water Revenue Refunding Bonds, 2011 Series B	35,760,000
Water Revenue Refunding Bonds, 2011 Series C	147,935,000
Water Revenue Refunding Bonds, 2012 Series A	181,180,000
Water Revenue Refunding Bonds, 2012 Series B-1 and B-2 ⁽¹⁾	98,585,000
Water Revenue Refunding Bonds, 2012 Series C	190,600,000
Water Revenue Refunding Bonds, 2012 Series D	605,000
Water Revenue Refunding Bonds, 2012 Series E-3	31,220,000
Water Revenue Refunding Bonds, 2012 Series F	59,335,000
Water Revenue Refunding Bonds, 2012 Series G	111,890,000
Special Variable Rate Water Revenue Refunding Bonds, 2013 Series D ⁽¹⁾	87,445,000
Special Variable Rate Water Revenue Refunding Bonds, 2013 Series E ⁽¹⁾	104,820,000
Water Revenue Refunding Bonds, 2014 Series A	95,935,000
Water Revenue Refunding Bonds, 2014 Series B	10,575,000
Water Revenue Refunding Bonds, 2014 Series C1-C3	30,335,000
Special Variable Rate Water Revenue Refunding Bonds, 2014 Series D ⁽¹⁾	63,575,000
Water Revenue Refunding Bonds, 2014 Series E	86,060,000
Water Revenue Refunding Bonds, 2014 Series G1-G5	57,840,000
Special Variable Rate Water Revenue Refunding Bonds, 2015 Series A-1 and A-2 ⁽¹⁾	<u>188,900,000</u>
Total	\$4,029,705,000

Source: Metropolitan.

- (1) Outstanding variable rate obligation.
- (2) Designated as "Build America Bonds" pursuant to the American Recovery and Reinvestment Act of 2009.

Limitations on Additional Revenue Bonds

Resolution 8329, adopted by Metropolitan's Board on July 9, 1991, as amended and supplemented (collectively with all such supplemental resolutions, the "Revenue Bond Resolutions"), provides for the issuance of Metropolitan's water revenue bonds. The Revenue Bond Resolutions establish limitations on the issuance of additional obligations payable from Net Operating Revenues. Under the Revenue Bond 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 Revenue Bond Resolutions ("Parity Bonds") or other obligations of Metropolitan having a lien and charge upon, or being payable from, the Net Operating Revenues on parity with such water revenue bonds ("Parity Obligations"). No additional Parity Bonds or Parity Obligations may be issued or incurred unless the conditions of the Revenue Bond 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 at 15 percent of the assessed value of all taxable property within Metropolitan's service area. As of November 1, 2015, outstanding general obligation bonds, water revenue bonds and other evidences of indebtedness in the amount of \$4.15 billion represented approximately 0.17 percent of the fiscal year 2015-16 taxable assessed valuation of \$2,451 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, 2015 were \$6.88 billion. The aggregate amount of revenue bonds outstanding as of November 1, 2015 was \$4.03 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, 2015 and June 30, 2014, respectively, are shown in Appendix B – "THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA INDEPENDENT AUDITOR'S REPORT AND BASIC FINANCIAL STATEMENTS FOR FISCAL YEARS ENDED JUNE 30, 2015 AND JUNE 30, 2014 AND BASIC FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014 (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 a parity with water revenue bonds of Metropolitan will remain in effect so long as any water revenue bonds authorized pursuant to the 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 and Swap Obligations

As of November 1, 2015, Metropolitan had outstanding \$1.03 billion of variable rate obligations, including bonds bearing interest in the Index Mode or Flexible Index Mode (the "Index Tender Bonds"), special variable rate bonds initially designated as self-liquidity bonds (the "Self-Liquidity Bonds"), and variable rate demand obligations supported by standby bond purchase agreements between Metropolitan and various liquidity providers ("Liquidity Supported Bonds").

Index Tender Bonds. The Index Tender Bonds have substantially similar terms and conditions; however, the unscheduled mandatory tender dates and related tender periods for the Index Tender Bonds may differ. The Index Tender Bonds bear interest at a rate that fluctuates weekly based on the SIFMA Municipal Swap Index published weekly by Municipal Market Data. The Index Tender Bonds outstanding as of November 1, 2015, are summarized in the following table:

<u>Series</u>	<u>Date of Issuance</u>	<u>Original Principal Amount Issued</u>	<u>Next Scheduled Mandatory Tender Date</u>	<u>Maturity Date</u>
2009 A-2	May 20, 2009	\$104,180,000	January 11, 2016 ⁽¹⁾	July 1, 2030
2011 A-1	June 2, 2011	64,440,000	August 16, 2016	July 1, 2036
2011 A-2	June 2, 2011	50,000,000	March 27, 2018	July 1, 2036
2011 A-3	June 2, 2011	64,435,000	August 16, 2016	July 1, 2036
2011 A-4	June 2, 2011	50,000,000	March 27, 2018	July 1, 2036
2012 B-1	April 27, 2012	49,295,000	March 27, 2018	July 1, 2027
2012 B-2	April 27, 2012	49,290,000	March 27, 2018	July 1, 2027
2013 E ⁽²⁾	July 2, 2013	<u>104,820,000</u>	January 29, 2016	July 1, 2030
Total		\$536,460,000		

Source: Metropolitan.

- (1) It is anticipated that in early December 2015, the Series 2009 A-2 bonds will be remarketed with a new Scheduled Mandatory Tender Date of August 30, 2016.
- (2) Flexible Index Mode Bonds. The terms and conditions of Flexible Index Mode Bonds are substantially similar to Index Mode Bonds except that each tender period may not exceed 270 days.

The Index Tender Bonds are subject to mandatory tender under certain circumstances. Metropolitan anticipates that it will pay the purchase price of tendered Index Tender Bonds from the proceeds of remarketing such Index Tender Bonds or from other available funds. Metropolitan's obligation to pay the purchase price of such Index Tender Bonds is an unsecured obligation of Metropolitan that it would pay from Net Operating Revenues only after it has made payments and deposits with respect to its Operating Revenues, the Parity Bonds, Parity Obligations and other obligations secured by Net Operating Revenues. Metropolitan has not secured any liquidity facility or letter of credit to support the payment of the purchase price of Index Tender Bonds in connection with a scheduled mandatory tender. If the purchase price of the Index Tender Bonds of any Series is not paid from the proceeds of remarketing or other funds following a scheduled mandatory tender, such Index Tender Bonds then will bear interest at a default rate of up to 12 percent per annum until purchased by Metropolitan or redeemed. Failure to pay the purchase price of a series of Index Tender Bonds on a scheduled mandatory tender date is a default under the related paying agent agreement, upon the occurrence and continuance of which a majority in aggregate principal amount of the owners of such series of Index Tender Bonds may elect a bondholders' committee to exercise rights and powers of such owners under such paying agent agreement. Failure to pay the purchase price of a series of Index Tender Bonds on a scheduled mandatory tender date is not a default under the Master Resolution. If the purchase price of the Index Tender Bonds of any series is not paid on a scheduled mandatory tender date, such Index Tender Bonds will also be subject to special mandatory redemption, in part, 18, 36 and 54 months following the purchase default. Any such special mandatory redemption payment will constitute a Bond Obligation payable on parity with the Parity Bonds and the Parity Obligations.

Self-Liquidity Bonds. As of November 1, 2015, Metropolitan had \$339.9 million of outstanding self-liquidity bonds, comprised of \$87.4 million Special Variable Rate Water Revenue Refunding Bonds, 2013 Series D, \$63.6 million Special Variable Rate Water Revenue Refunding Bonds, 2014 Series D, and \$188.9 million Special Variable Rate Water Revenue Refunding Bonds, 2015 Series A1 and A2. The Self-Liquidity Bonds are subject to optional tender upon seven days' notice by the owners thereof and mandatory tender upon specified events. Metropolitan is irrevocably committed to purchase all Self-Liquidity Bonds tendered pursuant to any optional or mandatory tender to the extent that remarketing proceeds are insufficient therefor and no standby bond purchase agreement or other liquidity facility is in effect. Metropolitan's obligation to pay the purchase price of any tendered Self-Liquidity Bonds is an unsecured, special limited obligation of Metropolitan payable from Net Operating Revenues. In addition, Metropolitan's investment policy permits it to purchase tendered Self-Liquidity Bonds as an investment for its investment portfolio (other than amounts in its investment portfolio consisting of bond reserve funds). Thus, while Metropolitan is only obligated to

purchase tendered Self-Liquidity Bonds from Net Operating Revenues, it may use the cash and investments in its investment portfolio (other than amounts in its investment portfolio consisting of bond reserve funds and amounts posted as collateral with interest rate swap counterparties as described below) to purchase tendered Self-Liquidity Bonds. Metropolitan has not secured any liquidity facility or letter of credit to pay the purchase price of any tendered Self-Liquidity Bonds; however, Metropolitan has entered into a Revolving Credit Agreements (as described below) pursuant to which it may make borrowings for the purpose of paying the purchase price of Self-Liquidity Bonds. See “—Revolving Credit Agreements” below. Failure to pay the purchase price of Self-Liquidity Bonds upon optional or mandatory tender is not a default under the related paying agent agreement or a default under the Master Resolution.

Liquidity Supported Bonds. The interest rates for Metropolitan’s other variable rate demand obligations, totaling \$151.3 million as of November 1, 2015, are reset on a daily or weekly basis. Such variable rate demand obligations are supported by Standby Bond Purchase Agreements between Metropolitan and various 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. 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 bear interest at a significantly higher interest rate and 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 amortizable over a period of up to three years, depending on the applicable liquidity facility.

The following table lists the liquidity providers, the expiration date of each facility and the principal amount of outstanding variable rate demand obligations covered under each facility as of November 1, 2015.

<u>Liquidity Provider</u>	<u>Bond Issue</u>	<u>Principal Outstanding</u>	<u>Facility Expiration</u>
Wells Fargo Bank, N.A.	2000 Authorization Series B-3	\$ 88,800,000	February 2017
Barclays Bank PLC	2008 Series A-2	<u>\$62,465,000</u>	September 2016
Total		\$151,265,000	

Source: Metropolitan.

Variable Rate Exposure Policy. As of November 1, 2015, of Metropolitan’s \$1.03 billion of variable rate obligations, \$493.6 million of variable rate demand obligations which are treated by Metropolitan as fixed rate debt, by virtue of interest rate swap agreements, for the purpose of calculating debt service requirements. The remaining \$534 million of variable rate obligations represent approximately 13.3 percent of total outstanding water revenue bonds, as of November 1, 2015.

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.

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 Chief Financial Officer reports to the Finance and Insurance 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.

Net payments under the terms of the interest rate swap agreements are payable on a parity with the Parity Obligations. Termination payments under the 2002A and 2002B interest rate swap agreements would be payable on a parity with the Parity Obligations. All other termination payments related to interest rate swap agreements would be subordinate to the Parity Obligations.

The following swap transactions were outstanding as of November 1, 2015:

FIXED PAYOR SWAPS:

<u>Designation</u>	<u>Notional Amount Outstanding</u>	<u>Swap Counterparty</u>	<u>Fixed Payor Rate</u>	<u>MWD Receives</u>	<u>Maturity Date</u>
2002 A	\$75,838,400	Morgan Stanley Capital Services, Inc.	3.300	57.74% of one-month LIBOR	7/1/2025
2002 B	28,371,600	JPMorgan Chase Bank	3.300	57.74% of one-month LIBOR	7/1/2025
2003 ⁽¹⁾	158,597,500	Wells Fargo Bank	3.257	61.20% of one-month LIBOR	7/1/2030
2003	158,597,500	JPMorgan Chase Bank	3.257	61.20% of one-month LIBOR	7/1/2030
2004 C	7,760,500	Morgan Stanley Capital Services, Inc.	2.980	61.55% of one-month LIBOR	10/1/2029
2004 C	6,349,500	Citigroup Financial Products, Inc.	2.980	61.55% of one-month LIBOR	10/1/2029
2005	29,057,500	JPMorgan Chase Bank	3.360	70% of 3-month LIBOR	7/1/2030
2005	<u>29,057,500</u>	Citigroup Financial Products, Inc.	3.360	70% of 3-month LIBOR	7/1/2030
Total	\$493,630,000				

Source: Metropolitan.

(1) The obligations under this interest rate swap agreement were assigned by Deutsche Bank AG, New York Branch, to Wells Fargo Bank, pursuant to novation transactions dated July 1, 2015.

These interest rate swap agreements entail risk to Metropolitan. The counterparty 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 believes that if such an event were to occur, it

would not have a material adverse impact on its financial position. 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(f) in Appendix B - THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA INDEPENDENT AUDITOR'S REPORT AND BASIC FINANCIAL STATEMENTS FOR FISCAL YEARS ENDED JUNE 30, 2015 AND JUNE 30, 2014 AND BASIC FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014 (UNAUDITED)."

Early termination of an interest rate swap agreement could occur due to a default by either party or the occurrence of a termination event. As of September 30, 2015, Metropolitan would have been required to pay to its counterparties termination payments if some of its swaps were terminated on that date and would have been entitled to receive termination payments from its counterparties if other swaps were terminated. Metropolitan's net exposure to its counterparties for all such termination payments on that date was approximately \$93 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, effective June 28, 2012, Metropolitan exercised optional early termination provisions to terminate all or a portion of certain interest rate swap agreements totaling a notional amount of \$322 million. Effective February 12, 2014, Metropolitan exercised optional early termination provisions to terminate a portion of certain interest rate swap agreements, totaling a notional amount of \$147 million. Effective July 29, 2014, Metropolitan optionally terminated portions of certain interest rate swap agreements totaling a notional amount of \$163 million.

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 September 30, 2015, 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. 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.

Build America Bonds

Metropolitan previously issued and designated three series of Bonds in the aggregate principal amount of \$578,385,000 as "Build America Bonds" under the provisions of the American Recovery and Reinvestment Act of 2009 (the "Build America Bonds"). Except as they may be reduced by sequestration as described in the following paragraph, Metropolitan currently expects to receive cash subsidies from the United States Treasury equal to 35 percent of the interest payable on all such outstanding Build America Bonds (the "Interest Subsidy Payments"). The Interest Subsidy Payments in connection with the Build America Bonds do not constitute Operating Revenues under the Master Resolution. Such Interest Subsidy Payments will constitute Additional Revenues, which Metropolitan may take into consideration when

establishing its rates and charges and will be available to Metropolitan to pay principal of and interest on Metropolitan's Bonds.

The Budget Control Act of 2011 (the "Budget Control Act") provided for increases in the federal debt limit and established procedures designed to reduce the federal budget deficit. The Budget Control Act provided that a failure to reduce the deficit would result in sequestration, which are automatic, generally across-the-board, spending reductions. These reductions began on March 1, 2013 pursuant to an executive order that reduced budgetary authority for expenditures subject to sequestration, including subsidies for Build America Bonds. Pursuant to this executive order, the approximately \$6.64 million Interest Subsidy Payment that Metropolitan received on July 1, 2013 was reduced by 8.7 percent, or \$578,000, to \$6.06 million. Interest Subsidy Payments processed on or after October 1, 2014 and on or before September 30, 2015 are anticipated to be reduced by the federal fiscal year 2014-2015 sequestration rate of 7.3 percent, and by the federal fiscal year 2015-16 sequestration rate of 6.8 percent. The sequestration reduction rate will be applied unless and until a law is enacted that cancels or otherwise impacts the sequester, at which time the sequestration reduction rate is subject to change. Metropolitan can offer no assurances as to future subsidy payments and expects that once it receives less than any full 35 percent subsidy payment, the United States Treasury will not thereafter reimburse Metropolitan for payments not made.

Other Revenue Obligations

As of November 1, 2015, Metropolitan had outstanding \$31.2 million of 2012 Series E-3 Bonds, \$30.3 million of 2014 Series C Bonds in three series, and \$57.8 million of 2014 Series G in five series, bearing interest in a term mode (the "Term Mode Bonds"). The Term Mode Bonds initially bear interest at a fixed rate for a specified period from their date of issuance, after which there shall be determined a new interest mode for each series (which may be another term mode, a daily mode, a weekly mode, a short-term mode or an index mode) or the Term Mode Bonds may be converted to bear fixed interest rates through the maturity date thereof. The owners of the Term Mode Bonds of a series must tender for purchase, and Metropolitan must purchase, all of the Term Mode Bonds of such series on the specified scheduled mandatory tender date of each term period for such series. The scheduled mandatory tender date for the 2012 Series E-3 Bonds is October 1, 2016. For the three series of 2014 Series C Bonds, the scheduled mandatory tender dates are October 1, 2019, October 1, 2020 and October 1, 2021. For the five series of 2014 Series G Bonds, the scheduled mandatory tender dates are October 1, 2016, 2017, 2018, 2019, and 2020, respectively. Metropolitan may call the Term Mode Bonds on or after the Call Protection Date for each of the series of Term Mode Bonds.

Metropolitan will pay the principal of, and interest on, the Term Mode Bonds on parity with its other Parity Bonds. Metropolitan anticipates that it will pay the purchase price of tendered Term Mode Bonds from the proceeds of remarketing such Term Mode Bonds or from other available funds. Metropolitan's obligation to pay the purchase price of such Term Mode Bonds is an unsecured obligation of Metropolitan that it would pay from Net Operating Revenues only after it has made payments and deposits with respect to its Operating Revenues, the Bonds and Parity Obligations and other obligations secured by Net Operating Revenues. Metropolitan has not secured any liquidity facility or letter of credit to support the payment of the purchase price of Term Mode Bonds in connection with any scheduled mandatory tender. If the purchase price of the Term Mode Bonds of any series is not paid from the proceeds of remarketing or other funds following a scheduled mandatory tender, such Term Mode Bonds will then bear interest at a default rate of up to 12 percent per annum until purchased by Metropolitan or redeemed. If the purchase price of the Term Mode Bonds of any series is not paid on a scheduled mandatory tender date, such Term Mode Bonds will also be subject to special mandatory redemption, in part, 18, 36 and 54 months following the purchase default. Any such special mandatory redemption payment will constitute a Bond Obligation payable on parity with the Parity Bonds and the Parity Obligations.

Revolving Credit Agreements

Metropolitan currently has \$276.5 million of available revolving credit agreement facilities. On March 21, 2013, Metropolitan entered into a revolving credit agreement (“the BNY Mellon Revolving Credit Agreement”) with The Bank of New York Mellon (“BNY Mellon”). Under the terms and conditions of the BNY Mellon Revolving Credit Agreement, Metropolitan may borrow up to \$96,545,900 for purposes of paying the purchase price of any Self-Liquidity Bonds. The scheduled expiration date of the BNY Mellon Revolving Credit Agreement is March 31, 2016. On July 1, 2015, Metropolitan executed a revolving credit agreement with Wells Fargo Bank, N.A., (the “Wells Fargo Revolving Credit Agreement”, and together with the BNY Mellon Revolving Credit Agreement, “the Revolving Credit Agreements”). Under the terms and conditions of the Wells Fargo Revolving Credit Agreement, Metropolitan will be able to borrow up to \$180,000,000 for purposes of paying the purchase price of any Self-Liquidity Bonds. The scheduled expiration date of the Wells Fargo Revolving Credit Agreement is July 1, 2018. On November 4, 2015, Wells Fargo Bank assigned \$100,000,000 of its share of the Wells Fargo Revolving Credit Agreement to the Industrial and Commercial Bank of China (“ICBC”). Wells Fargo will retain the remaining \$80,000,000 commitment. ICBC assumed all of Wells Fargo’s obligations with respect to its \$100 million share under the Wells Fargo Revolving Credit Agreement.

Under the existing Revolving Credit Agreements, a failure by Metropolitan to perform or observe certain covenants could result in a termination of BNY Mellon’s and Wells Fargo Bank’s commitments and entitle them to declare all amounts then outstanding to be immediately due and payable. Metropolitan has secured its obligation to pay principal and interest under the Revolving Credit Agreements as Parity Obligations under the Master Resolution. Metropolitan has no obligation to make borrowings under, maintain, or renew the Revolving Credit Agreements. See “—Limitations on Additional Revenue Bonds” above.

In the Revolving Credit Agreements, Metropolitan designated the principal and interest payable as Excluded Principal Payments under the Master Resolution and thus, for purposes of calculating Maximum Annual Debt Service, included the amount of principal and interest due and payable under the Revolving Credit Agreements on a schedule of Assumed Debt Service. This schedule of Assumed Debt Service assumes that Metropolitan will pay the principal under the Revolving Credit Agreements over a period of 30 years at a fixed interest rate of 3.75 percent. Pursuant to the terms of the Master Resolution, while the Revolving Credit Agreements are in force and effect, when Metropolitan calculates its covenant relating to the creation or incurrence of additional indebtedness, it will add an amount to its Net Operating Revenues relating to an assumed annual debt service payment that Metropolitan would receive if it were to use the proceeds of the Revolving Credit Agreements to purchase Self-Liquidity Bonds.

Metropolitan is considering entering into a revolving credit facility for up to \$400 million that could be accessed on a revolving basis to fund capital expenditures, provide reimbursement for capital expenditures, refund outstanding obligations, or as a source for working capital on a short-term basis.

Subordinate Revenue Obligations

Metropolitan currently is authorized to issue subordinate debt of up to \$400,000,000 of Commercial Paper Notes payable from Net Operating Revenues on a basis subordinate to the Parity Bonds and the 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. In addition, Metropolitan obtained a \$20 million California Safe Drinking Water Revolving Fund Loan in 2003 at an interest rate of 2.39 percent per annum to reimburse construction costs for oxidation retrofit facilities at the Henry J. Mills Treatment Plant in Riverside County. The loan payment obligation is subordinate to the Parity Bonds and Parity Obligations. As of November 1, 2015, the principal balance outstanding was \$10.2 million.

General Obligation Bonds

As of November 1, 2015, \$110,420,000 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.

<u>General Obligation Bonds</u>	<u>Amount Issued⁽¹⁾</u>	<u>Principal Outstanding</u>
Waterworks General Obligation Refunding Bonds, 2009 Series A	\$45,515,000	\$33,485,000
Waterworks General Obligation Refunding Bonds, 2010 Series A	39,485,000	27,290,000
Waterworks General Obligation Refunding Bonds, 2014 Series A	<u>49,645,000</u>	<u>49,645,000</u>
Total	<u>\$134,645,000</u>	<u>\$110,420,000</u>

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. On November 4, 1960, Metropolitan entered into its State Water Contract with DWR, under which Metropolitan receives an entitlement to water service from the State Water Project. Subsequently, other public agencies also entered into water supply contracts with DWR, all of which were patterned after Metropolitan's State Water Contract. Metropolitan's State Water Contract accounts for nearly one-half of the total entitlement for State Water Project water contracted for by all contractors.

The State Water Contract will remain in effect until 2035 or until all DWR bonds issued to finance construction of project facilities are repaid, whichever is longer. At the expiration of the State Water Contract, Metropolitan has the option to continue service under substantially the same terms and conditions. In June 2014, DWR and State Water Project Contractors reached an AIP to extend the contract 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” in this Appendix A. As of November 1, 2015, the latest maturity of outstanding DWR bonds issued for such purpose was December 1, 2035.

Under the State Water Contract, Metropolitan is obligated to pay allocable portions of the cost of construction of the system and ongoing operating and maintenance costs through at least 2035, 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. Metropolitan's payment obligation for the State Water Project for the fiscal year ended June 30, 2015 was \$437 million, which amount reflects prior year's credits of \$74.2 million. For the fiscal year ended June 30, 2015, Metropolitan's payment obligations under the State Water Contract were approximately 31 percent of Metropolitan's total annual expenditures. A portion of Metropolitan's annual property tax levy is for payment of State Water Contract obligations, as described above under “METROPOLITAN REVENUES—General” in this Appendix A. See Note 9(a) to Metropolitan's audited financial statements in Appendix B for an estimate of Metropolitan's payment obligations under the State Water Contract. Also see “POWER SOURCES AND COSTS” in this Appendix A 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.

The State Water Contract requires 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. Currently, a portion of the capital costs under the State Water Contract are paid from *ad valorem* taxes levied by Metropolitan. In the opinion of Metropolitan's General Counsel, a tax increase to provide for additional payments under the State Water Contract would be within the exemption permitted under Article XIII A of the State Constitution as a tax to pay pre-1978 voter approved indebtedness.

Metropolitan capitalizes its share of system construction 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.

Metropolitan has entered into amendments to the State Water Contract that represent additional long-term obligations, 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 2014, this represented a payment of \$6.7 million. In addition, Metropolitan agreed to pay 78.5 percent of the operation and maintenance expenses of the Devil Canyon facilities and 96 percent of the operation and maintenance expenses of the Castaic facilities. Metropolitan's obligations under the Devil Canyon-Castaic Contract continue until the bonds are fully retired in 2022 even if DWR is unable to operate the facilities or deliver power from these 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 California Independent System Operator. 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. Other costs of Metropolitan in relation to the State Water Project and the State Water Contract may increase as a result of restructuring of California's electric utility industry and new Federal Energy Regulatory Commission ("FERC") regulations.

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. Metropolitan, the other State Water Contractors on the East Branch, and DWR are currently in discussions on the timetable and plan for future East Branch enlargement actions.

The amendment establishes a separate subcategory of the Transportation Charge under the State Water Contract 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 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, the 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 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 nondefaulting contractors, subject to certain limitations, including a provision that no nondefaulting 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 nondefaulting 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 Annual Billing to Metropolitan for calendar year 2016 and, for fiscal year 2015-16, actual financial results through September 30, 2015 and revised projections for the balance of fiscal year 2015-16. For all other years the projections are based on Metropolitan's adopted biennial budget for fiscal years 2014-15 and 2015-16 and the ten-year financial forecast included in the adopted budget. See "METROPOLITAN'S WATER SUPPLY—State Water Project—Buy-Delta Planning Activities" in this Appendix A.

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**PROJECTED COSTS OF METROPOLITAN
FOR STATE WATER PROJECT WATER⁽¹⁾**
(Dollars in Millions)

<u>Year Ending June 30</u>	<u>Capital Costs</u>	<u>Minimum OMP&R⁽²⁾</u>	<u>Power Costs⁽³⁾</u>	<u>Refunds & Credits</u>	<u>Total⁽⁴⁾</u>
2016	\$168.9	\$277.8	\$103.7	\$(33.4)	\$517.0
2017	183.6	190.1	212.6	(36.6)	549.7
2018	193.3	191.0	221.9	(36.4)	569.8
2019	206.6	192.6	235.2	(35.9)	598.4
2020	245.8	194.1	257.5	(34.3)	663.1

Source: Metropolitan.

- (1) Projections are based upon DWR's Annual Billing to Metropolitan for 2016 and attachments (dated July 1, 2015) and, for fiscal year 2015-16, actual financial results through September 30, 2015 and revised projections for the balance of the fiscal year. For other years, the projections are based on Metropolitan's adopted biennial budget for fiscal years 2014-15 and 2015-16, and the ten-year financial forecast included in the adopted budget. All costs are adjusted from calendar year to fiscal year periods ending June 30. The total charges shown above differ from those shown in Note 9 of Metropolitan's audited financial statements for the fiscal years ended June 30, 2015 and June 30, 2014, in Appendix B, due to the inclusion of allowances for inflation and anticipated construction of additional State Water Project facilities. See "POWER SOURCES AND COSTS—State Water Project" in this Appendix A.
- (2) Minimum Operations, Maintenance, Power and Replacement ("OMP&R") represents costs which are fixed and do not vary with the amount of water delivered.
- (3) Assumptions for water deliveries through the California Aqueduct (not including SBVMWD and DWA/CVWD transfers and exchanges) into Metropolitan's service area and to storage programs are as follows: 0.59 million acre-feet for fiscal year 2015-16, 0.91 million acre-feet for fiscal year 2016-17, 0.93 million acre-feet for fiscal year 2017-18, 0.93 million acre-feet for fiscal year 2018-18, and 0.93 million acre-feet for fiscal year 2019-20. Availability of State Water Project supplies vary and deliveries may include transfers and storage. All deliveries are within maximum contract amount and are based upon availability, as determined by hydrology, water quality and wildlife conditions. See "METROPOLITAN'S WATER SUPPLY—State Water Project—Endangered Species Act Considerations" in this Appendix A.
- (4) Annual totals include BDCP related costs for the fiscal years ended June 30, 2016 through June 30, 2020 of \$-0- in fiscal year 2015-16, \$15 million in fiscal year 2016-17, \$24 million in fiscal year 2017-18, \$46 million in fiscal year 2018-19, and \$91 million in fiscal year 2019-20. Projected BDCP costs are reflected in the ten-year financial forecast provided in the biennial budget for fiscal years 2014-15 and 2015-16 that was approved by Metropolitan's Board on April 8, 2014.

Other Long-Term Commitments

Metropolitan also has various ongoing fixed annual obligations under its contract with the United States Department of Energy for power from the Hoover Power Plant. Under the terms of the Hoover Power Plant contract, Metropolitan purchases energy to pump water through the CRA. In fiscal year 2014-15 Metropolitan paid approximately \$39.6 million under this contract. Payments made under the Hoover Power Plant contract are treated as operation and maintenance expenses. On March 12, 2014, Metropolitan and the other Hoover Contractors funded the defeasance of \$124 million of bonds issued by the U.S. Treasury Department for facilities related to the Hoover Dam and Power Plant. Following this repayment, Metropolitan expects to reduce its annual payment for Hoover power by approximately \$2.3 million. See "POWER SOURCES AND COSTS—Colorado River Aqueduct" in this Appendix A.

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. Employees are required to contribute seven percent of their earnings (excluding overtime pay) to PERS. Pursuant to the current memoranda of understanding, Metropolitan contributes the requisite seven 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 seven percent employee contribution to PERS. Metropolitan contributes the entire seven percent on behalf of unrepresented employees. 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 2014-15 contribution requirement is based on the June 30, 2012 valuation report, and the fiscal year 2015-16 contribution is based on the June 30, 2013 valuation report. The PERS' projected investment return (the discount rate) for fiscal years 2014-15, and 2015-16 is 7.5 percent.

For fiscal year 2014-15, Metropolitan contributed 17.65 percent of annual covered payroll. The fiscal year 2014-15 annual pension cost was \$47.0 million, of which \$12.7 million was for Metropolitan's pick-up of the employees' seven percent share. For fiscal year 2015-16, Metropolitan is required to contribute 19.74 percent of annual covered payroll, in addition to member contributions paid by Metropolitan.

On April 17, 2013, the PERS Board of Administration approved changes to the amortization and smoothing policies to spread all gains and losses over a fixed 30-year period from a rolling 30-year period, and to recognize increases or decreases in investment returns over a 5-year period versus a 15-year period. In addition, PERS will no longer use an actuarial valuation of assets. These changes will result in higher employer contribution rates in the near term but lower rates in the long term. The new policies will be effective for fiscal year 2015-16. The following table shows the funding progress of Metropolitan's pension plan.

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Metropolitan Pension Plan Assets
(dollars in billions)

Valuation Date	Accrued Liability	Actuarial Value of Assets	Market Value of Assets	Funded (Unfunded)		Funded Ratios	
				Actuarial Value	Market Value	Actuarial Value	Market Value
6/30/13	\$1.805	N/A	\$1.356	N/A	(\$0.449)	N/A	75.1%
6/30/12	\$1.731	\$1.471	\$1.227	(\$0.260)	(\$0.504)	85.0%	70.9%
6/30/11	\$1.674	\$1.416	\$1.257	(\$0.258)	(\$0.417)	84.5%	75.1%
6/30/10	\$1.563	\$1.351	\$1.059	(\$0.212)	(\$0.504)	86.4%	67.7%
6/30/09	\$1.478	\$1.287	\$0.940	(\$0.191)	(\$0.538)	87.1%	63.6%
6/30/08	\$1.334	\$1.232	\$1.256	(\$0.102)	(\$0.078)	92.3%	94.1%

Source: California Public Employees' Retirement System.

For more information on the plan, see Appendix B - "THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA INDEPENDENT AUDITOR'S REPORT AND BASIC FINANCIAL STATEMENTS FOR FISCAL YEARS ENDED JUNE 30, 2015 AND JUNE 30, 2014 AND BASIC FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014 (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 \$13.0 million in fiscal year 2014-15. Under Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment 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 most recent actuarial valuation dated June 30, 2013 was released in February of 2014. This valuation indicates that the ARC in fiscal years 2014-15 and 2015-16 are \$29.5 million and \$30.3 million, respectively. The ARC was based on a June 30, 2013 actuarial valuation using the entry-age normal actuarial cost method with contributions determined as a level percent of pay. The actuarial assumptions included (a) a 7.25 percent investment rate of return, (b) a general inflation component of 3.0 percent and (c) increases to basic medical premiums of 8.0 percent for non-Medicare plans for 2015, grading down to 5.0 percent for 2021 and thereafter. As of June 30, 2013, the date of the OPEB actuarial report, the unfunded OPEB liability was estimated to be \$315.0 million. The unfunded actuarial accrued liability is amortized over a fixed 30-year period starting with fiscal year 2007-08 and ending in 2037. Changes to assumptions are amortized over a fixed 20-year period. Actuarial gains and losses are amortized over a fixed 15-year period.

In September 2013, Metropolitan's Board established an irrevocable OPEB trust fund with an initial deposit of \$40.0 million. During fiscal year 2013-14, the Board approved funding of an additional \$100.0

million which was deposited into the irrevocable OPEB trust fund. As part of its biennial budget process, the Board approved the full funding of the ARC for fiscal years 2014-15 and 2015-16.

HISTORICAL AND PROJECTED REVENUES AND EXPENSES

The "Historical and Projected Revenues and Expenses" table below for fiscal year 2011-12 provides a summary of revenues and expenditures of Metropolitan prepared on a cash basis, which conforms to the Revenue Bond Resolution provisions regarding rates and additional Bonds (as defined in the Master Resolution) and Parity Obligations (as defined in the Master Resolution). See "METROPOLITAN EXPENDITURES—Limitations on Additional Revenue Bonds" in this Appendix A. Under cash basis accounting, water sales revenues are recorded when received (two months after billed) and expenses when paid (approximately one month after invoiced). The actual financial reports beginning in fiscal year 2012-13 and the financial projections for fiscal years 2015-16 through 2019-20 are prepared on a modified accrual basis. This is consistent with the adopted biennial budget for fiscal years 2014-15 and 2015-16, which was prepared on a modified accrual basis instead of a cash basis. The table does not reflect the accrual basis of accounting, which is used to prepare Metropolitan's annual audited financial statements. The modified accrual basis of accounting varies from the accrual basis of accounting in the following respects: depreciation and amortization will not be recorded and payments of debt service will be recorded when due and payable. 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 sales revenues are recognized in the month the water is sold and expenses are recognized when goods have been received and services have been rendered. The change to modified accrual accounting is for budgeting purposes and Metropolitan will continue to calculate compliance with its rate covenant, 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 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 sales and 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.

For fiscal year 2014-15, Miscellaneous Revenues reflect the use of \$142 million from reserves, to fund a like amount of costs for conservation and supply programs. Fiscal year 2015-16 reflects actual financial results through September 30, 2015 and revised projections for the balance of the fiscal year. Projections for fiscal year 2015-16 reflect the use of \$320 million from reserves to fund a like amount of costs for conservation and supply programs. For fiscal years 2016-17 through 2019-20, the projections reflect the ten-year financial forecast provided in the biennial budget for fiscal years 2014-15 and 2015-16 that was approved on April 8, 2014. This includes the projected issuance of \$250 million of bonds through fiscal year 2019-20 to finance the CIP. See "MANAGEMENT'S DISCUSSION OF HISTORICAL AND PROJECTED REVENUES AND EXPENSES—Water Sales Revenues" and "CAPITAL INVESTMENT PLAN—Capital Investment Plan Financing" in this Appendix A.

Water sales were 1.905 million acre-feet in fiscal year 2014-15. Water sales are projected to be 1.60 million acre-feet in fiscal year 2015-16 and 1.75 million acre-feet for each of fiscal years 2016-17 through 2019-20. Rates and charges increased by 1.5 percent on January 1, 2015 and will increase by 1.5 percent on January 1, 2016. Rates and charges are projected to increase 3.0 percent to 5.0 percent annually thereafter. Actual rates and charges to be effective in 2017 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.

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. See "METROPOLITAN'S WATER SUPPLY—Integrated Water Resources Plan" and "—The Integrated Resources Plan Strategy" in this Appendix A. Metropolitan has conservatively set the water sales projections in the following table which are below its projections for resource planning purposes. Metropolitan estimates that its water sales projections have a seventy percent statistical likelihood of being exceeded, compared to the fifty percent exceedance levels in the projections of water sales used to set prior years' budgets and rates. Nevertheless, Metropolitan's assumptions have been questioned by directors representing SDCWA on Metropolitan's Board. Metropolitan has reviewed SDCWA's concerns and, while recognizing that assumptions may vary, believes that the estimates and assumptions that support Metropolitan's projections are reasonable based upon history, experience and other factors as described above.

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HISTORICAL AND PROJECTED REVENUES AND EXPENSES⁽ⁿ⁾
(Dollars in Millions)

	-----Actual-----				-----Projected-----				
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Water Sales ^(b)	\$1,062	\$1,283	\$1,485	\$1,383	\$1,154	\$1,338	\$1,378	\$1,422	\$1,482
Additional Revenue Sources ^(c)	<u>168</u>	<u>173</u>	<u>182</u>	<u>199</u>	<u>200</u>	<u>196</u>	<u>198</u>	<u>202</u>	<u>211</u>
Total Operating Revenues	<u>1,230</u>	<u>1,456</u>	<u>1,667</u>	<u>1,582</u>	<u>1,354</u>	<u>1,534</u>	<u>1,576</u>	<u>1,624</u>	<u>1,693</u>
O&M, CRA Power and Water Transfer Costs ^(d)	(476)	(456)	(512)	(697)	(926)	(587)	(613)	(640)	(660)
Total SWC OMP&R and Power Costs ^(e)	<u>(316)</u>	<u>(337)</u>	<u>(342)</u>	<u>(308)</u>	<u>(377)</u>	<u>(396)</u>	<u>(408)</u>	<u>(425)</u>	<u>(449)</u>
Total Operation and Maintenance	<u>(792)</u>	<u>(793)</u>	<u>(854)</u>	<u>(1,005)</u>	<u>(1,303)</u>	<u>(983)</u>	<u>(1,021)</u>	<u>(1,065)</u>	<u>(1,109)</u>
Net Operating Revenues	\$ 438	\$ 663	\$ 813	\$ 577	\$51	\$551	\$ 555	\$559	\$584
Miscellaneous Revenue ^(f)	56	23	19	21	23	18	18	18	18
Transfer from Reserve Funds ^(g)	-	-	-	142	320	-	-	-	-
Sales of Hydroelectric Power ^(h)	31	25	15	8	8	20	21	21	21
Interest on Investments ⁽ⁱ⁾	<u>11</u>	<u>(2)</u>	<u>19</u>	<u>13</u>	<u>14</u>	<u>33</u>	<u>32</u>	<u>32</u>	<u>32</u>
Adjusted Net Operating Revenues ^(j)	536	709	866	761	416	622	626	630	655
Bonds and Additional Bonds Debt Service ^(k)	(297)	(298)	(343)	(280)	(302)	(310)	(313)	(307)	(301)
Subordinate Revenue Obligations ^(l)	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>
Funds Available from Operations	\$ 238	\$ 410	\$ 522	\$ 480	\$ 113	\$ 311	\$ 312	\$ 322	\$ 353
Bonds and Additional Bonds Debt Service Coverage ^(m)	1.81	2.38	2.52	2.72	1.38	2.01	2.00	2.05	2.18
Debt Service Coverage on all Obligations ⁽ⁿ⁾	1.80	2.37	2.51	2.71	1.37	2.00	1.99	2.05	2.17
Funds Available from Operations	\$ 238	\$ 410	\$ 522	\$ 480	\$ 113	\$ 311	\$ 312	\$ 322	\$ 353
Other Revenues (Expenses)	(3)	(5)	(6)	(7)	(8)	(8)	(9)	(9)	(9)
Pay-As-You Go Construction	(45)	(55)	(117)	(210)	-0-	(200)	(204)	(201)	(176)
Total SWC Capital Costs Paid from Current Year Operations	<u>(112)</u>	<u>(88)</u>	<u>(68)</u>	<u>(46)</u>	<u>(62)</u>	<u>(83)</u>	<u>(84)</u>	<u>(89)</u>	<u>(129)</u>
Remaining Funds Available from Operations	77	262	331	217	43	20	15	23	39
Fixed Charge Coverage ^(o)	1.31	1.83	2.10	2.33	1.14	1.58	1.57	1.59	1.53
Property Taxes	90	95	95	104	101	94	96	99	101
General Obligation Bonds Debt Service	(39)	(40)	(40)	(22)	(22)	(23)	(19)	(14)	(14)
SWC Capital Costs Paid from Taxes	<u>(51)</u>	<u>(55)</u>	<u>(55)</u>	<u>(82)</u>	<u>(79)</u>	<u>(71)</u>	<u>(77)</u>	<u>(85)</u>	<u>(87)</u>
Net Funds Available from Current Year ^(p)	\$77	\$262	\$331	\$217	\$43	\$20	\$15	\$23	\$39
PAYGO Funded from Prior Year Revenues						\$75	\$32		
Use of Water Management, Stewardship, and Water Rate Stabilization Funds Designated in Prior Year Revenues ^(q)				(\$142)	(\$320)				

Source: Metropolitan.

(Footnotes on next page)

- (a) Unaudited. Prepared on a cash basis for fiscal year ending June 30, 2012, and on a modified accrual basis for fiscal years ending June 30, 2013 through June 30, 2020. Projected revenues and expenditures in fiscal year 2015-16 are based on actual financial results through September 30, 2015 and revised projections for the balance of the fiscal year. Projections for fiscal years 2016-17 thru 2019-20 are based on assumptions and estimates used in the adopted 2014-15 and 2015-16 biennial budget and reflect the projected issuance of additional bonds.
- (b) During the fiscal years ended June 30, 2012 through June 30, 2015, annual water sales (in acre-feet) were 1.68 million, (including 225,000 acre-feet of replenishment sales), 1.86 million, 2.04 million and 1.905 million, respectively. See "METROPOLITAN REVENUES—Water Sales Revenues," the table entitled "SUMMARY OF WATER SOLD AND WATER SALES" in this Appendix A. The water sales projections (in acre-feet) are 1.60 million acre-feet for fiscal year 2015-16 and 1.75 million for fiscal years 2016-17 through 2019-20. Projections reflect Board adopted rate and charge increases of 1.5 percent, which became effective on January 1, 2015 and 1.5 percent, which will become effective on January 1, 2016. Rates and charges are projected to increase 3.0 percent to 5.0 percent per fiscal year thereafter, subject to adoption by Metropolitan's Board. See "MANAGEMENT'S DISCUSSION OF HISTORICAL AND PROJECTED REVENUES AND EXPENSES" below.
- (c) Includes receipts from water standby, readiness-to-serve and capacity charges. The term Operating Revenues excludes *ad valorem* taxes. See "METROPOLITAN REVENUES — Additional Revenue Components" in this Appendix A.
- (d) Water Transfer Costs are included in operation and maintenance expenses for purposes of calculating the debt service coverage on all Obligations.
- (e) Includes on and off aqueduct power and operation, maintenance, power and replacement costs payable under the State Water Contract. See "METROPOLITAN EXPENDITURES—State Water Contract Obligations" in this Appendix A.
- (f) May include lease and rental net proceeds, net proceeds from sale of surplus property, reimbursements, and federal interest subsidy payments for Build America Bonds. Also includes in fiscal year 2011-12, \$27.5 million from CVWD for delivery of 105,000 acre-feet under an exchange agreement between Metropolitan and CVWD. See "METROPOLITAN'S WATER SUPPLY—Colorado River Aqueduct—Quantification Settlement Agreement" in this Appendix A.
- (g) Reflects transfers from the Water Management Fund, the Water Stewardship Fund, and the Water Rate Stabilization Fund, of \$142 million in fiscal year 2014-15, and projected transfers of \$320 million in fiscal year 2015-16.
- (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. Fiscal year 2012-13 included Fair Value Adjustment of \$(13.8) million, as per modified accrual accounting
- (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 Bonds and Parity Obligations.
- (k) Includes debt service on outstanding Bonds, and additional Bonds (projected). Assumes issuance of additional Bonds as provided in budget assumptions for the adopted biennial budget for fiscal years 2014-15 and 2015-16 as follows: \$-0- for fiscal years 2015-16 and 2016-17, \$40 million in fiscal year 2017-18, \$100 million in fiscal year 2018-19, and \$110 million in fiscal year 2019-20. Does not include anticipated issuance of \$250 million in Water Revenue Bonds. For fiscal years 2013-14 and 2014-15, reflects the defeasance of the 2004 Series B Water Revenue Refunding Bonds, payable on July 1, 2014, through a payment of \$33.7 million to an escrow account on May 29, 2014. See "CAPITAL INVESTMENT PLAN—Capital Investment Plan Financing" in this Appendix A.
- (l) Consisting of subordinate lien California Safe Drinking Water Revolving Fund Loan debt service.
- (m) Adjusted Net Operating Revenues divided by the sum of debt service on outstanding Bonds and additional Bonds (projected)
- (n) Adjusted Net Operating Revenues, divided by the sum of debt service on outstanding Bonds, the subordinate lien California Safe Drinking Water Revolving Fund Loan and additional Bonds (projected). See "METROPOLITAN EXPENDITURES—Subordinate Revenue Obligations" in this Appendix A.
- (o) Adjusted Net Operating Revenues, divided by the sum of State Water Contract capital costs paid from current year operations and debt service on outstanding Bonds, the subordinate lien California Safe Drinking Water Revolving Fund Loan, and additional Bonds (projected).
- (p) For Fiscal Year 2012-13, includes amounts that were transferred prior to June 30, 2013: \$25 million to the Water Transfer Fund, \$25 million to a trust to pre-fund Metropolitan's unfunded liability for other post-employment benefits, and \$25 million for PAYGO Construction. For Fiscal Year 2013-14, includes amounts transferred prior to June 30, 2014: \$100 million to a trust to pre-fund Metropolitan's unfunded liability for other post-employment benefits; \$100 million for PAYGO Construction, \$232 million to the Water Management Fund, for water purchases to replenish storage and funding drought response programs.

MANAGEMENT'S DISCUSSION OF HISTORICAL AND PROJECTED REVENUES AND EXPENSES

Water Sales Revenues

Metropolitan relies on revenues from water sales for about 80 to 85 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 sales to determine the rates necessary to produce substantially the revenues to be derived from water sales 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 10, 2012, Metropolitan's Board adopted water rate increases of 5.0 percent, effective January 1, 2013 and January 1, 2014. On April 8, 2014, Metropolitan's Board adopted a

1.5 percent water rate increase, which became effective January 1, 2015, and an additional 1.5 percent water rate increase to become effective January 1, 2016.

Projections for fiscal year 2015-16, in the table above, reflect actual financial results through September 30, 2015 and revised projections for the balance of the fiscal year. The financial projections for fiscal years 2016-17 through 2019-20 reflect the ten-year financial forecast provided in the biennial budget for fiscal years 2014-15 and 2015-16 that was approved by the Board on April 8, 2014. The 2014-15 and 2015-16 biennial budget and rates set the stage for predictable and reasonable rate increases over the ten-year planning period, with rates projected to increase 3.0 percent to 5.0 percent per year. Actual rates and charges to be effective in 2017 and thereafter are subject to adoption by Metropolitan's Board as part of the biennial budget process, and the ten-year forecast will be updated as well.

Increases in rates and charges reflect increasing operations and maintenance costs due primarily to an increase in retirement-related benefit costs, higher pay-as-you-go funding levels projected for the next two fiscal years of approximately \$513 million for the CIP, and increasing State Water Project costs, when compared to fiscal year 2013-14. However, projected higher levels of revenue funding for the CIP and the projected use of reserves over target were projected to reduce revenue requirements in the later years of the forecast.

Metropolitan's revenues exceeded expenses during fiscal year 2014-15, resulting in a significant increase in unrestricted reserves. On May 29, 2015, Metropolitan's Board approved the use of \$160 million of unrestricted reserves over the target reserve level, \$50 million from the Water Stewardship Fund, and \$140 million from the Water Management Fund to fund conservation incentives. As of June 30, 2015, Metropolitan's unrestricted reserves were \$476 million, on a modified accrual basis. On July 14, 2015, Metropolitan's Board approved \$264 million to acquire various properties in Riverside and Imperial Counties, with \$160 million funded from the Replacement and Refurbishment Fund and the remaining amount from unrestricted reserves. Unrestricted reserves, as of June 30, 2015, includes \$188 million, held in Metropolitan's financial reserves, pursuant to the exchange agreement between Metropolitan and SDCWA due to SDCWA's litigation challenging Metropolitan's rate structure (see "METROPOLITAN'S WATER SUPPLY—Colorado River Aqueduct—*Sale of Water by the Imperial Irrigation District to San Diego County Water Authority*" and "METROPOLITAN REVENUES—Litigation Challenging Rate Structure" in this Appendix A).

Financial projections for fiscal year 2015-16 reflect lower water sales revenues that are estimated to be \$154 million below budget, based on the revised water sales projection of 1.60 million acre-feet, compared to the budgeted 1.75 million acre-feet. In addition, State Water Project OMP&R payments are projected to be \$111 million above budget, which offset \$97 million in lower projected State Water Project power costs, based on a 20 percent water allocation, versus the budgeted 50 percent allocation. In addition, in October 2015, Metropolitan's Board approved \$44.4 million to pay SNWA to store 150,000 acre-feet of water with Metropolitan. See "—METROPOLITAN'S WATER SUPPLY—Colorado River Aqueduct—*Interim Surplus Guidelines*" in this Appendix A. The combination of lower than budgeted water sales revenue and higher than budgeted expenditures has resulted in projected fiscal year 2015-16 revenue bond debt service coverage to be 1.38x and fixed charge coverage to be 1.14x. Higher conservation spending for fiscal year 2015-16 is being funded from estimated \$320 million transfers from the Water Management Fund, as reflected in the table above. The fiscal year 2015-16 CIP, currently estimated at \$225 million, will be funded from bond proceeds rather than from budgeted current year PAYGO expenditures and General and R&R Fund balances.

Water Sales Projections

Water sales forecasts in the table above are: 1.60 million acre-feet for fiscal year 2015-16 and 1.75 million acre-feet, for each of fiscal years 2016-17 through 2019-20. For purposes of comparison, Metropolitan's highest water sales during the past six fiscal years was approximately 2.3 million acre-feet in

fiscal year 2007-08 and lowest was 1.63 million acre-feet in fiscal year 2010-11. See “METROPOLITAN REVENUES—Water Sales Revenues” in this Appendix A.

Metropolitan’s water sales projections are the result of a comprehensive retail demand, conservation, and local supply estimation process, including supply projections from member agencies and other water providers within Metropolitan’s service area. Retail demands for water are estimated with a model driven by projections of relevant demographics provided by SCAG and SANDAG. Retail demands are adjusted downward for conservation savings and local supplies, with the remainder being the estimated demand for Metropolitan supplies. Conservation savings estimates include all conservation programs in place to date as well as estimates of future conservation program goals that will result from regional 20 percent reductions by 2020 conservation savings. See “METROPOLITAN’S WATER SUPPLY—Water Conservation” 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, and recycled water (see “REGIONAL WATER RESOURCES” in this Appendix A). For example, water sales projections for 2015-16 assume that local projects such as groundwater recovery and desalination projects (see “REGIONAL WATER RESOURCES—Local Water Supplies” in this Appendix A) will become operational and produce local supplies in 2016. For additional description of Metropolitan’s water sales projections, see “HISTORICAL AND PROJECTED REVENUES AND EXPENSES” in this Appendix A.

The water sales projections used to determine water rates and charges assume an average year hydrology. Actual water sales are likely to vary from projections. Over the eleven-year period from fiscal year 2004-05 through fiscal year 2014-15, actual water sales exceeded budgeted sales for the fiscal year in six fiscal years, with the greatest positive variance in fiscal year 2013-14 when actual sales of 2.04 million acre-feet were 120 percent of budgeted sales (1.70 million acre-feet). Actual sales were less than budgeted sales in five fiscal years, with the greatest negative variance in fiscal year 2010-11 when actual sales of 1.63 million acre-feet were 84 percent of budgeted sales (1.93 million acre-feet). In years when actual sales exceed projections, the revenues from water sales during the fiscal year will exceed budget, potentially resulting in an increase in financial reserves. In years when actual sales are less than projections, Metropolitan uses various tools to manage reductions in revenues, such as reducing expenses below budgeted levels, reducing funding of capital from revenues, and drawing on reserves. See “METROPOLITAN REVENUES—Financial Reserve Policy” in this Appendix A. Metropolitan considers actual sales, revenues and expenses, and financial reserve balances in setting rates for future fiscal years.

Operation and Maintenance Expenses

Operation and maintenance expenses in fiscal year 2014-15 were \$1.05 billion, which represented approximately 66 percent of total costs. These expenses include the costs of labor, electrical power, materials and supplies of both Metropolitan and its contractual share of the State Water Project. As discussed in the preceding section, State Water Project OMP&R expenditures in fiscal year 2015-16 are projected to be \$111 million higher than budget, due to higher costs for environmental related projects in the Delta, and higher than projected labor costs. This projected negative variance may offset a projected favorable variance for lower State Water Project power costs, due to an expected 20 percent water allocation versus a budgeted 50 percent allocation. Metropolitan expects to realize a favorable power cost variance of approximately \$97 million.

Metropolitan’s Board adopted a budget benchmark in September 2004 to limit the annual increase in departmental operations and maintenance budgets to no more than the five-year rolling average change in the Los Angeles/Orange/Riverside Counties consumer price index. The fiscal year 2014-15 departmental expenses of \$380 million were approximately 2.7 percent higher than such expenses in fiscal year 2013-14, which, in turn, were 6.9 percent higher than fiscal year 2012-13 expenses.

POWER SOURCES AND COSTS

General

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. Expenses for electric power for the CRA (not including credits from power sales and related revenues) for the fiscal years 2012-13, 2013-14 and 2014-15 were approximately \$18.4 million, \$29.6 million, and \$39.6 million, respectively. Expenses for electric power and transmission service for the State Water Project for fiscal years 2012-13, 2013-14 and 2014-15 were approximately \$218.1 million, \$157.4 million and \$140.8 million, respectively. Given the continuing uncertainty surrounding the electricity markets in California and in the electric industry in general, Metropolitan is unable to give any assurance with respect to the magnitude of future power costs.

Colorado River Aqueduct

Generally 55 to 70 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 with the United States Department of Energy for energy generated from facilities located on the Colorado River (Hoover Power Plant and Parker Power Plant) and Edison. These contracts provide Metropolitan with reliable and economical power resources to pump Colorado River water to Metropolitan's service area.

On December 20, 2011, President Obama signed into law the Hoover Power Allocation Act of 2011 (H.R. 470). This new law requires the Western Area Power Administration to renew existing contracts for electric energy generated at the Hoover Power Plant for an additional 50 years through September 2067. The contractors will retain 95 percent of their existing power rights. The law will allow Metropolitan to continue to receive a significant amount of power from the Hoover power plant after the current contract expires in 2017.

The remaining approximately 30 to 45 percent of annual pumping power requirements for full capacity pumping on the CRA is obtained through energy purchases from municipal and investor-owned utilities or power marketers. Gross diversions of water from Lake Havasu for the fiscal years ended June 30, 2014 and June 30, 2015 were approximately 1.12 million acre-feet and 1.19 million acre-feet, respectively, including Metropolitan's basic apportionment of Colorado River water and supplies from water transfer and storage programs.

The Metropolitan-Edison 1987 Service and Interchange Agreement includes provisions for the sharing of the benefits realized by the integrated operation of Edison's and Metropolitan's electric systems. Under this agreement, with a prior year pumping operation of 1 million acre-feet, Edison provides Metropolitan additional energy (benefit energy) sufficient to pump approximately 140,000 acre-feet annually. As the amount of pumping is increased, the amount of benefit energy provided by Edison is reduced.

Under maximum pumping conditions, Metropolitan can require up to one million megawatt-hours per year in excess of the base resources available to Metropolitan from the Hoover Power Plant, the Parker Power Plant, and Edison benefit energy. 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. Metropolitan acquires the majority of its supplemental power from WSPP members. In calendar years 2010 and 2011, Metropolitan purchased 755,000 megawatt-hours and 100,000 megawatt-hours, respectively, of energy above its base power resources. In calendar year 2013, Metropolitan pumped approximately 1.013 million acre-feet of its Colorado River water and additional supplies from other Colorado River sources but did not purchase any additional energy supplies above its base power resources. In calendar year 2014, Metropolitan purchased approximately 527,000 megawatt-hours of additional energy.

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 long-term contracts with Morgan Stanley (unspecified energy sources), Metropolitan (hydropower), Kern River Conservation District (hydropower) and the Northern California Power Agency (natural gas generation). The remainder of its power needs is met by short-term purchases. Metropolitan pays approximately 70 percent of State Water Project power costs.

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. On August 21, 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 as "real parties in interest," since they could be adversely affected by this litigation. A trial was conducted in January 2012. On May 16, 2012, the court found that the EIR prepared in conjunction with the relicensing was adequate and dismissed the lawsuit against DWR. On August 7, 2012, Butte and Plumas Counties filed a notice of appeal. Briefing on the appeal was completed in May 2013. No date has been set for oral argument. Regulatory permits and authorizations are required before the new license can take effect. Chief among these is a biological opinion from the National Marine Fisheries Service setting forth the terms and conditions under which the relicensing project must operate in order to avoid adverse impacts to threatened and endangered species. DWR has filed an application requesting this biological opinion. 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 investor-owned utilities under existing contracts and from the California Independent System Operator, a nonprofit public benefit corporation formed in 1996 pursuant to legislation that restructured and deregulated the electric utility industry in California. The transmission service provider may seek increased transmission rates, subject to the approval of FERC. DWR has the right to contest any such proposed increase. DWR may be subject to increases in the cost of transmission service as new electric grid facilities are constructed.

Energy Management Program

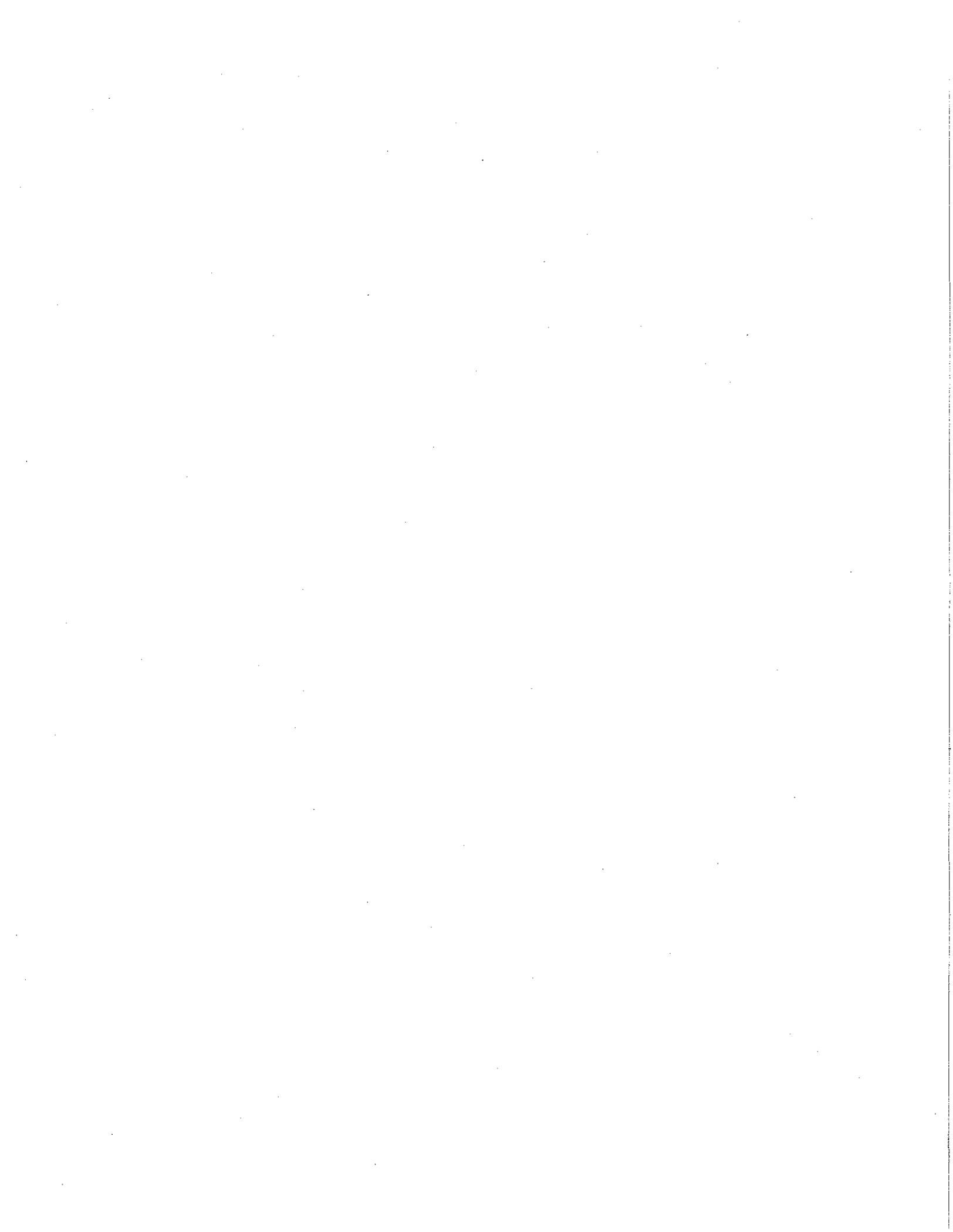
Metropolitan's Board adopted energy management policies in August 2010 that provide objectives for future energy-related projects to contain costs and reduce Metropolitan's exposure to energy price volatility, increase operational reliability through renewable energy projects, provide a revenue stream to offset energy costs and move Metropolitan toward energy independence. Metropolitan's Energy Management Program includes: setting design standards for energy-efficient facilities; taking advantage of available rebates for energy efficiency and energy-saving projects; operating Metropolitan's facilities in the most energy-efficient manner; and continuing to investigate alternative energy sources, such as solar, small hydroelectric generation and wind power. Metropolitan has completed construction of a one-megawatt ("MW") solar generation facility at the Robert A. Skinner Treatment Plant and is constructing a three MW solar facility at its F. E. Weymouth Treatment Plant. Metropolitan also plans to install a one MW solar facility at the Joseph Jensen Treatment Plant. Finally, Metropolitan continues integrating fuel-efficient hybrid vehicles into its fleet and is assessing the use of alternative fuels for its off-road vehicles and construction equipment.

Metropolitan reports its greenhouse gas emissions to The Climate Registry, a nonprofit North American emission registry. Metropolitan also reports required emissions data to the California Air Resources Board ("CARB") under mandatory reporting regulations adopted pursuant to AB 32, California's Global Warming Solutions Act of 2006. On October 20, 2011, CARB approved a regulation for a California

cap on greenhouse gas emissions under AB 32, with compliance deferred to 2013. Under the regulation, Metropolitan is regulated as an importer of energy and is required to purchase allowances to cover any greenhouse gas emissions associated with its supplemental imported energy. Metropolitan did not incur cap and trade allowance obligations in 2013. However, Metropolitan did incur an obligation in 2014 and 2015. For the three-year period from January 1, 2013 through December 31, 2015, Metropolitan's expenditures on cap and trade compliance instruments, such as allowances and offsets, are expected to be approximately \$3.3 million.

Appendix G

Water Supply Assessment Checklist



Water Supply Assessment Checklist

Water Code Section	Water Supply Assessment Content	Page # in WSA
10910(c)(2)	Incorporate data from UWMP.	1-45
10910(d)(1)	Identification of existing water supply entitlements, water rights, or water service contracts relevant to identified water supply for proposed project, and description of quantity of water received in prior years.	26-43
10910(d)(2)(A)	Written contracts or other proof of entitlement to an identified water supply.	26-43
10910(d)(2)(B)	Capital outlay program for financing the delivery of a water supply that has been adopted.	45
10910(d)(2)(C)	Federal, state, and local permits for construction of necessary infrastructure associated with delivering the water supply.	16-45
10910(d)(2)(D)	Any necessary regulatory approval to deliver/convey the water supply.	16-45
10910(f)(1)	Review of any information contained in the UWMP relevant to the identified water supply for the proposed project.	1-45
10910(f)(2)	Description of any groundwater basin(s) from which proposed project will be supplied. For basins with adjudicated groundwater pumping rights, include a copy of the order/decreed adopted by the court or the board and a description of quantity of groundwater public water system has the legal right to pump under the order/decreed.	26-28, 31-32, Appendix D
10910(f)(3)	Description and analysis of amount and location of groundwater pumped for the past 5 years from any groundwater basin from which the proposed project will be supplied.	31-32
10910(f)(4)	Description and analysis of amount and location of groundwater that is projected to be pumped from any basin to provided water to the proposed project.	26-28, 31-32
10910(f)(5)	Analysis of sufficiency of groundwater from the basins from which the proposed project will be supplied to meet projected water demand of the proposed project.	26-28, 31-32

