

Date: May 30, 2025

To: Board of Directors
Member Agency Managers

From: Marcia Scully, General Counsel

Subject: *San Diego County Water Authority v. Metropolitan Water District of Southern California* – Settlement

As has been publicly reported, principals of Metropolitan and San Diego County Water Authority have been engaged in prolonged discussions to settle their longstanding litigation: the consolidated *SDCWA v. Metropolitan, et al.* cases (filed in 2014, 2016, and 2018). We are pleased to announce the parties' completed settlement.

This settlement was reached within the parameters previously set by the Metropolitan Board and does not require further Board action. A signing ceremony is planned for Monday, June 2, 2025 in San Diego County.

The settlement consists of: (1) a comprehensive settlement agreement, and (2) an amended and restated Exchange Agreement between the parties, creating a new version of this 110-year agreement.

Importantly, the Exchange Agreement's price term has been changed to a fixed amount with a neutral escalator, rather than one tied to Metropolitan's rates. The price term tied to rates was the primary source of dispute, and actual or potential litigation, with each Metropolitan rate-setting cycle.

Significantly, SDCWA will have new flexibility in the timing and amount of exchange water deliveries, and a new ability to provide water to other Metropolitan member agencies or to Metropolitan.

Key components of the settlement are:

- **Resolution of pending litigation**
 - Dismissal of parties' pending appeals
 - All final judicial decisions (in the pending 2014, 2016, and 2018 cases, as well as the completed 2010 and 2012 cases) remain in place and effective on all parties
 - Parties to retain respective attorneys' fees/costs awards

- **Reduced potential for future litigation based on:**
 - Parties' release and waiver of claims, known and unknown, through the present
 - Fixed Exchange Agreement price term with neutral escalator, rather than a price tied to Metropolitan's rates

- Confirmation of the exchange nature of the Exchange Agreement
- **Amended Exchange Agreement, with benefits to both parties**
 - **New price and payment terms**
 - Fixed price term: a specified dollar amount beginning January 1, 2026, at \$671 per acre-foot, with an annual CPI escalator that is based on water and sewerage infrastructure costs nationally
 - Fixed baseline payment: SDCWA will make a fixed payment to Metropolitan for 227,000 acre-feet of exchange water deliveries annually at the fixed price (rather than the prior entirely volumetric-based payment)
 - Volumetric payment only in part: exchange water deliveries above 227,000 acre-feet (up to 277,700 acre-feet) will be billed volumetrically at the fixed price
 - **Flexibility in deliveries for SDCWA**
 - New term allows for scheduling exchange water deliveries at both parties' operational convenience (rather than the prior equal monthly installments)
 - **Water made available to the rest of Metropolitan's service area**
 - First right of refusal to Metropolitan member agencies for right to receive exchange water deliveries
 - Second right of refusal to Metropolitan to purchase conserved Colorado River water (Imperial Irrigation District transfer water and/or canal lining water)
 - **Extension for exchange of IID transfer water**
 - If IID and SDCWA extend their Transfer Agreement up to 2077, the term to exchange the IID transfer water will extend to the same date in most circumstances
 - The term to exchange canal lining water remains up to 2112
 - **Check-in meeting**
 - The parties are to meet every five years to discuss ongoing implementation of the Exchange Agreement

A copy of the settlement agreement and the amended Exchange Agreement are attached.

Attachments

cc: Steve Kennedy
 Steve O'Neill
 Christine Carson
 Patrick Sullivan