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February 27, 2019

Mr. Patrick Dent
Water Control Manager
Central Arizona Water Conservation District
P.O. Box 43020
Phoenix, Arizona 85080-3020

Re: CAWCD/SRP Water Exchange Agreement for the Drought Contingency Plan

Dear Patrick:

The Central Arizona Water Conservation District ("CAWCD") and the Salt River Valley Water Users' Association ("SRP") are parties ("Parties") to the agreement entitled "Water Exchange Agreement between the Central Arizona Water Conservation District and Salt River Valley Water Users' Association dated December 2nd, 2002 ("Water Exchange Agreement"). Under Section 5(b)(i-iii) of the Water Exchange Agreement, the Authorized Representatives are authorized to arrange the terms of each water exchange under the Agreement.

This letter agreement ("Letter Agreement") is entered into under Section 5(b) of the Water Exchange Agreement to confirm and document the terms of a multi-year water exchange that will be conducted as part of the Arizona Lower Basin Drought Contingency Plan ("AZ LBDCP") Implementation Plan. The Parties intend for CAWCD to complete the exchange by prioritizing the delivery of CAP Project Water consisting of Extraordinary Conservation Intentionally Created Surplus ("EC ICS") created and held in Lake Mead by CAWCD. EC ICS is defined and described in the Record of Decision for the Colorado River Interim Guidelines for Lower Basin Shortages and the Coordinated Operations for Lake Powell and Lake Mead approved by the Secretary on December 13, 2007 ("Interim Guidelines"). The Interim Guidelines describe the restrictions surrounding the creation and delivery of EC ICS and authorize delivery of EC ICS only through 2036. The Parties acknowledge that the Lower Basin States will negotiate a new set of guidelines for the period after 2026 that may govern the rules regarding delivery of EC ICS. In addition, under the Lower Basin Drought Contingency Plan Agreement and associated Exhibits, EC ICS may be converted to DCP ICS under certain circumstances which will affect the conditions and timing of the recovery of DCP ICS (recoverable through 2057). Though the Parties intend to complete the exchange by prioritizing the delivery of CAP Project Water consisting of EC ICS, the Parties acknowledge that conditions may change and other sources of water may be necessary to complete the exchange as provided under Paragraph 4 below. The Parties intend to maximize the flexibility in determining the types of water used to complete the exchange.

Therefore, the Authorized Representatives agree to a water exchange as follows:

1. This Letter Agreement shall become effective ("Effective Date") when both of the following have occurred:
 - a. This Letter Agreement is executed by both Parties; and
 - b. The Secretary of the United States Department of the Interior ("Secretary") has executed the Lower Basin Drought Contingency Plan Agreement.
2. This Letter Agreement shall terminate on the date on which CAWCD has delivered to SRP the full quantity of Exchange Water, as defined in Paragraph 3.
3. Commencing on January 1, 2021 and continuing through December 31, 2025, SRP shall annually provide CAWCD with up to 10,000 acre-feet of Salt River and Verde River water as defined in Section 6(d)(i) of the Water Exchange Agreement ("SRP Water") via delivery to CAWCD customers located within or near the Salt River Reservoir District for total quantity of up to 50,000 acre-feet over the 5-year period. The total quantity of water ultimately delivered by SRP to CAWCD customers is referred to as "Exchange Water" in this Letter Agreement. The Parties shall meet and confer on or before December 1 of each year to discuss and mutually agree on (1) the amount of SRP Water to be delivered to CAWCD customers during the upcoming calendar year, and (2) the timing of the SRP Water deliveries to CAWCD customers during that year.
4. Commencing on or after January 1, 2027, CAWCD shall provide SRP with water from the types of water described in Subparagraphs 4(a), (b), and (c) to complete the exchange. The Parties shall meet and confer on or before December 1 of each year to discuss and mutually agree on (1) the type of water CAWCD shall deliver to SRP in the upcoming calendar year, (2) the amount of water to be delivered to SRP during that year, and (3) the timing of the water deliveries to SRP during that year. The exchange shall be complete when SRP receives the full quantity of Exchange Water from CAWCD. For purposes of the delivery of water to SRP to complete the exchange, CAWCD shall use the following types of water in the following priority, when available:
 - a. CAP Project Water consisting of EC ICS.
 - b. Other CAP Project Water.
 - c. Other water sources. The Parties acknowledge that the other water sources referenced in this Subparagraph 4(c) may require an amendment to the Water Exchange Agreement and the Parties agree to work together in good faith in event the Parties determine such amendment is required.
5. Upon the Effective Date, CAWCD reserves 50,000 acre feet of EC ICS for SRP for the specific purpose of providing a source of CAP Project Water for delivery to SRP under Paragraph 4 above. On January 1, 2027, CAWCD will adjust the volume of EC ICS reserved for SRP to the volume of Exchange Water actually delivered to CAWCD under Paragraph 3. The reservation of EC ICS provided in this Paragraph 5 shall be reduced, on an acre-foot for acre-foot basis, for each acre-foot of water CAWCD provides



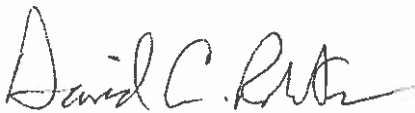
to SRP under Paragraph 4 above, including the delivery of EC ICS. The Parties acknowledge that the delivery of EC ICS is authorized until 2036. In the event (1) CAWCD has not completed the exchange by 2036, and (2) the delivery of EC ICS is authorized beyond 2036 in subsequent agreements governing EC ICS among Lower Basin contractors, the intent of the Parties is to extend the reservation under applicable law. The Reservation of EC ICS for SRP in this Paragraph 5 shall not be construed to limit the water sources CAWCD may use to complete the exchange, consistent with the procedures and priorities in Paragraph 4.

6. SRP's Water Transmission and Communications Department and CAWCD's Water Control Department shall jointly coordinate all water deliveries as mutually agreed under Paragraph 4 above.
7. Points of Exchange under Subparagraph 2(c) of the Water Exchange Agreement: The Parties agree that the Point of Exchange for the SRP Water delivered by SRP to CAWCD customers under Paragraph 3 shall be to the Granite Reef Diversion Dam. The Parties agree that the Point of Exchange for the water delivered by CAWCD to SRP under Paragraph 4 shall be where the CAP/SRP Interconnection Facility as defined in Section 2(a) of the Water Exchange Agreement discharges CAP water into the SRP water delivery system.
8. If any provisions of this Letter Agreement are found to be inconsistent with the Water Exchange Agreement, including any amendment as described in Subparagraph 4(c) above, the Water Exchange Agreement shall govern.

Please sign below to indicate CAWCD's acknowledgement of the above terms and then return the original to me at the address indicated on the top of the page.

If you have any questions, please call me at 602-236-2343.

Sincerely,



David C. Roberts
Associate General Manager-Water Resources
SRP Authorized Representative

Acknowledged: _____

Date: 2-27-2019

Cc (via email): Greg Adams, CAWCD
Ted Cooke, CAWCD
Chuck Cullom, CAWCD
Darrin Francom, CAWCD
Jay Johnson, CAWCD
Tom McCann, CAWCD
Marcus Shapiro, CAWCD Alt. Authorized Rep.
Suzanne Ticknor, CAWCD

Charlie Ester, SRP
John Felty, SRP
Bruce Hallin, SRP
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Chuck Podolak, SRP
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