AMENDMENT NUMBER 3 TO LOCAL AGENCY AGREEMENT

By and Between

INLAND EMPIRE UTILITIES AGENCY

And

CUCAMONGA VALLEY WATER DISTRICT

THIS AGREEMENT entered into on the _____ day of April, 2014, by and among the Inland Empire Utilities Agency ("IEUA"), a municipal water district duly organized and existing under the laws of the State of California, and the Cucamonga Valley Water District, ("Local Agency"), of Rancho Cucamonga, California, encompassing all the terms and conditions in the Local Agency Agreement, shall be amended as follows:

REPLACE EXHIBIT G WITH THE ATTACHED REVISED EXHIBIT G.

When a call is made by MWD, and the safety-net condition of 40,000 AFY of imported water deliveries applies, the Operating parties will make a reduction in the imported water deliveries, based on their pro-rata share of the imported water baseline.

ALL OTHER PROVISIONS OF THIS AGREEMENT REMAIN UNCHANGED.

IN WITNESS WHEREOF, the parties hereby have caused this Amendment to be entered into as of the day and year written below.

INLAND EMPIRE UTILITIES AGENCY

P. Joseph Grindstaff
General Manager

CUCAMONGA VALLEY WATER DISTRICT

Martin Zvirbulis
General Manager

Exhibit G

Chino Basin Conjunctive Use Program (CUP) "Dry Year" Storage Project Performance Criteria

The intent of the below Performance Criteria is to allow Metropolitan to reduce imported water deliveries to the Operating Parties and replace it with stored Chino Basin groundwater, making available additional imported water supply for delivery to other Metropolitan member agencies.

Performance

Metropolitan may, on thirty (30) days' notice, require Program Agency to meet the objectives of the project as follows:

1) During the next 12 month period, IEUA and TVMWD through their agreements with Operating Parties will cause a reduction of imported water deliveries by 33,000 AF (+/- 10 percent), at the service connection, from the Imported Water Baseline.
2) At no time shall a Metropolitan call result in a reduction in imported water deliveries below 40,000 AF. As long as the imported water deliveries by the Operating Parties total less than or equal to 40,000 AF, performance will have been met.
3) If a Metropolitan CUP call is made during implementation of Metropolitan's Water Supply Allocation Plan (WSAP), the amount of the CUP call shall be adjusted for the purposes of the WSAP performance, such that the 40,000 AF performance objective for CUP is met. The Operating Parties will still be expected to comply with all provisions of the WSAP. For purposes of the CUP, the full call amount (without adjustment for WSAP performance) would be deducted from the Storage Account and billed for by Metropolitan.
4) Metropolitan will pay O&M, Power and Treatment credits only on Chino groundwater production over the Chino Groundwater Baseline.
5) Metropolitan will bill for, and the Storage Account will be reduced by 33,000 AF.
6) If Performance Criteria is not met, the Penalty Rate will be applied on any unmet reduction of imported water delivery at the service connection.
7) A partial call will be addressed through a pro rata performance.
8) Any Chino Basin Groundwater produced above the Chino Groundwater Baseline but below the 33,000 AF call amount will be moved to the Operating Parties' supplemental storage accounts.

Chino Groundwater Baseline

For the purposes of Performance, an Operating Party's Chino Groundwater Baseline shall be set at the beginning of the performance period as the lesser of the following:

1) The average physical production adjusted upward for in-lieu CUP storage and downward for CUP extraction certified by Chino Basin Watermaster in the three (3) previous years beginning with the prior fiscal year (i.e. the baseline for a call during fiscal year 2014-15 would average years 2010-11, 2011-12 and 2012-13 and would not include 2013-14) ; or,
2) The average sum of the Operating Safe Yield and Net Ag Re-Allocation pumping rights, as reported in columns titled "Assigned Share of Operating Safe Yield" and "Net Ag Pool Reallocation" of the table titled "Pool 3 Water Production Summary," of the Chino Basin Watermaster Annual Report or Annual Assessment Package, less any rights utilized to meet Chino Basin Desalter replenishment obligations, as shown in the Chino Basin Watermaster Annual Report or Annual Assessment Package, in the three (3) previous years beginning with the prior fiscal year.

Imported Water Baseline

The Imported Baseline shall be equal to the average imported water deliveries in the three (3) previous years beginning with the prior fiscal year. The imported water deliveries in each year is adjusted downward for in-lieu CUP storage and adjusted upward for CUP extraction.

In-Lieu Storage Guidelines
For in-lieu storage, the following criteria shall apply:

1) Certification of in-lieu CUP storage by an Operating Party shall be the lesser of the following:
    a. Decrease in Chino groundwater production relative to the Chino Groundwater Baseline; or
    b. Increase in imported water deliveries to the Operating Parties above the Imported Water Baseline by at least the certified amount. In the event that the increase in imported water deliveries is less than the decrease in Chino Basin groundwater production, the certified amount shall be equal to the increase in imported water deliveries.
2) Participation in in-lieu storage is optional. Therefore, in-lieu storage is based upon individual Operating Party performance.
3) No Operating Party may certify in-lieu storage during any fiscal year in which that Operating Party incurs a replenishment obligation. .

Operating Committee

Baseline Adjustments
The Operating Committee may mutually agree to adjust the Chino Groundwater Baseline or the Imported Water Baseline to account for changed conditions. The Operating Committee may adjust the baselines due to factors such as new production wells, wells taken out of service, planned outages that would significantly affect ability to deliver supplies, significant retail conservation, and/or dramatic increase in local supplies (recycled water, desalted groundwater, etc). Increases or decreases in total demand shall not result in a baseline adjustment unless it can be shown that the change is a result of significant retail conservation. Normal demand variations due to hydrologic or economic factors are not eligible for baseline adjustments. Any request for baseline adjustment must accompany sufficient documentation to allow the Operating Committee to evaluate the request. All baseline adjustment requests must be submitted before the storage/call year with the Annual Operating Plan.

Performance Targets
The Operating Committee may mutually agree to modify performance targets due to severe and unexpected conditions. It should be generally agreed that additional use and production of all local supplies available to the Operating Parties should not be restricted or cause IEUA , TVMWD or the Operating Parties to be out of compliance of a performance target. The Operating Committee may agree to adjust the imported water performance target due to severe and unexpected conditions, such as but not limited to the following:

a. Significant loss in total local supply capacity (groundwater, desalter and recycled); and/or
   OR
b. Significant increase in total demand.

Any adjustment related to the performance targets does not apply to the requirements for receiving O&M, Power and Treatment credits or the amount deducted from the storage account. The full call amount would be deducted from the storage account and billed by Metropolitan regardless of any performance adjustment. Detailed documentation of the severe and unexpected conditions must be provided to allow the Operating Committee to evaluate the request.

Examples

The following examples demonstrate situations where non-performance penalties may be waived pursuant to Section XIII.B. of the Agreement.

Example 1 - Base Example

Call Amount	33,000 AF
Baseline Service Connection Deliveries	70,000 AF
Call Year Service Connection Deliveries	**40,000 AF**
Reduction at Service Connection	30,000 AF
Baseline Groundwater Production	80,000 AF
Call Year Groundwater Production	95,000 AF
Increase in Groundwater Production	**15,000 AF**

Performance is met because the actual service connection deliveries were equal to 40,000 AF. 33,000 AF is billed for and deducted from account. O&M, Power and Treatment credits are given on 15,000 AF and the remaining 18,000 AF that was paid for, but not pumped, will be moved to the Operating Parties' supplemental storage accounts.

Example 2 – Increase in Local Supply Capacity

Call Amount	33,000 AF
Baseline Service Connection Deliveries (-5,000AF)	65,000 AF
Call Year Service Connection Deliveries	**35,000 AF**
Reduction at Service Connection	30,000 AF
Baseline Groundwater Production (+5,000AF)	85,000 AF
Call Year Groundwater Production	100,000 AF
Increase in Groundwater Production	**15,000 AF**

*In this example, Agency A increases its local supply capacity by expanding a treatment plant by 5,000 AF. This would allow Agency A to increase its production. As a result, the Operating Committee agreed to increase the Baseline Groundwater Production by 5,000 AF and decrease the Imported Water Baseline by 5,000 AF.

Performance is met because the actual service connection deliveries reduction was 30,000 AF. 33,000 AF is billed for and deducted from account. O&M, Power and Treatment credits are given on 15,000 AF and the remaining 18,000 AF that was paid for, but not pumped, will be moved to the Operating Parties' supplemental storage accounts.

Example 3– Reduced Demands (-5,000 AF)

Call Amount	33,000 AF
Baseline Service Connection Deliveries (-3,000 AF)	67,000 AF
Call Year Service Connection Deliveries	**40,000 AF**
Reduction at Service Connection	27,000 AF
Baseline Groundwater Production (-2,000 AF)	78,000 AF
Call Year Groundwater Production	95,000 AF
Increase in Groundwater Production	**17,000 AF**

*In this example, the Operating Committee determined that the installation of ultra-low flow toilets in Agency A's service area would result in a demand reduction of 5,000 AF. This reduction was expected to change both the imported and groundwater baselines. As a result, Agency A's imported water baseline was adjusted down by 3,000 AF and the groundwater baseline was adjusted down by 2,000 AF by the Operating Committee.

Performance is met because the actual service connection deliveries were 40,000 AF. 33,000 AF is billed for and deducted from account. O&M, Power and Treatment credits are given on 17,000 AF and the remaining 16,000 AF that was paid for, but not pumped, will be moved to the Operating Parties' supplemental storage accounts.

Example 4 – Loss of Local Supply with Groundwater Baseline Adjustment of -5,000 AF and Imported Water +5,000 AF*

Call Amount	33,000 AF
Adjusted Baseline Service Connection Deliveries (+5,000 AF)	75,000 AF
Call Year Service Connection Deliveries	**45,000 AF**
Reduction at Service Connection	30,000 AF
Adjusted Baseline Groundwater Production (-5,000 AF)	75,000 AF
Call Year Groundwater Production	90,000 AF
Increase in Groundwater Production	**15,000 AF**

*In this example, Agency A has had six wells go out of service permanently. It will take at least 12 months to drill new wells. As a result of the outage, Agency A's total well capacity has been reduced by 5,000 AF. The Operating Committee agrees to a 5,000 AF baseline reduction on ground water and increase baseline imported water deliveries by 5,000 AF.

Performance is met because the actual service connection deliveries were reduced by 30,000 AF. 33,000 AF is billed for and deducted from account. O&M, Power and Treatment credits are given on 15,000 AF and the remaining 18,000 AF that was paid for, but not pumped, will be moved to the Operating Parties' supplemental storage accounts.

Example 5 – Water Supply Allocation Overlap

Call Amount	33,000 AF
WSAP Level 2	10%
Baseline Service Connection Deliveries	60,000 AF
WSAP Adjusted Baseline Service Connection Deliveries	55,000 AF *
Call Year Service Connection Deliveries	**40,000 AF**
Reduction at Service Connection	15,000 AF
Baseline Groundwater Production	80,000 AF
Call Year Groundwater Production	100,000 AF
Increase in Groundwater Production	**20,000 AF**

**For illustrative purposes only.*
Level 2 WSAP = (Total Demand –Local Supplies) x 90% + Adjustments

Performance is met for CUP because the actual service connection deliveries were equal to 40,000 AF. 33,000 AF is billed for and deducted from account. Power and O&M credits are given on 20,000 AF and the remaining 13,000 AF that was paid for, but not pumped, will be moved to the Operating Parties' supplemental storage accounts. For the WSAP, it is assumed that the adjusted call amount is 15,000 AF.

Example 6 – 10 Percent Performance Range

Call amount	33,000 AF
Baseline Service Connection Deliveries	80,000 AF
Call Year Service Connection Deliveries	**50,000 AF**
Reduction at Service Connection	30,000 AF
Baseline Groundwater Production	80,000 AF
Call Year Groundwater Production	100,000 AF
Increase in Groundwater Production	**20,000 AF**

Performance is met because the Operating Parties reduced service connection deliveries by 30,000 AF, which is within +/- 10 percent of 33,000. 33,000 AF is billed for and deducted from account. O&M, Power and Treatment credits are given on 20,000 AF and the remaining 13,000 AF that was paid for, but not pumped, will be moved to the Operating Parties' supplemental storage accounts.

Example 7 – Non-Performance

Call amount	33,000 AF
Baseline Service Connection Deliveries	60,000 AF
Call Year Service Connection Deliveries	**45,000 AF**
Reduction at Service Connection	15,000 AF
Baseline Groundwater Production	80,000 AF
Call Year Groundwater Production	95,000 AF
Increase in Groundwater Production	**15,000 AF**

Performance is **not** met. The actual service connection deliveries are greater than 40,000 and the reduction in service connection deliveries are less than 33,000 +/- 10 percent. 33,000 AF is billed for and deducted from account. O&M, Power and Treatment credits are given on 15,000 AF and the remaining 18,000 AF that was paid for, but not pumped, will be moved to the Operating Parties' supplemental storage accounts. 5,000 AF is billed at the Penalty Rate of 2x Tier 2.

Example 8 – "Agency A" In-lieu Storage

Baseline Service Connection Deliveries	15,000 AF
Storage Year Service Connection Deliveries	20,000 AF
Increase at Service Connection	**5,000 AF**
Baseline Groundwater Production	20,000 AF
Storage Year Groundwater Production	10,000 AF
Decrease in Groundwater Production	10,000 AF

In this example, "Agency A" would be eligible for 5,000 AF of in-lieu storage. The increase in service connection deliveries (5,000 AF) are less than the decrease in groundwater production (10,000 AF).

Exhibit G

Chino Basin Conjunctive Use "Dry Year" Storage Project Performance Criteria

Metropolitan may, on fifteen (15) days notice, require Program Agency to meet the objectives of the project as follows:

1) IEUA and TVMWD agree to reduce imported water deliveries by approximately 33,000 AF from the preceding 12 month period during the next 12 month period; and
2) IEUA, TVMWD and Chino Basin Watermaster through their agreements with Operating Parties will cause to be pumped during the next 12 months 33,000 AF from the Metropolitan Storage Account; and
3) Chino Basin pumping by the Operating Parties in the Dry Year program within the Chino Basin appropriative pool will increase over the previous year by 33,000 AF.

All three performance targets do not need to be met precisely (+ or – 10 percent.) As an example, IEUA and TVMWD would meet the objectives of the program if all three of the following occurred:

30,000 AF	Reduced imported full service deliveries when compared to the preceding 12 months.
31,000 AF	Pump from Metropolitan Storage Account.
34,000 AF	Increase pumping by Operating Parties, when compared to the preceding year.

However, the Operating Committee may mutually agree that performance targets are met even though a performance target is not met(a scenario when retail conservation were to exceed 15 – 25 percent or if other local supplies were developed, e.g., dramatic increase in recycled water use, may reduce the opportunity for the retail agencies to pump 33,000 AF from the Metropolitan Storage Account.) In this case, the Operating Committee would need to agree on the variance procedures for accepting a modified performance target after the episode. It should be generally agreed that additional use and production of all local supplies native to the Chino Basin area should not be restricted or cause IEUA, TVMWD or Chino Basin Watermaster (or the Operating Parties) to be out of compliance of the performance target. It should also be agreed that if IEUA and TVMWD retailers demand firm water from Metropolitan over the twelve month period, the pumped water would come from the Metropolitan Storage Account up to 33,000AF.

The objective of the program is to provide 33,000 acre-feet of additional pumping capacity in the Chino Basin for dry year use, to allow Metropolitan, IEUA and TVMWD the flexibility to utilize the Facilities in the most efficient manner possible (including normal year and wet years) and to ensure that upon a call of Metropolitan's stored water, Facilities will be used to provide an additional supply of water to meet IEUA's and TVMWD's needs. A partial call will be addressed through a pro rata performance of all three objectives .