

Executive Office

September 2, 2004

Mr. Edward W. Smith  
General Manager  
Palo Verde Irrigation District  
180 West 14<sup>th</sup> Street  
Blythe, California 92225

Dear Mr. Smith:

Re: PVID/Metropolitan Forbearance and Fallowing Program

This letter will memorialize the agreement reached by our respective representatives over an issue involving the partial Contract Year ending July 31, 2005 that had become apparent, but was not resolved, when the PVID Board approved the Program documents on August 17, 2004. Some landowners may be unable to place all of the acreage specified in Metropolitan's Initial Fallowing Call into fallowing by the time specified in subsection 5.8 of the Landowner Agreement without jeopardizing crop investments previously made by the landowner.

We have agreed to address this issue through use of subsection 5.7 of the Landowner Agreement, which provides for temporary reductions in a landowner's fallowing commitment, as follows. A temporary reduction through no later than July 31, 2005 under subsection 5.7 will be available to a landowner who meets two requirements as of the Effective Date of the Landowner Agreement applicable to that landowner: (1) The landowner (or the landowner's tenant) has made an investment in growing crops or investments to grow a future crop; (2) The landowner would lose the benefit of such investment if the landowner were to put land into fallowing to the full extent and by the time specified in the Landowner Agreement to be executed by the landowner. Any landowner who meets these requirements may, no later than when the landowner delivers an executed copy of the Landowner Agreement to PVID and Metropolitan, make a written request to Metropolitan (with a copy to PVID) for approval of a temporary reduction in the landowner's fallowing commitment. The request shall specify (1) the general nature of the investments involved, and (2) the specific schedule on which the required land will be placed into fallowing, which schedule may be phased but shall not extend beyond July 31, 2005. Metropolitan agrees that it will not unreasonably withhold approval of any such request and that its approvals will be memorialized by a letter delivered to the landowner concurrently with Metropolitan's delivery into escrow of the executed Landowner Agreement with the landowner.

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The PVID and Metropolitan Agreement Administrators will develop a form to be used by any landowner choosing to utilize the foregoing procedure.

Please indicate PVID's agreement with the foregoing by executing a copy of this letter in the space provided and returning it to me.

Sincerely,

THE METROPOLITAN WATER DISTRICT  
OF SOUTHERN CALIFORNIA



Ronald R. Gastelum  
Chief Executive Officer

Agreed and accepted:

PALO VERDE IRRIGATION DISTRICT



By: Edward W. Smith  
Its: General Manager

Dated: 9/20/04

RGM:jv