

FLOW EXCHANGE AGREEMENT

This Flow Exchange Agreement (“**Agreement**”) is dated _____, 2025 and is between the Orange County Sanitation District (“**OC San**”), a county sanitation district, and Irvine Ranch Water District (“**IRWD**”), a California Water District. OC San and IRWD and their predecessors are sometimes referred to individually as a “**Party**” and collectively as the “**Parties**.”

A. OC San was created under the California County Sanitation District Act (California Health and Safety Code Section 4700 et seq.), which empowers it to (i) own, control, manage, and dispose of any interest in real or personal property necessary or convenient for the construction, maintenance, and operation of a sewerage system and sewage disposal or treatment plant (*Id.* at Section 4740) and (ii) acquire, construct, and complete within or without the district, sewage collection, treatment and disposal works, including sewage treatment plants, outfalls, intercepting, collecting and lateral sewers, pipes, pumps, machinery, easements, rights-of-way, and other works, property or structures necessary or convenient for sewage collection, treatment, and disposal (*Id.* at Section 4741).

B. IRWD was created under the California Water District Law (California Water Code Section 34000, et seq.) which empowers it to carry out the powers and purposes granted to it under the California Water Code, including the treatment and reuse of wastewater.

C. OC San is the successor-in-interest to nine County Sanitation Districts of Orange County (“**CSDOC**”), which consolidated to form OC San in 1998. OC San owns the Joint Wastewater Treatment Facilities (“**JWTF**”) which are comprised of two wastewater reclamation plants as well as a regional wastewater transmission system.

D. IRWD owns the Michelson Wastewater Recycling Plant (“**MWRP**”), the Los Alisos Wastewater Recycling Plant (“**LAWRP**”), and local collection facilities. IRWD’s wastewater conveyance and treatment system is interconnected with OC San’s system.

E. The Parties have a long history of working cooperatively on wastewater transmission, treatment, and disposal (including ocean disposal) of excess water, under various flow accommodation agreements, including those listed in Exhibit A (the “**Prior Agreements**”), and are working together to definitively update, consolidate and restate these and other prior agreements into a more manageable and consolidated form

F. Due to the substantial overlap of their service areas, the Parties, through the Prior Agreements, made determinations about which Party as an alternative to or substitute for the other Party, would provide the most efficient approach to local conveyance, regional transmission, treatment, disposal, and wastewater recycling services to various areas in their respective service areas. However, the Prior Agreements contain complicated financial reconciliation of ad valorem taxes and user fees between the Parties that the Parties wish to eliminate.

G. OC San’s jurisdiction encompasses most of IRWD’s jurisdiction, giving the Parties overlapping authority to provide wastewater services therein; however, a portion of

IRWD's service area tributary to the LAWRP ("**LAWRP Area**") is outside OC San's jurisdiction.

H. IRWD has infrastructure available to provide services more efficiently in one area of OC San's jurisdiction, and OC San has infrastructure available to provide services more efficiently in other areas.

I. The Parties intend by this Agreement to ratify and clarify service responsibility and align revenue collection in some of these shared service areas, and to provide for OC San's service to the LAWRP Area through the annexation of the LAWRP Area into OC San. Specifically, the Parties intend by this Agreement to:

- Amend or supersede the Prior Agreements arrangements between the Parties where their territories overlap in order to streamline their interrelated operations and finances, and to optimize service plans for ownership, management, operation, and development and modernization of wastewater treatment and recycling services, as provided in Sections 3 and 4 below,
- Authorize IRWD to act on OC San's behalf in the Jamboree and Bison Lift Station Service Area, as provided in Section 5 below, and
- Provide for the annexation of the LAWRP Area of IRWD to OC San, as provided in Section 6 below.

NOW THEREFORE in consideration of the mutual covenants and conditions contained herein and in the *GAP Flows Agreement* between the Parties and Orange County Water District dated December __, 2025 approved concurrently herewith, the Parties agree as follows:

1. **Effective Date.** This Agreement will become effective ("**Effective Date**") upon:

1.1 The Parties' execution of the *GAP Flows Agreement* dated December __, 2025 and presented for consideration by their Boards concurrently with this Agreement, and

1.2 The earlier of (i) July 1, 2026, or (ii) recordation of the annexation to OC San of the LAWRP Area of IRWD described in Section 6 (the "**LAWRP Area Annexation**") following approval by the Orange County Local Agency Formation Commission ("**LAFCO**").

2. **Reserve Fund Adjustments**

2.1 IRWD Financials. Certain of the Prior Agreements provided for a periodic calculation of operational and capital reserve balances held by the Parties for anticipated payments to each other. Beginning on the Effective Date, OC San shall provide IRWD an annual calculation of anticipated annual operation and maintenance expenses ("**Annual Reserve Amount**"). IRWD shall segregate from its general fund and hold in reserve for payment to OC San the Annual Reserve Amount for that year, with proof provided to OC San that the Annual Reserve Amount has been deposited to a separate identified account.

2.2 OC San Financials. OC San shall credit future invoices to IRWD with any segregated amounts on deposit that OC San maintains on IRWD's behalf on the Effective Date,

and OC San shall remit the total of any remaining amounts on deposit to IRWD one year after the Effective Date.

3. **Transfer Areas**

3.1 Under the Prior Agreements, the Parties allocated Regional Transmission and Wastewater Treatment responsibility to a Party reliant on pumping wastewater against gravity to collect and/or convey that wastewater for treatment.

3.1.1. **“Regional Transmission”** means regional conveyance of wastewater from multiple local sewer service providers’ collection systems, generally having no direct service connections to retail customers, and/or having no diversion pump stations to a wastewater treatment facility belonging to another entity.

3.1.2. **“Wastewater Treatment”** means the treatment of wastewater, disposal of treatment by-products, ocean disposal of excess water, and wastewater recycling.

3.2 The Parties intend to formalize and restate the terms for the transfer of responsibility for Regional Transmission and Wastewater Treatment in certain locations to the Party that can most efficiently provide the services in those areas, where shown in Exhibit B (**“Transfer Areas”**) and to maintain the level of service in these Transfer Areas at the level of service provided prior to the Effective Date, pending the annexation discussed in Section 6.

3.3 IRWD-to-OC San Transfer Areas

3.3.1. Transfer Areas. IRWD currently provides **“Local Collection”** (meaning the collection and transmission of wastewater from the customer to the Regional Transmission facility), as well as Regional Transmission and Wastewater Treatment services to portions of those Local Collection areas, as identified in Exhibit B, specifically:

- Irvine Business Complex/Tustin MCAS/USFDA Service Area,
- Orange Park Acres Service Area, and
- San Joaquin Hills/Coyote Canyon Service Area.

These areas are referred to as the **“IRWD-to-OC San Transfer Areas.”**

3.3.2. Transfer of Service Responsibility. IRWD hereby transfers and OC San hereby accepts transfer of Regional Transmission and Wastewater Treatment service responsibility for the IRWD-to-OC San Transfer Areas as shown in Exhibit B. IRWD shall continue to provide customers with Local Collection services, and all Local Collection facilities serving the IRWD-to-OC San Transfer Areas remain the property and responsibility of IRWD. OC San shall provide Regional Transmission and Wastewater Treatment to customers in the IRWD-to-OC San Transfer areas.

3.3.3. Service Fees and Charges. IRWD will recover its costs of service by continuing to collect sewer service fees, but only in the amount related to Local Collection. IRWD shall not charge customers in the IRWD-to-OC San Transfer Areas for any treatment component of the service charge. OC San will recover its costs for Wastewater Treatment and

Regional Transmission in the IRWD-to-OC San Transfer Areas through imposition and collection of a new and separate fee charged to customers in these areas.

3.3.4. Equity Ownership. Because OC San will be assuming the duty for Regional Transmission and Wastewater Treatment for the IRWD-to-OC San Transfer Area, IRWD hereby transfers to OC San at no cost the Equity Ownership in the JWTF for each transferred area as follows:

- Irvine Business Complex/Tustin MCAS/USFDA Service Area – 4.7 MGD
- Orange Park Acres Service Area – 0.04 MGD
- San Joaquin Hills/Coyote Canyon Service Area – 0.13 MGD

3.3.5. Connection Fees. Within 60 days after the Effective Date, IRWD shall pay to OC San the IRWD treatment component of the connection fees collected by IRWD from customers in the IRWD-to-OC San Transfer Areas between the effective dates of the last flow measurements for each area and the Effective Date of this Agreement. The last flow measurements were completed as follows:

- Irvine Business Complex/Tustin MCAS/USFDA Service Area – September 2022 (effective January 1, 2023)
- Orange Park Acres Service Area – July 2025
- San Joaquin Hills/Coyote Canyon Service Area – May 2025

3.3.6. Ad Valorem Taxes. OC San will continue to collect the increment of ad valorem taxes attributable to Local Collection services for all properties in the IRWD-to-OC San Transfer Areas and will remit them to IRWD within 180 days of the end of each fiscal year. The increment of ad valorem taxes will be calculated for the initial year of this Agreement and increased by the percentage increase in OC San's ad valorem taxes each year. At least every 5 years, the base annual property tax amount remitted to IRWD will be recalculated based on information provided by the County of Orange, but there will be no lookback reconciliation for the prior years. The method for this determination is attached as Exhibit C.

3.4 Supersession of Prior Agreements. The following flow accommodation agreements are hereby superseded and of no further force or effect as of the Effective Date, but any capacity or property rights previously conveyed between the Parties under those agreements will be unaffected by this Agreement:

- The April 25, 2001 *Inter District Wastewater Flow Accommodation Agreement*.
- The July 1, 2003 *Agreement* related to properties with the boundaries of the Irvine Business Complex and the Tustin Marine Corps Air Facility.
- The August 27, 2008 *Agreement to Accommodate Wastewater Flows from the San Joaquin Hills Planned Community/Coyote Canyon Landfill/Gas Recovery Systems Areas that Originate in Revenue Area 14*.
- The June 28, 2010 *Agreement for Administrative Transfer of Orange Park Acres Service Area to Revenue Area 14 and Inclusion of Flows in Revenue Area 14 Wastewater Flow Calculations*.

4. Harvard Area Trunk Sewer. Under the *Agreement for Purchase of Capacity in the [IRWD] Harvard Avenue Trunk Sewer* dated June 10, 1991 (the “**HATS Agreement**”), the Parties provided (among other things) for certain OC San wastewater flows outside of IRWD’s service area to be conveyed through IRWD’s Harvard Avenue Trunk Sewer (“**HATS**”), and back to OC San’s JWTF. The Parties hereby amend the HATS Agreement to provide as follows:

4.1 For the flows in HATS that originate outside of IRWD’s service area, IRWD may provide Wastewater Treatment at MWRP, or IRWD may continue to divert flows to the JWTF at no cost.

4.2 Based on historical flow monitoring, HATS flows originating outside of IRWD’s service area are equivalent to 1.0 MGD. Accordingly, when IRWD diverts wastewater flows to OC San, IRWD will reduce the calculated average daily flow sent to OC San for each month by up to 1.0 MGD (the average monthly flow cannot be negative).

4.2.1. There will be no accrual of the flow reduction for months in which diversions do not occur.

4.2.2. The 1.0 MGD value may be updated via new flow monitoring at the expense of the requesting Party. Flow monitoring should be representative, be performed for a continuous period of not less than 21 days, exclude any day and following 2 days in which there was measurable rainfall, and occur between April and November. Flow monitoring results will be averaged with results from the preceding three years, if any occurred.

4.2.3. IRWD shall make reasonable efforts to schedule non-emergency construction-related and maintenance-related flow diversions to occur during the dry season (April 15 through October 15) and shall coordinate such diversions with OC San.

4.2.4. IRWD’s decision to treat wastewater originating outside of IRWD’s service area at MWRP will not result in a “flow credit” to IRWD.

4.3 For so long as the *GAP Flows Agreement* is in effect, and in exchange for OC San’s waiver of charges to IRWD for flows under that agreement, IRWD shall suspend and waive any charges to OC San for HATS maintenance fees under Section 3 of the HATS Agreement.

4.4 Except as amended by this Agreement, the HATS Agreement will remain in full force and effect.

5. OC San-to-IRWD Transfer Area (Jamboree-Bison). OC San’s Revenue Area 14 is exclusively funded by IRWD. Under the April 27, 2005 *Agreement for Accommodation of Flows from City of Newport Beach Abandoned Lift Stations Accepted by Irvine Ranch Water District Sewer System* (“**Jamboree-Bison Agreement**”), the Parties agreed that in exchange for IRWD’s Regional Transmission by gravity of certain flows from the City of Newport Beach (which is not inside Revenue Area 14) to OC San’s system that would otherwise require pumping, that IRWD would receive a flow credit for Revenue Area 14 to deduct for the flows from Newport Beach. This method required annual flow monitoring. The Parties have determined the consistent reasonable annual flows from this area and intend to (i) continue IRWD’s Regional Transmission

of these flows but eliminate the flow monitoring requirement, (ii) provide for IRWD's treatment of these flows in exchange for fair value, and (iii) provide for this Agreement to supersede the Jamboree-Bison Agreement.

5.1 IRWD as OC San's Agent. OC San hereby designates IRWD as its agent, and IRWD hereby accepts the responsibility as OC San's agent, to provide the services of Regional Transmission and Wastewater Treatment for the area in Exhibit B designated as "**OC San-to-IRWD Transfer Area**" and referred to more generally as the "Jamboree and Bison Lift Station Service Area." The City of Newport Beach provides Local Collection services in the OC San-to-IRWD Transfer Area.

5.2 No Ownership Changes. The Parties acknowledge that no OC San Regional Transmission facilities exist in the OC San-to-IRWD Transfer Area, and that therefore there will be no change of facility ownership under this Agreement with respect to the OC San-to-IRWD Transfer Area.

5.3 Revenues. Beginning on the Effective Date, OC San shall continue to collect and to transfer to IRWD within 180 days of the end of each fiscal year:

5.3.1. OC San's current allocation of ad valorem tax increment for the OC San-to-IRWD Transfer Area,

5.3.2. An amount equivalent to OC San's Service Fees collected for the OC San-to-IRWD Transfer Area, and

5.3.3. Any Capital Facilities Capacity Charges collected after the Effective Date attributable to Regional Transmission and Wastewater Treatment services provided to the OC San-to-IRWD Transfer Area.

5.4 Supersession. Upon the Effective Date, the Jamboree-Bison Agreement will be of no further force or effect.

6. LAWRP Area Annexation

6.1 Pursuant to Government Code Section 56650, the Parties shall file joint resolutions of application with LAFCO to initiate proceedings under the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 for:

6.1.1. Annexation of the territory depicted as "**LAWRP Area**" in Exhibit B to OC San; and

6.1.2. Amendment of OC San's Sphere of Influence to include the LAWRP Area.

6.2 The joint Resolutions of Application to LAFCO for these changes of organization will be in substantially the same form as OC San Resolution NO. OCSAN 21-07 (the Resolution of Application for LAFCO OCSD Annexation Areas - Anaheim/Yorba Linda/Villa Park), and will propose a plan for services and application of OC San service charges consistent with the

terms of this Agreement and in substantial conformance with the LAFCO terms and conditions in LAFCO Resolution No. DA 21-05.

6.3 IRWD has contractual relationships with Santa Margarita Water District and El Toro Water District to share capacity and operations in their service areas pursuant to out-of-area agreements constituting “an alternative to, or substitute for, public services already being provided” by IRWD (see Government Code 56133(e)(1)). IRWD shall ensure that all wastewater flows that discharge through IRWD’s system into the OC San system for Regional Transmission or Wastewater Treatment meet OC San discharge requirements as currently enacted and as amended from time to time.

7. Attorneys’ Fees. In the event that any Party brings any legal action to interpret or enforce any provision of this Agreement, the prevailing Party in that action will be entitled to receive, in addition to all other available relief, costs of litigation and reasonable attorneys’ fees, including expert witness fees, costs and fees incurred on appeal and in enforcing any judgment which may be rendered on the underlying action.

8. No Third Party Beneficiaries. The Parties expressly acknowledge and agree that they do not intend, by their execution of this Agreement, to benefit any person or entities not signatory to this Agreement. No person or entity not a signatory to this Agreement will have any rights or causes of action against IRWD or OC San or any combination thereof, arising out of that Party’s entry into this Agreement.

9. Governing Law. This Agreement will be interpreted and enforced in accordance with the provisions of California law, without regard to conflicts of law provisions.

10. Notice. Unless otherwise permitted by this Agreement, all notices to be given must be in writing and may be made by personal delivery, certified mail, postage prepaid and return receipt requested. Mailed notices must be addressed to the Parties at the addresses listed below, but each Party may change the address by written notice in accordance with this paragraph. Receipt will be deemed made as follows: notices delivered personally will be deemed communicated as of actual receipt; mailed notices will be deemed communicated on receipt or rejection.

If to IRWD:

Irvine Ranch Water District
15600 Sand Canyon Avenue
P.O. Box 57000
Irvine, CA 92619-7000
Attn: Paul A. Cook, General Manager
Cook@irwd.com

With a Copy to:

Claire H. Collins, General Counsel
Hanson Bridgett LLP
601 W. 5th Street, Suite 300
Los Angeles, CA 90071
CCollins@hansonbridgett.com

If to OC San:

Orange County Sanitation District
18480 Bandilier Cir.
Fountain Valley, 92708
Attn: Robert Thompson, General Manager
RThompson@ocsan.gov

With a Copy to:

Scott C. Smith, General Counsel
Best Best & Krieger LLP
18101 Von Karman Ste. 1000
Irvine, CA 92612
Scott.Smith@bbklaw.com

11. Counterparts. This Agreement may be executed in counterparts, each of which will constitute an original.
12. Entire Agreement. This Agreement contains the entire Agreement of the Parties with respect to the subject matter hereof, and supersedes all prior negotiations, understandings or agreements, either written or oral, express or implied.
13. Further Acts. The Parties shall execute such additional documents and take such further actions as are reasonably necessary to accomplish the objectives and intent of this Agreement.
14. Indemnification. Each Party shall defend, indemnify, and hold the other Party, and its officials, officers, employees and agents free and harmless from any claim, loss, damage, or injury to property or persons, including wrongful death, in any manner arising out of or incident to any act, omission or willful misconduct of that Party and its officers, employees or agents, arising out of or in connection with the execution or performance of this Agreement, including without limitation the payment of attorneys' fees.
15. Waiver. The failure of any Party to insist upon strict compliance with any provision of this Agreement or to exercise any right or privilege provided herein, or any Party's waiver of any breach hereunder unless in writing, shall not relieve any other Party of any of its obligations hereunder, whether of the same or similar type. The foregoing shall be true whether the waiving Party's actions are intentional or unintentional.
16. Authorization to Execute. The signatories to this Agreement warrant that they have been lawfully authorized by their respective Parties to execute this Agreement on their behalf.
17. Severability. If any provision or clause of this Agreement or any application of it to any person, firm, organization, partnership or corporation is held invalid, such invalidity shall not affect other provisions of this Agreement which can be given effect without the invalid provision or application. To this end, the provisions of this Agreement are declared to be severable.

18. Prohibition Against Assignment. No Party may assign this Agreement or any interest in it without the prior written consent of the other.

ORANGE COUNTY SANITATION DISTRICT

IRVINE RANCH WATER DISTRICT

By: _____
Robert Thompson, General Manager

By: _____
Paul A. Cook, General Manager

ATTEST:

ATTEST:

By: _____
Kelly Lore, MMC, Clerk of the Board
Orange County Sanitation District

By: _____
Kristine Swan, District Secretary
Irvine Ranch Water District

APPROVED AS TO LEGAL FORM:

APPROVED AS TO LEGAL FORM:

By: _____
Scott C. Smith, General Counsel
Orange County Sanitation District

By: _____
Claire H. Collins, General Counsel
Irvine Ranch Water District

EXHIBIT A

PRIOR FLOW ACCOMMODATION AGREEMENTS BETWEEN IRWD AND OC SAN

1. June 10, 1991 – *Agreement for Purchase of Capacity in the Irvine Ranch Water District (IRWD) Harvard Avenue Trunk Sewer* [**Amended by this Agreement**]
2. April 25, 2001 – *Inter District Wastewater Flow Accommodation Agreement* (United States Food and Drug Administration’s Facilities) [**Superseded by this Agreement**]
3. July 1, 2003 – *Agreement* (IRWD to provide local service to the Irvine Business Complex and the Tustin Marine Corps Air Facility) [**Superseded by this Agreement**]
4. April 27, 2005 – *Agreement for Accommodation of Flows from City of Newport Beach Abandoned Lift Stations Accepted by Irvine Ranch Water District Sewer System* (Jamboree and Bison Flow Accommodation) [**Superseded by this Agreement**]
5. August 27, 2008 – *Agreement to Accommodate Wastewater Flows from the San Joaquin Hills Planned Community/Coyote Canyon Landfill/Gas Recovery Systems Areas that Originate in Revenue Area 14* [**Superseded by this Agreement**]
6. June 28, 2010 – *Agreement for Administrative Transfer of Orange Park Acres Service Area to Revenue Area 14 and Inclusion of Flows in Revenue Area 14 Wastewater Flow Calculations* [**Superseded by this Agreement**]



OC SAN
ORANGE COUNTY SANITATION DISTRICT

Exhibit "B" - Transfer and Annexation Areas

November 2025

LEGEND

- WTP** Treatment Plants
- OC San Consolidated Area
- Revenue Area 14
- IRWD Boundary
- ETWD
- Flow from SMWD to IRWD

TRUNK TRIBUTARY TREATMENT

- BY IRWD
- BY OCSD
- BY SMWD

AREAS

- LAWRP Area Annexation
- IRWD to OC San Transfer Area
- IBC Service Area to Remain in IRWD
- OC San to IRWD Transfer Area

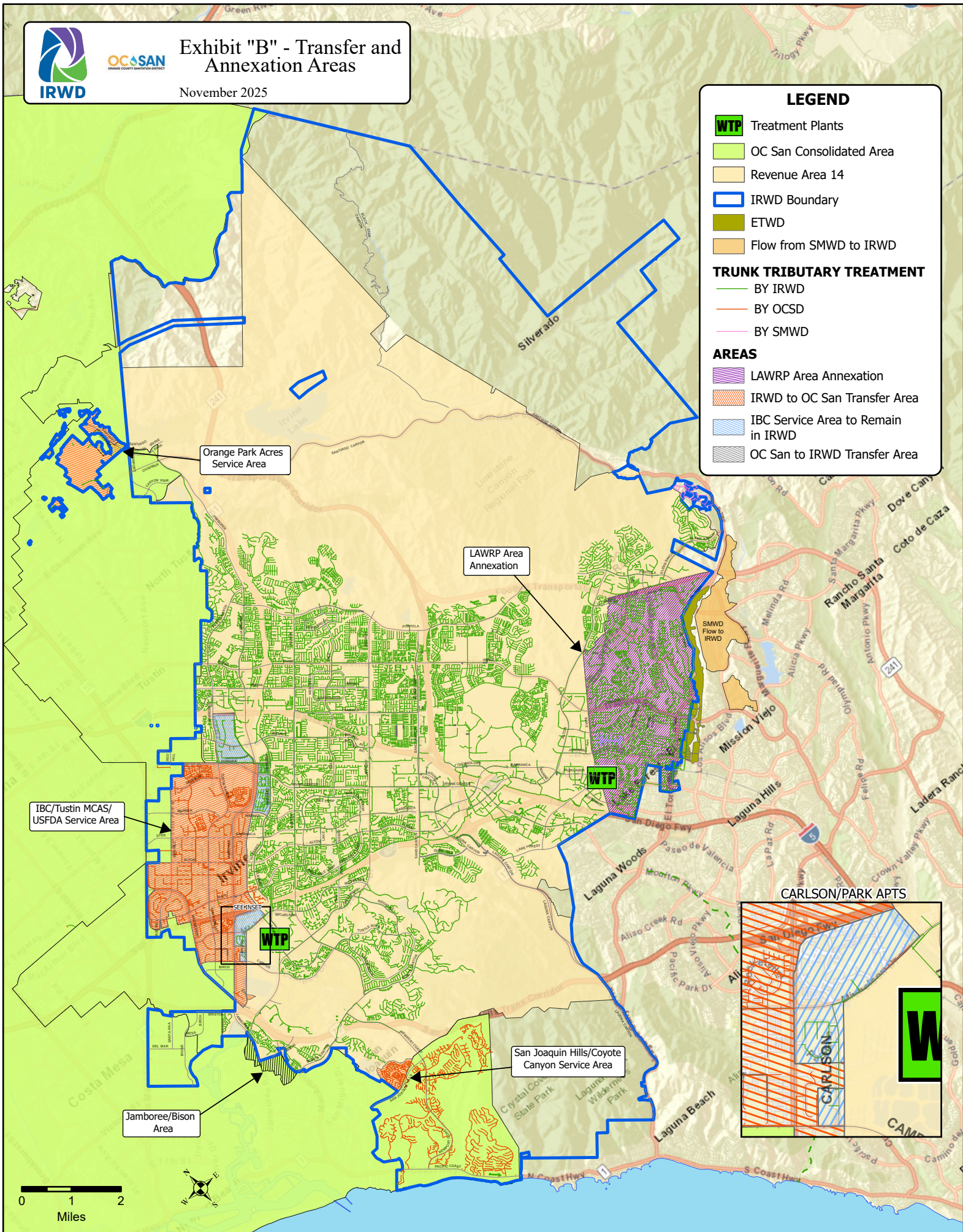


EXHIBIT C

AD VALOREM TAX ALLOCATION METHOD

Where ad valorem taxes are specific to Local Collection of sewage, IRWD will receive 100% for applicable Tax Rate Areas (TRAs)

Where the ad valorem taxes are for both Wastewater Treatment and collection of sewage, the prorated portion of the tax associated with treatment or collection will be remitted to the other Party.

- OC San shall send to IRWD the collection portion of the ad valorem tax for applicable TRAs.
- IRWD shall send to OC San the Wastewater Treatment portion of the ad valorem tax for applicable TRAs.
- The proration will be calculated using current service fees of the Party receiving the taxes from the County of Orange.