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The Metropolitan Water District  
of Southern California  
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METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

*Doreen E. Duff*  
Executive Secretary

January 19, 1994

To: Board of Directors (Water Problems Committee--Information)  
Board of Directors (Executive Committee--Information)  
From: General Manager  
Subject: Areias Dairy Farms Water Transfer Update

Report

In September 1993, your Board authorized the General Manager to finalize negotiations with Areias Dairy Farms (ADF) for the transfer of up to 5,000 acre-feet per year of Central Valley Project (CVP) San Joaquin River Exchange Water to Metropolitan. Also, in November 1993, your Board authorized the General Manager to execute an "initial agreement" (discussed below) for this transfer consistent with principles approved by your Board. This letter provides an update of contract negotiations and other activities related to this transfer.

The transfer will be accomplished under two agreements, hereafter referred to as "initial agreement" and "final agreement." The initial agreement will provide for a refundable "earnest money" payment to ADF and set the terms for the final agreement which will be considered by your Board once necessary environmental documentation and regulatory approvals are obtained. Negotiations for the initial agreement are nearly complete. The terms of the initial agreement are consistent with the principles approved by your Board. The remaining unresolved significant issue is determining the form of the financial security ADF will provide to guarantee repayment to Metropolitan of the earnest money should the transfer not be completed. Staff continues to work closely with ADF to find a form of security which will be mutually acceptable.

Under the principles approved by your Board, Metropolitan is responsible for engineering, legal and other development costs necessary to implement the transfer. Consistent with these principles, staff has paid \$17,349.59 to ADF's legal consultant Bartkiewicz, Kronick, & Shanahan for its work in developing the initial and final agreements. In addition, ADF's other consultants have, thus far, incurred costs of \$20,619.87 for related technical studies. It is

estimated that total development costs, including consultants employed by Metropolitan for technical and environmental documentation, but excluding in-house staff costs, will be about \$150,000.

Along with approval by your Board, execution of the final agreement will be contingent upon a number of regulatory actions including:

- approval of necessary changes in place and purpose of use by the State Water Resources Control Board (SWRCB);
- approval of the transfer application by the Secretary of the Interior as required by the CVP Improvement Act; and
- approval of wheeling arrangements by the Department of Water Resources (DWR).

To facilitate the necessary approvals, staff has met with and briefed SWRCB members and staff, and staff of U.S. Bureau of Reclamation, U.S. Fish and Wildlife Service, and DWR on the proposed transfer. These meetings were characterized by a great deal of interest in the transfer and a willingness to cooperate with Metropolitan and ADF on the transfer.

Implementation of the transfer is also contingent on compliance with applicable legal requirements including the California Environmental Quality Act and the National Environmental Policy Act. Staff has initiated necessary environmental studies to determine if the program may have significant impacts. Given the historic agricultural use of the ADF lands, and the fact that the transfer would not increase diversions from the Sacramento-San Joaquin Delta, no significant impacts are expected.

#### Board Committee Assignments

This letter is referred for information to:

The Executive Committee because of its authority to study, advise, and make recommendations with regard to policies and procedures to be considered by the Board, pursuant to Administrative Code Section 2917(e); and

The Water Problems Committee because of its authority to study, advise, and make recommendations with regard to

policies, sources, and means of importing water required by the District, pursuant to Administrative Code Section 2481(a).

Recommendation

For information only.

  
John R. Wodraska

DSM:cl