



MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

7-3

April 20, 1998

To: Board of Directors (Water Planning and Resources Committee--Action)
(Engineering and Operations Committee--Information)

From: *for* General Manager

Submitted by: J. W. Malinowski
Chief of Operations

Edward J. Mc...
J. W. Malinowski

Subject: First Amendment to Water Supply Management Agreement with
Orange County Basin

RECOMMENDATION(S)

It is recommended that your Board authorize the General Manager to execute the Water Supply Management Agreement with Orange County Basin as described in this letter, substantially in the form of Attachment A and in form approved by the General Counsel.

EXECUTIVE SUMMARY

Metropolitan Water District of Southern California (Metropolitan), Orange County Water District (OCWD), and Municipal Water District of Orange County (MWDOC) wish to enter into a First Amendment to the Water Supply Management Agreement with Orange County Basin (First Amendment). This First Amendment revises the Water Supply Management Agreement (WSM), dated September 1, 1997 between Metropolitan, OCWD, and MWDOC. The WSM allows Metropolitan to place water in the Orange County Basin when water is available to be credited to Metropolitan's account. When OCWD places a request for supplemental water for replenishment from Metropolitan, through MWDOC, Metropolitan would then have the prerogative of delivering new supplies or debiting its account to OCWD.

The First Amendment will allow Metropolitan to increase storage in the WSM Agreement Account from 43,000 acre-feet to 50,000 acre-feet. In addition, as a temporary basin protection measure, in years that excess supplies and system capacity permit, Metropolitan may deliver water to the WSM Agreement Account during the summer (May 1 through September 30) through in-lieu deliveries to coastal agencies experiencing fluctuating and declining groundwater levels, colored water contamination, and the threat of sea water intrusion. Water sold from the account attributable to in-lieu replenishment would receive a treatment surcharge. Normally, this treatment surcharge is at the reduced SSS rate (currently \$57 per acre-foot.) However, because the summer in-lieu program offsets the shift portion of the Seasonal Storage Service (SSS)

Program, it is appropriate that the full treatment surcharge (currently \$82 per acre-foot) be applied to this portion of the water. Additionally, those agencies participating in the summer in-lieu deliveries may not participate in the shift portion of the SSS Program.

The summer in-lieu portion of the WSM agreement is considered a temporary measure to help protect the basin from further colored water contamination and the threat of sea water intrusion and provide Orange County Water District time to establish a permanent solution to the problem. As such, this portion of the WSM agreement may not be extended past December 31, 2000.

DETAILED REPORT

The First Amendment to the Water Supply Management Agreement (First Amendment) with Orange County Basin (Basin) and Municipal Water District of Orange County (MWDOC), if approved by your Board, would continue to grant Metropolitan the right to place water into storage in the Basin when Metropolitan has more supply than there is demand from the Basin. The First Amendment would allow Metropolitan to store up to 50,000 acre-feet in the Basin through either direct or in-lieu delivery methods. The water would then be placed in an account in Metropolitan's name until such time that the OCWD requests replenishment water. Metropolitan would then have the option of delivering new water or crediting water from its account to OCWD.

The First Amendment will also allow Metropolitan to place water into storage in the Basin through summer (May 1 through September 30) in-lieu deliveries to coastal agencies in years when excess supplies and system capacity are available. Some of these agencies have participated in the Seasonal Storage Service (SSS) program in the past. However, their continued participation in the SSS program is limited by fluctuating and declining water levels, colored water contamination, and the threat of sea water intrusion that has resulted from summer groundwater production affecting coastal agencies. Summer in-lieu deliveries to these agencies would enable Metropolitan to store replenishment water in the Basin while allowing Basin groundwater levels to recover. This summer in-lieu program does not reduce full service sales to MWDOC and there is no cost to Metropolitan since the same amount of replenishment water will be sold.

The summer in-lieu portion of the WSM agreement is considered a temporary measure to help protect the basin from further colored water contamination and the threat of sea water intrusion and provide Orange County Water District time to establish a permanent solution to the problem. As such, this portion of the WSM agreement may not be extended past December 31, 2000.

For purposes of this First Amendment, water purchased from the account would be sold at Metropolitan's rate for groundwater replenishment in effect at any time during the fiscal year in which the transfer occurs. Additionally, water sold from the account attributable to in-lieu replenishment would receive a treatment surcharge. Normally, this treatment surcharge is at the reduced SSS rate (currently \$57 per acre-foot.) However, because the summer in-lieu program

offsets the shift portion of the SSS Program, it is appropriate that the full treatment surcharge (currently \$82 per acre-foot) be applied to this portion of the water. Additionally, those agencies participating in the summer in-lieu deliveries may not participate in the shift portion of the SSS Program.

OCWD will still be responsible for the spreading, injecting, storing, and using of stored water. All in-lieu deliveries to Metropolitan's WSM Agreement Account would be made with pre-approved schedules for delivery to the Basin, either by using the SSS certification form's methodology for determining long-term storage or by demonstrating that such storage can be produced per schedule. Metropolitan would limit summer in-lieu deliveries to 10,000 acre-feet in any one year.

The First Amendment will terminate on December 31, 2000, at which time a succeeding amendment may extend the terms of the First Amendment for an additional term, not to exceed five years. Although the WMS Agreement may be renewed for a period not to exceed five years, successively the summer in-lieu portion may not be extended past December 31, 2000 since this is considered only a temporary measure. Additionally, succeeding amendments may reflect changes in Metropolitan's Administrative Code made to effect uniform conditions of water service and water sales to all of Metropolitan's member public agencies.

It is recommended that the Board authorize the General Manager to execute the First Amendment as described in this letter.

CJM:jj

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Attachment

**1ST AMENDMENT TO THE
ORANGE COUNTY BASIN
WSM AGREEMENT**

This AMENDATORY AGREEMENT is made as of the _____, 1998 by and between THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA, a public corporation of the State of California, herein referred to as "Metropolitan"; the ORANGE COUNTY WATER DISTRICT, a regulatory agency created by the State of California, herein referred to as "OCWD"; and the MUNICIPAL WATER DISTRICT OF ORANGE COUNTY, a public corporation of the State of California, herein referred to as "MWDOC".

EXPLANATORY RECITALS

A. OCWD is responsible for managing the Basin and managing, replenishing, regulating, and protecting the groundwater supplies within its legally constituted boundaries. OCWD is authorized to purchase supplemental water from Metropolitan through MWDOC (as well as from Metropolitan's other Orange County member public agencies; the cities of Anaheim, Fullerton, Santa Ana, and the Coastal Municipal Water District (Coastal)) for recharge purposes.

B. OCWD is authorized to enter into Water Storage Management (WSM) agreements for utilization of groundwater storage capacity in the Orange County Basin (Basin) for cyclic or regulatory storage of supplemental water, with all such agreements to be in accord with the Orange County Water District Act (OCWD District Act), Section 2.1. Such agreements benefit all parties by providing for utilization of available storage capacity in the Basin in conjunction with the availability of imported water.

C. Pursuant to the OCWD District Act (OCWD District Act), Section 2.1, OCWD, MWDOC and Metropolitan entered into an agreement titled Water Supply Management Agreement with Basin, dated September 1, 1997. The WSM Agreement allows Metropolitan to recharge and store up to 43,000 acre-feet of California State Water Project (SWP) and/or Colorado River Aqueduct (CRA) water in the Basin for subsequent use by MWDOC, Fullerton, Anaheim, Santa Ana, and Coastal.

D. The WSM Agreement will expire on December 31, 1998. By mutual agreement of the parties hereto, the WSM Agreement may be extended for additional terms, not to exceed five years each.

E. Under the Agreement, cyclic water is delivered by either direct or in-lieu means. In-lieu deliveries to a WSM Agreement Account may be made on a pre-approved schedule, by all parties, that may or may not take the place of Metropolitan's groundwater seasonal storage certification form to show that water is stored in-lieu of pumping to follow the intent of the definition of Long-Term Storage as stated in Section 3, Types of Seasonal Storage Service (SSS), of Metropolitan's October 1996 User Handbook for Seasonal Storage Service.

F. Deliveries to the WSM Agreement Account by in-lieu means are normally made from October 1 through April 30 when imported water supplies are plentiful.

G. WSM agreements and the SSS program allow both Metropolitan and member agencies to better manage their water supply. Under the SSS program, agencies may participate by shifting groundwater production from winter to summer months. Shift occurs when an agency increases its summer groundwater production above a baseline amount while reducing its Metropolitan deliveries. In the winter, the agency would then match the incremental increased summer groundwater production with imported water while reducing groundwater production. By shifting groundwater production, agencies provide a regional benefit for which a savings on imported water is realized. However, declining water levels and the threat of seawater intrusion limit participation in the shift aspect of the SSS program by certain MWDOC coastal producers.

H. As a result of fluctuating and declining water levels and the threat of seawater intrusion experienced by coastal producers, Metropolitan proposes amending the WSM Agreement to adjust the method of delivery into the WSM Agreement Account by those affected agencies.

NOW, THEREFORE, IN CONSIDERATION OF THE MUTUAL PROMISES, COVENANTS AND CONDITIONS HEREINAFTER SET FORTH, THE PARTIES HERETO DO HEREBY ENTER INTO THIS AMENDMENT TO THE AGREEMENT AS FOLLOWS:

1. Delivery, Amount, and Ownership of Stored Water

Metropolitan may, subject to the conditions hereinafter set forth, deliver to the Basin imported water which will be stored for Metropolitan's purposes and credited by OCWD to Metropolitan's WSM Agreement Account until such time as needed by MWDOC to meet supplemental water requirements placed on it by OCWD. Metropolitan may store up to 50,000 acre-feet in the WSM Agreement Account, whether by direct or in-lieu delivery methods. All such water delivered to the WSM Agreement Account shall be over and above the replenishment water which OCWD would normally purchase through MWDOC (and from the aforementioned Metropolitan member public agencies) from Metropolitan during OCWD's fiscal year starting March 1 through February 28/29. Deliveries into the WSM Agreement Account in any one year may be by direct spreading or a combination of direct spreading and in-lieu deliveries. In-lieu deliveries to affected coastal agencies during the summer shall not exceed 10,000 acre-feet in any one year. OCWD shall make a good faith effort to take up to one-half of its deliveries into the WSM Agreement Account by direct spreading as hydrology and spreading conditions permit.

2. OCWD Control of Spreading, Injection, Storage, and Use of Stored Water

All water stored for Metropolitan's WSM Agreement Account pursuant to this Agreement shall be recharged by OCWD in accordance with the OCWD District Act. The time, place, and amount of water delivered to the Basin shall be approved in advance by OCWD. To the extent possible, Metropolitan will directly deliver water to the WSM Agreement Account through OC-59 in order to meet OCWD's objective for total dissolved solid levels in the Basin. Notwithstanding any other provisions of this Agreement, OCWD reserves the right to order the cessation or reduction in delivery rate of water being recharged for WSM Agreement. If there is a significant probability that the Basin will spill, OCWD will notify Metropolitan of the probability of such an occurrence as soon as is possible. Metropolitan shall issue a quarterly report to MWDOC and to OCWD indicating the amount of water which Metropolitan has delivered hereunder for storage in Metropolitan's WSM Account. Such reports shall be due on the last day of the

month of the relevant quarter, i.e., April 30, July 31, October 31, and January 31, and shall be subject to OCWD's and MWDOC's verification.

6. Obligation for Payment

Metropolitan may, subject to the conditions herein set forth, deliver to the Basin, imported water from its WSM Agreement Account, which will subsequently be purchased by OCWD from MWDOC to meet the supplemental water requirements of OCWD. OCWD shall pay MWDOC for all imported water which has been so transferred from Metropolitan to OCWD in accordance with the billing and payment provisions in Metropolitan's Administrative Code. In-lieu deliveries shall be purchased by OCWD when ownership of delivered water is transferred from Metropolitan's WSM Agreement Account to MWDOC's Account, not when delivery is made. Such transfer of ownership shall be equivalent to the sale and delivery of water for purposes of applying the provisions of the OCWD District Act. Payments to Metropolitan shall be calculated by using Metropolitan's rate for water sold for groundwater replenishment plus the appropriate treatment surcharge when applicable as defined in Section 16, below. For purposes of this Agreement, said rate shall be Metropolitan's lowest Seasonal Storage Service rate for groundwater replenishment in effect at any time during the fiscal year in which such a debit to Metropolitan's WSM Agreement Account occurs. Prior to a Metropolitan rate change OCWD has the option to transfer ownership of, and purchase, all water remaining in Metropolitan's WSM Agreement Account.

9. Term

The term of this Agreement shall commence on the day, month, and year first above written and shall terminate December 31, 2000 unless previously terminated or extended as hereinafter provided, except for the Summer WSM Agreement Account deliveries which expire December 31, 2000, as noted below in Section 13. By the mutual agreement of the parties hereto, this Agreement may be extended for additional terms, not to exceed five years each. Should water remain in the WSM Agreement Account at the termination date then such water shall be purchased by OCWD at that time, subject to the

provisions of Paragraph 6 above, unless the Agreement is extended or amended at that time by mutual agreement. By mutual consent of the parties hereto, this WSM Agreement Account may be terminated, and water remaining in the WSM Agreement Account at the termination date may be transferred to another water management account in the Basin.

13. Summer WSM Agreement Account Deliveries

In years that excess supplies and system capacity permit, Metropolitan will deliver water to its WSM Agreement Account through in-lieu deliveries to impacted coastal agencies which wish to participate in the Summer WSM Agreement Account Delivery Program. These agencies shall reduce their pumping from their planned normal pumping in the summer (May 1 through September 30), and produce 75% of their demand or their planned pumping percentage during the winter (October 1 through April 30). Agencies receiving summer in-lieu deliveries may not participate in the SSS program. This provision of the WSM Agreement may not be extended past December 31, 2000.

14. Preapproved Producers

Participation of impacted agencies in the summer WSM Agreement are subject to approval by Metropolitan. Metropolitan reserves the right to review data documenting declining water levels and potential sea water intrusion problems experienced by coastal agencies. Summer in-lieu deliveries shall be made in accordance with an operating plan approved in advance by the parties to this Amended Agreement.

15. Interruption of Summer WSM Agreement Account Deliveries

Metropolitan reserves the right to interrupt deliveries under the Summer WSM Agreement Account Delivery Program should system demands increase above available supplies or for regulation of Metropolitan's distribution system. Should an interruption occur, the impacted agency will increase pumping to its planned normal pumping level.

16. Payment for Summer WSM Agreement Account Deliveries

Water delivered under the Summer WSM Agreement Account Delivery Program will be sold at the lowest untreated replenishment rate plus the lowest full treatment surcharge (treatment surcharge for full service water) in effect at any time during the fiscal year in which such a debit to Metropolitan's WSM Agreement Account occurs. Water will be sold from the WSM Agreement Account on a first in/first out basis for application of the treatment surcharge.

17. Rates for Winter WSM Agreement Account Deliveries

Water delivered in the winter through in-lieu means will be sold at the lowest treated rate for groundwater replenishment in effect at any time during the fiscal year in which such a debit to Metropolitan's WSM Agreement Account occurs.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by its authorized officers.

ATTEST:

ORANGE COUNTY WATER DISTRICT

By _____
Secretary

By _____
General Manager

APPROVED AS TO FORM AND EXECUTION:

Attorney for OCWD

(seal)

ATTEST:

MUNICIPAL WATER DISTRICT
OF ORANGE COUNTY

By _____
Secretary

By _____
General Manager

APPROVED AS TO FORM AND EXECUTION:

Attorney for the MWDOC

(seal)

ATTEST:

THE METROPOLITAN WATER
DISTRICT OF SOUTHERN
CALIFORNIA

By _____
Executive Secretary

By _____
General Manager

APPROVED AS TO FORM AND EXECUTION:

Attorney for Metropolitan

(seal)