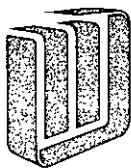


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8-3



**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

*Daren E. Duff*  
EXECUTIVE SECRETARY

December 17, 1991

To: Board of Directors (Water Problems Committee--Action)  
(Engineering and Operations Committee--Action)  
From: General Manager  
Subject: Arvin-Edison/Metropolitan Interim Agreement - Program Review

Report

At the December 1991 Board meeting, an action item authorizing the General Manager to renew the Arvin-Edison/Metropolitan Water Storage and Exchange Program (Program) Interim Agreements was presented. Your Board requested a review of the Program before taking action on that recommendation. A copy of the Board letter making that recommendation is attached. This Board letter is to serve as a review of the Program.

Under the proposed Program, Metropolitan would finance capital improvements of storage and extraction facilities in Arvin-Edison's service area. In return for the capital improvements, Metropolitan would be able to store a portion of its unimproved State Project entitlement water in Arvin-Edison's groundwater basin. During dry periods, the groundwater stored by Metropolitan would be exchanged for water that would have been delivered to Arvin-Edison by the Cross Valley Canal (CVC) Exchangers, thereby increasing the amount of water available to Metropolitan. Under no circumstances would Metropolitan store water in Arvin-Edison needed to meet demands in Metropolitan's service area.

Operational studies indicate that there will be opportunity to store and recover up to 1,000,000 acre-feet of water over the proposed 45-year life of the Program. Over a repeat of the 1928-1934 dry period, the Program would yield about 93,000 acre-feet per year to Metropolitan.

During periods of storage, Metropolitan would deliver a portion of its State Project water to Arvin-Edison. This water would be in addition to Arvin-Edison's other water supplies. All water delivered by Metropolitan would be credited to its storage account in Arvin-Edison.

During periods of recovery by Metropolitan, Arvin-Edison would meet its demands through increased groundwater pumping from Metropolitan's storage account, its Friant-Kern supplies and local supplies. The Exchangers CVC supply would not be diverted to Arvin-Edison, but would instead be delivered through the

December 17, 1991

California Aqueduct to Metropolitan. At no time would Metropolitan take water directly from Arvin-Edison's service area. Because of its ability to meet demands through its improved groundwater supplies and facilities, Arvin-Edison would not experience any additional shortages during the time Metropolitan is taking water. A schematic showing how water is stored and recovered under the Program is attached.

Metropolitan's investment in the Program is protected for the following reasons: (1) CVP water is more reliable than State Project water; (2) Arvin-Edison and its water users will benefit from the Program; (3) Arvin-Edison is a well-managed water district with a very reliable water supply. In fact, over this five-year drought Arvin-Edison had no shortages except for a ten percent shortage during 1991; (4) If Arvin-Edison does not fulfill its obligations under the long-term agreement, it must pay to Metropolitan the replacement cost of all facilities constructed by Metropolitan; and (5) If Arvin-Edison cannot fulfill its obligations, it must pay to Metropolitan the undepreciated portion of all capital expenses incurred by Metropolitan for the program.

#### Board Committee Assignments

This letter is referred to:

The Water Problems Committee for action because of its authority to make recommendations regarding water policies, pursuant to Administrative Code Section 2481(a); and

The Engineering and Operations Committee for action because of its authority to make recommendations regarding the storage and distribution of water, pursuant to Administrative Code Section 2431(b).

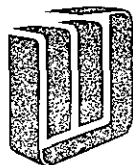
#### Recommendation

WATER PROBLEMS AND ENGINEERING AND OPERATIONS COMMITTEES FOR ACTION.

It is recommended that your Board authorize the General Manager to renew the interim agreements with Arvin-Edison and the Exchangers for the storage and recovery of water after December 31, 1991, in accordance with the November 26, 1991 attached Board letter.

  
Carl Borenkay

BLH:dlc:BHA EJAN

**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

8-1

November 26, 1991

To: Board of Directors (Engineering and Operations Committee--Action)  
 (Water Problems Committee--Action)

From: General Manager

Subject: Interim Agreements With the Arvin-Edison Water Storage District  
 and the Cross Valley Canal Exchangors

### Report

In February 1989, your Board authorized the General Manager to execute an interim agreement with Arvin-Edison Water Storage District (Arvin-Edison) for the short-term storage and exchange of water. In January 1990, your Board renewed that Agreement for one year and authorized the General Manager to execute interim agreements between Metropolitan and the Cross Valley Canal (CVC) Exchangors. In December 1990, your Board authorized the renewal of the Arvin-Edison and CVC Exchangor agreements. The term of the agreements is for one year or, until the effective date of the final agreements between Metropolitan and the CVC Exchangors, whichever occurs earlier. Because of poor water supply conditions during 1991 and potential difficulties of recovering that water in 1992 unless 1992 is a wet year, no water has been or will be stored in the Arvin-Edison service area this year. Because the interim agreements authorized by your Board expire on December 31, 1991 and, because the possibility exists for storing water during 1992, it is recommended that your Board authorize the General Manager to renew the interim agreements with Arvin-Edison and the CVC Exchangors for one year, or until the effective dates of the respective long-term agreements. The interim agreements would be renewable, if necessary, upon the joint written consent of both parties.

If water supply conditions are favorable, Metropolitan could begin to store water under the program during 1992. The cost of water stored under the interim agreements, exclusive of transportation costs in the California Aqueduct, is expected to be about \$40 per acre-foot. For your convenience, copies of the December 1, 1989 and the December 26, 1989 Board letters describing the proposed interim programs are attached. Except for the modified expiration date noted above, the new interim agreements would be based upon substantially the same

terms described in the earlier Board letters. Current negotiations may change some of the terms of the agreements with the CVC exchangors. Should any of the terms be substantially changed, we will return to your Board for reauthorization to execute the changed agreements.

The proposed interim agreements are exempt from the provisions of the California Environmental Quality Act in that they consist of only a short-term agreement for the continuing operation of existing facilities well within the range of past operating practices.

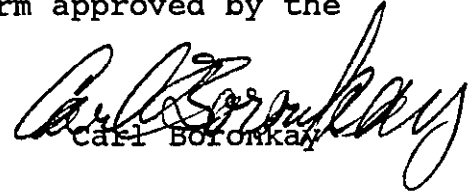
#### Board Committee Assignments

This letter is referred to:

- a. The Water Problems Committee for action because of its authority to make recommendations on water policies, pursuant to Administrative Code Section 2481 (a); and
- b. The Engineering and Operations Committee for action because of its authority to make recommendations regarding the storage and distribution of water, pursuant to Administrative Code Section 2431 (d).

#### Recommendation

That your Board authorize the General Manger to execute interim agreements with the Arvin-Edison Water Storage District and the Cross Valley Canal Exchangors for the storage and recovery of water after December 31, 1991, based upon the terms described in this letter and in form approved by the General Counsel.



Carl Boronkay

RLH/EJT:kmk/dc

Attachments

ET

**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

8-9

December 1, 1989

*To:* Board of Directors (Engineering & Operations Committee--Action)  
(Water Problems Committee--Action)

*From:* General Manager

*Subject:* Interim Agreement With the Arvin-Edison Water Storage District

Report

In February 1989, your Board authorized the General Manager to execute an Interim Agreement with the Arvin-Edison Water Storage District (Arvin-Edison) for the storage and exchange of water. Because of poor water supply conditions during 1989 and delays in obtaining necessary approvals from the Department of Water Resources (DWR), the Interim Agreement with Arvin-Edison was not executed. However, prospects for storing water during 1990 appear promising and DWR has indicated that it will provide the necessary approvals that will enable Metropolitan to store water. Since the Interim Agreement authorized by your Board expires on December 31, 1989, it is recommended that your Board authorize the General Manager to execute an Interim Agreement that would expire upon the effective date of the long-term agreement between the parties or one year after execution, whichever is earlier. The Interim Agreement would be renewable, if necessary, upon the joint written consent of both parties. If water supply conditions are favorable, Metropolitan would begin to store water under the program during January, 1990. The cost of the Interim Agreement, exclusive of transportation costs in the California Aqueduct, is expected to be about \$40 per acre-foot. For your convenience, a copy of the January 27, 1989 Board letter describing the proposed interim program is attached. Except for the modified expiration date noted above, the new interim agreement would be based upon the terms described in the earlier Board letter.

The proposed Interim Agreement is exempt from the provisions of the California Environmental Quality Act in that it consists of only a short-term agreement for the continuing operation of existing facilities well within the range of past operating practices.

Recommendation

That your Board authorize the General Manager to execute an interim agreement with the Arvin-Edison Water Storage District for the storage and recovery of water after December 31, 1989, based upon the terms described in this letter and in form approved by the General Counsel.

  
Carl Boronkay

THQ/ajs

Enclosure

**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

December 26, 1989

*To:* Board of Directors (Engineering & Operations--Action)  
(Water Problems--Action)

*From:* General Manager

*Subject:* Interim Agreements With the Cross Valley Canal Exchangors to  
Implement the Arvin-Edison Interim Program

Summary

In December 1989, your Board approved an interim program for the storage and exchange of water (Interim Program) with the Arvin-Edison Water Storage District (Arvin-Edison). Under the Interim Program, Metropolitan will be able to capture for future use water that would otherwise be lost for use in Southern California. Arvin-Edison indicates that available capacity in its system would allow Metropolitan to store about 30,000 acre-feet (AF) during January and February alone. The amount of additional water stored during later months will depend upon prevailing conditions. The cost of the Interim Program is expected to be about \$40 per AF.

In October 1989, staff indicated that agreements with the Cross Valley Canal (CVC) Exchangors would be desirable to assist in the implementation of the storage and exchange agreements between Metropolitan and Arvin-Edison. As described in previous letters to your Board, the CVC Exchangors consist of a group of San Joaquin Valley agencies that currently have exchange agreements with Arvin-Edison. At this time, it is recommended that your Board authorize the General Manager to execute agreements as appropriate with the CVC Exchangors to facilitate operations under the Interim Program. Agreements between Metropolitan and the CVC Exchangors would: (1) clarify the conditions under which the Arvin-Edison program uses the CVC, thereby assuring that third-party charges will not be imposed in that facility; (2) provide assured access to the CVC for program operations; and (3) increase the security of water supplies to be made available by exchange to Metropolitan in the future. The

proposed agreements would facilitate the movement of water into and out of storage under the program, but would not affect program costs. These agreements would expire one year after execution or upon the effective date of agreements between Metropolitan and the CVC Exchangors to implement the long-term program, whichever is earlier. The agreements would be renewable upon the joint written consent of the agencies involved.

The proposed interim agreements with the CVC Exchangors are exempt from the provisions of the California Environmental Quality Act in that they consist of only short-term agreements for the continuing operation of existing facilities well within the range of past operating practices.

#### Recommendation

That your Board authorize the General Manager to execute agreements with the Cross Valley Canal Exchangors as appropriate to facilitate the interim storage and exchange of water with Arvin-Edison Water Storage District, based upon the terms described in this letter and in form approved by the General Counsel.

#### Detailed Report

In December 1989, your Board approved an interim agreement with the Arvin-Edison Water Storage District (Arvin-Edison) for the storage and exchange of water (Interim Program). The Interim Program will only utilize existing facilities and allow Metropolitan to capture and store water in the groundwater basin underlying Arvin-Edison.

Arvin-Edison anticipates that available capacity in its system should allow Metropolitan to store about 30,000 acre-feet (AF) during January and February alone. The amount of water stored in later months will depend upon the water supply conditions of Metropolitan and Arvin-Edison. Water stored under this program would generally be lost for use in Southern California absent the implementation of an interim storage agreement with Arvin-Edison.

As indicated in previous letters to your Board, reliability of the Arvin-Edison program can be substantially enhanced by ensuring the cooperation of the Cross Valley Canal (CVC) Exchangors. The CVC Exchangors include eight San



Joaquin Valley agencies that have prior exchange agreements with Arvin-Edison. These agencies are located near the Friant-Kern Canal, but do not have rights to use Friant water. Instead, the Exchangors hold rights to use Central Valley Project (CVP) water from the Delta, but facilities do not exist to deliver this water directly for use in their districts. Consequently, during the 1970s, these agencies entered into the CVC Exchange Agreements with Arvin-Edison to obtain a water supply.

Under these agreements, the CVC Exchangors receive a portion of Arvin-Edison's water from the Friant-Kern Canal in exchange for CVP water delivered from the Delta through the California Aqueduct and the CVC to Arvin-Edison. It is this water that Metropolitan would receive as a dry year supply under the Arvin-Edison Water Storage and Exchange Program. The CVC, which transports water from the California Aqueduct to Arvin-Edison and other districts, was constructed in large part to implement the CVC Exchange. The CVC Exchangors own the majority of capacity rights in the CVC.

To strengthen the potential program with Metropolitan, Arvin-Edison, in 1987 and 1988, renegotiated long-term agreements with the four largest CVC Exchangors, which account for nearly 90 percent of the CVC Exchange. These agencies include Kern-Tulare Water District, Rag Gulch Water District, Lower Tule River Irrigation District, and Pixley Irrigation District. The other CVC Exchangors include Hills Valley Irrigation District, Tri-Valley Irrigation District, Fresno County, and Tulare County. As modified, the CVC Exchange Agreements help to provide a sound long-term foundation for the Arvin-Edison Water Storage and Exchange Program.

To enhance operations under the Interim Program, it is recommended at this time that Metropolitan execute agreements as appropriate with the CVC Exchangors. From Metropolitan's perspective, the purpose of these agreements is to (1) clarify the conditions under which the Arvin-Edison Interim Program will use the CVC to ensure that third-party charges are not assessed for usage of that facility; (2) provide assured access to the CVC for program operations; and (3) increase the security of water supplies to be made available by exchange to Metropolitan in the future.

The operation of an exchange agreement between Metropolitan and Arvin-Edison is complementary with the operations of the CVC Exchange Agreements. From the perspective of the CVC Exchangors, when Metropolitan stores water in the Arvin-Edison program, we are essentially predelivering water that will eventually fulfill a portion of their future obligations to Arvin-Edison. In a future year when water is withdrawn from storage, Arvin-Edison will pump the previously stored water and use it as a substitute supply for surface water that would otherwise have been delivered by the CVC Exchangors. Instead of being pumped across the CVC to Arvin-Edison, the CVP or other supplies of the Exchangors will be delivered to Metropolitan for use in Southern California. As a result, the Exchangors' obligations to Arvin-Edison are fulfilled, but they do not have to incur pumping costs in the CVC. Because water placed into storage under the program ultimately is used to fulfill obligations of the CVC Exchangors, who are the agencies which pay the majority of the capital costs for the CVC, the use of the CVC, under agreement with Metropolitan, will not be considered a third party use. This ensures a savings of approximately \$7.50 per AF to Metropolitan under the program.

In addition, during years when water is transported through the CVC for storage in Arvin-Edison, Metropolitan has agreed to pay for the associated CVC operations and maintenance costs based on the amount of water stored each year. These payments will reduce the O&M burden that would otherwise be paid by the CVC Exchangors and other CVC participants. These anticipated costs have consistently been included in all previous estimates of program costs reported to your Board.

To assure these anticipated benefits, some CVC Exchangors have indicated an interest in executing agreements with Metropolitan. While the long-term program is being finalized, it is recommended that interim agreements be developed with the CVC Exchangors as appropriate to enhance the operations of the Interim Program. Specific provisions of these agreements would include the following:

- o Use of CVC. CVC Exchangors participating in the Interim Agreements would agree to transport Metropolitan water for storage through the CVC using their firm capacity and associated rights to unused capacity. The agreements would clearly indicate

that use of the CVC is for the purpose of predelivering water for storage that will ultimately be pumped to fulfill the obligations of the CVC Exchangers under their agreements with Arvin-Edison and to make water available for use by Metropolitan. Metropolitan would pay the same rates for use of the CVC as the other participants using the facility.

- o Accounting Mechanism. The agreements would create an accounting mechanism to monitor water transported, stored, and recovered under the program as these activities are relevant to each Exchanger, Arvin-Edison, and Metropolitan. The Interim Agreement with Arvin-Edison will commit Arvin-Edison to the accounting mechanism.
- o Costs. Consistent with the Interim Agreement between Metropolitan and Arvin-Edison, the agreements would protect the CVC Exchangers against any increased costs resulting from program operations. All associated costs related to these agreements have already been included in estimates of program costs previously reported to your Board. The full cost of the Interim Program is expected to be about \$40 per AF, not including pumping costs in the California Aqueduct.
- o Delivery of Water to Metropolitan. The CVC Exchangers will confirm their obligation to cooperate in making water available to Metropolitan under the program. Such water will be available on an acre-foot-for-acre-foot basis, after accounting for losses consistent with the Interim Agreement between Metropolitan and Arvin-Edison.
- o Reclamation Reform Law. Metropolitan would agree to cooperate in necessary and reasonable steps to assure that these agreements do not adversely affect the position of the CVC Exchangers under Reclamation Reform Law. At this time, no such specific legal problems have been identified.
- o Liability. Provisions substantially similar to those included in the Interim Agreement with

Arvin-Edison would be incorporated to identify the respective indemnification and liability of each party.

- o Termination. Metropolitan's right to store water under these agreements would terminate one year after execution or upon the effective date of long-term agreements between the parties, whichever occurs earlier. The agreements will be renewable upon the joint written consent of the parties. If terminated without a long-term agreement in place, key provisions of the Agreement, such as the CVC Exchangors' obligation to cooperate in the return of water to Metropolitan would continue as long as water remained in Metropolitan's Arvin-Edison account.
- o Agreement Administration and Dispute Resolution. The CVC Exchangor agreements would create Agreement Administrators to coordinate program operations and a dispute resolution mechanism identical to that included in the Interim Agreement and long-term principles previously negotiated with Arvin-Edison.

Until agreements with the CVC Exchangors become effective, pending approval by your Board, operations under the Interim Program can proceed using Arvin-Edison's CVC capacity rights. However, it is desirable that the agreements with the CVC Exchangors incorporating the above principles be executed as soon as practical. To date, specific agreements consistent with these principles have been negotiated with two of the CVC Exchangors, Kern-Tulare Water District (Kern-Tulare) and Rag Gulch Water District (Rag Gulch). The Boards of Directors of Kern-Tulare and Rag Gulch approved interim agreements with Metropolitan at their December 1989 meetings. Agreements with these two agencies can be executed immediately upon approval by your Board.

The agreements with Kern-Tulare and Rag Gulch will provide assured access to over 150 cfs of firm CVC capacity and associated rights to unused capacity. These agreements alone would be adequate for Interim Program operations. However, it is anticipated that other CVC Exchangors will desire similar mutually beneficial interim agreements, based on the above set of uniform principles. Agreements with operational CVC Exchangors would not alter basic program operations or costs. Additional agreements would, in effect,

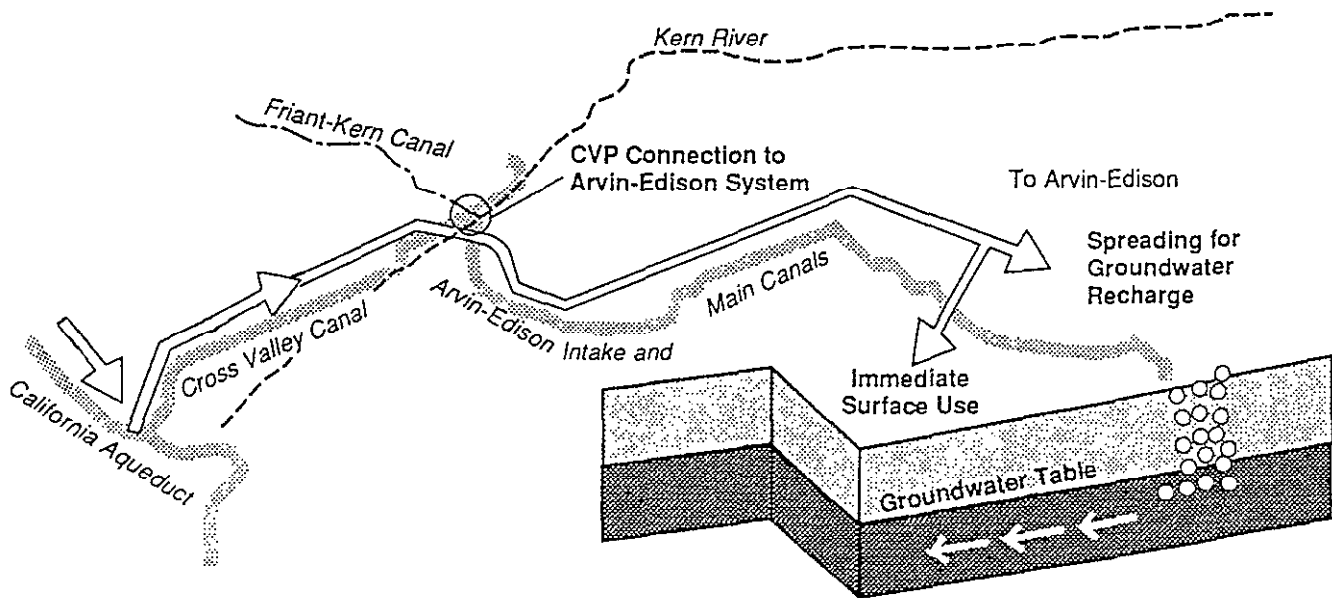
spread the associated benefits of providing wheeling services to Metropolitan to a greater number of agencies. Additional agreements would also make additional firm capacity available for use under the Interim Program.

Finally, although the Interim Program is designed to operate independently of the long-term program, these agreements with the CVC Exchangers will establish working relationships that will be essential for the ultimate success of the long-term program.

The proposed interim agreements with the CVC Exchangers are exempt from the provisions of the California Environmental Quality Act in that they consist of only short-term agreements for the continuing operation of existing facilities well within the range of past operating practices.

  
Carl Boronkay

**STORAGE OF WATER**  
 Delivery of Metropolitan  
 Exchange Water to Arvin-Edison



**RECOVERY OF WATER**  
 Delivery of Arvin-Edison  
 Exchange Water to Metropolitan

