

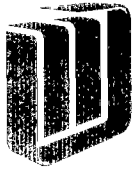
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FILED by order
of the Board of Directors of
The Metropolitan Water District
of Southern California

at its meeting held MAR 8 1994

Daren E. Hoff
Executive Secretary



MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

February 16, 1994

To: Board of Directors (Water Problems Committee--Information)
(Finance and Insurance Committee--Information)
From: General Manager
Subject: Status Report on the All American Canal Lining Project

Report

Public Law 100-675 authorized the Secretary of the Interior (Secretary) to construct a new lined canal or to line the previously unlined portions of a 30-mile reach of the All American Canal. The conserved water would be made available to Palo Verde Irrigation District (Palo Verde), Imperial Irrigation District (Imperial), Coachella Valley Water District (Coachella), and/or Metropolitan (collectively, the California Contractors) in accordance with the priorities contained in their water delivery contracts with the Secretary. The Draft All American Canal Lining Project (Project) Environmental Impact Statement/Environmental Impact Report (EIS/EIR), was released on July 9, 1991 with the public comment period closing on September 20, 1991. The preferred alternative for lining the All American Canal is to construct a 23-mile parallel concrete-lined canal from Pilot Knob to Drop 3 which would conserve an estimated 67,700 acre-feet of Colorado River water annually at an estimated capital cost of \$118 million (escalated dollars). The unit cost of the water conserved is projected to be approximately \$140 per acre-foot over a 55-year period based on an 8 percent interest rate. A brief description and map depicting the preferred alternative is contained in Attachment 1.

No federal funds are to be appropriated for the Project as funding is to be provided by those California Contractors choosing to participate. Subject to the completion of the environmental documentation, negotiation of a construction and funding contract, and approval of your Board, Metropolitan has expressed an interest in funding the Project with the understanding that it would receive the conserved water. Or, as required by Public Law 100-675, Metropolitan would be reimbursed by the other California Contractors who use the water.

Final EIS/EIR. Under an advance funding agreement among the U.S. Bureau of Reclamation (Reclamation), Imperial, and Metropolitan, Reclamation is completing the Final EIS/EIR. Reclamation staff have indicated that a copy of the completed Final EIS/EIR will be transmitted to Metropolitan and Imperial on February 18, 1994 for final administrative review and approval to file. It is anticipated that the Final EIS/EIR would be filed in March 1994 with a Secretarial Record of Decision completed 45 days following the filing date. Reclamation's estimate of the cost of the mitigation commitments associated with the Project have increased from \$500,000 to \$1.5 million. Most of the increased cost is for the purchase of land that would be transferred to the Bureau of Land Management (BLM) to compensate for sensitive species habitats disturbed during construction.

Three-Party Agreement. Staff has been coordinating with representatives of Reclamation, Coachella, and Imperial to finalize the proposed Agreement Relating to the Construction of a Concrete Lined Canal Parallel to the Existing All American Canal (Three-Party Agreement). As currently drafted, Imperial, Coachella, and Metropolitan would be signatories to the Three-Party Agreement. Under this agreement, Imperial would withdraw its intention to become the sole Participating Contractor for the Project and instead construct the Project, or cause it to be constructed, with funds provided by Metropolitan. The Three-Party Agreement is proposed to have a 55-year term from the date of completion of Project construction, calls for Palo Verde and the Secretary's approval, and envisions Metropolitan, Imperial, Coachella, and the Secretary entering into a construction and funding contract for the Project pursuant to Public Law 100-675.

Construction and Funding Contract. The construction and funding contract (Contract) would be developed for the purpose of funding federal costs in fulfilling the Secretary's responsibilities outlined in Public Law 100-675. Such responsibilities include:

- approval and acceptance of the constructed facilities--including measures to protect public health and safety, mitigation activities, and procedures for operation, maintenance, and protection of said facilities,

- determination of the amount of water conserved,
- determination of the impact of the lined All American Canal on regulating and storage capacity provided, and
- determination of the impact of the lined All American Canal on operation and maintenance costs.

Metropolitan has transmitted a draft Contract to Reclamation and the other California Contractors for their consideration.

Reclamation has indicated that Contract negotiations will be conducted in a public forum. Legal notices announcing Reclamation's intention to enter into contract negotiations with Metropolitan, Imperial, and Coachella have been published in local newspapers serving each of the California Contractors' service areas. Reclamation has also proposed that the term of the Contract be shortened from 55 years to 25 years. I have informed the Commissioner of Reclamation that a 25-year term would conflict with the compromise reached among the California Contractors at the time Public Law 100-675 was being considered by Congress, increase the risk to Metropolitan, reduce the reliability of this water supply, and jeopardize the economic viability of the Project. Staff will continue to work toward resolution of this issue.

Coachella's Request for Metropolitan Payment

Coachella recently requested Metropolitan to commit to repay nearly \$38 million of the cost to replace the first 49 miles of the unlined Coachella Canal with a concrete-lined canal as consideration for Coachella entering into the Three-Party Agreement. This concrete-lined canal was placed into service in 1980, and the water conserved has been utilized by the United States to replace saline water bypassed to the Santa Clara Slough in Mexico. Coachella believes that if Metropolitan repays the cost of lining the first 49 miles of the Coachella Canal, Coachella will be released from its Reclamation Reform Act of 1982 obligation during the 1990s rather than well beyond the turn of the century when the current payment schedule for the lining of the first 49 miles of the Coachella Canal concludes. I informed Coachella's General Manager-Chief Engineer that the language of Public Law 100-675 does not provide nor infer inclusion of the debt obligation for lining the first 49 miles of the Coachella Canal, and that Metropolitan would not make such payment. It is hoped that Coachella

will reconsider its position so that the Project can move forward with all of the California Contractors concurring. Absent Coachella's concurrence, the Project could still move forward, but could require a lawsuit to declare its validity prior to committing funds.

Mitigation Agreement. Metropolitan is also coordinating efforts with representatives of the resource agencies to develop a mutually acceptable Mitigation Agreement. The signatory parties are proposed to include the California Department of Fish and Game, BLM, U.S. Fish and Wildlife Service, Reclamation, Imperial, Coachella, and Metropolitan. The primary purpose of the Mitigation Agreement would be to define the scope of the mitigation commitments while satisfying the requirements of Public Law 100-675. It would also describe the process by which mitigation measures would be further developed, designed, implemented, and monitored by Imperial and recognized by the signatory parties as satisfying the commitments discussed in the Final EIS/EIR.

In the interim time required to complete the Record of Decision and finalize the Three-Party Agreement, Contract, and Mitigation Agreement, preliminary activities have proceeded under an existing contract among Reclamation, Imperial, and Metropolitan. These preliminary activities are being directed by a Coordinating Committee of Reclamation, Imperial, and Metropolitan. The activities consist of developing a schedule for Project implementation, establishing the process for forming the design and construction management organization, setting the stage for initiating preliminary field surveys, and gathering design data.

To date your Board has appropriated \$75,000 for Reclamation's costs to complete the EIS/EIR and begin the preliminary activities for the implementation of the Project. Following the Record of Decision, satisfactory resolution of the various outstanding issues and approval of the various agreements, it would be necessary to increase the appropriation to the estimated total of \$118 million in order for the Project to move forward. This Project has been included in the Capital Program Budget for the 1993-94 fiscal year.

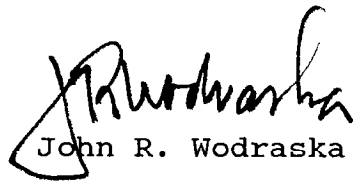
Board Committee Assignment

This letter is referred for information to the Water Problems Committee because of its authority to study, advise, and make recommendations on the policies, sources, and means of importing water required by Metropolitan pursuant to Administrative Code Section 2481(a).

This letter is referred for information to the Finance and Insurance Committee because of its authority to study, advise, and make recommendations on authorization of appropriations pursuant to Administrative Code Section 2441(d).

Recommendation

For information only.



John R. Wodraska

JLS:vb

APPENDIX A

Proposed Parallel Canal for
All-American Canal Lining Project
as Authorized by Public Law 100-675 (Project)

The Project consists of a concrete lined parallel canal, approximately 23 miles in length, which will generally run from the vicinity of station 1250+00 of the existing All-American Canal, approximately 1.6 miles downstream from Pilot Knob, to the Drop 3 hydroelectric powerplant. The Project will be constructed parallel to the existing All-American Canal and will be located on the north side of the All-American Canal from Pilot Knob to the Drop 1 hydroelectric powerplant and then on the south side from the Drop 1 hydroelectric powerplant to the Drop 3 hydroelectric powerplant as shown in Figure 1. The Parallel Canal will tie into the following existing structures of the All-American Canal.

<u>Structure</u>	<u>Centerline Station</u>
Interstate 8 Bridge	1635 + 49.3
Drop 1 Hydroelectric Powerplant/ Coachella Canal Turnout	1907 + 10.0
Interstate 8 Bridge	1930 + 30.2
Drop 2 Hydroelectric Powerplant	2180 + 68.5
Drop 3 Hydroelectric Powerplant	2473 + 28.5

Due to the relatively short reach of the All-American Canal from the Drop 1 hydroelectric powerplant downstream to the Interstate 8 Bridge (0.4 miles), this reach is not specifically required to be included in the Project. As an alternative, depending on estimated construction and mitigation costs and amount of water conserved, a new canal may be constructed within the

existing alignment of this reach of the All-American Canal, or lining of this reach may be deferred to a future date as determined by the Committee pursuant to the Agreement.

Due to extensive earthwork and potential environmental costs associated with the proposed Project's alignment through the Sand Hills, the alignment in this area may be revised to be within that of the existing All-American Canal as determined by the Committee pursuant to the Agreement.

