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METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Darren E. Duff
EXECUTIVE SECRETARY

September 20, 1994

To: Board of Directors (Finance and Insurance Committee--Information)
Board of Directors (Water Problems Committee--Action)

From: General Manager

Subject: Authorization to Execute an Amendment to the Agreement for
a Demonstration Project on Interstate Underground Storage
of Colorado River Water

Report

In September 1992, your Board approved Appropriation No. 652 in the amount of \$8 million to fund Metropolitan's participation in a demonstration project to store unused Colorado River water in Central Arizona. Under the demonstration project, Colorado River water can be placed in underground storage in central Arizona in years in which net diversions for beneficial consumptive use are forecast to be less than 7.5 million acre-feet in Arizona, California, and Nevada or in years in which a surplus is declared and all requests are met. The project has two basic goals. The first is to store Colorado River water in Arizona groundwater basins to reduce the potential for future flood control releases from Lake Mead. The second is to provide protection against the risk perceived by Arizona from Metropolitan's use of Colorado River water above that which would normally be available.

The project affords Metropolitan the opportunity to store Colorado River water that could not otherwise be delivered to the Metropolitan service area, and therefore would be lost to the Gulf of California through flood control releases. As a result, this project will not compete with any member agency storage opportunities. It is one of many projects Metropolitan is pursuing to increase the reliability of its Colorado River supplies and to permit the Colorado River Aqueduct to be operated at capacity as much of the time as is feasible, in keeping with the objectives of the Integrated Resources Planning Process.

On October 15, 1992, an Agreement Between the Central Arizona Water Conservation District (CAWCD) and Metropolitan for a Demonstration Project on Underground Storage of Colorado River Water (Agreement) was executed. After the Agreement was executed, the Southern Nevada

Water Authority (SNWA) decided, as permitted by the Agreement, to participate in the project. By the end of 1993, 100,000 acre-feet of water, the maximum amount allowed under the Agreement, was stored by CAWCD. Of that amount, SNWA funded storage of 50,000 acre-feet and Metropolitan funded storage of 50,000 acre-feet at a cost of about \$70 per acre-foot (\$36 for pumping energy and \$34 for operations and maintenance).

CAWCD is now willing to increase the maximum amount of available storage by 200,000 acre-feet to 300,000 acre-feet and extend the time for storage from December 31, 1996 to December 31, 2000. The cost for storing an acre-foot of water in 1994 would increase from that charged in 1993. It would be: \$37 for pumping energy, \$43.50 for operation and maintenance, and new charges of \$12 for Central Arizona Project (CAP) capital repayment, and \$13 for the Arizona Water Protection Fund. The total cost for indirect recharge would be \$105.50 per acre-foot. (Indirect recharge is accomplished by reducing groundwater pumping and substituting Colorado River water to meet the user's needs.) The increase in cost for indirect recharge over the 1993 charge is due to an increase in operation and maintenance costs, inclusion of a CAP capital repayment component as repayment to the United States has begun, and inclusion of the Arizona Water Protection Fund charge (in accordance with recently passed Arizona law). A cost of \$20 per acre-foot would be added for storage accomplished through direct recharge facilities resulting in a total cost of \$125.50 per acre-foot in 1994. The cost for storing water in 1995 is expected to increase by between \$9 and \$21 per acre-foot for the CAP capital repayment component and less than 5 percent for other cost components. As such, it could range from \$114 to \$152 per acre-foot. Metropolitan would not be responsible for paying costs associated with the recovery of the stored water.

To fulfill the first project goal, the existing Agreement provides that if flood releases occur from Colorado River reservoirs, or if surplus water is made available by the Secretary of the Interior (Secretary), the stored groundwater would be made available at a later date through water exchanges to Metropolitan and the other parties funding the project. Under Arizona state law, the recoverable amount of water is approximately 91 percent of

the stored water volume, providing consideration for the use of Arizona facilities for storage and recovery of the water. To fulfill the second project goal, the stored water would be made available to CAWCD in the event that the Secretary first declares a shortage condition.

Should the SNWA, Palo Verde Irrigation District, Imperial Irrigation District, and/or Coachella Valley Water District desire to participate in the additional storage of water, the amendment would permit their participation. Of the 200,000 acre-feet, SNWA would be entitled to store up to 50 percent of the total and the three California agricultural entities up to 25 percent of the total collectively. The approval of the U.S. Bureau of Reclamation and any other necessary parties would be obtained after execution of the amendment between Metropolitan and CAWCD.

The balance of the funds available under Appropriation No. 652 would permit Metropolitan to fund storage of approximately 35,000 to 40,000 acre-feet of water in 1994 and 1995. Should storage of greater than this amount of water appear desirable, your Board would be asked subsequently to consider increasing Appropriation No. 652.

If the necessary approvals have not been obtained within six months of the amendment execution date, CAWCD would return any funds paid by Metropolitan with interest at a rate per annum one percent less than that earned by CAWCD's general fund over that period of time. If SNWA and/or any of the California agricultural entities choose to participate in additional storage, the participating entities would reimburse Metropolitan for the costs associated with their respective percentage shares of participation. The reimbursement would be with interest at a rate per annum equal to that earned by Metropolitan's general fund over the same period of time.

The project is exempt from the provisions of the California Environmental Quality Act (CEQA) as the proposed action would consist of a minor alteration of the operation of existing facilities involving a negligible expansion of use beyond that previously existing (Title 14, California Code of Regulations, Section 15301).

Recommendation

That the General Manager be authorized to execute an amendment to the agreement with the Central Arizona Water Conservation District for a demonstration project on underground storage of Colorado River water in accordance with the terms outlined in this letter and in a form approved by the General Counsel.

John R. Wodraska
General Manager

By: Debra C. Man
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Concur:


John R. Wodraska
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