

APPROVED
By the Board of Directors of
The Metropolitan Water District
of Southern California
at its meeting held

MAY 14 1996



MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Debra Man
for EXECUTIVE SECRETARY

7-8

April 25, 1996

To: Board of Directors (Water Planning and Resources--Action)

From: General Manager

DRW

Submitted by: Debra Man
Chief of Planning & Resources

Debra Man

Subject: San Gabriel Valley Cyclic Storage Agreement

RECOMMENDATION(S)

That the Board authorize the General Manager to extend the San Gabriel Valley Cyclic Storage Agreement for another five-year term with minor amendments.

EXECUTIVE SUMMARY

Metropolitan entered into an agreement with the San Gabriel Valley Watermaster in 1975 for cyclic storage ("Agreement"). Essentially the Agreement allows Metropolitan to place water in the San Gabriel Valley Basin when water is available to be credited towards Metropolitan's account. When Upper San Gabriel Valley MWD ("Upper District") places a request for supplemental water with Metropolitan, Metropolitan has the prerogative of delivering new supplies or of debiting its cyclic storage account to Upper District.

The Agreement has been extended periodically for five-year renewals. The parties wish to extend the current Agreement for a further five-year term with some minor amendments: (1) reduce the total account size possible from 142,000 acre-feet to 100,000 acre-feet; and (2) require that transfers of water from account will be calculated at lowest replenishment rate possible regardless of month when water is ordered. These proposed amendments will have a negligible impact, if any, on how the cyclic storage account is operated. Accordingly, staff recommends grant of authorization to extend the Agreement.

DETAILED REPORT

The Main San Gabriel Basin Cyclic Storage Agreement ("Agreement") grants Metropolitan the right to place water into storage in the San Gabriel Basin when Metropolitan has more supply than there is demand from the Basin. The Agreement allows Metropolitan to store water in the Basin as long as the spreading basins are available. The water is placed in a cyclic storage account in Metropolitan's name until such time that the Upper San Gabriel Valley Municipal Water District ("Upper District") requests replenishment water. Metropolitan then has the option of delivering new water or crediting water from its cyclic storage account to Upper District. The Agreement provides Metropolitan with valuable operational flexibility in water delivery to the San Gabriel Basin.

The Agreement has been in effect for twenty years from its inception in 1975. Originally, the Agreement granted Metropolitan the right to store up to 85,000 acre-feet ("AF") which was expanded to 142,000 AF upon renewal in 1980. This year, the San Gabriel Valley Watermaster has proposed two amendments to the Agreement. Traditionally, the General Manager has renewed the Agreement on his own authority but the amendments proposed to the Agreement require Board authority. If renewed the Agreement would operate, with the amendments, until June 30, 2000.

The first Amendment would reduce the maximum size of the account from 142,000 AF to 100,000 AF. In all the time of the Agreement's operation, Metropolitan has never stored up to the total capacity of 142,000 AF and has rarely approached 100,000 AF at any given time. The current amount of water in the account is approximately 15,000 AF. The account has typically fluctuated in the range from 12,000 AF to 60,000 AF. Given the manner in which the account has operated over the years, there is no real impact to Metropolitan by reducing the maximum size of the account to 100,000 AF.

The second proposed amendment would change the pricing of the replenishment water provided. Currently the Agreement provides that the rate for replenishment water is calculated by using the rate for replenishment water in effect at the time of delivery. The amendment provides that the rate for water transferred from the cyclic account would be calculated at the lowest annual rate for replenishment water instead of the rate for when the water is ordered. The impacts of this amendment would be negligible because the original intent of the Agreement was to sell water out of the account at Metropolitan's replenishment rate which has always been Metropolitan's lowest rate. Furthermore, Metropolitan retains the option of delivering new water at the current replenishment rate versus transferring cyclic account water at the lowest rate so Metropolitan retains flexibility.

Based on the above, staff recommends that the Board grant the General Manager authority to renew the San Gabriel Basin Cyclic Storage Agreement until June 30, 2000 with the proposed amendments.