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METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

7-5

May 26, 1998

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

From: *for* General Manager

Edward S. May III

Submitted by: Debra C. Man, Chief
Planning and Resources

Debra C. Man

Subject: Proposed Amendments to the Calleguas/Metropolitan Conjunctive Use and Groundwater Storage Program Agreement

RECOMMENDATION

It is recommended that your Board authorize the General Manager to amend the existing Groundwater Storage Agreement and related documents, in form approved by the General Counsel, between Metropolitan and Calleguas to:

- a. Increase Metropolitan's storage right from 100,000 to 210,000 acre-feet;
- b. Develop an operating plan; and
- c. Structure the funding mechanism for Phase III so it is the same as Phases I and II.

EXECUTIVE SUMMARY

Contractual groundwater storage programs are an integral component of Metropolitan's Integrated Resources Plan (IRP). As part of the effort to meet the goals of the IRP, Metropolitan entered into an agreement (Agreement), authorized by your Board in June of 1995, with the Calleguas Municipal Water District (Calleguas) for a Groundwater Storage and Conjunctive-Use Program (Program). In this joint-partnership effort, Calleguas will build and operate a total of 30 Aquifer Storage and Recovery (ASR) wells and appurtenant facilities.

As Metropolitan and Calleguas have worked together implementing the Program, it has become clear a number of amendments to the Agreement would improve the efficiency and increase the value of the Program to Calleguas, Metropolitan and its member agencies. These changes will not result in an increase of Metropolitan's funding level or commitment. A summary of the proposed amendments is listed in the detailed report.

DETAILED REPORT

Contractual groundwater storage programs are an integral component of Metropolitan's Integrated Resources Plan (IRP). As part of the concentrated effort to meet the goals of the

IRP, Metropolitan entered into an agreement (Agreement), authorized by your Board in June of 1995, with the Calleguas Municipal Water District (Calleguas) for a Groundwater Storage and Conjunctive-Use Program (Program). In this joint-partnership effort, Calleguas will build and operate a total of 30 Aquifer Storage and Recovery (ASR) wells and appurtenant facilities. Metropolitan will reimburse Calleguas for the cost of construction in exchange for use of the storage capacity.

As Metropolitan and Calleguas have worked together implementing the Program, it has become clear a number of amendments to the Agreement would improve the efficiency and increase the value of the Program to Calleguas, Metropolitan and its member agencies. The proposed amendments are:

1. Increase in Storage Capacity

The existing Agreement gives Metropolitan the right to store 100,000 acre-feet in the North Las Posas Basin. At full build-out, the 30 ASR wells are anticipated to have a pumping capacity of 70,000 acre-feet per year. At this rate, Metropolitan would only be able to pump for approximately 1.5 years. The current IRP identified the need to develop programs with three years of storage. Consistent with this objective, this amendment will allow Metropolitan to increase its storage right under the Agreement to 210,000 acre-feet of water.

2. Operation Plan

As Metropolitan and Calleguas have worked together to implement the Agreement, staff encountered a number of operating issues, including timing of deliveries, use of storage accounts, and trading of water between Metropolitan's and Calleguas' storage accounts. Staff from Calleguas and Metropolitan will develop an operating plan to be attached as an amendment to the existing Agreement to streamline these operating decisions.

3. Financing Structure

The Agreement calls for Metropolitan to set up an account for monies to be used to construct the 10 ASR wells for Phase III of the Program. Unlike Phase I and Phase II, where Metropolitan simply reimburses Calleguas for Program costs, the financing for Phase III of the Program is based on storage deposits and withdraws. Metropolitan would deposit \$90 into the account for each acre-foot of water stored in the Basin and \$40 for each acre-foot of water retrieved from the Basin. When sufficient money had accrued in the account, Metropolitan would disburse money from the account to Calleguas to cover construction costs of the ASR wells and appurtenant facilities.

It is recommended that the Agreement be amended to structure Phase III funding of the Program so that it will be funded in the same manner as Phase I and Phase II. With more than five years experience with groundwater programs, staff does not anticipate entering into groundwater storage agreements with other member agencies on the aforementioned basis (current Phase III financing structure). Providing payments only when water is

stored or returned could limit the availability of capital, which introduces an additional element of uncertainty in the construction of the facilities. The length of time for build-out would actually be extended, which would increase the overall cost of the Program and cause lost opportunities for storage and recovery of water. Metropolitan has not deposited any funds for Phase III activities, so no action, other than the amendment, is necessary. This change in structure will not result in an increase in Metropolitan's funding level or commitment.

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