

- **Board of Directors**
Water Planning and Resources Committee

June 13, 2000 Board Meeting

9-7

Subject

Enter into a Coordinated Operating Agreement between Metropolitan and San Bernardino Valley Municipal Water District establishing a cooperative resources and operational plan to improve water supply reliability

Description

The Board is requested to authorize the General Manager to enter into a Coordinated Operating Agreement with the San Bernardino Valley Municipal Water District (Valley District). The Agreement (**Attachment 1**) provides the opportunity for the two districts to establish a cooperative resources and operational plan that would identify projects of mutual benefits. Potential benefits include: (1) greater reliability of water supplies for both districts at lower costs through the coordinated operations of their systems and the conjunctive use of State Water Project (SWP) and local water supplies; (2) alleviation of high groundwater problems in Bunker Hill basin; (3) enhancement of conveyance capabilities to move SWP water from Devil Canyon to Metropolitan's service area through system interconnections and the completion of the Inland Feeder; and (4) ultimate resolution of existing controversies and litigation between Metropolitan and Valley District related to the SWP contracts of the districts and the ability of Valley District to deliver water into Metropolitan's service area without Metropolitan's consent. The Agreement would be effective until December 2001 with the provision to extend the term as agreed upon by both parties.

It is important to note that the joint projects identified under this Coordinated Operating Agreement will be consistent with the existing SWP contract rights of Metropolitan and Valley District, and the water rights of local groundwater and surface water users.

As a result, during the term of the Agreement and potential extension, Metropolitan and Valley District will not deliver water from any source into each other's service areas, except as required or provided for under the existing groundwater adjudication, Western and Orange County Judgments, and under the proposed Exchange Transaction Principles. This provision would result in three significant outcomes. First, both parties agree that any and all proceedings in Sacramento County Superior Court consolidated case numbers 97CS03035 and 97CS03106 would be stayed. Presently, Metropolitan is suing Valley District to prevent the sale of Valley District's SWP water into Metropolitan's service area without first obtaining Metropolitan's consent. The basis of Metropolitan's objections to Valley District's proposed transfer is the Constitution and the terms of the State Water Contract.

Second, Metropolitan would consent to the delivery of up to 10,000 acre-feet of native water under the 1969 Western-San Bernardino Judgment to Orange County Water District for the term of the Agreement.

Third, the proposed Exchange Transaction Principles (**Exhibit A**) would allow an exchange of up to 15,000 acre-feet of water supplies between Metropolitan and Valley District to demonstrate the feasibility of a "conjunctive use" operation that would provide immediate benefits to both parties. Under the exchange transaction, Metropolitan, at its discretion, would purchase up to 15,000 acre-feet

per year of available SWP water from Valley District for replenishment in the forebay of the San Bernardino Basin area. In exchange, Valley District would deliver an equal amount pumped from Bunker Hill Basin to Metropolitan. The points of delivery to Metropolitan are the Inland Feeder, the Santa Ana River and its tributaries, local pipelines or canals that serve Metropolitan's member agencies as designated by Metropolitan. Metropolitan would pay \$150 per acre-foot for exchange water that Valley District delivers to the Santa Ana River, its tributaries, local pipelines, or canals not owned by Metropolitan; and \$200 per acre-foot for exchange water that Valley District delivers to Metropolitan's Inland Feeder. Metropolitan gains the benefit of a reliable, high quality supply, which is delivered by Valley District to Metropolitan's service area at Metropolitan's call. Valley District gains the benefit of alleviating high groundwater problems and improving the hydraulic grade in Bunker Hill basin.

The Coordinated Operating Agreement is categorically exempt from the California Environmental Quality Act (CEQA) because it relates to the operation of existing facilities involving negligible or no expansion of use beyond that previously existing. As such, it is exempted by Section 15301 of the CEQA Guidelines.

Policy

The Integrated Resources Plan approved by the Board in January 1996.

Board Options/Fiscal Impacts

Option #1

Authorize the General Manager to enter into a Coordinated Operating Agreement, in a form acceptable to the General Counsel, with Valley District

Fiscal Impact: Up to \$2,250,000, if Metropolitan exercises its call on the full 15,000 acre-foot exchange. Funds are available under the Transfer Reserve.

Option #2

Do not authorize the General Manager to enter into a Coordinated Operating Agreement with Valley District and proceed with litigation proceedings

Fiscal Impact: Cost of litigation.

Staff Recommendation

Option #1.


General Manager

5/29/2000

Date

Attachment 1
Exhibit A

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

COORDINATED OPERATING AGREEMENT
BETWEEN
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
AND
SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT

This Agreement is entered into between The Metropolitan Water District of Southern California (hereinafter "METROPOLITAN") and San Bernardino Valley Municipal Water District (hereinafter "VALLEY DISTRICT").

R E C I T A L S

A. METROPOLITAN and VALLEY DISTRICT each have a long-term contract with the State of California, Department of Water Resources ("DWR"), for a water supply from the State Water Project ("SWP").

B. METROPOLITAN and VALLEY DISTRICT have existing facilities for conveyance of SWP water located within VALLEY DISTRICT.

C. METROPOLITAN and VALLEY DISTRICT are independently constructing additional conveyance facilities within VALLEY DISTRICT for the purpose of moving SWP water from DWR's Devil Canyon Powerplant to METROPOLITAN's Diamond Valley Lake in Riverside County and the southeastern portion of the VALLEY DISTRICT's service area, respectively.

D. METROPOLITAN and VALLEY DISTRICT believe that coordinated operation of their respective resources within VALLEY DISTRICT will lead to greater reliability of the water supplies available to the people within both districts.

1 E. METROPOLITAN and VALLEY DISTRICT wish to enter into an
2 agreement that will provide a basis for further examination of
3 opportunities for coordinated operation of their respective systems
4 and the necessary agreements to realize projects of mutual benefit.

5 C O V E N A N T S

6 NOW, THEREFORE, IT IS AGREED by and between the parties
7 hereto as follows:

8 1. METROPOLITAN and VALLEY DISTRICT will work together to
9 identify water related projects which may be of mutual benefit and
10 resolve existing controversies related to the State Water contracts
11 of the parties and the ability of the parties to deliver water
12 within each other's service areas.

13 2. The projects so identified shall be further examined
14 regarding their technical and financial feasibility by METROPOLITAN,
15 VALLEY DISTRICT and/or mutually agreed to consultants.

16 3. Projects may include, but are not limited to:

17 a. Interconnection of conveyance facilities.

18 b. Coordinated use of SWP and local water supplies
19 consistent with the existing SWP contract rights of Metropolitan and
20 Valley District, and the water rights of local groundwater and
21 surface water users.

22 c. Use of existing and/or new facilities for the
23 production and conveyance of local and/or stored SWP water.

24 4. During the term of the Agreement, and for such further
25 time as they should agree, Metropolitan and Valley District will not
26 deliver water from any source (except as required or provided for
27 under the Riverside County Superior Court judgment No. 7842f6 and
28 Orange County Superior Court judgment No 117628) into each other's

1 respective service areas, except as provided in Attachment 1 or as
2 agreed to in writing as an amendment to this Agreement. Any
3 transaction shall conform to the PROPOSED EXCHANGE TRANSACTION
4 PRINCIPLES BETWEEN METROPOLITAN AND VALLEY DISTRICT attached to this
5 Agreement as Attachment 1, or as that attachment may be amended by
6 written mutual agreement of the parties.

7 5. This Agreement shall remain in force for a period
8 ending December 31, 2001, with the expectation that a definitive
9 agreement with a term of minimum twenty years will be entered into
10 by the parties.

11 6. Both parties agree that during the term of this
12 Agreement any and all proceedings in consolidated cases numbered
13 97CS03035 and 97CS03106 shall be stayed. If during the term of this
14 Agreement the court in either of the above cases sets the matter for
15 trial, schedules a trial conference or takes any other action
16 affecting the status of the cases during the term of this Agreement
17 the parties shall, within 15 days of such action, jointly request
18 the court to enter a stay of all proceedings for the remaining
19 period of the Agreement, without prejudice to either party, to allow
20 the parties to implement the Agreement. It is the objective of the
21 parties that during the term of the Agreement the parties will agree
22 to resolve all of the controversies involved in these cases such
23 that the agreement can be extended with the resolution of
24 litigation.

25 7. This Agreement may be amended only by written
26 agreement of the Parties hereto pursuant to actions of their
27 respective boards of directors.

28

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

ATTACHMENT 1

PROPOSED EXCHANGE TRANSACTION PRINCIPLES

BETWEEN

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

AND

SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT

O B J E C T I V E

The primary objective of the Proposed Exchange Transaction Principles is to support the Coordinated Operating Agreement between the Metropolitan Water District of Southern California (Metropolitan) and San Bernardino Valley Municipal Water District (Valley District).

K E Y T E R M S

The proposed exchange transaction is between Metropolitan and Valley District. The key terms of this transaction are as follows.

- Water Exchange. Metropolitan, at its discretion, would purchase up to 15,000 acre-feet per year (afy) of available State Water Project (SWP) water from Valley District for replenishment in the San Bernardino Basin area. In exchange, Valley District annually delivers an equal amount, up to 15,000 acre-feet (af) of exchange water pumped from Bunker Hill Basin to Metropolitan.

From an operational standpoint, Valley District would deliver SWP water to Metropolitan. The SWP water would be spread at

1 the forebay of the San Bernardino basin area, as required by
2 the Watermaster. Valley District would then extract the
3 exchange water from Bunker Hill basin; treat the extracted
4 water to acceptable quality levels (equal or better than
5 ambient water quality conditions in Metropolitan's system), if
6 necessary; and deliver the water to Metropolitan. The points
7 of delivery to Metropolitan are the Inland Feeder at a location
8 to be agreed upon by Valley District and Metropolitan, and the
9 Santa Ana River, its tributaries, local pipelines, or canals,
10 which would serve Metropolitan's member agencies, as designated
11 by Metropolitan.

12 • Exchange Price. Metropolitan would pay Valley District
13 \$150 per af for exchange water that is delivered to the Santa
14 Ana River, its tributaries, local pipelines, or canals not
15 owned or operated by Metropolitan, and \$200 per af for exchange
16 water that is delivered to Metropolitan's Inland Feeder. The
17 price per af would be subject to an adjustment for increases
18 and decreases in power, operations, maintenance and treatment.

19 Recipients of Metropolitan's Exchange Water. Metropolitan's
20 exchange water would be used in three ways.

21 The exchange water, that is delivered to the Santa Ana River
22 and conveyed via the River to the service area of the Municipal
23 Water District of Orange County (MWD OC), would be used by
24 Orange County Water District (OCWD). The exchange water that
25 is delivered to the Baseline Feeder extension would be used by
26 the Inland Empire Utility Agency (IEUA). The exchange water
27 that is delivered to existing pipelines or the Riverside/Corona
28 Feeder would be used by Western Municipal Water District

1 (WMWD). The delivery would be priced in accordance with an
2 agreement or agreements between Metropolitan, and OCWD, IEUA,
3 and WMWD.

4 Any exchange water, that is not purchased by OCWD, IEUA, or
5 WMWD and is delivered to Metropolitan at the Inland Feeder,
6 will be made available to Eastern Municipal Water District
7 (EMWD). This delivery would be priced in accordance with an
8 agreement between Metropolitan and EMWD.

9 Any exchange water not purchased by OCWD, IEUA, WMWD, or EMWD
10 that is delivered to Metropolitan at the Inland Feeder will be
11 provided to all member agencies through its distribution
12 system. These deliveries would be priced according to
13 Metropolitan's approved rates.

14 • Delivery of Native Water to OCWD. For the term of the
15 Agreement, Metropolitan consents to the delivery of up to 10,000
16 acre-feet of native water under the 1969 Western-San Bernardino
17 judgement to OCWD, which is a party to the judgement and
18 located within Metropolitan's service area.

19 • Agreement Term. The term of this exchange transaction
20 agreement ends on December 31, 2001 with the provision to
21 extend at an agreed upon price and water quantity in accordance
22 with the terms and conditions of a long-term Coordinated
23 Operating Agreement between Metropolitan and Valley District.
24 The option to increase the amount of the exchange greater than
25 15,000 afy in the extension of the agreement will be provided
26 so that Metropolitan can deliver additional exchange water to
27 OCWD, IEUA, WMWD, EMWD and other Metropolitan's member agencies
28