

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

October 17, 2000 Board Meeting

8-9

Subject

Authorize Execution of Amended and Restated Water Supply Management Agreement with Municipal Water District of Orange County and Orange County Water District

Description

The Metropolitan Water District of Southern California (Metropolitan), Municipal Water District of Orange County (MWDOC) and Orange County Water District (OCWD) entered into a Water Supply Management (WSM) Agreement on September 1, 1997. The WSM Agreement enabled Metropolitan to pre-deliver 43,000 acre-feet (AF) of replenishment water into the Orange County Basin (Basin) through either direct or in-lieu means when surplus water was available. The WSM Agreement was to expire December 31, 1998, but was extended for an additional two years by a first amendment to the WSM Agreement. In addition to extending the WSM Agreement term, the first amendment increased the allowable size of the WSM Account to 50,000 AF, allowed for limited summer in-lieu storage to certain agencies and, upon termination of the WSM Agreement, provided for the transfer of water into other water management accounts in the Basin. Second and third amendments to the WSM Agreement further increased the allowable size of the WSM Account to 55,000 AF and 70,000 AF, respectively. The WSM Agreement and subsequent amendments will expire December 31, 2000.

Metropolitan, MWDOC and OCWD wish to continue the benefits provided by the WSM Account in the Basin by entering into an Amended and Restated WSM Agreement (Restated WSM Agreement). If approved by the Board, this Restated WSM Agreement will:

- (1) allow Metropolitan to maintain a WSM Account in the Orange County Basin through December 31, 2002;
- (2) allow for summer in-lieu deliveries to pre-approved coastal agencies through September 30, 2002;
- (3) increase the limit of summer in-lieu deliveries to 20,000 AF from 10,000 AF; and
- (4) allow the sale of WSM Account water at the replenishment rate most recently adopted by Metropolitan's Board.

The WSM Agreement has allowed Metropolitan to pre-deliver and store replenishment water in the Basin. Since the inception of the WSM Agreement, approximately 60,000 AF have been pre-delivered into the WSM Account to meet future replenishment obligations in the Basin. Approximately 2,940 AF have been stored through summer in-lieu deliveries to Mesa Consolidated Water District, and the cities of Huntington Beach and Newport Beach.

The summer in-lieu component of the first amendment has allowed Metropolitan to pre-deliver replenishment water to certain coastal agencies that were unable to participate in Metropolitan's Seasonal Storage Service Program (SSS Program), and summer pumping by the coastal agencies added to the threat of seawater intrusion along the coast and colored-water migration into overlying clear water aquifers. The summer in-lieu component was intended to be a short-term solution while the Basin manager (OCWD) sought a more permanent solution to the problem. The first amendment specified that summer in-lieu deliveries would not continue past December 31, 2000.

In the last two years, OCWD has undertaken measures to address problems associated with fluctuating groundwater levels. In 1999, OCWD constructed two new injection wells at the Talbert Sea Water Intrusion Barrier where recycled water produced at OCWD's Water Factory 21 is injected, and is currently constructing an

additional three injection wells. In addition, OCWD has implemented two programs to enhance coastal area water levels: (1) a demonstration program among the producing agencies to move pumping inland; and (2) a demonstration program with a producing agency to reverse existing pumping patterns. These efforts, combined with summer in-lieu deliveries, have resulted in higher water levels in the coastal area of the Basin compared to a year ago. During the 1999-2000 fiscal year, the total production from the Basin reached a new high of 380,000 AF.

The Restated WSM Agreement will fully terminate the WSM Agreement dated September 1, 1997, and its first, second and third amendments, and substitute the provisions of the Restated WSM Agreement in its entirety. It is recommended that the Board authorize the General Manager to execute the Restated WSM Agreement as described in this letter. A copy of the Restated WSM Agreement is available in the Executive Secretary's office for review.

Policy

Prior board action—July 14, 1998, board meeting minutes #43059 authorizing the General Manager to execute the First Amendment to the Water Supply Management Agreement with Orange County Basin.

Board Options/Fiscal Impacts

Option #1

Authorize the General Manager to execute the Restated WSM Agreement as described in this letter in form approved by the General Counsel.

Fiscal Impact: About \$17 million in revenues using fiscal year 2001 long-term Seasonal Storage Service rates and the existing account balance. By extending the WSM Agreement, the water in the WSM Account may be sold at a different replenishment rate adopted by the Board.

Option #2

Allow the WSM Agreement to expire. Sell the water in storage at Board-adopted replenishment rates when the WSM Agreement expires.

Fiscal Impact: About \$17 million in revenues based on the existing account balance.

Staff Recommendation

Option #1.


 _____ 9/18/2000
 Jill F. Wicke Date
 Manager, Water System Operations


 _____ 9/27/2000
 General Manager Date