

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

November 14, 2000 Board Meeting

9-2

Subject

Authorize amendment to Metropolitan's Cyclic Storage Agreement in the Main San Gabriel Basin

Description

Since the 1970s, Metropolitan has operated a cyclic storage account in the Main San Gabriel Basin (Basin) allowing for the predelivery and storage of replenishment water. In 1985, Metropolitan's Board of Directors authorized the Main San Gabriel Basin Cyclic Storage Agreement (Agreement) between Metropolitan, the Upper San Gabriel Valley Municipal Water District (Upper District), and the Main San Gabriel Basin Watermaster (Watermaster) providing for the predelivery and storage of up to 142,000 acre-feet (AF) of supplemental water. This Agreement was amended in 1990 for a second five-year term, and again in 1995 for a third five-year term.

Such arrangements benefit all involved parties and typically enhance Metropolitan's operating flexibility during wet and dry periods. Cyclic storage accounts provide an underground reservoir for Metropolitan to store excess imported water during surplus years and for sale in dry years. In dry years, a cyclic account allows Metropolitan to provide required replenishment water through storage account transfers. The requirement for replenishment water is placed on the agency by the Basin adjudication, although the agency physically can continue to produce without receiving replenishment water. Higher water levels occurring in the groundwater basins as a result of Metropolitan's cyclic storage accounts benefit local producers in the way of reduced pumping costs.

The amount of water stored in this account peaked in March 1988 at approximately 77,000 AF. The account was steadily drawn down between 1990 and 1995, and contained approximately 15,000 AF when the Agreement was renewed in 1995. The 1995 renewal reduced the maximum size of the account from 142,000 to 100,000 AF. As of August 2000, approximately 55,000 AF remained in storage.

Under the current Agreement, Metropolitan may make replenishment water deliveries through one of its service connections or from the cyclic account when such water is ordered by Upper District. Water delivered from the cyclic account would be sold at the lowest replenishment rate in effect when the water is ordered. Upon expiration of the Agreement, supplemental water ordered from Metropolitan would be delivered through either a service connection or from the cyclic account until the cyclic account is depleted.

Metropolitan, Upper District, and Watermaster seek to renew the Agreement for an additional term of twelve months. The term of the Agreement would then extend through April 2002. Under the Agreement, Metropolitan would continue to exercise the account as it has done in the past. Replenishment water sold from the account would be at Metropolitan's lowest rate for groundwater replenishment in effect any time during the fiscal year in which the transfers occur. Should Metropolitan's Board not adopt a replenishment rate, water would be sold at the last replenishment rate adopted by the Board. Should the amended Agreement not be renewed upon its termination (April 2002), Watermaster through Upper District would meet its imported supplemental water demand through water transferred from the account, until the account is exhausted. Metropolitan would continue to sell the water at the appropriate replenishment rate.

The outcome of Metropolitan's strategic planning process will fundamentally change the way in which it conducts business. This Amendment will maintain cyclic storage operations in the Main San Gabriel Basin as Metropolitan transitions from its existing rate structure to water management contracts. The Agreement, if amended, would allow for the continued purchase of cyclic water to meet imported replenishment demand until the account is depleted. In turn, the Agreement will allow Upper District to develop new local supplies for replenishment water

while maintaining a replenishment rate for supplemental water as long as water remains in the account. A copy of the Amendment to the Main San Gabriel Basin Cyclic Storage Agreement is available in the Executive Secretary's office for review.

The proposed agreement does not constitute a project under the California Environmental Quality Act (CEQA). As indicated in Section 15378(b)(4) of the State CEQA Guidelines, this type of agreement constitutes the creation of government funding mechanisms or other government fiscal activities, which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment.

Policy

Prior Board action—May 14, 1985, Board meeting minutes #35629 authorizing the General Manager to execute the Main San Gabriel Basin Cyclic Storage Agreement.

Board Options/Fiscal Impacts

Option #1

Authorize the General Manager to amend the Main San Gabriel Basin Cyclic Storage Agreement as described in this letter.

Fiscal Impact: About \$13 million in revenues using fiscal year 2001 long-term Seasonal Storage Service rates and existing account balance.

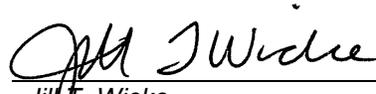
Option #2

Allow the Main San Gabriel Basin Cyclic Storage Agreement to expire. Sell the water in storage at Board-adopted replenishment rates when and if supplemental water from Metropolitan is ordered.

Fiscal Impact: \$0 to about \$13 million in revenues using fiscal year 2001 long-term Seasonal Storage Service rates and existing account balance.

Staff Recommendation

Option #1.



Jill T. Wicke
Manager, Water System Operations

10/16/2000
Date



Ronald R. Foster
General Manager

10/19/2000
Date