

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

October 14, 2003 Board Meeting

9-5

Subject

Authorize entering into an agreement to transfer State Water Project entitlement (Table A Water) to Desert Water Agency and Coachella Valley Water District

Description

Staff has completed negotiations on agreements to transfer water associated with 100,000 acre-feet (AF) of Metropolitan's State Water Project Table A entitlement to Desert Water Agency and Coachella Valley Water District (collectively DWCV). The actual amount available to DWCV as a result of the transfer would vary from year to year based upon the percentage of entitlement actually allocated by the Department of Water Resources. The draft agreement contains provisions for Metropolitan to recall the amount of water available as a result of this transfer in years in which Metropolitan needs such water to meet its water management goals. The SWP transfer is related to the implementation of the Quantification Settlement Agreement, and if authorized the transfer would be executed in coordination with the QSA. Metropolitan would benefit from the transfer by having its State Water Project charges reduced in years when it does not need all Table A water that it is allocated.

Background

Both Desert Water Agency and Coachella Valley Water District are State Water Project contractors, but neither agency has a physical connection to any SWP facilities. They have been receiving their SWP entitlement water through an exchange agreement with Metropolitan, whereby Metropolitan receives DWCV's SWP supply near the terminus of the East Branch of the California Aqueduct and in the existing exchange delivers a like amount of Colorado River water through Metropolitan's Aqueduct at the Whitewater Turnout. Because DWCV has a large groundwater basin to store Colorado River Aqueduct deliveries, an advanced delivery agreement was previously reached, whereby Metropolitan can make additional advanced deliveries of Colorado River water in excess of the amount otherwise available as a result of the DWCV entitlement in wet years and refrain from making deliveries in dry years.

DWCV has been seeking to increase their water supplies to meet increasing demand and reduce or prevent overdraft of their groundwater basins. Concurrent with the negotiation and development of the QSA, Metropolitan staff have been negotiating the SWP entitlement transfer with DWCV, should the QSA be executed. The Key Terms for the QSA approved by Metropolitan's Board in 1999 included a provision stating that CVWD and Metropolitan would attempt to conclude negotiations concurrent with the implementation of the QSA. The parties have concluded negotiations; the boards of DWCV have approved the entitlement and transportation right transfer and are awaiting Metropolitan's Board approval. Upon execution of the proposed agreement, the terms would not become effective until the Department of Water Resources approves the transfer and DWCV and Metropolitan's SWP contracts are amended.

Transfer Provisions

Under the proposed agreement, Metropolitan would transfer 100,000 AF of its 2,011,500 AF SWP Table A entitlement to DWCV, including all capital costs associated with capacity in the California Aqueduct to transport this water and variable costs to deliver this water to Perris Reservoir. Metropolitan's annual Statement of Charges for the SWP would be reduced by a like amount. The amount of water actually delivered in any given year depends on that year's SWP allocation. Water would be delivered to DWCV through the existing Exchange Agreement between Metropolitan and DWCV, unless they decide to build their own independent connection to the SWP at some future date or the agreement is terminated. While Metropolitan would transfer 100,000 AF of

SWP entitlement (Table A water) to DWCV, Metropolitan would retain other rights associated with the entitlement, including interruptible water service; its full carryover amounts in San Luis Reservoir; its full use of flexible storage in Castaic and Perris Reservoirs; as well as any rate management credits associated with the 100,000 AF.

The proposed agreement contains provisions that allow Metropolitan to recall the SWP transfer in years in which Metropolitan determines it needs the water to meet its water management goals. In such years, Metropolitan has until April 30 to notify DWCV that it will call the transfer back for that year, and Metropolitan would then reimburse DWCV for all SWP fixed and variable costs associated with the 100,000 AF of SWP entitlement for that year.

Benefits

The main benefits for the SWP transfer are (1) to reduce Metropolitan's SWP fixed costs in wetter years when there are more than sufficient supplies to meet Metropolitan's water management goals and (2) to provide additional water supplies to DWCV in those wetter years. In 2003, Metropolitan's fixed SWP costs for the 100,000 AF of entitlement that would be transferred is estimated to be about \$15 million. Metropolitan is obligated to pay these costs whether it takes delivery of the water or not. Upon execution, this agreement would provide operational flexibility by reducing Metropolitan's fixed costs immediately and give Metropolitan the option as to whether or not to take delivery of the water and reimburse DWCV for the SWP fixed costs in that year.

The agreement also allows Metropolitan to better manage its SWP supplies, as DWCV have agreed to allow Metropolitan to manage DWCV's carryover rights in San Luis Reservoir if the transfer agreement is executed. In 2035, the transferred entitlement would revert back to Metropolitan, unless the parties agree to extend the agreement. DWCV would have the right to terminate the agreement if the pre-existing exchange agreement is terminated. The terms of the proposed SWP transfer agreement are listed in more detail in [Attachment 1](#).

Policy

By Minute Item 43767, dated October 18, 1999, the Board approved the use of the Key Terms as the basis for negotiating the proposed State Water Project entitlement transfer with Coachella Valley Water District and Desert Water Agency.

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

Pursuant to the provisions of CEQA and the State CEQA Guidelines, CVWD, acting as Lead Agency, prepared and processed a Final Program Environmental Impact Report (Final PEIR) for the Coachella Valley Water Management Plan and State Water Project Entitlement Transfer (project). The Final PEIR conducted an environmental analysis on the project, which included the proposed agreement between DWCV and Metropolitan. The Final PEIR was certified and the overall project was approved by the Lead Agency on October 8, 2002. At that time, the Lead Agency also approved the Findings of Fact (Findings), the Statement of Overriding Considerations (SOC), and the Mitigation Monitoring and Reporting Program (MMRP). Metropolitan, as a Responsible Agency under CEQA, is required to certify that it has reviewed and considered the information in the certified Final EIR, adopted Findings, adopted SOC, and adopted MMRP, and adopt the Lead Agency's Findings and SOC prior to approval of the proposed action.

The CEQA determination is: Review and consider information provided in the 2002 certified Final PEIR, adopted Findings, adopted SOC, and adopted MMRP and adopt the Lead Agency's Findings and SOC related to the proposed action.

CEQA determination for Option #2:

None required

Board Options/Fiscal Impacts

Option #1

Adopt the CEQA determination and

- a. Approve the SWP entitlement transfer to DWCV; and
- b. Authorize the CEO to execute the finalized transfer and related agreements, in form approved by the General Counsel, as described in this letter and **Attachment 1**.

Fiscal Impact: In years when Metropolitan does not recall the transfer, Metropolitan’s annual SWP costs would be reduced by up to \$15 million.

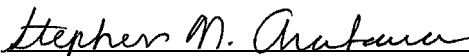
Option #2


Do not approve the SWP entitlement transfer to DWCV.

Fiscal Impact: None

Staff Recommendation

Option #1

	10/8/2003
Stephen N. Arakawa Manager, Water Resource Management	Date

	10/8/2003
Ronald R. Gastelum Chief Executive Officer	Date

Attachment 1 – Metropolitan Transfer of 100 Thousand Acre-Feet of SWP Table A to DWCV

BLA #2583

Metropolitan Transfer of 100,000 Acre-Feet of SWP Entitlement to DWCV

Terms of Proposed Transfer Agreement

- Agreement will only be executed subsequent to execution of the QSA.
- Following DWR approval, Metropolitan would transfer 100 thousand acre-feet (TAF) of Table A to DWCV as early as January 1, 2004. (12 TAF to DWA & 88 TAF to CVWD).
- Agreement to remain in place through December 2035. Includes entitlement provision to negotiate an extension as well as early termination language.
- Metropolitan retains rights associated with transferred entitlement including:
 - Rate Management Revenue Associated with 100 TAF Entitlement
 - San Luis Carryover Provisions
 - Terminal “Flex” Storage Provisions
- Metropolitan’s Statement of Charges (fixed transportation and conservation) would be reduced by costs associated with 100 TAF of SWP Entitlement (up to \$15 million annually in 2003 dollars).
- DWCV agrees to allow Metropolitan to schedule DWCV carryover of existing SWP Table A amount (up to 30,600 AF) provided Metropolitan accepts risk and any costs.

Delivery of Water

- SWP water delivered as Colorado River water through existing exchange agreement.
- DWCV agrees to accept “cycling” of 600 TAF maximum advanced delivery account.
- DWCV to pay all SWP variable costs to Perris; Metropolitan to pay all CRA delivery costs to Whitewater.
- CVWD may request delivery of its water at Imperial Dam; as such, CVWD gets credit for unused CRA costs.

Metropolitan Call back Options

- For the purposes of calling back the water, the 100 TAF Table A amount was divided into two 50 TAF blocks.
- Metropolitan has until April 30 of each year to decide whether to call back the Table A Water for that year or not. (50 TAF increments only).
- In years in which Metropolitan calls back water, SWP allocation reverts back to Metropolitan.
- DWCV will invoice Metropolitan for all associated costs (i.e., the \$15 million) for that year.

- Call back provisions for first 50 TAF of transfer water:
 - Between 2004 & 2015, unlimited call back, except
 - Metropolitan will limit call backs when CRA is full
 - Between 2016-35, Metropolitan can call back maximum 10 times

- Call back provisions for the second 50 TAF of transfer water:
 - Between 2004 & 2015, unlimited call back, except
 - Metropolitan will limit call backs when CRA is full
 - Between 2016-35, Metropolitan can call back maximum 15 times