

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

March 13, 2007 Board Meeting

7-3

Subject

Authorize second amendments to (1) the water conservation agreement with Imperial Irrigation District; and (2) the approval agreement with IID, Coachella Valley Water District and Palo Verde Irrigation District

Description

Changes to existing agreements governing The Metropolitan Water District of Southern California's water conservation program (Program) with Imperial Irrigation District (IID) are proposed to improve water accounting, reduce costs, and simplify administration. Authority is requested to enter into a second amendment to the water conservation agreement with IID and a second amendment to the related approval agreement with IID, Coachella Valley Water District (CVWD) and Palo Verde Irrigation District (PVID). The amendments would:

1. Fix the volume of water conserved by the Program at 105,000 acre-feet per year;
2. Provide opportunities to include potable water conservation measures in the Program; and
3. Reduce recurring costs by simplifying the administration of the Program.

Entering into the amendments would avoid potential administrative disputes in determining the amount of water conserved and how that amount relates to other water conservation programs, such as the one between San Diego County Water Authority (SDCWA) and IID.

Background

In 1988, Metropolitan entered into an agreement with IID to implement a Water Conservation Program. Under the agreement, Metropolitan expended \$112.5 million in capital costs and \$23 million in indirect costs. Metropolitan also entered into an approval agreement with IID, CVWD, and PVID that created a Water Conservation Measurement Committee to determine the annual amounts of water conserved under the Program.

Originally, the Program was designed to conserve 106,110 acre-feet annually. The Program creates conserved water through a number of conservation projects, such as the building of small regulating reservoirs, the lining of canals, and installation of tailwater recovery systems. These projects were constructed over an 11-year period. Since completion of the Program's implementation in 1998, the determination of the amount of water conserved has varied from 101,900 acre-feet to 109,460 acre-feet in any given year and has averaged 105,000 acre-feet. Operations, repairs, and changes in water use due to weather and crop markets can affect the amount of water conserved from year to year. Under the current agreement, the maximum amount of conserved water that Metropolitan could receive is 110,000 acre-feet in a year.

Metropolitan pays the ongoing costs of the non-structural projects and the operation, maintenance, and replacement costs of the structural projects to keep them in good operating condition. The annual Program funding calls by IID have varied from \$4.5 million to \$8.8 million over the last ten years, averaging \$6.7 million.

One of the Program's 16 projects is the Tailwater Recovery Systems Project. Farmers contracted with IID to construct and operate 24 tailwater recovery systems that contribute about 3,500 acre-feet per year toward the Program's total water savings. The terms of these individual tailwater recovery system agreements expire before the term of the overarching IID-Metropolitan Conservation Agreement, and farmers are not obligated to renew their agreements.

The 2003 Quantification Settlement Agreement facilitated implementation of the SDCWA/IID transfer agreement. Under the SDCWA/IID program, new on-farm and system efficiency conservation projects will be built to conserve up to 200,000 acre-feet per year. It could prove difficult to clearly distinguish each conservation program's yield and thus correctly assign amounts of water conserved to the appropriate program.

Proposed Amendments

The proposed amendments:

- Eliminate annual fluctuations in the total amount of conserved water available, by fixing the amount of conserved water available at 105,000 acre-feet per year with continued operation of 24 tailwater recovery systems. Substitutions, as explained below, could be made if some of the 3,500 acre-foot per year tailwater recovery systems drop out;
- Allow IID to implement, upon Metropolitan's concurrence, a potable water conservation project to conserve up to 3,500 acre-feet per year, restoring the water supply to Metropolitan due to tailwater recovery systems dropping out of the Program. IID's potable water conservation costs would be paid by Metropolitan;
- Eliminate the cost associated with determining the total amount of water conserved by the Program each year and dissolve the Water Conservation Measurement Committee for the term of the Quantification Settlement Agreement; and
- Appropriately credit Metropolitan from the tailwater recovery systems' replacement reserve fund if one or more tailwater recovery system agreements are not renewed.

These proposed amendments would simplify the administration of the Program and avoid potential disputes associated with determining the amount of water conserved by separate programs.

Policy

By Minute Item 37468, dated Dec. 22, 1988, the Board authorized the General Manager to execute the Agreement for the Implementation of a Water Conservation Program and Use of Conserved Water with the Imperial Irrigation District.

By Minute Item 37984, dated Dec. 12, 1989, the Board authorized the General Manager to execute the Approval Agreement with Imperial Irrigation District, Coachella Valley Water District and Palo Verde Irrigation District.

By Minute Item 42820, dated Feb. 10, 1998, the Board approved the Policy Principle on Colorado River Resources Strategy.

By Minute Item 45517, dated Sept. 23, 2003, the Board authorized the Chief Executive Officer to execute the finalized Quantification Settlement Agreement and related agreements.

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

Pursuant to the provisions of CEQA and the State CEQA Guidelines, IID, acting as the Lead Agency, prepared and processed a Final Environmental Impact Report (Final EIR) for the water conservation program. The Final EIR was certified by the Lead Agency on December 2, 1986. On December 22, 1988, Metropolitan, acting as a Responsible Agency under CEQA, certified that it had reviewed and considered the information in the certified Final EIR and approved the Program. With the current board action, there are no substantial changes proposed to the Program. Hence, the environmental documentation in conjunction with the project fully complies with CEQA and the State CEQA Guidelines. Accordingly, no further CEQA documentation is necessary for the Board to act with regards to the proposed action.

The CEQA determination is: Determine that the proposed action has been previously addressed in the certified 1986 Final EIR and that no further environmental analysis or documentation is required.

CEQA determination for Option #2:

None required

Board Options

Option #1

Adopt the CEQA determination and authorize the General Manager to enter into amendments to Metropolitan’s conservation agreement with Imperial Irrigation District and approval agreement with IID, Coachella Valley Water District and Palo Verde Irrigation District as described in this letter.

Fiscal Impact: Reduction of up to \$530,000 in Metropolitan’s costs associated with annual verifications

Business Analysis: Improves program administration, avoids disputes and solidifies program yield

Option #2

Direct the General Manager to renegotiate the terms of the amendments.

Fiscal Impact: Unknown

Business Analysis: May lose the opportunity to achieve the benefits of improving program administration, avoiding disputes and solidifying program yield

Staff Recommendation

Option #1

		2/16/2007
	Andrew Sienkiewich	Date
for	Stephen N. Arakawa	
	Manager, Water Resource Management	

		2/20/2007
	Jeffrey Kightlinger	Date
	General Manager	