

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

June 12, 2007 Board Meeting

---

7-11

---

**Subject**

---

Authorize execution of an agreement for the Chino Basin Desalination Phase II desalter; and appropriate \$1.5 million to study expansion of the existing Chino Basin Groundwater Storage Program (Approp. 15272)

---

**Description**

---

**Background**

In the early 1990s, Metropolitan and its member agencies developed its Integrated Water Resources Plan (IRP) to ensure regional water supply reliability. The IRP identifies in-basin groundwater storage as an important part of Metropolitan's water resource mix. In 2004, the Board approved the IRP Update, which updated the resource development targets for groundwater storage. The groundwater storage dry-year yield target for 2010 is 275,000 acre-feet per year (AFY).

Entities within the Chino Basin have developed a comprehensive planning document, the Optimum Basin Management Plan (OBMP), which identifies strategies to protect and manage the Chino Basin for the next 50 years. The goals of the OBMP are to provide additional water supplies, improve water quality, "drought proof" the region, enhance economic development, and improve environmental quality. The OBMP has nine elements, including groundwater storage and salt management plans. Parties within the Chino Basin have begun implementation of various strategies outlined in the OBMP.

In June 2003, Metropolitan executed the Chino Basin Groundwater Storage Agreement (Storage Agreement) with the Chino Basin Watermaster (Watermaster), Three Valleys Municipal Water District (TVMWD), and Inland Empire Utilities Agency (IEUA) for a groundwater storage program in the Chino groundwater basin. The Storage Agreement gives Metropolitan the ability to store 100,000 AF of water in the basin. Metropolitan funded facilities in the basin to pump and treat its stored water. These facilities will give the participating agencies the ability to produce 33,000 AFY of water from the basin at Metropolitan's call. Total funding for the project is \$27.5 million, including \$18.5 million of Metropolitan funds and \$9 million of Proposition 13 funds. Currently, more than 90,000 AF of water is stored in Metropolitan's storage account.

**Current Proposal**

Watermaster, TVMWD, IEUA, and Western Municipal Water District (Western) are proposing to expand the storage capacity in the existing Storage Agreement from 100,000 AF to 150,000 AF, with a corresponding increase in dry-year yield from 33,000 AFY to 50,000 AFY. As an essential element for expanding the Storage Agreement, Watermaster, TVMWD, IEUA, and Western are also proposing an agreement that would pay up to \$250/AF for about 15,000 acre-feet per year of water produced by the existing Phase II of the Chino Desalination Project. This desalter has been producing water since June 30, 2006.

As an integral part of the Storage Program these facilities will eliminate losses for water stored in the existing agreement, and help provide needed flexibility in the basin.

The expanded Storage Program is expected to provide the following regional benefits: (1) Additional storage capacity – an increase of 50 percent to 150,000 AF; (2) Additional dry year yield increasing from 37,000 AF to 50,000 AF; (3) Elimination of losses in Metropolitan's account; (4) The ability to help manage peak delivery on the East Brach and Rialto Feeder; and (5) Improved water quality in the Chino Basin.

In order to implement the program, staff recommends the following terms and conditions for the two agreements:

Chino Desalter II Agreement—The proposed terms of the agreement would be as follows:

- Metropolitan would pay \$250/AF for up to 15,000 AFY for water from Phase II of the Chino Desalination Project (this agreement is not under the Local Resources Program);
- The Chino II Desalter Agreement would expire in two years if the existing Storage Agreement has not been amended consistent with the terms noted in the board letter;
- The Chino II Desalter Agreement would expire in five years if the amendments to the Storage Agreement have not been implemented; and
- The term of the agreement would be 25 years.

Storage Agreement—The proposed amendments to the Storage Agreement would be as follows:

- Metropolitan's stored water in the basin would not be subject to losses;
- Participants would reduce peak demands at Metropolitan's request;
- Western would be added as a party to the Storage Agreement; and
- Metropolitan would reimburse \$1.5 million to Chino Basin entities to conduct the groundwater study.

Groundwater study—Metropolitan's partners in the Chino Basin would conduct a groundwater and operational study. The proposed budget for the study would be \$1.5 million and would be reimbursed by Metropolitan. This funding level would be approximately equivalent to what Metropolitan paid to fund the study for the existing Groundwater Storage Agreement. The study would be designed to:

- Determine facility and operational components needed to allow dry-year yield to be increased to approximately 50,000 AFY;
- Determine facilities needed, with a cost limited to \$15 million for capital, to implement the expanded Storage Agreement;
- Develop an operating plan for the expanded Storage Agreement to determine local agency participation;
- Investigate optimized operations of the Azusa Pipeline, Rialto Feeder, Upper Feeder and East Branch of the California Aqueduct;
- Investigate the impacts of reduced peaking on the East Branch and the Rialto Pipeline; and
- Perform preliminary engineering design and CEQA for the expanded program.

### **Conclusion**

Without the Chino Desalination Project desalination activities, Metropolitan's ability to participate in conjunctive use programs in the Chino Basin would be limited. Pumping and treatment by the Chino Desalination Project maintains groundwater levels conducive to storing water in the basin, keeps poor quality water from flowing into the Santa Ana River, and treats previously unusable groundwater for potable use. In addition, Metropolitan's stored water in the Chino Basin would not be subject to losses, which would reduce costs. These actions would help meet Chino Basin's OBMP objectives and help Metropolitan meet its water supply objectives. Upon completion of the study, staff would return to the Board with a proposal for amending the Storage Agreement.

Funds for this study have been budgeted within the Local Groundwater Storage Agreement Program. See [Attachment 1](#) for the Financial Statement.

### **Policy**

---

As adopted by the Board, the IRP Update recommends developing an in-basin dry-year yield of 275,000 AFY by 2010 and 300,000 AFY by 2025.

## California Environmental Quality Act (CEQA)

---

### CEQA determination for Option #1:

The proposed actions are not subject to CEQA because they involve 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 (Section 15378(b)(4) of the State CEQA Guidelines). In addition, the proposed actions consist of basic data collection and resource evaluation activities which do not result in a serious or major disturbance to an environmental resource. This may be strictly for information gathering purposes, or as part of a study leading to an action which a public agency has not yet approved, adopted, or funded. Accordingly, the proposed actions also qualify for a Class 6 Categorical Exemption (Section 15306 of the State CEQA Guidelines).

The CEQA determination is: Determine that the proposed actions are exempt from CEQA pursuant to Sections 15306 and 15378(b)(4) of the State CEQA Guidelines.

### CEQA determination for Option #2:

The proposed action is categorically exempt under the provisions of CEQA and the State CEQA Guidelines. The proposed action consists of basic data collection and resource evaluation activities, which do not result in a serious or major disturbance to an environmental resource. This may be strictly for information gathering purposes, or as part of a study leading to an action which a public agency has not yet approved, adopted, or funded. Accordingly, the proposed action qualifies as a Class 6 Categorical Exemption (Section 15306 of the State CEQA Guidelines).

The CEQA determination is: Determine that pursuant to CEQA, the proposed action qualifies under a Categorical Exemption (Class 6, Section 15306 of the State CEQA Guidelines).

### CEQA determination for Option #3:

None required

## Board Options

---

### Option #1

Adopt the CEQA determination and

- a. Authorize the General Manager to execute the Chino Desalter II Agreement for up to \$250 per acre-foot of desalted water. This agreement will expire in two years if the existing Storage Agreement has not been amended consistent with the terms noted in the board letter, or if the amendments to the Storage Agreement have not been implemented within five years;
- b. Appropriate \$1.5 million in budgeted funds; and
- c. Authorize the General Manager to reimburse IEUA, TVMWD and Western \$1.5 million for a study to expand the existing Storage Agreement.

**Fiscal Impact:** \$3.75 million of desalted water per year for 15,000 AFY from Phase II of the Chino Desalter at \$250/AF for 25 years, and \$1.5 million in studies for the expanded conjunctive use program

**Business Analysis:** The IRP Update includes targets for developing an in-basin dry-year yield of 275,000 acre-feet by the year 2010. In-basin conjunctive use is an integral part of Metropolitan's overall plan to ensure the future reliability of Metropolitan's water supply. Not approving these actions could jeopardize Metropolitan's ability to meet its in-basin and local project targets. Phase II of the Chino Desalination Project is already producing water. While Metropolitan does not usually pay incentives to assure continued production from existing programs, this project is an integral element for expanding the Storage Agreement.

### Option #2

Adopt the CEQA determination and

- a. Appropriate \$1.5 million in budgeted funds; and
- b. Authorize the General Manager to expend \$1.5 million for the groundwater study. Based on the outcome of the studies, the General Manager would then negotiate the Chino Desalter II Agreement and amendments to the existing Storage Agreement to initiate payment of up to \$250/AF for produced water.

**Fiscal Impact:** \$1.5 million for the groundwater studies and \$3.75 million per year for desalted water, once the program is approved

**Business Analysis:** The IRP Update includes targets for developing an in-basin dry-year yield of 275,000 acre-feet by the year 2010. In-basin conjunctive use is an integral part of Metropolitan’s overall plan to ensure the future reliability of Metropolitan’s water supply. Not approving these actions could jeopardize Metropolitan’s ability to meet its dry-year yield targets.

**Option #3**

- a. Do not appropriate funds for the groundwater study or the agreement.
- b. Authorize the General Manager to enter into negotiations with the member agencies for the Chino Desalter II Agreement and to amend the existing Storage Agreement under different terms.
- c. Return to the Board for approval of the amended agreements.

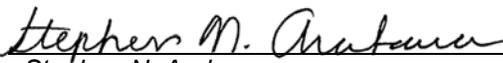
**Fiscal Impact:** None

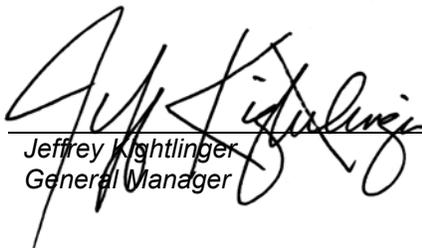
**Business Analysis:** Groundwater rights holders may be less likely to enter into conjunctive use agreements without information on impacts to the basin and assurances for payments for desalter production.

**Staff Recommendation**

---

Option #1

	5/29/2007
Stephen N. Arakawa Manager, Water Resource Management	Date

	5/31/2007
Jeffrey Knightlinger General Manager	Date

**Attachment 1 – Financial Statement for Local Groundwater Storage Agreements Program**

BLA #5459

### **Financial Statement for Local Groundwater Storage Agreements Program**

A breakdown of Board Action No. 8 for Appropriation No. 15272 for the Local Groundwater Storage Agreements Program is as follows:

	<b>Previous Total Appropriated Amount (May 2006)</b>	<b>Current Board Action No. 8 (June 2007)</b>	<b>New Total Appropriated Amount</b>
Labor			
Studies & Investigations	\$ 210,000	-	\$ 210,000
Materials and Supplies	-	-	-
Incidental Expenses	-	-	-
Professional/Technical Services	480,000	1,500,000	1,980,000
Equipment Use	-		-
Contracts	60,200,000		60,200,000
Remaining Budget	-	-	-
<b>Total</b>	<b>\$ 60,890,000</b>	<b>\$ 1,500,000</b>	<b>\$ 62,390,000</b>

### **Funding Request**

<b>Program Name:</b>	Local Groundwater Storage Agreements		
<b>Source of Funds:</b>	Revenue Bonds, Replacement and Refurbishment or General Funds		
<b>Appropriation No.:</b>	15272	<b>Board Action No.:</b>	8
<b>Requested Amount:</b>	\$ 1,500,000	<b>Capital Program No.:</b>	15272-S
<b>Total Appropriated Amount:</b>	\$ 62,390,000	<b>Capital Program Page No.:</b>	E-45
<b>Total Program Estimate:</b>	\$ 210,000,000	<b>Program Goal:</b>	S – Supply and Delivery Reliability