

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

August 21, 2007 Board Meeting

8-10

Subject

Authorize entering into an amendment to the Coordinated Operating Agreement with San Bernardino Valley Municipal Water District to purchase 200,000 acre-feet of previously stored State Water Project water

Description

Board authorization is sought to amend Metropolitan's existing agreement with the San Bernardino Valley Municipal Water District to purchase 200,000 acre-feet of previously stored State Water Project water and to obtain access to certain Valley District facilities, including the extension of the Central Feeder Project. The Central Feeder would allow direct deliveries to Metropolitan's Inland Feeder.

On June 13, 2000, Metropolitan's Board of Directors authorized the General Manager to enter into a Coordinated Operating Agreement (COA) with Valley District that established a cooperative resources and operational plan, and improved Metropolitan's water supply reliability. The COA contemplated future amendments to expand regional cooperation and water management capability. On March 13, 2001, Metropolitan's Board of Directors further authorized the General Manager to amend the COA to allow Metropolitan to purchase a minimum of 20,000 acre-feet of Valley District's SWP Table A supply each year. Metropolitan can, at its discretion, take direct delivery of this water or store up to 50,000 acre-feet of this water in the groundwater basin underlying San Bernardino for later extraction.

The proposed amendment to the COA would meet three primary objectives which are consistent with Metropolitan's Integrated Water Resources Plan goals: (1) increase water supply reliability to Southern California through Metropolitan's purchase of previously stored SWP water; (2) maximize the beneficial use and value of Metropolitan's SWP investments; and (3) improve the reliability of conveyance systems to move SWP water to the service areas of both districts.

Amendment Key Terms

Under the proposed amendment, Metropolitan's obligations would be as follows:

- **Water Acquisition:** Purchase 200,000 acre-feet of Valley District's SWP water previously stored in the groundwater basin underlying San Bernardino and creation of a Metropolitan groundwater storage account for purchased water.
- **Price:** \$250 per acre-foot for water, energy, and treatment costs to deliver to the Inland Feeder. Payments for the 200,000 acre-feet would be made over the next several years.
- **Metropolitan's Recovery and Delivery Rights:**
 - Right to call for water in the storage account in any year of the agreement.
 - First right to purchase additional stored Valley District water, when available.
 - First priority to utilize up to 188 cfs of capacity in Valley District's Central Feeder Project.
 - First right of refusal for any additional unused portion of Valley District's Central Feeder capacity.
 - Delivery of water between Valley District's Central Feeder and Metropolitan's Inland Feeder pursuant to an intertie agreement.

Under the proposed amendment, Valley District's obligations would be as follows:

- Account for Metropolitan's purchased water in a storage account.
- Deliver Metropolitan's purchased water consistent with the above terms.
- Meet primary and secondary drinking water quality standards for delivered water.

Other key terms would be as follows:

- Water purchase schedule would be coordinated with Valley District's construction schedule of the Central Feeder or additional facilities, as mutually agreed to by the parties.
- The term of the COA would be extended from December 31, 2014 to December 31, 2025.

The potential benefits of the agreement include: (1) greater reliability of water supplies for both Metropolitan and Valley District through continued coordinated use of their respective facilities and SWP and local supplies; (2) alleviation of high groundwater problems in the Bunker Hill Basin; and (3) enhancement of conveyance capabilities to move SWP supplies from Devil Canyon to Metropolitan's service area through the Central Feeder Project and other system interconnections.

Policy

By Minute Item 41734, dated January 9, 1996, the Board adopted the Integrated Water Resources Plan. By Minute Item 45828, dated July 12, 2004, the Board adopted the Integrated Water Resources Plan Update.

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

Pursuant to the provisions of CEQA and the State CEQA, Valley District, acting as Lead Agency, prepared and processed a Final Environmental Impact Report (Final EIR) for the Regional Water Facilities Master Plan. The Final EIR evaluated the environmental impacts associated with the Central Feeder Groundwater Banking/Conjunctive Use Project. The Final EIR was certified and the Regional Water Facilities Master Plan was approved by the Lead Agency on February 6, 2001. The Lead Agency also approved the Findings of Fact and adopted the Mitigation Monitoring Plan (MMP). On March 13, 2001, Metropolitan, acting as a Responsible Agency under CEQA, certified that it had reviewed and considered the information in the certified Final EIR and adopted the Lead Agency's findings related to the proposed action that was before the Board at that time.

Subsequently, a water sale to Metropolitan, through coordinated use of the Central Feeder Project and State Water Project supplies, was proposed. The sale would be coordinated through the use of facilities that have been slightly altered from the facilities examined in the Final EIR. This new information constituted a minor modification to the originally approved project. As the Lead Agency, Valley District prepared an Addendum to the Final EIR (Addendum), and approved the Addendum along with the proposed project modification on February 16, 2005. CEQA and the State CEQA Guidelines require the preparation of an addendum to a previously certified EIR if changes or additions are necessary but none of the conditions described in Section 15162 of the State CEQA Guidelines calling for the preparation of a subsequent EIR have occurred (Section 15164 of the State CEQA Guidelines). The proposed modifications to the previously approved project also do not meet any of the conditions requiring the preparation of a supplement to an EIR (State CEQA Guidelines, Section 15163). Instead, the proposed modifications require only minor changes or additions to the evaluation in the certified Final EIR to make it adequate under CEQA. None of the proposed modifications would result in significant adverse impacts beyond those impacts already disclosed in the original Final EIR. Metropolitan, as a Responsible Agency, is required to certify that it has reviewed and considered the information contained in the 2005 Addendum with the Final EIR prior to approving the proposed agreement. The Final EIR, which was previously reviewed and considered by Metropolitan, and the Addendum are available in the Board Executive Secretary's Office for review.

The CEQA determination is: Determine that most of the agreement terms of the proposed action were addressed in the previously certified 2001 Final EIR, Findings of Fact, and MMP; and review and consider the remaining

agreement terms of the proposed action along with their environmental effects as contained in the 2005 Addendum, and adopt the Lead Agency's findings related to the proposed action.

CEQA determination for Option #2:

None required

Board Options

Option #1

Adopt the CEQA determination and authorize the General Manager to enter into an amendment to the Coordinated Operating Agreement with San Bernardino Valley Municipal Water District to purchase 200,000 acre-feet of previously stored State Water Project water based on the contractual principles of this letter and in a form approved by the General Counsel.

Fiscal Impact: Total expenditures (including water, energy, and treatment costs) are estimated at \$50 million.

Business Analysis: Approval would contribute toward Metropolitan's water supply reliability.

Option #2

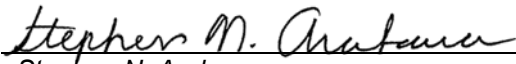
Take no action

Fiscal Impact: None

Business Analysis: Failure to amend the agreement would require the development of other programs to meet Metropolitan's water supply reliability goals.

Staff Recommendation

Option #1



Stephen N. Arakawa
Manager, Water Resource Management

8/15/2007
Date



Jeffrey Kightlinger
General Manager

8/15/2007
Date