

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

November 20, 2007 Board Meeting

8-10

Subject

Authorize (1) agreement with the State Water Project Contractors Authority to pursue up to 200,000 acre-feet of Central Valley water transfer option agreements for 2008; and (2) paying initial administrative fees and option deposits

Description

The Board is requested to authorize the General Manager to enter into an agreement with the State Water Project (SWP) Contractors Authority (Authority) to pursue up to 200,000 acre-feet of Central Valley water transfer option agreements for 2008. Since the water transfers would come from Sacramento Valley, these agreements would provide about 160,000 acre-feet of supplies for Metropolitan's service area after providing for Delta conveyance losses, estimated at about 20 percent, and would provide additional resource options to mitigate potential dry-year conditions in 2008, consistent with Metropolitan's Integrated Resources Plan. In 2004, Metropolitan entered into a similar agreement with the Authority, which would serve as a clearinghouse for State Water Contractors pursuing Central Valley water transfer option agreements. However, staff is also pursuing a separate water transfer option agreement with Glenn-Colusa Irrigation District (GCID) for up to 85,000 acre-feet, since staff initiated negotiations with GCID prior to the Authority process being formalized.

The forecasts of SWP deliveries completed by Department of Water Resources (DWR) staff in October indicate that there is available capacity at Banks pumping plant to transport these water transfers through the Delta under dry conditions when such water transfers would be needed by the participating State Water Contractors. Staff has provided DWR with proposed delivery criteria that would assure the transport of transfers through the Delta. These criteria confirm the transport and delivery priority of water transfer supplies under Metropolitan's State Water Contract; use and amount of permitted conveyance capacity in excess of scheduled SWP exports at certain SWP allocations; and the carriage water losses associated with water transfers. DWR is providing confirmation of the delivery criteria and Metropolitan would enter into this agreement with the Authority upon receipt of DWR's confirmation.

The proposed water costs are anticipated to be consistent with the Sacramento Valley Phase 8 Water Management Agreement's market-based water transfer component and the option agreements secured by Metropolitan in 2003 and 2005, as adjusted for inflation and current agricultural market conditions. At this time, Metropolitan needs to provide the Authority a \$5/acre-foot administrative fee and a \$10/acre-foot option deposit. The primary purpose of providing the Authority these fees and deposits at this time is to help determine which State Water Contractors are serious about pursuing 2008 option agreements. If administrative fees are less than \$5/acre-foot, Metropolitan will receive a partial refund. In addition, the \$10/acre-foot option payment is fully refundable if the Board does not ultimately authorize executing water transfer option agreements with sellers. No action is needed at this time for the proposed GCID agreement.

The one-year transactions proposed here are consistent with the 2008 water supply strategy presented to the Board and member agency managers and will provide water supply insurance in 2008 while providing a basis for discussion of longer-term opportunities that could be brought to the Board at a later date. Staff will seek board approval to execute agreements in early 2008.

Policy

Metropolitan Water District Administrative Code Section 4203: Water Transfer Policy

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it involves 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 (Section 15378(b)(4) of the State CEQA Guidelines). The payment of initial administrative fees and option deposits does not commit Metropolitan to any definite course of action. It does not dictate how funds would be spent, or in any way narrow the field of options and alternatives available to Metropolitan to seek supplemental water sources. In essence, there is no binding commitment to spend in a particular manner before requiring environmental review. In addition, where it can be seen with certainty that there is no possibility that the proposed action in question may have a significant effect on the environment, the proposed action is not subject to CEQA (Section 15061(b)(3) of the State CEQA Guidelines). Prior to formal approval of the agreements by the Board, CEQA documentation would be prepared by the Lead Agency and processed in accordance with CEQA and the State CEQA Guidelines. The CEQA determination is: Determine that the proposed action is not subject to the provisions of CEQA pursuant to Sections 15378(b)(4) and 15061(b)(3) of the State CEQA Guidelines.

CEQA determination for Option #2:

None required

Board Options

Option #1

Adopt the CEQA determination and

- a. Authorize the General Manager to enter into an agreement with the Authority to pursue up to 200,000 acre-feet of Central Valley water transfer option agreements for 2008, in a form approved by the General Counsel; and
- b. Authorize paying initial administrative fees (\$5/acre-foot) and option deposits (\$10/acre-foot).

Fiscal Impact: Since the \$10/acre-foot option deposit of \$2 million is fully refundable with interest if the Board does not authorize agreements with sellers, the only fiscal impact associated with this action is paying the \$5/acre-foot administrative fee of \$1 million. This administrative fee will be assessed on actual costs incurred and subject to partial refund.

Business Analysis: Approval will improve dry-year reliability and contribute to the implementation of the Integrated Resources Plan.

Option #2

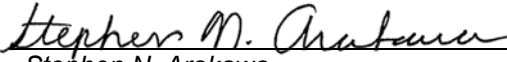
Do not authorize entering into an agreement with the Authority.

Fiscal Impact: None

Business Analysis: Not authorizing entering into an agreement with the Authority could result in a lost opportunity to secure dry year water transfer supplies.

Staff Recommendation

Option #1



Stephen N. Arakawa
Manager, Water Resource Management

11/8/2007
Date



Jeffrey Kightlinger
General Manager

11/8/2007
Date

BLA #5500