

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

April 8, 2008 Board Meeting

9-3

Subject

Report on wheeling arrangements with the San Diego County Water Authority and the Department of Water Resources

Description

The San Diego County Water Authority (SDCWA) has purchased options for up to 24,038 acre-feet of water to be delivered north of the Delta from the Butte Water District and Sutter Extension Water District. This water would be made available for transfer beginning in May and extending through October, with about 20 percent of the supply available in each of the five months. SDCWA must exercise their options by April 15, 2008. As with several of Metropolitan's proposed water transfers, SDCWA's transfers are with Feather River agencies and the water that is to be transferred is already in Lake Oroville. In order to convey the water to SDCWA, Metropolitan will wheel the water in available State Water Project (SWP) capacity under the terms of the Monterey Amendment and in the Metropolitan system on an as-available basis. Due to pumping restrictions in the Delta from the recent federal court ruling, and the fact that this water would be non-SWP water, there is risk that some or all of SDCWA's water may not find capacity to be conveyed through the Delta.

SDCWA's water will be conveyed consistent with Section 4405 of Metropolitan's Administrative Code and California Water Code Sections 1810-1814 (the "wheeling law"). Metropolitan will work with Department of Water Resources (DWR) and SDCWA to make arrangements for this transaction. It will be SDCWA's responsibility to ensure that the rights to the transfer water and scheduling of that water meets all requirements. Metropolitan will work closely with SDCWA and DWR on the scheduling of transportation.

Since the execution of the Monterey Amendments to the SWP Water Supply Contract, DWR has recognized Metropolitan's right to wheel non-SWP water on behalf of its member agencies through available capacity in the SWP transportation facilities. Metropolitan enters into an agreement directly with DWR to wheel the member agency's water, and Metropolitan in turn enters into an agreement with the member agency specifying the terms of the wheeling arrangement. Metropolitan has negotiated three wheeling agreements since 2000 with member agencies and DWR to move non-SWP water through unused capacity in the SWP and Metropolitan's system.

Pursuant to Water Code Sections 1810-1814, the SWP Water Supply Contract and Metropolitan's Administrative Code, the wheeling agreements include the following terms:

- SDCWA's water will be conveyed to the extent there is capacity available in (i) the SWP after all SWP project water (Table A and Article 21) and non-SWP water for Metropolitan and other contractors has been conveyed through the SWP system and (ii) Metropolitan's system after all Metropolitan supplies have been conveyed. SDCWA understands that due to regulatory and recent court decisions, capacity may not be available to move SDCWA's purchased water through the SWP, in particular at the Banks pumping plant.
- Metropolitan's charge for wheeling the water will include those charges specified in Administrative Code Section 4405(b) — System Access Rate, Water Stewardship Rate, Treatment Surcharge and the actual cost of power needed to pump the water on the SWP. SDCWA is not required to pay any additional charges to DWR.

- SDCWA and the sellers shall complete any environmental documentation and obtain any permits or other authorizations necessary to transfer the water.
- The amount of transfer water available to SDCWA above the Delta will be determined by DWR and be subject to normal carriage losses through the Delta.
- Other requirements of the Water Code, including ensuring there is no negative impact to Metropolitan’s water quality or on any other legal user of water also apply.

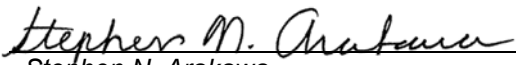
Metropolitan’s staff will coordinate with SDCWA and DWR to schedule SDCWA’s water through the SWP and Metropolitan’s system as capacity becomes available.

Policy

Metropolitan Water District Administrative Code Section 4405: Wheeling Service

Fiscal Impact

These purchases would result in SDCWA paying Metropolitan up to \$7.8 million for wheeling charges. In addition, SDCWA would pay the actual cost of power needed to transport the water.

 3/25/2008
 Stephen N. Arakawa Date
 Manager, Water Resource Management

 3/25/2008
 Jeffrey Lightlinger Date
 General Manager