

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

September 9, 2008 Board Meeting

8-3

Subject

Authorize executing a wheeling and exchange agreement with the San Diego County Water Authority for 2008 Central Valley Transfers

Description

As reported to the Board in April 2008, San Diego County Water Authority (SDCWA) purchased approximately 23,077 acre-feet of water from Butte Water District and Sutter Extension Water District ([Attachment 1](#)).

SDCWA has requested that Metropolitan wheel this water (Transfer Water), less any carriage water losses and conveyance losses, to SDCWA's water storage account in Semitropic Water Storage District (SWSD) for future delivery to SDCWA. Metropolitan, SDCWA and SWSD have agreed to the following operational plan for the Transfer Water.

Metropolitan will take ownership of SDCWA's Transfer Water at the Banks pumping plant and pay all costs to convey the Transfer Water to Metropolitan's service area for sale to its member agencies this year. In exchange, Metropolitan will assign to SDCWA water stored in Metropolitan's SWSD account equal to the Transfer Water, less ten percent (Assigned Water). The Assigned Water will be deemed to be in SDCWA's storage account with SWSD and will be withdrawn by SDCWA for delivery to its service area in a future year. SWSD has agreed to the assignment of water at no cost to Metropolitan or SDCWA. SDCWA will be responsible for obtaining all approvals to convey the Assigned Water to the California Aqueduct. Metropolitan will wheel the Assigned Water to SDCWA's service area and SDCWA will pay Metropolitan wheeling charges pursuant to Section 4405 of the Administrative Code. These charges include the: System Access Rate; Water Stewardship Rate; and the actual costs of power the Department of Water Resources charges Metropolitan to convey both the Transfer Water to the SWSD turnout and the Assigned Water from the SWSD turnout to Metropolitan's service area. SDCWA would also pay the Treatment Surcharge for any of the Assigned Water that is treated by Metropolitan.

This agreement provides benefits to SDCWA and Metropolitan, since it provides Metropolitan's member agencies with additional supplies in 2008 and enables SDCWA to store water for delivery in a future year.

Policy

Metropolitan Water District Administrative Code Section 4405: Wheeling Service

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

Pursuant to the provisions of CEQA and the State CEQA Guidelines, the Butte Water District, acting as the Lead Agency, adopted a Negative Declaration (ND) on February 29, 2008 for the Butte Water District Short-term Water Transfer Program. The Sutter Extension Water District, acting as Lead Agency, also adopted a Negative Declaration on February 29, 2008 for the Sutter Extension Water District Short-term Water Transfer Program. San Diego County Water Authority (SDCWA), as a Responsible Agency under CEQA, considered both NDs, and approved the projects on March 3, 2008. The California Department of Water Resources, as a Responsible Agency under CEQA, considered both NDs and approved the projects and the proposed Agreement on April 15, 2008.

Metropolitan, as Responsible Agency under CEQA, is required to certify that it has reviewed and considered the information in the NDs and adopt the Lead Agencies' findings prior to approval of the formal terms and conditions for the proposed Agreement. The environmental documentation is in **Attachment 2** and **Attachment 3**.

The CEQA determination is: Review and consider information provided in the adopted 2008 Negative Declarations and adopt the Lead Agencies' findings related to the proposed Agreement.

CEQA determination for Option #2:

None required

Board Options

Option #1

Adopt the CEQA determination and authorize the General Manager to execute a wheeling and exchange agreement with SDCWA on the terms described in this letter.

Fiscal Impact: The wheeling and exchange agreement will result in reduced SWSD power costs in FY 2008/09.

Business Analysis: The wheeling and exchange agreement will result in an opportunity to secure additional supplies from Metropolitan's SWSD account in 2008, while providing SDCWA the ability to store water for delivery in the future.

Option #2

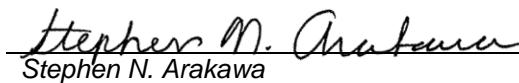
Do not authorize executing a wheeling and exchange agreement with SDCWA.

Fiscal Impact: Lost opportunity to reduce SWSD power costs in FY 2008/09

Business Analysis: Not authorizing the wheeling and exchange agreement could result in lower deliveries from Metropolitan's SWSD account in 2008.

Staff Recommendation

Option #1


Stephen N. Arakawa 8/26/2008
Manager, Water Resource Management


Jeffrey Rightlinger 8/27/2008
General Manager

Attachment 1 – April 8, 2008 Board Letter 9-3 Report on wheeling arrangements with the San Diego County Water Authority and the Department of Water Resources

Attachment 2 – Draft Initial Study and Negative Declaration for Butte Water District 2008 Short-Term Water Transfer Program, Prepared by Butte Water District

Attachment 3 – Draft Initial Study and Negative Declaration for Butte Water District 2008 Short-Term Water Transfer Program, Prepared by Sutter Extension Water District



INFORMATION

● **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.

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

Manager, Water Resource Management

A. 1.1

3/25/2008

Date

3/25/2008

Date

BLA #6088