

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

January 13, 2009 Board Meeting

8-4

Subject

Authorize executing a one-year water transfer agreement with Delta Wetlands Properties

Description

Summary

As a result of the low allocation on the State Water Project, Metropolitan staff is pursuing the development of water transfers to improve the water supply for 2009. As part of this effort, Metropolitan has identified a water transfer with Delta Wetlands Properties that could produce up to 18,000 acre-feet of new supply before losses. Considering Delta conveyance losses of 20 percent, an estimated 14,400 acre-feet could be exported. The transfer would be made available through land fallowing and crop shifting. Staff recommends that the Board authorize executing a one-year water transfer agreement with Delta Wetlands Properties costing up to \$3.6 million.

Background

The Delta Wetlands transfer would be in addition to transfers Metropolitan is pursuing through the state's 2009 Governor's Drought Water Bank. As a result of low water supplies, developing new water transfers with willing sellers has become a critical resource in meeting demands. **Attachment 1** is a term sheet that would provide the basis for a water transfer agreement between Metropolitan and Delta Wetlands Properties.

The Delta Wetlands project is located within the Delta, around 20 miles north of the Banks Delta pumping plant. The water transfer would involve crop management to create approximately 7,500 acre-feet from Webb Tract and 10,500 acre-feet from Bouldin Island. The transfer water would be available from May through September.

The amount of water available to Metropolitan will be based upon how much water is conserved through fallowing and crop shifting consistent with the Department of Water Resources (DWR) guidelines. The State Water Resources Control Board will need to approve the temporary transfer of water to Metropolitan and the change of use of the water. The water would be conveyed through the State Water Project on a space-available basis pursuant to a conveyance agreement with DWR. Should export pumping capacity be restricted in the Delta during May and June, deliveries of transfer water could be reduced by up to 3,300 acre-feet. Metropolitan would, to the extent possible, endeavor to store this water in Lake Oroville so that the water can be released and diverted in the Delta at a later time when export capacity becomes available.

Metropolitan would be responsible for all conveyance losses or other regulatory restrictions on Department of Water Resources' ability to export the transfer water. Considering Delta conveyance losses of 20 percent, an estimated 14,400 acre-feet could be exported. However, because the Delta Wetlands properties are located so close to the Banks pumping plant, there is the potential that the actual losses would be less than water transfers from north of the Delta.

Water Transfer Cost

The water transfer cost is competitive with other programs Metropolitan is pursuing. Metropolitan would pay an option payment in the amount of \$10 per acre-foot with the option automatically expiring in February 2009 unless extended by both parties. The cost of the option payment would be up to \$180,000. Metropolitan would pay a total amount of \$200 per acre-foot for the transfer water that is made available before Delta conveyance losses. The initial option payment would be applied toward the purchase of the water. The water transfer agreement

would terminate in December 2009. The total water transfer cost would be \$3.6 million if Metropolitan exercises the option and purchases 18,000 acre-feet of available transfer water.

Policy

Metropolitan Water District Administrative Code Section 4203: Water Transfer Policy

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed actions, i.e., to execute an agreement for a one-year water transfer with Delta Wetlands Properties and appropriate funding for the agreement, are statutorily exempt from CEQA under the provisions of the Water Code and the State CEQA Guidelines. The proposed actions involve the temporary change in the point of diversion, place of use, or purpose of use due to a transfer or exchange of water or water rights as set forth in Section 1725 of the Water Code. The Delta Wetlands Properties will be responsible for complying with the statutory requirements of the Water Code. As such, these proposed actions qualify for a statutory exemption pursuant to Section 1729 of the Water Code and Section 15282(v) of the State CEQA Guidelines. In addition, 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).

The CEQA determination is: Determine that the proposed actions with the Delta Wetlands Properties are statutorily exempt from CEQA and are not subject to CEQA pursuant to Section 1729 of the Water Code and Sections 15282(v) and 15378(b)(4) of the State CEQA Guidelines.

CEQA determination for Option #2:

None required

Board Options

Option #1

Adopt the CEQA determination and

- a. Authorize executing the one-year water transfer agreement with Delta Wetlands Properties consistent with the attached term sheet ([Attachment 1](#)); and
- b. Appropriate \$3.6 million for the transfer.

Fiscal Impact: \$3,600,000 from the Water Transfer Fund.

Business Analysis: The water transfer will improve the water supply available for 2009. The new supply will improve water supply reliability, help mitigate a water supply allocation, and contribute to the implementation of the Integrated Resources Plan.

Option #2

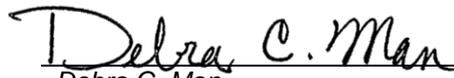
Do not authorize executing a one-year water transfer agreement with Delta Wetlands Properties.

Fiscal Impact: Potential lost water sales revenue from 14,400 acre-feet

Business Analysis: Not authorizing the execution of the water transfer agreement with Delta Wetlands Properties would result in a lost opportunity in securing up to 14,400 acre-feet for 2009, along with reduced revenues.

Staff Recommendation

Option #1



Debra C. Man
Assistant General Manager/Chief
Operating Officer

12/30/2008
Date



Jeffrey Nightlinger
General Manager

12/30/2008
Date

Attachment 1 – Delta Wetlands Properties Water Transfer Term Sheet

BLA #6551

**Delta Wetlands Properties Water Transfer
Term Sheet**

- **Policy:** The water transfer will be consistent with Metropolitan's Administrative Code Section 4203.

- **Water Transfer Amount:** Delta Wetlands Properties propose to make up to 18,000 acre-feet available for transfer in 2009 through temporary land fallowing and crop shifting. The amount of water available for the transfer will be consistent with the Department of Water Resources' guidance regarding transfer of water as approved by the State Water Resources Control Board.

- **Option Payment:** Metropolitan would pay an option payment of \$10 per acre-foot with the option automatically expiring in February 2009 unless extended by both parties.

- **Purchase Amount:** Metropolitan would pay a total of \$200 per acre-foot for transfer water that is made available. The initial option payment will be applied toward the purchase of the available transfer water.

- **Trust Account:** Payments will be made to a trust account held by Metropolitan. Purchase payments will be made to Delta Wetlands Properties upon completion of environmental review, obtainment of regulatory approvals, and after water is made available.

- **Losses:** Metropolitan will bear all carriage losses or other regulatory restrictions on Department of Water Resources' ability to export the transfer water.

- **Agreement Term:** Termination will be December 31, 2009.