



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

February 10, 2009 Board Meeting

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**8-4**

**Subject**

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Authorize (1) agreement with the California Department of Water Resources to pursue up to 300,000 acre-feet of Central Valley water transfer agreements under the 2009 Governor's Drought Water Bank; and (2) paying initial administrative fees and water purchase deposits

**Description**

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The Board is requested to authorize the General Manager to enter into an agreement with the California Department of Water Resources (DWR) to pursue up to 300,000 acre-feet of Central Valley water transfer agreements under the 2009 Governor's Drought Water Bank (Bank). These water transfer agreements would provide additional resource options to mitigate potential dry-year conditions in 2009, consistent with Metropolitan's Integrated Resources Plan and the Five-Year Supply Reliability Action Plan. In 1991 and 1992, Metropolitan entered into similar agreements with DWR, which would serve as a clearinghouse for entities pursuing Central Valley, north of the Delta water transfer agreements. Since the water transfers would come from Sacramento Valley, obtaining agreements for 300,000 acre-feet would provide about 240,000 acre-feet of supplies for Metropolitan's service area after providing for Delta carriage and conveyance losses, estimated at about 20 percent. If a lesser amount is obtained, that amount also would be reduced by 20 percent for carriage losses.

The most recent forecasts of 2009 SWP deliveries completed by DWR indicate there is available capacity at Banks pumping plant to transport these water transfers through the Delta under dry conditions, which is when such water transfers would be most needed. If conditions are wetter, capacity available for transporting the transfer water would be reduced incrementally as conditions get wetter. The proposed water costs are anticipated to be consistent with the water transfer agreements secured by Metropolitan in 2008, as adjusted for inflation, generally dry hydrology and current agricultural market conditions. At this time, Metropolitan needs to provide DWR a nonrefundable \$5 per acre-foot administrative fee and \$70 per acre-foot water purchase deposit. The primary purpose of providing DWR these fees and deposits at this time is to help determine those buyers that are interested in pursuing 2009 agreements under the Bank. It should be noted that the \$70 per acre-foot water purchase deposit is fully refundable if the Board does not ultimately authorize staff to pursue execution of water transfer agreements with sellers.

The one-year transactions proposed in the Bank are consistent with the 2009 water supply strategy and Five-Year Water Supply Plan presented to the Board and member agency managers and will augment water supply in 2009. While staff recommends authority to pursue up to 300,000 acre-feet of transfer water, it is likely the amount ultimately obtained will be less than that. Pursuit of these transfers will also provide 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 authorize DWR to execute agreements with sellers in spring 2009. At that time, staff will present the terms of the transfer purchase, including the option payment amounts, exercise dates and the total price per acre-foot.

**Policy**

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Metropolitan Water District Administrative Code Section 4203: Water Transfer Policy

## California Environmental Quality Act (CEQA)

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### 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 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

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### Option #1

Adopt the CEQA determination and

- a. Authorize the General Manager to enter into an agreement with DWR to pursue up to 300,000 acre-feet of Central Valley water transfer agreements for 2009, in a form approved by the General Counsel; and
- b. Authorize paying initial administrative fees (\$5 per acre-foot) and water purchase deposits (\$70 per acre-foot).

**Fiscal Impact:** \$22.5 million of budgeted funds based on a deposit of \$75 per acre-foot for 300,000 acre-feet from the Drought Water Bank. Since the \$70 per acre-foot water purchase deposit of \$21 million is fully refundable if the Board does not authorize agreements with sellers, the fiscal impact associated with this action is paying the \$5 per acre-foot administrative fee totaling \$1.5 million.

**Business Analysis:** Approval will improve dry-year reliability and contribute to the implementation of the 2009 water supply strategy and Five-Year Water Supply Plan.

### Option #2

Do not authorize entering into an agreement with DWR.

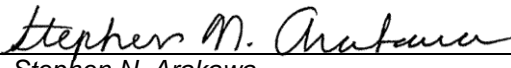
**Fiscal Impact:** None

**Business Analysis:** Not authorizing entering into an agreement with DWR could result in a lost opportunity to secure dry-year water transfer supplies, resulting in a potential water supply gap or other more costly resource acquisitions.

**Staff Recommendation**

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Option #1

  
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Stephen N. Arakawa  
Manager, Water Resource Management

1/16/2009  
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Date

  
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Jeffrey Lightlinger  
General Manager

1/23/2009  
\_\_\_\_\_  
Date

BLA #6352