



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

April 14, 2009 Board Meeting

8-5

Subject

Authorize purchasing Central Valley water transfer supplies from the 2009 Governor's Drought Water Bank

Description

In February 2009, the Board authorized the General Manager to: (1) enter into an agreement with the California Department of Water Resources (DWR) to pursue up to 300,000 acre-feet of 2009 Central Valley water transfer supplies from the 2009 Governor's Drought Water Bank (Bank); and (2) pay DWR initial administrative fees and water purchase deposits. The Board is now requested to authorize the General Manager to purchase up to 300,000 acre-feet of Bank supplies consistent with the terms provided in [Attachment 1](#). 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 Water Supply Plan.

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, which are estimated at about 20 percent. Assuming a purchase price of \$275 per acre-foot, this results in an effective unit cost of approximately \$344 per acre-foot, not including energy costs to deliver the water to Metropolitan's service area. The most recent forecasts of 2009 SWP deliveries completed by DWR indicate there is available capacity at Harvey O. Banks Pumping Plant to transport these water transfers through the Delta under dry conditions when such water transfers would be most needed. If conditions are wetter, capacity available for transporting the transfer water would be reduced incrementally.

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. The amount of water Metropolitan could receive from the Bank will depend on seller participation, other Bank buyers' participation, and the available capacity to pump non-project water through the Banks pumping plant. Currently, Metropolitan would have the right to purchase about 30 percent of these transfer supplies.

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 exempt under the provisions of CEQA and the State CEQA Guidelines. DWR is the CEQA lead agency for the 2009 Governor's Drought Water Bank, a one-year water transfer program to obtain water from willing sellers upstream of the Delta for sale to water users experiencing shortages due to extreme drought conditions and regulatory pumping curtailments. The project is subject to the Governor's Proclamation of a State of Emergency of February 27, 2009. Section 17 of said Proclamation directs that CEQA exemptions pursuant to Sections 21080 (b)(3) and 21080 (b)(4) as well as CCR Title 14, Section 15269(c) shall apply. Accordingly, the proposed action qualifies under a statutory exemption (Sections 21080(b)(3) and 21080(b)(4) of the California Public Resources Code and Section 15269(c) of the State CEQA Guidelines).

The CEQA determination is: Determine that pursuant to CEQA, the proposed action qualifies under a statutory exemption (Sections 21080(b)(3) and 21080(b)(4) of the California Public Resources Code and Section 15269(c) of the State CEQA Guidelines).

CEQA determination for Option #2:

None required

Board Options

Option #1

Adopt the CEQA determination and authorize purchasing up to 300,000 acre-feet of Central Valley water transfer supplies from the 2009 Governor’s Drought Water Bank on terms consistent with the attached term sheet ([Attachment 1](#)).

Fiscal Impact: Assuming the Bank purchases a total of 300,000 acre-feet of transfer supplies and Metropolitan purchases its minimum share of the Bank supplies, Metropolitan’s minimum payment would be \$24.75 million (300,000 acre-feet x 30 percent x \$275 per acre-foot). Assuming Metropolitan purchases all of the Bank supplies, Metropolitan’s maximum payment would be \$82.5 million. These funds are available in the FY 2008/09 and FY 2009/10 O&M budgets.

Business Analysis: Approval will improve 2009 water supply reliability, help mitigate or avoid water supply allocations and contribute to the implementation of the Integrated Resources Plan.

Option #2

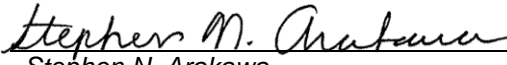
Do not authorize purchasing Central Valley water transfer supplies from the 2009 Governor’s Drought Water Bank.

Fiscal Impact: No increased costs

Business Analysis: Not authorizing purchasing up to 300,000 acre-feet of Central Valley water transfer supplies from the 2009 Governor’s Drought Water Bank could result in a lost opportunity to secure water transfer supplies in 2009, potentially resulting in lower water supply reliability beyond 2009.

Staff Recommendation

Option #1



 Stephen N. Arakawa
 Manager, Water Resource Management

3/20/2009

 Date



 Jeffrey Kightlinger
 General Manager

3/30/2009

 Date

Attachment 1 – Proposed terms and conditions for 2009 Water Transfer Agreements

**PROPOSED TERMS AND CONDITIONS
FOR 2009 WATER TRANSFER AGREEMENTS**

1. Buyer will be responsible for and pay all costs of the preparation of necessary CEQA and NEPA documentation. Buyer will reimburse Seller, up to a maximum of \$20,000 per Seller, for Seller's reasonable out-of-pocket expenses, including but not limited to legal, environmental and engineering consultants' fees and expenses incurred by Seller in performing CEQA/NEPA responsibilities, defending any litigation challenging a 2009 water bank agreement or its implementation, developing mitigation and monitoring programs for groundwater substitution transfers, and obtaining any necessary approvals. **(Note: This payment will be made with a portion of the \$5 per acre-foot administration fee deposit approved by the Board in February 2009).**
2. Seller will be responsible for obtaining necessary approvals from USBR, SWRCB, and other relevant government entities for transfer of the transfer water, but Buyer will be responsible for obtaining all authorizations for conveyance of the transfer water to Buyer's place of use.
3. Buyer will decide whether to purchase crop idling or crop shifting water on or before April 20, 2009. Buyer will decide whether to purchase groundwater substitution or reservoir reoperation water on or before May 1, 2009. If Buyer purchases the water, Buyer will pay Seller a total purchase payment of \$275 per acre-foot, irrespective of the method of making the water available.
4. The point of delivery for the transfer water will be at the Seller's diversion point(s). Buyer will be responsible for all losses, including Delta carriage water losses, associated with transfer water between the Seller's point of delivery and the Buyer's service areas.
5. Seller agrees to make all water under the Agreement available to Buyer if Buyer purchases the water. However, if the Seller's surface water supplies are reduced in accordance with the shortage provisions of Seller's water supply contracts with the state of California or the United States (i.e., Shasta Critical Years under the Sacramento River Settlement Contracts), Seller, at its sole discretion, may terminate the Agreement. Prior to termination, however, Seller and the Buyer shall confer to determine if, as an alternative to termination, the amount of purchased water can be adjusted to a lower quantity.
6. In the event Seller fails to provide the amount of purchased water agreed to in Term 5, Seller will promptly refund to Buyer any payments made for purchased water not provided by Seller. Any refunds shall include interest.
7. The Parties' performance of the Agreement will be contingent on the Parties obtaining any necessary approvals from federal, state and local agencies.