



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

2/9/2010 Board Meeting

9-3

Subject

Principles for delivery of member agency procured State Water Project supplies

Description

Background

Metropolitan has been approached by the Municipal Water District of Orange County (MWDOC), and its member agency Irvine Ranch Water District (IRWD), to facilitate delivery of water it has stored in the IRWD Strand Ranch Banking Project. Strand Ranch is located in the Central Valley west of Bakersfield. IRWD's groundwater storage project at Strand Ranch has the capability of storing up to 50,000 acre-feet. IRWD purchased the property and has established a water banking program with Central Coast Water Authority.

Existing Policy

If IRWD stores non-State Water Project (SWP) water at Strand Ranch and wishes to deliver those supplies at a later date, delivery of the water is governed by Metropolitan's existing wheeling policy. Metropolitan's wheeling policy permits the General Manager to make a determination of available system capacity on a case-by-case basis. Member agencies have used the wheeling service to have their own non-SWP supplies delivered into Metropolitan's service area.

IRWD has entered into an exchange with another SWP contractor and stored that water at its Strand Ranch property. Delivery of the the SWP water into Metropolitan's service area potentially could conflict with Metropolitan's SWP contract. Metropolitan's SWP contract requires Metropolitan's consent prior to the Department of Water Resources delivering SWP supplies originating from other SWP contractors within Metropolitan's service area. This important contract provision protects Metropolitan's investment in the SWP and allows Metropolitan to fully manage SWP supplies within its service area without interference. Similar provisions protect all other SWP contractors.

Preliminary Terms

Attachment 1 summarizes preliminary terms that staff has developed to accommodate IRWD's request, while protecting Metropolitan's policies and provisions of the SWP contract. The most significant term recognizes that Metropolitan maintains control of the acquired SWP supply that would ultimately be delivered to Metropolitan's service area and requires IRWD to turn over control of the water to Metropolitan before any delivery.

Metropolitan would have the options of: taking immediate delivery within its service area, storing the water in a reservoir, or having the water stored in the member agency storage program. IRWD would gain a water supply benefit because the water would qualify as extraordinary local production under Metropolitan's adopted Water Supply Allocation Plan when delivered in an allocation year.

MWDOC would pay Metropolitan's Full Service water rate at the time the water is delivered at its service connection. The water delivery would not count against the Tier 1 deliveries, but if MWDOC was in Tier 2 at the time of the delivery, MWDOC would pay the Tier 2 water rate. MWDOC would be responsible for all its costs associated with storing and recovering the water from its storage facility and any conveyance or storage losses. Metropolitan would be responsible for the SWP costs to deliver the water to the MWDOC service connection. By charging the Metropolitan Full Service water rate, Metropolitan would recover the actual SWP costs and

Metropolitan system costs of delivering the water and also protect the region's investment in the SWP. MWDOC and IRWD would make their own arrangements between themselves.

Regional Benefits

The proposed approach could facilitate additional supply being brought into the Metropolitan service area. There would be flexibility in coordinating Metropolitan and IRWD's storage assets to manage that added supply and minimize groundwater pumping costs. In addition, under Regional Shortage Levels 3 through 10, the Water Supply Allocation Plan treatment of extraordinary local production effectively results in sharing a portion of the program yield with the other member agencies. Metropolitan could also borrow from IRWD's stored water paying only the actual recovery costs, if any. Metropolitan would be required to return any borrowed water within three years. Metropolitan would not pay any regulation fees for borrowing the water and not incur the capital costs for the construction of the storage program.

The proposed terms under development have been structured to provide benefits to MWDOC, IRWD, and the region as a whole. The coordinated operation of the SWP supplies with this existing storage program would allow Metropolitan another method to cost-effectively manage the region's limited resources. Metropolitan would not incur adverse financial impacts.

To the extent other member agencies or sub-agencies develop similar programs, staff would use the same approach to protect Metropolitan's existing policies and its interest in preservation of the terms and conditions of its SWP contract with the State of California.

Policy

Metropolitan Water District Administrative Code Section 4209: Agreements with member agencies

Metropolitan Water District Administrative Code Section 4405: Wheeling service

Metropolitan Water District Administrative Code Section 4905: Program reductions under a shortage

Contract between The Metropolitan Water District of Southern California and the State of California Department of Water Resources for a Water Supply and Selected Related Agreements, Article 15(d): Metropolitan's consent is required for State Project Water deliveries within its boundaries.

Fiscal Impact

None


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2/2/2010
 Date


 Jeffrey Lightlinger
 General Manager

2/2/2010
 Date

Attachment 1 – Terms for Irvine Ranch Water District Proposed Delivery of Water

Reference Number wrm12602712

Terms for Irvine Ranch Water District Proposed Delivery of Water

State Water Project

- Metropolitan maintains control of State Water Project supplies that will enter into the service area. This principle would be maintained whether the origin of the water moved is Table A or Article 21.
- Metropolitan needs to consent before MWDOC/IRWD may enter into agreements with other State Water Contractors to secure State project water that would be moved into Metropolitan's service area.
- Metropolitan would have the option to take delivery of the water to use, store in a reservoir, or opt to have the water stored in the member agency storage program.
- The State Water Project supplies acquired by MWDOC/IRWD would qualify as extraordinary production according to Metropolitan's current Water Supply Allocation Plan. An exception to the Water Supply Allocation Plan would be allowed during a loss of MWDOC local supply only in cases where the water supply benefits from the program offset any impacts to the allocation plan. IRWD would require an agreement with the MWDOC to pass through any increase in extraordinary production credit.

Financial

- MWDOC would pay the Metropolitan Full Service water rate at the time the water is delivered to the MWDOC. The water delivery would not count against the Tier 1 deliveries, but if MWDOC was in Tier 2 at the time of the delivery, MWDOC pays the Tier 2 water rate.
- MWDOC pays all its costs associated with storing and recovering the water in its program. MWDOC pays the actual State Water Project costs when water is stored in the program and receives a credit against the system power rate when the water is delivered to the MWDOC service connection.
- Metropolitan would be responsible for the State Water Project costs when the water is moved into Metropolitan's service area. Metropolitan recovers its costs through MWDOC's payment of the Metropolitan Full Service water rate.
- Metropolitan would be responsible for reimbursing MWDOC for actual storage and recovery costs when using the storage program.

Conveyance

- MWDOC obtains access to Metropolitan's unused capacity in SWP conveyance and Metropolitan's distribution system as determined by the General Manager.
- MWDOC would be limited by the program annual capacity and any requirements established by the Department of Water Resources for the introduction of program water into the California Aqueduct.

MWDOC/IRWD Program

- MWDOC/IRWD would be responsible for all capital costs associated with its storage program.
- MWDOC/IRWD would be responsible for any conveyance and storage losses as part of its program.
- Metropolitan can use the storage program to recover previously stored State Water Project supplies for Metropolitan's use. However, Metropolitan must either return the water to the storage program to repay its obligation or incur a future obligation to deliver the water to MWDOC's service connection when the water is called. Metropolitan must return borrowed water within three years.
- Non-State Water Project supplies stored in the program would be subject to the existing wheeling policy and would not be available to Metropolitan.