



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

4/13/2010 Board Meeting

8-5

Subject

Authorize one-year amendment to agreement with California Department of Water Resources to purchase water transfer supplies from Yuba County Water Agency; and appropriate \$7 million for water transfer payments

Description

In November 2007, the Board authorized an agreement (2007 Agreement) with California Department of Water Resources (DWR) to purchase water supplies from Yuba County Water Agency (YCWA) under the Yuba River Accord (Accord). The 2007 Agreement provides Metropolitan with an assured purchase of between 13,750 acre-feet and 35,000 acre-feet per year of water supplies in dry years until 2025. Under the 2007 Agreement, YCWA also has discretion to provide "Component 4 Water" via its member units utilizing groundwater supplies and foregoing surface water deliveries at \$50 to \$125 per acre-foot depending on Sacramento River hydrology. In 2009, YCWA member units were reluctant to provide the Component 4 Water for the specified prices because the 2009 DWR Drought Water Bank was offering \$275 per acre-foot for groundwater supplies. In March 2009, the Board authorized a one-year amendment to the Agreement, which increased the price of Component 4 Water in 2009 to \$250 per acre-foot. Metropolitan purchased a total of 42,915 acre-feet of Yuba Accord supplies in 2009, (about 33,000 acre-feet after 20 percent Delta carriage losses and 3% California Aqueduct conveyance losses).

As reported to the Board last month, Metropolitan and other State Water Contractors (SWC) participating in a SWC Buyers Group are offering \$225 per acre-foot for Sacramento Valley groundwater transfer supplies in 2010. Metropolitan, DWR, other Accord buyers, and YCWA have reached tentative agreement to pay YCWA \$200 per acre-foot of Component 4 Water in 2010 only. The proposed amendment will be limited to: (1) changing Component 4 Water pricing for this year only; (2) allowing buyers to suspend pumping of groundwater if Delta conveyance capacity is limited; and (3) giving YCWA transfer supplies priority over other transfer supplies at the Delta pumping plants.

YCWA has indicated that it could make approximately 70,000 acre-feet of Component 4 Water available (about 55,000 acre-feet after 20 percent Delta carriage losses and 3 percent California Aqueduct conveyance losses). The amount of water Metropolitan could receive will depend on other Accord buyers' participation levels. Currently, Metropolitan would be able to purchase approximately 25 percent of these transfer supplies or 17,500 acre-feet before losses. Staff recommends that Metropolitan enter into an amendment with DWR to pay \$200 per acre-foot to YCWA for up to 35,000 acre-feet of Component 4 Water before losses in case Metropolitan's share increases if other Accord buyers opt out. It is expected that there will be sufficient capacity at Banks pumping plant to convey the transfer water to Metropolitan under State Water Project allocations of less than 50 percent. Metropolitan would need to commit to purchase the water by April 15 and would have the option to reduce its purchase amounts at a later date if Delta conveyance capacity is limited.

Policy

Metropolitan Water District Administrative Code Section 4203: Water Transfer Policy

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

Pursuant to the provisions of CEQA and the State CEQA Guidelines, the YCWA, acting as Lead Agency, prepared and processed a Final Environmental Impact Report (Final EIR) for the Lower Yuba River Accord (SCH No. 2005062111). The Final EIR was certified and the project was approved by the Lead Agency on October 23, 2007. The Lead Agency also approved the Findings of Fact, the Statement of Overriding Considerations, and the Mitigation Monitoring and Reporting Program (MMRP). Metropolitan, as a Responsible Agency under CEQA, reviewed and considered the information in the certified Final EIR and adopted the Lead Agency's findings, SOC, and MMRP on November 20, 2007, and approved the formal terms and conditions for the proposed DWR-Metropolitan water transfer agreement. The current board action is solely based on amending the pricing terms of the previously approved agreement and not on any changes to the approved project itself. Hence, the previous environmental documentation acted on by the Board in conjunction with the proposed action fully complies with CEQA and the State CEQA Guidelines. Accordingly, no further CEQA documentation is necessary for the Board to act on the proposed action.

The CEQA determination is: Determine that the proposed action has been previously addressed in the certified 2007 Final EIR, Findings of Fact, the Statement of Overriding Considerations, and MMRP and that no further environmental analysis or documentation is required.

CEQA determination for Option #2:

None required

Board Options

Option #1

Adopt the CEQA determination and

- a. Authorize the General Manager to execute a one-year amendment to the agreement with DWR to purchase YCWA Component 4 Water; and
- b. Appropriate \$7 million for water transfer payments.

Fiscal Impact: Metropolitan would secure a minimum of approximately 25 percent of any Component 4 Water YCWA sells to DWR in 2010. Assuming YCWA provides 70,000 acre-feet of Component 4 Water and Metropolitan's share increases to 50 percent, Metropolitan would purchase 35,000 acre-feet at a total cost of \$7,000,000.

Business Analysis: Approval will help improve dry-year water supplies in the current year.

Option #2

Do not authorize (1) amendment to agreement with DWR; and (2) \$7 million appropriation for water transfer payments.

Fiscal Impact: None

Business Analysis: Not entering into an amendment to the agreement with DWR to purchase YCWA transfer supplies could result in a lost water supply opportunity, potentially resulting in lower water supply reliability in 2010 and beyond.

Staff Recommendation

Option #1



Deven N. Upadhyay
Manager, Water Resource Management

3/30/2010
Date



Jeffrey Kightlinger
General Manager

3/30/2010
Date

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