



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

7/13/2010 Board Meeting

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**7-3**

**Subject**

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Authorize amendments to the water sale agreement with Caltrans and Chiriaco Summit Water District to furnish up to 100 acre-feet per year to facilitate services for the traveling public

**Description**

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Board authorization is requested to amend an existing water sale contract with Caltrans and the Chiriaco Summit Water District (Chiriaco). This change is proposed so that Chiriaco can qualify for state funding of water system improvements to better accommodate Colorado River Aqueduct outages. Proposed amendment terms include, extension of the contract term by 21 years, conditioning the sale on the availability of water to Metropolitan's service area from the Lower Colorado Water Supply Project, and changes to the early termination language. The maximum amount permitted to be sold under the agreement (100 acre-feet) and payment terms remain the same.

The remote community of Chiriaco Summit lies adjacent to the Colorado River Aqueduct and Interstate 10 approximately halfway between Palm Desert and Blythe. The community has provided a truck stop and other motorist services for decades and is the location of the General Patton Museum. Community founders provided food and sanitary services to laborers during construction of the Colorado River Aqueduct and originally relied on springs for water supply. In 1986, Metropolitan and Caltrans entered into an agreement for sale of water to benefit the traveling public near Chiriaco Summit. Caltrans subsequently entered into an agreement with the owners of the motorist services facility.

In 2002, Metropolitan entered into the existing water sale contract with Caltrans and Chiriaco, a county water district formed in 2000. Caltrans was willing to assist Chiriaco in obtaining water for services at Chiriaco Summit because of the location and service available to the traveling public. Metropolitan entered into the 2002 agreement under authority in Administrative Code Section 4211, which authorizes the General Manager to enter into water sale contracts with the state or federal government that contain terms specified in Section 4211, including a maximum quantity sold of 100 acre-feet per year, per connection, per agency; pricing at current rates plus a reasonable capital facility charge; hold harmless provision; and ability of either party to terminate with or without cause on 30 days' notice. The agreement terminates August 1, 2012.

Chiriaco has requested an extension of the 2002 agreement that would eliminate the without-cause 30-day termination provision, representing that the resulting supply uncertainty disqualifies Chiriaco for state financing of water supply system improvements. For that reason, execution of the proposed amendment requires board approval. Chiriaco also requests a longer-term water sale contract to enable it to qualify for state grants and loans necessary to upgrade its local water supply infrastructure.

Staff has negotiated a draft contract amendment with Chiriaco that would extend the existing water sale contract. Terms would include:

1. Extension to January 1, 2034.
2. Continued maximum delivery of 100 acre-feet per year.

3. Sale of water only when water is available to Metropolitan's service area from the federal Lower Colorado Water Supply Project. Metropolitan receives such water pursuant to a 2007 contract with the Bureau of Reclamation and City of Needles.
4. Metropolitan's operational needs and demands from its member agencies may cause service interruptions at any time.
5. Metropolitan may terminate the contract on 180 days' notice in the event of a breach.
6. The rate charged would consist of: Tier 2 Supply Rate, System Access Rate, Water Stewardship Rate, Capital Facilities Charge (calculated separately as defined in agreement), and power charge as defined in the agreement.
7. Chiriaco will limit its combined use of aqueduct water and local groundwater to 125 acre-feet per year.
8. Chiriaco will implement specified water use efficiency measures.

## **Policy**

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Metropolitan Water District Administrative Code Section 4211: Sale of Water to State or Federal Governmental Agencies

### **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 continuing administrative activities, such as general policy and procedure making (Section 15378(b)(2) of the State CEQA Guidelines). In addition, the proposed action is not subject to CEQA because it involves 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 action is not subject to CEQA pursuant to Sections 15378(b)(2) and 15378(b)(4) 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 authorize the General Manager to execute an amendment to the 2002 water sale agreement with Caltrans and Chiriaco Summit Water District as set forth in this letter.

**Fiscal Impact:** Revenue neutral

**Business Analysis:** Extending the agreement will allow continued services to motorists along Interstate 10.

### **Option #2**

Do not authorize amendment to the agreement with Caltrans and Chiriaco

**Fiscal Impact:** Revenue neutral

**Business Analysis:** The existing agreement with Caltrans and Chiriaco will remain in effect through August 2012.

**Staff Recommendation**

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Option #1

  
Deven N. Upadhyay  
Manager, Water Resource Management

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6/28/2010  
Date

  
Jeffrey Kightlinger  
General Manager

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6/29/2010  
Date

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