



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

8/17/2010 Board Meeting

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**8-7**

**Subject**

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Authorize water management program with member agencies during 2010/11 allocation

**Description**

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Staff proposes a 2010/11 water management program to be implemented by agreement with interested member agencies. The program is proposed in light of increased State Water Project (SWP) deliveries, and SWP and Colorado River Aqueduct (CRA) water management actions that are expected to result in approximately 300,000 acre-feet of imported water available to Metropolitan for refill of regional storage. Water will be stored in Diamond Valley Lake, SWP storage, CRA storage, and service area groundwater conjunctive use programs. Staff also proposes to offer additional water to member agencies to address local water management needs in exchange for call provisions by Metropolitan for demand reductions during possible future Metropolitan water supply allocations over the next five fiscal years (July 1, 2011 through June 30, 2016).

Under the proposed program, in fiscal year 2010/11 Metropolitan would deliver water to a participating member agency in excess of the member agency's water supply allocation for that year. No penalties under the water supply allocation plan would apply for these deliveries. The participating member agency would purchase the water at prevailing full-service rates and charges applicable at the time of delivery. Because Metropolitan would schedule these deliveries at its convenience, capacity charges would not apply.

Metropolitan would have the option to make a call on the delivered water for the next five years during an adopted water supply allocation. If called, the participating member agency's water supply allocation for that allocation year would be reduced by the call amount. This reduction would be in addition to the shortage received by the participating member agency due to the allocation. The participating member agency would be required to make up for the reduced allocation with additional conservation or water recycling. If the Board calls off the water supply allocation for fiscal year 2010/11, then the water the member agency obtained through this program would not be subject to any later calls by Metropolitan. A summary of the key terms for the program and agreements is provided in [Attachment 1](#).

These water management agreements would generate regional and local benefits: (1) the proposed agreements would reduce the likelihood of deeper allocations in 2011/12 and subsequent years due to Metropolitan's option to call for increased conservation by participating member agencies; and (2) water delivered this year would assist participating member agencies with immediate water management needs without reducing Metropolitan's ability to meet regional demands over the subsequent five-year period.

**Policy**

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By Minute Item 47393, dated February 12, 2008, the Board adopted the Water Supply Allocation Plan.

## California Environmental Quality Act (CEQA)

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### CEQA determination for Option #1:

The proposed action to implement a water management program by agreement with interested member agencies is an operation activity which is categorically exempt under the provisions of CEQA and the State CEQA Guidelines. Accordingly, the proposed action qualifies under a Class 1 Categorical Exemption (Section 15301 of the State CEQA Guidelines). In addition, the proposed action of authorizing and entering into the Agreement is not defined as a project under CEQA because it involves continuing administrative activities (Section 15378(b)(2) of the State CEQA Guidelines). Also, 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 pursuant to CEQA, the proposed actions qualify under a Categorical Exemption (Class 1, Section 15301 of the State CEQA Guidelines). In addition, the proposed action is not subject to CEQA per 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 water management agreements consistent with the above principles and terms and in form approved by the General Counsel.

**Fiscal Impact:** Increases full service water sales in 2010/11

**Business Analysis:** The proposed water management program assists with local water management needs while simultaneously providing regional benefit through the call provision.

### Option #2

Do not authorize the General Manager to execute water management agreements as proposed in this board letter.

**Fiscal Impact:** No impact

**Business Analysis:** Metropolitan will store water in existing reservoirs and storage accounts but will lose opportunity to extend the benefits to member agencies with water management needs.

## Staff Recommendation

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### Option #1

 Deven N. Upadhyay Manager, Water Resource Management	8/4/2010 Date
 Jeffrey Knightlinger General Manager	8/5/2010 Date

## Attachment 1 – Term Sheet

## TERM SHEET

### Proposed Water Management Agreement during 2010/11 Allocation

1. **Term of Program** - Water will be available for purchase and delivery during the period July 1, 2010 through June 30, 2011. Metropolitan will have the option to call for reduction of the participating member agency's Metropolitan water supply allocation by the call amount from July 1, 2011 through June 30, 2016 during a Metropolitan water supply allocation.
2. **Annual Performance** - Metropolitan will deliver and sell water to a participating member agency in an amount that can be conserved (or met through recycling) at Metropolitan's call during one or two water supply allocation years. Metropolitan and the participating member agency will agree on the annual call amount. Metropolitan will deliver up to two years worth of calls.

The annual call amount will be deducted from the participating member agency's Metropolitan water supply allocation in the call year. The deducted amount will be an additional requirement for reduced potable retail demand (conservation or recycled water use) above that required by the level of supply allocation. The participating member agency's use of local supplies for potable retail demand will determine the Metropolitan supply allocation. The call amount will be deducted from this supply allocation.

If the Metropolitan Board calls off the 2010/11 water supply allocation, the performance provisions regarding the five-year call will not be implemented.

3. **Purchase Price** - The water will be billed at the time of delivery at the prevailing full service rates (Tier 1 or Tier 2, as appropriate) and charges (i.e., readiness-to-serve charge) in effect during the month the water is delivered. The capacity charge will not apply to these deliveries.
4. **Deliveries** - Metropolitan and the participating member agency will agree to an acre-foot purchase amount and will prepare an operating plan to estimate the monthly schedule for deliveries. The operating plan will be updated as needed by Metropolitan and the participating member agency to accommodate changing conditions.
5. **Effect on Water Supply Allocation** - The annual call amount will be deducted from the participating member agency's water supply allocation during the allocation year that the water is called by Metropolitan. The water will not count toward the participating member agency's allocation when it is delivered.
6. **Call** - The water will be available for call by Metropolitan from July 1, 2011 through June 30, 2016. The call amount will be deducted from participating member agency's water supply allocation in the allocation year when the water is called by Metropolitan. Metropolitan and the participating member agency will agree to an annual call deadline that accommodates established procedures in each area. For example, Metropolitan may call any time up to December 15 during a water supply allocation year.
7. **Losses** - Any delivery or storage losses will be the responsibility of the participating member agency.