



- Board of Directors
Water Planning and Stewardship Committee

8/16/2011 Board Meeting

7-4

Subject

Authorize amendment to agreement with California Department of Water Resources to streamline future purchases of water transfer supplies from Yuba County Water Agency

Description

In November 2007, the Board authorized an agreement (Agreement) with California Department of Water Resources (DWR) to purchase water supplies from Yuba County Water Agency (YCWA). Under the Agreement, YCWA provides water transfer supplies to up to 21 State Water Contractors and the San Luis Delta Mendota Water Authority (Buyers) by reoperating their reservoirs and utilizing groundwater instead of surface water supplies (groundwater substitution). YCWA member units have discretion to sell groundwater substitution supplies at \$50 to \$125 per acre-foot depending on Sacramento River hydrology. In 2009 and 2010, YCWA provided reservoir water as required, but its member units declined to sell groundwater substitution supplies for less than higher market prices available in those years. In March 2009 and April 2010, Metropolitan's Board authorized one-year amendments to the Agreement, which increased the price Metropolitan paid for these supplies to \$250 and \$200 per acre-foot, respectively. As a result, Metropolitan received 27,252 acre-feet and 45,086 acre-feet of YCWA groundwater substitution supplies in 2009 and 2010, respectively.

A YCWA Accord Management Committee has been established under the Agreement to coordinate the implementation of water transfers. However, all 22 Buyers are required to execute amendments agreeing to annual price changes. This leads to rushed negotiations among the 22 Buyers, in which an annual price agreement among most of the Buyers could be vetoed by a single Buyer. DWR is requesting the Buyers to execute an amendment to the Agreement to streamline future annual purchases of YCWA groundwater substitution supplies in years 2012-2015. With the amendment in place, DWR would only need the approval of the following three members of the Management Committee to execute future annual amendments: the State Water Contractors, San Luis Delta Mendota Water Authority and YCWA, thereby streamlining future purchases of YCWA groundwater substitution supplies. As a member of both the Management Committee and the largest State Water Contractor, Metropolitan would directly participate in the negotiation of terms for the annual purchases, which would include: pricing, pumping priority at the Delta pumping plants, and administrative changes.

If Metropolitan's Board approves the proposed amendment, staff would still be required to seek Metropolitan Board approval for any future purchases of YCWA groundwater substitution supplies where the terms have changed from the Agreement originally approved by the Board in November 2007. Metropolitan staff believes the amendment would result in a more flexible approach in negotiating and finalizing the purchase of YCWA groundwater substitution on a timely basis.

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 not defined as a project under CEQA because it involves continuing administrative activities (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 the provisions of 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

Option #1

Adopt the CEQA determination and authorize the General Manager to execute an amendment to the Agreement with DWR to streamline future purchases of water transfer supplies from YCWA.

Fiscal Impact: None

Business Analysis: Approval will help improve dry-year water supplies in future years.

Option #2

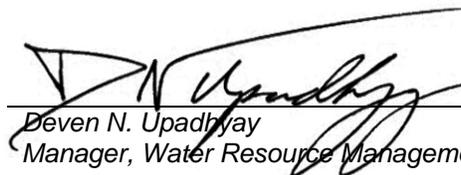
Do not authorize an amendment to the Agreement with DWR.

Fiscal Impact: None

Business Analysis: Not entering into an amendment to the Agreement with DWR to streamline future purchases of YCWA transfer supplies could result in a future lost water supply opportunity.

Staff Recommendation

Option #1

	7/26/2011
Deven N. Upadhyay Manager, Water Resource Management	Date

	8/3/2011
Jeffrey Hightlinger General Manager	Date