



- Board of Directors
Water Planning and Stewardship Committee

7/10/2012 Board Meeting

8-3

Subject

Authorize entering into a water sale agreement with Southern California Edison to furnish a maximum of 1,000 acre-feet of supplemental water for its Devers-Palo Verde No. 2 Transmission Line Project Colorado River Substation

Executive Summary

Southern California Edison (Edison) is seeking a supplemental water supply for its Colorado River Substation (substation) that is part of its larger project, the Devers-Palo Verde 500 kV No. 2 (DPV2) Transmission Line Project. Edison's project approvals require that it purchase supplemental water supplies to offset any potential local water supply impacts. Edison's proposed substation is outside of Metropolitan's service area. Section 131(b) of the Metropolitan Water District Act provides Metropolitan with authority to enter into contracts to provide water service to private corporations outside its service area for electricity generation purposes. Edison is requesting an agreement under Section 131(b) to purchase a maximum of 1,000 acre-feet of supplemental water between 2012 and 2031, with a maximum of 500 acre-feet in any year.

Description

Edison's DPV2 primarily consists of the construction of a new substation and a high-voltage transmission line ([Attachment 1](#)). The DPV2 will help bring renewable and conventional generation from the solar energy-rich areas of eastern Riverside County to the power grid, which will assist California in meeting its renewable energy goals of 33 percent by 2020. The DPV2 will be the primary transmission line to carry renewable energy from the desert into Metropolitan's service area, and throughout Southern California and thus is a high priority project for Edison and the state.

The California portion of DPV2 will consist of the following main components:

- A new 500/220 kilovolt Colorado River Substation near Blythe.
- A new 111-mile 500 kilovolt transmission line between Edison's Devers Substation near Palm Springs and the new Colorado River Substation. The line would be parallel to the existing Devers-Palo Verde transmission line.
- A new 42-mile 500 kilovolt transmission line between Devers Substation and Edison's Valley Substation in Menifee. The line will parallel the existing Devers-Valley transmission line.

Final environmental analysis for DPV2 was prepared jointly by the California Public Utilities Commission (CPUC) pursuant to the California Environmental Quality Act (CEQA) and the U.S. Bureau of Land Management (BLM) pursuant to the National Environmental Policy Act (NEPA). The project was approved by CPUC in 2007 and BLM in 2011.

In order to proceed with construction of its Colorado River Substation, which is an essential component of DPV2, Edison must obtain contractual rights to a supplemental water supply to offset any potential impacts from the project to local water supplies. Edison's proposed substation lies within the area of potential impact to the Colorado River and within the Chuckwalla groundwater basin. Edison proposes to use local water supplies via a groundwater well for construction and operation.

The total projected amount of water use for the substation is estimated to be about 530 acre-feet. This amount consists of an estimated 398 acre-feet during the first year of construction, 133 acre-feet during the second year of construction, and 0.03 acre-feet per year for the next 18 years during project operations.

Edison proposes to enter into a contract with Metropolitan for supplemental water needed to offset local impacts. Edison would only purchase water from Metropolitan if its groundwater well reaches certain trigger levels that indicate impacts to Colorado River or Chuckwalla groundwater basin supplies. The proposed contract is for a maximum amount of 1,000 acre-feet over 20 years, with a maximum of 500 acre-feet in any one year.

Section 131(b) of the Metropolitan Water District Act ([Attachment 2](#)) provides Metropolitan with authority to enter into contracts to provide water to any private corporation or public agency for use in connection with generation of electric power at plants located outside of the district but which generate power for use within the district, for a maximum term of 50 years. Edison's substation provides ancillary transmission and transformation services that are essential to the generation of electricity. A major portion of the power on DPV2 will go into Metropolitan's service area. Edison has requested a 20 year term for the agreement based on the projected life of the project.

Section 131(b) also requires that the rate charged for water service not to be less than what the purchaser would pay in taxes, standby charges or assessments, and applicable water rates if the plant were located within Metropolitan. The basic rate for the Edison agreement would be the Full Service Untreated Volumetric cost for Tier 2 supply in effect at the time of delivery of the water, a marginal power charge, and a Capital Facilities Charge. The marginal power charge is based on the greater of (a) Metropolitan's System Power Rate; (b) variable Operations, Maintenance, Power & Replacement charges and off-aqueduct power charge on the East Branch of the State Water Project (excluding credits); or (c) the incremental cost of supplemental Colorado River Aqueduct energy. The Capital Facilities Charge is a per acre-foot charge that is the estimated equivalent of monies collected by Metropolitan from its member agencies through Ad Valorem Taxes, the Readiness-To-Serve Charge, and the Capacity Charge.

Key terms of the proposed agreement with Edison are set forth in [Attachment 3](#). Given the importance of DPV2 and the proposed substation and because the proposed agreement is consistent with existing authority under Section 131(b) of the Metropolitan Water District Act, staff recommends that the Board authorize the General Manager to enter into the proposed agreement.

Policy

Metropolitan Water District Act Section 131. [Sales to United States, State of California and Private Corporations and Public Agencies]

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

Pursuant to the provisions of CEQA, the State CEQA Guidelines and the National Environmental Policy Act, the California Public Utilities Commission (CPUC), acting as Lead Agency, with the cooperation of the California Department of Fish and Game, and the U.S. Department of the Interior, Bureau of Land Management (BLM) under the National Environmental Policy Act (NEPA), prepared and processed a Draft Environmental Impact Statement/Environmental Impact Report (Final EIS/EIR) for the Devers–Palo Verde 500 kV No. 2 (DPV2) Transmission Line Project in May 2006. The CPUC identifies the DPV2 Project as Application A.05-04-015. The CPUC approved the DPV2 Project on January 25, 2007 in Decision D.07-01-040 and certified the EIR as being in compliance with the requirements of CEQA. On May 14, 2008, Edison filed a Petition for Modification (Petition) of the existing plan approved in Decision D.07-01-040. Edison requested that the CPUC authorize Edison to construct DPV2 facilities in only the California portion of DPV2 starting from the Midpoint Substation–Desert Southwest near Blythe, California, which has since been renamed the Colorado River Substation. This California only portion of DPV2 is called the Devers–Colorado River transmission line 1. The CPUC approved Edison's Petition on November 20, 2009 in Decision D.09-11-007.

After the CPUC's 2009 Decision, the Blythe Solar Power Project and the Genesis Solar Energy Project were proposed in the Blythe area. These two projects requested interconnection to the electricity grid at the Midpoint-DSW Substation. As a result, the solar developers and Edison developed a plan to expand the Midpoint-DSW Substation (now called Colorado River Substation) to allow the required space for generation tie (gen-tie) lines to be interconnected with the Edison 500 kV transmission system. The impacts of these two projects were considered in a Final Supplemental EIR/EIS published in April 2011. A Notice of Determination for this Final Supplemental EIR/EIS was filed with the CEQA State Clearinghouse on July 15, 2011.

Metropolitan, as a Responsible Agency under CEQA, is required to certify that it has reviewed and considered the information in the Final EIR/EIS, Final Supplemental EIR/EIS, including the supporting findings, Statement of Overriding Considerations (SOC), and Mitigation, Monitoring, and Reporting Plan (MMRP), and adopted the Lead Agency's findings and SOC. The environmental documentation is available in the Executive Secretary's Office for review.

The current proposed board action is based solely on approval of a water sale agreement with Edison to furnish water for its DVP2 Colorado River Substation. Hence, the previous environmental documentation referenced above 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 2011 Final EIS/EIR, Final Supplemental EIR/EIS, along with the adopted findings, SOC, and MMRP and that no further environmental analysis or documentation is required, and adopt the Lead Agency's findings related to the proposed action.

CEQA determination for Option #2:

None required

Board Options

Option #1

Adopt the CEQA determination and authorize the General Manager to enter into an agreement with Edison to furnish a maximum of 1,000 acre-feet of supplemental water for its Devers-Palo Verde No. 2 Transmission Line Project Colorado River Substation, on the terms described in [Attachment 3](#).

Fiscal Impact: Minor increased revenues from water sales.

Business Analysis: Minor increased water sales and assistance with important renewable energy project.

Option #2

Do not authorize agreement.

Fiscal Impact: Loss of minor water sales revenues.

Business Analysis: Potential delay or impediment to DPV2 and ancillary substation.

Staff Recommendation

Option #1


Deven N. Upadhyay
Manager, Water Resource Management

6/26/2012
Date


Jeffrey Kichtlinger
General Manager

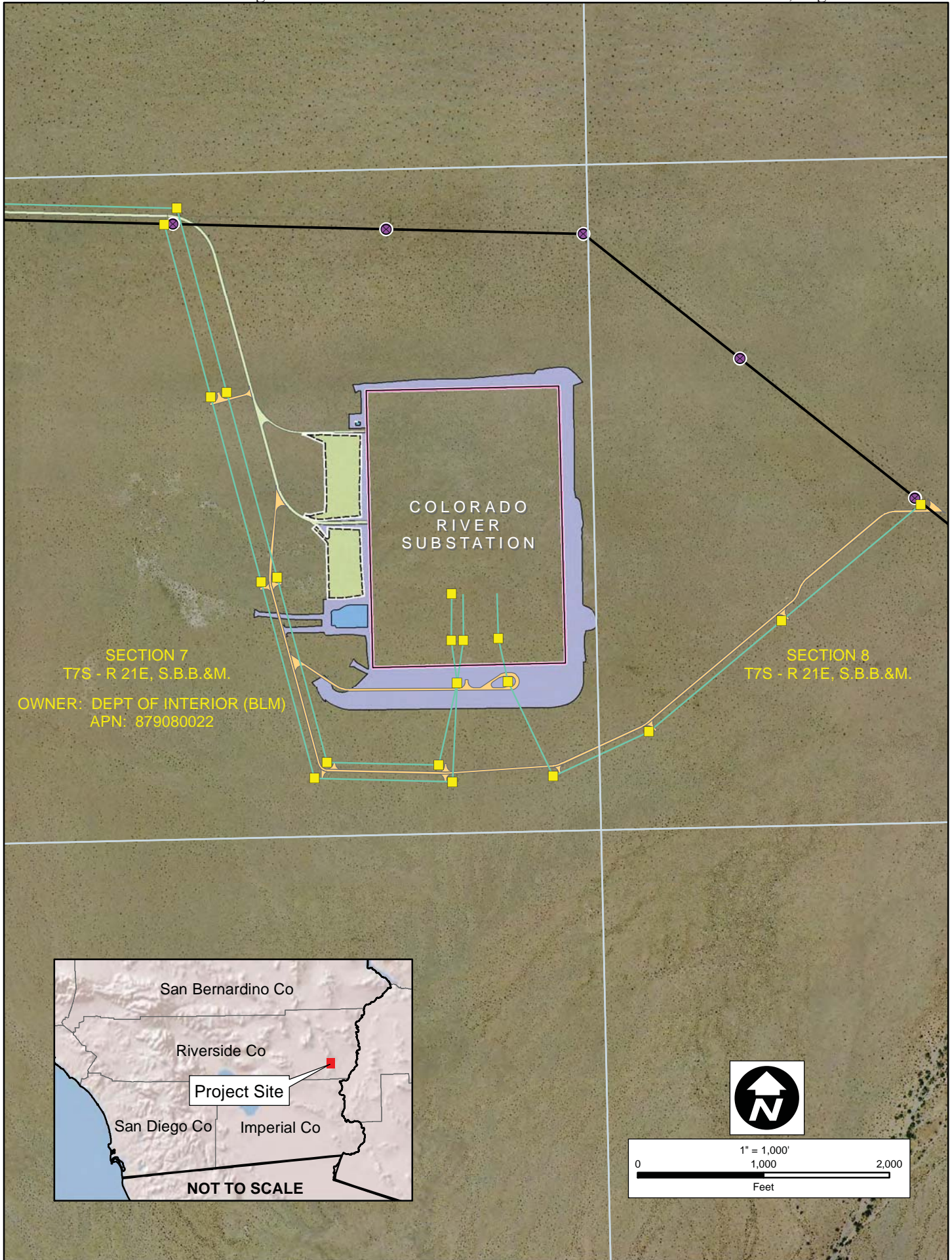
6/28/2012
Date

Attachment 1 – Project Map

Attachment 2 – Excerpt of Metropolitan Water District Act – Section 131

Attachment 3 – Edison’s Colorado River Substation Water Supply Agreement Key Terms

Ref# wrm12618978



EXCERPTS OF METROPOLITAN'S WATER DISTRICT ACT

Sec. 131. [Sales to United States, State of California and Private Corporations and Public Agencies]

(a) A district may provide, sell, and deliver water and water service to the United States of America or to any board, department or agency thereof or to the State of California for any use or purpose pursuant to contract therefor.

The contract may be for permanent service, but shall provide for the furnishing of the water or water service upon terms and conditions and at rates which will apportion an equitable share of the capital cost and operating expense of the district's works to the contractee. Every contract shall provide that at the end of five years from the date of its execution and every three years thereafter there shall be such readjustment of the contract, upon the demand of either party thereto, either upward or downward as to rates, as the board of directors of the district may find to be just and reasonable in order to effectuate the equitable apportionment of the capital costs and operating expense.

(b) A district may provide, sell, and deliver water and water service, by a contract not to exceed 50 years, to any private corporation or public agency, or combination thereof, for use in connection with, or ancillary to, the generation of electric power at plants which are located outside of the district but which generate power the major portion of which is used directly, or indirectly through exchange, within the district, or for pumping, producing, treating, or reclaiming water for use within the district. The contracts shall not aggregate more than 100,000 acre-feet of water from the Colorado River and more than 60,000 acre-feet of water from the State Water Resources Development System in any one year during that period. Every contract shall provide that agricultural waste water, brackish ground water, or other water not suitable for domestic, municipal, or agricultural purposes shall be utilized for powerplant cooling to the extent practicable, and if not immediately available, the waste or brackish water, as it becomes available and to the extent practicable, shall replace the fresh water then being used for that purpose. The water and water service shall be furnished by the district at charges not less than those corporations or agencies would pay in general taxes to the district, the substantial equivalent of what those corporations or agencies would pay, directly or indirectly, as a result of a service charge or assessment imposed by and within the district, and the water rate of the district applicable to the classification of water delivered to those plants if the plants were located within the district, and in the case of a public agency within the district, if the plants were located within that agency. No contract shall be entered into pursuant to this subdivision to provide, sell, and deliver water and water service for use within the service area of any agency which has a contract with the State of California for a water supply under the State Water Resources Development System without the prior written consent of that agency and the Director of Water Resources of the State of California.

(c) All water contracted for under this section shall be deemed not to be surplus water available for sale pursuant to Section 132. For purposes of this section the term "public agency" shall mean a county, city, district, local agency, public authority or public corporation.

Amended by Stats. 1974, ch. 929 and Stats. 1984, ch. 271.

Note: Stats. 1974, ch. 929 also provides: 2. It is the intent of the Legislature, recognizing the need to maintain, preserve, conserve and otherwise continue in existence open space lands outside the boundaries of the Metropolitan Water District of Southern California for the production of food and fiber, that in the enactment of this act, the district shall not be empowered, in the exercise of the authority granted by this act, to modify, alter, or affect any priority to water for agricultural purposes outside the district's boundaries, or cause an increase in the district's entitlement to water in excess of that to which the district would be entitled in the absence of such authority.

It is also the intent of the Legislature that nothing in this act either affects existing water rights in the state or gives the Metropolitan Water District of Southern California any additional powers or duties other than the authority to provide, by contract, water outside its boundaries for use in connection with the generation of electric power.

Edison's Colorado River Substation Water Supply Agreement
Term Sheet

- Metropolitan and Edison would enter into agreement whereby Metropolitan would provide supplemental water to Edison, if needed based on Edison's project permits.
- Term of the agreement: 2012 – 2031
 - Terminable by either party upon giving written notice to the other party 30 days prior to the effective date of termination.
- Edison would monitor groundwater levels from its pumping wells and provide groundwater elevation data to Metropolitan on a quarterly basis during the construction period and annually following construction.
- In the event that the groundwater levels trigger Edison to obtain supplemental water, Edison would notify Metropolitan within 30 days of such trigger and provide an estimate of the amount of supplemental water it would need for the remainder of the year.
- Edison would provide necessary water use information directly to the Bureau of Reclamation and the State of California, as appropriate.
- Within 30 days following each calendar year, Edison would provide documentation to Metropolitan of the amount of supplemental water used by Edison, provided that:
 - The maximum amount of supplemental water available in any one year is limited to 500 acre-feet.
 - The maximum total amount of supplemental water available between 2012 and 2031 is limited to 1,000 acre-feet.
- If the supplemental water used is within the limits above, Metropolitan would send an invoice to Edison by April 1 for the amount of supplemental water delivered to Edison during the previous year.
- The rate Metropolitan would charge Edison per acre-foot would be based upon the sum of the following rate and charge components as in effect and applicable to Metropolitan's member agencies at the time of delivery and as applicable to the specific facts of Edison's purchases: (i) Tier 2 Supply Rate; (ii) System Access Rate; (iii) Water Stewardship Rate; (iv) Capital Facilities Charge; and (v) the greater of (a) Metropolitan's System Power Rate; (b) variable Operations, Maintenance, Power & Replacement charges and off-aqueduct power charge on the East Branch of the State Water Project (excluding credits); or (c) the incremental cost of supplemental Colorado River Aqueduct energy.
- The supplemental water provided by Metropolitan to offset groundwater pumped by Edison would be deemed Metropolitan's Colorado River water supplies that have been exchanged for an equal amount of Metropolitan's non-Colorado River water supplies.
- Edison's Colorado River Substation facilities would be used in connection with, or ancillary to, the generation, transmission and transformation of electric power from plants that generate power, a major portion of which is used directly, or indirectly through exchange, within Metropolitan's service

area, or for pumping, producing, treating, or reclaiming water for use within Metropolitan's service area.

- Edison would defend, indemnify, and hold Metropolitan harmless from all claims and damages resulting from interruptions in water deliveries and from all damages resulting directly or indirectly from Metropolitan's delivery of water to Edison.