



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

6/11/2013 Board Meeting

8-7

Subject

Authorize entering into a two-year agreement with the California Department of Water Resources to pay up to \$15.18 million to purchase State Water Project supplies under the Multi-Year Water Pool Demonstration Program

Executive Summary

Authorization is requested for the General Manager to enter into a two-year agreement with the California Department of Water Resources to pay up to \$15.18 million to purchase State Water Project supplies under the Multi-Year Water Pool Demonstration Program to help improve dry-year water supplies in 2013 and 2014.

Details

In response to current dry conditions, the California Department of Water Resources (DWR) is establishing a new water management program for 2013 and 2014. The Multi-Year Water Pool Demonstration Program (Water Pool) will allow two-year sales of SWP supplies between Contractors. The new program requires a Contractor to make a two-year commitment to buy and/or sell allocated SWP supplies. DWR will manage the Water Pool, including processing payments and allocating supplies. Allocations under the program will be set at proportional Table A supplies, which equates to 46 percent of the Water Pool for Metropolitan.

Prices under this two-year demonstration program have been established and are shown in [Attachment 1](#). The prices range from \$25 per acre-foot at high SWP allocations to \$253 per acre-foot at the current SWP allocation of 35 percent. If the June 1, 2014, SWP allocation is 30 percent or less, new prices would be negotiated and staff would return to the Board and seek approval to purchase 2014 Water Pool supplies.

Staff recommends that the Board authorize the General Manager to enter into a two-year agreement with DWR to purchase up to \$15.18 million of Water Pool supplies. This is equivalent to 60,000 acre-feet of supplies over a two-year period at a price of \$253 per acre-foot. Staff estimates Metropolitan may be able to acquire approximately 30,000 acre-feet in 2013 based on projected supplies available in the Water Pool. These purchases would offset the need for Metropolitan to withdraw an equivalent amount of water from storage programs. Funding for these supplies is available in the State Water Project budgets for fiscal year 2012/13 and 2013/14.

DWR plans to manage the Water Pool as a demonstration program for two years. After the demonstration program is complete, DWR will assess whether it improved the management of available SWP supplies and is worthy of long-term implementation.

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 subject to CEQA because it involves the creation of government funding mechanisms or 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). In addition, the proposed action is categorically exempt under the provisions of CEQA and the State CEQA Guidelines because it consists of the operation of existing equipment and facilities with negligible or no expansion of use beyond that existing at the time of the lead agency's determination and it will not have a significant effect on the environment. Accordingly, this proposed action also qualifies as a Class 1 Categorical Exemption (Section 15301 of the State CEQA Guidelines).

The CEQA determination is: Determine that the proposed action is not subject to CEQA pursuant to Section 15378(b)(4) of the State CEQA Guidelines. The proposed action qualifies under a Categorical Exemption (Class 1, Section 15301 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 enter into a two-year agreement with the California Department of Water Resources to pay up to \$15.18 million for State Water Project supplies under the Multi-Year Water Pool Demonstration Program to help improve dry-year water supplies in 2013 and 2014.

Fiscal Impact: Assuming SWP allocations are 35 percent on June 1, 2013, and June 1, 2014, the price would be \$253 per acre-foot to purchase up to 60,000 acre-feet at a total maximum purchase price of \$15.18 million. If the June 1, 2014, allocation is greater than 35 percent, Metropolitan may have access to greater volumes at a lower unit price. Funding for these supplies is available in the State Water Project budgets for fiscal year 2012/13 and 2013/14.

Business Analysis: Approval will help improve dry-year water supplies in 2013 and 2014.

Option #2

Do not authorize the General Manager to enter into a two-year agreement with the California Department of Water Resources to purchase up to \$15.18 million of State Water Project supplies under the Multi-Year Water Pool Demonstration Program to help improve dry-year water supplies in 2013 and 2014.

Fiscal Impact: None

Business Analysis: Not purchasing Multi-Year Water Pool Demonstration Program transfer supplies could forgo an opportunity to acquire cost-effective dry year supplies.

Staff Recommendation

Option #1


Deven N. Upadhyay
Manager, Water Resource Management

5/29/2013
Date


Jeffrey Kightlinger
General Manager

5/31/2013
Date

Attachment 1 – Multi-Year Water Pool Demonstration Program Pricing Schedule

Ref# wrm12623532

Multi-Year Water Pool Demonstration Program Pricing Schedule	
June 1st Allocation	\$/AF
96-100%	25
91-95%	25
86-90%	25
81-85%	35
76-80%	46
71-75%	46
66-70%	100
61-65%	115
56-60%	138
51-55%	161
46-50%	184
41-45%	207
36-40%	230
31-35%	253
30% or Less	TBN*

*To be negotiated