



- Board of Directors
Water Planning and Stewardship Committee

8/20/2013 Board Meeting

7-3

Subject

Authorize entering into an exchange and purchase agreement with the San Gabriel Valley Municipal Water District

Executive Summary

Authorization is requested for the General Manager to enter into an agreement consistent with the terms in [Attachment 1](#) with the San Gabriel Valley Municipal Water District (SGVMWD) that would improve Metropolitan's reliability by allowing both the unbalanced exchange and purchase of available water supplies. Under this proposed program, SGVMWD would gain increased reliability for their subagency, the city of Sierra Madre. The agreement would provide Metropolitan with 5,000 acre-feet (AF) of additional supplies each year. A portion of the water may be supplied as part of a two-for-one unbalanced exchange while the remaining amount will be purchased at a price of \$250/AF for supplies delivered to Metropolitan's service area.

Details

SGVMWD was formed in 1954 to serve water to the cities of Alhambra, Azusa, Monterey Park, and Sierra Madre. To secure water, SGVMWD entered into a contract with the State of California Department of Water Resources in 1962 to secure State Water Project supplies. The district currently has a Table A allotment of 28,800 AF. SGVMWD is currently unable to make reliable deliveries of water to one of its member agencies, the city of Sierra Madre. Metropolitan has capacity on Metropolitan's Upper Feeder that can serve Sierra Madre. A new emergency service connection on Metropolitan's Upper Feeder was recently constructed consistent with the Board's authorization provided in February 2006. Sierra Madre is currently experiencing serious problems with its local groundwater supplies. The city has implemented drastic mandatory water conservation measures requiring many residents to conserve up to 20 percent of their previous year's water usage.

The coordination of the available water supplies of the SGVMWD and Metropolitan's delivery facilities will improve the water reliability of both agencies. As a result of this proposed agreement, Metropolitan would have access to additional water supply and SGVMWD would be able to improve the reliability of one of its four member agencies. Under this agreement, Metropolitan would deliver water to the city of Sierra Madre by unbalanced exchange. For every AF of treated water that Metropolitan delivers to the city of Sierra Madre, Metropolitan would receive two AF of untreated water into Metropolitan's Cyclic Accounts in the Main San Gabriel Basin or other mutually agreed location. Metropolitan can then sell that water to its member agencies that use water supplies in the Main San Gabriel Basin, either Upper San Gabriel Valley Municipal Water District or Three Valleys Municipal Water District. .

Metropolitan would have the ability to purchase 5,000 AF each year. The purchase price for the water would be \$250/AF which will be set for five years and then may be adjusted upon mutual agreement. Should SGVMWD have additional supplies above 5,000 AF, Metropolitan may purchase those supplies based on mutual consent. Water obtained by exchange would reduce the amount of supplies Metropolitan would have available to purchase. For example, should Metropolitan deliver 500 AF to Sierra Madre, SGVMWD would provide Metropolitan 1,000 AF at no cost as part of the two-for-one unbalanced exchange. Metropolitan would then purchase 4,000 AF at a cost of \$250/AF.

The program would continue unless terminated by either party, until December 31, 2035. Either party may terminate the agreement with one year notice. The program has the potential to increase Metropolitan's reliability by 115,000 AF over the next 23 years. The cost for the water is competitive with Metropolitan's other alternatives. Unlike Metropolitan's State Water Project storage programs, there are no additional fees to put water into or take water from Metropolitan's Cyclic Accounts. The cost of the water is also competitive considering its location within Metropolitan's service area.

The proposed program achieves multiple benefits for all of the parties. The program encourages the storage and delivery of supplies in the Main San Gabriel Basin, increasing groundwater levels in the basin. This stored water would mitigate and reduce impacts from droughts. Sierra Madre would have improved access to SGVMWD supplies by exchange. The delivery of surface water reduces the demand on local groundwater pumping and allows Sierra Madre to eliminate or reduce the mandatory conservation measures that are currently in place. Metropolitan benefits from the two-for-one unbalanced exchange which improves Metropolitan's overall water supplies. In addition, Metropolitan can supplement its existing supply by purchasing additional SGVMWD water at a competitive price.

Policy

Metropolitan Water District Administrative Code Section 4203: Water Transfer Policy

By Minute Item No. 46557, the Board, at its February 14, 2006 meeting, authorized entering into an agreement with the SGVMWD, Three Valleys Municipal Water District, Inland Empire Utilities Agency, and the city of Sierra Madre.

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is categorically exempt under the provisions of CEQA and the State CEQA Guidelines. The proposed action involves an exchange and purchase agreement associated with the leasing, licensing, and operating of existing public water conveyance facilities with negligible or no expansion of use and no possibility of significantly impacting the physical environment. Accordingly, the proposed action qualifies for a Class 1, Categorical Exemption (Section 15301 of the State CEQA Guidelines).

The CEQA determination is: Determine that pursuant to CEQA, 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 that the project is categorically exempt and authorize the General Manager to enter into an agreement with SGVMWD consistent with the terms in [Attachment 1](#).

Fiscal Impact: Up to \$1,250,000 each year assuming the purchase of 5,000 AF at \$250/AF of water delivered to Metropolitan's service area. The purchase amount may increase by mutual consent and the price may be modified by mutual consent after five years.

Business Analysis: The program costs are very competitive with Metropolitan's other water supply reliability programs. The program may allow Metropolitan to reduce more costly purchases of transfer supplies and operation of State Water Project storage programs.

Option #2

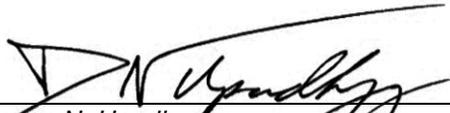
Do not authorize the General Manager to enter into an agreement with SGVMWD.

Fiscal Impact: None

Business Analysis: Not implementing the program could increase Metropolitan's reliance on more costly water supply alternatives.

Staff Recommendation

Option #1



Deven N. Upadhyay
Manager, Water Resource Management

8/6/2013
Date



Jeffrey Kightlinger
General Manager

8/7/2013
Date

Attachment 1 – Term Sheet: Metropolitan/SGVMWD Coordination of Delivery Facilities and Water Supplies

Ref# wrm12625954

Term Sheet
Metropolitan/San Gabriel Valley MWD
Coordination of Delivery Facilities and Water Supplies

SGVMWD and Metropolitan Water Supply Reliability

- San Gabriel Valley MWD (SGVMWD) and Metropolitan will coordinate the operation of the San Gabriel Valley Pipeline (Azusa Pipeline) and Metropolitan's Upper Feeder, in addition to each agency's Cyclic Storage Accounts to enhance the reliability of each agency.
- SGVMWD intends, to the extent practicable, to take delivery of its entire Table A supplies each year into its service area.
- SGVMWD and Metropolitan both agree not to facilitate the delivery of their State Water Project supplies into the other agency's service area without the express written consent of the other agency.
- SGVMWD and Metropolitan agree to support the implementation of the Main San Gabriel Watermaster Rules and Regulations Section 27 and to jointly defend against any future attempts to rescind or adversely modify Section 27.

Program Costs

- SGVMWD/the city of Sierra Madre will compensate Metropolitan for the delivery of treated water on the Upper Feeder by delivering additional water at a two-for-one unbalanced exchange rate in the groundwater basin.
- SGVMWD agrees to sell to Metropolitan and Metropolitan agrees to purchase 5,000 acre-feet from SGVMWD Cyclic Account each year at a price of \$250 per acre-foot less the amount of water provided as part of the unbalanced exchange. Example: Sierra Madre takes delivery of 500 acre-feet on the Upper Feeder and provides 1,000 acre-feet as part of the unbalanced exchange. Metropolitan would then purchase 4,000 acre-feet.
- The purchase price will be set for five years, after which the price may be renegotiated per mutual consent.
- The agreement will have the flexibility upon mutual consent to adjust the amount to be purchased.

Coordination of Delivery Facility

- SGVMWD will provide Metropolitan exchange water in advance or concurrent with Metropolitan delivering water to Sierra Madre. The delivery to Metropolitan shall occur in the Main San Gabriel Basin into Metropolitan's Cyclic Storage Account with Upper District or at another mutually agreeable location.
- Metropolitan will deliver treated water to Sierra Madre using available capacity in the Weymouth treatment plant and the Upper Feeder by exchange with SGVMWD.

Cyclic Accounts in Main San Gabriel Basin

- SGVMWD and Metropolitan have Cyclic Accounts in the Main San Gabriel Basin.
- SGVMWD will store its water in its Cyclic Account and transfer excess supplies to Metropolitan's Cyclic Account.
- Metropolitan may store both its own water and available water purchased from SGVMWD in the Cyclic Account.

Term

- The purchase agreement will terminate automatically on December 31, 2035, unless the parties mutually agree to extend the term. The Metropolitan/SGVMWD purchase and Sierra Madre provisions can be terminated by either SGVMWD or Metropolitan with one year notice.