



- Board of Directors
Water Planning and Stewardship Committee

10/8/2013 Board Meeting

8-2

Subject

Authorize amendment to Metropolitan's Cyclic Storage Agreement with Three Valleys Municipal Water District and the Main San Gabriel Basin Watermaster

Executive Summary

Authorization is requested for the General Manager to amend Metropolitan's Cyclic Storage Agreement (Cyclic Agreement) consistent with the terms in [Attachment 1](#) with Three Valleys Municipal Water District (Three Valleys) and the Main San Gabriel Basin Watermaster (Watermaster). The Cyclic Agreement would allow Metropolitan the flexibility to regulate its available water supplies in a 40,000 acre-feet (AF) storage account to meet the delivery needs of the region. Water would be stored when available with no additional put or take costs. The program would be operated to improve the reliability to both Three Valleys and the entire region. The amendment would extend the term of the agreement for five years and apply the full service rate when water is delivered to Three Valleys from the account.

Details

Metropolitan has operated a cyclic storage account in the Main San Gabriel Basin (Basin) allowing for the advance delivery and storage of water since the 1970s. Amending the Cyclic Agreement would continue to allow Metropolitan to store 40,000 AF in the Basin at no cost. In addition, the program would incur no automatic storage losses. According to the Watermaster Rules and Regulations, losses only occur when stored water spills from the Basin. The Cyclic Agreement would enhance Metropolitan's operating flexibility during wet and dry periods. In wet years, the cyclic account would allow Metropolitan to store available supplies. Deliveries into the account are at Metropolitan's discretion, based on the conditions at the time. In dry years, the cyclic account would be operated as part of Metropolitan's storage reserves to meet the water needs within the service area. As such, the stored water in this cyclic account would be withdrawn as a delivery to Three Valleys and could offset the delivery of surface supplies in dry years that could then be delivered to other parts of Metropolitan's service area.

Under the Cyclic Agreement, Metropolitan would have the flexibility to make water deliveries through one of its service connections or from the cyclic account. Water delivered from the cyclic account would be sold at Metropolitan's full service untreated water rate in effect when the water is sold. The amendment eliminates references to Metropolitan's previous discounted replenishment rate. Metropolitan, Three Valleys, and the Watermaster also seek to renew the program for an additional term of five years with provisions to renew upon mutual agreement. The current agreement would expire June 30, 2014. The newly amended program would also provide the ability to transfer water supplies from other cyclic accounts in the Basin. The Watermaster would account for the water placed in storage and recovered from storage, and keeps a running balance of water remaining in the account.

The Cyclic Agreement would provide many benefits. The cyclic account allows Metropolitan to improve reliability to both Three Valleys and the region. The program is very competitive with other storage programs with no storage costs. The program is also located within Metropolitan's service area and would help in the event of an emergency. As a result of the program, more water should be stored in the Main San Gabriel Basin,

increasing groundwater levels in the Basin. Higher water levels benefit the local groundwater producers with reduced groundwater pumping costs. In addition, the Watermaster should have a more readily available supply to meet its supplemental water requirements.

Policy

By Minute Item No. 39126, the Board, at its July 9, 1991 meeting, authorized the General Manager to enter into a Cyclic Storage Agreement with Three Valleys and the Watermaster.

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, such as general policy and procedure making (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 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 that the program is not subject to CEQA and authorize the General Manager to enter into an amendment to Metropolitan's Cyclic Storage Agreement with Three Valleys Municipal Water District and the Main San Gabriel Basin Watermaster consistent with the terms in [Attachment 1](#).

Fiscal Impact: None

Business Analysis: There are no program costs for maintaining the cyclic storage account. Metropolitan would benefit by storing water supplies to improve reliability and flexibility in the operation of its water supplies.

Option #2

Do not authorize the General Manager to enter into an amendment of the agreement with Three Valleys Municipal Water District and the Main San Gabriel Basin Watermaster.

Fiscal Impact: None

Business Analysis: Not implementing the program could increase Metropolitan's reliance on more costly water storage options, and the current agreement would not be updated according to reflect Metropolitan's prevailing full service rates.

Staff Recommendation

Option #1



Deven N. Upadhyay
Manager, Water Resource Management

9/17/2013
Date



Jeffrey Kightlinger
General Manager

9/20/2013
Date

**Attachment 1 – Term Sheet - Metropolitan/Three Valleys MWD/Main San Gabriel Basin
Watermaster Cyclic Storage Agreement**

Ref# wrm12626039

Term Sheet
Metropolitan/Three Valleys MWD/Main San Gabriel Basin Watermaster
Cyclic Storage Agreement

Cyclic Account

- Maintain current cyclic account size of 40,000 acre-feet.
- Metropolitan may directly deliver water to the cyclic account or receive transfers from the San Gabriel Valley Municipal Water District (San Gabriel) cyclic account.
- No losses for delivering water into the cyclic account. Any losses to the cyclic account due to high groundwater levels will be consistent with the Main San Gabriel Basin Watermaster Rules and Regulations.
- Main San Gabriel Watermaster shall accommodate the transfer of water between the Metropolitan and San Gabriel cyclic accounts upon mutual request.
- Main San Gabriel Watermaster shall account for all water in and out of the cyclic account and shall maintain a record of the balance of water in storage.

Cyclic Program Costs

- Metropolitan shall not incur any costs to place water into storage or to transfer water out of storage.
- Three Valleys shall pay Metropolitan the full service untreated water rate at the time water is sold from the cyclic account.
- Metropolitan may invoice Three Valleys from the cyclic account up to the amount Three Valleys orders or the amount remaining in the cyclic account.
- Metropolitan's Capacity Charge shall not apply to water sold from the cyclic account because Metropolitan shall deliver water for storage at its discretion.
- Metropolitan's Readiness-to-Serve charge shall apply at the time the stored water is sold to Three Valleys.

Term

- The Cyclic Agreement shall terminate in five years, unless previously terminated or extended upon mutual agreement.