



- Board of Directors
Water Planning and Stewardship Committee

9/9/2014 Board Meeting

8-1

Subject

Authorize an improvement of the return capacity of the Semitropic Groundwater Storage Program

Executive Summary

This action authorizes Metropolitan to increase the capacity of the Semitropic Groundwater Storage Program to return its stored water and augment its water supply deliveries in 2015. Metropolitan has an opportunity to enhance the return capacity of the Semitropic Groundwater Storage Program by 13,200 acre-feet per year (AFY) at a capital cost of \$5.8 million. The capital costs would be reimbursed to Metropolitan should Semitropic Water Storage District (Semitropic) market the capacity to another party after Metropolitan has at least one year of recovery capability.

Details

In 1994, Metropolitan entered into a groundwater storage agreement with Semitropic that allows the storage of up to 350,000 acre-feet (AF). The agreement allows Metropolitan to store water during surplus conditions to later be returned when needed. The current agreement expires in 2035. The Semitropic Groundwater Storage Program can return water by direct pumpback to the California Aqueduct or by State Water Project entitlement exchange. When the State Water Project Allocation is low, recovering water by exchange from the program is reduced or eliminated. Metropolitan currently has a minimum pumpback return capability of 31,500 AFY. Metropolitan also has the rights to the unused capacity of other banking partners, but in dry years that capacity may not be available. The program return capability could be improved by enhancing the direct pumpback capability to the California Aqueduct.

Metropolitan staff is requesting authorization to enter into an agreement with Semitropic to improve the return capability of Metropolitan's existing Semitropic Groundwater Storage Program by 13,200 AFY. The capacity would be on-line in 2015 to improve water supply reliability for the region should drought conditions continue.

Key terms for the agreement include the following:

1. Semitropic will develop 13,200 AFY of increased pumpback capacity for Metropolitan starting in September 2015.
2. Metropolitan will make a one-time payment in the amount of \$5.8 million to Semitropic for the development of the enhanced pumpback capacity.
3. If Semitropic finds a buyer for all or a portion of the enhanced pumpback capacity, Metropolitan will be reimbursed in an amount proportional to the amount of capacity sold.
4. Metropolitan will retain use of the enhanced pumpback capacity until reimbursed, but no later than December 31, 2035, unless mutually agreed.
5. Metropolitan will pay for the regulation fees, energy costs, and treatment costs consistent with the current Semitropic Program Agreement with the exception of the Maintenance Fee for the enhanced facilities.

6. Metropolitan will pay the Maintenance Fee of \$8.00 per 1 AFY of enhanced yield. For 13,200 AFY of program capacity the charge would be \$105,600 payable beginning on February 1, 2016. The Maintenance Fee may be adjusted upon mutual agreement.
7. The Maintenance Fee will be applied toward withdrawal fee payments associated with withdrawals from the enhanced facilities.

The improved extraction capability would allow Metropolitan to recover an additional 13,200 AF already in the Semitropic Groundwater Storage Program. Should Semitropic be unable to market its Stored Water Recovery Unit (SWRU) program to other parties, Metropolitan will continue to benefit from the enhanced capacity. Should Semitropic sell their SWRU program, Metropolitan would be reimbursed the related capital costs. Since the Semitropic program is located south of the Delta, the supply is not subject to Delta conveyance restrictions or losses. Staff recommends that the Board authorize staff to enter into an agreement with Semitropic to improve Metropolitan's recovery capability.

Policy

By Minute Item 40996, dated August 19, 1994, the Board authorized the General Manager to enter into an agreement with Semitropic Water Storage District for a water management program.

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

Pursuant to the provisions of CEQA and the State CEQA Guidelines, Semitropic, acting as Lead Agency, prepared and processed a Final Environmental Impact Report (Final EIR) for the proposed project. The Final EIR was certified and the project was approved by the Lead Agency on July 13, 1994. The Lead Agency also approved the Findings of Fact (findings) and the Mitigation Monitoring and Reporting Program (MMRP). On August 5, 1994, Metropolitan, as Responsible Agency, reviewed and considered the information contained in the certified Final EIR, along with the findings and the MMRP. At that time, the Board also authorized the General Manager to enter into an agreement with Semitropic for the Semitropic Groundwater Banking Project. The current Board action involves entering into an agreement with Semitropic to improve the return capacity of the Semitropic Groundwater Storage Program. The environmental impacts associated with this action were evaluated in the 2006 Negative Declaration (ND) for the Pond-Poso Spreading Grounds Unit of the Semitropic Groundwater Bank, prepared by Semitropic, as Lead Agency. The ND was adopted and the proposed project approved by the Lead Agency on January 10, 2007. Metropolitan, as Responsible Agency under CEQA, is required to certify that it has reviewed and considered the information in the ND and adopt the Lead Agency's findings prior to entering into the agreement. The environmental documentation is available in the Executive Secretary's Office for review.

The CEQA determination is: Review and consider information provided in the adopted 2006 ND and adopt the Lead Agency's findings related to the proposed project.

CEQA determination for Option #2:

None required

Board Options

Option #1

Review and consider the Negative Declaration prepared by Semitropic as Lead Agency, adopt the Lead Agency's findings, and authorize the General Manager to enter into an agreement with Semitropic Water Storage District consistent with the terms outlined herein and in a form approved by the General Counsel.

Fiscal Impact: Capital costs of \$5.8 million from the Water Management Fund and a Maintenance Fee of \$105,600 plus escalation each year.

Business Analysis: The enhanced extraction capacity will improve Metropolitan's water supply reliability in 2015. Further, the capital costs of \$5.8 million would be reimbursed in the future should Semitropic market the capacity to another party.

Option #2

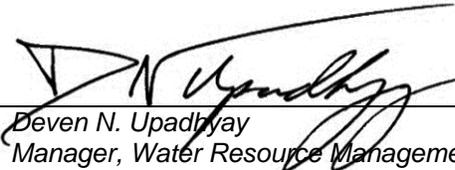
Do not authorize execution of an agreement with Semitropic Water Storage District for enhanced extraction capability.

Fiscal Impact: None

Business Analysis: Metropolitan may need to pursue other programs to improve the water supply reliability for the region.

Staff Recommendation

Option #1



Deven N. Upadhyay
Manager, Water Resource Management

9/2/2014

Date



Jeffrey Lightlinger
General Manager

9/2/2014

Date

Ref# wrm12632674