



- Board of Directors  
*Water Planning and Stewardship Committee*

10/14/2014 Board Meeting

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**8-5**

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## **Subject**

Authorize water supply exchange agreement and amend the Coordinated Operating Agreement with San Bernardino Valley Municipal Water District

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## **Executive Summary**

Staff requests authority to enter into agreements with the San Bernardino Valley Municipal Water District (Valley District) to: (1) address expiration of the existing 2000 Coordinated Operating Agreement (COA) between Metropolitan and Valley District; (2) amend, restate and combine existing COA and related attachments into one consolidated agreement; and (3) implement water supply exchanges. The agreements would provide for the two districts to continue existing cooperation and develop new opportunities to identify water supply exchanges for their mutual benefit.

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## **Details**

### **Coordinated Operating Agreement (COA)**

On June 13, 2000, Metropolitan's Board of Directors authorized the General Manager to enter into a Coordinated Operating Agreement (COA) with Valley District that established a cooperative resources and operational plan, and improved Metropolitan's water supply reliability. The COA contemplated future amendments to expand regional cooperation and water management capability. On March 13, 2001, Metropolitan's Board of Directors further authorized the General Manager to amend the COA to allow Metropolitan to purchase a minimum of 20,000 acre-feet (AF) of Valley District's supplies each year. Metropolitan can, at its discretion, take direct delivery of this water or carryover up to 50,000 AF of this water for later use. The COA also allows for Metropolitan to have the first right of refusal to purchase additional Valley District SWP water when available. The COA will expire on December 31, 2014.

The COA has provided the opportunity for Valley District, who is also a State Water Project (SWP) contractor, to establish a cooperative resources and operational plan that has helped identify projects of mutual benefits, while solidifying a relationship that promotes common objectives. The COA has allowed Valley District and Metropolitan to meet the original primary objectives of (1) increasing water supply reliability to Southern California through Metropolitan's purchase of supplies; (2) maximize the beneficial use and value of Metropolitan's investments; and (3) improve the reliability of conveyance systems to move water to the service areas of both districts. Those objectives are consistent with Metropolitan's Integrated Water Resources Plan goals. All projects identified under the COA have been consistent with the existing SWP contract rights of Metropolitan and Valley District, and the water rights of local groundwater and surface water users. Through the COA, Metropolitan has purchased 203,500 AF from Valley District. In addition, Metropolitan granted Valley District a license to use the Foothill Pump Station property. Metropolitan also agreed to pay the power costs to operate the Foothill Pump Station when water is delivered through an intertie for Metropolitan's benefit.

The COA has provided mutual benefits and strengthened the relationship between Metropolitan and Valley District. This is a good example of mutual collaboration that results in increased water supply reliability.

To increase the efficiency and improve agreement administration, staff is proposing to consolidate the existing agreement and extend the duration of the term of the agreement to up to December 31, 2035.

### **Water Supply Exchange**

The COA and its associated attachments have provided substantial benefits to both Valley District and Metropolitan. Since its implementation in 2000, the COA has provided for the enhancement of Metropolitan's water supply by providing additional supplies in preparation for the droughts and also conveyance capacity used to fill Diamond Valley Lake before construction of the Inland Feeder was completed.

Current water supply conditions have encouraged Metropolitan and Valley District staff to identify potential opportunities for exchanges of SWP and local water supplies that could help provide mutual benefits. Under the program, Valley District would provide up to 11,000 AF of supplies. In exchange, Metropolitan will deliver the same amount on a mutually agreed-upon schedule to meet the return needs of Valley District. The exchange term will be up to ten years. As part of the exchange, Metropolitan and Valley District plan to demonstrate the ability of existing facilities to produce and convey local water supplies. Under the exchange, additional costs may be incurred to pump water in either agency's distribution system. These costs would be shared. Metropolitan may incur additional costs of up to \$200,000 to \$1 million depending on the energy costs, facilities operated, and the location of the delivery.

Staff recommends that Metropolitan enter into the exchange to improve the water supply reliability during the current drought and to better understand each agency's distribution system capabilities.

### **Policy**

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By Minute Item 41734, dated January 9, 1996, the Board adopted the Integrated Water Resources Plan.

By Minute Item 45828, dated July 12, 2004, the Board adopted the Integrated Water Resources Plan Update.

By Minute Item 48449, dated October 12, 2010, the Board adopted the Integrated Water Resources Plan Update.

By Minute Item 44060, dated June 13, 2000, the Board approved entering into a Coordinated Operating Agreement between Metropolitan and San Bernardino Valley Municipal Water District.

By Minute Item 44429, dated April 19, 2001, the Board approved entering into an agreement between Metropolitan and San Bernardino Valley Municipal Water District to coordinate the use of facilities and SWP water supplies.

### **California Environmental Quality Act (CEQA)**

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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). The proposed action also 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). In addition, the proposed action consists of the operation of existing facilities of Metropolitan and the San Bernardino Valley Municipal Water District involving no expansion of use beyond that currently existing. Accordingly, the proposed action qualifies for 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 Sections 15378(b)(2) and 15378(b)(4) of the State CEQA Guidelines.

CEQA determination for Option #2:

None required

**Board Options**

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**Option #1**

Adopt the CEQA determination that the action is not subject to CEQA, and authorize the General Manager to enter into an exchange agreement and amend the existing COA with Valley District consistent with the terms outlined herein and in a form approved by the General Counsel.

**Fiscal Impact:** Costs associated with the delivery of exchange supplies is estimated by staff to be less but up to \$1 million from the Water Management Fund.

**Business Analysis:** The exchange will improve Metropolitan’s water supply reliability and may lead to future exchange opportunities due to increased cooperative operations. The extension of the COA will ensure continued cooperation between Metropolitan and Valley District.

**Option #2**

Do not authorize execution of agreements with San Bernardino Valley Municipal Water District.

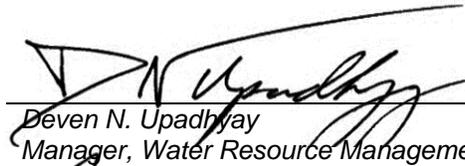
**Fiscal Impact:** None

**Business Analysis:** Metropolitan would forego an opportunity to enhance the water supply reliability for the region.

**Staff Recommendation**

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Option # 1

	9/29/2014
Deven N. Upadhyay Manager, Water Resource Management	Date
	9/29/2014
Jeffrey Kightlinger General Manager	Date