



- Board of Directors
Water Planning and Stewardship Committee

2/10/2015 Board Meeting

8-1

Subject

Authorize entering into a two-year agreement with the California Department of Water Resources to pay up to \$46 million from the Water Management Fund 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 \$46 million from the Water Management Fund to purchase State Water Project supplies under the Multi-Year Water Pool Demonstration Program to help improve dry-year water supplies in 2015 and 2016.

Details

In response to current dry conditions, the California Department of Water Resources (DWR) is reestablishing a Multi-Year Water Pool Demonstration Program (Water Pool) for 2015 and 2016. Metropolitan participated in the 2013 and 2014 Water Pool and secured 30,000 acre-feet at \$253 per acre-foot. The Water Pool requires a State Water Contractor (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 \$414 per acre-foot at SWP allocations of 0 percent, when prior years' carryover supplies might be available for purchase. Staff recommends that the Board authorize the General Manager to enter into a two-year agreement with DWR to purchase up to \$46 million of Water Pool supplies. This is equivalent to 200,000 acre-feet of supplies over a two-year period at a price of \$230 per acre-foot, which is the price when the June 1 SWP allocation is between 36 percent and 40 percent. Funding for these supplies is available in the Water Management Fund.

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) and is categorically exempt pursuant to section 15301 of the State CEQA Guidelines.

CEQA determination for Option #2:

None required

Board Options

Option #1

Adopt the CEQA determination that the proposed action is not subject to CEQA and is categorically exempt, and authorize the General Manager to enter into a two-year agreement with the California Department of Water Resources to pay up to \$46 million for State Water Project supplies under the Multi-Year Water Pool Demonstration Program to help improve dry-year water supplies in 2015 and 2016.

Fiscal Impact: Assuming SWP allocations are 40 percent on June 1, 2015, and June 1, 2016, the price would be \$230 per acre-foot to purchase up to 200,000 acre-feet at a total maximum purchase price of \$46 million. If the June 1, 2014, allocation is greater than 40 percent, Metropolitan may have access to greater volumes at a lower unit price. Funding for these supplies is available in the Water Management Fund.

Business Analysis: Approval will help improve dry-year water supplies in 2015 and 2016.

Option #2

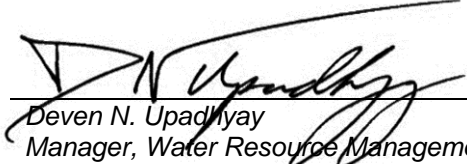
Do not authorize the General Manager to enter into a two-year agreement with the California Department of Water Resources to purchase up to \$46 million of State Water Project supplies under the Multi-Year Water Pool Demonstration Program to help improve dry-year water supplies in 2015 and 2016.

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

1/23/2015
Date



Jeffrey Knightlinger
General Manager

1/27/2015
Date

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

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
26-30%	276
21-25%	299
16-20%	322
11-15%	345
6-10%	368
1-5%	391
0%	414