



- Board of Directors
Water Planning and Stewardship Committee

3/10/2015 Board Meeting

8-10

Subject

Authorize the General Manager to: (1) secure one-year water transfers with various Sacramento Valley water districts for up to 100,000 acre-feet of additional supplies; (2) secure storage and conveyance agreements with Department of Water Resource and various Sacramento Valley water districts to facilitate these transfers; and (3) pay up to \$71 million from the Water Management Fund for such transfers; grant final decision-making authority to the General Manager subject to the terms set forth in this letter

Executive Summary

In January 2015, the Board authorized the General Manager to enter into an agreement with the State Water Contractors, Inc. (SWC) to pay up to \$500,000 in administrative costs to pursue up to 100,000 acre-feet (AF) of Sacramento Valley water for 2015. Authorization is now requested to allow the General Manager to secure one-year water transfers with various Sacramento Valley water districts for up to 100,000 acre-feet of additional supplies and to secure storage and conveyance agreements with Department of Water Resources (DWR) and various Sacramento Valley water districts as needed to facilitate these transfers. The maximum payments to purchase these supplies would be up to \$71 million from the Water Management Fund. Staff also is requesting that the General Manager be granted final decision-making authority to determine whether to move forward with these transfers, subject to the terms and conditions set forth below, following completion of any necessary environmental reviews.

Details

In January 2015, the Board authorized the General Manager to enter into an agreement with the SWC to pay up to \$500,000 in administrative costs to pursue up to 100,000 acre-feet of Sacramento Valley water for 2015 (about 80,000 acre-feet after Delta conveyance losses). Consistent with that board approval, Metropolitan has forwarded \$500,000 to the SWC, which is serving as the contractors' facilitator in pursuing these water transfers. These funds will be used to cover the administrative, environmental and other regulatory costs associated with developing the transfers. Metropolitan staff, in partnership with other contractors acting through the SWC's agreement, have now reached agreement on key proposed terms for one-year water transfers with specific sellers, which are summarized in [Attachment 1](#).

As a result, staff recommends that the Board authorize the General Manager to secure one-year water transfers with various Sacramento Valley water districts for up to 100,000 acre-feet of additional supplies. The base price for these transfers is set at \$700/AF. Finalizing these transfers also includes possible storage and conveyance agreements with DWR and various Sacramento Valley water districts. These storage and conveyance agreements would be consistent with Articles 55 and 56 of Metropolitan's State Water Supply Contract and would include a payment of up to \$10 per acre-foot to cover DWR's administrative costs. Assuming Metropolitan purchases 100,000 acre-feet, Metropolitan's maximum payment would be \$71 million, which would come from the Water Management Fund.

The amount of water Metropolitan receives under these transfers depends on other SWC parties' participation levels and the available capacity to pump non-project water through the Banks pumping plant. Currently, Metropolitan would have the right to purchase about 60 percent of these transfer supplies or a total of 60,000 AF.

It is expected that there will be sufficient capacity at Banks pumping plant to convey the transfer water to Metropolitan under State Water Project allocations of less than 40 percent, depending on the level of delta pumping restrictions imposed by biological opinions. These transfers would help to provide water supply insurance in 2015, while providing a basis for discussion of longer-term opportunities.

Metropolitan and the other SWC parties must finalize the water transfer agreements with the sellers prior to March 27, 2015. Accordingly, staff is requesting that the General Manager be granted final authority to determine whether or not to move forward with these water transfers following completion of and based upon any environmental reviews that may be necessary under the California Environmental Quality Act (CEQA). No commitment to any given transfer would be made by the General Manager unless and until all applicable CEQA requirements have been met, and any such commitment would be subject to and consistent with the terms and conditions set forth above.

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 defined as a project under CEQA because it involves the tentative approval of and funding for water transfers, but does not involve a commitment to any specific transfers at this time that may result in a potentially significant physical impact on the environment (Section 15378(b)(4) of the State CEQA Guidelines). Prior to final authorization of any water transfers by the General Manager, CEQA documentation will be prepared by the Lead Agency and reviewed and processed in accordance with CEQA and the State CEQA Guidelines.

The CEQA determination is: Determine that the proposed action is not defined as a project under CEQA pursuant to Section 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 proposed action is not defined as a project, and

1. Authorize General Manager to:
 - (a) Secure one-year water transfers with various Sacramento Valley water districts for up to 100,000 acre-feet of additional supplies;
 - (b) Secure storage and conveyance agreements with Department of Water Resource and various Sacramento Valley water districts to facilitate these transfers, consistent with Articles 55 and 56 of Metropolitan's State Water Supply Contract and including an up to \$10 per acre-foot payment for DWR's administrative costs; and
 - (c) Pay up to \$71 million from the Water Management Fund for such transfers; and
2. Grant the General Manager final decision-making authority to determine whether or not to move forward with these transfers following completion of any environmental reviews required under CEQA, subject to the terms and conditions set forth in this letter.

Fiscal Impact: Assuming Metropolitan purchases its minimum share of the supplies based on the highest per AF price, Metropolitan's minimum payment would be \$42.6 million (water purchase payments - 100,000 acre-feet x 60 percent x \$700/AF = \$42 million; DWR administrative payments - 60,000 acre-feet x \$10 = \$600,000). Assuming Metropolitan purchases all of the water transfer supplies, Metropolitan's maximum payment would be \$71 million.

Business Analysis: Approval will improve 2015 water supply reliability and contribute to the implementation of the Integrated Resources Plan.

Option #2

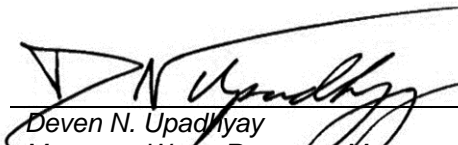

1. Do not authorize General Manager to:
 - (a) Secure one-year water transfers with various Sacramento Valley water districts for up to 100,000 acre-feet of additional supplies;
 - (b) Secure storage and conveyance agreements with Department of Water Resource and various Sacramento Valley water districts to facilitate these transfers, consistent with Articles 55 and 56 of Metropolitan’s State Water Supply Contract and including an up to \$10 per acre-foot payment for DWR’s administrative costs; and
 - (c) Pay up to \$71 million from the Water Management Fund for such transfers; and
2. Do not grant the General Manager final decision-making authority to determine whether or not to move forward with these transfers following completion of any environmental reviews required under CEQA, subject to the terms and conditions set forth in this letter.

Fiscal Impact: None

Business Analysis: Not authorizing one-year water transfers with various Sacramento Valley water districts could result in a lost opportunity to secure additional water supplies in 2015, potentially resulting in lower water supply reliability in 2015.

Staff Recommendation

Option #1

	2/26/2015 Date
Deven N. Upadhyay Manager, Water Resource Management	
	3/4/2015 Date
Jeffrey Kightlinger General Manager	

Attachment 1 – Proposed Terms and Conditions for 2015 Water Transfer Agreements

Ref# wrm12635665

**PROPOSED TERMS AND CONDITIONS
FOR 2015 WATER TRANSFER AGREEMENTS**

- Price: \$700 for each acre-foot the Department of Water Resources (DWR) determines is transferable at the Sellers' points of delivery.
- Letter of Commitment: Buyers will pay each Seller a \$50,000 Nonrefundable Payment for Sellers' administrative costs upon signing a Letter of Commitment to sell exclusively to Buyer until March 27, 2015. (These costs will be paid with the administrative deposit approved by Metropolitan's Board on January 13, 2015 – Board Letter 8-1)
- "Call" Date: Buyers will purchase up to 100,000 acre-feet of water transfer supplies provided DWR estimates that there are adequate conditions and State Water Project capacity to export the water in 2015, as of March 27, 2015.
- Payments: Sellers will invoice Buyers for:
 - 50 percent of the total purchase price on April 30, 2015;
 - 40 percent of the total purchase price on July 31, 2015; and
 - 10 percent of the total purchase price after final DWR confirmation of water transfer amounts.
- Carriage Water Losses: Buyers will be responsible for all losses, including Delta carriage water losses, associated with transfer water between the Sellers' points of delivery and the Buyers' service areas.
- Sellers' Administrative Costs: If Sellers' administrative costs exceed the Nonrefundable Payment of \$50,000 provided above, Buyers will reimburse Sellers' reasonable and documented out-of-pocket expenses, including but not limited to legal, environmental and engineering consultants' fees and expenses incurred by Sellers, regardless of whether water is transferred, up to \$100,000. (These costs will be paid with the administrative deposit approved by Metropolitan's Board on January 13, 2015 – Board Letter 8-1)
- Litigation Costs: In the event of an administrative challenge and/or litigation, Buyers will reimburse 100 percent of Sellers' actual out-of-pocket expenses Sellers incur for defending the proposed 2015 water transfer, except for challenges to Sellers' conduct within their service area or above the points of delivery which will be the Sellers' responsibility.
- Shortage Provisions: Reservoir release and groundwater substitution Sellers may decide to reduce the amount of water transferred if their supplies are reduced or curtailed. Land idling Sellers will not provide water transfer supplies if their supplies are reduced or curtailed.
- Refunds: In the event Sellers fail to provide the amount of purchased water, Sellers will promptly refund to Buyers any payments made for purchased water not provided by Sellers. Any refunds will include interest.
- Regulatory Approvals: Implementation of the transfer agreement is contingent upon Sellers obtaining all necessary regulatory approvals and Sellers and Buyers obtaining their respective Board approvals.