



● **Board of Directors**
Water Planning and Stewardship Committee

3/13/2018 Board Meeting

7-4

Subject

Adopt CEQA determination and authorize: (1) agreement with the State Water Contractors, Inc. to pursue 2018 Sacramento Valley water transfer supplies; and (2) \$5 per acre-foot initial administrative deposit not to exceed \$500,000

Executive Summary

Authorization is requested to enter into an agreement with the State Water Contractors, Inc. (SWC) to pursue 2018 Sacramento Valley water transfer supplies and to pay an initial administrative deposit not to exceed \$500,000. Staff will seek board approval to execute agreements with sellers and the associated storage and conveyance agreements with Department of Water Resources (DWR) (including any DWR administrative costs) in spring of 2018.

Details

Authorization is requested to enter into an agreement with SWC to pursue water transfer supplies for 2018. In recognition of the current 20 percent State Water Project allocation, many SWC members would like to coordinate discussions with potential sellers to identify additional supplies that may be available in 2018. Metropolitan entered into similar agreements with SWC to pursue transfers in 2005, 2008, 2010, 2014, 2015, and 2016. Current dry conditions are restricting SWP allocation increases so far this year. However, it is possible that a very wet spring could make transfer purchases unnecessary. Nevertheless, staff recommends preserving an option to purchase transfer supplies to maximize flexibility as the water year develops.

Staff proposes that Metropolitan enter into an agreement similar to previous years among the potential buyers and SWC for 2018 water transfers. SWC staff would handle the administrative activity associated with coordinating these purchases, including collecting and disbursing money between the buyers and sellers. Under the proposed agreement, Metropolitan and the other buyers must provide SWC a \$5 per acre-foot initial administrative deposit by March 15, 2018, to cover SWC's and sellers' administrative costs, including potential litigation costs. Depending on whether litigation is filed regarding the transfers and the extent and complexity of potential litigation, payments in addition to the administrative deposit could be necessary.

The initial deposit will also help determine which members are interested in pursuing transfer supplies through the SWC in 2018. Metropolitan's administrative deposit would be \$500,000 based on a potential purchase of 100,000 acre-feet of transfer supplies. However, the actual volume of transfer purchases may be higher or lower based on factors including water supply conditions, participation levels, and prices. Metropolitan could receive a partial refund of administrative fees based on the actual administrative costs and Metropolitan's share of transfer supplies purchased through this agreement. In all prior years, Metropolitan received a partial refund.

The proposed transfers would provide additional resource options to either mitigate potential dry-year conditions or increase storage under wetter conditions in 2018, consistent with Metropolitan's Integrated Resources Plan. Staff will return to the Board later this spring with a recommendation on the purchase of transfer supplies negotiated through the SWC buyers group and any related agreements necessary to complete the transfers.

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 (Public Resources Code Section 21065, State CEQA Guidelines Section 15378) because the proposed action will not cause either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment and 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 defined as a project under 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).

The CEQA determination is: Determine that the proposed action is not defined as a project and is not subject to CEQA under Public Resources Code Section 21065 and 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 proposed action is not defined as a project and is not subject to CEQA, and

- a. Authorize the General Manager to enter into an agreement with the State Water Contractors, Inc. to pursue 2018 Sacramento Valley water transfer supplies, in a form approved by the General Counsel; and
- b. Authorize making a \$5 per acre-foot initial administrative deposit and disbursements from that deposit consistent with the agreement not to exceed \$500,000.

Fiscal Impact: The fiscal impact associated with this action is up to \$500,000 to pay actual costs incurred and would be subject to partial refund.

Business Analysis: Approval will improve dry-year reliability or water storage levels and contribute to the implementation of the Integrated Resources Plan.

Option #2

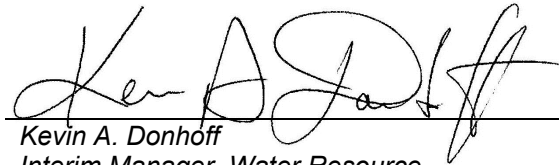
Do not authorize entering into an agreement with the State Water Contractors, Inc.

Fiscal Impact: None

Business Analysis: No action could result in a lost opportunity to secure water transfer supplies or require Metropolitan to secure transfer supplies independent of the State Water Contractors, Inc.

Staff Recommendation

Option #1



Kevin A. Donhoff
Interim Manager, Water Resource
Management

2/26/2018
Date



Jeffrey Kightlinger
General Manager

2/28/2018
Date

Ref# wrm12661551