



● **Board of Directors**

***Joint Meeting of the Water Planning and Stewardship Committee
and Conservation and Local Resources Committee***

3/9/2021 Board Meeting

REVISED 7-4

Subject

Authorize the General Manager to enter into a Coordinated Operating Agreement with San Bernardino Valley Municipal Water District and delegate authority to the General Manager to enter into related future agreements with member agencies and local agencies, as needed, for extraordinary supply consistent with the terms approved by the Board; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

Staff seeks authorization to enter into a long-term Coordinated Operating Agreement (COA) with San Bernardino Valley Municipal Water District (Valley District) that will improve regional reliability and emergency preparedness. The COA will provide Metropolitan with access to surplus supplies and mutual aid during emergencies or outages. In years that Metropolitan purchases water from Valley District, an equivalent amount of water would be available for member agencies to store and qualify as extraordinary supply under Metropolitan's Water Supply Allocation Plan (WSAP). Member agencies would only receive extraordinary supply benefits if water is stored and managed consistent with the applicable provisions of the WSAP.

Details

Background

On June 13, 2000, Metropolitan's Board of Directors authorized the General Manager to enter into a COA with Valley District that established a cooperative resource and operational plan and improved Metropolitan's water supply reliability. 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. The COA also permitted Metropolitan to purchase additional Valley District State Water Project (SWP) water when available. The COA allowed Valley District and Metropolitan to improve the reliability of their water supplies, as well as the conveyance systems used to move those supplies to their service areas. Through the COA, Metropolitan has purchased over 200,000 AF from Valley District to date. In addition, while the Inland Feeder was under construction, Metropolitan moved over 600,000 AF to Diamond Valley Lake utilizing provisions of the COA. The COA expired on December 31, 2016.

The new COA will provide Metropolitan access to Valley District's excess water supplies and result in more water delivered to the region. Staff proposes entering into the COA consistent with terms outlined in **Attachment 1**. Under the terms of the proposed agreement, the price of the water Metropolitan would pay ranges from \$125 to \$450/AF depending on the SWP allocation. Under the most likely Valley District surplus conditions, the water would be purchased at \$125/AF when SWP allocations are greater than 60 percent. As in other water transfers, Metropolitan would be responsible for the energy cost to transport the water to the region. However, there are no conveyance losses with the transfer. Valley District would determine its surplus conditions each year, and Metropolitan would retain discretion on whether to purchase the supplies. The term of the agreement would extend to December 31, 2035, and extend automatically with the State Water Contract extension. Either party would be able to terminate the agreement with a one-year written notice. Valley District has received authorization from its board to enter into the new COA.

Santa Ana River Conservation and Conjunctive Use Program

Valley District took a leadership role in the Santa Ana River Watershed by partnering with Metropolitan's member agencies and Orange County Water District (OCWD) on the Santa Ana River Conservation and Conjunctive Use Program (SARCCUP). The program includes storage for dry year reliability and contains elements that improve conservation and habitat restoration in the watershed. The Metropolitan member agencies involved are Eastern Municipal Water District, Western Municipal Water District, Inland Empire Utilities Agency, and the Municipal Water District of Orange County (MWDOC). Valley District is working with its neighbors to improve the long-term sustainability in its local watershed. Valley District has an interest in ensuring that the surplus SWP supplies made available to Metropolitan through the COA continue to have benefits to the Santa Ana River Watershed. As such, Valley District requires that up to 50 percent of an equivalent amount of water as Metropolitan purchases from Valley District could qualify for storage in the SARCCUP as extraordinary supplies, as defined in Metropolitan's WSAP.

Extraordinary Supply Under Metropolitan's Water Supply Allocation Plan

Metropolitan's adopted WSAP includes provisions that allow a member agency to develop extraordinary supplies for use, specifically when Metropolitan declares a Water Supply Allocation due to shortage conditions. Extraordinary supplies can be produced by a member agency without affecting their allocation under the WSAP. Currently, the WSAP does allow member agencies to develop storage programs that could be used to produce extraordinary supplies in future allocation years. However, Metropolitan's supplies do not qualify for storage in these programs. Rather, the member agencies would have to acquire other supply sources to qualify for storage as extraordinary supply.

Under this proposed program, Metropolitan would make an amount of water equivalent to its purchase from Valley District in a given year available to qualify for storage as extraordinary supply. Interested member agencies could then develop local storage programs (surface or groundwater) with the knowledge that a qualifying supply could be available in future years for storage. The water, if stored and managed consistent with the provisions of Metropolitan's Water Supply Allocation Plan, would then qualify as extraordinary supply. Metropolitan member agencies may partner with local agencies to develop extraordinary supply programs. It is important to note that Metropolitan's Board retains the ability to modify the WSAP at any time.

Of the water that could qualify as extraordinary supply, Eastern Municipal Water District, Inland Empire Utilities Agency, MWDOC, and Western Municipal Water District would be able to purchase up to 50 percent for storage in the SARCCUP. The management of the SARCCUP program and its operations would be governed by a separate set of agreements between the participating agencies. The balance would be available to all member agencies. However, no additional water would be available to Eastern Municipal Water District, Inland Empire Utilities Agency, MWDOC, and Western Municipal Water District for storage through SARCCUP. If necessary, the remaining water available for storage as extraordinary supply would be allotted to requesting member agencies based on the prior five-fiscal-year average of purchases of water from Metropolitan.

Metropolitan would continue to collect the full-service rate on the water delivered. Because the delivery is at Metropolitan's discretion, the capacity charge would not apply. As member agencies and local agencies develop storage projects to utilize water under this program, there may be a need to enter into operational agreements with Metropolitan. Staff proposes that any operational agreements with the member agencies and local agencies pursuant to this program would be consistent with the terms outlined in **Attachment 2**.

Summary

The proposed COA with Valley District would provide substantial benefits to the region. The COA would improve regional reliability and strengthen a partnership with another State Water Contractor. The COA would also provide mutual aid to each district during an emergency or outage. This new water transfer increases the SWP supplies available to Metropolitan. Member agencies would benefit by gaining access to water that could be managed for extraordinary supply. The program establishes a framework where member agencies can partner on local storage projects to improve reliability.

Policy

Metropolitan Water District Administrative Code Section 4203: Water Transfer Policy

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

By Minute Item 47393, dated February 12, 2008, the Board adopted the Water Supply Allocation Plan.

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is categorically exempt under the provisions of CEQA and the State CEQA Guidelines. The proposed action involves operation, repair, maintenance, permitting, leasing, licensing, or minor alteration of existing public or private structures, facilities, mechanical equipment, or topographical features, involving negligible or no expansion of existing or former use and no possibility of significantly impacting the physical environment. Accordingly, the proposed action qualifies under a Class 1 Categorical Exemption (Section 15301 of the State CEQA Guidelines).

CEQA determination for Option #2:

None required

Board Options

Option #1

- a. Authorize the General Manager to execute an agreement with San Bernardino Valley Municipal Water District consistent with key terms outlined herein and in **Attachment 1**, and in a form approved by the General Counsel; and
- b. Delegate authority to the General Manager to enter into related future agreements with member agencies and local agencies consistent with the terms outlined herein and in **Attachment 2**, and in a form approved by the General Counsel.

Fiscal Impact: Should Metropolitan purchase the supplies in any given year, the cost will be managed using board-approved funds allocated to the Water Supply Program and the State Water Project Program. Metropolitan can manage the fiscal impacts because the purchase is at Metropolitan's discretion. The price is established with Valley District, further reducing uncertainty. Any increase to the water cost per acre-foot would require further board authorization.

Business Analysis: The COA Agreement with Valley District provides Metropolitan with additional supplies that would otherwise not be available to the region. In addition, the agreement provides for mutual aid that would be extremely valuable during future emergencies or outages. The agreement with the member agencies provides a framework where member agencies can partner on local projects to improve reliability.

Option #2

Do not enter into agreements with Valley District or member agencies.

Fiscal Impact: May increase costs by requiring Metropolitan to purchase higher-cost water transfers.

Business Analysis: Does not improve Metropolitan's water supply reliability and reduces ability to respond to emergencies and outages.

Staff Recommendation

Option #1



Brad Coffey
Manager, Water Resource Management

3/4/2021

Date



Jeffrey Nightlinger
General Manager

3/4/2021

Date

Attachment 1 – San Bernardino Valley MWD and Metropolitan Coordinated Operating Agreement Terms

Attachment 2 – Terms Related To Member Agency Extraordinary Supplies Under The Water Supply Allocation Plan

Ref# wrm12681744

San Bernardino Valley MWD and Metropolitan Coordinated Operating Agreement Terms

Operations

- Metropolitan and Valley District will work together to identify water-related projects which may be of mutual benefit.
- Valley District and Metropolitan shall not deliver water into the other party’s service area without prior written consent.
- Metropolitan and Valley District will coordinate their facilities to provide mutual aid during emergencies and outages.
- Agreement Term: December 31, 2035, with an automatic extension when the State Water Contract is extended. Either party may terminate the agreement with one-year notice.

Water Purchase

- Valley District shall determine each year at its sole discretion how much surplus State Water Project (SWP) water Valley District may have from the SWP above Valley District’s customer’s needs.
- Valley District shall make its surplus SWP water available to Metropolitan after providing San Gorgonio Pass Water Agency up to 5,000 AF each year.
- Metropolitan agrees that up to 50 percent of an equivalent amount of water purchased from Valley District could qualify as extraordinary supply for participating member agencies in the Santa Ana River Conservation Conjunctive Use Program (SARCCUP). The stored water must continue to meet all other related provisions in Metropolitan’s adopted Water Supply Allocation Plan in order to qualify as extraordinary supply.
- Water cost (not including power) will be based on the final Table A allocation for the year, as follows:

Final SWP Allocation	Water Cost (\$/AF)
0 - 20%	\$450
21 - 40%	\$350
41 - 60%	\$250
61 - 100%	\$125

- Metropolitan shall pay Valley District the water cost plus the estimated power cost, as provided by DWR.
- If Metropolitan chooses to store water in the Valley District service area, Metropolitan will pay the lowest amount, \$125 per acre-foot, regardless of the Final SWP Allocation.
- Power costs will be reconciled each year so that MWD pays the actual SWP power cost for the purchased water.
- Purchase price is set for five (5) years. The parties will reevaluate the price and/or percentages every five years.

Terms Related To Member Agency Extraordinary Supplies Under The Water Supply Allocation Plan

Extraordinary Supply

- Metropolitan's current Water Supply Allocation Plan (WSAP) includes an option for member agencies to develop extraordinary supplies for use in a future allocation year. Among other provisions defined in the WSAP, these extraordinary supplies must be the result of specific actions taken to produce water in the event that Metropolitan implements the WSAP in a future year. These actions must be documented beforehand.
- In a year in which Metropolitan decides to purchase SWP supply from Valley District, Metropolitan will make an equivalent amount of water available to its member agencies for storage in programs they have developed to produce extraordinary supply.
- The water made available will not automatically qualify as extraordinary supply. The water must also be managed consistent with the provisions of Metropolitan's Water Supply Allocation Plan.
- Consistent with the terms of the proposed agreement with Valley District, Metropolitan will ensure that an amount of water equivalent to 50 percent of the supplies purchased from Valley District in a given year will be available to qualify for storage as extraordinary supply in the Santa Ana River Conservation and Conjunctive Use Program (SARCCUP). Participants in the SARCCUP include the following member agencies: Eastern Municipal Water District (Eastern), Inland Empire Utilities Agency (IEUA), Municipal Water District of Orange County (MWDOC), and Western Municipal Water District (Western). Orange County Water District is also a participant in SARCCUP and a member agency of MWDOC.
- After subtracting the amounts allotted to Eastern, IEUA, MWDOC, and Western for extraordinary supply through SARCCUP, the balance will be available to all member agencies. However, no additional water will be available for storage through SARCCUP. If the interest among member agencies for storage of extraordinary supplies exceeds the remaining amount of water available, then the water will be allotted to member agencies based on their prior five-fiscal year average of purchases of Metropolitan supplies. Any additional allotment to member agencies that participate in SARCCUP would be adjusted to reflect the portion of their service area outside of the Santa Ana River Watershed.

Operation

- Metropolitan has discretion whether to purchase any or all of the water Valley District offers to Metropolitan within a calendar year.
- No Member Agency may purchase water from Valley District.
- All water purchased by the member agencies from Metropolitan will be used within Metropolitan's service area. However, water from the program may be temporarily stored outside of the service area if a member agency develops a program for this purpose.
- Agreement Term: Any necessary operating agreement with a member agency related to using this water as extraordinary supply cannot have a term that exceeds the term of the State Water Contract.
- Valley District will notify Metropolitan of any surplus supplies available for purchase by June 1st in a given year. Metropolitan will notify member agencies of its intent to purchase supplies from Valley District by July 1st of a given year, which then makes an equivalent amount of water available to qualify as extraordinary supply. Member agencies must notify Metropolitan of any requested amounts by August 15th of any given year (subject to the allotment process described above).

Financial

- Member agencies pay the Metropolitan full-service volumetric rate at the time of delivery for purchases under the program.
- The water delivery shall not count against the annual Tier 1 limit, but if the member agency is in Tier 2 at the time of the delivery, the member agency pays the Tier 2 water rate.
- The Capacity Charge does not apply to water delivered under this program as Metropolitan maintains discretion over decisions to purchase water from Valley District and operational discretion over deliveries.