



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

6/8/2021 Board Meeting

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9-2

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**Subject**

Update on California Proposition 1 Water Storage Investment Program and letter of intent to work with Inland Empire Utilities Agency on the Chino Basin Program

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**Executive Summary**

California Proposition 1 of 2014 allocated \$7.5 billion for water system investments, with \$2.7 billion dedicated to the implementation of the Water Storage Investment Program (WSIP). The California Water Commission (CWC) selected eight projects to conditionally fund under the WSIP, based on their associated public benefits. Inland Empire Utilities Agency's (IEUA) Chino Basin Program (CBP) is among the funded projects within Metropolitan's region. The CBP involves the exchange of advanced treated recycled water stored in the Chino Basin groundwater basin for an equivalent amount of State Water Project (SWP) supply for the purposes of providing environmental fishery flows in the Feather River. Under the proposed program, IEUA would invest in infrastructure to allow for the exchange of 375,000 acre-feet (AF) of water over a 25-year program term, with annual exchange amounts no greater than 50,000 AF. The exchanged SWP supplies would be used for additional flows in the Feather River, providing benefit to the Chinook salmon and surrounding ecosystem. The CBP would improve water reliability within the Chino Basin, provide environmental benefits in critical and dry years, and increase storage and recovery possibilities within the region. Metropolitan has signed a letter of intent to continue coordinating and developing the CBP with IEUA and to serve as a facilitating State Water Contractor in the exchange of SWP supplies.

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**Details**

**Background**

In November 2014, California voters approved Proposition 1: The Water Quality, Supply, and Infrastructure Improvement Act. This state water bond provides \$7.5 billion for investment in the state's water system, dedicating \$2.7 billion specifically for investment in water storage projects. The CWC is the agency responsible for administering the WSIP to allocate such funds. The WSIP provides funding based on a project's public benefits, which can include flood control, ecosystem improvement, water quality improvement, or emergency response and recreation. In July 2018, the CWC determined eight projects eligible for conditional WSIP funding, which combined would increase California's water storage capacity by 4.3 million AF and provide for the public benefits identified by the WSIP. Since that time, one project withdrew from the WSIP and the CWC redistributed the potential funding. **Attachment 1** shows the WSIP project locations, total project cost estimate, and maximum conditional eligibility of funding.

**The Chino Basin Program**

Among the projects selected for conditional WSIP funding is the CBP, proposed by IEUA, a member agency of Metropolitan. The CBP is a water exchange and reliability program, comprised of treatment, storage, and distribution components. As part of the program, IEUA would construct an advanced water treatment facility (AWTF) to treat up to 15,000 AF of wastewater per year which would meet projected water quality standards and regulation. After treatment, the recycled water would be stored in the Chino Basin using newly constructed distribution facilities and groundwater injection wells. The program would also include the construction of

distribution facilities to deliver extracted groundwater to Metropolitan's untreated distribution system and to IEUA's member agencies.

Under the agreement with the State, IEUA would agree to store up to 375,000 AF of advanced treated recycled water over a 25-year period. The State would have an option to exchange up to 50,000 AF annually of stored water with a facilitating State Water Contractor for an equivalent amount of its SWP Table A allocation. The exchanged SWP supply would be used to create or augment pulse flows released from Oroville Reservoir into the Feather River to benefit both Chinook salmon and the surrounding ecosystem.

As part of a potential future agreement with Metropolitan, the exchange would only occur during years where it is determined that SWP operations and SWP contractor supplies would not be at risk. In a year where the exchange is made, IEUA would extract stored groundwater from the Chino Basin and deliver it to the facilitating State Water Contractor's distribution and/or service area to make up for the SWP Table A allocation that was exchanged and make the State Water Contractor whole in terms of water supply.

The State could request the exchange for up to three consecutive years, provided there are sufficient groundwater supplies stored in the Chino Basin. After the 25-year program term, the stored water would be used for local supply. The program also includes an emergency provision, where up to 50,000 AF of stored Chino Basin water could be borrowed for public benefit.

The estimated capital cost for the CBP is approximately \$650 million. The CWC has awarded conditional funding of \$212 million. IEUA would provide the remaining \$438 million to fund any necessary infrastructure, including injection and recovery wells, treatment, transmission pipelines, system connection to a SWP contractor, along with other facilities. The facilitating State Water Contractor would not be financially obligated to provide capital costs to the CBP in order to participate in the program. Based on initial CBP timelines, construction would begin in 2024 and operations could start in 2026.

An important aspect of the CBP is that IEUA has been developing the program under a tenet of "No Harm," meaning that the development and operation of the program will not adversely affect any of the parties or participants of the program. This tenet extends to the SWP and its contractors, to the facilitating SWP contractor or its service area, and to IEUA and its member local agencies.

### **Program Benefits**

The CBP includes a multitude of state, regional, and local benefits.

#### *State and Public Benefits*

A primary public benefit of the CBP is the environmental benefit provided to the Chinook salmon and surrounding ecosystem. As a result of the exchange, the additional flows provided to the Feather River could alleviate significant ecosystem impacts during dry and critical years. The CBP would also set the precedent of assigning financial value to environmentally beneficial water supplies and programs.

#### *Chino Basin Benefits*

The construction of a new AWTF will allow IEUA to meet advanced water treatment requirements for part of its recycled water supply. The advanced treated water would reduce salinity and improve water quality in the Chino Basin, while also addressing subsidence concerns. Chino Basin is also in the process of increasing the managed storage capacity up to 1 million AF which may be utilized more effectively with the proposed program facilities.

#### *Regional Benefits*

The CBP would improve regional reliability and system flexibility in Metropolitan's service area. The new distribution infrastructure would provide an option for developing additional supplies in an otherwise SWP exclusive area of Metropolitan's system, thus increasing operational flexibility. This operational flexibility could also benefit Metropolitan and its member agencies during shutdowns and maintenance projects. The CBP includes an emergency use provision for up to 50,000 AF that may be used within Metropolitan's service area in extended periods of drought and in emergency conditions. After the 25-year program term, the CBP facilities could also potentially be used for a regional storage and recovery program.

**Next Steps**

Next steps for the CBP include developing a WSIP Delta Operations agreement in conjunction with the Department of Water Resources and creating a term sheet for local operations and groundwater exchange. IEUA will continue developing the CBP, working towards a Final Feasibility Report in preparation for the WSIP deadline of January 1, 2022. Metropolitan has provided a letter of intent (**Attachment 2**) to continue collaborating with IEUA as its potential facilitating SWP contractor to further develop this program.

**Policy**

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By the 1999 Strategic Plan Policy Principles, Metropolitan is a regional provider of water for its service area and a steward of regional infrastructure.

By the General Manager’s Business Plan for FYs 2020/21 and 2021/22, one of Metropolitan’s strategic priorities is to promote sustainability.

By Minute Item 42287, dated February 11, 1997, the Board adopted a set of policy principles on water recycling.

**Fiscal Impact**

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None

	6/1/2021
Brad Coffey Manager, Water Resources Management	Date

	6/2/2021
Jeffrey Nighlirger General Manager	Date

**Attachment 1 – WSIP Project Locations, Funding, and Cost Information**

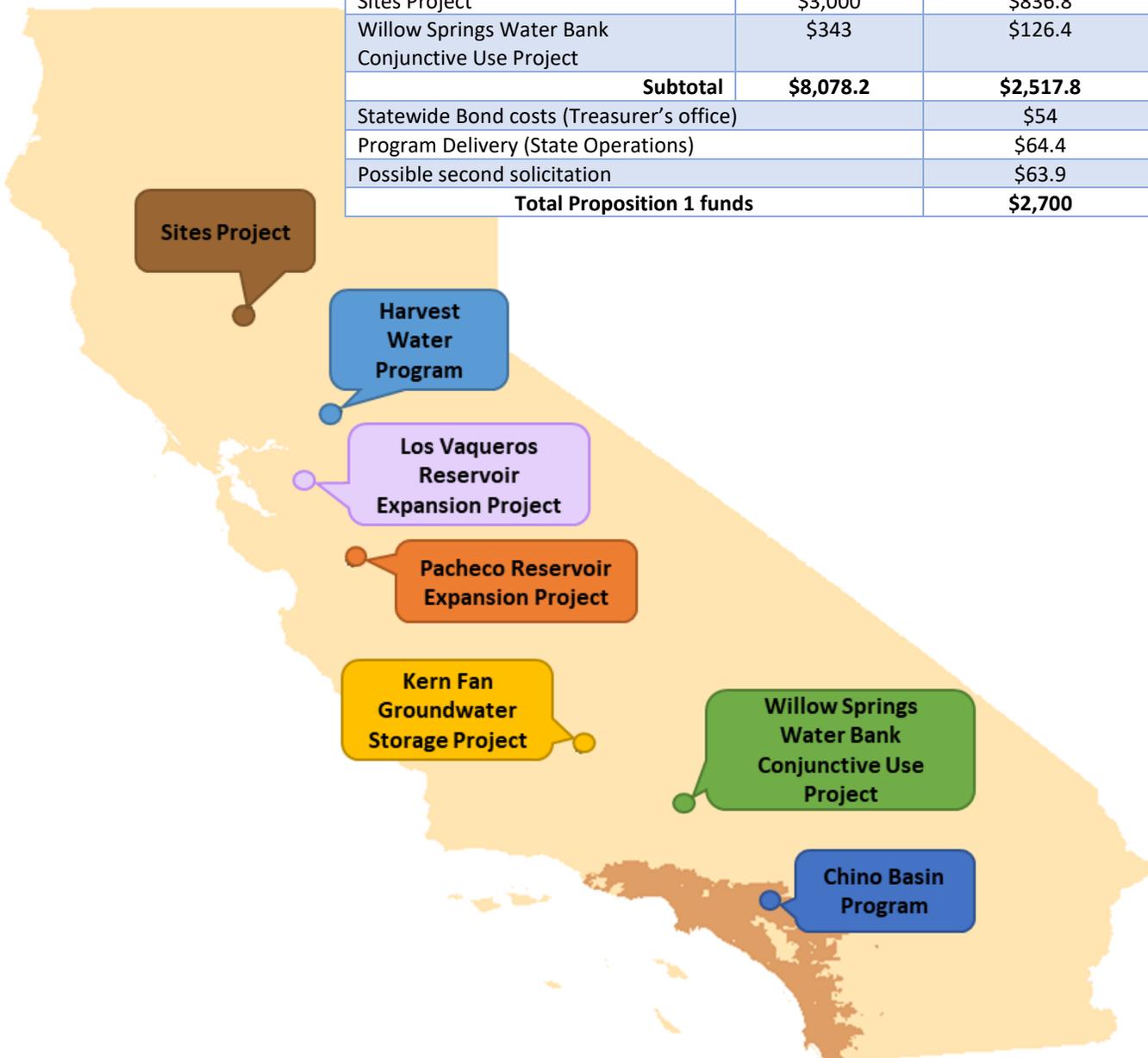
**Attachment 2 – Letter of Intent**

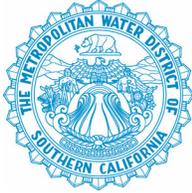
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**Update on California Proposition 1 Water Storage Investment Program and Letter of intent to work with Inland Empire Utilities Agency on the Chino Basin Program**

**WSIP Project Locations, Funding, and Cost Information**

Water Storage Investment Project	Estimated Capital Cost (\$M)	Prop 1 Maximum Conditional Eligibility Determination (\$M)
Chino Basin Program	\$650	\$212.1
Harvest Water Program	\$444.2	\$287.5
Kern Fan Groundwater Storage Project	\$246	\$87.8
Los Vaqueros Reservoir Expansion Project	\$895	\$470.5
Pacheco Reservoir Expansion Project	\$2,500	\$496.7
Sites Project	\$3,000	\$836.8
Willow Springs Water Bank Conjunctive Use Project	\$343	\$126.4
<b>Subtotal</b>	<b>\$8,078.2</b>	<b>\$2,517.8</b>
Statewide Bond costs (Treasurer's office)		\$54
Program Delivery (State Operations)		\$64.4
Possible second solicitation		\$63.9
<b>Total Proposition 1 funds</b>		<b>\$2,700</b>





THE METROPOLITAN WATER DISTRICT  
OF SOUTHERN CALIFORNIA

Office of the General Manager

May 24, 2021

Shivaji Deshmukh, P.E.  
General Manager  
Inland Empire Utilities Agency  
6075 Kimball Avenue  
Chino, CA 91708

Dear Shivaji Deshmukh, P.E.:

Letter of Intent to Collaborate on the Inland Empire Utilities Agency's  
Water Storage and Investment Program Application to the California Water Commission

The Inland Empire Utilities Agency (IEUA) submitted an environmental water exchange program in response to California Water Commission's (CWC) Water Storage Investment Program (WSIP) solicitation. CWC selected the application for further development. Over the past two years, Metropolitan Water District of Southern California (Metropolitan) has worked with IEUA as a potential State Water Project Contractor, to refine the approach and operational requirements of the WSIP and create a mutually beneficial program with local, regional and statewide value. This Letter of Intent to Collaborate documents Metropolitan's commitment to these efforts.

Accordingly, Metropolitan intends to continue working collaboratively and proactively with IEUA to:

- Develop viable operating terms and conditions that ensure the WSIP environmental water exchange will not negatively impact the water supply or system operations of the State Water Project, Metropolitan, its member agencies, or other State Water Contractors;
- Develop an agreement with the State and other necessary parties to facilitate the developed exchange of State Water Project water;
- Identify and develop program capital facilities and operations needed to deliver exchange water to Metropolitan's system;
- Engage with stakeholders as necessary to represent Metropolitan's and IEUA's mutual interest in the program;
- Support future efforts by IEUA to obtain federal funding to offset program costs; and,
- Explore opportunities for additional regional benefits including future opportunities for long-term storage programs in the Chino Basin.

A handwritten signature in black ink, appearing to read "Jeffrey Kightlinger".

Jeffrey Kightlinger  
General Manager  
Metropolitan Water District of Southern California