



One Water & Stewardship Committee

Authorize the General Manager to execute transfers, exchanges, and other State Water Project management transactions during 2025 and 2026; grant final decision-making authority to the General Manager subject to the terms set forth in this letter; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Item 8-1

February 10, 2025

Item 8-1 State Water Project Water Management Agreements

Subject

Authorize the General Manager to execute transfers, exchanges, and other State Water Project management transactions during 2025 and 2026; grant final decision-making authority to the General Manager subject to the terms set forth in this letter; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA.

Purpose

Delegation of authority to the General Manager to execute agreements to purchase and sell SWP supplies will allow Metropolitan to effectively and efficiently respond to changing hydrologic and market conditions to better manage both shortage and surplus conditions and generate new revenues.

Recommendation and Fiscal Impact

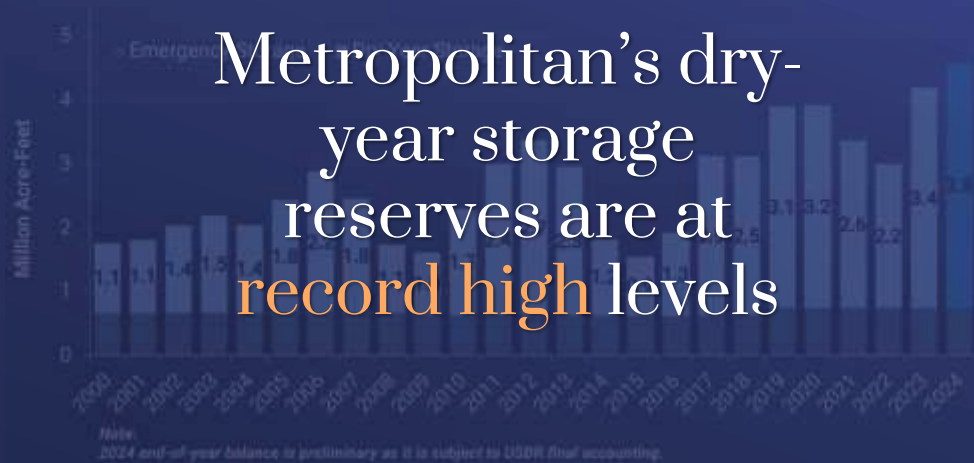
Authorize the General Manager to execute transfers, exchanges, and other State Water Project management transactions during 2025 and 2026; grant final decision-making authority to the General Manager subject to the terms set forth in this letter. Sale of surplus SWP water could generate revenue of up to \$120 million, and purchase of supplemental water on the SWP system could cost up to \$50 million over the next two calendar years.

Budget

2025-2026 budget and rates assume generation of up to \$120M in new revenues. Costs to purchase transfers would be sourced from budgeted funds from the Water Supply Program and State Water Project budget.

Background

Metropolitan Ends CY 2024 with Record-High Storage End-of-Year Balances



Revenue Opportunities Given Record Storage

- Metropolitan is also pursuing new revenues through management of stored water to help offset its operational reserves
 - Options for revenue include selling water rights, including the biennial (2025-2026 and 2027-2028) water rights auction
 - Preliminary discussions and negotiations for water rights stored water in the Colorado River are ongoing. It is reasonable to expect that there will be revenue opportunities, albeit not exact circumstances.
 - Given the uncertainty of the water rights auction, revenue may not happen every year across the two fiscal years, rather more or less could happen in a specific fiscal year.
- 2025-2026 budget and rates assume \$60M/year in **new revenues** from water sales

MWD Act and Administrative Code provide that water may be sold outside the service upon **board approval**

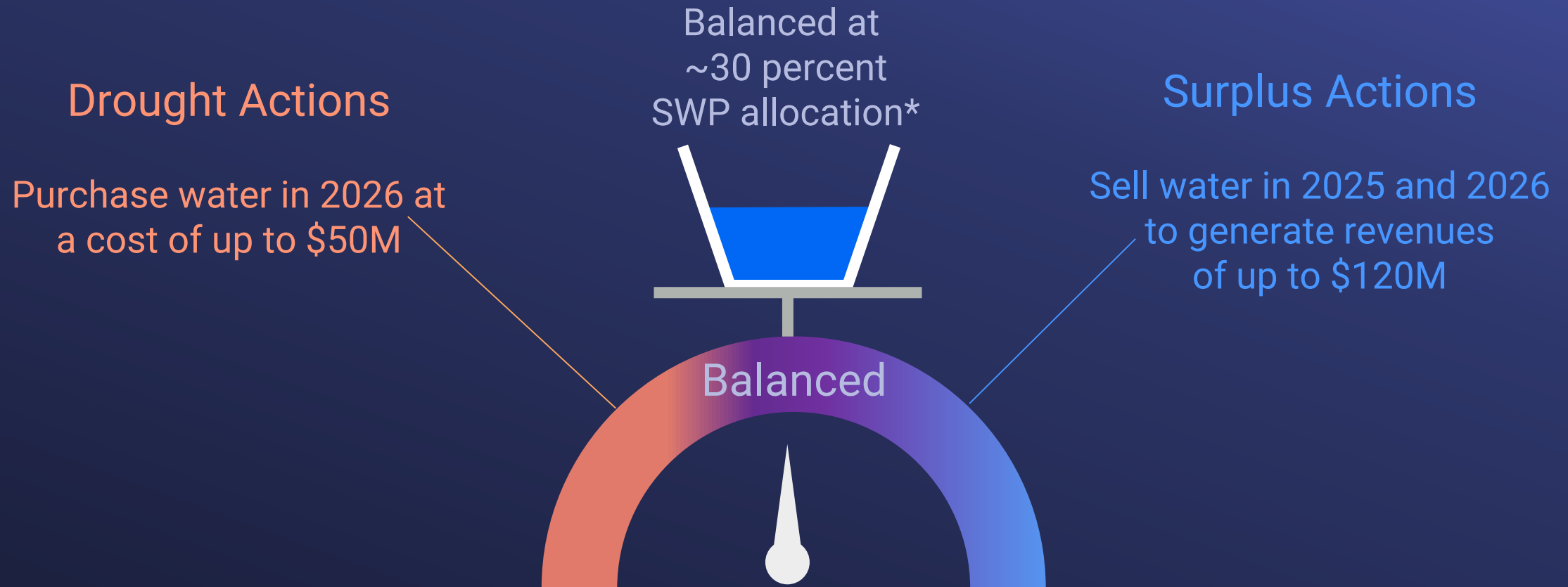
2021 Water Management Amendment to SWP contract allows for **single-year transfers**

Water Transactions and New Revenues Below Budget



Proposed Water Management Actions

- **Single-year** transactions over the next **two calendar years** to manage to shortage and surplus conditions



**Note: Information as of January 2025. Assumes current trend demand on Metropolitan and forecasted Colorado River supplies.*

Safeguarding
SWP
Dependent
Area
Reliability

Water Sales Under Limited Conditions

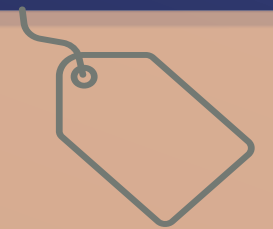
Member agency demands met



Net annual supply/demand balance
without sales = surplus



Sale price recovers at a minimum the
Supply rate element of Metropolitan's
budgeted water rates



Addressing Board Feedback - Legal

Proposed
transactions do
not require
changes to
Metropolitan
Water District
Act or
Administrative
Code

Metropolitan Water District Act

Sec. 132. [Sale of Surplus Water]

(a) A district **may provide, sell and deliver surplus water** not needed or required for domestic or municipal uses within the district for beneficial purposes, but shall give preference to uses within the district. ...

Metropolitan Administrative Code

Sec. 4200. Water Availability.

District water will be available only to cities and areas now or hereafter included within the legal boundaries of the District. This means that District water will not be **sold or released** under any terms to any area as long as such area is **outside the boundaries** of the District except **as may be approved by the Board**.

Addressing Board Feedback - Financial

Full Service Water Rates to Member Agencies

Rate Element	2025 Rate per AF
Supply	\$290
System Access	\$463
System Power	\$159
Treatment Surcharge	\$483
Full Service Untreated	\$912
Full Service Treated	\$1,395

Potential
Price for
Outside
Water Sales

————→ \$500

————→ \$1,122

————→ \$1,605

Equivalent Rate to Service Area

Member Agencies
have access to
surplus SWP
supply at lesser
rates than prices
envisioned for
potential outside
water sales

Benefits to Pursuing SWP Water Management Agreements



Increase
Metropolitan's
flexibility in managing
water resources

Better response to fluctuating
hydrologic and market conditions

Generate new
revenues



Create value and regional
benefits from surplus supply

Securing available
water supplies from
trusted sources reduces
the risk of shortages



Maintain consistent service to customers

Building
partnerships
partners on
the SWP



Board Options

Option 1

- Authorize the General Manager to execute transfers, exchanges, and other State Water Project management transactions during 2025 and 2026 and grant final decision-making authority to the General Manager subject to the terms set forth in this letter.

Option 2

- Do not authorize the General Manager to enter into transfers, exchanges, and other State Water Project water management agreements during 2025 and 2026.

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State Water
Project
Water
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Staff Recommendation

- Option 1

