



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Board Action

- **Board of Directors**
One Water and Adaptation Committee

5/13/2025 Board Meeting

Revised 8-5

Subject

Authorize the General Manager to amend the Delivery and Exchange Agreement between Metropolitan and Coachella Valley Water District for 35,000 acre-feet; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

This letter seeks authority to amend the terms of the Delivery and Exchange Agreement Between Metropolitan and Coachella Valley Water District (Coachella) for 35,000 acre-feet to provide operational and monetary benefits for the parties. The amendment would cover the exchange of water from 2027–2035 and would include both the option of pre-delivering up to 200,000 acre-feet of exchange water prior to December 31, 2026, and flexibility in the timing of providing exchange water between 2027–2035. Coachella would pay a total cost of \$400 per acre-foot for the exchange, with costs escalating beginning in 2027. The escalation rate will vary between 3.9 percent and 4.8 percent depending on the volume delivered by December 31, 2026. Payments for exchange water delivered between 2027–2035 would be spread out evenly based on the remaining volume to be exchanged in that time period providing revenue/expense certainty for both agencies.

Proposed Action(s)/Recommendation(s) and Options

Staff Recommendation: Option #1

Option #1

Authorize the General Manager to amend the Delivery and Exchange Agreement between Metropolitan and Coachella Valley Water District for 35,000 acre-feet.

Fiscal Impact: Increased revenue of up to \$80 million over two years for the pre-delivery of exchange water to Coachella

Business Analysis: The proposed amendment would extend operational flexibility for the 35,000 acre-foot exchange and would increase Metropolitan's dry-year supply reliability

Option #2

Do not approve the proposed amendment.

Fiscal Impact: None

Business Analysis: Metropolitan would not benefit from the proposed amendment to the 35,000 acre-foot Delivery and Exchange Agreement.

Alternatives Considered

Not applicable

Applicable Policy

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities.

By Minute Item 42820, dated February 10, 1998, the Board approved a policy principle to protect Metropolitan's interests in and increase its dependable entitlements to Colorado River water, while collaborating with other water agencies.

Related Board Action(s)/Future Action(s)

By Minute Item 51834, in December 2019, Metropolitan's Board approved entering into amendments to the exchange and delivery agreements with Desert Water Agency and Coachella Valley Water District, which included amending the terms of the 35,000 acre-foot exchange through 2026.

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it involves organizational or administrative activities or general policy and procedure making that will not result in a direct or indirect physical change to the environment (Public Resources Code Section 21065; State CEQA Guidelines Section 15378(b)(2) and (5)). In addition, the proposed action is not subject to 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. (State CEQA Guidelines Section 15378(b)(4)).

CEQA determination for Option #2:

None required

Details and Background

Background

Under one of the agreements related to the Quantification Settlement Agreement, Metropolitan provides up to 35,000 acre-feet (AF) per year of its State Water Project supplies to Coachella and then exchanges that water for Colorado River supplies. Metropolitan delivers the Colorado River water to either the Coachella Canal or upper Coachella Valley at Whitewater for which Coachella reimburses Metropolitan for the cost of the delivery. The agreement related to this 35,000 AF exchange was amended in 2019 to provide greater operational flexibility and to simplify the payment structure. The changes provided by the 2019 amendment expire at the end of 2026.

Proposed Amendment

The parties are proposing to amend the agreement as summarized here:

- The amendment covers the exchange of water between 2027-2035.
- The maximum total volume of water that will be delivered under this agreement is 315,000 AF.
- Of the total volume of water that will be delivered, up to 200,000 AF may be provided as water delivery to Whitewater by December 31, 2026. Water delivered by December 31, 2026, may not be charged against the advanced delivery account.
- For the period 2027-2035, Coachella will determine the amount of water it wishes to have delivered to Whitewater each year and Metropolitan will deliver that amount at its discretion, provided that the full 315,000 AF is delivered to Coachella by 2035.
- Coachella will pay a total cost of \$400/AF for the exchange. This payment will be escalated starting in 2027 with the rate dependent on the volume of water delivered by December 31, 2026, according to the table below:


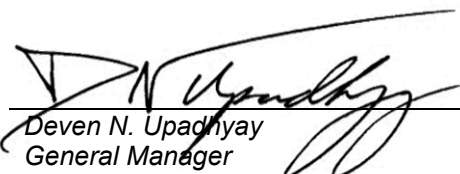
Volume Delivered by December 31, 2026	Escalation Rate (%)
0 – 199,999 AF	4.8%
200,000 AF	3.9%

- For payment purposes, for the period 2027-2035, the remaining total exchange volume in 2027 will be divided into equal annual volumetric installments.

A detailed term sheet is attached (**Attachment 1**).

Benefits of Proposed Amendment

The proposed amendment would build upon the existing benefits of the Delivery and Exchange Agreement for both Metropolitan and Coachella. The amendment would allow Metropolitan to pre-deliver water in 2025-2026 to meet a portion of the 2027-2035 exchange obligations in addition to continued operational flexibility through 2035. This amendment will also provide Metropolitan with additional revenue of up to \$80 million in the short term and greater water supply planning, revenue/expense certainty, and dry-year water supply reliability in the 2027-2035 time period.

 Brandon J. Goshi Interim Manager, Water Resource Management	4/28/2025 Date
 Deven N. Upadhyay General Manager	4/28/2025 Date

Attachment 1 – Coachella/Metropolitan Exchange Agreement

COACHELLA/METROPOLITAN EXCHANGE AGREEMENT

1. The Delivery and Exchange Agreement Between Metropolitan and Coachella for 35,000 AF was amended in 2019. That amendment expires in 2026.
2. Term of this new Exchange Agreement Amendment: 2027-2035, with the understanding that predelivery of a portion of this water may occur in 2025 and 2026.
3. This Exchange Agreement Amendment would cover the conditions for delivery of the 35,000 AF exchange through 2035, commensurate with the termination date of the Desert/Coachella/Metropolitan SWP Exchange Agreement.
4. Metropolitan and Coachella agree to work toward extending the terms of this Exchange Agreement to 2077, provided that the Desert/Coachella/Metropolitan SWP Exchange Agreement has been extended to 2085.
5. The maximum total volume of water that will be delivered under this amendment is 315,000 AF. Of this volume, up to 200,000 AF may be provided as water delivery to Whitewater by December 31, 2026, and not charged against the advance delivery account. For the period 2027–2035, Coachella will determine the amount of water it wishes to have delivered at Whitewater, and Metropolitan will deliver that amount of exchange water at its discretion, provided that the full amount requested is delivered to Whitewater by 2035.
6. In each year through 2035, Metropolitan and Coachella would jointly consult on how much water would be delivered under this Exchange Agreement each year. As conditions may change during the year, the agencies may agree on changing the delivery schedule on a regular basis.
7. Any water delivered from this amendment before 2026 will satisfy the obligations under this amendment, and not replace the delivery obligation under the 2019 Second Amendment to the Delivery and Exchange Agreement Between Metropolitan and Coachella for 35,000 Acre-Feet.
8. Coachella will pay a total cost of \$400/AF for the exchange. This payment will be escalated starting in 2027. The escalation rate will vary based on the amount of water delivered by December 31, 2026, according to the following table. And the cost will be rounded to the nearest dollar.

Table 1: Escalation Rate

Volume Delivered by December 31, 2026	Escalation Rate (%)
0–199,999 AF	4.8%
200,000 AF	3.9%

9. For the 2025 and 2026 billing, Metropolitan will invoice Coachella by June 30 for any water exchanged, or scheduled to be exchanged, in the prior fiscal year (July 1–June 30)
10. For the 2027 to 2035 billing, Metropolitan will invoice Coachella by June 30 for the previous fiscal year according to the following methodology. This is for billing purposes only, and does not commit Metropolitan to an annual volume delivery obligation. If Coachella requests delivery of the 200,000 AF under Section 5 and Metropolitan is unable or chooses not to deliver the water, then the rate shall be computed as if the water requested was fully delivered.

- a. Remaining volume = 315,000 AF (maximum volume under this agreement) – total volume delivered and billed in the 2025 and 2026 invoices. For example, if the volume delivered was 200,000 AF, then the remaining volume is 115,000 AF.
 - b. Annual delivery volume = Remaining volume/9 years (2027–2035). If the remaining volume is 115,000 AF, then annual delivery volume is 115,000 AF/9 years = 12,778 AF/yr.
 - c. Annual billing from Metropolitan = annual delivery volume x \$400/AF x annual escalator.
11. For any year that Coachella desires to have the water covered under this amendment delivered to the Coachella Canal, there shall be an adjustment to the cost of supply on the following invoice for the volume of water delivered to the Coachella Canal (Table 2-3).
- a. If the volume of water delivered to the Coachella Canal in a year exceeds the volume on the following invoice, the adjustment will continue on future invoices until the appropriate volume has been accounted for.
 - b. If the volume of water delivered to the Coachella Canal in a year exceeds the volume remaining to be billed under this amendment, a reconciliation will occur on the next invoice.
12. There will be a final true-up of total water delivered under this amendment at the end of 2035.

**Table 2: Adjustment to Cost of Supply
Delivery to Whitewater Service Connection
When Delivery by December 31, 2026 is 0–199,999 AF**

CY	Cost for Delivery at Whitewater Service Connection (\$/AF)	Cost for Delivery at Imperial Dam (\$/AF)
2025	\$400.00	\$250.00
2026	\$400.00	\$250.00
2027	\$419.00	\$262.00
2028	\$439.00	\$275.00
2029	\$460.00	\$288.00
2030	\$483.00	\$302.00
2031	\$506.00	\$316.00
2032	\$530.00	\$331.00
2033	\$555.00	\$347.00
2034	\$582.00	\$364.00
2035	\$610.00	\$381.00

**Table 3: Adjustment to Cost of Supply
Delivery to Whitewater Service Connection**

When Delivery by December 31, 2026 is 200,000 AFCY	Cost for Delivery at Whitewater Service Connection (\$/AF)	Cost for Delivery at Imperial Dam (\$/AF)
2025	\$400.00	\$250.00
2026	\$400.00	\$250.00
2027	\$416.00	\$260.00
2028	\$432.00	\$270.00
2029	\$449.00	\$280.00
2030	\$466.00	\$291.00
2031	\$484.00	\$303.00
2032	\$503.00	\$315.00
2033	\$523.00	\$327.00
2034	\$543.00	\$340.00
2035	\$564.00	\$353.00