



One Water & Stewardship Committee

Update on developing SWP water management actions to meet multiple objectives of managing dry year and wet year water supplies and generating new revenues

Item 9-3

January 13, 2025

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Update on developing SWP water management actions

Subject

Update on developing SWP water management actions to meet multiple objectives of managing dry year and wet year water supplies and generating new revenues

Purpose

Provide information on water transactions that can generate new revenue through sale and exchange of available water supply, manage annual surplus water supplies for regional benefit, and manage and procure water transfers and exchanges to reduce the risk of future water supply shortages.

Next Steps

Staff will return to the One Water and Stewardship Committee in the future with an Action letter and oral report.

The
Challenge:

Aligning
Financial and
Resource
Goals

Variable SWP Supply Presents Water and Financial Management Challenges

- Dry periods
 - Supplemental water needed to meet demands and preserve storage
- Wet periods
 - Lower water sales and revenues
 - Potential for unmanaged SWP supply
- Past performance and current conditions are not indicators of future outcomes

Proposed
Solution:

Purchase
and
Exchange
Water in Dry
Year

Water Transfer Purchases Enhance Dry Year Water Supply Reliability

- Board annually authorizes purchases, if needed, and on a case-by-case basis
 - Yuba Accord Water Transfer Program authorized 2007
 - Options for crop-idling transfers from North-of-Delta authorized Oct. 2024
- Additional opportunities, including:
 - Flexible groundwater substitution transfers from North-of-Delta sellers
 - Water transfers from other SWP contractors

Proposed Solution:

Sell and Exchange Water in Wet Years

Sale of SWP Supply to SWP Contractors to Generate New Revenue

- New tool of the Water Management Amendment to the SWP contract approved by board in February 2021
 - Allows annual water transfers with compensation determined by buyer and seller
- Opportunity to generate new revenues assumed in budget adopted by board in April 2024
- Sale of water outside of the service area requires board authorization

Feedback:

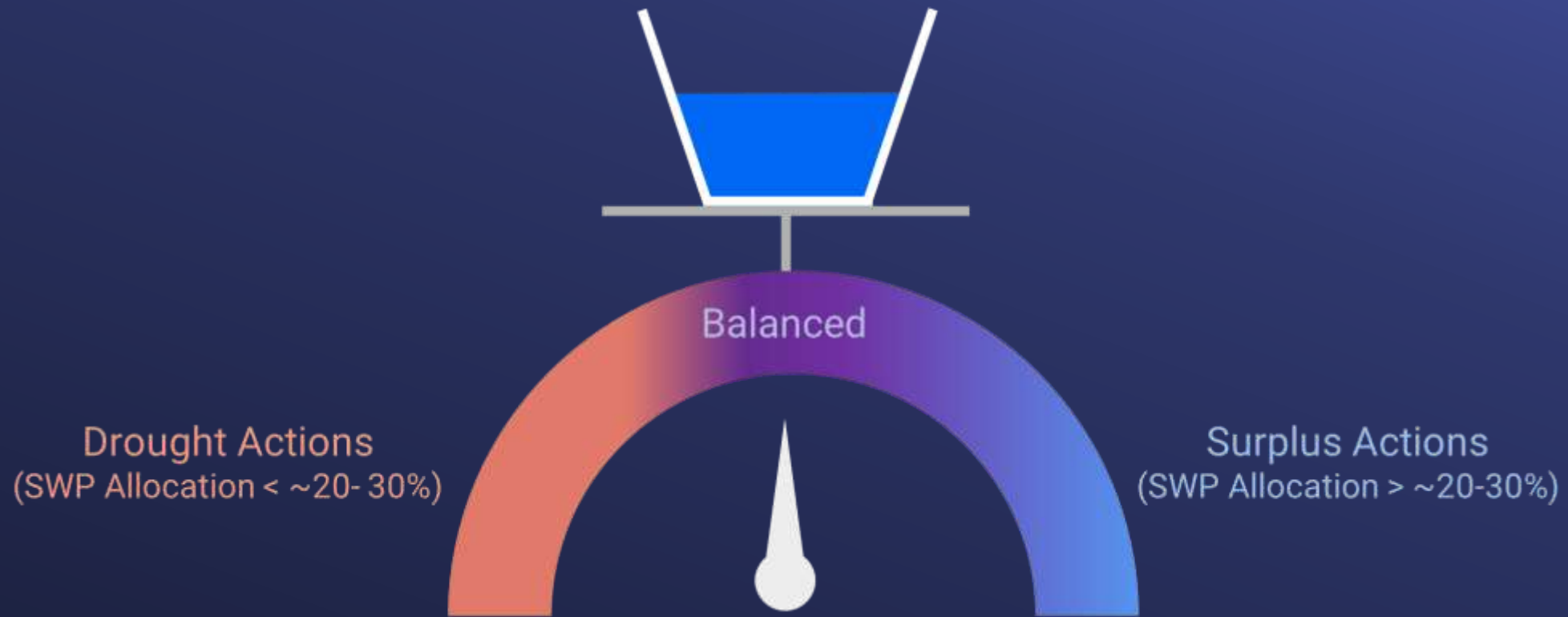
Need to
Preserve
SWP-
Dependent
Area
Reliability

Proposed Conditions for Water Sales to other SWP Contractors

- Meeting member agency demands
- Meeting storage targets
- Recovery of water supply costs
- Short-term (two-year) implementation

Meeting Member Agency Demands

- Member agency demands are met with contract water supplies, supplemental water purchases and recovery from storage

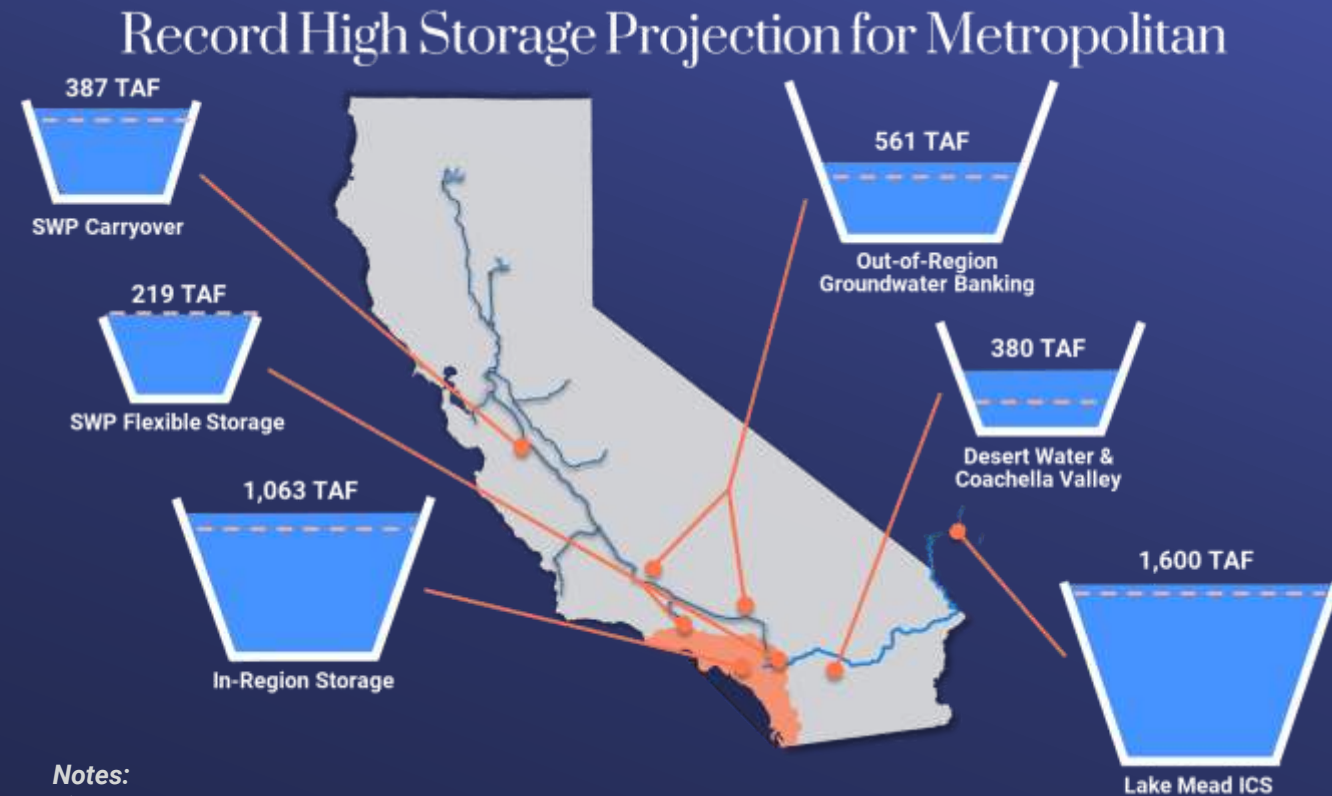


Note: Information as of December 2024. Assumes current trend demand on Metropolitan and forecasted Colorado River supplies.

Meeting Storage Targets



- Maintaining multiple years of dry-year storage is essential for preserving SWP-dependent area reliability
- Most SWP storage accounts full or contain four years of storage
- Supplemental water purchases can help preserve dry-year storage



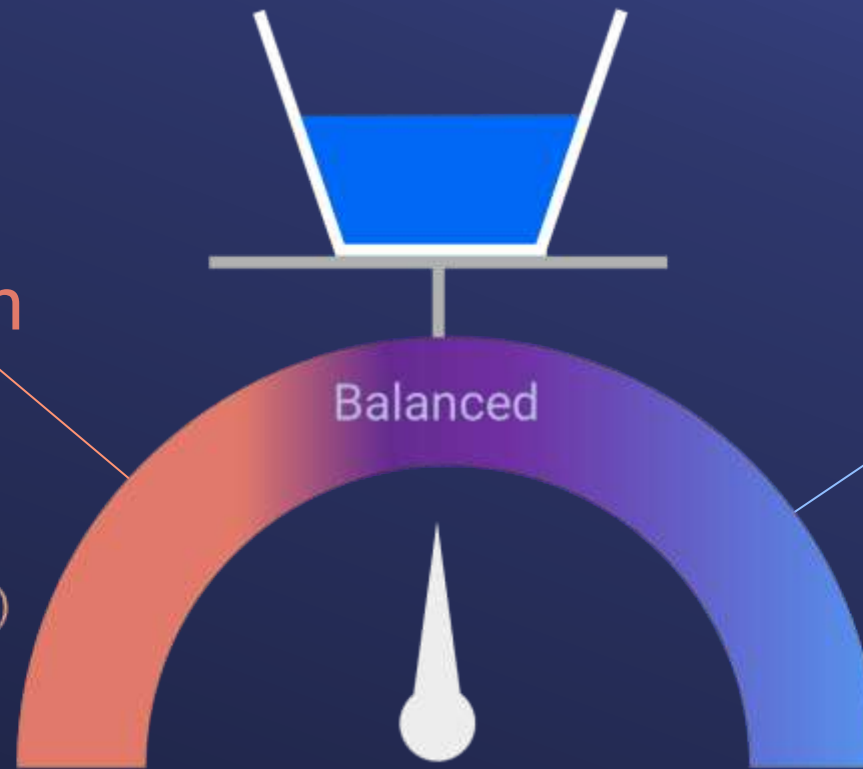
Notes:

- 1) Dashed lines indicate 2024 starting storage balances.
- 2) Ending storage balances are projections (as of December 4, 2024) & will vary based on actual conditions.
- 3) In-region storage includes emergency storage.
- 4) Storage buckets and map are not drawn to scale.

Water Sale Quantities Limited by Supply/Demand Balances

Water sales limited to quantities for which a future dry-year supply or exchange option can be obtained

Drought Actions
(SWP Allocation < ~20-30%)



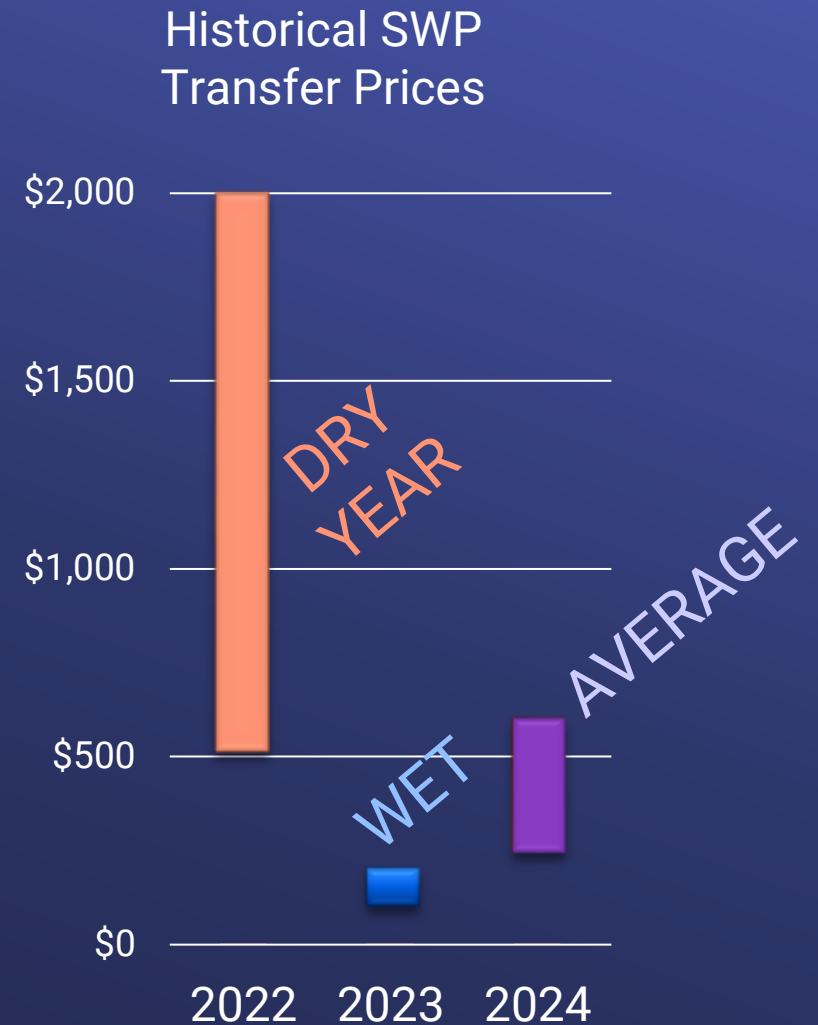
Water sales of up to 200 TAF at higher allocations

Surplus Actions
(SWP Allocation > ~20-30%)

Note: Information as of December 2024. Assumes current trend demand on Metropolitan and forecasted Colorado River supplies.

Recovery of Water Supply Costs

- Price of water sales to outside agencies should recover Metropolitan's water supply component of rates charged to member agencies
- Price of SWP transactions in recent years highly dependent on SWP allocation
- Likely price premium for water sales earlier in calendar year



Short-Term (Two-Year) Implementation

- Two calendar years is consistent with the period requiring new revenues in the budget adopted by Metropolitan's board in April 2024
- Shorter term is appropriate for a new water management tool
- SWP water sales are consistent with currently ongoing business model discussions
 - Immediate need to develop SWP transactions to optimize Metropolitan's storage assets, enhance flexibility in managing hydrologic variability, and capitalize on current conditions

Benefits:

Maximize
water
management
benefits in
both wet and
dry years

Flexible approach to managing hydrologic variability

- Allows staff to effectively and efficiently respond to changing hydrologic and market conditions
- Maximizes potential benefits:
 - Revenue generation
 - Future water supply shortage reduction
 - Preservation of stored water

Next Steps



- Receive board feedback
- Return to the board with an action item
- Negotiate agreement terms with potential partners
- Update the board monthly on potential transactions executed under the authority, if granted by the board

