



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

2/13/2024 Board Meeting

8-3

Subject

Authorize the General Manager to secure one-year water transfers and water exchanges with various water districts for up to \$50 million from Water Supply Program and State Water Project budgets for such supplies and to secure storage and conveyance agreements with the Department of Water Resources and various water districts to facilitate these transfers and exchanges; and 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

Executive Summary

In this action, staff requests authorization for the General Manager to execute agreements required to secure additional water in 2024 to help preserve storage reserves in the event 2024 remains dry. The agreements would include necessary water transfer agreements, exchange agreements, and storage and conveyance agreements with the Department of Water Resources (DWR) and various water entities.

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

Staff Recommendation: Option #1

Option #1

Authorize the General Manager to secure one-year water transfers and water exchanges with various water districts for up to \$50 million from Water Supply Program and State Water Project budgets for such supplies and to secure storage and conveyance agreements with the Department of Water Resources and various water districts to facilitate these transfers and exchanges; and grant final decision-making authority to the General Manager subject to the terms set forth in this letter.

Fiscal Impact: The maximum cost would be \$50 million. Available previously budgeted funds from the Water Supply Program and State Water Project (SWP) budget will be used to fund the agreements. These funds would also be used for any additional administrative and related costs to implement the transfers and exchanges. If Metropolitan enters into agreements for transfer supplies and the SWP allocation increases after that commitment, it is possible that scenario would coincide with a wet year from both the SWP and the Colorado River. In that case, it is possible Metropolitan sales (and therefore, revenues) may be low, and it may be necessary to use reserves to pay for any contractual transfer supplies.

Business Analysis: Obtaining transfer supplies and implementing water exchanges will improve future regional water supply reliability and help mitigate impacts should dry conditions continue.

Option #2

Do not authorize the General Manager to enter one-year water transfer and exchange agreements with various water districts.

Fiscal Impact: None

Business Analysis: Not authorizing one-year water transfers and exchanges with various water districts could result in a lost opportunity to secure additional water supplies in 2024, potentially resulting in lower storage reserves in 2024 and lower water supply reliability in future years.

Alternatives Considered

Not applicable

Applicable Policy

Metropolitan Water District Administrative Code Section 4203: Water Transfer Policy

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

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

By Minute 53105 in January 2023, Metropolitan's Board authorized the General Manager to: (1) Secure one-year water transfers with various water districts for up to \$100 million; and (2) Secure storage and conveyance agreements with the Department of Water Resources and various water districts to facilitate these transfers consistent with Articles 55 and 56 of Metropolitan's SWP contract; and granted the General Manager final decision-making authority to determine whether or not to move forward with these transfers following completion of any environmental reviews required under CEQA.

California Environmental Quality Act (CEQA)

CEQA determination(s) for Option #1:

The proposed action is not defined as a project under CEQA because it involves the tentative approval of and funding for water transfers, but does not involve a commitment to any specific transfers at this time that may result in a potentially significant physical impact on the environment (Section 15378(b)(4) of the State CEQA Guidelines). Prior to final authorization of any water transfers by the General Manager, CEQA documentation will be prepared by the Lead Agency and reviewed and processed in accordance with CEQA and the State CEQA Guidelines.

CEQA determination(s) for Option #2:

None required

Details and Background

Background

Metropolitan's water management strategy includes the purchase and use of water transfers. Water year 2023-2024 has started out with dry hydrologic conditions. Metropolitan currently has an adequate amount of water in its regional storage portfolio to meet member agency demands. However, to replenish and preserve storage for future dry years, staff recommends authorizing the General Manager to secure transfers and implement water exchanges to supplement a potentially low final 2024 Table A SWP allocation. The SWP allocation is currently 10 percent of Table A contract amounts, the same as initially announced by DWR on December 1, 2023. In 2024, Metropolitan could purchase additional supplies from various sources including the existing long-term Yuba Accord Water Purchase Program, and through agreements with willing sellers north and south of the Delta that remain to be negotiated. Metropolitan's Board took similar action in January 2023 to authorize the General Manager to secure up to \$100 million of water transfers on the heels of the historic three-year drought. While additional water was ultimately not purchased in 2023 due to extremely wet conditions, current-year hydrologic conditions have yet to improve to a level that would mitigate substantial storage withdrawals.

Yuba Accord Water Purchases

In 2007, the Board authorized an agreement with the California DWR to purchase water transfers from the Yuba County Water Agency (YWA). Under the agreement and subsequent amendments, YWA provides water transfer supplies to participating SWP contractors and the San Luis Delta Mendota Water Authority. YWA provides: (1) surface water supplies by re-operating its reservoirs; and (2) groundwater substitution supplies by its member units using groundwater instead of surface water supplies. Participants negotiate the groundwater substitution price each year based on market conditions, if YWA chooses to make this water available. In 2022, Metropolitan purchased 16,223 acre feet (AF) of groundwater substitution supplies at a price of \$800 per AF and 3,825 AF of surface water supplies at a price of \$447 per AF. While the potential available quantity of Yuba transfer supplies in 2024 is not yet known, the most surface water supply Metropolitan has been able to purchase was 33,518 AF in 2021. If there are surface water supplies available, the price would be up to \$383 per AF if the water year type is critical. The price of groundwater substitution supplies is yet to be negotiated. There are minimal risks associated with the purchase of Yuba transfer supplies, because participating contractors only pay for supplies that DWR is able to convey through the Delta.

Additional Water Purchase Opportunities

In 2015, 2021, and 2022, Metropolitan purchased transfer supplies from willing sellers north of the Delta via Dry-Year Transfer Programs facilitated by the State Water Contractors. Purchases prior to Delta carriage losses in those years were 12,359 AF, 5,588 AF, and 8,304 AF, respectively. Staff is negotiating directly with sellers regarding the potential purchase of transfer supplies north of the Delta in 2024. Water purchase agreements for supplies north of the Delta typically have mid-April call dates once current-year water supply conditions are better known. There are risks of DWR being unable to convey north-of-Delta transfers through the Delta if the SWP allocation increases such that there is no capacity to export transfer supply. Because buyers bear the risk of being unable to take delivery of transfer supply, staff will closely monitor hydrologic conditions and consider that risk for north-of-Delta transfers.

Additionally, the 2021 Water Management Amendment to the SWP contract allows for single-year Table A transfers between willing buyers and sellers. Transactions pursuant to the 2021 Water Management Amendment could occur at any time in 2024 but would likely be developed once the allocation is final in May or June.

Delegation of Authority to General Manager for One-Year Water Transfers and Exchanges

Staff recommends that the Board authorize the General Manager to secure one-year water transfers and exchanges with water districts. The price for these supplies can vary depending on market conditions but would be limited to a total cost of \$50 million for the transferred supplies, including the costs for any documented out-of-pocket expenses such as administrative, legal, environmental, and professional services fees that Metropolitan may agree to. These transfers include possible storage and conveyance agreements with DWR and the water districts. The storage and conveyance agreements would be consistent with Articles 55 and 56 of Metropolitan's SWP contract. Metropolitan will be responsible for all losses, including Delta carriage water losses, associated with transfer water between the sellers' points of delivery and Metropolitan's service area. In recent years, final Delta carriage losses have been 20 to 35 percent.

The funding for water transfers procured under this authorization would come from the Water Supply Program budget or unused SWP funds. The SWP funds would be available if the final allocation remains low because staff initially budgeted for receiving a delivery of a 51 percent SWP allocation for calendar year 2024. It is contemplated that funds from the SWP could be used for potential transfer purchases in a dry or critical year as these conditions coincide with lower SWP deliveries and costs. Since water transfers occur on a calendar year basis, payments will be covered over two fiscal year budgets. If conditions are such that there are not enough funds available from the Water Supply Program and SWP budgets, funds may be taken from reserves. Staff will regularly update the Board on the progress in securing water transfers.

Participating in the transfer market would help Metropolitan preserve water stored on the SWP system for next year, should the critically dry pattern continue. Transfers and exchanges would provide additional security to Metropolitan to serve its SWP-dependent areas. Accordingly, staff requests that authorization be given to the General Manager to move forward with these water transfers and exchanges following completion of, and based upon, any environmental reviews that may be necessary under CEQA. No commitment to any given transfer or exchange would be made by the General Manager unless and until all applicable CEQA requirements have been met. Any such commitment would be subject to and consistent with the terms and conditions set forth above.



Brandon J. Goshi
Interim Manager,
Water Resource Management

2/1/2024

Date



Adel Hagekhalil
General Manager

2/1/2024

Date