



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

12/14/2021 Board Meeting

7-5

Subject

Authorize the General Manager to enter into agreements with San Bernardino Valley Municipal Water District and the California Department of Water Resources to improve the management of State Water Project supplies, including the exchange of water; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

Staff requests authorization for the General Manager to enter into agreements with San Bernardino Valley Municipal Water District (Valley District) and the California Department of Water Resources (DWR) to enhance Metropolitan's capability of delivering supplies to areas dependent on State Water Project (SWP) supplies. The agreements include exchanging supplies, delivering Valley District's local supplies to the Rialto Pipeline, shifting from Valley District's SWP supplies to its local supplies, and delivering Diamond Valley Lake supplies to the Rialto Pipeline and to Valley District. The proposed agreements provide for reimbursement of operating costs and provide a payment to encourage Valley District's member agencies to shift to local supplies to make additional Valley District SWP supplies available to Metropolitan.

Details

Background

On March 9, 2021, Metropolitan's Board authorized the General Manager to enter into a Coordinated Operating Agreement (COA) with Valley District to allow Metropolitan to purchase surplus SWP supplies from Valley District and to provide for mutual aid in emergencies. However, the COA does not provide for exchanges of supplies or for the payment of costs. The new agreements will provide Metropolitan additional flexibility in managing supplies for the SWP reliant areas of the service area.

On November 9, 2021, Metropolitan's Board adopted a resolution declaring a drought emergency. The resolution provided the General Manager with additional authorities and directed him to identify and implement measures to improve reliability against multi-year, severe droughts. While the proposed agreements with Valley District would advance this goal, staff is seeking Board authorization in this case because the proposed agreements would provide benefits for a period that would extend beyond the current emergency and the agreements could also be used to provide benefits to Valley District.

Agreement to Exchange Supplies between Metropolitan and Valley District

Exchanging supplies between Metropolitan and Valley District provides both districts an additional tool to manage their supplies. In 2022, staff estimates up to 8,000 acre-feet of Valley District's SWP carryover would be available. The actual amount available will be determined by Valley District based on its water supply and demand needs. Metropolitan can use Valley District's water earlier in the year when staff expects the SWP allocation to be low and can return water later in the year, or future in a year, to meet Valley District's surface water needs. Metropolitan and Valley District would exchange water equally within a calendar year. However, the districts would retain discretion to negotiate exchange terms up to a ratio of two-to-one for the return of water beyond a calendar year. In other words, for every acre-foot Metropolitan receives, Metropolitan would return up to two acre-feet in a future year when SWP supplies improve. Under alternate conditions where Metropolitan's supply conditions are good, Valley District could request an exchange of supplies from Metropolitan under the

same terms. Valley District and Metropolitan will retain discretion on whether to participate in an exchange based on each district's water supply and demand conditions.

Agreement to Reimburse Valley District to shift from SWP Supplies and provide Local Supplies

Metropolitan would reimburse Valley District for direct costs associated to produce local water for either delivery to Metropolitan or for usage in Valley District's service area as a shift from Valley District's SWP supplies. Staff estimates the amount of local supply available to be around 1,000 acre-feet per month. The shift enhances Metropolitan's exchange capability of SWP supplies. The current COA does not allow Metropolitan to reimburse Valley District for its costs to deliver additional local water for Metropolitan's benefit, or the production costs of local water and associated operation, maintenance, and repair costs. Metropolitan would pay Valley District up to \$300/AF, for its retail agencies to shift from SWP water to local groundwater. The payment will be based on an estimate of the actual costs incurred by retail agencies to reduce direct deliveries of SWP water or, upon agreement, for the cost of any new facilities that may be required.

Agreement to Reimburse Valley District for Conveying Metropolitan's Diamond Valley Lake Supplies

Metropolitan would reimburse Valley District for costs to convey Metropolitan's Diamond Valley Lake supplies for delivery to Metropolitan or for usage in Valley District's service area as a shift from Valley District's SWP supplies. The program could provide around 100,000 acre-feet of additional supply when fully developed. The shift enhances Metropolitan's exchange capability of SWP supplies. The current COA does not allow Metropolitan to reimburse Valley District for the conveyance costs for moving Diamond Valley Lake supplies to Metropolitan or to Valley District for Metropolitan's benefit. The agreement would allow for reimbursement to Metropolitan should reversed conditions prevail, and Valley District needs Diamond Valley Lake supplies during an emergency or outage.

Summary

Metropolitan's capability of delivering supplies to areas that are reliant on SWP supplies improves with entering into a series of agreements with Valley District, and any necessary related agreements with DWR, consistent with the terms outlined in **Attachment 1**. Agreements with DWR are needed to exchange and deliver supplies using SWP facilities under Metropolitan's existing State Water Contract. The agreements allow for the production and delivery of water based on actual costs. Staff estimates that the cost for Valley District to shift from SWP supplies to local supplies is up to \$300/AF. Valley District and Metropolitan will each retain discretion on the level of participation in the exchange and operation of their distribution systems based on each district's water supply, water demand, and distribution system needs. The agreements will be limited to ten years, through December 31, 2031, to provide additional flexibility during future emergencies and outages.

Policy

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

By Minute Item 44357, February 13, 2001, the Board approved a water quality policy governing the introduction of new water sources into conveyance facilities.

By Minute Item 52304, March 9, 2021, the Board approved a Coordinated Operating Agreement with Valley District that provided for mutual aid.

By Minute Item 52581, November 9, 2021, the Board recognized a statewide drought emergency, declared specified emergency conditions within the Metropolitan service area, and directed specified actions.

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA (Public Resources Code Section 21065, State CEQA Guidelines Section 15378(b)(4)) because it involves organizational or administrative activities such as the creation of government funding mechanisms or other governmental fiscal activities which do not involve any commitment to any specific project which may result in a direct or indirect physical impact on the environment. Additionally, where it can be seen with certainty that there is no possibility that the proposed action in question may have a significant effect on the environment, the proposed action is not subject to CEQA (Section

15061(b)(3) of the State CEQA Guidelines). Finally, the proposed project involves minor alterations to the operation of existing facilities with negligible or no expansion of use and with no possibility of significantly impacting the physical environment. Accordingly, the proposed action qualifies under a Class 1 Categorical Exemption (Section 15301) of the State CEQA Guidelines.

CEQA determination for Option #2:

None required

Board Options

Option #1

Authorize the General Manager to execute agreements with San Bernardino Valley Municipal Water District and the Department of Water Resources consistent with the key terms outlined herein and in **Attachment 1**, and in a form approved by the General Counsel.

Fiscal Impact: Should Metropolitan incur costs in a given year, the cost will be managed first using board-approved funds allocated to the Water Supply Program and then the State Water Project Program if needed. Metropolitan will cover actual costs to move local or Diamond Valley Lake water that would benefit the region's reliability. Metropolitan will also reimburse San Bernardino Valley Municipal Water District up to \$300 per acre-foot towards actual costs to increase the shift to local groundwater supplies instead of State Water Project supplies. The amount of shift available will be dependent upon Valley District's State Water Project supplies. With a zero percent State Water Project Allocation, the upper limit will be the amount in carryover estimated at 8,000 AF.

Business Analysis: Increases the water supply reliability to areas served by State Water Project supplies.

Option #2

Do not enter into agreements with San Bernardino Valley Municipal Water District and the California Department of Water Resources.

Fiscal Impact: May increase costs by requiring Metropolitan to purchase higher-cost transfers and further reduce water supply reliability in areas served by State Water Project supplies.

Business Analysis: Does not improve Metropolitan's water supply reliability in Metropolitan's State Water Project areas and reduces the ability to respond to the current drought conditions.

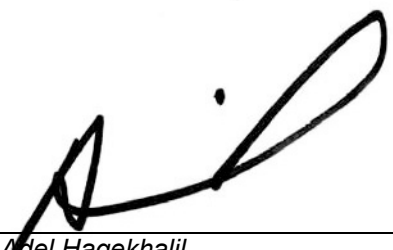
Staff Recommendation

Option #1


 Brad Coffey
 Manager, Water Resource Management

11/29/2021

Date


 Adel Hagekhalil
 General Manager

12/2/2021

Date

Attachment 1 – Metropolitan and San Bernardino Valley Municipal Water District Terms – Agreement to Improve Management of State Water Project Supplies

**Metropolitan and
San Bernardino Valley Municipal Water District
Terms
Agreements to Improve Management of State Water Project Supplies**

Exchange

Metropolitan Initiated Exchange

- Ratio 1:1: For every acre-foot Metropolitan receives, Metropolitan will return one acre-foot in the calendar year.
- Exchange schedule by mutual agreement. Metropolitan anticipates needing the supply early in calendar year and will return the water to meet Valley District's State Water Project (SWP) supply needs later in the calendar year.
- Metropolitan will backstop the exchange, should its SWP supplies be insufficient, with a combination of its supplies stored in Diamond Valley Reservoir or its other various SWP Storage Programs at Metropolitan's cost.
- Valley District, at its sole discretion may agree to an unbalanced exchange ratio should Metropolitan want to return water in a subsequent calendar year. The parties may negotiate a ratio, up to 2:1, for any exchange beyond the same calendar year.

Valley District Initiated Exchange

- Ratio 1:1: For every acre-foot Valley District receives, Valley District will return one acre-foot.
- Exchange schedule by mutual agreement.
- Metropolitan, at its sole discretion may agree to an unbalanced exchange ratio should Valley District want to return water in a subsequent calendar year. The parties may negotiate a ratio, up to 2:1, for any exchange beyond the same calendar year.

Enhanced Valley District Local Production Capability for Metropolitan

Valley District pumps groundwater into the Inland Feeder or Valley District's Distribution System

- Metropolitan will pay Valley District the energy, operations and maintenance costs, to pump groundwater into the Inland Feeder or Valley District's distribution system for Metropolitan. The parties will meet and confer on these costs prior to any delivery.
- For every one acre-foot provided to Metropolitan, Metropolitan will return one acre-foot to Valley District in the same calendar year.
- Valley District, at its sole discretion may agree to an unbalanced exchange ratio should Metropolitan want to return water in a subsequent calendar year. The parties may negotiate a ratio, up to 2:1, for any exchange beyond the same calendar year.

Valley District retail agencies shift from SWP water to stored groundwater

- Metropolitan will pay Valley District a mutually agreed upon sum, up to \$300/AF, for its retail agencies to shift off of SWP water and onto groundwater. The payment will reflect an estimate of the actual cost incurred by retail agencies to reduce direct deliveries of SWP water or a portion of the cost of any new facilities that may be required.
- The amount of production shifted off of SWP water and onto groundwater will be quantified using the actual meter data for the well(s) pumped in lieu of SWP water direct deliveries.
- The SWP water preserved by shifting to stored groundwater would be provided for exchange with Metropolitan.

Diamond Valley Lake Operation**Metropolitan provides Valley District water from Diamond Valley Lake in exchange for Valley District's SWP supplies**

- Metropolitan will pay the energy, operations, and maintenance costs to deliver water from Diamond Valley Lake to Valley District in-lieu of Valley District using SWP water when initiated by Metropolitan. For every acre-foot provided to Valley District, Metropolitan will receive an acre-foot in return during the same calendar year. Metropolitan, at its sole discretion may agree to an unbalanced exchange ratio should Valley District want to return water in a subsequent calendar year. The parties may negotiate a different ratio, up to 2:1, for any exchange beyond the same calendar year.
- Valley District will pay the energy, operations, and maintenance costs to deliver water from Diamond Valley Lake to Valley District when initiated by Valley District. For every acre-foot provided to Valley District, Metropolitan will receive an acre-foot in return during the same calendar year. Valley District, at its sole discretion may agree to an unbalanced exchange ratio should Metropolitan want to return water in a subsequent calendar year. The parties may negotiate a ratio, up to 2:1, for any exchange beyond the same calendar year.

Metropolitan moves Diamond Valley Lake supplies to Devil Canyon Afterbay/Rialto Pipeline

- Metropolitan will pay the energy, operations, and maintenance costs to deliver water from Diamond Valley Lake to Devil Canyon Afterbay/Rialto Pipeline.

Term

- Through December 31, 2031.