



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

12/14/2021 Board Meeting

7-6

Subject

Authorize General Manager to enter into agreements with San Diego County Water Authority, Semitropic Water Storage District, and the California Department of Water Resources to purchase water, lease groundwater return capacity, exchange water, and to convey water in the State Water Project facilities; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

In November 2021, Metropolitan's Board declared a regional drought emergency and directed staff to identify and implement measures to ensure all portions of the service area attain a high level of reliability against multi-year, severe droughts. Staff seeks authorization to enter into an agreement with San Diego County Water Authority (SDCWA) to access 4,200 acre-feet (AF) of water supply and 5,000 AF per year (AFY) of contractual return capacity to the California Aqueduct from SDCWA's groundwater storage program with Semitropic Water Storage District (Semitropic). Metropolitan and SDCWA negotiated a purchase price for water delivered under this agreement at \$893 per AF. This price is consistent with the price for north-of-Delta transfers authorized by the Board in April 2021. For the use of SDCWA's contractual return capacity, Metropolitan and SDCWA negotiated a price of \$100 per AFY. By partnering with SDCWA in this agreement, Metropolitan's water supply reliability for deliveries to the East and West branches of the California Aqueduct will be increased by 9,200 AF in 2022.

Details

Background

Metropolitan is encountering a significant reduction of supply from the State Water Project (SWP) given the current five percent SWP Allocation and the expected zero percent allocation to begin in 2022. Staff is seeking additional supplies to improve SWP system reliability.

SDCWA developed a groundwater storage program in partnership with Semitropic in Kern County. Staff seeks authorization to enter into an agreement with SDCWA to access its water supply and contractual return capacity to the California Aqueduct from the Semitropic program. Staff also seeks authorization to enter into any additional agreements with Semitropic and the California Department of Water Resources (DWR) necessary to convey the water to the East and West branches of the California Aqueduct. Metropolitan has partnered with SDCWA in the past related to the Semitropic storage program. In 2008, SDCWA acquired transfer supplies when Metropolitan was recovering water from Metropolitan's Semitropic Storage Program. Metropolitan and SDCWA implemented an exchange of 16,117 AF to enhance water available to Metropolitan's service area. SDCWA provided Metropolitan the transfer supplies in the California Aqueduct, and Metropolitan provided to SDCWA supplies previously stored with Semitropic. SDCWA has since maintained this same supply for its reliability but now offers up to 4,200 AF of the reserve to Metropolitan given the drought emergency. In addition, SDCWA has also offered contractual return capability of 5,000 AF that Metropolitan would use to return its own water stored with Semitropic and deliver the water to the California Aqueduct. The combined total benefit to Metropolitan's service area could be 9,200 AF in 2022.

The purchase price for the 4,200 AF of water stored in SDCWA's Semitropic program and delivered to the California Aqueduct would be \$893 per AF. The price is consistent with the board-authorized price for north-of-Delta transfers when factoring in conveyance losses of 30 percent. The water sale would reduce SDCWA's account balance from 16,117 AF to 11,917 AF.

SDCWA has also offered to provide 5,000 AF of contractual return capacity from the Semitropic Stored Recovery Unit (above and beyond the return capacity needed for the 4,200 AF supply purchase). Metropolitan would use the freed-up return capacity to recover Metropolitan's own stored water and deliver the water to the California Aqueduct. Metropolitan would pay SDCWA \$100 per AF of return capacity. Metropolitan would also be responsible for all the costs to Semitropic related to returning Metropolitan's stored water, including regulation fees, energy, and treatment costs. Metropolitan would also receive any unused capacity of other banking partners that would otherwise be allocated to SDCWA at no additional charge. Metropolitan's payment to SDCWA will help offset actual costs SDCWA has incurred in managing its Semitropic Program.

As part of the purchase, Metropolitan would exchange the balance of the water SDCWA has in storage (after purchasing up to 4,200 AF) on an equal basis (one AF to one AF) to help SDCWA manage its remaining stored supply. Because the SDCWA supplies were held prior to February 2021, the current stored water can only be delivered to Metropolitan's service area under the recent Water Management Amendment to the State Water Contract. Exchanging the remaining supplies with Metropolitan for newly received SWP water would provide SDCWA additional flexibility in managing and marketing its stored water outside of Metropolitan's service area. The exchange would only occur when Metropolitan is in surplus conditions and delivering water into the Semitropic Program, so there will be no impact on Metropolitan's regional reliability due to the exchange. Any new exchanged water would take the place of the assigned water in the 2008 exchange and conveyance agreement with SDCWA. The 2008 agreement refers explicitly to the pre-set wheeling rate in Metropolitan's Administrative Code, which has subsequently been repealed by the Metropolitan Board. Therefore, it will be necessary to separately amend that term of the agreement in a future Board action to implement future SDCWA deliveries from its storage.

The Metropolitan water purchase and use of SDCWA's contractual return capacity enhances the region's water supply reliability for areas that are heavily dependent on Metropolitan's SWP supplies. These additional supplies will be used to meet demands in calendar year 2022 and, should water supply conditions improve later in the year; the extra water would enhance Metropolitan's SWP carryover supplies for 2023.

Policy

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

By Minute item 47640, dated September 9, 2008, the Board authorized a wheeling and exchange agreement with San Diego County Water Authority.

By Minute item 52273, dated February 9, 2021, the Board approved the State Water Project Contract Amendment for Water Management.

By Minute item 52329, dated April 13, 2021 to secure one-year water transfers with various water districts north of the Sacramento-San Joaquin River Delta.

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 of entering into agreements is not defined as a project under CEQA because it involves continuing administrative activities, such as general policy and procedure making (Section 15378(b)(2) of the State CEQA Guidelines) and because it involves 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 (Section 15378(b)(4) of the State CEQA Guidelines). The exchange and conveyance of water is exempt from CEQA as it consists of the operation, repair, maintenance, permitting, leasing, licensing, or minor

alteration of existing public or private structures, facilities, mechanical equipment, or topographical features, involving negligible or no expansion of existing or former use (Section 15301 of the State CEQA Guidelines).

CEQA determination for Option #2:

None required

Board Options

Option #1

Authorize the General Manager to enter into agreements with San Diego County Water Authority, Semitropic Water Storage District, and the California Department of Water Resources to purchase water, lease groundwater return capacity, exchange water, and to convey water in the State Water Project facilities consistent with the terms outlined herein and in **Attachment 1**, and in a form approved by the General Counsel.

Fiscal Impact: Metropolitan will pay the costs first using funds allocated to the Water Supply Program and then any unused funds from the State Water Project, if needed. Metropolitan will pay \$893/AF for 4,200 AF amounting to \$3,750,600 and lease return capacity at \$100/AFY for 5,000 AFY of return capability amounting to \$500,000. The combined cost is projected to be \$4,250,600 and improve supplies to the SWP dependent areas by 9,200 AF.

Business Analysis: Increases the water supply reliability to areas served by State Water Project supplies. The cost is expected to be at or below water transfers supplies.

Option #2

Do not enter into the described agreements with San Diego County Water Authority, Semitropic Water Storage 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 State Water Project dependent areas and reduces the ability to respond to the current drought conditions.

Staff Recommendation

Option #1



Brad Coffey
Manager, Water Resource Management

12/6/2021
Date



Adel Hagekhalil
General Manager

12/7/2021
Date

Attachment 1 – Metropolitan and SDCWA Water Purchase and Return Capacity Terms

Ref# wrm12684431

**Metropolitan and
San Diego County Water Authority
Water Purchase and Semitropic Program Return Capacity Lease Terms**

Water Purchase (2022)

- The San Diego County Water Authority (SDCWA) will make available to Metropolitan 4,200 acre-feet of stored water in the Semitropic Original Water Bank during 2022.
- SDCWA shall be responsible for all the costs to Semitropic Water Storage District (Semitropic) related to providing the water to Metropolitan.
- Metropolitan shall pay SDCWA \$893 for each acre-foot of water provided to Metropolitan.
- Delivery Point: Semitropic turnout location before the California Aqueduct.
- Metropolitan shall be responsible for the State Water Project conveyance costs to deliver the water purchased from the location of the Semitropic turnout location to Metropolitan's service area.
- Purchase, and below Lease and Exchange, all subject to approval by Semitropic.

Return Capacity Lease (2022)

- SDCWA will make available to Metropolitan 5,000 acre-feet of return capacity from the Semitropic Stored Water Recovery Unit in 2022.
- Metropolitan shall use the additional return capacity to recover Metropolitan's stored water.
- Metropolitan shall pay the SDCWA \$100 for each acre-foot of return capacity provided by SDCWA up to 5,000 acre-feet in 2022.
- Metropolitan shall be allocated any unused capacity of other banking partners that would otherwise be allocated to SDCWA at no additional cost.
- Metropolitan shall be responsible for all the costs to Semitropic related to returning to Metropolitan's stored water, including regulation fees, energy, and treatment costs.
- Metropolitan shall be responsible for the State Water Project conveyance costs to deliver Metropolitan's stored water using the SDCWA's Semitropic return capacity.

Exchange of SDCWA Stored Supplies

- Metropolitan shall exchange supplies with the SDCWA when Metropolitan is storing water in Metropolitan's Semitropic Storage Program, so that SDCWA's remaining 11,917 acre-feet of Semitropic stored water is replaced by newly stored water from Metropolitan. Metropolitan shall prioritize storage in its Semitropic bank over its other storage programs in the Central Valley until the remaining SDCWA stored water is fully exchanged. For every acre-foot SDCWA provides Metropolitan of its previously stored water, Metropolitan will provide one acre-foot of Metropolitan's newly stored water. This will allow all of SDCWA's remaining 11,917 acre-feet of stored water to be 2022 (or later) water. Metropolitan and SDCWA shall work together to effectuate the above Exchange.