



• **Board of Directors**

Finance, Audit, Insurance, and Real Property Committee

4/11/2023 Board Meeting

7-13

Subject

Authorize a credit of up to \$200,000 to Western Municipal Water District for treatment surcharge costs incurred due to the unexpected extension of a Metropolitan shutdown; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

Western Municipal Water District (Western) purchases untreated water from Metropolitan via San Diego Pipeline No. 5 (Pipeline 5) at Service Connection WR-34 for delivery to its retail agency Rancho California Water District (Rancho California). Rancho California uses that water to meet its legal requirement to discharge flows to Murrieta Creek. During a scheduled shutdown requested by San Diego County Water Authority (SDCWA), Metropolitan took the opportunity to inspect and make minor repairs to the two Red Mountain Pressure Control Structure (PCS) sleeve valves. However, upon inspection, staff determined that the two sleeve valves had extensive deterioration and needed to be completely refurbished. The work took much longer than Metropolitan originally anticipated, and as a result Metropolitan was not able to deliver water to Western for Rancho California via Pipeline 5.

Western and Rancho California prepared themselves to accommodate the planned shutdown, consistent with Metropolitan's Administrative Code. However, due to the unanticipated extended shutdown, Metropolitan requested that Western take deliveries of treated water via San Diego Pipeline No. 4 (Pipeline 4) instead for Rancho California. Western and Rancho California cooperated with Metropolitan by minimizing the number of necessary deliveries, but Western incurred the costs of Metropolitan's Treatment Surcharge to accommodate deliveries from a different connection. This action seeks to credit Western for the treatment surcharge incurred to accommodate the unexpected 4-month delay by Metropolitan in refurbishing the affected valves at Pipeline 5, which has affected Western's costs to deliver water to Rancho California.

Details

Background

Western purchases untreated water deliveries via Pipeline 5 at Service Connection WR-34 for delivery to its retail agency, Rancho California. These untreated water deliveries are then discharged to Murrieta Creek to meet guaranteed flow requirements for the Santa Margarita River, as set by the Cooperative Water Resource Management Agreement between the United States, on behalf of Marine Corps Base Camp Pendleton, and Rancho California. These discharges are also required by the watermaster in the Santa Margarita watershed adjudication.

At the request of SDCWA, Metropolitan scheduled a shutdown from October 16, 2022, to April 25, 2023, of San Diego Pipeline 5. The shutdown facilitated SDCWA to prepare for its six-month relining project of the San Diego Pipeline 5. From October 16 to November 19, 2022, Metropolitan staff planned to inspect and perform minor repair work on the two Red Mountain PCS sleeve valves. Once completed, Metropolitan planned on returning Pipeline 5 to service upstream of Red Mountain PCS to allow Service Connection WR-34 to operate. The rest of the pipeline was to remain isolated to support SDCWA's relining project. However, upon inspection, staff determined that the two Red Mountain PCS sleeve valves had extensive deterioration and needed to be completely refurbished. The pipeline remained isolated, and Service Connection WR-34 remained out of service

until March 9, 2023. Metropolitan refurbished and reinstalled one of two sleeve valves and fabricated a new bulkhead to temporarily take the place of the second sleeve valve. Service Connection WR-34 was returned to service on March 10, 2023.

The planned shutdown took longer than Metropolitan anticipated due to the conditions of the Red Mountain PCS sleeve valves. Western and Rancho California cooperated with Metropolitan, consistent with Metropolitan's Administrative Code Section 4503, by having enough resources available for a seven-day interruption and by minimizing the amount of water to be delivered to Murrieta Creek during the shutdown. At Metropolitan's request, Western and Rancho agreed to take treated water via San Diego Pipeline 4 instead of untreated water via Pipeline 5 to enable Rancho California to continue to meet its legal obligation of providing water to Murrieta Creek. Staff recommends crediting Western to offset the treatment surcharge it was required to incur during Metropolitan's prolonged shutdown to make the necessary deliveries to Rancho California. The proposed credit is estimated to be approximately \$173,632.12, and up to \$200,000, depending on finalization and reconciliation.

Policy

Metropolitan Water District Administrative Code Section § 4126: Treatment Surcharge

Metropolitan Water District Administrative Code Section § 4503: Suspension of Deliveries

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

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) because the proposed action will not cause either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment and involves continuing administrative activities, such as general policy and procedure making (Section 15378(b)(2) of the State CEQA Guidelines). In addition, the proposed action is not defined as a project under 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 (Section 15378(b)(4) of the State CEQA Guidelines)

CEQA determination for Option #2:

None required

Board Options

Option #1

Authorize a credit of up to \$200,000 to Western Municipal Water District for treatment surcharge costs incurred due to the unexpected extension of a Metropolitan shutdown

Fiscal Impact: Estimated to be up to \$200,000 and would be dependent on the schedule for completing repairs to the distribution system.

Business Analysis: Metropolitan's unanticipated extension of the shutdown required Western to take treated water to ensure its customer, Rancho California, met its legal requirements. Although Western and Rancho California prepared themselves for the planned shutdown and minimized the amount of water necessary to deliver to Murrieta Creek, Western was required to take treated water and incur higher costs until Metropolitan completed its work.

Option #2

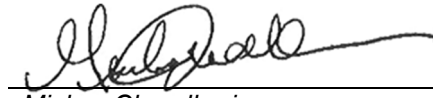
Do not authorize the General Manager to credit up to \$200,000 to Western Municipal Water District for costs incurred due to a prolonged Metropolitan shutdown.

Fiscal Impact: No impact

Business Analysis: The deliveries of treated water to Western were made at Metropolitan's request. Metropolitan is successful in its maintenance, operations, and refurbishment work as a result of coordination with its member agencies. Denial of the requested relief may impact future coordination.

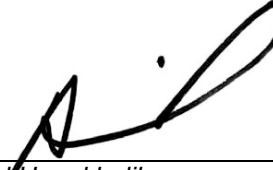
Staff Recommendation

Option #1



Mickey Chaudhuri
Group Manager, Water System Operations

3/28/2023

Date

Adel Hagekhalil
General Manager

4/3/2023

Date

Ref# wrm12695963