THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Board Action

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

9/15/2026 Board Meeting

7-6

Subject

Authorize proposed changes to the Coordinated Operating, Water Storage, Exchange and Delivery Agreement with the Municipal Water District of Orange County and Irvine Ranch Water District; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

In 2011, Metropolitan, the Municipal Water District of Orange County (MWDOC), and Irvine Ranch Water District (IRWD) (collectively, the Parties) entered into the Coordinated Operating, Water Storage, Exchange and Delivery Agreement (COA). The purpose of the COA is to provide joint benefits of increased water supply reliability and diversification to Metropolitan and IRWD. Through the COA, IRWD acquires State Water Project (SWP) supplies through exchanges with other State Water Contractors and banks the supplies in its Strand Ranch groundwater bank located within Rosedale Rio Bravo Water Storage District's (RRBWSD) groundwater bank in Kern County Water Agency. IRWD retains a share of the exchanged water and can request delivery of its share into its service area. Through its role as a State Water Contractor, Metropolitan facilitates the delivery and recovery of IRWD's exchanges using Metropolitan's capacity in the California Aqueduct and through coordination with the Department of Water Resources (DWR). When Metropolitan declares a Water Supply Allocation, IRWD may request delivery of its banked supplies into its service area as Extraordinary Supplies if supplies are managed consistent with Metropolitan's Board Policy Principles on Determining the Status of Extraordinary Supply. Under these conditions, Metropolitan will be paid the Full-Service Water Rate for all delivered supplies. Under the COA, Metropolitan can also borrow IRWD's banked supplies by taking delivery of the supplies into Metropolitan's service area and returning the supplies to IRWD's bank.

The Parties propose to amend the COA to include IRWD's new Kern Fan Project facilities as eligible for storage, to include transfers that IRWD obtains to qualify as Program Water, and to allow IRWD's banked water managed under the COA to be eligible for transfers to other Metropolitan member agencies when Metropolitan's General Manager determines such transfers are operationally feasible. Additionally, the Parties propose to update and clarify several agreement provisions that are outdated and unclear, including provisions relating to the storage of Program Water in Stockdale Ranch, eligible sources of water, financial responsibility for DWR fees associated with the delivery of Program Water, and the repayment of borrowed water to better align with Metropolitan's Board Policy Principles on Extraordinary Supply.

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

Staff Recommendation: Option #1

Option #1

Authorize proposed changes to the Coordinated Operating, Water Storage, Exchange and Delivery Agreement with the Municipal Water District of Orange County and Irvine Ranch Water District.

Fiscal Impact: Metropolitan would incur the DWR fees for moving Program Water into IRWD's Kern Fan Project facilities. However, Metropolitan would later recover those costs by receiving the Full-Service Water Rate for any deliveries of Program Water stored in the Kern Fan Project that IRWD requests.
Business Analysis: Approving the amendments would provide administrative benefits by clarifying and updating several provisions of the COA to match actual operations. Adding the Kern Fan Project as a storage facility and allowing transfers obtained by IRWD to qualify as Program Water would allow more imported supplies to be brought into Metropolitan's service area during times of shortages. Approving transfers of Program Water to other member agencies would increase regional reliability by allowing supplies to be moved to where they may be needed most.

Option #2

Do not authorize proposed changes to the Coordinated Operating, Water Storage, Exchange and Delivery with the Municipal Water District of Orange County and Irvine Ranch Water District.
Fiscal Impact: Metropolitan would avoid paying the DWR fees for moving Program Water into IRWD's Kern Fan Project facilities. However, Metropolitan would also forego future water sales for any deliveries requested by IRWD from the Kern Fan Project.
Business Analysis: Several provisions in the COA would remain outdated and unclear. Additionally, IRWD and Metropolitan's service area would not be able to use the COA to access supplies stored in the Kern Fan Project or supplies that IRWD obtains through transfers during times of shortages. Metropolitan would also forego the opportunity to provide regional reliability through transfers of Program Water to other member agencies.

Alternatives Considered

Not applicable

Applicable Policy

Metropolitan Water District Administrative Code Section 4205: Sale of Water by One Member Public Agency to Another

Metropolitan Water District Administrative Code Section 4207: Exchange of Water

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

By Minute Item 48334, dated July 13, 2010, the Board adopted the CEQA determination and authorized executing agreements with the Municipal Water District of Orange County, the Irvine Ranch Water District, and the Department of Water Resources, as appropriate, for the coordinated delivery of procured State Water Project supplies with Irvine Ranch Water District's Strand Ranch Project.

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

Staff presented a Board Informational Item on the proposed changes to the COA at the August 17, 2026, One Water and Adaptation Committee.

California Environmental Quality Act (CEQA)

CEQA determination(s) for Option #1:

The proposed action is exempt from CEQA because it involves the operation of existing public facilities involving negligible or no expansion of existing or former use and no possibility of significantly impacting the physical environment. (State CEQA Guidelines Section 15301.) Additionally, the proposed actions are not defined as a project under CEQA because they involve organizational, maintenance, or administrative activities; personnel-related actions; and/or general policy and procedure making that will not result in direct or indirect physical changes in the environment. (Public Resources Code Section 21065; State CEQA Guidelines Section 15378(b)(2) and (5).)

CEQA determination(s) for Option #2:

None required

Details and Background

Background

IRWD is within the service areas of Metropolitan and MWDOC and is a member agency of MWDOC. In 2009, IRWD entered into an agreement with RRBWSD for the development and operation of a groundwater recharge, storage, and recovery facility in IRWD's Strand Ranch facility in Kern County. In 2011, Metropolitan, MWDOC, and IRWD executed the COA, which allows IRWD to secure, exchange, and move water supplies to its service area, including those stored in its Strand Ranch groundwater bank, and provides Metropolitan with the ability to augment its water supplies.

Under the COA, IRWD acquires SWP supplies through exchanges with other State Water Contractors, or "Exchange Partners." For the exchanges to be delivered through the California Aqueduct, Metropolitan enters into agreements with DWR and the Exchange Partners whereby DWR delivers the exchanged water from the Exchange Partner to Metropolitan at IRWD's bank or directly to Metropolitan's service area. Exchanged water is placed under the right and authority of Metropolitan and becomes "Program Water" under the COA. A share of the Program Water is obligated for return to the Exchange Partner, and the other share is held for IRWD's future use. Metropolitan holds the Program Water on behalf of the Exchange Partner and IRWD until either party requests delivery.

When an Exchange Partner requests the delivery of its water, stored water in IRWD's bank is either pumped and delivered to the Exchange Partner, or Metropolitan delivers its own SWP supplies to the Exchange Partner and accepts delivery of the banked water into its service area. IRWD can request the recovery of its share of the Program Water as an Extraordinary Supply during a Metropolitan Water Supply Allocation, provided that IRWD's Program Water is managed consistent with the Metropolitan Board Policy Principles on Determining the Status of Extraordinary Supply. Upon delivery to an MWDOC service connection, IRWD pays Metropolitan's full-service water rate for the requested Program Water. Metropolitan can also borrow IRWD's share of Program Water and is obligated to return an equal amount of water back to IRWD in the future.

Metropolitan pays the DWR fees for all Program Water delivered by an Exchange Partner to Metropolitan. IRWD pays all costs associated with the storage of banked supplies, plus any associated administrative or conveyance costs that occur after Program Water diverts from the California Aqueduct and moves towards IRWD's bank through the Cross Valley Canal. When an Exchange Partner recovers their share of Program Water, Metropolitan receives a DWR credit, and the Exchange Partner pays the DWR fees for deliveries to their service area. When IRWD requests a delivery of their banked supplies, Metropolitan pays the DWR fees for the banked water deliveries into Metropolitan's service area, and MWDOC pays Metropolitan's Full-Service Water Rate for all delivered water.

To date, IRWD has secured approximately 50,300 acre-feet (AF) of Program Water through nine different exchange agreements. There are approximately 30,700 AF of Program Water stored in IRWD's bank under Metropolitan's ownership that is held on behalf of IRWD for its future use. Metropolitan borrowed approximately 12,000 AF during periods of shortages, including 8,000 AF during the 2022 drought, to deliver to its member agencies where Metropolitan could only deliver SWP supplies. Metropolitan is currently in the process of returning approximately 4,000 AF of borrowed water to IRWD's bank.

Proposed Changes

The Parties are considering amending the existing COA with the following changes, updates, and clarifications:

Addition of Stockdale Ranch

IRWD's bank includes Strand Ranch. Since 2017, IRWD has also stored Program Water in its Stockdale Ranch banking facility, which is adjacent to, and operated in conjunction with, Strand Ranch. Staff proposes to clarify that Stockdale Ranch is included as a storage facility under the COA.

New Kern Fan Project Facilities

IRWD is constructing the Kern Fan Project in partnership with RRBWSD. Both IRWD and RRBWSD will each have access to 50 percent of the Kern Fan Project's storage capacity. The Kern Fan Project is adjacent and hydraulically connected to Strand Ranch. Deliveries of SWP supplies to Strand Ranch, Stockdale Ranch, and the Kern Fan Project are all made by utilizing the Cross Valley Canal. The proposed changes include adding the Kern Fan Project as a storage facility under the COA.

The Kern Fan Project is partly funded through the State of California's Water Storage Investment Program (WSIP). Under WSIP, the Kern Fan Project will accept deliveries of Article 21 supplies, store the Article 21 supplies in an ecosystem account, and, in the future, will provide supplies to support pulse flows in the Feather River. Metropolitan is not a partner on the Kern Fan Project and will have no obligation to deliver its Article 21 supplies to the Kern Fan Project or provide supplies to support pulse flows. The proposed amendment to the COA would only cover IRWD's utilization of the Kern Fan Project facilities to recharge, store, and recover Program Water.

Source of Program Water

IRWD primarily obtains Program Water through unbalanced exchanges. IRWD has also participated in one-for-one exchanges and wishes to purchase SWP transfer supplies as Program Water. Staff proposes to clarify that SWP water obtained through purchases and any exchange ratio is eligible to become Program Water.

DWR Fees Associated with Delivery of Program Water

The existing COA states that IRWD pays the DWR fees associated with the delivery of Program Water from an Exchange Partner to Metropolitan, and Metropolitan reimburses IRWD. However, in practice, DWR does not bill IRWD since IRWD is not a State Water Contractor; rather, DWR bills Metropolitan. The proposed amendment would remove IRWD's cost responsibility to DWR, Metropolitan's reimbursement to IRWD, and clarify that Metropolitan pays all DWR fees. There is no cost impact associated with this language clarification.

Repayment of Borrowed Water

The existing COA requires Metropolitan to return water it borrows to IRWD's bank or incur a future obligation to deliver an equal amount of water to a MWDOC service connection when requested by IRWD. However, during a Metropolitan Water Supply Allocation, only water stored consistent with Metropolitan's Board Policy Principles on Determining the Status of Extraordinary Supply may qualify as Extraordinary Supply. If IRWD requests delivery of borrowed water to MWDOC during a Water Supply Allocation, the delivered water would not qualify as an Extraordinary Supply because it is not held in storage by IRWD. Additionally, Metropolitan may not always be able to deliver to MWDOC upon IRWD's request.

The proposed clarification to the COA would remove the option for Metropolitan to incur a future debt to deliver water to MWDOC. Instead, Metropolitan would be required to return all borrowed water to IRWD's bank within three years, unless otherwise approved by the Parties. IRWD would continue to maintain the reliability of Program Water by physically storing it in its bank, which qualifies as Extraordinary Supplies if maintained consistently with Metropolitan's Board Policy Principles on Determining the Status of Extraordinary Supply.

Ability to Transfer Program Water

Proposed amendments will allow Program Water and any associated Extraordinary Supply benefits to be transferred from MWDOC and IRWD to other member agencies. Such transfers would be subject to constraints. First, all transfers of Program Water would be subject to the discretion of Metropolitan's General Manager and operational conditions. Additionally, the transferred Program Water must continue to comply with all terms of the COA (ex: billing, agreement termination date). Finally, the Extraordinary Supply benefit is not guaranteed. A member agency who receives a transfer of Program Water must comply with Metropolitan's Board-Adopted Principles on Extraordinary Supply in order to receive the associated Extraordinary Supply benefits.

Metropolitan has set a precedent towards supporting exchanges and transfers between member agencies. Administrative Code Section 4207(b) states that if two member agencies desire to enter into a water exchange

arrangement, Metropolitan will cooperate, subject to available capacity and the availability of water. More recently, in 2025 Metropolitan's Board authorized the Local Supply Exchange Framework. In 2025, Metropolitan's Board also executed the Second Amended and Reinstated Agreement between San Diego County Water Authority (SDCWA) and Metropolitan for the Exchange of Water, which allows SDCWA to offer its exchange water deliveries to other member agencies.

Consistent with these other exchanges and transfers, the proposed COA change here would allow Metropolitan to adjust the delivery point, billing party, and the recipient of the Extraordinary Supply benefit from MWDOC to the member agency that contracts for the transfer of Program Water.

Feedback from the August One Water and Adaptation Committee

Staff presented the proposed amendments to the COA at the August 17, 2026, One Water and Adaptation Committee. Metropolitan directors requested additional information on historical exchange activity and costs incurred by Metropolitan under the COA for inclusion in this board letter.

Historical Exchange Activity

Exchanges under the COA began in 2012. In total, IRWD has secured approximately 50,300 AF of Program Water from Exchange Partners. To date, the Exchange Partners have recovered approximately 7,200 AF, with an additional 5,600 AF remaining to be recovered by the Exchange Partners. IRWD's total share of Program Water is approximately 31,000 AF. Although Metropolitan declared a Water Supply Allocation in Fiscal Year 2015/2016, IRWD has not yet requested delivery of Program Water. Annual deliveries and recoveries by the Exchange Partners are shown in **Table 1**. The difference between the 50,300 AF of Program Water and the combination of the Exchange Partners' recoveries plus IRWD's share can be attributed to losses. Additionally, these numbers are approximate and are currently in the process of being reconciled against IRWD's records.

Table 1: Annual Deliveries and Recoveries to IRWD's Bank by Exchange Partners

Year	Exchange Water Delivered by Exchange Partners (AF)	Program Water Returned to Exchange Partners (AF)
2012	6,400	0
2013	0	0
2014	800	2,400
2015	500	400
2016	1000	0
2017	5,600	100
2018	600	300
2019	2,000	400
2020	400	100
2021	100	3,500
2022	100	0
2023	18,300	0
2024	2,900	0
2025	11,600	0
2026		0
TOTAL	**50,300**	**7,200**

Historical Metropolitan Costs

Metropolitan's cost responsibility under the COA is to pay the DWR fees for (1) all Program Water that is delivered from the Delta to IRWD's bank, and (2) all Program Water that enters Metropolitan's service area. The current DWR fee for delivering supplies from the Delta to IRWD's bank is $28.22 per AF.

Of the total 50,300 AF of Program Water deliveries under the COA, approximately 48,000 AF were delivered to IRWD's bank, rather than being taken into Metropolitan's service area as borrowed water. Metropolitan's approximate cost for delivering the 48,000 AF of Program Water to IRWD's bank was $1.16 million, calculated using the assumed DWR fee for the calendar year in which the supplies were delivered.

Metropolitan receives a DWR credit on its DWR invoice when an Exchange Partner recovers its banked supplies. Because Metropolitan previously paid the DWR fees for supplies to be delivered from the Delta to IRWD's bank, DWR provides a credit to Metropolitan from the Delta to IRWD's bank when an Exchange Partner recovers its banked supplies. Metropolitan has received approximately $220,000 in DWR credits for the 7,200 AF recovered by the Exchange Partners. Additional credits totaling $160,000 are expected upon the Exchange Partners' recovery of their remaining shares of banked supplies (assuming the 2026 DWR fee of $28.22 per AF). Recoveries will occur no later than the COA's expiration date.

The remaining balance of DWR fees previously incurred by Metropolitan, shown in **Table 2**, will be recovered through payments of the Full-Service Water Rate (currently $984/AF) when IRWD requests delivery of its banked supplies.

Table 2: DWR Fees and Credits

DWR fees incurred by Metropolitan for deliveries to IRWD's Bank	$ 1,160,000
Credits received by Metropolitan from DWR to date	$ (220,000)
Anticipated credits to be received when Exchange Partners recover remaining supplies	$ (160,000)
Balance:	**$ 780,000**

Although Metropolitan is fronting the DWR fees, Metropolitan will be made whole over time through DWR credits and sales to MWDOC. There is an added benefit to Metropolitan that the water sales to MWDOC are for supplies that Metropolitan's region would otherwise not have had access to. Typically, Metropolitan would incur some costs in acquiring and storing new supplies. However, in this case, IRWD previously funded the banks' capital costs and continues to fund the facilities' operations and maintenance to store Program Water, as well as the administrative effort for seeking new supplies through exchange partnerships.

9/3/2026

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9/3/2026

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