THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

# Board Information

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

10/13/2026 Board Meeting

**9-3**

## Subject

Information on proposed amendment of exchange agreement with Desert Water Agency and Coachella Valley Water District

## Executive Summary

Metropolitan is in discussions with Desert Water Agency (Desert) and Coachella Valley Water District (Coachella) to amend the *Amended and Restated Agreement Between the Metropolitan Water District of Southern California, Coachella Valley Water District, and Desert Water Agency for the Exchange and Advance Delivery of Water* (2019 Agreement) that was executed on December 11, 2019. The proposed amendment includes extending the 2019 Agreement termination date beyond the current December 31, 2035, termination date to match the State Water Project (SWP) contract termination date of December 31, 2085. Extension of the 2019 Agreement is being pursued at this time because it is anticipated that the boards of all three agencies will be considering major investments in projects like Sites Reservoir and the Delta Conveyance Project in the next two years. In addition to extension, the parties wish to modify terms of the 2019 Agreement related to: long-term transfer of Metropolitan's Table A to Desert and Coachella, a transfer buyback option, exchange of potential new supplies from Sites Reservoir, and the sharing of benefits and risks related to SWP supply management.

## Fiscal Impact

The fiscal impact of the proposed amendment would include future reductions in annual SWP charges paid by Metropolitan to the California Department of Water Resources (DWR) associated with the transfer of an additional 50,000 acre-feet from Metropolitan to Desert and Coachella. The reduction in annual charges is estimated to be approximately $30 million and would be offset by payments to Desert and Coachella in years in which Metropolitan exercises the option to buy back transferred Table A amounts. The amendments would also provide for Desert and Coachella to continue to make water management payments to Metropolitan in years in which Metropolitan typically stores water in banking programs, to offset Metropolitan's increased costs to manage surplus supply.

## Applicable Policy

By Minute Item 42820, dated February 10, 1998, the Board approved a policy principle to protect Metropolitan's interests in and increase its dependable entitlements to Colorado River water, while collaborating with other water agencies.

By Minute Item 45550, dated Oct. 5, 2003, the Board approved the State Water Project entitlement (Table A water) transfer to Desert Water Agency and Coachella Valley Water District.

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities.

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

Staff plans to request board authorization to amend the 2019 Agreement in December 2026, subsequent to Desert and Coachella adopting determinations pursuant to the California Environmental Quality Act (CEQA).

## Details and Background

**Background**

Desert and Coachella are SWP contractors that do not have a physical connection to the East Branch of the California Aqueduct. They receive their SWP supplies via exchange with Metropolitan for Colorado River water supply. Metropolitan takes delivery of Desert and Coachella's SWP Table A supply at points of delivery on the East Branch into Metropolitan's service area. In exchange, Metropolitan delivers a like amount of Colorado River supply to Desert and Coachella at Colorado River Aqueduct turnouts to recharge facilities at Whitewater River and Mission Creek in the Coachella Valley. An exchange agreement among the three agencies was first executed in 1967 and has been amended several times. Under a key amendment in 2003, Metropolitan transferred 100,000 acre-feet of its maximum annual Table A amount to Desert and Coachella through 2035 and retained an option to annually call back the transfer under certain conditions. The total maximum Table A amounts of the three agencies today, inclusive of the 100,000 acre-feet transfer, are: 1,911,500 acre-feet for Metropolitan, 55,750 acre-feet for Desert, and 138,350 acre-feet for Coachella.

Since 1973, Metropolitan has taken delivery of over 3.5 million acre-feet of Desert and Coachella SWP supply in exchange for Colorado River supply. Desert and Coachella benefit from the exchange by gaining access to their SWP supply and avoiding costs to build conveyance from the East Branch to the Coachella Valley. Metropolitan benefits from the exchange by increasing access to SWP supply to meet water demands in Metropolitan's service area where it can only provide SWP supplies, including access to Desert and Coachella's capacity to store SWP carryover supply in San Luis Reservoir.

Another key benefit of the exchange arrangement is the creation of a storage account where Metropolitan is able to pre-deliver Colorado River exchange supply. In 1984, the three agencies executed an agreement that allowed advance delivery of Colorado River supply and created the Advance Delivery Account. This storage account is currently the only other mechanism for storing Metropolitan's Colorado River supply outside of the service area, aside from Lake Mead Intentionally Created Surplus. The Advance Delivery Account provides for storage of up to 800 thousand acre-feet of Colorado River supply, with no losses. The current storage balance in the Advance Delivery Account is over 400 thousand acre-feet. This storage account is a critical water management tool that allows Metropolitan to better manage all available water at higher allocations when operating at higher SWP deliveries to our service area.

**Amended and Restated Agreement (2019)**

In 2019, after years of operational experience, the three agencies desired to amend, restate, and consolidate the various agreements related to exchange and advance delivery. The 2019 Agreement built upon the benefits of the previous agreements and provided greater certainty for water supply and financial planning, simplified the implementation of the exchanges, and helped improve dry-year water supply reliability. Some of the key provisions included in the 2019 Agreement were:

- Elimination of the call-back option for the 100,000 acre-feet of Metropolitan's SWP Table A water that was transferred to Desert and Coachella in 2003.
- Provision for management and exchange of Desert and Coachella's multi-year supplies (including Table A amounts and Coachella's long-term Rosedale transfer) and single-year supplies (including annual transfer supplies).
- Provision for proportionally sharing risks of unmanaged SWP supply and carryover spill.
- Provision for up to 200,000 acre-feet of advance delivery credit that Metropolitan may use in the same manner as exchange of Colorado River water.

- Provision for Desert and Coachella to pay Metropolitan a water management fee in years when the SWP allocation is greater than 50 percent, representing Metropolitan's average long-term costs to store water in Metropolitan's SWP groundwater banking programs.
- Provision for Metropolitan to request and take delivery of Article 21 supply on behalf of Desert and Coachella proportional to the Table A amounts of the three agencies.
- Termination date of December 31, 2035.

**Need for Amending the 2019 Agreement**

The three agencies wish to amend the 2019 Agreement at this time to provide certainty that exchange deliveries will continue beyond the current 2035 termination date, to improve water management flexibility in the face of uncertain Colorado River supply conditions, and to shift additional SWP payment obligations to DWR from Metropolitan to Desert and Coachella.

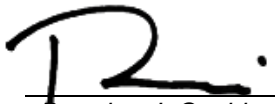
Key proposed terms include:

- **Extension of the agreement termination date to 2085**. On January 1, 2023, the SWP Contract Extension Amendment became effective, extending the term of the agencies' SWP contracts from December 31, 2035, to December 31, 2085. Extension of the 2019 Agreement would align with the SWP Contract termination date of 2085 and allow respective agency boards to make decisions on long-term investments with greater certainty.
- **Transfer of an additional 50,000 acre-feet of Metropolitan Table A to Desert and Coachella.** In addition to extending the 100,000 acre-foot maximum annual Table A transfer to 2085, the parties would work together with DWR to transfer an additional maximum annual 50,000 acre-feet Table A amount from Metropolitan to Desert (7,720 acre-feet) and Coachella (42,280 acre-feet). Under the Table A transfers, Desert and Coachella would take on the obligation to pay DWR the fixed and variable charges for the associated SWP supply, resulting in cost savings to Metropolitan of an estimated $30 million per year.
- **Buyback option for 50,000 acre-feet**. In order to better manage potential future water shortages, Metropolitan would have the option to buy back up to 50,000 acre-feet annually in five of ten consecutive years. Under this option in the year of the buyback, Metropolitan would refrain from delivering up to 50,000 acre-feet of Colorado River exchange water and would pay Desert and Coachella for the SWP variable and fixed charges for the same quantity of water. In the event that Desert and Coachella's SWP supplies in the year of the buyback are less than the buyback volume, Metropolitan would accrue a buyback credit to be repaid in the earliest subsequent year when SWP supply is available. The buyback option would allow Metropolitan to deliver the Colorado River supply into its service area to meet demands instead of making exchange deliveries to Desert and Coachella.
- **Provision for exchange of supplies from the Sites Reservoir.** Water supply from the proposed Sites Reservoir would be considered a single-year supply under the amendment and thus would be exchanged if there is operational capacity for Metropolitan to take delivery of the additional supply.
- **Modifications to terms related to the sharing of benefits and risks.** Minor refinements and clarification of provisions among the parties are proposed related to the sharing of benefits and risks. This includes updating the water management fee to reflect the latest estimate of 50 percent of the average round-trip unit cost to store water in banking programs ($250 per acre-foot). The proposed modifications also include a provision for Metropolitan to take on the risk of carryover spill for Desert and Coachella carryover that is carried over for more than one year.

**Benefits of the Proposed Amendment**

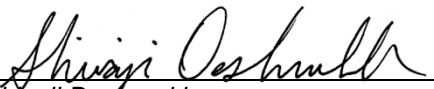
Metropolitan, Desert, and Coachella have a decades-long track record of mutually beneficial agreements to manage SWP and Colorado River supplies. The proposed amendment would continue those benefits into the future. Benefits to Desert and Coachella include: increased certainty about the exchange delivery of potential Sites Reservoir water supply, increased Table A supply at the projected long-term SWP delivery capability, and increased water supplies chargeable through payments to DWR. Benefits to Metropolitan include: decreased annual SWP charges, ability to enhance dry-year water supply reliability with a buyback option, and increased SWP carryover storage capacity of up to 25,000 acre-feet using Desert and Coachella's SWP carryover capacity under a 50,000 acre-feet maximum annual Table A transfer.

Staff plans to return to the Board in December with draft terms to amend the 2019 Agreement subsequent to Desert and Coachella adopting determinations pursuant to CEQA.



9/24/2026

*Brandon J. Goshi* *Date*
*Manager, Water Resource Management*



9/24/2026

*Shivaji Deshmukh* *Date*
*General Manager*

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