



# San Diego County Water Authority

A Public Agency

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May 31, 1996

**TO:** Board of Directors

**FROM:** Maureen A. Stapleton, General Manager

**RE:** Policies Regarding Supply Diversification, Water Transfers and Colorado River Negotiations

## SUMMARY

The Board, through adoption of its Strategic Plan, Water Resources Plan, and a set of negotiation parameters for the ongoing Colorado River mediation process, provided staff with direction on several important issues. These issues include how to proceed towards achieving the Authority's water transfer objectives, the need to diversify its water supplies, and Authority positions in the mediation process. The purpose of this memo is to provide background information and recommend that the Board affirm past direction and provide further guidance to staff as discussions continue.

The Authority's 1993 Water Resources Plan sets a course for the Authority to diversify and expand the region's water supplies to meet future demands. The Plan recommends that cost effective supplies be developed, thus reducing the Authority's dependence upon the Metropolitan Water District (MWD) and providing greater reliability for water users within the Authority's service area. The Plan recognized that conditions can change and as long as new supplies meet the Plan's economic criteria, long-term water transfers are consistent with the Plan's objectives.

The Authority's 1995 Strategic Plan communicates the Authority's future direction and organizational philosophy. The Strategic Plan's first goal relates to water supply. It states that mechanisms must be developed to allow voluntary water transfers between willing sellers and willing buyers within the state. The Resources Plan recognizes that it may be necessary for the Authority to use such transfer mechanisms, and the Strategic Plan states that the Authority "must be prepared to step forward to fulfill its mission independently, either by securing another imported water source, intensive development of local resources, or both."

### MEMBER AGENCIES

**CITIES**  
• Del Mar • Escondido • National City  
• Oceanide • Poway • San Diego

**COUNTY**  
• San Diego  
(ex officio)

**IRRIGATION DISTRICTS**  
• Santa Fe • South Bay  
• Vista

**PUBLIC UTILITY DISTRICT**  
• Fullbrook

**WATER DISTRICTS**  
• Heik • Olay  
• San Diegoville  
• Vallejos

**FEDERAL AGENCY**  
• Fenderson Military Reservation

**MUNICIPAL WATER DISTRICTS**  
• Carlsbad  
• Olivenhain  
• Potrero Dam  
• Rainbow  
• Ramona  
• Rincon del Diablo  
• Valley Center  
• Yuico

Facilitated negotiations among California's Colorado River contractors began in January 1996 and are still ongoing. The Authority's objectives in this process are threefold. First, the Authority needs concurrence from the contractors regarding its proposed transfer of Colorado River supplies. Second, and in order to convey such supplies at least initially, the Authority needs the ability to wheel the supplies through a portion of MWD's distribution system. Finally, the Authority is seeking to restructure its relationship and water use profile with MWD. This restructured relationship will lead to greater equity among MWD member agencies with respect to financial obligations, water supply reliability, and representation.

#### FISCAL IMPACT

None with this recommendation. Costs regarding various options are provided as specific issues and recommendations are presented for Board consideration.

#### STRATEGIC PLAN

This report will provide staff with further guidance as to the Authority's strategic objectives.

#### ENVIRONMENTAL COMPLIANCE

This is not a project as defined by CEQA. No further environmental review is required.

#### STAFF RECOMMENDATION

1. Affirm the Authority's objective to diversify the region's local and imported water supply resources in order to provide increased long term reliability to its member agencies at competitive prices; and
2. Continue to develop agreements for water transfers, consistent with Strategic Plan and Water Resources Plan objectives; and
3. Continue to seek support and approval through the Colorado River mediation process for:
  - a. *pertinent portions of* the Authority's water exchange proposal with MWD; and
  - b. Banking of water supplies on the mainstem of the Colorado River for all of California's Colorado River Contractors and reoperation of the Colorado River in a manner agreed to through the Colorado River mediation process.

## ALTERNATIVES

The Board could approve a portion of the recommendation, change the recommendation, or not approve the recommendation.

## DETAIL

In November 1993 the Board adopted its current Water Resources Plan. The Plan analyzes future supplies and demands within the Authority's service area, and recommends a diversified mix of imported and local water supplies required to meet these projected demands. The Plan includes an economic model and procedure whereby new water supply sources are compared and analyzed to determine their economic viability. The model compares various resource costs with projected Metropolitan Water District (MWD) water rates. Allowances are made to account for any avoided costs which would be realized through a particular supply project and whether the project would provide more local control and independence from MWD. The Plan provides a preference for such projects, based upon the Board's willingness to provide Authority paid incentives for local supply (water reclamation) development. Thus, the Plan sets a course for the Authority to diversify and expand the region's water supplies to meet future demands. The Plan recommends that cost-effective supplies be developed to provide greater reliability for water users within the Authority's service area and reduce the Authority's dependence upon MWD.

The Authority will pay an estimated \$8 billion to MWD over the next 25 years if it continues to purchase all of its water from MWD. The Authority may continue to invest nearly all of its money at MWD in the form of water purchases, or explore investing in new water supplies independent of MWD. The Authority already invests in water reclamation and conservation and may expand this to include supplies from water transfers, repurification, groundwater development and desalination.

Dry year water transfers are an integral part of the Plan's preferred resource mix. However, at the time the plan was developed, it was believed that long term water transfers during normal years would not be as cost effective as current conditions indicate. The Plan, currently being updated, recognized that conditions can change and as long as new supplies meet the Plan's economic criteria, long-term water transfers are consistent with the plans objectives. The Plan states that future transfers should be considered "on a case-by-case basis." Further, it recognizes that the Colorado River Aqueduct is limited and "thus additional conveyance capacity may be needed in the future."

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Consistent with the Strategic Plan and Water Resources Plan objectives the Board in September 1995 approved a Memorandum of Understanding with the Imperial Irrigation District to begin discussions regarding a water transfer arrangement. Discussions have continued over the past eight months and feasibility studies of a transfer facility are nearing completion. At the same time facilitated negotiations among California's Colorado River contractors began and are still ongoing. Several issues are being discussed including banking and Colorado River reoperation. The Authority's objectives in this process are threefold. First, the Authority needs concurrence from the contractors regarding its proposed transfer of Colorado River supplies. Second, to convey such supplies at least in the early years, the Authority needs the ability to wheel the supplies through a portion of MWD's distribution system. Finally, the Authority is seeking to restructure its relationship and water use profile with MWD. This restructured relationship will lead to greater equity among MWD member agencies with respect to financial obligations, water supply reliability, and representation.

At the same time Colorado River negotiations began, MWD initiated a Rate Refinement Process (RRP) to develop a set of recommendations for restructuring its water rates and other charges. The RRP objective is to change the MWD rate structure to provide MWD with increased financial stability, address member agency concerns regarding the equity of its current structure and cost impacts of its capital improvement program. Some of the issues in the RRP and Colorado River negotiations overlap. A set of negotiating parameters was developed and approved by the Authority Board to provide further guidance to staff in both processes. A copy of these parameters is attached.

To help accomplish the Authority's transfer and supply diversification objectives within the RRP and Colorado River negotiating parameters, a water exchange proposal was developed, reviewed by the Board, and presented to MWD for its consideration. The goals of the proposal were to provide the Authority with:

- A long term, reliable water supply
- Diversified supply sources
- Local control
- Equality of dependence on MWD

- Competitive price
- Comparable quality with other supplies
- Insurance against drought and agricultural cutbacks
- An investment alternative

The proposal has one additional goal which is consistent with the Board's Strategic Plan— to reduce pressure on the Bay Delta ecosystem. A summary of the Authority's proposal is attached. Additional supporting material has been previously provided to the Board and others.

The Board, through adoption of its Strategic Plan, Water Resources Plan, and the negotiation parameters for the Colorado River mediation process, provided staff with direction on how to proceed toward achieving the Authority's water transfer objectives, diversifying its water supplies, and defining Authority positions in the ongoing Colorado River mediation process. The staff recommendation is to have the Board affirm its direction and provide further guidance to staff as discussions continue. Approval of the recommendations will provide staff with the direction necessary to continue its negotiations with IID, take appropriate positions at the Colorado River Board, and continue to investigate alternative water supplies for the region.

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Gordon A. Hess, Imported Water Manager

Concur: Maureen A. Stapleton  
Maureen A. Stapleton, General Manager

## San Diego County Water Authority Negotiating Parameters

- Member Agencies Identify and Financially Commit to Future Water Needs
- No Roll-off From Commitment
- Contracts for Water Management Programs
- Address Agricultural Water Issues

Discounts Commensurate with Value of Interruptibility and Other Benefits of Agricultural Water Sales

Firm Service for Full Priced Water

- 50/50 Water Quality Blend for MWD Water Supplies
- Re-evaluate MWD Capital Program
- MWD Support for CWA Water Transfer
- Enabling Provision for Leased Capacity in CR Aqueduct
- Financial Support for CWA Transfer Facility Construction
- Support for Mainstem River Banking

## The Authority's Proposal

- **Minimum annual requirement purchase commitment to MWD  
400,000 AF/YR.**
- **MWD support for water exchange program**
- **MWD to deliver exchange supplies  
200,000 AF/YR. Supplement Supply  
200,000 AF/YR. Additional Supplement**
- **MWD will determine how its satisfies its delivery obligation**
- **Cost of delivery is variable, because fixed costs should be  
covered by annual requirement purchases and MWD premium  
water charges**
- **Assurance for blend of MWD water supplies  
50/50 Blend or 500 PPM TDS**
- **Cost containment in MWD CIP and Water Management  
Programs, consistent with agency commitments and revised  
demand forecasts**
- **Agricultural water discount**
- **MWD support for CWA transfer facility and CWA willingness  
to discuss storage opportunities**
- **Support for River reoperation and banking, per California  
position**
- **Provisions for dispute resolution**

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S.D. COUNTY WATER AUTHORITY  
POSITION

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S. D. COUNTY WATER AUTHORITY

Paul R. Matthe  
Board Secretary

Supply Distribution of the River  
Mediation Process