



- Board of Directors
Water Planning and Stewardship Committee

9/22/2015 Board Meeting

8-1

Subject

Authorize entering into an amendment to the operational agreement with the Southern Nevada Water Authority and Colorado River Commission of Nevada; and approve payment of \$44.375 million

Executive Summary

Authority is requested to enter into an amendment to the operational storage agreement among Metropolitan, the Southern Nevada Water Authority (SNWA), and the Colorado River Commission of Nevada (CRCN) allowing Metropolitan access to additional Colorado River water during 2015. Metropolitan would pay SNWA \$44.375 million for 150,000 acre-feet (AF) of water apportioned to but not used by SNWA that would be available to Metropolitan during 2015. When SNWA requests return of water stored under this amendment, SNWA would reimburse Metropolitan for the costs Metropolitan paid SNWA for the initial delivery of the water.

Details

Background

In 2004, Metropolitan, SNWA, CRCN, and the Bureau of Reclamation entered into a Storage and Interstate Release Agreement (SIRA) that allows interstate banking to occur between Metropolitan and SNWA. In conjunction with execution of the SIRA, Metropolitan, SNWA, and CRCN entered into an agreement (Operational Agreement) that governs operational and financial matters for the storage of water under the SIRA. The parties amended the Operational Agreement in 2009 and 2012 to take into consideration their changing water supply needs. Under the 2012 amendment, each year, the parties mutually agree to a yearly storage amount with a cumulative total during the years 2012 through 2016 of 200,000 to 400,000 AF. Through 2014, SNWA has stored 205,225 AF with Metropolitan. Given the ongoing drought conditions in California and the desire to reduce potential draws from Metropolitan's storage reserves, Metropolitan and SNWA representatives developed a proposal to amend the Operational Agreement to increase the amount of Colorado River water Metropolitan may access during 2015. Amending the Operational Agreement is necessary as SNWA needs to implement additional actions to increase the amount of water SNWA is able to store with Metropolitan during 2015.

Proposal

Under the proposed amendment to the Operational Agreement, Metropolitan would pay SNWA \$44.375 million and SNWA would provide Metropolitan with 150,000 AF of water during 2015. Upon SNWA's request, Metropolitan would return up to a total of 125,000 AF to SNWA in future years and SNWA would reimburse Metropolitan annually for an equivalent proportion of the amount paid by Metropolitan based on the amount of water returned and escalated to account for inflation.

Additionally, because increasing the amount of water Metropolitan stores could increase the risk that Lake Mead reaches critical low elevations (e.g., elevation 1,025 feet), the proposed amendment would include a provision to help protect Lake Mead's elevation. If Metropolitan has returned less than 75,000 AF to SNWA prior to 2027 and Lake Mead declines to elevation 1,045 feet or below, Metropolitan would create 50,000 AF of Intentionally Created Surplus (ICS) per year until the combination of ICS created and water returned to SNWA equals

75,000 AF. Metropolitan would agree that prior to 2027 it will only request delivery of such ICS if Lake Mead is at or above elevation 1,080 feet. The proposed amendment would allow the parties to potentially modify the timing of such ICS creation and delivery to address their delivery needs.

Policy

By Minute Item 41222, dated January 10, 1995, the Board adopted a set of Colorado River Basin Management Policy Principles that include continuing to seek ways to increase the reliability of Metropolitan's Colorado River supplies and collaborate with the other Colorado River Basin states and the Department of the Interior on innovative strategies requiring interstate cooperation.

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it involves continuing administrative activities (Section 15378(b)(2) of the State CEQA Guidelines). In addition, the proposed action qualifies for a Class 1 categorical exemption from the provisions of CEQA because the amendment is associated with operating existing public water conveyance facilities with negligible or no expansion of use and no possibility of significantly impacting the physical environment, and the general rule that CEQA applies only to projects with the potential for causing significant effects (Section 15301 and 15061(b)(3) of the State CEQA Guidelines).

The CEQA determination is: Determine that the proposed action is exempt from CEQA pursuant to Sections 15301 and 15061(b)(3). In addition, the continuing administrative activities are not defined as a project under CEQA (Section 15378 (b)(2) of the State CEQA Guidelines).

CEQA determination for Option #2:

None required

Board Options

Option #1

Adopt the CEQA determination that the proposed action is exempt and is not defined as a project under CEQA, and

- a. Authorize the General Manager to enter into an amendment to the Operational Agreement with SNWA and CRCN consistent with the terms outlined herein and in a form approved by the General Counsel; and
- b. Approve payment of \$44.375 million for funding the storage of water for SNWA in 2015.

Fiscal Impact: \$44.375 million for the storage of 150,000 AF in 2015

Business Analysis: Increases Metropolitan's short-term supplies

Option #2

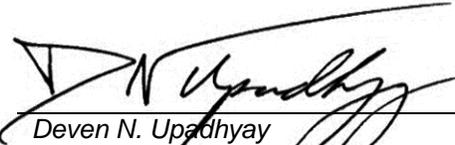
Do not authorize the General Manager to enter into an amendment to the Operational Agreement with SNWA and CRCN, and do not approve payment for funding the storage of water specified herein.

Fiscal Impact: None

Business Analysis: No increase in short-term supplies from unused water available for storage as specified herein

Staff Recommendation

Option #1



Deven N. Upadhyay
Manager, Water Resource Management

9/10/2015
Date



Jeffrey Nightlinger
General Manager

9/10/2015
Date

Ref# wrm12638715