



CENTRAL COAST WATER AUTHORITY

MEMORANDUM

February 22, 2023

TO: CCWA Board of Directors

FROM: Ray A. Stokes
Executive Director 

SUBJECT: CCWA 2023 Short-Term Exchange Program with Irvine Ranch Water District

RECOMMENDATION

That the CCWA Board of Directors approve Resolution No. 23-03 authorizing the Executive Director to:

1. Negotiate and enter into a 2023 Exchange Agreement with IRWD pursuant to the terms in the attached Term Sheet on behalf of those CCWA Project Participants that wish to participate in the Water Banking/Exchange Program with IRWD;
2. Negotiate and enter into Agreements with each participating CCWA Project Participant;
3. Obtain DWR's approval of the proposed exchange pursuant to the Water Management Amendment of the State Water Contract; and
4. Take such other actions as necessary and appropriate to effectuate the transaction on behalf of the participating CCWA Project Participants.

DISCUSSION

Precipitation in the watersheds that serve Northern California have significantly changed the reservoir levels of the State Water Project (SWP), including two of the main reservoir, Lake Oroville and San Luis Reservoir. DWR is currently evaluating the probability of San Luis Reservoir filling and "spilling" ¹, but current indications are that the State's share of San Luis Reservoir will fill this year. Once the State's share of San Luis Reservoir is full, DWR begins to "spill" water that was not used in the previous calendar year and carried over into 2023, meaning the carryover water is lost.

The current estimate of carryover water by CCWA Project Participant in San Luis Reservoir is as follows:

¹ San Luis Reservoir does not actually spill, but the term is used when DWR is no longer able to pump additional water into the Reservoir resulting in the loss of carryover water.

Project Participant	Water Made Available in 2023 Year, AF		Total Carryover Subject to Spill in San Luis Reservoir
	Carryover	SLO Water Transfer SWP#23002	
	Total Carryover	1000	
City of Guadalupe	34	14	48
City of Santa Maria	198	414	612
Golden State Water Co.	3	13	16
Vandenberg AFB	761	141	902
City of Buellton	(12)	15	3
Santa Ynez ID#1 (Solvang)	225	38	263
Santa Ynez ID#1	215	13	228
Goleta WD	(157)	115	(42)
Morehart Land Company	110	5	115
La Cumbre Mutual WC	627	26	653
Raytheon Systems Co.	10	1	11
City of Santa Barbara	(35)	77	42
Montecito WD	115	77	192
Carpinteria Valley WD	738	51	789
SUBTOTAL	2,831	1,000	3,831

CCWA carried over 3,831 AF of water in San Luis Reservoir, which also includes the 1,000 AF transfer of carryover water from San Luis Obispo County. All of this water is subject to “spill” or loss if the State’s share of San Luis Reservoir completely fills and we are unable to take delivery for all carryover water.

In an effort to save as much of the carryover water as possible, we are proposing entering into a new water banking agreement with Irvine Ranch Water District (IRWD), which is exactly the same water banking arrangement we have executed with IRWD on behalf of Carpinteria Valley Water District in prior years.

The attached DRAFT term sheet outlines the terms of the proposed exchange with IRWD (“**2023 Exchange Program**”), but the major deal points are as follows:

Term: 6 years
Maximum Quantity: 2,500 AF
Exchange Ratio: 2:1 (receive 1 AF in return for every 2 AF deposited)
Maximum Annual Return: 583 AF
Water Losses: Between 12% and 17%
Recharge Costs: \$8/AF plus \$9,000
Recovery Costs: around \$126/AF

Because San Luis Reservoir could fill and begin spilling soon and prior to the CCWA March Board meeting, we are requesting that the CCWA Board of Directors approve the 2023 Exchange Program on an emergency basis and direct staff and legal counsel to prepare the necessary transaction documents, consistent with the attached draft term sheet for this purpose.

ENVIRONMENTAL REVIEW:

Pursuant to CCWA's Local Guidelines for Implementing the California Environmental Quality Act (CEQA), the Executive Director has determined that the 2023 Exchange Program is exempt from CEQA for the following reasons:

1. The 2023 Exchange Program is not a project under CEQA (Pub. Res. Code § 21065; 14 Cal. Code Regs. §§ 15061(b)(3), 15378) because the Exchange will not result in direct or indirect changes to the environment. IRWD has already conducted environmental review under CEQA for IRWD's Strand and Stockdale Integrated Banking Projects (IRWD Water Bank) that takes into consideration the delivery of SWP water to the IRWD Water Bank. Rosedale and IRWD independently certified and approved the Water Bank Project on May 27, 2008 for Strand Ranch Integrated Banking Project and December 8, 2015 for Stockdale Integrated Banking Project. Moreover, the SWP long-term water supply contracts include provisions for delivery within the SWP place of use. Accordingly, the activity is simply a change in water management operations using existing facilities.
2. The water exchanged will be delivered to existing facilities, which include the Cross Valley Canal, Strand Ranch and/or Stockdale West Turnouts on the Cross Valley Canal, California Aqueduct, or other existing water banking or exchange programs (including the IRWD Water Bank) in which IRWD is a participant in Kern County. The 2023 Exchange Program is intended to meet existing uses of water and would not support new development or a change in land use. (14 Cal. Code Regs. §§ 15061(b)(3), 15301.)
3. CEQA Guidelines Section 15061(b)(3) provides a "common sense" exemption to environmental review that CEQA only applies to projects that have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to review.

RAS

Attachments

1. "Terms for a 2023 Short-Term Exchange Program Between Irvine Ranch Water District and Central Coast Water Authority, February 27, 2023

Terms for a 2023 Short-Term Exchange Program
Between Irvine Ranch Water District and Central Coast Water Authority
February 27, 2023

Parties	The Irvine Ranch Water District (IRWD) and the Central Coast Water Authority (CCWA)
State Contractors	<p>Santa Barbara County Flood Control and Water Conservation District (Santa Barbara) has a long-term water supply contract with the Department of Water Resources (DWR) that permits Santa Barbara to receive water supply, storage and conveyance services from the State Water Project (SWP). CCWA is a joint powers agency, members of which are individual water purveyors located in the County of Santa Barbara. In 1991, Santa Barbara and CCWA entered into a Transfer of Financial Responsibility Agreement, which, among other things, obligates CCWA to pay for all Water Supply Contract related costs.</p> <p>Metropolitan Water District of Southern California (Metropolitan) has a long-term water supply contract with the DWR. IRWD receives SWP supplies from Municipal Water District of Orange County, a member unit of Metropolitan.</p>
Description	<p>IRWD and CCWA would implement a Short-Term Exchange Program (Exchange Program) that would allow CCWA to schedule unused SWP water to Metropolitan on IRWD's behalf on a 2-for-1 exchange ratio basis. As part of the exchange, the water may be temporarily managed in IRWD's Strand and Stockdale Integrated Banking Projects (IRWD Water Bank). The Exchange Program would manage unused SWP supplies for CCWA and would provide increased water supply for both CCWA and Metropolitan including IRWD as a sub-agency of Metropolitan.</p> <p>Recharge and recovery facilities at both the Strand Ranch and Stockdale Integrated Banking Projects could be used to deliver water in and out of storage at the IRWD Water Bank.</p>
Term	Six years from the effective date of the Exchange Program Agreement. Delivery of the water into storage would be accomplished prior to the end of calendar year 2023. Upon mutual agreement the term may be extended as described under Return Water below.
IRWD's Water Bank	The IRWD Water Bank, located in Kern County, is owned by IRWD and operated by Rosedale-Rio Bravo Water Storage District (Rosedale). IRWD holds first priority rights to the use of the recharge and recovery facilities except for when the Kern River Watermaster offers water to all takers willing to sign a notice/order or the Kern River Watermaster offers Kern River water to the California Aqueduct/Kern River Intertie. Under such conditions, Rosedale has first priority right to the use of the recharge facilities.
Quantity	Up to 2,500 acre-feet (AF) of CCWA's SWP water supplies may be delivered to Metropolitan at the IRWD Water Bank for storage in 2023. One-half of the water delivered into storage would be available to Metropolitan and IRWD at the time the water has been recharged at the IRWD Water Bank.
Exchange Water	CCWA expects to supply the specified Quantity of its SWP water supplies to the IRWD Water Bank by the end of 2023 (Exchange Water) utilizing either Article 56 c, "carryover water" and/or calendar year 2023 Table A water. The Parties would cooperate in scheduling the Exchange Water deliveries with deliveries associated with other IRWD exchange programs. The recharge of Exchange Water would be subject to available recharge capacity, as well as provisions of IRWD's Coordinated Operating, Water Storage, Exchange and Delivery Agreement with Metropolitan and the Municipal Water District of Orange County (Coordinated Agreement).

<p>Return Water</p>	<p>Water shall be returned, when requested by CCWA by the end of the sixth calendar year after the delivery of Exchange Water. Returns from the IRWD Water Bank would be at an annual rate of no more than one-third of the amount delivered into storage allocated to CCWA, after losses and not to exceed 583 AF per year. IRWD may allow CCWA to recover more water in a year, should IRWD determine that the use of additional recovery capacity by CCWA would not infringe on IRWD's ability to recover water for itself and/or IRWD's other partners.</p> <p>The Return Water delivered to CCWA shall be from Metropolitan's future approved SWP Table A water or by recovery and exchange of water from the IRWD Water Bank with subsequent delivery through the Cross Valley Canal (CVC) to the California Aqueduct.</p> <p>IRWD shall use its first priority recovery well capacity in the IRWD Water Bank to recover Return Water for CCWA after meeting IRWD's own water supply needs. Upon mutual agreement, the Term of this Exchange Program may be extended for an additional 5 years and as approved by the DWR.</p>
<p>Quality</p>	<p>The quality of Exchange Water and Return Water will be limited as follows: If and to the extent that either party delivers water to and into the California Aqueduct, the quality of water shall meet the water quality standards established by DWR for pump-in to the California Aqueduct.</p>
<p>Delivery Points</p>	<p>CCWA will deliver Exchange Water to the IRWD point of delivery (IRWD POD) which will be the Strand Ranch and/or Stockdale West Turnouts on the CVC, other Rosedale diversion locations as specified by Rosedale, or as directed by Metropolitan. IRWD will use IRWD Water Bank wells to extract Return Water for delivery to the pump-in location at Reach 12E of the California Aqueduct. CCWA shall coordinate with DWR for delivery of Return Water to the CCWA point of delivery (CCWA POD) which will be Check 28 of the California Aqueduct or to another delivery point as determined by CCWA.</p>
<p>Losses</p>	<p>Water banking losses shall be shared equally between IRWD and CCWA (estimated to be between 11% and 15%). CCWA and IRWD each may incur additional conveyance losses of 1% to 2% in the CVC for conveyance of each agency's share of the water, as measured and assessed by Kern County Water Agency (KCWA).</p>
<p>Recharge Costs</p>	<p>IRWD shall pay all costs assessed to IRWD by Rosedale for recharging water at the IRWD Water Bank. CCWA would reimburse IRWD for 50 percent of these costs paid by IRWD upon delivery of Return Water to CCWA. Costs are assessed by Rosedale consistent with that certain Water Banking and Exchange Program Agreement between Rosedale and IRWD dated January 13, 2009. These estimated costs may include Rosedale's administrative charge of about \$3 per acre-foot (AF), third party wheeling charges assessed by the KCWA of \$5 per AF (a minimum of \$7,500), CVC Standby, applicable actual CVC pumping and O&M costs of about \$15 per AF, and applicable fixed and variable O&M water bank costs of about \$3 per AF. CCWA would also be responsible for one-half of KCWA transaction request fee of \$3,000.</p>
<p>Recovery Costs</p>	<p>IRWD and CCWA would each be responsible for actual costs of recovery for each agency's respective share of the water either through well pumping or by exchange as assessed by Rosedale. Recovery costs associated with extraction are estimated at \$126 per AF and are comprised of average groundwater pumping costs of \$115 per AF, Rosedale's administrative charge of about \$3 per AF, CVC Standby, O&M, and applicable CVC pumping costs of about \$4 per AF, and applicable fixed and variable O&M water bank costs of about \$4 per AF. CCWA would reimburse IRWD for its share of these costs upon delivery of Return Water to CCWA. Each party will also be</p>

	<p>responsible for the KCWA transaction request fee of \$3,000 when their share of recovered water is delivered.</p> <p>IRWD and CCWA would each share any costs assessed by Rosedale under its Long-Term Operations Plan for implementing provisions to prevent impacts from operations. It is expected that banking projects, such as the IRWD Water Bank, may be required to contribute \$2.00 per AF for recovered water to a fund, which may be used to meet mitigation obligations.</p>
SWP Variable OMP&R Costs	<p>Metropolitan will pay the DWR Variable Operation, Maintenance, Power, and Replacement (OMP&R) charges estimated at \$30 per AF associated with the delivery of the Exchange Water from the Delta to IRWD POD consistent with the Coordinated Agreement.</p> <p>For delivery of Return Water to CCWA POD, CCWA will pay the DWR Variable OMP&R charges from the Delta to CCWA's turnout at Check 28 of the California Aqueduct.</p>
Agency Coordination	<p>IRWD and CCWA would cooperate with DWR, KCWA and Metropolitan in preparing all necessary agreements to facilitate the Exchange Program. IRWD and CCWA shall each be responsible for their own costs associated with such coordination.</p>
Environmental Compliance	<p>Both parties shall comply with California Environmental Quality Act (CEQA) and cooperate with one another with respect to CEQA compliance that may be required by the DWR for the proposed Exchange Program. IRWD has already conducted environmental review under CEQA for the Strand and Stockdale Integrated Banking Projects that takes into consideration the delivery, storage and recovery of SWP water. Rosedale certified and IRWD approved the CEQA documents for the Strand and Stockdale Integrated Banking Projects. Corresponding Notices of Determination were filed by both Rosedale and IRWD. IRWD and CCWA will share equally any additional costs associated with environmental review or permitting deemed necessary for delivering CCWA water into storage (however, none are expected). Both IRWD and CCWA shall each be responsible for any other environmental review or permitting necessary to implement the Exchange Program within their own respective service areas.</p>
Water Rights	<p>It is expressly agreed, understood, and acknowledged by IRWD and CCWA that any existing or future delivery of Exchange Water to the IRWD Water Bank by CCWA will not result in or be considered a sale or transfer of CCWA's contractual rights to SWP water or a sale or transfer of IRWD's ownership in the IRWD Water Bank.</p>
General Expenses	<p>Each Party would be responsible for its own fees and expenses arising out of the negotiation and execution of the Exchange Program Agreement, obtaining necessary approvals, and the like.</p>