

Final
Operational Term Sheet for
MWD and SARCCUP-MWD Member Agencies' Agreement

Background

- The Santa Ana River Conservation and Conjunctive Use Program (SARCCUP) is a multi-agency, watershed wide groundwater storage and recovery project involving multiple basins in the Santa Ana Watershed. The goal is to store available and potentially lower-cost water during wet years in local groundwater basins throughout the watershed and extract the stored water during dry years to reduce the impacts from multi-year droughts.
- Eastern Municipal Water District (EMWD), Inland Empire Utilities Agency (IEUA), Municipal Water District of Orange County (MWDOC) acting on behalf of Orange County Water District (OCWD), and Western Municipal Water District (WMWD) are all member agencies of Metropolitan Water District of Southern California (MWD), herein referred to as “SARCCUP-MWD member agencies”.
- SARCCUP participants include the SARCCUP-MWD member agencies, OCWD and San Bernardino Valley Municipal Water District (Valley), herein referred to as the “SARCCUP participants”.
- Valley is a State Water Project (SWP) Contractor. Valley owns SWP capacity and recharges SWP water into the San Bernardino Basin Area (SBBA) groundwater basin for the benefit of its member agencies.
- MWD is the regional imported water wholesaler that delivers water to 26-member agencies in Southern California and is also a SWP Contractor.
- It is the intent of the SARCCUP-MWD member agencies to purchase from MWD an equivalent amount of surplus Valley SWP water (Valley Water) purchased by MWD for storage in their groundwater basins.
- The Valley Water will be purchased by MWD pursuant to the MWD and Valley agreement.

Supplies

- As specified in the MWD and Valley agreement, MWD will be given the right to purchase surplus Valley Water. In that agreement, the SARCCUP-MWD member agencies may purchase from MWD up to 50% of an equivalent amount of Valley Water purchased by MWD (Base Amount) for storage in SARCCUP banking facilities. This equivalent amount of Valley Water purchased (Base Amount) could qualify as Extraordinary Supply provided that it meets the provisions of Appendix G of MWD’s Water Supply Allocation Plan (Appendix G).

- Should MWD choose not to take delivery of Valley Water in a given year for its own member agencies, the SARCCUP-MWD member agencies may request MWD to purchase all available surplus Valley Water (the Base Amount plus the remaining Valley Water (Residual Amount)) at MWD's discretion for delivery to the SBBA recharge facilities on behalf of the SARCCUP-MWD member agencies. The Base Amount could qualify as Extraordinary Supply and the Residual Amount would qualify as Local Supply.
- MWD's discretion will not be unreasonably applied to purchase the Valley Water for the SARCCUP-MWD member agencies.
- SARCCUP-MWD member agencies shall have the right to pump the Residual Amount at any time.
- MWD can call on any Residual Amount remaining in the SARCCUP banking facilities, requiring the SARCCUP-MWD member agencies to pump the water in-lieu of purchasing MWD supplies. This call provision may reduce the SARCCUP-MWD member agencies' demands on MWD in a future year.
- If the water delivered under the program and designated as Extraordinary Supply is pumped from storage during a non-allocation year, such water shall be considered a Local Supply, as described in Appendix G.

Pricing

- Individual SARCCUP-MWD member agencies will be financially responsible to pay the MWD full-service volumetric rate at the time of delivery. MWD's full-service volumetric rate includes the Supply Rate, System Access Rate, Water Stewardship Rate and System Power Rate.
- The Readiness-to-Serve (RTS) Charge applies in all examples of SARCCUP-purchased water.
- The Capacity Charge does not apply in any examples of SARCCUP-purchased water because the deliveries are at MWD's discretion.
- The SARCCUP-purchased water would not count against the SARCCUP-MWD member agency's Tier 1 Limit (Examples I-V) but would count towards their Tier 1 Commitment in all examples. If the agency was in Tier 2 at the time of the delivery, the agency pays the Tier 2 Supply Rate. The table presents the rates and charges that apply at the time of "Put"/purchase. The applicable charges for each defined example are shown below.

Example	Scenario	Full-Service Volumetric Rate ¹	RTS Charge ²	Capacity Charge ³	Applies to Purchase Order Commitment ⁴	Applies to Purchase Order (Tier 1/ Tier 2) Limit ⁴
I	SARCCUP Banks (Direct MWD Delivery/Pump and Use Locally)	Yes	Yes	No	Yes	No
II	SARCCUP Banks (Indirect MWD Delivery/Direct Local Delivery)	Yes	Yes	No	Yes	No
III	SARCCUP Banks (Indirect MWD Delivery/In-Lieu MWD Delivery)	Yes	Yes	No	Yes	No
IV	SBBA (Storage in SARCCUP Valley Bank (50% MWD/50% SARCCUP))	Yes	Yes	No	Yes	No
V	SBBA (Storage in SARCCUP Valley Bank (0% MWD/100% SARCCUP))	Yes	Yes	No	Yes	No

Notes

¹ The MWD full-service volumetric rate (previously defined) for the SARCCUP-purchased water applies in all examples and at the time the water is delivered to the SARCCUP-MWD member agency.

² The Readiness-to-Serve charge applies in all examples of SARCCUP-purchased water.

³ The Capacity Charge does not apply in any examples of SARCCUP-purchased water.

⁴ The SARCCUP-purchased water would not count against the SARCCUP-MWD member agency’s Tier 1 Limit (Examples I-V) but would count towards their Tier 1 Commitment in all examples. If the agency is in Tier 2 at the time of the delivery, the agency pays the Tier 2 Supply Rate.

Put Scenarios (Storage)

- Any Valley Water purchased by MWD and sold to the SARCCUP-MWD member agencies falls into three put scenarios. One or more of these scenarios may be used separately or in combination, and may involve more than one SARCCUP-MWD member agency:
 - **Put Scenario A (Direct MWD Delivery)** – Water purchased by a SARCCUP-MWD member agency for direct delivery to its SARCCUP storage facilities.
 - **Put Scenario B (Indirect MWD Delivery)** – Water purchased for one SARCCUP-MWD member agency for delivery to another SARCCUP-MWD member agency’s storage facilities.
 - **Put Scenario C (Delivery to Valley)** – Delivery of a SARCCUP-MWD member agency’s water to Valley’s SARCCUP recharge facilities (MWD “virtual meter”) for storage in the SBBA bank (outside the MWD service area).
- All deliveries are through MWD facilities or an agreed upon MWD virtual meter.

Take Scenarios (Recovery)

- Stored water recovered from a SARCCUP groundwater bank falls into two take scenarios. One or more of these scenarios may be used separately or in combination, and may involve more than one SARCCUP-MWD member agency:

- **Take Scenario 1 (Direct Local Delivery)** – Pumping and direct conveyance of stored water between SARCCUP-MWD member agencies using local interagency conveyance facilities.
 - **Take Scenario 2 (In-lieu MWD Delivery)** – Pumping and local use of water by a SARCCUP-MWD member agency (pumping agency) that was stored on behalf of another SARCCUP-MWD member agency (benefitting agency), with an equivalent reduction in the pumping agency’s MWD deliveries and an equivalent increase in the benefitting agency’s MWD deliveries.
- No banked water is conveyed through the MWD system. Recovery of stored water is either in-lieu or direct deliveries using local conveyance facilities between SARCCUP-MWD member agencies.

Accounting

- The accounting and financial reconciliation for costs of recovering supplies will be between the SARCCUP-MWD member agencies, under a separate agreement.
- A SARCCUP Operations & Finance (O&F) Committee will be established consisting of the SARCCUP participants. The O&F Committee will analyze transactions proposed by the SARCCUP participants resulting in storage location and transfer recommendations that minimize costs in delivering water supplies.
- For purposes of accounting, the SARCCUP-MWD member agencies will provide regular updates to MWD for certification of Extraordinary Supply (in accordance with Appendix G).