

Agenda Item: {{section.number}}D

December 4, 2023

TO: THE ENGINEERING, OPERATIONS, AND WATER RESOURCES COMMITTEE

Director Gracie Torres

Director Fauzia Rizvi

FROM: Tim Barr, Deputy General Manager

APPROVE AGREEMENT WITH INLAND EMPIRE UTILITIES AGENCY TO FACILITATE A WATER PURCHASE BY WESTERN MUNICIPAL WATER DISTRICT IN THE CHINO BASIN

RECOMMENDATION:

Staff requests that the Engineering, Operations, and Water Resources Committee recommend the Board of Directors authorize the General Manager to execute a Water Purchase and Sale Agreement in an amount up to \$2.6 Million between Inland Empire Utilities Agency and Western Municipal Water District.

EXECUTIVE SUMMARY:

On April 19, 2023, the Board of Directors granted the authority to purchase up to \$20 million in available water for groundwater storage for future dry-year supplies. Although the Board of Directors has already authorized the expenditure of funds to acquire water for storage, this arrangement involves an interagency agreement and as such, staff is seeking approval to execute the agreement. In striving to achieve the goal of enhancing water supply resiliency, Western Municipal Water District staff brings forward a proposed agreement with the Inland Empire Utilities Agency to facilitate the purchase of approximately 3,600 acre-feet of imported water currently in storage in the Chino Basin. The proposed agreement will allow Western Municipal Water District to purchase the imported water at the total cost incurred by the Inland Empire Utilities Agency. The water acquired through the agreement will support Western Municipal Water District's goal of increasing its water supply resiliency during periods of imported water shortage.

BUDGET IMPACT:

The Agreement has no budget impact. The authorization to purchase available water supplies was approved under the Board of Directors action on April 19, 2023. The General Fund will be utilized to purchase the available supplies under the Purchase and Sale Agreement with Inland Empire Utilities Agency and the purchase will be recorded as an asset (water inventory) until extracted and sold to either Western Municipal Water District's retail customers, a retailer within the wholesale service area, or the participating Santa Ana River Conservation and Conjunctive Use Program agencies. At the time of delivery, a purchased water expense would be recorded, and the water inventory reduced accordingly. Additionally, other costs unrelated to the purchase and yet to be determined will be incurred associated with this water such as extraction, treatment, and delivery costs.

DETAIL:

With the 2023 Water Year's extraordinary hydrologic conditions, Western Municipal Water District (Western Water) is pursuing water purchase and storage opportunities for up to \$20 million through fiscal years 2023–2024 and 2024–2025. Participating in water purchases will increase the water in storage and help enhance local supply resiliency for Western Water and its retail and wholesale customers.

Western Water staff identified an opportunity to purchase available imported water from the Inland Empire Utilities Agency (IEUA) already stored in the Chino Basin and accounted for in a groundwater subaccount of Cucamonga Valley Water District (CVWD). Originally, IEUA purchased 3,641.6 acre-feet of from Metropolitan Water District in the spring of 2016 and the winter of 2017. Over the ensuing years, 44.847 acre-feet have been lost due to anticipated seepage from the groundwater basin, leaving a current balance of 3,596.753 acre-feet.

Western Water must execute an agreement to facilitate the purchase of the water from IEUA and record the ownership change. The agreement between Western Water and IEUA (Purchase Agreement) allows for Western Water to immediately purchase imported water in the Chino Basin at the cost incurred by IEUA in 2016 and 2017 to purchase and recharge the water. Following purchase, Western Water may continue to store the water in the CVWD subaccount, a Jurupa Community Services District (JCSD) storage account through the recent Western-JCSD agreement, in a Western Water groundwater account, or another partner agency account.

The key terms of the proposed Purchase Agreement are summarized below:

- **Costs** – Western Water will purchase from IEUA 3,596.753 acre-feet of imported water for up to \$2,600,000. This total will include the IEUA's original purchase price of the water

plus all associated fees to purchase and store the water. The resultant per acre foot cost to Western Water is significantly below the estimated per acre foot cost presented in the staff report on April 19, 2023.

- **Water Ownership Transfer/Sale** – Immediately upon receipt of funds from Western Water, IEUA will transfer ownership of the water to Western Water.
- **Effective Date** – The agreement will be effective from the date of execution by both IEUA and Western Water and will terminate upon completion of the purchase and sale transaction.

The attached Purchase Agreement is in draft form; however, no substantive changes are expected. Should modifications become necessary, the document will be re-reviewed by legal counsel. Should legal counsel determine that the changes are substantive in nature, staff will return to a subsequent Board meeting to seek approval of the updated document. If legal counsel determines that the changes are non-substantial, additional Board approval will not be sought by staff.

IEUA intends to take this Purchase Agreement to their Board of Directors for consideration in December 2023.

Reason for Action:

The terms of the Agreement will allow Western Water to purchase water from Inland Empire Utilities Agency that is already stored in the Chino Basin.

Solution:

Approve the Purchase Agreement.

STRATEGIC PRIORITIES REFERENCE:

This action is in alignment with Western Water's Strategic Priorities of Resource Management, Financial Stewardship, and Superior Service.

PROPOSED DATE OF ACTION:

If approved by the Committee, this item is scheduled for consideration by the full Board of Directors at their meeting on December 20, 2023.

LEGAL COUNSEL REVIEW:

Legal counsel has reviewed the Purchase and Sale Agreement between Inland Empire Utilities Agency and Western Municipal Water District.

Respectfully submitted by:

Tim Barr, Deputy General Manager

Attachment:

1. Purchase and Sale Agreement between IEUA and Western Water