

The Proposed Lower Yuba River Accord

Water Purchase Agreement Technical Brief

INTRODUCTION

The proposed Lower Yuba River Accord (Yuba Accord) includes three separate but related proposed agreements: (1) a Fisheries Agreement, (2) a Water Purchase Agreement, and (3) Conjunctive Use Agreements. This Technical Brief summarizes the essential points of the Water Purchase Agreement. For more information on the other agreements comprising the Yuba Accord, please visit www.ycwa.com.

WATER PURCHASE AGREEMENT IMPLEMENTATION

The Water Purchase Agreement will establish the terms and conditions under which Yuba County Water Agency (YCWA) and its local irrigation districts/mutual water companies will provide water supplies to improve reliability for the California Department of Water Resources (DWR) and the U.S. Bureau of Reclamation (Reclamation), including for fish and wildlife purposes.

Under this agreement, the amount of annual transfer water made available by YCWA will be based on hydrology, Bay-Delta conditions, water year type, groundwater conditions, applicable flow schedules (specified by the Fisheries Agreement), and anticipated State Water Project (SWP) and Central Valley Project (CVP) delivery allocations. All requirements for water transfers under applicable state and federal laws will be met. DWR and Reclamation have conceptually approved a separate agreement regarding allocation of these transfer supplies and other related matters, and will have separate individual agreements with their respective contractors regarding allocation and financing arrangements.

Water Availability and Pricing Structure

Consistent with the CALFED Bay-Delta Program (CALFED) Record of Decision, DWR proposes to use bonding authority pursuant to Chapter 7(d) of Proposition 50, California Water Code Section 79550(d), as the funding source for its acquisitions of water for the CALFED Environmental Water Account (EWA). DWR also is investigating other funding sources.

Transfer quantities will be provided from both storage releases of surface water and groundwater substitution (which will allow foregoing some surface water diversions). These quantities will include flows from the schedules within the Fisheries Agreement, storage releases from New Bullards Bar Reservoir, and foregone surface water diversions resulting from groundwater substitution. YCWA, DWR, and Reclamation have determined that the range of transfer volumes will be segregated into four components which reflect variations in pricing, purpose of use, and schedule.

Component 1 Water Supplies – For the first 9 years of this agreement (2007 through December 31, 2015), DWR and Reclamation will purchase 60,000 acre-feet per year of Component 1 water, for a total of 540,000 acre-feet. DWR and Reclamation plan to use these supplies exclusively for the EWA. In certain years, operational limitations of the Yuba River Development Project (Yuba Project), the SWP, and/or the CVP may cause the quantity of water provided by YCWA to be less than 60,000 acre-feet. In this event, YCWA will provide “make-up” water quantities in a later water year of the same classification, ensuring that over the course of the agreement, the EWA will receive its full entitlement of Component 1 water. As compensation for the Component 1 water, DWR and Reclamation will provide YCWA two payments: (1) \$32,700,000 within 60 days of the effective date of the agreement – once all environmental compliance steps have been completed as required by state and federal law, and (2) an additional \$2,550,000 on or before September 30, 2015.

Component 2 Water Supplies – YCWA will provide DWR and Reclamation 15,000 acre-feet of water in any dry year and 30,000 acre-feet in any critical year. DWR and Reclamation will pay YCWA \$50.00 per acre-foot in any dry years and \$62.50 per acre-foot in any critical years.

Component 3 Water Supplies – Under certain SWP and CVP delivery allocation scenarios, YCWA will make available a total of 40,000 acre-feet for DWR and Reclamation as Component 3 water. DWR and Reclamation will pay \$50.00 per acre-foot in above-normal years, \$75.00 per acre-foot in below-normal years, \$100.00 per acre-foot in dry years, and \$125.00 per acre-foot in critical years.

Component 4 Water Supplies – In all water year types, YCWA will inform DWR and Reclamation of the quantity of any additional water available from surface and groundwater supplies. DWR and Reclamation then will notify YCWA if they will opt to take delivery of any or all of this Component 4 water. The pricing for the Component 4 water will be the same as for Component 3, except wet year water will be priced at \$25 per acre-foot.

Water Supplies Available to Third Parties

When YCWA identifies an opportunity to provide Component 3 or 4 water, but DWR and Reclamation do not elect to take delivery of that water, YCWA may sell those supplies to a third party, providing (1) the sale will not impair YCWA’s ability to meet its current and future obligations to deliver water to DWR and Reclamation, and (2) YCWA will provide DWR and Reclamation with advance notice of such sale. In addition, any Component 1, 3, or 4 water released by YCWA that cannot be used by DWR and Reclamation, but meets the criteria to be considered transferable, will be water that may be sold by YCWA to a third party.

Water Accounting Mechanism

On or about June 1 of each year, the parties to this agreement will decide on a schedule for the Components 1, 2, 3, and 4 water that YCWA will provide to DWR and Reclamation within that water year. The agreement also will include specific accounting provisions for reservoir refill impacts. This accounting will be very similar to the refill accounting used in previous one-year temporary transfers that YCWA has made for the EWA.

Conference Year Principles

A “Conference Year” is an extremely dry year. During any such year, Yuba Accord participants, including representatives of all three agreements, will meet to determine how to address the circumstances, and to discuss Yuba Project operations in that water year. Also during such a year, YCWA will (1) have no obligation to provide any quantity of Components 1 through 4 water, (2) not have to refund the payment received for Component 1 water that water year, and (3) provide in a subsequent water year the quantity of Component 1 water that was not delivered during the Conference Year on a schedule acceptable to YCWA, DWR, and Reclamation.

Place of Use of Water

Water made available under the Water Purchase Agreement must be approved for use within the SWP and CVP service areas, requiring that YCWA petition the State Water Resources Control Board (SWRCB) to approve the long-term transfer and amend YCWA's water rights to include the SWP and CVP within the authorized place of use for the specific term of the long-term Water Purchase Agreement, and subject to conditions of the Water Purchase and Fisheries agreements.

Groundwater Monitoring and Reporting Program

YCWA and its local irrigation districts/mutual water companies will implement a Groundwater Monitoring and Reporting Program to ensure that groundwater pumping associated with the Yuba Accord will be within the safe yield of the groundwater aquifer to safeguard agricultural, domestic, and municipal wells. This program will be consistent with YCWA's Groundwater Management Plan.

TERM OF TRANSFER AGREEMENT

The Water Purchase Agreement is scheduled to go into effect in late 2006. The Yuba Accord water transfers are scheduled to be provided through December 31, 2015. From 2016 and through 2025, at least 20,000 acre-feet per year of water transfers will be provided. During this latter period, any transfer quantity above 20,000 acre-feet per year will be negotiated among the parties to the Water Purchase Agreement. These post-2016 transfers will be subject to review by the SWRCB and will comply with any new Federal Energy Regulatory Commission (FERC) or water right permit conditions. In addition, the term of the Water Purchase Agreement may be extended to coincide with the term of the long-term YCWA FERC Federal Power Act license for the transfer quantities agreed to by the parties to the Water Purchase Agreement, subject to SWRCB approval.

INTEGRATION WITH OTHER, ONGOING YUBA ACCORD PROCESSES

2006 Pilot Program

YCWA, DWR, and Reclamation plan to implement a pilot transfer program during the 2006 water year based on the instream flow requirements in the Fisheries Agreement and the transfer accounting rules in the Water Purchase Agreement, as modified to accommodate the pilot program concept. Parties to the Fisheries Agreement also plan to implement a pilot fisheries program during the 2006 water year. Parties to the Fisheries and Water Purchase agreements will collaborate in developing this 2006 pilot program, including applicable environmental compliance.

Agreement Approval

The parties to the Yuba Accord are now working on a joint Environmental Impact Report/Environmental Impact Statement required by the California Environmental Quality Act and National Environmental Policy Act, and additional reviews required by the state and federal Endangered Species Acts. Based on results of these steps, parties to the Water Purchase Agreement will determine whether to approve and execute the agreement. Subject to the foregoing, and subject to approval and execution of the Fisheries Agreement and Conjunctive Use Agreements (expected in late 2006), SWRCB approval of amendments of Water Right Decision 1644, and other related matters, the involved parties plan to execute the Water Purchase Agreement.