



Internal Audit Report for February 2022

Summary

One report was issued during the month:

Water Storage Programs Audit Report

Discussion Section

This report highlights the significant activities of the Internal Audit Department during February 2022. In addition to presenting background information and the opinion expressed in the audit report, a discussion of findings noted during the examination is also provided.

Water Storage Programs

The Audit Department has completed a review of the accounting and administrative controls over Water Storage Programs as of October 31, 2021.

Scope

Our review evaluated the accounting and administrative controls over the Water Supply Programs – Semitropic, Arvin Edison, and Kern Valley Water Banking and Exchange Programs.

Background

Water Resource Management Group protects and optimally manages imported water quantity and quality; advances water-use efficiency; provides supply and demand forecasts that are the foundation for resource planning; and develops and implements timely resource planning, programs, and projects.

The strategies necessary to achieve these objectives have been particularly crucial over the past decade as California has experienced extreme hydrology resulting in seven dry and three wet years. Regional storage programs have been a central feature for maintaining water supply reliability in the face of supply volatility. Accordingly, Metropolitan developed water supply programs to supplement its State Water Project and Colorado River water supplies. These programs allow Metropolitan to store water during wet years and retrieve it through pump backs and exchanges during dry years. Metropolitan administers three of these programs through agreements with Semitropic Water Storage District (Semitropic), Arvin-Edison Water Storage District (Arvin-Edison), and Kern Delta Storage District (Kern Delta).

Semitropic

In December 1994, Metropolitan entered into a groundwater storage agreement with Semitropic that allows for the storage of up to 350,000 acre-feet of water. The contract, which expires in 2035, allows stored water to be retrieved by direct pump back to the California Aqueduct or through State Water Project entitlement exchange. Recovering water through an exchange is reduced or eliminated when the State Water Project Allocation is low. Metropolitan currently has a minimum annual take capacity of 38,200 acre-feet per year. Metropolitan also has rights to the unused capacity of other banking partners. With a 100% State Water Project allocation and usage of other banking partner's rights, Metropolitan estimates the maximum potential return at 229,700 acre-feet per year. For the audit period of July 2019 through October 2021, Metropolitan paid \$8.9 million to Semitropic, stored 45,180 acre-feet, and withdrew 32,644 acre-feet of water. As of October 2021, Semitropic had 233,051 acre-feet of Metropolitan water in storage.

Kern Delta

In November 2002, Metropolitan's Board authorized a groundwater storage agreement with Kern Delta that allows for the storage of 250,000 acre-feet of water. The contract, which expires in 2029, allows stored water to be retrieved mainly by State Water Project entitlement exchange and by direct pump back to the California Aqueduct. Furthermore, at Metropolitan's call, Kern Delta will return a minimum of 50,000 acre-feet of water annually. For the audit period of July 2019 through October 2021, Metropolitan paid Kern Delta \$11.6 million, stored 34,202 acre-feet, and withdrew 36,668 acre-feet of water. As of October 2021, Kern Delta has 157,719 acre-feet of Metropolitan water in storage.

Arvin-Edison

In 1997, Metropolitan agreed with Arvin-Edison Water Storage District to increase the water supply available to both entities. According to the terms of the deal, Metropolitan can store up to 350,000 acre-feet of water in groundwater basins in wet years. During dry years, Metropolitan can withdraw up to 75,000 acre-feet of water annually. Arvin-Edison delivers this water through either the Intertie Pipeline or through an exchange of water with other Kern County water districts. This agreement is effective through November 2035.

It should be noted that in late 2017, the California State Water Resources Control Board set the maximum acceptable level of trichloropropane (TCP) at five parts per trillion. As a result, Metropolitan has not banked water with or accepted groundwater from Arvin-Edison's program. However, Metropolitan has worked with Arvin-Edison to recover stored water by exchanging Metropolitan's water with surface water supplies that satisfy the Department of Water Resources pump-in policy. As of October 2021, Arvin-Edison had 138,039 acre-feet of Metropolitan water in storage.

Opinion

In our opinion, the accounting and administrative procedures over Storage Programs include those practices usually necessary to provide for a satisfactory internal control structure. The compliance with such policies and procedures offered effective control from July 2019 to October 2021.

Comments and Recommendations

None.