IMPORTED WATER COMMITTEE

AGENDA FOR

AUGUST 26, 2010

Dan McMillan – Chair  John Linden
Bill Knutson – Vice Chair  Barry Martin
Yen Tu – Vice Chair  Ralph McIntosh
Keith Blackburn  Rua Petty
Jim Bond  Hershell Price
Gary Croucher  Elsa Saxod
Lynne Heidel  Barbara Wight
Keith Lewinger

1. Roll call – determination of quorum.

2. Additions to agenda (Government Code Section 54954.2(b)).

3. Public comment – opportunities for members of the public to address the Committee on matters within the Committee’s jurisdiction.

4. Chair’s report.
4-A Directors’ comments.

I. CONSENT CALENDAR

II. ACTION/DISCUSSION

1. Metropolitan Water District Issues and Activities update.  Amy Chen
1-A Metropolitan Water District Delegates report.
(Information) (pickup packet)

1-B Metropolitan Water District Proposed Budget for fiscal year 2011/12.  Debbie Espe

1-C Update on Metropolitan Water District’s 2010 Integrated Resources Plan process.  (Discussion)  Dennis Cushman/
Amy Chen
2. **Colorado River Programs.**

2-A Colorado River Board representative’s report.  
(Information) (pickup packet)

Bill Knutson

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### III. INFORMATION

1. Presentation on Binational Desalination Project.  
   Mark Watton

2. Presentation on Colorado River source water quality.  
   Halla Razak

3. Metropolitan Water District Program report.  
   Amy Chen

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### IV. CLOSED SESSION

1. CLOSED SESSION: Conference with Legal Counsel – Existing Litigation  
   Government Code §54956.9(a)  
   Name of Case: QSA Judicial Council Coordination Proceeding No. 4353  
   Dan Hentschke

2. CLOSED SESSION: Conference with Legal Counsel – Existing Litigation  
   Government Code §54956.9(a) – SDCWA v Metropolitan Water District of Southern California;  
   LASC Case No. BS126888  
   Dan Hentschke

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### V. ADJOURNMENT

Doria F. Lore  
Clerk of the Board

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**NOTE:** This meeting is called as an Imported Water Committee meeting. Because a quorum of the Board may be present, the meeting is also noticed as a Board meeting. Members of the Board who are not members of the Committee may participate in the meeting pursuant to Section 2.00.060(g) of the Authority Administrative Code (Recodified). All items on the agenda, including information items, may be deliberated and become subject to action. All public documents provided to the committee or Board for this meeting including materials related to an item on this agenda and submitted to the Board of Directors within 72 hours prior to this meeting may be reviewed at the San Diego County Water Authority headquarters located at 4677 Overland Avenue, San Diego, CA 92123 at the reception desk during normal business hours.
August 18, 2010

Attention: Imported Water Committee

Metropolitan Water District Proposed Budget for Fiscal Year 2011/12 (Information)

Purpose
This report provides a brief summary of Metropolitan Water District’s (MWD) fiscal year 2010/11 preliminary budget and its plan to transition into a two-year budget.

Background
In April, the MWD board adopted a two-year rate increase of 7.5 percent overall average increase in rates and charges, effective January 1, 2011 and again on January 1, 2012. In adopting the rate increase, the MWD board also directed staff to reduce its proposed 2010/11 expenditures by $20 million so the rate increase would fully recover anticipated costs in the first year, fiscal year 2010/11. Subsequently, in May, the MWD board approved staff’s recommended $20 million reduction in expenditures for the 2010/11 budget, and directed staff to return within 90 days with a 2011/12 budget for consideration and to hold a workshop to facilitate discussion on the 2011/12 budget proposal.

Discussion
MWD had not released its proposed fiscal year 2011/12 budget as of this writing. This memo is based on a MWD Budget Workshop presentation made in late July. Water Authority staff will provide a more detailed presentation on MWD’s 2011/12 budget to the Imported Water Committee as the document is made available.

The proposed budget for 2011/12 is $1.824 billion, reflecting about a 12 percent increase ($200 million) over the 2010/11 budget. The budget is based on projected deliveries of 2.0 million acre-feet (maf) and assumes 1.2 maf of Colorado River diversions and 45 percent of State Water Project (SWP) allocation. The budget contains a pay-as-you-go funding of $125 million to fund the $341 million capital projects. Over a six-year period (fiscal years 2006/07 through 2011/12), MWD’s pay-as-you-go funding from revenues represents about 18.5 percent of its total capital investment program. On a side note, MWD staff stated that water deliveries for the current fiscal year are anticipated to be about 65,000 af less than the budgeted 1.93 maf, which includes approximately 160,000 af of the Water Authority’s Quantification Settlement Agreement transfer supplies. This impacts MWD’s current revenue estimate, which is anticipated to be lower than budgeted due to lower water sales revenue, interest income and power sales. Because the bulk of MWD’s revenue comes from the sale of water (and exchange and wheeling charges), if sales continue to run below budget MWD anticipates drawing from its reserves, such as the Water Rate Stabilization Fund. This reality also places into question the soundness of water deliveries assumption of 2.0 maf in the proposed fiscal year 2011/12 budget.

The projected 2011/12 revenue is expected to increase from the budgeted $1.498 billion in 2010/11 to the forecasted $1.654 billion in 2011/12; and followed by a $1.775 billion outlook in 2012/13. This is primarily attributed to the two adopted 7.5 percent rate increases followed by
an estimated 5 percent rate increase in 2012/13. MWD staff reported that it has adequate
reserves to manage water sales reduction of up to 200 taf, if 2011/12 water sales were to fall
below the assumed 2 million acre-feet; however, if the water sales were to be continually
depressed at 1.8 maf over a five-year period, a higher rate increase than the assumed 5 percent in
2012/13 would be required. The projected 2011/12 budget is supported by revenues generated
from water sales and wheeling ($1.332 billion), taxes and annexations ($82.0 million), fixed
charges such as the readiness-to-serve charge and capacity charge ($171.3 million), interest
($33.6 million), power sales ($22.1 million), and other receipts ($13.2 million).

Cost Drivers. MWD’s State Water Project cost is expected to increase from about $489 million
in 2010/11 to $517.1 million in 2011/12 due to increased capital cost, expenditures for the
planning, environmental documents, and preliminary design on delta projects and power cost.
The supply program will increase from about $101.4 million in 2010/11 to $119 million in
2011/12, because of the Imperial Irrigation District Conservation operations and maintenance
component, Palo Verde Irrigation District escalator associated with the fallowing program, and
new supply sources, such as the Yuma Desalter and other transfer purchases. Under this budget
plan, if SWP allocation is 45 percent, MWD would be storing water in 2011/12. The Colorado
River power is projected to increase from $60 million in 2010/11 to about $62 million in 2011/12
due to a rising unit cost for power. Debt service is projected to climb from $293 million in
2010/11 to $313 million in 2011/12, while general obligations bond debt service is expected to
remain flat at $39 million in 2011/12. The demand management program is projected to increase
due to an escalator applied to the conservation credits program, while the incentive payments for
local resources program will remain flat. The departmental operations and maintenance is
projected to increase from $337 million in 2010/11 to $374 million in 2011/12.

The projected operations and maintenance costs of $374 million for 2011/12 is an increase of
$37 million from 2010/11, an 11 percent increase. The assumptions in the operations and
maintenance budget include an overall inflation factor of 3.5 percent. The budget does not
include any cost of living adjustment increases embedded in base salaries; however, labor
negotiations are ongoing and will return to the board for consideration as needed. MWD is
decreasing its staff by 98 from 2,019 in 2009/10 to 1,921 in 2011/12. There is a $7.0 million
increase to restore operating equipment expenditures; $10.0 million increase to partially fund the
unfunded liability of retired medical benefits; and $1.6 million increase in chemical costs. The
budget also includes a two-percent contingency for unforeseen circumstances due to the timing
of the projected budget to the actual fiscal year. The budget will meet the board’s coverage and
cost-of-service targets.

The 2011/12 CIP is projected to be $341 million ($81 million increase from 2010/11); of which
slightly more than half ($179 million) is projected for infrastructure repair, rehabilitation, and
replacement needs.

Next Steps. The MWD board is scheduled to adopt the fiscal year 2011/12 budget in August. In
January 2011, staff envisions a start of its “true” two-year budget, which would include the
adopted 2011/12 budget and the proposed 2012/13 budget. A public hearing on rates and
charges for Calendar Year 2013 is planned for March 2011. In April 2011, the committee and
board are scheduled to consider and approve the 2012/13 budget and the 2013 rates and charges.
It is also the intent of MWD staff to give the board an opportunity to make adjustments to the 2011/12 budget, if needed. In January 2012, staff is to focus on strategic initiatives and to provide an opportunity to review budget deviations and variances. In April 2012, the committee and board is to consider the 2013/14 budget and make adjustments and mid-term correction on the 2012/13 budget. By January 2013, the transition to a two-year budget process will have come full circle and the next two-year (fiscal years 2013/14 and 2014/15) budget and rates process will commence. In April 2013, the committee and board is to consider the 2013/14 and 2014/15 budget and rates.

Prepared by:  Debbie Discar-Espe, Senior Water Resources Specialist
Reviewed by:  Amy I. Chen, MWD Program Chief

FY 2011/12 Proposed Budget

Budget Workshop
July 27, 2010
2011/12 Budget Agenda

- Overview and assumptions
- Cost/Rate Drivers
- Departmental Budget
- Impact of water sales
Board Actions on Budget and Rates

- Rate increases of 7.5% in 2011 and 2012
- Cover full cost of service in 2010/11
$1.84 billion total expenditure budget
$341 million CIP
2.0 million acre-feet of sales
O&M budget includes
- 3.5% inflation assumption
- No COLA
- $7.0 million for operating equipment
- $10 million for OPEB
- 2% contingency

Meet cost-of-service and coverage targets
Major Assumptions
Five Year Forecast

Water Sales
- 1.93 MAF 2010/11
- 2.0 MAF 2011/12 and 2012/13
- 2.1 MAF 2013/14 and 2014/15

CRA diversions average 1.2 MAF / year

SWP deliveries increase 100 TAF in 2013 based on interim Delta improvements (SWP allocation increases from 40% to 45%)

Departmental O&M increases

PAYGO at $125M in 2011/12 to 2014/15
Water Sales Increase to 2.0 MAF

Cash Year Ending

- Actual 2008
- Actual 2009
- Actual 2010
- Budget 2011
- Budget 2012

Million Acre-Feet

- Wheeling
- Agricultural
- Replenishment
- Firm
Three Year Outlook
Revenues

<table>
<thead>
<tr>
<th>Million Dollars</th>
<th>2010/11 Budget</th>
<th>2011/12 Budget</th>
<th>2012/13 Forecast</th>
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<td>82</td>
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</table>

- Power Generation
- Lease, Late Fees, etc
- Capacity Charge
- Interest
- Readiness-to-Serve
- Taxes & Annexation Fee
- Water Sales
Three Year Outlook Expenditures

- **2010/11 Budget**
  - Debt Service & PAYGO: 427
  - SWP (w/o power): 314
  - O&M: 337
  - Supply Programs: 101
  - Power: 234

- **2011/12 Budget**
  - Debt Service & PAYGO: 477
  - SWP (w/o power): 329
  - O&M: 374
  - Supply Programs: 119
  - Power: 249

- **2012/13 Proposed**
  - Debt Service & PAYGO: 494
  - SWP (w/o power): 364
  - O&M: 395
  - Supply Programs: 151
  - Power: 253
## Approved Two-year Rate Increase Meets Objectives

### Fiscal Year Ending

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<tr>
<td>2015</td>
<td>650</td>
<td>1300</td>
<td>1400</td>
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</table>

### Paygo, $M

- 2006: 88
- 2007: 95
- 2008: 43
- 2009: 30
- 2010: 37
- 2011: 95
- 2012: 125
- 2013: 125
- 2014: 125
- 2015: 125

### Rev. Bond Cvg

- 2006: 1.8
- 2007: 2.2
- 2008: 1.8
- 2009: 1.8
- 2010: 1.6
- 2011: 1.9
- 2012: 2.0
- 2013: 2.0
- 2014: 2.2
- 2015: 2.1

### Fixed Chg Cvg

- 2006: 1.3
- 2007: 1.7
- 2008: 1.3
- 2009: 1.3
- 2010: 1.1
- 2011: 1.3
- 2012: 1.4
- 2013: 1.4
- 2014: 1.4
- 2015: 1.4

### Avg Rate Increase

- PAYGO: 2%, 3%, 6%, 14%, 20%, 7.5%, 7.5%, 5%, 5%, 5%
- Rev. Bond Cvg: 1.8, 2.2, 1.8, 1.8, 1.6, 1.9, 2.0, 2.0, 2.2, 2.1
- Fixed Chg Cvg: 1.3, 1.7, 1.3, 1.3, 1.1, 1.3, 1.4, 1.4, 1.4, 1.4
Review of Major Cost Drivers
State Water Contract

Fiscal Year Ending

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<td>$299</td>
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<td>$165</td>
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<td>$464</td>
<td>$395</td>
<td>$438</td>
<td>$489</td>
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Variable Power | Fixed Costs

Million Dollars

$0 $100 $200 $300 $400 $500 $600

CFO Group
July 27, 2010
Supply Programs

Paid from Water Transfer Fund
Paid from Revenues/Reserves

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<td>52</td>
<td>76</td>
<td>110</td>
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18.5% of CIP Funded from Revenues

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<th>Fiscal Year Ending</th>
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<th>Pay-As-You-Go Funded</th>
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<td>Actual 2007</td>
<td>472</td>
<td>95</td>
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<td>Actual 2008</td>
<td>376</td>
<td>43</td>
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<td>Actual 2009</td>
<td>387</td>
<td>30</td>
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<td>Actual 2010</td>
<td>247</td>
<td>37</td>
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<td>Budget 2011</td>
<td>165</td>
<td>95</td>
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<td>Proposed 2012</td>
<td>216</td>
<td>125</td>
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Debt Service

- G.O. Bond Debt Service
- Revenue Bond Debt Service & Misc

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<td>$210</td>
<td>$224</td>
<td>$238</td>
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<td>$293</td>
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<td>Millions</td>
<td>$49</td>
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<td>$49</td>
<td>$48</td>
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Demand Management

- Conservation Credits Program
- Local Resources Program

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<td>Million Dollars</td>
<td>16</td>
<td>36</td>
<td>22</td>
<td>19</td>
<td>20</td>
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- Actual 2008: $33 million
- Actual 2009: $39 million
- Actual 2010: $40 million
- Budget 2011: $39 million
- Proposed 2012: $39 million
Departmental O&M

Million Dollars

- Actual 2008: $352
- Actual 2009: $345
- Actual 2010: $335
- Budget 2011: $337
- Proposed 2012: $374

Fiscal Year Ending
## Revised Expenditures 2011/12 Proposed Budget

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<tr>
<th>Millions of Dollars</th>
<th>2008/09 Actual</th>
<th>2009/10 Actual</th>
<th>2010/11 Budget</th>
<th>2011/12 Budget</th>
<th>2011/12 Budget Compared to 2010/11 Budget</th>
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<td>State Water Contract</td>
<td>$ 394.7</td>
<td>$ 438.2</td>
<td>$ 488.5</td>
<td>$ 517.1</td>
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<td>Supply Programs</td>
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<td>Colorado River Power</td>
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<td>O&amp;M</td>
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<td>335.4</td>
<td>336.8</td>
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<td><strong>Sub-Total</strong></td>
<td><strong>$ 1,215.8</strong></td>
<td><strong>$ 1,294.0</strong></td>
<td><strong>$ 1,376.3</strong></td>
<td><strong>$ 1,482.6</strong></td>
<td><strong>$ 106.4</strong></td>
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<td>CIP</td>
<td>416.7</td>
<td>283.5</td>
<td>259.9</td>
<td>341.0</td>
<td>81.1</td>
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<td><strong>Total Expenditures</strong></td>
<td><strong>$ 1,632.5</strong></td>
<td><strong>$ 1,577.5</strong></td>
<td><strong>$ 1,636.2</strong></td>
<td><strong>$ 1,823.7</strong></td>
<td><strong>$ 187.4</strong></td>
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Totals may not foot due to rounding.
2011/12 Proposed Budget
Departmental O&M
Major Expenditure Types
2011/12 Proposed Budget – $374.0 M *

* Includes overhead credit from construction.

- Labor 58.5%
- Outside Services 10.7%
- Chemicals, Solids, & Power 7.5%
- Materials & Supplies 6.4%
- Cargill/OPEB 2.8%
- Other 3.9%
- Insurance/Premiums 2.3%
- Utilities 1.9%
- Operating Equipment 1.9%
- Memberships & Subscriptions 1.7%
- Advertising 0.4%
- Travel & Training 1.0%
- Communication 0.9%
Organization Budgets
2011/12 Proposed Budget – $394.7M *

* Departmental budgets without application of overhead credit to O&M labor from construction.
Departmental O&M Line-item Overview
## Budget Trend
### 2011/12 Proposed Budget

<table>
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<td><strong>$337.0</strong></td>
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Totals may not foot due to rounding.
O&M Labor

2011/12 Proposed Budget – $218.8 M *

- Salaries: $139.9M (63.9%)
- Benefits: $70.3M (32.1%)
- Overtime: $5.3M (2.4%)
- Temporary Employees: $1.2M (0.6%)
- Premium Pay: $2.1M (1%)

* Includes overhead credit from construction.
Staffing Trend Continues Downward

2011/12 Proposed Budget

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<th>Year</th>
<th>Positions</th>
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Series 3

Temporary
## Budget Trend
### 2011/12 Proposed Budget

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Totals may not foot due to rounding.
Outside Services
2011/12 Proposed Budget – $40.1M

- Information Technology $1.2M
- Water Quality $1.4M
- HR Programs $1.6M
- Legal / Regulatory $3.7M
- Real Property Maint. / Mgmt. $1.5M
- Environmental Health & Safety $1.8M
- Fleet & Bldg. Equipment Maint. $1.9M
- Conservation $2.7M
- Bay Delta $2.6M
- SWC $1.3M
- Technical / Professional $2.8M
- Financial / Admin. $1.0M
- Water Resource Planning / IRP $1.0M
- Public Outreach $0.5M
- Colorado River $0.2M
- Advocacy $0.5M
- Board / Executive $0.1M
- Water Quality $0.2M
- SWC $0.5M
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**Total O&M**

Totals may not foot due to rounding.

|                  | $351.8 | $344.7 | $340.8 | $337.0 | $374.0 |

Totals may not foot due to rounding.
Water Treatment Chemicals, Solids, & Power
2011/12 Proposed Budget – $28.1M

- Chemicals: $23,659K
- Gas / Water / Other: $72K
- Electricity: $3,410K
- Non-Hazardous Waste Disposal: $55K
- Sludge Disposal: $963K
## Budget Trend
### 2011/12 Proposed Budget

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Materials & Supplies
2011/12 Proposed Budget – $22.8M

- Non-Treatment Chemicals: $4,378K
- Fuels: $2,457K
- Building & Construction Mats.: $323K
- Software Licensing & Support: $3,941K
- Coatings & Lubricants: $447K
- Safety & Medical Supplies: $722K
- Office Supplies: $431K
- Electrical / Electronic / Computer Parts: $2,005K
- Communication Supplies: $348K
- Fleet Parts & Supplies: $1,078K
- Pumps & Mechanical Parts: $550K
- Valves, Meters, Pipes & Fittings: $868K
- Tools: $524K
- Laboratory Supplies & Gasses: $927K
- Janitorial Supplies: $259K
- Other: $3,518K

Total: $22,788,000
# Budget Trend

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Insurance

2011/12 Proposed Budget – $8.8M

- General & Excess Liability
- Employment Practices Liability
- General & Excess D & O
- Excess Workers Comp
- Aircraft
- General & Excess Fiduciary Liability
- Crime

Self-Insured Claims Costs $7,504 K

Premiums $1,250 K
## Budget Trend

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Other

2011/12 Proposed Budget – $15.7 M

- Incentives & Reimbursements: $1,852 K
- Contingency: $7,308 K
- Ride Share: $822 K
- Rent & Leases: $1,348 K
- Equipment: $277 K
- Sponsorships & Outreach: $723 K
- Taxes & Permits: $1,684 K
- PC Replacement: $1,390 K
- Other: $320 K
## Budget Trend
### 2011/12 Proposed Budget

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Utilities (non-treatment)
2011/12 Proposed Budget – $7.0M

- Electricity: $4,929K
- Water: $291K
- Gas: $169K
- Other Utilities: $207K
- Non-Hazardous Waste Disposal: $353K
- Hazardous Waste Disposal: $1,001K
## Budget Trend
### 2011/12 Proposed Budget

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Operating Equipment Had Been Reduced

Expenditures To Increase In 2011/12

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July 27, 2010
Operating Equipment
2011/12 Proposed Budget – $7.0 M

- Heavy Equipment: $2,544 K
- Trucks: $2,003 K
- Servers: $702 K
- Utility Vehicles: $82 K
- Communication: $112 K
- Construction / Shop / Maint: $852 K
- Lab Equipment: $348 K
- Monitoring Equipment: $50 K
- Other: $69 K
- Survey Equipment: $180 K
- Pumps: $93 K
- Other: $69 K

Total: $7,000,000
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Memberships & Subscriptions
2011/12 Proposed Budget – $6.3M

SWC: $3,839 K
Water Quality: $674 K
Public Outreach: $216 K
Conservation: $278 K
Legal / Regulatory: $112 K
Bay Delta: $62 K
Other: $211 K
Colorado River Board: $661 K
Tech. / Prof. / Real Prop.: $277 K
Other: $211 K
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Travel, Training, & Conferences

2011/12 Proposed Budget – $3.8M

- Travel Expenses: $1,793K
- Meals: $345K
- Mileage / Per Diem: $332K
- Training & Development: $882K
- Board Conferences: $160K
- Conferences & Meetings: $301K
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<td>$344.7</td>
<td>$340.8</td>
<td>$337.0</td>
<td><strong>$374.0</strong></td>
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Totals may not foot due to rounding.
Advertising
2011/12 Proposed Budget – $1.6 M

- Conservation: $1,300 K
- General Media: $100 K
- Rate Hearings: $12 K
- Other: $6 K
- Recruitment: $120 K
- Business Outreach: $20 K

Total: $1.6 M
FY 2011/12 O&M Summary

$374.0 million budget
- $37 million increase from 2010/11
  - $10 million for OPEB funding
  - $7.3 million budget contingency (~2% of O&M budget)
  - $6.6 million in labor increases
  - $4.9 million increase in operating equipment

Continued downward trend in positions
- 149 Total FTE’s eliminated since 2007/08

Managing chemical costs
- $1.6 million increase

Restoring operating equipment
- $7 million deferred in 2010/11 alone

Labor negotiations ongoing
FY 2011/12 Capital Investment Plan Budget
$341 million

- R&R (Infrastructure) $179 M
- Stewardship $48
- Water Quality $90 M
- Supply $13 M
- Cost/Efficiency $11 M
FY 2011/12 Capital Investment Plan Summary

- $341 million budget ($81M increase from 2010/11)
- 53% ($179 million) projected for Rehabilitation and Replacements
Impact of Water Sales

Scenario 1 –
1.8 MAF Sales in 2011/12

Scenario 2 –
1.8 MAF of Sales for Five Years

2012 Rate Increase vs. Water Sales
Scenario 1 –
1.8 MAF Sales in 2011/12

Water Sales
- 1.93 MAF in 2010/11
- 1.8 MAF in 2011/12
- 2.0 MAF in 2012/13
- 2.1 MAF in 2013/14 and 2014/15

SWP Allocation 35% in 2011/12

No Drought Water Bank Purchases in 2011/12
Low Sales = $82 M Draw on Reserves
1.8 MAF Sales in 2011/12

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<tr>
<td>2015</td>
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<td>700</td>
<td>650</td>
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</table>

PAYGO, $M
- 2006: 88
- 2007: 95
- 2008: 43
- 2009: 30
- 2010: 37
- 2011: 95
- 2012: 125
- 2013: 125
- 2014: 125
- 2015: 125

Rev. Bond Cvg
- 2006: 1.8
- 2007: 2.2
- 2008: 1.8
- 2009: 1.8
- 2010: 1.6
- 2011: 1.9
- 2012: 1.8
- 2013: 2.0
- 2014: 2.2
- 2015: 2.1

Fixed Chg Cvg
- 2006: 1.3
- 2007: 1.7
- 2008: 1.3
- 2009: 1.3
- 2010: 1.1
- 2011: 1.3
- 2012: 1.2
- 2013: 1.4
- 2014: 1.4
- 2015: 1.4

Avg Rate Increase
- 2006: 2%
- 2007: 3%
- 2008: 6%
- 2009: 14%
- 2010: 20%
- 2011: 7.5%
- 2012: 7.5%
- 2013: 5%
- 2014: 5%
- 2015: 5%
Scenario 2 –
1.8 MAF of Sales for Five Years
Key Assumptions for Scenario 2
1.8 MAF Sales For Five Years

- 1.93 MAF sales in 2010/11
- 1.80 MAF sales 2011/12 and beyond
- SWP Allocation 35% 2011/12 and beyond
- No Drought Water Bank
Action Required if Sales Fall “Permanently”

<table>
<thead>
<tr>
<th>Fiscal Year Ending</th>
<th>Avg Rate Increase</th>
<th>PAYGO, $M</th>
<th>Rev. Bond Cvg</th>
<th>Fixed Chg Cvg</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2%</td>
<td>3%</td>
<td>6%</td>
<td>14%</td>
</tr>
<tr>
<td>2006</td>
<td></td>
<td>88</td>
<td>1.8</td>
<td>1.3</td>
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<td>2007</td>
<td>3%</td>
<td>95</td>
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<tr>
<td>2008</td>
<td>6%</td>
<td>43</td>
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<td>1.3</td>
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<tr>
<td>2009</td>
<td>14%</td>
<td>30</td>
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<td>2010</td>
<td>20%</td>
<td>37</td>
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<tr>
<td>2011</td>
<td>7.5%</td>
<td>95</td>
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<tr>
<td>2012</td>
<td>7.5%</td>
<td>125</td>
<td>1.8</td>
<td>1.2</td>
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<tr>
<td>2013</td>
<td>5%</td>
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<td>2014</td>
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</tr>
<tr>
<td>2015</td>
<td>5%</td>
<td>125</td>
<td>1.7</td>
<td>1.1</td>
</tr>
</tbody>
</table>
2012 Rate Increase vs. Water Sales

Major Assumptions:

- 2012 Rate recovers full COS in 2011/12
- 40% SWP allocation
- Adjusted Supply Program purchases to match demand
2012 Rate Increase vs. Water Sales

2011/12 Cash Year Water Sales, MAF

2012 Rate Increase

- 35%
- 21%
- 13%
- 7.5%
- 4.5%

2011/12 Cash Year Water Sales, MAF

- 1.7
- 1.8
- 1.9
- 2.0
- 2.1
Summary

- Board action to adopt two-year rate increase meets financial objectives
- Initial funding of OPEB is prudent and within adopted increase
- A single year reduction in sales below budget estimate can be managed through reserves
- Permanent reduction in sales requires higher rate increase in 2012/13
- Long-term rate increases will be 1-2% higher than CPI
Next Steps

- August B&F Committee and Board – action letter
- January 2011 – General Manager’s Budget and Rate Proposal for 2011/12 and 2012/13
- February 2011 – Review budget and rate forecast
- March 2011 – Public Hearing
- April 2012 – committee and board action and consideration
Two-year Budget Transition

- January 2012 – General Manager’s Budget Update and Rate Proposal
  - Focus on strategic initiatives
- March 2012 – Public Hearing
- April 2012 – committee and board action and consideration
- January 2013 – two-year budget process starts
Questions
August 18, 2010

Attention: Imported Water Committee

Update on Metropolitan Water District’s 2010 Integrated Resources Plan process (Discussion).

Purpose
Metropolitan Water District (MWD) adopted its first Integrated Resources Plan (IRP) in 1996. The plan is to be updated approximately every five years, and was last updated in 2004. This memo provides an update on the 2010 MWD IRP process.

Background
Responding to the drought of the early 1990’s, MWD adopted its first IRP in 1996 to address the complexity of maintaining and delivering a reliable supply of water to the region. Rather than increasing reliance on imported water, the 1996 IRP established a diversified portfolio of supply options and identified a “preferred resource mix” with specific targets for each of those supplies, which MWD and member agencies would each develop. Although the Water Authority was encouraged by the concept of a regional plan and actively participated in the development of the plan; it ultimately did not support the adoption of the 1996 IRP. The reasons for not supporting the IRP were several, including that the plan: 1) did not include sufficient data to show the resource mix was indeed cost-effective; 2) did not show the proportionate relationship between incentive program levels and benefits received by member agencies; 3) had flawed assumptions regarding the Colorado River, and failed to recognize the negotiations that were occurring that eventually resulted in the Quantification Settlement Agreement and fundamentally altered the IRP’s Colorado River assumptions; 4) did not contain long-term solutions for agricultural water customers; and, 5) lacked a process to ensure the plan would indeed be flexible and able to adapt to changes.

In 2004, the MWD board adopted the IRP Update. The three primary objectives of that update were to review of goals and achievements of the 1996 IRP, identify the changed conditions for water resource development, and update resource development targets through 2025. To address the inherent uncertainties associated with supply development, the 2004 IRP Update added a new planning supply buffer element. Although the Water Authority participated extensively in the update process, it again opposed the update and expressed concern over MWD’s dismissal of key issues raised, including: 1) the categorization of desalination as part of the planning buffer supply rather than as a core resource, despite plans to develop desalination by five of its largest member agencies; 2) the lack of proportionate relationship between incentive program levels and benefits received by the member agencies; 3) lack of a transitional plan for supply until projects in the update were implemented; 4) no fill strategy was included in the plan even though it relied heavily on the use of water in storage to meet dry year demand; and, 5) the plan lacked a water supply allocation plan.

In 2008, MWD began its update of the IRP, as requested by the board to update the plan approximately every five years. The Water Authority has been actively engaged in the update process at every level, from technical workgroups, to public and stakeholder forums, the board IRP
Steering Committee and board IRP workshops. Although technical meetings were held during the early part of the process, citing poor attendance as the reason, MWD staff terminated the Technical Oversight workgroup process at a critical point in mid-2009. MWD kept member agencies somewhat appraised with the IRP process via the monthly member agencies managers’ meeting process. However, in doing so, member agencies’ ability to review and question technical aspects of the plan assumptions was severely hindered and limited. Although the draft presented a set of recommendations, details to support those recommendations are lacking.

The IRP board process was equally frustrating at times when meetings would be scheduled but subsequently canceled. The Water Authority’s delegation was successful, once the board process was revitalized this Spring, in advancing the policy discussion on MWD’s role in supply development. Three different policy approaches considered were:

1. **Current approach** – a continuation of existing IRP policies, including incentives for member agencies’ local projects development;
2. **Imported focus** – MWD focuses on addressing Delta issues, imported supplies and securing water transfers; and
3. **Enhanced Regional Approach** – MWD develops and owns large-scale local projects.

Although this was heavily emphasized earlier this year, there was never any board or Steering Committee action taken on which approach to adopt. The draft report recommends an “adaptive management” strategy, which appears to most closely match the Enhanced Regional Approach. This strategy recommends the pursuit of aggressive adaptive actions, and implementation the buffer supply, including full funding for local projects development.

The fundamental question that remains unanswered in this draft IRP is: What is the appropriate respective roles for MWD and its member agencies in future supply development, and who should fund these developments?

**Discussion**

**Draft IRP Recommendations**

MWD released its draft 2010 IRP Update on July 2, 2010, along with a revised, accelerated schedule under which MWD staff plans to bring the plan to its board in October for adoption. The draft update proposes an “adaptive resource management” strategy comprised of three key components:

- **Component 1 – Core Resources Strategy**: MWD and its member agencies would develop adequate supplies to meet dry-year demands under “all foreseeable hydrologic conditions.” MWD would meet all demands through its core resources on the State Water Project and Colorado River Aqueduct, and through conservation and local supply development.

- **Component 2 – Buffer Supply Development**: MWD will develop and implement an additional supply buffer of up to 500,000 acre-feet per year, equivalent to 10 percent of total retail demand, or about 25 percent of MWD demand. This 10 percent will be met
partly through increased conservation actions to meet the regional 20x2020 water use efficiency goals, and partly through local supplies and transfers.

- **Component 3 – Foundational Actions:** In addition to implementing the core resources and buffer supplies, MWD will proactively implement, and fund “low-risk actions” to hedge against the risk of supply shortages. These actions include feasibility and pilot studies just short of full-scale facility development, designed to quickly transition the region from a state of planning to ready-to-proceed project development.

Table 1 shows the demand and supply balances after incorporating Core Resource Strategy and Buffer Supply Development as outlined in the Adaptive Resource Management strategy.

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<th>2025</th>
<th>2030</th>
<th>2035</th>
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<td>(703,000)</td>
<td>(609,000)</td>
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<td>(531,000)</td>
<td>(1,377,000)</td>
<td>(1,183,000)</td>
<td>(1,099,000)</td>
<td>(931,000)</td>
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**Water Authority’s Concerns**

The draft 2010 IRP Update continues to rely on outdated supply reliability policies, including the 1952 Laguna Declaration, that do not take into consideration the drastic changes that have occurred both in water supply, water rates, and the economy. MWD’s current policy on reliability is to meet the region’s dry-year full service demand under all foreseeable hydrologic conditions. Given the high costs associated with developing supplies and MWD member agencies’ diverse profiles, the Water Authority had urged MWD to survey its member agencies’ willingness to pay for supplies and their tolerance for different levels of reliability. For example, some agencies may chose to conserve even more so they may pay less for supplies. But the draft IRP continues to assume supplies would be developed to meet the highest level of reliability. MWD should develop new policies that mirror the fundamental changes that have led to an increased focus on
conservation and local water supply development projects, similar to newly enacted legislation SBx7 that requires retail agencies to reduce water use by 20 percent by 2020.

Equally troubling, this draft update does not clearly describe how much water and at what regularity MWD can reliably provide the region under various hydrologic conditions. For example, without a clear understanding of what quantity of supplies and how often the region can expect those supplies during wet years, it is difficult to assess how MWD plans to utilize its more than 5 million acre-feet of storage portfolio to meet dry-year demand. Similarly, member agencies’ ability to plan for their own supply development, without an apparent understanding of available imported supplies is greatly hindered. Furthermore, although the draft provides a summary of dry-year supplies, it does not include an analysis of what those supplies may cost.

The draft lacks sufficient data on costs. The draft did not provide cost analysis for any of the three plan components (Core Resources Strategy, Buffer Supply Development and Foundational Actions). Costs are only superficially mentioned in the report (e.g. Table 3-3 on page 3-12 shows three lines of data on rate differences between Imported Focus, Enhanced Regional #1 and Enhanced Regional #2), but those costs do not represent the recommended action. No cost data is shown for projects or programs that would implement the Core Resources Strategy, Buffer Supply Development or Foundational Actions. In essence, the Draft IRP asks the MWD Board of Directors to adopt a strategy to achieve a reliability goal beyond meeting 100 percent projected dry-year demand without regard to the cost of achieving that level of heightened reliability. Furthermore, the plan does not identify who among MWD’s member agencies will commit to pay for the plan’s projects and programs.

The conservation data presented in the draft report is misleading. As a result of MWD allocation, its ratepayers have responded extremely well in reducing per-capita water use, and many of the member agencies expect that level of reduction in per-capita use will continue. However, the draft report includes some of these reduced demands in its “yet-to-be achieved” 20x2020 targets. It is presented in a manner that implies the regional demand is higher than it actually is, leading to the impression that more has yet to be done.

One element of this draft report that is highly problematic and questionable is the buffer supply implementation. Although the draft report states that by implementing Component 1 – Core Resources Strategy, MWD will have adequate water supplies to meet the retail demands of the region under all hydrologic conditions, the draft report recommends the immediate implementation of Component 2 - Buffer Supply, equal to 10 percent retail demand, or 500 taf/yr. The draft report states that with the use of its Core Resources Strategy, its supply reliability is 99 percent in 2015, and will be 100 percent reliable by 2025. Furthermore, with the Core Resources Strategy in place, MWD’s average storage levels would not drop below 60 percent and would reach 100 percent of its 5 million acre-feet capacity.
by 2025 (Figure 1) and remain above 90 percent thereafter. By implementing buffer supplies in addition to supplies identified in core strategies, MWD would develop supplies beyond all identified retail demand and well in excess of its storage capacity. MWD’s plan shows that during a dry-year, MWD would generate more than 1 million acre-feet of excess supplies (see Table 1). If there are already adequate supplies for the region in Component 1, why would MWD implement an additional buffer supply through Component 2?

The draft cited “uncertainties” to justify the implementation of buffer supplies, but does not quantify the level of uncertainties. It put forth the development of a 10-percent retail demand buffer to “insure” for water supply reliability. Because MWD supplies only a portion of the region’s water needs, a 10-percent retail demand buffer is the same as 25-percent MWD demand buffer. An important question that the draft fails to answer: what analysis was conducted that resulted in this level of need for uncertainties? An additional buffer supply coupled with a supply strategy aimed at meeting all forecasted dry-year demand would inevitably be extremely expensive to implement. By logic, the implementation of the buffer supply would be more costly than the implementation of core resource supplies. Moreover, the buffer supplies are local projects. Member agencies would base-load their demands on buffer supplies, hence MWD sales would be reduced as a result, further exacerbating the impact on MWD’s rates. The draft update does not clearly detail cost implications on rates, both in terms of developing the core resources as well as the additional costs to develop buffer supplies or engage in project planning envisioned in the Foundational Actions. There is also no discussion of the trigger points that would result in full-scale development of the Foundational Actions projects that are “ready to proceed.” Massive overdevelopment of supplies, at the same time its member agencies are augmenting their local supplies, will drastically drive up MWD’s water rates. Alarming, the draft report is silent on what MWD will do with its excess supplies in years in which MWD’s storage is full and all demands have been meet – a scenario that will occur in the majority of years in the planning period (through 2035).

As the regional imported water provider, MWD should focus its efforts on improving the reliability of its imported supplies. This draft update lacks adequate attention to this core function of MWD’s role as an imported water supplier and the need to focus on fixing the Delta. It is critical to the region that MWD concentrate its efforts on restoring reliability to its State Water Project supplies.

Although the draft report recommends moving forward with the implementation of core, buffer and foundational actions beyond forecasted demands, it lacks a thorough analysis of potential rate impacts due to such a “belt and suspender” approach. Even though the buffer supply as described is intended to insure against failure of core resources, inclusive of local supplies, under the current MWD rate structure, only those member agencies that purchase MWD supplies on a consistent basis would be paying the bulk of the costs to development this redundant supply.

The timing of this draft report and the rush to completion is of great concern to the Water Authority. The Water authority believes MWD board action on the IRP should be deferred because there has been insufficient time for member agency review and comment, and for full deliberation by the MWD water planning committee and board. As stated earlier, this process began in 2008. During 2009, while discussions were held at workgroup and committee meetings,
there was no draft plan was made available. The effort resumed in 2010 and the draft report was released in July. The Water Authority believes the three-month public review period leading to potential MWD board action in October is too short for thorough analysis and deliberation of a document that MWD has historically relied upon as a major policy foundation for program and project implementation. It would be highly beneficial to the region for MWD to delay the adoption of the 2010 IRP Update to afford the time to develop a responsible and affordable plan.

**Stakeholder Forums**

MWD hosted four public Stakeholder forums this month throughout Southern California. The forum held in San Diego on August 10 included participation from the business community, and multiple water agencies and cities throughout San Diego County. Concerns voiced by several individuals echoed those of the Water Authority, including level of reliability assumed, details for project and cost assumptions, rate impact, timeline of plan adoption, etc. The San Diego County Taxpayer’s Association submitted a letter to MWD in advance of the forum, expressing its concerns with the draft report and its economic impact on the region (Attachment 1). In preparation for the stakeholder forum, the Water Authority staff met with member agency managers to gather their feedback on the draft report. During the question and answer session, Assistant General Manager Dennis Cushman provided comments from the Water Authority on the draft IRP (Attachment 2).

**Next Steps**

Water Authority staff and delegates will continue to participate in meetings and update the board as developments occur. There is a MWD board workshop on the IRP scheduled in September, and the MWD board will consider adoption of the 2010 IRP in October.

Prepared by: Julia Velez, Assistant Water Resources Specialist
Reviewed by: Amy Chen, MWD Program Chief
Reviewed by: Dennis A. Cushman, Assistant General Manager

Attachment 1: San Diego County Taxpayer’s Association letter to MWD dated August 2, 2010
Attachment 2: Water Authority’s remarks provided at August 10 IRP Stakeholder Forum in San Diego
August 2, 2010

Chairman Timothy F. Brick
Board of Directors
Metropolitan Water District of Southern California
P.O. Box 54153
Los Angeles, CA  90054-0153

Dear Chairman Brick,

Over the past several years, the San Diego County Taxpayers Association (SDCTA) has become heavily involved in reviewing water policies that have an impact on taxpayers and businesses within the San Diego County region. We understand the importance of minimizing the region’s reliance on imported water and making investments to ensure a safe and reliable supply of drinking water. In the San Diego region, we have supported conservation efforts which have resulted in a cumulative savings of more than 600,000 acre-feet of water since the early 1990s; invested in the proposed Carlsbad desalination project and the City of San Diego’s Indirect Potable Reuse (IPR) Demonstration Project. These and other local investments will ensure that the San Diego region does its part to reduce our dependence on imported water.

Given the region’s historic investment in imported water supply, our members are also interested in the water policies of the Metropolitan Water District of Southern California (MWD). SDCTA has reviewed the Draft 2010 Integrated Regional Water Resources Plan (IRP) Update to understand MWD’s policies and planning to help meet Southern California’s future water needs. Because this important document will ultimately be adopted by the MWD Board of Directors, a policy-setting group, and serve as the basis of MWD’s future planning and investments, we understand the necessity to outline as much information as possible so the Board can make a well-informed decision.

Upon review of the Draft IRP, SDCTA has a number of concerns regarding the information, and at times lack thereof, which is presented within the report. We have listed below several questions and concerns we believe must be addressed prior to the MWD Board accepting this report as a guiding policy for meeting the region’s water needs:

1) **True Costs of Developing Water Supply** – Section 3 of the IRP entails a description of several alternative “roles” for MWD in future supply development. The report further describes the Cost of Service process but does not clearly outline in detail the water supply projects being reviewed under these alternative roles, when and where these projects will begin, the amount of water expected to be produced, or the costs to construct, operate, and maintain the infrastructure. The outcome of this analysis
concludes that the most robust approach is characterized by Enhanced Regional Approach #2, and states that this approach results in rates that “are somewhat higher than the Current Approach scenario”, yet no further details are provided to back-up this critical conclusion. The cost information provided in the Draft IRP is wholly inadequate to form the basis of decision-making by the MWD Board of Directors.

2) **Analysis of Current Local Solutions** – The San Diego region has taken the initiative in developing local water supply options to meet the future needs of our region. As mentioned previously, we are in the final stages of moving forward on the Carlsbad desalination project and have recently received final approval from the San Diego City Council to construct the IPR Demonstration Project. Other local water retailers are also in the process of developing recycled water and other local water supply projects. A leader in water conservation, San Diego has already improved our region’s water use efficiency to the point that San Diego’s urban water use in 2010 is virtually the same as it was in 1991, despite an increase in population of 700,000, an employment base growing by more than 200,000 jobs and an overall annual economy growing by more than $100 billion. We believe agencies in other parts of the MWD service territory are currently evaluating similar projects and programs. A comprehensive database of what projects are being studied or are already under construction is not available in the IRP to determine the need for MWD to become involved in these, or any future local water supply projects. The local resources program information listed on Appendix A.5 does not provide sufficient information to determine when the projects would be online. These projects may in fact already add up to a volume of water that would meet MWD’s stated reliability standard. The Board must have an understanding of the efforts currently underway in order to assess what further investments may be necessary. Without this information, the MWD Board has no way of knowing whether it may be wasting ratepayer dollars and stranding investments.

3) **Buffer Supply** – The Draft IRP includes a “buffer supply” which is in excess of the amount of water needed to meet the reliability objective 100% of the time under all hydrologic conditions. We do not believe it is prudent to adopt such a large (and costly) “buffer;” instead, MWD should sharpen its planning and add projects as circumstances warrant. This can certainly be a robust and ongoing process but it should occur as part of an annual update and demonstration of need rather than as an additional volume of water for which no demand is shown.

4) **Impact of Further Conservation** – The IRP incorporates conservation numbers that fail to include the reduction in water demand that has already resulted from the recent conservation efforts of regional water agencies following the MWD implemented allocation. Since that time, homeowners and businesses throughout the region have significantly decreased demand. Therefore, not incorporating this information results in inaccurate statements regarding how much water supply must be created. Furthermore, many studies have acknowledged price has the greatest effect on reducing water consumption. As water rates continue to increase, demand will ultimately subside to a level that may not require the amount of new water supply MWD is planning in this IRP to create beyond what local water retailers have planned. It is unclear whether MWD incorporated the potential for reduction in demand due to pricing when drafting this report.
While we agree it is important to begin discussions with our partners throughout the Southern California region in developing a comprehensive water supply solution, this plan must not be created within a vacuum. Each water agency within the MWD service area must be accountable to its future water planning and determine if they are in need of MWD’s assistance in accomplishing those goals.

While SDCTA believes in and supports necessary investment in a reliable water supply, we also believe our water ratepayers will demand a higher level of accountability than is provided by the current draft IRP. We do not expect to see scrutiny of public agency spending lessen as costs continue to rise at the same time services are being reduced.

For the reasons we articulated in this letter, we urge the MWD Board delay the adoption of this report until issues we’ve highlighted here are addressed. We hope these issues can be addressed during the extended discussion of the Draft IRP, and look forward to participating in the future IRP workshops. Should you have any questions, please feel free to contact me at (619) 234-6423 or lani@sdcta.org.

Sincerely,

Lani Lutar
President & CEO

cc: MWD Board of Directors
    Mr. Jeffrey Kightlinger, MWD General Manager
    Ms. Maureen A. Stapleton, San Diego County Water Authority General Manager
Good afternoon, I am Dennis Cushman, Assistant General Manager of the San Diego County Water Authority. We have met with our member agencies and they requested that the Water Authority provide some preliminary comments and questions on the draft Integrated Resources Plan.

We believe that the Draft 2010 IRP Update fails to account for changed circumstances and relies instead on a set of outdated policies and approaches at a time when the Southern California water world has fundamentally changed. The Laguna Declaration that the draft relies on is no substitute for comprehensive planning efforts and changes that are needed to address current and future water supply challenges. And it sends the wrong message.

The reliability goal was not considered in the draft IRP and was instead set at meeting full-service demands at the retail level under all foreseeable hydrologic conditions. Given today’s substantially changed circumstances – water scarcity in a high-water-rate environment – our customers want a choice about the level of regional reliability they want to pay for.

Today, when more planning and better integration is needed, MWD’s Draft IRP states that the future is so uncertain that a very large “buffer supply” is needed. MWD proposes to develop hundreds of thousands of acre feet of “buffer supplies” in amounts well in excess of the water MWD itself projects will be needed to meet dry-year demands under all foreseeable hydrologic conditions. In addition to excess buffer supplies, MWD proposes to take actions and spend even more money now so that additional projects will be “ready-to-proceed” to meet a demand that MWD’s own document concedes will be fully met without these projects – or even the buffer supplies. Although it is difficult to tell due to insufficient information being provided, this strategy is likely to result in more than 1 million acre-feet of excess supplies being produced annually. Such a “plan” is neither fiscally sound nor sustainable. Our ratepayers do not need or want to pay for MWD “insurance” of this magnitude.
• The Draft Update fails to include a thorough analysis of the cost of these buffer supplies or additional project planning activities, nor does it address who will pay for these supplies and projects. This is a critical shortcoming and information which must be provided before the Board can responsibly deliberate and adopt a new IRP. But the IRP appears to be being rushed to completion and board adoption.

• Some people are reading the draft IRP -- and especially the buffer supply -- as a signal that MWD is abandoning or does not believe it will be successful in attaining the Delta Fix. Again, we believe this sends the wrong message and that MWD should focus its efforts and our ratepayer dollars first on making our imported water supplies more reliable. There is insufficient attention to this core MWD function in the Draft 2010 IRP.

• The fact that agencies will increasingly need to rely on conservation and local water supply projects does not mean that MWD’s role as an imported water supplier is less important. To the contrary, it is critical that MWD focus its efforts on ensuring that Southern California’s investment in the State Water Project does not become a stranded investment.

• There are more than 300 retail water agencies in MWD’s service area. Cities and local agencies know best when it comes to water conservation and local supply projects. MWD’s efforts to expand its traditional mission into the local water supply business will be expensive and fraught with difficulty when it becomes clear that MWD does not have the expertise, the water rights or jurisdiction over local supply development.

• The Draft 2010 IRP Update lacks a clear accounting or analysis of what water supply projects MWD’s member agencies, cities and other local agencies are already developing. It assumes the region will not be able to sustain the current level of conservation, thus potentially increasing the projected demand for additional supplies. Failure to include an accounting of these resources and the effects escalating water rates will have by dampening demand could result in stranded investments across Southern California. The cost of MWD’s water will rise even higher to pay for this overdevelopment of supplies, and
MWD member agencies will seek to roll-off of MWD in favor of less expensive supplies. This will exacerbate the potentially extraordinary impact on MWD rates.

- MWD’s plan does not detail what projects its member agencies or retail water suppliers plan to pursue independently from MWD. It is imperative that MWD closely coordinate and integrate its supply development with member agencies and sub-agencies to maximize efficiencies and avoid stranding supply investments. Such an effort will take more time than MWD has afforded for this IRP, but it is vital that MWD incorporate this information into the plan.

- Finally, we wanted to call to your attention some of the observations the last Blue Ribbon Committee had on MWD’s IRP – because the comments are equally, if not more applicable to the current draft report. And we wanted to leave you with some questions.

- First, the Blue Ribbon Committee was troubled by the fact that the MWD member agencies most strongly supporting big-spending projects at MWD also had the most aggressive plans to reduce their future MWD purchases and develop independent supplies. They were critical of MWD’s plan to develop costly backup capacity – or insurance – for their local supply strategies while seeking to shift these project costs to other consumers (page 23, copy attached). Doesn’t the “buffer” supply in the current IRP suffer from the same criticism and present the same risk of escalating rates and stranded costs at MWD? If not, why not?

- The Blue Ribbon Committee found the IRP process to be flawed because the participants were not presented with fully articulated alternative models (page 12). It found that this practice limited the participants’ understanding about the implications of different options and artificially constrained the range of options they take into account. With due respect, as noted earlier, we believe that the current draft IRP suffers from the same shortcoming. Rather than developing this IRP from the ground up – where water conservation and local water supply development are already under way – MWD has taken a top-down approach that assumes MWD must expand its role at a great cost to its member agencies. Is MWD staff willing to recommend to the board taking the time and steps necessary now to
better refine real planning alternatives? For example, would MWD be willing to do the kind of study the groundwater managers requested during that technical working group?

- Finally, the Blue Ribbon Committee wisely noted that, in order to achieve a water supply Southern California businesses and consumers can afford, MWD must continually weigh its spending programs against specific cost burdens at the wholesale and retail levels – an objective that will require close and continuous linkage between IRP and rate structure efforts. Is MWD willing to address this concern and provide this information as part of the process of updating this IRP?

- We appreciate you being here today to meet with our member agencies and stakeholders and we invite you to come back to San Diego to discuss your responses to the questions we present to you today. Thank you.
August 18, 2010

Attention: Imported Water Committee

Colorado River Source Water Quality (Information)

Purpose
This memo provides information related to activities affecting Colorado River water quality.

Discussion
The Colorado River is subject to the introduction of contaminants that can pose significant health risks or cause increased costs in the Water Authority’s service area. The major health-related water quality concerns are chemical contamination from a uranium mine tailings pile located in Utah, perchlorate from the Las Vegas Wash above Lake Mead, and hexavalent chromium (“chromium VI”) in Arizona. Each of these sites is undergoing remediation efforts to protect river water quality. Excess salinity has been a longstanding issue for Colorado River water users by causing additional costs related to a range of water uses, such as household plumbing, water utility equipment, and agricultural crop production. This memo reviews current efforts to remove or limit these contaminants.

Salinity
The Colorado River carries an estimated average of nine million tons of salt past Hoover Dam annually. About half of the salt load occurs naturally, as the river and its tributaries flow through salt-laden geologic regions. The remainder of the salt load is caused by human activity, mostly from irrigation and reservoir evaporation. Figure 1 shows a salinity gradient that increases from the headwaters of the Colorado River to the Mexican border.

The U.S. Environmental Protection Agency requires a water quality standard for Colorado River water salinity. The standard is a measure of total dissolved solids (TDS) in the water. In response, the basin states created the Colorado River Basin Salinity Control Forum (Forum), which develops standards and coordinates efforts at limiting the introduction of salts into the river. In addition, the U.S. is required to meet a salinity standard below Imperial Dam for water delivered to Mexico. The basin states are required to review and report on salinity standards at least every three years. This is done through the Salinity Control Forum. The current standard for water measured at Parker Dam, which is where MWD and the Water Authority’s transfer water is delivered, is 747 parts per million. The next report is due in early 2011.

Efforts at salinity control are implemented principally by federal agencies – the Department of Agriculture, Bureau of Reclamation and the Bureau of Land Management – in conjunction with state, local, and private participants. The states, including Colorado, Utah, and Wyoming, cost-share federal funds that are available for the programs. The types of salinity control projects include on-farm irrigation improvements, canal lining, saline groundwater interception and deep well disposal.
Reclamation administers seven salinity reduction projects that remove an estimated 601,500 tons of salt per year. The USDA has another 10 projects that remove 438,000 tons of salt per year and the BLM operates two project that remove 40,600 tons per year. The total effort results in 1,080,100 tons of salt being removed from the river annually. In the last two decades, the total salt load of the river has generally decreased, with measured salinity below the established criteria at Hoover Dam, Parker Dam, and Imperial Dam. The agencies have identified new measures that could further reduce salt load by more than 780,000 tons per year if implemented.
Reclamation is concerned that one of its major projects, the Paradox Valley unit along the Colorado / Utah border, could fail in the near future if corrective actions are not taken. This project injects highly saline groundwater and disposes of it by deep well injection, removing an estimated 128,000 tons of salt per year from entering the Colorado River. The U.S. Geological Survey is performing a study of the project area. The Forum has recommended that Reclamation begin planning alternatives to extend the life of the current project and consider other technologies for disposing salt from the Paradox Valley.

**Uranium Mill Tailings**

Last year the U.S. Department of Energy (DOE) began a project to move 16 million tons of uranium mill tailings from a site adjacent to the Colorado River, near the city of Moab, to a permanent disposal site 30 miles north, near the town of Crescent Junction. The tailings include low-level radioactive material that could enter the river as a result of a catastrophic flood event or through contaminated groundwater from the site seeping into the river. The DOE is responsible for the remediation of this site, which includes removal and offsite disposal of the tailings and onsite groundwater remediation. This project is called the Moab Uranium Mill Tailings Remedial Action (UMTRA) Project.

Uranium is a human carcinogen and levels in drinking water are regulated. The mill tailings consist of process waste material from the mill, which contains radioactive decay products from uranium and other heavy metals. The most important radioactive component of the mill tailings is radium, which decays to produce radon.

By mid-2010, the project had removed and relocated about two million tons of tailings. The removal rate was accelerated through additional funding from the American Recovery and Reinvestment Act, and the original completion date of 2029 has been moved to 2022. The DOE is implementing interim preventative measures, including the construction of a berm around the tailings and realignment of the Moab Wash, to help prevent the tailings from being washed into the Colorado River while the clean-up efforts are underway.

**Perchlorate**

Perchlorate is a chemical that was used to manufacture products such as rocket fuel and fertilizer. The chemical was produced at facilities near Henderson, Nevada starting in the early 1940s. Perchlorate has been shown to interfere with the normal functioning of the thyroid gland. The federal government does not have a perchlorate standard, but in 2007 California set a drinking water standard of 6 parts per billion (ppb). Perchlorate from the Nevada manufacturing facilities entered the Las Vegas Wash through surface and groundwater routes, and the contaminated water was then discharged into Lake Mead. It was first discovered in the Lower Colorado River in 1997.

Remediation efforts began at the Henderson site in 1999. They have proven successful with levels of perchlorate decreasing from a high of approximately 1,000 pounds per day to less than 67 pounds per day entering the Colorado River. Perchlorate measured at MWD’s Whitsett Intake at Lake Havasu dropped from 9 ppb (parts per billion) to less than 2 ppb. Recent measurements at Willow Beach below Hoover Dam were even lower, at 0.95 ppb.
In January 2009, the company with primary responsibility for the cleanup, Tronox, filed for bankruptcy protection. The bankruptcy proceedings have not adversely affected the remediation effort. The Nevada Department of Environmental Protection is working with the U.S. Department of Justice on a settlement of the case, and to ensure that remediation efforts continue while the settlement is negotiated.

**Topock Chromium VI Remediation:** From 1951 until 1985, PG&E operated a gas compression station near Topock, Arizona that discharged about six million gallons of untreated wastewater per year into a local groundwater basin. The untreated wastewater contained hexavalent chromium (chromium VI), a corrosion inhibitor and carcinogen that was used for the cooling towers at the station. A large groundwater plume containing chromium VI formed in close proximity to the Colorado River, threatening to contaminate the river.

PG&E has since been cleaning and monitoring the plume to prevent the contaminant from entering the river. To date, the cleanup has involved extracting and treating the contaminated water, and then injecting it back to the groundwater basin. This effort has demonstrated a significant decline in the presence of Chromium VI. The California Department of Toxic Substances Control reviewed nine other cleanup options and is proposing on-site treatment combined with freshwater flushing of the plume as a preferred method of cleanup. Environmental documents related to the new cleanup methodology are being prepared and reviewed by the DTSC and Department of Interior.

The Water Authority has worked closely with MWD to support and provide input throughout the process and selection of a preferred cleanup methodology. Both agencies have provided comments on the public documents and support the proposed cleanup option. Approval of the final remedy will be confirmed in early 2011 by DTSC and DOI, and construction is scheduled for 2013.

Prepared by: Dave Fogerson, Senior Engineer
Reviewed by: Halla Razak, Colorado River Programs Director
August 18, 2010

Attention: Imported Water Committee

Metropolitan Water District Program Report (Information)

Purpose
The MWD Program Report summarizes activities associated with the Metropolitan Water District of Southern California and other imported water agencies and organizations.

Discussion

Metropolitan Water District. This section provides a summary of key actions taken at the August 16 and 17 meetings of the MWD board of directors. The board next meets on September 13 and 14, 2010.

Fiscal Year 2011/12 Budget
A budget workshop on MWD’s proposed 2011/12 fiscal year budget was held on July 27. This month, the Business and Finance Committee discussed the budget, and approved the $1.82 billion expenditure budget, which includes state water contract payments, supply and demand management programs, operating expenditures, capital expenditures and debt service. The 2011/12 budget is a $187.4 million increase from the 2010/11 approved budget.

For details on MWD’s proposed budget and proposed rates and charges, see the separate board memo on this topic on the Imported Water Committee agenda.

Adjustments to Water Supply Allocation Plan
The MWD board approved a Water Supply Allocation Plan (WSAP) in February 2008, which allocates MWD’s supplies over 10 regional shortage levels. The board subsequently voted to implement the WSAP at a Level 2 allocation for fiscal year 2010 and again in fiscal year 2011. As part of the original board approval, staff was directed to review the WSAP 12 months following the implementation to allow for evaluation of the plan and recommend changes for the board’s consideration. As a result of staff’s review and discussions with the member agencies, the Water Planning and Stewardship Committee and board approved adjustments to the WSAP, including the addition of seawater barrier in the WSAP formula. The Water Authority delegates reminded MWD that the WSAP was intended to be short-term measure and that staff should work with its member agencies to develop a long-term plan that encourages more local supply development, particularly since it is evident that allocation will continue for an indefinite period of time.

Conservation Opt-in/Opt-out
At the request of the board, MWD staff was asked to analyze an opt-in/opt-out approach for MWD’s conservation program to determine whether the continuation of a one-size fits all approach, or an alternate approach like the opt-in/opt-out, would better serve the member agencies. MWD staff concluded that the opt-in/opt-out approach would not provide the regional leadership necessary for conservation, and that such an analysis is difficult to assess and would
require further consideration. The board memo this month states that continuing MWD’s current program is necessary to meet the requirements of SBx7-7, which calls for a 20 percent reduction in per capita water use by 2020. However, the memo fails to recognize that it is the responsibility of the retail agencies to meet these conservation targets not MWD’s. The memo also states that a regional program needs to continue to ensure continued conservation because it assumes that if a member agency opts-out of a regional program, that member agency would not continue the same level of conservation. The committee and board subsequently voted to change this item into an action item and voted to adopt a policy of not pursuing a conservation opt-in/opt-out approach. Director Steiner submitted a letter to MWD Chairman Brick expressing the Water Authority’s concerns with the memo as well as staff’s conclusions. (Attachment 1)

Policy Principles for implementing Article 15(d) of State Water Contract
In July, the MWD board approved the delivery of State Water Project (SWP) supplies obtained by the Irvine Ranch Water District, a member agency of the Municipal Water District of Orange County. At that time, the board also directed staff to develop a policy for the procurement and transfer of member agency acquired SWP supplies that would be applicable to all member agencies. This month the board was presented with an information item containing policy principles for implementing Article 15(d) of MWD’s State Water Contract, which declares MWD’s exclusive right to sell and distribute SWP supplies in their service area, and that MWD’s consent is required prior to delivery of any non-MWD owned SWP water to its member agencies. The proposed policy would allow a member agency to move its own acquired SWP water through MWD’s system if the member agency pays MWD’s full service rate; by paying the full service rate MWD is able to protect its SWP supply investment. The Water Authority delegates suggested the policy by modified so that during an allocation year, MWD charges the wheeling rate only for water acquired and not wanted by MWD. The rationale is during an allocation, MWD would not have adequate water supply to sell, and the member agency transporting its own acquired SWP water should not be charged for MWD’s “supply” for which it is not receiving.

Rate Structure Integrity Provisions on Conservation and Local Resource Programs (LRP) funding agreements
In light of the recent lawsuit filed by the Water Authority challenging MWD’s rate structure, the board reviewed Rate Structure Integrity (RSI) provisions for conservation and LRP agreements with the Water Authority. The RSI provision, adopted by the MWD board in 2004, states that any agency that sues MWD risks termination of funding incentives for conservation and LRP programs. Chairman Lewis submitted a letter to MWD Chairman Brick (Attachment 2) with specific requests from the Water Authority for the MWD board to consider. This item was heard in closed session in the Legal and Claims committee, and later approved by the board. The action directed the General Manager to initiate the process to terminate incentive funding for agreements with the Water Authority that contain the RSI provision.

Other items discussed or approved by board committees or at the board meeting:
- Adopted resolution establishing tax rate for Fiscal year 2010/11;
- Adopted resolution authorizing sale of up to $500 million of Water Revenue Bonds;
- Adopted an Energy Management Policy;
• Authorized one-year water exchange agreement with Westlands Water District and San Luis Water District;
• Authorized purchase of up to 18,145 af of water transfer supplies from San Luis Water District and Westlands Water District;
• Heard a report on the Binational Water Management Proposal;
• Heard an update of the Draft 2010 Regional Urban Water Management Plan; and
• Expressed support for AB 1234 (Solorio, D-Santa Ana) – Rainwater Capture Act of 2010.

Integrated Resources Plan (IRP) Public Stakeholder Forums
MWD hosted four IRP Public Stakeholder forums throughout Southern California: Orange County, Ontario, San Diego, and Los Angeles. The intent of the forums was to gather public comment and feedback on MWD’s 2010 draft IRP Update released July 2010. The board will consider adoption of the final draft in October 2010. For a full report on the IRP process to date, and specifically the Water Authority’s concerns with the draft report, see a separate board memo on the IRP on the Imported Water Committee agenda.

State Water Contractors (SWC). The SWC met on July 15. The SWC authorized a contract to evaluate the economic benefits of long-term Delta Conveyance improvements to the State Water Project supplies. Berkeley Economic Consulting (BEC), working with MWD, are studying the economic impacts of a large earthquake in the Delta. BEC’s model will be expanded to measure the value of changing the long-term reliability of Delta water supplies and will require review of alternative water supplies available to the SWC. The project will be jointly managed by the SWC and MWD staff. The next SWC meeting is scheduled for September 16. See Attachment 3 for more information on actions taken by the SWC.

Prepared by: Julia Velez, Assistant Water Resources Specialist
Reviewed by: Amy Chen, MWD Program Chief

Attachment 1: Letter from Fern Steiner to MWD Chairman Tim Brick regarding the conservation opt-in/opt-out approach, dated August 16, 2010
Attachment 2: Letter from Chairman Bud Lewis to MWD Chairman Tim Brick regarding Water Authority concerns with RSI provision, dated July 15, 2010
Attachment 3: State Water Contractors Board of Directors Meeting Board Actions for July 15, 2010
August 16, 2010

Timothy Brick
Metropolitan Water District of Southern California
PO Box 54153
Los Angeles, CA 90054-0153

Re: August 2010 Board Memo 9-1, MWD Water Conservation Program

Dear Tim:

Board Memo 9-1 addresses what is described as an “opt in/opt out” approach for MWD’s water conservation program. The memo concludes that accounting for conservation at the individual member agency level would be too difficult and would threaten the efficacy of MWD’s Integrated Resources Plan, Water Supply Allocation Plan and other programs. Although we strongly support increased conservation, we respectfully disagree with the analysis and conclusions stated in the Board Memo. The MWD board must consider changed circumstances and legal requirements to ensure that any future regional program integrates with local programs, and, avoids creating conservation disincentives through the pricing structure, water supply allocation plan, or otherwise.

The Water Conservation Act of 2009 (the Conservation Act) established new methodologies, water use targets and reporting requirements. The Act’s requirements apply to urban retail water suppliers. Although MWD and its wholesale member agencies have a supporting role, primary responsibility falls to each retail agency within MWD’s service territory. The board memo does not address these requirements or explain how a regional program would integrate with or support these retail conservation programs.

Although the Board Memo appears to assume a regional compliance approach, the Conservation Act provides that urban retail water suppliers must achieve and report compliance on an individual basis unless certain prerequisites for regional compliance and reporting are met. Among other things, regional compliance requires the written consent of each retail agency.

As a wholesale water provider, MWD’s role in conservation must be carefully evaluated in light of these new legal requirements. Since it is unlikely that all retail water suppliers within MWD’s service territory will elect to report as part of MWD’s regional water management group, MWD must account for that as the regional program is being developed. MWD must carefully assess how a regional program can fairly integrate with the individual programs its member agencies choose to implement to ensure that each retail agency and group of ratepayers is carrying its lawful and equitable share of the cost.

A public agency providing a safe and reliable water supply to the San Diego region
Turning to some of the other key issues, we believe that changes in MWD’s water shortage allocation plan are necessary to encourage further conservation. The City of Long Beach has presented a number of ideas and approaches to address this concern. We also believe that MWD’s wholesale price structure discourages conservation by disguising the true cost of alternative water supplies. By continuing to offer regional subsidies to retail agencies to meet conservation targets that are already required, MWD is actually discouraging water conservation. This element of the current plan creates free riders, and, fails to ensure that each member agency pays its fair share or that all MWD water ratepayers are treated fairly.

As noted earlier, the board memo also states that water conservation at the member agency level would be difficult to quantify and measure and could be labor intensive in verification; however, we believe that measurement and verification are essential to any water use efficiency program, and is in fact, required for compliance.

Finally, the board memo states that consideration of different approaches to conservation would require MWD to reconsider its message under the Laguna Declaration. The Laguna Declaration has been included in the IRP draft as a statement that MWD will provide all of the water anyone needs at any time under any hydrologic condition. But we believe the Laguna Declaration is not a reason to refuse to consider changes in MWD’s conservation program. To the contrary, we believe that MWD should reconsider whether the Laguna Declaration properly reflects California law and public policy, or, Southern California’s conservation ethic. Our ratepayers have said that they want a choice whether to conserve more in lieu of paying for 100% water supply reliability 100% of the time. It is imperative that MWD work with its member agencies to ensure that we can offer them that choice.

We would like to reiterate that the Water Authority strongly supports increased conservation. We believe there is an important role for MWD but that MWD’s water conservation program must change in order to address the concerns described in this letter.

Sincerely,

[Signature]
Fern Steiner on behalf of the Water Authority’s MWD Delegation

cc: MWD Board of Directors
SDCWA Board of Directors
Aug. 12, 2010

Timothy Brick
Chairman
Board of Directors
Metropolitan Water District of Southern California
P.O. Box 54153
Los Angeles, CA 90054-0153

Re: Board Agenda Item 8-9: "Rate Structure Integrity"

Dear Chairman Brick:

As stated in past correspondence, the San Diego County Water Authority believes that the so-called “rate structure integrity” provision in MWD incentive funding contracts is both bad public policy and legally unenforceable. The Water Authority has governmental responsibilities to protect our region’s water ratepayers and has declined to waive its rights or responsibilities in order to get back a share of the money it has paid to MWD through water rates to fund these incentive programs.

In its recently filed lawsuit, the Water Authority has questioned the propriety and legality of MWD’s rate structure, including the manner in which it allocates the costs of water supply programs that are paid for, in part, by incentive payments. We ask that the board consider the following requests during its closed session meeting Tuesday to discuss San Diego’s incentive funding contracts.

1. I will recommend to my Board of Directors an agreement under which MWD suspends the payment of any incentive funding to the Water Authority during the pendency of the litigation provided that MWD agrees to suspend collection of Water Stewardship Rate revenues from the Water Authority during the same period.

2. The RSI policy and contract provisions do not state whether RSI funding will be restored retroactively in the event that the court finds in favor of the plaintiff challenging MWD’s rate structure. Please provide clarification of the board policy on this point.

3. Jeff Kightlinger informed us at the IRP Public Forum meeting in San Diego August 10 that the reason MWD does not require its member agencies to legally commit to pay for MWD projects and programs is because the board of directors will not agree to do so. The current IRP proposes spending billions of dollars, including
substantial investments in member agency programs. The Water Authority is willing to contractually commit to pay for MWD projects and programs it wishes to purchase from MWD. We would like to know if the rest of the board will now consider adding this contractual requirement as part of its rate structure in order to fulfill the intended purpose of Rate Structure Integrity in a more comprehensive fashion.

We appreciate your consideration of these requests and look forward to receipt of your written responses.

Sincerely,

Claude A. "Bud" Lewis
Chair
Board of Directors

cc: MWD Board of Directors
San Diego County Water Authority Board of Directors
STATE WATER CONTRACTORS
BOARD OF DIRECTOR
BOARD ACTIONS
JULY 15, 2010

The following actions were taken at the State Water Contractors (SWC) Board of Directors July 15, 2010 meeting upon motions duly made, seconded and unanimously passed.

1. Approved the Consent Calendar, including Draft Board Minutes for June 17, 2010, the Financial Report, and June 2010 Consultant Reports.

2. Authorized a contract of up to $75,400 from the Bay-Delta Fund for evaluation of economic benefits of water supply improvements to State Water Project supplies that would result from long-term Delta Conveyance improvements. The Contract approval is contingent on reviewing the proposal with Berkeley Economic Consulting at the July 22 Urban Water Management Workshop to identify which SWP contractors are included and identify whether agricultural agencies are being analyzed.

3. Authorized the SWC General Manager to enter into or amend the consulting contracts that are consistent with the FY 2010/11 SWC Budget and Work Objectives as further described herein.

4. Authorized the General Manager to engage Nicholson & Olson, CPA’s to conduct the Fiscal Year 2009-10 Audit Report of the State Water Contractors.

5. Assigned $35,000 from the SWC general dues fund for legal work associated with the possible appeal to the adverse ruling in the case of Butte Environmental Council, California Sportfishing Alliance, and California Water Impact v. Department of Water Resources, et al.

6. Directed the General Manager to send a letter to the Department of Water Resources (DWR) supporting proposed delivery of up to 50,000 acre-feet of Westland Water District (WWD) Central Valley Project (CVP) supply to Semitropic Water Storage District (SWSD), a member agency of the Kern County Water Agency (KCWA) as part of an existing groundwater banking program.

7. Directed the General Manager to send a letter to the Department of Water Resources (DWR) supporting the transfer of up to 965 acre-feet of St. Johns’ pre-1914 water to the Dudley Ridge Water District (DRWD).

8. Authorized the General Manager to hire Elaine Archibald as a water quality consultant for services of up to $25,000 related to regulatory issues related to the Central Valley Regional Water Quality Control Board and the State Water Resources Control Board. The consultant work is subject to review of possible conflicts of interest for Elaine related to Sacramento Regional County Sanitation District work and to seeking cost sharing from the San Luis&Delta-Mendota Water Authority.
Other Actions:

1. Requested that a meeting be arranged for SWC Board members with Westlands Water District to discuss SWC concerns about elevated groundwater pumping levels and resulting groundwater subsidence along the California Aqueduct.

2. Requested that a pre-meeting be arranged for SWC representatives to the SWP-CVP Electrical Transmission discussions with San Luis&Delta Mendota Water Authority to review the transmission issues under consideration.
August 18, 2010

Attention: Import Water Committee

CLOSED SESSION:  
Conference with Legal Counsel – Existing Litigation  
Government Code §54956.9(a)  
Name of Case: QSA Judicial Council Coordination Proceeding No. 4353

Purpose  
This memorandum is to recommend that the committee by motion hold a closed session,  
pursuant to Government Code §54956.9(a) to discuss the above-referenced matter at the  
August 26, 2010, Board meeting.

A closed session has also been included on the agenda of the formal Board of Directors’  
meeting. Unless the Board desires additional discussion, it is not staff’s intention to ask for a  
closed session with the full Board at that time, but staff may request action to confirm directions  
given or action recommended by the committee.

Prepared by: Daniel S. Hentschke, General Counsel
August 18, 2010

Attention: Imported Water Committee

CLOSED SESSION:
Conference with Legal Counsel – Existing Litigation
Government Code §54956.9(a) – SDCWA v Metropolitan Water District of Southern California; LASC Case No. BS126888

Purpose
This memorandum is to recommend that the committee by motion hold a closed session, pursuant to Government Code §54956.9(a) to discuss the above-referenced matter at the August 26, 2010 Board meeting.

A closed session has also been included on the agenda of the formal Board of Directors’ meeting. Unless the Board desires additional discussion, it is not staff’s intention to ask for a closed session with the full Board at that time, but staff may request action to confirm directions given or action recommended by the committee.

Prepared by: Daniel S. Hentschke, General Counsel