



## Proposed Staff Recommendation Consent Calendar for May 26, 2011

### **LEGISLATION, CONSERVATION AND OUTREACH COMMITTEE**

- 9- 1. Adopt positions on various state bills.
1. Adopt a position of Support, if amended, on AB 229 (Lara)
  2. Adopt a position of Support on SB 215 (Huff)
  3. Adopt a position of Support and seek amendments on SB 607 (Walters)

### **ENGINEERING AND OPERATIONS COMMITTEE**

- 9- 2. Professional services contract with Pure Technologies US Inc. for acoustic fiber optic cable monitoring services on Pipelines 3, 4, 5 and Crossover Pipeline.  
Authorize the General Manager to award a professional services contract to Pure Technologies US Inc., for an amount not-to-exceed \$3,998,690 to provide acoustic fiber optic cable monitoring services through June 30, 2016.
- 9- 3. Professional services contract with HDR Engineering, Inc., for Corrosion Engineer and Corrosion Technician Support Services.  
Authorize the General Manager to award a professional services contract to HDR Engineering, Inc. to provide corrosion engineer and corrosion technician support services for an amount not-to-exceed \$1,700,000, and for up to a three-year term.

### **ADMINISTRATIVE AND FINANCE COMMITTEE**

- 9- 4. Treasurer's report.  
Note and file the monthly Treasurer's report.
- 9- 5. Resolution setting a Public Hearing date for the Water Authority's proposed calendar year 2012 Rate and Charge increases.  
Adopt Resolution Number 2011-\_\_ setting the time and place for a public hearing on June 23, 2011, at 9:00 a.m., or as soon thereafter as may practicably be heard, during the Administrative and Finance Committee meeting, to receive comments regarding establishing a Melded Supply Rate, a Melded Treatment Rate, a Transportation Rate, the Special Agricultural Water Program rates, a Customer Service Charge, a Storage Charge and an Infrastructure Access Charge to be effective January 1, 2012 for calendar year 2012.



May 25, 2011

**Attention: Imported Water Committee**

**Metropolitan Water District Delegates' Report (Information)**

**Background**

The MWD committees and board met on May 9 and 10. The next regular MWD board and committee meetings are scheduled for June 13 and 14.

**Discussion**

This section summarizes discussions held and key decisions made at the May MWD committee and board meetings, as reported by the MWD delegates. Attachment 1 is a copy of MWD's May board meeting agenda.

**Communications and Education Committee**

The committee heard a report on Education activities and an update on the Inspection Trip Program. General Manager Kightlinger announced that the current Inspection Trip Manager would be reassigned to the Bay-Delta Initiatives Group. He added that it was his intent to keep the Inspection Trip Program intact.

**Engineering and Operations Committee**

The committee and board approved four items, which dealt with two seismic upgrade projects, Diemer Oxidation Retrofit Program and Colorado River Aqueduct (CRA) repair projects. Staff briefly described participation in a joint exercise with the County Emergency Operations Center and the California Department of Public Health, simulating water contamination and boil water advisory caused by extensive winter storms. Staff also reported due to supply conditions: blends at Skinner continue to be 45 percent SWP and increasing to 65 percent in June; April demands on MWD were 98 taf, which was about 46 taf lower than the April 2010 demands; and that MWD received about 180 taf of Article 21 surplus SWP supplies for this calendar year. Staff added that the CRA is currently operating at six pump flow (out of eight). Diamond Valley Lake is currently at 780 taf (96 percent of 810 taf maximum capacity).

**Finance and Insurance Committee**

During the public comment period, Sharon Bolton from the Oakridge Ranch 21<sup>st</sup> Fringe District (property within Eastern Municipal Water District's service area) said that she and about 270 other property owners, as part of the annexation agreement to MWD's service area, have paid general obligation bond fees to MWD for almost 40-years, but are on well systems and are not serviced by Eastern. Bolton presented a petition requesting that MWD retire the debt because payments made have already surpassed the original levy. Kimberly Hodge of the same Fringe District also requested that the debt be retired.

The committee and board approved three items, including a resolution to continue MWD's Water Standby Charge for fiscal year (FY) 2012. A fourth item to consider the city of Compton's request to withdraw from the Purchase Order Agreement was withdrawn. The other

items approved by the committee and board included an annexation to Calleguas Municipal Water District, and adopting a resolution approving modification to the annexation charges method for eleven annexations to MWD that predates the passage of Proposition 13 in 1978. The annexation charges for these areas were to be paid over time through the levy of special taxes. But due to the rural and/or undeveloped nature of these annexation areas, the assessed valuations are low and have been further limited by Proposition 13, resulting in the property owners not paying-off the annexation charge and accrued interest after 38 plus years. MWD staff recommended that the Board exclude the tax-exempt parcels and modify the tax levies for the remaining acreage using compound interest calculation (Option 1). In the committee, Director Hawkins (Central Basin) moved and Director Heidel seconded Option 3, which combined the adjustment for tax exempt parcels with simple interest. Director Heidel pointed out that of the three options, Option 1 made philosophical sense because it recalculated the annexation charge excluding the charge on tax exempt properties while Option 3 made logical sense (because it recomputed the amount necessary to fully amortize the annexation charge using simple interest). Director Wunderlich (Beverly Hills) opposed Option 3, saying simple interest did not reflect the economic reality of money that was owed to MWD. Option 3 did not pass committee; Directors Evans (Western), Little (West Basin), Blake (Fullerton) and Wunderlich voted against the motion. Director Heidel then moved Option 1, which was seconded by Wunderlich, and passed by the committee. However, during the board meeting, Director Record (Eastern) made a substitute motion for Option 3, which passed by 58.08 percent.

Interim Chief Financial Officer Tom DeBacker reported staff met with MWD's bond rating agencies to give an update on the FY 2011/12 and 2012/13 budgets, water sales forecast, financial performance and current storage and supply conditions. DeBacker said the agencies seem "onboard" with MWD's decision to use reserves to replenish storage. He noted that the agencies continue to have concern over the coverage ratios trending below targets and will not make MWD's targets until 2014. DeBacker reported that he expects the updated ratings from the agencies on May 16.

DeBacker also reported on the financial highlights. Actual water sales through April (cash year) were 1.598 maf, about 330 taf lower than the budgeted 1.928 maf (inclusive of the Water Authority's transfer water), resulting in about \$229 million lower revenues than budget. The cumulative revenues are down by about \$219 million due to favorable receipts from state grants and a return from the Department of Water Resources for a gas hedge advance.

DeBacker reported that cumulative expenditures are tracking about \$74 million lower than budget due to lower PAYGo (\$50 million), lower Colorado River power costs (\$11.6 million), lower debt service costs (\$11.5 million), and other decreased costs (\$1.3 million). Together with the reduced expenditures, DeBacker said MWD would further offset the shortfall by using about \$145 million in reserve funds, which would bring the balance to about \$35 million below MWD's minimum target. As a result, the revenue bond coverage is now 1.21x as compared to its target of 2.0x. DeBacker added that MWD anticipates receiving before June 30, about \$54 million and \$8 million in funds from the Las Posas (Calleguas) settlement and La Verne land sale, respectively. This would reduce the planned use of reserves from \$145 million to about \$83 million, resulting in reserves ending above minimum target. He said this scenario also yields an improved coverage ratio of 1.44x as compared to the 1.21x.

In order to improve this year's cumulative revenues, Director Barbre (Municipal Water District of Orange County) suggested that if MWD were to make discounted replenishment water available and request agencies to pay the purchases by June 30; it would improve MWD's revenue condition and motivate board members to support replenishment sales. Kightlinger responded that conditioning the sales may not change the situation dramatically, but the discussion would be had in the Water Planning and Stewardship Committee.

#### **Legal and Claims Committee**

The committee and board approved three items, one of which authorized an increase to an existing legal services contract to \$800,000 related to the Water Authority rate case; a fourth item regarding the termination of Water Authority agreements that had the Rate Structure Integrity (RSI) provision was approved by the committee but tabled during the board meeting. The Water Authority's delegation abstained on both Water Authority related items. Committee Chair Wunderlich recused himself from the Water Authority rate case vote, without explanation.

In the committee, MWD staff gave a presentation that described the RSI policy and the Water Authority's existing and pending agreements. MWD staff's recommendation was to approve termination all existing agreements and defer pending agreements (Option 1). MWD Board Chairman Foley (Municipal Water District of Orange County), while not a member of the committee, highlighted an option that would separate the consumer from the agency by not terminating commercial and residential consumer rebate agreements, yet terminating non-consumer agreements (such as Local Resources Projects agreements) and defer pending agreements (Option 3). Following Foley's comment, Record made the motion to approve Option 3, which was seconded. Director Dick voiced support for Option 3, citing the letter from the mayor of the City of San Diego as a contributing factor for his decision to protect the consumers. Director Peterson (Las Virgenes) stated support for Option 3 citing the need to comply with 20x2020.

Director Ackerman (Municipal Water District of Orange County) commented that the Water Authority entered the existing agreements fully aware of the RSI stipulation. She questioned whether the Water Authority may continue to provide the rebates under Option 1. Staff said that there is opportunity with Option 1 for the existing consumer contracts to continue to be administered by MWD's consultant, Honeywell, if the Water Authority provides its own funding. Director Quinonez (Los Angeles) expressed support for Option 1 and added that direction be given to the Kightlinger to seek other means of protecting consumer programs. While the committee approved Option 3, during the board meeting, Quinonez made a motion to table the item, which was seconded by Barbre. The motion to table was approved.

#### **Legislation Committee**

The committee and board approved five items based on staff's recommendations; a sixth item, which staff recommended removing opposition to AB 134 (Dickinson, D-Sacramento) did not pass. When originally introduced, AB 134 would have required the State Water Resources Control Board (SWRCB) to issue a permit to Sacramento Regional County Sanitation District (SRCSD), bypassing its normal procedures and limited SWRCB's authority to consider potential effects to downstream users and to fish and wildlife. The MWD board had taken an opposed

position because of that reason. Recently, the bill was amended and the legal impediments identified by MWD staff were removed, hence the staff's recommendation to remove the opposition.

During the public comment period, SRCSD District Engineer Stan Dean clarified AB 134 does not give appropriative water rights to SRCSD. In response to Peterson's question on whether the action allows SRCSD any right not in current law, staff said existing law allows SRCSD to file for permit to discharge water and recapture it within their own service area; however, it is not clear on whether SRCSD is allowed to transfer the water outside its service area. This bill would clarify the right to apply for a permit to use the recaptured water outside its region. Director Morris (San Marino) expressed concern that this item would set a precedent of allowing one particular agency to discharge into the natural waterways of the state and use the system as conveyance. He also said it creates an opportunity for an appropriator to sell water outside an agency's service area, rather than for beneficial use under normal conditions within the service area. Peterson said that SRCSD's sanitation rates do not appropriately reflect today's water quality processes, particularly denitrification to remove ammonia. He added that obtaining water rights (to generate revenues from sales) is not the answer to updating its operations and treatment plant. Record said that SRCSD goal should be to capture the water and reuse the water within its service area rather than discharging it. He added that changing MWD's board position might give the impression of support for SRCSD rather than just removing MWD's opposition to the bill. Dean responded that the wastewater produced, treated and discharged helps the Sacramento River flows and basin, so SRCSD's goal is to balance what is best for the region in the long run. Director Evans asked MWD to be clear with SRCSD that if MWD removed its "opposition" to AB 134 that MWD expects to see SRCSD's water treated properly and that the agency does not attempt to avoid meeting tertiary treatment standards. Kightlinger said that MWD will remain engaged in the cleanup issues and will ensure that MWD's rights as a downstream user are protected. Director Fleming (Los Angeles) moved staff's recommendation, received a second, but the motion failed. Record abstained on the item. Kightlinger clarified that no further action was required; MWD's position would remain to oppose AB 134.

Staff also reported on state and federal legislative issues.

#### **Organization, Personnel and Technology Committee**

The committee and board approved two items, one of which appropriated funds for security upgrades. Staff said that the SCADA system is critical to managing MWD's water operations (both treatment and distribution components) and that it contributes to 80 different MWD business processes. The current system, while effective (no breaches have occurred), encounters about 20 sophisticated "probes" daily in MWD's system. The security upgrades would allow MWD to continue to counter potential breaches. In addition, this action was recommended by the Department of Homeland Security. The committee then went into closed session to discuss labor negotiations.

#### **Water Planning and Stewardship Committee**

Deputy Secretary for the California Natural Resources Agency Gerald Meral briefed the committee on the Bay-Delta Conservation Plan. He said the plan and the Environmental Impact Report is scheduled for completion at the end of this year or early next year. In response to

Evans concern of “runaway” costs (for habitat restoration and a conveyance facility), Meral said the project could cost \$12 billion, but the greatest danger to construction costs increase is delay; he believed that an advantage of the current (economic) crisis was reduced construction costs.

The committee and board approved three items, including an item that authorized changes to the Water Conservation Program. The committee and board received for the record a letter from the Water Authority delegates opposing the Water Conservation Program on the grounds that MWD had informed the Water Authority that it is no longer eligible to receive conservation funding as a result of the board’s action under the RSI clause (see Attachment 2). The committee and board also approved terms for an agreement terminating the MWD-Calleguas Groundwater Storage Conjunctive Use Program.

Staff reviewed the changed water supply conditions that led to the recommendation to offer discounted replenishment in an amount limited to increases in supply above currently allocated supplies, which is estimated to be 225 taf. Kightlinger said that this action would optimize storage to the region by providing discounted water replenishment. He reported plans to return to the board at the end of the year with strategies to address long-term replenishment issues, acknowledging the current replenishment program was established before the changed supply conditions. Morris moved staff’s recommendation (Option 3), which would allow the sale of discounted replenishment water and was seconded. Fleming offered a substitute motion to adopt Option 2, which would extend the current Water Management Program. Director Steiner seconded Fleming’s motion, which subsequently failed due to lack of support. Morris accepted Director Gray’s (West Basin) amendment, which added language – to direct staff to recommend options to reform the replenishment program in a manner that ensures regional reliability benefits by December 30, 2011. Ackerman asked for clarification on the losses incurred in MWD’s Central Valley projects. Staff reported that about 10 to 11 percent loss is applied when water is put into the Central Valley storage programs; Lake Mead has about 5 percent as an initial loss, with an additional 3 percent applied annually. Peterson questioned how much water has been lost historically on the SWP carryover program; he pointed out that MWD just lifted restrictions and asked if it is appropriate to sell discounted water; and Peterson also questioned if this action was more about money than about water. The committee approved Option 3, with Fleming and Steiner opposed and Peterson abstained. At the board, the Los Angeles, San Fernando and Water Authority delegations opposed the item. The Water Authority sent a response letter to Kightlinger, which reiterated MWD staff’s rationale in recommending the sale of discounted water (Attachment 3). Kightlinger’s letter, dated May 4, 2011 (Attachment 4), and MWD’s board letter (Attachment 5) clearly described performance and equity problems associated with the replenishment program.

The committee also heard a report on a proposed local resources program with Inland Empire Utilities Agency, Western Municipal Water District and Chino Basin Desalter Authority (CDA) for the Chino Basin Desalination Program. Staff said that the action, which is planned to return to the committee and board in June for consideration, would consolidate two existing agreements and a pending agreement into a new agreement reducing MWD’s overall costs and simplifying administration of multiple contracts. The new agreement would be based on a set flat incentive, and MWD and CDA would share grant funding equally. Through a cost reconciliation process, MWD had determined that it had overpaid CDA \$6 million because of the grants it received.

Under the existing agreements, any grants CDA received are supposed to reduce eligible costs. Steiner asked for clarification on the replenishment assessment cost. Staff affirmed that replenishment assessment is considered a part of the eligible costs when determining the amount of subsidies MWD would contribute. In response to Steiner's question regarding whether MWD made a demand for payment for the \$6 million owed, staff said the issue was raised, but discussion was deferred due to the request to consolidate the agreements. Staff added the \$6 million owed by CDA was factored in the proposed consolidated agreement, as the proposed agreement has a lower present worth value than the existing agreements. Steiner asked if it was intended that MWD would negotiate flat rates for projects (rather than the sliding scale). Staff said they would ensure that agreements are in the best interest for MWD. Barbre commented that if the flat incentive is meant to help CDA obtain financing, whether there is value for MWD to co-sign to provide a credit enhancement. Staff said options, such as Barbre's suggestion, could be looked at as part of the LRP review.

The committee also heard reports on Bay-Delta, Colorado River and Water Resources Management matters.

Prepared by: Debbie Discar-Espe, Senior Water Resources Specialist  
Approved by: *Communications and Education Committee* by Jim Bowersox  
*Finance and Insurance Committee* by Lynne Heidel and Keith Lewinger  
*Engineering and Operations Committee* by Jim Bowersox and Fern Steiner  
*Legislation Committee* by Lynne Heidel and Keith Lewinger  
*Legal and Claims Committee* by Lynne Heidel and Fern Steiner  
*Organization, Personnel and Technology Committee* by Jim Bowersox  
*Water Planning and Stewardship Committee* by Keith Lewinger and Fern Steiner

Attachment 1: MWD's May board meeting agenda.  
Attachment 2: Opposition letter regarding MWD Board Item 7-4 – Water Conservation Program, dated May 6, 2011.  
Attachment 3: Response letter to MWD General Manager regarding MWD Board Item 5-1 – Sale of Discounted Water, dated May 6, 2011.  
Attachment 4: Letter to MWD Board Delegation regarding MWD's Response to the Water Authority's April 25, 2011 letter on the Sale of Discounted Water, dated May 4, 2011.  
Attachment 5: MWD Board Item 5-1 -- Approve calendar year 2011 approach for purchases of water for local storage, dated May 10, 2011.



THE METROPOLITAN WATER DISTRICT  
OF SOUTHERN CALIFORNIA

# MWD MEETING AGENDA

## REVISED AGENDA

### Regular Board Meeting

May 10, 2011

12:30 p.m. -- Board Room

Tuesday, May 10, 2011 Meeting Schedule		
7:00-8:00 a.m.	Rm. 2-413	Dirs. Computer Training
8:00 a.m.	Rm. 2-145	L&C
9:30 a.m.	Rm. 2-456	Legislation
10:30 a.m.	Rm. 2-145	C&E
12:30 p.m.	Board Room	Board Meeting

MWD Headquarters Building

• 700 N. Alameda Street

• Los Angeles, CA 90012

#### 1. Call to Order

- (a) Invocation: (Guest)
- (b) Pledge of Allegiance: Director Michael Camacho

#### 2. Roll Call

#### 3. Determination of a Quorum

#### 4. Opportunity for members of the public to address the Board on matters within the Board's jurisdiction. (As required by Gov. Code Section 54954.3(a))

#### 5. OTHER MATTERS

- A. Approval of the Minutes of the Meetings for April 12 and 26, 2011. (Copies have been mailed to each Director)  
Any additions, corrections, or omissions
- B. Report on Directors' meetings attended at Metropolitan expense for month of April

- C. Approve committee assignments
- D. Chairman's Monthly Activity Report

## 6. DEPARTMENT HEADS' REPORTS

- A. General Manager's summary of Metropolitan's activities for the month of April
- B. Interim General Counsel's summary of Legal Department activities for the month of April
- C. General Auditor's summary of activities for the month of April
- D. Ethics Officer's summary of activities for the month of April

## 7. CONSENT CALENDAR ITEMS — ACTION

- 7-1** Appropriate \$220,000; and authorize preliminary design of seismic upgrades for water tanks at the Sepulveda Canyon Control Facility (Approp. 15441). (E&O)

**Recommendation:**

**Option #1:**

**Adopt the CEQA determination and**

- a. Appropriate \$220,000; and**
- b. Authorize preliminary design of seismic upgrades for the Sepulveda Canyon Control Facility water storage tanks.**

- 7-2** Appropriate \$470,000; and authorize preliminary design of seismic upgrades for the Diemer Administration Building and filter buildings (Approp. 15436). (E&O)

**Recommendation:**

**Option #1:**

**Adopt the CEQA determination and**

- a. Appropriate \$470,000; and**
- b. Authorize preliminary design of seismic upgrades for the Diemer Administration Building and filter buildings.**

- 7-3** Appropriate \$180,000; and authorize final design of repairs to three siphons on the Colorado River Aqueduct (Approp. 15438). (E&O)

**Recommendation:**

**Option #1:**

**Adopt the CEQA determination and**

- a. Appropriate \$180,000; and**
- b. Authorize final design of repairs to the Freda, Perris Valley, and MM 19.58 siphons of the CRA.**

- 7-4** Authorize changes to Water Conservation Program for implementation in fiscal year 2011/12. (WP&S)

**Recommendation:**

**Option #1:**

**Adopt the CEQA determination and authorize changes to the conservation program to be implemented effective July 1, 2011.**

- 7-5** Amend Metropolitan Water District Administrative Code to update Employee Savings Plan for compliance with Internal Revenue Code changes. (OP&T)

**Recommendation:**

**Option #1:**

**Adopt the CEQA determination and approve the amendments to The Metropolitan Water District of Southern California Consolidated Savings Plan (Administrative Code sections 6780-6792) set forth in Attachment 1 to the board letter.**

- 7-6** Appropriate \$1.88 million for completion activities and documentation for the Diemer Oxidation Retrofit Program; and authorize amendment to existing agreement with Camp Dresser and McKee, Inc. (Approps. 15389 and 15380). (E&O)

**Recommendation:**

**Option #1:**

**Adopt the CEQA determination and**

- a. Appropriate \$1.88 million for Diemer ORP completion activities; and**
- b. Authorize increase of \$3.2 million to the existing agreement with CDM, for a new not-to-exceed total of \$23,038,000.**

**(END OF CONSENT CALENDAR)**

**8. OTHER BOARD ITEMS — ACTION**

- 8-1** Adopt resolution to continue Metropolitan's Water Standby Charge for fiscal year 2011/12. (F&I)

**Recommendation:**

**Option #1:**

**Adopt the CEQA determination and the resolution to continue the water standby charge for fiscal year 2011/12.**

- 8-2** Consider City of Compton's request to withdraw Purchase Order Agreement. (F&I)

**Recommendation:**

**Option #1:**

**Adopt the CEQA determination and authorize the General Manager to execute a withdrawal of Compton's Purchase Order effective January 1, 2003.**

- 8-3** Grant conditional approval for Annexation No. 95 to Calleguas Municipal Water District and to Metropolitan; and adopt resolution of intention to impose water standby charge. (F&I)

**Recommendation:**

**Option #1:**

**Adopt the CEQA determination and**

- a. **Grant conditional approval for the Calleguas Annexation No. 95 concurrently to Calleguas and to Metropolitan, conditioned upon receipt in full of annexation fee of approximately \$27,304.42 to Metropolitan if completed by December 31, 2011, or if completed later, at the then-current annexation charge rate;**
- b. **Approve Calleguas' Statement of Compliance with the current Water Use Efficiency Guidelines (Attachment 2 to board letter); and**
- c. **Adopt the resolution of intention to impose water standby charge within the proposed annexation territory, substantially in the form of Attachment 3 to the board letter.**

- 8-4** Adopt resolution approving modification of method of raising annexation charges for eleven annexations to Metropolitan. (F&I)

**Recommendation:**

**Option #1:**

**Adopt the CEQA determination and**

- a. **Adopt Resolution approving Modification of Method of Raising Annexation Charges for Eleven Annexation Area Annexations to Metropolitan, amending Resolutions 6630, 6631, 6634, 6929, 7009, 7160; 7209, 7215, 7347, 7415, and 7748 with Exhibit A, Option 1;**
- b. **Direct the Board Executive Secretary to transmit the Resolution to the affected member agencies and request that they obtain approval as provided in the Resolution;**
- c. **Authorize the General Manager to write down balances related to the annexation areas pursuant to the resolution approved in Option #1a; and**
- d. **Authorize the General Manager to write off as uncollectible any remaining balances related to the annexation areas, as appropriate, once the annexation areas have been levied for 50 years or not later than June 2020.**

- 8-5** Appropriate \$1.47 million; and authorize the implementation of Supervisory Control and Data Acquisition Cyber Security Upgrades as identified in the Information Technology Strategic Plan (Approp. 15378). (OP&T)  
**[Any discussion of specific threats or facilities to be heard in closed session. Conference with Metropolitan's security operations manager — threat to public services or facilities; may be heard in closed session pursuant to Gov. Code Section 54957(a)]**

**Recommendation:**

**Option #1:**

**Adopt the CEQA determination and**

- a. Appropriate \$1.47 million in budgeted funds; and**
- b. Authorize the SCADA Cyber Security Upgrades initiative.**

- 8-6 Approve terms for agreement terminating the Metropolitan-Calleguas Groundwater Storage Conjunctive Use Program. (WP&S)  
**[Conference with real property negotiators; property is groundwater rights and facilities in the Las Posas Valley Groundwater Basin, located in Ventura County; agency negotiators: Debra Man and Susan Mulligan; negotiating parties: Calleguas Municipal Water District and The Metropolitan Water District of Southern California; under negotiation: price and terms of payment; to be heard in closed session pursuant to Gov. Code Section 54956.8]**
- 8-7 Report on *San Diego County Water Authority v. Metropolitan Water District of Southern California, et al.*, San Francisco County Superior Court Case No. CPF-10-510830; and authorize increase of \$300,000 for a total of \$800,000 in maximum amount payable under contract with Bingham McCutchen LLP to represent Metropolitan in that litigation. (L&C)  
**[Conference with legal counsel—existing litigation; to be heard in closed session pursuant to Gov. Code Section 54956.9(a)]**
- 8-8 Review Rate Structure Integrity provisions of conservation and Local Resources Program funding agreements with San Diego County Water Authority; and consider termination of agreements. (L&C)  
**[Conference with legal counsel—significant exposure to litigation (one matter); to be heard in closed session pursuant to Gov. Code Section 54956.9(b)]**
- 8-9 Remove opposition to AB 134 (Dickinson, D-Sacramento) — Appropriation of water: Sacramento Regional County Sanitation District. (Legis.)

**Recommendation:**

**Option #1:**

**Adopt the CEQA determination and remove Metropolitan's opposition to AB 134, as amended on April 5, 2011.**

- 8-10 Express support for AB 359 (Huffman, D-San Rafael) — Groundwater management plans. (Legis.)

**Recommendation:**

**Option #1:**

**Adopt the CEQA determination and authorize the General Manager to express Metropolitan's support for AB 359, as amended April 11, 2011.**

- 8-11 Express support for AB 467 (Eng, D-Monterey Park) — Environment: Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond of 2006. (Legis.)

**Recommendation:**

**Option #1:**

**Adopt the CEQA determination and authorize the General Manager to express Metropolitan's support for AB 467, as amended March 31, 2011.**

- 8-12 Express support for AB 741 (Huffman, D-San Rafael) — Onsite wastewater disposal. (Legis.)

**Recommendation:**

**Option #1:**

**Adopt the CEQA determination and express support for AB 741.**

- 8-13 Express opposition to SB 34 (Simitian, D-Palo Alto) — California Water Resources Investment Act of 2011 and SB 571 (Wolk, D-Davis) — California Water Commission: California Water Plan: water resources investment. (Legis.)

**Recommendation:**

**Option #1:**

**Adopt the CEQA determination and authorize the General Manager to express Metropolitan's opposition to SB 34 and SB 571.**

- 8-14 Express support for AB 403 (Campos, D-San Jose) — Public Drinking Water Standards: Hexavalent Chromium, if amended. (Legis.)

**Recommendation:**

**Option #1:**

**Adopt the CEQA determination and authorize the General Manager to express Metropolitan's support for AB 403, if amended.**

- 8-15 Report on existing litigation and authorize an increase in maximum amount payable under contract with Meserve, Mumper & Hughes LLP for legal services by \$600,000 to an amount not to exceed \$950,000 for representation of Metropolitan in *Jena Minor v. Metropolitan Water District of Southern California*, LASC Case No. BC434669. (L&C)  
**[Conference with legal counsel—existing litigation; to be heard in closed session pursuant to Gov. Code Section 54956.9(a)]**

- 5-1** Approve calendar year 2011 approach for purchases of water for local storage. (WP&S)

**Recommendation:**

**Option #3:**

**Adopt the CEQA determination and provide direction to the General Manager to exercise his discretion to offer discounted replenishment in an amount limited to increases in supply above currently allocated supplies.**

- Added** 8-16 Report on existing litigation and authorize an increase in maximum amount payable under contract with Manatt, Phelps & Phillips, LLP for legal services by \$750,000 to an amount not to exceed \$1,340,000 for representation of Metropolitan in *Orange County Water District vs. Northrop Corporation*, Orange County Superior Court Case No. 04CC00715. (L&C)  
**[Conference with legal counsel—existing litigation; to be heard in closed session pursuant to Gov. Code Section 54956.9(a)]**

**9. BOARD INFORMATION ITEMS**

- 9-1** Renewal status of Metropolitan's Property and Casualty Insurance Program. (F&I)
- 9-2** Propose entering into a consolidated agreement under the Local Resources Program with the Inland Empire Utilities Agency, Western Municipal Water District, and Chino Basin Desalter Authority for the Chino Basin Desalination Program. (WP&S)

- 9-3 Report on Imperial Irrigation District's (IID) transfer of unused Colorado River water to the Salton Sea. (L&C)  
**[Conference with legal counsel—potential litigation (one case); to be heard in closed session pursuant to Gov. Code Section 54956.9(b)]**

- Added** 9-4 Status on development of the Weymouth Solar Power Facility. (E&O)  
**(To be mailed separately)**

## 10. FUTURE AGENDA ITEMS

## 11. ADJOURNMENT

**NOTE:** At the discretion of the Board, all items appearing on this agenda and all committee agendas, whether or not expressly listed for action, may be deliberated and may be subject to action by the Board.

Each agenda item with a committee designation will be considered and a recommendation may be made by one or more committees prior to consideration and final action by the full Board of Directors. The committee designation appears in parenthesis at the end of the description of the agenda item e.g. (E&O, B&F). Committee agendas may be obtained from the Board Executive Secretary.

Writings relating to open session agenda items distributed to Directors less than 72 hours prior to a regular meeting are available for public inspection at Metropolitan's Headquarters Building and on Metropolitan's Web site <http://www.mwdh2o.com>.

Requests for a disability related modification or accommodation, including auxiliary aids or services, in order to attend or participate in a meeting should be made to the Board Executive Secretary in advance of the meeting to ensure availability of the requested service or accommodation.



# San Diego County Water Authority

4677 Overland Avenue • San Diego, California 92123-1233  
(858) 522-6600 FAX (858) 522-6568 www.sdcwa.org

May 6, 2011

Jack Foley, Chairman  
Metropolitan Water District of Southern California  
P.O. Box 54153  
Los Angeles, CA 90054-0153

**MEMBER AGENCIES**

- Carlsbad Municipal Water District
- City of Del Mar
- City of Escondido
- City of National City
- City of Oceanside
- City of Poway
- City of San Diego
- Fallbrook Public Utility District
- Helix Water District
- Lakeside Water District
- Olivenhain Municipal Water District
- Otay Water District
- Padre Dam Municipal Water District
- Camp Pendleton Marine Corps Base
- Rainbow Municipal Water District
- Ramona Municipal Water District
- Rincon del Diablo Municipal Water District
- San Dieguito Water District
- Santa Fe Irrigation District
- South Bay Irrigation District
- Vallecitos Water District
- Valley Center Municipal Water District
- Vista Irrigation District
- Yuima Municipal Water District

Re: Board Memo 7-4 – Water Conservation Program – OPPOSE

Dear Jack,

As you know, the Water Authority has been informed by MWD that it is no longer eligible to receive conservation funding as a result of the board’s action under the RSI Clause. We therefore oppose Board Memo 7-4.

Sincerely,

**Jim Bowersox**  
Director

**Lynne Heidel**  
Director

**Keith Lewinger**  
Director

**Fern Steiner**  
Director

cc: Jeff Kightlinger, MWD General Manager

**OTHER REPRESENTATIVE**

County of San Diego

*A public agency providing a safe and reliable water supply to the San Diego region*



# San Diego County Water Authority

4677 Overland Avenue • San Diego, California 92123-1233  
(858) 522-6600 FAX (858) 522-6568 www.sdcwa.org

May 6, 2011

Jeff Kightlinger, General Manager  
Metropolitan Water District of Southern California  
P.O. Box 54153  
Los Angeles, CA 90054-0153

## MEMBER AGENCIES

Carlsbad  
Municipal Water District

City of Del Mar

City of Escondido

City of National City

City of Oceanside

City of Poway

City of San Diego

Fallbrook  
Public Utility District

Helix Water District

Lakeside Water District

Olivenhain  
Municipal Water District

Otay Water District

Padre Dam  
Municipal Water District

Camp Pendleton  
Marine Corps Base

Rainbow  
Municipal Water District

Ramona  
Municipal Water District

Rincon del Diablo  
Municipal Water District

San Dieguito Water District

Santa Fe Irrigation District

South Bay Irrigation District

Vallecitos Water District

Valley Center  
Municipal Water District

Vista Irrigation District

Yuima  
Municipal Water District

## OTHER REPRESENTATIVE

County of San Diego

### Board Memo 5-1 – Sale of Discounted Water

Dear Jeff,

Thank you for responding to our April 25, 2011 letter regarding MWD’s proposed sale of discounted water to selected member agencies. We appreciate that water supply conditions in 2011 have improved significantly; however, the question before the board is what to do with the water that is now available to MWD.

You state in your letter that MWD will maximize the use of its storage assets in 2011 to store available supplies. Director Steiner has requested and you have agreed to provide detailed information how MWD will do that. *Past MWD board reports show that MWD has ample storage and put capacity available to store all of the available water in MWD storage facilities.* Indeed, by our calculation, even if all of the available water is stored by MWD – as we believe it should be – MWD’s storage will remain less than half full.

You also state that MWD will likely end the year with its regional storage reserves at the “highest levels in history”; however, this observation fails to take into account the *fundamental shift in MWD’s water supply reliability planning which – unlike past history – now relies heavily upon the withdrawal of water from storage in dry years.* That is why the Water Authority has supported MWD’s multi-billion dollar investment in storage facilities and agreements, which provide more than 5 million acre feet of storage capacity. Given this water supply strategy and investment, it is difficult to understand why MWD now has no intention of maximizing its investment in storage in a year like this, when water is available. MWD is barely out of a multi-year allocation, yet instead of filling its storage reserves, it wants to sell it at a discount.

The problems with the replenishment program have been previously documented and we will not repeat them here. MWD has been well aware of these concerns for many years but has failed to address the problems in any revised board policy or otherwise. Suffice it to say that the program does not provide benefits to MWD commensurate with the cost to MWD of the program. If MWD is intent on selling discounted water, then it should be made available to all MWD member agencies equally, not just to select agencies on the purported basis of a clearly flawed water supply management program.

On the financial side, the board memo and your letter are clear that under the discounted sales

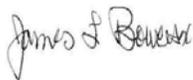
*A public agency providing a safe and reliable water supply to the San Diego region*

proposal, MWD will not recover its fixed costs. This month's staff report shows MWD's FY 2011 sales have further dropped to 1.6 million acre feet (MAF), from the budgeted 1.93 MAF. Although short term cash flow may be improved by the proposed sale of discounted water, it has a deleterious effect on MWD's financial position overall. We believe you know that MWD's fiscal crisis is real – we would welcome the opportunity to work with you on finding real solutions.

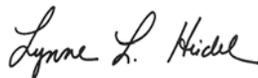
Regarding your comments on the member agencies' willingness to pay for current and future fixed costs, our comments were taken directly from the MWD board memo citing the member agencies' "budgetary and fiscal constraints" as the reason they are not buying MWD water now at the full price that was assumed in the current fiscal year budget. Clearly, the sale of water at full price would be the preferred option because the region would achieve the same storage and water supply benefits and MWD would come closer to hitting its own budget, which is more than \$150 million short that also threatens to leave reserves precariously low.

Finally, we believe you know that the Water Authority's litigation has nothing to do with challenging State Water Project costs – the only question is how those costs should be allocated between supply and transportation. The Water Authority expects to remain one of MWD's largest customers and to pay its fair share of MWD's costs under its State Water Project supply contract. Indeed, to our knowledge, the Water Authority is the only MWD member agency that has actually offered to enter into a long-term contract with MWD for the purchase of State Water Project water and other supplies and services. With firm contracts, MWD could count on being able to cover its fixed costs, now and in the future. We would be happy to make a presentation to the board on the history of that offer as well as make a proposal for the future. We agree that MWD is in a fiscal crisis and the gimmicks being employed this year – including a "fire sale" of discounted water – will not solve or even address the real problem.

Sincerely,



Jim Bowersox  
Director



Lynne Heidel  
Director

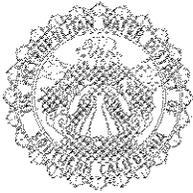


Keith Lewinger  
Director



Fern Steiner  
Director

cc: Jack Foley, MWD Board Chairman



THE METROPOLITAN WATER DISTRICT  
OF SOUTHERN CALIFORNIA

Office of the General Manager

May 4, 2011

Metropolitan Water District Board Delegation  
San Diego County Water Authority  
4677 Overland Avenue  
San Diego, CA 92123-1233

Dear Board Members:

Response to April 25, 2011, letter on Board Memorandum 5-1 – Sale of Discounted Water

Thank you for your letter and comments on Board Memorandum 5-1: *Approve calendar year 2011 approach for purchases of water for local storage* (Memo). The attachment to your letter expresses your delegation's concerns with Metropolitan staff's recommendation. As you are aware, the discussion and consideration of this item has been tabled to the May 10, 2011, Board Meetings. This letter addresses your concerns prior to the Board's action on this item.

The water supply conditions in 2011 have improved significantly in both the State Water Project (SWP) and Colorado River watersheds. Supplies available to The Metropolitan Water District of Southern California (Metropolitan) are higher than projected demands and will lead to significant increases in regional storage. Over the last 20 years Metropolitan has developed greater storage capacities by implementing groundwater storage programs and gaining surface reservoir capacity. Metropolitan would maximize the use of these storage assets in 2011 to store available supplies. There are, however, conditions that could lead to the loss of water in 2011 or early-2012 due to the capacity constraints of these storage programs and the risk of spilling water from some facilities. For this reason, staff recommends utilizing the Board –adopted 2011 Replenishment Rates as a tool to encourage storage of water in local basins. This approach will reduce the chances of losing regional supplies while helping to generate additional revenues in 2011. Even with additional deliveries to local basins, Metropolitan's regional storage reserves will continue to increase, likely ending the year at the highest levels in history.

From a policy perspective, Metropolitan supports local storage efforts and the existing Replenishment Service Program and the Replenishment Rate are the current avenues for actions of this kind.

The Memo recognizes that there are questions and concerns about the current Replenishment Service Program that is part of Metropolitan's Administrative Code. The staff recommendation tries to mitigate these concerns in two ways:

Metropolitan Water District Board Delegation  
San Diego County Water Authority  
Page 2  
May 4, 2011

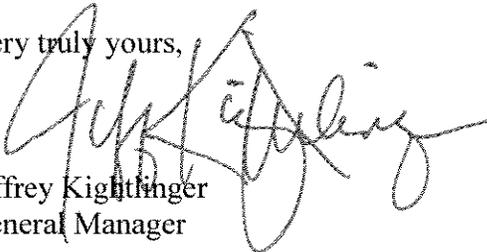
1. It limits the amount of water that can be sold in 2011 at the Replenishment Rate to increases in supplies beyond 2.5 million acre-feet; and
2. It identifies that staff is already working with the member agencies to recommend a new replenishment approach to the Board by the end of the year.

The Memo shows that the Replenishment Rate would collect revenues in excess of the variable costs of moving additional SWP supplies into the region. The Memo includes an analysis that shows net revenues beyond SWP variable costs of \$289 per acre-foot would be generated by the untreated Replenishment Rate, which would thus cover a portion of Metropolitan's fixed costs as well. The options in the Memo are for the purpose of moving water to certified local storage and not to current year consumptive use. The current year budget issues are related to low water sales and this action could result in increased water sales for the purpose of local basin replenishment. As such, this approach should generate additional water sales and improve financial reserve balances, as opposed to exacerbating any fiscal crisis as your letter states.

Finally, there is no disconnect between any of the options in the Memo and the member agencies' willingness to pay for current and future fixed costs. Metropolitan's rates and charges are set to cover the cost of service and financial reserve policies have been established to manage through periods of lower water sales. The staff recommendation to utilize the discounted Replenishment Rate to help manage supplies in 2011 should not be interpreted as a message that member agencies cannot pay the full rate for water. The only member agency that has indicated an unwillingness to cover Metropolitan's costs through the current rate structure is the San Diego County Water Authority, which is pursuing litigation on this issue.

I hope this clarifies some of the questions and concerns you have with the Memo. If you have any questions, please contact me or my staff.

Very truly yours,

  
Jeffrey Kightlinger  
General Manager

BJG:vs

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cc: Board of Directors  
Member Agency Manager



- Board of Directors  
*Water Planning and Stewardship Committee*

5/10/2011 Board Meeting

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5-1

## Subject

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Approve calendar year 2011 approach for purchases of water for local storage

## Description

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### Summary

In order to optimize the reliability of water supply in to the service area, Metropolitan provides water supplies to member and local agencies for the replenishment and management of groundwater and other local storage under the Replenishment Service Program, groundwater conjunctive use programs, and cyclic storage accounts. Providing replenishment supplies has the potential to achieve greater conjunctive use of imported and local supplies, to encourage construction of additional local production facilities, and to provide dry-year supplies to meet water needs of the member agencies. In the past, Metropolitan has offered water for local storage at a discounted water rate under the Replenishment Service Program. However, as California entered into drought, the General Manager discontinued discounted sales in 2007. During the past year, while the region was under mandatory water allocations under the Water Supply Allocation Plan, Metropolitan approved a Water Management Program that did not offer a discounted replenishment water rate but facilitated storage purchases by shielding water management actions from higher penalty rates.

There are concerns about the performance and equity of the existing Replenishment Service Program and its associated discounted water rate and its performance during a period of constrained State Water Project deliveries. Metropolitan is currently engaged in a process with the member agencies to develop potential refinements to the Replenishment Service Program. The intention of this process, which should be completed by the end of this year, is to develop options for Board consideration that would address concerns with the existing program and better achieve the goal of increasing regional water supplies. **Attachment 1** shows Section 4514 of the Administrative Code (Code) pertaining to the goals and aspects of the Replenishment Service Program.

At this time, Metropolitan faces the unexpected challenge of managing and storing large amounts of supply in 2011. Due to a combination of low demands and favorable water supply conditions, Metropolitan will likely have at least 790 TAF of supplies to store this year under supplies currently allocated to Metropolitan which total 2.5 MAF. Under this scenario, net additions to storage could increase dry-year storage reserves to more than 2.3 MAF by the end of 2011, the highest end-of-year total reserves in Metropolitan's history. Additionally, there are a number of factors that could result in even higher levels of water supplies being available. Any additional water supplies beyond the current 2.5 MAF would be challenging to manage using available storage. An interim program to facilitate local storage would help to manage additional supplies should they become available.

This letter offers four options to help in managing these potentially excess water supplies for CY 2011.

- Option 1 - Manage additional water supplies using Metropolitan's dry-year storage portfolio.
- Option 2 - Amend the existing Water Management Program to allow agencies to purchase and store additional supplies with an exemption from Tier 2 supply rates and Capacity Charges through the end of CY 2011.

- Option 3 - Offer water under the existing Replenishment Service Program and the associated discounted water rate, in an amount limited to additional increases beyond current water supplies.
- Option 4 - Offer water under the existing Replenishment Service Program and the associated discounted water rate on an ongoing basis with no pre-set limits as to the amount of water offered.

The options are intended to put an interim approach in place to address the immediate water management needs for CY 2011 only. These options do not replace the need for the ongoing long-term Replenishment Service Program development process.

### **Issues with the Current Replenishment Service Program**

The Code authorizes the General Manager to offer replenishment water deliveries under the Replenishment Service Program. This program is currently in place but deliveries under the program have not been made available to the member agencies since 2007 due to water supply concerns. The goal of the Replenishment Service Program is to provide a regional water management benefit. However, the Replenishment Service Program, in its current state, has generated concerns about its effectiveness. During the Groundwater Workgroup process, which was a facilitated process with member agencies and groundwater managers that met between July 2008 and February 2009, discussions on replenishment indicated that there are a number of concerns with the current program. These issues included questionable and unquantifiable performance and expectations, the potential of shifting water sales within a year as opposed to generating true longer-term storage, the potential offset of full service sales, unequal distribution of costs and benefits among participating and non-participating agencies, questions on whether water was being stored for future use as opposed to being purchased to refill overdraft, difficulties in measuring and verifying in-lieu deliveries to storage, and cash-flow and budgeting issues associated with the frequency under which replenishment supplies are available.

In March 2011, Metropolitan and its member agencies kicked off a Replenishment Workgroup Process to address issues with the current Replenishment Service Program and develop a new approach for facilitating the replenishment of local storage in the future. The Replenishment Workgroup Process is working towards having recommendations for a refined program in place by 2012.

### **Water Supply and Demand Conditions**

Based on currently allocated water supplies and continuing low levels of demands, Metropolitan projects utilizing about 790 TAF of capacity to store water in its storage programs during CY 2011. A detailed discussion of the current supply conditions is included in the April 2011 Water Surplus and Drought Management report, which is included as [Attachment 2](#). Additionally, there are a number of factors that could provide additional water supplies beyond this amount. These factors include additional SWP Table A increases beyond the current 70 percent allocation, additional SWP Article 21 supplies, potential unused agricultural supplies on the CRA system, and even lower demands. These increases could be substantial, for example: A five-percent increase in the SWP Table A allocation alone, would result in approximately 100 TAF of additional supplies. Unused agricultural supplies on the CRA system, while not predictable, can also be substantial in quantity.

Metropolitan has available storage put capacity of 1.05 MAF to manage supplies if needed. This storage put capacity is being used to store the approximately 790 TAF of supplies currently available. However, some of the storage programs and locations with additional capacity beyond this amount are less desirable choices for storage management. This is because there are increased risks of future losses from those programs, potential cost implications, and concerns about future dry-year performance. When the amount of water available for storage exceeds the current estimated amount of 790 TAF, Metropolitan will be less able to effectively manage additional supplies.

### **Options for Managing Additional Water Supplies in Calendar Year 2011**

#### *(1) Manage Supplies with Metropolitan's Dry-Year Storage Portfolio*

Under this option, Metropolitan would manage water supplies with available storage programs. Discount rate Replenishment Service Program deliveries would not be made available and the 2010/2011 Water Management

Program would not be modified and would expire June 30, 2011. Should additional supply increases occur, some amount of water may not be able to be stored for future delivery and sales.

*(2) Amend 2010/2011 Water Management Program*

In August 2010, the Board approved the 2010/11 Water Management Program to facilitate local storage actions by providing some protection from WSAP penalties. In December 2010, the Board approved modifications that enabled member agencies to further utilize available supplies in Southern California while being consistent with the message of efficient water use. Given the backdrop of dramatically improved supply conditions and forecasts for substantial gains in Metropolitan's regional reserves in 2011, additional discussions with the member agency managers since March 2011 have highlighted new considerations and additional modifications to the water management program.

Under this option, the following refinements to the Water Management Program would be made:

- Modify the term of the program to end on December 31, 2011, instead of June 30, 2011. This is to allow additional time for deliveries under the program.
- Charge Tier 1 full service rates for water delivered under this program between May 1, 2011 and December 31, 2011, and do not include this water in the computation of the Tier 1 annual limit for CY 2011 for each participating agency.
- Require that Metropolitan and the participating member agency agree to an acre-foot purchase amount and prepare an operating plan to estimate the monthly schedule of deliveries in advance. Deliveries will be made as system capacity and operational objectives allow, which then allows for the waiving of Capacity Charges for deliveries under the program.

A detailed description of the proposed changes to the Term Sheet of the Water Management Program is shown in [Attachment 3](#).

Making water supplies available under the modified terms of the Water Management Program also provides agencies with the opportunity to purchase water supplies at a price that avoids Tier 2 and capacity charges but is not as attractive as the price offered under the discounted Replenishment Rate. Given the same budgetary or other financial constraints that the member agencies have, these changes are not likely to significantly increase the demand for replenishment water. However, the fact that the water is being sold at the Full-Service Tier 1 Rate helps to mitigate the concern that discounted replenishment water is simply replacing a Full-Service water purchase.

*(3) Replenishment Service Program at a Discount Limited by Supply Increases*

According to the Code, deliveries of discounted rate water for replenishment purposes may be made at the General Manager's discretion whenever both water and system capacity are available. Purchases under the Replenishment Service Program could be offered with limits under the following terms:

- Replenishment supplies must be purchased according to the terms and with the certifications outlined in the Code.
- Discount replenishment sales would be limited to increases beyond currently allocated water supplies.

Currently allocated supplies were detailed in the April 2011 Water Surplus and Drought Management Report, which is also provided as [Attachment 2](#) to this report. The following table shows a summary of the currently allocated supplies for 2011. Increases beyond these supplies would be the basis for available deliveries under the Replenishment Service Program under this option.

<b>Currently Allocated Supplies Available to Service Area for 2011</b>	
Colorado River Aqueduct	768,000
State Water Project (70% Table A Allocation)	1,739,000
<b>Total</b>	<b>2,507,000</b>

This discounted program would maximize the amount of water that can be taken, given any budgetary or other financial constraints that the agencies might have. The certification process outlined in the Code would provide verification that the water is being put into storage. Some of the issues that have been identified with the Replenishment Service Program will still exist but will be minimized as a result of the program being offered for a limited quantity of water supply.

*(4) Replenishment Service Program Offered on an Ongoing Basis*

Under this option, discount rate replenishment supplies would be offered similar to Option 3 above, but with no limit as to the amount or end-date. It should be noted that some of the issues that surround the current Replenishment Service Program, particularly those regarding performance and the imbalance between costs and benefits, will remain. These issues would need to be addressed in the development of a long-term Replenishment Service Program.

**Cost and Revenue Discussion**

The analysis of costs and benefits across options is not straightforward because it is impossible to know how much water will be purchased or moved under any of the programs. However, a calculation can be made assuming that 200,000 acre-feet of supply is made available and/or purchased under each of the options. In Option 1 where Metropolitan stores the additional supply in the dry-year storage portfolio, transportation and storage fees will be incurred but revenues will not be collected until the water is sold in the future. In the other options where water is sold to the member agencies, the primary difference between the approaches is the rate being charged for the water delivery. Under the approach to amend the Water Management Program, the rate charged would be the 2011 Tier 1 rate of \$527/AF for untreated deliveries. Under the Replenishment Service Program, the discounted rate in 2011 is \$409/AF for untreated deliveries. Each of the options requires that additional State Water Project water be moved and thus Metropolitan would incur the variable cost for State Water Project transportation, which is approximately \$120 per acre-foot in 2011. It should also be noted that additional State Water Project deliveries will also increase Metropolitan's share of Off-Aqueduct power costs for the year. The following calculations show the Net Revenue that would result from 200,000 acre-feet of deliveries under each of the options where water is sold in this year.

Option 2 Water Management Program

SWP Cost:  $\$120/\text{AF} \times 200,000 = \$24,000,000$   
 Revenue:  $\$527/\text{AF} \times 200,000 = \$105,400,000$   
 Net Revenue:  $\$105,400,000 - \$24,000,000 = \$81,400,000$   
 Net Revenue per Acre-Foot:  $\$527 - \$120 = \$407$

### Options 3 and 4 Replenishment Service Program

SWP Cost:  $\$120/\text{AF} \times 200,000 = \$24,000,000$

Revenue:  $\$409/\text{AF} \times 200,000 = \$81,800,000$

Net Revenue:  $\$81,800,000 - \$24,000,000 = \$57,800,000$

Net Revenue per Acre-Foot:  $\$409 - \$120 = \$289$

This analysis shows that options 2, 3, and 4 provide an avenue for moving additional water into the service area with a positive Net Revenue. The total revenue impact will be dependent on the actual quantity of acre-feet sold, but each acre-foot would provide revenues exceeding variable costs. These positive Net Revenues would go toward paying down a portion of Metropolitan's fixed costs. It is probably reasonable to assume that less water will be moved under the Water Management Program option since the cost to the agencies is higher. It should also be noted that water may be delivered in either of these options through In-Lieu means, which are generally treated water deliveries. As such, the rates charged would include the Treatment Surcharge, which includes higher revenues that the incremental variable treatment cost and would increase the positive Net Revenues shown above.

### **Recommendation**

Staff recommends that the Board provide direction to the General Manager to offer water deliveries under the Replenishment Service Program in an amount limited to increases beyond current water supplies for this year (Option 3). This option provides an approach for managing additional amounts of water supply for CY 2011 at a water rate that should facilitate and maximize member agency local storage actions. Furthermore, the existing Replenishment Rate would collect revenues above the estimated cost of moving State Water Project supplies.

### **Policy**

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Metropolitan Water District Administrative Code Section 4512: Sales Subject to System and Water Availability

Metropolitan Water District Administrative Code Section 4514: Replenishment Service

By Minute Item 48375, dated August 17, 2010, the Board authorized the General Manager to execute Water Management Agreements.

By Minute Item 48507, dated December 14, 2010, the Board amended the terms of the Water Management Program.

### **California Environmental Quality Act (CEQA)**

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CEQA determination for Option #1:

None required

CEQA determination for Options #2, #3 and #4:

The overall project was previously determined by the Board to be exempt under the provisions of CEQA (Sections 15301, 15378(b)(2), 15378(b)(4), and 15061(b)(3) of the State CEQA Guidelines) on August 17, 2010 and December 14, 2010. A Notice of Exemption (NOE) was filed on the project at that time and the statute of limitations has ended. With the current board action, there is no substantial change proposed to the project since the previous NOEs were filed. Hence, the previous environmental documentation in conjunction with the project fully complies with CEQA and the State CEQA Guidelines. Accordingly, no further CEQA documentation is necessary for the Board to act with regards to the proposed action.

The CEQA determination is: Determine that the proposed action has been previously addressed in the August 17, 2010 and December 14, 2010 NOE (Sections 15301, 15378(b)(2), 15378(b)(4), and 15061(b)(3) of the State CEQA Guidelines) and that no further environmental analysis or documentation is required.

## Board Options

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### Option #1

Do not approve any additional approach for delivering water to the member agencies for local storage replenishment.

**Fiscal Impact:** Additional water supplies that become available this year would be stored in the Metropolitan dry-year storage portfolio and incur transportation costs and storage fees with revenue or sales to occur in the future; if all supplies are able to be stored.

**Business Analysis:** This action provides maximum storage in Metropolitan facilities for future dry-year use but also has the highest risk of lost supplies in 2011.

### Option #2

Adopt the CEQA determination and

- a. Modify the 2010/11 Water Management Program Terms to extend the program through December 31, 2011.
- b. Change the purchase price of Water Management Program delivered from May 1, 2011 through December 31, 2011 to the full service Tier 1 rate, and do not count these deliveries against the Tier 1 annual limit of the member agency.
- c. Beginning May 1, 2011, limit deliveries certified under the Water Management Program to those related to improving local storage conditions by direct or in-lieu means of delivery. As such, procedures used for the Replenishment Service Program will be used to administer and assess program participation and performance.

**Fiscal Impact:** Likely increase in sales estimated to be up to 50,000 acre-feet due to program water being billed at the full service Tier 1 rates and charges (except the Capacity Charge). Water moved under this option would provide positive net revenue of \$407 per acre-foot sold. To the extent that treated water is sold under this program, the Treatment Surcharge would apply and thus collect revenues to cover variable treatment cost.

**Business Analysis:** This action provides an avenue for local agencies to improve their local storage conditions at Tier 1 rates.

### Option #3

Adopt the CEQA determination and provide direction to the General Manager to exercise his discretion to offer discounted replenishment in an amount limited to increases in supply above currently allocated supplies.

**Fiscal Impact:** Greater increase in sales, estimated above 100,000 acre-feet due to program water being billed at the Water Replenishment Program discounted rate. Water moved under this option would provide positive net revenue of \$289 per acre-foot sold. To the extent that treated water is sold under this program, the Treatment Surcharge would apply and thus collect revenues to cover variable treatment cost.

**Business Analysis:** This action provides an avenue for local agencies to improve their local storage conditions at Water Replenishment Program rates. Total deliveries would be limited to increases in the current water supplies for CY 2011.

### Option #4

Adopt the CEQA determination and provide direction to the General Manager to exercise his discretion to offer discounted replenishment on an ongoing basis.

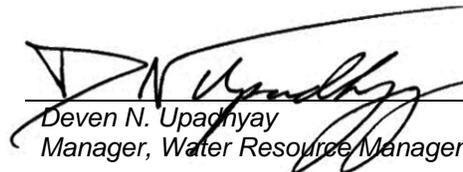
**Fiscal Impact:** Likely increase in sales due to program water being billed at the Water Replenishment Program discounted rate. Water moved under this option would provide positive net revenue of \$289 per acre-foot sold. To the extent that treated water is sold under this program, the Treatment Surcharge would apply and thus collect revenues to cover variable treatment cost.

**Business Analysis:** This action provides an avenue for local agencies to improve their local storage conditions at Water Replenishment Program rates.

**Staff Recommendation**

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Option #3

  
\_\_\_\_\_  
Deven N. Upadhyay  
Manager, Water Resource Management

4/20/2011  
Date

  
\_\_\_\_\_  
Jeffrey Kightlinger  
General Manager

4/20/2011  
Date

**Attachment 1 – Administrative Code Section 4514**

**Attachment 2 – Water Surplus and Drought Management Plan Report (Attachment 1 of April 12, 2011 Board Letter 8-6: Determine implementation status of Water Supply Allocation Plan 2011/12; terminate 2010/11 implementation of Water Supply Allocation Plan; and reaffirm Baseline Water Use Efficiency Condition)**

**Attachment 3 – Proposed Water Management Program Term Sheet**

Ref# wrm12611612

## Administrative Code Section 4514

### **Section 4514. Replenishment Service.**

(a) General - The goals of the Replenishment Service program are to:

1. Achieve greater conjunctive use of imported and local supplies.
2. Encourage construction of additional local production facilities.
3. Reduce member agencies' dependence on deliveries from Metropolitan during periods of shortage.

Member agencies are encouraged to take replenishment water through a discounted rate offered by Metropolitan. This economic incentive encourages local agencies to invest in new water production, storage, treatment and transmission facilities, or to fully utilize existing facilities. These facilities are needed to augment local agencies' capability to produce local water, as well as store imported water purchased from Metropolitan during periods of abundance.

To receive the lower rates, agencies must certify to Metropolitan the amounts of imported water that they have stored in local reservoirs and groundwater basins by direct and in-lieu means. Certification forms are provided to agencies to assist in their calculations and standardize the certifications. Agencies shall comply with the administrative procedures as set forth in the most current Replenishment Service Handbook, as amended from time to time by the General Manager, to receive the Replenishment Service rate on water purchased from Metropolitan.

(b) Storage Types - Replenishment Service water shall be stored for long-term storage. Long-term storage is that water delivered by Metropolitan to a member public agency or sub-agency for storage, by direct or in-lieu methods, beyond a 12-month period. Under this concept, total annual purchases from Metropolitan increase by the amount of Replenishment Service water purchased. Water that an agency leaves in storage to replace groundwater overdraft in any previous drought year when Replenishment Service was declared unavailable is considered long-term storage.

(c) Normal Period of Availability – Replenishment Service water service shall be available between July 1 through June 30 whenever and so long as the General Manager determines that water and system capacity are available. If required for Metropolitan's system regulation, groundwater replenishment by spreading or injecting or water deliveries/sales pursuant to any storage or operating agreement, may be offered to specific member public

agencies during any time of the year at the Replenishment Service rate at the General Manager's discretion. If an agency should take Replenishment Service water when it is deemed not available by the General Manager then it shall pay the rates for that water set forth in Section 4401(a)(1). With respect to service for direct reservoir replenishment and for groundwater replenishment by spreading or injecting, service availability may be activated or terminated immediately upon notice by the General Manager to affected member public agencies. With respect to service for in-lieu groundwater replenishment or in-lieu reservoir replenishment, service availability may be activated upon notice to the member public agencies and terminated upon 48 hours notice to the member public agencies.

(d) Certification - Member public agencies may receive Replenishment Service only upon filing of the required certifications specified in Section 4507. All certifications as to the storage of water Replenishment Service must be on forms provided by the District or in electronic format acceptable to the District and provided to the District via the District's electronic certification and billing system by an authorized user. Receipt of a certification shall be considered identical to receipt of a written and signed certification binding on the member public agency for all purposes. The General Manager may make or cause to be made such investigations as the General Manager may require in order to determine the quantities of water to which the Replenishment Service rates shall apply. Such investigations may result in revisions either upward or downward in the amount of water actually received in Replenishment Service. No such investigation shall be made unless the member public agency has requested Replenishment Service and submitted the requisite certifications. The General Manager may reject any certification if the certifying agency is unable to furnish sufficient documentation as to the facts of the certification.



THE METROPOLITAN WATER DISTRICT  
OF SOUTHERN CALIFORNIA

# Report

## Water Resource Management

- Water Surplus and Drought Management Plan

### Summary

This is a monthly report on developing demand and supply conditions for calendar year (CY) 2011.

On March 15, 2011, the California Department of Water Resources (DWR) increased the State Water Project (SWP) Table A allocation by another 10 percent, raising the current allocation to 70 percent. This increase is the second this calendar year following a relatively wet February and March. The 10 percent increase of SWP Table A boosted Metropolitan's SWP Table A supplies by 191 TAF. In addition, DWR also made Article 21 interruptible water available to the SWP contractors for the first time since 2007, and Metropolitan has taken delivery of about 150 TAF through the end of March 2011. Article 21 supplies are surplus flows that are periodically available in addition to the allocated Table A amounts and increases the total SWP water supplies for the year. DWR also made available the Turn-Back Water Pool for purchase. The Turn-Back Water Pool allows SWP contractors to sell and buy allocated SWP Table A water outside of their service area. Metropolitan is purchasing 8 TAF of the Pool A water. Furthermore, to prevent spilling carryover-water from CY 2010, Metropolitan took delivery of 104 TAF of SWP Non-Project Carryover water and 56 TAF of Article 14b Carryover water. Non-Project Carryover water is stored on behalf of Westlands Water District in CY 2010. Article 14b Carryover water is water that Metropolitan was not able to move in CY 2010 due to DWR system outages. In total, Metropolitan currently has a total of 2.51 MAF of supplies available to the service area from the SWP and the Colorado River Aqueduct (CRA).

In-region demands, obligations, and system losses are estimated to range between 1.72 MAF and 2.23 MAF. On the lower end of the range, the estimated demands are equivalent to CY 2010 actual demand. On the higher end, the estimated demands are based on actual January through March 2011 deliveries, full use of WSAP Level 2 member agency allocations for April through June and WSAP Baseline (no WSAP allocation) demands for July through December plus obligations to return or deliver water supply to other agencies and total system losses. For the third consecutive month, actual demands are tracking lower than WSAP levels.

Based on current water supplies and demands (WSAP allocations and 2010 actual demands), there is a range of outcomes for CY 2011. With demands at a higher end of 2.23 MAF Metropolitan will have a surplus of 280 TAF available for storage. With demands at a lower end of 1.72 MAF, Metropolitan could expect to store up to 790 TAF. Metropolitan has available storage put capacity of 1.05 MAF to manage surplus supply if needed. Although this total storage put capacity is available, some storage locations may be less desirable due to increased risk of future losses and potential cost implications. As the amount of available water to store approaches the maximum put capacity, storage management decisions may be made that reduces the effective storage put capacity for the year.

Although the year has reached a point where supplies have traditionally been stable, supply and demand conditions may continue to be variable through the year. Staff will provide updates to keep the Board apprised of any significantly changed conditions.

Supply & Demand Balance	Demand at Full WSAP Use	With 2010 Demand
Colorado River Aqueduct Available To Service Area	768,000	768,000
State Water Project Available to Service Area	1,739,000	1,739,000
Supplies Available to Service Area	2,507,000	2,507,000
In-Region Demands, Obligations, and Total System Losses	2,227,000	1,717,000
Water Balance	280,000	790,000
Storage Put Capacity	1,051,000	1,051,000

### Attachments

[Attachment A: WSDM Supplies for CY 2011](#)

Board Report (<Water Surplus and Drought Management Plan>)

**Detailed Report**

This report apprises the Board of anticipated supply and demand conditions, and identifies potential actions that may be required to ensure reliability. The imported supplies shown in this report are organized to highlight the supplies and demands, obligations, and losses on the CRA and SWP. This allows for a full view of the available sources of supply anticipated for use within the service area. The balance between these supplies and the demands, obligations, and losses within the service area shows in the case of a shortage, the additional supplies or storage that would be needed. In the case of a surplus, the balance shows the amount of water that can potentially be stored. The section on storage highlights the available capacities of Metropolitan’s storage portfolio.

**Colorado River Aqueduct System**

The table below shows the current estimate of anticipated CRA supplies for CY 2011 is 0.94 MAF. This figure is 60 TAF less than the estimate provided in last month’s report. The 60 TAF of the Southern Nevada Water Authority Agreement (SNWA) water is not needed and has been removed from the list of anticipated CRA supplies since there are sufficient SWP supplies this year. CRA supplies consists of Metropolitan’s Basic Apportionment (550 TAF) and all other Colorado River supplies developed to date, including water transfers that are diverted at Metropolitan’s intake at Lake Havasu.

<b>Anticipated Supplies</b>	
Basic Apportionment	550,000
Canal Lining Water to MWD	16,000
Lower Colorado Water Supply Project	4,000
IID/MWD Conservation Program	85,000
PVID Land Fallowing	120,000
Water Exchanged with SDCWA (IID Transfer and Canal Lining)	161,000
Yuma Desalter	7,000
<b>Total</b>	<b>943,000</b>

Demands and obligations on the CRA system increased from 155 TAF to 175 TAF since last month’s report. The 20 TAF increase of obligation reflects the increase of SWP Table A allocation for SWP contractors Desert Water Agency and Coachella Valley Water District (DWCV), which in turn increased Metropolitan’s obligation to deliver water through the SWP exchange and delivery agreement with these two agencies. Other obligations comprised of delivery obligations to the Coachella Valley Water District (CVWD) as part of the Quantification Settlement Agreement, the 2008 exchange agreement with DWA and the Miscellaneous and Indian present perfected rights use. The table below lists the obligations and their corresponding quantities.

<b>Demands and Obligations</b>	
CVWD QSA Obligation	35,000
DWCV Table A (70 percent allocation)	136,000
DWA Exchange Agreement	1,000
Misc and Indian PPR Use	2,000
<b>Total</b>	<b>175,000</b>

The table below shows the total supplies and demands on the CRA System. This table reflects the obligations as mentioned above. The resulting figure of 768 TAF is the amount of water available to Metropolitan’s service area without using storage.

<b>Colorado River Aqueduct Available to Service Area</b>	
Anticipated Supplies	943,000
Demands and Obligations	175,000
Net Storage to Service Area	0
<b>Total</b>	<b>768,000</b>

**State Water Project System**

On March 15, 2011, DWR increased the SWP Table A allocation by 10 percent, raising the current allocation to 70 percent. This increase is the second this calendar year and follows a relatively wet February and March. The 10 percent increase of SWP Table A boosted Metropolitan’s SWP Table A supplies by 191 TAF. In addition, DWR also made Article 21 interruptible water available to the SWP contractors for the first time since 2007 and Metropolitan has taken delivery of about 150 TAF of the additional supply through the end of March 2011. Article 21 water is surplus flows that are periodically available in addition to the allocated Table A amounts and increases the total SWP water supplies for the year. DWR also made available Turn-Back Water Pool for purchase. The Turn-Back Water Pool allows SWP contractors to sell and buy allocated SWP Table A water outside of their service area. Metropolitan is purchasing 8 TAF of the Turn-Back Pool A water. Furthermore, to prevent spilling carryover-water from CY 2010, Metropolitan took delivery of 104 TAF of SWP Non-Project Carryover water and 56 TAF of Article 14b Carryover water. Non-Project Carryover water is stored on behalf of Westlands Water District in CY 2010. Article 14b Carryover water is water that Metropolitan was not able to move in CY 2010 due to DWR system outages.

The table below shows Metropolitan’s anticipated supplies from the SWP system. Note that Yuba Component 3 Water has been removed from the table. Under this agreement, when SWP Table A allocation is above 60 percent Yuba County Water Agency is not obligated to provide Component 3 Water. The net increase from last month’s report is 519 TAF. It should also be noted that the recent hydrologic conditions have improved the chances for further increases in the SWP Table A allocation.

<b>Anticipated Supplies</b>	
Metropolitan	
Table A (70 percent allocation)	1,338,000
Port Hueneme Agreement	1,000
SBVMWD Transfer	20,000
Article 21	150,000
MWD Turn-Back Water Pool A	8,000
SWP Non-Project Carryover	104,000
Article 14b Carryover	56,000
DWCV	
Table A	136,000
<b>Total</b>	<b>1,813,000</b>

Demands and obligations on the SWP totaling 74 TAF are shown below. At the current time, this is comprised of a return obligation to the Westlands Water District as part of the transfer and exchange program Metropolitan entered with them in CY 2010. The program was for a total of 111 TAF, with two-thirds of the program amount (74 TAF) due to be returned in CY 2011.

<b>Demands and Obligations</b>	
Westlands WD Exchange	74,000
<b>Total</b>	<b>74,000</b>

The table below shows the total supplies and demands from the SWP System. The resulting figure of 1.74 MAF is the amount of water available to Metropolitan’s service area.

<b>State Water Project Available to Service Area</b>	
Anticipated Supplies	1,813,000
Demands, Obligations & Losses	74,000
<b>Total</b>	<b>1,739,000</b>

Board Report (<Water Surplus and Drought Management Plan>)

**Storage Balances and Availability**

Metropolitan has developed significant storage programs within its service area as well as on the CRA and SWP systems. Water stored in these programs can be used to augment water supplies when needed. At times when supplies exceed demands, water can be stored for future use. Metropolitan’s dry-year storage totaled 1.69 MAF at the beginning of 2011, not including emergency storage of 626 TAF. Under current conditions Metropolitan does not anticipate needing to withdraw water from storage. The estimated put capacity to storage is 1.05 MAF. With the increase in SWP Table A allocation to 70 percent, Metropolitan is able to store up to 180 TAF in the SWP Carryover, a 40 TAF increase from when the SWP Table A allocation was at 60 percent. There was also a decrease in expected put capacity for several programs, including the removal of the Las Posas Program and a revision to the capacities for the Central Valley storage programs with Arvin-Edison and Semitropic. For a detailed breakdown of storage see [Attachment A](#).

<b>Dry-Year Storage Capacities</b>	
Storage Level	1,690,000
Take Capacity	1,529,000
Put Capacity	1,051,000

**In-Region Demands, Obligations, and Total System Losses**

In the Metropolitan service area, total water demand is comprised of member agency demands, obligations to deliver supplies (i.e. SDCWA/IID Transfer and Canal Lining), and total system losses including those from the CRA.

Since the first implementation of the WSAP in 2009, staff has been providing water demand estimates assuming member agencies make full use of their current WSAP allocations for the first half of the calendar year, combined with an unallocated “WSAP Baseline” demand for the second half of the calendar year. This method allows for transparent adjustments on a monthly basis as actual monthly water use figures replace previously estimated figures. The method provides for a clearly defined figure that is useful when the Board is considering potential WSAP implementation for the following year. Based on this method, the estimated in-region demands, obligations, and total system losses as of the end of March are 2.23 MAF. This includes estimated demands for January through March based on actual delivery to date, WSAP Level 2 demands for April through June and WSAP Baseline demands for July through December. This figure is about 106 TAF lower than previously reported as the actual deliveries for January through March were low. Demands in CY 2010 were significantly below the allocated WSAP Level 2, and this lower level of demand may continue through CY 2011. After final accounting, the actual in-region demands, obligations and total system losses for CY 2010 were estimated at approximately 1.72 MAF.

The table below shows a range of demands from calculated WSAP allocations to last year’s actual demands.

<b>In-Region Demands, Obligations, and Total System Losses</b>	<b>Demand at Full WSAP Use</b>	<b>With 2010 Demand</b>
Member Agency Demand	2,009,000	1,508,000
Water Exchanged with SDCWA (IID Transfer and Canal Lining)	161,000	152,000
System Losses	57,000	57,000
<b>Total</b>	<b>2,227,000</b>	<b>1,717,000</b>

**Water Balance**

Based on the current anticipated supplies from the CRA and SWP, there is a sufficient amount of water to meet and exceed both demand scenarios described above. If demand is at full WSAP use of 2.23 MAF, Metropolitan will have a surplus of 280 TAF for storage. If 2011 demands are similar to the CY 2010 demands of 1.72 MAF, there will be 790 TAF of surplus water for storage.

Board Report (<Water Surplus and Drought Management Plan>)

The table below shows that there is sufficient storage put capacity to manage the potential range of supplies available for storage. Although this total storage put capacity is available, some storage locations may be less

desirable due to increased risk of future losses and potential cost implications. As the amount of available water to store approaches the maximum put capacity, storage management decisions may be made that reduces the effective storage put capacity for the year.

Based on the supply and demand assumptions outlined in this report, the estimated end-of-year storage balance will range between 1.97 MAF and 2.48 MAF, and may increase to higher levels if additional supplies from the CRA and SWP become available and demands continue to be low.

<b>Supply &amp; Demand Balance</b>	<b>Demand at Full WSAP Use</b>	<b>With 2010 Demand</b>
Colorado River Aqueduct Supplies		
Anticipated Supplies	943,000	943,000
Demands and Obligations	175,000	175,000
<i>Colorado River Aqueduct Available To Service Area</i>	<i>768,000</i>	<i>768,000</i>
State Water Project Supplies		
Anticipated Supplies	1,813,000	1,813,000
Demands and Obligations	74,000	74,000
<i>State Water Project Available to Service Area</i>	<i>1,739,000</i>	<i>1,739,000</i>
<b>Supplies Available to Service Area</b>	<b>2,507,000</b>	<b>2,507,000</b>
<b>In-Region Demands, Obligations, and Total System Losses</b>	<b>2,227,000</b>	<b>1,717,000</b>
<b>Water Balance</b>	<b>280,000</b>	<b>790,000</b>
<b>Storage Put Capacity</b>	<b>1,051,000</b>	<b>1,051,000</b>
<b>Estimated End-of-Year Storage</b>	<b>1,970,000</b>	<b>2,480,000</b>

### Attachment A

Board Report (Water Surplus and Drought Management Plan on water supply and demand)

#### Projected WSDM Storage Use and Balances for CY2011 by Delivery System

2011 WSDM Storage	1/1/2011 Storage Levels	CY 2011 Take Capacity	CY 2011 Put Capacity
<b>Colorado River Aqueduct Delivery System</b>	<b>244,000</b>	<b>244,000</b>	<b>207,000</b>
Lake Mead ICS Account	227,000	227,000	200,000
Yuma Desalting Plant	17,000	17,000	7,000
<b>State Water Project System</b>	<b>681,000</b>	<b>561,000</b>	<b>457,000</b>
MWD SWP Carryover	0	0	180,000
DWCV SWP Carryover	0	0	87,000
SWP Non-Project Carryover	104,000	104,000	0
Article 14b Carryover	56,000	56,000	0
Castaic Lake (DWR Flex Storage)	154,000	154,000	0
Lake Perris (DWR Flex Storage)	65,000	65,000	0
Arvin Edison Storage Program	109,000	75,000	60,000
Semitropic Storage Program	111,000	57,000	74,000
Kern Delta Storage Program	82,000	50,000	56,000
Mojave Storage Program	0	0	0
<b>In-Region Supplies and WSDM Actions</b>	<b>879,000</b>	<b>588,000</b>	<b>273,000</b>
Diamond Valley Lake	638,000	459,000	172,000
Lake Mathews	139,000	61,000	43,000
Lake Skinner	40,000	6,000	4,000
IEUA/TVMWD (Chino Basin)	2,000	2,000	25,000
Long Beach (Cent. Basin)	6,000	6,000	3,000
Long Beach (Lakewood)	1,000	1,000	1,000
Foothill (Raymond and Monkhill)	1,000	1,000	2,000
Calleguas (Las Posas)	35,000	35,000	0
MWDOC (Orange County Basin)	15,000	15,000	17,000
Three Valleys (Live Oak)	1,000	1,000	1,000
Three Valleys (Upper Claremont)	1,000	1,000	1,000
Compton	0	0	1,000
Western	0	0	3,000
Cyclic - USG	0	0	0
Cyclic - PM (Three Valleys)	0	0	0
Cyclic - IEUA (Chino Basin)	0	0	0
Supplemental Storage Program (Los Angeles)	0	0	0
<b>Other Programs</b>	<b>512,000</b>	<b>136,000</b>	<b>114,000</b>
Other Emergency Storage	334,000	0	0
Advance Delivery Account (DWCV)	178,000	136,000	114,000
<b>Total</b>	<b>2,316,000</b>	<b>1,529,000</b>	<b>1,051,000</b>
Emergency	626,000	0	0
<b>Total WSDM Storage</b>	<b>1,690,000</b>	<b>1,529,000</b>	<b>1,051,000</b>

## Term Sheet

Proposed Water Management Program ~~during 2010/11 Allocation~~ for 2011

1. **Term of Program** - Water will be available for purchase and delivery under the Water Management Program (Program) during the period from May 1, 2011 through ~~June 30~~, December 31, 2011. All water delivered prior to May 1, 2011, under the December 2010 Water Management Program (December Program) will be subject to the terms and conditions of the Program in effect as approved by the Board on December 14, 2010.
2. **Purchase Price** - The water will be billed at the time of delivery at the full service bundled Tier 1 rate and charges (i.e., readiness-to-serve charge) in effect during the month the water is delivered. Deliveries under this Program will not be applied to the participating agency's Tier 1 limit for CY 2011. Program deliveries will also not be included in the computation of the capacity charge ~~will not apply to these deliveries~~, since deliveries under the Program are interruptible.
3. **Deliveries** - Metropolitan and the participating member agency will agree to an acre-foot purchase amount and will prepare an operating plan in advance to estimate the monthly schedule for deliveries. The operating plan will be updated as needed by Metropolitan and the participating member agency to accommodate changing conditions.
4. **Administration** – Procedures used for the Replenishment Program will be used to administer and assess Program participation, unless stated otherwise in the Program terms. For the purpose of verifying in-lieu Program deliveries, a fiscal year (July 1, 2011 through June 30, 2012) assessment period will be used, even though this Program ends December 31, 2011. For in-lieu deliveries taking place under this Program during May and June 2011, an alternative assessment methodology will be developed jointly by Metropolitan and the participating member agency.
5. **Effect on Water Supply Allocation** - The water will not count toward the participating member agency's allocation when it is delivered.
6. **Certification** – Member agencies must certify deliveries under the Water Management Program. Certifications must be complete within six months of the month in the which water is delivered.



Date: May 24, 2011  
To: San Diego County Water Authority Board Members  
From: Ken Carpi and Jonathan Clay  
Legislative Representatives  
Subject: Legislative Update

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### Sacramento

**Budget** – The silly season is in full swing in Sacramento. The Governor released his May Revision to the January budget proposal last week and the path forward to a budget solution is still unclear. The Governor continues to call for a special election for voters to consider raising taxes (since the deadline to place a measure on the ballot prior to July 1 has been missed, the temporary taxes already in effect will expire, so if the voters decide to support the tax proposals later in the year, the taxes will be considered new instead of an extension). As highlighted by the Legislative Analysts Office, there are multiple options for the Legislature to consider in closing the remaining budget gap. As you might remember, the initial deficit estimate was \$25.4 billion through the end of the 2011-12 fiscal year. With the early actions taken by the Legislature in March (roughly \$13.4 billion in cuts), the deficit has been reduced to \$9.6 billion. Couple this reduced deficit with increased revenues for the 2010-11 and 2011-12 fiscal years of \$6.6 billion, there appear to be paths forward to a budget solution without needing the entire tax package passed by the voters.

However, the U.S. Supreme Court decided to rain on this parade and rule that California needs to release 33,000 prisoners over the next two years. The impacts of this ruling will have widespread implications for the budget process and for local government budgets.

**Sponsor bills** - SB 759, our sponsor measure dealing with HOAs and artificial turf, has cleared the Senate (32-8) and is now in the Assembly awaiting its first hearing in the Housing and Community Development Committee.

**Calendar** – The house of origin deadline is next Friday (6/3), and policy committees will resume hearing bills from the second house the week after. Given the passage of Proposition 25 last year (majority vote budget and if no budget, no pay for legislators), it is safe to say that the Legislature will push hard to meet its constitutional deadline of June 15 for approval of a budget.

## Washington, DC

**Funding for Water Reclamation in San Diego** – Last week, Bureau of Reclamation Commissioner Michael Connor held a stakeholders meeting in Washington, DC to update participants on budget and policy items.

We attended the meeting and received updates on pending Title XVI grants to be announced the week of May 23<sup>rd</sup>. Included in the announcement will be FY 2011 funding for the San Diego Area Water Reclamation Program. The San Diego area will receive \$4.96 million in water reclamation funding for FY 2011 – the highest of amount of any region in the country.

The Bureau will also announce \$1.39 million in funding for the City of Oceanside's 511 Pump Station Project. Funding is for construction of a new pumping station, with a capacity of 4.5 million gallons per day, and associated pipelines within the City of Oceanside. The proposed 511 pump station will allow the Mission Basin Groundwater Purification Facility to operate at full capacity year-round, making an additional 1,600 acre-feet of water available each year.