



## Proposed Staff Recommendation Consent Calendar for October 27, 2011

### **IMPORTED WATER COMMITTEE**

- 9- 1. Amended letter agreements for consulting services with Gordon Hess and Associates, Inc. and Water Resource Consultants, Inc.  
Authorize the General Counsel to execute the amended letter agreements for consulting services with Gordon Hess and Associates, Inc. and Water Resource Consultants, Inc.
- 9- 2. Authorization to enter into an agreement with Coachella Valley Water District for repairs and improvements to Coachella Canal Lining Project.  
Authorize the General Manager to enter into an agreement with the Coachella Valley Water District to repair cracked panels and make other improvements on the Coachella Canal Lining Project. The Water Authority's cost for entering into the agreement is estimated to be \$1.4 million, which would allow the reimbursement of a significant amount of retained state project funds, provide in-kind assistance from Reclamation, and realize reduced operating and maintenance costs.

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

- 9- 3. Adopt positions on various federal bills.  
Adopt positions of Support on HR 1340 (Young) and Support on HR 1907 (Calvert).

### **ADMINISTRATIVE AND FINANCE COMMITTEE**

- 9- 4. Treasurer's report.  
Note and file the monthly Treasurer's report.
- 9- 5. Establish 2012 Board meeting dates.  
Combine the November and December Board meeting dates to November 29, 2012 and approve the 2012 Board meeting dates calendar.
- 9- 6. Amended agreement for legal services with Liebert Cassidy Whitmore.  
Authorize the General Counsel to execute the amended agreement for legal services with Liebert Cassidy Whitmore.
- 9- 7. Report of Per Diem Workgroup recommendation to amend Administrative Code relating to per diem and reimbursement for attendance at certain events.  
Adopt Ordinance No. 2011-\_\_\_, an ordinance of the Board of Directors of the San Diego County Water Authority amending sections 2.05.010 and 2.05.020 of the Administrative Code relating to payment of director compensation and expense reimbursement for attendance at meetings.



**ENGINEERING AND OPERATIONS COMMITTEE**

- 9- 8. Purchase of one replacement 60-inch plunger valve from VAG Valves, USA.  
Approve the purchase of one replacement 60-inch plunger valve from VAG Valves, USA for \$307,087.50. Water Authority staff will install the valve as part of Asset Management's Valve and Venturi Meter Replacement Program.
- 9- 9. Professional services contracts for as-needed survey services.  
Authorize the General Manager to award six individual three-year professional services contracts in the amount of \$100,000 each to Aguirre & Associates, Bergern & Associates, Nasland Engineering, Project Design Consultants, Rick Engineering, and Snipes-Dye Associates, for a not-to-exceed total of \$600,000 to provide as-needed land survey services.

**WATER PLANNING COMMITTEE**

- 9- 10. Amendment to Agreement with U.S. Fish and Wildlife Service for expedited regulatory processing.  
Authorize execution of an amended agreement with the U.S. Fish and Wildlife Service to provide staff for expedited processing of permits and other regulatory actions for a 36-month period in an amount not-to-exceed \$300,000.
- 9- 11. Status Report on Draft Water Purchase Agreement for the Carlsbad Desalination Project.  
Revise the Guiding Principles for Member Agency Purchase of Local Supplies from the Carlsbad Desalination Project to reduce the required time for member agencies to notify the Water Authority that they intend to purchase Carlsbad Desalination Project water from the Water Authority from 90 days to 60 days from public release of the draft water purchase agreement.

October 26, 2011

## **Attention: Imported Water Committee**

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

#### **Background**

The MWD committees and board met on October 10 and 11. The next regular MWD board and committee meetings are scheduled for November 7 and 8.

#### **Discussion**

This section summarizes discussions held and key decisions made at the September MWD committees and board meetings, as reported by the MWD delegates. Attachment 1 is a copy of MWD's October 11 board meeting agenda and Board Summary.

#### **Engineering and Operations Committee**

The committee and board approved three capital improvement items. The committee also heard an update on Chromium 6.

To manage significant algae bloom along the East Branch of the State Water Project (SWP), which caused taste and odor issues at Weymouth and Deimer treatment plants, staff reported that blends at those plants decreased from last month's 50 percent SWP to 25 percent. Because Skinner treatment plant uses ozone, it is not experiencing any taste and odor problems, and its SWP blend is about 70 percent. Due to discounted replenishment sales, the September 2011 demands of 197 TAF were about 27 TAF higher than September 2010. Delivery of the board-approved sale of 225 TAF discounted replenishment water was completed by September 30. On October 1, the Colorado River aqueduct was reduced to a one-pump operation from six pumps to store eligible Colorado River water in MWD's Lake Mead banking program. MWD staff said it plans to shut down the Colorado River pumps entirely on October 18 through November 17 to provide maintenance along the Colorado River Aqueduct.

Staff also provided an update on the California Cap and Trade Regulation as it relates to MWD operations. The California Air Resources Board (CARB) staff proposed additional modifications to the regulations last month. MWD staff reported that even though it had provided CARB with suggested modifications, CARB staff did not incorporate any of the requested changes. By not incorporating MWD's suggestions, the new modifications could cause MWD's annual energy costs to pump the Colorado River water to increase by \$10 million, staff said. CARB is scheduled to consider the proposed regulation modifications for adoption during its Board Hearing on October 20. Committee Chair Evans (Western) suggested that MWD Directors, if acquainted with any of the CARB Board members, contact them and advocate MWD's position. Director Steiner clarified any discussion with CARB Board members be coordinated with MWD External Affairs and General Manager's offices.

#### **Finance and Insurance Committee**

MWD Controller Tom DeBacker reported on MWD's financial highlights for MWD's first quarter for the fiscal year ending September. He said that the projected sales are tracking at 1.906 MAF, which includes 225 TAF of discounted replenishment water. The projected sales

also include 278.4 TAF of exchange water, of which 105 TAF is part of an agreement with Coachella Valley Water District to pre-purchase three years of exchange water this fiscal year. The remaining exchange water is the Water Authority's transfer water. Coachella's pre-purchase results in \$28 million in additional revenue for MWD for this fiscal year (but a corresponding reduction in future years). With the revenue from the Coachella pre-purchase, MWD's forecasted end-of-fiscal year receipts improved when compared with the 1.8 MAF "managed budget," but it continues to forecast the receipts to be below projected expenditures by \$29.4 million. DeBacker said that the lower projected receipts are due to the discounted replenishment sales.

Director Lewinger asked if MWD would need to reduce its sales projections by about 35 TAF a year for the next few years to account for the Coachella exchange. DeBacker said that Coachella does not always call on the water, therefore not necessitating MWD reduce its sales projections; he further stated that MWD is not obligated to return the 35 TAF of pre-purchased water to Coachella each year. Lewinger asked that staff return with a plan to set aside funds for filling its own storage account to minimize rate spiking.

DeBacker illustrated the imbalance between MWD's variable receipts with fixed expenditures; 80 percent of the receipts are from MWD's water sales and exchanges, which are variable, while 17 percent is from fixed charges, which include taxes. The remaining three percent is from interest and other receipts. DeBacker said the 80 percent fixed expenditures include about \$475 million of State Water Contract, between \$40 million to \$45 million (by agreements) of supply programs, the debt service of \$333 million and most of the projected \$356 million of departmental Operations and Maintenance. DeBacker pointed out that the recent Blue Ribbon Committee (BRC) report also highlighted this imbalance. In response to Director Barbre's (Municipal Water District of Orange County) question on whether MWD is now making policies based on the BRC report, DeBacker clarified that the comparison was mentioned only because staff is currently reviewing the BRC document.

DeBacker said that the cumulative expenditures are trending about \$29.4 million under budget. This variance includes savings of \$63.1 million in SWP, Colorado River Aqueduct power costs and demand management costs, which are offset by increased expenditures in Operations and Maintenance due to chemical cost increases (\$15.4 million), Supply Programs (\$14.3 million), and Debt Service (\$4.0 million). DeBacker reported the projected reserves fund balance for fiscal year 2012 is about \$66 million above the board-established minimum target (which includes the projected \$50 million held in escrow related to the Water Authority rate litigation as of June 30, 2012).

The committee also heard a report on the Long Range Finance Plan. Staff said that it is reviewing the rate structure with the member agencies through the staff process. In addition to periodic reports to the board on the LRFP progress, staff plans to return in November for board consideration of Compton's request to opt out of the purchase order, which expires December 31, 2012. Lewinger pointed out that the board needs to be involved in the LRFP rate refinement process, rather than abrogating responsibilities to member agency staff process. Committee Chair Grunfeld agreed and said that a board workshop is tentatively planned for early December, with the actual date to be determined. Director Wunderlich (Beverly Hills) advocated moving

towards increased fixed rate revenues to better align its rate structure with MWD's mission; on a different note, he also observed that MWD's current rate structure does not incentivize conservation. Because staff's presentation covered a comparison of fixed and variable rate components of various retail and wholesale agencies, Wunderlich asked staff to summarize agencies' fixed components. Director Dick (Municipal Water District of Orange County) asked if staff could also include in its summary each agency's cost per acre-foot to find some correlation between agencies that pay higher fixed rates with higher costs to deliver water.

### **Legal and Claims Committee**

The committee and board approved two consent items related to an increase for electric utility legal services, and amending the Conflict of Interest Code of MWD's administrative code for statutory compliance. Following the closed session discussions, Committee Chair Wunderlich (Beverly Hills) reported that the committee heard in closed session status reports on Bay-Delta litigation and seismic safety repairs at Perris Dam. Wunderlich also reported that in closed session the committee voted to authorize initiation of litigation regarding the defective design of an MWD facility. Subsequently, the board also approved the action.

### **Legislation Committee**

The Water Authority delegation supported the committee and board's action to approve staff's recommendation on five items. MWD's board supported H.R. 2664 (Napolitano, D-CA), H.R. 1907 (Calvert, R-CA) and H.R. 1340 (Young, R-FL) and opposed H.R. 2890 (Clarke, D-MI) and S. 711 (Lautenberg, D-NJ). The board opposed Senator Lautenberg's bill, the "Secure Water Facilities Act," because it would be difficult to enforce the act and there are already sufficient protections in place to secure water treatment facilities.

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

The committee approved an item that appropriated funds and authorized an agreement for an Environmental and Safety Management Information System. Staff reported on MWD's Grant Management Program. Committee Chair J. Murray (Los Angeles) asked staff to return to the committee with a report on how many possible grants MWD qualified for, how many MWD actually applied for and how much funding MWD received. The committee also heard reports on MWD's IT Strategic Plan, employee performance evaluations, and implementation on MWD's new performance appraisal system.

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

Staff gave its first report for this water year on the Water Surplus and Drought Management Plan (WSDM). Staff said 673 TAF of water will be stored in 2011, bringing in MWD's end-of-year storage reserve to 2.4 MAF.

Staff reviewed the current Replenishment Program and brought forward proposed policy principles under discussion. Staff intends to return in November with an action item to adopt a new Replenishment Program. Steiner noted that the Water Authority submitted a letter (Attachment 2) that commented on the need for MWD to integrate in its analysis various reports including the Integrated Resources Plan (IRP), WSDM and replenishment program. The letter also recommends that the analysis include the demand for all water that will be produced by

these programs and rate increases associated with implementation of these programs, among other things.

Due to concern over replenishment program displacing firm water sales, Steiner asked if price has been discussed and whether a cost benefit analysis would be conducted. Staff replied that the financial details are yet to be discussed. Water Resources Manager Deven Upadhyay added that part of the financial integrity principle includes that any replenishment sale cannot be at the financial detriment of MWD. Steiner recommended that a cost benefit analysis be conducted to avoid replacing firm, full-rate sales with discounted replenishment water sales.

In regards to defining replenishment, Director Brick (Pasadena) added that clarification on the meaning of replenishment should be made because there was no clear mechanism to establish whether certain discounted replenishment programs were utilized as put-and-take operations. He said that the purpose of the program is to encourage long-term storage that is a benefit to MWD and the member agencies. The committee also discussed the principle of regional benefit. Evans added that mutual, regional benefit should be defined.

In reviewing MWD's IRP presentation, Lewinger commented that the presentation seemed to indicate that MWD is able to manage shortages with its existing regional storage programs. He asked if MWD is planning to develop the replenishment program as additional storage on top of MWD's IRP, and if so, why, particularly when the IRP clearly states that additional storage is not needed. Staff responded that if MWD could develop storage within its service area that augments MWD's portfolio, is complimentary with MWD's current programs, and does not damage MWD's financial integrity, then the program could help manage MWD's operational and regional reliability. Director Record (Eastern) and Committee Chair DeJesus agreed that there is benefit of storing water, if available, in the service area. Director Edwards asked what guarantees are in place to ensure that the water is stored and can be called by MWD. Staff said that current processes could account for one-year of storage, but beyond that there are no guarantees the water is held longer. Director Morris (San Marino) added that the new policy could include a provision that discounts would only be applied with a call provision.

The committee also received reports on the IRP implementation, Bay-Delta and Colorado River matters.

### **Board Meeting**

Bureau of Reclamation Commissioner Michael Connor addressed the board on California's water supply situation. Connor said that the federal government is dedicated to engaging in resolution of the current and interim operations of the SWP and Central Valley Project with respect to recent judgments on two biological opinions and plans to present a strategy to the court by November 1. Connor also discussed efforts by the Bureau and other federal agencies with the state of California regarding the Bay Delta Conservation Plan. He said through the Memorandum of Agreement with water users, the parties hope to better understand the process, the analyses and science behind the BDCP, the estimated investments, and the aggressive schedule. Finally, Connor discussed the water supply condition along the Colorado River. He said Lake Mead will end the year about 1,115' elevation, significantly improved from last year's 1,075' elevation, which was dangerously close to triggering water shortage. He said because of

the changed conditions, there is now zero percent chance of shortage in 2012. Director Peterson (Las Virgenes) asked if the Bureau plans to engage on Imperial Irrigation District's past practice to place unused proportionment of Colorado River water to the Salton Sea, which, he stated, should be MWD's water per the Quantification Settlement Agreement (QSA). Connor said the Bureau is engaged and is trying to resolve it in a way that preserves the QSA. Record asked if the Endangered Species Act in regards to the Delta could be more focused on habitat and less on species. Connor said the fundamental approach will be reviewed under the BDCP process.

The board also approved a \$41,535 increase (15 percent) in the General Manager's base salary to \$318,435. Based on issues raised by the Water Authority this past year, Heidel and Lewinger did not support this action and Steiner abstained. Brick and Lowenthal (Long Beach) also voted against the General Manager's compensation increase.

Prepared by: Debbie Discar-Espe, Senior Water Resources Specialist  
Approved by: *Finance and Insurance Committee* by Lynne Heidel and Keith Lewinger  
*Engineering and Operations Committee* by 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 Fern Steiner  
*Water Planning and Stewardship Committee* by Keith Lewinger and Fern Steiner

Attachment 1: MWD October Meeting Board Agenda and Board Summary.  
Attachment 2: Letter regarding Water Planning and Stewardship Committee items 6a, 6b, and 6d, dated October 7, 2011.



THE METROPOLITAN WATER DISTRICT  
OF SOUTHERN CALIFORNIA

# MWD MEETING AGENDA

## Regular Board Meeting

October 11, 2011

12:00 p.m. -- Board Room

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MWD Headquarters Building

700 N. Alameda Street

Los Angeles, CA 90012

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1. Call to Order
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 § 54954.3(a))
5. **OTHER MATTERS**
  - A. Approval of the Minutes of the Meetings for September 13 and 27, 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 September
  - 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 September  
6A Report
  - B. Interim General Counsel's summary of Legal Department activities for the month of September  
6B Report
  - C. General Auditor's summary of activities for the month of September  
6C Report
  - D. Ethics Officer's summary of activities for the month of September  
6D Report
7. **CONSENT CALENDAR ITEMS ? ACTION**
  - 7-1 Appropriate \$870,000; and award \$428,551 contract to Mehta Mechanical Company, Inc. for Stage 1 repairs of pipe expansion joints at Julian Hinds Pumping Plant (Approp. 15374). (E&O)  
7-1 Board Letter and Attachments  
7-1 Presentation
  - 7-2 Appropriate \$360,000; and authorize final design and procurement of standby generators at the Temescal and Corona Power

Plants (Approp. 15441). (E&O)

7-2 Board Letter and Attachments

7-2 Presentation

- 7-3 Appropriate \$949,000 for an Environmental and Safety Management Information System as part of the Information Technology Strategic Plan; and authorize an agreement with Trinity Consultants for \$475,000 (Approp. 15411). (OP&T)

7-3 Board Letter and Attachment

- 7-4 Amend the Conflict of Interest Code in Chapter 2 of Division VII of the Metropolitan Water District Administrative Code for statutory compliance and approval of the Fair Political Practices Commission. (L&C)

7-4 Board Letter and Attachments

- 7-5 Authorize increase of \$100,000 in the maximum amount payable under professional services contract with Duncan, Weinberg, Genzer & Pembroke, P.C. for electric utility legal services. (L&C)

7-5 Board Letter

7-5 Presentation

**8. OTHER BOARD ITEMS ? ACTION**

- 8-1 Authorize General Manager to accept offers for the purchase or lease of surplus property identified as The Metropolitan Water District of Southern California ?s Parcel No. 1600-1-100, Orange County Assessor Parcel No. 323-012-14: 0.170 acre of improved land near Robert B. Diemer Water Treatment Plant. (RP&AM) (Revised)

8-1 Presentation

8-1 Board Letter and Attachments

- 8-2 Authorize entering into an exclusive negotiating agreement with Diamond Development, LLC, for the development of a college campus at Diamond Valley Lake. (RP&AM)  
[Conference with real property negotiators; property is up to 300 acres located at Diamond Valley Lake in Hemet, California; agency negotiators: Gilbert Ivey, Ralph Hicks, and John Clairday; negotiating parties: Diamond Development, LLC; under negotiation: price and terms of payment; to be heard in closed session pursuant to Gov. Code Section 54956.8]

- 8-3 Award \$2,159,000 contract to Doty Bros. Equipment Company for construction of the Filter Outlet Chlorination and Chemical Trench projects at the Joseph Jensen Water Treatment Plant (Approps. 15346 and 15442). (E&O)

8-3 Board Letter and Attachments

8-3 Presentation

- 8-4 Express opposition to H.R. 2890 (Clarke, D-MI) ? Homeland Security and Public Water Systems. (C&L) (Revised)

10112011 C&L 8-4 B-L

8-4 Presentation

- 8-5 Express support for H.R. 1907 (Calvert, R-CA) - Infrastructure Facilitation and Habitat Conservation Act of 2011. (C&L)

8-5 Board Letter and Attachment

- 8-6 Express support for H.R. 1340 (Young, R-FL) - End Unnecessary Costs Caused by Report Mailing Act of 2011. (C&L)

8-6 Board Letter and Attachments

- 8-7 Express support for H.R. 2664 (Napolitano, D-CA) ? Reauthorization of Water Desalination Act of 2011. (C&L) (Added)

8-7 Board Letter and Attachment

8-7 Presentation

- 8-8 Express opposition to S. 711 (Lautenberg, D-NJ) ? Secure Water Facilities Act. (C&L) (Added)

8-8 Board Letter and Attachment

8-8 Presentation

- 8-9 Authorize the Interim General Counsel to initiate litigation, one matter, regarding the defective design of a Metropolitan facility. (L&C)

[Conference with legal counsel for decision as to whether to initiate litigation; to be heard in closed session pursuant to Gov. Code Section 54956.9(c)] (Added)

**9. BOARD INFORMATION ITEMS**

None

**10. DEPARTMENT HEADS PERFORMANCE EVALUATION**

10-1 Approve performance evaluation as appropriate for General Manager. [Public employee performance evaluation; to be heard in closed session pursuant to Gov. Code Section 54957] (Revised)

10-2 Compensation Recommendation for General Manager. (To be distributed at meeting) (Revised)

**11. FUTURE AGENDA ITEMS**

**12. ADJOURNMENT**

REVISION #2: Date of Notice: October 6, 2011

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 parentheses at the end of the description of the agenda item e.g. (E&O, F&I). 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.

**Summary Report for  
The Metropolitan Water District of Southern California  
Board Meeting  
October 11, 2011**

**SPECIAL GUEST**

Michael Connor, Commissioner, Bureau of Reclamation addressed the Board.  
(Agenda Item 4A).

**COMMITTEE ASSIGNMENTS**

Director Lowenthal was added to the Communications and Legislation Committee.

Director Camacho was added to the Organization, Personnel and Technology Committee.

Director Wright was added to the Real Property and Asset Management Committee.  
(Agenda Item 5C)

**REAL PROPERTY AND ASSET MANAGEMENT COMMITTEE**

The Board authorized the General Manager to accept offers for the purchase or lease of surplus property identified as The Metropolitan Water District of Southern California's Parcel No. 1600-1-100, Orange County Assessor Parcel No. 323-012-14, a house near Robert B. Diemer Water Treatment Plant. (Agenda Item 8-1)

The Board authorized entering into an exclusive negotiating agreement with Diamond Development, LLC, for the development of a college campus at Diamond Valley Lake.  
(Agenda Item 8-2)

**ENGINEERING AND OPERATIONS COMMITTEE**

The Board awarded \$2,159,000 contract to Doty Bros. Equipment Company for construction of the Filter Outlet Chlorination and Chemical Trench projects at the Joseph Jensen Water Treatment Plant (Approps. 15346 and 15442). (Agenda Item 8-3)

## **COMMUNICATIONS AND LEGISLATION COMMITTEE**

The board voted to express opposition to H.R. 2890 (Clarke, D-MI) – Homeland Security and Public Water Systems. **(Agenda Item 8-4)**

The board voted to express support for H.R. 1907 (Calvert, R-CA) - Infrastructure Facilitation and Habitat Conservation Act of 2011. **(Agenda Item 8-5)**

The board voted to express support for H.R. 1340 (Young, R-FL) - End Unnecessary Costs Caused by Report Mailing Act of 2011. **(Agenda Item 8-6)**

The board voted to express support for H.R. 2664 (Napolitano, D-CA) – Reauthorization of Water Desalination Act of 2011. **(Agenda Item 8-7)**

The board voted to express opposition to S. 711 (Lautenberg, D-NJ) – Secure Water Facilities Act. **(Agenda Item 8-8)**

## **LEGAL AND CLAIMS**

The Board authorized the Interim General Counsel to initiate litigation, one matter, regarding the defective design of a Metropolitan facility to protect Metropolitan’s interests. **(Agenda Item 8-9)**

## **CONSENT CALENDAR**

In other action, the board:

Appropriated \$870,000; and awarded \$428,551 contract to Mehta Mechanical Company, Inc. for Stage 1 repairs of pipe expansion joints at Julian Hinds Pumping Plant (Approp. 15374). **(Agenda Item 7-1)**

Appropriated \$360,000; and authorized final design and procurement of standby generators at the Temescal and Corona Power Plants (Approp. 15441). **(Agenda Item 7-2)**

Appropriated \$949,000 for an Environmental and Safety Management Information System as part of the Information Technology Strategic Plan; and authorized an agreement with Trinity Consultants for \$475,000 (Approp. 15411). **(Agenda Item 7-3)**

Approved to amend the Conflict of Interest Code in Chapter 2 of Division VII of the Metropolitan Water District Administrative Code for statutory compliance and approval of the Fair Political Practices Commission. **(Agenda Item 7-4)**

Authorized increase of \$100,000 in the maximum amount payable under professional services contract with Duncan, Weinberg, Genzer & Pembroke, P.C. for electric utility legal services. **(Agenda Item 7-5)**

### **OTHER ACTION**

In other action, the board:

Approved performance evaluations as appropriate for General Manager and General Auditor.  
**(Agenda Item 10-1)**

Approved compensation recommendation for General Manager.  
**(Agenda Item 10-2)**

### **THIS INFORMATION SHOULD NOT BE CONSIDERED THE OFFICIAL MINUTES OF THE MEETING.**

Board letters related to the items in this summary are generally posted in the Board Letter Archive approximately one week after the Board Meeting. In order to view them and their attachments, please copy and paste the following into your browser

<http://edmsidm.mwdh2o.com/idmweb/home.asp>



## San Diego County Water Authority

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

October 7, 2011

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

Re: Water Planning and Stewardship Committee items 6a, 6b, and 6d

Dear Chairman Foley,

We have reviewed the staff reports to be discussed under Committee items 6a, 6b and 6d at the October 11, 2011 Water Planning and Stewardship Committee. The reports provide a long list of activities described as implementation of the 2010 Integrated Resources Plan (IRP) including BDCP and other imported water projects, recycled water projects, conservation, seawater desalination and, the sale of discounted water. What is absent from the reports is any analysis showing:

- The demand for all of the water that will be produced by these projects;
- The rate increases associated with implementation of all of these projects;
- The regional benefit (to all member agencies paying the rates) of payments by Metropolitan for some member agency local water supply projects;
- The regional benefit (to all member agencies paying the rates) of the sale of discounted water by Metropolitan at a time when its water sales are more than 25 percent lower than projected and water rates are far higher than projected in Metropolitan's adopted Long Range Finance Plan; or
- How all of these projects are expected to be paid for.

Almost twenty years ago, the Metropolitan Blue Ribbon Committee Task Force urged Metropolitan to fully integrate its resource planning and rate structure efforts because, "reliability, cost and demand are all interdependent and should be treated that way in the IRP and rate structure reform processes" (page 9). Unfortunately, Metropolitan has steadfastly refused to do so – as reflected in this month's board reports of ongoing project implementation without any discussion whatsoever about cost or demand. Metropolitan's stubborn refusal to reduce its spending and operations is inconsistent with the economic reality today facing every city and water retailer in Southern California.

The IRP states that it is based on "adaptive management." It is time now for Metropolitan to "adapt" to actual, changed circumstances including dramatically reduced sales, dramatically

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

Mr. Foley  
October 7, 2011  
Page 2

reduced projected demand for Metropolitan water, and, rapidly escalating water rates that will further dampen demand for Metropolitan water.

Since 2003, Metropolitan's expenditures have exceeded its revenues for six out of nine years, and for the same number of years, it has diverted funds intended for pay-as-you-go capital projects to pay for operational expenses. Metropolitan's financial reserves are being depleted, and now stand at their lowest level in 20 years. Metropolitan must stop analyzing project implementation in a vacuum and on a piecemeal basis.

The rate increases associated with declining sales and new projects are inevitable. The impacts of these rate increases are already being felt throughout Southern California. We strongly urge Metropolitan to cease entering into any new project funding agreements and cease the sale of discounted water until Metropolitan staff and board update IRP demand projections to reflect current realities.

Metropolitan needs a rate structure and long-term financial plan that are fully integrated with realistic demand projections. Metropolitan must conduct a cost/benefit and cost of service analysis to justify both the investment of regional ratepayer dollars in member agency water supply projects and the sale of water at a discount. Not only is this required by law, but it is sound fiscal planning that is essential at a time when Metropolitan's revenues are clearly insufficient to pay for its current costs and programs.

Sincerely,



Jim Bowersox  
Director



Lynne Heidel  
Director



Keith Lewinger  
Director



Fern Steiner  
Director

Cc: MWD Board of Directors  
Jeff Kightlinger

October 27, 2011

**Attention: Imported Water Committee**

**Colorado River Board Representative's Report (Information)**

**Purpose**

The Colorado River Board (CRB) Representative's Report summarizes monthly activities of the Colorado River Board.

**Background**

This report covers activities from the October 12, 2011 CRB meeting.

**Discussion**

The CRB took actions and heard informational reports from CRB staff on activities discussed below:

Water supply and reservoir operations

The 2011 water year ended September 30. Flows in the river were significantly higher than normal, and the river's reservoir system made a strong rebound from previous dry years. Inflows into Lake Powell for the year totaled 16.8 maf, which is 139 percent of normal. Total reservoir system contents increased about 6 maf above last year at this time, ending with 38.6 maf in storage. Lake Powell is 72 percent full, with 17.4 maf stored as of October 17. Lake Mead gained 30 feet in elevation during the year and now holds 13.3 maf, which is 51 percent full. Reclamation is delivering additional water from Powell to Mead this year to equalize storage contents. By the end of this calendar year, Reclamation expects to have released 12.52 maf from Powell to Mead, which is about 4.3 maf more than the typical 8.23 maf annual release.

Reclamation computer modeling projections show that the accelerated release of water into Mead will likely continue in water year 2012, with an estimated 13.34 maf being released to Mead during the year. As a result of these storage gains, Reclamation is estimating a 40 percent probability of domestic surplus water becoming available as soon as 2013, based upon "most probable" hydrology and inflows into Lake Powell. Domestic surplus is triggered when Lake Mead is projected to reach an elevation of 1,145 feet or more for the following January. This type of surplus would allow MWD to fill its Colorado River Aqueduct. Reclamation shows the probability of surplus of any type at 40 percent or more for the period 2013-2019.

Brock Reservoir, recently constructed by Reclamation alongside Drop 2 on the All American Canal, conserved and retained in the system about 90,300 af during water year 2011. This is water that would have otherwise flowed to Mexico as "excess flow," above Mexico's 1.5 maf apportionment. Reclamation reported that 54,700 of such excess flow to Mexico occurred this water year.

Environmental issues

Board staff reviewed a letter being prepared for submittal to the U.S. Fish and Wildlife Service regarding a proposed rule designating critical habitat for a species of bird, the Southwestern

Willow Flycatcher. The proposed rule would include the operational pool area of Lake Mead and national wildlife refuge lands located within the Lower Colorado River Multi-Species Conservation Program area. The letter will request that the Service not designate habitat within the MSCP area, as that program is already committed to restoring habitat for the bird. The letter will also request that the designation not be made for the Lake Mead pool area, as it is subject to periodic inundation from reservoir operations and impractical for preserving habitat.

#### Colorado River Basin study

Board staff is coordinating work with its member agencies to complete long-term projections of California water demand. Projected water demand for the study will vary under several assumed assumptions about the future, using scenarios such as economic slowdown, expansive growth, and enhanced environment. The two-year study was begun last year. It will compare projected demand through 2060 with probable supplies, and make recommendations where there is an imbalance between demand and supply. The initial drafts of the demand scenarios are expected to be completed in early October, with the entire study completed in late 2012.

Prepared by: Dave Fogerson, Senior Engineer  
Reviewed by: Halla Razak, Colorado River Program Director  
Approved by: W.D. "Bill" Knutson, CRB Representative

Attachment: Summary Water Report, Colorado River Basin

**SUMMARY WATER REPORT  
COLORADO RIVER BASIN  
October 3, 2011**

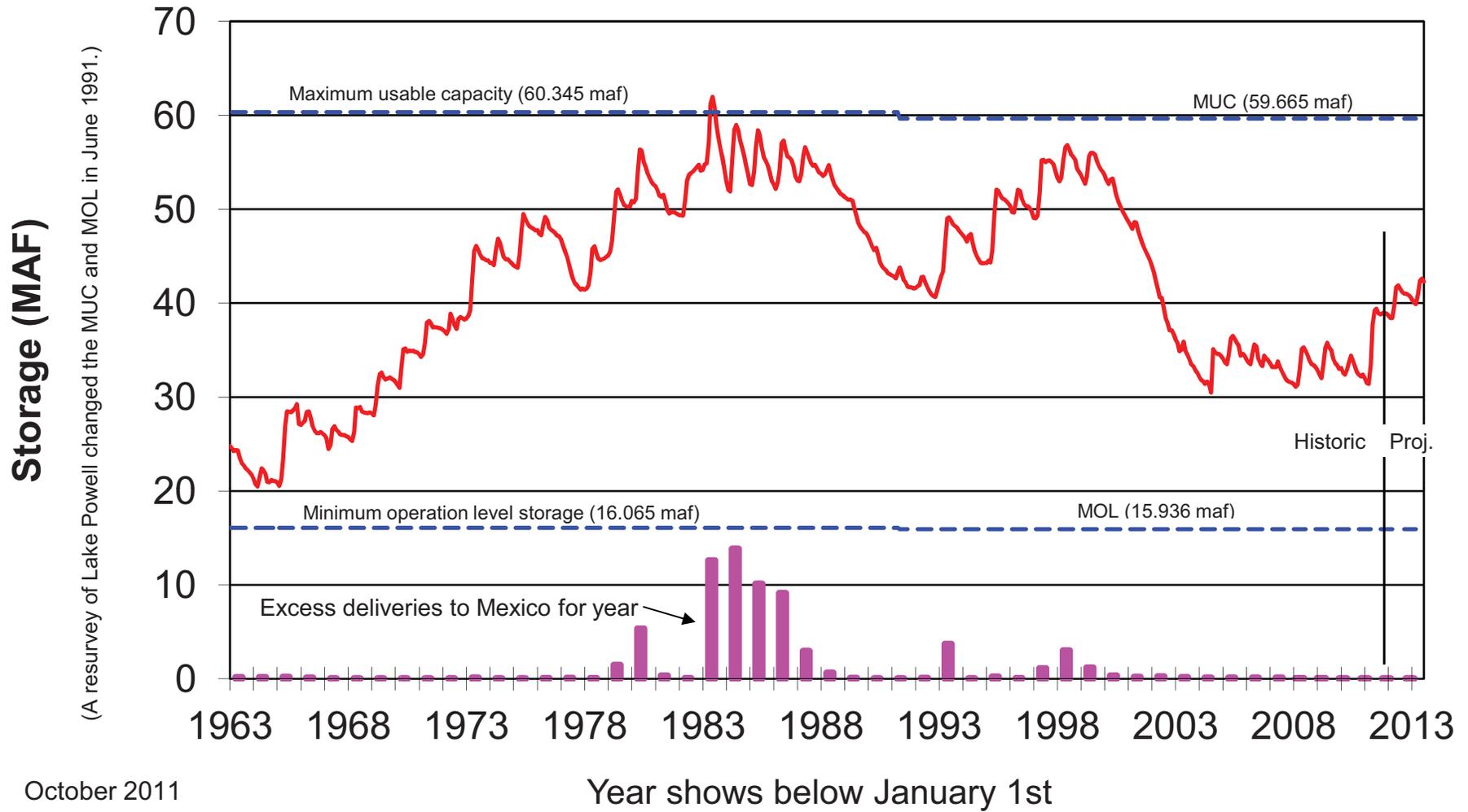
RESERVOIR STORAGE (as of October 2)	MAF	ELEV. IN FEET	% of Capacity	September 6, 2011		
				MAF	ELEV. IN FEET	% of Capacity
Lake Powell	17.573	3,652.8	72	17.822	3,654.8	73
Flaming Gorge	3.462	6,032.9	92	3.533	6,034.7	94
Navajo	1.325	6,058.2	78	1.346	6,059.9	79
Lake Mead	13.010	1,116.4	50	12.779	1,114.0	49
Lake Mohave	1.595	639.2	88	1.659	641.5	92
Lake Havasu	0.584	448.2	94	0.590	448.5	95
<b>Total System Storage</b>	<b>38.662</b>		<b>65</b>	<b>38.923</b>		<b>65</b>
<b>System Storage Last Year</b>	<b>33.040</b>		<b>55</b>	<b>33.664</b>		<b>56</b>

	September 6, 2011	
	MAF	% of Normal
WY 2011 Precipitation (Basin Weighted Avg) 10/01/10 through 10/03/11	120 percent (39.1")	123 percent (37.9")
WY 2011 Snowpack Water Equivalent (Basin Weighted Avg) on day of 10/03/11 (Above two values based on average of data from 116 sites.)	N/A	N/A
September 1, 2011		
September 16, 2011 Forecast of Unregulated Lake Powell Inflow		
2011 April through July unregulated inflow Observed	12.896	163 %
2011 Water Year forecast	16.822	140 %

USBR Forecasted Year-End 2011 and 2010 Consum. Use, October 3, 2011 a.	MAF			
	2011	2010	Net	2010
Nevada (Estimated Total)	0.470	0.213	0.257	0.243
Arizona (Total)	3.650	0.859	2.791	2.792
CAP Total			1.589	1.653
Az. Water Banking Authority			0.134	0.134
OTHERS			1.202	1.140
California (Total) b./	4.922	0.627	4.295	4.363
MWD			0.714	1.099
3.85 Agriculture	<u>Total</u>	<u>Conserved</u>	<u>Forecasted</u>	<u>Estimated</u>
IID c./	3.232	-0.360	2.872	2.547
CVWD d./	0.341	-0.031	0.310	0.304
PVID	0.329	0	0.329	0.274
YPRD	0.047	0	0.047	0.039
Island e./	0.007	0	0.007	0.006
Total Ag.	3.956	-0.391	3.565	3.170
Others			0.016	0.094
PVID-MWD following to storage (to be determined)			=	0
<b>Arizona, California, and Nevada Total f./</b>	<b>9.042</b>	<b>1.700</b>	<b>7.342</b>	<b>7.399</b>

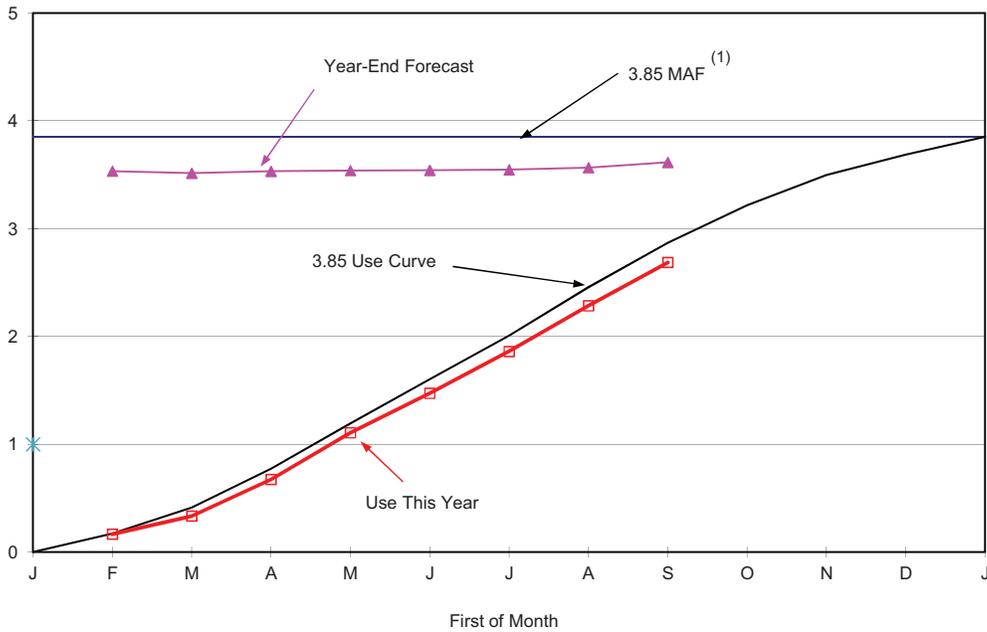
- a./ Incorporates Jan.-Aug. USGS monthly data and 75 daily reporting stations which may be revised after provisions data reports are distributed by USGS. Use to date estimated for users reporting monthly and annually.
- b./ California 2011 basic use apportionment of 4.4 MAF has been adjusted to 4.174 MAF for payback of Inadvertent Overrun and Payback Policy overruns (-1,213 AF), Intentionally Created Surplus Water by IID (-25,000 AF), Creation of Extraordinary Conservation ICS MWD (-200,000 AF)
- c./ 0.105 MAF conserved by IID-MWD Agreement as amended in 2007: 105,000 AF conserved for SDCWA under the IID-SDCWA Transfer Agreement as amended, 80,000 AF of which is being diverted by MWD; 16,000 AF required to conserved for CVWD under the IID-CVWD Acquisition Agreement, 67,700 AF conserved by the All-American Canal Lining Project.
- d./ 30,850 acre-feet conserved by the Coachella Canal Lining Project.
- e./ Includes estimated amount of 6,530 acre-feet of disputed uses by Yuma Island pumpers and 0 acre-feet by Yuma Project Ranch 5 being charged by USBR to Priority 2.
- f./ Includes unmeasured returns based on estimated consumptive use/diversion ratios by user from studies provided by Arizona Dept. of Water Resources, Colorado River Board of California, and Reclamation.

# Monthly Total Colorado River Basin Storage



October 2011

**FIGURE 1  
OCTOBER 1, 2011 FORECAST OF 2011 YEAR-END COLORADO RIVER WATER USE  
BY THE CALIFORNIA AGRICULTURAL AGENCIES**



Forecast of Colorado River Water Use by the California Agricultural Agencies (Millions of Acre-feet)			
Month	Use as of First of Month	Forecast of Year End Use	Forecast of Unused Water (1)
Jan	0.000	-----	-----
Feb	0.167	3.533	0.009
Mar	0.335	3.514	0.028
Apr	0.674	3.531	0.011
May	1.107	3.539	0.004
Jun	1.473	3.541	0.001
Jul	1.861	3.546	-0.004
Aug	2.285	3.566	-0.023
Sep	2.686	3.615	-0.073
Oct			
Nov			
Dec			
Jan			

(1) The forecast of unused water is based on the availability of 3.542 MAF under the first three priorities of the water delivery contracts. This accounts for the 85,000 af of conserved water available to MWD under the 1988 IID-MWD Conservation agreement and the 1988 IID-MWD-CVWD-PVID Agreement as amended; 80,000 AF of conserved water available to SDCWA under the IID-SDCWA Transfer Agreement as amended being diverted by MWD; as estimated 29,000 AF of conserved water available to SDCWA and MWD as a result of the Coachella Canal Lining Project, 67,700 AF of water available to SDCWA and MWD as a result of the All American Canal Lining Project; 14,500 AF of water IID and CVWD are forbearing to permit the Secretary of the Interior to satisfy a portion of Indian and miscellaneous present perfected rights use and 25,000 AF of water IID is conserving to create Extraordinary Conservation Intentionally Created Surplus. 0 AF has been subtracted for IID's Salton Sea Salinity Management in 2011. As USBR is charging uses by Yuma Island pumpers to priority 2, the amount of unused water has been reduced by those uses - 6,530 AF. The CRB does not concur with USBR's viewpoint on this matter.



Date: October 25, 2011  
To: San Diego County Water Authority Board Members  
From: Ken Carpi and Jonathan Clay  
Legislative Representatives  
Subject: Legislative Update

### Sacramento

**2011 Legislative session** – Governor Brown finished his review of legislation (signing, veto, or simply no action which means the bill becomes law automatically) on October 9th. Here are some interesting statistics courtesy of Senate Committee on Governance & Finance:

- Brown considered the lowest number of bills (870) of any Governor since the California Constitution was changed to disallow the pocket veto in 1966 (Proposition 1A).
- Brown vetoed a higher percentage in 2011 (14.36%) than any of his prior years as Governor.
- Brown's veto percentage (14.36%) is only slightly above the average since 1967 (13.82%).
- Deukmejian and Schwarzenegger still hold the record for the most bills vetoed in a year, 436 (1990) and 414 (2008) respectively.
- 2011 holds the fewest vetoed bills (125) since the recall year 2003 (58).
- The five years with the lowest number of chaptered bills have all been since 2007.
- Between 1967 and 2002, the average number of bills considered by the Governor per year was 1,558. Since 2003, the average number of bills considered per year dropped to 1,033, a 33% decrease.
- In 1982, Brown vetoed just 30 bills, setting the record for the lowest number of vetoes.
- The five years with the highest number of chaptered bills (bills that became law) were all with Republican governors (1971, 1984, 1967, 1990, 1988).

**Budget** – Unfortunately revenues continue to fall behind budget projections - roughly \$750 million short for FY 2011/12. If these revenue shortfalls continue until the end of the calendar year (December), the Governor will be faced with the decision to implement the first round of trigger cuts: \$100 million from higher education (UC and CSU). The trigger cuts were a component of the final budget deal - if actual revenues did not match budget projections, then a series of automatic cuts would begin starting in January. Those trigger cuts are not popular with the Legislature. Legislative Leadership had tried to modify the trigger cuts at the end of the legislative session, but the bill sent to the Governor was almost immediately vetoed (and was

strongly opposed by the State Treasurer since it would require changes to disclosure statements for the upcoming State bond sale). Currently the Legislature isn't scheduled to return to Sacramento until after the New Year holiday, January 4th. If the threat of implementing the trigger cuts is real, we believe that is highly likely that the Legislature will return in December to look at alternatives to the trigger cuts.

### **Washington, DC**

**Congress in Session** – The House and Senate returned from the August recess on September 6. Both houses are currently in session.

**Federal Participation in the Bay Delta Conservation Plan (BDCP)** - Currently the Fish and Wildlife Service, the National Marine Fisheries Service, and the Bureau of Reclamation are working with the State of California and non-federal parties to determine reasonable components for BDCP.

A draft EIR/EIS is due in June 2012, and the parties have committed to having a final EIR/EIS complete in February 2013. The federal agencies are helping fund work on BDCP, and are also taking actions across the region that work to the benefit of the Bay Delta, some of which may ultimately be included in the plan being developed. For example, the Bureau of Reclamation is installing fish screens at diversions across the Bay Delta, is constructing water conveyance facilities along the San Joaquin River, and is providing drought relief to irrigators in the San Joaquin Valley.

Participants in the California Bay Delta Conservation Plan (BDCP) process recently conducted briefings and meetings in Washington, DC this week. A congressional briefing for members of the California delegation was held, as well as visits to the Army Corps, Department of Interior and Office of Management and Budget at the White House.

**Congress Moves Hoover Power Act** – Last week, the Senate passed H.R. 470, the Hoover Power Allocation Act of 2011 by Unanimous Consent without amendments. This action follows action by the House of Representatives, which passed the law on October 3, 2011, with technical amendments. The legislation, which carries little controversy and is expected to be signed into law by the President, allocates Hoover power to beneficiaries and funds the Lower Colorado River Multiple Species Conservation Program for 50 years. Elements of the legislation include:

- The legislation will divide roughly 2,000 MW of hydropower between the three Lower Colorado states of Nevada, Arizona, and California through 2067. California gets about two-thirds of the total power generated, and that power is distributed among entities in southern California.
- The power will go almost entirely to public power entities, whether in the form of cooperatives or municipal agencies. The exception to the rule is that some power goes directly to Southern California Edison.

- The allocation is based on how the power has been allocated since 1929, except the new legislation creates a new reserve pool of power of five percent (about 100 MW) for new beneficiaries. The 100 MW will be allocated according to “preference power” laws, meaning that it will most likely go to Indian tribes and other public power entities. Of note is that IID, given its large distribution system and Tribal clients, will get a few additional megawatts.
- Hoover power, like all federally-generated hydropower, is sold at cost. Hoover power is among the cheapest power in the country, typically selling at just over 2 mils.
- Built into the rate structure of Hoover power is also a surcharge to fund the Lower Colorado River Multiple Species Conservation Program, which will also now be funded for the next 50 years.