

WEST BASIN MUNICIPAL WATER DISTRICT

NOVEMBER 3, 2004 - Water Resource
 Little, Dear

NOVEMBER 22, 2004 - Board Meeting

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Approved by: Richard Nagel

ACTION CALENDAR

2004 PURCHASE AGREEMENT AMENDMENTS

SUMMARY:

Each West Basin customer agency voluntarily entered into an Imported Water Purchase Agreement with the District in 2003. The Purchase Agreement entitles them to purchase a certain amount of imported water at a lower tier rate (Tier 1) before being assessed the higher tier rate (Tier 2). Under the Agreement, each agency is also committed to purchase a certain amount of imported water from the District over five years (Purchase Commitment).

According to the District's Tier 1 Allocation Policy (Exhibit "A"), each customer agency has the option, under certain conditions, to either increase or decrease their Tier 1 limit each year.

In early 2004, staff sent out letters to each customer agency offering the option to adjust their purchase agreement for 2004. In all, the District received four responses:

- California Water Service Co. requested an increase of 6,030 AF to its Tier 1 limit;
- City of Manhattan Beach requested an increase of 353 AF to its Tier 1 limit; and
- Los Angeles County Waterworks District No. 29 requested an increase of 790 AF to its Tier 1 limit; and
- City of El Segundo requested a decrease of 1,350 AF to its Tier 1 limit.

The District received a total Tier 1 increase request of 7,173 AF and a total decrease request of 1,350 AF, resulting in a net increase of 5,823 AF. According to the District's Allocation Policy, if an unallocated pool of water exists, the District may accommodate any net increases. Currently, the District has an unallocated pool of 1,242 AF. However, the unallocated pool cannot meet the total amount requested; therefore, the pool must be Pro-rated to each customer agency according to a Base Reallocation Process.

This base reallocation process distributes the total amount available to each customer agency on a pro-rata basis according to their relative share of the total amount requested. The table below illustrates the amounts given to each customer and their new Tier 1 limits.

**West Basin MWD
 2004 Base Reallocation**

Customer Agencies	Amount Requested (AF)	Relative Share of Total Requested	Pro-Rata Share (AF)	Initial Tier 1 limit (AF)	New Tier 1 Limit
City of El Segundo	-1,350	52%	-1,350	13,500	12,150
WBMWD Unallocated Pool	-1,242	48%	-1,242	n/a	n/a
Total Request for Decrease	-2,592	100%	-2,592		
Cal Water	+6,030	84%	+2,177	62,434	64,611
Manhattan Beach	+353	5%	+130	5,254	5,384
LA County- District No. 29	+790	11%	+285	10,143	10,428
Total Request for Increase	+7,173	100%	+2,592		

FISCAL IMPACTS:

As long as the District is under its Tier 1 limit with Metropolitan Water District, such adjustments will not fiscally impact the District.

ENVIRONMENTAL COMPLIANCE:

Not applicable.

COMMITTEE STATUS:

This item was reviewed by the Water Resource Committee on November 3, 2004 and recommended for approval at the November 22, 2004 Board meeting.

RECOMMENDED MOTION:

That the Board authorizes the Co-Acting General Managers to amend:

1. California Water Service Co. Purchase Agreement to increase their Tier 1 Annual Maximum by 2,177 AF and their Purchase Commitment by 212,466 AF;
2. The City of Manhattan Beach Purchase Agreement to increase their Tier 1 Annual Maximum by 130 AF and their Purchase Commitment by 17,773 AF; and
3. The Los Angeles County Waterworks District No. 29 Purchase Agreement to increase their Tier 1 Annual Maximum by 285 AF and their Purchase Commitment by 34,380 AF.
4. The City of El Segundo Purchase Agreement to decrease their Tier 1 Annual Maximum by 1,350 AF and their Purchase Commitment by 40,500 AF.

LIST OF EXHIBITS:

Exhibit "A" - Tier 1 Allocation Policy

Exhibit "B" - Amended Purchase Agreement with California Water Service Co.

Exhibit "C" - Amended Purchase Agreement with the City of Manhattan Beach

Exhibit "D" - Amended Purchase Agreement with the L.A. County Waterworks District No. 29

Exhibit "E" - Amended Purchase Agreement with the City of El Segundo