

WEST BASIN MUNICIPAL WATER DISTRICT

DECEMBER 5, 2006 – Water Resources

Little, Dear

DECEMBER 21, 2006 – Sp. Board Meeting

Prepared by: Fernando Paludi

Submitted by: Paul Shoenberger

Approved by: Rich Nagel

ACTION CALENDAR

2006 IMPORTED WATER PURCHASE AGREEMENT AMENDMENT

SUMMARY:

Each West Basin Municipal Water District (District) customer agency voluntarily entered into an Imported Water Purchase Agreement with the District in 2003. The Purchase Agreements entitle 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 set quantity of water from the District over five years (Purchase Commitment). According to the District's Tier 1 Allocation Policy, each customer agency has the option, under certain conditions, to adjust their purchase agreement terms each year.

In September 2006, California American Water Company (Cal-Am) determined that their total cumulative purchases of imported water over the five-year term will not meet the necessary amount required under the purchase commitment (7,500 AF) by the end of December 31, 2007. Cal-Am is projecting total purchases of approximately 6,500 AF by the end of 2007; 1,000 AF short of their commitment. Cal-Am's shift of imported water to groundwater for the past couple of years has resulted in low imported water purchases from the District.

According to the Purchase Agreement, if the total amount of imported water purchased by the end of the term is "less than the purchase commitment amount, the purchaser (Cal-Am) agrees to pay the District the undelivered balance of the purchase commitment at the average of the Tier 1 Supply Rate in effect during the Term." The Tier 1 Supply Rate is currently \$73 acre-foot (AF), resulting in a potential financial penalty of \$73,000.

However, the Tier 1 allocation policy also allows a customer agency to decrease their purchase commitment as long as there is another agency requesting an increase of an equivalent amount. Cal-Am has submitted such a request for a decrease to their Purchase Commitment so they can meet their obligation to the District by 2007, and California Water Service Company (Cal Water) has agreed to an equivalent increase in their purchase commitment. The exchange in purchase agreement commitment agreed to by Cal Water and Cal-Am is shown below:

**West Basin MWD 2006 Reallocation
(In Acre-Feet)**

Customer Agencies	Initial Purchase Commitment	Amount Requested	New Purchase Commitment
California American Water Co.	7,500 AF	-960 AF	6,540 AF
California Water Service Co.	217,878 AF	+960 AF	218,838 AF

Staff recommends amending Cal-Am's and Cal-Water's purchase agreements effective December 1, 2006.

FISCAL IMPACTS:

As long as the District is projected to meet its purchase commitment amount with Metropolitan Water District, which we are projected to do, such an adjustment will not fiscally impact the District.

ENVIRONMENTAL COMPLIANCE:

Not applicable.

COMMITTEE STATUS:

This item was reviewed by the Water Resources Committee on December 5, 2006 and recommended for approval at the December 21, 2006 Special Board meeting.

RECOMMENDED MOTION:

That the Board authorizes the General Manager to amend:

1. California American Water Company's Purchase Agreement to decrease their Purchase Commitment by 960 AF to a total of 6,540 AF; and
2. California Water Service Company's Purchase Agreement to increase their Purchase Commitment by 960 AF to a total of 218,838 AF.

LIST OF EXHIBITS:

Exhibit "A" – Amended Purchase Agreement with California Water Service Co.
Exhibit "B" – Amended Purchase Agreement with California American Water Co.