

WEST BASIN MUNICIPAL WATER DISTRICT

NOVEMBER 16, 2007 – Water Resources
Smith (Chair), Little

NOVEMBER 26, 2007 – Board Meeting

Prepared by: Harvey De La Torre

Submitted by: Paul E. Shoenberger

Approved by: Richard Nagel

INFORMATION CALENDAR

METROPOLITAN WATER DISTRICT ACTIVITIES UPDATESUMMARY:

This staff report on Metropolitan Water District (MWD) issues is intended to brief the Board of Directors on activities and issues relevant to West Basin and its customer agencies. The first section, "On-Going Issues" is a status update on current studies, reports, and/or policy work groups that staffs are involved with. The second section, "Current Month's Issues," is a report on noteworthy items that are being covered at the current month's MWD Board meeting. The last section, "Upcoming Issues" is a preview of new and forthcoming issues important to the District. This format is intended to keep the Board informed about current and future items at MWD in order to provide direction to staff and its MWD representatives in a timely manner, if required.

ON-GOING ISSUESMWD's Enhanced Role in Local Resources Development

Purpose: Included in the MWD Board's April action regarding the LRP process was a commitment to enhancing MWD's role in advancing local resources development, including at a minimum recycled water, groundwater recovery, groundwater storage, and seawater desalination. Bi-monthly meetings will be held to focus on MWD and the Member Agencies jointly taking a more proactive approach in addressing traditional legislative and regulatory barriers to greater local resource acceptance and use.

Update: No new information is available at the time of drafting this memorandum.

Diamond Valley Lake Recreation Plan

Purpose: MWD Diamond Valley Lake (DVL) Recreation Plan includes an array of projects ranging from the development of hiking trails, recreational facilities, commercial and residential property, to the sale of surplus property on land surrounding DVL totaling over 3,000 acres. MWD staff asked the Board for policy guidelines pertaining to its DVL recreation program in the key areas of recreation development, business planning, and commercial/residential development.

Earlier in the year, Chairman Tim Brick announced the formation of a Real Estate & Asset Management Subcommittee, under the direction of the Finance Committee Vice-Chair Aaron Grunfeld of LAWDP, to oversee the DVL Recreation Plan and the Center for Water Education. Among the duties of the Subcommittee will be review of the business plan, facilities design and financing.

The City of Hemet has been discussing financial proposals with MWD on how to jointly finance the recreational components of DVL, particularly on-going operations and maintenance expenses. MWD staff is expected to release their "DVL Recreation Business Plan" in conjunction with the City of Hemet's proposals.

Update: MWD plans to hold a Board workshop on real estate issues in January. This workshop will review current and proposed real estate policies as well as budget and operational conditions.

Energy Management Plan Update

Purpose: As part of the worldwide awareness of global climate change and the State's energy shortage, MWD has embarked on an Energy Management Plan to focus its efforts on reducing its "carbon footprint" and energy use by looking into renewable sources of energy such as Hydro, Wind, and Solar power, as well as review MWD's long-term energy contracts with the State Department of Water Resources. The following are formal actions taken by the MWD Board to date relative to energy management activities:

- Approval of MWD's registration with the California Climate Action Registry (February 2007)
- Approval of 1MW solar energy project design for the Skinner Filtration Plant (May 2007)

Update: Last month, MWD staff presented the findings from a preliminary study identifying where new sources of energy in the areas of solar, hydro, and wind could be installed within MWD's service area. Locations for many projects were determined by cost-benefit analysis - comparing the project costs versus the current cost of power MWD purchases. The Committee recommended MWD staff to seek out partnerships among other government entities and create a broader approach in energy savings. Staff plans to refine their study with these comments and bring back a more comprehensive plan.

Report on Groundwater Capabilities

Purpose: Earlier in the year MWD's Board directed its staff to prepare a report documenting the use and status of groundwater resources within the Metropolitan service area. The goal of this regional study is to compile existing baseline information that summarizes production, recharge, water quality, and water level trends of the groundwater resources within the Metropolitan service area. This baseline assessment study is anticipated to lay the groundwork for future policy discussions regarding increasing MWD's groundwater storage opportunities within the region.

Update: In December, the Water Planning and Stewardship Committee will discuss regional groundwater storage strategies based on MWD's Final Groundwater Assessment Study. Among the strategies will include setting up workshops with member agencies and groundwater basin managers to assess storage space and policy recommendations to encourage more local storage.

MWD's Long Range Finance Plan

Purpose: As part of MWD's adopted Fiscal Year 2007-08 water rates, the Board requested staff to review and update its Long Range Finance Plan (LFRP), which was last updated in 2004. Specifically, the Board and member agencies requested a review of MWD's financial policies, revenues, operating and maintenance costs, water supply alternatives, reserve levels, and water rate incentives. MWD's Chief Financial Officer, Brian Thomas, recommended a phased approach to the update process, including Phase 1 - Cost/Sales Forecast; Phase 2 - Financial Policies and Strategies; Phase 3 - Revenue Enhancements. An additional phase - Rate Structure Issues, was also added and will run concurrently with Phases 1 through 3. MWD plans to finalize the updated LFRP, including any policy recommendations to the Board, by December 2007.

Update: This past month, the LRFP workgroup focus primarily on rate structure issues. The objective of these meetings is to review and recommend options to the MWD Board on a few unclear components within MWD's rate structure. Due to the complexity and history of these issues, MWD hired Red Oak Consulting to facilitate and guide these discussions. Among the first order of business was to identify issues of concern as well as layout a work plan to finalize on options to bring to the Board. The workgroup determined the following issues for review: the Interim Agriculture Water Program (IAWP), the replenishment program, Growth Charge, Treated Water Peaking Charge, and Tier 1 and Tier 2 Differential. Over the next couple of months, each issue will be reviewed and analyzed to determine recommendation/options on how to properly apply these rates and charges in the future.

On the progress of the LRFP, MWD staff will present options to the Board this month on the revenue requirements for Fiscal Year 2008/09, including the first draft of MWD's ten-year water rates projections.

Bay-Delta/State Water Project

Purpose: MWD has entitlement to, and pays for, roughly half of the State Water Project (SWP). Less Colorado River supplies in recent years has meant that MWD has become increasingly reliant on supplies from the SWP to meet demands. The Bay-Delta, from which the SWP and the federal Central Valley Project (CVP) draw their deliveries, is a strained eco-system of competing needs, and extremely vulnerable to seismic or other catastrophic event. Governor Swarzenegger has called for a long-term vision for Delta sustainability, while short-term levee improvements are already underway.

On August 31, U.S. District Court Judge Oliver Wanger delivered a preliminary ruling "from the bench" on how the state and federal pumps in the Delta should be operated on an interim basis until new biological opinions are completed and the resulting ESA and FESA permits are secured – most likely in late 2008. The decision pieces together a series of restrictions on the two projects based on elements of the plaintiff's (NRDC) as well as the state and federal resources agencies. Importantly, the ruling does not immediately impact MWD's state supplies this year, but could result in as much as a 30% curtailment in 2008 and possibly longer. While MWD analyzes the impacts of the future reductions in supply based on the preliminary ruling, a more detailed written decision is forthcoming.

As for the water supply impact on the SWP, it is expected during the first week of December DWR will release its first estimated allocation of Table A water for 2008. MWD staff anticipates the first estimates to be approximately 20-30%; resulting in 380 TAF to 575 TAF to MWD. This 20-30% initial allocation does not take into account Judge Wanger's 30% curtailment. However, it is important to note, the first estimates from DWR are usually conservative based on the fact that rainfall usually occurs until the January to March timeframe. SWP allocations usually increase during these later wetter months.

Update: Judge Wanger is currently in the process of finalizing his decision based on the feedback he received from all of the parties on his preliminary ruling in August. It is anticipated the final rules of how the Delta pumps will be operated is expected to be released later this month and become effective late December during the start-up of the Delta Smelt spawning period.

MWD Treated "Pump-In" Policy

Purpose: As part of MWD's goal to discuss new and creative ways to promote operational flexibility and reliability within its service area, member agencies and in particular Municipal Water District of Orange County (MWDOC), have recently presented a number of proposals to introduce non-MWD potable water (i.e. groundwater and surface water) into MWD's distribution system. Such "Pump-In" proposals can provide local reliability and flexibility to member agencies, while at the same time, defer capital expansion and provide operational flexibility to MWD at certain locations. However, due to the water quality concerns of introducing non-MWD treated water and the significant policy issue these proposals raise, a member agency workgroup has been formed to study the issues and craft a set of policy principles in which MWD staff can bring forth to the Board for possible adoption.

As an aggressive developer of local water supplies, West Basin may seek in the future to introduce such non-MWD water into the MWD distribution system for local and regional benefit. The District will remain actively engaged in these discussions and will provide timely updates to your Board on related projects and policies.

Update: No new information is available at the time of drafting this memorandum.

Water Conservation Communication Plan

Purpose: Record dry conditions locally, below normal rainfall and snowpack affecting all Southern California's imported water sources, and export reductions from the Delta have prompted MWD to expand its conservation media and outreach campaign.

In June, the MWD Board approved an additional \$6.3 million to extend the time and scope of the conservation campaign. The new campaign "It's Time To Get Serious About Saving Water" will include radio, television, print, on-line, and outdoor advertising, along with an extensive media and community relations effort, and extend through Fiscal Year 2007-08. In addition, MWD has made available for its member agencies and sub-agencies "bill insert ads" with many useful water saving tips on how to residents can conserve water.

Update: MWD staff plans to provide a status report on the Conservation Communication Plan at this month's Communication and Legislative Committee meeting.

Water Allocation Workgroup

Purpose: MWD staff and member agencies are working on a Drought Allocation Plan in the event water shortages reach the level that requires rationing. The Water Supply and Drought Management (WSDM) Plan, adopted by the MWD Board in 1999, included principles for the allocation of water but stopped short of an allocation formula. The WSDM Plan's omission of an allocation formula was predicated on the assertion that due to advancements in storage and local resources, an actual allocation would not be necessary for at least ten years (1997-2008). Meetings with MWD and member agency staff have begun to review and discuss the calculation and methodology used to determine a water shortage allocation formula. Among the key issues in discussion are the recognition for local reliability investments such as recycling, groundwater recovery, and groundwater storage; economic and population growth adjustments; and conservation hardening credits. The goal is to create a formula that reflects the WSDM principles in a balanced manner for all member agencies. West Basin staff is actively participating in all of