

WEST BASIN MUNICIPAL WATER DISTRICT

AUGUST 16, 2007 – Water Resources

Smith (Chair), Little

AUGUST 27, 2007 – Board Meeting

Prepared by: Fernando Paludi

Submitted by: Paul Shoenberger

Approved by: Rich Nagel

INFORMATION CALENDAR

METROPOLITAN WATER DISTRICT ACTIVITIES UPDATESUMMARY:

This staff report on Metropolitan Water District (MWD) issues is intended to brief West Basin Municipal Water District (District) Directors on activities and issues relevant to the District and its customer agencies. The first section, "On-Going Issues", is a status update on current studies, reports, and/or policy workgroups that staff is 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 ISSUESLocal Resources Program (LRP) Working Group

Purpose: This past April, the MWD Board approved a new process for selecting LRP projects. As part of the implementation of the new policy and process, MWD will reassemble the workgroup of member agencies to review the draft application package for selecting new LRP projects, and issue the final application package later this summer.

Update: MWD staff released the draft LRP application to the member agencies for review and comment. West Basin staff reviewed the application and submitted comments on sections of the application's guidelines. MWD plans to incorporate comments received and distribute the final LRP application early this month.

MWD'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: West Basin staff submitted a matrix of recommendations to MWD that included legislative, regulatory, outreach, R&D, feasibility/pilot/demonstration study, and environmental components. The workgroup plans to discuss all of the recommendations submitted to MWD at the next bi-monthly meeting that is currently being scheduled.

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 is currently asking 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 this 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 the reviewing 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 operation & 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 DVL Recreation in the fall.

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

Report on Groundwater Capabilities

Purpose: Earlier in the year, MWD's Board directed 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: MWD has distributed to the member agencies and groundwater basin managers a copy of the Draft Executive Summary for review and comment. Once received, MWD will finalize the report and submit it to the MWD Board of Directors at its September Board meeting.

MWD's Long Range Finance Plan

Purpose: As of part of MWD's adoption of its Fiscal Year 2007-08 water rates, the Board requested staff to review and update its Long Range Finance Plan (LFRP), which was last adopted 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; and 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 LRFP, including any policy recommendations to the Board, by December 2007.

Update: In July, MWD staff provided an overview of its Capital Financing Strategy and Reserve Policy to the workgroup. Among the key items covered were a review of MWD's PAYGo policy, Replacement and Rehabilitation (R&R) fund policy, Capital Improvement Program projections, Revenue Bond Debt calculation, Reserve Policy regarding minimum and maximum levels, and Reserve Fund balances. One observation MWD's Chief Financial Officer, Brian Thomas, noted was MWD's Reserve levels may fall below the minimum levels in Fiscal Year 2008-09 and Fiscal Year 2009-10.

At the end of the month, MWD will provide a sensitivity analysis on MWD's rates and charges including the risks of increased power rates on the State Water Project & Colorado River, lower than expected supplies, and increase chemical costs.

Bay-Delta/State Water Project

Summary: 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 Schwarzenegger has called for a long-term vision for Delta sustainability, while short-term levee improvements are already underway.

Update: The SWP pumps are currently operating at near-full capacity and MWD expects to receive all of its 60% allocation for calendar year 2007. By September, MWD will have moved 90% of its allocation. Including carry-over deliveries, MWD will receive approximately 1.5 million acre-feet in total from the SWP this year.

July 23 was the deadline for submitting proposals to the Federal District Court (Judge Wanger) for how to operate the state and federal pumps in the Delta on an interim basis until new ESA and FESA permits are secured--most likely in late 2008. The State Water Contractors (SWC), including MWD, DWR--on behalf of state and federal operations--and the NRDC (plaintiffs in the federal lawsuit) all submitted proposals. Preliminary analysis by MWD shows that both the DWR and NRDC proposals would result in significantly more loss of water exports from the Delta than MWD believes is necessary. The SWC position is that technical studies being performed by MWD show that the DWR proposal can be modified to increase water exports and still adequately protect fish species, and it asks the judge for additional time (November 2007) before making a ruling on the interim operating scenario. The original deadline for a ruling is August 21, 2007.

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 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 the Board on related projects and policies.

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

Water Conservation Communication Plan

Summary: 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. The current "Let's Save" campaign sponsored traffic report radio spots on 91 radio stations throughout MWD's entire service area through mid-July.

At its June meeting, the MWD Board approved an additional \$6.3 million to extend the time and scope of the conservation campaign. The campaign 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.

Update: A new subcommittee of the MWD Board has been established to oversee the development of the conservation campaign. West Basin's representative Ed Little has been appointed to the subcommittee.

Water Allocation Workgroup

Summary: MWD staff has announced that work will begin on preparation of an Allocation Plan in the event that water shortages reach the level that requires rationing. The Water Supply and Drought Management (WSDM) Plan, adopted by the MWD Board in 1997, 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.

Update: Last month, MWD staff presented to the member agencies background information on MWD's 1995 Drought Management Plan and the 1999 WSDM Plan. These two plans were the basis for determining a shortage allocation formula. MWD and member agency staffs are currently