



WEST BASIN MUNICIPAL WATER DISTRICT
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AGENDA NO. 4

July 17, 2008 – Water Resources
Smith (Chair), Little
July 28, 2008 – Board Meeting
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INFORMATION CALENDAR

METROPOLITAN WATER DISTRICT ACTIVITIES UPDATE

SUMMARY:

This report on Metropolitan Water District (MWD) issues is intended to brief the Board 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 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 West Basin. 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 ISSUES

Water Supply Actions and Allocation Plan

Purpose: The Water Supply Allocation Plan was approved by the MWD board in February. MWD executives have stated publicly that no allocation will take place in 2008, but that a 2009 allocation is likely if hydrologic conditions next winter are similar or less than this past winter. For the balance of 2008, Metropolitan will rely on heightened conservation, continued withdrawals from storage accounts both in-region and in the Central Valley, and water transfer purchases from agricultural districts to meet anticipated gaps between supplies and demand. In April, Metropolitan and member agency staff initiated a series of "Five-Year Action Plan" meetings to develop a set of preferred actions for managing the supply/demand gap through 2008 and over the next several years of uncertainty.

Update: Metropolitan's board of directors adopted a "Water Supply Alert" Resolution in June that served as a regional call for cities, counties, member agencies and retail water agencies to implement "extraordinary" voluntary conservation through water use efficiency ordinances and other measures. The "Five Year Action Plan" was kicked off in four different areas of focus: Water Transfers, Interim Delta Fixes, Conservation, and Local Resources. Member agency and MWD staff are working jointly on the Conservation and Local Resources areas by identifying opportunities where additional MWD investment, financial or otherwise, can lead to immediate (6 months to 3 years) gains in either demand management or local supply production.

The Local Resources workgroup has initiated a process whereby member agencies submit local projects that could produce yield in a very short timeframe with additional assistance from MWD. West Basin is already working with MWD staff on its potential projects. Over the next couple of months, MWD and the member agencies will select a portfolio of local projects that presents the best opportunity to increase yield for a certain level of investment.

The investment will have an associated rate impact that will need to be compared to a similar cost/benefit analysis for the Conservation, Water Transfer and Delta Fix recommendations. Ultimately, the MWD board will consider the appropriateness of the reliability and rate impact trade off of the initial set of Five Year Action Plan recommendations. The board will likely see these recommendations in September.

Long-Range Finance Plan Update

Purpose: The current update of the MWD's Long-Range Financial Plan (LRFP) was initiated subsequent to the adoption of the Calendar Year 2008 water rates (March 2007). Now over a year in progress, a group of member agency representatives continues to meet regularly to discuss rate structure issues as part of the final phase of the LRFP. MWD plans to finalize the updated LRFP, including any policy recommendations to the Board, by the end of calendar year 2008.

Update: Meeting #13 of this workgroup was held on June 29. The remaining rate structure issues, Treated Water Peaking Charge and Infrastructure Related Growth Charge, will be included in the final LRFP report to the MWD board later this calendar year. With other important supply and financial challenges facing MWD in the coming months, the MWD board may decide that these rate structure refinements should be deferred. Who pays for peaking capacity in the treatment system, and expansion of the system to meet new growth will likely continue to be major points of debate.

MWD's CFO office has developed the first set of long-term rate projections under a low-sales scenario (2.1 million acre-feet). These projections do not take into account anticipated investments in the Five Year Action Plan and therefore are considered preliminary and for discussion purposes only. It is evident, however, that the 2010 rate increase will be significantly higher than anticipated in order to account for lower sales from the region's heightened conservation, falling reserves, and the MWD board's direction to staff to recover MWD's full operating costs by 2011.

In the coming months, the LRFP will run rate projection scenarios based on alternative Five Year Action Plan mixes of actions and associated costs in preparation for final recommendations to the board.

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 ecosystem of competing needs, and extremely vulnerable to seismic or other catastrophic event.

On August 31, 2007, U.S. District Court Judge Oliver Wanger ordered interim protective measures for the endangered delta smelt. This ruling impacts the manner in which 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. Impacts from another Judge Wanger ruling in April regarding salmon will be the subject of hearings later this summer.

In November 2007, the California Department of Water Resources (DWR) announced their first SWP allocation for the 2008 water year. The result was a 25% initial allocation of the Table "A" contract amount. Every 10% of allocation to MWD represents approximately 200,000 acre-feet of deliveries.

Update: The SWP allocation to contractors stayed at 35% for 2008. It is anticipated that the initial SWP allocation for 2009 (in December 2008) will be no higher than 20%. Hearings continue throughout the state to provide information and solicit public comment on the scope of the environmental review of the Bay-Delta Conservation Plan (BDCP), a collaborative effort among state and federal resources agencies, water agencies and environmental organizations aimed at developing a comprehensive conservation plan for species in the Delta. A key element of the BDCP is an alternative conveyance approach to moving water around the Delta.

The draft of the Delta Vision Strategic Plan report and recommendations were released in June. The final report is expected in the Fall.

Process to Refine Groundwater Conjunctive Use Program

Purpose: At the request of its Board of Directors, Metropolitan staff is conducting a study of the groundwater basins within its service area to identify strategies to enhance conjunctive use storage. In-region groundwater storage is a component of the current Integrated Resources Plan (IRP) that has fallen short of the targeted need, and will play a major role in the 2009 IRP process set to begin this summer.

Update: MWD has announced the schedule for a series of four facilitated meetings to reach broad consensus on the challenges and potential solutions to enhance groundwater storage within the MWD service area. Invited to the meetings are all member agency managers and groundwater basin managers. The first facilitated meeting will be July 21 at MWD.

CURRENT MONTH'S ISSUES

The following key items were discussed at the July MWD Committee and Board meetings:

- General Manager's Fiscal Year 2009 Business Plan
- 2009 IRP Update Process
- Diamond Valley Lake recreation property and visitors center

UPCOMING ISSUES

The following key items have been identified as upcoming issues at MWD's Committee and Board meetings:

- Five Year Action Plan recommendations
- Delta Vision report

STRATEGIC BUSINESS PLAN IMPLEMENTATION:

Goal 1, Reliability – Maintain a level of local water reliability that supports the regional economy, our community and customer agency needs.

Goal 5, Customer/Community Services – Provide for the needs of our customer agencies and the communities we serve in a way that reflects their needs.

COMMITMENT STATEMENT:

Water Reliability – West Basin is committed to innovative planning and investments to provide water supply reliability and drought protection.

Customer Service – West Basin is committed to providing value by understanding and meeting the needs of our customers and the communities we serve.

FISCAL IMPACTS:

Not applicable.

ENVIRONMENTAL COMPLIANCE:

Not applicable.

COMMITTEE STATUS:

This item was reviewed by the Water Resources Committee on July 17, 2008 and agendaized to the July 28, 2008 Board meeting under Metropolitan Water District Activities Update.

RECOMMENDED MOTION:

This item is for information only.

LIST OF EXHIBITS:

None.