



WEST BASIN MUNICIPAL WATER DISTRICT
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AGENDA NO. 4

August 12, 2008 – Water Resources
Smith (Chair), Little
August 25, 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: The "Five-Year Supply Actions" process was kicked off in four (4) 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 gains in either demand management or local supply production within the next five (5) years.

As of the end of July, MWD staff had identified roughly 200,000 AF of local supply projects in the following three (3) categories: 1) existing and can be accelerated; 2) future projects at or near design phase with appropriated funding; and 3) future projects with a certified EIR/EIS. On August 8, MWD will review the component projects with member agency staff for the first time. MWD is very interested in helping to bring on-line, on-site recycled water hook-ups for both public and private users. Other options for MWD that have a slightly longer time-horizon include entering into equity partnerships on larger local production facilities, including groundwater recovery and ocean-water desalination plants.

The primary focus of recommendations in the Conservation area of the Five-Year Supply Actions process is greater financial assistance, both in funding outreach that supports conservation, and higher incentives for conservation devices for a limited time.

Ultimately, the MWD Board will consider the appropriateness of the reliability and rate impact trade off of the initial set of Five-Year Supply Actions Plan recommendations. The Board will likely see these recommendations no later than October.

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 #14 of this workgroup was held on July 29. A decision was made to defer the Board information items on a Treated Water Peaking Charge and an Infrastructure Related Growth in the interest of focusing on more critical issues facing MWD.

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 Supply Actions 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 Fiscal Year 2011.

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.

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: In accordance with the Governor's charge to the Delta Vision Process' Blue Ribbon Task Force, the Draft Strategic Plan has been released, to be followed by a Strategic Implementation Plan for review by the cabinet-level Delta Vision Committee in November, and finally recommendations to the Governor and Legislature by the end of 2008. MWD staff presented its review of the Draft Strategic Plan to the MWD Board's Special Committee on Bay-Delta on July 22. Listed as key highlights of the Plan were that it strengthened support of dual conveyance and a storage evaluation process, the Bay Delta Conservation Plan, and dual fee structure targeting "all watersheds", and a separate "export" fee.

Another important milestone focusing on the Delta has been the release of Public Policy Institute's "Comparing Futures for the Delta" report, following up on its earlier report. MWD staff's analysis is that it strongly supports a fully isolated canal as well.

It is anticipated that the initial SWP allocation for 2009 (in December 2008) will be no higher than 10%.

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 kicked-off the first of several facilitated meetings on groundwater storage on July 21.

CURRENT MONTH'S ISSUES

The following key items will be discussed at the August MWD Committee and Board meetings:

- Approval of new conservation device and program incentives
- 2009 IRP Update Process

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 August 12, 2008 and agendaized to the August 25, 2008 Board meeting under Metropolitan Water District Activities Update.

RECOMMENDED MOTION:

This item is for information only.

LIST OF EXHIBITS:

None.