



WEST BASIN MUNICIPAL WATER DISTRICT
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AGENDA NO. _____

SEPTEMBER 11, 2008 – Water Resources
Smith (Chair), Little
SEPTEMBER 22, 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 August, MWD staff has identified a set of resource options in the area identified above, that could add between 520,000 and 1,255,000 AF of new yield (or demand reduction) in 2009. Conservation would account for 215,000 to 415,000 AF, primarily from ordinances and the effects of tiered pricing. Between 117,000 and 135,000 AF could be acquired from new Colorado River transactions, either within California or with Arizona. Depending on anticipated revised biological opinions related to endangered species in the Delta, MWD could move quickly to implement "Near Term Delta Fixes" that could yield up to 200,000 AF in 2009. Several groundwater cleanup collaborations between MWD and member agencies would account for 30,000 to 70,000 AF. Finally, local resource projects could produce an additional 5,000 to 7,000

AF in 2009, consisting of upfront funding of new facilities and private recycled water hookups. The majority of these options range from \$200/AF to \$600/AF and would result in additional rate increases beyond what is currently projected for 2010.

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 beginning in October 2008.

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 #15 of this workgroup was held on August 21. MWD staff presented a draft information letter on the Interim Agricultural Water Program (IAWP). The IAWP provides discounted rates to agricultural users in exchange for interruptibility, since agricultural water is considered to be a surplus sale subject to interruption in service. The current IAWP has been in place since 1994, but this year was the first time MWD has called on participants to reduce their water use (by 30%), effective January 1, 2009. Pursuant to MWD board action in June 2008 that directed staff to review the Interim Agricultural Program and recommend change(s) to the board by the end of 2008, MWD staff has prepared an Information Item for September that outlines six (6) options. The options include:

1. Phase-out of the IAWP
2. Immediate Opt-out provision
3. Agricultural conservation incentives
4. Water use reduction contracts
5. Allocation Plan baseline adjustments
6. Annual Tier One limit adjustments

Option 2 will drive the timeframe for Board consideration of all the options. For an immediate opt-out provision to be effective going into 2009, a three-month notification period would be needed for MWD and member agencies to notify program participants and have them respond. This will require MWD Board action in October 2008, allowing a three-month opt-out notification period, ending on January 15, 2009.

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.

Update: No current update.

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 that has fallen short of targeted need, and will play a major role in the 2009 IRP process set to begin this summer.

Update: MWD hosted the second of four (4) facilitated workshops on August 29 to explore strategies for enhancing groundwater and conjunctive use in the Metropolitan service area. The primary topics of the second workshop were the availability and reliability of recharge water, and the role of recycled water. Many prominent groundwater basin managers and member agency managers were in attendance offering their perspectives on the importance of increasing local groundwater production and storage as imported water becomes increasingly unreliable.

CURRENT MONTH'S ISSUES

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

- Authorize wheeling and agreement with San Diego County Water Authority for 2008 Central Valley Transfers
- Authorize increase in contract for legal services in *Central Basin Municipal Water District v. Metropolitan* (Allocation Plan case)
- Information Item on proposed changes to Interim Agricultural Water Program

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 September 11, 2008 and agendaized to the September 22, 2008 Board meeting under Metropolitan Water District Activities Update.

RECOMMENDED MOTION:

This item is for information only.

LIST OF EXHIBITS:

None.