



**WEST BASIN MUNICIPAL WATER DISTRICT**  
17140 S. Avalon Blvd., Suite 210  
Carson, CA 90746

**AGENDA NO.** 4

**APRIL 15, 2010 – Water Resources**

Little (Chair), Gray

**APRIL 26, 2010 – Board Meeting**

Prepared by: Fernando Paludi

Submitted by: Fernando Paludi

Approved by: Rich Nagel

## INFORMATION CALENDAR

### METROPOLITAN WATER DISTRICT ACTIVITIES REPORT

#### SUMMARY:

This report on Metropolitan Water District (MWD) issues is intended to brief the Board on activities and issues relevant to West Basin Municipal Water District (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 forthcoming issues important to West Basin. This format is intended to keep the Board informed of 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 Update and Allocation Plan

**Background:** The Water Supply Allocation Plan policy was adopted by the MWD Board in February 2008. In April 2009, the Board took action to declare a regional shortage and implement the Water Supply Allocation Plan at a Regional Shortage Level 2, effective July 1 through June 30, 2010. The MWD Board will consider extending the current allocation for a second consecutive year at its April 2010 meeting.

**Update:** The State Water Project allocation remained at 15% for the month of March due in part to below average precipitation in Northern California in February and March, and below average storage in key reservoirs such as Lake Oroville. It is anticipated that MWD staff will recommend to its Board that a Stage 2 allocation of imported water continue for a second year effective July 1, 2010. The MWD Board could revisit its April action in May, if conditions were to improve dramatically, or perhaps worsen.

##### Proposed FY 2010-11 Budget and 2011 Rates and Charges

**Background:** When MWD's 2010 rates and charges were approved in April 2009, the Board directed staff to "work with the member agencies and Board to evaluate the historical cost-of-service methodology utilized by MWD, including a review of additional fixed charges, including property taxes, with the intent to ensure that all rates and charges recover the full cost-of-service when the Board establishes rates for the 2010-11 fiscal year."

**Update:** It is anticipated that MWD staff will present the following options for the 2011 rate increase to its Board in April (all increases would be effective January 1, 2011):

- Option 1 One-year, full cost-of-service average rate increase of 12.4%;
- Option 2 One-year, full cost-of-service average rate increase of approximately 8.9%, with a lower revenue requirement resulting primarily from further deferments of certain Capital Improvement Program projects and at least a one-year delay in issuing new debt;
- Option 3 Two-year rate proposal that would include "single-digit" rate increases in each year, essentially softening the blow to cities and retail water agencies and adding some predictability to rate setting over the next two years; or
- Option 4 One-year 9.6% rate increase with an adjustment to the ad valorem tax rate that MWD assesses on GO bonds and debt service on SWP-related capital. The tax adjustment proposal essentially calls for a change to the MWD Act through state legislation that would "freeze" the current tax rate and not allow it to decline over time as the current debt is retired.

Staff is still expected to recommend this option to the Board because it is the most financially prudent option for MWD.

#### Energy Management and Reliability Study

**Background:** The goal of the Energy Management and Reliability Study (EMRS) is to identify future actions and to serve as a blueprint for an Energy Management Master Plan to achieve energy reliability, carbon reduction, and cost control. The plan will address actions and specific components to be undertaken immediately, in the near-term, and over a longer term (up to 20 years). The response actions are aimed at controlling overall operational costs and moving MWD towards carbon neutrality by 2030. However, many of the response actions are contingent on various regulatory, legislative, and market-related trigger points occurring over the three planning phases.

In February, MWD staff recommended approval of a set of policies to underpin the Energy Management and Reliability Study and the item was deferred until March. In March, the General Manager's recommendation that further discussion of the item be deferred until MWD staff has conferred with member agency power producers was approved with the condition that staff have the ability to move forward with specific projects in the meantime.

**Update:** No update.

#### **CURRENT MONTH'S ISSUES**

The following key items will be heard at the April Committee and Board meetings:

- Approve Fiscal Year (FY) 2010-11 Budget proposal and 2011 Rates and Charges; and
- Consider Water Supply Allocation Plan (WSAP) implementation decision for FY 2010-11.

## **UPCOMING ISSUES**

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

- Review and consider action on Long-Term Conservation Program; and
- Review and consider action on near-term energy management projects.

### STRATEGIC BUSINESS PLAN IMPLEMENTATION:

Goal 1: Water Reliability – West Basin is committed to innovative planning and investments to provide water supply reliability and drought protection.

Goal 3: 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 April 15, 2010 and agendaized to the April 26, 2010 Board meeting under Metropolitan Water District activities.

### RECOMMENDED MOTION:

This item is for information only.

### LIST OF EXHIBITS:

None.