



WEST BASIN MUNICIPAL WATER DISTRICT
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AGENDA NO. 5

NOVEMBER 10, 2010 – Water Resources
Little (Chair), Gray
NOVEMBER 22, 2010 – Board Meeting
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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 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 Update and Allocation Plan

Background: The Water Supply Allocation Plan (WSAP) 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 WSAP at a Regional Shortage Level 2 for Fiscal Year (FY) 2009-10. Reductions in retail demands in the MWD service area exceeded expectations over the course of the first allocation period. The Board voted again in April 2010 to continue the State 2 allocation for another year, effective July 1, 2010.

Update: MWD's WSAP remains in effect for the current FY at Stage 2. However, several factors are compounding the possibility that the WSAP will be cancelled or at least relaxed (lower stage): persistently low water sales throughout the region and lower than budgeted revenue forecast; increased storage reserves; and a wetter-than-usual October. Some believe that MWD should sell more water to meet pent-up demand for groundwater replenishment (perhaps 100,000 acre-feet at full-service rates) and mitigate the projected shortfall in revenue. (Note: MWD's ability to increase revenue is constrained by the 7.5% rate increases already approved by the Board for 2011 and 2012.) Others will likely argue that it is premature to cancel the WSAP for one or more of the following reasons:

- Weather forecasts predict a dry winter as a result of a La Niña pattern;
- Storage reserves are increasing but still lower than pre-drought levels;
- In order to maintain credibility with the public regarding the seriousness of restrictions, MWD will not be able to re-implement the WSAP for at least 18 months once cancelled.

It is anticipated that a decision on the status of the WSAP will be debated by the Board pending DWR's initial allocation of SWP supplies in December that is expected to be less conservative than 2009.

Integrated Resources Plan (IRP) Update

Background: The original Integrated Resources Plan (IRP) was developed in 1994 and has served as a blueprint for long-term water resource planning for MWD and its member agencies. The 1994 Plan was updated but not re-evaluated in 2003. The 2010 IRP will be a new plan that addresses a set of challenges to imported water sources and other uncertainties not present in 1994.

Update: The 2010 IRP Update was adopted by the Board in October. The next steps identified in the staff report include:

- Developing a Long-Term Conservation Plan to meet the IRP's goal of a regional 20% reduction in per-capita water use by 2020;
- Identifying triggers and criteria as a basis for future local project consideration; and
- Establishing specific "foundational actions" that should be taken to position alternative resources for Board consideration and development.

San Diego County Water Authority Lawsuit

Background: In July, the Water Authority filed suit against MWD, alleging that MWD's rate structure violates California law by over-charging certain customer classes and under-charging others. The Water Authority believes that MWD's State Water Project costs that are currently classified as transportation and recovered through the System Access Rate, should instead be classified as supply and recovered through the Supply Rates. The Water Authority also believes that demand management costs such as local project incentives and conservation rebates that are currently recovered through the Water Stewardship Rate should instead be classified as supply and recovered through the Supply Rates. The Water Authority stands to benefit financially if the aforementioned costs are recovered through the Supply Rates since they avoid paying the Supply Rates for every acre-foot of water they acquire from farmers and transport to San Diego through MWD's distribution system. Since MWD must meet its fixed financial obligations, the other member agencies including West Basin would collectively pay more if the Water Authority pays less.

Update: The venue for the litigation has been relocated to a court in San Francisco.

Long-Term Conservation Program

Background: The Long-Term Conservation Plan (Plan) is intended to guide MWD's future efforts in achieving the water use efficiency target in the 2010 IRP – a regional 20% reduction in per-capita water use by 2020. The Plan will be considered for approval by mid 2011.

Update: No update.

Bay-Delta Issues

Background: MWD pays for, and is entitled to deliveries from, roughly half of the State Water Project (SWP). A long-term drought in the Colorado River watershed has meant that MWD has become increasingly reliant on supplies from the SWP to meet demands. The Bay-Delta, from which both the SWP and the federal Central Valley Project (CVP) take their deliveries, is a strained ecosystem of competing needs, and extremely vulnerable to seismic or other catastrophic event. Ongoing regulatory restrictions curtail pumping from the Delta for the state and federal projects by as much as 40% annually. MWD is working with state and federal contractors, permitting agencies, and other groups, on both short-term and long-term solutions to balancing water supply and ecosystem needs in the Bay-Delta.

Update: The Bay-Delta Conservation Plan (BDCP) Steering Committee is preparing to release the draft BDCP document in mid-November. The administrative draft of the Environment Impact Report is expected in July 2011, a public draft in October 2011, and the final in January 2013. Thus far, there is agreement by the Steering Committee on the preferred conveyance system (size and alignment): a dual tunnel conveyance (2 x 15,000 cfs) from an intake on the Sacramento River and under the Delta to a terminus near the existing pumps of both the SWP and CVP systems. There is also a working assumption among both state and federal water contractors that all contractors will share in conveyance and mitigation costs on a pro-rata basis according to their share of acre-feet deliveries from the projects.

CURRENT MONTH'S ISSUES

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

- Adoption of Regional Urban Water Management Plan;
- Election of Board Secretary; and
- Information item regarding Little Hoover Commission recommendations for reorganizing California state water agencies.

UPCOMING ISSUES

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

- Proposed Long-Term Conservation Plan (Information); and
- Approval of Binational Water Management Proposal.

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 5: Environment – West Basin is committed to sustainable and environmentally-friendly business practices.

FISCAL IMPACTS:

Not applicable.

ENVIRONMENTAL COMPLIANCE:

Not applicable.

COMMITTEE STATUS:

This item was reviewed by the Water Resources Committee November 10, 2010 and agendized to the November 22, 2010 Board meeting under Metropolitan Water District Activities Update.

EXHIBITS:

None.