



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

**AGENDA NO. 5**

**DECEMBER 7, 2010 – Water Resources**

Little (Chair), Gray

**DECEMBER 20, 2010 – Board Meeting**

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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 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 is projected to add roughly 600,000 acre-feet of regional storage by the end of 2010, the result of above-average precipitation during the last water year, and very low demands throughout the service area. As reported last month, certain groundwater basins are eager to purchase water, even at full-service rates. The WSAP remains in effect, however, and member agencies that sell water to the groundwater basins for replenishment might incur penalties for exceeding their Stage 2 allocation. MWD staff will present alternatives to the Board in December for discussion only. Based on feedback received from the member agencies over the past few weeks, the alternatives will likely focus on how to maintain the Stage 2 allocation until at least April, while allowing purchases of full-service water without the threat of financial penalties if allocations are exceeded.

##### Blue Ribbon Committee

**Background:** The Blue Ribbon Committee (BRC) is a group of technical, business and policy experts from Southern California under the chairmanship of former MWD Director Robert Simonds,

commissioned by the MWD Board to "Make recommendations for new business models and strategies to position MWD to meet our region's water related needs and to provide for sustainability for Southern California in coming decades." The BRC has divided into subcommittees focusing on six key areas:

1. Developing new water options for southern California;
2. Energy for the future;
3. Economic development and new technologies;
4. Financial sustainability;
5. Workforce; and
6. Communications.

The BRC has met multiple times since March 2010 and is scheduled to deliver their recommendations to the Board in December.

**Update:** At the time this report was drafted, the BRC's most recent meeting was November 29. At that meeting, the Committee provided feedback on their review of sections 1, 2 and 3 of the draft report. A subsequent meeting to provide feedback on the remaining sections 4 and 5 of the draft report will be held on December 3 and finalized with the committee members the week thereafter in preparation for the December 14<sup>th</sup> deadline. Staff has begun its own review of the report sections with particular interest in near-term recommendations regarding MWD's financial and rate structure, and supply development practices. Staff will provide an analysis of these recommendations to the Board in January after the final report is released in December.

#### 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:** No update.

## **CURRENT MONTH'S ISSUES**

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

- Information on water supply and storage conditions and
- Authorizing payment for Calendar Year 2011 Charges from State Water Project.

## **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 December 7, 2010 and agendaized to the December 20, 2010 Board meeting under Metropolitan Water District Activities Update.

## **RECOMMENDED MOTION:**

This is for information only.

## **LIST OF EXHIBITS:**

None.