

JOINT WORKSHOP MEETING OF THE  
BOARD OF DIRECTORS  
MUNICIPAL WATER DISTRICT OF ORANGE COUNTY  
10500 Ellis Avenue, Conference Room 101, Fountain Valley, California  
December 7, 2005, 8:30 a.m.

---

**AGENDA**

**PLEDGE OF ALLEGIANCE**

**ROLL CALL**

**PUBLIC PARTICIPATION/COMMENTS**

Members of the public may comment on Agenda items before action is taken and after the item has been discussed by the Board. The public is requested to identify themselves when called on.

At this time, members of the public, wishing to address the Board concerning items within the subject matter jurisdiction of the Board, are requested to identify themselves.

**ITEMS RECEIVED TOO LATE TO BE AGENDIZED**

Determine need and take action to agendize item(s), which arose subsequent to the posting of the Agenda. (ROLL CALL VOTE: Adoption of this recommendation requires a two-thirds vote of the Board members present or, if less than two-thirds of the Board members are present, a unanimous vote.)

**(NEXT RESOLUTION NO. 1781)**

**1. PROPOSED REVISIONS TO METROPOLITAN'S CONSERVATION CREDITS INCENTIVES**

*Recommendation: Support the proposed revisions to Metropolitan's Conservation Credits Incentive Framework.*

**2. TRACKING AND DISCUSSION OF MET ITEMS CRITICAL TO ORANGE COUNTY**

- a. Colorado River Issues
- b. Riverside Orange Corridor Authority (ROCA)
- c. Central Pool Augmentation Project
- d. Ormond Beach Property
- e. Desalination Policy
- f. CALFED Update
- g. MET's Rate Structure
- h. Coastal Pipeline Study

*Recommendation: Discuss and provide input on information relative to the MET items of critical interest to Orange County.*

**3. METROPOLITAN (MWD) BOARD AND COMMITTEE AGENDA DISCUSSION ITEMS**

- a. Summary regarding November MWD Board Meeting
- b. Review items of significance for the December MWD Board and Committee Agendas (to be distributed at the meeting)

*Recommendation: Review, discuss and take action as appropriate.*

**4. DIRECTORS' REPORTS**

- a. MET Directors
- b. MWDOC Directors

**ADJOURNMENT**

Note: Accommodations for the Disabled. Any person may make a request for a disability-related modification or accommodation needed for that person to be able to participate in the public meeting by telephoning Maribeth Goldsby, District Secretary, at (714) 963-3058, or writing to Municipal Water District of Orange County at P.O. Box 20895, Fountain Valley, CA 92728. Requests must specify the nature of the disability and the type of accommodation requested. A telephone number or other contact information should be included so that District staff may discuss appropriate arrangements. Persons requesting a disability-related accommodation should make the request with adequate time before the meeting for the District to provide the requested accommodation.



**ACTION ITEM**  
December 7, 2005

**TO:** Board of Directors

**FROM:** Kevin Hunt, General Manager

Staff Contact: Joe Berg, Water Use Efficiency Programs Manager

**SUBJECT: Proposed Revisions to Metropolitan's Conservation Incentives**

**STAFF RECOMMENDATION**

---

Staff recommends the Board of Directors support the proposed revisions to Metropolitan's Conservation Incentive Framework.

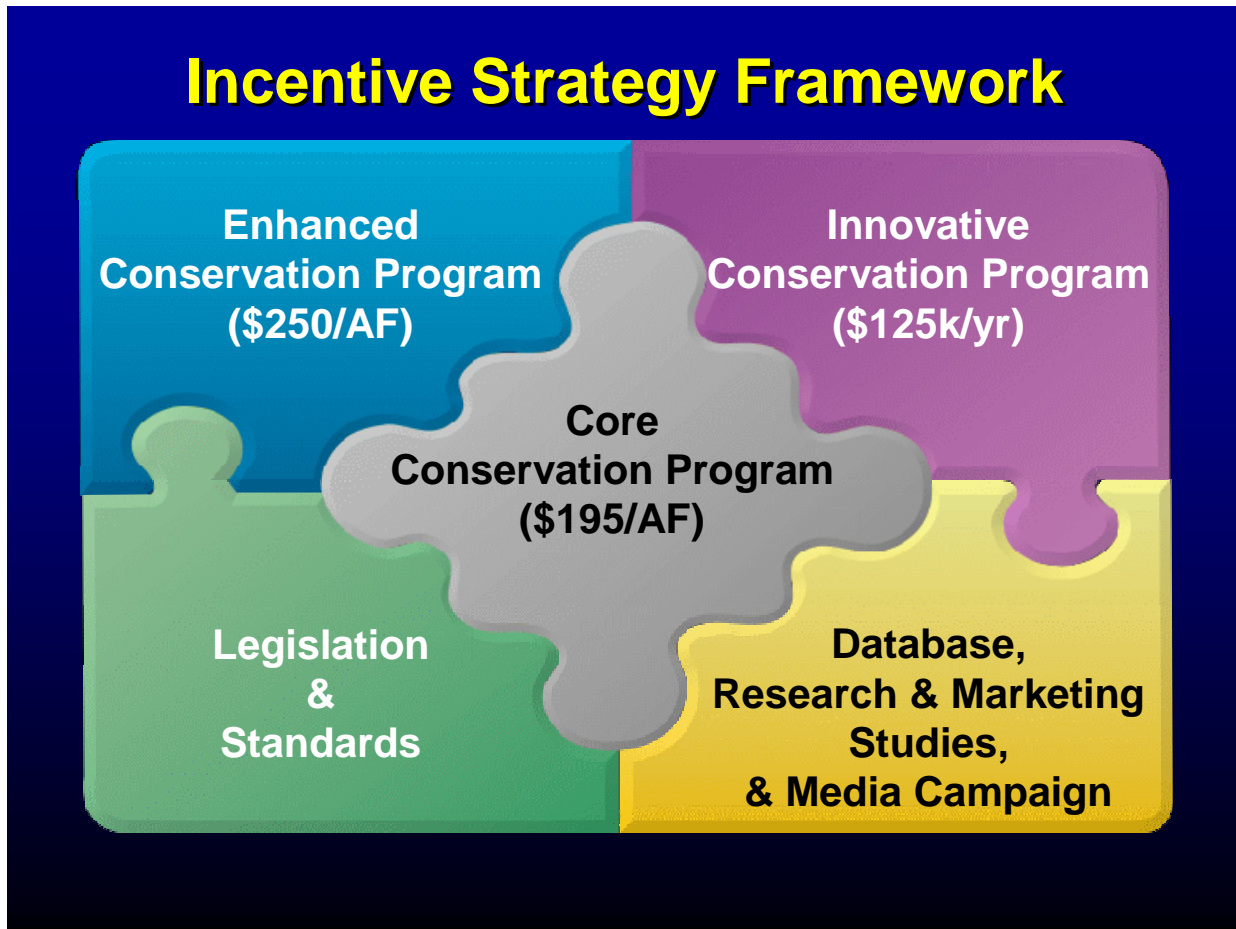
**SUMMARY**

---

At the Board's request in early 2005, Metropolitan and member agency staff began a detailed review of their Conservation Credits incentive program. The review process included member agency staff and managers from June through November 2005.

Metropolitan's Conservation Incentive Review presentation provided to the Member Agency Managers on November 18<sup>th</sup> is provided as Attachment A. Broad support was gained for a more comprehensive approach to water conservation for the region. The proposed approach includes five components as identified in Figure 1 below followed by a brief description of each component.

<b>Budgeted (Y/N):</b>	Budgeted amount:
<b>Action item amount:</b>	Line item:
<b>Fiscal Impact (explain if unbudgeted):</b>	



### **Innovative Conservation Program (ICP)**

This component already exists and is designed to identify and evaluate new water savings opportunities for the region. The focus of this component is on water saving devices. For example, Pressurized Water Brooms were initially evaluated through the ICP and are now included in the Save Water Save a Buck Rebate Program. The most significant modification proposed is to request proposals totaling \$125,000 every year rather than \$250,000 every two years.

### **Enhanced Conservation Program (ECP)**

The ECP is a new component and is designed to evaluate the cost and savings effectiveness of new water conservation program implementation methodologies. This component is proposed to be funded at \$250 per acre foot of water saved. The budget for this component will be a fixed amount with a two year cycle. Proposals from water agencies will be considered through a competitive process.

### **Core Conservation Program (CCP)**

The primary focus of the CCP will be to achieve IRP water conservation savings goal and is proposed to be funded at \$195 per acre foot of water saved. The Core Conservation Program is proposed to replace the existing Conservation Credits Program which is

currently funded at \$154 per acre foot of water saved. This funding will cover up to the full cost of the conservation device or 50% of costs for process related programs. The only exception is funding for ULF Toilets which are proposed to stay at the current rate of \$60 per toilet and phase out of the program over the next three years.

### **Legislation and Standards**

The Legislation and Standards component of the overall program is designed to establish a stronger linkage between our incentive programs and legislation and standards to achieve water savings. For example, a standard for SmarTimers does not exist at present but, water agency incentive programs coupled with regular dialogue with the Irrigation Association, Center for Irrigation Technology and Environmental Protection Agency will accelerate adoption of manufacturing standards for SmarTimers.

### **Database, Research and Marketing Studies, and Media Campaign**

After years of program implementation, data basing participant information, market research and a media campaign are recognized as a weakness to the existing conservation program. Data basing participant information will improve program quality assurance by giving water agencies and Metropolitan the ability to more accurately validate participant eligibility in programs and monitor saturation of conservation devices over time. Research and Marketing Studies in the past have not been formally done. More formal research in this area should improve our ability to market programs more successfully to target audiences. As more region-wide programs are available, a Metropolitan wide media campaign will complement member agency efforts to promote water use efficiency in general and participation in incentive programs.

In summary, modifications to the existing conservation incentive program are long overdue having been in place for 15 years. The proposed framework for implementation of water conservation programs is vastly improved over the current program. Integration evaluation of emerging conservation devices, testing of new program implementation formats, increased incentive level based on avoided costs, and linkages to legislation and standards to accelerate water savings.

# **Metropolitan's Conservation Incentive Review**

**Member Agency Managers' Meeting  
November 18, 2005**

# Incentive Review Process

- Board directed staff to review conservation incentive
- Staff & Taskforce identified three alternatives:
  - Status Quo: \$154/AF
  - Tier Two: \$169/AF (01/06)
  - Avoided Cost: \$195/AF
- Taskforce consensus
  - Avoided Cost: \$195/AF up to 100% of device
  - Developed incentive framework
    - Competitive pilots
    - Research & marketing studies
    - Incentive off-ramps through standards and legislation

# Program Proposal

- **Core Program: \$195/AF**
  - Up to 100% of device cost
  - Up to 50% of project cost for process water
  - ULFTs
    - No increase to incentive (\$60/ULFT)
    - Phase out incentive within 3 years (Contractually specified)

# Program Proposal (cont'd)

- **Enhanced Program: Up to \$250/AF**
  - Competitive process for pilots and new methods
- **Continue the Innovative Conservation Program**
- **Database development, research, and marketing studies**
- **Seek industry standards and legislation**
  - Long term conservation
  - Transition from incentives

# Fiscal Analysis of Proposal

## ■ Current program

- Spending \$12M/yr of \$15M/yr budget
- ULFT phase out reduces ~\$7M/yr in 3 years
- Projected ~\$15M/yr for active IRP Target

## ■ Impact of proposal on conservation budget

- \$15M/yr 2006-07, includes \$195/AF and grant program
- Core Program ramps up to \$21M/yr; projected no sooner than 5 years
- All other program elements add ~\$2.5M/yr

# Goals & Member Agency Commitments

- Increase conservation in new markets
  - Greater CII conservation
  - Greater landscape conservation
  - HET market transformation (ULFT phase out)
- Achieve program efficiency by targeting passive pick ups and incentive phase out
- Maintain principle and practice of local cost share

# **Additional Conservation Potential: Examples (by 2025)**

## **Direct from Program Incentive & Conversions:**

- **HET Program Conversion: 35 TAF/yr**
- **Avoided downturn in program participation: 35 TAF/yr**

## **Indirect from Improved Standards and Code Adoption:**

- **Res. Development HETs: 20 TAF/yr**
- **Res. Development WBICs: 40 TAF/yr**

# Summary of Proposal

- **Core Conservation Incentive**
  - **\$195/AF**
  - **Up to 100% cost of a device & up to 50% cost of program for process water**
- **ULFTs remain \$60; phased out in 3 years**
- **Competitive grants, up to \$250/AF**
- **Continued Funding of Innovative Conservation Program at \$125k/yr**
- **Database, research, and marketing studies**



# Incentive Strategy Framework

**Enhanced  
Conservation Program  
(\$250/AF)**

**Innovative  
Conservation Program  
(\$125k/yr)**

**Core  
Conservation Program  
(\$195/AF)**

**Legislation  
&  
Standards**

**Database,  
Research & Marketing  
Studies,  
& Media Campaign**



**INFORMATION ITEM**

December 7, 2005

**TO:** Board of Directors

**FROM:** Kevin Hunt  
General Manager

Staff Contact: Deven Upadhyay

**SUBJECT: Met Items Critical To Orange County**

**STAFF RECOMMENDATION**

---

Staff recommends the Board of Directors receive and file the report.

**SUMMARY**

---

This report provides a brief update on the current status of the key Met issues that may affect Orange County.

**DETAILED REPORT**

---

<b>Budgeted (Y/N):</b>	Budgeted amount:
<b>Action item amount:</b>	Line item:
<b>Fiscal Impact (explain if unbudgeted):</b>	

Issue	Recent Activity	Upcoming Activity
Colorado River Issues	<p>The Colorado River Basin States continue to work to develop lower basin shortage criteria and conjunctive management rules for Lake Mead and Lake Powell.</p> <p>Met's 2005 Colorado River supplies continue to increase. Met has approval to take more than 800,000 acre-feet in 2005. This approval may increase as the end of the year draws near.</p>	<p>Met is working with the U.S. Bureau of Reclamation to pay back the remaining agricultural overuse from 2002. This is a good year to do this as Met has ample supplies and can afford to forgo some Colorado River Water in order to make the pay-back.</p>
Central Pool Augmentation Project/Integrated Area Study	<p>In November Met held the kick-off meeting for the Central Pool Integrated Area Study process. Met will use this process to partner with the member agencies on an analysis of infrastructure needs in the Central Pool portion of Met's distribution system. The early part of this process is devoted to gaining a mutual understanding of the demands in the system and the operational capabilities/concerns of Met and the member agencies. The process will ultimately develop a number of alternative solutions that can meet all of the infrastructure needs.</p> <p>The last piece of the Integrated Area Study will be an analysis of how to pay for the needed improvements. This step will likely tie back into the discussions the member agency managers have recently had regarding the potential for a Growth Charge or Treated Water Peaking Charge.</p> <p>This process may finish in the second half of 2006.</p>	<p>Met is focused on developing the base assumptions for the annual demand forecast used in the study. They hope to collect all member agency input on this part of the process by the end of the year.</p>
Ormond Beach Property	None	<p>Met may begin to tackle the use of the proceeds from the sale of the Ormond Beach property after the Board has considered Met's role in desalination. This will likely take place in early 2006.</p>

Issue	Recent Activity	Upcoming Activity
<p>Met's Desalination Policy</p>	<p>In November Met's Desalination &amp; Reclamation Committee approved a staff recommendation for Met to take on a role as a regional facilitator for the member agencies' desalination projects.</p> <p>One component of the staff recommendation dealt with how Met should handle unsolicited proposals for water supply projects. The recommendation lays out the following process to evaluate an unsolicited proposal:</p> <ul style="list-style-type: none"> <li>○ Initial Screening – Is the proposal complete? Does it fit within the IRP resource targets? Does it have a member agency sponsor?</li> <li>○ Notify the Board – Notify the Board that the proposal passes the initial screening. The Board shall direct staff on whether to proceed with a full evaluation.</li> <li>○ Technical Evaluation – Met will convene a technical review team to evaluate the proposal based on a set of criteria developed in cooperation with the member agencies.</li> <li>○ Report to Board – Staff shall report to the Board on the evaluation of the project.</li> </ul>	<p>The staff proposal has been approved by the committee and is scheduled for consideration at the December Board meeting.</p>
<p>CALFED</p>	<p>The Reports from the Department of Finance, Little Hoover Commission, and the management consultant (KPMG) regarding the California Bay-Delta Authority (CBDA) have been released.</p> <p>Analysis of the recommendations from these reports is on-going.</p>	<p>The coming months will be interesting on the CALFED front. The Governor will consider the reports on CALFED in defining the future role of the California Bay-Delta Authority and its governance.</p> <p>Joe Caves is apparently working on a new \$5.2 billion "water" bond measure that may have 50% of the funds dedicated to water activities/planning.</p>

Issue	Recent Activity	Upcoming Activity
Met's Rate Structure	Met has started the process of putting together a number of Integrated Area Studies for key portions of the distribution system. The member agency managers have agreed to look at these area studies as a way for Met to bring innovative solutions to infrastructure development in the future. Discussion of a potential Growth Charge and a Treated Water Peaking Charge has been put on hold until these studies are complete. The results of these studies may affect the opinions of these new charges.	The focus has shifted from the rate structure to the analysis of the Integrated Area Studies.



**The Metropolitan Water District of Southern California  
November 8, 2005 Board Meeting**

**Board Action Summary**

**Board Members**

Anaheim  
TOM TAIT  
Beverly Hills  
BETTY H. HARRIS  
Burbank  
GLENN A. BROWN  
Compton  
ISADORE HALL, III  
Fullerton  
JAMES H. BLAKE  
Glendale  
JAMES M. REZ  
Long Beach  
HELEN Z. HANSEN  
Los Angeles  
RONALD F. DEATON  
DEBORAH DENTLER  
DAVID FARRAR  
ROBERT R. SIMONDS  
Pasadena  
TIMOTHY F. BRICK  
San Fernando  
STEVEN VERES  
San Marino  
JOHN T. MORRIS  
Santa Ana  
DANIEL E. GRISET  
Santa Monica  
JUDY ABDO  
Torrance  
BILL D. WRIGHT  
Calleguas Municipal Water District  
TED GRANDSEN  
Central Basin Municipal Water District  
ROBERT APODACA  
PHILLIP J. PACE  
Eastern Municipal Water District  
RANDY A. RECORD  
Foothill Municipal Water District  
JAMES T. EDWARDS  
Inland Empire Utilities Agency  
GENE KOOPMAN  
Las Virgenes Municipal Water District  
GLEN D. PETERSON  
Municipal Water District  
of Orange County  
ERGUN BAKALL  
WESLEY M. BANNISTER  
LARRY D. DICK  
JOHN V. FOLEY  
San Diego County Water Authority  
CLAUDE A. "BUD" LEWIS  
GEORGE I. LOVELAND  
JOSEPH PARKER  
BUD POCKLINGTON  
Three Valleys Municipal Water District  
DAVID D. DE JESUS  
Upper San Gabriel Valley Municipal Water  
District  
ANTHONY R. FELLOW  
West Basin Municipal Water District  
CAROL KWAN  
WILLARD H. MURRAY, JR.  
Western Municipal Water District of Riverside  
County  
JOHN M. MYLNE, III

**Metropolitan's Board of Directors approved the following action items  
on November 8, 2005:**

**1. Dennis B. Underwood honored**

The Board paid tribute to Dennis B. Underwood, Metropolitan's CEO/General Manager, who passed away on November 2, 2005.

**2. Public hearing on the proposed standby charges for Annexation Nos. 85 and 86 to Calleguas Municipal Water District; and 88<sup>th</sup>, 89<sup>th</sup>, 90<sup>th</sup>, 91<sup>st</sup>, and 92<sup>nd</sup> Fringe Area Annexations to Eastern Municipal Water District**

No protests were received.

**5D Appointment of Interim CEO/General Manager**

The Board approved the appointment of Debra C. Man as Interim CEO/General Manager for a period of up to six months.

**7-1 Conditional approval for the 93<sup>rd</sup> Fringe Area Annexation to Eastern Municipal Water District approved; and resolution of intention to impose water standby charge adopted**

The Board granted conditional approval for the 93<sup>rd</sup> Fringe Area Annexation concurrently to Eastern and Metropolitan, conditioned upon receipt in full of annexation fee of \$38,043 to Metropolitan if completed by December 31, 2005, or if completed later, at the then current annexation charge rate; approved Eastern's Statement of Compliance with the current Water Use Efficiency Guidelines; and adopted the resolution of intention (Resolution 8976) to impose water standby charge within the proposed annexation territory, substantially in the form of Attachment 3 to the board letter.



**The Metropolitan Water District of Southern California  
November 8, 2005 Board Meeting**

**Board Action Summary**

---

**7-2 Resolutions for Calleguas Municipal Water District's Annexation No. 85, Parcel A, and to impose a water standby charge adopted**

The Board adopted resolutions (a) granting Calleguas' request for annexation of Annexation No. 85, Parcel A, into Metropolitan's service area, conditioned upon approval by the Local Agency Formation Commission, and establishing Metropolitan's terms and conditions for this annexation (Resolution 8977); and (b) to impose a water standby charge at a rate of \$9.58 per acre or per parcel of less than one acre within the proposed annexation area (Resolution 8978).

**7-3 Determination of Metropolitan's Diamond Valley Lake North Property as surplus to Metropolitan's needs affirmed**

The Board (a) affirmed the Chief Executive Officer's determination that the DVL North Property, consisting of ±731 acres, is surplus to the needs of Metropolitan; and (b) complied with the California Surplus Lands Act by offering the property to other public agencies for use in accordance with the law.

**7-4 Four rehabilitation projects within the Weymouth Water Treatment Plant Improvements Program authorized**

The Board appropriated \$980,000 and authorized (a) studies and design for four Weymouth plant rehabilitation projects; and (b) an increase of \$450,000 to the existing agreement with Tetra Design, Inc. for a new not-to-exceed total of \$2.2 million.

**7-5 Agreements related to the Municipal Water Quality Investigation Program authorized**

The Board authorized the CEO/General Manager to enter into a new Three-Year Program agreement with the Department of Water Resources and related agreements with other State Water Project contractors for the Municipal Water Quality Investigation Program.

**7-6 Amendment to Administrative Code regarding Expense Account Regulations pursuant to AB 1234 approved**

The Board approved the amendments to the Administrative Code as set forth in Attachment 1 to the board letter.

**8-1 Approve Metropolitan facilitator role to address regional issues of the five respondent seawater desalination projects**

THIS ITEM WAS WITHDRAWN.



**The Metropolitan Water District of Southern California  
November 8, 2005 Board Meeting**

**Board Action Summary**

---

**8-2 Negotiations for Diamond Valley Recreation and Land Development authorized**

The Board authorized the Chief Executive Officer to initiate negotiations with the Shopoff Group & Centex Homes to agree on a term sheet which would incorporate the basic conditions of an ultimate development agreement; and staff to continue discussions with the two remaining candidates, Lewis•Shea•Parsons•Ledo International and Lennar-Rancon LLC, to determine which of the two should be selected as the most viable backup to the Shopoff Group. Staff is to return to the Board in January 2006 for approval of the term sheet for the development agreements.

**8-3 Skinner Chemical Systems Modifications authorized**

The Board appropriated \$138.7 million in budgeted funds and (a) awarded a \$109.944 million contract to Kiewit Pacific Co. to construct the Skinner Chemical Systems Modifications; (b) awarded a contract to Systems Integrated for procurement of control system equipment for a not-to-exceed total of \$873,000; (c) authorized an increase of \$0.45 million to the existing agreement with Lee & Ro, Inc. for a new not-to-exceed total of \$4.275 million; and (d) authorized an increase of \$3.9 million in the CEO's change order authority from \$3.819 million to \$7.719 million, for the Skinner Module No. 7 project.

**8-4 Construction contracts to Slater Waterproofing, Inc. for the Sepulveda Feeder Repair Project and to Gantry Constructors, Inc. for the San Diego Pipeline No. 5 and Lake Skinner Outlet Conduit Repairs Project awarded**

The Board appropriated \$3.35 million in budgeted funds and awarded (a) a \$1.08 million construction contract to Slater for the Sepulveda Feeder repairs; and (b) a \$1.378 million construction contract to Gantry for the San Diego Pipeline No. 5 and Lake Skinner Outlet Conduit repairs.

**8-5 2005 Regional Urban Water Management Plan and resolution for submittal to the State of California adopted**

The Board adopted the 2005 Regional Urban Water Management Plan and Resolution 8979 for submittal to the State of California by December 31, 2005 in order to comply with the Urban Water Management Planning Act of the California Water Code.

**8-6 Support, if amended, for H.R. 3691, the Central Valley Project Reform Act of 2005**

THIS ITEM WAS WITHDRAWN.



**The Metropolitan Water District of Southern California  
November 8, 2005 Board Meeting**

**Board Action Summary**

---

- 8-7 Report on *Lollett Jones-Boyce v. Metropolitan, et al.* and increase in contract with Jeffer, Mangels, Butler & Marmaro for legal services to defend Metropolitan approved. (Confidential letter)**

The Board authorized the General Counsel to amend the existing agreement with Jeffer, Mangels, Butler & Marmaro, increasing the maximum payable by \$180,000 in *Lollett Jones-Boyce v. Metropolitan, et al.*

- 8-8 Increase in contracts with Navigant Consulting, Inc., formerly known as A. W. Hutchison & Associates, LLC and Brierley Associates, LLC for assistance related to the Arrowhead Tunnels construction within the Inland Feeder Program authorized. (Confidential letter)**

The Board authorized the amendment of the contracts, increasing the maximum payable to Navigant Consulting, Inc. by \$250,000 and the maximum payable to Brierley Associates, LLC by \$50,000.

**THIS INFORMATION SHOULD NOT BE CONSIDERED THE OFFICIAL MINUTES OF THE MEETING.**

**In order to view board letters and their attachments, please click on the link below, or copy and paste it into your browser.**

**<http://www.mwdh2o.com/mwdh2o/pages/board/boardpacket01.html>**