

WORKSHOP MEETING OF THE
BOARD OF DIRECTORS WITH MET DIRECTORS
MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
18700 Ward Street, Board Room, Fountain Valley, California
March 3, 2010, 8:30 a.m.

AGENDA

PLEDGE OF ALLEGIANCE

ROLL CALL

PUBLIC PARTICIPATION/COMMENTS

At this time members of the public will be given an opportunity to address the Board concerning items within the subject matter jurisdiction of the Board. Members of the public may also address the Board about a particular Agenda item at the time it is considered by the Board and before action is taken.

The Board requests that all members of the public who want to address the Board complete a "Request to be Heard" form available from the Board Secretary prior to the meeting.

ITEMS DISTRIBUTED TO THE BOARD LESS THAN 72 HOURS PRIOR TO MEETING

Pursuant to Government Code Section 54957.5, non-exempt public records that relate to open session agenda items and are distributed to a majority of the Board less than seventy-two (72) hours prior to the meeting will be available for public inspection in the lobby of the District's business office located at 18700 Ward Street, Fountain Valley, California 92708, during regular business hours. When practical, these public records will also be made available on the District's Internet Web site, accessible at <http://www.mwdoc.com>.

(NEXT RESOLUTION NO. 1877)

DISCUSSION ITEMS

1. UPDATE ON MET'S PROPOSED BUDGET AND RATES FOR FY 2010/11

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

2. MET'S REVISED DEFINITION OF "EXTRAORDINARY INCREASED PRODUCTION"

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

3. MET ITEMS CRITICAL TO ORANGE COUNTY

- a. MWD's Water Supply Allocation Plan
- b. MWD Integrated Resource Plan 2009 Update
- c. Long Range Finance Plan – Cost of Service Review
- d. Colorado River Issues
- e. Bay Delta/State Water Project Issues
- f. Central Pool Augmentation Project
- g. Introduction of Local Water into the AMP
- h. MET's Ocean Desalination Policy and Potential Participation by MET in the South Orange Coastal Ocean Desalination Project (formerly Dana Point Desalination Project)
- i. Second Lower Cross Feeder
- j. IRWD Strand Ranch Water Transfer Through MET

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

4. METROPOLITAN (MET) BOARD AND COMMITTEE AGENDA DISCUSSION ITEMS

- a. Summary regarding February MET Board Meeting
- b. Review items of significance for the March MET Board and Committee Agendas, if available, it will be distributed at the meeting

Recommendation: Review, discuss and take action as appropriate.

CLOSED SESSION

**5. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION
Initiation of Litigation Pursuant to Government Code section 54956.9(c) (One Case)**

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.



DISCUSSION ITEM

March 3, 2010

TO: Board of Directors

FROM: Kevin Hunt
General Manager

Staff Contact: Harvey De La Torre

SUBJECT: Update on MET's Proposed Budget and Rates for FY 2010/11

STAFF RECOMMENDATION

Staff recommends the Board of Directors review and discuss this information.

REPORT

Last month, MET staff presented to the Board the following rate options for review and discussion:

- **Option 1 - A One-Year Average Rate increase of 12.6% in January 1, 2011**
- **Option 2 - A Two-Year Average Rate increase of 7.5% in January 1, 2011 followed by a 7.5% in January 1, 2012.**

The feedback from the Board on these two rate options were as followed:

- Need to assess rates that collect full cost of service
- Need to maintain MET's high credit rating
- Need to collect the Board Policy of \$95 million in PAYGO
- Cannot adopt another double-digit rate increase
- Need to smooth out this rate increase over two years
- Need to seek further reductions in MET's Budget
- Need to increase MET's fix revenue

Based on the Board's concern of trying to collect full cost of service while struggling to keep rates in the single digits, MET staff will be proposing at this month's Business and Finance Committee meeting a third option.

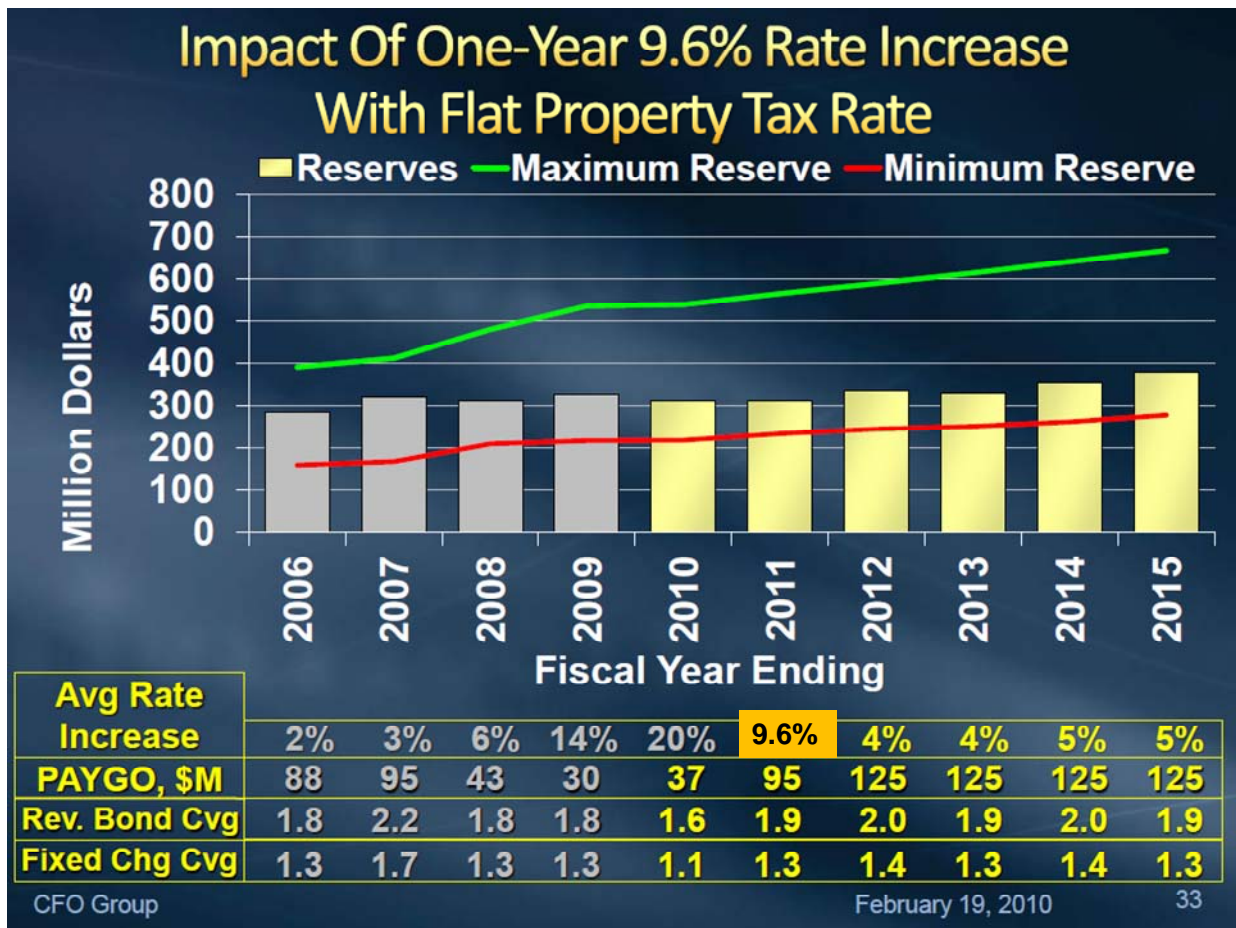
Budgeted (Y/N):	Budgeted amount:
Action item amount:	Line item:
Fiscal Impact (explain if unbudgeted):	

- **Option 3** – Single-Year Rate increase of 9.6% with a Flat Property Tax Rate

Under this option, MET would seek an average rate increase of 9.6% with the condition that the MET Board would seek to maintain its Ad-Valorem property tax rate at the 2009/10 level of 0.0043% in perpetuity.

Currently, the tax rate decreases each year in association with MET's GO bond debt service and their share of the Burns Porter Bond debt service. MET projects that these costs will decrease by approximately \$10 million in FY 2010/11, which will require MET to make up this loss of fix revenue from its rates and charges. However, by seeking legislation to change MET's Act to allow them to hold their tax rate flat, not only will MET have an additional \$10 million in fix revenue for FY 2010/11 but they will also have the ability to generate additional revenue in later years when property values begin increase. This additional fix revenue can be helpful to MET in covering future improvements in the Delta.

The table below illustrating the impact under Option 3:



In order to hold MET's property tax rate flat you need to pass legislation to change the MET Act. Understanding the challenges in passing legislation, MWDOC staff feels it is prudent to suggest a Plan B.

- **MWDOC Suggestion: Option 3B** – Single-Year Rate increase of 9.6% with budget reductions totaling \$10 million

If MET cannot secure an additional \$10 million in fix revenue, MET could still achieve a single-digit rate increase of 9.6% by seeking reductions in its budget by \$10 million. Therefore, MWDOC would suggest the Board direct MET staff to identify areas within its budget that could be reduced by \$10 million just in case the Property Tax Rate Option is not successful.

Next Steps

In March, MET staff will present this third rate option to the Business and Finance Committee and start its public hearing process. The Board is still seeking to adopt its budget and rates in April.

Update on MET's Proposed Budget and Rates for FY 2010/11

**Municipal Water District of Orange County
Board Workshop on MET Issues
March 3, 2010**



Recent Feedback from the MET Board

- Need to collect full cost-of-service this year
- Need to maintain MET's high credit rating
 - Cannot afford to be downgraded by Fitch
- Need to collect the Board Policy of \$95M in PAYGO
- Cannot adopt a double-digit rate increase three years in a row
- Need to smooth out the rate increase
- Need to seek further reductions in MET's Budget
- Need to increase MET's fix revenue

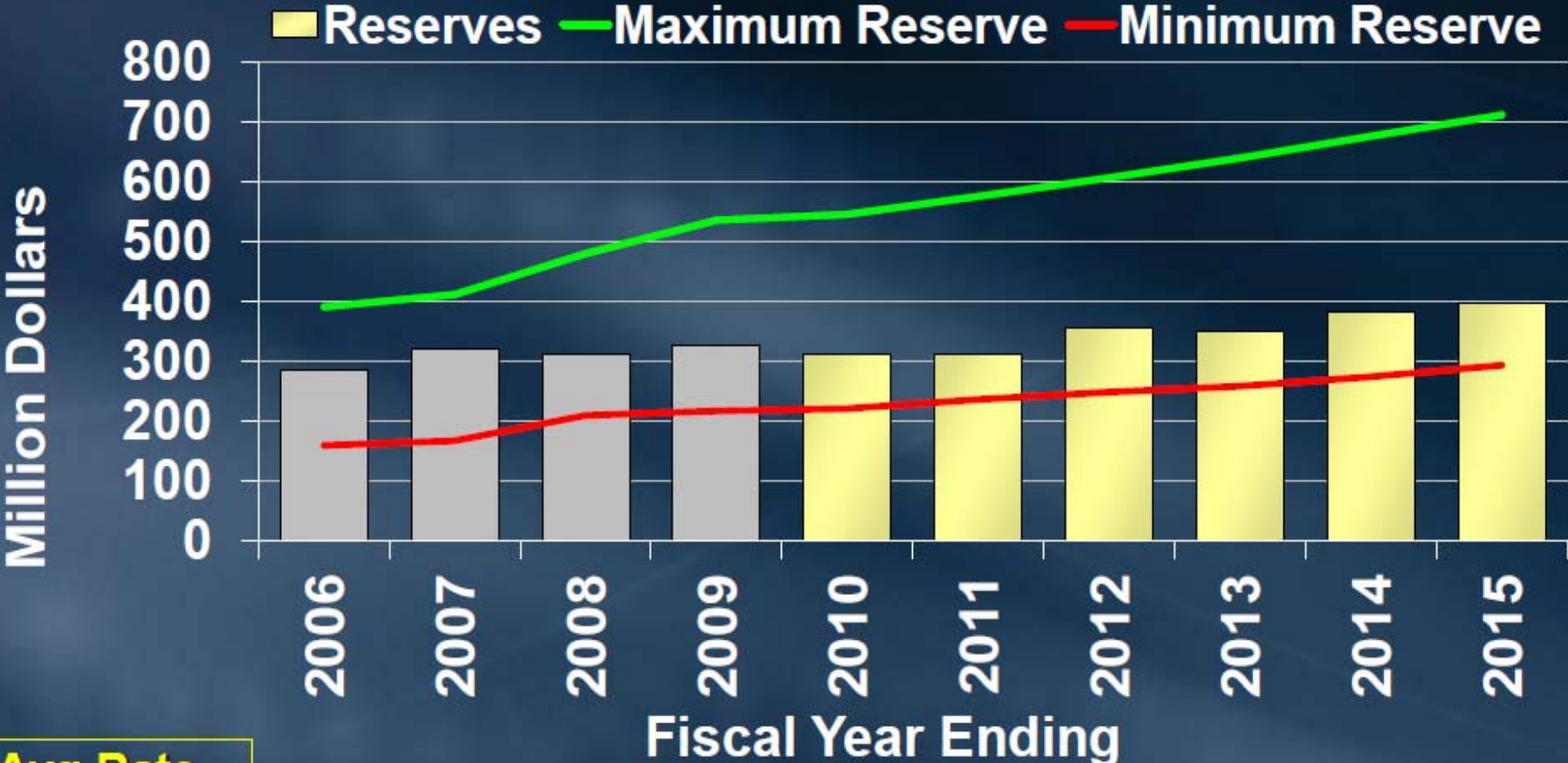


Option 1: Single Year Rate Increase

- Adopt one-year revenue requirements and rates/charges
- Increase of 12.4% on January 1, 2011
- Recovers full cost-of-service in 2010/11



Impact Of One-Year Rate Increase



Avg Rate Increase	2%	3%	6%	14%	20%	12.4%	2%	4%	6%	6%
PAYGO, \$M	88	95	43	30	37	95	125	125	125	125
Rev. Bond Cvg	1.8	2.2	1.8	1.8	1.6	1.9	2.1	2.0	2.0	2.0
Fixed Chg Cvg	1.3	1.7	1.3	1.3	1.1	1.3	1.5	1.3	1.4	1.3

Impact Of Increase In 2011 On Individual Rate Elements

Rates and Charges Effective January 1

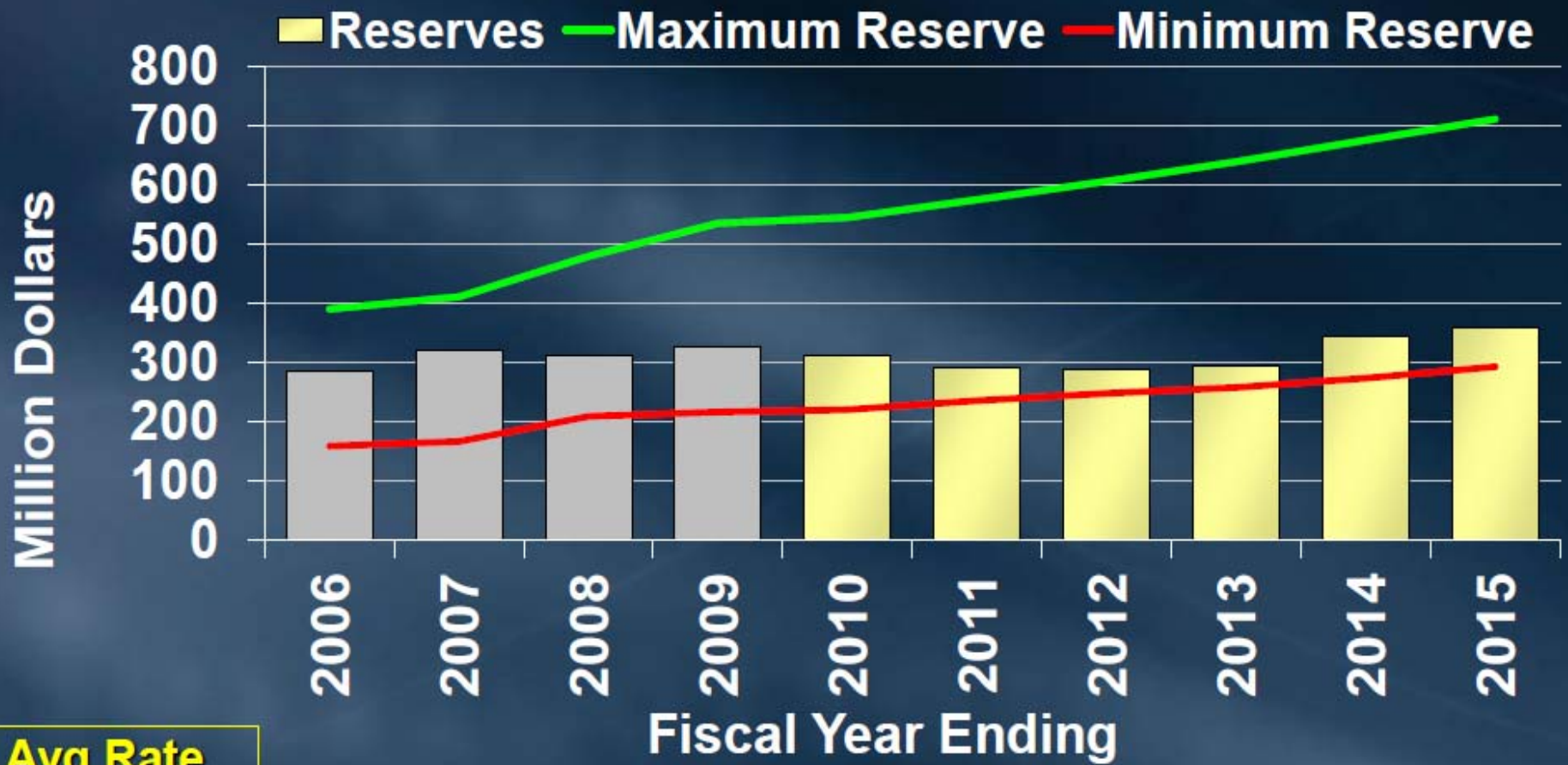
	2010	2011	Change
Tier 1 Supply Rate (\$/AF)	\$101	\$112	\$11
Delta Supply Surcharge (\$/AF)	\$69	\$51	\$(18)
Tier 2 Supply Rate (\$/AF)	\$280	\$280	-
System Access Rate (\$/AF)	\$154	\$217	\$63
Water Stewardship Rate (\$/AF)	\$41	\$43	\$2
System Power Rate (\$/AF)	\$119	\$135	\$16
Treatment Surcharge (\$/AF)	\$217	\$217	-
Readiness-to-Serve Charge (\$M)	\$114	\$133	\$19
Capacity Charge (\$/cfs)	\$7,200	\$7,200	-

Option 2: Two Year Rate Increase

- Adopt a two-year revenue requirement and rate/charges
- 7.5% increase in 2011 followed by an 7.5% increase in 2012
- Requires draws from reserves in 2010/11
- Recovers full cost-of-service in 2011/12



Impact Of Two-Year Rate Increase



Avg Rate Increase	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	2%	3%	6%	14%	20%	7.5%	7.5%	5%	5%	5%
PAYGO, \$M	88	95	43	30	37	95	125	125	125	125
Rev. Bond Cvg	1.8	2.2	1.8	1.8	1.6	1.9	2.0	2.0	2.1	2.0
Fixed Chg Cvg	1.3	1.7	1.3	1.3	1.1	1.3	1.4	1.4	1.4	1.3

Potential Rates Under Two-Year Increase (Based On Existing COS Method)

Rates and Charges Effective January 1

	2010	2011	2012
Tier 1 Supply Rate (\$/AF)	\$101	\$104	\$106
Delta Supply Surcharge (\$/AF)	\$69	\$51	\$58
Tier 2 Supply Rate (\$/AF)	\$280	\$280	\$290
System Access Rate (\$/AF)	\$154	\$207	\$217
Water Stewardship Rate (\$/AF)	\$41	\$41	\$43
System Power Rate (\$/AF)	\$119	\$129	\$136
Treatment Surcharge (\$/AF)	\$217	\$207	\$234
Readiness-to-Serve Charge (\$M)	\$114	\$128	\$146
Capacity Charge (\$/cfs)	\$7,200	\$7,200	\$7,400

Rate Scenarios under Changed Conditions

If MET sales remained at 1.9 MAF and SWP Allocations stay flat at 35%:

- **Single-year increase of 16.0% in 2011**
 - **Covers full cost-of-service in 2010/11**
- **Two-year increase of 10.5% in 2011 and 10.5% in 2012**
 - **Requires draws from reserves in 2010/11**
 - **Covers full cost-of-service in 2011/12**

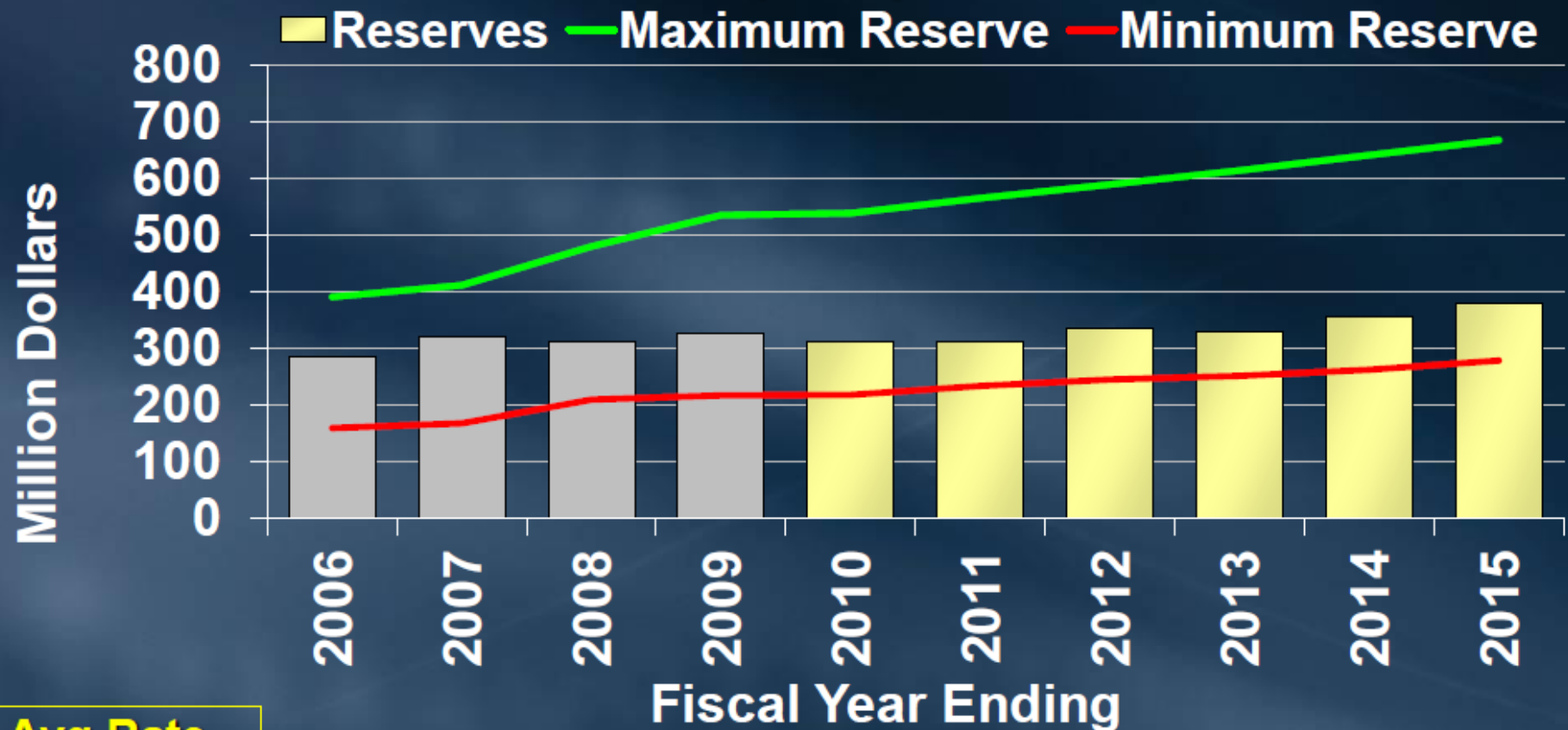


Option 3: Single-Year Rate Increase with Flat Property Tax Rate

- **Maintain MET's property tax rate at 2009/10 levels**
 - **Hold the Ad-valorem rate of 0.0043% flat**
 - **Generate approximately \$10M in 2010/11 to offset SWP capital costs**
- **Additional \$10M in revenue reduces the rate increase to 9.6%**
- **Recovers full cost-of-service in 2010/11**
- **Provides MET with additional fix revenue**
- **Requires legislation to change MET's Act**



Impact Of One-Year 9.6% Rate Increase With Flat Property Tax Rate



Avg Rate Increase	2%	3%	6%	14%	20%	9.6%	4%	4%	5%	5%
PAYGO, \$M	88	95	43	30	37	95	125	125	125	125
Rev. Bond Cvg	1.8	2.2	1.8	1.8	1.6	1.9	2.0	1.9	2.0	1.9
Fixed Chg Cvg	1.3	1.7	1.3	1.3	1.1	1.3	1.4	1.3	1.4	1.3

Potential 2011 Rate Increase Of 9.6%

(Based On Existing COS Method)

Rates and Charges Effective January 1

	2010	2011	Change
Full Service Untreated Volumetric Cost (\$/AF)			
Tier 1	\$484	\$541	\$57
Tier 2	\$594	\$662	\$68
Replenishment Water Rate Untreated (\$/AF)	\$366	\$423	\$57
Interim Agricultural Water Program Untreated (\$/AF)	\$416	\$496	\$80
Full Service Treated Volumetric Cost (\$/AF)			
Tier 1	\$701	\$755	\$54
Tier 2	\$811	\$876	\$65
Replenishment Water Rate Treated (\$/AF)	\$558	\$612	\$54
Interim Agricultural Water Program Treated (\$/AF)	\$615	\$698	\$83
Untreated Wheeling/Exchange Rate	\$314	\$382	\$68

Impact Of Increase In 2011 On Individual Rate Elements

Rates and Charges Effective January 1

	2010	2011	Change
Tier 1 Supply Rate (\$/AF)	\$101	\$108	\$7
Delta Supply Surcharge (\$/AF)	\$69	\$51	\$(18)
Tier 2 Supply Rate (\$/AF)	\$280	\$280	-
System Access Rate (\$/AF)	\$154	\$207	\$53
Water Stewardship Rate (\$/AF)	\$41	\$42	\$1
System Power Rate (\$/AF)	\$119	\$133	\$14
Treatment Surcharge (\$/AF)	\$217	\$214	\$(3)
Readiness-to-Serve Charge (\$M)	\$114	\$131	\$17
Capacity Charge (\$/cfs)	\$7,200	\$7,200	-

MWDOC Suggestion- Option 3B

- **Single-Year Rate Increase of 9.6% by seeking budget reductions totaling \$10 million**
- **Seek areas within the budget to reduce/cut in order to:**
 - **Achieve Full Cost of Service**
 - **Keep the rate increase in single digits**
 - **Maintains MET's credit ratings**
 - **Keeps MET's PAYGO at \$95M**



Summary

On March 8th MET will present an information letter that will include the following three options:

1. Single Year 12.4% increase
2. Two-Year increase: 7.5% in 2011 and 7.5% in 2012
3. Single Year 9.6% increase with a flat property tax rate

MWDOC suggests an option 3B:

- 3B. Single Year 9.6% increase with budget reductions totaling \$10 million



Next Steps

- **March 8th: Business and Finance Committee**
 - **Public Hearing on Proposed rates and Charges**
- **April 12th : Business and Finance Committee**
 - **Consideration and action on proposed 2010/11 budget and rates**
- **April 13th: Board Meeting**
 - **Adopt proposed 2010/11 Budget and Rates**



Questions





DISCUSSION ITEM

March 3, 2010

TO: Board of Directors

FROM: Kevin Hunt
General Manager

Staff Contact: Harvey De La Torre

SUBJECT: MET’s Revised Definition of “Extraordinary Increased Production”

STAFF RECOMMENDATION

Staff recommends the Board of Directors review and discuss this information.

REPORT

At last month’s Water Planning and Stewardship Committee, during the discussion of principles for delivering member agency procured State Water Project supplies, the Committee was confused and unclear by the definition of what is considered an “Extraordinary Increased Production” within MET’s Water Supply Allocation Plan as it relates to water transfers.

Within MET’s Allocation Plan, increases in local supply production are categorized into two areas:

- **Gain of local supply** – Accounts for *planned or scheduled* gains in local supply production above the base period in an allocation year. These gains are added to a member agency’s base period of local supplies. Example of a gain local supply is increases in SDCWA/IID/MWD exchange
- **Extraordinary Increased Production** – Accounts for extraordinary steps to increase local supplies above the base period in an allocation year. This increase provides an agency with additional credit within their allocation. Examples of a extraordinary increased production are water transfer purchases or mining of groundwater basins

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

The Board members confusion with the above definition is that it categorizes any **planned** water transfer as a “Gain” rather than “Extraordinary”. As a result, it hinders member agencies ability to bring additional water into the region to help under water shortages.

The intent of “Extraordinary”, according to previous Board discussions, was to give credit to those agencies that take the extra steps to increase their local supplies during an allocation period regardless of whether it was secured or established prior to allocations. The intent of a “Gain” is a local supply and/or program that operates on a regular basis; either during an allocation year or during a non-allocation year.

To provide clarity and reflect the intent of extraordinary increased production, MET staff revised the definition to read as follows:

“Extraordinary Increase Production shall be defined as a supply that is procured or delivered only in a year when Metropolitan’s WSAP is implemented”

According to MET, this definition would clearly differentiate actions taken by member agencies to augment supplies only when MET is allocating supplies through the Allocation Plan from local supplies and programs that are operated on an ongoing a basis.

However, although this revised definition does clear up some concerns it still raises a number of other issues, such as:

- Will water transfer deliveries that occur during non-allocation years now be considered “gain” and not “extraordinary”?
- Can Ocean Desalination be considered Extraordinary even if deliveries will be occurring on an ongoing basis?
- How does MET account for overproduction of groundwater as extraordinary?

This revised definition will be presented as an information item to the MET Water Planning and Stewardship Committee this month.

MET's Water Supply Allocation Plan: Definition of Extraordinary Increased Production

**Municipal Water District of Orange County
Board Workshop on MET Issues
March 3, 2010**



MET's Water Supply Allocation Plan

MET's Allocation Plan categories increases in local supply production in two areas:

– Gain of local supply

- Accounts for planned or scheduled gains in local supply production above the base period
- These gains are added to member agency base period local supplies
- Example: SDCWA/IID/MWD Exchange

– Extraordinary Increases Production

- Accounts for extraordinary steps to increase local supplies above the base period in an allocation year
- Examples: Purchases of water transfers or mining of groundwater basins



Purpose of the Extraordinary Production

- Provide additional credit (imported water) within MET's allocation plan to those member agencies that took the extraordinary step to increase their water supplies in an allocation period

MET Committee Request

- **Confusion with current definition of “Extraordinary Increased Production” as it related to water transfers and other increases in local supplies**
 - **Current definition would make “planned” water transfers ineligible to receive the Extraordinary credit in the allocation plan**
 - **Disincentivizes water agencies from seeking water transfers and securing additional water supplies**
- **Committee requested MET staff to revised the definition and bring it to the Board for review in March**



MET staff proposed revised Definition

“Extraordinary Increased Production shall be defined as a supply that is procured or delivered only in a year when MET’s allocation plan is implemented”

The goal is to differentiate actions taken by member agencies to augment supplies only when MET is in allocations from local supplies and programs that are operated on an ongoing basis

MWDOC Staff Analysis

MET's revised definition raises the following concerns/questions:

- **Will water transfer deliveries during non-allocation years now be considered “gains” and not “extraordinary”?**
- **How will Ocean Desalination be eligible for extraordinary credits if deliveries will be on an ongoing basis?**
- **How will MET account for overproduction of groundwater as extraordinary?**



Item No. 3

DISCUSSION ITEM

March 3, 2009

TO: Board of Directors/Metropolitan Directors

FROM: Kevin Hunt
General Manager

Staff Contact: Harvey De La Torre

SUBJECT: MWD Items Critical To Orange County

STAFF RECOMMENDATION

Staff recommends the Board of Directors to review and discuss this information.

SUMMARY

This report provides a brief update on the current status of the following key MWD issues that may affect Orange County:

- a) MWD's Water Supply Allocation Plan
- b) MWD Integrated Resource Plan 2009 Update
- c) Long Range Finance Plan – Cost of Service Review
- d) Colorado River Issues
- e) Bay Delta/State Water Project Issues
- f) Central Pool Augmentation Project
- g) Introduction of Local Water into the AMP
- h) MET's Ocean Desalination Policy and Potential Participation by MET in the South Orange Coastal Ocean Desalination Project (formerly Dana Point Desalination Project)
- i) Second Lower Cross Feeder
- j) IRWD Strand Ranch Water Transfer Through MET

ISSUE BRIEF # A

SUBJECT: MWD's Water Supply Allocation Plan

RECENT ACTIVITY

MET Allocation Performance

Through six months of the twelve month allocation period, MET's deliveries of imported water totaled 1,001,385 AF, which is 12% below MET's target level for a shortage stage 2 allocation. This means that the member agencies, collectively, are using 12% less than their allocation limits. According to these deliveries, MET anticipates sales to reach 1.92 million AF by the end of the fiscal year; which is "on-target" with MET's budget projections.

Allocation Plan 12-Month Review Process

The member agency workgroup continue to meet on what type of changes is needed to improve MET's Water Supply Allocation Plan. Among the key issues/suggestions discussed are:

- Change the "Regional Shortage percentage" to "Shortage Stage Level" to avoid miscommunication
- Evaluate the Conserving Rate Structure Credit
- Adjust the Extraordinary credit methodology to encourage member agencies to secure additional local supplies i.e. Water transfers
- Remove the Growth Adjustment from the Allocation Plan calculation
- Capacity Charge should not be impacted by the Allocation Plan
- Adjust either the Wholesale Minimum or the Retail Impact Adjustment Factor under Shortage Level 1 and 2
- Exclude the Seawater Barrier from the Demand Hardening Impact formula
- Fire-suppression and mandatory preventative maintenance water (hillsides) should be exempted from the Allocation Plan
- Replenishment water required by groundwater adjudications should be included as firm demands
- Need a mechanism to handle losses of local supply for agencies that use groundwater basins as distribution systems

Most of the minor issues, such as changing the Regional Shortage percentage to Shortage Stage level to avoid miscommunication to the public, were easily agreed upon by the group; however, most of the remaining issues (i.e. recognizing replenishment water as firm) will require further review and analysis. The difficulty in accepting any changes will be ensuring that the allocation plan's principles remain enacted while maintaining a fair and equitable distribution of imported water among the member agencies.

The workgroup is expected to meet monthly to develop a final list of recommendations to be submitted to the Board by April (when the Board decides on implementing allocations next

fiscal year) or by June (when allocation begin). MWDOC staff plans to keep the Board as well as our MET Directors informed on these issues as they progress.

Definition of Extraordinary Increased Production

At last month's Water Planning and Stewardship Committee, the MET Board asked staff to provide more clarity on the definition of "Extraordinary Increased Production". The current definition was too vague and caused confusion as to what a "planned" supply is versus what is an "extraordinary" supply. In March, MET staff plans to revise the definition for the Board to review.

UPCOMING ACTIVITY

MET staff will provide an update on their total expected water supplies for 2010 at their March Water Planning and Stewardship Committee meeting. Depending on the supplies for 2010 and their storage levels, MET staff will provide a recommendation to the Board in April whether to continue implementing the allocation plan for FY 2010/11.

ISSUE BRIEF # B

SUBJECT: Integrated Resource Plan 2010 Update

RECENT ACTIVITY

Last month, the IRP Steering Committee met to begin the review of how the proposed Adaptive Management Approach would apply to core water resources that will be identified in the IRP. This meeting's focus was on water conservation.

Before the presentation on water conservation, MET staff gave a brief overview of the benefits of an Adaptive Management Approach - the flexibility to manage under uncertainty and change conditions, the ability to avoid/minimize risks, and the trigger mechanism to make changes when necessary.

MET staff presented a summary of a white paper on conservation, where the member agency workgroup, along with MET staff, developed a report identifying areas of where the region can enhance conservation. The paper discussed opportunities in securing additional funding, focus more on outdoor conservation, legislation, local ordinance, education, water awareness campaigns, and potential partnerships with energy companies and other governmental agencies.

The committee then discussed the impacts related to the recent SB 7 – 20% by 2020 legislation on MET's future demands and its role in enhancing Conservation. Although not all of the details of how retail agencies are expected to comply with this legislation (some of the compliance options have yet to be determined by DWR), MET staff did some preliminary analysis that demonstrated that the MET's service area will need to save an additional 195,000 AF by the year 2020. This new target plays a significant factor in how MET plans to share its long term conservation program.

UPCOMING ACTIVITY

MET's IRP Steering Committee are expected to meet monthly to review each core resources that will be included the IRP and see how the adaptive approach will apply each one.

ISSUE BRIEF # C

SUBJECT: Long Range Finance Plan – Budget & Rates FY 2010/11

RECENT ACTIVITY

MWDOC staff will provide an update on MET's proposed Budget and Rates for FY 2010/11 in the packet.

UPCOMING ACTIVITY

MET's Budget and Rates schedule is as followed:

- **March 8th : Business and Finance Committee**
 - Public Hearing on proposed rates and charges
- **April 12th : Business and Finance Committee**
 - Consideration and action on proposed 2010/11 budget and rates
- **April 13th : Board Meeting**
 - Adopt proposed 2010/11 budget and rates

ISSUE BRIEF # D

SUBJECT: Colorado River Issues

RECENT ACTIVITY

Storm brings Significant Inflow to Lower Colorado River

A storm brought significant inflow to the Lower Colorado River during late January. However, releases from Lake Mead were minimized (It is estimated Lake Mead rose 1.5 feet) much of the water flowing into the Colorado River from tributaries could not be captured and 41,000 acre-feet of water above the treaty amount flowed into Mexico. The Drop 2 Regulating Reservoir, which is under construction, could have captured a significant portion of this water. Construction of the reservoir is scheduled for completion this April.

Work Begins on Colorado River Basin Study

In January, the Colorado River Basin States and the U.S. Bureau of Reclamation executed the funding agreement for a 2-year \$2 million study to evaluate options to meet the long-term water supply needs of the Colorado River Basin. Metropolitan is participating in the study and will highlight its current efforts to reduce water demands; both within its service area and along the Colorado River.

ISSUE BRIEF # E

SUBJECT: Bay Delta/State Water Project Issues

RECENT ACTIVITY

Bay Delta Conservation Plan (BDCP)

In January, Metropolitan sponsored a Risk Assessment Workshop to assess the risks of associated with each Delta conveyance option (east canal, west canal, and All-tunnel) in various categories including construction, cost, environmental, public relations, legal, and land use/real estate.

In February, after reviewing the preliminary technical, environmental and economic reports, the BDCP Steering Committee members agreed to focus further analyses on an All-tunnel approach to conveyance. A decision on the final plan and a preferred conveyance alternative (which could include a canal, tunnel, through-Delta, or a combination thereof) will not be made until further analyses are completed.

The BDCP released an independent cost assessment late February for an “all-tunnel” and eastern alignment. The study estimates the cost of the “all-tunnel” option to be \$11.7 billion, including land acquisition and mitigation. This is higher than the \$9.8 to \$10.6 billion estimate originally released by the BDCP in December. The cost of an eastern alignment was estimated to be at \$7.6 billion, which was below the BDCP’s December estimate.

ISSUE BRIEF # F

SUBJECT: Central Pool Augmentation Project

RECENT ACTIVITY

The feasibility study of the proposed transportation tunnel between Orange and Riverside Counties has been completed and the findings were presented to the Riverside Orange Corridor Authority (ROCA) on January 22, 2010. The conclusions of this study were consistent with findings from MET's Central Pool Augmentation Project investigations – the project is feasible but costly to construct the tunnel.

ROCA agreed with recommendations to continue monitoring the boreholes (including MWD boreholes) for an additional year. They also retained their consultants and are interested in gauging the potential for securing private funding.

Below is a summary from ROCA's draft report published in December:

“Based on the limited studies conducted to date, a tunnel system beneath the Santa Ana Mountains is technically feasible. There are no fatal flaws identified that would prevent the project from being designed, constructed, and operated, but there are significant challenges. Significant private funding for the first phase of the \$8.6 billion tunnel project is necessary. A toll revenue study is recommended to provide more detailed information to the private sector on potential toll revenue that may be generated by the project. Staff is also recommending that a fall 2010 public private partnership workshop be held to gauge private industry interest to finance, design, construct, maintain, and operate the ICE tunnels. To avoid a lapse in ground water monitoring as discussions are underway with the private sector, continuation of this monitoring for up to one year is recommended.”

ISSUE BRIEF # G

SUBJECT: Introduction of Local Water into the AMP

RECENT ACTIVITY

Due to policy issues raised at the February 2009 MET Board meeting, unrelated to the merits of the Baker Treatment Plant Project, the Board voted to hold off on approving this project until MET staff and the member agencies developed a policy that addresses the issue of routine usage of locally treated water being introduced into the MET system. Staff from MET and the Member Agencies were requested to craft a policy that will allow member agencies to introduce treated water into the MET system that does not financially harm, under specific conditions, and/or degrade the quality of water in the MET system. The other aspect of the policy to be addressed is to better define when a situation involves "wheeling" and when it involves a "lease" of a portion of the MET system.

UPCOMING ACTIVITY

Kevin Hunt is continuing his discussions with staff from MET, SDCWA and LADWP to discuss the policy issues.

ISSUE BRIEF # H

SUBJECT: MET's Ocean Desalination Policy and Potential Participation by MET in the South Orange Coastal Ocean Desalination Project (formerly Dana Point Desalination Project)

RECENT ACTIVITY

No update this month

ISSUE BRIEF # 1

SUBJECT: Second Lower Cross Feeder

RECENT ACTIVITY

AECOM should complete their report and conduct a stakeholder meeting in April to receive input prior to finalizing the report. A presentation to MWDOC's Board will be made before the report is completed. A number of policy changes will be needed at MET to implement this project.

BACKGROUND

The Second Lower Cross Feeder Project involves an interconnection between the Second Lower Feeder and the East Orange County Feeder No. 2. The primary objective for this project is to significantly improve MET's operational flexibility by increasing the delivery capability from the Jensen Treatment Plant into central and south Orange County during periods of shutdowns or outages of the Diemer Plant.

ISSUE BRIEF # J

SUBJECT: IRWD Strand Ranch Water Transfer Through MET

RECENT ACTIVITY

MET staff presented the “Principles for delivery member agency procured State Water Project Supplies” to its Water Planning and Stewardship Committee last month. This is in response to IRWD requesting MET to facilitate the delivery of SWP water it has stored in its Strand Ranch Banking Program.

Understanding IRWD will use this water to improve its water supplies during dry years, the Committee did have some questions as to how this water will be defined under MET’s Water Supply Allocation Plan (Plan). The terms state that this water would qualify as “Extraordinary production”. However, there was some confusion over the current definition of “Extraordinary” and the intent of the definition. To provide clarity to this issue, the Committee asked MET staff to come back next month with a clearer definition of what qualifies as “extraordinary” before the Board take action on IRWD’s Strand Ranch water transfer.

UPCOMING ACTIVITY

The definition of what qualifies as “extraordinary production” under the Allocation plan is expected to be presented as an information item to the Water Planning and Stewardship Committee this month. Once the issue is resolved, the Board will take action on IRWD’s Strand Ranch Water Transfer agreement.