

WORKSHOP MEETING OF THE
BOARD OF DIRECTORS WITH MET DIRECTORS
MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
18700 Ward Street, Board Room, Fountain Valley, California
September 7, 2011, 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 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.)

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. 1916)

MET INSPECTION TRIP PROGRAM RECOGNITION

PRESENTATION/DISCUSSION/INFORMATION ITEMS

1. MET'S LONG RANGE FINANCE PLAN

Recommendation: Review, discuss and take action as appropriate.

2. UPDATE ON MET'S REPLENISHMENT WATER PROGRAM

Recommendation: Review, discuss and take action as appropriate.

3. FLUORIDE LAWSUIT AGAINST METROPOLITAN WATER DISTRICT -- *Foli, Brown, Aslanian & Blake vs. Metropolitan Water District and Jeffrey Kightlinger*

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

4. AB 134 DICKINSON (D-SACRAMENTO) - SACRAMENTO WATER RIGHTS

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

5. MET ITEMS CRITICAL TO ORANGE COUNTY

- a. MWD's Water Supply
- b. MWD's Water Use Efficiency Planning Efforts (Long Term Water Conservation Plan)
- c. Long Range Finance Plan
- d. Colorado River Issues
- e. Bay Delta/State Water Project Issues
- f. MET's Ocean Desalination Policy and Potential Participation by MET in the South Orange Coastal Ocean Desalination Project (formerly Dana Point Desalination Project)
- g. Orange County Reliability Projects

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

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

- a. Summary regarding August MET Board Meeting
- b. Review items of significance for the September MET Board and Committee Agendas

Recommendation: Review, discuss and take action as appropriate.

CLOSED SESSION

**7. CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION
Significant exposure to litigation pursuant to subdivision (b) of Section 54956.9: (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

September 7, 2011

TO: Board of Directors

FROM: Kevin Hunt
General Manager

Staff Contact: Harvey De La Torre

SUBJECT: MET's LONG RANGE FINANCE PLAN

STAFF RECOMMENDATION

Staff recommends the Board of Directors review, discuss and take action as appropriate.

REPORT


MWDOC staff will provide a detail presentation on MWD's Long Range Finance Plan. It will include background information on the 2007 LRFDP discussions and outcomes, Purchase Order issues, suggested rate refinements topics, as well as the expected timeline.

Long Range Finance Plan:
Purchase Order and Rate Refinement
Discussions

Municipal Water District of Orange County
Board Workshop on MET Issues
September 7, 2011



Background on
MET's Long Range Financial Plan



Background of past discussions

- LRFP Rate Subgroup started working on updating the plan in mid-2007 where we discussed the following refinements to the existing rate structure
- Topics covered:
 - Appropriate level of discount for Replenishment and Interim Agricultural Program (IAWP)
 - Treated Water Peaking cost recovery
 - Growth charge to recover infrastructure costs (Tier 2 addresses impact of growth on supply costs)
 - Tier 1 versus Tier 2 differential
 - Cost of Service review



Outcome of the 2007 LRFP Discussions

- Although no Plan was finalized for Board review and approval, the following outcomes did occur:
 - Elimination of the IAWP
 - Increase in the Tier 1 versus Tier 2 differential
 - Currently \$125/AF Difference
 - Implementation of the Delta Supply Surcharge
 - Currently \$51/AF
 - Board affirmed the Cost-of-Service approach



Upcoming Discussions: Purchase Orders



2011 LRFP Discussions

- **Key Financial assumptions from the 2007 LRFP need to be revised**
 - Water Sales, O&M Costs, Rates Projections, etc.
- **Purchase Orders will expire December 31, 2012**
 - Need a discussion whether member agencies renew, change, or eliminate the purchase orders
- **Seek Rate Refinements**
 - Fixed Revenue
 - Growth Charge for infrastructure
 - Treated water cost recovery



MWD's Purchase Orders

- Level of commitment was set at 60% of a member agencies' Base Firm Demand (Baseline) x 10 years
 - MWDOC Commitment was 1,486,161 AF
- Purpose of the Purchase Commitment was to provide some level of financial commitment to MWD in exchange for a Tier 1 rate (90% of Baseline)
- Those agencies that did not sign a Purchase Order paid Tier 2 rates if they exceed 60% of their Baseline
 - San Fernando & San Marino did not sign Purchase Orders
- All of the member agencies (except Compton) have or will meet its 60% purchase commitment by end of 2012



What if member agencies do not extend the current purchase orders?

- MWD Administrative Codes (4122, 4401 & 4404) states:
 - Without purchase orders, the Tier 1 limit drops to 60% of base firm demand (baseline)



Upcoming Discussions: Rate Refinements



Rate Refinement Process

- **Issues on the table for discussion**
 - Fixed Revenue generation
 - Growth charge for infrastructure
 - Tier 1 limits/trading Tier 1 limits
 - Treated water cost recovery
 - Aligning the Allocation Plan and implementation of rates and charges
 - Fixed commitment to pay for the system (“Take or Pay” Contracts)
 - Capacity Charge methodology
 - Financial Rate Stabilization Fund Policy



Policy Questions on LRFP

1. **Should MET continue with the Tier 1 and 2 Rate Structure?**
 - **What does Tier Rates provide to MET and its Member agencies?**
 - **What is the Role of Tier 2?**
 - **Cover supply growth**
 - **Provide an pricing signal for member agencies**
 - **What should be the Tier 1 limit, if renewed?**
 - **Should everyone start off into Tier 2?**



Policy Questions on LRFP

2. **MWD current rate structure is highly dependent on volumetric sales revenue. Should MWD seek more fix revenue to lessen rate increases?**
 - **What's the impact to member agencies?**
 - **Rate Stabilization fund**
 - **How do you define fix revenue?**
 - **Base amount of water purchase from MWD**
 - **Purchase Orders**
 - **Fixed Charges**
 - **New i.e. Retail Meter Charge**
 - **Existing i.e. Property Tax, Standby Charge**



Policy Questions on LRFP

3. How does MWD balance the further development of local resources with financial stability?
 - Fix revenue?
 - Partnership and/or Ownership



Timeline

- Monthly Member Agency Manager Meeting
 - Kick off meeting held on August 8, 2011
 - Next meeting on September 9, 2011
- Target Completion for summer of 2012





DISCUSSION ITEM

September 7, 2011

TO: Board of Directors

FROM: Kevin Hunt
General Manager

Staff Contact: Harvey De La Torre

SUBJECT: MET's Replenishment Water Program

STAFF RECOMMENDATION

Staff recommends the Board of Directors review, discuss and take action as appropriate.

REPORT

In May, due to the abundance of surplus water the Metropolitan Water District (MWD) received this year, the MWD Board of Directors authorized the General Manager to provide up to 225,000 acre-feet (AF) of replenishment water under the discounted program until the end of the calendar year. Included in this action, the Board asked staff to develop and present a new replenishment program before January 2012.

The reasons that the MWD Board asked for a redesign of the replenishment program was due to number of issues; among them:

- Water supply conditions are facing more uncertainty and the current replenishment program will not be as available as previous years i.e. 3 out of 10 years
- Over the past ten years, MWD has developed more storage capacity in Lake Mead, Diamond Valley Lake, Central Valley Storage Programs along the State Water Project, and in local Conjunctive Use programs
- There is ambiguity as it relates to "performance" and "regional benefit" under the current program
- Agencies that purchase replenishment water operate differently due to their own institutional and governance structures

To help redesign the replenishment program, MWD staff formed a working group made up of member agencies and groundwater basin agencies. The working group has been meeting twice a month mainly focusing on understanding how each groundwater basin and

surface reservoir operates as well as how they define “regional benefit” with the existing replenishment program. All of the agencies that purchases replenishment water gave presentation, including Orange County Water District (on May 30). The presentations focused on basin operations, institutional/governance structures, and annual replenishment needed.



This month the working group will initiate discussions of what criteria and policy objectives should be included in a new replenishment program. Although no proposals have been presented to the group, MWDOC staff has identified the following observations:

- General belief among the member agencies that there is a benefit to MWD having a replenishment program
- Many find value in having water stored locally versus outside of MWD’s service area
- There is a different understanding of “regional benefit” among the member agencies; in particular among basins that can perform versus basins that are limited according to their basin operations
- There have been comments that a “one size fits all” type of program is not best suited for MWD or the member agencies.
- There is interest in a program that both groundwater and surface water agencies can participate
- There is a desire to have a more flexible program that can provide replenishment water to a member agency to be utilized later during dry years (performance based program); as well as allow for the opportunity for MWD to make available replenishment water during plentiful surplus years to improve basins levels and sell additional water (interruptible based program)

MWDOC and OCWD staffs will continue to be engaged in these on-going discussions with MWD and other member agencies on developing a new replenishment program. MET staff expects to present a proposal to the Board before the end of the year. MWDOC staff will continue to keep the MWDOC Board and MET Directors apprised of this issue as it further develops.

MET's Replenishment Water Program

**Municipal Water District of Orange County
Board Workshop on MET Issues
September 7, 2011**



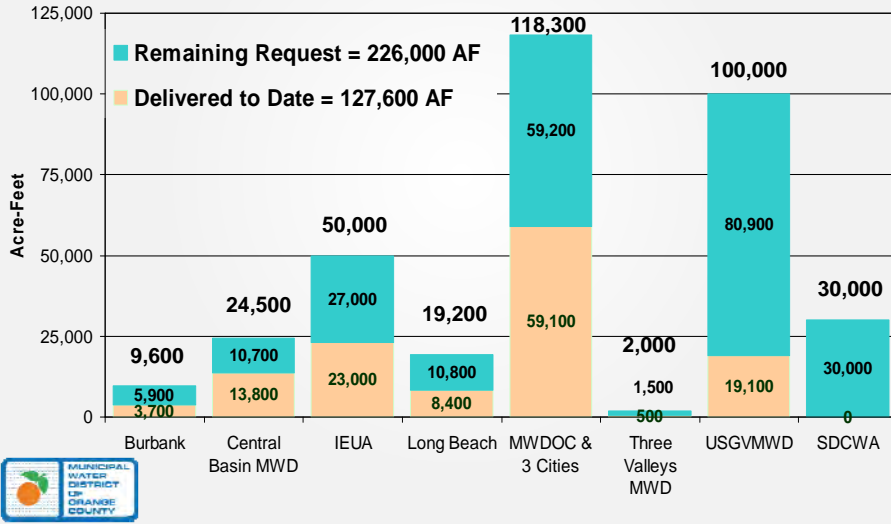
Update on 2011 Replenishment Deliveries



MWD Replenishment Deliveries To Member Agencies

As of 8/17/2011

2011 Requested Amount = 353,600 AF



Update on Future Replenishment Program



Redesigning the Replenishment Program

- As part of MET Board's action to provide up to 225,000 AF of replenishment water until December 2011, staff and the member agencies are to present a new replenishment program for Board review and adoption by the end of the year



Reasons for Redesigning the Program

- Water supply conditions are facing more uncertainty and the replenishment program will not be as available as previous years
 - 3 out of 10 years
- MET has developed more storage capacity over the past ten years (Totals 5.0 MAF)
 - DVL, Lake Mead, Central Valley Storage and Local Conjunctive Use Programs
- There is ambiguity related to “performance”/ “regional benefit” under the current program
- Agencies operate under different institutional and governance structures
 - Includes groundwater basins and surface water reservoirs



Replenishment Working Group

MET staff have developed a working group made of member agencies and groundwater basin agencies where the following issues have been discussed:

- Identifying the benefits of a Replenishment Program**
- Understanding how each groundwater basin operates**
- Asking groundwater agencies how they define “regional benefit” with a replenishment program**
- Discuss what elements would they like to see in a new replenishment program**



Groundwater Basin/Member Agencies Presentations

- ✓ May 25 – Orange County Water District**
- ✓ June 9 – Inland Empire Utilities Agency**
- ✓ June 30 – San Diego County Water Authority & Water Replenishment District**
- ✓ July 14 – Foothill MWD**
- ✓ August 1 – Eastern MWD**
- ✓ August 11 – Rancho California**
- ✓ August 26 – Western MWD & USGVMWD**



MWDOC/OCWD Staff Observations

- **General belief that there is a benefit in have a replenishment program**
 - **There is value in having water stored locally versus outside of MET's service area**
- **There is a different understanding of "regional benefit" among member agencies**
 - **Groundwater Basins that can perform versus other that are limited according to their Basin Operations**
- **There have been comments that a "one size fits all" type of program is not best suited for MET**
 - **Need for a more flexible Program**



MWDOC/OCWD Staff Observations

- **Have a program that both groundwater and surface water agencies can participate**
- **There is a desire to have a more flexible program that can (1) provide excess imported water to a member agency to be utilized later during dry years; but also, (2) allow for the opportunity for MET to make available excess imported water during plentiful surplus years to improve basin levels and sell additional water**



Next Steps

- **MWDOC/OCWD staffs continue to work with MET and other member agencies on alternative ideas/concepts for a new program**
- **In early September, the working group will start discussing and analyzing the details of different alternatives**
 - **i.e. Criteria & Policy objectives**
- **MET staff plans to provide an update next month to the Water Planning and Stewardship Committee on the Replenishment Review Process**
- **MET anticipates to provide a new program to the Board before the end of the year**





INFORMATION ITEM

September 7, 2011

TO: Board of Directors

FROM: Kevin Hunt
General Manager

Staff Contact: Harvey De La Torre

SUBJECT: **Fluoride Lawsuit against Metropolitan Water District –**
Foli, Brown, Aslanian & Blake vs. Metropolitan Water District and Jeffrey Kightlinger

STAFF RECOMMENDATION

Staff recommends the Board of Directors review and discuss this information

REPORT

On August 9, 2011, four individuals Debra Foli, Danny Brown, Caroline Aslanian and Rabyn Blake filed a federal lawsuit against Metropolitan Water District and General Manager Jeff Kightlinger in San Diego Federal District Court. The plaintiffs claim that their civil rights are being violated because MWD is “forcibly” medicating them by its use of hydrofluosilicic acid (HFSA) to fluoridate their drinking water “against their will” without advance notice. Each plaintiff claims personal health concerns related to the use of HFSA in their drinking water. The plaintiffs also allege that Metropolitan’s use of HFSA constitutes an unfair business practice in violation of state law.

According to MWD legal staff, MWD has not been served the complaint. Legal staff’s anticipated strategy is to file a motion to dismiss.



DISCUSSION ITEM

September 7, 2011

TO: Board of Directors

FROM: Kevin Hunt
General Manager

Staff Contact: Harvey De La Torre

SUBJECT: AB 134 Dickinson (D-Sacramento) - Sacramento Water Rights

STAFF RECOMMENDATION

Staff recommends the Board of Directors review, discuss and take action as appropriate.

REPORT

Assembly Bill 134, by Assemblyman Roger Dickinson (D-Sacramento) would help allow the Sacramento Regional County Sanitation District to secure water rights to its treated wastewater it discharges into the Sacramento River. This would help the district offset the cost of complying with a new state permit that requires advance treatment of the 180,000 acre-feet per year of effluent; which is suspected of harming the food chain in the Sacramento-San Joaquin Delta. Selling the treated wastewater could cover about one-fourth of the cost. However, any proposed water rights would still be subject to approval by the State Water Resource Control Board. The bill will now go to the Governor's desk for his action.

MWDOC Legal Counsel, Russell Behrens of Kidman, Behrens & Tague, will provide further information on this Sacramento Water Rights issue.

CHAPTER _____

An act to add Section 1486 to the Water Code, relating to water resources.

LEGISLATIVE COUNSEL'S DIGEST

AB 134, Dickinson. Appropriation of water: Sacramento Regional County Sanitation District.

Under existing law, the State Water Resources Control Board administers a water rights program pursuant to which the state board grants permits and licenses to appropriate water.

Existing law requires the owner of a wastewater treatment plant to obtain the approval of the state board prior to making any changes in the point of discharge, place of use, or purpose of use of treated wastewater, and requires the state board to review the proposed changes in accordance with prescribed procedures.

This bill would authorize the Sacramento Regional County Sanitation District to file an application for a permit to appropriate a specified amount of water that is based on the volume of treated wastewater that the district discharges into the Sacramento River, as specified. The bill would authorize the state board to grant a permit to appropriate that treated wastewater upon terms and conditions determined by the state board. The bill would require the board, prior to granting a permit pursuant to these provisions, to comply with permit, approval, and review requirements and other laws applicable to the appropriation of water.

This bill would make legislative findings and declarations as to the necessity of a special statute for the Sacramento Regional County Sanitation District.

The people of the State of California do enact as follows:

SECTION 1. Section 1486 is added to the Water Code, to read:

1486. (a) The Sacramento Regional County Sanitation District, and any successor thereto, with respect to treated wastewater produced by the sanitation district that meets the requirements of the California Regional Water Quality Control Board, Central Valley, as may be amended or modified, and that is discharged

into the Sacramento River, may file an application for a permit to appropriate an amount of water up to the amount of treated wastewater that is discharged into the Sacramento River, less diminution by seepage, evaporation, transportation, or other natural causes between the point of discharge from the wastewater treatment plant and the point of diversion out of the Sacramento River or the Sacramento-San Joaquin Delta.

(b) Upon application for a permit to appropriate water pursuant to subdivision (a), the board may grant the permit subject to the terms and conditions as in the board's judgment are necessary for the protection of the rights of any legal user of the water.

(c) Prior to the board granting a permit under subdivision (b), the board shall comply with the provisions of Part 2 (commencing with Section 1200) of Division 2, and other applicable law, and may impose terms and conditions authorized thereunder.

(d) Water appropriated in accordance with this section may be sold or utilized for any beneficial purpose.

SEC. 2. The Legislature finds and declares that a special law is necessary and that a general law cannot be made applicable within the meaning of Section 16 of Article IV of the California Constitution because of the unique problems applicable to the full utilization of the waters of the Sacramento River and the Sacramento-San Joaquin Delta, into which treated wastewater discharged by the Sacramento Regional County Sanitation District flows.



Item No. 5

DISCUSSION ITEM

September 7, 2011

TO: Board of Directors & MWD Directors

FROM: Kevin Hunt
General Manager

Staff Contact: Harvey De La Torre/
Warren Greco

SUBJECT: MET 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
- b) MWD's Water Use Efficiency Planning (Long Term Water Conservation Plan)
- c) Long Range Finance Plan (Purchase Order and Rate Refinement Discussions)
- d) Colorado River Issues
- e) Bay Delta/State Water Project Issues
- f) MWD's Ocean Desalination Policy and Potential Participation by MWD in the South Orange Coastal Ocean Desalination Project (formerly Dana Point Desalination Project)
- g) Orange County Reliability Projects

ISSUE BRIEF # A

SUBJECT: MWD's Water Supply

RECENT ACTIVITY

2011 Replenishment Water Program Deliveries

Due to the abundance of water this year, MWD made the replenishment service program available for up to 225,000 acre-feet or until December 31, 2011; whichever comes first. Eight MWD member agencies, including MWDOC, submitted orders to purchase replenishment water which totaled over 353,000 AF. As of August 17, MWD has delivered 127,600 AF.

UPCOMING ACTIVITY

Three-Year Review of MWD's Water Supply Allocation Plan

MWD and member agencies staffs have finalized its three-year review of MWD's Water Supply Allocation Plan (Plan). Through a series of 12 workshops, the topics reviewed resulted in some being recommended for modification to the Plan, while others were deferred or consigned to other workgroup venues.

Issues that will be recommended for modification to the Plan:

- Baseline inflation as it relates to recycled water and conservation savings
- Change to the growth adjustment methodology
- The timing of when to properly end an allocation period – "Exit Strategy"

Issues reviewed but decided not to change:

- New local supply recognition (i.e. Ocean Desalination, groundwater recovery, recycled water)
- New Base Period Selection
- Modification to the Conservation Hardening Credit
- Sharing allocation between agencies with common local resources i.e. groundwater basin

Issues being addressed in other venues:

- Tier 1-2 Timing (Long Range Financial/Rate Structure discussions)
- Replenishment water allocation (Replenishment Working Group)

MWD staff will seek approval from the Board this month. Staff will provide an overview of the process, a description of each issue reviewed, and a recommendation, as listed above. The three issues recommended for modification is consistent with the "need basis" allocation approach adopted by the Board; and will reduce the frequency and depth of

future allocations.

MWD Replenishment Working Group

As part of the Board's action to make replenishment water available this year, the member agencies and MWD staffs are to develop and present a new replenishment program to the MWD Board by the end of the year.

A working group has been formed and has been meeting monthly. The group just completed reviewing how each groundwater basin operates; including what type of program would member agencies like to see in a new replenishment program. Later this month the working group will start discussing alternatives, criteria and policy principles. MWD staff expected to present a proposal for Board review and approval before the end of the year.

MWDOC staff will to have a detail presentation at this month's Board Workshop on MWD Issues.

ISSUE BRIEF # B

**SUBJECT: MWD's Water Use Efficiency Planning Efforts
(Long Term Water Conservation Plan)**

UPCOMING ACTIVITY

At the August MWD Board meeting, the Long Term Water Conservation Plan was approved along with revised water conservation policy principles. A friendly amendment by Director Gloria Gray of West Basin Municipal Water District was also approved by the Board asking MWD staff to bring back policy principles related to the encouragement and development of recycled water.

ISSUE BRIEF # C

SUBJECT: Long Range Finance Plan

RECENT ACTIVITY

MWD staff recently lay out a schedule to complete the Long Range Finance Plan by the summer of 2012. One of the drivers to complete this plan by next year is the decision to renew, change or eliminate the Purchase Order Agreements with the MWD member agencies before their expiration date of December 31, 2012.

The Purchase Orders originated as part of the rate structure change in 2003, whereby member agencies were given the option to sign purchase orders in exchange for a higher Tier 1 limit. MWD received a financial commitment from the member agencies to purchase a certain amount of full service water to help with MWD's financial crediting ratings. 24 out of the 26 member agencies signed a 10-year agreement with MWD.

A member agency working group has been established to review whether we continue the purchase orders, determine the appropriate timeframe and level of a new commitment, adjust any acre-feet baseline, and review the Tier 1 and Tier 2 pricing differential.

In addition to the Purchase Order issue, the group will also review other potential rate refinements. Among the areas of review will be: fixed versus variable rate revenue generation, development of a growth charge for new infrastructure, forming a treated water charge, and reviewing the methodology of the capacity charge.

The working group held its kick off meeting on August 8, 2011 and plan to meet monthly. MWD will keep the Board informed with periodic workshops and committee updates.

MWDOC staff will to have a detail presentation at this month's Board Workshop on MWD Issues.

San Diego County Water Authority Letter to Metropolitan Water District's Board of Directors commenting on Appendix A of MWD's Draft Official Statement

On August 22, 2011, the San Diego County Water Authority submitted a letter (See Attached) to Chairman Foley and the member of the MWD Board stating a number of concerns related to its Appendix "A" of the draft Official Statement as part of an upcoming refunding of certain fixed revenue bonds. SDCWA's main concern is the "inaccurate description" of future water sales and its financial impact to MWD's

revenues. They reference a number of factors ranging from the future development of local resources to how MWD categories “water sales”.

The letter also states how SDCWA has placed MWD on legal notice of the additional claims “that [SDCWA] intends to file including Rate Structure Integrity, Preferential Rights and Breach of Fiduciary Duty [referring to Each MWD Directors]”. They further claim that MWD’s current conservation and local resources programs violate “proposition 26 or other legal requirements”; and they believe there is “no legal basis for the sale of discounted water to some but not all MWD member agencies”.



San Diego County Water Authority

4677 Overland Avenue • San Diego, California 92123-1233
(858) 522-6600 FAX (858) 522-6568 www.sdcwa.org

August 22, 2011

Board of Directors
Metropolitan Water District of Southern California
700 N. Alameda Street
Los Angeles, CA 90012

MEMBER AGENCIES

- Carlsbad Municipal Water District
- City of Del Mar
- City of Escondido
- City of National City
- City of Oceanside
- City of Poway
- City of San Diego
- Fallbrook Public Utility District
- Helix Water District
- Lakeside Water District
- Olivenhain Municipal Water District
- Olney Water District
- Padre Dam Municipal Water District
- Camp Pendleton Marine Corps Base
- Rainbow Municipal Water District
- Rancho Municipal Water District
- Rincon del Diablo Municipal Water District
- San Diego Jitta Water District
- Santa Fe Irrigation District
- South Bay Irrigation District
- Vallacitos Water District
- Valley Center Municipal Water District
- Vista Irrigation District
- Yuma Municipal Water District

Dear Chairman Foley and Members of the Board:

We have reviewed Appendix A of MWD's Draft Official Statement, distributed to the members of the board on August 15 relating to the upcoming refunding of certain fixed revenue bonds (Draft or Appendix A). While we support MWD's desire to take advantage of the market to reduce its debt obligation, we remain concerned that MWD's financial condition is not accurately described in Appendix A. As you know, the Water Authority's MWD representatives have sent three prior letters regarding Appendix A dated September 22 and December 9, 2010 and May 16, 2011, copies of which are attached as Attachments 1-3, respectively, and incorporated herein by reference. Although MWD made specified changes as described in response letters dated September 23 and December 13, 2010 and email dated May 24, 2011, respectively, we do not believe that MWD has adequately addressed the stated concerns or that the August 15, 2011 Appendix A fairly presents MWD's financial position currently or prospectively. We request that the Draft be modified to address these concerns in order to provide adequate disclosure to potential investors.

The Water Authority has previously raised many of the questions and concerns noted in this letter in prior written communications with MWD. These past communications include but are not limited to letters regarding the budget, dated April 11, 2011; adoption of the Long Term Conservation Plan, dated August 15, 2011; and, Member Agency Willingness to Sign Take-or-Pay Contracts and Request to Correct the Record of July 12, 2011 MWD Board of Directors Meeting, dated August 16, 2011. A copy of each of these letters is attached again for consideration by you and the other members of the board, MWD's management team, General Counsel, outside bond counsel, underwriter's counsel and other members of the financing team (Attachments 4-6, respectively). Unfortunately, MWD has not responded to our letters directly or indirectly by addressing the issues on the merits in changed MWD board policy or management actions.

In addition to the concerns that are described in this past correspondence, which we request you address in your response to this letter, we have the following specific comments on the Draft.

Appendix A, as a whole, fails to adequately describe the financial impacts associated with reduced water sales. Although the Draft discloses that its member agencies are not required to purchase any water from MWD (page 27), the Draft fails to describe the associated risk to MWD, or, its inability to secure long term purchase contracts or other firm financing commitments that are not subject to change by the board of directors to meet its current and future fixed obligations.

Although the Draft includes a section titled, "Regional Water Resources" (beginning at page 27), the

A public agency providing a safe and reliable water supply to the San Diego region

discussion does not make clear what MWD's role is – or is not – in developing local water supplies. Many of the projects noted as "Regional Water Resources" will actually be developed at the local level without any involvement by MWD and, thus, further reduce MWD water sales in the future. The Draft should disclose that local water supplies have become much more cost-competitive as a result of the increasing cost of MWD's imported water and that as a result, many MWD member agencies are now pursuing the development of local water supply alternatives.

The Draft appears to mistakenly rely on past history as an indicator of future MWD sales (page 27) rather than assessing the dramatically changed circumstances confronting MWD. In addition to the development of local water supplies described above, the escalating cost of MWD water will likely result in reduced sales in the future. The Blue Ribbon Committee Task Force noted this more than 15-years ago. However, MWD continues to present analyses that do not consider the cost of water as a feature that will dampen future water sales. See, for example, Management's Discussion of Historical and Projected Revenues and Expenditures at page 71 (future sales forecasts will reflect "a return to more normal weather conditions, a recovering economy and population growth, *notwithstanding impacts of conservation and projected increases in water rates*" (emphasis added)).

Although the state legislature has mandated 20% conservation by 2020, MWD's IRP, recently adopted Long Term Conservation Plan and Appendix A do not describe any impact on MWD water sales. In fact, the Draft states that MWD water sales will return to historic levels at 2 million acre feet beginning in fiscal year 2013-14 "notwithstanding impacts of conservation" (page 71). The Draft should explain how sales are expected to continue at these levels at the same time the retail agencies in the MWD service area are achieving 20% conservation.

Although the Draft discloses the Water Authority's purchase of conserved water from IID and the water it has developed from lining the All-American and Coachella Canals, the Draft describes MWD's transportation of this water under the Exchange Agreement as an MWD water sale. This characterization is misleading and disguises the true fact that MWD water sales have been *reduced* by the amount of water the Water Authority has independently secured from these sources.

The discussion of the Water Supply Allocation Plan (WSAP) (page 26) is also misleading in that it does not state that Preferential Rights is the statutory method for allocating MWD water during a time of shortage. Preferential Rights is discussed briefly much later in the Draft (page 50) but the two topics are not tied together. The discussion of Preferential Rights should also make clear that any "use" of Preferential Rights is at the discretion of the member agencies that hold the rights, not MWD.

The Draft should connect the discussion of Regional Water Resources (beginning at page 27) with the discussion of both MWD revenues (page 41) and Management's Discussion of Historical and Projected Revenues (page 70) (Management Opinion). While MWD continues to project returning sales of 2 million acre feet, its discussion of seawater desalination programs alone shows potential reduced sales of almost 400,000 acre feet, exclusive of the many other local water supplies that are now being developed throughout the MWD service territory.

All of the information relating to the sale of discounted water is in the section on resources (page 30). The Draft should be revised to tie this discussion to Revenues (beginning at page 41) and should also be addressed in Management's Opinion. By its own report, MWD chose to sell water at a

discount in part because its member agencies would not pay full service rates for replenishment water. See MWD Board Memo dated May 10, 2011, a copy of which is attached, explaining that MWD water sales would only increase if water is sold at a discount due to the "budgetary or other financial constraints that the member agencies have" (Board Memo at page 3) and that offering water at full service rates would not "significantly increase the demand for replenishment water." And yet, as noted above, the Draft excludes consideration of the impact of the cost of water on future MWD water sales. The Draft should describe how MWD's sale of discounted water reduces full service water sales – reduces water sales revenues – and causes the cost of MWD's full service water to escalate even higher as the true costs are spread among an even lower sales base.

In its May 10, 2011 Board memo recommending the sale of discounted water as replenishment sales, MWD staff asserted that the sales would increase current year (FY 2012) net revenues by \$57.8 million (see "Options 3 and 4 Replenishment Service Program," top of page 5). In their ratings reports in May 2011, the rating agencies relied on the promise of additional revenues from replenishment sales to help improve MWD's fiscal position. However, four months into this eight-month discounted water sales period, MWD is not realizing "positive Net Revenue" as the board memo forecast. On the same day MWD staff released this Draft Appendix A for review by the board, our board heard reports in the Finance and Insurance Committee and the Engineering and Operations Committee that, taken together, foretell that the discounted water sales program will result in a net revenue shortfall of approximately \$30 million in the current year, assuming 225,000 acre-feet of discounted water is sold by the end of December. In the Business and Finance Committee, the Board was informed that current year water sales are projected to fall short of budget projections by 13,000 acre-feet (assuming a budget based upon 1.8 MAF of sales; the Draft Appendix A says MWD's FY 2012 forecast was for 1.85 MAF of sales). In the Engineering and Operations Committee, the Board was informed that MWD has already sold 118,000 acre-feet of discounted water, and has demands from the member agencies of for 323,600 acre-feet of discounted water. Thus, it appears that projected sales of 1.787 MAF includes assumed sales of 225,000 acre-feet of discounted water. As we warned last May, discounted water sales are cannibalizing full-rate water sales, and will lead to a revenue shortfall this fiscal year of \$30 million on the differential alone. This represents a nearly \$90 million shift from the MWD staff prediction in May of "positive Net Revenue" of \$57.8 million as a result of discounted water sales. MWD is likely to end FY 2012 with yet another revenue shortfall, making it the fourth year out of the past five years in which revenues were not sufficient to cover expenditures.

The Draft should include a discussion and cost estimate for the BDCP and potential impact on water rates. These projected costs of MWD's imported water supplies are the measure by which current decisions are being made to invest in alternative local water supply development and are having an impact now on MWD water sales.

The Draft discloses the ongoing draw down of reserve balances in its discussion of the Capital Investment Plan (page 37), but does not tie these trends into Management's Opinion. The Draft should also disclose the amount of the reserves that are currently held in escrow as a result of the San Diego County Water Authority litigation as well as amounts projected to meet future escrow requirements and the impact this will have on reserve balances.

The Draft should disclose that MWD has had the same external financial auditor for more than 19 years. Further, that a question has been raised regarding MWD's treatment of its State Water

Project contract for accounting purposes (see discussion at page 63).

The Summary of Receipts by Source (page 42) and Summary of Water Sold and Water Sales Receipts (page 43) should disclose receipts for the transportation of water by MWD. Although footnote 3 (page 44) states that "water sales" includes wheeling, the sale of water and the transportation of water are two completely different service functions.

The Draft's Summary of Water Sold and Water Sales Receipts (page 43) also fails to disclose important information by reporting "Average Receipts Per Acre Foot." Since no water is sold by MWD at "average" rates, MWD should disclose the amount of water it sells at full price and under discounted water programs.

The Draft should include a more detailed explanation of current and potential litigation. MWD is on notice of the additional claims the Water Authority intends to file including Rate Structure Integrity, Preferential Rights and Breach of Fiduciary Duty. The Water Authority has also informed MWD that it does not believe that current conservation and Local Resources Programs meet Proposition 26 or other legal requirements. The Water Authority has informed MWD that it does not believe that there is a legal basis for the sale of discounted water to some but not all MWD member agencies. Although the litigation is disclosed in the Draft (discussion of the rate structure at page 45), the litigation should also be noted in the discussion of MWD's Principal Customers (page 49).

Agricultural water sales are discussed in the section entitled, "Classes of Water Service," but should be tied to both Revenues and Management's Opinion on future water sales. The Draft should note that agricultural water sales have historically accounted for as much as 150,000 acre feet or more of MWD's total annual sales, but were less than 35,000 acre feet in 2010. Most of the water sales under the Interim Agricultural Water Program were to customers of the San Diego County Water Authority and are not expected to continue at full service rates when the IAWP terminates on January 1, 2013.

The Draft taken as a whole does not disclose the financial impacts to MWD of significantly reduced future water sales by MWD. The projected sales decline is significant. MWD's 2000 Urban Water Management Plan (UWMP) projected that MWD would sell approximately 2.3 million acre-feet of water in 2020 (average year demand). By the time of its 2005 UWMP, MWD revised the 2020 projection downward to approximately 2 million acre-feet. MWD's 2010 UWMP – adopted nine months ago – again lowered the 2020 projection, this time to 1.66 million acre-feet. In all, MWD's current projected (average year) sales for 2020 are nearly 30 percent lower than it projected just 10 years earlier. The factors contributing to reduced MWD water sales are not accurately described in Appendix A.

The Draft notes in a footnote that disbursements exceeded revenues in the fiscal years ended June 30, 2008, 2010 and 2011. This is a material factor that should be discussed more fully in the Draft and included in Management's Opinion, particularly in light of the likelihood that expenditures will once again exceed revenues in FY 2012.

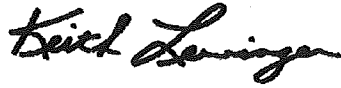
For the reasons described above and in the Water Authority's letter on the budget (Attachment 4), we do not believe that the projection of MWD's water sales and water rates described in Management's Opinion (page 68) are reasonable. We believe sales will be substantially less than

Chairman Foley and Members of the Board
August 22, 2011
Page 5

described and that water rates will be substantially higher than described.

Please contact me if you have any questions.

Sincerely,



Keith Lewinger, on behalf of San Diego County Water Authority
Representatives on the MWD Board of Directors

cc: Jeffrey Kightlinger, General Manager
Thomas DeBaker, Interim Chief Financial Officer
San Diego County Water Authority Board of Directors

Attachments:

1. September 22, 2010 letter re: Appendix A
2. December 9, 2010 letter re: Appendix A
3. May 16, 2011 letter re: Appendix A
4. April 11, 2011 letter re: MWD Budget
5. August 15, 2011 letter re: Adoption of Long Term Conservation Plan
6. August 16, 2011 letter re: Member Agency Willingness to Sign Take-or-Pay Contracts and Request to Correct the Record of July 12, 2011 MWD Board of Directors Meeting
7. MWD Board Memo dated May 10, 2011 re: Sale of Discounted Water

ISSUE BRIEF # D

SUBJECT: Colorado River Issues

RECENT ACTIVITY

United States Agencies Develop Framework for Bi-national Discussions

In August, representatives of the Colorado River Basin States and the U.S. Bureau of Reclamation (Reclamation) developed a framework agreement to present to Mexico officials to advance ongoing discussions to develop a bi-national water management agreement.

The framework includes the following elements:

1. Shortages: Amount of shortage Mexico would take when users in the Lower Basin are also in shortage conditions.
2. Surplus: Amount and conditions for Mexico to take surplus when users in the Lower Basin are also taking surplus.
3. Intentionally Created Mexican Apportionment (ICMA) in Lake Mead: Conditions in which Mexico can store water in Lake Mead for later delivery.
4. Conversion of ICMA to Intentionally Created Surplus (ICS): Conditions in which Mexico can convert water stored in Lake Mead to water that can be sold to users in the United States.
5. Development of Escrow Fund: Development of an escrow fund whereby users in the United States contribute to the fund so that Mexico can develop conservation projects to provide water via exchange to agencies in the United States.

Reclamation Projects Possible Surplus in 2013

As a result of record breaking snowfall in the Colorado Basin this year, the U.S. Bureau of Reclamation (Reclamation) is now forecasting Lake Mead to end 2011 at an elevation of 1,134 feet, or 52 feet higher than it was last fall. Reclamation's new operational study predicts that the outlook for surplus water has improved since last month. Under average snowfall conditions next winter, Lake Mead would increase an additional 19 feet in 2012, ending the year at elevation 1,153 feet. This is eight feet above the amount needed for surplus to be declared. *Reclamation has estimated that there is greater than a 60 percent chance that surplus water would be available in 2013, with a near zero probability of any shortage being declared in the next five years.*

ISSUE BRIEF # E

SUBJECT: Bay Delta/State Water Project Issues

RECENT ACTIVITY

Delta Stewardship Council's Delta Plan

The Fifth Draft of the Delta Plan was posted on the Delta Stewardship Council (Council) website on August 2, 2011. It was discussed by the Council at their August 26, 2011 meeting, and a more in-depth review will continue in September. The accompanying Environmental Impact Report (EIR) is still being finalized and it is scheduled for release in early September.

The Fifth Draft Delta Plan includes 12 proposed regulatory policies and 61 proposed recommendations that include the following categories: Reduce reliance on the Delta through improved regional water self-reliance; Promote sustainable groundwater management; Improve habitat and create a more natural flow regime; Expand water storage and improve existing conveyance; Complete the Bay Delta Conservation Plan; Improve water quality to protect human health and the environment.

The current schedule is to hold a public hearing on the EIR in mid or late September, followed by a 45-day comment period. The final reviews and adjustments to the Delta Plan would then take place in October and November. The statutory deadline to complete the Delta Plan is January 1, 2012.

Bay Delta Conservation Plan (BDCP)

On August 11, the U.S. Department of the Interior, the U.S. Department of Commerce, and the California Natural Resources Agency announced a schedule for completion of the effects analysis, as well as the combined Environmental Impact Statement (EIS) and Environmental Impact Report (EIR) for the BDCP by June 2012.

State and federal water officials agreed to a broad range of alternatives that are being evaluated in order to enable the California Department of Water Resources to identify a proposed project that will serve as the basis for federal and state permit applications and environmental review. Those alternatives include a variety of conveyance facilities with capacities ranging from 3,000 to 15,000 cubic feet per second (cfs). A range of proposals for habitat restoration are also under consideration. In addition, water contractors will be considering financial commitments of varying amounts for BDCP in the coming months.

ISSUE BRIEF # F

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

RECENT ACTIVITY

MWD's Committee on Recycling and Desalination met on July 26; their next meeting is not until September.

MWDOC has continued its discussions with MWD staff and staff from West Basin MWD on concepts for MWD to help its member agencies with desalination activities. Potential areas of assistance include water quality testing, system integration work, funding, and development of foundational issues to lay the groundwork for future development of ocean desalination projects and on regulatory and permitting issues. MWD staff has been very active with CALDESAL on regulatory issues.

MWDOC conducted a tour and briefing of the SOCOD Pilot Plant Facility for MET Director Jim Blake, Chair of the MWD Committee on Recycling and Desalination. Committee Vice-Chair Ed Little and MWDOC MWD directors Jack Foley and Larry Dick participated as well as MWDOC staff members Kevin Hunt, Richard Bell and Karl Seckel.

MWDOC held an open house on August 26 at the Dana Point Pilot Plant; four MWD staff members were able to attend. In addition, MWDOC staff recently toured the membrane research and production facilities at NanoH2O. MWD staff members Bob Harding and Warren Teitz were able to attend with MWDOC.

ISSUE BRIEF # G

SUBJECT: Orange County Reliability Projects

RECENT ACTIVITY

1. Second Lower Cross Feeder

A meeting of the owners of capacity in the East Orange County Feeder No. 2 and other potential stakeholders in Orange County will be meeting on September 1 to discuss project concepts for the Second Lower Cross Feeder Project. After that meeting has occurred, MWDOC will consider getting MWD involved in the discussions.

2. Central Pool Augmentation Project

Nothing new to report.

3. Baker WTP & Introduction of Local Water into the MWD System

Nothing new to report.

**Summary Report for
The Metropolitan Water District of Southern California
Board Meeting
August 16, 2011**

COMMITTEE ASSIGNMENTS

No new assignments were made.

TAX LEVY

The board adopted a resolution establishing the property tax rate for fiscal year 2011/12. The tax rate, .0037% of assessed value, is unchanged from this year's tax rate. **(Agenda Item 5E-2)**

REAL PROPERTY AND ASSET MANAGEMENT COMMITTEE

The board adopted policy principles for managing Metropolitan's real property assets and amended the Administrative Code. **(Agenda Item 8-1)**

The board approved an offer from the city and county of Riverside for the purchase of Metropolitan's 83.6-acre Box Springs Feeder right-of-way in city and county of Riverside. **(Agenda Item 8-2)**

The board authorized entering into a long-term agreement with Desert Sunlight for future power line crossings of Metropolitan's property near Eagle Mountain in Riverside County. **(Agenda Item 8-3)**

FINANCE AND INSURANCE COMMITTEE MATTERS

The board adopted the final resolution for annexation and impose water standby charge for Annexation No. 95 to Calleguas Municipal Water District and Metropolitan. **(Agenda Item 8-4)**

The board authorized additional payment for calendar year 2011 charges for water from the State Water Project. **(Agenda Item 8-5)**

ENGINEERING AND OPERATIONS COMMITTEE

The board appropriated \$7.7 million; and awarded \$4,818,000 contract to Southern Contracting Company for replacement of 230kV disconnect switches on the Colorado River Aqueduct (Approp. 15438). **(Agenda Item 8-6)**

WATER PLANNING AND STEWARDSHIP COMMITTEE MATTERS

The board adopted the Long-Term Conservation Plan and revisions to the policy principles on water conservation and directed staff to develop policy principles for the development of recycled water for a workshop with the committee. **(Agenda Item 8-7)**

The board authorized execution of Amendment to the Delta Habitat Conservation and Conveyance Program Memorandum of Agreement and Agreement for Supplemental Funding to prepare and complete the planning, environmental documentation, and associated preliminary engineering design for the Bay Delta Conservation Plan. **(Agenda Item 8-8)**

LEGAL AND CLAIMS COMMITTEE

The board authorized increase in maximum amount payable under contract with Morrison & Foerster for legal services by \$600,000 to a maximum of \$6,325,000 for *San Luis & Delta-Mendota Water Authority, et al. v. Salazar, et al.*, USDC Case No. 1:09-CV-407 OWW GSA, and consolidated cases; and *San Luis & Delta-Mendota Authority, et al. v. Locke, et al.*, USDC Case No. 1:09-CV-1053 OWW DLB, and consolidated cases. **(Agenda Item 8-9)**

The board authorized increases in maximum amount payable under contracts with Meyers, Nave, Riback, Silver & Wilson, PC for legal services in *OCWD v. Northrop* by \$700,000 to an amount not to exceed \$800,000; and Manatt, Phelps & Phillips, LLP for legal services in *San Gabriel Basin v. Aerojet-General* by \$700,000 to an amount not to exceed \$1 million. **(Agenda Item 8-10)**

The board ratified settlement authority on *Village Retail Center, LLC, et al. v. Metropolitan Water District, et al.*, Los Angeles Superior Court Case No. BC439334. **(Agenda Item 8-11)**

CONSENT CALENDAR

In other action, the board:

Appropriated \$1.82 million; and authorized final design of seismic upgrades for the Weymouth Filter Buildings (Approp. 15369). **(Agenda Item 7-1)**

Appropriated \$1.92 million; and authorized four improvement projects at the Robert B. Diemer Water Treatment Plant (Approp. 15436). **(Agenda Item 7-2)**

Authorized a one-year extension of the existing 5-year reimbursable agreement with the California Department of Water Resources to provide services for State Water Project operations and maintenance activities for an additional amount not to exceed \$5 million (including expenditures for subcontracts not to exceed \$1.5 million). **(Agenda Item 7-3)**

Authorized amendment to agreement with California Department of Water Resources to streamline future purchases of water transfer supplies from Yuba County Water Agency. **(Agenda Item 7-4)**

Authorized amendments to contract with Fraser Communications to extend the term for one year, modify scope of work and reduce the maximum payable amount. **(Agenda Item 7-5)**

OTHER ACTION

In other action, the board:

Adopted resolution in support of Randy A. Record for president of the Association of California Water Agencies (ACWA). **(Agenda Item F)**

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

Board letters related to the items in this summary are generally posted in the Board Letter Archive approximately one week after the Board Meeting. In order to view them and their attachments, please copy and paste the following into your browser

<http://edmsidm.mwdh2o.com/idmweb/home.asp>



Regular Board Meeting

September 13, 2011

12:00 p.m. -- Board Room

Tuesday, September 13, 2011 Meeting Schedule		
7:00-8:00 a.m.	Rm. 2-413	Dirs. Computer Training
8:30 a.m.	Rm. 2-145	L&C
10:00 a.m.	Rm. 2-456	Legislation
12:00 p.m.	Board Room	Board Meeting

MWD Headquarters Building • 700 N. Alameda Street • Los Angeles, CA 90012

1. Call to Order

- (a) Invocation: (Guest)
- (b) Pledge of Allegiance: Director Rudy Montalvo

2. Roll Call

3. Determination of a Quorum

PUBLIC HEARING

Comments on the proposed standby charge for Peaceful Valley Annexation to San Diego County Water Authority

4. Opportunity for members of the public to address the Board on matters within the Board's jurisdiction. (As required by Gov. Code § 54954.3(a))

5. OTHER MATTERS

- A. Approval of the Minutes of the Meetings for August 9 and 16, 2011.
(Copies have been mailed to each Director)
Any additions, corrections, or omissions
- B. Report on Directors' meetings attended at Metropolitan expense for month of August
- C. Induction of new Director, Ed Chavez, from Upper San Gabriel Valley Municipal Water District
 - (a) Receive credentials
 - (b) Report on credentials by General Counsel
 - (c) File credentials
 - (d) Administer Oath of Office
 - (e) File Oath
- D. Approve committee assignments
- E. Chairman's Monthly Activity Report

6. DEPARTMENT HEADS' REPORTS

- A. General Manager's summary of Metropolitan's activities for the month of August
- B. Interim General Counsel's summary of Legal Department activities for the month of August
- C. General Auditor's summary of activities for the month of August
- D. Ethics Officer's summary of activities for the month of August

7. CONSENT CALENDAR ITEMS — ACTION

- 7-1** Appropriate \$450,000; and authorize (1) environmental documentation for repairs to the Upper Newport Bay Blow-off Structure; and (2) professional services agreement with Dudek (Approp. 15377). (E&O)

Recommendation:

Option #1:

Adopt the CEQA determination and

- a. Appropriate \$450,000;**
- b. Authorize preparation of environmental documentation for access and repairs to the Upper Newport Bay Blow-off Structure; and**
- c. Authorize agreement with Dudek, in an amount not to exceed \$285,000 to provide specialized environmental support.**

- 7-2** Appropriate \$390,000; and authorize preliminary design of bromate control facilities (Approp. 15472). (E&O)

Recommendation:

Option #1:

Adopt the CEQA determination and

- a. Appropriate \$390,000; and**
- b. Authorize preliminary design of new bromate control facilities at each of Metropolitan's treatment plants.**

- 7-3** Appropriate \$570,000; and authorize two rehabilitation projects at the F. E. Weymouth Water Treatment Plant (Approps. 15369 and 15440). (E&O)

Recommendation:

Option #1:

Adopt the CEQA determination and

- a. Appropriate \$570,000;**
- b. Authorize final design of the Weymouth Washwater Tanks Seismic Upgrades; and**
- c. Authorize preliminary design to refurbish Weymouth Treatment Basins Nos. 5-8.**

- 7-4** Approve amendments to the Metropolitan Water District Administrative Code to conform to current laws and practices and make corrections. (L&C)

Recommendation:

Option #1:

Adopt the CEQA determination and approve amendments to the Administrative Code set forth in Attachment 2 of the board letter to reflect the changes recommended in this letter.

(END OF CONSENT CALENDAR)

8. OTHER BOARD ITEMS — ACTION

- 8-1** Appropriate \$7.76 million; and authorize (1) initiation of the PCCP Rehabilitation and Replacement Program; (2) final design of carbon fiber repairs for eight PCCP lines; and (3) agreement with Pure Technologies US, Inc. for pipeline inspections and monitoring (Approp. 15471). (E&O)

Recommendation:

Option #1:

Adopt the CEQA determination and

- a. Appropriate \$7.76 million;**
- b. Authorize initiation of the PCCP Rehabilitation and Replacement Program;**
- c. Authorize final design of carbon fiber repairs for eight PCCP lines; and**
- d. Authorize agreement with Pure Technologies US, Inc., in an amount not to exceed \$4.18 million, for pipeline inspections.**

- 8-2** Appropriate \$3.8 million; and authorize (1) final design of staged implementation for the Weymouth Oxidation Retrofit Program; (2) preliminary design of hypochlorite and sulfuric acid feed facilities; and (3) amendment of an existing agreement with Tetra-IBI Group (Approp. 15392). (E&O)

Recommendation:

Option #1:

Adopt the CEQA determination and

- a. Appropriate \$3.8 million;**
- b. Authorize final design of staged ozonation facilities at the Weymouth plant;**
- c. Authorize preliminary design of hypochlorite and sulfuric acid feed facilities; and**
- d. Authorize increase of \$100,000 to the existing agreement with Tetra-IBI Group, for a new not-to-exceed total of \$2,758,000.**

- 8-3** Approve adjustments to Metropolitan's Water Supply Allocation Plan Formula. (WP&S)

Recommendation:

Option #1:

Adopt the CEQA determination and approve the proposed adjustments to Metropolitan's Water Supply Allocation Plan.

- 8-4 Report on *San Diego County Water Authority v. Metropolitan Water District of Southern California, et al.*, San Francisco County Superior Court Case No. CPF-10-510830; and authorize an increase in the maximum amount payable under contract with Bingham McCutchen for legal services by \$600,000 to an amount not to exceed \$1,400,000. (L&C)
[Conference with legal counsel—existing litigation; to be heard in closed session pursuant to Gov. Code Section 54956.9(a)]

- 8-5 Report on potential litigation relating to termination of certain agreements between Metropolitan and the San Diego County Water Authority; and authorize an increase in the maximum amount payable under contract with Theodora Oringher Miller & Richman PC by \$600,000 to an amount not to exceed \$700,000. (L&C)
[Conference with legal counsel—anticipated litigation; to be heard in closed session pursuant to Gov. Code Section 54956.9(b)(3)(B)]

- 8-6 Express support for SB 250 (Rubio, D-Bakersfield) – Sacramento-San Joaquin Delta: Delta Plan: conveyance facility. (Legis.) **(To be mailed separately)**

9. BOARD INFORMATION ITEMS

- 9-1 Preliminary analysis of the State Water Project calendar year 2012 charges. (F&I)
- 9-2 Update on Replenishment Program. (WP&S)

10. DEPARTMENT HEADS PERFORMANCE EVALUATION

- 10-1 Report from General Manager, General Auditor, and Ethics Officer on the performance evaluations received by the Executive Committee.
[Public employees' performance evaluation; to be heard in closed session pursuant to Gov. Code Section 54957]

11. FUTURE AGENDA ITEMS

12. ADJOURNMENT

NOTE: At the discretion of the Board, all items appearing on this agenda and all committee agendas, whether or not expressly listed for action, may be deliberated and may be subject to action by the Board.

Each agenda item with a committee designation will be considered and a recommendation may be made by one or more committees prior to consideration and final action by the full Board of Directors. The committee designation appears in parentheses at the end of the description of the agenda item e.g. (E&O, F&I). Committee agendas may be obtained from the Board Executive Secretary.

Writings relating to open session agenda items distributed to Directors less than 72 hours prior to a regular meeting are available for public inspection at Metropolitan's Headquarters Building and on Metropolitan's Web site <http://www.mwdh2o.com>.

Requests for a disability related modification or accommodation, including auxiliary aids or services, in order to attend or participate in a meeting should be made to the Board Executive Secretary in advance of the meeting to ensure availability of the requested service or accommodation.