

WORKSHOP MEETING OF THE
BOARD OF DIRECTORS WITH MET DIRECTORS
MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
18700 Ward Street, Board Room, Fountain Valley, California
January 7, 2015, 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, but does not require, that members of the public who want to address the Board complete a voluntary "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. 2000)

PRESENTATION/DISCUSSION/INFORMATION ITEMS

**1. STATUS OF SIGNING A NEW TEN-YEAR PURCHASE ORDER BETWEEN
MWD OC AND METROPOLITAN WATER DISTRICT**

Recommendation: Review and discuss the information presented.

2. 2015 WATER SUPPLY REPORT

Recommendation: Review and discuss the information presented..

3. MET ITEMS CRITICAL TO ORANGE COUNTY

- a. MET's Water Supply Conditions
- b. MET's Finance and Rate Issues
- c. Colorado River Issues
- d. Bay Delta/State Water Project Issues
- e. MET's Ocean Desalination Policy and Potential Participation by MET in the Doheny Desalination Project and in the Huntington Beach Ocean Desalination Project (Poseidon Desalination Project)
- f. Orange County Reliability Projects

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

4. OTHER INPUT OR QUESTIONS ON MET ISSUES FROM THE MEMBER AGENCIES

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

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

Recommendation: Review and discuss the information presented.

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.



INFORMATION ITEM

January 7, 2015

TO: Board of Directors

FROM: Robert Hunter
General Manager

Staff Contact: Harvey De La Torre

**SUBJECT: STATUS OF SIGNING A NEW TEN-YEAR PURCHASE ORDER BETWEEN
MWDOC AND METROPOLITAN WATER DISTRICT**

STAFF RECOMMENDATION

Staff recommends the Board of Directors review and discuss this information

Background

On November 18, 2014, the MWD Board approved terms for signing a new ten-year MWD Purchase Order (PO) with the member agencies, Effective January 1, 2015 to December 31, 2025. These key terms include:

- **Base Period Options:** Member agencies can choose between retaining their current base year firm demand and existing commitment level (highest imported purchase amount year of FY1990 through FY 2002); **OR** select their highest imported purchase amount year of FY 2003 through FY 2014. Both calculations include past Interim Agricultural Water Program and Replenishment Program sales.
- **Tier 2 Applicability:** Tier 2 would apply to a member agency if their cumulative sales for the term of the PO exceeds its cumulative Tier 1 maximum; which is consistent with the methodology currently utilized to meet the 60% purchase order commitment.

Based on these new terms, MWDOC provided analysis to the MWDOC Planning and Operations Committee on the two options MWDOC can choose to sign – retaining its “Current” Base Year or seeking an updated “New” Base Year. Below is a table comparing MWDOC’s two options:

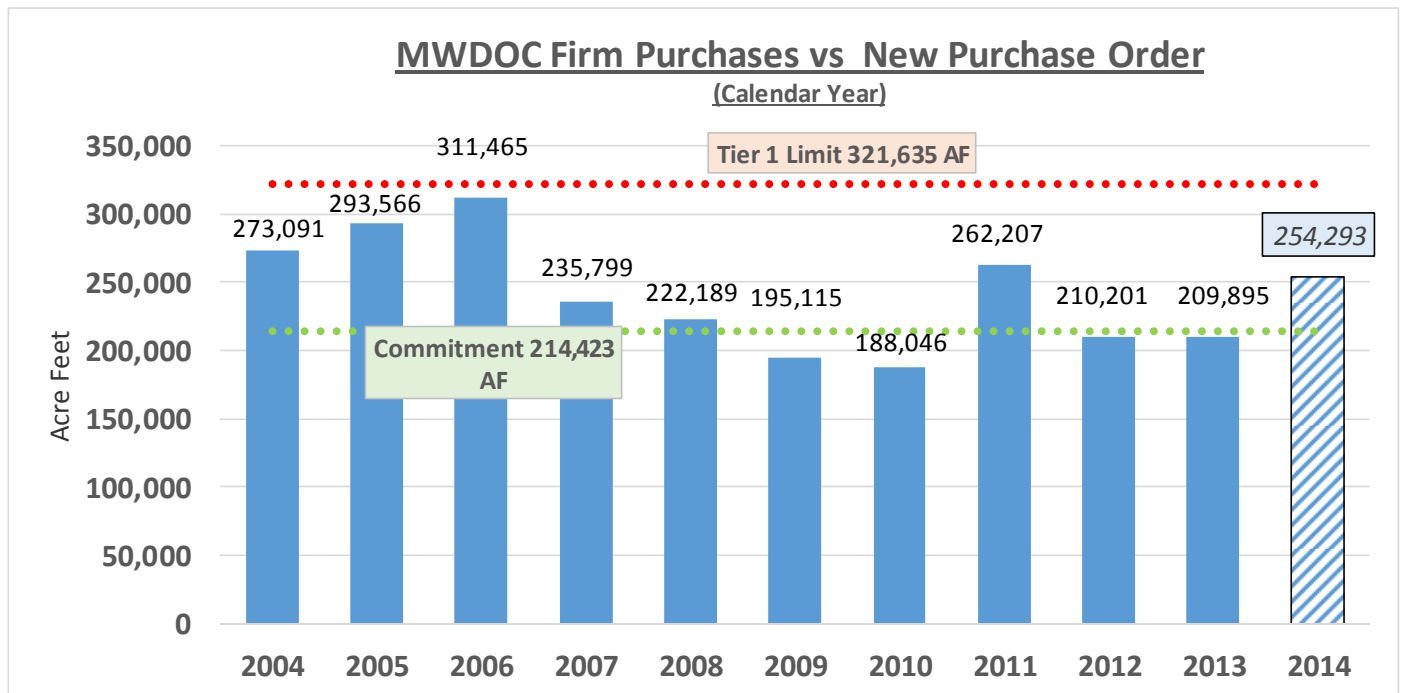
Budgeted (Y/N): n/a	Budgeted amount: n/a	Core _X_	Choice __
Action item amount: n/a	Line item:		
Fiscal Impact (explain if unbudgeted):			

	“Current” Purchase Order¹	Optional Updated “New” Purchase Order²	Difference
Base Year Amount	311,769 AF	357,372 AF	+45,603 AF
Tier 1 Maximum (90% of the Base)	280,592 AF	321,635 AF	+41,043 AF
Purchase Order Commitment (60% of the Base)	148,616 AF	214,423 AF	+65,807 AF

[1] “Current Base” is the highest purchases of imported water from the FY 1990 to 2002

[2] “Update Base” is the highest purchases of imported water from FY 2003 to 2014

It was noted that although MWDOC receives an increase of 41,043 AF in its Tier 1 Capacity under the updated Purchase Order it also comes with an additional +65,807 AF of an annual purchase commitment. Based on the District’s past six year of imported purchases, MWDOC has only exceeded this new purchase order minimum commitment amount of 214,423 AF twice.



Therefore under the new terms adopted by MWD, staff indicated to the P&O committee that it was recommended to have the MWDOC General Manager sign a new PO with the current Tier 1 and Purchase Commitment amounts, **unless OCWD indicates they plan to make large purchases of import water on a consistent basis over the next ten years.**

Report

Since the December P&O Committee, we received information from OCWD that they do in fact plan to purchase approximately 65,000 AF or more of imported water per year, and would like to discuss entering into a ten-year purchase order with MWDOC to allow us to sign the higher ten-year Purchase Commitment of 2.14 MAF and Tier 1 annual

amount of 321,635 AF. In response to this inquiry, the MWDOC General Manager sent OCWD's General Manager a letter (see Attached) to notify MWDOC of OCWD's Board intention and interest of signing a purchase agreement with MWDOC.

We are currently working with OCWD staff on determining the amount and potential terms for a ten-year purchase order with OCWD and MWDOC. Therefore, staff anticipates presenting a recommendation to the Board in February as to which Purchase Order Agreement (Current or higher PO) we plan to sign with MWD and the status of OCWD's intentions of signing a purchase agreement with MWDOC.

Attachment – MWDOC's General Manager's letter to OCWD General Manager, Mike Markus, December 1, 2014



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General Manager

MEMBER AGENCIES

City of Brea

City of Buena Park

East Orange County Water District

El Toro Water District

Emerald Bay Service District

City of Fountain Valley

City of Garden Grove

Golden State Water Co.

City of Huntington Beach

Irvine Ranch Water District

Laguna Beach County Water District

City of La Habra

City of La Palma

Mesa Water District

Moulton Niguel Water District

City of Newport Beach

City of Orange

Orange County Water District

City of San Clemente

City of San Juan Capistrano

Santa Margarita Water District

City of Seal Beach

Serrano Water District

South Coast Water District

Trabuco Canyon Water District

City of Tustin

City of Westminster

Yorba Linda Water District

December 1, 2014

Michael Markus
Orange County Water District
18700 Ward Street
Fountain Valley, CA 92708

Dear Mr. Markus: *M: ke*

SUBJECT: Terms and Options for a New Ten-Year Metropolitan Water District Purchase Order

Based on our conversations last Tuesday and Wednesday, I am sending you this letter summarizing certain opportunities and conditions relative to the Purchase Order requirements of the Metropolitan Water District of Southern California (MWD) with the purpose of facilitating your discussions with your Directors. As discussed in the attached agenda item from today's Planning & Operations Committee, MWDOC has the opportunity to select an updated baseline for the new, ten-year Purchase Order (PO) contract or stay with the current baseline. The new baseline would increase the amount of water that could be purchased under the lower Tier 1 pricing but would also increase the minimum purchase commitment. The current baseline represents adequate water supplies with minimal lower end commitments and financial risks. Therefore, it is likely that the MWDOC Board would vote in January to select the existing baseline unless OCWD believes they have a need for larger water purchases and is willing to sign a minimum purchase agreement with MWDOC for the 10-year PO period.

During our discussions, you have indicated that OCWD is planning to purchase an average of 65,000 acre feet per year for the next decade. This is greater than your average purchase for the last ten-years (disregarding allocation years) of 51,000 acre feet. The annual increase in the MWD-MWDOC PO commitment under the new baseline is 65,807 acre feet and the total new commitment for the ten-year PO period would be 2,144,203 acre feet.

If OCWD desires the greater volumes, we will be pleased to accommodate you. Please discuss this information with your Board and advise me as to OCWD's intention relative to the MWDOC-OCWD commitment agreement. I am available to discuss this issue with you and your Board at your convenience.

Sincerely,

Robert J. Hunter
General Manager



Item No.

INFORMATION ITEM

December 1, 2014

TO: Planning & Operations Committee
(Directors Osborne, Barbre, Hinman)

FROM: Robert Hunter, General Manager

Staff Contact: Harvey De La Torre

SUBJECT: Terms and Options for a New Ten-Year Purchase Order between
MWDOC and Metropolitan Water District

STAFF RECOMMENDATION

Staff recommends the Planning & Operations Committee to receive and file the information provided below

REPORT

Background

In 2002 Metropolitan (MWD) established Purchase Order agreements with its member agencies, which are a financial contract between MWD and a member agency to voluntarily commit to purchasing a minimum amount of imported water over a 10-year period. In exchange for this commitment an agency can purchase water from MWD at the lower Tier 1 supply rate on water purchased up to 90% of their Base (Agency's "Base" is their highest annual purchase of firm treated and untreated water since 1990). Any purchases above the 90% base amount will be at the Tier 2 supply rate. Those agencies that choose not to sign a purchase order can only purchase Tier 1 supplies up to 60% of their Base.

The intent of the Purchase Orders are to encourage member agencies to better manage their imported water demands within a Tier rate structure while providing MWD with a measure of secure revenue and it passes on its costs of supplies in excess of the Tier 1 cost of supplies to MWD.

Budgeted (Y/N): N	Budgeted amount: N/A	Core <input checked="" type="checkbox"/> Choice <input type="checkbox"/>
Action item amount: N/A	Line item:	
Fiscal Impact (explain if unbudgeted):		

In 2011, the MWD Board extended the initial purchase orders for an additional two years to expire at the end of December 31, 2014 in order to allow more time to discuss and evaluate its performance and effectiveness.

For the past six months, MWD and the member agencies have discussed the merits and purpose of the Purchase Orders. Based on these discussions there was general agreement that the Tier 2 Supply Rate continues to encourage water use efficiency and local resource development; and MWD indicated having purchase commitments does provide a measure of revenue security. Therefore, there is value in renewing the purchase orders for another ten-years, but some terms needed to be updated and modified to provide more flexibility.

New MWD Purchase Order Terms

On November 18, 2014, the MWD Board approved the following new MWD Purchase Order (PO) terms with the member agencies, (Effective January 1, 2015 to December 31, 2025):

- **Base Period Options:** Member agencies can choose between retaining their current base year firm demand and existing commitment level (highest imported purchase amount year of FY1990 through FY 2002); **OR** select their highest imported purchase amount year of FY 2003 through FY 2014. Both calculations include past Interim Agricultural Water Program and Replenishment Program sales
 - Member agencies that execute a PO will have their Tier 1 maximum amount will be set at 90% of their respective Base year they choose
 - The member agencies purchase commitment will be 60% of their respective Base year they choose times 10 (years of the PO).
 - If a member agency chooses not to execute a PO their Tier 1 maximum amount will be set at 60% of their current base period
- **Tier 2 Applicability:** Tier 2 would apply to a member agency if their cumulative sales for the term of the PO exceeds its cumulative Tier 1 maximum; which is consistent with the methodology currently utilized to meet the 60% purchase order commitment. Member agencies with Tier 2 obligations may choose:
 - To have their obligation calculated at the end of the 10-year term and pay any Tier 2 obligations at that time, which will be based on the average of the difference between the Tier 1 and Tier 2 Supply Rate over the 10 year term.
 - To pay any Tier 2 obligations as they are incurred, with a "true-up" at the end of the 10-year term.
 - If after year 5, a member agency has accrued a Tier 2 obligation, the member agency will begin paying any future Tier 2 obligations annually. Any outstanding Tier 2 obligation owing from the initial 5-year period can be amortized over the next 5-calendar years or paid at termination of the PO.
- **Additional Aspects:**
 - POs are voluntary
 - The PO commitments will be over the ten-year period; agencies that do not use their minimum amount at the end of the term will pay the average of the Tier 1 Supply Rate in effect during the term for the amount of unpurchased water below 60% of their Base

- The PO will allow for an appeals process at the end of the 10-year term for agencies with unmet commitments who can demonstrate a reduction in demands as a result of the development of local resources. Each AF of unmet commitment will be reduced by the amount of production of a local resource that commences operation on or after January 1, 2014. Local resource production includes any project type as approved by the Board under the Local Resource Program (LRP).
- Commitment will be adjusted to exclude Water Supply Allocation Years
- MWD will not accommodate the exchange or sale of Tier 1 amounts between member agencies. There are no contractual rights tied to the PO. PO are a pricing tool.
- The POs are a Ten-year agreement, effective January 1, 2015 and expire December 31, 2025

MWDOC Analysis

Based on these new terms, MWDOC has the option between its Current Base year and an update Base year. Below is a table comparing MWDOC's the two options:

	"Current" Purchase Order¹	Optional Updated "New" Purchase Order²	Difference
Base Year Amount	311,769 AF	357,372 AF	+45,603 AF
Tier 1 Maximum (90% of the Base)	280,592 AF	321,635 AF	+41,043 AF
Purchase Order Commitment (60% of the Base)	148,616 AF	214,423 AF	+65,807 AF

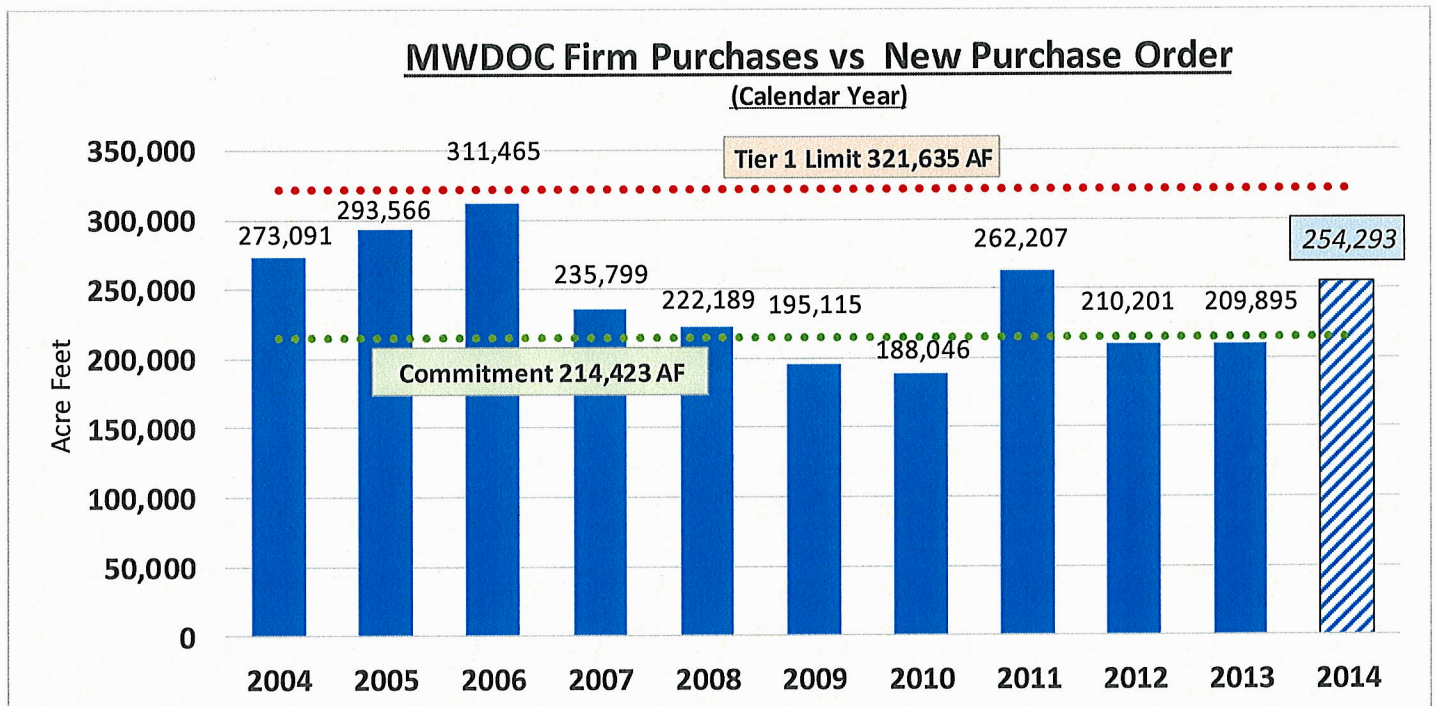
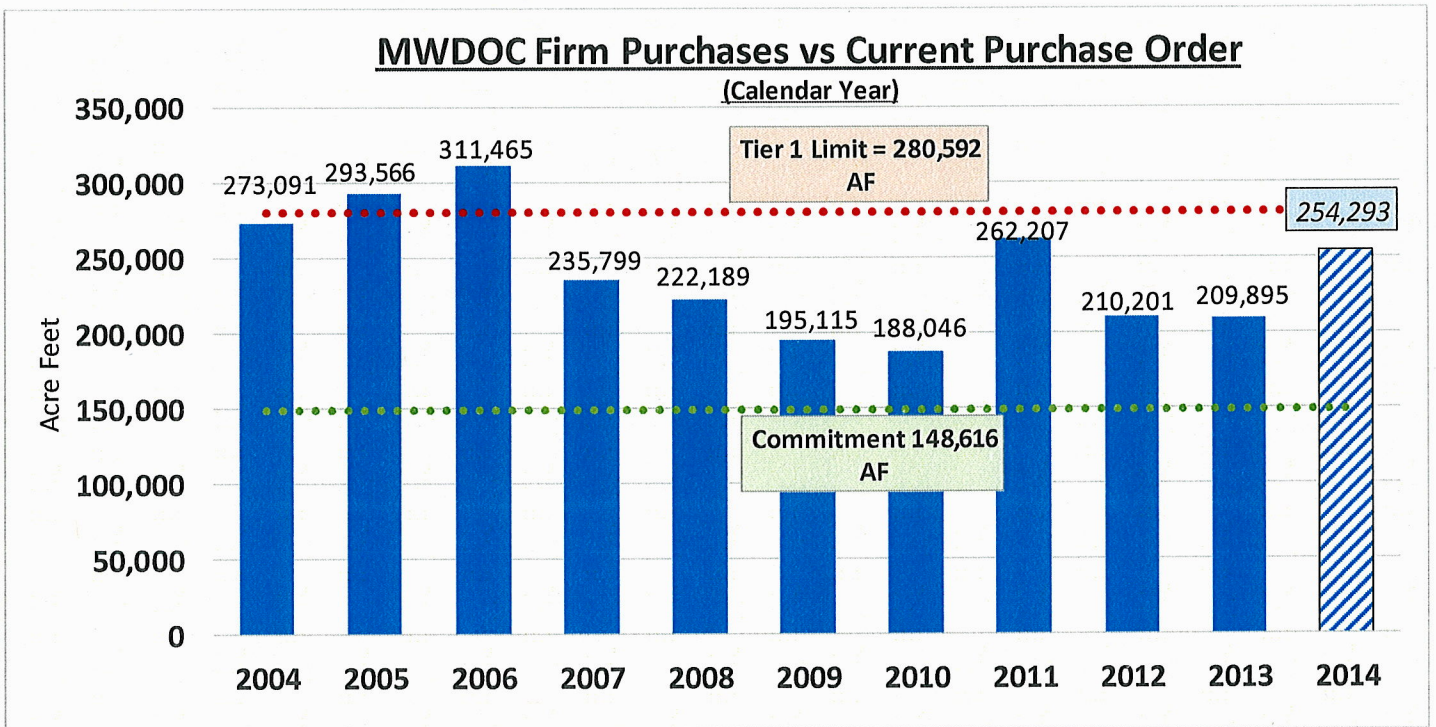
[1] "Current Base" is the highest purchases of imported water from the FY 1990 to 2002

[2] "Update Base" is the highest purchases of imported water from FY 2003 to 2014

Although the New Purchase Order offers MWDOC a higher Tier 1 annual max of +41,043 AF, it may not be needed. As described in the new terms above, MWDOC can now exceed its annual Tier 1 max as long as we remain below our cumulative Tier 1 amount at the end of the ten-year term. This new provision of MWD not assessing Tier 2 rates in a single year, as long as MWDOC remain below their cumulative Tier 1 max, reduces our exposure to Tier 2 purchases and give us flexibility to make large purchases of MWD water.

The New Purchase Order also comes with an additional +65,807 AF of an annual purchase commitment. Based on our table below, in the past six year MWDOC has only exceeded this new purchase order minimum commitment amount of 214,423 AF twice. With the aggressive calls for long-term water use efficiency, the State 20%x2020 retail agency mandate, the recent increase in the MWD LRP incentive rate, and the expected 30,000 AFY expansion of GWR, MWDOC's future imported water needs will be at a lower level. As a result, it will make it difficult for MWDOC to commit to the new purchase order's minimum amount of 214,423 AF on a consistent basis.

Below are two tables illustrating the Current and New Purchase Orders' Tier 1 and Purchase Commitment amounts compared to the last ten years of actual MWDOC water sales:



MWDOC Recommendation

As illustrated above, based on the past ten-years of water sales MWDOC easily achieves the current purchase order's annual commitment amount while providing enough Tier 1 room to manage high demand years. Unless OCWD indicates they will need to make large purchases of recharge water on a consistent basis over the next ten years, signing the terms of New Purchase Order is not the recommended option. With the GWRS expansion coming on-line next year and increase water use efficiency in the MWDOC service area, MWDOC staff recommends signing a new ten-year under the current Purchase Order terms.

Next Steps

Last month, the MWD Board authorized the MWD General Manager to execute new ten-year purchase orders with member agencies agreeing to sign purchase commitments in exchange for purchasing MWD water at the Tier 1 supply rate. MWD would like to have signed purchase order agreements from the member agencies before the end of the year; however, due to the holidays signed agreements can be submitted by the end January.

Next Month, MWDOC staff will seek Board approval to authorize the General Manager and General Counsel to execute a new Purchase Order with MWD with the terms under either the New Purchase Order or the Current Purchase Order

Exhibits:

Current Purchase Order Terms Agreement

New Purchase Order Terms Agreement



DISCUSSION ITEM

January 7, 2015

TO: Board of Directors

FROM: Robert Hunter
General Manager

Staff Contact: Harvey De La Torre

SUBJECT: 2015 Water Supply Report

STAFF RECOMMENDATION

Staff recommends the Board of Directors review and discuss this information

REPORT

Water Supplies and Demands for 2014

Precipitation and snowpack in the Northern Sierra were both near historic lows for calendar year 2014. This followed two previous dry-years, including 2013 which is registered as one of the driest years in recorded history. The deficit of precipitation for these past three years, including 2014 total 22 inches.

Due to these conditions and the significantly low levels of key State reservoirs, the California Department of Water Resources (DWR) in 2014 offered only five percent of requested State Water Project (SWP) Table "A" allocation for State Contractors. This provided Metropolitan (MET) with roughly 100 TAF from the SWP, significantly lower than its average of 1.4 MAF.

Receiving such low SWP water supplies forced MET to rely on heavily on Colorado River supplies and dry-year storage to meet its demands of 2.1 MAF. Below is the estimated accounting of total water supplies and demands for 2014:

Water Supply and Demand Balance for 2014

Total State Water Project Supplies	108,000 AF
Total Colorado River Aqueduct Supplies	834,000 AF
Total Demands, Obligations, and Losses	2,117,000 AF
Net Water Supply and Demand Balance	-1,175,000 AF

Budgeted (Y/N): n/a	Budgeted amount: n/a	Core _X_	Choice __
Action item amount: n/a	Line item:		
Fiscal Impact (explain if unbudgeted):			

As shown above, MET expected to draw on 1.175 MAF of dry-year storage to meet demand by the end of year. This will bring MET's total dry-year storage to 1.17 MAF.

Outlook for Water Supplies in 2015

With storage levels in both Lake Oroville and San Luis Reservoir still below normal, DWR announced in December the initial 2015 SWP Table "A" allocation at 10%. As DWR Director Mark Cowin mentioned early in the fall of 2014, the 2015 initial allocation represents a conservative estimate of SWP deliveries and will cautiously increase based on improved hydrology.

As of December 22, the accumulated precipitation at the 8-station index measures 22.5 inches or 146% of normal to date; a 6 inch surplus. Based above average December precipitation, we anticipate DWR to announce an increase in the SWP allocation in early January.

The National Oceanic and Atmospheric Administration (NOAA) even announced in Mid-December that there is a 30% chance of above average rainfall for California. However, they also projected 50%-30% chance of above average temperature. Therefore, experts are projecting a "warm" and "wet" winter season.

As of Mid-December a majority of the state remains in exceptional and extreme drought conditions. NOAA weather models predict that by the end of March drought conditions will remain but slightly improve.

As for the Colorado River system, precipitation and snowpack are slightly below average to date. This will help the water level in Lake Mead, by allowing Lake Powel to release close to 9 million AF in coming months.

However, should conditions remain dry and not improve, MET may consider implementing its Water Supply Allocation Plan for 2015 to reduce demands and stretch dry-year storage supplies for the coming years.

MWDOC staff plans to continue monitoring water supplies and demands with monthly reports to Board.



2015 Water Supply Report

MWDOC Board Workshop
January 7, 2014

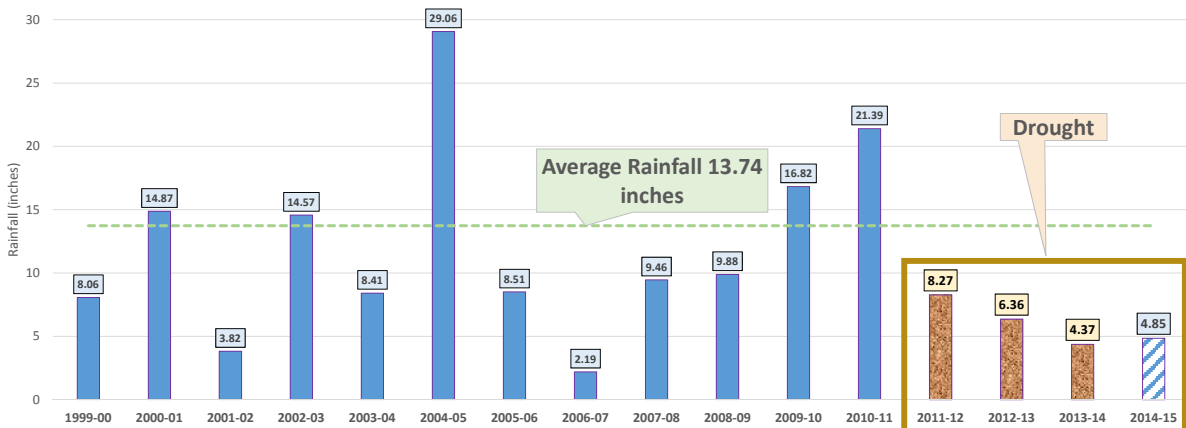
Municipal Water District of Orange County

Precipitation

Cumulative Year-to-Date
Average: 3.97"
2014-15: 4.85"

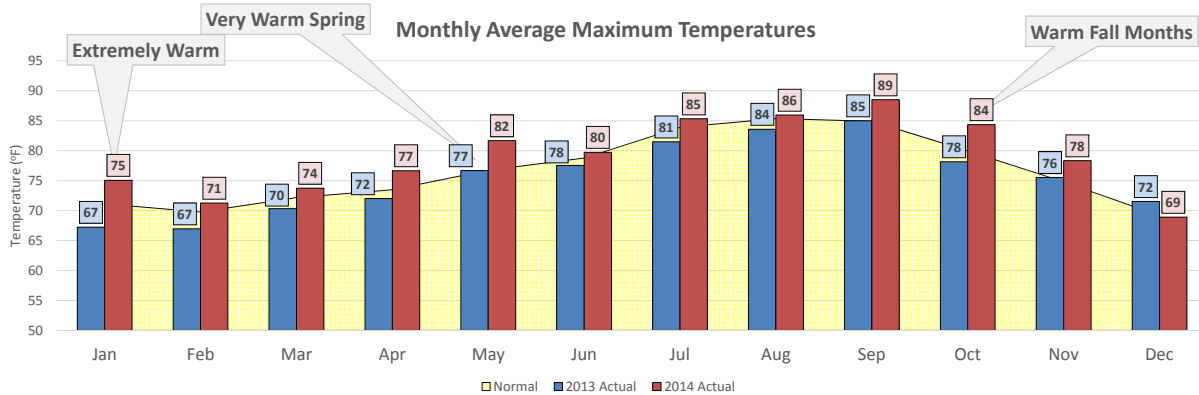
Average Annual Rainfall: 13.74"
3.5-Year Deficit: 21.34" (2011-12 to Present)

Annual Precipitation Statistics



2014 vs. 2013 Temperatures

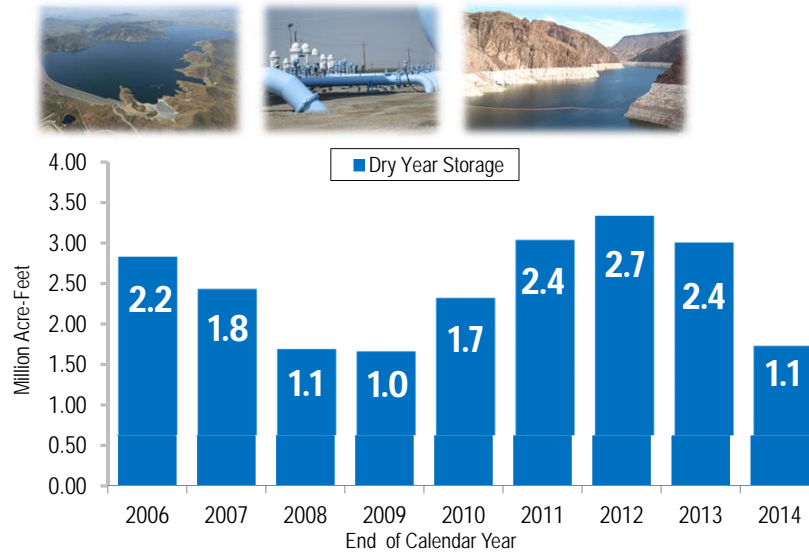
- Monthly temperatures in 2014, have been **hotter** than average with January, May, September and October being the highest
 - Orange County: 2.4 degrees above 15 year average at John Wayne Airport



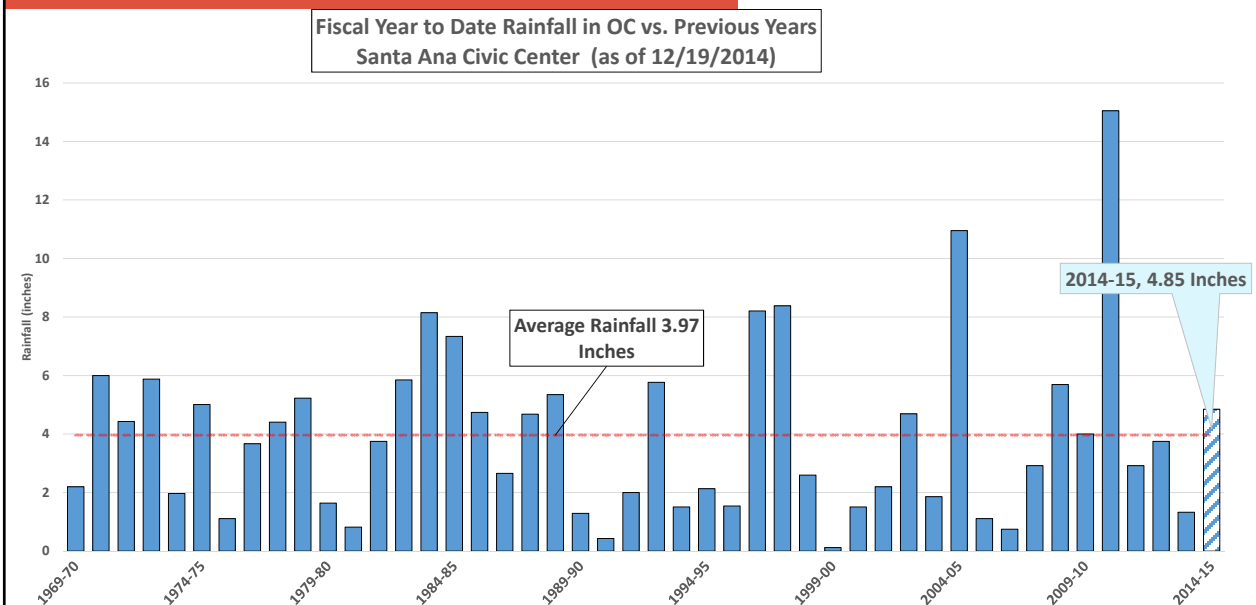
Water Supply and Demand Balance for 2014

Total State Water Project Supplies	108,000 AF
Total Colorado River Aqueduct Supplies	834,000 AF
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Metropolitan Dry Year Storage

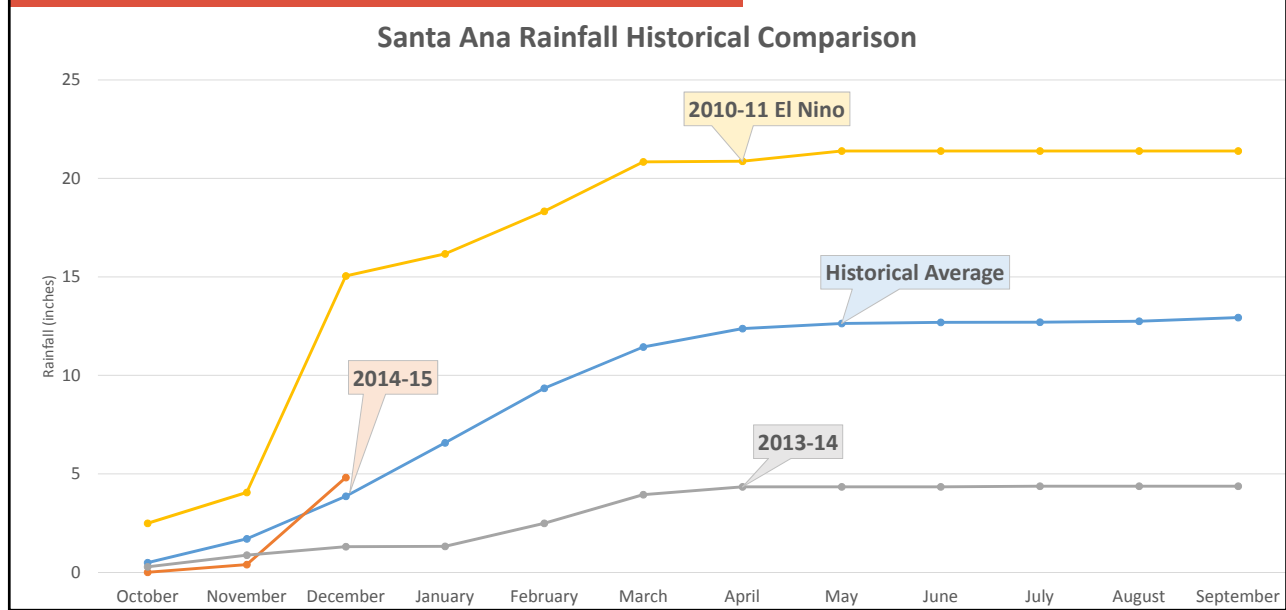


Local Precipitation - FY to Date

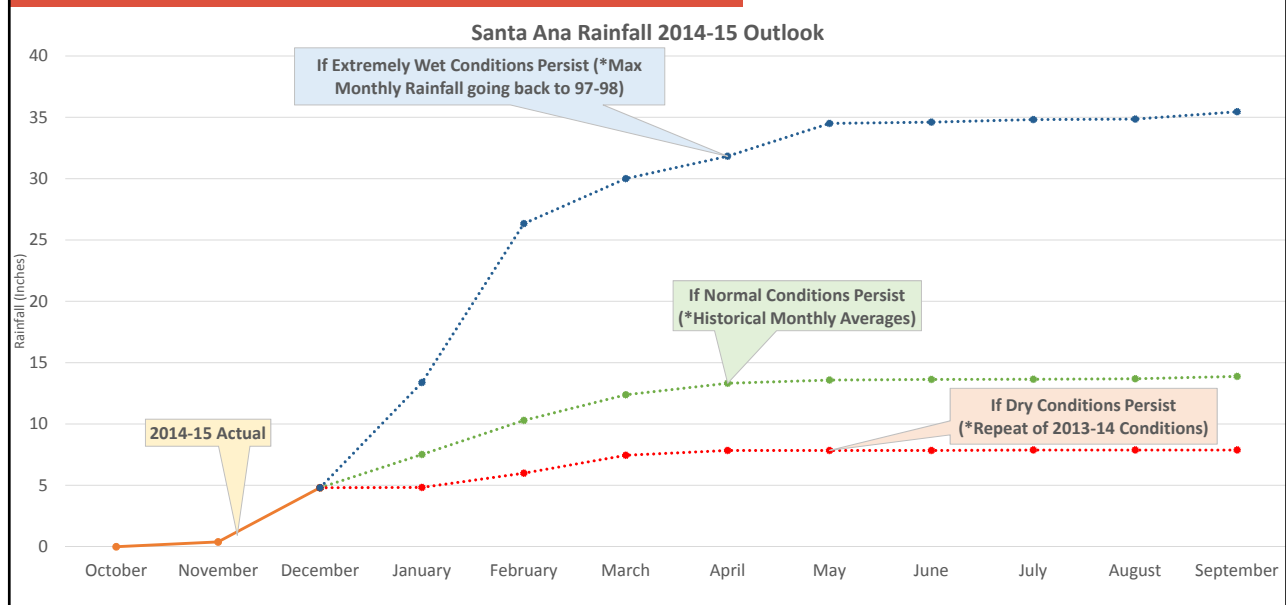


Rainfall Comparison

* Overall December rainfall was above average but October and November were below.

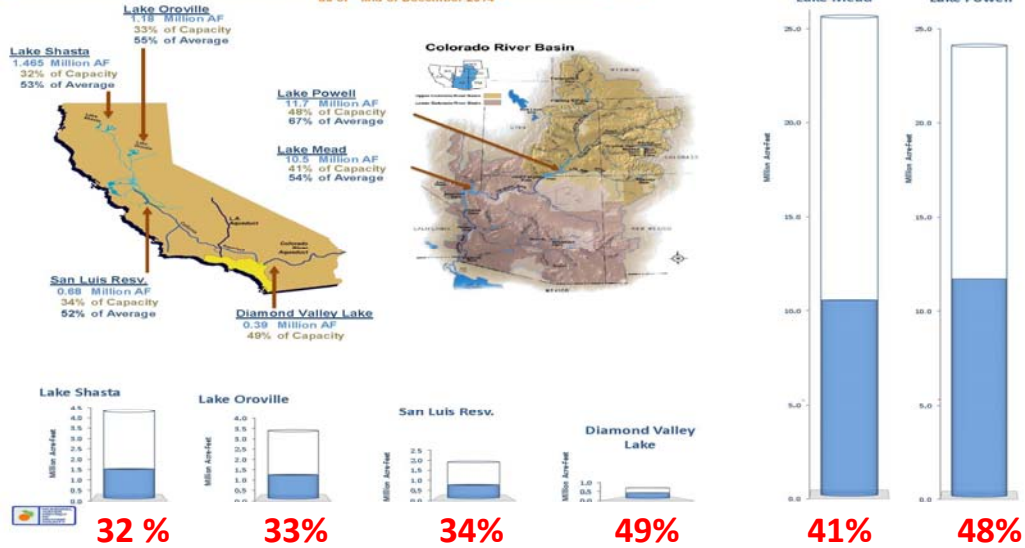


Rainfall Outlook



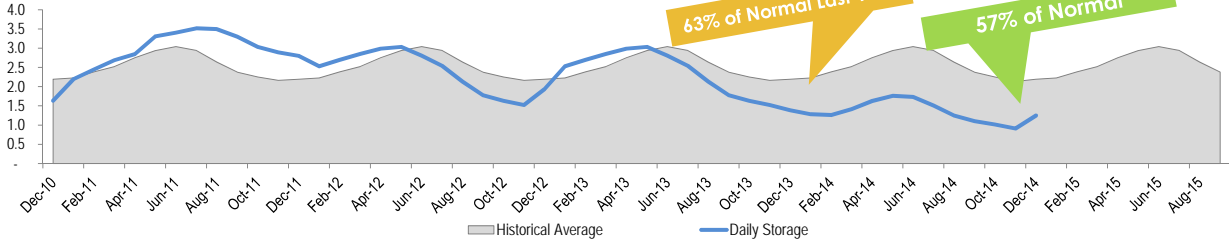
RESERVOIR STORAGE – December 2014

California, Colorado R., and MET Reservoir Storage as of Mid of December 2014

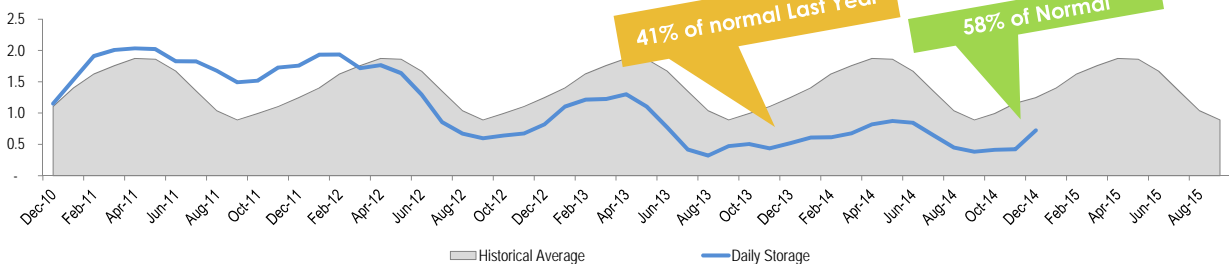


Statewide Reservoir Elevations As of December 22, 2014

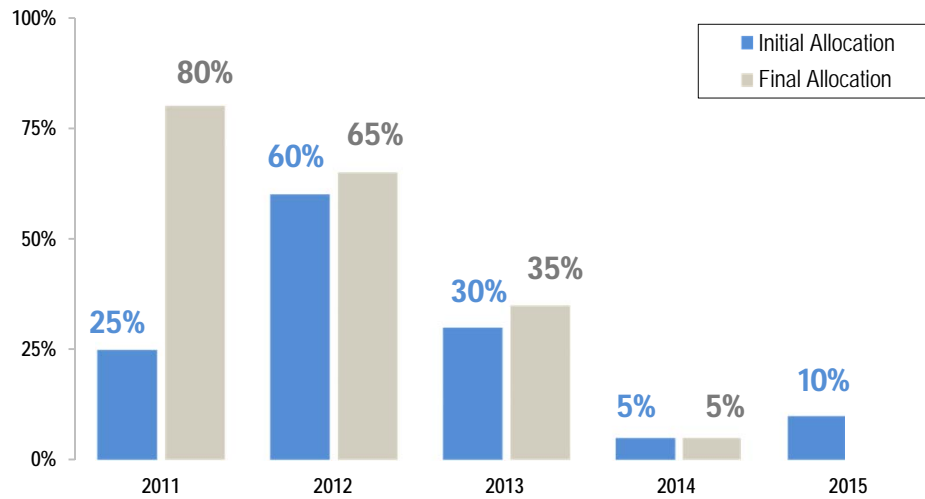
Lake Oroville



San Luis Reservoir

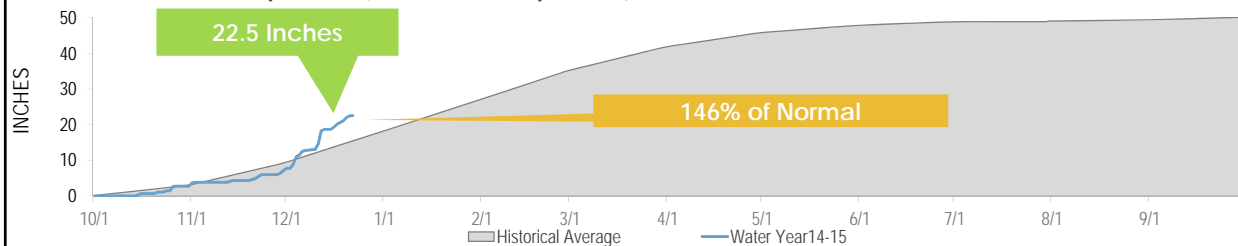


State Water Project "Table A" Allocation

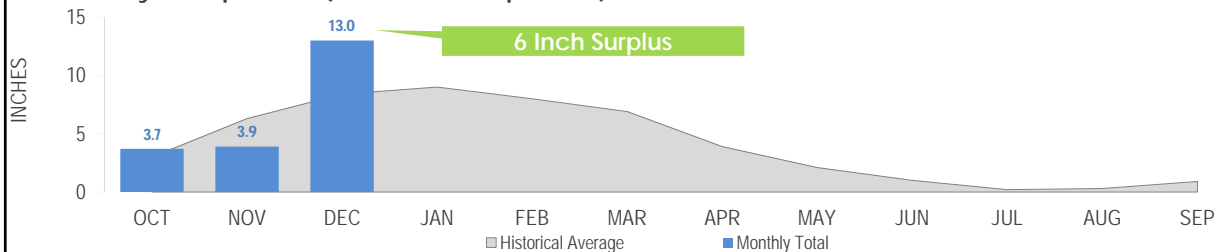


Sierra Nevada Snowfall

Accumulated Precipitation (8-Station Precip Index)

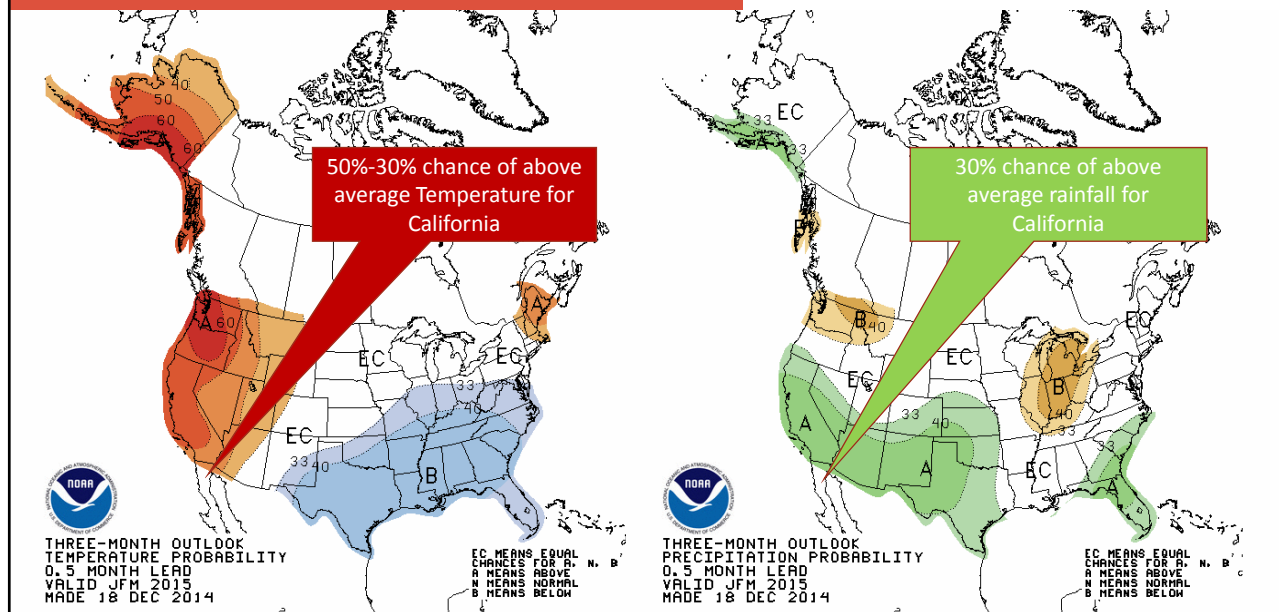


Monthly Precipitation (8 Station Precip Index)



3 Month Weather Outlook (Jan-Mar)

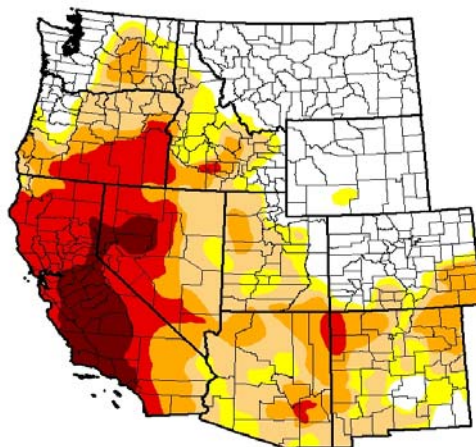
* NOAA is predicting greater chances of Warm and wet weather for the rest of the 2015 winter



Current Drought Conditions

U.S. Drought Monitor West

*As of Mid December 2014 Extreme and Exceptional Drought Condition remain through most of California



December 16, 2014

(Released Thursday, Dec. 18, 2014)

Valid 7 a.m. EST

Drought Conditions (Percent Area)

	None	D0-D4	D1-D4	D2-D4	D3-D4	D4
Current	34.51	65.49	54.85	33.90	18.75	5.40
Last Week 12/09/14	34.32	65.68	55.16	34.01	19.99	8.45
3 Months Ago 09/05/14	29.74	70.26	57.24	30.69	19.88	8.90
Start of Calendar Year 12/01/13	22.20	77.80	51.44	31.11	7.75	0.63
Start of Water Year 09/01/14	31.49	68.52	55.57	35.65	19.95	8.90
One Year Ago 12/16/13	22.53	77.47	51.20	30.61	7.56	0.63

Intensity

D0 Abnormally Dry
D1 Moderate Drought
D2 Severe Drought
D3 Extreme Drought
D4 Exceptional Drought

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

Author:

David Miskus

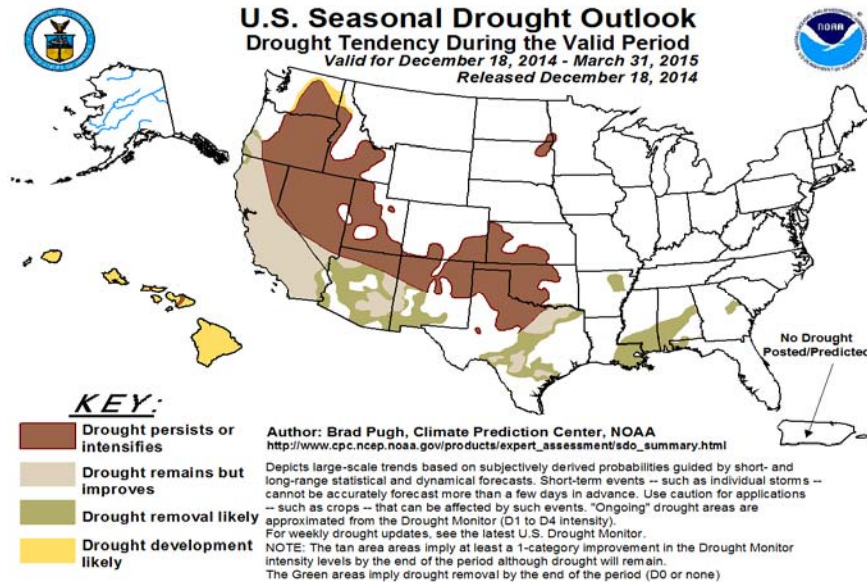
NOAA/NWS/NCEP/CPC



<http://droughtmonitor.unl.edu/>

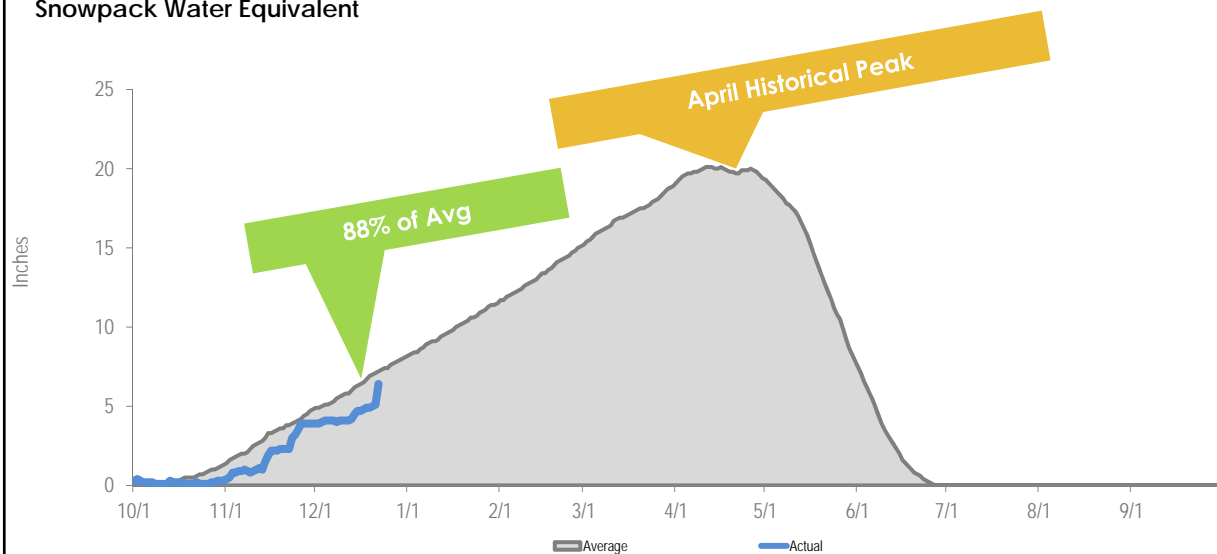
Winter Drought Outlook

*Drought Conditions look to remain but will slightly improve by March 31st 2015



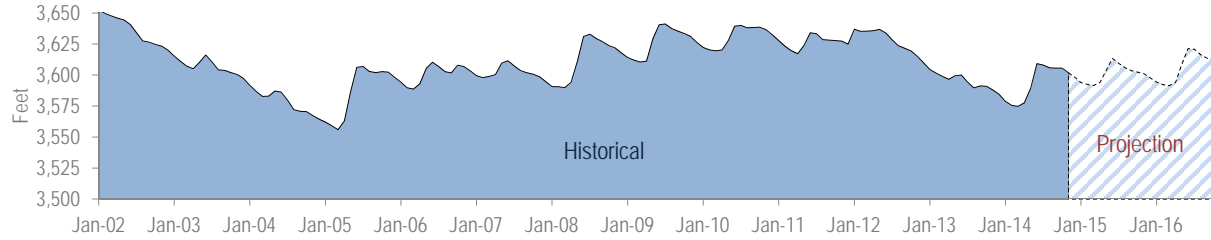
Colorado River Basin Snowpack

Snowpack Water Equivalent

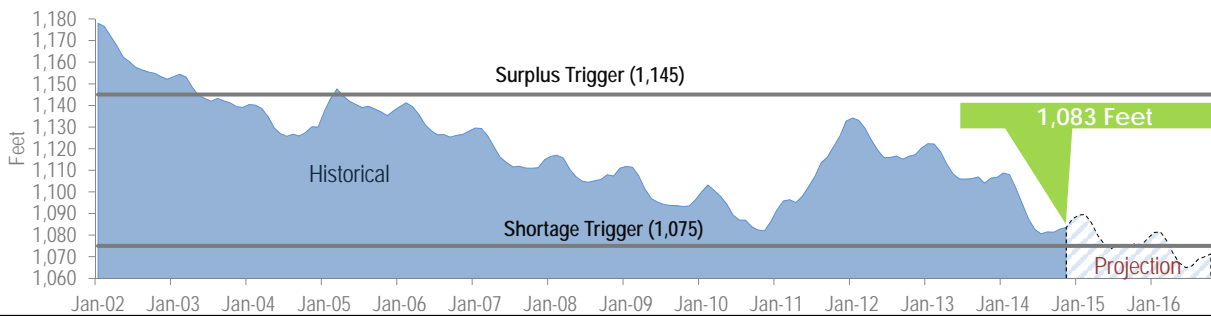


Colorado River Reservoir Elevations As of Mid December 2014

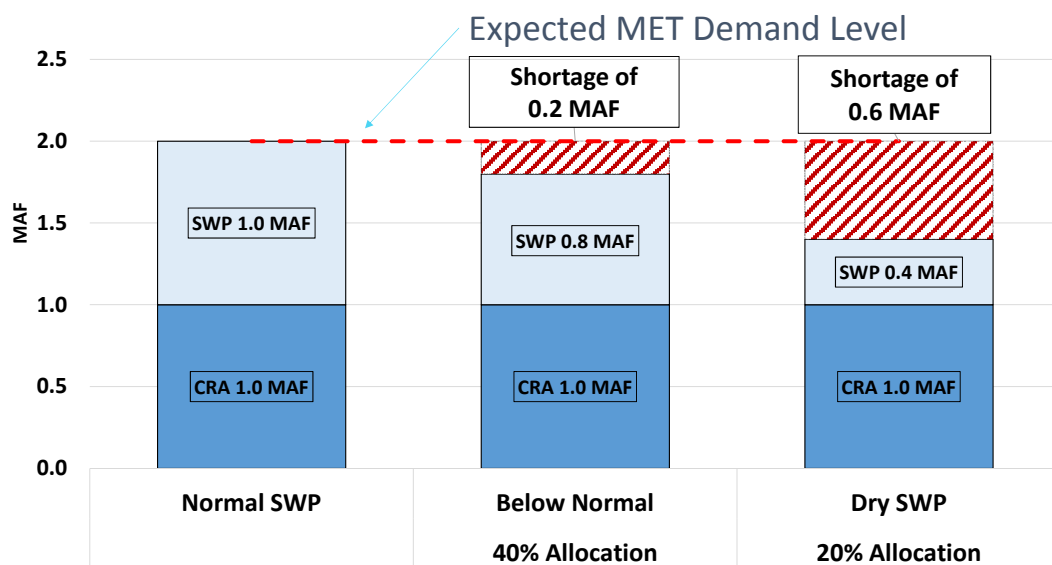
Lake Powell



Lake Mead



Chances of Allocations in 2015





Questions



Item No. 3

DISCUSSION ITEM

January 7, 2015

TO: Board of Directors & MWD Directors

FROM: Robert J. Hunter
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 Conditions
- b) MWD's Finance and Rate Issues
- c) Colorado River Issues
- d) Bay Delta/State Water Project Issues
- e) MWD's Ocean Desalination Policy and Potential Participation by MWD in the Doheny Desalination Project and in the Huntington Beach Ocean Desalination Project (Poseidon Desalination Project)
- f) Orange County Reliability Projects

ISSUE BRIEF # A

SUBJECT: MWD's Water Supply Conditions

RECENT ACTIVITY

MWDOC staff plans to provide a detail update on current and project water supply conditions for 2015.

ISSUE BRIEF # B

SUBJECT: MWD's Finance and Rate Issues

RECENT ACTIVITY

MWD Financial Report

At last month's Metropolitan (MWD) Finance and Insurance Committee, MWD staff reported water deliveries through November were 47.4 TAF higher than budgeted and 33.9 TAF higher than the five-year average. This is mainly due to increase untreated water sales. This results in water sales generating \$28.4 million higher than budgeted estimates. In January, MWD staff plans to provide a six-month review as well as projections for the year.

Other Post-Employment Benefits (OPEB) update by CalPERS for MET

John Swedensky, of CalPERS presented an updated to MET's OPEB trust under CalPERS. Based on a June 30, 2013 Actuarial report, MET's OPEB accrued Liability total over \$315 million with an Annual Required Contribution (ARC) of \$29,457,000. Mr. Swedensky reported that as of Nov. 30, MET's OPEB assets total \$174 million which is made up of a \$170 million in contributions and \$4 million in investment earnings (4.4% rate of return). These contributions the Board has taken these past years places the OPEB trust at a 51% funded level; which is considered a very well-funded position.

ISSUE BRIEF # C

SUBJECT: Colorado River Issues

RECENT ACTIVITY

Three State Agreement to stabilize Lake Mead

At the 2014 Colorado River Water Users Association Conference, water agencies officials from Arizona, California, and Nevada signed an agreement to jointly add as much as three million AF of water into Lake Mead by the year 2020, mostly through water conservation efforts and water management actions to maintain water in the Lake. The objective is to reduce further draws on Lake Mead that would trigger shortages to the lower Colorado River Basin States, in particular Arizona and Nevada. The three million AF would add close to 30 feet to the Lake which is already at historic a low level.

The Bureau of Reclamation stated that if such cooperation among the Colorado River Basin States to stabilize Lake Mead do not occur, shortage could happen as soon as spring of 2016. In preparation of declining levels of Lake Mead, Southern Nevada Water Authority just completed a three-mile, \$817 million tunnel into the lower reaches of Lake Mead to give SNWA a more steady flow of water.

Imperial Irrigation District Files Water Right Modification Petition to State Water Board

On November 18, Imperial Irrigation District (IID) filed a petition to the State Water Resources Control Board (State Board) to modify Water Rights Order 2002-0013, which gave approval for the transfer of water from IID to San Diego County Water Authority and Coachella Valley Water District. The existing Water Rights Order is conditioned in part on the requirement for IID to fallow land to create conserved water to be delivered to the

Salton Sea on an annual schedule to offset the reduction in agricultural drainage flowing into the Sea resulting from the transfers. These Salton Sea mitigation deliveries are to continue from 2003 through 2017, which was considered to be sufficient time for the state of California to study whether restoration of the Salton Sea is feasible and to develop and implement a restoration plan. In its petition, IID notes that the state has done little towards developing a restoration plan, and asserts that without such a plan in place, the residents of the Imperial Valley face increase dust exposure due to the seabed that will become exposed as the Sea begins to recede in 2018. IID's petition also cites a recent report by the Pacific Institute that estimates that inaction at the Salton Sea could cost up to \$70 billion over the life of the transfers. IID seeks to have the State Board require the Quantification Settlement Agreement parties, to meet with the state of California and other stakeholders to work together to identify a feasible restoration plan and funding mechanism that would address primarily air quality and habitat development on the shoreline. The petition further seeks to condition the continuation of transfers under the Water Rights Order on the state implementing a restoration plan for the Salton Sea. Metropolitan staff is reviewing the petition and will provide a more detailed report to the MWD Board at a future meeting.

ISSUE BRIEF # D

SUBJECT: Bay Delta/State Water Project Issues

RECENT ACTIVITY

Bay Delta Conservation Plan

On December 19, Governor Brown and federal administrators announced several significant changes to the water conveyance portion of the proposed Bay-Delta Conservation Plan. These changes were pursued over the past year in an effort to respond to the concerns of Delta landowners and area stakeholders, they include:

- The elimination of **three** pumping plants on the east bank of the Sacramento River between Hood and Walnut Grove.
- Minimize activity on Staten Island, which provides important sandhill crane habitat, by removing tunnel launch facilities, large reusable tunnel material storage areas, a barge landing site, and high-voltage power lines.
- Increase use of property owned by the California Department of Water Resources (DWR).
- Eliminate the need for additional permanent power lines to the intake locations in the north Delta, including near Stone Lakes National Wildlife Refuge.
- Eliminate impacts on Italian Slough (near Clifton Court Forebay) by removing an underground siphon.
- Reduce power requirements.
- Allow water to flow from the Sacramento River entirely by gravity at certain river stages.
- Reduce tunnel operation and maintenance costs.

The roughly 87-acre footprint of each intake would not change, but the two story 46,000 sq. ft. building would no longer been needed to house the pumping plants; including no permanent transmission lines, substations, and surge shafts. Therefore, the plan now calls for the water to enter the three intakes by gravity flow. DWR believes such changes would minimize potential disruption and dislocation of delta residents.

These changes to the proposed conveyance system will be available for formal public review and comment in a partially recirculated draft BDCP and EIR/EIS until July 29.

ISSUE BRIEF # E

SUBJECT: MWD's Ocean Desalination Policy and Potential Participation by MWD in the Doheny Desal Project (formerly South Orange Coastal Ocean Desalination Project) and in the Huntington Beach Ocean Desalination Project (Poseidon Desalination Project)

RECENT ACTIVITY

1. Doheny Desalination Project

Work is continuing on the Foundational Action Program Studies for both the Doheny Desal and the SJBA. It is expected that the NEW information developed will provide an impetus for the project to move forward. South Coast Water District has requested assistance from MWDOC in following up on baseline environmental monitoring work that was previously scoped out but not funded; South Coast desires to proceed with this work to collect the necessary data to complete the CEQA work for a 5 mgd demonstration project.

2. Huntington Beach Ocean Desalination Project (Poseidon Project)

OCWD has revised and circulated the Clean Energy Capital report on the cost and financing options for the Poseidon Huntington Beach Ocean Desalination Project and conducted a workshop in December. The OCWD staff is planning a project update on other aspects of the Project at its January 7, 2015 Board meeting and potentially decide on a course of action. Staff will continue to monitor and participate in the project.

ISSUE BRIEF # F

SUBJECT: Orange County Reliability Projects

RECENT ACTIVITY

1. Central Pool Augmentation Program

There are no updates to report.

2. MWD Investigations of System Reliability

MWDOC completed meetings with MET staff this past month to kick off the exchange of information relative to the OC Water Reliability Study. An LA Times article titled “Earthquake could destroy L.A.’s water lifeline” was based on a report completed for the Los Angeles Mayor’s office and underscored the potential to cut off imported water supplies into Southern California, which provide 88% of LADWP’s supplies. The report notes that 15 months of inadequate supplies could result from a magnitude 7.8 San Andreas Rupture. The report indicates Los Angeles should work on:

- Engineered crossings of major faults to provide flexibility for potential horizontal and vertical offsets
- Developing additional local supplies
- Replacing key pipes with more seismically resilient pipes

The goal of the work is to improve the safety and security of the region to protect the economic viability of the region. MWDOC staff will attempt to plug into these efforts as our reliability planning has noted similar concerns that involve resilience and recover of the MET and DWR systems.

MET is also continuing to work with DWR on reliability issues associated with the SWP. MWDOC has been urging MET to increase the emphasis for this work.

**Summary Report for
The Metropolitan Water District of Southern California
Board Meeting
December 9, 2014**

COMMITTEE ASSIGNMENTS

Director Griset was assigned to the Agriculture and Business Outreach Committee; and the Board voted to waive the requirement in Administrative Code Section 2401 that Committee Chairs and Vice-Chairs be appointed at the December Board meeting and defer those appointments to the Executive Committee meeting on January 27, 2015. **(Agenda Item 5E)**

WATER PLANNING AND STEWARDSHIP COMMITTEE

Authorized the increase in conservation budget of \$40 million, from \$60 million to \$100 million; and authorized the General Manager to amend Agreement No. 129415 with EGIA to increase contract capacity authority from \$90 million to \$290 million to allow for the increased activity in Metropolitan's regional rebate program. **(Agenda Item 8-1)**

Approved adjustments to Metropolitan's Water Supply Allocation Plan. **(Agenda Item 8-2)**

COMMUNICATIONS AND LEGISLATION COMMITTEE

Amended the water quality priorities to reflect the policy of protecting against unacceptable risks from various constituents and adopted the Legislative Strategy for 2015/16 as amended. **(Agenda Item 8-3)**

CONSENT CALENDAR

In other action, the Board:

Adopted resolution granting approval for the Campus Park West Annexation concurrently to SDCWA and Metropolitan and establishing Metropolitan's terms and conditions for the annexation, conditioned upon approval by San Diego County's Local Agency Formation Commission, and upon receipt of annexation fee of \$454,530.12; and approved SDCWA's Statement of Compliance with the current Water Use Efficiency Guidelines. **(Agenda Item 7-1)**

Appropriated \$880,000; authorized design of seismic upgrades to the Foothill Hydroelectric Plant and Carbon Creek Pressure Control Structure; and authorized design of seismic upgrades to service connection structures on the Allen-McColloch Pipeline. (Approps. 15458 and 15441)
(Agenda Item 7-2)

OTHER MATTERS

In other action, the Board:

Reappointment of Director Michael Touhey representing Upper San Gabriel Valley Municipal Water District. **(Agenda Item 5C)**

Presentation of five-year service pin to Director Brett Barbre, representing Municipal Water District of Orange County. (**Agenda Item 5G**)

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

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