

WORKSHOP MEETING OF THE
BOARD OF DIRECTORS WITH MET DIRECTORS
MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
18700 Ward Street, Board Room, Fountain Valley, California
August 6, 2014, 8:30 a.m.

Teleconference Site:
20989 Park Lane
Rollins, MT 59931
(406) 844-2282

Members of the Public may attend and participate in the meeting at both locations.

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. 1987)

PRESENTATION/DISCUSSION/INFORMATION ITEMS

1. ROUNDTABLE DISCUSSION RE INCENTIVIZING THE LOCAL RESOURCES PROGRAM (LRP)

2. MET ITEMS CRITICAL TO ORANGE COUNTY

- a. MET's Water Supply Conditions
- b. Update on 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.

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

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

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

Recommendation: Review, discuss and take action as appropriate.

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

August 6, 2014

TO: Board of Directors

FROM: Robert Hunter
General Manager

Staff Contact: Harvey De La Torre

SUBJECT: Roundtable Discussion: Incentivizing MWD's Local Resource Program

STAFF RECOMMENDATION

Staff recommends the Board of Directors review and discuss this information

REPORT

Since 1982, Metropolitan (MWD) has assisted local agencies in the development of local water resource projects through its Local Resource Program (LRP). Through the years this program has evolved in project eligibility and incentives. It has become a core feature in MWD water supply portfolio.

As shown in the attachment, describing the evolution of the LRP at MWD for the past 35 years, there have been changes in the program to respond to the current water supply needs and challenges facing Southern California. Among the key program changes has been the type and level of the financial incentive rate. There have years where a fixed financial incentive has been offered and other years where a sliding scale was used. Currently, MWD's LRP provides a financial incentive up to \$250 per acre-feet of water produced based on a project's unit cost exceeding MWD's current water rate. The purpose of the incentive is to encourage the development of local resources through a "pay for performance" mechanism. This incentive amount was calculated based on the offset of MWD's capital, energy, treatment and delivery of imported water; as well as the avoided cost of securing additional supplies.

Periodically, MWD has reviewed and developed program modifications or changes to the program with the assistance of the member agencies. The last significant change to the program was in 2007, where MWD set a LRP goal of 174,000 AF and solicited an open application process for eligible projects. Today, this has resulted in over 111,000 AF of LRP projects contracted with a remaining amount of 63,000 AF to meet the program's goal.

Unfortunately, for the last two years MWD has not approved an LRP application and MWD's Integrated Resource Plan (IRP) targets call for additional 140,000 AF of local supplies to be

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

developed by the year 2035 (Note this is different than the LRP goal because it includes water conservation and ocean desalination as possible supplies). More pressing is MWD's own 20% by 2020 target, which requires the additional development of a combination of water conservation and recycled water within the next six years.

In addition, a recent presentation at MWD by Dr. David Sunding of the Battle Group reinforced the need of developing additional local resources. Based on an Economic Evaluation of the Bay-Delta Conservation Plan and Alternative supplies, Dr. Sunding concludes even with the BDCP MWD needs at least 482,000 AF in local projects to meet the urban water demands by the 2050. Without a BDCP he estimates the need to develop to 825,000 AF of local projects to maintain the levels water supply reliability within the IRP

Added to the fact that MWD is planning to draw on as much as 1.1 million AF of water storage to meet demands this year, the development of additional local supplies not only helps balance annual water supply and demands, but also provides an opportunity to build additional water storage.

Therefore, this provides the opportunity to reexamine MWD's LRP and discuss different ways to accelerate the development of local resources. To initiate this discussion and to seek input from the Board and member agencies, MWDOC staff has provided two lists below: (1) Potential program improvements; and (2) Potential alternative programs. The program improvements list seeks modifications and changes in the current LRP without altering its business model of "pay for performance". As the alternative program list calls for the establishment of a new program or new business model is a significant policy consideration for MWD. There a number of issues to consider such as cost-effectiveness and financial sustainability for MWD; regional and local benefits from a project; local control and involvement; different rates and MWD storage needs.

Potential LRP Improvements

1. Increase the per AF incentive amount

- Review \$250/AF LRP incentive and see if it should increase

2. Allow for Fixed incentive amount

- Reduced maximum incentive below \$250 per AF at a fixed rate

3. Provide upfront financing

- Allow an agency to receive a portion of their LRP incentive upfront

4. Modify the criteria for eligible expenses for the incentive

- Include other costs i.e. on-site retrofit costs

5. Adjust credit in MWD's Water Supply Allocation Plan

6. Open the program to other projects

- Ocean Desalination and Stormwater

7. Increase the LRP per AF goal

- 174,000 AF with 111,000 AF already contracted

Potential Alternative Programs

1. Construction Fund (Revolving Fund)

- Provide a portion of the project capital costs with a repayment obligation to MWD within a set period of time

2. **Co-ownership w/MWD and local agency**

- Provide a portion of the project capital costs in exchange for an equity position in the project. Develop project jointly with member agencies or other government entities

3. **Full Ownership**

- Develop, own, and operate projects directly as a component of MWD water supply

4. **MWD Build, Operate, and Transfer**

- MWD build and operate a project and will sell/transfer the project to the agency after it recovers its investment

There are also Non-financial Incentives we can explore, such as:

- **Public education and outreach**
 - Survey & Education activities to enhance the public's understanding of water
- **Legislative**
 - Identify and support legislative initiatives that facilitate local resource development
- **Regulatory**
 - Support effective regulation for local resources development i.e. recycled water groundwater recharge
- **Research**
 - Promote, develop, and pursue research such as water quality

The purpose of this discussion is not to fully develop a new program at this time but rather start the conversation of what type of direction MWD and the member agencies should start to consider and evaluate in the near future. Therefore, we are seeking input from Orange County agencies and the Board to identify ways we can accelerate local resources.

Attachment – MWD's Local Resource Program Progression

The following is a brief summary of the evolution of Metropolitan's investment in water recycling and groundwater recharge implementation.

Local Projects Program

- 1981** The Local Projects Program (LPP) was initiated and designed to facilitate the development of water reclamation projects. Under the original program, Metropolitan contributed a negotiated amount to help finance project capital costs. Two projects were constructed under this approach for a collective yield of 3,560 acre-feet per year.
- 1986** The LPP was revised such that Metropolitan contributed its avoided energy costs of State Water Project pumping in the form of a rebate per acre-foot of recycled water delivered to end-use customers. This change was based on the assumption that local projects resulted in the avoidance of water importation pumping costs. Under the 1986 revisions, 14 projects with a combined ultimate yield of 31,000 acre-feet per year were approved for LPP assistance.
- 1990** Metropolitan's board increased the LPP contribution to \$154 per acre-foot, which was calculated based on Metropolitan's avoided capital and operational costs to convey, treat, and distribute water, and included considerations of reliability and service area needs. In 1990, the LPP goal was to achieve an additional 150,000 acre-feet of recycled water use by the year 2000.

Attributes of the LPP included a relatively simple program administration where participating agencies could depend on receiving a fixed level of contribution per acre-foot of recycled water delivered, and payments were tied to performance. Disadvantages of the LPP were that fixed contribution payments may not provide sufficient incentives during the early years of a project to encourage development of economical projects. In addition LPP contributions were based on preliminary, feasibility level cost estimates made prior to construction which could result in over payment by Metropolitan.

Groundwater Recovery Program

- 1991** The Groundwater Recovery Program (GRP) established in 1991, was designed to improve water supply reliability through the recovery of otherwise unusable groundwater that has been degraded by minerals and other contaminants and provide access to the storage assets of the degraded groundwater. An ancillary benefit was maintaining the quality of groundwater resources by reducing the spread of degraded plumes. In 1991, the GRP goal was to implement projects to recover 200,000 acre-feet per year of groundwater for domestic purposes.

The GRP was similar to the LPP in that Metropolitan entered into agreements to pay for water produced by each individual project for 20-year terms. However, the GRP contribution was paid based on a sliding scale from \$0 to a maximum of \$250 per acre-foot. To receive a contribution, project unit costs must have exceeded Metropolitan's non-interruptible treated water rate. When the project unit cost of the GRP project equaled the current applicable Metropolitan water rate, the incentive was zero. Agencies are required to submit annual project costs and production data at the conclusion of each fiscal year of operation in order to determine the appropriate incentive.

The main advantage of the GRP over the LPP was that variable rate contributions provided a greater financial incentive in the early years of project operation, when project unit costs were higher. Further, GRP contributions were based on actual incurred construction, operation and replacement costs, and water production values reported after the end of the fiscal year. These costs and production values are subject to audit. However, program administration under the GRP is more difficult than the LPP because project costs must be verified annually, and discrepancies involving payment adjustments have to be resolved.

LRP Conversion

1995 During development of the Local Resources Program (LRP), Metropolitan's board allowed the immediate conversion of existing projects under the LPP to include proposed GRP-type incentive terms. The proposal was made to 40 approved LPP projects at the time, of which 37 projects had already executed agreements and three were in the process of final execution. Conversion of projects from the existing LPP to LRP was voluntary and was accomplished through the amendment of existing agreements. The proposal was extended to seven additional LPP projects whose applications were under review at the time.

By June 1999, new agreements were executed that converted 15 LPP projects to include new LRP terms similar to sliding scale incentives paid under the GRP.

Integrated Resource Plan (IRP)

1996 Metropolitan's IRP identified goals for a diverse mix of six local and imported water resource elements optimized to meet future supply reliability in a cost-effective manner. The IRP set initial targets for resource development that the region must achieve for water supply reliability through the year 2020. Studies showed reduced long-term costs to the region when local resources were developed due to downsizing or deferral of Metropolitan's capital improvements, reduction in operating costs for importation, treatment and distribution, and reduction in costs for developing alternative regional supplies. Encouraging water recycling and groundwater recovery projects by providing financial assistance was consistent with the IRP goals approved by Metropolitan's board as a strategy to meet future water supply reliability needs of Metropolitan's service area in a cost-effective manner.

LRP Competitive

1998 Metropolitan established the competitive Local Resources Program, which encourages local development of recycled water and recovered groundwater through a process that emphasizes cost-efficiency to Metropolitan, timing new production according to regional need, and minimizing administrative cost and complexity. The LRP replaced the LPP and GRP with uniform criteria for financial assistance to local projects that contribute to regional water supply reliability. Under the competitive program, agencies requested fixed financial assistance payments up to \$250 per acre-foot of production for agreement terms up to 25 years. Proposals that requested lower financial assistance and terms scored higher under the competitive process. Under the LRP, Metropolitan issues a request for proposals for a specified regional quantity of water to achieve production targets identified under the IRP. A review panel evaluates proposals

using scoring criteria adopted by Metropolitan's board and identifies the mix of project proposals that best meet the region's needs consistent with the RFP.

In June 1998, Metropolitan issued a Request for Proposals (RFP) for the development of 53,000 acre-feet per year of new water recycling and groundwater recovery projects under the LRP to help achieve regional water supply reliability goals identified by the IRP. Fourteen projects were selected through the competitive process and agreements were executed with the local agencies by April 2000 to provide financial assistance for up to 25 years.

In April 2003, Metropolitan issued the second competitive RFP for the development of an additional 65,000 acre-feet of new recycled water and recovered groundwater under the LRP. Thirteen projects were competitively selected and agreements for ten local projects were executed by December 2005. Three projects did not meet the deadline for inclusion in the LRP.

Under the competitive RFP process the weighted average incentive payment for 27 projects is about \$115/AF of yield, and is below the maximum contribution of \$250/AF. Additionally, some proposals resulted in shorter duration agreements compared to the maximum of 25 years.

IRP Update

2004 The Board approved the IRP Update that refined regional supply development targets based on the identified changed conditions and provided a long-term resources plan to 2025. These targets, specified in five-year intervals, set development schedules needed to ensure regional supply reliability, allowing for compliance with current applicable water code provisions and growth legislation. The IRP Update also established the concept of a 10 percent water supply planning buffer, which set total resource development targets above forecasted water demands for planning purposes, and identified resources in advance of need.

LRP Open Program with Sliding Scale Incentive

2007 In July 2006, Metropolitan established a task force comprised of member agency representatives to identify and recommend program improvements. In April 2007, Metropolitan updated its recycled water policy principles and established 2007 LRP with a goal of 174,000 acre-feet per year of local water resource development. The new LRP principles allow for an open application process and eliminated the competitive process.

Current LRP Program Status

2014 Under 2007 LRP, we have approved 22 projects with a combined ultimate yield of about 105,000 AFY and we are accepting applications for the remaining 63,000 AFY.

Roundtable Discussion:
Incentivizing MWD's Local Resource Program
(LRP)

Municipal Water District of Orange County
Board Workshop on MET Issues
August 6, 2014



Agenda

- **Background on MWD's LRP**
 - Purpose/Role of the Program
 - Past Program Modifications
- **Why the need for additional Local Resources**
 - MWD 2010 IRP targets
 - Dr. Sunding report on BDCP
- **List of potential program improvements**
- **List of alternative mechanisms to support/encourage local resource projects**



Purpose/Role of MWD's LRP

- LRP is to provide financial incentives to local and member agencies to develop local resources
 - Recycled Water
 - Groundwater Recovery & Treatment
 - Ocean Desalination (Pending)
- \$250/AF incentive was calculated to offset MWD capital, energy, treatment, and the avoided cost of securing additional supplies
- Policy of “Pay for Performance”



Past Program Modifications to the LRP

- MWD's Program has evolved over time:
 - 1981 Local Projects Program (LPP) was initiated and designed to facilitate the development of water reclamation projects through capital contributions
 - 1990 changed the LPP contribution to a fixed \$154 per acre-foot incentive, based on MWD cost avoidance of Capital, Energy and O&M
 - 1991 Groundwater Recovery Program (GRP) was established; whereby the incentive was based on a sliding scale from \$0 to \$250/AF according to the project's cost compared to the MWD treated rate
 - 1996 IRP set targets for LPP and GRP projects



Past Program Modifications to the LRP (cont'd)

- 1998, MWD established the competitive LRP process that emphasized cost-efficiency to MWD. Agencies requested fixed incentives up to \$250/AF of production for up to 25 years
- 2007, MWD established a LRP goal of 174,000 AF and created a new LRP which eliminated the competitive process and allowed an open application process. Sliding Scale Incentive up to \$250/AF
- Today, MWD has 111,000 AF of LRP projects contracted and are accepting applications for the remaining 63,000 AF



Why the need for Additional Local Resources

- MWD 2010 Integrated Resource Plan (IRP) Target
 - 20% x 2020 target = 580,000 AF
 - LRP per AF goal = 174,000 AF
- Dr. Sunding's BDCP analysis
- Drought mitigation
- MWD has not approved a LRP application in the last two year



MET's 2014 Water Supply & Demand Balance

Water Balance	Acre-Feet
Total Supplies	1,038,000
Estimated Demands	2,117,000
Estimated Net Water Balance	-1,079,000



Metropolitan Dry Year Storage



* Does not include 636 TAF of Metropolitan Emergency Storage.

Dr. Sunding Analysis

- Dr. Sunding's recent Economic Evaluation of BDCP and Alternative supplies showed:
 - Urban water demand in California projected to grow 20% by 2050
 - Accounts for demand reductions from conservation programs
 - BDCP roughly maintains levels of SWP/CVP deliveries
 - Without BDCP, investment would need to grow to **825,000 AF** of alternative supplies to maintain levels of water supply reliability
 - With BDCP, So Cal to invest in **482,000 AF** of alternative supplies to meet growing demand
- Therefore, Dr. Sunding states need BDCP plus additional local supplies



Potential Program Improvements

1. Increase the per AF incentive amount
 - Review \$250/AF LRP incentive and see if it should increase
2. Allow for Fixed incentive amount
 - Reduced maximum incentive below \$250 per AF at a fixed rate
3. Provide upfront financing
 - Allow an agency to receive a portion of their LRP incentive upfront
4. Modify the criteria for eligible expenses for the incentive
 - Include other costs i.e. on-site retrofit costs
5. Adjust credit in MWD's Water Supply Allocation Plan



Potential Program Improvement (cont'd)

6. Open the program to other projects
 - Ocean Desalination
 - Stormwater
7. Increase the LRP per AF goal
 - 174,000 AF with 111,000 AF already contracted



Potential Alternative Programs

List of potential new programs or new “business models” for MWD to enhance local resources:

1. Construction Fund (Revolving Fund)
 - Provide a portion of the project capital costs with a repayment obligation to MWD within a set period of time
2. Co-ownership w/MWD and local agency
 - Provide a portion of the project capital costs in exchange for an equity position in the project. Develop project jointly with member agencies or other government entities
3. Full Ownership
 - Develop, own, and operate projects directly as a component of MWD water supply
4. MWD Build, Operate, and Transfer
 - MWD build and operate a project and will sell/transfer the project to the agency after it recovers its investment



Non-Financial Incentive Approaches

- **Public education and outreach**
 - Survey & Education activities to enhance the public's understanding of water
- **Legislative**
 - Identify and support legislative initiatives that facilitate local resource development
- **Regulatory**
 - Support effective regulation for local resources development i.e. recycled water groundwater recharge
- **Research**
 - Promote, develop, and pursue research such as water quality



Issues to Consider

- **Cost-effectiveness and financial sustainability for MWD**
- **Regional Benefits & Local Benefits from Projects**
- **Free ridership should be avoided**
 - Don't want to pay for projects that otherwise would have been built without MWD incentive
- **Consideration of local control or level of involvement**
- **Local premium rate (Local Reliability or Benefit)**
- **Linkage of local resources development to MWD's storage needs**
- **There is a need prior to BDCP coming on-line**



Discussion





DISCUSSION ITEM

August 6, 2014

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

With Colorado River and State Water Project supplies expected to delivery only 1.038 MAF this year; MWD will need to draw 1.079 MAF from its dry-year storage account to meet an estimated demand of 2.117 MAF for CY 2014. This will result in MWD's dry-year storage totaling 1.2 MAF starting in 2015.

Such a significant draw on storage this year has MWD and member agencies staffs start to review MWD's Water Supply Allocation Plan (WSAP). The purpose of the review is to prepare the WSAP for possible implementation in mid-2015, if conditions continue to be dry.

At this month's Water Planning and Stewardship Committee, MWD staff will brief the board on the series of workshops they plan to have with the member agency managers over the next couple of months that will focus on resetting the baseline, identifying needed changes to the formulas, and review the enforcement provisions.

ISSUE BRIEF # B

SUBJECT: MWD's Finance and Rate Issues

RECENT ACTIVITY

At last month's Metropolitan Finance and Insurance Committee, Chief Financial Officer Gary Breau reported that MWD's water deliveries through June were 358 TAF higher than budgeted. This resulted in water sales through June generating \$252.1 Million (M) higher than budgeted. MWD also estimates that expenses, due to significantly lower than expected State Water Project (SWP) deliveries, will come in roughly \$350M lower than budgeted. It was noted that DWR recently reported to the State Water Contractors of an under collection in the initial 2013 and 2014 SWP Statement of Charge, due to unexpected increases in labor cost and charges from the State. MWD estimates this could result in a \$48M increase to their SWP bill. The numbers are not finalized yet, but MWD feels this under collection could be handled through its annual SWP credit process.

In August, the Committee will consider freezing the Ad Valorem (AV) tax rate for fiscal year 2014/15. During the budget discussions earlier in the year, MWD staff described, per MET's Act (Section 124.5), the AV rate decreases each year to paid off MWD's General Obligation (GO) bonds and Burns-Porter Bonds as it relates to the State Water Project. By freezing the AV rate, it maintains a portion of MWD's fix revenue. Currently, the AV represents 5% of MET's total revenue. If MET votes to support freezing the AV rate, the projected revenue will be \$90 million for 2014/2015 and \$92 million for 2015/16. If MET votes **not** to freeze the AV rate, the projected revenue will drop to \$59.7 million for 2014/15 (loss of \$30 million) and \$55.3 million in 2015/16 (loss of \$35 million). The recovery of this loss fixed revenue would be collected via the water rates. MWD Staff reported the long term benefit of maintaining the fixed revenue from the AV will be its application towards fixed State Water Project (SWP) infrastructure needs, current and future SWP debt financing, and future Bay-Delta Conservation Plan (BDCP) funding. All of which are expected to increase in the coming years.

ISSUE BRIEF # C

SUBJECT: Colorado River Issues

RECENT ACTIVITY

Discussion of reducing further declines in Lake Mead

The Lower Basin States continued discussions on developing a plan to help reduce the impacts of drought conditions on Lake Mead. During June, Lake Mead fell 5 feet, and on July 1 reached a level of 1,083 feet – just 8 feet above the trigger level for a first-ever shortage declaration on the Colorado River. Lake Mead's level has never been this low.

Shortages would initially affect the water allocations of Central Arizona Project and Southern Nevada Water Authority; those agencies are prepared to deal with an initial shortage declaration. The more serious concern of the Lower Basin States is the risk that Lake Mead could continue to drop and reach critical levels near 1,000 feet, in which case Southern Nevada's water supply intake would be in jeopardy and additional severe water curtailments would be implemented in the Lower Basin states. Recent modeling conducted by the Bureau of Reclamation indicated that, without implementing additional measures, there is approximately a 5 percent chance that Lake Mead could fall to 1,000 feet by 2020.

The discussions are seeking to find appropriate incentives for each state, along with the federal government, to implement new programs to reduce the decline in Lake Mead storage. The potential options include expanding Intentionally Created Surplus (ICS) programs; encouraging existing ICS program creation by providing flexibility of ICS operations in the event a shortage is declared; implementing a plan to operate a portion of the Yuma Desalting Plant within the next five years; and funding voluntary agricultural fallowing programs to conserve water in Lake Mead. The goal of developing these programs is to reduce the likelihood that Lake Mead will fall to critical elevations within the next five years.

ISSUE BRIEF # D

SUBJECT: Bay Delta/State Water Project Issues

RECENT ACTIVITY

Bay Delta Conservation Plan and DEIR/S Public Comment

The official public comment period on the draft Bay Delta Conservation Plan (BDCP) and Draft Environmental Impact Report/Environmental Impact Statement (DEIR/S) ended on July 29. Metropolitan, MWDOC and number of Orange County agencies submitted their comment letters. MWD's letter provided information on MWD's board-adopted criteria for a lasting Delta solution and evaluated the alternatives against their criteria. The letter expresses support for the preferred alternative (No. 4) as a workable platform for a final BDCP and EIR/S.

Access to MWD's full letter is at the following link:

http://www.mwdh2o.com/mwdh2o/pages/yourwater/supply/Delta/pdfs/Metropolitians_EIRS.pdf.

Delta Stewardship Council

The Delta Stewardship Council (Council) recently held its first meeting with the new Executive Officer Jessica Pearson, which also included the Governor's latest appointment, Susan Tatayon. The Council reviewed proposed staff comments on BDCP and the associated EIR/S and approved submitting the comments. The Council also received an update on the Levee Investment Prioritization Contract and approved moving forward. The Council met heard presentations from the Lead Scientist on status of Delta Science program activities, from Caltrans on roads and railway transportation through the Delta, from the U.S. Army Corps of Engineers on the interim policy for levee rehabilitation, and an update on the Corp's Delta Island and Levee Feasibility Study.

State Water Resources Control Board

In response to the Governor's State of Emergency proclamation, the State Water Resources Control Board (SWRCB) issued a statewide notice of water shortages and potential for future curtailment of water right diversions, and held a workshop in June whereby they discussed the potential options for curtailing water use. In addition notices of curtailment were issued in May 2014 to all post-1914 water right holders in the Delta and Sacramento and San Joaquin River watersheds, instructing them to cease diversions. Work continues with DWR and other water contractors regarding the ongoing proceedings at the SWRCB and its staff on the issue of drought curtailment and the diversions.

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

The Phase 3 work has been completed; other work underway includes:

- Foundational Action Funding Studies (both Doheny Desal and San Juan Basin Authority) have been started to provide NEW information)
- Continue to Look for Funding Options
- Continue to Work with CALDESAL on the SWRCB Ocean Plan Amendments. The SWRCB has been developing its Ocean Desalination and Brine Disposal Policy and Amendment to the Water Quality Control Plan for Ocean Waters of California ("Ocean Plan") over the past three years. On July 3, 2014 SWRCB staff released their Draft Staff Report, Draft Substitute Environmental Documentation report, and proposed Draft Amendment to the Ocean Plan. A public workshop and public hearing are scheduled for August 6 and 19 in Sacramento. MWDOC has been working with CALDESAL and others in reviewing and commenting on the proposed Draft Amendment.

2. Huntington Beach Ocean Desalination Project (Poseidon Project)

OCWD is continuing to work with David Moore from Clean Energy Capital to analyze the cost and financing options for the Poseidon Huntington Beach Ocean Desalination Project. The work by Clean Energy Capital is scheduled for presentation to the OCWD Board in September.

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

Gordon Johnson, MWD's Chief Engineer presented at the August Water Advisory Committee of Orange County (WACO) meeting, where he discussed MET's view of reliability, improvements in reliability MWD has made over the past 10 years at the Diemer Filtration Plant and how MWD will deal with future seismic events that might knock out portions of their conveyance and treatment systems.

**Summary Report for
The Metropolitan Water District of Southern California
Board Meetings
July 8, 2014**

INDUCTION OF DIRECTORS

Peter Beard representing the city of Fullerton was inducted to the Board of Directors. (**Agenda Item 5C**)

Phillip D. Hawkins representing Central Basin Municipal Water District was inducted to the Board of Directors. (**Agenda Item 5D**)

COMMITTEE ASSIGNMENTS

Director Ackerman was appointed Vice Chair of the Board. Director Touhey was appointed Vice Chair of the Board, replacing Director De Jesus. Director Abdo was appointed to the Water Planning and Stewardship Committee, replacing Director Lowenthal. Director Beard was appointed to the Engineering and Operations Committee, the Special Committee on Bay-Delta, and the Agriculture and Business Outreach Committee. Director Blois was appointed to the Agriculture and Business Outreach Committee. Director Lefevre was appointed to the Agriculture and Business Outreach Committee. Director Mudd was appointed to the Finance and Insurance Committee. Director J. Murray was appointed to the Communications and Legislation Committee. (**Agenda Item 5I**)

ENGINEERING AND OPERATIONS COMMITTEE

Appropriated \$3.6 million; and authorized rehabilitation of the Etiwanda Hydroelectric Plant. (Approp. 15458) (**Agenda Item 8-1**)

Appropriated \$10.47 million; authorized final design and pilot of the Hiram W. Wadsworth Pumping Plant Control and Protection Upgrades; authorized increase of \$5.9 million to the existing agreement with Glenmount Global Services, for a new not-to-exceed total of \$7,025,000; and authorized increase of \$840,000 to the existing agreement with Power-Tech Engineers, Inc., for a new not-to-exceed total of \$1,344,000. (Approp.15467) (**Agenda Item 8-2**)

Appropriated \$3.5 million; and awarded \$1,977,700 contract to Minako America Corp., dba Minco Construction to construct a solids transfer system for the Joseph Jensen Water Treatment Plant. (Approp. 15371) (**Agenda Item 8-3**)

ORGANIZATION, PERSONNEL AND TECHNOLOGY COMMITTEE

Approved Metropolitan Water District of Southern California's Salary Schedule pursuant to CalPERS regulations. (**Agenda Item 8-4**)

Approved the General Manager's modification of the Business Outreach Program's organizational goal for small business participation from 18 percent to 25 percent. (**Agenda Item 9-1**)

COMMUNICATIONS AND LEGISLATION COMMITTEE

Authorized the General Manager to express Metropolitan's support for SB 1121, as amended June 10, 2014. **(Agenda Item 8-5)**

CONSENT CALENDAR

In other action, the Board:

Adopted a Resolution Approving the Greater Los Angeles County 2014 Integrated Regional Water Management Plan. **(Agenda Item 7-1)**

OTHER MATTERS

Director Thomas P. Evans, representing Western Municipal Water District of Riverside County, received a 5-year service pin. **(Agenda Item 5E)**

Approved Memorial Resolution for late Chairman John V. Foley. **(Agenda Item 5F)**

Approved Commendatory Resolutions for past Directors Aaron Grunfeld and James Edwards. **(Agenda Item 5G)**

Adopted motion to adjourn the August Board Meeting to August 19, 2014, to establish tax rate. (Committees to meet on August 18 and 19) **(Agenda Item 5H)**

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>.