

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 2, 2020, 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. 20__)

PRESENTATION/DISCUSSION/INFORMATION ITEMS

1. INPUT OR QUESTIONS ON MET ISSUES FROM THE MEMBER AGENCIES/MET DIRECTOR REPORTS REGARDING MET COMMITTEE PARTICIPATION

Recommendation: Receive input and discuss the information.

2. PRESENTATION BY MET LEGAL COUNSEL, PATTY QUILIZAPA REGARDING THE SAN DIEGO COUNTY WATER AUTHORITY/MET LAWSUIT AND SETTLEMENT OFFERS

Recommendation: Review and discuss the information presented.

3. DISCUSSION SERIES ON METROPOLITAN'S INTEGRATED RESOURCES PLAN: PART 2 – EXPECTED KEY POLICY ISSUES

Recommendation: Review and discuss the information presented.

4. METROPOLITAN'S PROPOSED BIENNIAL BUDGET AND RATES PROCESS FOR FISCAL YEARS 2020/21 AND 2021/22

Recommendation: Review and discuss the information presented.

5. WATER SUPPLY CONDITION UPDATE

Recommendation: Review and discuss the information presented.

6. METROPOLITAN 2020 SHUTDOWN STATUS

Recommendation: Review and discuss the information presented.

7. DELTA CONVEYANCE PROJECT ACTIVITIES UPDATE

Recommendation: Review and discuss the information presented.

8. MET ITEMS CRITICAL TO ORANGE COUNTY (The following items are for informational purposes only – a write up on each item is included in the packet. Discussion is not necessary unless requested by a Director)

- 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 in the Doheny and Huntington Beach Ocean (Poseidon) Desalination Projects
- f. South County Projects

Recommendation: Review and discuss the information presented.

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

- a. Summaries regarding November and December Board Meetings
- 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 accommodations should make the request with adequate time before the meeting for the District to provide the requested accommodations.



DISCUSSION ITEM

January 2, 2020

TO: Board of Directors

**FROM: Robert Hunter,
General Manager**

Staff Contact: Harvey De La Torre
Melissa Baum-Haley

**SUBJECT: PRESENTATION BY MET LEGAL COUNSEL, PATTY QUILIZAPA
REGARDING THE SAN DIEGO COUNTY WATER AUTHORITY/MET
LAWSUIT AND SETTLEMENT OFFERS**

STAFF RECOMMENDATION

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

COMMITTEE RECOMMENDATION

Committee recommends (To be determined at Committee Meeting)

REPORT

For nearly a decade, there have been lawsuits filed by the San Diego County Water Authority (SDCWA) against the Metropolitan Water District of Southern California, with currently six pending cases and another trial approaching. The agencies are now at a critical juncture with the opportunity to resolve the cases or proceed with litigation.

On November 12, 2019, Metropolitan's Board authorized a statutory Offer to Compromise to SDCWA under California Code of Civil Procedure Section 998 to resolve all cases. A statutory Offer to Compromise is public and is common in cases proceeding to trial.

Metropolitan's General Manager, Jeff Kightlinger, addressed the SDCWA's Board of Directors at a special SDCWA Board meeting, held on December 19, to discuss Metropolitan's statutory Offer and answer any questions the SDCWA Board may have.

Budgeted (Y/N): N/A	Budgeted amount: None	Core <u>X</u>	Choice <u> </u>
Action item amount: N/A	Line item:		
Fiscal Impact (explain if unbudgeted):			

Following the special SDCWA Board meeting, SDCWA presented MET with a counter proposal offer in the form of a response letter from SDCWA Chair Jim Madaffer.

MWDOC staff has invited Patty Quilizapa, Senior Deputy General Counsel at Metropolitan, to discuss Metropolitan's statutory Offer and the SDCWA counterproposal.

More information can be found on Metropolitan's Legal Department webpage (<http://www.mwdh2o.com/WhoWeAre/Management/General-Counsel>) including the following:

Metropolitan's Offer to Compromise SDCWA v. Metropolitan, et al. Litigation

- Offer to Compromise under CCP Section 998
- Explanatory Letter
- Monetized Benefits
- Fact Sheet
- Press Statement from Chairwoman

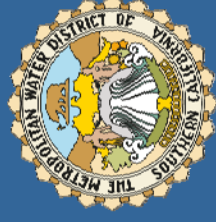
SDCWA Special Board Meeting on Dec. 19, 2019

- Meeting Audio
- Letter from Water Authority Chair Jim Madaffer Regarding Settlement Offers
- Memo from Metropolitan Chairwoman Gloria Gray in response to SDCWA

**Attachments: (1) Presentation by Metropolitan Legal Counsel
(2) Metropolitan's Fact Sheet on the Offer to Compromise
(3) SDCWA's Offer in Response Letter**

Resolving Nearly a Decade of Litigation

An Offer to Compromise: SDCWA v. Metropolitan, et al. Litigation



THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA



Background



- The agencies are at a crossroads with the opportunity to resolve litigation or proceed with more litigation.
- Metropolitan has offered SDCWA a compromise in good faith.
- Nearly a decade of legal battles have been costly and a distraction to the core functions of both water agencies.
- SDCWA's lawsuits focus on challenges to Metropolitan's rates in order to claim breach of the SDCWA-Metropolitan Exchange Agreement price term.
- The exchange price – which SDCWA proposed and Metropolitan accepted in 2003 – is based on Metropolitan rates.



| Offer to Compromise



- On Nov. 12, 2019 Metropolitan's Board authorized a statutory Offer to Compromise to SDCWA. (CCP Sec. 998)
- Metropolitan considers the offer to be fair, sincere and a good-faith effort to find middle ground.
- The offer comes at a timely point in the litigation because SDCWA recently asked the court to take cases off stay and move forward with another trial.
- A statutory Offer to Compromise is public and common in cases proceeding to trial. The offer and explanatory documents are on Metropolitan's website.



Key Terms



- **Payment of \$72.1 million for Water Stewardship Rate Payments on Exchange Agreement Deliveries (2011-2017)**, with interest at SDCWA's calculation for the litigated years (2011-2014).
- **Exchange Agreement Fixed Price Term (2019-2112)**
 - The exchange price would no longer be based on Metropolitan rates and instead on a fixed amount (\$450/AF) with a construction industry escalator, plus the transportation costs of a Delta conveyance project.
- **Exchange Agreement Delivery Flexibility**
 - Metropolitan will allow delivery flexibility within a calendar year rather than equal monthly installments.
- **Attorneys' Fees and Costs**
 - Each party responsible for its own fees and costs.



Monetized Benefits



The value of the offer to SDCWA ranges in today's dollars between over \$5.5 billion to over \$8.5 billion

- Water Stewardship Rate on Exchange Agreement (2011-2017): \$72.1 million
- Exchange Agreement Fixed Price Term (2019-2112)
 - Scenario I: IID Transfer Terminates in 2047: Over \$5.5 billion
 - Scenario II: IID Transfer Terminates in 2077: Over \$8.4 billion
- Not including the value of avoiding future SWP, CRA and distribution system costs in the exchange price, and the value of exchange delivery flexibility.
- Alleviates SDCWA's significant appellate loss on SWP costs.



Path Forward



- The Offer to Compromise would change the incentive in the Exchange Agreement for SDCWA to challenge rates in every cycle and provide SDCWA with a lower price valued at more than \$5 billion.
- The Offer to Compromise would bring closure to longstanding disputes and create a space to find common ground and collaborate.
- Bringing this era of litigation to a close and working collaboratively together is in the best interests of both agencies, their member agencies, and the region.



SUMMARY OF METROPOLITAN'S OFFER TO COMPROMISE SDCWA v. Metropolitan, et al. Litigation

Nearly a decade of lawsuits filed by the San Diego County Water Authority (SDCWA) against the Metropolitan Water District of Southern California have cost each agency tens of millions of dollars in attorneys' fees and untold staff time, without producing any new water. With six pending cases and another trial approaching, Metropolitan has made a statutory Offer to Compromise. The agencies are now at a critical juncture with the opportunity to resolve the cases or proceed with a longer litigation battle. Metropolitan is offering a compromise in good faith that is very advantageous to SDCWA and it looks forward to the SDCWA Board of Directors' careful consideration.

BACKGROUND

SDCWA, a Metropolitan member agency, has challenged Metropolitan's rates and made other claims in cases filed in 2010, 2012, 2014, 2016, 2017, and 2018, all of which are pending. Under a SDCWA-Metropolitan Exchange Agreement entered into in 2003, SDCWA makes available to Metropolitan at Lake Havasu conserved water it purchases from the Imperial Irrigation District and from the lining of canals, and in exchange Metropolitan delivers to SDCWA a like amount of water from any source. The exchange price - which SDCWA proposed and Metropolitan accepted - is Metropolitan's transportation rates: the System Access Rate, System Power Rate, and Water Stewardship Rate.

However, basing the price on rates has incentivized SDCWA to challenge Metropolitan's rates and claim breach of the exchange price in every rate cycle since 2010. Metropolitan has prevailed on the major issue in the litigation, when in 2017 the Court of Appeal upheld the System Access Rate and System Power Rate and ruled that Metropolitan may include State Water Project transportation costs in the exchange price. Rates are set by Metropolitan's Board of Directors, comprised of member agency representatives, and apply to all 26 Metropolitan member agencies. No other member agency supports SDCWA's litigation and nine have joined the cases to actively defend the rates. Metropolitan's Offer to Compromise includes a new exchange price that is no longer tied to Metropolitan's rates.

OFFER TO COMPROMISE

On November 12, 2019, Metropolitan's Board of Directors authorized an Offer to Compromise to SDCWA under California Code of Civil Procedure Section 998 to resolve all cases. The key terms are:

(1) Payment of \$72.1 million for Water Stewardship Rate (WSR) Payments on Exchange Agreement Deliveries (2011-2017). This consists of (a) SDCWA's WSR payments on exchange deliveries for 2011-2014, plus interest, based on the court ruling that the administrative record did not support the WSR's inclusion in transportation rates in those years; and (b) SDCWA's WSR payments for 2015-2017, which have never been litigated. This benefits SDCWA because Metropolitan disputes the amount of the 2011-2014 award and may appeal it; disputes the calculation and end-date of interest for 2011-2014; and believes that if the 2015-2017 WSR payments are litigated, Metropolitan would prevail based on a different administrative record. Metropolitan has not charged the WSR on exchange deliveries in 2018-2020 pending a cost of service study, but the exchange price calls for the WSR's inclusion again starting in 2021.

(2) Exchange Agreement Fixed Price Term (2019-2112). The exchange price would no longer be based on Metropolitan's rates and instead would be a fixed amount (\$450 per acre-foot), with a construction industry escalator. This price is a discount by omitting the WSR and adding a further reduction of \$3 per acre-foot, and the construction industry escalator has averaged a 3.3% annual increase compared to a 4.6% average for Metropolitan's transportation rates. Discounted to present value, the changed price is estimated to save SDCWA \$5.5 to \$8.4 billion over the 110 year term of the Exchange Agreement. Should a state Delta conveyance project go forward, and after a cost of service study, Metropolitan would add the transportation cost of the project to the exchange price. SDCWA would otherwise avoid Metropolitan's increased State Water Project, Colorado River Aqueduct, and distribution system costs, and the above estimated savings to SDCWA do not include these amounts. The numbers are high because a large volume of water is exchanged under this lengthy contract. Under the current price, SDCWA is estimated to pay \$11.9 to 17.9 billion for the exchange.

(3) Exchange Agreement Delivery Flexibility. The Exchange Agreement calls for Metropolitan to deliver exchange water in equal monthly installments. Metropolitan would work with SDCWA to allow delivery flexibility within a calendar year - effectively providing SDCWA with access to Metropolitan's storage, treatment, and delivery capabilities - at no cost to SDCWA.

(4) Attorneys' Fees and Costs. Each party would be responsible for its own attorneys' fees and costs. Metropolitan believes the trial court on remand will find that it is the prevailing party in the 2010-2012 cases, based on its significant win as to SWP costs, and rule that SDCWA owes Metropolitan over \$10 million in attorneys' fees and costs.

Judgments/dismissals with prejudice would be entered in all cases. SDCWA would release claims against Metropolitan and its member agencies, and waive any claim to demand management funding for the Carlsbad Desalination Plant and related projects.

EFFECT OF OFFER TO COMPROMISE

A statutory Offer to Compromise is public and is common in cases proceeding to trial. The offer may be accepted within 30 days and is otherwise deemed withdrawn. If not accepted, the remand trial will proceed and the remaining cases may then be litigated. The effect of the Offer to Compromise is that even if SDCWA prevails (which Metropolitan does not believe will occur), if SDCWA does not obtain a better result in the litigation, it cannot recover post-offer costs and must pay Metropolitan's post-offer costs, including attorneys' fees under the Exchange Agreement. Further, unless the matter is resolved, the exchange price increases to \$482 per acre-foot on January 1, when Metropolitan's 2020 rates go into effect.

A PATH FORWARD

Metropolitan believes the Offer to Compromise is generous. It would change the inherent incentive in the Exchange Agreement for SDCWA to challenge rates in every cycle, and provide SDCWA with a lower price with savings to SDCWA valued at over \$5 billion over the 110 year term. The Offer to Compromise would bring closure to longstanding disputes and create an opportunity to find more common ground to work together. The litigation has been expensive and disruptive for all parties. Metropolitan and SDCWA should be spending their time and energy on positive efforts to benefit their customers and service areas, and to address the water challenges of today and tomorrow.



December 19, 2019

VIA EMAIL AND U.S. MAIL

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
Otay Water District
Padre Dam
Municipal Water District
Camp Pendleton
Marine Corps Base
Rainbow
Municipal Water District
Ramona
Municipal Water District
Rincon del Diablo
Municipal Water District
San Dieguito Water District
Santa Fe Irrigation District
South Bay Irrigation District
Vallacitos Water District
Valley Center
Municipal Water District
Vista Irrigation District
Yuima
Municipal Water District

**OTHER
REPRESENTATIVE**

County of San Diego

Gloria Gray, Chairwoman; MWD Board of Directors
Metropolitan Water District of Southern California
700 N. Alameda Street
Los Angeles, CA 90012

Re: Settlement Offers

Dear Gloria and MWD Board of Directors:

This letter serves to inform you of two important decisions by our Board of Directors today which I am authorized to transmit to MWD by this letter. First, for the reasons stated below, the Water Authority voted not to act upon MWD's 998 offers (together, the MWD offers in all cases are the "998 Offer"), which MWD General Manager Jeff Kightlinger came and discussed with us today. Second, also as stated below, the Water Authority hereby makes a formal public offer in response to MWD's 998 Offer to settle all of the pending rate litigation. We present our formal public settlement offer first, and then explain why MWD's 998 Offer was not acted upon by our Board and thus will expire by its own terms.

The Water Authority Offer

The Water Authority Board has authorized me to present in this letter a formal offer to the MWD Board to settle all of the pending rate litigation. Each of the following terms is material to the offer:

WATER AUTHORITY OFFER TO MWD

1. MWD, within 60 days of signing the written settlement agreement referenced below, shall pay the Water Authority \$140 million. This payment covers all claims in all the rate cases filed between 2010 and 2018, and thus through MWD rate years 2011-2020.
2. A validation judgment will be entered in the 2011-14 rate year cases with the following material provisions: (a) MWD breached the Exchange Agreement, and the Water Authority suffered damages in the amount of \$28,678,190.90, plus interest, as confirmed by Judge Wiss (fully included in #1 above); (b) MWD 2011-14 wheeling and Exchange Agreement rates are unlawful to the extent they include demand management costs; (c) State Water Project ("SWP") transportation costs imposed in 2011-2014 are recoverable for wheeling and Exchange Agreement pricing as stated in the appellate decision; (d) Rate Structure Integrity ("RSI") unlawful and unenforceable; (e) Proposition 26 applies to MWD rate-setting; and (f) MWD's preferential rights calculation must include the Water Authority's Exchange Agreement payments. All parties give up any right to appeal.

3. The Water Authority to dismiss cases for rate years 2015 through 2020 without prejudice. Water Authority covenants not to sue MWD for all 2015-2020 MWD rates so that MWD is insured those rates are immunized from challenge. The Water Authority also agrees that -- so long as MWD's rate structure is unchanged for 2021 and 2022 rate years, and there are no material changes to the methodology for the allocation of MWD's costs -- it will not sue on rates for those years. Years beyond 2022 are not subject to agreement by either side. MWD and the Water Authority also covenant not to sue the other or the other's agents for anything related to the previously filed litigation.
4. MWD agrees it will not seek to collect demand management costs for Exchange Agreement deliveries for 2018-2019 rate years under the Water Stewardship Rate or any other collection mechanism.
5. The Exchange Agreement shall be amended to change the price term at Section 5.2 as stated in this paragraph and paragraph 6. The price shall be \$450 per acre-foot commencing with January 1, 2020 (the "Fixed Price"). On January 1, 2020, the \$450 per acre-foot price shall be increased by an amount equal to the escalation of the Construction Cost Index (20 Cities) as published in Engineering News Record for the preceding year. On January 1 of every subsequent year, the Fixed Price shall be increased by an amount equal to the escalation of the Construction Cost Index (20 Cities) as published in Engineering News Record for the preceding year. No Water Stewardship Rate, demand management costs, or conveyance costs incurred by Metropolitan for improvement or repair of the Colorado River Aqueduct, local distribution system, or State Water Project will be added to the Fixed Price.
6. As of 2019, the price under the Exchange Agreement is \$453 AF, which consists of a \$326 System Access Rate and a \$127 AF System Power Rate (the "2019 Price Components"). The Water Authority shall be protected against any changes in the recovery of costs that are currently included in either of the 2019 Price Components as follows: Should at any point in time during the term of the Exchange Agreement MWD in any manner move any of the costs in either of the 2019 Price Components to any other cost recovery mechanism (such as a fixed charges, or property taxes), the Water Authority's Fixed Price shall be reduced commensurately. For example, the System Access Rate is currently about 72% of the overall 2019 Price Components. Should MWD move 50% of cost recovery of the System Access Rate to another form of cost recovery, the Fixed Price would receive a credit of about 36% (half of the 72% portion of the overall 2019 Price Components). Also, if there is a material reduction or elimination of costs that are currently in the 2019 Price Components, the Water Authority will similarly receive a commensurate reduction in the Fixed Price.
7. Metropolitan will work with SDCWA staff to schedule delivery of exchange water on a more flexible basis than current deliveries within a calendar year at no cost to SDCWA. The Exchange Agreement shall be amended to address the delivery flexibility within the calendar year.

8. Both MWD and the Water Authority bear their own fees and costs of all the rate litigation.
9. MWD agrees that all MWD Board members and the agencies they represent have a right to see applicable MWD rate models at least 60 business days before any public hearing on the rates and 90 days prior to any MWD Board vote on MWD rates or rate structure.
10. The parties will draft and execute a formal written settlement agreement with the above material terms, and other standard mutually acceptable terms, within 60 days of acceptance of this offer. The above dismissals and judgment will be entered promptly after execution of the final settlement agreement.
11. This offer must be accepted by the MWD Board of Directors with no additional conditions, and such acceptance transmitted in writing to the Water Authority no later than close of business on January 31, 2020.

The Water Authority believes that the offer it has presented above is fair for a number of reasons.

First, the \$140 million in consideration for settlement is just a small percentage of the overall amounts at risk for MWD in the litigation for these years. Attached is a Fact Sheet that explains the amounts in dispute in the rate cases, and the basis of the Water Authority's claims for recovery. The Water Authority is willing to agree to settle the pending claims now, in the hope that resolving them will lead to working together with the MWD Board of Directors as described below. However, if the Water Authority is forced to continue to litigate the rate cases it will seek the full amount in dispute in the litigation.

Second, the Water Authority's offer would achieve finality of the pending litigation. Every rate case between the parties would be concluded, and MWD would have assurance that its 2021-22 rates under the current rate structure are insulated from any challenge by the Water Authority. Further, by having a set Exchange Agreement price going forward, the parties would have certainty on this key element. The protections we added above are an important addition to what MWD offered. With those protections, we would accept the escalator index MWD proposed.

Third, the Water Authority's offer would assure transparency in MWD's rate-setting process by making MWD's rate model available to member agencies. The rate model is not something that MWD should hide from its member agencies, whose representatives all have to vote on MWD's rates and who represent the public interest. We are willing to work with MWD and the other MWD member agencies in the documentation of the settlement to have a protocol that MWD's member agencies can support.

Fourth, the Water Authority's offer would establish a framework for ensuring that MWD's future rates comply with applicable California law, including Proposition 26. The Court of Appeal has applied Proposition 26 to MWD's rate-setting, and dragging out the litigation to keep fighting about this issue – which has already been decided – is not productive or in anyone's interest. The Water Authority does not dispute that the MWD Board has discretion to set rates and charges, provided that is done in compliance with applicable legal standards.

Finally, the mutual covenants described above will provide both parties the necessary finality, while negating the need for releases, which are problematic as noted in the 998 section below. The Water Authority's proposed settlement would let the parties move forward and work cooperatively as the MWD Board undertakes an important update of its Integrated Resources Plan, budget and rates looking ahead to 2022. Our Board of Directors believes that this offer is reasonable, and we hope that MWD accepts it.

The offer is being presented publicly because the Water Authority is no longer comfortable negotiating with MWD in confidential meetings. The confidentiality agreement, which covered those meetings, is terminated, as we will not be having further meetings under it. Of course, the Water Authority will continue to honor the terms of that agreement as to past meetings.

MWD's 998 Offer¹

The Water Authority Board of Directors has decided not to act on MWD's 998 Offer, which thus will expire on its own terms. The main reasons for this decision are as follows:

1. The 998 Offer Provides No Certain Benefits, And Creates Many Risks

The main supposed benefit in the 998 Offer is that MWD will provide the Water Authority a rate certain starting at \$450 AF, and going up annually with an escalator from the Engineering News Record. MWD claims that this has billions of dollars in value to the Water Authority. Such claims, however, are highly speculative and exceedingly risky because: (a) Once our Exchange Agreement price is de-linked from the transportation charges MWD imposes on its volumetric rates to all its members, the 998 Offer provides no protection against MWD moving cost recovery for transportation expenses onto fixed charges or taxes. Indeed, MWD has been seeking to move cost recovery to fixed charges for some time. To date a majority of the MWD Board has generally opposed such changes. However, de-linking our Exchange Agreement would allow such fixed charges to benefit other member agencies at our expense (as we would be paying both the set Exchange Agreement price and also fixed charge, with no reduction in price on the Exchange Agreement, though other MWD members would have their transportation rates reduced while also paying fixed charges). Such a risk is unacceptable to the Water Authority, and MWD put nothing in the 998 Offer to address this known concern. (We have added such protections to the offer above.) Also, (a) no cap or control of any kind was listed on WaterFix costs that MWD retained the right to charge; and (b) the price offered was not linked to cost of service in any way, and if WaterFix does not occur SWP costs may drop significantly in coming decades as current SWP obligations are paid off, yet there is no reduction to account for the fact that MWD would no longer be incurring these costs, even though other member agencies would see their transportation rates reduced. (We also added protections for this kind of circumstance.)

¹ Legal information in this letter provided by counsel.

2. *The 998 Offer Demands Full General Releases, Civil Code Section 1542 Waivers, and Dismissals With Prejudice*

The 998 Offer demands that the Water Authority give MWD a full and complete release, with waiver of Civil Code section 1542's protection against giving up unknown claims, as well as with prejudice dismissals. These are terms we cannot accept for a number of reasons. First, our agency has many dealings with MWD, including hosts of contracts, billings, commitments, etc. MWD did not limit this release to matters at issue in the lawsuits, but instead demanded in the 998 Offer full and complete releases of everything between the agencies. That cannot be done. Further, MWD demanded that "SDCWA shall also execute a Civil Code Section 1542 waiver" This would mean we would give up even all our unknown claims against MWD. It would be irresponsible for the Water Authority, or any other public agency, to sign such broad releases and waivers with an entity with whom they have regular dealings. Finally, the Water Authority has no way of knowing what rates and charges MWD may impose in the future. If there were "with prejudice" dismissals, presumably MWD would argue that there were issues in the dismissed litigation about issues such as proportionality or Proposition 26 or the rate model, and then claim that these issues could not be raised in the future. That also is not acceptable.

3. *The 998 Offer Is Not Legally Valid*

The 998 Offer is not a legally valid Code of Civil Procedure section 998 offer because of the general release and 1542 waivers demanded, and because of the demand for a speculative Exchange Agreement amendment. Under section 998, a court must be able to determine whether the prevailing party obtained a more favorable recovery at trial. *Valentino v. Elliot Sav-On Gas, Inc.*, 201 Cal. App. 3d 692, 697-98 (1988). An offer with nonmonetary terms must still "be sufficiently specific to allow the recipient to evaluate the worth of the offer and make a reasoned decision whether to accept." *Fassberg Constr. Co. v. Hous. Auth. of City of L.A.*, 152 Cal. App. 4th 720, 764 (2007), as modified on denial of reh'g (June 21, 2007). An offer containing a full general release with full 1542 waivers, as MWD demanded here, cannot meet this standard. *Ignacio v. Caracciolo*, 2 Cal. App. 5th 81, 89 (2016). See also *Chen v. Interinsurance Exch. of the Auto. Club*, 164 Cal. App. 4th 117, 122 n.5 (2008). Similarly, an offer of possible future benefits based on contract amendments whose supposed benefits are predicated on decades of unknown events is purely speculative and uncertain.

4. *The 998 Offer Demands That the Water Authority Can Never See MWD's Rate Model*

The 998 Offer makes demand that the Water Authority never seek to see MWD's rate model showing how MWD allocates its costs and sets rates. We believe this is an issue of basic public transparency, and that all MWD Board members and the agencies they represent have a right to see the rate model so they can understand MWD's water rates and charges.

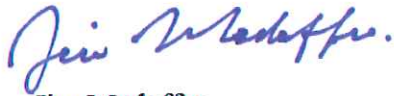
Therefore, the Water Authority Board of Directors voted not to act upon MWD's 998 Offer.

In conclusion, we are very pleased that both agencies have made public offers to resolve the parties' ongoing litigation. This allows all stakeholders and the general public to see what is

Chairwoman Gray and MWD Board of Directors
December 19, 2019
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being offered and discussed by both sides. We hope that MWD accepts our offer, and we are available to answer any questions MWD may have in the interim. Thank you.

Sincerely,



Jim Madaffer
Chair of the Board

cc: (via email):

Water Authority Board of Directors
Sandy Kerl, Water Authority General Manager
Mark Hattam, Water Authority General Counsel
Jeff Kightlinger, MWD General Manager
Marcia Scully, MWD General Counsel

FACT SHEET – ISSUES IN SDCWA/MWD LITIGATION¹

What's been decided so far?

- a. MWD breached Exchange Agreement by charging its WSR² on transportation (2011-14)

Damages + interest	=	\$48 million (appx.³)
Suspension of collection of WSR (2018-2020)		\$45 million
- b. MWD could include current SWP costs in its transportation rate (no damages awarded)⁴
- c. MWD miscalculated preferential rights, about 100,000AF rights per year awarded to Water Authority⁵
- d. MWD's RSI⁶ clause illegal

Damages (restitution)		TBD (still pending; see below)
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What's still pending?

- a. MWD breached Exchange Agreement by charging its WSR on transportation (2015-17)⁷

Damages + interest	=	\$32 million
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- b. Restitution for RSI years (2011-2017)⁸

Damages + interest	=	\$64 million
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- c. Offsetting benefits of wheeled water supplies⁹ (2011-2020; \$250/AF low estimate)

Damages + interest	=	\$660 million
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- e. WSR on supply purchases (2018-2020)¹⁰

Damages + interest	=	\$24 million
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- e. Attorney's fees/costs

	=	\$15 million
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¹ MWD's 998 offer proposes that the Water Authority agree to an amendment of the Exchange Agreement; however, no amendment is at issue in the litigation, and thus is not shown here.

² Water Stewardship Rate.

³ All dollar numbers are approximate.

⁴ The Water Authority had already paid the disputed rates.

⁵ This is not a damages issue; MWD has corrected its calculation of preferential rights. As a comparable for valuation of the 100,000 AFY of water, the Carlsbad Desalination Project cost about \$1 billion to produce up to 56,000 AFY.

⁶ Rate Structure Integrity.

⁷ This issue was decided against MWD in the 2011-2014 cases but MWD claims it now has a new administrative record and therefore wants to try the issue again.

⁸ Represents the difference between the Water Authority share of payments to fund WSR projects and benefits received with WSR payments to Exchange Agreement netted out for the period indicated; does not include Water Authority's claim for subsidies for Carlsbad, though such LRP funding could be an alternative value for the same period. Overall, prior to adjustment for damages and recent LRP contracts, the Water Authority to date has paid **\$170 million more to fund WSR programs than it has received in benefits.**

⁹ The wheeling statute requires MWD to calculate offsetting benefits but MWD refuses to do so even though the Court of Appeal applied the wheeling statute to the Exchange Agreement.

¹⁰ The claim for WSR on supply charges for 2015-2017 is duplicative of the (b) restitution claim and so is not listed separately.



INFORMATION ITEM

January 2, 2020

TO: Board of Directors
FROM: Robert Hunter, General Manager

Staff Contact: Harvey De La Torre
Melissa Baum-Haley

**SUBJECT: DISCUSSION SERIES ON METROPOLITAN'S INTEGRATED
RESOURCES PLAN: PART 2 – EXPECTED KEY POLICY ISSUES**

STAFF RECOMMENDATION

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

COMMITTEE RECOMMENDATION

Committee recommends (To be determined at Committee Meeting)

SUMMARY

Metropolitan's Integrated Water Resources Plan (IRP) establishes a long-term, comprehensive water resources strategy to provide the region with a reliable and affordable water supply. The IRP to date has sought to prepare Metropolitan to withstand an over-dependence on imported supplies, particularly in the face of a changing climate. The IRP has looked at Metropolitan as a provider of a baseline service. As a living document, the IRP is updated every five years and will be revisited in 2020.

MWD OC staff will be providing a discussion series to the Board over the next few months focusing on updating Metropolitan's IRP for 2020. The first discussion focused on the history of MET's IRP and the evolution of this planning document since its first IRP in 1996. ***This second installment in the series will provide a brief preview of the expected key policy issues that the 2020 IRP Update will reveal and its potential effects on MET's role.***

Budgeted (Y/N): N/A	Budgeted amount: None	Core <u> X </u>	Choice <u> </u>
Action item amount: N/A	Line item:		
Fiscal Impact (explain if unbudgeted):			

DETAILED REPORT

In January 2016, Metropolitan's board adopted the 2015 IRP Update as the latest in an ongoing series of updates to its long-term adaptive management strategy. As with its predecessors, this update serves as a framework for future activity by Metropolitan and its member agencies. Specifically, the 2015 IRP Update identifies regional targets for water resource development to ensure water supply reliability for its service area through the year 2040. To that end, the 2015 IRP Update continues with a diversified portfolio approach for water management. This approach includes a balanced mix of imported supplies from the Colorado River and the SWP, as well as maintenance and further development of the region's base of local supplies and conservation. If fully implemented, the 2015 IRP Update would lead to a low probability of water shortages or mandatory restrictions under planned conditions.

Key IRP Reliability Goals

A key element of the 2015 IRP Update was developing approaches for how Metropolitan will advance conservation and local resources development and maximize its storage reserves in the future. The 2015 IRP Update focused on ascertaining how conditions have changed in the region since the last IRP update in 2010. This involved developing new reliability targets to meet the evolving outlook of the region's reliability needs, assessing strategies for managing short and long-term uncertainty and communicating technical findings.

Best estimates about future conditions are a sound basis for establishing reliability targets. These targets represent a combined total of 723,000 acre-feet of increased conservation savings and supply production by the end of the forecast period of 2040 (25-year horizon); 485,000 acre-feet from the total conservation target and 238,000 acre-feet from the total supply reliability target.

These targets represent the projected levels of imported supplies, local supplies and water conservation necessary to meet the 2015 IRP Update reliability goals of 2040.

The following are the key reliability goals and targets as outlined in the 2015 IRP Update:

- **Stabilize State Water Project (SWP) Supplies:** Managing SWP supplies in compliance with regulatory restrictions in the near term for an average of 984,000 acre-feet per year. In 2040, the target is ***1.2 million acre-feet per year on average*** (or about a 63 percent "Table A" allocation) when a long-term Delta solution was estimated to be in place. The IRP's framework for a reliable water supply depends on the continued capability to move water into storage in wet periods and flexibility to address fishery needs.

Looking forward: Long-term projections of SWP performance will need to be reassessed in light of the State's redirection away from the previously proposed California WaterFix project towards studying a single-tunnel Delta conveyance project.

- **Protect and Maintain Colorado River Aqueduct (CRA) Supplies:** Protect and maintain base water supplies while also being able to fill the CRA when needed

through the development of dry-year programs and management of storage. This involves protecting existing supply and storage programs in the face of risks that could impact program yields and the ability to access storage in the future. The 2015 IRP Update calls for ensuring that a **minimum supply availability of 900,000 acre-feet** is available in all years and to be able to ramp up diversions to 1.2 million acre-feet in dry years.

Looking forward: Colorado River supplies continue to be threatened by drought, climate change, and basin-wide supply-demand imbalances, but crucial progress was made with the signing and implementation of the Colorado River Drought Contingency Plan (DCP) and related agreements that will help ensure continued access to Intentionally Created Storage (ICS).

- **Maintain and Develop New Local Supplies:** Current local supply production to be maintained into the future and for additional local supplies to be developed for future demands and protecting against losses. Mitigation against any yield reduction is a primary area of concern for the IRP. By 2040, the IRP calls for a total local supply **target of 2.43 million acre-feet per year** that will come from a combination of existing and new local supplies. Local resources include supplies from groundwater, recycled water, seawater desalination, the Los Angeles Aqueduct, local surface water, and other identified resources.

Looking forward: Detections of contaminants, such as PFAS, in some local basins, as well as TCP at the Arvin-Edison groundwater storage program will potentially impair access to certain existing groundwater supplies until they can be remediated.

- **Achieve Additional Savings with Emphasis on Outdoor Water Use:** Target to achieve 1.519 million acre-feet per year of savings by 2040 through an emphasis on outdoor water-use efficiency. Meeting this will require continued efforts by Metropolitan and its member agencies to effectively implement indoor and outdoor water efficiency devices and programs and to develop new outdoor efficiency programs to **produce at least 180,000 acre-feet** of additional savings per year.

Looking forward: Metropolitan continues to enhance regional resiliency through investment in local resources and conservation, with targeted financial incentive programs, local assistance, public outreach, and research and development efforts such as the Future Supply Actions Funding Program.

Attached is the 2019 report on implementation of the 2015 IRP reliability goals. This report provides a status including activities, opportunities, and challenges, along with the outlook for various components of the IRP strategy.

Expected Key Policy Issues

As we look at the progress made in 2019, we notice the region's water reliability situation has changed since the 2015 IRP Update. The last couple of years have shown historic droughts along with record breaking precipitation. In fact in 2017 & 2019, MET placed record amount of water in storage, contributing to MET having its total storage reach close to 4 MAF for 2019, which is more than any previous time in its history. Additionally, retail demands are at historic lows, which have not seen since the early 1980s.

For the first time, the 2020 IRP Update may include within its planning range a scenario where the member agencies may collectively need less regional wholesale water supplies than what is currently available.

Even so, the region continues to face near and long-term challenges, some familiar but others becoming apparent only in the last year. Notable among the new challenges are the reevaluation of the long-term Delta solution, recently-recognized threats posed by emerging contaminants to groundwater basins, and further development of local resources impacting future MET sales.

These challenges and changes result in a policy discussion revolving around a fundamental theme: **Is Metropolitan at a crossroads?**

On October 21-22, 2019, at the Metropolitan Board Retreat, the following questions were presented to the MET Board:

- How can the regional model of cooperation and collaboration best serve the member agencies into the future as they (we) work together to overcome major challenges posed by climate change, a stressed Bay Delta, an over-allocated Colorado River, and a desire for continued investment in local resources and conservation?
- What should the mutual obligation among member agencies be to pay for investments which ensure the reliability of the regional wholesale system?
- If the collective need for regional wholesale water supplies is less than what is currently available, what does this mean for policy and programs in place to encourage conservation and local resource development?

Although there was much discussions on these key issues, there was no final determination by the Board. However, based on what we have seen these past years with imported demands and the storage levels. These policy issues are expected to be raised once the 2020 IRP Update is completed.

Next Steps

In the coming weeks, Metropolitan staff will layout the process and timeframe of updating its 2020 IRP; along with its proposed Board committee meetings and member agency manager workshops dates. As mentioned above, the 2020 IRP is anticipated to be a different than previous IRP updates. There are likely changes in a number of areas, such as imported demands projections, expected amount of SWP water deliveries, and the amount of additional local resources needed to mitigate the reliability gaps.

In the coming months MWDOK staff will provide complementary discussions on these anticipated 2020 IRP Update key results and their influence on Southern California water planning.

Attachment: Report on 2015 IRP Update Implementation



Metropolitan's Integrated Resources Plan Discussion Series – Part 2 Expected Key Policy Issues

January 2, 2020



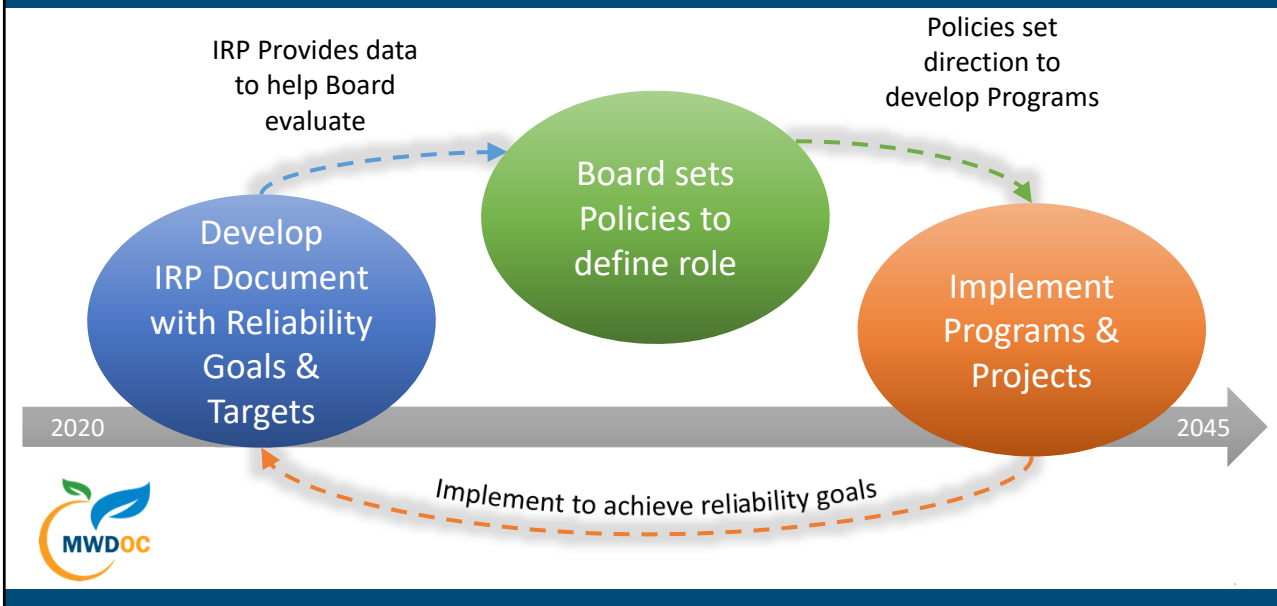
Fundamental Purpose of the IRP

- Planning tool for providing the region with reliable and affordable water
- It seeks a balance to avoid over or under investment
- Set targets to fill projected supply gaps over a 25 year planning horizon
- It informs other plans and informs policies



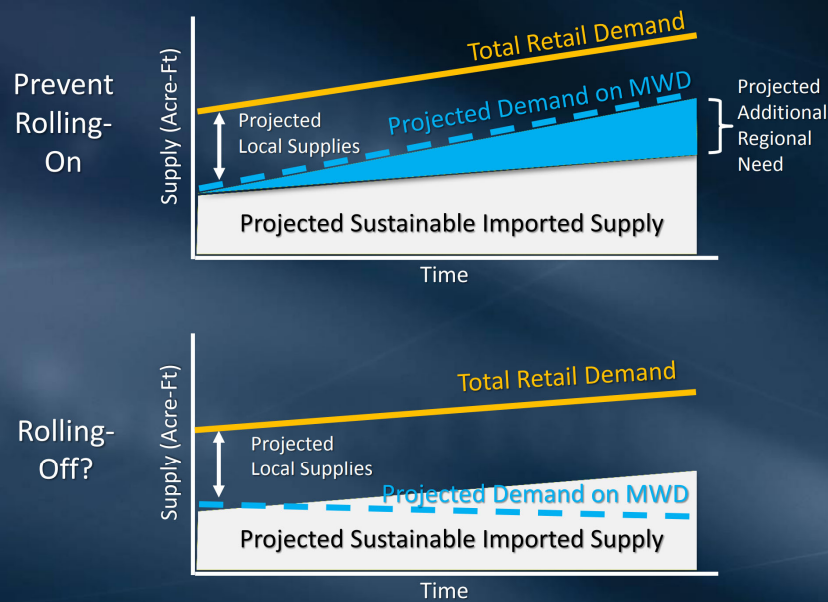
The IRP informs other plans

IRP Process



Preview of Expected Key Policy Issues

Is Metropolitan at a crossroads?



For illustrative purposes only

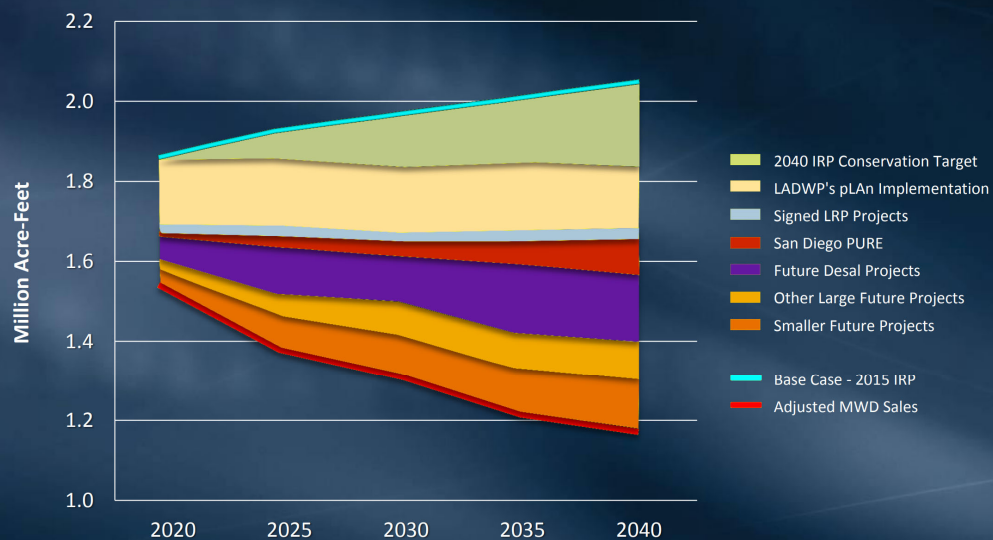
What will determine the Resource Mix?

- 💧 What if the collective need for regional wholesale water supplies is less than what is currently available?
- 🔥 What does this mean for policy and programs in place to encourage conservation and local resource development?



Conceptual Impact On MWD Transactions

Full implementation of future local projects and
2040 IRP conservation target



Who will pay?
What will they pay for?

- What should the mutual obligation among member agencies be to pay for investments which ensure the reliability of the regional wholesale system?
- How will full implementation of the reliability goals impact Metropolitan?
- Does the current Rate Structure need to be modified?



How will the region cooperate?

- 💧 How can the regional model of cooperation and collaboration best serve the member agencies into the future?
 - 🔥 As we work together to overcome major challenges such as:
 - 🌱 Climate change
 - 🌱 Stressed Bay Delta
 - 🌱 Over-allocated Colorado River
 - 🌱 Desire for continued investment in local resources and conservation?



Next Steps

- 💧 In the Coming months MWDOC staff will provide complementary discussions on:
 - 🔥 IRP Schedule and timeline
 - 🔥 Demand Projections
 - 🔥 Reliability Gap Analysis





“...the only certainty with long-range planning is that the future is often unpredictable and never exactly what was projected.”

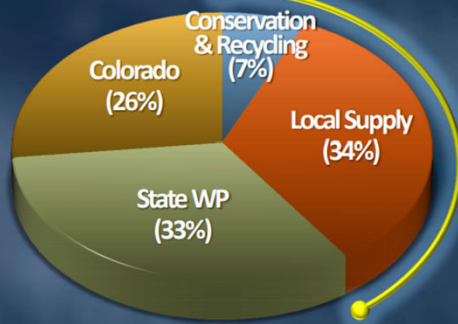
*1996 IRP Exec. Summary
John V. Foley, Chairman*



Backup Slides

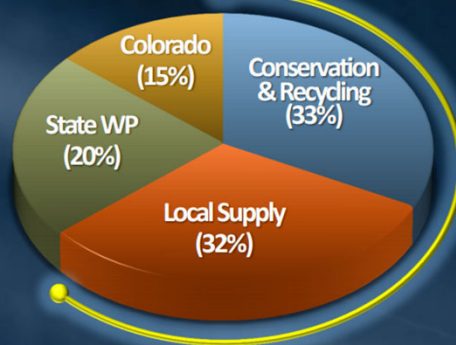


2015 IRP Goals Will Further Diversify The Resource Portfolio (Average Year)



1990 – 41% Local

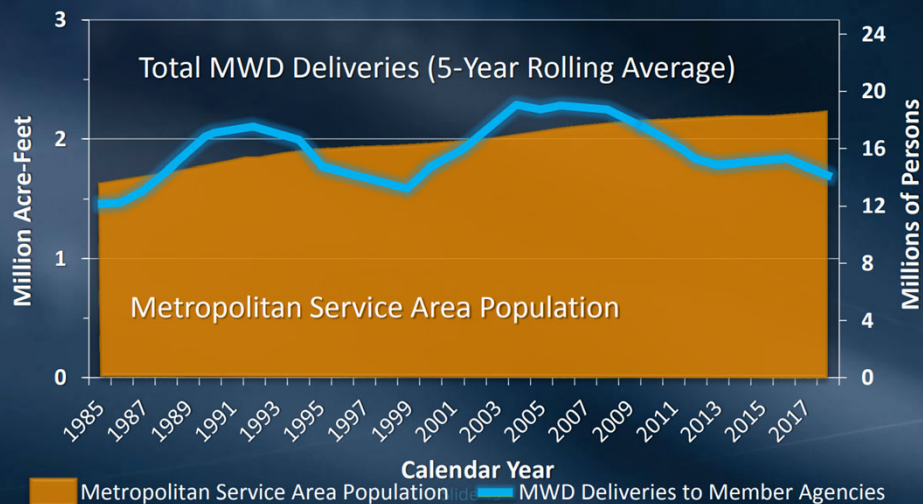
Heavy dependence on imported supply and SWP Diversions



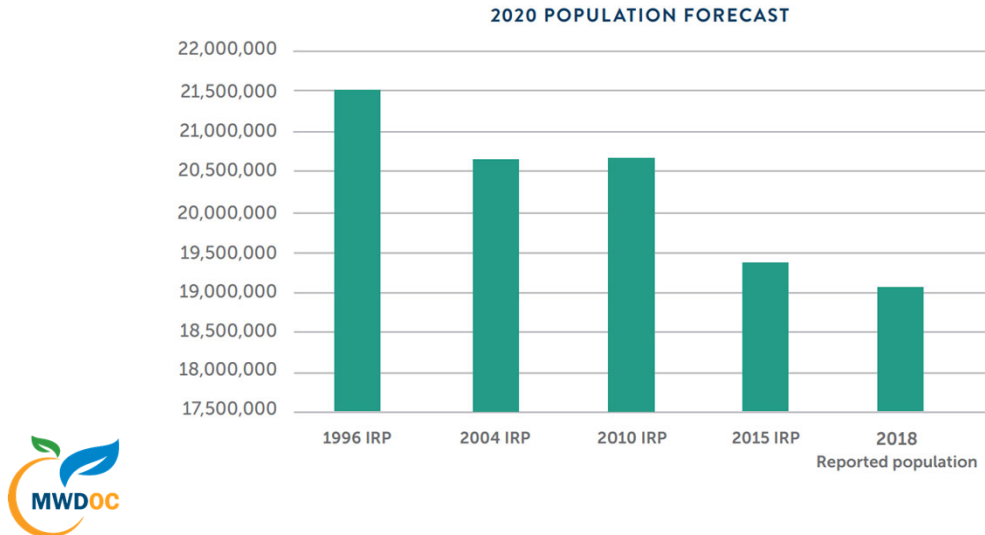
2040 – 65% Local

Emphasis on Conservation, Local Supplies, and Storage & Transfers

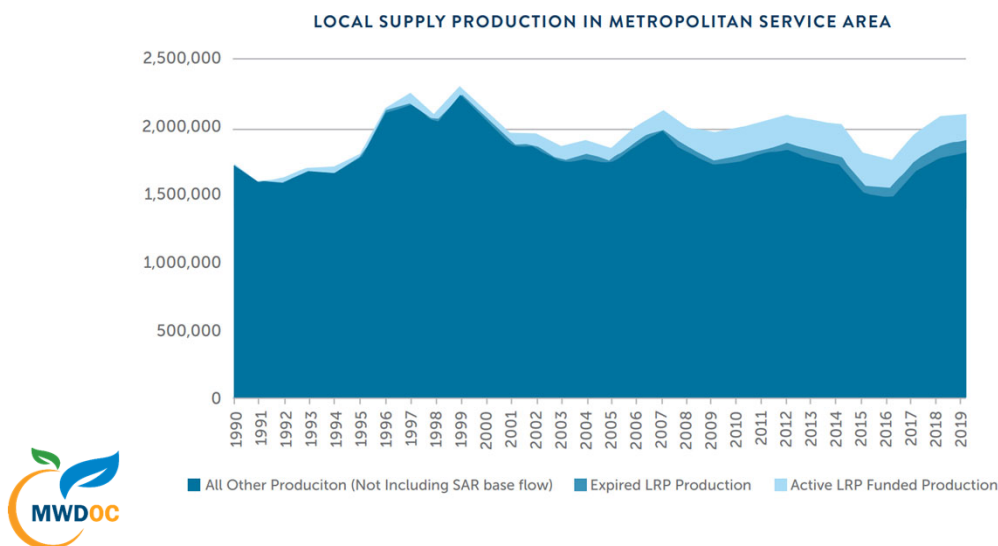
Imported demands have been stable despite population growth



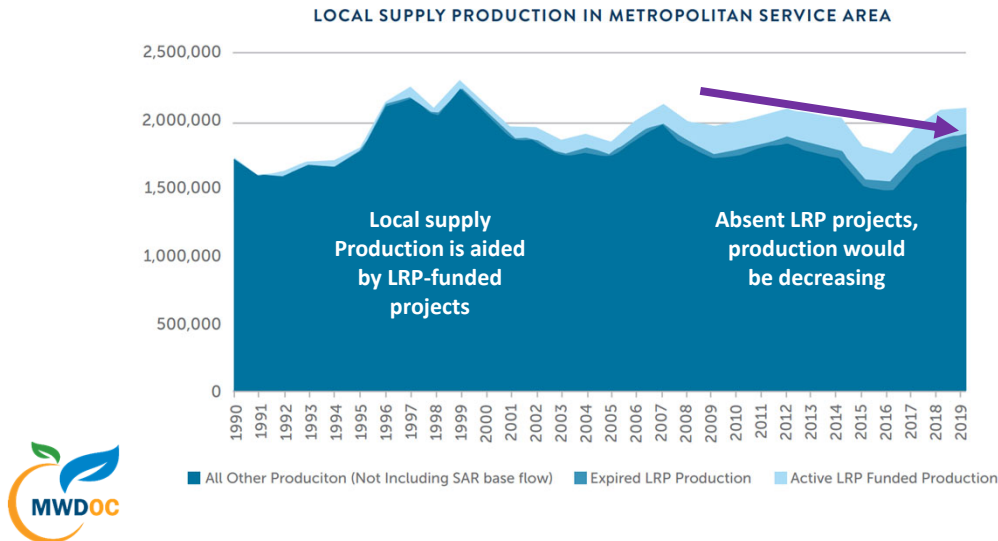
Population Projections



Local Supplies



Local Supplies

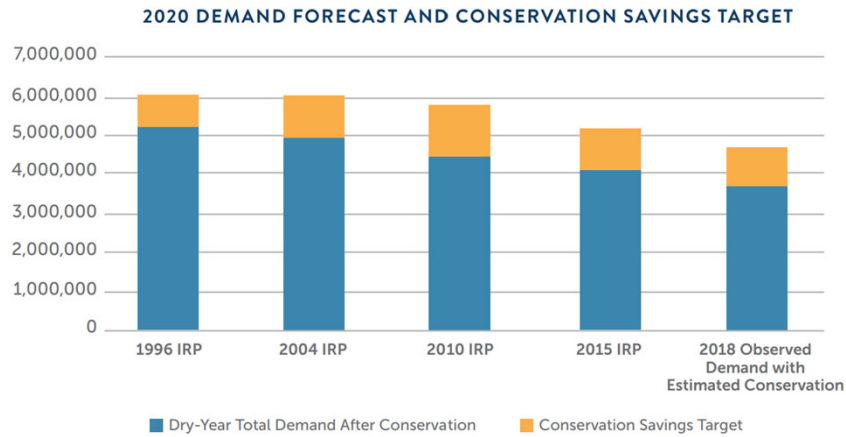


Member Agencies Don't Produce As Much Local Supply As They Project

LRP Contract yield vs. actual production



Water Demands





DISCUSSION ITEM

January 2, 2020

TO: Board of Directors

**FROM: Robert Hunter,
General Manager**

Staff Contact: Harvey De La Torre
Melissa Baum-Haley

**SUBJECT: METROPOLITAN'S PROPOSED BIENNIAL BUDGET AND RATES
PROCESS FOR FISCAL YEARS 2020/21 AND 2021/22**

STAFF RECOMMENDATION

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

COMMITTEE RECOMMENDATION

Committee recommends (To be determined at Committee Meeting)

REPORT


Every two years Metropolitan embarks on its biennial budget along with the associated rates and charges including a ten-year forecast. In early 2020 Metropolitan will release its proposed budget documents for Fiscal Year (FY) 2020/21 and FY 2021/22.

At the January 2, 2020 Board Workshop, MWD OC staff will provide a brief overview of the Metropolitan Budget process including the proposed dates for the Board Budget workshops, public hearings for the proposed rates and charges for calendar years 2021 and 2022, and proposed Board Action of date of April 14, 2020.

For the March 4, 2020 Board Workshop, Metropolitan staff has been invited to provide a detailed presentation of the proposed budget for 2020/21 and FY 2021/22 budget along with the proposed rates and charges for calendar years 2021 and 2022.

Attachment: December 9, 2019 Metropolitan Board Memo on Proposed Biennial Budget and Rates Process, Fiscal Years 2020/21 and FY 2021/22

Budgeted (Y/N): N/A	Budgeted amount: None	Core <u>X</u>	Choice <u> </u>
Action item amount: N/A	Line item:		
Fiscal Impact (explain if unbudgeted):			



Proposed Biennial Budget and Rates Process, Fiscal Years 2020/21 and 2021/22

Finance & Insurance Committee
Item 6b
December 9, 2019

Finance and Insurance Committee
Item 6b - Slide 1
December 9, 2019

Biennial Budget and Rates Process Has Several Objectives

- Adopt a two-year budget, covering fiscal years 2020/21 and 2021/22
- Adopt rates and charges for calendar years 2021 and 2022
- Provide a ten-year forecast, including the biennial period
 - Water Revenues
 - Other Revenues
 - Expenses
 - Capital Financing

Finance and Insurance Committee
Item 6b - Slide 2
December 9, 2019

Schedule for Proposed Biennial Budget and Rates Process

- Fall 2019:
 - Develop proposed Departmental budget and other District requirements, revenues, and CIP programs
 - Refine key priorities and strategies
 - Review key underlying assumptions
- January/February 2020: Mailing of Budget, Revenue Requirements, and Water Rates and Charges board letter
 - Transmit proposed budget to Board
 - Present rates and charges required to meet the proposed budget, including cost of service analysis
 - Transmit proposed cost of service report to Board

Finance and Insurance Committee Item 6b Slide 3 December 9, 2019

Schedule for Proposed Biennial Budget and Rates Process: February 2020

- Mailing of board letter to set Public Hearing date
- Present proposed budget, water rates and charges to meet budget, and hold Workshop #1
 - F&I Committee
- Board sets Public Hearing
- Board Workshop #2
 - Same day as Executive Committee

Finance and Insurance Committee Item 6b Slide 4 December 9, 2019

Schedule for Proposed Biennial Budget and Rates Process: March 2020

- Board Workshop #3
 - **F&I Committee**
- Public Hearing on Water Rates and Charges and Ad Valorem Tax Limit
 - **Board**
- Board Workshop #4, if needed
 - **Same day as Executive Committee**

Finance and Insurance Committee

Item 6b - Slide 5

December 9, 2019

Schedule for Proposed Biennial Budget and Rates Process: April 2020 and Future Actions

- Consider and recommend action on FY 2020/21 and 2021/22 budget and 2021 and 2022 rates and charges
 - **F&I Committee**
- Board adoption of FY 2020/21 and 2021/22 budget and 2021 and 2022 rates and charges
- May 2020: FY 2020/21 Standby Charge
- April and May 2020: 2020 RTS Charge and Capacity Charge, and FY 2021/22 Standby Charge

Finance and Insurance Committee

Item 6b - Slide 6

December 9, 2019

Summary of Financial Policies

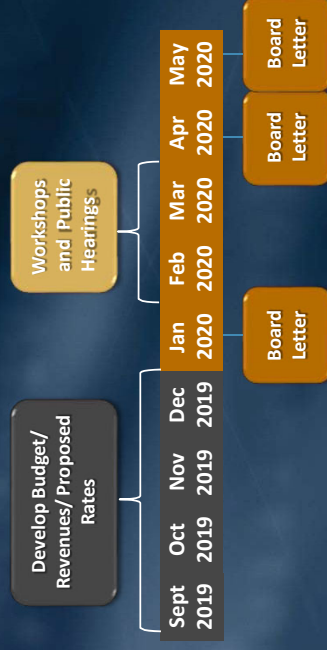
- Achieve/Maintain coverage ratios
 - Debt service coverage = 2.0
 - Fixed charge coverage = 1.2
- PAYGO funding
 - 60 percent per year
 - Integral to maintaining coverage targets
 - Provides financial flexibility

Finance and Insurance Committee

Item 6b - Slide 7

December 9, 2019

Timeline: Proposed Biennial Budget and Rates Process



Finance and Insurance Committee

Item 6b - Slide 8

December 9, 2019





INFORMATION ITEM

January 2, 2020

TO: Board of Directors

FROM: Robert Hunter, General Manager

Staff Contact: Kevin Hostert

SUBJECT: WATER SUPPLY CONDITION UPDATE

STAFF RECOMMENDATION

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

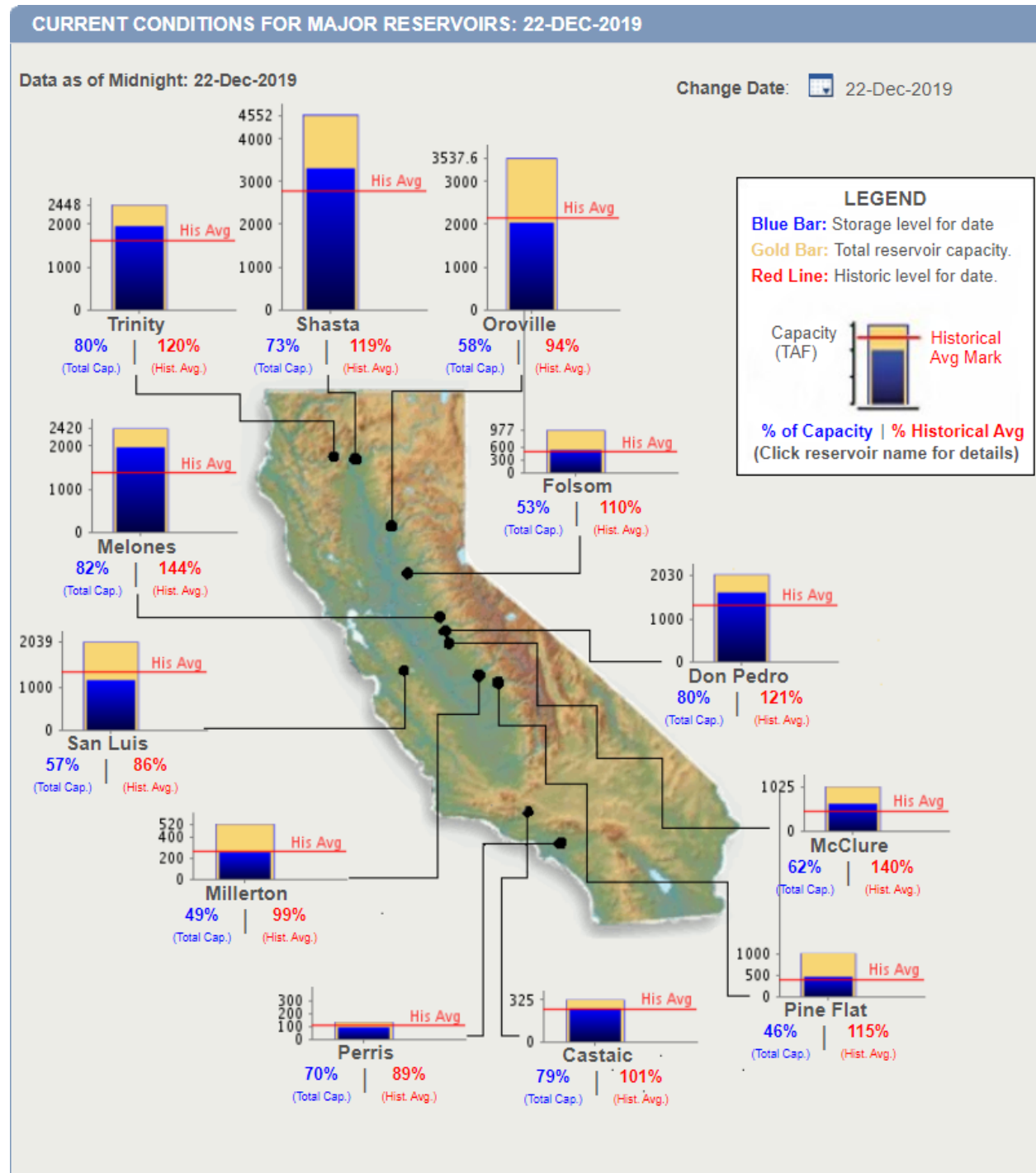
SUMMARY REPORT

The 2019-20 Water Year (2019-20 WY) officially started on October 1, 2019. Thus far, the Northern California accumulated precipitation (8-Station Index) is reporting **12.73 inches or 81% of normal** as of December 23rd. For 2019-20 WY, the Northern Sierra Snow Water Equivalent is reporting **7.4 inches on December 23rd**, which is **95% of normal** for that day. Due to the below average precipitation/snowfall in the Fall of 2019, the Department of Water Resources (DWR) has set the initial State Water Project (SWP) **“Table A” allocation at 10%**. This allocation provides Metropolitan with approximately **191,150 AF in SWP deliveries this water year**. DWR's approval considered several factors including existing storage in SWP, conservation reservoirs, SWP operational regulatory constraints, and the 2020 contractor demands.

The Upper Colorado River Basin accumulated precipitation is reporting **6.7 inches or 95% of normal** as of December 16th. On the Colorado River system, snowpack is measured across four states in the Upper Colorado River Basin. The Upper Colorado River Basin Snow Water Equivalent was reporting **7.6 inches as of December 15th**, which is **104% of normal** for that day. Due to the above average precipitation/snowfall in 2018-19 WY there is now a 0% chance of a shortage at Lake Mead in 2020 and a 4% chance of shortage in 2021.

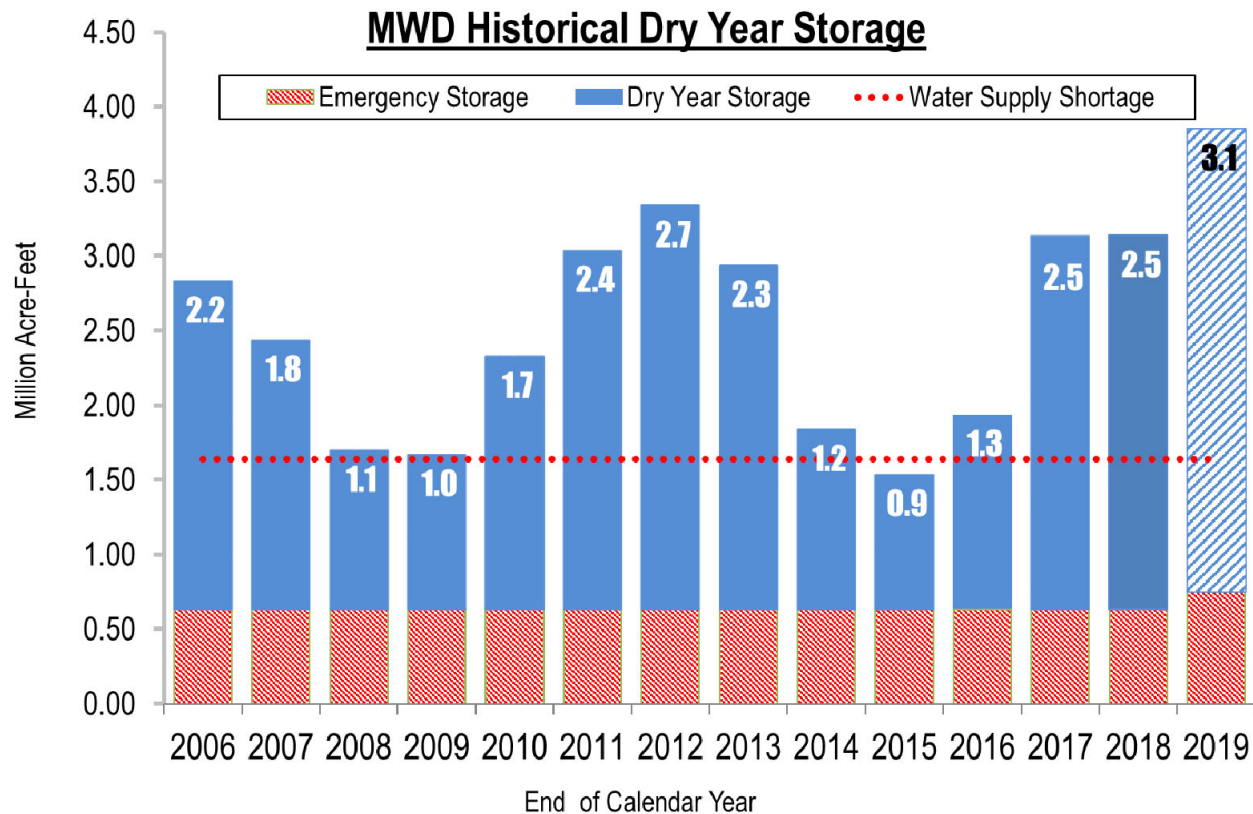
Budgeted (Y/N): N/A	Budgeted amount: N/A	Core _X_	Choice __
Action item amount: N/A		Line item:	
Fiscal Impact (explain if unbudgeted):			

As of December 22nd Lake Oroville storage is at **58% of total capacity and 94% of normal**. As of December 22nd San Luis Reservoir has a current volume of **57% of the reservoir's total capacity and is 86% of normal**.



With estimated total demands and losses of 1.5 million acre-feet (MAF) and with a 75% SWP Table A Allocation plus an additional 65 thousand acre-feet (TAF) of Article 21 water, Metropolitan is projecting that supplies will exceed demand levels in Calendar Year (CY) 2019. Based on this, estimated total dry-year storage for Metropolitan at the end of **CY 2019 will go up to 3.1 MAF**.

A projected dry-year storage supply of **3.1 MAF will be a record high for Metropolitan**. A large factor in the increase in water storage is because **water demands regionally have been at approximately 36-year lows**.



2019-20 CYCLIC IN-LIEU OPERATIONS

In regards to the 2019-20 Cyclic In-Lieu operations (a.k.a. MET Cyclic Cost Offset Program), as of November 2019 approximately **7,655.4 AF of imported water has been delivered into the OC Basin Cyclic Account via In-Lieu**. MWDOC staff is estimating that by the **end of calendar year 2019 approximately 10,000 AF of imported water will be delivered into the account**.

Unfortunately, due to dry hydrology at the beginning of the water year and an initial State Water Project allocation of 10 percent, Metropolitan will suspend all cyclic deliveries as of December 31, 2019, including Cyclic In-Lieu deliveries. Metropolitan will also begin reducing State Water Project deliveries to preserve flexibility in case the allocation remains low. Metropolitan will regularly revisit operational plans throughout early 2020, as the final SWP allocation for the calendar year will be unknown until the May/June timeframe.

Attachment: Water Supply Conditions Presentation



Water Supply Conditions

Kevin Hostert, Water Resources Analyst
Municipal Water District of Orange County

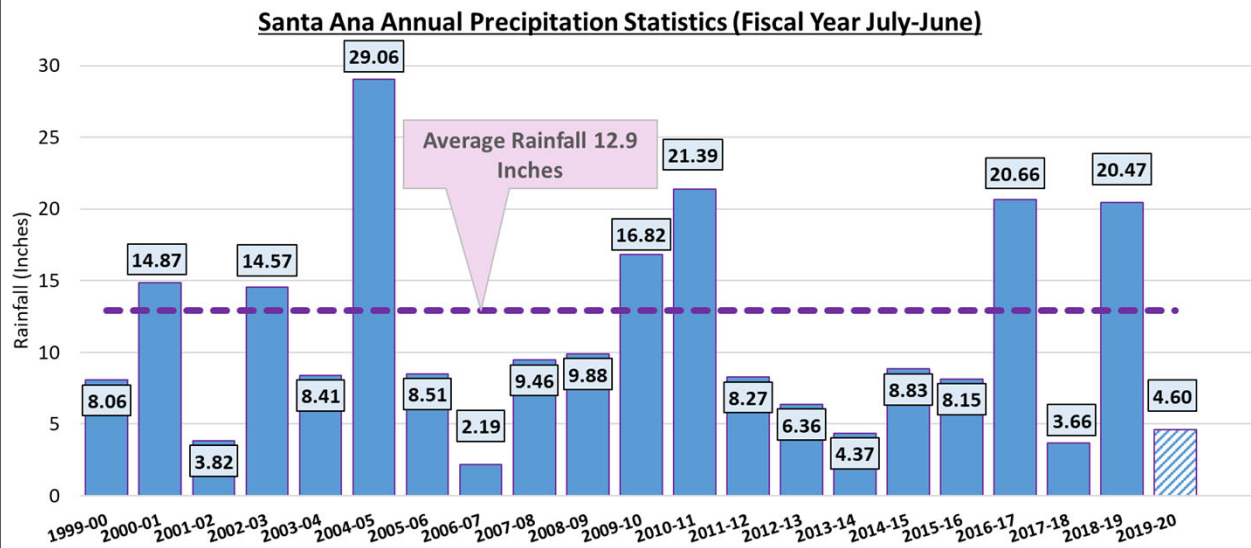
January 2nd 2020



Orange County Weather and Water Supply Conditions

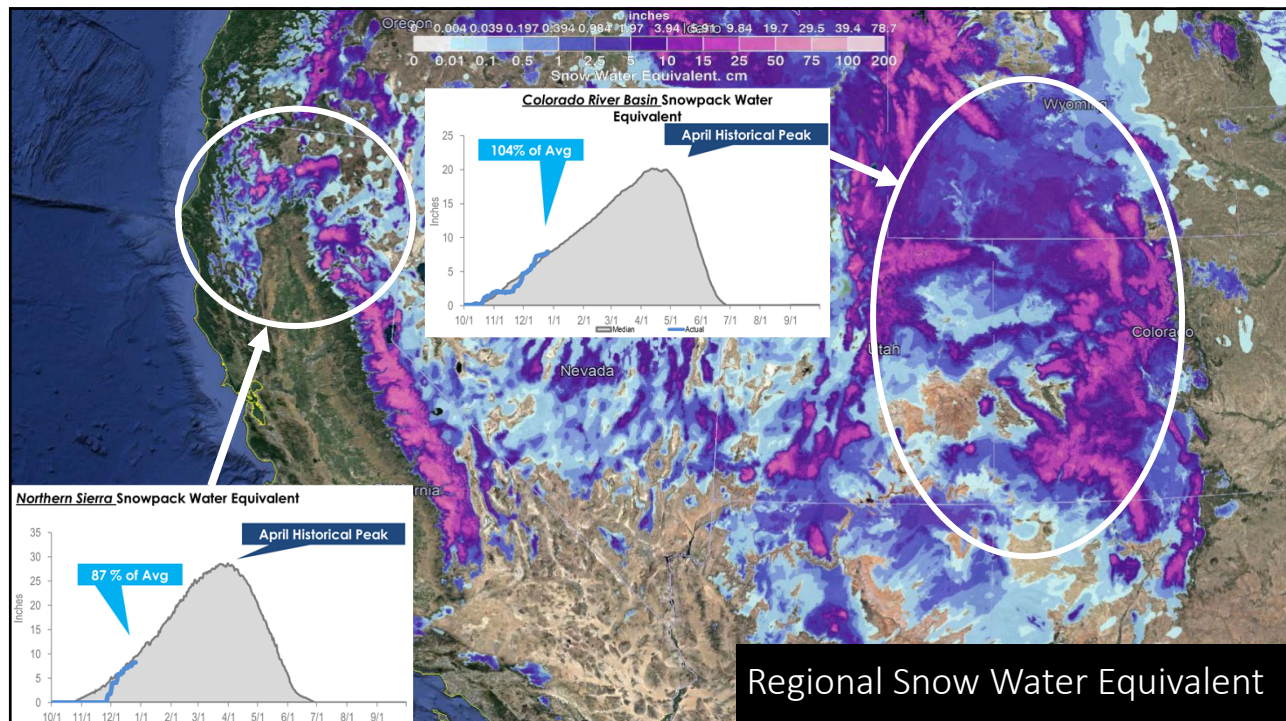
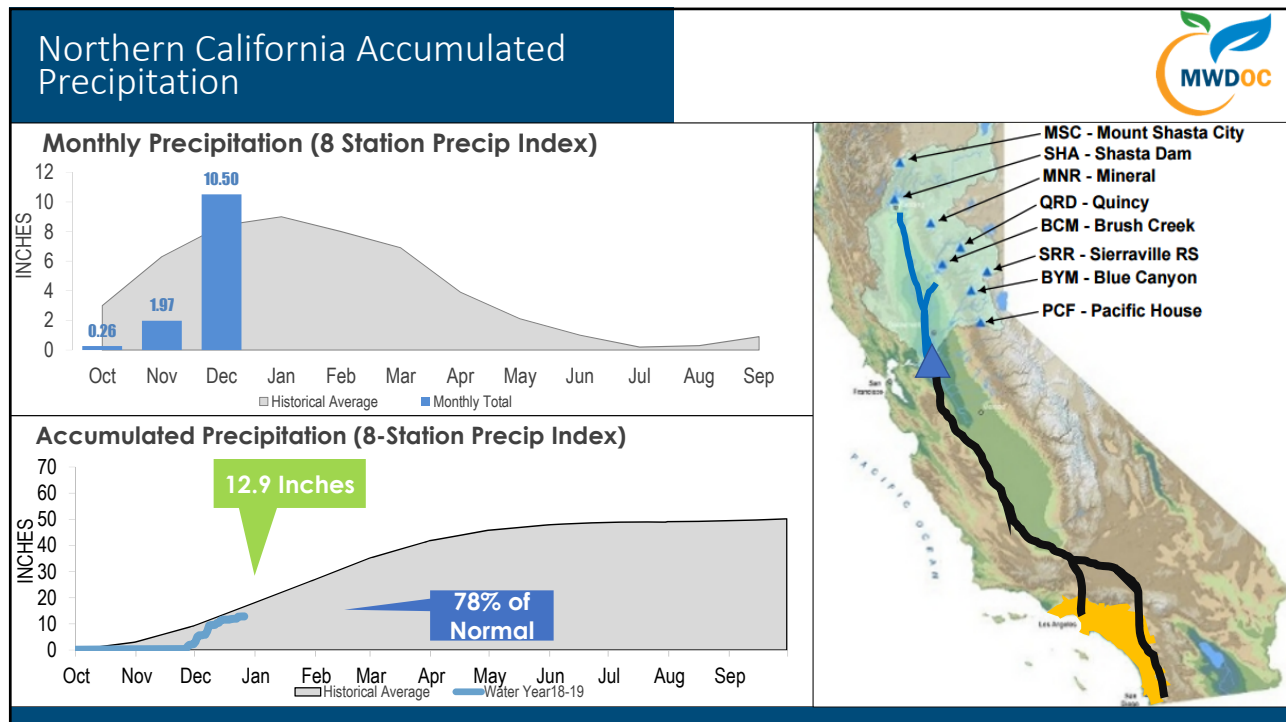
Insight to local weather conditions that affect Orange County's water supply and water demand

Santa Ana Precipitation (Station #121)



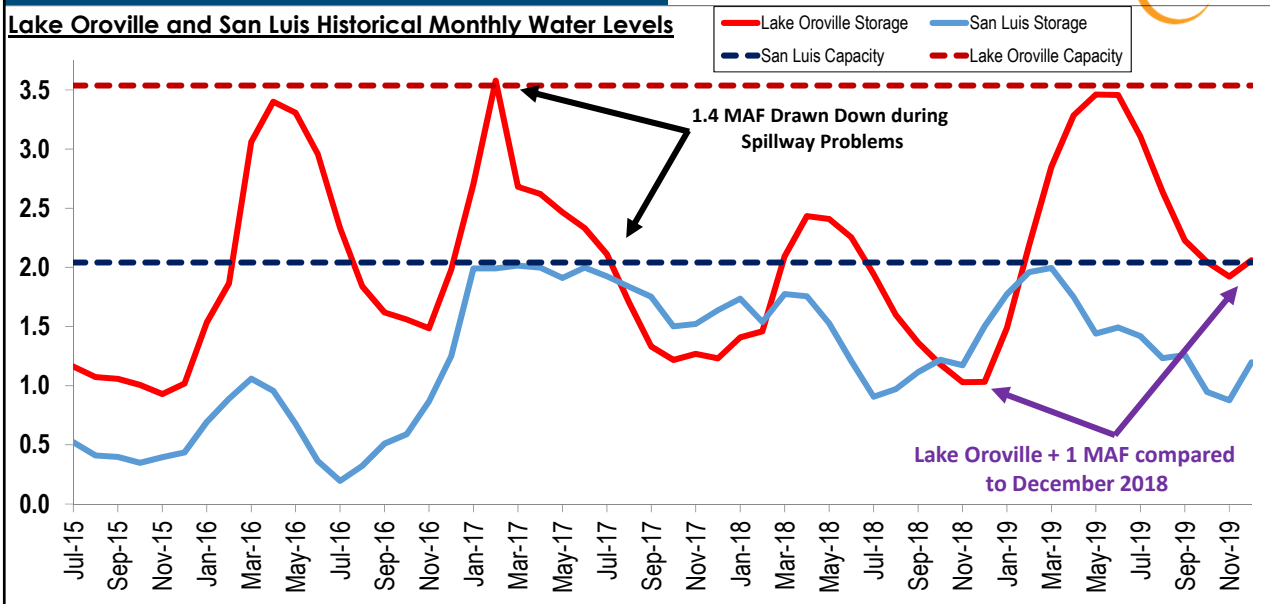
Regional Weather and Water Supply Conditions

Insight to regional weather conditions that affect California's water supply

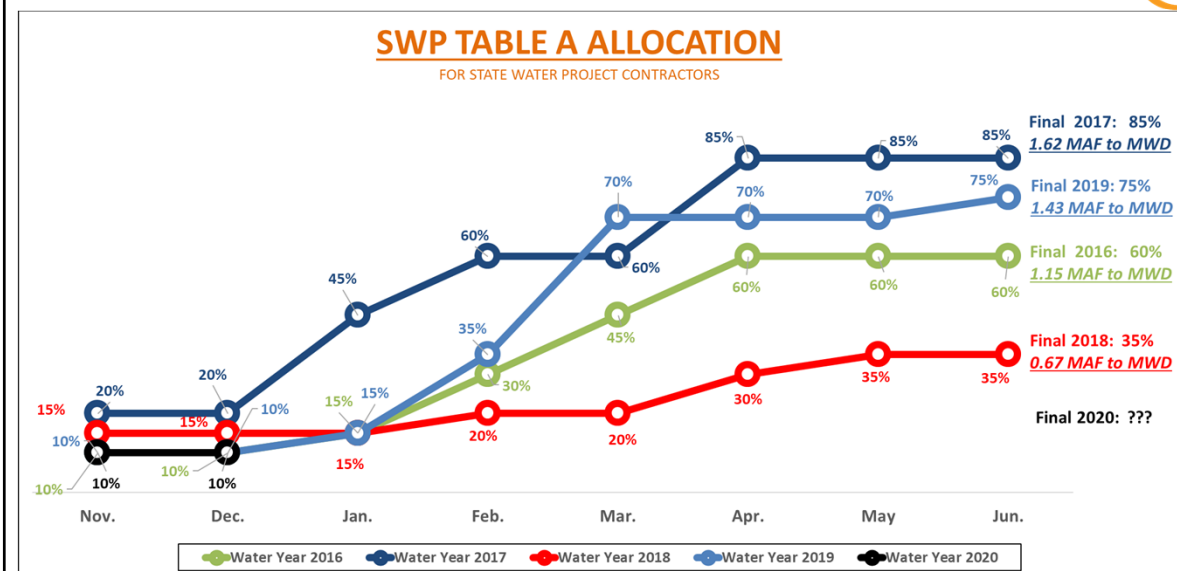


Reservoir Storage

Lake Oroville and San Luis Historical Monthly Water Levels



SWP Table A Allocation

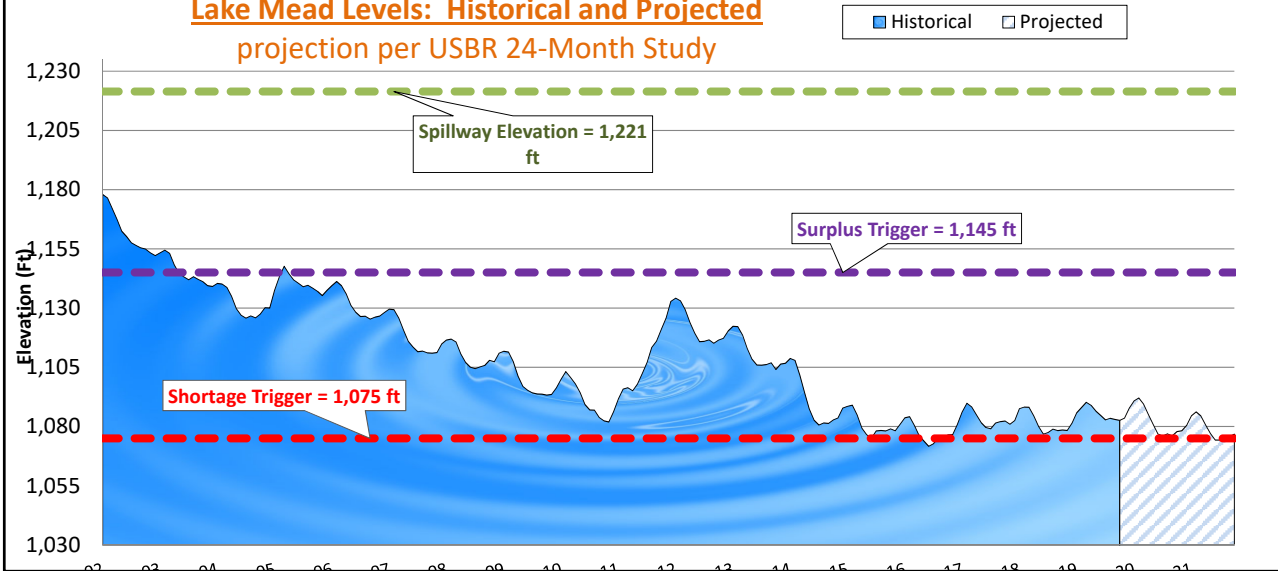


Lake Mead

Lake Mead Shortage/Surplus Outlook

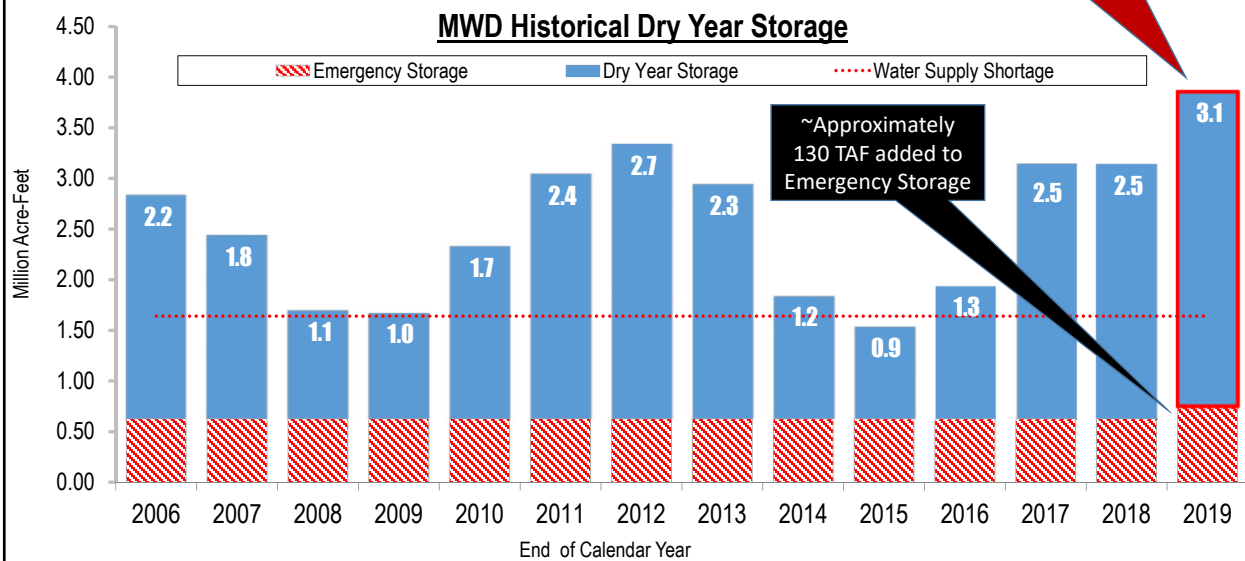
	2020	2021	2022	2023	2024
Shortage	0%	4%	24%	37%	43%
Surplus	0%	0%	7%	12%	19%

Lake Mead Levels: Historical and Projected projection per USBR 24-Month Study



MWD 2019 Water Storage

MWD 2019 Estimated Water Storage



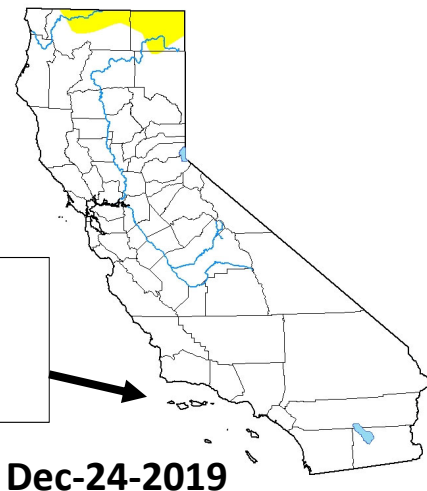
California Drought Monitor

Drought Classification

None (white), D0 (Abnormally Dry) (yellow), D1 (Moderate Drought) (light orange), D2 (Severe Drought) (orange), D3 (Extreme Drought) (red), D4 (Exceptional Drought) (dark red)



**After 8 years,
0% of Southern
California
is in Drought!!!**







INFORMATION ITEM

January 2, 2020

TO: Board of Directors
FROM: Robert Hunter, General Manager

Staff Contact: Charles Busslinger
Chris Lingad

SUBJECT: METROPOLITAN 2020 SHUTDOWN STATUS

STAFF RECOMMENDATION

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

COMMITTEE RECOMMENDATION

Committee recommends (To be determined at Committee Meeting)

REPORT

MWDOC staff have held many meetings with MET and MWDOC member agencies since July 2019 to review the MET 2019-2020 Shutdown Schedule. One of the proposed shutdowns involves the complete shutdown of the Diemer Water Treatment Plant located in Yorba Linda. MET will be completing four projects during the shutdown to add metering, to convert the ozonation system cooling water from raw water to treated water, to inspect the Diemer bypass pipeline, and to eliminate a weir notch to increase the clearwell water storage from 18 MG to 30 MG at full capacity.

MWDOC staff have worked with potentially affected retail agencies and MET to determine what options are available to accommodate a Diemer shutdown given the State Water Board's intention to reduce PFOA & PFOS (collectively referred to as PFAS) Response Level (RL) triggers which has the potential effect of taking as many as 100 wells out of service. Some agencies have already taken wells out of service if they already had levels of PFOA and PFOS above the existing Notification Level (NL). If the response level is not changed, the groundwater agencies potentially impacted by PFAS can accommodate the planned 7-day shutdown. MWDOC is continuing to work with EOCWD to secure a back-up supply of water that can be accessed if the amount of water they have in storage begins to

Budgeted (Y/N): N/A	Budgeted amount: None	Core <u> X </u>	Choice <u> </u>
Action item amount: N/A		Line item:	
Fiscal Impact (explain if unbudgeted):			

run low. This is not anticipated, but in an abundance of caution, a pumped emergency interconnection is being secured.

MET also has a West Orange County Feeder shutdown (see attached map) to replace a number of service connection valves that are past their useful life and a shutdown to work on a specific Anaheim service connection (A-6) to replace valves and a leaking venturi meter. South Coast had planned a shutdown of the Joint Transmission Line in December that could have carried over into early January, thus conflicting with the Diemer Shutdown. Buena Park has several wells out of service for maintenance/repairs which has the potential to conflict with the West Orange County Feeder shutdown.

Most recently a December 4, 2019 conference call with staff from MWDOC, MET, and Golden State WC was held to review the recent October 2019 PCCP inspection shutdown findings for the 2nd Lower Feeder. The inspection revealed additional wire breaks in a section of pipe with no previous record of wire breaks. MET is currently accelerating the replacement of sections of the 2nd Lower Feeder immediately west of El Dorado High School on Brookhaven Ave. which may be down between 4 weeks to 5 months depending upon how much pipe is replaced. This section is currently in design and more details will be forthcoming.

All of the items noted above have made this one of the most, if not the most, difficult years ever for the coordination of shutdowns between MET and our agencies.

As of December 20 (the drafting of this item), it appears that all issues of conflict have been resolved and that the current proposed dates for shutdowns are:

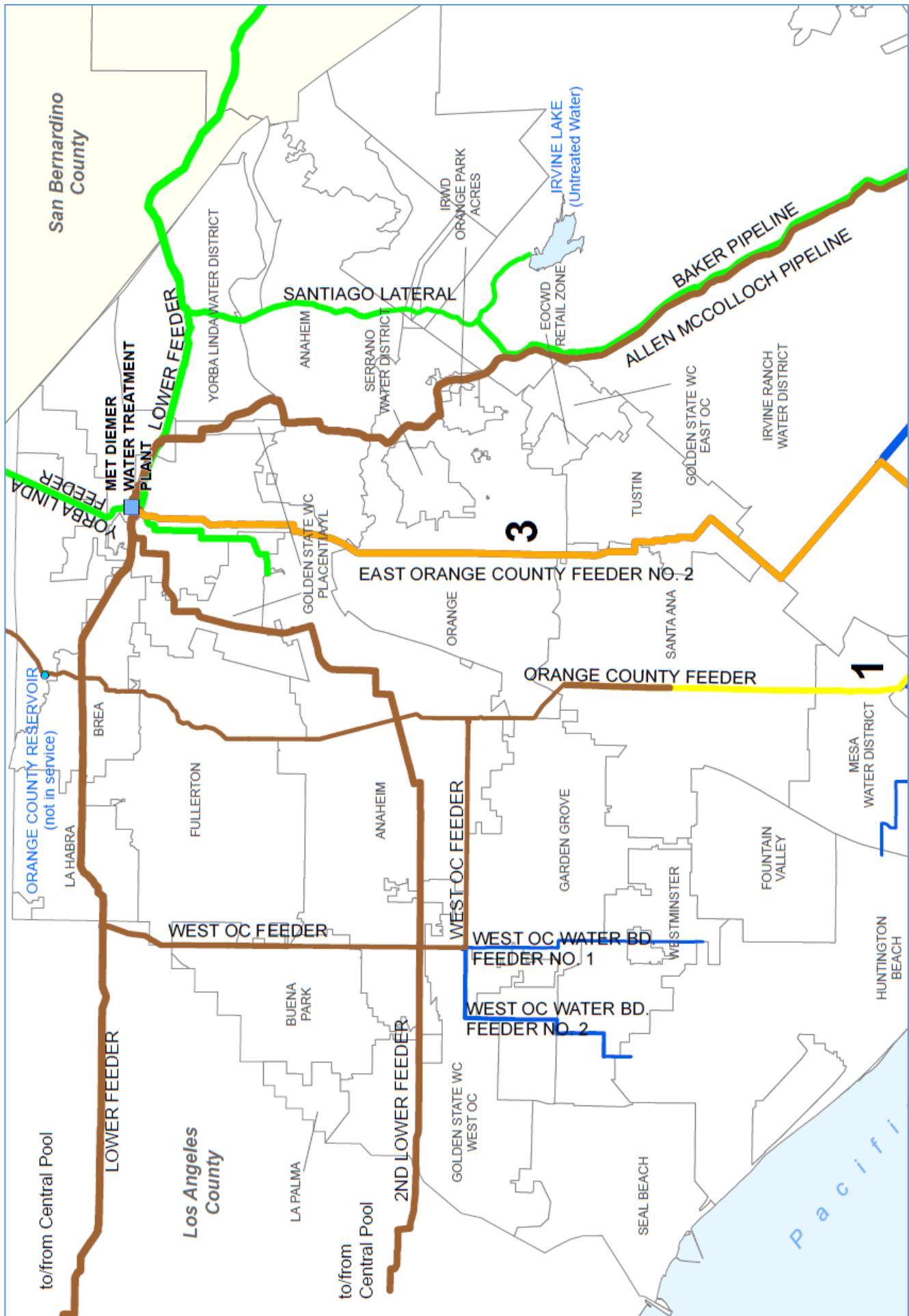
- (1) Diemer Plant shutdown will be January 21-27, 2020
- (2) The entire West Orange County Feeder shutdown February 9 – 16, 2020, with the east-west portion coming back online Feb 12th and the north-south portion coming back online Feb 17

MET had also indicated they would like to hold a second Diemer shutdown in March (assuming the PFAS Response Levels have not been adopted) to complete their work. This may be the last time MET will be able to shut down the Diemer Plant for the next 4 to 5 years depending on how fast PFAS treatment can be brought on-line.

With respect to the PFOA & PFOS Response Level adoption by the SWRCB, both CalEPA and DDW recently (December 19th) stated a willingness to seriously consider delaying an announcement of new Response Levels until immediately after the planned MET Diemer Plant shutdown currently scheduled for the last week in January, but no further. This is good news, but may eliminate the ability for a second Diemer shutdown in March. This announcement would be a change from their intent to issue the Response Levels the week of January 6th. OCWD has been very responsive in supporting MWDOC and MET during their discussions with the regulatory organizations in attempting to get a delay to accommodate the shutdowns. OCWD has indicated the following:

- With an awareness of the alternatives OCWD has presented to them, DDW intends to follow OEHHA's standing recommendations in setting the Response Level, which would lead to RLs of 10 ppt for PFOA and 40 ppt for PFOS.

- Shortly after setting the new RLs, DDW plans to essentially re-issue the statewide testing orders to water systems with PFAS detections via a single general order under the authority provided by AB 756. The results of testing under these new orders would be subject to the AB 756 requirements (AB 756 establishes requirements for public agencies to notify their customers regarding the presence of PFAS in water sources).
- Additional drinking water well testing orders are likely to follow later in 2020





DISCUSSION ITEM
January 2, 2020

TO: Board of Directors

**FROM: Robert Hunter,
General Manager**

Staff Contact: Melissa Baum-Haley

SUBJECT: DELTA CONVEYANCE PROJECT ACTIVITIES UPDATE

STAFF RECOMMENDATION

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

COMMITTEE RECOMMENDATION

Committee recommends (To be determined at Committee Meeting)

REPORT

Regulatory Activities

The U.S. Bureau of Reclamation and the California Department of Water Resources have been working with the U.S. Fish and Wildlife Service (USFWS) and National Marine Fisheries Service (NMFS) on the re-initiation of consultation for the Coordinated Long-Term Operation of the Central Valley Project and State Water Project. The USFWS and NMFS released finalized biological opinion on the coordinated operations of the CVP/SWP on October 21, 2019. The carefully evaluated impact of CVP/SWP water operations looked at imperiled species including Delta smelt and 15 terrestrial species that could be impacted. The proposal includes habitat management measures in the Delta and entrainment management related to water exports in the South Delta.

The Biological Opinions documented impacts from the proposed operations and worked with Reclamation to modify their proposed operations to minimize and offset those impacts. The Biological Opinions undertook two independent scientific peer reviews. Ultimately, the

Budgeted (Y/N): N/A	Budgeted amount: None	Core _X_	Choice __
Action item amount: N/A	Line item:		
Fiscal Impact (explain if unbudgeted):			

federal Biological Opinions has concluded that Reclamation's proposed operations will not jeopardize threatened or endangered species or adversely modify their designated critical habitat.

For more information on the Biological Opinions, attached are a fact sheet (Attachment 1) and summary of the Biological Opinions for the reinitiation of consultation on the long term coordinated operations of the CVP/SWP (Attachment 2).

Delta Conveyance Design and Construction Authority

The California Department of Water Resources (DWR) is continuing to work on the environmental planning preparatory work for Delta conveyance. DWR anticipates that the formal environmental review process began in December 2019 with the release of the Notice of Preparation under the California Environmental Quality Act (CEQA). DWR presented a proposed schedule for the Delta conveyance environmental review and permitting process to the Delta Conveyance Design and Construction Authority (DCA) Stakeholder Engagement Committee in November. The proposed three-year schedule includes the CEQA process, federal and state endangered species permits, water rights process, Delta Plan consistency and other environmental permits.

Additional Information

Additional information on the Bay-Delta Issues can be found in *Issue Brief D - Bay Delta/State Water Project Issues* of the Discussion Item regarding Metropolitan Water District items critical to Orange County.



DISCUSSION ITEM

January 2, 2020

TO: Board of Directors

**FROM: Robert Hunter,
General Manager**

Staff Contact: Karl Seckel
Harvey De La Torre
Melissa Baum-Haley

**SUBJECT: METROPOLITAN WATER DISTRICT (MET) ITEMS CRITICAL TO
ORANGE COUNTY**

STAFF RECOMMENDATION

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

DETAILED REPORT

This report provides a brief update on the current status of the following key MET issues that may affect 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 in the Doheny and Huntington Beach Ocean (Poseidon) Desalination Projects
- f) South Orange County Projects

ISSUE BRIEF # A

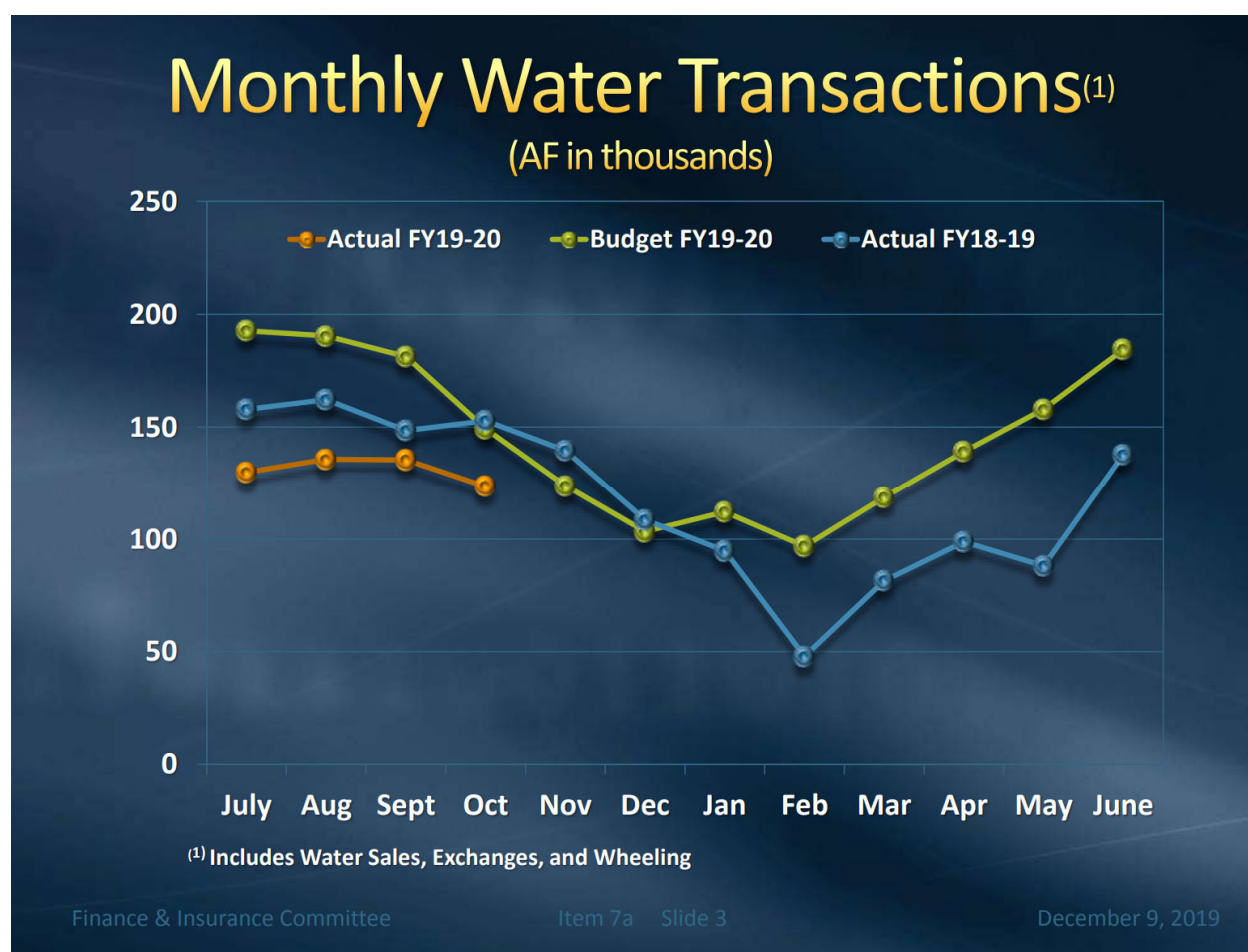
SUBJECT: MET's Water Supply Conditions

RECENT ACTIVITY

Information can be found in Item 5 – Water Supply Update and Storage Levels.

ISSUE BRIEF # B**SUBJECT: MET's Finance and Rate Issues****RECENT ACTIVITY**

Water transactions through October were 189.1 TAF lower than budget and 96.8 TAF less than the prior year actual. This is primarily due to a reduction of untreated sales. This results in water transactions through October totaling \$450.2 million, which is \$168.9 million lower than budget and \$62.1 million lower than the prior year actual.



ISSUE BRIEF # C

SUBJECT: Colorado River Issues

RECENT ACTIVITY

Colorado River Climate Science Research Activities

In late October and November, Metropolitan staff attended two climate science research meetings focused on improved understanding of the implications of climate change for water supply in the Colorado River basin. The first meeting in Phoenix, Arizona, reported results from a project to study the long-range water supply projections for the Colorado River between Arizona State University and the Central Arizona Project, funded by the National Aeronautics and Space Administration (NASA). The aim of the project is to improve Colorado River basin hydrologic modelling by including new remote sensing data collected by NASA, and then to simulate long-range future scenarios incorporating climate change and land cover changes. Preliminary findings include an estimated reduction in Colorado River streamflow by 4 - 15 percent by 2050. The second event was a meeting in Salt Lake City of the Colorado River Climate and Hydrology Work Group. At the meeting, participants gave updates on a wide range of projects aimed at improving the methods to understand, produce, and implement future streamflow forecasts. One such study focused on improving water supply forecasts for the rivers that flow into the Colorado River below Lake Powell. Those rivers can add a million acre-feet of runoff but the forecasting of those streams historically have not been very accurate.

Imperial Irrigation District Board Memorandum Establishing Colorado River Parameters

The November 18 Imperial Irrigation District (IID) board meeting included discussion of a document that IID staff has described as establishing parameters for IID's position in the renegotiation of the 2007 Interim Guidelines, which are set to expire in 2026. The formal renegotiation of the 2007 Interim Guidelines will begin sometime in 2020. IID's Parameters document included statements that "[n]o new transfers of water shall be made outside of Imperial Valley" and that IID, as a Section 5 contract holder, is the only entity that can negotiate for IID, as well as discussion of IID's position regarding its legal rights to divert and use Colorado River water.

ISSUE BRIEF # D

SUBJECT: Bay Delta/State Water Project Issues

RECENT ACTIVITY

For information specifically relating to the Delta Conveyance Project (f.k.a. the California WaterFix) please, refer to the associated Board Item – Delta Conveyance Project Activities.

Science Activities

The State Water Contractors organized and hosted a Longfin Smelt Science Symposium on November 7. Metropolitan staff participated in planning the symposium and provided presentations. The symposium covered emerging and current research findings on the condition of longfin smelt, a state list species. Studies sponsored or conducted by Metropolitan staff were included, and there was an emphasis on management relevance. The symposium presentations included recent findings on longfin smelt distribution and habitat use, diet, longfin smelt culture method development, and genetic analyses. The presenters also participated in a final panel discussion of next steps in longfin smelt research. The symposium was well received and well attended by representatives of state and federal agencies and university and consulting researchers.

Metropolitan staff participated in several state agency science coordination meetings in November. Metropolitan staff attended the Interagency Ecological Program (IEP) stakeholder meeting on November 13 and provided input on the development of an IEP Status and Trends report and the IEP Long Term Monitoring review. Metropolitan staff also participated in the first Delta Science Program meeting on developing a Delta Science Tracker. The Delta Science Tracker is envisioned as a public resource that will improve collaboration and budget accountability. Staff participated in an IEP Predation Project Work Team meeting to develop a conceptual model for how predation interactions occur between predators and prey. This model will be used to help define and test appropriate hypotheses to better understand the effects of predation on juvenile salmonids and other prey species.

Metropolitan staff continued participating in the Collaborative Science and Adaptive Management Program, including participation on the Collaborative Adaptive Management Team (CAMT). At the November 19 CAMT meeting, the discussion focused on Delta smelt and salmon collaborative science activities. Metropolitan staff provided input to a draft Delta Smelt Conditions Report prepared by Delta Science Program staff. The purpose of the report is to support the need for reporting and communicating information from Delta smelt monitoring and studies that was identified in the Delta Smelt Science Plan completed earlier this year. Metropolitan staff is also participating in the Delta smelt SDM Technical Work Group, and this month provided input to the screening of Delta smelt impact pathways, which will inform Delta smelt objectives and performance measures. CAMT also received an update on another CAMT project to develop a Coordinated Salmon Science Plan. The purpose of the plan is to integrate and prioritize salmon science activities in the Delta region to support decision-making related to conservation and management actions. Metropolitan

staff participated in interviews with the consultant to provide input on key scientific uncertainties and high priority science activities for salmon.

Delta Flood Emergency Management Plan

The November update of the DWR/U.S. Army Corps of Engineers (USACE) Delta Emergency Operations Integration Plan (Plan) has been completed, reflecting personnel and resources integration and alignment from DWR and USACE during Delta flood fight emergencies. The Plan includes input from review of operational guidelines and after-action reports of field exercises, and it creates an effective multi-agency response to large scale emergencies by integrating organizational structures, responsibilities and communications. The emphasis of the Plan is field response operations, a key component of the broader preparedness, response and recovery actions of the October 2018 Delta Flood Emergency Management Plan. A flood operation center coordinates activities of federal, state, and local agencies during flood emergencies. The Plan will be updated annually as needed, and because of its comprehensive nature, is applicable statewide.

ISSUE BRIEF # E

SUBJECT: MET's Ocean Desalination Policy and Potential Participation in the Doheny and Huntington Beach Ocean (Poseidon) Desalination Projects

RECENT ACTIVITY

Doheny Desal

The details of this have been moved to briefing Issue F as it pertains only to South Orange County.

Poseidon Huntington Beach

The Santa Ana Regional Water Quality Control Board (SARWQCB) continues to work with Poseidon on renewal of the National Pollutant Discharge Elimination System (NPDES) Permit for the proposed HB Desalination Project.

At the December 6, 2019 SARWQCB meeting in Huntington Beach, Regional Board staff conducted a workshop on the renewal of the NPDES permit for the proposed desalination facility. Along with the NPDES permit renewal, the facility requires a California Water Code section 13142.5(b) determination in accordance with the State's Ocean Plan (a.k.a. the Desalination Amendment). The workshop reviewed the proposed facility, the draft renewal of the NPDES permit, and the associated draft Water Code section determination. To make a determination consistent with the Desalination Amendment the Regional Board is required to analyze the project using a two-step process:

1. Analyze separately as independent consideration a range of feasible alternatives for the best available:
 - a. Site
 - b. Design
 - c. Technology
 - d. Mitigation Measures

to minimize intake and mortality of all forms of marine life.

2. Then consider all four factors collectively and determine the best combination of feasible alternatives.

Regional Board staff reviewed hundreds of documents and input from both an independent reviewer and a neutral 3rd party reviewer to develop the tentative Order and proposed Water Code section 13142.5(b) determination.

The key areas required by the Ocean Plan on which the Santa Ana Water Board is required to make a determination, includes:

- Facility onshore location;
- Intake considerations including subsurface and surface intake systems;
- **Identified need for the desalinated water;**

- Concentrated brine discharge considerations;
- Calculation of the marine life impacts; and
- Determination of the best feasible mitigation project available.

In evaluating the proposed project, Santa Ana Regional Board staff interpreted “the identified need for the desalinated water” as whether or not the project is included in local area water planning documents, rather than a reliability need as analyzed in the OC Water Reliability Study. The Regional Board staff referenced several water planning documents; Municipal Water District of Orange County’s (MWDOC) 2015 Urban Water Management Plan (UWMP), the OC Water Reliability Study, OCWD’s Long Term Facilities Plan, and other OCWD planning documents in their evaluation of Identified Need.

The workshop was heavily attended. There were a considerable range of views expressed at the meeting. Several of the SARWQCB members were somewhat confused about the evaluation of Identified Need for the project (inclusion in local water planning documents vs. an identified reliability need for the project) and requested staff to help them understand the issue better.

The Regional Board schedule for the permit is:

Final Permit	Anticipated issuance at the April 3, 2020 meeting
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Assuming success, Poseidon would then seek its final permits from the California Coastal Commission (CCC). The CCC has committed to reviewing the permit within 90 days of the SARWQCB NPDES permit issuance (CCC permit issuance estimated to be Summer 2020).

ISSUE BRIEF # F

SUBJECT: South Orange County Projects

RECENT ACTIVITY

Doheny Desal Project

On June 27, 2019 the SCWD Board certified the Final Environmental Impact Report (FEIR) for the Phase I Local Doheny Ocean Desalination Project, which would produce up to 5 million gallons per day (MGD) of new, drinking water supplies for the area. SCWD subsequently filed its Notice of Determination and is beginning the permitting process with various permitting agencies.

On July 11, 2019 SCWD's Board adopted a resolution pursuing a second year (round) of the USBR WaterSMART Desalination Construction Program grant funding. SCWD is eligible to receive a cumulative total of \$20 million for the Project from USBR. Approximately two to six awards are expected to be made by USBR with up to \$12 million available in this round. The recipient must provide at least 75% of the total project costs. Reclamation has recently indicated that an initial \$8.3M is still with Congress and will be part of a Federal budget approval.

SCWD efforts have been successful and AB 1752 was signed into law on October 3, 2019, clearing the way for a DBO award using SRF funding.

On October 23, 2019 the US EPA invited SCWD to submit a loan application for a Water Infrastructure Finance and Innovation Act (WIFIA) low interest loan in the amount of \$60 million for the Doheny Ocean Desalination Project.

On October 30, 2019, South Coast held a workshop on a Peer Review Cost Estimate for the Doheny Desal Project. Rich Svindland, of California American Water (CalAm), who helped develop the 6.4 MGD Monterey Ocean Desal Project using slant well technology, completed a peer review cost estimate for the Doheny Ocean Desal Project. A workshop was held on October 30, 2019 to present the Peer Review by CalAm based on their experience in developing and bidding a project in Monterey (that plant has not been constructed due to permitting and legal issues). The CalAm presentation and review of the previous Doheny Desal cost estimate by GHD indicated some differences in capital and operating costs including a higher level of staffing for the plant as suggested by CalAm. Overall the cost differences resulted in estimated increased costs:

- Capital costs were estimated at 5.4% higher
- O&M costs were estimated at 15.8% higher

- Overall, the unit cost of water increased from \$1,556 per AF to \$1,805 per AF, an increase of \$249 per AF, an overall increase of about 16.0%

On November 14, 2019 South Coast held a workshop on the risks of slant well technology. Geoscience Support Services provided the bulk of the technical information on the use of vertical wells compared to slantwells. The main problems with vertical wells in a small basin such as the coastal portion of the San Juan Groundwater basin are:

- The potential for well screen blockage due to minerals and biofouling because the well screens do not stay submerged in water 100% of the time compared to slantwells.
- Lost water production due to declining groundwater levels.
- Potential interference from other nearby wells.
- Lower production due to aquifer thickness.

The main disadvantage of slantwells is:

- The cost of maintenance is high because the rigs to pull and replace pumps is on a slant.
- The unknown regarding the concentrated iron and manganese laden water found during the pilot testing.

Overall, the Geoscience report recommended slantwells for this type of application. Not all in attendance concurred as SMWD General Manager Dan Ferons suggested; additional groundwater basin exploration with respect to the bedrock high transmissivity, getting a third independent hydrogeological opinion on the best approach for the lower basin coastal area, and potentially installing one vertical well and one slantwell for test purposes.

Possibly the biggest issue discussed at the meeting was the apparent South Coast Board opinion that 5 mgd was too much capacity for South Coast's needs and without other partners, they may consider a plant size as small as 2.5 mgd without the oversizing improvements necessary to protect the potential for an ultimate 15 mgd project. The potential use of excess recycled supplies to be blended with ocean supplies was also discussed with the Latham wastewater plant in near proximity to the Doheny Desal Project.

Next Steps by South Coast WD:

1. Look for partners
2. Project Delivery – SCWD has begun working with Hawkins Delafield and Wood, and GHD on development of several documents for a DBO contract including; Request for Statement of Qualifications (SOQ) for potential bidders, contract documents, and a RFP package.
3. High Level Schedule (has slipped a bit due to the Regional Board schedule)
 - a. Environmental permitting

Late Summer 2020

- | | |
|--------------------------|------------|
| b. DBOM Contract Develop | Early 2020 |
| c. DBOM Contract Award | Early 2021 |
| d. Construction | Early 2023 |

SMWD Trampas Canyon Recycled Water Reservoir

Trampas Canyon Reservoir and Dam (Trampas Reservoir) is a seasonal recycled water storage reservoir, with a total capacity of 5,000 AF, of which 2,500 AF is available to meet Santa Margarita Water District's projected base recycled water demands, and 2,500 AF to meet future water supply needs. When completed, the Trampas Reservoir will allow SMWD to store recycled water in the winter and draw on that water during the peak summer months.

The construction of the Trampas Canyon Recycled Water Seasonal Storage Reservoir consists of three main components:

1. Trampas Canyon Dam (Dam)
2. Conveyance facilities to transport recycled water into and out of the Reservoir (Pipelines)
3. Trampas Canyon Pump Station (Pump Station)

The construction of the facilities is being completed in three phases:

1. Preconstruction/Site Preparation for the Dam and Pump Station Construction
 - a. Project Status - Complete
2. Dam and Pipelines
 - a. Project Status - The Construction Contract was awarded in December 2017 and is approximately 68% complete.
3. Pump Station
 - a. Project Status - The pump station construction contract was award to Kingmen Construction on November 22, 2019 for \$3.356 million. Substantial completion of the pump station is anticipated in July 2020.

Local Water Supply Integration Workshop

MWDOC held a workshop on November 6, 2019 with the SOC Agencies to focus on extension/expansion of the existing South Orange County Emergency Service Program with IRWD and to discuss emergency needs and additional options for emergency water or base-loaded projects for South OC, and to discuss the implications of integrating new local water supply sources into the regional distribution system. The following projects were discussed:

- Emergency Services Program Extension/Expansion with IRWD
- Groundwater from OCWD and/or other OC Basin Producers
- Pump-in to the EOCF#2
- PFAS and Water Quality expectations
- Doheny Desal
- Poseidon Desal
- San Juan Basin IPR
- Irvine Lake Storage
- Strand Ranch
- Peters Canyon Treatment Plant
- Oceanus/Camp Pendleton
- Reliance on MET

Black & Veatch and Hazen Sawyer provided input on the need for various water quality investigations prior to bringing new supply projects into operations. Black & Veatch also discussed the work they are conducting for MWDOC on development of a hydraulic model of the regional water system in Orange County as a tool to assist future evaluation of operational strategies. There appears to be support from the SOC agencies for such a model that could be accessed by any project proponent.

Staff is in the process of distilling information from the meeting and will be bringing back a report to a future P&O meeting.

San Juan Watershed Project

Santa Margarita WD continues to focus on diversifying its water supply portfolio for south Orange County residents, businesses, schools, and visitors. On June 21, 2019, the San Juan Watershed Environmental Impact Report (EIR) was approved.

The original project had three Phases; Phase 1 was three rubber dams recovering about 700 AFY; Phase 2 added up to 8 more rubber dams with the introduction of recycled water into the creek to improve replenishment of the basin for up to 6,120 AFY, and Phase 3 added more recycled water topping out at approximately 9,480 AFY. Under this arrangement, most or all of the production and treatment involved the existing San Juan Groundwater Desalter with expansions scheduled along the way to increase production over 5 mgd. Fish passage and regulatory hurdles to satisfy subsurface travel time requirements are presenting some difficulties.

SMWD is working with the Ranch on the next phase of development within SMWD and have access to riparian groundwater from the Ranch. Furthermore, they have discovered that the local geology has high vertical percolation rates and sufficient groundwater basin travel time to potentially allow percolation of treated recycled water. SMWD is of the opinion that groundwater production and treatment of the groundwater can be initiated in a relatively short time-frame while permitting for percolation augmentation using recycled water from the nearby Trampas reservoir can be added as permitting allows. They believe the new project area may be able to ultimately produce 4,000 to 5,000 AF per year; they believe the original project will continue to be developed for production out of the wells and

treatment provided by San Juan Capistrano as the two agencies merge. Ultimate production out of the basin could exceed 10,000 AF per year if all goes well.

South Orange County Emergency Service Program

MWDOC, IRWD, and Dudek have completed the initial draft study to determine if the existing IRWD South Orange County Interconnection capacity for providing emergency water to South Orange County can be expanded and/or extended beyond its current time horizon of 2030.

Based on the SOC meeting held on April 11, 2019, a spin-off meeting was held with MWDOC, Dudek and operations staff from MNWD and South Coast WD. The purpose was to involve the operators to determine the flexibility of the SOC agencies to deal with variable flows coming from IRWD as outlined in the study. The flows from IRWD to SOC are dependent on the internal demands within IRWD and so will vary from hour to hour and day to day. The discussions indicated that the SOC agencies have considerable flexibility to deal with this situation. The operations group further discussed the sharing of SCADA data among the agencies to have actual flow signals as to what is going on. The operations group also discussed how the system would be operated if the SCADA systems were out. Finally, the operations group had several alternatives they thought should be researched by Dudek and MWDOC. Follow-up on these options have been pursued.

Dudek participated in the November 6th workshop to re-engage with the SOC agencies on this project. Support from the agencies was expressed to take a small next step to install Variable Frequency Drives at a pump station within IRWD which would be paid for by SOC to help move water from the IRWD system to SOC in an emergency. The Variable Frequency Drives will provide more flexibility to the IRWD operations staff to allow additional water to be sent to SOC while meeting all of the IRWD needs.

Strand Ranch Project (No New Information)

Staff from MWDOC and IRWD met to discuss how to capture the benefits that can be provided by the development of “extraordinary supplies” from the Strand Ranch Project. The meeting was beneficial in understanding each other’s positions relative to emergency use and drought protection. Additional work is required based on the exchange of information and another meeting will be set.

Other Information on South County Projects

If any agencies would like to have updates included herein on any projects within your service area, please email the updates to Karl Seckel at kseckel@mwdoc.com.

**Summary Report for
The Metropolitan Water District of Southern California
Special Board Meeting
November 12, 2019**

COMMITTEE ASSIGNMENTS

Director Quiñonez was appointed as the chair of the Finance & Insurance Committee. Directors Blois, Hall and Record were appointed to the Audit and Ethics Committee. **(Agenda Item 5A)**

OTHER BOARD ITEMS

Report on and authorize Offer to Compromise in San Diego County Water Authority v. Metropolitan Water District of Southern California, et al., San Francisco County Superior Court Case Nos. CPF-10-510830, CPF-12-512466, CPF-14-514004, CPF-16-515282, CPF-16-515391, CGC-17-563350, and CPF- 18-516389; the appeal of the 2010 and 2012 actions, Court of Appeal for the First Appellate District Case Nos. A146901 and A148266 and California Supreme Court Case No. S243500; the petition for extraordinary writ in the 2010 and 2012 actions, Court of Appeal for the First Appellate District Case No. A155310; and the petition for extraordinary writ in the second 2016 action, Court of Appeal for the First Appellate District Case No. A154325 and California Supreme Court Case No. S251025; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA. **(Agenda Item 6A – Heard in closed session, no reportable action)**

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

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**Summary Report for
The Metropolitan Water District of Southern California
Board Meeting
December 10, 2019**

COMMITTEE ASSIGNMENTS

None. (Agenda Item 5C)

FINANCE AND INSURANCE COMMITTEE

Adopted Twenty-Third Supplemental Resolution to the Master Revenue Bond Resolution authorizing the issuance of up to \$270 million of Water Revenue Bonds, 2020 Series and providing the terms and conditions for the sale and issuance of said Water Revenue Bonds; and approved expenditures to fund the costs of issuance of the Bonds of approximately \$2 million to be paid from bond proceeds or Metropolitan funds. (Agenda Item 8-1)

Directed staff to incorporate the use of the 2019/20 fiscal-year-end balance of the Water Stewardship Fund to fund all demand management costs in the proposed FYs 2020/21 and 2021/22 Biennial Budget; and to not incorporate the Water Stewardship Rate, or any other rates or charges to recover demand management costs, with the proposed rates and charges for CYs 2021 and 2022. (Agenda Item 8-2)

ENGINEERING AND OPERATIONS COMMITTEE

Awarded \$5,316,900 contract to Gracon LLC to replace the discharge valve and rehabilitate the discharge structure at Gene Wash Reservoir. (Agenda Item 8-3)

Awarded \$9,237,782 procurement contract to Kubota Corporation to furnish ERDIP; awarded \$6,134,207.50 procurement contract to Northwest Pipe Company to furnish welded steel pipe; and authorized a \$300,000 increase to an agreement with Carollo Engineers Inc., for a new not-to-exceed amount of \$2.5 million. (Agenda Item 8-4)

COMMUNICATIONS AND LEGISLATION COMMITTEE

Adopted the State Legislative Priorities and Principles for 2020 as amended. (Agenda Item 8-5)

Adopted the Federal Legislative Priorities and Principles for 2020 as amended.
(Agenda Item 8-6)

WATER PLANNING AND STEWARDSHIP COMMITTEE

Authorized the General Manager to enter into a Program agreement with Bard Water District and seasonal fallowing agreements with farmers within the Bard Unit; and approved payment of up to \$1.4 million per year, escalated annually through 2026, for funding of the Program.
(Agenda Item 8-7)

Authorized the General Manager to enter into amendments to the exchange and delivery agreements with Desert Water Agency and Coachella Valley Water District consistent with terms discussed in the letter and in a form approved by the General Counsel. (Agenda Item 8-8)

Reviewed and considered the Lead Agency's certified Final EIR/EIS and take related CEQA actions, and authorized the General Manager to enter into a Local Resources Program Agreement with the San Diego County Water Authority and the City of San Diego for the San Diego Pure Water North City Project Phase 1 for up to 33,600 AFY of recycled water under the terms included in the letter. **(Agenda Item 8-9)**

CONSENT CALENDAR

In other actions, the Board:

Authorized an agreement with Industrial Electric Machinery in an amount not to exceed \$350,000. **(Agenda Item 7-1)**

Approved amendments to the Administrative Code set forth in Attachment 2 to reflect all changes recommended by the letter. **(Agenda Item 7-2)**

Approved the determination that the four reimbursable projects discussed in the letter are not collectible; and approved the write-off of such claims in the current fiscal year. **(Agenda Item 7-3)**

Authorized filing claims with the federal government for the recovery of damages to Metropolitan in the amount of approximately \$315,000. **(Agenda Item 7-4)**

Expressed support for establishing the California Water Data Consortium and approved funding of \$200,000 to make Metropolitan a founding member. **(Agenda Item 7-5)**

OTHER MATTERS

Approved Commendatory Resolutions for Directors Frank M. Heldman representing Central Basin Municipal Water District and Glen C. Dale representing the City of Los Angeles. **(Agenda Item 5D)**

Presented 10-year Service Pin to Director Brett R. Barbre. **(Agenda Item 5E)**

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Regular Board Meeting
January 14, 2020
12:00 p.m. – Boardroom

Tuesday, January 14, 2020		
Meeting Schedule		
9:00 AM	L&C	Rm. 2-145
10:00 AM	C&LR	Rm. 2-456
12:00 PM	Board Mtg	Boardroom

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

1. Call to Order

- (a) Invocation: TBD
- (b) Pledge of Allegiance: Stephen Faessel, City of Anaheim

2. Roll Call

3. Determination of a Quorum

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

5. OTHER MATTERS

- A. Approval of the Minutes of the Meeting for December 10, 2019
(A copy has been mailed to each Director)
Any additions, corrections, or omissions
- B. Report on Directors' events attended at Metropolitan expense for month of December 2019
- C. Induction of new Director Heather Repenning from the City of Los Angeles
 - (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. Chairwoman's Monthly Activity Report
- F. Presentation of Commendatory Resolution for Director Frank M. Heldman representing the Central Basin Municipal Water District
- G. Presentation of Commendatory Resolution for Director Glen C. Dake representing the City of Los Angeles
- H. Presentation of 5-year Service Pin to Director Marsha Ramos, representing the City of Burbank

6. DEPARTMENT HEADS' REPORTS

- A. General Manager's summary of activities for the month of December 2019
- B. General Counsel's summary of activities for the month of December 2019
- C. General Auditor's summary of activities for the month of December 2019
- D. Ethics Officer's summary of activities for the month of December 2019

7. CONSENT CALENDAR ITEMS — ACTION

- 7-1** Award \$594,800 contract to Kaveh Engineering & Construction, Inc. for upgrades to the De Soto valve structure on the West Valley Feeder No. 1; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA. (E&O)
- 7-2** Adopt CEQA determination that the proposed project was previously addressed in the certified 2017 Programmatic Environmental Impact Report and related CEQA actions, and authorize a five-year lease agreement with Los Angeles Community College District in an amount not-to-exceed \$850,000 for property to be used for construction staging and storage of steel liner pipe. (E&O)

- 7-3** Review and consider the County of San Diego's adopted Mitigated Negative Declaration and take related CEQA actions, and adopt resolution for the Sringeri Vidya Bharati Foundation Temple Area Annexation concurrently to San Diego County Water Authority and Metropolitan. (F&I)

END OF CONSENT CALENDAR

8. OTHER BOARD ITEMS — ACTION

- 8-1** Approve and authorize the distribution of Appendix A for use in the issuance and remarketing of Metropolitan's Bonds; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA. (F&I) **[Posting Separately]**
- 8-2** Award a contract to Suez Treatment Solutions, Inc., in an amount not-to-exceed \$4,100,000 for procurement of ozone generator dielectrics and power supply units at the Joseph Jensen Water Treatment Plant; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA. (E&O)
- 8-3** Authorize increase of \$5.5 million for capital projects costing less than \$400,000 for fiscal years 2018/19 and 2019/20; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA. (E&O)

9. BOARD INFORMATION ITEMS

9-1 Update on Conservation Program

10. OTHER BOARD ITEMS — ACTION

Consider SDCWA December 19, 2019 proposal to settle and report on *San Diego County Water Authority v. Metropolitan Water District of Southern California, et al.*, San Francisco County Superior Court Case Nos. CPF-10-510830, CPF-12-512466, CPF-14-514004, CPF-16-515282, CPF-16-515391, CGC-17-563350, and CPF-18-516389; the appeal of the 2010 and 2012 actions, Court of Appeal for the First Appellate District Case Nos. A146901 and A148266 and California Supreme Court Case No. S243500; the petition for extraordinary writ in the 2010 and 2012 actions, Court of Appeal for the First Appellate District Case No. A155310; and the petition for extraordinary writ in the second 2016 action, Court of Appeal for the First Appellate District Case No. A154325 and California Supreme Court Case No. S251025; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA.

[Conference with legal counsel – existing litigation; to be heard in closed session pursuant to Gov. Code Section 54956.9(d)(1)]

11. FOLLOW-UP ITEMS

12. FUTURE AGENDA ITEMS

13. ADJOURNMENT

NOTE: 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.